

ACC1701X
ACCOUNTING FOR DECISION MAKERS
SEMESTER 1 2022 / 2023

TUTORIAL 2 ANSWER SOLUTION
Financial Statements Overview

Analytical Cumulative Case – HaloCrypto Inc.

(Refer also to the excel solution file on Canvas)

Part (1) Journal Entries		Debit	Credit
1-Jun	Inventory	53,000	
	Accounts Payable		53,000
4-Jun	Cash	5,000	
	Accounts Receivable		5,000
5-Jun	Equipment	3,000	
	Cash		3,000
6-Jun	Accounts Receivable	40,000	
	Sales Revenue		40,000
	Cost of Goods Sold	30,000	
	Inventory		30,000
10-Jun	Rent Expense	1,500	
	Cash		1,500
15-Jun	Insurance Expense	800	
	Cash		800
17-Jun	Salaries Expense	4,500	
	Cash		4,500
20-Jun	Cash	33,000	
	Accounts Receivable		33,000
26-Jun	Cash	30,000	
	Sales Revenue		30,000
	Cost of Goods Sold	20,000	
	Inventory		20,000
28-Jun	Accounts Payable	60,000	
	Cash		60,000
		280,800	280,800

Part (2)

TRIAL BALANCE	31-May-22		June Transactions			30-Jun-22	
	Debit	Credit	Ref Date	Debit	Credit	Debit	Credit
Cash	25,000		4-Jun	5,000		23,200	
			5-Jun		3,000		
			10-Jun		1,500		
			15-Jun		800		
			17-Jun		4,500		
			20-Jun	33,000			
			26-Jun	30,000			
			28-Jun		60,000		
Receivables	27,000		4-Jun		5,000	29,000	
			6-Jun	40,000			
			20-Jun		33,000		
Inventory	153,000		1-Jun	53,000		156,000	
			6-Jun		30,000		
			26-Jun		20,000		
Property, Plant & Equipment (PPE)	199,000		5-Jun	3,000		202,000	
Accumulated Depreciation		9,000					9,000
Accounts Payable		74,000	1-Jun		53,000		67,000
			28-Jun	60,000			
Unearned Revenue		10,000					10,000
Long-term Debt		207,000					207,000
Share Capital		50,000					50,000
Retained Earnings (as of July 1, 2021)		46,000					46,000
Dividends	0					0	
Sales		700,000	6-Jun		40,000		770,000
			26-Jun		30,000		
Cost of Goods Sold	519,000		6-Jun	30,000		569,000	
			26-Jun	20,000			
Rent Expense			10-Jun	1,500		1,500	
Insurance Expense			15-Jun	800		800	
Salaries Expense			17-Jun	4,500		4,500	
Other Operating Expenses	160,000					160,000	
Interest Expense	9,000					9,000	
Income Tax Expense	4,000					4,000	
	1,096,000	1,096,000		280,800	280,800	1,159,000	1,159,000

Part (3)

The purpose of the trial balance is to determine only whether total debits equal total credits. Thus, several types of errors can exist even though total debits equal total credits. These errors could include completely omitting a transaction, recording a transaction incorrectly, and posting a transaction to the wrong accounts.

SSA Textbook Tutorial Assignment:

E 3-9 (LO2) Relationships of the Expanded Accounting Equation

1.	December 31, 2021:	
	Total assets.....	\$ 250,000
	Less total liabilities	(115,000)
	Total equity	\$ 135,000
	Less retained earnings	(95,000)
	Capital stock.....	<u>\$ 40,000</u>
2.	December 31, 2022:	
	Total assets.....	\$ 300,000
	Less total liabilities	(125,000)
	Total equity	\$ 175,000
	Less capital stock	(60,000)
	Retained earnings	<u>\$ 115,000</u>
3.	Retained earnings, December 31, 2021	\$ 95,000
	Plus net income for 2022	X
	Less dividends for 2022.....	(6,500)
	Retained earnings, December 31, 2022	<u>\$ 115,000</u>
	Net income	<u>\$ 26,500*</u>
	*(\$95,000 + X – \$6,500 = \$115,000; X = \$26,500)	
	Revenues for 2022.....	\$ X
	Less expenses for 2022	(135,500)
	Net income for 2022	<u>\$ 26,500</u>
	Revenues	<u>162,000**</u>
	**(X – \$135,500 = \$26,500; X = \$162,000)	

Alternative solution:

Increase in Retained Earnings during year = \$20,000 (\$115,000 – \$95,000)
 \$20,000 = Revenues (X) – Expenses (\$135,500) – Dividends (\$6,500) =
 Revenues (\$162,000)

E 3-15 (LO3, LO4) Journalizing and Posting Transactions

July	1	Paid advertising expense, \$3,420.
	5	Collected \$9,500 cash from customers as payments on accounts.
	10	Purchased \$20,000 of supplies on credit.
	14	Provided services on account for \$18,000.
	23	Paid rent of \$2,000.
	25	Paid \$5,000 to creditors as payments on account.
	28	Collected \$8,000 cash from customers as payments on account.
	30	Purchased equipment for \$1,500 and land for \$4,000 in cash.