

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

<u>Account Number</u>		<u>Debit</u>	<u>Credit</u>
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

<u>Account Number</u>		<u>Debit</u>	<u>Credit</u>
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)

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

(b)

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

PROBLEM 3-1A (Continued)**Accounts Receivable** **No. 112**

Date		Explanation	Ref.	Debit	Credit	Balance
2008						
June	30	Balance	✓			6,000
	30	Adjusting	J3	1,000		7,000

Supplies **No. 126**

Date		Explanation	Ref.	Debit	Credit	Balance
2008						
June	30	Balance	✓			2,000
	30	Adjusting	J3		1,400	600

Prepaid Insurance **No. 130**

Date		Explanation	Ref.	Debit	Credit	Balance
2008						
June	30	Balance	✓			3,000
	30	Adjusting	J3		250	2,750

Office Equipment **No. 157**

Date		Explanation	Ref.	Debit	Credit	Balance
2008						
June	30	Balance	✓			15,000

Accumulated Depreciation—Office Equipment **No. 158**

Date		Explanation	Ref.	Debit	Credit	Balance
2008						
June	30	Adjusting	J3		250	250

Accounts Payable **No. 201**

Date		Explanation	Ref.	Debit	Credit	Balance
2008						
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**

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

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

<u>Account Number</u>		<u>Debit</u>	<u>Credit</u>
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	
		<u>\$273,900</u>	<u>\$273,900</u>

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)

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
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	620	1,500	
	(\$6,000 X 1/4)			
	Accumulated Depreciation—			
	Cottages	144		1,500
31	Depreciation Expense—Furniture	621	600	
	(\$2,400 X 1/4)			
	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)**Accumulated Depreciation—Furniture** **No. 150**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		600	600

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			6,500

Unearned Rent **No. 208**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			7,400
31	Adjusting	J1	4,100		3,300

Salaries Payable **No. 212**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		400	400

Interest Payable **No. 230**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1		600	600

Mortgage Payable **No. 275**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			80,000

P. Harder, Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			100,000

PROBLEM 3-2A (Continued)**P. Harder, Drawing** **No. 306**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			5,000

Rent Revenue **No. 429**

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

Depreciation Expense—Cottages **No. 620**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	1,500		1,500

Depreciation Expense—Furniture **No. 621**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	600		600

Repair Expense **No. 622**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Balance	✓			3,600

Supplies Expense **No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
Aug. 31	Adjusting	J1	2,700		2,700

Interest Expense **No. 718**

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**

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

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		<u>71,000</u>
Net income		<u>\$ 14,100</u>

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.....	<u>14,100</u>
	114,100
Less: Drawings.....	<u>5,000</u>
P. Harder, Capital, August 31	<u>\$109,100</u>

PROBLEM 3-2A (Continued)

NEOSHO RIVER RESORT
Balance Sheet
August 31, 2008

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

P3-3A Ferneti Advertising Agency was founded by John Ferneti 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

	Unadjusted		Adjusted	
	Dr.	Cr.	Dr.	Cr.
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. Ferneti, Capital		25,500		25,500
J. Ferneti, 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

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

PROBLEM 3-3A (Continued)

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

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

FERNETTI ADVERTISING AGENCY
Balance Sheet
December 31, 2008

Assets	
Cash	\$11,000
Accounts receivable	22,500
Art supplies	5,000
Prepaid insurance	2,500
Printing equipment	\$60,000
Less: Accumulated depreciation	<u>34,000</u>
	26,000
Total assets	<u>\$67,000</u>
Liabilities and Owner's Equity	
Liabilities	
Notes payable	\$ 5,000
Accounts payable	5,000
Unearned advertising fees	5,600
Salaries payable	1,300
Interest payable	<u>150</u>
Total liabilities	17,050
Owner's equity	
J. Ferneti, Capital	<u>49,950</u>
Total liabilities and owner's equity	<u>\$67,000</u>

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.

<u>Date</u>	<u>Term (in months)</u>	<u>Monthly Rent</u>	<u>Number of Leases</u>
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.

<u>Contract</u>	<u>Date</u>	<u>Amount</u>	<u>Number of Magazine Issues</u>
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	Salaries Expense.....	2,320	
		Salaries Payable		2,320
		[5 X \$800 X 2/5 = \$1,600		
		3 X \$600 X 2/5 = 720		
		<u>\$2,320]</u>		
2.	31	Unearned Rent.....	74,000	
		Rent Revenue		74,000
		[5 X \$4,000 X 2 = \$40,000		
		4 X \$8,500 X 1 = 34,000		
		<u>\$74,000]</u>		
3.	31	Advertising Expense.....	4,800	
		Prepaid Advertising.....		4,800
		[A650 – \$450 per month		
		for 8 months = \$3,600		
		B974 – \$400 per month		
		for 3 months = 1,200		
		<u>\$4,800]</u>		
4.	31	Interest Expense.....	6,300	
		Interest Payable		6,300
		(\$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
			301	J. Rand, Capital	18,600
		<u>\$25,400</u>			<u>\$25,400</u>

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)

Cash	No. 101
-------------	----------------

Date	Explanation	Ref.	Debit	Credit	Balance
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

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

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

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			2,000
17		J1	1,200		3,200
30	Adjusting	J1		2,000	1,200

Store Equipment	No. 153
------------------------	----------------

Date	Explanation	Ref.	Debit	Credit	Balance
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

					J1
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**

Revenues		
Service revenue		\$6,350
Expenses		
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	<u>1,200</u>
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		<u>4,100</u>
Owner's equity		
J. Rand, Capital		<u>19,800</u>
Total liabilities and owner's equity		<u>\$23,900</u>

PROBLEM 3-1B

(a)

					J4
Date	Account Titles	Ref.	Debit	Credit	
2008					
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	Balance
2008					
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**

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

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

<u>No.</u>	<u>Debits</u>		<u>No.</u>	<u>Credits</u>	
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>\$20,450</u>			<u>\$20,450</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)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
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

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

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

Store Equipment					No. 153
Date	Explanation	Ref.	Debit	Credit	Balance
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	
	<u>\$20,150</u>	<u>\$20,150</u>	<u>\$20,750</u>	<u>\$20,750</u>

(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

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

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

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

PROBLEM 3-5B (Continued)

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

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