

SOLUTIONS

Learning Goal 26

Multiple Choice

1. d
2. d
3. d Choices (a), (b), and (c) all keep total debits equal to credits, so a trial balance would stay in balance.
4. a This is the only choice in this question that would cause the trial balance to not balance.
5. d Tricky question. The trial balance would remain in balance, but it would not be “completely unaffected” because one account would be overstated and another would be understated.
6. c Total debits are understated by \$450, because Cash was debited for \$50 instead of \$500.

Use T accounts to visualize this:

Cash	Some other account
50	500

7. b Use T accounts to visualize:
(Total credits are understated by \$225.)

Supplies Expense	Supplies
250	25

8. c

SOLUTIONS

Learning Goal 26, continued

Reinforcement Problems

LG 26-1.

Overland Park Company Trial Balance December 31, 2017		
Account Name	Dr.	Cr.
Cash	\$ 4,281	
Accounts receivable	7,227	
Supplies	425	
Prepaid insurance	800	
Equipment	10,500	
Land	35,780	
Wages payable		\$ 1,500
Unearned revenue		1,250
R. Wills, capital		54,555
R. Wills, drawing	1,000	
Service revenue		8,400
Interest earned		125
Rent expense	800	
Utilities expense	202	
Wages expense	3,500	
Repairs expense	1,315	
Total	<u>\$65,830</u>	<u>\$65,830</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-2.

Pham Company Trial Balance June 30, 2017		
Account	Dr.	Cr.
Cash	\$ 85,690	
Accounts receivable	9,100	
Office supplies	950	
Computer supplies	1,800	
Prepaid rent	5,500	
Office equipment	10,000	
Computer equipment	17,800	
Accounts payable		\$ 785
Unearned revenue		7,000
Wages payable		4,100
Notes payable		7,000
Hoan Pham, capital		106,000
Hoan Pham, withdrawals	2,000	
Service revenue		18,600
Rent expense	2,200	
Wages expense	4,100	
Travel expense	190	
Insurance expense	500	
Supplies expense	440	
Internet expense	3,215	
Totals	<u>\$143,485</u>	<u>\$143,485</u>

Note: Before you can prepare the trial balance, you first have to correctly calculate the account balances by applying the debit and credit rules for increases and decreases.

LG 26-3.

Web Design Innovations Income Statement For the Month Ended May 31, 2017		
Design Revenue	\$5,200	
Consulting Revenue	<u>4,150</u>	
Total revenue		\$19,350
Expenses		
Wages expense	6,200	
Rent expense	3,400	
Advertising expense	2,500	
Repairs expense	1,310	
Utilities expense	750	
Supplies expense	<u>380</u>	
Total expenses		<u>14,540</u>
Net income		<u>\$4,810</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-3, continued

Web Design Innovations Statement of Owner's Equity For the Month Ended May 31, 2017	
J. Miles, capital May 1, 2017	\$222,330*
Add: Investments.....	10,000
Net income.....	<u>4,810</u>
	237,140
Less: Withdrawals.....	<u>3,800</u>
J. Miles, capital May 31, 2017....	<u><u>\$233,340</u></u>

* Beginning capital is $\$232,330 - \$10,000 = \$222,330$. The capital account balance includes owner investments, so these must be subtracted to obtain the beginning capital balance.

Web Design Innovations Balance Sheet May 31, 2017	
Assets	
Cash.....	\$91,120
Accounts receivable.....	31,150
Repair supplies	560
Prepaid travel	3,500
Equipment.....	22,750
Building and land.....	<u>416,900</u>
Total assets.....	<u><u>\$565,980</u></u>
Liabilities	
Wages payable.....	\$5,900
Accounts payable.....	27,600
Unearned revenue.....	3,700
Notes payable	<u>295,440</u>
Total liabilities	\$332,640
Owner's Equity	
J. Miles, Capital.....	<u>233,340</u>
Total liabilities and owner's equity.....	<u><u>\$565,980</u></u>

SOLUTIONS**Learning Goal 26, continued**

LG 26-4. The major problem with this “balance sheet” is that the student is confused about the difference between a trial balance and a balance sheet. The entire format is incorrect.

Errors:

- Financial statements **NEVER** have debits and credits! Most people do not know what they are.
- This statement is prepared in the columnar format of a trial balance, showing the debit and credit totals. Debits and credits have nothing whatsoever to do with where numbers are written on a financial statement.
- Owner’s equity should just be one number, showing the final balance of Wayne Grey-Eagle, Capital. This statement has made the owner’s equity section into a miniature version of the statement of owner’s equity.
- The title of the statement does not show the date.

All of these are serious mistakes. I would give this statement a score of about 4 out of 10. Although there are some minor variations in report format, here is one correct way the report form of the statement should look:

Wayne Grey-Eagle Company			
Balance Sheet			
January 31, 2017			
Assets			
Cash		\$21,500	
Accounts receivable		7,150	
Office supplies		325	
Prepaid rent		2,800	
Equipment		<u>15,900</u>	
Total assets			<u>\$47,675</u>
Liabilities and Owner’s Equity			
<i>Liabilities:</i>			
Wages payable	\$ 3,300		
Accounts payable	4,470		
Notes payable	<u>22,500</u>		
Total liabilities			30,270
<i>Owner’s Equity:</i>			
Wayne Grey-Eagle, capital			<u>17,405</u>
Total liabilities and owner’s equity			<u>\$47,675</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-5.

b.

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Date	Account	Post. Ref.	Dr.	Cr.
2017				
July				
2	Prepaid Rent	120	7,500	
	Cash	102		7,500
5	Michael Nguyen, Withdrawals	310	3,500	
	Cash	102		3,500
7	Cash	102	1,800	
	Accounts Receivable	110		1,800
11	Cash	102	2,000	
	Unearned Revenue	210		2,000
11	Accounts Receivable	110	8,470	
	Service Revenue	405		8,470
15	Utilities Expense	516	725	
	Advertising Expense	512	350	
	Accounts Payable	202		1,025
18	Wages Expense	508	4,900	
	Cash	102		4,900
21	Accounts Receivable	110	7,100	
	Service Revenue	405		7,100
25	Equipment	150	12,000	
	Cash	102		2,000
	Notes Payable	250		10,000
30	Supplies Expense	504	1,800	
	Repair Supplies	115		1,800
31	Rent Expense	520	2,500	
	Prepaid Rent	120		2,500

SOLUTIONS

Learning Goal 26, continued

LG 26-5, continued

General Ledger

a./c.

Date	Explanation	Post. Ref.	Account: Cash		No. <u>102</u>
			Debit	Credit	
2017					
July		Bal.			39,350
2		20		7,500	31,850
5		20		3,500	28,350
7		20	1,800		30,150
11		20	2,000		32,150
18		20		4,900	27,250
25		20		2,000	25,250

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>110</u>
			Debit	Credit	
2017					
July		Bal.			48,650
7		20		1,800	46,850
11		20	8,470		55,320
21		20	7,100		62,420

Date	Explanation	Post. Ref.	Account: Repair Supplies		No. <u>115</u>
			Debit	Credit	
2017					
July		Bal.			19,100
30		20		1,800	17,300

Date	Explanation	Post. Ref.	Account: Prepaid Rent		No. <u>120</u>
			Debit	Credit	
2017					
July					
2		20	7,500		7,500
31		20		2,500	5,000

S8 Section V · Using a Basic Accounting System

SOLUTIONS

Learning Goal 26, continued

LG 26-5, continued

a./c.

Date	Explanation	Post. Ref.	Account: Equipment		No. <u>150</u>
			Debit	Credit	
2017					
July		Bal.			125,500
25		20	12,000		137,500

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>202</u>
			Debit	Credit	
2017					
July		Bal.			24,120
15		20		1,075	25,195

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>210</u>
			Debit	Credit	
2017					
July		Bal.			10,500
11		20		2,000	12,500

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>250</u>
			Debit	Credit	
2017					
July		Bal.			35,000
25		20		10,000	45,000

Date	Explanation	Post. Ref.	Account: Michael Nguyen, Capital		No. <u>305</u>
			Debit	Credit	
2017					
July		Bal.			162,980

SOLUTIONS

Learning Goal 26, continued

LG 26-5, continued

a./c.

Date	Explanation	Post. Ref.	Account: Michael Nguyen, Withdrawals No. <u>310</u>		
			Debit	Credit	Balance
2017					
July		20	3,500		3,500
2					

Date	Explanation	Post. Ref.	Account: Service Revenue No. <u>405</u>		
			Debit	Credit	Balance
2017					
July					
11		20		8,470	8,470
21		20		7,100	15,570

Date	Explanation	Post. Ref.	Account: Supplies Expense No. <u>504</u>		
			Debit	Credit	Balance
2017					
July					
30		20	1,800		1,800

Date	Explanation	Post. Ref.	Account: Wages Expense No. <u>508</u>		
			Debit	Credit	Balance
2017					
July					
18		20	4,900		4,900

Date	Explanation	Post. Ref.	Account: Advertising Expense No. <u>512</u>		
			Debit	Credit	Balance
2017					
July					
15		20	350		350

SOLUTIONS

Learning Goal 26, continued

LG 26-5, continued

a./c.

Date	Explanation	Post. Ref.	Account: Utilities Expense		No. <u>516</u>
			Debit	Credit	
2017					
July					
15		20	725		725

Date	Explanation	Post. Ref.	Account: Rent Expense		No. <u>520</u>
			Debit	Credit	
2017					
July					
31		20	2,500		2,500

d.

Hi-Tech Truck Service Trial Balance July 31, 2017		
	Dr.	Cr.
Cash	\$25,250	
Accounts Receivable	62,420	
Repair Supplies	17,300	
Prepaid Rent	5,000	
Equipment	137,500	
Accounts Payable		\$25,195
Unearned Revenue		12,500
Notes Payable		45,000
Michael Nguyen, Capital		162,980
Michael Nguyen, Withdrawals	3,500	
Service Revenue		15,570
Supplies Expense	1,800	
Wages Expense	4,900	
Advertising Expense	350	
Utilities Expense	725	
Rent Expense	2,500	
Totals	<u>\$261,245</u>	<u>\$261,245</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-5, continued

d.

Hi-Tech Truck Service Income Statement For the Month Ended July 31, 2017		
Service Revenue		\$15,570
Expenses		
Wages expense	\$4,900	
Rent expense	2,500	
Supplies expense	1,800	
Utilities expense	725	
Advertising expense	<u>350</u>	
Total expenses		<u>10,275</u>
Net income		<u>\$5,295</u>

Hi-Tech Truck Service Statement of Owner's Equity For the Month Ended July 31, 2017		
M. Nguyen, capital July 1	\$162,980	
Add: Investments	-0-	
Net income	<u>5,295</u>	
	168,275	
Less: Withdrawals	<u>3,500</u>	
M. Nguyen, capital July 31		<u>\$164,775</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-5, continued

**Hi-Tech Truck Service
Balance Sheet
July 31, 2017**

Assets	
Cash.....	\$25,250
Accounts receivable	62,420
Repair supplies.....	17,300
Prepaid rent	5,000
Equipment	<u>137,500</u>
Total assets	<u>\$247,470</u>
Liabilities	
Accounts Payable	\$25,195
Unearned Revenue	12,500
Notes Payable	<u>45,000</u>
Total liabilities	82,695
Owner's Equity	
M. Nguyen, Capital	<u>164,775</u>
Total liabilities and owner's equity	<u>\$247,470</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-6.

b.

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Date	Account	Post. Ref.	Dr.	Cr.
2017				
Jan.	Office Supplies	115	450	
2	Accounts Payable	203		450
3	Prepaid Insurance	125	900	
	Cash	103		900
7	Cash	103	1,500	
	Accounts Receivable	107		1,500
12	Accounts Receivable	107	4,525	
	Service Revenue	410		4,525
17	Travel Expense	515	185	
	Accounts Payable	203		185
18	Advertising Expense	530	1,900	
	Cash	103		1,900
19	Wages Expense	505	5,500	
	Cash	103		5,500
22	Unearned Revenue	215	4,500	
	Service Revenue	410		4,500
22	Accounts Payable	203	7,500	
	Cash	103		7,500
28	Rent Expense	525	2,700	
	Cash	103		2,700
30	Supplies Expense	510	200	
	Supplies	115		200
31	Cash	103	1,400	
	Accounts Receivable	107	3,400	
	Service Revenue	410		4,800
31	Wendy Malone, Drawing	303	3,000	
	Cash	103		3,000

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SOLUTIONS

Learning Goal 26, continued

LG 26-6, continued

General Ledger

a./c.

Date	Explanation	Post. Ref.	Account: Cash		No. <u>103</u>
			Debit	Credit	
2017					
Jan.		Bal.			44,200
3		15		900	43,300
7		15	1,500		44,800
18		15		1,900	42,900
19		15		5,500	37,400
22		15		7,500	29,900
28		15		2,700	27,200
31		15	1,400		28,600
31		15		3,000	25,600

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>107</u>
			Debit	Credit	
2017					
Jan.		Bal.			18,650
7		15		1,500	17,150
12		15	4,525		21,675
31		15	3,400		25,075

Date	Explanation	Post. Ref.	Account: Office Supplies		No. <u>115</u>
			Debit	Credit	
2017					
Jan.		Bal.			1,300
2		15	450		1,750
30		15		200	1,550

Date	Explanation	Post. Ref.	Account: Prepaid Insurance		No. <u>125</u>
			Debit	Credit	
2017					
Jan.		Bal.			
3		15	900		900

SOLUTIONS

Learning Goal 26, continued

LG 26-6, continued

General Ledger

a./c.

Date	Explanation	Post. Ref.	Account: OfficeEquipment		No. <u>170</u>
			Debit	Credit	
2017					
Jan.		Bal.			15,500

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>203</u>
			Debit	Credit	
2017					
Jan.		Bal.			18,600
2		15		450	19,050
17		15		185	19,235
22		15	7,500		11,735

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>215</u>
			Debit	Credit	
2017					
Jan.		Bal.			4,500
22		15	4,500		-0-

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>240</u>
			Debit	Credit	
2017					
Jan.		Bal.			10,000

Date	Explanation	Post. Ref.	Account: Wendy Malone, Capital		No. <u>302</u>
			Debit	Credit	
2017					
Jan.		Bal.			46,550

SOLUTIONS

Learning Goal 26, continued

LG 26-6, continued

General Ledger

a./c.

Date	Explanation	Post. Ref.	Account: Wendy Malone, Drawing No. <u>303</u>		
			Debit	Credit	Balance
2017					
Jan.					
31		15	3,000		3,000

Date	Explanation	Post. Ref.	Account: Service Revenue No. <u>410</u>		
			Debit	Credit	Balance
2017					
Jan.					
12		15		4,525	4,525
22		15		4,500	9,025
31		15		4,800	13,825

Date	Explanation	Post. Ref.	Account: Wages Expense No. <u>505</u>		
			Debit	Credit	Balance
2017					
Jan.					
19		15	5,500		5,500

Date	Explanation	Post. Ref.	Account: Supplies Expense No. <u>510</u>		
			Debit	Credit	Balance
2017					
Jan.					
30		15	200		200

Date	Explanation	Post. Ref.	Account: Travel Expense No. <u>515</u>		
			Debit	Credit	Balance
2017					
Jan.					
17		15	185		185

SOLUTIONS

Learning Goal 26, continued

LG 26-6, continued

General Ledger

a./c.

Date	Explanation	Post. Ref.	Account: Rent Expense		No. <u>525</u>
			Debit	Credit	
2017					
Jan.					
28		15	2,700		2,700

Date	Explanation	Post. Ref.	Account: Advertising Expense		No. <u>530</u>
			Debit	Credit	
2017					
Jan.					
18		15	1,900		1,900

**Los Angeles Talent Resources
Trial Balance
January 31, 2017**

	Dr.	Cr.
Cash	\$25,600	
Accounts Receivable	25,075	
Office Supplies	1,550	
Prepaid Insurance	900	
Office Equipment	15,500	
Accounts Payable		\$11,735
Notes Payable		10,000
Wendy Malone, Capital		46,550
Wendy Malone, Withdrawals	3,000	
Service Revenue		13,825
Wages Expense	5,500	
Supplies Expense	200	
Travel Expense	185	
Rent Expense	2,700	
Advertising Expense	<u>1,900</u>	
Totals	<u>\$82,110</u>	<u>\$82,110</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-6, continued

Los Angeles Talent Resources Income Statement For the Month Ended January 31, 2017		
Service Revenue.....		\$13,825
Expenses		
Wages expense.....	\$5,500	
Rent expense.....	2,700	
Advertising expense.....	1,900	
Supplies expense.....	200	
Travel expense.....	<u>185</u>	
Total expenses.....		<u>10,485</u>
Net income.....		<u>\$3,340</u>

Los Angeles Talent Resources Statement of Owner's Equity For the Month Ended January 31, 2017		
W. Malone, capital December 1	\$46,550	
Add: Investments	-0-	
Net income	<u>3,340</u>	
	49,890	
Less: Withdrawals	<u>3,000</u>	
W. Malone, capital December 31		<u>\$46,890</u>

Los Angeles Talent Resources Balance Sheet January 31, 2017			
Assets		Liabilities	
Cash.....	\$ 25,600	Accounts payable.....	\$11,735
Accounts receivable.....	25,075	Notes payable.....	10,000
Office supplies.....	1,550	Total liabilities.....	21,735
Prepaid insurance.....	900		
Office equipment.....	15,500	Owner's Equity	
		W. Malone, Capital.....	46,890
		Total liabilities and	
Total assets.....	<u>\$68,625</u>	owner's equity.....	<u>\$68,625</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-7.

Wade Engineering Balance Sheet December 31, 2017			
Assets		Liabilities	
Cash	\$ 3,100	Wages payable	\$ 4,900
Accounts receivable	17,100	Accounts payable	<u>2,900</u>
Office supplies	1,100	Total liabilities	7,800
Design supplies	1,200		
Prepaid rent	650	Owner's Equity	
Office equipment	3,500	Frank Wade, capital	<u>33,550</u>
Design equipment	<u>14,700</u>		
Total assets	<u>\$ 41,350</u>	Total liabilities and owner's equity	<u>\$41,350</u>

Wade Engineering Income Statement For the Year Ending December 31, 2017		
Revenues		
Design fees	\$27,800	
Interest earned	<u>100</u>	
Total revenues		\$27,900
Expenses		
Wages expense	12,500	
Rent expense	1,400	
Supplies expense (Design)	530	
Supplies expense (Office)	140	
Utilities expense	<u>380</u>	
Total expenses		<u>14,950</u>
Net income		<u>\$12,950</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-7, continued

Wade Engineering		
Statement of Owner's Equity		
For the Year Ending December 31, 2017		
Frank Wade, capital, January 3		\$ -0-
Add: Owner investment	\$ 25,000	
Net income	<u>12,950</u>	
		37,950
Less: Withdrawals		<u>4,400</u>
Frank Wade, capital, December 31		<u>\$33,550</u>

Question: How could you verify the amount of Frank Wade's investment? Use the formula for the statement of owner's equity: **Beginning capital + investment + net income – drawings = ending capital**. This was: $0 + X + 12,950 - 4,400 = 33,550$. $X = 25,000$.

- a. Business operations caused the total wealth of the company to increase by \$12,950.
- b. We can examine the statement of cash flows to learn what happened to cash during the current period of operations. The statement of cash flows shows us that the *operations* only provided \$700 of cash. *Investing activities* (equipment was purchased) used up \$18,200 of cash. Finally, the *financing activities* shows us that the main source of cash was Frank's investment, *less what he drew back out of the business*. This was a net of \$20,600. *To summarize:* A zero beginning cash balance + 700 – 18,200 + 20,600 = 3,100 ending cash balance.
- c. \$700 was generated from operations (see Operating Activities on statement of cash flows on page 515 in the text).
- d. The income statement shows design revenues of \$27,800, yet the statement of cash flows reveals that only \$10,700 was collected from the customers. Uncollected receivables must be building up. This is a serious problem. The business is making sales but is not able to collect cash from the customers. As the receivables build up, the business begins to experience cash flow difficulties. The cause? There could be several:
 - (1) Poor selection of customers; they do not have the ability to pay on time.
 - (2) Slow billing procedures and no reminders.
 - (3) Disputes arising from poor work.
 - (4) Fraud. Nonexistent sales are being reported.
- e. The biggest use of cash was the purchase of equipment—\$18,200. This is understandable because it is a new business that needs equipment to begin operations. This cash expenditure probably will not have to be repeated next year, so cash flow is likely to be more positive. However, small businesses are always in need of cash to expand operations.
- f. The balance sheet shows only \$3,100 of cash. There is \$4,900 of wages payable. Employees want to be paid on time. If the business cannot do this, the employees will leave. This is probably why Frank is hoping to hear from you quickly. Another source of cash is the accounts receivable, but the statement of cash flows warns us that receivables are building up, so this is a questionable source of cash. Moreover, there are other short-term payables of \$2,900 due in the near future. The business is having a cash-flow crisis.

SOLUTIONS**Learning Goal 26, continued****LG 26-7, continued**

- g. Assuming that there is no fraud and only poor cash-flow management, it appears that much effort has been devoted to finding customers and doing jobs. Very little effort has been devoted to getting payment from customers. Although operations have created \$12,950 of new wealth, much of this still remains in the form of accounts receivable.
 - h. The two survival issues are *profitability* and *liquidity*. Profitability means operating the business in such a way that wealth is accumulated. Liquidity means having enough cash available to: (1) pay debts as they come due and (2) take advantage of opportunities and grow.
 - i. Well, it's your money, but I wouldn't put in a nickel without finding out what is happening here. IF there is no fraud, the customers are good, and the quality of work is good, then I would be interested—with the provision that I would manage financial operations while Frank concentrated on doing the engineering work.
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SOLUTIONS**Learning Goal 26, continued****LG 26-8.****Journal Page 1**

Date	Account	Post. Ref.	Dr.	Cr.
2017				
May 1	Cash	102	90,000	
	Equipment: Office	180	12,000	
	M. Antonelli, Capital	302		102,000
2	Prepaid Rent	150	6,000	
	Cash	102		6,000
3	Insurance Expense	520	150	
	Accounts Payable	202		150
4	Office Supplies	125	250	
	Cash	102		250
5	Gardening Supplies	135	1,100	
	Accounts Payable	202		1,100
5	Accounts Receivable	115	5,500	
	Design Revenue	405		5,500
8	Equipment: Automotive	185	35,000	
	Notes Payable	250		20,000
	Cash	102		15,000
11	Advertising Expense	525	1,000	
	Cash	102		1,000
14	Cash	102	12,000	
	Unearned Revenue	230		12,000
15	Gardening Supplies	135	2,800	
	Equipment: Gardening	190	5,000	
	Notes Payable	250		7,800
15	Cash	102	7,500	
	Design Revenue	405		7,500

SOLUTIONS**Learning Goal 26, continued****LG 26-8, continued****Journal Page 2**

Date	Account	Post. Ref.	Dr.	Cr.
May 18	Accounts Payable	202	950	
	Cash	102		950
19	Auto and Gas Expense	515	280	
	Accounts Payable	202		280
21	Accounts Receivable	115	250	
	Maintenance Revenue	410		250
25	Utilities Expense	530	170	
	Accounts Payable	202		170
26	Interest Expense	570	1,400	
	Notes Payable	250	400	
	Cash	102		1,800
27	M. Antonelli, Withdrawals	305	2,000	
	Cash	102		2,000
28	Cash	102	3,000	
	Accounts Receivable	115		3,000
30	Rent Expense	505	1,500	
	Prepaid Rent	150		1,500
30	Office Supplies Expense	535	100	
	Gardening Supplies Expense	540	840	
	Office Supplies	125		100
	Gardening Supplies	135		840
30	Unearned Revenue	230	1,000	
	Maintenance Revenue	410		1,000
31	Wages Expense	510	8,500	
	Cash	102		8,500
31	Advertising Expense	525	950	
	Accounts Payable	202		950

Reminder: Remember that an account number is not written into the “Post. Ref.” column until after the transaction amount is *actually posted into the ledger account*.

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Ledger

Date	Explanation	Post. Ref.	Account: Cash		No. <u>102</u> Balance
			Debit	Credit	
2017					
May 1		J1	90,000		90,000
2		J1		6,000	84,000
4		J1		250	83,750
8		J1		15,000	68,750
11		J1		1,000	67,750
14		J1	12,000		79,750
15		J1	7,500		87,250
18		J2		950	86,300
26		J2		1,800	84,500
27		J2		2,000	82,500
28		J2	3,000		85,500
31		J2		8,500	77,000

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>115</u> Balance
			Debit	Credit	
2017					
May 5		J1	5,500		5,500
21		J2	250		5,750
28		J2		3,000	2,750

Date	Explanation	Post. Ref.	Account: Office Supplies		No. <u>125</u> Balance
			Debit	Credit	
2017					
May 4		J1	250		250
30		J2		100	150

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Date	Explanation	Post. Ref.	Account: Gardening Supplies		No. <u>135</u>
			Debit	Credit	Balance
2017					
May 5		J1	1,100		1,100
15		J1	2,800		3,900
30		J2		840	3,060

Date	Explanation	Post. Ref.	Account: Prepaid Rent		No. <u>150</u>
			Debit	Credit	Balance
2017					
May 2		J1	6,000		6,000
30		J2		1,500	4,500

Date	Explanation	Post. Ref.	Account: Equipment: Office		No. <u>180</u>
			Debit	Credit	Balance
2017					
May 1		J1	12,000		12,000

Date	Explanation	Post. Ref.	Account: Equipment: Automotive		No. <u>185</u>
			Debit	Credit	Balance
2017					
May 8		J1	35,000		35,000

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Date	Explanation	Post. Ref.	Account: Equipment: Gardening		No. <u>190</u>
			Debit	Credit	
2017					
May 15		J1	5,000		5,000

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>202</u>
			Debit	Credit	
2017					
May 3		J1		150	150
5		J1		1,100	1,250
18		J2	950		300
19		J2		280	580
25		J2		170	750
31		J2		950	1,700

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>230</u>
			Debit	Credit	
2017					
May 14		J1		12,000	12,000
30		J2	1,000		11,000

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>250</u>
			Debit	Credit	
2017					
May 8		J1		20,000	20,000
15		J1		7,800	27,800
26		J2	400		27,400

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Date	Explanation	Post. Ref.	Account: M. Antonelli, Capital		No. <u>302</u>
			Debit	Credit	Balance
2017					
May 1		J1		102,000	102,000

Date	Explanation	Post. Ref.	Account: M. Antonelli, Withdrawals		No. <u>305</u>
			Debit	Credit	Balance
2017					
May 27		J2	2,000		2,000

Date	Explanation	Post. Ref.	Account: Design Revenue		No. <u>405</u>
			Debit	Credit	Balance
2017					
May 5		J1		5,500	5,500
15		J1		7,500	13,000

Date	Explanation	Post. Ref.	Account: Maintenance Revenue		No. <u>410</u>
			Debit	Credit	Balance
2017					
May 21		J2		250	250
30		J2		1,000	1,250

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Date	Explanation	Post. Ref.	Account: Rent Expense		No. <u>505</u>
			Debit	Credit	Balance
2017 May 30		J2	1,500		1,500

Date	Explanation	Post. Ref.	Account: Wages Expense		No. <u>510</u>
			Debit	Credit	Balance
2017 May 31		J2	8,500		8,500

Date	Explanation	Post. Ref.	Account: Auto & Gas Expense		No. <u>515</u>
			Debit	Credit	Balance
2017 May 19		J2	280		280

Date	Explanation	Post. Ref.	Account: Insurance Expense		No. <u>520</u>
			Debit	Credit	Balance
2017 May 3		J1	150		150

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Date	Explanation	Post. Ref.	Account: Advertising Expense		No. <u>525</u>
			Debit	Credit	Balance
2017					
May 11		J1	1,000		1,000
31		J2	950		1,950

Date	Explanation	Post. Ref.	Account: Utilities Expense		No. <u>530</u>
			Debit	Credit	Balance
2017					
May 25		J2	170		170

Date	Explanation	Post. Ref.	Account: Office Supplies Expense		No. <u>535</u>
			Debit	Credit	Balance
2017					
May 30		J2	100		100

Date	Explanation	Post. Ref.	Account: Garden Supplies Expense		No. <u>540</u>
			Debit	Credit	Balance
2017					
May 30		J2	840		840

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Date	Explanation	Post. Ref.	Account: Interest Expense		No. 570 Balance
			Debit	Credit	
2017					
May 26		J2	1,400		1,400

Antonelli Landscape Services Trial Balance May 31, 2017		
Account	Dr.	Cr.
Cash	\$ 77,000	
Accounts receivable	2,750	
Office supplies	150	
Gardening supplies	3,060	
Prepaid Rent	4,500	
Equipment: office	12,000	
Equipment: automotive	35,000	
Equipment: gardening	5,000	
Accounts payable		\$ 1,700
Unearned revenue		11,000
Notes payable		27,400
M. Antonelli, capital		102,000
M. Antonelli, withdrawals	2,000	
Design revenue		13,000
Maintenance revenue		1,250
Rent expense	1,500	
Wages expense	8,500	
Auto & gas expense	280	
Insurance expense	150	
Advertising expense	1,950	
Utilities expense	170	
Office supplies expense	100	
Gardening supplies expense	840	
Interest expense	1,400	
Totals	<u>\$156,350</u>	<u>\$156,350</u>

SOLUTIONS

Learning Goal 26, continued

LG 26-8, continued

Antonelli Landscape Services Income Statement For the Month Ended May 31, 2017		
<i>Revenues:</i>		
Design revenue	\$13,000	
Maintenance revenue	<u>1,250</u>	
Total revenues		\$14,250
<i>Expenses:</i>		
Wages expense	8,500	
Advertising expense	1,950	
Rent expense	1,500	
Gardening supplies expense	840	
Auto and gas expense	280	
Utilities expense	170	
Insurance expense	150	
Office Supplies expense	100	
Interest expense	<u>1,400</u>	
Total expenses		<u>14,890</u>
Net (loss)		<u><u>(\$640)</u></u>

Note: Because interest expense is not an operating expense, it is often shown below other expenses.

Antonelli Landscape Services Statement of Owner's Equity For the Month Ended May 31, 2017	
M. Antonelli, capital May 1	\$ -0-
Add: Investments	<u>102,000</u>
	102,000
Less:	
Withdrawals	2,000
Net loss	640
M. Antonelli, capital May 31	<u><u>\$ 99,360</u></u>

SOLUTIONS**Learning Goal 26, continued****LG 26-8, continued**

Antonelli Landscape Services			
Balance Sheet			
May 31, 2017			
Assets		Liabilities	
Cash	\$ 77,000	Accounts payable	\$ 1,700
Accounts receivable	2,750	Unearned revenue	11,000
Office supplies	150	Notes payable	<u>27,400</u>
Gardening supplies	3,060	Total liabilities	40,100
Prepaid rent	4,500		
Equipment: office	12,000	Owner's equity	
Equipment: automotive	35,000	M. Antonelli, capital	99,360
Equipment: gardening	5,000	Total liabilities and owner's equity	<u>\$139,460</u>
Total assets	<u>\$139,460</u>		

Note: Remember to check the owner's equity balance as follows: **total assets – total liabilities equals owner's equity**. So $\$139,460 - \$40,100 = \$99,360$. This should be exactly the same amount as the ending balance on the statement of owner's equity.

SOLUTIONS

Learning Goal 26, continued

LG 26-9.

Journal Page 1

Date	Account	Post. Ref.	Dr.	Cr.
2017				
July 2	Automotive Equipment	160	85,000	
	Cash	101		30,000
	Notes Payable	230		55,000
3	Prepaid Insurance	130	2,400	
	Cash	101		2,400
5	Supplies	125	800	
	Accounts Payable	205		800
6	Advertising Expense	535	4,500	
	Accounts Payable	205		4,500
6	Land	180	40,000	
	Building	170	110,000	
	Cash	101		150,000
7	Cash	101	1,500	
	Tour Revenue	410		1,500
9	Cash	101	8,000	
	Unearned Revenue	220		8,000
12	Accounts Receivable	115	2,700	
	Tour Revenue	410		2,700
13	Cash	101	4,200	
	Tour Revenue	410		4,200
15	Wages Expense	510	3,800	
	Cash	101		3,800
16	Accounts Payable	205	800	
	Cash	101		800
18	Accounts Payable	205	2,000	
	Cash	101		2,000

SOLUTIONS**Learning Goal 26, continued****LG 26-9, continued****Journal Page 2**

Date	Account	Post. Ref.	Dr.	Cr.
2017				
July 19	Accounts Receivable	115	3,700	
	Tour Revenue	410		3,700
24	Gasoline Expense	520	500	
	Maintenance Expense	525	1,200	
	Insurance Expense	530	100	
	Accounts Payable	205		1,800
27	Utilities Expense	540	210	
	Accounts Payable	205		210
28	Notes Payable	230	600	
	Interest Expense	590	1,900	
	Cash	101		2,500
29	Unearned Revenue	220	8,000	
	Tour Revenue	410		8,000
30	Wages Expense	510	5,500	
	Cash	101		5,500
30	Cash	101	2,700	
	Accounts Receivable	115		2,700
31	Insurance Expense	530	400	
	Prepaid Insurance	130		400
31	Supplies Expense	550	300	
	Supplies	125		300
31	J. Dunston, Withdrawals	305	1,500	
	Cash	101		1,500
31	Cash	101	700	
	Snack Revenue	420		700

Reminder: Remember that an account number is not written into the “Post. Ref.” column until after the transaction amount is *actually posted into the ledger account*.

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Ledger

Date	Explanation	Post. Ref.	Account: Cash		No. <u>101</u>
			Debit	Credit	
2017					
June 30	Bal.				280,000
July 2		J1		30,000	250,000
3		J1		2,400	247,600
6		J1		150,000	97,600
7		J1	1,500		99,100
9		J1	8,000		107,100
13		J1	4,200		111,300
15		J1		3,800	107,500
16		J1		800	106,700
18		J1		2,000	104,700
28		J2		2,500	102,200
30		J2		5,500	96,700
30		J2	2,700		99,400
31		J2		1,500	97,900
31		J2	700		98,600

Date	Explanation	Post. Ref.	Account: Accounts Receivable		No. <u>115</u>
			Debit	Credit	
2017					
July 12		J1	2,700		2,700
19		J2	3,700		6,400
30		J2		2,700	3,700

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: Supplies		No. <u>125</u>
			Debit	Credit	Balance
2017					
June 30	Bal.				1,200
July 5		J1	800		2,000
31		J2		300	1,700

Date	Explanation	Post. Ref.	Account: Prepaid Insurance		No. <u>130</u>
			Debit	Credit	Balance
2017					
June 30	Bal.				
July 3		J1	2,400		2,400
31		J2		400	2,000

Date	Explanation	Post. Ref.	Account: Office Equipment		No. <u>150</u>
			Debit	Credit	Balance
2017					
June 30	Bal.				15,000

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: Automotive Equipment No. 160		
			Debit	Credit	Balance
2017					
July 2		J1	85,000		85,000

Date	Explanation	Post. Ref.	Account: Building No. 170		
			Debit	Credit	Balance
2017					
July 6		J1	110,000		110,000

Date	Explanation	Post. Ref.	Account: Land No. 180		
			Debit	Credit	Balance
2017					
July 6		J1	40,000		40,000

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: Accounts Payable		No. <u>205</u>
			Debit	Credit	Balance
2017					
July 5		J1		800	800
6		J1		4,500	5,300
18		J1	2,000		3,300
16		J1	800		2,500
24		J2		1,800	4,300
27		J2		210	4,510

Date	Explanation	Post. Ref.	Account: Unearned Revenue		No. <u>220</u>
			Debit	Credit	Balance
2017					
July 9		J1		8,000	8,000
29		J2	8,000		-0-

Date	Explanation	Post. Ref.	Account: Notes Payable		No. <u>230</u>
			Debit	Credit	Balance
2017					
June 30	Bal.				100,000
July 2		J1		55,000	155,000
28		J2	600		154,400

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: J. Dunston, Capital		No. <u>301</u>
			Debit	Credit	
2017					
June 30	Bal.				196,200

Date	Explanation	Post. Ref.	Account: J. Dunston, Withdrawals		No. <u>305</u>
			Debit	Credit	
2017					
July 31		J2	1,500		1,500

Date	Explanation	Post. Ref.	Account: Tour Revenue		No. <u>410</u>
			Debit	Credit	
2017					
July 7		J1		1,500	1,500
12		J1		2,700	4,200
13		J1		4,200	8,400
19		J2		3,700	12,100
29		J2		8,000	20,100

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: Snack Revenue		No. <u>420</u>
			Debit	Credit	Balance
2017					
July 31		J2		700	700

Date	Explanation	Post. Ref.	Account: Wages Expense		No. <u>510</u>
			Debit	Credit	Balance
2017					
July 15		J1	3,800		3,800
30		J2	5,500		9,300

Date	Explanation	Post. Ref.	Account: Gasoline Expense		No. <u>520</u>
			Debit	Credit	Balance
2017					
July 24		J2	500		500

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: Maintenance Expense		No. <u>525</u>
			Debit	Credit	
2017					
July 24		J2	1,200		1,200

Date	Explanation	Post. Ref.	Account: Insurance Expense		No. <u>530</u>
			Debit	Credit	
2017					
July 24		J2	100		100
31		J2	400		500

Date	Explanation	Post. Ref.	Account: Advertising Expense		No. <u>535</u>
			Debit	Credit	
2017					
July 6		J1	4,500		4,500

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Date	Explanation	Post. Ref.	Account: Utilities Expense		No. <u>540</u>
			Debit	Credit	Balance
2017					
July 27		J2	210		210

Date	Explanation	Post. Ref.	Account: Supplies Expense		No. <u>550</u>
			Debit	Credit	Balance
2017					
July 31		J2	300		300

Date	Explanation	Post. Ref.	Account: Interest Expense		No. <u>590</u>
			Debit	Credit	Balance
2017					
July 28		J2	1,900		1,900

SOLUTIONS

Learning Goal 26, continued

LG 26-9, continued

Consolidated Eco-Tour Company		
Trial Balance		
July 31, 2017		
Account	Dr.	Cr.
Cash	\$ 98,600	
Accounts receivable	3,700	
Supplies	1,700	
Prepaid insurance	2,000	
Office equipment	15,000	
Automotive equipment	85,000	
Building	110,000	
Land	40,000	
Accounts payable		\$ 4,510
Notes payable		154,400
J. Dunston, capital		196,200
J. Dunston, withdrawals	1,500	
Tour revenue		20,100
Snack revenue		700
Wages expense	9,300	
Gasoline expense	500	
Maintenance expense	1,200	
Insurance expense	500	
Advertising expense	4,500	
Utilities expense	210	
Supplies expense	300	
Interest expense	1,900	
Totals	<u>\$375,910</u>	<u>\$375,910</u>

SOLUTIONS**Learning Goal 26, continued****LG 26-9, continued**

Consolidated Eco-Tour Service Company		
Income Statement		
For the Month Ended July 31, 2017		
<i>Revenues:</i>		
Tour revenue	\$20,100	
Snack revenue	<u>700</u>	
Total revenues		\$20,800
<i>Expenses:</i>		
Wages expense	9,300	
Advertising expense	4,500	
Maintenance expense	1,200	
Gasoline expense	500	
Insurance expense	500	
Supplies expense	300	
Utilities expense	210	
Interest expense	<u>1,900</u>	
Total expenses		<u>18,410</u>
Net income		<u>\$ 2,390</u>

Note: Because interest expense is not an operating expense it is often shown below other expenses.

Consolidated Eco-Tour Service Company	
Statement of Owner's Equity	
For the Month Ended July 31, 2017	
J. Dunston, capital July 1	\$196,200
Add: Net income	<u>2,390</u>
	198,590
Less: Withdrawals	<u>1,500</u>
J. Dunston, capital July 31	<u>\$197,090</u>

Note: The owner did not make any investments in the business during the month of July.

SOLUTIONS**Learning Goal 26, continued****LG 26-9, continued**

Consolidated Eco-Tour Service Company		
Balance Sheet		
July 31, 2017		
Assets		
Cash	\$ 98,600	
Accounts receivable	3,700	
Supplies	1,700	
Prepaid insurance	2,000	
Office equipment	15,000	
Automotive equipment	85,000	
Building	110,000	
Land	<u>40,000</u>	
Total assets		<u>\$356,000</u>
Liabilities and Owner's Equity		
<i>Liabilities:</i>		
Accounts payable	\$ 4,510	
Notes payable	<u>154,400</u>	
Total liabilities		\$158,910
<i>Owner's equity:</i>		
J. Dunston, Capital		<u>197,090</u>
Total liabilities and owner's equity		<u>\$356,000</u>

Note: Remember to check the owner's equity balance as follows: **total assets – total liabilities equals owner's equity**. So $\$356,000 - \$158,910 = \$197,090$. This should be exactly the same amount as the ending balance on the statement of owner's equity.