

The Recording Process

Summary of Debit/Credit Rules:

Basic Equation	Assets = Liabilities + Owner's Equity																
	<div></div>																
Expanded Basic Equation	Assets		=	Liabilities		+	Owner's Capital		-	Owner's Drawings		+	Revenues		-	Expenses	
Debit / Credit Rules	Dr.	Cr.		Dr.	Cr.		Dr.	Cr.		Dr.	Cr.		Dr.	Cr.		Dr.	Cr.
	+	-		-	+		-	+		+	-		-	+		+	-

Assets ↑ Debit for increase Credit for decrease ↓ Normal balance	Liabilities ↓ Debit for decrease Credit for increase ↑ Normal balance	Owner's Capital ↓ Debit for decrease Credit for increase ↑ Normal balance
--	---	---

Revenues ↓ Debit for decrease Credit for increase ↑ Normal balance	Expenses ↑ Debit for increase Credit for decrease ↓ Normal balance	Owner's Drawings ↑ Debit for increase Credit for decrease ↓ Normal balance
--	--	--

Transactions of Pioneer Advertising

1. On October 1, C. R. Byrd invests \$10,000 cash in an advertising company called Pioneer Advertising.
2. On October 1, Pioneer purchases office equipment costing \$5,000 by signing a 3-month, 12%, \$5,000 note payable.
3. On October 2, Pioneer receives a \$1,200 cash advance from R. Knox, a client, for advertising services that are expected to be completed by December 31.
4. On October 3, Pioneer pays office rent for October in cash, \$900.
5. On October 4, Pioneer pays \$600 for a one-year insurance policy that will expire next year on September 30.

6. On October 5, Pioneer purchases an estimated 3-month supply of advertising materials on account from Aero Supply for \$2,500.
7. On October 20, Pioneer receives \$10,000 in cash from Copa Company for advertising services performed in October.
8. On October 26, Pioneer owes employee salaries of \$4,000 and pays them in cash.
9. On October 31, C. R. Byrd withdraws \$500 cash for personal use.

Journal

GENERAL JOURNAL				PAGE J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
2022				
Oct. 1	Cash	101	10,000	
	Owner's Capital	301		10,000
	(Owner's investment of cash in business)			
1	Equipment	157	5,000	
	Notes Payable	200		5,000
	(Issued 3-month, 12% note for office equipment)			
2	Cash	101	1,200	
	Unearned Service Revenue	209		1,200
	(Received advance from R. Knox for future services)			
3	Rent Expense	729	900	
	Cash	101		900
	(Paid cash for October office rent)			
4	Prepaid Insurance	130	600	
	Cash	101		600
	(Paid one-year policy; effective date October 1)			
5	Supplies	126	2,500	
	Accounts Payable	201		2,500
	(Purchased supplies on account from Aero Supply)			

GENERAL JOURNAL				PAGE J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
20	Cash	101	10,000	
	Service Revenue	400		10,000
	(Received cash for services performed)			
26	Salaries and Wages Expense	726	4,000	
	Cash	101		4,000
	(Paid salaries to date)			
31	Owner's Drawings	306	500	
	Cash	101		500
	(Withdrew cash for personal use)			

Ledger

GENERAL LEDGER					
Cash No. 101					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 1		J1	10,000		10,000
2		J1	1,200		11,200
3		J1		900	10,300
4		J1		600	9,700
20		J1	10,000		19,700
26		J1		4,000	15,700
31		J1		500	15,200
Supplies No. 126					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 5		J1	2,500		2,500
Prepaid Insurance No. 130					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 4		J1	600		600
Equipment No. 157					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 1		J1	5,000		5,000
Notes Payable No. 200					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 1		J1		5,000	5,000
Accounts Payable No. 201					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 5		J1		2,500	2,500
Unearned Service Revenue No. 209					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 2		J1		1,200	1,200
Owner's Capital No. 301					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 1		J1		10,000	10,000
Owner's Drawings No. 306					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 31		J1	500		500
Service Revenue No. 400					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 20		J1		10,000	10,000
Salaries and Wages Expense No. 726					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 26		J1	4,000		4,000
Rent Expense No. 729					
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Oct. 3		J1	900		900

Trial Balance

Pioneer Advertising Trial Balance October 31, 2022		
	<u>Debit</u>	<u>Credit</u>
Cash	\$15,200	
Supplies	2,500	
Prepaid Insurance	600	
Equipment	5,000	
Notes Payable		\$ 5,000
Accounts Payable		2,500
Unearned Service Revenue		1,200
Owner's Capital		10,000
Owner's Drawings	500	
Service Revenue		10,000
Salaries and Wages Expense	4,000	
Rent Expense	900	
	<u>\$28,700</u>	<u>\$28,700</u>

Exercise

1. From the ledger accounts below, prepare a trial balance for Bundy Company at December 31, 2022. List the accounts in the order shown in the text. All account balances are normal.

Accounts Receivable \$10,000

Salaries and Wages Expense \$ 2,300

Supplies 4,100

Rent Expense 1,200

Accounts Payable 3,500

Owner's Capital 10,200

Owner's Drawings 1,100

Cash 6,000

Service Revenue 11,000

Bundy Company Trial Balance December 31, 2022		
	<u>Debit</u>	<u>Credit</u>
Cash	\$ 6,000	
Accounts Receivable	10,000	
Supplies	4,100	
Accounts Payable		\$ 3,500
Owner's Capital		10,200
Owner's Drawings	1,100	
Service Revenue		11,000
Salaries and Wages Expense	2,300	
Rent Expense	1,200	
	<u>\$24,700</u>	<u>\$24,700</u>

2. Bob Sample opened the Campus Laundromat on September 1, 2010. During the first month of operations, the following transactions occurred.

Sept. 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	Received a bill from the Daily News for advertising 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.

Instructions

- Journalize the September transactions.
- Open ledger accounts and post the September transactions.
- Prepare a trial balance at September 30, 2010.

Solution

a.		GENERAL JOURNAL			J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2022					
Sept. 1	Cash	101	20,000		
	Owner's Capital	301		20,000	
	(Owner's investment of cash in business)				
2	Rent Expense	729	1,000		
	Cash	101		1,000	
	(Paid September rent)				
3	Equipment	157	25,000		
	Cash	101		10,000	
	Notes Payable	200		15,000	
	(Purchased laundry equipment for cash and 6-month, 12% note payable)				
4	Prepaid Insurance	130	1,200		
	Cash	101		1,200	
	(Paid one-year insurance policy)				
10	Advertising Expense	610	200		
	Accounts Payable	201		200	
	(Received bill from <i>Daily News</i> for advertising)				
20	Owner's Drawings	306	700		
	Cash	101		700	
	(Withdrew cash for personal use)				
30	Cash	101	6,200		
	Service Revenue	400		6,200	
	(Received cash for services performed)				

b.

GENERAL LEDGER

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 1		J1	20,000		20,000
2		J1		1,000	19,000
3		J1		10,000	9,000
4		J1		1,200	7,800
20		J1		700	7,100
30		J1	6,200		13,300
Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 4		J1	1,200		1,200
Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 3		J1	25,000		25,000
Notes Payable					No. 200
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 3		J1		15,000	15,000

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 10		J1		200	200
Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 1		J1		20,000	20,000
Owner's Drawings					No. 306
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 20		J1	700		700
Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 30		J1		6,200	6,200
Advertising Expense					No. 610
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 10		J1	200		200
Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
2022					
Sept. 2		J1	1,000		1,000

c.

Campus Laundromat Trial Balance September 30, 2022		
	<u>Debit</u>	<u>Credit</u>
Cash	\$13,300	
Prepaid Insurance	1,200	
Equipment	25,000	
Notes Payable		\$15,000
Accounts Payable		200
Owner's Capital		20,000
Owner's Drawings	700	
Service Revenue		6,200
Advertising Expense	200	
Rent Expense	1,000	
	<u>\$41,400</u>	<u>\$41,400</u>

Home Practice

Beyers Corporation provides security services. Selected transactions for Beyers Corporation are presented below:

Oct. 1	Issued common stock in exchange for \$66,000 cash from investors.
2	Hired part-time security consultant. Salary will be \$2,000 per month. First day of work will be on October 15.
4	Paid 1 month of rent for building for \$2,000.
7	Purchased equipment for \$18,000, paying \$4,000 cash and the balance on account.
8	Paid \$500 for advertising.
10	Received bill for equipment repair cost of \$390.
12	Provided security services for event for \$3,200 on account.
16	Purchased supplies for \$410 on account.
21	Paid balance due from October 7 purchase of equipment.
24	Received and paid utility bill for \$148.
27	Received payment from customer for October 12 services performed.
31	Paid employee salaries and wages of \$5,100.

Instructions:

(a) Journalize the transactions. Do not provide explanations.

(b) Post the transactions to T-accounts.

(c) Prepare a trial balance at October 31, 2017.

Holz Disc Golf Course was opened on March 1 by Ian Holz. The following selected events and transactions occurred during March.

Mar. 1	Invested \$20,000 cash in the business.
3	Purchased Rainbow Golf Land for \$15,000 cash. The price consists of land \$12,000, shed \$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 \$1,050 from Stevenson Company payable in 30 days.
18	Received \$1,100 in cash for golf fees (Holz records 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 \$2,700 cash for golf fees.

Journalize the March transactions.