

# CHAPTER 2

## The Recording Process

### ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>	<u>B Problems</u>
1. Explain what an account is and how it helps in the recording process.	1			1		
2. Define debits and credits and explain their use in recording business transactions.	2, 3, 4, 5, 6, 7, 8, 9, 14, 21	1, 2, 5	1	2, 4, 6, 7, 14	1A, 2A, 3A, 5A	1B, 2B, 3B, 5B
3. Identify the basic steps in the recording process.	10, 19	4		6, 7		
4. Explain what a journal is and how it helps in the recording process.	11, 12, 13, 14, 16	3, 6	2	3, 5, 6, 7, 10, 11, 12	1A, 2A, 3A, 5A	1B, 2B, 3B, 5B
5. Explain what a ledger is and how it helps in the recording process.	17			8		
6. Explain what posting is and how it helps in the recording process.	15, 17	7, 8	3	9, 12	2A, 3A, 5A	2B, 3B, 5B
7. Prepare a trial balance and explain its purposes.	18, 20	9, 10	4	9, 10, 11, 13, 14, 15	2A, 3A, 4A, 5A	2B, 3B, 4B, 5B

## ASSIGNMENT CHARACTERISTICS TABLE

<b>Problem Number</b>	<b>Description</b>	<b>Difficulty Level</b>	<b>Time Allotted (min.)</b>
1A	Journalize a series of transactions.	Simple	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Simple	30–40
3A	Journalize and post transactions and prepare a trial balance.	Moderate	40–50
4A	Prepare a correct trial balance.	Moderate	30–40
5A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
1B	Journalize a series of transactions.	Simple	20–30
2B	Journalize transactions, post, and prepare a trial balance.	Simple	30–40
3B	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
4B	Prepare a correct trial balance.	Moderate	30–40
5B	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50

**WEYGANDT FINANCIAL ACCOUNTING, IFRS Version, 3e**  
**CHAPTER 2**  
**THE RECORDING PROCESS**

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
BE1	2	C	Simple	6–8
BE2	2	C	Simple	4–6
BE3	4	AP	Simple	4–6
BE4	3	C	Moderate	4–6
BE5	2	C	Simple	6–8
BE6	4	AP	Simple	4–6
BE7	6	AP	Simple	4–6
BE8	6	AP	Simple	4–6
BE9	7	AP	Simple	4–6
BE10	7	AN	Moderate	6–8
DI1	2	C	Simple	3–5
DI2	4	AP	Simple	3–5
DI3	6	AP	Simple	2–4
DI4	7	AP	Simple	6–8
EX1	1	K	Simple	2–4
EX2	2	C	Simple	10–15
EX3	4	AP	Simple	8–10
EX4	2	C	Simple	6–8
EX5	4	AP	Simple	6–8
EX6	2–4	AP	Simple	6–8
EX7	2–4	AP	Simple	8–10
EX8	5	K	Simple	2–4
EX9	6, 7	AP	Simple	10–12
EX10	4, 7	AP	Moderate	10–12
EX11	4, 7	AP	Moderate	12–15
EX12	4, 6	AP	Moderate	12–15
EX13	7	AN	Moderate	6–8
EX14	2, 7	AP	Simple	8–10
EX15	7	C	Simple	4–6

## THE RECORDING PROCESS (Continued)

Number	LO	BT	Difficulty	Time (min.)
P1A	2, 4	AP	Simple	20–30
P2A	2, 4, 6, 7	AP	Simple	30–40
P3A	2, 4, 6, 7	AP	Moderate	40–50
P4A	7	AN	Moderate	30–40
P5A	2, 4, 6, 7	AP	Moderate	40–50
P1B	2, 4	AP	Simple	20–30
P2B	2, 4, 6, 7	AP	Simple	30–40
P3B	2, 4, 6, 7	AP	Moderate	40–50
P4B	7	AN	Moderate	30–40
P5B	2, 4, 6, 7	AP	Moderate	40–50
BYP1	2	C	Simple	8–10
BYP2	2	AN	Simple	8–10
BYP3	—	AP	Simple	15–20
BYP4	4, 6, 7	AP, S	Moderate	20–30
BYP5	3–6	S	Simple	10–15
BYP6	7	AN, E	Moderate	10–15

**Correlation Chart between Bloom's Taxonomy, Learning Objectives and End-of-Chapter Exercises and Problems**

Learning Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
1. Explain what an account is and how it helps in the recording process.	Q2-1 E2-1					
2. Define debits and credits and explain their use in recording business transactions.	Q2-21	Q2-2 Q2-7 BE2-2 Q2-3 Q2-8 BE2-5 Q2-4 Q2-9 DI2-1 Q2-5 Q2-14 E2-2 Q2-6 BE2-1 E2-4	E2-6 P2-3A P2-5B E2-7 P2-5A E2-14 P2-1B P2-1A P2-2B P2-2A P2-3B			
3. Identify the basic steps in the recording process.	Q2-10	Q2-19 BE2-4	E2-6 E2-7			
4. Explain what a journal is and how it helps in the recording process.	Q2-12	Q2-11 Q2-13 Q2-14	Q2-16 E2-7 P2-5A BE2-3 E2-10 P2-1B BE2-6 E2-11 P2-2B DI2-2 E2-12 P2-3B E2-3 P2-1A P2-5B E2-5 P2-2A E2-6 P2-3A			
5. Explain what a ledger is and how it helps in the recording process.	E2-8	Q2-17				
6. Explain what posting is and how it helps in the recording process.		Q2-15 Q2-17	BE2-7 E2-12 P2-2B BE2-8 P2-2A P2-3B DI2-3 P2-3A P2-5B E2-9 P2-5A			
7. Prepare a trial balance and explain its purposes.		Q2-18 E2-15	BE2-9 E2-11 P2-5A DI2-4 E2-14 P2-2B E2-9 P2-2A P2-3B E2-10 P2-3A P2-5B	Q2-20 P2-4B BE2-10 E2-13 P2-4A		
Broadening Your Perspective		Financial Reporting	Decision-Making Across the Organization Real-World Focus	Comparative Analysis Ethics Case	Communication Decision Making Across the Organization	Ethics Case

# ANSWERS TO QUESTIONS

1. A T-account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.

LO: 2.1

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

2. Disagree. The terms debit and credit mean left and right respectively.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

3. Jason is incorrect. The double-entry system merely records the dual effect of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

4. Sandra is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

5. (a) Asset accounts are increased by debits and decreased by credits.  
(b) Liability accounts are decreased by debits and increased by credits.  
(c) Revenues, Share Capital—Ordinary, and Retained Earnings are increased by credits and decreased by debits. Expenses and Dividends are increased by debits and decreased by credits.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

6. (a) Accounts Receivable—debit balance.  
(b) Cash—debit balance.  
(c) Dividends—debit balance.  
(d) Accounts Payable—credit balance.  
(e) Service Revenue—credit balance.  
(f) Salaries and Wages Expense—debit balance.  
(g) Share Capital—Ordinary—credit balance.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

7. (a) Accounts Receivable—asset—debit balance.  
(b) Accounts Payable—liability—credit balance  
(c) Equipment—asset—debit balance.  
(d) Dividends—equity—debit balance.  
(e) Supplies—asset—debit balance.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

8. (a) Debit Supplies and credit Accounts Payable.  
(b) Debit Cash and credit Notes Payable.  
(c) Debit Salaries and Wages Expense and credit Cash.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

9. (1) Cash—both debit and credit entries.  
(2) Accounts Receivable—both debit and credit entries.  
(3) Dividends—debit entries only.  
(4) Accounts Payable—both debit and credit entries.  
(5) Salaries and Wages Expense—debit entries only.  
(6) Service Revenue—credit entries only.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

10. The basic steps in the recording process are:
  1. Analyze each transaction for its effect on the accounts.
  2. Enter the transaction information in a journal.
  3. Transfer the journal information to the appropriate accounts in the ledger.

LO: 2.3

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

## Questions Chapter 2 (Continued)

11. The advantages of using a journal in the recording process are:
  - (a) It discloses in one place the complete effects of a transaction.
  - (b) It provides a chronological record of transactions.

- (c) It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

12. (a) The debit should be entered first.  
(b) The credit should be indented.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

13. When three or more accounts are required in one journal entry, the entry is referred to as a compound entry. An example of a compound entry is the purchase of equipment, part of which is paid in cash and the remainder is on account.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

14. (a) No, business transaction debits and credits should not be recorded directly in the ledger.  
(b) The advantages of using a journal are:
1. It discloses in one place the complete effects of a transaction.
  2. It provides a chronological record of transactions.
  3. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO: 2.4

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

15. The advantage of the last step in the posting process is to indicate that the item has been posted.

LO: 2.6

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

16. (a) Cash ..... 9,000  
Share Capital—Ordinary ..... 9,000  
(Issued ordinary shares for cash)
- (b) Prepaid Insurance ..... 800  
Cash ..... 800  
(Paid one-year insurance policy)



(c) Supplies.....	2,000	
Accounts Payable .....		2,000
(Purchased supplies on account)		
(d) Cash.....	7,500	
Service Revenue.....		7,500
(Received cash for services performed)		

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and equity accounts, is referred to collectively as the ledger.
- (b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

LO: 2.5, 2.6

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### Questions Chapter 2 (Continued)

18. A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements.

LO: 2.7

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

19. No, Joe is not correct. The proper sequence is as follows:
- (b) Business transaction occurs.
  - (c) Information entered in the journal.
  - (a) Debits and credits posted to the ledger.
  - (e) Trial balance is prepared.
  - (d) Financial statements are prepared.

LO: 2.3

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

20. (a) The trial balance would balance.
- (b) The trial balance would not balance.

LO: 2.7

Difficulty: Easy

BLOOMCODE: Analysis

AACSB: Reflective thinking

- 21.** The normal balances are Cash-debit, Accounts Payable-credit, and Interest Expense-debit.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

# SOLUTIONS TO BRIEF EXERCISES

## BRIEF EXERCISE 2-1

	(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1. Accounts Payable	Decrease	Increase	Credit
2. Advertising Expense	Increase	Decrease	Debit
3. Service Revenue	Decrease	Increase	Credit
4. Accounts Receivable	Increase	Decrease	Debit
5. Share Capital—Ordinary	Decrease	Increase	Credit
6. Dividends	Increase	Decrease	Debit

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

## BRIEF EXERCISE 2-2

	Account Debited	Account Credited
June 1	Cash	Share Capital—Ordinary
2	Equipment	Accounts Payable
3	Rent Expense	Cash
12	Accounts Receivable	Service Revenue

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

## BRIEF EXERCISE 2-3

June 1	Cash.....	4,000	
	Share Capital—Ordinary.....		4,000
2	Equipment.....	900	
	Accounts Payable .....		900
3	Rent Expense.....	800	

	Cash.....		800
12	Accounts Receivable .....	300	
	Service Revenue .....		300

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

## BRIEF EXERCISE 2-4

The basic steps in the recording process are:

1. **Analyze each transaction.** In this step, business documents are examined to determine the effects of the transaction on the accounts.
2. **Enter each transaction in a journal.** This step is called journalizing and it results in making a chronological record of the transactions.
3. **Transfer journal information to ledger accounts.** This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.

LO: 2.3

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

## BRIEF EXERCISE 2-5

	(a) <u>Effect on Accounting Equation</u>	(b) <u>Debit-Credit Analysis</u>
Aug. 1	The asset Cash is increased; the equity account Share Capital—Ordinary is increased.	Debits increase assets: debit Cash R\$5,000. Credits increase equity: credit Share Capital—Ordinary R\$5,000.
4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance R\$1,800. Credits decrease assets: credit Cash R\$1,800.
16	The asset Cash is increased; the	Debits increase assets:

**revenue Service Revenue is increased.**

debit Cash R\$1,100.  
Credits increase revenues:  
credit Service Revenue R\$1,100.

**27 The expense Salaries and Wages Expense is increased; the asset Cash is decreased.**

**Debits increase expenses:  
debit Salaries and Wages Expense R\$1,000.  
Credits decrease assets:  
credit Cash R\$1,000.**

LO: 2.2

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

## BRIEF EXERCISE 2-6

Aug. 1	Cash.....	5,000	
	Share Capital—Ordinary.....		5,000
4	Prepaid Insurance.....	1,800	
	Cash .....		1,800
16	Cash.....	1,100	
	Service Revenue.....		1,100
27	Salaries and Wages Expense.....	1,000	
	Cash .....		1,000

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

## BRIEF EXERCISE 2-7

Cash		Service Revenue	
5/12	2,100	5/5	5,000
5/15	3,000	5/15	3,000
Ending Bal.	5,100	Ending Bal.	8,000

  

Accounts Receivable			
5/5	5,000	5/12	2,100
Ending Bal.	2,900		

LO: 2.6

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

## BRIEF EXERCISE 2-8

Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1	2,100		2,100
15		J1	3,000		5,100

## BRIEF EXERCISE 2-8 (Continued)

### Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,000		5,000
12		J1		2,100	2,900

### Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,000	5,000
15		J1		3,000	8,000

LO: 2.6

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

## BRIEF EXERCISE 2-9

### STARR SE Trial Balance June 30, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	€ 6,800	
Accounts Receivable.....	3,000	
Equipment .....	17,000	
Accounts Payable .....		€ 8,600
Share Capital—Ordinary .....		20,000
Dividends .....	800	
Service Revenue .....		6,000
Salaries and Wages Expense.....	6,000	
Rent Expense .....	1,000	
	<u>€34,600</u>	<u>€34,600</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

## BRIEF EXERCISE 2-10

### CHENG COMPANY LTD Trial Balance December 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash .....	£16,800	
Prepaid Insurance .....	3,500	
Accounts Payable.....		£ 3,000
Unearned Service Revenue .....		4,200
Share Capital—Ordinary.....		13,000
Dividends .....	4,500	
Service Revenue.....		25,600
Salaries and Wages Expense .....	18,600	
Rent Expense.....	2,400	
	<u>£45,800</u>	<u>£45,800</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Reflective thinking

## SOLUTIONS FOR DO IT! REVIEW EXERCISES

### DO IT! 2-1

Graham would likely need the following accounts in which to record the transactions necessary to ready his photography studio for opening day:

Cash (debit balance)

Supplies

(debit balance)

Equipment

(debit balance)

Notes Payable (credit balance)

Accounts Payable

(credit balance)

Share Capital—Ordinary (credit balance)

Rent Expense (debit balance)

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### DO IT! 2-2

Each transaction that is recorded is entered in the general journal. The three activities would be recorded as follows:



- |    |                                               |       |       |
|----|-----------------------------------------------|-------|-------|
| 1. | Cash .....                                    | 8,000 |       |
|    | Share Capital—Ordinary.....                   |       | 8,000 |
| 2. | Supplies .....                                | 1,600 |       |
|    | Cash .....                                    |       | 400   |
|    | Accounts Payable .....                        |       | 1,200 |
| 3. | No entry because no transaction has occurred. |       |       |

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

## DO IT! 2-3

Cash			
4/1	1,600	4/16	600
4/3	3,100	4/20	500
4/30	3,600		

LO: 2.6

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

## DO IT! 2-4

### CHILLIN' COMPANY SA Trial Balance December 31, 2017

	Debit	Credit
Cash .....	R\$ 6,000	
Accounts Receivable .....	8,000	
Supplies .....	5,000	
Equipment.....	76,000	
Notes Payable.....		R\$ 20,000
Accounts Payable.....		9,000
Salaries and Wages Payable .....		3,000
Share Capital—Ordinary.....		25,000
Dividends .....	8,000	
Service Revenue.....		86,000
Rent Expense.....	2,000	
Salaries and Wages Expense .....	38,000	
	<u>R\$143,000</u>	<u>R\$143,000</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Analytic

**EXERCISE 2-1**

- 1. False. An account is an accounting record of a specific asset, liability, or equity item.**
- 2. False. An account shows increases and decreases in the item it relates to.**
- 3. False. Each asset, liability, and equity item has a separate account.**
- 4. False. An account has a left, or debit side, and a right, or credit side.**
- 5. True.**

LO: 2.1

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

Date	Account Debited				Account Credited			
	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Equity	Share Capital— Ordinary	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Equity	Service Revenue	Increase	Credit
16	Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

LO: 2.2  
 Difficulty: Medium  
 BLOOMCODE: Comprehension  
 AACSB: Reflective thinking

## EXERCISE 2-3

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash .....		15,000	
	Share Capital—Ordinary .....			15,000
3	Equipment.....		7,000	
	Cash .....			7,000
9	Supplies .....		500	
	Accounts Payable .....			500
11	Accounts Receivable .....		1,800	
	Service Revenue .....			1,800
16	Advertising Expense .....		200	
	Cash .....			200
20	Cash .....		700	
	Accounts Receivable .....			700
23	Accounts Payable.....		300	
	Cash .....			300
28	Dividends .....		1,000	
	Cash .....			1,000

LO: 2.4  
 Difficulty: Medium  
 BLOOMCODE: Application  
 AACSB: Reflective thinking

## EXERCISE 2-4

Oct. 1   **Debits increase assets: debit Cash ¥200,000.**  
           **Credits increase equity: credit Share Capital—Ordinary ¥200,000.**

- 2 No transaction.
- 3 Debits increase assets: debit Equipment ¥19,000.  
Credits increase liabilities: credit Accounts Payable ¥19,000.

### EXERCISE 2-4 (Continued)

- Oct. 6 Debits increase assets: debit Accounts Receivable ¥32,000.  
Credits increase revenues: credit Service Revenue ¥32,000.
- 27 Debits decrease liabilities: debit Accounts Payable ¥8,500.  
Credits decrease assets: credit Cash ¥8,500.
- 30 Debits increase expenses: debit Salaries and Wages Expense ¥25,000.  
Credits decrease assets: credit Cash ¥25,000.

LO: 2.2

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

### EXERCISE 2-5

General Journal				
Date	Account Titles	Ref.	Debit	Credit
Oct. 1	Cash .....		200,000	
	Share Capital—Ordinary.....			200,000
2	No entry.			
3	Equipment .....		19,000	
	Accounts Payable .....			19,000
6	Accounts Receivable .....		32,000	
	Service Revenue.....			32,000
27	Accounts Payable .....		8,500	
	Cash .....			8,500
30	Salaries and Wages Expense .....		25,000	

**Cash.....**

**25,000**

LO: 2.4

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

## EXERCISE 2-6

- (a)
1. Increase the asset Cash, increase the liability Notes Payable.
  2. Increase the asset Equipment, decrease the asset Cash.
  3. Increase the asset Supplies, increase the liability Accounts Payable.

(b)	1.	Cash .....	50,000	
		Notes Payable .....		50,000
	2.	Equipment .....	25,000	
		Cash.....		25,000
	3.	Supplies .....	4,500	
		Accounts Payable.....		4,500

LO: 2.2

Difficulty: Easy

BLOOMCODE: Application

AACSB: Reflective thinking

## EXERCISE 2-7

- (a) **Assets = Liabilities + Equity**

1.	+	+	(Issued shares)
2.	–	–	(Expense)
3.	+	+	(Revenue)
4.	–	–	(Dividends)

(b)	1.	Cash .....	5,500	
		Share Capital—Ordinary.....		5,500
	2.	Rent Expense.....	1,100	
		Cash.....		1,100
	3.	Accounts Receivable .....	4,700	
		Service Revenue .....		4,700
	4.	Dividends .....	400	
		Cash.....		400

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

## EXERCISE 2-8

1. **False. The general ledger contains all the asset, liability, and equity accounts.**



2. **True.**
3. **False.** The accounts in the general ledger are arranged in financial statement order: first the assets, then the liabilities, share capital, retained earnings, dividends, revenues, and expenses.
4. **True.**
5. **False.** The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

LO: 2.5

Difficulty: Easy

BLOOMCODE: Knowledge

AACSB: Reflective thinking

## EXERCISE 2-9

(a)

Cash			
Aug. 1	5,000	Aug. 12	1,500
10	2,700		
31	850		
Bal.	7,050		

Notes Payable		
	Aug. 12	3,500

Share Capital—Ordinary		
	Aug. 1	5,000

Accounts Receivable			
Aug. 25	1,900	Aug. 31	850
Bal.	1,050		

Service Revenue		
	Aug. 10	2,700
	25	1,900
	Bal.	4,600

Equipment	
Aug. 12	5,000

(b)

### ROBERTA MENDEZ, INVESTMENT BROKER, SLU

#### Trial Balance August 31, 2017

	Debit	Credit
Cash.....	€ 7,050	
Accounts Receivable.....	1,050	
Equipment .....	5,000	
Notes Payable .....		€ 3,500
Share Capital—Ordinary .....		5,000
Service Revenue .....		4,600
	<u>€13,100</u>	<u>€13,100</u>

LO: 2.6

Difficulty: Easy

BLOOMCODE: Application

AACSB: Analytic

**EXERCISE 2-10****(a)**

<b>General Journal</b>				
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 1</b>	<b>Cash .....</b>	<b>101</b>	<b>10,000</b>	
	<b>    Share Capital—Ordinary .....</b>	<b>311</b>		<b>10,000</b>
	<b>        (Issued shares for cash)</b>			
<b>12</b>	<b>Cash .....</b>	<b>101</b>	<b>900</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>900</b>
	<b>        (Received cash for services performed)</b>			
<b>15</b>	<b>Salaries and Wages Expense .....</b>	<b>726</b>	<b>720</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>720</b>
	<b>        (Paid salaries to date)</b>			
<b>25</b>	<b>Accounts Payable .....</b>	<b>201</b>	<b>1,500</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>1,500</b>
	<b>        (Paid creditors on account)</b>			
<b>29</b>	<b>Cash .....</b>	<b>101</b>	<b>400</b>	
	<b>    Accounts Receivable .....</b>	<b>112</b>		<b>400</b>
	<b>        (Received cash in payment of account)</b>			
<b>30</b>	<b>Cash .....</b>	<b>101</b>	<b>1,000</b>	
	<b>    Unearned Service Revenue .....</b>	<b>209</b>		<b>1,000</b>
	<b>        (Received cash for future services)</b>			

## EXERCISE 2-10 (Continued)

(b) **PIERRE LANDSCAPING COMPANY SA**  
**Trial Balance**  
**April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	€10,080	
Accounts Receivable.....	2,800	
Supplies.....	1,800	
Accounts Payable .....		€ 300
Unearned Service Revenue.....		1,000
Share Capital—Ordinary .....		10,000
Service Revenue .....		4,100
Salaries and Wages Expense.....	720	
	<u>€15,400</u>	<u>€15,400</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Analytic

## EXERCISE 2-11

(a)	Oct. 1	Cash.....	5,000	
		Share Capital—Ordinary .....		5,000
		(Issued shares for cash)		
	10	Cash.....	650	
		Service Revenue .....		650
		(Received cash for services performed)		
	10	Cash.....	3,000	
		Notes Payable.....		3,000
		(Obtained loan from bank)		
	20	Cash.....	500	
		Accounts Receivable .....		500

(Received cash in payment of  
account)

20	Accounts Receivable .....	940	
	Service Revenue .....		940
	(Billed clients for services performed)		

## EXERCISE 2-11 (Continued)

(b) **SPARKS CO. LTD.**  
Trial Balance  
October 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash .....	£ 8,070	
Accounts Receivable .....	1,540	
Supplies .....	400	
Equipment .....	2,000	
Notes Payable .....		£ 3,000
Accounts Payable .....		500
Share Capital—Ordinary .....		7,000
Dividends .....	300	
Service Revenue .....		2,690
Salaries and Wages Expense .....	600	
Rent Expense .....	280	
	<u>£13,190</u>	<u>£13,190</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Analytic

## EXERCISE 2-12

(a)

General Journal				J1
Date	Account Titles	Ref.	Debit	Credit
Sept. 1	Cash .....	101	10,000	
	Share Capital—Ordinary .....	311		10,000

5	Equipment .....	157	12,000	
	Cash .....	101		4,000
	Accounts Payable .....	201		8,000
25	Accounts Payable .....	201	2,400	
	Cash .....	101		2,400
30	Dividends.....	332	500	
	Cash .....	101		500

## EXERCISE 2-12 (Continued)

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	10,000		10,000
5		J1		4,000	6,000
25		J1		2,400	3,600
30		J1		500	3,100

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	12,000		12,000

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		8,000	8,000
25		J1	2,400		5,600

Share Capital—Ordinary					No. 311
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		10,000	10,000

**Dividends****No. 332**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 30</b>		<b>J1</b>	<b>500</b>		<b>500</b>

LO: 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

## EXERCISE 2-13

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	€400	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	300	Credit
5.	Yes	—	—
6.	No	36	Credit

LO: 2.7

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Analytic

## EXERCISE 2-14

### TEMPUS FUGIT DELIVERY SERVICE LTD

Trial Balance

July 31, 2017

	<u>Debit</u>	<u>Credit</u>
<b>Cash (£90,907 – Debit total without Cash £69,340) .....</b>	<b>£21,567</b>	
<b>Accounts Receivable .....</b>	<b>10,642</b>	
<b>Prepaid Insurance .....</b>	<b>1,968</b>	
<b>Equipment.....</b>	<b>49,360</b>	
<b>Notes Payable.....</b>		<b>£26,450</b>
<b>Accounts Payable.....</b>		<b>8,396</b>
<b>Salaries and Wages Payable .....</b>		<b>815</b>
<b>Share Capital—Ordinary.....</b>		<b>40,000</b>
<b>Retained Earnings .....</b>		<b>4,636</b>
<b>Dividends .....</b>	<b>700</b>	
<b>Service Revenue.....</b>		<b>10,610</b>
<b>Salaries and Wages Expense .....</b>	<b>4,428</b>	
<b>Maintenance and Repairs Expense.....</b>	<b>961</b>	
<b>Gasoline Expense.....</b>	<b>758</b>	
<b>Utilities Expense.....</b>	<b>523</b>	
	<b><u>£90,907</u></b>	<b><u>£90,907</u></b>

LO: 2.7

Difficulty: Medium



## **EXERCISE 2-15**

**Transactions 4, 5, and 7 are operating activities**

**Transaction 3 is an investing activity**

**Transactions 1, 2 and 6 are financing activities.**

LO: 2.7

Difficulty: Easy

BLOOMCODE: Comprehension

AACSB: Reflective thinking

<b>PROBLEM 2-1A</b>
---------------------

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash .....		50,000	
	Share Capital—Ordinary.....			50,000
	(Issued shares for cash)			
4	Land.....		34,000	
	Cash .....			34,000
	(Purchased land for cash)			
8	Advertising Expense .....		1,800	
	Accounts Payable.....			1,800
	(Incurred advertising expense on account)			
11	Salaries and Wages Expense .....		1,500	
	Cash .....			1,500
	(Paid salaries)			
12	No entry—Not a transaction.			
13	Prepaid Insurance .....		1,500	
	Cash .....			1,500
	(Paid for one-year insurance policy)			
17	Dividends .....		1,400	
	Cash .....			1,400
	(Declared and paid a cash dividend)			
20	Cash .....		6,400	
	Service Revenue.....			6,400
	(Received cash for services performed)			

## PROBLEM 2-1A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 25	Cash.....		3,000	
	Unearned Service Revenue .....			3,000
	(Received cash for future services)			
30	Cash.....		8,500	
	Service Revenue .....			8,500
	(Received cash for services performed)			
30	Accounts Payable .....		900	
	Cash .....			900
	(Paid creditor on account)			

LO: 2.2, 2.4

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

# **PROBLEM 2-2A**

(a)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2017				
May 1	Cash .....	101	20,000	
	Share Capital—Ordinary.....	311		20,000
	(Issued shares for cash)			
2	No entry—not a transaction.			
3	Supplies .....	126	1,500	
	Accounts Payable.....	201		1,500
	(Purchased supplies on account)			
7	Rent Expense.....	729	900	
	Cash .....	101		900
	(Paid office rent)			
11	Accounts Receivable .....	112	2,800	
	Service Revenue.....	400		2,800
	(Billed client for services performed)			
12	Cash .....	101	3,500	
	Unearned Service Revenue.....	209		3,500
	(Received cash for future services)			
17	Cash .....	101	1,200	
	Service Revenue.....	400		1,200
	(Received cash for services performed)			
31	Salaries and Wages Expense .....	726	2,000	
	Cash .....	101		2,000
	(Paid salaries)			

## PROBLEM 2-2A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
May 31	Accounts Payable (€1,500 X 40%) .....	201	600	
	Cash .....	101		600
	(Paid creditor on account)			

(b)

### Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		600	21,200

### Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 11		J1	2,800		2,800

### Supplies No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 3		J1	1,500		1,500

### Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 3		J1		1,500	
31		J1	600		900

### Unearned Service Revenue No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 12		J1		3,500	3,500

## PROBLEM 2-2A (Continued)

### Share Capital—Ordinary No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 1		J1		20,000	20,000

### Service Revenue No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 11		J1		2,800	2,800
17		J1		1,200	4,000

### Salaries and Wages Expense No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 31		J1	2,000		2,000

### Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 7		J1	900		900

(c) **LENA FOHN AG**  
**Trial Balance**  
**May 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	€21,200	
Accounts Receivable.....	2,800	
Supplies.....	1,500	
Accounts Payable .....		€ 900
Unearned Service Revenue .....		3,500
Share Capital—Ordinary .....		20,000
Service Revenue .....		4,000
Salaries and Wages Expense.....	2,000	
Rent Expense .....	900	
	<u>€28,400</u>	<u>€28,400</u>

**PROBLEM 2-3A**

(a) & (c)

Cash			
Balance	8,000		
		(1)	1,000
		(3)	1,100
(4)	13,000		
		(5)	15,000
(6)			
5,000			
		(7)	3,000
		(8)	2,000
	3,900		

Accounts Receivable			
Balance	16,000		
		(4)	13,000
(6)			
9,000			
	12,000		

Supplies			
Balance	13,000		
(2)	4,000		
	17,000		

Prepaid Rent			
Balance	3,000		
	3,000		

Equipment			
-----------	--	--	--

Balance	24,000	
	24,000	

Accounts Payable			
		Balance	19,000
		(2)	4,000
(5)	15,000		
			8,000

Share Capital—Ordinary			
		Balance	33,000
			33,000

Retained Earnings			
		Balance	12,000
			12,000

Dividends			
(8)			
2,000			
	2,000		

Service Revenue			
		(6)	14,000
			14,000

Advertising Expense			
(1)	1,000		
	1,000		

(7)	3,000	
	3,000	

Miscellaneous Expense		
(3)	1,100	
	1,100	

### Salaries and Wages Expense

## PROBLEM 2-3A (Continued)

(b)

Trans.	Account Titles	Debit	Credit
1.	Advertising Expense .....	1,000	
	Cash .....		1,000
2.	Supplies .....	4,000	
	Accounts Payable .....		4,000
3.	Miscellaneous Expense .....	1,100	
	Cash .....		1,100
4.	Cash .....	13,000	
	Accounts Receivable .....		13,000
5.	Accounts Payable .....	15,000	
	Cash .....		15,000
6.	Cash .....	5,000	
	Accounts Receivable .....	9,000	
	Service Revenue.....		14,000
7.	Salaries and Wages Expense .....	3,000	
	Cash .....		3,000
8.	Dividends .....	2,000	
	Cash .....		2,000



**PROBLEM 2-3A (Continued)****(d)****BYTE REPAIR SERVICE, LTD.****Trial Balance  
January 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	£ 3,900	
Accounts Receivable .....	12,000	
Supplies .....	17,000	
Prepaid Rent .....	3,000	
Equipment .....	24,000	
Accounts Payable .....		£ 8,000
Share Capital—Ordinary .....		33,000
Retained Earnings.....		12,000
Dividends .....	2,000	
Service Revenue .....		14,000
Advertising Expense.....	1,000	
Miscellaneous Expense .....	1,100	
Salaries and Wages Expense .....	3,000	
	<u>£67,000</u>	<u>£67,000</u>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

# **PROBLEM 2-4A**

## **JASON COMPANY LTD** **Trial Balance** **May 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash (£3,850 + £520 – £405) .....	£ 3,965	
Accounts Receivable (£2,570 – £420) .....	2,150	
Prepaid Insurance (£700 + £100) .....	800	
Supplies (£0 + £520) .....	520	
Equipment (£12,000 – £520).....	11,480	
Accounts Payable (£4,500 – £100 + £520 – £420).....		£ 4,500
Unearned Service Revenue .....		560
Share Capital—Ordinary (£11,700 + £1,000).....		12,700
Dividends (£0 + £1,000) .....	1,000	
Service Revenue.....		8,960
Salaries and Wages Expense (£4,200 + £200) .....	4,400	
Advertising Expense (£1,100 + £405) .....	1,505	
Utilities Expense (£800 + £100).....	900	
	<u>£26,720</u>	<u>£26,720</u>

LO: 2.7

Difficulty: Hard

BLOOMCODE: Analysis

AACSB: Analytic

<b>PROBLEM 2-5A</b>
---------------------

(a) & (c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 1	Balance	✓			6,000
2		J1		800	5,200
9		J1	1,800		7,000
10		J1		3,000	4,000
12		J1		300	3,700
25		J1	5,500		9,200
29		J1		1,600	7,600
30		J1	108		7,708
30		J1		1,300	6,408

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 30		J1	108		108

Prepaid Rent					No. 136
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 30		J1	1,300		1,300

Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 1	Balance	✓			10,000

Buildings					No. 145
Date	Explanation	Ref.	Debit	Credit	Balance
2017					

<b>Apr. 1</b>	<b>Balance</b>	✓	<b>8,000</b>
---------------	----------------	---	--------------

## PROBLEM 2-5A (Continued)

### Equipment No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 1	Balance	✓			6,000

### Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 1	Balance	✓			2,000
10		J1	1,000		1,000
20		J1		1,000	2,000

### Mortgage Payable No. 275

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 1	Balance	✓			8,000
10		J1	2,000		6,000

### Share Capital—Ordinary No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 1	Balance	✓			20,000

### Service Revenue No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 9		J1		1,800	1,800
25		J1		5,500	7,300

### Rent Revenue No. 429

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 30		J1		216	216

## PROBLEM 2-5A (Continued)

### Advertising Expense No. 610

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 12		J1	300		300

### Salaries and Wages Expense No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 29		J1	1,600		1,600

### Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 2		J1	800		800
20		J1	1,000		1,800

(b)

					J1
Date	Account Titles and Explanation		Ref.	Debit	Credit
2017					
Apr. 2	Rent Expense .....	729	800		
	Cash.....	101		800	
	(Paid film rental)				
3	No entry—not a transaction.				
9	Cash.....	101	1,800		
	Service Revenue .....	400		1,800	
	(Received cash for services performed)				
10	Mortgage Payable .....	275	2,000		
	Accounts Payable.....	201	1,000		
	Cash.....	101		3,000	
	(Made payments on mortgage and accounts payable)				

## PROBLEM 2-5A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 11	No entry—not a transaction.			
12	Advertising Expense .....	610	300	
	Cash.....	101		300
	(Paid advertising expenses)			
20	Rent Expense .....	729	1,000	
	Accounts Payable .....	201		1,000
	(Rented film on account)			
25	Cash.....	101	5,500	
	Service Revenue .....	400		5,500
	(Received cash for services performed)			
29	Salaries and Wages Expense.....	726	1,600	
	Cash.....	101		1,600
	(Paid salaries)			
30	Cash.....	101	108	
	Accounts Receivable.....	112	108	
	Rent Revenue.....	429		216
	(18% X €1,200)			
	(Received cash and balance on account for concession revenue)			
30	Prepaid Rent .....	136	1,300	
	Cash.....	101		1,300
	(Paid cash for future film rentals)			

**PROBLEM 2-5A (Continued)**

**(d) CLASSIC THEATER LTD**  
**Trial Balance**  
**April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	€ 6,408	
Accounts Receivable.....	108	
Prepaid Rent.....	1,300	
Land .....	10,000	
Buildings .....	8,000	
Equipment .....	6,000	
Accounts Payable .....		€ 2,000
Mortgage Payable .....		6,000
Share Capital—Ordinary .....		20,000
Service Revenue .....		7,300
Rent Revenue.....		216
Advertising Expense .....	300	
Salaries and Wages Expense.....	1,600	
Rent Expense .....	1,800	
	<u>€35,516</u>	<u>€35,516</u>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic



# PROBLEM 2-1B

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash .....		60,000	
	Share Capital—Ordinary .....			60,000
	(Issued shares for cash)			
3	Land .....		23,000	
	Buildings.....		9,000	
	Equipment .....		6,000	
	Cash.....			38,000
	(Purchased Lee's Golf Land)			
5	Advertising Expense.....		1,300	
	Cash.....			1,300
	(Paid for advertising)			
6	Prepaid Insurance .....		3,000	
	Cash.....			3,000
	(Paid for one-year insurance policy)			
10	Equipment .....		1,050	
	Accounts Payable .....			1,050
	(Purchased equipment on account)			
18	Cash .....		440	
	Service Revenue .....			440
	(Received cash for services performed)			
19	Cash .....		1,800	
	Unearned Service Revenue.....			1,800
	(Received cash for coupon books sold)			

**PROBLEM 2-1B (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Mar. 25</b>	<b>Dividends.....</b>		<b>800</b>	
	<b>Cash .....</b>			<b>800</b>
	<b>(Declared and paid a cash dividend)</b>			
<b>30</b>	<b>Salaries and Wages Expense .....</b>		<b>250</b>	
	<b>Cash .....</b>			<b>250</b>
	<b>(Paid salaries)</b>			
<b>30</b>	<b>Accounts Payable .....</b>		<b>1,050</b>	
	<b>Cash .....</b>			<b>1,050</b>
	<b>(Paid creditor on account)</b>			
<b>31</b>	<b>Cash .....</b>		<b>200</b>	
	<b>Service Revenue.....</b>			<b>200</b>
	<b>(Received cash for services performed)</b>			

LO: 2.2, 2.4,  
Difficulty: Medium  
BLOOMCODE: Application  
AACSB: Reflective thinking

<b>PROBLEM 2-2B</b>
---------------------

(a)

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
<b>2017</b>				
Apr. 1	Cash .....	101	40,000	
	Share Capital—Ordinary .....	311		40,000
	(Issued shares for cash)			
1	No entry—not a transaction.			
2	Rent Expense .....	729	1,400	
	Cash .....	101		1,400
	(Paid monthly office rent)			
3	Supplies .....	126	5,200	
	Accounts Payable .....	201		5,200
	(Purchased supplies on account from Halo Company)			
10	Accounts Receivable .....	112	6,600	
	Service Revenue .....	400		6,600
	(Billed clients for services performed)			
11	Cash .....	101	1,000	
	Unearned Service Revenue .....	209		1,000
	(Received cash for future service)			
20	Cash .....	101	2,100	
	Service Revenue .....	400		2,100
	(Received cash for services performed)			
30	Salaries and Wages Expense .....	726	2,400	
	Cash .....	101		2,400
	(Paid monthly salary)			

# PROBLEM 2-2B (Continued)

Date	Account Titles	Ref.	Debit	Credit
Apr. 30	Accounts Payable .....	201	1,900	
	Cash .....	101		1,900
	(Paid Halo Company on account)			

(b)  
Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 1		J1	40,000		40,000
2		J1		1,400	38,600
11		J1	1,000		39,600
20		J1	2,100		41,700
30		J1		2,400	39,300
30		J1		1,900	37,400

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 10		J1	6,600		6,600

Supplies No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 3		J1	5,200		5,200

Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 3		J1		5,200	5,200
30		J1	1,900		3,300

Unearned Service Revenue No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Apr. 11		J1		1,000	1,000

## PROBLEM 2-2B (Continued)

### Share Capital—Ordinary No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 1		J1		40,000	40,000

### Service Revenue No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 10		J1		6,600	6,600
20		J1		2,100	8,700

### Salaries and Wages Expense No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 30		J1	2,400		2,400

### Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Apr. 2		J1	1,400		1,400

(c) **JUDI DENCH, DENTIST**  
**Trial Balance**  
**April 30, 2017**

	Debit	Credit
Cash .....	£37,400	
Accounts Receivable .....	6,600	
Supplies .....	5,200	
Accounts Payable .....		£ 3,300
Unearned Service Revenue .....		1,000
Share Capital—Ordinary .....		40,000
Service Revenue .....		8,700
Salaries and Wages Expense .....	2,400	
Rent Expense .....	1,400	
	<u>£53,000</u>	<u>£53,000</u>

LO: 2.2, 2.4

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

<b>PROBLEM 2-3B</b>
---------------------

(a)

Trans.	Account Titles	Debit	Credit
1.	Cash..... Share Capital—Ordinary .....	50,000	50,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent ..... Cash.....	24,000	24,000
4.	Equipment ..... Cash..... Accounts Payable .....	30,000	6,000 24,000
5.	Prepaid Insurance..... Cash.....	1,800	1,800
6.	Supplies..... Cash.....	940	940
7.	Supplies..... Accounts Payable .....	1,300	1,300
8.	Cash..... Accounts Receivable..... Service Revenue .....	5,000 13,000	18,000
9.	Accounts Payable ..... Cash.....	400	400
10.	Cash..... Accounts Receivable.....	3,000	3,000
11.	Utilities Expense ..... Accounts Payable .....	260	260

## PROBLEM 2-3B (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense .....	5,600	
	Cash .....		5,600

(b)

Cash			
(1)	50,000		
		(3)	24,000
		(4)	6,000
		(5)	1,800
		(6)	940
(8)	5,000		
		(9)	400
(10)	3,000		
		(12)	5,600
	19,260		

Equipment			
(4)	30,000		
	30,000		

Accounts Payable			
		(4)	24,000
		(7)	1,300
(9)	400		
		(11)	260
			25,160

Accounts Receivable			
(8)	13,000		
		(10)	3,000
	10,000		

Share Capital—Ordinary			
		(1)	50,000
			50,000

Supplies			
(6)	940		
(7)	1,300		
	2,240		

Service Revenue			
		(8)	18,000
			18,000

Prepaid Insurance			
(5)	1,800		
	1,800		

Salaries and Wages Expense			
(12)	5,600		
	5,600		

Prepaid Rent			
(3)	24,000		
	24,000		

Utilities Expense			
(11)	260		
	260		



**PROBLEM 2-3B (Continued)**

**(c)**

**RICHARDSON SERVICES LTD**

**Trial Balance**

**May 31, 2017**

	<b>Debit</b>	<b>Credit</b>
<b>Cash .....</b>	<b>£19,260</b>	
<b>Accounts Receivable .....</b>	<b>10,000</b>	
<b>Supplies .....</b>	<b>2,240</b>	
<b>Prepaid Insurance .....</b>	<b>1,800</b>	
<b>Prepaid Rent .....</b>	<b>24,000</b>	
<b>Equipment .....</b>	<b>30,000</b>	
<b>Accounts Payable .....</b>		<b>£25,160</b>
<b>Share Capital—Ordinary .....</b>		<b>50,000</b>
<b>Service Revenue .....</b>		<b>18,000</b>
<b>Salaries and Wages Expense .....</b>	<b>5,600</b>	
<b>Utilities Expense .....</b>	<b>260</b>	
	<b><u>£93,160</u></b>	<b><u>£93,160</u></b>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

# **PROBLEM 2-4B**

## **MUELLER SE Trial Balance June 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash ( <del>€3,840</del> + <del>€180</del> ) .....	€ 4,020	
Accounts Receivable ( <del>€2,898</del> – <del>€180</del> ) .....	2,718	
Supplies ( <del>€800</del> – <del>€620</del> ) .....	180	
Equipment ( <del>€3,000</del> + <del>€620</del> ).....	3,620	
Accounts Payable ( <del>€2,666</del> – <del>€309</del> – <del>€390</del> ).....		€ 1,967
Unearned Service Revenue .....		2,200
Share Capital—Ordinary.....		9,000
Dividends ( <del>€800</del> + <del>€600</del> ) .....	1,400	
Service Revenue ( <del>€2,380</del> + <del>€801</del> ).....		3,181
Salaries and Wages Expense ( <del>€3,400</del> + <del>€700</del> – <del>€600</del> ) .....	3,500	
Utilities Expense.....	910	
	<u>€16,348</u>	<u>€16,348</u>

LO: 2.7

Difficulty: Hard

BLOOMCODE: Analysis

AACSB: Analytic

**PROBLEM 2-5B**

(a) & (c)

**Cash** **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			7,000
2		J1		1,000	6,000
9		J1	4,000		10,000
10		J1		4,100	5,900
12		J1		450	5,450
20		J1	4,400		9,850
20		J1		2,400	7,450
31		J1		2,500	4,950
31		J1	225		5,175
31		J1	9,000		14,175

**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 31		J1	225		225

**Land** **No. 140**

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			22,000

**Buildings** **No. 145**

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			10,000

**Equipment** **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			8,000

## PROBLEM 2-5B (Continued)

### Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			7,000
2		J1		2,500	9,500
10		J1	4,100		5,400

### Share Capital—Ordinary No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 1	Balance	✓			40,000

### Service Revenue No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar. 9		J1		4,000	4,000
20		J1		4,400	8,400
31		J1		9,000	17,400

### Rent Revenue No. 429

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar.31		J1		450	450

### Advertising Expense No. 610

Date	Explanation	Ref.	Debit	Credit	Balance
<b>2017</b>					
Mar.12		J1	450		450

## PROBLEM 2-5B (Continued)

### Salaries and Wages Expense

No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Mar. 31		J1	2,500		2,500

### Rent Expense

No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Mar. 2		J1	3,500		3,500
20		J1	2,400		5,900

(b)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2017				
Mar. 2	Rent Expense .....	729	3,500	
	Accounts Payable .....	201		2,500
	Cash .....	101		1,000
	(Rented films for cash and on account)			
3	No entry.			
9	Cash .....	101	4,000	
	Service Revenue .....	400		4,000
	(Received cash for services performed)			
10	Accounts Payable (£2,500 + £1,600)	201	4,100	
	Cash .....	101		4,100
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense .....	610	450	
	Cash .....	101		450
	(Paid advertising expense)			

**PROBLEM 2-5B (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>20</b>	<b>Cash .....</b>	<b>101</b>	<b>4,400</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>4,400</b>
	<b>        (Received cash for services performed)</b>			
<b>20</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>2,400</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,400</b>
	<b>        (Paid film rental)</b>			
<b>31</b>	<b>Salaries and Wages Expense.....</b>	<b>726</b>	<b>2,500</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,500</b>
	<b>        (Paid salaries)</b>			
<b>31</b>	<b>Cash.....</b>	<b>101</b>	<b>225</b>	
	<b>    Accounts Receivable.....</b>	<b>112</b>	<b>225</b>	
	<b>        Rent Revenue.....</b>	<b>429</b>		<b>450</b>
	<b>            (15% X £3,000)</b>			
	<b>        (Received cash and balance on account for concession revenue)</b>			
<b>31</b>	<b>Cash.....</b>	<b>101</b>	<b>9,000</b>	
	<b>    Service Revenue .....</b>	<b>400</b>		<b>9,000</b>
	<b>        (Received cash for services performed)</b>			

**PROBLEM 2-5B (Continued)**

**(d)**

**WILSON THEATER LTD  
Trial Balance  
March 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash .....	£14,175	
Accounts Receivable .....	225	
Land .....	22,000	
Buildings .....	10,000	
Equipment .....	8,000	
Accounts Payable .....		£ 5,400
Share Capital—Ordinary .....		40,000
Service Revenue .....		17,400
Rent Revenue .....		450
Advertising Expense .....	450	
Salaries and Wages Expense .....	2,500	
Rent Expense .....	5,900	
	<u>£63,250</u>	<u>£63,250</u>

LO: 2.2, 2.4, 2.6, 2.7

Difficulty: Hard

BLOOMCODE: Application

AACSB: Analytic

(a)		GENERAL JOURNAL		J1
		Account Titles	Debit	Credit
<b>2017</b>				
<b>Nov.</b>	<b>8</b>	<b>No entry required for selling her investments—this is a personal transaction.</b>		
	<b>8</b>	<b>Cash .....</b>	<b>500</b>	
		<b>Share Capital—Ordinary .....</b>		<b>500</b>
	<b>11</b>	<b>Advertising Expense .....</b>	<b>65</b>	
		<b>Cash.....</b>		<b>65</b>
	<b>13</b>	<b>Supplies .....</b>	<b>125</b>	
		<b>Cash.....</b>		<b>125</b>
	<b>14</b>	<b>Equipment.....</b>	<b>300</b>	
		<b>Share Capital—Ordinary .....</b>		<b>300</b>
	<b>16</b>	<b>Cash .....</b>	<b>2,000</b>	
		<b>Notes Payable .....</b>		<b>2,000</b>
	<b>17</b>	<b>Equipment.....</b>	<b>900</b>	
		<b>Cash.....</b>		<b>900</b>
	<b>20</b>	<b>Cash .....</b>	<b>125</b>	
		<b>Service Revenue .....</b>		<b>125</b>
	<b>25</b>	<b>Cash .....</b>	<b>30</b>	
		<b>Unearned Service Revenue.....</b>		<b>30</b>
	<b>30</b>	<b>Prepaid Insurance .....</b>	<b>1,320</b>	
		<b>Cash.....</b>		<b>1,320</b>



## MC2 (Continued)

(b)

Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Nov. 8		J1	500		500
11		J1		65	435
13		J1		125	310
16		J1	2,000		2,310
17		J1		900	1,410
20		J1	125		1,535
25		J1	30		1,565
30		J1		1,320	245

Supplies					
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Nov. 13		J1	125		125

Prepaid Insurance					
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Nov. 30		J1	1,320		1,320

Equipment					
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Nov. 14		J1	300		300
17		J1	900		1,200

Unearned Service Revenue					
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
Nov. 25		J1		30	30

**MC2 (Continued)****(b) (Continued)****Notes Payable**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 16</b>		<b>J1</b>		<b>2,000</b>	<b>2,000</b>

**Share Capital—Ordinary**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 8</b>		<b>J1</b>		<b>500</b>	<b>500</b>
<b>14</b>		<b>J1</b>		<b>300</b>	<b>800</b>

**Service Revenue**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 20</b>		<b>J1</b>		<b>125</b>	<b>125</b>

**Advertising Expense**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>2017</b>					
<b>Nov. 11</b>		<b>J1</b>	<b>65</b>		<b>65</b>

## MC2 (Continued)

(c)

### MATCHA CREATIONS Trial Balance November 30, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	NT\$ 245	
Supplies .....	125	
Prepaid Insurance.....	1,320	
Equipment.....	1,200	
Unearned Service Revenue.....		NT\$ 30
Notes Payable .....		2,000
Share Capital—Ordinary .....		800
Service Revenue .....		125
Advertising Expense .....	65	
	<u>NT\$2,955</u>	<u>NT\$2,955</u>

**Note to instructors:** Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.

LO: 2.2, 2.4, 2.6, 2.7  
Difficulty: Hard  
BLOOMCODE: Application  
AACSB: Analytic

<b>(a)</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>
<b><u>Account</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Normal</u></b>
	<b><u>Side</u></b>	<b><u>Side</u></b>	<b><u>Balance</u></b>
<b>Accounts (Trade) Payable</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
<b>Accounts (Trade) Receivable</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
<b>Property, Plant, and Equipment</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
<b>Tax Payable</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
<b>Interest Expense (finance cost)</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
<b>Inventories</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>

- (b) 1. Cash is increased.**  
**2. Cash is decreased.**  
**3. Cash is decreased or Accounts Payable is increased.**

- (c) 1. Cash is decreased or Interest Payable is increased.**  
**2. Cash is decreased or Notes or Mortgage Payable or Share Capital—Ordinary is increased.**

LO: 2.2

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

(a)		Nestlé			Petra Foods Limited
1.	Inventory:	debit	1.	Accounts (Trade) Receivable:	debit
2.	Property, Plant, and Equipment:	debit	2.	Cash and Cash Equivalents:	debit
3.	Accounts (Trade) Payable:	credit	3.	Cost of Sales (expense):	debit
4.	Interest Expense (Finance Cost):	debit	4.	Sales (revenue)	credit

(b) The following other accounts are ordinarily involved:

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
3. Increase in Property, Plant, and Equipment: Notes Payable is increased (credited) or Cash is decreased (credited) or Share Capital—Ordinary is increased (credited).
4. Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).

LO: 2.2, 2.5

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Reflective thinking

**The answer is dependent upon the company selected by the student.**

LO: 2.1, 2.7

Difficulty: Medium

BLOOMCODE: Application

AACSB: Reflective thinking

(a) May 1      Correct.

5	Cash.....	250	
	Lesson Revenue .....		250
7	Cash.....	500	
	Unearned Boarding Revenue .....		500
14	Office Equipment .....	800	
	Cash .....		800
15	Dividends .....	440	
	Cash .....		440
20	Cash.....	184	
	Riding Revenue.....		184
30	Correct.		
31	Hay and Feed Supplies.....	1,500	
	Accounts Payable .....		1,500

(b) The errors in the entries of May 14 and 20 would prevent the trial balance from balancing.

(c) Net income as reported		£4,600
Add: 5/15, Salaries expense (Dividends paid).....	£ 440	
5/31, Hay and feed expense (still on hand)....	<u>1,500</u>	<u>1,940</u>
		6,540
Less: 5/7, Boarding revenue unearned .....		<u>500</u>
Correct net income.....		<u>£6,040</u>

(d) Cash as reported		£12,475
Add: 5/20, Transposition error .....	£ 36	
5/31, Purchase on account .....	<u>1,500</u>	<u>1,536</u>
Correct cash balance.....		<u>£14,011</u>

LO: 2.7

Difficulty: Medium

BLOOMCODE: Application





**Date:** May 25, 2017

**To:** Accounting Instructor

**From:** Student

In the first transaction, bills totaling €6,000 were sent to customers for services performed. Therefore, the asset Accounts Receivable is increased €6,000 and the revenue Service Revenue is increased €6,000. Debits increase assets and credits increase revenues, so the journal entry is:

Accounts Receivable .....	6,000	
Service Revenue .....		6,000
(Bill customers for services performed)		

The €6,000 amount is then posted to the debit side of the general ledger account Accounts Receivable and to the credit side of the general ledger account Service Revenue.

In the second transaction, €2,000 was paid in salaries to employees. Therefore, the expense Salaries and Wages Expense is increased €2,000 and the asset Cash is decreased €2,000. Debits increase expenses and credits decrease assets, so the journal entry is:

Salaries and Wages Expense .....	2,000	
Cash .....		2,000
(Salaries paid)		

The €2,000 amount is then posted to the debit side of the general ledger account Salaries and Wages Expense and to the credit side of the general ledger account Cash.

LO: 2.2

Difficulty: Medium

BLOOMCODE: Synthesis

AACSB: Reflective thinking/Communication

**(a) The stakeholders in this situation are:**

- ▶ Sara Rankin, assistant chief accountant.
- ▶ Users of the company's financial statements.
- ▶ The Hokey Company Ltd.

**(b) By adding €1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by €1,000. If the amount of €1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Sara's action might not be considered unethical in the preparation of interim financial statements. However, if Sara is violating a company accounting policy by her action, then she is acting unethically.**

**(c) Sara's alternatives are:**

- 1. Miss the deadline but find the error causing the imbalance.**
- 2. Tell her supervisor of the imbalance and suffer the consequences.**
- 3. Do as she did and locate the error later, making the adjustment in the next quarter.**

LO: 2.2

Difficulty: Medium

BLOOMCODE: Analysis

AACSB: Ethics

## GAAP EXERCISE

### GAAP 2-1

In deciding whether the U.S. should adopt IFRS, the SEC should consider the following.

- Whether IFRS is sufficiently developed and consistent in application
- Whether the IASB is sufficiently independent
- Whether IFRS is established for the benefit to investors
- The issues involved in educating investors about IFRS
- The impact of a switch to IFRS on U.S. laws and regulations
- The impact on companies including changes to their accounting systems, contractual arrangements, corporate governance, and litigation
- The issues involved in educating accountants, so they can prepare statements under IFRS

LO: 2.8

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking

## GAAP FINANCIAL REPORTING PROBLEM

### GAAP 2-2

(a)

	(1)		(2)
	Increase Side	Decrease Side	Normal Balance
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Buildings	Debit	Credit	Debit
Inventories	Debit	Credit	Debit
Net Sales	Credit	Debit	Credit
Research and Development	Debit	Credit	Debit

(b) The following other accounts are ordinarily involved:

1. Accounts Receivable is decreased: Cash is increased (debited).
2. Accounts Payable is decreased: Cash is decreased (credited).
3. Inventories is increased: Cash is decreased (credited) or Accounts Payable is increased (credited).

LO: 2.2, 2.8

Difficulty: Medium

BLOOMCODE: Comprehension

AACSB: Reflective thinking