

**BRIEF EXERCISES**



**BE2-1** Below are the steps in the measurement process of external transactions. Arrange them from first (1) to last (6).

List steps in the measurement process **(LO1)**

- \_\_\_\_\_ a. Post the transaction to the T-accounts in the general ledger.
- \_\_\_\_\_ b. Assess whether the impact of the transaction results in a debit or credit to the account balance.
- \_\_\_\_\_ c. Use source documents to identify accounts affected by external transactions.
- \_\_\_\_\_ d. Analyze the impact of the transaction on the accounting equation.
- \_\_\_\_\_ e. Prepare a trial balance.
- \_\_\_\_\_ f. Record transactions using debits and credits.

**BE2-2** Using the notion that the accounting equation (Assets = Liabilities + Stockholders' Equity) must remain in balance, indicate whether each of the following transactions is possible.

Balance the accounting equation **(LO2)**

- a. Cash increases; Accounts Payable decreases.
- b. Service Revenue increases; Salaries Payable increases.
- c. Advertising Expense increases; Cash decreases.

**BE2-3** Suppose a local company has the following balance sheet accounts:

Balance the accounting equation **(LO2)**

<u>Accounts</u>	<u>Balances</u>
Land	\$ 8,000
Equipment	?
Salaries Payable	3,300
Notes Payable	?
Supplies	1,600
Cash	6,200
Stockholders' Equity	12,500
Accounts Payable	1,200
Prepaid Rent	2,200

Calculate the missing amounts assuming the business has total assets of \$30,000.

**BE2-4** The following transactions occur for Badger Biking Company during the month of June:

Analyze the impact of transactions on the accounting equation **(LO2)**

- a. Provide services to customers on account for \$40,000.
- b. Receive cash of \$32,000 from customers in (a) above.
- c. Purchase bike equipment by signing a note with the bank for \$25,000.
- d. Pay utilities of \$4,000 for the current month.

Analyze each transaction and indicate the amount of increases and decreases in the accounting equation.

	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
(a)					
(b)					
(c)					
(d)					

**BE2-5** For each of the following accounts, indicate whether a debit or credit is used to increase (+) or decrease (-) the balance of the account. The solution for the first one is provided as an example.

Understand the effect of debits and credits on accounts **(LO3)**

Account	Debit	Credit
Asset	+	-
Liability		
Common Stock		
Retained Earnings		
Dividend		
Revenue		
Expense		

Understand the effect of debits and credits on accounts (LO3)

**BE2-6** Fill in the blanks below with the word “debit” or “credit.”

- The balance of an *asset* account increases with a \_\_\_\_\_ and decreases with a \_\_\_\_\_.
- The balance of a *liability* account increases with a \_\_\_\_\_ and decreases with a \_\_\_\_\_.
- The balance of a *stockholders' equity* account increases with a \_\_\_\_\_ and decreases with a \_\_\_\_\_.
- The balance of a *revenue* account increases with a \_\_\_\_\_ and decreases with a \_\_\_\_\_.
- The balance of an *expense* account increases with a \_\_\_\_\_ and decreases with a \_\_\_\_\_.

Record transactions (LO4)

**BE2-7** The following transactions occur for the Panther Detective Agency during the month of July:

- Purchase a truck and sign a note payable, \$14,000.
- Purchase office supplies for cash, \$500.
- Pay \$700 in rent for the current month.

Record the transactions. The company uses the following accounts: Cash, Supplies, Equipment (for the truck), Notes Payable, and Rent Expense.

Record transactions (LO4)

**BE2-8** The following transactions occur for Cardinal Music Academy during the month of October:

- Provide music lessons to students for \$12,000 cash.
- Purchase prepaid insurance to protect musical equipment over the next year for \$3,600 cash.
- Purchase musical equipment for \$15,000 cash.
- Obtain a loan from a bank by signing a note for \$20,000.

Record the transactions. The company uses the following accounts: Cash, Prepaid Insurance, Equipment, Notes Payable, and Service Revenue.

Analyze T-accounts (LO5)

**BE2-9** Consider the following T-account for cash.

Cash	
12,000	7,200
3,400	1,400
2,500	4,500

- Compute the balance of the Cash account.
- Give some examples of transactions that would have resulted in the \$3,400 posting to the account.
- Give some examples of transactions that would have resulted in the \$1,400 posting to the account.

Analyze the impact of transactions on the accounting equation, record transactions, and post (LO2, 3, 4, 5)

**BE2-10** The following transactions occur for the Wolfpack Shoe Company during the month of June:

- Provide services to customers for \$25,000 and receive cash.
- Purchase office supplies on account for \$15,000.
- Pay \$6,000 in salaries to employees for work performed during the month.

1. Analyze each transaction. For each transaction, indicate by how much each category in the accounting equation increases or decreases.

	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
(a)					
(b)					
(c)					

2. Record the transactions. The company uses the following accounts: Cash, Supplies, Accounts Payable, Salaries Expense, and Service Revenue.
3. Post the transactions to T-accounts. Assume the opening balance in each of the accounts is zero.

**BE2-11** Using the following information, prepare a trial balance. Assume all asset, dividend, and expense accounts have debit balances and all liability, stockholders' equity, and revenue accounts have credit balances. List the accounts in the following order: assets, liabilities, stockholders' equity, dividends, revenues, and expenses.

Prepare a trial balance (LO6)

Cash	\$5,600	Dividends	\$ 400
Salaries Payable	600	Rent Expense	1,500
Prepaid Rent	800	Accounts Receivable	3,400
Accounts Payable	1,500	Common Stock	5,200
Retained Earnings	1,300	Service Revenue	6,100
Salaries Expense	2,000	Advertising Expense	1,000

**BE2-12** Your study partner is having trouble getting total debits to equal total credits in the trial balance. Prepare a corrected trial balance by placing each account balance in the correct debit or credit column.

Correct a trial balance (LO6)

Trial Balance		
<u>Accounts</u>	<u>Debit</u>	<u>Credit</u>
Cash	\$ 6,300	
Accounts Receivable		\$ 1,600
Equipment	9,400	
Accounts Payable	2,900	
Unearned Revenue		1,200
Common Stock	10,000	
Retained Earnings		3,200
Dividends	700	
Service Revenue		3,500
Salaries Expense	2,200	
Utilities Expense		600
Total	<u>\$31,500</u>	<u>\$10,100</u>

## EXERCISES



**E2-1** Listed below are several terms and phrases associated with the measurement process for external transactions.

Identify terms associated with the measurement process (LO1)

<u>List A</u>	<u>List B</u>
_____ 1. Account	a. Record of all transactions affecting a firm.
_____ 2. Analyze transactions	b. Determine the dual effect of economic events on the accounting equation.
_____ 3. Journal	

(continued)

(concluded)

List A	List B
_____ 4. Post	c. List of accounts and their balances.
_____ 5. Trial balance	d. Summary of the effects of all transactions related to a particular item over a period of time.
	e. Transfer balances from the journal to the ledger.

**Required:**

Pair each item from List A with the item from List B to which it is most appropriately associated.

**E2-2** Below are the external transactions for Shockers Incorporated.

1. Issue common stock in exchange for cash.
2. Purchase equipment by signing a note payable.
3. Provide services to customers on account.
4. Pay rent for the current month.
5. Pay insurance for the current month.
6. Collect cash from customers on account.

	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
1.	Increase	=	No effect	+	Increase
2.					
3.					
4.					
5.					
6.					

**Required:**

Analyze each transaction. Under each category in the accounting equation, indicate whether the transaction increases, decreases, or has no effect. The first item is provided as an example.

**E2-3** Green Wave Company plans to own and operate a storage rental facility. For the first month of operations, the company had the following transactions.

1. Issue 10,000 shares of common stock in exchange for \$32,000 in cash.
2. Purchase land for \$19,000. A note payable is signed for the full amount.
3. Purchase storage container equipment for \$8,000.
4. Hire three employees for \$2,000 per month.
5. Receive cash of \$12,000 in rental fees for the current month.
6. Purchase office supplies for \$2,000 on account.
7. Pay employees \$6,000 for the first month's salaries.

**Required:**

For each transaction, describe the dual effect on the accounting equation. For example, in the first transaction, (1) assets increase and (2) stockholders' equity increases.

**E2-4** Boilermaker House Painting Company incurs the following transactions for September.

1. Paint houses in the current month for \$15,000 on account.
2. Purchase painting equipment for \$16,000 cash.
3. Purchase office supplies on account for \$2,500.
4. Pay workers' salaries of \$3,200 for the current month.
5. Purchase advertising to appear in the current month, \$1,200.
6. Pay office rent of \$4,400 for the current month.
7. Receive \$10,000 from customers in (1) above.
8. Receive cash of \$5,000 in advance from a customer who plans to have his house painted in the following month.

**Required:**

For each transaction, describe the dual effect on the accounting equation. For example, for the first transaction, (1) assets increase and (2) stockholders' equity increases.

Analyze the impact of transactions on the accounting equation (LO2)

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**E2-5** At the beginning of April, Owl Corporation has a balance of \$12,000 in the Retained Earnings account. During the month of April, Owl had the following external transactions.

Understand the components of retained earnings (LO2)

1. Issue common stock for cash, \$10,000.
2. Provide services to customers on account, \$7,500.
3. Provide services to customers in exchange for cash, \$2,200.
4. Purchase equipment and pay cash, \$6,600.
5. Pay rent for April, \$1,200.
6. Pay workers' salaries for April, \$2,500.
7. Pay dividends to stockholders, \$1,500.

**Required:**

Using the external transactions above, compute the balance of Retained Earnings at April 30.

**E2-6** Below is a list of common accounts.

Indicate the debit or credit balance of accounts (LO3)

Accounts	Debit or Credit
Cash	1. _____
Service Revenue	2. _____
Salaries Expense	3. _____
Accounts Payable	4. _____
Equipment	5. _____
Retained Earnings	6. _____
Utilities Expense	7. _____
Accounts Receivable	8. _____
Dividends	9. _____
Common Stock	10. _____

**Required:**

Indicate whether the normal balance of each account is a debit or a credit.

**E2-7** Below are several external transactions for Hokies Company.

Associate debits and credits with external transactions (LO3)

	Account Debited	Account Credited
<i>Example: Purchase equipment in exchange for cash.</i>	<i>Equipment</i>	<i>Cash</i>
1. Pay a cash dividend.		
2. Pay rent in advance for the next three months.		
3. Provide services to customers on account.		
4. Purchase office supplies on account.		
5. Pay salaries for the current month.		
6. Issue common stock in exchange for cash.		
7. Collect cash from customers for services provided in (3) above.		
8. Borrow cash from the bank and sign a note.		
9. Pay for the current month's utilities.		
10. Pay for office supplies purchased in (4) above.		

Hokies uses the following accounts:

Accounts Payable	Equipment	Accounts Receivable
Cash	Supplies	Utilities Expense
Prepaid Rent	Rent Expense	Service Revenue
Common Stock	Notes Payable	Retained Earnings
Salaries Payable	Salaries Expense	Dividends

**Required:**

Indicate which accounts should be debited and which should be credited.

Record transactions (LO4) **E2-8** Terapin Company engages in the following external transactions for November.

1. Purchase equipment in exchange for cash of \$22,400.
2. Provide services to customers and receive cash of \$5,800.
3. Pay the current month's rent of \$1,100.
4. Purchase office supplies on account for \$900.
5. Pay employees' salaries of \$1,600 for the current month.

**Required:**

Record the transactions. Terapin uses the following accounts: Cash, Supplies, Equipment, Accounts Payable, Service Revenue, Rent Expense, and Salaries Expense.

Identify transactions (LO4) **E2-9** Below are recorded transactions of Yellow Jacket Corporation for August.

	Debit	Credit
1. Equipment .....	8,800	
Cash .....		8,800
2. Accounts Receivable .....	3,200	
Service Revenue.....		3,200
3. Salaries Expense .....	1,900	
Cash .....		1,900
4. Cash .....	1,500	
Unearned Revenue .....		1,500
5. Dividends .....	900	
Cash .....		900

**Required:**

Provide an explanation for each transaction.

Record transactions (LO4) **E2-10** Sun Devil Hair Design has the following transactions during the month of February.

- |             |   |
|-------------|---|
| February 2  | Pay \$600 for radio advertising for February.                     |
| February 7  | Purchase beauty supplies of \$1,200 on account.                   |
| February 14 | Provide beauty services of \$2,400 to customers and receive cash. |
| February 15 | Pay workers' salaries for the current month of \$800.             |
| February 25 | Provide beauty services of \$900 to customers on account.         |
| February 28 | Pay utility bill for the current month of \$200.                  |

**Required:**

Record each transaction. Sun Devil uses the following accounts: Cash, Accounts Receivable, Supplies, Accounts Payable, Service Revenue, Advertising Expense, Salaries Expense, and Utilities Expense.

Record transactions (LO4) **E2-11** Bearcat Construction begins operations in March and has the following transactions.

- |          |  |
|----------|--|
| March 1  | Issue common stock for \$16,000.                             |
| March 5  | Obtain \$8,000 loan from the bank by signing a note.         |
| March 10 | Purchase construction equipment for \$20,000 cash.           |
| March 15 | Purchase advertising for the current month for \$1,000 cash. |
| March 22 | Provide construction services for \$17,000 on account.       |
| March 27 | Receive \$12,000 cash on account from March 22 services.     |
| March 28 | Pay salaries for the current month of \$5,000.               |

**Required:**

Record each transaction. Bearcat uses the following accounts: Cash, Accounts Receivable, Notes Payable, Common Stock, Service Revenue, Advertising Expense, and Salaries Expense.

**E2-12** Consider the recorded transactions below.

Post transactions to T-accounts **(LO5)**

	<u>Debit</u>	<u>Credit</u>
1. Accounts Receivable .....	7,400	
Service Revenue .....		7,400
2. Supplies .....	1,800	
Accounts Payable .....		1,800
3. Cash .....	9,200	
Accounts Receivable.....		9,200
4. Advertising Expense .....	1,200	
Cash .....		1,200
5. Accounts Payable .....	2,700	
Cash .....		2,700
6. Cash .....	1,000	
Unearned Revenue .....		1,000

**Required:**

Post each transaction to T-accounts and compute the ending balance of each account. The beginning balance of each account before the transactions is: Cash, \$2,400; Accounts Receivable, \$3,200; Supplies, \$300; Accounts Payable, \$2,500; Unearned Revenue, \$200. Service Revenue and Advertising Expense each have a beginning balance of zero.

**E2-13** Below is the complete list of accounts of Sooner Company and the related balance at the end of April. All accounts have their normal debit or credit balance. Cash, \$2,900; Prepaid Rent, \$6,400; Accounts Payable \$3,300; Common Stock, \$30,000; Service Revenue, \$24,400; Salaries Expense, \$7,200; Accounts Receivable, \$5,100; Land, \$50,000; Unearned Revenue, \$1,800; Retained Earnings, \$20,500; Supplies Expense, \$8,400.

Prepare a trial balance **(LO6)**

**Required:**

Prepare a trial balance with the list of accounts in the following order: assets, liabilities, stockholders' equity, revenues, and expenses.

**E2-14** Below is the complete list of accounts of Fightin' Blue Hens Incorporated and the related balance at the end of March. All accounts have their normal debit or credit balance. Supplies, \$1,200; Buildings, \$45,000; Salaries Payable, \$400; Common Stock, \$25,000; Accounts Payable, \$1,700; Utilities Expense, \$2,700; Prepaid Insurance, \$1,300; Service Revenue, \$18,500; Accounts Receivable, \$3,200; Cash, \$2,500; Salaries Expense, \$5,400; Retained Earnings, \$15,700.

Prepare a trial balance **(LO6)**

**Required:**

Prepare a trial balance with the list of accounts in the following order: assets, liabilities, stockholders' equity, revenues, and expenses.

**E2-15** Green Wave Company plans to own and operate a storage rental facility. For the first month of operations, the company has the following transactions.

Record transactions, post to T-accounts, and prepare a trial balance **(LO4, 5, 6)**

1. Issue 10,000 shares of common stock in exchange for \$32,000 in cash.
2. Purchase land for \$19,000. A note payable is signed for the full amount.
3. Purchase storage container equipment for \$8,000 cash.
4. Hire three employees for \$2,000 per month.
5. Receive cash of \$12,000 in rental fees for the current month.
6. Purchase office supplies for \$2,000 on account.
7. Pay employees \$6,000 for the first month's salaries.

**Required:**

1. Record each transaction. Green Wave uses the following accounts: Cash, Supplies, Land, Equipment, Common Stock, Accounts Payable, Notes Payable, Service Revenue, and Salaries Expense.

- Post each transaction to T-accounts and compute the ending balance of each account. Since this is the first month of operations, all T-accounts have a beginning balance of zero.
- After calculating the ending balance of each account, prepare a trial balance.

Record transactions, post to T-accounts, and prepare a trial balance (LO4, 5, 6)

**E2-16** Boilermaker House Painting Company incurs the following transactions for September.

- Paint houses in the current month for \$15,000 on account.
- Purchase painting equipment for \$16,000 cash.
- Purchase office supplies on account for \$2,500.
- Pay workers' salaries of \$3,200 for the current month.
- Purchase advertising to appear in the current month for \$1,200 cash.
- Pay office rent of \$4,400 for the current month.
- Receive \$10,000 from customers in (1) above.
- Receive cash of \$5,000 in advance from a customer who plans to have his house painted in the following month.

**Required:**

- Record each transaction. Boilermaker uses the following accounts: Cash, Accounts Receivable, Supplies, Equipment, Accounts Payable, Unearned Revenue, Common Stock, Retained Earnings, Service Revenue, Salaries Expense, Advertising Expense, and Rent Expense.
- Post each transaction to T-accounts and compute the ending balance of each account. At the beginning of September, the company had the following account balances: Cash, \$21,100; Accounts Receivable, \$1,200; Supplies, \$400; Equipment, \$6,400; Accounts Payable, \$1,100; Common Stock, \$20,000; Retained Earnings, \$8,000. All other accounts had a beginning balance of zero.
- After calculating the ending balance of each account, prepare a trial balance.

**PROBLEMS: SET A**



Analyze the impact of transactions on the accounting equation (LO2)

**P2-1A** Below is a list of activities for Jayhawk Corporation.

Transaction	Assets	=	Liabilities	+	Stockholders' Equity
1. Issue common stock in exchange for cash.	Increase	=	No effect	+	Increase
2. Purchase business supplies on account.					
3. Pay for legal services for the current month.					
4. Provide services to customers on account.					
5. Pay employee salaries for the current month.					
6. Provide services to customers for cash.					
7. Pay for advertising for the current month.					
8. Repay loan from the bank.					
9. Pay dividends to stockholders.					
10. Receive cash from customers in (4) above.					
11. Pay for supplies purchased in (2) above.					



**Required:**

For each activity, indicate whether the transaction increases, decreases, or has no effect on assets, liabilities, and stockholders' equity.

**P2-2A** Below is a list of activities for Purple Cow Incorporated.

Analyze the impact of transactions on the accounting equation (LO2)

<u>Transaction</u>	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
1. Provide services to customers on account, \$1,600.	+\$1,600	=	\$0	+	+\$1,600
2. Pay \$400 for current month's rent.					
3. Hire a new employee, who will be paid \$500 at the end of each month.					
4. Pay \$100 for advertising aired in the current period.					
5. Purchase office supplies for \$400 cash.					
6. Receive cash of \$1,000 from customers in (1) above.					
7. Obtain a loan from the bank for \$7,000.					
8. Receive a bill of \$200 for utility costs in the current period.					
9. Issue common stock for \$10,000 cash.					
10. Pay \$500 to employee in (3) above.					
Totals	_____	=	_____	+	_____
	=====		=====		=====

**Required:**

For each activity, indicate the impact on the accounting equation. After doing so for all transactions, ensure that the accounting equation remains in balance.

**P2-3A** Below is a list of typical accounts.

Identify the type of account and its normal debit or credit balance (LO3)

<u>Accounts</u>	<u>Type of Account</u>	<u>Normal Balance (Debit or Credit)</u>
1. Salaries Payable		
2. Common Stock		
3. Prepaid Rent		
4. Buildings		
5. Utilities Expense		
6. Equipment		
7. Rent Expense		
8. Notes Payable		
9. Salaries Expense		
10. Insurance Expense		
11. Cash		
12. Service Revenue		

**Required:**

For each account, indicate (1) the type of account and (2) whether the normal account balance is a debit or credit. For the type of account, choose from asset, liability, stockholders' equity, dividend, revenue, or expense.

**P2-4A** Below are several transactions for Scarlet Knight Corporation. A junior accountant, recently employed by the company, proposes to record the following transactions.

Correct recorded transactions (LO4)

External Transaction	Accounts	Debit	Credit
1. Owners invest \$10,000 in the company and receive common stock.	Common Stock	10,000	
	Cash		10,000
2. Receive cash of \$3,000 for services provided in the current period.	Cash	3,000	
	Service Revenue		3,000
3. Purchase office supplies on account, \$200.	Supplies	200	
	Cash		200
4. Pay \$500 for next month's rent.	Rent Expense	500	
	Cash		500
5. Purchase office equipment with cash of \$1,700.	Cash	1,700	
	Equipment		1,700

**Required:**

Assess whether the junior accountant correctly proposes how to record each transaction. If incorrect, provide the correction.

Record transactions (LO4)

**P2-5A** Jake owns a lawn maintenance company, and Luke owns a machine repair shop. For the month of July, the following transactions occurred.

**Flip Side of P2-6A**



- July 3 Jake provides lawn services to Luke's repair shop on account, \$400.
- July 6 One of Jake's mowers malfunctions. Luke provides repair services to Jake on account, \$350.
- July 9 Luke pays \$400 to Jake for lawn services provided on July 3.
- July 14 Luke borrows \$500 from Jake by signing a note.
- July 18 Jake purchases advertising in a local newspaper for the remainder of July and pays cash, \$100.
- July 20 Jake pays \$350 to Luke for services provided on July 6.
- July 27 Luke performs repair services for other customers for cash, \$700.
- July 30 Luke pays employees' salaries for the month, \$200.
- July 31 Luke pays \$500 to Jake for money borrowed on July 14.

**Required:**

Record the transactions for Jake's Lawn Maintenance Company.

Analyze the impact of transactions on the accounting equation and record transactions (LO2, 4)

**P2-6A** Refer to the transactions described in P2-5A.

**Flip Side of P2-5A**



Jake's Lawn Maintenance Company					Luke's Repair Shop				
	Assets	=	Liabilities	+ Stockholders' Equity		Assets	=	Liabilities	+ Stockholders' Equity
July 3	+\$400	=	\$0	+ +\$400		\$0	=	+\$400	+ -\$400
6									
9									
14									
18									
20									
27									
30									
31									

**Required:**

- Record each transaction for Luke's Repair Shop.
- Using the format shown above, indicate the impact of each transaction on the accounting equation for each company.

**P2-7A** Below are the account balances of Bruins Company at the end of November.

Prepare a trial balance (LO6)

Accounts	Balances	Accounts	Balances
Cash	\$30,000	Common Stock	\$40,000
Accounts Receivable	40,000	Retained Earnings	25,000
Supplies	1,000	Dividends	1,000
Prepaid Rent	2,000	Service Revenue	55,000
Equipment	?	Salaries Expense	20,000
Accounts Payable	16,000	Rent Expense	11,000
Salaries Payable	4,000	Interest Expense	2,000
Interest Payable	2,000	Supplies Expense	6,000
Unearned Revenue	8,000	Utilities Expense	5,000
Notes Payable	20,000		



**Required:**

Prepare a trial balance by placing amounts in the appropriate debit or credit column and determining the balance of the Equipment account.

**P2-8A** Below are the transactions for Ute Sewing Shop for March, the first month of operations.

Complete the steps in the measurement of external transactions (LO4, 5, 6)

- March 1 Issue common stock in exchange for cash of \$2,000.
- March 3 Purchase sewing equipment by signing a note with the local bank, \$1,700.
- March 5 Pay rent of \$500 for March.
- March 7 Martha, a customer, places an order for alterations to several dresses. Ute estimates that the alterations will cost Martha \$700. Martha is not required to pay for the alterations until the work is complete.
- March 12 Purchase sewing supplies for \$120 on account. This material will be used to provide services to customers.
- March 15 Martha receives altered dresses and pays \$700 to Ute.
- March 19 Bob needs 100 pairs of overalls expanded as he purchased too many small and medium sizes. He pays \$600 to Ute for services and expects the overalls to be completed by March 25.
- March 25 Bob receives his completed overalls.
- March 30 Pay utilities of \$85 for the current period.
- March 31 Pay dividends of \$100 to stockholders.



**Required:**

1. Record each transaction.
2. Post each transaction to the appropriate T-accounts.
3. Calculate the balance of each account at March 31.
4. Prepare a trial balance as of March 31.

Ute uses the following accounts: Cash, Supplies, Equipment, Accounts Payable, Unearned Revenue, Notes Payable, Common Stock, Dividends, Service Revenue, Rent Expense, and Utilities Expense.

**P2-9A** Pirates Incorporated had the following balances at the beginning of September.

Complete the steps in the measurement of external transactions (LO4, 5, 6)

PIRATES INCORPORATED Trial Balance		
Accounts	Debits	Credits
Cash	\$ 5,500	
Accounts Receivable	1,500	
Supplies	6,600	

(continued)



(concluded)

<b>PIRATES INCORPORATED</b>		
<b>Trial Balance</b>		
<u>Accounts</u>	<u>Debits</u>	<u>Credits</u>
Land	10,200	
Accounts Payable		\$6,500
Notes Payable		2,000
Common Stock		8,000
Retained Earnings		7,300

The following transactions occur in September.

- September 1 Provide services to customers for cash, \$3,700.  
 September 2 Purchase land with a long-term note for \$5,400 from Crimson Company.  
 September 4 Receive an invoice for \$400 from the local newspaper for an advertisement that appeared on September 2.  
 September 8 Provide services to customers on account for \$5,000.  
 September 10 Purchase supplies on account for \$1,000.  
 September 13 Pay \$3,000 to Crimson Company for a long-term note.  
 September 18 Receive \$4,000 from customers on account.  
 September 20 Pay \$800 for September's rent.  
 September 30 Pay September's utility bill of \$1,500.  
 September 30 Pay employees \$3,000 for salaries for the month of September.  
 September 30 Pay a cash dividend of \$1,000 to shareholders.

**Required:**

- Record each transaction.
- Post each transaction to the appropriate T-accounts.
- Calculate the balance of each account at September 30. (*Hint:* Be sure to include the balance at the beginning of September in each T-account.)
- Prepare a trial balance as of September 30.

**PROBLEMS: SET B**

Analyze the impact of transactions on the accounting equation (LO2)

**P2-1B** Below is a list of activities for Tigers Corporation.

<u>Transaction</u>	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
1. Obtain a loan at the bank.	Increase	=	Increase	+	No effect
2. Purchase a machine to use in operations for cash.					
3. Provide services to customers for cash.					
4. Pay workers' salaries for the current month.					
5. Repay loan from the bank in (1) above.					
6. Customers pay cash in advance of services.					
7. Pay for maintenance costs in the current month.					

(continued)

<u>Transaction</u>	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
8. Pay for advertising in the current month.					
9. Purchase office supplies on account.					
10. Provide services to customers on account.					
11. Pay dividends to stockholders.					

(concluded)

**Required:**

For each activity, indicate whether the transaction increases, decreases, or has no effect on assets, liabilities, and stockholders' equity.

**P2-2B** Below is a list of activities for Vikings Incorporated.

Analyze the impact of transactions on the accounting equation (LO2)

<u>Transaction</u>	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Stockholders' Equity</u>
1. Issue common stock in exchange for cash, \$15,000.	+ \$15,000	=	\$0	+	+\$15,000
2. Obtain a loan from the bank for \$9,000.					
3. Receive cash of \$1,200 in advance from customers.					
4. Purchase supplies on account, \$2,400.					
5. Pay one year of rent in advance, \$12,000.					
6. Provide services to customers on account, \$3,000.					
7. Repay \$4,000 of the loan in (2) above.					
8. Pay the full amount for supplies purchased in (4) above.					
9. Provide services to customers in (3) above.					
10. Pay cash dividends of \$1,000 to stockholders.					
Totals	<u>          </u>	=	<u>          </u>	+	<u>          </u>

**Required:**

For each activity, indicate the impact on the accounting equation. After doing all the transactions, ensure that the accounting equation remains in balance.

**P2-3B** Below is a list of typical accounts.

Identify the type of account and its normal debit or credit balance (LO3)

<u>Accounts</u>	<u>Type of Account</u>	<u>Normal Balance (Debit or Credit)</u>
1. Supplies		
2. Advertising Expense		
3. Prepaid Insurance		
4. Supplies Expense		
5. Accounts Payable		
6. Equipment		

(continued)

(concluded)

<u>Accounts</u>	<u>Type of Account</u>	<u>Normal Balance (Debit or Credit)</u>
7. Dividends		
8. Accounts Receivable		
9. Retained Earnings		
10. Unearned Revenue		
11. Service Revenue		
12. Utilities Payable		

**Required:**

For each account, indicate (1) the type of account and (2) whether the normal account balance is a debit or credit. For type of account, choose from asset, liability, stockholders' equity, dividend, revenue, or expense.

Correct recorded transactions (LO4)

**P2-4B** Below are several transactions for Crimson Tide Corporation. A junior accountant, recently employed by the company, proposes to record the following transactions.

<u>External Transaction</u>	<u>Accounts</u>	<u>Debit</u>	<u>Credit</u>
1. Pay cash dividends of \$700 to stockholders.	Cash Dividends	700	700
2. Provide services on account for customers, \$2,400.	Cash Service Revenue	2,400	2,400
3. Pay a \$400 utilities bill for the current period.	Utilities Expense Cash	400	400
4. Receive cash of \$300 from previously billed customers.	Cash Service Revenue	300	300
5. Pay for supplies previously purchased on account, \$1,100.	Supplies Expense Cash	1,100	1,100

**Required:**

Assess whether the junior accountant correctly proposes how to record each transaction. If incorrect, provide the correction.

Record transactions (LO4)

**P2-5B** Eli owns an insurance office, while Olivia operates a maintenance service that provides basic custodial duties. For the month of May, the following transactions occurred.

**Flip Side of P2-6B**

- May 2 Olivia decides that she will need insurance for a one-day special event at the end of the month and pays Eli \$200 in advance.
- May 5 Olivia provides maintenance services to Eli's insurance offices on account, \$375.
- May 7 Eli borrows \$400 from Olivia by signing a note.
- May 14 Olivia purchases maintenance supplies from Spot Corporation, paying cash of \$150.
- May 19 Eli pays \$375 to Olivia for maintenance services provided on May 5.
- May 25 Eli pays the utility bill for the month of May, \$125.
- May 28 Olivia receives insurance services from Eli equaling the amount paid on May 2.
- May 31 Eli pays \$400 to Olivia for money borrowed on May 7.

**Required:**

Record each transaction for Eli's Insurance Services.

**P2-6B** Refer to the transactions described in P2-5B.

Eli's Insurance Services				Olivia's Maintenance Services			
	Assets	=	Liabilities + Stockholders' Equity		Assets	=	Liabilities + Stockholders' Equity
May 2	+\$200	=	+\$200 + \$0		+\$200	=	\$0 + \$0
5					-\$200		
7							
14							
19							
25							
28							
31							

Analyze the impact of transactions on the accounting equation and record transactions (LO2, 4)

Flip Side of P2-5B



**Required:**

Record transactions for Olivia's Maintenance Services. Then, using the format shown, indicate the impact of each transaction on the accounting equation for each company.

**P2-7B** Below are account balances of Ducks Company at the end of September.

Accounts	Balances	Accounts	Balances
Cash	\$20,000	Retained Earnings	\$12,000
Accounts Receivable	13,000	Dividends	3,000
Supplies	6,000	Service Revenue	?
Prepaid Insurance	4,000	Salaries Expense	8,000
Equipment	23,000	Insurance Expense	7,000
Accounts Payable	6,000	Advertising Expense	1,000
Salaries Payable	3,000	Supplies Expense	9,000
Utilities Payable	1,000	Entertainment Expense	5,000
Unearned Revenue	8,000	Utilities Expense	1,000
Common Stock	24,000		

Prepare a trial balance (LO6)

**Required:**

Prepare a trial balance by placing amounts in the appropriate debit or credit column and determining the balance of the Service Revenue account.

**P2-8B** Below are the transactions for Salukis Car Cleaning for June, the first month of operations.

- June 1 Obtain a loan of \$60,000 from the bank by signing a note.
- June 2 Issue common stock in exchange for cash of \$30,000.
- June 7 Purchase car wash equipment for \$65,000 cash.
- June 10 Purchase cleaning supplies of \$7,000 on account.
- June 12 Wash 400 cars for \$10 each. All customers pay cash.
- June 16 Pay employees \$800 for work performed.
- June 19 Pay for advertising in a local newspaper, costing \$400.
- June 23 Wash 500 cars for \$10 each on account.
- June 29 Pay employees \$850 for work performed.
- June 30 A utility bill of \$1,300 for the current month is paid.
- June 30 Pay dividends of \$500 to stockholders.

Complete the steps in the measurement of external transactions (LO4, 5, 6)

**Required:**

1. Record each transaction.
2. Post each transaction to the appropriate T-accounts.
3. Calculate the balance of each account.
4. Prepare a trial balance for June.

Salukis uses the following accounts: Cash, Accounts Receivable, Supplies, Equipment, Accounts Payable, Notes Payable, Common Stock, Dividends, Service Revenue, Salaries Expense, Advertising Expense, and Utilities Expense.

Complete the steps in the measurement of external transactions (LO4, 5, 6)



**P2-9B** Buckeye Incorporated had the following trial balance at the beginning of November.

<b>BUCKEYE INCORPORATED</b>		
<b>Trial Balance</b>		
<u>Accounts</u>	<u>Debits</u>	<u>Credits</u>
Cash	\$2,200	
Accounts Receivable	500	
Supplies	600	
Equipment	8,400	
Accounts Payable		\$1,500
Notes Payable		3,000
Common Stock		6,000
Retained Earnings		1,200

The following transactions occur in November.

- November 1 Issue common stock in exchange for \$12,000 cash.  
 November 2 Purchase equipment with a long-term note for \$2,500 from Spartan Corporation.  
 November 4 Purchase supplies for \$1,200 on account.  
 November 10 Provide services to customers on account for \$8,000.  
 November 15 Pay creditors on account, \$1,000.  
 November 20 Pay employees \$2,000 for the first half of the month.  
 November 22 Provide services to customers for \$10,000 cash.  
 November 24 Pay \$1,000 on the note from Spartan Corporation.  
 November 26 Collect \$6,000 on account from customers.  
 November 28 Pay \$1,000 to the local utility company for November gas and electricity.  
 November 30 Pay \$4,000 rent for November.

**Required:**

1. Record each transaction.
2. Post each transaction to the appropriate T-accounts.
3. Calculate the balance of each account at November 30. (*Hint:* Be sure to include the balance at the beginning of November in each T-account.)
4. Prepare a trial balance as of November 30.