

Financial Accounting, 2nd Cdn. Ed. (Waybright)

Chapter 2 Analyzing and Recording Business Transactions

2.1 Define accounts and understand how they are used in accounting

1) A listing of all accounts in numerical order is called a chart of accounts.

Answer: TRUE

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

2) Account titles such as marketing expense and depreciation expense would be numbered starting with a 3.

Answer: FALSE

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

3) An account numbered 321 would be considered a shareholders' equity account as it begins with a 3.

Answer: TRUE

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

4) Items of value that a company owns are called shareholders' equity.

Answer: FALSE

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

5) The shareholders' equity section would include the accounts such as retained earnings and revenues.

Answer: TRUE

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

6) Which is part of shareholders' equity?

- A) Cash
- B) Notes payable
- C) Dividends
- D) Assets
- E) Liabilities

Answer: C

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

7) Dividends are paid with cash to shareholders. Dividends are in what category of the chart of accounts?

- A) Revenue
- B) Assets
- C) Shareholders' equity
- D) Liabilities
- E) Revenue

Answer: C

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

8) Dividends, revenues, and expenses all:

- A) start with the same chart of accounts number.
- B) start with different chart of accounts numbers.
- C) appear in the chart of accounts under assets.
- D) appear in the chart of accounts under liabilities.
- E) do not appear in the chart of accounts.

Answer: B

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

9) Which of the following would start with a 1 in the chart of accounts?

- A) Land and buildings
- B) Depreciation expense and marketing expense
- C) Merchandise sales and rent revenue
- D) Common shares and cash
- E) Accounts payable and notes payable

Answer: A

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

10) Which of the following would start with a 2 in the chart of accounts?

- A) Income taxes to be paid and wages to be paid
- B) Common shares and preferred shares
- C) Cash and accounts receivable
- D) Sales and fees revenue
- E) Marketing expense and rent expense

Answer: A

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

11) A chart of accounts includes:

- A) balances of accounts.
- B) names of customers
- C) assets and liabilities.
- D) accounts with unusual balances.
- E) account activity.
- F) vendor account balances.

Answer: C

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

12) Which of the following is an expense account?

- A) Prepaid insurance
- B) Advertising
- C) Accounts payable
- D) Cash
- E) Notes payable

Answer: B

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

13) Which of the following is a revenue account?

- A) Professional fees
- B) Accounts payable
- C) Accounts receivable
- D) Wages
- E) Cash

Answer: A

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

14) Marketing expenditures account 511 would belong to what category of accounts?

Answer: Expenses

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

15) Monies owed to a company on a written promise to pay a fixed amount of money by a certain date would be called a _____.

Answer: note payable

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

16) Accounts starting with the number 4 would typically represent _____.

Answer: revenues

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

17) An account starting with a number 1 would indicate _____.

Answer: an asset

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

18) Accounts that start with the numbers 6-9 would probably be _____.

Answer: other revenues and expenses

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

19) The order in which accounts appear in the chart of accounts is: _____.

Answer: assets, liabilities, shareholders' equity, revenues, expenses

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

20) Items such as wages and interest that have been incurred, but not yet paid, are called _____.

Answer: accrued liabilities

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

21) Obligations that are owed to others due to past transactions are categorized as _____.

Answer: liabilities

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

22) All payables are listed as _____.

Answer: liabilities

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

23) A type of company asset in which a customer owes the company money would be a _____.

Answer: receivable

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

24) Land, cash, office equipment, and accounts receivable belong to what category of accounts?

Answer: Assets

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

25) A promissory note owed to another company would most likely appear in which categories?

Answer: Notes payable

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

26) List the order in which each of the following accounts would appear in a chart of accounts.

Utilities expenses, Tax return revenue, Accounts receivable, Income taxes payable

Answer: Accounts receivable, Income tax payable, Tax return revenue, Utilities expenses

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Application

Blooms: Application

27) Expenses paid in advance such as rent and insurance are classified as prepaid expenses. Into what category are they placed?

Answer: Assets

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Application

Blooms: Application

28) Payment of a telephone bill in the same month that it is received is a(n) _____.

Answer: expense

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Application

Blooms: Application

29) Obligations owed by a company to banks, for instance, are called _____.

Answer: notes payable

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Application

Blooms: Application

30) Net income and dividends are part of _____.

Answer: shareholders' equity

Diff: 1

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Recall

Blooms: Knowledge

31) Review the transactions below and determine whether you would use a debit or a credit to record the following changes. Indicate your decision by entering "Debit" or "Credit" in the right-hand column.

1. An increase in Wage Expense	
2. A decrease in Notes Payable	
3. An increase in Prepaid Insurance	
4. An increase in Common Shares	
5. A decrease in Office Supplies	
6. An increase in Dividends	
7. An increase in Revenue	
8. A decrease in Notes Receivable	
9. An increase in Advertising Expense	
10. A decrease in Cash	

Answer:

1. An increase in Wage Expense	Debit
2. A decrease in Notes Payable	Debit
3. An increase in Prepaid Insurance	Debit
4. An increase in Common Shares	Credit
5. A decrease in Office Supplies	Credit
6. An increase in Dividends	Debit
7. An increase in Revenue	Credit
8. A decrease in Notes Receivable	Credit
9. An increase in Advertising Expense	Debit
10. A decrease in Cash	Credit

Diff: 3

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Critical Thinking

Blooms: Analysis

32) For the following general ledger accounts, identify the normal balance of the account.

Example:

Accounts Payable Credit

- Accounts Receivable
- Building
- Cash
- Common Shares
- Dividends
- Equipment
- Inventory
- Land
- Notes Payable
- Office Equipment
- Office Supplies
- Rental Expense
- Service Revenue
- Travel Expense
- Utilities Expense
- Wages Expense

Answer:

Accounts Payable	Credit
Accounts Receivable	Debit
Building	Debit
Cash	Debit
Common Shares	Credit
Dividends	Debit
Equipment	Debit
Inventory	Debit
Land	Debit
Notes Payable	Credit
Office Equipment	Debit
Office Supplies	Debit
Rental Expense	Debit
Service Revenue	Credit
Travel Expense	Debit
Utilities Expense	Debit
Wages Expense	Debit

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Concept

Blooms: Comprehension

33) For the accounts listed below, identify the type of account. Is it an (A) Asset, (L) Liability, (S) Shareholders equity, (R) Revenue, or (E) Expense.

Accounts Payable
 Accounts Receivable
 Building
 Cash
 Common Shares
 Dividends
 Equipment
 Inventory
 Land
 Notes Payable
 Office Equipment
 Office Supplies
 Rental Expense
 Service Revenue
 Travel Expense
 Utilities Expense
 Wages Expense

Answer:

Accounts Payable	L
Accounts Receivable	A
Building	A
Cash	A
Common Shares	S
Dividends	S
Equipment	A
Inventory	A
Land	A
Notes Payable	L
Office Equipment	A
Office Supplies	A
Rental Expense	E
Service Revenue	R
Travel Expense	E
Utilities Expense	E
Wages Expense	E

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Concept

Blooms: Comprehension

34) For the accounts listed below, determine the normal balance of the account is it a debit or credit.

Accounts	Normal Balance Debit or Credit
1. Revenue	
2. Cash	
3. Accounts Receivable	
4. Accounts Payable	
5. Retained Earnings	
6. Prepaid Insurance	
7. Insurance Expense	
8. Wages Expense	
9. Office Building	
10. Notes Receivable	
11. Sales	
12. Common Shares	

Answer:

Accounts	Normal Balance Debit or Credit
1. Revenue	Credit
2. Cash	Debit
3. Accounts Receivable	Debit
4. Accounts Payable	Credit
5. Retained Earnings	Credit
6. Prepaid Insurance	Debit
7. Insurance Expense	Debit
8. Wages Expense	Debit
9. Office Building	Debit
10. Notes Receivable	Debit
11. Sales	Credit
12. Common Shares	Credit

Diff: 3

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Critical Thinking

Blooms: Analysis

35) Hugh Munroe sells fine china in its antique store. A customer named Jacob Xie purchases a collectors' plate from the store for \$5,000 and agrees to pay this within 90 days of purchase. After 90 days passed Xie was unable to pay for the collectors' plate. Munroe agreed to convert the receivable into an interest bearing note with a term of one year and an interest rate of 10%. Does the note meet the definition of an asset? Explain in detail why that is the case or not the case.

Answer: Yes, the note in this case does meet the definition of an asset because it arose out of a transaction with a customer and it is expected to generate economic benefits in the future. It is a current asset because it is expected to be collected within a year.

Diff: 3

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Concept

Blooms: Comprehension

36) A customer purchases a tuxedo from a company called Tuxedo Deluxe. The tuxedo was purchased for \$1,000. The tuxedo had to be tailor fit to the customer's specifications, so as per company policy a 10% deposit was required from the customer. The customer paid the \$100 deposit. Does this deposit meet the definition of a liability? Explain in detail why that is the case or not the case.

Answer: The deposit does meet the definition of a liability because there is a present obligation for Tuxedo Deluxe to deliver a suit that fits the specifications of the customer. The deposit is an unearned revenue because the transaction will only be complete when Tuxedo Deluxe delivers the suit to the customer.

Diff: 3

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Concept

Blooms: Comprehension

37) Game Genie paid out 10% of its earnings to its shareholders. Does this meet the definition of equity? Explain in detail why that is the case or not the case.

Answer: These are dividends. This meets the definition of equity because it is considered a distribution to the owners. It represents a reduction in retained earnings and shareholder's equity.

Diff: 3

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Concept

Blooms: Comprehension

2.2 Explain debits, credits, and the double entry system of accounting

1) Double-entry accounting requires that every business transaction impacts at least two different accounts.

Answer: TRUE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

2) The debit (left) side of an account always indicates an increase in the value of the account.

Answer: FALSE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

3) A T-account is a way to visualize the increases and decreases to the value of an account.

Answer: TRUE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

4) Accounts that decrease on the credit side are liabilities, common shares, revenues, and retained earnings.

Answer: FALSE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

5) The credit (right) side of an account shows an increase or decrease depending upon the type of account.

Answer: TRUE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

6) Accounts that increase on the credit side are assets, dividends, and expenses.

Answer: FALSE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

7) Normal balance refers to the positive increase of an account and identifies the side of the account (Debit or Credit) to which this positive balance is recorded.

Answer: TRUE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

8) Dividends paid out to shareholders are a liability.

Answer: FALSE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

9) A promissory note with a term of 10% and a term of one year is an asset.

Answer: TRUE

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

10) Which of the following is an unofficial tool of accounting?

A) Account

B) T-account

C) Debit

D) Credit

E) Accountant

Answer: B

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

11) Accounts payable, taxes payable, and notes payable increase on the debit side and decrease on the credit side.

Answer: FALSE

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

12) The T-account aids in separating:

- A) increases and decreases in an account.
- B) the equality of the credits.
- C) the equality of debits and credits in the accounting equation.
- D) the balances of all of the accounts.
- E) errors and omissions.

Answer: A

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

13) Credit means:

- A) decrease.
- B) increase.
- C) the right side of an account.
- D) the left side of an account.
- E) the total of the T-account.

Answer: C

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

14) An example of accounts with normal debit balances would be:

- A) liabilities.
- B) expenses.
- C) revenues.
- D) shareholders' equity.
- E) retained earnings

Answer: B

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

15) An example of accounts with normal credit balances would be:

- A) revenues.
- B) assets.
- C) expenses.
- D) dividends.
- E) accounts receivable.

Answer: A

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

16) The difference between the total debits and total credits of an account is called a:

- A) trial balance.
- B) sub-total.
- C) ruling.
- D) balance.
- E) normal balance.

Answer: D

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

17) The fact that each transaction has a dual effect on the accounting equation provides the basis for what is called:

- A) single-entry accounting.
- B) double-entry accounting.
- C) compound-entry accounting.
- D) multiple-entry accounting.
- E) re-allocation of accounting.

Answer: B

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

18) Debit means:

- A) decrease.
- B) increase.
- C) the right side of an account.
- D) the left side of an account.
- E) the total of the T-account.

Answer: D

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

19) A T-account has a \$759 debit balance. This account is most likely:

- A) accounts payable.
- B) sales revenue.
- C) accounts receivable.
- D) common share.
- E) notes payable.

Answer: C

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

20) A T-account has a \$509 credit balance. This account is most likely:

- A) common shares.
- B) land.
- C) advertising expense.
- D) dividends.
- E) cash.

Answer: A

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

21) A T-account has a \$382 debit balance. This account is most likely:

- A) income taxes payable.
- B) common shares.
- C) cash.
- D) magazine sales.
- E) sales revenue.

Answer: C

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

22) A T-account has a \$299 debit balance. This account is most likely:

- A) accounts receivable.
- B) bicycle repairs revenue.
- C) wages payable.
- D) common shares.
- E) service fees.

Answer: A

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

23) A T-account has a \$922 credit balance. This account is most likely:

- A) office equipment.
- B) rent expense.
- C) dividends.
- D) sales revenue.
- E) cash.

Answer: D

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

24) A promissory note with a term of one year and a rate of 5% is considered a(n):

- A) Notes Receivable
- B) Accounts Receivable
- C) Dividends
- D) Prepaid Expenses
- E) Revenue

Answer: A

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

25) A deposit received for custom-made furniture is considered a(n):

- A) Accounts Receivable
- B) Notes Receivable
- C) Unearned Revenue
- D) Accounts Payable
- E) Revenue

Answer: C

Diff: 2

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Application

Blooms: Application

26) XYZ reported the following results for fiscal year 20X4:

Assets	\$ 50,000
Liabilities	\$ 10,000
Common Shares	\$ 10,000
Revenue	\$ 40,000
Expenses	?
Dividends	\$ 5,000

What were the expenses reported by XYZ in 20X4?

- A) \$10,000
- B) \$5,000
- C) \$20,000
- D) \$30,000
- E) \$40,000

Answer: B

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

27) An investment of cash in a business increases which account?

Answer: Cash

Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

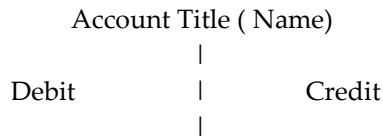
Blooms: Application

28) Name the three major parts of a T-account.

Answer: 1. A title

2. A debit side

3. A credit side



Diff: 2

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Concept

Blooms: Comprehension

29) What is the normal account balance for revenue, accounts receivable, and common shares?

Answer: credit, debit, and credit, respectively

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

30) Office furniture, wages payable, and dividends have normal balances of _____, _____, and _____, respectively.

Answer: debit, credit, and debit

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

31) The retained earnings accounts of dividends, revenues, and expenses have normal balances of _____, _____, and _____, respectively.

Answer: debit, credit, and debit

Diff: 1

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Recall

Blooms: Knowledge

36) Freddy's Fir Tree Company is a new business. The following accounts are required in the general ledger.

Accounts Payable	Accounts Receivable
Cash	Prepaid Rent
Equipment	Rent Expense
Sales/Revenue	Salary Expense
Insurance Expense	Salaries Payable
Retained Earnings	Supplies
Prepaid Insurance	Supplies Expense

Organize the accounts into the order in which they should appear in the general ledger of Freddy's Fir Tree Company and assign account numbers.

Use the following system to assign account numbers.

1000–1999	Assets
2000–2999	Liabilities
3000–3999	Shareholder's equity account
4000–4999	Revenues
5000–5999	Expenses

Answer: There are several possible correct account numbers. The first digit needs to align with the assigned account numbers. The order of the accounts is important.

- 1001- Cash
- 1012- Accounts Receivable
- 1013- Supplies
- 1014- Prepaid Insurance
- 1015- Prepaid Rent
- 1060- Equipment

- 2010- Accounts Payable
- 2020- Salaries Payable

- 3010- Retained Earnings

- 4010- Sales Revenue

- 5010- Salary Expense
- 5020- Supplies Expense
- 5030- Rent Expense
- 5040- Insurance Expense

Diff: 3

LO: 2-1 Define accounts and understand how they are used in accounting

Skill: Application

Blooms: Application

37) Tito Corporation started business in 2015 and reported the following results:

Assets	\$ 85,000
Liabilities	\$ 25,000
Common Shares	\$ 15,000
Revenue	\$ 100,000
Expenses	\$ 20,000
Dividends	?

Calculate the total dividends paid out.

Answer: Dividends = \$35,000 (\$25,000 + \$15,000 + \$100,000 - \$85,000 - \$20,000)

Diff: 3

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skill: Application

Blooms: Application

2.3 Demonstrate the use of the general journal and the general ledger to record business transactions

1) The general journal was developed to organize transactions by account.

Answer: FALSE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

2) The posting reference column of the general ledger shows the sources of the transferred information.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

3) The general journal is used to record only the revenue transactions of a business.

Answer: FALSE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

4) Recording a transaction in the general journal is called "journalizing" the transaction.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

5) Journalizing is the transfer of information from the general journal to the general ledger.

Answer: FALSE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

6) The posting reference column of the general journal will include the number of the account to which the information is being posted.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

7) Transactions are recorded in order of the dollar amount of the transaction.

Answer: FALSE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

8) Chronological order dictates the order in which transactions are journalized.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

9) Dividends are considered a contra-equity account.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

10) An owner that invests money into his/her business will increase its assets and decrease its equity.

Answer: FALSE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

11) A purchase of equipment on account will cause assets to increase and liabilities to increase.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

12) A payment of a dividend will decrease assets and decrease equity.

Answer: TRUE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

13) A company that orders parts for its manufacturing process will need to journalize this transaction.

Answer: FALSE

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

14) Once you post the transaction to the general ledger, you must go back to the general journal and fill in:

A) the date.

B) the amount debited or credited.

C) the posting reference column with the account number of the posting.

D) the account name that was involved in the transaction.

E) the dollar value.

Answer: C

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Concept

Blooms: Comprehension

15) Instead of T-accounts, businesses more than likely use a:

A) chart of accounts.

B) balance sheet.

C) general ledger.

D) general journal.

E) income statement.

Answer: C

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Concept

Blooms: Comprehension

16) The posting reference column of the general journal provides a cross-reference between the:

- A) ledger and accounts.
- B) journal and ledger.
- C) ledger and financial statements.
- D) journal and financial statements.
- E) ledger and customers.

Answer: B

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Concept

Blooms: Comprehension

17) A deposit received from a customer for a purchase will cause:

- A) assets to increase and liabilities to decrease.
- B) assets to increase and liabilities to increase.
- C) liabilities to increase and equity to increase.
- D) liabilities to decrease and equity to decrease.
- E) assets to increase and equity to increase.

Answer: B

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

18) A collection of an outstanding accounts receivable will cause:

- A) assets to increase and equity to decrease.
- B) assets to increase and equity to increase.
- C) no change in assets.
- D) assets to decrease and equity to decrease.
- E) assets to decrease and equity to increase.

Answer: C

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

19) Every entry in the general journal should include all of the following EXCEPT:

- A) the title of each account affected.
- B) the amounts of debits and credits.
- C) a brief description of the transaction.
- D) the balance of the accounts affected.
- E) debits and credits.

Answer: D

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Concept

Blooms: Comprehension

20) The general ledger is arranged in the _____ order of the chart of accounts.

Answer: numerical

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

21) The _____ indicates where the information originated and to where the information was transferred.

Answer: posting reference

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

22) The _____ keeps a running balance of an individual account.

Answer: general ledger

Diff: 1

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Recall

Blooms: Knowledge

23) Jill invested \$25,000 in her business, Fashion Unlimited. The journal entry would include a _____.

Answer: debit to cash for \$25,000 and a credit to common shares for \$25,000

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

24) Office equipment was purchased for \$2,400 on account to Business Furniture Company. The journal entry would include a _____.

Answer: debit to office equipment \$2,400 and a credit to accounts payable \$2,400

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

25) Salary expenses of \$675 were paid in cash. The journal entry would include a _____.

Answer: debit to salary expense \$675 and a credit to cash \$675

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

26) ABC Corporation collected \$600 from one of its customers for payment on their account. The journal entry would include a _____.

Answer: debit to cash \$600 and a credit to accounts receivable \$600

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

27) ABC Corporation purchases a building for \$350,000 cash. The journal entry would include a _____.

Answer: debit to building \$350,000 and a credit to cash \$350,000

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

28) Toys, Inc. paid one of its creditors \$678 on their balance due. The journal entry would require a _____.

Answer: debit to accounts payable \$678 and credit to cash \$678

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

29) Tonga Corporation purchased \$350 of office supplies on account and treated the supplies as a prepaid expense. The journal entry would require a _____.

Answer: debit to office supplies \$350 and a credit to accounts payable \$350

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

30) Casey Corporation purchased a \$600 two-year insurance policy for cash. The journal entry would require a _____.

Answer: debit to prepaid insurance \$600 and a credit to cash \$600

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

31) Brandon Company sold season tickets for \$700 on account. The journal entry would be to _____.

Answer: debit accounts receivable \$700 and credit season ticket sales revenue \$700

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

32) One of the customers of Amanda Company paid \$223 on her bill. The journal entry that Amanda Company would record is _____.

Answer: debit cash \$223 and credit accounts receivable \$223

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

33) The account "Cash" had the following changes: increase of \$250, decrease of \$75, increase of \$113, and a decrease of \$35. The final balance is a _____.

Answer: debit balance of \$253

Calculation:

$$+\$250 - \$75 + \$113 - \$35 = \$253$$

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

34) Given the following general ledger template, identify the parts of the ledger.

Account Cash			Account Number 111			
A	B	C	D	E	F	G

Answer: A-date; B- item; C-posting reference; D-debit amount of transaction; E-credit amount of transaction; F-debit balance of the account; G-credit balance of the account

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

35) The account "Notes Payable" had the following changes: increase of \$500, increase of \$200, decrease of \$550, and increase of \$250. The final balance is a _____.

Answer: credit balance of \$400

Calculation:

$$\text{Credit } \$500 + \text{Credit } \$200 - \text{Debit } \$550 + \text{Credit } \$250 = \text{Credit } \$400$$

Diff: 3

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Critical Thinking

Blooms: Analysis

36) Journalize the following transactions. You may leave out the explanations and disregard the posting reference.

- A. Paul invested \$33,000 into his company, Paul's Sports, on January 9.
- B. The company purchased \$6,300 of furniture on account on February 14.
- C. The company paid three month's rent of \$4,500 and recorded it as a prepaid expense on February 22.
- D. The company bought \$5,300 of office desks and \$9,000 of computer equipment for \$14,300 cash on March 9.
- E. The company incurred \$1,400 of wages to be paid next week. This entry is to be dated March 19.

Answer:

DATE	ACCOUNT/ DESCRIPTION	PR	DEBIT	CREDIT
1/9	Cash		33,000	
	Common Shares			33,000
2/14	Furniture		6,300	
	Accounts Payable			6,300
2/22	Prepaid Rent		4,500	
	Cash			4,500
3/9	Office Desks		5,300	
	Computer Equipment		9,000	
	Cash			14,300
3/19	Wages Expense		1,400	
	Wages Payable			1,400

Diff: 3

LO: 1-4, 2-3

Skill: Critical Thinking

Blooms: Analysis

37) Using the accounts below, determine the accounts to be debited and credited for each of the transactions.

- Accounts
- Cash
- Dividends
- Supplies
- Revenue
- Machinery
- Salaries Payable
- Accounts Payable
- Salaries Expense
- Retained Earnings
- Accounts Receivable
- Wages Expense

Transactions

1. Paid wages for cash.
2. Purchased equipment for cash.
3. Earned revenue on account.
4. Purchased supplies on account.
5. Paid for supplies purchased in 4.
6. Received payment from customer in 3.
7. Paid employee salaries.
8. Purchased machinery on credit.
9. Paid dividends to shareholders.

Answer:

Debit	Credit
1. Wages Expense	Cash
2. Equipment	Cash
3. Accounts Receivable	Revenue
4. Supplies	Accounts Payable
5. Accounts Payable	Cash
6. Cash	Accounts Receivable
7. Salaries Expense	Cash
8. Machinery	Accounts Payable
9. Dividends	Cash

Diff: 3

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Concept

Blooms: Comprehension

38) Journalize the following transactions for the month of July. You may leave out the explanations and disregard the posting reference. In the element column indicate if the transaction will affect assets, liabilities, or equity.

- A. Tyler Wright invested \$9,500 cash in a small painting business on July 1.
- B. Wright purchased painting equipment on account for \$3,000 on July 3.
- C. Wright hired an employee to start work on July 15. Agreed on a salary of \$3,600 per month.
- D. Billed D. White \$1,975 for painting work done on July 17.
- E. On July 25 received \$1,000 cash from D. White for work billed on July 17 .
- F. On July 29 paid for equipment purchased on July 3.
- G. Paid employee \$1,800 for one-half of a month's work on July 31.

Answer:

DATE	ACCOUNT/ DESCRIPTION	Element	DEBIT	Credit
7/1	Cash	Asset	9,500	
	Common Shares	Equity		9,500
7/3	Painting Equipment	Asset	3,000	
	Accounts Payable	Liability		3,000
7/15	No Transaction			
	No Transaction			
7/17	Accounts Receivable	Asset	1,975	
	Sales	Equity		1,975
7/25	Cash	Asset	1,000	
	Accounts Receivable	Asset		1,000
7/29	Accounts Payable	Liability	3,000	
	Cash	Asset		3,000
7/31	Salaries Expense	Equity	1,800	
	Cash	Asset		1,800

Diff: 3

LO: 1-4, 2-3

Skill: Critical Thinking

Blooms: Analysis

39) Prepare general journal entries for the following business transactions. Identify each transaction by date. Explanations and posting reference are not required.

Dec 1. Received \$35,000 cash for issuing common shares.

2. Purchased machinery for \$50,000, paying \$15,000 in cash and giving a note payable for the remainder.

10. Paid \$3,000 for a one-year insurance policy.

11. Billed customers for \$21,500 of services provided on account.

15. Paid monthly rent of \$2,500.

16. Performed \$17,000 of services and immediately received \$7,000 cash.

22. Hired an administrative assistant. Weekly wages are \$750 per week.

25. Collected \$8,000 from customers on account.

31. Paid the administrative assistant the first week's salary.

Answer:

Dec. 1	Cash		35,000	
		Common Shares		35,000
2	Machinery		50,000	
		Cash		15,000
		Note Payable		35,000
10	Prepaid Insurance		3,000	
		Cash		3,000
11	Accounts Receivable		21,500	
		Service Revenue		21,500
15	Rent Expense		2,500	
		Cash		2,500
16	Cash		7,000	
	Accounts Receivable		10,000	
		Service Revenue		17,000
22	No entry required for administrative assistant hire			
25	Cash		8,000	
		Accounts Receivable		8,000
31	Wage Expense		750	
		Cash		750

Diff: 3

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Knowledge

40) Given the following accounts, identify which account(s), by letter, would be debited or credited for the following transactions.

- A. Cash
- B. Accounts Receivable
- C. Supplies
- D. Computer Equipment
- E. Accounts Payable
- F. Fees Revenue
- G. Marketing Expense
- H. Salaries Expense
- I. Internet Expense
- J. Office Equipment
- K. Common Shares
- L. Rent Expense

1. Purchased supplies on account.
2. Purchased computer equipment for cash.
3. Earned revenue from doing tax returns on account.
4. Paid this month's rent.
5. Paid a bill due on account.
6. Collected payment from a customer.
7. Invested additional cash into the business.
8. Paid the marketing bill.
9. Earned revenue from doing tax returns for cash.
10. Paid salaries in cash.
11. Purchased office equipment on account.

Answer:

1. Debit C; Credit E
2. Debit D; Credit A
3. Debit B; Credit F
4. Debit L; Credit A
5. Debit E; Credit A
6. Debit A; Credit B
7. Debit A; Credit K
8. Debit G; Credit A
9. Debit A; Credit F
10. Debit H; Credit A
11. Debit J; Credit E

Diff: 3

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Critical Thinking

Blooms: Analysis

41) Journalize the following transactions. You may omit the explanations and disregard the posting reference.

- A. Rick invested \$21,500 into his company, Rick's Fishing, on January 11.
- B. The company purchased \$2,900 of furniture for cash on February 3.
- C. The company paid three month's rent of \$2250 and recorded it as a prepaid expense on February 9.
- D. The company bought \$2,300 of office fixtures and \$6,200 of stock bins for \$7,000 cash and the balance on account dated March 9.
- E. The company receives payment of \$575 from a customer on her bill. This transaction was on March 12.

Answer:

DATE	ACCOUNT/ DESCRIPTION	PR	DEBIT	CREDIT
1/11	Cash		21,500	
	Common Shares			21,500
2/3	Furniture		2,900	
	Cash			2,900
2/9	Prepaid Rent		2,250	
	Cash			2,250
3/9	Office Fixtures		2,300	
	Stock Bins		6,200	
	Cash			7,000
	Accounts Payable			1,500
3/12	Cash		575	
	Accounts Receivable			575

Diff: 3

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Critical Thinking

Blooms: Analysis

42) Journalize the following business transactions in general journal form. Identify each transaction by date. Explanations are not required.

- Dec 2. Purchased \$400 of photography supplies on credit.
 3. Purchased photography equipment for \$6,000, paying \$2,500 in cash and signing a 30-day, \$3,500 note payable.
 4. Sales billed to clients amounted to \$4,000.
 5. Paid \$700 in cash for the current months rent.
 6. Paid \$200 cash on account for supplies purchased on December 2.
 7. Received a bill for \$500 for advertising for the current month.
 8. Paid \$2,200 cash for photographer's assistant salary.
 9. Received a cheque for \$3,000 from a client in partial payment on account for December 4th billing.

Answer:

DATE	ACCOUNT/ DESCRIPTION	PR	DEBIT	CREDIT
Dec. 2	Photography Supplies		400	
	Accounts Payable			400
Dec. 3	Photography Equipment		6,000	
	Cash			2,500
	Notes Payable			3,500
Dec. 4	Accounts Receivable		4,000	
	Sales/ Revenue			4,000
Dec. 5	Rent Expense		700	
	Cash			700
Dec. 6	Accounts Payable		200	
	Cash			200
Dec. 7	Advertising Expense		500	
	Accounts Payable			500
Dec. 8	Salaries Expense		2,200	
	Cash			2,200
Dec. 9	Cash		3,000	
	Accounts Receivable			3,000

Diff: 3

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Critical Thinking

Blooms: Analysis

43) Fire Alarm Services completed the following transactions in the month of March.

- Mar. 1. Purchased fire monitoring equipment for \$18,000 for cash.
 2. Purchased response vehicle costing \$25,000 for \$4,500 cash and the remainder on account.
 3. Purchased supplies on account for \$800.
 14. Paid \$3,000 for a one-year insurance policy.
 15. Received \$2,000 cash for services performed.
 16. Received \$4,000 for services previously performed on account.
 20. Paid wages to employees for \$2,500.
 28. Paid \$500 in dividends to shareholders.

Requirements

Journalize each transaction and identify each transaction by date. Explanations are not required.

Answer:

Mar. 1	Equipment		18,000	
		Cash		18,000
2	Equipment		25,000	
		Cash		4,500
		Accounts Payable		20,500
3	Supplies		800	
		Accounts Payable		800
14	Prepaid Insurance		3,000	
		Cash		3,000
15	Cash		2,000	
		Service Revenue		2,000
16	Cash		4,000	
		Accounts Receivable		4,000
20	Wages Expense		2,500	
		Cash		2,500
28	Dividends		500	
		Cash		500

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Application

44) Bellator Corporation's reported profits are below expectations for the quarter. The controller of Bellator Corporation instructs the lead accountant, Mary Pierce, CPA, CMA to record all customer deposits into revenue. He says that cash is reasonably assured and Bellator collects 95% of its receivables.

a) Are there any ethical issues involved with converting the deposits into revenues? What should Mary do?

b) What impact will the reclassification of deposits into revenues have on the assets, liabilities, and equities of a company?

Answer:

a) The practice of managing earnings is not acceptable. Mary is a CPA, CMA and she is held to the highest ethical standard by her national accounting body. If she engages in fraudulent activities she could lose both her reputation and her designation. The best course of action for Mary is to resign.

b) The impact will be to decrease liabilities and increase revenues, net profits, and equity. Even though the company will be able to show higher profitability, it will be doing it by managing earnings.

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Application

Blooms: Knowledge

2.4 Use a trial balance to prepare financial statements

1) A trial balance is a list of the accounts and their balances taken from the general journal.

Answer: FALSE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

2) A trial balance contains the name of the company, the words "trial balance," and the date of the statement.

Answer: TRUE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

3) The required accounting period for a trial balance is one year.

Answer: FALSE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

4) Once the trial balance is correct, the next step is to prepare the financial statements, beginning with the income statement.

Answer: TRUE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

5) If debits equal credits on the trial balance, it means that the trial balance is correct.

Answer: FALSE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

6) An entry could have been posted twice and the trial balance might still balance.

Answer: TRUE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

7) The trial balance will remain in balance even if a \$1,300 debit to Supplies was posted as a \$3,100 debit.

Answer: FALSE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

8) The trial balance will remain in balance even if a \$7,500 debit to Dividends was posted as a debit to the Common Shares account.

Answer: TRUE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

9) The trial balance will remain in balance even if a \$2,000 credit to Cash was posted twice as two credits to Cash.

Answer: FALSE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

10) The trial balance will remain in balance even if a journal entry debiting Cash and crediting Service Revenue for \$2,500 was not posted.

Answer: TRUE

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

11) A trial balance will determine if:

A) an entry was recorded twice.

B) an entry was posted twice.

C) debits equal credits.

D) the right accounts were debited or credited.

E) all entries are correct.

Answer: C

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

12) The trial balance:

A) lists only the accounts which are used to prepare the balance sheet.

B) shows only credit balances.

C) shows only debit balances.

D) shows the current date.

E) lists only the accounts which are used to prepare the income statement.

Answer: D

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

13) The columns on a trial balance represent _____.

Answer: debits and credits

Diff: 1

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Recall

Blooms: Knowledge

14) A cash payment was made to pay for delivery expenses, but was mistakenly charged to advertising expenses. What effect will this have on the balance of the trial balance?

Answer: The trial balance will still balance. The account balances will be incorrect.

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

15) On the trial balance, which should have their balances listed in the debit column?

Answer: Assets, dividends, and expenses

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

16) On the trial balance, which should have their balances listed in the credit column?

Answer: Liabilities, retained earnings, and revenues

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

17) Only the _____ and _____ accounts from the trial balance will be used to prepare the income statement.

Answer: revenue; expense

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

18) Which financial statement would be best at proving the accounts balance?

Answer: Trial balance

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

19) Emily Ma started an Energy Saving Service in June 2015. The account balances on June 30, 2015 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2015.

Prepare a trial balance using the correct financial presentation.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Answer: Emily's Energy Saving Service
 Trial Balance
 June 30, 2015

	Debit	Credit
Cash	\$12,000	
Accounts Receivable	4,500	
Office Supplies	300	
Office Equipment	2,000	
Energy Assessment Equipment	25,000	
Building	25,000	
Accounts Payable		\$6,100
Notes Payable		24,000
Common Shares		10,000
Dividends	30,000	
Service Revenue		74,200
Equipment Rental Expense	1,500	
Travel Expense	4,000	
Utilities Expense	1,000	
Wages Expense	5,000	
Automobile Expense	4,000	
Totals	\$114,300	\$114,300

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

20) Prepare a trial balance from the following information for Learn a New Language, Inc. for December 31, 2013.

Accounts Payable	\$5,012
Common Shares	\$9,692
Cash	\$3,928
Notes Payable	\$1,439
Wages Expense	\$777
Marketing Expense	\$493
Equipment	\$8,345
Accounts Receivable	\$1,142
Inventory	\$8,074
Sales	\$6,616

Answer: Learn a New Language Inc.
 Trial Balance
 December 31, 2013

Cash	\$3,928	
Accounts Receivable	1,142	
Inventory	8,074	
Equipment	8,345	
Accounts Payable		\$5,012
Notes Payable		1,439
Common Shares		9,692
Sales		6,616
Marketing Expense	493	
Wages Expense	777	
TOTALS	\$22,759	\$22,759

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

21) Prepare a trial balance from the following information for Computer Systems, Inc. for December 31, 2015.

Accounts Payable	\$4,298
Common Shares	\$4,073
Sales	\$8,302
Cash	\$1,902
Notes Payable	\$888
Wages Expense	\$777
Supplies Expense	\$1,028
Equipment	\$5,183
Accounts Receivable	\$1,733
Inventory	\$6,938

Answer: Computer Systems, Inc.
 Trial Balance
 December 31, 2015

Cash	\$1,902	
Accounts Receivable	1,733	
Inventory	6,938	
Equipment	5,183	
Accounts Payable		\$4,298
Notes Payable		888
Common Shares		4,073
Sales		8,302
Supplies Expense	1,028	
Wages Expense	777	
TOTALS	\$17,561	\$17,561

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Synthesis

22) Prepare a trial balance from the following information for Alpha Systems, Inc. for December 31, 2012.

Accounts Payable	\$3,245
Common Shares	\$5,521
Sales	\$8,348
Cash	\$2,602
Notes Payable	\$1,465
Travel Expense	\$2,006
Rent Expense	\$1,305
Computers	\$4,064
Accounts Receivable	\$1,284
Inventory	\$7,318

Answer: Alpha Systems, Inc.
 Trial Balance
 December 31, 2012

Cash	\$2,602	
Accounts Receivable	1,284	
Computers	4,064	
Inventory	7,318	
Accounts Payable		\$3,245
Notes Payable		1,465
Common Shares		5,521
Sales		8,348
Rent Expense	1,305	
Travel Expense	2,006	
TOTALS	\$18,579	\$18,579

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Synthesis

23) Emily Ma started Energy Saving Service in June 2015. The account balances on June 30, 2015 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2015.

Prepare Emily's statement of financial position for June 30, 2015.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Answer: Emily's Energy Saving Service
Statement of Financial Position
As of June 30, 2015

ASSETS	
Cash	\$12,000
Accounts Receivable	4,500
Office Supplies	300
Office Equipment	2,000
Energy Assessment Equipment	25,000
Building	25,000
Total Assets	\$68,800
LIABILITIES	
Accounts Payable	\$6,100
Notes Payable	24,000
Total Liabilities	30,100
SHAREHOLDERS' EQUITY	
Common Shares	10,000
Retained Earnings	28,700
Total Shareholders' Equity	38,700
Total Liabilities and Shareholders' Equity	\$68,800

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

24) Emily Ma started Energy Saving Service in June 2015. The account balances on June 30, 2015 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2015.

Prepare Emily's statement of changes in equity for June 30, 2015.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Answer: Emily's Energy Saving Service
Statement of Changes in Equity
Month Ended June 30, 2015

	Number of Common Shares	Common Shares	Retained Earnings	Total
Balance June 1, 2013		\$0	\$0	\$0
Issued Common Shares	100	10,000	--	10,000
Net Income			58,700	58,700
Dividends			(30,000)	(30,000)
Balance June 30, 2013	100	\$10,000	\$28,700	\$38,700

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

25) Phillip started his physiotherapy business in March 2013. The account balances on March 31, 2013 are provided below. All accounts have normal balances. Phillip issued sixty-three (63) common shares in March.

- a) Prepare a trial balance using the correct financial presentation. Remember to include the correct headings.
- b) Prepare an income statement for March 2013.
- c) Prepare a statement of changes in equity for March 2013.
- d) Prepare a statement of financial position for March 2013.

Accounts Payable	\$6,100
Accounts Receivable	1,100
Building	51,000
Cash	2,400
Common Shares	63,000
Dividends	10,500
Exercise Equipment	18,900
Notes Payable	24,100
Office Equipment	2,000
Office Supplies	300
Rent Expense	1,500
Physiotherapy Revenue	32,500
Utilities Expense	1,000
Wages Expense	5,000
Weight Equipment	22,000

Answer: a)

Phillip's Physiotherapy Clinic's
Trial Balance
March 31, 2013

	Debit	Credit
Cash	\$12,400	
Accounts Receivable	1,100	
Office Supplies	300	
Office Equipment	2,000	
Exercise Equipment	18,900	
Weight Equipment	22,000	
Building	51,000	
Accounts Payable		\$6,100
Notes Payable		24,100
Common Shares		63,000
Dividends	10,500	
Physiotherapy Revenue		32,500
Rent Expense	1,500	
Utilities Expense	1,000	
Wages Expense	5,000	
Totals	\$125,700	\$125,700

b)

Phillip's Physiotherapy Clinic's
Statement of Financial Position
Month Ended March 31, 2013

Revenue			
	Physiotherapy Revenue		\$32,500
Expenses			
	Rent Expense	\$1,500	
	Utilities Expense	1,000	
	Wages Expense	5,000	
Total Expenses			7,500
Net Income			\$25,000

c)

Phillip's Physiotherapy Clinic's
Statement of Changes in Equity
Month Ended March 31, 2013

	Number of Common Shares	\$Common Shares	Retained Earnings	Total
Balance March 1st, 2013		\$0	\$0	\$0
Issued Common Shares	63	\$63,000	--	63,000
Net Income			\$25,000	25,000
Dividends	—	—	(10,500)	(10,500)
Balance March 31st, 2013	63	\$63,000	\$14,500	\$77,500

d)

Phillip's Physiotherapy Clinic's
Statement of Financial Position
As of March 31, 2013

ASSETS	
Cash	\$12,400
Accounts Receivable	1,100
Office Supplies	300
Office Equipment	2,000
Exercise Equipment	18,900
Weight Equipment	22,000
Building	51,000
Total Assets	\$107,700
LIABILITIES	
Accounts Payable	\$6,100
Notes Payable	24,100
Total Liabilities	30,200
SHAREHOLDERS' EQUITY	
Common Shares	63,000
Retained Earnings	14,500
Total Shareholders' Equity	77,500
Total Liabilities and Shareholders' Equity	\$107,700

Diff: 3

LO: 2-3 & 2-4

Skill: Application

Blooms: Application

26) Emily Ma started Energy Saving Service in June 2013. The account balances on June 30, 2013 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2013.

Prepare Emily's income statement.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Answer: Emily's Energy Saving Service
Income Statement
Month Ended June 30, 2013

Revenue			
	Service Revenue		\$74,200
Expenses			
	Equipment Rental Expense	\$1,500	
	Travel Expense	4,000	
	Utilities Expense	1,000	
	Wages Expense	5,000	
	Automobile Expense	4,000	
Total Expenses			15,500
Net Income			\$58,700

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

27) Magic Music DJ Service is a DJ Service in Ottawa providing music for weddings and private parties. The account balances at December 31, 2013 are below.

Prepare a trial balance in proper accounting format.

Accounts Payable	\$18,800
Accounts Receivable	26,000
Automobiles	28,500
Cash	18,500
Computer Hardware	29,000
Common Shares	64,700
Dividends	40,000
DJ Equipment	35,400
Fees Earned	105,000
Music Supplies	800
Music Library	4,200
Notes Payable	50,000
Notes Receivable	19,100
Rent Expense	11,000
Salaries Expense	26,000

Answer: MAGIC MOMENTS D.J. SERVICES

Trial Balance
December 31, 2013

	Debit	Credit
Cash	\$18,500	
Accounts Receivable	26,000	
Notes Receivable	19,100	
Music Supplies	800	
Computer Hardware	29,000	
Office Furniture	35,400	
Music Library	4,200	
Automobiles	28,500	
Accounts Payable		\$18,800
Notes Payable		50,000
Common Shares		64,700
Dividends	40,000	
Fees Earned		105,000
Rent Expense	11,000	
Salaries Expense	26,000	
Totals	\$238,500	\$238,500

Diff: 2

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

28) Elite MMA is a start-up Mixed Martial Arts organization that televises mixed martial events on pay per view. Elite MMA generated its first trial balance and it is out of balance. The trial balance is provided below:

Elite MMA
Trial Balance
March 2014

Accounts	Debit	Credit
Cash	\$12,825	
Accounts Receivable	4,085	
Supplies	886	
MMA Equipment	7,331	
Accounts Payable		\$2,565
Common Shares		24,056
Dividends		3,685
Pay Per View Revenue	6,780	
Advertising expense	3,735	
Salaries expense	446	
Totals	\$36,088	\$30,306

The following additional information was provided about the errors in the transactions:

1. A purchase of \$416 of supplies on account was recorded as a credit to cash. The debit entry was correct.
2. A \$102 credit to accounts receivable was posted as \$1,020.
3. A journal entry to record the payment of \$255 for an advertising expense was correctly prepared but the credit to cash was posted as a debit.
4. A journal entry to record the payment of \$255 for an advertising expense was correctly prepared but the credit to cash was posted as a debit. The debit to advertising expense was properly posted.

Prepare a corrected trial balance.

Answer:

Elite MMA		
Trial Balance		
March 31, 2014		
	Debit	Credit
Cash	12,731	
Accounts receivable	5,763	
Supplies	886	
MMA Equipment	7,331	
Accounts payable		2,981
Common Shares		24,056
Dividends	3,685	
Pay Per View Revenue		7,540
Advertising expense	3,735	
Salaries expense	446	
Totals	34,577	34,577

Diff: 2

29) The general ledger accounts for Corey's Candle Company for the month of January 2013 are shown below. All accounts have normal balances.

Prepare a trial balance with the general ledger accounts in the proper financial statement order.

Accounts Payable	\$6,100
Accounts Receivable	1,050
Building	51,400
Retained Earnings	63,100
Cash	22,500
Wax Melting Equipment	18,900
Candle Moulding Equipment	23,000
Notes Payable	49,000
Office Supplies	350
Office Equipment	1,000

Answer: Corey's Candle Company
 Trial Balance
 January 31, 2013

	Debit	Credit
Cash	\$22,500	
Accounts Receivable	1,050	
Office Supplies	350	
Office Equipment	1,000	
Wax Melting Equipment	18,900	
Candle Moulding Equipment	23,000	
Building	51,400	
Accounts Payable		\$6,100
Notes Payable		49,000
Retained Earnings		3,100
Totals	\$118,200	\$118,200

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

30) There are eight steps in the accounting cycle. List and describe the eight steps.

Answer:

1. Analyze and journalize transaction.
2. Post transaction to the general ledger.
3. Prepare an unadjusted trial balance.
4. Journalize and post the adjusting entries.
5. Prepare an adjusted trial balance.
6. Prepare the financial statements.
7. Journalize and post the closing entries.
8. Prepare a post-closing trial balance.

Diff: 2

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skill: Concept

Blooms: Comprehension

31) Taylor's trial balance contains the following balances:

Cash	\$367	Accounts payable	\$267	Revenue	\$632
Accounts receivable	\$429	Expenses	\$103		

What is the total for the trial balance?

Answer: \$899

	Debit	Credit
Cash	\$367	
Accounts Receivable	429	
Accounts Payable		\$267
Revenue		632
Expenses	103	
	\$899	\$899

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Concept

Blooms: Comprehension

32) The Fireworks Company has the following T-accounts. Their transactions for July 2013 are included below.

- For each transaction, journalize the transaction, including an explanation for the entry.
- Determine the ending account balance for each account.
- Prepare a trial balance as at July 2013.

<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Cash</th> </tr> </thead> <tbody> <tr> <td style="width: 50%; text-align: right;">4,000</td> <td style="width: 50%;"></td> </tr> <tr> <td style="text-align: right;">(1) 1,000</td> <td style="text-align: left;">(2) 3,500</td> </tr> <tr> <td style="text-align: right;">(7) 22,500</td> <td style="text-align: left;">(3) 1,950</td> </tr> <tr> <td></td> <td style="text-align: left;">(4) 2,225</td> </tr> <tr> <td></td> <td style="text-align: left;">(6) 8,000</td> </tr> </tbody> </table>	Cash		4,000		(1) 1,000	(2) 3,500	(7) 22,500	(3) 1,950		(4) 2,225		(6) 8,000	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Accounts Receivable</th> </tr> </thead> <tbody> <tr> <td style="width: 50%; text-align: right;">500</td> <td style="width: 50%;"></td> </tr> <tr> <td style="text-align: right;">(5) 27,500</td> <td style="text-align: left;">(7) 22,500</td> </tr> </tbody> </table>	Accounts Receivable		500		(5) 27,500	(7) 22,500
Cash																			
4,000																			
(1) 1,000	(2) 3,500																		
(7) 22,500	(3) 1,950																		
	(4) 2,225																		
	(6) 8,000																		
Accounts Receivable																			
500																			
(5) 27,500	(7) 22,500																		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Supplies</th> </tr> </thead> <tbody> <tr> <td style="width: 50%; text-align: right;">(3) 1,950</td> <td style="width: 50%;"></td> </tr> </tbody> </table>	Supplies		(3) 1,950		<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Equipment</th> </tr> </thead> <tbody> <tr> <td style="width: 50%; text-align: right;">(2) 13,500</td> <td style="width: 50%;"></td> </tr> </tbody> </table>	Equipment		(2) 13,500											
Supplies																			
(3) 1,950																			
Equipment																			
(2) 13,500																			
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Retained Earnings</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">4,000</td> </tr> </tbody> </table>	Retained Earnings			4,000	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Revenue</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">(1) 1,000</td> </tr> <tr> <td></td> <td style="text-align: right;">(5) 27,500</td> </tr> </tbody> </table>	Revenue			(1) 1,000		(5) 27,500								
Retained Earnings																			
	4,000																		
Revenue																			
	(1) 1,000																		
	(5) 27,500																		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Accounts Payable</th> </tr> </thead> <tbody> <tr> <td style="width: 50%; text-align: right;">(6) 8,000</td> <td style="width: 50%; text-align: right;">500</td> </tr> <tr> <td></td> <td style="text-align: right;">(2) 10,000</td> </tr> </tbody> </table>	Accounts Payable		(6) 8,000	500		(2) 10,000	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Salaries Expense</th> </tr> </thead> <tbody> <tr> <td style="width: 50%; text-align: right;">(4) 2,225</td> <td style="width: 50%;"></td> </tr> </tbody> </table>	Salaries Expense		(4) 2,225									
Accounts Payable																			
(6) 8,000	500																		
	(2) 10,000																		
Salaries Expense																			
(4) 2,225																			

Answer:

a)

1. Cash 1,000
 Revenue 1,000
 Cash Sales for Fireworks sold during July 2013.

2.
 Equipment 13,500
 Cash 3,500
 Accounts Payable 10,000
 Purchased equipment for cash and accounts payable.

3. Supplies 1,950
 Cash 1,950
 Purchased supplies for cash.

4. Salaries Expense 2,225
 Cash 2,225
 Paid salaries to employees.

5. Accounts Receivable 27,500
 Revenue 27,500
 Issued invoices for firework displays conducted in July.

6. Accounts Payable 8,000
 Cash 8,000
 Made partial payment on accounts payable.

7. Cash 22,500
 Accounts Receivable 22,500
 Collections from customers.

b)

<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Cash</th> </tr> <tr> <td style="width: 50%;">Opening bal. 4,000</td> <td style="width: 50%;"></td> </tr> <tr> <td>(1) 1,000</td> <td>(2) 3,500</td> </tr> <tr> <td>(7) 22,500</td> <td>(3) 1,950</td> </tr> <tr> <td></td> <td>(4) 2,225</td> </tr> <tr> <td></td> <td>(6) 8,000</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: center;">11,825</td> </tr> </table>	Cash		Opening bal. 4,000		(1) 1,000	(2) 3,500	(7) 22,500	(3) 1,950		(4) 2,225		(6) 8,000	11,825		<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Accounts Receivable</th> </tr> <tr> <td style="width: 50%;">Opening bal. 500</td> <td style="width: 50%;"></td> </tr> <tr> <td>(5) 27,500</td> <td>(7) 22,500</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: center;">5,500</td> </tr> </table>	Accounts Receivable		Opening bal. 500		(5) 27,500	(7) 22,500	5,500	
Cash																							
Opening bal. 4,000																							
(1) 1,000	(2) 3,500																						
(7) 22,500	(3) 1,950																						
	(4) 2,225																						
	(6) 8,000																						
11,825																							
Accounts Receivable																							
Opening bal. 500																							
(5) 27,500	(7) 22,500																						
5,500																							
<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Supplies</th> </tr> <tr> <td style="width: 50%;">(3) 1,950</td> <td style="width: 50%;"></td> </tr> </table>	Supplies		(3) 1,950		<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Equipment</th> </tr> <tr> <td style="width: 50%;">(2) 13,500</td> <td style="width: 50%;"></td> </tr> </table>	Equipment		(2) 13,500															
Supplies																							
(3) 1,950																							
Equipment																							
(2) 13,500																							
<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Retained Earnings</th> </tr> <tr> <td style="width: 50%;">Opening bal.</td> <td style="width: 50%; text-align: right;">4,000</td> </tr> </table>	Retained Earnings		Opening bal.	4,000	<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Revenue</th> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">(1) 1,000</td> </tr> <tr> <td></td> <td style="text-align: right;">(5) 27,500</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: right;">28,500</td> </tr> </table>	Revenue			(1) 1,000		(5) 27,500	28,500											
Retained Earnings																							
Opening bal.	4,000																						
Revenue																							
	(1) 1,000																						
	(5) 27,500																						
28,500																							
<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Accounts Payable</th> </tr> <tr> <td style="width: 50%;">Opening bal. 500</td> <td style="width: 50%;"></td> </tr> <tr> <td>(6) 8,000</td> <td>(2) 10,000</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: center;">2,500</td> </tr> </table>	Accounts Payable		Opening bal. 500		(6) 8,000	(2) 10,000	2,500		<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Salaries Expense</th> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">(4) 2,225</td> </tr> </table>	Salaries Expense			(4) 2,225										
Accounts Payable																							
Opening bal. 500																							
(6) 8,000	(2) 10,000																						
2,500																							
Salaries Expense																							
	(4) 2,225																						

c)

The Fireworks Company
Trial Balance
July 31, 2013

	Debit	Credit
Cash	\$11,825	
Accounts Receivable	5,500	
Supplies	1,950	
Equipment	13,500	
Accounts Payable		\$2,500
Retained Earnings		4,000
Revenue		28,500
Salaries Expenses	2,225	
Total	\$35,000	\$35,000

Diff: 3

LO: 2-4 Use a trial balance to prepare financial statements

Skill: Application

Blooms: Application

2.5 Cumulative Questions

1) Complete the chart below.

For each of the general ledger accounts, identify:

- the type of account (Asset, Liability, Shareholders Equity, Revenue, or Expense)
- the effect of an increase (debit or credit)
- the normal account balance

Account	(a) Type of Account	(b) Debit or Credit	(c) Normal Balance
Cash			
Accounts Receivable			
Accounts Payable			
Notes Payable			
Notes Receivable			
Common Shares			
Sales			
Travel Expense			
Supplies			

Answer:

Account	Type of Account	Debit or Credit	Normal Balance
Cash	Asset	Debit	Debit
Accounts Receivable	Asset	Debit	Debit
Accounts Payable	Liability	Credit	Credit
Notes Payable	Liability	Credit	Credit
Notes Receivable	Asset	Debit	Debit
Common Shares	Shareholders' Equity	Credit	Credit
Sales	Revenue	Credit	Credit
Travel Expense	Expense	Debit	Debit
Supplies	Asset	Debit	Debit

Diff: 3

LO: 1-4, 2-1

Skill: Application

Blooms: Application

- 2) For each of the following general ledger accounts identify:
- (a) the type of account (Asset, Liability, Shareholders Equity, Revenue, Expense)
 - (b) the debit and credit effects
 - (c) the normal account balance

Accounts

1. Notes Payable
2. Accounts Receivable
3. Common Shares
4. Dividends
5. Service Revenue
6. Advertising Expense
7. Mortgage Payable
8. Equipment
9. Accounts Payable
10. Supplies

Answer:

1.
 - a. Liability account
 - b. Debit decreases, credit increases
 - c. Normal balance - credit

2.
 - a. Asset account
 - b. Debit increases, credit decreases
 - c. Normal balance - debit

3.
 - a. Shareholders' Equity
 - b. Debit decreases, credit increases
 - c. Normal balance - credit

4.
 - a. Shareholders' Equity
 - b. Debit increases, credit decreases
 - c. Normal balance - debit

5.
 - a. Liability account
 - b. Debit decreases, credit increases
 - c. Normal balance - credit

- 6.
- a. revenue account
 - b. Debit decreases, credit increases
 - c. Normal balance - credit

- 7.
- a. Expense account
 - b. Debit increases, credit decreases
 - c. Normal balance - debit

- 8.
- a. Liability account
 - b. Debit decreases, credit increases
 - c. Normal balance - credit

- 9.
- a. Asset account
 - b. Debit increases, credit decreases
 - c. Normal balance - debit

- 10.
- a. Asset account
 - b. Debit increases, credit decrease
 - c. Normal balance - debt

Diff: 3

LO: 1-4, 2-1

Skill: Application

Blooms: Analysis

3) The June 2013 general journal for Have A Nap Hotel Company is provided below.

General Journal

Date	Account Titles and Explanation		Debit	Credit
June 1	Cash		25,000	
		Shares		25,000
	Issue Shares for Have A Nap Hotels.			
4	Furniture and Fixtures			
		Cash		10,000
		Notes Payable		30,000
	Purchased furniture & fixtures paid cash and issued 2-year, 6% note payable.			
8	Rent Expense		1,000	
		Cash		1,000
	Paid June rent.			
15	Prepaid Insurance		1,400	
		Cash		1,400
	Paid one-year liability insurance.			
18	Cash		2,500	
		Revenue		2,500
	Received cash for room rentals.			
20	Wages Expense		450	
		Cash		450
	Paid salaries for June.			
25	Utility Expense		150	
		Accounts Payable		150
	Received a bill for June utilities.			
30	Dividends		750	
		Cash		750
	Paid dividends to shareholders.			

30	Accounts Receivable		1,000	
		Revenue		1,000
	Billed customer for party room rental.			

a) Identify the accounting equation for each transaction in the chart below.

	Assets	Liabilities	Shareholders' Equity
Example: June 1	25,000		25,000
June 4			
June 8			
June 15			
June 18			
June 20			
June 25			
June 30			
June 30			

b) Use T-accounts to post the journal entries to the accounts in the general ledger.

c) Prepare a trial balance for June 2013.

Answer: a)

	Assets	Liabilities	Shareholders' Equity
Example: June 1	+25,000		+25,000
June 4	+40,000 - 10,000	+30,000	
June 8	-1,000		-1,000
June 15	+1,400 - 1,400		
June 18	+2,500		+2,500
June 20	-450		-450
June 25		+150	-150
June 30	-750		-750
June 30	+1,000		+1,000

b) T-accounts

Cash				Accounts Receivable	
6/1	25,000	6/4	10,000	6/30	1,000
6/18	2,500	6/8	1,000		
		6/15	1,400		
		6/20	450		
		6/30	750		
6/30 Bal.	13,900			6/30 Bal.	1,000

Prepaid Insurance				Furniture and Fixtures	
6/15	1,400	6/4	40,000		
6/30 Bal.	1,400	6/30 Bal.	40,000		

Accounts Payable				Notes Payable	
		6/25	150	6/4	30,000
		6/30 Bal.	150	6/30 Bal.	30,000

Common Shares				Dividends	
		6/1	25,000	6/30	750
		6/30 Bal.	25,000	6/30 Bal.	750

Room Revenue				Rent Expense	
		6/18	2,500	6/8	1,000
		6/30	1,000		
		6/30 Bal.	3,500	6/30 Bal.	1,000

Wages Expense				Utility Expense	
6/20	450	6/25	150		
6/30 Bal.	450	6/30 Bal.	150		

c) Trial Balance

Have A Nap Hotel Service
 Trial Balance
 June 30, 2013

Accounts	Debit	Credit
Cash	\$13,900	
Accounts Receivable	1,000	
Prepaid Insurance	1,400	
Furniture and Fixtures	40,000	
Accounts Payable		\$150
Notes Payable		30,000
Common Shares		25,000
Dividends	750	
Room Revenue		3,500
Rent Expense	1,000	
Wages Expense	450	
Utility expense	150	
Total	\$58,650	\$58,650

Diff: 3

LO: 1-4, 2-3, 2-4

Skill: Application

Blooms: Analysis