



Learning Goal 24

Multiple Choice

- **1.** a
- **2.** d
- 3. a Total assets are the same, but Supplies is understated by \$100 and Prepaid Insurance is overstated by \$100.
- **4.** c Account balances are only found in the ledger.
- **5.** c Because increasing an expense is a debit entry, and debits are placed first. All the other examples are credits.
- **6.** c
- **7.** a
- **8.** d (a) is incorrect because the rule for which item to record first is to record debits before credits. (b) is incorrect because a line should be skipped between transactions, not between each debit and credit. (c) is incorrect because the date to use is the date the transaction occurred, not the date it was recorded.
- **9.** c
- **10.** c
- **11.** c
- **12.** d
- **13**. d
- **14.** d All the entries are either debited or credited incorrectly, or they do not balance.
- **15**. b

Reinforcement Problems

LG 24-1. T account analysis for transactions:

a.

	Α			=	L	+	0	E
Ca	sh	Equip	ment				John V Cap	
10,000		5,000						15,000

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000







Learning Goal 24, continued

LG 24-1, continued

b.

	Α	=	=	L	+	OE
Accounts Receivable						rvice enue
1,800						1,800

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
b.	Accounts Receivable	1,800	
	Service Revenue		1,800

c.

	Α		=	L	+	OE
Cash		Prepai	d Rent	_		
	2,400	2,400				









LG 24-1, continued

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
b.	Accounts Receivable	1,800	
	Service Revenue		1,800
c.	Prepaid Rent	2,400	
	Cash		2,400

d.

OE Α L

Accounts Payable Supplies 500 500





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SOLUTIONS

Learning Goal 24, continued

LG 24-1, continued

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
b.	Accounts Receivable	1,800	
	Service Revenue		1,800
c.	Prepaid Rent	2,400	
	Cash		2,400
d.	Supplies	500	
	Accounts Payable		500

e.

Α L OE

Accounts Cash Receivable 600 600











LG 24-1, continued

General Journal

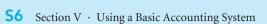
e.

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
b.	Accounts Receivable	1,800	
	Service Revenue		1,800
c.	Prepaid Rent	2,400	
	Cash		2,400
d.	Supplies	500	
	Accounts Payable		500
e.	Cash	600	
	Accounts Receivable		600

f.

Α OE L Utility Expense Accounts Payable 300 300





Learning Goal 24, continued

LG 24-1, continued

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
	5 1 1	1.000	
b.	Accounts Receivable	1,800	
	Service Revenue		1,800
C.	Prepaid Rent	2,400	
	Cash		2,400
d.	Supplies	500	
	Accounts Payable		500
e.	Cash	600	
	Accounts Receivable		600
f.	Utilities Expense	300	
	Accounts Payable		300

g.

Α		=	L	+	O	E	
Supplies					Supplies	Expense	
		150				150	













LG 24-1, continued

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
b.	Accounts Receivable	1,800	
	Service Revenue		1,800
c.	Prepaid Rent	2,400	
	Cash		2,400
d.	Supplies	500	
	Accounts Payable		500
e.	Cash	600	
	Accounts Receivable		600
f.	Utilities Expense	300	
	Accounts Payable		300
g.	Supplies Expense	150	
	Supplies		150

h.

	A	١.	=		L	+	OE
Cash		sh		Account	s Payable	_	
		500		500			











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SOLUTIONS

Learning Goal 24, continued

LG 24-1, continued

General Journal

Date	Account	Dr	Cr
20XX			
a.	Cash	10,000	
	Equipment	5,000	
	John Wilson, Capital		15,000
b.	Accounts Receivable	1,800	
	Service Revenue		1,800
c.	Prepaid Rent	2,400	
	Cash		2,400
d.	Supplies	500	
	Accounts Payable		500
e.	Cash	600	
	Accounts Receivable		600
f.	Utilities Expense	300	
	Accounts Payable		300
g.	Supplies Expense	150	
	Supplies		150
h.	Accounts Payable	500	
	Cash		500











Learning Goal 24, continued

LG 24-2. T account analysis for transactions:

a. The owner of the Sacramento Company invests \$15,000 in his business.

b. Palomar Company uses up \$200 of supplies.

Note: An increase in an expense decreases the owner's equity, and the equation stays in balance.

c. Mira Costa Enterprises collects \$850 owing from customers.

d. Santa Monica Company purchases \$10,000 of equipment by paying \$1,000 cash and signing a \$9,000 note payable.

		Α		=	I	L	+	OE
Ca	ısh ↓		Equip	ment 1	No Paya	tes ıble 1		
	1,000		10,000			9,00	00	

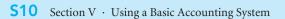
e. Fairfield Partnership prepays three months' office rent for \$12,000.











Learning Goal 24, continued

LG 24-2, continued

f. Sonoma Company receives a three-month advance payment from a customer in the amount



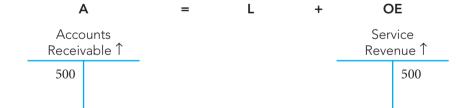
g. Salinas Enterprises pays a \$400 account payable.

h. Fairfield Company, (f) above, uses up one month of the prepaid office rent.



Note: An increase in an expense decreases the owner's equity, and the equation is still in balance.

i. Riverside Enterprises performs \$500 of services on account.













LG 24-2, continued

j. Crescent City Company receives a \$450 bill for utility services. The bill will be paid later.

A = L + OE

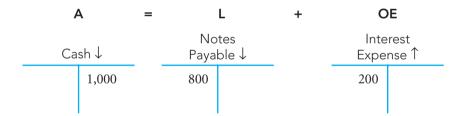
Accounts
Payable
$$\uparrow$$
 Utility
Expense \uparrow
 450
 450

Note: Remember that an increase in an expense decreases the owner's equity, and the equation stays in balance.

k. Sonoma Company, (f) above, performs \$1,200 of services.

Α	=		L	+	0	E	
		Unea Rever			Ser Reve	vice nue↑	
		1,200				1,200	

1. Atascadero Company makes a \$1,000 loan payment. The payment includes \$200 of interest expense.



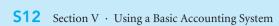
Note: Remember that an increase in an expense is decreasing owner's equity. Therefore, the equation remains in balance.











Learning Goal 24, continued

LG 24-2, continued

General Journal

Date	Account Name and Explanation	Dr.	Cr.
200X			
a.	Cash	15,000	
	B. Gasoway, Capital		15,000
b.	Supplies Expense	200	
	Supplies		200
c.	Cash	850	
	Accounts Receivable		850
d.	Equipment	10,000	
	Cash		1,000
	Notes Payable		9,000
e.	Prepaid Rent	12,000	
	Cash		12,000
f.	Cash	5,000	
	Unearned Revenue		5,000
g.	Accounts Payable	400	
	Cash		400
h.	Rent Expense	4,000	
	Prepaid Rent		4,000
i.	Accounts Receivable	500	
	Service Revenue		500
j.	Utility Expense	450	
	Accounts Payable		450
k.	Unearned Revenue	1,200	
	Service Revenue		1,200
1.	Notes Payable	800	
	Interest Expense	200	
	Cash		1,000











LG 24-3. T account analysis for transactions:

a. Abilene Company purchased \$750 of supplies by paying cash.

Α OE Cash ↓ Supplies 1 750 750

b. Pecos Enterprises purchased \$600 of supplies on account.

L Α OE Accounts Supplies 1 Payable 1 600 600

c. Houston Corporation used \$900 of supplies in operations for the month.

Α L OE Supplies Supplies ↓ Expense 1 900 900

Note: An increase in an expense decreases the owner's equity, and the equation stays in balance.

d. Dallas Partnership received a \$2,250 advance payment from a customer.

L OE Α Unearned Revenue 1 Cash 1 2,250 2,250







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Learning Goal 24, continued

LG 24-3, continued

e. Austin Enterprises purchased \$350,000 land and building. The cost allocated to the land is \$100,000. Payment was made by signing a \$225,000 note payable and paying cash for the balance.

		Α			=	L	-	+	OE
Ca	sh↓	Build	ing↑	Laı	nd ↑	No Pay	otes able ↑		
	125,000	250,000		100,000			225,000		

f. Dave Smiley, owner of Fort Worth Sales Company, withdrew \$2,500 from his business.

A = L + OE

Cash
$$\downarrow$$
 Dave Smiley, \uparrow Withdrawals

2,500

2,500

Note: An increase in withdrawals decreases the owner's equity, and the equation stays in balance.

g. El Paso Partnership prepaid \$800 of fire insurance.



h. Dallas Partnership, (d) above, completed \$1,500 of services for the customer who paid in advance.

A = L + OE

Unearned Revenue
$$\downarrow$$

1,500

Service Revenue \uparrow

1,500









Learning Goal 24, continued

LG 24-3, continued

i. Arlington Company received a \$700 bill for repair services. The bill was not paid immediately.

Note: Remember that an increase in an expense decreases the owner's equity, and the equation stays in balance.

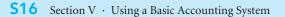
j. Beaumont Enterprises provided \$3,500 of services to customers on account.

	A	Ą	=	L	+	0	E
		ounts ivable ↑					vice enue↑
•	3,500						3,500

k. Beaumont Enterprises collected \$2,000 owing from customers on account.

Α	=	L	+	OE
Cash ↑	Accounts Receivable↓			
2,000	2,000			







LG 24-3, continued

1. El Paso Partnership, (g) above, used up \$200 of the prepaid fire insurance.

Note: An increase in an expense decreases the owner's equity, and the equation is still in balance.

m. Corpus Christi Corporation purchased \$2,000 of supplies and \$7,500 of equipment on account as one purchase from a single supplier.

		Α			=	L	+	OE
Supp	olies ↑		Equip	ment ↑		ount able		
2,000			7,500			9,5	00	

n. In the following month, Corpus Christi Corporation paid the supplier in full.







Learning Goal 24, continued

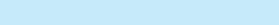
LG 24-3, continued

General Journal

Date	Account Name and Explanation	Dr.	Cr.
200X			
a.	Supplies	750	
	Cash		750
b.	Supplies	600	
	Accounts Payable		600
c.	Supplies Expense	900	
	Supplies		900
d.	Cash	2,250	
	Unearned Revenue		2,250
e.	Building	250,000	
	Land	100,000	
	Cash		125,000
	Notes Payable		225,000
f.	Dave Smiley, Withdrawals	2,500	
	Cash		2,500
g.	Prepaid Insurance	800	
	Cash		800
h.	Unearned Revenue	1,500	
	Service Revenue		1,500
i.	Repairs Expense	700	
	Accounts Payable		700
j.	Accounts Receivable	3,500	
	Service Revenue		3,500
k.	Cash	2,000	
	Accounts Receivable		2,000
1.	Insurance Expense	200	
	Prepaid Insurance		200
m.	Supplies	2,000	
	Equipment	7,500	
	Accounts Payable		9,500
n.	Accounts Payable	9,500	
	Cash		9,500







\$18 Section V · Using a Basic Accounting System

SOLUTIONS

Learning Goal 24, continued

LG 24-4.

Date	Account	Dr.	Cr.
2017			
Nov. 1	Cash	8,500	
	Laurie Shelby, Capital		8,500
1	Duran did Dant	1.050	
1	Prepaid Rent	1,050	1.050
	Cash		1,050
3	Cash	750	
	Unearned Revenue		750
4	Office Equipment	2,300	
	Office Supplies	700	
	Cash		1,000
	Notes Payable		2,000
5	Cleaning Expense	100	
	Cash	100	100
6	Advertising Expense	500	
	Accounts Payable		500
7	Accounts Receivable	980	
,	Service Revenue	700	980
11	Wages Expense	700	
	Cash		700
12	Accounts Receivable	1,500	
12	Service Revenue	1,500	1,500
14	Cash	5,000	
	Office Equipment	4,000	
	Laurie Shelby, Capital		9,000
15	Accounts Payable	500	
13	Cash	300	500
17	Cash	980	
	Accounts Receivable		980











LG 24-4, continued

Date	Account	Dr.	Cr.
19	Laurie Mason, Drawing	250	
	Cash		250
23	Unearned Revenue	750	
	Service Revenue		750
24	Cash	2,000	
	Service Revenue		2,000
27	Laurie Mason, Drawing	500	
	Cash		500
30	Supplies Expense	1,200	
	Supplies		1,200

LG 24-5.

- 1. Analysis and error identification
 - **Sept. 1:** The owner investment entry is correct.
 - **Sept. 2:** The debit should be to Prepaid Insurance. Nothing has been used up yet.
 - **Sept. 3:** The office supplies are not used up yet; they should be recorded as an asset, not an expense.
 - **Sept. 3:** The entry is correct.
 - **Sept. 4:** The credit should be to Notes Payable, not Accounts Payable.
 - **Sept. 6:** The entry is correct.
 - Sept. 7: There is no recordable transaction. Nothing has affected the accounting equation because the assistant has not provided any services yet.
 - **Sept. 7:** The amount recorded should be \$150, not \$15.
 - **Sept. 8:** The entry is backwards. Also, the correct liability is Notes Payable, not Accounts Payable.
 - Sept. 10: The credit should be to Unearned Revenue. No services have been provided to the client yet.
 - **Sept. 12:** The entry is correct.
 - Sept. 18: The transaction has not been recorded—probably because the bookkeeper did not understand that an expense should be recorded even if no cash is paid. Debit Repairs Expense, credit Accounts Payable.
 - Sept. 21: The credit should be to Accounts Receivable, not Service Revenue. No revenue occurs with the collection of a receivable. The revenue occurred sometime previously, which created the receivable.
 - Sept. 26: Same problem as September 18. Debit Internet Expense, credit Accounts Payable.
 - Sept. 30: The debit should be to Emily Heath, Withdrawals. Owner withdrawals are never an expense.







LG 24-6.

Date	Account	Dr.	Cr.
2017			
Feb. 8	Cash	25,000	
	Ken Peters, Capital		25,000
	Ken Peters invested \$25,000 cash to begin his new business, Du Page Delivery Enterprises.		
9	Prepaid Insurance	1,500	
	Cash		1,500
	Prepaid 1 year of insurance for \$1,500.		
10	Office Supplies	250	
	Accounts Payable		250
	Purchased office supplies from Jolliet Company, \$250 on account.		
12	Office Equipment	3,000	
	Cash	2,000	1,000
	Notes Payable		2,000
	Paid \$1,000 and signed a \$2,000 note payable for an office computer.		_,;;;
14	Cash	5,000	
	Van	15,000	
	Notes Payable		7,000
	Ken Peters, Capital		13,000
	Ken Peters invested an additional \$5,000 cash in the business,		
	plus a van worth \$15,000. With the van is a note payable of \$7,000.		
15	Accounts Receivable	575	
	Service Revenue		575
	Billed Morraine Valley Company for services, \$575 on account.		











LG 24-6, continued

Date	Account	Dr.	Cr.
17	Accounts Payable	200	
	Cash		200
	Paid \$200 owing to Jolliet Company from February 10.		
20	Supplies Expense	200	
	Supplies		200
	Used up \$200 of supplies.		
24	Ken Peters, Drawing	520	
	Cash		520
	Wrote \$520 check to Sunshine Day Care for owner's child-care expense.		
27	Cash	300	
	Accounts Receivable		300
	Collected \$300 from Morraine Valley Company on account.		

LG 24-7.

- July 11: Paid an account owing to Grants Pass Company.
- July 12: The owner (or possibly, partner) Andrea Sheaffer, withdrew cash.
- July 14: The business used up supplies.
- July 15: Collected cash on account owing from Portland Enterprises.
- July 17: Earned service revenue on account from Gresham Corporation.
- July 20: Purchased computer equipment by paying \$2,500 cash down and signing a \$7,800 note payable for the balance.
- July 22: Received an advance payment from a customer.
- July 24: Used up prepaid rent, for the period of
- July 25: Purchased \$145,000 of land and \$90,000 building by paying \$50,000 cash and signing a note payable for the balance.
- July 27: Used repair services. Balance owing on account for the service is \$175.







Learning Goal 24, continued

LG 24-8.

Date	Account	Dr.	Cr.
2017			
May 5	Wages Expense	900	
	Cash		900
	Paid wages.		
6	Cash	330	
	Accounts Receivable		330
	Collected amount owing on account from xxxx.		
7	Supplies	250	
	Accounts Payable		250
	Purchased supplies on account from xxxx.		
10	Advertising Expense	1,500	
	Accounts Payable	· ·	1,500
	Used advertising services. Balance owing to xxxx.		
10	Cash	750	
	Service Revenue		750
	Completed services for xxxx.		
	•		
12	Accounts Payable	450	
12	Cash	150	450
	Paid on account owing to xxxx.		100
	That of account on ing to inner		
15	Accounts Receivable	500	
10	Service Revenue	300	500
	Completed services on account to xxxx.		300
	Completed for vices on account to AMM.		
17	Supplies	250	
17	Equipment	2,800	
	Cash	2,000	1,050
	Notes Payable		2,000
	Purchased supplies and equipment for \$1,050 cash down payment and \$2,000 note		2,000
	payable for the balance.		
	payable for the balance.		
10	Pont Eyrongo	700	
18	Rent Expense	700	700
	Prepaid Rent		700
	Used up Prepaid Rent.		













LG 24-9.

Date	Account	Ref.	Dr.	Cr.
2017				
June				
1	Cash		25,000	
	David Washington, Capital			25,000

June 2

Classification	Valuation	Timing
Office Supplies Furniture Accounts Payable	500 2,700 3,200	June 2

2	Office Supplies	500	
	Furniture	2,700	
	Accounts Payable		3,200

2	No entry—not a recordable transaction		

Classification	Valuation	Timing
Cash Notes Payable	15,000 15,000	June 3

3	Cash	15,000	
	Notes Payable		15,000









LG 24-9, continued

June 5

Classification	Valuation	Timing
Cash Service Revenue	2,250 2,250	June 5

5	Cash	2,250	
	Service Revenue		2,250

June 6

Classification	Valuation	Timing	
Cleaning Expense Cash	150 (150)	June 6	

6	Cleaning Expense	150	
	Cash		150

Classification	Valuation	Timing
Computer Equipment Cash Notes Payable	7,000 (3,000) 4,000	June 8

8	Computer Equipment	7,000	
	Cash		3,000
	Notes Payable		4,000













Learning Goal 24, continued

LG 24-9, continued

June 10

Classification	Valuation	Timing
Cash Unearned Revenue	3,000 3,000	June 10

10	Cash	3,000	
	Unearned Revenue		3,000

June 12

Classification	Valuation	Timing
Accounts Receivable Service Revenue	2,500 2,500	June 12

12	Accounts Receivable	2,500	
	Service Revenue		2,500

Classification	Valuation	Timing
Wages Expense Cash	1,120 (1,120)	June 15

15	Wages Expense	1,120	
	Cash		1,120







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Learning Goal 24, continued

LG 24-9, continued

June 15

Classification	Valuation	Timing
Accounts Payable Cash	(1,000) (1,000)	June 15

15	Accounts Payable	1,000	
	Cash		1,000

June 15

Classification	Valuation	Timing
Rent Expense Cash	1,500 (1,500)	June 15

15	Rent Expense	1,500	
	Cash		1,500

Classification	Valuation	Timing
Advertising Expense Accounts Payable	800 800	June 18

18	Advertising Expense	800	
	Accounts Payable		800











LG 24-9, continued

June 22

Classification	Valuation	Timing
Accounts Receivable Service Revenue	750 750	June 22

22	Accounts Receivable	750	
	Service Revenue		750

June 25

Classification	Valuation	Timing
Cash Accounts Receivable	1,000 (1,000)	June 25

25	Cash	1,000	
	Accounts Receivable		1,000

Classification	Valuation	Timing
Internet Expense Accounts Payable	500 500	June 28

28	Internet Expense	500	
	Accounts Payable		500









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Learning Goal 24, continued

LG 24-9, continued

June 29

Classification	Valuation	Timing
Accounts Receivable Unearned Revenue Service Revenue	2,000 (3,000) 5,000	June 29

29	Accounts Receivable	2,000	
	Unearned Revenue	3,000	
	Service Revenue		5,000

June 30

Classification	Valuation	Timing
Office Supplies Expense Office Supplies	125 (125)	June 30

30	Office Supplies Expense	125	
	Office Supplies		125

Classification	Valuation	Timing
Interest Expense Notes Payable Cash	500 (250) (750)	June 30

30	Interest Expense	500	
	Notes Payable	250	
	Cash		750











LG 24-9, continued

Classification	Valuation	Timing
David Washington, Withdrawals Cash	2,000 (2,000)	June 30

30	David Washington, Withdrawals	2,000	
	Cash		2,000

June 30

Classification	Valuation	Timing
Telephone Expense Accounts Payable	210 210	June 30

30	Telephone Expense	210	
	Accounts Payable		210

LG 24-10.

	In a journal	In a ledger
meets these information needs	 you can find a transaction by date. you can easily see all parts of each transaction. you can see if the equation stays in balance for each transaction. 	 you can see the historical detail of each account item. you can determine the balance of each account item.
and does not meet these information needs	 you cannot see the historical detail of each account item. you cannot determine the balance of each account item. 	 you cannot find a transaction by date. you cannot easily see all parts of each transaction. you cannot see if the equation stays in balance.
and the data is primarily arranged by	transaction	account

