

Practice Problem Solutions

Practice Problem 1 – Multiple Choice Questions

- 1) b – review the debit and credit rules
- 2) c – a transposition error occurs when the order of digits in a number are switched
- 3) b – the statement of owner's equity is an equation:
opening balance + contributions + net income – drawings = closing
net income = closing – opening – contributions + drawings
net income = \$32,000 - \$21,000 - \$2,000 + \$2,200
net income = \$11,200
- 4) c – a balanced trial balance, general ledger and balance sheet proves the debit credit equality: total debits equal total credits. Balancing does not show whether or not the correct accounts were debited and credited.
- 5) a – revenue is recognized when goods are delivered - - when the earning process is substantially complete and ultimate collectibility is reasonably assured. It is the timing of the completion of the earning process, not the timing of cash collection, which determine the period in which revenue is recorded.
- 6) a – under the straight-line depreciation method the annual depreciation expense would be \$6,000 (\$36,000/ 6 years). The equipment was used for 6 months in the first year: \$6,000 x 6mths/12 mths = \$3,000.
- 7) b – Rent Revenue for the period August 1 – Dec. 31st should be:
\$7,200 x 5mths/12 mths = \$3,000
unadjusted balances showed Rent Revenue - \$7,200
rent revenue was overstated by \$4,200.
The adjusting entry must decrease Rent Revenue by \$4,200 and increase Unearned Rent by \$4,200
- 8) a - revenue is recognized when goods are delivered - - when the earning process is substantially complete and ultimate collectibility is reasonably assured. It is the timing of the completion of the earning process, not the timing of cash collection, which determine the period in which revenue is recorded.

9.

1. C - although in many systems today the 'documents' may be electronic information transmitted from a customer or supplier
2. B - worksheets are a way of organizing account information and adjusting entries in a manual system to facilitate financial statement preparation
3. C
4. B - as most computerized systems will not allow entries unless Dr are equal to Cr, trial balances serve no purpose in computerized systems and are seldom found in these computerized systems. Error reports notify users of rare, out-of-balance conditions.
5. C
6. C - but you might not recognize them as such in some computerized systems. All computerized systems require transactions to be entered but they differ from the traditional journal entries entered in a manual system in some, or all, of the following ways:
 - the date will often default to the system date unless overridden by the user
 - the amount is often only entered once - the system makes the other half of the entry
 - the system may use positive and negative amounts entered by the user (increases and decreases) and interprets these signs and the nature of the account to decide whether or not to increase or decrease the normal balance of the account and not require that the user remember the Dr and Cr rules
 - entries are prepared by the system from information entered in cheque forms, sales invoice forms and other such on-line source documents
 - accounts to be increased and decreased may be selected from pop-up menus rather than being written out as names or account codes.
7. B - well-designed computerized systems will not accept out-of-balance entries and for simple two account transactions the amount is often entered just once
8. C - although in some computerized systems users do not need to remember the Dr Cr rules because the system uses information about increases and decreases and normal balances to record the transaction, the underlying balance sheet equation is still the basic paradigm and most systems use Dr and Cr for some entries.
9. B - real-time computerized systems make the entry to the accounts without the intermediate step of the chronological record of transactions in a general journal. Computerized systems are often designed to sort the transactions by date into a general journal view. Some batch

computerized systems still have a separate 'posting' step but it is a click of a mouse not a rewriting of the information by the user.

10. C
11. A - the database of information in a computerized system may be easily resorted into views by the system. Newer accounting systems are being designed using standard database products so information may be reorganized, extracted, summarized and reported in all ways supported by the underlying database engine.
12. C - the accounting records are adjusted, reconciled to the underlying assets and liabilities, at reporting dates: the time-period concept is a concept underlying both manual and computerized systems.
13. C - accounting systems are designed to model and report financial information for enterprises. No model is perfect - all must be periodically compared to the enterprise they represent and adjusted.
14. C - see explanation for 13 above
15. C - users must identify and classify events of significance to the enterprise: transaction analysis is the thought process which precedes transaction recording in all systems.
16. C - mistakes happen in all systems: garbage in = garbage out.

PROBLEM 2

	ANSWERS
(1)The owner contributed cash to the business.	A,F
(2)Purchased equipment on account.	A,D
(3)Received and immediately paid advertising bill.	I,B
(4)Purchased supplies for cash.	A,B
(5)Borrowed money from bank, giving a note payable.	A,D
(6)Billed customers.	A,H
(7)Made partial payment on account for equipment.	C,B
(8)Paid employee's salary.	I,B
(9)Collected amounts due from customers billed in transaction (6).	A,B

PROBLEM 3

- a. The amount of services performed for clients on account
- b. Collections from clients on account
- c. Recorded supplies used during the period
- d. Purchased office equipment
- e. Paid insurance premiums for more than 1 accounting period
- f. Billed clients for services rendered
- g. Amounts of owner's withdrawals
- h. Amount of net income for period
- i. Incurred salary expense
- j. Amounts paid on account
- k. Purchased goods on account

PROBLEM 4

Cash	
DR	CR
(1) 25,000	720 (3)
(13) 5,300	2,500 (5)
	750 (6)
	70 (7)
	1,000 (9)
	120 (10)
	1,450 (12)
	800 (14)
<hr/>	
\$22,890	

Accounts Receivable	
DR	CR
(8) 9,200	5,300 (13)
<hr/>	
\$3,900	

Supplies on Hand	
DR	CR
(4) 580	260 (15)
<hr/>	
\$320	

Prepaid Insurance	
DR	CR
(3) 720	60 (16)
<hr/>	
\$660	

Equipment	
DR	CR
(2) 2,400	
<hr/>	
\$2,400	

Truck	
DR	CR
(5) 8,500	
<hr/>	
\$8,500	

Note Payable	
DR	CR
	6,000 (5)
<hr/>	
\$6,000	

Accounts Payable	
DR	CR
(9) 1,000	2,400 (2)
	580 (4)
	150 (11)
<hr/>	
\$2,130	

Weinstein Capital	
DR	CR
	25,000 (1)
<hr/>	
\$25,000	

Weinstein Drawings	
DR	CR
(14) 800	
<hr/>	
\$800	

Service Fees	
DR	CR
	9,200 (8)
<hr/>	
\$9,200	

Rent Expense	
DR	CR
(6) 750	
<hr/>	
\$750	

Wages Expense	
DR	CR
(12) 1,450	
<hr/>	
\$1,450	

Utilities Expense	
DR	CR
(10) 120	
<hr/>	
\$120	

Truck Expense	
DR	CR
(7) 70	
<hr/>	
\$70	

Advertising Expense	
DR	CR
(11) 150	
<hr/>	
\$150	

Supplies Expense	
DR	CR
(15) 260	
<hr/>	
\$260	

Insurance Expense	
DR	CR
(16) 60	
<hr/>	
\$60	

Weinstein Roofing
Trial Balance
May 31

Cash	\$22,890	
Accounts Receivable	3,900	
Supplies on Hand	320	
Prepaid Insurance	660	
Equipment	2,400	
Truck	8,500	
Note Payable		6,000
Accounts Payable		2,130
Weinstein, Capital		25,000
Weinstein, Drawings	800	
Service Fees		9,200
Rent Expense	750	
Wages Expense	1,450	
Utilities Expense	120	
Truck Expense	70	
Advertising Expense	150	
Supplies Expense	260	
Insurance Expense	60	
Total	<u>\$42,330</u>	<u>\$42,330</u>

PROBLEM 5

Anil's Hacking Service Trial Balance January 31, 19XX

Cash	\$6,800	
Accounts Receivable	10,400	
Supplies on Hand	8,420	
Prepaid Insurance	880	
Accounts Payable		1,100
Anil, Capital, January 1		18,500
Anil, Drawings	2,750	
Service Fees		16,200
Advertising Expense	150	
Insurance Expense	80	
Rent Expense	640	
Salaries Expense	3,200	
Supplies Expense	2,250	
Utilities Expense	230	
Total	<u>\$35,800</u>	<u>\$35800</u>

Anil's Hacking Service Income Statement for the month ended January 31, 19XX

Service Fees	\$16,200
Expenses:	
Advertising Expense	150
Insurance Expense	80
Rent Expense	640
Salaries Expense	3,200
Supplies Expense	2,250
Utilities Expense	<u>230</u>
Total Expenses	6,550
Net Income	\$9,650

**Anil's Hacking Service
Statement of Changes in Owner's Equity
for the month ended January 31, 19XX**

Anil Capital, January 1	\$18,500
<i>plus:</i> Net Income	9,650
<i>less:</i> Drawings	<u>2,750</u>
Anil Capital, January 31	\$25,400

**Anil's Hacking Service
Balance Sheet
January 31, 19XX**

ASSETS

Current Assets

Cash	\$6,800
Accounts Receivable	10,400
Supplies on Hand	8,420
Prepaid Insurance	<u>880</u>

Total Assets \$26,500

LIABILITIES AND OWNER'S EQUITY

Current Liabilities

Accounts Payable	\$1,100
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Owner's Equity

Anil, Capital	<u>25,400</u>
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Total Liabilities and Owner's Equity \$26,500

PROBLEM 6

<u>Cash</u>		<u>Accounts Receivable</u>		<u>Prepaid Rent</u>	
DR		CR	DR		CR
	8,600		15,500		900
(1)	8,300		8,300	(1)	
	1,500	(2)		450	(13)
(4)	800		8,100	(7)	
(8)	8,100				
	2,450	(9)			
	220	(11)			
	750	(12)			

	\$19,510		\$15,500		\$450
<u>Supplies on Hand</u>		<u>Notes Payable</u>			
DR		CR	DR		CR
	5,400			4,500	
(5)	1,820		1,500	(2)	
	2,970	(14)			

	\$4,250		\$3,000		
<u>Accounts Payable</u>		<u>Sana. Capital</u>		<u>Sana. Drawings</u>	
DR		CR	DR		CR
	1,800			24,100	
(8)	1,200				
	1,820	(5)			
	480	(10)			

	\$2,900		\$24,100		\$750
<u>Service Fees</u>		<u>Rent Expense</u>		<u>Salaries Expense</u>	
DR		CR	DR		CR
	16,400	(3)	(13)	450	
	800	(4)			

	\$17,200		\$450		\$2,450
<u>Delivery Expense</u>		<u>Advertising Expense</u>		<u>Utilities Expense</u>	
DR		CR	DR		CR
(8)	170		(10)	480	

	\$170		\$480		\$220
<u>Supplies Expense</u>					
DR		CR			
(14)	2,970				

	\$2,970				

**Foresight
Trial Balance
July 31**

Cash	\$19,510	
Accounts Receivable	15,500	
Prepaid Rent	450	
Supplies on Hand	4,250	
Notes Payable		3,000
Accounts Payable		2,900
Sana, Capital, July 1		24,100
Sana, Drawings	750	
Service Fees		17,200
Advertising Expense	480	
Delivery Expense	170	
Rent Expense	450	
Salaries Expense	2,450	
Supplies Expense	2,970	
Utilities Expense	220	
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Total	\$47,200	\$47,200

Foresight

**Income Statement
for the month ended July 31**

Service Fees	\$17,200
Expenses:	
Advertising Expense	480
Delivery Expense	170
Rent Expense	450
Salaries Expense	2,450
Supplies Expense	2,970
Utilities Expense	<u>220</u>
Total Expenses	6,740
Net Income	\$10,460

Foresight
Statement of Changes in Owner's Equity
for the month ended July 31

Sana Capital, July 1	\$24,100
<i>plus:</i> Net Income	10,460
<i>less:</i> Drawings	<u>750</u>
Sana Capital, July 31	\$33,810

Foresight
Balance Sheet
July 31

ASSETS

Current Assets

Cash	\$19,510
Accounts Receivable	15,500
Supplies on Hand	4,250
Prepaid Rent	<u>450</u>

Total Assets

\$39,710

LIABILITIES AND OWNER'S EQUITY

Current Liabilities

Accounts Payable	\$2,900
Notes Payable	<u>3,000</u>
	5,900

Owner's Equity

Sana, Capital	<u>33,810</u>
<i>Total Liabilities and Owner's Equity</i>	\$39,710

PROBLEM 7

Cash				
Date	Description	Debit	Credit	Balance
August	1 Balance forward			40,250
	1 Paid August office rent		4,500	35,750
	5 Paid for advertising		750	35,000
	6 examination services	15,250		50,250
	13 customer receipts	11,500		61,750
	18 paid suppliers		4,800	56,950
	18 paid miscellaneous expenses		260	56,690
	31 paid August wages		8,400	48,290
	31 paid dividend		5,000	43,290

Accounts Receivable				
Date	Description	Debit	Credit	Balance
August	1 Balance forward			21,600
	8 destroyed a werewolf	4,500		26,100
	13 customer receipts		11,500	14,600
	24 examination services	5,800		20,400

Supplies on Hand				
Date	Description	Debit	Credit	Balance
August	1 Balance forward			14,200
	3 purchased supplies	5,100		19,300
	31 supplies used in August		4,700	14,600

Prepaid Insurance				
Date	Description	Debit	Credit	Balance
August	1 Balance forward			2,400
	31 insurance premiums expired		600	1,800

Notes Payable				
Date	Description	Debit	Credit	Balance
August 1	Balance forward			3,000

Accounts Payable				
Date	Description	Debit	Credit	Balance
August 1	Balance forward			6,800
3	purchased supplies		5,100	11,900
18	paid suppliers	4,800		7,100

Capital Stock				
Date	Description	Debit	Credit	Balance
August 1	Balance forward			50,000

Retained Earnings				
Date	Description	Debit	Credit	Balance
August 1	Balance forward			18,650
31	paid dividend	5,000		13,650

Service Fees				
Date	Description	Debit	Credit	Balance
August 6	examination services		15,250	15,250
8	destroyed a werewolf		4,500	19,750
24	examination services		5,800	25,550

Wages Expense				
Date	Description	Debit	Credit	Balance
August 31	paid August wages	8,400		8,400

Advertising Expense				
Date	Description	Debit	Credit	Balance
August 5	Paid for advertising	750		750

Rent Expense				
Date	Description	Debit	Credit	Balance
August 1	paid August office rent	4,500		4,500

Supplies Expense				
Date	Description	Debit	Credit	Balance
August 31	supplies used in August	4,700		4,700

Insurance Expense				
Date	Description	Debit	Credit	Balance
August 31	insurance premiums expired	600		600

**Transylvanian Vampire Killers
Trial Balance
August 31**

Cash	\$43,290	
Accounts Receivable	20,400	
Supplies on Hand	14,600	
Prepaid Insurance	1,800	
Notes Payable		3,000
Accounts Payable		7,100
Capital Stock		50,000
Retained Earnings, August 1		13,650
Service Fees		25,550
Wages Expense	8,400	
Advertising Expense	750	
Rent Expense	4,500	
Supplies Expense	4,700	
Insurance Expense	600	
Miscellaneous Expense	260	
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Total	\$99,300	\$99,300

**Transylvania Vampire Killers
Income Statement
for the month ended August 31**

Service Fees	\$25,550
Expenses:	
Advertising Expense	750
Insurance Expense	600
Miscellaneous Expense	260
Rent Expense	4,500
Supplies Expense	4,700
Wages Expense	<u>8,400</u>
Total Expenses	19,210
Net Income	\$6,340

Transylvanian Vampire Killers
Statement of Changes in Retained Earnings
for the month ended August 31

Retained Earnings, August 1	\$18,650
<i>plus:</i> Net Income	6,340
<i>less:</i> Dividends	<u>5,000</u>
Retained Earnings, August 31	\$19,990

Transylvanian Vampire Killers
Balance Sheet
August 31

ASSETS

Current Assets

Cash	\$43,290
Accounts Receivable	20,400
Supplies on Hand	14,600
Prepaid Insurance	<u>1,800</u>
<i>Total Assets</i>	\$80,090

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$7,100
Notes Payable	<u>3,000</u>
	10,100

Capital Stock	50,000
Retained Earnings	<u>19,990</u>

<i>Total Liabilities and Owner's Equity</i>	\$80,090
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PROBLEM 8

Khan Golf Clinic Trial Balance January 31

Cash	\$5,730	
Accounts Receivable	7,650	
Supplies on Hand	4,250	
Prepaid Insurance	360	
Equipment	16,000	
Accounts Payable		4,210
Khan, Capital		21,650
Khan, Drawings	1,500	
Consulting Fees		17,300
Wage Expense	4,800	
Insurance Expense	120	
Advertising Expense	220	
Supplies Expense	2,350	
Utilities Expense	180	
Total	\$43,160	\$43,160

PROBLEM 9

- a) Total cash received.....**\$4,850** ($\$4,450 + \$5,600 - \$5,200$)
- b) Total amount received from credit customers..**\$7,200** ($\$4,900 + \$6,000 - 3,700$)
- c) Supplies purchased during the period.....**\$490** ($\$680 + \$560 - \750)
- d) Amount of insurance expense for the period....**\$350** ($\$150 + \$600 - \400)
- e) Net income if no withdrawals were made...**\$8,000** ($\$33,000 - \$3,000 - \$22,000$)

PROBLEM 10

- a) The debit total would be understated by \$900
- b) This error would not affect the trial balance totals
- c) The credit total would be understated by \$32,600
- d) The debit total would be understated by \$2,100 and the credit total would be overstated by \$2,100
- e) The debit total would be understated by \$7,500 and the credit total would be overstated by \$7,500

PROBLEM 11

- (A) $\$450 + \$1,700 - \$1,350 = a$: $a = \$800$
- (B) $\$120 + b - \$660 = \$90$: $b = \$630$
- (C) $\$800 - c - \$0 + \$250 = \900 : $c = \$150$
- (D) $\$1,250 + \$300 - d = \$1,430$: $d = \$120$

PROBLEM 12

4-43 PETER RUIZ, ELECTRICAL CONTRACTOR

(a)

Cash	
(1) 25,000	(3) 720
(13) 22,890	(5) 2,500
	(6) 750
	(7) 70
	(9) 1,000
	(10) 120
	(12) 1,450
	(14) 800
	7,410

Accounts Receivable	
(8) 3,900	(13) 5,300
	9,200

Supplies on Hand	
(4) 320	(15) 260
	580

Prepaid Insurance	
(3) 660	(16) 60
	720

Equipment	
(2)	2,400

Truck	
(5)	8,500

Notes Payable	
(5)	6,000

Accounts Payable	
(9) 1,000	(2) 2,400
	(4) 580
	(11) 2,130
	3,130

P. Ruiz, Capital	
(1)	25,000

P. Ruiz, Drawing	
(14)	800

Service Fees	
(8)	9,200

Rent Expense	
(6)	750

Wages Expense	
(12)	1,450

Utilities Expense	
(10)	120

Truck Expense	
(7)	70

Advertising Expense	
(11)	150

Supplies Expense	
(15)	260

Insurance Expense	
(16)	60

(b)

Trial Balance
May 31, 19XX

		<i>Debit</i>					<i>Credit</i>						
	Cash	\$	2	2	8	9	0						
	Accounts Receivable			3	9	0	0						
	Supplies on Hand				3	2	0						
	Prepaid Insurance				6	6	0						
	Equipment			2	4	0	0						
	Truck			8	5	0	0						
	Notes Payable							\$	6	0	0	0	
	Accounts Payable								2	1	3	0	
	P. Ruiz, Capital								2	5	0	0	0
	P. Ruiz, Drawing				8	0	0						
	Service Fees								9	2	0	0	
	Rent Expense				7	5	0						
	Wages Expense			1	4	5	0						
	Utilities Expense				1	2	0						
	Truck Expense					7	0						
	Advertising Expense				1	5	0						
	Supplies Expense				2	6	0						
	Insurance Expense					6	0						
		\$	4	2	3	3	0	\$	4	2	3	3	0

PROBLEM 13

**Trial Balance
January 31, 19XX**

(a)

		<i>Debit</i>		<i>Credit</i>	
	Cash	\$	6 8 0 0		
	Accounts Receivable		1 0 4 0 0		
	Supplies on Hand		8 4 2 0		
	Prepaid Insurance		8 8 0		
	Accounts Payable			\$	1 1 0 0
	Norton, Capital				1 8 5 0 0
	Norton, Drawing		2 7 5 0		
	Service Fees				1 6 2 0 0
	Advertising Expense		1 5 0		
	Insurance Expense		8 0		
	Rent Expense		6 4 0		
	Salaries Expense		3 2 0 0		
	Supplies Expense		2 2 5 0		
	Utilities Expense		2 3 0		
		\$	3 5 8 0 0	\$	3 5 8 0 0

Income Statement					
For the Month Ended January 31, 19XX					
<i>Revenue</i>					
	Service Fees				\$ 1 6 2 0 0
<i>Expenses</i>					
	Advertising Expense	\$	1 5 0		
	Insurance Expense		8 0		
	Rent Expense		6 4 0		
	Salaries Expense		3 2 0 0		
	Supplies Expense		2 2 5 0		
	Utilities Expense		2 3 0		
	Total Expenses				6 5 5 0
	Net Income				\$ 9 6 5 0

Norton Beetle's Bedbug Service
 Balance Sheet
 January 31, 19XX

ASSETS

Cash	\$ 6,800
Accounts Receivable	10,400
Supplies on Hand	8,420
Prepaid Insurance	<u>880</u>
TOTAL ASSETS	\$ 26,500

LIABILITIES

Accounts Payable	\$ 1,100
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OWNER'S EQUITY

N. Beetle Capital	<u>25,400</u>
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TOTAL LIABILITIES & OWNER'S EQUITY	\$ 26,500
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PROBLEM 14

(a) (1) Erica Hanson invested \$25,000 of her personal funds in her business.		
(2) Purchased office equipment for cash, \$6,000.		
(3) Purchased supplies on account, \$1,800.		
(4) Paid May rent, \$750.		
(5) Billed clients for services rendered, \$5,600.		
(6) Paid \$900 on accounts payable.		
(7) Counted supplies on hand amounting to \$1,120 (\$680 used).		
(8) Withdrew cash for personal use, \$1,200.		
(9) Collected \$2,800 on account from clients.		
(b) Cash should be \$18,950, not \$19,850 (transposition error).		
Accounts Receivable should be \$2,800 (neglected to subtract \$2,800 credit).		
E. Hanson, Drawing is a debit, not a credit, balance.		
Rent Expense debit balance of \$750 was omitted from the trial balance.		
The correct total of the trial balance is \$31,500.		
	<i>Debit</i>	<i>Credit</i>
Totals as given	\$33,250	\$32,700
Transposition error in Cash balance	-900	
Error in Accounts Receivable balance	-2,800	
E. Hanson, Drawing balance on wrong side	+1,200	- 1,200
Rent Expense balance omitted	+750	
Correct totals	<u>\$31,500</u>	<u>\$31,500</u>

PROBLEM 15

(a)

Cash			
July 1	8,600	(2)	1,500
(1)	8,300	(6)	1,200
(4)	800	(8)	170
(7) 19,510	8,100	(9)	2,450
	25,800	(11)	220
		(12)	750
			6,290

Accounts Receivable			
July 1	15,500	(1)	8,300
(3) 15,500	16,400	(7)	8,100
	31,900		16,400

Prepaid Rent			
July 1 450	900	(13)	450

Supplies on Hand			
July 1	5,400	(14)	2,770
(5) 4,250	1,620		
	7,020		

Notes Payable			
(2)	1,500	July 1 3,000	4,500

Accounts Payable			
(6)	1,200	July 1	1,800
		(5)	1,620
		(10) 2,700	480
			3,900

J. King, Capital			
		July 1	24,100

J. King, Drawing			
(12)	750		

Service Fees			
		(3)	16,400
		(4)	800
			17,200

Rent Expense			
(13)	450		

Salaries Expense			
(9)	2,450		

Delivery Expense			
(8)	170		

Advertising Expense			
(10)	480		

Utilities Expense			
(11)	220		

Supplies Expense			
(14)	2,770		

	<i>Debit</i>	<i>Credit</i>
Cash	\$ 1 9 5 1 0	
Accounts Receivable	1 5 5 0 0	
Prepaid Rent	4 5 0	
Supplies on Hand	4 2 5 0	
Notes Payable		\$ 3 0 0 0
Accounts Payable		2 7 0 0
J. King, Capital		2 4 1 0 0
J. King, Drawing	7 5 0	
Service Fees		1 7 2 0 0
Rent Expense	4 5 0	
Salaries Expense	2 4 5 0	
Delivery Expense	1 7 0	
Advertising Expense	4 8 0	
Utilities Expense	2 2 0	
Supplies Expense	2 7 7 0	
	\$ 4 7 0 0 0	\$ 4 7 0 0 0

Income Statement		
For the Month Ended July 31, 19XX		
<i>Revenue</i>		
Service Fees		\$ 1 7 2 0 0
<i>Expenses</i>		
Rent Expense	\$ 4 5 0	
Salaries Expense	2 4 5 0	
Delivery Expense	1 7 0	
Advertising Expense	4 8 0	
Utilities Expense	2 2 0	
Supplies Expense	2 7 7 0	
Total Expenses		6 5 4 0
Net Income		\$ 1 0 6 6 0

What's It?

**Statement of Owner's Equity
For the month ended July 31**

Jill King Capital, July 1	\$24,100
Add: Net Income for July	\$10,660
Less: Withdrawals for July	\$750
Jill King Capital July 31	\$34,010

What's It?

**Balance Sheet
July 31, 19XX**

ASSETS

Cash	\$19,510
Accounts Receivable	\$15,500
Prepaid Rent	\$450
Supplies on Hand	\$4,250
TOTAL ASSETS	\$39,710

LIABILITIES

Notes Payable	\$3,000
Accounts Payable	\$2,700

OWNER'S EQUITY

Jill King Capital	\$34,010
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TOTAL LIABILITIES & OWNER'S EQUITY	\$39,710
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PROBLEM 16

(a)

Preparing a trial balance from these accounts gives dr & cr totals of \$31,740

(b)

Sara Beautician Supply

Income Statement

For the Month Ended January 31, 19XX

Revenue

Service Fees Earned \$14,100

Expenses

Advertising Expense \$ 150

Insurance Expense 40

Rent Expense 580

Salaries Expense 3,000

Supplies Expense 800

Utilities Expense 250

Total Expenses 4,800

Net Income **\$ 9,500**

(c)

Sara Beautician Supply

Statement of Owner's Equity

For the Month Ended January 31, 19XX

Sara, Capital, January 1, 19XX \$18,500

Add: Net Income for January 9,500

Less: Capital Withdrawn in January (1,500)

Sara, Capital, January 31, 19XX \$24,500

(d)

Sara Beautician Supply

Balance Sheet

January 31, 19XX

Assets

Cash \$ 9,200

Accounts Receivable 14,400

Supplies on Hand 1,600

Prepaid Insurance 440

Total Assets \$25,640

Liabilities & Owner's Equity

Accounts Payable \$ 1,140

Sara, Capital 24,500

Total Liabilities and Owner's Equity \$25,640

PROBLEM 17

Cash	
DR	CR
(1) 25,000	600 (2)
(8) 3,800	800 (4)
	950 (6)
	1,500 (7)
	1,600 (9)

\$23,350	

Accounts Receivable	
DR	CR
(5) 5,600	3,800 (8)

\$1,800	

Supplies on Hand	
DR	CR
(4) 800	

\$800	

Office Equipment	
DR	CR
(3) 900	
(3) 1,450	
(3) 750	
(3) 600	

\$3,700	

Accounts Payable	
DR	CR
(7) 1,500	3,700 (3)

\$2,200	

Lobo Capital	
DR	CR
	25,000 (1)

\$25,000	

Lobo Drawings	
DR	CR
(9) 1,600	

\$1,600	

Professional Fees	
DR	CR
	5,600 (5)

\$25,000	

Salaries Expense	
DR	CR
(6) 950	

\$950	

Rent Expense	
DR	CR
(2) 600	

\$600	

**Lobo's Brain Repair
Trial Balance
December 1**

Cash	\$23,350	
Accounts Receivable	1,800	
Supplies on Hand	800	
Office Equipment	3,700	
Accounts Payable		2,200
Lobo, Capital		25,000
Lobo, Drawings	1,600	
Professional Fees		5,600
Salaries Expense	950	
Rent Expense	600	
Total	\$32,800	\$32,800

PROBLEM 18

The amounts required are shown bolded in the T-Accounts below:

Cash	
DR	CR
5,200	
4,850	5,600

4,450	

(a) cash received:
 $\$4,450 - 5,600 + 5,200 = \mathbf{\$4,850}$

Accounts Receivable	
DR	CR
4,900	
6,000	7,200

3,700	

(b) customer receipts:
 $\$4,900 + 6,000 - 3,700 = \mathbf{\$7,200}$

Supplies on Hand	
DR	CR
750	
490	560

680	

(c) supplies purchased:
 $\$680 + 560 - 750 = \mathbf{\$490}$

Prepaid Insurance	
DR	CR
150	
600	350

400	

(d) insurance expense:
 $\$150 + 600 - 400 = \mathbf{\$350}$

Capital	
DR	CR
	22,000
	3,000
	8,000

	33,000

(e) net income, if no
 withdrawals were made
 $\$33,000 - 3,000 - 22,000 = \mathbf{\$8,000}$

PROBLEM 19

- a) the DR total would be overstated by \$19,100
- b) the error does not effect the trial balance totals
- c) the CR total would be understated by \$32,600
- d) the DR total would be understated by \$2,100 and the CR total would be overstated by \$2,100
- e) the DR total would be understated by \$7,500 and the CR total would be overstated by \$7,500