

## CHAPTER 2

### LEARNING OBJECTIVES

- 1. DESCRIBE HOW ACCOUNTS, DEBITS, AND CREDITS ARE USED TO RECORD BUSINESS TRANSACTIONS.**
- 2. INDICATE HOW A JOURNAL IS USED IN THE RECORDING PROCESS.**
- 3. EXPLAIN HOW A LEDGER AND POSTING HELP IN THE RECORDING PROCESS.**
- 4. PREPARE A TRIAL BALANCE.**

## CHAPTER REVIEW

### The Account

1. (L.O. 1) An **account** is an individual accounting record of increases and decreases in a specific asset, liability, or owner's equity item.
2. In its simplest form, an account consists of (a) the title of the account, (b) a left or debit side, and (c) a right or credit side. The alignment of these parts resembles the letter T, and therefore the account form is called a **T-account**.

### Debits and Credits

3. The terms **debit** and **credit** mean left and right, respectively.
  - a. The act of entering an amount on the left side of an account is called **debiting** the account and making an entry on the right side is **crediting** the account.
  - b. When the debit amounts exceed the credits, an account has a **debit balance**; when the reverse is true, the account has a **credit balance**.
4. In a **double-entry** system, equal debits and credits are made in the accounts for each transaction. Thus, the total debits will always equal the total credits.
5. The effects of debits and credits on **assets** and **liabilities** and the normal balances are:

<u>Accounts</u>	<u>Debits</u>	<u>Credits</u>	<u>Normal Balance</u>
Assets	Increase	Decrease	Debit
Liabilities	Decrease	Increase	Credit

6. Accounts are kept for each of the four subdivisions of owner's equity: capital, drawings, revenues, and expenses.
7. The effects of debits and credits on the owner's equity accounts and the normal balances are:

<u>Accounts</u>	<u>Debits</u>	<u>Credits</u>	<u>Normal Balance</u>
Owner's Capital	Decrease	Increase	Credit
Owner's Drawings	Increase	Decrease	Debit
Revenues	Decrease	Increase	Credit
Expenses	Increase	Decrease	Debit

8. The expanded accounting equation is:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Capital} - \text{Owner's Drawings} + \text{Revenues} - \text{Expenses}$$

### The Journal

9. (L.O. 2) The basic steps in the recording process are:
  - a. Analyze each transaction for its effect on the accounts.
  - b. Enter the transaction information in a journal.
  - c. Transfer the journal information to the appropriate accounts in the ledger.

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10. Transactions are initially recorded in a journal.
  - a. A journal is referred to as a book of original entry.
  - b. A **general journal** is the most basic form of journal.
11. The journal makes several significant contributions to the recording process:
  - a. It discloses in one place the complete effect of a transaction.
  - b. It provides a chronological record of transactions.
  - c. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.
12. Entering transaction data in the journal is known as **journalizing**. When three or more accounts are required in one journal entry, the entry is known as a **compound entry**.

### The Ledger

13. (L.O. 3) The ledger is the entire group of accounts maintained by a company. It keeps in one place all the information about changes in account balances and it is a source of useful data for management.
14. The **standard form of a ledger account** has three columns and the balance in the account is determined after each transaction.
15. **Posting** is the procedure of transferring journal entries to the ledger accounts. The following steps are used in posting:
  - a. In the ledger, enter in the appropriate columns of the account(s) debited the date, journal page, and debit amount.
  - b. In the reference column of the journal, write the account number to which the debit amount was posted.
  - c. Perform the same steps in a. and b. for the credit amount.

### The Chart of Accounts

16. A **chart of accounts** is a listing of the accounts and the account numbers which identify their location in the ledger. The numbering system usually starts with the balance sheet accounts and follows with the income statement accounts.

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17. The basic steps in the recording process are illustrated as follows:

**Transaction** On September 4, Fesmire Inc. pays \$3,000 cash to a creditor in full payment of the balance due.

**Basic analysis** The liability Accounts Payable is decreased \$3,000, and the asset Cash is decreased \$3,000.

**Debit-credit analysis** Debits decrease liabilities: debit Accounts Payable \$3,000.  
Credits decrease assets: credit Cash \$3,000.

<b>Journal entry</b>	Sept. 4	Accounts Payable	201	3,000	
		Cash	101		3,000
		(Paid creditor in full)			
<b>Posting</b>		Cash	101	Accounts Payable	201
		Sept. 4	3,000	Sept. 4	3,000

### The Trial Balance

18. (L.O. 4) A **trial balance** is a list of accounts and their balances at a given time. The trial balance proves the mathematical equality of debits and credits after posting.
19. A trial balance does not prove that the company has recorded all transactions or that the ledger is correct because the trial balance may balance even when
- a transaction is not journalized.
  - a correct journal entry is not posted.
  - a journal entry is posted twice.
  - incorrect accounts are used in journalizing or posting.
  - offsetting errors are made in recording the amount of a transaction.

## LECTURE OUTLINE

### A. The Account.

An account is an individual accounting record of increases and decreases in a specific asset, liability, or owner's equity item.

An account consists of three parts:

1. A title.
2. A left or debit side.
3. A right or credit side.

### B. Debits and Credits.

The terms debit and credit are directional signals: Debit indicates left, and credit indicates right.

1. Assets, drawings, and expenses are increased by debits and decreased by credits.
2. Liabilities, owner's capital, and revenues are increased by credits and decreased by debits.

### C. Steps in the Recording Process.

There are three basic steps in the recording process:

1. Analyze each transaction for its effects on the accounts.
2. Enter the transaction information in a journal.

3. Transfer the journal information to the appropriate accounts in the ledger.

#### **D. The General Journal/Journalizing.**

Entering transaction data in the general journal is called journalizing.

The general journal:

1. Discloses in one place the complete effects of a transaction.
2. Provides a chronological record of transactions.
3. Helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.
4. A simple journal entry involves only two accounts (one debit and one credit) whereas a compound journal entry involves three or more accounts.

#### **E. The Ledger.**

The ledger is the entire group of accounts maintained by a company. A general ledger contains all the assets, liabilities, and owner's equity accounts.

1. The ledger provides the balance in each of the accounts as well as keeps track of changes in these balances.
2. Companies arrange the ledger in the sequence in which they present the accounts in the financial statements, beginning with the balance sheet accounts.

#### **F. Posting/Chart of Accounts.**

1. Posting is transferring journal entries to the ledger accounts.
  2. Posting involves the following steps:
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- a. In the ledger, in the appropriate columns of the account(s) debited, enter the date, journal page, and debit amount shown in the journal.
  - b. In the reference column of the journal, write the account number to which the debit amount was posted.
  - c. In the ledger, in the appropriate columns of the account(s) credited, enter the date, journal page, and credit amount shown in the journal.
  - d. In the reference column of the journal, write the account number to which the credit amount was posted.
3. A chart of accounts lists the accounts and the account numbers that identify their location in the ledger. Accounts are usually numbered starting with the balance sheet accounts followed by income statement accounts.

### **G. Trial Balance.**

A trial balance is a list of accounts and their balances at a given time.

1. It proves the mathematical equity of debits and credits after posting.
2. It may also uncover errors in journalizing and posting.
3. It is useful the preparation of financial statements.

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**INVESTOR INSIGHT**

Bank regulators fined Bank One Corporation (Now Chase) \$1.8 million because they felt the reliability of the bank's accounting system caused it to violate regulatory requirements. The financial records of Waste Management Inc. were in such disarray that 10,000 employees were receiving pay slips that were in error.

In order for these companies to prepare and issue financial statements, their accounting equations must have been in balance at year-end. How could these errors or misstatements have occurred?

**Answer:** A company's accounting equation (its books) can be in balance yet its financial statements have errors or misstatements because of the following: entire transactions were not recorded, transactions were recorded at wrong amounts; transactions were recorded in the wrong accounts; transactions were recorded in the wrong accounting period. Audits of financial statements uncover some, but not all, errors or misstatements.



## IFRS

### A Look At IFRS

International companies use the same set of procedures and records to keep track of transaction data. Thus, the material in Chapter 2 dealing with the account, general rules of debit and credit, and steps in the recording process—the journal, ledger, and chart of accounts—is the same under both GAAP and IFRS.

### KEY POINTS

Following are the key similarities and differences between GAAP and IFRS as related to the recording process:

- Transaction analysis is the same under IFRS and GAAP.
- Both the IASB and FASB go beyond the basic definitions provided in the textbook for the key elements of financial statements, that is, assets, liabilities, equity, revenue, and expenses.
- A trial balance under IFRS follows the same format as shown in the textbook.
- As shown in the textbook, dollar signs are typically used only in the trial balance and the financial statements. The same practice is followed under IFRS, using the currency of the country where the reporting company is headquartered.
- A trial balance under IFRS follows the same format as shown in the textbook.
- IFRS relies less on historical cost and more on fair value than do FASB standards.
- Internal controls are a system of checks and balances designed to prevent and detect fraud and errors. While most public U. S. companies have these systems in place, many non-U.S. companies have never completely documented the controls nor had an independent auditor attest to their effectiveness.

### LOOKING TO THE FUTURE

The basic recording process shown in this textbook is followed by companies across the globe. It is unlikely to change in the future. The definitional structure of assets, liabilities, equity, revenues, and expenses may change over time as the IASB and FASB evaluate their overall conceptual framework for establishing accounting standards.

**20 MINUTE QUIZ**

Circle the correct answer.

**True/False**

1. Assets are increased by debits and liabilities are decreased by credits.  
True      False
2. The owner's capital account is increased by credits.  
True      False
3. An account will have a credit balance if the total debit amounts exceed the total credit amounts.  
True      False
4. The ledger is the entire group of accounts maintained by a company.  
True      False
5. The basic steps in the recording process are (1) to analyze each transaction, (2) to enter the transaction in a journal, and (3) to transfer the journal entry to the appropriate ledger accounts.  
True      False
6. Transferring journal entries to the ledger accounts is called posting and should be performed in chronological order.  
True      False
7.  $\text{Assets} = \text{liabilities} + \text{owner's capital} - \text{drawings} + \text{revenues} - \text{expenses}$  is a correct form of the expanded basic accounting equation.  
True      False
8. In posting, one should enter "J2" in the Post. Ref. Column on page two of the journal.  
True      False
9. When the columns of the trial balance equal each other, it proves no errors occurred in recording and posting.  
True      False
10. The double-entry system helps ensure the accuracy of the recorded amounts and helps to detect errors.  
True      False

**Multiple Choice**

1. Transactions are initially recorded in the
  - a. general ledger.
  - b. general journal.
  - c. trial balance.
  - d. balance sheet.
  
2. The right side of an account is referred to as the
  - a. footing.
  - b. chart side.
  - c. debit side.
  - d. credit side.
  
3. A purchase of equipment for cash requires a credit to
  - a. Equipment.
  - b. Cash.
  - c. Accounts Payable.
  - d. Owner's Capital.
  
4. The equality of the accounting equation can be proven by preparing a
  - a. trial balance.
  - b. journal.
  - c. general ledger.
  - d. T-account.
  
5. Which of the following accounts would be increased with a debit?
  - a. Rent Payable
  - b. Owner's Capital
  - c. Service Revenue
  - d. Owner's Drawings

## ANSWERS TO QUIZ

### True/False

- |          |          |
|----------|----------|
| 1. False | 6. True  |
| 2. True  | 7. True  |
| 3. False | 8. False |
| 4. True  | 9. False |
| 5. True  | 10. True |

### Multiple Choice

1. b.
2. d.
3. b.
4. a.
5. d.

**CHAPTER 2**  
**SOLUTIONS TO PROBLEMS: SET B**

**PROBLEM 2-1B**

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash .....		35,000	
	Owner's Capital .....			35,000
	(Owner's investment of cash in business)			
4	Land .....		27,000	
	Cash .....			27,000
	(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 .....		1,650	
	Cash .....			1,650
	(Paid for one-year insurance policy)			
17	Owner's Drawings .....		1,000	
	Cash .....			1,000
	(Withdrew cash for personal use)			
20	Cash .....		6,800	
	Service Revenue.....			6,800
	(Received cash for services performed)			

**PROBLEM 2-1B (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>2,500</b>	
	<b>    Unearned Service Revenue .....</b>			<b>2,500</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 performed)</b>			
<b>30</b>	<b>Accounts Payable.....</b>		<b>900</b>	
	<b>    Cash .....</b>			<b>900</b>
	<b>    (Paid creditor on account)</b>			

## PROBLEM 2-2B

(a)

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
May 1	Cash .....	101	20,000	
	Owner's Capital .....	301		20,000
	(Owner's investment of cash in business)			
2	No entry—not a transaction.			
3	Supplies .....	126	2,500	
	Accounts Payable .....	201		2,500
	(Purchased supplies on account)			
7	Rent Expense .....	729	900	
	Cash .....	101		900
	(Paid office rent)			
11	Accounts Receivable .....	112	3,200	
	Service Revenue.....	400		3,200
	(Billed client for services performed)			
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 performed)			
31	Salaries and Wages Expense .....	726	2,000	
	Cash .....	101		2,000
	(Paid salaries)			

## PROBLEM 2-2B (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
May 31	Accounts Payable (\$2,500 X 60%) .....	201	1,500	
	Cash .....	101		1,500
	(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		1,500	20,300

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1	3,200		3,200

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1	2,500		2,500

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1		2,500	2,500
31		J1	1,500		1,000

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



**PROBLEM 2-2B (Continued)**

<b>Owner's Capital</b>					<b>No. 301</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		3,200	3,200
17		J1		1,200	4,400

<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)

**IRIS BECK, CPA**  
**Trial Balance**  
**May 31, 2017**

	<u><b>Debit</b></u>	<u><b>Credit</b></u>
Cash.....	\$20,300	
Accounts Receivable.....	3,200	
Supplies .....	2,500	
Accounts Payable.....		\$ 1,000
Unearned Service Revenue.....		3,500
Owner's Capital .....		20,000
Service Revenue .....		4,400
Salaries and Wages Expense .....	2,000	
Rent Expense .....	900	
	<u>\$28,900</u>	<u>\$28,900</u>

<b>PROBLEM 2-3B</b>
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(a) &amp; (c)

<b>Cash</b>	
<b>Balance</b>	<b>8,000</b>
(1)	1,000
(3)	2,000
<b>(4)</b>	<b>14,000</b>
(5)	15,000
<b>6)</b>	<b>6,000</b>
(7)	3,500
(8)	3,000
	<b>3,500</b>

<b>Balance</b>	<b>8,000</b>		
(1)		1,000	
(3)		2,000	
<b>(4)</b>	<b>14,000</b>		
(5)		15,000	
<b>6)</b>	<b>6,000</b>		
(7)		3,500	
(8)		3,000	
	<b>3,500</b>		

<b>Owner's Capital</b>		
	<b>Balance</b>	<b>40,000</b>
		<b>40,000</b>

	<b>Balance</b>	<b>40,000</b>
		<b>40,000</b>

<b>Owner's Drawings</b>		
<b>(8)</b>	<b>3,000</b>	
	<b>3,000</b>	

<b>(8)</b>	<b>3,000</b>	
	<b>3,000</b>	

<b>Accounts Receivable</b>	
<b>Balance</b>	<b>15,000</b>
(4)	14,000
<b>(7)</b>	<b>9,000</b>
	<b>10,000</b>

<b>Balance</b>	<b>15,000</b>		
(4)		14,000	
<b>(7)</b>	<b>9,000</b>		
	<b>10,000</b>		

<b>Service Revenue</b>		
	<b>(7)</b>	<b>15,000</b>
		<b>15,000</b>

	<b>(7)</b>	<b>15,000</b>
		<b>15,000</b>

<b>Supplies</b>	
<b>Balance</b>	<b>13,000</b>
<b>(2)</b>	<b>4,200</b>
	<b>17,200</b>

<b>Balance</b>	<b>13,000</b>		
<b>(2)</b>	<b>4,200</b>		
	<b>17,200</b>		

<b>Advertising Expense</b>		
<b>(1)</b>	<b>1,000</b>	
	<b>1,000</b>	

<b>(1)</b>	<b>1,000</b>	
	<b>1,000</b>	

<b>Prepaid Rent</b>	
<b>Balance</b>	<b>3,000</b>
	<b>3,000</b>

<b>Balance</b>	<b>3,000</b>		
	<b>3,000</b>		

<b>Miscellaneous Expense</b>		
<b>(3)</b>	<b>2,000</b>	
	<b>2,000</b>	

<b>(3)</b>	<b>2,000</b>	
	<b>2,000</b>	

<b>Equipment</b>	
<b>Balance</b>	<b>20,000</b>
	<b>20,000</b>

<b>Balance</b>	<b>20,000</b>		
	<b>20,000</b>		

<b>Salaries and Wages Expense</b>		
<b>(7)</b>	<b>3,500</b>	
	<b>3,500</b>	

<b>(7)</b>	<b>3,500</b>	
	<b>3,500</b>	

<b>Accounts Payable</b>		
	<b>Balance</b>	<b>19,000</b>
(2)		4,200
<b>(5)</b>	<b>15,000</b>	
		<b>8,200</b>

	<b>Balance</b>	<b>19,000</b>
(2)		4,200
<b>(5)</b>	<b>15,000</b>	
		<b>8,200</b>

**PROBLEM 2-3B (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 .....	4,200	
	Accounts Payable .....		4,200
3.	Miscellaneous Expense .....	2,000	
	Cash .....		2,000
4.	Cash .....	14,000	
	Accounts Receivable .....		14,000
5.	Accounts Payable .....	15,000	
	Cash .....		15,000
6.	Cash .....	6,000	
	Accounts Receivable .....	9,000	
	Service Revenue .....		15,000
7.	Salaries and Wages Expense .....	3,500	
	Cash .....		3,500
8.	Owner's Drawings .....	3,000	
	Cash .....		3,000

## PROBLEM 2-3B (Continued)

(d) **VIAN REPAIR SERVICE**  
**Trial Balance**  
**January 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 3,500	
Accounts Receivable.....	10,000	
Supplies.....	17,200	
Prepaid Rent.....	3,000	
Equipment.....	20,000	
Accounts Payable.....		\$ 8,200
Owner's Capital.....		40,000
Owner's Drawings.....	3,000	
Service Revenue.....		15,000
Advertising Expense.....	1,000	
Miscellaneous Expense.....	2,000	
Salaries and Wages Expense.....	3,500	
	<u>\$63,200</u>	<u>\$63,200</u>

<b>PROBLEM 2-4B</b>
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**SEAN DEVINE COMPANY**  
**Trial Balance**  
**May 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash (\$5,850 + \$520 – \$486) .....	\$ 5,884	
Accounts Receivable (\$2,570 – \$210) .....	2,360	
Prepaid Insurance (\$700 + \$100) .....	800	
Supplies (\$0 + \$520) .....	520	
Equipment (\$8,000 – \$520).....	7,480	
Accounts Payable (\$4,500 – \$100 + \$520 – \$210).....		\$ 4,710
Unearned Service Revenue .....		650
Owner's Capital (\$11,700 + \$1,000) .....		12,700
Owner's Drawings (\$0 + \$1,000).....	1,000	
Service Revenue .....		6,960
Salaries and Wages Expense (\$4,200 + \$200) .....	4,400	
Advertising Expense (\$1,100 + \$486).....	1,586	
Utilities Expense (\$890 + \$100) .....	990	
	<u>\$25,020</u>	<u>\$25,020</u>

## PROBLEM 2-5B

(a) &amp; (c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			4,000
2		J1		1,100	2,900
9		J1	2,800		5,700
10		J1		3,000	2,700
12		J1		500	2,200
25		J1	5,200		7,400
29		J1		2,000	5,400
30		J1	85		5,485
30		J1		1,200	4,285

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	85		85

Prepaid Rent					No. 136
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	1,200		1,200

Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			10,000

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

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

<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>	
Apr. 1	Balance	✓			6,000	

<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>	
Apr. 1	Balance	✓			2,000	
10		J1	1,000		1,000	
20		J1		1,000	2,000	

<b>Mortgage Payable</b>						<b>No. 275</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
Apr. 1	Balance	✓			8,000	
10		J1	2,000		6,000	

<b>Owner's Capital</b>						<b>No. 301</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
Apr. 1	Balance	✓			18,000	

<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>	
Apr. 9		J1		2,800	2,800	
25		J1		5,200	8,000	

<b>Rent Revenue</b>						<b>No. 429</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
Apr. 30		J1		170	170	

## PROBLEM 2-5B (Continued)

**Advertising Expense** **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 12		J1	500		500

**Salaries and Wages Expense** **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 29		J1	2,000		2,000

**Rent Expense** **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,100		1,100
20		J1	1,000		2,100

(b)

Date	Account Titles and Explanation	Ref.	Debit	Credit
				J1
Apr. 2	Rent Expense .....	729	1,100	
	Cash .....	101		1,100
	(Paid film rental)			
3	No entry—not a transaction.			
9	Cash .....	101	2,800	
	Service Revenue .....	400		2,800
	(Received cash for services performed)			
10	Mortgage Payable .....	275	2,000	
	Accounts Payable .....	201	1,000	
	Cash .....	101		3,000
	(Made payments on mortgage and accounts payable)			



**PROBLEM 2-5B (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>500</b>	
	<b>Cash .....</b>	<b>101</b>		<b>500</b>
	<b>(Paid advertising expenses)</b>			
<b>20</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>1,000</b>	
	<b>Accounts Payable .....</b>	<b>201</b>		<b>1,000</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 performed)</b>			
<b>29</b>	<b>Salaries and Wages Expense .....</b>	<b>726</b>	<b>2,000</b>	
	<b>Cash .....</b>	<b>101</b>		<b>2,000</b>
	<b>(Paid salaries expense)</b>			
<b>30</b>	<b>Cash .....</b>	<b>101</b>	<b>85</b>	
	<b>Accounts Receivable .....</b>	<b>112</b>	<b>85</b>	
	<b>Rent Revenue .....</b>	<b>429</b>		<b>170</b>
	<b>(17% X \$1,000)</b>			
	<b>(Received cash and balance on account for rent revenue)</b>			
<b>30</b>	<b>Prepaid Rent.....</b>	<b>136</b>	<b>1,200</b>	
	<b>Cash .....</b>	<b>101</b>		<b>1,200</b>
	<b>(Paid cash for future film rentals)</b>			

## PROBLEM 2-5B (Continued)

(d) **CLASSIC THEATER**  
**Trial Balance**  
**April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 4,285	
Accounts Receivable.....	85	
Prepaid Rent.....	1,200	
Land.....	10,000	
Buildings.....	8,000	
Equipment.....	6,000	
Accounts Payable.....		\$ 2,000
Mortgage Payable.....		6,000
Owner's Capital.....		18,000
Service Revenue.....		8,000
Rent Revenue.....		170
Advertising Expense.....	500	
Salaries and Wages Expense.....	2,000	
Rent Expense.....	2,100	
	<u>\$34,170</u>	<u>\$34,170</u>

**Weygandt Accounting Principles, 12e**  
**Chapter Two**  
**Solutions to Challenge Exercises**

**Challenge Exercise 2-1 – Solution**

1.

<b>1</b>	<b>Cash</b> .....	<b>25,000</b>	
	<b>Owner's Capital</b> .....		<b>25,000</b>
<b>2</b>	<b>No entry, not a transaction</b>		
<b>3</b>	<b>Equipment</b> .....	<b>2,900</b>	
	<b>Cash</b> .....		<b>700</b>
	<b>Accounts Payable</b> .....		<b>2,200</b>
<b>6</b>	<b>Cash</b> .....	<b>600</b>	
	<b>Accounts Receivable</b> .....	<b>3,000</b>	
	<b>Service Revenue</b> .....		<b>3,600</b>
<b>27</b>	<b>Accounts Payable</b> .....	<b>900</b>	
	<b>Cash</b> .....		<b>900</b>
<b>30</b>	<b>Salaries and Wages Expense</b> .....	<b>2,300</b>	
	<b>Cash</b> .....		<b>2,300</b>
<b>31</b>	<b>Cash</b> .....	<b>1,200</b>	
	<b>Accounts Receivable</b> .....		<b>1,200</b>

2. The October 31 balance of Accounts Payable is \$1,300 (\$2,200 - \$900), and would be reported in the liabilities section of the balance sheet.

3. The October 31 balance of Accounts Receivable is \$1,800 (\$3,000 - \$1,200), and would be reported in the assets section of the balance sheet.

## Challenge Exercise 2-2 – Solution

(a)

General Journal					J1
Date		Account Titles	Ref.	Debit	Credit
Sept. 1		Cash.....	101	20,000	
		Owner's Capital.....	301		20,000
	5	Equipment .....	157	17,000	
		Cash .....	101		6,000
		Accounts Payable.....	201		11,000
	11	Cash.....	101	1,000	
		Accounts Receivable.....	112	2,900	
		Service Revenue .....	400		3,900
	25	Accounts Payable.....	201	7,000	
		Cash .....	101		7,000
	29	Owner's Drawings .....	306	600	
		Cash .....	101		600
	30	Cash.....	101	1,500	
		Accounts Receivable.....	112		1,500

(b)

Cash					No. 101	
Date		Explanation	Ref.	Debit	Credit	Balance
Sept. 1			J1	20,000		20,000
	5		J1		6,000	14,000
	11		J1	1,000		15,000
	25		J1		7,000	8,000
	29		J1		600	7,400
	30		J1	1,500		8,900

Accounts Receivable						No. 112
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 11		J1	2,900		2,900	
30		J1		1,500	1,400	

## Challenge Exercise 2-2 – Solution (Continued)

Equipment						No. 157
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1	17,000		17,000	

Accounts Payable						No. 201
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1		11,000	11,000	
25		J1	7,000		4,000	

Owner's Capital						No. 301
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 1		J1		20,000	20,000	

Owner's Drawings						No. 306
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept.29		J1	600		600	

Service Revenue						No. 400
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 11		J1		3,900	3,900	

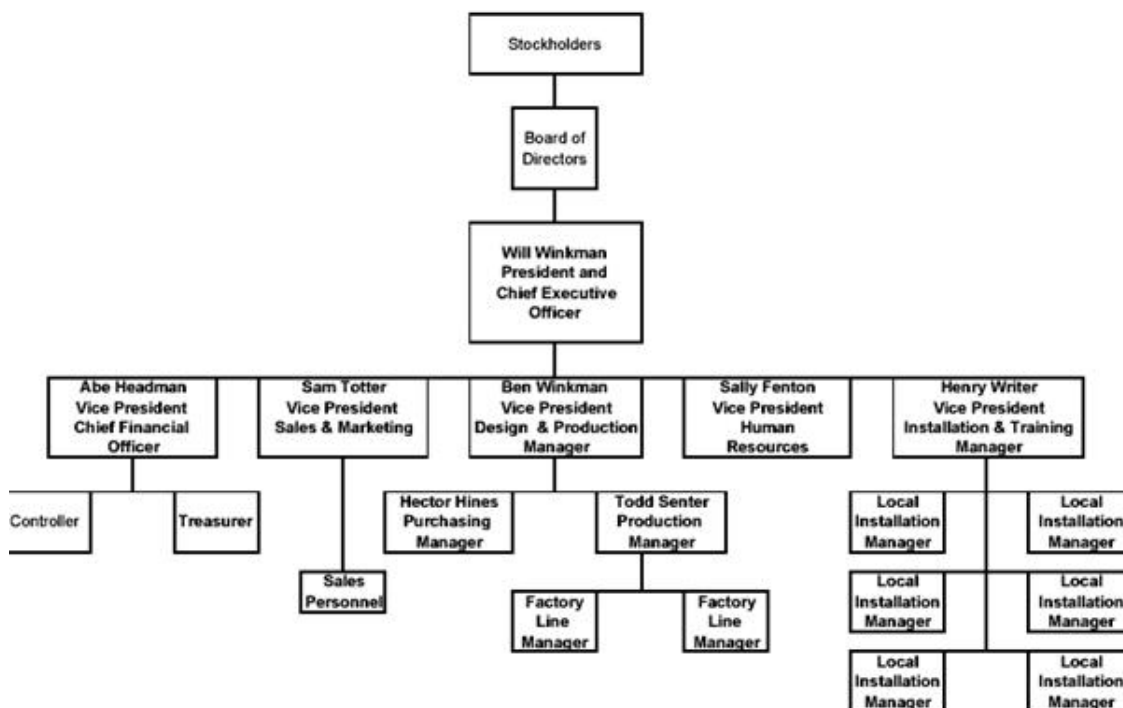
(c) Total assets would be \$27,300 (\$8,900 + \$1,400 + \$17,000).

(d) Total liabilities would be \$4,000 (just accounts payable).

**SOLUTION**  
**Chapter 19 Waterways Continuing Problem**

WCP19 (a)

ORGANIZATIONAL CHART



(b)

Waterways Corporation  
Cost of Goods Manufactured Schedule  
For the Month of November

Work in process 11/1				\$ 52,900
Direct materials				
Raw materials inventory 11/1	\$ 38,000			
Raw material purchases	<u>185,400</u>			
Total raw materials available for use	223,400			
Less: Raw materials inventory 11/30	<u>52,700</u>			
Direct materials used		\$170,700		
Direct labor		22,000		
Manufacturing overhead				
Depreciation--factory equipment	16,800			
Factory supplies used	16,850			
Factory utilities	10,200			
Indirect labor	48,000			
Rent--factory equipment	47,000			
Repairs--factory equipment	<u>4,200</u>			
Total factory overhead		<u>143,050</u>		
Total manufacturing costs			<u>335,750</u>	
Total cost of work in process			388,650	
Less: Work in process 11/30			<u>42,000</u>	
Cost of goods manufactured			<u>\$346,650</u>	

Waterways Corporation  
Income Statement  
For the Month of November

Sales				\$1,350,000
Cost of goods sold				
Finished goods inventory 11/1		\$ 72,550		
Cost of goods manufactured		<u>346,650</u>		
Cost of goods available for sale		419,200		
Less: Finished goods inventory 11/30		<u>68,300</u>		
Cost of goods sold			<u>350,900</u>	
Gross profit				999,100
Operating expenses				
Selling expenses				
Advertising expenses		54,000		
Sales commissions		<u>40,500</u>		
Total selling expenses			94,500	
Administrative expenses				
Depreciation--office equipment	\$ 2,500			
Office supplies expense	1,400			
Other administrative expenses	72,000			
Salaries	<u>325,000</u>			
Total administrative expenses			<u>400,900</u>	
Total operating expenses				<u>495,400</u>
Net income				<u><u>\$ 503,700</u></u>



Waterways Corporation  
Balance Sheet (partial)  
November 30

Current assets		
Cash		\$260,000
Accounts receivable		295,000
Inventories		
Raw materials inventory	\$52,700	
Work in process inventory	42,000	
Finished goods inventory	<u>68,300</u>	163,000
Prepaid expenses		<u>41,250</u>
Total current assets		<u>\$759,250</u>

**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. Indicate how accounts, debits, and credits are used to record business transactions.	1, 2, 3, 4, 5, 6, 7, 8, 9, 19, 21	1, 2, 5	1	1, 2, 4, 6, 7, 14	1A, 2A, 3A, 5A
2. Indicate how a journal is used in the recording process.	10, 11, 12, 13, 14, 16	3, 4, 6	2	3, 5, 6, 7, 10, 11, 12	1A, 2A, 3A, 5A
3. Explain how a ledger and posting help in the recording process.	15, 17	7, 8	3	8, 9, 12	2A, 3A, 5A
4. Prepare a trial balance.	18, 20	9, 10	4	9, 10, 11, 13, 14	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.	Simple	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Simple	30–40
3A	Journalize transactions, post, 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 ACCOUNTING PRINCIPLES 12E

## CHAPTER 2

## THE RECORDING PROCESS

<u>Number</u>	<u>LO</u>	<u>BT</u>	<u>Difficulty</u>	<u>Time (min.)</u>
BE1	1	C	Simple	6–8
BE2	1	C	Simple	4–6
BE3	2	AP	Simple	4–6
BE4	2	C	Moderate	4–6
BE5	1	C	Simple	6–8
BE6	2	AP	Simple	4–6
BE7	3	AP	Simple	4–6
BE8	3	AP	Simple	4–6
BE9	4	AP	Simple	4–6
BE10	4	AN	Moderate	6–8
DI1	1	C	Simple	3–5
DI2	2	AP	Simple	3–5
DI3	3	AP	Simple	2–4
DI4	4	AP	Simple	6–8
EX1	1	K	Simple	2–4
EX2	1	C	Simple	10–15
EX3	2	AP	Simple	8–10
EX4	1	C	Simple	6–8
EX5	2	AP	Simple	6–8
EX6	1, 2	AP	Simple	6–8
EX7	1, 2	AP	Simple	8–10
EX8	3	K	Simple	2–4
EX9	3, 4	AP	Simple	10–12
EX10	2, 4	AP	Moderate	10–12
EX11	2, 4	AP	Moderate	12–15
EX12	2, 3	AP	Moderate	12–15
EX13	4	AN	Moderate	6–8
EX14	1, 4	AP	Simple	8–10

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
P1A	1, 2	AP	Simple	20–30
P2A	1, 2, 3, 4	AP	Simple	30–40
P3A	1, 2, 3, 4	AP	Moderate	40–50
P4A	4	AN	Moderate	30–40
P5A	1, 2, 3, 4	AP	Moderate	40–50
BYP1	1	C	Simple	8–10
BYP2	1, 2	AN	Simple	8–10
BYP3	—	AP	Simple	15–20
BYP4	—	AP, S	Simple	15–20
BYP5	3, 4	AP, S	Moderate	20–30
BYP6	4	AN, E	Moderate	10–15
BYP7	—	E	Moderate	10–15
BYP8	—	E	Moderate	15–20
BYP9	—	E	Moderate	15–20
BYP10	—	E	Moderate	20–30

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 DI2-1 Q2-3 Q2-9 E2-2 Q2-4 Q2-19 E2-4 Q2-5 BE2-1 Q2-6 BE2-2 Q2-7 BE2-5	E2-6 P2-1A P2-5A E2-7 P2-2A E2-14 P2-3A			
2. Indicate how a journal is used in the recording process.	Q2-10 Q2-12	Q2-11 Q2-13 Q2-14 BE2-4	Q2-16 E2-5 E2-12 BE2-3 E2-6 P2-1A BE2-6 E2-7 P2-2A DI2-2 E2-10 P2-3A E2-3 E2-11 P2-5A			
3. Explain how a ledger and posting help in the recording process.	E2-8	Q2-15 Q2-17	BE2-7 E2-9 P2-3A BE2-8 E2-12 P2-5A DI2-3 P2-2A			
4. Prepare a trial balance.		Q2-18 Q2-20	BE2-9 E2-10 P2-2A DI2-4 E2-11 P2-3A E2-9 E2-14 P2-5A	BE2-10 E2-13 P2-4A		
<b>Broadening Your Perspective</b>		<b>Financial Reporting</b>	<b>Real-World Focus</b>	<b>Comparative Analysis Ethics Case</b>	<b>Communication Decision Making Across the Organization Real-World Focus</b>	<b>All About You Ethics Case Considering P, P, and P</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.
  2. Disagree. The terms debit and credit mean left and right respectively.
  3. Heath is incorrect. The double-entry system merely records the dual effect of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.
  4. Erica 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.
  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 and owner's capital are increased by credits and decreased by debits. Expenses and owner's drawing are increased by debits and decreased by credits.
  6.
    - (a) Accounts Receivable—debit balance.
    - (b) Cash—debit balance.
    - (c) Owner's Drawings—debit balance.
    - (d) Accounts Payable—credit balance.
    - (e) Service Revenue—credit balance.
    - (f) Salaries and Wages Expense—debit balance.
    - (g) Owner's Capital—credit balance.
  7.
    - (a) Accounts Receivable—asset—debit balance.
    - (b) Accounts Payable—liability—credit balance
    - (c) Equipment—asset—debit balance.
    - (d) Owner's Drawings—owner's equity—debit balance.
    - (e) Supplies—asset—debit balance.
  8.
    - (a) Debit Supplies and credit Accounts Payable.
    - (b) Debit Cash and credit Notes Payable.
    - (c) Debit Salaries and Wages Expense and credit Cash.
  9.
    - (1) Cash—both debit and credit entries.
    - (2) Accounts Receivable—both debit and credit entries.
    - (3) Owner's Drawings—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.
  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.
-

## Questions Chapter 2 (Continued)

11. The advantages of using the journal in the recording process 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.
12. (a) The debit should be entered first.  
(b) The credit should be indented.
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.
14. (a) No, 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.
15. The advantage of the last step in the posting process is to indicate that the item has been posted.
16. (a) Cash ..... 9,000  
       Owner's Capital ..... 9,000  
           (Invested cash in the business)
- (b) Prepaid Insurance ..... 800  
       Cash ..... 800  
           (Paid one-year insurance policy)
- (c) Supplies ..... 2,000  
       Accounts Payable ..... 2,000  
           (Purchased supplies on account)
- (d) Cash ..... 7,500  
       Service Revenue ..... 7,500  
           (Received cash for services performed)
17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and owner's 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.



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.
19. No, Victor 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.
20. (a) The trial balance would balance.  
(b) The trial balance would not balance.
21. The normal balances are Cash debit, Accounts Payable credit, and Interest Expense debit.

**SOLUTIONS TO BRIEF EXERCISES****BRIEF EXERCISE 2-1**

	<u>(a) Debit Effect</u>	<u>(b) Credit Effect</u>	<u>(c) Normal Balance</u>
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. Owner's Capital	Decrease	Increase	Credit
6. Owner's Drawings	Increase	Decrease	Debit

**BRIEF EXERCISE 2-2**

	<u>Account Debited</u>	<u>Account Credited</u>
June 1	Cash	Owner's Capital
2	Equipment	Accounts Payable
3	Rent Expense	Cash
12	Accounts Receivable	Service Revenue

**BRIEF EXERCISE 2-3**

June 1	Cash.....	5,000	
	Owner's Capital .....		5,000
2	Equipment .....	2,400	
	Accounts Payable.....		2,400
3	Rent Expense .....	800	
	Cash .....		800
12	Accounts Receivable .....	300	
	Service Revenue.....		300

**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.

**BRIEF EXERCISE 2-5**

	(a) <u>Effect on Accounting Equation</u>	(b) <u>Debit-Credit Analysis</u>
Aug. 1	The asset Cash is increased; the owner's equity account Owner's Capital is increased.	Debits increase assets: debit Cash \$8,000. Credits increase owner's equity: credit Owner's Capital \$8,000.
4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance \$1,800. Credits decrease assets: credit Cash \$1,800.
16	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash \$3,600. Credits increase revenues: credit Service Revenue \$3,600.
27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense \$1,000. Credits decrease assets: credit Cash \$1,000.

**BRIEF EXERCISE 2-6**

<b>Aug. 1</b>	Cash.....	<b>8,000</b>	
	Owner's Capital .....		<b>8,000</b>
<b>4</b>	Prepaid Insurance.....	<b>1,800</b>	
	Cash .....		<b>1,800</b>
<b>16</b>	Cash.....	<b>3,600</b>	
	Service Revenue .....		<b>3,600</b>
<b>27</b>	Salaries and Wages Expense.....	<b>1,000</b>	
	Cash .....		<b>1,000</b>

**BRIEF EXERCISE 2-7**

<b>Cash</b>		<b>Service Revenue</b>	
<b>5/12</b>	<b>2,400</b>		<b>5/5 4,400</b>
<b>5/15</b>	<b>3,000</b>		<b>5/15 3,000</b>
<b>Ending Bal. 5,400</b>		<b>Ending Bal. 7,400</b>	

<b>Accounts Receivable</b>			
<b>5/5</b>	<b>4,400</b>	<b>5/12</b>	<b>2,400</b>
<b>Ending Bal. 2,000</b>			

**BRIEF EXERCISE 2-8**

<b>Cash</b>						
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
<b>May 12</b>		<b>J1</b>	<b>2,400</b>		<b>2,400</b>	
<b>15</b>		<b>J1</b>	<b>3,000</b>		<b>5,400</b>	

**BRIEF EXERCISE 2-8 (Continued)****Accounts Receivable**

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	4,400		4,400
12		J1		2,400	2,000

**Service Revenue**

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		4,400	4,400
15		J1		3,000	7,400

**BRIEF EXERCISE 2-9**

**AMARO COMPANY**  
**Trial Balance**  
**June 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 5,800	
Accounts Receivable .....	3,000	
Equipment.....	17,000	
Accounts Payable.....		\$ 8,100
Owner's Capital .....		15,000
Owner's Drawings .....	1,200	
Service Revenue.....		10,000
Salaries and Wages Expense .....	5,100	
Rent Expense.....	1,000	
	<u>\$33,100</u>	<u>\$33,100</u>

**BRIEF EXERCISE 2-10**

**CAPPSHAW COMPANY**  
**Trial Balance**  
**December 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$10,800	
Prepaid Insurance .....	3,500	
Accounts Payable .....		\$ 3,000
Unearned Service Revenue .....		2,200
Owner's Capital .....		9,000
Owner's Drawings .....	4,500	
Service Revenue .....		25,600
Salaries and Wages Expense .....	18,600	
Rent Expense .....	2,400	
	<u>\$39,800</u>	<u>\$39,800</u>

**SOLUTIONS FOR DO IT! REVIEW EXERCISES****DO IT! 2-1**

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

Cash (debit balance)	Equipment (debit balance)
Supplies (debit balance)	Accounts Payable (credit balance)
Notes Payable (credit balance)	Owner's Capital (credit balance)

**DO IT! 2-2**

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

1.	Cash.....	6,300	
	Owner's Capital.....		6,300
2.	Supplies .....	1,100	
	Cash.....		400
	Accounts Payable.....		700
3.	No entry because no transaction has occurred.		

## DO IT! 2-3

Cash			
4/1	1,600	4/16	700
4/3	3,400	4/20	250
4/30	4,050		

## DO IT! 2-4

**CARLAND COMPANY**  
**Trial Balance**  
**December 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 6,000	
Accounts Receivable .....	8,000	
Supplies .....	6,000	
Equipment.....	80,000	
Notes Payable.....		\$ 20,000
Accounts Payable.....		11,000
Salaries and Wages Payable .....		3,000
Owner's Capital .....		28,000
Owner's Drawings .....	8,000	
Service Revenue.....		88,000
Rent Expense.....	4,000	
Salaries and Wages Expense .....	38,000	
	<u>\$150,000</u>	<u>\$150,000</u>

## SOLUTIONS TO EXERCISES

### EXERCISE 2-1

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



<u>Transaction</u>	<u>Account Debited</u>				<u>Account Credited</u>			
	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>
Jan. 2	Asset	Cash	Increase	Debit	Owner's Equity	Owner's Capital	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	Owner's Equity	Service Revenue	Increase	Credit
16	Owner's 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	Owner's Equity	Owner's Drawings	Increase	Debit	Asset	Cash	Decrease	Debit

**EXERCISE 2-3**

<b>General Journal</b>					<b>J1</b>
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	
Jan. 2	Cash .....		10,000		
	Owner's Capital .....			10,000	
3	Equipment .....		3,000		
	Cash .....			3,000	
9	Supplies .....		500		
	Accounts Payable .....			500	
11	Accounts Receivable .....		2,400		
	Service Revenue .....			2,400	
16	Advertising Expense .....		350		
	Cash .....			350	
20	Cash .....		700		
	Accounts Receivable .....			700	
23	Accounts Payable .....		300		
	Cash .....			300	
28	Owner's Drawings .....		1,000		
	Cash .....			1,000	

**EXERCISE 2-4**

- Oct. 1   **Debits increase assets: debit Cash \$15,000.**  
**Credits increase owner's equity: credit Owner's Capital \$15,000.**
- 2   **No transaction.**
- 3   **Debits increase assets: debit Equipment \$1,900.**  
**Credits increase liabilities: credit Accounts Payable \$1,900.**

Full file at <https://MyTestbank.eu/Accounting-Principles-12th-Edition-Weygandt-Solutions-Manu>  
**EXERCISE 2-4 (Continued)**

- Oct. 6**    **Debits increase assets: debit Accounts Receivable \$3,800.**  
**Credits increase revenues: credit Service Revenue \$3,800.**
- 27**      **Debits decrease liabilities: debit Accounts Payable \$1,100.**  
**Credits decrease assets: credit Cash \$1,100.**
- 30**      **Debits increase expenses: debit Salaries and Wages Expense**  
**\$2,500.**  
**Credits decrease assets: credit Cash \$2,500.**

**EXERCISE 2-5****General Journal**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credit</b>
<b>Oct. 1</b>	<b>Cash .....</b>		<b>15,000</b>	
	<b>    Owner's Capital .....</b>			<b>15,000</b>
<b>2</b>	<b>No entry.</b>			
<b>3</b>	<b>Equipment .....</b>		<b>1,900</b>	
	<b>    Accounts Payable .....</b>			<b>1,900</b>
<b>6</b>	<b>Accounts Receivable .....</b>		<b>3,800</b>	
	<b>    Service Revenue.....</b>			<b>3,800</b>
<b>27</b>	<b>Accounts Payable .....</b>		<b>1,100</b>	
	<b>    Cash .....</b>			<b>1,100</b>
<b>30</b>	<b>Salaries and Wages Expense .....</b>		<b>2,500</b>	
	<b>    Cash .....</b>			<b>2,500</b>

**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.....	3,100	
	Cash .....		3,100
3.	Supplies .....	850	
	Accounts Payable.....		850

**EXERCISE 2-7**

- (a) **Assets = Liabilities + Owner's Equity**
- |    |   |   |              |
|----|---|---|--------------|
| 1. | + | + | (Investment) |
| 2. | - | - | (Expense)    |
| 3. | + | + | (Revenue)    |
| 4. | - | - | (Drawings)   |

(b) 1.	Cash .....	4,000	
	Owner's Capital .....		4,000
2.	Rent Expense .....	840	
	Cash .....		840
3.	Accounts Receivable .....	5,200	
	Service Revenue .....		5,200
4.	Owner's Drawings .....	750	
	Cash .....		750

**EXERCISE 2-8**

- False. The general ledger contains all the asset, liability, and owner's equity accounts.
- True.
- False. The accounts in the general ledger are arranged in financial statement order: first the assets, then the liabilities, owner's capital, owner's drawings, revenues, and expenses.
- True.
- False. The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

**EXERCISE 2-9**

(a)

Cash			
Aug. 1	5,000	Aug. 12	2,300
10	2,600		
31	900		
Bal.	6,200		

Notes Payable		
	Aug. 12	2,700

Owner's Capital		
	Aug. 1	5,000

Accounts Receivable			
Aug. 25	1,700	Aug. 31	900
Bal.	800		

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

Equipment	
Aug. 12	5,000

(b) **JUNE FELDMAN, INVESTMENT BROKER**  
**Trial Balance**  
**August 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,200	
Accounts Receivable.....	800	
Equipment.....	5,000	
Notes Payable.....		\$ 2,700
Owner's Capital.....		5,000
Service Revenue.....		4,300
	<u>\$12,000</u>	<u>\$12,000</u>

**EXERCISE 2-10**

(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 .....		12,000	
	Owner's Capital .....			12,000
	(Owner's investment of cash in business)			
12	Cash .....		900	
	Service Revenue .....			900
	(Received cash for services performed)			
15	Salaries and Wages Expense .....		1,300	
	Cash .....			1,300
	(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 2-10 (Continued)**

(b) **DAGGETT LANDSCAPING COMPANY**  
**Trial Balance**  
**April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$11,500	
Accounts Receivable.....	2,800	
Supplies.....	1,800	
Accounts Payable.....		\$ 300
Unearned Service Revenue.....		1,000
Owner's Capital.....		12,000
Service Revenue.....		4,100
Salaries and Wages Expense.....	1,300	
	<u>\$17,400</u>	<u>\$17,400</u>

**EXERCISE 2-11**

(a) Oct. 1	Cash.....	3,000	
	Owner's Capital.....		3,000
	(Owner's investment of cash in business)		
10	Cash.....	750	
	Service Revenue.....		750
	(Received cash for services performed)		
10	Cash.....	4,000	
	Notes Payable.....		4,000
	(Obtained loan from bank)		
20	Cash.....	500	
	Accounts Receivable.....		500
	(Received cash in payment of account)		
20	Accounts Receivable.....	940	
	Service Revenue.....		940
	(Billed clients for services performed)		

**EXERCISE 2-11 (Continued)**

(b)

**SHUMWAY CO.**  
**Trial Balance**  
**October 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 7,200	
Accounts Receivable.....	1,240	
Supplies .....	400	
Equipment.....	2,000	
Notes Payable .....		\$ 4,000
Accounts Payable.....		500
Owner's Capital .....		5,000
Owner's Drawings .....	300	
Service Revenue.....		2,490
Salaries and Wages Expense .....	500	
Rent Expense .....	350	
	<u>\$11,990</u>	<u>\$11,990</u>

**EXERCISE 2-12**

(a)

**General Journal****J1**

Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash.....	101	10,000	
	Owner's Capital.....	301		10,000
5	Equipment .....	157	12,000	
	Cash .....	101		4,000
	Accounts Payable .....	201		8,000
25	Accounts Payable .....	201	3,000	
	Cash .....	101		3,000
30	Owner's Drawings.....	306	700	
	Cash .....	101		700



(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>
Sept. 1		J1	10,000		10,000
5		J1		4,000	6,000
25		J1		3,000	3,000
30		J1		700	2,300

<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>
Sept. 5		J1	12,000		12,000

<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>
Sept. 5		J1		8,000	8,000
25		J1	3,000		5,000

<b>Owner's Capital</b>					<b>No. 301</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1		J1		10,000	10,000

<b>Owner's Drawings</b>					<b>No. 306</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 30		J1	700		700

**EXERCISE 2-13**

<u>Error</u>	<u>(a) In Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Column</u>
1.	No	\$525	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	415	Credit
5.	Yes	—	—
6.	No	27	Debit

**EXERCISE 2-14****OVERNITE DELIVERY SERVICE**

Trial Balance

July 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash (\$78,821 – Debit total without Cash \$66,340).....	\$12,481	
Accounts Receivable .....	7,642	
Prepaid Insurance .....	1,968	
Equipment.....	49,360	
Notes Payable.....		\$17,000
Accounts Payable .....		8,396
Salaries and Wages Payable .....		815
Owner's Capital .....		42,000
Owner's Drawings.....	700	
Service Revenue .....		10,610
Salaries and Wages Expense .....	4,428	
Maintenance and Repairs Expense.....	961	
Gasoline Expense .....	758	
Utilities Expense .....	523	
	<u>\$78,821</u>	<u>\$78,821</u>

**SOLUTIONS TO PROBLEMS****PROBLEM 2-1A**

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash .....		20,000	
	Owner's Capital .....			20,000
	(Owner's investment of cash in business)			
3	Land.....		12,000	
	Buildings .....		2,000	
	Equipment.....		1,000	
	Cash .....			15,000
	(Purchased Rainbow's Golf Land)			
5	Advertising Expense .....		900	
	Cash .....			900
	(Paid for advertising)			
6	Prepaid Insurance .....		600	
	Cash .....			600
	(Paid for one-year insurance policy)			
10	Equipment.....		1,050	
	Accounts Payable .....			1,050
	(Purchased equipment on account)			
18	Cash .....		1,100	
	Service Revenue .....			1,100
	(Received cash for services performed)			
19	Cash .....		1,500	
	Unearned Service Revenue .....			1,500
	(Received cash for coupon books sold)			

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

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Mar. 25</b>	<b>Owner's Drawings.....</b>		<b>800</b>	
	<b>Cash .....</b>			<b>800</b>
	<b>(Withdrew cash for personal use)</b>			
<b>30</b>	<b>Salaries and Wages Expense.....</b>		<b>250</b>	
	<b>Cash .....</b>			<b>250</b>
	<b>(Paid salaries)</b>			
<b>30</b>	<b>Accounts Payable .....</b>		<b>1,050</b>	
	<b>Cash .....</b>			<b>1,050</b>
	<b>(Paid creditor on account)</b>			
<b>31</b>	<b>Cash.....</b>		<b>2,700</b>	
	<b>Service Revenue .....</b>			<b>2,700</b>
	<b>(Received cash for services performed)</b>			

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

(a)

Date	Account Titles and Explanation	Ref.	Debit	Credit
				J1
Apr. 1	Cash.....	101	20,000	
	Owner's Capital .....	301		20,000
	(Owner's investment of cash in business)			
1	No entry—not a transaction.			
2	Rent Expense.....	729	1,100	
	Cash .....	101		1,100
	(Paid monthly office rent)			
3	Supplies.....	126	4,000	
	Accounts Payable.....	201		4,000
	(Purchased supplies on account from Dazzle Company)			
10	Accounts Receivable.....	112	5,100	
	Service Revenue.....	400		5,100
	(Billed clients for services performed)			
11	Cash.....	101	1,000	
	Unearned Service Revenue.....	209		1,000
	(Received cash for future service)			
20	Cash.....	101	2,100	
	Service Revenue.....	400		2,100
	(Received cash for services performed)			
30	Salaries and Wages Expense.....	726	2,800	
	Cash .....	101		2,800
	(Paid monthly salary)			

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

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable .....	201	2,400	
	Cash .....	101		2,400
	(Paid Dazzle Company on account)			

(b)

**Cash** **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	20,000		20,000
2		J1		1,100	18,900
11		J1	1,000		19,900
20		J1	2,100		22,000
30		J1		2,800	19,200
30		J1		2,400	16,800

**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,100		5,100

**Supplies** **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,000		4,000

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

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,000	4,000
30		J1	2,400		1,600

**Unearned Service Revenue** **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,000	1,000

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		20,000	20,000

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		5,100	5,100
20		J1		2,100	7,200

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,800		2,800

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,100		1,100

(c) **EMILY VALLEY, DENTIST**  
Trial Balance  
April 30, 2017

	Debit	Credit
Cash.....	\$16,800	
Accounts Receivable.....	5,100	
Supplies.....	4,000	
Accounts Payable.....		\$ 1,600
Unearned Service Revenue.....		1,000
Owner's Capital.....		20,000
Service Revenue.....		7,200
Salaries and Wages Expense.....	2,800	
Rent Expense.....	1,100	
	<u>\$29,800</u>	<u>\$29,800</u>

## PROBLEM 2-3A

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash .....	40,000	
	Owner's Capital .....		40,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent .....	24,000	
	Cash .....		24,000
4.	Equipment .....	30,000	
	Cash .....		10,000
	Accounts Payable .....		20,000
5.	Prepaid Insurance .....	1,800	
	Cash .....		1,800
6.	Supplies .....	420	
	Cash .....		420
7.	Supplies .....	1,500	
	Accounts Payable .....		1,500
8.	Cash .....	8,000	
	Accounts Receivable .....	12,000	
	Service Revenue .....		20,000
9.	Accounts Payable .....	400	
	Cash .....		400
10.	Cash .....	3,000	
	Accounts Receivable .....		3,000
11.	Utilities Expense .....	380	
	Accounts Payable .....		380



Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense .....	6,100	
	Cash .....		6,100

(b)

Cash	
(1)	40,000
	(3) 24,000
	(4) 10,000
	(5) 1,800
	(6) 420
(8)	8,000
	(9) 400
(10)	3,000
	(12) 6,100
	<b>8,280</b>

Equipment	
(4)	30,000
	30,000

Accounts Payable	
	(4) 20,000
	(7) 1,500
(9)	400
	(11) 380
	<b>21,480</b>

Accounts Receivable	
(8)	12,000
	(10) 3,000
	<b>9,000</b>

Owner's Capital	
	(1) 40,000
	<b>40,000</b>

Supplies	
(6)	420
(7)	1,500
	<b>1,920</b>

Service Revenue	
	(8) 20,000
	<b>20,000</b>

Prepaid Insurance	
(5)	1,800
	<b>1,800</b>

Salaries and Wages Expense	
(12)	6,100
	<b>6,100</b>

Prepaid Rent	
(3)	24,000
	<b>24,000</b>

Utilities Expense	
(11)	380
	<b>380</b>

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

(c)

**MAQUOKETA SERVICES****Trial Balance****May 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 8,280	
Accounts Receivable.....	9,000	
Supplies .....	1,920	
Prepaid Insurance.....	1,800	
Prepaid Rent .....	24,000	
Equipment.....	30,000	
Accounts Payable.....		\$21,480
Owner's Capital .....		40,000
Service Revenue .....		20,000
Salaries and Wages Expense .....	6,100	
Utilities Expense .....	380	
	<u>\$81,480</u>	<u>\$81,480</u>

<b>PROBLEM 2-4A</b>
---------------------

**AVTAR SANDHU CO.**  
**Trial Balance**  
**June 30, 2017**

	Debit	Credit
Cash (\$3,340 + \$270) .....	\$ 3,610	
Accounts Receivable (\$2,812 – \$270) .....	2,542	
Supplies (\$1,200 – \$710) .....	490	
Equipment (\$2,600 + \$710).....	3,310	
Accounts Payable (\$3,666 – \$306 – \$360).....		\$ 3,000
Unearned Service Revenue .....		1,100
Owner’s Capital .....		8,000
Owner’s Drawings (\$800 + \$600) .....	1,400	
Service Revenue (\$2,480 + \$882).....		3,362
Salaries and Wages Expense (\$3,200 + \$700 – \$600) .....	3,300	
Utilities Expense.....	810	
	<b>\$15,462</b>	<b>\$15,462</b>

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

(a) &amp; (c)

<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>
Mar. 1	Balance	✓			3,000
2		J1		1,500	1,500
9		J1	4,300		5,800
10		J1		4,100	1,700
12		J1		900	800
20		J1	5,000		5,800
20		J1		2,000	3,800
31		J1		3,100	700
31		J1	450		1,150
31		J1	9,000		10,150

<b>Accounts Receivable</b>					<b>No. 112</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 31		J1	450		450

<b>Land</b>					<b>No. 140</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 1	Balance	✓			24,000

<b>Buildings</b>					<b>No. 145</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 1	Balance	✓			10,000

<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>
Mar. 1	Balance	✓			10,000

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

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			7,000
2		J1		2,000	9,000
10		J1	4,100		4,900

**Owner's Capital** **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			40,000

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

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		4,300	4,300
20		J1		5,000	9,300
31		J1		9,000	18,300

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

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		900	900

**Advertising Expense** **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	900		900

**Salaries and Wages Expense** **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	3,100		3,100

**PROBLEM 2-5A (Continued)****Rent Expense** **No. 729**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 2		J1	3,500		3,500
20		J1	2,000		5,500

(b)

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
				<b>J1</b>
Mar. 2	Rent Expense .....	729	3,500	
	Accounts Payable .....	201		2,000
	Cash .....	101		1,500
	(Rented films for cash and on account)			
3	No entry.			
9	Cash .....	101	4,300	
	Service Revenue.....	400		4,300
	(Received cash for services performed)			
10	Accounts Payable (\$2,000 + \$2,100) .....	201	4,100	
	Cash .....	101		4,100
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense .....	610	900	
	Cash .....	101		900
	(Paid advertising expense)			
20	Cash .....	101	5,000	
	Service Revenue.....	400		5,000
	(Received cash for services performed)			
20	Rent Expense .....	729	2,000	
	Cash .....	101		2,000
	(Paid film rental)			

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Salaries and Wages Expense.....	726	3,100	
	Cash .....	101		3,100
	(Paid salaries expense)			
31	Cash.....	101	450	
	Accounts Receivable.....	112	450	
	Rent Revenue.....	429		900
	(15% X \$6,000)			
	(Received cash and balance on account for rent revenue)			
31	Cash.....	101	9,000	
	Service Revenue.....	400		9,000
	(Received cash for services performed)			

(d) **STARR THEATER**  
**Trial Balance**  
**March 31, 2017**

	Debit	Credit
Cash .....	\$10,150	
Accounts Receivable .....	450	
Land.....	24,000	
Buildings.....	10,000	
Equipment.....	10,000	
Accounts Payable.....		\$ 4,900
Owner's Capital .....		40,000
Service Revenue.....		18,300
Rent Revenue .....		900
Advertising Expense .....	900	
Salaries and Wages Expense .....	3,100	
Rent Expense.....	5,500	
	<u>\$64,100</u>	<u>\$64,100</u>

<b>CC2</b>	<b>COOKIE CREATIONS</b>
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<b>(a)</b>	<b>GENERAL JOURNAL</b>	<b>J1</b>
	Account Titles and Explanation	Debit      Credit
Nov. 8	No entry required for cashing U.S. Savings Bonds—this is a personal transaction.	
8	Cash ..... Owner's Capital .....	500  500
11	Advertising Expense ..... Cash.....	65  65
13	Supplies ..... Cash.....	125  125
14	Equipment ..... Owner's Capital .....	300  300
16	Cash ..... Notes Payable .....	2,000  2,000
17	Equipment ..... Cash.....	900  900
20	Cash ..... Service Revenue .....	125  125
25	Cash ..... Unearned Service Revenue.....	30  30
30	Prepaid Insurance ..... Cash.....	1,320  1,320



(b)

Cash					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1	500		500
11		J1		65	435
13		J1		125	310
16		J1	2,000		2,310
17		J1		900	1,410
20		J1	125		1,535
25		J1	30		1,565
30		J1		1,320	245

Supplies					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 13		J1	125		125

Prepaid Insurance					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 30		J1	1,320		1,320

Equipment					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 14		J1	300		300
17		J1	900		1,200

Unearned Service Revenue					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 25		J1		30	30

**CG2 (Continued)****(b) (Continued)**

<b>Notes Payable</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 16		J1		2,000	2,000

<b>Owner's Capital</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 8		J1		500	500
14		J1		300	800

<b>Service Revenue</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 20		J1		125	125

<b>Advertising Expense</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 11		J1	65		65

(c)

**COOKIE CREATIONS**  
**Trial Balance**  
**November 30, 2016**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 245	
Supplies .....	125	
Prepaid Insurance .....	1,320	
Equipment.....	1,200	
Unearned Service Revenue .....		\$ 30
Notes Payable.....		2,000
Owner's Capital .....		800
Service Revenue.....		125
Advertising Expense .....	65	
	<u>\$2,955</u>	<u>\$2,955</u>

**Note to instructors:** Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.

## BYP 2-1

## FINANCIAL REPORTING PROBLEM

(a)	(1) Increase Side	(1) Decrease Side	(2) Normal Balance
<u>Account</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.
  2. Cash is decreased or Notes or Mortgage Payable is increased.

## BYP 2-2

## COMPARATIVE ANALYSIS PROBLEM

	<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
	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) and Accounts Payable or Notes payable is increased (credited).
4. Increase in Interest Expense: Cash is decreased (credited).

## BYP 2-3

## COMPARATIVE ANALYSIS PROBLEM

	<u>Amazon</u>		<u>Wal-Mart</u>	
(a)	1. Interest Expense:	debit	1. Net 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).
3. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
4. Increase in Service Revenue: Cash or Accounts Receivable is increased (debited).

**BYP 2-4**

**REAL-WORLD FOCUS**

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

## BYP 2-5

## REAL-WORLD FOCUS

- (a) The reason the Green Bay Packers' issue an annual report is because they are a publicly owned, nonprofit company. They issue the report to the 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 are obviously a "small market" team, they are 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.



**Date:** May 25, 2017

**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.

(a) The stakeholders in this situation are:

- ▶ Ellynn Kole, assistant chief accountant.
- ▶ Users of the company's financial statements.
- ▶ The Doman 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), Ellynn's action might not be considered unethical in the preparation of interim financial statements. However, if Ellynn is violating a company accounting policy by her action, then she is acting unethically.

(c) Ellynn'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.

**BYP 2-8**

**ETHICS CASE**

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.

- (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/careers.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.

## BYP 2-10

## CONSIDERING PEOPLE, PLANET AND PROFIT

- (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 public relations effects of either producing or buying coffee produced using sustainable practices.

<b>IFRS 2-1</b>	<b>INTERNATIONAL FINANCIAL REPORTING PROBLEM</b>
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<b>Account</b>	<b>Financial Statement</b>	<b>Position in Financial Statement</b>
<b>Other operating income and expense</b>	<b>Consolidated Income Statement</b>	<b>After gross profit and before operating profit</b>
<b>Cash and cash equivalents</b>	<b>Consolidated Balance Sheet</b>	<b>Current assets</b>
<b>Trade accounts payable</b>	<b>Consolidated Balance Sheet</b>	<b>Current liabilities</b>
<b>Cost of net financial debt</b>	<b>Consolidated Income Statement</b>	<b>After operating profit and before profit from continuing operations before taxes.</b>

<b>CC2</b>	<b>COOKIE CREATIONS</b>
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<b>(a)</b>		<b>GENERAL JOURNAL</b>		<b>J1</b>
		<b>Account Titles and Explanation</b>	<b>Debit</b>	<b>Credit</b>
<b>Nov.</b>	<b>8</b>	<b>No entry required for cashing U.S. Savings Bonds—this is a personal transaction.</b>		
	<b>8</b>	<b>Cash .....</b>	<b>500</b>	
		<b>    Owner's Capital .....</b>		<b>500</b>
	<b>11</b>	<b>Advertising Expense .....</b>	<b>65</b>	
		<b>    Cash .....</b>		<b>65</b>
	<b>13</b>	<b>Supplies .....</b>	<b>125</b>	
		<b>    Cash .....</b>		<b>125</b>
	<b>14</b>	<b>Equipment .....</b>	<b>300</b>	
		<b>    Owner's Capital .....</b>		<b>300</b>
	<b>16</b>	<b>Cash .....</b>	<b>2,000</b>	
		<b>    Notes Payable .....</b>		<b>2,000</b>
	<b>17</b>	<b>Equipment .....</b>	<b>900</b>	
		<b>    Cash .....</b>		<b>900</b>
	<b>20</b>	<b>Cash .....</b>	<b>125</b>	
		<b>    Service Revenue .....</b>		<b>125</b>
	<b>25</b>	<b>Cash .....</b>	<b>30</b>	
		<b>    Unearned Service Revenue .....</b>		<b>30</b>
	<b>30</b>	<b>Prepaid Insurance .....</b>	<b>1,320</b>	
		<b>    Cash .....</b>		<b>1,320</b>

## CC2 (Continued)

(b)

		Cash			
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1	500		500
11		J1		65	435
13		J1		125	310
16		J1	2,000		2,310
17		J1		900	1,410
20		J1	125		1,535
25		J1	30		1,565
30		J1		1,320	245

		Supplies			
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 13		J1	125		125

		Prepaid Insurance			
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 30		J1	1,320		1,320

		Equipment			
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 14		J1	300		300
17		J1	900		1,200

		Unearned Service Revenue			
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 25		J1		30	30





Full file at <https://MyTestbank.eu/Accounting-Principles-12th-Edition-Weygandt-Solutions-Manu>**CC2 (Continued)****(b) (Continued)****Notes Payable**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 16		J1		2,000	2,000

**Owner's Capital**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 8		J1		500	500
14		J1		300	800

**Service Revenue**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 20		J1		125	125

**Advertising Expense**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credits</b>	<b>Balance</b>
Nov. 11		J1	65		65

Full file at <https://MyTestbank.eu/Accounting-Principles-12th-Edition-Weygandt-Solutions-Manu>

## CC2 (Continued)

(c)

**COOKIE CREATIONS**  
**Trial Balance**  
**November 30, 2016**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 245	
Supplies .....	125	
Prepaid Insurance .....	1,320	
Equipment .....	1,200	
Unearned Service Revenue .....		\$ 30
Notes Payable .....		2,000
Owner's Capital .....		800
Service Revenue .....		125
Advertising Expense .....	65	
	<u>\$2,955</u>	<u>\$2,955</u>

**Note to instructors:** Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.

## CHAPTER 2

### SOLUTIONS TO EXERCISES—SET B

#### EXERCISE 2-1B

1. **False.** An account is an accounting record of a specific asset, liability, or owner's equity item.
2. **True.**
3. **False.** Each asset, liability, and owner's equity item has a separate account.
4. **True.**
5. **False.** A simple form of an account consisting of the account title, the left side, and the right side, is called a t-account.

**EXERCISE 2-2B**

<u>Transaction</u>	<u>Account Debited</u>				<u>Account Credited</u>			
	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>
Jan. 2	Asset	Cash	Increase	Debit	Owner's Equity	Owner's Capital	Increase	Credit
3	Owner's Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
11	Asset	Accounts Receivable	Increase	Debit	Owner's Equity	Service Revenue	Increase	Credit
16	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Owner's Equity	Owner's Drawings	Increase	Debit	Asset	Cash	Decrease	Debit

**EXERCISE 2-3B**

<b>General Journal</b>					<b>J1</b>
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	
Jan. 2	Cash .....		20,000		
	Owner's Capital .....			20,000	
3	Advertising Expense.....		500		
	Cash .....			500	
9	Equipment .....		7,000		
	Cash .....			7,000	
11	Accounts Receivable .....		2,300		
	Service Revenue.....			2,300	
16	Supplies.....		700		
	Accounts Payable .....			700	
20	Cash.....		1,100		
	Accounts Receivable .....			1,100	
23	Accounts Payable .....		400		
	Cash .....			400	
28	Owner's Drawings.....		1,200		
	Cash .....			1,200	

**EXERCISE 2-4B**

- Oct. 1   **Debits increase assets: debit Cash \$22,000.**  
**Credits increase owner's equity: credit Owner's Capital \$22,000.**
- 2       **Debits increase expenses: debit Rent Expense, \$700.**  
**Credits decrease assets: credit Cash \$700.**
- 3       **Debits increase assets: debit Equipment \$2,800.**  
**Credits increase liabilities: credit Accounts Payable \$2,800.**

**EXERCISE 2-4B (Continued)**

- Oct. 6**    **Debits increase assets: debit Accounts Receivable \$5,400.**  
**Credits increase revenues: credit Service Revenue \$5,400.**
- 27**      **Debits decrease liabilities: debit Accounts Payable \$1,100.**  
**Credits decrease assets: credit Cash \$1,100.**
- 30**      **Debits increase expenses: debit Utilities Expense \$180.**  
**Credits increase liabilities: credit Accounts Payable \$180.**

**EXERCISE 2-5B****General Journal**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debits</b>	<b>Credit</b>
<b>Oct. 1</b>	<b>Cash .....</b>		<b>22,000</b>	
	<b>    Owner's Capital .....</b>			<b>22,000</b>
<b>2</b>	<b>Rent Expense .....</b>		<b>700</b>	
	<b>    Cash .....</b>			<b>700</b>
<b>3</b>	<b>Equipment .....</b>		<b>2,800</b>	
	<b>    Accounts Payable .....</b>			<b>2,800</b>
<b>6</b>	<b>Accounts Receivable .....</b>		<b>5,400</b>	
	<b>    Service Revenue .....</b>			<b>5,400</b>
<b>27</b>	<b>Accounts Payable .....</b>		<b>1,100</b>	
	<b>    Cash .....</b>			<b>1,100</b>
<b>30</b>	<b>Utilities Expense .....</b>		<b>180</b>	
	<b>    Accounts Payable .....</b>			<b>180</b>

**EXERCISE 2-6B**

- (a) 1. Increase the asset Cash, increase the liability Notes Payable.  
 2. Increase the asset Equipment, decrease the asset Cash.  
 3. Increase the expense Rent Expense, decrease the asset Cash.

(b) 1.	Cash .....	15,000	
	Notes Payable .....		15,000
2.	Equipment.....	3,100	
	Cash .....		3,100
3.	Rent Expense .....	900	
	Cash .....		900

**EXERCISE 2-7B**

- (a) **Assets = Liabilities + Owners' Equity**

1.	+		+
2.	+	+	
3.	+		+
4.	-		-

(b) 1.	Cash .....	6,000	
	Owner's Capital .....		6,000
2.	Supplies .....	1,100	
	Accounts Payable.....		1,100
3.	Accounts Receivable .....	4,500	
	Service Revenue.....		4,500
4.	Owner's Drawings .....	1,200	
	Cash .....		1,200



**EXERCISE 2-8B**

1. False. The general ledger contains all the asset, liability, and owner's equity accounts.
2. False The general ledger is sometimes referred to as the ledger.
3. False. The accounts in the general ledger are arranged in financial statement order: first the assets, then the liabilities, owner's capital, owner's drawing, revenues, and expenses.
4. True.
5. True.

**EXERCISE 2-9B**

(a)

Cash			
Aug. 1	6,000	Aug. 12	1,000
10	1,700		
31	1,500		
Bal.	8,200		

Notes Payable		
	Aug. 12	5,000

Owner's Capital		
	Aug. 1	6,000

Accounts Receivable			
Aug. 25	2,500	Aug. 31	1,500
Bal.	1,000		

Service Revenue		
	Aug. 10	1,700
	25	2,500
Bal.		4,200

Equipment	
Aug. 12	6,000

(b)

**BRET QUANDT, INVESTMENT BROKER**  
**Trial Balance**  
**August 31, 2017**

	Debit	Credit
Cash.....	\$ 8,200	
Accounts Receivable.....	1,000	
Equipment.....	6,000	
Notes Payable.....		\$ 5,000
Owner's Capital.....		6,000
Service Revenue.....		4,200
	<u>\$15,200</u>	<u>\$15,200</u>

**EXERCISE 2-10B****(a) General Journal**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 1</b>	<b>Cash .....</b>		<b>18,000</b>	
	<b>    Owner's Capital .....</b>			<b>18,000</b>
	<b>        (Owner's investment of         cash in business)</b>			
<b>12</b>	<b>Cash .....</b>		<b>1,200</b>	
	<b>    Service Revenue .....</b>			<b>1,200</b>
	<b>        (Received cash for         services provided)</b>			
<b>15</b>	<b>Salaries and Wages Expense .....</b>		<b>700</b>	
	<b>    Cash .....</b>			<b>700</b>
	<b>        (Paid salaries to date)</b>			
<b>25</b>	<b>Accounts Payable.....</b>		<b>1,600</b>	
	<b>    Cash .....</b>			<b>1,600</b>
	<b>        (Paid creditors on account)</b>			
<b>29</b>	<b>Cash .....</b>		<b>900</b>	
	<b>    Accounts Receivable .....</b>			<b>900</b>
	<b>        (Received cash in payment         of account)</b>			
<b>30</b>	<b>Cash .....</b>		<b>1,400</b>	
	<b>    Unearned Service Revenue .....</b>			<b>1,400</b>
	<b>        (Received cash for future         services)</b>			

**EXERCISE 2-10B (Continued)**

(b) **CARRIE'S GARDENING COMPANY**  
**Trial Balance**  
**April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$19,200	
Accounts Receivable.....	2,000	
Supplies .....	1,900	
Accounts Payable.....		\$ 300
Unearned Service Revenue.....		1,400
Owner's Capital .....		18,000
Service Revenue.....		4,100
Salaries and Wages Expense .....	700	
	<u>\$23,800</u>	<u>\$23,800</u>

**EXERCISE 2-11B**

(a) Oct. 1	Cash.....	8,500	
	Owner's Capital.....		8,500
	(Owner's investment of cash in business)		
10	Cash.....	800	
	Service Revenue .....		800
	(Received cash for services provided)		
10	Cash.....	3,000	
	Notes Payable .....		3,000
	(Obtained loan from bank)		
20	Cash.....	450	
	Accounts Receivable .....		450
	(Received cash in payment of account)		
20	Accounts Receivable.....	1,070	
	Service Revenue .....		1,070
	(Billed clients for services provided)		

**EXERCISE 2-11B (Continued)**

(b)

**NOLASKO CO.**  
**Trial Balance**  
**October 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 11,800	
Accounts Receivable.....	1,420	
Supplies .....	400	
Equipment.....	2,000	
Notes Payable .....		\$ 3,000
Accounts Payable.....		500
Owner's Capital .....		10,500
Owner's Drawings .....	300	
Service Revenue.....		2,670
Salaries and Wages Expense .....	500	
Rent Expense .....	250	
	<u>\$16,670</u>	<u>\$16,670</u>

**EXERCISE 2-12B**

(a)

<b>General Journal</b>					<b>J1</b>
Date	Account Titles and Explanation	Ref.	Debit	Credit	
Sept. 1	Cash.....	101	25,000		
	Owner's Capital.....	301		25,000	
5	Equipment .....	157	30,000		
	Cash .....	101		7,500	
	Accounts Payable .....	201		22,500	
25	Accounts Payable .....	201	6,500		
	Cash .....	101		6,500	
30	Owner's Drawings.....	306	1,000		
	Cash .....	101		1,000	

**EXERCISE 2-12B (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>	
Sept. 1		J1	25,000		25,000	
5		J1		7,500	17,500	
25		J1		6,500	11,000	
30		J1		1,000	10,000	

<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>	
Sept. 5		J1	30,000		30,000	

<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>	
Sept. 5		J1		22,500	22,500	
25		J1	6,500		16,000	

<b>Owner's Capital</b>						<b>No. 301</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
Sept. 1		J1		25,000	25,000	

<b>Owner's Drawings</b>						<b>No. 306</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
Sept. 30		J1	1,000		1,000	

**EXERCISE 2-13B**

<u>Error</u>	<u>(a) In Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Column</u>
1.	No	\$500	Debit
2.	Yes	—	—
3.	No	400	Debit
4.	No	400	Debit
5.	Yes	—	—
6.	No	45	Credit

**EXERCISE 2-14B****MORAN DELIVERY SERVICE**

Trial Balance

July 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash (\$54,740 – Debit total without Cash \$40,830).....	\$ 13,910	
Accounts Receivable .....	5,220	
Prepaid Insurance .....	1,190	
Equipment.....	30,000	
Notes Payable.....		\$16,000
Accounts Payable .....		5,110
Salaries and Wages Payable .....		490
Owner's Capital .....		26,780
Owner's Drawings.....	420	
Service Revenue .....		6,360
Salaries and Wages Expense .....	2,660	
Maintenance and Repairs Expense.....	580	
Gasoline Expense .....	450	
Insurance Expense.....	310	
	<u>\$54,740</u>	<u>\$54,740</u>

**SOLUTIONS TO PROBLEMS—SET C****PROBLEM 2-1C**

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash.....		50,000	
	Owner's Capital .....			50,000
	(Owner's investment of cash in business)			
3	Land.....		23,000	
	Buildings .....		9,000	
	Equipment.....		6,000	
	Cash .....			38,000
	(Purchased Tee's Golf Land)			
5	Advertising Expense .....		1,600	
	Cash .....			1,600
	(Paid for advertising)			
6	Prepaid Insurance .....		1,480	
	Cash .....			1,480
	(Paid for one-year insurance policy)			
10	Equipment.....		2,600	
	Accounts Payable .....			2,600
	(Purchased equipment on account)			
18	Cash.....		800	
	Service Revenue.....			800
	(Received cash for services provided)			
19	Cash.....		1,500	
	Unearned Service Revenue .....			1,500
	(Received cash for future services)			

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

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Mar. 25</b>	<b>Owner's Drawings.....</b>		<b>2,000</b>	
	<b>Cash .....</b>			<b>2,000</b>
	<b>(Withdrew cash for personal use)</b>			
<b>30</b>	<b>Salaries and Wages Expense.....</b>		<b>600</b>	
	<b>Cash .....</b>			<b>600</b>
	<b>(Paid salaries)</b>			
<b>30</b>	<b>Accounts Payable .....</b>		<b>2,600</b>	
	<b>Cash .....</b>			<b>2,600</b>
	<b>(Paid creditor on account)</b>			
<b>31</b>	<b>Cash.....</b>		<b>500</b>	
	<b>Service Revenue .....</b>			<b>500</b>
	<b>(Received cash for services provided)</b>			



<b>PROBLEM 2-2C</b>
---------------------

(a)

Date	Account Titles and Explanation	Ref.	Debit	Credit
				J1
Apr. 1	Cash.....	101	45,000	
	Owner's Capital .....	301		45,000
	(Owner's investment of cash in business)			
1	No entry—not a transaction.			
2	Rent Expense.....	729	800	
	Cash .....	101		800
	(Paid monthly office rent)			
3	Supplies .....	126	1,500	
	Accounts Payable .....	201		1,500
	(Purchased supplies on account)			
10	Accounts Receivable.....	112	1,800	
	Service Revenue.....	400		1,800
	(Billed clients for services provided)			
11	Cash.....	101	500	
	Unearned Service Revenue .....	209		500
	(Received cash for future service)			
20	Cash.....	101	1,500	
	Service Revenue.....	400		1,500
	(Received cash for services provided)			
30	Salaries and Wages Expense .....	726	2,000	
	Cash .....	101		2,000
	(Paid monthly salary)			

**PROBLEM 2-2C (Continued)**

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable .....	201	600	
	Cash .....	101		600
	(Paid creditor on account)			

(b)

**Cash** **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	35,000		45,000
2		J1		800	44,200
11		J1	500		44,700
20		J1	1,500		46,200
30		J1		2,000	44,200
30		J1		600	43,600

**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	1,800		1,800

**Supplies** **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	1,500		1,500

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

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		1,500	1,500
30		J1	600		900

**Unearned Service Revenue** **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		500	500

**PROBLEM 2-2C (Continued)**

<b>Owner's Capital</b>					<b>No. 301</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1		J1		45,000	45,000

<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>
Apr. 10		J1		1,800	1,800
20		J1		1,500	3,300

<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>
Apr. 30		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>
Apr. 2		J1	800		800

(c) **BARBARA FAIR, ARCHITECT**  
**Trial Balance**  
**April 30, 2017**

	<b>Debit</b>	<b>Credit</b>
Cash.....	\$43,600	
Accounts Receivable.....	1,800	
Supplies .....	1,500	
Accounts Payable.....		\$ 900
Unearned Service Revenue.....		500
Owner's Capital .....		45,000
Service Revenue .....		3,300
Salaries and Wages Expense .....	2,000	
Rent Expense.....	800	
	<u>\$49,700</u>	<u>\$49,700</u>

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

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash .....	100,000	
	Owner's Capital .....		100,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent .....	36,000	
	Cash .....		36,000
4.	Equipment .....	60,000	
	Cash .....		20,000
	Accounts Payable .....		40,000
5.	Prepaid Insurance .....	3,000	
	Cash .....		3,000
6.	Supplies .....	1,000	
	Cash .....		1,000
7.	Supplies .....	3,000	
	Accounts Payable .....		3,000
8.	Cash .....	10,000	
	Accounts Receivable .....	20,000	
	Service Revenue .....		30,000
9.	Accounts Payable .....	800	
	Cash .....		800
10.	Cash .....	5,000	
	Accounts Receivable .....		5,000
11.	Utilities Expense .....	400	
	Accounts Payable .....		400

## PROBLEM 2-3C (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense.....	6,000	
	Cash .....		6,000

(b)

Cash	
(1)	100,000
	(3) 36,000
	(4) 20,000
	(5) 3,000
	(6) 1,000
(8)	10,000
	(9) 800
(10)	5,000
	(12) 6,000
	<b>48,200</b>

Equipment	
(4)	60,000
	60,000

Accounts Payable	
	(4) 40,000
	(7) 3,000
(9)	800
	(11) 400
	<b>42,600</b>

Accounts Receivable	
(8)	20,000
	(10) 5,000
	<b>15,000</b>

Owner's Capital	
	(1) 100,000
	<b>100,000</b>

Supplies	
(6)	1,000
(7)	3,000
	<b>4,000</b>

Service Revenue	
	(8) 30,000
	<b>30,000</b>

Prepaid Insurance	
(5)	3,000
	<b>3,000</b>

Salaries and Wages Expense	
(12)	6,000
	<b>6,000</b>

Prepaid Rent	
(3)	36,000
	<b>36,000</b>

Utilities Expense	
(11)	400
	<b>400</b>

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

(c)

**HASKETT SERVICES**  
**Trial Balance**  
**May 31, 2017**

	Debit	Credit
Cash.....	\$ 48,200	
Accounts Receivable.....	15,000	
Supplies .....	4,000	
Prepaid Insurance.....	3,000	
Prepaid Rent .....	36,000	
Equipment.....	60,000	
Accounts Payable.....		\$ 42,600
Owner's Capital .....		100,000
Service Revenue .....		30,000
Salaries and Wages Expense .....	6,000	
Utilities Expense .....	400	
	\$172,600	\$172,600

<b>PROBLEM 2-4C</b>
---------------------

**BILL BELLICHEK CO.**  
**Trial Balance**  
**June 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash (\$2,840 + \$270) .....	\$ 3,110	
Accounts Receivable (\$3,231 – \$270) .....	2,961	
Supplies (\$800 – \$340) .....	460	
Equipment (\$3,000 + \$340) .....	3,340	
Accounts Payable (\$2,666 – \$206 – \$260).....		\$ 2,200
Unearned Service Revenue .....		1,200
Owner's Capital .....		9,000
Owner's Drawing (\$800 + \$500).....	1,300	
Service Revenue (\$2,380 + \$801) .....		3,181
Salaries and Wages Expense		
(\$3,400 + \$600 – \$500) .....	3,500	
Supplies Expense.....	910	
	<u>\$15,581</u>	<u>\$15,581</u>

## PROBLEM 2-5C

(a)&amp;(c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			16,000
2		J1		3,000	13,000
9		J1	6,500		19,500
10		J1		7,000	12,500
12		J1		800	11,700
20		J1	7,200		18,900
20		J1		3,000	15,900
31		J1		4,800	11,100
31		J1	400		11,500
31		J1	7,000		18,500

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	400		400

Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			42,000

Buildings					No. 145
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			18,000

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			16,000



**PROBLEM 2-5C (Continued)****Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			12,000
2		J1		3,000	15,000
10		J1	7,000		8,000

**Owner's Capital** **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			80,000

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

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		6,500	6,500
20		J1		7,200	13,700
31		J1		7,000	20,700

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

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		800	800

**Advertising Expense** **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	800		800

**Rent Expense** **No. 632**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	6,000		6,000
20		J1	3,000		9,000

**PROBLEM 2-5C (Continued)****Salaries and Wages Expense****No. 726**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Mar. 31</b>		<b>J1</b>	<b>4,800</b>		<b>4,800</b>

**(b)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>J1</b>
<b>Mar. 2</b>	<b>Rent Expense .....</b>	<b>632</b>	<b>6,000</b>		
	<b>    Accounts Payable .....</b>	<b>201</b>		<b>3,000</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>3,000</b>	
	<b>    (Rented films for cash and     on account)</b>				
<b>3</b>	<b>No entry.</b>				
<b>9</b>	<b>Cash .....</b>	<b>101</b>	<b>6,500</b>		
	<b>    Service Revenue.....</b>	<b>400</b>		<b>6,500</b>	
	<b>    (Received cash for services     provided)</b>				
<b>10</b>	<b>Accounts Payable (\$3,000 + \$4,000) .....</b>	<b>201</b>	<b>7,000</b>		
	<b>    Cash .....</b>	<b>101</b>		<b>7,000</b>	
	<b>    (Paid creditors on account)</b>				
<b>11</b>	<b>No entry.</b>				
<b>12</b>	<b>Advertising Expense .....</b>	<b>610</b>	<b>800</b>		
	<b>    Cash .....</b>	<b>101</b>		<b>800</b>	
	<b>    (Paid advertising expense)</b>				
<b>20</b>	<b>Cash .....</b>	<b>101</b>	<b>7,200</b>		
	<b>    Service Revenue.....</b>	<b>400</b>		<b>7,200</b>	
	<b>    (Received cash for services     provided)</b>				
<b>20</b>	<b>Rent Expense .....</b>	<b>632</b>	<b>3,000</b>		
	<b>    Cash .....</b>	<b>101</b>		<b>3,000</b>	
	<b>    (Paid film rental)</b>				

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

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar.31	Salaries and Wages Expense .....	726	4,800	
	Cash .....	101		4,800
	(Paid salaries expense)			
31	Cash.....	101	400	
	Accounts Receivable.....	112	400	
	Rent Revenue			
	(10% X \$8,000) .....	429		800
	(Received cash and balance			
	on account for rent			
	revenue)			
31	Cash.....	101	7,000	
	Service Revenue.....	400		7,000
	(Received cash for services			
	provided)			

(d)

**JENSEN THEATER**  
**Trial Balance**  
**March 31, 2017**

	Debit	Credit
Cash .....	\$ 18,500	
Accounts Receivable .....	400	
Land .....	42,000	
Buildings.....	18,000	
Equipment.....	16,000	
Accounts Payable .....		\$ 8,000
Owner's Capital .....		80,000
Service Revenue .....		20,700
Rent Revenue .....		800
Advertising Expense .....	800	
Rent Expense .....	9,000	
Salaries and Wages Expense .....	4,800	
	<u>\$109,500</u>	<u>\$109,500</u>