

# 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	9, 10, 11, 13, 14, 15	2A, 3A, 4A, 5A	2B, 3B, 4B, 5B

**ASSIGNMENT CHARACTERISTICS TABLE**

<b>Problem Number</b>	<b>Description</b>	<b>Difficulty Level</b>	<b>Time Allotted (min.)</b>
1A	Journalize a series of transactions.	Simple	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Simple	30–40
3A	Journalize 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, 3e**  
**CHAPTER 2**  
**THE RECORDING PROCESS**

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
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)**

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
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	AN	Simple	8–10
BYP3	—	AP	Simple	15–20
BYP4	4, 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 Q2-3 Q2-8 BE2-5 Q2-4 Q2-9 DI2-1 Q2-5 Q2-14 E2-2 Q2-6 BE2-1 E2-4	E2-6 P2-3A P2-5B E2-7 P2-5A E2-14 P2-1B P2-1A P2-2B P2-2A 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 BE2-3 E2-10 P2-1B BE2-6 E2-11 P2-2B DI2-2 E2-12 P2-3B E2-3 P2-1A P2-5B E2-5 P2-2A E2-6 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 E2-12 P2-2B BE2-8 P2-2A P2-3B DI2-3 P2-3A P2-5B E2-9 P2-5A			
7. Prepare a trial balance and explain its purposes.		Q2-18 E2-15	BE2-9 E2-11 P2-5A DI2-4 E2-14 P2-2B E2-9 P2-2A P2-3B E2-10 P2-3A P2-5B	Q2-20 P2-4B BE2-10 E2-13 P2-4A		
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.

LO: 2.1

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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

LO: 2.3

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

## 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.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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

LO: 2.4

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

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.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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

LO: 2.6

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

- |         |                                   |       |       |
|---------|-----------------------------------|-------|-------|
| 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 performed)		

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

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.

LO: 2.5, 2.6

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### 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.

LO: 2.7

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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.

LO: 2.3

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

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

LO: 2.7

Difficulty: Easy

BLOOMCODE: Analysis

AACSB: Reflective thinking

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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

## SOLUTIONS TO BRIEF EXERCISES

### BRIEF EXERCISE 2-1

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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### BRIEF EXERCISE 2-2

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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### BRIEF EXERCISE 2-3

June 1	Cash.....	4,000	
	Share Capital—Ordinary.....		4,000
2	Equipment.....	900	
	Accounts Payable .....		900
3	Rent Expense.....	800	

<b>Cash.....</b>		<b>800</b>
<b>12    Accounts Receivable .....</b>	<b>300</b>	
<b>        Service Revenue .....</b>		<b>300</b>

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

**BRIEF EXERCISE 2-4**

The basic steps in the recording process are:

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

LO: 2.3

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

**BRIEF EXERCISE 2-5**

	<b>(a)    <u>Effect on Accounting Equation</u></b>	<b>(b)    <u>Debit-Credit Analysis</u></b>
<b>Aug.    1</b>	<b>The asset Cash is increased; the equity account Share Capital—Ordinary is increased.</b>	<b>Debits increase assets: debit Cash R\$5,000. Credits increase equity: credit Share Capital—Ordinary R\$5,000.</b>
<b>4</b>	<b>The asset Prepaid Insurance is increased; the asset Cash is decreased.</b>	<b>Debits increase assets: debit Prepaid Insurance R\$1,800. Credits decrease assets: credit Cash R\$1,800.</b>
<b>16</b>	<b>The asset Cash is increased; the</b>	<b>Debits increase assets:</b>

**revenue Service Revenue is increased.**

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.**

LO: 2.2

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

**BRIEF EXERCISE 2-6**

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

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

**BRIEF EXERCISE 2-7**

<b>Cash</b>		<b>Service Revenue</b>	
<b>5/12</b>	<b>2,100</b>	<b>5/5</b>	<b>5,000</b>
<b>5/15</b>	<b>3,000</b>	<b>5/15</b>	<b>3,000</b>
<b>Ending Bal.</b>	<b>5,100</b>	<b>Ending Bal.</b>	<b>8,000</b>

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

LO: 2.6

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**BRIEF EXERCISE 2-8****Cash**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>May 12</b>		<b>J1</b>	<b>2,100</b>		<b>2,100</b>
<b>15</b>		<b>J1</b>	<b>3,000</b>		<b>5,100</b>

**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

LO: 2.6

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**BRIEF EXERCISE 2-9**

**STARR SE**  
**Trial Balance**  
**June 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	€ 6,800	
Accounts Receivable.....	3,000	
Equipment .....	17,000	
Accounts Payable .....		€ 8,600
Share Capital—Ordinary .....		20,000
Dividends .....	800	
Service Revenue .....		6,000
Salaries and Wages Expense.....	6,000	
Rent Expense .....	1,000	
	<u>€34,600</u>	<u>€34,600</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**BRIEF EXERCISE 2-10**

**CHENG COMPANY LTD**  
**Trial Balance**  
**December 31, 2017**

	<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.....	2,400	
	<u>£45,800</u>	<u>£45,800</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Reflective thinking

**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	Accounts Payable
(debit balance)	(credit balance)
Equipment	Share Capital—Ordinary (credit balance)
(debit balance)	Rent Expense (debit balance)

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

**DO IT! 2-2**

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



1.	<b>Cash .....</b>	<b>8,000</b>	
	<b>Share Capital—Ordinary.....</b>		<b>8,000</b>
2.	<b>Supplies .....</b>	<b>1,600</b>	
	<b>Cash .....</b>		<b>400</b>
	<b>Accounts Payable .....</b>		<b>1,200</b>
3.	<b>No entry because no transaction has occurred.</b>		

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

**DO IT! 2-3**

Cash			
4/1	1,600	4/16	600
4/3	3,100	4/20	500
4/30	3,600		

LO: 2.6

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**DO IT! 2-4**

**CHILLIN' COMPANY SA**  
**Trial Balance**  
**December 31, 2017**

	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>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Analytic

## 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.**

LO: 2.1

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

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	Service Revenue	Increase	Credit
16	Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

LO: 2.2

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

**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

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**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.**

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### 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**

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

**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

LO: 2.2

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

**EXERCISE 2-7**

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

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

(b) 1.	Cash .....	5,500	
	Share Capital—Ordinary.....		5,500
2.	Rent Expense.....	1,100	
	Cash.....		1,100
3.	Accounts Receivable .....	4,700	
	Service Revenue .....		4,700
4.	Dividends .....	400	
	Cash.....		400

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**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.**

LO: 2.5

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

**EXERCISE 2-9****(a)**

<b>Cash</b>			
Aug. 1	5,000	Aug. 12	1,500
10	2,700		
31	850		
Bal.	7,050		

<b>Notes Payable</b>		
	Aug. 12	3,500

<b>Share Capital—Ordinary</b>		
	Aug. 1	5,000

<b>Accounts Receivable</b>			
Aug. 25	1,900	Aug. 31	850
Bal.	1,050		

<b>Service Revenue</b>		
	Aug. 10	2,700
	25	1,900
	Bal.	4,600

<b>Equipment</b>	
Aug. 12	5,000

**(b)****ROBERTA MENDEZ, INVESTMENT BROKER, SLU****Trial Balance  
August 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	€ 7,050	
Accounts Receivable.....	1,050	
Equipment .....	5,000	
Notes Payable .....		€ 3,500
Share Capital—Ordinary .....		5,000
Service Revenue .....		4,600
	<u>€13,100</u>	<u>€13,100</u>

LO: 2.6

Difficulty: Easy

BLOOMCODE: Application

AACSB: Analytic

**EXERCISE 2-10****(a)**

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

**EXERCISE 2-10 (Continued)**

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

	<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.....	720	
	<u>€15,400</u>	<u>€15,400</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Analytic

**EXERCISE 2-11**

<b>(a) Oct. 1</b>	<b>Cash.....</b>	<b>5,000</b>	
	<b>Share Capital—Ordinary .....</b>		<b>5,000</b>
	<b>(Issued shares for cash)</b>		
<b>10</b>	<b>Cash.....</b>	<b>650</b>	
	<b>Service Revenue .....</b>		<b>650</b>
	<b>(Received cash for services performed)</b>		
<b>10</b>	<b>Cash.....</b>	<b>3,000</b>	
	<b>Notes Payable.....</b>		<b>3,000</b>
	<b>(Obtained loan from bank)</b>		
<b>20</b>	<b>Cash.....</b>	<b>500</b>	
	<b>Accounts Receivable .....</b>		<b>500</b>

**(Received cash in payment of  
account)**

<b>20</b>	<b>Accounts Receivable .....</b>	<b>940</b>	
	<b>Service Revenue .....</b>		<b>940</b>
	<b>(Billed clients for services performed)</b>		

**EXERCISE 2-11 (Continued)**

**(b) SPARKS CO. LTD.  
Trial Balance  
October 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	£ 8,070	
Accounts Receivable .....	1,540	
Supplies .....	400	
Equipment .....	2,000	
Notes Payable .....		£ 3,000
Accounts Payable .....		500
Share Capital—Ordinary .....		7,000
Dividends .....	300	
Service Revenue .....		2,690
Salaries and Wages Expense .....	600	
Rent Expense .....	280	
	<u>£13,190</u>	<u>£13,190</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Analytic

**EXERCISE 2-12**

**(a)**

<b>General Journal</b>				<b>J1</b>
<b>Date</b>	<b>Account Titles</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Sept. 1</b>	<b>Cash .....</b>	<b>101</b>	<b>10,000</b>	
	<b>Share Capital—Ordinary .....</b>	<b>311</b>		<b>10,000</b>

<b>5</b>	<b>Equipment .....</b>	<b>157</b>	<b>12,000</b>	
	<b>Cash .....</b>	<b>101</b>		<b>4,000</b>
	<b>Accounts Payable .....</b>	<b>201</b>		<b>8,000</b>
<b>25</b>	<b>Accounts Payable .....</b>	<b>201</b>	<b>2,400</b>	
	<b>Cash .....</b>	<b>101</b>		<b>2,400</b>
<b>30</b>	<b>Dividends.....</b>	<b>332</b>	<b>500</b>	
	<b>Cash .....</b>	<b>101</b>		<b>500</b>

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

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

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

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

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

**Dividends****No. 332**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 30</b>		<b>J1</b>	<b>500</b>		<b>500</b>

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**EXERCISE 2-13**

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

LO: 2.7

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Analytic

**EXERCISE 2-14****TEMPUS FUGIT DELIVERY SERVICE LTD****Trial Balance****July 31, 2017**

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

LO: 2.7

Difficulty: Medium



BLOOMCODE: Application

AACSB: Analytic

## **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.**

LO: 2.7

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

## SOLUTIONS TO PROBLEMS

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

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash .....		50,000	
	Share Capital—Ordinary .....			50,000
	(Issued shares for cash)			
4	Land .....		34,000	
	Cash .....			34,000
	(Purchased land for cash)			
8	Advertising Expense .....		1,800	
	Accounts Payable .....			1,800
	(Incurred advertising expense on account)			
11	Salaries and Wages Expense .....		1,500	
	Cash .....			1,500
	(Paid salaries)			
12	No entry—Not a transaction.			
13	Prepaid Insurance .....		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 .....		6,400	
	Service Revenue .....			6,400
	(Received cash for services performed)			

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

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 25</b>	<b>Cash.....</b>		<b>3,000</b>	
	<b>    Unearned Service Revenue .....</b>			<b>3,000</b>
	<b>        (Received cash for future services)</b>			
<b>30</b>	<b>Cash.....</b>		<b>8,500</b>	
	<b>    Service Revenue .....</b>			<b>8,500</b>
	<b>        (Received cash for services performed)</b>			
<b>30</b>	<b>Accounts Payable .....</b>		<b>900</b>	
	<b>    Cash .....</b>			<b>900</b>
	<b>        (Paid creditor on account)</b>			

LO: 2.2, 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

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

(a)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
<b>2017</b>				
<b>May 1</b>	<b>Cash .....</b>	<b>101</b>	<b>20,000</b>	
	<b>    Share Capital—Ordinary .....</b>	<b>311</b>		<b>20,000</b>
	<b>        (Issued shares for cash)</b>			
<b>2</b>	<b>No entry—not a transaction.</b>			
<b>3</b>	<b>Supplies .....</b>	<b>126</b>	<b>1,500</b>	
	<b>    Accounts Payable .....</b>	<b>201</b>		<b>1,500</b>
	<b>        (Purchased supplies on account)</b>			
<b>7</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>900</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>900</b>
	<b>        (Paid office rent)</b>			
<b>11</b>	<b>Accounts Receivable .....</b>	<b>112</b>	<b>2,800</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>2,800</b>
	<b>        (Billed client for services performed)</b>			
<b>12</b>	<b>Cash .....</b>	<b>101</b>	<b>3,500</b>	
	<b>    Unearned Service Revenue .....</b>	<b>209</b>		<b>3,500</b>
	<b>        (Received cash for future services)</b>			
<b>17</b>	<b>Cash .....</b>	<b>101</b>	<b>1,200</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>1,200</b>
	<b>        (Received cash for services performed)</b>			
<b>31</b>	<b>Salaries and Wages Expense .....</b>	<b>726</b>	<b>2,000</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,000</b>
	<b>        (Paid salaries)</b>			

**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
2017					
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
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Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 11		J1	2,800		2,800

Supplies					No. 126
----------	--	--	--	--	---------

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 3		J1	1,500		1,500

Accounts Payable					No. 201
------------------	--	--	--	--	---------

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 3		J1		1,500	
31		J1	600		900

Unearned Service Revenue					No. 209
--------------------------	--	--	--	--	---------

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 12		J1		3,500	3,500

**PROBLEM 2-2A (Continued)****Share Capital—Ordinary** **No. 311**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>May 1</b>		<b>J1</b>		<b>20,000</b>	<b>20,000</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>May 11</b>		<b>J1</b>		<b>2,800</b>	<b>2,800</b>
<b>17</b>		<b>J1</b>		<b>1,200</b>	<b>4,000</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>May 31</b>		<b>J1</b>	<b>2,000</b>		<b>2,000</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>May 7</b>		<b>J1</b>	<b>900</b>		<b>900</b>

**(c)** **LENA FOHN AG**  
**Trial Balance**  
**May 31, 2017**

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

LO: 2.2, 2.4, 2.6, 2.7  
 Difficulty: Hard  
 BLOOMCODE: Application  
 AACSB: Analytic

### PROBLEM 2-3A

**(a) & (c)**

<b>Cash</b>			
<b>Balance</b>	<b>8,000</b>		
		(1)	1,000
		(3)	1,100
<b>(4)</b>	<b>13,000</b>		
		(5)	15,000
(6)			
5,000			
		(7)	3,000
		(8)	2,000
	<b>3,900</b>		

<b>Accounts Receivable</b>			
<b>Balance</b>	<b>16,000</b>		
		(4)	13,000
(6)			
9,000			
	<b>12,000</b>		

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

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

<b>Equipment</b>			
------------------	--	--	--

<b>Balance</b>	<b>24,000</b>	
	<b>24,000</b>	

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

<b>Share Capital—Ordinary</b>			
		<b>Balance</b>	<b>33,000</b>
			<b>33,000</b>

<b>Retained Earnings</b>			
		<b>Balance</b>	<b>12,000</b>
			<b>12,000</b>

<b>Dividends</b>			
(8)			
2,000			
	<b>2,000</b>		

<b>Service Revenue</b>			
		(6)	14,000
			<b>14,000</b>

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

<b>(7)</b>	<b>3,000</b>	
	<b>3,000</b>	

<b>Miscellaneous Expense</b>		
<b>(3)</b>	<b>1,100</b>	
	<b>1,100</b>	

### **Salaries and Wages Expense**

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

**(b)**

<b>Trans.</b>	<b>Account Titles</b>	<b>Debit</b>	<b>Credit</b>
1.	Advertising Expense .....	1,000	
	Cash .....		1,000
2.	Supplies .....	4,000	
	Accounts Payable .....		4,000
3.	Miscellaneous Expense .....	1,100	
	Cash .....		1,100
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, LTD.****Trial Balance  
January 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	£ 3,900	
Accounts Receivable .....	12,000	
Supplies .....	17,000	
Prepaid Rent .....	3,000	
Equipment .....	24,000	
Accounts Payable .....		£ 8,000
Share Capital—Ordinary .....		33,000
Retained Earnings.....		12,000
Dividends .....	2,000	
Service Revenue .....		14,000
Advertising Expense.....	1,000	
Miscellaneous Expense .....	1,100	
Salaries and Wages Expense .....	3,000	
	<u>£67,000</u>	<u>£67,000</u>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

**PROBLEM 2-4A****JASON COMPANY LTD**  
**Trial Balance**  
**May 31, 2017**

	<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>

LO: 2.7

Difficulty: Hard

BLOOMCODE: Analysis

AACSB: Analytic

<b>PROBLEM 2-5A</b>
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**(a) & (c)**

<b>Cash</b>					<b>No. 101</b>
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<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 1</b>	<b>Balance</b>	✓			<b>6,000</b>
<b>2</b>		<b>J1</b>		<b>800</b>	<b>5,200</b>
<b>9</b>		<b>J1</b>	<b>1,800</b>		<b>7,000</b>
<b>10</b>		<b>J1</b>		<b>3,000</b>	<b>4,000</b>
<b>12</b>		<b>J1</b>		<b>300</b>	3,700
<b>25</b>		<b>J1</b>	<b>5,500</b>		<b>9,200</b>
<b>29</b>		<b>J1</b>		<b>1,600</b>	<b>7,600</b>
<b>30</b>		<b>J1</b>	<b>108</b>		<b>7,708</b>
<b>30</b>		<b>J1</b>		<b>1,300</b>	<b>6,408</b>

<b>Accounts Receivable</b>					<b>No. 112</b>
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<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 30</b>		<b>J1</b>	<b>108</b>		<b>108</b>

<b>Prepaid Rent</b>					<b>No. 136</b>
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<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 30</b>		<b>J1</b>	<b>1,300</b>		<b>1,300</b>

<b>Land</b>					<b>No. 140</b>
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<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 1</b>	<b>Balance</b>	✓			<b>10,000</b>

<b>Buildings</b>					<b>No. 145</b>
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<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					

**Apr. 1      Balance**

✓

**8,000**

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 1</b>	<b>Balance</b>	✓			<b>6,000</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 1</b>	<b>Balance</b>	✓			<b>2,000</b>
<b>10</b>		<b>J1</b>	<b>1,000</b>		<b>1,000</b>
<b>20</b>		<b>J1</b>		<b>1,000</b>	<b>2,000</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 1</b>	<b>Balance</b>	✓			<b>8,000</b>
<b>10</b>		<b>J1</b>	<b>2,000</b>		<b>6,000</b>

**Share Capital—Ordinary** **No. 311**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 1</b>	<b>Balance</b>	✓			<b>20,000</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 9</b>		<b>J1</b>		<b>1,800</b>	<b>1,800</b>
<b>25</b>		<b>J1</b>		<b>5,500</b>	<b>7,300</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 30</b>		<b>J1</b>		<b>216</b>	<b>216</b>

**PROBLEM 2-5A (Continued)****Advertising Expense** **No. 610**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 12</b>		<b>J1</b>	<b>300</b>		<b>300</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 29</b>		<b>J1</b>	<b>1,600</b>		<b>1,600</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Apr. 2</b>		<b>J1</b>	<b>800</b>		<b>800</b>
<b>20</b>		<b>J1</b>	<b>1,000</b>		<b>1,800</b>

**(b)**

					<b>J1</b>
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	
<b>2017</b>					
<b>Apr. 2</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>800</b>		
	<b>Cash .....</b>	<b>101</b>		<b>800</b>	
	<b>(Paid film rental)</b>				
<b>3</b>	<b>No entry—not a transaction.</b>				
<b>9</b>	<b>Cash .....</b>	<b>101</b>	<b>1,800</b>		
	<b>Service Revenue .....</b>	<b>400</b>		<b>1,800</b>	
	<b>(Received cash for services performed)</b>				
<b>10</b>	<b>Mortgage Payable .....</b>	<b>275</b>	<b>2,000</b>		
	<b>Accounts Payable .....</b>	<b>201</b>	<b>1,000</b>		
	<b>Cash .....</b>	<b>101</b>		<b>3,000</b>	
	<b>(Made payments on mortgage and accounts payable)</b>				

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

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 11</b>	<b>No entry—not a transaction.</b>			
<b>12</b>	<b>Advertising Expense .....</b>	<b>610</b>	<b>300</b>	
	<b>Cash.....</b>	<b>101</b>		<b>300</b>
	<b>(Paid advertising expenses)</b>			
<b>20</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>1,000</b>	
	<b>Accounts Payable .....</b>	<b>201</b>		<b>1,000</b>
	<b>(Rented film on account)</b>			
<b>25</b>	<b>Cash.....</b>	<b>101</b>	<b>5,500</b>	
	<b>Service Revenue .....</b>	<b>400</b>		<b>5,500</b>
	<b>(Received cash for services performed)</b>			
<b>29</b>	<b>Salaries and Wages Expense.....</b>	<b>726</b>	<b>1,600</b>	
	<b>Cash.....</b>	<b>101</b>		<b>1,600</b>
	<b>(Paid salaries)</b>			
<b>30</b>	<b>Cash.....</b>	<b>101</b>	<b>108</b>	
	<b>Accounts Receivable.....</b>	<b>112</b>	<b>108</b>	
	<b>Rent Revenue.....</b>	<b>429</b>		<b>216</b>
	<b>(18% X €1,200)</b>			
	<b>(Received cash and balance on account for concession revenue)</b>			
<b>30</b>	<b>Prepaid Rent .....</b>	<b>136</b>	<b>1,300</b>	
	<b>Cash.....</b>	<b>101</b>		<b>1,300</b>
	<b>(Paid cash for future film rentals)</b>			

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

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

	<u>Debit</u>	<u>Credit</u>
Cash.....	€ 6,408	
Accounts Receivable.....	108	
Prepaid Rent.....	1,300	
Land.....	10,000	
Buildings.....	8,000	
Equipment.....	6,000	
Accounts Payable.....		€ 2,000
Mortgage Payable.....		6,000
Share Capital—Ordinary.....		20,000
Service Revenue.....		7,300
Rent Revenue.....		216
Advertising Expense.....	300	
Salaries and Wages Expense.....	1,600	
Rent Expense.....	1,800	
	<u>€35,516</u>	<u>€35,516</u>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic



<b>PROBLEM 2-1B</b>
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				J1
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.....		1,300	
	Cash.....			1,300
	(Paid for advertising)			
6	Prepaid Insurance .....		3,000	
	Cash.....			3,000
	(Paid for one-year insurance policy)			
10	Equipment .....		1,050	
	Accounts Payable .....			1,050
	(Purchased equipment on account)			
18	Cash .....		440	
	Service Revenue .....			440
	(Received cash for services performed)			
19	Cash .....		1,800	
	Unearned Service Revenue.....			1,800
	(Received cash for coupon books sold)			

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

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

LO: 2.2, 2.4,  
 Difficulty: Medium  
 BLOOMCODE: Application  
 AACSB: Reflective thinking

<b>PROBLEM 2-2B</b>
---------------------

**(a)**

				J1
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>2017</b>				
<b>Apr. 1</b>	<b>Cash .....</b>	<b>101</b>	<b>40,000</b>	
	<b>    Share Capital—Ordinary .....</b>	<b>311</b>		<b>40,000</b>
	<b>        (Issued shares for cash)</b>			
<b>1</b>	<b>No entry—not a transaction.</b>			
<b>2</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>1,400</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>1,400</b>
	<b>        (Paid monthly office rent)</b>			
<b>3</b>	<b>Supplies .....</b>	<b>126</b>	<b>5,200</b>	
	<b>    Accounts Payable .....</b>	<b>201</b>		<b>5,200</b>
	<b>        (Purchased supplies on</b>			
	<b>            account from Halo Company)</b>			
<b>10</b>	<b>Accounts Receivable .....</b>	<b>112</b>	<b>6,600</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>6,600</b>
	<b>        (Billed clients for services</b>			
	<b>            performed)</b>			
<b>11</b>	<b>Cash .....</b>	<b>101</b>	<b>1,000</b>	
	<b>    Unearned Service Revenue .....</b>	<b>209</b>		<b>1,000</b>
	<b>        (Received cash for future</b>			
	<b>            service)</b>			
<b>20</b>	<b>Cash .....</b>	<b>101</b>	<b>2,100</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>2,100</b>
	<b>        (Received cash for services</b>			
	<b>            performed)</b>			
<b>30</b>	<b>Salaries and Wages Expense .....</b>	<b>726</b>	<b>2,400</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,400</b>
	<b>        (Paid monthly salary)</b>			

**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
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
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
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 10		J1	6,600		6,600

Supplies	No. 126
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 3		J1	5,200		5,200

Accounts Payable	No. 201
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 3		J1		5,200	5,200
30		J1	1,900		3,300

Unearned Service Revenue	No. 209
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 11		J1		1,000	1,000

**PROBLEM 2-2B (Continued)****Share Capital—Ordinary** **No. 311**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
Apr. 1		J1		40,000	40,000

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
Apr. 10		J1		6,600	6,600
20		J1		2,100	8,700

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
Apr. 30		J1	2,400		2,400

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
Apr. 2		J1	1,400		1,400

**(c)** **JUDI DENCH, DENTIST**  
**Trial Balance**  
**April 30, 2017**

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

**LO: 2.2, 2.4**

**Difficulty: Hard**

**BLOOMCODE: Application**

**AACSB: Analytic**

<b>PROBLEM 2-3B</b>
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(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.....		6,000
	Accounts Payable .....		24,000
5.	Prepaid Insurance.....	1,800	
	Cash.....		1,800
6.	Supplies.....	940	
	Cash.....		940
7.	Supplies.....	1,300	
	Accounts Payable .....		1,300
8.	Cash.....	5,000	
	Accounts Receivable.....	13,000	
	Service Revenue .....		18,000
9.	Accounts Payable .....	400	
	Cash.....		400
10.	Cash.....	3,000	
	Accounts Receivable.....		3,000
11.	Utilities Expense .....	260	
	Accounts Payable .....		260

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

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) 6,000
	(5) 1,800
	(6) 940
(8) 5,000	
	(9) 400
(10) 3,000	
	(12) 5,600
19,260	

Equipment	
(4) 30,000	
30,000	

Accounts Payable	
	(4) 24,000
	(7) 1,300
(9) 400	
	(11) 260
	25,160

Accounts Receivable	
(8) 13,000	
	(10) 3,000
10,000	

Share Capital—Ordinary	
	(1) 50,000
	50,000

Supplies	
(6) 940	
(7) 1,300	
2,240	

Service Revenue	
	(8) 18,000
	18,000

Prepaid Insurance	
(5) 1,800	
1,800	

Salaries and Wages Expense	
(12) 5,600	
5,600	

Prepaid Rent	
(3) 24,000	
24,000	

Utilities Expense	
(11) 260	
260	



**PROBLEM 2-3B (Continued)****(c)****RICHARDSON SERVICES LTD****Trial Balance****May 31, 2017**

	<u>Debit</u>	<u>Credit</u>
<b>Cash .....</b>	<b>£19,260</b>	
<b>Accounts Receivable .....</b>	<b>10,000</b>	
<b>Supplies .....</b>	<b>2,240</b>	
<b>Prepaid Insurance .....</b>	<b>1,800</b>	
<b>Prepaid Rent .....</b>	<b>24,000</b>	
<b>Equipment .....</b>	<b>30,000</b>	
<b>Accounts Payable .....</b>		<b>£25,160</b>
<b>Share Capital—Ordinary .....</b>		<b>50,000</b>
<b>Service Revenue .....</b>		<b>18,000</b>
<b>Salaries and Wages Expense .....</b>	<b>5,600</b>	
<b>Utilities Expense .....</b>	<b>260</b>	
	<b><u>£93,160</u></b>	<b><u>£93,160</u></b>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

**PROBLEM 2-4B****MUELLER SE**  
**Trial Balance**  
**June 30, 2017**

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

LO: 2.7

Difficulty: Hard

BLOOMCODE: Analysis

AACSB: Analytic

<b>PROBLEM 2-5B</b>
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**(a) & (c)**

<b>Cash</b>	<b>No. 101</b>
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			7,000
2		J1		1,000	6,000
9		J1	4,000		10,000
10		J1		4,100	5,900
12		J1		450	5,450
20		J1	4,400		9,850
20		J1		2,400	7,450
31		J1		2,500	4,950
31		J1	225		5,175
31		J1	9,000		14,175

<b>Accounts Receivable</b>	<b>No. 112</b>
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Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 31		J1	225		225

<b>Land</b>	<b>No. 140</b>
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Date	Explanation	Ref.	Debit	Credit	Balance
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<b>2017</b>					
Mar. 1	Balance	✓			22,000

<b>Buildings</b>	<b>No. 145</b>
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Date	Explanation	Ref.	Debit	Credit	Balance
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<b>2017</b>					
Mar. 1	Balance	✓			10,000

<b>Equipment</b>	<b>No. 157</b>
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Date	Explanation	Ref.	Debit	Credit	Balance
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<b>2017</b>					
Mar. 1	Balance	✓			8,000

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

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
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
<b>2017</b>					
Mar. 1	Balance	✓			40,000

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

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 9		J1		4,000	4,000
20		J1		4,400	8,400
31		J1		9,000	17,400

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

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar.31		J1		450	450

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

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar.12		J1	450		450

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Mar. 31</b>		<b>J1</b>	<b>2,500</b>		<b>2,500</b>

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

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Mar. 2</b>		<b>J1</b>	<b>3,500</b>		<b>3,500</b>
<b>20</b>		<b>J1</b>	<b>2,400</b>		<b>5,900</b>

**(b)****J1**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>2017</b>				
<b>Mar. 2</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>3,500</b>	
	<b>    Accounts Payable .....</b>	<b>201</b>		<b>2,500</b>
	<b>    Cash .....</b>	<b>101</b>		<b>1,000</b>
	<b>        (Rented films for cash and on account)</b>			
<b>3</b>	<b>No entry.</b>			
<b>9</b>	<b>Cash .....</b>	<b>101</b>	<b>4,000</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>4,000</b>
	<b>        (Received cash for services performed)</b>			
<b>10</b>	<b>Accounts Payable (£2,500 + £1,600) .....</b>	<b>201</b>	<b>4,100</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>4,100</b>
	<b>        (Paid creditors on account)</b>			
<b>11</b>	<b>No entry.</b>			
<b>12</b>	<b>Advertising Expense .....</b>	<b>610</b>	<b>450</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>450</b>
	<b>        (Paid advertising expense)</b>			

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

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>20</b>	<b>Cash .....</b>	<b>101</b>	<b>4,400</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>4,400</b>
	<b>        (Received cash for services performed)</b>			
<b>20</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>2,400</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,400</b>
	<b>        (Paid film rental)</b>			
<b>31</b>	<b>Salaries and Wages Expense.....</b>	<b>726</b>	<b>2,500</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,500</b>
	<b>        (Paid salaries)</b>			
<b>31</b>	<b>Cash.....</b>	<b>101</b>	<b>225</b>	
	<b>Accounts Receivable.....</b>	<b>112</b>	<b>225</b>	
	<b>    Rent Revenue.....</b>	<b>429</b>		<b>450</b>
	<b>        (15% X £3,000)</b>			
	<b>        (Received cash and balance on account for concession revenue)</b>			
<b>31</b>	<b>Cash.....</b>	<b>101</b>	<b>9,000</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>9,000</b>
	<b>        (Received cash for services performed)</b>			

**PROBLEM 2-5B (Continued)****(d)****WILSON THEATER LTD****Trial Balance****March 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	£14,175	
Accounts Receivable .....	225	
Land .....	22,000	
Buildings .....	10,000	
Equipment .....	8,000	
Accounts Payable .....		£ 5,400
Share Capital—Ordinary .....		40,000
Service Revenue .....		17,400
Rent Revenue .....		450
Advertising Expense .....	450	
Salaries and Wages Expense .....	2,500	
Rent Expense .....	5,900	
	<u>£63,250</u>	<u>£63,250</u>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

**MC2****MATCHA CREATIONS**

<b>(a)</b>		<b>GENERAL JOURNAL</b>		<b>J1</b>
		<b>Account Titles</b>	<b>Debit</b>	<b>Credit</b>
<b>2017</b>				
<b>Nov.</b>	<b>8</b>	<b>No entry required for selling her investments—this is a personal transaction.</b>		
	<b>8</b>	<b>Cash .....</b>	<b>500</b>	
		<b>Share Capital—Ordinary .....</b>		<b>500</b>
	<b>11</b>	<b>Advertising Expense .....</b>	<b>65</b>	
		<b>Cash .....</b>		<b>65</b>
	<b>13</b>	<b>Supplies .....</b>	<b>125</b>	
		<b>Cash .....</b>		<b>125</b>
	<b>14</b>	<b>Equipment .....</b>	<b>300</b>	
		<b>Share Capital—Ordinary .....</b>		<b>300</b>
	<b>16</b>	<b>Cash .....</b>	<b>2,000</b>	
		<b>Notes Payable .....</b>		<b>2,000</b>
	<b>17</b>	<b>Equipment .....</b>	<b>900</b>	
		<b>Cash .....</b>		<b>900</b>
	<b>20</b>	<b>Cash .....</b>	<b>125</b>	
		<b>Service Revenue .....</b>		<b>125</b>
	<b>25</b>	<b>Cash .....</b>	<b>30</b>	
		<b>Unearned Service Revenue .....</b>		<b>30</b>
	<b>30</b>	<b>Prepaid Insurance .....</b>	<b>1,320</b>	
		<b>Cash .....</b>		<b>1,320</b>



**MC2 (Continued)****(b)**

<b>Cash</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 8</b>		<b>J1</b>	<b>500</b>		<b>500</b>
<b>11</b>		<b>J1</b>		<b>65</b>	<b>435</b>
<b>13</b>		<b>J1</b>		<b>125</b>	<b>310</b>
<b>16</b>		<b>J1</b>	<b>2,000</b>		<b>2,310</b>
<b>17</b>		<b>J1</b>		<b>900</b>	<b>1,410</b>
<b>20</b>		<b>J1</b>	<b>125</b>		<b>1,535</b>
<b>25</b>		<b>J1</b>	<b>30</b>		<b>1,565</b>
<b>30</b>		<b>J1</b>		<b>1,320</b>	<b>245</b>

<b>Supplies</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 13</b>		<b>J1</b>	<b>125</b>		<b>125</b>

<b>Prepaid Insurance</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 30</b>		<b>J1</b>	<b>1,320</b>		<b>1,320</b>

<b>Equipment</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 14</b>		<b>J1</b>	<b>300</b>		<b>300</b>
<b>17</b>		<b>J1</b>	<b>900</b>		<b>1,200</b>

<b>Unearned Service Revenue</b>					
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 25</b>		<b>J1</b>		<b>30</b>	<b>30</b>

**MC2 (Continued)****(b) (Continued)****Notes Payable**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 16</b>		<b>J1</b>		<b>2,000</b>	<b>2,000</b>

**Share Capital—Ordinary**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 8</b>		<b>J1</b>		<b>500</b>	<b>500</b>
<b>14</b>		<b>J1</b>		<b>300</b>	<b>800</b>

**Service Revenue**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 20</b>		<b>J1</b>		<b>125</b>	<b>125</b>

**Advertising Expense**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 11</b>		<b>J1</b>	<b>65</b>		<b>65</b>

**MC2 (Continued)****(c)**

**MATCHA CREATIONS**  
**Trial Balance**  
**November 30, 2017**

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

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

**BYP 2-1****FINANCIAL REPORTING PROBLEM**

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

- (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.**

LO: 2.2

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

**BYP 2-2****COMPARATIVE ANALYSIS PROBLEM**

<b>(a)</b>		<b>Nestlé</b>		<b>Petra Foods Limited</b>	
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 Sales (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).

LO: 2.2, 2.5

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Reflective thinking

**BYP 2-3****REAL–WORLD FOCUS**

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

LO: 2.1, 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

**BYP 2-4      DECISION-MAKING ACROSS THE ORGANIZATION****(a) May 1      Correct.**

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

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

<b>(c) Net income as reported</b>		<b>£4,600</b>
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><u>£6,040</u></u>

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

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application





**BYP 2-5****COMMUNICATION ACTIVITY****Date: May 25, 2017****To: Accounting Instructor****From: Student**

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

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

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

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

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

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

LO: 2.2

Difficulty: Medium

BLOOMCODE: Synthesis

AACSB: Reflective thinking/Communication

**BYP 2-6****ETHICS CASE**

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

- ▶ **Sara Rankin, assistant chief accountant.**
- ▶ **Users of the company's financial statements.**
- ▶ **The Hokey Company Ltd.**

**(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.**

LO: 2.2

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Ethics

## 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**

LO: 2.8

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

**GAAP FINANCIAL REPORTING PROBLEM****GAAP 2-2****(a)**

	<b>(1)</b>		<b>(2)</b>
	<b>Increase Side</b>	<b>Decrease Side</b>	<b>Normal Balance</b>
<b>Accounts Payable</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
<b>Accounts Receivable</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
<b>Buildings</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
<b>Inventories</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
<b>Net Sales</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
<b>Research and Development</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>

**(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).**

LO: 2.2, 2.8

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking