

**P3-1B** Ken Ham started his own consulting firm, Hambone Consulting, on May 1, 2010. The trial balance at May 31 is as follows.

### HAMBONE CONSULTING

Trial Balance  
May 31, 2010

<b>Account Number</b>		<b>Debit</b>	<b>Credit</b>
101	Cash	\$ 5,700	
112	Accounts Receivable	6,000	
126	Supplies	1,900	
130	Prepaid Insurance	3,600	
149	Office Furniture	10,200	
201	Accounts Payable		\$ 4,500
209	Unearned Service Revenue		2,000
301	K. Ham, Capital		17,700
400	Service Revenue		7,500
726	Salaries Expense	3,400	
729	Rent Expense	900	
		<u>\$31,700</u>	<u>\$31,700</u>

In addition to those accounts listed on the trial balance, the chart of accounts for Hambone Consulting also contains the following accounts and account numbers: No. 150 Accumulated Depreciation—Office Furniture, No. 212 Salaries Payable, No. 229 Travel Payable, No. 631

Supplies Expense, No. 717 Depreciation Expense, No. 722 Insurance Expense, and No. 736 Travel Expense.

Other data:

1. \$900 of supplies have been used during the month.
2. Travel expense incurred but not paid on May 31, 2010, \$250.
3. The insurance policy is for 2 years.
4. \$400 of the balance in the unearned service revenue account remains unearned at the end of the month.
5. May 31 is a Wednesday, and employees are paid on Fridays. Hambone Consulting has two employees, who are paid \$800 each for a 5-day work week.
6. The office furniture has a 5-year life with no salvage value. It is being depreciated at \$170 per month for 60 months.
7. Invoices representing \$1,200 of services performed during the month have not been recorded as of May 31.

#### **Instructions**

- (a) Prepare the adjusting entries for the month of May. Use J4 as the page number for your journal.
- (b) Post the adjusting entries to the ledger accounts. Enter the totals from the trial balance as beginning account balances and place a check mark in the posting reference column.
- (c) Prepare an adjusted trial balance at May 31, 2010.

**P3-1A** Tony Masasi started his own consulting firm, Masasi Company, on June 1, 2010. The trial balance at June 30 is shown below.

### MASASI COMPANY

Trial Balance  
June 30, 2010

Account Number		Debit	Credit
101	Cash	\$ 7,150	
112	Accounts Receivable	6,000	
126	Supplies	2,000	
130	Prepaid Insurance	3,000	
157	Office Equipment	15,000	
201	Accounts Payable		\$ 4,500
209	Unearned Service Revenue		4,000
301	T. Masasi, Capital		21,750
400	Service Revenue		7,900
726	Salaries Expense	4,000	
729	Rent Expense	1,000	
		<u>\$38,150</u>	<u>\$38,150</u>

In addition to those accounts listed on the trial balance, the chart of accounts for Masasi Company also contains the following accounts and account numbers: No. 158 Accumulated Depreciation—Office Equipment, No. 212 Salaries Payable, No. 244 Utilities Payable, No. 631 Supplies Expense, No. 711 Depreciation Expense, No. 722 Insurance Expense, and No. 732 Utilities Expense.

Other data:

1. Supplies on hand at June 30 are \$600.
2. A utility bill for \$150 has not been recorded and will not be paid until next month.
3. The insurance policy is for a year.
4. \$2,500 of unearned service revenue has been earned at the end of the month.
5. Salaries of \$2,000 are accrued at June 30.
6. The office equipment has a 5-year life with no salvage value. It is being depreciated at \$250 per month for 60 months.
7. Invoices representing \$1,000 of services performed during the month have not been recorded as of June 30.

#### Instructions

- (a) Prepare the adjusting entries for the month of June. Use J3 as the page number for your journal.
- (b) Post the adjusting entries to the ledger accounts. Enter the totals from the trial balance as beginning account balances and place a check mark in the posting reference column.
- (c) Prepare an adjusted trial balance at June 30, 2010.

# SOLUTIONS TO PROBLEMS

## PROBLEM 3-1A

(a)

Date	Account Titles and Explanation	Ref.	Debit	Credit	J3
<b>2008</b>					
June 30	<b>Supplies Expense.....</b>	631	1,400		
	<b>Supplies .....</b>	126		1,400	
	<b>(\\$2,000 – \\$600)</b>				
30	<b>Utilities Expense.....</b>	732	150		
	<b>Utilities Payable.....</b>	244		150	
30	<b>Insurance Expense .....</b>	722	250		
	<b>Prepaid Insurance.....</b>	130		250	
	<b>(\\$3,000 ÷ 12 months)</b>				
30	<b>Unearned Service Revenue.....</b>	209	2,500		
	<b>Service Revenue.....</b>	400		2,500	
30	<b>Salaries Expense.....</b>	726	2,000		
	<b>Salaries Payable .....</b>	212		2,000	
30	<b>Depreciation Expense.....</b>	711	250		
	<b>Accumulated Depreciation—</b>				
	<b>Office Equipment.....</b>	158		250	
	<b>(\\$15,000 ÷ 60 months)</b>				
30	<b>Accounts Receivable .....</b>	112	1,000		
	<b>Service Revenue.....</b>	400		1,000	

(b)

Cash	No. 101				
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	<b>Balance</b>	✓			7,150

### PROBLEM 3-1A (Continued)

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	Balance			✓	6,000
	Adjusting	J3	1,000		7,000
Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	Balance			✓	2,000
	Adjusting	J3		1,400	600
Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	Balance			✓	3,000
	Adjusting	J3		250	2,750
Office Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	Balance			✓	15,000
Accumulated Depreciation—Office Equipment					No. 158
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	Adjusting	J3		250	250
Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
<b>2008</b>					
June 30	Balance			✓	4,500

### PROBLEM 3-1A (Continued)

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Balance	✓			4,000
	30 Adjusting	J3	2,500		1,500
Salaries Payable					No. 212
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Adjusting	J3		2,000	2,000
Utilities Payable					No. 244
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Adjusting	J3		150	150
T. Masasi, Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Balance	✓			21,750
Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Balance	✓			7,900
	30 Adjusting	J3		2,500	10,400
	30 Adjusting	J3		1,000	11,400
Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Adjusting	J3	1,400		1,400

## PROBLEM 3-1A (Continued)

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Adjusting	J3	250		250
Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Adjusting	J3	250		250
Salaries Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Balance	✓			4,000
30	Adjusting	J3	2,000		6,000
Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Balance	✓			1,000
Utilities Expense					No. 732
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
June 30	Adjusting	J3	150		150

**PROBLEM 3-1A (Continued)**

(c)

**MASASI COMPANY**  
**Adjusted Trial Balance**  
**June 30, 2008**

	<b>Debit</b>	<b>Credit</b>
<b>Cash.....</b>	<b>\$ 7,150</b>	
<b>Accounts Receivable .....</b>	<b>7,000</b>	
<b>Supplies.....</b>	<b>600</b>	
<b>Prepaid Insurance .....</b>	<b>2,750</b>	
<b>Office Equipment.....</b>	<b>15,000</b>	
<b>Accumulated Depreciation—Office</b>		
<b>Equipment.....</b>	<b>\$ 250</b>	
<b>Accounts Payable .....</b>		<b>4,500</b>
<b>Utilities Payable .....</b>		<b>150</b>
<b>Salaries Payable .....</b>		<b>2,000</b>
<b>Unearned Service Revenue .....</b>		<b>1,500</b>
<b>T. Masasi, Capital .....</b>		<b>21,750</b>
<b>Service Revenue.....</b>		<b>11,400</b>
<b>Supplies Expense .....</b>	<b>1,400</b>	
<b>Depreciation Expense.....</b>	<b>250</b>	
<b>Insurance Expense .....</b>	<b>250</b>	
<b>Salaries Expense.....</b>	<b>6,000</b>	
<b>Rent Expense .....</b>	<b>1,000</b>	
<b>Utilities Expense.....</b>	<b>150</b>	
	<b><u>\$41,550</u></b>	<b><u>\$41,550</u></b>

**P3-2A** Neosho River Resort opened for business on June 1 with eight air-conditioned units. Its trial balance before adjustment on August 31 is as follows.

### NEOSHO RIVER RESORT

Trial Balance  
August 31, 2010

<b>Account Number</b>		<b>Debit</b>	<b>Credit</b>
101	Cash	\$ 19,600	
126	Supplies	3,300	
130	Prepaid Insurance	6,000	
140	Land	25,000	
143	Cottages	125,000	
149	Furniture	26,000	
201	Accounts Payable		\$ 6,500
209	Unearned Rent Revenue		7,400
275	Mortgage Payable		80,000
301	P. Harder, Capital		100,000
306	P. Harder, Drawing	5,000	
429	Rent Revenue		80,000
622	Repair Expense	3,600	
726	Salaries Expense	51,000	
732	Utilities Expense	9,400	
		\$273,900	\$273,900

In addition to those accounts listed on the trial balance, the chart of accounts for Neosho River Resort also contains the following accounts and account numbers: No. 112 Accounts Receivable, No. 144 Accumulated Depreciation—Cottages, No. 150 Accumulated Depreciation—Furniture, No. 212 Salaries Payable, No. 230 Interest Payable, No. 620 Depreciation Expense—Cottages, No. 621 Depreciation Expense—Furniture, No. 631 Supplies Expense, No. 718 Interest Expense, and No. 722 Insurance Expense.

Other data:

1. Insurance expires at the rate of \$400 per month.
2. A count on August 31 shows \$600 of supplies on hand.
3. Annual depreciation is \$6,000 on cottages and \$2,400 on furniture.
4. Unearned rent revenue of \$4,100 was earned prior to August 31.
5. Salaries of \$400 were unpaid at August 31.
6. Rentals of \$1,000 were due from tenants at August 31. (Use Accounts Receivable.)
7. The mortgage interest rate is 9% per year. (The mortgage was taken out on August 1.)

#### **Instructions**

- (a) Journalize the adjusting entries on August 31 for the 3-month period June 1–August 31.
- (b) Prepare a ledger using the three-column form of account. Enter the trial balance amounts and post the adjusting entries. (Use J1 as the posting reference.)
- (c) Prepare an adjusted trial balance on August 31.
- (d) Prepare an income statement and an owner's equity statement for the 3 months ending August 31 and a balance sheet as of August 31.

**PROBLEM 3-2A**

(a)

Date	Account Titles and Explanation	Ref.	Debit	Credit	J1
Aug. 31	Insurance Expense (\$400 X 3) .....	722	1,200		
	Prepaid Insurance .....	130		1,200	
31	Supplies Expense (\$3,300 – \$600) .....	631	2,700		
	Supplies.....	126		2,700	
31	Depreciation Expense—Cottages .... (\$6,000 X 1/4)	620	1,500		
	Accumulated Depreciation— Cottages.....	144		1,500	
31	Depreciation Expense—Furniture.... (\$2,400 X 1/4)	621	600		
	Accumulated Depreciation— Furniture .....	150		600	
31	Unearned Rent.....	208	4,100		
	Rent Revenue .....	429		4,100	
31	Salaries Expense .....	726	400		
	Salaries Payable .....	212		400	
31	Accounts Receivable.....	112	1,000		
	Rent Revenue .....	429		1,000	
31	Interest Expense .....	718	600		
	Interest Payable .....	230		600	
	[(\$80,000 X 9%) X 1/12]				

(b)

Cash			No. 101		
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			19,600

### PROBLEM 3-2A (Continued)

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	1,000		1,000
Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			3,300
31	Adjusting	J1		2,700	600
Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			6,000
31	Adjusting	J1		1,200	4,800
Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			25,000
Cottages					No. 143
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			125,000
Accumulated Depreciation—Cottages					No. 144
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		1,500	1,500
Furniture					No. 149
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			26,000

## PROBLEM 3-2A (Continued)

<b>Accumulated Depreciation—Furniture</b>					<b>No. 150</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		600	600
<b>Accounts Payable</b>					<b>No. 201</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			6,500
<b>Unearned Rent</b>					<b>No. 208</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			7,400
31	Adjusting	J1	4,100		3,300
<b>Salaries Payable</b>					<b>No. 212</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		400	400
<b>Interest Payable</b>					<b>No. 230</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		600	600
<b>Mortgage Payable</b>					<b>No. 275</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			80,000
<b>P. Harder, Capital</b>					<b>No. 301</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			100,000

### PROBLEM 3-2A (Continued)

<b>P. Harder, Drawing</b>					<b>No. 306</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			5,000
<b>Rent Revenue</b>					<b>No. 429</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			80,000
31	Adjusting	J1		4,100	84,100
31	Adjusting	J1		1,000	85,100
<b>Depreciation Expense—Cottages</b>					<b>No. 620</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	1,500		1,500
<b>Depreciation Expense—Furniture</b>					<b>No. 621</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	600		600
<b>Repair Expense</b>					<b>No. 622</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			3,600
<b>Supplies Expense</b>					<b>No. 631</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	2,700		2,700
<b>Interest Expense</b>					<b>No. 718</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	600		600

## PROBLEM 3-2A (Continued)

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	1,200		1,200

Salaries Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			51,000
31	Adjusting	J1	400		51,400

Utilities Expense					No. 732
Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			9,400

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

(c)

**NEOSHO RIVER RESORT**  
**Adjusted Trial Balance**  
**August 31, 2008**

	<b>Debit</b>	<b>Credit</b>
<b>Cash.....</b>	<b>\$ 19,600</b>	
<b>Accounts Receivable .....</b>	1,000	
<b>Supplies.....</b>	600	
<b>Prepaid Insurance.....</b>	4,800	
<b>Land .....</b>	25,000	
<b>Cottages .....</b>	125,000	
<b>Accumulated Depreciation—Cottages.....</b>		\$ 1,500
<b>Furniture.....</b>	26,000	
<b>Accumulated Depreciation—Furniture .....</b>		600
<b>Accounts Payable .....</b>		6,500
<b>Unearned Rent .....</b>		3,300
<b>Salaries Payable .....</b>		400
<b>Interest Payable .....</b>		600
<b>Mortgage Payable .....</b>		80,000
<b>P. Harder, Capital .....</b>		100,000
<b>P. Harder, Drawing.....</b>	5,000	
<b>Rent Revenue .....</b>		85,100
<b>Depreciation Expense—Cottages.....</b>	1,500	
<b>Depreciation Expense—Furniture .....</b>	600	
<b>Repair Expense.....</b>	3,600	
<b>Supplies Expense .....</b>	2,700	
<b>Interest Expense.....</b>	600	
<b>Insurance Expense.....</b>	1,200	
<b>Salaries Expense.....</b>	51,400	
<b>Utilities Expense.....</b>	9,400	
	<b><u>\$278,000</u></b>	<b><u>\$278,000</u></b>

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

**NEOSHO RIVER RESORT**  
**Income Statement**  
**For the Three Months Ended August 31, 2008**

**Revenues**

Rent revenue ..... \$ 85,100

**Expenses**

Salaries expense ..... \$51,400

Utilities expense ..... 9,400

Repair expense ..... 3,600

Supplies expense ..... 2,700

Depreciation expense—cottages ..... 1,500

Insurance expense ..... 1,200

Interest expense ..... 600

Depreciation expense—furniture ..... 600

Total expenses ..... 71,000

Net income ..... \$ 14,100

**NEOSHO RIVER RESORT**  
**Owner's Equity Statement**  
**For the Three Months Ended August 31, 2008**

P. Harder, Capital, June 1 ..... \$ 0

Investment by owner ..... 100,000

Add: Net income ..... 14,100

114,100

Less: Drawings ..... 5,000

P. Harder, Capital, August 31 ..... \$109,100

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

**NEOSHO RIVER RESORT**  
**Balance Sheet**  
**August 31, 2008**

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<b>Assets</b>		
Cash .....	\$ 19,600	
Accounts receivable .....	1,000	
Supplies .....	600	
Prepaid insurance .....	4,800	
Land .....	25,000	
Cottages .....	\$125,000	
Less: Accum. depreciation—cottages .....	1,500	123,500
Furniture .....	26,000	
Less: Accum. depreciation—furniture .....	600	25,400
<b>Total assets .....</b>		<b>\$199,900</b>
<b>Liabilities and Owner's Equity</b>		
<b>Liabilities</b>		
Accounts payable .....	\$ 6,500	
Mortgage payable .....	80,000	
Unearned rent .....	3,300	
Interest payable .....	600	
Salaries payable .....	400	
<b>Total liabilities .....</b>		<b>90,800</b>
<b>Owner's equity</b>		
P. Harder, Capital .....		<b>109,100</b>
<b>Total liabilities and owner's equity .....</b>		<b>\$199,900</b>

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**P3-3A** Fernetti Advertising Agency was founded by John Fernetti in January of 2009. Presented on page 134 are both the adjusted and unadjusted trial balances as of December 31, 2010.

### FERNETTI ADVERTISING AGENCY

Trial Balance  
December 31, 2010

	<u>Unadjusted</u>		<u>Adjusted</u>	
	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>
Cash	\$ 11,000		\$ 11,000	
Accounts Receivable	20,000		22,500	
Art Supplies	8,600		5,000	
Prepaid Insurance	3,350		2,500	
Printing Equipment	60,000		60,000	
Accumulated Depreciation		\$ 28,000		\$ 34,000
Accounts Payable		5,000		5,000
Interest Payable		–0–		150
Notes Payable		5,000		5,000
Unearned Advertising Fees		7,200		5,600
Salaries Payable		–0–		1,300
J. Fernetti, Capital		25,500		25,500
J. Fernetti, Drawing	12,000		12,000	
Advertising Revenue		58,600		62,700
Salaries Expense	10,000		11,300	
Insurance Expense			850	
Interest Expense	350		500	
Depreciation Expense			6,000	
Art Supplies Expense			3,600	
Rent Expense	4,000		4,000	
	<u>\$129,300</u>		<u>\$129,300</u>	
			<u>\$139,250</u>	
			<u>\$139,250</u>	

#### **Instructions**

- (a) Journalize the annual adjusting entries that were made.
- (b) Prepare an income statement and a statement of owner's equity for the year ending December 31, 2010, and a balance sheet at December 31.
- (c) Answer the following questions.
  - (1) If the note has been outstanding 6 months, what is the annual interest rate on that note?
  - (2) If the company paid \$12,500 in salaries in 2010, what was the balance in Salaries Payable on December 31, 2009?

### **PROBLEM 3-3A**

(a)	Dec. 31	Accounts Receivable .....	2,500	
		Advertising Revenue.....		2,500
	31	Unearned Advertising Fees .....	1,600	
		Advertising Revenue.....		1,600
	31	Art Supplies Expense .....	3,600	
		Art Supplies.....		3,600
	31	Depreciation Expense.....	6,000	
		Accumulated Depreciation.....		6,000
	31	Interest Expense.....	150	
		Interest Payable .....		150
	31	Insurance Expense .....	850	
		Prepaid Insurance .....		850
	31	Salaries Expense .....	1,300	
		Salaries Payable .....		1,300

**(b) FERNETTI ADVERTISING AGENCY  
Income Statement  
For the Year Ended December 31, 2008**

<b>Revenues</b>	
Advertising revenue .....	\$62,700
<b>Expenses</b>	
Salaries expense .....	\$11,300
Depreciation expense .....	6,000
Rent expense .....	4,000
Art supplies expense .....	3,600
Insurance expense .....	850
Interest expense .....	<u>500</u>
Total expenses .....	26,250
Net income .....	\$36,450

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

**FERNETTI ADVERTISING AGENCY**  
**Owner's Equity Statement**  
**For the Year Ended December 31, 2008**

J. Fernetti, Capital, January 1.....	\$25,500
Add: Net income.....	36,450
	61,950
Less: Drawing.....	12,000
<b>J. Fernetti, Capital, December 31 .....</b>	<b>\$49,950</b>

**FERNETTI ADVERTISING AGENCY**  
**Balance Sheet**  
**December 31, 2008**

<b>Assets</b>		
Cash .....		\$11,000
Accounts receivable.....		22,500
Art supplies .....		5,000
Prepaid insurance .....		2,500
Printing equipment .....	\$60,000	
Less: Accumulated depreciation .....	34,000	26,000
<b>Total assets .....</b>		<b>\$67,000</b>

**Liabilities and Owner's Equity**

<b>Liabilities</b>		
Notes payable .....		\$ 5,000
Accounts payable.....		5,000
Unearned advertising fees .....		5,600
Salaries payable.....		1,300
Interest payable.....		150
<b>Total liabilities.....</b>		<b>17,050</b>
<b>Owner's equity</b>		
J. Fernetti, Capital .....		<u>49,950</u>
<b>Total liabilities and owner's equity.....</b>		<b>\$67,000</b>

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

**(c) (1)  $I = P \times R \times T$**

$$\$150 = \$5,000 \times R \times 1/2$$

$$\$150 = \$2,500R$$

$$R = \frac{\$150}{\$2,500}$$

$$R = 6\%$$

- (2) Salaries Expense, \$11,300 less Salaries Payable 12/31/08, \$1,300 = \$10,000. Total payments, \$12,500 – \$10,000 = \$2,500 Salaries Payable 12/31/07.**

**P3-4A** A review of the ledger of Remington Company at December 31, 2010, produces the following data pertaining to the preparation of annual adjusting entries.

1. Salaries Payable \$0. There are eight salaried employees. Salaries are paid every Friday for the current week. Five employees receive a salary of \$800 each per week, and three employees earn \$600 each per week. Assume December 31 is a Tuesday. Employees do not work weekends. All employees worked the last 2 days of December.
2. Unearned Rent \$324,000. The company began subleasing office space in its new building on November 1. At December 31, the company had the following rental contracts that are paid in full for the entire term of the lease.

<b>Date</b>	<b>Term (in months)</b>	<b>Monthly Rent</b>	<b>Number of Leases</b>
Nov. 1	6	\$4,000	5
Dec. 1	6	\$8,500	4

3. Prepaid Advertising \$15,000. This balance consists of payments on two advertising contracts. The contracts provide for monthly advertising in two trade magazines. The terms of the contracts are as follows.

<b>Contract</b>	<b>Date</b>	<b>Amount</b>	<b>Number of Magazine Issues</b>
A650	May 1	\$5,400	12
B974	Oct. 1	9,600	24

The first advertisement runs in the month in which the contract is signed.

4. Notes Payable \$120,000. This balance consists of a note for one year at an annual interest rate of 9%, dated June 1.

**Instructions**

Prepare the adjusting entries at December 31, 2010. (Show all computations.)

**PROBLEM 3-4A**

1.	Dec. 31	<b>Salaries Expense.....</b>	<b>2,320</b>
		<b>Salaries Payable .....</b>	<b>2,320</b>
		[5 X \$800 X 2/5 = \$1,600	
		3 X \$600 X 2/5 = <u>720</u>	
		<u>\$2,320]</u>	
2.	31	<b>Unearned Rent.....</b>	<b>74,000</b>
		<b>Rent Revenue .....</b>	<b>74,000</b>
		[5 X \$4,000 X 2 = \$40,000	
		4 X \$8,500 X 1 = <u>34,000</u>	
		<u>\$74,000]</u>	
3.	31	<b>Advertising Expense.....</b>	<b>4,800</b>
		<b>Prepaid Advertising.....</b>	<b>4,800</b>
		[A650 – \$450 per month	
		for 8 months = \$3,600	
		B974 – \$400 per month	
		for 3 months = <u>1,200</u>	
		<u>\$4,800]</u>	
4.	31	<b>Interest Expense.....</b>	<b>6,300</b>
		<b>Interest Payable .....</b>	<b>6,300</b>
		(\$120,000 X 9% X 7/12)	

**P3-5A** On September 1, 2010, the account balances of Rand Equipment Repair were as follows.

No.	Debits		No.	Credits	
101	Cash	\$ 4,880	154	Accumulated Depreciation	\$ 1,500
112	Accounts Receivable	3,520	201	Accounts Payable	3,400
126	Supplies	2,000	209	Unearned Service Revenue	1,400
153	Store Equipment	15,000	212	Salaries Payable	500
		<hr/>	301	J. Rand, Capital	<hr/> 18,600
		<hr/> <b>\$25,400</b>			<hr/> <b>\$25,400</b>

During September the following summary transactions were completed.

- Sept. 8 Paid \$1,400 for salaries due employees, of which \$900 is for September.
- 10 Received \$1,200 cash from customers on account.
- 12 Received \$3,400 cash for services performed in September.
- 15 Purchased store equipment on account \$3,000.
- 17 Purchased supplies on account \$1,200.
- 20 Paid creditors \$4,500 on account.
- 22 Paid September rent \$500.
- 25 Paid salaries \$1,250.
- 27 Performed services on account and billed customers for services provided \$1,500.
- 29 Received \$650 from customers for future service.

Adjustment data consist of:

1. Supplies on hand \$1,200.
2. Accrued salaries payable \$400.
3. Depreciation is \$100 per month.
4. Unearned service revenue of \$1,450 is earned.

### Instructions

- (a) Enter the September 1 balances in the ledger accounts.
- (b) Journalize the September transactions.
- (c) Post to the ledger accounts. Use J1 for the posting reference. Use the following additional accounts: No. 407 Service Revenue, No. 615 Depreciation Expense, No. 631 Supplies Expense, No. 726 Salaries Expense, and No. 729 Rent Expense.
- (d) Prepare a trial balance at September 30.
- (e) Journalize and post adjusting entries.
- (f) Prepare an adjusted trial balance.
- (g) Prepare an income statement and an owner's equity statement for September and a balance sheet at September 30 on the next page.

**PROBLEM 3-5A**

(a), (c) & (e)

<b>Cash</b>					<b>No. 101</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			4,880
8		J1		1,400	3,480
10		J1	1,200		4,680
12		J1	3,400		8,080
20		J1		4,500	3,580
22		J1		500	3,080
25		J1		1,250	1,830
29		J1	650		2,480

<b>Accounts Receivable</b>					<b>No. 112</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			3,520
10		J1		1,200	2,320
27		J1	1,500		3,820

<b>Supplies</b>					<b>No. 126</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			2,000
17		J1	1,200		3,200
30	Adjusting	J1		2,000	1,200

<b>Store Equipment</b>					<b>No. 153</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			15,000
15		J1	3,000		18,000

### PROBLEM 3-5A (Continued)

Accumulated Depreciation—Equipment					No. 154
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			1,500
30	Adjusting	J1		100	1,600
Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			3,400
15		J1		3,000	6,400
17		J1		1,200	7,600
20		J1	4,500		3,100
Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			1,400
29		J1		650	2,050
30	Adjusting	J1	1,450		600
Salaries Payable					No. 212
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			500
8		J1	500		0
30	Adjusting	J1		400	400
J. Rand, Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			18,600

## PROBLEM 3-5A (Continued)

Service Revenue					No. 407
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 12		J1		3,400	3,400
27		J1		1,500	4,900
30 Adjusting		J1		1,450	6,350

  

Depreciation Expense					No. 615
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30	Adjusting	J1	100		100

  

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30	Adjusting	J1	2,000		2,000

  

Salaries Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 8		J1	900		900
25		J1	1,250		2,150
30 Adjusting		J1	400		2,550

  

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 22		J1	500		500

**PROBLEM 3-5A (Continued)**

(b)		General Journal		
Date	Account Titles	Ref.	Debit	Credit
Sept. 8	Salaries Payable.....	212	500	
	Salaries Expense .....	726	900	
	Cash .....	101		1,400
10	Cash .....	101	1,200	
	Accounts Receivable.....	112		1,200
12	Cash .....	101	3,400	
	Service Revenue .....	407		3,400
15	Store Equipment .....	153	3,000	
	Accounts Payable.....	201		3,000
17	Supplies .....	126	1,200	
	Accounts Payable.....	201		1,200
20	Accounts Payable.....	201	4,500	
	Cash .....	101		4,500
22	Rent Expense .....	729	500	
	Cash .....	101		500
25	Salaries Expense .....	726	1,250	
	Cash .....	101		1,250
27	Accounts Receivable.....	112	1,500	
	Service Revenue .....	407		1,500
29	Cash .....	101	650	
	Unearned Service Revenue .....	209		650

**PROBLEM 3-5A (Continued)**

(d) & (f)

**RAND EQUIPMENT REPAIR**  
**Trial Balances**  
**September 30, 2008**

	Before Adjustment		After Adjustment	
	Dr.	Cr.	Dr.	Cr.
Cash .....	\$ 2,480		\$ 2,480	
Accounts Receivable.....	3,820		3,820	
Supplies .....	3,200		1,200	
Store Equipment .....	18,000		18,000	
Accumulated Depreciation .....		\$ 1,500		\$ 1,600
Accounts Payable.....		3,100		3,100
Unearned Service Revenue.....		2,050		600
Salaries Payable.....		-0-		400
J. Rand, Capital .....		18,600		18,600
Service Revenue .....		4,900		6,350
Depreciation Expense .....			100	
Supplies Expense.....			2,000	
Salaries Expense .....	2,150		2,550	
Rent Expense.....	500		500	
	<u>\$30,150</u>	<u>\$30,150</u>	<u>\$30,650</u>	<u>\$30,650</u>

(e)	1.	Sept. 30	Supplies Expense.....	631	2,000	
			Supplies (\$3,200 – \$1,200).....	126		2,000
	2.	30	Salaries Expense .....	726	400	
			Salaries Payable .....	212		400
	3.	30	Depreciation Expense .....	615	100	
			Accumulated Depreciation— Equipment .....	154		100
	4.	30	Unearned Service Revenue.....	209	1,450	
			Service Revenue .....	407		1,450

**PROBLEM 3-5A (Continued)**

(g)

**RAND EQUIPMENT REPAIR**  
**Income Statement**  
**For the Month Ended September 30, 2008**

---

<b>Revenues</b>	
Service revenue .....	\$6,350
<b>Expenses</b>	
Salaries expense.....	\$2,550
Supplies expense .....	2,000
Rent expense .....	500
Depreciation expense .....	100
Total expenses .....	<u>5,150</u>
Net income.....	<u>\$1,200</u>

**RAND EQUIPMENT REPAIR**  
**Owner's Equity Statement**  
**For the Month Ended September 30, 2008**

---

J. Rand, Capital, September 1 .....	\$18,600
Add: Net income .....	1,200
J. Rand, Capital, September 30.....	<u>\$19,800</u>

## PROBLEM 3-5A (Continued)

### RAND EQUIPMENT REPAIR Balance Sheet September 30, 2008

Assets		
Cash .....	\$ 2,480	
Accounts receivable .....	3,820	
Supplies .....	1,200	
Equipment .....	\$18,000	
Less: Accumulated depreciation— equipment .....	1,600	16,400
Total assets.....		<u>\$23,900</u>

### Liabilities and Owner's Equity

Liabilities	
Accounts payable .....	\$ 3,100
Unearned service revenue .....	600
Salaries payable .....	400
Total liabilities .....	4,100
Owner's equity	
J. Rand, Capital.....	19,800
Total liabilities and owner's equity .....	<u>\$23,900</u>

**PROBLEM 3-1B**

(a)

J4

Date	Account Titles	Ref.	Debit	Credit
<b>2008</b>				
May 31	Supplies Expense.....	631	500	
	Supplies .....	126		500
31	Travel Expense.....	736	200	
	Travel Payable .....	229		200
31	Insurance Expense .....	722	200	
	Prepaid Insurance.....	130		200
	(\$4,800 ÷ 24 months)			
31	Unearned Service Revenue.....	209	2,000	
	Service Revenue .....	400		2,000
	(\$3,000 – \$1,000)			
31	Salaries Expense .....	726	840	
	Salaries Payable.....	212		840
	[(3/5 X \$700) X 2 employees]			
31	Depreciation Expense.....	717	160	
	Accumulated Depreciation—			
	Office Furniture.....	150		160
	(\$9,600 ÷ 60 months)			
31	Accounts Receivable.....	112	1,000	
	Service Revenue .....	400		1,000

(b)

Cash		No. 101		
Date	Explanation	Ref.	Debit	Credit
<b>2008</b>				
May 31	Balance	✓		7,700

## PROBLEM 3-1B (Continued)

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			4,000
31	Adjusting	J4	1,000		5,000
Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			1,500
31	Adjusting	J4		500	1,000
Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			4,800
31	Adjusting	J4		200	4,600
Office Furniture					No. 149
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			9,600
Accumulated Depreciation—Office Furniture					No. 150
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4		160	160
Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			3,500

### PROBLEM 3-1B (Continued)

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			3,000
	31 Adjusting	J4	2,000		1,000
Salaries Payable					No. 212
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4		840	840
Travel Payable					No. 229
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4		200	200
L. Ace, Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			19,100
Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			6,000
	31 Adjusting	J4		2,000	8,000
	31 Adjusting	J4		1,000	9,000
Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4	500		500

## PROBLEM 3-1B (Continued)

Depreciation Expense					No. 717
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4	160		160
Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4	200		200
Salaries Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			3,000
	31 Adjusting	J4	840		3,840
Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Balance	✓			1,000
Travel Expense					No. 736
Date	Explanation	Ref.	Debit	Credit	Balance
2008					
May 31	Adjusting	J4	200		200

**PROBLEM 3-1B (Continued)**

(c)

**MODINE CONSULTING**  
**Adjusted Trial Balance**  
**May 31, 2008**

	<b>Debit</b>	<b>Credit</b>
<b>Cash.....</b>	<b>\$ 7,700</b>	
<b>Accounts Receivable .....</b>	<b>5,000</b>	
<b>Supplies.....</b>	<b>1,000</b>	
<b>Prepaid Insurance .....</b>	<b>4,600</b>	
<b>Office Furniture.....</b>	<b>9,600</b>	
<b>Accumulated Depreciation—Office</b>		
<b>Furniture .....</b>	\$ 160	
<b>Accounts Payable .....</b>		3,500
<b>Travel Payable.....</b>		200
<b>Salaries Payable .....</b>		840
<b>Unearned Service Revenue .....</b>		1,000
<b>L. Ace, Capital .....</b>		19,100
<b>Service Revenue.....</b>		9,000
<b>Supplies Expense .....</b>	500	
<b>Depreciation Expense.....</b>	160	
<b>Insurance Expense .....</b>	200	
<b>Salaries Expense.....</b>	3,840	
<b>Rent Expense .....</b>	1,000	
<b>Travel Expense .....</b>	200	
	<b><u>\$33,800</u></b>	<b><u>\$33,800</u></b>

**P3-5B** On November 1, 2010, the account balances of Morelli Equipment Repair were as follows.

No.	Debits		No.	Credits	
101	Cash	\$ 2,400	154	Accumulated Depreciation	\$ 2,000
112	Accounts Receivable	4,250	201	Accounts Payable	2,600
126	Supplies	1,800	209	Unearned Service Revenue	1,200
153	Store Equipment	12,000	212	Salaries Payable	700
			301	V. Morelli, Capital	13,950
		<u><u>\$20,450</u></u>			<u><u>\$20,450</u></u>

During November the following summary transactions were completed.

- Nov. 8 Paid \$1,700 for salaries due employees, of which \$700 is for October salaries.
- 10 Received \$3,420 cash from customers on account.
- 12 Received \$3,100 cash for services performed in November.
- 15 Purchased store equipment on account \$2,000.
- 17 Purchased supplies on account \$700.
- 20 Paid creditors on account \$2,700.
- 22 Paid November rent \$400.
- 25 Paid salaries \$1,700.
- 27 Performed services on account and billed customers for services provided \$900.
- 29 Received \$600 from customers for future service.

Adjustment data consist of:

1. Supplies on hand \$1,200.
2. Accrued salaries payable \$400.
3. Depreciation for the month is \$200.
4. Unearned service revenue of \$1,250 is earned.

### Instructions

- (a) Enter the November 1 balances in the ledger accounts.
- (b) Journalize the November transactions.
- (c) Post to the ledger accounts. Use J1 for the posting reference. Use the following additional accounts: No. 407 Service Revenue, No. 615 Depreciation Expense, No. 631 Supplies Expense, No. 726 Salaries Expense, and No. 729 Rent Expense.
- (d) Prepare a trial balance at November 30.
- (e) Journalize and post adjusting entries.
- (f) Prepare an adjusted trial balance.
- (g) Prepare an income statement and an owner's equity statement for November and a balance sheet at November 30.

**PROBLEM 3-5B**

(a), (c) & (e)

<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>
Nov. 1	Balance	✓			2,790
8		J1		1,100	1,690
10		J1	1,200		2,890
12		J1	1,400		4,290
20		J1		2,500	1,790
22		J1		300	1,490
25		J1		1,300	190
29		J1	550		740

<b>Accounts Receivable</b>					<b>No. 112</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Nov. 1	Balance	✓			2,510
10		J1		1,200	1,310
27		J1	400		1,710

<b>Supplies</b>					<b>No. 126</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Nov. 1	Balance	✓			2,000
17		J1	500		2,500
30	Adjusting	J1		2,000	500

<b>Store Equipment</b>					<b>No. 153</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Nov. 1	Balance	✓			10,000
15		J1	3,000		13,000

### PROBLEM 3-5B (Continued)

Accumulated Depreciation—Store Equipment					No. 154
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			500
30	Adjusting	J1		100	600

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			2,100
15		J1		3,000	5,100
17		J1		500	5,600
20		J1	2,500		3,100

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			1,400
29		J1		550	1,950
30	Adjusting	J1	1,150		800

Salaries Payable					No. 212
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			500
8		J1	500		0
30	Adjusting	J1		500	500

P. Rondeli, Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			12,800

## PROBLEM 3-5B (Continued)

Service Revenue					No. 407
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 12		J1		1,400	1,400
27		J1		400	1,800
30 Adjusting		J1		1,150	2,950

  

Depreciation Expense					No. 615
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 30 Adjusting		J1	100		100

  

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 30 Adjusting		J1	2,000		2,000

  

Salaries Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 8		J1	600		600
25		J1	1,300		1,900
30 Adjusting		J1	500		2,400

  

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 22		J1	300		300

**PROBLEM 3-5B (Continued)**

(b)	General Journal			J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Nov. 8	Salaries Payable.....	212	500	
	Salaries Expense .....	726	600	
	Cash.....	101		1,100
10	Cash .....	101	1,200	
	Accounts Receivable .....	112		1,200
12	Cash .....	101	1,400	
	Service Revenue.....	407		1,400
15	Store Equipment .....	153	3,000	
	Accounts Payable .....	201		3,000
17	Supplies .....	126	500	
	Accounts Payable .....	201		500
20	Accounts Payable.....	201	2,500	
	Cash .....	101		2,500
22	Rent Expense .....	729	300	
	Cash .....	101		300
25	Salaries Expense .....	726	1,300	
	Cash .....	101		1,300
27	Accounts Receivable.....	112	400	
	Service Revenue.....	407		400
29	Cash .....	101	550	
	Unearned Service Revenue .....	209		550

**PROBLEM 3-5B (Continued)**

(d) & (f)

**RONDELI EQUIPMENT REPAIR**  
**Trial Balances**  
**November 30, 2008**

	Before Adjustment		After Adjustment	
	Dr.	Cr.	Dr.	Cr.
Cash .....	\$ 740		\$ 740	
Accounts Receivable.....	1,710		1,710	
Supplies .....	2,500		500	
Store Equipment .....	13,000		13,000	
Accumulated Depreciation .....		\$ 500		\$ 600
Accounts Payable.....		3,100		3,100
Unearned Service Revenue.....		1,950		800
Salaries Payable.....				500
P. Rondeli, Capital .....		12,800		12,800
Service Revenue .....		1,800		2,950
Depreciation Expense .....			100	
Supplies Expense.....			2,000	
Salaries Expense .....	1,900		2,400	
Rent Expense.....	300		300	
	<b>\$20,150</b>	<b>\$20,150</b>	<b>\$20,750</b>	<b>\$20,750</b>

(e) 1.	Nov. 30	Supplies Expense .....	631	2,000	
		Supplies (\$2,500 – \$500) .....	126		2,000
2.	30	Salaries Expense.....	726	500	
		Salaries Payable .....	212		500
3.	30	Depreciation Expense.....	615	100	
		Accumulated Depreciation— Store Equipment .....	154		100
4.	30	Unearned Service Revenue.....	209	1,150	
		Service Revenue.....	407		1,150

**PROBLEM 3-5B (Continued)**

(g)

**RONDELI EQUIPMENT REPAIR**  
**Income Statement**  
**For the Month Ended November 30, 2008**

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<b>Revenues</b>	
Service revenue .....	\$ 2,950
<b>Expenses</b>	
Salaries expense.....	\$2,400
Supplies expense .....	2,000
Rent expense .....	300
Depreciation expense .....	<u>100</u>
Total expenses .....	4,800
Net loss .....	<u>\$(1,850)</u>

**RONDELI EQUIPMENT REPAIR**  
**Owner's Equity Statement**  
**For the Month Ended November 30, 2008**

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<b>P. Rondeli, Capital, November 1.....</b>	<b>\$12,800</b>
Less: Net loss.....	1,850
<b>P. Rondeli, Capital, November 30.....</b>	<b><u>\$10,950</u></b>

**PROBLEM 3-5B (Continued)**

**RONDELI EQUIPMENT REPAIR**  
**Balance Sheet**  
**November 30, 2008**

<b>Assets</b>		
Cash .....	\$ 740	
Accounts receivable .....	1,710	
Supplies .....	500	
Equipment .....	\$13,000	
Less: Accumulated depreciation—		
equipment .....	600	12,400
Total assets.....		<u>\$15,350</u>
<b>Liabilities and Owner's Equity</b>		
<b>Liabilities</b>		
Accounts payable .....	\$ 3,100	
Unearned service revenue .....	800	
Salaries payable .....	500	
Total liabilities .....		4,400
<b>Owner's equity</b>		
P. Rondeli, Capital .....	10,950	
Total liabilities and owner's equity .....		<u>\$15,350</u>