

# 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 data from business transactions.*
2. *Because that is always the debit side. It is an arbitrary rule.*
3. *False. Accounts with one entry will not need footings.*
4. *The end product of the accounting process is preparing financial reports.*
5. *The transaction analysis chart is a teaching device that is not used in the regular accounting process.*
6. *Accounts affected, category, ↑ ↓ , rules, update of T accounts.*
7. *The analysis of transactions results in the total of debits being equal to total of credits. A double-entry system provides a system of checks and balances.*
8. *False. Informal report; does not have the same status as financial reports.*
9. *The financial reports are prepared from the ending balances of the accounts (debit or credit) in the ledger. These ending balances are then used on financial reports. The inside columns on financial reports are for sub totaling.*
10. *It is easier to prepare the reports from the trial balance, because a list of all accounts and their balances is provided. The columns for revenue, expenses, etc., on the expanded accounting equation do not list specific titles and their balances.*
11. *The question in this case is whether Audrey should be allowed to put fictitious figures into the trial balance. Although Audrey has good intentions, this type of behavior cannot be tolerated. Her actions are extremely unprofessional and go against all accounting standards (not to mention ethics!). Instead of putting in fictitious figures, Audrey should stay late and correct the trial balance (or perhaps engage an assistant to help her so she could catch the plane).*

**SOLUTIONS TO CLASSROOM DEMONSTRATION EXERCISES**

- |    |                          |                 |  |  |                       |
|----|--------------------------|-----------------|--|--|-----------------------|
| 1. | <i>Cash</i>              | <b>\$17,200</b> |  |  | <i>Debit Balance</i>  |
|    | <i>C. Clark, Capital</i> | <b>\$11,000</b> |  |  | <i>Credit Balance</i> |
- 
- |    |                       |            |            |            |  |
|----|-----------------------|------------|------------|------------|--|
| 2. | A. <i>Liability</i>   | <i>Cr.</i> | <i>Dr.</i> | <i>Cr.</i> |  |
|    | B. <i>Revenue</i>     | <i>Cr.</i> | <i>Dr.</i> | <i>Cr.</i> |  |
|    | C. <i>Asset</i>       | <i>Dr.</i> | <i>Cr.</i> | <i>Dr.</i> |  |
|    | D. <i>Capital</i>     | <i>Cr.</i> | <i>Dr.</i> | <i>Cr.</i> |  |
|    | E. <i>Withdrawals</i> | <i>Dr.</i> | <i>Cr.</i> | <i>Dr.</i> |  |
|    | F. <i>Asset</i>       | <i>Dr.</i> | <i>Cr.</i> | <i>Dr.</i> |  |
|    | G. <i>Expense</i>     | <i>Dr.</i> | <i>Cr.</i> | <i>Dr.</i> |  |

3.

<i>Cash</i>	<i>Asset</i>	$\uparrow$	<i>Dr.</i>	<i>Cash</i> 600
<i>Accounts Receivable</i>	<i>Asset</i>	$\uparrow$	<i>Dr.</i>	<i>Accounts Receivable</i> 1,900
<i>Bookkeeping Services</i>	<i>Revenue</i>	$\uparrow$	<i>Cr.</i>	<i>Bookkeeping Fees</i> 2,500

- |                               |       |           |
|-------------------------------|-------|-----------|
| 4. <i>Cash</i>                | 5. A. | <i>BS</i> |
| <i>Accounts Receivable</i>    | B.    | <i>BS</i> |
| <i>Office Equipment</i>       | C.    | <i>BS</i> |
| <i>Accounts Payable</i>       | D.    | <i>BS</i> |
| <i>J. Joy, Capital</i>        | E.    | <i>OE</i> |
| <i>J. Joy, Withdrawals</i>    | F.    | <i>OE</i> |
| <i>Hair Salon Fees Earned</i> | G.    | <i>IS</i> |
| <i>Advertising Expense</i>    | H.    | <i>IS</i> |
| <i>Salary Expense</i>         | I.    | <i>IS</i> |
| <i>Utility Expense</i>        | J.    | <i>IS</i> |
|                               | K.    | <i>IS</i> |

**SOLUTIONS TO EXERCISES—SET A**

**EXERCISE 2-1A.**

<i>Balance Sheet Accounts</i>
<i>Assets</i>
111 Cash
112 Accounts Receivable
121 Office Equipment
<i>Liabilities</i>
211 Accounts Payable
<i>Owner's Equity</i>
311 L. Jones, Capital
312 L. Jones, Withdrawals
<i>Income Statement Accounts</i>
<i>Revenue</i>
411 Legal Fees
<i>Expenses</i>
511 Advertising Expense
512 Repair Expense
513 Salary Expense

**EXERCISE 2-4A.**

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

**EXERCISE 2-2A.**

1. <i>Accounts Affected</i>	2. <i>Category</i>	3. ↑ ↓	4. <i>Rules</i>	5. <i>T-Account Update</i>				
<i>Computer Equipment</i>	<i>Asset</i>	↑	<i>Dr.</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: right;"><i>Computer Equipment</i></td> </tr> <tr> <td style="width: 80%;"></td> <td style="border-top: 1px solid black; text-align: right;">19,000</td> </tr> </table>	<i>Computer Equipment</i>			19,000
<i>Computer Equipment</i>								
	19,000							
<i>Accounts Payable</i>	<i>Liability</i>	↑	<i>Cr.</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: right;"><i>Accounts Payable</i></td> </tr> <tr> <td style="width: 80%;"></td> <td style="border-top: 1px solid black; text-align: right;">16,000</td> </tr> </table>	<i>Accounts Payable</i>			16,000
<i>Accounts Payable</i>								
	16,000							
<i>Cash</i>	<i>Asset</i>	↓	<i>Cr.</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: right;"><i>Cash</i></td> </tr> <tr> <td style="width: 80%;"></td> <td style="border-top: 1px solid black; text-align: right;">3,000</td> </tr> </table>	<i>Cash</i>			3,000
<i>Cash</i>								
	3,000							

**EXERCISE 2-3A.**

<i>ACCOUNT</i>	<i>CATEGORY</i>	↑	↓	<i>FINANCIAL</i>
<i>Supplies</i>	<i>Asset</i>	<i>Dr.</i>	<i>Cr.</i>	<i>Balance Sheet</i>
<i>Legal Fees Earned</i>	<i>Revenue</i>	<i>Cr.</i>	<i>Dr.</i>	<i>Income Statement</i>
<i>P. Rey, Withdrawals</i>	<i>Owner's Equity (Withdrawals)</i>	<i>Dr.</i>	<i>Cr.</i>	<i>Statement of Owner's Equity</i>
<i>Accounts Payable</i>	<i>Liability</i>	<i>Cr.</i>	<i>Dr.</i>	<i>Balance Sheet</i>
<i>Salaries Expense</i>	<i>Expense</i>	<i>Dr.</i>	<i>Cr.</i>	<i>Income Statement</i>
<i>Auto</i>	<i>Asset</i>	<i>Dr.</i>	<i>Cr.</i>	<i>Balance Sheet</i>

**SOLUTIONS TO EXERCISES—SET A Cont.**

**EXERCISE 2-5A.**

**HALL'S CLEANERS  
INCOME STATEMENT**

**FOR THE MONTH ENDED JULY 31, 2016**

<b>Revenue:</b>							
Cleaning Fees						\$ 4 5 8 0 0	
<b>Operating Expenses:</b>							
Salaries Expense	\$ 1 6 0 0 0						
Utilities Expense	1 1 3 0 0						
<b>Total Operating Expenses</b>						<b>2 7 3 0 0</b>	
<b>Net Income</b>						<b>\$ 1 8 5 0 0</b>	

**HALL'S CLEANERS  
STATEMENT OF OWNER'S EQUITY  
FOR THE MONTH ENDED JULY 31, 2016**

J. Hall, Capital, July 1, 2016							
Net Income for July	\$ 1 8 5 0 0						
Less: Withdrawals for July	1 9 8 0 0						
Decrease in Capital						1 3 0 0	
<b>J. Hall, Capital, July 31, 2016</b>						<b>\$ 7 8 7 0 0</b>	

**HALL'S CLEANERS  
BALANCE SHEET  
JULY 31, 2016**

<b>ASSETS</b>	<b>LIABILITIES AND OWNER'S EQUITY</b>
Cash	Liabilities:
\$ 5 5 0 0 0	Accounts Payable
Equipment	\$ 4 5 5 0 0
6 9 2 0 0	Owner's Equity
	J. Hall, Capital
	7 8 7 0 0
	Total Liabilities and
Total Assets	Owner's Equity
\$1 2 4 2 0 0	\$1 2 4 2 0 0

**SOLUTIONS TO EXERCISES—SET B**

**EXERCISE 2-1B.**

<i>Balance Sheet Accounts</i>	
<i>Assets</i>	
111 Cash	
112 Accounts Receivable	
121 Office Equipment	
<i>Liabilities</i>	
211 Accounts Payable	
<i>Owner's Equity</i>	
311 L. Jones, Capital	
312 L. Jones, Withdrawals	
<i>Income Statement Accounts</i>	
<i>Revenue</i>	
411 Legal Fees	
<i>Expenses</i>	
511 Cleaning Expense	
512 Office Assistance Expense	
513 Rent Expense	

**EXERCISE 2-4B.**

	<i>Dr.</i>	<i>Cr.</i>
A.	11	1
B.	6	1
C.	12	4
D.	1	7
E.	2	7
F.	3	4
G.	10	4
H.	1	2
I.	3	5

**EXERCISE 2-2B.**

1. <i>Accounts Affected</i>	2. <i>Category</i>	3. ↑↓	4. <i>Rules</i>	5. <i>T-Account Update</i>				
Computer Equipment	Asset	↑	Dr.	<table border="1" style="width: 100%;"> <tr> <td colspan="2" style="text-align: center;"><i>Computer Equipment</i></td> </tr> <tr> <td style="width: 50%; text-align: right;">21,000</td> <td style="width: 50%;"></td> </tr> </table>	<i>Computer Equipment</i>		21,000	
<i>Computer Equipment</i>								
21,000								
Accounts Payable	Liability	↑	Cr.	<table border="1" style="width: 100%;"> <tr> <td colspan="2" style="text-align: center;"><i>Accounts Payable</i></td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">16,000</td> </tr> </table>	<i>Accounts Payable</i>			16,000
<i>Accounts Payable</i>								
	16,000							
Cash	Asset	↓	Cr.	<table border="1" style="width: 100%;"> <tr> <td colspan="2" style="text-align: center;"><i>Cash</i></td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">5,000</td> </tr> </table>	<i>Cash</i>			5,000
<i>Cash</i>								
	5,000							

**EXERCISE 2-3B.**

<i>ACCOUNT</i>	<i>CATEGORY</i>	↑	↓	<i>FINANCIAL</i>
Supplies	Asset	Dr.	Cr.	Balance Sheet
Legal Fees Earned	Revenue	Cr.	Dr.	Income Statement
P. Rey, Withdrawals	Owner's Equity (Withdrawals)	Dr.	Cr.	Statement of Owner's Equity
Cash	Asset	Dr.	Cr.	Balance Sheet
Accounts Receivable	Asset	Dr.	Cr.	Balance Sheet
Rent Expense	Expense	Dr.	Cr.	Income Statement

**SOLUTIONS TO EXERCISES—SET B Cont.**

**EXERCISE 2-5B.**

**HALL'S CLEANERS**

**INCOME STATEMENT**

**FOR THE MONTH ENDED JULY 31, 2016**

<b>Revenue:</b>									
<i>Cleaning Fees</i>									\$ 7 4 8 0 0
<b>Operating Expenses:</b>									
<i>Salaries Expense</i>									\$ 2 5 0 0 0
<i>Utilities Expense</i>									8 3 0 0
<b>Total Operating Expenses</b>									<b>3 3 3 0 0</b>
<b>Net Income</b>									<b>\$ 4 1 5 0 0</b>

**HALL'S CLEANERS**

**STATEMENT OF OWNER'S EQUITY**

**FOR THE MONTH ENDED JULY 31, 2016**

<i>J. Hall, Capital, July 1, 2016</i>									\$ 7 0 0 0 0
<i>Net Income for July</i>									\$ 4 1 5 0 0
<i>Less: Withdrawals for July</i>									2 4 5 0 0
<i>Increase in Capital</i>									1 7 0 0 0
<b>J. Hall, Capital, July 31, 2016</b>									<b>\$ 8 7 0 0 0</b>

**HALL'S CLEANERS**

**BALANCE SHEET**

**JULY 31, 2016**

ASSETS		LIABILITIES AND OWNER'S EQUITY	
<i>Cash</i>	\$ 7 5 0 0 0	<b>Liabilities:</b>	
<i>Equipment</i>	6 4 5 0 0	<i>Accounts Payable</i>	\$ 5 2 5 0 0
		<b>Owner's Equity</b>	
		<i>J. Hall, Capital</i>	8 7 0 0 0
		<b>Total Liabilities and</b>	
<b>Total Assets</b>	<b>\$1 3 9 5 0 0</b>	<b>Owner's Equity</b>	<b>\$1 3 9 5 0 0</b>

**PROBLEM 2A-1.**

<i>Accounts Affected</i>	<i>Category</i>	<i>Inc.</i> ↑	<i>Dec.</i> ↑	<i>Rules</i>	<i>T-Account Update</i>				
<i>A. Cash</i> <i>Bill O'Brien, Capital</i>	<i>Asset</i> <i>Owner's Equity</i>	↑	↑	<i>Dr.</i> <i>Cr.</i>	<table border="1"> <tr> <td><i>Cash</i></td> <td><i>Bill O'Brien, Capital</i></td> </tr> <tr> <td>21,000</td> <td>21,000</td> </tr> </table>	<i>Cash</i>	<i>Bill O'Brien, Capital</i>	21,000	21,000
<i>Cash</i>	<i>Bill O'Brien, Capital</i>								
21,000	21,000								
<i>B. Delivery Trucks</i> <i>Accounts Payable</i>	<i>Asset</i> <i>Liability</i>	↑	↑	<i>Dr.</i> <i>Cr.</i>	<table border="1"> <tr> <td><i>Delivery Trucks</i></td> <td><i>Accounts Payable</i></td> </tr> <tr> <td>9,000</td> <td>9,000</td> </tr> </table>	<i>Delivery Trucks</i>	<i>Accounts Payable</i>	9,000	9,000
<i>Delivery Trucks</i>	<i>Accounts Payable</i>								
9,000	9,000								
<i>C. Rent Expense</i> <i>Accounts Payable</i>	<i>Expense</i> <i>Liability</i>	↑	↑	<i>Dr.</i> <i>Cr.</i>	<table border="1"> <tr> <td><i>Rent Expense</i></td> <td><i>Accounts Payable</i></td> </tr> <tr> <td>900</td> <td>900</td> </tr> </table>	<i>Rent Expense</i>	<i>Accounts Payable</i>	900	900
<i>Rent Expense</i>	<i>Accounts Payable</i>								
900	900								
<i>D. Cash</i> <i>Fees Earned</i>	<i>Asset</i> <i>Revenue</i>	↑	↑	<i>Dr.</i> <i>Cr.</i>	<table border="1"> <tr> <td><i>Cash</i></td> <td><i>Fees Earned</i></td> </tr> <tr> <td>1,400</td> <td>1,400</td> </tr> </table>	<i>Cash</i>	<i>Fees Earned</i>	1,400	1,400
<i>Cash</i>	<i>Fees Earned</i>								
1,400	1,400								
<i>E. Accounts Receivable</i> <i>Fees Earned</i>	<i>Asset</i> <i>Revenue</i>	↑	↑	<i>Dr.</i> <i>Cr.</i>	<table border="1"> <tr> <td><i>Accounts Receivable</i></td> <td><i>Fees Earned</i></td> </tr> <tr> <td>150</td> <td>150</td> </tr> </table>	<i>Accounts Receivable</i>	<i>Fees Earned</i>	150	150
<i>Accounts Receivable</i>	<i>Fees Earned</i>								
150	150								
<i>F. Bill O'Brien, Withdrawals</i> <i>Cash</i>	<i>Owner's Equity (Withdrawals)</i> <i>Asset</i>	↑	↑	<i>Dr.</i> <i>Cr.</i>	<table border="1"> <tr> <td><i>Bill O'Brien, Withdrawals</i></td> <td><i>Cash</i></td> </tr> <tr> <td>400</td> <td>400</td> </tr> </table>	<i>Bill O'Brien, Withdrawals</i>	<i>Cash</i>	400	400
<i>Bill O'Brien, Withdrawals</i>	<i>Cash</i>								
400	400								

**PROBLEM 2A-2.**

<i>Cash</i>	<i>111</i>
(A) 20,000	90 (D)
(C) 900	400 (E)
	1,000 (G)
<i>Office Equipment</i>	<i>121</i>
(B) 5,000	
<i>Accounts Payable</i>	<i>211</i>
(G) 1,000	5,000 (B)
	1,400 (F)
<i>Bernie Pillows, Capital</i>	<i>311</i>
	20,000 (A)

<i>Bernie Pillows, Withdrawals</i>	<i>312</i>
(D) 90	
<i>Consulting Fees Earned</i>	<i>411</i>
	900 (C)
<i>Advertising Expense</i>	<i>511</i>
(E) 400	
<i>Rent Expense</i>	<i>512</i>
(F) 1,400	

**PROBLEM 2A-3.**

(a)

<u>Cash</u> <span style="float:right">111</span>		<u>Accounts Payable</u> <span style="float:right">211</span>		<u>Fees Earned</u> <span style="float:right">411</span>	
(A) 7,000	200 (D)	(D) 200	1,300 (C)		8,000 (B)
(G) 3,500	200 (E)		1,100		
	400 (F)				
	200 (H)				
10,500	900 (I)				
	1,900				
8,600					
<u>Accounts Receivable</u> <span style="float:right">112</span>		<u>Barry Joy, Capital</u> <span style="float:right">311</span>		<u>Rent Expense</u> <span style="float:right">511</span>	
(B) 8,000	3,500 (G)		7,000 (A)	(F) 400	
4,500					
<u>Office Equipment</u> <span style="float:right">121</span>		<u>Barry Joy, Withdrawals</u> <span style="float:right">312</span>		<u>Utilities Expense</u> <span style="float:right">512</span>	
(C) 1,300		(I) 900		(E) 200	
(H) 200					
1,500					

(b)

**BARRY'S CLEANING SERVICE**

**TRIAL BALANCE**

**MAY 31, 2016**

	Dr.	Cr.
<b>Cash</b>	8 6 0 0 0 0	
<b>Accounts Receivable</b>	4 5 0 0 0 0	
<b>Office Equipment</b>	1 5 0 0 0 0	
<b>Accounts Payable</b>		1 1 0 0 0 0
<b>Barry Joy, Capital</b>		7 0 0 0 0 0
<b>Barry Joy, Withdrawals</b>	9 0 0 0 0 0	
<b>Fees Earned</b>		8 0 0 0 0 0
<b>Rent Expense</b>	4 0 0 0 0 0	
<b>Utilities Expense</b>	2 0 0 0 0 0	
<b>Totals</b>	<u>16 1 0 0 0 0</u>	<u>16 1 0 0 0 0</u>



**PROBLEM 2A-4.**

(a)

**GRACE LANTZ**  
**BARRISTER AND SOLICITOR**  
**INCOME STATEMENT**  
**FOR THE MONTH ENDED MAY 31, 2017**

<b>Revenue:</b>									
<i>Revenue from Legal Fees</i>									\$ 2 3 5 0 0 0
<b>Operating Expenses:</b>									
<i>Utilities Expense</i>									\$ 3 0 0 0 0
<i>Rent Expense</i>									4 5 0 0 0
<i>Salaries Expense</i>									1 1 5 0 0 0
<i>Total Operating Expenses</i>									1 9 0 0 0 0
<b>Net Income</b>									\$ 4 5 0 0 0

(b)

**GRACE LANTZ**  
**BARRISTER AND SOLICITOR**  
**STATEMENT OF OWNER'S EQUITY**  
**FOR THE MONTH ENDED MAY 31, 2017**

<i>Grace Lantz, Capital, May 1, 2017</i>										\$ 1 2 7 5 0 0
<i>Net Income for May</i>										\$ 4 5 0 0 0
<i>Less: Withdrawals for May</i>										3 0 0 0 0
<i>Increase in Capital</i>										1 5 0 0 0
<i>Grace Lantz, Capital, May 31, 2017</i>										\$ 1 4 2 5 0 0

**PROBLEM 2A-4., Cont.**

(c)

**GRACE LANTZ**  
**BARRISTER AND SOLICITOR**  
**BALANCE SHEET**  
**MAY 31, 2017**

**ASSETS**

**LIABILITIES AND OWNER'S EQUITY**

<b>Assets:</b>						<b>Liabilities:</b>														
<i>Cash</i>	\$	5	0	0	0	0	<i>Accounts Payable</i>	\$	4	3	0	0	0	0						
<i>Accounts Receivable</i>		6	5	0	0	0	<i>Salaries Payable</i>		6	7	5	0	0							
<i>Office Equipment</i>		7	5	0	0	0	<i>Total Liabilities</i>						\$	4	9	7	5	0	0	
							<i>Owner's Equity</i>													
							<i>Grace Lantz, Capital</i>								1	4	2	5	0	0
							<i>Total Liabilities and</i>													
<b>Total Assets</b>		\$	6	4	0	0	<b>Owner's Equity</b>							\$	6	4	0	0	0	0

**PROBLEM 2A-5.**

1., 2., 3.

<b>Cash</b> <span style="float: right;">111</span>	<b>Accounts Payable</b> <span style="float: right;">211</span>	<b>Advertising Expense</b> <span style="float: right;">511</span>
(A) 16,000      600 (C)	18,000 (B)	(D) 250
(E) 2,600      250 (D)	700 (I)	
(J) 300          900 (F)	18,700	
1,200 (G)		
300 (K)	<b>Alice Angel, Capital</b> <span style="float: right;">311</span>	<b>Gas Expense</b> <span style="float: right;">512</span>
18,900          3,250	16,000 (A)	(G) 1,200
15,650		
<b>Accounts Receivable</b> <span style="float: right;">112</span>	<b>Alice Angel, Withdrawals</b> <span style="float: right;">312</span>	<b>Salaries Expense</b> <span style="float: right;">513</span>
(H) 800          300 (J)	(K) 300	(F) 900
500		
<b>Office Equipment</b> <span style="float: right;">121</span>	<b>Delivery Fees Earned</b> <span style="float: right;">411</span>	<b>Telephone Expense</b> <span style="float: right;">514</span>
(C) 600	2,600 (E)	(I) 700
	800 (H)	
<b>Delivery Trucks</b> <span style="float: right;">122</span>	3,400	
(B) 18,000		

4.

**ANGEL'S DELIVERY SERVICE**

**TRIAL BALANCE**

**MARCH 31, 2016**

	Dr.	Cr.
<b>Cash</b>	1 5 6 5 0 0 0	
<b>Accounts Receivable</b>	5 0 0 0 0	
<b>Office Equipment</b>	6 0 0 0 0	
<b>Delivery Trucks</b>	1 8 0 0 0 0 0	
<b>Accounts Payable</b>		1 8 7 0 0 0 0
<b>Alice Angel, Capital</b>		1 6 0 0 0 0 0
<b>Alice Angel, Withdrawals</b>	3 0 0 0 0	
<b>Delivery Fees Earned</b>		3 4 0 0 0 0 0
<b>Advertising Expense</b>	2 5 0 0 0	
<b>Gas Expense</b>	1 2 0 0 0 0	
<b>Salaries Expense</b>	9 0 0 0 0	
<b>Telephone Expense</b>	7 0 0 0 0	
<b>Totals</b>	<b>3 8 1 0 0 0 0</b>	<b>3 8 1 0 0 0 0</b>

**PROBLEM 2A-5, Cont.**

5.(a)

**ANGEL'S DELIVERY SERVICE**  
**INCOME STATEMENT**  
**FOR THE MONTH ENDED MARCH 31, 2016**

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

5.(b)

**ANGEL'S DELIVERY SERVICE**  
**STATEMENT OF OWNER'S EQUITY**  
**FOR THE MONTH ENDED MARCH 31, 2016**

<i>A. Angel, Capital, March 1, 2016</i>								\$16	0 0 0 0 0
<i>Net Income for March</i>			\$ 3	5 0 0 0 0					
<i>Less: Withdrawals for March</i>				3 0 0 0 0					
<i>Increase in Capital</i>									5 0 0 0 0
<i>A. Angel, Capital, March 31, 2016</i>								\$16	0 5 0 0 0

5.(c)

**ANGEL'S DELIVERY SERVICE**  
**BALANCE SHEET**  
**MARCH 31, 2016**

<b>ASSETS</b>						<b>LIABILITIES AND OWNER'S EQUITY</b>				
<b>Assets:</b>						<b>Liabilities:</b>				
<i>Cash</i>	\$15	6	5	0	0 0 0	<i>Accounts Payable</i>	\$18	7	0	0 0 0
<i>Accounts Receivable</i>			5	0	0 0 0					
<i>Office Equipment</i>			6	0	0 0 0	<b>Owner's Equity:</b>				
<i>Delivery Trucks</i>	1	8	0	0	0 0 0	<i>A. Angel, Capital</i>	1	6	0	5 0 0 0 0
						<i>Total Liabilities and</i>				
<b>Total Assets</b>	\$34	7	5	0	0 0 0	<b>Owner's Equity</b>	\$34	7	5	0 0 0 0 0

**PROBLEM 2B-1.**

<i>Accounts Affected</i>	<i>Category</i>	<i>Inc.</i> ↑	<i>Dec.</i> ↑	<i>Rules</i>	<i>T-Account Update</i>				
<i>A. Cash</i>	<i>Asset</i>		↑	<i>Dr.</i>	<table border="0"> <tr> <td style="text-align: right;"><i>Cash</i></td> <td style="text-align: left;"><i>Bill O'Brien, Capital</i></td> </tr> <tr> <td style="text-align: right;">2,500</td> <td style="text-align: right;">2,500</td> </tr> </table>	<i>Cash</i>	<i>Bill O'Brien, Capital</i>	2,500	2,500
<i>Cash</i>	<i>Bill O'Brien, Capital</i>								
2,500	2,500								
<i>Bill O'Brien, Capital</i>	<i>Owner's Equity</i>		↑	<i>Cr.</i>					
<i>B. Delivery Trucks</i>	<i>Asset</i>		↑	<i>Dr.</i>	<table border="0"> <tr> <td style="text-align: right;"><i>Delivery Trucks</i></td> <td style="text-align: left;"><i>Accounts Payable</i></td> </tr> <tr> <td style="text-align: right;">900</td> <td style="text-align: right;">900</td> </tr> </table>	<i>Delivery Trucks</i>	<i>Accounts Payable</i>	900	900
<i>Delivery Trucks</i>	<i>Accounts Payable</i>								
900	900								
<i>Accounts Payable</i>	<i>Liability</i>		↑	<i>Cr.</i>					
<i>C. Rent Expense</i>	<i>Expense</i>		↑	<i>Dr.</i>	<table border="0"> <tr> <td style="text-align: right;"><i>Rent Expense</i></td> <td style="text-align: left;"><i>Accounts Payable</i></td> </tr> <tr> <td style="text-align: right;">250</td> <td style="text-align: right;">250</td> </tr> </table>	<i>Rent Expense</i>	<i>Accounts Payable</i>	250	250
<i>Rent Expense</i>	<i>Accounts Payable</i>								
250	250								
<i>Accounts Payable</i>	<i>Liability</i>		↑	<i>Cr.</i>					
<i>D. Cash</i>	<i>Asset</i>		↑	<i>Dr.</i>	<table border="0"> <tr> <td style="text-align: right;"><i>Cash</i></td> <td style="text-align: left;"><i>Fees Earned</i></td> </tr> <tr> <td style="text-align: right;">1,200</td> <td style="text-align: right;">1,200</td> </tr> </table>	<i>Cash</i>	<i>Fees Earned</i>	1,200	1,200
<i>Cash</i>	<i>Fees Earned</i>								
1,200	1,200								
<i>Fees Earned</i>	<i>Revenue</i>		↑	<i>Cr.</i>					
<i>E. Accounts Receivable</i>	<i>Asset</i>		↑	<i>Dr.</i>	<table border="0"> <tr> <td style="text-align: right;"><i>Accounts Receivable</i></td> <td style="text-align: left;"><i>Fees Earned</i></td> </tr> <tr> <td style="text-align: right;">700</td> <td style="text-align: right;">700</td> </tr> </table>	<i>Accounts Receivable</i>	<i>Fees Earned</i>	700	700
<i>Accounts Receivable</i>	<i>Fees Earned</i>								
700	700								
<i>Fees Earned</i>	<i>Revenue</i>		↑	<i>Cr.</i>					
<i>F. Bill O'Brien, Withdrawals</i>	<i>Owner's Equity (Withdrawals)</i>		↑	<i>Dr.</i>	<table border="0"> <tr> <td style="text-align: right;"><i>Bill O'Brien, Withdrawals</i></td> <td style="text-align: left;"><i>Cash</i></td> </tr> <tr> <td style="text-align: right;">275</td> <td style="text-align: right;">275</td> </tr> </table>	<i>Bill O'Brien, Withdrawals</i>	<i>Cash</i>	275	275
<i>Bill O'Brien, Withdrawals</i>	<i>Cash</i>								
275	275								
<i>Cash</i>	<i>Asset</i>		↑	<i>Cr.</i>					

**PROBLEM 2B-2.**

<i>Cash</i>	<i>111</i>
(A) 20,000	200 (D)
(C) 1,200	600 (E)
	400 (G)

<i>Bernie Pillows, Withdrawals</i>	<i>312</i>
(D) 200	

<i>Office Equipment</i>	<i>121</i>
(B) 6,000	

<i>Consulting Fees Earned</i>	<i>411</i>
	1,200 (C)

<i>Accounts Payable</i>	<i>211</i>
(G) 400	6,000 (B)
	500 (F)

<i>Advertising Expense</i>	<i>511</i>
(E) 600	

<i>Bernie Pillows, Capital</i>	<i>311</i>
	20,000 (A)

<i>Rent Expense</i>	<i>512</i>
(F) 500	

**PROBLEM 2B-3.**

(a)

<b>Cash</b> <span style="float:right">111</span>		<b>Accounts Payable</b> <span style="float:right">211</span>		<b>Fees Earned</b> <span style="float:right">411</span>	
(A) 10,000	4,000 (C)		2,000 (B)		4,000 (F)
(F) 4,000	310 (D)				4,000 (G)
(G) 2,000	50 (E)				8,000
	600 (H)				
16,000	4,960				
11,040					
<b>Accounts Receivable</b> <span style="float:right">112</span>		<b>Barry Joy, Capital</b> <span style="float:right">311</span>		<b>Rent Expense</b> <span style="float:right">511</span>	
(G) 2,000			10,000 (A)		(D) 310
<b>Office Equipment</b> <span style="float:right">121</span>		<b>Barry Joy, Withdrawals</b> <span style="float:right">312</span>		<b>Utilities Expense</b> <span style="float:right">512</span>	
(B) 2,000			(H) 600		(E) 50
(C) 4,000					
6,000					

(b)

**BARRY'S CLEANING SERVICE**

**TRIAL BALANCE**

**MAY 31, 2016**

	<i>Dr.</i>				<i>Cr.</i>				
<b>Cash</b>	11	0	4	0	00				
<b>Accounts Receivable</b>	2	0	0	0	00				
<b>Office Equipment</b>	6	0	0	0	00				
<b>Accounts Payable</b>						2	0	0	00
<b>Barry Joy, Capital</b>						10	0	0	00
<b>Barry Joy, Withdrawals</b>			6	0	00				
<b>Fees Earned</b>						8	0	0	00
<b>Rent Expense</b>			3	1	00				
<b>Utilities Expense</b>				5	00				
<b>Totals</b>	20	0	0	0	00	20	0	0	00

**PROBLEM 2B-4.**

(a)

**GRACE LANTZ**  
**BARRISTER AND SOLICITOR**  
**INCOME STATEMENT**  
**FOR THE MONTH ENDED MAY 31, 2017**

<b>Revenue:</b>									
<i>Revenue from Legal Fees</i>									\$9 8 0 0 0 0
<b>Operating Expenses:</b>									
<i>Utilities Expense</i>	\$	1	0	0	0	0	0		
<i>Rent Expense</i>		3	0	0	0	0			
<i>Salaries Expense</i>		1	4	0	0	0	0		
<i>Total Operating Expenses</i>									1 8 0 0 0 0
<b>Net Income</b>									\$8 0 0 0 0 0

(b)

**GRACE LANTZ**  
**BARRISTER AND SOLICITOR**  
**STATEMENT OF OWNER'S EQUITY**  
**FOR THE MONTH ENDED MAY 31, 2017**

<i>Grace Lantz, Capital, May 1, 2017</i>									\$4 0 0 0 0 0
<i>Net Income for May</i>	\$	8	0	0	0	0	0		
<i>Less: Withdrawals for May</i>		2	0	0	0	0	0		
<i>Increase in Capital</i>									6 0 0 0 0 0
<b><i>Grace Lantz, Capital, May 31, 2017</i></b>									<b>\$10 0 0 0 0 0</b>

**PROBLEM 2B-4., Cont.**

(c)

**GRACE LANTZ**  
**BARRISTER AND SOLICITOR**  
**BALANCE SHEET**  
**MAY 31, 2017**

<b>ASSETS</b>	<b>LIABILITIES AND OWNER'S EQUITY</b>
<b>Assets:</b>	<b>Liabilities:</b>
<i>Cash</i>	<i>Accounts Payable</i>
\$ 6 0 0 0 0 0	\$ 2 0 0 0 0 0
<i>Accounts Receivable</i>	<i>Salaries Payable</i>
2 4 0 0 0 0	6 0 0 0 0 0
<i>Office Equipment</i>	<i>Total Liabilities</i>
2 4 0 0 0 0	\$ 8 0 0 0 0 0
	<b>Owner's Equity</b>
	<i>Grace Lantz, Capital</i>
	10 0 0 0 0 0
	<b>Total Liabilities and</b>
	<b>Owner's Equity</b>
<b>Total Assets</b>	<b>\$10 8 0 0 0 0</b>
<b>\$10 8 0 0 0 0</b>	<b>\$10 8 0 0 0 0</b>



**PROBLEM 2B-5.**

1., 2., 3.

<u>Cash</u> <span style="float: right;">111</span>	<u>Accounts Payable</u> <span style="float: right;">211</span>	<u>Advertising Expense</u> <span style="float: right;">511</span>
(A) 40,000   2,500 (D)	25,000 (B)	(C) 800
(E) 13,000   1,850 (F)	800 (C)	
(J) 1,600   750 (G)	25,800	
	<u>Alice Angel, Capital</u> <span style="float: right;">311</span>	<u>Gas Expense</u> <span style="float: right;">512</span>
	40,000 (A)	(G) 750
54,600   5,588		
49,012		
<u>Accounts Receivable</u> <span style="float: right;">112</span>	<u>Alice Angel, Withdrawals</u> <span style="float: right;">312</span>	<u>Salaries Expense</u> <span style="float: right;">513</span>
(H) 5,500   1,600 (J)	(K) 88	(F) 1,850
3,900		
<u>Office Equipment</u> <span style="float: right;">121</span>	<u>Delivery Fees Earned</u> <span style="float: right;">411</span>	<u>Telephone Expense</u> <span style="float: right;">514</span>
(C) 2,500	13,000 (E)	(I) 400
	5,500 (H)	
	18,500	
<u>Delivery Trucks</u> <span style="float: right;">122</span>		
(B) 25,000		

4.

**ANGEL'S DELIVERY SERVICE**

**TRIAL BALANCE**

**MARCH 31, 2016**

	Dr.	Cr.
<b>Cash</b>	49 0 1 2 0 0	
<b>Accounts Receivable</b>	3 9 0 0 0 0	
<b>Office Equipment</b>	2 5 0 0 0 0	
<b>Delivery Trucks</b>	25 0 0 0 0 0	
<b>Accounts Payable</b>		25 8 0 0 0 0
<b>Alice Angel, Capital</b>		40 0 0 0 0 0
<b>Alice Angel, Withdrawals</b>	8 8 0 0	
<b>Delivery Fees Earned</b>		18 5 0 0 0 0
<b>Advertising Expense</b>	8 0 0 0 0	
<b>Gas Expense</b>	7 5 0 0 0	
<b>Salaries Expense</b>	1 8 5 0 0 0	
<b>Telephone Expense</b>	4 0 0 0 0	
<b>Totals</b>	<b>84 3 0 0 0 0</b>	<b>84 3 0 0 0 0</b>

**PROBLEM 2B-5., Cont.**

5.(a)

**ANGEL'S DELIVERY SERVICE**  
**INCOME STATEMENT**  
**FOR THE MONTH ENDED MARCH 31, 2016**

<b>Revenue:</b>									
<i>Delivery Fees Earned</i>									<b>\$18 5 0 0 0 0</b>
<b>Operating Expenses:</b>									
<i>Advertising Expense</i>									<b>\$ 8 0 0 0 0</b>
<i>Gas Expense</i>									<b>7 5 0 0 0</b>
<i>Salaries Expense</i>									<b>1 8 5 0 0 0</b>
<i>Telephone Expense</i>									<b>4 0 0 0 0</b>
<i>Total Operating Expenses</i>									<b>3 8 0 0 0 0</b>
<b>Net Income</b>									<b>\$14 7 0 0 0 0</b>

5.(b)

**ANGEL'S DELIVERY SERVICE**  
**STATEMENT OF OWNER'S EQUITY**  
**FOR THE MONTH ENDED MARCH 31, 2016**

<b>A. Angel, Capital, March 1, 2016</b>										<b>\$40 0 0 0 0 0</b>
<b>Net Income for March</b>										<b>\$14 7 0 0 0 0</b>
<b>Less: Withdrawals for March</b>										<b>8 8 0 0</b>
<b>Increase in Capital</b>										<b>14 6 1 2 0 0</b>
<b>A. Angel, Capital, March 31, 2016</b>										<b>\$54 6 1 2 0 0</b>

5.(c)

**ANGEL'S DELIVERY SERVICE**  
**BALANCE SHEET**  
**MARCH 31, 2016**

<b>ASSETS</b>						<b>LIABILITIES AND OWNER'S EQUITY</b>					
<b>Assets:</b>						<b>Liabilities:</b>					
<i>Cash</i>					<b>\$49 0 1 2 0 0</b>	<i>Accounts Payable</i>					<b>\$25 8 0 0 0 0</b>
<i>Accounts Receivable</i>					<b>3 9 0 0 0 0</b>						
<i>Office Equipment</i>					<b>2 5 0 0 0 0</b>	<b>Owner's Equity:</b>					
<i>Delivery Trucks</i>					<b>2 5 0 0 0 0</b>	<i>A. Angel, Capital</i>					<b>54 6 1 2 0 0</b>
						<b>Total Liabilities and</b>					
<b>Total Assets</b>					<b>\$80 4 1 2 0 0</b>	<b>Owner's Equity</b>					<b>\$80 4 1 2 0 0</b>

**PROBLEM 2C-1.**

<i>Accounts Affected</i>	<i>Category</i>	<i>Inc.</i> ↑	<i>Dec.</i> ↑	<i>Rules</i>	<i>T-Account Update</i>
<i>A. Cash</i>	<i>Asset</i>		↑	<i>Dr.</i>	<i>Cash</i>   <i>Jack James, Capital</i>
<i>Jack James, Capital</i>	<i>Owner's Equity</i>		↑	<i>Cr.</i>	3,500   3,500
<i>B. Office Equipment</i>	<i>Asset</i>		↑	<i>Dr.</i>	<i>Office Equipment</i>   <i>Accounts Payable</i>
<i>Accounts Payable</i>	<i>Liability</i>		↑	<i>Cr.</i>	1,875   1,875
<i>C. Rent Expense</i>	<i>Expense</i>		↑	<i>Dr.</i>	<i>Rent Expense</i>   <i>Accounts Payable</i>
<i>Accounts Payable</i>	<i>Liability</i>		↑	<i>Cr.</i>	425   425
<i>D. Cash</i>	<i>Asset</i>		↑	<i>Dr.</i>	<i>Cash</i>   <i>Editing Fees Earned</i>
<i>Editing Fees Earned</i>	<i>Revenue</i>		↑	<i>Cr.</i>	2,100   2,100
<i>E. Accounts Receivable</i>	<i>Asset</i>		↑	<i>Dr.</i>	<i>Accounts Receivable</i>   <i>Fees Earned</i>
<i>Editing Fees Earned</i>	<i>Revenue</i>		↑	<i>Cr.</i>	1,499   1,499
<i>F. Jack James, Withdrawals</i>	<i>Owner's Equity (Withdrawals)</i>		↑	<i>Dr.</i>	<i>Jack James, Withdrawals</i>
<i>Cash</i>	<i>Asset</i>		↑	<i>Cr.</i>	175   <i>Cash</i> 175

**PROBLEM 2C-2.**

<i>Cash</i>	<i>111</i>
(A) 14,000	364 (D)
(C) 3,250	725 (E)
	2,750 (G)
17,250	3,839
13,411	
<i>Computer Equipment</i>	<i>121</i>
(B) 5,500	
<i>Accounts Payable</i>	<i>211</i>
(G) 2,750	5,500 (B)
	615 (F)
	6,115
	3,365
<i>Val McIntyre, Capital</i>	<i>311</i>
	14,000 (A)

<i>Val McIntyre, Withdrawals</i>	<i>312</i>
(D) 364	
<i>Graphics Fees Earned</i>	<i>411</i>
	3,250 (C)
<i>Advertising Expense</i>	<i>511</i>
(E) 725	
<i>Rent Expense</i>	<i>512</i>
(F) 615	

**PROBLEM 2C-3.**

(a)

<b>Cash</b> <span style="float:right">111</span>		<b>Accounts Receivable</b> <span style="float:right">112</span>		<b>Equipment</b> <span style="float:right">121</span>	
(A) 6,000	4,000 (B)	(G) 1,000		(B) 4,000	
(F) 3,500	340 (D)			(C) 500	
(G) 3,000	150 (E)			4,500	
	600 (H)				
12,500	5,090				
7,410					
<b>Accounts Payable</b> <span style="float:right">211</span>		<b>Linda Miyagawa, Capital</b> <span style="float:right">311</span>		<b>Linda Miyagawa Withdrawals</b> <span style="float:right">312</span>	
	500 (C)		6,000 (A)		(H) 600
<b>Fees Earned</b> <span style="float:right">411</span>		<b>Rent Expense</b> <span style="float:right">511</span>		<b>Utilities Expense</b> <span style="float:right">512</span>	
	3,500 (F)		(D) 340		(E) 150
	4,000 (G)				
	7,500				

(b)

**LINDA'S CONSULTING SERVICE**

**TRIAL BALANCE**

**OCTOBER 31, 2017**

	Dr.	Cr.
<b>Cash</b>	7 4 1 0 0 0	
<b>Accounts Receivable</b>	1 0 0 0 0 0	
<b>Equipment</b>	4 5 0 0 0 0	
<b>Accounts Payable</b>		5 0 0 0 0 0
<b>Linda Miyagawa, Capital</b>		6 0 0 0 0 0
<b>Linda Miyagawa, Withdrawals</b>	6 0 0 0 0 0	
<b>Fees Earned</b>		7 5 0 0 0 0
<b>Rent Expense</b>	3 4 0 0 0 0	
<b>Utilities Expense</b>	1 5 0 0 0 0	
<b>Totals</b>	<b>14 0 0 0 0 0</b>	<b>14 0 0 0 0 0</b>

**PROBLEM 2C-4.**

(a)

**GLEND A SHAVER, ARCHITECT**  
**INCOME STATEMENT**  
**FOR THE MONTH ENDED JUNE 30, 2017**

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

(b)

**GLEND A SHAVER, ARCHITECT**  
**STATEMENT OF OWNER'S EQUITY**  
**FOR THE MONTH ENDED JUNE 30, 2017**

<b>Glenda Shaver, Capital, June 1, 2017</b>										<b>\$5 6 0 0 0 0</b>
<b>Net Income for June</b>										<b>\$4 4 7 0 0 0</b>
<b>Less: Withdrawals for June</b>										<b>9 5 0 0 0 0</b>
<b>Increase in Capital</b>										<b>3 5 2 0 0 0</b>
<b>Glenda Shaver, Capital, June 30, 2017</b>										<b>\$9 1 2 0 0 0</b>

(c)

**GLEND A SHAVER, ARCHITECT**  
**BALANCE SHEET**  
**JUNE 30, 2017**

<b>ASSETS</b>											<b>LIABILITIES AND OWNER'S EQUITY</b>									
<b>Assets:</b>											<b>Liabilities:</b>									
<b>Cash</b>											<b>Accounts Payable</b>									<b>\$ 6 2 0 0 0 0</b>
<b>Accounts Receivable</b>																				
<b>Supplies</b>											<b>Owner's Equity:</b>									
<b>Equipment</b>											<b>Glenda Shaver, Capital</b>									<b>9 1 2 0 0 0</b>
											<b>Total Liabilities and</b>									
<b>Total Assets</b>											<b>Owner's Equity</b>									<b>\$9 7 4 0 0 0</b>

**PROBLEM 2C-5.**

1., 2., 3.

<u>Cash</u> <span style="float: right;">111</span>	<u>Accounts Payable</u> <span style="float: right;">211</span>	<u>Advertising Expense</u> <span style="float: right;">511</span>
(A) 33,000      3,300 (D)	(L) 700      14,000 (B)	(C) 1,150
(E) 5,900      1,720 (F)	1,150 (C)	
(J) 2,000      320 (G)	700      15,150	
	14,450	
	<u>Clara Benson, Capital</u> <span style="float: right;">311</span>	<u>Repair Expense</u> <span style="float: right;">512</span>
40,900      6,256	33,000 (A)	(G) 320
34,644		
<u>Accounts Receivable</u> <span style="float: right;">112</span>	<u>Clara Benson, Withdrawals</u> <span style="float: right;">312</span>	<u>Salaries Expense</u> <span style="float: right;">513</span>
(H) 4,300      2,000 (J)	(K) 66	(F) 1,720
2,300		
<u>Office Equipment</u> <span style="float: right;">121</span>	<u>Design Fees Earned</u> <span style="float: right;">411</span>	<u>Telephone Expense</u> <span style="float: right;">514</span>
(D) 3,300	5,900 (E)	(I) 150
	4,300 (H)	
<u>Design Equipment</u> <span style="float: right;">122</span>	10,200	
(B) 14,000		

4.

**CLARA'S DESIGN SERVICE**

**TRIAL BALANCE**

**MARCH 31, 2017**

	Dr.	Cr.			
Cash	34 6 4 4 0 0				
Accounts Receivable	2 3 0 0 0 0				
Office Equipment	3 3 0 0 0 0				
Design Equipment	14 0 0 0 0 0				
Accounts Payable		14 4 5 0 0 0			
Clara Benson, Capital		33 0 0 0 0 0			
Clara Benson, Withdrawals		6 6 0 0 0 0			
Design Fees Earned		10 2 0 0 0 0			
Advertising Expense	1 1 5 0 0 0				
Repair Expense	3 2 0 0 0 0				
Salaries Expense	1 7 2 0 0 0				
Telephone Expense	1 5 0 0 0 0				
<b>Totals</b>	<b>57 6 5 0 0 0</b>	<b>57 6 5 0 0 0</b>			

**PROBLEM 2C-5., Cont.**

5.(a)

**CLARA'S DESIGN SERVICE**

**INCOME STATEMENT**

**FOR THE MONTH ENDED MARCH 31, 2017**

<b>Revenue:</b>									
<i>Design Fees Earned</i>									<b>\$10 2 0 0 0 0</b>
<b>Operating Expenses:</b>									
<i>Advertising Expense</i>									<b>\$1 1 5 0 0 0</b>
<i>Repair Expense</i>									<b>3 2 0 0 0 0</b>
<i>Salaries Expense</i>									<b>1 7 2 0 0 0</b>
<i>Telephone Expense</i>									<b>1 5 0 0 0 0</b>
<i>Total Operating Expenses</i>									<b>3 3 4 0 0 0</b>
<b>Net Income</b>									<b>\$6 8 6 0 0 0</b>

5.(b)

**CLARA'S DESIGN SERVICE**

**STATEMENT OF OWNER'S EQUITY**

**FOR THE MONTH ENDED MARCH 31, 2017**

<i>Clara Benson, Capital, March 1, 2017</i>										<b>\$33 0 0 0 0 0</b>
<i>Net Income for March</i>										<b>\$6 8 6 0 0 0</b>
<i>Less: Withdrawals for March</i>										<b>6 6 0 0 0 0</b>
<i>Increase in Capital</i>										<b>6 7 9 4 0 0</b>
<i>Clara Benson, Capital, March 31, 2017</i>										<b>\$39 7 9 4 0 0</b>

5.(c)

**CLARA'S DESIGN SERVICE**

**BALANCE SHEET**

**MARCH 31, 2017**

<b>ASSETS</b>						<b>LIABILITIES AND OWNER'S EQUITY</b>					
<b>Assets:</b>						<b>Liabilities:</b>					
<i>Cash</i>						<i>Accounts Payable</i>					
<i>Accounts Receivable</i>						<b>Owner's Equity:</b>					
						<i>Clara Benson, Capital</i>					
<i>Office Equipment</i>											
						<i>Total Liabilities and</i>					
<i>Design Equipment</i>						<i>Owner's Equity</i>					
<b>Total Assets</b>											

**SOLUTIONS TO ON-THE-JOB TRAINING, #T-1.**

**RANCH COMPANY**

**TRIAL BALANCE**

**JUNE 30, 2017**

	<b>Dr.</b>				<b>Cr.</b>			
<i>Cash</i>	4	9	0	00				
<i>Accounts Receivable</i>	6	2	0	00				
<i>Office Equipment</i>	3	6	5	00				
<i>Accounts Payable</i>					1	1	5	00
<i>Wages Payable</i>						1	0	00
<i>H. Clo, Capital</i>					6	3	5	00
<i>H. Clo, Withdrawals</i>	1	4	4	00				
<i>Professional Fees</i>					2	4	2	00
<i>Rent Expense</i>	2	4	0	00				
<i>Advertising Expense</i>		2	5	00				
<b>Totals</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>00</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>00</b>

- Note: 1. The Cash account subtraction error means the amount in Cash is overstated.*
- 2. The normal balance of Accounts Receivable is a debit. Therefore, the \$635 should have been on the debit side. (\$15 from the \$635 = \$620.) Accounts Receivable would be severely understated if not corrected.*
- 3. The normal balance of Accounts Payable, Wages Payable and Capital (H. Clo, Capital) is a credit. All understated.*
- 4. Before recording the office equipment on account, Assets and money owed (Accounts Payable) would be understated.*
- 5. Revenue being understated would mean net income would be lower than actual.*
- 6. Expense accounts are normally debit accounts. Therefore, Rent Expense would be understated.*
- To avoid this problem, Ranch Co. might insist that Andy take a course in accounting at a local college. He obviously needs more experience/training before he can be trusted to handle the company's books. Better supervision may help somewhat, but the real solution is in getting a bookkeeper who is accurate and well trained.*

**SOLUTIONS TO ON-THE-JOB TRAINING, #T-2.**

<i>Situation</i>	<i>Totals of Trial Balance</i>	<i>Effect on Accounts</i>
<b>1</b>	<i>Will balance, but be understated by \$765.</i>	<i>Cash overstated by \$765 and equipment understated by \$765.</i>
<b>2</b>	<i>Will not balance.</i>	<i>Cash overstated by \$200.</i>
<b>3</b>	<i>Will balance but be overstated by \$400.</i>	<i>Capital and Accounts Receivable overstated by \$400.</i>
<b>4</b>	<i>Will balance but be overstated by \$360.</i>	<i>Accounts Payable overstated by \$360 and Cash overstated by \$400. Supplies understated by \$40.</i>
<b>5</b>	<i>Trial Balance will balance with the correct amount.</i>	<i>Supplies overstated and Equipment understated by \$800.</i>
<b>6</b>	<i>Trial Balance will not balance.</i>	<i>Cash overstated by \$36.</i>

*Mistakes can be avoided in the future by carefully checking entries.*



**CONTINUING PROBLEM**

1., 2., 3.

<b>Cash</b>	<b>1000</b>	<b>Accounts Payable</b>	<b>2000</b>	<b>Advertising Expense</b>	<b>5010</b>
3,850	150 (l)	(m) 200	335	(n) 1,400	
(p) 900	200 (m)	(q) 85	155 (k)		
	1,400 (n)		200 (s)	<b>Rent Expense</b>	<b>5020</b>
	85 (q)	285	690	400	
	50 (r)		405		
4,750	1,885				
2,865		<b>T. Freedman, Capital</b>	<b>3000</b>	<b>Utilities Expense</b>	<b>5030</b>
<b>Accounts Receivable</b>	<b>1020</b>		4,500	85	
(o) 850		<b>T. Freedman, Withdrawals</b>	<b>3010</b>	<b>Phone Expense</b>	<b>5040</b>
		100		(k) 155	
<b>Supplies</b>	<b>1030</b>			<b>Supplies Expense</b>	<b>5050</b>
250		<b>Service Revenue</b>	<b>4000</b>		
(s) 200			1,650	<b>Insurance Expense</b>	<b>5060</b>
450			850 (o)	(l) 150	
			900 (p)	<b>Postage Expense</b>	<b>5070</b>
<b>Computer Shop Equipment</b>	<b>1080</b>		3,400	(r) 50	
1,200					
<b>Office Equipment</b>	<b>1090</b>				
600					

4.

**PRECISION COMPUTER CENTRE**

**TRIAL BALANCE**

**JUNE 30, 2016**

<b>Cash</b>	2	8	6	5	00				
<b>Accounts Receivable</b>		8	5	0	00				
<b>Supplies</b>		4	5	0	00				
<b>Computer Shop Equipment</b>		1	2	0	00				
<b>Office Equipment</b>		6	0	0	00				
<b>Accounts Payable</b>						4	0	5	00
<b>T. Freedman, Capital</b>						4	5	0	00
<b>T. Freedman, Withdrawals</b>		1	0	0	00				
<b>Service Revenue</b>						3	4	0	00
<b>Advertising Expense</b>		1	4	0	00				
<b>Rent Expense</b>			4	0	00				
<b>Utilities Expense</b>			8	5	00				
<b>Phone Expense</b>			1	5	50				
<b>Insurance Expense</b>			1	5	00				
<b>Postage Expense</b>				5	00				
<b>Total</b>		8	3	0	500	8	3	0	500

**CONTINUING PROBLEM, Cont.**

5.

**PRECISION COMPUTER CENTRE**

**INCOME STATEMENT**

**FOR THE TWO MONTHS ENDED JUNE 30, 2016**

<b>Revenue:</b>									
<i>Service Revenue</i>									\$ 3 4 0 0 0 0
<b>Operating Expenses:</b>									
<i>Advertising Expense</i>	\$	1	4	0	0	0	0		
<i>Insurance Expense</i>			1	5	0	0	0		
<i>Phone Expense</i>			1	5	5	0	0		
<i>Postage Expense</i>				5	0	0	0		
<i>Rent Expense</i>			4	0	0	0	0		
<i>Utilities Expense</i>				8	5	0	0		
<i>Total Operating Expenses</i>								2 2 4 0 0 0	
<b>Net Income</b>									\$ 1 1 6 0 0 0

**PRECISION COMPUTER CENTRE**

**STATEMENT OF OWNER'S EQUITY**

**FOR THE TWO MONTHS ENDED JUNE 30, 2016**

<i>T. Freedman, Capital Contributed, May 1, 2016</i>									\$ 4 5 0 0 0 0
<i>Net Income for the two months</i>	\$	1	1	6	0	0	0		
<i>Less: Withdrawals</i>			1	0	0	0	0		
<i>Increase in Capital</i>								1 0 6 0 0 0	
<b><i>T. Freedman, Capital, June 30, 2016</i></b>									\$ 5 5 6 0 0 0

**PRECISION COMPUTER CENTRE**

**BALANCE SHEET**

**JUNE 30, 2016**

**ASSETS**

**LIABILITIES AND OWNER'S EQUITY**

<b>Assets:</b>										<b>Liabilities:</b>								
<i>Cash</i>	\$	2	8	6	5	0	0			<i>Accounts Payable</i>								\$ 4 0 5 0 0
<i>Accounts Receivable</i>				8	5	0	0											
<i>Supplies</i>					4	5	0			<b>Owner's Equity:</b>								
<i>Computer Shop Equipment</i>			1	2	0	0	0			<i>T. Freedman, Capital</i>								5 5 6 0 0 0
<i>Office Equipment</i>					6	0	0											
										<b>Total Liabilities and</b>								
<b>Total Assets</b>	\$	5	9	6	5	0	0			<b>Owner's Equity</b>								\$ 5 9 6 5 0 0

**PROBLEM 2D-1**

<i>Accounts Affected</i>	<i>Category</i>	<i>Inc.</i> ↑	<i>Dec.</i> ↓	<i>Rules</i>	<i>T-Account Update</i>	
<i>A. Cash</i>	<i>Asset</i>		↑	<i>Dr.</i>	<u><i>Cash</i></u>	<u><i>A. Thomas, Capital</i></u>
<i>A. Thomas, Capital</i>	<i>Owner's Equity</i>		↑	<i>Cr.</i>	3,250	3,250
<i>B. Office Equipment</i>	<i>Asset</i>		↑	<i>Dr.</i>	<u><i>Office Equipment</i></u>	<u><i>Accounts Payable</i></u>
<i>Accounts Payable</i>	<i>Liability</i>		↑	<i>Cr.</i>	2,125	2,125
<i>C. Rent Expense</i>	<i>Expense</i>		↑	<i>Dr.</i>	<u><i>Rent Expense</i></u>	<u><i>Accounts Payable</i></u>
<i>Accounts Payable</i>	<i>Liability</i>		↑	<i>Cr.</i>	437	2,125 437
<i>D. Cash</i>	<i>Asset</i>		↑	<i>Dr.</i>	<u><i>Cash</i></u>	<u><i>Accounting Fees Earned</i></u>
<i>Bookkeeping Fees</i>	<i>Revenue</i>		↑	<i>Cr.</i>	3,250 2,625	2,625
<i>E. Accounts Receivable</i>	<i>Asset</i>		↑	<i>Dr.</i>	<u><i>Accounts Receivable</i></u>	<u><i>Accounting Fees Earned</i></u>
<i>Bookkeeping Fees</i>	<i>Revenue</i>		↑	<i>Cr.</i>	1,600	2,625 1,600
<i>F. A. Thomas, Withdrawals</i>	<i>Owner's Equity (Withdrawals)</i>		↓	<i>Dr.</i>	<u><i>A. Thomas, Withdrawals</i></u>	<u><i>Cash</i></u>
<i>Cash</i>	<i>Asset</i>		↓	<i>Cr.</i>	245	3,250 2,625

**PROBLEM 2D-2**

<u><i>Cash</i></u>	<u>111</u>
(A) 29,000	775 (D)
(C) 2,700	500 (E)
	3,200 (G)
<u><i>Computer Equipment</i></u>	<u>121</u>
(B) 9,600	
<u><i>Accounts Payable</i></u>	<u>211</u>
(G) 3,200	9,600 (B)
	750 (F)
<u><i>Val McIntyre, Capital</i></u>	<u>311</u>
	29,000 (A)

<u><i>Val McIntyre, Withdrawals</i></u>	<u>312</u>
(D) 775	
<u><i>Consulting Fees Earned</i></u>	<u>411</u>
	2,700 (C)
<u><i>Advertising Expense</i></u>	<u>511</u>
(E) 500	
<u><i>Rent Expense</i></u>	<u>512</u>
(F) 750	

**PROBLEM 2D-3**

(a)

<u>Cash</u> <span style="float: right;">111</span>	<u>Accounts Receivable</u> <span style="float: right;">112</span>	<u>Equipment</u> <span style="float: right;">121</span>
(A) 4,000 (F) 2,500 (G) 3,000 9,500 <u>6,690</u>	1,500 (C) 360 (D) 200 (E) 750 (I) <u>2,810</u>	(B) 2,250 (C) 1,500 3,750
<u>Accounts Payable</u> <span style="float: right;">211</span>	<u>Linda Miyagawa, Capital</u> <span style="float: right;">311</span>	<u>Linda Miyagawa, Withdrawals</u> <span style="float: right;">312</span>
2,250 (B)	4,000 (A)	(I) 750
<u>Fees Earned</u> <span style="float: right;">411</span>	<u>Rent Expense</u> <span style="float: right;">511</span>	<u>Utilities Expense</u> <span style="float: right;">512</span>
2,500 (F) 4,250 (G) <u>6,750</u>	(D) 360	(E) 200

(b)

**AI SOFTWARE SOLUTIONS**

**TRIAL BALANCE**

**JUNE 30, 2017**

<b>Cash</b>	6	6	9	0	00					
<b>Accounts Receivable</b>	1	2	5	0	00					
<b>Equipment</b>	3	7	5	0	00					
<b>Accounts Payable</b>						2	2	5	0	00
<b>Linda Miyagawa, Capital</b>						4	0	0	0	00
<b>Linda Miyagawa, Withdrawals</b>			7	5	00					
<b>Fees Earned</b>						6	7	5	0	00
<b>Rent Expense</b>			3	6	00					
<b>Utilities Expense</b>			2	0	00					
<b>Totals</b>	1	3	0	0	00	1	3	0	0	00

**PROBLEM 2D-4**

(a) HAMILTON AMES, ENGINEERING CONSULTANT

**INCOME STATEMENT**

**FOR THE MONTH ENDED APRIL 30, 2017**

<b>Revenue:</b>										
<i>Fees Earned</i>						\$7	4	0	5	00
<b>Operating Expenses:</b>										
<i>Advertising Expense</i>	\$	4	3	0	00					
<i>Rent Expense</i>		9	0	0	00					
<i>Utilities Expense</i>		5	9	5	00					
<i>Total Operating Expenses</i>						1	9	2	5	00
<i>Net Income</i>						\$5	4	8	0	00

(b) HAMILTON AMES, ENGINEERING CONSULTANT

**STATEMENT OF OWNER'S EQUITY**

**FOR THE MONTH ENDED APRIL 30, 2017**

<i>Hamilton Ames, Capital, April 1, 2017</i>						\$5	4	8	0	00
<i>Net Income for April</i>	\$5	4	8	0	00					
<i>Less: Withdrawals for April</i>		9	0	5	00					
<i>Increase in Capital</i>						4	5	7	5	00
<i>Hamilton Ames, Capital, April 30, 2017</i>						\$10	0	5	5	00

(c)

HAMILTON AMES, ENGINEERING CONSULTANT

**BALANCE SHEET**

**APRIL 30, 2017**

**ASSETS**

**LIABILITIES AND OWNER'S EQUITY**

<b>Assets:</b>						<b>Liabilities:</b>						
<i>Cash in Bank</i>	\$5	0	9	0	00	<i>Accounts Payable</i>	\$	5	7	5	00	
<i>Accounts Receivable</i>	1	2	7	5	00							
<i>Supplies</i>		2	6	5	00	<b>Owner's Equity:</b>						
<i>Equipment</i>	4	0	0	0	00	<i>Hamilton Ames, Capital</i>	1	0	0	5	5	00
						<b>Total Liabilities and</b>						
<b>Total Assets</b>	\$10	6	3	0	00	<b>Owner's Equity</b>	\$10	6	3	0	00	



PROBLEM 2D-5, Cont.

(5) CLARA BENSON ENTERPRISES

INCOME STATEMENT

FOR THE MONTH ENDED SEPTEMBER 30, 2017

<b>Revenue:</b>											
<i>Design Fees Earned</i>						\$8	1	0	0	0	0
<b>Operating Expenses:</b>											
<i>Advertising Expense</i>	\$	6	5	0	0	0					
<i>Repair Expense</i>		8	2	5	0	0					
<i>Salaries Expense</i>		1	5	0	0	0					
<i>Telephone Expense</i>		1	6	5	0	0					
<i>Total Operating Expenses</i>							3	1	4	0	0
<b>Net Income</b>							\$4	9	6	0	0

CLARA BENSON ENTERPRISES

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED SEPTEMBER 30, 2017

<i>Clara Benson, Capital, September 1, 2017</i>						\$2	8	0	0	0	0
<i>Net Income for September</i>	\$4	9	6	0	0	0					
<i>Less: Withdrawals for September</i>		4	2	0	0						
<i>Increase in Capital</i>							4	9	1	8	0
<i>Clara Benson, Capital, September 30, 2017</i>							\$3	2	9	1	8

CLARA BENSON ENTERPRISES

BALANCE SHEET

SEPTEMBER 30, 2017

**ASSETS**

**LIABILITIES AND OWNER'S EQUITY**

<b>Assets:</b>											
<i>Cash</i>	\$2	7	9	6	8	0					
<i>Accounts Receivable</i>		2	1	0	0	0					
<i>Office Equipment</i>		3	1	0	0	0					
<i>Design Equipment</i>		1	2	5	0	0					
<b>Total Assets</b>	\$4	5	6	6	8	0					
<b>Liabilities:</b>											
<i>Accounts Payable</i>	\$1	2	7	5	0	0					
<b>Owner's Equity:</b>											
<i>Clara Benson, Capital</i>		3	2	9	1	8					
<b>Total Liabilities and Owner's Equity</b>	\$4	5	6	6	8	0					

# Chapter 2

## Class Quiz

1. List five functions of accounting.  
Answer: Analyze, record, classify, summarize, report.
2. Explain the following: Capital doesn't mean Cash.  
Answer: Capital could include other assets, such as equipment, as well as cash.
3. True or false: Revenue is reported on the balance sheet.  
Answer: False. Revenue is reported on the income statement.
4. True or false: Withdrawals are expenses on the income statement.  
Answer: False. Withdrawals are not business expenses; they are reported on the statement of owner's equity. (Withdrawals are for personal use.)
5. Complete the statement: As expenses increase, owner's equity \_\_\_\_\_.  
Answer: decreases.
6. Transaction C (p. 55) is an example of a(n) \_\_\_\_\_ in assets.  
Answer: increase.
7. Transaction F (p. 56) is an example of a(n) \_\_\_\_\_ in assets.  
Answer: shift
8. True or false: To Catherine Hall, legal fees are an asset.  
Answer: False. Legal fees are revenue, a subdivision of owner's equity.



## Accounting Recall

### A Cumulative Approach

#### PART 1 Vocabulary Review

Match each term on the left side with the appropriate definition or phrase in the right-hand column.

#### Page Ref.

(63)	1. Trial balance	A. Total remains the same
(48)	2. Debit	B. Entering numbers on right side
(51)	3. Normal balance	C. Subdivisions of owner's equity
(14)	4. Revenue	D. Group of accounts
(48)	5. Crediting	E. Numbering system
(11)	6. Balance sheet	F. Left side of an account
(9)	7. Shift in assets	G. Prepared as of a particular date
(52)	8. Chart of accounts	H. Not an asset
(47)	9. Ledger	I. Side of account that increases it
(21)	10. Capital, withdrawals, revenue, expenses	J. List of the ledger balances

#### PART 2 True or False (Accounting Theory)

- (48) 11. A debit always means increase.
- (63) 12. There are no debit or credit columns on financial reports.
- (63) 13. The trial balance lists only the ending figure for capital that goes on the balance sheet.
- (58) 14. An increase in a withdrawal is a credit.
- (63) 15. The trial balance is not a formal report.

## Solutions to Accounting Recall

This Examination Reviews Chapters 1 and 2.

#### PART 1

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

#### PART 2

- 11. False; depends on the category
- 12. True
- 13. False; the beginning balance shows up on the trial balance

- 14. False; debit
- 15. True

## Points to Stress

1. Stress at the outset that the words debit and credit only mean a *position*. Later we will discuss the rules of debit and credit and how they govern which side numbers are placed on.
2. Rules for normal balance are the same as for an increase.
3. Note how the rules for revenue and expenses work in the *opposite* direction.
4. Note that the names in Column 1 of the transaction analysis charts come from the chart of accounts, as do the account numbers in Column 5.
5. Go over the solutions to the Self-Review Quiz 2–2 (p. 60) to reinforce the point that arrows can go up or down but the sum of the left must equal the sum of the right.
6. Using the trial balance in Figure 2–2 (p. 64) have students identify the report on which each item will appear. (Example: Withdrawals go on the statement of owner’s equity.)
7. The trial balance is an informal report used to *prepare* formal reports like the balance sheet.
8. The figure for net income is used to update the statement of owner’s equity.
9. The ending figure for capital on the statement of owner’s equity is used to update the balance sheet.
10. The two columns on the trial balance represent debit and credit; however, there are no debits or credits shown on the formal statements even if the statement has two columns.
11. The trial balance is listed in the same order as the ledger accounts.
12. On a trial balance, there is only one number for each account — the ending debit or credit balance.

## Business World Notes

1. A business may have 50 or more accounts (sometimes thousands) to keep track of and therefore it is not practical to use the equation format we used in Chapter 1 to record transactions.
2. Accountants do not actually write out a transaction analysis chart before they record a transaction, but they go through the exact same steps mentally.
3. Computers are very useful in maintaining the equality of debits and credits. But, computers are not a complete substitute for clear thinking on the part of accounting clerks and related personnel.
4. The double-entry system provides built-in protection against errors. If debits do not equal credits, then the accountant knows that there is an error in the records which must be corrected.
5. A double-entry system is not as necessary for a sole-proprietorship or partnership as it is for a corporation. Point out that if a standard double-entry system is too cumbersome for a small business there are alternative methods of keeping business records. Note, however, that the cash method is not permitted for tax purposes. Books kept on the cash basis must be converted to the accrual basis at year end.
6. If the accounts are out of balance and a trial balance is not prepared before the financial statement preparation, you would not know there was an error until all three statements were completed and you found the balance sheet wouldn't balance.
7. The trial balance does not necessarily need to be written out. Many accountants find it is sufficient to run an adding machine tape to show that debits equal credits. Computer accounting software will print a trial balance at the push of a button.

## Class Activities

1. Draw this T-account on the board:
 

200	500
300	50

Show students how to balance it and foot it.

2. Have students turn to Self-Review Quiz 2–2 (p. 60) and explain which transaction in the chapter parallels Transaction D. Have them explain the difference between a withdrawal and a business expense.
3. Go back to the rules of debit and credit in Learning Unit 2–1 (p. 48) and have students review the chart out loud in class.

- Using the information and accounts in Self-Review Quiz 2–2 (p. 60) have students categorize each account, its normal balance, and the report on which each account will be found.

Answers: Cash: Asset, Dr. balance, balance sheet

Accounts Receivable: Asset, Dr. balance, balance sheet

Equipment: Asset, Dr. balance, balance sheet

Accounts Payable: Liability, Cr. balance, balance sheet

Bill O'Malley, Capital: Capital, Cr. balance, statement of owner's equity and balance sheet

Bill O'Malley, Withdrawals: Withdrawals, Dr. balance, statement of owner's equity

Professional Fees: Revenue, Cr. balance, income statement

Utilities Expense: Expense, Dr. balance, income statement

Salaries Expense: Expense, Dr. balance, income statement

- Have students go over pp. 53-59 to see how the ledger is built up. Discuss the footings. Show them one title at a time how the trial balance is built on p. 64 from p. 63.

## Teaching Tips

- Talk about *arbitrary* rules. For example, in baseball there are nine innings and in football there are four quarters; the rules could be switched between the two sports and still work as long as everybody used the same ones. In accounting, the rules of debit and credit are also arbitrary; they could be switched and still work as long as the sum of the left sides equal the sum of the right sides.
- Withdrawals are always increased by a dr (debit).
- This is an ideal time to use the transparency or a handout that shows how to complete a transaction analysis chart.
- Point out the position of the arrows in the two transaction charts for transactions B and C. Have students explain why arrows go up and down in the chart for transaction B, and the transaction still balances; while on the chart for transaction C, both arrows go up and that transaction also balances.

## Typical Student Misconceptions

1. “Debit is bad; credit is good.” To get students over this, emphasize instead these meanings:
  - Debit means the left side of any account.
  - Credit means the right side of any account.
2. Use the new section that details how nautical terms are in some ways similar to accounting terms, in that they have both a general meaning, as well as a meaning that is unique to that sector of the economy. You may have another example you could use here. Golf, for instance might be an understandable illustration for some students.
3. Students think that there is only one chart of accounts for all businesses. Emphasize that there are many possible charts of accounts for different businesses — in fact, there are books available that provide sample charts of accounts for all types of businesses and for whole industries (for a hair salon, for the plumbing industry, etc.). Have them turn to Chapter 12 (p. 558) to see a more complex chart of accounts than this one. You could also point out that most accounting software comes with several good and useful charts of accounts.
4. Students think that all of the arrows in the transactional analysis chart must “balance.” Emphasize that the arrows can go all up or all down or some up and some down as long as the sum of the left side equals the sum of the right side in the accounts.
5. Students think that legal fees are an asset. Stress that legal fees are revenue, which is a subdivision of owner’s equity. It is true that revenue will provide an inward flow of assets.
6. Students often think that expenses are liabilities. To clear up this misconception, point to Transaction I, showing that an expense may *create* a liability if the expense is not paid. An expense is *not* the same thing as a liability. Expenses are a subdivision of owner’s equity; liabilities are not.

## Check Figures for Exercises

### Set A

- 2-1A. Cash, 111; Accts. Rec., 112; Office Equip., 121; Accts. Pay., 211; L. Jones, Capital, 311; L. Jones, Withdrawals, 312; Legal Fees, 411; Advertising Exp., 511; Repair Exp., 512; Salary Exp., 513.
- 2-2A.
- |                    |           |
|--------------------|-----------|
| Computer Equipment | \$19,000+ |
| Accounts Payable   | \$16,000+ |
| Cash               | \$ 3,000– |
- 2-3A. P. Rey, Withdrawals: Owner’s Equity (Withdrawals), Dr., Cr., St. of O.E.  
Salaries Expense: Exp., Dr., Cr., I.S.

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

- 2-5A. Net Income: \$185  
 J. Hall, Capital, 7/31/16: \$787  
 Total Assets: \$1,242

**Set B**

- 2-1B. Cash, 111; Accts. Rec., 112; Office Equip., 121; Accts. Pay., 211; L. Jones, Capital, 311; L. Jones, Withdrawals, 312; Legal Fees, 411; Cleaning Exp., 511; Office Assistance Exp., 512; Rent Exp., 513.

- 2-2B. Computer Equipment \$21,000+  
 Accounts Payable \$16,000+  
 Cash \$ 5,000-

- 2-3B. Legal Fees Earned, Rev., Cr., Dr., I.S.  
 P. Rey, Withdrawals: Owner's Equity (Withdrawals), Dr., Cr., St. of O.E.  
 Cash, Asset, Dr., Cr., B.S.  
 A/R, Asset, Dr., Cr., B.S.  
 Rent Expense: Exp., Dr., Cr., I.S.

- 2-4B. A. 4,1 F. 3,4  
 B. 6,1 G. 10,4  
 C. 10,4 H. 1,2  
 D. 1,7 I. 3,5  
 E. 7,2

- 2-5B. Net Income: \$415  
 J. Hall, Capital, 7/31/16: \$870  
 Total Assets: \$1,395

**Check Figures for On-the-Job Training**

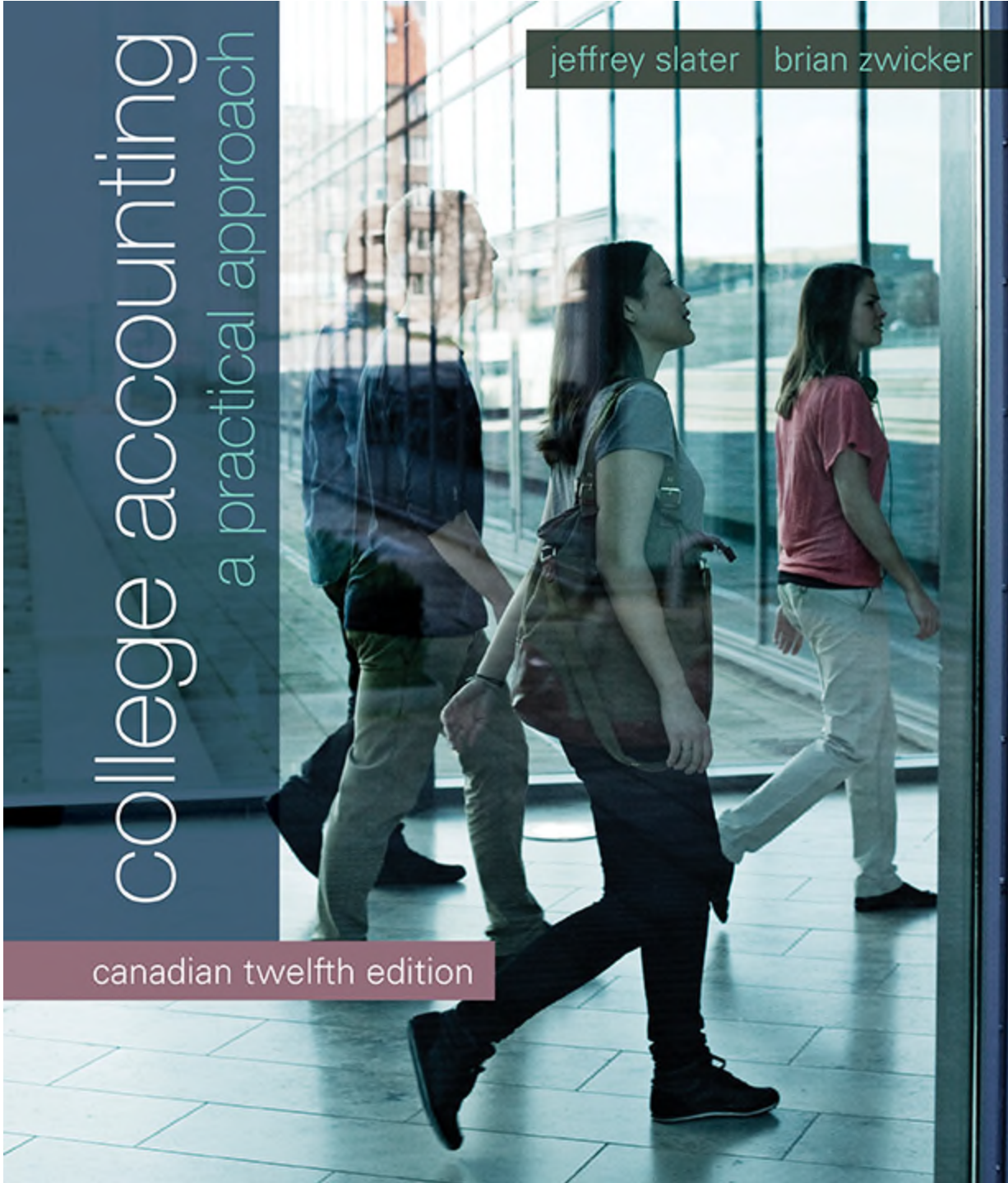
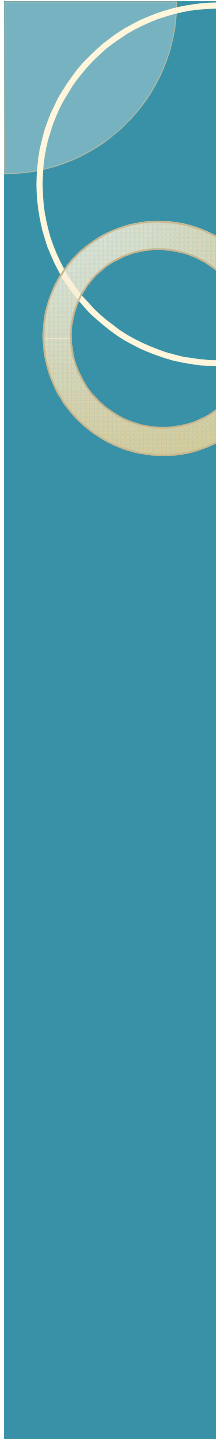
- T-1. Cash, \$490; Totals, \$3,180
- T-2. Situation 3. Trial Balance will balance but be overstated by \$400. Capital and Accounts Receivable are overstated by \$400.

**Check Figures for Continuing Problem**

1., 2., 3.      Cash Dr. \$2,865.00

4.      Trial Balance   \$8,305.00

5.      Net Income      \$1,160.00  
         O/E              \$5,560.00  
         Total Assets    \$5,965.00



college accounting  
a practical approach

jeffrey slater   brian zwicker

canadian twelfth edition





## Chapter 2

# Debits and Credits: Analyzing and Recording Business Transactions



# Learning Objective 1

Recording transactions in T-accounts  
according to the rules of debit and credit

**LO1**



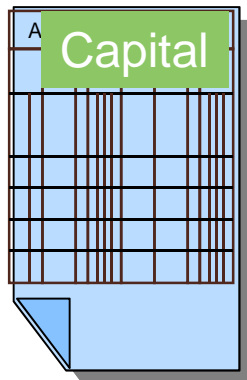
# Account

- Device used to record increases and decreases of business transaction
- Establish an account for each individual asset, liability, capital, withdrawal, revenue, expense

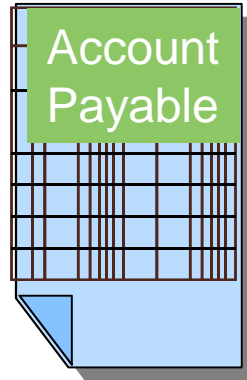
**LO-1**

# Ledger

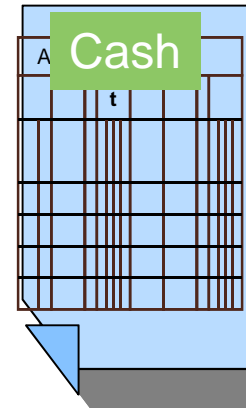
- Group of accounts that records data from business transactions



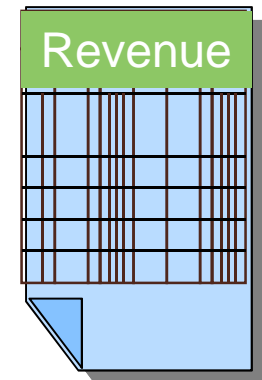
A ledger account icon for Capital. It features a green header with the word "Capital" and a small "A" in a blue box to the left. Below the header is a grid representing the ledger structure, and a blue tab is visible at the bottom left corner.



A ledger account icon for Account Payable. It features a green header with the words "Account Payable" and a small "A" in a blue box to the left. Below the header is a grid representing the ledger structure, and a blue tab is visible at the bottom left corner.



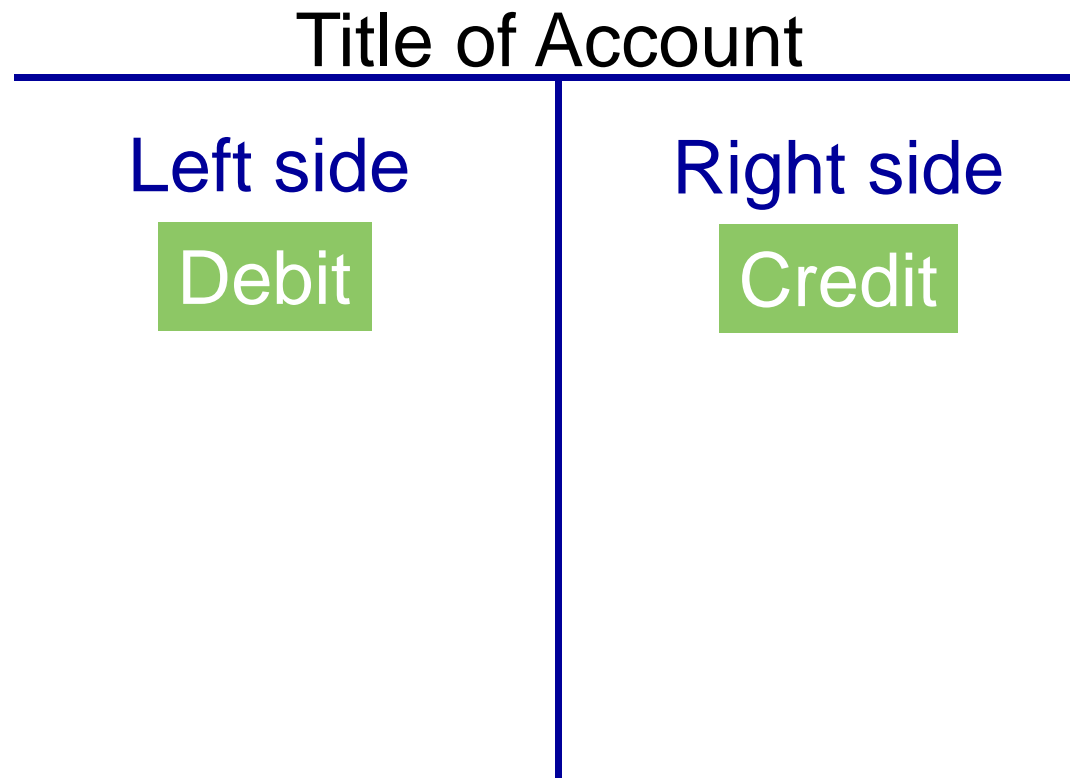
A ledger account icon for Cash. It features a green header with the word "Cash" and a small "A" in a blue box to the left. Below the header is a grid representing the ledger structure, and a blue tab is visible at the bottom left corner.



A ledger account icon for Revenue. It features a green header with the word "Revenue" and a small "A" in a blue box to the left. Below the header is a grid representing the ledger structure, and a blue tab is visible at the bottom left corner.

**LO-1**

# T-Account



**LO-1**

# T-Account

		Cash	
		Dr. (debit)	Cr. (credit)
Cash Coming in	→	4,000	300 ← Paid Expense
		500	400 ← Paid Creditor
Footings	→	4,500	700
Balance	→	3,800	

LO-1

# Rules of Debit and Credit

<b>Assets</b>		=	<b>Liabilities</b>		+	<b>Owner's Equity</b>	
Dr.	Cr.		Dr.	Cr.		Dr.	Cr.
+	-		-	+		-	+

LO-1

# Rules of Debit and Credit

<b>Capital</b>			
<b>Dr.</b>		<b>Cr.</b>	
<b>-</b>		<b>+</b>	
<b>Expenses</b>		<b>Revenues</b>	
<b>Dr.</b>	<b>Cr.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>+</b>	<b>-</b>	<b>-</b>	<b>+</b>
<b>Withdrawals</b>			
<b>Dr.</b>	<b>Cr.</b>		
<b>+</b>	<b>-</b>		

LO-1





# Learning Objective 2

## Setting up and organizing a chart of accounts

**LO-2**

# Chart of Accounts

- A numbering system of accounts that lists the account titles and account numbers to be used by a company

<b>Sample Chart of Accounts for a Service Co.</b>			
Balance Sheet Accounts			
<b>Assets 100s</b>		<b>Liabilities 200s</b>	
101	Cash	201	Accounts Payable
110	Accounts Receivable	<b>Owner's Equity 300s</b>	
120	Supplies	301	Owner, Capital
		302	Owner, Withdrawals
Income Statement Accounts			
<b>Revenue 400s</b>		<b>Expenses 500s</b>	
411	Service Fees Earned	510	Advertising Expense
		514	Utilities Expense
		522	Salaries Expense

**LO-2**



# Double-Entry Bookkeeping

- System in which the recording of each transaction affects two or more accounts
- Debits and Credits must equal

**LO-2**

# Compound Entries

- A transaction that involves more than one credit or debit

Equipment	
\$10,000	
Debit	

Accounts Payable	
	\$5,000
	Credit

Cash	
	\$5,000
	Credit

Debits and credits are equivalent after a piece of equipment is purchased for \$10,000 with half being paid in cash and half being put on account.

**LO-2**



## Problem 2B-5

This comprehensive problem will be used to illustrate the steps in recording transactions and reporting financial information covered in this chapter.

**LO-2**



# The Transaction Analysis

Step 1: Determine which accounts are affected.

Step 2: Determine which category accounts belong to.

Step 3: Determine whether accounts increase or decrease.

Step 4: What do the rules of debits and credits say?

Step 5: Place amounts into T accounts.

**LO-2**

# Problem 2B-5

<b>Chart of Accounts for Angel's Delivery Service</b>			
Balance Sheet Accounts			
<b>Assets</b>		<b>Liabilities</b>	
111	Cash	211	Accounts Payable
112	Accounts Receivable	<b>Owner's Equity</b>	
121	Office Equipment	311	Alice Angel, Capital
122	Delivery Trucks	312	Alice Angel, Withdrawals
Income Statement Accounts			
<b>Revenue</b>		<b>Expenses</b>	
411	Delivery Fees Earned	511	Advertising Expense
		512	Gas Expense
		513	Salaries Expense
		514	Telephone Expense

**LO-2**

# Transaction A

Step 1: Which accounts are affected?

Cash

Alice Angel, Capital

Step 2: Which category does the account belong to?

Assets

Owner's Equity

Step 3: Is the account increasing/decreasing?

Increasing

Increasing

Step 4: Debit or credit?

Debit

Credit

Step 5: Place amounts into accounts.

**LO-2**





**Cash**

Dr. Cr.

A) 40,000

**Accounts Receivable**

Dr. Cr.

**Office Equipment**

Dr. Cr.

**Delivery Trucks**

Dr. Cr.

**Accounts Payable**

Dr. Cr.

**Angel, Capital**

Dr. Cr.

A) 40,000

**Angel, Withdrawals**

Dr. Cr.

**Delivery Fees Earned**

Dr. Cr.

**Advertising Expense**

Dr. Cr.

**Gas Expense**

Dr. Cr.

**Salaries Expense**

Dr. Cr.

**Telephone Expense**

Dr. Cr.

LO-2

# Transaction B

Step 1: Which accounts are affected?

**Delivery Truck**

**Accounts Payable**

Step 2: Which category does the account belong to?

**Assets**

**Liabilities**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Increasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**

**Cash**

Dr.	Cr.
A) 40,000	

**Accounts Payable**

Dr.	Cr.
	B) 25,000

**Advertising Expense**

Dr.	Cr.

**Accounts Receivable**

Dr.	Cr.

**Angel, Capital**

Dr.	Cr.
	A) 40,000

**Gas Expense**

Dr.	Cr.

**Office Equipment**

Dr.	Cr.

**Angel, Withdrawals**

Dr.	Cr.

**Salaries Expense**

Dr.	Cr.

**Delivery Trucks**

Dr.	Cr.
B) 25,000	

**Delivery Fees Earned**

Dr.	Cr.

**Telephone Expense**

Dr.	Cr.

LO-2

# Transaction C

Step 1: Which accounts are affected?

**Advertising Expense**

**Accounts Payable**

Step 2: Which category does the account belong to?

**Expenses**

**Liabilities**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Increasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**

**Cash**

Dr.	Cr.
A) 40,000	

**Accounts Payable**

Dr.	Cr.
	B) 25,000
	C) 800

**Advertising Expense**

Dr.	Cr.
C) 800	

**Accounts Receivable**

Dr.	Cr.

**Angel, Capital**

Dr.	Cr.
	A) 40,000

**Gas Expense**

Dr.	Cr.

**Office Equipment**

Dr.	Cr.

**Angel, Withdrawals**

Dr.	Cr.

**Salaries Expense**

Dr.	Cr.

**Delivery Trucks**

Dr.	Cr.
B) 25,000	

**Delivery Fees Earned**

Dr.	Cr.

**Telephone Expense**

Dr.	Cr.

LO-2

# Transaction D

Step 1: Which accounts are affected?

**Office Equipment**

**Cash**

Step 2: Which category does the account belong to?

**Asset**

**Asset**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Decreasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**

### Cash

Dr.	Cr.
A) 40,000	D) 2,500

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Advertising Expense

Dr.	Cr.
C) 800	

### Accounts Receivable

Dr.	Cr.

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Gas Expense

Dr.	Cr.

### Office Equipment

Dr.	Cr.
D) 2,500	

### Angel, Withdrawals

Dr.	Cr.

### Salaries Expense

Dr.	Cr.

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Delivery Fees Earned

Dr.	Cr.

### Telephone Expense

Dr.	Cr.

LO-2

# Transaction E

Step 1: Which accounts are affected?

**Cash**

**Delivery Fees Earned**

Step 2: Which category does the account belong to?

**Asset**

**Revenue**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Increasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**



### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Advertising Expense

Dr.	Cr.
C) 800	

### Accounts Receivable

Dr.	Cr.

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Gas Expense

Dr.	Cr.

### Office Equipment

Dr.	Cr.
D) 2,500	

### Angel, Withdrawals

Dr.	Cr.

### Salaries Expense

Dr.	Cr.

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000

### Telephone Expense

Dr.	Cr.

LO-2

# Transaction F

Step 1: Which accounts are affected?

**Salaries Expense**

**Cash**

Step 2: Which category does the account belong to?

**Expense**

**Asset**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Decreasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**

### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Advertising Expense

Dr.	Cr.
C) 800	

### Accounts Receivable

Dr.	Cr.
-----	-----

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Gas Expense

Dr.	Cr.
-----	-----

### Office Equipment

Dr.	Cr.
D) 2,500	

### Angel, Withdrawals

Dr.	Cr.
-----	-----

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000

### Telephone Expense

Dr.	Cr.
-----	-----

LO-2

# Transaction G

Step 1: Which accounts are affected?

**Gas Expense**

**Cash**

Step 2: Which category does the account belong to?

**Expense**

**Asset**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Decreasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**

### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
	<b>G) 750</b>

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Advertising Expense

Dr.	Cr.
C) 800	

### Accounts Receivable

Dr.	Cr.
-----	-----

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Gas Expense

Dr.	Cr.
<b>G) 750</b>	

### Office Equipment

Dr.	Cr.
D) 2,500	

### Angel, Withdrawals

Dr.	Cr.
-----	-----

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000

### Telephone Expense

Dr.	Cr.
-----	-----

LO-2

# Transaction H

Step 1: Which accounts are affected?

**Accounts Receivable**

**Delivery Fees Earned**

Step 2: Which category does the account belong to?

**Asset**

**Revenue**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Increasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**

### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
	G) 750

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800
	25,800

### Advertising Expense

Dr.	Cr.
C) 800	

### Accounts Receivable

Dr.	Cr.
H) 5,500	

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Gas Expense

Dr.	Cr.
G) 750	

### Office Equipment

Dr.	Cr.
D) 2,500	

### Angel, Withdrawals

Dr.	Cr.
-----	-----

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

### Telephone Expense

Dr.	Cr.
-----	-----

LO-2

# Transaction I

Step 1: Which accounts are affected?

**Telephone Expense**

**Cash**

Step 2: Which category does the account belong to?

**Expense**

**Asset**

Step 3: Is the account increasing/decreasing?

**Increasing**

**Decreasing**

Step 4: Debit or credit?

**Debit**

**Credit**

Step 5: Place amounts into accounts.

**LO-2**



### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
	G) 750
	I) 400

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Advertising Expense

Dr.	Cr.
C) 800	

### Accounts Receivable

Dr.	Cr.
H) 5,500	

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Gas Expense

Dr.	Cr.
G) 750	

### Office Equipment

Dr.	Cr.
D) 2,500	

### Angel, Withdrawals

Dr.	Cr.
-----	-----

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

### Telephone Expense

Dr.	Cr.
I) 400	

LO-2

# Transaction J

Step 1: Which accounts are affected?

Cash

Accounts Receivable

Step 2: Which category does the account belong to?

Asset

Asset

Step 3: Is the account increasing/decreasing?

Increasing

Decreasing

Step 4: Debit or credit?

Debit

Credit

Step 5: Place amounts into accounts.

LO-2

### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
<b>J) 1,600</b>	G) 750
	I) 400

### Accounts Receivable

Dr.	Cr.
H) 5,500	<b>J) 1,600</b>

### Office Equipment

Dr.	Cr.
D) 2,500	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Angel, Withdrawals

Dr.	Cr.

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

### Advertising Expense

Dr.	Cr.
C) 800	

### Gas Expense

Dr.	Cr.
G) 750	

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Telephone Expense

Dr.	Cr.
I) 400	

LO-2

# Transaction K

Step 1: Which accounts are affected?

Alice Angel, Withdrawals

Cash

Step 2: Which category does the account belong to?

Withdrawal

Asset

Step 3: Is the account increasing/decreasing?

Increasing

Decreasing

Step 4: Debit or credit?

Debit

Credit

Step 5: Place amounts into accounts.

LO-2

### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
J) 1,600	G) 750
	I) 400
	K) 88

### Accounts Receivable

Dr.	Cr.
H) 5,500	J) 1,600

### Office Equipment

Dr.	Cr.
D) 2,500	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Angel, Withdrawals

Dr.	Cr.
K) 88	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

### Advertising Expense

Dr.	Cr.
C) 800	

### Gas Expense

Dr.	Cr.
G) 750	

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Telephone Expense

Dr.	Cr.
I) 400	

LO-2

# Review Rules of Debit & Credit

Account Category	Increase (Normal Balance)	Decrease
Assets	Debit	Credit
Liabilities	Credit	Debit
Owner's Equity		
Capital	Credit	Debit
Withdrawals	Debit	Credit
Revenue	Credit	Debit
Expense	Debit	Credit

**LO-2**



# Learning Objective 3

## Preparing a trial balance

**LO-3**

# Footings

- Add total debits and total credits in each account
- Determine each account balance

<u>Cash</u>	
Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
J) 1,600	G) 750
	I) 400
	K) 88

**54,600**

**49,012**

**5,588**

**Footings**

Notice the ending account balance appears on the debit side because that side is larger.

**LO-3**



### Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
J) 1,600	G) 750
	I) 400
	K) 88
<hr/>	<hr/>
54,600	5,588
49,012	

### Accounts Receivable

Dr.	Cr.
H) 5,500	J) 1,600
<hr/>	<hr/>
3,900	

### Office Equipment

Dr.	Cr.
D) 2,500	

### Delivery Trucks

Dr.	Cr.
B) 25,000	

### Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800
<hr/>	<hr/>
	25,800

### Angel, Capital

Dr.	Cr.
	A) 40,000

### Angel, Withdrawals

Dr.	Cr.
K) 88	

### Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500
<hr/>	<hr/>
	18,500

### Advertising Expense

Dr.	Cr.
C) 800	

### Gas Expense

Dr.	Cr.
G) 750	

### Salaries Expense

Dr.	Cr.
F) 1,850	

### Telephone Expense

Dr.	Cr.
I) 400	

LO-3



# Trial Balance

- List of the ending balances of all the accounts in a ledger
- Total debits should equal total credits
- List in same order as they appear in chart of accounts

**LO-3**



# Learning Objective 4

Preparing financial statements from a trial balance

**LO-4**

# Statement of Owner's Equity Accounts

Service

ce

00X

		Dr.	Cr.
111	Cash	49,012	
112	Accounts Receivable	3,900	
121	Office Equipment		
122	Delivery Truck		
211	Accounts Payable		
311	Alice Angel, Capital		40,000
312	Alice Angel, Withdrawals	88	
411	Delivery Fees Expense		18,500
511	Depreciation Expense	800	
512	Insurance Expense	750	
513	Utilities Expense	1,850	
514	Advertising Expense	400	
	<b>Totals</b>	<b>84,300</b>	<b>84,300</b>

# Income Statement Accounts

# Balance Sheet Accounts

**LO-4**

## Problem 2B-5 continued

Angel's Delivery Service		
Income Statement		
For Month Ended March 31, 200X		
Revenue:		
Delivery Fees Earned		\$18,500
Operating Expenses:		
Salaries Expense	\$1,850	
Advertising Expense	800	
Gas Expense	750	
Telephone Expense	400	
Total Operating Expenses		3,800
Net Income		\$14,700

**LO-4**

## Problem 2B-5 continued

Angel's Delivery Service		
Statement of Owner's Equity		
For Month Ended March 31, 200X		
Alice Angel, Capital, March 1, 200X		\$40,000
Net Income for March	\$14,700	
Less: Withdrawals for March	88	
Increase in Capital		14,612
Alice Angel, Capital, March 31, 200X		\$54,612

**LO-4**

# Problem 2B-5 continued

<b>Angel's Delivery Service</b>			
<b>Balance Sheet</b>			
<b>March 31, 200X</b>			
<b>Assets</b>		<b>Liabilities and Owner's Equity</b>	
<b>Cash</b>	<b>\$49,012</b>	<b>Accounts Payable</b>	<b>\$25,800</b>
<b>Accounts Receivable</b>	<b>3,900</b>	<b>Owner's Equity</b>	
<b>Office Equipment</b>	<b>2,500</b>	<b>Alice Angel, Capital</b>	<b>54,612</b>
<b>Delivery Truck</b>	<b>25,000</b>	<b>Total Liabilities &amp; Owner's Equity</b>	
<b>Total Assets</b>	<b>\$80,412</b>		<b>\$80,412</b>

**LO-4**



# Additional Practice

MyAccountingLab offers excellent practice opportunities, including:

- Self Review Animations
- Student PowerPoints
- Flashcards
- Practice Tests and more

In addition to MyAccountingLab, you may wish to try the end of chapter exercises and problems, using the check figures provided in the margins of your textbook.





# End of Chapter 2