

CHAPTER 2 ANALYZING TRANSACTIONS

DISCUSSION QUESTIONS

1. An account is a form designed to record changes in a particular asset, liability, stockholders' equity, revenue, or expense. A ledger is a group of related accounts.
2. The terms *debit* and *credit* may signify either an increase or a decrease, depending upon the nature of the account. For example, debits signify an increase in asset and expense accounts but a decrease in liability, capital stock, retained earnings, and revenue accounts.
3.
 - a. Assuming no errors have occurred, the credit balance in the cash account resulted from drawing checks for \$1,850 in excess of the amount of cash on deposit.
 - b. The \$1,850 credit balance in the cash account as of December 31 is a liability owed to the bank. It is usually referred to as an "overdraft" and should be classified on the balance sheet as a liability.
4.
 - a. The revenue was earned in October.
 - b. (1) Debit Accounts Receivable and credit Fees Earned or another appropriately titled revenue account in October.
(2) Debit Cash and credit Accounts Receivable in November.
5. No. Errors may have been made that had the same erroneous effect on both debits and credits, such as failure to record and/or post a transaction, recording the same transaction more than once, and posting a transaction correctly but to the wrong account.
6. The listing of \$9,800 is a transposition; the listing of \$100 is a slide.
7.
 - a. No. Because the same error occurred on both the debit side and the credit side of the trial balance, the trial balance would not be out of balance.
 - b. Yes. The trial balance would not balance. The error would cause the debit total of the trial balance to exceed the credit total by \$90.
8.
 - a. The equality of the trial balance would not be affected.
 - b. On the income statement, total operating expenses (salary expense) would be overstated by \$7,500, and net income would be understated by \$7,500. On the retained earnings statement, the beginning and ending retained earnings would be correct. However, net income and dividends would be understated by \$7,500. These understatements offset one another; ending retained earnings equity is correct. The balance sheet is not affected by the error.
9.
 - a. The equality of the trial balance would not be affected.
 - b. On the income statement, revenues (fees earned) would be overstated by \$300,000, and net income would be overstated by \$300,000. On the retained earnings statement, the beginning retained earnings would be correct. However, net income and ending retained earnings would be overstated by \$300,000. The balance sheet total assets is correct. However, liabilities (notes payable) is understated by \$300,000, and stockholders' equity (retained earnings) is overstated by \$300,000. The understatement of liabilities is offset by the overstatement of stockholders' equity (retained earnings); total liabilities and stockholders' equity is correct.
10.
 - a. From the viewpoint of Surety Storage, the balance of the checking account represents an asset.
 - b. From the viewpoint of Ada Savings Bank, the balance of the checking account represents a liability.

PRACTICE EXERCISES

PE 2-1A

1. Debit and credit entries, normal debit balance
2. Credit entries only, normal credit balance
3. Debit and credit entries, normal credit balance
4. Credit entries only, normal credit balance
5. Credit entries only, normal credit balance
6. Debit entries only, normal debit balance

PE 2-1B

1. Debit and credit entries, normal credit balance
2. Debit and credit entries, normal debit balance
3. Debit entries only, normal debit balance
4. Debit entries only, normal debit balance
5. Debit entries only, normal debit balance
6. Credit entries only, normal credit balance

PE 2-2A

| | | | | |
|-------------|-----------|-------------------------|---------------|---------------|
| Feb. | 12 | Office Equipment | 18,000 | |
| | | Cash | | 7,000 |
| | | Accounts Payable | | 11,000 |

PE 2-2B

| | | | | |
|--------------|-----------|-------------------------|--------------|--------------|
| Sept. | 30 | Office Supplies | 2,500 | |
| | | Cash | | 800 |
| | | Accounts Payable | | 1,700 |

PE 2-3A

| | | | | |
|------|---|---------------------|--------|--------|
| July | 9 | Accounts Receivable | 12,000 | |
| | | Fees Earned | | 12,000 |

PE 2-3B

| | | | | |
|------|----|-------------|-------|-------|
| Aug. | 13 | Cash | 9,000 | |
| | | Fees Earned | | 9,000 |

PE 2-4A

| | | | | |
|------|----|-----------|--------|--------|
| Jan. | 25 | Dividends | 16,000 | |
| | | Cash | | 16,000 |

PE 2-4B

| | | | | |
|------|----|-----------|--------|--------|
| June | 30 | Dividends | 11,500 | |
| | | Cash | | 11,500 |

PE 2-5A

Using the following T account, solve for the amount of cash receipts (indicated by ? below).

| Cash | | | |
|---------------|--------|--------|---------------|
| Feb. 1 Bal. | 14,750 | 93,400 | Cash payments |
| Cash receipts | ? | | |
| Feb. 28 Bal. | 15,200 | | |

$$\$15,200 = \$14,750 + \text{Cash receipts} - \$93,400$$

$$\text{Cash receipts} = \$15,200 + \$93,400 - \$14,750 = \$93,850$$

PE 2-5B

Using the following T account, solve for the amount of supplies expense (indicated by ? below).

| Supplies | | | |
|--------------------|-------|---|------------------|
| Aug. 1 Bal. | 1,025 | ? | Supplies expense |
| Supplies purchased | 3,110 | | |
| Aug. 31 Bal. | 1,324 | | |

$$\$1,324 = \$1,025 + \$3,110 - \text{Supplies expense}$$

$$\text{Supplies expense} = \$1,025 + \$3,110 - \$1,324 = \$2,811$$

PE 2–6A

- a. The totals are unequal. The credit total is lower by \$900 (\$5,400 – \$4,500).
- b. The totals are equal since both the debit and credit entries were journalized and posted for \$720.
- c. The totals are unequal. The debit total is higher by \$3,200 (\$1,600 + \$1,600).

PE 2–6B

- a. The totals are equal since both the debit and credit entries were journalized and posted for \$12,900.
- b. The totals are unequal. The credit total is higher by \$1,656 (\$1,840 – \$184).
- c. The totals are unequal. The debit total is higher by \$4,500 (\$8,300 – \$3,800).

PE 2–7A

a.

| | | |
|-----------------------|-------|-------|
| Utilities Expense | 7,300 | |
| Miscellaneous Expense | | 7,300 |
| Utilities Expense | 7,300 | |
| Cash | | 7,300 |

Note: The first entry in (a) reverses the incorrect entry, and the second entry records the correct entry. These two entries could also be combined into one entry as shown below; however, preparing two entries would make it easier for someone to understand later what happened and why the entries were necessary.

| | | |
|-----------------------|--------|-------|
| Utilities Expense | 14,600 | |
| Miscellaneous Expense | | 7,300 |
| Cash | | 7,300 |

b.

| | | |
|---------------------|-------|-------|
| Accounts Payable | 6,100 | |
| Accounts Receivable | | 6,100 |

PE 2-7B

| | | | |
|----|---------------------|-------|-------|
| a. | Cash | 8,400 | |
| | Accounts Receivable | | 8,400 |
| b. | Supplies | 2,500 | |
| | Office Equipment | | 2,500 |
| | Supplies | 2,500 | |
| | Accounts Payable | | 2,500 |

Note: The first entry in (b) reverses the incorrect entry, and the second entry records the correct entry. These two entries could also be combined into one entry as shown below; however, preparing two entries would make it easier for someone to understand later what happened and why the entries were necessary.

| | | |
|------------------|-------|-------|
| Supplies | 5,000 | |
| Office Equipment | | 2,500 |
| Accounts Payable | | 2,500 |

PE 2-8A

| Fuller Company Income Statements For Years Ended December 31 | | | | |
|--|-----------|-----------|---------------------|---------|
| | 2014 | 2013 | Increase/(Decrease) | |
| | | | Amount | Percent |
| Fees earned | \$680,000 | \$850,000 | \$(170,000) | -20.0% |
| Operating expenses | 541,875 | 637,500 | (95,625) | -15.0% |
| Net income | \$138,125 | \$212,500 | \$ (74,375) | -35.0% |

PE 2-8B

| Paragon Company Income Statements For Years Ended December 31 | | | | |
|---|-------------|-------------|---------------------|---------|
| | 2014 | 2013 | Increase/(Decrease) | |
| | | | Amount | Percent |
| Fees earned | \$1,416,000 | \$1,200,000 | \$216,000 | 18.0% |
| Operating expenses | 1,044,000 | 900,000 | 144,000 | 16.0% |
| Net income | \$ 372,000 | \$ 300,000 | \$ 72,000 | 24.0% |

EXERCISES

Ex. 2-1

| Balance Sheet Accounts | Income Statement Accounts |
|---|-------------------------------------|
| <u>Assets</u> | <u>Revenue</u> |
| Flight Equipment | Cargo and Mail Revenue |
| Purchase Deposits for Flight Equipment ^a | Passenger Revenue |
| Spare Parts and Supplies | |
| <u>Liabilities</u> | <u>Expenses</u> |
| Accounts Payable | Aircraft Fuel Expense |
| Air Traffic Liability ^b | Commissions (Expense) ^c |
| | Landing Fees (Expense) ^d |
| <u>Stockholders' Equity</u> | |
| None | |

- ^a Advance payments (deposits) on aircraft to be delivered in the future
- ^b Passenger ticket sales not yet recognized as revenue
- ^c Commissions paid to travel agents
- ^d Fees paid to airports for landing rights

Ex. 2-2

| Account | Account Number |
|-----------------------|----------------|
| Accounts Payable | 21 |
| Accounts Receivable | 12 |
| Capital Stock | 31 |
| Cash | 11 |
| Dividends | 33 |
| Fees Earned | 41 |
| Land | 13 |
| Miscellaneous Expense | 53 |
| Retained Earnings | 32 |
| Supplies Expense | 52 |
| Wages Expense | 51 |

Note: Expense accounts are normally listed in order of magnitude from largest to smallest with Miscellaneous Expense always listed last. Since Wages Expense is normally larger than Supplies Expense, Wages Expense is listed as account number 51 and Supplies Expense as account number 52.

Ex. 2-3

| <u>Balance Sheet Accounts</u> | <u>Income Statement Accounts</u> |
|--------------------------------|----------------------------------|
| <u>1. Assets</u> | <u>4. Revenue</u> |
| 11 Cash | 41 Fees Earned |
| 12 Accounts Receivable | |
| 13 Supplies | <u>5. Expenses</u> |
| 14 Prepaid Insurance | 51 Wages Expense |
| 15 Equipment | 52 Rent Expense |
| | 53 Supplies Expense |
| <u>2. Liabilities</u> | 59 Miscellaneous Expense |
| 21 Accounts Payable | |
| 22 Unearned Rent | |
| <u>3. Stockholders' Equity</u> | |
| 31 Capital Stock | |
| 32 Retained Earnings | |
| 33 Dividends | |

Note: The order of some of the accounts within the major classifications is somewhat arbitrary, as in accounts 13–14, accounts 21–22, and accounts 51–53. In a new business, the order of magnitude of balances in such accounts is not determinable in advance. The magnitude may also vary from period to period.

Ex. 2-4

- | | |
|-----------|-----------|
| a. debit | g. credit |
| b. credit | h. debit |
| c. credit | i. debit |
| d. credit | j. credit |
| e. debit | k. debit |
| f. credit | l. debit |

Ex. 2-5

1. debit and credit entries (c)
2. debit and credit entries (c)
3. debit and credit entries (c)
4. credit entries only (b)
5. debit entries only (a)
6. debit entries only (a)
7. debit entries only (a)

Ex. 2-6

- | | |
|--------------------------------|-------------------|
| a. Liability—credit | f. Revenue—credit |
| b. Asset—debit | g. Asset—debit |
| c. Stockholders' equity—credit | h. Expense—debit |
| d. Asset—debit | i. Asset—debit |
| e. Stockholders' equity—debit | j. Expense—debit |

Ex. 2-7

| | | | | |
|-------------|-----------|------------------------------|---------------|---------------|
| 2014 | | | | |
| July | 1 | Rent Expense | 3,200 | |
| | | Cash | | 3,200 |
| | 3 | Advertising Expense | 750 | |
| | | Cash | | 750 |
| | 5 | Supplies | 1,300 | |
| | | Cash | | 1,300 |
| | 6 | Office Equipment | 12,500 | |
| | | Accounts Payable | | 12,500 |
| | 10 | Cash | 11,400 | |
| | | Accounts Receivable | | 11,400 |
| | 15 | Accounts Payable | 1,175 | |
| | | Cash | | 1,175 |
| | 27 | Miscellaneous Expense | 600 | |
| | | Cash | | 600 |
| | 30 | Utilities Expense | 180 | |
| | | Cash | | 180 |
| | 31 | Accounts Receivable | 33,760 | |
| | | Fees Earned | | 33,760 |
| | 31 | Utilities Expense | 1,300 | |
| | | Cash | | 1,300 |
| | 31 | Dividends | 4,000 | |
| | | Cash | | 4,000 |

Ex. 2-8

a.

JOURNAL

Page 19

| Date | Description | Post. Ref. | Debit | Credit |
|---------------|---------------------------------------|------------|--------------|--------------|
| 2014 | Adjusting Entries | | | |
| May 22 | Supplies | 15 | 6,180 | |
| | Accounts Payable | 21 | | 6,180 |
| | Purchased supplies on account. | | | |

b., c., d.

Account: Supplies

Account No. 15

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------------|----------------|------------|--------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| May 1 | Balance | ✓ | | | 1,500 | |
| 22 | | 19 | 6,180 | | 7,680 | |

Account: Accounts Payable

Account No. 21

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------------|----------------|------------|-------|--------------|---------|---------------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| May 1 | Balance | ✓ | | | | 16,750 |
| 22 | | 19 | | 6,180 | | 22,930 |

e. Yes, the rules of debit and credit apply to all companies.

Ex. 2-9

a. (1)

| | | |
|----------------------------|---------------|---------------|
| Accounts Receivable | 48,600 | |
| Fees Earned | | 48,600 |

(2)

| | | |
|-------------------------|--------------|--------------|
| Supplies | 1,975 | |
| Accounts Payable | | 1,975 |

(3)

| | | |
|----------------------------|---------------|---------------|
| Cash | 31,400 | |
| Accounts Receivable | | 31,400 |

(4)

| | | |
|-------------------------|--------------|--------------|
| Accounts Payable | 1,350 | |
| Cash | | 1,350 |

Ex. 2-9 (Concluded)

b.

| | | | |
|----------------------------|-----------------|-------------------------|-----------------|
| Cash | | Accounts Payable | |
| (3) 31,400 | (4) 1,350 | (4) 1,350 | (2) 1,975 |
| Supplies | | Fees Earned | |
| (2) 1,975 | | | (1) 48,600 |
| Accounts Receivable | | | |
| (1) 48,600 | (3) 31,400 | | |

c. **No. A credit balance in Accounts Receivable could occur if a customer overpaid his or her account. Regardless, the credit balance should be investigated to verify that an error has not occurred.**

Ex. 2-10

- a. **The increase of \$140,000 (\$515,000 – \$375,000) in the cash account does not indicate net income of that amount. Net income is the net change in all assets and liabilities from operating (revenue and expense) transactions.**
- b. **\$60,000 (\$200,000 – \$140,000)**

or

| | |
|-------------|---------|
| Cash | |
| X | 375,000 |
| 515,000 | |
| 200,000 | |

$$X + \$515,000 - \$375,000 = \$200,000$$

$$X = \$200,000 - \$515,000 + \$375,000$$

$$X = \$60,000$$

Ex. 2-11

a.

| Accounts Payable | | | |
|------------------|---------|---------|---------|
| | | 276,500 | X |
| | Mar. 1 | | 261,000 |
| | Mar. 31 | | 76,000 |

$$X + \$261,000 - \$276,500 = \$76,000$$

$$X = \$76,000 + \$276,500 - \$261,000$$

$$X = \$91,500$$

b.

| Accounts Receivable | | | |
|---------------------|--|--------|---------|
| July 1 | | 49,000 | 525,000 |
| | | X | |
| July 31 | | 61,500 | |

$$\$49,000 + X - \$525,000 = \$61,500$$

$$X = \$61,500 + \$525,000 - \$49,000$$

$$X = \$537,500$$

c.

| Cash | | | |
|----------|--|---------|---|
| Sept. 1 | | 28,440 | X |
| | | 112,100 | |
| Sept. 30 | | 33,200 | |

$$\$28,440 + \$112,100 - X = \$33,200$$

$$X = \$28,440 + \$112,100 - \$33,200$$

$$X = \$107,340$$

Ex. 2-12

- a. Debit (negative) balance of \$16,000 ($\$314,000 - \$10,000 - \$320,000$). This negative balance means that the liabilities of the business exceed the assets.
- b. Yes. The balance sheet prepared at December 31 will balance, with Retained Earnings being reported in the stockholders' equity section as a debit (negative) balance of \$16,000.

Ex. 2-13

a. and b.

| Transaction | Account Debited | | Account Credited | |
|-------------|-----------------|--------|----------------------|--------|
| | Type | Effect | Type | Effect |
| (1) | asset | + | stockholders' equity | + |
| (2) | asset | + | asset | - |
| (3) | asset | + | asset | - |
| | | | liability | + |
| (4) | expense | + | asset | - |
| (5) | asset | + | revenue | + |
| (6) | liability | - | asset | - |
| (7) | asset | + | asset | - |
| (8) | expense | + | asset | - |
| (9) | dividends | + | asset | - |

Ex. 2-14

| | | | |
|-----|---------------------|--------|--------|
| (1) | Cash | 75,000 | |
| | Capital Stock | | 75,000 |
| (2) | Supplies | 4,000 | |
| | Cash | | 4,000 |
| (3) | Equipment | 25,000 | |
| | Accounts Payable | | 22,000 |
| | Cash | | 3,000 |
| (4) | Operating Expenses | 2,700 | |
| | Cash | | 2,700 |
| (5) | Accounts Receivable | 19,500 | |
| | Service Revenue | | 19,500 |
| (6) | Accounts Payable | 9,000 | |
| | Cash | | 9,000 |
| (7) | Cash | 11,000 | |
| | Accounts Receivable | | 11,000 |
| (8) | Operating Expenses | 2,000 | |
| | Supplies | | 2,000 |
| (9) | Dividends | 5,000 | |
| | Cash | | 5,000 |

Ex. 2-15

a.

| GRAND CANYON TOURS CO. | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| April 30, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 62,300 | |
| Accounts Receivable | 8,500 | |
| Supplies | 2,000 | |
| Equipment | 25,000 | |
| Accounts Payable | | 13,000 |
| Capital Stock | | 75,000 |
| Dividends | 5,000 | |
| Service Revenue | | 19,500 |
| Operating Expenses | 4,700 | |
| | 107,500 | 107,500 |

b. Net income, \$14,800 (\$19,500 – \$4,700)

Ex. 2-16

| LEAF CO. | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| December 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 13,500 * | |
| Accounts Receivable | 38,100 | |
| Supplies | 3,200 | |
| Prepaid insurance | 6,400 | |
| Land | 40,000 | |
| Accounts Payable | | 23,500 |
| Unearned Rent | | 13,500 |
| Notes Payable | | 50,000 |
| Capital Stock | | 8,000 |
| Retained Earnings | | 42,000 |
| Dividends | 16,000 | |
| Fees Earned | | 538,000 |
| Wages Expense | 476,800 | |
| Rent Expense | 36,000 | |
| Utilities Expense | 18,000 | |
| Supplies Expense | 9,000 | |
| Insurance Expense | 6,000 | |
| Miscellaneous Expense | 12,000 | |
| | 675,000 | 675,000 |

*\$13,500 = \$675,000 – \$12,000 – \$6,000 – \$9,000 – \$18,000 – \$36,000 – \$476,800 – \$16,000
 – \$40,000 – \$6,400 – 3,200 – \$38,100

Ex. 2-17

Inequality of trial balance totals would be caused by errors described in (c) and (e). For (c), the debit total would exceed the credit total by \$9,900 (\$4,950 + \$4,950). For (e), the credit total would exceed the debit total by \$17,100 (\$19,000 – \$1,900).

Errors (b), (d), and (e) would require correcting entries. Although it is not a correcting entry, the entry that was not made in (a) should also be entered in the journal.

Ex. 2-18

| RANGER CO. | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| August 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 15,500 | |
| Accounts Receivable | 46,750 | |
| Prepaid Insurance | 12,000 | |
| Equipment | 190,000 | |
| Accounts Payable | | 24,600 |
| Unearned Rent | | 5,400 |
| Capital Stock | | 40,000 |
| Retained Earnings | | 70,000 |
| Dividends | 13,000 | |
| Service Revenue | | 385,000 |
| Wages Expense | 213,000 | |
| Advertising Expense | 16,350 | |
| Miscellaneous Expense | 18,400 | |
| | 525,000 | 525,000 |

Ex. 2-19

| Error | (a) Out of Balance | (b) Difference | (c) Larger Total |
|--------------|-------------------------------|---------------------------|-----------------------------|
| 1. | yes | \$6,000 | debit |
| 2. | no | — | — |
| 3. | yes | 5,400 | credit |
| 4. | yes | 480 | debit |
| 5. | no | — | — |
| 6. | yes | 90 | credit |
| 7. | yes | 360 | credit |

Ex. 2-20

1. The Debit column total is added incorrectly. The sum is \$890,700 rather than \$1,189,300.
2. The trial balance should be dated "July 31, 2014," not "For the Month Ending July 31, 2014."
3. The Accounts Receivable balance should be in the Debit column.
4. The Accounts Payable balance should be in the Credit column.
5. The Dividends balance should be in the Debit column.
6. The Advertising Expense balance should be in the Debit column.

A corrected trial balance would be as follows:

| MASCOT CO. | | |
|---------------------------------|-----------------------|------------------------|
| Unadjusted Trial Balance | | |
| July 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 36,000 | |
| Accounts Receivable | 112,600 | |
| Prepaid Insurance | 18,000 | |
| Equipment | 375,000 | |
| Accounts Payable | | 53,300 |
| Salaries Payable | | 7,500 |
| Capital Stock | | 100,000 |
| Retained Earnings | | 197,200 |
| Dividends | 17,000 | |
| Service Revenue | | 682,000 |
| Salary Expense | 396,800 | |
| Advertising Expense | 73,000 | |
| Miscellaneous Expense | 11,600 | |
| | 1,040,000 | 1,040,000 |

Ex. 2-21

| | | | |
|-----------|----------------------|---------------|---------------|
| a. | Prepaid Rent | 13,550 | |
| | Cash | | 13,550 |
| b. | Dividends | 14,000 | |
| | Wages Expense | | 14,000 |

Ex. 2-22

| | | | |
|----|----------------------------|---------------|--------------|
| a. | Cash | 17,600 | |
| | Fees Earned | | 8,800 |
| | Accounts Receivable | | 8,800 |
| b. | Accounts Payable* | 1,760 | |
| | Supplies Expense | | 1,760 |
| | Supplies | 1,760 | |
| | Cash | | 1,760 |

* The first entry reverses the original entry. The second entry is the entry that should have been made initially.

Ex. 2-23

- a. 1. **Revenue:**
 \$2,033 million increase (\$67,390 – \$65,357)
 3.1% increase (\$2,033 ÷ \$65,357)
2. **Operating expenses:**
 \$1,454 million increase (\$62,138 – \$60,684)
 2.4% increase (\$1,454 ÷ \$60,684)
3. **Operating income:**
 \$579 million increase (\$5,252 – \$4,673)
 12.4% increase (\$579 ÷ \$4,673)
- b. **During the recent year, revenue increased by 3.1%, while operating expenses increased by only 2.4%. As a result, operating income increased by 12.4%, a favorable trend from the prior year.**

Ex. 2-24

- a. 1. **Revenue:**
 \$13,764 million increase ($\$421,849 - \$408,085$)
 3.4% increase ($\$13,764 \div \$408,085$)
2. **Operating expenses:**
 \$12,224 million increase ($\$396,307 - \$384,083$)
 3.2% increase ($\$12,224 \div \$384,083$)
3. **Operating expenses:**
 \$1,540 million increase ($\$25,542 - \$24,002$)
 6.4% increase ($\$1,540 \div \$24,002$)
- b. During the recent year, revenue increased by 3.4%, while operating expenses increased by 3.2%. As a result, operating income increased by 6.4%, a favorable trend from the prior year.
- c. Because of the size differences between Target and Walmart (Walmart has over 6 times the revenue), it is best to compare the two companies on the basis of percent changes. Target and Walmart increased their revenue from the prior year by approximately the same percent (3.1% for Target and 3.4% for Walmart). However, Target's operating expenses increased by only 2.4% compared to Walmart's 3.2% increase. As a result, Target's operating income increased by 12.4% compared to Walmart's 6.4% increase. Based upon this analysis, it appears that Target was better able to control its operating expenses as its revenue increased than was Walmart.

PROBLEMS

Prob. 2-1A

1. and 2.

| Cash | |
|--------------------|-----------|
| (a) 25,000 | (b) 2,750 |
| (g) 11,150 | (c) 4,000 |
| | (e) 1,600 |
| | (f) 2,400 |
| | (h) 300 |
| | (i) 3,500 |
| | (j) 550 |
| | (m) 2,200 |
| | (n) 815 |
| Bal. 18,035 | |

| Equipment | |
|-----------|--|
| (d) 9,000 | |

| Notes Payable | |
|---------------|--------------------|
| (j) 550 | (c) 26,000 |
| | Bal. 25,450 |

| Accounts Payable | |
|------------------|-------------------|
| (i) 3,500 | (d) 9,000 |
| | (k) 1,500 |
| | Bal. 7,000 |

| Accounts Receivable | |
|---------------------|--|
| (l) 17,300 | |

| Capital Stock | |
|---------------|------------|
| | (a) 25,000 |

| Supplies | |
|-----------|--|
| (e) 1,600 | |

| Professional Fees | |
|-------------------|--------------------|
| | (g) 11,150 |
| | (l) 17,300 |
| | Bal. 28,450 |

| Prepaid Insurance | |
|-------------------|--|
| (f) 2,400 | |

| Rent Expense | |
|--------------|--|
| (b) 2,750 | |

| Automobiles | |
|-------------|--|
| (c) 30,000 | |

| Salary Expense | |
|----------------|--|
| (m) 2,200 | |

| Blueprint Expense | |
|-------------------|--|
| (k) 1,500 | |

| Automobile Expense | |
|--------------------|--|
| (n) 815 | |

| Miscellaneous Expense | |
|-----------------------|--|
| (h) 300 | |

Prob. 2-1A (Concluded)

3.

| CANTWELL ARCHITECTS | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| July 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 18,035 | |
| Accounts Receivable | 17,300 | |
| Supplies | 1,600 | |
| Prepaid Insurance | 2,400 | |
| Automobiles | 30,000 | |
| Equipment | 9,000 | |
| Notes Payable | | 25,450 |
| Accounts Payable | | 7,000 |
| Capital Stock | | 25,000 |
| Professional Fees | | 28,450 |
| Rent Expense | 2,750 | |
| Salary Expense | 2,200 | |
| Blueprint Expense | 1,500 | |
| Automobile Expense | 815 | |
| Miscellaneous Expense | 300 | |
| | 85,900 | 85,900 |

4. Net income, \$20,885 ($\$28,450 - \$2,750 - \$2,200 - \$1,500 - \$815 - \300)

Prob. 2–2A

| | | | |
|--------|-------------------------|--------|--------|
| 1. (a) | Cash | 23,500 | |
| | Capital Stock | | 23,500 |
| (b) | Rent Expense | 4,000 | |
| | Cash | | 4,000 |
| (c) | Supplies | 1,800 | |
| | Accounts Payable | | 1,800 |
| (d) | Accounts Payable | 675 | |
| | Cash | | 675 |
| (e) | Cash | 16,750 | |
| | Sales Commissions | | 16,750 |
| (f) | Automobile Expense | 1,000 | |
| | Miscellaneous Expense | 800 | |
| | Cash | | 1,800 |
| (g) | Office Salaries Expense | 2,150 | |
| | Cash | | 2,150 |
| (h) | Supplies Expense | 925 | |
| | Supplies | | 925 |
| (i) | Dividends | 1,600 | |
| | Cash | | 1,600 |

Prob. 2–2A (Continued)

2.

| Cash | |
|--------------------|-----------|
| (a) 23,500 | (b) 4,000 |
| (e) 16,750 | (d) 675 |
| | (f) 1,800 |
| | (g) 2,150 |
| | (i) 1,600 |
| Bal. 30,025 | |

| Sales Commissions | |
|-------------------|------------|
| | (e) 16,750 |

| Rent Expense | |
|--------------|--|
| (b) 4,000 | |

| Supplies | |
|-----------------|---------|
| (c) 1,800 | (h) 925 |
| Bal. 875 | |

| Office Salaries Expense | |
|-------------------------|--|
| (g) 2,150 | |

| Accounts Payable | |
|------------------|-------------------|
| (d) 675 | (c) 1,800 |
| | Bal. 1,125 |

| Automobile Expense | |
|--------------------|--|
| (f) 1,000 | |

| Capital Stock | |
|---------------|------------|
| | (a) 23,500 |

| Supplies Expense | |
|------------------|--|
| (h) 925 | |

| Dividends | |
|-----------|--|
| (i) 1,600 | |

| Miscellaneous Expense | |
|-----------------------|--|
| (f) 800 | |

Prob. 2–2A (Concluded)

3.

| LEOPARD REALTY | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| January 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 30,025 | |
| Supplies | 875 | |
| Accounts Payable | | 1,125 |
| Capital Stock | | 23,500 |
| Dividends | 1,600 | |
| Sales Commissions | | 16,750 |
| Rent Expense | 4,000 | |
| Office Salaries Expense | 2,150 | |
| Automobile Expense | 1,000 | |
| Supplies Expense | 925 | |
| Miscellaneous Expense | 800 | |
| | 41,375 | 41,375 |

4. a. \$16,750
 b. \$8,875 ($\$4,000 + \$2,150 + \$1,000 + \$925 + \800)
 c. \$7,875 ($\$16,750 - \$8,875$)
5. \$6,275, which is the excess of net income of \$7,875 over the dividends of \$1,600.

Prob. 2-3A

1.

JOURNAL

| Date | Description | Post. Ref. | Debit | Credit |
|---------------|-------------------------------|------------|---------------|---------------|
| 2014 | | | | |
| June 1 | Cash | 11 | 21,500 | |
| | Capital Stock | 31 | | 21,500 |
| | 1 Rent Expense | 53 | 4,200 | |
| | Cash | 11 | | 4,200 |
| | 6 Equipment | 16 | 8,500 | |
| | Accounts Payable | 22 | | 8,500 |
| | 8 Truck | 18 | 28,000 | |
| | Cash | 11 | | 3,000 |
| | Notes Payable | 21 | | 25,000 |
| | 10 Supplies | 13 | 1,800 | |
| | Cash | 11 | | 1,800 |
| | 12 Cash | 11 | 9,000 | |
| | Fees Earned | 41 | | 9,000 |
| | 15 Prepaid Insurance | 14 | 2,700 | |
| | Cash | 11 | | 2,700 |
| | 23 Accounts Receivable | 12 | 13,650 | |
| | Fees Earned | 41 | | 13,650 |
| | 24 Truck Expense | 55 | 975 | |
| | Accounts Payable | 22 | | 975 |

JOURNAL

| Date | Description | Post. Ref. | Debit | Credit |
|----------------|---------------------------------|------------|--------------|--------------|
| 2014 | | | | |
| June 29 | Utilities Expense | 54 | 2,480 | |
| | Cash | 11 | | 2,480 |
| | 29 Miscellaneous Expense | 59 | 750 | |
| | Cash | 11 | | 750 |

Prob. 2-3A (Continued)

| | | | | | |
|--|----|---------------------|----|-------|-------|
| | 30 | Cash | 11 | 7,800 | |
| | | Accounts Receivable | 12 | | 7,800 |
| | 30 | Wages Expense | 51 | 5,100 | |
| | | Cash | 11 | | 5,100 |
| | 30 | Accounts Payable | 22 | 4,250 | |
| | | Cash | 11 | | 4,250 |
| | 30 | Dividends | 33 | 3,000 | |
| | | Cash | 11 | | 3,000 |

2.

GENERAL LEDGER

Account: Cash Account No. 11

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 1 | | 1 | 21,500 | | 21,500 | |
| | 1 | 1 | | 4,200 | 17,300 | |
| | 8 | 1 | | 3,000 | 14,300 | |
| | 10 | 1 | | 1,800 | 12,500 | |
| | 12 | 1 | 9,000 | | 21,500 | |
| | 15 | 1 | | 2,700 | 18,800 | |
| | 29 | 2 | | 2,480 | 16,320 | |
| | 29 | 2 | | 750 | 15,570 | |
| | 30 | 2 | 7,800 | | 23,370 | |
| | 30 | 2 | | 5,100 | 18,270 | |
| | 30 | 2 | | 4,250 | 14,020 | |
| | 30 | 2 | | 3,000 | 11,020 | |

Account: Accounts Receivable Account No. 12

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 23 | | 1 | 13,650 | | 13,650 | |
| | 30 | 2 | | 7,800 | 5,850 | |

Prob. 2-3A (Continued)

Account: Supplies Account No. 13

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 10 | | 1 | 1,800 | | 1,800 | |

Account: Prepaid Insurance Account No. 14

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 15 | | 1 | 2,700 | | 2,700 | |

Account: Equipment Account No. 16

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 6 | | 1 | 8,500 | | 8,500 | |

Account: Truck Account No. 18

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 8 | | 1 | 28,000 | | 28,000 | |

Account: Notes Payable Account No. 21

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 8 | | 1 | | 25,000 | | 25,000 |

Account: Accounts Payable Account No. 22

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June 6 | | 1 | | 8,500 | | 8,500 |
| | 24 | 1 | | 975 | | 9,475 |
| | 30 | 2 | 4,250 | | | 5,225 |

Prob. 2-3A (Continued)

Account: Capital Stock Account No. 31

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June | 1 | 1 | | 21,500 | | 21,500 |

Account: Dividends Account No. 33

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June | 30 | 2 | 3,000 | | | 3,000 |

Account: Fees Earned Account No. 41

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June | 12 | 1 | | 9,000 | | 9,000 |
| | 23 | 1 | | 13,650 | | 22,650 |

Account: Wages Expense Account No. 51

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June | 30 | 2 | 5,100 | | | 5,100 |

Account: Rent Expense Account No. 53

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June | 1 | 1 | 4,200 | | | 4,200 |

Account: Utilities Expense Account No. 54

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| June | 29 | 2 | 2,480 | | | 2,480 |

Prob. 2–3A (Continued)

Account: Truck Expense Account No. 55

| Date | | Item | Post. Ref. | Debit | Credit | Balance | |
|------|----|------|---------------|-------|--------|---------|--------|
| | | | | | | Debit | Credit |
| 2014 | | | | | | | |
| June | 24 | | 1 | 975 | | 975 | |

Account: Miscellaneous Expense Account No. 59

| Date | | Item | Post. Ref. | Debit | Credit | Balance | |
|------|----|------|---------------|-------|--------|---------|--------|
| | | | | | | Debit | Credit |
| 2014 | | | | | | | |
| June | 29 | | 2 | 750 | | 750 | |

Prob. 2–3A (Concluded)

3.

| FIRST-CLASS DESIGNS | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| June 30, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 11,020 | |
| Accounts Receivable | 5,850 | |
| Supplies | 1,800 | |
| Prepaid Insurance | 2,700 | |
| Equipment | 8,500 | |
| Truck | 28,000 | |
| Notes Payable | | 25,000 |
| Accounts Payable | | 5,225 |
| Capital Stock | | 21,500 |
| Dividends | 3,000 | |
| Fees Earned | | 22,650 |
| Wages Expense | 5,100 | |
| Rent Expense | 4,200 | |
| Utilities Expense | 2,480 | |
| Truck Expense | 975 | |
| Miscellaneous Expense | 750 | |
| | 74,375 | 74,375 |

4. $\$9,145$ ($\$22,650 - \$5,100 - \$4,200 - \$2,480 - \$975 - \750)
5. As will be discussed in Chapter 3, various adjustments are normally required at the end of the accounting period. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required.

Note to Instructors: At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.

Prob. 2-4A

2. and 3.

JOURNAL

| Date | Description | Post. Ref. | Debit | Credit |
|---------------|-------------------------------|------------|----------------|----------------|
| 2014 | | | | |
| Apr. 1 | Rent Expense | 52 | 6,500 | |
| | Cash | 11 | | 6,500 |
| | 2 Office Supplies | 14 | 2,300 | |
| | Accounts Payable | 21 | | 2,300 |
| | 5 Prepaid Insurance | 13 | 6,000 | |
| | Cash | 11 | | 6,000 |
| | 10 Cash | 11 | 52,300 | |
| | Accounts Receivable | 12 | | 52,300 |
| | 15 Land | 16 | 200,000 | |
| | Cash | 11 | | 30,000 |
| | Notes Payable | 23 | | 170,000 |
| | 17 Accounts Payable | 21 | 6,450 | |
| | Cash | 11 | | 6,450 |
| | 20 Accounts Payable | 21 | 325 | |
| | Office Supplies | 14 | | 325 |
| | 23 Advertising Expense | 53 | 4,300 | |
| | Cash | 11 | | 4,300 |

JOURNAL

| Date | Description | Post. Ref. | Debit | Credit |
|----------------|--------------------------------------|------------|--------------|--------------|
| 2014 | | | | |
| Apr. 27 | Cash | 11 | 2,500 | |
| | Salary and Commission Expense | 51 | | 2,500 |
| | 28 Automobile Expense | 54 | 1,500 | |
| | Cash | 11 | | 1,500 |
| | 29 Miscellaneous Expense | 59 | 1,400 | |
| | Cash | 11 | | 1,400 |

Prob. 2-4A (Continued)

Account: Prepaid Insurance Account No. 13

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 3,000 | |
| | 5 | 18 | 6,000 | | 9,000 | |

Account: Office Supplies Account No. 14

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 1,800 | |
| | 2 | 18 | 2,300 | | 4,100 | |
| | 20 | 18 | | 325 | 3,775 | |

Account: Land Account No. 16

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|---------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 15 | | 18 | 200,000 | | 200,000 | |

Account: Accounts Payable Account No. 21

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | | 14,000 |
| | 2 | 18 | | 2,300 | | 16,300 |
| | 17 | 18 | 6,450 | | | 9,850 |
| | 20 | 18 | 325 | | | 9,525 |

Account: Unearned Rent Account No. 22

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 30 | | 19 | | 10,000 | | 10,000 |

Account: Notes Payable Account No. 23

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|---------|---------|---------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 15 | | 18 | | 170,000 | | 170,000 |

Prob. 2-4A (Continued)

Account: Capital Stock Account No. 31

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | | 10,000 |

Account: Retained Earnings Account No. 32

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | | 36,000 |

Account: Dividends Account No. 33

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 2,000 | |
| | 30 | 19 | 4,000 | | 6,000 | |

Account: Fees Earned Account No. 41

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|---------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | | 240,000 |
| | 30 | 19 | | 57,000 | | 297,000 |

Account: Salary and Commission Expense Account No. 51

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 148,200 | |
| | 27 | 19 | | 2,500 | 145,700 | |
| | 30 | 19 | 11,900 | | 157,600 | |

Account: Rent Expense Account No. 52

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 30,000 | |
| | 1 | 18 | 6,500 | | 36,500 | |

Prob. 2-4A (Continued)

Account: Advertising Expense Account No. 53

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 17,800 | |
| | 23 | 18 | 4,300 | | 22,100 | |

Account: Automobile Expense Account No. 54

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 5,500 | |
| | 28 | 19 | 1,500 | | 7,000 | |

Account: Miscellaneous Expense Account No. 59

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Apr. 1 | Balance | ✓ | | | 3,900 | |
| | 29 | 19 | 1,400 | | 5,300 | |

Prob. 2-4A (Concluded)

4.

| ELITE REALTY | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| April 30, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 19,050 | |
| Accounts Receivable | 66,200 | |
| Prepaid Insurance | 9,000 | |
| Office Supplies | 3,775 | |
| Land | 200,000 | |
| Accounts Payable | | 9,525 |
| Unearned Rent | | 10,000 |
| Notes Payable | | 170,000 |
| Capital Stock | | 10,000 |
| Retained Earnings | | 36,000 |
| Dividends | 6,000 | |
| Fees Earned | | 297,000 |
| Salary and Commission Expense | 157,600 | |
| Rent Expense | 36,500 | |
| Advertising Expense | 22,100 | |
| Automobile Expense | 7,000 | |
| Miscellaneous Expense | 5,300 | |
| | 532,525 | 532,525 |

5. (a) The unadjusted trial balance in (4) still balances, since the debits equaled the credits in the original journal entry.
- (b) The correcting entry for \$7,200 (\$19,100 – \$11,900) would be as follows:

JOURNAL

Page 19

| Date | Description | Post. Ref. | Debit | Credit |
|---------|-------------------------------|---------------|-------|--------|
| 2014 | | | | |
| Apr. 30 | Salary and Commission Expense | 51 | 7,200 | |
| | Cash | 11 | | 7,200 |

(c) Transposition

Prob. 2-5A

1.

| THE COLBY GROUP | | |
|--|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| August 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash* | 22,400 | |
| Accounts Receivable | 48,000 | |
| Supplies | 8,750 | |
| Prepaid Insurance | 4,300 | |
| Equipment | 196,000 | |
| Notes Payable | | 117,600 |
| Accounts Payable | | 30,800 |
| Capital Stock | | 35,000 |
| Retained Earnings | | 87,150 |
| Dividends | 63,000 | |
| Fees Earned | | 454,450 |
| Wages Expense | 270,000 | |
| Rent Expense | 58,100 | |
| Advertising Expense | 25,200 | |
| Gas, Electricity, and Water Expense | 24,150 | |
| Miscellaneous Expense | 5,100 | |
| | 725,000 | 725,000 |

* \$17,300 + \$6,000 (a) – \$900 (b)

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

Prob. 2-1B

1. and 2.

| Cash | |
|--------------------|-----------|
| (a) 18,000 | (b) 2,500 |
| (g) 12,000 | (c) 3,150 |
| | (d) 1,450 |
| | (f) 2,400 |
| | (h) 1,800 |
| | (i) 375 |
| | (l) 2,800 |
| | (m) 200 |
| | (n) 300 |
| | (o) 550 |
| Bal. 14,475 | |

| Accounts Payable | |
|-------------------|--------------------|
| (h) 1,800 | (e) 6,500 |
| | (j) 2,500 |
| | Bal. 7,200 |
| Capital Stock | |
| | (a) 18,000 |
| Professional Fees | |
| | (g) 12,000 |
| | (k) 15,650 |
| | Bal. 27,650 |

| Accounts Receivable | |
|---------------------|--|
| (k) 15,650 | |

| Rent Expense | |
|--------------|--|
| (c) 3,150 | |

| Supplies | |
|-----------|--|
| (d) 1,450 | |

| Salary Expense | |
|----------------|--|
| (l) 2,800 | |

| Prepaid Insurance | |
|-------------------|--|
| (f) 2,400 | |

| Blueprint Expense | |
|-------------------|--|
| (j) 2,500 | |

| Automobiles | |
|-------------|--|
| (b) 19,500 | |

| Automobile Expense | |
|--------------------|--|
| (o) 550 | |

| Equipment | |
|-----------|--|
| (e) 6,500 | |

| Miscellaneous Expense | |
|-----------------------|--|
| (i) 375 | |
| (m) 200 | |
| Bal. 575 | |

| Notes Payable | |
|---------------|--------------------|
| (n) 300 | (b) 17,000 |
| | Bal. 16,700 |

Prob. 2-1B (Concluded)

3.

| JONES ARCHITECTS | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| April 30, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 14,475 | |
| Accounts Receivable | 15,650 | |
| Supplies | 1,450 | |
| Prepaid Insurance | 2,400 | |
| Automobiles | 19,500 | |
| Equipment | 6,500 | |
| Notes Payable | | 16,700 |
| Accounts Payable | | 7,200 |
| Capital Stock | | 18,000 |
| Professional Fees | | 27,650 |
| Rent Expense | 3,150 | |
| Salary Expense | 2,800 | |
| Blueprint Expense | 2,500 | |
| Automobile Expense | 550 | |
| Miscellaneous Expense | 575 | |
| | 69,550 | 69,550 |

4. Net income, \$18,075 ($\$27,650 - \$3,150 - \$2,800 - \$2,500 - \$550 - \575)

Prob. 2-2B

| | | | |
|--------|-------------------------|--------|--------|
| 1. (a) | Cash | 17,500 | |
| | Capital Stock | | 17,500 |
| (b) | Supplies | 2,300 | |
| | Accounts Payable | | 2,300 |
| (c) | Cash | 13,300 | |
| | Sales Commissions | | 13,300 |
| (d) | Rent Expense | 3,000 | |
| | Cash | | 3,000 |
| (e) | Accounts Payable | 1,150 | |
| | Cash | | 1,150 |
| (f) | Dividends | 1,800 | |
| | Cash | | 1,800 |
| (g) | Automobile Expense | 1,500 | |
| | Miscellaneous Expense | 400 | |
| | Cash | | 1,900 |
| (h) | Office Salaries Expense | 2,800 | |
| | Cash | | 2,800 |
| (i) | Supplies Expense | 1,050 | |
| | Supplies | | 1,050 |

Prob. 2-2B (Continued)

2.

| Cash | |
|-------------|-----------|
| (a) 17,500 | (d) 3,000 |
| (c) 13,300 | (e) 1,150 |
| | (f) 1,800 |
| | (g) 1,900 |
| | (h) 2,800 |
| Bal. 20,150 | |

| Sales Commissions | |
|-------------------|------------|
| | (c) 13,300 |

| Rent Expense | |
|--------------|--|
| (d) 3,000 | |

| Supplies | |
|------------|-----------|
| (b) 2,300 | (i) 1,050 |
| Bal. 1,250 | |

| Office Salaries Expense | |
|-------------------------|--|
| (h) 2,800 | |

| Accounts Payable | |
|------------------|------------|
| (e) 1,150 | (b) 2,300 |
| | Bal. 1,150 |

| Automobile Expense | |
|--------------------|--|
| (g) 1,500 | |

| Capital Stock | |
|---------------|------------|
| | (a) 17,500 |

| Supplies Expense | |
|------------------|--|
| (i) 1,050 | |

| Dividends | |
|-----------|--|
| (f) 1,800 | |

| Miscellaneous Expense | |
|-----------------------|--|
| (g) 400 | |

Prob. 2-2B (Concluded)

3.

| PLANET REALTY | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| August 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 20,150 | |
| Supplies | 1,250 | |
| Accounts Payable | | 1,150 |
| Capital Stock | | 17,500 |
| Dividends | 1,800 | |
| Sales Commissions | | 13,300 |
| Rent Expense | 3,000 | |
| Office Salaries Expense | 2,800 | |
| Automobile Expense | 1,500 | |
| Supplies Expense | 1,050 | |
| Miscellaneous Expense | 400 | |
| | 31,950 | 31,950 |

4. a. \$13,300
 b. \$8,750 (\$3,000 + \$2,800 + \$1,500 + \$1,050 + \$400)
 c. \$4,550 (\$13,300 – \$8,750)
5. \$2,750, which is the excess of net income of \$4,550 over the dividends of \$1,800.

Prob. 2-3B

1.

JOURNAL

Page 1

| Date | Description | Post. Ref. | Debit | Credit |
|---------------|-----------------------------|------------|---------------|---------------|
| 2014 | | | | |
| Oct. 1 | Cash | 11 | 18,000 | |
| | Capital Stock | 31 | | 18,000 |
| | 4 Rent Expense | 53 | 3,000 | |
| | Cash | 11 | | 3,000 |
| | 10 Truck | 18 | 23,750 | |
| | Cash | 11 | | 3,750 |
| | Notes Payable | 21 | | 20,000 |
| | 13 Equipment | 16 | 10,500 | |
| | Accounts Payable | 22 | | 10,500 |
| | 14 Supplies | 13 | 2,100 | |
| | Cash | 11 | | 2,100 |
| | 15 Prepaid Insurance | 14 | 3,600 | |
| | Cash | 11 | | 3,600 |
| | 15 Cash | 11 | 8,950 | |
| | Fees Earned | 41 | | 8,950 |

JOURNAL

Page 2

| Date | Description | Post. Ref. | Debit | Credit |
|----------------|-------------------------------|------------|---------------|---------------|
| 2014 | | | | |
| Oct. 21 | Accounts Payable | 22 | 2,000 | |
| | Cash | 11 | | 2,000 |
| | 24 Accounts Receivable | 12 | 14,150 | |
| | Fees Earned | 41 | | 14,150 |
| | 26 Truck Expense | 55 | 700 | |
| | Accounts Payable | 22 | | 700 |
| | 27 Utilities Expense | 54 | 2,240 | |
| | Cash | 11 | | 2,240 |

Prob. 2-3B (Continued)

Account: Supplies Account No. 13

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. 14 | | 1 | 2,100 | | 2,100 | |

Account: Prepaid Insurance Account No. 14

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. 15 | | 1 | 3,600 | | 3,600 | |

Account: Equipment Account No. 16

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. 13 | | 1 | 10,500 | | 10,500 | |

Account: Truck Account No. 18

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. 10 | | 1 | 23,750 | | 23,750 | |

Account: Notes Payable Account No. 21

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. 10 | | 1 | | 20,000 | | 20,000 |

Account: Accounts Payable Account No. 22

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|---------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. 13 | | 1 | | 10,500 | | 10,500 |
| | 21 | 2 | 2,000 | | | 8,500 |
| | 26 | 2 | | 700 | | 9,200 |

Prob. 2-3B (Continued)

Account: Capital Stock Account No. 31

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. | 1 | 1 | | 18,000 | | 18,000 |

Account: Dividends Account No. 33

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. | 31 | 2 | 3,500 | | 3,500 | |

Account: Fees Earned Account No. 41

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. | 15 | 1 | | 8,950 | | 8,950 |
| | 24 | 2 | | 14,150 | | 23,100 |

Account: Wages Expense Account No. 51

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. | 30 | 2 | 4,800 | | 4,800 | |

Account: Rent Expense Account No. 53

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. | 4 | 1 | 3,000 | | 3,000 | |

Account: Utilities Expense Account No. 54

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Oct. | 27 | 2 | 2,240 | | 2,240 | |

Prob. 2–3B (Continued)

Account: Truck Expense Account No. 55

| Date | | Item | Post. Ref. | Debit | Credit | Balance | |
|------|----|------|------------|-------|--------|---------|--------|
| | | | | | | Debit | Credit |
| 2014 | | | | | | | |
| Oct. | 26 | | 2 | 700 | | 700 | |

Account: Miscellaneous Expense Account No. 59

| Date | | Item | Post. Ref. | Debit | Credit | Balance | |
|------|----|------|------------|-------|--------|---------|--------|
| | | | | | | Debit | Credit |
| 2014 | | | | | | | |
| Oct. | 27 | | 2 | 1,100 | | 1,100 | |

Prob. 2–3B (Concluded)

3.

| PIONEER DESIGNS | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| October 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 8,460 | |
| Accounts Receivable | 6,550 | |
| Supplies | 2,100 | |
| Prepaid Insurance | 3,600 | |
| Equipment | 10,500 | |
| Truck | 23,750 | |
| Notes Payable | | 20,000 |
| Accounts Payable | | 9,200 |
| Capital Stock | | 18,000 |
| Dividends | 3,500 | |
| Fees Earned | | 23,100 |
| Wages Expense | 4,800 | |
| Rent Expense | 3,000 | |
| Utilities Expense | 2,240 | |
| Truck Expense | 700 | |
| Miscellaneous Expense | 1,100 | |
| | 70,300 | 70,300 |

4. $\$11,260 (\$23,100 - \$4,800 - \$3,000 - \$2,240 - \$700 - \$1,100)$
5. As will be discussed in Chapter 3, various adjustments are normally required at the end of the accounting period. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required.

Note to Instructors: At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.

Prob. 2-4B

2. and 3.

JOURNAL

Page 18

| Date | Description | Post. Ref. | Debit | Credit |
|---------------|-------------------------------|------------|---------------|---------------|
| 2014 | | | | |
| Aug. 1 | Office Supplies | 14 | 3,150 | |
| | Accounts Payable | 21 | | 3,150 |
| | 2 Rent Expense | 52 | 7,200 | |
| | Cash | 11 | | 7,200 |
| | 3 Cash | 11 | 83,900 | |
| | Accounts Receivable | 12 | | 83,900 |
| | 5 Prepaid Insurance | 13 | 12,000 | |
| | Cash | 11 | | 12,000 |
| | 9 Accounts Payable | 21 | 400 | |
| | Office Supplies | 14 | | 400 |
| | 17 Advertising Expense | 53 | 8,000 | |
| | Cash | 11 | | 8,000 |
| | 23 Accounts Payable | 21 | 13,750 | |
| | Cash | 11 | | 13,750 |

JOURNAL

Page 19

| Date | Description | Post. Ref. | Debit | Credit |
|----------------|---|------------|---------------|---------------|
| 2014 | | | | |
| Aug. 29 | Miscellaneous Expense | 59 | 1,700 | |
| | Cash | 11 | | 1,700 |
| | 30 Automobile Expense | 54 | 2,500 | |
| | Cash | 11 | | 2,500 |
| | 31 Cash | 11 | 2,000 | |
| | Salary and Commission Expense | 51 | | 2,000 |
| | 31 Salary and Commission Expense | 51 | 53,000 | |
| | Cash | 11 | | 53,000 |

Prob. 2-4B (Continued)

Account: Prepaid Insurance Account No. 13

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|-----------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. | 1 Balance | ✓ | | | 12,600 | |
| | 5 | 18 | 12,000 | | 24,600 | |

Account: Office Supplies Account No. 14

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|-----------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. | 1 Balance | ✓ | | | 2,800 | |
| | 1 | 18 | 3,150 | | 5,950 | |
| | 9 | 18 | | 400 | 5,550 | |

Account: Land Account No. 16

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. | 31 | 19 | 75,000 | | 75,000 | |

Account: Accounts Payable Account No. 21

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|-----------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. | 1 Balance | ✓ | | | | 21,000 |
| | 1 | 18 | | 3,150 | | 24,150 |
| | 9 | 18 | 400 | | | 23,750 |
| | 23 | 18 | 13,750 | | | 10,000 |

Account: Unearned Rent Account No. 22

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. | 31 | 19 | | 5,000 | | 5,000 |

Account: Notes Payable Account No. 23

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. | 31 | 19 | | 67,500 | | 67,500 |

Prob. 2-4B (Continued)

Account: Capital Stock Account No. 31

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | | 17,500 |

Account: Retained Earnings Account No. 32

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | | 70,000 |

Account: Dividends Account No. 33

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | 44,800 | |
| | 31 | 19 | 1,000 | | 45,800 | |

Account: Fees Earned Account No. 41

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|---------|---------|---------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | | 591,500 |
| | 31 | 19 | | 183,500 | | 775,000 |

Account: Salary and Commission Expense Account No. 51

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|--------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | 385,000 | |
| | 31 | 19 | | 2,000 | 383,000 | |
| | 31 | 19 | 53,000 | | 436,000 | |

Account: Rent Expense Account No. 52

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | 49,000 | |
| | 2 | 18 | 7,200 | | 56,200 | |

Prob. 2-4B (Continued)

Account: Advertising Expense Account No. 53

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | 32,200 | |
| | 17 | 18 | 8,000 | | 40,200 | |

Account: Automobile Expense Account No. 54

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | 15,750 | |
| | 30 | 19 | 2,500 | | 18,250 | |

Account: Miscellaneous Expense Account No. 59

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|--------|---------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| Aug. 1 | Balance | ✓ | | | 5,250 | |
| | 29 | 19 | 1,700 | | 6,950 | |

Prob. 2-4B (Concluded)

4.

| VALLEY REALTY | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| August 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 36,750 | |
| Accounts Receivable | 199,700 | |
| Prepaid Insurance | 24,600 | |
| Office Supplies | 5,550 | |
| Land | 75,000 | |
| Accounts Payable | | 10,000 |
| Unearned Rent | | 5,000 |
| Notes Payable | | 67,500 |
| Capital Stock | | 17,500 |
| Retained Earnings | | 70,000 |
| Dividends | 45,800 | |
| Fees Earned | | 775,000 |
| Salary and Commission Expense | 436,000 | |
| Rent Expense | 56,200 | |
| Advertising Expense | 40,200 | |
| Automobile Expense | 18,250 | |
| Miscellaneous Expense | 6,950 | |
| | 945,000 | 945,000 |

5. (a) The unadjusted trial balance in (4) still balances, since the debits equaled the credits in the original journal entry.
- (b) The correcting entry for \$9,000 (\$10,000 – \$1,000) would be as follows:

JOURNAL

Page 19

| Date | Description | Post. Ref. | Debit | Credit |
|---------|-------------|---------------|-------|--------|
| 2014 | | | | |
| Aug. 31 | Dividends | 33 | 9,000 | |
| | Cash | 11 | | 9,000 |

(c) Slide

Prob. 2-5B

1.

| TECH SUPPORT SERVICES | | |
|--|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| January 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash* | 20,250 | |
| Accounts Receivable | 56,400 | |
| Supplies | 6,750 | |
| Prepaid Insurance | 9,600 | |
| Equipment | 162,000 | |
| Notes Payable | | 54,000 |
| Accounts Payable | | 16,650 |
| Capital Stock | | 18,000 |
| Retained Earnings | | 89,850 |
| Dividends | 39,000 | |
| Fees Earned | | 534,000 |
| Wages Expense | 306,000 | |
| Rent Expense | 62,550 | |
| Advertising Expense | 28,350 | |
| Gas, Electricity, and Water Expense | 17,000 | |
| Miscellaneous Expense | 4,600 | |
| | 712,500 | 712,500 |

* $\$25,550 - \$8,000$ (a) + $\$2,700$ (b)

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

CONTINUING PROBLEM

2. and 3.

JOURNALPage 1

| Date | Description | Post. Ref. | Debit | Credit |
|-------------|----------------------------------|---------------|--------------|--------------|
| 2014 | | | | |
| July | 1 Cash | 11 | 5,000 | |
| | Capital Stock | 31 | | 5,000 |
| | 1 Office Rent Expense | 51 | 1,750 | |
| | Cash | 11 | | 1,750 |
| | 1 Prepaid Insurance | 15 | 2,700 | |
| | Cash | 11 | | 2,700 |
| | 2 Cash | 11 | 1,000 | |
| | Accounts Receivable | 12 | | 1,000 |
| | 3 Cash | 11 | 7,200 | |
| | Unearned Revenue | 23 | | 7,200 |
| | 3 Accounts Payable | 21 | 250 | |
| | Cash | 11 | | 250 |
| | 4 Miscellaneous Expense | 59 | 900 | |
| | Cash | 11 | | 900 |
| | 5 Office Equipment | 17 | 7,500 | |
| | Accounts Payable | 21 | | 7,500 |
| | 8 Advertising Expense | 55 | 200 | |
| | Cash | 11 | | 200 |
| | 11 Cash | 11 | 1,000 | |
| | Fees Earned | 41 | | 1,000 |
| | 13 Equipment Rent Expense | 52 | 700 | |
| | Cash | 11 | | 700 |
| | 14 Wages Expense | 50 | 1,200 | |
| | Cash | 11 | | 1,200 |

Continuing Problem (Continued)

2. and 3.

JOURNAL

Page 2

| Date | Description | Post. Ref. | Debit | Credit |
|----------------|---------------------------------|------------|-------|--------|
| 2014 | | | | |
| July 16 | Cash | 11 | 2,000 | |
| | Fees Earned | 41 | | 2,000 |
| | 18 Supplies | 14 | 850 | |
| | Accounts Payable | 21 | | 850 |
| | 21 Music Expense | 54 | 620 | |
| | Cash | 11 | | 620 |
| | 22 Advertising Expense | 55 | 800 | |
| | Cash | 11 | | 800 |
| | 23 Cash | 11 | 750 | |
| | Accounts Receivable | 12 | 1,750 | |
| | Fees Earned | 41 | | 2,500 |
| | 27 Utilities Expense | 53 | 915 | |
| | Cash | 11 | | 915 |
| | 28 Wages Expense | 50 | 1,200 | |
| | Cash | 11 | | 1,200 |
| | 29 Miscellaneous Expense | 59 | 540 | |
| | Cash | 11 | | 540 |
| | 30 Cash | 11 | 500 | |
| | Accounts Receivable | 12 | 1,000 | |
| | Fees Earned | 41 | | 1,500 |
| | 31 Cash | 11 | 3,000 | |
| | Fees Earned | 41 | | 3,000 |
| | 31 Music Expense | 54 | 1,400 | |
| | Cash | 11 | | 1,400 |
| | 31 Dividends | 33 | 1,250 | |
| | Cash | 11 | | 1,250 |

Continuing Problem (Continued)

1. and 3.

Account: Cash Account No. 11

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 Balance | ✓ | | | 3,920 | |
| | 1 | 1 | 5,000 | | 8,920 | |
| | 1 | 1 | | 1,750 | 7,170 | |
| | 1 | 1 | | 2,700 | 4,470 | |
| | 2 | 1 | 1,000 | | 5,470 | |
| | 3 | 1 | 7,200 | | 12,670 | |
| | 3 | 1 | | 250 | 12,420 | |
| | 4 | 1 | | 900 | 11,520 | |
| | 8 | 1 | | 200 | 11,320 | |
| | 11 | 1 | 1,000 | | 12,320 | |
| | 13 | 1 | | 700 | 11,620 | |
| | 14 | 1 | | 1,200 | 10,420 | |
| | 16 | 2 | 2,000 | | 12,420 | |
| | 21 | 2 | | 620 | 11,800 | |
| | 22 | 2 | | 800 | 11,000 | |
| | 23 | 2 | 750 | | 11,750 | |
| | 27 | 2 | | 915 | 10,835 | |
| | 28 | 2 | | 1,200 | 9,635 | |
| | 29 | 2 | | 540 | 9,095 | |
| | 30 | 2 | 500 | | 9,595 | |
| | 31 | 2 | 3,000 | | 12,595 | |
| | 31 | 2 | | 1,400 | 11,195 | |
| | 31 | 2 | | 1,250 | 9,945 | |

Account: Accounts Receivable Account No. 12

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 Balance | ✓ | | | 1,000 | |
| | 2 | 1 | | 1,000 | — | — |
| | 23 | 2 | 1,750 | | 1,750 | |
| | 30 | 2 | 1,000 | | 2,750 | |

Continuing Problem (Continued)

Account: Supplies Account No. 14

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|-----------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 Balance | ✓ | | | 170 | |
| | 18 | 2 | 850 | | 1,020 | |

Account: Prepaid Insurance Account No. 15

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | 1 | 2,700 | | 2,700 | |

Account: Office Equipment Account No. 17

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 5 | 1 | 7,500 | | 7,500 | |

Account: Accounts Payable Account No. 21

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|-----------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 Balance | ✓ | | | | 250 |
| | 3 | 1 | 250 | | — | — |
| | 5 | 1 | | 7,500 | | 7,500 |
| | 18 | 2 | | 850 | | 8,350 |

Account: Unearned Revenue Account No. 23

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 3 | 1 | | 7,200 | | 7,200 |

Account: Capital Stock Account No. 31

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|------|-----------|------------|-------|--------|---------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 Balance | ✓ | | | | 4,000 |
| | 1 | 1 | | 5,000 | | 9,000 |

Continuing Problem (Continued)

Account: **Dividends** Account No. **33**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|--------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 500 | |
| | 31 | | 1,250 | | 1,750 | |

Account: **Fees Earned** Account No. **41**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|-------|--------------|---------|---------------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | | 6,200 |
| | 11 | | | 1,000 | | 7,200 |
| | 16 | | | 2,000 | | 9,200 |
| | 23 | | | 2,500 | | 11,700 |
| | 30 | | | 1,500 | | 13,200 |
| | 31 | | | 3,000 | | 16,200 |

Account: **Wages Expense** Account No. **50**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|--------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 400 | |
| | 14 | | 1,200 | | 1,600 | |
| | 28 | | 1,200 | | 2,800 | |

Account: **Office Rent Expense** Account No. **51**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|----------|----------------|--------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 800 | |
| | 1 | | 1,750 | | 2,550 | |

Account: **Equipment Rent Expense** Account No. **52**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 675 | |
| | 13 | | 700 | | 1,375 | |

Continuing Problem (Continued)

Account: **Utilities Expense** Account No. **53**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 300 | |
| | 27 | | 915 | | 1,215 | |

Account: **Music Expense** Account No. **54**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|--------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 1,590 | |
| | 21 | | 620 | | 2,210 | |
| | 31 | | 1,400 | | 3,610 | |

Account: **Advertising Expense** Account No. **55**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 500 | |
| | 8 | | 200 | | 700 | |
| | 22 | | 800 | | 1,500 | |

Account: **Supplies Expense** Account No. **56**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|----------|----------------|-------|--------|------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 180 | |

Account: **Miscellaneous Expense** Account No. **59**

| Date | Item | Post. Ref. | Debit | Credit | Balance | |
|-------------|-----------|----------------|------------|--------|--------------|--------|
| | | | | | Debit | Credit |
| 2014 | | | | | | |
| July | 1 | Balance | | | 415 | |
| | 4 | | 900 | | 1,315 | |
| | 29 | | 540 | | 1,855 | |

Continuing Problem (Concluded)

4.

| PS MUSIC | | |
|---------------------------------|---------------------------|----------------------------|
| Unadjusted Trial Balance | | |
| July 31, 2014 | | |
| | Debit Balances | Credit Balances |
| Cash | 9,945 | |
| Accounts Receivable | 2,750 | |
| Supplies | 1,020 | |
| Prepaid Insurance | 2,700 | |
| Office Equipment | 7,500 | |
| Accounts Payable | | 8,350 |
| Unearned Revenue | | 7,200 |
| Capital Stock | | 9,000 |
| Dividends | 1,750 | |
| Fees Earned | | 16,200 |
| Music Expense | 3,610 | |
| Wages Expense | 2,800 | |
| Office Rent Expense | 2,550 | |
| Advertising Expense | 1,500 | |
| Equipment Rent Expense | 1,375 | |
| Utilities Expense | 1,215 | |
| Supplies Expense | 180 | |
| Miscellaneous Expense | 1,855 | |
| | 40,750 | 40,750 |

CASES & PROJECTS

CP 2–1

Acceptable ethical conduct requires that Gil look for the difference. If Gil cannot find the difference within a reasonable amount of time, he should confer with his supervisor as to what action should be taken so that the financial statements can be prepared by the 5 o’clock deadline. Gil’s responsibility to his employer is to act with integrity, objectivity, and due care, so that users of the financial statements will not be misled.

CP 2–2

The following general journal entry should be used to record the receipt of tuition payments in advance of classes:

| | | |
|--------------------------------|------|------|
| Cash..... | XXXX | |
| Unearned Tuition Deposits..... | | XXXX |

Cash is an asset account, and Unearned Tuition Deposits is a liability account. As the classes are taught throughout the term, the unearned tuition deposits become earned revenue.

CP 2–3

The journal is called the book of original entry. It provides a time-ordered history of the transactions that have occurred for the firm. This time-ordered history is very important because it allows one to trace ledger account balances back to the original transactions that created those balances. This process is called an “audit trail.” If the firm recorded transactions by posting to ledgers directly, it would be nearly impossible to reconstruct actual transactions. The debits and credits would all be separated and accumulated into the ledger balances. Once the transactions become part of the ledger balances, the original transactions would be lost. That is, there would be no audit trail, and any errors that might occur in recording transactions would be almost impossible to trace. Thus, firms first record transaction debits and credits in a journal. These transactions are then posted to the ledger to update the account balances. The journal and ledger are linked using posting references. This allows an analyst to trace the transaction flow forward or backward, depending on the need.

CP 2–4

1. The rules of debit and credit must be memorized. Dot is correct in that the rules of debit and credit could be reversed as long as everyone accepted and abided by the rules. However, the important point is that everyone accepts the rules as the way in which transactions should be recorded. This generates uniformity across the accounting profession and reduces errors and confusion. Since the current rules of debit and credit have been used for centuries, Dot should adapt to the current rules of debit and credit, rather than devise her own.

The primary reason that all accounts do not have the same rules for increases and decreases is for control of the recording process. The double-entry accounting system, which includes both (1) the rules of debit and credit and (2) the accounting equation, guarantees that (1) debits always equal credits and (2) assets always equal liabilities plus stockholders' equity. If all increases in the account were recorded by debits, then the control that debits always equal credits would be removed. In addition, the control that the normal balance of assets is a debit would also be removed. The accounting equation would still hold, but the control over recording transactions would be weakened.

Dot is correct that we could call the left and right sides of an account different terms, such as "LE" or "RE." Again, centuries of tradition dictate the current terminology used. One might note, however, that in Latin, *debere* (debit) means left and *credere* (credit) means right.

2. The accounting system may be designed to capture information about the buying habits of various customers or vendors, such as the quantity normally ordered, average amount ordered, number of returns, etc. Thus, in a sense, there can be other "sides" of (information about) a transaction that are recorded by the accounting system. Such information would be viewed as supplemental to the basic double-entry accounting system.

CP 2–5

- a. Although the titles and numbers of accounts may differ, depending on how expenses are classified, the following accounts would be adequate for recording transaction data for Eagle Caddy Service:

| <u>Balance Sheet Accounts</u> | | <u>Income Statement Accounts</u> | |
|-------------------------------|---------------------|----------------------------------|-----------------------|
| <u>1. Assets</u> | | <u>4. Revenue</u> | |
| 11 | Cash | 41 | Service Revenue |
| 12 | Accounts Receivable | | |
| 13 | Supplies | <u>5. Expenses</u> | |
| | | 51 | Rent Expense |
| | | 52 | Supplies Expense |
| <u>2. Liabilities</u> | | 53 | Wages Expense |
| 21 | Accounts Payable | 54 | Utilities Expense |
| | | 55 | Miscellaneous Expense |
| <u>3. Owner's Equity</u> | | | |
| 31 | Cory Neece, Capital | | |
| 32 | Cory Neece, Drawing | | |

b.

| EAGLE CADDY SERVICE | | |
|-------------------------------|---------|----------|
| Income Statement | | |
| For Month Ended June 30, 2014 | | |
| Service revenue | | \$11,400 |
| Expenses: | | |
| Rent expense | \$3,500 | |
| Supplies expense | 1,925 | |
| Wages expense | 850 | |
| Utilities expense | 340 | |
| Miscellaneous expense | 395 | |
| Total expenses | | 7,010 |
| Net income | | \$ 4,390 |

Note to Instructors: Students may have prepared slightly different income statements, depending upon the titles of the major expense classifications chosen. Regardless of the classification of expenses, however, the total sales, total expenses, and net income should be as presented above.

T accounts are not required for the preparation of the income statement of Eagle Caddy Service. The following presentation illustrates one solution using T accounts. Alternative solutions are possible if students used different accounts. In presenting the following T account solution, instructors may wish to emphasize the advantages of using T accounts (or a journal and four-column accounts) when a large number of transactions must be recorded.

CP 2-5 (Continued)

| Cash | | | 11 | | |
|------|----|--------------|------|----|-------|
| 2014 | | | 2014 | | |
| June | 1 | 2,000 | June | 1 | 500 |
| | 15 | 5,400 | | 2 | 750 |
| | 30 | 4,200 | | 3 | 600 |
| | 30 | 1,500 | | 17 | 1,000 |
| | | | | 20 | 2,400 |
| | | | | 28 | 395 |
| | | | | 30 | 340 |
| | | | | 30 | 850 |
| Bal. | | <u>6,265</u> | | | |

| Service Revenue | | | 41 | | |
|-----------------|----|---------------|------|--|--|
| 2014 | | | 2014 | | |
| June | 15 | 5,400 | | | |
| | 25 | 1,800 | | | |
| | 30 | 4,200 | | | |
| Bal. | | <u>11,400</u> | | | |

| Rent Expense | | | 51 | | |
|--------------|---|--------------|------|--|--|
| 2014 | | | 2014 | | |
| June | 1 | 500 | | | |
| | 3 | 3,000 | | | |
| Bal. | | <u>3,500</u> | | | |

| Accounts Receivable | | | 12 | | |
|---------------------|----|------------|------|----|-------|
| 2014 | | | 2014 | | |
| June | 25 | 1,800 | June | 30 | 1,500 |
| Bal. | | <u>300</u> | | | |

| Supplies Expense | | | 52 | | |
|------------------|----|-------|------|--|--|
| 2014 | | | 2014 | | |
| June | 30 | 1,925 | | | |

| Supplies | | | 13 | | |
|----------|----|------------|------|----|-------|
| 2014 | | | 2014 | | |
| June | 2 | 750 | June | 30 | 1,925 |
| | 7 | 1,000 | | | |
| | 22 | 850 | | | |
| Bal. | | <u>675</u> | | | |

| Wages Expense | | | 53 | | |
|---------------|----|-----|------|--|--|
| 2014 | | | 2014 | | |
| June | 30 | 850 | | | |

| Accounts Payable | | | 21 | | |
|------------------|----|-------|------|----|------------|
| 2014 | | | 2014 | | |
| June | 17 | 1,000 | June | 3 | 2,400 |
| | 20 | 2,400 | | 7 | 1,000 |
| | | | | 22 | 850 |
| Bal. | | | Bal. | | <u>850</u> |

| Utilities Expense | | | 54 | | |
|-------------------|----|-----|------|--|--|
| 2014 | | | 2014 | | |
| June | 30 | 340 | | | |

| Cory Neece, Capital | | | 31 | | |
|---------------------|---|-------|------|--|--|
| 2014 | | | 2014 | | |
| June | 1 | 2,000 | | | |

| Miscellaneous Expense | | | 55 | | |
|-----------------------|----|-----|------|--|--|
| 2014 | | | 2014 | | |
| June | 28 | 395 | | | |

CP 2–5 (Concluded)

c. **\$6,265, computed in the following manner:**

Cash receipts:

| | | |
|---|---------------------|-----------------|
| Initial investment..... | \$2,000 | |
| Cash sales..... | 9,600 | |
| Collections on accounts..... | <u>1,500</u> | |
| Total cash receipts during June..... | | \$13,100 |

Cash disbursements:

| | | |
|--|-------------------|---------------------|
| Rent expense (\$500 + \$600 + \$2,400)..... | \$3,500 | |
| Supplies purchased for cash..... | 750 | |
| Wages expense..... | 850 | |
| Payment for supplies on account..... | 1,000 | |
| Utilities expense..... | 340 | |
| Miscellaneous expense..... | <u>395</u> | |
| Total cash disbursements during June..... | | <u>6,835</u> |

| | | |
|---|--|-------------------------------|
| Cash on hand according to records* | | <u><u>\$ 6,265</u></u> |
|---|--|-------------------------------|

* If the student used T accounts in completing part (b), or this part, this amount (\$6,265) should agree with the balance of the cash account.

d. The difference of \$90 (\$6,265 – \$6,175) between the cash on hand according to records (\$6,265) and the cash on hand according to the count (\$6,175) could be due to many factors, including errors in the record keeping and withdrawals made by Cory.

CP 2–6

Note to Instructors: The purpose of this activity is to familiarize students with the job opportunities available in accounting or in fields that require (or prefer) the employee to have some knowledge of accounting.

An example of an advertisement for an accounting job is shown on the next page.

Source: CareerBuilders.com

CP 2–6 (Continued)

ACCOUNTING MANAGER
Accountants One

JOB SNAPSHOT:

| | |
|---|--------------------------|
| Location: North East metro Atlanta area, GA | Experience: 3 to 8 years |
| Base Pay: \$60,000–\$65,000/Year | Travel: None |
| Other Pay: Excellent corporate benefits | Relocation Covered: No |
| Employee Type: Full-Time | Post Date: 5/9/2011 |
| Industry: Manufacturing | Contact Information |
| Manages Others: Yes | Contact: |
| Job Type: Accounting | Phone: 555-395-6969 |
| Education: 4-Year Degree | Ref ID: RD5694 |

DESCRIPTION:

A growing and well-established Atlanta company has asked us to recruit an Accounting Manager. This person will report to the Controller and be responsible for all day-to-day management of the department.

ESSENTIAL FUNCTIONS:

- Provide management with timely and accurate data and reports
- Responsible for accuracy of accounting entries, monthly P & L and Balance Sheets
- Perform analysis of financial reports and performance
- Personally conduct and manage collection activities
- Process biweekly employee payroll in an accurate and timely manner
- Supervise, train, and develop Accounts Payable Coordinator and additional accounting staff as necessary
- Interact with vendors and customers in a payables and receivables management process
- Initiate bank wires and ACH transfers
- Interact with internal and external auditors in completing audits
- Perform other duties as assigned

REQUIREMENTS:

- BS degree in Accounting, successful completion of CPA exams is a plus. Minimum 3 years experience as an accounting manager or supervisor in a manufacturing environment is absolutely required. Working knowledge of Microsoft Dynamics 10.0 is strongly preferred.
- Exceptional analytical and problem-solving abilities
- Must be well-versed in the financial aspects of inventory as well as state and federal financial regulations
- Must possess the ability to professionally interact with internal and external customers
- Excellent written and verbal communication skills
- Proficient knowledge of Excel and Word
- Experience with EXACT software as well as LOTUS Notes would be a plus
- Ability to analyze financial data and prepare financial reports, statements, and projections

CLIENT IS INTERVIEWING FOR AN IMMEDIATE HIRE!

NO CALLS PLEASE, AND LOCAL CANDIDATES ONLY need apply by emailing confidential resume as soon as possible. All qualified candidates will be contacted immediately.

CP 2–6 (Continued)

An example of a job advertisement requiring accounting knowledge is as follows:

Source: CareerBuilders.com

EAST REGION FINANCIAL INSTITUTIONS DIRECTOR
Jefferson Wells

JOB SNAPSHOT:

Location: Atlanta, GA 30301
Employee Type: Full-Time
Industry: Accounting—Finance
Manages Others: Yes
Job Type: Accounting

Experience: Not Specified
Travel: Up to 50%
Post Date: 5/17/2011
Contact Information
Ref ID: 1294

DESCRIPTION:

Directors at Jefferson Wells are crucial to our success. They bring a wealth of experience and knowledge to our various service offerings and are responsible for ensuring the development and execution of the strategic plan for their respective market. Their goal is to drive the development of the Solution Area with the goal of significant growth and profitability. They provide technical expertise and leverage a network of clients and contacts. The Director plays a critical role in the leadership and development of our Engagement Managers and Professional Consultants.

Directors create and implement the Marketing Operating Plan, as well as create revenue strategies to meet revenue targets. They drive development and execution of effective client solutions to key targets.

Directors work closely with Business Development Managers on proposals and business development calls. Directors serve as the business advisor to clients to ensure quality assurance standards are met. They manage, direct, and monitor multiple client services teams on client engagements. They maintain strong communication with clients to manage expectations, ensure client satisfaction and adherence to deadlines. Other key success factors include:

- Solid history of excellent performance, management capability, and revenue growth
- Proven ability to drive a business including selling, work plan development, proposal writing, and overseeing service delivery
- Management experience of a large group of professionals of 10 or more, with demonstrated history of building a solution area—hiring, training, and mentoring
- Demonstrated ability in developing meaningful client relationships, and capacity to bring and leverage relationships to Jefferson Wells

The East Region Financial Institutions Director works under the general supervision of the East Region Vice President and has a dotted line relationship to the Managing Directors in the region. This Director will be recognized as a financial institution industry leader with expertise in the areas of commercial and residential loan origination/servicing, deposit operations, and the corresponding GAAP accounting requirements as well as regulatory compliance. He/she will be accountable for overseeing the following projects/activities at Jefferson Wells' financial institution clients in one or all of the following areas:

- Regulatory Compliance including Loan Compliance and BSA/AML
- Troubled Debt Restructuring
- Enterprise Risk Management
- Loan Reviews (Commercial and/or Consumer) and Credit Risk
- FAS 15 and FAS 114
- Foreclosure Application Processing
- Loss Mitigation
- Financial Process Documentation and Improvement
- Policy and Procedure Development

CP 2–6 (Concluded)

Jefferson Wells (www.jeffersonwells.com) delivers professional services in the areas of internal audit and controls, technology risk management, tax, and finance and accounting-related services. The firm's unique, agile structure aligns experienced professionals with proven processes to deliver pragmatic and cost-effective results. Headquartered in Milwaukee, Jefferson Wells serves clients, including Fortune 500 and Global 1000 companies, from offices worldwide. Jefferson Wells is an independently operating, wholly owned subsidiary of ManpowerGroup. (NYSE: MAN).

Jefferson Wells is an Equal Opportunity Employer.

REQUIREMENTS:

- Minimum 12 years or more of clearly progressive, professional development in the general area of accounting services/internal auditing, including a mix of public accounting and managerial level financial institution industry experience
- Bachelor's degree in accounting
- CPA, CIA, and/or MBA preferred
- Consulting delivery experience
- Strong leadership skills
- Senior-level internal compliance experience within a large financial institution
- Willingness and ability to travel

