

LO 3 Summarize the resulting journal entries through posting and prepare a trial balance (step three of the accounting cycle).

- Posting involves sorting and copying the journal entry items to individual accounts.
- Account balances are computed by summing the debit and credit entries in each account.
- A trial balance is prepared by listing each account along with its balance.
- A statement of comprehensive income and a balance sheet can be prepared from this trial balance.
- A statement of cash flows is prepared by analyzing the inflows and outflows of cash as detailed in the cash account.

LO 4 Describe how technology has affected the first three steps of the accounting cycle.

- Computers have made posting and the preparation of reports and statements much easier.
- Computers have **not** replaced the need for accountants to analyze transactions and determine their effect on the accounting equation.

Key Terms & Concepts

- account, 70
- accounting cycle, 68
- chart of accounts, 88
- compound journal entry, 80
- credit, 71
- debit, 71
- dividends, 74
- journal, 75
- journal entry, 75
- journalizing, 75
- ledger, 87
- posting, 87
- T-account, 71
- trial balance, 91

Review Problem

Review Problem 1: Using Accounting Equation to Prepare Financial Statements

Suppose ACROS Consulting Company was incorporated on March 1, 2017. During the first month of operations, the following transactions occurred:

Date	Transaction
Mar. 1	Shareholders invested NT\$5,000,000 cash, a NT\$30,000 computer and NT\$10,000 supplies in exchange for common stocks.
Mar. 4	ARCOS paid NT\$100,000 for March rent on office space.
Mar. 6	ARCOS purchased NT\$20,000 of supplies on credit from Eslite Stationary Co.
Mar. 10	ARCOS borrowed cash from a bank on a note payable NT\$1,000,000.
Mar. 15	ARCOS purchased NT\$200,000 equipment on account.
Mar. 15	ARCOS received a bill for NT\$15,000 from <i>China Times</i> newspaper for advertising, which is allowed to be paid in 1 month.
Mar. 20	ARCOS performed consulting service NT\$200,000 for client Mary and billed Mary on account.
Mar. 22	ARCOS billed John NT\$400,000 for consulting service performed.
Mar. 27	ARCOS received NT\$50,000 cash from John toward its account.
Mar. 28	ARCOS paid its NT\$15,000 bill to <i>China Times</i> newspaper in cash.
Mar. 30	ARCOS paid salary expense NT\$240,000, utility expenses NT\$100,000 and advertising expense NT\$50,000.
Mar. 31	ARCOS paid cash dividends NT\$10,000.

Required:

1. Prepare a tabular summary of the transactions using the accounting equation.
2. Prepare the statement of comprehensive income, statement of retained earnings, and balance sheet at March 31 for ACROS Consulting Company.

Solution:**1.**

Units: NT dollars

Date	Cash	+ Accounts Receivable	+ Supplies	+ Computer	+ Equipment	=	Accounts Payable	+ Notes Payable	+ Capital Stock	- Dividends	+ Revenues	- Expenses									
Mar. 1	\$5,000,000		\$10,000	\$30,000					\$5,040,000												
4	-100,000											\$-100,000									
6			20,000				\$20,000														
10	1,000,000							\$1,000,000													
15					\$200,000		200,000														
15							15,000					-15,000									
20		\$200,000									\$200,000										
22		400,000									400,000										
27	50,000	-50,000																			
28	-15,000						-15,000														
30	-390,000											-390,000									
31	-10,000									\$-10,000											
Bal.	\$5,535,000	+	\$550,000	+	\$30,000	+	\$30,000	+	\$200,000	=	\$220,000	+	\$1,000,000	+	\$5,040,000	+	\$-10,000	+	\$600,000	+	\$-505,000

2.

ACROS Consulting Company Statement of Comprehensive Income For the Month Ended March 31, 2017		Units: NT dollars
Service revenue		\$600,000
Expenses:		
Rent expense	\$100,000	
Advertising expense	65,000	
Salary expense	240,000	
Utility expense	<u>100,000</u>	505,000
Net income		<u>\$ 95,000</u>
Other comprehensive income		0
Comprehensive income		<u><u>\$ 95,000</u></u>

ACROS Consulting Company Statement of Retained Earnings For the Month Ended March 31, 2017		Units: NT dollars
Retained earnings, March 1, 2017		\$ 0
Plus: Net income		95,000
Less: Dividends		(10,000)
Retained earnings, March 31, 2017		<u><u>\$85,000</u></u>

ACROS Consulting Company				Units: NT dollars	
Balance Sheet					
March 31, 2017					
Assets		Liabilities and equity			
Current assets:		Current liabilities:			
Cash	\$5,535,000	Accounts payable		\$	220,000
Accounts receivable	550,000	Long-term liabilities:			
Supplies	30,000	Notes payable			1,000,000
Long-term assets		Total liabilities			<u>\$1,220,000</u>
Computer	30,000	Equity:			
Equipment	<u>200,000</u>	Capital stock			\$5,040,000
		Retained earnings			85,000
Total assets	<u>\$6,345,000</u>	Total liabilities and equity			<u>\$6,345,000</u>

Review Problem 2: Preparing Trial Balance

Required:

1. For the same transactions in the Review Problem 1, prepare journal entries to record all transactions in March.
2. Open ledger accounts and post the journal entries to them.
3. Prepare a trial balance as of the end of March.

Solution:

1. Journal entries

Mar. 1	Cash	5,000,000	
	Computer	30,000	
	Supplies	10,000	
	Capital Stock		5,040,000
4	Rent Expense	100,000	
	Cash		100,000
6	Supplies	20,000	
	Accounts Payable		20,000
10	Cash	1,000,000	
	Notes Payable		1,000,000
15	Equipment	200,000	
	Accounts Payable		200,000
15	Advertising Expense	15,000	
	Accounts Payable		15,000
20	Accounts Receivable	200,000	
	Service Revenue		200,000
22	Accounts Receivable	400,000	
	Service Revenue		400,000
27	Cash	50,000	
	Accounts Receivable		50,000
28	Accounts Payable	15,000	
	Cash		15,000
30	Salaries Expense	240,000	
	Utilities Expense	100,000	
	Advertising Expense	50,000	
	Cash		390,000
31	Dividends	10,000	
	Cash		10,000

2. T-accounts

Cash			
3/1	5,000,000	3/4	100,000
3/10	1,000,000	3/28	15,000
3/27	50,000	3/30	390,000
		3/31	10,000
Bal.	5,535,000		

Accounts Receivable			
3/20	200,000		
3/22	400,000	3/27	50,000
Bal.	550,000		

Supplies			
3/1	10,000		
3/6	20,000		
Bal.	30,000		

Computer			
3/1	30,000		

Equipment			
3/15	200,000		

Accounts Payable			
3/28	15,000	3/6	20,000
		3/15	200,000
		3/15	15,000
		Bal.	220,000

Notes Payable		
	3/10	1,000,000

Capital Stock		
	3/1	5,040,000

Dividends		
3/31	10,000	

Service Revenue		
	3/20	200,000
	3/22	400,000
	Bal.	600,000

Rent Expense		
3/4	100,000	

Advertising Expense		
3/15	15,000	
3/30	50,000	
Bal.	65,000	

Utilities Expense		
3/30	100,000	

Salaries Expense		
3/30	240,000	

3. Trial balance

ACROS Consulting Company Trial Balance March 31, 2017			Units: NT dollars
	Debit	Credit	
Cash	\$5,535,000		
Accounts receivable	550,000		
Supplies	30,000		
Computer	30,000		
Equipment	200,000		
Accounts payable		\$ 220,000	
Notes payable		1,000,000	
Capital stock		5,040,000	
Dividends	10,000		
Service revenue		600,000	
Rent expense	100,000		
Advertising expense	65,000		
Utilities expense	100,000		
Salaries expense	240,000		
Totals	<u>\$6,860,000</u>	<u>\$6,860,000</u>	

Review Problem 3: Using Journal Entries to Prepare Financial Statements

On January 1, 2017, Jolin and her friends established Amei Company for providing printing services. A summary of transactions in January is as follows:

Date	Transaction
Jan. 2	Shareholders invested NT\$40,000 in exchange for common stock.
Jan. 2	Amei Co. paid insurance expense NT\$500 and rent expenses NT\$750.
Jan. 3	Amei Co. purchased shop equipment for cash NT\$8,000.
Jan. 4	Amei Co. purchased shop supplies NT\$3,000 on account.
Jan. 5	Amei Co. purchased a printing machine for NT\$11,500. Amei Co. paid NT\$3,500 in cash and issued a 30-day note for the remaining balance.
Jan. 8	Amei Co. received a cash payment of NT\$1,750 for providing printing service to customers.
Jan. 9	Amei Co. paid advertising expense NT\$300.
Jan. 12	Amei Co. paid maintenance expense NT\$200 for printing machine.
Jan. 14	Amei Co. paid NT\$3,000 for a previous purchase of supplies on account.
Jan. 16	Amei Co. performed NT\$1,200 of printing service on account for Acme Entertainment Company.
Jan. 18	Amei Co. paid NT\$75 for installation and telephone service for one month.
Jan. 19	Amei Co. paid NT\$180 for minor repairs on the printing machine.
Jan. 20	Amei Co. performed printing service NT\$2,450. Amei Co. collected NT\$1,000 cash, and accepted a 60-day note for the remaining balance.
Jan. 24	Amei Co. paid maintenance expense NT\$150 on the printing machine.
Jan. 25	Amei Co. received cash NT\$1,500 for a service from Hamilton, Inc.
Jan. 27	Amei Co. purchased shop supplies for cash NT\$2,500.
Jan. 29	Amei Co. purchased a computer for cash NT\$1,250.
Jan. 30	Amei Co. collected receivables from Acme Entertainment Company.
Jan. 31	Amei Co. paid NT\$900 for monthly utility bill.
Jan. 31	Amei Co. paid NT\$350 for maintenance on the printing machine.

Required:

1. Prepare journal entries to record all transactions in January.
2. Open ledger accounts and post the journal entries to them.
3. Prepare a trial balance as of the end of January.
4. Prepare the statement of comprehensive income, statement of retained earnings, and balance sheet at January 31 for Amei Company.

Solution:

1. Journal entries

Jan. 2	Cash	40,000	
	Capital Stock		40,000
	Issued capital stock for cash.		
2	Insurance Expense	500	
	Cash		500
	Purchased a one-month insurance policy.		
2	Rent Expense	750	
	Cash		750
	Paid rent for the month of January.		
3	Shop Equipment	8,000	
	Cash		8,000
	Purchased shop equipment for cash.		

Jan. 4	Supplies	3,000	
	Accounts Payable		3,000
	Purchased shop supplies on account.		
5	Office Equipment.	11,500	
	Cash.		3,500
	Notes Payable		8,000
	Purchased a printing machine. Paid NT\$3,500 cash and issued a 30-day note for the balance.		
8	Cash	1,750	
	Service Revenue		1,750
	Received cash for providing printing service.		
9	Advertising Expense	300	
	Cash.		300
	Paid cash for radio spot announcements.		
12	Maintenance Expense	200	
	Cash.		200
	Paid maintenance expense.		
14	Accounts Payable	3,000	
	Cash.		3,000
	Paid NT\$3,000 on account.		
16	Accounts Receivable	1,200	
	Service Revenue		1,200
	Providing printing service for Acme Entertainment Company on account.		
18	Telephone Expense	75	
	Cash.		75
	Paid for installation and telephone service for one month.		
19	Repairs Expense	180	
	Cash.		180
	Paid for minor repairs on the printing machine.		
20	Cash	1,000	
	Notes Receivable	1,450	
	Service Revenue		2,450
	Collected NT\$1,000 cash from providing printing service; accepted a 60-day note for the balance.		
24	Maintenance Expense	150	
	Cash.		150
	Paid maintenance expense.		
25	Cash	1,500	
	Service Revenue		1,500
	Received cash for printing services from Hamilton, Inc.		
27	Supplies	2,500	
	Cash.		2,500
	Purchased shop supplies.		
29	Office Equipment.	1,250	
	Cash.		1,250
	Purchased a computer.		

Jan. 30	Cash	1,200	
	Accounts Receivable		1,200
	Collected receivables from Acme Entertainment Company.		
31	Utilities Expense	900	
	Cash		900
	Paid the monthly utility bill.		
31	Maintenance Expense	350	
	Cash		350
	Paid maintenance expense.		

2. T-accounts

The first step in solving this problem is to set up T-accounts for each item; then post all journal entries to the appropriate ledger accounts, as shown. Once the amounts are properly posted, account balances can be determined.

Cash			
1/2	40,000	1/2	500
1/8	1,750	1/2	750
1/20	1,000	1/3	8,000
1/25	1,500	1/5	3,500
1/30	1,200	1/9	300
		1/12	200
		1/14	3,000
		1/18	75
		1/19	180
		1/24	150
		1/27	2,500
		1/29	1,250
		1/31	900
		1/31	350
Bal.	23,795		

Accounts Receivable			
1/16	1,200	1/30	1,200
Bal.	0		

Notes Receivable			
1/20	1,450		

Supplies			
1/4	3,000		
1/27	2,500		
Bal.	5,500		

Shop Equipment			
1/3	8,000		

Office Equipment			
1/5	11,500		
1/29	1,250		
Bal.	12,750		

Accounts Payable			
1/14	3,000	1/4	3,000
		Bal.	0

Notes Payable			
		1/5	8,000

Capital Stock			
		1/2	40,000

Service and Repair Revenue			
		1/8	1,750
		1/16	1,200
		1/20	2,450
		1/25	1,500
		Bal.	6,900

Insurance Expense			
1/2	500		

Rent Expense			
1/2	750		

Advertising Expense			
1/9	300		

Maintenance Expense			
1/12	200		
1/24	150		
1/31	350		
Bal.	700		

Telephone Expense			
1/18	75		

Repairs Expense			
1/19	180		

Utilities Expense			
1/31	900		

3. Trial balance

The next step is to prepare a trial balance to see whether total debits equal total credits for all accounts. List all the accounts; then enter the balance in each account.

Amei Company Trial Balance January 31, 2017			Units: NT dollars
	Debits	Credits	
Cash	\$23,795		
Accounts Receivable	0		
Notes Receivable	1,450		
Supplies	5,500		
Shop Equipment	8,000		
Office Equipment	12,750		
Accounts Payable		\$ 0	
Notes Payable		8,000	
Capital Stock		40,000	
Service and Repair Revenue		6,900	
Insurance Expense	500		
Rent Expense	750		
Advertising Expense	300		
Maintenance Expense	700		
Telephone Expense	75		
Repairs Expense	180		
Utilities Expense	900		
Totals	<u>\$54,900</u>	<u>\$54,900</u>	

4. Preparing financial statements

Amei Company Statement of Comprehensive Income For the Month Ended January 31, 2017			Units: NT dollars
Service revenue		\$ 6,900	
Expenses:			
Insurance expense	\$ 500		
Rent expense	750		
Advertising expense	300		
Maintenance expense	700		
Repairs expense	180		
Telephone expense	75		
Utilities expense	<u>900</u>	<u>3,405</u>	
Net income		\$ 3,495	
Other comprehensive income		0	
Comprehensive income		<u>\$ 3,495</u>	

Amei Company Statement of Retained Earnings For the Month Ended January 31, 2017			Units: NT dollars
Retained earnings, January 1, 2017		\$ 0	
Plus: Net income		3,495	
Less: Dividends		(0)	
Retained earnings, January 31, 2017		<u>\$ 3,495</u>	

Amei Company Balance Sheet January 31, 2017		Units: NT dollars	
Assets		Liabilities and equity	
Current assets:		Current liabilities:	
Cash	\$ 23,795	Notes payable	\$ 8,000
Notes receivable	1,450	Total liabilities	\$ 8,000
Supplies	5,500		
Long-term assets:		Equity:	
Shop equipment	8,000	Capital stock	\$ 40,000
Office equipment	12,750	Retained earnings	3,495
Total assets	<u>\$ 51,495</u>	Total liabilities and equity	<u>\$ 51,495</u>

Put it on Paper**DISCUSSION QUESTIONS**

- What is the basic objective of the accounting cycle?
- Explain the first three steps in the accounting cycle.
- In a double-entry system of accounting, why must total debits always equal total credits?
- Explain the increase/decrease, debit/credit relationship of asset, liability, and equity accounts.
- How are revenues, expenses, and dividends related to the accounting equation?
- In what ways are dividend and expense accounts similar, and in what ways are they different?
- How does understanding the mechanics of accounting help a businessperson who has no intention of practicing accounting?
- Distinguish between a journal and a ledger.
- Indicate how each of the following transactions affects the accounting equation.
 - Purchase of supplies on account.
 - Payment of wages.
 - Payment of monthly utility bills.
 - Purchase of a building with a down payment of cash plus a mortgage.
 - Cash investment by a stockholder.
 - Payment of a cash dividend.
 - Sale of land at less than its cost.
- What is a chart of accounts? What is its purpose?
- If a trial balance appears to be correct (debits equal credits), does that guarantee complete accuracy in the accounting records? Explain.
- What is the difference between a trial balance and a balance sheet?
- Have computers eliminated the need to analyze transactions? Explain.

PRACTICE EXERCISES

For PE 3-1 through 3-5, do the following for each transaction:

- List the accounts impacted by the transaction.
- For each account, indicate whether the transaction increased or decreased the account.
- For each account, indicate how much the transaction increased or decreased the account.
- Compute the impact of the transaction on total assets, total liabilities, and total equity.

PE 3-1

Impact of a Transaction

LO 1

Allendorf Company borrowed \$200,000 in cash from Eastern Bank.

PE 3-2

Impact of a Transaction

LO 1

Allendorf Company used \$90,000 in cash to purchase land on the west side of Hatu Lake.

PE 3-3

Impact of a Transaction

LO 1

Allendorf Company used \$30,000 in cash to repay a portion of its bank loan (see PE 3-1). For simplicity, assume that there is no interest on the loan.

PE 3-4

Impact of a Transaction

LO 1

Allendorf Company received \$180,000 in cash as an additional investment by the stockholders (owners) of the company.

PE 3-5

Impact of a Transaction

LO 1

Allendorf Company purchased a building for \$210,000. The company paid \$80,000 of the purchase price in cash and signed a mortgage contract obligating it to pay the remaining \$130,000 over the next 10 years.

PE 3-6

Computing Ending Account Balances

LO 1

Refer to PE 3-1 through 3-5. Construct a spreadsheet using accounting equation. Enter each transaction into the spreadsheet and compute the ending balance in each account.

PE 3-7

Understanding Debits

LO 1

Below is a list of accounts. For each account, indicate whether a debit increases or decreases the account balance.

	Account	Debit
0.	Cash	Increases
1.	Accounts Payable	
2.	Capital Stock	
3.	Land	
4.	Loan Payable	
5.	Mortgage Payable	
6.	Building	

PE 3-8

Understanding Credits

LO 1

Below is a list of accounts. For each account, indicate whether a credit increases or decreases the account balance.

	Account	Credit
0.	Cash	Decreases
1.	Accounts Receivable	
2.	Capital Stock	
3.	Equipment	
4.	Accounts Payable	
5.	Building	
6.	Notes Payable	

PE 3-9

Understanding Debits, Credits, and Retained Earnings

LO 1

Below is a list of accounts and whether the account is being debited or credited. For each item, indicate whether the account balance will be increased or decreased.

	Account	Debit or Credit	Account Balance
0.	Salary Expense	Debit	Increased
1.	Retained Earnings	Debit	
2.	Insurance Expense	Credit	
3.	Dividends	Credit	
4.	Interest Revenue	Debit	
5.	Advertising Expense	Debit	
6.	Rent Revenue	Credit	

PE 3-10**LO (1)****Understanding Retained Earnings**

Below is a list of accounts with corresponding balances. Using these accounts, along with the fact that the beginning balance in Retained Earnings is \$16,000, compute the ending balance in Retained Earnings. *Note:* Not all of the listed account balances enter into the calculation of Retained Earnings.

	Account	Account Balance
a.	Insurance Expense	\$ 2,400
b.	Cash	4,500
c.	Advertising Expense	3,100
d.	Accounts Payable	5,200
e.	Dividends	1,200
f.	Interest Revenue	600

PE 3-11**LO (2)****Journal Entries**

Carmen Company borrowed \$140,000 in cash from a bank. Make the journal entry necessary to record the transaction.

PE 3-12**LO (2)****Journal Entries**

Carmen Company used \$90,000 in cash to purchase land. Make the journal entry necessary to record the transaction.

PE 3-13**LO (2)****Journal Entries**

Carmen Company used \$30,000 in cash to repay a portion of its bank loan (see PE 3-11). For simplicity, assume that there is no interest on the loan. Make the journal entry necessary to record the transaction.

PE 3-14**LO (2)****Journal Entries**

Carmen Company received \$180,000 in cash as an additional investment by the stockholders (owners) of the company. Make the journal entry necessary to record the transaction.

PE 3-15**LO (2)****Journal Entries**

Carmen Company purchased a building for \$210,000. The company paid \$80,000 of the purchase price in cash and signed a mortgage contract obligating it to pay the remaining \$130,000 over the next 10 years. Make the journal entry necessary to record the transaction.

PE 3-16**LO (2)****Journal Entries with Revenues, Expenses, and Dividends**

Make the journal entries necessary to record the following eight transactions for Carmen Company.

- Purchased equipment on account for \$260,000.
- Provided services for \$200,000 cash.
- Paid \$54,000 cash for employee wages.
- Paid \$25,000 cash for advertising.
- Provided services for \$50,000 cash and \$120,000 on account (a total of \$170,000).
- Collected cash of \$47,000 from the \$120,000 receivable on account; the remaining \$73,000 is expected to be collected later.
- Paid cash of \$110,000 on the \$260,000 payable on account; the remaining \$150,000 is expected to be paid later.
- Paid cash dividends of \$17,000.

PE 3-17**LO 3****Posting**

Refer to the journal entries made in PE 3-11 through 3-15. Construct a T-account representing each account impacted by those five transactions. Post all of the journal entries to these T-accounts. Compute the ending balance in each account. Assume that the beginning balance in each T-account is zero.

PE 3-18**LO 3****Posting with Revenues, Expenses, and Dividends**

Refer to the journal entries made in PE 3-16. Construct a T-account representing each account impacted by those eight transactions. Post all of the journal entries to these T-accounts. Compute the ending balance in each account. Assume that the beginning balance in each T-account is zero.

PE 3-19**LO 3****Preparing a Trial Balance**

Refer to the T-accounts constructed in PE 3-17 and 3-18. Using the ending balances in those T-accounts, construct a trial balance. *Note:* The only account that is common to these two sets of T-accounts is the cash account; add the two cash account balances together to get the total balance.

PE 3-20**LO 3****Using a Trial Balance to Prepare a Statement of Comprehensive Income**

Using the trial balance given below, prepare a statement of comprehensive income. Ignore other comprehensive income.

	Units: NT dollars	
	Debit	Credit
Cash	\$ 98,000	
Accounts Receivable	96,000	
Land	90,000	
Building	250,000	
Accounts Payable		\$104,000
Loan Payable		120,000
Capital Stock		250,000
Dividends	17,000	
Service Revenue		400,000
Wages Expense	255,000	
Utilities Expense	43,000	
Rental Expense	25,000	
Totals	<u>\$874,000</u>	<u>\$874,000</u>

PE 3-21**LO 3****Using a Trial Balance to Prepare a Balance Sheet**

Using the trial balance given in PE 3-20, prepare a balance sheet. *Note:* The ending retained earnings balance is equal to the beginning balance (assume \$0) plus the amount of net income less the amount of dividends.

PE 3-22**LO 3****Preparing a Statement of Cash Flows**

Refer to the transactions described in PE 3-11 through 3-15 as well as to the eight transactions in PE 3-16. Using all of these transactions, prepare a statement of cash flows. *Note:* For the building purchase described in PE 3-15, the portion of the purchase financed with the mortgage (\$130,000) is considered to be a non-cash transaction; accordingly, the only portion of the transaction that impacts the statement of cash flows is the \$80,000 cash down payment.

EXERCISES

E 3-1**LO 1****Accounting Equation**

The accounting equation can be applied to your personal finances. For each of the following transactions, show how the accounting equation would be kept in balance. Example: Paid for semester's tuition (decrease assets: cash account; decrease equity: expense account increases).

1. Took out a school loan for college.
2. Paid this month's rent.

3. Sold your old computer for cash at what it cost to buy it.
4. Received week's paycheck from part-time job.
5. Received interest on savings account.
6. Paid monthly payment on car loan (part of the payment is principal; the remainder is interest).

E 3-2**LO 1****Accounting Elements: Increase/Decrease, Debit/Credit Relationships**

The text describes the following accounting elements: assets, liabilities, equity, capital stock, retained earnings, revenues, expenses, and dividends. Which of these elements are increased by a debit entry, and which are increased by a credit entry? Give a transaction for each item that would result in a net increase in its balance.

E 3-3**LO 1****Expanded Accounting Equation**

Payless Department Store had the following transactions during the year:

1. Purchased supplies on account.
2. Provided services for cash.
3. Borrowed money from a bank.
4. Purchased land, making a cash down payment and issuing a note for the balance.
5. Issued stock for cash.
6. Paid salaries for the year.
7. Paid a vendor for supplies purchased on account.
8. Sold a building for cash and notes receivable at no gain or loss.
9. Paid cash dividends to stockholders.
10. Paid utilities.

Using the following column headings, identify the accounts involved and indicate the net effect of each transaction on the accounting equation: increase (+); decrease (–); no effect (0). Transaction 1 has been completed as an example.

Transaction	Assets	=	Liabilities	+	Equity
1	+(Supplies)		+(Accounts Payable)		0

E 3-4**LO 1****Classification of Accounts**

For each of the accounts listed, indicate whether it is an asset (A), a liability (L), or an equity (OE) account. If it is an account that affects equity, indicate whether it is a revenue (R) or expense (E) account.

- | | | |
|------------------------|-------------------------------|-----------------------|
| 1. Cash | 7. Salaries and Wages Expense | 13. Notes Payable |
| 2. Service Revenue | 8. Retained Earnings | 14. Equipment |
| 3. Accounts Receivable | 9. Salaries Payable | 15. Office Supplies |
| 4. Insurance Expense | 10. Accounts Payable | 16. Utilities Expense |
| 5. Capital Stock | 11. Interest Revenue | 17. Interest Payable |
| 6. Mortgage Payable | 12. Interest Receivable | 18. Rent Expense |

E 3-5**LO 1****Normal Account Balances**

For each account listed in E 3-4, indicate whether it would normally have a debit (DR) balance or a credit (CR) balance.

E 3-6**LO 1****Analyzing the Statements about Accounting and the Recording Process**

Naoki has prepared the following list of statements about accounts.

1. An account is an accounting record of either a specific asset or a specific equity.
2. An account shows only increases, not decreases, in the item it relates to.
3. Some items, such as cash and prepayments, are combined into one account.
4. An account has a left, or debit side, and a right, or credit side.
5. A simple form of an account, consisting of just the account title, the left side, and the right side, is called a T-account.

Required:

Identify each statement as true or false. If false, indicate how to correct the statement.

E 3-7**LO 1****Impact of a Transaction**

Ohyeah Company entered into the following transactions during May, 2017.

1. Purchased a machine for NT\$50,000 from Skypower on account.
2. Paid NT\$8,000 cash for May rent on storage space.
3. Received NT\$20,000 cash from Juli Company for contracts billed in March.
4. Provided services to Piggy Company for NT\$3,000 cash.
5. Shareholder invested an additional NT\$16,000 in the business.
6. Incurred advertising expense for May of NT\$1,200 on account.
7. Paid Skypower for the machine purchased in (1) above.

Required:

Indicate with the appropriate letter whether each of the transactions results in:

1. an increase in assets and a decrease in assets.
2. an increase in assets and an increase in equity.
3. an increase in assets and an increase in liabilities.
4. a decrease in assets and a decrease in equity.
5. a decrease in assets and a decrease in liabilities.
6. an increase in liabilities and a decrease in equity.
7. an increase in equity and a decrease in liabilities.

E 3-8**LO 1****Relationships between Transactions and Accounting Equation**

An analysis of the transaction made by MileStone Co., a certified law firm, for the month of September is shown below. Each increase and decrease in equity is explained.

	Cash	+ Accounts Receivable	+ Supplies	+ Office Equipment	=	Accounts Payable	+ Notes Payable	+ Capital Stock	- Dividends	+ Revenues	- Expenses	Units: NT dollars
(a)	\$ 30,000							\$30,000				Issue shares
(b)	-9,000			\$15,000		\$6,000						
(c)	-350		\$350									
(d)	25,000	\$25,000								\$50,000		Service revenue
(e)	1,000,000						\$1,000,000					
(f)	-3,500								\$-3,500			Dividends
(g)	-3,000										\$ -3,000	Insurance expense
(h)	18,000	-18,000										
(i)	-10,000										-10,000	Interest expense
(j)	-8,000										-8,000	Salary expense

Required:

1. Describe each transaction that occurred in the month.
2. Determine how much equity increased in the month.
3. Compute the amount of net income for the month.

E 3-9**LO 1****Relationships of the Expanded Accounting Equation**

John formed a corporation and had the following information reported. From these data 300,000, determine the amount of:

1. Capital stock at December 31, 2016.
2. Retained earnings at December 31, 2017.
3. Revenues for the year 2017.

	December 31, 2016	December 31, 2017
Total assets	\$250,000	\$300,000
Total liabilities	115,000	125,000
Capital stock	?	60,000
Retained earnings	95,000	?
Revenues for 2017		?
Expenses for 2017		135,500
Dividends paid during 2017		6,500

E 3-10**Journalizing Transactions****LO 2**

Suppose that Asus Corporation had the following transactions:

1. Purchased a new building, paying \$20,000 cash and issuing a note for \$80,000.
2. Purchased \$12,000 of truck on account.
3. Provided services for \$17,500 on account.
4. Paid for the truck purchased on account in (2) above.
5. Issued capital stock for \$70,000.
6. Collected \$9,500 of accounts receivable.
7. Paid utility bills totaling \$500.
8. Sold old building for \$62,000, receiving \$18,000 cash and a \$44,000 note (no gain or loss on the sale).
9. Paid \$3,000 cash dividends to stockholders.

Required:

Record the above transactions in general journal format. (Omit explanations.)

E 3-11**Journal Entries****LO 2**

During July 2017, Krogue, Inc., completed the following transactions. Prepare the journal entry for each transaction.

- July
- 2 Received \$320,000 for 80,000 shares of capital stock.
 - 4 Purchased \$100,000 of equipment, with 75% down and 25% on a note payable.
 - 5 Paid utilities of \$2,300 in cash.
 - 9 Sold equipment for \$15,000 cash (no gain or loss).
 - 13 Purchased \$250,000 of supplies, paying 30% down and 70% on credit.
 - 14 Paid \$6,000 cash insurance premium for July.
 - 18 Provided services for \$81,000 to customers on account to be paid at a later date.
 - 20 Collected \$8,500 from accounts receivable.
 - 24 Provided services for \$43,000 to customers for cash.
 - 27 Paid property taxes of \$1,200.
 - 30 Paid \$175,000 of accounts payable for supplies purchased on July 13.

E 3-12**Journalizing and Posting Transactions****LO 2****LO 3**

Given the following T-accounts, describe the transaction that took place on each specified date during July:

Cash				Accounts Receivable				Supplies			
7/5	9,500	7/1	3,420	7/14	18,000	7/5	9,500	7/10	20,000		
7/28	8,000	7/23	2,000			7/28	8,000				
		7/25	5,000	Bal.	500						
		7/30	5,500								
Bal.	1,580										
Land				Accounts Payable				Service Revenue			
7/30	4,000			7/25	5,000	7/10	20,000			7/14	18,000
						Bal.	15,000				
Rent Expense				Advertising Expense				Equipment			
7/23	2,000			7/1	3,420			7/30	1,500		

E 3-13**Concepts about the Ledger****LO 3**

Rachel Manny has prepared the following list of statements about the general ledger.

1. The general ledger contains all the asset and equity accounts, but no liability accounts.
2. The general ledger is sometimes referred to as simply the ledger.
3. The accounts in the general ledger are arranged in alphabetical order.
4. The general ledger is also a book of original journal entries.

Required:

Identify each statement as true or false. If false, indicate how to correct the statement.

E 3-14**LO 3****Preparing Trial Balance**

The accounts in the ledger of Bin Music Inc. contain the following balances on December 31, 2017.

Accounts Receivable	\$11,576	Prepaid Insurance	\$ 2,000
Accounts Payable	9,500	Maintenance and Repairs Expense	860
Cash	?	Service Revenue	12,000
Equipment	50,000	Dividends	700
Gasoline Expense	600	Capital Stock	40,000
Utilities Expense	780	Salaries and Wages Expense	4,500
Notes Payable	27,640	Salaries and Wages Payable	900
		Retained Earnings	5,630

Required:

Prepare a trial balance with the accounts arranged as illustrated in the chapter and fill in the missing amount for Cash.

E 3-15**LO 3****Posting Journal Entries**

Post the journal entries prepared in E 3-11 to T-accounts, and determine the final balance for each account. (Assume all beginning account balances are zero.)

E 3-16**LO 3****Trial Balance**

The account balances from the ledger of Molly, Inc., as of July 31, 2017, are listed here in alphabetical order. The balance for Retained Earnings has been omitted. Prepare a trial balance, and insert the missing amount for Retained Earnings.

Accounts Payable	\$14,200	Land	\$27,000
Accounts Receivable	9,700	Miscellaneous Expenses	3,100
Buildings	56,000	Mortgage Payable (due 2020)	28,000
Capital Stock	30,000	Rent Expense	2,500
Cash	22,300	Retained Earnings	?
Equipment	18,000	Salary Expense	8,000
Fees Earned	49,900	Supplies	350
Insurance Expense	4,800	Utilities Expense	1,700

E 3-17**LO 3****Trial Balance**

Assume you work in the accounting department at Marshall, Inc. Your boss has asked you to prepare a trial balance as of November 30, 2017, using the following account balances from the company's ledger. Prepare the trial balance and insert the missing amount for Capital Stock.

Accounts Payable	\$ 55,000	Notes Receivable	20,000
Accounts Receivable	125,000	Other Expenses	1,000
Advertising Expense	5,000	Property Tax Expense	1,500
Buildings	150,000	Rent Expense	7,500
Capital Stock	?	Retained Earnings	40,000
Cash	35,000	Salaries Expense	155,000
Equipment	55,000	Salaries Payable	2,000
Land	125,000	Service Revenue	187,000
Mortgage Payable	95,000	Short-Term Investments	15,000
Notes Payable	\$150,000	Utilities Expense	7,000

PROBLEMS

P 3-1

LO (1)

LO (2)

Transaction Analysis and Journal Entries

Mizubishi Motors, Inc., which provides auto rental services, entered into the following transactions during the month of June:

- Purchased a total of eight new cars and trucks from Jerry's Motors, Inc., for a total of \$115,600, one-half of which was paid in cash. The balance is due within 45 days. The total cost of the vehicles to Jerry's Motors was \$95,000.
- Purchased \$3,300 of supplies on account from White Supply Company.
- Paid \$720 to Mountain Electric for the monthly utility bill.
- Rent a truck to Dave's Delivery, Inc. A \$500 down payment was received with the balance of \$1,000 due within 30 days.
- Paid \$5,120 to Steve's Automotive for repair work on cars for the current month.
- Rent a car to the town mayor, Rachel Mecham. The rent was \$800 and was paid by Mecham immediately by cash.
- Borrowed \$30,000 from a local bank to be repaid in one year with 12% interest.

Required:

For each of the transactions, make the proper journal entry on the books of Mizubishi Motors. (Omit explanations.)

P 3-2

LO (2)

LO (3)

Journal Entries and Trial Balance

As of January 1, 2017, Gammon Corporation had the following balances in its general ledger:

	Debits	Credits
Cash	\$ 63,000	
Accounts Receivable	147,000	
Office Building	416,000	
Accounts Payable		\$ 33,000
Mortgage Payable		276,000
Notes Payable		137,000
Capital Stock		115,000
Retained Earnings		65,000
Totals	<u>\$626,000</u>	<u>\$626,000</u>

Gammon had the following transactions during 2017. All expenses were paid in cash, unless otherwise stated.

- Collected \$42,000 of receivables.
- Accounts Payable as of January 1, 2017, were paid off.
- Paid utilities of \$12,600.
- Provided services for \$370,000, 90% for cash and 10% for credit.
- Paid \$50,000 mortgage payment, of which \$30,000 represents interest expense.
- Paid salaries expense of \$120,000.
- Paid installment of \$10,000 on note.

Required:

- Prepare journal entries to record each listed transaction. (Omit explanations.)
- Set up T-accounts with the proper account balances at January 1, 2017, post the journal entries to the T-accounts, and prepare a trial balance for Gammon Corporation at December 31, 2017.
- Interpretive Question:** If the debit and credit columns of the trial balance are in balance, does this mean that no errors have been made in journalizing the transactions? Explain.

P 3-3

LO 2

LO 3

Journalizing and Posting

Assume you are interviewing for a part-time accounting job at Soda Pink & Associates, Inc., and the interviewer gives you the following list of company transactions in September 2017.

- Sept. 1 Received \$200,000 for capital stock issued.
 2 Paid \$23,000 cash to employees for wages earned in September 2017.
 4 Purchased \$75,000 of equipment on account.
 5 Paid utilities of \$1,800 for September 2017.
 9 Paid \$1,500 cash for September's insurance premium.
 11 Provided services for \$70,000, with \$20,000 received in cash and the remaining balance on credit.
 15 Purchased \$5,000 of supplies on account.
 21 Received \$25,000 from customers as payments on their accounts.
 25 Paid \$77,500 of accounts payable.

Using this list, you have been asked to do the following in the interview:

Required:

- Journalize each of the transactions for September. (Omit explanations.)
- Set up T-accounts, and post each of the journal entries made in (1).
- Interpretive Question:** If the business owners wanted to know at any given time how much cash the company had, where would you tell the owners to look? Why?

P 3-4

LO 2

LO 3

Journal Entries from Ledger Analysis

T-accounts for JCB Industries, Inc., are shown below.

Cash		Accounts Receivable		Interest Expense	
(a) 150,000	(b) 80,000	(e) 45,000	(i) 35,000	(g) 3,000	
(c) 60,000	(d) 8,000				
(e) 45,000	(f) 18,000	Mortgage Payable		Building	
(i) 35,000	(g) 63,000		(b) 130,000	(b) 210,000	
	(h) 35,000				
Accounts Payable		Supplies		Capital Stock	
(h) 35,000	(d) 35,000	(d) 43,000			(a) 150,000
Service Revenue		Notes Payable		Wages Expense	
	(e) 90,000	(g) 60,000	(c) 60,000	(f) 18,000	

Required:

- Analyze these accounts and detail the appropriate journal entries that must have been made by JCB Industries, Inc. (Omit explanations.)
- Determine the amount of net income/loss from the account information.

P 3-5

LO 2

LO 3

Unifying Concepts: Compound Journal Entries, Posting, Trial Balance

Shaw Company had the following transactions during 2017.

- a. Jon Shaw began business by investing the following assets, receiving capital stock in exchange:



Cash	\$ 30,000
Supplies	2,500
Land	20,000
Building	165,000
Equipment	13,500*
Totals	<u>\$231,000</u>

*A note of \$6,000 on the equipment was assumed by the company.

- b. Provided services for \$52,000: \$20,000 cash was received immediately, and the other \$32,000 will be collected in 30 days.
- c. Paid off the note of \$6,000 plus \$500 interest.
- d. Purchased supplies costing \$1,400, paying \$600 cash and issuing a note for \$800.
- e. Exchanged \$6,000 cash and \$6,000 in capital stock for office equipment costing \$12,000.
- f. Purchased a truck for \$25,000 with \$5,000 down and a one-year note for the balance.

Required:

1. Journalize the transactions. (Omit explanations.)
2. Post the journal entries using T-accounts for each account.
3. Prepare a trial balance at December 31, 2017.

P 3-6**LO 2****LO 3****Unifying Concepts: Journal Entries, T-Accounts, Trial Balance**

Chris Company, a retailer, had the following account balances as of April 30, 2017:

	Debits	Credits
Cash	\$ 8,050	
Accounts Receivable	2,450	
Building	30,000	
Furniture	2,000	
Notes Payable		\$12,500
Accounts Payable		6,000
Capital Stock		15,000
Retained Earnings		9,000
Totals	<u>\$42,500</u>	<u>\$42,500</u>

During May, the company completed the following transactions.

- May 3 Paid one-half of 4/30/17 accounts payable.
- 6 Collected all of 4/30/17 accounts receivable.
- 7 Providing services for \$3,000 cash and \$2,000 on account.
- 15 Paid installment of \$2,500 on notes payable (entire amount reduces the liability account).
- 21 Issued additional capital stock for \$1,000 cash.
- 23 Providing services for \$3,750 cash.
- 25 Paid salaries of \$1,000.
- 26 Paid rent of \$250.
- 29 Purchased desk for \$250 cash.

Required:

1. Prepare the journal entry for each transaction.
2. Set up T-accounts with the proper account balances at April 30, 2017, and post the entries to the T-accounts.
3. Prepare a trial balance as of May 31, 2017.

P 3-7**LO 1****LO 3****Unifying Concepts: T-Accounts, Trial Balance, and Statement of Comprehensive Income**

The following list is a selection of transactions from GOGORA, Inc.'s business activities during 2017, the first year of operations.

- a. Received \$50,000 cash for capital stock.
- b. Paid \$5,000 cash for equipment.
- c. Purchased a truck costing \$18,000 on account.
- d. Provided \$25,000 of services to customers on account.
- e. Signed a note with a bank for a \$10,000 loan.
- f. Collected \$9,500 cash from customers.
- g. Purchased land, \$10,000, and a building, \$60,000, for \$15,000 cash and a 30-year mortgage of \$55,000.

- h. Made a first payment of \$2,750 on the mortgage principal plus \$2,750 in interest.
- i. Paid \$12,000 of accounts payable.
- j. Purchased \$1,500 of supplies on account.
- k. Paid \$2,500 of accounts payable.
- l. Paid \$7,500 in wages earned during the year.
- m. Received \$10,000 cash and \$3,000 of notes in settlement of customers' accounts.
- n. Received \$3,250 in payment of a note receivable of \$3,000 plus interest of \$250.
- o. Paid \$600 cash for a utility bill.
- p. Sold excess land for its cost of \$3,000.
- q. Received \$1,500 in rent for an unused part of a building.
- r. Paid off \$10,000 note, plus interest of \$1,200.

Required:

- Set up T-accounts, and appropriately record the debits and credits for each transaction directly in the T-accounts. Leave room for a number of entries in the cash account.
- Prepare a trial balance.
- Prepare a statement of comprehensive income for the period. (Ignore income taxes, other comprehensive income, and the EPS computation.)

P 3-8**LO 3****Correcting a Trial Balance**

The following trial balance was prepared by a new employee.

Trial Balance Jacubs Company, Inc. For the Year Ended November 30, 2017		
	Credits	Debits
Cash	\$ 18,700	
Mortgage Payable		\$ 75,200
Advertising Expense	9,600	
Capital Stock	110,000	
Equipment		37,900
Notes Payable		198,350
Wages Expense	87,900	
Notes Receivable		12,000
Accounts Payable		23,450
Accounts Receivable	60,450	
Rent Expense		8,700
Wages Payable	12,000	
Furniture		18,000
Other Expenses	2,000	
Service Revenue	125,600	
Buildings	210,700	
Property Tax Expense		1,300
Land		95,850
Retained Earnings		21,400
Utilities Expense	2,100	
Totals	<u>\$639,050</u>	<u>\$492,150</u>

Required:

Prepare the corrected company trial balance. (Assume all accounts have "normal" balances and the recorded amounts are correct.)

P 3-9

LO 3

From Transactions to Financial Statements

Snow White started a laundry service, Shiny Laundry, on July 1, 2017. The following transactions occurred during the month of July.

- July 2 Shareholders invested NT\$60,000 cash in the business in exchange for shares.
 4 Purchased washing machines for NT\$36,000. Snow White paid NT\$5,000 in cash and signed a 60-day notes payable for the remaining balance.
 5 Paid NT\$6,000 for office rent for the month.
 7 Purchased NT\$7,000 of supplies on account.
 12 Paid NT\$1,000 to a local newspaper for advertising.
 14 Performed NT\$80,000 of service on account.
 16 Received NT\$30,000 cash for service provided.
 18 Paid for supplies purchased on July 7.
 23 Received cash payment of NT\$50,000 for service provided on account on July 14.
 27 Paid NT\$40,000 for employee salaries.
 July 29 Paid NT\$2,000 for utilities.
 31 Declared and paid cash dividends of NT\$10,000.

Required:

1. Show the effects of the previous transactions on the accounting equation using the following format. Include margin explanations for any changes in the Retained Earnings account in your analysis.
2. Prepare a statement of comprehensive income for July.
3. Prepare a balance sheet at July 31, 2017.

P 3-10

LO 3

Relationships of Account Items in the Trial Balance

Units: NT dollars

	MP Company	Mayday Company	FIYER Company	SHE Company
January 1, 2017				
Assets	\$85,000	\$99,000	(g)	\$144,000
Liabilities	45,000	(d)	76,000	(j)
Equity	(a)	50,000	32,000	100,000
December 31, 2017				
Assets	(b)	\$137,100	\$132,000	(k)
Liabilities	55,000	65,000	(h)	50,000
Equity	50,000	(e)	47,000	122,000
Equity changes in year				
Additional investment	(c)	\$ 12,000	\$ 10,000	\$ 30,000
Dividends	20,000	(f)	15,000	11,000
Total revenue	370,000	448,100	(i)	500,000
Total expenses	355,000	420,000	385,000	(l)

Required:

1. Determine the missing amounts.
2. Prepare the statement of retained earnings for Mayday Company. Assume beginning retained earnings was NT\$32,900.

P 3-11

LO 3

Preparing Correct Trial Balance

The trial balance of Paradise Inc. shown below does not balance.

**Paradise Inc.
Trial Balance
April 30, 2017**

	Debit	Credit
Cash		\$ 3,840
Accounts Receivable	\$ 2,898	
Supplies	800	
Equipment	3,000	
Accounts Payable		2,666
Unearned Service Revenue	2,200	
Capital Stock		9,000
Dividends	800	
Service Revenue		2,380
Salaries and Wages Expense	3,400	
Utilities Expense	910	
	\$14,008	\$17,886

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 account was debited for \$360, and Accounts Receivable was credited for the same amount. The actual collection was for \$630.
2. The purchase of a computer on account for \$510 was recorded as a debit to Supplies for \$510 and a credit to Accounts Payable for \$510.
3. Services were performed on account for a client for \$890. Accounts Receivable was debited for \$890, and Service Revenue was credited for \$89.
4. A debit posting to Salaries and Wages Expense of \$700 was omitted.
5. A payment of a balance due for \$309 was credited to Cash for \$309 and credited to Accounts Payable for \$390.
6. The payment of a \$400 cash dividend was debited to Salaries and Wages Expense for \$400 and credited to Cash for \$400.

Required:

Prepare a correct trial balance. (*Hint:* It helps to prepare the correct journal entry for the transactions described and compare it to the mistake made.)

ANALYTICAL ASSIGNMENTS

AA 3-1

Discussion

How Does Wal-Mart (and Other Companies) Do It?

Wal-Mart's revenues exceeded \$482 billion in 2016. These revenues were generated by millions of transactions all over the world: in the United States, Canada, Europe, South America, and Asia. What is the process used by Wal-Mart to transform this tremendous amount of transaction data into summarized information reported to the general public in the form of financial statements?

AA 3-2

Discussion

Understanding the Mechanics of Accounting

As the CFO (chief financial officer) of Rollins Engineering Company, you are looking for an office manager. Part of the job description is to maintain the company's accounting records. This means that the office manager must be able to journalize transactions, post them to the ledger accounts, and prepare monthly trial balances. You have just interviewed the first applicant, Jay McMahon. To test his understanding of accounting, you give Jay a list of accounts randomly ordered and with assumed balances and ask him to prepare a trial balance. Jay prepares the following.

Trial Balance		
	Debits	Credits
Accounts Payable		\$ 5,500
Salaries Expense		175,000
Consulting Revenues	\$280,000	
Cash	93,100	
Utilities Expense	10,000	
Accounts Receivable		44,000
Supplies	11,000	
Rent Expense	32,000	
Capital Stock		76,000
Supplies Expense	33,000	
Office Equipment	15,000	
Retained Earnings		24,000
Other Expenses	6,400	
Salaries Payable	34,000	
Totals	<u>\$514,500</u>	<u>\$324,500</u>

Based on your assessment of Jay's understanding of accounting, would you hire him as office manager? Explain. Prepare a corrected trial balance that you can use as a basis for your discussion with Jay and future applicants. Explain how the basic accounting equation and the system of double-entry accounting provide a check on the accounting records.

AA 3-3*Judgment Call*

You Decide: Is understanding the accounting cycle essential to being a good accountant, or is it a waste of time?

John, a family friend who didn't go to college, was talking to you about his job as bookkeeper at a local bookstore. "It is no longer necessary to learn the accounting cycle to be a good accountant," he said. "Computers do most of the work anyway. Unless you work in a small family-owned business, it doesn't make any sense to learn the correct method for posting debits and credits. If you just understand the financial statements, you will be OK!" Do you agree or disagree? Explain.

AA 3-4*Judgment Call*

You Decide: If you major in accounting, will you enjoy a rewarding career, or will the field be extinct in 20 years?

I thought an accounting degree would give me the solid, fundamental understanding of business I was looking for, but some of my friends seem to think that accountants won't have jobs a few years from now. They argue that as computers become smarter and more powerful, they will develop enough capabilities to make good business decisions. They say I am making a mistake by majoring in a field that will not be around in 20 years. What do you think?

AA 3-5*Ethics*

Should You Go the Extra Mile?

You work in a small convenience store. The store is very low-tech; you ring up the sales on an old-style cash register that merely records the amount of the sale. The store owner uses this cash register tape at the end of each day to verify that the correct amount of cash is in the cash register drawer. On a day-to-day basis, no other financial information is collected about store operations.

Since you started studying accounting, you see many ways that store operations could be improved through the gathering and use of financial information. Even though you are not an expert, you are quite certain that you could help the store owner set up an improved information system. However, you also know that this will take extra effort on your part, with no real possibility of receiving an increase in pay.

Should you say anything to the store owner, or should you just keep quiet and save yourself the trouble?