**Review Problems**

1. For each item below, indicate whether a debit or a credit applies.

a. Decrease in Accounts Payable

b. Decrease in Land

c. Increase in Retained Earnings

d. Increase in Unearned Revenue

e. Decrease in Interest Payable

f. Increase in Prepaid Insurance

g. Increase in Wages Expense

h. Decrease in Art Supplies

i. Increase in Advertising Fees Earned

2. For each item below, indicate whether a debit or a credit applies.

a. Increase in Art Fees Earned

b. Decrease in Prepaid Rent

c. Decrease in Unearned Fees

d. Increase in Common Stock

e. Increase in Depreciation Expense, Buildings

f. Increase in Interest Receivable

g. Decrease in Retained Earnings

h. Increase in Dividends

i. Increase in Notes Payable

3. From the following alphabetical list of account balances, all of which are normal, for Aloha Corporation on September 30, 2010, prepare a trial balance in proper form (the amount of Dividends must be computed).

|  |  |
| --- | --- |
| Accounts Payable | $ 780 |
| Accounts Receivable | 460 |
| Cash | 400 |
| Common Stock | 800 |
| Dividends | ? |
| Equipment | 1,380 |
| Prepaid Advertising | 20 |
| Retained Earnings | 400 |
| Revenue Earned | 1,000 |
| Wages Expense | 60 |
| Wages Payable | 20 |

4. Using the alphabetical list of account balances presented below, all of which are normal, prepare a trial balance for T. and C. Corporation at June 30, 2010, in proper order. Compute the balance of the Cash account.

|  |  |
| --- | --- |
| Accounts Payable | $140 |
| Accounts Receivable | 280 |
| Cash | ? |
| Common Stock | 200 |
| Equipment | 400 |
| Office Expense | 180 |
| Retained Earnings | 240 |
| Service Revenue | 300 |

5. In the journal provided, prepare journal entries (in good form) for the following transactions. If no entry is required, write “no entry.” Omit explanations.

|  |  |  |
| --- | --- | --- |
| May | 1 | Investors opened a dry cleaning service, called Junction Cleaners, by depositing $100,000 into a business bank account and receiving 50,000 shares of $2 par value stock in exchange. |
|  | 3 | Paid two years' rent in advance, $11,200. |
|  | 6 | Purchased dry cleaning equipment for $36,000. Paid $14,000 in cash, the remainder to be paid in two weeks. |
|  | 10 | Hired a worker, to be paid $550 per week. |
|  | 17 | Paid the worker's weekly wage. |
|  | 17 | Recorded cash received for services rendered during the week, $5,000. |
|  | 20 | Paid for the remainder of the equipment purchased on May 6. |
|  | 21 | Received $240 in advance of cleaning and boxing a wedding gown. |
|  | 23 | Performed $390 of dry cleaning services for Tuxedos Unlimited. It will remit payment in three days. |
|  | 24 | Paid the weekly wages. |
|  | 26 | Received payment from Tuxedos Unlimited. |
|  | 30 | Received a telephone bill for $114, which will be paid in two weeks. |

6. In the journal provided, prepare journal entries (in good form) for the following transactions. If no entry is required, write “no entry.” Omit explanations.

|  |  |  |
| --- | --- | --- |
| Nov. | 1 | Investors opened a dance school called Olga's Dance Studio by depositing $24,000 into a business bank account in exchange for 24,000 shares of $1 par value stock. |
|  | 2 | Paid three months' rent in advance, $2,400. |
|  | 4 | Hired a part-time assistant, to be paid $275 per week. |
|  | 6 | Purchased sound equipment for $4,200. Paid $600 in cash, the remainder to be paid in installments of $1,200 every two weeks. |
|  | 8 | Signed up ten students, who will begin lessons on November 10, at $100 per week per student. |
|  | 17 | Received the first week's tuition from nine students; the tenth student will remit payment in three days. |
|  | 17 | Paid the assistant his first week's wages. |
|  | 20 | Received payment from the tenth student. |
|  | 20 | Paid the next installment on the sound equipment purchased on November 6. |
|  | 23 | Received an electric bill of $150, to be paid on December 1. |

7. In the journal provided, prepare adjusting entries for the following items. Omit explanations.

a. Depreciation on machinery is $940 for the accounting period.

b. Interest incurred on a loan but not paid or recorded is $635.

c. Office supplies of $600 were on hand at the beginning of the period. Purchases of office supplies during the period totaled $200. At the end of the period, $140 in office supplies remained.

d. Commissions amounting to $540 were earned but not recorded or collected by year end.

e. Prepaid Rent had an $8,000 normal balance prior to adjustment. By year end, 50 percent had expired.

f. Federal income taxes for the year are estimated to be $3,250.

8. Below are the adjusted accounts of DeMay Realtors, Inc., for the month ended July 31, 20xx, listed in alphabetical order:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Accounts Payable | | $1,200 |  | Dividends | $ 3,000 |
| Accounts Receivable | | 10,800 |  | Income Taxes Expense | 300 |
| Accumulated Depreciation– | |  |  | Income Taxes Payable | 300 |
|  | Office Equipment | 12,000 |  | Land | 4,500 |
| Cash | | 3,450 |  | Office Equipment | 30,000 |
| Commissions Revenue | | 22,500 |  | Salaries Expense | 6,900 |
| Common Stock | | 24,000 |  | Utilities Expense | 450 |
| Depreciation Expense– | |  |  |  |  |
|  | Office Equipment | 600 |  |  |  |

Prepare a post-closing trial balance.

9. In the journal provided, prepare year-end adjustments for the following situations. Omit explanations.

a. Accrued interest on notes receivable is $560.

b. Of the $7,200 received in advance of earning a service, one-third was still unearned by year end.

c. Two years of rent, totaling $24,000, was paid in advance. By year end, four months' worth had expired.

d. Services totaling $685 had been performed, but not yet billed.

e. Depreciation on trucks totaled $1,700 for the year.

f. Supplies available for use during the year amounted to $3,400. However, by year end, only $700 in supplies remained.

g. Payroll for the five-day work week, to be paid on Friday, is $6,000. Year end falls on a Tuesday.

h. Estimated federal income taxes were $2,100.

10. Use the following unadjusted trial balance to prepare adjusting entries, given the additional information below it. Assume that financial statements are prepared *quarterly*. Omit explanations.

|  |  |  |
| --- | --- | --- |
| **Shayna's Financial Services** | | |
| **Unadjusted Trial Balance** | | |
| **September 30, 2010** | | |
| Cash | $ 30,000 |  |
| Accounts Receivable | 9,600 |  |
| Office Supplies | 1,600 |  |
| Prepaid Rent | 5,400 |  |
| Office Furniture | 14,400 |  |
| Accumulated Depreciation–Office Furniture |  | $ 600 |
| Accounts Payable |  | 22,200 |
| Unearned Revenue |  | 3,000 |
| Common Stock |  | 30,600 |
| Consulting Revenue |  | 18,000 |
| Salaries Expense | 11,000 |  |
| Insurance Expense | 2,400 | \_\_\_\_\_\_\_ |
|  | $74,400 | $74,400 |

a. Of the revenue received in advance, 60 percent remained unearned on September 30.

b. The office furniture has an estimated 12-year useful life and zero value at the end of that time. Record depreciation for the quarter.

c. Salaries earned, but unpaid, totaled $2,600.

d. The Prepaid Rent applies to the six months beginning July 1, 2010.

e. Office supplies on hand totaled $600 at the end of the quarter.

f. Services performed but not yet billed or recorded amount to $3,000.

11. Prepare year-end adjusting entries for each of the following situations.

a. The Office Supplies account showed a beginning debit balance of $600 and purchases of $1,000. The ending debit balance was $400.

b. Depreciation on buildings is estimated to be $7,600.

c. A one-year insurance policy was purchased for $6,000. Four months have passed since the purchase.

d. Accrued interest on notes payable amounted to $1,500.

e. The company received a $14,400 advance payment during the year on services to be performed. By the end of the year, two-thirds of the services had been performed.

f. Payroll for the five-day workweek, to be paid on Friday, is $14,000. The last day of the period is a Wednesday.

g. Services totaling $780 had been performed but not yet billed or recorded.

12. The following account balances pertain to the Henryville Manufacturing Co. at December 31, 2013 (before adjusting entries).

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Cash ...................... ......................................................... | $300,000 |  |
| Prepaid Insurance ............................................................. | 50,000 |  |
| Land ................................................................................ | 400,000 |  |
| Accounts Payable ............................................................. |  | 30,000 |
| Common Stock ................................................................. |  | 250,000 |
| Retained Earnings ............................................................. |  | 150,000 |
| Service Revenue ............................................................... |  | 650,000 |
| Wages Expense ................................................................. | 150,000 |  |
| Rent Expense ................................................................... | 180,000 |  |
| Total ................................................................................ | $1,080,000 | $1,080,000 |

Additional information:

|  |  |
| --- | --- |
| (a) | Prepaid insurance in the trial balance represents an advance payment for 5 months of insurance made on November 1, 2013. |
| (b) | In July, the accountant debited accounts payable for a $10,000 fine for a pollution violation; “Environmental Expense” should have been debited. |
| (c) | Rent expense in the trial balance represents an advance payment for 6 months rent paid on October 1, 2013. The Company begins occupying the property on that date. |
| (d) | Unpaid and unrecorded wages earned by employees at December 31, 2013, were  $60,000. |
| (e) | The income tax liability for the year is $100,000, payable April 15, 2014. |

**Required:**

(1) Prepare adjusting entries to Henryville Co.'s accounts at December 31, 2013. Each entry should be made in general journal format. Identify each entry by using the letter of the paragraph containing the additional information for the entry.

(2) Prepare the current year income statement

.

(3) Prepare the current year retained earnings statement.

(4) Prepare the current year balance sheet.

(5) Prepare the closing entries.

13. Record the following transactions and events of Royal Wulff Company in general journal form. If the item does not require a journal entry, write "no entry."

|  |  |  |
| --- | --- | --- |
|  |  | |
| (a) | | Sold merchandise costing $4,500 for $1,000 cash and $7,000 on open account. A perpetual inventory system is used. |
| (b) | | Purchased land and building for $100,000 cash and a $300,000 mortgage. The land was recently appraised at $60,000 and the building at $340,000. |
| (c) | | Received payment on account, $12,000. |
| (d) | | Estimated that utilities expense for the coming six months will total $7,600. |
| (e) | | Declared a cash dividend totaling $13,500. The dividend will be paid in six weeks. |

14. The trial balance and transaction descriptions below are for Coachman Company:

|  |  |  |  |
| --- | --- | --- | --- |
| Coachman Company  Trial Balance  February 1, 2013 | | | |
|  | Debit | Credit |
| Cash ................................................................................ | $ 250 |  |
| Accounts Receivable ........................................................ | 320 |  |
| Inventory ......................................................................... | 495 |  |
| Equipment ....................................................................... | 1,200 |  |
| Accumulated Depreciation ............................................... |  | $ 245 |
| Accounts Payable ............................................................ |  | 185 |
| Mortgage Payable ............................................................ |  | 900 |
| Common Stock ................................................................ |  | 300 |
| Retained Earnings ............................................................ |  | 635 |
|  | $2,265 | $2,265 |

Summary transactions for February:

|  |  |
| --- | --- |
| (a) | Collected $100 on open account |
| (b) | Purchased $130 inventory for $20 cash and the remainder on open account. |
| (c) | Bought new equipment costing $200 for $50 cash, with the remainder due on a mortgage payable. |
| (d) | Paid $85 on open account. |
| (e) | Recorded depreciation expense of $35. |
| (f) | Sold goods costing $90 for $30 cash and $120 on open account. |

What is Coachman's total equity at the end of February?

15. Presented below is the December 31 trial balance of Cassini Studios.

|  |  |  |
| --- | --- | --- |
| Cassini Studios  Trial Balance  December 31, 2013 | | |
|  |  |  |
|  | Debit | Credit |
| Cash ................................................................................. | $ 14,800 |  |
| Accounts Receivable ......................................................... | 33,600 |  |
| Allowances for Doubtful Accounts ..................................... |  | $ 2,160 |
| Inventory, January 1 .......................................................... | 62,400 |  |
| Furniture and Equipment .................................................... | 67,200 |  |
| Accumulated Depreciation--Furniture and Equipment .......... |  | 26,880 |
| Prepaid Insurance ............................................................. | 4,080 |  |
| Notes Payable .................................................................. |  | 22,400 |
| Cassini, Capital ................................................................. |  | 72,000 |
| Sales ................................................................................ |  | 480,000 |
| Purchases ........................................................................ | 320,000 |  |
| Sales Salaries Expense ...................................................... | 40,000 |  |
| Advertising Expense .......................................................... | 5,360 |  |
| Administrative Salaries Expense ......................................... | 52,000 |  |
| Office Expense ................................................................. | 4,000 |  |
|  | $603,440 | $603,440 |

|  |  |  |
| --- | --- | --- |
| (1) | Prepare adjusting journal entries for the following items: | |
|  | (a) | Adjust the Allowance for Doubtful Accounts to 8 percent of the accounts receivable. |
|  | (b) | Furniture and equipment is depreciated at 20 percent per year. |
|  | (c) | Insurance expired during the year, $2,040. |
|  | (d) | Interest accrued on notes payable, $2,688. |
|  | (e) | Sales salaries earned but not paid, $1,920. |
|  | (f) | Advertising paid in advance, $560. |
|  | (g) | Office supplies on hand, $1,200, charged to Office Expense when purchased. |
| (2) | Prepare closing entries for Cassini after the above adjusting entries have been made. Additional information shows the inventory on December 31 was $64,000. | |

16. Record the following selected transactions for April in a two-column journal, identifying each entry by letter:

|  |  |
| --- | --- |
| (a) | Received $12,000 from Katie Long, owner. |
| (b) | Purchased equipment for $25,000, paying $10,000 in cash and giving a note payable for the remainder. |
| (c) | Paid $1,800 for rent for April. |
| (d) | Purchased $9,800 of supplies on account. |
| (e) | Recorded $2,250 of fees earned on account. |
| (f) | Received $9,000 in cash for fees earned. |
| (g) | Paid $300 to creditors on account. |
| (h) | Paid wages of $1,650. |
| (i) | Received $1,190 from customers on account. |
| (j) | Recorded owner's withdrawal of $2,350. |

17. Journalize the following selected transactions for April 2008 in a two-column journal. Journal entry explanations may be omitted.

|  |  |
| --- | --- |
| April 1 | Received cash from the investment made by the owner, $14,000. |
| 2 | Received cash for providing accounting services, $9,500. |
| 3 | Billed customers on account for providing services, $4,200. |
| 4 | Paid advertising expense, $700. |
| 5 | Received cash from customers on account, $2,500. |
| 6 | Owner withdraws, $1,010. |
| 7 | Received telephone bill, $900. |
| 8 | Paid telephone bill, $900. |

18. Set up T accounts for Cash; Accounts Receivable; Supplies; Accounts Payable; Clay Potter, Capital; Clay Potter, Drawing; Professional Fees; and Operating Expenses.

|  |  |  |
| --- | --- | --- |
| (a) | In the T accounts, record the following transactions of Potter Pool Services for June, 2007, identifying each entry by number: | |
|  | (1) | Potter invested $12,500 cash in the business. |
|  | (2) | Purchased supplies on account, $6,250. |
|  | (3) | Paid operating expenses, $5,500. |
|  | (4) | Billed clients for fees, $7,440. |
|  | (5) | Received cash from cash clients, $4,700. |
|  | (6) | Paid creditors on account, $1,400. |
|  | (7) | Received $3,100 from clients on account. |
|  | (8) | Withdrew $1,500 cash for personal use. |
|  |  | |
| (b) | Prepare a trial balance as of June 30, 2009 for Potter Pool Services. | |
|  |  | |
| (c) | Assuming that supplies expense (which has not been recorded) amounts to $1,500 for June, determine the following: | |
|  | (1) | Net income for the month. |
|  | (2) | Owner's equity as of June 30. |

19. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30, 2010.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Accounts Payable | $ 4,100 |  | Rent Expense | $11,500 |
| Accounts Receivable | 3,450 |  | Salary Expense | 14,000 |
| Cash | 7,375 |  | Fees Earned | 54,100 |
| Sophie Dawson, Capital | 17,800 |  | Supplies | 3,125 |
| Sophie Dawson, Drawing | 15,500 |  | Supplies Expense | 1,700 |
| Equipment | 14,500 |  | Utilities Expense | 4,000 |
| Miscellaneous Expense | 850 |  |  |  |

20. For each of the following, journalize the necessary adjusting entry:

|  |  |
| --- | --- |
| (a) | A business pays weekly salaries of $22,000 on Friday for a five-day week ending on that day. Journalize the necessary adjusting entry at the end of the fiscal period, assuming that the fiscal period ends (1) on Tuesday, (2) on Wednesday. |
| (b) | The balance in the prepaid insurance account before adjustment at the end of the year is $18,000. Journalize the adjusting entry required under each of the following alternatives: (1) the amount of insurance expired during the year is $5,300, (2) the amount of unexpired insurance applicable to a future period is $2,700. |
| (c) | On July 1 of the current year, a business pays $54,000 to the city for license taxes for the coming fiscal year. The same business is also required to pay an annual property tax at the end of the year. The estimated amount of the current year's property tax allocable to July is $4,800. (1) Journalize the two adjusting entries required to bring the accounts affected by the taxes up to date as of July 31. (2) What is the amount of tax expense for July? |
| (d) | The estimated depreciation on equipment for the year is $32,000. |

21. Journalize in a two column journal the adjusting entries required at December 31, 2008. Omit explanations.

1. Fees accrued but unbilled are $4,500.

2. The supplies account balance on December 31 is $5,250. The supplies on hand are $1,015.

3. Wages accrued but not paid are $3,500.

4. Depreciation of office equipment is $2,200.

5. Rent expired during year, $7,800.

22. Prepare the following adjustments in good journal entry format.

|  |  |
| --- | --- |
| (a) | The beginning balance of the Supplies account was $245. During the month the company bought additional supplies in the amount of $735. At the end of the month a physical inventory showed $343 of unused supplies. |
| (b) | The company has a Note Payable in the amount of $17,000 at an APR of 12%. The note will be paid at the end of 6 months. The interest expense for the month needs to be recorded. |
| (c) | There are two employees at the North Park Store. One is a manager that gets paid on the 15th of every month for his work during the first part of the month and on the 1st of the following month for the second part of the month. His monthly salary is $3,500. The other employee is an administrative assistant who gets a week pay of $650. The last day of the month fell on Thursday. |
| (d) | The unearned revenue account shows a balance of $46,000. According to the manager 75% of that amount has been earned. |
| (e) | At the end of the month $5,700 of services had been performed but not yet billed. |

23. The chart of accounts for Mira Delivery Service is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets** | | **Revenue** | |
| 111 | Cash | 411 | Income from Services |
| 113 | Accounts Receivable |  |  |
| 116 | Prepaid Insurance | **Expenses** | |
| 121 | Truck | 511 | Wages Expense |
| 123 | Computing Equipment | 512 | Truck Operating Expense |
|  |  | 513 | Repair Expense |
| **Liabilities** | | 514 | Advertising Expense |
| 211 | Accounts Payable | 515 | Supplies Expense |
|  |  | 519 | Miscellaneous Expense |
| **Owner's Equity** | |  |  |
| 311 | G. A. Mira, Capital |  |  |
| 312 | G. A. Mira, Drawing |  |  |

Mira Delivery Service completed the following transactions during May:

|  |  |
| --- | --- |
| May 3 | Placed an advertisement in the *Quarterly* for $185; the amount is due in 30 days. |
| 6 | Bought supplies on account from Supplies, Inc., $318. |
| 9 | Billed Burien Bank for services performed, $450. |
| 11 | Received and paid gasoline and oil bill relating to the service truck, $125. |
| 15 | Mira invested in the business his own personal computing equipment with a fair market value of $525. |
| 17 | Received $618 from charge customers to apply on their accounts. |
| 22 | Received a bill from Wilson Trucking for repair services performed, $185. |
| 26 | Paid Supplies, Inc., $318 in full payment of account. |
| 29 | Paid wages to part-time employee, $410. |
| 30 | Received $390 for services performed. |
| 31 | G. A. Mira withdrew cash for personal use, $735. |

*Instructions:*

Journalize the transactions for May, including a brief explanation for each entry.

24. The chart of accounts for Lara Landscaping is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets** | | **Revenue** | |
| 111 | Cash | 411 | Income from Services |
| 112 | Accounts Receivable |  |  |
| 114 | Prepaid Insurance | **Expenses** | |
| 121 | Equipment | 511 | Wages Expense |
| 122 | Truck | 512 | Truck Operating Expense |
|  |  | 513 | Rent Expense |
| **Liabilities** | | 514 | Utilities Expense |
| 211 | Accounts Payable | 515 | Supplies Expense |
|  |  |  |  |
| **Owner's Equity** | |  |  |
| 311 | J. Lara, Capital |  |  |
| 312 | J. Lara, Drawing |  |  |

Lara Landscaping completed the following transactions in July:

|  |  |
| --- | --- |
| July 2 | Paid rent for the month of July, $580. |
| 7 | Received cash on account from Java Condos, $218 (previously billed). |
| 9 | Bought equipment on account from Bray Equipment, $610. |
| 12 | Received and paid telephone bill, $95. |
| 15 | Billed City Hall for services performed, $310. |
| 20 | Paid cash for liability insurance (six months), $350. |
| 21 | J. Lara invested in the business her personal equipment having a fair market value of $495. |
| 23 | Paid $200 on account to Bray Equipment. |
| 31 | Paid wages to part-time employee, $248. |
| 31 | Received cash for services performed, $723. |
| 31 | J. Lara withdrew cash for personal use, $515. |

*Instructions:*

Journalize the transactions for July, including a brief explanation for each entry.

25. The ledger of Alex Advertising and Publicity contained the following account balances as of October 31:

|  |  |
| --- | --- |
| Accounts Payable | $2,450 |
| Accounts Receivable | 4,260 |
| Advertising Revenue | 9,640 |
| C. D. Alex, Capital | 7,650 |
| C. D. Alex, Drawing | 5,620 |
| Cash | 1,600 |
| Equipment | 5,240 |
| Miscellaneous Expense | 170 |
| Prepaid Insurance | 360 |
| Public Relations Revenue | 4,250 |
| Rent Expense | 900 |
| Salary Expense | 5,200 |
| Supplies Expense | 400 |
| Utilities Expense | 240 |

*Instructions:*

Prepare a trial balance dated October 31 of the present year.

26. The trial balance of B. C. Towe, Quick Cleaners, for the year ended December 31 is presented below.

|  |  |  |
| --- | --- | --- |
| **B. C. Towe, Quick Cleaners**  **Trial Balance**  **December 31, 20** | | |
| **Account Name** | **Debit** | **Credit** |
| Cash | 1,350 |  |
| Accounts Receivable | 3,800 |  |
| Prepaid Insurance | 720 |  |
| Equipment | 29,100 |  |
| Accumulated Depreciation, Equipment |  | 9,220 |
| Van | 22,800 |  |
| Accumulated Depreciation, Van |  | 17,200 |
| Accounts Payable |  | 2,200 |
| B. C. Towe, Capital |  | 30,200 |
| B. C. Towe, Drawing | 25,000 |  |
| Cleaning Revenue |  | 80,100 |
| Wages Expense | 48,170 |  |
| Rent Expense | 3,000 |  |
| Advertising Expense | 1,410 |  |
| Van Expense | 1,800 |  |
| Cleaning Supplies Expense | 1,370 |  |
| Miscellaneous Expense | 400 | \_\_\_\_\_\_\_ |
|  | 138,920 | 138,920 |

Data for the adjustments are as follows:

|  |  |
| --- | --- |
| a. | Depreciation of equipment, $3,010. |
| b. | Depreciation of van, $2,200. |
| c. | Accrued wages, $660. |
| d. | Insurance expired, $450. |

*Instructions:*

Prepare a work sheet for B. C. Towe, Quick Cleaners.

27. The following adjusted trial balance is the result of the adjustments made at the end of the month of July for Ladonna Douglas Company. Utilize these adjusted values to perform the closing entries for Ladonna Douglas Company.

|  |  |  |
| --- | --- | --- |
| Cash | $34,750.00 |  |
| Accounts Receivable | 9,750.00 |  |
| Office Supplies | 2,525.00 |  |
| Store Supplies | 4,785.00 |  |
| Machinery | 10,750.00 |  |
| Accumulated Depreciation |  | 2,150.00 |
| Accounts Payable |  | 14,300.00 |
| Notes Payable |  | 11,500.00 |
| Ladonna Douglas, Capital |  | 53,725.00 |
| Ladonna Douglas, Drawing | 13,250.00 |  |
| Service Revenue |  | 41,500.00 |
| Wages Expense | 37,425.00 |  |
| Rent Expense | 3,000.00 |  |
| Advertising Expense | 2,750.00 |  |
| Office Supplies Expense | 1,465.00 |  |
| Store Supplies Expense | 2,150.00 |  |
| Depreciation Expense | 575.00 | \_\_\_\_\_\_\_\_ |
|  | $123,175.00 | $123,175.00 |

28. The following is the adjusted trial balance for Sandeep Company.

|  |  |  |
| --- | --- | --- |
| **Sandeep Company** | | |
| **Adjusted Trial Balance** | | |
| **December 31, 2010** | | |
|  |  |  |
| Cash | 8,130 |  |
| Accounts Receivable | 3,300 |  |
| Prepaid Expenses | 2,750 |  |
| Equipment | 10,400 |  |
| Accumulated Depreciation |  | 2,200 |
| Accounts Payable |  | 2,700 |
| Notes Payable - Due on June 30, 2011 |  | 1,000 |
| Rena Sandeep, Capital |  | 11,200 |
| Rena Sandeep, Drawing | 4,870 |  |
| Fees Earned |  | 36,600 |
| Wages Expense | 12,450 |  |
| Rent Expense | 4,900 |  |
| Utilities Expense | 3,475 |  |
| Depreciation Expense | 2,150 |  |
| Miscellaneous Expense | 1,275 |  |
| Totals | 53,700 | 53,700 |

Prepare closing entries and the post closing trial balance.

29. For the following, mark an “D” if the following account normally has a debit balance and mark a “C” if the following account normally has a credit balance.

\_\_\_\_\_1. Notes Payable

\_\_\_\_\_2. Mortgage Payable

\_\_\_\_\_3. Drawings

\_\_\_\_\_4. Accounts Receivable

\_\_\_\_\_5. Capital

\_\_\_\_\_6. Rent Revenue

\_\_\_\_\_7. Unearned Income

\_\_\_\_\_8. Utility Expense

\_\_\_\_\_9. Automobiles

Classification

30. Classify each of the following accounts as to whether they would appear on a balance sheet (BS) or income statement (IS).

|  |  |
| --- | --- |
|  | Accounts Payable |
|  | Accounts Receivable |
|  | Accumulated Depreciation, Equipment |
|  | Advertising Expense |
|  | Cash |
|  | Depreciation Expense, Equipment |
|  | Equipment |
|  | Income from Tours |
|  | Insurance Expense |
|  | Owner, Capital |
|  | Prepaid Insurance |
|  | Rent Expense |
|  | Supplies Expense |
|  | Utilities Expense |
|  | Wages Expense |
|  | Wages Payable |

31. Hakik Enterprises offers rug cleaning services to business clients. Below is the trial balance for Hakik Enterprises, which was prepared on the end of period spreadsheet (work sheet) for the year ended July 31, 2010.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Hakik Enterprises  End of Period Spreadsheet (Work Sheet)  For the Year Ended July 31, 2010 | | | | | | |
|  | Trial Balance | | Adjustments | | Adjusted Trial Balance | |
|  | Debit | Credit | Debit | Credit | Debit | Credit |
| Cash | 36 |  |  |  |  |  |
| Prepaid Insurance | 12 |  |  |  |  |  |
| Fees Receivable | 56 |  |  |  |  |  |
| Supplies | 12 |  |  |  |  |  |
| Equipment | 60 |  |  |  |  |  |
| Accum. Depreciation |  | 12 |  |  |  |  |
| Unearned Revenue |  | 20 |  |  |  |  |
| Accounts Payable |  | 32 |  |  |  |  |
| Wages Payable |  |  |  |  |  |  |
| Ramon Hakik, Capital |  | 84 |  |  |  |  |
| Ramon Hakik, Drawings | 4 |  |  |  |  |  |
| Service Revenue |  | 80 |  |  |  |  |
| Advertising Expense | 28 |  |  |  |  |  |
| Wage Expense | 20 |  |  |  |  |  |
| Insurance Expense |  |  |  |  |  |  |
| Supplies Expense |  |  |  |  |  |  |
| Depreciation Expense |  |  |  |  |  |  |
| Totals | 228 | 228 |  |  |  |  |

REQUIRED: Enter the adjustment data in the work sheet for the transactions shown below and place the balances in the Adjusted Trial Balance columns.

a) The equipment is estimated to last for 5 years with no salvage value. The asset will be depreciated evenly over its useful life. Please record one month’s depreciation.

b) Accrued Wages $2.

c) Unused supplies on hand $8.

d) Of the unearned revenue, 75% has been earned.

e) Unexpired insurance remaining at the end of the month, $9.

**Review Problems Answer Section**

1. ANS:

a. Debit

b. Credit

c. Credit

d. Credit

e. Debit

f. Debit

g. Debit

h. Credit

i. Credit

2. ANS:

a. Credit

b. Credit

c. Debit

d. Credit

e. Debit

f. Debit

g. Debit

h. Debit

i. Credit

3. ANS:

|  |  |  |
| --- | --- | --- |
| Aloha Corporation | | |
| Trial Balance | | |
| September 30, 2010 | | |
| Cash | $ 400 |  |
| Accounts Receivable | 460 |  |
| Prepaid Advertising | 20 |  |
| Equipment | 1,380 |  |
| Accounts Payable |  | $ 780 |
| Wages Payable |  | 20 |
| Common Stock |  | 800 |
| Retained Earnings |  | 400 |
| Dividends | 680 |  |
| Revenue Earned |  | 1,000 |
| Wages Expense | 60 | \_\_\_\_\_\_ |
|  | $3,000 | $3,000 |

4. ANS:

|  |  |  |
| --- | --- | --- |
| T. and C. Corporation | | |
| Trial Balance | | |
| June 30, 2010 | | |
| Cash | $ 20 |  |
| Accounts Receivable | 280 |  |
| Equipment | 400 |  |
| Accounts Payable |  | $ 140 |
| Common Stock |  | 200 |
| Retained Earnings |  | 240 |
| Service Revenue |  | 300 |
| Office Expense | 180 | \_\_\_\_\_ |
|  | $880 | $880 |

5. ANS:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General Journal | | | | | | Page 1 |
| Date | | Description | | Post.  Ref. | Debit | Credit |
| May | 1 | Cash | |  | 100,000 |  |
|  |  |  | Common Stock |  |  | 100,000 |
|  |  |  | |  |  |  |
|  | 3 | Prepaid Rent | |  | 11,200 |  |
|  |  |  | Cash |  |  | 11,200 |
|  |  |  | |  |  |  |
|  | 6 | Dry Cleaning Equipment | |  | 36,000 |  |
|  |  |  | Cash |  |  | 14,000 |
|  |  |  | Accounts Payable |  |  | 22,000 |
|  |  |  | |  |  |  |
|  | 10 | No entry | |  |  |  |
|  |  |  | |  |  |  |
|  | 17 | Wages Expense | |  | 550 |  |
|  |  |  | Cash |  |  | 550 |
|  |  |  | |  |  |  |
|  | 17 | Cash | |  | 5,000 |  |
|  |  |  | Dry Cleaning Revenue |  |  | 5,000 |
|  |  |  | |  |  |  |
|  | 20 | Accounts Payable | |  | 22,000 |  |
|  |  |  | Cash |  |  | 22,000 |
|  |  |  | |  |  |  |
|  | 21 | Cash | |  | 240 |  |
|  |  |  | Unearned Dry Cleaning Revenue |  |  | 240 |
|  |  |  | |  |  |  |
|  | 23 | Accounts Receivable | |  | 390 |  |
|  |  |  | Dry Cleaning Revenue |  |  | 390 |
|  |  |  | |  |  |  |
|  | 24 | Wages Expense | |  | 550 |  |
|  |  |  | Cash |  |  | 550 |
|  |  |  | |  |  |  |
|  | 26 | Cash | |  | 390 |  |
|  |  |  | Accounts Receivable |  |  | 390 |
|  |  |  | |  |  |  |
|  | 30 | Telephone Expense | |  | 114 |  |
|  |  |  | Accounts Payable |  |  | 114 |

6. ANS:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General Journal | | | | | | Page 1 |
| Date | | Description | | Post.  Ref. | Debit | Credit |
| Nov. | 1 | Cash | |  | 24,000 |  |
|  |  |  | Common Stock |  |  | 24,000 |
|  |  |  | |  |  |  |
|  | 2 | Prepaid Rent | |  | 2,400 |  |
|  |  |  | Cash |  |  | 2,400 |
|  |  |  | |  |  |  |
|  | 4 | No entry | |  |  |  |
|  |  |  | |  |  |  |
|  | 6 | Sound Equipment | |  | 4,200 |  |
|  |  |  | Cash |  |  | 600 |
|  |  |  | Accounts Payable |  |  | 3,600 |
|  |  |  | |  |  |  |
|  | 8 | No entry | |  |  |  |
|  |  |  | |  |  |  |
|  | 17 | Cash | |  | 900 |  |
|  |  | Accounts Receivable | |  | 100 |  |
|  |  |  | Tuition Revenue |  |  | 1,000 |
|  |  |  | |  |  |  |
|  | 17 | Wages Expense | |  | 275 |  |
|  |  |  | Cash |  |  | 275 |
|  |  |  | |  |  |  |
|  | 20 | Cash | |  | 100 |  |
|  |  |  | Accounts Receivable |  |  | 100 |
|  |  |  | |  |  |  |
|  | 20 | Accounts Payable | |  | 1,200 |  |
|  |  |  | Cash |  |  | 1,200 |
|  |  |  | |  |  |  |
|  | 23 | Utilities Expense | |  | 150 |  |
|  |  |  | Accounts Payable |  |  | 150 |

7. ANS:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| General Journal | | | | | Page 1 |
| Date | Description | | Post.  Ref. | Debit | Credit |
| a. | Depreciation Expense-Machinery | |  | 940 |  |
|  |  | Accumulated Depreciation-Machinery |  |  | 940 |
|  |  |  |  |  |  |
| b. | Interest Expense | |  | 635 |  |
|  |  | Interest Payable |  |  | 635 |
|  |  |  |  |  |  |
| c. | Office Supplies Expense | |  | 660 |  |
|  |  | Office Supplies |  |  | 660 |
|  |  |  |  |  |  |
| d. | Accounts Receivable | |  | 540 |  |
|  |  | Commissions Earned |  |  | 540 |
|  |  |  |  |  |  |
| e. | Rent Expense | |  | 4,000 |  |
|  |  | Prepaid Rent |  |  | 4,000 |
|  |  |  |  |  |  |
| f. | Income Taxes Expense | |  | 3,250 |  |
|  |  | Income Taxes Payable |  |  | 3,250 |

8. ANS:

|  |  |  |
| --- | --- | --- |
| DeMay Realtors, Inc. | | |
| Post-Closing Trial Balance | | |
| July 31, 20xx | | |
| Cash | $ 3,450 |  |
| Accounts Receivable | 10,800 |  |
| Land | 4,500 |  |
| Office Equipment | 30,000 |  |
| Accumulated Depreciation–Office Equipment |  | $12,000 |
| Accounts Payable |  | 1,200 |
| Income Taxes Payable |  | 300 |
| Common Stock |  | 24,000 |
| Retained Earnings | \_\_\_\_\_\_\_ | 11,250\* |
|  | $48,750 | $48,750 |
| \*$14,250 net income – $3,000 dividends = $11,250. |  |  |

9. ANS:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| General Journal | | | | | Page 1 |
| Date | Description | | Post.  Ref. | Debit | Credit |
| a. | Interest Receivable | |  | 560 |  |
|  |  | Interest Income |  |  | 560 |
|  |  |  |  |  |  |
| b. | Unearned Revenue | |  | 4,800 |  |
|  |  | Service Revenue |  |  | 4,800 |
|  |  |  |  |  |  |
| c. | Rent Expense | |  | 4,000 |  |
|  |  | Prepaid Rent |  |  | 4,000 |
|  |  |  |  |  |  |
| d. | Accounts Receivable | |  | 685 |  |
|  |  | Service Revenue |  |  | 685 |
|  |  |  |  |  |  |
| e. | Depreciation Expense–Trucks | |  | 1,700 |  |
|  |  | Accumulated Depreciation–Trucks |  |  | 1,700 |
|  |  |  |  |  |  |
| f. | Supplies Expense | |  | 2,700 |  |
|  |  | Supplies |  |  | 2,700 |
|  |  |  |  |  |  |
| g. | Wages Expense | |  | 2,400 |  |
|  |  | Wages Payable |  |  | 2,400 |
|  |  |  |  |  |  |
| h. | Income Taxes Expense | |  | 2,100 |  |
|  |  | Income Taxes Payable |  |  | 2,100 |

10. ANS:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| General Journal | | | | | Page 1 |
| Date | Description | | Post.  Ref. | Debit | Credit |
| a. | Unearned Revenue | |  | 1,200 |  |
|  |  | Consulting Revenue |  |  | 1,200 |
|  |  |  |  |  |  |
| b. | Depreciation Expense–Office Furniture | |  | 300 |  |
|  |  | Accumulated Depreciation– Office Furniture |  |  | 300 |
|  |  |  |  |  |  |
| c. | Salaries Expense | |  | 2,600 |  |
|  |  | Salaries Payable |  |  | 2,600 |
|  |  |  |  |  |  |
| d. | Rent Expense | |  | 2,700 |  |
|  |  | Prepaid Rent |  |  | 2,700 |
|  |  |  |  |  |  |
| e. | Office Supplies Expense | |  | 1,000 |  |
|  |  | Office Supplies |  |  | 1,000 |
|  |  |  |  |  |  |
| f. | Accounts Receivable | |  | 3,000 |  |
|  |  | Consulting Revenue |  |  | 3,000 |

11. ANS:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General Journal | | | | | | Page 1 |
| Date | Description | | | Post.  Ref. | Debit | Credit |
| a. | Office Supplies Expense | | |  | 1,200 |  |
|  |  | Office Supplies | |  |  | 1,200 |
|  |  |  | Recorded supplies used  ($600 + $1,000 – $400 = $1,200) |  |  |  |
|  |  | | |  |  |  |
| b. | Depreciation Expense–Buildings | | |  | 7,600 |  |
|  |  | Accumulated Depreciation–Buildings | |  |  | 7,600 |
|  |  |  | Recorded annual depreciation |  |  |  |
|  |  | | |  |  |  |
| c. | Insurance Expense | | |  | 2,000 |  |
|  |  | Prepaid Insurance | |  |  | 2,000 |
|  |  |  | Recorded expired insurance  ($6,000  4/12 = $2,000) |  |  |  |
|  |  | | |  |  |  |
| d. | Interest Expense | | |  | 1,500 |  |
|  |  | Interest Payable | |  |  | 1,500 |
|  |  |  | Recorded accrued interest on notes payable |  |  |  |
|  |  | | |  |  |  |
| e. | Unearned Service Revenue | | |  | 9,600 |  |
|  |  | Service Revenue | |  |  | 9,600 |
|  |  |  | Recorded revenue earned  ($14,400  2/3 = $9,600) |  |  |  |
|  |  | | |  |  |  |
| f. | Wages Expense | | |  | 8,400 |  |
|  |  | Wages Payable | |  |  | 8,400 |
|  |  |  | Recorded accrued wages  ($14,000  3/5 = $8,400) |  |  |  |
|  |  | | |  |  |  |
| g. | Accounts Receivable | | |  | 780 |  |
|  |  | Services Revenue | |  |  | 780 |
|  |  |  | Recorded revenue earned but not received |  |  |  |

12. ANS:

**Part 1**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| (a) | Insurance Expense ............................................... | 20,000 |  |
|  | Prepaid Insurance .............................................. |  | 20,000 |
| (b) | Environmental Expense ........................................ | 10,000 |  |
|  | Accounts Payable .............................................. |  | 10,000 |
| (c) | Prepaid Rent ....................................................... | 90,000 |  |
|  | Rent Expense .................................................... |  | 90,000 |
| (d) | Wages Expense ................................................... | 60,000 |  |
|  | Wages Payable ................................................. |  | 60,000 |
| (e) | Income Tax Expense ........................................... | 100,000 |  |
|  | Income Tax Payable ........................................... |  | 100,000 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Part 2** |  | **Henryville**  **Manufacturing Co.**  **Income Statement** | |  |  |
|  | **For the Year Ended December 31, 2013** | | | |  |
|  |  |  |  |  |  |
|  | Service Revenue | |  |  | $ 650,000 |
|  | Insurance Expense | |  |  | 20,000 |
|  | Environmental Expense | | |  | 10,000 |
|  | Rent Expense | |  |  | 90,000 |
|  | Wages Expense | |  |  | 210,000 |
|  | Income Tax Expense | |  |  | 100,000 |
|  | Net Income | |  |  | $ 220,000 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Part 3** | **Henryville Manufacturing Co.**  **Retained Earnings Statement** | | | |  |
|  | **For the Year Ending December 31, 2013** | | | |  |
|  |  |  |  |  |  |
|  | Retained Earnings, January 1 | | |  | $ 150,000 |
|  | Net Income | |  |  | 220,000 |
|  | Retained Earnings, December 31 | | | | $ 370,000 |
|  |  |  |  |  |  |
| **Part 4** |  | **Henryville**  **Manufacturing Co.**  **Balance Sheet**  **December 31, 2013** | |  |  |
|  |  |  |  |  |  |
|  | **Assets** |  |  |  |  |
|  |  | Cash |  |  | $ 300,000 |
|  |  | Prepaid Insurance | |  | 30000 |
|  |  | Prepaid Rent | |  | 90000 |
|  |  | Land |  |  | 400,000 |
|  | **Total Assets** | |  |  | $ 820,000 |
|  |  |  |  |  |  |
|  | **Liabilities** |  |  |  |  |
|  |  | Accounts Payable | |  | $ 40,000 |
|  |  | Wages Payable | |  | 60,000 |
|  |  | Income Tax Payable | |  | 100,000 |
|  |  | Common Stock | |  | 250,000 |
|  |  | Retained Earnings | |  | 370,000 |
|  | **Total Liabilities &** | |  |  |  |
|  | **Stockholders' Equity** | | |  | $ 820,000 |
|  |  |  |  |  |  |
| **Part 5** | Service Revenue | |  | 650,000 |  |
|  | Income Summary | |  |  | 650,000 |
|  |  |  |  |  |  |
|  | Income Summary | |  | 430,000 |  |
|  | Insurance Expense | | |  | 20,000 |
|  | Environmental Expense | | |  | 10,000 |
|  | Rent Expense | |  |  | 90,000 |
|  | Wages Expense | |  |  | 210,000 |
|  | Income Tax Expense | | |  | 100,000 |
|  |  |  |  |  |  |
|  | Income Summary | |  | 220,000 |  |
|  | Retained Earnings | |  |  | 220,000 |
|  |  |  |  |  |  |

13. ANS:

|  |  |  |  |
| --- | --- | --- | --- |
| (a) | Cash .................................................................. | 1,000 |  |
|  | Accounts Receivable .......................................... | 7,000 |  |
|  | Sales ........................................................... |  | 8,000 |
|  | Cost of Goods Sold ............................................. | 4,500 |  |
|  | Inventory ..................................................... |  | 4,500 |
| (b) | Land .................................................................. | 60,000 |  |
|  | Building .............................................................. | 340,000 |  |
|  | Cash ............................................................ |  | 100,000 |
|  | Mortgage Payable ........................................ |  | 300,000 |
| (c) | Cash .................................................................. | 12,000 |  |
|  | Accounts Receivable .................................... |  | 12,000 |
| (d) | No entry ............................................................ |  |  |
| (e) | Dividends (or Retained Earnings) ......................... | 13,500 |  |
|  | Dividends Payable ........................................ |  | 13,500 |

14. ANS:

|  |  |  |  |
| --- | --- | --- | --- |
| Retained Earnings | | | |
|  |  | Begin | 635 |
| (e) | 35 |  |  |
| (f) | 90 | (f) | 150 |
|  |  |  | 660 |

Total equity = Retained Earnings $660 + Common Stock $300 = $960.

15. ANS:

(1)

|  |  |  |  |
| --- | --- | --- | --- |
| (a) | Bad Debts Expense .................................................. | 528 |  |
|  | Allowance for Doubtful Accounts ........................... |  | 528 |
| (b) | Depreciation Expense--Furniture and Equipment ........ | 13,440 |  |
|  | Accumulated Depreciation--Furniture |  |  |
|  | and Equipment ....................................................... |  | 13,440 |
| (c) | Insurance Expense .................................................... | 2,040 |  |
|  | Prepaid Insurance ................................................... |  | 2,040 |
| (d) | Interest Expense ....................................................... | 2,688 |  |
|  | Interest Payable ...................................................... |  | 2,688 |
| (e) | Sales Salaries Expense .............................................. | 1,920 |  |
|  | Salaries Payable ...................................................... |  | 1,920 |
| (f) | Prepaid Advertising ................................................... | 560 |  |
|  | Advertising Expense ................................................ |  | 560 |
| (g) | Office Supplies on Hand ............................................ | 1,200 |  |
|  | Office Expense ....................................................... |  | 1,200 |

(2)

|  |  |  |  |
| --- | --- | --- | --- |
| Dec. 31 | Cost of Goods Sold ............................................ | 318,400 |  |
|  | Inventory .......................................................... | 1,600 |  |
|  | Purchases ....................................................... |  | 320,000 |
|  |  |  |  |
| Dec. 31 | Sales ................................................................ | 480,000 |  |
|  | Retained Earnings ........................................... |  | 480,000 |
|  |  |  |  |
| Dec. 31 | Retained Earnings ............................................. | 438,616 |  |
|  | Cost of Goods Sold ......................................... |  | 318,400 |
|  | Advertising Expense ....................................... |  | 4,800 |
|  | Administrative Salaries Expense ...................... |  | 52,000 |
|  | Sales Salaries Expense .................................... |  | 41,920 |
|  | Office Expense .............................................. |  | 2,800 |
|  | Insurance Expense ......................................... |  | 2,040 |
|  | Bad Debts Expense ........................................ |  | 528 |
|  | Depreciation Expense--Furniture |  |  |
|  | and Equipment ............................................. |  | 13,440 |
|  | Interest Expense ............................................ |  | 2,688 |

16. ANS:

|  |  |  |  |
| --- | --- | --- | --- |
| (a) | Cash | 12,000 |  |
|  | Katie Long, Capital |  | 12,000 |
|  |  |  |  |
| (b) | Equipment | 25,000 |  |
|  | Cash |  | 10,000 |
|  | Notes Payable |  | 15,000 |
|  |  |  |  |
| (c) | Rent Expense | 1,800 |  |
|  | Cash |  | 1,800 |
|  |  |  |  |
| (d) | Supplies | 9,800 |  |
|  | Accounts Payable |  | 9,800 |
|  |  |  |  |
| (e) | Accounts Receivable | 2,250 |  |
|  | Fees Earned |  | 2,250 |
|  |  |  |  |
| (f) | Cash | 9,000 |  |
|  | Fees Earned |  | 9,000 |
|  |  |  |  |
| (g) | Accounts Payable | 300 |  |
|  | Cash |  | 300 |
|  |  |  |  |
| (h) | Wages Expense | 1,650 |  |
|  | Cash |  | 1,650 |
|  |  |  |  |
| (i) | Cash | 1,190 |  |
|  | Accounts Receivable |  | 1,190 |
|  |  |  |  |
| (j) | Katie Long, Drawing | 2,350 |  |
|  | Cash |  | 2,350 |

17. ANS:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Description** | **Post Ref** | **Debit** | **Credit** |
| April 1 | Cash |  | 14,000 |  |
|  | Capital, Owner |  |  | 14,000 |
|  |  |  |  |  |
| April 2 | Cash |  | 9,500 |  |
|  | Revenues |  |  | 9,500 |
|  |  |  |  |  |
| April 3 | Accounts Receivable |  | 4,200 |  |
|  | Revenues |  |  | 4,200 |
|  |  |  |  |  |
| April 4 | Advertising Expense |  | 700 |  |
|  | Cash |  |  | 700 |
|  |  |  |  |  |
| April 5 | Cash |  | 2,500 |  |
|  | Accounts Receivable |  |  | 2,500 |
|  |  |  |  |  |
| April 6 | Withdrawal |  | 1,010 |  |
|  | Cash |  |  | 1,010 |
|  |  |  |  |  |
| April 7 | Telephone Expense |  | 900 |  |
|  | Accounts Payable |  |  | 900 |
|  |  |  |  |  |
| April 8 | Accounts Payable |  | 900 |  |
|  | Cash |  |  | 900 |

18. ANS:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) | | | | | | | | |
| Cash | | | |  | Clay Potter, Capital | | | |
| (1) | 12,500 | (3) | 5,500 |  |  |  | (1) | 12,500 |
| (5) | 4,700 | (6) | 1,400 |  |  |  |  |  |
| (7) | 3,100 | (8) | 1,500 |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounts Receivable | | | |  | Clay Potter, Drawing | | | |
| (4) | 7,440 | (7) | 3,100 |  | (8) | 1,500 |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Supplies | | | |  | Professional Fees | | | |
| (2) | 6,250 |  |  |  |  |  | (4) | 7,440 |
|  |  |  |  |  |  |  | (5) | 4,700 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounts Payable | | | |  | Operating Expenses | | | |
| (6) | 1,400 | (2) | 6,250 |  | (3) | 5,500 |  |  |

|  |  |  |
| --- | --- | --- |
| (b) | | |
| Potter Pool Services  Trial Balance  June 30, 2009 | | |
| Cash | 11,900 |  |
| Accounts Receivable | 4,340 |  |
| Supplies | 6,250 |  |
| Accounts Payable |  | 4,850 |
| Clay Potter, Capital |  | 12,500 |
| Clay Potter, Drawing | 1,500 |  |
| Professional Fees |  | 12,140 |
| Operating Expenses | 5,500 |  |
|  | 29,490 | 29,490 |

|  |  |
| --- | --- |
| (a) | (1) $6,640 ($12,140 - $5,500) |
| (b) | (2) $17,640 ($12,500 + $6,640 - $1,500) |

19. ANS:

|  |  |  |
| --- | --- | --- |
| Sophie Designs  Trial Balance  April 30, 2010 | | |
| Cash | 7,375 |  |
| Accounts Receivable | 3,450 |  |
| Supplies | 3,125 |  |
| Equipment | 14,500 |  |
| Accounts Payable |  | 4,100 |
| Sophie Dawson, Capital |  | 17,800 |
| Sophie Dawson, Drawing | 15,500 |  |
| Fees Earned |  | 54,100 |
| Salary Expense | 14,000 |  |
| Rent Expense | 11,500 |  |
| Utilities Expense | 4,000 |  |
| Supplies Expense | 1,700 |  |
| Miscellaneous Expense | 850 |  |
|  | 76,000 | 76,000 |

20. ANS:

|  |  |  |  |
| --- | --- | --- | --- |
| (a) | (1) Salary Expense | 8,800 |  |
|  | Salaries Payable |  | 8,800 |
|  |  |  |  |
|  | (2) Salary Expense | 13,200 |  |
|  | Salaries Payable |  | 13,200 |
|  |  |  |  |
| (b) | (1) Insurance Expense | 5,300 |  |
|  | Prepaid Insurance |  | 5,300 |
|  |  |  |  |
|  | (2) Insurance Expense | 15,300 |  |
|  | Prepaid Insurance |  | 15,300 |
|  |  |  |  |
| (c) | (1) Taxes Expense | 4,500 |  |
|  | Prepaid License Taxes |  | 4,500 |
|  |  |  |  |
|  | Taxes Expense | 4,800 |  |
|  | Property Taxes Payable |  | 4,800 |
|  |  |  |  |
|  | (2) $9,300 ($4,500 + $4,800) |  |  |
|  |  |  |  |
| (d) | Depreciation Expense | 32,000 |  |
|  | Accumulated Depreciation - Equipment |  | 32,000 |

21. ANS:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Description** | **Post Ref** | **Debit** | **Credit** |
| Dec 31 | Accounts Receivable |  | 4,500 |  |
|  | Revenues |  |  | 4,500 |
|  |  |  |  |  |
| Dec 31 | Supplies Expense |  | 4,235 |  |
|  | Supplies |  |  | 4,235 |
|  |  |  |  |  |
| Dec 31 | Wages Expense |  | 3,500 |  |
|  | Wages Payable |  |  | 3,500 |
|  |  |  |  |  |
| Dec 31 | Depreciation Expense |  | 2,200 |  |
|  | Accumulated Depreciation |  |  | 2,200 |
|  |  |  |  |  |
| Dec 31 | Rent Expense |  | 7,800 |  |
|  | Prepaid Rent |  |  | 7,800 |

22. ANS:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| (a) | Supplies Expense | |  | 637 |  |
|  |  | Supplies | |  | 637 |
| (b) | Interest Expense | |  | 170 |  |
|  |  | Interest Payable | |  | 170 |
| (c) | Wages and Salary Expense | |  | 2,270 |  |
|  |  | Wages and Salary Payable | |  | 2,270 |
|  | (($3,500 /2)+($650/5\*4)) | |  |  |  |
| (d) | Unearned Revenues | |  | 34,500 |  |
|  |  | Fees Earned | |  | 34,500 |
|  | ($46,000 \* 75%) | |  |  |  |
| (e) | Accounts Receivable | |  | 5,700 |  |
|  |  | Fees Earned | |  | 5,700 |

23. ANS:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **GENERAL JOURNAL** | | | | | **PAGE** | |  |
| **Date** | | **Description** | **Post.**  **Ref.** | **Debit** | | **Credit** | |
| 20 |  |  |  |  | |  | |
| May | 3 | Advertising Expense |  | 185.00 | |  | |
|  |  | Accounts Payable |  |  | | 185.00 | |
|  |  | For advertisement in the |  |  | |  | |
|  |  | *Quarterly*, due in 30 days. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 6 | Supplies Expense |  | 318.00 | |  | |
|  |  | Accounts Payable |  |  | | 318.00 | |
|  |  | Bought supplies from Supplies, |  |  | |  | |
|  |  | Inc. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 9 | Accounts Receivable |  | 450.00 | |  | |
|  |  | Income from Services |  |  | | 450.00 | |
|  |  | Billed Burien Bank for services |  |  | |  | |
|  |  | performed. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 11 | Truck Operating Expense |  | 125.00 | |  | |
|  |  | Cash |  |  | | 125.00 | |
|  |  | Paid gas and oil bill for the truck. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 15 | Computing Equipment |  | 525.00 | |  | |
|  |  | G. A. Mira, Capital |  |  | | 525.00 | |
|  |  | Invested computing equipment. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 17 | Cash |  | 618.00 | |  | |
|  |  | Accounts Receivable |  |  | | 618.00 | |
|  |  | Received from charge customers. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 22 | Repair Expense |  | 185.00 | |  | |
|  |  | Accounts Payable |  |  | | 185.00 | |
|  |  | Received bill from Wilson |  |  | |  | |
|  |  | Trucking. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 26 | Accounts Payable |  | 318.00 | |  | |
|  |  | Cash |  |  | | 318.00 | |
|  |  | Paid Supplies, Inc., in full. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 29 | Wages Expense |  | 410.00 | |  | |
|  |  | Cash |  |  | | 410.00 | |
|  |  | Paid wages to part-time |  |  | |  | |
|  |  | employee. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 30 | Cash |  | 390.00 | |  | |
|  |  | Income from Services |  |  | | 390.00 | |
|  |  | Cash revenue. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 31 | G. A. Mira, Drawing |  | 735.00 | |  | |
|  |  | Cash |  |  | | 735.00 | |
|  |  | Withdrawal for personal use. |  |  | |  | |

24. ANS:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **GENERAL JOURNAL** | | | | | **PAGE** | |  |
| **Date** | | **Description** | **Post.**  **Ref.** | **Debit** | | **Credit** | |
| 20 |  |  |  |  | |  | |
| July | 2 | Rent Expense |  | 580.00 | |  | |
|  |  | Cash |  |  | | 580.00 | |
|  |  | For month ended July 31. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 7 | Cash |  | 218.00 | |  | |
|  |  | Accounts Receivable |  |  | | 218.00 | |
|  |  | Received from Java Condos on |  |  | |  | |
|  |  | account. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 9 | Equipment |  | 610.00 | |  | |
|  |  | Accounts Payable |  |  | | 610.00 | |
|  |  |  |  |  | |  | |
|  |  |  |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 12 | Utilities Expense |  | 95.00 | |  | |
|  |  | Cash |  |  | | 95.00 | |
|  |  | Paid telephone bill. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 15 | Accounts Receivable |  | 310.00 | |  | |
|  |  | Income from Services |  |  | | 310.00 | |
|  |  | Billed City Hall for services |  |  | |  | |
|  |  | performed. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 20 | Prepaid Insurance |  | 350.00 | |  | |
|  |  | Cash |  |  | | 350.00 | |
|  |  | Premium for six-month liability |  |  | |  | |
|  |  | insurance policy. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 21 | Equipment |  | 495.00 | |  | |
|  |  | J. Lara, Capital |  |  | | 495.00 | |
|  |  | J. Lara invested personal |  |  | |  | |
|  |  | equipment. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 23 | Accounts Payable |  | 200.00 | |  | |
|  |  | Cash |  |  | | 200.00 | |
|  |  | Paid on account to Bray |  |  | |  | |
|  |  | Equipment. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 31 | Wages Expense |  | 248.00 | |  | |
|  |  | Cash |  |  | | 248.00 | |
|  |  | Paid wages to part-time |  |  | |  | |
|  |  | employee. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 31 | Cash |  | 723.00 | |  | |
|  |  | Income from Services |  |  | | 723.00 | |
|  |  | Cash revenue. |  |  | |  | |
|  |  |  |  |  | |  | |
|  | 31 | J. Lara, Drawing |  | 515.00 | |  | |
|  |  | Cash |  |  | | 515.00 | |
|  |  | Withdrawal for personal use. |  |  | |  | |

25. ANS:

|  |  |  |
| --- | --- | --- |
| **Alex Advertising and Publicity**  **Trial Balance**  **October 31, 20** | | |
| **Account Name** | **Debit** | **Credit** |
| Cash | 1,600 |  |
| Accounts Receivable | 4,260 |  |
| Prepaid Insurance | 360 |  |
| Equipment | 5,240 |  |
| Accounts Payable |  | 2,450 |
| C. D. Alex, Capital |  | 7,650 |
| C. D. Alex, Drawing | 5,620 |  |
| Advertising Revenue |  | 9,640 |
| Public Relations Revenue |  | 4,250 |
| Salary Expense | 5,200 |  |
| Rent Expense | 900 |  |
| Supplies Expense | 400 |  |
| Utilities Expense | 240 |  |
| Miscellaneous Expense | 170 | \_\_\_\_\_\_ |
|  | 23,990 | 23,990 |

26. ANS:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **B. C. Towe, Quick Cleaners** | | | | | | | | > | |
| **Work Sheet** | | | | | | | | > | |
| **For Month Ended December 31, 20** | | | | | | | | > | |
|  |  | |  | | | | > | |
|  | **Trial Balance** | | **Adjustments** | | | | > | |
| **Account Name** | **Debit** | **Credit** | **Debit** | | **Credit** | | > | |
| Cash | 1,350.00 |  |  |  |  |  | > | |
| Accounts Receivable | 3,800.00 |  |  |  |  |  | > | |
| Prepaid Insurance | 720.00 |  |  |  | (d) | 450.00 | > | |
| Equipment | 29,100.00 |  |  |  |  |  | > | |
| Accum. Depr., Equip. |  | 9,220.00 |  |  | (a) | 3,010.00 | > | |
| Van | 22,800.00 |  |  |  |  |  | > | |
| Accum. Depr., Van |  | 17,200.00 |  |  | (b) | 2,200.00 | > | |
| Accounts Payable |  | 2,200.00 |  |  |  |  | > | |
| B. C. Towe, Capital |  | 30,200.00 |  |  |  |  | > | |
| B. C. Towe, Drawing | 25,000.00 |  |  |  |  |  | > | |
| Cleaning Revenue |  | 80,100.00 |  |  |  |  | > | |
| Wages Expense | 48,170.00 |  | (c) | 660.00 |  |  | > | |
| Rent Expense | 3,000.00 |  |  |  |  |  | > | |
| Advertising Expense | 1,410.00 |  |  |  |  |  | > | |
| Van Expense | 1,800.00 |  |  |  |  |  | > | |
| Cleaning Supplies Exp. | 1,370.00 |  |  |  |  |  | > | |
| Miscellaneous Expense | 400.00 | \_\_\_\_\_\_\_\_\_ |  |  |  |  | > | |
|  | 138,920.00 | 138,920.00 |  |  |  |  | > | |
| Depr. Exp., Equip. |  |  | (a) | 3,010.00 |  |  | > | |
| Depr. Exp., Van |  |  | (b) | 2,200.00 |  |  | > | |
| Wages Payable |  |  |  |  | (c) | 660.00 | > | |
| Insurance Expense |  |  | (d) | 450.00 |  | \_\_\_\_\_\_\_ | > | |
|  |  |  |  | 6,320.00 |  | 6,320.00 | > | |
| Net Income |  |  |  |  |  |  | > | |
|  |  |  |  |  |  |  | > | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| < | **B. C. Towe, Quick Cleaners** | | | | | | | |
| < | **Work Sheet** | | | | | | | |
| < | **For Month Ended December 31, 20** | | | | | | | |
| < |  | | | | | | | |
| <  < |  | **Adjusted**  **Trial Balance** | | **Income Statement** | | **Balance Sheet** | |
| **<** | **Account Name** | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Cred**it |
| **<** | Cash | 1,350.00 |  |  |  | 1,350.00 |  |
| **<** | Accounts Receivable | 3,800.00 |  |  |  | 3,800.00 |  |
| **<** | Prepaid Insurance | 270.00 |  |  |  | 270.00 |  |
| **<** | Equipment | 29,100.00 |  |  |  | 29,100.00 |  |
| **<** | Accum. Depr., Equip. |  | 12,230.00 |  |  |  | 12,230.00 |
| **<** | Van | 22,800.00 |  |  |  | 22,800.00 |  |
| **<** | Accum. Depr., Van |  | 19,400.00 |  |  |  | 19,400.00 |
| **<** | Accounts Payable |  | 2,200.00 |  |  |  | 2,200.00 |
| **<** | B. C. Towe, Capital |  | 30,200.00 |  |  |  | 30,200.00 |
| **<** | B. C. Towe, Drawing | 25,000.00 |  |  |  | 25,000.00 |  |
| **<** | Cleaning Revenue |  | 80,100.00 |  | 80,100.00 |  |  |
| **<** | Wages Expense | 48,830.00 |  | 48,830.00 |  |  |  |
| **<** | Rent Expense | 3,000.00 |  | 3,000.00 |  |  |  |
| **<** | Advertising Expense | 1,410.00 |  | 1,410.00 |  |  |  |
| **<** | Van Expense | 1,800.00 |  | 1,800.00 |  |  |  |
| **<** | Cleaning Supplies Exp. | 1,370.00 |  | 1,370.00 |  |  |  |
| **<** | Miscellaneous Expense | 400.00 |  | 400.00 |  |  |  |
| **<** |  |  |  |  |  |  |  |
| **<** | Depr. Exp., Equip. | 3,010.00 |  | 3,010.00 |  |  |  |
| **<** | Depr. Exp., Van | 2,200.00 |  | 2,200.00 |  |  |  |
| **<** | Wages Payable |  | 660.00 |  |  |  | 660.00 |
| **<** | Insurance Expense | 450.00 | \_\_\_\_\_\_\_\_ | 450.00 | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| **<** |  | 144,790.00 | 144,790.00 | 62,470.00 | 80,100.00 | 82,320.00 | 64,690.00 |
| **<** | Net Income |  |  | 17,630.00 | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | 17,630.00 |
| **<** |  |  |  | 80,100.00 | 80,100.00 | 82,320.00 | 82,320.00 |

27. ANS:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| July 31 | Service Revenue | | | 41,500.00 |  |
|  | | Income Summary | |  | 41,500.00 |
|  | | | Closing Entry - Service Revenue | |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| July 31 | Income Summary | | | 47,365.00 |  |
|  | | Wages Expense | |  | 37,425.00 |
|  | | Rent Expense | |  | 3,000.00 |
|  | | Advertising Expense | |  | 2,750.00 |
|  | | Office Supplies Expense | |  | 1,465.00 |
|  | | Store Supplies Expense | |  | 2,150.00 |
|  | | Depreciation Expense | |  | 575.00 |
|  | | | Closing Entry - Expenses |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| July 31 | Ladonna Douglas, Capital | | | 5,865.00 | |  |
|  | | Income Summary | |  | | 5,865.00 |
|  | | | Closing Entry - Income Summary |  |  | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| July 31 | Ladonna Douglas, Capital | | | 13,250.00 |  |
|  | | Ladonna Douglas, Drawing | |  | 13,250.00 |
|  | | | Closing Entry - Drawing |  |  |

28. ANS:

|  |  |  |
| --- | --- | --- |
| Fees Earned | 36,600 |  |
| Income Summary |  | 36,600 |
|  |  |  |
| Income Summary | 24,250 |  |
| Wages Expense |  | 12,450 |
| Rent Expense |  | 4,900 |
| Utilities Expense |  | 3,475 |
| Depreciation Expense |  | 2,150 |
| Miscellaneous Expense |  | 1,275 |
|  |  |  |
| Income Summary | 12,350 |  |
| Rena Sandeep, Capital |  | 12,350 |
|  |  |  |
| Rena Sandeep, Capital | 4,870 |  |
| Rena Sandeep, Drawing |  | 4,870 |

|  |  |  |
| --- | --- | --- |
| **Sandeep Company** | | |
| **Post Closing Trial Balance** | | |
| **December 31, 2010** | | |
|  | | |
| Cash | 8,130 |  |
| Accounts Receivable | 3,300 |  |
| Prepaid Expenses | 2,750 |  |
| Equipment | 10,400 |  |
| Accumulated Depreciation |  | 2,200 |
| Accounts Payable |  | 2,700 |
| Notes Payable |  | 1,000 |
| Rena Sandeep, Capital |  | 18,680 |
| Total | $24,580 | $24,580 |
|  |  |  |

29. ANS:

1.C 2.C 3.D 4.D 5.C 6.C 7.C 8.D 9.D

PTS: 1 DIF: Easy OBJ: 02-02

NAT: AACSB Analytic | AICPA FN-Measurement

30. ANS:

|  |  |
| --- | --- |
| BS | Accounts Payable |
| BS | Accounts Receivable |
| BS | Accumulated Depreciation, Equipment |
| IS | Advertising Expense |
| BS | Cash |
| IS | Depreciation Expense, Equipment |
| BS | Equipment |
| IS | Income from Tours |
| IS | Insurance Expense |
| BS | Owner, Capital |
| BS | Prepaid Insurance |
| IS | Rent Expense |
| IS | Supplies Expense |
| IS | Utilities Expense |
| IS | Wages Expense |
| BS | Wages Payable |

31. ANS:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Hakik Enterprises  End of Period Spreadsheet (Work Sheet)  For the Year Ended July 31, 2010 | | | | | | |
|  | Trial Balance | | Adjustments | | Adjusted Trial Balance | |
|  | Debit | Credit | Debit | Credit | Debit | Credit |
| Cash | 36 |  |  |  | 36 |  |
| Prepaid Insurance | 12 |  |  | (e) 3 | 9 |  |
| Fees Receivable | 56 |  |  |  | 56 |  |
| Supplies | 12 |  |  | (c) 4 | 8 |  |
| Equipment | 60 |  |  |  | 60 |  |
| Accum. Depreciation |  | 12 |  | (a) 1 |  | 13 |
| Unearned Revenue |  | 20 | (d) 15 |  |  | 5 |
| Accounts Payable |  | 32 |  |  |  | 32 |
| Wages Payable |  |  |  | (b) 2 |  | 2 |
| Ramon Hakik, Capital |  | 84 |  |  |  | 84 |
| Ramon Hakik, Drawings | 4 |  |  |  | 4 |  |
| Service Revenue |  | 80 |  | (d) 15 |  | 95 |
| Advertising Expense | 28 |  |  |  | 28 |  |
| Wage Expense | 20 |  | (b) 2 |  | 22 |  |
| Insurance Expense |  |  | (e) 3 |  | 3 |  |
| Supplies Expense |  |  | (c) 4 |  | 4 |  |
| Depreciation Expense |  |  | (a) 1 |  | 1 |  |
| Totals | 228 | 228 | 25 | 25 | 231 | 231 |