

## 2

# Debits and Credits: Analyzing and Recording Business Transactions

## ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. A ledger is a group of accounts that records in monetary value the data from business transactions.
2. The left-hand side is always the debit side. It is an arbitrary rule.
3. False. Accounts with one entry will not need footings.
4. The financial statements are the end products of the accounting process.
5. The transaction analysis chart is a teaching device that is not used in the regular accounting process.
6. Which accounts are affected? In which categories do the accounts belong? Are the accounts increasing or decreasing? What do the rules of debit and credit say? What does the T-account look like?
7. Disagree. Computers will record debits and credits based on the account type.
8. False. The trial balance is an informal report that does not have the same status as financial statements. The trial balance is used to verify the equality of total debits and credits and prepare the financial statements.
9. The financial statements are prepared from the ending balances of the accounts (debit or credit) in the ledger. The columns on financial statements are used for listing amounts and for subtotaling.
10. It is easier to prepare the reports from the trial balance rather than the expanded accounting equation because the trial balance lists all accounts and their balances. The columns for revenue, expenses, etc., in the expanded accounting equation do not list specific titles and their balances.
11. The question in this case is whether Joshua should be allowed to put fictitious figures into the trial balance. I would not support this type of behavior. His behavior is extremely unprofessional and goes against professional ethical standards. Instead of putting in fictitious figures, Joshua should stay late and correct the trial balance. He could also ask for help.

## SOLUTIONS TO CONCEPT CHECKS

1. The ending balance in Cash is \$19,500(debit balance). The ending balance in C. Rice, Capital is \$18,000(credit balance).

Cash 110	
6/24 8,000	500 6/26
6/28 12,000	
20,000	500
Bal. 19,500	

C. Rice, Capital 311	
	11,000 6/1
	6,000 6/8
	1,000 6/22
	18,000 Bal.

- 2.

Category	Incr.	Decr.	Normal Bal.
A. Liability	Cr.	Dr.	Cr.
B. Revenue	Cr.	Dr.	Cr.
C. Asset	Dr.	Cr.	Dr.
D. Capital	Cr.	Dr.	Cr.
E. Withdrawal	Dr.	Cr.	Dr.
F. Asset	Dr.	Cr.	Dr.
G. Expense	Dr.	Cr.	Dr.

- 3.

Account	Category	Increase/Decrease	Dr. or Cr.	T Accounts
				Cash
				600
Cash	Asset	↑	Dr.	
				Acc. Rec.
				2,900
Accounts Receivable	Asset	↑	Dr.	
				Design Fees Earned
				3,500
Design Fees Earned	Revenue	↑	Cr.	

4. Cash  
Accounts Receivable  
Office Equipment  
Accounts Payable  
B. O'Mally, Capital  
B. O'Mally, Withdrawals  
Hair Salon Fees Earned  
Selling Expense  
Salary Expense  
Advertising Expense

5. A.BS  
B.BS  
C.BS  
D.BS  
E.OE  
F.OE  
G.IS  
H.IS  
I. IS  
J.IS  
K.IS

## SOLUTIONS TO SET A EXERCISES

### 2A-1. Balance Sheet Accounts

#### Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Office Equipment (Microsoft Surface Tablet)

#### Liabilities

- 211 Accounts Payable

#### Owner's Equity

- 311 L. Janas, Capital
- 312 L. Janas, Withdrawals

### Income Statement Accounts

#### Revenue

- 411 Legal Fees

#### Expenses

- 511 Salary Expense
- 512 Repair Expense
- 513 Advertising Expense

### 2A-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update				
Computer Equipment	Asset	↑	Dr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Computer Equipment</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">26,000</td> <td></td> </tr> </table>	Computer Equipment		26,000	
Computer Equipment								
26,000								
Cash	Asset	↓	Cr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Cash</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="border-right: 1px solid black;">9,000</td> </tr> </table>	Cash			9,000
Cash								
	9,000							
Accounts Payable	Liability	↑	Cr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Accounts Payable</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="border-right: 1px solid black;">17,000</td> </tr> </table>	Accounts Payable			17,000
Accounts Payable								
	17,000							

**EXERCISES (CONTINUED)**

2A-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Computer Supplies	Asset	Dr.	Cr.	Balance Sheet
Legal Fees Earned	Revenue	Cr.	Dr.	Income Statement
P. Roy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Salaries Expense	Expense	Dr.	Cr.	Income Statement
Auto	Asset	Dr.	Cr.	Balance Sheet

2A-4.

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

**EXERCISES (CONTINUED)**

2A-5.

(1)

**HELM'S CLEANERS  
INCOME STATEMENT  
FOR MONTH ENDED MARCH 31, 201X**

<b>Revenue:</b>										
Cleaning Fees						\$	4	6	6	
<b>Operating Expenses:</b>										
Salaries Expense	\$	1	2	5						
Utilities Expense		1	6	2						
<b>Total Operating Expenses</b>							2	8	7	
<b>Net Income</b>						\$	1	7	9	

(2)

**HELM'S CLEANERS  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED MARCH 31, 201X**

<b>J. Helm, Capital, March 1, 201X</b>						\$	7	2	6	
Net Income for March	\$	1	7	9						
Less: Withdrawals for March		(	5	5)						
<b>Increase in Capital</b>							1	2	4	
<b>J. Helm, Capital, March 31, 201X</b>						\$	8	5	0	

(3)

**HELM'S CLEANERS  
BALANCE SHEET  
MARCH 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY					
Cash	\$	7	5	0	<b>Liabilities</b>					
Equipment		5	0	0	Accounts Payable					
					\$	4	0	0		
					<b>Owner's Equity</b>					
					J. Helm, Capital					
					8	5	0			
<b>Total Assets</b>	\$	1	2	5	<b>Total Liabilities and</b>					
					<b>Owner's Equity</b>					
					\$	1	2	5	0	

## SOLUTIONS TO SET B EXERCISES

### 2B-1. Balance Sheet Accounts

#### Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Office Equipment (Apple iPad)

#### Liabilities

- 211 Accounts Payable

#### Owner's Equity

- 311 L. Jones, Capital
- 312 L. Jones, Withdrawals

### Income Statement Accounts

#### Revenue

- 411 Legal Fees Earned

#### Expenses

- 511 Salary Expense
- 512 Rent Expense
- 513 Advertising Expense

### 2B-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update				
Computer Equipment	Asset	↑	Dr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Computer Equipment</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">28,000</td> <td></td> </tr> </table>	Computer Equipment		28,000	
Computer Equipment								
28,000								
Cash	Asset	↓	Cr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Cash</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="text-align: right;">8,000</td> </tr> </table>	Cash			8,000
Cash								
	8,000							
Accounts Payable	Liability	↑	Cr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Accounts Payable</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="text-align: right;">20,000</td> </tr> </table>	Accounts Payable			20,000
Accounts Payable								
	20,000							

**EXERCISES (CONTINUED)**

2B-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Office Supplies	Asset	Dr.	Cr.	Balance Sheet
Rental Fees Earned	Revenue	Cr.	Dr.	Income Statement
A. Troy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Wage Expense	Expense	Dr.	Cr.	Income Statement
Computer	Asset	Dr.	Cr.	Balance Sheet

2B-4.

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



**EXERCISES (CONTINUED)**

2B-5.

(1)

**HILTON'S CLEANERS  
INCOME STATEMENT  
FOR MONTH ENDED JANUARY 31, 201X**

<b>Revenue:</b>										
Cleaning Fees						\$	4	6	0	
<b>Operating Expenses:</b>										
Salaries Expense	\$	1	1	0						
Utilities Expense		1	7	1						
Total Operating Expenses							2	8	1	
<b>Net Income</b>						\$	1	7	9	

(2)

**HILTON'S CLEANERS  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED JANUARY 31, 201X**

J. Hilton, Capital, January 1, 201X						\$	8	6	6	
Net Income for January	\$	1	7	9						
Less: Withdrawals for January		(2)	5	0)						
Decrease in Capital							(7)	1)		
J. Hilton, Capital, January 31, 201X						\$	7	9	5	

(3)

**HILTON'S CLEANERS  
BALANCE SHEET  
JANUARY 31, 201X**

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	\$	7	5	0		<b>Liabilities</b>					
Equipment		5	0	0		Accounts Payable	\$	4	5	5	
						Owner's Equity					
						J. Hilton, Capital		7	9	5	
						Total Liabilities and					
<b>Total Assets</b>	\$1	2	5	0		Owner's Equity	\$1	2	5	0	

## SOLUTIONS TO SET A PROBLEMS

### PROBLEM 2A-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	Brent Omara, Capital
					(A) 45,000	45,000 (A)
Brent Omara, Capital	Capital*	↑		Cr.		
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks	Accounts Payable
					(B) 5,000	5,000 (B)
Accounts Payable	Liability	↑		Cr.		
C. Rent Expense	Expense	↑		Dr.	Rent Expense	Accounts Payable
					(C) 1,000	5,000 (B) 1,000 (C)
Accounts Payable	Liability	↑		Cr.		
D. Cash	Asset	↑		Dr.	Cash	Delivery Fees Earned
					(A)45,000 (D) 1,200	1,200 (D)
Delivery Fees Earned	Revenue	↑		Cr.		
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable	Delivery Fees Earned
					(E) 1,010	1,200 (D) 1,010 (E)
Delivery Fees Earned	Revenue	↑		Cr.		
F. Brent Omara, Withdrawals	Withdrawal*	↑		Dr.	Brent Omara, Withdrawals	Cash
					(F) 1,000	(A)45,000 (D) 1,200
Cash	Asset	↓		Cr.		1,000 (F)

\* A subdivision of Owner's Equity

**PROBLEM 2A-2**

Cash		111
(A) 34,000	80 (D)	
(C) 3,100	650 (E)	
	600 (G)	

Office Equipment		121
(B) 1,000		

Accounts Payable		211
(G) 600	1,000 (B)	
	900 (F)	

Bud Peters, Capital		311
	34,000 (A)	

Bud Peters, Withdrawals		312
(D) 80		

Consulting Fees Earned		411
	3,100 (C)	

Advertising Expense		511
(E) 650		

Rent Expense		512
(F) 900		

**PROBLEM 2A-3**

(a)

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Cash 111</th> </tr> <tr> <td style="width: 50%;">(A) 17,000</td> <td style="width: 50%;">600 (D)</td> </tr> <tr> <td>(G) 5,500</td> <td>100 (E)</td> </tr> <tr> <td></td> <td>100 (F)</td> </tr> <tr> <td></td> <td>340 (H)</td> </tr> <tr> <td></td> <td>320 (I)</td> </tr> <tr> <td style="border-top: 1px solid black;">22,500</td> <td style="border-top: 1px solid black;">1,460</td> </tr> <tr> <td>Bal 21,040</td> <td></td> </tr> </table>	Cash 111		(A) 17,000	600 (D)	(G) 5,500	100 (E)		100 (F)		340 (H)		320 (I)	22,500	1,460	Bal 21,040		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Accounts Payable 211</th> </tr> <tr> <td style="width: 50%;">(D) 600</td> <td style="width: 50%;">1,400 (C)</td> </tr> <tr> <td></td> <td>800 Bal</td> </tr> </table>	Accounts Payable 211		(D) 600	1,400 (C)		800 Bal	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Cleaning Fees Earned 411</th> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">11,000 (B)</td> </tr> </table>	Cleaning Fees Earned 411			11,000 (B)
Cash 111																												
(A) 17,000	600 (D)																											
(G) 5,500	100 (E)																											
	100 (F)																											
	340 (H)																											
	320 (I)																											
22,500	1,460																											
Bal 21,040																												
Accounts Payable 211																												
(D) 600	1,400 (C)																											
	800 Bal																											
Cleaning Fees Earned 411																												
	11,000 (B)																											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Accounts Receivable 112</th> </tr> <tr> <td style="width: 50%;">(B) 11,000</td> <td style="width: 50%;">5,500 (G)</td> </tr> <tr> <td>Bal 5,500</td> <td></td> </tr> </table>	Accounts Receivable 112		(B) 11,000	5,500 (G)	Bal 5,500		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Brian Jett, Capital 311</th> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">17,000 (A)</td> </tr> </table>	Brian Jett, Capital 311			17,000 (A)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Rent Expense 511</th> </tr> <tr> <td style="width: 50%;">(F) 100</td> <td style="width: 50%;"></td> </tr> </table>	Rent Expense 511		(F) 100													
Accounts Receivable 112																												
(B) 11,000	5,500 (G)																											
Bal 5,500																												
Brian Jett, Capital 311																												
	17,000 (A)																											
Rent Expense 511																												
(F) 100																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Office Equipment 121</th> </tr> <tr> <td style="width: 50%;">(C) 1,400</td> <td style="width: 50%;"></td> </tr> <tr> <td>(H) 340</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Bal 1,740</td> <td style="border-top: 1px solid black;"></td> </tr> </table>	Office Equipment 121		(C) 1,400		(H) 340		Bal 1,740		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Brian Jett, Withdrawals 312</th> </tr> <tr> <td style="width: 50%;">(I) 320</td> <td style="width: 50%;"></td> </tr> </table>	Brian Jett, Withdrawals 312		(I) 320		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Utilities Expense 512</th> </tr> <tr> <td style="width: 50%;">(E) 100</td> <td style="width: 50%;"></td> </tr> </table>	Utilities Expense 512		(E) 100											
Office Equipment 121																												
(C) 1,400																												
(H) 340																												
Bal 1,740																												
Brian Jett, Withdrawals 312																												
(I) 320																												
Utilities Expense 512																												
(E) 100																												

(b)

**BRIAN'S CLEANING SERVICE  
TRIAL BALANCE  
OCTOBER 31, 201X**

	Dr.		Cr.				
<b>Cash</b>	<b>21</b>	<b>0</b>	<b>4</b>	<b>0</b>			
<b>Accounts Receivable</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>			
<b>Office Equipment</b>	<b>1</b>	<b>7</b>	<b>4</b>	<b>0</b>			
<b>Accounts Payable</b>					<b>8</b>	<b>0</b>	<b>0</b>
<b>Brian Jett, Capital</b>					<b>17</b>	<b>0</b>	<b>0</b>
<b>Brian Jett, Withdrawals</b>		<b>3</b>	<b>2</b>	<b>0</b>			
<b>Cleaning Fees Earned</b>					<b>11</b>	<b>0</b>	<b>0</b>
<b>Rent Expense</b>		<b>1</b>	<b>0</b>	<b>0</b>			
<b>Utilities Expense</b>		<b>1</b>	<b>0</b>	<b>0</b>			
<b>Totals</b>	<b>28</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>8</b>	<b>0</b>

**PROBLEM 2A-4**

(a)

**GABRIELLA LEITZ, ATTORNEY AT LAW  
INCOME STATEMENT  
FOR MONTH ENDED JANUARY 31, 201X**

<b>Revenue:</b>										
Revenue from Legal Fees						\$1	6	0	0	
<b>Operating Expenses:</b>										
Utilities Expense	\$	1	5	0						
Rent Expense		3	5	0						
Salaries Expense		1	5	0						
<b>Total Operating Expenses</b>							6	5	0	
<b>Net Income</b>							\$	9	5	0

(b)

**GABRIELLA LEITZ, ATTORNEY AT LAW  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED JANUARY 31, 201X**

<b>G. Leitz, Capital, January 1, 201X</b>						\$4	6	0	0	
<b>Net Income for January</b>	\$	9	5	0						
<b>Less: Withdrawals for January</b>		(4	0	0)						
<b>Increase in Capital</b>							5	5	0	
<b>G. Leitz, Capital, January 31, 201X</b>							\$5	1	5	0

(c)

**GABRIELLA LEITZ, ATTORNEY AT LAW  
BALANCE SHEET  
JANUARY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY												
Cash	\$7	0	0	0	<b>Liabilities</b>												
Accounts Receivable		8	0	0	Accounts Payable	\$2	2	0	0								
Office Equipment		5	0	0	Salaries Payable		9	5	0								
					<b>Total Liabilities</b>					\$3	1	5	0				
					<b>Owner's Equity</b>												
					G. Leitz, Capital					5	1	5	0				
<b>Total Assets</b>	<b>\$8</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>Total Liabilities and Owner's Equity</b>					<b>\$8</b>	<b>3</b>	<b>0</b>	<b>0</b>				

**PROBLEM 2A-5**

(1, 2)

Cash 111	
(A) 20,000	1,300 (C)
(E) 2,600	250 (D)
(J) 100	650 (F)
	1,600 (G)
	700 (K)
<hr/>	
22,700	4,500
<hr/>	
18,200	

Accounts Receivable 112	
(H) 1,500	100 (J)
<hr/>	
1,400	

Office Equipment 121	
(C) 1,300	

Delivery Trucks 122	
(B) 6,000	

Accounts Payable 211	
	6,000 (B)
	700 (I)
<hr/>	
	6,700

Amy Alto, Capital 311	
	20,000 (A)

Amy Alto, Withdrawals 312	
(K) 700	

Delivery Fees Earned 411	
	2,600 (E)
	1,500 (H)
<hr/>	
	4,100

Advertising Expense 511	
(D) 250	

Gas Expense 512	
(G) 1,600	

Salaries Expense 513	
(F) 650	

Telephone Expense 514	
(I) 700	

**PROBLEM 2A-5 (CONTINUED)**

(3)

**ALTO'S DELIVERY SERVICE  
TRIAL BALANCE  
OCTOBER 31, 201X**

	Dr.				Cr.			
Cash	18	2	0	0				
Accounts Receivable	1	4	0	0				
Office Equipment	1	3	0	0				
Delivery Trucks	6	0	0	0				
Accounts Payable					6	7	0	0
A. Alto, Capital					20	0	0	0
A. Alto, Withdrawals		7	0	0				
Delivery Fees Earned					4	1	0	0
Advertising Expense		2	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	5	0				
Telephone Expense		7	0	0				
<b>Totals</b>	<b>30</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>8</b>	<b>0</b>	<b>0</b>

(4a)

**ALTO'S DELIVERY SERVICE  
INCOME STATEMENT  
FOR MONTH ENDED OCTOBER 31, 201X**

<b>Revenue:</b>								
Delivery Fees Earned					\$4	1	0	0
<b>Operating Expenses:</b>								
Advertising Expense	\$	2	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	5	0				
Telephone Expense		7	0	0				
<b>Total Operating Expenses</b>					<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Net Income</b>					<b>\$</b>	<b>9</b>	<b>0</b>	<b>0</b>

**PROBLEM 2A-5 (CONCLUDED)**

(4b)

**ALTO'S DELIVERY SERVICE  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED OCTOBER 31, 201X**

A. Alto, Capital, October 1, 201X						\$			0
Investment in October						20	0	0	0
Total investment for October						20	0	0	0
Net Income for October	\$	9	0	0					
Less: Withdrawals for October		(7	0	0)					
Increase in Capital							2	0	0
A. Alto, Capital, October 31, 201X						\$20	2	0	0

(4c)

**ALTO'S DELIVERY SERVICE  
BALANCE SHEET  
OCTOBER 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$18	2	0	0	Liabilities				
Accounts Receivable	_1	4	0	0	Accounts Payable	\$ 6	7	0	0
Office Equipment	_1	3	0	0	Owner's Equity				
Delivery Trucks	_6	0	0	0	A. Alto, Capital	20	2	0	0
					Total Liabilities and				
Total Assets	\$26	9	0	0	Owner's Equity	\$26	9	0	0



## SOLUTIONS TO SET B PROBLEMS

### PROBLEM 2B-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	B. Orwell, Capital
					(A) 50,000	50,000 (A)
B. Orwell, Capital	Capital	↑		Cr.		
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks	Accounts Payable
					(B) 13,000	13,000 (B)
Accounts Payable	Liability	↑		Cr.		
C. Rent Expense	Expense	↑		Dr.	Rent Expense	Accounts Payable
					(C) 1,100	13,000 (B) 1,100 (C)
Accounts Payable	Liability	↑		Cr.		
D. Cash	Asset	↑		Dr.	Cash	Delivery Fees Earned
					(A) 50,000 (D) 2,500	2,500 (D)
Delivery Fees Earned	Revenue	↑		Cr.		
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable	Delivery Fees Earned
					(E) 1,200	2,500 (D) 1,200 (E)
Delivery Fees Earned	Revenue	↑		Cr.		
F. B. Orwell, Withdrawals	Withdrawal	↑		Dr.	B. Orwell, Withdrawals	Cash
					(F) 400	(A) 50,000 (D) 2,500 400 (F)
Cash	Asset	↓		Cr.		

**PROBLEM 2B-2**

	Cash 111
(A) 33,000	150 (D)
(C) 2,000	250 (E) 600 (G)
	Office Equipment 121
(B) 2,500	
	Accounts Payable 211
(G) 600	2,500 (B)
	500 (F)
	Brad Piascik, Capital 311
	33,000 (A)

	Brad Piascik, Withdrawals 312
(D) 150	
	Consulting Fees Earned 411
	2,000 (C)
	Advertising Expense 511
(E) 250	
	Rent Expense 512
(F) 500	

**PROBLEM 2B-3**

(a)

Cash 111		Accounts Payable 211		Cleaning Fees Earned 411	
7,000 (A)	400 (D)	400 (D)	2,100 (C)		
2,000 (G)	500 (E)		1,700 Bal.		11,000 (B)
	550 (F)				
	550 (H)				
	320 (I)				
9,000	2,320				
Bal. 6,680					
Accounts Receivable 112		Brent Jane, Capital 311		Rent Expense 511	
11,000 (B)	2,000 (G)		7,000 (A)	550 (F)	
Bal. 9,000					
Office Equipment 121		Brent Jane, Withdrawals 312		Utility Expense 512	
2,100 (C)		320 (I)		500 (E)	
550 (H)					
Bal. 2,650					

(b)

**BRENT'S CLEANING SERVICE  
TRIAL BALANCE  
JULY 31, 201X**

	Dr.				Cr.			
<b>Cash</b>	6	6	8	0				
<b>Accounts Receivable</b>	9	0	0	0				
<b>Office Equipment</b>	2	6	5	0				
<b>Accounts Payable</b>					1	7	0	0
<b>Brent Jane, Capital</b>					7	0	0	0
<b>Brent Jane, Withdrawals</b>		3	2	0				
<b>Cleaning Fees Earned</b>					11	0	0	0
<b>Rent Expense</b>		5	5	0				
<b>Utilities Expense</b>		5	0	0				
<b>Totals</b>	19	7	0	0	19	7	0	0

**PROBLEM 2B-4**

(a)

**GAIL LANTZ, ATTORNEY AT LAW  
INCOME STATEMENT  
FOR MONTH ENDED JULY 31, 201X**

<b>Revenue:</b>									
Revenue from Legal Fees						\$1	6	0	0
<b>Operating Expenses:</b>									
Utilities Expense	\$	1	0	0					
Rent Expense		4	5	0					
Salaries Expense		2	0	0					
<b>Total Operating Expenses</b>							7	5	0
<b>Net Income</b>						\$	8	5	0

(b)

**GAIL LANTZ, ATTORNEY AT LAW  
STATEMENT OF OWNER'S EQUITY  
FOR MONTH ENDED JULY 31, 201X**

<b>G. Lantz, Capital, July 1, 201X</b>						\$4	7	0	0
Net Income for July	\$	8	5	0					
Less: Withdrawals for July	(1	1	0	0)					
<b>Decrease in Capital</b>							(2	5	0)
<b>G. Lantz, Capital, July 31, 201X</b>						\$4	4	5	0

(c)

**GAIL LANTZ, ATTORNEY AT LAW  
BALANCE SHEET  
JULY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$5	0	0	0	Liabilities				
Accounts Receivable		7	5	0	Accounts Payable	\$3	0	0	0
Office Equipment		2	7	0	Salaries Payable		1	0	0
					<b>Total Liabilities</b>				\$4 0 0 0
					<b>Owner's Equity</b>				
					G. Lantz, Capital				4 4 5 0
					<b>Total Liabilities and Owner's Equity</b>				\$8 4 5 0
<b>Total Assets</b>	\$8	4	5	0					

**PROBLEM 2B-5**

**(1, 2)**

Cash 111		Accounts Payable 211		Advertising Expense 511	
(A) 33,000	1,100 (C)		13,000 (B)	(D) 250	
(E) 3,500	250 (D)		50 (I)		
(J) 100	750 (F)				
	1,000 (G)				
	700 (K)				
			Bal. 13,050		
36,600	3,800				
Bal. 32,800					
Accounts Receivable 112		Audrey Avery, Capital 311		Gas Expense 512	
(H) 800	100 (J)		33,000 (A)	(G) 1,000	
Bal. 700					
Office Equipment 121		Audrey Avery, Withdrawals 312		Salaries Expense 513	
(C) 1,100		(K) 700		(F) 750	
Delivery Trucks 122		Delivery Fees Earned 411		Telephone Expense 514	
(B) 13,000			3,500 (E)	(I) 50	
			800 (H)		
			Bal. 4,300		

**PROBLEM 2B-5 (CONTINUED)**  
**(3)**

**AVERY'S DELIVERY SERVICE**  
**TRIAL BALANCE**  
**OCTOBER 31, 201X**

	Dr.				Cr.			
Cash	32	8	0	0				
Accounts Receivable		7	0	0				
Office Equipment	1	1	0	0				
Delivery Trucks	13	0	0	0				
Accounts Payable					13	0	5	0
Audrey Avery, Capital					33	0	0	0
Audrey Avery, Withdrawals		7	0	0				
Delivery Fees Earned					4	3	0	0
Advertising Expense		2	5	0				
Gas Expense	1	0	0	0				
Salaries Expense		7	5	0				
Telephone Expense			5	0				
<b>Totals</b>	<b>50</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>50</b>	<b>3</b>	<b>5</b>	<b>0</b>

(4a)

**AVERY'S DELIVERY SERVICE**  
**INCOME STATEMENT**  
**FOR MONTH ENDED OCTOBER 31, 201X**

<b>Revenue:</b>								
Delivery Fees Earned					\$4	3	0	0
<b>Operating Expenses:</b>								
Advertising Expense	\$	2	5	0				
Gas Expense	1	0	0	0				
Salaries Expense		7	5	0				
Telephone Expense			5	0				
<b>Total Operating Expenses</b>					2	0	5	0
<b>Net Income</b>					\$2	2	5	0

**PROBLEM 2B-5 (CONCLUDED)**  
**(4b)**

**AVERY'S DELIVERY SERVICE**  
**STATEMENT OF OWNER'S EQUITY**  
**FOR MONTH ENDED OCTOBER 31, 201X**

Audrey Avery, Capital, October 1, 201X					\$			0
Investment in October					33	0	0	0
Total investment for October					33	0	0	0
Net Income for October	\$2	2	5	0				
Less: Withdrawals for October		(7	0	0)				
Increase in Capital					1	5	5	0
Audrey Avery, Capital, October 31, 201X					\$34	5	5	0

**(4c)**

**AVERY'S DELIVERY SERVICE**  
**BALANCE SHEET**  
**OCTOBER 31, 201X**

**ASSETS**

**LIABILITIES AND OWNER'S EQUITY**

Cash	\$32	8	0	0	Liabilities				
Accounts Receivable		7	0	0	Accounts Payable	\$13	0	5	0
Office Equipment	1	1	0	0	Owner's Equity				
Delivery Trucks	13	0	0	0	Audrey Avery, Capital	34	5	5	0
					Total Liabilities and				
Total Assets	\$47	6	0	0	Owner's Equity	\$47	6	0	0

**FINANCIAL REPORT PROBLEM SOLUTION—2016 Amazon.com's Annual Report**

Year	Accounts Payable
2016	\$25,309 million
2015	<u>\$20,397 million</u>
Increase	<u>\$4,912 million</u>

Accounts Payable increased by \$4.912 billion in 2016. The change means Amazon.com, Inc. owes more to suppliers in 2016 than 2015. Accounts Payable is a liability that increases with a credit.

# KEEPING IT REAL--Suarez Computer Center Solution

## Assignments 1-3

<b>Cash 1000</b> 10,540 (bal) 1,400 (p) 300 (l) 50 (m) 500 (n) 100 (q) 20 (r) 11,940 10,970 (bal)	<b>Accounts Receivable 1020</b> 1,100 (o)	<b>Supplies 1030</b> 500 (bal) 500 (s) 1,000 (bal)	<b>Computer Shop Equipment 1080</b> 1,260 (bal)
<b>Office Equipment 1090</b> 1,500 (bal)	<b>Accounts Payable 2000</b> 50 (m) 100 (q) 150 600 (bal) 200 (k) 500 (s) 1,300 1,150 (bal)	<b>Advertising Expense 5010</b> 500 (n)	<b>Falco, Capital 3000</b> 12,500 (bal)
<b>Service Revenue 4000</b> 3,100 (bal) 1,100 (o) 1,400 (p) 5,600 (bal)	<b>Phone Expense 5040</b> 200 (k)	<b>Supplies Expense 5050</b> 0	<b>Rent Expense 5020</b> 800 (bal)
<b>Falco, Withdrawals 3010</b> 1,500 (bal)	<b>Utilities Expense 5030</b> 100 (bal)	<b>Postage Expense 5070</b> 20 (r)	<b>Insurance Expense 5060</b> 300 (l)



Assignment 4

**SUAREZ COMPUTER CENTER  
TRIAL BALANCE  
AUGUST 31, 201X**

Dr.

Cr.

Cash	10	9	7	0	00					
Accounts Receivable	_1	1	0	0	00					
Supplies	_1	0	0	0	00					
Computer Shop Equipment	_1	2	6	0	00					
Office Equipment	_1	5	0	0	00					
Accounts Payable						_1	1	5	0	00
Falco, Capital						12	5	0	0	00
Falco, Withdrawals	_1	5	0	0	00					
Service Revenue						_5	6	0	0	00
Advertising Expense			5	0	00					
Rent Expense			8	0	00					
Utilities Expense			1	0	00					
Phone Expense			2	0	00					
Insurance Expense			3	0	00					
Postage Expense				2	00					
<b>Totals</b>	<b>19</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>00</b>	<b>19</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>00</b>

Assignment 5

**SUAREZ COMPUTER CENTER  
INCOME STATEMENT  
FOR THE TWO MONTHS ENDED AUGUST 31, 201X**

Revenue:										
Service Revenue						\$ 5	6	0	0	00
Operating Expenses:										
Advertising Expense	\$	5	0	0	00					
Rent Expense		8	0	0	00					
Utilities Expense		1	0	0	00					
Phone Expense		2	0	0	00					
Insurance Expense		3	0	0	00					
Postage Expense			2	0	00					
<b>Total Operating Expenses</b>						<b>1</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>00</b>
<b>Net Income</b>						<b>\$ 3</b>	<b>6</b>	<b>8</b>	<b>0</b>	<b>00</b>

## Assignment 5 (Concluded)

**SUAREZ COMPUTER CENTER  
STATEMENT OF OWNER'S EQUITY  
FOR THE TWO MONTHS ENDED AUGUST 31, 201X**

Falco, Capital, July 1, 201X						\$			0	00
Investment in July						12	5	0	0	00
Total investment for July						12	5	0	0	00
Net Income	\$ 3	6	8	0	00					
Less: Falco Withdrawals	(1	5	0	0	00)					
Net Increase Capital						2	1	8	0	00
Falco, Capital, August 31, 201X						\$14	6	8	0	00

**SUAREZ COMPUTER CENTER  
BALANCE SHEET  
AUGUST 31, 201X**

## ASSETS

## LIABILITIES AND OWNER'S EQUITY

Cash	\$10	9	7	0	00	Liabilities:				
Accounts Receivable	1	1	0	0	00	Accounts Payable	\$ 1	1	5	0 00
Supplies	1	0	0	0	00					
Computer Shop Equipment	1	2	6	0	00	Owner's Equity:				
Office Equipment	1	5	0	0	00	Falco, Capital	14	6	8	0 00
						Total Liabilities and				
Total Assets	\$15	8	3	0	00	Owner's Equity	\$15	8	3	0 00