

PRACTICE QUESTIONS: TABULAR SUMMARY

Practice Problem

Prepare a tabular presentation and financial statements.

(LO 4, 5) Joan Robinson opens her own law office on July 1, 2020. During the first month of operations, the following transactions occurred.

1. Joan invested \$11,000 in cash in the law practice.
2. Paid \$800 for July rent on office space.
3. Purchased equipment on account \$3,000.
4. Performed legal services for clients for cash \$1,500.
5. Borrowed \$700 cash from a bank on a note payable.
6. Performed legal services for client on account \$2,000.
7. Paid monthly expenses: salaries and wages \$500, utilities \$300, and advertising \$100.
8. Joan withdrew \$1,000 cash for personal use.

Instructions

- a. Prepare a tabular summary of the transactions.

Solution

a.	Assets				=	Liabilities		+	Owner's Equity									
Transaction	Cash	+	Accounts Receivable	+	Equipment	=	Notes Payable	+	Accounts Payable	+	Owner's Capital	-	Owner's Drawings	+	Revenues	-	Expenses	
1.	+\$11,000				=					+	+\$11,000							
2.	-800																	
3.										+								
4.	+1,500									+								
5.	+700									+								
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Q2.

On April 1, Julie Spengel established Spengel's Travel Agency. The following transactions were completed during the month.

1. Invested \$15,000 cash to start the agency.
2. Paid \$600 cash for April office rent.
3. Purchased equipment for \$3,000 cash.
4. Incurred \$700 of advertising costs in the *Chicago Tribune*, on account.
5. Paid \$900 cash for office supplies.
6. Performed services worth \$10,000: \$3,000 cash is received from customers, and the balance of \$7,000 is billed to customers on account.
7. Withdrew \$600 cash for personal use.
8. Paid *Chicago Tribune* \$500 of the amount due in transaction (4).
9. Paid employees' salaries \$2,500.
10. Received \$4,000 in cash from customers who have previously been billed in transaction (6).

Instructions

- a. Prepare a tabular analysis of the transactions.

Q3

Sonya Jared opened a law office on July 1, 2020. On July 31, the balance sheet showed Cash \$5,000, Accounts Receivable \$1,500, Supplies \$500, Equipment \$6,000, Accounts Payable \$4,200, and Owner's Capital \$8,800.

During August, the following transactions occurred.

1. Collected \$1,200 of accounts receivable.
2. Paid \$2,800 cash on accounts payable.
3. Recognized revenue of \$7,500 of which \$4,000 is collected in cash and the balance is due in September.
4. Purchased additional equipment for \$2,000, paying \$400 in cash and the balance on account.
5. Paid salaries \$2,800, rent for August \$900, and advertising expenses \$400.
6. Withdrew \$700 in cash for personal use.
7. Received \$2,000 from Standard Federal Bank—money borrowed on a note payable.
8. Incurred utility expenses for month on account \$270.

Instructions

- a. Prepare a tabular analysis of the August transactions

Q4

Maisie Taft started her own consulting firm, Maisie Consulting, on May 1, 2020. The following transactions occurred during the month of May.

May 1 Maisie invested \$7,000 cash in the business.

- 2 Paid \$900 for office rent for the month.
- 3 Purchased \$800 of supplies on account.
- 5 Paid \$125 to advertise in the *County News*.
- 9 Received \$4,000 cash for services performed.
- 12 Withdrew \$1,000 cash for personal use.
- 15 Performed \$6,400 of services on account.
- 17 Paid \$2,500 for employee salaries.
- 20 Made a partial payment of \$600 for the supplies purchased on account on May 3.
- 23 Received a cash payment of \$4,000 for services performed on account on May 15.
- 26 Borrowed \$5,000 from the bank on a note payable.
- 29 Purchased equipment for \$4,200 on account.
- 30 Paid \$275 for utilities.

PRACTICE QUESTIONS: GENERAL JOURNAL, T-ACCOUNTS & TRIAL BALANCE

Q5

Practice Problem

Journalize transactions, post, and prepare a trial balance.

(LO 1, 2, 3, 4) Bob Sample opened the Campus Laundromat on September 1, 2020. During the first month of operations, the following transactions occurred.

- Sept. 1 Bob invested \$20,000 cash in the business.
 2 The company paid \$1,000 cash for store rent for September.
 3 Purchased washers and dryers for \$25,000, paying \$10,000 in cash and signing a \$15,000, 6-month, 12% note payable.
 4 Paid \$1,200 for a one-year accident insurance policy.
 10 Received a bill from the *Daily News* for online advertising of the opening of the laundromat \$200.
 20 Bob withdrew \$700 cash for personal use.
 30 The company determined that cash receipts for laundry services for the month were \$6,200.

The chart of accounts for the company is the same as that for Pioneer Advertising plus No. 610 Advertising Expense.

Instructions

- a. Journalize the September transactions. (Use J1 for the journal page number.)
- b. Open ledger accounts and post the September transactions.
- c. Prepare a trial balance at September 30, 2020.

Solution

a.		GENERAL JOURNAL			J1
Date		Account Titles and Explanation	Ref.	Debit	Credit
2020					
Sept. 1		Cash	101	20,000	
		Owner's Capital	301		20,000
		(Owner's investment of cash in business)			
	2	Rent Expense	729	1,000	
		Cash	101		1,000
		(Paid September rent)			
	3	Equipment	157	25,000	
		Cash	101		10,000
		Notes Payable	200		15,000
		(Purchased laundry equipment for cash and 6-month, 12% note payable)			
	4	Prepaid Insurance	130	1,200	
		Cash	101		1,200
		(Paid one-year insurance policy)			
	10	Advertising Expense	610	200	
		Accounts Payable	201		200
		(Received bill from <i>Daily News</i> for advertising)			
	20	Owner's Drawings	306	700	
		Cash	101		700
		(Withdrew cash for personal use)			
	30	Cash	101	6,200	
		Service Revenue	400		6,200
		(Received cash for services performed)			

b.

GENERAL LEDGER

Cash No. 101						Accounts Payable No. 201					
Date	Explanation	Ref.	Debit	Credit	Balance	Date	Explanation	Ref.	Debit	Credit	Balance
2020						2020					
Sept. 1		J1	20,000		20,000	Sept. 10		J1		200	200
2		J1		1,000	19,000	Owner's Capital No. 301					
3		J1		10,000	9,000	Date	Explanation	Ref.	Debit	Credit	Balance
4		J1		1,200	7,800	2020					
20		J1		700	7,100	Sept. 1		J1		20,000	20,000
30		J1	6,200		13,300	Owner's Drawings No. 306					
Prepaid Insurance No. 130						Date	Explanation	Ref.	Debit	Credit	Balance
Date	Explanation	Ref.	Debit	Credit	Balance	2020					
2020						Sept. 20		J1	700		700
Sept. 4		J1	1,200		1,200	Service Revenue No. 400					
Equipment No. 157						Date	Explanation	Ref.	Debit	Credit	Balance
Date	Explanation	Ref.	Debit	Credit	Balance	2020					
2020						Sept. 30		J1		6,200	6,200
Sept. 3		J1	25,000		25,000	Advertising Expense No. 610					
Notes Payable No. 200						Date	Explanation	Ref.	Debit	Credit	Balance
Date	Explanation	Ref.	Debit	Credit	Balance	2020					
2020						Sept. 10		J1	200		200
Sept. 3		J1		15,000	15,000	Rent Expense No. 729					
						Date	Explanation	Ref.	Debit	Credit	Balance
						2020					
						Sept. 2		J1	1,000		1,000

Campus Laundromat

Trial Balance
September 30, 2020

	Debit	Credit
Cash	\$13,300	
Prepaid Insurance	1,200	
Equipment	25,000	
Notes Payable		\$15,000
Accounts Payable		200
Owner's Capital		20,000
Owner's Drawings	700	
Service Revenue		6,200
Advertising Expense	200	
Rent Expense	1,000	
	<u>\$41,400</u>	<u>\$41,400</u>

Q6

Selected transactions for Sophie's Dog Care are as follows during the month of March.

March 1 Paid monthly rent of \$1,200.

3 Performed services for \$160 on account.

5 Performed services for cash of \$75.

8 Purchased equipment for \$600. The company paid cash of \$90 and the balance was on account.

12 Received cash from customers billed on March 3.

14 Paid salaries and wages to employees of \$525.

22 Paid utilities of \$72.

24 Borrowed \$1,500 from Grafton State Bank by signing a note.

27 Paid \$220 to repair service for plumbing repairs.

28 Paid balance amount owed from equipment purchase on March 8.

30 Paid \$1,800 for six months of insurance.

Instructions

Journalize the transactions.

Q7

On April 1, Adventures Travel Agency began operations. The following transactions were completed during the month.

1. Owner invested \$24,000 in the business.

2. Obtained a bank loan for \$7,000 by issuing a note payable.

3. Paid \$11,000 cash to buy equipment.

4. Paid \$1,200 cash for April office rent.

5. Paid \$1,450 for supplies.

6. Purchased \$600 of advertising in the *Daily Herald*, on account.

7. Performed services for \$18,000: cash of \$2,000 was received from customers, and the balance of \$16,000 was billed to customers on account.

8. Cash withdrawal of \$400 by owner for personal use.

9. Paid the utility bill for the month, \$2,000.

10. Paid *Daily Herald* the amount due in transaction (6).

11. Paid \$40 of interest on the bank loan obtained in transaction (2).

12. Paid employees' salaries and wages, \$6,400.

13. Received \$12,000 cash from customers billed in transaction (7).

Instructions

a. Journalize the transactions.

b. Post the transactions to T-accounts.

c. Prepare a trial balance at April 31, 2020.

Beyers Security Company provides security services. Selected transactions for Beyers are presented below.

Oct. 1 Invested \$66,000 cash in the business.

2 Hired part-time security consultant. Salary will be \$2,000 per month. First day of work will be October 15.

4 Paid one month of rent for building for \$2,000.

- 7 Purchased equipment for \$18,000, paying \$4,000 cash and the balance on account.
- 8 Paid \$500 for advertising.
- 10 Received bill for equipment repair cost of \$390.
- 12 Provided security services for event for \$3,200 on account.
- 16 Purchased supplies for \$410 on account.
- 21 Paid balance due from October 7 purchase of equipment.
- 24 Received and paid utility bill for \$148.
- 27 Received payment from customer for October 12 services performed.
- 31 Paid employee salaries and wages of \$5,100.

Instructions

- a. Journalize the transactions. Do not provide explanations.
- b. Post the transactions to T-accounts.
- c. Prepare a trial balance at October 31, 2020.