

CHAPTER TWO: THE RECORDING PROCESS

CHAPTRE AT A GLANCE

- Event & transaction
- Classification of transaction
- Account & its types
- The steps in recording process:
- Debit, Credit & rules of debit & credit
- Journal & its advantages
- Procedure for preparing journal entries
- Ledger
- Trial balance
- Features of trail balance
- Objectives of Trial Balance
- Advantages & limitation of trial balance
- Dual Aspect concept/Debit and Credit
- How accounts, debits, and credits are used to record business transactions.
- How a ledger and posting help in the recording process.
- Glossary
- Journal, ledger & trial balance: Problems & solutions

2.1: Event & Transaction

Event: In ordinary language "Event" means anything that happens. Human life is full of events. So many events take place in the family and social life of a person. The events may be classified into two types:

- ✓ **Monetary Events:** Events which are related with money, i.e. which change the financial position of a person are known as "monetary events". For example, daily shopping, marriage ceremony, birthday anniversary, marriage anniversary etc.
- ✓ **Non-Monetary Events:** Events which are not related with money i.e. which do not change the financial position of a person are known as "non-monetary events". For example, winning a game, delivering a lecture in a meeting etc.

In accounting, all monetary events are regarded as "business transactions."

Transaction : Transaction can be defined as an exchange of goods or services between two parties.

In other words, transaction is a business event that has a monetary impact on an entity's financial statements, and is recorded as an entry in its accounting records. Each transaction represents some sort of change to one's assets, liabilities or owner's equity. Example: Paying a supplier for services rendered or goods delivered.

2.2: Classification of transaction

Transactions may be classified in different groups from different points of views:

1. On the basis of organizational relationship:
 - a. External transactions
 - b. Internal transactions
2. On the basis of exchange of cash
 - a. Cash transactions:
 - b. Credit transactions
 - c. Non- cash transactions
3. On the basis of visibility :
 - a. Visible transactions
 - b. Invisible transactions
4. On the basis of objectivity
 - a. Business transactions
 - b. Non-business or non-trading transactions
 - c. Personal transactions

1. On the basis of organizational relationship:

- a. **External transactions:** The transactions that occur between two persons or two organizations or between a person and organization in terms of money are called external transactions or business transactions.
- b. **Internal transactions:** The transactions relating adjustment of depreciation of fixed assets, income receivable, expenditure payable or any matter after a certain period are called internal transactions or transactions relating to accounts. For example, the value of a

machine decreased through uses, salary payable, etc.

2. On the basis of exchange of cash :

- a. **Cash transactions:** The transactions which are settled for cash right after their occurrence are called cash transactions. Cash means money, cheque, bank draft etc.
- b. **Credit transactions:** The transactions which are not settled for cash right after their occurrence are called credit transactions. In this case after a certain period cash payment is made.
- c. **Non- cash transactions:** All the transactions other than cash transactions and credit transactions are collectively called non-cash transactions. There is no trace of transactions anywhere except in the books of accounting. For this reason it is called transactions in papers or transactions in books of accounts. Depreciation of fixed assets, return of defective goods purchased earlier etc. are non-cash transactions.

3. On the basis of visibility :

- a. **Visible transactions:** The results of effects of those transactions which are visible are called visible transactions. For example, purchase of machine, furniture, tools, car etc. Visible transactions are also called real transactions.
- b. **Invisible transactions:** The results of those transactions which are not visible are called invisible transactions. For example, depreciation of fixed assets, amortization of intangible assets, share discount, preliminary expenses etc.

4. On the basis of objectivity:

- a. **Business transactions:** Day to day transactions those are incurred for running the business are called business transactions. Such as sale, purchase, advertisement etc.
- b. **Non-business or non-trading transactions:** Social service oriented transactions are called non-business or non-trading transactions. For example, subscription or donation to various social organization such as school, college etc.
- c. **Personal transactions:** A person performs transactions in his personal life such as birthday expenditure, marriage ceremony expenditure, marriage day expenditure, festival expenditure, children's education expenditure etc. which are called personal transactions.

2.3: Account & Its Types

Account: Account is a record of increase and decrease in specific asset, liability, or owner's equity items. It is stated that "an account is a summary of relevant transactions at one place relating to a particular head"

Types of Accounts/Head of Account: There are six types of account. These are

1. Asset Account
2. Expense Account

3. Drawing Account
4. Liability Account
5. Revenue Account
6. Capital Account

(1) **Asset Account:** Asset is the resource owned by a business. Example: Cash Account, Land Account, Equipment Account etc.

(2) **Expense Account:** Expense is the cost of asset consumer or service used in the process of earning revenue. Example: Advertising Expenses Rent Expense, Salary Expense, Utility Expense etc.

(3) **Drawing Account:** Drawing is the withdrawal of cash or other asset from an unincorporated business for the personal use of the owner. Example: Cash Drawing Account, Merchandise Drawing Account etc.

(4) **Liability Account:** Liability is the creditorship claim on total asset. Example: Salary Payable, Rent Payable etc.

(5) **Revenue Account:** Revenue is the gross increase in owner's equity resulting from business activities. Example: Service Revenue, Concession Revenue, Rent Revenue etc.

(6) **Capital Account:** Capital is the ownership claim on total assets. Example: Mr. Arif , Capital, Mr. Azam, Additional Investment etc.

2.4: The steps in recording process:

The basic steps in the recording process are:

1. Analyzing transactions for its effects on the account
 2. Enter the transactions information in the Journal.
 3. Transfer the journal information in a ledger.
-
1. **Analyzing transactions for its effects on the account:** The sequence of the events in the recording process begins with the transaction. Evidence of the transaction is provided by a business document such as sales slip, a check, a bill, or a cash register tape. This evidence is analyzed to determine the effects of the transaction on specific accounts.
 2. **Enter the transactions information in the Journal:** The transaction is then entered in the journal. Each transaction is recorded in the journal on the basis of dual effect. The chronological order of occurrences of transactions is also mention in the journal.
 3. **Transfer the journal information in a ledger:** Finally, the journal entry is transferred to the designated accounts in the ledger. In this way, the recording process ends.

2.5: Debit, credit & rules of debit & credit:

Business transactions are events that have a monetary impact on the financial statements of an organization. When accounting for these transactions, we record numbers in two accounts, where the debit column is on the left and the credit column is on the right.

- ✓ **Debit:** A debit is an accounting entry that either increases an asset or expense account, or decreases a liability or equity account. It is positioned to the left in an accounting entry.

- ✓ Credit: A credit is an accounting entry that either increases a liability or equity account, or decreases an asset or expense account. It is positioned to the right in an accounting entry.

The rules of debit and credit stated below:

1. Assets accounts are increased by debits and decreased by credits.
2. Expense accounts are increased by debits and decreased by credits.
3. Drawing accounts are increased by debits and decreased by credits.
4. Liability accounts are decreased by debits and increased by credits.
5. Revenue accounts are decreased by debits and increased by credits.
6. Owner's equity accounts are decreased by debits and increased by credits.

2.6: Journal & its advantages:

Journal: The word 'Jour' means day journal has been derived from the word jour. The word journal means day book or daily book of accounting. Journal is called subsidiary book.

The book where in the transactions are recorded in a chronological order of dates after determining the debit account and credit account of transactions with explanation is called journal.

Examples: Journals are of various types, such as

1. General Journal.
2. Adjusting Journal.
3. Closing Journal.
4. Reversing Journal.
5. Opening Journal.
6. Compound Journal.
7. Special Journal.

Advantage of journal:

Advantages of journal are as follows:

- Detail descriptions of transactions are available in journal.
- It is the primary and basic book for recording transactions.
- It is the daily book of transactions.
- From various subsidiary journals necessary information can be known easily.
- Increases efficiency in accounting tasks.
- It is used as future reference.
- Ledger can be kept briefly and in a neat and clean manner.
- It helps rectification of errors.

2.7: Procedure for preparing Journal entries

To make a journal, the following standards are followed. :

1. Date:
2. Account Title
3. Explanation

4. Space between Journal Entries
5. Reference Column
6. Debit Column
7. Credit Column

1. **Date:** The date of transactions is entered in the Date column. The date recorded should include the year, month, and day of transaction.
2. **Account Title:** The debit account title is entered at the extreme left margin of the column headed “Account Titles and Explanation”, and the credit account title is entered on the next line of debit account title, keeping a finger space.
3. **Explanation:** A brief explanation of the transaction is given on the line below the credit account title.
4. **Space between Journal Entries:** A space is left between journal entries. The blank space separates individual journal entries and makes the entries journal easier to read.
5. **Reference Column:** The reference column is used to place the ledger account number at the time of posting.
6. **Debit Column:** The amount of the debit account title is recorded in the Debit column.
7. **Credit Column:** The amount of the credit account title is recorded in the Credit column.

2.8: Ledger:

Ledger is the book wherein various entries of journal are posted in brief permanently according to debit and credit under separate heads of accounts is called ledger.

According to L. C. Cropper “ The book which contains a classified and permanent record of all the transaction of a business is called the ledger”

2.9: Trail balance:

A **trial balance** is a list of accounts and their balances at a given time.

A trail balance is a statement which is, prepared at a particular date with the ledger account balances to test the arithmetical accuracy of the ledger accounts and also to facilitate preparation of financial statements is called a trial balance. A trial balance contains the columns –serial number of ledger accounts, Account titles, Ledger folio, debit balance and credit balance.

2.10: Features of trail balance

The trail balance contains the following features:

- a) Trail balance is neither an account nor a part of it .It is a statement containing all balances of ledger accounts.
- b) It is not recorded in any book of account. Trial balance is prepared in a separate sheet or paper.
- c) A trial balance is prepared with the balances of account at the end of a particular accounting period.
- d) The statement contains all kinds of accounts, irrespective of their classifications, such as assets liabilities, income expenses etc.

2.11: Objectives of Trial Balance:

Although trial balance is not an account, it is prepared to fulfill the following objects:

1. The main object of trial balance is to proof the arithmetical accuracy of accounts.
2. It is prepared to check whether the debit and credit accounts of each transaction have been recorded properly.
3. For convenient preparation of financial statements trial balance is prepared bringing debit and credit ledger balances together.
4. To proof accurate balancing of ledger account.
5. To detect mistakes in the process of accounts, if any.
6. To provide information to the proper authority in time.
7. To compare the balances of various ledger accounts of accounts of year with those previous year.

2.12: Advantages & limitation of trial balance**Advantages of Trial Balance**

Following are the various advantages of trial Balance:

1. Ensure the equal debits and credits.
2. Discovers the errors in journalizing.
3. Helps to find the errors of posting.
4. Locates the errors in Ledger accounts.
5. Laps in preparing the financial statements.
6. Helps to make the adjustments for the non-recordable transactions.
7. Helps to make the adjustment for the non-recordable transactions.
8. Helps to test the mathematical accuracy of the recording process.

Limitation of Trial Balance

A trial balance does not guarantee freedom from recording errors, however. Numerous errors may exist even though the trial balance columns agree. For example, the trial balance may balance even when:

1. A transaction is not journalized,
2. A correct journal entry is not posted,
3. A journal entry is posted twice,
4. Incorrect accounts are used in journalizing or posting, or
5. Offsetting errors are made in recording the amount of a transaction.

2.13: Dual Aspect concept/Debit & Credit

Dual Aspect Concept, also known as Duality Principle, is a fundamental convention of accounting that necessitates the recognition of all aspects of an accounting transaction. Dual aspect concept is the underlying basis for double entry accounting system.

Double entry accounting system is based on the duality principle and was devised to account for all aspects of a transaction. Under the system, aspects of transactions are classified under two main types:

- Debit
 - Credit
- ✓ Debit is the portion of transaction that accounts for the increase in assets and expenses, and the decrease in liabilities, equity' and income.
- ✓ Credit is the portion of transaction that accounts for the increase in income, liabilities and equity, and the decrease in assets and expenses.

The classification of debit and credit effects is structured in such a way that for each debit there is a corresponding credit and vice versa. Hence, every transaction will have 'dual effects.

2.14: How accounts, debits, and credits are used to record business transactions.

An account is a record of increases and decreases in specific asset, liability, and owners equity items. The terms debit and credit are synonymous with left and right. Assets, drawings, and expenses are increased by debits and decreased by credits. Liabilities, owner's capital, and revenues are increased by credits and decreased by debits.

2.15: How a ledger and posting help in the recording process.

The ledger is the entire group of accounts maintained by a company. The ledger provides the balance in each of the accounts as well as keeps track of changes in these balances. Posting is the transfer of journal entries to the ledger accounts. This phase of the recording process accumulates the effects of journalized transactions in the individual accounts

GLOSSARY :

Account: A record of increases and decreases in specific asset, liability, or owner's equity items.

Chart of accounts: A list of accounts and the account numbers that identify their location in the ledger.

Compound entry: A journal entry that involves three or more accounts.

Credit: The right side of an account.

Debit: The left side of an account.

Double-entry system: A system that records in appropriate accounts the dual effect of each transaction

General journal: The most basic form of journal.

General ledger: A ledger that contains all asset, liability, and owner's equity accounts.

Journal: An accounting record in which transactions are initially recorded in chronological order.

Journalizing: The entering of transaction data in the journal.

Ledger: The entire group of accounts maintained by a company.

Normal balance: An account balance on the side where an increase in the account is recorded.

Posting: The procedure of transferring journal entries to the ledger accounts.

Simple entry: A journal entry that involves only two accounts.

T-account: The basic form of an account.

Three-column form of account: A form with columns for debit, credit, and balance amounts in an account.

Trial balance: A list of accounts and their balances at a given time.

(Ref: Accounting Principles, Weygandt, Kimmel, Kieso , Twelfth Edition)

Tips for doing Math

Recording process has three types of Account

1. Journal
2. Ledger
3. Trail balance

Journal

Journal Includes following column

1. Date
2. Account Titles and Explanation
3. Reference
4. Debit
5. Credit

Ledger

Ledger are Two types

1. General Ledger
2. T-format ledger

Ledger Includes following column

1. Date
2. Explanation
3. Reference
4. Debit
5. Credit
6. balance

Trail balance

Trail Balance Includes following column

1. Serial no.
2. Account title/ Explanation
3. References
4. Debit
5. Credit.

Golden Rules:

Asset, Expense & Drawing	Increase	Debit
	Decrease	Credit
Liabilities & Owners equity, Revenue	Increase	Credit
	Decreases	Debit

Problem & Solution

Problem- 1: (Ref: Accounting Principles, Kieso , Page: 56,Practice Problem)

Presented below is information related to Hammond Real Estate Agency.

- Oct. 1. Lia Berge begins business as a real estate agent with a cash investment of \$30000.
 2. Paid rent, \$700, on office space.
 3. Purchase office equipment for \$2800, on account.
 6. **Sells a house and lot for Hal Smith; bills Hal Smith 4400 for realty services performed.**
 27. Pays \$1100 on the balance related to the transaction of October 3.
 30. Receive bill for October utilities, \$130 (not paid at this time).

Instruction :

Journalize the transactions. (You may omit explanation).

Solution:

Hammond Real Estate Agency

General Journal

For the month of October

Date	Account Title and Explanations	Ref.	Debit	Credit
1	Cash Dr. Owner's capital Cr. (Invested cash in the business by the owner)		30,000	30,000
2	Rent Expense Cash (Paid office rent)		700	700
3	Office Equipment Accounts payable (Purchase office equipment on account)		2,800	2,800
6	Accounts Receivable Service revenue (Earned service revenue on account)		4,400	4,400
27	Accounts payable Cash (Paid the account payable)		1,100	1,100
30	Utilities expense Accounts payable (Incurred utility expense on account)		130	130

Problem- 2:

(Ref: Accounting Principles, Kieso , Page: 57,Practice Problem)

Bob Sample opened the campus Laundromat on September 1, 2017. During the first month of operations, the following transaction occurred.

- Sep.
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. Receive 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 charts of accounts for the company are the same as that for Pioneer Advertising Agency plus No. 610 Advertising Expense.

Instructions

- (a) Journalize the September transactions. (Use J1 for the journal page no.)
- (b) Open ledger accounts and post the September transactions.
- (c) Prepare a trial balance at September 30, 2017.

Solution : (a)**Campus Laundromat**

General Journal

For the month of September 2017

Date	Account Title and Explanations	Ref.	Debit	Credit
2017 Sept.1	Cash Owner's capital (Invested cash in the business by the owner)		20,000	20,000
2	Rent Expense Cash (Paid office rent)		1,000	1,000
3	Equipment Cash Notes payable (Purchase laundry equipment cash and on credit)		25,000	10,000 15,000
4	Prepaid insurance Cash (Paid one-year Insurance policy)		1,200	1,200
10	Advertising Expense Accounts payable (Received bill for advertising on account)		200	200
20	Owner's drawing		700	

	Cash (Withdraw cash for personal use)			700
30	Cash Service Revenue (Received cash for service performed)		6,200	6,200

(b)

Campus Laundromat

(General Journal)

Cash

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1			20000		20000
2				1000	19000
3				10000	9000
4				1200	7800
20				700	7100
30			6200		13300

Prepaid Insurance

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 4			1200		1200

Equipment

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 3			25000		25000

Accounts payable

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 10				200	200

Owner's Capital

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1				20000	20000

Owner's Drawing

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 20			700		700

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30				6200	6200

Notes payable

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 3			15000		15000

Advertising expense

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 10			200		200

Rent Expense

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 2			1000		1000

(c)

Campus Laundromat

Trial Balance

September 30, 2017

Accounts	Debit (\$)	Credit (\$)
Cash	13300	
Prepaid Insurance	1200	
Equipment	25000	
Notes Payable		15000
Accounts payable		200
Owner's capital		20000
Owner's drawing	700	
Service revenue		6200
Advertising Expense	200	
Rent Expense	1000	
Totals	<u>41400</u>	<u>41400</u>

Problem- 3:

(Ref: Accounting Principles, Kieso , Page: 63 , P2-1A)

Holz Disc Golf course was opened On march 1 by Ian Holj. The following selected events and transactions occurred during March.

- March.
1. Invested \$20,000 cash in the business.
 3. Purchased Rainbow Golf Land for \$15,000 cash. The price consist of land \$12,000, shade \$2,000, and equipment \$1,000. (Make one compound entry)
 5. Paid advertising expenses of \$900.
 6. Paid cash \$600 for a one -year Insurance Policy.
 10. Purchased Golf discs and other equipment for \$1050 from Stevenson Company payable in 30 days.
 18. Received \$1100, in cash for Golf fees earned. (Holj record 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 Stevenson company in full.
- 31. Received \$2700 cash for fees earned.

Holz Disc Golf uses the following accounts : cash, Prepaid Insurance, land, Buildings, Equipment Accounts payable, Unearned service revenue, Owners capital, Owner's Drawings, Service revenue, Advertising Expense, and salaries and wages Expense.

Instructions

Journalize the March transactions.

Solution:

Holz Disc Golf Course

General Journal

For the month of March

Date	Account Title and Explanations	Ref.	Debit	Credit
Mar.1	Cash Owner's capital (Invested cash in the business by the owner)		20000	20000
3	Land Building Equipment Cash (Purchased rainbow Golf land)		12000 2000 1000	15000
5	Advertising Expense Cash (Paid for Advertising Expense)		900	900
6	Prepaid insurance Cash (Paid one-year Insurance policy)		600	600
10	Equipment Accounts payable (Purchased equipment on account)		1050	1050
18	Cash Golf revenue (Receive cash for Golf revenue)		1100	1100
19	Cash(150 ×10) Unearned Revenue (Received cash for coupon book sold)		1500	1500
25	Owner's Drawing Cash (Withdraw cash for Personal use)		800	800

30	Salaries Expense Cash (Paid for salary Expense)		250	250
30	Accounts payable Cash (Paid the accounts payable)		1050	1050
31	Cash Golf Revenue (Received cash for golf revenue)		2700	2700

Problem- 4:

(Ref: Accounting Principles, Kieso , Page: 63 , P2-2A)

Emily Valley is a licensed dentist. During the first month of the operation of her business, the following events and transaction occurred.

- April.
1. Invest \$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 \$1100.
 3. Purchased dental supplies on account from Dazzle company \$4000
 10. Provided Dental services and billed Insurance companies \$5100
 11. Received \$1000 cash advanced from Leah mataruka for an implant.
 20. Received \$2100 cash for services completed and delivered to John Carl.
 30. Paid secretary-receptionist for the month \$2800
 30. Paid \$2400 to smile company for accounts payable due.

Victoria uses the following chart of account: 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 account
- (c) Prepare a trial balance on April 30, 2017

Solution: (a)

Emily Valley
General Journal

Date	Account Title and Explanations	Ref.	Debit	Credit
April.1	Cash Owner's capital (Owners investment of cash in business)		20000	20000
1	No entry—hire is not a financial transaction		-	-
2	Rent Expense Cash (Paid office rent)		1100	1100
3	Supplies		4000	

	Account payable (Purchase supplies on Account)			4000
10	Account Receivable Service revenue (Billed client for service provided)		5100	5100
11	Cash Unearned Revenue (Receive cash for Future service)		1000	1000
20	Cash Service Revenue (Received cash for service provided)		2100	2100
30	Salaries Expense Cash (Paid for salary)		2800	2800
30	Accounts payable Cash (Paid cash for previous due)		2400	2400

(b)

Emily valley
(General Ledger)

Cash

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1			20000		20000
2				1100	18900
11			1000		19900
20			2100		22000
30				2800	19200
30				2400	16800

Supplies

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3			4000		4000

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10			5100		5100

Accounts payable

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3				4000	4000
30			2400		1600

Owner's capital

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1				20000	20000

Service revenue

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10				5100	5100
20				2100	7200

Unearned Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11				1000	1000

Salary Expense

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30			2800		2800

Rent expense

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2			1100		1100

(c)

Emily valley

Trial balance

April 30, 2017

Accounts	Debit (\$)	Credit (\$)
Cash	16800	
Supplies	4000	
Accounts Receivable	5100	
Accounts payable		1600
Owner's capital		20000
Service revenue		7200
Unearned revenue		1000
Salaries Expense	2800	
Rent Expense	1100	
Totals	<u>29800</u>	<u>29800</u>

Problem- 5:

(Ref: Accounting Principles, Kieso , Page: 63 , P2-3A)

Maquoketa services were formed on May 1, 2017. The following transaction took place during the first month.

Transaction on May 1

1. Jay Bradford 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 advanced 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.
6. Purchased basic office supplies for \$420 cash.
7. Purchased more office supplies for \$1,500 on account.
8. Total revenue earned were \$20,000-- \$8,000 cash and \$12,000 on account.
9. Paid \$400 to supplies for accounts payable due.
10. Received \$3,000 from customer in payment of accounts receivable.
11. Received utility bills in the amount of \$380, to be paid next month.
12. Paid the monthly salaries of the two employees, totaling \$6,100

Instructions

- Prepare Journal entries to record each of the events listed. (Omit Explanations.)
- Post the journal entries to T accounts.
- Prepare a trial balance as of May 31,2017.

Solution: (a)

Maquoketa Services

General Journal

For the month of May, 2017

Date	Account Title and Explanations	Ref.	Debit	Credit
May 1	Cash Owner's capital		40000	40000
2	No entry—hire is not a financial transaction		-	-
3	Prepaid Rent Cash		24000	24000
4	Furniture and equipment Cash Accounts payable		30000	10000 20000
5	Prepaid Insurance Cash		1800	1800
6	Office Supplies Cash		420	420

7	Office Supplies Accounts payable	1500	1500
8	Cash Accounts receivable Service Revenue	8000 12000	20000
9	Accounts payable Cash	400	400
10	Cash Accounts receivable	3000	3000
11	Utilities expense Accounts payable	380	380
12	Salaries Expense Cash	6100	6100

(b) Try yourself.

(c)

Maquoketa Services

Trial balance

May 31, 2017

Accounts	Debit (\$)	Credit (\$)
Cash(40000-24000-10000-1800-420+8000-400+3000-6100)	8280	
Prepaid rent	24000	
Prepaid Insurance	1800	
Office supplies(420+1500)	1920	
Accounts receivable (12000-3000)	9000	
Furniture & Equipment	30000	
Accounts payable(20000+1500-400+380)		21480
Owner's capital		40000
Service revenue		20000
Utilities Expense	380	
Salaries expense	6100	
Totals	<u>81480</u>	<u>81480</u>

Problem- 6:

(Ref: Accounting Principles, Kieso , Page: 64 , P2-4A)

The trial balance of Avtar Sandhu Co. shown below does not balance

AVTAR SANDHU CO.

Trial Balance

June 30, 2017

Accounts	Debit (\$)	Credit (\$)
Cash		\$3340
Accounts receivable	\$2812	
Supplies	1200	
Equipment	2600	
Accounts payable		3666
Unearned service revenue	1100	
Owner's capital		8000
Owner's Drawings	800	
Service revenue		2480
Salaries and wages Expense	3200	
Supplies expense	810	
Totals	<u>\$12500</u>	<u>\$17486</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 accounts 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. Service 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.

Solution

AVTAR SANDHU CO.

Trial Balance

June 30, 2017

Accounts	Debit (\$)	Credit (\$)
Cash(3340-580+850)	3610	
Accounts receivable(2812+580-850)	2542	
Supplies(1200-710)	490	
Equipment(2600+710)	3310	
Accounts payable(3666-306-360)		3000
Unearned service revenue		1100
Owner's capital		8000
Owner's Drawings(800+600)	1400	
Service revenue(2480+980-98)		3362
Salaries and wages Expense(3200+700-600)	3300	
Utilities expense	810	
Totals	<u>15462</u>	<u>15462</u>

Problem- 7:

(Ref: Accounting Principles, Kieso , Page: 65 , P2-5A)

The Star theater, owned by Meg Vargo, will begin operation in March. The Starr will be unique in that it will show only triple feature of sequential theme movies. As of March 1, the ledger of Cora showed: No 101 Cash \$3000, 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.

- March.
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 \$4,300 cash from admissions.
 10. Paid balance due on Indiana Jones movies rental, and \$2,100 on march 1 accounts payable.
 11. Star Theater contracted with Adam Ladd to operate the concession stand. Ladd is to pay 15% of gross concession receipts, payable monthly, for the rental of the concession stand.
 12. Paid advertising expenses \$900.
 20. Received \$5000 cash from customer for admissions.
 20. Received the Lord of the Rings movies and paid the rental fee of \$2000.
 31. Paid salaries of \$3100.
 31. Received statements from Adam Ladd showing gross receipts from concession of

\$6000 and the balance due to Cora Theater of \$900 (\$6000 x15%) for March. Ladd paid one half the balance due and will remit the remainder on April 5.

31. Received \$9000 cash from customer for admission.

In addition to the account identified above, the chart of account 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 expenses 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 31,2017.

Solution: (a) the ledger balances are summarized into a trial balance as follows:

The Starr Theater

Trial balance

March 1, 2017

Accounts	Debit (\$)	Credit (\$)
Cash	3000	
Land	24000	
Building	10000	
Equipment	10000	
Accounts payable		7000
Owner's capital		40000
Totals	<u>47000</u>	<u>47000</u>

The Starr Theater

General Journal

Date	Account Title and Explanations	Ref.	Debit	Credit
Mar. 2	Film Rental Expense		3500	
	Cash			1500
	Accounts payable			2000
	(Rented film for cash and on account)			
3	No entry—Order is not a financial transaction		-	-
9	Cash		4300	
	Admission revenue			4300
	(Received cash for service provided)			
10	Accounts payable(2100+2000)		4100	
	Cash			4100

	(Paid creditors on account with a previous due)			
11	No entry—Contract is not a financial transaction		-	-
12	Advertising expense		900	
	Cash			900
	(Paid advertising expense)			
20	Cash		5000	
	Admission revenue			5000
	(Received cash for service provided)			
20	Film rental expense		2000	
	Cash			2000
	(Paid film rental)			
31	Salaries Expense		3100	
	Cash			3100
	(Paid for salary Expense)			
31	Cash(1/2 x 900)		450	
	Accounts receivable (1/2x 900)		450	
	Concession revenue			900
31.	Cash		9000	
	Admission revenue			9000

The Starr Theater

Trial balance

March 31, 2017

Accounts	Debit (\$)	Credit (\$)
Cash(3000-15000+4300-4100-900+5000-2000-3100+450+9000)	10150	
Land	24000	
Building	10000	
Equipment	10000	
Accounts receivable	450	
Accounts payable(7000+2000-4100)		4900
Owner's capital		40000
Film rental expense(3500+2000)	5500	
Admission revenue(4300+5000+9000)		18300
Advertising Expense	900	
Salaries expense	3100	
Concession revenue		900
Totals	<u>64100</u>	<u>64100</u>

Mr. Firoz is a licensed architect. During the first month of the operation of his business, the following events and transactions occurred:

- June 1 Invested TK 50000 cash.
 1 Hired a secretary-receptionist at a salary of TK 5000 per month.
 2 Paid office rent for the month TK 2000.
 3 Purchased architectural supplies on account from Dhaka Company TK 2000.
 10 Completed blueprint on a carport and billed client TK 3000 for services.
 20 Received TK 5000 cash for services completed and delivered to Salma & Co.
 30 Paid secretary-Receptionist for the month TK 5000.
 30 Paid TK 1000 to Dhaka Company for accounts payable due.

Instructions:

- (a) Journalize the transaction.
- (b) Post to the ledger account.
- (c) Prepare a trial balance on June 30, 2008.

Solution: Requirement (a):

MR. FIROJ

General Journal

For the month of June 2008

Date	Account Title and Explanations	Ref.	Debit	Credit
June. 1	Cash Mr. Firoj Capital (Invested cash in the business by the owner)		50000	50000
1	No entry—(Hire, Order, contract, promise etc are not financial contract)		-	-
2	Rent expense Cash (Paid Monthly office rent)		2000	2000
3	Supplies Accounts payable (Purchased architectural supplies on account from Dhaka Company)		2000	2000
10	Accounts receivable Service revenue (Billed client for service rendered)		3000	3000
20	Cash Service revenue (Received cash for service completed)		5000	5000
30	Salaries expense Cash (Paid monthly office salary)		2000	2000

30	Accounts payable Cash (Paid for due of Dhaka Company)		1000	1000
----	---	--	------	------

Mr. FIROJ
 Ledger
 For the Month of June, 2008
 Firoj's Capital

Date	Explanation	Ref	Debit	Credit	Balance
June 1				50,000	50,000 Cr.

Office rent exp.

Date	Explanation	Ref	Debit	Credit	Balance
June 2			2,000		2,000 Dr.

Architectural supplies

Date	Explanation	Ref	Debit	Credit	Balance
June 3			2,000		2,000 Dr.

Accounts payable

Date	Explanation	Ref	Debit	Credit	Balance
June 3				2,000	2,000 Cr.
30			1,000		1,000 Cr.

Accounts Receivable

Date	Explanation	Ref	Debit	Credit	Balance
June 10			3,000		3,000 Dr.

Service Revenue

Date	Explanation	Ref	Debit	Credit	Balance
June 10				3,000	3,000 Cr.
20				5,000	8,000 Cr.

Cash

Date	Explanation	Ref	Debit	Credit	Balance
June 1			5,000		50,000 Dr.
2				2,000	48,000 Dr.
20			5,000		53,000 Dr.
30				5,000	48,000 Dr.
30				1,000	47,000 Dr.

Salaries exp.

Date	Explanation	Ref	Debit	Credit	Balance
June 30			5,000		5,000 Dr.

Mr.FIROJ
Trial Balance
June 30, 2008

Sl. No.	Accounts Title	Ref	Debit (Tk.)	Credit (Tk.)
1	Cash		47,000	
2	Foroj`s Capital			50,000
3	Office Rent exp.		2,000	
4	Architectural supplies		2,000	
5	Accounts payable			1,000
6	Accounts Receivable		3,000	
7	Service Revenue			8,000
8	Salaries exp.		5,000	
			<u>59,000</u>	<u>59,000</u>

Problem-9:

Ref. NU Professional BBA-2008

Sohana started her own consulting firm, named consult Sohana, on January 1. 2008. During the first month of operation the following transactions occurred.

- January
1. Sohana invested Tk.10, 000 in cash in the business.
 10. Paid Tk.800 for the monthly rent.
 15. Purchased office equipment of account Tk.3000.
 19. Rendered consulting services to the clients for cash Tk.1500.
 22. Borrowed Tk.700 cash on a not payable.
 25. Rendered consulting services to the clients on credit Tk.2000
 28. Paid monthly salary Tk.500
 29. Paid monthly utilities Tk.400
 30. Paid Tk. 1000 for equipment purchased on January 15.
 31. Cash received Tk. 1000 for services rendered on January 25.
 31. Sohana withdrew Tk. 1000 for services rendered on January 25.200 from business for personal use.

Required:

1. Prepare Journal for the above transaction in the books of Consult Sohana.
2. Prepare ledgers in the books of Consult Sohana from the Journal.
3. Prepare Trial Balance in the books of Consult Sohana as January 31, 2008.

Solution:**In the Books of Consult Sohana**

Journal entries

For the month of January 2008

Date	Explanation	Ref	Dr(Tk.)	Cr (Tk.)
Jan 1	Cash Shohana`s Capital [Cash invested by owner in his business]		10,000	10,000
“10	Rent exp. Cash [Paid to rent]		800	800
“15	Office equipment Accounts payable [Purchase office equipment on account]		3,000	3,000
“19	Cash Service Revenue [service 4revenue to customer in cash]		1,500	1,500
“22	Cash Notes Payable [Money borrowed on a notes payable]		700	700
“25	Accounts Receivable Consulting Revenue [Service rendered to customer on account]		2,000	2,000
“28	Salaries exp. Cash [Paid to Salaries]		500	500
“29	Utilities exp. Cash [Paid to Utilities exp.]		400	400
“30	Accounts payable Cash [paid to accounts payable]		1,000	1,000
“31	Cash Accounts Receivable [Cash received from a/c receivable]		1,000	1,000
“31	Shohana`s withdraw Cash [Withdraw by sohana in his personal use]		200	200

In the Books of consult Sohana

Ledger
Cash account

Date	Explanation	Ref	Debit	Credit	Balance
2008					
January 1			10,000		10,000 Dr.
10				800	9,200 Dr.
19			1,500		10,700 Dr.
22			700		11,400 Dr.
28				500	10,900 Dr.
30				1,000	9,900 Dr.
31			1,000		10,900 Dr.
31				200	10,700 Dr.

Sohan's Capital

Date	Explanation	Ref	Debit	Credit	Balance
January 1				10,000	10,000 Cr.

Rent exp.

Date	Explanation	Ref	Debit	Credit	Balance
January 10			800		800 Dr.

Office equipment

Date	Explanation	Ref	Debit	Credit	Balance
January 15			3,000		3,000 Dr.

Accounts payable

Date	Explanation	Ref	Debit	Credit	Balance
January 15				3,000	3,000 Cr.
30			1,000		2,000 Dr.

Service Revenue

Date	Explanation	Ref	Debit	Credit	Balance
January 19				1,500	1,500 Cr.

Notes Payable

Date	Explanation	Ref	Debit	Credit	Balance
January 22				700	700 Cr.

Accounts receivable

Date	Explanation	Ref	Debit	Credit	Balance
January 25			2,000		2,000 Dr.
31				1,000	1,000 Dr.

Consulting revenue

Date	Explanation	Ref	Debit	Credit	Balance
January 25				2,000	2,000 Cr.

Salaries exp.

Date	Explanation	Ref	Debit	Credit	Balance
January 28			500		500 Dr.

Sohan`s withdraw

Date	Explanation	Ref	Debit	Credit	Balance
January 31			200		200 Dr.

Req: (iii)

In the Books of consult Sohan

Trial Balance

January 31, 2008

Sl. No.	Accounts Title	Ref	Debit (Tk.)	Credit (Tk.)
1	Cash		10,700	
2	Sohan`s Capital			10,000
3	Rent exp.		800	
4	Office equipment		3,000	
5	Accounts payable			2,000
6	Service Revenue			1,500
7	Notes payable			700
8	Accounts Receivable		1,000	
9	Consulting Revenue			
10	Salaries exp.			2,000
11	Sohan`s exp.		500	
12	Sohan`s withdraw		200	
			<u>16,200</u>	<u>16,200</u>

Problem-10:

Ref. NU Professional BBA-2009

Auhon opened a business on September 2009. During the first month of operation the following transactions occurred:-

- Sept.
1. Invested Tk.20, 000 cash in the business;
 2. Paid Tk.1000 cash for store rent for the month September;
 3. Purchased washer and dryer for 25, 000 paying Tk.10, 000 in cash and signing a 15000 six month 125 notes payable;
 4. Paid Tk.1200 for one year accident policy;

10. Received bill from the daily news for advertising the opening of the business Tk.200;
20. Withdrew Tk.700 cash for personal use;
30. Determine that cash receipts for laundry services for the month were Tk.6200

Instruction:

- a) Journalize the September transactions;
- b) Open ledger accounts and post the September transactions;
- c) Prepare a trial balance at September 30 , 2009.

Solution: (a)

Auhon
Journal entries
For the month of September 2009

Date	Explanation	Ref	Dr (Tk.)	Cr (Tk.)
2009 Sep. 1	Cash Auhon`s Capital [Cash invested by owner in his business]		20,000	20,000
2	Rent exp. Cash [Paid to rent]		1,000	1,000
3	Washer and dryer Cash Notes payable [purchase washer and dryer in cash and on notes payable]		25,000	10,000 15,000
4	Prepaid insurance Cash [Paid one year account policy]		1,200	1,200
10	Advertising exp. Accounts payable [Receive advertising bill from daily news]		200	200
20	Withdraw Cash [Withdraw by owner for his personal use]		700	700
30	Cash Laundry Service Revenue [Cash received from laundry Service]		6,200	6,200

Solution (b)

Auhon
Ledger
For the month of September 2009
Cash

Date	Explanation	Ref	Debit	Credit	Balance
2009					
Sep. 1			20,000		20,000 Dr.
2				1,000	19,000 Dr.
3				10,000	9,000 Dr.
4				1,200	7,800 Dr.
20				700	7,100 Dr.
30			6,200		13,300 Dr.

Authon Capital

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 1				20,000	20,000 Cr.

Rent exp.

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 2			1,000		1,000 Dr.

Washer and dryer

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 3			2,500		2,500 Dr.

Notes payable

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 3				15,000	15,000 Cr.

Prepaid Insurance

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 4			1,200		1,200 Dr.

Advertising exp.

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 10			200		200 Dr.

Accounts payable

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 10				200	200 Cr.

Withdraw

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 20			700		700 Dr.

Laundry Service Revenue

Date	Explanation	Ref	Debit	Credit	Balance
Sep. 30				6,200	6,200 Cr.

Solution (c):

Authon
Trial Balance

For the month of Sep.30, 2009

Sl.. No.	Accounts Title	Ref	Debit (Tk.)	Credit (Tk.)
1	Cash		13,300	
2	Rent exp.		1,000	
3	Washer and dryer		25,000	
4	Notes payable			15,000
5	Authon Capital			20,000
6	Prepaid insurance		1,200	
7	Advertising exp.		200	
8	Accounts payable			200
9	Withdraw		700	
10	Laundry Service Revenue			6,200
			<u>41,400</u>	<u>41,400</u>

Problem-11

Enter the following transactions in the Journal of Mr. x for the month of June, 2016:

- June 1. Started business with cash Tk. 20,000, office equipments worth Tk. 50,000, His Private car worth Tk. 30,000 will henceforth be used solely for business purposes
3. Bought goods for cash from Tarafder Tk. 10,000
4. Sold goods for cash to Y Tk. 12,000
5. Purchased goods from Razzaque Tk. 15,000
6. Deposited cash into Bank Tk. 5,000
10. Returned goods to Razzaque Tk. 2,000
12. Paid carriage on sale of goods Tk. 1,000
15. Paid Razzaque in full due to him by cheque Tk. 13,000
18. Purchased one Steel Almirah for private use Tk. 2,000
20. Interest credited by the Bank Tk. 100

Instruction:

- Journalize the June transactions;
- Open ledger accounts and post the June transactions;
- Prepare a trial balance at March, 2016.

Solution: a)

**Books of Mr.x
Journal**

Date	Account titles and explanations	Ref.	Debit (Tk.)	Credit (Tk.)
2016 June 1	Cash		20,000	
	Office equipment		5,000	
	Motor car		30,000	

	Capital – Mr. x (Cash, equipment and motor car introduced as capital to start business)			55,000
3	Purchase Cash (Cash purchase of goods)		10,000	10,000
4	Cash Sales (Goods sold for cash)		12,000	12,000
5	Purchase Accounts payable (Goods purchased on credit)		15,000	15,000
6	Bank Cash (Cash deposited into bank)		5,000	5,000
10	Carriage outward expense Cash (Carriage charge paid on sales)		2,000	2,000
12	Accounts payable Return outward Goods returned to Razzaque)		1,000	1,000
15	Accounts payable Bank (Paid in settlement of accounts payable)		13,000	13,000
18	Drawing Mr. X Cash (Steel almirah purchased for personal use out of business cash)		2,000	2,000
20	Bank Interest revenue (Interest credited by Bank)		100	100

Solution: b (Do Yourself)

Solution: c (Do yourself)

Problem-12:

Enter the following transactions in the Journal of A. Jalil for the month of December, 2015

- Dec.
1. Started business with a capital borrowed from Zia one of his friends Tk. 50,000
 2. Bought machinery Tk. 10,000
 3. Bought goods for cash from Jalal Tk. 5,000
 4. Sold goods for cash to A. Rahman Tk. 2,500
 5. Purchased goods from Belal Tk. 5,000
 6. Cash sales Tk. 5,100

- 10. Deposited cash into bank Tk. 6,000
- 13. Paid Belal in full settlement of his account Tk. 4,900
- 16. Sold goods to Baquer Tk. 4,000
- 16. Paid carriage on sale of goods Tk. 200

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at December 2015.

Solution:

A. Jalil

Journal entries

For the month of December 2015

Date	Account titles and explanations	L.F.	Tk.	Tk.
December 1	Cash Zia`s Loan (Loan taken to start business)		50,000	50,000
2	Machinery Cash (Machinery Purchased for cash)		10,000	10,000
3	Purchase Cash (Goods purchased for cash)		5,000	5,000
4	Cash Sales (Goods sold for cash)		2,500	2,500
5	Purchases Accounts payable (Goods purchased on credit)		5,000	5,000
7	Cash Sales (Goods sold for cash)		5,100	5,100
10	Bank Cash (Cash deposited)		6,000	6,000
13	Accounts payable Cash Discount income. (Amount paid and discount received)		5,000	4,900 100
16	Accounts receivable Sales (Goods sold on credit)		4,000	4,000
16	Carriage outward expense		200	

	Cash (Carriage charges paid on sale of goods)			200
--	--	--	--	-----

Solution: b (Do Yourself)

Solution: c (Do yourself)

Problem-13:

Modern Golf and Driving Range owns by General Nooruddin on March 1 2010. The following selected events and transactions occurred during March.

- Mar.
1. General Nooruddin invested Tk. 40,00,000 cash in the business.
 2. Purchased Montazuddin's Golf Land for Tk. 20,00,000 cash. The price consists of land Tk. 14,00,000, building Tk. 5,00,000 and equipments Tk. 1,00,000.
 5. Advertised the opening of the drive range and miniature golf course, paying advertising expense of Tk. 5,000.
 6. Paid cash Tk. 12,000 for one – year insurance policy.
 11. Purchased equipment from popular Golf Company for Tk. 6,000. Payable within 30 days.
 19. Received Tk. 10,000 in cash for Golf fee earned.
 20. Sold 1,000 coupon book for Tk. 15 each. Each book contains 10 coupons that enable the holders to play one round of miniature golf to hit one bucket of balls.
 29. Withdrew Tk. 5,000 for personal use.
 31. Paid salaries Tk. 10,000.
 31. Paid Popular Golf Company in full.

General Nooruddin uses the following accounts: Cash prepaid insurance; Land; Buildings; Equipment; Accounts payable; Unearned revenue, Capital – Nooruddin, Drawing – Nooruddin; Golf revenue; Advertising expense and salaries expense.

Instruction:

- a) Journalize the March transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at March 2010.

Solution: (a)

Modern Golf and Driving Range

Journal

For the month of March-2010

Date	Account titles and explanations	L.F.	Debit	Credit
2010 March 1	Cash Capital – Nooruddin (To record cash investment to start business.)		Tk. 40,00,000	Tk. 40,00,000
3	Land Building		14,00,000 5,00,000	

	Equipment		1,00,000	20,00,000
	Cash			
	(To record cash purchase of land, building and equipment.)		5,000	
5	Advertising expense			
	Cash			5,000
	(To record cash payment for advertisement expense.)			
6	Prepaid insurance		12,000	
	Cash			12,000
	(To record payment of insurance premium for one – year policy.)			
11	Equipment		6,000	
	Accounts payable – Popular Golf Co.			6,000
	Purchase of equipment on account from popular Golf Co.)			
19	Cash		10,000	
	Golf revenue			10,000
	(To record cash receipt for golf revenue.)			
20	Cash		15,000	
	Unearned revenue			15,000
	(To record cash receipt for coupon sales in cash.)			
25	Cash		5,000	
	Drawing – Nooruddin			5,000
	(To record cash withdrawal by the owner for personal use.)		10,000	
31	Salaries expense			10,000
	Cash		6,000	
	(To record cash payment of salary.)			
31	Accounts payable – Popular Golf Co.			
	Cash			6,000
	(To record payment of debit to popular Golf Co.)			

Solution: b (Do Yourself)

Solution: c (Do yourself)

Problem-14:

Transactions for the month of July 2010 were as follows:

- July
1. The owner invested additional cash of Tk. 25,000.
 1. Paid for a Prefabricated Building constructed on the land at a cost of Tk. 24,000.
 12. Horse feed to be used in July purchased on credit for Tk. 1100.
 24. Miscellaneous expenses of Tk. 800 for July were paid.
 28. The owner withdrew Tk. 700 cash.
 31. Salaries of Tk. 1,600 for the month were paid.

31. Riding and lesson fees for July were billed to customers in the amount of Tk.3,600. They are due on August 10.
31. Boarding fees for July were charged to customers in the amount of Tk. 4,500. This amount is due on August 10.

Instruction:

- Journalize the June transactions;
- Open ledger accounts and post the June transactions;
- Prepare a trial balance at July 2010.

Solution: (a)

Journal
For the month of July-2010

Date	Account titles and explanations	L.F.	Tk.	Tk.
2010				
July 1	Cash Capital – Barbara (Additional cash invested by owner)		25,000	25,000
1	Building Cash (Paid for building)		24,000	24,000
12	Feed expenses Accounts payable (purchased feed on credit)		1,100	1,100
24	Miscellaneous expense Cash (Paid miscellaneous expenses for July)		800	800
28	Drawing Cash (Owner withdrew cash)		700	700
31	Salaries expense Cash (Paid salaries for July)		1,600	1,600
31	Accounts receivable Riding and lesson fees (Billed riding and lesson fees for July)		3,600	3,600
31	Accounts receivable Horse Boarding Fees (Billed boarding fees for July)		4,500	4,500

Solution: b (Do Yourself)**Solution: c (Do yourself)**

Problem-15

Mr. Dulal shaha began a new business on January 1, called cool Air Service, by investing these assets:

Cash Tk. 10,000; Office equipment Tk. 1,000; Tools Tk. 1,500 and Truck Tk. 5,000. The then completed the following transactions during the month of January.

- Janu 2. Paid rent for two months in advance on the shop space Tk. 2,000.
 4. Purchased repair supplies on credit Tk. 800.
 10. Purchased for cash anew type write to replace the one traded Tk. 500.
 10. Paid for advertising announcing the opening of the shop, Tk. 50.
 15. Completed a repair work for a customer for cash Tk. 200.
 20. Completed repair work Mr. Y Sarker Tk. 500. Accepted Tk. 300 in cash and a promissory note for the balance.
 25. Paid utility bills for Tk. 100.
 30. Dual shaha withdrew Tk. 300 from the business to pay personal expense.

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at January

Solution: (a)

**Dulal Shaha`s Book
Journal**

Date	Account Titles and explanations	L.F.	Debit (Tk.)	Credit (Tk.)
Jan. 1	Cash Office equipment Tools Trucks Capital – Dulal (The assets invested in the business as capital)		10,000 1,000 1,500 5,000	17,500
2	Prepaid rent Cash (Two months rent paid in advance)		2,000	2,000
4	Repair supplies Accounts payable (Repair supplies purchased on account)		800	800
10	Office equipment Cash (A new type writer purchased for cash)		500	500

10	Advertising expense Cash (Advertising expenses paid for cash)		50	50
15	Cash Repair income (Income from service received for repair to a customer)		200	200
20	Cash Note receivable Repair income (Cash and note receivable received for repair service)		300 200	500
25	Utility expense Cash (Utility expense paid for Cash)		100	100
30	Drawing – Dulal Cash (Cash drawn by the proprietor)		300	300

Solution: b (Do Yourself)

Solution: c (Do yourself)

Problem 16:

Desiree Clark is a licensed CPA. During the first month of the operation of his business, the following events and transaction occurred.

- May 1 Desiree Invested cash Tk 20000 Cash.
 2 Hired a secretary receptionist at a salary of Tk 2000 per month
 3 Purchased Tk 2500 of supplies on account from Read supply Company.
 7 Paid office rent of Tk 900 cash for the month.
 11 Completed a tax assignment and billed client tk 3200 for service provided.
 12 Received Tk 3500 advanced on a management consulting engagement.
 17 Received cash of Tk 1200 for service completed for Ahamed Co
 31 Paid secretary receptionist Tk 2000 salary for the month.

Required :

- (a) Journalize the transaction.
 (b) Post to the ledger account.
 (c) Prepare a Trial Balance on may 31, 2012

Solution : (a)

**DESIREE CLARK
GENERAL JOURNAL**

Date	Account Title and Explanations	Ref.	Debit	Credit
May 1	Cash		20000	

	Owners, Capital (Owners investment of cash in the business)			20000
2	No entry – No transaction			
3	Supplies Accounts payable (Purchase supplies on account)		2500	2500
7	Rent expense Cash (Paid office rent)		900	900
11	Account receivable Service revenue (Billed client for service provided)		3200	3200
12	Cash Unearned revenue (Received cash for service)		3500	3500
17	Cash Service revenue (Received cash for future service)		1200	1200
31	Salary expense Cash (Paid salaries)		2000	2000

Solution : (b)

Desiree Clark

General ledger

Cash

Date	Explanation	Ref.	Debit	Credit	Balance
May 1	Owners capital	J1	20000		20000
7	Rent Expense	J1		900	19100
12	Unearned revenue	J1	3500		22600
17	Service revenue	J1	1200		23800
31	Salaries expense	J1	5000	2000	21800

Accounts receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 11	A/R		3200		3200

Supplies

Date	Explanation	Ref.	Debit	Credit	Balance
May 3	Accounts payable		2500		2500

Accounts payable

Date	Explanation	Ref.	Debit	Credit	Balance
May 3	supplies			2500	2500

Unearned service revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 12	Cash			3500	3500

Owners capital

Date	Explanation	Ref.	Debit	Credit	Balance
May 1	Cash			20000	20000

Service revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 11	A/R			3200	3200
17	Cash			1200	4400

Salaries expense

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	cash		2000		2000

Rent expense

Date	Explanation	Ref.	Debit	Credit	Balance
May 7	Cash		900		900

Solution : (c)**DESIREE CLARK**

Trial balance

May 31, 2012

Accounts	Debit (\$)	Credit (\$)
Cash	21800	
Accounts receivable	3200	
Supplies	2500	
Accounts payable		2500
Unearned service revenue		3500
Owners capital		20000
Service revenue		4400
Salaries expense	2000	
Rent expense	900	
Totals	<u>30400</u>	<u>30400</u>

Problem17:

Jalal Ahmed is a licensed architect. During the first month of the operation of his business, the

following events and transaction occurred.

- | | | |
|-------|----|---|
| April | 1 | Invested Tk 20000 Cash. |
| | 1 | Hired a secretary receptionist at a salary of Tk 300 per week |
| | 2 | Paid office rent of Tk 800 cash for the month. |
| | 3 | Purchased Tk 1500 of architectural supplies on account from Star company |
| | 10 | Completed blue print on a carport and billed client Tk 900 for services. |
| | 11 | Received Tk 500 cash advanced from a client for the design of a new home. |
| | 20 | Received Tk 1500 cash for service completed and delivered to Bashar |
| | 30 | Paid secretary receptionist Tk 1500 salary for the month. |
| | 30 | Paid Tk 600 to Star company on account. |

Jalal Ahmed uses the following chart of accounts.

No. 101 cash, No 112 Accounts receivable, No 126 Supplies, No 201 Accounts payable, No 205 Unearned revenue, No 301 Jalal Ahmed capital, No 400 Service revenue, no 726 salaries Expense, and No 729 rent expense.

Instructions:

- (a) Journalize the transaction.
- (b) Post to the ledger account.
- (c) Prepare a trial balance on April 30, 2013.

Solution : (a)

**JALAL AHMED
GENERAL JOURNAL**

For the month of April 2013

Date	Account Title and Explanations	Ref.	Debit	Credit
April 1	Cash Owners, Capital (Owners investment of cash in the business)		20000	20000
1	No entry – No transaction			
2	Rent expense Cash (Paid office rent)		800	800
3	Supplies Accounts payable (Purchase supplies on account)		1500	1500
10	Account receivable Service revenue (Billed client for service provided)		900	900
11	Cash Unearned revenue (Received cash for service)		500	500
20	Cash Service revenue		1500	1500

	(Received cash for service provided)			
30	Salary expense		1500	
	Cash			1500
	(Paid salaries)			
30	Accounts payable		1500	
	Cash			1500
	(Paid to account payable)			

Solution : (b)

JALAL AHMED
GENERAL Ledger
Cash

Date	Explanation	Ref.	Debit	Credit	Balance
April 1	Owners capital		20000		20000
2	Rent Expense			800	19200
11	Unearned revenue		500		19700
20	Service revenue		1500		21200
30	Salaries expense			1500	19700
30	Accounts payable			600	19100

Accounts receivable

Date	Explanation	Ref.	Debit	Credit	Balance
April 10	Service revenue		900		900

Supplies

Date	Explanation	Ref.	Debit	Credit	Balance
April 3	Accounts payable		1500		1500

Accounts payable

Date	Explanation	Ref.	Debit	Credit	Balance
April 3	supplies			1500	1500
30			600		900

Unearned revenue

Date	Explanation	Ref.	Debit	Credit	Balance
April 11	Cash			500	500

Owners capital

Date	Explanation	Ref.	Debit	Credit	Balance
April 1	Cash			20000	20000

Service revenue

Date	Explanation	Ref.	Debit	Credit	Balance
April 10	A/R			900	900
20	Cash			1500	2400

Salaries expense

Date	Explanation	Ref.	Debit	Credit	Balance
April 30	Cash		1500		1500

Date	Explanation	Ref.	Debit	Credit	Balance
------	-------------	------	-------	--------	---------

Rent	April 2	Cash		800		800	Expense
-------------	---------	------	--	-----	--	-----	----------------

Solution : (c)

JALAL AHMED

Trial balance

April 30, 2013

Accounts	Debit (\$)	Credit (\$)
Cash	19100	
Accounts receivable	900	
Supplies	1500	
Accounts payable		900
Unearned revenue		500
Owners capital		20000
Service revenue		2400
Salaries expense	1500	
Rent expense	800	
Totals	<u>23800</u>	<u>23800</u>

Questions:

1. Define Event & Transaction
2. Describe different types of transaction
3. What is account? Describe different types of account
4. Explain the step in recording process
5. What is Journal? Write down the advantages of journal
6. What are the procedures for preparing Journal entries
7. What is ledger?
8. What is trail balance? Explain the features of a trial balance
9. What are the objectives of trial balance?
10. Explain advantages & limitation of trail balance
11. Explain how accounts, debits, and credits are used to record business transactions.
12. Explain how a ledger and posting help in the recording process.

Exercise-1

Mark Miller started his own delivery service. Miller Deliveries, on June 1, 2010. The following transactions occurred during the month of June.

- June
1. Mark invested Tk. 10, 000 cash in the business.
 2. Purchased a used van for deliveries for Tk. 12, 000. Mark paid Tk. 2000 cash and signed a note payable for the remaining balance.
 3. Paid Tk. 500 for office rent for the month.
 5. Performed Tk. 4, 400 of services on account.
 9. Withdrew Tk. 200 cash for personal use.
 12. Purchased supplies for Tk. 150 on account.
 15. Received a cash payment of Tk. 250 for services provided on June 5.
 17. Purchased gasoline for Tk. 100 on account.
 25. Received a cash payment of Tk. 1500 for services provided.
 26. Made a cash payment of Tk. 500 on the note payable.
 23. Paid Tk.250 for utilities
 26. Paid for the gasoline purchased on account on June 17.
 30. Mark invested Tk. 10, 000 cash in the business.

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at June

Exercise-2

The following transaction took place during the month of April, 2012 on account of Acme Corporation, Dhaka:-

- April
1. Invested Tk. 10,00,000 cash and Furniture Tk. 2,50,000 to start the business.
 2. Paid TK. 4,000 cash for office rent.
 3. Purchased office equipment for Tk. 25,000 and half of the amount is paid in cash and the remaining amount due.
 5. Incurred Tk. 30,000 of advertising cost in the Bangladesh Times on account.
 9. Paid Tk. 6,000 cash for office supplies.
 12. Purchased gasoline on cash for personal use by the owner.
 15. Withdrawn Tk. 20,000 cash for personal use by the owner.
 25. Paid the "Bangladesh Times" due on advertising on April 5
 26. Paid employee salaries Tk. 22,000
 20. Performed services to the clients on accounts Tk. 35,000.
 23. Received Tk. 35,000 in cash from the customer for service provided on account April 20.

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at June

Exercise-3

Maria Gonzalez opened a veterinary business in Nashville, Tennessee, on August 1. On August 31, the balance sheet showed Cash Tk.9000, Accounts Receivable Tk.1700, Supplies Tk.600, Office Equipment Tk.6000, Accounts payable Tk. 3600, and Maria Gonzalez, Capital Tk.13700. During September the following transactions occurred.

- Sept.**
1. Invested Tk. 10,00,000 cash and Furniture Tk. 2,50,000 to start the business.
 2. Paid TK. 4,000 cash for office rent.
 3. Purchased office equipment for Tk. 25,000 and half of the amount is paid in cash and the remaining amount due.
 5. Incurred Tk. 30,000 of advertising cost in the Bangladesh Times on account.
 9. Paid Tk. 6,000 cash for office supplies.
 12. Purchased gasoline on cash for personal use by the owner.
 15. Withdrawn Tk. 20,000 cash for personal use by the owner.
 25. Paid the “Bangladesh Times” due on advertising on April 9
 17. Paid employee salaries Tk. 22,000
 20. Performed services to the clients on accounts Tk. 35,000.
 23. Received Tk. 35,000 in cash from the customer for service provided on account April 20.

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at June.

Exercise-4

Joan Robinson opens her law office on July 1,2017 .During the first month of operations ,the following transaction occurred:

1. Joan invested \$11,000 in cash in the law practice.
2. Paid \$800 for July rent on office space.
3. Purchased office equipment on account \$3000.
4. Provided legal services to clients for cash \$1500.
5. Borrowed \$700 cash from a bank on a note payable.
6. Performed legal services for client on account \$2000.
7. Paid monthly expenses: salaries and wages \$500, utilities \$300, and advertising \$100.
8. Joan withdraws \$1000 cash for personal use.

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at June.

Exercise-5

On April 1, Julie Spengel established Spengel’s Travel Agency .The following transaction were

completed during the month.

1. Invested \$15,000 cash to start the agency.
2. Paid \$600 cash for April office rent.
3. Purchased office 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 service worth \$10,000; \$3,000 cash is received from customer, and the balance of \$7,000 is billed to customers on accounts.
7. Withdrew \$600 cash for personal use.
8. Paid Chicago Tribune \$500 of the account 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.

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at June

Exercise-6

Jodi Salem opened a law office, on July 1, 2017. On July 31, the balance sheet showed Cash \$5,000, Account Receivable \$1,500, Supplies \$500, Equipment \$6,000, Accounts payable \$4,200 and Owner's capital \$8800. During August the following transaction occurred.

1. Collected \$1,200 of accounts receivable.
2. Paid \$2,800 cash on accounts payable.
3. Earned revenue of \$7,500 of which \$3,000 is collected in cash and the balance is due in September.
4. Purchased additional office equipment for \$2,000, paying \$400 in cash and balance on account.
5. Paid salaries \$2,500, 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 borrowing on a note payable.
8. Incurred utility expenses for month on account \$270

Instruction:

- a) Journalize the June transactions;
- b) Open ledger accounts and post the June transactions;
- c) Prepare a trial balance at August.