

Quick Check

- Which sequence correctly summarizes the accounting process?
 - Journalize transactions, post to the accounts, prepare a trial balance
 - Journalize transactions, prepare a trial balance, post to the accounts
 - Post to the accounts, journalize transactions, prepare a trial balance
 - Prepare a trial balance, journalize transactions, post to the accounts
- The left side of an account is used to record which of the following?
 - Debit or credit, depending on the type of account
 - Increases
 - Credits
 - Debits
- Suppose Hunt Company has receivables of \$65,000, furniture totaling \$205,000, and cash of \$52,000. The business has a \$109,000 note payable and owes \$81,000 on account. How much is Hunt's owner's equity?
 - \$28,000
 - \$132,000
 - \$190,000
 - \$322,000
- Your business purchased supplies of \$2,500 on account. The journal entry to record this transaction is as follows:
 - | | | |
|---------------------|-------|-------|
| Supplies | 2,500 | |
| Accounts receivable | | 2,500 |
 - | | | |
|------------------|-------|-------|
| Supplies | 2,500 | |
| Accounts payable | | 2,500 |
 - | | | |
|------------------|-------|-------|
| Accounts payable | 2,500 | |
| Supplies | | 2,500 |
 - | | | |
|------------------|-------|-------|
| Inventory | 2,500 | |
| Accounts payable | | 2,500 |
- Which journal entry records your payment for the supplies purchase described in Quick Check question 4?
 - | | | |
|---------------------|-------|-------|
| Accounts payable | 2,500 | |
| Accounts receivable | | 2,500 |
 - | | | |
|------------------|-------|-------|
| Accounts payable | 2,500 | |
| Cash | | 2,500 |
 - | | | |
|------------------|-------|-------|
| Cash | 2,500 | |
| Accounts payable | | 2,500 |
 - | | | |
|----------|-------|-------|
| Supplies | 2,500 | |
| Cash | | 2,500 |

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As denoted by the logo, all of these questions, as well as additional practice materials, can be found in **MyAccountingLab**.

Please visit myaccountinglab.com

6. Posting a \$2,500 purchase of supplies on account appears as follows:

a.	<table><tr><td colspan="2">Cash</td></tr><tr><td></td><td>2,500</td></tr></table>	Cash			2,500	<table><tr><td colspan="2">Supplies</td></tr><tr><td>2,500</td><td></td></tr></table>	Supplies		2,500	
Cash										
	2,500									
Supplies										
2,500										
b.	<table><tr><td colspan="2">Supplies</td></tr><tr><td></td><td>2,500</td></tr></table>	Supplies			2,500	<table><tr><td colspan="2">Accounts payable</td></tr><tr><td>2,500</td><td></td></tr></table>	Accounts payable		2,500	
Supplies										
	2,500									
Accounts payable										
2,500										
c.	<table><tr><td colspan="2">Supplies</td></tr><tr><td>2,500</td><td></td></tr></table>	Supplies		2,500		<table><tr><td colspan="2">Accounts receivable</td></tr><tr><td></td><td>2,500</td></tr></table>	Accounts receivable			2,500
Supplies										
2,500										
Accounts receivable										
	2,500									
d.	<table><tr><td colspan="2">Supplies</td></tr><tr><td>2,500</td><td></td></tr></table>	Supplies		2,500		<table><tr><td colspan="2">Accounts payable</td></tr><tr><td></td><td>2,500</td></tr></table>	Accounts payable			2,500
Supplies										
2,500										
Accounts payable										
	2,500									

7. The detailed record of the changes in a particular asset, liability, or owner's equity is called
- an account.
 - a journal.
 - a ledger.
 - a trial balance.
8. Pixel Copies recorded a cash collection on account by debiting Cash and crediting Accounts payable. What will the trial balance show for this error?
- Too much for cash
 - Too much for liabilities
 - Too much for expenses
 - The trial balance will not balance
9. Timothy McGreggor, Attorney, began the year with total assets of \$129,000, liabilities of \$77,000, and owner's equity of \$52,000. During the year the business earned revenue of \$113,000 and paid expenses of \$34,000. McGreggor also withdrew cash of \$63,000. How much is the business's equity at year-end?
- \$68,000
 - \$97,000
 - \$131,000
 - \$165,000
10. Michael Barry, Attorney, began the year with total assets of \$126,000, liabilities of \$74,000, and owner's equity of \$52,000. During the year the business earned revenue of \$110,000 and paid expenses of \$33,000. Barry also withdrew cash of \$69,000. How would Michael Barry record expenses paid of \$33,000?
- | | |
|----------|--------|
| Cash | 33,000 |
| Expenses | 33,000 |
 - | | |
|------------------|--------|
| Accounts payable | 33,000 |
| Cash | 33,000 |
 - | | |
|------------------|--------|
| Expenses | 33,000 |
| Accounts payable | 33,000 |
 - | | |
|----------|--------|
| Expenses | 33,000 |
| Cash | 33,000 |

Answers are given after Apply Your Knowledge (p. 129).

Assess Your Progress

• Short Exercises

S2-1 1 Using accounting vocabulary [10 min]

Accounting has its own vocabulary and basic relationships.

MyAccountingLab

Requirement

1. Match the accounting terms on the left with the corresponding definitions on the right.

_____ 1. Posting	A. Using up assets in the course of operating a business
_____ 2. Receivable	B. Book of accounts
_____ 3. Debit	C. An asset
_____ 4. Journal	D. Record of transactions
_____ 5. Expense	E. Left side of an account
_____ 6. Net income	F. Side of an account where increases are recorded
_____ 7. Normal balance	G. Copying data from the journal to the ledger
_____ 8. Ledger	H. Always a liability
_____ 9. Payable	I. Revenues – Expenses = _____
_____ 10. Equity	J. Assets – Liabilities = _____

S2-2 2 Explaining accounts and the rules of debit and credit [5 min]

Margaret Alves is tutoring Timothy Johnson, who is taking introductory accounting. Margaret explains to Timothy that *debits* are used to record increases in accounts and *credits* record decreases. Timothy is confused and seeks your advice.

Requirements

1. When are debits increases? When are debits decreases?
2. When are credits increases? When are credits decreases?

S2-3 2 Normal account balances [5 min]

The accounting equation includes three basic types of accounts: assets, liabilities, and owner's equity. In turn, owner's equity holds the following types: capital, drawing, revenues, and expenses.

Requirement

1. Identify which types of accounts have a normal debit balance and which types have a normal credit balance.

S2-4 3 Steps of the transaction recording process [5 min]

Data Integrity Company performed \$1,000 of services on account for a customer on January 5. The same customer paid \$600 of the January 5 bill on January 28.

Requirement

1. Identify the three steps to record a transaction and perform the three steps to record the transactions for Data Integrity Company.

S2-5 4 Journalizing transactions [10 min]

Ned Brown opened a medical practice in San Diego, California.

Jan 1	The business received \$29,000 cash and gave capital to Brown.
2	Purchased medical supplies on account, \$14,000.
2	Paid monthly office rent of \$2,600.
3	Recorded \$8,000 revenue for service rendered to patients on account.

Requirement

1. Record the preceding transactions in the journal of Ned Brown, M.D. Include an explanation with each entry.

S2-6 4 Journalizing transactions [10 min]

Texas Sales Consultants completed the following transactions during the latter part of January:

Jan 22	Performed service for customers on account, \$8,000.
30	Received cash on account from customers, \$7,000.
31	Received a utility bill, \$180, which will be paid during February.
31	Paid monthly salary to salesman, \$2,000.
31	Paid advertising expense of \$700.

Requirement

1. Journalize the transactions of Texas Sales Consultants. Include an explanation with each journal entry.

S2-7 4 Journalizing transactions and posting to T-accounts [10–15 min]

Kenneth Dolkart Optical Dispensary purchased supplies on account for \$3,400. Two weeks later, the business paid half on account.

Requirements

1. Journalize the two transactions for Kenneth Dolkart Optical Dispensary. Include an explanation for each entry.
2. Open the Accounts payable T-account and post to Accounts payable. Compute the balance, and denote it as *Bal.*

S2-8 4 Journalizing transactions and posting [10–15 min]

Washington Law Firm performed legal services for a client who could not pay immediately. The business expected to collect the \$16,000 the following month. Later, the business received \$9,600 cash from the client.

Requirements

1. Record the two transactions for Washington Law Firm. Include an explanation for each transaction.
2. Open these T-accounts: Cash; Accounts receivable; Service revenue. Post to all three accounts. Compute each T-account's balance, and denote as *Bal.*
3. Answer these questions based on your analysis:
 - a. How much did the business earn? Which account shows this amount?
 - b. How much in total assets did the business acquire as a result of the two transactions? Identify each asset and show its balance.

Note: Short Exercise 2-9 should be used only after completing Short Exercise 2-5.

S2-9 4 5 Posting, balancing T-accounts, and preparing a trial balance [10–15 min]

Use the January transaction data for Ned Brown, M.D., given in Short Exercise 2-5.

Requirements

1. Open the following T-accounts: Cash; Accounts receivable; Medical supplies; Accounts payable; Brown, capital; Service revenue; and Rent expense.
2. After making the journal entries in Short Exercise 2-5, post to the T-accounts. No dates or posting references are required. Compute the balance of each account, and denote it as *Bal.*
3. Prepare the trial balance, complete with a proper heading, at January 3, 2012.

S2-10 5 Preparing a trial balance [10 min]

Oakland Floor Coverings reported the following summarized data at December 31, 2012. Accounts appear in no particular order.

Revenues	\$34,000	Other liabilities	\$18,000
Equipment	45,000	Cash	12,000
Accounts payable	2,000	Expenses	19,000
Oakland, capital	22,000		

Requirement

1. Prepare the trial balance of Oakland Floor Coverings at December 31, 2012.

S2-11 5 Correcting a trial balance [10 min]

Brenda Longval Travel Design prepared its trial balance. Suppose Longval made an error: She erroneously listed capital of \$30,600 as a debit rather than a credit.

BRENDA LONGVAL TRAVEL DESIGN		
Trial Balance		
April 30, 2012		
Account Title	Balance	
	Debit	Credit
Cash	\$ 18,000	
Accounts receivable	1,000	
Office supplies	500	
Land	14,000	
Accounts payable		\$ 400
Longval, capital	30,600	
Longval, drawing	3,000	
Service revenue		8,800
Rent expense, computer	700	
Rent expense, office	900	
Salary expense	1,100	
Utilities expense	600	
Total		

Requirement

1. Compute the incorrect trial balance totals for debits and credits. Then show how to correct this error.

S2-12 5 Correcting a trial balance [10 min]

Review Francis Nangle Travel Design's trial balance. Assume that Nangle accidentally listed drawing as \$300 instead of the correct amount of \$3,000.

FRANCIS NANGLE TRAVEL DESIGN		
Trial Balance		
January 31, 2012		
Account Title	Balance	
	Debit	Credit
Cash	\$ 20,000	
Accounts receivable	1,000	
Office supplies	500	
Land	12,000	
Accounts payable		\$ 100
Nangle, capital		31,000
Nangle, drawing	300	
Service revenue		8,700
Rent expense, computer	700	
Rent expense, office	1,200	
Salary expense	1,200	
Utilities expense	200	
Total		

Requirement

1. Compute the incorrect trial balance totals for debits and credits. Then show how to correct this error, which is called a *slide*.

Exercises

MyAccountingLab

E2-13**1 Using accounting vocabulary [10 min]**

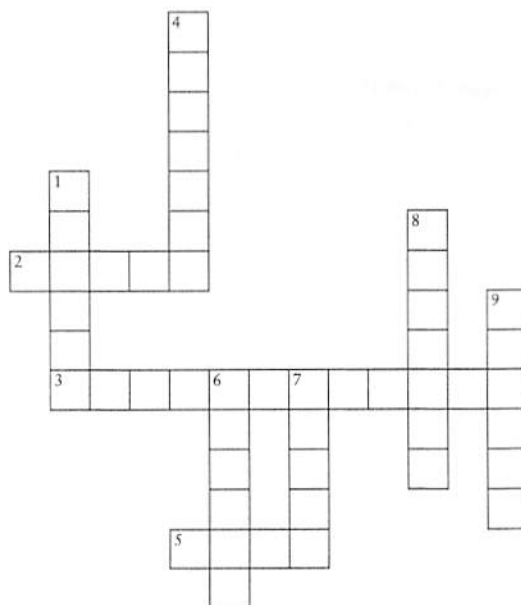
Review basic accounting definitions by completing the following crossword puzzle.

Down:

1. Right side of an account
4. The basic summary device of accounting
6. Book of accounts
7. An economic resource
8. Record of transactions
9. Normal balance of a revenue

Across:

2. Records a decrease in a liability
3. List of accounts with their balances
5. Another word for liability



E2-14 1 Using accounting vocabulary [10–15 min]

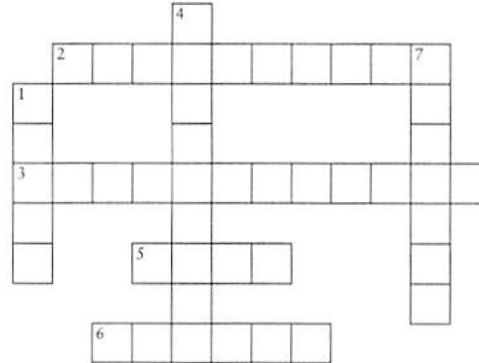
Sharpen your use of accounting terms by working this crossword puzzle.

Down:

1. Records a decrease in a liability
4. Bottom line of an income statement
7. Revenue – net income = _____

Across:

2. Amount collectible from a customer
3. Statement of financial position
5. Copy data from the journal to the ledger
6. Records a decrease in an asset

**E2-15 1 2 Using debits and credits with the accounting equation [10–15 min]**

Link Back to Chapter 1 (Accounting Equation). John's Cream Soda makes specialty soft drinks. At the end of 2012, John's had total assets of \$390,000 and liabilities totaling \$260,000.

Requirements

1. Write the company's accounting equation, and label each amount as a debit or a credit.
2. The business's total revenues for 2012 were \$480,000, and total expenses for the year were \$350,000. How much was the business's net income (or net loss) for 2012? Write the equation to compute the company's net income, and indicate which element is a debit and which is a credit. Does net income represent a net debit or a net credit?

E2-16 3 4 Analyzing and journalizing transactions [10–15 min]

The following transactions occurred for London Engineering:

Jul 2	Paid utilities expense of \$400.
5	Purchased equipment on account, \$2,100.
10	Performed service for a client on account, \$2,000.
12	Borrowed \$7,000 cash, signing a note payable.
19	Sold for \$29,000 land that had cost this same amount.
21	Purchased supplies for \$800 and paid cash.
27	Paid the liability from July 5.

Requirement

1. Identify and perform the three steps to record the previously described transactions.

E2-17 2 3 4 5 Describing transactions, posting to T-accounts, and preparing a trial balance [20–30 min]

The journal of Ward Technology Solutions includes the following entries for May, 2012:

May 1	The business received cash of \$75,000 and gave capital to the owner.
2	Purchased supplies of \$500 on account.
4	Paid \$53,000 cash for a building.
6	Performed service for customers and received cash, \$2,600.
9	Paid \$400 on accounts payable.
17	Performed service for customers on account, \$2,500.
23	Received \$1,900 cash on account from a customer.
31	Paid the following expenses: salary, \$1,100; rent, \$900.

Requirements

1. Describe each transaction. For example, the May 4 transaction description could be "Paid cash for building."
2. Open T-accounts using the following account numbers: Cash, 110; Accounts receivable, 120; Supplies, 130; Building, 140; Accounts payable, 210; Ward, capital, 310; Service revenue, 410; Rent expense, 510; Salary expense, 520.
3. Post to the accounts. Write dates and journal references (use account numbers) in the accounts. Compute the balance of each account after posting.
4. Prepare the trial balance of Ward Technology Solutions at May 31, 2012.

E2-18 2 3 4 5 Analyzing accounting errors [20–30 min]

Danielle Neylon has trouble keeping her debits and credits equal. During a recent month, Danielle made the following accounting errors:

- a. In preparing the trial balance, Danielle omitted a \$7,000 note payable.
- b. Danielle posted a \$90 utility expense as \$900. The credit to Cash was correct.
- c. In recording an \$800 payment on account, Danielle debited Furniture instead of Accounts payable.
- d. In journalizing a receipt of cash for service revenue, Danielle debited Cash for \$1,200 instead of the correct amount of \$120. The credit was correct.
- e. Danielle recorded a \$540 purchase of supplies on account by debiting Supplies and crediting Accounts payable for \$450.

Requirements

1. For each of these errors, state whether total debits equal total credits on the trial balance.
2. Identify each account that has an incorrect balance, and indicate the amount and direction of the error (such as "Accounts receivable \$500 too high").

Note: Exercise 2-19 should be used only after completing Exercise 2-16.

E2-19 2 4 5 Applying the rules of debit and credit, posting, and preparing a trial balance [15–25 min]

Refer to the transactions of London Engineering in Exercise 2-16.

Requirements

1. Open the following T-accounts with their July 1 balances: Cash, debit balance \$4,000; Accounts receivable \$0; Equipment \$0; Land, debit balance \$29,000; Supplies \$0; Accounts payable \$0; Notes payable \$0; London, capital, credit balance \$33,000; Service revenue \$0; Utilities expense \$0.
2. Post the transactions of Exercise 2-16 to the T-accounts. Use the dates as posting references. Start with July 2.
3. Compute the July 31, 2012, balance for each account, and prove that total debits equal total credits by preparing a trial balance.

E2-20 2 3 4 5 Journalizing transactions, posting, and preparing a trial balance [10 min]

In December, 2012, the first five transactions of Adams' Lawn Care Company have been posted to the accounts as follows:

Cash		Supplies		Equipment		Building	
(1) 53,000	(3) 40,000	(2) 700		(5) 4,700		(3) 40,000	
(4) 50,000	(5) 4,700						

Accounts payable		Note payable		Adams, capital	
	(2) 700		(4) 50,000		(1) 53,000

Requirements

1. Prepare the journal entries that served as the sources for the five transactions. Include an explanation for each entry as illustrated on page 87.
2. Prepare the trial balance of Adams' Lawn Care Company at December 31, 2012.

E2-21 4 Using actual business documents [10 min]

Suppose your name is Thomas Sell, and Best Automotive repaired your car. You settled the bill as noted on the following invoice. To you this is a purchase invoice. To Best Automotive, it is a sales invoice.

BEST AUTOMOTIVE 157 LLOYD STREET ST. PAUL, MN 55101 (612) 852-4680				Repair Order #008791 Date: 10/20/2011 Page: 1 Center: 1			
Customer: Thomas Sell Address: 2390 St. Croix Drive City: St. Paul, MN 55103 Phone 1: (612) 846-2550			Vehicle: 2004 Nissan Pathfinder License: MH23THE VIN: WSIDWDU845978 Mileage: 51481				
Op	Tech Quan	Description Part Number	Part Description	Reason for Replacement Recommendation	Labor	Parts Price:	Subtotal
Recommendation			Recommendation		Recommendation		
<div style="border: 2px solid black; padding: 5px; display: inline-block;"> PAID OCT 20 2011 BY: <u>check</u> </div>							
I hereby authorize the repair work to be done along with the necessary parts and materials and hereby grant you and/or your employees permission to operate the vehicle herein described on streets, highways or elsewhere, at your discretion, for the purpose of testing and/or inspection. An express mechanics lien is hereby acknowledged on the above vehicle to secure the amount of repairs thereto. I understand that dealer/owner is not responsible for delay or other consequence due to the unavailability of parts shipments beyond their control. Not responsible for damage or articles left in car in case of fire, theft or any other cause beyond our control. WARRANTY IS 12 MONTHS OR 12,000 MILES, WHICHEVER COMES FIRST x <u>Thomas Sell</u>						Labor: \$192.00 Parts: \$325.50 Sublet: \$0.00 Other fees: \$0.00 Shop Supplies: \$18.40 Subtotal: \$535.90 Sales Tax: \$37.51 Paid By: Total: \$573.41 Pay Ref: Paid: \$0.00 Due: \$573.41	

Requirements

1. Journalize your repair expense transaction.
2. Journalize Best Automotive's service revenue transaction.

E2-22 4 5 Recording transactions, using four-column ledger accounts, and preparing a trial balance [20–25 min]

The following transactions occurred during the month for Teresa Parker, CPA:

- Parker opened an accounting firm by investing \$14,100 cash and office furniture valued at \$5,200. The business issued \$19,300 of capital to Parker.
- Paid monthly rent of \$1,500.
- Purchased office supplies on account, \$900.
- Paid employee's salary, \$1,700.
- Paid \$700 of the account payable created in transaction (c).
- Performed accounting service on account, \$5,900.
- Owner withdrew cash of \$6,700.

Requirements

- Open the following four-column accounts of Teresa Parker, CPA: Cash; Accounts receivable; Office supplies; Office furniture; Accounts payable; Parker, capital; Parker, drawing; Service revenue; Salary expense; Rent expense.
- Journalize the transactions and then post to the four-column accounts. Use the letters to identify the transactions. Keep a running balance in each account.
- Prepare the trial balance at December 31, 2012.

E2-23 4 Journalizing transactions [10–20 min]

Principe Technology Solutions completed the following transactions during August 2012, its first month of operations:

Aug 1	Received cash of \$48,000 and gave capital to the owner.
2	Purchased supplies of \$500 on account.
4	Paid \$47,000 cash for a building.
6	Performed service for customers and received cash, \$4,400.
9	Paid \$200 on accounts payable.
17	Performed service for customers on account, \$2,200.
23	Received \$1,600 cash from a customer on account.
31	Paid the following expenses: salary, \$1,900; rent, \$700.

Requirement

- Record the preceding transactions in the journal of Principe Technology Solutions. Include an explanation for each entry, as illustrated in the chapter. Use the following accounts: Cash; Accounts receivable; Supplies; Building; Accounts payable; Principe, capital; Service revenue; Salary expense; and Rent expense.

Note: Exercise 2-24 should be used only after completing Exercise 2-23.

E2-24 4 5 Posting to the ledger and preparing a trial balance [15–20 min]

Refer to Exercise 2-23 for the transactions of Principe Technology Solutions.

Requirements

- After journalizing the transactions of Exercise 2-23, post to the ledger using the T-account format. Date the ending balance of each account Aug 31.
- Prepare the trial balance of Principe Technology Solutions at August 31, 2012.

E2-25 5 Preparing a trial balance [10 min]

The accounts of Atkins Moving Company follow with their normal balances at August 31, 2012. The accounts are listed in no particular order.

Atkins, capital	\$ 72,000	Trucks	\$ 132,000
Insurance expense	600	Fuel expense	3,000
Accounts payable	4,000	Atkins, drawing	5,400
Service revenue	80,000	Utilities expense	500
Building	48,000	Accounts receivable	8,800
Supplies expense	400	Note payable	54,000
Cash	4,000	Supplies	300
Salary expense	7,000		

Requirement

1. Prepare Atkins' trial balance at August 31, 2012.

E2-26**5 Correcting errors in a trial balance [15–20 min]**

The following trial balance of Joy McDowell Tutoring Service at May 31, 2012, does not balance:

JOY MCDOWELL TUTORING SERVICE		
Trial Balance		
May 31, 2012		
Account	Debit	Credit
Cash	\$ 3,000	
Accounts receivable	2,000	
Supplies	600	
Computer equipment	25,800	
Accounts payable		\$ 11,400
McDowell, capital		11,600
Service revenue		9,800
Salary expense	1,700	
Rent expense	700	
Utilities expense	500	
Total	\$ 34,300	\$ 32,800

Investigation of the accounting records reveals that the bookkeeper:

- a. Recorded a \$500 cash revenue transaction by debiting Accounts receivable. The credit entry was correct.
- b. Posted a \$1,000 credit to Accounts payable as \$100.
- c. Did not record utilities expense or the related account payable in the amount of \$400.
- d. Understated McDowell, capital by \$600.

Requirement

1. Prepare the corrected trial balance at May 31, 2012, complete with a heading; journal entries are not required.

• Problems (Group A)**P2-27A 1 2 Identifying common accounts and normal account balances [10–15 min]****MyAccountingLab**

Showtime Amusements Company owns movie theaters. Showtime engaged in the following business transactions in 2012:

- | | | |
|-----|----|--|
| Sep | 1 | Don Coughiato invested \$370,000 personal cash in the business by depositing that amount in a bank account titled Showtime Amusements. The business gave capital to Coughiato. |
| | 2 | Paid \$360,000 cash to purchase a theater building. |
| | 5 | Borrowed \$260,000 from the bank. Coughiato signed a note payable to the bank in the name of Showtime. |
| | 10 | Purchased theater supplies on account, \$1,400. |
| | 15 | Paid \$1,200 on account. |
| | 15 | Paid property tax expense on theater building, \$1,500. |
| | 16 | Paid employees' salaries \$2,500, and rent on equipment \$1,400. Make a single compound entry. |
| | 28 | Coughiato withdrew cash of \$7,000. |
| | 30 | Received \$21,000 cash from service revenue and deposited that amount in the bank. |

Requirements

1. Create the list of accounts that Showtime Amusements will use to record these transactions.
2. Identify the account type and normal balance of each account identified in Requirement 1.

Note: Problem 2-27A must be completed before attempting Problem 2-28A.

P2-28A 3 4 **Analyzing and journalizing transactions, posting, and preparing a trial balance [40–50 min]**

Review the facts given in P2-27A.

Requirements

1. Journalize each transaction of Showtime as shown for September 1. Explanations are not required.

Sep 1	Cash	370,000	
	Coughlato, capital		370,000

2. Post the transactions to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal*, as shown in the chapter.

P2-29A 2 3 4 5 **Analyzing and journalizing transactions, posting, and preparing a trial balance [45–60 min]**

Vernon Yung practices medicine under the business title Vernon Yung, M.D. During July, the medical practice completed the following transactions:

Jul 1	Yung deposited \$68,000 cash in the business bank account. The business gave capital to Yung.
5	Paid monthly rent on medical equipment, \$560.
9	Paid \$16,000 cash to purchase land for an office site.
10	Purchased supplies on account, \$1,600.
19	Borrowed \$23,000 from the bank for business use. Yung signed a note payable to the bank in the name of the business.
22	Paid \$1,300 on account.
31	Revenues earned during the month included \$6,500 cash and \$5,800 on account.
31	Paid employees' salaries \$2,500, office rent \$1,100, and utilities \$400. Make a single compound entry.
31	Yung withdrew cash of \$7,000.

The business uses the following accounts: Cash; Accounts receivable; Supplies; Land; Accounts payable; Notes payable; Yung, capital; Yung, drawing; Service revenue; Salary expense; Rent expense; and Utilities expense.

Requirements

1. Journalize each transaction, as shown for July 1. Explanations are not required.

Jul 1	Cash	68,000	
	Yung, capital		68,000

2. Post the transactions to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal*, as shown in the chapter.
3. Prepare the trial balance of Vernon Yung, M.D. at July 31, 2012.

P2-30A 3 4 5 Journalizing transactions, posting to T-accounts, and preparing a trial balance [45–60 min]

Doris Stewart started her practice as a design consultant on September 1, 2012. During the first month of operations, the business completed the following transactions:

Sep 1	Received \$42,000 cash and gave capital to Stewart.
4	Purchased supplies, \$700, and furniture, \$1,900, on account.
6	Performed services for a law firm and received \$1,400 cash.
7	Paid \$24,000 cash to acquire land for a future office site.
10	Performed service for a hotel and received its promise to pay the \$1,000 within one week.
14	Paid for the furniture purchased September 4 on account.
15	Paid secretary's bi-monthly salary, \$490.
17	Received cash on account, \$400.
20	Prepared a design for a school on account, \$700.
28	Received \$2,100 cash for consulting with Plummer & Gorden.
30	Paid secretary's bi-monthly salary, \$490.
30	Paid rent expense, \$650.
30	Stewart withdrew cash of \$3,000.

Requirements

1. Open the following T-accounts: Cash; Accounts receivable; Supplies; Furniture; Land; Accounts payable; Stewart, capital; Stewart, drawing; Service revenue; Salary expense; and Rent expense.
2. Record each transaction in the journal, using the account titles given. Key each transaction by date. Explanations are not required.
3. Post the transactions to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal.*, as shown in the chapter.
4. Prepare the trial balance of Doris Stewart, Designer, at September 30, 2012.

P2-31A 4 5 Journalizing transactions, posting to accounts in four-column format, and preparing a trial balance [45–60 min]

Trevor Moore opened a law office on September 2, 2012. During the first month of operations, the business completed the following transactions:

Sep 2	Moore deposited \$39,000 cash in the business bank account Trevor Moore, Attorney. The business gave capital to Moore.
3	Purchased supplies, \$600, and furniture, \$2,000, on account.
4	Performed legal service for a client and received cash, \$1,300.
7	Paid cash to acquire land for a future office site, \$26,000.
11	Prepared legal documents for a client on account, \$700.
15	Paid secretary's bi-monthly salary, \$590.
16	Paid for the supplies purchased September 3 on account.
18	Received \$2,400 cash for helping a client sell real estate.
19	Defended a client in court and billed the client for \$800.
29	Received cash on account, \$700.
30	Paid secretary's bi-monthly salary, \$590.
30	Paid rent expense, \$670.
30	Moore withdrew cash of \$2,400.

Requirements

1. Open the following T-accounts: Cash; Accounts receivable; Supplies; Furniture; Land; Accounts payable; Moore, capital; Moore, drawing; Service revenue; Salary expense; and Rent expense.
2. Record each transaction in the journal, using the account titles given. Key each transaction by date. Explanations are not required.
3. Post the transactions to T-accounts, using transaction dates as posting references in the ledger. Label the balance of each account *Bal*, as shown in the chapter.
4. Prepare the trial balance of Trevor Moore, Attorney, at September 30, 2012.

P2-32A 4 5 Journalizing transactions, posting to accounts in four-column format, and preparing a trial balance [45–60 min]

The trial balance of Sam Mitchell, CPA, is dated January 31, 2012:

SAM MITCHELL, CPA Trial Balance January 31, 2012			
Account No.	Account	Debit	Credit
11	Cash	\$ 7,000	
12	Accounts receivable	10,500	
13	Supplies	600	
14	Land	17,000	
21	Accounts payable		\$ 4,700
31	Mitchell, capital		30,400
32	Mitchell, drawing		
41	Service revenue		
51	Salary expense		
52	Rent expense		
	Total	\$ 35,100	\$ 35,100

During February, Mitchell or his business completed the following transactions:

Feb 4	Collected \$4,000 cash from a client on account.
8	Performed tax services for a client on account, \$4,600.
13	Paid business debt on account, \$2,400.
18	Purchased office supplies on account, \$900.
20	Mitchell withdrew cash of \$2,200.
21	Mitchell paid for a deck for his private residence using personal funds, \$8,000.
22	Received \$2,300 cash for consulting work just completed.
27	Paid office rent, \$500.
29	Paid employee salary, \$1,600.

Requirements

1. Record the February transactions in the journal. Include an explanation for each entry.
2. Post the transactions to four-column accounts in the ledger, using dates, account numbers, journal references, and posting references. Open the ledger accounts listed in the trial balance, together with their balances at January 31.
3. Prepare the trial balance of Sam Mitchell, CPA, at February 29, 2012.

P2-33A 4 5 Journalizing transactions, posting to accounts in four-column format, and preparing a trial balance [45–60 min]

The trial balance of Sharon Silver, Registered Dietician, at June 30, 2012, follows.

SHARON SILVER, REGISTERED DIETICIAN			
Trial Balance			
June 30, 2012			
Account No.	Account	Debit	Credit
11	Cash	\$ 7,000	
12	Accounts receivable	8,500	
13	Supplies	800	
14	Equipment	13,000	
21	Accounts payable		\$ 4,800
31	Silver, capital		24,500
32	Silver, drawing		
41	Service revenue		
51	Salary expense		
52	Rent expense		
	Total	\$ 29,300	\$ 29,300

During July, Silver or her business completed the following transactions:

-
- Jul 4 Collected \$6,000 cash from a client on account.
 7 Performed a nutritional analysis for a hospital on account, \$6,600.
 12 Silver used personal funds to pay for the renovation of her private residence, \$55,000.
 16 Purchased supplies on account, \$1,000.
 19 Silver withdrew cash of \$2,300.
 20 Paid business debt on account, \$2,500.
 24 Received \$2,200 cash for consulting with Natural Foods.
 25 Paid rent, \$500.
 31 Paid employee salary, \$1,700.
-

Requirements

- Record the July transactions in the business's journal. Include an explanation for each entry.
- Post the transactions to four-column accounts in the ledger, using dates, account numbers, journal references, and posting references.
- Prepare the trial balance of Sharon Silver, Registered Dietician, at July 31, 2012.

P2-34A 4 5 Recording transactions, using four-column accounts, posting, and preparing a trial balance [45–60 min]

Maurey Wills started an environmental consulting company and during the first month of operations (February 2012), the business completed the following transactions:

- a. Wills began the business with an investment of \$48,000 cash and a building at \$30,000. The business gave \$78,000 of capital to Wills.
- b. Purchased office supplies on account, \$2,000.
- c. Paid \$14,000 for office furniture.
- d. Paid employee's salary, \$2,200.
- e. Performed consulting services on account, \$3,700.
- f. Paid \$900 of the account payable created in transaction (b).
- g. Received a \$600 bill for advertising expense that will be paid in the near future.
- h. Performed consulting service for cash, \$1,100.
- i. Received cash on account, \$1,100.
- j. Paid the following cash expenses:
 - (1) Rent on equipment, \$1,000.
 - (2) Utilities, \$900.
- k. Wills withdrew cash of \$2,300.

Requirements

1. Open the following four-column accounts: Cash; Accounts receivable; Office supplies; Office furniture; Building; Accounts payable; Wills, capital; Wills, drawing; Service revenue; Salary expense; Rent expense; Advertising expense; and Utilities expense.
2. Record each transaction in the journal. Use the letters to identify the transactions.
3. Post to the accounts and keep a running balance for each account.
4. Prepare the trial balance of Wills Environmental Consulting Company at February 29, 2012.

P2-35A 2 5 **Correcting errors in a trial balance [15–25 min]**
 The trial balance of Smart Tots Child Care does not balance.

SMART TOTS CHILD CARE			
Trial Balance			
August 31, 2012			
Account	Debit	Credit	
Cash	\$ 6,700		
Accounts receivable	7,000		
Supplies	700		
Equipment	87,000		
Accounts payable		\$ 53,000	
Tilley, capital		50,500	
Tilley, drawing	2,400		
Service revenue		4,700	
Salary expense	3,600		
Rent expense	500		
Total	\$ 107,900	\$ 108,200	

The following errors are detected:

- a. Cash is understated by \$1,000.
- b. A \$4,000 debit to Accounts receivable was posted as a credit.
- c. A \$1,000 purchase of supplies on account was neither journalized nor posted.
- d. Equipment's cost is \$78,500, not \$87,000.
- e. Salary expense is overstated by \$200.

Requirement

1. Prepare the corrected trial balance at August 31, 2012. Journal entries are not required.

P2-36A 2 5 Correcting errors in a trial balance [15–25 min]

The trial balance for Treasure Hunt Exploration Company does not balance.

TREASURE HUNT EXPLORATION COMPANY			
Trial Balance			
February 29, 2012			
Account	Debit	Credit	
Cash	\$ 6,300		
Accounts receivable	6,000		
Supplies	400		
Exploration equipment	22,300		
Computers	49,000		
Accounts payable		\$ 2,800	
Note payable		18,500	
Jones, capital		50,000	
Jones, drawing	4,000		
Service revenue		4,100	
Salary expense	1,400		
Rent expense	800		
Advertising expense	900		
Utilities expense	800		
Total	\$ 91,900	\$ 75,400	

The following errors were detected:

- a. The cash balance is overstated by \$5,000.
- b. Rent expense of \$340 was erroneously posted as a credit rather than a debit.
- c. A \$6,800 credit to Service revenue was not posted.
- d. A \$400 debit to Accounts receivable was posted as \$40.
- e. The balance of Utilities expense is understated by \$70.
- f. A \$900 purchase of supplies on account was neither journalized nor posted.
- g. Exploration equipment should be \$16,490.

Requirement

1. Prepare the corrected trial balance at February 29, 2012. Journal entries are not required.

P2-37A 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-28A. After completing the ledger in Problem 2-28A, prepare the following financial statements for Showtime Amusements Company:

Requirements

1. Income statement for the month ended September 30, 2012.
2. Statement of owner's equity for the month ended September 30, 2012. The beginning balance of capital was \$0.
3. Balance sheet at September 30, 2012.

P2-38A 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-29A. After completing the trial balance in Problem 2-29A, prepare the following financial statements for Vernon Yung, M.D.:

Requirements

1. Income statement for the month ended July 31, 2012.
2. Statement of owner's equity for the month ended July 31, 2012. The beginning balance of capital was \$0.
3. Balance sheet at July 31, 2012.

P2-39A 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-30A. After completing the trial balance in Problem 2-30A, prepare the following financial statements for Doris Stewart, Designer:

Requirements

1. Income statement for the month ended September 30, 2012.
2. Statement of owner's equity for the month ended September 30, 2012. The beginning balance of capital was \$0.
3. Balance sheet at September 30, 2012.

P2-40A 5 Preparing financial statements from the trial balance. [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-31A. After completing the trial balance in Problem 2-31A, prepare the following financial statements for Trevor Moore, Attorney:

Requirements

1. Income statement for the month ended September 30, 2012.
2. Statement of owner's equity for the month ended September 30, 2012. The beginning balance of capital was \$0.
3. Balance sheet at September 30, 2012.

P2-41A 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-32A. After completing the trial balance in Problem 2-32A, prepare the following financial statements for Sam Mitchell, CPA:

Requirements

1. Income statement for the month ended February 29, 2012.
2. Statement of owner's equity for the month ended February 29, 2012. The beginning balance of capital was \$0.
3. Balance sheet at February 29, 2012.

P2-42A 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-33A. After completing the trial balance in Problem 2-33A, prepare the following financial statements for Sharon Silver, Registered Dietician:

Requirements

1. Income statement for the month ended July 31, 2012.
2. Statement of owner's equity for the month ended July 31, 2012. The beginning balance of capital was \$0.
3. Balance sheet at July 31, 2012.

P2-43A 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-34A. After completing the trial balance in Problem 2-34A, prepare the following financial statements for Wills Environmental Consulting Company:

Requirements

1. Income statement for the month ended February 29, 2012.
2. Statement of owner's equity for the month ended February 29, 2012. The beginning balance of capital was \$0.
3. Balance sheet at February 29, 2012.

Problems (Group B)**P2-44B 1 2 Identifying common accounts and normal account balances [10–15 min]**

MyAccountingLab

Party Time Amusements Company owns movie theaters. Party Time engaged in the following business transactions in 2012:

Aug 1	Daniel Smith invested \$400,000 personal cash in the business by depositing that amount in a bank account titled Party Time Amusements. The business gave capital to Smith.
2	Paid \$350,000 cash to purchase a theater building.
5	Borrowed \$200,000 from the bank. Smith signed a note payable to the bank in the name of Party Time.
10	Purchased theater supplies on account, \$1,300.
15	Paid \$1,000 on account.
15	Paid property tax expense on theater building, \$1,200.
16	Paid employees' salaries \$2,700, and rent on equipment \$1,700. Make a single compound entry.
28	Smith withdrew cash of \$8,000.
31	Received \$25,000 cash from service revenue and deposited that amount in the bank.

Requirements

1. Create the list of accounts that Party Time Amusements will use to record these transactions.
2. Identify the account type and normal balance of each account identified in Requirement 1.

Note: Problem 2-44B must be completed before attempting Problem 2-45B.

P2-45B 3 4 Analyzing and journalizing transactions, posting, and preparing a trial balance [40–50 min]

Review the facts given in P2-44B.

Requirements

1. Journalize each transaction of Party Time as shown for August 1. Explanations are not required.

Aug 1	Cash	400,000	
	Smith, capital		400,000

2. Post the transactions to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal*, as shown in the chapter.

P2-46B 3 4 5 Analyzing and journalizing transactions, posting, and preparing a trial balance [45–60 min]

Vince Rockford practices medicine under the business title Vince Rockford, M.D. During March, the medical practice completed the following transactions:

Mar 1	Rockford deposited \$74,000 cash in the business bank account. The business gave capital to Rockford.
5	Paid monthly rent on medical equipment, \$560.
9	Paid \$24,000 cash to purchase land for an office site.
10	Purchased supplies on account, \$1,300.
19	Borrowed \$19,000 from the bank for business use. Rockford signed a note payable to the bank in the name of the business.
22	Paid \$900 on account.
31	Revenues earned during the month included \$7,100 cash and \$4,700 on account.
31	Paid employees' salaries \$2,000, office rent \$1,600, and utilities \$320. Make a single compound entry.
31	Rockford withdrew cash of \$8,000.

The business uses the following accounts: Cash; Accounts receivable; Supplies; Land; Accounts payable; Notes payable; Rockford, capital; Rockford, drawing; Service revenue; Salary expense; Rent expense; and Utilities expense.

Requirements

1. Journalize each transaction, as shown for March 1. Explanations are not required.

Mar 1	Cash	74,000	
	Rockford, capital		74,000

2. Post the transactions to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal*, as shown in the chapter.
3. Prepare the trial balance of Vince Rockford, M.D., at March 31, 2012.

P2-47B 4 5 Journalizing transactions, posting to T-accounts, and preparing a trial balance [45–60 min]

Beth Yung started her practice as a design consultant on November 1, 2012. During the first month of operations, the business completed the following transactions:

Nov 1	Received \$34,000 cash and issued capital to Yung.
4	Purchased supplies, \$500, and furniture, \$1,900, on account.
6	Performed services for a law firm and received \$1,200 cash.
7	Paid \$25,000 cash to acquire land for a future office site.
10	Performed service for a hotel and received its promise to pay the \$1,200 within one week.
14	Paid for the furniture purchased November 4 on account.
15	Paid secretary's bi-monthly salary, \$540.
17	Received cash on account, \$500.
20	Prepared a design for a school on account, \$800.
28	Received \$2,200 cash for consulting with Plummer & Gorden.
30	Paid secretary's bi-monthly salary, \$540.
30	Paid rent expense, \$830.
30	Yung withdrew cash of \$2,700.

Requirements

1. Open the following T-accounts: Cash; Accounts receivable; Supplies; Furniture; Land; Accounts payable; Yung, capital; Yung, drawing; Service revenue; Salary expense; and Rent expense.
2. Record each transaction in the journal, using the account titles given. Key each transaction by date. Explanations are not required.
3. Post the transactions to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal*, as shown in the chapter.
4. Prepare the trial balance of Beth Yung, Designer, at November 30, 2012.

P2-48B 4 5 Journalizing transactions, posting to accounts in four-column format, and preparing a trial balance [45–60 min]

Vince Smith opened a law office on April 2, 2012. During the first month of operations, the business completed the following transactions:

Apr 2	Smith deposited \$32,000 cash in the business bank account Vince Smith, Attorney. The business gave Smith capital.
3	Purchased supplies, \$500, and furniture, \$2,000, on account.
4	Performed legal service for a client and received cash, \$1,900.
7	Paid cash to acquire land for a future office site, \$24,000.
11	Prepared legal documents for a client on account, \$1,100.
15	Paid secretary's bi-monthly salary, \$460.
16	Paid for the supplies purchased April 3 on account.
18	Received \$1,700 cash for helping a client sell real estate.
19	Defended a client in court and billed the client for \$700.
29	Received cash on account, \$800.
30	Paid secretary's bi-monthly salary, \$460.
30	Paid rent expense, \$730.
30	Smith withdrew cash of \$2,700.

Requirements

1. Open the following T-accounts: Cash; Accounts receivable; Supplies; Furniture; Land; Accounts payable; Smith, capital; Smith, drawing; Service revenue; Salary expense; and Rent expense.
2. Record each transaction in the journal, using the account titles given. Key each transaction by date. Explanations are not required.
3. Post the transactions to T-accounts, using transaction dates as posting references in the ledger. Label the balance of each account *Bal*, as shown in the chapter.
4. Prepare the trial balance of Vince Smith, Attorney, at April 30, 2012.

P2-49B 4 5 Journalizing transactions, posting to accounts in four-column format, and preparing a trial balance [45–60 min]

The trial balance of John Hilton, CPA, is dated March 31, 2012:

JOHN HILTON, CPA Trial Balance March 31, 2012			
Account No.	Account	Debit	Credit
11	Cash	\$ 5,000	
12	Accounts receivable	8,100	
13	Supplies	800	
14	Land	14,000	
21	Accounts payable		\$ 4,200
31	Hilton, capital		23,700
32	Hilton, drawing		
41	Service revenue		
51	Salary expense		
52	Rent expense		
	Total	\$27,900	\$27,900

During April, Hilton or his business completed the following transactions:

-
- Apr 4 Collected \$7,000 cash from a client on account.
- 8 Performed tax services for a client on account, \$5,000.
- 13 Paid business debt on account, \$2,500.
- 18 Purchased office supplies on account, \$600.
- 20 Hilton withdrew cash of \$2,300.
- 21 Hilton paid for a deck for his private residence, using personal funds, \$12,000.
- 22 Received \$2,100 cash for consulting work just completed.
- 27 Paid office rent, \$300.
- 28 Paid employee salary, \$1,300.
-

Requirements

- Record the April transactions in the journal. Include an explanation for each entry.
- Post the transactions to four-column accounts in the ledger, using dates, account numbers, journal references, and posting references. Open the ledger accounts listed in the trial balance, together with their balances at March 31.
- Prepare the trial balance of John Hilton, CPA, at April 30, 2012.

P2-50B 4 5 Journalizing transactions, posting to accounts in four-column format, and preparing a trial balance [45–60 min]

The trial balance of Shermana Peters, Registered Dietician, at June 30, 2012, follows:

SHERMANA PETERS, REGISTERED DIETICIAN			
Trial Balance			
June 30, 2012			
Account No.	Account	Debit	Credit
11	Cash	\$ 4,000	
12	Accounts receivable	7,600	
13	Supplies	600	
14	Equipment	16,000	
21	Accounts payable		\$ 5,200
31	Peters, capital		23,000
32	Peters, drawing		
41	Service revenue		
51	Salary expense		
52	Rent expense		
	Total	\$28,200	\$28,200

During July, Peters or her business completed the following transactions:

-
- Jul 4 Collected \$7,000 cash from a client on account.
 7 Performed a nutritional analysis for a hospital on account, \$4,900.
 12 Peters used personal funds to pay for the renovation of her private residence, \$53,000.
 16 Purchased supplies on account, \$800.
 19 Peters withdrew cash of \$2,200.
 20 Paid business debt on account, \$2,300.
 24 Received \$2,100 cash for consulting with Bountiful Foods.
 25 Paid rent, \$300.
 31 Paid employee salary, \$1,500.
-

Requirements

- Record the July transactions in the business's journal. Include an explanation for each entry.
- Post the transactions to four-column accounts in the ledger, using dates, account numbers, journal references, and posting references.
- Prepare the trial balance of Shermana Peters, Registered Dietician, at July 31, 2012.

P2-51B 4 5 Recording transactions, using four-column accounts, posting, and preparing a trial balance [45–60 min]

Van Stubbs started an environmental consulting company and during the first month of operations (October 2012), the business completed the following transactions:

- a. Stubbs began the business with an investment of \$40,000 cash and a building at \$26,000. The business gave \$66,000 of capital to Stubbs.
- b. Purchased office supplies on account, \$2,400.
- c. Paid \$18,000 for office furniture.
- d. Paid employee's salary, \$1,900.
- e. Performed consulting services on account, \$3,600.
- f. Paid \$500 of the account payable created in transaction (b).
- g. Received a \$300 bill for advertising expense that will be paid in the near future.
- h. Performed consulting service for cash, \$800.
- i. Received cash on account, \$1,400.
- j. Paid the following cash expenses:
 - (1) Rent on equipment, \$700.
 - (2) Utilities, \$500.
- k. Stubbs withdrew cash of \$2,400.

Requirements

1. Open the following four-column accounts: Cash; Accounts receivable; Office supplies; Office furniture; Building; Accounts payable; Stubbs, capital; Stubbs, drawing; Service revenue; Salary expense; Rent expense; Advertising expense; and Utilities expense.
2. Record each transaction in the journal. Use the letters to identify the transactions.
3. Post to the accounts and keep a running balance for each account.
4. Prepare the trial balance of Stubbs Environmental Consulting Company at October 31, 2012.

P2-52B 2 5 Correcting errors in a trial balance [15–25 min]

The trial balance of Building Blocks Child Care does not balance.

BUILDING BLOCKS CHILD CARE			
Trial Balance			
May 31, 2012			
Account	Debit	Credit	
Cash	\$ 6,300		
Accounts receivable	3,000		
Supplies	700		
Equipment	88,000		
Accounts payable		\$ 57,000	
Estella, capital		50,400	
Estella, drawing	2,600		
Service revenue		4,700	
Salary expense	3,200		
Rent expense	700		
Total	\$ 104,500	\$ 112,100	

The following errors are detected:

- a. Cash is understated by \$4,000.
- b. A \$2,000 debit to Accounts receivable was posted as a credit.
- c. A \$1,200 purchase of supplies on account was neither journalized nor posted.
- d. Equipment's cost is \$87,700, not \$88,000.
- e. Salary expense is overstated by \$100.

Requirement

1. Prepare the corrected trial balance at May 31, 2012. Journal entries are not required.

P2-53B 2 5 Correcting errors in a trial balance [15–25 min]

The trial balance for Treasure Hunt Exploration Company does not balance.

TREASURE HUNT EXPLORATION COMPANY			
Trial Balance			
July 31, 2012			
Account	Debit	Credit	
Cash	\$ 6,600		
Accounts receivable	9,000		
Supplies	200		
Exploration equipment	22,600		
Computers	46,000		
Accounts payable		\$ 2,900	
Note payable		18,900	
Indiana, capital		50,100	
Indiana, drawing	1,000		
Service revenue		4,900	
Salary expense	1,800		
Rent expense	100		
Advertising expense	100		
Utilities expense	700		
Total	\$ 88,100	\$ 76,800	

The following errors were detected:

- a. The cash balance is overstated by \$1,000.
- b. Rent expense of \$300 was erroneously posted as a credit rather than a debit.
- c. A \$6,000 credit to Service revenue was not posted.
- d. A \$500 debit to Accounts receivable was posted as \$50.
- e. The balance of Utilities expense is understated by \$90.
- f. A \$600 purchase of supplies on account was neither journalized nor posted.
- g. Exploration equipment should be \$17,160.

Requirement

1. Prepare the corrected trial balance at July 31, 2012. Journal entries are not required.

P2-54B 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-45B. After completing the ledger in Problem 2-45B, prepare the following financial statements for Party Time Amusements Company:

Requirements

1. Income statement for the month ended August 31, 2012.
2. Statement of owner's equity for the month ended August 31, 2012. The beginning balance of capital was \$0.
3. Balance sheet at August 31, 2012.

P2-55B 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-46B. After completing the trial balance in Problem 2-46B, prepare the following financial statements for Vince Rockford, M.D.:

Requirements

1. Income statement for the month ended March 31, 2012.
2. Statement of owner's equity for the month ended March 31, 2012. The beginning balance of capital was \$0.
3. Balance sheet at March 31, 2012.

P2-56B 5 Preparing preparing financial statements from the trial balance. [20–30 min]
Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-47B. After completing the trial balance in Problem 2-47B, prepare the following financial statements for Beth Yung, Designer:

Requirements

1. Income statement for the month ended November 30, 2012.
2. Statement of owner's equity for the month ended November 30, 2012. The beginning balance of capital was \$0.
3. Balance sheet at November 30, 2012.

P2-57B 5 Preparing financial statements from the trial balance. [20–30 min]
Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-48B. After completing the trial balance in Problem 2-48B, prepare the following financial statements for Vince Smith, Attorney:

Requirements

1. Income statement for the month ended April 30, 2012.
2. Statement of owner's equity for the month ended April 30, 2012. The beginning balance of capital was \$0.
3. Balance sheet at April 30, 2012.

P2-58B 5 Preparing financial statements from the trial balance [20–30 min]
Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-49B. After completing the trial balance in Problem 2-49B, prepare the following financial statements for John Hilton, CPA:

Requirements

1. Income statement for the month ended April 30, 2012.
2. Statement of owner's equity for the month ended April 30, 2012. The beginning balance of capital was \$0.
3. Balance sheet at April 30, 2012.

P2-59B 5 Preparing financial statements from the trial balance [20–30 min]
Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-50B. After completing the trial balance in Problem 2-50B, prepare the following financial statements for Shermana Peters, Registered Dietician:

Requirements

1. Income statement for the month ended July 31, 2012.
2. Statement of owner's equity for the month ended July 31, 2012. The beginning balance of capital was 0.
3. Balance sheet at July 31, 2012.

P2-60B 5 Preparing financial statements from the trial balance [20–30 min]

Link Back to Chapter 1 (Income Statement, Statement of Owner's Equity, Balance Sheet). Refer to Problem 2-51B. After completing the trial balance in Problem 2-51B, prepare the following financial statements for Stubbs Environmental Consulting Company:

Requirements

1. Income statement for the month ended October 31, 2012.
2. Statement of owner's equity for the month ended October 31, 2012. The beginning balance of capital was \$0.
3. Balance sheet at October 31, 2012.

• Continuing Exercise

2 3 4 5 Journalizing transactions, posting to T-accounts, and preparing a trial balance [30–45 min] Exercise 2-61 continues with the consulting business of Lawlor Lawn Service begun in Exercise 1-47. Here you will account for Lawlor Lawn Service's transactions as it is actually done in practice.

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E2-61 Lawlor Lawn Service completed the following transactions during May:

May	1	Received \$1,700 and gave capital to Lawlor. Opened bank account titled Lawlor Lawn Service.
	3	Purchased on account a mower, \$1,200, and weed whacker, \$240. The equipment is expected to remain in service for four years.
	5	Purchased \$30 of gas. Wrote check #1 from the new bank account.
	6	Performed lawn services for client on account, \$150.
	8	Purchased \$150 of fertilizer supplies from the lawn store that will be used on future jobs. Wrote check #2 from the new bank account.
	17	Completed landscaping job for client, received cash \$800.
	31	Received \$100 on account from May 6 sale.

Requirements

1. Open T-accounts: Cash; Accounts receivable; Lawn supplies; Equipment; Accounts payable; Lawlor, capital; Lawlor, drawing; Service revenue; and Fuel expense.
2. Journalize the transactions. Explanations are not required.
3. Post to the T-accounts. Key all items by date, and denote an account balance as *Bal.* Formal posting references are not required.
4. Prepare a trial balance at May 31, 2012.

• Continuing Problem

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2 3 4 5 Journalizing transactions, posting to T-accounts, and preparing a trial balance [40–50 min] Problem 2-62 continues with the consulting business of Carl Draper, begun in Problem 1-48. Here you will account for Draper Consulting's transactions as it is actually done in practice.

P2-62 Draper Consulting completed the following transactions during the first half of December, 2012:

Dec 2	Received \$18,000 cash and gave capital to Draper.
2	Paid monthly office rent, \$550.
3	Paid cash for a Dell computer, \$1,800. This equipment is expected to remain in service for five years.
4	Purchased office furniture on account, \$4,200. The furniture should last for five years.
5	Purchased supplies on account, \$900.
9	Performed consulting service for a client on account, \$1,500.
12	Paid utility expenses, \$250.
18	Performed service for a client and received cash of \$1,100.

Requirements

1. Open T-accounts: Cash; Accounts receivable; Supplies; Equipment; Furniture; Accounts payable; Draper, capital; Draper, drawing; Service revenue; Rent expense; and Utilities expense.
2. Journalize the transactions. Explanations are not required.
3. Post to the T-accounts. Key all items by date, and denote an account balance as *Bal.* Formal posting references are not required.
4. Prepare a trial balance at December 18. In the Continuing Problem of Chapter 3, we will add transactions for the remainder of December and prepare a trial balance at December 31.