

84 2 The Recording Process

Prepare journal entries and post using standard account form.

(SO 1, 6)

E2-12 Selected transactions for Roberta Garza Company during its first month in business are presented below.

- Sept. 1 Invested \$10,000 cash in the business.
 5 Purchased equipment for \$12,000 paying \$4,000 in cash and the balance on account.
 25 Paid \$3,000 cash on balance owed for equipment.
 30 Withdrew \$700 cash for personal use.

Garza's chart of accounts shows: No. 101 Cash, No. 157 Equipment, No. 201 Accounts Payable, No. 301 Owner's Capital, and No. 306 Owner's Drawings.

Instructions

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

Analyze errors and their effects on trial balance.

(SO 7)

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

1. A credit posting of \$525 to Accounts Receivable was omitted.
2. A debit posting of \$750 for Prepaid Insurance was debited to Insurance Expense.
3. A collection from a customer of \$100 in payment of its account owed was journalized and posted as a debit to Cash \$100 and a credit to Service Revenue \$100.
4. A credit posting of \$415 to Property Taxes Payable was made twice.
5. A cash purchase of supplies for \$250 was journalized and posted as a debit to Supplies \$25 and a credit to Cash \$25.
6. A debit of \$475 to Advertising Expense was posted as \$457.

Instructions

For each error:

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

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

Error	(a) In Balance	(b) Difference	(c) Larger Column
(1)	No	\$525	debit

Prepare a trial balance.

(SO 2, 7)

E2-14 The accounts in the ledger of Bullucks Delivery Service contain the following balances on July 31, 2012.

Accounts Receivable	\$ 7,642	Prepaid Insurance	\$ 1,968
Accounts Payable	8,396	Maintenance and Repairs Expense	961
Cash	?	Service Revenue	10,610
Equipment	49,360	Owner's Drawings	700
Gasoline Expense	758	Owner's Capital	42,000
Insurance Expense	523	Salaries and Wages Expense	4,428
Notes Payable	17,000	Salaries and Wages Payable	815

Instructions

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

Exercises: Set B

Visit the book's companion website, at www.wiley.com/college/weygandt, and choose the Student Companion site to access Exercise Set B.

Problems: Set A

Journalize a series of transactions.

(SO 2, 4)



P2-1A Frontier Park was started on April 1 by H. Hillenmeyer. The following selected events and transactions occurred during April.

- Apr. 1 Hillenmeyer invested \$35,000 cash in the business.
 4 Purchased land costing \$27,000 for cash.
 8 Incurred advertising expense of \$1,800 on account.
 11 Paid salaries to employees \$1,500.
 12 Hired park manager at a salary of \$4,000 per month, effective May 1.
 13 Paid \$1,650 cash for a one-year insurance policy.
 17 Withdrew \$1,000 cash for personal use.
 20 Received \$6,800 in cash for admission fees.
 25 Sold 100 coupon books for \$25 each. Each book contains 10 coupons that entitle the holder to one admission to the park.
 30 Received \$8,900 in cash admission fees.
 30 Paid \$900 on balance owed for advertising incurred on April 8.

Hillenmeyer uses the following accounts: Cash, Prepaid Insurance, Land, Accounts Payable, Unearned Service Revenue, Owner's Capital, Owner's Drawings, Service Revenue, Advertising Expense, and Salaries and Wages Expense.

Instructions

Journalize the April transactions.

P2-2A Desiree Clark is a licensed CPA. During the first month of operations of her business, the following events and transactions occurred.

Journalize transactions, post, and prepare a trial balance.

(SO 2, 4, 6, 7)

- May 1 Clark invested \$20,000 cash in her business.
 2 Hired a secretary-receptionist at a salary of \$2,000 per month.
 3 Purchased \$2,500 of supplies on account from Read Supply Company.
 7 Paid office rent of \$900 cash for the month.
 11 Completed a tax assignment and billed client \$3,200 for services provided.
 12 Received \$3,500 advance on a management consulting engagement.
 17 Received cash of \$1,200 for services completed for C. Desmond Co.
 31 Paid secretary-receptionist \$2,000 salary for the month.
 31 Paid 60% of balance due Read Supply Company.

Desiree uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 301 Owner's Capital, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions

- (a) Journalize the transactions.
 (b) Post to the ledger accounts.
 (c) Prepare a trial balance on May 31, 2012.

Trial balance totals \$28,900

P2-3A Jay Cutler owns and manages a computer repair service, which had the following trial balance on December 31, 2011 (the end of its fiscal year).

Journalize transactions, post, and prepare a trial balance.

(SO 2, 4, 6, 7)

MEGA REPAIR SERVICE

Trial Balance
 December 31, 2011

Cash	\$ 8,000	
Accounts Receivable	15,000	
Supplies	13,000	
Prepaid Rent	3,000	
Equipment	20,000	
Accounts Payable		\$19,000
Owner's Capital		40,000
	<u>\$59,000</u>	<u>\$59,000</u>

Summarized transactions for January 2012 were as follows.

- Advertising costs, paid in cash, \$1,000.
- Additional supplies acquired on account \$4,200.
- Miscellaneous expenses, paid in cash, \$2,000.
- Cash collected from customers in payment of accounts receivable \$14,000.
- Cash paid to creditors for accounts payable due \$15,000.

6. Supplies used during January \$4,000.
7. Repair services performed during January: for cash \$6,000; on account \$9,000.
8. Wages for January, paid in cash, \$3,500.
9. Jay's drawings during January were \$3,000.

Instructions

- (a) Open T accounts for each of the accounts listed in the trial balance, and enter the opening balances for 2012.
- (b) Prepare journal entries to record each of the January transactions. (Omit explanations.)
- (c) Post the journal entries to the accounts in the ledger. (Add accounts as needed.)
- (d) Prepare a trial balance as of January 31, 2012.

Trial balance totals \$63,200

Prepare a correct trial balance.

(SO 7)

P2-4A The trial balance of the Kellen Davis Company shown below does not balance.**KELLEN DAVIS COMPANY**Trial Balance
May 31, 2012

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 5,850	
Accounts Receivable		\$ 2,750
Prepaid Insurance	700	
Equipment	8,000	
Accounts Payable		4,500
Unearned Service Revenue	650	
Owner's Capital		11,700
Service Revenue	6,690	
Salaries and Wages Expense	4,200	
Advertising Expense		1,100
Insurance Expense	890	
	<u>\$26,980</u>	<u>\$20,050</u>

Your review of the ledger reveals that each account has a normal balance. You also discover the following errors.

1. The totals of the debit sides of Prepaid Insurance, Accounts Payable, and Insurance Expense were each understated \$100.
2. Transposition errors were made in Accounts Receivable and Service Revenue. Based on postings made, the correct balances were \$2,570 and \$6,960, respectively.
3. A debit posting to Salaries and Wages Expense of \$200 was omitted.
4. A \$1,000 cash drawing by the owner was debited to Owner's Capital for \$1,000 and credited to Cash for \$1,000.
5. A \$520 purchase of supplies on account was debited to Equipment for \$520 and credited to Cash for \$520.
6. A cash payment of \$540 for advertising was debited to Advertising Expense for \$54 and credited to Cash for \$54.
7. A collection from a customer for \$210 was debited to Cash for \$210 and credited to Accounts Payable for \$210.

Instructions

Prepare a correct trial balance. Note that the chart of accounts includes the following: Owner's Drawings and Supplies. (*Hint:* It helps to prepare the correct journal entry for the transaction described and compare it to the mistake made.)

Trial balance totals \$25,020

Journalize transactions, post,
and prepare a trial balance.

(SO 2, 4, 6, 7)

P2-5A The Chicago Theater is owned by Rashied Davis. All facilities were completed on March 31. At this time, the ledger showed: No. 101 Cash \$4,000, No. 140 Land \$10,000, No. 145 Buildings (concession stand, projection room, ticket booth, and screen) \$8,000, No. 157 Equipment \$6,000, No. 201 Accounts Payable \$2,000, No. 275 Mortgage Payable \$8,000, and No. 301 Owner's Capital \$18,000. During April, the following events and transactions occurred.

- Apr. 2 Paid film rental of \$1,100 on first movie.
- 3 Ordered two additional films at \$1,000 each.
- 9 Received \$2,800 cash from admissions.
- 10 Made \$2,000 payment on mortgage and \$1,000 for accounts payable due.

- 11 Chicago Theater contracted with Virginia McCaskey to operate the concession stand. McCaskey is to pay 17% of gross concession receipts (payable monthly) for the rental of the concession stand.
- 12 Paid advertising expenses \$500.
- 20 Received one of the films ordered on April 3 and was billed \$1,000. The film will be shown in April.
- 25 Received \$5,200 cash from admissions.
- 29 Paid salaries \$2,000.
- 30 Received statement from Virginia McCaskey showing gross concession receipts of \$1,000 and the balance due to The Chicago Theater of \$170 ($\$1,000 \times 17\%$) for April. McCaskey paid one-half of the balance due and will remit the remainder on May 5.
- 30 Prepaid \$1,200 rental on special film to be run in May.

In addition to the accounts identified above, the chart of accounts shows: No. 112 Accounts Receivable, No. 136 Prepaid Rent, No. 400 Service Revenue, No. 429 Rent Revenue, No. 610 Advertising Expense, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions

- (a) Enter the beginning balances in the ledger as of April 1. Insert a check mark (✓) in the reference column of the ledger for the beginning balance.
- (b) Journalize the April transactions. Chicago records admission revenue as service revenue, rental of the concession stand as rent revenue, and film rental expense as rent expense.
- (c) Post the April journal entries to the ledger. Assume that all entries are posted from page 1 of the journal.
- (d) Prepare a trial balance on April 30, 2012.

Trial balance totals \$34,170

Problems: Set B

P2-1B Forte Disc Golf Course was opened on March 1 by Matt Forte. The following selected events and transactions occurred during March.

- Mar. 1 Invested \$20,000 cash in the business.
- 3 Purchased Heeren's Golf Land for \$15,000 cash. The price consists of land \$12,000, shed \$2,000, and equipment \$1,000. (Make one compound entry.)
- 5 Paid advertising expenses of \$700.
- 6 Paid cash \$600 for a one-year insurance policy.
- 10 Purchased golf discs and other equipment for \$1,050 from Innova Company payable in 30 days.
- 18 Received \$1,100 in cash for golf fees earned (Forte records golf fees as service revenue).
- 19 Sold 150 coupon books for \$10 each. Each book contains 4 coupons that enable the holder to play one round of disc golf.
- 25 Withdrew \$800 cash for personal use.
- 30 Paid salaries of \$250.
- 30 Paid Innova Company in full.
- 31 Received \$2,100 cash for fees earned.

Matt Forte uses the following accounts: Cash, Prepaid Insurance, Land, Buildings, Equipment, Accounts Payable, Unearned Service Revenue, Owner's Capital, Owner's Drawings, Service Revenue, Advertising Expense, and Salaries and Wages Expense.

Instructions

Journalize the March transactions.

P2-2B Victoria Hall is a licensed dentist. During the first month of the operation of her business, the following events and transactions occurred.

- April 1 Invested \$20,000 cash in her business.
- 1 Hired a secretary-receptionist at a salary of \$700 per week payable monthly.
- 2 Paid office rent for the month \$1,100.
- 3 Purchased dental supplies on account from Smile Company \$4,000.

Journalize a series of transactions.

(SO 2, 4)



Journalize transactions, post, and prepare a trial balance.

(SO 2, 4, 6, 7)



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- 10 Provided dental services and billed insurance companies \$5,100.
- 11 Received \$1,000 cash advance from Trudy Borke for an implant.
- 20 Received \$2,100 cash for services completed and delivered to John Carl.
- 30 Paid secretary-receptionist for the month \$2,800.
- 30 Paid \$2,400 to Smile Company for accounts payable due.

Victoria uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 301 Owner's Capital, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions

- (a) Journalize the transactions.
- (b) Post to the ledger accounts.
- (c) Prepare a trial balance on April 30, 2012.

Trial balance totals \$29,800

Journalize transactions, post,
and prepare a trial balance.

(SO 2, 4, 6, 7)

P2-3B San Jose Services was formed on May 1, 2012. The following transactions took place during the first month.

Transactions on May 1:

1. Jarron Gilbert invested \$40,000 cash in the company, as its sole owner.
2. Hired two employees to work in the warehouse. They will each be paid a salary of \$3,050 per month.
3. Signed a 2-year rental agreement on a warehouse; paid \$24,000 cash in advance for the first year.
4. Purchased furniture and equipment costing \$30,000. A cash payment of \$10,000 was made immediately; the remainder will be paid in 6 months.
5. Paid \$1,800 cash for a one-year insurance policy on the furniture and equipment.

Transactions during the remainder of the month:

6. Purchased basic office supplies for \$500 cash.
7. Purchased more office supplies for \$1,500 on account.
8. Total revenues earned were \$20,000—\$8,000 cash and \$12,000 on account.
9. Paid \$400 to suppliers for accounts payable due.
10. Received \$3,000 from customers in payment of accounts receivable.
11. Received utility bills in the amount of \$350, to be paid next month.
12. Paid the monthly salaries of the two employees, totalling \$6,100.

Instructions

- (a) Prepare journal entries to record each of the events listed. (Omit explanations.)
- (b) Post the journal entries to T accounts.
- (c) Prepare a trial balance as of May 31, 2012.

Trial balance totals \$81,450

Prepare a correct trial balance.

(SO 7)

P2-4B The trial balance of Robbie Gould Co. shown below does not balance.

ROBBIE GOULD CO.

Trial Balance
June 30, 2012

	Debit	Credit
Cash		\$ 3,340
Accounts Receivable	\$ 2,812	
Supplies	1,200	
Equipment	2,600	
Accounts Payable		3,666
Unearned Service Revenue	1,100	
Owner's Capital		8,000
Owner's Drawings	800	
Service Revenue		2,480
Salaries and Wages Expense	3,200	
Supplies Expense	810	
	<u>\$12,522</u>	<u>\$17,486</u>

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

1. Cash received from a customer in payment of its account was debited for \$580, and Accounts Receivable was credited for the same amount. The actual collection was for \$850.
2. The purchase of a computer on account for \$710 was recorded as a debit to Supplies for \$710 and a credit to Accounts Payable for \$710.
3. Services were performed on account for a client for \$980. Accounts Receivable was debited for \$980, and Service Revenue was credited for \$98.
4. A debit posting to Salaries and Wages Expense of \$700 was omitted.
5. A payment of a balance due for \$306 was credited to Cash for \$306 and credited to Accounts Payable for \$360.
6. The withdrawal of \$600 cash for Gould's personal use was debited to Salaries and Wages Expense for \$600 and credited to Cash for \$600.

Instructions

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

Trial balance totals \$15,462

P2-5B The Cora Theater, owned by Cora Graham, will begin operations in March. The Cora will be unique in that it will show only triple features of sequential theme movies. As of March 1, the ledger of Cora showed: No. 101 Cash \$3,000, No. 140 Land \$24,000, No. 145 Buildings (concession stand, projection room, ticket booth, and screen) \$10,000, No. 157 Equipment \$10,000, No. 201 Accounts Payable \$7,000, and No. 301 Owner's Capital \$40,000. During the month of March the following events and transactions occurred.

Journalize transactions, post, and prepare a trial balance.
(SO 2, 4, 6, 7)

- Mar. 2 Rented the three *Indiana Jones* movies to be shown for the first 3 weeks of March. The film rental was \$3,500; \$1,500 was paid in cash and \$2,000 will be paid on March 10.
- 3 Ordered the *Lord of the Rings* movies to be shown the last 10 days of March. It will cost \$200 per night.
- 9 Received \$4,000 cash from admissions.
- 10 Paid balance due on *Indiana Jones* movies rental and \$2,100 on March 1 accounts payable.
- 11 Cora Theater contracted with Caleb Hanie to operate the concession stand. Hanie is to pay 15% of gross concession receipts (payable monthly) for the rental of the concession stand.
- 12 Paid advertising expenses \$800.
- 20 Received \$5,000 cash from customers for admissions.
- 20 Received the *Lord of the Rings* movies and paid the rental fee of \$2,000.
- 31 Paid salaries of \$3,100.
- 31 Received statement from Caleb Hanie showing gross receipts from concessions of \$6,000 and the balance due to Cora Theater of \$900 ($\$6,000 \times 15\%$) for March. Hanie paid one-half the balance due and will remit the remainder on April 5.
- 31 Received \$9,000 cash from customers for admissions.

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

Instructions

- (a) Enter the beginning balances in the ledger. Insert a check mark (✓) in the reference column of the ledger for the beginning balance.
- (b) Journalize the March transactions. Cora records admission revenue as service revenue, rental of the concession stand as rent revenue, and film rental expense as rent expense.
- (c) Post the March journal entries to the ledger. Assume that all entries are posted from page 1 of the journal.
- (d) Prepare a trial balance on March 31, 2012.

Trial balance totals \$63,800