

# CHAPTER 2

## The Recording Process

### ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>
1. Describe how accounts, debits, and credits are used to record business transactions.	1, 2, 3, 4, 5, 6, 7, 8, 9, 14, 21	1, 2, , 5	1	1, 2, 4, 6, 7	
2. Indicate how a journal is used in the recording process.	10, 11, 12, 13, 14, 16, 19	3, 4, 6	2	3, 5, 6, 7, 8, 9, 11, 12, 13, 14	1A, 2A, 3A, 5A
3. Explain how a ledger and posting help in the recording process.	15, 17	7, 8	3	10, 11, 14	2A, 3A, 5A
4. Prepare a trial balance.	18, 20	9, 10	4	11, 12, 13, 15, 16, 17	2A, 3A, 4A, 5A

## ASSIGNMENT CHARACTERISTICS TABLE

<b>Problem Number</b>	<b>Description</b>	<b>Difficulty Level</b>	<b>Time Allotted (min.)</b>
1A	Journalize a series of transactions.	Easy	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Easy	30–40
3A	Journalize and post transactions and prepare a trial balance.	Moderate	40–50
4A	Prepare a correct trial balance.	Moderate	30–40
5A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50

**WEYGANDT FINANCIAL AND MANAGERIAL ACCOUNTING 3E**  
**CHAPTER 2**  
**THE RECORDING PROCESS**

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
BE1	1	C	Easy	6–8
BE2	1	C	Easy	4–6
BE3	2	AP	Easy	4–6
BE4	2	C	Moderate	4–6
BE5	1	C	Easy	6–8
BE6	2	AP	Easy	4–6
BE7	3	AP	Easy	4–6
BE8	3	AP	Easy	4–6
BE9	4	AP	Easy	4–6
BE10	4	AN	Moderate	6–8
DI1	1	C	Easy	3–5
DI2	2	AP	Easy	3–5
DI3	3	AP	Easy	2–4
DI4	4	AP	Easy	6–8
EX1	1	K	Easy	2–4
EX2	1	C	Easy	10–15
EX3	2	AP	Easy	8–10
EX4	1	C	Easy	6–8
EX5	2	AP	Easy	6–8
EX6	1, 2	AP	Easy	6–8
EX7	1, 2	AP	Easy	8–10
EX10	3	C	Easy	2–4
EX11	3, 4	AP	Easy	10–12
EX12	2, 4	AP	Moderate	10–12
EX13	2, 4	AP	Moderate	12–15
EX14	2, 3	AP	Moderate	12–15
EX15	4	AN	Moderate	6–8
EX16	4	AP	Easy	10–15
EX17	2–4	AP	Hard	20–25

## THE RECORDING PROCESS (Continued)

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
P1A	2	AP	Easy	20–30
P2A	2–4	AP	Easy	30–40
P3A	2–4	AP	Moderate	40–50
P4A	4	AN	Moderate	30–40
P5A	2–4	AP	Moderate	40–50
CT1	1	C	Easy	8–10
CT2	1, 2	AN	Easy	8–10
CT3	1, 2	AN	Easy	15–20
CT4	—	AP, S	Moderate	20–30
CT5	—	AP, S	Moderate	10–15
CT6	2, 4	AN	Hard	40–45
CT7	2	AP	Easy	10–15
CT8	4	E	Moderate	10–15
CT9	—	E	Moderate	10–15
CT10	—	E	Moderate	40–45
CT11	—	S	Moderate	40–45

**Correlation Chart between Bloom's Taxonomy, Learning Objectives and End-of-Chapter Exercises and Problems**

Learning Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
1. Describe how accounts, debits, and credits are used to record business transactions.	Q2-1 Q2-21 E2-1	Q2-2 Q2-8 Q2-3 Q2-9 BE2-5 Q2-4 DI2-1 Q2-5 E2-2 Q2-6 BE2-1 E2-4 Q2-7 BE2-2	E2-6 E2-7			
2. Indicate how a journal is used in the recording process.	Q2-10 Q2-12 Q2-19	Q2-11 Q2-13 Q2-14 BE2-4	Q2-16 E2-7 P2-5A BE2-3 E2-8 BE2-6 E2-9 DI2-2 E2-12 E2-3 E2-13 E2-5 E2-14 E2-6 P2-1A P2-2A P2-3A			
3. Explain how a ledger and posting help in the recording process.	Q2-15	Q2-17 E2-10	BE2-7 E2-14 BE2-8 P2-2A DI2-3 P2-3A E2-11 P2-5A			
4. Prepare a trial balance.		Q2-18 E2-15	BE2-9 E2-13 P2-3A DI2-4 E2-16 P2-5A E2-11 E2-17 E2-12 P2-2A	Q2-20 BE2-10 E2-15 P2-4A		
<b>Expand Your Critical Thinking</b>		<b>Financial Reporting</b>	<b>Real-World Focus</b> <b>Communication</b>	<b>Comparative Analysis</b> <b>Ethics Case</b> <b>Decision-Making</b> <b>Across the</b> <b>Organization</b>	<b>Communication</b> <b>Decision-Making</b> <b>Across the</b> <b>Organization</b>  <b>Real-world</b> <b>focus</b>  <b>Considering</b> <b>People, Planet,</b> <b>and Profit</b>	<b>All About You</b> <b>Ethics Case</b>

# ANSWERS TO QUESTIONS

1. A T-account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.

LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

2. Disagree. The terms debit and credit mean left and right respectively.

LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

3. Tom is incorrect. The double-entry system merely records the dual effect (at least two accounts are affected) of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.

LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

4. Olga is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

5. (a) Asset accounts are increased by debits and decreased by credits.  
(b) Liability accounts are decreased by debits and increased by credits.  
(c) Revenues, common stock, and retained earnings are increased by credits and decreased by debits. Expenses and dividends are increased by debits and decreased by credits.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

6. (a) Accounts Receivable—debit balance.  
(b) Cash—debit balance.  
(c) Dividends—debit balance.  
(d) Accounts Payable—credit balance.  
(e) Service Revenue—credit balance.  
(f) Salaries and Wages Expense—debit balance.  
(g) Common Stock—credit balance.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

7. (a) Accounts Receivable—asset—debit balance.  
(b) Accounts Payable—liability—credit balance  
(c) Equipment—asset—debit balance.  
(d) Dividends—stockholders' equity—debit balance.  
(e) Supplies—asset—debit balance.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

8. (a) Debit Supplies and credit Accounts Payable.  
(b) Debit Cash and credit Notes Payable.  
(c) Debit Salaries and Wages Expense and credit Cash.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

**Questions Chapter 2 (Continued)**

9. (1) Cash—both debit and credit entries.  
 (2) Accounts Receivable—both debit and credit entries.  
 (3) Dividends—debit entries only.  
 (4) Accounts Payable—both debit and credit entries.  
 (5) Salaries and Wages Expense—debit entries only.  
 (6) Service Revenue—credit entries only.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

10. The basic steps in the recording process are:  
 1. Analyze each transaction for its effect on the accounts.  
 2. Enter the transaction information in a journal.  
 3. Transfer the journal information to the appropriate accounts in the ledger.

LO 2 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

11. The advantages of using the journal in the recording process are:  
 (a) It discloses in one place the complete effects of a transaction.  
 (b) It provides a chronological record of all transactions.  
 (c) It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

12. (a) The debit should be entered first.  
 (b) The credit should be indented.

LO 2 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

13. When three or more accounts are required in one journal entry, the entry is referred to as a compound entry. An example of a compound entry is the purchase of equipment, part of which is paid for with cash and the remainder is on account.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

14. (a) No, business transaction debits and credits should not be recorded directly in the ledger.  
 (b) The advantages of using the journal are:  
 1. It discloses in one place the complete effects of a transaction.  
 2. It provides a chronological record of all transactions.  
 3. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

15. The advantage of the last step in the posting process is to indicate that the item has been posted.

LO 3 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

16. (a)	Cash .....	9,000	
	Common Stock.....		9,000
	(Issued shares of stock for cash)		
(b)	Prepaid Insurance.....	800	
	Cash .....		800
	(Paid one-year insurance policy)		

**Questions Chapter 2 (Continued)**

(c) Supplies.....	2,000	
Accounts Payable.....		2,000
(Purchased supplies on account)		
(d) Cash .....	7,800	
Service Revenue.....		7,800
(Received cash for services rendered)		

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and stockholders' equity accounts, is referred to collectively as the ledger.
- (b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

LO 3 BT: C Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Reporting IMA: Reporting

18. A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements.

LO 4 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

19. No, Juan is not correct. The proper sequence is as follows:
- (b) Business transaction occurs.
  - (c) Information entered in the journal.
  - (a) Debits and credits posted to the ledger.
  - (e) Trial balance is prepared.
  - (d) Financial statements are prepared.

LO 2 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

20. (a) The trial balance would balance.  
 (b) The trial balance would not balance.

LO 4 BT: AN Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

21. The normal balances are Cash debit, Accounts Payable credit, and Interest Expense debit.

LO 1 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting



# SOLUTIONS TO BRIEF EXERCISES

## BRIEF EXERCISE 2-1

	(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1. Accounts Payable	Decrease	Increase	Credit
2. Advertising Expense	Increase	Decrease	Debit
3. Service Revenue	Decrease	Increase	Credit
4. Accounts Receivable	Increase	Decrease	Debit
5. Common Stock	Decrease	Increase	Credit
6. Dividends	Increase	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## BRIEF EXERCISE 2-2

	Account Debited	Account Credited
June 1	Cash	Common Stock
2	Equipment	Accounts Payable
3	Rent Expense	Cash
12	Accounts Receivable	Service Revenue

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## BRIEF EXERCISE 2-3

June	1	Cash.....	4,000	
		Common Stock .....		4,000
	2	Equipment .....	1,200	
		Accounts Payable.....		1,200
	3	Rent Expense .....	800	
		Cash .....		800
	12	Accounts Receivable .....	300	
		Service Revenue.....		300

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## BRIEF EXERCISE 2-4

The basic steps in the recording process are:

1. **Analyze each transaction. In this step, business documents are examined to determine the effects of the transaction on the accounts.**
2. **Enter each transaction in a journal. This step is called journalizing and it results in making a chronological record of the transactions.**
3. **Transfer journal information to ledger accounts. This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.**

LO 2 BT: C Difficulty: Moderate TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## BRIEF EXERCISE 2-5

	<b>(a) <u>Effect on Accounting Equation</u></b>	<b>(b) <u>Debit-Credit Analysis</u></b>
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Aug. 1	<b>The asset Cash is increased; the stockholders' equity account Common Stock is increased.</b>	<b>Debits increase assets: debit Cash \$5,000. Credits increase stockholders' equity: credit Common Stock \$5,000.</b>
4	<b>The asset Prepaid Insurance is increased; the asset Cash is decreased.</b>	<b>Debits increase assets: debit Prepaid Insurance \$1,800. Credits decrease assets: credit Cash \$1,800.</b>
16	<b>The asset Cash is increased; the revenue Service Revenue is increased.</b>	<b>Debits increase assets: debit Cash \$1,900. Credits increase revenues: credit Service Revenue \$1,900.</b>
27	<b>The expense Salaries and Wages Expense is increased; the asset Cash is decreased.</b>	<b>Debits increase expenses: debit Salaries and Wages Expense \$1,000. Credits decrease assets: credit Cash \$1,000.</b>

LO 1 BT: C Difficulty: Moderate TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

### BRIEF EXERCISE 2-6

Aug. 1	Cash.....	5,000	
	Common Stock.....		5,000
4	Prepaid Insurance.....	1,800	
	Cash .....		1,800
16	Cash.....	1,900	
	Service Revenue .....		1,900
27	Salaries and Wages Expense.....	1,000	
	Cash .....		1,000

LO 2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

### BRIEF EXERCISE 2-7

Cash		Service Revenue	
5/12	2,100	5/5	5,000
5/15	3,200	5/15	3,200
Bal.	5,300	Bal.	8,200

  

Accounts Receivable			
5/5	5,000	5/12	2,100
Bal.	2,900		

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

### BRIEF EXERCISE 2-8

Cash						
Date	Explanation	Ref.	Debit	Credit	Balance	
May 12		J1	2,100		2,100	
15		J1	3,200		5,300	

## BRIEF EXERCISE 2-8 (Continued)

### Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,000		5,000
12		J1		2,100	2,900

### Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,000	5,000
15		J1		3,200	8,200

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## BRIEF EXERCISE 2-9

### FAVRE COMPANY Trial Balance June 30, 2020

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 5,200	
Accounts Receivable .....	3,000	
Equipment.....	17,000	
Accounts Payable.....		\$ 7,000
Common Stock .....		20,000
Dividends .....	800	
Service Revenue.....		6,000
Salaries and Wages Expense .....	6,000	
Rent Expense.....	1,000	
	<u>\$33,000</u>	<u>\$33,000</u>

(Credit tot. = Accts. pay. + Com. stk. + Serv. rev.)

LO 4 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

**BRIEF EXERCISE 2-10**

**ERIKA COMPANY  
Trial Balance  
December 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$16,800	
Prepaid Insurance .....	3,500	
Accounts Payable .....		\$ 3,000
Unearned Service Revenue .....		4,200
Common Stock .....		13,000
Dividends .....	4,500	
Service Revenue .....		25,600
Salaries and Wages Expense .....	18,600	
Rent Expense .....	2,400	
	<u>\$45,800</u>	<u>\$45,800</u>

(Credit tot. = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

# SOLUTIONS FOR DO IT! REVIEW EXERCISES

## DO IT! 2-1

James would likely need the following accounts in which to record the transactions necessary to ready his photography studio for opening day:

<b>Cash (debit balance)</b>	<b>Notes Payable (credit balance)</b>
<b>Supplies (debit balance)</b>	<b>Accounts Payable (credit balance)</b>
<b>Equipment (debit balance)</b>	<b>Common Stock (credit balance)</b>
	<b>Rent Expense (debit balance)</b>

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## DO IT! 2-2

Each transaction that is recorded is entered in the general journal. The three activities would be recorded as follows:

1.	<b>Cash</b> .....	<b>8,000</b>	
	<b>Common Stock</b> .....		<b>8,000</b>
2.	<b>Supplies</b> .....	<b>1,600</b>	
	<b>Cash</b> .....		<b>300</b>
	<b>Accounts Payable</b> .....		<b>1,300</b>
3.	<b>No entry because no transaction has occurred.</b>		

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## DO IT! 2-3

Cash			
4/1	1,600	4/16	600
4/3	3,900	4/20	500
4/30	4,400		

LO 3 BT: AP Difficulty: Easy TOT: 3 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**DO IT! 2-4**

**CHILLIN' COMPANY  
Trial Balance  
December 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 6,000	
Accounts Receivable .....	8,000	
Supplies .....	5,000	
Equipment.....	76,000	
Notes Payable.....		\$ 20,000
Accounts Payable .....		9,000
Salaries and Wages Payable .....		3,000
Common Stock.....		25,000
Dividends .....	8,000	
Service Revenue .....		86,000
Rent Expense .....	2,000	
Salaries and Wages Expense .....	38,000	
	<u>\$143,000</u>	<u>\$143,000</u>

LO 4 BT: AP Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

# SOLUTIONS TO EXERCISES

## EXERCISE 2-1

1. **False.** An account is an accounting record of a specific asset, liability, or *stockholders' equity item*.
2. **False.** An account shows *increases and decreases* in the item it relates to.
3. **False.** Each asset, liability, and *stockholders' equity item* *has a separate account*.
4. **False.** An account has a left, or *debit* side, and a right, or *credit* side.
5. **True.**

LO 1 BT: K Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Reporting IMA: Reporting



Transaction	Account Debited				Account Credited			
	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Stockholders' Equity	Common Stock	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
16	Stockholders' Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Stockholders' Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 10 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-3

General Journal			J1	
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash .....		15,000	
	Common Stock .....			15,000
3	Equipment .....		8,200	
	Cash .....			8,200
9	Supplies .....		500	
	Accounts Payable.....			500
11	Accounts Receivable .....		1,800	
	Service Revenue.....			1,800
16	Advertising Expense.....		200	
	Cash .....			200
20	Cash .....		780	
	Accounts Receivable.....			780
23	Accounts Payable .....		300	
	Cash .....			300
28	Dividends .....		500	
	Cash .....			500

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-4

- Oct. 1 Debits increase assets: debit Cash \$20,000.  
Credits increase stockholders' equity: credit Common Stock \$20,000.
- 2 No transaction.
- 3 Debits increase assets: debit Equipment \$2,300.  
Credits increase liabilities: credit Accounts Payable \$2,300.
- Oct. 6 Debits increase assets: debit Accounts Receivable \$3,600.  
Credits increase revenues: credit Service Revenue \$3,600.
- 27 Debits decrease liabilities: debit Accounts Payable \$850.  
Credits decrease assets: credit Cash \$850.
- 30 Debits increase expenses: debit Salaries and Wages Expense \$2,500.  
Credits decrease assets: credit Cash \$2,500.

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-5

### General Journal

Date	Account Titles and Explanation	Ref.	Debits	Credit
Oct. 1	Cash .....		20,000	
	Common Stock .....			20,000
2	No entry.			
3	Equipment .....		2,300	
	Accounts Payable .....			2,300
6	Accounts Receivable .....		3,600	
	Service Revenue .....			3,600
27	Accounts Payable .....		850	
	Cash .....			850
30	Salaries and Wages Expense .....		2,500	
	Cash .....			2,500

LO 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-6

- (a) 1. Increase the asset Cash, increase the liability Notes Payable.  
 2. Increase the asset Equipment, decrease the asset Cash.  
 3. Increase the asset Supplies, increase the liability Accounts Payable.

(b) 1.	Cash .....	5,000	
	Notes Payable .....		5,000
2.	Equipment .....	2,500	
	Cash.....		2,500
3.	Supplies .....	450	
	Accounts Payable.....		450

LO 1, 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-7

- (a) **Assets = Liabilities + Stockholders' Equity**
- |    |   |  |   |               |
|----|---|--|---|---------------|
| 1. | + |  | + | (Issue stock) |
| 2. | - |  | - | (Expense)     |
| 3. | + |  | + | (Revenue)     |
| 4. | - |  | - | (Dividends)   |

(b) 1.	Cash .....	5,000	
	Common Stock .....		5,000
2.	Rent Expense.....	950	
	Cash.....		950
3.	Accounts Receivable .....	4,700	
	Service Revenue .....		4,700
4.	Dividends .....	600	
	Cash.....		600

LO 1, 2 BT: AP Difficulty: Easy TOT: 8min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-8

### General Journal

Date	Account Titles	Debit	Credit
March 1	Rent Expense.....	1,200	
	Cash.....		1,200
3	Accounts Receivable.....	140	
	Service Revenue .....		140
5	Cash .....	75	
	Service Revenue .....		75
8	Equipment.....	600	
	Cash.....		80
	Accounts Payable .....		520
12	Cash .....	140	
	Accounts Receivable .....		140
14	Salaries and Wages Expense .....	525	
	Cash.....		525
22	Utilities Expense.....	72	
	Cash.....		72
24	Cash .....	1,500	
	Notes Payable .....		1,500
27	Repairs Expense.....	220	
	Cash.....		220
28	Accounts Payable.....	520	
	Cash.....		520
30	Prepaid Insurance .....	1,800	
	Cash.....		1,800

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-9

Trans.	Account Titles	Debit	Credit
1.	Cash .....	24,000	
	Common Stock .....		24,000
2.	Cash .....	7,000	
	Notes Payable .....		7,000
3.	Equipment .....	11,000	
	Cash .....		11,000
4.	Rent Expense .....	1,200	
	Cash .....		1,200
5.	Supplies .....	1,450	
	Cash .....		1,450
6.	Advertising Expense .....	600	
	Accounts Payable .....		600
7.	Cash .....	2,000	
	Accounts Receivable .....	16,000	
	Service Revenue .....		18,000
8.	Dividends .....	400	
	Cash .....		400
9.	Utilities Expense .....	2,000	
	Cash .....		2,000
10.	Accounts Payable .....	600	
	Cash .....		600
11.	Interest Expense .....	40	
	Cash .....		40
12.	Salaries and Wages Expense .....	6,400	
	Cash .....		6,400
13.	Cash .....	12,000	
	Accounts Receivable .....		12,000

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**EXERCISE 2-10**

1. **False.** The general ledger contains all the asset, liability, *and stockholders' equity* accounts.
2. **True.**
3. **False.** The accounts in the general ledger are arranged in *financial statement order*: first the assets, then the liabilities, common stock, retained earnings, dividends, revenues, and expenses.
4. **True.**
5. **False.** The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

LO 3 BT: C Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**EXERCISE 2-11**

(a)

Cash			
Aug. 1	6,000	Aug. 12	800
10	2,700		
31	880		
Bal.	8,780		

Notes Payable		
	Aug. 12	4,200

Common Stock		
	Aug. 1	6,000

Accounts Receivable			
Aug. 25	1,600	Aug. 31	880
Bal.	720		

Service Revenue		
	Aug. 10	2,700
	25	1,600
	Bal.	4,300

Equipment	
Aug. 12	5,000

(b)

**KATI TILLMAN, INVESTMENT BROKER**

**Trial Balance  
August 31, 2020**

	Debit	Credit
Cash.....	\$ 8,780	
Accounts Receivable.....	720	
Equipment.....	5,000	
Notes Payable.....		\$ 4,200
Common Stock.....		6,000

<b>Service Revenue .....</b>		<b>4,300</b>
	<b><u>\$14,500</u></b>	<b><u>\$14,500</u></b>

LO 3, 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting



## EXERCISE 2-12

(a)

<b>General Journal</b>				
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
Apr. 1	Cash .....		10,000	
	Common Stock.....			10,000
	(Issued common stock for cash)			
12	Cash .....		900	
	Service Revenue .....			900
	(Received cash for services provided)			
15	Salaries and Wages Expense .....		720	
	Cash .....			720
	(Paid salaries to date)			
25	Accounts Payable.....		1,500	
	Cash .....			1,500
	(Paid creditors on account)			
29	Cash .....		400	
	Accounts Receivable .....			400
	(Received cash in payment of account)			
30	Cash .....		1,000	
	Unearned Service Revenue .....			1,000
	(Received cash for future services)			

**EXERCISE 2-12 (Continued)**

**(b) SANTANA LANDSCAPING COMPANY  
Trial Balance  
April 30, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$10,080	
Accounts Receivable.....	2,800	
Supplies.....	1,800	
Accounts Payable.....		\$ 300
Unearned Service Revenue.....		1,000
Common Stock.....		10,000
Service Revenue.....		4,100
Salaries and Wages Expense.....	720	
	<u>\$15,400</u>	<u>\$15,400</u>

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**EXERCISE 2-13**

<b>(a) Oct. 1</b>	<b>Cash.....</b>	<b>5,000</b>	
	<b>Common Stock.....</b>		<b>5,000</b>
	<b>(Issued common stock for cash)</b>		
<b>10</b>	<b>Cash.....</b>	<b>730</b>	
	<b>Service Revenue.....</b>		<b>730</b>
	<b>(Received cash for services provided)</b>		
<b>10</b>	<b>Cash.....</b>	<b>3,000</b>	
	<b>Notes Payable.....</b>		<b>3,000</b>
	<b>(Obtained loan from bank)</b>		
<b>20</b>	<b>Cash.....</b>	<b>500</b>	
	<b>Accounts Receivable.....</b>		<b>500</b>
	<b>(Received cash in payment of account)</b>		
<b>20</b>	<b>Accounts Receivable.....</b>	<b>910</b>	
	<b>Service Revenue.....</b>		<b>910</b>
	<b>(Billed clients for services provided)</b>		

**EXERCISE 2-13 (Continued)**

(b)

**HIGGS CO.  
Trial Balance  
October 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 8,250	
Accounts Receivable.....	1,210	
Supplies .....	400	
Equipment .....	2,000	
Notes Payable .....		\$ 3,000
Accounts Payable.....		500
Common Stock .....		7,000
Dividends .....	300	
Service Revenue.....		2,440
Salaries and Wages Expense .....	500	
Rent Expense .....	280	
	<b>\$12,940</b>	<b>\$12,940</b>

(Tot. credits = Notes pay. + Accts. pay. + Com. stk. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**EXERCISE 2-14**

(a)

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash.....	101	10,000	
	Common Stock.....	311		10,000
5	Equipment .....	157	12,000	
	Cash .....	101		4,000
	Accounts Payable .....	201		8,000
25	Accounts Payable .....	201	2,400	
	Cash .....	101		2,400
30	Dividends .....	332	500	
	Cash .....	101		500

**EXERCISE 2-14 (Continued)****(b)**

<b>Cash</b>					<b>No. 101</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 1</b>		<b>J1</b>	<b>10,000</b>		<b>10,000</b>
5		J1		4,000	6,000
25		J1		2,400	3,600
30		J1		500	3,100

<b>Equipment</b>					<b>No. 157</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 5</b>		<b>J1</b>	<b>12,000</b>		<b>12,000</b>

<b>Accounts Payable</b>					<b>No. 201</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 5</b>		<b>J1</b>		<b>8,000</b>	<b>8,000</b>
25		J1	2,400		5,600

<b>Common Stock</b>					<b>No. 311</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 1</b>		<b>J1</b>		<b>10,000</b>	<b>10,000</b>

<b>Dividends</b>					<b>No. 332</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 30</b>		<b>J1</b>	<b>500</b>		<b>500</b>

LO 2, 3 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-15

<u>Error</u>	<u>(a) In Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Column</u>
1.	No	\$450	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	300	Credit
5.	Yes	—	—
6.	No	27	Debit

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

## EXERCISE 2-16

### TIME IS MONEY DELIVERY SERVICE Trial Balance July 31, 2020

	<u>Debit</u>	<u>Credit</u>
<b>Cash (\$90,907 – Debit total without Cash \$69,340).....</b>	<b>\$21,567</b>	
<b>Accounts Receivable .....</b>	<b>10,642</b>	
<b>Prepaid Insurance .....</b>	<b>1,968</b>	
<b>Equipment.....</b>	<b>49,360</b>	
<b>Notes Payable.....</b>		<b>\$26,450</b>
<b>Accounts Payable .....</b>		<b>8,396</b>
<b>Salaries and Wages Payable .....</b>		<b>815</b>
<b>Common Stock.....</b>		<b>40,000</b>
<b>Retained Earnings.....</b>		<b>4,636</b>
<b>Dividends .....</b>	<b>700</b>	
<b>Service Revenue .....</b>		<b>10,610</b>
<b>Salaries and Wages Expense .....</b>	<b>4,428</b>	
<b>Maintenance and Repairs Expense.....</b>	<b>961</b>	
<b>Gasoline Expense .....</b>	<b>758</b>	
<b>Utilities Expense .....</b>	<b>523</b>	
	<b><u>\$90,907</u></b>	<b><u>\$90,907</u></b>

LO 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**EXERCISE 2-17****(a)**

<b>Date</b>	<b>Account Titles</b>	<b>Debit</b>	<b>Credit</b>
<b>Oct. 1</b>	<b>Cash.....</b>	<b>66,000</b>	
	<b>    Common Stock.....</b>		<b>66,000</b>
<b>2</b>	<b>No entry</b>		
<b>4</b>	<b>Rent Expense .....</b>	<b>2,000</b>	
	<b>    Cash .....</b>		<b>2,000</b>
<b>7</b>	<b>Equipment .....</b>	<b>18,000</b>	
	<b>    Cash .....</b>		<b>4,000</b>
	<b>    Accounts Payable .....</b>		<b>14,000</b>
<b>8</b>	<b>Advertising Expense .....</b>	<b>500</b>	
	<b>    Cash .....</b>		<b>500</b>
<b>10</b>	<b>Maintenance and Repairs Expense .....</b>	<b>390</b>	
	<b>    Accounts Payable .....</b>		<b>390</b>
<b>12</b>	<b>Accounts Receivable.....</b>	<b>3,200</b>	
	<b>    Service Revenue .....</b>		<b>3,200</b>
<b>16</b>	<b>Supplies.....</b>	<b>410</b>	
	<b>    Accounts Payable .....</b>		<b>410</b>
<b>21</b>	<b>Accounts Payable.....</b>	<b>14,000</b>	
	<b>    Cash .....</b>		<b>14,000</b>
<b>24</b>	<b>Utilities Expense .....</b>	<b>148</b>	
	<b>    Cash .....</b>		<b>148</b>
<b>27</b>	<b>Cash.....</b>	<b>3,200</b>	
	<b>    Accounts Receivable .....</b>		<b>3,200</b>
<b>31</b>	<b>Salaries and Wages Expense.....</b>	<b>5,100</b>	
	<b>    Cash .....</b>		<b>5,100</b>

## EXERCISE 2-17 (Continued)

(b)

Cash			
10/1	66,000	10/4	2,000
10/27	3,200	10/7	4,000
		10/8	500
		10/21	14,000
		10/24	148
		10/31	5,100
Bal.	43,452		

Accounts Receivable			
10/12	3,200	10/27	3,200

Supplies		
10/16	410	
Bal.	410	

Equipment		
10/7	18,000	
Bal.	18,000	

Accounts Payable			
10/21	14,000	10/7	14,000
		10/10	390
		10/16	410
		Bal.	800

Common Stock		
	10/1	66,000
	Bal.	66,000

Service Revenue		
	10/12	3,200
	Bal.	3,200

Advertising Expense		
10/8	500	
Bal.	500	

Salaries and Wages Expense		
10/31	5,100	
Bal.	5,100	

Maintenance & Repairs Expense		
10/10	390	
Bal.	390	

Rent Expense		
10/4	2,000	
Bal.	2,000	

Utilities Expense		
10/24	148	
Bal.	148	

**EXERCISE 2-17 (Continued)****(c) BEYERS CORPORATION  
Trial Balance  
October 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$43,452	
Supplies .....	410	
Equipment .....	18,000	
Accounts Payable .....		\$ 800
Common Stock.....		66,000
Service Revenue .....		3,200
Advertising Expense.....	500	
Salaries and Wages Expense.....	5,100	
Maintenance and Repairs Expense .....	390	
Rent Expense .....	2,000	
Utilities Expense .....	148	
	<u>\$70,000</u>	<u>\$70,000</u>

(Tot. credits = Accts. pay. + Com. stk. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Hard TOT: 20 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting



# SOLUTIONS TO PROBLEMS

<b>PROBLEM 2-1A</b>
---------------------

Date	Account Titles and Explanation	Ref.	Debit	J1 Credit
Apr. 1	Cash .....		50,000	
	Common Stock .....			50,000
	(Issued common stock for cash)			
4	Land .....		34,000	
	Cash .....			34,000
	(Purchased land for cash)			
8	Advertising Expense .....		1,800	
	Accounts Payable .....			1,800
	(Incurred advertising expense on account)			
11	Salaries and Wages Expense .....		1,500	
	Cash .....			1,500
	(Paid salaries)			
12	No entry—Not a transaction.			
13	Prepaid Insurance .....		2,400	
	Cash .....			2,400
	(Paid for one-year insurance policy)			
17	Dividends .....		1,400	
	Cash .....			1,400
	(Declared and paid cash dividends)			
20	Cash .....		5,700	
	Service Revenue.....			5,700
	(Received cash for services provided)			

**PROBLEM 2-1A (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 25</b>	<b>Cash .....</b>		<b>3,000</b>	
	<b>    Unearned Service Revenue .....</b>			<b>3,000</b>
	<b>    (Received cash for future services)</b>			
<b>30</b>	<b>Cash .....</b>		<b>8,900</b>	
	<b>    Service Revenue .....</b>			<b>8,900</b>
	<b>    (Received cash for services provided)</b>			
<b>30</b>	<b>Accounts Payable.....</b>		<b>840</b>	
	<b>    Cash .....</b>			<b>840</b>
	<b>    (Paid creditor on account)</b>			

LO 2 BT: AP Difficulty: Easy TOT: 25 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

<b>PROBLEM 2-2A</b>
---------------------

(a)

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
May 1	Cash .....	101	20,000	
	Common Stock.....	311		20,000
	(Issued common stock for cash)			
2	No entry—not a transaction.			
3	Supplies .....	126	1,500	
	Accounts Payable .....	201		1,500
	(Purchased supplies on account)			
7	Rent Expense .....	729	900	
	Cash .....	101		900
	(Paid office rent)			
11	Accounts Receivable .....	112	2,800	
	Service Revenue.....	400		2,800
	(Billed client for services provided)			
12	Cash .....	101	3,500	
	Unearned Service Revenue .....	209		3,500
	(Received cash for future services)			
17	Cash .....	101	1,200	
	Service Revenue.....	400		1,200
	(Received cash for services provided)			
31	Salaries and Wages Expense .....	726	2,000	
	Cash .....	101		2,000
	(Paid salaries)			

**PROBLEM 2-2A (Continued)**

Date	Account Titles and Explanation	Ref.	Debit	Credit
May 31	Accounts Payable (\$1,500 X 40%).....	201	600	
	Cash .....	101		600
	(Paid creditor on account)			

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		600	21,200

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1	2,800		2,800

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1	1,500		1,500

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1		1,500	1,500
31		J1	600		900

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1		3,500	3,500

**PROBLEM 2-2A (Continued)**

<b>Common Stock</b>					<b>No. 311</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 1		J1		20,000	20,000

<b>Service Revenue</b>					<b>No. 400</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 11		J1		2,800	2,800
17		J1		1,200	4,000

<b>Salaries and Wages Expense</b>					<b>No. 726</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 31		J1	2,000		2,000

<b>Rent Expense</b>					<b>No. 729</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 7		J1	900		900

(c) **JULIA DUMARS, INC.**  
**Trial Balance**  
**May 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$21,200	
Accounts Receivable.....	2,800	
Supplies .....	1,500	
Accounts Payable.....		\$ 900
Unearned Service Revenue.....		3,500
Common Stock .....		20,000
Service Revenue .....		4,000
Salaries and Wages Expense .....	2,000	
Rent Expense .....	900	
	<u>\$28,400</u>	<u>\$28,400</u>

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO2,3,4 BT: AP Difficulty: Easy TOT: 35 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

<b>PROBLEM 2-3A</b>
---------------------

(a) & (c)

**Cash**

<b>Bal.</b>	<b>8,000</b>				
		<b>(1)</b>	<b>1,000</b>		
		<b>(3)</b>	<b>1,700</b>		
<b>(4)</b>	<b>13,000</b>				
		<b>(5)</b>	<b>14,400</b>		
<b>(6)</b>	<b>5,000</b>				
		<b>(7)</b>	<b>3,000</b>		
		<b>(8)</b>	<b>1,600</b>		
<b>Bal.</b>	<b>4,300</b>				

**Accounts Receivable**

<b>Balance</b>	<b>15,000</b>				
		<b>(4)</b>	<b>13,000</b>		
<b>(6)</b>	<b>9,000</b>				
<b>Bal.</b>	<b>11,000</b>				

**Supplies**

<b>Bal.</b>	<b>11,000</b>				
<b>(2)</b>	<b>3,600</b>				
<b>Bal.</b>	<b>14,600</b>				

**Prepaid Rent**

<b>Bal.</b>	<b>3,000</b>				
<b>Bal.</b>	<b>3,000</b>				

**Equipment**

<b>Bal.</b>	<b>21,000</b>				
	<b>21,000</b>				

**Accounts Payable**

		<b>Bal.</b>	<b>17,000</b>		
		<b>(2)</b>	<b>3,600</b>		
<b>(5)</b>	<b>14,400</b>				
		<b>Bal.</b>	<b>6,200</b>		

## PROBLEM 2-3A (Continued)

### Common Stock

	Bal.	30,000
		30,000

### Retained Earnings

	Bal.	11,000
	Bal.	11,000

### Dividends

(8)	1,600	
	1,600	

### Service Revenue

	(6)	14,000
	Bal.	14,000

### Advertising Expense

(1)	1,000	
	1,000	

### Miscellaneous Expense

(3)	1,700	
Bal.	1,700	

### Salaries and Wages Expense

(7)	3,000	
Bal.	3,000	

**PROBLEM 2-3A (Continued)****(b)**

<b>Trans.</b>	<b>Account Titles and Explanation</b>	<b>Debit</b>	<b>Credit</b>
1.	Advertising Expense .....	1,000	
	Cash .....		1,000
2.	Supplies .....	3,600	
	Accounts Payable .....		3,600
3.	Miscellaneous Expense .....	1,700	
	Cash .....		1,700
4.	Cash .....	13,000	
	Accounts Receivable .....		13,000
5.	Accounts Payable .....	14,400	
	Cash .....		14,400
6.	Cash .....	5,000	
	Accounts Receivable .....	9,000	
	Service Revenue.....		14,000
7.	Salaries and Wages Expense .....	3,000	
	Cash .....		3,000
8.	Dividends .....	1,600	
	Cash .....		1,600



**PROBLEM 2-3A (Continued)**

(d)

**TABLETTE REPAIR SERVICE, INC.**  
**Trial Balance**  
**January 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 4,300	
Accounts Receivable.....	11,000	
Supplies .....	14,600	
Prepaid Rent .....	3,000	
Equipment.....	21,000	
Accounts Payable.....		\$ 6,200
Common Stock .....		30,000
Retained Earnings .....		11,000
Dividends .....	1,600	
Service Revenue.....		14,000
Advertising Expense .....	1,000	
Miscellaneous Expense.....	1,700	
Salaries and Wages Expense .....	3,000	
	<u>\$61,200</u>	<u>\$61,200</u>

(Tot. credits = Accts. pay. + Com. stk. + Ret. earn. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**PROBLEM 2-4A**

**DOMINIC COMPANY**  
**Trial Balance**  
**May 31, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash (\$3,850 + \$520 – \$405) .....	\$ 3,965	
Accounts Receivable (\$2,570 – \$420) .....	2,150	
Prepaid Insurance (\$700 + \$100) .....	800	
Supplies (\$0 + \$520) .....	520	
Equipment (\$12,000 – \$520).....	11,480	
Accounts Payable (\$4,500 – \$100 + \$520 – \$420).....		\$ 4,500
Unearned Service Revenue .....		560
Common Stock (\$11,700 + \$1,000) .....		12,700
Dividends (\$0 + \$1,000) .....	1,000	
Service Revenue.....		8,960
Salaries and Wages Expense (\$4,200 + \$200) .....	4,400	
Advertising Expense (\$1,100 + \$405) .....	1,505	
Utilities Expense (\$800 + \$100).....	900	
	<u>\$26,720</u>	<u>\$26,720</u>

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

(Tot. credits = \$4,500 + \$560 + \$12,700 + \$8,960)

LO 4 BT: AN Difficulty: Moderate TOT: 35 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

<b>PROBLEM 2-5A</b>
---------------------

(a) & (c)

<b>Cash</b>					<b>No. 101</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			6,000
2		J1		800	5,200
9		J1	1,800		7,000
10		J1		3,000	4,000
12		J1		320	3,680
25		J1	5,200		8,880
29		J1		1,600	7,280
30		J1	90		7,370
30		J1		1,000	6,370

<b>Accounts Receivable</b>					<b>No. 112</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	90		90

<b>Prepaid Rent</b>					<b>No. 136</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	1,000		1,000

<b>Land</b>					<b>No. 140</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			12,000

<b>Buildings</b>					<b>No. 145</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			8,000

**PROBLEM 2-5A (Continued)****Equipment** **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			6,000

**Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			2,000
10		J1	1,000		1,000
20		J1		950	1,950

**Mortgage Payable** **No. 275**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			10,000
10		J1	2,000		8,000

**Common Stock** **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			20,000

**Service Revenue** **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 9		J1		1,800	1,800
25		J1		5,200	7,000

**Rent Revenue** **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1		180	180

**PROBLEM 2-5A (Continued)**

**Advertising Expense** No. 610

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 12		J1	320		320

**Salaries and Wages Expense** No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 29		J1	1,600		1,600

**Rent Expense** No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	800		800
20		J1	950		1,750

(b)

					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
Apr. 2	Rent Expense.....	729	800		
	Cash.....	101		800	
	(Paid film rental)				
3	No entry—not a transaction.				
9	Cash .....	101	1,800		
	Service Revenue.....	400		1,800	
	(Received cash for services provided)				
10	Mortgage Payable.....	275	2,000		
	Accounts Payable.....	201	1,000		
	Cash.....	101		3,000	
	(Made payments on mortgage and accounts payable)				

**PROBLEM 2-5A (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 11</b>	<b>No entry—not a transaction.</b>			
<b>12</b>	<b>Advertising Expense .....</b>	<b>610</b>	<b>320</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>320</b>
	<b>    (Paid advertising expenses)</b>			
<b>20</b>	<b>Rent Expense.....</b>	<b>729</b>	<b>950</b>	
	<b>    Accounts Payable.....</b>	<b>201</b>		<b>950</b>
	<b>    (Rented film on account)</b>			
<b>25</b>	<b>Cash .....</b>	<b>101</b>	<b>5,200</b>	
	<b>    Service Revenue.....</b>	<b>400</b>		<b>5,200</b>
	<b>    (Received cash for services provided)</b>			
<b>29</b>	<b>Salaries and Wages Expense .....</b>	<b>726</b>	<b>1,600</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>1,600</b>
	<b>    (Paid salaries expense)</b>			
<b>30</b>	<b>Cash .....</b>	<b>101</b>	<b>90</b>	
	<b>    Accounts Receivable .....</b>	<b>112</b>	<b>90</b>	
	<b>    Rent Revenue .....</b>	<b>429</b>		<b>180</b>
	<b>    (18% X \$1,000)</b>			
	<b>    (Received cash and balance on account for concession revenue)</b>			
<b>30</b>	<b>Prepaid Rent .....</b>	<b>136</b>	<b>1,000</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>1,000</b>
	<b>    (Paid cash for future film rentals)</b>			

**PROBLEM 2-5A (Continued)**

(d)

**PALACE THEATER  
Trial Balance  
April 30, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,370	
Accounts Receivable.....	90	
Prepaid Rent .....	1,000	
Land.....	12,000	
Buildings .....	8,000	
Equipment.....	6,000	
Accounts Payable.....		\$ 1,950
Mortgage Payable .....		8,000
Common Stock .....		20,000
Service Revenue.....		7,000
Rent Revenue.....		180
Advertising Expense .....	320	
Salaries and Wages Expense .....	1,600	
Rent Expense.....	1,750	
	<u>\$37,130</u>	<u>\$37,130</u>

(Tot. credits = Accts. pay. + Mortg. Pay. + Com. stk. + Serv. rev. + Rent rev.)

LO 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

(a)	(1) Increase Side	(1) Decrease Side	(2) Normal Balance
<u>Account</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Property, Plant, and Equipment	Debit	Credit	Debit
Cash and Cash Equivalents	Debit	Credit	Debit
Research and Development Expense	Debit	Credit	Debit
Inventories	Debit	Credit	Debit

- (b) 1. Cash is increased.  
 2. Cash is decreased.  
 3. Cash is decreased or Accounts Payable is increased.

- (c) 1. Cash is decreased or Accounts Payable is increased.  
 2. Cash is decreased or Notes or Mortgage Payable is increased.

LO 1 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting



	<u>PepsiCo</u>		<u>Coca-Cola</u>	
(a)	1. Inventory:	debit	1. Accounts Receivable:	debit
	2. Property, Plant & Equipment:	debit	2. Cash and Cash Equivalents:	debit
	3. Accounts Payable:	credit	3. Cost of Goods Sold(expense):	debit
	4. Interest Expense:	debit	4. Sales (revenue)	credit

(b)

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
3. Increase in Property, Plant and Equipment: Cash is decreased (credited) or Accounts Payable or Notes payable is increased (credited).
4. Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

	<u>Amazon</u>		<u>Wal-Mart</u>	
(a)	1. Interest Expense:	debit	1. Product Revenues:	credit
	2. Cash and Cash Equivalents:	debit	2. Inventories:	debit
	3. Accounts Payable:	credit	3. Cost of Sales:	debit

(b) The following other accounts are ordinarily involved:

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).
3. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
4. Increase in Service Revenue: Cash or Accounts Receivable is increased (debited).

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

**The answer is dependent upon the company selected by the student.**

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA PC: Communication IMA: Information Management

- (a) The reason the Green Bay Packers' issue an annual report is because they are a publicly owned, nonprofit company. It issues the report to more than 100,000 shareholders who hold shares. None of the other teams are publicly owned, so they have no obligation to make their financial information available except to their small group of owners.
- (b) At the time that the article was written the owners of the NFL teams and the players' labor union were negotiating a new contract. Knowing how profitable the NFL teams are would be useful information for the players to know so that they would have a better sense of how much the teams could afford to pay. The Packers is obviously a "small market" team; it is not necessarily representative of teams in general. However, the Packers' annual report does give the players some sense of the profitability of other teams.
- (c) Since some of the cost of the stadium that the Packers play in is covered by taxpayers, the county and state government has an interest in the team's finances.
- (d) The Packers' revenues increased during recent years. However, because the cost of players' salaries increased at a faster rate than revenues, the Packers' operating profit actually declined.

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA PC: Communication

IMA: Information Management

(a) May 1	Correct.		
5	Correct.		
7	Cash .....	300	
	Unearned Service Revenue .....		300
14	Equipment.....	800	
	Cash .....		800
15	Dividends .....	400	
	Cash .....		400
20	Cash .....	184	
	Service Revenue.....		184
30	Correct.		
31	Supplies .....	1,700	
	Accounts Payable.....		1,700

(b) The errors in the entries of May 14 and 20 would prevent the trial balance from balancing.

(c) Net income as reported .....		\$4,500
Add: 5/15, Salaries expense (Dividends paid) .....		<u>400</u>
		4,900
Less: 5/7, Boarding revenue unearned .....		<u>300</u>
Correct net income .....		<u>\$4,600</u>
(d) Cash as reported .....		\$12,475
Add: 5/20, Transposition error .....	\$ 36	
5/31, Purchase on account.....	<u>1,700</u>	<u>1,736</u>
		<u>\$14,211</u>

LO 2, 4 BT: AN Difficulty: Hard TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

**Date:** May 25, 2020

**To:** Accounting Instructor

**From:** Student

In the first transaction, bills totaling \$6,000 were sent to customers for services performed. Therefore, the asset Accounts Receivable is increased \$6,000 and the revenue Service Revenue is increased \$6,000. Debits increase assets and credits increase revenues, so the journal entry is:

Accounts Receivable .....	6,000	
Service Revenue .....		6,000
(Billed customers for services performed)		

The \$6,000 amount is then posted to the debit side of the general ledger account Accounts Receivable and to the credit side of the general ledger account Service Revenue.

In the second transaction, \$2,000 was paid in salaries to employees. Therefore, the expense Salaries and Wages Expense is increased \$2,000 and the asset Cash is decreased \$2,000. Debits increase expenses and credits decrease assets, so the journal entry is:

Salaries and Wages Expense .....	2,000	
Cash .....		2,000
(Salaries and wages paid)		

The \$2,000 amount is then posted to the debit side of the general ledger account Salaries and Wages Expense and to the credit side of the general ledger account Cash.

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic, Communication AICPA FC: Reporting AICPA PC: Communication IMA: Reporting

**(a) The stakeholders in this situation are:**

- ▶ Meredith Ward, assistant chief accountant.
- ▶ Users of the company's financial statements.
- ▶ The Frazier Company.

**(b) By adding \$1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by \$1,000. If the amount of \$1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Meredith's action might not be considered unethical in the preparation of interim financial statements. However, if Meredith is violating a company accounting policy by her action, then she is acting unethically.**

**(c) Meredith's alternatives are:**

- 1. Miss the deadline but find the error causing the imbalance.**
- 2. Tell her supervisor of the imbalance and suffer the consequences.**
- 3. Do as she did and locate the error later, making the adjustment in the next quarter.**

LO 4 BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Professional Demeanor IMA: Business Applications

The decision whether to fire Mr. Edmondson was the responsibility of Radio Shack's board of directors, which is elected by the company's shareholders to oversee management. The board initially announced its support for the CEO. After further investigation, the board encouraged Mr. Edmondson to resign, which he did. In contrast, when Bausch & Lomb's CEO offered to resign in a similar situation, the company's board refused to accept his resignation. Board members stated that they felt he was still the best person for the position.

Radio Shack says that although it did a reference check at the time of Mr. Edmondson's hiring, it did not check his educational credentials. Under the Sarbanes-Oxley Act, companies must now perform thorough background checks as part of a check of internal controls. The bottom line: your résumé must be a fair and accurate depiction of your past.

LO A/N BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Professional Demeanor IMA: Business Applications



- (a) Students' responses to this question will vary. It is important that the steps that they identify be as specific as possible, and clearly directed toward achieving their goal. You may wish to ask a follow-up question asking them to explain how each step will assist them in achieving their goal.
- (b) There are many sites on the Internet that provide information about preparing a résumé. For example, you can find extensive resources at: <http://www.rileyguide.com/resprep.html>. Many schools also have resources in their placement centers or writing labs. The Writing Center at Rensselaer Polytechnic Institute provides useful, concise information on its website at <http://www.ccp.rpi.edu/resources/careers-and-graduate-school/resumes>. A wide variety of sample résumés can be found. For example, Monster.com provides samples for a wide variety of professions and situations at <http://www.career-advice.monster.com/resumes-cover-letters/resume-samples/jobs.aspx>.
- (c) It is important to provide accurate and complete documentation of all relevant training, education, and employment experiences so as to provide assurance to the potential employer, and also to enable that employer to do follow-up work. If you say you have certain skills, such as computer skills, try to substantiate the claim with recognized proof of proficiency. Make sure that all addresses and phone numbers are accurate and up-to-date. Also, ensure that the people you use as references have a copy of your résumé and cover letter, and that they are informed that you are interviewing so they know to expect a call.
- (d) See the sample résumés provided in the websites above for various format options. You might also mention to students that there are **electronic résumé templates available on the Internet.**

LO N/A BT: E Difficulty: Moderate TOT: 45 min. AACSB: Communication, Reflective Thinking AICPA PC: Communication IMA: Information Management

- (a) The existence of three different forms of certification would most likely create confusion for coffee purchasers. It would be difficult to know what aspects of the coffee growing process each certification covered. Similarly, if there were multiple groups that certified financial statements, each with different criteria, it would be difficult for financial statement users to know what each certification promised.
- (b) The Starbucks certification appears to be the most common in that area. It has the advantage of having a direct link to the Starbucks coffee market. Although it does not guarantee that Starbucks will buy its coffee, it is a requirement that must be met before Starbucks will buy somebody's coffee. Note that the article states that the Starbucks certification "Incorporates elements of social responsibility and environmental leadership, but quality of coffee is the first criteria." The Smithsonian Bird Friendly is considered to have the strictest requirements and, as a result, appears to be the least common.
- (c) The certifications have multiple objectives including organic farming as a means to protect bird species, biodiversity and wildlife habitat. Some included requirements are to improve workers' living conditions, such as providing running water in worker housing, child labor regulations and education requirements. As mentioned above, the Starbucks certification has the potential financial benefit of making Starbucks a potential customer, which can stabilize farmers' earnings. Certifications can also be financially beneficial because companies can benefit from the positive relations effects of either producing or buying coffee produced using sustainable practices.

LO N/A BT: S Difficulty: Moderate TOT: 40 min. AACSB: Communication, Technology AICPA PC: Communication  
IMA: Information Management

**IFRS 2-1 INTERNATIONAL FINANCIAL REPORTING PROBLEM**

<b>Account</b>	<b>Financial Statement</b>	<b>Position in Financial Statement</b>
<b>(a) Other operating income and expenses</b>	<b>Consolidated Income statement</b>	<b>After gross margin and before operating profit</b>
<b>(b) Cash and cash equivalents</b>	<b>Consolidated Balance Sheet</b>	<b>Current assets</b>
<b>(c) Trade accounts payable</b>	<b>Consolidated Balance Sheet</b>	<b>Current liabilities</b>
<b>(d) Cost of net financial debt</b>	<b>Consolidated Income Statement</b>	<b>After Operating profit and before net profit before minority interests.</b>

LO N/A BT: AN Difficulty: Easy TOT: 15 min. AACSB: Analytic, Diversity AICPA FC: Reporting AICPA BB: International/Global IMA: Reporting