INFO7225 Homework Assignment 1a

* Complete the assigned problems below and submit on time. Please leave the original problem statement in your submitted work to facilitate the grading process.
* Submit the word document with your solution on Canvas "Assignments" - do not send it to the instructor or TA by email.
* Before you work on the homework problems, please complete the reading assignments and review the lecture slides and your notes. Treat each homework assignment as a mini-exam and quiz to fully prepare yourself for the quizzes and final exam. Time yourself and work at a good pace. Most importantly, complete all homework assignments independently.

**Problem 1**

Indicate what impact the following transactions would have on the accounting equation, Assets = Liabilities + Equity.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Impact 1** | **Impact 2** |
|  | Example. Borrowed a loan. | **Cash (assets) increase** | **Note payable (liabilities) increase** |
| A | Received cash from issuance of common stock. | **Cash (assets) increase** | **Common stock (Equity) increase** |
| B | Made full cash payment on insurance premium for the coming year. | **Cash (assets) decrease** | **Prepaid Insurance (assets) increase** |
| C | Collected cash from customer sales made in previous month | **Cash (assets) increase** | **Account Receivable (assets) decrease** |
| D | Paid cash to vendors for supplies delivered last month | **Cash (assets) decrease** | **Account Payable (liabilities) decrease** |
| E | Purchased inventory on account | **Inventory (assets) increase** | **Account Payable (liabilities) increase** |

**Problem 2**

For the following accounts please indicate whether the normal balance is a debit or a credit.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Debit** | **Credit** |
| A | Sales |  | **X** |
| B | Dividends | **X** |  |
| C | Office Supplies | **X** |  |
| D | Retained Earnings |  | **X** |
| E | Accounts Receivable | **X** |  |
| F | Prepaid Rent | **X** |  |
| G | Prepaid Insurance | **X** |  |
| H | Wages Payable |  | **X** |
| I | Building | **X** |  |
| J | Wages Expense | **X** |  |

**Problem 3**

Identify whether each of the following transactions would be recorded with a debit (DR) or credit (CR) entry.

|  |  |  |
| --- | --- | --- |
|  |  | Debit or credit entry? |
| A | Cash increase | Debit |
| B | Supplies decrease | Credit |
| C | Accounts Payable increase | Credit |
| D | Common Stock decrease | Debit |
| E | Interest Payable decrease | Debit |
| D | Notes Payable decrease | Debit |

**Problem 4**

Determine whether the balance in each of the following accounts ***increases*** with a debit or a credit.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Debit** | **Credit** |
| A | Cash | **X** |  |
| B | Common Stock |  | **X** |
| C | Equipment | **X** |  |
| D | Accounts Payable |  | **X** |
| E | Accounts Receivable | **X** |  |
| E | Fees Earned |  | **X** |
| F | Electricity Expense | **X** |  |
| G | Insurance Expense | **X** |  |

**Problem 5**

Determine whether the balance in each of the following accounts ***decreases*** with a debit or a credit.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Decrease with a debit** | **Decrease with a credit** |
| A | Cash |  | **X** |
| B | Shareholders’ Equity | **X** |  |
| C | Office Supplies |  | **X** |
| D | Notes Payable | **X** |  |
| E | Accounts Receivable |  | **X** |
| E | Sales Revenue | **X** |  |
| F | Labor Expense |  | **X** |
| G | Expense |  | **X** |

**Problem 6**

Journalize for Harper and Co. each of the following transactions or state no entry required and explain why. Be sure to follow proper journal writing rules.

Use the abbreviated format for the homework assignment:

1. A corporation is started with an investment of $50,000 from shareholders in exchange for stock.

**Dr. Cr.**

**Cash $50,000**

**Common stock $50,000**

**To record an investment in exchange for stock**

1. Equipment worth $4,800 is ordered.

**No entry required.**

**This transaction will be recorded when we receive invoice of equipment and purchase of equipment is complete then we add proper journal entry**

1. Office supplies worth $750 are purchased on account.

**Dr. Cr.**

**Office Supplies $750**

**Accounts Payable $750**

**To record office supplies purchased on account**

1. A part-time worker is hired. The employee will work 15–20 hours per week starting next Monday at a rate of $18 per hour.

**No entry required**

**Part-time worker has not started working yet. When worker starts working and worked for specific period then we can add proper journal entry.**

1. The equipment is received along with the invoice. Payment is due in three equal monthly installments, with the first payment due in sixty days.

**Dr. Cr.**

**Equipment $4,800**

**Accounts Payable $4,800**

**To record equipment purchased on account**

**Problem 7**

Prepare journal entries to record the following transactions. Create a T-account for Accounts Payable, post any entries that affect the account, and tally ending balance for the account. Assume an Accounts Payable beginning balance of $5,000.

1. February 2, purchased an asset, merchandise inventory, on account, $30,000

Journal entry:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Description | | Debit | | | Credit |  |
| **Feb 2** | **Merchandise Inventory**  **Accounts Payable**    **To record purchase of an inventory on account** | | **$30,000** | | **$30,000** | |  |
|  |  |  | |  | | |  |

T-account:

|  |  |
| --- | --- |
| **Accounts Payable** | |
|  | **$5,000 Beginning Bal.** |
|  | **$30,000** |
|  | **$35,000 Balance** |
|  |  |

B. March 10, paid creditor for part of February purchase, $12,000

Journal entry:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | Date | | Description | | Debit | Credit | |  | | **March 10** | **Accounts Payable**  **Cash**  **To record payment for part of February purchase** | | **$12,000** | | | **$12,000** |  | |  |  |

T-account:

|  |  |
| --- | --- |
| **Accounts Payable** | |
|  | **$35,000 Beginning Bal.** |
| **$12,000** |  |
|  | **$23,000 Balance** |
|  |  |

**Problem 8**

Post the following November transactions to T-accounts for Accounts Payable, Inventory, and Cash, indicating the ending balance. Assume no beginning balances in Accounts Payable and Inventory, and a beginning Cash balance of $36,500.

1. Purchased merchandise inventory on account, $16,000

|  |  |
| --- | --- |
| **Merchandise Inventory** | |
| **Beginning Bal. $0** |  |
| **$16,000** |  |
| **Balance $16,000** |  |

|  |  |
| --- | --- |
| **Accounts Payable** | |
|  | **$0 Beginning Bal.** |
|  | **$16,000** |
|  | **$16,000 Balance** |

1. Paid vendors for part of inventory purchased earlier in month, $12,000

|  |  |
| --- | --- |
| **Accounts Payable** | |
|  | **$16,000 Beginning Bal.** |
| **$12,000** |  |
|  | **$4,000 Balance** |

|  |  |
| --- | --- |
| **Cash** | |
| **Beginning Bal. $36500** |  |
|  | **$12,000** |
| **Balance $24,500** |  |

1. Purchased merchandise inventory for cash, $10,500

|  |  |
| --- | --- |
| **Merchandise Inventory** | |
| **Beginning Bal. $16,000** |  |
| **$10,500** |  |
| **Balance $26,500** |  |

|  |  |
| --- | --- |
| **Cash** | |
| **Beginning Bal. $24,500** |  |
|  | **$10,500** |
| **Balance $14,000** |  |

**Problem 9**

Prepare an unadjusted trial balance, in correct format, from the alphabetized account

information as follows. Assume all accounts have normal balances.

A screenshot of a cell phone

Description automatically generated

**Company Name**

**Unadjusted Trial Balance**

**At Month date, year**

|  |  |  |  |
| --- | --- | --- | --- |
| *Account* | *Debit* | *Credit* | |
|  |  | |  |
| **Accounts payable** |  | | **$11,100** |
| **Accounts receivable** | **$16,500** | |  |
| **Administrative expense** | **$54,712** | |  |
| **Cash** | **$64,888** | |  |
| **Common stock** |  | | **$50,000** |
| **Service revenue** |  | | **$75,000** |
|  |  | |  |
| *Total* | **$136,100** | | **$136,100** |

**Problem 10**

Prepare an unadjusted trial balance, in correct format, from the following alphabetized account

information. Assume all accounts have normal balances.

A close up of text on a white background

Description automatically generated

**Company Name**

**Unadjusted Trial Balance**

**At Month date, year**

(You may use a spreadsheet for the ease of computation and copy the table here)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *Account* | *Debit* | | |  | | *Credit* |
|  | |  |  | |  | |
| **Accounts payable** | |  |  | | **$3,600** | |
| **Accounts receivable** | | **$45,333** |  | |  | |
| **Building** | | **$156,000** |  | |  | |
| **Cash** | | **$50,480** |  | |  | |
| **Common stock** | |  |  | | **$110,000** | |
| **Dividends** | | **$18,000** |  | |  | |
| **Equipment** | | **$33,500** |  | |  | |
| **Fees earned revenue** | |  |  | | **$225,430** | |
| **Land** | | **$18,000** |  | |  | |
| **Miscellaneous expense** | | **$5,123** |  | |  | |
| **Notes payable** | |  |  | | **$85,500** | |
| **Retained earnings** | |  |  | | **$60,606** | |
| **Salaries expense**  **Supplies** | | **$151,900**  **$6,800** |  | |  | |
| *Total* | | **$485,136** |  | | **$485,136** | |