

## Chapter 2--Analyzing Transactions

Student: \_\_\_\_\_

1. Accounts are records of increases and decreases in individual financial statement items.

True False

2. A chart of accounts is a listing of accounts that make up the journal.

True False

3. The chart of accounts should be the same for each business.

True False

4. Consuming goods and services in the process of generating revenues results in expenses.

True False

5. Prepaid expenses are an example of an expense.

True False

6. Accounts payable are accounts that you expect will be paid to you.

True False

7. The unearned revenues account is an example of a liability.

True False

8. The dividends account is an example of an expense.

True False

9. Accounts in the ledger are usually maintained in alphabetical order.

True False

10. Depending on the account title, the right side of the account is referred to as the debit side.  
True False
11. To determine the balance in a prepaid expense account, subtract credits from debits.  
True False
12. An account has three parts to it; a title, an increase side, and a decrease side.  
True False
13. The right hand side of a T account is known as a debit and the left hand side is known as a credit.  
True False
14. A debit is abbreviated as *Db* and a credit is abbreviated as *Cr*.  
True False
15. Debiting the cash account will increase the account.  
True False
16. The T account got its name because it resembles the letter "T."  
True False
17. The recording of cash receipts to the cash account will be done by debiting the account.  
True False
18. A credit to the cash account will increase the account.  
True False
19. The recording of cash payments from the cash account is done by entering the amount as a credit.  
True False

20. The cash account will always be debited

True False

21. The balance of the account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.

True False

22. Liabilities are debts owed by the business entity.

True False

23. The accounts payable account is listed in the chart of accounts as an asset.

True False

24. A dividends account records amounts paid to stockholders.

True False

25. Revenues are equal to the difference between cash receipts and cash payments.

True False

26. Expenses use up assets or consume services in the process of generating revenues.

True False

27. Retained earnings will be reduced by the amount in the dividends account.

True False

28. When a company issues new shares of stock, the capital stock account increases due to revenue being earned.

True False

29. When an accounts payable account is paid in cash, company expenses increase.

True False

30. When an account receivable is collected in cash, the total assets of the business increase.

True False

31. Journalizing eliminates fraud.

True False

32. The double-entry accounting system records each transaction twice.

True False

33. The increase side of all accounts is the normal balance.

True False

34. Transactions are initially entered into a record called a journal.

True False

35. The process of recording a transaction in the journal is called journalizing.

True False

36. Journalizing is the process of entering amounts in the ledger.

True False

37. Transactions are listed in the journal chronologically.

True False

38. Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.

True False

39. Liability accounts are increased by debits.

True False

40. Expense accounts are increased by credits.

True False

41. Revenue accounts are increased by credits.

True False

42. The normal balance of a capital stock account is a debit.

True False

43. The normal balance of the dividends account is a debit.

True False

44. The normal balance of an expense account is a credit.

True False

45. The normal balance of revenue accounts is a credit.

True False

46. Dividends decrease retained earnings and are listed on the income statement as a deduction from revenue.

True False

47. For a month's transactions for a typical medium-sized business, the salary expense account is likely to have only credit entries.

True False

48. For a month's transactions for a typical medium-sized business, the accounts payable account is likely to have only credit entries.

True False

49. When a business receives a bill from the utility company, no entry should be made until the invoice is paid.

True False

50. The journal includes both debit and credit accounts for each transaction.

True False

51. A transaction that is recorded in the journal is called a journal entry.

True False

52. Assets are increased with debits and decreased with credits.

True False

53. Liabilities are increased with debits and decreased with credits.

True False

54. Debits will increase Unearned Revenues and Revenues.

True False

55. Retained earnings account increases with debits.

True False

56. Journal entries can have more than two accounts as long as the debits equal the credits.

True False

57. Normal balances appear on the side that increases the account balance.

True False

58. The process of transferring the data from the journal to the ledger accounts is posting.

True False

59. The post reference notation used in the ledger is the account number.

True False

60. The post reference notation used in the journal is the page number.

True False

61. A notation in the post reference column of the general journal indicates that the amount has been posted to the ledger.

True False

62. The order of the flow of accounting data is (1) record in the ledger, (2) record in the journal, (3) prepare the financial statements.

True False

63. The process of transferring the debits and credits from the journal entries to the accounts is known as "updating the accounts".

True False

64. Once journal entries are posted to accounts, each account will show a new balance after each entry.

True False

65. A group of related accounts that make up a complete unit is called a trial balance.

True False

66. A trial balance determines the accuracy of the numbers.

True False

67. Even when a trial balance is in balance, there may be errors in the individual accounts.

True False

68. The totals at the bottom of the trial balance and the totals at the bottom of the balance sheet both show equality and balancing, and therefore should be equal.

True False

69. A proof of the equality of debits and credits in the ledger at the end of an accounting period is called a balance sheet.

True False

70. If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.

True False

71. Posting a part of a transaction to the wrong account will cause the trial balance totals to be unequal.

True False

72. The erroneous arrangement of digits, such as writing \$45 as \$54, is called a slide.

True False

73. Journalizing a transaction with both the debit and the credit for \$69 instead of \$96 will cause the trial balance to be out of balance.

True False

74. Posting a transaction twice will cause the trial balance totals to be equal.

True False

75. The erroneous moving of an entire number one or more spaces to the right or left, such as writing \$85 as \$850, is called a transposition.

True False

76. Accounts

A. do not reflect money amounts

B. are not used by entities that manufacture products

C. are records of increases and decreases in individual financial statement items

D. are only used by large entities with many transactions



77. Accounts are classified in the ledger

- A. chronologically
- B. alphabetically
- C. in accordance with their appearance in the financial statements
- D. so that accounts used most often are listed first

78. Revenue should be recognized when

- A. cash is received
- B. the service is performed
- C. the customer places an order
- D. the customer charges an order

79. Which of the following accounts is a stockholders' equity account?

- A. Cash
- B. Accounts Payable
- C. Prepaid Insurance
- D. Dividends

80. The gross increases in retained earnings attributable to business activities are called

- A. assets
- B. liabilities
- C. revenues
- D. expenses

81. A chart of accounts is

- A. the same as a balance sheet
- B. usually a listing of accounts in alphabetical order
- C. usually a listing of accounts in financial statement order
- D. used in place of a ledger

82. The debit side of an account

- A. depends on whether the account is an asset, liability or stockholders' equity item
- B. can be either side of the account depending on how the accountant set up the system
- C. is the right side of the account
- D. is the left side of the account

83. An account is said to have a debit balance if

- A. the amount of the debits exceeds the amount of the credits
- B. there are more entries on the debit side than on the credit side
- C. there are more entries on the credit side than on the debit side
- D. the first entry of the accounting period was posted on the debit side

84. Which statement(s) concerning cash is (are) true?

- A. cash will always have more debits than credits
- B. cash will never have a credit balance
- C. cash is increased by debiting
- D. all of the above

85. Which of the following is true about a T account?

- A. The left-hand side of the T account is called the debit side.
- B. The left-hand side of the T account is called the credit side.
- C. The right-hand side of the T account is called the debit side.
- D. None of these are true.

86. Which of the following abbreviations are correct?

- A. Debit "Dr", Credit "Cd"
- B. Debit "Db", Credit "Cr"
- C. Debit "Db", Credit "Cd"
- D. Debit "Dr", Credit "Cr"

87. Which side of the account increases a cash account?

- A. credit
- B. neither a debit or a credit
- C. debit
- D. both a debit and a credit

88. A cash payment is recorded on the cash account as a

- A. neither a debit or a credit
- B. credit
- C. debit
- D. both a debit and a credit

89. The balance of the account is determined by
- A. adding all of the debits to all of the credits.
  - B. always subtracting the debits from the credits.
  - C. always subtracting the credits from the debits.
  - D. adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum.

90. A list of the accounts is called
- A. ledger
  - B. chart of accounts
  - C. T account
  - D. debit

91. On the chart of accounts, the balance sheet accounts are normally listed in the following order
- A. liabilities, assets, stockholders' equity
  - B. assets, liabilities, stockholders' equity
  - C. stockholders' equity, assets, liabilities
  - D. assets, stockholders' equity, liabilities

92. In which order are the accounts listed in the chart of accounts?
- A. assets, expenses, liabilities, stockholders' equity, revenues
  - B. stockholders' equity, assets, liabilities, revenues, expenses
  - C. assets, liabilities, stockholders' equity, revenues, expenses
  - D. assets, liabilities, revenues, expenses, stockholders' equity

93. Which are the parts of the T account?
- A. title, date, total
  - B. date, debit side, credit side
  - C. title, debit side, credit side
  - D. title, debit side, total

94. Which group of accounts is comprised of only assets?
- A. Cash, Accounts Payable, Buildings
  - B. Accounts Receivable, Revenue, Cash
  - C. Prepaid Expenses, Buildings, Patents
  - D. Unearned Revenues, Prepaid Expenses, Cash

95. Of the following, which is true about assets?

- A. Assets include physical items and intangibles that have value.
- B. Assets include only physical items of value.
- C. Assets are owned solely by the stockholders of the company.
- D. Assets are the result of selling products or services to customers.

96. Which of the following is **not** considered to be a liability?

- A. Wages Payable
- B. Accounts Receivable
- C. Unearned Revenues
- D. Accounts Payable

97. Which of the following statements is **not** true about liabilities?

- A. Liabilities are debts owed to outsiders.
- B. Account titles of liabilities often include the term “payable.”
- C. Receiving cash before a service is performed creates a liability.
- D. Liabilities do not include wages owed to employees of the company.

98. Retained earnings will be reduced by all of the following **except**

- A. revenues
- B. expenses
- C. dividends
- D. all of these

99. Expenses can result from

- A. paying dividends
- B. consuming services
- C. using up liabilities
- D. all of these

100. Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means

- A. *all* of the information from the journal was correctly transferred to the ledger
- B. *all* accounts have their correct balances in the ledger
- C. *only* the journal is accurate; the ledger may be incorrect
- D. *only* that the debit dollar amounts equal the credit dollar amounts

101. The chart of accounts is designed to

- A. alphabetize the accounts to make reading easier for its financial statement users
- B. analyze the accounts and organize them in order of dollar amount to simplify the accounting information for users
- C. summarize the transactions and determine their ending balances
- D. meet the information needs of a company and other financial statement users

102. The chart of accounts classifies the accounts to make identification of the accounts easier. This is done by way of assigning a number to each account. The first number identifies the classification of the type of account. Which of the following indicates the use of this classification?

- A. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
- B. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses
- C. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
- D. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses

103. Which of the following is **not** a correct rule of debits and credits?

- A. assets, expenses, and dividends are increased by debits
- B. assets are decreased by credits and have a normal debit balance
- C. liabilities, revenues, and retained earnings are increased by credits
- D. the normal balance for revenues and expenses is a credit

104. The \_\_\_\_ is where a transaction can first be found on the accounting records.

- A. chart of accounts
- B. income statement
- C. balance sheet
- D. journal

105. A debit may signify a(n)

- A. decrease in an asset account
- B. decrease in a liability account
- C. increase in the retained earnings account
- D. decrease in the dividends account

106. Which of the following types of accounts have a normal credit balance?

- A. assets and liabilities
- B. liabilities and expenses
- C. revenues and liabilities
- D. capital stock and dividends

107. Which of the following groups of accounts have a normal debit balance?

- A. revenues, liabilities
- B. assets, liabilities
- C. liabilities, expenses
- D. assets, expenses

108. Which one of the statements below is **not** a purpose for the journal?

- A. to show increases and decreases in accounts
- B. to show a chronological order by date
- C. to show a complete transaction in one place
- D. to help posting transactions to ledger

109. A credit may signify a

- A. decrease in assets
- B. decrease in liabilities
- C. decrease in retained earnings
- D. decrease in revenue

110. A debit signifies a decrease in

- A. assets
- B. expenses
- C. dividends
- D. revenues

111. Which of the following applications of the rules of debit and credit is true?

- A. decrease Prepaid Insurance with a credit and the normal balance is a credit
- B. increase Accounts Payable with a credit and the normal balance is a debit
- C. increase Supplies Expense with a debit and the normal balance is a debit
- D. decrease Cash with a debit and the normal balance is a credit

112. Which of the following describes the classification and normal balance of the fees earned account?

- A. an asset with a credit balance
- B. a liability with a credit balance
- C. an expense with a debit balance
- D. a revenue with a credit balance

113. The classification and normal balance of the accounts payable account is

- A. an asset with a credit balance
- B. a liability with a credit balance
- C. an asset with a debit balance
- D. an expense with a debit balance

114. The classification and normal balance of the dividends account is

- A. an expense with a credit balance
- B. an expense with a debit balance
- C. a liability with a credit balance
- D. a stockholders' equity item with a debit balance

115. The classification and normal balance of the supplies expense account is a(n)

- A. asset with a debit balance
- B. asset with a credit balance
- C. expense with a debit balance
- D. liability with a credit balance

116. Which of the following accounts are debited to record increase in balances?

- A. assets and liabilities
- B. dividends and liabilities
- C. expenses and liabilities
- D. assets and expenses

117. In which of the following types of accounts are increases recorded by credits?

- A. revenues, liabilities
- B. dividends, assets
- C. liabilities, dividends
- D. expenses, liabilities

118. In which of the following types of accounts are decreases recorded with debits?

- A. assets
- B. revenues
- C. expenses
- D. dividends

119. In which of the following types of accounts are decreases recorded by credits?

- A. liabilities
- B. retained earnings
- C. dividends
- D. revenues

120. A credit balance in which of the following accounts would indicate a likely error?

- A. Fees Earned
- B. Salary Expense
- C. Retained Earnings
- D. Accounts Payable

121. A debit balance in which of the following accounts would indicate a likely error?

- A. Salaries Expense
- B. Notes Payable
- C. Dividends
- D. Supplies

122. Which of the following entries records the payment of an account payable?

- A. debit Cash; credit Accounts Payable
- B. debit Accounts Receivable; credit Cash
- C. debit Cash; credit Supplies Expense
- D. debit Accounts Payable; credit Cash

123. Which of the following entries records the receipt of a utility bill from the water company?

- A. debit Utilities Expense; credit Accounts Payable
- B. debit Utilities Payable; credit Accounts Receivable
- C. debit Accounts Payable; credit Cash
- D. debit Accounts Payable; credit Utilities Payable

124. Which of the following entries records the cash sale of capital stock to stockholders?

- A. debit Capital Stock; credit Cash
- B. debit Cash; credit Capital Stock
- C. debit Cash; credit Revenue
- D. debit Revenue; credit Cash



125. Office supplies were sold by Ari's Alarm Service at cost to another repair shop, with cash received. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Office Supplies, debit; Cash, credit
- B. Office Supplies, debit; Accounts Payable, credit
- C. Cash, debit; Office Supplies, credit
- D. Accounts Payable, debit; Office Supplies, credit

126. Office supplies purchased by Ari's Alarm Service on account were returned. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Office Supplies, credit
- B. Office Supplies, debit; Accounts Receivable, credit
- C. Accounts Payable, debit; Office Supplies, credit
- D. Office Supplies, debit; Accounts Payable, credit

127. Cash was paid by Ari's Alarm Service to creditors on account. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Retained Earnings, credit
- B. Accounts Payable, debit; Cash, credit
- C. Accounts Receivable, debit; Cash, credit
- D. Accounts Payable, debit; Account Receivable, credit

128. The process of initially recording a business transaction is called

- A. closing
- B. posting
- C. journalizing
- D. balancing

129. Which of the following entries records the acquisition of office supplies on account?

- A. Office Supplies, debit; Cash, credit
- B. Cash, debit; Office Supplies, credit
- C. Office Supplies, debit; Accounts Payable, credit
- D. Accounts Receivable, debit; Office Supplies, credit

130. Which of the following entries records the payment of rent for the current month?

- A. Cash, debit; Rent Expense, credit
- B. Rent Expense, debit; Cash, credit
- C. Rent Expense, debit; Accounts Receivable, credit
- D. Accounts Payable, debit; Rent Expense, credit



136. The process of recording a transaction in the journal is called

- A. recording
- B. journalizing
- C. posting
- D. summarizing

137. Scott, Inc. issued \$40,000 of capital stock. How would this transaction be entered in the journal?

- A. Cash 40,000  
    Capital Stock 40,000  
    Sold stock for cash.
- B. Cash 40,000  
    Inventory 40,000  
    Sold stock for cash.
- C. Capital Stock 40,000  
    Cash 40,000  
    Sold stock for cash.
- D. Capital Stock 40,000  
    Accounts Payable 40,000  
    Sold stock for cash.

138.

April	23	Cash		26,000	
		Capital Stock			26,000
		Sold common stock.			

This journal entry will

- A. increase Stockholders' Equity and decrease Cash
- B. increase Cash and decrease Stockholders' Equity
- C. increase Cash and increase Stockholders' Equity
- D. decrease Cash and decrease Stockholders' Equity

139.

May	24	Land		105,000	
		Cash			105,000
		Purchased land for business.			

What effect does this journal entry have on the accounts?

- A. Increase to Cash and increase to Land
- B. Increase to Land and decrease to Cash
- C. Decrease to Cash and decrease to Land
- D. Increase to Cash and decrease to Land

140.

May	31	Supplies	1,130	
		Accounts Payable		1,130
		????????????		

What is the best explanation for this journal entry?

- A. Purchased supplies with cash.
- B. Returned supplies previously purchased.
- C. Purchased supplies on account.
- D. Paid accounts payable.

141.

March	10	Accounts Payable	800	
		Cash		800
		Paid creditors on account.		

What effect does this journal entry have on the accounts?

- A. Decrease accounts payable, increase cash
- B. Increase cash, decrease accounts payable
- C. Increase accounts payable, increase cash
- D. Decrease accounts payable, decrease cash

142. Which of the following accounts would be increased with a credit?

- A. Land, Accounts Payable, Dividends
- B. Accounts Payable, Unearned Revenue, Capital Stock
- C. Capital Stock, Accounts Receivable, Unearned Revenue
- D. Cash, Accounts Receivable, Capital Stock

143. In accordance with the rules of debit and credit, which of the following is true?

- A. Debits increase assets.
- B. Credits increase assets.
- C. Debits increase both assets and retained earnings.
- D. Credits increase both assets and liabilities.

144. All of the following accounts are increased with a debit **except**

- A. Unearned Revenues
- B. Land
- C. Accounts Receivable
- D. Cash

145. Which of the following stockholder equity accounts follow the same debit and credit rules as liabilities?

- A. Capital Stock only
- B. Dividends only
- C. Retained Earnings and Capital Stock
- D. Retained Earnings, Capital Stock, and Dividends

146. The payment for the monthly rent will require which of the following entries?

- A. debit Cash and debit Rent Expense
- B. credit Cash and credit Rent Expense
- C. debit Rent Expense and credit Cash
- D. credit Rent Expense and debit Cash

147. Expenses follow the same debit and credit rules as

- A. revenues
- B. dividends
- C. capital stock
- D. liabilities

148. Net income will result when

- A. revenues (credits) > expenses (debits)
- B. revenues (credits) < expenses (debits)
- C. expenses (credits) = revenues (debits)
- D. expenses (debits) > revenues (credits)

149. Which of the following will increase retained earnings?

- A. Expenses > revenues.
- B. Dividends are declared and paid.
- C. Revenues > expenses.
- D. Cash is received from customers on account.

150. Which of the following will decrease retained earnings?

- A. Supplies are purchased on account.
- B. Dividends are declared and paid.
- C. Cash is received from customers.
- D. Payment is made on an accounts payable.

151. Which of the following group of accounts are increased with a debit?

- A. assets, liabilities, stockholders' equity
- B. assets, dividends, expenses
- C. assets, revenues, expenses
- D. assets, liabilities, revenues

152. Which of the following accounts increase with a credit?

- A. capital stock, revenues, expenses
- B. assets, capital stock, revenues
- C. liabilities, capital stock, revenues
- D. retained earnings, capital stock, assets

153. Which of the following is true regarding normal balances of accounts?

- A. All accounts have a normal debit balance.
- B. All expense accounts have a normal negative balance.
- C. Accounts that have a normal debit balance will only have debit entries, never credit entries.
- D. The normal balance appears on the side of the account that also receives increase entries.

154. All of the following occur with a double-entry accounting system **except**

- A. The accounting equation remains in balance.
- B. The sum of all debits is always equal to the sum of all credits in each journal entry.
- C. Each business transaction will have only two entries.
- D. Every transaction affects at least two accounts.

155.

March	6	Cash	2,500	
		Unearned Fees		2,500
		???????????		

What is the best explanation for this journal entry?

- A. Received cash for services performed.
- B. Received cash for services to be performed in the future.
- C. Paid cash in advance for services to be done.
- D. Paid cash for services to be performed.

156.

April	14	Equipment	15,000	
		Cash		5,000
		Note Payable		10,000
		???????????		

Which is the best explanation for this journal entry?

- A. Purchased equipment, paid cash of \$5,000, with the remainder to be paid in the future.
- B. Purchased equipment, paid cash of \$10,000, with the remainder to be received in the future.
- C. Purchased equipment, paid cash for the entire amount.
- D. Purchased equipment on credit.

157. The verification that the total dollar amount of the debits equals the total dollar amount of the credits in the ledger is called a

- A. ledger
- B. trial balance
- C. account
- D. balance sheet

158. The process of transferring the debits and credits from the journal entries to the ledger accounts is called

- A. sliding
- B. transposing
- C. journalizing
- D. posting

159. The posting process will include the transfer of the following information from the journal to the account.

- A. date, amount (debit or credit)
- B. date, amount (debit or credit), journal page number
- C. amount (debit or credit), account number
- D. date, amount (debit or credit) account number

160. The Post. Ref. columns are used to trace transactions from the journal to the accounts. What will be entered in the Post. Ref. column of (a) the journal and (b) the account?

- A. (a) the amount of the debit or credit (b) the journal page number
- B. (a) the journal page number (b) the date of the transaction
- C. (a) the journal page number, (b) the account number
- D. (a) the account number, (b) the journal page number

161. The chart of accounts for the Corning Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the posting reference that will be found in the Cash account?

- A. 11
- B. 15
- C. 3
- D. none of these

162. The chart of accounts for the Corning Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

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What is the posting reference that will be found in the Prepaid Insurance account?

- A. 11
- B. 15
- C. 3
- D. none of these

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Cash	11
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Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What are the posting references that will be found in the journal entry?

- A. 15 and 11, respectively
- B. 11 and 15, respectively
- C. 11 and 55, respectively
- D. 3 only

164. The chart of accounts for Miguel Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Cash	640	
Fees Earned		640

What are the posting references that will be found in the journal entry?

- A. 41 and 11, respectively
- B. 3 only
- C. 11 and 41, respectively
- D. 11 and 32, respectively

165. The chart of accounts for Miguel Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 5, the following transaction was found:

Salaries Expense	525	
Cash		525

What is the posting reference that will be found in the Salaries Expense account?

- A. 5
- B. 11
- C. 54
- D. none of these

166. The accounts in the ledger of Monroe Entertainment Co. are listed below. All accounts have normal balances.

Accounts Payable	1,500	Fees Earned	3,600
Accounts Receivable	1,800	Insurance Expense	1,300
Prepaid Insurance	2,000	Land	3,000
Cash	3,200	Wages Expense	1,400
Capital Stock	2,500	Retained Earnings	6,300
Dividends	1,200		

Prepare a trial balance. The total of the debits is

- A. \$13,900
- B. \$11,200
- C. \$12,700
- D. \$ 9,700

167. Randomly listed below are the steps for preparing a trial balance:

- (1) Verify that the total of the Debit column equals the total of the Credit column.
- (2) List the accounts from the ledger and enter their debit or credit balance in the Debit or Credit column of the trial balance.
- (3) List the name of the company, the title of the trial balance, and the date the trial balance is prepared.
- (4) Total the Debit and Credit columns of the trial balance.

What is the proper order of these steps?

- A. (3), (2), (4), (1)
- B. (2), (3), (4), (1)
- C. (3), (2), (1), (4)
- D. (4), (3), (2), (1)

168. Of the following, which will determine if the accounting equation is in balance?

- A. journal entry
- B. income statement
- C. trial balance
- D. account reconciliation

169. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?

- A. Cash, debit; Wages Expense, credit
- B. Wages Payable, debit; Wages Expense, credit
- C. Wages Expense, debit, Cash, credit
- D. Cash, debit; Wages Payable, credit

170. If the two totals of a trial balance are not equal, it could be due to

- A. failure to record a transaction
- B. recording the same erroneous amount for both the debit and the credit parts of a transaction
- C. an error in determining the account balances, such as a balance being incorrectly computed
- D. recording the same transaction more than once

171. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be
- A. zero
  - B. twice the amount of the transposition
  - C. one-half the amount of the transposition
  - D. divisible by 9
172. Which of the following errors would cause the trial balance totals to be unequal?
- A. A transaction was not posted.
  - B. A payment of \$67 for insurance was posted as a debit of \$76 to Prepaid Insurance and a credit of \$76 to Cash.
  - C. A payment of \$4,450 to a creditor was posted as a debit of \$4,500 to Accounts Payable and a credit of \$450 to Accounts Receivable.
  - D. Cash received from customers on account was posted as a debit of \$720 to Cash and a credit of \$720 to Accounts Payable.
173. Supplies purchased on account were incorrectly recorded as Office Equipment. The correcting entry would be
- A. Supplies, debit; Office Equipment, credit.
  - B. Accounts Receivable, debit; Supplies, credit.
  - C. Office Equipment, debit; Supplies Expense, credit.
  - D. Supplies, debit; Accounts Payable, credit.
174. Which of the following errors will cause the trial balance totals to be unequal?
- A. posting the debit portion of a journal entry incorrectly when the credit portion of the entry is correctly posted
  - B. failure to record a transaction or to post a transaction
  - C. recording the same transaction more than once
  - D. recording the same erroneous amount for both the debit and the credit parts of a transaction
175. The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to find the error?
- A. Determine the amount of the error and look for that amount on the trial balance.
  - B. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
  - C. Determine the amount of the error and refer to the journal entries for that amount.
  - D. Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.

176. Which of the following is **not** a short-cut in finding errors on the trial balance?

- A. Determine the difference between debits and credits and look for the amount.
- B. Determine the amount and change any account to make the trial balance correct.
- C. Determine the difference between debits and credits, divide the amount by 2, look for the amount.
- D. Determine the difference between debits and credits, divide the amount by 9, if it divides evenly, look for a transposition or slide error.

177. All of the following statements regarding a horizontal analysis are true **except**

- A. A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.
- B. A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.
- C. If Fees Earned in 2013 is \$125,000 and Fees Earned in 2014 is \$143,750, a horizontal analysis will indicate a 15% increase over this period.
- D. When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

178. McMann Company has a condensed income statement as shown::

	2014	2013
Sales	\$198,000	\$165,500
Total operating expenses	163,000	147,500
Net income	35,000	18,000

Using horizontal analysis, calculate the amount and percent change for Sales. Round to one decimal place.

- A. \$32,500, 19.6%
- B. \$18,000, 10.9%
- C. \$35,000, 17.7%
- D. \$17,000, 9.4%

179. McMann Company has a condensed income statement as shown::

	2014	2013
Sales	\$150,000	\$165,500
Total operating expenses	133,000	147,500
Net income	17,000	18,000

Using horizontal analysis, calculate the amount and percent change for Sales. Round to one decimal place.

- A. (17,000), (11.3%)
- B. (15,500), (10.3%)
- C. (\$18,000), (10.9%)
- D. (\$15,500), (9.4%)

180. The purchase of supplies on account was recorded and posted as a debit to Supplies for \$500 and a credit to Accounts Receivable for \$500. The correcting entry would include a:

- A. credit to Accounts Receivable for \$500
- B. credit to Accounts Receivable for \$1,000
- C. credit to Accounts Payable for \$500
- D. credit to Accounts Payable for \$1,000

181. The chart of accounts classifies the accounts to make identification of the accounts easier. Discuss how companies set up a chart of accounts for use in their business.

182. On September 1st, Erika Company purchased land for \$47,500 cash. Prepare the journal entry to record this transaction.

183. (a) On October 10th, Nikle Company purchased supplies worth \$1,800 on account. Prepare the journal entry to record this transaction.

(b) Nikle Company paid for the supplies purchased in (a) on October 25th. Prepare the journal entry to record this transaction.

184. On October 17th, Nikle Company purchased a building and a plot of land for \$750,000. The building was valued at \$500,000 while the land carried a value of \$250,000. Nikle paid \$300,000 down in cash and signed a note payable for the balance. Prepare the journal entry to record this transaction.

185. On November 1st, Nikle Company made a cash payment of \$200,000 on a note payable that was generated in the purchase of a building and land. Prepare the journal entry to record this transaction.

186. On January 7th, Damien Lawson deposited \$95,000 in a bank account in the name of JumpStart in return for shares of stock in the corporation. Prepare the journal entry to record this transaction.

187. On January 8th, JumpStart purchased \$20,000 worth of office equipment. Prepare the journal entry to record this transaction.

188. On August 30th JumpStart pays numerous bills which include:
- Payment to the landlord for August rent - \$2,300
  - Payment to the Gas & Electric Company for August's bill - \$525
  - Payment of employee wages for the last half of August - \$1,750
  - Payment of shopping center's parking lot cleaning fee - \$275

Journalize these payments as one compound journal entry.

189. On October 30th, JumpStart paid its only stockholder, Damien Lawson, a \$3,300 cash dividend. Journalize this event.

190. Prepare a journal entry for the purchase of a truck on April 4 for \$85,700, paying \$15,000 cash and the remainder on account.



191. Prepare a journal entry on October 12 for the fees earned on account, \$14,600.

192. State for each account whether it is likely to have from normal business operations (a) debit entries only, (b) credit entries only, or (c) both debit and credit entries. Also, indicate the normal balance of each account.

- |    |                   |    |                     |
|----|-------------------|----|---------------------|
| 1. | Fees Earned       | 4. | Supplies            |
| 2. | Utilities Expense | 5. | Cash                |
| 3. | Accounts Payable  | 6. | Accounts Receivable |

193. On June 1, the cash account balance was \$96,750. During June, cash receipts totaled \$305,000 and the June 30 balance was \$75,880. Determine the cash payments made during June.

194. For each of the following errors, considered individually, indicate whether the error would cause the trial balance totals to be unequal. If the error would cause the trial balance totals to be unequal, indicate whether the debit or credit total is higher and by how much.

- Payment of a cash dividend of \$6,800 was journalized and posted as a debit of \$8,600 to Salaries Expense and a credit of \$8,600 to Cash.
- A fee of \$9,780 earned was debited to Accounts Receivable for \$7,980 and credited to Fees Earned for \$9,780.
- A payment of \$3,000 to a creditor was posted as a credit of \$3,000 to Accounts Payable and a credit of \$3,000 to Cash.

195. The following errors took place in journalizing and posting transactions:

- a. A payment of \$5,000 in cash dividends was recorded as a debit to Office Salaries Expense and a credit to Cash.
- b. An accounts receivable payment of \$7,800 was recorded as a debit to Cash and a credit to Fees Earned.

Journalize the entries to correct the errors. Omit the explanations.

196. Discuss and describe how errors in accounts can be found.

197. On November 30th, it was discovered that a \$550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

198. Journalize the entries to correct the following errors:

- (a) A purchase of supplies for \$500 on account was recorded and posted as a debit to Supplies for \$200 and as a credit to Accounts Receivable for \$200.
- (b) A receipt of \$2,500 from Fees Earned was recorded and posted as a debit to Fees Earned for \$2,500 and a credit to Cash for \$2,500.

199. For the following, enter a “D” if the account normally has a debit balance and enter a “C” if the account normally has a credit balance.

- \_\_\_\_\_ 1. Notes Payable
- \_\_\_\_\_ 2. Mortgage Payable
- \_\_\_\_\_ 3. Dividends
- \_\_\_\_\_ 4. Accounts Receivable
- \_\_\_\_\_ 5. Capital Stock
- \_\_\_\_\_ 6. Rent Revenue
- \_\_\_\_\_ 7. Unearned Income
- \_\_\_\_\_ 8. Utility Expense
- \_\_\_\_\_ 9. Automobiles

200. On January 1, 2011, Cary Parsons established Cary's Catering Service. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Notes Payable
8. Accounts Payable
9. Capital Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Miscellaneous Expense
17. Insurance Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Cary transferred cash from a personal bank account to an account for the business in exchange for stock.		
b. Paid rent for the period of January 3 to the end of the month.		
c. Purchased a truck for \$30,000 with a cash down payment of \$5,000 and the remainder on a note.		
d. Purchased equipment on account.		

201. On January 1, 2011, Cary Parsons established Cary's Catering Service. Listed below are accounts to use for transactions (a) through (e), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Notes Payable
8. Accounts Payable
9. Capital Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Miscellaneous Expense
17. Insurance Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Purchased supplies for cash.		
b. Paid the annual premiums on property and casualty insurance.		
c. Received cash for a job previously recorded on account.		
d. Paid a creditor a portion of the amount owed for equipment previously purchased on account.		
e. Received cash for a completed job.		

202. On January 1, 2011, Cary Parsons established Cary's Catering Service. Listed below are accounts to use for transactions (a) through (f), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Notes Payable
8. Accounts Payable
9. Capital Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Miscellaneous Expense
17. Insurance Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Recorded jobs completed on account and sent invoices to customers.		
b. Received an invoice for truck expenses to be paid in February.		
c. Paid utilities expense		
d. Received cash from customers on account.		
e. Paid employee wages.		
f. Paid Cary a cash dividend.		

203. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Office Supplies
4. Land
5. Interest Receivable
6. Building
7. Accumulated Depreciation - Building
8. Depreciation Expense - Building
9. Accounts Payable
10. Interest Payable
11. Insurance Payable
12. Utility Expense
13. Notes Payable
14. Prepaid Insurance
15. Service Revenue
16. Capital Stock
17. Insurance Expense
18. Utility Payable
19. Office Supplies Expense
20. Unearned Service Revenue
21. Dividends
22. Interest Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Utility bill is received; payment will be made in 10 days.		
b. Paid the utility bill previously recorded in transaction (a).		
c. Bought a three-year insurance policy and paid in full.		
d. Received \$7,000 from a contract to perform accounting services over the next two years.		

204. Below is the unadjusted trial balance for Dawson Designs at December 31, 2011 - the end of its first year in business.

- (1) Identify the errors in the following trial balance. All accounts have normal balances.
- (2) Prepare a corrected trial balance.

<b>Dawson Designs Unadjusted Trial Balance For the Year Ended December 31, 2011</b>		
	Debit Balances	Credit Balances
Cash	23,000	
Accounts Receivable		49,700
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable	6,050	
Salaries Payable		4,250
Capital Stock		110,000
Dividends		18,500
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense		4,970
Totals	424,020	424,020

205. The following two situations are independent of each other.

1. On June 1, the cash account balance was \$45,750. During June, cash payments totaled \$243,910 and the June 30 balance was \$53,200. Determine the cash receipts during June and show your calculation.
2. On March 1, the supplies account balance was \$1,800. During March, supplies of \$2,450 were purchased and \$630 of supplies were on hand as of March 31. Determine the supplies expense for March and show your calculation.



206. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts she would like to open in the general ledger. List the accounts in the order in which they should appear in the ledger and propose a two-digit account numbering scheme that is consistent with the rules of a proper chart of accounts.

1. Cash
2. Supplies
3. Equipment
4. Accounts Payable
5. Capital Stock
6. Wages Expense
7. Rent Expense
8. Truck
9. Utilities Expense
10. Dividends
11. Truck Expense
12. Prepaid Insurance
13. Fees Earned
14. Miscellaneous Expense
15. Insurance Expense
16. Notes Payable
17. Retained Earnings
18. Accounts Receivable

207. Several transactions are listed below, with the accounting equation stated to the right side of each. Use the following identification codes to indicate the effects of each transaction on the accounting equation. Write your answers in the space provided under the accounting equation. You need an identification code for each element of the accounting equation. An example is given before the first transaction.

I-Increase

D-Decrease

NE-No Effect

		Assets	=	Liabilities	+	Stockholders' Equity
<i>Example</i>	<i>John Smith invests in a new business by purchasing \$3,500 of capital stock.</i>	<u>  I  </u>		<u>  NE  </u>		<u>  I  </u>
A)	Cash sales are made.	_____		_____		_____
B)	Equipment is purchased on credit.	_____		_____		_____
C)	Payment is made for the equipment purchased on credit in (B).	_____		_____		_____
D)	The company sold excess supplies to another company on credit.	_____		_____		_____
E)	Cash is collected from customers for accounts receivable balances.	_____		_____		_____

208. *Journalize the five transactions for Mirmax Rentals described below.*

- August  
1 Mirmax purchases two new saws on credit at \$425 each. The saws are added to Mirmax's rental inventory. Payment is due in 30 days.
- 8 Mirmax accepts advance deposits for tool rentals of \$125 that will be applied to the cash rental when the tools are returned.
- 15 Mirmax receives a bill from Macon Utility Company for \$180. Payment is due in 30 days.
- 20 Customers are charged \$1,250 by Mirmax for tool rentals. Payment is due from the customers in 30 days.
- 31 Mirmax receives \$600 in payments from the customers that were billed for rentals on August 20.



209. Journalize the following five transactions for Nexium & Associates, Inc. Omit explanations.

Mar. 1 Bills are sent to clients for services provided in February in the amount of \$800.

9 Corner Office, Inc. delivers office furniture (\$1,060) and office supplies (\$160) to Nexium leaving an invoice for \$1,220.

15 Payment is made to Corner Office, Inc. for the furniture and office supplies delivered on March 9.

23 A bill for \$430 for electricity for the month of March is received and will be paid on its due date in April.

31 Salaries of \$850 are paid to employees.

210. McMann Company has condensed income statements as follows:

	<b>2011</b>	<b>2010</b>
Sales	\$178,400	\$162,500
Wage expenses	100,000	92,500
Rent expenses	33,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	163,000	147,500
Net income	15,400	15,000

**REQUIRED:**

Prepare a horizontal analysis of McMann Company's income statements. Comment on the trends, both favorable and unfavorable.

211. Georgia Company has condensed income statements as follows:

	<b>2011</b>	<b>2010</b>
Sales	\$158,400	\$162,500
Wage expenses	80,000	92,500
Rent expenses	28,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	138,000	147,500
Net income	20,400	15,000

**REQUIRED:**

Prepare a horizontal analysis of Georgia Company's income statements. Comment on the trends, both favorable and unfavorable.

212. On January 31, the cash account balance was \$96,750. During January, cash receipts totaled \$305,000 and cash payments totaled was \$375,880. Determine the cash balance on January 1.

213. Organize the following accounts into the usual sequence of a chart of accounts.

Miscellaneous Expense  
Accounts Payable  
Retained Earnings  
Accounts Receivable  
Cash  
Capital Stock  
Fees Earned  
Prepaid Rent  
Salaries Expense  
Unearned Revenue  
Dividends



214. Selected accounts from the ledger of Garrison Company appear below. For each account, indicate the following:

- (a) In the first column at the right, indicate the nature of each account, using the following abbreviations:

Asset - A	Rev enu e - R
Liability - L	Exp ense - E
None of the above - N	

- (b) In the second column, indicate the increase side of each account by inserting Dr. or Cr.

<u>Account</u>	<u>Type</u> <u>Increase</u> <u>Side</u> <u>of</u> <u>Acc</u> <u>ount</u>
(1) Supplies	_____ _____ -
(2) Notes Receivable	_____ _____ -
(3) Fees Earned	_____ _____ -
(4) Dividends	_____ _____ -
(5) Accounts Payable	_____ _____ -
(6) Salaries Expense	_____ _____ -
(7) Capital Stock	_____ _____ -
(8) Accounts Receivable	_____ _____ -
(9) Equipment	_____ _____ -
(10) Notes Payable	_____ _____ -

215. Calculate the following:

(a) Determine the cash receipts for April based on the following data:

Cash payments during April	\$63,000
Cash account balance, April 1	25,500
Cash account balance, April 30	31,750

(b) Determine the cash received from customers on account during April based on the following data:

Accounts receivable account balance, April 1	\$22,500
Accounts receivable account balance, April 30	15,250
Fees received from customers during April	45,000

216. Increases and decreases in various types of accounts are listed below. In each case, indicate by "Dr." or "Cr." (a) whether the change in the account would be recorded as a debit or a credit and (b) whether the normal balance of the account is a debit or a credit.

	(a) Recorded <u>As</u>	(b) Normal <u>Balance</u>
(1) Increase in Capital Stock	_____	_____
(2) Increase in Dividends	_____	_____
(3) Decrease in Accounts Receivable	_____	_____
(4) Increase in Note Payable	_____	_____
(5) Increase in Accounts Payable	_____	_____
(6) Decrease in Supplies	_____	_____
(7) Decrease in Salaries Expense	_____	_____
(8) Increase in Accounts Receivable	_____	_____
(9) Increase in Cash	_____	_____
(10) Decrease in Land	_____	_____

217. Record the following selected transactions for April in a two-column journal, identifying each entry by letter:

- (a) Received \$18,000 from Katie Long in exchange for stock.
- (b) Purchased equipment for \$27,000, paying \$10,000 in cash and giving a note payable for the remainder.
- (c) Paid \$2,300 for rent for April.
- (d) Purchased \$1,500 of supplies on account.
- (e) Recorded \$9,800 of fees earned on account.
- (f) Received \$7,500 in cash for fees earned.
- (g) Paid \$1,200 to creditors on account.
- (h) Paid wages of \$3,425.
- (i) Received \$7,900 from customers on account.
- (j) Recorded the payment of a \$1,875 dividend.

218. All nine transactions for Dalton Survey Company for September, the first month of operations, are recorded in the following T accounts:

Cash		Capital Stock	
(1)	20,000	(3)	7,500
(7)	6,900	(5)	2,600
(9)	4,700	(6)	5,500
		(8)	2,000

Accounts Receivable		Dividends	
(4)	4,900	(9)	4,700
		(8)	2,000

Supplies		Fees Earned	
(3)	7,500	(4)	4,900
		(7)	6,900

Equipment		Operating Expense	
(2)	4,500	(6)	5,500

Accounts Payable			
(5)	2,600	(2)	4,500

Indicate the following for each debit and each credit:

- (a) The type of account affected (asset, liability, equity, revenue, or expense).
- (b) The effect on the account, using + for increase and - for decrease.

Present your answers in the following form:

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Accounted Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
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219. On January 12th, JumpStart Co. purchased \$870 in office supplies.

- (a) Journalize this transaction as if JumpStart paid cash.
- (b) (1) Journalize this transaction as if JumpStart placed it on account.
- (b) (2) On January 18th, JumpStart pays the amount due. Journalize this event.

220. On December 1st, JumpStart Company provides \$2,800 in services to clients.

(a) Journalize this event as if the clients had paid cash at the time the services were rendered.

(b) (1) Journalize this event as if the clients had placed this on account.

(b) (2) Assume that the clients paid \$1,200 of the amount on account on December 30th. Journalize this transaction.

221. On November 10th, JumpStart Co. provides \$2,900 in services to clients. At the time of service, the clients paid \$600.00 in cash and put the balance on account.

(a) Journalize this event.

(b) On November 20th, JumpStart Co. clients paid an additional \$900 on their accounts due. Journalize this event.

(c) Calculate the amount of accounts receivable on November 30th.

222. Journalize the following selected transactions for April 2011 in a two-column journal. Journal entry explanations may be omitted.

April 1	Received cash for capital stock, \$14,000.
2	Received cash for providing accounting services, \$9,500.
3	Billed customers on account for providing services, \$4,200.
4	Paid advertising expense, \$700.
5	Received cash from customers on account, \$2,500.
6	Paid cash dividends, \$1,000.
7	Received telephone bill, \$900.
8	Paid telephone bill, \$900.



Put the appropriate letter next to each transaction.

224. Set up T accounts for Cash, Accounts Receivable, Supplies, Accounts Payable, Capital Stock, Dividends, Professional Fees, and Operating Expenses.

- (a) In the T accounts, record the following transactions of Potter Pool Services for June, 2011, identifying each entry by number:
- (1) Dan Potter invested \$12,500 cash in the business in exchange for stock.
  - (2) Purchased supplies on account, \$6,250.
  - (3) Paid operating expenses, \$5,500.
  - (4) Billed clients for fees, \$7,440.
  - (5) Received cash from cash clients, \$4,700.
  - (6) Paid creditors on account, \$1,400.
  - (7) Received \$3,100 from clients on account.
  - (8) The company paid Dan \$1,500 in cash dividends.
- (b) Prepare a trial balance as of June 30, 2011 for Potter Pool Services.
- (c) Assuming that supplies expense (which has not been recorded) amounts to \$1,500 for June, determine net income for the month.



225. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30, 2014.

Accounts Payable	\$ 4,100	Rent Expense	\$ 1,500
Accounts Receivable	3,450	Salary Expense	14,000
Cash	6,700	Fees Earned	45,425
Capital Stock	10,000	Supplies	3,125
Dividends	7,500	Supplies Expense	1,700
Equipment	24,500	Utilities Expense	4,000
Miscellaneous Expense	850	Retained Earnings	7,800

226. **Exhibit 2-1**

All nine transactions for Ralston Sports Co. for September 2011, the first month of operations, are recorded in the following T accounts:

Cash		Capital Stock	
(1)	25,000	(3)	12,500
(7)	11,900	(5)	7,600
(9)	9,700	(6)	10,500
		(8)	7,000

Accounts Receivable		Dividends	
(4)	9,900	(9)	9,700
		(8)	7,000

Supplies		Fees Earned	
(3)	12,500	(4)	9,900
		(7)	11,900

Equipment		Operating Expenses						
(2)	9,500				(6)	10,500		

Accounts Payable								
(5)	7,600	(2)	9,500					

Refer to **Exhibit 2-1**. Prepare a trial balance, listing the accounts in their proper order.

227.

- (a) List the errors in the following trial balance. All accounts have normal balances.
- (b) What would be the new totals of the trial balance after errors are corrected? What would be the balance of Accounts Receivable?

**Winslow's Auto Body  
Trial Balance  
For Month Ending April 30, 2011**

Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Capital Stock	5,000	
Retained Earnings	12,000	
Dividends		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	<u>250</u>	
	<u>55,000</u>	<u>81,575</u>

228. Answer the following questions for each of the errors listed below, considered individually:

- (a) Did the error cause the trial balance totals to be unequal?
- (b) What is the amount of the difference between the trial balance totals (where applicable)?
- (c) Which of the trial balance totals, debit or credit, is the larger (where applicable)?

Present your answers in columnar form, using the following headings:

<u>Error (identifying number)</u>	<u>Totals (equal or unequal)</u>	<u>Difference in Totals (amount)</u>	<u>Larger of Totals (debit or credit)</u>
---------------------------------------	--------------------------------------	--	---

Errors:

- (1) A dividend of \$3,000 cash paid to the company's owner and only stockholder was recorded by a debit of \$3,000 to Salary Expense and a credit of \$3,000 to Cash.
- (2) A \$650 purchase of supplies on account was recorded as a debit of \$1,650 to Equipment and a credit of \$1,650 to Accounts Payable.
- (3) A purchase of equipment for \$3,450 on account was not recorded.
- (4) A \$870 receipt on account was recorded as a \$870 debit to Cash and a \$780 credit to Accounts Receivable.
- (5) A payment of \$1,530 cash on account was recorded only as a credit to Cash.
- (6) Cash sales of \$8,500 were recorded as a credit of \$8,500 to Cash and a credit of \$8,500 to Fees Earned.
- (7) The debit to record a \$4,000 cash receipt on account was posted twice; the credit was posted once.
- (8) The credit to record a \$300 cash payment on account was posted twice; the debit was posted once.
- (9) The debit balance of \$7,400 in Accounts Receivable was recorded in the trial balance as a debit of \$7,200.

229. The bookkeeper for Brockton Industries prepared the following journal entries and posted the entries to the general ledger as indicated in the T accounts presented. Assume that the dollar amounts and the descriptions of the entries are correct.

July 3	Accounts Receivable Service Revenue Customers were billed for services completed.	1,000  1,000	 1,000
11	Cash Service Revenue Payment is received from a customer billed for services on July 3.	500  500	 500
12	Office Supplies Accounts Payable Purchased office supplies on credit; payment is due in 30 days.	600  600	 600
25	Office Furniture Cash Payment is made for office furniture received on July 12.	600  600	 600

Accounts Receivable		Service Revenue								
7/3	1,000	1/2				7/3	1,000	1/2		
		1/2						1/2	7/11	500

Cash		Accounts Payable								
7/11	500	1/2	7/25	600		7/12	600	1/2		

Office Supplies		Office Furniture								
7/12	600	1/2				7/25	600	1/2		

**REQUIRED:**

If you assume that all journal entries have been recorded correctly, use the above information to:

- (1) Identify the postings to the general ledger that were made incorrectly.
- (2) Describe how each incorrect posting should have been made.

## Chapter 2--Analyzing Transactions **Key**

1. Accounts are records of increases and decreases in individual financial statement items.

**TRUE**

2. A chart of accounts is a listing of accounts that make up the journal.

**FALSE**

3. The chart of accounts should be the same for each business.

**FALSE**

4. Consuming goods and services in the process of generating revenues results in expenses.

**TRUE**

5. Prepaid expenses are an example of an expense.

**FALSE**

6. Accounts payable are accounts that you expect will be paid to you.

**FALSE**

7. The unearned revenues account is an example of a liability.

**TRUE**

8. The dividends account is an example of an expense.

**FALSE**

9. Accounts in the ledger are usually maintained in alphabetical order.

**FALSE**

10. Depending on the account title, the right side of the account is referred to as the debit side.

**FALSE**

11. To determine the balance in a prepaid expense account, subtract credits from debits.

**FALSE**

12. An account has three parts to it; a title, an increase side, and a decrease side.

**TRUE**

13. The right hand side of a T account is known as a debit and the left hand side is known as a credit.

**FALSE**

14. A debit is abbreviated as *Db* and a credit is abbreviated as *Cr*.

**FALSE**

15. Debiting the cash account will increase the account.

**TRUE**

16. The T account got its name because it resembles the letter "T."

**TRUE**

17. The recording of cash receipts to the cash account will be done by debiting the account.

**TRUE**

18. A credit to the cash account will increase the account.

**FALSE**

19. The recording of cash payments from the cash account is done by entering the amount as a credit.

**TRUE**

20. The cash account will always be debited

**FALSE**

21. The balance of the account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.

**FALSE**

22. Liabilities are debts owed by the business entity.

**TRUE**

23. The accounts payable account is listed in the chart of accounts as an asset.

**FALSE**

24. A dividends account records amounts paid to stockholders.

**TRUE**

25. Revenues are equal to the difference between cash receipts and cash payments.

**FALSE**

26. Expenses use up assets or consume services in the process of generating revenues.

**TRUE**

27. Retained earnings will be reduced by the amount in the dividends account.

**TRUE**

28. When a company issues new shares of stock, the capital stock account increases due to revenue being earned.

**FALSE**

29. When an accounts payable account is paid in cash, company expenses increase.

**FALSE**

30. When an account receivable is collected in cash, the total assets of the business increase.

**FALSE**

31. Journalizing eliminates fraud.

**FALSE**

32. The double-entry accounting system records each transaction twice.

**FALSE**

33. The increase side of all accounts is the normal balance.

**TRUE**

34. Transactions are initially entered into a record called a journal.

**TRUE**

35. The process of recording a transaction in the journal is called journalizing.

**TRUE**

36. Journalizing is the process of entering amounts in the ledger.

**FALSE**

37. Transactions are listed in the journal chronologically.

**TRUE**

38. Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.

**FALSE**

39. Liability accounts are increased by debits.

**FALSE**



40. Expense accounts are increased by credits.

**FALSE**

41. Revenue accounts are increased by credits.

**TRUE**

42. The normal balance of a capital stock account is a debit.

**FALSE**

43. The normal balance of the dividends account is a debit.

**TRUE**

44. The normal balance of an expense account is a credit.

**FALSE**

45. The normal balance of revenue accounts is a credit.

**TRUE**

46. Dividends decrease retained earnings and are listed on the income statement as a deduction from revenue.

**FALSE**

47. For a month's transactions for a typical medium-sized business, the salary expense account is likely to have only credit entries.

**FALSE**

48. For a month's transactions for a typical medium-sized business, the accounts payable account is likely to have only credit entries.

**FALSE**

49. When a business receives a bill from the utility company, no entry should be made until the invoice is paid.

**FALSE**

50. The journal includes both debit and credit accounts for each transaction.

**TRUE**

51. A transaction that is recorded in the journal is called a journal entry.

**TRUE**

52. Assets are increased with debits and decreased with credits.

**TRUE**

53. Liabilities are increased with debits and decreased with credits.

**FALSE**

54. Debits will increase Unearned Revenues and Revenues.

**FALSE**

55. Retained earnings account increases with debits.

**FALSE**

56. Journal entries can have more than two accounts as long as the debits equal the credits.

**TRUE**

57. Normal balances appear on the side that increases the account balance.

**TRUE**

58. The process of transferring the data from the journal to the ledger accounts is posting.

**TRUE**

59. The post reference notation used in the ledger is the account number.

**FALSE**

60. The post reference notation used in the journal is the page number.

**FALSE**

61. A notation in the post reference column of the general journal indicates that the amount has been posted to the ledger.

**TRUE**

62. The order of the flow of accounting data is (1) record in the ledger, (2) record in the journal, (3) prepare the financial statements.

**FALSE**

63. The process of transferring the debits and credits from the journal entries to the accounts is known as “updating the accounts”.

**FALSE**

64. Once journal entries are posted to accounts, each account will show a new balance after each entry.

**TRUE**

65. A group of related accounts that make up a complete unit is called a trial balance.

**FALSE**

66. A trial balance determines the accuracy of the numbers.

**FALSE**

67. Even when a trial balance is in balance, there may be errors in the individual accounts.

**TRUE**

68. The totals at the bottom of the trial balance and the totals at the bottom of the balance sheet both show equality and balancing, and therefore should be equal.

**FALSE**

69. A proof of the equality of debits and credits in the ledger at the end of an accounting period is called a balance sheet.

**FALSE**

70. If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.

**FALSE**

71. Posting a part of a transaction to the wrong account will cause the trial balance totals to be unequal.

**FALSE**

72. The erroneous arrangement of digits, such as writing \$45 as \$54, is called a slide.

**FALSE**

73. Journalizing a transaction with both the debit and the credit for \$69 instead of \$96 will cause the trial balance to be out of balance.

**FALSE**

74. Posting a transaction twice will cause the trial balance totals to be equal.

**TRUE**

75. The erroneous moving of an entire number one or more spaces to the right or left, such as writing \$85 as \$850, is called a transposition.

**FALSE**

76. Accounts

A. do not reflect money amounts

B. are not used by entities that manufacture products

**C.** are records of increases and decreases in individual financial statement items

D. are only used by large entities with many transactions

77. Accounts are classified in the ledger

- A. chronologically
- B. alphabetically
- C.** in accordance with their appearance in the financial statements
- D. so that accounts used most often are listed first

78. Revenue should be recognized when

- A. cash is received
- B.** the service is performed
- C. the customer places an order
- D. the customer charges an order

79. Which of the following accounts is a stockholders' equity account?

- A. Cash
- B. Accounts Payable
- C. Prepaid Insurance
- D.** Dividends

80. The gross increases in retained earnings attributable to business activities are called

- A. assets
- B. liabilities
- C.** revenues
- D. expenses

81. A chart of accounts is

- A. the same as a balance sheet
- B. usually a listing of accounts in alphabetical order
- C.** usually a listing of accounts in financial statement order
- D. used in place of a ledger

82. The debit side of an account

- A. depends on whether the account is an asset, liability or stockholders' equity item
- B. can be either side of the account depending on how the accountant set up the system
- C. is the right side of the account
- D.** is the left side of the account

83. An account is said to have a debit balance if  
A. the amount of the debits exceeds the amount of the credits  
B. there are more entries on the debit side than on the credit side  
C. there are more entries on the credit side than on the debit side  
D. the first entry of the accounting period was posted on the debit side

84. Which statement(s) concerning cash is (are) true?  
A. cash will always have more debits than credits  
B. cash will never have a credit balance  
C. cash is increased by debiting  
D. all of the above

85. Which of the following is true about a T account?  
A. The left-hand side of the T account is called the debit side.  
B. The left-hand side of the T account is called the credit side.  
C. The right-hand side of the T account is called the debit side.  
D. None of these are true.

86. Which of the following abbreviations are correct?  
A. Debit "Dr", Credit "Cd"  
B. Debit "Db", Credit "Cr"  
C. Debit "Db", Credit "Cd"  
D. Debit "Dr", Credit "Cr"

87. Which side of the account increases a cash account?  
A. credit  
B. neither a debit or a credit  
C. debit  
D. both a debit and a credit

88. A cash payment is recorded on the cash account as a  
A. neither a debit or a credit  
B. credit  
C. debit  
D. both a debit and a credit

89. The balance of the account is determined by
- A. adding all of the debits to all of the credits.
  - B. always subtracting the debits from the credits.
  - C. always subtracting the credits from the debits.
  - D.** adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum.

90. A list of the accounts is called
- A. ledger
  - B.** chart of accounts
  - C. T account
  - D. debit

91. On the chart of accounts, the balance sheet accounts are normally listed in the following order
- A. liabilities, assets, stockholders' equity
  - B.** assets, liabilities, stockholders' equity
  - C. stockholders' equity, assets, liabilities
  - D. assets, stockholders' equity, liabilities

92. In which order are the accounts listed in the chart of accounts?
- A. assets, expenses, liabilities, stockholders' equity, revenues
  - B. stockholders' equity, assets, liabilities, revenues, expenses
  - C.** assets, liabilities, stockholders' equity, revenues, expenses
  - D. assets, liabilities, revenues, expenses, stockholders' equity

93. Which are the parts of the T account?
- A. title, date, total
  - B. date, debit side, credit side
  - C.** title, debit side, credit side
  - D. title, debit side, total

94. Which group of accounts is comprised of only assets?
- A. Cash, Accounts Payable, Buildings
  - B. Accounts Receivable, Revenue, Cash
  - C.** Prepaid Expenses, Buildings, Patents
  - D. Unearned Revenues, Prepaid Expenses, Cash

95. Of the following, which is true about assets?

- A.** Assets include physical items and intangibles that have value.
- B. Assets include only physical items of value.
- C. Assets are owned solely by the stockholders of the company.
- D. Assets are the result of selling products or services to customers.

96. Which of the following is **not** considered to be a liability?

- A. Wages Payable
- B.** Accounts Receivable
- C. Unearned Revenues
- D. Accounts Payable

97. Which of the following statements is **not** true about liabilities?

- A. Liabilities are debts owed to outsiders.
- B. Account titles of liabilities often include the term “payable.”
- C. Receiving cash before a service is performed creates a liability.
- D.** Liabilities do not include wages owed to employees of the company.

98. Retained earnings will be reduced by all of the following **except**

- A.** revenues
- B. expenses
- C. dividends
- D. all of these

99. Expenses can result from

- A. paying dividends
- B.** consuming services
- C. using up liabilities
- D. all of these

100. Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means

- A. *all* of the information from the journal was correctly transferred to the ledger
- B. *all* accounts have their correct balances in the ledger
- C. *only* the journal is accurate; the ledger may be incorrect
- D.** *only* that the debit dollar amounts equal the credit dollar amounts



101. The chart of accounts is designed to

- A. alphabetize the accounts to make reading easier for its financial statement users
- B. analyze the accounts and organize them in order of dollar amount to simplify the accounting information for users
- C. summarize the transactions and determine their ending balances
- D.** meet the information needs of a company and other financial statement users

102. The chart of accounts classifies the accounts to make identification of the accounts easier. This is done by way of assigning a number to each account. The first number identifies the classification of the type of account. Which of the following indicates the use of this classification?

- A. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
- B.** 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses
- C. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
- D. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses

103. Which of the following is **not** a correct rule of debits and credits?

- A. assets, expenses, and dividends are increased by debits
- B. assets are decreased by credits and have a normal debit balance
- C. liabilities, revenues, and retained earnings are increased by credits
- D.** the normal balance for revenues and expenses is a credit

104. The \_\_\_\_ is where a transaction can first be found on the accounting records.

- A. chart of accounts
- B. income statement
- C. balance sheet
- D.** journal

105. A debit may signify a(n)

- A. decrease in an asset account
- B.** decrease in a liability account
- C. increase in the retained earnings account
- D. decrease in the dividends account

106. Which of the following types of accounts have a normal credit balance?

- A. assets and liabilities
- B. liabilities and expenses
- C.** revenues and liabilities
- D. capital stock and dividends

107. Which of the following groups of accounts have a normal debit balance?

- A. revenues, liabilities
- B. assets, liabilities
- C. liabilities, expenses
- D.** assets, expenses

108. Which one of the statements below is **not** a purpose for the journal?

- A.** to show increases and decreases in accounts
- B. to show a chronological order by date
- C. to show a complete transaction in one place
- D. to help posting transactions to ledger

109. A credit may signify a

- A.** decrease in assets
- B. decrease in liabilities
- C. decrease in retained earnings
- D. decrease in revenue

110. A debit signifies a decrease in

- A. assets
- B. expenses
- C. dividends
- D.** revenues

111. Which of the following applications of the rules of debit and credit is true?

- A. decrease Prepaid Insurance with a credit and the normal balance is a credit
- B. increase Accounts Payable with a credit and the normal balance is a debit
- C.** increase Supplies Expense with a debit and the normal balance is a debit
- D. decrease Cash with a debit and the normal balance is a credit

112. Which of the following describes the classification and normal balance of the fees earned account?

- A. an asset with a credit balance
- B. a liability with a credit balance
- C. an expense with a debit balance
- D.** a revenue with a credit balance

113. The classification and normal balance of the accounts payable account is

- A. an asset with a credit balance
- B.** a liability with a credit balance
- C. an asset with a debit balance
- D. an expense with a debit balance

114. The classification and normal balance of the dividends account is

- A. an expense with a credit balance
- B. an expense with a debit balance
- C. a liability with a credit balance
- D.** a stockholders' equity item with a debit balance

115. The classification and normal balance of the supplies expense account is a(n)

- A. asset with a debit balance
- B. asset with a credit balance
- C.** expense with a debit balance
- D. liability with a credit balance

116. Which of the following accounts are debited to record increase in balances?

- A. assets and liabilities
- B. dividends and liabilities
- C. expenses and liabilities
- D.** assets and expenses

117. In which of the following types of accounts are increases recorded by credits?

- A.** revenues, liabilities
- B. dividends, assets
- C. liabilities, dividends
- D. expenses, liabilities

118. In which of the following types of accounts are decreases recorded with debits?

- A. assets
- B.** revenues
- C. expenses
- D. dividends

119. In which of the following types of accounts are decreases recorded by credits?

- A. liabilities
- B. retained earnings
- C. dividends**
- D. revenues

120. A credit balance in which of the following accounts would indicate a likely error?

- A. Fees Earned
- B. Salary Expense**
- C. Retained Earnings
- D. Accounts Payable

121. A debit balance in which of the following accounts would indicate a likely error?

- A. Salaries Expense
- B. Notes Payable**
- C. Dividends
- D. Supplies

122. Which of the following entries records the payment of an account payable?

- A. debit Cash; credit Accounts Payable
- B. debit Accounts Receivable; credit Cash
- C. debit Cash; credit Supplies Expense
- D. debit Accounts Payable; credit Cash**

123. Which of the following entries records the receipt of a utility bill from the water company?

- A. debit Utilities Expense; credit Accounts Payable**
- B. debit Utilities Payable; credit Accounts Receivable
- C. debit Accounts Payable; credit Cash
- D. debit Accounts Payable; credit Utilities Payable

124. Which of the following entries records the cash sale of capital stock to stockholders?

- A. debit Capital Stock; credit Cash
- B. debit Cash; credit Capital Stock**
- C. debit Cash; credit Revenue
- D. debit Revenue; credit Cash

125. Office supplies were sold by Ari's Alarm Service at cost to another repair shop, with cash received. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Office Supplies, debit; Cash, credit
- B. Office Supplies, debit; Accounts Payable, credit
- C. Cash, debit; Office Supplies, credit**
- D. Accounts Payable, debit; Office Supplies, credit

126. Office supplies purchased by Ari's Alarm Service on account were returned. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Office Supplies, credit
- B. Office Supplies, debit; Accounts Receivable, credit
- C. Accounts Payable, debit; Office Supplies, credit**
- D. Office Supplies, debit; Accounts Payable, credit

127. Cash was paid by Ari's Alarm Service to creditors on account. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Retained Earnings, credit
- B. Accounts Payable, debit; Cash, credit**
- C. Accounts Receivable, debit; Cash, credit
- D. Accounts Payable, debit; Account Receivable, credit

128. The process of initially recording a business transaction is called

- A. closing
- B. posting
- C. journalizing**
- D. balancing

129. Which of the following entries records the acquisition of office supplies on account?

- A. Office Supplies, debit; Cash, credit
- B. Cash, debit; Office Supplies, credit
- C. Office Supplies, debit; Accounts Payable, credit**
- D. Accounts Receivable, debit; Office Supplies, credit

130. Which of the following entries records the payment of rent for the current month?

- A. Cash, debit; Rent Expense, credit
- B. Rent Expense, debit; Cash, credit**
- C. Rent Expense, debit; Accounts Receivable, credit
- D. Accounts Payable, debit; Rent Expense, credit



136. The process of recording a transaction in the journal is called

- A. recording
- B. journalizing**
- C. posting
- D. summarizing

137. Scott, Inc. issued \$40,000 of capital stock. How would this transaction be entered in the journal?

- A.** Cash 40,000  
    Capital Stock 40,000  
    Sold stock for cash.
- B. Cash 40,000  
    Inventory 40,000  
    Sold stock for cash.
- C. Capital Stock 40,000  
    Cash 40,000  
    Sold stock for cash.
- D. Capital Stock 40,000  
    Accounts Payable 40,000  
    Sold stock for cash.

138.

April	23	Cash		26,000	
		Capital Stock			26,000
		Sold common stock.			

This journal entry will

- A. increase Stockholders' Equity and decrease Cash
- B. increase Cash and decrease Stockholders' Equity
- C. increase Cash and increase Stockholders' Equity**
- D. decrease Cash and decrease Stockholders' Equity

139.

May	24	Land		105,000	
		Cash			105,000
		Purchased land for business.			

What effect does this journal entry have on the accounts?

- A. Increase to Cash and increase to Land
- B. Increase to Land and decrease to Cash**
- C. Decrease to Cash and decrease to Land
- D. Increase to Cash and decrease to Land

140.

May	31	Supplies	1,130	
		Accounts Payable		1,130
		????????????		

What is the best explanation for this journal entry?

- A. Purchased supplies with cash.
- B. Returned supplies previously purchased.
- C. Purchased supplies on account.**
- D. Paid accounts payable.

141.

March	10	Accounts Payable	800	
		Cash		800
		Paid creditors on account.		

What effect does this journal entry have on the accounts?

- A. Decrease accounts payable, increase cash
- B. Increase cash, decrease accounts payable
- C. Increase accounts payable, increase cash
- D. Decrease accounts payable, decrease cash**

142. Which of the following accounts would be increased with a credit?

- A. Land, Accounts Payable, Dividends
- B. Accounts Payable, Unearned Revenue, Capital Stock**
- C. Capital Stock, Accounts Receivable, Unearned Revenue
- D. Cash, Accounts Receivable, Capital Stock

143. In accordance with the rules of debit and credit, which of the following is true?

- A. Debits increase assets.**
- B. Credits increase assets.
- C. Debits increase both assets and retained earnings.
- D. Credits increase both assets and liabilities.

144. All of the following accounts are increased with a debit **except**

- A. Unearned Revenues**
- B. Land
- C. Accounts Receivable
- D. Cash



145. Which of the following stockholder equity accounts follow the same debit and credit rules as liabilities?

- A. Capital Stock only
- B. Dividends only
- C. Retained Earnings and Capital Stock**
- D. Retained Earnings, Capital Stock, and Dividends

146. The payment for the monthly rent will require which of the following entries?

- A. debit Cash and debit Rent Expense
- B. credit Cash and credit Rent Expense
- C. debit Rent Expense and credit Cash**
- D. credit Rent Expense and debit Cash

147. Expenses follow the same debit and credit rules as

- A. revenues
- B. dividends**
- C. capital stock
- D. liabilities

148. Net income will result when

- A. revenues (credits) > expenses (debits)**
- B. revenues (credits) < expenses (debits)
- C. expenses (credits) = revenues (debits)
- D. expenses (debits) > revenues (credits)

149. Which of the following will increase retained earnings?

- A. Expenses > revenues.
- B. Dividends are declared and paid.
- C. Revenues > expenses.**
- D. Cash is received from customers on account.

150. Which of the following will decrease retained earnings?

- A. Supplies are purchased on account.
- B. Dividends are declared and paid.**
- C. Cash is received from customers.
- D. Payment is made on an accounts payable.

151. Which of the following group of accounts are increased with a debit?

- A. assets, liabilities, stockholders' equity
- B. assets, dividends, expenses**
- C. assets, revenues, expenses
- D. assets, liabilities, revenues

152. Which of the following accounts increase with a credit?

- A. capital stock, revenues, expenses
- B. assets, capital stock, revenues
- C. liabilities, capital stock, revenues**
- D. retained earnings, capital stock, assets

153. Which of the following is true regarding normal balances of accounts?

- A. All accounts have a normal debit balance.
- B. All expense accounts have a normal negative balance.
- C. Accounts that have a normal debit balance will only have debit entries, never credit entries.
- D. The normal balance appears on the side of the account that also receives increase entries.**

154. All of the following occur with a double-entry accounting system **except**

- A. The accounting equation remains in balance.
- B. The sum of all debits is always equal to the sum of all credits in each journal entry.
- C. Each business transaction will have only two entries.**
- D. Every transaction affects at least two accounts.

155.

March	6	Cash		2,500	
		Unearned Fees			2,500
		???????????			

What is the best explanation for this journal entry?

- A. Received cash for services performed.
- B. Received cash for services to be performed in the future.**
- C. Paid cash in advance for services to be done.
- D. Paid cash for services to be performed.

156.

April	14	Equipment		15,000	
		Cash			5,000
		Note Payable			10,000
		???????????			

Which is the best explanation for this journal entry?

- A.** Purchased equipment, paid cash of \$5,000, with the remainder to be paid in the future.
- B. Purchased equipment, paid cash of \$10,000, with the remainder to be received in the future.
- C. Purchased equipment, paid cash for the entire amount.
- D. Purchased equipment on credit.

157. The verification that the total dollar amount of the debits equals the total dollar amount of the credits in the ledger is called a

- A. ledger
- B.** trial balance
- C. account
- D. balance sheet

158. The process of transferring the debits and credits from the journal entries to the ledger accounts is called

- A. sliding
- B. transposing
- C. journalizing
- D.** posting

159. The posting process will include the transfer of the following information from the journal to the account.

- A. date, amount (debit or credit)
- B.** date, amount (debit or credit), journal page number
- C. amount (debit or credit), account number
- D. date, amount (debit or credit) account number

160. The Post. Ref. columns are used to trace transactions from the journal to the accounts. What will be entered in the Post. Ref. column of (a) the journal and (b) the account?

- A. (a) the amount of the debit or credit (b) the journal page number
- B. (a) the journal page number (b) the date of the transaction
- C. (a) the journal page number, (b) the account number
- D.** (a) the account number, (b) the journal page number

161. The chart of accounts for the Corning Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the posting reference that will be found in the Cash account?

- A. 11
- B. 15
- C. 3**
- D. none of these

162. The chart of accounts for the Corning Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the posting reference that will be found in the Prepaid Insurance account?

- A. 11
- B. 15
- C. 3**
- D. none of these

163. The chart of accounts for the Corning Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What are the posting references that will be found in the journal entry?

- A. 15 and 11, respectively**
- B. 11 and 15, respectively
- C. 11 and 55, respectively
- D. 3 only

164. The chart of accounts for Miguel Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 3, the following transaction was found:

Cash	640	
Fees Earned		640

What are the posting references that will be found in the journal entry?

- A. 41 and 11, respectively
- B. 3 only
- C. 11 and 41, respectively**
- D. 11 and 32, respectively

165. The chart of accounts for Miguel Corporation includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Capital Stock	31
Retained Earnings	32
Dividends	33
Fees Earned	41
Salaries Expense	54
Insurance Expense	55
Rent Expense	56

On journal page 5, the following transaction was found:

Salaries Expense	525	
Cash		525

What is the posting reference that will be found in the Salaries Expense account?

- A. 5**
- B. 11
- C. 54
- D. none of these

166. The accounts in the ledger of Monroe Entertainment Co. are listed below. All accounts have normal balances.

Accounts Payable	1,500	Fees Earned	3,600
Accounts Receivable	1,800	Insurance Expense	1,300
Prepaid Insurance	2,000	Land	3,000
Cash	3,200	Wages Expense	1,400
Capital Stock	2,500	Retained Earnings	6,300
Dividends	1,200		

Prepare a trial balance. The total of the debits is

- A.** \$13,900
- B. \$11,200
- C. \$12,700
- D. \$ 9,700

167. Randomly listed below are the steps for preparing a trial balance:

- (1) Verify that the total of the Debit column equals the total of the Credit column.
- (2) List the accounts from the ledger and enter their debit or credit balance in the Debit or Credit column of the trial balance.
- (3) List the name of the company, the title of the trial balance, and the date the trial balance is prepared.
- (4) Total the Debit and Credit columns of the trial balance.

What is the proper order of these steps?

- A.** (3), (2), (4), (1)
- B. (2), (3), (4), (1)
- C. (3), (2), (1), (4)
- D. (4), (3), (2), (1)

168. Of the following, which will determine if the accounting equation is in balance?

- A. journal entry
- B. income statement
- C.** trial balance
- D. account reconciliation

169. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?

- A.** Cash, debit; Wages Expense, credit
- B. Wages Payable, debit; Wages Expense, credit
- C. Wages Expense, debit, Cash, credit
- D. Cash, debit; Wages Payable, credit

170. If the two totals of a trial balance are not equal, it could be due to

- A. failure to record a transaction
- B. recording the same erroneous amount for both the debit and the credit parts of a transaction
- C.** an error in determining the account balances, such as a balance being incorrectly computed
- D. recording the same transaction more than once

171. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be
- A. zero
  - B. twice the amount of the transposition
  - C. one-half the amount of the transposition
  - D. divisible by 9**
172. Which of the following errors would cause the trial balance totals to be unequal?
- A. A transaction was not posted.
  - B. A payment of \$67 for insurance was posted as a debit of \$76 to Prepaid Insurance and a credit of \$76 to Cash.
  - C. A payment of \$4,450 to a creditor was posted as a debit of \$4,500 to Accounts Payable and a credit of \$450 to Accounts Receivable.**
  - D. Cash received from customers on account was posted as a debit of \$720 to Cash and a credit of \$720 to Accounts Payable.
173. Supplies purchased on account were incorrectly recorded as Office Equipment. The correcting entry would be
- A. Supplies, debit; Office Equipment, credit.**
  - B. Accounts Receivable, debit; Supplies, credit.
  - C. Office Equipment, debit; Supplies Expense, credit.
  - D. Supplies, debit; Accounts Payable, credit.
174. Which of the following errors will cause the trial balance totals to be unequal?
- A. posting the debit portion of a journal entry incorrectly when the credit portion of the entry is correctly posted**
  - B. failure to record a transaction or to post a transaction
  - C. recording the same transaction more than once
  - D. recording the same erroneous amount for both the debit and the credit parts of a transaction
175. The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to find the error?
- A. Determine the amount of the error and look for that amount on the trial balance.
  - B. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
  - C. Determine the amount of the error and refer to the journal entries for that amount.
  - D. Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.**



176. Which of the following is **not** a short-cut in finding errors on the trial balance?

- A. Determine the difference between debits and credits and look for the amount.
- B.** Determine the amount and change any account to make the trial balance correct.
- C. Determine the difference between debits and credits, divide the amount by 2, look for the amount.
- D. Determine the difference between debits and credits, divide the amount by 9, if it divides evenly, look for a transposition or slide error.

177. All of the following statements regarding a horizontal analysis are true **except**

- A. A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.
- B.** A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.
- C. If Fees Earned in 2013 is \$125,000 and Fees Earned in 2014 is \$143,750, a horizontal analysis will indicate a 15% increase over this period.
- D. When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

178. McMann Company has a condensed income statement as shown::

	2014	2013
Sales	\$198,000	\$165,500
Total operating expenses	163,000	147,500
Net income	35,000	18,000

Using horizontal analysis, calculate the amount and percent change for Sales. Round to one decimal place.

- A.** \$32,500, 19.6%
- B. \$18,000, 10.9%
- C. \$35,000, 17.7%
- D. \$17,000, 9.4%

179. McMann Company has a condensed income statement as shown::

	2014	2013
Sales	\$150,000	\$165,500
Total operating expenses	133,000	147,500
Net income	17,000	18,000

Using horizontal analysis, calculate the amount and percent change for Sales. Round to one decimal place.

- A. (17,000), (11.3%)
- B. (15,500), (10.3%)
- C. (\$18,000), (10.9%)
- D.** (\$15,500), (9.4%)

180. The purchase of supplies on account was recorded and posted as a debit to Supplies for \$500 and a credit to Accounts Receivable for \$500. The correcting entry would include a:

- A. credit to Accounts Receivable for \$500
- B. credit to Accounts Receivable for \$1,000
- C.** credit to Accounts Payable for \$500
- D. credit to Accounts Payable for \$1,000

181. The chart of accounts classifies the accounts to make identification of the accounts easier. Discuss how companies set up a chart of accounts for use in their business.

A chart of accounts is setup by assigning numbers to each of the accounts. The account number for assets will begin with 1, liabilities with 2, stockholders' equity with 3, revenues with 4, and expenses with 5.

182. On September 1st, Erika Company purchased land for \$47,500 cash. Prepare the journal entry to record this transaction.

Sep. 1	Land	47,500	
	Cash	47,500	
			Purchase d land for the compan y.

183. (a) On October 10th, Nikle Company purchased supplies worth \$1,800 on account. Prepare the journal entry to record this transaction.

(b) Nikle Company paid for the supplies purchased in (a) on October 25th. Prepare the journal entry to record this transaction.

(a)	Oct. 10	Supplies	1,800	
		Accounts Payable	1,800	
				Purchased supplies on account.

(b)	Oct. 25	Accounts Payable	1,800	
		Cash	1,800	
				Paid for supplies on account.

184. On October 17th, Nikle Company purchased a building and a plot of land for \$750,000. The building was valued at \$500,000 while the land carried a value of \$250,000. Nikle paid \$300,000 down in cash and signed a note payable for the balance. Prepare the journal entry to record this transaction.

Oct. 17	Building	500,000	
	Land	250,000	
	Cash		300,000
	Notes Payable		450,000
	Purchased building and land.		

185. On November 1st, Nikle Company made a cash payment of \$200,000 on a note payable that was generated in the purchase of a building and land. Prepare the journal entry to record this transaction.

Nov. 1	Notes Payable	200,000	
	Cash	200,000	
	Made payment on note payable.		

186. On January 7th, Damien Lawson deposited \$95,000 in a bank account in the name of JumpStart in return for shares of stock in the corporation. Prepare the journal entry to record this transaction.

Jan. 7	Cash	95,000	
	Capital Stock	95,000	
	Issued capital stock for cash.		

187. On January 8th, JumpStart purchased \$20,000 worth of office equipment. Prepare the journal entry to record this transaction.

Jan. 8	Office 20,000	
	e	
	Equip	
	ment	
	Cash 20,000	

188. On August 30th JumpStart pays numerous bills which include:  
Payment to the landlord for August rent - \$2,300  
Payment to the Gas & Electric Company for August's bill - \$525  
Payment of employee wages for the last half of August - \$1,750  
Payment of shopping center's parking lot cleaning fee - \$275

Journalize these payments as one compound journal entry.

Aug 30	Rent	2,300	
	Expense		
	Utilities	525	
	Expense		
	Wages	1,750	
	Expense		
	Maintena	275	
	nce		
	Expense		
	Cash		4,850

189. On October 30th, JumpStart paid its only stockholder, Damien Lawson, a \$3,300 cash dividend. Journalize this event.

Oct. 30	Dividends	3,300	
	Cash	3,300	

190. Prepare a journal entry for the purchase of a truck on April 4 for \$85,700, paying \$15,000 cash and the remainder on account.

April 4	Truc85,700 k
	Cas 15,000 h
	Acc 70,700 ount
	s
	Pay
	able

191. Prepare a journal entry on October 12 for the fees earned on account, \$14,600.

Oct. 12	Accoun 14,600 ts
	Receiva ble
	Fees 14,600
	Earned

192. State for each account whether it is likely to have from normal business operations (a) debit entries only, (b) credit entries only, or (c) both debit and credit entries. Also, indicate the normal balance of each account.

- |                      |                        |
|----------------------|------------------------|
| 1. Fees Earned       | 4. Supplies            |
| 2. Utilities Expense | 5. Cash                |
| 3. Accounts Payable  | 6. Accounts Receivable |

1. Credit entries only, normal credit balance
2. Debit entries only, normal debit balance
3. Both debit and credit entries, normal credit balance
4. Both debit and credit entries, normal debit balance
5. Both debit and credit entries, normal debit balance
6. Both debit and credit entries, normal debit balance

193. On June 1, the cash account balance was \$96,750. During June, cash receipts totaled \$305,000 and the June 30 balance was \$75,880. Determine the cash payments made during June.

$$75,880 = 96,750 + 305,000 - ?$$

Cash payments = \$325,870

194. For each of the following errors, considered individually, indicate whether the error would cause the trial balance totals to be unequal. If the error would cause the trial balance totals to be unequal, indicate whether the debit or credit total is higher and by how much.

- a. Payment of a cash dividend of \$6,800 was journalized and posted as a debit of \$8,600 to Salaries Expense and a credit of \$8,600 to Cash.
- b. A fee of \$9,780 earned was debited to Accounts Receivable for \$7,980 and credited to Fees Earned for \$9,780.
- c. A payment of \$3,000 to a creditor was posted as a credit of \$3,000 to Accounts Payable and a credit of \$3,000 to Cash.

- a. The totals are equal.
- b. The totals are unequal. The credit total is higher by \$1,800.
- c. The totals are unequal. The credit total is higher by \$6,000.

195. The following errors took place in journalizing and posting transactions:

- a. A payment of \$5,000 in cash dividends was recorded as a debit to Office Salaries Expense and a credit to Cash.
- b. An accounts receivable payment of \$7,800 was recorded as a debit to Cash and a credit to Fees Earned.

Journalize the entries to correct the errors. Omit the explanations.

a.	Dividends 5,000		
	Office Salaries Expense		5,000
b.	Fees 7,800		
	Earned	Accounts Receivable	7,800

196. Discuss and describe how errors in accounts can be found.

- 1) through audit procedures
- 2) by looking at the trial balance
- 3) by chance

197. On November 30th, it was discovered that a \$550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Nov. 30	Office	550	
	Equipment		
	Office	550	
	Supplies		

198. Journalize the entries to correct the following errors:

- (a) A purchase of supplies for \$500 on account was recorded and posted as a debit to Supplies for \$200 and as a credit to Accounts Receivable for \$200.
- (b) A receipt of \$2,500 from Fees Earned was recorded and posted as a debit to Fees Earned for \$2,500 and a credit to Cash for \$2,500.

(a)	Accounts Receivable	200	
	Supplies		200
	Supplies	500	
	Accounts Payable		500
(b)	Cash	5,000	
	Fees Earned		5,000

199. For the following, enter a “D” if the account normally has a debit balance and enter a “C” if the account normally has a credit balance.

- \_\_\_\_\_ 1. Notes Payable
- \_\_\_\_\_ 2. Mortgage Payable
- \_\_\_\_\_ 3. Dividends
- \_\_\_\_\_ 4. Accounts Receivable
- \_\_\_\_\_ 5. Capital Stock
- \_\_\_\_\_ 6. Rent Revenue
- \_\_\_\_\_ 7. Unearned Income
- \_\_\_\_\_ 8. Utility Expense
- \_\_\_\_\_ 9. Automobiles

- 1. C
- 2. C
- 3. D
- 4. D
- 5. C
- 6. C
- 7. C
- 8. D
- 9. D

200. On January 1, 2011, Cary Parsons established Cary’s Catering Service. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

- 1. Cash
- 2. Accounts Receivable
- 3. Supplies
- 4. Prepaid Insurance
- 5. Equipment
- 6. Truck
- 7. Notes Payable
- 8. Accounts Payable
- 9. Capital Stock
- 10. Dividends
- 11. Fees Earned
- 12. Wages Expense
- 13. Rent Expense
- 14. Utilities Expense
- 15. Truck Expense
- 16. Miscellaneous Expense
- 17. Insurance Expense



Transactions	Account(s) Debited	Account(s) Credited
a. Cary transferred cash from a personal bank account to an account for the business in exchange for stock.		
b. Paid rent for the period of January 3 to the end of the month.		
c. Purchased a truck for \$30,000 with a cash down payment of \$5,000 and the remainder on a note.		
d. Purchased equipment on account.		

Transactions	Account(s) Debited	Account(s) Credited
a.	1	9
b.	13	1
c.	6	1,7
d.	5	8

201. On January 1, 2011, Cary Parsons established Cary's Catering Service. Listed below are accounts to use for transactions (a) through (e), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Notes Payable
8. Accounts Payable
9. Capital Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Miscellaneous Expense
17. Insurance Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Purchased supplies for cash.		
b. Paid the annual premiums on property and casualty insurance.		
c. Received cash for a job previously recorded on account.		
d. Paid a creditor a portion of the amount owed for equipment previously purchased on account.		
e. Received cash for a completed job.		

Transactions	Account(s) Debited	Account(s) Credited
a.	3	1
b.	4	1
c.	1	2
d.	8	1
e.	1	11

202. On January 1, 2011, Cary Parsons established Cary's Catering Service. Listed below are accounts to use for transactions (a) through (f), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Notes Payable
8. Accounts Payable
9. Capital Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Miscellaneous Expense
17. Insurance Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Recorded jobs completed on account and sent invoices to customers.		
b. Received an invoice for truck expenses to be paid in February.		
c. Paid utilities expense		
d. Received cash from customers on account.		
e. Paid employee wages.		
f. Paid Cary a cash dividend.		

Transactions	Account(s) Debited	Account(s) Credited
a.	2	11
b.	15	8
c.	14	1
d.	1	2
e.	12	1
f.	10	1

203. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash
2. Accounts Receivable
3. Office Supplies
4. Land
5. Interest Receivable
6. Building
7. Accumulated Depreciation - Building
8. Depreciation Expense - Building
9. Accounts Payable
10. Interest Payable
11. Insurance Payable
12. Utility Expense
13. Notes Payable
14. Prepaid Insurance
15. Service Revenue
16. Capital Stock
17. Insurance Expense
18. Utility Payable
19. Office Supplies Expense
20. Unearned Service Revenue
21. Dividends
22. Interest Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Utility bill is received; payment will be made in 10 days.		
b. Paid the utility bill previously recorded in transaction (a).		
c. Bought a three-year insurance policy and paid in full.		
d. Received \$7,000 from a contract to perform accounting services over the next two years.		

	Debit	Credit
a.	12	18
b.	18	1
c.	14	1
d.	1	20

204. Below is the unadjusted trial balance for Dawson Designs at December 31, 2011 - the end of its first year in business.

- (1) Identify the errors in the following trial balance. All accounts have normal balances.
- (2) Prepare a corrected trial balance.

<b>Dawson Designs Unadjusted Trial Balance For the Year Ended December 31, 2011</b>		
	Debit Balances	Credit Balances
Cash	23,000	
Accounts Receivable		49,700
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable	6,050	
Salaries Payable		4,250
Capital Stock		110,000
Dividends		18,500
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense		4,970
Totals	424,020	424,020

- (1)
  - a. The debit column is added incorrectly; the sum is actually \$289,780.
  - b. The trial balance should be dated "December 31, 2011," rather than "For the Year Ended December 31, 2011."
  - c. The accounts receivable balance should be in the debit column.
  - d. The accounts payable should be in the credit column.
  - e. Dividends should be in the debit column.
  - f. Miscellaneous Expense should be in the debit column.

(2)

<b>Dawson Designs Unadjusted Trial Balance December 31, 2011</b>		
	Debit Balances	Credit Balances
Cash	23,000	
Accounts Receivable	49,700	
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable		6,050
Salaries Payable		4,250
Capital Stock		110,000
Dividends	18,500	
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense	4,970	
	356,900	356,900

205. The following two situations are independent of each other.

1. On June 1, the cash account balance was \$45,750. During June, cash payments totaled \$243,910 and the June 30 balance was \$53,200. Determine the cash receipts during June and show your calculation.

2. On March 1, the supplies account balance was \$1,800. During March, supplies of \$2,450 were purchased and \$630 of supplies were on hand as of March 31. Determine the supplies expense for March and show your calculation.

$$1. \$53,200 = \$45,750 + \text{Cash receipts} - \$243,910$$

$$\text{Cash receipts} = \$251,360$$

$$2. \$630 = \$1,800 + \$2,450 - \text{Supplies Expense}$$

$$\text{Supplies expense} = \$3,620$$

206. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts she would like to open in the general ledger. List the accounts in the order in which they should appear in the ledger and propose a two-digit account numbering scheme that is consistent with the rules of a proper chart of accounts.

1. Cash
2. Supplies
3. Equipment
4. Accounts Payable
5. Capital Stock
6. Wages Expense
7. Rent Expense
8. Truck
9. Utilities Expense
10. Dividends
11. Truck Expense
12. Prepaid Insurance
13. Fees Earned
14. Miscellaneous Expense
15. Insurance Expense
16. Notes Payable
17. Retained Earnings
18. Accounts Receivable

- 11 Cash
- 12 Accounts Receivable
- 13 Supplies
- 14 Prepaid Insurance
- 15 Equipment
- 16 Truck
- 21 Accounts Payable
- 22 Notes Payable
- 31 Capital Stock
- 32 Retained Earnings
- 33 Dividends
- 41 Fees Earned
- 51 Wages Expense
- 52 Rent Expense
- 53 Utilities Expense
- 54 Truck Expense
- 55 Insurance Expense
- 56 Miscellaneous Expense

207. Several transactions are listed below, with the accounting equation stated to the right side of each. Use the following identification codes to indicate the effects of each transaction on the accounting equation. Write your answers in the space provided under the accounting equation. You need an identification code for each element of the accounting equation. An example is given before the first transaction.

I-Increase	D-Decrease	NE-No Effect					
			Assets	=	Liabilities	+	Stockholders' Equity
<i>Example</i>	<i>John Smith invests in a new business by purchasing \$3,500 of capital stock.</i>		<u>  I  </u>		<u>  NE  </u>		<u>  I  </u>
A)	Cash sales are made.		_____		_____		_____
B)	Equipment is purchased on credit.		_____		_____		_____
C)	Payment is made for the equipment purchased on credit in (B).		_____		_____		_____
D)	The company sold excess supplies to another company on credit.		_____		_____		_____
E)	Cash is collected from customers for accounts receivable balances.		_____		_____		_____

		Assets	=	Liabilities	+	Stockholders' Equity
A)	Cash sales are made.	<u>I</u>		<u>NE</u>		<u>I</u>
B)	Equipment is purchased on credit.	<u>I</u>		<u>I</u>		<u>NE</u>
C)	Payment is made for the equipment purchased on credit in (B).	<u>D</u>		<u>D</u>		<u>NE</u>
D)	The company sold excess supplies to another company on credit.	<u>NE</u>		<u>NE</u>		<u>NE</u>
E)	Cash is collected from customers for accounts receivable balances.	<u>NE</u>		<u>NE</u>		<u>NE</u>

208. *Journalize the five transactions for Mirmax Rentals described below.*

- August  
1 Mirmax purchases two new saws on credit at \$425 each. The saws are added to Mirmax's rental inventory. Payment is due in 30 days.
- 8 Mirmax accepts advance deposits for tool rentals of \$125 that will be applied to the cash rental when the tools are returned.
- 15 Mirmax receives a bill from Macon Utility Company for \$180. Payment is due in 30 days.
- 20 Customers are charged \$1,250 by Mirmax for tool rentals. Payment is due from the customers in 30 days.
- 31 Mirmax receives \$600 in payments from the customers that were billed for rentals on August 20.



Aug. 1	Equipment	850	
	Accounts Payable		850
8	Cash	125	
	Unearned Revenue		125
15	Utilities Expense	180	
	Accounts Payable		180
20	Accounts Receivable	1,250	
	Rental Revenue		1,250
31	Cash	600	
	Accounts Receivable		600

209. Journalize the following five transactions for Nexium & Associates, Inc. Omit explanations.

Mar. 1 Bills are sent to clients for services provided in February in the amount of \$800.

9 Corner Office, Inc. delivers office furniture (\$1,060) and office supplies (\$160) to Nexium leaving an invoice for \$1,220.

15 Payment is made to Corner Office, Inc. for the furniture and office supplies delivered on March 9.

23 A bill for \$430 for electricity for the month of March is received and will be paid on its due date in April.

31 Salaries of \$850 are paid to employees.

Mar.	1	Accounts Receivable Service Revenue	800	800
	9	Office Furniture Office Supplies Accounts Payable	1,060 160	1,220
	15	Accounts Payable Cash	1,220	1,220
	23	Electricity Expense Accounts Payable	430	430
	31	Salaries Expense Cash	850	850

210. McMann Company has condensed income statements as follows:

	<b>2011</b>	<b>2010</b>
Sales	\$178,400	\$162,500
Wage expenses	100,000	92,500
Rent expenses	33,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	163,000	147,500
Net income	15,400	15,000

REQUIRED:

Prepare a horizontal analysis of McMann Company's income statements. Comment on the trends, both favorable and unfavorable.

	<b>2011</b>	<b>2010</b>	<b>Increase/ Decrease Amount</b>	<b>Percent Change</b>
Sales	\$178,400	\$162,500	15,900	9.8%
Wage expenses	100,000	92,500	7,500	8.1%
Rent expenses	33,000	30,000	3,000	10.0%
Utilities expenses	30,000	25,000	5,000	20.0%
Total operating expenses	163,000	147,500	15,500	10.5%
Net income	15,400	15,000	400	2.7%

While the trend in sales revenue is favorable, it is not sufficient enough to offset the rising expenses, resulting in a positive but small and slowing increase in net income.

211. Georgia Company has condensed income statements as follows:

	<b>2011</b>	<b>2010</b>
Sales	\$158,400	\$162,500
Wage expenses	80,000	92,500
Rent expenses	28,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	138,000	147,500
Net income	20,400	15,000

**REQUIRED:**

Prepare a horizontal analysis of Georgia Company's income statements. Comment on the trends, both favorable and unfavorable.

	<b>2011</b>	<b>2010</b>	<b>Increase/ Decrease Amount</b>	<b>Percent Change</b>
Sales	\$158,400	\$162,500	(4,100)	-2.5%
Wage expenses	80,000	92,500	(12,500)	-13.5%
Rent expenses	28,000	30,000	(2,000)	-6.7%
Utilities expenses	30,000	25,000	5,000	20.0%
Total operating expenses	138,000	147,500	(9,500)	-6.4%
Net income	20,400	15,000	5,400	36.0%

The trend in sales revenue is unfavorable, but that is more than offset by the declines in operating expenses, with the exception of utilities, which increased over the period. Despite the 2.5% drop in sales, the net effect was a favorable increase in net income of 36%, which was in large part spurred by the drop in wages expense.

212. On January 31, the cash account balance was \$96,750. During January, cash receipts totaled \$305,000 and cash payments totaled was \$375,880. Determine the cash balance on January 1.

$$??? + \$305,000 - \$375,880 = \$96,750$$

Cash balance at January 1 is \$167,630.

213. Organize the following accounts into the usual sequence of a chart of accounts.

Miscellaneous Expense  
Accounts Payable  
Retained Earnings  
Accounts Receivable  
Cash  
Capital Stock  
Fees Earned  
Prepaid Rent  
Salaries Expense  
Unearned Revenue  
Dividends

Cash  
Accounts Receivable  
Prepaid Rent  
Accounts Payable  
Unearned Revenue  
Capital Stock  
Retained Earnings  
Dividends  
Fees Earned  
Salaries Expense  
Miscellaneous Expense

214. Selected accounts from the ledger of Garrison Company appear below. For each account, indicate the following:

- (a) In the first column at the right, indicate the nature of each account, using the following abbreviations:

Asset - A	Rev enu e - R
Liability - L	Exp ense - E
None of the above - N	

- (b) In the second column, indicate the increase side of each account by inserting Dr. or Cr.

<u>Account</u>	<u>Type</u> <u>Increase</u> <u>Side</u> <u>of</u> <u>Acc</u> <u>ount</u>
(1) Supplies	_____ _____ -
(2) Notes Receivable	_____ _____ -
(3) Fees Earned	_____ _____ -
(4) Dividends	_____ _____ -
(5) Accounts Payable	_____ _____ -
(6) Salaries Expense	_____ _____ -
(7) Capital Stock	_____ _____ -
(8) Accounts Receivable	_____ _____ -
(9) Equipment	_____ _____ -
(10) Notes Payable	_____ _____ -

	<u>Type of Account</u>	<u>Increase Side</u>
(1)	A	Dr.
(2)	A	Dr.
(3)	R	Cr.
(4)	N	Dr.
(5)	L	Cr.
(6)	E	Dr.
(7)	N	Cr.
(8)	A	Dr.
(9)	A	Dr.
(10)	L	Cr.

215. Calculate the following:

- (a) Determine the cash receipts for April based on the following data:

Cash payments during April	\$63,000
Cash account balance, April 1	25,500
Cash account balance, April 30	31,750

- (b) Determine the cash received from customers on account during April based on the following data:

Accounts receivable account balance, April 1	\$22,500
Accounts receivable account balance, April 30	15,250
Fees received from customers during April	45,000

- (a) \$69,250 ( $\$31,750 + \$63,000 - \$25,500$ )  
 (b) \$52,250 ( $\$22,500 + \$45,000 - \$15,250$ )



216. Increases and decreases in various types of accounts are listed below. In each case, indicate by "Dr." or "Cr." (a) whether the change in the account would be recorded as a debit or a credit and (b) whether the normal balance of the account is a debit or a credit.

	(a) Recorded <u>As</u>	(b) Normal <u>Balance</u>
(1) Increase in Capital Stock	_____	_____
(2) Increase in Dividends	_____	_____
(3) Decrease in Accounts Receivable	_____	_____
(4) Increase in Note Payable	_____	_____
(5) Increase in Accounts Payable	_____	_____
(6) Decrease in Supplies	_____	_____
(7) Decrease in Salaries Expense	_____	_____
(8) Increase in Accounts Receivable	_____	_____
(9) Increase in Cash	_____	_____
(10) Decrease in Land	_____	_____

	(a)	(b)
(1)	Cr.	Cr.
(2)	Dr.	Dr.
(3)	Cr.	Dr.
(4)	Cr.	Cr.
(5)	Cr.	Cr.
(6)	Cr.	Dr.
(7)	Cr.	Dr.
(8)	Dr.	Dr.
(9)	Dr.	Dr.
(10)	Cr.	Dr.

217. Record the following selected transactions for April in a two-column journal, identifying each entry by letter:

- (a) Received \$18,000 from Katie Long in exchange for stock.
- (b) Purchased equipment for \$27,000, paying \$10,000 in cash and giving a note payable for the remainder.
- (c) Paid \$2,300 for rent for April.
- (d) Purchased \$1,500 of supplies on account.
- (e) Recorded \$9,800 of fees earned on account.
- (f) Received \$7,500 in cash for fees earned.
- (g) Paid \$1,200 to creditors on account.
- (h) Paid wages of \$3,425.
- (i) Received \$7,900 from customers on account.
- (j) Recorded the payment of a \$1,875 dividend.



Equipment		Operating Expense						
(2)	4,500				(6)	5,500		

Accounts Payable								
(5)	2,600	(2)	4,500					

Indicate the following for each debit and each credit:

- (a) The type of account affected (asset, liability, equity, revenue, or expense).
- (b) The effect on the account, using + for increase and - for decrease.

Present your answers in the following form:

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Accounted Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
--------------------	---------------------------------------	--	-------------	---------------

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Accounted Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
(1)	asset	+	equity	+
(2)	asset	+	liability	+
(3)	asset	+	asset	-
(4)	asset	+	revenue	+
(5)	liability	-	asset	-
(6)	expense	+	asset	-
(7)	asset	+	revenue	+
(8)	equity	-	asset	-
(9)	asset	+	asset	-

219. On January 12th, JumpStart Co. purchased \$870 in office supplies.

- (a) Journalize this transaction as if JumpStart paid cash.
- (b) (1) Journalize this transaction as if JumpStart placed it on account.
- (b) (2) On January 18th, JumpStart pays the amount due. Journalize this event.

Jan. 12            Office 870  
                          e  
                          Suppl  
                          ies  
                          Cash 870

12            Office 870  
                  e  
                  Suppl  
                  ies  
                  Acco 870  
                  unts  
                  Payab  
                  le

18            Acco 870  
                  unts  
                  Payab  
                  le  
                  Cash 870

220. On December 1st, JumpStart Company provides \$2,800 in services to clients.

(a) Journalize this event as if the clients had paid cash at the time the services were rendered.

(b) (1) Journalize this event as if the clients had placed this on account.

(b) (2) Assume that the clients paid \$1,200 of the amount on account on December 30th. Journalize this transaction.

(a)	Dec. 1	Cash	2,800	
			Fees Earned	2,800
				0
				0
(b) (1)	1	Accounts Receivable	2,800	
			Fees Earned	2,800
				0
				0
(b) (2)	30	Cash	1,200	
			Accounts Receivable	1,200
				0
				0

221. On November 10th, JumpStart Co. provides \$2,900 in services to clients. At the time of service, the clients paid \$600.00 in cash and put the balance on account.

(a) Journalize this event.

(b) On November 20th, JumpStart Co. clients paid an additional \$900 on their accounts due. Journalize this event.

(c) Calculate the amount of accounts receivable on November 30th.

(a) Nov. 10            Cash 600  
                           Acco 2,300  
                           unts  
                           Rece  
                           ivabl  
                           e  
                           Fees 2,900  
                           Earn  
                           ed

(b)     20            Cash 900  
                           Acco 900  
                           unts  
                           Rece  
                           ivabl  
                           e

(c)	Original invoice	\$2,900
	Less cash paid upon completion	<u>600</u>
	Original amount on accounts receivable	\$2,300
	Less Nov 20th payment	<u>900</u>
	Accounts Receivable balance	<u>\$1,400</u>

222. Journalize the following selected transactions for April 2011 in a two-column journal. Journal entry explanations may be omitted.

April 1	Received cash for capital stock, \$14,000.
2	Received cash for providing accounting services, \$9,500.
3	Billed customers on account for providing services, \$4,200.
4	Paid advertising expense, \$700.
5	Received cash from customers on account, \$2,500.
6	Paid cash dividends, \$1,000.
7	Received telephone bill, \$900.
8	Paid telephone bill, \$900.



223. Analyze the following transactions as to their effect on the accounting equation.

- (a) The company paid \$725 to a vendor for supplies purchased previously on account.
- (b) The company performed \$850 of services and billed the customer.
- (c) The company received a utility bill for \$395 and will pay it next month.
- (d) The stockholder of the company received a cash dividend of \$1,000.
- (e) The company paid \$315 in salaries to its employees.
- (f) The company collected \$730 of cash from its customers on account.

Some of the possible effects of a transaction on the accounting equation are listed below:

- (1) Asset, dr.; Asset, cr.
- (2) Liability, dr.; Revenue, cr.
- (3) Asset, dr.; Liability, cr.
- (4) Asset, dr.; Revenue, cr.
- (5) Liability, dr.; Assets, cr.
- (6) Equity, dr.; Asset, cr.
- (7) Expense, dr.; Assets, cr.
- (8) Expense, dr.; Liability, cr.

Put the appropriate letter next to each transaction.

Transaction	Effect on the accounting equation
(a)	5
(b)	4
(c)	8
(d)	6
(e)	7
(f)	1

224. Set up T accounts for Cash, Accounts Receivable, Supplies, Accounts Payable, Capital Stock, Dividends, Professional Fees, and Operating Expenses.

- (a) In the T accounts, record the following transactions of Potter Pool Services for June, 2011, identifying each entry by number:
- (1) Dan Potter invested \$12,500 cash in the business in exchange for stock.
  - (2) Purchased supplies on account, \$6,250.
  - (3) Paid operating expenses, \$5,500.
  - (4) Billed clients for fees, \$7,440.
  - (5) Received cash from cash clients, \$4,700.
  - (6) Paid creditors on account, \$1,400.
  - (7) Received \$3,100 from clients on account.
  - (8) The company paid Dan \$1,500 in cash dividends.
- (b) Prepare a trial balance as of June 30, 2011 for Potter Pool Services.
- (c) Assuming that supplies expense (which has not been recorded) amounts to \$1,500 for June, determine net income for the month.



(a)								
Cash		Capital Stock						
(1)	12,500	(3)	5,500				(1)	12,500
(5)	4,700	(6)	1,400					
(7)	3,100	(8)	1,500					

Accounts Receivable		Dividends						
(4)	7,440	(7)	3,100		(8)	1,500		

Supplies		Professional Fees						
(2)	6,250						(4)	7,440
							(5)	4,700

Accounts Payable		Operating Expenses						
(6)	1,400	(2)	6,250		(3)	5,500		

(b)  
**Potter Pool Services**  
**Trial Balance**  
**June 30, 2011**

Cash	11,900	
Accounts Receivable	4,340	
Supplies	6,250	
Accounts Payable		4,850
Capital Stock		12,500
Dividends	1,500	
Professional Fees		12,140
Operating Expenses	<u>5,500</u>	
	<u>29,490</u>	<u>29,490</u>

(c) \$5,140 (\$12,140 - \$5,500 - \$1,500)



Equipment		Operating Expenses						
(2)	9,500				(6)	10,500		

Accounts Payable								
(5)	7,600	(2)	9,500					

Refer to **Exhibit 2-1**. Prepare a trial balance, listing the accounts in their proper order.

**Ralston Sports Company**  
**Trial Balance**  
**September 30, 2011**

Cash	9,000	
Accounts Receivable	200	
Supplies	12,500	
Equipment	9,500	
Accounts Payable		1,900
Capital Stock		25,000
Dividends	7,000	
Fees Earned		21,800
Operating Expenses	<u>10,500</u>	
	<u>48,700</u>	<u>48,700</u>

227.

- (a) List the errors in the following trial balance. All accounts have normal balances.
- (b) What would be the new totals of the trial balance after errors are corrected? What would be the balance of Accounts Receivable?

**Winslow's Auto Body**  
**Trial Balance**  
**For Month Ending April 30, 2011**

Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Capital Stock	5,000	
Retained Earnings	12,000	
Dividends		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	<u>250</u>	
	<u>55,000</u>	<u>81,575</u>

- (a)
- (1) In the heading, the date should be April 30, 2011; not for a period of time.
  - (2) The cash balance should be a debit.
  - (3) Capital Stock and Retained Earnings should be credits.
  - (4) The supplies account should be a debit.
  - (5) Prepaid Insurance should be a debit and follow Accounts Receivable.
  - (6) Dividends should be a debit.
  - (7) Rent Expense should be a debit.
  - (8) The trial balance does not balance.
- (b) The new total for credits would be accounts payable \$2,500 + fees earned \$49,600 + capital stock \$5,000 + retained earnings \$12,000 = total \$69,100. Accounts receivable would be \$69,100 (total credits) - \$66,025 (corrected debits) = \$3,075.

228. Answer the following questions for each of the errors listed below, considered individually:

- (a) Did the error cause the trial balance totals to be unequal?
- (b) What is the amount of the difference between the trial balance totals (where applicable)?
- (c) Which of the trial balance totals, debit or credit, is the larger (where applicable)?

Present your answers in columnar form, using the following headings:

<u>Error</u> <u>(identifying number)</u>	<u>Totals</u> <u>(equal or unequal)</u>	<u>Difference in Totals</u> <u>(amount)</u>	<u>Larger of Totals</u> <u>(debit or credit)</u>
---	--	--	---

Errors:

- (1) A dividend of \$3,000 cash paid to the company's owner and only stockholder was recorded by a debit of \$3,000 to Salary Expense and a credit of \$3,000 to Cash.
- (2) A \$650 purchase of supplies on account was recorded as a debit of \$1,650 to Equipment and a credit of \$1,650 to Accounts Payable.
- (3) A purchase of equipment for \$3,450 on account was not recorded.
- (4) A \$870 receipt on account was recorded as a \$870 debit to Cash and a \$780 credit to Accounts Receivable.
- (5) A payment of \$1,530 cash on account was recorded only as a credit to Cash.
- (6) Cash sales of \$8,500 were recorded as a credit of \$8,500 to Cash and a credit of \$8,500 to Fees Earned.
- (7) The debit to record a \$4,000 cash receipt on account was posted twice; the credit was posted once.
- (8) The credit to record a \$300 cash payment on account was posted twice; the debit was posted once.
- (9) The debit balance of \$7,400 in Accounts Receivable was recorded in the trial balance as a debit of \$7,200.

<u>Error</u>	<u>Totals</u>	<u>Difference in Totals</u>	<u>Larger of Totals</u>
(1)	equal	----	----
(2)	equal	----	----
(3)	equal	----	----
(4)	unequal	\$ 90	debit
(5)	unequal	1,530	credit
(6)	unequal	17,000	credit
(7)	unequal	4,000	debit
(8)	unequal	300	credit
(9)	unequal	200	credit

229. The bookkeeper for Brockton Industries prepared the following journal entries and posted the entries to the general ledger as indicated in the T accounts presented. Assume that the dollar amounts and the descriptions of the entries are correct.

July 3	Accounts Receivable	1,000	
	Service Revenue		1,000
	Customers were billed for services completed.		
11	Cash	500	
	Service Revenue		500
	Payment is received from a customer billed for services on July 3.		
12	Office Supplies	600	
	Accounts Payable		600
	Purchased office supplies on credit; payment is due in 30 days.		
25	Office Furniture	600	
	Cash		600
	Payment is made for office furniture received on July 12.		

Accounts Receivable		Service Revenue							
7/3	1,000	1/2			7/3	1,000	1/2		
		1/2					1/2	7/11	500

Cash		Accounts Payable							
7/11	500	1/2	7/25	600		7/12	600	1/2	

Office Supplies		Office Furniture							
7/12	600	1/2			7/25	600	1/2		

**REQUIRED:**

If you assume that all journal entries have been recorded correctly, use the above information to:

- (1) Identify the postings to the general ledger that were made incorrectly.
- (2) Describe how each incorrect posting should have been made.

- (1) The bookkeeper incorrectly posted the July 3, July 11, and July 12 journal entries.
- (2) For the July 3 journal entry, the \$1,000 credit to Service Revenue should have been posted to the Service Revenue account as a credit, not as a debit. For the July 11 journal entry, the \$500 credit should be posted to Accounts Receivable, not to Service Revenue. For the July 12 journal entry, the \$600 credit to Accounts Payable should have been posted to the Accounts Payable account as a credit, not as a debit. The debit side of the entry should have been made to Office Furniture, not Office Supplies.