

Tutorial questions (P2-7A, E3-7, E3-8)

Problem 2-7A (LO 2-4, 2-5, 2-6)

Requirement 1

Entries are numbered for posting.

		Debit	Credit
(1)	<u>March 1</u>		
	Cash	3,000	
	Common Stock		3,000
	(Issue common stock)		
(2)	<u>March 3</u>		
	Equipment	2,700	
	Notes Payable		2,700
	(Purchase sewing equipment with note payable)		
(3)	<u>March 5</u>		
	Rent Expense	600	
	Cash		600
	(Pay rent for current month)		
	<u>March 7</u>		
	No entry		
(4)	<u>March 12</u>		
	Supplies	130	
	Accounts Payable		130
	(Purchase sewing supplies on account)		
(5)	<u>March 15</u>		
	Cash	800	
	Service Revenue		800
	(Provide services for cash)		
(6)	<u>March 19</u>		
	Cash	700	
	Deferred Revenue		700
	(Receive cash in advance from customer)		
(7)	<u>March 25</u>		
	Deferred Revenue	700	
	Service Revenue		700
	(Provide services to customer)		
(8)	<u>March 30</u>		
	Utilities Expense	95	
	Cash		95
	(Pay utilities for current month)		
(9)	<u>March 31</u>		
	Dividends	150	
	Cash		150
	(Pay dividends)		

Problem 2-7A (continued)

Requirements 2 and 3

Cash	
(1) 3,000	600 (3)
(5) 800	95 (8)
(6) 700	150 (9)
3,655	

Supplies	
(4) 130	
130	

Equipment	
(2) 2,700	
2,700	

Accounts Payable	
	130 (4)
	130

Deferred Revenue	
(7) 700	700 (6)
	0

Notes Payable	
	2,700 (2)
	2,700

Common Stock	
	3,000 (1)
	3,000

Dividends	
(9) 150	
150	

Service Revenue	
	800 (5)
	700 (7)
	1,500

Rent Expense	
(3) 600	
600	

Utilities Expense	
(8) 95	
95	

Problem 2-7A (concluded)

Requirement 4

**Ute Sewing Shop
Trial Balance
March 31**

Accounts	Debit	Credit
Cash	\$3,655	
Supplies	130	
Equipment	2,700	
Accounts Payable		\$ 130
Deferred Revenue		0
Notes Payable		2,700
Common Stock		3,000
Dividends	150	
Service Revenue		1,500
Rent Expense	600	
Utilities Expense	95	
Totals	\$7,330	\$7,330

Exercise 3-7 (LO 3-3)

<u>(1a)</u>	<u>Debit</u>	<u>Credit</u>
Supplies	4,500	
Cash		4,500
<i>(Purchase supplies during December)</i>		

<u>(1b)</u>	<u>Debit</u>	<u>Credit</u>
Supplies Expense	3,000	
Supplies		3,000
<i>(Supplies used during December)</i>		

<u>(2a)</u>	<u>Debit</u>	<u>Credit</u>
No journal entry required		

<u>(2b)</u>	<u>Debit</u>	<u>Credit</u>
Insurance Expense	2,000	
Prepaid Insurance		2,000
<i>(Reduce prepaid insurance due to passage of time)</i>		

<u>(3a)</u>	<u>Debit</u>	<u>Credit</u>
Salaries Payable	11,000	
Cash		11,000
<i>(Pay November salaries)</i>		

<u>(3b)</u>	<u>Debit</u>	<u>Credit</u>
Salaries Expenses	16,000	
Salaries Payable		16,000
<i>(Record salaries owed at December 31)</i>		

<u>(4a)</u>	<u>Debit</u>	<u>Credit</u>
Cash	4,500	
Deferred Revenue		4,500
<i>(Receive cash in advance from customer)</i>		

<u>(4b)</u>	<u>Debit</u>	<u>Credit</u>
Deferred Revenue	1,500	
Service Revenue		1,500
<i>(Reduce deferred revenue for rental space used by the customer during December)</i>		

Exercise 3-8 (LO 3-3)

<u>(1)</u>	<u>Debit</u>	<u>Credit</u>
Income Tax Expense	42,000	
Income Tax Payable		42,000
<i>(Income taxes owed for the year)</i>		

<u>(2)</u>	<u>Debit</u>	<u>Credit</u>
Interest Receivable	1,750	
Interest Revenue		1,750
<i>(Interest revenue = \$50,000 x 0.07 x 6/12)</i>		

<u>(3)</u>	<u>Debit</u>	<u>Credit</u>
Deferred Revenue	4,000	
Service Revenue		4,000
<i>(Recognize revenue for three months of twelve months received in advance; \$16,000 x 3/12)</i>		

Take-home questions (P2-4A, P2-8A, E3-12, E3-13)

Problem 2-4A (LO 2-4)

Transactions for Jake's Lawn Maintenance Company

<u>July 3</u>	<u>Debit</u>	<u>Credit</u>
Accounts Receivable	500	
Service Revenue		500
<i>(Provide services on account)</i>		
<u>July 6</u>		
Repairs and Maintenance Expense	450	
Accounts Payable		450
<i>(Receive maintenance on account)</i>		
<u>July 9</u>		
Cash	500	
Accounts Receivable		500
<i>(Receive cash on account)</i>		
<u>July 14</u>		
Notes Receivable	600	
Cash		600
<i>(Loan cash by accepting note receivable)</i>		
<u>July 18</u>		
Advertising Expense	110	
Cash		110
<i>(Pay advertising for the current month)</i>		
<u>July 20</u>		
Accounts Payable	450	
Cash		450
<i>(Pay cash on account)</i>		
<u>July 27</u>		
No entry for Jake.		
<u>July 30</u>		
No entry for Jake.		
<u>July 31</u>		
Cash	600	
Notes Receivable		600
<i>(Receive cash on note receivable)</i>		

Problem 2-8A (LO 2-4, 2-5, 2-6)**Requirement 1**

Entries are numbered for posting.

	Debit	Credit
(1) <u>Sep. 1</u>		
Cash	4,700	
Service Revenue		4,700
<i>(Provide services for cash)</i>		
(2) <u>Sep. 2</u>		
Land	6,400	
Notes Payable		6,400
<i>(Purchase land with note payable)</i>		
(3) <u>Sep. 4</u>		
Advertising Expense	500	
Accounts Payable		500
<i>(Receive invoice for current advertising)</i>		
(4) <u>Sep. 8</u>		
Accounts Receivable	6,000	
Service Revenue		6,000
<i>(Provide services on account)</i>		
(5) <u>Sep. 10</u>		
Supplies	1,100	
Accounts Payable		1,100
<i>(Purchase supplies on account)</i>		
(6) <u>Sep. 13</u>		
Notes Payable	4,000	
Cash		4,000
<i>(Pay note payable)</i>		
(7) <u>Sep. 18</u>		
Cash	5,000	
Accounts Receivable		5,000
<i>(Receive cash on account)</i>		
(8) <u>Sep. 20</u>		
Rent Expense	900	
Cash		900
<i>(Pay rent for current month)</i>		
(9) <u>Sep. 30</u>		
Utilities Expense	2,000	
Cash		2,000
<i>(Pay utilities for current month)</i>		

Problem 2-8A (continued)

(10)	<u>Sep. 30</u>		
	Salaries Expense	4,000	
	Cash		4,000
	<i>(Pay salaries for current month)</i>		
(11)	<u>Sep. 30</u>		
	Dividends	1,100	
	Cash		1,100
	<i>(Pay dividends)</i>		

Problem 2-8A (continued)

Requirements 2 and 3

Cash	
Bal. 6,500	4,000 (6)
(1) 4,700	900 (8)
(7) 5,000	2,000 (9)
	4,000 (10)
	1,100 (11)
4,200	

Accounts Receivable	
Bal. 2,500	5,000 (7)
(4) 6,000	
3,500	

Supplies	
Bal. 7,600	
(5) 1,100	
8,700	

Land	
Bal. 11,200	
(2) 6,400	
17,600	

Accounts Payable	
	7,500 Bal.
	500 (3)
	1,100 (5)
	9,100

Notes Payable	
(6) 4,000	3,000 Bal.
	6,400 (2)
	5,400

Common Stock	
	9,000 Bal.
	9,000

Retained Earnings	
	8,300 Bal.
	8,300

Dividends	
(11) 1,100	
1,100	

Service Revenue	
	4,700 (1)
	6,000 (4)
	10,700

Salaries Expense	
(10) 4,000	
4,000	

Rent Expense	
(8) 900	
900	

Advertising Expense	
(3) 500	
500	

Utilities Expense	
(9) 2,000	
2,000	

Problem 2-8A (continued)

Requirement 4

**Pirates Incorporated
Trial Balance
September 30**

Accounts	Debit	Credit
Cash	\$ 4,200	
Accounts Receivable	3,500	
Supplies	8,700	
Land	17,600	
Accounts Payable		\$ 9,100
Notes Payable		5,400
Common Stock		9,000
Retained Earnings		8,300
Dividends	1,100	
Service Revenue		10,700
Salaries Expense	4,000	
Rent Expense	900	
Advertising Expense	500	
Utilities Expense	2,000	
Totals	\$42,500	\$42,500

Exercise 3-12 (LO 3-3)

<u>(1)</u>	<u>Debit</u>	<u>Credit</u>
Deferred Revenue	2,000	
Service Revenue		2,000
<i>(Recognize revenue for one month = \$4,000 ÷ 2 months received = \$2,000)</i>		

<u>(2)</u>	<u>Debit</u>	<u>Credit</u>
Insurance Expense	6,600	
Prepaid Insurance		6,600
<i>(Recognize insurance expense for 6 months)</i>		

<u>(3)</u>	<u>Debit</u>	<u>Credit</u>
Salaries Expense	3,000	
Salaries Payable		3,000
<i>(Record salaries owed at December 31)</i>		

<u>(4)</u>	<u>Debit</u>	<u>Credit</u>
Interest Expense	250	
Interest Payable		250
<i>(Record interest expense; $\\$15,000 \times 0.10 \times$ $2/12 = \\$250$)</i>		

<u>(5)</u>	<u>Debit</u>	<u>Credit</u>
Supplies Expense	3,900	
Supplies		3,900
<i>(Office supplies used during year; $\\$1,000 +$ $\\$3,400 - \\$500 = \\$3,900$)</i>		

Exercise 3-13 (LO 3-3)

<u>(1)</u>	<u>Debit</u>	<u>Credit</u>
Interest Receivable	270	
Interest Revenue		270
<i>(Record interest revenue not received; \$9,000 x 0.12 x 3/12 = \$270)</i>		
<u>(2)</u>	<u>Debit</u>	<u>Credit</u>
Rent Expense	3,000	
Prepaid Rent		3,000
<i>(Reduce prepaid rent for two months used of three months prepaid; \$4,500 x 2/3 = \$3,000)</i>		
<u>(3)</u>	<u>Debit</u>	<u>Credit</u>
Deferred Revenue	5,500	
Service Revenue		5,500
<i>(Recognize revenue for five months of 12 months collected in advance; \$13,200 x 5/12)</i>		
<u>(4)</u>	<u>Debit</u>	<u>Credit</u>
Utilities Expense	5,500	
Utilities Payable		5,500
<i>(Utilities owed at December 31)</i>		
<u>(5)</u>	<u>Debit</u>	<u>Credit</u>
Salaries Expense	5,000	
Salaries Payable		5,000
<i>(Record salaries owed at December 31)</i>		
<u>(6)</u>	<u>Debit</u>	<u>Credit</u>
Supplies Expense	3,500	
Supplies		3,500
<i>(Supplies used during year; \$1,500 + \$5,500 - \$3,500 = \$3,500)</i>		