

Solution Manual for Financial Accounting IFRS Edition 2nd Edition by Weygandt ISBN 1118285905 9781118285909

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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>	<u>B Problems</u>
1. Explain what an account is and how it helps in the recording process.	1			1		
2. Define debits and credits and explain their use in recording business transactions.	2, 3, 4, 5, 6, 7, 8, 9, 14, 21	1, 2, 5	1	2, 4, 6, 7, 14	1A, 2A, 3A, 5A	1B, 2B, 3B, 5B
3. Identify the basic steps in the recording process.	10, 19	4		6, 7		
4. Explain what a journal is and how it helps in the recording process.	11, 12, 13, 14, 16	3, 6	2	3, 5, 6, 7, 10, 11, 12	1A, 2A, 3A, 5A	1B, 2B, 3B, 5B
5. Explain what a ledger is and how it helps in the recording process.	17			8		
6. Explain what posting is and how it helps in the recording process.	15, 17	7, 8	3	9, 12	2A, 3A, 5A	2B, 3B, 5B
7. Prepare a trial balance and explain its purposes.	18, 20	9, 10	4	11, 13, 14, 15	2A, 3A, 4A, 5A	2B, 3B, 4B, 5B

ASSIGNMENT CHARACTERISTICS TABLE

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

WEYGANDT FINANCIAL ACCOUNTING, IFRS Version, 2e CHAPTER 2
THE RECORDING PROCESS

Number	LO	BT	Difficulty	Time (min.)
BE1	2	C	Simple	6–8
BE2	2	C	Simple	4–6
BE3	4	AP	Simple	4–6
BE4	3	C	Moderate	4–6
BE5	2	C	Simple	6–8
BE6	4	AP	Simple	4–6
BE7	6	AP	Simple	4–6
BE8	6	AP	Simple	4–6
BE9	7	AP	Simple	4–6
BE10	7	AN	Moderate	6–8
DI1	2	C	Simple	3–5
DI2	4	AP	Simple	3–5
DI3	6	AP	Simple	2–4
DI4	7	AP	Simple	6–8
EX1	1	K	Simple	2–4
EX2	2	C	Simple	10–15
EX3	4	AP	Simple	8–10
EX4	2	C	Simple	6–8
EX5	4	AP	Simple	6–8
EX6	2–4	AP	Simple	6–8
EX7	2–4	AP	Simple	8–10
EX8	5	K	Simple	2–4
EX9	6, 7	AP	Simple	10–12
EX10	4, 7	AP	Moderate	10–12
EX11	4, 7	AP	Moderate	12–15
EX12	4, 6	AP	Moderate	12–15
EX13	7	AN	Moderate	6–8
EX14	2, 7	AP	Simple	8–10
EX15	7	C	Simple	4–6

THE RECORDING PROCESS (Continued)

<u>Number</u>	<u>LO</u>	<u>BT</u>	<u>Difficulty</u>	<u>Time (min.)</u>
P1A	2, 4	AP	Simple	20–30
P2A	2, 4, 6, 7	AP	Simple	30–40
P3A	2, 4, 6, 7	AP	Moderate	40–50
P4A	7	AN	Moderate	30–40
P5A	2, 4, 6, 7	AP	Moderate	40–50
P1B	2, 4	AP	Simple	20–30
P2B	2, 4, 6, 7	AP	Simple	30–40
P3B	2, 4, 6, 7	AP	Moderate	40–50
P4B	7	AN	Moderate	30–40
P5B	2, 4, 6, 7	AP	Moderate	40–50
BYP1	2	C	Simple	8–10
BYP2	2, 6	AN	Simple	8–10
BYP3	—	AP	Simple	15–20
BYP4	6, 7	AP, S	Moderate	20–30
BYP5	3, 6	S	Simple	10–15
BYP6	7	AN, E	Moderate	10–15

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

Learning Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
1. Explain what an account is and how it helps in the recording process.	Q2-1 E2-1					
2. Define debits and credits and explain their use in recording business transactions.	Q2-21	Q2-2 Q2-7 BE2-2 Q2-8 2 Q2-3 Q2-9 BE2-5 Q2-14 DI2-1 Q2-4 BE2-1 E2-1 Q2-1 2 E2-2 5 4 Q2-6	E2-6 P2- P2- E2-7 3A 5B E2-14 5A P2-1A P2-1B P2-2A P2-2B P2-3B			
3. Identify the basic steps in the recording process.	Q2-10	Q2-19 BE2-4	E2-6 E2-7			
4. Explain what a journal is and how it helps in the recording process.	Q2-12	Q2-11 Q2-13 Q2-14	Q2-16 E2-7 P2-5A BE2-10 P2-1B BE2-11 P2-2B DI2-12 P2-3B 2 P2-3B E2-3 1A P2-5B E2-5 P2-5B			

			E2-6 2A P2- 3A			
5. Explain what a ledger is and how it helps in the recording process.	E2-8	Q2-17				
6. Explain what posting is and how it helps in the recording process.		Q2-15 Q2-17	BE2- 7 BE2- 8 DI2- 3 9 5A E2- 12 P2- 2B P2- 2A P2- 3B P2- 3A P2- 5B E2- 5A			
7. Prepare a trial balance and explain its purposes.		Q2-18 E2-15	BE2- 9 DI2- 4 9 2A P2- 3A E2- 11 E2- 14 2B P2- 3B P2- 5B P2- 5A E2- 10 E2- 10 E2- 10	Q2-20 BE2-10 E2-13 P2-4A	P2-4B	
Broadening Your Perspective		Financial Reporting	Decision-Making Across the Organization Real-World Focus	Comparative Analysis Ethics Case	Communication Decision Making Across the Organization	Ethics Case

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. Jason 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. Sandra 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, Share Capital—Ordinary, and Retained Earnings are increased by credits and decreased by debits. Expenses and Dividends are increased by debits and decreased by credits.
6.
 - (a) Accounts Receivable—debit balance.
 - (b) Cash—debit balance.
 - (c) Dividends—debit balance.
 - (d) Accounts Payable—credit balance.
 - (e) Service Revenue—credit balance.
 - (f) Salaries and Wages Expense—debit balance.
 - (g) Share Capital—Ordinary—credit balance.
7.
 - (a) Accounts Receivable—asset—debit balance.
 - (b) Accounts Payable—liability—credit balance
 - (c) Equipment—asset—debit balance.
 - (d) Dividends—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) Dividends—debit entries only.
 - (4) Accounts Payable—both debit and credit entries.
 - (5) Salaries and Wages Expense—debit entries only.
 - (6) Service Revenue—credit entries only.
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 a journal in the recording process are:
- (a) It discloses in one place the complete effects of a transaction.
 - (b) It provides a chronological record of transactions.
 - (c) 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 in cash and the remainder is on account.
14. (a) No, business transaction debits and credits should not be recorded directly in the ledger.
 (b) The advantages of using a journal are:
- 1. It discloses in one place the complete effects of a transaction.
 - 2. It provides a chronological record of 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	
Share Capital—Ordinary		9,000
(Issued ordinary shares for cash)		
(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 rendered)		

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and 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.

Questions Chapter 2 (Continued)

- 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, Joe 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. Share Capital—Ordinary	Decrease	Increase	Credit
6. Dividends	Increase	Decrease	Debit

BRIEF EXERCISE 2-2

		<u>Account Debited</u>	<u>Account Credited</u>
June	1	Cash	Share Capital—Ordinary
	2	Equipment	Accounts Payable
	3	Rent Expense	Cash
	12	Accounts Receivable	Service Revenue

BRIEF EXERCISE 2-3

June	1	Cash	4,000	
		Share Capital—Ordinary		4,000
	2	Equipment	900	
		Accounts Payable.....		900
	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) Effect on Accounting Equation

(b) Debit-Credit Analysis

Aug. 1 The asset Cash is increased; the equity account Share Capital—Ordinary is increased.

Debits increase assets:
debit Cash R\$5,000.
Credits increase equity: credit Share Capital—Ordinary R\$5,000.

4 The asset Prepaid Insurance is increased; the asset Cash is decreased.

Debits increase assets:
debit Prepaid Insurance R\$1,800.
Credits decrease assets:
credit Cash R\$1,800.

16 The asset Cash is increased; the revenue Service Revenue is increased.

Debits increase assets:
debit Cash R\$1,100.
Credits increase revenues: credit Service Revenue R\$1,100.

27 The expense Salaries and Wages Expense is increased; the asset Cash is decreased.

Debits increase expenses:
debit Salaries and Wages Expense R\$1,000.
Credits decrease assets:
credit Cash R\$1,000.

BRIEF EXERCISE 2-6

Aug. 1	Cash.....	5,000	5,000
	Share Capital—Ordinary		
4	Prepaid Insurance.....	1,800	1,800
	Cash		
16	Cash..... Service	1,100	1,100
	Revenue.....		
27	Salaries and Wages Expense..... Cash	1,000	1,000
		

BRIEF EXERCISE 2-7

Cash	
5/12	2,100
5/15	3,000
Ending Bal. 5,100	

Service Revenue	
5/5	5,000
5/15	3,000
Ending Bal. 8,000	

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

BRIEF EXERCISE 2-8

Cash						
Date	Explanation	Ref.	Debit	Credit	Balance	
May 12		J1	2,100		2,100	
15		J1	3,000		5,100	

BRIEF EXERCISE 2-8 (Continued)

Accounts Receivable

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

Service Revenue

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

BRIEF EXERCISE 2-9

STARR COMPANY

Trial Balance

June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,800	
Accounts Receivable.....	3,000	
Equipment	17,000	
Accounts Payable		\$ 9,000
Share Capital—Ordinary		20,000
Dividends	1,200	
Service Revenue		6,000
Salaries and Wages Expense.....	6,000	
Rent Expense	<u>1,000</u>	
	<u>\$35,000</u>	<u>\$35,000</u>

BRIEF EXERCISE 2-10

CHENG COMPANY
Trial Balance December
31, 2014

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

SOLUTIONS FOR DO IT! REVIEW EXERCISES

DO IT! 2-1

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

Cash (debit balance)	Notes Payable (credit balance)
Supplies (debit balance)	Accounts Payable (credit balance)
Equipment balance)	Share Capital—Ordinary (credit balance) (debit Rent Expense (debit 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	8,000	
		
		
	Share Capital—Ordinary.....		8,000
2.	Supplies	1,600	
	Cash.....		400
	Accounts Payable.....		1,200

3. No entry because no transaction has occurred.

DO IT! 2-3

Cash			
4/1	1,600		4/16
			600
4/3	3,700		4/20
			500
4/30	4,200		

DO IT! 2-4

CHILLIN' COMPANY
Trial Balance December
31, 2014

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

SOLUTIONS TO EXERCISES

EXERCISE 2-1

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

Date	Account Debited				Account Credited			
	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Equity	Share Capital— Ordinary	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	Equity	Servic e Revenu e	Increase	Credit
16	Equity	Advertisin g 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	Equity	Dividend	Increase	Debit	Asset	Cash	Decrease	Debit

EXERCISE 2-3

General Journal			J1	
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash		15,000	
	Share Capital—Ordinary.....			15,000
3	Equipment		7,000	
	Cash			7,000
9	Supplies		500	
	Accounts Payable.....			500
11	Accounts Receivable		1,800	
	Service Revenue.....			1,800
16	Advertising Expense.....		200	
	Cash			200
20	Cash		700	
	Accounts Receivable.....			700
23	Accounts Payable		300	
	Cash			300
28	Dividends		1,000	
	Cash			1,000

EXERCISE 2-4

- Oct. 1 **Debits increase assets: debit Cash ¥200,000.**
Credits increase equity: credit Share Capital—Ordinary ¥200,000.
- 2 **No transaction.**
- 3 **Debits increase assets: debit Equipment ¥19,000.**
Credits increase liabilities: credit Accounts Payable ¥19,000.

EXERCISE 2-4 (Continued)

- Oct. 6** Debits increase assets: debit Accounts Receivable ¥32,000. Credits increase revenues: credit Service Revenue ¥32,000.
- 27** Debits decrease liabilities: debit Accounts Payable ¥8,500. Credits decrease assets: credit Cash ¥8,500.
- 30** Debits increase expenses: debit Salaries and Wages Expense ¥25,000.
Credits decrease assets: credit Cash ¥25,000.

EXERCISE 2-5

General Journal

Date	Account Titles	Ref.	Debit	Credit
Oct. 1	Cash		200,000	
			
			
	Share Capital—Ordinary			200,000
2	No entry.			
3	Equipment		19,000	
	Accounts Payable			19,000
6	Accounts Receivable.....		32,000	
	Service Revenue			32,000
27	Accounts Payable		8,500	
	Cash.....			8,500
30	Salaries and Wages Expense.....		25,000	
	Cash.....			25,000

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.....	50,000	
		Notes Payable		50,000
	2.	Equipment	25,000	
		Cash		25,000
	3.	Supplies.....	4,500	
		Accounts Payable		4,500

EXERCISE 2-7

(a) Assets = Liabilities + Equity

- | | | | | |
|----|---|--|---|-----------------|
| 1. | + | | + | (Issued shares) |
| 2. | - | | - | (Expense) |
| 3. | + | | + | (Revenue) |
| 4. | - | | - | (Dividends) |

(b)	1.	Cash.....	5,000	
		Share Capital—Ordinary		5,000
	2.	Rent Expense.....	1,100	
		Cash		1,100
	3.	Accounts Receivable	4,700	
		Service Revenue		4,700
	4.	Dividends.....	700	
		Cash		700

EXERCISE 2-8

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

EXERCISE 2-9

(a)

Cash			
Aug. 1	5,000	Aug. 12	1,000
10	2,700		
31	850		
Bal.	7,550		

Notes Payable			
		Aug. 12	4,000

Accounts Receivable			
Aug. 25	1,600	Aug. 31	850
Aug. 12	5,000		

Share Capital—Ordinary			
		Aug. 1	5,000
		Aug. 10	2,700
		25	1,600
		Bal.	4,300

(b)

**ROBERTA MENDEZ, INVESTMENT BROKER Trial
Balance
August 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 7,550	
Accounts Receivable	750	
Equipment	5,000	
Notes Payable		\$ 4,000
Share Capital—Ordinary		5,000
Service Revenue		4,300
	<u>\$13,300</u>	<u>\$13,300</u>

EXERCISE 2-10

(a)

General Journal

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash	101	10,000	
	.....	311		10,000
	Share Capital—Ordinary.....(Issued shares for cash)			
12	Cash	101	900	
	..... Service	400		900
	Revenue..... (Received cash for services provided)			
15	Salaries and Wages Expense..... Cash	726	720	
	.....	101		720
	(Paid salaries to date)			
25	Accounts Payable..... Cash	201	1,500	
	.....	101		1,500
	(Paid creditors on account)			
29	Cash	101	400	
	.....	112		400
	Accounts Receivable (Received cash in payment of account)			
30	Cash	101	1,000	
	.....	209		1,000
	Unearned Service Revenue (Received cash for future services)			

PADRE LANDSCAPING COMPANY

Trial Balance

April 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$10,080	
Accounts Receivable	2,800	
Supplies.....	1,800	
Accounts Payable		\$ 300
Unearned Service Revenue		1,000
Share Capital—Ordinary		10,000
Service Revenue		4,100
Salaries and Wages Expense.....	<u>720</u>	
	<u>5,000</u>	
(a) Oct. 1 Cash.....	\$15,400	\$15,400
Share Capital—Ordinary		5,000
(Issued shares for cash)		
10 Cash.....	650	
Service Revenue		650
(Received cash for services provided)		
10 Cash.....	3,000	
Notes Payable.....		3,000
(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 provided)		

EXERCISE 2-11 (Continued)

(b)

**SPARKS CO.
Trial Balance
October 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 8,170	
Accounts Receivable	1,240	
Supplies	400	
Equipment	2,000	
Notes Payable.....		\$ 3,000
Accounts Payable		500
Share Capital—Ordinary		7,000
Dividends	300	
Service Revenue		2,390
Salaries and Wages Expense	500	
Rent Expense.....	<u>280</u>	
	<u>\$12,890</u>	<u>\$12,890</u>

EXERCISE 2-12

(a)

J1

General Journal

Date	Account Titles	Ref.	Debit	Credit
Sept. 1	Cash	101	10,000	
	Share Capital—Ordinary.....	311		10,000
5	Equipment	157	12,000	
	Cash	101		4,000
	Accounts Payable	201		8,000
25	Accounts Payable	201	2,400	
	Cash	101		2,400
30	Dividends.....	332	500	
	Cash	101		500

EXERCISE 2-12 (Continued)**(b)**

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

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

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

Share Capital—Ordinary					No. 311	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 1		J1		10,000	10,000	

Dividends					No. 332	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 30		J1	500		500	

EXERCISE 2-13

<u>Error</u>	(a) <u>In Balance</u>	(b) <u>Difference</u>	(c) <u>Larger Column</u>
1.	No	\$400	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	300	Credit
5.	Yes	—	—
6.	No	36	Credit

EXERCISE 2-14

TEMPUS FUGIT DELIVERY SERVICE
Trial Balance
July 31, 2014

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

EXERCISE 2-15

Transactions 4, 5, and 7 are operating activities Transaction 3 is an investing activity Transactions 1, 2 and 6 are financing activities.

SOLUTIONS TO PROBLEMS

PROBLEM 2-1A

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash		50,000	
	Share Capital—Ordinary			50,000
	(Issued shares for cash)			
4	Land		30,000	
	Cash			30,000
	(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		1,500	
	Cash			1,500
	(Paid for one-year insurance policy)			
17	Dividends		1,400	
	Cash			1,400
	(Declared and paid a cash dividend)			
20	Cash		5,700	
	Service Revenue			5,700
	(Received cash for services provided)			

PROBLEM 2-1A (Continued)

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

PROBLEM 2-2A

(a)

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
2014				
May 1	Cash	101	20,000	
			
			
	Share Capital—Ordinary	311		20,000
	(Issued shares for cash)			
2	No entry—not a transaction.			
3	Supplies	126	1,500	
	Accounts Payable	201		1,500
	(Purchased supplies on account)			
7	Rent Expense	729	900	
	Cash	101		900
	(Paid office rent)			
11	Accounts Receivable	112	2,800	
	Service Revenue	400		2,800
	(Billed client for services provided)			
12	Cash	101	3,500	
			
	Unearned Service Revenue	209		3,500
	(Received cash for future services)			
17	Cash	101	1,200	
			
	Service Revenue	400		1,200
	(Received cash for services provided)			
31	Salaries and Wages Expense	726	2,000	
	Cash	101		2,000

(Paid salaries)

PROBLEM 2-2A (Continued)

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

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		600	21,200

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 11		J1	2,800		2,800

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 3		J1	1,500		1,500

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 3		J1		1,500	
31		J1	600		900

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 12		J1		3,500	3,500

PROBLEM 2-2A (Continued)

Share Capital—Ordinary					No. 311
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 1		J1		20,000	20,000

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 11		J1		2,800	2,800
17		J1		1,200	4,000

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31		J1	2,000		2,000

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 7		J1	900		900

**(c) KARA SHIN, INC.
Trial Balance
May 31, 2014**

		<u>Debit</u>	<u>Credit</u>
Cash	€21,200	Accounts	
Receivable	2,800	Supplies	
..... 1,500			
Accounts Payable			€ 900
Unearned Service Revenue			3,500
Share Capital—Ordinary			20,000
Service Revenue			4,000
Salaries and Wages Expense	2,000		
Rent Expense	<u>900</u>		
		<u>€28,400</u>	<u>€28,400</u>

PROBLEM 2-3A

(a) & (c)

Cash

Balance	8,000		
		(1)	1,000
		(3)	1,700
(4)	13,000		
		(5)	15,000
(6)	5,000		
		(7)	3,000
		(8)	2,000
	3,300		

Accounts Receivable

Balance	15,000		
		(4)	13,000
(6)	9,000		
	11,000		

Supplies

Balance	13,000		
		(2)	4,000
	17,000		

Prepaid Rent

Balance	3,000		
	3,000		

Equipment

Balance	21,000		
	21,000		

Accounts Payable

		Balance	19,000
		(2)	4,000
(5)	15,000		
			8,000

Share Capital—Ordinary

		Balance	30,000
			30,000

Retained Earnings

		Balance	11,000
			11,000

Dividends

(8)	2,000		
	2,000		

Service Revenue

		(6)	14,000
			14,000

Advertising Expense

(1)	1,000		
	1,000		

Miscellaneous Expense

(3)	1,700		
	1,700		

Salaries and Wages Expense

(7)	3,000		
	3,000		

PROBLEM 2-3A (Continued) (b)

Trans.	Account Titles	Debit	Credit
1.	Advertising Expense	1,000	
	Cash		1,000
2.	Supplies	4,000	
	Accounts Payable		4,000
3.	Miscellaneous Expense	1,700	
	Cash		1,700
4.	Cash	13,000	
	Accounts Receivable		13,000
5.	Accounts Payable	15,000	
	Cash		15,000
6.	Cash	5,000	
	Accounts Receivable	9,000	
	Service Revenue.....		14,000
7.	Salaries and Wages Expense	3,000	
	Cash		3,000
8.	Dividends	2,000	
	Cash		2,000

PROBLEM 2-3A (Continued)

**(d) BYTE REPAIR SERVICE, INC.
Trial Balance
January 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 3,300	
Accounts Receivable	11,000	
Supplies.....	17,000	
Prepaid Rent.....	3,000	
Equipment	21,000	
Accounts Payable		\$ 8,000
Share Capital—Ordinary		30,000
Retained Earnings		11,000
Dividends	2,000	
Service Revenue		14,000
Advertising Expense	1,000	
Miscellaneous Expense.....	1,700	
Salaries and Wages Expense.....	<u>3,000</u>	
	<u>\$63,000</u>	<u>\$63,000</u>

	PROBLEM 2-4A
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GARLAND COMPANY

Trial Balance

May 31, 2014

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

PROBLEM 2-5A

(a) & (c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 1	Balance				□ 6,000
2		J1		800	5,200
9		J1	1,800		7,000
10		J1		3,000	4,000
12		J1		300	3,700
25		J1	5,200		8,900
29		J1		1,600	7,300
30		J1	90		7,390
30		J1		900	6,490

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 30		J1	90		90

Prepaid Rent					No. 136
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 30		J1	900		900

Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 1	Balance				□ 10,000

Buildings					No. 145
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 1	Balance	□			8,000

PROBLEM 2-5A (Continued)

Equipment						No. 157
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 1	Balance				□	
6,000						

Accounts Payable						No. 201
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 1	Balance	□			2,000	
10		J1	1,000		1,000	
20		J1		1,000	2,000	

Mortgage Payable						No. 275
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 1	Balance	□			8,000	
10		J1	2,000		6,000	

Share Capital—Ordinary						No. 311
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 1	Balance	□			20,000	

Service Revenue						No. 400
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 9		J1		1,800	1,800	
25		J1		5,200	7,000	

Rent Revenue						No. 429
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 30		J1		180	180	

PROBLEM 2-5A (Continued)

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 12		J1	300		300

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 29		J1	1,600		1,600

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 2		J1	800		800
20		J1	1,000		1,800

(b)

Date	Account Titles and Explanation	Ref.	Debit	Credit
J1				
2014				
Apr. 2	Rent Expense.....	729	800	
	Cash	101		800
	(Paid film rental)			
3	No entry—not a transaction.			
9	Cash	101	1,800	
	Service Revenue..... (Received cash for services provided)	400		1,800
10	Mortgage Payable.....	275	2,000	
	Accounts Payable Cash	201	1,000	
	.....	101		
	(Made payments on mortgage and accounts payable)			3,000

PROBLEM 2-5A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 11	No entry—not a transaction.			
12	Advertising Expense..... Cash	610	300	
	..... (Paid advertising expenses)	101		300
20	Rent Expense.....	729	1,000	
	Accounts Payable (Rented film on account)	201		1,000
25	Cash	101	5,200	
	.....	400		5,200
	..... Service Revenue (Received cash for services provided)			
29	Salaries and Wages Expense..... Cash	726	1,600	
	..... (Paid salaries)	101		1,600
30	Cash	101	90	
	.....	112	90	
	.....	429		180
	Accounts Receivable			
	Rent Revenue .....(18% X \$1,000) (Received cash and balance on account for concession revenue)			
30	Prepaid Rent	136	900	
	Cash	101		900
	(Paid cash for future film rentals)			

PROBLEM 2-5A (Continued)

(d) **CLASSIC THEATER**
Trial Balance
April 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,490	
Accounts Receivable	90	
Prepaid Rent.....	900	
Land	10,000	
Buildings	8,000	
Equipment	6,000	
Accounts Payable		\$ 2,000
Mortgage Payable		6,000
Share Capital—Ordinary		20,000
Service Revenue		7,000
Rent Revenue		180
Advertising Expense	300	
Salaries and Wages Expense.....	1,600	
Rent Expense	1,800	
	<u>\$35,180</u>	<u>\$35,180</u>

PROBLEM 2-1B

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash.....		60,000	
	Share Capital—Ordinary.....			60,000
	(Issued shares for cash)			
3	Land		23,000	
	Buildings		9,000	
	Equipment		6,000	
	Cash			38,000
	(Purchased Lee's Golf Land)			
5	Advertising Expense		1,600	
	Cash			1,600
	(Paid for advertising)			
6	Prepaid Insurance.....		2,400	
	Cash			2,400
	(Paid for one-year insurance policy)			
10	Equipment		1,050	
	Accounts Payable.....			1,050
	(Purchased equipment on account)			
18	Cash.....		340	
	Service Revenue.....			340
	(Received cash for services provided)			
19	Cash.....		1,800	
	Unearned Service Revenue.....			1,800
	(Received cash for coupon books sold)			

PROBLEM 2-1B (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Dividends		800	
	Cash			800
	(Declared and paid a cash dividend)			
30	Salaries and Wages Expense Cash		250	
	.....			250
	(Paid salaries)			
30	Accounts Payable Cash		1,050	
	.....			1,050
	(Paid creditor on account)			
31	Cash.....		200	
	Service Revenue			200
	(Received cash for services provided)			

PROBLEM 2-2B

(a)

Date	Account Titles and Explanation	Ref.	Debit	Credit
2014				
Apr. 1	Cash.....	101	40,000	
	Share Capital—Ordinary.....	311		40,000
	(Issued shares for cash)			
1	No entry—not a transaction.			
2	Rent Expense	729	1,400	
	Cash	101		1,400
	(Paid monthly office rent)			
3	Supplies.....	126	5,200	
	Accounts Payable.....	201		5,200
	(Purchased supplies on account from Halo Company)			
10	Accounts Receivable.....	112	6,600	
	Service Revenue.....	400		6,600
	(Billed clients for services provided)			
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 provided)			
30	Salaries and Wages Expense.....	726	2,400	
	Cash	101		2,400
	(Paid monthly salary)			

PROBLEM 2-2B (Continued)

Date	Account Titles	Ref.	Debit	Credit
Apr. 30	Accounts Payable	201	1,900	
	Cash.....	101		1,900
	(Paid Halo Company on account)			

(b)
Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 1		J1	40,000		40,000
2		J1		1,400	38,600
11		J1	1,000		39,600
20		J1	2,100		41,700
30		J1		2,400	39,300
30		J1		1,900	37,400

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 10		J1	6,600		6,600

Supplies No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 3		J1	5,200		5,200

Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 3		J1		5,200	5,200
30		J1	1,900		3,300

Unearned Service Revenue No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Apr. 11		J1		1,000	1,000

PROBLEM 2-2B (Continued)

Share Capital—Ordinary						No. 311
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 1		J1		40,000	40,000	
Service Revenue						No. 400
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 10		J1		6,600	6,600	
20		J1		2,100	8,700	
Salaries and Wages Expense						No. 726
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 30		J1	2,400		2,400	
Rent Expense						No. 729
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Apr. 2		J1	1,400		1,400	

(c)

JUDI DENCH, DENTIST
Trial Balance April 30,
2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$37,400	
Accounts Receivable	6,600	
Supplies	5,200	
Accounts Payable		\$ 3,300
Unearned Service Revenue		1,000
Share Capital—Ordinary		40,000
Service Revenue		8,700
Salaries and Wages Expense	2,400	
Rent Expense	1,400	
	<u>\$53,000</u>	<u>\$53,000</u>

PROBLEM 2-3B

(a)

Trans.	Account Titles	Debit	Credit
1.	Cash	50,000	
	Share Capital—Ordinary		50,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent.....	24,000	
	Cash		24,000
4.	Equipment	30,000	
	Cash		8,000
	Accounts Payable		22,000
5.	Prepaid Insurance	1,800	
	Cash		1,800
6.	Supplies.....	750	
	Cash		750
7.	Supplies.....	1,300	
	Accounts Payable		1,300
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.....	260	
	Accounts Payable.....		260

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense	5,600	
	Cash		5,600

(b)

Cash

(1)	50,000	(3)	24,000
		(4)	8,000
		(5)	1,800
		(6)	750
(8)	8,000	(9)	400
(10)	3,000	(12)	5,600
	20,450		

Accounts Receivable

(8)	12,000	(10)	3,000
	9,000		

Supplies

(6)	750		
(7)	1,300		
	2,050		

Prepaid Insurance

(5)	1,800		
	1,800		

Prepaid Rent

(3)	24,000		
	24,000		

Equipment

(4)	30,000		
	30,000		

Accounts Payable

		(4)	22,000
(9)	400	(7)	1,300
		(11)	260
			23,160

Share Capital—Ordinary

		(1)	50,000
			50,000

Service Revenue

		(8)	20,000
			20,000

Salaries and Wages Expense

(12)	5,600		
	5,600		

Utilities Expense

(11)	260		
	260		

PROBLEM 2-3B (Continued)

(c)

CHAMBERLAIN SERVICES
Trial Balance
May 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	£20,450	
Accounts Receivable	9,000	
Supplies	2,050	
Prepaid Insurance	1,800	
Prepaid Rent	24,000	
Equipment	30,000	
Accounts Payable		£23,160
Share Capital—Ordinary		50,000
Service Revenue		20,000
Salaries and Wages Expense	5,600	
Utilities Expense	260	
	<u>£93,160</u>	<u>£93,160</u>

PROBLEM 2-4B

**RON SALEM CO.
Trial Balance
June 30, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash (\$3,840 + \$180)	\$ 4,020	
Accounts Receivable (\$2,898 – \$180)	2,718	
Supplies (\$800 – \$620)	180	
Equipment (\$3,000 + \$620).....	3,620	
Accounts Payable (\$2,666 – \$309 – \$390).....		\$ 1,967
Unearned Service Revenue		2,200
Share Capital—Ordinary.....		9,000
Dividends (\$800 + \$600)	1,400	
Service Revenue (\$2,380 + \$801).....		3,181
Salaries and Wages Expense (\$3,400 + \$700 – \$600)	3,500	
Utilities Expense.....	<u>910</u>	
	<u>\$16,348</u>	<u>\$16,348</u>

PROBLEM 2-5B

(a) & (c)

Cash						No. 101
Date	Explanation	Date	Ref.	Debit	Credit	Balance
2014						
Mar. 1	Balance		□			8,000
2			J1		1,000	7,000
9			J1	4,000		11,000
10			J1		4,100	6,900
12			J1		450	6,450
20			J1	5,000		11,450
20			J1		2,400	9,050
31			J1		2,500	6,550
31			J1	375		6,925
31			J1	9,000		15,925

Accounts Receivable						No. 112
Date	Explanation	Date	Ref.	Debit	Credit	Balance
2014						
Mar. 31			J1	375		375

Land						No. 140
Date	Explanation	Date	Ref.	Debit	Credit	Balance
2014						
Mar. 1	Balance		□			21,000

Buildings						No. 145
Date	Explanation	Date	Ref.	Debit	Credit	Balance
2014						
Mar. 1	Balance		□			10,000

Equipment						No. 157
Date	Explanation	Date	Ref.	Debit	Credit	Balance
2014						
Mar. 1	Balance		□			8,000

PROBLEM 2-5B (Continued)

Accounts Payable						No. 201
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Mar. 1	Balance	□			7,000	
2		J1		2,500	9,500	
10		J1	4,100		5,400	

Share Capital—Ordinary						No. 311
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Mar. 1	Balance	□			40,000	

Service Revenue						No. 400
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Mar. 9		J1		4,000	4,000	
20		J1		5,000	9,000	
31		J1		9,000	18,000	

Rent Revenue						No. 429
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Mar.31		J1		750	750	

Advertising Expense						No. 610
Date	Explanation	Ref.	Debit	Credit	Balance	
2014						
Mar.12		J1	450		450	

PROBLEM 2-5B (Continued)

Salaries and Wages Expense

No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Mar. 31		J1	2,500		2,500

Rent Expense

No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Mar. 2		J1	3,500		3,500
20		J1	2,400		5,900

(b)

Date	Account Titles and Explanation	Ref.	Debit	Credit
2014				J1
Mar. 2	Rent Expense.....	729	3,500	
	Accounts Payable.....	201		2,500
	Cash	101		1,000
	(Rented films for cash and on account)			
3	No entry.			
9	Cash	101	4,000	
	Service Revenue.....	400		4,000
	(Received cash for services provided)			
10	Accounts Payable (\$2,500 + \$1,600).....	201	4,100	
	Cash	101		4,100
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense	610	450	
	Cash	101		450

(Paid advertising expense)

PROBLEM 2-5B (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
20	Cash	101	5,000	
			
			
	Service Revenue	400		5,000
	(Received cash for services provided)			
20	Rent Expense.....	729	2,400	
	Cash	101		2,400
	(Paid film rental)			
31	Salaries and Wages Expense	726	2,500	
	Cash	101		2,500
	(Paid salaries)			
31	Cash	101	375	
			
			
	Accounts Receivable	112	375	
	Rent Revenue	429		750
	(15% X \$5,000)			
	(Received cash and balance on account for concession revenue)			
31	Cash	101	9,000	
			
			
	Service Revenue	400		9,000
	(Received cash for services provided)			

PROBLEM 2-5B (Continued)

(d)

**RUSSO THEATER
Trial Balance
March 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$15 925	
Accounts Receivable	375	
Land	21 000	
Buildings	10 000	
Equipment	8 000	
Accounts Payable		\$ 5,400
Share Capital—Ordinary		40,000
Service Revenue		18,000
Rent Revenue		750
Advertising Expense	450	
Salaries and Wages Expense.....	2 500	
Rent Expense	5 900	
	<u>\$64 150</u>	<u>\$64,150</u>

(a)	GENERAL JOURNAL		J1
	Account Titles	Debit	Credit
2014			
Nov. 8	No entry required for selling her investments—this is a personal transaction.		
8	Cash	500	
	Share Capital—Ordinary		500
11	Advertising Expense	65	
	Cash.....		65
13	Supplies	125	
	Cash.....		125
14	Equipment.....	300	
	Share Capital—Ordinary		300
16	Cash.....Notes Payable	2,000	
	.....		2,000
17	Equipment.....	900	
	Cash.....		900
20	Cash.....Service	125	
	Revenue		125
25	Cash	30	
	Unearned Service Revenue.....		30
30	Prepaid Insurance	1,320	
	Cash.....		1,320

(b)

Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
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.	Debit	Credit	Balance
2014					
Nov. 13		J1	125		125

Prepaid Insurance					
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 30		J1	1,320		1,320

Equipment					
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 14		J1	300		300
	17	J1	900		1,200

Unearned Service Revenue					
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 25		J1		30	30

CCC2 (Continued)

(b) (Continued)

Notes Payable

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 16		J1		2,000	2,000

Share Capital—Ordinary

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 20		J1		125	125

Advertising Expense

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
Nov. 11		J1	65		65

CCC2 (Continued)

(c)

COOKIE CREATIONS

**Trial Balance
November 30, 2014**

	<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
Share Capital—Ordinary		800
Service Revenue.....		125
Advertising Expense.....	<u>65</u>	
	<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.

(a)	<u>Account</u>	(1) Increase <u>Side</u>	(1) Decrease <u>Side</u>	(2) Normal <u>Balance</u>
	Accounts (Trade) Payable	Credit	Debit	Credit
	Accounts (Trade) Receivable	Debit	Credit	Debit
	Property, Plant, and Equipment	Debit	Credit	Debit
	Tax Payable	Credit	Debit	Credit
	Interest Expense (finance cost)	Debit	Credit	Debit
	Inventories	Debit	Credit	Debit

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

- (c) 1. Cash is decreased or Interest Payable is increased.
 2. Cash is decreased or Notes or Mortgage Payable or Share Capital—
 Ordinary is increased.

(a)	<u>Nestlé</u>		<u>Zetar</u>	
	1. Inventory:	debit	1. Accounts (Trade) Receivable:	debit
	2. Property, Plant, and Equipment:	debit	2. Cash and Cash Equivalents:	debit
	3. Accounts (Trade) Payable:	credit	3. Cost of Goods Sold (expense):	debit
	4. Interest Expense (Finance Cost):	debit	4. Sales (revenue)	credit

(b) The following other accounts are ordinarily involved:

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: Notes Payable is increased (credited) or Cash is decreased (credited) or Share Capital—Ordinary is increased (credited).
4. Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).

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

(a) May 1	Correct.		
5	Cash.....	250	
	Lesson Revenue		250
7	Cash.....	500	500
	Unearned Boarding Revenue.....		
14	Office Equipment	800	800
	Cash		
15	Dividends	440	440
	Cash		
20	Cash.....Riding	184	184
	Revenue.....		
30	Correct.		
31	Hay and Feed Supplies.....	1,500	1,500
	Accounts Payable		

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

(c) Net income as reported			\$4,600
Add: 5/15, Salaries expense (Dividends paid).....	\$ 440		
5/31, Hay and feed expense (still on hand)....	<u>1,500</u>		<u>1,940</u>
			6,540
Less: 5/7, Boarding revenue unearned.....			<u>500</u>
Correct net income.....			<u>\$6,040</u>

(d) Cash as reported			\$12,475
Add: 5/20, Transposition error	\$ 36		
5/31, Purchase on account	<u>1,500</u>		<u>1,536</u>
Correct cash balance.....			<u>\$14,011</u>

Date: May 25, 2014

To: Accounting Instructor

From: Student

In the first transaction, bills totaling \$6,000 were sent to customers for services rendered. 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
(Bill customers for services provided)		

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 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:

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

(c) Sara'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.

GAAP EXERCISE

GAAP 2-1

In deciding whether the U.S. should adopt IFRS, the SEC should consider the following.

- Whether IFRS is sufficiently developed and consistent in application
- Whether the IASB is sufficiently independent
- Whether IFRS is established for the benefit to investors
- The issues involved in educating investors about IFRS
- The impact of a switch to IFRS on U.S. laws and regulations
- The impact on companies including changes to their accounting systems, contractual arrangements, corporate governance, and litigation
- The issues involved in educating accountants, so they can prepare statements under IFRS

GAAP FINANCIAL REPORTING PROBLEM

GAAP 2-2

(a)

	(1)		(2)
	Increase	Decrease	Normal
	Side	Side	Balance
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Buildings	Debit	Credit	Debit
Inventories	Debit	Credit	Debit
Rent Revenue	Credit	Debit	Credit
Rent Expense	Debit	Credit	Debit

(b) The following other accounts are ordinarily involved:

1. Accounts Receivable is decreased: Cash is increased (debited).
2. Accounts Payable is decreased: Cash is decreased (credited).
3. Inventories is increased: Cash is decreased (credited) or Accounts Payable is increased (credited)

