

P2-30A Journalizing transactions, posting journal entries to T-accounts, and preparing a trial balance

Doris Stewart started her practice as a design consultant on September 1, 2015. During the first month of operations, the business completed the following transactions:

4. Total Debits \$50,050

- Sep. 1 Received \$42,000 cash and gave capital to Stewart.
- 4 Purchased office supplies, \$700, and furniture, \$1,900 on account.
- 6 Performed services for a law firm and received \$1,400 cash.
- 7 Paid \$24,000 cash to acquire land to be used in operations.
- 10 Performed services for a hotel and received its promise to pay the \$1,000 within one week.
- 14 Paid for the furniture purchased on September 4 on account.
- 15 Paid assistant's semimonthly salary, \$1,490.
- 17 Received cash on account, \$400.
- 20 Prepared a design for a school on account, \$700.
- 25 Received \$1,800 cash for design services to be performed in October.
- 28 Received \$2,100 cash for consulting with Plummer & Gordon.
- 29 Paid \$1,200 cash for a 12-month insurance policy starting on October 1.
- 30 Paid assistant's semimonthly salary, \$1,490.
- 30 Paid monthly rent expense, \$650.
- 30 Received a bill for utilities, \$350. The bill will be paid next month.
- 30 Stewart withdrew cash of \$3,000.

Requirements

1. Record each transaction in the journal using the following account titles: Cash; Accounts Receivable; Office Supplies; Prepaid Insurance; Furniture; Land; Accounts Payable; Utilities Payable; Unearned Revenue; Stewart, Capital; Stewart, Withdrawals; Service Revenue; Salaries Expense; Rent Expense; Utilities Expense. Explanations are not required.
2. Open a T-account for each of the accounts.
3. Post the journal entries to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal.*
4. Prepare the trial balance of Doris Stewart, Designer, as of September 30, 2015.

P2-30A
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Sep. 1	Cash ↑		42 000	
	Stewart capital			42 000
4	supplies	210	700	
	furniture 210		1 900	
	A/P			2 600
6	cash	✓	1 400	
	services rev			1 400
7	Land		24 000	
	cash			24 000
10	A/r services rev.		1 000	
	services A/r rev.			1 000
14	A/r		1 900	
	A/r			1 900
15	salary		1 490	
	cash			1 490
17	cash		400	
	A/r			400
20	cash		700	
	A/r			700
25	cash		1 800	
	Unearned rev			1 800
28	cash		2 400	
	service rev.			2 400
29	Prepaid insurance		1 200	
	cash			1 200
30	salary		1 490	
	cash			1 490
30	rent exp		650	
	cash			650

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30	Utilities exp.	350	
	Utilities payable		350
30	Withdrawal	3000	
	Cash		3000

Requirements 2 and 3

~~40,000~~ 31,530

Cash	
① 42000	⑦ 24000
⑥ 1400	⑬ 1490
①⑦ 400	③① 650
②① 700	③① 3000
④⑤ 1800	③① 1490
②③ 2000	②⑨ 2000
④⑦ 1900	①④ 1900
Bal.	

Accounts Payable	
⑭ 2650	④ 2650
	Bal.

Utilities Payable	
	③① 350
	Bal.

Accounts Receivable	
⑩ 1000	⑩ 1000
⑩ 1900	①⑦ 400
Bal.	⑩ 700

Unearned Revenue	
	①① 1800
	Bal.

Office Supplies	
④ 700	
④ Bal. 700	

Stewart, Capital	
	42000 ①
	42000 Bal. ④

Prepaid Insurance	
②⑨ 1200	
Bal.	

Stewart, Withdrawals	
③① 3000	
Bal.	

Furniture	
1900	①④ 1900
④ Bal. 1900	

Service Revenue	
④ 1400	1400 ⑥
	1000 ⑩
	2000 ②①
	Bal.

Land	
⑦ 24000	
Bal.	

Salaries Expense	
(15) 1490	
(30) 1490	
Bal.	

Rent Expense	
(30) 650	
Bal.	

Utilities Expense	
(30) 350	
Bal.	

Requirement 4

DORIS STEWART, DESIGNER Trial Balance September 30, 2015		
Account Title	Balance	
	Debit	Credit
Cash	3870	
Accounts Receivable	1000	
Office Supplies	700	
Prepaid Insurance	1200	
Furniture		11000
Land	24000	
Accounts Payable		2600
Utilities Payable		350
Unearned Revenue		1800
Stewart, Capital		42000
Stewart, Withdrawals	3000	
Service Revenue		4500
Salaries Expense		2980
Rent Expense		650
Utilities Expense		850
Total	44570 44570	55230 55230

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Learning Objective 3

1. b. DR Insurance Expense, \$1,500

P3-33A Journalizing adjusting entries and subsequent journal entries

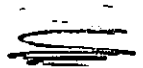
Laughter Landscaping has collected the following data for the December 31 adjusting entries:

- a. Each Friday, Laughter pays employees for the current week's work. The amount of the weekly payroll is \$7,000 for a five-day workweek. This year December 31 falls on a Wednesday. Laughter will pay its employees on January 2.
- b. On January 1 of the current year, Laughter purchases an insurance policy that covers two years, \$9,000.
- c. The beginning balance of Office Supplies was \$4,000. During the year, Laughter purchased office supplies for \$5,200, and at December 31 the office supplies on hand total \$2,400.
- d. During December, Laughter designed a landscape plan and the client prepaid \$7,000. Laughter recorded this amount as Unearned Revenue. The job will take several months to complete, and Laughter estimates that the company has earned 40% of the total revenue during the current year.
- e. At December 31, Laughter had earned \$3,500 for landscape services completed for Turnkey Appliances. Turnkey has stated that they will pay Laughter on January 10.
- f. Depreciation for the current year includes Equipment, \$3,700; and Trucks, \$1,300.
- g. Laughter has incurred \$300 of interest expense on a \$450 interest payment due on January 15.

Requirements

1. Journalize the adjusting entry needed on December 31, for each of the previous items affecting Laughter Landscaping. Assume Laughter records adjusting entries only at the end of the year.

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Requirement 1 only

Date	Accounts and Explanation	Debit	Credit
a. Dec. 31	salaries exp. ↓ E	5600	
	salaries payable ↑ L		5600
b. Dec. 31	Insurance exp. ↓ E	9000	
	Prepaid Insurance ↓ A		9000
c. Dec. 31	supplies exp. ↓ E	6800	
	supplies ↓ A		6800
d. Dec. 31	Unearned revenue ↓ L	2800	
	service revenue ↑ E		2800
e. Dec. 31	A/R	3500	
	service revenue ↑ E		3500
f. Dec. 31	Depreciation exp. ↑ A	5000	
	Accumulated Dep. ↓		5000
g. Dec. 31	Interest exp. ↓ E	300	
	Interest payable ↑ L		300

E4-23 Preparing closing entries from an adjusted trial balance; preparing a post-closing trial balance; and calculating the current ratio.

Learning Objectives 3, 4, 5

Mel's Bowling Alley's adjusted trial balance as of December 31, 2014 is presented below:

MEL'S BOWLING ALLEY Adjusted Trial Balance December 31, 2014		
Account Title	Balance	
	Debit	Credit
Cash	\$ 15,400	
Accounts Receivable	2,310	
Office Supplies	450	
Prepaid Insurance	7,300	
Equipment	50,000	
Accumulated Depreciation—Equipment		\$ 12,000
Building	75,000	
Accumulated Depreciation—Building		4,500
Land	15,000	
Accounts Payable		3,400
Utilities Payable		600
Salaries Payable		2,800
Unearned Revenue		1,300
Towner, Capital		130,325
Towner, Withdrawals	78,000	
Service Revenue		94,000
Insurance Expense	20,000	
Salaries Expense	36,000	
Supplies Expense	800	
Utilities Expense	12,000	
Depreciation Expense—Equipment	1,600	
Depreciation Expense—Building	225	
Total	\$ 248,285	\$ 248,285

Requirements

1. Prepare the closing entries for Mel's Bowling Alley.
2. Prepare a post-closing trial balance.

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P4-27A Preparing financial statements including a classified balance sheet in report form, preparing and posting closing entries, and preparing a post-closing trial balance

Net Loss \$18,700

The adjusted trial balance of Elias Real Estate Appraisal at June 30, 2014, follows:

ELIAS REAL ESTATE APPRAISAL		
Adjusted Trial Balance		
June 30, 2014		
Account Title	Balance	
	Debit	Credit
Cash	\$ 4,900	
Accounts Receivable	5,300	
Office Supplies	2,400	
Prepaid Insurance	1,800	
Building	74,400	
Accumulated Depreciation—Building		\$ 26,700
Land	13,600	
Accounts Payable		19,500
Interest Payable		8,800
Salaries Payable		2,200
Unearned Revenue		1,500
Notes Payable (long-term)		40,000
Elias, Capital		40,500
Elias, Withdrawals	27,900	
Service Revenue		48,200
Insurance Expense	6,500	
Utilities Expense	32,300	
Supplies Expense	600	
Interest Expense	8,800	
Utilities Expense	2,300	
Depreciation Expense—Building	7,500	
Total	\$ 187,200	\$ 187,200

Requirements

1. Prepare the company's income statement for the year ended June 30, 2014.
2. Prepare the company's statement of owner's equity for the year ended June 30, 2014. Assume that there were no contributions made by the owner during the year.
3. Prepare the company's classified balance sheet in report form at June 30, 2014.
4. Journalize the closing entries.
5. Open the T-accounts using the balances from the adjusted trial balance and post the closing entries to the T-accounts.
6. Prepare the company's post-closing trial balance at June 30, 2014.

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> Summary Problem

The adjusted trial balance of Martinez Advertising Services, at December 31, 2016, follows.

MARTINEZ ADVERTISING SERVICES		
Adjusted Trial Balance		
December 31, 2016		
Account Title	Balance	
	Debit	Credit
Cash	\$ 6,000	
Accounts Receivable	6,300	
Office Supplies	200	
Furniture	8,000	
Accumulated Depreciation—Furniture		4,000
Building	42,000	
Accumulated Depreciation—Building		22,000
Land	30,000	
Accounts Payable		2,000
Salaries Payable		500
Unearned Revenue		5,000
Notes Payable (long-term)		7,000
Martinez, Capital		12,000
Martinez, Withdrawals	25,000	
Service Revenue		62,300
Salaries Expense	16,500	
Supplies Expense	500	
Depreciation Expense—Furniture	2,000	
Depreciation Expense—Building	1,000	
Advertising Expense	3,000	
Total	\$ 120,800	\$ 120,800

Assets

Liabilities

Equity

Requirements

1. Prepare the income statement for the year ended December 31, 2016.
2. Prepare the statement of owner's equity for the year ended December 31, 2016. Assume the owner had no additional contributions during the year.
3. Prepare the classified balance sheet at December 31, 2016. Use the report form.
- ✗ Calculate the current ratio at December 31, 2016.
5. Journalize and post the closing entries. Indicate the balance of the Martinez, Capital account after the closing entries are posted.
6. Prepare a post-closing trial balance at December 31, 2016.

Requirement 1

Income Statement

Revenues:		
Service Revenue		64 900
Expenses:		
Salary exp	16 500	
Supplies exp	800	
Depreciation	2 000	
Dep exp	1 000	
advertising exp	3 000	
Total Expenses		23 300
Net Income or Net Loss		41 600

Requirement 2

Statement of Owner's Equity

By capital	12 000
owner contribution	0
Net income	41 000
w. withdrawal	2 500
ending capital	28 500

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Requirement 3

Balance Sheet

Assets

Current Assets:			
Cash	6,000	6,000	
Office supplies		200	
Accounts receivable		6,300	
Total Current Assets			
Plant Assets: accu Dep Fern			
Furniture		8,000	6,000
Buildings		12,000	
Land		16,100	
Total Plant Assets	accu - Dep. Buildings		24,000
Total Assets		42,500	

Liabilities

Current Liabilities:			
Accounts payable		2,000	2,000
Salaries payable		500	500
Unearned revenue		5,000	5,000
Total Current Liabilities			
Long-term Liabilities:			
Notes payable		2,000	2,000
Total Liabilities			9,500
Owner's Equity			
Equity capital	33,000	33,000	33,000
Total Liabilities and Owner's Equity			42,500



Requirement 5

Date	Accounts and Explanation	Debit	Credit
	Service Revenue	64,500	
	Income Statement		64,500
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	Expense	23,300	
	Income Statement		23,300
<hr/>			
	Capital Withdrawal	25,000	
	Capital		25,000
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Requirement 6

Post-Closing Trial Balance		
Account	Debit	Credit
Cash		
A/R		
Supplies		
Furniture		
Accumulated Dep – Furniture		
Building		
Accumulated Dep – Building		
Land		
A/P		
Salaries Payable		
Unearned Revenue		
N/P Long term		
Capital		
Total		



Chapter 4 problems.

E4-23

Requirement 1

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Service Revenue	94,000	
	Income Summary		94,000
	<i>To close revenue.</i>		
31	Income Summary	70,525	
	Insurance Expense		20,000
	Salaries Expense		36,000
	Supplies Expense		800
	Utilities Expense		12,000
	Depreciation Expense—Equipment		1,500
	Depreciated Expense—Building		225
	<i>To close expenses.</i>		
31	Income Summary	23,475	
	Turner, Capital		23,475
	<i>To close Income Summary.</i>		
31	Turner, Capital	28,000	
	Turner, Withdrawals		28,000
	<i>To close withdrawals.</i>		

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E4-23, cont.
Requirement 2

MEL'S BOWLING ALLEY Post-Closing Trial Balance December 31, 2014		
Account Title	Balance	
	Debit	Credit
Cash	\$ 15,400	
Accounts Receivable	2,310	
Office Supplies	450	
Prepaid Insurance	2,300	
Equipment	40,000	
Accumulated Depreciation—Equipment		\$ 12,000
Building	75,000	
Accumulated Depreciation—Building		4,500
Land	15,000	
Accounts Payable		3,400
Utilities Payable		620
Salaries Payable		2,840
Unearned Revenue		1,300
Turner, Capital		125,800
Total	\$ 150,460	\$ 150,460

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