

***Solution Manual for College Accounting 12th Edition by Slater  
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# 2

# Debits and Credits: Analyzing and Recording Business Transactions

## **ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE**

1. A ledger is a group of accounts that records in monetary value data from business transactions.
2. Because that is always the debit side. It is an arbitrary rule.
3. False. Accounts with one entry will not need footings.
4. The end product of the accounting process is preparing financial statements.
5. The transaction analysis chart is a teaching device that is not used in the regular accounting process.
6. Accounts affected, category, ↑↓ rules, update of T accounts.
7. The analysis of transactions results in the total of debits being equaled to the total of credits. A double-entry system provides a system of checks and balances.
8. False. Informal report; does not have the same status as financial statements.
9. The financial statements are prepared from the ending balances of the accounts (debit or credit) in the ledger. These ending balances are then used on financial statements. The inside columns on financial statements are for subtotaling.
10. It is easier to prepare the reports from the trial balance, because a list of all accounts and their balances is provided. The columns for revenue, expenses, etc., on the expanded accounting equation do not list specific titles and their balances.
11. The question in this case is whether Audrey should be allowed to put fictitious figures into the trial balance. Although Audrey has good intentions in this case, I would not support this type of behavior. Her behavior is extremely unprofessional and goes against all accounting standards. Instead of putting in fictitious figures,

Audrey should stay late and correct the trial balance (or maybe have an assistant help her so she could catch the plane).

## CHAPTER 2 SOLUTIONS TO CLASSROOM DEMONSTRATION EXERCISES

### SET A

1. Cash	\$13,900	Debit Balance
Ken Dalton, Capital	\$24,000	Credit Balance

- |       |            |     |     |     |
|-------|------------|-----|-----|-----|
| 2. A. | Liability  | Cr. | Dr. | Cr. |
| B.    | Revenue    | Cr. | Dr. | Cr. |
| C.    | Asset      | Dr. | Cr. | Dr. |
| D.    | Capital    | Cr. | Dr. | Cr. |
| E.    | Withdrawal | Dr. | Cr. | Dr. |
| F.    | Asset      | Dr. | Cr. | Dr. |
| G.    | Expense    | Dr. | Cr. | Dr. |

3.

				<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; padding: 2px 5px;">Cash</td> </tr> <tr> <td style="text-align: right; padding: 2px 5px;">500</td> </tr> </table>	Cash	500
Cash						
500						
Cash	Asset	↑	Dr.			
				<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; padding: 2px 5px;">Acc. Rec.</td> </tr> <tr> <td style="text-align: right; padding: 2px 5px;">4,500</td> </tr> </table>	Acc. Rec.	4,500
Acc. Rec.						
4,500						
Accounts Receivable	Asset	↑	Dr.			
				<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; padding: 2px 5px;">Legal Fees Earned</td> </tr> <tr> <td style="text-align: right; padding: 2px 5px;">5,000</td> </tr> </table>	Legal Fees Earned	5,000
Legal Fees Earned						
5,000						
Legal Fees Earned	Revenue	↑	Cr.			

4. Cash

Accounts Receivable  
Office Equipment  
Accounts Payable  
B. O'Mally, Capital  
B. O'Mally, Withdrawals  
Hair Salon Fees Earned  
Advertising Expense  
Salary Expense  
Selling Expense

5. A. BS  
B. BS  
C. BS  
D. BS  
E. OE  
F. OE  
G. IS  
H. IS  
I. IS J.  
IS K.  
IS

# SOLUTIONS TO EXERCISES

## Set A

### 2A-1. Balance Sheet Accounts

#### Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Panasonic HD Television

#### Liabilities

- 211 Accounts Payable

#### Owner's Equity

- 311 L. Janas, Capital
- 312 L. Janas, Withdrawals

### Income Statement Accounts

#### Revenue

- 411 Legal Fees Earned

#### Expenses

- 511 Salary Expense
- 512 Repair Expense
- 513 Advertising Expense

### 2A-2.

1. Accounts Affected	2. Category	3. ↑ ↓	4. Rules	5. T-Account Update
				Computer Equipment
Computer Equipment	Asset	↑	Dr.	26,000
				Cash
Cash	Asset	↓	Cr.	9,000
				Accounts Payable
Accounts Payable	Liability	↑	Cr.	17,000

2A-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Computer Supplies	Asset	Dr.	Cr.	Balance Sheet
Legal Fees Earned	Revenue	Cr.	Dr.	Income Statement
P. Roy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Salaries Expense	Expense	Dr.	Cr.	Income Statement
Auto	Asset	Dr.	Cr.	Balance Sheet

2A-4.

	Dr.	Cr.
A.	8	1
B.	6	1
C.	9	4
D.	1	7
E.	10	1
F.	3	5
G.	2	7
H.	1	2
I.	3	4

2A-5.

(1)

**HILL'S CLEANERS  
INCOME STATEMENT  
FOR MONTH ENDED MAY 31, 201X**

<b>Revenue:</b>									
Cleaning Fees						\$	4	1	5
<b>Operating Expenses:</b>									
Salaries Expense	\$	1	0	0					
Utilities Expense		1	7	1					
<b>Total Operating Expenses</b>							2	7	1
<b>Net Income</b>						\$	1	4	4

(2)

**HILL'S CLEANERS STATEMENT OF  
OWNER'S EQUITY  
FOR MONTH ENDED MAY 31, 201X**

J. Hill, Capital, May 1, 201X						\$	1	0	8	6
Net Income for May	\$	1	4	4						
Less: Withdrawals for May		(2	3	0)						
Decrease in Capital								(8	6)	
J. Hill, Capital, July 31, 201X						\$	1	0	0	0

(3)

**HILL'S CLEANERS  
BALANCE SHEET  
MAY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$	8	0	0	<b>Liabilities</b>				
Equipment		7	0	0	Accounts Payable	\$	5	0	0
					<b>Owner's Equity</b>				
					J. Hill, Capital	1	0	0	0
<b>Total Assets</b>	\$	1	5	0	<b>Total Liabilities and Owner's Equity</b>	\$	1	5	0

# SOLUTIONS TO EXERCISES

## Set B

### 2B-1. Balance Sheet Accounts

#### Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Copy Machine

#### Liabilities

- 211 Accounts Payable

#### Owner's Equity

- 311 L. Jones, Capital
- 312 L. Jones, Withdrawals

### Income Statement Accounts

#### Revenue

- 411 Legal Fees Earned

#### Expenses

- 511 Salary Expense
- 512 Rent Expense
- 513 Advertising Expense

### 2B-2.

1. Accounts Affected	2. Category	3. ↑ ↓	4. Rules	5. T-Account Update
				Computer Equipment
Computer Equipment	Asset	↑	Dr.	11,000
				Cash
Cash	Asset	↓	Cr.	10,000
				Accounts Payable
Accounts Payable	Liability	↑	Cr.	1,000



2B-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Office Supplies	Asset	Dr.	Cr.	Balance Sheet
Rental Fees Earned	Revenue	Cr.	Dr.	Income Statement
A. Troy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Wage Expense	Expense	Dr.	Cr.	Income Statement
Computer	Asset	Dr.	Cr.	Balance Sheet

2B-4.

	Dr.	Cr.
A.	8	1
B.	6	1
C.	9	4
D.	1	7
E.	10	1
F.	3	5
G.	2	7
H.	1	2
I.	3	4

2B-5.

(1)

**HUCK'S CLEANERS  
INCOME STATEMENT  
FOR MONTH ENDED MAY 31, 201X**

<b>Revenue:</b>									
Cleaning Fees						\$	4	1	5
<b>Operating Expenses:</b>									
Salaries Expense	\$	1	0	0					
Utilities Expense		1	7	1					
<b>Total Operating Expenses</b>							2	7	1
<b>Net Income</b>						\$	1	4	4

(2)

**HUCK'S CLEANERS STATEMENT  
OF OWNER'S EQUITY  
FOR MONTH ENDED MAY 31, 201X**

J. Huck, Capital, May 1, 201X						\$	1	0	8	6
Net Income for May	\$	1	4	4						
Less: Withdrawals for May		(2)	3	0						
Decrease in Capital								(8)	(6)	
<b>J. Huck, Capital, May 31, 201X</b>						\$	1	0	0	0

(3)

**HUCK'S CLEANERS  
BALANCE SHEET  
MAY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY					
Cash	\$	8	0	0	<b>Liabilities</b>					
Equipment		7	0	0	Accounts Payable	\$	5	0	0	
					<b>Owner's Equity</b>					
					J. Huck, Capital		1	0	0	0
<b>Total Assets</b>	\$	1	5	0	<b>Total Liabilities and Owner's Equity</b>	\$	1	5	0	0

## SOLUTIONS TO GROUP A PROBLEMS

### PROBLEM 2A-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash 28,000	B. Orwell, Capital 28,000
B. Orwell, Capital	Capital*	↑		Cr.		
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks 12,000	Accounts Payable 12,000
Accounts Payable	Liability	↑		Cr.		
C. Rent Expense	Expense	↑		Dr.	Rent Expense 1,200	Accounts Payable 1,200
Accounts Payable	Liability	↑		Cr.		
D. Cash	Asset	↑		Dr.	Cash 2,100	Delivery Fees Earned 2,100
Delivery Fees Earned	Revenue	↑		Cr.		
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable 300	Delivery Fees Earned 300
Delivery Fees Earned	Revenue	↑		Cr.		
F. B. Orwell, Withdrawals	Withdrawal*	↑		Dr.	B. Orwell, Withdrawals 800	Cash 800
Cash	Asset	↓		Cr.		

\* A subdivision of Owner's Equity

**PROBLEM 2A-2**

Cash		111
(A) 40,000	150(D)	
(C) 2,000	300(E)	
	1,100(G)	

Brian Pud, Withdrawals		312
(D) 150		

Office Equipment		121
(B) 7,000		

Consulting Fees Earned		411
	2,000(C)	

Accounts Payable		211
(G) 1,100	7,000 (B)	
	1,000 (F)	

Advertising Expense		511
(E) 300		

Brian Pud, Capital		311
	40,000 (A)	

Rent Expense		512
(F) 1,000		



Cash 111	
(A) 10,000	300 (D)
(C) 4,000	400 (E)
	200 (F)
	300 (H)
	1,000 (I)
14,000	2,200
Bal 11,800	

Accounts Payable 211	
(D) 300	2,300 (C)
	2,000 Bal

Cleaning Fees Earned 411	
	7,000 (B)

Accounts Receivable 112	
(B) 7,000	4,000 (G)
Bal 3,000	

Brad Joy, Capital 311	
	10,000 (A)

Rent Expense 511	
(F) 200	

Office Equipment 121	
(C) 2,300	
(H) 300	
Bal 2,600	

Brad Joy, Withdrawals 312	
(I) 1,000	

Utilities Expense 512	
(E) 400	

(2)

**BRAD'S CLEANING SERVICE  
TRIAL BALANCE OCTOBER  
31, 201X**

	Dr.				Cr.			
Cash	11	8	0	0				
Accounts Receivable	3	0	0	0				
Office Equipment	2	6	0	0				
Accounts Payable					2	0	0	0
Brad Joy, Capital					10	0	0	0
Brad Joy, Withdrawals	1	0	0	0				
Cleaning Fees Earned					7	0	0	0
Rent Expense		2	0	0				
Utilities Expense		4	0	0				
<b>Totals</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>

**PROBLEM 2A-4**

(A)

**GAIL LUCAS, ATTORNEY AT LAW  
INCOME STATEMENT  
FOR MONTH ENDED MAY 31, 201X**

<b>Revenue:</b>									
<b>Revenue from Legal Fees</b>					<b>\$1</b>	<b>6</b>	<b>5</b>	<b>0</b>	
<b>Operating Expenses:</b>									
<b>Utilities Expense</b>	<b>\$</b>	<b>3</b>	<b>5</b>	<b>0</b>					
<b>Rent Expense</b>		<b>6</b>	<b>5</b>	<b>0</b>					
<b>Salaries Expense</b>		<b>1</b>	<b>5</b>	<b>0</b>					
<b>Total Operating Expenses</b>					<b>1</b>	<b>1</b>	<b>5</b>	<b>0</b>	
<b>Net Income</b>					<b>\$</b>	<b>5</b>	<b>0</b>	<b>0</b>	

(B)

**GAIL LUCAS, ATTORNEY AT LAW  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED MAY 31, 201X**

<b>Gail Lucas, Capital, May 1, 201X</b>					<b>\$3</b>	<b>6</b>	<b>9</b>	<b>0</b>	
<b>Net Income for May</b>	<b>\$</b>	<b>5</b>	<b>0</b>	<b>0</b>					
<b>Less: Withdrawals for May</b>		<b>(6</b>	<b>0</b>	<b>0)</b>					
<b>Decrease in Capital</b>						<b>(1</b>	<b>0</b>	<b>0)</b>	
<b>Gail Lucas, Capital, May 31, 201X</b>					<b>\$3</b>	<b>5</b>	<b>9</b>	<b>0</b>	

**GAIL LUCAS, ATTORNEY AT LAW  
BALANCE SHEET  
MAY 31, 201X**

(C)

ASSETS					LIABILITIES AND OWNER'S EQUITY							
Cash	\$5	0	0	0	Liabilities							
Accounts Receivable	1	1	0	0	Accounts Payable	\$3	0	0	0			
Office Equipment	1	2	5	0	Salaries Payable		7	6	0			
					Total Liabilities				\$3	7	6	0
					Owner's Equity							
					Gail Lucas, Capital				3	5	9	0
					Total Liabilities and							
Total Assets	\$7	3	5	0	Owner's Equity				\$7	3	5	0



**PROBLEM 2A-5**

**(1, 2, 3)**

Cash 111	
(A) 29,000	600 (C)
(E) 2,300	650 (D)
(J) 250	600 (F)
	1,600 (G)
	300 (K)

31,550      3,750

27,800

Accounts Receivable 112	
(H) 1,700	250 (J)
1,450	

Office Equipment 121	
(C) 600	

Delivery Trucks 122	
(B) 12,000	

Accounts Payable 211	
	12,000 (B)
	200 (I)
	12,200

A. Annis, Capital 311	
	29,000 (A)

A. Annis, Withdrawals 312	
(K) 300	

Delivery Fees Earned 411	
	2,300 (E)
	1,700 (H)
	4,000

Advertising Expense 511	
(D) 650	

Gas Expense 512	
(G) 1,600	

Salaries Expense 513	
(F) 600	

Telephone Expense 514	
(I) 200	

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

(4)

**ANNIS'S DELIVERY SERVICE  
TRIAL BALANCE AUGUST  
31, 201X**

	Dr.				Cr.			
Cash	27	8	0	0				
Accounts Receivable	1	4	5	0				
Office Equipment		6	0	0				
Delivery Trucks	12	0	0	0				
Accounts Payable					12	2	0	0
A. Annis, Capital					29	0	0	0
A. Annis, Withdrawals		3	0	0				
Delivery Fees Earned					4	0	0	0
Advertising Expense		6	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	0	0				
Telephone Expense		2	0	0				
Totals	45	2	0	0	45	2	0	0

(5A)

**ANNIS'S DELIVERY SERVICE  
INCOME STATEMENT  
FOR MONTH ENDED AUGUST 31, 201X**

Revenue:								
Delivery Fees Earned					\$4	0	0	0
Operating Expenses:								
Advertising Expense	\$	6	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	0	0				
Telephone Expense		2	0	0				
Total Operating Expenses					3	0	5	0
Net Income					\$	9	5	0

PROBLEM 2A-5 (CONCLUDED)

(5B)

**ANNIS'S DELIVERY SERVICE  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED AUGUST 31, 201X**

A. Annis, Capital, August 1, 201X					\$29	0	0	0
Net Income for August	\$	9	5	0				
Less: Withdrawals for August		(3	0	0)				
Increase in Capital						6	5	0
A. Annis, Capital, August 31, 201X					\$29	6	5	0

(5C)

**ANNIS'S DELIVERY SERVICE  
BALANCE SHEET AUGUST  
31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$27	8	0	0	Liabilities				
Accounts Receivable	1	4	5	0	Accounts Payable	\$12	2	0	0
Office Equipment		6	0	0	Owner's Equity				
Delivery Trucks	12	0	0	0	A. Annis, Capital	29	6	5	0
					Total Liabilities and				
Total Assets	\$41	8	5	0	Owner's Equity	\$41	8	5	0

**SOLUTIONS TO GROUP B PROBLEMS**

**PROBLEM 2B-1**

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	B. Om, Capital
					50,000	50,000
B. Om, Capital	Capital	↑		Cr.		
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks	Accounts Payable
					7,000	7,000
Accounts Payable	Liability	↑		Cr.		
C. Rent Expense	Expense	↑		Dr.	Rent Expense	Accounts Payable
					1,200	1,200
Accounts Payable	Liability	↑		Cr.		
D. Cash	Asset	↑		Dr.	Cash	Delivery Fees Earned
					1,700	1,700
Delivery Fees Earned	Revenue	↑		Cr.		
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable	Delivery Fees Earned
					150	150
Delivery Fees Earned	Revenue	↑		Cr.		
F. B. Om, Withdrawals	Withdrawal	↑		Dr.	B. Om, Withdrawals	Cash
					100	100
Cash	Asset	↓		Cr.		

**PROBLEM 2B-2**

Cash 111	
(A) 18,000	50 (D)
(C) 2,400	200 (E)
	900 (G)

Office Equipment 121	
(B) 4,000	

Accounts Payable 211	
(G) 900	4,000 (B)
	1,200 (F)

Brian Pud, Capital 311	
	18,000 (A)

Brian Pud, Withdrawals 312	
(D) 50	

Consulting Fees Earned 411	
	2,400 (C)

Advertising Expense 511	
(E) 200	

Rent Expense 512	
(F) 1,200	

**PROBLEM 2B-3**

Cash 111	Accounts Payable 211	Cleaning Fees Earned 411														
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">12,000 (A)</td> <td style="width: 50%;">1,000 (D)</td> </tr> <tr> <td>3,500 (G)</td> <td>150 (E)</td> </tr> <tr> <td></td> <td>100 (F)</td> </tr> <tr> <td></td> <td>250 (H)</td> </tr> <tr> <td></td> <td>600 (I)</td> </tr> </table>	12,000 (A)	1,000 (D)	3,500 (G)	150 (E)		100 (F)		250 (H)		600 (I)	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">1,000 (D)</td> <td style="width: 50%;">1,400 (C)</td> </tr> </table>	1,000 (D)	1,400 (C)	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">14,000 (B)</td> </tr> </table>		14,000 (B)
12,000 (A)	1,000 (D)															
3,500 (G)	150 (E)															
	100 (F)															
	250 (H)															
	600 (I)															
1,000 (D)	1,400 (C)															
	14,000 (B)															
15,500	2,100															
Bal. 13,400	Bal. 400															
Accounts Receivable 112	Brad Joy, Capital 311	Rent Expense 511														
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">14,000 (B)</td> <td style="width: 50%;">3,500 (G)</td> </tr> </table>	14,000 (B)	3,500 (G)	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">12,000 (A)</td> </tr> </table>		12,000 (A)	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">100 (F)</td> <td style="width: 50%;"></td> </tr> </table>	100 (F)									
14,000 (B)	3,500 (G)															
	12,000 (A)															
100 (F)																
Bal. 10,500																
Office Equipment 121	Brad Joy, Withdrawals 312	Utility Expense 512														
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">1,400 (C)</td> <td style="width: 50%;"></td> </tr> <tr> <td>250 (H)</td> <td></td> </tr> </table>	1,400 (C)		250 (H)		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">600 (I)</td> <td style="width: 50%;"></td> </tr> </table>	600 (I)		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">150 (E)</td> <td style="width: 50%;"></td> </tr> </table>	150 (E)							
1,400 (C)																
250 (H)																
600 (I)																
150 (E)																
Bal. 1,650																

(B)

**BRAD'S CLEANING SERVICE  
TRIAL BALANCE OCTOBER  
31, 201X**

	Dr.				Cr.			
<b>Cash</b>	13	4	0	0				
<b>Accounts Receivable</b>	10	5	0	0				
<b>Office Equipment</b>	1	6	5	0				
<b>Accounts Payable</b>					4	0	0	0
<b>Brad Joy, Capital</b>					12	0	0	0
<b>Brad Joy, Withdrawals</b>		6	0	0				
<b>Cleaning Fees Earned</b>					14	0	0	0
<b>Rent Expense</b>		1	0	0				
<b>Utilities Expense</b>		1	5	0				
<b>Totals</b>	26	4	0	0	26	4	0	0

**PROBLEM 2B-4**

(A)

**GAIL LUCAS, ATTORNEY AT LAW  
INCOME STATEMENT  
FOR MONTH ENDED MAY 31, 201X**

<b>Revenue:</b>									
Revenue from Legal Fees						\$1	8	0	0
<b>Operating Expenses:</b>									
Utilities Expense	\$	1	5	0					
Rent Expense		5	0	0					
Salaries Expense		5	0	0					
<b>Total Operating Expenses</b>						1	1	5	0
<b>Net Income</b>						\$	6	5	0

(B)

**GAIL LUCAS, ATTORNEY AT LAW  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED MAY 31, 201X**

Gail Lucas, Capital, May 1, 201X						\$1	1	8	0
Net Income for May	\$	6	5	0					
Less: Withdrawals for May		(8	0	0)					
Decrease in Capital							(1	5	0)
<b>Gail Lucas, Capital, May 31, 201X</b>						\$1	0	3	0

**PROBLEM 2B-4 (CONTINUED)**

(C)

**GAIL LUCAS, ATTORNEY AT LAW  
BALANCE SHEET  
MAY 31, 201X**

**ASSETS**

**LIABILITIES AND OWNER'S EQUITY**

<b>Cash</b>	<b>\$6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Liabilities</b>							
<b>Accounts Receivable</b>		7	5	0	<b>Accounts Payable</b>	<b>\$6</b>	<b>2</b>	<b>0</b>	<b>0</b>			
<b>Office Equipment</b>		1	2	5	0	<b>Salaries Payable</b>		7	7	0		
					<b>Total Liabilities</b>					<b>\$6</b>	<b>9</b>	<b>7</b>
										<b>0</b>		
					<b>Owner's Equity</b>							
					<b>Gail Lucas, Capital</b>					<b>1</b>	<b>0</b>	<b>3</b>
										<b>0</b>		
					<b>Total Liabilities and</b>							
<b>Total Assets</b>	<b>\$8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Owner's Equity</b>					<b>\$8</b>	<b>0</b>	<b>0</b>
										<b>0</b>		



**PROBLEM 2B-5**

**(1, 2, 3)**

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**PROBLEM 2B-5 (CONTINUED)**  
**(4)**

**ANNIS'S DELIVERY SERVICE**  
**TRIAL BALANCE AUGUST**  
**31, 201X**

	Dr.				Cr.			
Cash	17	1	0	0				
Accounts Receivable	1	2	0	0				
Office Equipment		6	0	0				
Delivery Trucks	11	0	0	0				
Accounts Payable					11	6	0	0
A. Annis, Capital					17	0	0	0
A. Annis, Withdrawals		2	5	0				
Delivery Fees Earned					5	1	0	0
Advertising Expense		3	5	0				
Gas Expense	1	7	0	0				
Salaries Expense		9	0	0				
Telephone Expense		6	0	0				
<b>Totals</b>	<b>33</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>33</b>	<b>7</b>	<b>0</b>	<b>0</b>

(5A)

**ANNIS'S DELIVERY SERVICE**  
**INCOME STATEMENT**  
**FOR MONTH ENDED AUGUST 31, 201X**

<b>Revenue:</b>								
Delivery Fees Earned					\$5	1	0	0
<b>Operating Expenses:</b>								
Advertising Expense	\$	3	5	0				
Gas Expense	1	7	0	0				
Salaries Expense		9	0	0				
Telephone Expense		6	0	0				
<b>Total Operating Expenses</b>					<b>3</b>	<b>5</b>	<b>5</b>	<b>0</b>
<b>Net Income</b>					<b>\$1</b>	<b>5</b>	<b>5</b>	<b>0</b>

PROBLEM 2B-5 (CONCLUDED)

(5B)

ANNIS'S DELIVERY SERVICE  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED AUGUST 31, 201X

A. Annis, Capital, May 1, 201X					\$17	0	0	0	
Net Income for May	\$1	5	5	0					
Less: Withdrawals for May		(2)	(5)	(0)					
Increase in Capital					1	3	0	0	
A. Annis, Capital, May 31, 201X					\$18	3	0	0	

(5C)

ANNIS'S DELIVERY SERVICE  
BALANCE SHEET  
AUGUST 31, 201X

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$17	1	0	0	Liabilities				
Accounts Receivable	1	2	0	0	Accounts Payable	\$11	6	0	0
Office Equipment		6	0	0					
Delivery Trucks	11	0	0	0	Owner's Equity				
					A. Annis, Capital	18	3	0	0
					Total Liabilities and				
Total Assets	\$29	9	0	0	Owner's Equity	\$29	9	0	0

FINANCIAL REPORT PROBLEM SOLUTION—2010 Kellogg's Annual Report

$$\begin{array}{r}
 \$1149 \\
 - 1077 \\
 \hline
 \$ 77
 \end{array}$$

Accounts payable increased by \$77 million in 2010.

ON THE JOB--Sanchez Computer Center Solution

Cash 1000	
3,850 (bal) 900 (P)	150 (L) 200 (M) 1,400 (N) 85 (Q) 50 (R)

4,750 2,865	1,885
----------------	-------

Freedman, Withdrawals 3010
----------------------------

100 bal
---------

Utilities Expense 5030
------------------------

85 bal
--------

Postage Expense 5070
----------------------

50 (R)
--------

Accounts Receivable
---------------------

850 (O)
---------

Office Equipment 1090
-----------------------

600 (bal)
-----------

Service Revenue 4000
----------------------

1,650 (bal) 850 (O) 900 (P)
3,400

Phone Expense 5040
--------------------

155 (K)
---------

Supplies 1030
---------------

250 (bal) 200 (S)
450

Accounts Payable 2000
-----------------------

200(M) 85 (Q)	335 (bal) 155(K) 200(S)
285	690 405

Advertising Expense 5010
--------------------------

1,400 (N)
-----------

Supplies Expense 5050
-----------------------

0
---

Computer Shop equipment 1080
------------------------------

1,200 (bal)
-------------

Freedman, Capital 3000
------------------------

4,500 (bal)
-------------

Rent Expense 5020
-------------------

400 (bal)
-----------

Insurance Expense 5060
------------------------

150 (L)
---------

**TRIAL BALANCE  
AUGUST 31, 201X**

Dr.

Cr.

Cash	2	8	6	5	00				
Accounts Receivable		8	5	0	00				
Supplies		4	5	0	00				
Computer Shop Equipment	1	2	0	0	00				
Office Equipment		6	0	0	00				
Accounts Payable							4	0	5 00
Freedman, Capital						4	5	0	0 00
Freedman, Withdrawals		1	0	0	00				
Service Revenue						3	4	0	0 00
Advertising Expense	1	4	0	0	00				
Rent Expense		4	0	0	00				
Utilities Expense			8	5	00				
Phone Expense		1	5	5	00				
Insurance Expense		1	5	0	00				
Postage Expense			5	0	00				
<b>Totals</b>		<b>8</b>	<b>3</b>	<b>0</b>	<b>5 00</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>5 00</b>

**SANCHEZ COMPUTER CENTER  
INCOME STATEMENT  
FOR THE TWO MONTHS ENDED AUGUST 31, 201X**

Revenue:									
Service Revenue						\$3	4	0	0 00
Operating Expenses:									
Advertising Expense	\$1	4	0	0	00				
Rent Expense		4	0	0	00				
Utilities Expense			8	5	00				
Phone Expense		1	5	5	00				
Insurance Expense		1	5	0	00				
Postage Expense			5	0	00				
						2	2	4	0 00
<b>Net Income</b>						1	1	6	0 00

**SANCHEZ COMPUTER CENTER  
STATEMENT OF OWNER'S EQUITY  
FOR THE TWO MONTHS ENDED AUGUST 31, 201X**

Freedman, Capital, July 1, 201X						\$4	5	0	0	00
Net Income	\$1	1	6	0	00					
Less: Freedman Withdrawals		(1	0	0	00)					
Net Increase Capital						1	0	6	0	00
Freedman, Capital, August 31, 201X						\$5	5	6	0	00

**SANCHEZ COMPUTER CENTER  
BALANCE SHEET  
AUGUST 31, 201X**

ASSETS							LIABILITIES AND OWNER'S EQUITY			
Cash	\$2	8	6	5	00	Liabilities:				
Accounts Receivable		8	5	0	00	Accounts Payable	\$	4	0	5 00
Supplies		4	5	0	00					
Computer Shop Equipment	1	2	0	0	00	Owner's Equity:				
Office Equipment		6	0	0	00	Freedman, Capital	5	5	6	0 00
Total Assets	\$5	9	6	5	00	Total Liabilities and Owner's Equity	\$5	9	6	5 00