

Chapter 2

Recording business transactions

Quick check

1. a
2. d
3. b
4. b
5. b
6. d
7. a
8. b
9. a
10. d

Starters

(10 min.) S2-1

Req. 1

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

(5 min.) S2-2

Req. 1

Debits are *increases* for the following types of account:

- Assets
- Owners' drawings
- Expenses

Debits are *decreases* for these types of account:

- Liabilities
- Owners' capital
- Revenues

Req. 2

Credits are *increases* for these types of account:

- Liabilities
- Owners' capital
- Revenues

Credits are *decreases* for these types of account:

- Assets
- Owners' drawings
- Expenses

(5 min.) S2-3

Req. 1

	Normal balance Debit or credit
Assets	Debit
Liabilities	Credit
Owners' equity overall	Credit
Capital	Credit
Drawings	Debit
Revenues	Credit
Expenses	Debit

(5 min.) S2-4

Req. 1

Step 1: Identify each account affected and its type.

Step 2: Determine whether each account is increased or decreased.

Step 3: Record the transaction in the journal.

	Account	Type	Increase/ Decrease
5	Accounts receivable	Asset	Increase
	Service revenue	Owners' equity	Increase
28	Cash	Asset	Increase
	Accounts receivable	Asset	Decrease

(10 min.) S2-5

Req. 1

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan 1	Cash		29 000	
	Brown, capital			29 000
	Owner investment			
2	Medical supplies		14 000	
	Accounts payable			14 000
	Purchased supplies on account.			
2	Rent expense		2 600	
	Cash			2 600
	Paid office rent.			
3	Accounts receivable		8 000	
	Service revenue			8 000
	Performed service on account.			

(10 min.) S2-6**Req. 1**

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	22	Accounts receivable		10 000	
		Service revenue			10 000
		Performed service on account.			
	30	Cash		7 000	
		Accounts receivable			7 000
		Received cash on account.			
	31	Electricity and gas expense		180	
		Accounts payable			180
		Received electricity and gas bill.			
	31	Salary expense		1 000	
		Cash			1 000
		Paid salary expense.			
	31	Advertising expense		700	
		Cash			700
		Paid advertising expense.			

(10–15 min.) S2-7**Req. 1**

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
1.		Supplies		3 400	
		Accounts payable			3 400
		Purchased supplies on account.			
2.		Accounts payable		1 700	
		Cash (\$3 400 x 1/2)			1 700
		Paid on account.			

Req. 2

Accounts payable			
2.	1 700	1.	3 400
Bal	1 700		

(10–15 min.) S2-8

Req. 1

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Accounts receivable		16 000	
	Service revenue			16 000
	Performed service on account.			
	Cash		9 600	
	Accounts receivable			9 600
	Received cash on account.			

Req. 2

Cash	Accounts receivable	Service revenue
9 600	16 000	16 000
Bal 9 600	Bal 6 400	Bal 16 000

Req. 3

- a. Walja Creek earned: \$16 000 as Service revenue
- b.
- | | |
|---------------------|----------|
| Cash | \$9 600 |
| Accounts receivable | 6 400 |
| Total assets | \$16 000 |

(10–15 min.) S2-9

Cash	
	29 000
Bal	26 400

Accounts receivable	
	8 000
Bal	8 000

Medical supplies	
	14 000
Bal	14 000

Accounts payable	
	14 000
Bal	14 000

Brown, capital	
	29 000
Bal	29 000

Service revenue	
	8 000
Bal	8 000

Rent expense	
	2 600
Bal	2 600

Req. 2

NEVILLE BROWN, GP			
Trial balance			
as at 3 January 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$26 400		
Accounts receivable	8 000		
Medical supplies	14 000		
Accounts payable		\$14 000	
Neville Brown, GP, capital		29 000	
Service revenue		8 000	
Rent expense	2 600		
Total	<u>\$51 000</u>	<u>\$51 000</u>	

(10 min.) S2-10**Req. 1**

OAKLAND FLOOR COVERINGS		
Trial balance		
as at 31 December 2015		
ACCOUNT	DEBIT	CREDIT
Cash	\$12 000	
Equipment	45 000	
Accounts payable		\$ 2 000
Other liabilities		18 000
Oakland, capital		22 000
Revenues		34 000
Expenses	<u>19 000</u>	<u> </u>
Total	<u>\$76 000</u>	<u>\$76 000</u>

(10 min.) S2-11**Req. 1**

BRENDA LONGVAL SUPPLIES		
Incorrect trial balance		
30 April 2015		
ACCOUNT	BALANCE	
ACCOUNT	DEBIT	CREDIT
Cash	\$18 000	
Accounts receivable	1 000	
Office supplies	500	
Land	14 000	
Accounts payable		\$ 400
Brenda Longval, capital	30 600*	
Brenda Longval, drawings	3 000	
Service revenue		8 800
Rent expense, computer	700	
Rent expense, office	900	
Salary expense	1 100	
Electricity and gas expense	<u>600</u>	<u> </u>
Total	<u>\$70 400</u>	<u>\$9 200</u>

(continued) S2-11

To correct this error:

1. Take the difference between total debits and total credits:
 $\$70\,400 - \$9\,200 = \$61\,200$

2. Divide the error by 2:
 $\$61\,200 / 2 = \$30\,600$

3. Locate \$30 600 on the trial balance. The Lee capital account should have a credit balance.

(10 min.) S2-12

Req. 1

FRANCIS NANGLE TRAVEL DESIGN			
Incorrect trial balance			
as at 31 January 2015			
ACCOUNT	BALANCE		
	DEBIT	CREDIT	
Cash	\$20 000		
Accounts receivable	1 000		
Office supplies	500		
Land	12 000		
Accounts payable		\$ 100	
Francis Nangle, capital		31 000	
Francis Nangle, drawings	300*		
Service revenue		8 700	
Rent expense, computer	700		
Rent expense, office	1 200		
Salary expense	1 200		
Electricity and gas expense	<u>200</u>		
Total	<u>\$37 100</u>	<u>\$39 800</u>	

*Incorrect; should be listed as \$3 000.

(continued) S2-12

To correct this error:

1. Take the difference between total debits and total credits:
 $\$37\,100 - \$39\,800 = \$2\,700$
2. Divide the error by 9:
 $\$2\,700 \div 9 = \300
3. Locate \$300 on the trial balance. The Francis Nangle, drawing account holds the error. Trace the Francis Nangle, drawing balance back to the ledger account, which shows the correct amount, \$3 000.

(10–15 min.) E2-3

Req. 1

ASSETS	=	LIABILITIES	+	OWNERS' EQUITY
<i>Debit</i>		<i>Credit</i>		<i>Credit</i>
\$490 000	=	\$360 000	+	\$130 000

Req. 2

REVENUES	-	EXPENSES	=	PROFIT (loss)
\$380 000	-	\$350 000	=	\$30 000
<i>Credit</i>		<i>Debit</i>		<i>Credit</i>

PROFIT represents a net *credit* because revenues (*credits*) exceed expenses (*debits*).

A LOSS would be a net *debit* because expenses (*debits*) would exceed revenues (*credits*).

(10–15 min.) E2-4

Req. 1

Journal			
DATE	ACCOUNTS AND EXPLANATIONS	DEBIT	CREDIT
Jul 2	Electricity and gas expense	350	
	Cash		350
5	Equipment	2 300	
	Accounts payable		2 300
10	Accounts receivable	3 000	
	Service revenue		3 000
12	Cash	8 500	
	Loan payable		8 500
19	Cash	30 000	
	Land		30 000
21	Supplies	700	
	Cash		700
27	Accounts payable	2 300	
	Cash		2 300

(20–30 min.) E2-5

Req. 1

- May 1 Owners' investment
- 2 Purchased supplies on account (on credit)
- 4 Paid cash for building
- 6 Performed services for cash
- 9 Payment on account
- 17 Performed services on account
- 23 Received payment on account
- 31 Payment of expenses

Reqs. 2 and 3

Cash		110	
May 1	75 000	May 4	53 000
6	2 600	9	400
23	1 900	31	2 000
May 31	24 100		

Accounts receivable		120	
May 17	2 500	May 23	1 900
May 31	600		

Supplies		130	
May 2	500		
May 31	500		

Building		140	
May 4	53 000		
May 31	53 000		

Accounts payable		210	
May 9	400	May 2	500
		May 31	100

Ward, capital		310	
		May 1	75 000
		May 31	75 000

Service revenue		410	
		May 6	2 600
		17	2 500
		May 31	5 100

Rent expense		510	
May 31	900		
May 31	900		

Salary expense		520	
May 31	1 100		
May 31	1 100		

Req. 4

WARD TECHNOLOGY SOLUTIONS		
Trial balance		
as at 31 May 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$24 100	
Accounts receivable	600	
Supplies	500	
Building	53 000	
Accounts payable		\$ 100
Ward, capital		75 000
Service revenue		5 100
Rent expense	900	
Salary expense	1 100	
Total	<u>\$80 200</u>	<u>\$80 200</u>

Req. 4

WARD TECHNOLOGY SOLUTIONS		
Trial balance		
as at 31 May 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$44 100	
Accounts receivable	600	
Supplies	500	
Building	53 000	
Accounts payable		\$ 100
Ward, capital		95 000
Service revenue		5 100
Rent expense	1 100	
Salary expense	<u>900</u>	<u> </u>
Total	<u>\$100 200</u>	<u>\$100 200</u>

(20–30 min.) E2-6

Req. 1

Req. 2

	Effect on trial balance	Account	Amount	Direction of error
a.	Total debits > Total credits	Loan payable	\$7 000	Too low
b.	Total debits > Total credits	Electricity and gas expense	810	Too high
c.	Total debits = Total credits	Furniture	800	Too high
		Accounts payable	800	Too high
d.	Total debits > Total credits	Cash	1 080	Too high
e.	Total debits = Total credits	Supplies	90	Too low
		Accounts payable	90	Too low

Journal

DATE	ACCOUNTS AND EXPLANATIONS	DEBIT	CREDIT
Jul 2	Electricity and gas expense	350	
	Cash		350
5	Equipment	2 300	
	Accounts payable		2 300
10	Accounts receivable	3 000	
	Service revenue		3 000
12	Cash	8 500	
	Loan payable		8 500
19	Cash	30 000	
	Land		30 000
21	Supplies	700	
	Cash		700
27	Accounts payable	2 300	
	Cash		2 300

(15–25 min.) E2-7

Reqs. 1 and 2

Cash				
Jul	1	4 000	Jul 2	350
	12	8 500	21	700
	19	30 000	27	2 300
Jul	31	39 150		

Accounts receivable				
Jul	10	3 000		
Jul	31	3 000		

Supplies				
Jul	21	700		
Jul	31	700		

Equipment				
Jul	5	2 300		
Jul	31	2 300		

Land				
Jul	1	30 000	Jul 19	30 000
Jul	31	0		

Accounts payable				
Jul	27	2 300	Jul 5	2 300
			Jul 31	0

Loan payable				
			Jul 12	8 500
			Jul 31	8 500

Wang capital				
			Jul 1	34 000
			Jul 31	34 000

Service revenue				
			Jul 10	3 000
			Jul 31	3 000

Electricity and gas expense				
Jul	2	350		
Jul	31	350		

(continued) E2-7

Req. 3

KANGAROO POINT SERVICES			
Trial balance			
as at 31 July 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$39 150		
Accounts receivable	3 000		
Supplies	700		
Equipment	2 300		
Loan payable		\$ 8 500	
Wang, capital		34 000	
Service revenue		3 000	
Electricity and gas expense	350		
Total	<u>\$45 500</u>	<u>\$45 500</u>	

(10 min.) E2-8

Req. 1

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
1.	Cash		55 000	
	Kara, capital			55 000
	Owners' investment.			
2.	Supplies		800	
	Accounts payable			800
	Purchased supplies on credit.			
3.	Building		40 000	
	Cash			40 000
	Paid cash for building.			
4.	Cash		50 000	
	Loan payable			50 000
	Borrowed money.			
5.	Equipment		4 700	
	Cash			4 700
	Paid cash for equipment.			

(continued) E2-8

Req. 2

KARA ASSOCIATES			
Trial balance			
30 June 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 60 300		
Supplies	800		
Equipment	4 700		
Building	40 000		
Accounts payable		\$ 800	
Loan payable		50 000	
Kara, capital	<u> </u>	<u>55 000</u>	
Total	<u>\$105 800</u>	<u>\$105 800</u>	

(10 min.) E2-9

Req. 1

Harry Bloggs' transaction:

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Repair expense		598.41	
	Cash			598.41
	Paid repair bill.			

Req. 2

Advanced Automotive's transaction:

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Cash		598.41	
	Service revenue			598.41
	Performed service and received cash			

(20-25 min.) E 2-10

Reqs 1 and 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		15 000	
	Office furniture		4 000	
	Theresa Parker, capital			19 000
b.	Rent expense		1 500	
	Cash			1 500
c.	Office supplies		900	
	Accounts payable			900
d.	Salary expense		1 800	
	Cash			1 800
e.	Accounts payable		700	
	Cash			700
f.	Accounts receivable		6 000	
	Service revenue			6 000
g.	Theresa Parker, drawings		7 000	
	Cash			7 000

Reqs 1 and 1

ACCOUNT		CASH		ACCOUNT NO.		
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
a.			15 000		15 000	
b.				1 500	13 500	
d.				1 800	11 700	
e.				700	11 000	
g.				7 000	4 000	

(continued) E 2-10

ACCOUNT		ACCOUNTS RECEIVABLE			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
f.			6 000		6 000	

ACCOUNT		Office supplies			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
c.			900		900	

ACCOUNT		Office furniture			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
a.			4 000		4 000	

ACCOUNT		Accounts payable			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
c.				900		900
e.			700			200

ACCOUNT		Stark, capital			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
a.				19 000		19 000

ACCOUNT		Parker, drawings			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
g.			7 000		7 000	

(continued) E 2-10

ACCOUNT		Service revenue			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
f.				6 000		6 000

ACCOUNT		Salary expense			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
d.			1 800		1 800	

ACCOUNT		Rent expense			ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
b.			1 500		1 500	

Req. 3

Theresa Parker, Accountant			
Trial balance			
30 June 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 4 000		
Accounts receivable	6 000		
Office supplies	900		
Office furniture	4 000		
Accounts payable		\$ 200	
Stark, capital		19 000	
Stark, drawings	7 000		
Service revenue		6 000	
Salary expense	1 800		
Rent expense	1 500		
Total	\$25 200	\$25 200	

(10–20 min.) E2-11**Req. 1**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Aug 1	Cash		48 000	
	Principe, capital			48 000
	Owners' investment			
2	Supplies		500	
	Accounts payable			500
	Purchased supplies on account.			
4	Building		47 000	
	Cash			47 000
	Paid cash for a building.			
6	Cash		4 400	
	Service revenue			4 400
	Performed service for cash.			
9	Accounts payable		200	
	Cash			200
	Paid cash on account.			
17	Accounts receivable		2 200	
	Service revenue			2 200
	Performed service on account.			
23	Cash		1 600	
	Accounts receivable			1 600
	Received cash on account.			
31	Salary expense		1 900	
	Rent expense		700	
	Cash			2 600
	Paid expenses.			

(15–20 min.) E2-12

Req. 1

Cash			
Aug 1	48 000	Aug 4	47 000
6	4 400	9	200
23	1 600	31	2 600
Aug 31	4 200		

Accounts receivable			
Aug 17	2 200	Aug 23	1 600
Aug 31	600		

Supplies	
Aug 2	500
Aug 31	500

Building	
Aug 4	47 000
Aug 31	47 000

Accounts payable			
Aug 9	200	Aug 2	500
		Aug 31	300

Principe, capital		
	Aug 1	48 000
	Aug 31	48 000

Service revenue		
	Aug 6	4 400
	17	2 200
	Aug 31	6 600

Salary expense		
Aug 31	1 900	
Aug 31	1 900	

Rent expense	
Aug 31	700
Aug 31	700

(continued) E2-12**Req. 2**

PRINCIPE TECHNOLOGY SOLUTIONS			
Trial balance			
as at 31 August 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 4 200		
Accounts receivable	600		
Supplies	500		
Building	47 000		
Accounts payable		\$ 300	
Principe, capital		48 000	
Service revenue		6 600	
Salary expense	1 900		
Rent expense	<u>700</u>		
Total	<u>\$54 900</u>	<u>\$54 900</u>	

(10 min.) E2-13**Req. 1**

NUNDLE SIGNS			
Trial balance			
as at 30 June 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 4 000		
Accounts receivable	9 800		
Supplies	300		
Trucks	130 000		
Building	48 000		
Accounts payable		\$ 5 000	
Loan payable		54 000	
Nundle, capital		70 000	
Nundle, drawings	5 400		
Service revenue		90 000	
Salary expense	17 000		
Fuel expense	3 000		
Insurance expense	600		
Electricity and gas expense	500		
Supplies expense	<u>400</u>		
Total	<u>\$219 000</u>	<u>\$219 000</u>	

(15–20 min.) E2-14**Req. 1**

JOY MCDOWELL TUTORING SERVICE			
Trial balance			
as at 31 May 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 3 500*		
Accounts receivable	1 500*		
Supplies	600		
Computer equipment	25 800		
Accounts payable		\$12 700*	
McDowell, capital		12 200*	
Service revenue		9 800	
Salary expense	1 700		
Rent expense	700		
Electricity and gas expense	<u>900*</u>		<u> </u>
Total	<u>\$34 700</u>		<u>\$34 700</u>

*Calculations:

Cash	$\$3\,000 + \$500 = \$3\,500$
Accounts receivable:	$\$2\,000 - \$500 = \$1\,500$
Accounts payable	$\$11\,400 + \$900 + \$400 = \$12\,700$
McDowell, capital	$\$11\,600 + \$600 = \$12\,200$
Electricity and gas expense	$\$500 + \$400 = \$900$

Problems**(10–15 min.) P2-1****Req. 1****Req. 2**

Account	Account type	Normal balance
Cash	Asset	Debit
Supplies	Asset	Debit
Building	Asset	Debit
Accounts payable	Liability	Credit
Loan payable	Liability	Credit
Janda, capital	Equity	Credit
Janda, drawings	Equity	Debit
Service revenue	Revenue	Credit
Salary expense	Expense	Debit
Rent expense	Expense	Debit
Rates expense	Expense	Debit

(40–50 min.) P2-2**Req. 1**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep 1	Cash		400 000	
	Janda capital			400 000
2	Depot building		360 000	
	Cash			360 000
5	Cash		260 000	
	Loan payable			260 000
10	Supplies		1 400	
	Accounts payable			1 400
15	Accounts payable		1 200	
	Cash			1 200
15	Rates expense		2 000	
	Cash			2 000
16	Salary expense		3 000	
	Rent expense		1 500	
	Cash			4 500
28	Janda, drawings		8 000	
	Cash			8 000
30	Cash		25 000	
	Service revenue			25 000

(continued) P2-2

Req. 2

Cash			
Sep 1	400 000	Sep 2	360 000
5	260 000	15	1 200
30	25 000	15	2 000
		16	4 500
		28	8 000
Bal	309 300		

Accounts payable			
Sep 15	1 200	Sep 10	1 400
		Bal	200

Loan payable			
		Sep 5	260 000
		Bal	260 000

Supplies	
Sep 10	1 400
Bal	1 400

Janda, capital	
	Sep 1 400 000
	Bal 400 000

Depot building	
Sep 2	360 000
Bal	360 000

Service revenue	
	Sep 30 25 000
	Bal 25 000

Janda, drawings	
Sep 28	8 000
Bal	8 000

Salary expense	
Sep 6	3 000
Bal	3 000

Rates expense	
Sep 15	2 000
Bal	2 000

Rent expense	
Sep 16	1 500
Bal	1 500

(45-60 min.) P2-3

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul 1	Cash		68 000	
	Yung, capital			68 000
5	Rent expense—equipment		560	
	Cash			560
9	Land		16 000	
	Cash			16 000
10	Supplies		1 600	
	Accounts payable			1 600
19	Cash		23 000	
	Loan payable			23 000
22	Accounts payable		1 300	
	Cash			1 300
31	Cash		6 500	
	Accounts receivable		5 800	
	Service revenue			12 300
31	Salary expense		2 500	
	Rent expense—office		1 100	
	Electricity and gas expense		400	
	Cash			4 000
31	Yung, drawings		7 000	
	Cash			7 000

(continued) P2-3

Req. 2

Cash			
Jul 1	68 000	Jul 5	560
		9	16 000
		22	1 300
		31	4 000
		31	7 000
Bal	68 640		

Accounts receivable		
Jul 31	5 800	
Bal	5 800	

Supplies		
Jul 10	1 600	
Bal	1 600	

Land	
Jul 9	16 000
Bal	16 000

Accounts payable			
Jul 22	1 300	July 10	1 600
		Bal	300

Loan payable		
	Jul 19	23 000
	Bal	23 000

Yung, capital		
	Jul 1	68 000
	Bal	68 000

Yung, drawings	
Jul 31	7 000
Bal	7 000

Service revenue		
	Jul 31	12 300
	Bal	12 300

Rent expense—equipment	
Jul 5	560
Bal	560

Rent expense—office	
Jul 31	1 100
Bal	1 100

Salary expense	
Jul 31	2 500
Bal	2 500

Electricity and gas expense	
Jul 31	400
Bal	400

(continued) P2-3**Req. 3**

VERNON YUNG, GP		
Trial balance		
as at 31 July 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 68 640	
Accounts receivable	5 800	
Supplies	1 600	
Land	16 000	
Accounts payable		\$ 300
Loan payable		23 000
Vernon Yung, GP, capital		68 000
Vernon Yung, GP, drawings	7 000	
Service revenue		12 300
Salary expense	2 500	
Rent expense—office	1 100	
Rent expense—equipment	560	
Electricity and gas expense	<u>400</u>	<u> </u>
Total	<u>\$103 600</u>	<u>\$103 600</u>

(45–60 min.) P2-4**Req. 2**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep 1	Cash		42 000	
	Doris Stewart, capital			42 000
4	Supplies		700	
	Furniture		1 900	
	Accounts payable			2 600
6	Cash		1 400	
	Service revenue			1 400
7	Land		24 000	
	Cash			24 000
10	Accounts receivable		1 000	
	Service revenue			1 000
14	Accounts payable		1 900	
	Cash			1 900
15	Salary expense		490	
	Cash			490
17	Cash		400	
	Accounts receivable			400
20	Accounts receivable		700	
	Service revenue			700
28	Cash		2 100	
	Service revenue			2 100
30	Salary expense		490	
	Cash			490
30	Rent expense		650	
	Cash			650
30	Doris Stewart, drawings		3 000	
	Cash			3 000

(continued) P2-4

Reqs. 1 and 3

Cash			
Sep 1	42 000	Sep. 7	24 000
6	1 400	14	1 900
17	400	15	490
28	2 100	30	490
		30	650
		30	3 000
Bal	15 370		

Accounts receivable			
Sep 10	1 000	Sep. 17	400
Sep 20	700		
Bal	1 300		

Supplies	
Sep 4	700
Bal	700

Furniture	
Sep 4	1 900
Bal	1 900

Land	
Sep 7	24 000
Bal	24 000

Accounts payable			
Sep 14	1 900	Sep 4	2 600
		Bal	700

Doris Stewart, capital			
		Sep 1	42 000
		Bal	42 000

Doris Stewart, drawings	
Sep 30	3 000
Bal	3 000

Service revenue			
	Sep 6	1 400	
	10	1 000	
	20	700	
	28	2 100	
	Bal	5 200	

Salary expense	
Sep 15	490
30	490
Bal	980

Rent expense	
Sep 30	650
Bal	650

(continued) P2-4**Req. 4**

DORIS STEWART, DESIGNER		
Trial balance		
as at 30 September 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 15 370	
Accounts receivable	1 300	
Supplies	700	
Furniture	1 900	
Land	24 000	
Accounts payable		\$ 700
Doris Stewart, capital		42 000
Doris Stewart, drawings	3 000	
Service revenue		5 200
Salary expense	980	
Rent expense	<u>650</u>	<u> </u>
Total	<u>\$47 900</u>	<u>\$47 900</u>

(45–60 min.) P2-5**Req. 2**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep 2	Cash		39 000	
	Trevor Moore, capital			39 000
3	Supplies		600	
	Furniture		2 000	
	Accounts payable			2 600
4	Cash		1 300	
	Service revenue			1 300
7	Land		26 000	
	Cash			26 000
11	Accounts receivable		700	
	Service revenue			700
15	Salary expense		590	
	Cash			590
16	Accounts payable		600	
	Cash			600
18	Cash		2 400	
	Service revenue			2 400
19	Accounts receivable		800	
	Service revenue			800
29	Cash		700	
	Accounts receivable			700
30	Salary expense		590	
	Cash			590
30	Rent expense		670	
	Cash			670
30	Trevor Moore, drawings		2 400	
	Cash			2 400

(continued) P2-5

Reqs. 1 and 3

Cash			
Sep 2	39 000	Sep 7	26 000
4	1 300	15	590
18	2 400	16	600
29	700	30	590
		30	670
		30	2 400
Bal	12 550		

Accounts receivable			
Sep 11	700	Sep 29	700
19	800		
Bal	800		

Supplies	
Sep 3	600
Bal	600

Furniture	
Sep 3	2 000
Bal	2 000

Land	
Sep 7	26 000
Bal	26 000

Accounts payable			
Sep 16	600	Sep 3	2 600
		Bal	2 000

Trevor Moore, capital		
	Sep 2	39 000
	Bal	39 000

Trevor Moore, drawings	
Sep 30	2 400
Bal	2 400

Service revenue		
	Sep 4	1 300
	11	700
	18	2 400
	19	800
	Bal	5 200

Salary expense	
Sep 15	590
30	590
Bal	1 180

Rent expense	
Sep 30	670
Bal	670

Req. 4

TREVOR MOORE, SOLICITOR		
Trial balance		
as at 30 September 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 12 550	
Accounts receivable	800	
Supplies	600	
Furniture	2 000	
Land	26 000	
Accounts payable		\$ 2 000
Trevor Moore, capital		39 000
Trevor Moore, drawings	2 400	
Service revenue		5 200
Salary expense	1 180	
Rent expense	<u>670</u>	<u> </u>
Total	<u>\$46 200</u>	<u>\$46 200</u>

(45–60 min.) P2-6**Req. 1**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Feb 4	Cash	11	4 000	
	Accounts receivable	12		4 000
	Received cash on account.			
8	Accounts receivable	12	4 600	
	Service revenue	41		4 600
	Performed services on account.			
13	Accounts payable	21	2 400	
	Cash	11		2 400
	Paid on account.			
18	Supplies	13	900	
	Accounts payable	21		900
	Purchased supplies on account.			
20	Sam Mitchell, drawings	32	2 200	
	Cash	11		2 200
	Owner drawings			
21	Paid for deck for residence; not a transaction of the business.			
22	Cash	11	2 300	
	Service revenue	41		2 300
	Performed service for cash.			
27	Rent expense	52	500	
	Cash	11		500
	Paid rent.			
29	Salary expense	51	1 600	
	Cash	11		1 600
	Paid employee salary.			

(continued) P2-6

Req. 2

ACCOUNT Cash					ACCOUNT NO. 11	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jan 31	Bal				7 000	
Feb 4			4 000		11 000	
	13			2 400	8 600	
	20			2 200	6 400	
	22		2 300		8 700	
	27			500	8 200	
	29			1 600	6 600	

ACCOUNT Accounts receivable					ACCOUNT NO. 12	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jan 31	Bal				10 500	
Feb 4				4 000	6 500	
	8		4 600		11 100	

ACCOUNT Supplies					ACCOUNT NO. 13	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jan 31	Bal				600	
Feb 18			900		1 500	

ACCOUNT Land					ACCOUNT NO. 14	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jan 31	Bal				17 000	

(continued) P2-6**(continued) Req. 2**

ACCOUNT Accounts payable					ACCOUNT NO. 21	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jan 31	Bal					4 700
Feb 13			2 400			2 300
18				900		3 200

ACCOUNT Sam Mitchell, capital					ACCOUNT NO. 31	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jan 31	Bal					30 400

ACCOUNT Sam Mitchell, drawings					ACCOUNT NO. 32	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Feb 20			2 200		2 200	

ACCOUNT Service revenue					ACCOUNT NO. 41	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Feb 8				4 600		4 600
22				2 300		6 900

ACCOUNT Salary expense					ACCOUNT NO. 51	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Feb 29			1 600		1 600	

(continued) P2-6

(continued) Req. 2

ACCOUNT Rent expense					ACCOUNT NO. 52	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Feb 27			500		500	

Req. 3

SAM MITCHELL, ACCOUNTANT			
Trial balance			
as at 29 February 2016			
ACCT. NO.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 6 600	
12	Accounts receivable	11 100	
13	Supplies	1 500	
14	Land	17 000	
21	Accounts payable		\$ 3 200
31	Sam Mitchell, capital		30 400
32	Sam Mitchell, drawings	2 200	
41	Service revenue		6 900
51	Salary expense	1 600	
52	Rent expense	<u>500</u>	<u> </u>
	Total	<u>\$ 40 500</u>	<u>\$ 40 500</u>

(45–60 min.) P2-7**Req. 1**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul 4	Cash		6 000	
	Accounts receivable			6 000
	Received cash on account.			
7	Accounts receivable		6 600	
	Service revenue			6 600
	Performed services on account.			
16	Supplies		1 000	
	Accounts payable			1 000
	Purchased supplies on account.			
19	Sharon Silver, drawings		2 300	
	Cash			2 300
	Owner drawings			
20	Accounts payable		2 500	
	Cash			2 500
	Paid on account.			
24	Cash		2 200	
	Service revenue			2 200
	Performed service for cash.			
25	Rent expense		500	
	Cash			500
	Paid rent.			
31	Salary expense		1 700	
	Cash			1 700
	Paid employee salary.			

(continued) P2-7**Req. 2**

ACCOUNT Cash					ACCOUNT NO. 11	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jun 30	Bal				7 000	
Jul 4			6 000		13 000	
19				2 300	10 700	
20				2 500	8 200	
24			2 200		10 400	
25				500	9 900	
31				1 700	8 200	

ACCOUNT Accounts receivable					ACCOUNT NO. 12	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jun 30	Bal				8 500	
Jul 4				6 000	2 500	
7			6 600		9 100	

ACCOUNT Supplies					ACCOUNT NO. 13	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jun 30	Bal				800	
Jul 16			1 000		1 800	

ACCOUNT Equipment					ACCOUNT NO. 14	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jun 30	Bal				13 000	

(continued) P2-7

(continued) Req. 2

ACCOUNT Accounts payable					ACCOUNT NO. 21	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jun 30	Bal					4 800
Jul 16				1 000		5 800
20			2 500			3 300

ACCOUNT Sharon Silver, capital					ACCOUNT NO. 31	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jun 30	Bal					24 500

ACCOUNT Sharon Silver, drawings					ACCOUNT NO. 32	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jul 19			2 300		2 300	

ACCOUNT Service revenue					ACCOUNT NO. 41	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jul 7				6 600		6 600
24				2 200		8 800

ACCOUNT Salary expense					ACCOUNT NO. 51	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jul 31			1 700		1 700	

(continued) P2-7**(continued) Req. 2**

ACCOUNT Rent expense					ACCOUNT NO. 51	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
Jul 25			500		500	

Req. 3

SHARON SILVER, DIETITIAN			
Trial balance			
as at 31 July 2016			
ACCT. NO.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 8 200	
12	Accounts receivable	9 100	
13	Supplies	1 800	
14	Equipment	13 000	
21	Accounts payable		\$ 3 300
31	Sharon Silver, capital		24 500
32	Sharon Silver, drawings	2 300	
41	Service revenue		8 800
51	Salary expense	1 700	
52	Rent expense	<u>500</u>	<u> </u>
	Total	<u>\$36 600</u>	<u>\$36 600</u>

(45–60 min.) P2-8**Req. 2**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		48 000	
	Building		30 000	
	Maurey Wills, capital			78 000
	Owner investment.			
b.	Office supplies		2 000	
	Accounts payable			2 000
	Purchased supplies on account.			
c.	Office furniture		14 000	
	Cash			14 000
	Purchased furniture.			
d.	Salary expense		2 200	
	Cash			2 200
	Paid salary.			
e.	Accounts receivable		3 700	
	Service revenue			3 700
	Performed service on account.			
f.	Accounts payable		900	
	Cash			900
	Paid on account.			
g.	Advertising expense		600	
	Accounts payable			600
	Received advertising bill.			

(continued) P2-8

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
h.	Cash		1 100	
	Service revenue			1 100
	Performed service and received			
	Cash			
i.	Cash		1 100	
	Accounts receivable			1 100
	Collected cash on account.			
j.	Rent expense		1 000	
	Electricity and gas expense		900	
	Cash			1 900
	Paid expenses.			
k.	Maurey Wills, drawings		2 300	
	Cash			2 300
	Owners' withdrawal			

Reqs. 1 and 3

ACCOUNT	Cash	ACCOUNT NO.				
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
a.			48 000		48 000	
c.				14 000	34 000	
d.				2 200	31 800	
f.				900	30 900	
h.			1 100		32 000	
i.			1 100		33 100	
j.				1 900	31 200	
k.				2 300	28 900	

(continued) P2-8

(continued) Reqs. 1 and 3

ACCOUNT Accounts receivable					ACCOUNT NO.	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
e.			3 700		3 700	
i.				1 100	2 600	

ACCOUNT Office supplies					ACCOUNT NO.	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
b.			2 000		2 000	

ACCOUNT Office furniture					ACCOUNT NO.	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
c.			14 000		14 000	

ACCOUNT Building					ACCOUNT NO.	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
a.			30 000		30 000	

ACCOUNT Accounts payable					ACCOUNT NO.	
					BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
b.				2 000		2 000
f.			900			1 100
g.				600		1 700

(continued) P2-8**(continued) Reqs. 1 and 3**

ACCOUNT					Maurey Wills, capital		ACCOUNT NO.	
							BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT		
a.				78 000		78 000		

ACCOUNT					Maurey Wills, drawings		ACCOUNT NO.	
							BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT		
k.			2 300		2 300			

ACCOUNT					Service revenue		ACCOUNT NO.	
							BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT		
e.				3 700		3 700		
h.				1 100		4 800		

ACCOUNT					Salary expense		ACCOUNT NO.	
							BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT		
d.			2 800		2 800			

ACCOUNT					Rent expense		ACCOUNT NO.	
							BALANCE	
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT		
j.			1 000		1 000			

(continued) P2-8

(continued) Reqs. 1 and 3

ACCOUNT Advertising expense					ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
g.			600		600	

ACCOUNT Electricity and gas expense					ACCOUNT NO.	
BALANCE						
DATE	ITEM	JRNL. REF	DEBIT	CREDIT	DEBIT	CREDIT
j.			900		900	

Req. 4

WILLS ENVIRONMENTAL CONSULTING			
Trial balance			
as at 28 February 2015			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 28 900		
Accounts receivable	2 600		
Supplies	2 000		
Furniture	14 000		
Building	30 000		
Accounts payable		\$ 1 700	
Maurey Wills, capital		78 000	
Maurey Wills, drawings	2 300		
Service revenue		4 800	
Salary expense	2 200		
Rent expense	1 000		
Advertising expense	600		
Electricity and gas expense	<u>900</u>		
Total	<u>\$84 500</u>	<u>\$84 500</u>	

(15–25 min.) P2-9**Req. 1**

SMART TOTS CHILD CARE		
Trial balance		
as at 31 August 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 7 700*	
Accounts receivable	15 000*	
Supplies	1 700*	
Equipment	78 500*	
Accounts payable		\$ 54 000*
Tilley, capital		50 500
Tilley, drawings	2 400	
Service revenue		4 700
Salary expense	3 400*	
Rent expense	500	
Total	<u>\$109 200</u>	<u>\$109 200</u>

*Calculations:

- a. Cash: $\$6\,700 + \$1\,000 = \$7\,700$
- b. Accounts receivable: $\$7\,000 + \$4\,000 + \$4\,000 = \$15\,000$
- c. Supplies: $\$700 + \$1\,000 = \$1\,700$
- Accounts payable: $\$53\,000 + \$1\,000 = \$54\,000$
- d. Equipment: $\$87\,000 - \$8\,500 = \$78\,500$
- e. Salary expense: $\$3\,600 - \$200 = \$3\,400$

(15–25 min.) P2-10**Req. 1**

TREASURE HUNT EXPLORATION		
Trial balance		
as at 30 June 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 1 300*	
Accounts receivable	6 360*	
Supplies	1 300*	
Exploration equipment	16 490*	
Computers	49 000	
Accounts payable		\$ 3 700*
Bill payable		18 500
Jones, capital		50 000
Jones, drawings	4 000	
Service revenue		10 900*
Salary expense	1 400	
Rent expense	1 480*	
Advertising expense	900	
Electricity and gas expense	<u>870*</u>	
Total	<u>\$83 100</u>	<u>\$83 100</u>

***Calculations:**

- a. Cash: $\$6\,300 - \$5\,000 = \$1\,300$
- b. Rent expense: $\$800 + \$340 + \$340 = \$1\,480$
- c. Service revenue: $\$4\,100 + \$6\,800 = \$10\,900$
- d. Accounts receivable: $\$6\,000 + (400 - 40 = \$360) = \$6\,360$
- e. Electricity and gas expense: $\$800 + \$70 = \$870$
- f. Supplies:
Accounts payable: $\$2\,800 + \$900 = \$3\,700$
- g. Exploration equipment: $\$22\,300 - \$5\,810 = \$16\,490$

(20–30 min.) P2-11

Req. 1

JANDA SERVICES		
Income statement		
for the month ended 30 September 2016		
Revenue:		
Service revenue		\$25 000
Expenses:		
Salary expense	\$3 000	
Rates expense	2 000	
Rent expense	<u>1 500</u>	
Total expenses		6 500
Profit		<u>\$18 500</u>

Req. 2

JANDA SERVICES	
Statement of changes in equity	
for the month ended 30 September 2016	
Janda, capital, 1 September 2016	\$ 0
Owner investment	400 000
Profit	<u>18 500</u>
	418 500
Drawings	<u>(8 000)</u>
Janda, capital, 30 September 2016	<u>\$410 500</u>

Req. 3

JANDA SERVICES			
Balance sheet			
as at 30 September 2016			
Assets		Liabilities	
Cash	\$309 300	Accounts payable	\$ 200
Supplies	1 400	Loan payable	<u>260 000</u>
Depot building	360 000	Total liabilities	260 200
		Owners' Equity	
		Janda, capital	<u>410 500</u>
		Total liabilities and	
Total assets	<u>\$670 700</u>	owners' equity	<u>\$670 700</u>

(20–30 min.) P2-12

Req. 1

VERNON YUNG, GP		
Income statement		
for the month ended 31 July 2016		
Revenue:		
Service revenue		\$12 300
Expenses:		
Salary expense	\$2 500	
Rent expense—office	1 100	
Rent expense—equipment	560	
Electricity and gas expense	<u>400</u>	
Total expenses		<u>4 560</u>
Profit		<u>\$7 740</u>

Req. 2

VERNON YUNG, GP	
Statement of changes in equity	
for the month ended 31 July 2016	
Vernon Yung, capital, 1 July 2016	\$ 0
Owner investment	68 000
Profit	<u>7 740</u>
	75 740
Drawings	<u>(7 000)</u>
Vernon Yung, capital 31 July 2016	<u>\$68 740</u>

Req. 3

VERNON YUNG, GP			
Balance sheet			
as at 31 July 2016			
Assets		Liabilities	
Cash	\$ 68 640	Accounts payable	\$ 300
Accounts receivable	5 800	Loan payable	<u>23 000</u>
Supplies	1 600	Total liabilities	23 300
Land	16 000	Owners' Equity	
		Vernon Yung capital	<u>68 740</u>
		Total liabilities and	
Total assets	<u>\$ 92 040</u>	owners' equity	<u>\$92 040</u>

(20–30 min.) P2-13

Req. 1

DORIS STEWART, DESIGNER		
Income statement		
for the month ended 30 September 2016		
Revenue:		
Service revenue		<u>\$ 5 200</u>
Expenses:		
Salary expense	\$ 980	
Rent expense	<u>650</u>	
Total expenses		<u>1 630</u>
Profit		<u>\$3 570</u>

Req. 2

DORIS STEWART, DESIGNER	
Statement of changes in equity	
for the month ended 30 September 2016	
Doris Stewart, capital, 1 September 2016	\$ 0
Owner investment	52 000
Profit	<u>3 570</u>
	55 570
Drawings	<u>(2 000)</u>
Doris Stewart, capital, 30 September 2016	<u>\$53 570</u>

Req. 3

DORIS STEWART, DESIGNER			
Balance sheet			
as at 30 September 2016			
Assets		Liabilities	
Cash	\$ 16 370	Accounts payable	\$ 700
Accounts receivable	1 300		
Supplies	700		
Furniture	1 900	Owners' Equity	
Land	34 000	Doris Stewart, capital	<u>53 570</u>
		Total liabilities and owners' equity	<u>\$54 270</u>
Total assets	<u>\$ 54 270</u>		

(20–30 min.) P2-14

Req. 1

TREVOR MOORE SOLICITOR			
Income statement			
for the month ended 30 September 2016			
Revenue:			
	Service revenue		\$ 5 200
Expenses:			
	Salary expense	\$1 180	
	Rent expense	<u>670</u>	
	Total expenses		<u>1 850</u>
Profit			<u>\$ 3 350</u>

Req. 2

TREVOR MOORE, SOLICITOR	
Statement of changes in equity	
for the month ended 30 September 2016	
Trevor Moore, capital, 1 September 2016	\$ 0
Owner investment	39 000
Profit	<u>3 350</u>
	42 350
Drawings	<u>(2 400)</u>
Trevor Moore, capital, 30 September 2016	<u>\$39 950</u>

Req. 3

TREVOR MOORE, SOLICITOR			
Balance sheet			
as at 30 September 2016			
Assets		Liabilities	
Cash	\$ 12 550	Accounts payable	\$ 2 000
Accounts receivable	800		
Supplies	600		
Furniture	2 000	Owners' Equity	
Land	26 000	Trevor Moore, capital	<u>39 950</u>
		Total liabilities and owners' equity	<u>\$41 950</u>
Total assets	<u>\$ 41 950</u>		

(20–30 min.) P2-15

Req. 1

SAM MITCHELL, ACCOUNTANT			
Income statement			
for the month ended 29 February 2016			
Revenue:			
	Service revenue		\$ 7 100
Expenses:			
	Salary expense	\$1 700	
	Rent expense	<u>600</u>	
	Total expenses		<u>2 300</u>
Profit			<u>\$ 4 800</u>

Req. 2

SAM MITCHELL, ACCOUNTANT	
Statement of changes in equity	
for the month ended 29 February 2016	
Sam Mitchell, capital, 1 February 2016	\$ 0
Owner investment	32 400
Profit	<u>4 800</u>
	37 200
Drawings	<u>(4 200)</u>
Sam Mitchell, capital, 29 February 2016	<u>\$ 33 000</u>

Req. 3

SAM MITCHELL, ACCOUNTANT			
Balance sheet			
as at 29 February 2016			
Assets		Liabilities	
Cash	\$ 5 600	Accounts payable	\$ 3 200
Accounts receivable	11 100		
Supplies	1 500		
Land	18 000	Owners' Equity	
		Sam Mitchell, capital	<u>33 000</u>
		Total liabilities and	
Total assets	<u>\$ 36 200</u>	owners' equity	<u>\$36 200</u>

(20–30 min.) P2-16

Req. 1

SHARON SILVER, DIETITIAN		
Income statement		
for the month ended 31 July 2016		
Revenue:		
Service revenue		\$ 8 800
Expenses:		
Salary expense	\$1 700	
Rent expense	<u>500</u>	
Total expenses		<u>2 200</u>
Profit		<u>\$ 6 600</u>

Req. 2

SHARON SILVER, DIETITIAN	
Statement of changes in equity	
for the month ended 31 July 2016	
Sharon Silver, capital, 1 July 2016	\$ 0
Owner investment	24 500
Profit	<u>6 600</u>
	31 100
Drawings	<u>(2 300)</u>
Sharon Silver, capital, 31 July 2016	<u>\$28 800</u>

Req. 3

SHARON SILVER, DIETITIAN			
Balance sheet			
as at 31 July 2016			
Assets		Liabilities	
Cash	\$ 8 200	Accounts payable	\$ 3 300
Accounts receivable	9 100		
Supplies	1 800		
Equipment	13 000	Owners' Equity	
	<u> </u>	Sharon Silver, capital	<u>28 800</u>
Total assets	<u>\$ 32 100</u>	Total liabilities and owners' equity	<u>32 100</u>
Cash	\$ 8 200		

(20–30 min.) P2-17

Req. 1

MAUREY WILLS, ENVIRONMENTAL CONSULTING		
Income statement		
for the month ended 29 February 2015		
Revenue:		
Service revenue		\$ 4 800
Expenses:		
Salary expense	\$ 2 200	
Rent expense	1 000	
Electricity and gas expense	900	
Advertising expense	<u>600</u>	

Req. 2

MAUREY WILLS, ENVIRONMENTAL CONSULTING	
Statement of changes in equity	
for the month ended 29 February 2015	
Maurey Wills, capital, 1 February 2015	\$ 0
Owner investment	78 000
Profit	<u>100</u>
	78 100
Drawings	<u>(2 300)</u>
Maurey Wills, capital, 28 February 2015	<u>\$ 75 800</u>

Req. 3

MAUREY WILLS, ENVIRONMENTAL CONSULTING			
Balance sheet			
as at 29 February 2015			
Assets		Liabilities	
Cash	\$28 900	Accounts payable	\$ 1 700
Accounts receivable	2 600		
Office supplies	2 000		
Office furniture	14 000	Owners' Equity	
Building	30 000	Maurey Wills, capital	<u>75 800</u>
		Total liabilities and	
Total assets	<u>\$77 500</u>	owners' equity	<u>77 500</u>

Continuing exercise

(30–45 min.) E2-15

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
May 1		Cash		1 700	
		Lawlor capital			1 700
3		Equipment		1 440	
		Accounts payable			1 440
5		Fuel expense		30	
		Cash			30
6		Accounts receivable		150	
		Service revenue			150
8		Lawn supplies		150	
		Cash			150
17		Cash		800	
		Service revenue			800
31		Cash		100	
		Accounts receivable			100

Reqs. 1 and 3

Cash			
May 1	1 700	May 5	30
17	800	8	150
31	100		
Bal	2 420		

Accounts receivable			
May 6	150	May 31	100
Bal	50		

Lawn supplies			
May 8	150		
Bal	150		

(continued) E2-15

Equipment	
May 3	1 440
Bal	1 440

Accounts payable	
	May 3 1 440
	Bal 1 440

Lawlor, capital	
	May 1 1 700
	Bal 1 700

Service revenue	
	May 6 150
	17 800
	Bal 950

Fuel expense	
May 5	30
Bal	30

Req. 4

LAWLOR LAWN SERVICE			
Trial balance			
as at 31 May 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$ 2 420		
Accounts receivable	50		
Lawn supplies	150		
Equipment	1 440		
Accounts payable			\$1 440
Lawlor, capital			1 700
Service revenue			950
Fuel expense	<u>30</u>		
Total	<u>\$ 4 090</u>		<u>\$4 090</u>

Continuing problem

(40–50 min.) P2-18

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Dec 2	Cash		18 000	
	Carl Draper, capital			18 000
2	Rent expense		550	
	Cash			550
3	Equipment		1 800	
	Cash			1 800
4	Furniture		4 200	
	Accounts payable			4 200
5	Supplies		900	
	Accounts payable			900
9	Accounts receivable		1 500	
	Service revenue			1 500
12	Electricity and gas expense		250	
	Cash			250
18	Cash		1 100	
	Service revenue			1 100

Reqs. 1 and 3

Cash				Accounts receivable			
Dec 2	18 000	Dec 2	550	Dec 9	1 500		
18	1 100	3	1 800	Bal	1 500		
		12	250				
Bal	16 500						

(continued) P2-18

(continuing) Reqs. 1 and 3

Supplies	
Dec 5	900
Bal	900

Equipment	
Dec 3	1 800
Bal	1 800

Furniture	
Dec 4	4 200
Bal	4 200

Accounts payable		
	Dec 4	4 200
	5	900
	Bal	5 100

Carl Draper, capital		
	Dec 2	18 000
	Bal	18 000

Electricity and gas expense		
Dec 12	250	
Bal	250	

Service revenue		
	Dec 9	1 500
	18	1 100
	Bal	2 600

Rent expense		
Dec 2	550	
Bal	550	

DRAPER CONSULTING			
Trial balance			
as at 18 December 2016			
ACCOUNT	DEBIT	CREDIT	
Cash	\$16 500		
Accounts receivable	1 500		
Supplies	900		
Equipment	1 800		
Furniture	4 200		
Accounts payable		\$ 5 100	
Carl Draper, capital		18 000	
Service revenue		2 600	
Rent expense	550		
Electricity and gas expense	250		
Total	\$25 700	\$25 700	

Decision cases

Case 2-1

Reqs. 1 and 2

Cash	
(a) 10 000	(b) 300
(f) 1 200	(d) 2 500
Bal 8 400	

Accounts receivable	
(e) 8 800	(f) 1 200
Bal 7 600	

Supplies	
(b) 300	
Bal 300	

Accounts payable	
	(c) 700

Shee Boon Law, capital	
	(a) 10 000

Service revenue	
	(e) 8 800

Salary expense	
(d) 1 400	

Rent expense	
(d) 1 100	

Advertising expense	
(c) 700	

(continued) Case 2-1**Req. 3**

TRAVEL PLANNER		
Trial balance		
30 June 2016		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 8 400	
Accounts receivable	7 600	
Supplies	300	
Accounts payable		\$ 700
Shee Boon Law, capital		10 000
Service revenue		8 800
Salary expense	1 400	
Rent expense	1 100	
Advertising expense	<u>700</u>	<u> </u>
Total	<u>\$19 500</u>	<u>\$19 500</u>

Req. 4**Travel Planners**

Revenues:		
Service revenue		\$8 800
Expenses:		
Salary expense	\$1 400	
Rent expense	1 100	
Advertising expense	<u>700</u>	
Total expenses		<u>3 200</u>
Profit for month		<u>\$5 600</u>

Recommendation:

Discontinue the business, because profit falls below the target amount.

Case 2-2**Req. 1**

Double-entry bookkeeping has the advantage that it records both sides (the 'giving' side and the 'receiving' side) of a business transaction in the precise language of accounting—that is, 'debits' and 'credits'. This allows for the exact description of balances in all accounts, and helps ensure that the entire system is always in balance.

Req. 2

The bank is not misusing the term *credit*. From the perspective of the bank's ledger, when you deposit money in the bank, the bank debits Cash (received from you) and credits a payable (payable to you on demand). It is this payable, a liability account, that is the source of the term *credit*. This is why a bank *credit* is good for the depositor. It means you have more money in the bank.

*Students probably will not be this complete.

Focus on ethics

Listing Dingo Downs on the ASX will mean greater public accountability and, in particular, greater levels of disclosure of financial and other information about the firm. It also requires attention to what is good corporate governance.

Listing on the ASX provides the benefit of greater access to potentially cheaper sources of long-term equity finance compared to debt finance. However, there are considerable costs of compliance to ASX listing rules.

The ASX requires compliance with IFRS and much additional detailed, continuous disclosure of events that may reflect on the interpretation of information contained in reports filed with the ASX. There are requirements for the disclosure of information about the remuneration of directors and other officers and many detailed rules concerning the periodic filing of financial information. There are additional requirements regarding the audit of annual reports and the certification of statements made concerning the business.

The ASX has issued detailed guidance on ethics and the governance of listed entities. Among the matters on which recommendations are given are disclosure of the functions of the Board, how performance of management is monitored and assessed, how management remuneration is determined, the code of conduct of the Board, company policy on continuous disclosure and financial risk management.

Listing therefore carries with it a considerable overhead.

Fraud case

Req. 1

By changing an expense to an asset, the total expenses will decrease and profit will increase.

Req. 2

The CEO gained by earning a bonus, and the accounting manager may have gained by getting favourable treatment from the CEO. The shareholders of the firm lost, because the business paid out the bonus under fraudulent conditions.

Financial statement case**Req. 1**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Dec. 1	Cash and cash equivalents		60 000	
	Revenue			60 000
9	Cash and cash equivalents		200 000	
	Borrowings			200 000
12	Inventories		10 000	
	Trade and other payables			10 000
22	Trade and other payables		5 000	
	Cash and cash equivalents (\$10 000 × ½)			5 000
28	Administrative expenses		3 000	
	Cash and cash equivalents			3 000
31	Borrowings		100 000	
	Finance costs		1 000	
	Cash and cash equivalents			101 000

Note:

Some of the terms used in JB Hi-Fi financial statements appear as being slightly different those used in your book: 'cash and cash equivalents' instead of 'cash', 'revenues' instead of 'sales revenue', 'borrowings' instead of 'loans payable' or 'bills payable', and 'finance costs' instead of 'interest expense'. The above terms are based upon JB Hi-Fi financial statements for a past year and may change over time. JB Hi-Fi financial statements use terminology based upon accounting standards.