

## CHAPTER 2

### THE RECORDING PROCESS

#### SUMMARY OF QUESTIONS BY STUDY OBJECTIVES AND BLOOM'S TAXONOMY

Item	SO	BT	Item	SO	BT	Item	SO	BT	Item	SO	BT	Item	SO	BT
<b>True-False Statements</b>														
1.	1	K	11.	2	K	21.	2	K	31.	3	K	41.	3	E
2.	1	K	12.	2	K	22.	2	K	32.	3	K			
3.	1	K	13.	2	K	23.	2	K	33.	3	K			
4.	1	K	14.	2	K	24.	2	K	34.	3	C			
5.	1	K	15.	2	K	25.	2	K	35.	3	K			
6.	1	K	16.	2	K	26.	2	K	36.	3	K			
7.	1	K	17.	2	K	27.	2	K	37.	3	K			
8.	1	K	18.	2	K	28.	2	K	38.	3	E			
9.	1	K	19.	2	C	29.	3	C	39.	3	E			
10.	2	K	20.	2	K	30.	3	K	40.	3	E			
<b>Multiple Choice Questions</b>														
42.	1	K	61.	1	C	80.	2	K	99.	2	K	118.	2	C
43.	1	K	62.	1	K	81.	2	C	100.	2	K	119.	2	K
44.	1	K	63.	1	K	82.	2	AP	101.	2	K	120.	2	C
45.	1	K	64.	1	K	83.	2	AP	102.	2	K	121.	3	K
46.	1	K	65.	1	K	84.	2	AP	103.	2	K	122.	3	K
47.	1	K	66.	1	K	85.	2	K	104.	2	K	123.	3	K
48.	1	K	67.	1	C	86.	2	K	105.	2	K	124.	3	C
49.	1	K	68.	2	K	87.	2	C	106.	2	C	125.	3	C
50.	1	K	69.	2	K	88.	2	K	107.	2	C	126.	3	K
51.	1	K	70.	2	C	89.	2	K	108.	2	AP	127.	3	C
52.	1	K	71.	2	K	90.	2	K	109.	2	K	128.	3	C
53.	1	K	72.	2	C	91.	2	K	110.	2	AP	129.	3	C
54.	1	K	73.	2	C	92.	2	K	111.	2	K	130.	3	K
55.	1	K	74.	2	AP	93.	2	K	112.	2	K	131.	3	C
56.	1	C	75.	2	AP	94.	2	K	113.	2	K	132.	3	C
57.	1	C	76.	2	C	95.	2	K	114.	2	C			
58.	1	K	77.	2	C	96.	2	K	115.	2	K			
59.	1	K	78.	2	C	97.	2	C	116.	2	K			
60.	1	K	79.	2	C	98.	2	K	117.	2	K			
<b>Matching Questions</b>														
133.	1-3	K												

Note: K = Knowledge

C = Comprehension

AP = Application

E = Evaluation

**SUMMARY OF STUDY OBJECTIVES BY QUESTION TYPE**

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
<b>Study Objective 1</b>													
1.	TF	7.	TF	45.	MC	51.	MC	57.	MC	63.	MC		
2.	TF	8.	TF	46.	MC	52.	MC	58.	MC	64.	MC		
3.	TF	9.	TF	47.	MC	53.	MC	59.	MC	65.	MC		
4.	TF	42.	MC	48.	MC	54.	MC	60.	MC	66.	MC		
5.	TF	43.	MC	49.	MC	55.	MC	61.	MC	67.	MC		
6.	TF	44.	MC	50.	MC	56.	MC	62.	MC	133.	MA		
<b>Study Objective 2</b>													
10.	TF	21.	TF	70.	MC	81.	MC	92.	MC	103.	MC	114.	MC
11.	TF	22.	TF	71.	MC	82.	MC	93.	MC	104.	MC	115.	MC
12.	TF	23.	TF	72.	MC	83.	MC	94.	MC	105.	MC	116.	MC
13.	TF	24.	TF	73.	MC	84.	MC	95.	MC	106.	MC	117.	MC
14.	TF	24.	TF	74.	MC	85.	MC	96.	MC	107.	MC	118.	MC
15.	TF	25.	TF	75.	MC	86.	MC	97.	MC	108.	MC	119.	MC
16.	TF	26.	TF	76.	MC	87.	MC	98.	MC	109.	MC	120.	MC
17.	TF	27.	TF	77.	MC	88.	MC	99.	MC	110.	MC	133.	MA
18.	TF	28.	TF	78.	MC	89.	MC	100.	MC	111.	MC		
19.	TF	68.	MC	79.	MC	90.	MC	101.	MC	112.	MC		
20.	TF	69.	MC	80.	MC	91.	MC	102.	MC	113.	MC		
<b>Study Objective 3</b>													
29.	TF	33.	TF	37.	TF	41.	TF	124.	MC	128.	MC	132.	MC
30.	TF	34.	TF	38.	TF	121.	MC	125.	MC	129.	MC	133.	MA
31.	TF	35.	TF	39.	TF	122.	MC	126.	MC	130.	MC		
32.	TF	36.	TF	40.	TF	123.	MC	127.	MC	131.	MC		

Note: TF = True-False MC = Multiple Choice MA = Matching

## SUMMARY OF QUESTIONS BY LEVEL OF DIFFICULTY (LOD)

Item	SO	LOD	Item	SO	LOD	Item	SO	LOD	Item	SO	LOD	Item	SO	LOD
<b>True-False Statements</b>														
1.	1	E	11.	2	E	21.	2	E	31.	3	E	41.	3	M
2.	1	E	12.	2	E	22.	2	E	32.	3	E			
3.	1	E	13.	2	E	23.	2	E	33.	3	E			
4.	1	E	14.	2	M	24.	2	E	34.	3	M			
5.	1	E	15.	2	E	25.	2	E	35.	3	E			
6.	1	E	16.	2	E	26.	2	E	36.	3	E			
7.	1	M	17.	2	E	27.	2	E	37.	3	E			
8.	1	E	18.	2	E	28.	2	E	38.	3	M			
9.	1	E	19.	2	M	29.	3	E	39.	3	M			
10.	2	E	20.	2	E	30.	3	E	40.	3	M			
<b>Multiple Choice Questions</b>														
42.	1	E	61.	1	E	80.	2	E	99.	2	E	118.	2	E
43.	1	E	62.	1	E	81.	2	E	100.	2	E	119.	2	M
44.	1	E	63.	1	E	82.	2	E	101.	2	E	120.	2	E
45.	1	E	64.	1	E	83.	2	M	102.	2	E	121.	3	E
46.	1	M	65.	1	M	84.	2	M	103.	2	E	122.	3	E
47.	1	E	66.	1	E	85.	2	E	104.	2	E	123.	3	E
48.	1	M	67.	1	M	86.	2	E	105.	2	E	124.	3	E
49.	1	M	68.	2	M	87.	2	E	106.	2	E	125.	3	E
50.	1	E	69.	2	E	88.	2	E	107.	2	E	126.	3	E
51.	1	E	70.	2	M	89.	2	E	108.	2	M	127.	3	E
52.	1	E	71.	2	M	90.	2	E	109.	2	E	128.	3	E
53.	1	E	72.	2	E	91.	2	E	110.	2	M	129.	3	M
54.	1	M	73.	2	M	92.	2	M	111.	2	E	130.	3	M
55.	1	E	74.	2	M	93.	2	M	112.	2	E	131.	3	E
56.	1	M	75.	2	M	94.	2	M	113.	2	E	132.	3	E
57.	1	M	76.	2	E	95.	2	E	114.	2	M			
58.	1	E	77.	2	E	96.	2	E	115.	2	E			
59.	1	E	78.	2	M	97.	2	E	116.	2	E			
60.	1	E	79.	2	M	98.	2	E	117.	2	E			
<b>Matching Questions</b>														
133.	1-3	E												

Note: E = Easy M = Medium H=Hard

## CHAPTER STUDY OBJECTIVES

1. **Define debits and credits and illustrate how they are used to record transactions.** Debit means left and credit means right. The normal balance of an asset is a debit because assets are on the left side of the accounting equation. Assets are increased by debits and decreased by credits. The normal balance of liabilities and owner's capital is a credit because they are on the right side of the accounting equation. Liabilities and owner's capital are increased by credits and decreased by debits. Revenues increase owner's equity and therefore are recorded as credits because credits increase owner's equity. Credits increase revenues and debits decrease revenues. Expenses and drawings decrease owner's equity and therefore are recorded as debits because debits decrease owner's equity. Expenses and drawings are increased by debits and decreased by credits.
  
2. **Explain the recording process and analyze, journalize, and post transactions.** The steps in the recording process are the first three steps in the accounting cycle. These steps are: (a) analyze each transaction for its effect on the accounts, (b) record the transaction in a journal, and (c) transfer the journal information to the correct accounts in the ledger.  
  
A journal: (a) discloses the complete effect of a transaction in one place, (b) provides a chronological record of transactions, (c) helps to prevent and locate errors because the debit and credit amounts for each entry can be easily compared, and (d) explains the transaction and, if there is one, identifies the source document.  
  
The entire group of accounts maintained by a company is called the ledger. The ledger keeps in one place all the information about changes in each of the specific account balances. Posting is the procedure of transferring journal entries to the ledger accounts. After the journal entries have been posted, the ledger will show all of the increases and decreases that have been made to each account.
  
3. **Explain the purpose of a trial balance, and prepare one.** A trial balance is a list of the accounts in the ledger and the account balances at a specific time. Its main purpose is to prove that debits and credits are equal after posting. A trial balance uncovers certain types of errors in journalizing and posting, and is useful in preparing financial statements. Preparing a trial balance is the fourth step in the accounting cycle.

## TRUE-FALSE STATEMENTS

1. An account can have debit entries and credit entries.
2. A debit to an asset account indicates an increase in that account.
3. The normal balance of all liability accounts is a debit.
4. An asset is increased by a debit.
5. The double entry system of accounting ensures that all the debits will equal all the credits in an entry.
6. The normal balance in an asset account is a debit.
7. The drawings account is a subdivision of the owner's capital account and appears as an expense on the income statement.
8. The normal balance of a revenue account is a credit.
9. The normal balance for the cash account is a credit.
10. Each time a transaction is recorded; one side of the entry will be to cash.
11. The use of different accounts is necessary to allow users to analyze the information.
12. For transactions to be recorded correctly, debits must always be greater than credits.
13. Transactions are entered in the ledger first and then they are analyzed in terms of their effect on the accounts.
14. Source documents can provide evidence that a transaction has occurred.

- 15. A transaction must be analyzed to determine which accounts it will effect.
- 16. Transactions are entered in the trial balance and then transferred to journals.
- 17. All business transactions must have a corresponding journal entry.
- 18. The first step in the recording process is to enter the transaction information in a journal.
- 19. The number and types of accounts used by different business enterprises are the same if generally accepted accounting principles are being followed by the enterprises.
- 20. The accounting cycle is a series of steps followed by accountants in preparing financial statements.
- 21. A simple journal entry requires only one debit to an account and one credit to an account.
- 22. A compound journal entry may require debits to several accounts and credits to several accounts.
- 23. Transactions are recorded in alphabetical order in a journal.
- 24. Posting is the transfer of journal entries to the ledger accounts.
- 25. The chart of accounts is list of all the accounts in a company.
- 26. A chart of accounts should be arranged in alphabetical order for easier reference.
- 27. A ledger is the entire group of accounts maintained by a company.
- 28. Posting must be completed before a trial balance can be done.
- 29. For the trial balance to balance, the debits must equal the credits.

- 30. If the trial balance balances, it proves that all of the entries have been made correctly.
- 31. If an entry has been posted to the accounts twice, the trial balance will still balance.
- 32. Preparing the trial balance is the first step in the accounting cycle.
- 33. A transposition error involves the reversing of numbers in the posting process.
- 34. After a transaction has been posted, the trial balance will balance.
- 35. A trial balance does NOT prove that all transactions have been recorded or that the ledger is correct.
- 36. If a journal entry is posted twice, then this error will be found when the trial balance is produced.
- 37. If the trial balance is out of balance and the difference between the debits and the credits is divisible evenly by 9 then there is a transposition error.
- 38. Errors in a trial balance may only be caused by an error in posting the journal entries to the accounts.
- 39. If a journal entry is NOT posted to an account, then the trial balance will NOT balance.
- 40. A trial balance that balances proves only that the debit accounts equal the credit accounts.
- 41. A trial balance may be done at any time during the accounting cycle.

**ANSWERS TO TRUE-FALSE STATEMENTS**

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
1.	T	7.	F	13.	F	19.	F	25.	T	31.	T	37.	T
2.	T	8.	T	14.	T	20.	F	26.	F	32.	F	38.	F
3.	F	9.	F	15.	T	21.	T	27.	F	33.	T	39.	F
4.	T	10.	F	16.	F	22.	T	28.	F	34.	F	40.	T
5.	T	11.	T	17.	F	23.	F	29.	T	35.	T	41.	T
6.	T	12.	F	18.	F	24.	T	30.	F	36.	F		



## MULTIPLE CHOICE QUESTIONS

42. The left side of an account is

- a. the date.
- b. a description of the account.
- c. the debit side.
- d. the balance of the account.

43. Which one of the following is NOT a part of an account?

- a. Credit side
- b. Trial balance
- c. Date
- d. Title

44. An account is used as part of the recording process and is described by all EXCEPT which one of the following?

- a. An account can have either a debit or credit balance.
- b. An account is a source document.
- c. An account may be part of a manual or a computerized accounting system.
- d. An account has a title.

45. The right side of an account

- a. is the date.
- b. reflects all transactions for the accounting period.
- c. is the debit side.
- d. is the credit side.

46. An account consists of

- a. a title, a debit balance, and a credit balance.
- b. a title, a left side, and a debit balance.
- c. a title, a debit side, and a credit side.
- d. a title, a right side, and a debit balance.

47. A 'T' account

- a. is a way of depicting the basic form of an account.
- b. is listed in alphabetical order.
- c. has the debit transactions equal to the credit transactions.
- d. is used for accounts that have both a debit and credit balance.

48. Which of the following statements about the tabular summary and account form of the cash account is correct?

- a. All negative amounts in a tabular summary are cash payments and are recorded as debits under the account form.
- b. All positive amounts in the tabular summary are cash receipts and are recorded as credits under the account form.
- c. A positive cash balance in a tabular summary is reflected as a debit balance under the account form.
- d. Companies are required to use both a tabular summary and the account form.

49. A debit to an asset account always indicates

- a. an error.
- b. a credit was made to a liability account.
- c. a decrease in the asset.
- d. an increase in the asset.

50. A debit to a liability account always indicates

- a. a liability has been incurred.
- b. an expense has been incurred.
- c. the liability has been decreased.
- d. a liability has been paid.

51. The normal balance of any account is the

- a. left side.
- b. right side.
- c. side which increases that account.
- d. side which decreases that account.

52. The side of the account where increases are recorded

- a. is always the left side.
- b. is always the right side.
- c. always creates a negative balance.
- d. is the same side as the normal balance for that account.

53. The double-entry system requires that each transaction must be recorded

- a. in at least two different accounts.
- b. twice.
- c. in a journal and in a ledger.
- d. as an asset and as a liability.

54. A credit is NOT the normal balance for which account listed below?

- a. Capital account
- b. Revenue account
- c. Liability account

d. Drawings account

55. A debit is NOT the normal balance for

- a. an expense account.
- b. a supplies account.
- c. an accounts payable account.
- d. a drawings account.

56. Which one of the following is equivalent to the expanded basic accounting equation?

- a.  $\text{Assets} = \text{Liabilities} + \text{Owner's Capital} + \text{Owner's Drawings} - \text{Revenues} - \text{Expenses}$ .
- b.  $\text{Assets} + \text{Owner's Drawings} + \text{Expenses} = \text{Liabilities} + \text{Owner's Capital} + \text{Revenues}$ .
- c.  $\text{Assets} - \text{Liabilities} - \text{Owner's Drawings} = \text{Owner's Capital} + \text{Revenues} - \text{Expenses}$ .
- d.  $\text{Assets} = \text{Revenues} + \text{Expenses} - \text{Liabilities}$ .

57. Which of the following correctly identifies normal balances of accounts?

- a. Assets                      Debit  
Liabilities                  Credit  
Owner's Equity              Credit  
Revenues                   Debit  
Expenses                    Credit
- b. Assets                      Debit  
Liabilities                  Credit  
Owner's Equity              Credit  
Revenues                   Credit  
Expenses                    Credit
- c. Assets                      Credit  
Liabilities                  Debit  
Owner's Equity              Debit  
Revenues                   Credit  
Expenses                    Debit
- d. Assets                      Debit  
Liabilities                  Credit  
Owner's Equity              Credit  
Revenues                   Credit  
Expenses                    Debit

58. To increase a liability account, the account is

- a. debited.
- b. credited.
- c. posted.
- d. journalized.

59. Which of the following is NOT true about an asset?

- a. Its normal balance is a debit.
- b. To increase an asset a debit entry would be made.
- c. To increase it, a credit entry should be made.
- d. To decrease it, a credit entry should be made.

60. Which of the following statements is true?

- a. Debits increase assets and increase liabilities.
- b. Credits decrease assets and decrease liabilities.
- c. Credits decrease assets and increase liabilities.
- d. Debits increase liabilities and increase assets.

61. An awareness of the normal balances of accounts would help you spot which of the following as an error in recording?

- a. A debit balance in an asset account
- b. A credit balance in an expense account
- c. A credit balance in a liabilities account
- d. A credit balance in a revenue account

62. Which account below is NOT a subdivision of owner's equity?

- a. Drawings
- b. Revenues
- c. Expenses
- d. Liabilities

63. When an owner makes a withdrawal

- a. it doesn't have to be cash, it could be another asset.
- b. the drawings account will be increased with a credit.
- c. the capital account will be directly increased with a debit.
- d. the drawings account will be decreased with a debit.

64. The drawings account

- a. appears on the income statement along with the expenses of the business.
- b. must show transactions every accounting period.
- c. is increased with debits and decreased with credits.
- d. is not a proper subdivision of owner's equity.

65. Which of the following statements is NOT true?

- a. Expenses increase owner's equity.
- b. Expenses have normal debit balances.
- c. Expenses decrease owner's equity.
- d. Expenses are a negative factor in the calculation of profit.

66. A credit to the accounts receivable account
- a. indicates an increase in the amount owed by customers.
  - b. indicates a decrease in the amount owed by customers.
  - c. is an error.
  - d. must be accompanied by a debit to an liability account.
67. Funds received before the delivery of goods and services would be shown as
- a. unearned revenue on the statement of earnings.
  - b. unearned revenue on the balance sheet.
  - c. a credit to cash.
  - d. sales or service revenue on the statement of earnings.
68. Transactions are recorded for all of the following reasons EXCEPT
- a. when the transaction causes a change in the financial position of the company.
  - b. to make all of the accounts balance.
  - c. when evidence of the transaction is available.
  - d. when there is a specific effect on the accounting equation.
69. All of the following transactions should be recorded EXCEPT for
- a. providing services to customers.
  - b. purchasing supplies on account.
  - c. ordering equipment.
  - d. incurring expenses.
  - e. all of the above should be recorded.
70. A debit to an expense account
- a. decreases the owner's equity.
  - b. increases owner's equity.
  - c. directly affects the drawings account.
  - d. has no effect on the balance sheet.
71. Which of the following statements is NOT true? The book of original entry
- a. provides a chronological record of transactions.
  - b. helps prevent and locate errors.
  - c. is the same as the chart of accounts.
  - d. helps ensure debits equal credits.
72. In recording an accounting transaction in a double-entry system
- a. the number of debit accounts must equal the number of credit accounts.
  - b. there must always be entries made on both sides of the accounting equation.
  - c. the amount of the debits must equal the amount of the credits.

d. there must only be two accounts affected by any transaction.

73. The withdrawal of cash for personal use by the owners of a business requires a \_\_\_\_\_ to the drawings account and a \_\_\_\_\_ to the cash account.

- a. debit; debit
- b. debit; credit
- c. credit; credit
- d. credit; debit

74. An accountant has debited an asset account for \$1,000 and credited a liability account for \$500. What can be done to complete the recording of the transaction?

- a. Nothing further must be done.
- b. Debit an owner's equity account for \$500.
- c. Debit another asset account for \$500.
- d. Credit a different asset account for \$500.

75. An accountant has debited an expense account for \$1,000 and credited an asset account for \$500. Which of the following would be a correct way to complete the recording of the transaction?

- a. Debit an asset account for \$500.
- b. Credit a liability account for \$500.
- c. Debit an owner's equity account for \$500.
- d. Debit a liability account for \$500.

76. A company pays \$5,000 to its creditor. This would

- a. increase both the company's assets and liabilities.
- b. decrease both the company's assets and liabilities.
- c. decrease the company's liquidity.
- d. increase the company's owner's equity.

77. For the basic accounting equation to stay in balance, each transaction recorded must

- a. affect two or less accounts.
- b. affect two or more accounts.
- c. always affect exactly two accounts.
- d. affect the same number of asset and liability accounts.

78. A chart of accounts is

- a. is only necessary for manual systems.
- b. used only in companies with a complex business structure.
- c. the first step in designing an accounting system.
- d. a relatively simplistic way of classifying accounts.

79. A company receives a year's worth of rent in advance. Which of the following statements pertaining to this event is NOT correct?

- a. The company's assets will decrease.
- b. The company's assets will increase.
- c. The company's total equity will remain unchanged.
- d. The company's liabilities will increase.

80. The following is a record that contains all of the company's accounts.

- a. journal
- b. tabular summary
- c. trial balance
- d. ledger

81. If a company has received a payment from a customer, then

- a. its cash account will be debited.
- b. its cash account will be credited.
- c. the cash account debits will exceed the cash account credits.
- d. accounts receivable would be debited

82. In the first month of operations, the total of the debit entries to the cash account amounted to \$900 and the total of the credit entries to the cash account amounted to \$500. The cash account has a

- a. \$500 credit balance.
- b. \$900 debit balance.
- c. \$400 debit balance.
- d. \$400 credit balance.

83. In the second month of operations, the total of the debit entries to the cash account amounted to \$900 and the total of the credit entries to the cash account amounted to \$500. The opening balance of the cash account was \$200. The cash account has a

- a. \$500 credit balance.
- b. \$900 debit balance.
- c. \$600 debit balance.
- d. \$400 credit balance.

84. In the second month of operations, the total of the debit entries to the accounts receivable account amounted to \$500 and the total of the credit entries to the accounts receivable account amounted to \$300. The opening balance of the accounts receivable account was \$200. The accounts receivable account has a

- a. \$500 debit balance.
- b. \$300 debit balance.
- c. \$400 debit balance.

d. \$0 balance.

85. The usual sequence of steps in the transaction recording process is

- a. journal → analyze → ledger.
- b. analyze → journal → ledger.
- c. journal → ledger → analyze.
- d. ledger → journal → analyze.

86. In recording business transactions, evidence that an accounting transaction has taken place is obtained from

- a. source documents of the business.
- b. the Canada Revenue Agency.
- c. the marketing department.
- d. the trial balance.

87. After a business transaction has been analyzed and entered in the book of original entry, the next step in the recording process is to transfer the information to

- a. the trial balance.
- b. owner's equity.
- c. ledger accounts.
- d. the journal.

88. The first step in the recording process in a computerized environment is to

- a. prepare financial statements.
- b. analyze the transaction in terms of its effect on the accounts.
- c. post to a journal.
- d. prepare a trial balance.

89. Evidence that would NOT help with determining the effects of a transaction on the accounts in a computerized environment would be

- a. a invoice from a supplier.
- b. an invoice from a customer.
- c. an advertising brochure.
- d. a cheque.

90. After transaction information has been recorded in the journal, it is transferred to the

- a. trial balance.
- b. balance sheet.
- c. posting journal.
- d. ledger.



91. The usual sequence of steps in the recording process is to

- analyze each transaction, enter the transaction in the journal, and transfer the information to the ledger accounts.
- analyze each transaction, enter the transaction in the ledger, and transfer the information to the journal.
- analyze each transaction, enter the transaction in the book of accounts, and transfer the information to the journal.
- analyze each transaction, enter the transaction in the book of original entry, and transfer the information to the journal.

92. All of the following activities are performed on a daily basis EXCEPT for

- collecting source documents.
- determining the impact of a transaction on the company's financial position.
- preparing the journal entries.
- preparing the trial balance.

93. The final step in the recording process is to transfer the journal information to the

- trial balance.
- financial statements.
- ledger.
- general journal.

94. A chart of accounts does NOT include

- account balances.
- account numbers.
- account titles.
- list of all accounts.

95. A chart of accounts for a company

- is a graph of the financial position of the company.
- indicates the amount of profit or loss for the period.
- lists the accounts and account numbers that identify their location in the ledger.
- shows the balance of each account in the general ledger.

96. A numbering system for a chart of accounts

- is prescribed by GAAP.
- is uniform for all businesses.
- usually starts with income statement accounts.
- usually starts with balance sheet accounts.

97. Basic transaction analysis is

- reflected in the accounting records.

- b. required before journalizing an entry.
- c. eliminates mistakes.
- d. all of the above.

98. The first step in designing an accounting system is the creation of the

- a. general ledger.
- b. general journal.
- c. trial balance.
- d. chart of accounts.

99. The recording process occurs

- a. once a week.
- b. once a month.
- c. repeatedly during the accounting period.
- d. at the end of the accounting period.

100. A journal provides

- a. the balances for each account.
- b. information about a transaction in several different places.
- c. a list of all accounts used in the business.
- d. a chronological record of transactions.

101. When three or more accounts are required in one journal entry, the entry is referred to as a

- a. compound entry.
- b. double entry.
- c. multiple entry.
- d. simple entry.

102. The journal entry to record the investment of cash by the owners of a business would require a debit to the cash account and a credit to

- a. investments.
- b. revenue.
- c. owner's capital.
- d. accounts receivable.

103. Another name for journal is

- a. listing.
- b. book of original entry.
- c. book of accounts.
- d. book of source documents.

104. A journal is useful for

- a. disclosing in one place the complete effect of a transaction.
- b. locating and preventing errors.
- c. providing a record of transactions.
- d. all of the above.

105. The name given to entering transaction data in the journal is

- a. debiting.
- b. listing.
- c. posting.
- d. journalizing.

106. A journal entry

- a. must have the same number of debit entries as credit entries.
- b. must have a debit to an asset and a credit to a liability.
- c. only affect balance sheet accounts.
- d. must have the total of the debit entries equal to the credit entries.

107. Journal entries are prepared

- a. only at the end of the month.
- b. only when cash is received or disbursed.
- c. whenever there is a business transaction which will generate an entry.
- d. only when financial statements are prepared.

108. Which of the following journal entries records the cash collection for sales and outstanding accounts receivable?

- |    |                           |       |       |
|----|---------------------------|-------|-------|
| a. | Accounts receivable ..... | 1,250 |       |
|    | Cash .....                |       | 250   |
|    | Sales .....               |       | 1,000 |
| b. | Accounts receivable ..... | 1,000 |       |
|    | Cash .....                | 250   |       |
|    | Sales .....               |       | 1,250 |
| c. | Cash .....                | 1,250 |       |
|    | Sales .....               |       | 1,000 |
|    | Accounts receivable ..... |       | 250   |
| d. | Sales .....               | 1,250 |       |
|    | Accounts receivable ..... |       | 1,000 |
|    | Cash .....                |       | 250   |

109. On June 1, 2014, Joanne White buys a copier machine for her business and finances this purchase with cash and a note. When journalizing this transaction, she will

- a. use two journal entries.
- b. make a compound entry.

- c. make a simple entry.
- d. wait until the end of the month to record the entry.

110. Which of the following journal entries correctly records the cash payment of salaries and advertising expenses?

a.	Advertising Expense .....	1,500	
	Wages Expense .....		550
	Cash .....		950
b.	Wages Expense .....	1,500	
	Advertising Expense .....		950
	Cash .....		550
c.	Cash .....	1,500	
	Wages Expense .....		550
	Advertising Expense .....		950
d.	Wages Expense .....	550	
	Advertising Expense .....	950	
	Cash .....		1,500

111. A journal entry will NOT include

- a. account names.
- b. date of the transaction.
- c. the dollar amount of the transaction.
- d. account balance.

112. For a sole proprietorship, the usual ordering of accounts in the general ledger is

- a. assets, liabilities, owner's capital, drawings, revenues, and expenses.
- b. assets, liabilities, drawings, owner's capital, expenses, and revenues.
- c. liabilities, assets, owner's capital, revenues, expenses, and drawings.
- d. owners' capital, assets, liabilities, drawings, expenses, and revenues.

113. Management could determine the amounts due from customers by examining which ledger account?

- a. Service Revenue
- b. Accounts Payable
- c. Accounts Receivable
- d. Cash

114. Management could determine the amounts owing to suppliers by examining which ledger account?

- a. Supplies
- b. Cash
- c. Accounts Payable
- d. Supplies expense

115. The ledger accounts should be arranged in

- a. chronological order.
- b. alphabetical order.
- c. statement order.
- d. debit accounts first and then credit accounts.

116. A three-column form of account is so named because it has columns for

- a. debit, credit, and account name.
- b. debit, credit, and reference.
- c. debit, credit, and balance.
- d. debit, credit, and date.

117. The procedure of transferring journal entries to the ledger accounts is called

- a. journalizing.
- b. analyzing.
- c. reporting.
- d. posting.

118. Posting

- a. is only done in a manual accounting system.
- b. accumulates the effects of journalized transactions in the individual accounts.
- c. involves transferring all debits and credits on a journal page to the trial balance.
- d. is accomplished by examining ledger accounts and seeing which ones need updating.

119. After journal entries are posted, the reference column

- a. of the general journal will show the account balance.
- b. of the general ledger will show journal page numbers.
- c. of the general journal will show "Dr" or "Cr".
- d. of the general ledger will show account numbers.

120. Posting to the general ledger in a manual accounting system is usually performed

- a. when the accountant is in the office.
- b. when the transaction is recorded.
- c. when financial statements are being prepared.
- d. when Canada Revenue Agency performs an audit.

121. A trial balance does NOT include

- a. account names.
- b. account balances.
- c. journal entries details.

d. date of trial balance.

122. The following types of error(s) still allow the trial balance debit and credit columns to be equal:

- a. missed entries.
- b. transposed numbers.
- c. addition errors.
- d. missed accounts.

123. A listing of the balances of all assets, liabilities, and owner's equity accounts is called a

- a. compound entry.
- b. general journal.
- c. trial balance.
- d. chart of accounts.

124. A list of accounts and their balances at a given time is called

- a. a journal.
- b. a posting.
- c. a trial balance.
- d. an income statement.

125. If the sum of the debit column equals the sum of the credit column in a trial balance, it indicates

- a. no errors have been made.
- b. no errors can be discovered.
- c. all entries have been posted.
- d. the mathematical equality of the accounting equation.

126. A trial balance is a listing of

- a. transactions in a journal.
- b. the chart of accounts.
- c. general ledger accounts and balances.
- d. the totals from the journal pages.

127. Customarily, a trial balance in a manual system is prepared

- a. at the end of each day.
- b. after each journal entry is posted.
- c. at the end of an accounting period.
- d. only at the inception of the business.

128. A trial balance would help in detecting which one of the following errors?

- a. A transaction that is not journalized
- b. A journal entry that is posted twice
- c. Offsetting errors made in recording the transaction
- d. A transposition error when transferring the debit side of a journal entry to the ledger

129. Eloise King is the accountant for King's Jewellery Store. She has just prepared the company's trial balance and discovered that the total debits are \$9,257 and total credits are \$9,230. Lisa has likely made which of the following errors?

- a. Posted the journal entries to the wrong accounts.
- b. Posted a debit as a credit.
- c. Transposed two numbers during posting.
- d. Forgotten to make a journal entry.

130. Which of the following statements about errors or irregularities is INCORRECT?

- a. Irregularities are unintentional errors.
- b. An error is neither ethical nor unethical.
- c. An error is the result of an unintentional mistake.
- d. Irregularities are the result of an intentional mistake and are generally considered unethical.

131. Marshwinds Wind Farm is producing its first financial statements for its bank. The trial balance does NOT balance. The company should

- a. create a new account called "suspense" and use it to balance the trial balance.
- b. give the incorrect trial balance to the bank.
- c. ask the bank for more time to find the error.
- d. increase one of the larger accounts so that the trial balance will balance.

132. Tantramar Geothermal has hired a new accountant. When she reviewed the financial statements for the previous year, she found a significant error which would mean that the statements were wrong. She should NOT

- a. create a new account called "suspense" and use it to correct the error.
- b. notify the Management of the company immediately of the problem.
- c. research the journal entries to try and find the error.
- d. review all of the transactions for the past year for reasonableness.

## ANSWERS TO MULTIPLE CHOICE QUESTIONS

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
42.	c	56.	b	70.	a	84.	c	98.	d	112.	a	126.	d
43.	b	57.	d	71.	c	85.	b	99.	c	113.	c	127.	c
44.	b	58.	b	72.	c	86.	a	100.	d	114.	c	128.	d
45.	d	59.	c	73.	b	87.	c	101.	a	115.	c	129.	c
46.	c	60.	c	74.	b	88.	b	102.	c	116.	c	130.	c
47.	a	61.	b	75.	b	89.	c	103.	b	117.	d	131.	c
48.	c	62.	d	76.	b	90.	d	104.	d	118.	b	132.	a
49.	d	63.	a	77.	b	91.	a	105.	d	119.	b		
50.	c	64.	c	78.	c	92.	d	106.	d	120.	b		
51.	c	65.	a	79.	a	93.	c	107.	c	121.	c		
52.	d	66.	b	80.	d	94.	a	108.	c	122.	a		
53.	a	67.	b	81.	a	95.	c	109.	b	123.	c		
54.	d	68.	b	82.	c	96.	d	110.	d	124.	c		
55.	c	69.	c	83.	c	97.	b	111.	d	125.	d		



## MATCHING

133. Match the items below by entering the appropriate code letter in the space provided.

- |                           |                      |
|---------------------------|----------------------|
| A. Account                | F. Journal           |
| B. Normal account balance | G. Posting           |
| C. Debit                  | H. Chart of accounts |
| D. Revenue account        | I. Trial balance     |
| E. Compound entry         | J. Simple entry      |

- |           |                                                                                                            |
|-----------|------------------------------------------------------------------------------------------------------------|
| _____ 1.  | The side which increases an account.                                                                       |
| _____ 2.  | An accounting record of increases and decreases in specific assets, liabilities, and owner's equity items. |
| _____ 3.  | Left side of an account.                                                                                   |
| _____ 4.  | Has a credit normal balance.                                                                               |
| _____ 5.  | A list of all the accounts used by an enterprise.                                                          |
| _____ 6.  | An entry that involves three or more accounts.                                                             |
| _____ 7.  | An entry that involves only two accounts.                                                                  |
| _____ 8.  | A book of original entry.                                                                                  |
| _____ 9.  | Transferring journal entries to ledger accounts.                                                           |
| _____ 10. | A list of accounts and their balances at a given time.                                                     |

## ANSWERS TO MATCHING

- 1. B
- 2. A
- 3. C
- 4. D
- 5. H
- 6. E
- 7. J
- 8. F
- 9. G
- 10. I

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## CHAPTER 2

### THE RECORDING PROCESS

#### SUMMARY OF QUESTIONS BY STUDY OBJECTIVES AND BLOOM'S TAXONOMY

Item	SO	BT	Item	SO	BT	Item	SO	BT	Item	SO	BT	Item	SO	BT
<b>Exercises</b>														
1.	1	C	8.	1	C	15.	2	AP	22.	2,3	AP	29.	3	AP
2.	1	C	9.	1	C	16.	2	AP	23.	2,3	AP	30.	3	AN
3.	1	C	10.	1	C	17.	2	AP	24.	2,3	AP	31.	3	AN
4.	1	C	11.	2	C	18.	2	AP	25.	2,3	AP	32.	3	AN
5.	1	C	12.	2	AP	19.	2	AP	26.	2,3	AP	33.	3	AN
6.	1	C	13.	2	AP	20.	2	C	27.	3	AP	34.	3	AP
7.	1	C	14.	2	AP	21.	2,3	AP	28.	3	AP			

Note: C = Comprehension      AP = Application      AN = Analysis

**SUMMARY OF STUDY OBJECTIVES BY QUESTION TYPE**

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
<b>Study Objective 1</b>									
1.	Ex	3.	Ex	5.	Ex	7.	Ex	9.	Ex
2.	Ex	4.	Ex	6.	Ex	8.	Ex	10.	Ex
<b>Study Objective 2</b>									
11.	Ex	15.	Ex	19.	Ex	23.	Ex		
12.	Ex	16.	Ex	20.	Ex	24.	Ex		
13.	Ex	17.	Ex	21.	Ex	25.	Ex		
14.	Ex	18.	Ex	22.	Ex	26.	Ex		
<b>Study Objective 3</b>									
21.	Ex	24.	Ex	27.	Ex	30.	Ex	33.	Ex
22.	Ex	25.	Ex	28.	Ex	31.	Ex	34.	Ex
23.	Ex	26.	Ex	29.	Ex	32.	Ex		

Note: Ex = Exercise

## SUMMARY OF QUESTIONS BY LEVEL OF DIFFICULTY (LOD)

Item	SO	LOD	Item	SO	LOD	Item	SO	LOD	Item	SO	LOD	Item	SO	LOD
<b>Exercises</b>														
1.	1	E	8.	1	E	15.	2	M	22.	2,3	M	29.	3	M
2.	1	E	9.	1	E	16.	2	M	23.	2,3	M	30.	3	E
3.	1	E	10.	1	E	17.	2	M	24.	2,3	H	31.	3	E
4.	1	E	11.	2	M	18.	2	M	25.	2,3	H	32.	3	E
5.	1	E	12.	2	M	19.	2	M	26.	2,3	H	33.	3	E
6.	1	M	13.	2	M	20.	2	E	27.	3	E	34.	3	H
7.	1	H	14.	2	M	21.	2,3	H	28.	3	M			

Note:                      E = Easy                      M = Medium                      H=Hard

## CHAPTER STUDY OBJECTIVES

1. **Define debits and credits and illustrate how they are used to record transactions.** Debit means left and credit means right. The normal balance of an asset is a debit because assets are on the left side of the accounting equation. Assets are increased by debits and decreased by credits. The normal balance of liabilities and owner's capital is a credit because they are on the right side of the accounting equation. Liabilities and owner's capital are increased by credits and decreased by debits. Revenues increase owner's equity and therefore are recorded as credits because credits increase owner's equity. Credits increase revenues and debits decrease revenues. Expenses and drawings decrease owner's equity and therefore are recorded as debits because debits decrease owner's equity. Expenses and drawings are increased by debits and decreased by credits.
  
2. **Explain the recording process and analyze, journalize, and post transactions.** The steps in the recording process are the first three steps in the accounting cycle. These steps are: (a) analyze each transaction for its effect on the accounts, (b) record the transaction in a journal, and (c) transfer the journal information to the correct accounts in the ledger.  
  
A journal: (a) discloses the complete effect of a transaction in one place, (b) provides a chronological record of transactions, (c) helps to prevent and locate errors because the debit and credit amounts for each entry can be easily compared, and (d) explains the transaction and, if there is one, identifies the source document.  
  
The entire group of accounts maintained by a company is called the ledger. The ledger keeps in one place all the information about changes in each of the specific account balances. Posting is the procedure of transferring journal entries to the ledger accounts. After the journal entries have been posted, the ledger will show all of the increases and decreases that have been made to each account.
  
3. **Explain the purpose of a trial balance, and prepare one.** A trial balance is a list of the accounts in the ledger and the account balances at a specific time. Its main purpose is to prove that debits and credits are equal after posting. A trial balance uncovers certain types of errors in journalizing and posting, and is useful in preparing financial statements. Preparing a trial balance is the fourth step in the accounting cycle.

## EXERCISES

### Exercise 1

The chart of accounts used by Quick Copy Company is listed below. You are to indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate columns.

#### CHART OF ACCOUNTS

10	Cash	30	D. Quick, Capital
12	Accounts Receivable	35	D. Quick, Drawings
15	Paper Supplies	40	Photocopy Revenue
18	Copy Machines	51	Advertising Expense
22	Accounts Payable	53	Rent Expense
25	Notes Payable	54	Wages Expense
28	Unearned Revenue		

	Number(s) of account(s) debited	Number(s) of account(s) credited
1. Don Quick invests \$90,000 cash to start the business.		
2. Purchased three photocopy machines for \$200,000, paying \$50,000 cash and signing a 5-year, 6% note for the remainder.		
3. Purchased \$5,000 paper supplies on credit.		
4. Cash photocopy revenue amounted to \$7,000.		
5. Paid \$500 cash for radio advertising.		
6. Paid \$800 on account for paper supplies purchased in transaction 3.		
7. Don Quick withdrew \$1,500 from the business for personal expenses.		
8. Paid \$1,200 cash for rent for the current month.		
9. Received \$2,000 cash advance from a customer for future copying.		
10. Billed a customer for \$450 for photocopy work done.		

11. Paid \$400 for wages for the month.

**Solution Exercise 1** (15 min.)

	Number(s) of account(s) debited	Number(s) of account(s) credited
1. Don Quick invests \$90,000 cash to start the business.	10	30
2. Purchased three photocopier machines for \$200,000, paying \$50,000 cash and signing a 5-year, 6% note for the remainder.	18	10, 25
3. Purchased \$5,000 paper supplies on credit.	15	22
4. Cash photocopier revenue amounted to \$7,000.	10	40
5. Paid \$500 cash for radio advertising.	51	10
6. Paid \$800 on account for paper supplies purchased in transaction 3.	22	10
7. Don Quick withdrew \$1,500 from the business for personal expenses.	35	10
8. Paid \$1,200 cash for rent for the current month.	53	10
9. Received \$2,000 cash advance from a customer for future copying.	10	28
10. Billed a customer for \$450 for photocopier work done.	12	40
11. Paid \$400 for wages for the month.	54	10

**Exercise 2**

Indicate whether you would use a debit or a credit to record the following changes:

Debit or Credit

1. An increase in Salary Expense.

\_\_\_\_\_

2. A decrease in Accounts Payable.

\_\_\_\_\_



- |                                       |       |
|---------------------------------------|-------|
| 3. An increase in Prepaid Insurance.  | _____ |
| 4. An increase in Owner's Capital.    | _____ |
| 5. A decrease in Office Supplies.     | _____ |
| 6. An increase in Owner's Drawings.   | _____ |
| 7. An increase in Service Revenue.    | _____ |
| 8. A decrease in Accounts Receivable. | _____ |
| 9. An increase in Rent Expense.       | _____ |
| 10. A decrease in Store Equipment.    | _____ |

**Solution Exercise 2** (5 min.)

- |                                       |              |
|---------------------------------------|--------------|
| 1. An increase in Salary Expense.     | _____ Debit  |
| 2. A decrease in Accounts Payable.    | _____ Debit  |
| 3. An increase in Prepaid Insurance.  | _____ Debit  |
| 4. An increase in Owner's Capital.    | _____ Credit |
| 5. A decrease in Office Supplies.     | _____ Credit |
| 6. An increase in Owner's Drawings.   | _____ Debit  |
| 7. An increase in Service Revenue.    | _____ Credit |
| 8. A decrease in Accounts Receivable. | _____ Credit |
| 9. An increase in Rent Expense.       | _____ Debit  |
| 10. A decrease in Store Equipment.    | _____ Credit |

**Exercise 3**

For the accounts listed below, indicate if the normal balance of the account is a debit or credit.

<u>Accounts</u>	<u>Normal Balance Debit or Credit</u>
1. Service Revenue	_____
2. Cash	_____
3. Accounts Receivable	_____
4. Accounts Payable	_____
5. Owner's Capital	_____

6. Prepaid Insurance	_____
7. Insurance Expense	_____
8. Owner's Drawings	_____
9. Office Building	_____
10. Notes Receivable	_____

**Solution Exercise 3** (5 min.)

<u>Accounts</u>	Normal Balance Debit or Credit
1. Service Revenue	Credit
2. Cash	Debit
3. Accounts Receivable	Debit
4. Accounts Payable	Credit
5. Owner's Capital	Credit
6. Prepaid Insurance	Debit
7. Insurance Expense	Debit
8. Owner's Drawings	Debit
9. Office Building	Debit
10. Notes Receivable	Debit

**Exercise 4**

Using the accounts listed below, state the account to be debited and the account to be credited for each of the following transactions:

- Owner invested cash in the business.
- Purchased equipment for cash.
- Earned revenue on account.
- Purchased supplies on account.
- Paid for supplies purchased in 4.
- Received payment from customer in 3.
- Paid employee salaries.
- Owner withdrew cash for personal use.
- Purchased equipment on credit.
- Owner used personal funds to purchase a new computer for use in the business.

<u>ACCOUNTS</u>	
Cash	Owner's Capital
Accounts Receivable	Owner's Drawings

Supplies	Revenue
Equipment	Salaries Payable
Accounts Payable	Salaries Expense

**Solution Exercise 4** (10 min.)

	<u>Debit</u>	<u>Credit</u>
1.	Cash	Owner's Capital
2.	Equipment	Cash
3.	Accounts Receivable	Revenue
4.	Supplies	Accounts Payable
5.	Accounts Payable	Cash
6.	Cash	Accounts Receivable
7.	Salaries Expense	Cash
8.	Owner's Drawings	Cash
9.	Equipment	Accounts Payable
10.	Equipment	Owner's Capital

**Exercise 5**

Identify the account to be debited and the account to be credited for each of the following transactions:

1. Purchased equipment for cash and a note payable.
2. Accepted a cash deposit from a customer for a service to be provided next month.
3. Provided services on account.
4. Purchased supplies on account
5. Received payment from the client in 3.
6. Provided services to customer in 2 and collected cash for the remaining work done.
7. Owner paid himself.
8. Paid in full for equipment purchased in 1.

**Solution Exercise 5** (10 min.)

	<u>Debit</u>	<u>Credit</u>
1.	Equipment	Cash, Note Payable
2.	Cash	Unearned Revenue
3.	Accounts Receivable	Revenue / Sales

4. Supplies Accounts Payable
5. Cash Accounts Receivable
6. Unearned Revenue, Cash Revenue / Sales
7. Owner's Drawings Cash
8. Note Payable Cash

### Exercise 6

Eight transactions are recorded in the following T accounts:

CASH		ACCOUNTS RECEIVABLE	
(1) 35,000	(2) 3,500	(5) 27,500	(7) 22,500
(7) 22,500	(3) 1,950		
	(4) 2,225		
	(6) 8,000		
	(8) 4,500		
SUPPLIES		EQUIPMENT	
(3) 1,950		(2) 13,500	
T. SHAW, CAPITAL		SERVICE REVENUE	
	(1) 35,000		(5) 27,500
ACCOUNTS PAYABLE		T. SHAW, DRAWINGS	
(6) 8,000	(2) 10,000	(8) 4,500	
SALARIES EXPENSE			
(4) 2,225			

Indicate for each debit and each credit:

- a. whether an asset, liability, capital, drawings, revenue, or expense account was affected and
- b. whether the account was increased (+) or decreased (–).

Answers should be presented in the following chart form:

Transaction No.	Account Debited		Account Credited	
	Type	Effect	Type	Effect
(1) (Example)	Asset	+	Capital	+
(2)				
(3)				
(4)				

(5)

(6)

(7)

(8)

**Solution Exercise 6** (15 min.)

Transaction No.	<u>Account Debited</u>		<u>Account Credited</u>	
	Type	Effect	Type	Effect
(1) (Example)	Asset	+	Capital	+
(2)	Asset	+	Asset Liability	– +
(3)	Asset	+	Asset	–
(4)	Expense	+	Asset	–
(5)	Asset	+	Revenue	+
(6)	Liability	–	Asset	–
(7)	Asset	+	Asset	–
(8)	Drawings	+	Asset	–

**Exercise 7**

Matt Dudeck has operated a lawn care business for 3 months. The following transactions occurred in the fourth month:

1. Matt decides that the business needs a new vehicle. A truck is purchased for \$20,000 and financed by a note payable for the full amount.
2. Matt invested \$5,000 of his own funds in the business.
3. Invoices to customers were issued for services completed. The total invoices amount to \$4,500.
4. Paid \$350 on account for supplies purchased the prior month.
5. Collected \$3,750 from customers for work completed and invoiced the prior month.
6. Paid wages of \$250 to an assistant.
7. Received \$300 deposit from a new customer for whom work will not be performed until next month.

For each transaction, complete the information on the following table:

Transaction:	1	2	3	4	5	6	7
Account <b>debited</b> (name)							
Type of account (asset, liability, owner's equity)							
Normal balance of the account							
Is the account increased or decreased?							
Account <b>credited</b> (name)							
Type of account (asset, liability, owner's equity)							
Normal balance of the account							
Is the account increased or decreased?							

**Solution Exercise 7 (15 min.)**

Transaction:	1	2	3	4	5	6	7
Account <b>debited</b> (name)	Vehicle/equipment	Cash	Accounts Receivable	Accounts Payable	Cash	Wages Expense	Cash
Type of account (asset, liability, owner's equity)	Asset	Asset	Asset	Liability	Asset	Owner's equity/expense	Asset
Normal balance of the account	DR	DR	DR	CR	DR	DR	DR
Is the account increased or decreased?	Increase	Increase	Increase	Decrease	Increase	Increase	Increase
Account <b>credited</b> (name)	Note Payable	M. Dudeck, Capital	Service Revenue	Cash	Accounts Receivable	Cash	Unearned Revenue
Type of account (asset, liability, owner's equity)	Liability	Owner's equity	Owner's equity	Asset	Asset	Asset	Liability
Normal balance of the account	CR	CR	CR	DR	DR	DR	CR
Is the account increased or decreased?	Increase	Increase	Increase	Decrease	Decrease	Decrease	Increase

**Exercise 8**

For each of the following accounts indicate:

- the type of account (Asset, Liability, Owner's capital, Owner's drawings, Revenue, Expense),
- the debit and credit effects, and
- the normal account balance.

Example

- Cash
  - Asset account
  - Debit increases, credit decreases
  - Normal balance – debit

**ACCOUNTS**

- |                        |                      |
|------------------------|----------------------|
| 1. Accounts Payable    | 5. Service Revenue   |
| 2. Accounts Receivable | 6. Insurance Expense |
| 3. J. Brewer, Capital  | 7. Notes Payable     |
| 4. J. Brewer, Drawings | 8. Equipment         |

**Solution Exercise 8 (15 min.)**

- Liability account.
  - Revenue account.

- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| b. Debit decreases, credit increases. | b. Debit decreases, credit increases. |
| c. Normal balance – credit.           | c. Normal balance – credit.           |
| 2. a. Asset account.                  | 6. a. Expense account.                |
| b. Debit increases, credit decreases. | b. Debit increases, credit decreases. |
| c. Normal balance – debit.            | c. Normal balance – debit.            |
| 3. a. Owner's capital account.        | 7. a. Liability account.              |
| b. Debit decreases, credit increases. | b. Debit decreases, credit increases. |
| c. Normal balance – credit.           | c. Normal balance – credit.           |
| 4. a. Owner's drawings account.       | 8. a. Asset account.                  |
| b. Debit increases, credit decreases. | b. Debit increases, credit decreases. |
| c. Normal balance – debit.            | c. Normal balance – debit.            |

**Exercise 9**

Melinda's Magic Store has balances in the following accounts at the end of May. For each of the accounts indicate:

- the type of account (Asset, Liability, Owner's capital, Owner's drawings, Revenue, Expense),
- the debit and credit effects, and
- the normal account balance.

---

**ACCOUNTS**

---

- |                        |                      |
|------------------------|----------------------|
| 1. Supplies            | 6. Owner's Capital   |
| 2. Accounts Receivable | 7. Prepaid Insurance |
| 3. Unearned Revenue    | 8. Equipment         |
| 4. Salaries Payable    | 9. Accounts Payable  |
| 5. Commission Revenue  | 10. Notes Payable    |

**Solution Exercise 9 (15 min.)**

- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| 1. a. Asset account.                  | 6. a. Owner's Capital account.        |
| b. Debit increases, credit decreases. | b. Debit decreases, credit increases. |
| c. Normal balance – debit.            | c. Normal balance – credit.           |
| 2. a. Asset account.                  | 7. a. Asset account.                  |
| b. Debit increases, credit decreases. | b. Debit increases, credit decreases. |
| c. Normal balance – debit.            | c. Normal balance – debit.            |
| 3. a. Liability account.              | 8. a. Asset account.                  |
| b. Debit decreases, credit increases. | b. Debit increases, credit decreases. |
| c. Normal balance – credit.           | c. Normal balance – debit.            |
| 4. Liability account.                 | 9. a. Liability account.              |
| b. Debit decreases, credit increases. | b. Debit decreases, credit increases. |
| c. Normal balance – credit.           | c. Normal balance – credit.           |
| 5. Revenue account.                   | 10. a. Liability account.             |



- b. Debit decreases, credit increases.
- c. Normal balance – credit.

- b. Debit decreases, credit increases.
- c. Normal balance – credit.

**Exercise 10**

For each transaction given, enter in the tabulation given below a "D" for debit and a "C" for credit to reflect the increases and decreases of the assets, liabilities, and owner's equity accounts. In some cases there may be a "D" and a "C" in the same column. If there is not a transaction which needs to be recorded, leave the column blank.

Transactions:

1. Owner invests cash in the business.
2. Pays insurance in advance for six months.
3. Hires new administrative assistant.
4. Purchases office supplies on account.
5. Pays electricity bill.
6. Borrows money from local bank.
7. Makes payment on account.
8. Receives cash from customers on account.
9. Provides services to customers on account.
10. Owner withdraws assets from the business.

	Transaction #									
	1	2	3	4	5	6	7	8	9	10
Assets										
Liabilities										
Owner's Capital										
Owner's Drawings										
Revenues										
Expenses										

**Solution Exercise 10** (15 min.)

	Transaction #									
	1	2	3	4	5	6	7	8	9	10
Assets	D	D,C		D	C	D	C	D,C	D	C
Liabilities				C		C	D			
Owner's Capital	C									
Owner's Drawings										D
Revenues									C	
Expenses					D					

**Exercise 11**

The chart of accounts used by Presto Printing is listed below. You are to indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate columns.

CHART OF ACCOUNTS

1 Cash	8 Interest Payable
2 Accounts Receivable	9 S. Presto, Capital
3 Paper Supplies	10 S. Presto, Drawings
4 Copy Machines	11 Service Revenue
5 Accounts Payable	12 Rent Expense
6 Note Payable	13 Utilities Expense
7 Unearned Revenue	

	Account number(s) debited	Account number(s) credited
1. Sophia Presto invests \$120,000 cash to start the business.		
2. Purchased three digital copy machines for \$400,000, paying \$100,000 cash and signing a 5-year, 6% note for the remainder.		
3. Purchased \$10,000 paper supplies on credit.		
4. Paid \$1,200 cash for rent for the current month.		

5. Paid \$400 cash for utilities for the current month.

6. Paid \$2,000 on account for paper supplies purchased in transaction 3.

7. Sophia Presto withdrew \$1,500 for personal expenses.

8. Received \$9,000 cash for printing services.

9. Received \$2,000 cash advance from a customer for future printing.

10. Billed a customer for \$450 for printing services completed.

### Solution Exercise 11 (15 min.)

	Account number(s) debited	Account number(s) credited
1. Sophia Presto invests \$120,000 cash to start the business.	1	9
2. Purchased three digital copy machines for \$400,000, paying \$100,000 cash and signing a 5-year, 6% note for the remainder.	4	1, 6
3. Purchased \$10,000 paper supplies on credit.	3	5
4. Paid \$1,200 cash for rent for the current month.	12	1
5. Paid \$400 utilities cash for the current month.	13	1
6. Paid \$2,000 on account for paper supplies purchased in transaction 3.	5	1
7. Sophia Presto withdrew \$1,500 for personal expenses.	10	1
8. Received \$9,000 cash for printing services.	1	11
9. Received \$2,000 cash advance from a customer for future printing.	1	7
10. Billed a customer for \$450 for printing services completed.	2	11

**Exercise 12**

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

1. The owner, Rose Wier, invests \$35,000 in cash to start a real estate office operating as a sole proprietorship.
2. Purchased \$400 of office supplies on credit.
3. Purchased office equipment for \$6,000, paying \$2,500 in cash and signed a 30-day, \$3,500, note payable.
4. Real estate commissions billed to clients amounted to \$4,000.
5. Paid \$700 in cash for the current month's rent.
6. Paid \$200 cash on account for office supplies purchased in transaction 2.
7. Received a bill for \$500 for advertising for the current month.
8. Paid \$2,200 cash for office salaries.
9. Rose Wier withdrew \$1,200 from the business for living expenses.
10. Received a cheque for \$3,000 from a client in payment on account for commissions billed in transaction 4.

**Solution Exercise 12 (15 min.)**

1. Cash .....	35,000	
R. Wier, Capital.....		35,000
2. Office Supplies .....	400	
Accounts Payable .....		400
3. Office Equipment.....	6,000	
Cash .....		2,500
Notes Payable .....		3,500
4. Accounts Receivable.....	4,000	
Real Estate Commission Revenue.....		4,000
5. Rent Expense .....	700	
Cash .....		700
6. Accounts Payable .....	200	
Cash .....		200
7. Advertising Expense .....	500	
Accounts Payable .....		500
8. Office Salaries Expense .....	2,200	
Cash .....		2,200
9. R. Wier, Drawings .....	1,200	
Cash .....		1,200

10. Cash .....	3,000	
Accounts Receivable .....		3,000

**Exercise 13**

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

- Received \$35,000 cash as investment from Roche Stone, the company's owner.
- Purchased equipment for \$50,000, paying \$15,000 in cash and giving a note payable for the remainder.
- Paid \$3,000 for a one-year insurance policy.
- Billed customers for \$12,500 of services provided on account.
- Paid monthly rent of \$1,500.
- Performed \$7,000 of services and immediately received \$7,000 cash.
- Collected \$2,000 from customers on account.
- Hired a secretary.
- Paid the secretary his first week's salary of \$500.

**Solution Exercise 13** (10 min.)

1.	Cash .....	35,000	
	R. Stone, Capital .....		35,000
2.	Equipment.....	50,000	
	Cash.....		15,000
	Note Payable.....		35,000
3.	Prepaid Insurance.....	3,000	
	Cash.....		3,000
4.	Accounts Receivable .....	12,500	
	Service Revenue .....		12,500
5.	Rent Expense .....	1,500	
	Cash.....		1,500
6.	Cash .....	7,000	
	Service Revenue .....		7,000
7.	Cash .....	2,000	
	Accounts Receivable .....		2,000
8.	No transaction		
9.	Wage Expense .....	500	
	Cash.....		500

**Exercise 14**

- a. Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.
1. The owner, Hank Williams, invested \$50,000 to start a record Company operating as a sole proprietorship.
  2. Received a \$10,000 deposit from a customer to produce a record.
  3. Purchased \$15,000 of sound equipment using cash and a \$10,000 loan.
  4. Paid 6 months rent in advance. Monthly rent is \$750.
  5. Provided services for \$12,500, half of which was collected in cash at the time of the sale.
  6. Paid staff salaries of \$3,000.
  7. Paid himself \$2,500.
  8. Collected the remaining outstanding balance on customer accounts.
  9. Paid the outstanding loan, in full, from the purchase of the sound equipment.
- b. What is the cash balance that would appear on the trial balance at the end of the period?

**Solution Exercise 14** (10 min.)

a.			
1.	Cash .....	50,000	
	H. Williams, Capital .....		50,000
2.	Cash .....	10,000	
	Unearned Revenue .....		10,000
3.	Equipment.....	15,000	
	Cash.....		5,000
	Note Payable.....		10,000
4.	Prepaid Rent.....	4,500	
	Cash.....		4,500
	(\$750 * 6 mths)		
5.	Accounts Receivable .....	6,250	
	Cash .....	6,250	
	Service Revenue .....		12,500
6.	Salaries Expense .....	3,000	
	Cash.....		3,000
7.	H. Williams, Drawings .....	2,500	
	Cash.....		2,000
8.	Cash .....	6,250	
	Accounts Receivable.....		6,250
9.	Note Payable .....	10,000	

Cash ..... 10,000

b. The balance in the cash account on the trial balance is \$47,500.

Cash	
(1) 50,000	5,000 (3)
(2) 10,000	4,500 (4)
(5) 6,250	3,000 (6)
	2,500 (7)
(8) 6,250	10,000 (10)
Balance 47,500	

### Exercise 15

Transactions for the Triple H Services company for the month of November are presented below:

1. Henry Highhat invested an additional \$36,000 cash in the business.
2. Purchased land costing \$18,000 for cash.
3. Purchased equipment costing \$15,000 for \$4,500 cash and the remainder on account.
4. Purchased supplies on account for \$800.
5. Paid \$3,000 for a one-year insurance policy.
6. Received \$2,000 cash for services performed.
7. Received \$4,000 for services previously performed on account.
8. Paid wages to employees for \$2,500.
9. Paid \$400 to Henry Highhat, the company's owner.

### Instructions

Journalize each transaction and identify each transaction by number. You may omit journal explanations.

### Solution Exercise 15 (10 min.)

1. Cash .....	36,000	
H. Highhat, Capital .....		36,000
2. Land .....	18,000	
Cash .....		18,000
3. Equipment .....	15,000	
Cash .....		4,500
Accounts Payable .....		10,500
4. Supplies .....	800	
Accounts Payable .....		800
5. Prepaid Insurance .....	3,000	
Cash .....		3,000
6. Cash .....	2,000	

Service Revenue .....		2,000
7. Cash .....	4,000	
Accounts Receivable .....		4,000
8. Wages Expense .....	2,500	
Cash .....		2,500
9. H. Highhat, Drawings .....	400	
Cash .....		400

**Exercise 16**

Mike's Bike Repairs opened for business on November 1, 2014. The following transactions occurred in November:

- Nov. 1      Mike Smith invested \$5,000 cash in the business and contributed equipment valued at \$2,300.
- Nov. 3      Purchased supplies for cash \$560.
- Nov. 5      Completed services for customers who paid cash \$400.
- Nov. 6      Paid \$660 for a one-year insurance policy. The policy takes effect November 1 and will expire October 31, 2015.
- Nov. 8      Completed services for a major customer and invoiced the customer \$1,000.
- Nov. 15     Paid for printing advertising brochures \$125. The brochures were distributed the same day.
- Nov. 20     Received a bill from the utilities company for November utilities in the amount of \$70. The amount is due December 4.
- Nov. 25     Entered into a contract with a new customer who will use Mike's services for repairs on their entire fleet of rental bikes. The customer paid \$800 in advance for repairs to be completed in December.
- Nov. 30     Mike withdrew \$1,200 for personal use.
- Nov. 30     Received \$600 cash from the customer billed on November 8.

**Instructions**

Journalize the above transactions. Explanations are not required.

**Solution Exercise 16** (10 min.)

November 1	Cash	5,000	
	Equipment	2,300	
	M. Smith, Capital		7,300
3	Supplies	560	
	Cash		560
5	Cash	400	
	Service Revenue		400



6	Prepaid Insurance	660	
	Cash		660
8	Accounts Receivable	1,000	
	Service Revenue		1,000
15	Advertising Expense	125	
	Cash		125
20	Utilities Expense	70	
	Accounts Payable		70
25	Cash	800	
	Unearned Revenue		800
30	M. Smith, Drawings	1,200	
	Cash		1,200
30	Cash	600	
	Accounts Receivable		600

**Exercise 17**

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

- Jennie Beagle invests \$25,000 cash to start a law firm, Legal Beagles, operating as a proprietorship.
- Paid \$2,100 cash for the first three month's rent.
- Purchased office equipment for \$10,000, paying \$3,500 in cash and signed a 30-day, 5% note payable for \$6,500.
- Paid \$600 cash for the purchase of office supplies.
- Received a bill for \$500 for advertising for the current month.
- Billed \$4,000 to clients for legal services.
- Paid \$200 cash on account for the advertising in transaction 5.
- Paid \$2,500 cash for office salaries.
- Jennie withdrew \$1,200 cash.
- Received a cheque for \$2,000 from a client in payment on account for services billed in transaction 6.

**Solution Exercise 17 (15 min.)**

1.	Cash .....	25,000	
	J. Beagle, Capital .....		25,000
2.	Prepaid Rent .....	2,100	
	Cash .....		2,100

3.	Office Equipment .....	10,000	
	Cash .....		3,500
	Notes Payable .....		6,500
4.	Office Supplies .....	600	
	Cash .....		600
5.	Advertising Expense .....	500	
	Accounts Payable .....		500
6.	Accounts Receivable .....	4,000	
	Service Revenue .....		4,000
7.	Accounts Payable .....	200	
	Cash .....		200
8.	Office Salaries Expense .....	2,500	
	Cash .....		2,500
9.	J. Beagle, Drawings .....	1,200	
	Cash .....		1,200
10.	Cash .....	2,000	
	Accounts Receivable .....		2,000

**Exercise 18**

The transactions of the Got It Now Store are recorded in the general journal below.

General Journal

Date	Account Titles and Explanation	Debit	Credit
2014			
Aug. 5	Accounts Receivable .....	2,800	
	Service Revenue .....		2,800
10	Cash .....	3,000	
	Service Revenue .....		3,000
19	Rent Expense .....	1,000	
	Cash .....		1,000
25	Cash .....	1,400	
	Accounts Receivable .....		1,400



**Exercise 19**

Leaky Faucet plumbing services has the following account balances as of March 31:

Cash	\$1,500
Accounts Receivable	2,100
Accounts Payable	650
L. Faucet, Capital	2,950

The following transactions take place during April:

1. Services of \$3,100 were made on account.
2. Paid April rent of \$1,100.
3. Bought \$650 of supplies on account.
4. Collected \$4,000 cash on outstanding customer accounts.
5. Made payments on account \$500.

Journalize April's transactions. What are the April 30 account balances? Hint: You may wish to use T accounts.

**Solution Exercise 19** (15 min.)

1. Accounts Receivable	3,100	
Service Revenue .....		3,100
2. Rent Expense .....	1,100	
Cash .....		1,100
3. Supplies .....	650	
Accounts Payable .....		650
4. Cash .....	4,000	
Accounts Receivable .....		4,000
5. Accounts Payable .....	500	
Cash .....		500

Cash		Accounts Receivable	
Bal fwd	1,500	Bal fwd	2,100
	<u>4,000</u>		<u>3,100</u>
			4,000
Bal	3,900	Bal	1,200

L. Faucet Capital	
	Bal fwd 2,950

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210- Accounts Payable

220- Salaries Payable

310- M. Carlisle, Capital

320- M. Carlisle, Drawings

410- Fees Earned

510- Salary Expense

520- Supplies Expense

530- Rent Expense

540- Insurance Expense

**Exercise 21**

Jim's Mountain Tours opened for business December 1, 2014. The following T- accounts include eight transactions that occurred in December 2014:

Cash		Accounts Receivable	
(1) 35,000	(2) 3,500	(5) 27,500	(7) 22,500
(7) 22,500	(3) 1,950		
	(4) 2,225		
	(6) 8,000		
	(8) 4,500		
Supplies		Equipment	
(3) 1,950		(2) 13,500	
J. Lee, Capital		Tour Revenue	
	(1) 35,000		(5) 27,500
Accounts Payable		J. Lee, Drawings	
(6) 8,000	(2) 10,000	(8) 4,500	
Salaries Expense			
(4) 2,225			

**Instructions**

- For each transaction, journalize the transaction, including an explanation for the entry.
- Determine the ending account balance for each account.
- Prepare a trial balance as at December 31, 2014.

**Solution Exercise 21** (20 min.)

a.

1.	Cash	35,000	
	J. Lee, Capital		35,000
	Jim Lee invested cash in the business.		
2.	Equipment	13,500	
	Cash		3,500
	Accounts payable		10,000
	Purchased equipment for cash and accounts payable.		
3.	Supplies	1,950	
	Cash		1,950
	Purchased supplies for cash		
4.	Salaries expense	2,225	
	Cash		2,225
	Paid salaries to employees.		
5.	Accounts receivable	27,500	
	Tour revenue		27,500
	Issued invoices for tours conducted in December.		
6.	Accounts payable	8,000	
	Cash		8,000
	Made partial payment on accounts payable.		
7.	Cash	22,500	
	Accounts receivable		22,500
	Collections from customers.		
8.	J. Lee, Drawings	4,500	
	Cash		4,500
	Cash withdrawn by Jim for personal use		

b.

Cash				Accounts Receivable			
(1)	35,000	(2)	3,500	(5)	27,500	(7)	22,500
(7)	22,500	(3)	1,950		5,000		
		(4)	2,225				
		(6)	8,000				
		(8)	4,500				
	37,325						

  

Supplies		Equipment	
(3)	1,950	(2)	13,500

J. Lee, Capital		Tour Revenue	
	(1) 35,000		(5) 27,500
Accounts Payable		J. Lee, Drawings	
(6)	8,000 (2) 10,000	(8)	4,500
	2,000		
Salaries Expense			
(4)	2,225		

c.

Jim's Mountain Tours Trial Balance December 31, 2014		
	<u>Debit</u>	<u>Credit</u>
Cash	\$37,325	
Accounts receivable	5,000	
Supplies	1,950	
Equipment	13,500	
Accounts payable		\$ 2,000
J. Lee, capital		35,000
J. Lee, drawings	4,500	
Tour revenue		27,500
Salaries expense	2,225	
	<u>\$64,500</u>	<u>\$64,500</u>

## Exercise 22

The transactions of the Coronation Baked Goods Delivery are recorded in the general journal below.

<u>General Journal</u>				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
2015				



Sept. 1	Cash .....	15,000	
	M. Cory, Capital .....		15,000
	Invested cash in business.		
4	Delivery Trucks .....	30,000	
	Cash .....		10,000
	Notes Payable.....		20,000
	Purchased truck, paid cash and issued a 2-year, 6%, note payable.		
8	Rent Expense .....	1,000	
	Cash .....		1,000
	Paid September rent.		
15	Prepaid Insurance.....	400	
	Cash .....		400
	Paid one-year liability insurance.		
18	Cash .....	2,500	
	Baked Goods Delivery Revenue.....		2,500
	Received cash for delivery services.		
20	Salaries Expense.....	500	
	Cash .....		500
	Paid salaries for current period.		
25	Utility Expense .....	100	
	Accounts Payable .....		100
	Received a bill for September utilities.		
30	M. Cory , Drawings .....	750	
	Cash .....		750
	Withdrew cash for personal use.		
30	Accounts Receivable .....	1,000	
	Baked Goods Delivery Revenue.....		1,000
	Billed customer for delivery service.		

**Instructions**

- Post the journal entries to the accounts using the following general ledger.
- Prepare a trial balance on the form provided.

General Ledger

Cash				Account No. 100	
Date	Explanation	Ref.	Debit	Credit	Balance

Accounts Receivable				Account No. 105	
Date	Explanation	Ref.	Debit	Credit	Balance

Prepaid Insurance				Account No. 110	
Date	Explanation	Ref.	Debit	Credit	Balance

Delivery Trucks				Account No. 150	
Date	Explanation	Ref.	Debit	Credit	Balance

Accounts Payable				Account No. 200	
Date	Explanation	Ref.	Debit	Credit	Balance

Notes Payable				Account No. 250	
Date	Explanation	Ref.	Debit	Credit	Balance

M. Cory, Capital				Account No. 300	
Date	Explanation	Ref.	Debit	Credit	Balance

M. Cory, Drawings				Account No. 350	
Date	Explanation	Ref.	Debit	Credit	Balance

## Baked Goods Delivery Revenue

Account No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
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## Rent Expense

Account No. 520

Date	Explanation	Ref.	Debit	Credit	Balance
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## Salaries Expense

Account No. 530

Date	Explanation	Ref.	Debit	Credit	Balance
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## Utility Expense

Account No. 550

Date	Explanation	Ref.	Debit	Credit	Balance
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## CORONATION BAKED GOODS DELIVERY

Trial Balance  
September 30, 2015

Accounts	<u>Debit</u>	<u>Credit</u>
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**Solution Exercise 22** (25 min.)

a.

General Ledger  
Cash

Account No. 100

Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 1		J1	15,000		15,000
4		J1		10,000	5,000
8		J1		1,000	4,000
15		J1		400	3,600
18		J1	2,500		6,100
20		J1		500	5,600

30 J1 750 4,850

## Accounts Receivable

Account No. 105

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 30		J1	1,000		1,000

## Prepaid Insurance

Account No. 110

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 15		J1	400		400

## Delivery Trucks

Account No. 150

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 4		J1	30,000		30,000

## Accounts Payable

Account No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 25		J1		100	100

## Notes Payable

Account No. 250

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 4		J1		20,000	20,000

## M. Cory, Capital

Account No. 300

Date	Explanation	Ref.	Debit	Credit	Balance
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2015 Sept. 1		J1		15,000	15,000
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## M. Cory, Drawings

Account No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 30		J1	750		750

## Baked Goods Delivery Revenue

Account No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 18		J1		2,500	2,500
30		J1		1,000	3,500

## Rent Expense

Account No. 520

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 8		J1	1,000		1,000

## Salaries Expense

Account No. 530

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 20		J1	500		500

## Utility Expense

Account No. 550

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 25		J1	100		100

b.

Coronation Baked Goods Delivery  
Trial Balance  
September 30, 2015

Accounts	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 4,850	
Accounts receivable .....	1,000	
Prepaid insurance .....	400	
Delivery trucks .....	30,000	
Accounts payable .....		\$ 100
Notes payable .....		20,000
S. Robinson, capital .....		15,000
S. Robinson, drawings .....	750	
Delivery revenue .....		3,500
Rent expense .....	1,000	
Salaries expense .....	500	
Utility expense .....	100	
Totals .....	<u>\$38,600</u>	<u>\$38,600</u>

**Exercise 23**

The transactions of the Make it Quick Delivery Service are recorded in the general journal below.

General Journal

Date	Account Titles and Explanation	<u>Debit</u>	<u>Credit</u>
2014			
Sept. 1	Cash .....	25,000	
	J. Lough, Capital .....		25,000
	Owner invested cash in business.		
4	Delivery Trucks .....	40,000	
	Cash .....		10,000
	Notes Payable .....		30,000
	Purchased truck, paid cash and issued 2-year, 6% note payable.		
8	Rent Expense .....	1,000	
	Cash .....		1,000
	Paid September rent.		
15	Prepaid Insurance .....	1,400	
	Cash .....		1,400
	Paid one-year liability insurance.		
18	Cash .....	2,500	

	Service Revenue .....	2,500	
	Received cash for delivery services.		
20	Salaries Expense .....	500	
	Cash .....		500
	Paid salaries for current period.		
25	Utility Expense .....	100	
	Accounts Payable .....		100
	Received a bill for September utilities.		
30	J. Lough, Drawings .....	750	
	Cash .....		750
	Paid drawings to owner.		
30	Accounts Receivable .....	1,000	
	Service Revenue .....		1,000
	Billed customer for delivery service.		

### Instructions

- Post the journal entries to the accounts in the general ledger below.
- Prepare a trial balance on the form provided.

a.

#### General Ledger

Cash	Accounts Receivable
Prepaid Insurance	Delivery Trucks
Accounts Payable	Notes Payable

J. Lough, Capital

J. Lough, Drawings

Service Revenue

Rent Expense

Salaries Expense

Utility Expense

b.

MAKE IT QUICK DELIVERY SERVICE  
Trial Balance  
September 30, 2014

Accounts	<u>Debit</u>	<u>Credit</u>

**Solution Exercise 23** (25 min.)

a.

General Ledger

Cash			
9/1	25,000	9/4	10,000
9/18	2,500	9/8	1,000
		9/15	1,400
		9/20	500
		9/30	750
9/30 Bal.	13,850		

Accounts Receivable			
9/30	1,000		
9/30 Bal.	1,000		



Prepaid Insurance		
9/15	1,400	
9/30 Bal.	1,400	

Delivery Trucks		
9/4	40,000	
9/30 Bal.	40,000	

Accounts Payable		
	9/25	100
	9/30 Bal.	100

Notes Payable		
	9/4	30,000
	9/30 Bal.	30,000

J. Lough, Capital		
	9/1	25,000
	9/30 Bal.	25,000

J. Lough, Drawings		
9/30	750	
9/30 Bal.	750	

Service Revenue		
	9/18	2,500
	9/30	1,000
	9/30 Bal.	3,500

Rent Expense		
9/8	1,000	
9/30 Bal.	1,000	

Salaries Expense		
9/20	500	
9/30 Bal.	500	

Utility Expense		
9/25	100	
9/30 Bal.	100	

b.

## MAKE IT QUICK DELIVERY SERVICE

Trial Balance  
September 30, 2014

Accounts	Debit	Credit
Cash .....	\$ 13,850	
Accounts receivable .....	1,000	
Prepaid insurance .....	1,400	
Delivery trucks .....	40,000	
Accounts payable .....		\$ 100
Notes payable .....		30,000
J. Lough, capital .....		25,000
J. Lough, drawings .....	750	
Service revenue .....		3,500
Rent expense .....	1,000	
Salaries expense .....	500	
Utility expense .....	100	
Totals .....	<u>\$58,600</u>	<u>\$58,600</u>

**Exercise 24**

Pat's Party Planning provides food service and bartending for private and corporate parties. Pat's does not prepare the food, but does provide supplies such as dishes, linens and ice for the event. The following transactions occurred in December 2014, the first month of the business operations:

Date	Transaction
Dec 1	Patty Peppermint invested \$18,000 in the business.
Dec 3	Business purchased a used delivery van for \$6,500 on account.
Dec 5	Purchased supplies for cash \$1,300.
Dec 7	Signed contract to provide services at a party to be held in January. Received a deposit of \$750 from the customer.
Dec 8	Provide services for a corporate party. Received full payment in the amount of \$2,100.
Dec 10	Paid the staff who worked at the December 8 party \$900 in wages.
Dec 14	Provides services for a private party. Issued an invoice for \$1,500 to the customer who will pay in January.
Dec 18	Paid \$325 for an advertisement in the local newspaper. The ad began running every day for a week starting December 10.
Dec 23	Patty Peppermint withdrew \$600 for personal use.
Dec 31	Paid for a one-year insurance policy on the delivery van for \$1,800, effective Jan 1 to Dec 31, 2015.

**Instructions**

- Prepare the journal entries for the above transactions. Explanations are not necessary.
- Prepare a trial balance at December 31, 2014 based on the above accounts.

**Solution Exercise 24 (25 min.)**

a.			
Dec.	1	Cash .....	18,000
		P. Peppermint, Capital .....	18,000
	3	Van .....	6,500
		Accounts Payable .....	6,500
	5	Supplies .....	1,300
		Cash .....	1300
	7	Cash .....	750
		Unearned Revenue .....	750
	8	Cash .....	2,100
		Service Revenue .....	2,100
	10	Wages Expense .....	900
		Cash .....	900
	14	Accounts Receivable .....	1,500

	Service Revenues .....		1,500
18	Advertising Expense .....	325	
	Cash .....		325
23	P. Peppermint, Drawings .....	600	
	Cash .....		600
31	Prepaid insurance .....	1,800	
	Cash .....		1,800

Cash Acct type: Asset			
(1)	18,000	(3)	1,300
(4)	750	(6)	900
(5)	2,100	(8)	325
		(9)	600
		(10)	1,800
	15,925		

Accounts Receivable Acct type: Asset			
(7)	1,500		

Van Acct type: Asset			
(2)	6,500		

Supplies Acct type: Asset			
(3)	1,300		

Prepaid Insurance Acct type: Asset			
(10)	1,800		

Unearned Revenue Acct type: Liabilities			
		(4)	750

Accounts Payable Acct type: Liabilities			
		(2)	6,500

P. Peppermint , Capital Acct type: Owner's Equity			
		(1)	18,000

P. Peppermint, Drawings

Service Revenue

Acct type: Owner's equity		Acct type: Owner's Equity	
(9)	600	(5)	2,100
		(7)	1,500
			3,600

  

Wages Expense Acct type: Owner's equity		Advertising Expense Acct type: Owner's Equity	
(6)	900	(8)	325

b.

Patty's Party Planning Trial balance December 31, 2014		
	<u>Debit</u>	<u>Credit</u>
Cash	\$15,925	
Accounts receivable	1,500	
Supplies	1,300	
Prepaid insurance	1,800	
Van	6,500	
Accounts payable		\$6,500
Unearned revenue		750
P. Peppermint, capital		18,000
P. Peppermint, drawings	600	
Service revenue		3,600
Wages expense	900	
Advertising expense	325	
	<u>\$28,850</u>	<u>\$28,850</u>

**Exercise 25**

The trial balance of P. Heavy Record Company shown below does not balance.

**P. HEAVY RECORD COMPANY**

Trial Balance

June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 2,600	
Accounts receivable .....	7,600	
Supplies .....	600	
Equipment .....	8,300	
Accounts payable .....		\$ 9,766
P. Heavy, capital .....		1,941
P. Heavy, drawings .....	1,500	
Service revenue .....		15,200
Wages expense .....	3,800	
Repair expense .....	1,600	
Totals .....	<u>\$26,000</u>	<u>\$26,907</u>

An examination of the ledger and journal reveals the following errors:

- Each of the above listed accounts has a normal balance per the general ledger.
- Cash of \$350 received from a customer on account was debited to Cash \$530 and credited to Accounts Receivable \$530.
- A withdrawal of \$300 by the owner was posted as a credit to P. Heavy, Drawings, \$300 and credit to Cash \$300.
- A debit of \$300 was not posted to Wages Expense.
- The purchase of equipment on account for \$700 was recorded as a debit to Repair Expense and a credit to Accounts Payable for \$700.
- Services were performed on account for a customer, \$510, for which Accounts Receivable was debited \$510 and Service Revenue was credited \$51.
- A payment on account for \$215 was credited to Cash for \$215 and credited to Accounts Payable for \$251.

**Instructions**

Prepare a correct trial balance.

**Solution Exercise 25** (25 min.)

**P. HEAVY RECORD COMPANY**

Trial Balance

June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash [\$2,600 – \$180 (2)] .....	\$ 2,420	
Accounts receivable [\$7,600 + \$180 (2)] .....	7,780	
Supplies .....	600	
Equipment [\$8,300 + \$700 (5)] .....	9,000	

Accounts payable [\$9,766 – \$251 - \$215(7)] .....		\$ 9,300
P. Heavy , capital .....		1,941
P. Heavy , drawings [\$1,500 + \$300 + \$300 (3)] .....	2,100	
Service revenue [\$15,200 + \$459 (6)] .....		15,659
Wages expense [\$3,800 + \$300 (4)] .....	4,100	
Repair expense [\$1,600 – \$700 (5)] .....	900	
Totals .....	<u>\$26,900</u>	<u>\$26,900</u>

**Exercise 26**

Listed below are the transactions for August 2014, the first month of operations of Peggy's' Pet Grooming, owned and operated by Peggy Markham.

- August 1     Peggy invested \$5,000 in the business, which was comprised of \$3,500 in cash plus equipment valued at \$1,500.
- August 3     Paid rent of \$400 for one month's rent.
- August 3     Hired a salesperson who will be paid on commission.
- August 4     Purchases supplies on account for \$125.
- August 12    Purchased a used van for \$6,000, paying cash of \$1,000 and signing an 1 year, 6% note payable for the balance.
- August 15    Completed services for clients. Of the services completed, \$350 was paid in cash, and the remainder, \$500 was on account.
- August 18    Paid telephone expense of \$60.
- August 26    Received a utility bill for August of \$110.
- August 27    Collected \$250 of the accounts receivable balance.
- August 29    Billed clients for \$400 in services.
- August 30    Paid an assistant \$225 in wages.
- August 30    Peggy Markham withdrew \$500 for personal use.

**Instructions**

- a. Journalize the transactions.
- b. Prepare a trial balance at August 31, 2014. Hint: You may want to use T accounts.

**Solution Exercise26** (30 min.)

a.

Aug 1	Cash	3,500	
	Equipment	1,500	
	P. Markham, Capital		5,000
Aug 3	Rent Expense	400	
	Cash		400
Aug 3	No transaction		
Aug 4	Supplies	125	
	Accounts Payable		125

Aug 12	Automobile	6,000	
	Cash		1,000
	Note Payable		5,000
Aug 15	Cash	350	
	Accounts Receivable	500	
	Service Revenue		850
Aug 18	Telephone Expense	60	
	Cash		60
Aug 26	Utilities Expense	110	
	Accounts Payable		110
Aug 27	Cash	250	
	Accounts Receivable		250
Aug 29	Accounts Receivable	400	
	Service Revenue		400
Aug 30	Wages Expense	225	
	Cash		225
Aug 30	P. Markham, Drawings	500	
	Cash		500

Cash			
3/1	3,500	3/3	400
3/15	350	3/12	1,000
3/27	250	3/18	60
		3/30	225
		3/31	500
3/31	bal 1,915		

Accounts Receivable			
3/15	500	3/27	250
3/29	400		
3/31	bal 650		

Supplies			
3 /4	125		
3/31	bal 125		

Equipment			
3/1	1,500		
3/31	bal 1,500		

Automobile			
3/ 12	6,000		
3/31	bal 6,000		

Accounts Payable			
		3/4	125
		3/26	110
		3/31	bal 235

Note Payable		
	3/12	5,000
	3/31	bal 5,000

Capital		
	3/1	5,000
	3/31	bal 5,000

Drawings		
3/31	500	
3/31	bal	500

Service Revenue		
	3/15	850
	3/29	400
	3/31	bal 1,250

Rent Expense		
3/3	400	
3/31	bal	400

Telephone Expense		
3/18	60	
3/31	bal	60

Utilities Expense		
3/26	110	
3/31	bal	110

Wages Expense		
3/30	225	
3/31	bal	225

b.

Peggy's Pet Grooming  
Trial Balance  
At August 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 1,915	
Accounts receivable	650	
Supplies	125	
Equipment	1,500	
Automobile	6,000	
Accounts payable		\$ 235
Note payable		5,000
P. Markham, capital		5,000
P. Markham, drawings	500	
Service revenue		1,250
Rent expense	400	
Telephone expense	60	
Utilities expense	110	
Wages expense	225	
Total	<u>\$ 11,485</u>	<u>\$ 11,485</u>



**Exercise 27**

The ledger accounts of Victoria's Gym at June 30, 2014 are shown below:

Accounts Payable.....	\$ 6,100
Accounts Receivable .....	1,050
Building .....	51,400
V. Reese, Capital .....	63,100
Cash.....	12,000
Exercise Equipment.....	18,900
Weight Equipment .....	22,000
Notes Payable .....	49,000
Office Supplies .....	350
Office Equipment.....	2,000
V. Reese, Drawings.....	10,500

**Instructions**

Prepare a trial balance with the ledger accounts arranged in the proper financial statement order. Include the appropriate heading. All accounts have normal balances.

**Solution Exercise 27 (10 min.)**

VICTORIA'S GYM  
Trial Balance  
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 12,000	
Accounts Receivable.....	1,050	
Office Supplies.....	350	
Office Equipment .....	2,000	
Exercise Equipment .....	18,900	
Weight Equipment.....	22,000	
Building .....	51,400	
Accounts Payable .....		\$ 6,100
Notes Payable.....		49,000
V. Reese, Capital .....		63,100
V. Reese, Drawings .....	10,500	
Totals .....	<u>\$118,200</u>	<u>\$118,200</u>

**Exercise 28**

Archie and Associates is a financial planning service. The account balances at July 31, 2014 are shown by the following alphabetical list:

Accounts Payable .....	\$ 7,000
Accounts Receivable.....	21,000
Automobiles .....	27,500
Building .....	120,000
Cash .....	18,500

Computer Hardware .....	30,000
Computer Software .....	4,200
Land .....	42,000
M. Archie , Capital .....	179,700
Notes Payable .....	95,000
Notes Receivable .....	8,100
Office Furniture .....	15,400
Office Supplies .....	800
Technical Library .....	2,200
Service Revenue .....	10,000
Wage Expense .....	2,000

**Instructions**

Prepare a trial balance with the accounts arranged in financial statement order. All accounts have normal balances.

**Solution Exercise 28** (15 min.)

ARCHIE AND ASSOCIATES  
Trial Balance  
July 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 18,500	
Accounts receivable .....	21,000	
Office supplies .....	800	
Notes receivable .....	8,100	
Computer software .....	4,200	
Computer hardware .....	30,000	
Technical library .....	2,200	
Office furniture .....	15,400	
Automobiles .....	27,500	
Building .....	120,000	
Land .....	42,000	
Accounts payable .....		\$ 7,000
Notes payable .....		95,000
M. Archie, capital .....		179,700
Service revenue .....		10,000
Wage expense .....	2,000	
Totals .....	<u>\$291,700</u>	<u>\$291,700</u>

**Exercise 29**

Delaurier and Associates is an accounting practice. The account balances at December 31, 2014, are shown by the following alphabetical list:

A. Delaurier , Capital .....	\$64,700
A. Delaurier , Drawings .....	40,000
Accounts Payable .....	13,800

Accounts Receivable .....	26,000
Automobiles .....	29,500
Cash .....	18,500
Computer Hardware.....	29,000
Fees Earned .....	105,000
Notes Payable .....	55,000
Notes Receivable.....	19,100
Office Furniture .....	35,400
Office Supplies.....	800
Rent Expense .....	12,000
Salaries Expense .....	25,000
Technical Library.....	3,200

**Instructions**

Prepare a trial balance with the accounts arranged in financial statement order.

**Solution Exercise 29** (15 min.)

## DELAURIER AND ASSOCIATES

## Trial Balance

December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 18,500	
Accounts receivable .....	26,000	
Notes receivable .....	19,100	
Office supplies .....	800	
Computer hardware .....	29,000	
Office furniture .....	35,400	
Technical library .....	3,200	
Automobiles .....	29,500	
Accounts payable .....		\$ 13,800
Notes payable .....		55,000
A. Delaurier, capital .....		64,700
A. Delaurier, drawings.....	40,000	
Fees earned.....		105,000
Rent expense.....	12,000	
Salaries Expense .....	25,000	
Totals .....	<u>\$238,500</u>	<u>\$238,500</u>

**Exercise 30**

Kali's Courier Service has the following account balances at the July 31, 2014 year end. The accounts all have normal balances and are shown in the following alphabetical list:

Accounts Payable .....	\$10,800
Accounts Receivable .....	21,500
Cash.....	10,200
Courier Vehicles .....	60,000

Delivery Revenue.....	85,000
Insurance expense.....	2,400
R. Kali, Capital Account .....	39,800
R. Kali, Drawings .....	25,000
Notes Payable .....	42,500
Notes Receivable.....	1,800
Office Furniture .....	5,500
Prepaid Insurance.....	1,200
Rent Expense .....	12,500
Salaries Expense .....	30,500
Supplies .....	1,000
Supplies Expense .....	10,000
Unearned Revenue.....	3,500

**Instructions**

Prepare a trial balance with the accounts arranged in financial statement order.

**Solution Exercise 30** (15 min.)

Kali's Courier Service  
Trial Balance  
July 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 10,200	
Accounts receivable .....	21,500	
Notes receivable .....	1,800	
Supplies .....	1,000	
Prepaid insurance .....	1,200	
Office furniture .....	5,500	
Courier vehicles .....	60,000	
Accounts payable .....		\$ 10,800
Unearned revenues.....		3,500
Notes payable .....		42,500
R. Kali, capital .....		39,800
R. Kali, drawings .....	25,000	
Delivery revenue .....		85,000
Rent expense.....	12,500	
Supplies expense.....	10,000	
Insurance expense.....	2,400	
Salaries expense .....	30,500	
Totals .....	<u>\$180,600</u>	<u>\$180,600</u>

**Exercise 31**

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals. For each of the six cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be

considered independently of the others.

1. A payment of \$600 to a creditor was recorded by a debit to Accounts Payable of \$60 and a credit to Cash of \$600.
2. A \$480 payment for a printer was recorded by a debit to Computer Equipment of \$48 and a credit to Cash for \$48.
3. An account receivable in the amount of \$2,000 was collected in full. The collection was recorded by a credit to Cash for \$2,000 and a credit to Accounts Receivable for \$2,000.
4. An owner's drawing was paid by issuing a cheque for \$1,000. The payment was recorded by debiting Salaries Expense \$1,000 and crediting Cash \$1,000.
5. A payment of \$600 from a customer on account was received and was credited to cash and debited to accounts receivable.
6. A payment of \$450 to a creditor was recorded as a debit to cash and a credit to Accounts Payable.

**Solution Exercise 31** (5 min.)

1. The trial balance totals will be unequal. The credit column will be \$540 larger than the debit column.
2. The trial balance totals will be incorrect but equal.
3. The trial balance totals will be unequal. The credit column will be \$4,000 larger than the debit column.
4. The trial balance totals will be incorrect but equal.
5. The trial balance totals will be incorrect but equal.
6. The trial balance totals will be incorrect but equal.

**Exercise 32**

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals.

1. A payment of \$700 to a creditor was recorded by a debit to Accounts Payable of \$70 and a credit to Cash of \$700.
2. A \$340 payment for a printer was recorded by a debit to Computer Equipment of \$34 and a credit to Cash for \$34.
3. An account receivable in the amount of \$2,000 was collected in full. The collection was recorded by a debit to Cash for \$2,000 and a debit to Accounts Payable for \$2,000.
4. An account payable was paid by issuing a cheque for \$800. The payment was recorded by a debit to Accounts Payable \$800 and a credit to Accounts Receivable \$800.

**Instructions**

For each of the four cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be considered

independently of the others.

**Solution Exercise 32** (5 min.)

1. The trial balance totals will be unequal. The credit column will be \$630 larger than the debit column.
2. The trial balance totals will be misstated but equal.
3. The trial balance totals will be unequal. The debit column will be \$4,000 larger than the credit column.
4. The trial balance totals will be misstated but equal.

**Exercise 33**

The bookkeeper for Green Lawn Mowing Service made a number of errors in journalizing and posting as described below:

1. A debit posting to accounts receivable for \$500 was omitted.
2. A payment of accounts payable for \$600 was credited to cash and debited to accounts receivable.
3. A credit to accounts receivable for \$750 was posted as \$75.
4. A cash purchase of equipment for \$673 was journalized as a debit to equipment and a credit to notes payable. The credit posting was made for \$637.
5. A debit posting of \$300 for purchase of supplies was credited to supplies.
6. A debit to repairs expense for \$482 was posted as \$428.
7. A debit posting for wages expense for \$800 was made twice.
8. A cash purchase of supplies for \$700 was journalized and posted as a debit to supplies for \$70 and a credit to cash for \$70.

**Instructions**

For each error, indicate (A) whether the trial balance will balance; if the trial balance will not balance, indicate (B) the amount of the difference, and (C) the trial balance column that will have the larger total. Consider each error separately. Use the following form, in which error 1. is given as an example.

<u>Error</u>	(A) <u>In Balance</u>	(B) <u>Difference</u>	(C) <u>Larger Column</u>
1.	No	\$500	Credit

**Solution Exercise 33** (15 min.)

<u>Error</u>	(A) <u>In Balance</u>	(B) <u>Difference</u>	(C) <u>Larger Column</u>
1.	No	\$500	Credit
2.	Yes	—	—
3.	No	675	Debit

4.	No	36	Debit
5.	No	600	Credit
6.	No	54	Credit
7.	No	800	Debit
8.	Yes	—	—

**EXERCISE 34**

The trial balance of the Karl's Concrete Services shown below does not balance.

Karl's Concrete Services  
Trial Balance  
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 5,200	
Accounts receivable .....	15,200	
Supplies .....	1,200	
Equipment .....	16,600	
Accounts payable .....		\$ 19,610
K. Bruce, Capital .....		3,882
K. Bruce, drawings .....	3,000	
Service revenue .....		30,400
Wages expense .....	7,600	
Repair expense .....	<u>3,200</u>	
Totals .....	<u>\$52,000</u>	<u>\$53,892</u>

An examination of the ledger and journal reveals the following errors:

- Each of the above listed accounts has a normal balance per the general ledger.
- Cash of \$260 received from a customer on account was debited to Cash \$620 and credited to Accounts Receivable \$620.
- Drawings of \$850 paid to the owner were posted as a credit to Drawings, \$850 and a credit to Cash \$850.
- Wages Expense of \$600 was omitted from the trial balance.
- The purchase of equipment on account for \$800 was recorded as a debit to Repair Expense and a credit to Accounts Payable for \$800.
- Services were performed on account for a customer, \$1,020, for which Accounts Receivable was debited \$1,020 and Service Revenue was credited \$102.
- A payment on account for \$219 was credited to Cash for \$219 and credited to Accounts Payable for \$291.

**Instructions**

Prepare a correct trial balance.

**Solution Exercise 34** (25 min.)

Karl's Concrete Services  
Trial Balance  
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash [\$5,200 – \$360 (2)] .....	\$ 4,840	
Accounts receivable [\$15,200 + \$360 (2)] .....	15,560	
Supplies .....	1,200	
Equipment [\$16,600 + \$800 (5)] .....	17,400	
Accounts payable [\$19,610 – \$291 – \$219 (7)] .....		\$19,100
K. Bruce, capital .....		3,882
K. Bruce, drawings [\$3,000 + \$850 + \$850 (3)] .....	4,700	
Service revenue [\$30,400 + \$918 (6)] .....		31,318
Wages expense [\$7,600 + \$600 (4)] .....	8,200	
Repair expense [\$3,200 – \$800 (5)] .....	2,400	
Totals .....	<u>\$54,300</u>	<u>\$54,300</u>



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