Corporate Financial Accounting 15th edition Warren Solutions Manual

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CHAPTER 2
ANALYZING TRANSACTIONS

DISCUSSION QUESTIONS

1. An account is a form designed to record changes in a particular asset, liability, stockholders' equity, revenue, or expense. A ledger is a group of related accounts.

2. The terms *debit* and *credit* may signify either an increase or a decrease, depending upon the nature of the account. For example, debits signify an increase in asset, expense, and dividends accounts but a decrease in liability, common stock, retained earnings, and revenue accounts.

3. **a.** Assuming no errors have occurred, the credit balance in the cash account resulted from writing checks for $1,850 in excess of the amount of cash on deposit.

b. The $1,850 credit balance in the cash account as of December 31 is a liability owed to the bank. It is usually referred to as an "overdraft" and should be classified on the balance sheet as a liability.

4. **a.** The revenue was earned in October.

b. (1) Debit Accounts Receivable and credit Fees Earned or another appropriately titled revenue account in October.

(2) Debit Cash and credit Accounts Receivable in November.

5. No. Errors may have been made that had the same erroneous effect on both debits and credits, such as failure to record and/or post a transaction, recording the same transaction more than once, and posting a transaction correctly but to the wrong account.

6. The listing of $9,800 is a transposition; the listing of $100 is a slide.

7. **a.** No. Because the same error occurred on both the debit side and the credit side of the trial balance, the trial balance would not be out of balance.

b. Yes. The trial balance would not balance. The error would cause the debit total of the trial balance to exceed the credit total by $90.

8. **a.** The equality of the trial balance would not be affected.

b. On the income statement, total operating expenses (salary expense) would be overstated by $7,500, and net income would be understated by $7,500. On the statement of stockholders' equity, the beginning and ending retained earnings would be correct. However, net income and dividends would be understated by $7,500. These understatements offset one another, and thus, ending retained earnings is correct. The balance sheet is not affected by the error.

9. **a.** The equality of the trial balance would not be affected.

b. On the income statement, revenues (fees earned) would be overstated by $300,000, and net income would be overstated by $300,000. On the statement of stockholders' equity, the beginning retained earnings would be correct. However, net income and ending retained earnings would be overstated by $300,000. The balance sheet total assets is correct. However, liabilities (notes payable) is understated by $300,000, and stockholders' equity (retained earnings) is overstated by $300,000. The understatement of liabilities is offset by the overstatement of stockholders' equity (retained earnings), and thus, total liabilities and stockholders' equity is correct.

10. **a.** From the viewpoint of Surety Storage, the balance of the checking account represents an asset.

b. From the viewpoint of Ada Savings Bank, the balance of the checking account represents a liability.

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BASIC EXERCISES

BE 2–1

1. **Debit and credit entries, normal credit balance**
2. **Debit and credit entries, normal debit balance**
3. **Debit entries only, normal debit balance**
4. **Debit entries only, normal debit balance**
5. **Debit entries only, normal debit balance**
6. **Credit entries only, normal credit balance**

BE 2–2

Nov.	2	Office Supplies		1,600	
		Cash			500
		Accounts Payable			1,100

BE 2–3

Aug.	13	Cash	9,000	
		Fees Earned		9,000

BE 2–4

June	30	Dividends	11,500	
		Cash		11,500

BE 2–5

Using the following T account, solve for the amount of supplies expense (indicated by ? below).

Supplies

Aug. 1 Bal.	1,025	?	Supplies expense
Supplies purchased	3,110		
Aug. 31 Bal.	1,324		

$1,324 = $1,025 + $3,110 – Supplies expense
Supplies expense = $1,025 + $3,110 – $1,324 = $2,811

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BE 2–6

a. The totals are equal because both the debit and credit entries were journalized and posted for $12,900.

b. The totals are unequal. The credit total is higher by $1,656 ($1,840 – $184).

c. The totals are unequal. The debit total is higher by $4,500 ($8,300 – $3,800).

BE 2–7

a.

Cash	8,400	
Accounts Receivable		8,400

b.

Supplies	2,500	
Office Equipment		2,500
Supplies	2,500	
Accounts Payable		2,500

Note: **The first entry in (b) reverses the incorrect entry, and the second entry records the correct entry. These two entries could also be combined into one entry as shown below; however, preparing two entries would make it easier for someone to understand later what happened and why the entries were necessary.**

Supplies	5,000	
Office Equipment		2,500
Accounts Payable		2,500

BE 2–8

Paragon Company
Income Statements
For the Years Ended December 31

	20Y7	20Y6	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Fees earned	$ 1,416,000	$1,200,000	$216,000	18.0%
Expenses	(1,044,000)	(900,000)	144,000	16.0%
Net income	$ 372,000	$ 300,000	$ 72,000	24.0%

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EXERCISES

Ex. 2–1

Balance Sheet Accounts	Income Statement Accounts
Assets	**Revenue**
Advanced Payments for Equipment[a]	Cargo Revenue
Cash	Passenger Revenue
Flight Equipment	
Fuel Inventory	
Parts and Supplies Inventories	
Prepaid Expenses	
Liabilities	**Expenses**
Accounts Payable	Aircraft Fuel (Expense)
Air Traffic Liability[b]	Aircraft Maintenance (Expense)
Frequent Flyer (Obligations)[c]	Aircraft Rent (Expense)
Taxes Payable	Contract Carrier Arrangements (Expense)[d]
	Landing Fees (Expense)[e]
	Passenger Commissions (Expense)[f]

Stockholders' Equity

None

[a] Advance payments (deposits) on aircraft to be delivered in the future
[b] Passenger ticket sales for future flights
[c] Obligations to provide frequent flyers future travel and other benefits
[d] Payments to other airlines for passenger travel under Delta tickets
[e] Fees paid to airports for landing rights
[f] Commissions paid to travel agents for passenger bookings

Ex. 2–2

Account	Account Number
Accounts Payable	21
Accounts Receivable	12
Cash	11
Common Stock	31
Dividends	33
Fees Earned	41
Land	13
Miscellaneous Expense	53
Retained Earnings	32
Supplies Expense	52
Wages Expense	51

Note: **Expense accounts are normally listed in order of magnitude from largest to smallest with Miscellaneous Expense always listed last. Since Wages Expense is normally larger than Supplies Expense, Wages Expense is listed as account number 51 and Supplies Expense as account number 52.**

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Ex. 2–3

Balance Sheet Accounts	Income Statement Accounts
1. Assets	**4. Revenue**
11 Cash	41 Fees Earned
12 Accounts Receivable	
13 Supplies	**5. Expenses**
14 Prepaid Insurance	51 Wages Expense
15 Equipment	52 Rent Expense
	53 Supplies Expense
2. Liabilities	59 Miscellaneous Expense
21 Accounts Payable	
22 Unearned Rent	
3. Stockholders' Equity	
31 Common Stock	
32 Retained Earnings	
33 Dividends	

Note: **The order of some of the accounts within the major classifications is somewhat arbitrary, as in accounts 13–14, accounts 21–22, and accounts 51–53. In a new business, the order of magnitude of balances in such accounts is not determinable in advance. The magnitude may also vary from period to period.**

Ex. 2–4

a.	debit	g.	credit
b.	debit	h.	debit
c.	debit	i.	debit
d.	credit	j.	credit
e.	debit	k.	debit
f.	credit	l.	debit

Ex. 2–5

1. debit and credit entries (c)
2. debit and credit entries (c)
3. debit and credit entries (c)
4. credit entries only (b)
5. debit entries only (a)
6. debit entries only (a)
7. debit entries only (a)

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Ex. 2–6

a. Liability—credit
b. Asset—debit
c. Asset—debit
d. Stockholders' equity (Common Stock)—credit
e. Stockholders' equity (Dividends)—debit
f. Revenue—credit
g. Asset—debit
h. Expense—debit
i. Asset—debit
j. Expense—debit

Ex. 2–7

20Y2				
Oct.	1	Rent Expense	2,500	
		Cash		2,500
	4	Advertising Expense	1,000	
		Cash		1,000
	5	Supplies	1,800	
		Cash		1,800
	6	Office Equipment	11,500	
		Accounts Payable		11,500
	12	Cash	7,500	
		Accounts Receivable		7,500
	20	Accounts Payable	2,700	
		Cash		2,700
	27	Miscellaneous Expense	700	
		Cash		700
	30	Utilities Expense	475	
		Cash		475
	31	Accounts Receivable	42,400	
		Fees Earned		42,400
	31	Utilities Expense	900	
		Cash		900
	31	Dividends	1,500	
		Cash		1,500

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Ex. 2–8

a.

JOURNAL Page 73

Date		Description	Post. Ref.	Debit	Credit
20Y9					
Feb.	11	Supplies	15	2,250	
		Accounts Payable	21		2,250
		Purchased supplies on account.			

b., c., d.

Account: Supplies Account No. 15

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Feb.	1	Balance	✓			400	
	11		73	2,250		2,650	

Account: Accounts Payable Account No. 21

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Feb.	1	Balance	✓				18,300
	11		73		2,250		20,550

e. Yes, the rules of debit and credit apply to all companies.

Ex. 2–9

a.

(1)	Accounts Receivable	112,700	
	Fees Earned		112,700
(2)	Supplies	4,500	
	Accounts Payable		4,500
(3)	Cash	88,220	
	Accounts Receivable		88,220
(4)	Accounts Payable	3,100	
	Cash		3,100

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Ex. 2–9 (Concluded)

b.

Cash			
(3)	88,220	(4)	3,100

Accounts Payable			
(4)	3,100	(2)	4,500

Supplies			
(2)	4,500		

Fees Earned			
		(1)	112,700

Accounts Receivable			
(1)	112,700	(3)	88,220

c. **No, an error may not have necessarily occurred. A credit balance in Accounts Receivable could occur if a customer overpaid his or her account. Regardless, the credit balance should be investigated to verify that an error has not occurred.**

Ex. 2–10

a. **The increase of $270,800 ($1,245,000 – $974,200) in the cash account does not indicate net income of that amount. Net income is the net change in all assets and liabilities from operating (revenue and expense) transactions.**

b. **$150,200 ($421,000 – $270,800)**

or

Cash	
X	974,200
1,245,000	
421,000	

X + $1,245,000 – $974,200 = $421,000
X = $421,000 – $1,245,000 + $974,200
X = $150,200

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Ex. 2–11

a.

Accounts Payable				
		Feb. 1		X
	186,500			201,400
		Feb. 28		59,900

X + $201,400 – $186,500 = $59,900
X = $59,900 + $186,500 – $201,400
X = $45,000

b.

Accounts Receivable				
Oct. 1		115,800		449,600
		X		
Oct. 31		130,770		

$115,800 + X – $449,600 = $130,770
X = $130,770 + $449,600 – $115,800
X = $464,570

c.

Cash				
Apr. 1		46,220		X
		248,600		
Apr. 30		56,770		

$46,220 + $248,600 – X = $56,770
X = $46,220 + $248,600 – $56,770
X = $238,050

Ex. 2–12

a. **Debit (negative) balance of $16,000 ($314,000 – $10,000 – $320,000). This negative balance means that the liabilities of the business exceed the assets.**

b. **Yes. The balance sheet prepared at December 31 will balance, with Retained Earnings being reported in the stockholders' equity section as a debit (negative) balance of $16,000.**

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Ex. 2–13

a. and b.

	Account Debited		Account Credited	
Transaction	Type	Effect	Type	Effect
(1)	asset	+	stockholders' equity	+
(2)	asset	+	asset	–
(3)	asset	+	asset	–
			liability	+
(4)	expense	+	asset	–
(5)	asset	+	revenue	+
(6)	liability	–	asset	–
(7)	asset	+	asset	–
(8)	expense	+	asset	–
(9)	dividend	+	asset	–

Ex. 2–14

(1)	Cash	40,000	
	Common Stock		40,000
(2)	Supplies	4,000	
	Cash		4,000
(3)	Equipment	15,000	
	Accounts Payable		10,000
	Cash		5,000
(4)	Operating Expenses	6,175	
	Cash		6,175
(5)	Accounts Receivable	20,500	
	Service Revenue		20,500
(6)	Accounts Payable	6,000	
	Cash		6,000
(7)	Cash	13,100	
	Accounts Receivable		13,100
(8)	Operating Expenses	2,200	
	Supplies		2,200
(9)	Dividends	1,500	
	Cash		1,500

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Ex. 2–15

a.

Rocky Mountain Tours Co. Unadjusted Trial Balance June 30, 20Y2		
	Debit Balances	Credit Balances
Cash	30,425	
Accounts Receivable	7,400	
Supplies	1,800	
Equipment	15,000	
Accounts Payable		4,000
Common Stock		40,000
Dividends	1,500	
Service Revenue		20,500
Operating Expenses	8,375	
	64,500	64,500

b. **Net income, $12,125 ($20,500 – $8,375)**

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Ex. 2–16

Seaside Furniture Company Unadjusted Trial Balance August 31, 20Y5		
	Debit Balances	Credit Balances
Cash	426,800	
Accounts Receivable	660,500	
Supplies	11,200	
Prepaid Insurance	21,600	
Land	1,850,000	
Accounts Payable		118,600
Unearned Rent		12,000
Notes Payable		75,000
Common Stock		150,000
Retained Earnings		1,814,400
Dividends	36,000	
Fees Earned		4,330,000
Wages Expense	2,950,000	
Rent Expense	390,000	
Utilities Expense	82,000	
Supplies Expense	23,700	
Insurance Expense	18,000	
Miscellaneous Expense	30,200	
	6,500,000	6,500,000

Cash = $6,500,000 – $30,200 – $18,000 – $23,700 – $82,000 – $390,000 – $2,950,000 – $36,000 – $1,850,000 – $21,600 – $11,200 – $660,500 = $426,800

Ex. 2–17

Inequality of trial balance totals would be caused by errors described in (c) and (e). For (c), the debit total would exceed the credit total by $9,900 ($4,950 + $4,950). For (e), the credit total would exceed the debit total by $17,100 ($19,000 – $1,900).

Errors (b), (c), (d), and (e) would require correcting entries. Although it is not a correcting entry, the entry that was not made in (a) should also be entered in the journal.

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Ex. 2–18

Ranger Co. Unadjusted Trial Balance August 31, 20Y1		
	Debit Balances	Credit Balances
Cash	15,500	
Accounts Receivable	46,750	
Prepaid Insurance	12,000	
Equipment	190,000	
Accounts Payable		24,600
Unearned Rent		5,400
Common Stock		40,000
Retained Earnings		70,000
Dividends	13,000	
Service Revenue		385,000
Wages Expense	213,000	
Advertising Expense	16,350	
Miscellaneous Expense	18,400	
	525,000	525,000

Ex. 2–19

Error	(a) Out of Balance	(b) Difference	(c) Larger Total
1.	yes	$6,000	debit
2.	no	—	—
3.	yes	5,400	credit
4.	yes	480	debit
5.	no	—	—
6.	yes	90	credit
7.	yes	360	credit

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Ex. 2–20

1. **The Debit column total is added incorrectly. The sum is $1,098,500 rather than $1,801,500.**
2. **The trial balance should be dated "December 31, 20Y8," not "For the Year Ending December 31, 20Y8."**
3. **The Accounts Receivable balance should be in the Debit column.**
4. **The Accounts Payable balance should be in the Credit column.**
5. **The Dividends balance should be in the Debit column.**
6. **The Advertising Expense balance should be in the Debit column.**

A corrected trial balance would be as follows:

Ensemble Co. Unadjusted Trial Balance December 31, 20Y8		
	Debit Balances	Credit Balances
Cash	42,900	
Accounts Receivable	123,500	
Prepaid Insurance	27,000	
Equipment	300,000	
Accounts Payable		52,000
Salaries Payable		4,800
Common Stock		40,000
Retained Earnings		137,200
Dividends	5,000	
Service Revenue		1,216,000
Salary Expense	660,000	
Advertising Expense	275,000	
Miscellaneous Expense	16,600	
	1,450,000	1,450,000

Ex. 2–21

a. The correction could be made with one or two entries as follows:

Prepaid Insurance	36,000	
Insurance Expense		18,000
Cash		18,000

or (reverse original entry)

Prepaid Insurance	18,000	
Insurance Expense		18,000
Prepaid Insurance	18,000	
Cash		18,000

b.

Dividends	10,000	
Wages Expense		10,000

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Ex. 2–22

a.

Cash	17,600	
Fees Earned		8,800
Accounts Receivable		8,800

b.

Accounts Payable	1,760	
Supplies Expense		1,760

Supplies	1,760	
Cash		1,760

Note: **The first entry reverses the original entry. The second entry is the entry that should have been made initially.**

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PROBLEMS

Prob. 2–1A

1. and 2.

Cash			
(a)	30,000	(b)	2,500
(g)	9,000	(c)	6,000
		(e)	2,100
		(f)	3,600
		(h)	2,600
		(i)	4,000
		(j)	1,875
		(m)	6,000
		(n)	1,300
Bal.	9,025		

Accounts Receivable			
(l)	31,400		

Supplies			
(e)	2,100		

Prepaid Insurance			
(f)	3,600		

Automobiles			
(c)	28,500		

Equipment			
(d)	8,000		

Notes Payable			
(j)	1,875	(c)	22,500
		Bal.	20,625

Accounts Payable			
(i)	4,000	(d)	8,000
		(k)	5,500
		Bal.	9,500

Common Stock			
		(a)	30,000

Professional Fees			
		(g)	9,000
		(l)	31,400
		Bal.	40,400

Salary Expense			
(m)	6,000		

Blueprint Expense			
(k)	5,500		

Rent Expense			
(b)	2,500		

Automobile Expense			
(n)	1,300		

Miscellaneous Expense			
(h)	2,600		

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Prob. 2–1A (Concluded)

3.

Knaus Architects Unadjusted Trial Balance January 31, 20Y4		
	Debit Balances	Credit Balances
Cash	9,025	
Accounts Receivable	31,400	
Supplies	2,100	
Prepaid Insurance	3,600	
Automobiles	28,500	
Equipment	8,000	
Notes Payable		20,625
Accounts Payable		9,500
Common Stock		30,000
Professional Fees		40,400
Salary Expense	6,000	
Blueprint Expense	5,500	
Rent Expense	2,500	
Automobile Expense	1,300	
Miscellaneous Expense	2,600	
	100,525	100,525

4. **Net income, $22,500 ($40,400 – $6,000 – $5,500 – $2,500 – $1,300 – $2,600)**

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Prob. 2–2A

1.

(a)	Cash	40,000	
	Common Stock		40,000
(b)	Rent Expense	4,800	
	Cash		4,800
(c)	Supplies	2,150	
	Accounts Payable		2,150
(d)	Accounts Payable	1,100	
	Cash		1,100
(e)	Cash	18,750	
	Sales Commissions		18,750
(f)	Automobile Expense	1,580	
	Miscellaneous Expense	800	
	Cash		2,380
(g)	Office Salaries Expense	3,500	
	Cash		3,500
(h)	Supplies Expense	1,300	
	Supplies		1,300
(i)	Dividends	1,500	
	Cash		1,500

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Prob. 2–2A (Continued)

2.

Cash

(a)	40,000	(b)	4,800
(e)	18,750	(d)	1,100
		(f)	2,380
		(g)	3,500
		(i)	1,500
Bal.	45,470		

Supplies

(c)	2,150	(h)	1,300
Bal.	850		

Accounts Payable

(d)	1,100	(c)	2,150
		Bal.	1,050

Common Stock

		(a)	40,000

Dividends

(i)	1,500

Sales Commissions

		(e)	18,750

Rent Expense

(b)	4,800

Office Salaries Expense

(g)	3,500

Automobile Expense

(f)	1,580

Supplies Expense

(h)	1,300

Miscellaneous Expense

(f)	800

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Prob. 2–2A (Concluded)

3.

Affordable Realty Unadjusted Trial Balance October 31, 20Y6		
	Debit Balances	Credit Balances
Cash	45,470	
Supplies	850	
Accounts Payable		1,050
Common Stock		40,000
Dividends	1,500	
Sales Commissions		18,750
Rent Expense	4,800	
Office Salaries Expense	3,500	
Automobile Expense	1,580	
Supplies Expense	1,300	
Miscellaneous Expense	800	
	59,800	59,800

4. a. $18,750
b. $11,980 ($4,800 + $3,500 + $1,580 + $1,300 + $800)
c. $6,770 ($18,750 – $11,980)

5. $5,270, which is the excess of net income of $6,770 over the dividends of $1,500.

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Prob. 2–3A

1.

JOURNAL Page 1

Date		Description	Post. Ref.	Debit	Credit
20Y9					
Nov.	1	Cash	11	50,000	
		Common Stock	31		50,000
	1	Rent Expense	53	4,000	
		Cash	11		4,000
	6	Equipment	16	15,000	
		Accounts Payable	22		15,000
	8	Truck	18	38,500	
		Cash	11		5,000
		Notes Payable	21		33,500
	10	Supplies	13	1,750	
		Cash	11		1,750
	12	Cash	11	11,500	
		Fees Earned	41		11,500
	15	Prepaid Insurance	14	2,400	
		Cash	11		2,400
	23	Accounts Receivable	12	22,300	
		Fees Earned	41		22,300
	24	Truck Expense	55	1,250	
		Accounts Payable	22		1,250

JOURNAL Page 2

Date		Description	Post. Ref.	Debit	Credit
20Y9					
Nov.	29	Utilities Expense	54	4,500	
		Cash	11		4,500
	29	Miscellaneous Expense	59	1,000	
		Cash	11		1,000

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Prob. 2–3A (Continued)

	30	Cash	11	9,000	
		Accounts Receivable	12		9,000
	30	Wages Expense	51	6,800	
		Cash	11		6,800
	30	Accounts Payable	22	3,000	
		Cash	11		3,000
	30	Dividends	33	2,500	
		Cash	11		2,500

2.

GENERAL LEDGER

Account: Cash **Account No.** 11

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	1		1	50,000		50,000	
	1		1		4,000	46,000	
	8		1		5,000	41,000	
	10		1		1,750	39,250	
	12		1	11,500		50,750	
	15		1		2,400	48,350	
	29		2		4,500	43,850	
	29		2		1,000	42,850	
	30		2	9,000		51,850	
	30		2		6,800	45,050	
	30		2		3,000	42,050	
	30		2		2,500	39,550	

Account: Accounts Receivable **Account No.** 12

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	23		1	22,300		22,300	
	30		2		9,000	13,300	

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Prob. 2–3A (Continued)

Account: Supplies **Account No. 13**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	10		1	1,750		1,750	

Account: Prepaid Insurance **Account No. 14**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	15		1	2,400		2,400	

Account: Equipment **Account No. 16**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	6		1	15,000		15,000	

Account: Truck **Account No. 18**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	8		1	38,500		38,500	

Account: Notes Payable **Account No. 21**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	8		1		33,500		33,500

Account: Accounts Payable **Account No. 22**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	6		1		15,000		15,000
	24		1		1,250		16,250
	30		2	3,000			13,250

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Prob. 2–3A (Continued)

Account: Common Stock Account No. 31

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	1		1		50,000		50,000

Account: Dividends Account No. 33

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	30		2	2,500		2,500	

Account: Fees Earned Account No. 41

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	12		1		11,500		11,500
	23		1		22,300		33,800

Account: Wages Expense Account No. 51

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	30		2	6,800		6,800	

Account: Rent Expense Account No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	1		1	4,000		4,000	

Account: Utilities Expense Account No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	29		2	4,500		4,500	

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Prob. 2–3A (Continued)

Account: Truck Expense **Account No.** 55

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	24		1	1,250		1,250	

Account: Miscellaneous Expense **Account No.** 59

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y9							
Nov.	29		2	1,000		1,000	

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Prob. 2–3A (Concluded)

3.

Heritage Designs
Unadjusted Trial Balance
November 30, 20Y9

	Account No.	Debit Balances	Credit Balances
Cash	11	39,550	
Accounts Receivable	12	13,300	
Supplies	13	1,750	
Prepaid Insurance	14	2,400	
Equipment	16	15,000	
Truck	18	38,500	
Notes Payable	21		33,500
Accounts Payable	22		13,250
Common Stock	31		50,000
Dividends	33	2,500	
Fees Earned	41		33,800
Wages Expense	51	6,800	
Rent Expense	53	4,000	
Utilities Expense	54	4,500	
Truck Expense	55	1,250	
Miscellaneous Expense	59	1,000	
		130,550	130,550

4. **$16,250 ($33,800 – $6,800 – $4,000 – $4,500 – $1,250 – $1,000)**

5. **Some supplies may have been used during November, but no supplies expense has been recorded.**

As will be discussed in Chapter 3, adjustments are necessary at the end of the accounting period to bring the accounts up to date. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required by Heritage Designs.

Note to Instructors: **At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.**

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Prob. 2–4A

2. and 3.

JOURNAL Page 18

Date		Description	Post. Ref.	Debit	Credit
20Y3					
Apr.	1	Rent Expense	52	6,500	
		Cash	11		6,500
	2	Office Supplies	14	2,300	
		Accounts Payable	21		2,300
	5	Prepaid Insurance	13	6,000	
		Cash	11		6,000
	10	Cash	11	52,300	
		Accounts Receivable	12		52,300
	15	Land	16	200,000	
		Cash	11		30,000
		Notes Payable	23		170,000
	17	Accounts Payable	21	6,450	
		Cash	11		6,450
	20	Accounts Payable	21	325	
		Office Supplies	14		325
	23	Advertising Expense	53	4,300	
		Cash	11		4,300

JOURNAL Page 19

Date		Description	Post. Ref.	Debit	Credit
20Y3					
Apr.	27	Cash	11	2,500	
		Salary and Commission Expense	51		2,500
	28	Automobile Expense	54	1,500	
		Cash	11		1,500
	29	Miscellaneous Expense	59	1,400	
		Cash	11		1,400

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Prob. 2–4A (Continued)

	30	Accounts Receivable	12	57,000	
		Fees Earned	41		57,000
	30	Salary and Commission Expense	51	11,900	
		Cash	11		11,900
	30	Dividends	33	4,000	
		Cash	11		4,000
	30	Cash	11	10,000	
		Unearned Rent	22		10,000

1. and 3.

GENERAL LEDGER

Account: Cash Account No. 11

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			26,300	
	1		18		6,500	19,800	
	5		18		6,000	13,800	
	10		18	52,300		66,100	
	15		18		30,000	36,100	
	17		18		6,450	29,650	
	23		18		4,300	25,350	
	27		19	2,500		27,850	
	28		19		1,500	26,350	
	29		19		1,400	24,950	
	30		19		11,900	13,050	
	30		19		4,000	9,050	
	30		19	10,000		19,050	

Account: Accounts Receivable Account No. 12

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			61,500	
	10		18		52,300	9,200	
	30		19	57,000		66,200	

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Prob. 2–4A (Continued)

Account: Prepaid Insurance **Account No.** 13

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			3,000	
	5		18	6,000		9,000	

Account: Office Supplies **Account No.** 14

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			1,800	
	2		18	2,300		4,100	
	20		18		325	3,775	

Account: Land **Account No.** 16

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	15		18	200,000		200,000	

Account: Accounts Payable **Account No.** 21

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓				14,000
	2		18		2,300		16,300
	17		18	6,450			9,850
	20		18	325			9,525

Account: Unearned Rent **Account No.** 22

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	30		19		10,000		10,000

Account: Notes Payable **Account No.** 23

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	15		18		170,000		170,000

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Prob. 2–4A (Continued)

Account: Common Stock Account No. 31

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓				10,000

Account: Retained Earnings Account No. 32

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓				36,000

Account: Dividends Account No. 33

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			2,000	
	30		19	4,000		6,000	

Account: Fees Earned Account No. 41

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓				240,000
	30		19		57,000		297,000

Account: Salary and Commission Expense Account No. 51

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			148,200	
	27		19		2,500	145,700	
	30		19	11,900		157,600	

Account: Rent Expense Account No. 52

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			30,000	
	1		18	6,500		36,500	

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Prob. 2–4A (Continued)

Account: Advertising Expense Account No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			17,800	
	23		18	4,300		22,100	

Account: Automobile Expense Account No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			5,500	
	28		19	1,500		7,000	

Account: Miscellaneous Expense Account No. 59

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3							
Apr.	1	Balance	✓			3,900	
	29		19	1,400		5,300	

4.

Elite Realty
Unadjusted Trial Balance
April 30, 20Y3

	Account No.	Debit Balances	Credit Balances
Cash	11	19,050	
Accounts Receivable	12	66,200	
Prepaid Insurance	13	9,000	
Office Supplies	14	3,775	
Land	16	200,000	
Accounts Payable	21		9,525
Unearned Rent	22		10,000
Notes Payable	23		170,000
Common Stock	31		10,000
Retained Earnings	32		36,000
Dividends	33	6,000	
Fees Earned	41		297,000
Salary and Commission Expense	51	157,600	
Rent Expense	52	36,500	
Advertising Expense	53	22,100	
Automobile Expense	54	7,000	
Miscellaneous Expense	59	5,300	
		532,525	532,525

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Prob. 2–4A (Concluded)

5. (a) The unadjusted trial balance in (4) still balances because the debits equaled the credits in the original journal entry.

(b) The correcting entry for $7,200 ($19,100 – $11,900) would be as follows:

JOURNAL Page 19

Date		Description	Post. Ref.	Debit	Credit
20Y3					
Apr.	30	Salary and Commission Expense	51	7,200	
		Cash	11		7,200

(c) Transposition

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Prob. 2–5A

1.

The Lexington Group
Unadjusted Trial Balance
May 31, 20Y6

	Debit Balances	Credit Balances
Cash	18,750	
Accounts Receivable	53,500	
Supplies	2,225	
Prepaid Insurance	7,400	
Equipment	171,175	
Notes Payable		45,000
Accounts Payable		36,000
Common Stock		50,000
Retained Earnings		89,150
Dividends	20,000	
Fees Earned		429,850
Wages Expense	270,000	
Rent Expense	60,300	
Advertising Expense	25,200	
Gas, Electricity, and Water Expense	16,350	
Miscellaneous Expense	5,100	
	650,000	650,000

Cash = $20,350 – $7,000 (a) + $5,400 (b) = $18,750

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

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Prob. 2–1B

1. and 2.

Cash

(a)	18,000	(b)	2,500
(g)	12,000	(c)	3,150
		(d)	1,450
		(f)	2,400
		(h)	1,800
		(i)	375
		(l)	2,800
		(m)	200
		(n)	300
		(o)	550
Bal.	14,475		

Accounts Receivable

(k)	15,650		

Supplies

(d)	1,450		

Prepaid Insurance

(f)	2,400		

Automobiles

(b)	19,500		

Equipment

(e)	6,500		

Notes Payable

(n)	300	(b)	17,000
		Bal.	16,700

Accounts Payable

(h)	1,800	(e)	6,500
		(j)	2,500
		Bal.	7,200

Common Stock

		(a)	18,000

Professional Fees

		(g)	12,000
		(k)	15,650
		Bal.	27,650

Rent Expense

(c)	3,150		

Salary Expense

(l)	2,800		

Blueprint Expense

(j)	2,500		

Automobile Expense

(o)	550		

Miscellaneous Expense

(i)	375		
(m)	200		
Bal.	575		

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Prob. 2–1B (Concluded)

3.

Jones Architects Unadjusted Trial Balance April 30, 20Y2		
	Debit Balances	Credit Balances
Cash	14,475	
Accounts Receivable	15,650	
Supplies	1,450	
Prepaid Insurance	2,400	
Automobiles	19,500	
Equipment	6,500	
Notes Payable		16,700
Accounts Payable		7,200
Common Stock		18,000
Professional Fees		27,650
Rent Expense	3,150	
Salary Expense	2,800	
Blueprint Expense	2,500	
Automobile Expense	550	
Miscellaneous Expense	575	
	69,550	69,550

4. Net income, $18,075 ($27,650 – $3,150 – $2,800 – $2,500 – $550 – $575)

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Prob. 2–2B

1.

(a)	Cash	17,500	
	Common Stock		17,500
(b)	Supplies	2,300	
	Accounts Payable		2,300
(c)	Cash	13,300	
	Sales Commissions		13,300
(d)	Rent Expense	3,000	
	Cash		3,000
(e)	Accounts Payable	1,150	
	Cash		1,150
(f)	Dividends	1,800	
	Cash		1,800
(g)	Automobile Expense	1,500	
	Miscellaneous Expense	400	
	Cash		1,900
(h)	Office Salaries Expense	2,800	
	Cash		2,800
(i)	Supplies Expense	1,050	
	Supplies		1,050

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Prob. 2–2B (Continued)

2.

Cash			
(a)	17,500	(d)	3,000
(c)	13,300	(e)	1,150
		(f)	1,800
		(g)	1,900
		(h)	2,800
Bal.	20,150		

Sales Commissions			
		(c)	13,300

Rent Expense			
(d)	3,000		

Supplies			
(b)	2,300	(i)	1,050
Bal.	1,250		

Office Salaries Expense			
(h)	2,800		

Accounts Payable			
(e)	1,150	(b)	2,300
		Bal.	1,150

Automobile Expense			
(g)	1,500		

Common Stock			
		(a)	17,500

Supplies Expense			
(i)	1,050		

Dividends			
(f)	1,800		

Miscellaneous Expense			
(g)	400		

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Prob. 2–2B (Concluded)

3.

Planet Realty Unadjusted Trial Balance August 31, 20Y7		
	Debit Balances	Credit Balances
Cash	20,150	
Supplies	1,250	
Accounts Payable		1,150
Common Stock		17,500
Dividends	1,800	
Sales Commissions		13,300
Rent Expense	3,000	
Office Salaries Expense	2,800	
Automobile Expense	1,500	
Supplies Expense	1,050	
Miscellaneous Expense	400	
	31,950	31,950

4. a. $13,300
b. $8,750 ($3,000 + $2,800 + $1,500 + $1,050 + $400)
c. $4,550 ($13,300 – $8,750)

5. $2,750, which is the excess of net income of $4,550 over the dividends of $1,800.

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Prob. 2–3B

1.

JOURNAL Page 1

Date		Description	Post. Ref.	Debit	Credit
20Y4					
Oct.	1	Cash	11	18,000	
		Common Stock	31		18,000
	4	Rent Expense	53	3,000	
		Cash	11		3,000
	10	Truck	18	23,750	
		Cash	11		3,750
		Notes Payable	21		20,000
	13	Equipment	16	10,500	
		Accounts Payable	22		10,500
	14	Supplies	13	2,100	
		Cash	11		2,100
	15	Prepaid Insurance	14	3,600	
		Cash	11		3,600
	15	Cash	11	8,950	
		Fees Earned	41		8,950

JOURNAL Page 2

Date		Description	Post. Ref.	Debit	Credit
20Y4					
Oct.	21	Accounts Payable	22	2,000	
		Cash	11		2,000
	24	Accounts Receivable	12	14,150	
		Fees Earned	41		14,150
	26	Truck Expense	55	700	
		Accounts Payable	22		700
	27	Utilities Expense	54	2,240	
		Cash	11		2,240

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Prob. 2–3B (Continued)

	27	Miscellaneous Expense	59	1,100	
		Cash	11		1,100
	29	Cash	11	7,600	
		Accounts Receivable	12		7,600
	30	Wages Expense	51	4,800	
		Cash	11		4,800
	31	Dividends	33	3,500	
		Cash	11		3,500

2.

GENERAL LEDGER

Account: Cash **Account No.** 11

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	1		1	18,000		18,000	
	4		1		3,000	15,000	
	10		1		3,750	11,250	
	14		1		2,100	9,150	
	15		1		3,600	5,550	
	15		1	8,950		14,500	
	21		2		2,000	12,500	
	27		2		2,240	10,260	
	27		2		1,100	9,160	
	29		2	7,600		16,760	
	30		2		4,800	11,960	
	31		2		3,500	8,460	

Account: Accounts Receivable **Account No.** 12

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	24		2	14,150		14,150	
	29		2		7,600	6,550	

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Prob. 2–3B (Continued)

Account: Supplies **Account No. 13**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	14		1	2,100		2,100	

Account: Prepaid Insurance **Account No. 14**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	15		1	3,600		3,600	

Account: Equipment **Account No. 16**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	13		1	10,500		10,500	

Account: Truck **Account No. 18**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	10		1	23,750		23,750	

Account: Notes Payable **Account No. 21**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	10		1		20,000		20,000

Account: Accounts Payable **Account No. 22**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	13		1		10,500		10,500
	21		2	2,000			8,500
	26		2		700		9,200

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Prob. 2–3B (Continued)

Account: Common Stock **Account No.** 31

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	1		1		18,000		18,000

Account: Dividends **Account No.** 33

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	31		2	3,500		3,500	

Account: Fees Earned **Account No.** 41

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	15		1		8,950		8,950
	24		2		14,150		23,100

Account: Wages Expense **Account No.** 51

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	30		2	4,800		4,800	

Account: Rent Expense **Account No.** 53

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	4		1	3,000		3,000	

Account: Utilities Expense **Account No.** 54

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y4							
Oct.	27		2	2,240		2,240	

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Prob. 2–3B (Continued)

Account: Truck Expense **Account No.** 55

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	26		2	700		700	

Account: Miscellaneous Expense **Account No.** 59

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	27		2	1,100		1,100	

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Prob. 2–3B (Concluded)

3.

Pioneer Designs
Unadjusted Trial Balance
October 31, 20Y4

	Account No.	Debit Balances	Credit Balances
Cash	11	8,460	
Accounts Receivable	12	6,550	
Supplies	13	2,100	
Prepaid Insurance	14	3,600	
Equipment	16	10,500	
Truck	18	23,750	
Notes Payable	21		20,000
Accounts Payable	22		9,200
Common Stock	31		18,000
Dividends	33	3,500	
Fees Earned	41		23,100
Wages Expense	51	4,800	
Rent Expense	53	3,000	
Utilities Expense	54	2,240	
Truck Expense	55	700	
Miscellaneous Expense	59	1,100	
		70,300	70,300

4. **$11,260 ($23,100 – $4,800 – $3,000 – $2,240 – $700 – $1,100)**

5. **Some supplies may have been used during October, but no supplies expense has been recorded.**

As will be discussed in Chapter 3, adjustments are necessary at the end of the accounting period to bring the accounts up to date. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required by Pioneer Designs.

Note to Instructors: **At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.**

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Prob. 2–4B

2. and 3.

JOURNAL Page 18

Date		Description	Post. Ref.	Debit	Credit
20Y8					
Aug.	1	Office Supplies	14	3,150	
		Accounts Payable	21		3,150
	2	Rent Expense	52	7,200	
		Cash	11		7,200
	3	Cash	11	83,900	
		Accounts Receivable	12		83,900
	5	Prepaid Insurance	13	12,000	
		Cash	11		12,000
	9	Accounts Payable	21	400	
		Office Supplies	14		400
	17	Advertising Expense	53	8,000	
		Cash	11		8,000
	23	Accounts Payable	21	13,750	
		Cash	11		13,750

JOURNAL Page 19

Date		Description	Post. Ref.	Debit	Credit
20Y8					
Aug.	29	Miscellaneous Expense	59	1,700	
		Cash	11		1,700
	30	Automobile Expense	54	2,500	
		Cash	11		2,500
	31	Cash	11	2,000	
		Salary and Commission Expense	51		2,000
	31	Salary and Commission Expense	51	53,000	
		Cash	11		53,000

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Prob. 2–4B (Continued)

	31	Accounts Receivable	12	183,500	
		Fees Earned	41		183,500
	31	Land	16	75,000	
		Cash	11		7,500
		Notes Payable	23		67,500
	31	Dividends	33	1,000	
		Cash	11		1,000
	31	Cash	11	5,000	
		Unearned Rent	22		5,000

1. and 3.

GENERAL LEDGER

Account: Cash Account No. 11

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			52,500	
	2		18		7,200	45,300	
	3		18	83,900		129,200	
	5		18		12,000	117,200	
	17		18		8,000	109,200	
	23		18		13,750	95,450	
	29		19		1,700	93,750	
	30		19		2,500	91,250	
	31		19	2,000		93,250	
	31		19		53,000	40,250	
	31		19		7,500	32,750	
	31		19		1,000	31,750	
	31		19	5,000		36,750	

Account: Accounts Receivable Account No. 12

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			100,100	
	3		18		83,900	16,200	
	31		19	183,500		199,700	

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Prob. 2–4B (Continued)

Account: Prepaid Insurance **Account No.** 13

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			12,600	
	5		18	12,000		24,600	

Account: Office Supplies **Account No.** 14

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			2,800	
	1		18	3,150		5,950	
	9		18		400	5,550	

Account: Land **Account No.** 16

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	31		19	75,000		75,000	

Account: Accounts Payable **Account No.** 21

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓				21,000
	1		18		3,150		24,150
	9		18	400			23,750
	23		18	13,750			10,000

Account: Unearned Rent **Account No.** 22

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	31		19		5,000		5,000

Account: Notes Payable **Account No.** 23

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	31		19		67,500		67,500

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Prob. 2–4B (Continued)

Account: Common Stock Account No. 31

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓				17,500

Account: Retained Earnings Account No. 32

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓				70,000

Account: Dividends Account No. 33

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			44,800	
	31		19	1,000		45,800	

Account: Fees Earned Account No. 41

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓				591,500
	31		19		183,500		775,000

Account: Salary and Commission Expense Account No. 51

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			385,000	
	31		19		2,000	383,000	
	31		19	53,000		436,000	

Account: Rent Expense Account No. 52

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y8							
Aug.	1	Balance	✓			49,000	
	2		18	7,200		56,200	

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Prob. 2–4B (Continued)

Account: Advertising Expense **Account No.** 53

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			32,200	
	17		18	8,000		40,200	

Account: Automobile Expense **Account No.** 54

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			15,750	
	30		19	2,500		18,250	

Account: Miscellaneous Expense **Account No.** 59

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			5,250	
	29		19	1,700		6,950	

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Prob. 2–4B (Concluded)

4.

Valley Realty Unadjusted Trial Balance August 31, 20Y8			
	Account No.	Debit Balances	Credit Balances
Cash	11	36,750	
Accounts Receivable	12	199,700	
Prepaid Insurance	13	24,600	
Office Supplies	14	5,550	
Land	16	75,000	
Accounts Payable	21		10,000
Unearned Rent	22		5,000
Notes Payable	23		67,500
Common Stock	31		17,500
Retained Earnings	32		70,000
Dividends	33	45,800	
Fees Earned	41		775,000
Salary and Commission Expense	51	436,000	
Rent Expense	52	56,200	
Advertising Expense	53	40,200	
Automobile Expense	54	18,250	
Miscellaneous Expense	59	6,950	
		945,000	945,000

5. (a) The unadjusted trial balance in (4) still balances because the debits equaled the credits in the original journal entry.

(b) The correcting entry for $9,000 ($10,000 – $1,000) would be as follows:

JOURNAL Page 19

Date		Description	Post. Ref.	Debit	Credit
20Y8					
Aug.	31	Dividends	33	9,000	
		Cash	11		9,000

(c) Slide

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Prob. 2–5B

1.

Tech Support Services
Unadjusted Trial Balance
January 31, 20Y5

	Debit Balances	Credit Balances
Cash	20,250	
Accounts Receivable	56,400	
Supplies	6,750	
Prepaid Insurance	9,600	
Equipment	162,000	
Notes Payable		54,000
Accounts Payable		16,650
Common Stock		18,000
Retained Earnings		89,850
Dividends	39,000	
Fees Earned		534,000
Wages Expense	306,000	
Rent Expense	62,550	
Advertising Expense	28,350	
Gas, Electricity, and Water Expense	17,000	
Miscellaneous Expense	4,600	
	712,500	712,500

Cash = $25,550 – $8,000 (a) + $2,700 (b)

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

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CONTINUING PROBLEM

2. and 3.

JOURNAL Page 1

Date		Description	Post. Ref.	Debit	Credit
20Y5					
July	1	Cash	11	5,000	
		Common Stock	31		5,000
	1	Office Rent Expense	51	1,750	
		Cash	11		1,750
	1	Prepaid Insurance	15	2,700	
		Cash	11		2,700
	2	Cash	11	1,000	
		Accounts Receivable	12		1,000
	3	Cash	11	7,200	
		Unearned Revenue	23		7,200
	3	Accounts Payable	21	250	
		Cash	11		250
	4	Miscellaneous Expense	59	900	
		Cash	11		900
	5	Office Equipment	17	7,500	
		Accounts Payable	21		7,500
	8	Advertising Expense	55	200	
		Cash	11		200
	11	Cash	11	1,000	
		Fees Earned	41		1,000
	13	Equipment Rent Expense	52	700	
		Cash	11		700
	14	Wages Expense	50	1,200	
		Cash	11		1,200

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Continuing Problem (Continued)

2. and 3.

JOURNAL Page 2

Date		Description	Post. Ref.	Debit	Credit
20Y5					
July	16	Cash	11	2,000	
		Fees Earned	41		2,000
	18	Supplies	14	850	
		Accounts Payable	21		850
	21	Music Expense	54	620	
		Cash	11		620
	22	Advertising Expense	55	800	
		Cash	11		800
	23	Cash	11	750	
		Accounts Receivable	12	1,750	
		Fees Earned	41		2,500
	27	Utilities Expense	53	915	
		Cash	11		915
	28	Wages Expense	50	1,200	
		Cash	11		1,200
	29	Miscellaneous Expense	59	540	
		Cash	11		540
	30	Cash	11	500	
		Accounts Receivable	12	1,000	
		Fees Earned	41		1,500
	31	Cash	11	3,000	
		Fees Earned	41		3,000
	31	Music Expense	54	1,400	
		Cash	11		1,400
	31	Dividends	33	1,250	
		Cash	11		1,250

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Continuing Problem (Continued)

1. and 3.

Account: Cash **Account No.** 11

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			3,920	
	1		1	5,000		8,920	
	1		1		1,750	7,170	
	1		1		2,700	4,470	
	2		1	1,000		5,470	
	3		1	7,200		12,670	
	3		1		250	12,420	
	4		1		900	11,520	
	8		1		200	11,320	
	11		1	1,000		12,320	
	13		1		700	11,620	
	14		1		1,200	10,420	
	16		2	2,000		12,420	
	21		2		620	11,800	
	22		2		800	11,000	
	23		2	750		11,750	
	27		2		915	10,835	
	28		2		1,200	9,635	
	29		2		540	9,095	
	30		2	500		9,595	
	31		2	3,000		12,595	
	31		2		1,400	11,195	
	31		2		1,250	9,945	

Account: Accounts Receivable **Account No.** 12

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			1,000	
	2		1		1,000	—	—
	23		2	1,750		1,750	
	30		2	1,000		2,750	

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Continuing Problem (Continued)

Account: Supplies **Account No. 14**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			170	
	18		2	850		1,020	

Account: Prepaid Insurance **Account No. 15**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1		1	2,700		2,700	

Account: Office Equipment **Account No. 17**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	5		1	7,500		7,500	

Account: Accounts Payable **Account No. 21**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓				250
	3		1	250		—	—
	5		1		7,500		7,500
	18		2		850		8,350

Account: Unearned Revenue **Account No. 23**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	3		1		7,200		7,200

Account: Common Stock **Account No. 31**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓				4,000
	1		1		5,000		9,000

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Continuing Problem (Continued)

Account: Dividends **Account No.** 33

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			500	
	31		2	1,250		1,750	

Account: Fees Earned **Account No.** 41

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓				6,200
	11		1		1,000		7,200
	16		2		2,000		9,200
	23		2		2,500		11,700
	30		2		1,500		13,200
	31		2		3,000		16,200

Account: Wages Expense **Account No.** 50

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			400	
	14		1	1,200		1,600	
	28		2	1,200		2,800	

Account: Office Rent Expense **Account No.** 51

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			800	
	1		1	1,750		2,550	

Account: Equipment Rent Expense **Account No.** 52

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			675	
	13		1	700		1,375	

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Continuing Problem (Continued)

Account: Utilities Expense Account No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			300	
	27		2	915		1,215	

Account: Music Expense Account No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			1,590	
	21		2	620		2,210	
	31		2	1,400		3,610	

Account: Advertising Expense Account No. 55

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			500	
	8		1	200		700	
	22		2	800		1,500	

Account: Supplies Expense Account No. 56

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			180	

Account: Miscellaneous Expense Account No. 59

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y5							
July	1	Balance	✓			415	
	4		1	900		1,315	
	29		2	540		1,855	

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Continuing Problem (Concluded)

4.

PS Music
Unadjusted Trial Balance
July 31, 20Y5

	Account No.	Debit Balances	Credit Balances
Cash	11	9,945	
Accounts Receivable	12	2,750	
Supplies	14	1,020	
Prepaid Insurance	15	2,700	
Office Equipment	17	7,500	
Accounts Payable	21		8,350
Unearned Revenue	23		7,200
Common Stock	31		9,000
Dividends	33	1,750	
Fees Earned	41		16,200
Wages Expense	50	2,800	
Office Rent Expense	51	2,550	
Equipment Rent Expense	52	1,375	
Utilities Expense	53	1,215	
Music Expense	54	3,610	
Advertising Expense	55	1,500	
Supplies Expense	56	180	
Miscellaneous Expense	59	1,855	
		40,750	40,750

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MAKE A DECISION

MAD 2–1

a.

Amazon.com, Inc. Income Statements For the Years Ended December 31 (in millions)				
			Increase/(Decrease)	
	Year 2	Year 1	Amount	Percent
Revenues:				
Product sales	$ 94,665	$ 79,268	$15,397	19.4%
Service sales	41,322	27,738	13,584	49.0%
Total revenues	$ 135,987	$ 107,006	$28,981	27.1%
Operating expenses:				
Cost of sales	$ (88,265)	$ (71,651)	16,614	23.2%
Fulfillment	(17,619)	(13,410)	4,209	31.4%
Marketing	(7,233)	(5,254)	1,979	37.7%
Technology and content	(16,085)	(12,540)	3,545	28.3%
General and administrative	(2,432)	(1,747)	685	39.2%
Other operating expense (income), net	(167)	(171)	(4)	(2.3)%
Total operating expenses	$(131,801)	$(104,773)	$27,028	25.8%
Operating income	$ 4,186	$ 2,233	$ 1,953	87.5%

b. **The horizontal analysis shows that total revenues increased by 27.1% between the two years, with a strong increase in service sales. Service sales are revenues earned from Amazon's Web hosting, Web design, and order fulfillment services provided for other businesses. This part of Amazon apparently has been growing rapidly. Total operating expenses have grown by 25.8% between the two years, indicating that expenses are growing slower than revenues. The expense growth appears to be occurring across all the major expense categories. The net result is a significant increase in operating income between the two years of 87.5%. Thus, Amazon demonstrates significant revenue and operating income growth from Year 1 to Year 2.**

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MAD 2–2

a.

Chipotle Mexican Grill, Inc. Income Statements For the Years Ended December 31 (in thousands)				
			Increase/(Decrease)	
	Year 2	Year 1	Amount	Percent
Revenue	$ 3,904,384	$ 4,501,223	$(596,839)	(13.3)%
Expenses:				
Food, beverage, packing	$(1,365,580)	$(1,503,835)	$(138,255)	(9.2)%
Labor	(1,105,001)	(1,045,726)	59,275	5.7%
Rent (occupancy)	(293,636)	(262,412)	31,224	11.9%
General and administrative	(641,953)	(514,963)	126,990	24.7%
Other	(463,647)	(410,698)	52,949	12.9%
Total expenses	$(3,869,817)	$(3,737,634)	$ 132,183	3.5%
Operating income	$ 34,567	$ 763,589	$(729,022)	(95.5)%

b. Revenue decreased by 13.3% in Year 2, while total expenses increased 3.5%. Food, beverage, packing expense decreased by 9.2%, while the other expenses increased from 5.7% (labor) to 24.7% (general and administrative). As a result, operating income decreased by 95.5%, a significant decrease and unfavorable result.

c. The significant decrease in revenue and operating income in Year 2 was caused by food-borne illnesses (E. Coli) in as many as 15 states. As a result, customers avoided Chipotle's restaurants with a related decrease in revenue. The 9.2% decrease in food, beverage, packing expense is consistent with the decrease in customers and related revenue.

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MAD 2–3

a.

Vera Bradley, Inc.
Income Statements
For the Years Ended January 31
(in millions)

	Year 2	Year 1	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Revenue	$ 502.6	$ 509.0	$ (6.4)	(1.3)%
Expenses:				
Cost of merchandise sold	$(221.4)	$(240.0)	$(18.6)	(7.8)%
Selling, general, admin. expenses	(236.8)	(208.7)	28.1	13.5%
Other expenses	(16.8)	(21.9)	(5.1)	(23.3)%
Total expenses	$(475.0)	$(470.6)	$ 4.4	0.9%
Operating income	$ 27.6	$ 38.4	$(10.8)	(28.1)%

b. Operating income decreased $10.8 million or 28.1% in Year 2. This is a significant decrease and would be viewed unfavorably by stockholders. Revenue decreased by 1.3% ($6.4 million), which was accompanied by a 7.8% ($18.6 million) decrease in cost of mechandise sold. However, selling, general, admin. expenses increased by 13.5% ($28.1 million), which was partially offset by a 23.3% ($5.1 million) decrease in other expenses.

MAD 2–4

a. 1. Revenue: $73,785 – $72,618 = $1,167

$$\frac{\$1,167}{\$72,618} = 1.6\%$$

2. Operating expenses: $68,875 – $68,083 = $792

$$\frac{\$792}{\$68,083} = 1.2\%$$

3. Operating income: $4,910 – $4,535 = $375

$$\frac{\$375}{\$4,535} = 8.3\%$$

b. The revenue increased by 1.6% between the two years, while the operating expenses grew by 1.2%. Thus, expenses grew less than revenues. As a result, operating income increased 8.3% in Year 2.

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MAD 2–5

a. 1. Revenue: $482,130 – $485,651 = $(3,521)

$$\frac{\$(3,521)}{\$485,651} = (0.7)\%$$

2. Operating expenses: $458,025 – $458,504 = $(479)

$$\frac{\$(479)}{\$458,504} = (0.1)\%$$

3. Operating income: $24,105 – $27,147 = $(3,042)

$$\frac{\$(3,042)}{\$27,147} = (11.2)\%$$

b. Revenue decreased by 0.7%, while operating expenses decreased only 0.1%. As a result, operating income decreased by 11.2%, which is an unfavorable change in Year 2.

MAD 2–6

Target's operating results improved from Year 1 to Year 2, while Wal-Mart's operating results declined. Specifically, Target's revenue and operating income increased by 1.6% and 8.3%. In contrast, Wal-Mart's revenue and operating income decreased by 0.7% and 11.2%.

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TAKE IT FURTHER

TIF 2–1

1. **No. For financial accounting information to be useful, it must accurately reflect an entity's business transactions and economic activity. For this to happen, each account must reflect the increases or decreases that result from each transaction. If the trial balance does not balance, it means that a transaction has not been accurately recorded in the accounts. By knowingly submitting a trial balance that does not accurately reflect the transactions in the accounts, Buddy is demonstrating a failure of individual character and is acting unethically.**

2. **The users of the financial information who rely upon this information will be affected, as the information will not be a faithful representation of the entity's economic activity.**

3. **Buddy should have discussed the issue with his supervisor and asked for more time to find the error.**

TIF 2–2

A sample solution based on Apple Inc.'s Form 10-K for the fiscal year ended September 24, 2016, follows:

1. **$321,686 million**
2. **$193,437**
3. **$128,249 million ($321,686 million total assets – $193,437 million total liabilities)**
4. **3**
5. **2**
6. **The income statement reports a summary of revenues and expenses for a specific period of time, such as a month or a year. The balance sheet reports a list of assets, liabilities, and stockholders' equity as of a specific date, usually at the close of the last day of a month or a year.**

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TIF 2–3

Note to Instructors: **The purpose of this activity is to familiarize students with the job opportunities available in accounting, and allow them to demonstrate their ability to communicate the role of accounting in the context of a specific position that requires knowledge of accounting. An example of an advertisement for such a position is shown below. Individual student answers will vary depending on the specific scenario they select.**

ABOUT THE COMPANY

Our client is looking to add a Financial Analyst. With a large and growing finance team, there is significant opportunity for growth and advancement within the department. The company boasts a team-oriented culture and provides its employees with the tools and training necessary to perform. Our client is looking to bring on more of a junior-level candidate who is looking to gain experience in his or her field of study. There will be hands-on training for the role that will evolve from a data analyst into a financial analyst and will be reporting to the director of finance. Our client is in the consumer goods industry and is an international company that has multiple opportunities for growth.

RESPONSIBILITIES OF THE FINANCIAL ANALYST

The Financial Analyst will:

- **Conduct special studies to analyze complex financial actions and prepare recommendations for policy, procedure, control, or action.**
- **Analyze financial information to determine present and future financial performance.**
- **Evaluate complex profit plans, operating records, and financial statements.**
- **Direct preparation of studies, reports, analyses, and recommendations in areas such as budgets, forecasts, financial plans, statistical reports, and business forecasts.**
- **Coordinate with all levels of management to gather, analyze, summarize, and prepare recommendations regarding financial plans, trended future requirements, and operating forecasts.**

Source: CareerBuilder.com

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TIF 2–4

The following general journal entry should be used to record the receipt of tuition payments received in advance of classes:

Cash……	**XXX**	
Unearned Tuition Deposits……		**XXX**

Cash is an asset account, and Unearned Tuition Deposits is a liability account. As the classes are taught throughout the term, the unearned tuition deposits become earned revenue.

TIF 2–5

The journal is called the book of original entry. It provides a time-ordered history of the transactions that have occurred for the firm. This time-ordered history is very important because it allows one to trace ledger account balances back to the original transactions that created those balances. This is called an "audit trail." If the firm recorded transactions by posting to ledgers directly, it would be nearly impossible to reconstruct actual transactions. The debits and credits would all be separated and accumulated into the ledger balances. Once the transactions become part of the ledger balances, the original transactions would be lost. That is, there would be no audit trail, and any errors that might occur in recording transactions would be almost impossible to trace. Thus, firms first record transaction debits and credits in a journal. These transactions are then posted to the ledger to update the account balances. The journal and ledger are linked using posting references. This allows an analyst to trace the transaction flow forward or backward, depending on the need.

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TIF 2–6

1. **The rules of debit and credit must be memorized. Dot is correct in that the rules of debit and credit could be reversed as long as everyone accepted and abided by the rules. However, the important point is that everyone accepts the rules as the way in which transactions should be recorded. This generates uniformity across the accounting profession and reduces errors and confusion. Because the current rules of debit and credit have been used for centuries, Dot should adapt to the current rules of debit and credit, rather than devise her own.**

   The primary reason that all accounts do not have the same rules for increases and decreases is for control of the recording process. The double-entry accounting system, which includes both (1) the rules of debit and credit and (2) the accounting equation, guarantees that (1) debits always equal credits and (2) assets always equal liabilities plus owner's equity. If all increases in the account were recorded by debits, then the control that debits always equal credits would be removed. In addition, the control that the normal balance of assets is a debit would also be removed. The accounting equation would still hold, but the control over recording transactions would be weakened.

   Dot is correct that we could call the left and right sides of an account different terms, such as "LE" or "RE." Again, centuries of tradition dictate the current terminology used. One might note, however, that in Latin, *debere* (debit) means left and *credere* (credit) means right.

2. **The accounting system may be designed to capture information about the buying habits of various customers or vendors, such as the quantity normally ordered, average amount ordered, number of returns, etc. Thus, in a sense, there can be other "sides" of (information about) a transaction that are recorded by the accounting system. Such information would be viewed as supplemental to the basic double-entry accounting system.**

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CONTENTS

Analysis Test Solutions 1

Journals
Revenue Journal 5
Cash Receipts Journal 6
Purchases Journal 8
Cash Payments Journal 10
General Journal 12

Ledgers
General Ledger 19
Accounts Receivable Ledger 38
Accounts Payable Ledger 42

End-of-Fiscal-Period Work
Schedule of Accounts Receivable 47
Schedule of Accounts Payable 47
Income Statement 48
Retained Earnings Statement 50
Balance Sheet 51
Post-Closing Trial Balance 53
Work Sheet 54

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CHART OF ACCOUNTS

GENERAL LEDGER

Balance Sheet Accounts

Current Assets
1110 Cash
1115 Petty Cash
1120 Accounts Receivable
1125 Allowance for Doubtful Accounts
1130 Merchandise Inventory—Computers
1135 Merchandise Inventory—Peripherals
1140 Store Supplies
1145 Office Supplies
1150 Prepaid Insurance

Property, Plant, & Equipment
1210 Land
1215 Building
1220 Accumulated Depreciation—Building
1225 Office Equipment
1230 Accumulated Depreciation—Office Equipment
1235 Store Equipment
1240 Accumulated Depreciation—Store Equipment

Current Liabilities
2110 Accounts Payable
2115 Salaries Payable
2120 Employees' Federal Income Tax Payable
2125 FICA Tax Payable
2130 State Unemployment Tax Payable
2135 Federal Unemployment Tax Payable
2140 Cash Dividends Payable
2150 Customer Refunds Payable

Long-Term Liabilities
2210 Notes Payable

Stockholders' Equity
3110 Common Stock, $10 Par
3115 Preferred 4% Stock, $100 Par
3120 Paid-In Capital in Excess of Par—Common Stock
3125 Paid-In Capital in Excess of Par—Preferred Stock
3130 Retained Earnings
3135 Cash Dividends
3140 Income Summary

Income Statement Accounts

Sales
4110 Sales—Computers
4115 Sales—Peripherals
4120 Sales—Computer Servicing

Purchases
5110 Purchases—Computers
5115 Purchases—Peripherals
5120 Purchases Returns and Allowances
5125 Purchases Discounts
5130 Freight In

Selling Expenses
6110 Sales Salaries Expense
6115 Advertising Expense
6120 Depreciation Expense—Store Equipment
6125 Store Supplies Expense

General Expenses
6210 Officers' Salaries Expense
6215 Office Salaries Expense
6220 Payroll Taxes Expense
6225 Utilities Expense
6230 Depreciation Expense—Building
6235 Depreciation Expense—Office Equipment
6240 Repairs & Maintenance Expense
6245 Property Tax Expense
6250 Insurance Expense
6255 Uncollectible Accounts Expense
6260 Office Supplies Expense
6265 Professional Fees Expense

Other Expenses
7110 Interest Expense

ACCOUNTS RECEIVABLE LEDGER

Advantage Learning Center, LLC
Amy Dillo's Grill & Bar
Gilley's Sports Bar
Green Energy Enterprises
Gulfview Realtors, Inc.
Land & Sea Builders
Lucky Dog Trainers
Nassau Bay Marina
Preston Brown, JD
South Texas Dental Group
Wekiva Water Sports, Inc.
Zack Construction Company

ACCOUNTS PAYABLE LEDGER

D&R Computers
Kupta Store Supplies & Equipment Company
Mega Computer Supply, Inc.
Ruiz & Yee, Attorneys
Supplies R Us, Inc.

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JP'S TECH SOLUTIONS SALES & SERVICES, INC.

ANALYSIS TEST

Name _____ **Date** _____ **Grade** _____

Journals

1. Total cash payments for December	$	54,104.07
2. Total accounts payable in the purchases journal for December	$	17,601.00
3. Total cash receipts for December	$	227,175.01
4. Total accounts receivable in the revenue journal for December	$	20,709.76

Subsidiary Ledgers

5. Amy Dillo's Grill & Bar accounts receivable balance at December 31	$	11,715.00
6. D&R Computers accounts payable balance at December 31	$	12,569.25

Work Sheet

7. Total amount of Trial Balance Debit column	$	1,329,451.84
8. Total amount of Adjustments Credit column	$	384,146.17
9. Net income for the year	$	54,038.44
10. Total amount of Balance Sheet Debit column	$	670,322.37

Income Statement

11. Total sales for the year	$	731,927.64
12. Cost of merchandise sold for the year	$	502,148.43
13. Total operating expenses	$	171,990.77
14. Income from operations for the year	$	57,788.44

Retained Earnings Statement

15. Net increase in retained earnings for the year	$	20,963.44
16. Retained earnings, December 31, 20--	$	55,618.50

Balance Sheet

17. Total current assets as of December 31	$	476,421.68
18. Total property, plant, and equipment as of December 31	$	122,661.94
19. Total stockholders' equity as of December 31	$	528,118.50

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JOURNALS

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REVENUE JOURNAL

PAGE 12

	DATE	INV NO.	ACCOUNT DEBITED	POST. REF.	ACCOUNTS RECEIVABLE DEBIT	SALES—COMPUTERS CREDIT	SALES—PERIPHERALS CREDIT	SALES—COMPUTER SERVICING CREDIT	
1	20--								1
2	Dec. 1	707	South Texas Dental Group	✓	1,046.64	552.52	496.12		2
3	3	708	Green Energy Enterprises	✓	402.12	402.12			3
4	6	709	Gulfview Realtors, Inc.	✓	73.25	73.25			4
5	7	710	Amy Dillo's Grill & Bar	✓	936.75			936.75	5
6	3	711	South Texas Dental Group	✓	113.25	113.25			6
7	9	712	Gilley's Sports Bar	✓	156.50			156.50	7
8	12	713	Land & Sea Builders	✓	325.25	325.25			8
9	31		Totals		3,057.76	1,466.39	496.12	1,093.25	9
10					(112.0)	(411.0)	(411.5)	(412.0)	10
11									11
12									12
13									13
14									14
15									15
16									16
17									17
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25									25

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CASH RECEIPTS

	DATE		ACCOUNT CREDITED	POST. REF.	OTHER ACCOUNTS CREDIT						
1	20--										1
2	Dec.	1	Gulfview Realtors, Inc.	✓							2
3		3	Cash Sales	✓							3
4		6	Land & Sea Builders	✓							4
5		6	Nassau Bay Marina	✓							5
6		7	Zack Construction Company	✓							6
7		9	Wekiva Water Sports, Inc.	✓							7
8		9	Office Supplies	1145				9	7	50	8
9		10	Cash Sales	✓							9
10		11	Preston Brown, JD	✓							10
11		11	South Texas Dental Group	✓							11
12		12	Green Energy Enterprises	✓							12
13		14	Common Stock, $10 Par	3110	10	0	0	0	0	00	13
14			Paid-In Capital in Excess of Par—Common Stock	3120	7	2	5	0	0	00	14
15		16	Gulfview Realtors, Inc.	✓							15
16		17	Cash Sales	✓							16
17		18	South Texas Dental Group	✓							17
18		24	Cash Sales	✓							18
19		31	Cash Sales	✓							19
20		31	Totals		17	2	5	9	7	50	20
21											21
22											22
23											23
24											24
25											25
26											26
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33											33

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JOURNAL PAGE 12

	SALES—COMPUTERS CREDIT	SALES—PERIPHERALS CREDIT	SALES—COMPUTER SERVICING CREDIT	ACCOUNTS RECEIVABLE CREDIT	CASH DEBIT	
1						1
2				2 3 5 2 00	2 3 5 2 00	2
3	5 5 1 7 75	7 8 2 4 00			1 3 3 4 1 75	3
4				1 5 4 3 50	1 5 4 3 50	4
5				3 0 1 3 50	3 0 1 3 50	5
6				4 1 8 9 50	4 1 8 9 50	6
7				5 6 1 75	5 6 1 75	7
8					9 7 50	8
9	5 2 1 0 25	5 8 7 25	7 1 0 25		6 5 0 7 75	9
10				1 3 0 2 75	1 3 0 2 75	10
11				1 0 4 6 64	1 0 4 6 64	11
12				4 0 2 4 12	4 0 2 4 12	12
13						13
14					17 2 5 0 0 00	14
15				7 3 4 25	7 3 4 25	15
16	5 6 1 9 00	1 1 4 9 00	5 5 2 75		7 3 2 0 75	16
17				1 1 3 9 25	1 1 3 9 25	17
18	4 8 1 5 75	9 9 5 25			5 8 1 1 00	18
19	1 1 7 9 75	5 0 9 25			1 6 8 9 00	19
20	2 2 3 4 2 50	1 1 0 6 4 75	1 2 6 3 00	1 9 9 0 7 26	22 7 1 7 5 01	20
21	(4 1 1 0)	(4 1 1 5)	(4 1 2 0)	(1 1 2 0)	(1 1 1 0)	21
22						22
23						23
24						24
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26						26
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33						33

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PURCHASES

	DATE		ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES—COMPUTERS DEBIT	
1	20--						1
2	Dec.	2	Kupta Store Supplies & Equipment	✓	2,961.25		2
3		3	Ruiz & Yee, Attorneys	✓	560.25		3
4		3	D&R Computers	✓	5,586.75	5,586.75	4
5		3	Mega Computer Supply, Inc.	✓	2,601.00		5
6		6	Supplies R Us, Inc.	✓	1,574.25		6
7		14	D&R Computers	✓	6,982.50	6,982.50	7
8		31	Totals		17,601.00	12,569.25	8
9					(211)	(511)	9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
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JOURNAL PAGE 15

	PURCHASES—PERIPHERALS DEBIT	STORE SUPPLIES DEBIT	OFFICE SUPPLIES DEBIT	OTHER ACCOUNTS DEBIT			
				ACCOUNT	POST. REF.	AMOUNT	
1							1
2		2 9 6 25					2
3				*Professional Fees Exp.*	*6265*	*5 6 0 25*	3
4							4
5	*2 6 0 1 00*						5
6		*9 2 5 50*	*6 4 8 75*				6
7							7
8	*2 6 0 1 00*	*1 2 2 1 75*	*6 4 8 75*			*5 6 0 25*	8
9	*(5 1 1 5)*	*(1 1 4 0)*	*(1 1 4 5)*			*(✓)*	9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
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CASH PAYMENTS

	DATE		CK. NO.	PAYEE	POST. REF.	ACCOUNTS PAYABLE DEBIT						
1	20--											1
2	Dec.	1	1102	D&R Computers	✓		1	5	2	2	50	2
3		2	1103	Meyer Insurance Agency								3
4		2	1104	All-in-One Advertising								4
5		2	1105	South Houston Tabloid								5
6		3	1106	Dan's Furniture								6
7		6	1107	Master Computers								7
8		6	1108	Reliable Roofing, Inc.								8
9		8	1109	Ralph Radar								9
10		9	1110	Lynn Cho								10
11		10	1111	Payroll Bank Account								11
12		10	1112	Coral Community Bank								12
13												13
14		13	1113	Houston Power & Light								14
15		14	1114	ACI Telephone Company								15
16		15	1115	Houston Water								16
17		19	1116	Sparkling Janitorial Services, Inc.								17
18		20	1117	Coral Community Bank								18
19		24	1118	Payroll Bank Account								19
20		24	1119	Coral Community Bank								20
21												21
22		31	1120	Petty Cash								22
23												23
24												24
25		31		Totals			1	5	2	2	50	25
26							(2	1	1	0	)	26
27												27
28												28
29												29
30												30
31												31
32												32

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JOURNAL PAGE 12

	PURCHASES—COMPUTERS DEBIT	PURCHASES DISCOUNTS CREDIT	CASH CREDIT	OTHER ACCOUNTS DEBIT			
				ACCOUNT	POST. REF.	AMOUNT	
1							1
2		3 0 45	1 4 9 2 05		✓		2
3			2 2 7 0 00	*Prepaid Insurance*	1150	2 2 7 0 00	3
4			1 0 4 7 75	*Advertising Expense*	6115	1 0 4 7 75	4
5			2 4 5 6 25	*Advertising Expense*	6115	2 4 5 6 25	5
6			7 0 1 1 75	*Office Equipment*	1225	7 0 1 1 75	6
7	5 6 1 2 25		5 6 1 2 25		✓		7
8			6 3 1 50	*Repairs & Maint. Expense*	6240	6 3 1 50	8
9			2 0 9 25	*Repairs & Maint. Expense*	6240	2 0 9 25	9
10			5 0 6 25	*Professional Fees Exp.*	6265	5 0 6 25	10
11			2 8 9 6 41	*Salaries Payable*	2115	2 8 9 6 41	11
12			2 0 8 2 18	*FICA Tax Payable*	2125	6 9 4 68	12
13				*Empl. Fed. Inc. Tax Pay.*	2120	1 3 8 7 50	13
14			2 7 9 91	*Utilities Expense*	6225	2 7 9 91	14
15			9 9 17	*Utilities Expense*	6225	9 9 17	15
16			4 7 42	*Utilities Expense*	6225	4 7 42	16
17			1 3 1 25	*Repairs & Maint. Expense*	6240	1 3 1 25	17
18			2 2 0 5 0 00	*Cash Dividends Payable*	2140	2 2 0 5 0 00	18
19			3 2 7 5 68	*Salaries Payable*	2115	3 2 7 5 68	19
20			1 7 7 0 64	*FICA Tax Payable*	2125	7 0 4 14	20
21				*Empl. Fed. Inc. Tax Pay.*	2120	1 0 6 6 50	21
22			2 3 4 36	*Store Supplies*	1140	1 0 7 24	22
23				*Office Supplies*	1145	1 1 4 20	23
24				*Freight In*	5130	1 2 92	24
25	5 6 1 2 25	3 0 45	5 4 1 0 4 07			4 6 9 9 9 77	25
26	(5 1 1 0)	(5 1 2 5)	(1 1 1 0)			(✓)	26
27							27
28							28
29							29
30							30
31							31
32							32

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JOURNAL PAGE 9

	DATE		DESCRIPTION	POST. REF.	DEBIT	CREDIT
1	20--					
2	Dec.	6	Cash Dividends	3135	220500	
3			Cash Dividends Payable	2140		220500
4			Preferred: 4% × $45,000 = $1,800			
5			Common: 20,250 shares × $1 per			
6			share = $20,250			
7			$1,800 + $20,250 = $22,050			
8						
9		10	Sales Salaries Expense	6110	269250	
10			Office Salaries Expense	6215	46375	
11			Officers' Salaries Expense	6210	150000	
12			Employees' Fed. Income Tax Payable	2120		13750
13			FICA Tax Payable	2125		34734
14			Salaries Payable	2115		289141
15						
16		10	Payroll Taxes Expense	6220	48808	
17			FICA Tax Payable	2125		34734
18			State Unemployment Tax Payable	2130		12617
19			Federal Unemployment Tax Payable	2135		1457
20						
21		24	Sales Salaries Expense	6110	275550	
22			Office Salaries Expense	6215	47475	
23			Officers' Salaries Expense	6210	150000	
24			Employees' Fed. Income Tax Payable	2120		10650
25			FICA Tax Payable	2125		35207
26			Salaries Payable	2115		327568
27						
28		24	Payroll Taxes Expense	6220	43170	
29			FICA Tax Payable	2125		35207
30			State Unemployment Tax Payable	2130		6956
31			Federal Unemployment Tax Payable	2135		1007
32						
33						

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JOURNAL

PAGE 10

	DATE		DESCRIPTION	POST. REF.	DEBIT	CREDIT
1	20--		***Adjusting Entries***			
2	Dec.	31	Uncollectible Accounts Expense	6255	9,995.25	
3			Allowance for Doubtful Accounts	1125		9,995.25
4						
5		31	Income Summary	3140	187,970.10	
6			Merchandise Inventory—Computers	1130		113,040.00
7			Merchandise Inventory—Peripherals	1135		74,930.10
8						
9		31	Merchandise Inventory—Computers	1130	92,905.60	
10			Merchandise Inventory—Peripherals	1135	73,042.40	
11			Income Summary	3140		165,948.00
12						
13		31	Office Supplies Expense	6260	4,251.14	
14			Office Supplies	1145		4,251.14
15						
16		31	Store Supplies Expense	6125	3,790.20	
17			Store Supplies	1140		3,790.20
18						
19		31	Insurance Expense	6250	24,562.50	
20			Prepaid Insurance	1150		24,562.50
21						
22		31	Depreciation Expense—Building	6230	12,562.50	
23			Depreciation Expense—Office Equipment	6235	2,333.25	
24			Depreciation Expense—Store Equipment	6120	1,855.25	
25			Accum. Depreciation—Building	1220		12,562.50
26			Accum. Depreciation—Office Equip.	1230		2,333.25
27			Accum. Depreciation—Store Equip.	1240		1,855.25
28						
29		31	Sales Salaries Expense	6110	23,605.25	
30			Officers' Salaries Expense	6210	11,200.00	
31			Office Salaries Expense	6215	16,500.00	
32			Salaries Payable	2115		35,605.25
33						

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	DATE		DESCRIPTION	POST. REF.	DEBIT	CREDIT
1	20--		***Adjusting Entries (Concluded)***			
2		31	Sales—Computers	4110	3,156,700	
3			Sales—Peripherals	4115	3,277,700	
4			Customer Refunds Payable	2150		64,300
5						
6			***Closing Entries***			
7	Dec.	31	Sales—Computers	4110	31,246,159	
8			Sales—Peripherals	4115	32,466,655	
9			Sales—Computer Servicing	4120	9,499,950	
10			Purchases Returns and Allowances	5120	204,675	
11			Purchases Discounts	5125	761,202	
12			Income Summary	3140		73,282,941
13						
14		31	Income Summary	3140	65,598,785	
15			Purchases—Computers	5110		31,633,122
16			Purchases—Peripherals	5115		16,319,534
17			Freight In	5130		720,052
18			Sales Salaries Expense	6110		5,562,300
19			Advertising Expense	6115		2,035,875
20			Depreciation Expense—Store Equip.	6120		336,000
21			Store Supplies Expense	6125		379,920
22			Officers' Salaries Expense	6210		3,712,500
23			Office Salaries Expense	6215		1,069,500
24			Payroll Taxes Expense	6220		1,086,022
25			Utilities Expense	6225		562,716
26			Depreciation Expense—Building	6230		1,256,250
27			Depreciation Expense—Office Equip.	6235		240,975
28			Repairs & Maintenance Expense	6240		381,675
29			Property Tax Expense	6245		725,430
30			Insurance Expense	6250		245,625
31			Uncollectible Accounts Expense	6255		99,525
32			Office Supplies Expense	6260		42,514
33			Professional Fees Expense	6265		106,650
34			Interest Expense	7110		375,000
35						
36						

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JOURNAL

PAGE 12

	DATE		DESCRIPTION	POST. REF.	DEBIT	CREDIT
1	20--		***Closing Entries (Concluded)***			
2	Dec.	31	*Income Summary*	3140	540,344	
3			*Retained Earnings*	3130		540,344
4						
5		31	*Retained Earnings*	3130	330,700	
6			*Cash Dividends*	3135		330,700
7						
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JOURNAL

PAGE *13*

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
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GENERAL LEDGER

ACCOUNT *Cash* ACCOUNT NO. *1110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*112 02 94 1*	
	31		*CR12*	*227 17 5 01*		*339 20 4 42*	
	31		*CP12*		*54 10 4 07*	*285 10 0 35*	

ACCOUNT *Petty Cash* ACCOUNT NO. *1115*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*300 00*	

ACCOUNT *Accounts Receivable* ACCOUNT NO. *1120*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*16 09 4 25*	
	31		*R12*	*20 7 0 9 76*		*36 80 4 01*	
	31		*CR12*		*19 9 0 7 26*	*16 89 6 75*	

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ACCOUNT *Allowance for Doubtful Accounts* ACCOUNT NO. *1125*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓				924.00
	31	Adjusting	J10		995.25		1,919.25

ACCOUNT *Merchandise Inventory—Computers* ACCOUNT NO. *1130*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			1,130,400.00	
	31	Adjusting	J10		1,130,400.00	—	—
	31	Adjusting	J10	920,905.56		920,905.56	

ACCOUNT *Merchandise Inventory—Peripherals* ACCOUNT NO. *1135*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			754,810.00	
	31	Adjusting	J10		754,810.00	—	—
	31	Adjusting	J10	730,191.42		730,191.42	

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ACCOUNT *Store Supplies* ACCOUNT NO. *1140*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*1 1 2 6 50*	
	31		*P15*	*1 2 2 1 75*		*2 3 4 8 25*	
	31		*CP12*	*1 0 7 24*		*2 4 5 5 49*	
	31	*Adjusting*	*J10*		*3 7 9 20*	*2 0 7 6 29*	

ACCOUNT *Office Supplies* ACCOUNT NO. *1145*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*2 0 4 75*	
	9		*CR12*		*9 7 50*	*1 0 7 25*	
	31		*P15*	*6 4 8 75*		*7 5 6 00*	
	31		*CP12*	*1 1 4 20*		*8 7 0 20*	
	31	*Adjusting*	*J10*		*4 2 5 14*	*4 4 5 06*	

ACCOUNT *Prepaid Insurance* ACCOUNT NO. *1150*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*7 7 7 9 75*	
	2		*CP12*	*2 2 7 0 00*		*10 0 4 9 75*	
	31	*Adjusting*	*J10*		*2 4 5 6 25*	*7 5 9 3 50*	

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ACCOUNT *Land* ACCOUNT NO. *1210*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*30 0 0 0 00*	

ACCOUNT *Building* ACCOUNT NO. *1215*

DATE		ITEM	Post Ref.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*112 5 0 0 00*	

ACCOUNT *Accumulated Depreciation—Building* ACCOUNT NO. *1220*

DATE		ITEM	Post Ref.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*16 8 5 9 25*
	31	*Adjusting*	*J10*		*12 5 6 2 50*		*29 4 2 1 75*

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ACCOUNT *Office Equipment* ACCOUNT NO. *1225*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*8 2 2 3 17*	
	3		*CP12*	*7 0 1 1 75*		*15 2 3 4 92*	

ACCOUNT *Accumulated Depreciation—Office Equipment* ACCOUNT NO. *1230*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*3 5 9 4 00*
	31	*Adjusting*	*J10*		*2 3 3 3 25*		*5 9 2 7 25*

ACCOUNT *Store Equipment* ACCOUNT NO. *1235*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*1 1 7 1 52*	

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ACCOUNT *Accumulated Depreciation—Store Equipment* ACCOUNT NO. *1240*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓				7,10,25
	31	Adjusting	J10		1,85,25		8,95,50

ACCOUNT *Accounts Payable* ACCOUNT NO. *2110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓				7,083,00
	31		P15		17,601,00		24,684,00
	31		CP12	1,522,50			23,161,50

ACCOUNT *Salaries Payable* ACCOUNT NO. *2115*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	10		J9		2,896,41		2,896,41
	10		CP12	2,896,41		———	———
	24		J9		3,275,68		3,275,68
	24		CP12	3,275,68		———	———
	31	Adjusting	J10		3,650,25		3,650,25

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ACCOUNT *Employees' Federal Income Tax Payable* ACCOUNT NO. *2120*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*10*		*J9*		*1,387.50*		*1,387.50*
	10		*CP12*	*1,387.50*		—	—
	24		*J9*		*1,066.50*		*1,066.50*
	24		*CP12*	*1,066.50*		—	—

ACCOUNT *FICA Tax Payable* ACCOUNT NO. *2125*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*10*		*J9*		*347.34*		*347.34*
	10		*J9*		*347.34*		*694.68*
	10		*CP12*	*694.68*		—	—
	24		*J9*		*352.07*		*352.07*
	24		*J9*		*352.07*		*704.14*
	24		*CP12*	*704.14*		—	—

ACCOUNT *State Unemployment Tax Payable* ACCOUNT NO. *2130*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*10*		*J9*		*126.17*		*126.17*
	24		*J9*		*69.56*		*195.73*

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ACCOUNT *Federal Unemployment Tax Payable* ACCOUNT NO. *2135*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	10		J9		1,457		1,457
	24		J9		1,007		2,464

ACCOUNT *Cash Dividends Payable* ACCOUNT NO. *2140*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	6		J9		22,500		22,500
	20		CP12	22,500		———	———

ACCOUNT *Customer Refunds Payable* ACCOUNT NO. *2150*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	31	Adjusting	J11		64,33,00		64,33,00

ACCOUNT *Notes Payable* ACCOUNT NO. *2210*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓				37,500,00

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ACCOUNT *Common Stock, $10 Par* ACCOUNT NO. *3110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*202 5 0 0 00*
	14		*CR12*		*100 0 0 0 00*		*302 5 0 0 00*

ACCOUNT *Preferred 4% Stock, $100 Par* ACCOUNT NO. *3115*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*45 0 0 0 00*

ACCOUNT *Paid-In Capital in Excess of Par—Common Stock* ACCOUNT NO. *3120*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*37 5 0 0 00*
	14		*CR12*		*72 5 0 0 00*		*110 0 0 0 00*

ACCOUNT *Paid-In Capital in Excess of Par—Preferred Stock* ACCOUNT NO. *3125*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*15 0 0 0 00*

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ACCOUNT *Retained Earnings* ACCOUNT NO. *3130*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*34 6 5 5 06*
	31	*Closing*	*J12*		*54 0 3 8 44*		*88 6 9 3 50*
	31	*Closing*	*J12*	*33 0 7 5 00*			*55 6 1 8 50*

ACCOUNT *Cash Dividends* ACCOUNT NO. *3135*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*11 0 2 5 00*	
	6		*J9*	*22 0 5 0 00*		*33 0 7 5 00*	
	31		*J12*		*33 0 7 5 00*	— — —	— — —

ACCOUNT *Income Summary* ACCOUNT NO. *3140*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*31*	*Adjusting*	*J10*	*188 7 9 7 10*		*188 7 9 7 10*	
	31	*Adjusting*	*J10*		*165 9 2 8 98*	*22 8 6 8 12*	
	31	*Closing*	*J11*		*732 8 9 4 41*		*710 0 2 6 29*
	31	*Closing*	*J11*	*655 9 8 7 85*			*54 0 3 8 44*
	31	*Closing*	*J12*	*54 0 3 8 44*		— — —	— — —

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ACCOUNT *Sales—Computers* ACCOUNT NO. *4110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*283 5 8 7 70*
	31		*R12*		*9 6 8 7 39*		*293 2 7 5 09*
	31		*CR12*		*22 3 4 2 50*		*315 6 1 7 59*
	31	*Adjusting*	*J11*	*3 1 5 6 00*			*312 4 6 1 59*
	31	*Closing*	*J11*	*312 4 6 1 59*			

ACCOUNT *Sales—Peripherals* ACCOUNT NO. *4115*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*316 1 8 2 68*
	31		*R12*		*4 9 6 12*		*316 6 7 8 80*
	31		*CR12*		*11 0 6 4 75*		*327 7 4 3 55*
	31	*Adjusting*	*J11*	*3 2 7 7 00*			*324 4 6 6 55*
	31	*Closing*	*J11*	*324 4 6 6 55*			

ACCOUNT *Sales—Computer Servicing* ACCOUNT NO. *4120*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*83 2 1 0 25*
	31		*R12*		*10 5 2 6 25*		*93 7 3 6 50*
	31		*CR12*		*1 2 6 3 00*		*94 9 9 9 50*
	31	*Closing*	*J11*	*94 9 9 9 50*			

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ACCOUNT *Purchases—Computers* ACCOUNT NO. *5110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			298 1 4 9 72	
	31		P15	12 5 6 9 25		310 7 1 8 97	
	31		CP12	5 6 1 2 25		316 3 3 1 22	
	31	Closing	J11		316 3 3 1 22		

ACCOUNT *Purchases—Peripherals* ACCOUNT NO. *5115*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			160 5 9 4 34	
	31		P15	2 6 0 1 00		163 1 9 5 34	
	31	Closing	J11		163 1 9 5 34		

ACCOUNT *Purchases Returns and Allowances* ACCOUNT NO. *5120*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓				2 0 4 75
	31	Closing	J11	2 0 4 75			

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ACCOUNT *Purchases Discounts* ACCOUNT NO. *5125*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓				*7 3 1 57*
	31		*CP12*		*3 0 45*		*7 6 2 02*
	31	*Closing*	*J11*	*7 6 2 02*		—	—

ACCOUNT *Freight In* ACCOUNT NO. *5130*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*7 0 7 60*	
	31		*CP12*	*1 2 92*		*7 2 0 52*	
	31	*Closing*	*J11*		*7 2 0 52*	—	—

ACCOUNT *Sales Salaries Expense* ACCOUNT NO. *6110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*47 8 1 4 75*	
	10		*J9*	*2 6 9 2 50*		*50 5 0 7 25*	
	24		*J9*	*2 7 5 5 50*		*53 2 6 2 75*	
	31	*Adjusting*	*J10*	*2 3 6 0 25*		*55 6 2 3 00*	
	31	*Closing*	*J11*		*55 6 2 3 00*	—	—

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ACCOUNT *Advertising Expense* ACCOUNT NO. *6115*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*16 8 5 4 75*	
	2		*CP12*	*1 0 4 7 75*		*17 9 0 2 50*	
	2		*CP12*	*2 4 5 6 25*		*20 3 5 8 75*	
	31	*Closing*	*J11*		*20 3 5 8 75*		

ACCOUNT *Depreciation Expense—Store Equipment* ACCOUNT NO. *6120*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*1 5 0 75*	
	31	*Adjusting*	*J10*	*1 8 5 25*		*3 3 6 00*	
	31	*Closing*	*J11*		*3 3 6 00*		

ACCOUNT *Store Supplies Expense* ACCOUNT NO. *6125*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*31*	*Adjusting*	*J10*	*3 7 9 20*		*3 7 9 20*	
	31	*Closing*	*J11*		*3 7 9 20*		

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ACCOUNT *Officers' Salaries Expense* ACCOUNT NO. *6210*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			33 0 0 0 00	
	10		J9	1 5 0 0 00		34 5 0 0 00	
	24		J9	1 5 0 0 00		36 0 0 0 00	
	31	Adjusting	J10	1 1 2 5 00		37 1 2 5 00	
	31	Closing	J11		37 1 2 5 00		

ACCOUNT *Office Salaries Expense* ACCOUNT NO. *6215*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			9 6 5 2 50	
	10		J9	4 3 8 75		10 0 9 1 25	
	24		J9	4 3 8 75		10 5 3 0 00	
	31	Adjusting	J10	1 6 5 00		10 6 9 5 00	
	31	Closing	J11		10 6 9 5 00		

ACCOUNT *Payroll Taxes Expense* ACCOUNT NO. *6220*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			9 9 4 0 44	
	10		J9	4 8 8 08		10 4 2 8 52	
	24		J9	4 3 1 70		10 8 6 0 22	
	31	Closing	J11		10 8 6 0 22		

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ACCOUNT *Utilities Expense* ACCOUNT NO. *6225*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*5 2 0 0 66*	
	13		*CP12*	*2 7 9 91*		*5 4 8 0 57*	
	14		*CP12*	*9 9 17*		*5 5 7 9 74*	
	15		*CP12*	*4 7 42*		*5 6 2 7 16*	
	31	*Closing*	*J11*		*5 6 2 7 16*		

ACCOUNT *Depreciation Expense—Building* ACCOUNT NO. *6230*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*31*	*Adjusting*	*J10*	*12 5 6 2 50*		*12 5 6 2 50*	
	31	*Closing*	*J11*		*12 5 6 2 50*		

ACCOUNT *Depreciation Expense—Office Equipment* ACCOUNT NO. *6235*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*7 6 50*	
	31	*Adjusting*	*J10*	*2 3 3 3 25*		*2 4 0 9 75*	
	31	*Closing*	*J11*		*2 4 0 9 75*		

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ACCOUNT *Repairs & Maintenance Expense* ACCOUNT NO. *6240*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			2 8 4 4 75	
	6		CP12	6 3 1 50		3 4 7 6 25	
	8		CP12	2 0 9 25		3 6 8 5 50	
	19		CP12	1 3 1 25		3 8 1 6 75	
	31	Closing	J11		3 8 1 6 75		

ACCOUNT *Property Tax Expense* ACCOUNT NO. *6245*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	1	Balance	✓			7 2 5 4 30	
	31	Closing	J11		7 2 5 4 30		

ACCOUNT *Insurance Expense* ACCOUNT NO. *6250*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	31	Adjusting	J10			2 4 5 6 25	
	31	Closing	J11		2 4 5 6 25		

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ACCOUNT *Uncollectible Accounts Expense* ACCOUNT NO. *6255*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	31	Adjusting	J10	995.25		995.25	
	31	Closing	J11		995.25	—	—

ACCOUNT *Office Supplies Expense* ACCOUNT NO. *6260*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	31	Adjusting	J10			425.14	
	31	Closing	J11		425.14	—	—

ACCOUNT *Professional Fees Expense* ACCOUNT NO. *6265*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	3		P15	560.25		560.25	
	9		CP12	506.25		1,066.50	
	31	Closing	J11		1,066.50	—	—

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ACCOUNT *Interest Expense* ACCOUNT NO. *7110*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20--							
Dec.	*1*	*Balance*	✓			*3 7 5 0 00*	
	31	*Closing*	*J11*		*3 7 5 0 00*		

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ACCOUNTS RECEIVABLE LEDGER

NAME *Advantage Learning Center, LLC*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			3,95.25

NAME *Amy Dillo's Grill & Bar*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			2,34,525
	7		R12	963,975		1,171,500

NAME *Gilley's Sports Bar*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	9		R12	1,156,750		1,156,750

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NAME *Green Energy Enterprises*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	3		R12	402412		402412
	12		CR12		402412	—

NAME *Gulfview Realtors, Inc.*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			235200
	1		CR12		235200	—
	6		R12	73425		73425
	16		CR12		73425	—

NAME *Land & Sea Builders*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			154350
	6		CR12		154350	—
	12		R12	32925		32925

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NAME *Lucky Dog Trainers*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			3,975

NAME *Nassau Bay Marina*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			3,013.50
	6		CR12		3,013.50	—

NAME *Preston Brown, JD*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			1,302.75
	11		CR12		1,302.75	—

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NAME *South Texas Dental Group*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1		R12	10464		10464
	8		R12	11395		21859
	11		CR12		10464	11395
	18		CR12		11325	

NAME *Wekiva Water Sports, Inc.*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			5675
	9		CR12		5675	

NAME *Zack Construction Company*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	1	Balance	✓			41890
	7		CR12		41890	

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ACCOUNTS PAYABLE LEDGER

NAME *D&R Computers*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	*1*	*Balance*	✓			*1,522.50*
	1		*CP12*	*1,522.50*		—
	3		*P15*		*558.75*	*558.75*
	14		*P15*		*6,982.50*	*7,541.25*

NAME *Kupta Store Supplies & Equipment Company*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	*2*		*P15*		*296.25*	*296.25*

NAME *Mega Computer Supply, Inc.*

DATE		ITEM	Post Ref.	DEBIT	CREDIT	BALANCE
20--						
Dec.	*1*	*Balance*	✓			*3,010.50*
	3		*P15*		*2,601.00*	*5,611.50*

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NAME *Ruiz & Yee, Attorneys*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	*3*		*P15*		*56025*	*56025*

NAME *Supplies R Us, Inc.*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--						
Dec.	*1*	*Balance*	✓			*25500*
	6		*P15*		*15725*	*41225*

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E N D - O F - F I S C A L - P E R I O D W O R K

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JP's Tech Solutions Sales & Services, Inc.
Schedule of Accounts Receivable
December 31, 20--

Advantage Learning Center, LLC			3	9	5	25
Amy Dillo's Grill & Bar	1	1	7	1	5	00
Gilley's Sports Bar		1	1	5	6	50
Land & Sea Builders		3	2	3	9	25
Lucky Dog Trainers			3	9	0	75
	1	6	8	9	6	75

JP's Tech Solutions Sales & Services, Inc.
Schedule of Accounts Payable
December 31, 20--

D&R Computers	1	2	5	6	9	25
Kupta Store Supplies & Equipment Company			2	9	6	25
Mega Computer Supply, Inc.		5	6	1	1	50
Ruiz & Yee, Attorneys			5	6	0	25
Supplies R Us, Inc.		4	1	2	4	25
	2	3	1	6	1	50

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JP's Tech Solutions Sales & Services, Inc.																		
Income Statement																		
For Year Ended December 31, 20--																		
Revenue from sales:																		
Sales—computers							31	2	4	6	1	59						
Sales—peripherals							32	4	4	6	6	55						
Sales—computer servicing							9	4	9	9	9	50						
Total sales													73	1	9	2	7	64
Cost of merchandise sold:																		
Merch. inventory—computers, Jan. 1	11	3	0	4	9	00												
Merch. inventory—peripherals, Jan. 1	7	5	7	4	8	10	18	8	7	9	7	10						
Purchases—computers	31	6	3	3	1	22												
Purchases—peripherals	16	3	1	9	5	34	47	9	5	2	6	56						
Less: Purchases returns and allowances			2	0	4	75												
Purchases discounts			7	6	2	02			9	6	6	77						
Net purchases							47	8	5	5	9	79						
Add freight in									7	2	0	52						
Cost of merchandise purchased							47	9	2	8	0	31						
Merchandise available for sale							66	8	0	7	7	41						
Less merch. invent.—computers, Dec. 31	9	2	9	0	9	56												
Less merch. invent.—peripherals, Dec. 31	7	3	0	1	9	42	16	5	9	2	8	98						
Cost of merchandise sold													50	2	1	4	8	43
Gross profit													22	9	7	7	9	21
Operating expenses:																		
Selling expenses:																		
Sales salaries expense	5	5	6	2	3	00												
Advertising expense	2	0	3	5	8	75												
Depreciation expense—store equipment			3	3	6	00												
Store supplies expense			3	7	9	20												
Total selling expenses							7	6	6	9	6	95						
(continues)																		

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JP's Tech Solutions Sales & Services, Inc.																		
Income Statement (Concluded)																		
For Year Ended December 31, 20--																		
Administrative expenses:																		
Officers' salaries expense			3	7	1	2	5	00										
Office salaries expense			1	0	6	9	5	00										
Payroll taxes expense			1	0	8	6	0	22										
Utilities expense				5	6	2	7	16										
Depreciation expense—building			1	2	5	6	2	50										
Depreciation expense—office equipment				2	4	0	9	75										
Repairs & maintenance expense				3	8	1	6	75										
Property tax expense				7	2	5	4	30										
Insurance expense				2	4	5	6	25										
Uncollectible accounts expense					9	9	5	25										
Office supplies expense					4	2	5	14										
Professional fees expense				1	0	6	6	50										
Total administrative expenses									9	5	2	9	3	82				
Total operating expenses															17	1	9	9	0	77
Income from operations															5	7	7	8	8	44
Other expenses:																				
Interest expense																3	7	5	0	00
Net income															5	4	0	3	8	44

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JP's Tech Solutions Sales & Services, Inc.												
Retained Earnings Statement												
For Year Ended December 31, 20--												
Retained earnings, January 1, 20--							3	4	6	5	5	06
Net income for the year	5	4	0	3	8	44						
Less dividends	3	3	0	7	5	00						
Net increase in retained earnings							2	0	9	6	3	44
Retained earnings, December 31, 20--							5	5	6	1	8	50

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JP's Tech Solutions Sales & Services, Inc.
Balance Sheet
December 31, 20--

Assets																		
Current assets:																		
Cash							28	5	1	0	0	35						
Petty cash									3	0	0	00						
Accounts receivable	1	6	8	9	6	75												
Less allowance for doubtful accounts		1	9	1	9	25	1	4	9	7	7	50						
Merchandise inventory—computers							9	2	9	0	9	56						
Merchandise inventory—peripherals							7	3	0	1	9	42						
Store supplies								2	0	7	6	29						
Office supplies									4	4	5	06						
Prepaid insurance								7	5	9	3	50						
Total current assets													47	6	4	2	1	68
Property, plant, and equipment:																		
Land							3	0	0	0	0	00						
Building	11	2	5	0	0	00												
Less accumulated depreciation	2	9	4	2	1	75	8	3	0	7	8	25						
Office equipment	1	5	2	3	4	92												
Less accumulated depreciation		5	9	2	7	25		9	3	0	7	67						
Store equipment		1	1	7	1	52												
Less accumulated depreciation			8	9	5	50			2	7	6	02						
Total property, plant, and equipment													12	2	6	6	1	94
Total assets													59	9	0	8	3	62
(continues)																		

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JP's Tech Solutions Sales & Services, Inc.
Balance Sheet (Concluded)
December 31, 20--

Liabilities																		
Current liabilities:																		
Accounts payable	*2*	*3*	*1*	*6*	*1*	*50*												
Salaries payable		*3*	*6*	*5*	*0*	*25*												
State unemployment tax payable			*1*	*9*	*5*	*73*												
Federal unemployment tax payable				*2*	*4*	*64*												
Customer refunds payable		*6*	*4*	*3*	*3*	*00*												
Total current liabilities							*3*	*3*	*4*	*6*	*5*	*12*						
Long-term liabilities:																		
Notes payable							*3*	*7*	*5*	*0*	*0*	*00*						
Total liabilities													*7*	*0*	*9*	*6*	*5*	*12*
Stockholders' Equity																		
Paid-in capital:																		
Common stock, $10 par (30,250 shares																		
authorized, issued, & outstanding)	*30*	*2*	*5*	*0*	*0*	*00*												
Preferred 4% stock, $100 par (450 shares																		
authorized, issued, & outstanding)	*4*	*5*	*0*	*0*	*0*	*00*												
Paid-in capital in excess of par—																		
common stock	*11*	*0*	*0*	*0*	*0*	*00*												
Paid-in capital in excess of par—																		
preferred stock	*1*	*5*	*0*	*0*	*0*	*00*												
Total paid-in capital							*47*	*2*	*5*	*0*	*0*	*00*						
Retained earnings							*5*	*5*	*6*	*1*	*8*	*50*						
Total stockholders' equity													*52*	*8*	*1*	*1*	*8*	*50*
Total liabilities and stockholders' equity													*59*	*9*	*0*	*8*	*3*	*62*

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JP's Tech Solutions Sales & Services, Inc.												
Post-Closing Trial Balance												
For Year Ended December 31, 20--												
Cash	28	5	1	0	0	35						
Petty Cash			3	0	0	00						
Accounts Receivable	1	6	8	9	6	75						
Allowance for Doubtful Accounts								1	9	1	9	25
Merchandise Inventory—Computers	9	2	9	0	9	56						
Merchandise Inventory—Peripherals	7	3	0	1	9	42						
Store Supplies		2	0	7	6	29						
Office Supplies			4	4	5	06						
Prepaid Insurance		7	5	9	3	50						
Land	3	0	0	0	0	00						
Building	11	2	5	0	0	00						
Accumulated Depreciation—Building							2	9	4	2	1	75
Office Equipment	1	5	2	3	4	92						
Accumulated Depreciation—Office Equipment								5	9	2	7	25
Store Equipment		1	1	7	1	52						
Accumulated Depreciation—Store Equipment									8	9	5	50
Accounts Payable							2	3	1	6	1	50
Salaries Payable								3	6	5	0	25
State Unemployment Tax Payable									1	9	5	73
Federal Unemployment Tax Payable										2	4	64
Customer Refunds Payable								6	4	3	3	00
Notes Payable							3	7	5	0	0	00
Common Stock, $10 Par							30	2	5	0	0	00
Preferred 4% Stock, $100 Par							4	5	0	0	0	00
Paid-In Capital in Excess of Par—Common Stock							11	0	0	0	0	00
Paid-In Capital in Excess of Par—Preferred Stock							1	5	0	0	0	00
Retained Earnings							5	5	6	1	8	50
Totals	63	7	2	4	7	37	63	7	2	4	7	37

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JP's Tech Solutions
Work
December

	ACCOUNT TITLE	TRIAL BALANCE DEBIT	TRIAL BALANCE CREDIT	ADJUSTMENTS DEBIT	ADJUSTMENTS CREDIT	
1	Cash	28,501,735				1
2	Petty Cash	3,000,000				2
3	Accounts Receivable	1,689,675				3
4	Allow. for Doubtful Accounts		92,400		a) 99,525	4
5	Merch. Inv.—Computers	11,304,000		b) 9,290,956	b) 11,304,000	5
6	Merch. Inv.—Peripherals	7,574,810		b) 7,301,942	b) 7,574,810	6
7	Store Supplies	2,455,549			b) 3,795,920	7
8	Office Supplies	870,020			b) 426,514	8
9	Prepaid Insurance	1,004,975			c) 245,625	9
10	Land	3,000,000				10
11	Building	11,250,000				11
12	Accum. Depr.—Building		1,685,925		d) 1,225,650	12
13	Office Equipment	1,523,492				13
14	Accum. Depr.—Office Equip.		359,400		d) 233,925	14
15	Store Equipment	1,771,752				15
16	Accum. Depr.—Store Equip.		710,025		d) 185,025	16
17	Accounts Payable		2,316,150			17
18	Salaries Payable				e) 365,025	18
19	Empl. Fed. Inc. Tax Pay.					19
20	FICA Tax Payable					20
21	SUTA Tax Payable		19,573			21
22	FUTA Tax Payable		2,464			22
23	Cash Dividends Payable					23
24	Customer Refunds Payable				f) 64,300	24
25	Notes Payable		375,000			25
26	Common Stock, $10 Par		3,025,000			26
27	Pref. 4% Stock, $100 Par		450,000			27
28	PIC in Excess of Par—Com.		1,100,000			28
29	PIC in Excess of Par—Pref.		150,000			29
30	Retained Earnings		346,506			30
31	Cash Dividends	3,307,500				31
32	Carried Forward	69,454,108	59,012,443	16,592,898	21,820,419	32
33						33
34						34
35						35
36						36

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Sales & Services, Inc.
Sheet
31, 20--

	ADJUSTED TRIAL BALANCE												INCOME STATEMENT												BALANCE SHEET												
	DEBIT						CREDIT						DEBIT						CREDIT						DEBIT						CREDIT						
1	28	5	1	0	0	35																			28	5	1	0	0	35							1
2			3	0	0	00																					3	0	0	00							2
3	1	6	8	9	6	75																			1	6	8	9	6	75							3
4							1	9	1	9	25																				1	9	1	9	25		4
5	9	2	9	0	9	56																			9	2	9	0	9	56							5
6	7	3	0	1	9	42																			7	3	0	1	9	42							6
7		2	0	7	6	29																				2	0	7	6	29							7
8			4	4	5	06																					4	4	5	06							8
9		7	5	9	3	50																				7	5	9	3	50							9
10	3	0	0	0	0	00																			3	0	0	0	0	00							10
11	11	2	5	0	0	00																			11	2	5	0	0	00							11
12							2	9	4	2	1	75																			2	9	4	2	1	75	12
13	1	5	2	3	4	92																			1	5	2	3	4	92							13
14								5	9	2	7	25																				5	9	2	7	25	14
15		1	1	7	1	52																				1	1	7	1	52							15
16									8	9	5	50																					8	9	5	50	16
17							2	3	1	6	1	50																			2	3	1	6	1	50	17
18								3	6	5	0	25																				3	6	5	0	25	18
19																																					19
20																																					20
21									1	9	5	73																					1	9	5	73	21
22										2	4	64																						2	4	64	22
23																																					23
24								6	4	3	3	00																				6	4	3	3	00	24
25							3	7	5	0	0	00																			3	7	5	0	0	00	25
26							30	2	5	0	0	00																			30	2	5	0	0	00	26
27							4	5	0	0	0	00																			4	5	0	0	0	00	27
28							11	0	0	0	0	00																			11	0	0	0	0	00	28
29							1	5	0	0	0	00																			1	5	0	0	0	00	29
30							3	4	6	3	5	06																			3	4	6	3	5	06	30
31	3	3	0	7	5	00																			3	3	0	7	5	00							31
32	67	0	3	2	2	37	61	6	2	8	3	93													67	0	3	2	2	37	61	6	2	8	3	93	32
33																																					33
34																																					34
35																																					35
36																																					36

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Work

December

	ACCOUNT TITLE	TRIAL BALANCE DEBIT							TRIAL BALANCE CREDIT							ADJUSTMENTS DEBIT							ADJUSTMENTS CREDIT							
1	Brought Forwarded	69	6	4	5	1	08		59	0	1	2	4	43		16	5	9	2	8	98		21	8	2	1	7	19		1
2	Income Summary															b) 18	8	7	9	7	10		b) 16	5	9	2	8	98		2
3	Sales—Computers								31	5	6	1	7	59		f)	3	1	5	6	00										3
4	Sales—Peripherals								32	7	7	4	3	55		f)	3	2	7	7	00										4
5	Sales—Comp. Servicing								9	4	9	9	9	50																	5
6	Purchases—Computers	31	6	3	3	1	22																								6
7	Purchases—Peripherals	16	3	1	9	5	34																								7
8	Purch. Returns & Allow.										2	0	4	75																	8
9	Purchases Discounts										7	6	2	02																	9
10	Freight In			7	2	0	52																								10
11	Sales Salaries Expense	5	3	2	6	2	75									e)	2	3	6	0	25										11
12	Advertising Expense	2	0	3	5	8	75																								12
13	Depr. Exp.—Store Equip.			1	5	0	75									d)		1	8	5	25										13
14	Store Supplies Expense															b)		3	7	9	20										14
15	Officers' Salaries Expense	3	6	0	0	0	00									e)	1	1	2	5	00										15
16	Office Salaries Expense	1	0	5	3	0	00									e)		1	6	5	00										16
17	Payroll Taxes Expense	1	0	8	6	0	22																								17
18	Utilities Expense		5	6	2	7	16																								18
19	Depr. Exp.—Building															d) 1	2	5	6	2	50										19
20	Depr. Exp.—Office Equip.				7	6	50									d)	2	3	3	3	25										20
21	Repairs & Maint. Expense		3	8	1	6	75																								21
22	Property Tax Expense		7	2	5	4	30																								22
23	Insurance Expense															c)	2	4	5	6	25										23
24	Uncoll. Accounts Expense															a)		9	9	5	25										24
25	Office Supplies Expense															b)		4	2	5	14										25
26	Professional Fees Expense		1	0	6	6	50																								26
27	Interest Expense		3	7	5	0	00																								27
28																															28
29		132	9	4	5	1	84		132	9	4	5	1	84		38	4	1	4	6	17		38	4	1	4	6	17		29
30	Net Income																														30
31																															31
32																															32
33																															33

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Sales & Services, Inc.

Sheet

31, 20--

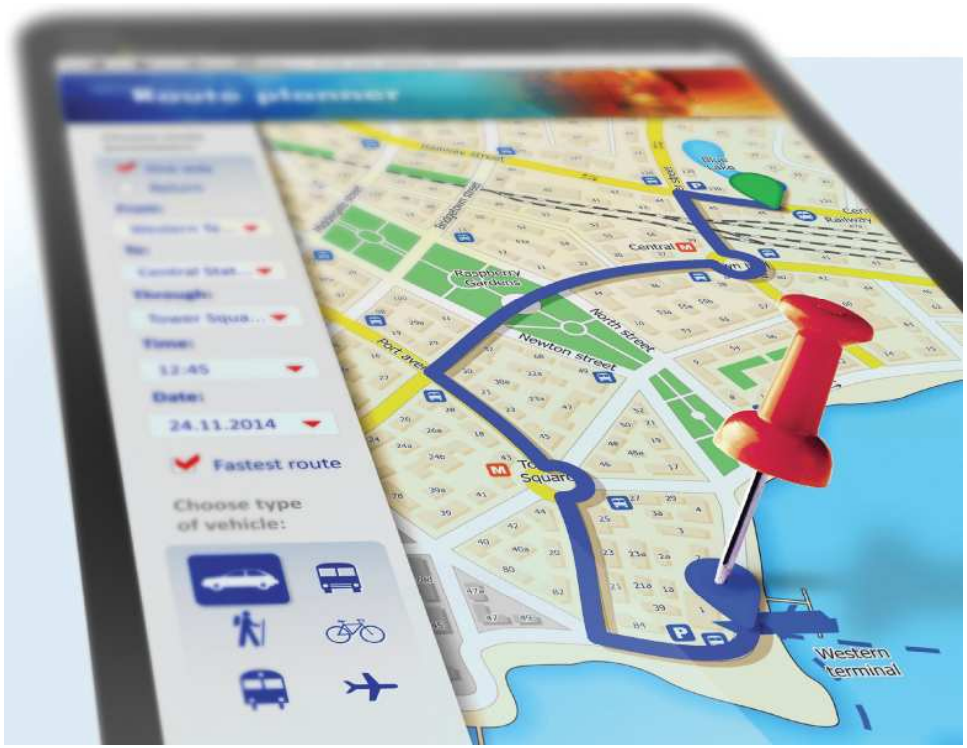
	ADJUSTED TRIAL BALANCE												INCOME STATEMENT												BALANCE SHEET												
	DEBIT						CREDIT						DEBIT						CREDIT						DEBIT						CREDIT						
1	67	0	3	2	2	37	61	6	2	8	3	93													67	0	3	2	2	37	61	6	2	8	3	93	1
2	18	8	7	9	7	10	16	5	9	2	8	98	18	8	7	9	7	10	16	5	9	2	8	98													2
3							31	2	4	6	1	59							31	2	4	6	1	59													3
4							32	4	4	6	6	55							32	4	4	6	6	55													4
5							9	4	9	9	9	50							9	4	9	9	9	50													5
6	31	6	3	3	1	22							31	6	3	3	1	22																			8
7	16	3	1	9	5	34							16	3	1	9	5	34																			9
8									2	0	4	75									2	0	4	75													10
9									7	6	2	02									7	6	2	02													11
10			7	2	0	52									7	2	0	52																			12
11	5	5	6	2	3	00							5	5	6	2	3	00																			13
12	2	0	3	5	8	75							2	0	3	5	8	75																			14
13			3	3	6	00									3	3	6	00																			15
14			3	7	9	20									3	7	9	20																			16
15	3	7	1	2	5	00							3	7	1	2	5	00																			17
16	1	0	6	9	5	00							1	0	6	9	5	00																			18
17	1	0	8	6	0	22							1	0	8	6	0	22																			19
18		5	6	2	7	16								5	6	2	7	16																			20
19	1	2	5	6	2	50							1	2	5	6	2	50																			21
20		2	4	0	9	75								2	4	0	9	75																			22
21		3	8	1	6	75								3	8	1	6	75																			23
22		7	2	5	4	30								7	2	5	4	30																			24
23		2	4	5	6	25								2	4	5	6	25																			25
24			9	9	5	25									9	9	5	25																			26
25			4	2	5	14									4	2	5	14																			27
26		1	0	6	6	50								1	0	6	6	50																			28
27		3	7	5	0	00								3	7	5	0	00																			29
28																																					30
29	151	5	1	0	7	32	151	5	1	0	7	32	84	4	7	8	4	95	89	8	8	2	3	39	67	0	3	2	2	37	61	6	2	8	3	93	31
30													5	4	0	3	8	44													5	4	0	3	8	44	32
31													89	8	8	2	3	39	89	8	8	2	3	39	67	0	3	2	2	37	67	0	3	2	2	37	33
32																																					34
33																																					35

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Corporate Financial Accounting

Fifteenth Edition



Chapter 2
Analyzing Transactions

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Learning Objectives

- **Obj. 1:** Describe the characteristics of an account and a chart of accounts.
- **Obj. 2:** Describe and illustrate journalizing transactions using the double-entry accounting system.
- **Obj. 3:** Describe and illustrate the journalizing and posting of transactions to accounts.
- **Obj. 4:** Prepare an unadjusted trial balance and explain how it can be used to discover errors.
- **Obj. 5**: Describe and illustrate the use of horizontal analysis in evaluating a company's performance and financial condition.

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Using Accounts to Record Transactions

- Accounting systems are designed to show the increases and decreases in each accounting equation element as a separate record.
  - This record is called an **account**.

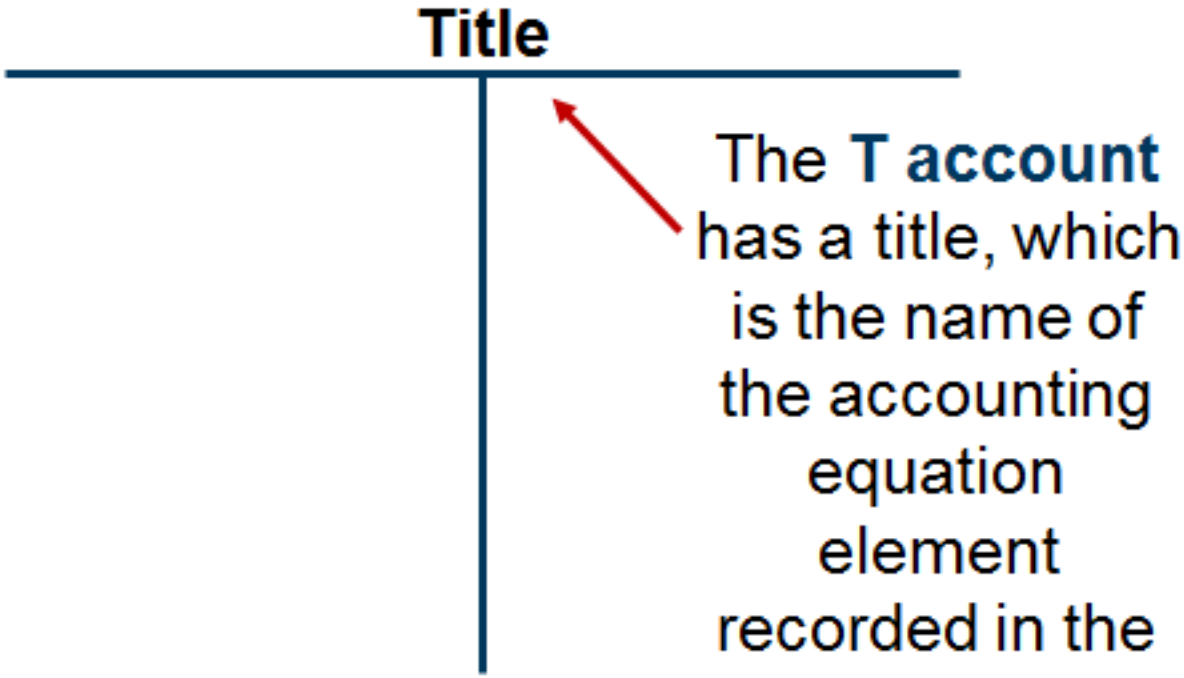
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NetSolutions' November Transactions

	Assets			= Liabilities +		Stockholders' Equity						
	Cash	+ Supp.	+ Land	= Accounts Payable	+ Common Stock	– Dividends	+ Fees Earned	– Wages Exp.	– Rent Exp.	– Supplies Exp.	– Utilities Exp.	– Misc. Exp.
a.	+25,000				+25,000							
b.	–20,000		+20,000									
Bal.	5,000		20,000		25,000							
c.		+1,350		+1,350								
Bal.	5,000	1,350	20,000	1,350	25,000							
d.	+7,500						+7,500					
Bal.	12,500	1,350	20,000	1,350	25,000		7,500					
e.	–3,650							–2,125	–800		–450	–275
Bal.	8,850	1,350	20,000	1,350	25,000		7,500	–2,125	–800		–450	–275
f.	–950			–950								
Bal.	7,900	1,350	20,000	400	25,000		7,500	–2,125	–800		–450	–275
g.		–800								–800		
Bal.	7,900	550	20,000	400	25,000		7,500	–2,125	–800	–800	–450	–275
h.	–2,000					–2,000						
Bal.	5,900	550	20,000	400	25,000	–2,000	7,500	–2,125	–800	–800	–450	–275

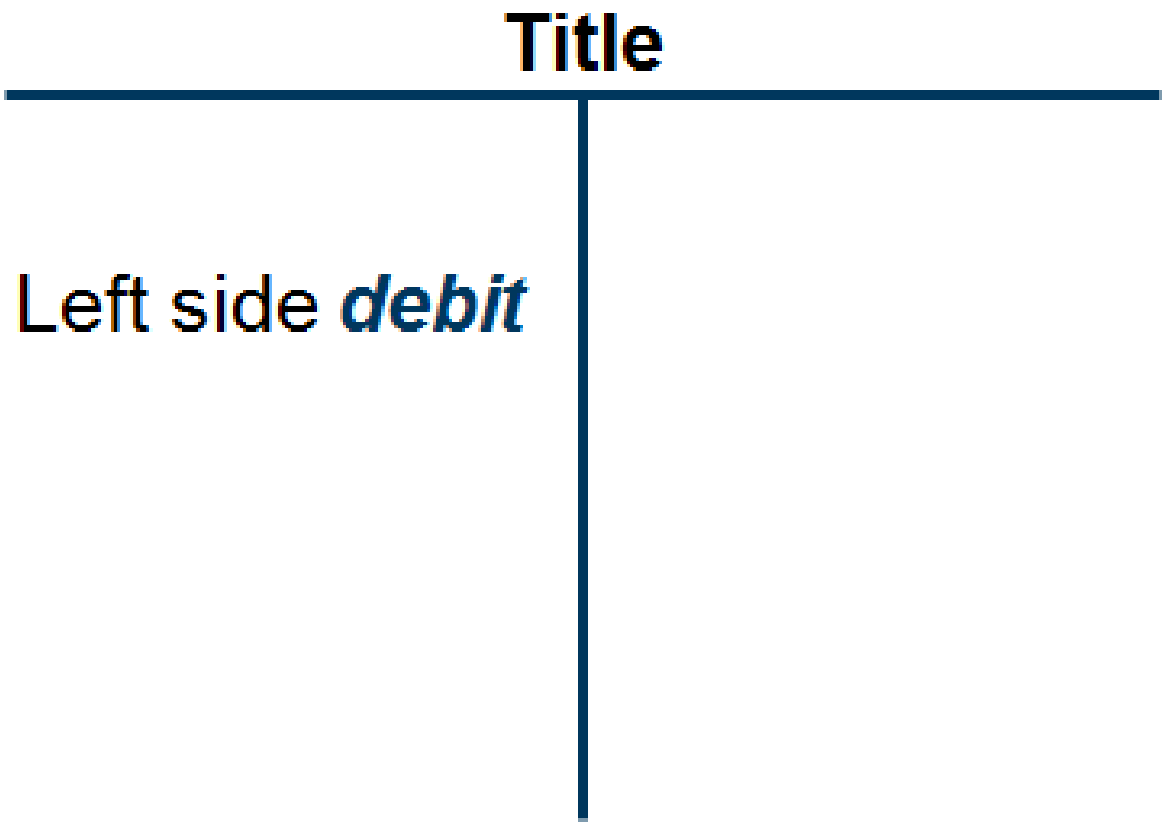
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The T Account (1 of 4)



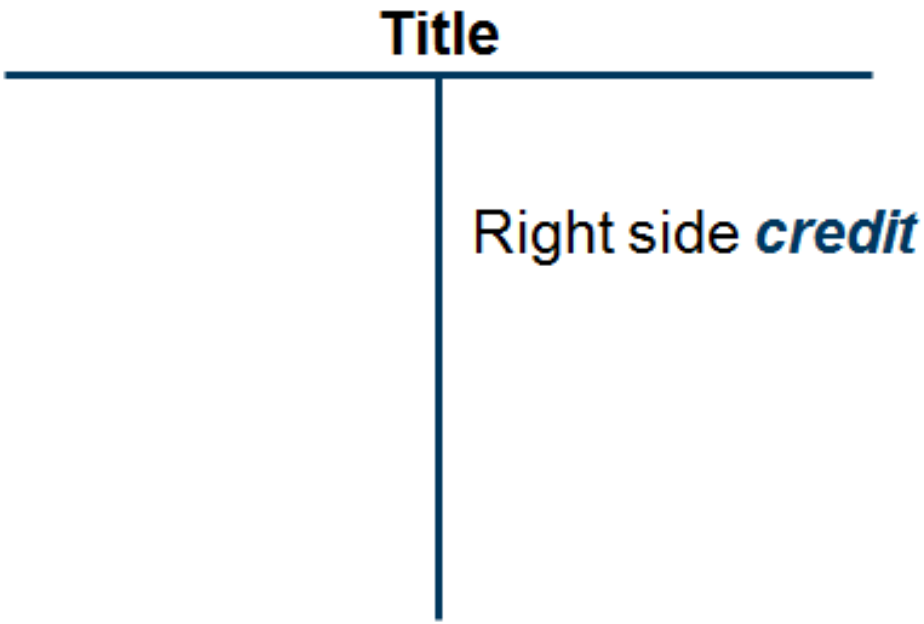
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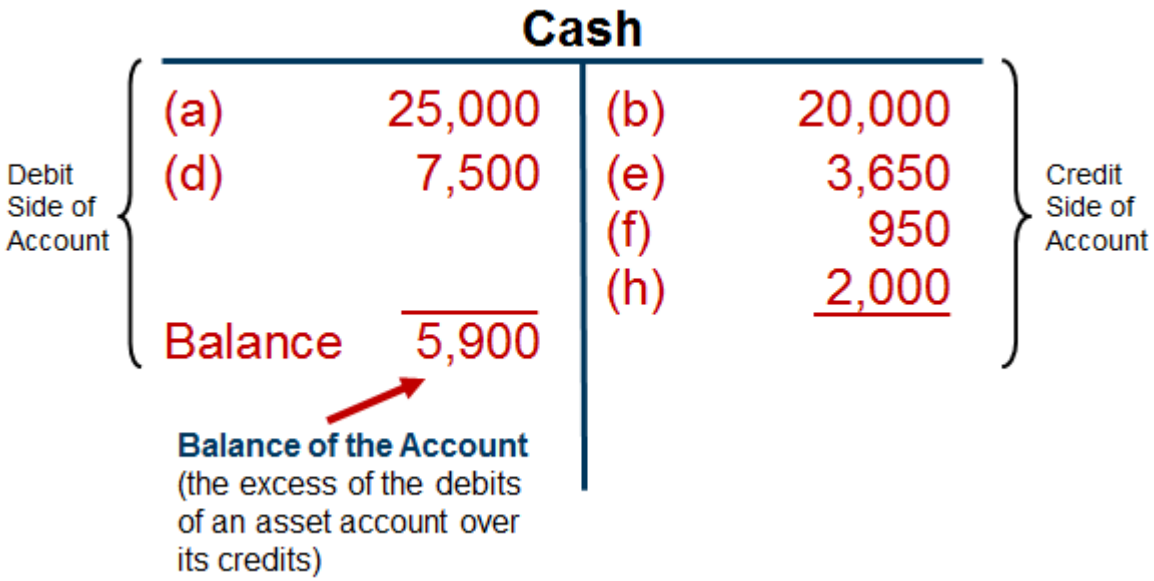
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The T Account (3 of 4)



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The T Account (4 of 4)



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Chart of Accounts

- A group of accounts for a business entity is called a **ledger**.
- A list of the accounts in the ledger is called a **chart of accounts**.
- The accounts are normally listed in the order in which they appear in the financial statements.
  - The balance sheet accounts are listed first, in the order of assets, liabilities, and stockholders' equity.
  - The income statement accounts are then listed in the order of revenues and expenses.

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Assets

- **Assets** are resources owned by the business entity.
  - Examples of assets include:
    - Cash
    - Supplies
    - Intangible assets (patent rights, copyrights, trademarks)
    - Accounts receivable
    - Prepaid expenses
    - Buildings
    - Equipment

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Liabilities

- **Liabilities** are debts owed to outsiders (creditors).
  - Examples of liabilities include:
    - Accounts payable
    - Notes payable
    - Wages payable
    - Unearned revenues (cash received from customers before services are delivered)

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Stockholders' Equity

- **Stockholders' equity** is the stockholders' right to the assets of the business.
- Stockholders' equity is represented by the balance of the **common stock** and **retained earnings** accounts.
- A **dividends** account represents distributions of earnings to stockholders.

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Revenues

- **Revenues** are increases in assets and stockholders' equity as a result of selling services or products to customers.
  - Examples of revenues include:
    - Fees earned
    - Fares earned
    - Commissions revenue
    - Rent revenue

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Expenses

- **Expenses** result from using up assets or consuming services in the process of generating revenues.
  - Examples of expenses include:
    - Wages expense
    - Rent expense
    - Utilities expense
    - Supplies expense
    - Miscellaneous expense

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Account Numbering System

- Accounts are grouped by account type (assets, liabilities, stockholders' equity, revenue, and expenses).
- Each type of account is numbered using the same first digit, for example:
  - Assets begins with 1
  - Liabilities begins with 2
  - Stockholders' equity begins with 3
  - Revenue begins with 4
  - Expenses begins with 5

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Chart of Accounts for NetSolutions (1 of 3)

Balance Sheet Accounts

1. **Assets**

   11 Cash

   12 Accounts Receivable

   14 Supplies

   15 Prepaid Insurance

   17 Land

   18 Office Equipment

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Chart of Accounts for NetSolutions (2 of 3)

2. **Liabilities**

   21 Accounts Payable

   23 Unearned Rent

3. **Stockholders' Equity**

   31 Common Stock

   32 Retained Earnings

   33 Dividends

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Chart of Accounts for NetSolutions (3 of 3)

Income Statement Accounts

4. **Revenue**

   41 Fees Earned

5. **Expenses**

   51 Wages Expense

   52 Supplies Expense

   53 Rent Expense

   54 Utilities Expense

   59 Miscellaneous Expense

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Double-Entry Accounting System

- All businesses use what is called the **double-entry accounting system**.
- This system is based on the accounting equation and requires:
  - Every business transaction to be recorded in at least two accounts.
  - The total debits recorded for each transaction to be equal to the total credits recorded.
- This system has specific rules of debit and credit for recording transactions.

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Balance Sheet Accounts

- The debit and credit rules for balance sheet accounts are as follows:

Balance Sheet Accounts								
ASSETS **Asset Accounts**		=	**LIABILITIES** **Liability Accounts**		+	**STOCKHOLDERS' EQUITY** **Stockholders' Equity Accounts**	
Debit for increases (+)	Credit for decreases (–)		Debit for decreases (–)	Credit for increases (+)		Debit for decreases (–)	Credit for increases (+)

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Income Statement Accounts

- The debit and credit rules for income statement accounts are based on their relationship with stockholders' equity.
- The rules of debit and credit for revenue and expense accounts are as follows:

Income Statement Accounts			
Revenue Accounts		**Expense Accounts**	
Debit for decreases (–)	Credit for increases (+)	Debit for increases (+)	Credit for decreases (–)

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Dividends

- The debit and credit rules for recording dividends are based on the effect of dividends on stockholders' equity (retained earnings).
- The rules of debit and credit for the dividends account are as follows:

Dividends Account

Debit for increases (+)	Credit for decreases (–)

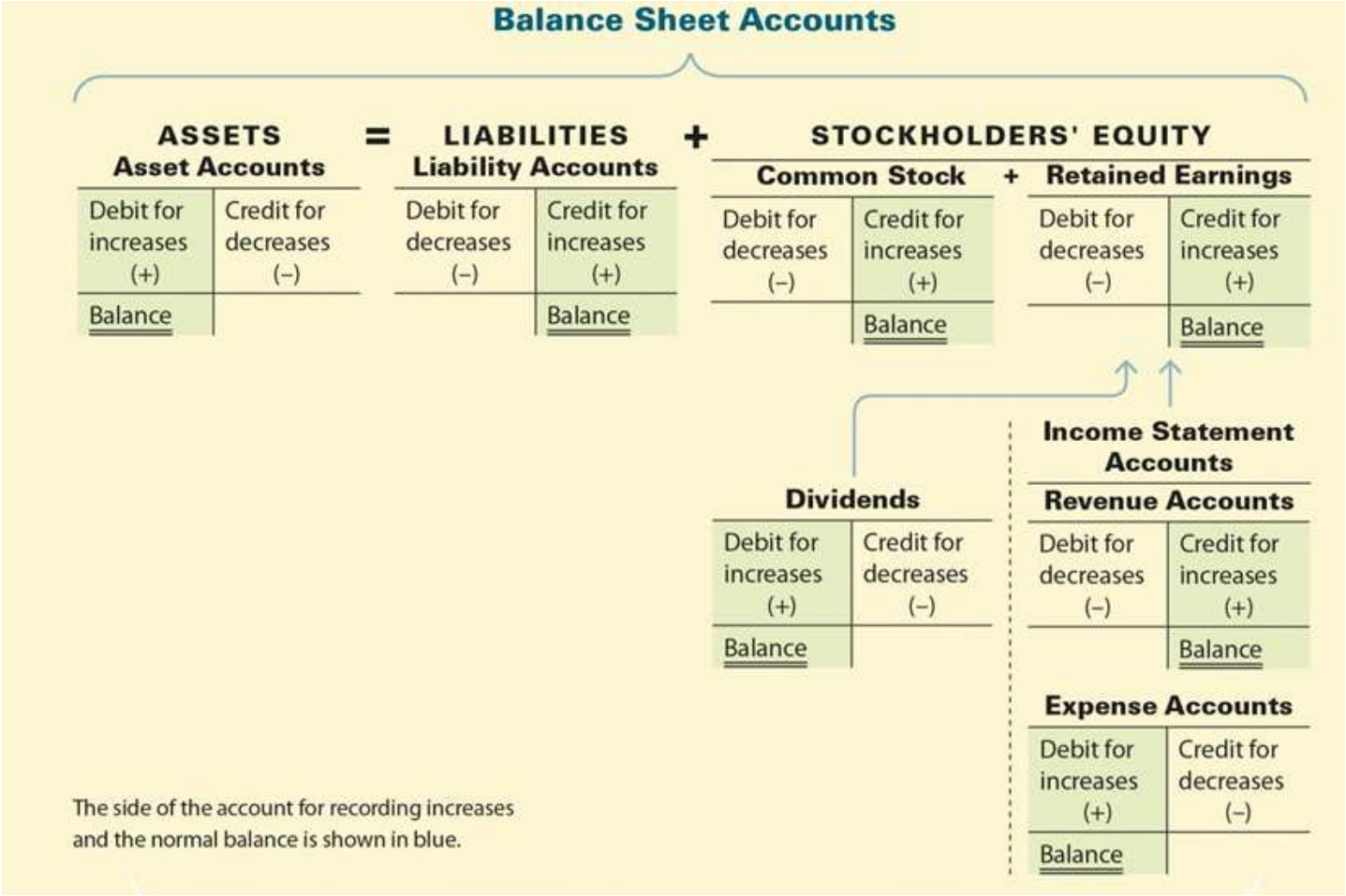
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Normal Balances

- The sum of the increases in an account is usually equal to or greater than the sum of the decreases in the account. Thus, the **normal balance of an account** is either a debit or a credit, depending on whether increases in the account are recorded as debits or credits.

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Rules of Debit and Credit, Normal Balances of Accounts



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Check Up Corner Balance Sheet Accounts (1 of 2)

David Simmons, M.D., recently organized Simmons Urgent Care Inc. as a walk-in clinic. The clinic has purchased medical supplies and office equipment on account. In addition, David has invested cash in the business in exchange for common stock.

Identify the balance sheet accounts that Simmons Urgent Care will use to record these transactions, indicating whether each is an asset, a liability, or a stockholders' equity account and whether the normal balance is a debit or a credit.

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Check Up Corner Balance Sheet Accounts (2 of 2)

Solution:

Assets are the resources owned by a business.

Assets		Liabilities	
Cash	debit	Accounts Payable	credit
Supplies	debit	**Stockholders' Equity**	
Equipment	debit	Common Stock	credit

Liabilities are debts owed to outsiders (creditors).

Stockholders' equity is the stockholders' rights to the assets of the business.

Asset accounts have normal debit balances.

Liability and stockholders' equity accounts have normal credit balances.

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Journalizing (1 of 4)

- Using the rules of debit and credit, transactions are initially entered in a record called a **journal**.

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Journalizing (2 of 4)

- Transactions are recorded in the journal using the following steps:
  - Step 1. The date of the transaction is entered in the Date column.
  - Step 2. The title of the account to be debited is recorded to the left in the Description column, and the amount to be debited is entered in the Debit column.
  - Step 3. The title of the account to be credited is listed below and indented to the debited account title, and the amount to be credited is entered in the Credit column.

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Journalizing (3 of 4)

- Step 4. A brief description may be entered below the credited account.
- Step 5. The Post. Ref. (Posting Reference) column is left blank when the journal entry is initially recorded. This column is used later when the journal entry amounts are transferred to the accounts in the ledger.

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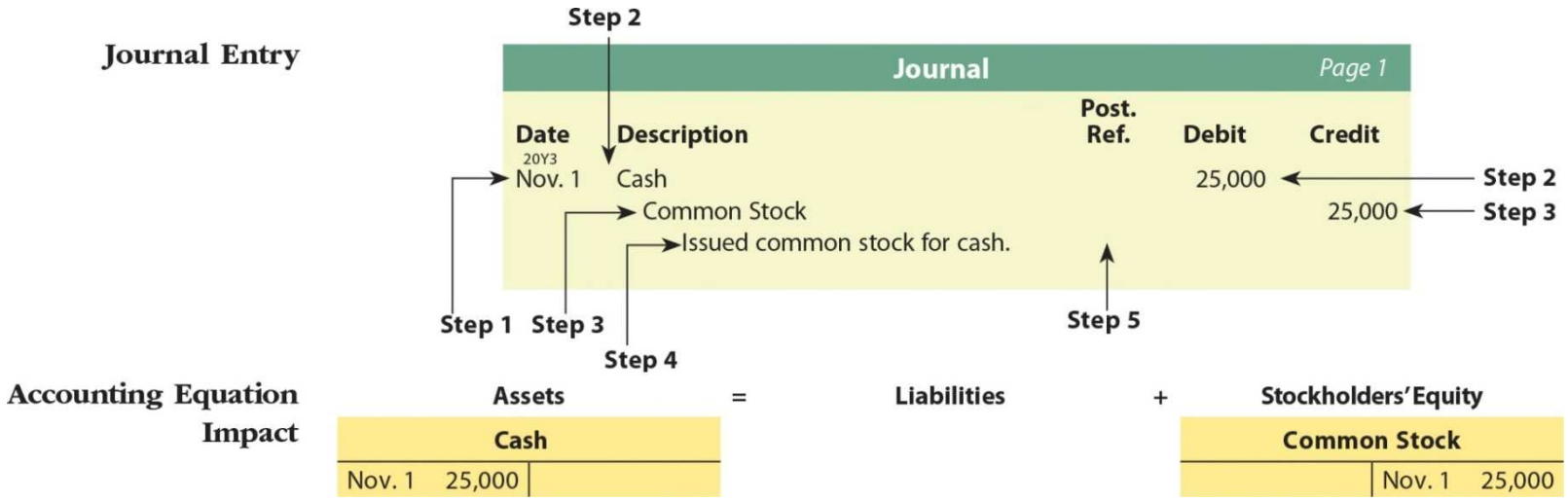
Journalizing (4 of 4)

- The process of recording a transaction in the journal is called **journalizing**.
- The entry in the journal is called a **journal entry**.
- The form of the journal illustrated in Transaction A is called the **two-column journal.**

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Transaction A

- On November 1, Chris Clark deposited $25,000 in a bank account in the name of NetSolutions in exchange for common stock.



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Transaction Terminology and Related Journal Entry Accounts

Common Transaction Terminology	Journal Entry Account: Debit	Journal Entry Account: Credit
Received cash for services provided	Cash	Fees Earned
Services provided on account	Accounts Receivable	Fees Earned
Received cash on account	Cash	Accounts Receivable
Purchased on account	Asset Account	Accounts Payable
Paid on account	Accounts Payable	Cash
Paid cash	Asset or expense account	Cash
Issued common stock	Cash and/or other assets	Common Stock
Paid dividends	Dividends	Cash

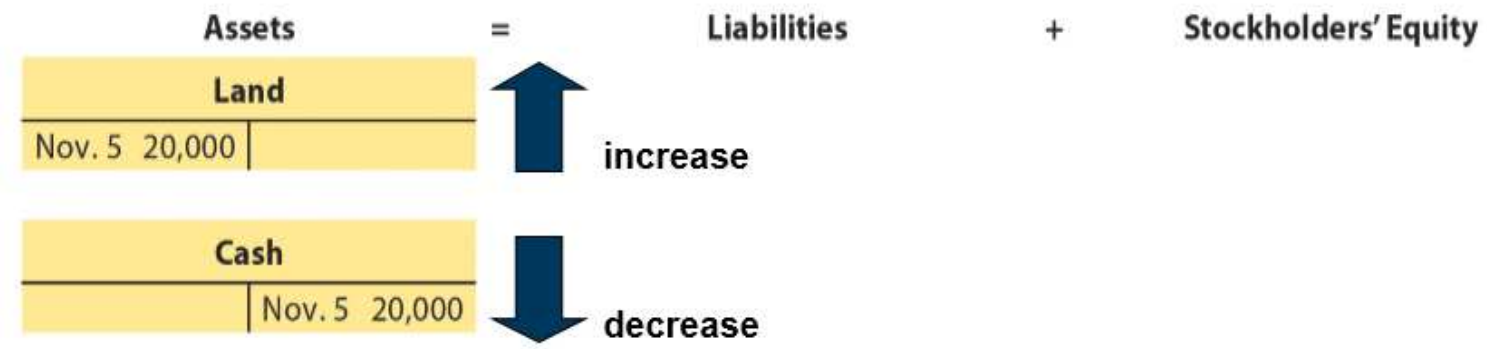
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Transaction B

- On November 5, NetSolutions paid $20,000 for the purchase of land as a future building site.

Nov. 5	Land		20,000	
	Cash			20,000
	Purchased land for building site.			

Accounting Equation Impact



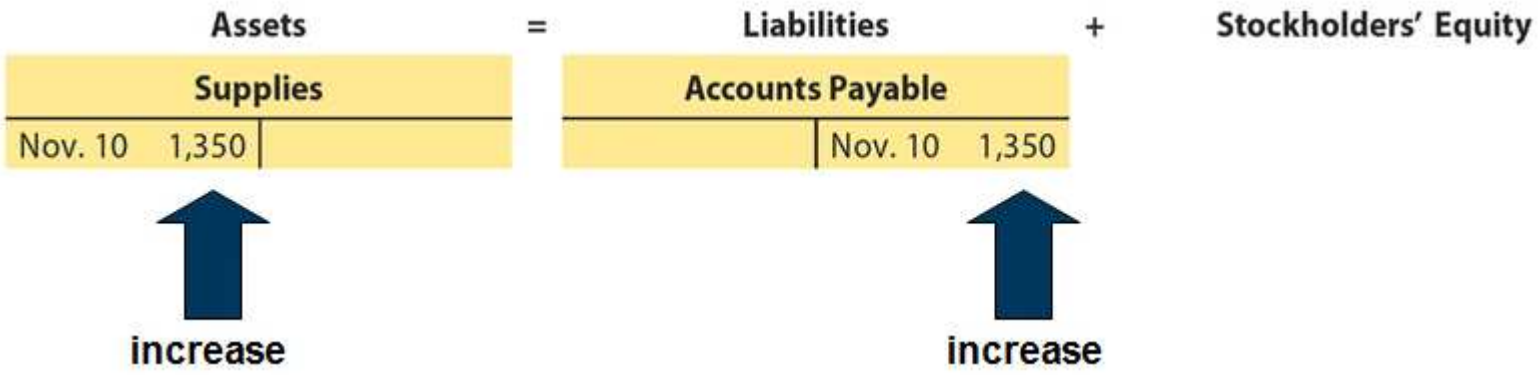
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Transaction C

- On November 10, NetSolutions purchased supplies on account for $1,350.

Nov.	10	Supplies	1,350	
		Accounts Payable		1,350
		Purchased supplies on account.		

Accounting Equation Impact



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Transaction D

- On November 18, NetSolutions received cash of $7,500 from customers for services provided.

Nov. 18	Cash		7,500	
	Fees Earned			7,500
	Received fees from customers.			

Accounting Equation Impact



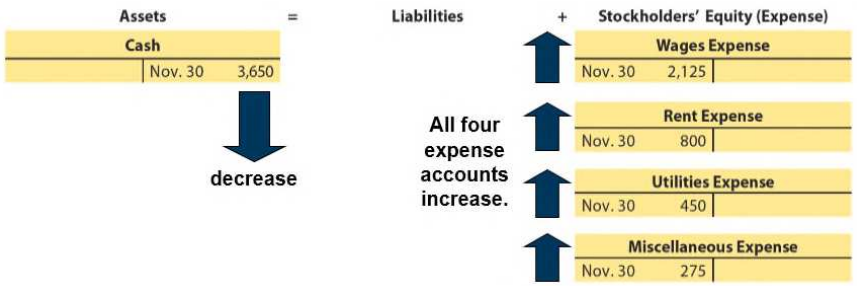
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Transaction E

- On November 30, NetSolutions incurred the following expenses: wages, $2,125; rent, $800; utilities, $450; and miscellaneous, $275.

Nov. 30	Wages Expense	2,125	
	Rent Expense	800	
	Utilities Expense	450	
	Miscellaneous Expense	275	
	Cash		3,650
	Paid expenses.		

Accounting Equation Impact



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Transaction F

- On November 30, NetSolutions paid creditors on account, $950.

Nov. 30	Accounts Payable	950	
	Cash		950
	Paid creditors on account.		

Accounting Equation Impact

Assets	=	Liabilities	+	Stockholders' Equity
Cash		Accounts Payable		
Nov. 30 950		Nov. 30 950		

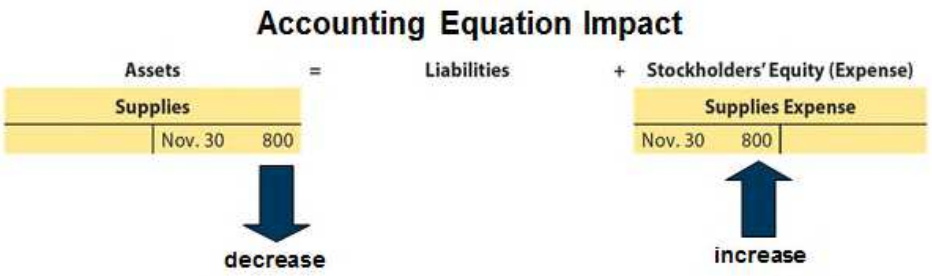
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Transaction G

- NetSolutions purchased $1,350 of supplies on November 10. Chris Clark determined that the cost of supplies on hand at November 30 was $550. Thus, $800 ($1,350 − $550) of supplies must have been used during November.

Nov. 30	Supplies Expense	800	
	Supplies		800
	Supplies used during November.		

Accounting Equation Impact



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Transaction H

- On November 30, NetSolutions paid dividends of $2,000.

Journal				Page 2
Date	**Description**	**Post. Ref.**	**Debit**	**Credit**
2017 Nov. 30	Dividends		2,000	
	Cash			2,000
	Paid dividends.			

Accounting Equation Impact



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Check Up Corner: Journal Entries (1 of 2)

Selected transactions from Simmons Urgent Care Inc.'s first month of operations are as follows:

Jan. 1 David Simmons deposited $30,000 in a bank account in the name of Simmons Urgent Care Inc. in exchange for common stock.

2 Purchased medical supplies on account, $6,000.

6 Paid cash to creditors on account, $3,200.

7 Purchased office equipment on account, $62,500.

Prepare the journal entries to record these transactions, and illustrate their impact on the accounting equation using T accounts.

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Check Up Corner: Journal Entries (2 of 2)

Solution:

The title of the account to be debited is recorded flush left in the Description column.

The amount to be debited is recorded in the Debit column.

The amount to be credited is recorded in the Credit column.

Date	Description	Debit	Credit
2017			
Jan. 1	Cash	30,000	
	Common Stock		30,000
2	Supplies	6,000	
	Accounts Payable		6,000
6	Accounts Payable	3,200	
	Cash		3,200
7	Office Equipment	62,500	
	Accounts Payable		62,500

The title of the account to be credited is recorded below the debit in the Description column and indented slightly.

Increases in asset accounts are recorded on the debit (left) side of the account.

Increases in liability and stockholders' equity accounts are recorded on the credit (right) side of the account.

Assets = **Liabilities** + **Stockholders' Equity**

Cash

Jan. 1	30,000	Jan. 6	3,200

Supplies

Jan. 2	6,000		

Office Equipment

Jan. 7	62,500		

Accounts Payable

Jan. 6	3,200	Jan. 2	6,000
		7	62,500

Common Stock

		Jan. 1	30,000

Decreases in liability accounts are recorded on the debit (left) side of the account.

Decreases in asset accounts are recorded on the credit (right) side of the account.

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Posting Journal Entries to Accounts (1 of 6)

- The process of transferring the debits and credits from the journal entries to the accounts is called **posting**.

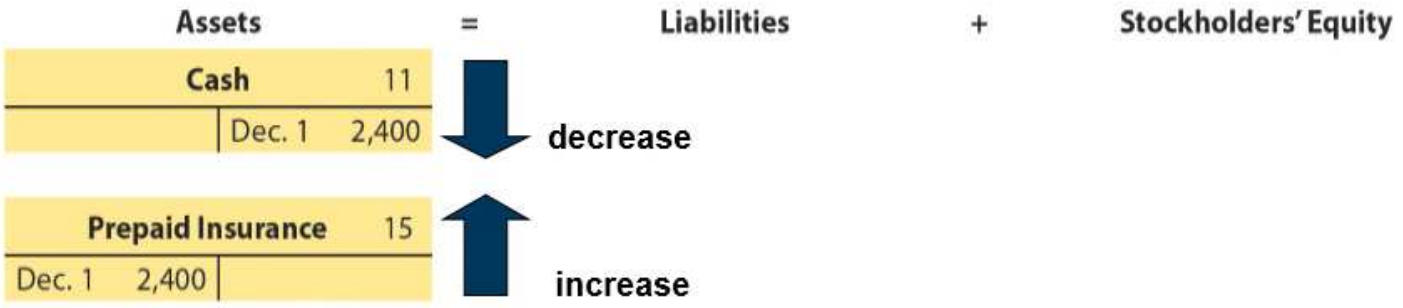
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Posting Journal Entries to Accounts (2 of 6)

- On December 1, NetSolutions paid a premium of $2,400 for an insurance policy for liability, theft, and fire. The policy covers a one-year period.

Dec.	1	Prepaid Insurance	15	2,400	
		Cash	11		2,400
		Paid premium on one-year policy.			

Accounting Equation Impact



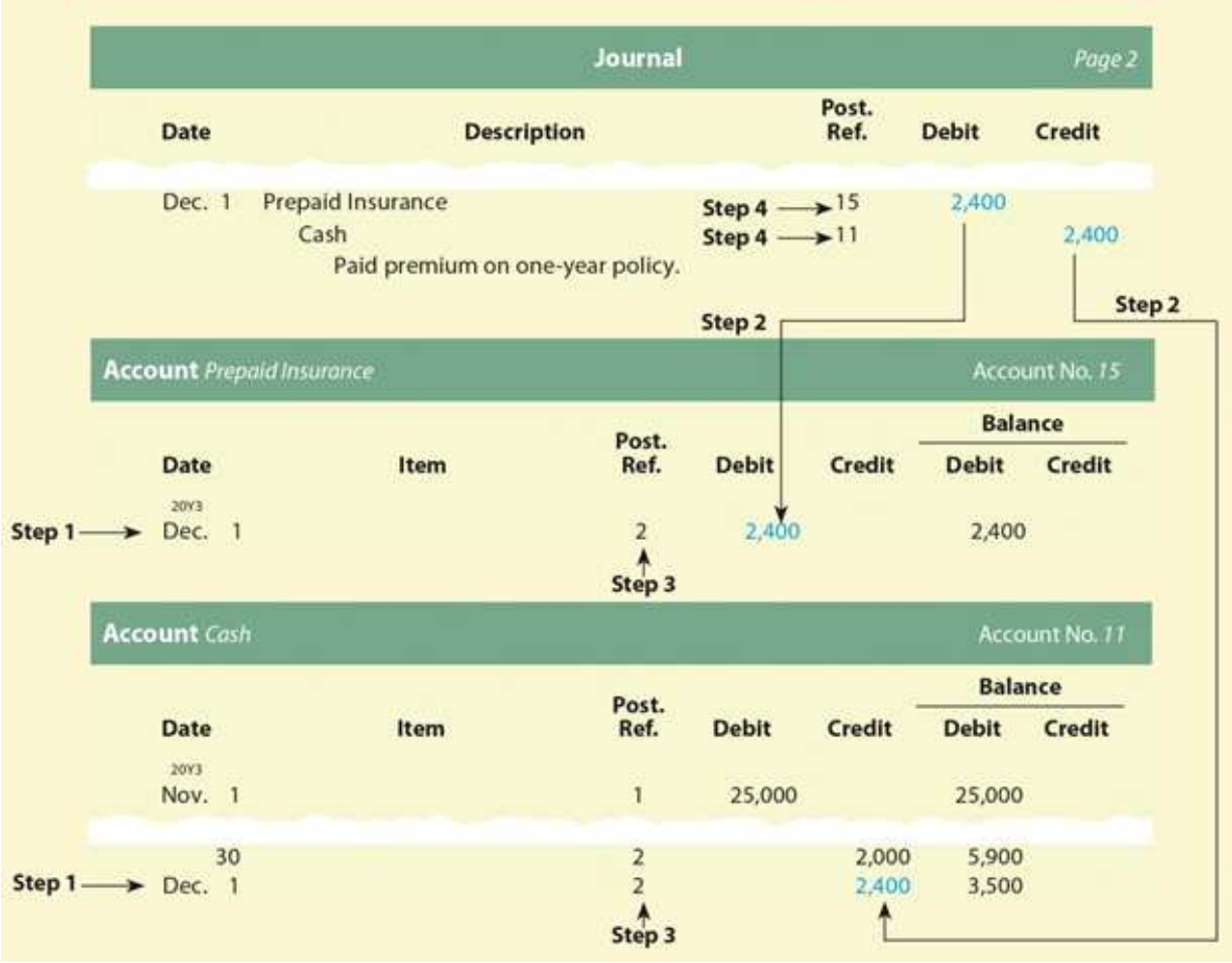
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Posting Journal Entries to Accounts (3 of 6)

- The T account has been replaced by a **standard four-column account** in the next slide.
- In addition to Debit and Credit columns for recording transactions, the standard account form also has Balance (Debit and Credit) columns.
- These Balance columns are used to indicate the account balance after each transaction, sometimes called a *running balance*.

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Posting Journal Entries to Accounts (4 of 6)



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Posting Journal Entries to Accounts (5 of 6)

- The debits and credits for each journal entry are posted to the accounts in the order in which they occur in the journal.
- The debit portion of the December 1 journal entry on the previous slide is posted to the prepaid account using the following four steps:
  - Step 1. The date (Dec. 1) of the journal entry is entered in the Date column of Prepaid Insurance and Cash.
  - Step 2. The amount ($2,400) is entered into the Debit column of Prepaid Insurance and the amount ($2,400) is entered into the Credit column of Cash.

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Posting Journal Entries to Accounts (6 of 6)

- Step 3. The journal page number (2) is entered in the Posting Reference (Post. Ref.) column of Prepaid Insurance and Cash.
- Step 4. The account numbers (15) and (11) are entered in the Posting Reference (Post. Ref.) column in the journal.

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Transaction—Paid Rent

On December 1, NetSolutions paid rent for December, $800. The company from which NetSolutions is renting its office space now requires the payment of rent on the first of each month, rather than at the end of the month.

Dec. 1	Rent Expense	53	800	
	Cash	11		800
	Paid rent for December.			

Accounting Equation Impact



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Transaction—Unearned Revenue

- On December 1, NetSolutions received an offer from a local retailer to rent the land purchased on November 5. The retailer plans to use the land as a parking lot for its employees and customers. NetSolutions agreed to rent the land to the retailer for three months, with the rent payable in advance. NetSolutions received $360 for three months' rent beginning December 1.
- The liability created by receiving the cash in advance of providing the service is called **unearned revenue**.

Dec. 1	Cash		11	360	
	Unearned Rent		23		360
		Received advance payment for three months' rent on land.			

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Transaction—Purchased Office Equipment (1 of 2)

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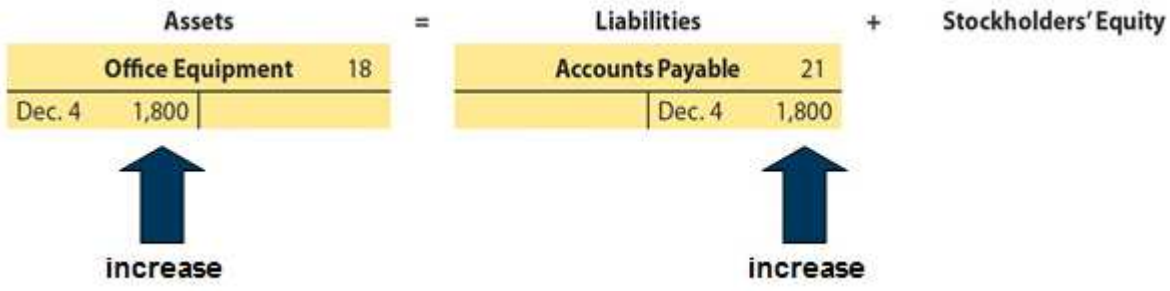
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Transaction—Purchased Office Equipment (2 of 2)

- On December 4, NetSolutions purchased office equipment on account from Executive Supply Co. for $1,800.

Dec. 4	Office Equipment	18	1,800	
	Accounts Payable	21		1,800
	Purchased office equipment on account.			

Accounting Equation Impact



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Transaction—Paid for Advertisement

- On December 6, NetSolutions paid $180 for a newspaper advertisement.

Dec. 6	Miscellaneous Expense	59	180	
	Cash	11		180
	Paid for newspaper advertisement.			

Accounting Equation Impact



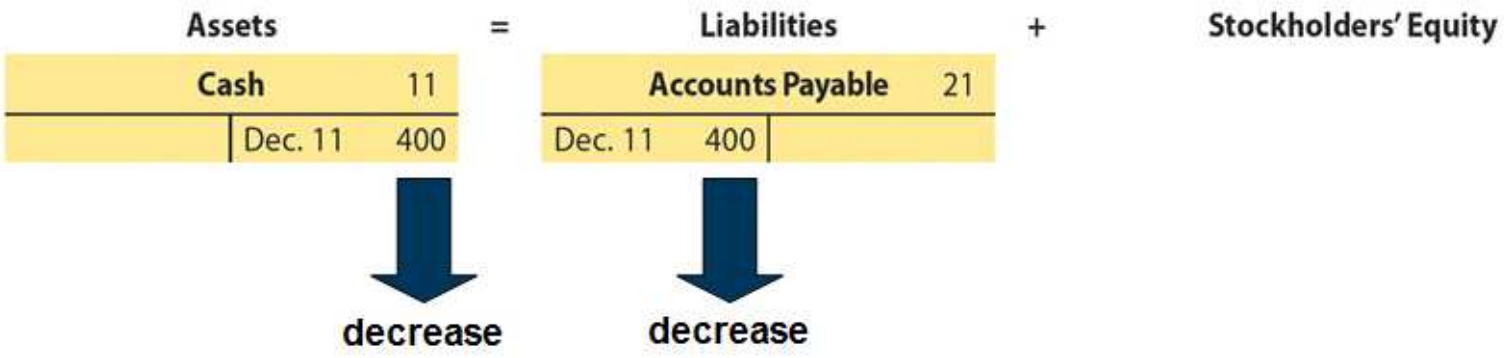
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Transaction—Paid Creditors (1 of 2)

- On December 11, NetSolutions paid creditors $400.

Dec. 11	Accounts Payable	21	400	
	Cash	11		400
	Paid creditors on account.			

Accounting Equation Impact



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Transaction—Paid Wages (1 of 2)

- On December 13, NetSolutions paid a receptionist and a part-time assistant $950 for two weeks' wages.

Journal *Page 3*

Date		Description	Post. Ref.	Debit	Credit
20Y3					
Dec.	13	Wages Expense	51	950	
		Cash	11		950
		Paid two weeks' wages.			

Accounting Equation Impact



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Transaction—Received Fees (1 of 2)

- On December 16, NetSolutions received $3,100 from fees earned for the first half of December.

Dec. 16	Cash		11	3,100	
	Fees Earned		41		3,100
		Received fees from customers.			

Accounting Equation Impact



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Transaction—Fees Earned on Account (1 of 2)

- When a business agrees that a customer may pay for services provided at a later date, an **account receivable** is created.
  - An account receivable is a claim against the customer.
  - An account receivable is an asset, and the revenue is earned even though no cash has been received.

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Transaction—Fees Earned on Account (2 of 2)

- Fees earned on account totaled $1,750 for the first half of December.

Dec. 16	Accounts Receivable	12	1,750	
	Fees Earned	41		1,750
	Fees earned on account.			

Accounting Equation Impact



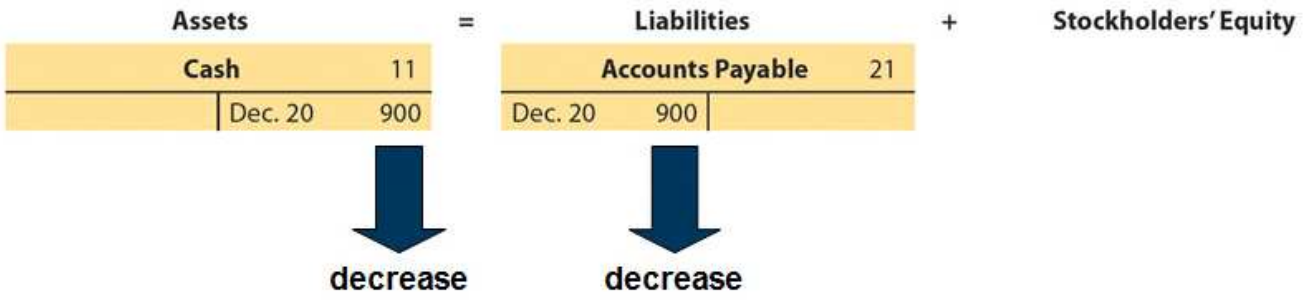
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Transaction—Paid Creditors (2 of 2)

- On December 20, NetSolutions paid $900 to Executive Supply Co. on the $1,800 debt owed from the December 4 transaction.

Dec. 20	Accounts Payable	21	900	
	Cash	11		900
	Paid creditors on account.			

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Transaction—Received Payment on Account

- On December 21, NetSolutions received $650 from customers in payment of their accounts.

Dec. 21	Cash	11	650	
	Accounts Receivable	12		650
	Received cash from customers on account.			

Accounting Equation Impact



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Transaction—Paid for Supplies

- On December 23, NetSolutions paid $1,450 for supplies.

Dec. 23	Supplies	14	1,450	
	Cash	11		1,450
	Purchased supplies.			

Accounting Equation Impact



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Transaction—Paid Wages (2 of 2)

- On December 27, NetSolutions paid the receptionist and the part-time assistant $1,200 for two weeks' wages.

Dec.	27	Wages Expense	51	1,200	
		Cash	11		1,200
		Paid two weeks' wages.			

Accounting Equation Impact



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Transaction—Paid Telephone Bill

- On December 31, NetSolutions paid its $310 telephone bill for the month.

Dec.	31	Utilities Expense	54	310	
		Cash	11		310
		Paid telephone bill.			

Accounting Equation Impact



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Transaction—Paid Electric Bill

- On December 31, NetSolutions paid its $225 electric bill for the month.

Journal *Page 4*

Date	Description	Post. Ref.	Debit	Credit
2017				
Dec. 31	Utilities Expense	54	225	
	Cash	11		225
	Paid electric bill.			

Accounting Equation Impact



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Transaction—Received Fees (2 of 2)

- On December 31, NetSolutions received $2,870 from fees earned for the second half of December.

Dec.	31	Cash	11	2,870	
		Fees Earned	41		2,870
		Received fees from customers.			

Accounting Equation Impact



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Transaction—Fees Earned on Account

- On December 31, fees earned on account totaled $1,120 for the second half of December.

Dec.	31	Accounts Receivable	12	1,120	
		Fees Earned	41		1,120
		Fees earned on account.			

Accounting Equation Impact



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Transaction—Paid Dividends

- On December 31, NetSolutions paid dividends of $2,000.

Dec.	31	Dividends	33	2,000	
		Cash	11		2,000
		Paid dividends.			

Accounting Equation Impact



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General Ledger for NetSolutions (1 of 3)

Ledger

Account *Cash* — Account No. *11*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3						
Nov. 1		1	25,000		25,000	
5		1		20,000	5,000	
18		1	7,500		12,500	
30		1		3,650	8,850	
30		1		950	7,900	
30		2		2,000	5,900	
Dec. 1		2		2,400	3,500	
1		2		800	2,700	
1		2	360		3,060	
6		2		180	2,880	
11		2		400	2,480	
13		3		950	1,530	
16		3	3,100		4,630	
20		3		900	3,730	
21		3	650		4,380	
23		3		1,450	2,930	
27		3		1,200	1,730	
31		3		310	1,420	
31		4		225	1,195	
31		4	2,870		4,065	
31		4		2,000	2,065	

Account *Accounts Receivable* — Account No. *12*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3						
Dec. 16		3	1,750		1,750	
21		3		650	1,100	
31		4	1,120		2,220	

Account *Supplies* — Account No. *14*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3						
Nov. 10		1	1,350		1,350	
30		1		800	550	
Dec. 23		3	1,450		2,000	

Account *Prepaid Insurance* — Account No. *15*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3						
Dec. 1		2	2,400		2,400	

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General Ledger for NetSolutions (2 of 3)

Account *Land* — Account No. *17*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3 Nov. 5		1	20,000		20,000	

Account *Office Equipment* — Account No. *18*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3 Dec. 4		2	1,800		1,800	

Account *Accounts Payable* — Account No. *21*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3 Nov. 10		1		1,350		1,350
30		1	950			400
Dec. 4		2		1,800		2,200
11		2	400			1,800
20		3	900			900

Account *Unearned Rent* — Account No. *23*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3 Dec. 1		2		360		360

Account *Common Stock* — Account No. *31*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3 Nov. 1		1		25,000		25,000

Account *Dividends* — Account No. *33*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
20Y3 Nov. 30		2	2,000		2,000	
Dec. 31		4	2,000		4,000	

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General Ledger for NetSolutions (3 of 3)

Account *Fees Earned* — Account No. *41*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
2017						
Nov. 18		1		7,500		7,500
Dec. 16		3		3,100		10,600
16		3		1,750		12,350
31		4		2,870		15,220
31		4		1,120		16,340

Account *Wages Expense* — Account No. *51*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
2017						
Nov. 30		1	2,125		2,125	
Dec. 13		3	950		3,075	
27		3	1,200		4,275	

Account *Supplies Expense* — Account No. *52*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
2017						
Nov. 30		1	800		800	

Account *Rent Expense* — Account No. *53*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
2017						
Nov. 30		1	800		800	
Dec. 1		2	800		1,600	

Account *Utilities Expense* — Account No. *54*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
2017						
Nov. 30		1	450		450	
Dec. 31		3	310		760	
31		4	225		985	

Account *Miscellaneous Expense* — Account No. *59*

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
2017						
Nov. 30		1	275		275	
Dec. 6		2	180		455	

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Trial Balance (1 of 4)

- The equality of debits and credits in the ledger should be proven at the end of each accounting period by preparing a **trial balance**.

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Trial Balance (2 of 4)

- The steps in preparing a trial balance are as follows:
  - Step 1. List the name of the company, the title of the trial balance, and the date the trial balance is prepared.
  - Step 2. List the accounts from the ledger, and enter their debit or credit balance in the Debit or Credit column of the trial balance.
  - Step 3. Total the Debit and Credit columns of the trial balance.
  - Step 4. Verify that the total of the Debit column equals the total of the Credit column.

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Trial Balance (3 of 4)

- An **unadjusted trial balance** is distinguished from an adjusted trial balance and a post-closing trial balance. (The latter two are prepared in later chapters and include additional information.)

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Trial Balance (4 of 4)

Step 1

NetSolutions
Unadjusted Trial Balance
December 31, 20Y3

Step 2

	Account No.	Debit Balances	Credit Balances
Cash	11	2,065	
Accounts Receivable	12	2,220	
Supplies	14	2,000	
Prepaid Insurance	15	2,400	
Land	17	20,000	
Office Equipment	18	1,800	
Accounts Payable	21		900
Unearned Rent	23		360
Common Stock	31		25,000
Dividends	33	4,000	
Fees Earned	41		16,340
Wages Expense	51	4,275	
Supplies Expense	52	800	
Rent Expense	53	1,600	
Utilities Expense	54	985	
Miscellaneous Expense	59	455	
		42,600	42,600

Steps 3–4

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Errors Affecting the Trial Balance

- A **transposition** occurs when the order of the digits is copied incorrectly, such as writing $542 as $452 or $524.
- In a **slide**, the entire number is copied incorrectly one or more spaces to the right or the left, such as writing $542.00 as $54.20 or $5,420.00.

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Errors Not Affecting the Trial Balance (1 of 3)

- Errors that do not cause the trial balance totals to be unequal may be discovered when preparing the trial balance or may be indicated by an unusual account balance. For example, since a business cannot have "negative" supplies, a credit balance in the supplies account indicates an error has occurred.
- If an error has already been journalized and posted to the ledger, a **correcting journal entry** is normally prepared.

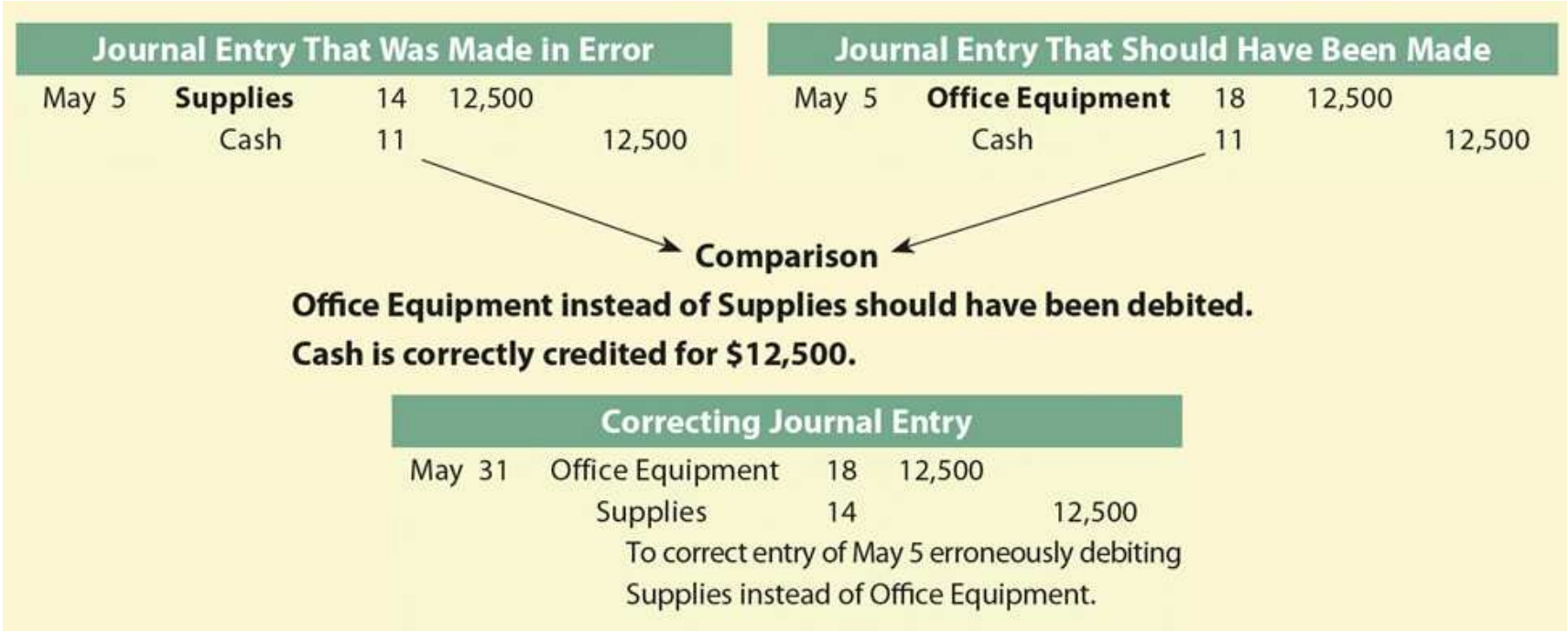
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Errors Not Affecting the Trial Balance (2 of 3)

- Assume that on May 5, a $12,500 purchase of office equipment on account was incorrectly journalized and posted as a debit to Supplies and a credit to Cash for $12,500.
- The error was discovered on May 31.
- Before making the correcting journal entry, the journal entry that was made in error is compared to the entry that should have been made.
- By comparing these two journal entries, the correcting journal entry can be determined.

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Errors Not Affecting the Trial Balance (3 of 3)



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Check Up Corner: Trial Balance (1 of 3)

The accounts in the ledger of Simmons Urgent Care Inc. as of December 31, 20Y7, are listed in alphabetical order as follows. All accounts have normal balances.

21	Accounts Payable	$ 7,200
12	Accounts Receivable	22,000
11	Cash	21,000
31	Common Stock	30,000
33	Dividends	15,000
41	Fees Earned	250,000
59	Miscellaneous Expense	2,200
18	Office Equipment	$ 62,500
53	Rent Expense	12,000
32	Retained Earnings	36,300
14	Supplies	7,800
52	Supplies Expense	22,000
54	Utilities Expense	4,000
51	Wages Expense	155,000

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Check Up Corner: Trial Balance (2 of 3)

Prepare an unadjusted trial balance, listing the accounts in their normal order.

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Check Up Corner: Trial Balance (3 of 3)

Solution:

Balances from accounts with a normal debit balance are shown in the left column.

Balances from accounts with a normal credit balance are shown in the right column.

Simmons Urgent Care Inc.
Unadjusted Trial Balance
December 31, 20Y7

	Account No.	Debit Balances	Credit Balances
Cash	11	21,000	
Accounts Receivable	12	22,000	
Supplies	14	7,800	
Office Equipment	18	62,500	
Accounts Payable	21		7,200
Common Stock	31		30,000
Retained Earnings	32		36,300
Dividends	33	15,000	
Fees Earned	41		250,000
Wages Expense	51	155,000	
Supplies Expense	52	22,000	
Rent Expense	53	12,000	
Utilities Expense	54	4,000	
Miscellaneous Expense	59	2,200	
		323,500	323,500

Accounts from the general ledger are presented in the order in which they appear in the ledger.

The trial balance verifies that the total debits equal total credits. If total debits do not equal total credits, an error has occurred.

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Analysis for Decision Making: Horizontal Analysis (1 of 2)

- In **horizontal analysis**, the amount of each item on a current financial statement is compared with the same item on an earlier statement.
- The increase or decrease in the *amount* of the item is computed together with the *percent* of increase or decrease.
- When two statements are being compared, the earlier statement is used as the base for computing the amount and the percent of change.

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Analysis for Decision Making: Horizontal Analysis (2 of 2)

J. Holmes, Attorney-at-Law
Income Statements
For the Years Ended December 31

			Increase/(Decrease)	
	20Y7	20Y6	Amount	Percent
Fees earned	$187,500	$150,000	$37,500	25.0%*
Expenses:				
Wages expense	$ (60,000)	$ (45,000)	$15,000	33.3%
Rent expense	(15,000)	(12,000)	3,000	25.0%
Utilities expense	(12,500)	(9,000)	3,500	38.9%
Supplies expense	(2,700)	(3,000)	(300)	(10.0)%
Miscellaneous expense	(2,300)	(1,800)	500	27.8%
Total expenses	$ (92,500)	$ (70,800)	$21,700	30.6%
Net income	$ 95,000	$ 79,200	$15,800	19.9%

*$37,500 ÷ $150,000

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