

Transaction	Revenue	Expenses	Assets	Liabilities	Owners' Equity
a.	NE	I	NE	I	D
b.	NE	I	D	NE	D
c.	NE	NE	D	NE	D
d.	NE	NE	I	NE	I
e.	I	NE	I	NE	I
f.	NE	NE	NE	NE	NE

L01

**EXERCISE 3.15**

through Using the Financial  
Statements of  
**Home Depot, Inc.**

L03

L07



L010

Throughout this text, we have many assignments based on the financial statements of **Home Depot, Inc.**, in Appendix A. Refer to the financial statements to respond to the following items:

- Does the company's fiscal year end on December 31? How can you tell?
- State the company's most recent balance sheet in terms of  $A = L + E$ .
- Did the company post more debits to the Cash account during the year than credits? How can you tell?

## Problem Set A



L03

**PROBLEM 3.1A**

through Journalizing  
Transactions

L05



Glenn Grimes is the founder and president of Heartland Construction, a real estate development venture. The business transactions during February while the company was being organized are listed below.

- Feb. 1** Grimes and several others invested \$500,000 cash in the business in exchange for 25,000 shares of capital stock.
- Feb. 10** The company purchased office facilities for \$300,000, of which \$100,000 was applicable to the land and \$200,000 to the building. A cash payment of \$60,000 was made and a note payable was issued for the balance of the purchase price.
- Feb. 16** Computer equipment was purchased from PCWorld for \$12,000 cash.
- Feb. 18** Office furnishings were purchased from Hi-Way Furnishings at a cost of \$9,000. A \$1,000 cash payment was made at the time of purchase, and an agreement was made to pay the remaining balance in two equal installments due March 1 and April 1. Hi-Way Furnishings did not require that Heartland sign a promissory note.
- Feb. 22** Office supplies were purchased from Office World for \$300 cash.
- Feb. 23** Heartland discovered that it paid too much for a computer printer purchased on February 16. The unit should have cost only \$359, but Heartland was charged \$395. PCWorld promised to refund the difference within seven days.
- Feb. 27** Mailed Hi-Way Furnishings the first installment due on the account payable for office furnishings purchased on February 18.
- Feb. 28** Received \$36 from PCWorld in full settlement of the account receivable created on February 23.

**Instructions**

- a. Prepare journal entries to record the above transactions. Select the appropriate account titles from the following chart of accounts:

Cash	Land
Accounts Receivable	Office Building
Office Supplies	Notes Payable
Office Furnishings	Accounts Payable
Computer Systems	Capital Stock

- b. Indicate the effects of each transaction on the company's assets, liabilities, and owners' equity for the month of February. Organize your analysis in tabular form as shown for the February 1 transaction:

Transaction	Assets	=	Liabilities	+	Owners' Equity
Feb. 1	+\$500,000 (Cash)		\$0		+\$500,000 (Capital Stock)

### L03 PROBLEM 3.2A

through  
L08 Analyzing and  
Journalizing  
Transactions

Environmental Services, Inc., performs various tests on wells and septic systems. A few of the company's business transactions occurring during August are described below:

- On August 1, the company billed customers \$2,500 on account for services rendered. Customers are required to make full payment within 30 days.
- On August 3, the company purchased testing supplies costing \$3,800, paying \$800 cash and charging the remainder on the company's 30-day account at Penn Chemicals. The testing supplies are expected to last several months.
- On August 5, the company returned to Penn Chemicals \$100 of testing supplies that were not needed. The return of these supplies reduced by \$100 the amount owed to Penn Chemicals.
- On August 17, the company issued an additional 2,500 shares of capital stock at \$8 per share. The cash raised will be used to purchase new testing equipment in September.
- On August 22, the company received \$600 cash from customers it had billed on August 1.
- On August 29, the company paid its outstanding account payable to Penn Chemicals.
- On August 30, a cash dividend totaling \$6,800 was declared and paid to the company's stockholders.

#### Instructions

- Prepare an analysis of each of the above transactions. Transaction 1 serves as an example of the form of analysis to be used.
  - The asset Accounts Receivable was increased. Increases in assets are recorded by debits. Debit Accounts Receivable \$2,500.
  - Revenue has been earned. Revenue increases owners' equity. Increases in owners' equity are recorded by credits. Credit Testing Service Revenue \$2,500.
- Prepare journal entries, including explanations, for the above transactions.
- How does the *realization principle* influence the manner in which the August 1 billing to customers is recorded in the accounting records?
- How does the *matching principle* influence the manner in which the August 3 purchase of testing supplies is recorded in the accounting records?

### L03 PROBLEM 3.3A

through  
L08 Analyzing and  
Journalizing  
Transactions



Weida Surveying, Inc., provides land surveying services. During September, its transactions included the following:

- Sept. 1** Paid rent for the month of September, \$4,400.
- Sept. 3** Billed Fine Line Homes \$5,620 for surveying services. The entire amount is due on or before September 28. (Weida uses an account entitled Surveying Revenue when billing clients.)
- Sept. 9** Provided surveying services to Sunset Ridge Developments for \$2,830. The entire amount was collected on this date.
- Sept. 14** Placed a newspaper advertisement in the *Daily Item* to be published in the September 20 issue. The cost of the advertisement was \$165. Payment is due in 30 days.
- Sept. 25** Received a check for \$5,620 from Fine Line Homes for the amount billed on September 3.
- Sept. 26** Provided surveying services to Thompson Excavating Company for \$1,890. Weida collected \$400 cash, with the balance due in 30 days.
- Sept. 29** Sent a check to the *Daily Item* in full payment of the liability incurred on September 14.
- Sept. 30** Declared and paid a \$7,600 cash dividend to the company's stockholders.