

Chapter 2

Recording Business Transactions

Review Questions

1. The three categories of the accounting equation are assets, liabilities, and equity. Assets include Cash, Accounts Receivable, Notes Receivable, Prepaid Expenses, Land, Building, Equipment, Furniture, and Fixtures. Liabilities include Accounts Payable, Notes Payable, Accrued Liability, and Unearned Revenue. Equity includes Owner, Capital; Owner, Withdrawals; Revenue; and Expenses.
2. Companies need a way to organize their accounts so they use a chart of accounts. Accounts starting with 1 are usually Assets, 2 – Liabilities, 3 – Equity, 4 – Revenues, and 5 – Expenses. The second and third digits in account numbers indicate where the account fits within the category.
3. A chart of accounts and a ledger are similar in that they both list the account names and account numbers of the business. A ledger, though, provides more detail. It includes the increases and decreases of each account for a specific period and the balance of each account at a specific point in time.
4. With a double-entry you need to record the dual effects of each transaction. Every transaction affects at least two accounts.
5. A T-account is a shortened form of each account in the ledger. The debit is on the left side, credit on the right side, and the account name is shown on top.
6. Debits are increases for assets, withdrawals, and expenses. Debits are decreases for liabilities, capital, and revenue.
7. Credits are increases for liabilities, capital, and revenue. Credits are decreases for assets, withdrawals, and expenses.
8. Assets, withdrawals, and expenses have a normal debit balance. Liabilities, capital, and revenue have a normal credit balance.
9. Source documents provide the evidence and data for accounting transactions. Examples of source documents a business would have are: bank deposit slips, purchase invoices, bank checks, and sales invoices
10. Transactions are first recorded in a journal, which is the record of transactions in date order.

- 11.** Step 1: Identify the accounts and the account type. You need this information before you can complete the next step. Step 2: Decide if each account increases or decreases, then apply the rules of debits and credits. Reviewing the rules of debits and credits, we use the accounting equation to help determine debits and credits for each account. Step 3: Record transactions in the journal using journal entries. Step 4: Post the journal entry to the ledger. When journal entries are posted from the journal to the ledger, the dollar amount is transferred from the debit and credit columns to the specific accounts in the ledger. The date on the journal entry should also be transferred to the accounts in the ledger. Step 5: Determine whether the accounting equation is in balance. After each entry the accounting equation should always be in balance.
- 12.** Part 1: Date of the transaction. Part 2: Debit account name and dollar amount. Part 3: Credit account name and dollar amount. The credit account name is indented. Part 4: Brief explanation.
- 13.** When transactions are posted from the journal to the ledger, the dollar amount is transferred from the debit and credit columns in the journal to the specific accounts in the ledger. The date of the journal entry is also transferred to the accounts in the ledger. The posting reference columns in the journal and ledger are also completed. In a computerized system, this step is completed automatically when the transaction is recorded in the journal.
- 14.** The trial balance is used to prove the equality of total debits and total credits of all accounts in the ledger; it is also used to prepare the financial statements.
- 15.** A trial balance verifies the equality of total debits and total credits of all accounts on the trial balance and is an internal document used only by employees of the company. The balance sheet, on the other hand, presents the business's accounting equation and is a financial statement that can be used by both internal and external users.
- 16.** If total debits equal total credits on the trial balance, it does not mean that the trial balance is error-free. An incorrect amount could have been used, an entry could have been completely missed, or the wrong account title could have been debited or credited.
- 17.** The debt ratio is calculated by dividing total liabilities by total assets and shows the proportion of assets financed with debt. It can be used to evaluate a business's ability to pay its debts.

Short Exercises

S-F:2-1

- | | |
|--------------------------|---------------------------|
| a. Notes Receivable (A) | f. Taxes Payable (L) |
| b. Nunez, Capital (E) | g. Rent Expense (E) |
| c. Prepaid Insurance (A) | h. Furniture (A) |
| d. Notes Payable (L) | i. Nunez, Withdrawals (E) |
| e. Rent Revenue (E) | j. Unearned Revenue (L) |

S-F:2-2

- | | |
|---|--|
| a. Increase to Accounts Receivable (DR) | f. Decrease to Prepaid Rent (CR) |
| b. Decrease to Unearned Revenue (DR) | g. Increase to Proudfoot, Capital (CR) |
| c. Decrease to Cash (CR) | h. Increase to Notes Receivable (DR) |
| d. Increase to Interest Expense (DR) | i. Decrease to Accounts Payable (DR) |
| e. Increase to Salaries Payable (CR) | j. Increase to Interest Revenue (CR) |

S-F:2-3

- | | |
|-----------------------------|-----------------------------|
| a. Notes Payable (CR) | f. Herman, Capital (CR) |
| b. Herman, Withdrawals (DR) | g. Utilities Expense (DR) |
| c. Service Revenue (CR) | h. Office Supplies (DR) |
| d. Land (DR) | i. Advertising Expense (DR) |
| e. Unearned Revenue (CR) | j. Interest Payable (CR) |

S-F:2-4

Accounts Payable			
May 2	6,000	21,000	May 1
May 22	11,500	500	May 5
		8,500	May 15
		500	May 23
		13,000	Bal.

S-F:2-5

Date	Accounts and Explanation	Debit	Credit
Jan. 1	Cash Daniel, Capital <i>Owner contribution.</i>	34,000	34,000
2	Medical Supplies Accounts Payable <i>Purchased medical supplies on account.</i>	17,000	17,000
4	Cash Service Revenue <i>Performed services for patients.</i>	1,600	1,600
12	Rent Expense Cash <i>Paid rent with cash.</i>	3,000	3,000
15	Accounts Receivable Service Revenue <i>Performed services for patients on account.</i>	7,000	7,000

S-F:2-6

Date	Accounts and Explanation	Debit	Credit
Jan. 22	Accounts Receivable Service Revenue <i>Performed services for customers on account.</i>	7,500	7,500
30	Cash Accounts Receivable <i>Received cash on account from customers.</i>	8,000	8,000
31	Utilities Expense Utilities Payable <i>Received a utility bill due in February.</i>	220	220
31	Salaries Expense Cash <i>Paid monthly salary to salesman.</i>	2,500	2,500
31	Cash Unearned Revenue <i>Received cash for 3 months consulting services in advance.</i>	2,310	2,310
31	Harper, Withdrawals Cash <i>Owner withdrawal.</i>	950	950

S-F:2-7

Requirement 1

Date	Accounts and Explanation	Debit	Credit
Mar. 15	Office Supplies Accounts Payable <i>Purchased office supplies on account.</i>	3,400	3,400
28	Accounts Payable Cash <i>Paid cash on account.</i>	1,800	1,800

Requirement 2

Cash				Accounts Payable			
Bal.	21,000	1,800	Mar. 28	Mar. 28	1,800	3,400	Mar. 15
Bal.	19,200					1,600	Bal.

Office Supplies	
Mar. 15	3,400
Bal.	3,400

S-F:2-8

SMITHSON FLOOR COVERINGS		
Trial Balance		
December 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 7,000	
Accounts Receivable	3,600	
Equipment	36,000	
Accounts Payable		\$ 2,200
Salaries Payable		25,000
Interest Payable		6,000
Smithson, Capital		24,000
Smithson, Withdrawals	16,100	
Service Revenue		26,000
Rent Expense	17,000	
Salaries Expense	1,600	
Utilities Expense	1,900	
Total	\$ 83,200	\$ 83,200

S-F:2-9

Debt ratio = Total liabilities / Total assets = \$30,000 / \$200,000 = 0.15 = 15%

Exercises

E-F:2-10

1. g
2. a
3. e
4. d
5. j
6. i
7. f
8. b
9. h
10. c

E-F:2-11

Assets	Equity
100 – Cash	300 – Raymond, Capital
110 – Automotive Supplies	310 – Raymond, Withdrawals
120 – Equipment	Revenues
Liabilities	400 – Service Revenue
200 – Accounts Payable	Expenses
210 – Unearned Revenue	500 – Utilities Expense
	510 – Advertising Expense

E-F:2-12

		Requirement 1	Requirement 2	Requirement 3
	Account Name	Type of Account	Increase with Debit/Credit	Normal Balance Debit/Credit
a.	Interest Revenue	E	CR	CR
b.	Accounts Payable	L	CR	CR
c.	Calhoun, Capital	E	CR	CR
d.	Office Supplies	A	DR	DR
e.	Advertising Expense	E	DR	DR
f.	Unearned Revenue	L	CR	CR
g.	Prepaid Rent	A	DR	DR
h.	Utilities Expense	E	DR	DR
i.	Calhoun, Withdrawals	E	DR	DR
j.	Service Revenue	E	CR	CR

E-F:2-13

(a) Assets = Liabilities + (b) Equity

Assets		=	(c) Liabilities		+	Owner, Capital		-	(d) Owner, Withdrawals		+	Revenues		-	Expenses	
(e) Incr.	Decr.		Decr.	(f) Incr.		(g) Decr.	(h) Incr.		(i) Incr.	(j) Decr.		(k) Decr.	(l) Incr.		Incr.	(m) Decr.
Debit	(n) Credit		(o) Debit	Credit		(p) Debit	Credit		(q) Debit	Credit		Debit	Credit		(r) Debit	Credit

- (a) Assets
- (b) Equity
- (c) Liabilities
- (d) Owner, Withdrawals
- (e) Incr.
- (f) Incr.
- (g) Decr.
- (h) Incr.
- (i) Incr.
- (j) Decr.
- (k) Decr.
- (l) Incr.
- (m) Decr.
- (n) Credit
- (o) Debit
- (p) Debit
- (q) Debit
- (r) Debit

E-F:2-14

- a. Bank deposit slip
- b. Purchase invoice
- c. Sales invoice

E-F:2-15

- a. Purchased equipment with cash.
- b. Owner withdrew cash.
- c. Paid wages owed to employees, previously recorded.
- d. Received equipment for the business in exchange for owner's capital.
- e. Received cash from customer for work to be completed in the future.
- f. Paid for advertising with cash.
- g. Performed services that were paid by the customer.

E-F:2-16

Date	Accounts and Explanation	Debit	Credit
Jul. 2	Cash Lawrence, Capital <i>Owner contribution.</i>	14,000	14,000
4	Utilities Expense Cash <i>Paid utility expense.</i>	370	370
5	Equipment Accounts Payable <i>Purchased equipment on account.</i>	1,600	1,600
10	Accounts Receivable Service Revenue <i>Performed services for client on account.</i>	2,900	2,900
12	Cash Notes Payable <i>Borrowed cash by signing note.</i>	7,100	7,100
19	Lawrence, Withdrawals Cash <i>Owner withdrawals.</i>	200	200

E-F:2-16, cont.

21	Office Supplies Cash <i>Purchased office supplies with cash.</i>	840	840
27	Accounts Payable Cash <i>Paid cash on account.</i>	1,600	1,600

E-F:2-17

Requirements 1, 2, and 3

Jul. 2	14,000	370	Jul. 4
Jul. 12	7,100	200	Jul. 19
		840	Jul. 21
		1,600	Jul. 27
Balance	18,090		

Jul. 27	1,600	1,600	Jul. 5
		0	Balance

Jul. 10	2,900	
Balance	2,900	

	7,100	Jul. 12
	7,100	Balance

Jul. 21	840	
Balance	840	

	14,000	Jul. 2
	14,000	Balance

Jul. 5	1,600	
Balance	1,600	

Jul. 19	200	
Balance	200	

	2,900	Jul. 10
	2,900	Balance

Jul. 4	370	
Balance	370	

E-F:2-18

Date	Accounts and Explanation	Post. Ref.	Debit	Credit
May 1	Cash Wilke, Capital <i>Owner contribution.</i>		105,000	105,000
2	Office Supplies Accounts Payable <i>Purchased office supplies on account.</i>		550	550
4	Building Land Cash <i>Purchased building and land for cash.</i>		45,000 12,000	57,000
6	Cash Service Revenue <i>Performed services for customers for cash.</i>		3,600	3,600
9	Accounts Payable Cash <i>Paid cash on account.</i>		350	350
17	Accounts Receivable Service Revenue <i>Performed services for customers on account.</i>		3,500	3,500
19	Rent Expense Cash <i>Paid rent for the month.</i>		1,200	1,200
20	Cash Unearned Revenue <i>Received cash from customers for services to be performed next month.</i>		1,500	1,500
21	Prepaid Advertising Cash <i>Paid for next month's advertising.</i>		900	900

E-F:2-18, cont.

23	Cash Accounts Receivable <i>Received cash on account from customer.</i>		3,100	3,100
31	Salaries Expense Cash <i>Paid salaries.</i>		1,700	1,700

**E-F:2-19
Requirement 2**

Date	Accounts and Explanation	Post. Ref.	Debit	Credit
May 1	Cash Wilke, Capital <i>Owner contribution.</i>	110 310	105,000	105,000
2	Office Supplies Accounts Payable <i>Purchased office supplies on account.</i>	130 210	550	550
4	Building Land Cash <i>Purchased building and land for cash.</i>	160 150 110	45,000 12,000	57,000
6	Cash Service Revenue <i>Performed services for customers for cash.</i>	110 410	3,600	3,600
9	Accounts Payable Cash <i>Paid cash on account.</i>	210 110	350	350
17	Accounts Receivable Service Revenue <i>Performed services for customers on account.</i>	120 410	3,500	3,500

E-F:2-19, cont.

19	Rent Expense Cash <i>Paid rent for the month.</i>	510 110	1,200	1,200
20	Cash Unearned Revenue <i>Received cash from customers for services to be performed next month.</i>	110 220	1,500	1,500
21	Prepaid Advertising Cash <i>Paid for next month's advertising.</i>	140 110	900	900
23	Cash Accounts Receivable <i>Received cash on account from customer.</i>	110 120	3,100	3,100
31	Salaries Expense Cash <i>Paid salaries.</i>	520 110	1,700	1,700

Requirements 1 and 2

CASH

Account No. 110

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 1		J10	105,000		105,000	
May 4		J10		57,000	48,000	
May 6		J10	3,600		51,600	
May 9		J10		350	51,250	
May 19		J10		1,200	50,050	
May 20		J10	1,500		51,550	
May 21		J10		900	50,650	
May 23		J10	3,100		53,750	
May 31		J10		1,700	52,050	

ACCOUNTS RECEIVABLE

Account No. 120

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 17		J10	3,500		3,500	
May 23		J10		3,100	400	

E-F:2-19, cont.

OFFICE SUPPLIES

Account No. 130

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 2		J10	550		550	

PREPAID ADVERTISING

Account No. 140

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 21		J10	900		900	

LAND

Account No. 150

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 4		J10	12,000		12,000	

BUILDING

Account No. 160

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 4		J10	45,000		45,000	

ACCOUNTS PAYABLE

Account No. 210

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 2		J10		550		550
May 9		J10	350			200

UNEARNED REVENUE

Account No. 220

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 20		J10		1,500		1,500

WILKE, CAPITAL

Account No. 310

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 1		J10		105,000		105,000

E-F:2-19, cont.**SERVICE REVENUE**

Account No. 410

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 6		J10		3,600		3,600
May 17		J10		3,500		7,100

RENT EXPENSE

Account No. 510

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 19		J10	1,200		1,200	

SALARIES EXPENSE

Account No. 520

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 31		J10	1,700		1,700	

E-F:2-20

1. The business received cash of \$370,000 and gave capital to owner.
2. Paid \$360,000 cash for a building.
3. Borrowed \$260,000 cash, signing a note payable.
4. Purchased office supplies on account, \$1,500.
5. Paid \$1,200 on accounts payable.
6. Paid property tax expense, \$1,500.
7. Paid rent \$1,400 and salaries \$2,500.
8. Owner withdrew \$7,000.
9. Performed services for customers and received cash, \$21,000.

E-F:2-21

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
1.	Cash Abling, Capital <i>Owner contribution.</i>		57,000	57,000
2.	Office Supplies Accounts Payable <i>Purchased office supplies on account.</i>		800	800
3.	Building Cash <i>Purchased building for cash.</i>		40,000	40,000
4.	Cash Notes Payable <i>Borrowed money signing a note payable.</i>		46,000	46,000
5.	Equipment Cash <i>Purchased equipment for cash.</i>		3,800	3,800

E-F:2-22

ANDERSON MOVING COMPANY		
Trial Balance		
August 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 4,000	
Accounts Receivable	10,000	
Office Supplies	100	
Building	41,000	
Trucks	123,000	
Accounts Payable		\$ 4,000
Notes Payable		56,000
Anderson, Capital		49,800
Anderson, Withdrawals	5,600	
Service Revenue		82,000
Salaries Expense	6,000	
Fuel Expense	1,000	
Insurance Expense	600	
Utilities Expense	300	
Advertising Expense	200	
Total	\$ 191,800	\$ 191,800

E-F:2-23

MCMAHON FARM EQUIPMENT REPAIR		
Trial Balance		
May 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 9,020	
Accounts Receivable	3,100	
Land	14,000	
Building	29,000	
Equipment	16,000	
Salaries Payable		\$ 3,400
Notes Payable		25,000
McMahon, Capital		47,000
McMahon, Withdrawals	2,000	
Service Revenue		5,300
Salaries Expense	6,300	
Property Tax Expense	1,000	
Advertising Expense	280	
Total	\$ 80,700	\$ 80,700

E-F:2-24
Requirement 2

Date	Accounts and Explanation	Post Ref.	Debit	Credit
June 1	Cash	110	13,200	
	Office Furniture	140	5,300	
	Parker, Capital	310		18,500
5	Rent Expense	520	1,300	
	Cash	110		1,300
9	Office Supplies	130	600	
	Accounts Payable	210		600
14	Salaries Expense	510	1,900	
	Cash	110		1,900
18	Utilities Expense	530	370	
	Utilities Payable	220		370

E-F:2-24, cont.

21	Accounts Payable	210	500	
	Cash	110		500
25	Accounts Receivable	120	5,700	
	Service Revenue	410		5,700
28	Parker, Withdrawals	320	6,700	
	Cash	110		6,700

Requirements 1 & 2

CASH

Account No. 110

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 1		J10	13,200		13,200	
June 5		J10		1,300	11,900	
June 14		J10		1,900	10,000	
June 21		J10		500	9,500	
June 28		J10		6,700	2,800	

ACCOUNTS RECEIVABLE

Account No. 120

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 25		J10	5,700		5,700	

OFFICE SUPPLIES

Account No. 130

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 9		J10	600		600	

OFFICE FURNITURE

Account No. 140

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 1		J10	5,300		5,300	

E-F:2-24, cont.**ACCOUNTS PAYABLE**

Account No. 210

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 9		J10		600		600
June 21		J10	500			100

UTILITIES PAYABLE

Account No. 220

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 18		J10		370		370

PARKER, CAPITAL

Account No. 310

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 1		J10		18,500		18,500

PARKER, WITHDRAWALS

Account No. 320

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 28		J10	6,700		6,700	

SERVICE REVENUE

Account No. 410

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 25		J10		5,700		5,700

SALARIES EXPENSE

Account No. 510

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 14		J10	1,900		1,900	

E-F:2-24, cont.

RENT EXPENSE Account No. 520

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 5		J10	1,300		1,300	

UTILITIES EXPENSE Account No. 530

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 18		J10	370		370	

Requirement 3

TERESA PARKER, CPA Trial Balance June 30, 2024			
Acct. No.	Account Title	Balance	
		Debit	Credit
110	Cash	\$ 2,800	
120	Accounts Receivable	5,700	
130	Office Supplies	600	
140	Office Furniture	5,300	
210	Accounts Payable		\$ 100
220	Utilities Payable		370
310	Parker, Capital		18,500
320	Parker, Withdrawals	6,700	
410	Service Revenue		5,700
510	Salaries Expense	1,900	
520	Rent Expense	1,300	
530	Utilities Expense	370	
	Total	\$ 24,670	\$ 24,670

E-F:2-25

Requirements 1 and 2

	Debits equal Credits, Yes or No	Accounts	Amount	High or Low
a.	No	Notes Payable	\$5,000	Low
b.	No	Utilities Expense	900	Low
c.	Yes	Furniture	600	High
		Accounts Payable	600	High
d.	No	Cash	450	Low
e.	Yes	Office Supplies	90	Low
		Accounts Payable	90	Low

E-F:2-26

COUNTRYSIDE PAINTING SPECIALISTS Trial Balance November 30, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 12,100	
Accounts Receivable	1,300	
Office Supplies	200	
Painting Equipment	13,500	
Accounts Payable		\$ 3,300
Unearned Revenue		1,700
Watts, Capital		15,000
Watts, Withdrawals	3,500	
Service Revenue		15,600
Advertising Expense	550	
Rent Expense	1,800	
Salaries Expense	2,400	
Utilities Expense	250	
Total	\$ 35,600	\$ 35,600

JOY MCDOWELL TUTORING SERVICE		
Trial Balance		
May 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 3,200	
Accounts Receivable	1,600	
Office Supplies	600	
Computer Equipment	15,800	
Accounts Payable		\$ 12,900
Utilities Payable		1,100
McDowell, Capital		11,700
McDowell, Withdrawals	10,400	
Service Revenue		9,600
Salaries Expense	1,900	
Rent Expense	800	
Utilities Expense	1,000	
Total	\$ 35,300	\$ 35,300

Explanation:

- a. Increase Cash by \$400, decrease Accounts Receivable by \$400.
- b. Increase Accounts Payable by \$1,800 (\$2,000 – \$200).
- c. Increase Utilities Expense and Utilities Payable by \$300 each.
- d. Increase McDowell, Capital by \$100.

E-F:2-28

Liabilities:

Accounts Payable	\$ 1,600
Utilities Payable	800
Unearned Revenue	24,795
Notes Payable	<u>69,000</u>
Total liabilities	<u>\$ 96,195</u>

Assets:

Cash	\$ 30,000
Accounts Receivable	7,900
Office Supplies	3,000
Office Equipment	30,000
Building	75,000
Land	<u>29,000</u>
Total assets	<u>\$ 174,900</u>

Debt ratio = Total liabilities / Total assets = \$96,195 / \$174,900 = 0.55 = 55%

Problems (Group A)

P-F:2-29A

Requirement 1

Date	Accounts and Explanation	Post Ref.	Debit	Credit
July 1	Cash		63,000	
	York, Capital			63,000
5	Rent Expense		510	
	Cash			510
9	Land		23,000	
	Cash			23,000
10	Office Supplies		1,600	
	Accounts Payable			1,600
19	Cash		22,000	
	Notes Payable			22,000
22	Accounts Payable		1,100	
	Cash			1,100
28	Advertising Expense		240	
	Advertising Payable			240
31	Cash		6,400	
	Accounts Receivable		6,000	
	Service Revenue			12,400
31	Salaries Expense		2,200	
	Rent Expense		1,900	
	Utilities Expense		560	
	Cash			4,660
31	Cash		1,120	
	Unearned Revenue			1,120
31	York, Withdrawals		7,200	
	Cash			7,200

P-F:2-29A, cont.

Requirement 2

Cash			
Jul. 1	63,000	510	Jul. 5
Jul. 19	22,000	23,000	Jul. 9
Jul. 31	6,400	1,100	Jul. 22
Jul. 31	1,120	4,660	Jul. 31
		7,200	Jul. 31
Bal.	56,050		

Accounts Receivable	
Jul. 31	6,000
Bal.	6,000

Office Supplies	
Jul. 10	1,600
Bal.	1,600

Land	
Jul. 9	23,000
Bal.	23,000

Accounts Payable			
Jul. 22	1,100	1,600	Jul. 10
		500	Bal.

Advertising Payable		
	240	Jul. 28
	240	Bal.

Unearned Revenue		
	1,120	Jul. 31
	1,120	Bal.

Notes Payable		
	22,000	Jul. 19
	22,000	Bal.

York, Capital		
	63,000	Jul. 1
	63,000	Bal.

York, Withdrawals		
Jul. 31	7,200	
Bal.	7,200	

Service Revenue		
	12,400	Jul. 31
	12,400	Bal.

Salaries Expense		
Jul. 31	2,200	
Bal.	2,200	

Rent Expense		
Jul. 5	510	
Jul. 31	1,900	
Bal.	2,410	

Utilities Expense		
Jul. 31	560	
Bal.	560	

Advertising Expense		
Jul. 28	240	
Bal.	240	

P-F:2-29A, cont.

Requirement 3

VINCE YORK, MD Trial Balance July 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 56,050	
Accounts Receivable	6,000	
Office Supplies	1,600	
Land	23,000	
Accounts Payable		\$ 500
Advertising Payable		240
Unearned Revenue		1,120
Notes Payable		22,000
York, Capital		63,000
York, Withdrawals	7,200	
Service Revenue		12,400
Salaries Expense	2,200	
Rent Expense	2,410	
Utilities Expense	560	
Advertising Expense	240	
Total	\$ 99,260	\$ 99,260

P-F:2-30A
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Sep. 1	Cash Simpson, Capital		48,000	48,000
4	Office Supplies Furniture Accounts Payable		1,200 1,300	2,500
6	Cash Service Revenue		1,900	1,900
7	Land Cash		18,000	18,000
10	Accounts Receivable Service Revenue		1,200	1,200
14	Accounts Payable Cash		1,300	1,300
15	Salaries Expense Cash		1,500	1,500
17	Cash Accounts Receivable		1,000	1,000
20	Accounts Receivable Service Revenue		650	650
25	Cash Unearned Revenue		2,100	2,100
28	Cash Service Revenue		2,900	2,900
29	Prepaid Insurance Cash		600	600
30	Salaries Expense Cash		1,500	1,500
30	Rent Expense Cash		600	600

P-F:2-30A, cont.

30	Utilities Expense Utilities Payable		350	350
30	Simpson, Withdrawals Cash		3,700	3,700

Requirements 2 and 3

Sep. 1	48,000	18,000	Sep. 7
Sep. 6	1,900	1,300	Sep. 14
Sep. 17	1,000	1,500	Sep. 15
Sep. 25	2,100	600	Sep. 29
Sep. 28	2,900	1,500	Sep. 30
		600	Sep. 30
		3,700	Sep. 30
Bal.	28,700		

Sep. 14	1,300	2,500	Sep. 4
		1,200	Bal.

		350	Sep. 30
		350	Bal.

Sep. 10	1,200	1,000	Sep. 17
Sep. 20	650		
Bal.	850		

		2,100	Sep. 25
		2,100	Bal.

Sep. 4	1,200		
Bal.	1,200		

		48,000	Sep. 1
		48,000	Bal.

Sep. 29	600		
Bal.	600		

Sep. 30	3,700		
Bal.	3,700		

Sep. 7	18,000		
Bal.	18,000		

		1,900	Sep. 6
		1,200	Sep. 10
		650	Sep. 20
		2,900	Sep. 28
		6,650	Bal.

Sep. 4	1,300		
Bal.	1,300		

P-F:2-30A, cont.

Salaries Expense	
Sep. 15	1,500
Sep. 30	1,500
Bal.	3,000

Rent Expense	
Sep. 30	600
Bal.	600

Utilities Expense	
Sep. 30	350
Bal.	350

Requirement 4

ANN SIMPSON, DESIGNER Trial Balance September 30, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 28,700	
Accounts Receivable	850	
Office Supplies	1,200	
Prepaid Insurance	600	
Land	18,000	
Furniture	1,300	
Accounts Payable		\$ 1,200
Utilities Payable		350
Unearned Revenue		2,100
Simpson, Capital		48,000
Simpson, Withdrawals	3,700	
Service Revenue		6,650
Salaries Expense	3,000	
Rent Expense	600	
Utilities Expense	350	
Total	\$ 58,300	\$ 58,300

P-F:2-31A

Requirements 1 and 3

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Jan. 1	Cash	101	78,000	
	Murphy, Capital	301		78,000
3	Office Supplies	121	600	
	Furniture	161	1,700	
	Accounts Payable	201		2,300
4	Cash	101	1,000	
	Service Revenue	411		1,000
7	Building	151	130,000	
	Land	141	25,000	
	Cash	101		25,000
	Notes Payable	221		130,000
11	Accounts Receivable	111	400	
	Service Revenue	411		400
15	Salaries Expense	511	1,120	
	Cash	101		1,120
16	Accounts Payable	201	600	
	Cash	101		600
18	Cash	101	2,700	
	Service Revenue	411		2,700
19	Accounts Receivable	111	1,800	
	Service Revenue	411		1,800
25	Utilities Expense	531	600	
	Utilities Payable	211		600
29	Cash	101	1,500	
	Accounts Receivable	111		1,500
30	Prepaid Insurance	131	1,200	
	Cash	101		1,200
30	Salaries Expense	511	1,120	
	Cash	101		1,120

P-F:2-31A, cont.

31	Rent Expense	521	1,800	
	Cash	101		1,800
31	Murphy, Withdrawals	311	2,200	
	Cash	101		2,200

Requirements 2 and 3

CASH					Account No. 101	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 1		J1	78,000		78,000	
Jan. 4		J1	1,000		79,000	
Jan. 7		J1		25,000	54,000	
Jan. 15		J1		1,120	52,880	
Jan. 16		J1		600	52,280	
Jan. 18		J1	2,700		54,980	
Jan. 29		J1	1,500		56,480	
Jan. 30		J1		1,200	55,280	
Jan. 30		J1		1,120	54,160	
Jan. 31		J1		1,800	52,360	
Jan. 31		J1		2,200	50,160	

ACCOUNTS RECEIVABLE					Account No. 111	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 11		J1	400		400	
Jan. 19		J1	1,800		2,200	
Jan. 29		J1		1,500	700	

OFFICE SUPPLIES					Account No. 121	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 3		J1	600		600	

P-F:2-31A, cont.

PREPAID INSURANCE

Account No. 131

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 30		J1	1,200		1,200	

LAND

Account No. 141

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 7		J1	25,000		25,000	

BUILDING

Account No. 151

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 7		J1	130,000		130,000	

FURNITURE

Account No. 161

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 3		J1	1,700		1,700	

ACCOUNTS PAYABLE

Account No. 201

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 3		J1		2,300		2,300
Jan. 16		J1	600			1,700

UTILITIES PAYABLE

Account No. 211

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 25		J1		600		600

NOTES PAYABLE

Account No. 221

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 7		J1		130,000		130,000

P-F:2-31A, cont.

MURPHY, CAPITAL

Account No. 301

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 1		J1		78,000		78,000

MURPHY, WITHDRAWALS

Account No. 311

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 31		J1	2,200		2,200	

SERVICE REVENUE

Account No. 411

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 4		J1		1,000		1,000
Jan. 11		J1		400		1,400
Jan. 18		J1		2,700		4,100
Jan. 19		J1		1,800		5,900

SALARIES EXPENSE

Account No. 511

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 15		J1	1,120		1,120	
Jan. 30		J1	1,120		2,240	

RENT EXPENSE

Account No. 521

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 31		J1	1,800		1,800	

UTILITIES EXPENSE

Account No. 531

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 25		J1	600		600	

P-F:2-31A, cont.

Requirement 4

TERRENCE MURPHY, ATTORNEY Trial Balance January 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 50,160	
Accounts Receivable	700	
Office Supplies	600	
Prepaid Insurance	1,200	
Land	25,000	
Building	130,000	
Furniture	1,700	
Accounts Payable		\$ 1,700
Utilities Payable		600
Notes Payable		130,000
Murphy, Capital		78,000
Murphy, Withdrawals	2,200	
Service Revenue		5,900
Salaries Expense	2,240	
Rent Expense	1,800	
Utilities Expense	600	
Total	\$ 216,200	\$ 216,200

P-F:2-32A

Requirement 1

Date	Accounts and Explanation	Post. Ref.	Debit	Credit
Apr. 4	Cash	11	2,500	
	Accounts Receivable	12		2,500
	<i>Received cash from client on account.</i>			
8	Accounts Receivable	12	5,400	
	Service Revenue	41		5,400
	<i>Performed tax services for client on account.</i>			
13	Accounts Payable	21	3,000	
	Cash	11		3,000
	<i>Paid cash on account.</i>			

P-F:2-32A, cont.

Apr. 14	Furniture	15	3,600	
	Accounts Payable	21		3,600
	<i>Purchased furniture on account.</i>			
15	Automobile	16	9,500	
	Merry, Capital	31		9,500
	<i>Owner contribution of automobile.</i>			
18	Office Supplies	13	900	
	Accounts Payable	21		900
	<i>Purchased office supplies on account.</i>			
19	Cash	11	2,700	
	Accounts Receivable	12		2,700
	<i>Received cash on account.</i>			
20	Merry, Withdrawals	33	6,500	
	Cash	11		6,500
	<i>Owner withdrawal.</i>			
21	Cash	11	5,700	
	Service Revenue	41		5,700
	<i>Received cash for consulting work.</i>			
24	Cash	11	2,400	
	Unearned Revenue	22		2,400
	<i>Received payment for services to be performed next month.</i>			
27	Rent Expense	52	600	
	Cash	11		600
	<i>Paid office rent.</i>			
28	Salaries Expense	51	1,700	
	Cash	11		1,700
	<i>Paid employee salary.</i>			

P-F:2-32A, cont.
Requirements 2 and 3

CASH					Account No. 11	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				11,000	
Apr. 4		J5	2,500		13,500	
Apr. 13		J5		3,000	10,500	
Apr. 19		J5	2,700		13,200	
Apr. 20		J5		6,500	6,700	
Apr. 21		J5	5,700		12,400	
Apr. 24		J5	2,400		14,800	
Apr. 27		J5		600	14,200	
Apr. 28		J5		1,700	12,500	

ACCOUNTS RECEIVABLE					Account No. 12	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				16,500	
Apr. 4		J5		2,500	14,000	
Apr. 8		J5	5,400		19,400	
Apr. 19		J5		2,700	16,700	

OFFICE SUPPLIES					Account No. 13	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				400	
Apr. 18		J5	900		1,300	

LAND					Account No. 14	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				30,000	

FURNITURE					Account No. 15	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 14		J5	3,600		3,600	

P-F:2-32A, cont.

AUTOMOBILE

Account No. 16

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 15		J5	9,500		9,500	

ACCOUNTS PAYABLE

Account No. 21

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					3,800
Apr. 13		J5	3,000			800
Apr. 14		J5		3,600		4,400
Apr. 18		J5		900		5,300

UNEARNED REVENUE

Account No. 22

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 24		J5		2,400		2,400

MERRY, CAPITAL

Account No. 31

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					52,300
Apr. 15		J5		9,500		61,800

MERRY, WITHDRAWALS

Account No. 33

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 20		J5	6,500		6,500	

SERVICE REVENUE

Account No. 41

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					8,200
Apr. 8		J5		5,400		13,600
Apr. 21		J5		5,700		19,300

P-F:2-32A, cont.

SALARIES EXPENSE

Account No. 51

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				5,600	
Apr. 28		J5	1,700		7,300	

RENT EXPENSE

Account No. 52

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				800	
Apr. 27		J5	600		1,400	

Requirement 4

SHAWN MERRY, CPA
Trial Balance
April 30, 2024

Acct. No.	Account Title	Balance	
		Debit	Credit
11	Cash	\$ 12,500	
12	Accounts Receivable	16,700	
13	Office Supplies	1,300	
14	Land	30,000	
15	Furniture	3,600	
16	Automobile	9,500	
21	Accounts Payable		\$ 5,300
22	Unearned Revenue		2,400
31	Merry, Capital		61,800
33	Merry, Withdrawals	6,500	
41	Service Revenue		19,300
51	Salaries Expense	7,300	
52	Rent Expense	1,400	
	Total	\$ 88,800	\$ 88,800

P-F:2-33A

BEAUTIFUL TOTS CHILD CARE Trial Balance August 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 10,900	
Accounts Receivable	14,900	
Office Supplies	2,400	
Prepaid Insurance	4,100	
Equipment	83,000	
Accounts Payable		\$ 4,800
Notes Payable		45,000
Trumball, Capital		57,000
Trumball, Withdrawals	3,200	
Service Revenue		16,450
Salaries Expense	3,700	
Rent Expense	750	
Advertising Expense	300	
Total	\$ 123,250	\$ 123,250

Explanations:

- a. Increase Cash by \$1,500.
- b. Increase Accounts Receivable by \$8,200 ($\$4,100 \times 2$).
- c. Increase Office Supplies and Accounts Payable by \$1,400 each.
- d. Decrease Equipment by \$8,500 ($\$91,500 - \$83,000$).
- e. Decrease Salaries Expense by \$700.
- f. Advertising Expense should have a debit balance of \$300. Decrease Cash by \$300.
- g. Trumball, Withdrawals should decrease by \$1,800 and Cash should increase by \$1,800 ($\$2,000 - \200).
- h. Service Revenue should increase by \$4,100.
- i. Prepaid Insurance should increase by \$3,800 ($\$1,900 \times 2$).

P-F:2-34A**Requirement 1**

SARA SIMON, REGISTERED DIETICIAN**Income Statement****Month Ended July 31, 2024**

Revenues:

Service Revenue \$ 17,888

Expenses:

Salaries Expense \$ 1,700

Rent Expense 1,100

Utilities Expense 500

Total Expenses 3,300Net Income \$ 14,588

Requirement 2

SARA SIMON, REGISTERED DIETICIAN**Statement of Owner's Equity****Month Ended July 31, 2024**

Simon, Capital, July 1, 2024 \$ 0

Owner contribution 18,000

Net income for the month 14,588

32,588

Owner withdrawals (2,800)Simon, Capital, July 31, 2024 \$ 29,788

P-F:2-34A, cont.
Requirements 3

SARA SIMON, REGISTERED DIETICIAN
 Balance Sheet
 July 31, 2024

	Assets		Liabilities	
Cash	\$ 38,000		Accounts Payable	\$ 3,000
Accounts Receivable	9,000		Unearned Revenue	3,912
Office Supplies	2,300		Notes Payable	31,000
Prepaid Insurance	2,400		Total Liabilities	37,912
Equipment	16,000			
			Owner's Equity	
			Simon, Capital	29,788
Total Assets	\$ 67,700		Total Liabilities and Owner's Equity	\$ 67,700

Requirement 4

Debt ratio = Total liabilities / Total assets = \$37,912 / \$67,700 = 0.56 = 56%

Problems (Group B)

P-F:2-35B

Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Mar. 1	Cash Yang, Capital		62,000	62,000
5	Rent Expense Cash		570	570
9	Land Cash		14,000	14,000
10	Office Supplies Accounts Payable		1,500	1,500
19	Cash Notes Payable		27,000	27,000
22	Accounts Payable Cash		1,400	1,400
28	Advertising Expense Advertising Payable		220	220
31	Cash Accounts Receivable Service Revenue		6,700 5,800	12,500
31	Salaries Expense Rent Expense Utilities Expense Cash		2,100 1,500 350	3,950
31	Cash Unearned Revenue		1,000	1,000
31	Yang, Withdrawals Cash		7,100	7,100

P-F:2-35B, cont.

Requirement 2

Cash			
Mar. 1	62,000	570	Mar. 5
Mar. 19	27,000	14,000	Mar. 9
Mar. 31	6,700	1,400	Mar. 22
Mar. 31	1,000	3,950	Mar. 31
		7,100	Mar. 31
Bal.	69,680		

Accounts Receivable	
Mar. 31	5,800
Bal.	5,800

Office Supplies	
Mar. 10	1,500
Bal.	1,500

Land	
Mar. 9	14,000
Bal.	14,000

Accounts Payable		
Mar. 22	1,400	1,500
		100
		Bal.

Advertising Payable		
		220
		220
		Mar. 28
		Bal.

Unearned Revenue		
		1,000
		1,000
		Mar. 31
		Bal.

Notes Payable		
		27,000
		27,000
		Mar. 19
		Bal.

Yang, Capital		
		62,000
		62,000
		Mar. 1
		Bal.

Yang, Withdrawals		
Mar. 31	7,100	
Bal.	7,100	

Service Revenue		
		12,500
		12,500
		Mar. 31
		Bal.

Salaries Expense		
Mar. 31	2,100	
Bal.	2,100	

Rent Expense		
Mar. 5	570	
Mar. 31	1,500	
Bal.	2,070	

Utilities Expense		
Mar. 31	350	
Bal.	350	

Advertising Expense		
Mar. 28	220	
Bal.	220	

P-F:2-35B, cont.

Requirement 3

VICTOR YANG, MD Trial Balance March 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 69,680	
Accounts Receivable	5,800	
Office Supplies	1,500	
Land	14,000	
Accounts Payable		\$ 100
Advertising Payable		220
Unearned Revenue		1,000
Notes Payable		27,000
Yang, Capital		62,000
Yang, Withdrawals	7,100	
Service Revenue		12,500
Salaries Expense	2,100	
Rent Expense	2,070	
Utilities Expense	350	
Advertising Expense	220	
Total	\$ 102,820	\$ 102,820

P-F:2-36B

Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Nov. 1	Cash Stewart, Capital		41,000	41,000
4	Office Supplies Furniture Accounts Payable		1,200 2,300	3,500
6	Cash Service Revenue		2,100	2,100
7	Land Cash		27,000	27,000
10	Accounts Receivable Service Revenue		800	800
14	Accounts Payable Cash		2,300	2,300
15	Salaries Expense Cash		1,470	1,470
17	Cash Accounts Receivable		500	500
20	Accounts Receivable Service Revenue		680	680
25	Cash Unearned Revenue		1,900	1,900
28	Cash Service Revenue		3,100	3,100
29	Prepaid Insurance Cash		840	840
30	Salaries Expense Cash		1,470	1,470
30	Rent Expense Cash		650	650

P-F:2-36B, cont.

Nov. 30	Utilities Expense		650	
	Utilities Payable			650
30	Stewart, Withdrawals		2,800	
	Cash			2,800

Requirements 2 and 3

Nov. 1	41,000	27,000	Nov. 7
Nov. 6	2,100	2,300	Nov. 14
Nov. 17	500	1,470	Nov. 15
Nov. 25	1,900	840	Nov. 29
Nov. 28	3,100	1,470	Nov. 30
		650	Nov. 30
		2,800	Nov. 30
Bal.	12,070		

Nov. 14	2,300	3,500	Nov. 4
		1,200	Bal.

	650	Nov. 30
	650	Bal.

Nov. 10	800	500	Nov. 17
Nov. 20	680		
Bal.	980		

	1,900	Nov. 25
	1,900	Bal.

Nov. 4	1,200	
Bal.	1,200	

	41,000	Nov. 1
	41,000	Bal.

Nov. 29	840	
Bal.	840	

Nov. 30	2,800	
Bal.	2,800	

Nov. 7	27,000	
Bal.	27,000	

	2,100	Nov. 6
	800	Nov. 10
	680	Nov. 20
	3,100	Nov. 28
	6,680	Bal.

Nov. 4	2,300	
Bal.	2,300	

Nov. 15	1,470	
Nov. 30	1,470	
Bal.	2,940	

Rent Expense	
Nov. 30	650
Bal.	650

Utilities Expense	
Nov. 30	650
Bal.	650

Requirement 4

BETH STEWART, DESIGNER Trial Balance November 30, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 12,070	
Accounts Receivable	980	
Office Supplies	1,200	
Prepaid Insurance	840	
Land	27,000	
Furniture	2,300	
Accounts Payable		\$ 1,200
Utilities Payable		650
Unearned Revenue		1,900
Stewart, Capital		41,000
Stewart, Withdrawals	2,800	
Service Revenue		6,680
Salaries Expense	2,940	
Rent Expense	650	
Utilities Expense	650	
Total	\$ 51,430	\$ 51,430

P-F:2-37B

Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Apr. 1	Cash	101	70,000	
	McMahon, Capital	301		70,000
3	Office Supplies	121	1,100	
	Furniture	161	1,300	
	Accounts Payable	201		2,400
4	Cash	101	2,000	
	Service Revenue	411		2,000
7	Building	151	150,000	
	Land	141	30,000	
	Cash	101		40,000
	Notes Payable	221		140,000
11	Accounts Receivable	111	400	
	Service Revenue	411		400
15	Salaries Expense	511	1,200	
	Cash	101		1,200
16	Accounts Payable	201	1,100	
	Cash	101		1,100
18	Cash	101	2,700	
	Service Revenue	411		2,700
19	Accounts Receivable	111	1,700	
	Service Revenue	411		1,700
25	Utilities Expense	531	650	
	Utilities Payable	211		650
28	Cash	101	1,100	
	Accounts Receivable	111		1,100
29	Prepaid Insurance	131	3,600	
	Cash	101		3,600
29	Salaries Expense	511	1,200	
	Cash	101		1,200

P-F:2-37B, cont.

Apr. 30	Rent Expense	521	2,100	
	Cash	101		2,100
30	McMahon, Withdrawals	311	3,200	
	Cash	101		3,200

Requirements 2 and 3

CASH

Account No. 101

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 1		J1	70,000		70,000	
Apr. 4		J1	2,000		72,000	
Apr. 7		J1		40,000	32,000	
Apr. 15		J1		1,200	30,800	
Apr. 16		J1		1,100	29,700	
Apr. 18		J1	2,700		32,400	
Apr. 28		J1	1,100		33,500	
Apr. 29		J1		3,600	29,900	
Apr. 29		J1		1,200	28,700	
Apr. 30		J1		2,100	26,600	
Apr. 30		J1		3,200	23,400	

ACCOUNTS RECEIVABLE

Account No. 111

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 11		J1	400		400	
Apr. 19		J1	1,700		2,100	
Apr. 28		J1		1,100	1,000	

OFFICE SUPPLIES

Account No. 121

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 3		J1	1,100		1,100	

PREPAID INSURANCE

Account No. 131

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 29		J1	3,600		3,600	

P-F:2-37B, cont.

LAND

Account No. 141

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 7		J1	30,000		30,000	

BUILDING

Account No. 151

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 7		J1	150,000		150,000	

FURNITURE

Account No. 161

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 3		J1	1,300		1,300	

ACCOUNTS PAYABLE

Account No. 201

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 3		J1		2,400		2,400
Apr. 16		J1	1,100			1,300

UTILITIES PAYABLE

Account No. 211

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 25		J1		650		650

NOTES PAYABLE

Account No. 221

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 7		J1		140,000		140,000

MCMAHON, CAPITAL

Account No. 301

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 1		J1		70,000		70,000

P-F:2-37B, cont.

MCMAHON, WITHDRAWALS

Account No. 311

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 30		J1	3,200		3,200	

SERVICE REVENUE

Account No. 411

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 4		J1		2,000		2,000
Apr. 11		J1		400		2,400
Apr. 18		J1		2,700		5,100
Apr. 19		J1		1,700		6,800

SALARIES EXPENSE

Account No. 511

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 15		J1	1,200		1,200	
Apr. 29		J1	1,200		2,400	

RENT EXPENSE

Account No. 521

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 30		J1	2,100		2,100	

UTILITIES EXPENSE

Account No. 531

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 25		J1	650		650	

P-F:2-37B, cont.

Requirement 4

THEODORE MCMAHON, ATTORNEY		
Trial Balance		
April 30, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 23,400	
Accounts Receivable	1,000	
Office Supplies	1,100	
Prepaid Insurance	3,600	
Land	30,000	
Building	150,000	
Furniture	1,300	
Accounts Payable		\$ 1,300
Utilities Payable		650
Notes Payable		140,000
McMahon, Capital		70,000
McMahon, Withdrawals	3,200	
Service Revenue		6,800
Salaries Expense	2,400	
Rent Expense	2,100	
Utilities Expense	650	
Total	\$ 218,750	\$ 218,750

P-F:2-38B

Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Apr. 4	Cash	11	6,000	
	Accounts Receivable	12		6,000
	<i>Received cash from client on account.</i>			
8	Accounts Receivable	12	5,500	
	Service Revenue	41		5,500
	<i>Performed tax services for client on account.</i>			
13	Accounts Payable	21	3,300	
	Cash	11		3,300
	<i>Paid cash on account.</i>			
14	Furniture	15	4,000	
	Accounts Payable	21		4,000
	<i>Purchased furniture on account.</i>			
15	Automobile	16	11,500	
	Menning, Capital	31		11,500
	<i>Owner contribution of automobile.</i>			
18	Office Supplies	13	1,600	
	Accounts Payable	21		1,600
	<i>Purchased office supplies on account.</i>			
19	Cash	11	2,750	
	Accounts Receivable	12		2,750
	<i>Received cash on account.</i>			
20	Menning, Withdrawals	33	7,500	
	Cash	11		7,500
	<i>Owner withdrawal</i>			
21	Cash	11	4,900	
	Service Revenue	41		4,900
	<i>Received cash for consulting work.</i>			
24	Cash	11	2,500	
	Unearned Revenue	22		2,500
	<i>Received payment for services to be performed next month.</i>			

P-F:2-38B, cont.

Apr. 27	Rent Expense	52	900	
	Cash	11		900
	<i>Paid office rent.</i>			
28	Salaries Expense	51	1,200	
	Cash	11		1,200
	<i>Paid employee salary.</i>			

Requirements 2 and 3

CASH					Account No. 11	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				17,000	
Apr. 4		J5	6,000		23,000	
Apr. 13		J5		3,300	19,700	
Apr. 19		J5	2,750		22,450	
Apr. 20		J5		7,500	14,950	
Apr. 21		J5	4,900		19,850	
Apr. 24		J5	2,500		22,350	
Apr. 27		J5		900	21,450	
Apr. 28		J5		1,200	20,250	

ACCOUNTS RECEIVABLE					Account No. 12	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				10,500	
Apr. 4		J5		6,000	4,500	
Apr. 8		J5	5,500		10,000	
Apr. 19		J5		2,750	7,250	

OFFICE SUPPLIES					Account No. 13	
Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				1,200	
Apr. 18		J5	1,600		2,800	

P-F:2-38B, cont.

LAND

Account No. 14

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				29,000	

FURNITURE

Account No. 15

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 14		J5	4,000		4,000	

AUTOMOBILE

Account No. 16

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 15		J5	11,500		11,500	

ACCOUNTS PAYABLE

Account No. 21

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					3,800
Apr. 13		J5	3,300			500
Apr. 14		J5		4,000		4,500
Apr. 18		J5		1,600		6,100

UNEARNED REVENUE

Account No. 22

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 24		J5		2,500		2,500

MENNING, CAPITAL

Account No. 31

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					46,200
Apr. 15		J5		11,500		57,700

MENNING, WITHDRAWALS

Account No. 33

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 20		J5	7,500		7,500	

P-F:2-38B, cont.

SERVICE REVENUE

Account No. 41

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					11,200
Apr. 8		J5		5,500		16,700
Apr. 21		J5		4,900		21,600

SALARIES EXPENSE

Account No. 51

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				2,500	
Apr. 28		J5	1,200		3,700	

RENT EXPENSE

Account No. 52

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				1,000	
Apr. 27		J5	900		1,900	

Requirement 4

JOHN MENNING, CPA Trial Balance April 30, 2024			
Acct. No.	Account Title	Balance	
		Debit	Credit
11	Cash	\$ 20,250	
12	Accounts Receivable	7,250	
13	Office Supplies	2,800	
14	Land	29,000	
15	Furniture	4,000	
16	Automobile	11,500	
21	Accounts Payable		\$ 6,100
22	Unearned Revenue		2,500
31	Menning, Capital		57,700
33	Menning, Withdrawals	7,500	
41	Service Revenue		21,600
51	Salaries Expense	3,700	
52	Rent Expense	1,900	
	Total	\$ 87,900	\$ 87,900

P-F:2-39B

LOVE TO LEARN CHILD CARE		
Trial Balance		
May 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 11,000	
Accounts Receivable	16,300	
Office Supplies	2,000	
Prepaid Insurance	4,500	
Equipment	82,500	
Accounts Payable		\$ 4,000
Notes Payable		45,000
Ebony, Capital		54,000
Ebony, Withdrawals	2,300	
Service Revenue		20,300
Salaries Expense	4,000	
Rent Expense	400	
Advertising Expense	300	
Total	\$ 123,300	\$ 123,300

Explanations:

- a. Increase Cash by \$1,800.
- b. Increase Accounts Receivable by \$7,600 ($\$3,800 \times 2$).
- c. Increase Office Supplies and Accounts Payable by \$1,000 each.
- d. Decrease Equipment by \$7,900 ($\$90,400 - \$82,500$).
- e. Decrease Salaries Expense by \$350.
- f. Advertising Expense should have a debit balance of \$300. Decrease Cash by \$300.
- g. Ebony, Withdrawals should decrease by \$1,440 and Cash should increase by \$1,440 ($\$1,600 - \160).
- h. Service Revenue should increase by \$4,000.
- i. Prepaid Insurance should increase by \$2,800 ($\$1,400 \times 2$).

P-F:2-40B**Requirement 1**

SHEILA SANCHEZ, REGISTERED DIETICIAN**Income Statement****Month Ended July 31, 2024**

Revenues:

Service Revenue \$ 15,804

Expenses:

Salaries Expense \$ 1,600

Rent Expense 700

Utilities Expense 100

Total Expenses 2,400Net Income \$ 13,404

Requirement 2

SHEILA SANCHEZ, REGISTERED DIETICIAN**Statement of Owner's Equity****Month Ended July 31, 2024**

Sanchez, Capital, July 1, 2024 \$ 0

Owner contribution 20,000

Net income for the month 13,404

33,404

Owner withdrawals (3,000)

Sanchez, Capital, July 31, 2024 \$ 30,404

P-F:2-40B, cont.
Requirement 3

SHEILA SANCHEZ, REGISTERED DIETICIAN

Balance Sheet

July 31, 2024

Assets		Liabilities	
Cash	\$ 32,000	Accounts Payable	\$ 3,400
Accounts Receivable	9,100	Unearned Revenue	1,296
Office Supplies	1,400	Notes Payable	34,000
Prepaid Insurance	2,600	Total Liabilities	\$ 38,696
Equipment	24,000		
		Owner's Equity	
		Sanchez, Capital	30,404
Total Assets	<u>\$ 69,100</u>	Total Liabilities and Owner's Equity	<u>\$ 69,100</u>

Requirement 4

Debt ratio = Total liabilities / Total assets = $\$38,696 / \$69,100 = 0.56 = 56\%$

Using Excel

The student templates for *Using Excel* are available online in MyLab Accounting in the Multimedia Library or at <http://www.pearsonhighered.com/Horngren>. The solution to *Using Excel* is located in MyLab Accounting in the Instructor Resource Center or at <http://www.pearsonhighered.com/Horngren>.

Continuing Problem

P-F:2-41

Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Nov. 1	Cash Wilson, Capital		16,000	16,000
2	Rent Expense Cash		1,200	1,200
3	Canoes Accounts Payable		4,800	4,800
4	Office Supplies Accounts Payable		750	750
7	Cash Canoe Rental Revenue		1,400	1,400
13	Wages Expense Cash		1,500	1,500
15	Wilson, Withdrawals Cash		50	50
16	Utilities Expense Utilities Payable		150	150
20	Telephone Expense Telephone Payable		175	175
22	Accounts Receivable Canoe Rental Revenue		3,000	3,000
26	Accounts Payable Cash		1,000	1,000
28	Cash Accounts Receivable		750	750
30	Wilson, Withdrawals Cash		100	100

P-F:2-41, cont.
Requirement 1, cont.

Dec. 1	Land	85,000	
	Building	35,000	
	Wilson, Capital		120,000
1	Prepaid Rent	3,000	
	Cash		3,000
2	Canoes	7,200	
	Notes Payable		7,200
4	Office Supplies	500	
	Accounts Payable		500
9	Cash	4,500	
	Canoe Rental Revenue		4,500
15	Accounts Receivable	3,500	
	Canoe Rental Revenue		3,500
16	Cash	750	
	Unearned Revenue		750
18	Utilities Payable	150	
	Telephone Payable	175	
	Cash		325
19	Accounts Payable	2,000	
	Cash		2,000
20	Telephone Expense	325	
	Utilities Expense	295	
	Telephone Payable		325
	Utilities Payable		295
31	Wages Expense	1,800	
	Cash		1,800
31	Wilson, Withdrawals	300	
	Cash		300

P-F:2-41, cont.
Requirements 2 and 3

Cash			
Nov. 1	16,000	1,200	Nov. 2
Nov. 7	1,400	1,500	Nov. 13
Nov. 28	750	50	Nov. 15
Dec. 9	4,500	1,000	Nov. 26
Dec. 16	750	100	Nov. 30
		3,000	Dec. 1
		325	Dec. 18
		2,000	Dec. 19
		1,800	Dec. 31
		300	Dec. 31
Balance	12,125		

Accounts Payable			
Nov. 26	1,000	4,800	Nov. 3
Dec. 19	2,000	750	Nov. 4
		500	Dec. 4
		3,050	Balance

Accounts Receivable			
Nov. 22	3,000	750	Nov. 28
Dec. 15	3,500		
Balance	5,750		

Utilities Payable			
Dec. 18	150	150	Nov. 16
		295	Dec. 20
		295	Balance

Office Supplies			
Nov. 4	750		
Dec. 4	500		
Balance	1,250		

Telephone Payable			
Dec. 18	175	175	Nov. 20
		325	Dec. 20
		325	Balance

Prepaid Rent			
Dec. 1	3,000		
Balance	3,000		

Unearned Revenue			
		750	Dec. 16
		750	Balance

Land			
Dec. 1	85,000		
Balance	85,000		

Notes Payable			
		7,200	Dec. 2
		7,200	Balance

Building			
Dec. 1	35,000		
Balance	35,000		

Wilson, Capital			
		16,000	Nov. 1
		120,000	Dec. 1
		136,000	Balance

Canoes			
Nov. 3	4,800		
Dec. 2	7,200		
Balance	12,000		

Wilson, Withdrawals			
Nov. 15	50		
Nov. 30	100		
Dec. 31	300		
Balance	450		

P-F:2-41, cont.
Requirements 2 and 3, cont.

Canoe Rental Revenue

	1,400	Nov. 7
	3,000	Nov. 22
	4,500	Dec. 9
	3,500	Dec. 15
	12,400	Balance

Rent Expense

Nov. 2	1,200	
Balance	1,200	

Wages Expense

Nov. 13	1,500	
Dec. 31	1,800	
Balance	3,300	

Utilities Expense

Nov. 16	150	
Dec. 20	295	
Balance	445	

Telephone Expense

Nov. 20	175	
Dec. 20	325	
Balance	500	

P-F:2-41, cont.

Requirement 4

CANYON CANOE COMPANY		
Trial Balance		
December 31, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 12,125	
Accounts Receivable	5,750	
Office Supplies	1,250	
Prepaid Rent	3,000	
Land	85,000	
Building	35,000	
Canoes	12,000	
Accounts Payable		\$ 3,050
Utilities Payable		295
Telephone Payable		325
Unearned Revenue		750
Notes Payable		7,200
Wilson, Capital		136,000
Wilson, Withdrawals	450	
Canoe Rental Revenue		12,400
Rent Expense	1,200	
Wages Expense	3,300	
Utilities Expense	445	
Telephone Expense	500	
Total	\$ 160,020	\$ 160,020

Requirement 5

CANYON CANOE COMPANY		
Income Statement		
Two Months Ended December 31, 2024		
Revenues:		
Canoe Rental Revenue		\$ 12,400
Expenses:		
Wages Expense	\$ 3,300	
Rent Expense	1,200	
Telephone Expense	500	
Utilities Expense	445	
Total Expenses		5,445
Net Income		\$ 6,955

P-F:2-41, cont.
Requirement 6

CANYON CANOE COMPANY	
Statement of Owner's Equity	
Two Months Ended December 31, 2024	
Wilson, Capital, November 1, 2024	\$ 0
Owner contribution	136,000
Net income for the month	6,955
	<u>142,955</u>
Owner withdrawals	(450)
Wilson, Capital, December 31, 2024	<u>\$ 142,505</u>

Requirement 7

CANYON CANOE COMPANY				
Balance Sheet				
December 31, 2024				
	Assets		Liabilities	
Cash	\$ 12,125	Accounts Payable		\$ 3,050
Accounts Receivable	5,750	Utilities Payable		295
Office Supplies	1,250	Telephone Payable		325
Prepaid Rent	3,000	Unearned Revenue		750
Land	85,000	Notes Payable		7,200
Building	35,000	Total Liabilities		<u>11,620</u>
Canoes	12,000		Owner's Equity	
		Wilson, Capital		142,505
Total Assets	<u>\$ 154,125</u>	Total Liabilities and Owner's Equity		<u>\$ 154,125</u>

Requirement 8

Debt ratio = Total liabilities / Total assets = \$11,620 / \$154,125 = 0.075* = 7.5%

* rounded

Practice Set

P-F:2-42

Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Nov. 1	Cash Truck Hideaway, Capital		15,000 3,000	18,000
2	Prepaid Rent Cash		4,000	4,000
3	Prepaid Insurance Cash		4,800	4,800
4	Cleaning Supplies Accounts Payable		320	320
5	Equipment Accounts Payable		1,500	1,500
7	Equipment Cash		3,900	3,900
9	Accounts Receivable Service Revenue		4,700	4,700
10	Cash Accounts Receivable		200	200
15	Salaries Expense Cash		400	400
16	Cash Unearned Revenue		15,000	15,000
17	Cash Service Revenue		400	400
18	Utilities Expense Accounts Payable		175	175
20	Cash Notes Payable		36,000	36,000

P-F:2-42, cont.

Nov. 21	Cash		500	
	Accounts Receivable			500
25	Accounts Payable		750	
	Cash			750
29	Advertising Expense		200	
	Cash			200
30	Hideaway, Withdrawals		1,400	
	Cash			1,400

Requirements 2 and 3

Nov. 1	15,000	4,000	Nov. 2
Nov. 10	200	4,800	Nov. 3
Nov. 16	15,000	3,900	Nov. 7
Nov. 17	400	400	Nov. 15
Nov. 20	36,000	750	Nov. 25
Nov. 21	500	200	Nov. 29
		1,400	Nov. 30
Balance	51,650		

Nov. 25	750	320	Nov. 4
		1,500	Nov. 5
		175	Nov. 18
		1,245	Balance

Nov. 9	4,700	200	Nov. 10
		500	Nov. 21
Balance	4,000		

	15,000	Nov. 16
	15,000	Balance

Nov. 4	320	
Balance	320	

	36,000	Nov. 20
	36,000	Balance

Nov. 2	4,000	
Balance	4,000	

	18,000	Nov. 1
	18,000	Balance

Nov. 3	4,800	
Balance	4,800	

Nov. 30	1,400	
Balance	1,400	

P-F:2-42, cont.
Requirements 2 and 3

Equipment	
Nov. 5	1,500
Nov. 7	3,900
Balance	5,400

Truck	
Nov. 1	3,000
Balance	3,000

Service Revenue		
	4,700	Nov. 9
	400	Nov. 17
	5,100	Balance

Salaries Expense		
Nov. 15	400	
Balance	400	

Advertising Expense		
Nov. 29	200	
Balance	200	

Utilities Expense		
Nov. 18	175	
Balance	175	

P-F:2-42, cont.
Requirement 4

CRYSTAL CLEAR CLEANING		
Trial Balance		
November 30, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 51,650	
Accounts Receivable	4,000	
Cleaning Supplies	320	
Prepaid Rent	4,000	
Prepaid Insurance	4,800	
Equipment	5,400	
Truck	3,000	
Accounts Payable		\$ 1,245
Unearned Revenue		15,000
Notes Payable		36,000
Hideaway, Capital		18,000
Hideaway, Withdrawals	1,400	
Service Revenue		5,100
Salaries Expense	400	
Advertising Expense	200	
Utilities Expense	175	
Total	\$ 75,345	\$ 75,345

Critical Thinking

Tying It All Together Case F:2-1

Requirement 1

Fry's Electronics would record the following journal entry:

Date	Accounts and Explanation	Debit	Credit
	Cash	10,500	
	Service Revenue		10,500

The transaction would increase assets (Cash) and equity on the balance sheet and increase Service Revenue on the income statement.

Requirement 2

Fry's Electronics would record the following journal entry:

Date	Accounts and Explanation	Debit	Credit
	Cash	24,000	
	Unearned Revenue		24,000

The transaction would increase assets (Cash) and increase liabilities (Unearned Revenue) on the balance sheet.

Requirement 3

In requirement 1, Fry's Electronics recorded revenue because the company had received the cash from the customer and provided the service. In requirement 2, Fry's Electronics recorded a liability, Unearned Revenue, because even though cash was received, the service has not been provided. The revenue related to requirement 2 will not be recorded until the service has been provided.

Decision Case F:2-1
Requirements 1 and 2

Cash		
a.	10,000	300 b.
f.	1,200	2,400 d.
Bal.	8,500	

Accounts Payable		
	700	c.
	700	Bal.

Accounts Receivable		
e.	8,800	1,200 f.
Bal.	7,600	

McChesney, Capital		
	10,000	a.
	10,000	Bal.

Office Supplies		
b.	300	
Bal.	300	

Service Revenue		
	8,800	e.
	8,800	Bal.

Salaries Expense		
d.	1,400	
Bal.	1,400	

Rent Expense		
d.	1,000	
Bal.	1,000	

Advertising Expense		
c.	700	
Bal.	700	

Decision Case F:2-1, cont.
Requirement 3

A-PLUS TRAVEL PLANNERS Trial Balance June 30, 2024		
Account Title	Balance	
	Debit	Credit
Cash	\$ 8,500	
Accounts Receivable	7,600	
Office Supplies	300	
Accounts Payable		\$ 700
McChesney, Capital		10,000
Service Revenue		8,800
Salaries Expense	1,400	
Rent Expense	1,000	
Advertising Expense	700	
Total	\$ 19,500	\$ 19,500

Requirement 4

Revenues:		
Service Revenue		\$ 8,800
Expenses:		
Salaries Expense	\$ 1,400	
Rent Expense	1,000	
Advertising Expense	700	
Total Expenses		3,100
Net Income		\$ 5,700

McChesney should discontinue the business because net income falls below the target amount.

Ethical Issue F:2-1

The bank has a standing agreement with Better Days Ahead for overdrafts, so as long as transactions are compliant with terms of the agreement, there is no ethical issue. The exercise refers to Better Days Ahead managing funds “wisely.” However, whether funds are managed wisely or not is a matter of prudent business management and not an ethical issue. Presumably if Better Days Ahead was exceeding the terms of the agreement, the bank would cancel the arrangement.

Ethical Issue F:2-1, cont.

Some students may point out that the agreement was for times when donations were running low, whereas the reasons given for the overdraft are for expansion and fundraising. If this is interpreted to mean that Better Days Ahead is abusing the privilege according to the terms of the agreement, then there may be an ethical issue involved, but that is not made clear by the information given.

Students may approve of Henson's cash management if the arrangement is beneficial to Better Days Ahead, and thus helps them accomplish their charitable mission more effectively. Students may disapprove of Henson's cash management if (a) they feel it is "unwise" (poor business management), or (b) if they believe he is exceeding the terms of the agreement.

Fraud Case F:2-1 Requirement 1

By changing an expense to an asset, the total expenses will decrease and net income will increase.

Requirement 2

The CEO gained by earning a bonus, and the accounting manager may have gained by getting favorable treatment from the CEO. The shareholders of the company lost, because the company paid out the bonus under fraudulent conditions.

Financial Statement Case F:2-1 Requirement 1

Total Liabilities = \$15,014 + \$14,979 = \$29,993 (in millions)
Debt ratio = Total liabilities / Total assets
= \$29,993 (in millions) / \$41,290 (in millions)
= 0.726 = 72.6%

Requirement 2

Target's debt ratio is significantly higher than Kohl's (55.7%) which signifies that Target has more assets financed by debt than Kohl's. Target has a higher debt risk than Kohl's.

Communication Activity F:2-1

Debits are on the left, credits are on the right. Normal balance for assets, expenses, and withdrawals is a debit. For liability, capital, and revenue accounts, the normal balance is a credit.