

EXERCISES: SET B

E2-1B Jo Seacat has prepared the following list of statements about accounts.

1. An account is an accounting record of either a specific asset or a specific liability.
2. An account shows only increases, not decreases, in the item it relates to.
3. Some items, such as Cash and Accounts Receivable, are combined into one account.
4. An account has a left, or credit side, and a right, or debit side.
5. A simple form of an account consisting of just the account title, the left side, and the right side, is called a T-account.

Analyze statements about accounting and the recording process.

(LO 1)

Instructions

Identify each statement as true or false. If false, indicate how to correct the statement.

E2-2B Selected transactions for J. Contreras, an interior decorating firm, in its first month of business, are as follows.

Identify debits, credits, and normal balances.

- Jan. 2 Invested \$12,000 cash in the business in exchange for common stock.
 3 Purchased used car for \$5,000 cash for use in the business.
 9 Purchased supplies on account for \$400.
 11 Billed customers \$1,600 for services performed.
 16 Paid \$250 cash for advertising.
 20 Received \$800 cash from customers billed on January 11.
 23 Paid creditor \$200 cash on balance owed.
 28 Declared and paid a \$1,300 cash dividend.

(LO 2)

Instructions

For each transaction indicate the following.

- (a) The basic type of account debited and credited (asset, liability, stockholders' equity).
- (b) The specific account debited and credited (cash, rent expense, service revenue, etc.).
- (c) Whether the specific account is increased or decreased.
- (d) The normal balance of the specific account.

Use the following format, in which the January 2 transaction is given as an example.

| | Account Debited | | | | Account Credited | | | |
|--------|----------------------|----------------------------|---------------|--------------------------|----------------------|----------------------------|---------------|--------------------------|
| | (a) Basic Type | (b) Specific Account | (c) Effect | (d) Normal Balance | (a) Basic Type | (b) Specific Account | (c) Effect | (d) Normal Balance |
| Jan. 2 | Asset | Cash | Increase | Debit | Stockholders' Equity | Common Stock | Increase | Credit |

E2-3B Data for J. Contreras, interior decorating, are presented in E2-2B.

Journalize transactions.

Instructions

Journalize the transactions using journal page J1. (You may omit explanations.)

(LO 4)

E2-4B Presented below is information related to Conan Real Estate Agency.

Analyze transactions and determine their effect on accounts.

- Oct. 1 Arnold Conan begins business as a real estate agent with a cash investment of \$18,000 in exchange for common stock.
 2 Hires an administrative assistant.
 3 Purchases office furniture for \$1,700, on account.
 6 Sells a house and lot for B. Clinton; bills B. Clinton \$4,200 for realty services provided.
 27 Pays \$900 on the balance related to the transaction of October 3.
 30 Pays the administrative assistant \$2,800 in salary for October.

(LO 2)

Instructions

Prepare the debit-credit analysis for each transaction as illustrated on pages 66–71.

E2-5B Transaction data for Conan Real Estate Agency are presented in E2-4B.

Journalize transactions.

Instructions

Journalize the transactions. (You may omit explanations.)

(LO 4)

2 The Recording Process

Analyze transactions and journalize.

(LO 2, 3, 4)

E2-6B Carey Industries had the following transactions.

1. Borrowed \$6,000 from the bank by signing a note.
2. Paid \$2,800 cash for a computer.
3. Purchased \$400 of supplies on account.

Instructions

- (a) Indicate what accounts are increased and decreased by each transaction.
- (b) Journalize each transaction. (Omit explanations.)

Analyze transactions and journalize.

(LO 2, 3, 4)

E2-7B Affleck Enterprises had the following selected transactions.

1. B. Affleck invested \$6,000 cash in the business in exchange for common stock.
2. Paid office rent of \$1,800.
3. Performed consulting services and billed a client \$5,300.
4. Declared and paid a \$800 cash dividend.

Instructions

- (a) Indicate the effect each transaction has on the accounting equation (Assets = Liabilities + Stockholders' Equity), using plus and minus signs.
- (b) Journalize each transaction. (Omit explanations.)

Analyze statements about the ledger.

(LO 5)

E2-8B Piper Laurie has prepared the following list of statements about the general ledger.

1. The general ledger contains all the asset and liability accounts, but no stockholders' equity accounts.
2. The general ledger is sometimes referred to as simply the ledger.
3. The accounts in the general ledger are arranged in alphabetical order.
4. Each account in the general ledger is numbered for easier identification.
5. The general ledger is a book of original entry.

Instructions

Identify each statement as true or false. If false, indicate how to correct the statement.

Post journal entries and prepare a trial balance.

(LO 6, 7)

E2-9B Selected transactions from the journal of Andy Wright, investment broker, are presented below.

| Date | Account Titles and Explanation | Ref. | Debit | Credit |
|--------|---|------|-------|----------------|
| Aug. 1 | Cash Common Stock (Investment of cash for stock) | | 6,000 | 6,000 |
| 10 | Cash Service Revenue (Received cash for services provided) | | 2,300 | 2,300 |
| 12 | Equipment Cash Notes Payable (Purchased office equipment for cash and notes payable) | | 3,000 | 2,000 1,000 |
| 25 | Account Receivable Service Revenue (Billed clients for services provided) | | 1,500 | 1,500 |
| 31 | Cash Accounts Receivable (Receipt of cash on account) | | 800 | 800 |

Instructions

- (a) Post the transactions to T accounts.
- (b) Prepare a trial balance at August 31, 2014.

E2-10B The T accounts below summarize the ledger of Garfunkle Landscaping Company at the end of the first month of operations.

| Cash No. 101 | | Unearned Service Revenue No. 209 | |
|-----------------------------|------------|------------------------------------|------------|
| 4/1 18,000 | 4/15 700 | | 4/30 1,200 |
| 4/12 800 | 4/25 1,400 | | |
| 4/29 700 | | | |
| 4/30 1,200 | | | |
| Accounts Receivable No. 112 | | Common Stock No. 311 | |
| 4/7 3,800 | 4/29 700 | | 4/1 18,000 |
| Supplies No. 126 | | Service Revenue No. 400 | |
| 4/4 1,900 | | | 4/7 3,800 |
| | | | 4/12 800 |
| Accounts Payable No. 201 | | Salaries and Wages Expense No. 726 | |
| 4/25 1,400 | 4/4 1,900 | 4/15 700 | |

Journalize transactions from account data and prepare a trial balance.

(LO 4, 7)

Instructions

- Prepare the complete general journal (including explanations) from which the postings to Cash were made.
- Prepare a trial balance at April 30, 2014.

E2-11B Presented below is the ledger for Benning Co.

| Cash No. 101 | | Common Stock No. 311 | |
|-----------------------------|-------------|------------------------------------|-------------|
| 10/1 6,000 | 10/4 400 | | 10/1 6,000 |
| 10/10 850 | 10/12 1,600 | | 10/25 2,500 |
| 10/10 2,000 | 10/15 350 | | |
| 10/20 700 | 10/30 380 | | |
| 10/25 2,500 | 10/31 700 | | |
| Accounts Receivable No. 112 | | Dividends No. 332 | |
| 10/6 800 | 10/20 700 | 10/30 380 | |
| 10/20 990 | | | |
| Supplies No. 126 | | Service Revenue No. 400 | |
| 10/4 400 | | | 10/6 800 |
| Equipment No. 149 | | | 10/10 850 |
| 10/3 2,500 | | | 10/20 990 |
| Notes Payable No. 200 | | Salaries and Wages Expense No. 628 | |
| | 10/10 2,000 | 10/31 700 | |
| Accounts Payable No. 201 | | Rent Expense No. 729 | |
| 10/12 1,600 | 10/3 2,500 | 10/15 350 | |

Journalize transactions from account data and prepare a trial balance.

(LO 4, 7)

Instructions

- Reproduce the journal entries for the transactions that occurred on October 1, 10, and 20, and provide explanations for each.
- Determine the October 31 balance for each of the accounts above, and prepare a trial balance at October 31, 2014.

E2-12B Selected transactions for Mike Gregory Company during its first month in business are presented below.

- Sept. 1 Invested \$13,000 cash in the business in exchange for common stock.
 5 Purchased equipment for \$14,000 paying \$4,000 in cash and the balance on account.
 25 Paid \$5,000 cash on balance owed for equipment.
 30 Declared and paid a \$800 cash dividend.

Prepare journal entries and post using standard account form.

(LO 4, 6)

4 2 The Recording Process

Gregory's chart of accounts shows: No. 101 Cash, No. 157 Equipment, No. 201 Accounts Payable, No. 311 Common Stock; No. 332 Dividends.

Instructions

- (a) Journalize the transactions on page J1 of the journal. (Omit explanations.)
- (b) Post the transactions using the standard account form.

Analyze errors and their effects on trial balance.

(LO 7)

E2-13B The bookkeeper for Tabor Equipment Repair made a number of errors in journalizing and posting, as described below.

- 1. A credit posting of \$600 to Accounts Receivable was omitted.
- 2. A debit posting of \$850 for Prepaid Insurance was debited to Insurance Expense.
- 3. A collection from a customer of \$150 in payment of its account owed was journalized and posted as a debit to Cash \$150 and a credit to Service Revenue \$150.
- 4. A credit posting of \$400 to Property Taxes Payable was made twice.
- 5. A cash purchase of supplies for \$350 was journalized and posted as a debit to Supplies \$35 and a credit to Cash \$35.
- 6. A debit of \$574 to Advertising Expense was posted as \$547.

Instructions

For each error:

- (a) Indicate whether the trial balance will balance.
- (b) If the trial balance will not balance, indicate the amount of the difference.
- (c) Indicate the trial balance column that will have the larger total.

Consider each error separately. Use the following form, in which error (1) is given as an example.

| <u>Error</u> | <u>(a)</u> <u>In Balance</u> | <u>(b)</u> <u>Difference</u> | <u>(c)</u> <u>Larger Column</u> |
|--------------|---------------------------------|---------------------------------|------------------------------------|
| (1) | No | \$400 | debit |

Prepare a trial balance.

(LO 2, 7)

E2-14B The accounts in the ledger of Garcia Delivery Service contain the following balances on July 31, 2014.

| | | | |
|---------------------|----------|---------------------------------|----------|
| Accounts Receivable | \$ 8,642 | Prepaid Insurance | \$ 1,968 |
| Accounts Payable | 6,396 | Maintenance and Repairs Expense | 961 |
| Cash | ? | Service Revenue | 12,610 |
| Equipment | 45,360 | Dividends | 700 |
| Gasoline Expense | 758 | Common Stock | 35,000 |
| Utilities Expense | 523 | Salaries and Wages Expense | 3,428 |
| Notes Payable | 18,450 | Salaries and Wages Payable | 815 |
| | | Retained Earnings | 4,636 |

Instructions

Prepare a trial balance with the accounts arranged as illustrated in the chapter and fill in the missing amount for Cash.

Identify cash flow activities.

(LO 7)

E2-15B The statement of cash flows classifies each transaction as an operating activity, an investing activity, or a financing activity. Operating activities are the types of activities the company performs to generate profits. Investing activities include the purchase of long-lived assets such as equipment or the purchase of investment securities. Financing activities are borrowing money, issuing shares of stock, and paying dividends.

Presented below are the following transactions

- 1. Issued stock for \$25,000 cash.
- 2. Issued note payable for \$12,000 cash.
- 3. Purchased office equipment for \$13,000 cash.
- 4. Received \$10,000 cash for services provided.
- 5. Paid \$1,800 cash for rent.
- 6. Paid \$700 cash dividend to stockholders.
- 7. Paid \$6,200 cash for salaries.

Instructions

Classify each of these transactions as operating, investing, or financing activities.

PROBLEMS: SET C

P2-1C Hazzard Golf Course was opened on March 1 by Ken Hazzard. The following selected events and transactions occurred during March:

- Mar. 1 Invested \$55,000 cash in the business in exchange for common stock.
 3 Purchased Woods Golf Land for \$35,000 cash. The price consists of land \$27,000, shed \$3,000, and equipment \$5,000. (Make one compound entry.)
 5 Advertised the opening of the driving range and miniature golf course, paying advertising expenses of \$900.
 6 Paid cash \$1,200 for a one-year insurance policy.
 10 Purchased golf discs and other equipment for \$1,400 from Bogey Company payable in 30 days.
 18 Received \$300 in cash for golf fees earned.
 19 Sold 100 coupon books for \$12 each. Each book contains 4 coupons that enable the holder to play one round of disc golf.
 25 Declared and paid a \$600 cash dividend.
 30 Paid salaries of \$850.
 30 Paid Bogey Company in full.
 31 Received \$600 cash for fees earned.

Ken Hazzard uses the following accounts: Cash, Prepaid Insurance, Land, Buildings, Equipment, Accounts Payable, Unearned Service Revenue, Common Stock, Dividends, Service Revenue, Advertising Expense, and Salaries and Wages Expense.

Instructions

Journalize the March transactions.

P2-2C Saira Ortiz is a licensed dentist. During the first month of the operation of her business, the following events and transactions occurred.

- April 1 Stockholders invested \$50,000 cash in exchange for common stock.
 1 Hired a secretary-receptionist at a salary of \$500 per week payable monthly.
 2 Paid office rent for the month \$1,400.
 3 Purchased dental supplies on account from Whyte Company \$4,500.
 10 Provided dental services and billed insurance companies \$5,300.
 11 Received \$1,200 cash advance from Sveta Pace for an implant.
 20 Received \$2,300 cash for services completed and delivered to Nami Cho.
 30 Paid secretary-receptionist for the month \$2,000.
 30 Paid \$1,800 to Whyte Company for accounts payable due.

Saira uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 311 Common Stock; No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions

- (a) Journalize the transactions.
 (b) Post to the ledger accounts.
 (c) Prepare a trial balance on April 30, 2014.

P2-3C Piquin Services was formed on May 1, 2014. The following transactions took place during the first month.

Transactions on May 1:

1. Stockholders invested \$60,000 cash in exchange for common stock.
2. Hired two employees to work in the warehouse. They will each be paid a salary of \$3,800 per month.
3. Signed a 2-year rental agreement on a warehouse; paid \$36,000 cash in advance for the first year.
4. Purchased equipment costing \$35,000. A cash payment of \$12,000 was made immediately; the remainder will be paid in 6 months.
5. Paid \$1,500 cash for a one-year insurance policy on the equipment.

Journalize a series of transactions.

(LO 2, 4)



Journalize transactions, post, and prepare a trial balance.

(LO 2, 4, 6, 7)



Trial balance totals \$61,500

Journalize transactions, post, and prepare a trial balance.

(LO 2, 4, 6, 7)

6 2 The Recording Process

Transactions during the remainder of the month:

6. Purchased basic office supplies for \$400 cash.
7. Purchased more office supplies for \$1,600 on account.
8. Total revenues earned were \$25,000—\$9,000 cash and \$16,000 on account.
9. Paid \$600 to suppliers for accounts payable due.
10. Received \$6,000 from customers in payment of accounts receivable.
11. Received utility bills in the amount of \$400, to be paid next month.
12. Paid the monthly salaries of the two employees, totalling \$7,600.

Instructions

- (a) Prepare journal entries to record each of the events listed. (Omit explanations.)
- (b) Post the journal entries to T accounts.
- (c) Prepare a trial balance as of May 31, 2014.

P2-4C The trial balance of Poblanu Co. shown below does not balance.

POBLANU CO.

Trial Balance June 30, 2014

| | Debit | Credit |
|----------------------------|-----------------|-----------------|
| Cash | | \$ 2,771 |
| Accounts Receivable | \$ 2,731 | |
| Supplies | 1,200 | |
| Equipment | 2,600 | |
| Accounts Payable | | 3,666 |
| Unearned Service Revenue | 1,100 | |
| Common Stock | | 8,000 |
| Dividends | 800 | |
| Service Revenue | | 2,480 |
| Salaries and Wages Expense | 3,200 | |
| Utilities Expense | 810 | |
| | <u>\$12,441</u> | <u>\$16,917</u> |

Each of the listed accounts has a normal balance per the general ledger. An examination of the ledger and journal reveals the following errors.

1. Cash received from a customer in payment of its account was debited for \$360, and Accounts Receivable was credited for the same amount. The actual collection was for \$630.
2. The purchase of a computer on account for \$850 was recorded as a debit to Supplies for \$850 and a credit to Accounts Payable for \$850.
3. Services were performed on account for a client for \$690. Accounts Receivable was debited for \$690, and Service Revenue was credited for \$69.
4. A debit posting to Salaries and Wages Expense of \$900 was omitted.
5. A payment of a balance due for \$405 was credited to Cash for \$405 and credited to Accounts Payable for \$450.
6. The payment of a \$700 cash dividend was debited to Salaries and Wages Expense for \$700 and credited to Cash for \$700.

Instructions

Prepare a correct trial balance. (*Hint:* It helps to prepare the correct journal entry for the transaction described and compare it to the mistake made.)

P2-5C The Morelli Theater, owned by Anna Morelli, will begin operations in March. The Morelli will be unique in that it will show only triple features of sequential theme movies. As of March 1, the ledger of Morelli showed: No. 101 Cash \$10,000, No. 140 Land \$42,000, No. 145 Buildings (concession stand, projection room, ticket booth, and screen) \$12,000, No. 157 Equipment \$18,000, No. 201 Accounts Payable \$9,000, and No. 311 Common Stock \$73,000. During the month of March the following events and transactions occurred.

- Mar. 2 Rented the three Legally Blonde movies to be shown for the first 3 weeks of March. The film rental was \$2,500; \$1,500 was paid in cash and \$1,000 will be paid on March 10.

Trial balance totals \$109,400

Prepare a correct trial balance.

(LO 7)



Trial balance totals \$15,012

Journalize transactions, post, and prepare a trial balance.

(LO 2, 4, 6, 7)



- 3 Ordered the Star Wars (Preguel Trilogy) to be shown the last 10 days of March. It will cost \$300 per night.
- 9 Received \$5,000 cash from admissions.
- 10 Paid balance due on Legally Blonde movies rental and \$2,600 on March 1 accounts payable.
- 11 Morelli Theater contracted with Bonnie Bono to operate the concession stand. Bono is to pay 12% of gross concession receipts (payable monthly) for the right to operate the concession stand.
- 12 Paid advertising expenses \$400.
- 20 Received \$5,800 cash from customers for admissions.
- 20 Received the Star Wars (Preguel Trilogy) movies and paid the rental fee of \$3,000.
- 31 Paid salaries of \$2,700.
- 31 Received statement from Bonnie Bono showing gross receipts from concessions of \$8,000 and the balance due to Morelli Theater of \$960 ($\$8,000 \times 12\%$) for March. Bono paid one-half the balance due and will remit the remainder on April 5.
- 31 Received \$8,000 cash from customers for admissions.

In addition to the accounts identified above, the chart of accounts includes: No. 112 Accounts Receivable, No. 400 Service Revenue, No. 429 Rent Revenue, No. 610 Advertising Expense, No. 729 Rent Expense, and No. 726 Salaries and Wages Expense.

Instructions

- (a) Enter the beginning balances in the ledger. Insert a check mark (✓) in the reference column of the ledger for the beginning balance.
- (b) Journalize the March transactions.
- (c) Post the March journal entries to the ledger. Assume that all entries are posted from page 1 of the journal.
- (d) Prepare a trial balance on March 31, 2014.

Trial balance totals \$99,160