

CHAPTER 4

Completing the Accounting Cycle

ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>	<u>B Problems</u>
1. Prepare a worksheet.	1, 2, 3, 4, 5	1, 2, 3	1	1, 2, 3, 5, 6	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
2. Explain the process of closing the books.	6, 7, 11, 12	4, 5, 6	2	4, 7, 8, 11, 19	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
3. Describe the content and purpose of a post-closing trial balance.	8, 9	7		4, 7, 8	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
4. State the required steps in the accounting cycle.	10, 11, 12	8		10, 19	5A	5B
5. Explain the approaches to preparing correcting entries.	13	9		12, 13	6A	
6. Identify the sections of a classified balance sheet.	14, 15, 16, 17, 18, 19	10, 11	3, 4	3, 9, 14, 15, 16, 17	1A, 2A, 3A, 4A, 5A	1B, 2B, 3B, 4B, 5B
*7. Prepare reversing entries.	10, 20, 21	12		18, 19		

***Note:** All **asterisked** Questions, Exercises, and Problems relate to material contained in the appendix to the chapter.

ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1A	Prepare worksheet, financial statements, and adjusting and closing entries.	Simple	40–50
2A	Complete worksheet; prepare financial statements, closing entries, and post-closing trial balance.	Moderate	50–60
3A	Prepare financial statements, closing entries, and post-closing trial balance.	Moderate	40–50
4A	Complete worksheet; prepare classified balance sheet, entries, and post-closing trial balance.	Moderate	50–60
5A	Complete all steps in accounting cycle.	Complex	70–90
6A	Analyze errors and prepare correcting entries and trial balance.	Moderate	40–50
1B	Prepare worksheet, financial statements, and adjusting and closing entries.	Simple	40–50
2B	Complete worksheet; prepare financial statements, closing entries, and post-closing trial balance.	Moderate	50–60
3B	Prepare financial statements, closing entries, and post-closing trial balance.	Moderate	40–50
4B	Complete worksheet; prepare classified balance sheet, entries, and post-closing trial balance.	Moderate	50–60
5B	Complete all steps in accounting cycle.	Complex	70–90
Comprehensive Problem: Chapters 2 to 4			

WEYGANDT ACCOUNTING PRINCIPLES 11E
CHAPTER 4
COMPLETING THE ACCOUNTING CYCLE

Number	LO	BT	Difficulty	Time (min.)
BE1	1	K	Simple	2–4
BE2	1	AN	Moderate	6–8
BE3	1	C	Simple	3–5
BE4	2	AP	Simple	3–5
BE5	2	AP	Simple	4–6
BE6	2	AP	Simple	6–8
BE7	3	C	Simple	2–4
BE8	4	K	Simple	3–5
BE9	5	AN	Moderate	4–6
BE10	6	AP	Simple	4–6
BE11	6	C	Simple	3–5
BE12	7	AN	Moderate	4–6
DI1	1	C	Simple	4–6
DI2	2	AP	Simple	2–4
DI3	6	AP	Simple	6–8
DI4	6	C	Simple	4–6
EX1	1	AP	Simple	12–15
EX2	1	AP	Simple	10–12
EX3	1, 6	AP	Simple	12–15
EX4	2, 3	AP	Simple	12–15
EX5	1	AN	Simple	10–12
EX6	1	AN	Moderate	12–15
EX7	2, 3	AP	Simple	8–10
EX8	2, 3	AP	Simple	10–12
EX9	6	AP	Simple	12–15
EX10	4	C	Simple	3–5
EX11	2	AP	Simple	6–8
EX12	5	AN	Moderate	8–10
EX13	5	AN	Moderate	4–6
EX14	6	AP	Moderate	10–12
EX15	6	C	Simple	5–8
EX16	6	AP	Simple	8–10

COMPLETING THE ACCOUNTING CYCLE (Continued)

Number	LO	BT	Difficulty	Time (min.)
EX17	6	AP	Simple	12–15
EX18	7	AN	Moderate	5–7
EX19	2, 4, 7	AN	Moderate	10–12
P1A	1-3, 6	AN	Simple	40–50
P2A	1-3, 6	AP	Moderate	50–60
P3A	1-3, 6	AP	Moderate	40–50
P4A	1-3, 6	AN	Moderate	50–60
P5A	1-4, 6	AN	Complex	70–90
P6A	5	AN	Moderate	40–50
P1B	1-3, 6	AN	Simple	40–50
P2B	1-3, 6	AP	Moderate	50–60
P3B	1-3, 6	AP	Moderate	40–50
P4B	1-3, 6	AN	Moderate	50–60
P5B	1-4, 6	AN	Complex	70–90
BYP1	6	AN	Simple	10–12
BYP2	6	AN	Simple	8–10
BYP3	6	AN	Simple	8–10
BYP4	—	E	Simple	10–12
BYP5	6	AN	Moderate	15–20
BYP6	4	C	Simple	15–20
BYP7	—	E	Moderate	10–15
BYP8	6	AP	Moderate	12–16
BYP9	—	AP	Moderate	10–15

Correlation Chart between Bloom's Taxonomy, Learning Objectives and End-of-Chapter Exercises and Problems

	Knowledge	Comprehension	Application	Analysis			
	BE4-1	Q4-1 Q4-2 Q4-3 Q4-4 Q4-5	BE4-3 DI4-1	E4-1 E4-2 E4-3 P4-2A	P4-3A P4-2B P4-3B	BE4-2 E4-5 E4-6 P4-1A P4-4A	P4-5A P4-1B P4-4B P4-5B
ising	Q4-6 Q4-11 Q4-12	Q4-7	BE4-4 BE4-5 BE4-6 DI4-2 E4-4 E4-7	E4-8 E4-11 P4-2A P4-3A P4-2B P4-3B	E4-19 P4-1A P4-4A P4-5A P4-1B P4-4B	P4-5B	
trial		Q4-8 Q4-9 BE4-7	E4-4 E4-7 E4-8 P4-2A	P4-3A P4-2B P4-3B	P4-1A P4-4A P4-5A P4-1B	P4-4B P4-5B	
1	Q4-11 Q4-12 BE4-8	Q4-10 E4-10			E4-19 P4-5A P4-5B		
)		Q4-13			BE4-9		

ANSWERS TO QUESTIONS

1. No. A worksheet is not a permanent accounting record. The use of a worksheet is an optional step in the accounting cycle.
2. The worksheet is merely a device used to make it easier to prepare adjusting entries and the financial statements.
3. The amount shown in the adjusted trial balance column for an account equals the account balance in the ledger after adjusting entries have been journalized and posted.
4. The net income of \$12,000 will appear in the income statement debit column and the balance sheet credit column. A net loss will appear in the income statement credit column and the balance sheet debit column.
5. Formal financial statements are needed because the columnar data are not properly arranged and classified for statement purposes. For example, a drawing account is listed with assets.
6. (1) (Dr) Individual revenue accounts and (Cr) Income Summary.
(2) (Dr) Income Summary and (Cr) Individual expense accounts.
(3) (Dr) Income Summary and (Cr) Owner's Capital (for net income).
(4) (Dr) Owner's Capital and (Cr) Owner's Drawings.
7. Income Summary is a temporary account that is used in the closing process. The account is debited for expenses and credited for revenues. The difference, either net income or net loss, is then closed to the owner's capital account.
8. The post-closing trial balance contains only balance sheet accounts. Its purpose is to prove the equality of the permanent account balances that are carried forward into the next accounting period.
9. The accounts that will not appear in the post-closing trial balance are Depreciation Expense; Owner's Drawing; and Service Revenue.
10. A reversing entry is the exact opposite, both in amount and in account titles, of an adjusting entry and is made at the beginning of the new accounting period. Reversing entries are an optional step in the accounting cycle.
11. The steps that involve journalizing are: (1) journalize the transactions, (2) journalize the adjusting entries, and (3) journalize the closing entries.
12. The three trial balances are the: (1) trial balance, (2) adjusted trial balance, and (3) post-closing trial balance.
13. Correcting entries differ from adjusting entries because they: (1) are not a required part of the accounting cycle, (2) may be made at any time, and (3) may affect any combination of accounts.

Questions Chapter 4 (Continued)

14. The standard classifications in a balance sheet are:

<u>Assets</u>	<u>Liabilities and Owner's Equity</u>
Current Assets	Current Liabilities
Long-term Investments	Long-term Liabilities
Property, Plant, and Equipment	Owner's Equity
Intangible Assets	

15. The operating cycle of a company is the average time that it takes to purchase inventory, sell it on account, and then collect cash from customers.
16. Current assets are assets that a company expects to convert to cash or use up in one year. Some companies use a period longer than one year to classify assets and liabilities as current because they have an operating cycle longer than one year. Companies usually list current assets in the order in which they expect to convert them into cash.
17. Long-term investments are generally investments in stocks and bonds of other companies that are normally held for many years. Property, plant, and equipment are assets with relatively long useful lives that a company is currently using in operating the business.
18. (a) The owner's equity section for a corporation is called **stockholders' equity**.
 (b) The two accounts and the purpose of each are: (1) **Common stock** is used to record investments of assets in the business by the owners (stockholders). (2) **Retained earnings** is used to record net income retained in the business.
19. Apple's current liabilities at September 24, 2011 and September 25, 2010 were \$27,970 million and \$20,722 million respectively. Apple's current liabilities were significantly lower than its current assets in both years.
- *20. After reversing entries have been made, the balances will be Interest Payable, zero balance; Interest Expense, a credit balance.

*21. (a)

Jan. 10	Salaries and Wages Expense	8,000	
	Cash		8,000

Because of the January 1 reversing entry that credited Salaries and Wages Expense for \$3,500, Salaries and Wages Expense will have a debit balance of \$4,500 which equals the expense for the current period.

(b)

Jan. 10	Salaries and Wages Payable	3,500	
	Salaries and Wages Expense	4,500	
	Cash		8,000

Note that Salaries and Wages Expense will again have a debit balance of \$4,500.

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 4-1

The steps in using a worksheet are performed in the following sequence: (1) prepare a trial balance on the worksheet, (2) enter adjustment data, (3) enter adjusted balances, (4) extend adjusted balances to appropriate statement columns and (5) total the statement columns, compute net income (loss), and complete the worksheet. Filling in the blanks, the answers are 1, 3, 4, 5, 2.

The solution to BRIEF EXERCISE 4-2 is on page 4-9.

BRIEF EXERCISE 4-3

Account	Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.
Accumulated Depreciation				X
Depreciation Expense	X			
Owner's Capital				X
Owner's Drawings			X	
Service Revenue		X		
Supplies			X	
Accounts Payable				X

BRIEF EXERCISE 4-4

Dec. 31	Service Revenue	50,000	
	Income Summary		50,000
31	Income Summary	34,000	
	Salaries and Wages Expense		27,000
	Supplies Expense		7,000
31	Income Summary	16,000	
	Owner's Capital		16,000
31	Owner's Capital	2,000	
	Owner's Drawings		2,000

CLAYTON COMPANY
Worksheet

Trial Balance		Adjustments		Adjusted Trial Balance	
Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
	1,200		(a) 1,800	1,200	

BRIEF EXERCISE 4-5

Salaries and Wages Expense		Income Summary		Service Revenue	
Bal. 27,000	(2) 27,000	(2) 34,000	(1) 50,000	(1) 50,000	Bal. 50,000
		(3) 16,000			
		50,000	50,000		

Supplies Expense		Owner's Capital		Owner's Drawings	
Bal. 7,000	(2) 7,000	(4) 2,000	Bal. 30,000	Bal. 2,000	(4) 2,000
			(3) 16,000		
			Bal. 44,000		

BRIEF EXERCISE 4-6

July 31	Service Revenue	16,400	
	Income Summary		16,400
31	Income Summary	10,700	
	Salaries and Wages Expense		8,200
	Maintenance and Repairs Expense		2,500

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
7/31	Balance			16,400	16,400
7/31	Closing entry		16,400		<u>0</u>

Salaries and Wages Expense

Date	Explanation	Ref.	Debit	Credit	Balance
7/31	Balance		8,200		8,200
7/31	Closing entry			8,200	<u>0</u>

BRIEF EXERCISE 4-6 (Continued)

Maintenance and Repairs Expense					
Date	Explanation	Ref.	Debit	Credit	Balance
7/31	Balance		2,500		2,500
7/31	Closing entry			2,500	<u>0</u>

BRIEF EXERCISE 4-7

The accounts that will appear in the post-closing trial balance are:

Accumulated Depreciation
Owner's Capital
Supplies
Accounts Payable

BRIEF EXERCISE 4-8

The proper sequencing of the required steps in the accounting cycle is as follows:

1. Analyze business transactions.
2. Journalize the transactions.
3. Post to ledger accounts.
4. Prepare a trial balance.
5. Journalize and post adjusting entries.
6. Prepare an adjusted trial balance.
7. Prepare financial statements.
8. Journalize and post closing entries.
9. Prepare a post-closing trial balance.

Filling in the blanks, the answers are 4, 2, 8, 7, 5, 3, 9, 6, 1.

BRIEF EXERCISE 4-9

1.	Service Revenue	870	
	Accounts Receivable.....		870
2.	Accounts Payable (\$1,750 – \$1,570)	180	
	Supplies		180

BRIEF EXERCISE 4-10

HAMIDI COMPANY Partial Balance Sheet

Current assets

Cash	\$ 4,100
Debt investments	6,700
Accounts receivable	12,500
Supplies	5,200
Prepaid insurance	3,600
Total current assets.....	<u>\$32,100</u>

BRIEF EXERCISE 4-11

<u>CL</u> Accounts payable	<u>CL</u> Income taxes payable
<u>CA</u> Accounts receivable	<u>LTI</u> Debt investments (long-term)
<u>PPE</u> Accum. depreciation—buildings	<u>PPE</u> Land
<u>PPE</u> Buildings	<u>CA</u> Inventory
<u>CA</u> Cash	<u>IA</u> Patents
<u>IA</u> Copyrights	<u>CA</u> Supplies

*BRIEF EXERCISE 4-12

Nov. 1	Salaries and Wages Payable	2,100	
	Salaries and Wages Expense		2,100

The balances after posting the reversing entry are Salaries and Wages Expense (Cr.) \$2,100 and Salaries and Wages Payable \$0.

SOLUTIONS FOR DO IT! REVIEW EXERCISES

DO IT! 4-1

Income statement debit column—Utilities Expense
Income statement credit column—Service Revenue
Balance sheet debit column—Accounts Receivable
Balance sheet credit column—Notes Payable; Accumulated Depreciation;
Owner's Capital

DO IT! 4-2

Dec. 31	Income Summary.....	41,000	
	Owner's Capital		41,000
Dec. 31	Owner's Capital	22,000	
	Owner's Drawings		22,000

DO IT! 4-3

RYAN COMPANY Partial Balance Sheet

Current assets		
Cash.....	\$4,300	
Debt investments.....	1,200	
Accounts receivable.....	4,300	
Inventory	<u>2,900</u>	
Total current assets.....		\$12,700
Long-term investments		
Stock investments		6,500
Property, plant and equipment		
Equipment.....	21,700	
Less: Accumulated depreciation.....	<u>5,700</u>	<u>16,000</u>
Total assets		<u>\$35,200</u>

DO IT! 4-4

<u>NA</u>	Interest revenue	<u>OE</u>	Owner's capital
<u>CL</u>	Utilities payable	<u>PPE</u>	Accumulated depreciation—equipment
<u>CL</u>	Accounts payable	<u>PPE</u>	Equipment
<u>CA</u>	Supplies	<u>NA</u>	Salaries and wages expense
<u>LTL</u>	Bonds payable	<u>LTI</u>	Debt investments (long-term)
<u>IA</u>	Goodwill	<u>CL</u>	Unearned rent revenue

SOLUTIONS TO EXERCISES

EXERCISE 4-1

NANDURI COMPANY Worksheet For the Month Ended June 30, 2014

<u>Account Titles</u>	<u>Trial Balance</u>		<u>Adjustments</u>		<u>Adj. Trial Balance</u>		<u>Income Statement</u>		<u>Balance Sheet</u>	
	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>
Cash	2,320				2,320				2,320	
Accounts										
Receivable	2,440				2,440				2,440	
Supplies	1,880		(a) 1,380		500				500	
Accounts Payable		1,120				1,120				1,120
Unearned Service										
Revenue		240	(b) 140			100				100
Owner's Capital		3,600				3,600				3,600
Service Revenue		2,400	(b) 140			2,540		2,540		
Salaries and										
Wages Expense	560		(c) 210		770		770			
Miscellaneous										
Expense	<u>160</u>				160		160			
Totals	<u>7,360</u>	<u>7,360</u>								
Supplies Expense			(a) 1,380		1,380		1,380			
Salaries and										
Wages Payable				(c) <u>210</u>		<u>210</u>				<u>210</u>
Totals			<u>1,730</u>	<u>1,730</u>	<u>7,570</u>	<u>7,570</u>	2,310	2,540	5,260	5,030
Net Income							<u>230</u>			<u>230</u>
Totals							<u>2,540</u>	<u>2,540</u>	<u>5,260</u>	<u>5,260</u>

EXERCISE 4-2

DESOUSA COMPANY
(Partial) Worksheet
For the Month Ended April 30, 2014

Account Titles	Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	10,000				10,000	
Accounts Receivable	7,840				7,840	
Prepaid Rent	2,280				2,280	
Equipment	23,050				23,050	
Accum. Depreciation						
Equipment		4,921				4,921
Notes Payable		5,700				5,700
Accounts Payable		4,920				4,920
Owner's Capital		27,960				27,960
Owner's Drawings	3,650				3,650	
Service Revenue		15,590		15,590		
Salaries and Wages						
Expense	10,840		10,840			
Rent Expense	760		760			
Depreciation Expense	671		671			
Interest Expense	57		57			
Interest Payable		57				57
Totals	<u>59,148</u>	<u>59,148</u>	<u>12,328</u>	<u>15,590</u>	<u>46,820</u>	<u>43,558</u>
Net Income			<u>3,262</u>			<u>3,262</u>
Totals			<u>15,590</u>	<u>15,590</u>	<u>46,820</u>	<u>46,820</u>

EXERCISE 4-3

DESOUSA COMPANY
Income Statement
For the Month Ended April 30, 2014

Revenues		
Service revenue		\$15,590
Expenses		
Salaries and wages expense	\$10,840	
Rent expense	760	
Depreciation expense.....	671	
Interest expense	<u>57</u>	
Total expenses		<u>12,328</u>
Net income.....		<u>\$ 3,262</u>

DESOUSA COMPANY
Owner's Equity Statement
For the Month Ended April 30, 2014

Owner's Capital, April 1	\$27,960
Add: Net income.....	<u>3,262</u>
	31,222
Less: Drawings.....	<u>3,650</u>
Owner's Capital, April 30	<u>\$27,572</u>

DESOUSA COMPANY
Balance Sheet
April 30, 2014

Assets		
Current assets		
Cash.....	\$10,000	
Accounts receivable.....	7,840	
Prepaid rent.....	<u>2,280</u>	
Total current assets		\$20,120
Property, plant, and equipment		
Equipment.....	23,050	
Less: Accumulated depreciation—equipment	<u>4,921</u>	<u>18,129</u>
Total assets		<u>\$38,249</u>

EXERCISE 4-3 (Continued)

DESOUSA COMPANY
Balance Sheet (Continued)
April 30, 2014

Liabilities and Owner's Equity	
Current liabilities	
Notes payable	\$5,700
Accounts payable	4,920
Interest payable	<u>57</u>
Total current liabilities	\$10,677
Owner's equity	
Owner's capital.....	<u>27,572</u>
Total liabilities and owner's equity.....	<u>\$38,249</u>

EXERCISE 4-4

(a)	Apr. 30	Service Revenue	15,590	
		Income Summary		15,590
	30	Income Summary	12,328	
		Salaries and Wages Expense		10,840
		Rent Expense.....		760
		Depreciation Expense		671
		Interest Expense.....		57
	30	Income Summary	3,262	
		Owner's Capital		3,262
	30	Owner's Capital.....	3,650	
		Owner's Drawings		3,650

(b)

Income Summary				Owner's Capital			
(2)	12,328	(1)	15,590	(4)	3,650	Bal.	27,960
(3)	3,262					(3)	3,262
	15,590		15,590			Bal.	27,572

EXERCISE 4-4 (Continued)

(c)

DESOUSA COMPANY
Post-Closing Trial Balance
April 30, 2014

	Debit	Credit
Cash.....	\$10,000	
Accounts Receivable.....	7,840	
Prepaid Rent	2,280	
Equipment.....	23,050	
Accumulated Depreciation—Equipment.....		\$ 4,921
Notes Payable		5,700
Accounts Payable.....		4,920
Interest Payable		57
Owner’s Capital		<u>27,572</u>
	<u>\$43,170</u>	<u>\$43,170</u>

EXERCISE 4-5

(a) Accounts Receivable.....	1,100	
Service Revenue		1,100
Insurance Expense	300	
Prepaid Insurance		300
Depreciation Expense	900	
Accumulated Depreciation—Equipment ...		900
Salaries and Wages Expense	500	
Salaries and Wages Payable		500

EXERCISE 4-5 (Continued)

(b)	Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.
Accounts Receivable			X	
Prepaid Insurance			X	
Accum. Depreciation—Equip.				X
Salaries and Wages Payable				X
Service Revenue		X		
Salaries and Wages Expense	X			
Insurance Expense	X			
Depreciation Expense	X			

EXERCISE 4-6

- (a) Accounts Receivable—\$25,000 (\$34,000 – \$9,000).
 Supplies—\$2,500 (\$7,000 – \$4,500).
 Accumulated Depreciation—Equipment—\$22,000 (\$12,000 + \$10,000).
 Salaries and Wages Payable—\$0 No liability recorded until adjustments are made.
 Insurance Expense—\$6,000 (\$26,000 – \$20,000).
 Salaries and Wages Expense—\$43,400 (\$49,000 – \$5,600).

(b) Accounts Receivable	9,000	
Service Revenue		9,000
Insurance Expense	6,000	
Prepaid Insurance		6,000
Supplies Expense	4,500	
Supplies		4,500
Depreciation Expense	10,000	
Accumulated Depreciation—Equipment.....		10,000
Salaries and Wages Expense	5,600	
Salaries and Wages Payable.....		5,600

EXERCISE 4-7

(a) Service Revenue	4,300	
Income Summary		4,300
Income Summary	3,500	
Salaries and Wages Expense		1,344
Miscellaneous Expense		256
Supplies Expense		1,900
Income Summary	800	
Owner's Capital		800
Owner's Capital	628	
Owner's Drawings		628

(b) **KAY MAGILL COMPANY**
Post-Closing Trial Balance
June 30, 2014

<u>Account Titles</u>	<u>Debit</u>	<u>Credit</u>
Cash.....	\$3,712	
Accounts Receivable.....	3,904	
Supplies	480	
Accounts Payable.....		\$1,556
Salaries and Wages Payable.....		448
Unearned Service Revenue.....		160
Owner's Capital		5,932
	<u>\$8,096</u>	<u>\$8,096</u>

EXERCISE 4-8

(a)

General Journal				J15
Date	Account Titles	Ref.	Debit	Credit
July 31	Service Revenue.....	400	64,000	
	Rent Revenue.....	429	6,500	
	Income Summary.....	350		70,500
31	Income Summary.....	350	78,600	
	Salaries and Wages Expense ...	726		55,700
	Utilities Expense.....	732		14,900
	Depreciation Expense	711		8,000
31	Owner's Capital	301	8,100	
	Income Summary.....	350		8,100
31	Owner's Capital	301	16,000	
	Owner's Drawings	306		16,000

(b)

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Balance				45,200
31	Close net loss	J15	8,100		37,100
31	Close drawing	J15	16,000		21,100

Income Summary					No. 350
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Close revenue	J15		70,500	70,500
31	Close expenses	J15	78,600		(8,100)
31	Close net loss	J15		8,100	0

EXERCISE 4-8 (Continued)

(c)

PLEVIN COMPANY
Post-Closing Trial Balance
July 31, 2014

	Debit	Credit
Cash.....	\$9,840	
Accounts Receivable.....	8,780	
Equipment.....	15,900	
Accumulated Depreciation—Equipment.....		\$ 7,400
Accounts Payable.....		4,220
Unearned Rent Revenue		1,800
Owner’s Capital		<u>21,100</u>
	<u>\$34,520</u>	<u>\$34,520</u>

EXERCISE 4-9

(a)

PLEVIN COMPANY
Income Statement
For the Year Ended July 31, 2014

Revenues		
Service revenue.....	\$64,000	
Rent revenue	<u>6,500</u>	
Total revenues		\$70,500
Expenses		
Salaries and wages expense	55,700	
Utilities expense.....	14,900	
Depreciation expense	<u>8,000</u>	
Total expenses.....		<u>78,600</u>
Net loss		<u><u>(\$ 8,100)</u></u>

EXERCISE 4-9 (Continued)

**PLEVIN COMPANY
Owner's Equity Statement
For the Year Ended July 31, 2014**

Owner's Capital, August 1, 2013		\$45,200
Less: Net loss	\$ 8,100	
Drawings	<u>16,000</u>	<u>24,100</u>
Owner's Capital, July 31, 2014		<u>\$21,100</u>

**(b) PLEVIN COMPANY
Balance Sheet
July 31, 2014**

Assets		
Current assets		
Cash	\$9,840	
Accounts receivable	<u>8,780</u>	
Total current assets		\$18,620
Property, plant, and equipment		
Equipment	15,900	
Less: Accumulated depreciation	<u>7,400</u>	<u>8,500</u>
Total assets		<u>\$27,120</u>
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable	\$4,220	
Unearned rent revenue	<u>1,800</u>	
Total current liabilities		\$ 6,020
Owner's equity		
Owner's Capital		<u>21,100</u>
Total liabilities and owner's equity		<u>\$27,120</u>

EXERCISE 4-10

1. False “*Analyze business transactions*” is the first step in the accounting cycle.
2. False. Reversing entries are an *optional* step in the accounting cycle.
3. True.
4. True.
5. True.
6. False. Steps 1–3 may occur daily in the accounting cycle. Steps 4–7 are performed on a periodic basis. Steps 8 and 9 are usually prepared only at the end of a company’s annual accounting period.
7. False. The step of “*journalize the transactions*” occurs before the step of “*post to the ledger accounts.*”
8. False. Closing entries are prepared *after* financial statements are prepared.

EXERCISE 4-11

(a)	June 30	Service Revenue	18,100	
		Income Summary		18,100
	30	Income Summary	13,100	
		Salaries and Wages Expense		8,800
		Supplies Expense		1,300
		Rent Expense		3,000
	30	Income Summary	5,000	
		Owner’s Capital		5,000
	30	Owner’s Capital	2,500	
		Owner’s Drawings		2,500

(b)

Income Summary			
June 30	13,100	June 30	18,100
June 30	5,000		
	18,100		18,100

EXERCISE 4-12

(a)	1.	Cash	700	
		Equipment		700
		Salaries and Wages Expense	700	
		Cash		700
	2.	Service Revenue.....	100	
		Cash		100
		Cash	1,000	
		Accounts Receivable		1,000
	3.	Accounts Payable	670	
		Equipment		670
		Equipment	760	
		Accounts Payable		760
(b)	1.	Salaries and Wages Expense	700	
		Equipment		700
	2.	Service Revenue.....	100	
		Cash	900	
		Accounts Receivable		1,000
	3.	Equipment	90	
		Accounts Payable		90

EXERCISE 4-13

1.	Accounts Payable (\$840 – \$480).....	360	
	Cash.....		360
2.	Supplies	560	
	Equipment		56
	Accounts Payable		504
3.	Owner's Drawings	500	
	Salaries and Wages Expense		500

EXERCISE 4-14

(a) **MARTELL BOWLING ALLEY**
Balance Sheet
December 31, 2014

Assets			
Current assets			
	Cash		\$18,040
	Accounts receivable		14,520
	Prepaid insurance		<u>4,680</u>
	Total current assets		\$ 37,240
Property, plant, and equipment			
	Land		67,000
	Buildings.....	\$128,800	
	Less: Acc. depr.—buildings	<u>42,600</u>	86,200
	Equipment	62,400	
	Less: Acc. depr.—equipment....	<u>18,720</u>	<u>43,680</u>
	Total assets.....		<u>196,880</u> <u>\$234,120</u>

EXERCISE 4-14 (Continued)

**MARTELL BOWLING ALLEY
Balance Sheet (Continued)
December 31, 2014**

Liabilities and Owner's Equity	
Current liabilities	
Notes payable(due 2015).....	\$22,000
Accounts payable	12,300
Interest payable	<u>2,600</u>
Total current liabilities	\$ 36,900
Long-term liabilities	
Notes payable	<u>75,780</u>
Total liabilities	112,680
Owner's equity	
Owner's capital (\$115,000 + \$6,440*).....	<u>121,440</u>
Total liabilities and owner's equity	<u>\$234,120</u>

*Net income = \$17,180 – \$780 – \$7,360 – \$2,600 = \$6,440

(b) Current assets exceed current liabilities by only \$340 (\$37,240 – \$36,900). However, approximately 50% of current assets are in the form of cash. The company's liquidity appears to be reasonably good, but some caution is needed.

EXERCISE 4-15

<u>CL</u> Accounts payable	<u>PPE</u> Accumulated depreciation– equipment
<u>CA</u> Accounts receivable	<u>PPE</u> Buildings
<u>CA</u> Cash	<u>PPE</u> Land
<u>OE</u> Owner's capital	<u>LTL</u> Notes payable (due in 2 years)
<u>IA</u> Patents	<u>CA</u> Supplies
<u>CL</u> Salaries and wages payable	<u>PPE</u> Equipment
<u>CA</u> Inventory	<u>CA</u> Prepaid expenses
<u>CA</u> Stock investments	

EXERCISE 4-16

**D. GYGI COMPANY
Balance Sheet
December 31, 2014
(in thousands)**

Assets		
Current assets		
Cash	\$ 2,668	
Short-term investments	3,690	
Accounts receivable	1,696	
Inventory	1,256	
Prepaid insurance	<u>880</u>	
Total current assets		\$10,190
Long-term investments		264
Property, plant, and equipment		
Equipment	11,500	
Less: Accumulated depreciation— equipment	<u>(5,655)</u>	<u>5,845</u>
Total assets		<u>\$16,299</u>
Liabilities and Owner's Equity		
Current liabilities		
Notes payable (due in 2015)	\$ 500	
Accounts payable	<u>1,444</u>	
Total current liabilities		\$ 1,944
Long-term liabilities		
Long-term debt	1,000	
Notes payable	<u>400</u>	
Total long-term liabilities		<u>1,400</u>
Total liabilities		3,344
Owner's equity		
Owner's capital		<u>12,955</u>
Total liabilities and owner's equity ...		<u>\$16,299</u>

EXERCISE 4-17

(a)

NORSTED COMPANY
Income Statement
For the Year Ended July 31, 2014

Revenues		
Service revenue	\$62,000	
Rent revenue	<u>8,500</u>	
Total revenues		\$70,500
Expenses		
Salaries and wages expense	51,700	
Utilities expense	22,600	
Depreciation expense	<u>4,000</u>	
Total expense		<u>78,300</u>
Net loss		<u>\$ (7,800)</u>

NORSTED COMPANY
Owner's Equity Statement
For the Year Ended July 31, 2014

Owner's Capital, August 1, 2013		\$51,200
Less: Net loss	\$7,800	
Drawings	<u>3,000</u>	<u>10,800</u>
Owner's Capital, July 31, 2014		<u>\$40,400</u>

EXERCISE 4-17 (Continued)

(b)

NORSTED COMPANY
Balance Sheet
July 31, 2014

Assets			
Current assets			
Cash	\$14,200		
Accounts receivable	<u>9,780</u>		
Total current assets		\$23,980	
Property, plant, and equipment			
Equipment	30,400		
Less: Accumulated depreciation— equipment	<u>6,000</u>	<u>24,400</u>	
Total assets			<u>\$48,380</u>
Liabilities and Owner's Equity			
Current liabilities			
Accounts payable	\$4,100		
Salaries and wages payable	<u>2,080</u>		
Total current liabilities		\$ 6,180	
Long-term liabilities			
Notes payable		<u>1,800</u>	
Total liabilities		7,980	
Owner's equity			
Owner's capital		<u>40,400</u>	
Total liabilities and owner's equity			<u>\$48,380</u>

***EXERCISE 4-18**

(a)	Dec. 31	Salaries and Wages Expense		
		(\$12,000 X 2/5)	4,800	
		Salaries and Wages Payable		4,800
	Jan. 6	Salaries and Wages Payable	4,800	
		Salaries and Wages Expense		
		(\$12,000 X 3/5)	7,200	
		Cash		12,000
(b)	Dec. 31	Salaries and Wages Expense.....	4,800	
		Salaries and Wages Payable		4,800
	Jan. 1	Salaries and Wages Payable	4,800	
		Salaries and Wages Expense		4,800
	Jan. 6	Salaries and Wages Expense.....	12,000	
		Cash		12,000

***EXERCISE 4-19**

(a)	Dec. 31	Service Revenue	92,500	
		Income Summary		92,500
	31	Income Summary.....	8,300	
		Interest Expense		8,300
(b)	Jan. 1	Service Revenue	5,000	
		Accounts Receivable		5,000
	1	Interest Payable	2,000	
		Interest Expense		2,000

***EXERCISE 4-19 (Continued)**

(c) & (e)

Accounts Receivable			
Dec. 31	Balance	*19,500	
	31 Adjusting	<u>5,000</u>	
		<u>24,500</u>	
		Jan. 1	Reversing 5,000

*($\$24,500 - \$5,000$)

Service Revenue			
Dec. 31	Closing	92,500	
	31 Adjusting	<u>5,000</u>	
		<u>92,500</u>	
Dec. 31	Balance	87,500*	
	31 Adjusting	<u>5,000</u>	
		<u>92,500</u>	
Jan. 1	Reversing	5,000	Jan. 10 5,000

*($\$92,500 - \$5,000$)

Interest Payable			
		Dec. 31	Adjusting 2,000
Jan. 1	Reversing	2,000	

Interest Expense			
Dec. 31	Balance	*6,300	
	31 Adjusting	<u>2,000</u>	
		<u>8,300</u>	
Dec. 31	Closing	8,300	
		<u>8,300</u>	
Jan. 15		3,000	Jan. 1 Reversing 2,000

*($\$8,300 - \$2,000$)

(d)			(1)		
	Jan. 10	Cash		5,000	
		Service Revenue			5,000
			(2)		
	15	Interest Expense		3,000	
		Cash.....			3,000

(a)

LAMPERT ROOFING
Worksheet
For the Month Ended March 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	4,500				4,500				4,500	
Accounts Receivable	3,200				3,200				3,200	
Supplies	2,000			(a) 1,450	550				550	
Equipment	11,000				11,000				11,000	
Accumulated Depreciation—Equipment		1,250		(b) 250		1,500				1,500
Accounts Payable		2,500				2,500				2,500
Unearned Service Revenue		550	(c) 340			210				210
Owner's Capital		12,900				12,900				12,900
Owner's Drawings	1,100				1,100				1,100	
Service Revenue		6,300		(c) 340		6,640		6,640		
Salaries and Wages Expense	1,300		(d) 700		2,000		2,000			
Miscellaneous Expense	<u>400</u>				<u>400</u>		<u>400</u>			
Totals	<u>23,500</u>	<u>23,500</u>								
Supplies Expense			(a) 1,450		1,450		1,450			
Depreciation Expense			(b) 250		250		250			
Salaries and Wages Payable				(d) <u>700</u>		<u>700</u>				<u>700</u>
Totals			<u>2,740</u>	<u>2,740</u>	<u>24,450</u>	<u>24,450</u>	4,100	6,640	20,350	17,810
Net Income							<u>2,540</u>			<u>2,540</u>
Totals							<u>6,640</u>	<u>6,640</u>	<u>20,350</u>	<u>20,350</u>

Key: (a) Supplies Used; (b) Depreciation Expensed; (c) Service Revenue Recognized; (d) Salaries Accrued.

PROBLEM 4-1A

PROBLEM 4-1A (Continued)

(b)

LAMPERT ROOFING
Income Statement
For the Month Ended March 31, 2014

<hr/>		
Revenues		
Service revenue.....		\$6,640
Expenses		
Salaries and wages expense	\$2,000	
Supplies expense.....	1,450	
Miscellaneous expense	400	
Depreciation expense	<u>250</u>	
Total expenses.....		<u>4,100</u>
Net income		<u><u>\$2,540</u></u>

LAMPERT ROOFING
Owner's Equity Statement
For the Month Ended March 31, 2014

<hr/>	
Owner's Capital, March 1	\$ 2,900
Investments.....	10,000
Add: Net income	<u>2,540</u>
	15,440
Less: Drawings	<u>1,100</u>
Owner's Capital, March 31	<u><u>\$14,340</u></u>

LAMPERT ROOFING
Balance Sheet
March 31, 2014

<hr/>		
Assets		
Current assets		
Cash.....	\$4,500	
Accounts receivable	3,200	
Supplies.....	<u>550</u>	
Total current assets		\$ 8,250
Property, plant, and equipment		
Equipment	11,000	
Less: Accum. depreciation—equipment	<u>1,500</u>	<u>9,500</u>
Total assets.....		<u><u>\$17,750</u></u>

PROBLEM 4-1A (Continued)

LAMPERT ROOFING
Balance Sheet (Continued)
March 31, 2014

		Liabilities and Owner's Equity	
Current liabilities			
	Accounts payable.....	\$2,500	
	Salaries and wages payable	700	
	Unearned service revenue	<u>210</u>	
	Total current liabilities.....		\$ 3,410
Owner's equity			
	Owner's capital.....		<u>14,340</u>
	Total liabilities and owner's equity.....		<u>\$17,750</u>
(c)	Mar. 31	Supplies Expense	1,450
		Supplies	1,450
	31	Depreciation Expense	250
		Accumulated Depreciation— Equipment	250
	31	Unearned Service Revenue.....	340
		Service Revenue	340
	31	Salaries and Wages Expense	700
		Salaries and Wages Payable	700
(d)	Mar. 31	Service Revenue	6,640
		Income Summary	6,640
	31	Income Summary.....	4,100
		Salaries and Wages Expense	2,000
		Supplies Expense	1,450
		Depreciation Expense.....	250
		Miscellaneous Expense	400
	31	Income Summary.....	2,540
		Owner's Capital.....	2,540
	31	Owner's Capital	1,100
		Owner's Drawing.....	1,100

PROBLEM 4-2A

(a)

ALSHWER COMPANY
Partial Worksheet
For the Year Ended December 31, 2014

Account		Adjusted Trial Balance		Income Statement		Balance Sheet	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101	Cash	5,300				5,300	
112	Accounts Receivable	10,800				10,800	
126	Supplies	1,500				1,500	
130	Prepaid Insurance	2,000				2,000	
157	Equipment	27,000				27,000	
158	Acc. Depr.—Equip.		5,600				5,600
200	Notes Payable		15,000				15,000
201	Accounts Payable		6,100				6,100
212	Salaries and Wages Payable		2,400				2,400
230	Interest Payable		600				600
301	Owner's Capital		13,000				13,000
306	Owner's Drawings	7,000				7,000	
400	Service Revenue		61,000		61,000		
610	Advertising Expense	8,400		8,400			
631	Supplies Expense	4,000		4,000			
711	Depreciation Expense	5,600		5,600			
722	Insurance Expense	3,500		3,500			
726	Salaries and Wages Expense	28,000		28,000			
905	Interest Expense	600		600			
	Totals	<u>103,700</u>	<u>103,700</u>	<u>50,100</u>	<u>61,000</u>	<u>53,600</u>	<u>42,700</u>
	Net Income			<u>10,900</u>			<u>10,900</u>
	Totals			<u>61,000</u>	<u>61,000</u>	<u>53,600</u>	<u>53,600</u>

PROBLEM 4-2A (Continued)

(b)

ALSHWER COMPANY
Income Statement
For the Year Ended December 31, 2014

Revenues		
Service revenue		\$61,000
Expenses		
Salaries and wages expense	\$28,000	
Advertising expense	8,400	
Depreciation expense	5,600	
Supplies expense	4,000	
Insurance expense	3,500	
Interest expense	600	
Total expenses		<u>50,100</u>
Net income		<u>\$10,900</u>

ALSHWER COMPANY
Owner's Equity Statement
For the Year Ended December 31, 2014

Owner's Capital, January 1	\$13,000
Add: Net income	<u>10,900</u>
	23,900
Less: Drawings	<u>7,000</u>
Owner's Capital, December 31	<u>\$16,900</u>

PROBLEM 4-2A (Continued)

ALSHWER COMPANY
Balance Sheet
December 31, 2014

Assets	
Current assets	
Cash	\$ 5,300
Accounts receivable	10,800
Supplies	1,500
Prepaid insurance	<u>2,000</u>
Total current assets	\$19,600
Property, plant, and equipment	
Equipment	27,000
Less: Accumulated depreciation— equipment	<u>5,600</u>
Total assets.....	<u><u>\$41,000</u></u>
Liabilities and Owner's Equity	
Current liabilities	
Notes payable.....	\$5,000
Accounts payable	6,100
Salaries and wages payable.....	2,400
Interest payable.....	<u>600</u>
Total current liabilities	\$14,100
Long-term liabilities	
Notes payable.....	<u>10,000</u>
Total liabilities.....	24,100
Owner's equity	
Owner's capital.....	<u>16,900</u>
Total liabilities and owner's equity	<u><u>\$41,000</u></u>

PROBLEM 4-2A (Continued)

(c)

General Journal				J14
Date	Account Titles and Explanation	Ref.	Debit	Credit
Dec. 31	Service Revenue.....	400	61,000	
	Income Summary	350		61,000
31	Income Summary	350	50,100	
	Advertising Expense.....	610		8,400
	Supplies Expense	631		4,000
	Depreciation Expense.....	711		5,600
	Insurance Expense	722		3,500
	Salaries and Wages Expense	726		28,000
	Interest Expense	905		600
31	Income Summary	350	10,900	
	Owner's Capital.....	301		10,900
31	Owner's Capital	301	7,000	
	Owner's Drawings.....	306		7,000

(d)

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓		13,000	13,000
Dec. 31	Closing entry	J14		10,900	23,900
31	Closing entry	J14	7,000		16,900

Owner's Drawings					No. 306
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	7,000		7,000
31	Closing entry	J14		7,000	0

PROBLEM 4-2A (Continued)

Income Summary

No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Closing entry	J14		61,000	61,000
31	Closing entry	J14	50,100		10,900
31	Closing entry	J14	10,900		0

Service Revenue

No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓		61,000	61,000
31	Closing entry	J14	61,000		0

Advertising Expense

No. 610

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	8,400		8,400
31	Closing entry	J14		8,400	0

Supplies Expense

No. 631

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	4,000		4,000
31	Closing entry	J14		4,000	0

Depreciation Expense

No. 711

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	5,600		5,600
31	Closing entry	J14		5,600	0

Insurance Expense

No. 722

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	3,500		3,500
31	Closing entry	J14		3,500	0

PROBLEM 4-2A (Continued)

Salaries and Wages Expense

No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	28,000		28,000
31	Closing entry	J14		28,000	0

Interest Expense

No. 905

Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	600		600
31	Closing entry	J14		600	0

(e) **ALSHWER COMPANY**
Post-Closing Trial Balance
December 31, 2014

	Debit	Credit
Cash.....	\$ 5,300	
Accounts Receivable.....	10,800	
Supplies.....	1,500	
Prepaid Insurance.....	2,000	
Equipment.....	27,000	
Accumulated Depreciation— Equipment.....		\$ 5,600
Notes Payable.....		15,000
Accounts Payable.....		6,100
Salaries and Wages Payable.....		2,400
Interest Payable.....		600
Owner's Capital.....		16,900
Totals.....	<u>\$46,600</u>	<u>\$46,600</u>

PROBLEM 4-3A

(a)

FLEMING COMPANY
Income Statement
For the Year Ended December 31, 2014

<hr/>		
Revenues		
Service revenue.....		\$60,000
Expenses		
Salaries and wages expense	\$30,000	
Depreciation expense	3,100	
Insurance expense.....	1,800	
Maintenance and repairs expense	1,600	
Utilities expense.....	<u>1,400</u>	
Total expenses.....		<u>37,900</u>
Net income		<u><u>\$22,100</u></u>

FLEMING COMPANY
Owner's Equity Statement
For the Year Ended December 31, 2014

<hr/>	
Owner's Capital, January 1	\$19,500
Add: Net income	<u>22,100</u>
	41,600
Less: Drawings	<u>11,000</u>
Owner's Capital, December 31.....	<u><u>\$30,600</u></u>

FLEMING COMPANY
Balance Sheet
December 31, 2014

<hr/>		
Assets		
Current assets		
Cash.....	\$8,900	
Accounts receivable	10,800	
Prepaid insurance	<u>2,800</u>	
Total current assets		\$22,500
Property, plant, and equipment		
Equipment	24,000	
Less: Accumulated depreciation— equipment	<u>4,500</u>	<u>19,500</u>
Total assets.....		<u><u>\$42,000</u></u>

PROBLEM 4-3A (Continued)

**FLEMING COMPANY
Balance Sheet (Continued)
December 31, 2014**

Liabilities and Owner's Equity		
Current liabilities		
Accounts payable.....	\$9,000	
Salaries and wages payable	<u>2,400</u>	
Total current liabilities.....		\$11,400
Owner's equity		
Owner's capital.....		<u>30,600</u>
Total liabilities and owner's equity.....		<u>\$42,000</u>

(b)

General Journal

Date	Account Titles and Explanation	Ref.	Debit	Credit
Dec. 31	Service Revenue.....	400	60,000	
	Income Summary.....	350		60,000
31	Income Summary	350	37,900	
	Maintenance and Repairs Expense.....	622		1,600
	Depreciation Expense	711		3,100
	Insurance Expense.....	722		1,800
	Salaries and Wages Expense ...	726		30,000
	Utilities Expense.....	732		1,400
31	Income Summary	350	22,100	
	Owner's Capital	301		22,100
31	Owner's Capital	301	11,000	
	Owner's Drawings	306		11,000

PROBLEM 4-3A (Continued)

(c)

Owner's Capital		No. 301	
12/31	11,000	1/1 Bal.	19,500
		12/31	22,100
		12/31 Bal.	30,600

Maintenance and Repairs Expense			
		No. 622	
12/31 Bal.	1,600	12/31	1,600

Owner's Drawings		No. 306	
12/31 Bal.	11,000	12/31	11,000

Depreciation Expense			
		No. 711	
12/31 Bal.	3,100	12/31	3,100

Income Summary		No. 350	
12/31	37,900	12/31	60,000
12/31	22,100		
	60,000		60,000

Insurance Expense			
		No. 722	
12/31 Bal.	1,800	12/31	1,800

Service Revenue		No. 400	
12/31	60,000	12/31 Bal.	60,000

Salaries and Wages Expense			
		No. 726	
12/31 Bal.	30,000	12/31	30,000

Utilities Expense			
		No. 732	
12/31 Bal.	1,400	12/31	1,400

(d)

FLEMING COMPANY
Post-Closing Trial Balance
December 31, 2014

	Debit	Credit
Cash.....	\$8,900	
Accounts Receivable.....	10,800	
Prepaid Insurance.....	2,800	
Equipment.....	24,000	
Accumulated Depreciation—Equipment.....		\$ 4,500
Accounts Payable.....		9,000
Salaries and Wages Payable.....		2,400
Owner's Capital		30,600
Totals	<u>\$46,500</u>	<u>\$46,500</u>

(a)

JARMUZ MANAGEMENT SERVICES
Worksheet
For the Year Ended December 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	13,800				13,800				13,800	
Accounts Receivable	28,300				28,300				28,300	
Prepaid Insurance	3,600			(a) 1,200	2,400				2,400	
Land	67,000				67,000				67,000	
Buildings	127,000				127,000				127,000	
Equipment	59,000				59,000				59,000	
Accounts Payable		12,500				12,500				12,500
Unearned Rent Revenue		6,000	(c) 4,500			1,500				1,500
Mortgage Payable		120,000				120,000				120,000
Owner's Capital		144,000				144,000				144,000
Owner's Drawings	22,000				22,000				22,000	
Service Revenue		90,700				90,700	90,700			
Rent Revenue		29,000		(c) 4,500		33,500		33,500		
Salaries and Wages Expense	42,000				42,000		42,000			
Advertising Expense	20,500				20,500		20,500			
Utilities Expense	19,000				19,000		19,000			
Totals	<u>402,200</u>	<u>402,200</u>								
Insurance Expense			(a) 1,200		1,200		1,200			
Depr. Expense			(b) 6,600		6,600		6,600			
Accum. Depr.—Buildings				(b) 3,000		3,000				3,000
Accum. Depr.—Equipment				(b) 3,600		3,600				3,600
Interest Expense			(d) 10,000		10,000		10,000			
Interest Payable				(d) 10,000		10,000				10,000
Totals			<u>22,300</u>	<u>22,300</u>	<u>418,800</u>	<u>418,800</u>	<u>99,300</u>	<u>124,200</u>	<u>319,500</u>	<u>294,600</u>
Net Income							<u>24,900</u>			<u>24,900</u>
Totals							<u>124,200</u>	<u>124,200</u>	<u>319,500</u>	<u>319,500</u>

Key: (a) Expired Insurance; (b) Depreciation Expense—Building and Equipment; (c) Rent Revenue Recognized; (d) Accrued Interest Payable.

PROBLEM 4-4A

PROBLEM 4-4A (Continued)

(b) **JARMUZ MANAGEMENT SERVICES**
Balance Sheet
December 31, 2014

Assets			
Current assets			
Cash		\$13,800	
Accounts receivable		28,300	
Prepaid insurance		<u>2,400</u>	
Total current assets			\$ 44,500
Property, plant, and equipment			
Land		67,000	
Buildings.....	\$127,000		
Less: Accumulated depreciation—buildings	<u>3,000</u>	124,000	
Equipment	59,000		
Less: Accumulated depreciation—equipment	<u>3,600</u>	<u>55,400</u>	<u>246,400</u>
Total assets.....			<u>\$290,900</u>
Liabilities and Owner's Equity			
Current liabilities			
Mortgage payable (due in 2015).....		\$30,000	
Accounts payable		12,500	
Interest payable.....		10,000	
Unearned rent revenue		<u>1,500</u>	
Total current liabilities			\$ 54,000
Long-term liabilities			
Mortgage payable.....			<u>90,000</u>
Total liabilities.....			144,000
Owner's equity			
Owner's capital			
(\$144,000 + \$24,900 – \$22,000).....			<u>146,900</u>
Total liabilities and owner's equity			<u>\$290,900</u>

PROBLEM 4-4A (Continued)

(c)	Dec. 31	Insurance Expense.....	1,200	
		 Prepaid Insurance.....		1,200
	31	Depreciation Expense.....	6,600	
		 Accumulated Depreciation—		
		 Buildings.....		3,000
		 Accumulated Depreciation—		
		 Equipment.....		3,600
	31	Unearned Rent Revenue.....	4,500	
		 Rent Revenue.....		4,500
	31	Interest Expense.....	10,000	
		 Interest Payable.....		10,000
(d)	Dec. 31	Service Revenue.....	90,700	
		Rent Revenue.....	33,500	
		 Income Summary.....		124,200
	31	Income Summary.....	99,300	
		 Salaries and Wages Expense.....		42,000
		 Advertising Expense.....		20,500
		 Interest Expense.....		10,000
		 Utilities Expense.....		19,000
		 Depreciation Expense.....		6,600
		 Insurance Expense.....		1,200
	31	Income Summary.....	24,900	
		 Owner's Capital.....		24,900
	31	Owner's Capital.....	22,000	
		 Owner's Drawings.....		22,000

PROBLEM 4-4A (Continued)

(e)

JARMUZ MANAGEMENT SERVICES
Post-Closing Trial Balance
December 31, 2014

	Debit	Credit
Cash.....	\$ 13,800	
Accounts Receivable.....	28,300	
Prepaid Insurance.....	2,400	
Land.....	67,000	
Buildings.....	127,000	
Accumulated Depreciation—Buildings.....		\$ 3,000
Equipment.....	59,000	
Accumulated Depreciation—Equipment.....		3,600
Accounts Payable.....		12,500
Interest Payable.....		10,000
Unearned Rent Revenue.....		1,500
Mortgage Payable.....		120,000
Owner's Capital.....		146,900
	\$297,500	\$297,500

PROBLEM 4-5A

(a)

General Journal					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
July 1	Cash	101	20,000		
	Owner's Capital	301		20,000	
1	Equipment	157	9,000		
	Cash	101		4,000	
	Accounts Payable	201		5,000	
3	Supplies	126	2,100		
	Accounts Payable	201		2,100	
5	Prepaid Insurance	130	1,800		
	Cash	101		1,800	
12	Accounts Receivable	112	4,500		
	Service Revenue	400		4,500	
18	Accounts Payable	201	2,900		
	Cash	101		2,900	
20	Salaries and Wages Expense	726	2,500		
	Cash	101		2,500	
21	Cash	101	3,400		
	Accounts Receivable	112		3,400	
25	Accounts Receivable	112	6,000		
	Service Revenue	400		6,000	
31	Gasoline Expense	633	350		
	Cash	101		350	
31	Owner's Drawings	306	5,600		
	Cash	101		5,600	

(b) & (c)

JARA'S CLEANING SERVICE
Worksheet
For the Month Ended July 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	6,250				6,250				6,250	
Accounts Receivable	7,100		(a) 2,700		9,800				9,800	
Supplies	2,100			(d) 1,500	600				600	
Prepaid Insurance	1,800			(c) 150	1,650				1,650	
Equipment	9,000				9,000				9,000	
Accounts Payable		4,200				4,200				4,200
Owner's Capital		20,000				20,000				20,000
Owner's Drawings	5,600				5,600				5,600	
Service Revenue		10,500		(a) 2,700		13,200		13,200		
Gasoline Expense	350				350		350			
Salaries and Wages Expense	<u>2,500</u>		(e) 1,000		3,500		3,500			
Totals	<u>34,700</u>	<u>34,700</u>								
Depreciation Expense			(b) 500		500		500			
Accum. Depr.—Equipment				(b) 500		500				500
Insurance Expense			(c) 150		150		150			
Supplies Expense			(d) 1,500		1,500		1,500			
Salaries and Wages Payable				(e) <u>1,000</u>		<u>1,000</u>				<u>1,000</u>
Totals			<u>5,850</u>	<u>5,850</u>	<u>38,900</u>	<u>38,900</u>	<u>6,000</u>	<u>13,200</u>	<u>32,900</u>	<u>25,700</u>
Net Income							<u>7,200</u>			<u>7,200</u>
Totals							<u>13,200</u>	<u>13,200</u>	<u>32,900</u>	<u>32,900</u>

Key: (a) Service Revenue Accrued; (b) Depreciation Expense; (c) Insurance Expired; (d) Cleaning Supplies Used; (e) Unpaid Salaries.

PROBLEM 4-5A (Continued)

(a), (e) & (f)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	20,000		20,000
1		J1		4,000	16,000
5		J1		1,800	14,200
18		J1		2,900	11,300
20		J1		2,500	8,800
21		J1	3,400		12,200
31		J1		350	11,850
31		J1		5,600	6,250

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1	4,500		4,500
21		J1		3,400	1,100
25		J1	6,000		7,100
31	Adjusting	J2	2,700		9,800

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
July 3		J1	2,100		2,100
31	Adjusting	J2		1,500	600

Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
July 5		J1	1,800		1,800
31	Adjusting	J2		150	1,650

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	9,000		9,000

PROBLEM 4-5A (Continued)

Accumulated Depreciation—Equipment

No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		500	500

Accounts Payable

No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		5,000	5,000
3		J1		2,100	7,100
18		J1	2,900		4,200

Salaries and Wages Payable

No. 212

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		1,000	1,000

Owner's Capital

No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		20,000	20,000
31	Closing	J3		7,200	27,200
31	Closing	J3	5,600		21,600

Owner's Drawings

No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	5,600		5,600
31	Closing	J3		5,600	0

Income Summary

No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Closing	J3		13,200	13,200
31	Closing	J3	6,000		7,200
31	Closing	J3	7,200		0

PROBLEM 4-5A (Continued)

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1		4,500	4,500
25		J1		6,000	10,500
31	Adjusting	J2		2,700	13,200
31	Closing	J3	13,200		0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	1,500		1,500
31	Closing	J3		1,500	0

Gasoline Expense					No. 633
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	350		350
31	Closing	J3		350	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	500		500
31	Closing	J3		500	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	150		150
31	Closing	J3		150	0

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
July 20		J1	2,500		2,500
31	Adjusting	J2	1,000		3,500
31	Closing	J3		3,500	0

PROBLEM 4-5A (Continued)

**(d) JARA'S CLEANING SERVICE
Income Statement
For the Month Ended July 31, 2014**

Revenues		
Service revenue.....		\$13,200
Expenses		
Salaries and wages expense	\$3,500	
Supplies expense	1,500	
Depreciation expense	500	
Gasoline expense.....	350	
Insurance expense	150	
Total expenses.....		<u>6,000</u>
Net income		<u>\$ 7,200</u>

**JARA'S CLEANING SERVICE
Owner's Equity Statement
For the Month Ended July 31, 2014**

Owner's Capital, July 1.....		\$ 0
Add: Investments.....	\$20,000	
Net income	<u>7,200</u>	<u>27,200</u>
		27,200
Less: Drawings		<u>5,600</u>
Owner's Capital, July 31.....		<u>\$21,600</u>

**JARA'S CLEANING SERVICE
Balance Sheet
July 31, 2014**

Assets		
Current assets		
Cash	\$6,250	
Accounts receivable	9,800	
Supplies	600	
Prepaid insurance	<u>1,650</u>	
Total current assets.....		\$18,300

PROBLEM 4-5A (Continued)

JARA'S CLEANING SERVICE
Balance Sheet (Continued)
July 31, 2014

Assets (Continued)		
Property, plant, and equipment		
Equipment	\$9,000	
Less: Accumulated depreciation— equipment	500	8,500
Total assets.....		\$26,800
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable	\$4,200	
Salaries and wages payable	1,000	
Total current liabilities		\$ 5,200
Owner's equity		
Owner's capital.....		21,600
Total liabilities and owner's equity		\$26,800

(e)

General Journal				J2
Date	Account Titles and Explanation	Ref.	Debit	Credit
July 31	Accounts Receivable	112	2,700	
	Service Revenue	400		2,700
31	Depreciation Expense	711	500	
	Accumulated Depreciation— Equipment	158		500
31	Insurance Expense	722	150	
	Prepaid Insurance	130		150
31	Supplies Expense	631	1,500	
	Supplies	126		1,500
31	Salaries and Wages Expense.....	726	1,000	
	Salaries and Wages Payable	212		1,000

PROBLEM 4-5A (Continued)

(f) General Journal

J3

Date	Account Titles and Explanation	Ref.	Debit	Credit
July 31	Service Revenue.....	400	13,200	
	Income Summary.....	350		13,200
31	Income Summary.....	350	6,000	
	Salaries and Wages Expense ...	726		3,500
	Depreciation Expense	711		500
	Insurance Expense.....	722		150
	Supplies Expense.....	631		1,500
	Gasoline Expense.....	633		350
31	Income Summary.....	350	7,200	
	Owner's Capital	301		7,200
31	Owner's Capital	301	5,600	
	Owner's Drawings	306		5,600

**(g) JARA'S CLEANING SERVICE
Post-Closing Trial Balance
July 31, 2014**

	Debit	Credit
Cash.....	\$ 6,250	
Accounts Receivable.....	9,800	
Supplies.....	600	
Prepaid Insurance.....	1,650	
Equipment	9,000	
Accumulated Depreciation—Equipment.....		\$ 500
Accounts Payable		4,200
Salaries and Wages Payable		1,000
Owner's Capital.....		21,600
	<u>\$27,300</u>	<u>\$27,300</u>

(a)

	(1) INCORRECT ENTRY		(2) CORRECT ENTRY		(3) CORRECTING ENTRY	
1.	Cash	950	Cash	590	Accounts Receivable	360
	Accts. Receivable	950	Accts. Receivable	590	Cash	360
2.	Misc. Expense	75	Advertising Expense	75	Advertising Expense	75
	Cash	75	Cash	75	Misc. Expense	75
3.	Salaries and Wages Expense	1,900	Salaries and Wages Expense	1,200	Salaries and Wages Payable	700
	Cash	1,900	Salaries and Wages Payable	700	Salaries and Wages Expense	700
			Cash	1,900		
4.	Supplies	310	Equipment	310	Equipment	310
	Accounts Payable	310	Accounts Payable	310	Supplies	310
5.	Equipment	69	Maintenance and Repairs Expense	96	Maintenance and Repairs Expense	96
	Cash	69	Cash	96	Cash	27
					Equipment	69

PROBLEM 4-6A

PROBLEM 4-6A (Continued)

(b)

UNIVERSAL CABLE
Trial Balance
April 30, 2014

	Debit	Credit
Cash (\$4,100 – \$360 – \$27)	\$ 3,713	
Accounts Receivable (\$3,200 + \$360)	3,560	
Supplies (\$800 – \$310)	490	
Equipment (\$10,600 + \$310 – \$69)	10,841	
Accumulated Depreciation		\$ 1,350
Accounts Payable		2,100
Salaries and Wages Payable (\$700 – \$700)		0
Unearned Service Revenue		890
Owner’s Capital		12,900
Service Revenue		5,450
Salaries and Wages Expense (\$3,300 – \$700)	2,600	
Advertising Expense (\$600 + \$75)	675	
Miscellaneous Expense (\$290 – \$75)	215	
Depreciation Expense	500	
Maintenance and Repairs Expense	96	
	\$22,690	\$22,690

(a)

MICHAEL PEVNICK, P.I.
Worksheet
For the Quarter Ended March 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	11,400				11,400				11,400	
Accounts Receivable	5,620		(e) 1,030		6,650				6,650	
Supplies	1,050			(a) 570	480				480	
Prepaid Insurance	2,400			(d) 600	1,800				1,800	
Equipment	30,000				30,000				30,000	
Notes Payable		10,000				10,000				10,000
Accounts Payable		12,350				12,350				12,350
Owner's Capital		20,000				20,000				20,000
Owner's Drawings	600				600				600	
Service Revenue		13,620		(e) 1,030		14,650	14,650			
Salaries and Wages Expense	2,200				2,200		2,200			
Travel Expense	1,300				1,300		1,300			
Rent Expense	1,200				1,200		1,200			
Miscellaneous Expense	200				200		200			
Totals	55,970	55,970								
Supplies Expense			(a) 570		570		570			
Depreciation Expense			(b) 800		800		800			
Accumulated Depreciation—Equipment				(b) 800		800				800
Interest Expense			(c) 300		300		300			
Interest Payable				(c) 300		300				300
Insurance Expense			(d) 600		600		600			
Totals			3,300	3,300	58,100	58,100	7,170	14,650	50,930	43,450
Net Income							7,480			7,480
Totals							14,650	14,650	50,930	50,930

Key: (a) Supplies Used; (b) Depreciation Expensed; (c) Accrued Interest on note; (d) Insurance Expired; (e) Service Revenue Accrued.

PROBLEM 4-1B

PROBLEM 4-1B (Continued)

(b)

**MICHAEL PEVNICK, P.I.
Income Statement
For the Quarter Ended March 31, 2014**

<hr/>		
Revenues		
Service revenue.....		\$14,650
Expenses		
Salaries and wages expense	\$2,200	
Travel expense	1,300	
Rent expense.....	1,200	
Depreciation expense	800	
Insurance expense.....	600	
Supplies expense.....	570	
Interest expense.....	300	
Miscellaneous expense	200	
Total expenses.....		<u>7,170</u>
Net income		<u>\$ 7,480</u>

**MICHAEL PEVNICK, P.I.
Owner's Equity Statement
For the Quarter Ended March 31, 2014**

<hr/>		
Owner's Capital, January 1		\$ 0
Add: Investment by owner	\$20,000	
Net income	<u>7,480</u>	<u>27,480</u>
		27,480
Less: Drawings		<u>600</u>
Owner's Capital, March 31		<u>\$26,880</u>

PROBLEM 4-1B (Continued)

**MICHAEL PEVNICK, P.I.
Balance Sheet
March 31, 2014**

		Assets	
Current assets			
	Cash	\$11,400	
	Accounts receivable	6,650	
	Supplies	480	
	Prepaid insurance	<u>1,800</u>	
	Total current assets		\$20,330
Property, plant, and equipment			
	Equipment	30,000	
	Less: Accumulated depreciation— equipment	<u>800</u>	<u>29,200</u>
	Total assets		<u>\$49,530</u>
		Liabilities and Owner's Equity	
Current liabilities			
	Notes payable	\$10,000	
	Accounts payable.....	12,350	
	Interest payable	<u>300</u>	
	Total current liabilities		\$22,650
Owner's equity			
	Owner's capital.....		<u>26,880</u>
	Total liabilities and owner's equity		<u>\$49,530</u>
(c)	Mar. 31	Supplies Expense	570
		Supplies	570
	31	Depreciation Expense	800
		Accumulated Depreciation— Equipment	800
	31	Interest Expense	300
		Interest Payable.....	300
	31	Insurance Expense	600
		Prepaid Insurance	600

PROBLEM 4-1B (Continued)

	Mar. 31	Accounts Receivable	1,030	
		Service Revenue		1,030
(d)	Mar. 31	Service Revenue.....	14,650	
		Income Summary.....		14,650
	31	Income Summary.....	7,170	
		Travel Expense.....		1,300
		Salaries and Wages Expense.....		2,200
		Rent Expense		1,200
		Insurance Expense		600
		Depreciation Expense.....		800
		Supplies Expense		570
		Interest Expense		300
		Miscellaneous Expense.....		200
	31	Income Summary.....	7,480	
		Owner's Capital.....		7,480
	31	Owner's Capital	600	
		Owner's Drawings.....		600

PROBLEM 4-2B

(a) GREENWOOD COMPANY
Partial Worksheet
For the Year Ended December 31, 2014

Account		Adjusted Trial Balance		Income Statement		Balance Sheet	
No.	Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101	Cash	18,800				18,800	
112	Accounts Receivable	16,200				16,200	
126	Supplies	2,300				2,300	
130	Prepaid Insurance	4,400				4,400	
157	Equipment	46,000				46,000	
158	Acc. Depr.—Equip.		20,000				20,000
200	Notes Payable		20,000				20,000
201	Accounts Payable		8,000				8,000
212	Salaries and Wages Payable		2,600				2,600
230	Interest Payable		1,000				1,000
301	Owner's Capital		26,000				26,000
306	Owner's Drawings	12,000				12,000	
400	Service Revenue		87,800		87,800		
610	Advertising Expense	10,000		10,000			
631	Supplies Expense	3,700		3,700			
711	Depreciation Expense	8,000		8,000			
722	Insurance Expense	4,000		4,000			
726	Salaries and Wages Expense	39,000		39,000			
905	Interest Expense	1,000		1,000			
	Totals	<u>165,400</u>	<u>165,400</u>	<u>65,700</u>	<u>87,800</u>	<u>99,700</u>	<u>77,600</u>
	Net Income			<u>22,100</u>			<u>22,100</u>
	Totals			<u>87,800</u>	<u>87,800</u>	<u>99,700</u>	<u>99,700</u>

PROBLEM 4-2B (Continued)

(b)

GREENWOOD COMPANY
Income Statement
For the Year Ended December 31, 2014

Revenues		
Service revenue.....		\$87,800
Expenses		
Salaries and wages expense	\$39,000	
Advertising expense	10,000	
Depreciation expense	8,000	
Insurance expense.....	4,000	
Supplies expense.....	3,700	
Interest expense.....	1,000	
Total expenses.....		<u>65,700</u>
Net income		<u>\$22,100</u>

GREENWOOD COMPANY
Owner's Equity Statement
For the Year Ended December 31, 2014

Owner's Capital, January 1	\$26,000
Add: Net income	<u>22,100</u>
	48,100
Less: Drawings	<u>12,000</u>
Owner's Capital, December 31.....	<u>\$36,100</u>

PROBLEM 4-2B (Continued)

GREENWOOD COMPANY
Balance Sheet
December 31, 2014

Assets		
Current assets		
Cash	\$18,800	
Accounts receivable	16,200	
Supplies	2,300	
Prepaid insurance	<u>4,400</u>	
Total current assets.....		\$41,700
Property, plant, and equipment		
Equipment.....	46,000	
Less: Accumulated depreciation— equipment	<u>20,000</u>	<u>26,000</u>
Total assets.....		<u>\$67,700</u>
Liabilities and Owner's Equity		
Current liabilities		
Notes payable.....	\$5,000	
Accounts payable.....	8,000	
Salaries and wages payable	2,600	
Interest payable	<u>1,000</u>	
Total current liabilities.....		\$16,600
Long-term liabilities		
Notes payable.....		<u>15,000</u>
Total liabilities.....		31,600
Owner's equity		
Owner's capital.....		<u>36,100</u>
Total liabilities and owner's equity.....		<u>\$67,700</u>

PROBLEM 4-2B (Continued)

(c)

General Journal					J14
Date	Account Titles and Explanation	Ref.	Debit	Credit	
Dec. 31	Service Revenue	400	87,800		
	Income Summary	350		87,800	
31	Income Summary	350	65,700		
	Advertising Expense.....	610		10,000	
	Supplies Expense	631		3,700	
	Depreciation Expense.....	711		8,000	
	Insurance Expense	722		4,000	
	Salaries and Wages Expense....	726		39,000	
	Interest Expense	905		1,000	
31	Income Summary	350	22,100		
	Owner's Capital.....	301		22,100	
31	Owner's Capital.....	301	12,000		
	Owner's Drawings.....	306		12,000	

(d)

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Balance	✓		26,000	26,000
Dec. 31	Closing entry	J14		22,100	48,100
31	Closing entry	J14	12,000		36,100

Owner's Drawings					No. 306
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	12,000		12,000
31	Closing entry	J14		12,000	0

PROBLEM 4-2B (Continued)

Income Summary					No. 350
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Closing entry	J14		87,800	87,800
31	Closing entry	J14	65,700		22,100
31	Closing entry	J14	22,100		0

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓		87,800	87,800
31	Closing entry	J14	87,800		0

Advertising Expense					No. 610
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	10,000		10,000
31	Closing entry	J14		10,000	0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	3,700		3,700
31	Closing entry	J14		3,700	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	8,000		8,000
31	Closing entry	J14		8,000	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	4,000		4,000
31	Closing entry	J14		4,000	0

PROBLEM 4-2B (Continued)

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	39,000		39,000
31	Closing entry	J14		39,000	0

Interest Expense					No. 905
Date	Explanation	Ref.	Debit	Credit	Balance
Dec. 31	Balance	✓	1,000		1,000
31	Closing entry	J14		1,000	0

(e) **GREENWOOD COMPANY**
Post-Closing Trial Balance
December 31, 2014

	Debit	Credit
Cash.....	\$18,800	
Accounts Receivable.....	16,200	
Supplies	2,300	
Prepaid Insurance.....	4,400	
Equipment.....	46,000	
Accumulated Depreciation— Equipment.....		\$20,000
Notes Payable		20,000
Accounts Payable.....		8,000
Salaries and Wages Payable.....		2,600
Interest Payable		1,000
Owner's Capital		36,100
	\$87,700	\$87,700

PROBLEM 4-3B

(a) **S. NIHO COMPANY**
Income Statement
For the Year Ended December 31, 2014

<hr/>		
Revenues		
Service revenue.....		\$46,000
Expenses		
Salaries and wages expense	\$35,200	
Maintenance and repairs expense	4,400	
Utilities expense	4,000	
Depreciation expense	2,800	
Insurance expense	<u>1,200</u>	
Total expenses.....		<u>47,600</u>
Net loss.....		<u><u>\$ (1,600)</u></u>

S. NIHO COMPANY
Owner's Equity Statement
For the Year Ended December 31, 2014

<hr/>		
Owner's Capital, January 1		\$30,000
Add: Additional investment by owner		<u>4,000</u>
		34,000
Less: Net loss	\$1,600	
Drawings	<u>7,200</u>	<u>8,800</u>
Owner's Capital, December 31		<u><u>\$25,200</u></u>

S. NIHO COMPANY
Balance Sheet
December 31, 2014

<hr/>		
Assets		
Current assets		
Cash	\$6,200	
Accounts receivable	7,500	
Prepaid insurance	<u>1,800</u>	
Total current assets.....		\$15,500
Property, plant, and equipment		
Equipment.....	33,000	
Less: Accumulated depreciation— equipment	<u>8,600</u>	<u>24,400</u>
Total assets.....		<u><u>\$39,900</u></u>

PROBLEM 4-3B (Continued)

**S. NIHO COMPANY
Balance Sheet (Continued)
December 31, 2014**

Liabilities and Owner's Equity			
Current liabilities			
Accounts payable	\$11,700		
Salaries and wages payable	<u>3,000</u>		
Total current liabilities			\$14,700
Owner's equity			
Owner's capital.....			<u>25,200</u>
Total liabilities and owner's equity.....			<u>\$39,900</u>

(b)

General Journal				
Date	Account Titles	Ref.	Debit	Credit
Dec. 31	Service Revenue	400	46,000	
	Income Summary	350		46,000
31	Income Summary	350	47,600	
	Maintenance and Repairs Expense	622		4,400
	Depreciation Expense	711		2,800
	Insurance Expense.....	722		1,200
	Salaries and Wages Expense ...	726		35,200
	Utilities Expense.....	732		4,000
31	Owner's Capital	301	1,600	
	Income Summary	350		1,600
31	Owner's Capital	301	7,200	
	Owner's Drawings	306		7,200

PROBLEM 4-3B (Continued)

(c)

Owner's Capital		No. 301	
12/31	1,600	12/31 Bal.	34,000
12/31	7,200		
		12/31 Bal.	25,200

Owner's Drawings		No. 306	
12/31 Bal.	7,200	12/31	7,200

Income Summary		No. 350	
12/31	47,600	12/31	46,000
		12/31	1,600
	47,600		47,600

Service Revenue		No. 400	
12/31	46,000	12/31 Bal.	46,000

Maintenance and Repairs		Expense		No. 622	
12/31 Bal.	4,400	12/31	4,400		

Depreciation Expense		No. 711	
12/31 Bal.	2,800	12/31	2,800

Insurance Expense		No. 722	
12/31 Bal.	1,200	12/31	1,200

Salaries and Wages Expense		No. 726	
12/31 Bal.	35,200	12/31	35,200

Utilities Expense		No. 732	
12/31 Bal.	4,000	12/31	4,000

(d)

S. NIHO COMPANY
Post-Closing Trial Balance
December 31, 2014

	Debit	Credit
Cash.....	\$ 6,200	
Accounts Receivable.....	7,500	
Prepaid Insurance.....	1,800	
Equipment.....	33,000	
Accumulated Depreciation—Equipment.....		\$ 8,600
Accounts Payable.....		11,700
Salaries and Wages Payable.....		3,000
Owner's Capital.....		25,200
Totals	<u>\$48,500</u>	<u>\$48,500</u>

(a)

AVALON AMUSEMENT PARK
Worksheet
For the Year Ended September 30, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	41,400				41,400				41,400	
Supplies	18,600			(a) 16,400	2,200				2,200	
Prepaid Insurance	31,900			(b) 21,000	10,900				10,900	
Land	80,000				80,000				80,000	
Equipment	120,000				120,000				120,000	
Accumulated Depreciation— Equipment		36,200		(c) 6,000		42,200				42,200
Accounts Payable		14,600				14,600				14,600
Unearned Ticket Revenue		3,700	(d) 2,700			1,000				1,000
Mortgage Payable		50,000				50,000				50,000
Owner's Capital		109,700				109,700				109,700
Owner's Drawings	14,000				14,000				14,000	
Ticket Revenue		277,500		(d) 2,700		280,200		280,200		
Salaries and Wages Expense	105,000				105,000		105,000			
Maintenance and Repairs Expense	30,500				30,500		30,500			
Advertising Expense	9,400				9,400		9,400			
Utilities Expense	16,900				16,900		16,900			
Property Tax Expense	18,000		(e) 3,000		21,000		21,000			
Interest Expense	6,000		(f) 4,000		10,000		10,000			
Totals	<u>491,700</u>	<u>491,700</u>								
Insurance Expense			(b) 21,000		21,000		21,000			
Supplies Expense			(a) 16,400		16,400		16,400			
Interest Payable				(f) 4,000		4,000				4,000
Depreciation Expense			(c) 6,000		6,000		6,000			
Property Taxes Payable				(e) 3,000		3,000				3,000
Totals			<u>53,100</u>	<u>53,100</u>	<u>504,700</u>	<u>504,700</u>	<u>236,200</u>	<u>280,200</u>	<u>268,500</u>	<u>224,500</u>
Net Income							44,000			44,000
Totals							<u>280,200</u>	<u>280,200</u>	<u>268,500</u>	<u>268,500</u>

Key: (a) Supplies Used; (b) Expired Insurance; (c) Depreciation Expensed; (d) Ticket Revenue Recognized; (e) Accrued Property Taxes; (f) Accrued Interest Payable.

PROBLEM 4-4B

PROBLEM 4-4B (Continued)

(b) **AVALON AMUSEMENT PARK**
Balance Sheet
September 30, 2014

Assets			
Current assets			
Cash		\$41,400	
Supplies		2,200	
Prepaid insurance		<u>10,900</u>	
Total current assets.....			\$ 54,500
Property, plant, and equipment			
Land		80,000	
Equipment.....	\$120,000		
Less: Accum. depreciation— equipment	<u>42,200</u>	<u>77,800</u>	<u>157,800</u>
Total assets.....			<u>\$212,300</u>
Liabilities and Owner's Equity			
Current liabilities			
Mortgage payable (due in 2015)		\$15,000	
Accounts payable.....		14,600	
Interest payable		4,000	
Property taxes payable		3,000	
Unearned ticket revenue		<u>1,000</u>	
Total current liabilities.....			\$ 37,600
Long-term liabilities			
Mortgage payable.....		<u>35,000</u>	
Total liabilities.....			72,600
Owner's equity			
Owner's capital (\$109,700 + \$44,000 – \$14,000)			<u>139,700</u>
Total liabilities and owner's equity.....			<u>\$212,300</u>

PROBLEM 4-4B (Continued)

(c)	Sept. 30	Supplies Expense	16,400	
		Supplies		16,400
	30	Insurance Expense	21,000	
		Prepaid Insurance		21,000
	30	Depreciation Expense.....	6,000	
		Accumulated Depreciation— Equipment.....		6,000
	30	Unearned Ticket Revenue	2,700	
		Ticket Revenue		2,700
	30	Property Tax Expense	3,000	
		Property Taxes Payable		3,000
	30	Interest Expense	4,000	
		Interest Payable		4,000
(d)	Sept. 30	Ticket Revenue.....	280,200	
		Income Summary		280,200
	30	Income Summary	236,200	
		Salaries and Wages Expense		105,000
		Maintenance and Repairs Expense		30,500
		Insurance Expense		21,000
		Property Tax Expense.....		21,000
		Supplies Expense.....		16,400
		Utilities Expense.....		16,900
		Interest Expense.....		10,000
		Advertising Expense		9,400
		Depreciation Expense		6,000
	30	Income Summary	44,000	
		Owner's Capital		44,000
	30	Owner's Capital.....	14,000	
		Owner's Drawings		14,000

PROBLEM 4-4B (Continued)

**(e) AVALON AMUSEMENT PARK
Post-Closing Trial Balance
September 30, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 41,400	
Supplies.....	2,200	
Prepaid Insurance.....	10,900	
Land.....	80,000	
Equipment.....	120,000	
Accumulated Depreciation—Equipment.....		\$ 42,200
Accounts Payable.....		14,600
Interest Payable.....		4,000
Property Taxes Payable.....		3,000
Unearned Ticket Revenue.....		1,000
Mortgage Payable.....		50,000
Owner's Capital.....		139,700
	<u>\$254,500</u>	<u>\$254,500</u>

PROBLEM 4-5B

(a)

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash	101	10,000	
	Owner's Capital	301		10,000
1	Equipment	157	6,000	
	Cash	101		3,000
	Accounts Payable	201		3,000
3	Supplies	126	1,200	
	Accounts Payable	201		1,200
5	Prepaid Insurance	130	1,200	
	Cash	101		1,200
14	Accounts Receivable	112	4,800	
	Service Revenue	400		4,800
18	Accounts Payable	201	2,000	
	Cash	101		2,000
20	Salaries and Wages Expense	726	1,800	
	Cash	101		1,800
21	Cash	101	1,400	
	Accounts Receivable	112		1,400
28	Accounts Receivable	112	2,500	
	Service Revenue	400		2,500
31	Gasoline Expense	633	200	
	Cash	101		200
31	Owner's Drawings	306	700	
	Cash	101		700

(b)&(c)

SHAW'S CARPET CLEANERS
Worksheet
For the Month Ended March 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	2,500				2,500				2,500	
Accounts Receivable	5,900		(a) 500		6,400				6,400	
Supplies	1,200			(d) 950	250				250	
Prepaid Insurance	1,200			(c) 100	1,100				1,100	
Equipment	6,000				6,000				6,000	
Accounts Payable		2,200				2,200				2,200
Owner's Capital		10,000				10,000				10,000
Owner's Drawings	700				700				700	
Service Revenue		7,300		(a) 500		7,800		7,800		
Gasoline Expense	200				200		200			
Salaries and Wages Expense	1,800		(e) 550		2,350		2,350			
Totals	<u>19,500</u>	<u>19,500</u>								
Depreciation Expense			(b) 300		300		300			
Accum. Depr.—Equipment				(b) 300		300				300
Insurance Expense			(c) 100		100		100			
Supplies Expense			(d) 950		950		950			
Salaries and Wages Payable				(e) 550		550				550
Totals			<u>2,400</u>	<u>2,400</u>	<u>20,850</u>	<u>20,850</u>	3,900	7,800	16,950	13,050
Net Income							<u>3,900</u>			<u>3,900</u>
Totals							<u>7,800</u>	<u>7,800</u>	<u>16,950</u>	<u>16,950</u>

Key: (a) Service Revenue Earned; (b) Depreciation Expensed; (c) Insurance Expired; (d) Cleaning Supplies Used; (e) Unpaid Salaries.

PROBLEM 4-5B (Continued)

(a), (e) & (f)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1	10,000		10,000
1		J1		3,000	7,000
5		J1		1,200	5,800
18		J1		2,000	3,800
20		J1		1,800	2,000
21		J1	1,400		3,400
31		J1		200	3,200
31		J1		700	2,500

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 14		J1	4,800		4,800
21		J1		1,400	3,400
28		J1	2,500		5,900
31	Adjusting	J2	500		6,400

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 3		J1	1,200		1,200
31	Adjusting	J2		950	250

Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 5		J1	1,200		1,200
31	Adjusting	J2		100	1,100

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1	6,000		6,000

PROBLEM 4-5B (Continued)

Accumulated Depreciation—Equipment

No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2		300	300

Accounts Payable

No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1		3,000	3,000
3		J1		1,200	4,200
18		J1	2,000		2,200

Salaries and Wages Payable

No. 212

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2		550	550

Owner's Capital

No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1		J1		10,000	10,000
31	Closing	J3		3,900	13,900
31	Closing	J3	700		13,200

Owner's Drawings

No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	700		700
31	Closing	J3		700	0

Income Summary

No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Closing	J3		7,800	7,800
31	Closing	J3	3,900		3,900
31	Closing	J3	3,900		0

PROBLEM 4-5B (Continued)

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 14		J1		4,800	4,800
28		J1		2,500	7,300
31	Adjusting	J2		500	7,800
31	Closing	J3	7,800		0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2	950		950
31	Closing	J3		950	0

Gasoline Expense					No. 633
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	200		200
31	Closing	J3		200	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2	300		300
31	Closing	J3		300	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31	Adjusting	J2	100		100
31	Closing	J3		100	0

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 20		J1	1,800		1,800
31	Adjusting	J2	550		2,350
31	Closing	J3		2,350	0

PROBLEM 4-5B (Continued)

**(d) SHAW'S CARPET CLEANERS
Income Statement
For the Month Ended March 31, 2014**

Revenues		
Service revenue.....		\$7,800
Expenses		
Salaries and wages expense	\$2,350	
Supplies expense	950	
Depreciation expense	300	
Gasoline expense.....	200	
Insurance expense	100	
Total expenses.....		<u>3,900</u>
Net income		<u>\$3,900</u>

**SHAW'S CARPET CLEANERS
Owner's Equity Statement
For the Month Ended March 31, 2014**

Owner's Capital, March 1		\$ 0
Add: Investments.....	\$10,000	
Net income	<u>3,900</u>	<u>13,900</u>
		13,900
Less: Drawings		<u>700</u>
Owner's Capital, March 31		<u>\$13,200</u>

**SHAW'S CARPET CLEANERS
Balance Sheet
March 31, 2014**

Assets		
Current assets		
Cash	\$2,500	
Accounts receivable	6,400	
Supplies	250	
Prepaid insurance	<u>1,100</u>	
Total current assets.....		\$10,250

PROBLEM 4-5B (Continued)

SHAW'S CARPET CLEANERS
Balance Sheet (Continued)
March 31, 2014

Assets (Continued)		
Property, plant, and equipment		
Equipment	\$6,000	
Less: Accumulated depreciation— equipment	300	5,700
Total assets.....		\$15,950
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable	\$2,200	
Salaries and wages payable.....	550	
Total current liabilities		\$ 2,750
Owner's equity		
Owner's capital.....		13,200
Total liabilities and owner's equity		\$15,950

(e)

General Journal				J2
Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Accounts Receivable.....	112	500	
	Service Revenue	400		500
31	Depreciation Expense	711	300	
	Accumulated Depreciation— Equipment	158		300
31	Insurance Expense	722	100	
	Prepaid Insurance.....	130		100
31	Supplies Expense	631	950	
	Supplies.....	126		950
31	Salaries and Wages Expense.....	726	550	
	Salaries and Wages Payable	212		550

PROBLEM 4-5B (Continued)

(f)

General Journal				J3
Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Service Revenue	400	7,800	
	Income Summary	350		7,800
31	Income Summary	350	3,900	
	Salaries and Wages Expense ...	726		2,350
	Depreciation Expense	711		300
	Insurance Expense	722		100
	Supplies Expense	631		950
	Gasoline Expense	633		200
31	Income Summary	350	3,900	
	Owner's Capital	301		3,900
31	Owner's Capital	301	700	
	Owner's Drawings	306		700

(g)

SHAW'S CARPET CLEANERS
Post-Closing Trial Balance
March 31, 2014

	Debit	Credit
Cash	\$ 2,500	
Accounts Receivable	6,400	
Supplies	250	
Prepaid Insurance	1,100	
Equipment	6,000	
Accumulated Depreciation—Equipment		\$ 300
Accounts Payable		2,200
Salaries and Wages Payable		550
Owner's Capital		13,200
	\$16,250	\$16,250

COMPREHENSIVE PROBLEM: CHAPTERS 2 TO 4

(a)

		General Journal			J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
July 1	Cash.....	101	14,000		
	Owner's Capital.....	301		14,000	
1	Equipment.....	157	10,000		
	Cash.....	101		3,000	
	Accounts Payable.....	201		7,000	
3	Supplies.....	126	800		
	Accounts Payable.....	201		800	
5	Prepaid Insurance.....	130	1,800		
	Cash.....	101		1,800	
12	Accounts Receivable.....	112	3,800		
	Service Revenue.....	400		3,800	
18	Accounts Payable.....	201	1,400		
	Cash.....	101		1,400	
20	Salaries and Wages Expense.....	726	1,600		
	Cash.....	101		1,600	
21	Cash.....	101	1,400		
	Accounts Receivable.....	112		1,400	
25	Accounts Receivable.....	112	1,500		
	Service Revenue.....	400		1,500	
31	Gasoline Expense.....	633	400		
	Cash.....	101		400	
31	Owner's Drawings.....	306	600		
	Cash.....	101		600	

(b) & (c)

KRISTIN'S MAIDS CLEANING SERVICE
Worksheet
For the Month Ended July 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	6,600				6,600				6,600	
Accounts Receivable	3,900		(a) 1,300		5,200				5,200	
Supplies	800			(d) 700	100				100	
Prepaid Insurance	1,800			(c) 150	1,650				1,650	
Equipment	10,000				10,000				10,000	
Accounts Payable		6,400				6,400				6,400
Owner's Capital		14,000				14,000				14,000
Owner's Drawings	600				600				600	
Service Revenue		5,300		(a) 1,300		6,600		6,600		
Gasoline Expense	400				400		400			
Salaries and Wages Expense	1,600		(e) 500		2,100		2,100			
Total	<u>25,700</u>	<u>25,700</u>								
Depreciation Expense			(b) 200		200		200			
Accum. Depr.—Equipment				(b) 200		200				200
Insurance Expense			(c) 150		150		150			
Supplies Expense			(d) 700		700		700			
Salaries and Wages Payable				(e) 500		500				500
Totals			<u>2,850</u>	<u>2,850</u>	<u>27,700</u>	<u>27,700</u>	<u>3,550</u>	<u>6,600</u>	<u>24,150</u>	<u>21,100</u>
Net Income							<u>3,050</u>			<u>3,050</u>
Totals							<u>6,600</u>	<u>6,600</u>	<u>24,150</u>	<u>24,150</u>

Key: (a) Service Revenue; (b) Depreciation Expense; (c) Insurance Expired; (d) Supplies Used; (e) Unpaid Salaries.

COMPREHENSIVE PROBLEM (Continued)

(a), (e) & (f)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	14,000		14,000
1		J1		3,000	11,000
5		J1		1,800	9,200
18		J1		1,400	7,800
20		J1		1,600	6,200
21		J1	1,400		7,600
31		J1		400	7,200
31		J1		600	6,600

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1	3,800		3,800
21		J1		1,400	2,400
25		J1	1,500		3,900
31	Adjusting	J2	1,300		5,200

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
July 3		J1	800		800
31	Adjusting	J2		700	100

Prepaid Insurance					No. 130
Date	Explanation	Ref.	Debit	Credit	Balance
July 5		J1	1,800		1,800
31	Adjusting	J2		150	1,650

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1	10,000		10,000

COMPREHENSIVE PROBLEM (Continued)

Accumulated Depreciation—Equipment

No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		200	200

Accounts Payable

No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		7,000	7,000
3		J1		800	7,800
18		J1	1,400		6,400

Salaries and Wages Payable

No. 212

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2		500	500

Owner's Capital

No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		J1		14,000	14,000
31	Closing	J3		3,050	17,050
31	Closing	J3	600		16,450

Owner's Drawings

No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	600		600
31	Closing	J3		600	0

Income Summary

No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Closing	J3		6,600	6,600
31	Closing	J3	3,550		3,050
31	Closing	J3	3,050		0

COMPREHENSIVE PROBLEM (Continued)

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
July 12		J1		3,800	3,800
25		J1		1,500	5,300
31	Adjusting	J2		1,300	6,600
31	Closing	J3	6,600		0

Supplies Expense					No. 631
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	700		700
31	Closing	J3		700	0

Gasoline Expense					No. 633
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		J1	400		400
31	Closing	J3		400	0

Depreciation Expense					No. 711
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	200		200
31	Closing	J3		200	0

Insurance Expense					No. 722
Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting	J2	150		150
31	Closing	J3		150	0

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
July 20		J1	1,600		1,600
31	Adjusting	J2	500		2,100
31	Closing	J3		2,100	0

COMPREHENSIVE PROBLEM (Continued)

**(d) KRISTIN'S MAIDS CLEANING SERVICE
Income Statement
For the Month Ended July 31, 2014**

Revenues		
Service revenue.....		\$6,600
Expenses		
Salaries and wages expense	\$2,100	
Supplies expense	700	
Gasoline expense.....	400	
Depreciation expense	200	
Insurance expense	150	
Total expenses.....		<u>3,550</u>
Net income		<u>\$3,050</u>

**KRISTIN'S MAIDS CLEANING SERVICE
Owner's Equity Statement
For the Month Ended July 31, 2014**

Owner's Capital, July 1.....		\$ 0
Add: Investments.....	\$14,000	
Net income	<u>3,050</u>	<u>17,050</u>
		17,050
Less: Drawings		<u>600</u>
Owner's Capital, July 31.....		<u>\$16,450</u>

COMPREHENSIVE PROBLEM (Continued)

KRISTIN'S MAIDS CLEANING SERVICE
Balance Sheet
July 31, 2014

Assets	
Current assets	
Cash	\$6,600
Accounts receivable	5,200
Supplies	100
Prepaid insurance	<u>1,650</u>
Total current assets	\$13,550
Property, plant, and equipment	
Equipment	10,000
Less: Accumulated depreciation— equipment	<u>200</u>
Total assets	<u><u>9,800</u></u> <u><u>\$23,350</u></u>
Liabilities and Owner's Equity	
Current liabilities	
Accounts payable	\$6,400
Salaries and wages payable	<u>500</u>
Total current liabilities	\$ 6,900
Owner's equity	
Owner's capital.....	<u>16,450</u>
Total liabilities and owner's equity	<u><u>\$23,350</u></u>

COMPREHENSIVE PROBLEM (Continued)

(e)

General Journal				
				J2
Date	Account Titles and Explanation	Ref.	Debit	Credit
July 31	Accounts Receivable	112	1,300	
	 Service Revenue	400		1,300
31	Depreciation Expense.....	711	200	
	 Accumulated Depreciation—			
	 Equipment.....	158		200
31	Insurance Expense	722	150	
	 Prepaid Insurance	130		150
31	Supplies Expense	631	700	
	 Supplies	126		700
31	Salaries and Wages Expense.....	726	500	
	 Salaries and Wages Payable ...	212		500

(f)

General Journal				
				J3
Date	Account Titles and Explanation	Ref.	Debit	Credit
July 31	Service Revenue	400	6,600	
	 Income Summary	350		6,600
31	Income Summary	350	3,550	
	 Salaries and Wages Expense ..	726		2,100
	 Depreciation Expense.....	711		200
	 Insurance Expense	722		150
	 Supplies Expense	631		700
	 Gasoline Expense	633		400
31	Income Summary	350	3,050	
	 Owner's Capital	301		3,050
31	Owner's Capital	301	600	
	 Owner's Drawings.....	306		600

COMPREHENSIVE PROBLEM (Continued)

**(g) KRISTIN'S MAIDS CLEANING SERVICE
Post-Closing Trial Balance
July 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,600	
Accounts Receivable.....	5,200	
Supplies	100	
Prepaid Insurance.....	1,650	
Equipment.....	10,000	
Accumulated Depreciation—Equipment.....		\$ 200
Accounts Payable.....		6,400
Salaries and Wages Payable.....		500
Owner's Capital		16,450
	<u>\$23,550</u>	<u>\$23,550</u>

(a)

COOKIE CREATIONS
Income Statement
For the Two Months Ended December 31, 2013

Revenues		
Service revenue		\$4,515
Expenses		
Supplies expense.....	\$1,025	
Salaries and wages expense.....	1,006	
Advertising expense.....	165	
Utilities expense.....	125	
Insurance expense.....	110	
Depreciation expense	40	
Interest expense.....	15	
Total expenses		<u>2,486</u>
Net income.....		<u>\$2,029</u>

COOKIE CREATIONS
Owner's Equity Statement
For the Two Months Ended December 31, 2013

Owner's Capital, November 1.....		\$ 800
Add: Net income		<u>2,029</u>
		2,829
Less: Drawings		<u>500</u>
Owner's Capital, December 31		<u>\$2,329</u>

CCC4 (Continued)

(a) (Continued)

COOKIE CREATIONS
Balance Sheet
December 31, 2013

Assets		
Current assets		
Cash.....		\$1,180
Accounts receivable.....		875
Supplies.....		350
Prepaid insurance.....		<u>1,210</u>
Total current assets		3,615
Property, plant, and equipment		
Equipment.....	\$1,200	
Less: Accumulated depreciation—equipment	<u>40</u>	<u>1,160</u>
Total assets		<u>\$4,775</u>
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable	\$ 75	
Salaries and wages payable	56	
Unearned service revenue	<u>300</u>	
Total current liabilities		\$ 431
Long-term liabilities		
Interest payable	15	
Notes payable	<u>2,000</u>	
Total long-term liabilities		<u>2,015</u>
Total liabilities		2,446
Owner's equity		
Owner's capital		<u>2,329</u>
Total liabilities and owner's equity		<u>\$4,775</u>

CCC4 (Continued)

(b) GENERAL JOURNAL		J4	
Date	Account Titles and Explanation	Debit	Credit
2013			
Dec. 31	Service Revenue.....	4,515	
	Income Summary		4,515
31	Income Summary.....	2,486	
	Salaries and Wages Expense.....		1,006
	Utilities Expense		125
	Advertising Expense.....		165
	Supplies Expense		1,025
	Insurance Expense		110
	Depreciation Expense.....		40
	Interest Expense		15
31	Income Summary.....	2,029	
	Owner's Capital.....		2,029
31	Owner's Capital	500	
	Owner's Drawings.....		500

CCC4 (Continued)

(c)

COOKIE CREATIONS
Post-Closing Trial Balance
December 31, 2013

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Cash.....	\$1,180	
Accounts Receivable.....	875	
Supplies.....	350	
Prepaid Insurance	1,210	
Equipment.....	1,200	
Accumulated Depreciation, Equipment.....		\$ 40
Accounts Payable		75
Salaries and Wages Payable.....		56
Unearned Service Revenue.....		300
Interest Payable		15
Notes Payable		2,000
Owner's Capital.....		2,329
	<u>\$4,815</u>	<u>\$4,815</u>

- (a) Total current assets were \$44,988 million at September 24, 2011, and \$41,678 million at September 25, 2010.
- (b) Current assets are properly listed in the order of liquidity. As you will learn in the next chapter, inventory is considered to be less liquid than accounts receivable. Thus, it is listed below accounts receivable and before prepaid expenses and other current assets.
- (c) The asset classifications are similar to the text: (1) current assets, (2) investments, (3) property, plant, and equipment, and (4) intangible assets.
- (d) Apple reported \$9,815 of cash and cash equivalents at September 24, 2011.
- (e) Total current liabilities were \$27,970 million at September 24, 2011, and \$20,722 million at September 25, 2010.

(a)	(in millions)	PepsiCo	Coca-Cola
1.	Total current assets	17,441	25,497
2.	Net property, plant & equipment	19,698	14,939
3.	Total current liabilities	18,154	24,283
4.	Total equity	20,899	31,921

- (b) PepsiCo's current assets were 4% less than its current liabilities, while Coca-Cola's current assets were 5% greater than its current liabilities. From this information, it appears that Coca-Cola is in a better liquidity position than PepsiCo.

Coca-Cola's equity represents a significantly larger percentage of total assets 39.9% $\left(\frac{\$31,921}{\$79,974}\right)$ than PepsiCo's 28.7% $\left(\frac{\$20,899}{\$72,882}\right)$. As a result,

Coca-Cola has less debt relative to its total assets than PepsiCo. It therefore appears that Coca-Cola is less likely to default on a debt obligation.

(a)	(in millions)	Amazon	Wal-Mart
1.	Total current assets	17,490	54,975
2.	Net property, plant & equipment	4,417	109,603
3.	Total current liabilities	14,896	62,300
4.	Total stockholders' (shareholders') equity	7,757	71,315

- (b) Current assets are cash and other resources that are reasonably expected to be realized in cash or sold or consumed within one year or the company's operating cycle, whichever is longer. Current liabilities are obligations that are reasonably expected to be paid from existing current assets or through the creation of other current liabilities.

Amazon's current assets were 17% greater than its current liabilities, while Wal-Mart's current assets were 12% less than its current liabilities. From this information, it appears that Amazon is in a better liquidity position than Wal-Mart.

Wal-Mart's stockholders' equity represents a 20% larger percentage of total assets $36.9\% \left(\frac{\$71,315}{\$193,406} \right)$ than Amazon's $30.7\% \left(\frac{\$7,757}{\$25,278} \right)$. As a result, Wal-Mart has less debt relative to its total assets than Amazon. It therefore appears that Wal-Mart is less likely to default on a debt obligation.

The solution is dependent upon the companies chosen by the student.

(a) **WHITEGLOVES JANITORIAL SERVICE**
Balance Sheet
December 31, 2014

Assets			
Current assets			
Cash		\$ 6,500	
Accounts receivable (\$9,000 + \$3,700)		12,700	
Supplies (\$5,200 – \$2,700)		2,500	
Prepaid insurance (\$4,800 X 2/3).....		<u>3,200</u>	
Total current assets			\$24,900
Property, plant, and equipment			
Equipment (\$22,000 + \$4,000).....	\$26,000		
Less: Accum. depreciation— equipment (\$4,000 + \$2,000)	<u>6,000</u>	\$20,000	
Delivery trucks (\$34,000 + \$5,000)	39,000		
Less: Accum. depreciation— delivery trucks (\$5,000 + \$5,000)	<u>10,000</u>	<u>29,000</u>	<u>49,000</u>
Total assets			<u>\$73,900</u>
Liabilities and Owner's Equity			
Current liabilities			
Notes payable due within one year		\$10,000	
Accounts payable (\$2,500 + \$500)		3,000	
Interest payable (\$25,000 X 10% X 6/12)		<u>1,250</u>	
Total current liabilities			\$14,250
Long-term liabilities			
Notes payable, due July 1, 2016.....			<u>15,000</u>
Total liabilities			29,250
Owner's equity			
Owner's capital.....			<u>44,650*</u>
Total liabilities and owner's equity			<u>\$73,900</u>

BYP 4-5 (Continued)

WHITEGLOVES JANITORIAL SERVICE
Balance Sheet (Continued)
December 31, 2014

*Capital balance as reported.....		\$54,000
Add: Earned but unbilled fees		<u>3,700</u>
		57,700
Less: Janitorial supplies used	\$2,700	
Insurance expired (\$4,800 X 1/3)	1,600	
Depreciation (\$2,000 + \$5,000)	7,000	
Expenses incurred but unpaid	500	
Interest accrued	<u>1,250</u>	
Total.....		<u>13,050</u>
Capital balance as adjusted.....		<u>\$44,650</u>

- (b) **Whitegloves Janitorial Service met the terms of the bank loan because current assets exceed current liabilities by \$10,650 (\$24,900 – \$14,250) at December 31, 2014.**

MEMO

To: Accounting Instructor

From: Student

Re: Accounting Cycle

The required steps in the accounting cycle, in the order in which they should be completed, are:

1. Analyze business transactions.
2. Journalize the transactions.
3. Post to ledger accounts.
4. Prepare a trial balance.
5. Journalize and post adjusting entries.
6. Prepare an adjusted trial balance.
7. Prepare financial statements.
8. Journalize and post closing entries.
9. Prepare a post-closing trial balance.

The optional steps in the accounting cycle include preparing a worksheet and preparing reversing entries. If a worksheet is prepared, it is done after step 3 above, and it includes steps 4 and 6. The worksheet is a form used to make it easier to prepare adjusting entries and financial statements. If reversing entries are prepared, they are journalized and posted after step 9, at the beginning of the next accounting period. A reversing entry is the exact opposite of a previously recorded adjusting entry and simplifies the recording of subsequent transactions.

- (a) **The stakeholders in this case are:**
- ▶ **You, as controller.**
 - ▶ **Jeb Wilde, president.**
 - ▶ **Users of the company's financial statements.**
- (b) **The ethical issue is the continued circulation of significantly misstated financial statements. As controller, you have just issued misleading financial statements. You have acted ethically by telling the company's president. The president has reacted unethically by allowing the misleading financial statements to continue to circulate.**
- (c) **As controller, you should impress upon the president the consequences of having those misleading financial statements be detected by some user or the SEC (if you are a public company). Also stress upon him that you have a professional obligation to correct the statements or to resign.**

The following is a personal balance sheet using the classified presentation. Note that the earnings from the part-time job as well as the tuition costs are not listed since neither of those items is an asset, liability, or equity item.

Assets

Current assets		
Cash	\$1,200	
Money market account	1,800	
Certificate of deposit.....	3,000	
Accounts receivable from brother	<u>300</u>	
Total current assets.....		\$ 6,300
 Property, plant, and equipment		
Automobile	7,000	
Video and stereo equipment	1,250	
Home computer	<u>800</u>	<u>9,050</u>
Total assets.....		<u>\$15,350</u>

Liabilities and Owner's Equity

Current liabilities		
Current portion of automobile loan	\$1,500	
Current portion of credit card payable	<u>150</u>	
Total current liabilities.....		\$ 1,650
 Long-term liabilities		
Automobile loan	4,000	
Student loan	5,000	
Credit card payable	<u>1,650</u>	
Total long-term liabilities		<u>10,650</u>
Total liabilities.....		12,300
 Owner's equity		
Owner's capital (\$15,350 – \$12,300).....		<u>3,050</u>
Total liabilities and owner's equity		<u>\$15,350</u>

- (1) 1. **Current assets** is used to designate cash and other assets or resources commonly identified as those that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business.
2. **Current liabilities** is used principally to designate obligations whose liquidities is reasonably expected is require the use of existing resource properly classified as current assets, or the creation of other current liabilities.

(b) **Access FASB Codification 210-20-45**

A right of setoff exists when all of the following conditions are met:

1. **Each of two parties owes the other determinable amounts.**
2. **The reporting party has the right to set off the amount owed with the amount owed by the other party.**
3. **The reporting party intends to set off.**
4. **The right of setoff is enforceable at law. As a result, a company may not offset accounts payable against cash on its balance sheet.**

IFRS EXERCISES

IFRS 4-1 The statement of financial position required under IFRS and the balance sheet prepared under GAAP usually present the same information regarding a company's assets, liabilities, and stockholders' equity at a point in time. IFRS does not dictate a specific order but most companies list noncurrent items before current. Differences in ordering are

IFRS	GAAP
Statement of Financial Position presentation	Balance Sheet presentation
Noncurrent assets	Current assets
Current assets	Noncurrent assets
Equity	Current liabilities
Noncurrent liabilities	Noncurrent liabilities
Current liabilities	Stockholders' equity

Under IFRS, current assets are usually listed in the reverse order of liquidity.

IFRS 4-2 IFRS uses the term statement of financial position rather than balance sheet.

IFRS 4-3

SUNDELL COMPANY Partial Statement of Financial Position

Current assets	
Prepaid insurance	£ 3,600
Supplies	5,200
Accounts receivable	12,500
Debt investments	6,700
Cash	<u>15,400</u>
Total	<u><u>£43,400</u></u>

GLARUS COMPANY
Partial Statement of Financial Position
December 31, 2014

Property, plant and equipment		
Equipment.....	CHF21,700	
Less: Accumulated depreciation— equip.....	<u>5,700</u>	CHF16,000
Long-term investments		
Share Investments.....		6,500
Current assets		
Inventory	2,900	
Accounts receivable.....	4,300	
Debt investments.....	120	
Cash.....	<u>13,400</u>	<u>20,720</u>
Total assets		<u>CHF43,220</u>

IFRS 4-5

(a) **LESSILA BOWLING ALLEY**
Statement of Financial Position
December 31, 2014

Assets			
Property, plant, and equipment			
Land		\$64,000	
Buildings	\$128,800		
Less: Acc. depr.—buildings	<u>42,600</u>	86,200	
Equipment	62,400		
Less: Acc. depr.—equipment	<u>18,720</u>	<u>43,680</u>	\$193,880
Current assets			
Prepaid insurance		4,680	
Accounts receivable		14,520	
Cash		<u>18,040</u>	<u>37,240</u>
Total assets			<u>\$231,120</u>
Equity and Liabilities			
Equity			
Owner's capital (\$115,000 + \$3,440*)			\$118,440
Non-current liabilities			
Notes payable			83,880
Current liabilities			
Current portion of notes payable		13,900	
Accounts payable		12,300	
Interest payable		<u>2,600</u>	<u>28,800</u>
Total equity and liabilities			<u>\$231,120</u>

*Net income = \$14,180 – \$780 – \$7,360 – \$2,600 = \$3,440

IFRS 4-6 It is possible to compare liquidity and solvency for companies using different currencies. The ratios that are used to do so, such as the current ratio and debt to assets ratio, indicate relative amounts of assets and liabilities rather than absolute monetary values.

IFRS 4-7 INTERNATIONAL COMPARATIVE ANALYSIS PROBLEM

Differences in the format of the statement of financial position (balance sheet) used by Zetar and Apple include the following

	Zetar	Apple
1.	Non-current assets listed first	Current assets listed first
2.	Goodwill listed before property, plant and equipment	Property, plant, and equipment listed before goodwill
3.	Current assets are shown in reverse order of liquidity with cash being last	Current assets are shown in order of liquidity with cash being first
4.	Current liabilities are subtracted from current assets to show net current liabilities/assets	No similar amount appears
5.	Total liabilities are subtracted from total assets to show net assets	No similar amount appears
6.	The equity section uses Share capital and Share premium	The equity section uses Common stock
7.	Reporting currency is £ (pounds)	Reporting currency is \$ (dollars)

