***Lecture 2 Problem Solution***

**Sept. 1 Cash 101 28,000**

**Office Equipment 163 25,000**

**R. Lummus, Capital 301 53,000**

**Owner invested in the business.**

**2 Prepaid Rent 131 10,500**

**Cash 101 10,500**

**Prepaid twelve months’ rent.**

**4 Office Equipment 163 9,000**

**Office Supplies 124 1,200**

**Accounts Payable 201 10,200**

**Purchased equipment and supplies on credit.**

**8 Cash 101 2,600**

**Service Fees Earned 401 2,600**

**Received cash for services.**

**12 Accounts Receivable 106 13,400**

**Service Fees Earned 401 13,400**

**Billed client for completed work.**

**13 Accounts Payable 201 10,200**

**Cash 101 10,200**

**Paid balance due on account.**

**19 Prepaid Insurance 128 5,200**

**Cash 101 5,200**

Paid premium for insurance.

**22 Cash 101 7,800**

**Accounts Receivable 106 7,800**

**Collected part of amount owed by client.**

**24 Accounts Receivable 106 1,900**

**Service Fees Earned 401 1,900**

**Billed client for completed work.**

**28 R. Lummus, Withdrawals 302 5,300**

**Cash 101 5,300**

**Withdrew cash for personal use.**

**29 Office Supplies 124 1,700**

**Accounts Payable 201 1,700**

**Purchased supplies on account.**

**30 Utilities Expense 690 460**

**Cash 101 460**

**Paid monthly utility bill.**

Problem 2-4B (Continued)

***Part 2***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash** | | | | | | | | | | | | **Acct. No. 101** | | |
| **Date** |  | **Explanation** | | **PR** | | **Debit** | | **Credit** | | | | | **Balance** | |
| **Sept.** | **1** |  | | **G1** | | **28,000** | |  | | | | | **28,000** | |
|  | **2** |  | | **G1** | |  | | **10,500** | | | | | **17,500** | |
|  | **8** |  | | **G1** | | **2,600** | |  | | | | | **20,100** | |
|  | **13** |  | | **G1** | |  | | **10,200** | | | | | **9,900** | |
|  | **19** |  | | **G1** | |  | | **5,200** | | | | | **4,700** | |
|  | **22** |  | | **G1** | | **7,800** | |  | | | | | **12,500** | |
|  | **28** |  | | **G1** | |  | | **5,300** | | | | | **7,200** | |
|  | **30** |  | | **G1** | |  | | **460** | | | | | **6,740** | |
|  |  |  | |  | |  | |  | | | | |  | |
| **Accounts Receivable** | | | | | | | | | | | | **Acct. No. 106** | | |
| **Date** |  | **Explanation** | | **PR** | | **Debit** | | **Credit** | | | | | **Balance** | |
| **Sept.** | **12** |  | | **G1** | | **13,400** | |  | | | | | **13,400** | |
|  | **22** |  | | **G1** | |  | | **7,800** | | | | | **5,600** | |
|  | **24** |  | | **G1** | | **1,900** | |  | | | | | **7,500** | |
|  |  |  | |  | |  | |  | | | | |  | |
| **Office Supplies** | | | | | | | | | | | | **Acct. No. 124** | | |
| **Date** |  | **Explanation** | | **PR** | | **Debit** | | **Credit** | | | | | **Balance** | |
| **Sept.** | **4** |  | | **G1** | | **1,200** | |  | | | | | **1,200** | |
|  | **29** |  | | **G1** | | **1,700** | |  | | | | | **2,900** | |
|  |  |  | |  | |  | |  | | | | |  | |
|  |  |  | |  | |  | |  | | | | |  | |
| **Prepaid Insurance** | | | | | | | | | | | **Acct. No. 128** | | | |
| **Date** |  | | **Explanation** | | **PR** | | **Debit** | | **Credit** | | | | | **Balance** |
| **Sept.** | **19** | |  | | **G1** | | **5,200** | |  | | | | | **5,200** |
| **Prepaid Rent** | | | | | | | | | | **Acct. No. 131** | | | | |
| **Date** |  | | **Explanation** | | **PR** | | **Debit** | | **Credit** | | | | | **Balance** |
| **Sept.** | **2** | |  | | **G1** | | **10,500** | |  | | | | | **10,500** |
|  |  | |  | |  | |  | |  | | | | |  |
| **Office Equipment** | | | | | | | | | | | **Acct. No. 163** | | | |
| **Date** |  | | **Explanation** | | **PR** | | **Debit** | | **Credit** | | | | | **Balance** |
| **Sept.** | **1** | |  | | **G1** | | **25,000** | |  | | | | | **25,000** |
|  | **4** | |  | | **G1** | | **9,000** | |  | | | | | **34,000** |
|  |  | |  | |  | |  | |  | | | | |  |

**Problem 2-4B *(Continued)***

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Accounts Payable** | | | | | | | **Acct. No. 201** | | |
| **Date** |  | **Explanation** | **PR** | **Debit** | **Credit** | | | | **Balance** |
| **Sept.** | **4** |  | **G1** |  | **10,200** | | | | **10,200** |
|  | **13** |  | **G1** | **10,200** |  | | | | **0** |
|  | **29** |  | **G1** |  | **1,700** | | | | **1,700** |
|  |  |  |  |  |  | | | |  |
| **R. Lummus, Capital** | | | | | | | | **Acct. No. 301** | |
| **Date** |  | **Explanation** | **PR** | **Debit** | **Credit** | | | | **Balance** |
| **Sept.** | **1** |  | **G1** |  | **53,000** | | | | **53,000** |
|  |  |  |  |  |  | | | |  |
| **R. Lummus, Withdrawals** | | | | | | **Acct. No. 302** | | | |
| **Date** |  | **Explanation** | **PR** | **Debit** | **Credit** | | | | **Balance** |
| **Sept.** | **28** |  | **G1** | **5,300** |  | | | | **5,300** |
|  |  |  |  |  |  | | | |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Service Fees Earned** | | | | | | **Acct. No. 401** | | |
| **Date** |  | **Explanation** | **PR** | **Debit** | **Credit** | | | **Balance** |
| **Sept.** | **8** |  | **G1** |  | **2,600** | | | **2,600** |
|  | **12** |  | **G1** |  | **13,400** | | | **16,000** |
|  | **24** |  | **G1** |  | **1,900** | | | **17,900** |
|  |  |  |  |  |  | | |  |
|  |  | **Utilities Expense** | | | | | **Acct. No. 690** | |
| **Date** |  | **Explanation** | **PR** | **Debit** | **Credit** | | | **Balance** |
| **Sept.** | **30** |  | **G1** | **460** |  | | | **460** |

**Problem 2-4B *(Concluded)***

***Part 3***

**LUMMUS MANAGEMENT SERVICES**

**Trial Balance**

**September 30**

***Debit Credit***

**Cash $ 6,740**

**Accounts receivable 7,500**

**Office supplies 2,900**

**Prepaid insurance 5,200**

**Prepaid rent 10,500**

**Office equipment 34,000**

**Accounts payable $ 1,700**

**R. Lummus, Capital 53,000**

**R. Lummus, Withdrawals 5,300**

**Service fees earned 17,900**

**Utilities expense 460 \_\_\_\_\_\_**

**Totals $72,600 $72,600**