

Vol. 1, Chapter 2 - Accounting for Business Transactions

Problem 1

Account	Normal Balance
Cash	Debit
Accounts Receivable	Debit
Rent Expense	Debit
Jacob, Capital	Credit
Accounts Payable	Credit
Room Revenue	Credit
Interest Income	Credit
Wages Expense	Debit
Taxes Expense	Debit
Water Expense	Debit
Notes Payable	Credit
Laundry Expense	Debit

Problem 2

Cash			
3/31	\$6,700.00		
(a)	1,750.20		
	8,450.20		
(b)		\$2,430.00	
	6,020.20		
(c)		2,419.22	
	3,600.98		
(d)	-		-
(e)	180.26		
	3,781.24		
(f)	5,100.00		
	8,881.24		
(g)	-		-
	\$8,881.24		

Transactions (d) and (g) do not affect the cash account.

Problem 3

Feb. 1	Beginning Balance	\$ 850.18
Feb. 1	(-) Check #181	- 230.00
Feb. 2	(-) Check #182	- 536.00
Feb. 3	(+) Cash Sales Deposit	2,428.36
Feb. 4	(-) Check #183	- 352.00
Feb. 5	(-) Check #184	<u>- 228.52</u>
	Cash Account Balance	<u>\$ 1,932.02</u>

Problem 4

	<u>Accounts Affected</u>	<u>Normal Balance</u>	<u>Debit or Credit</u>
(a)	Equipment	Debit	Debit
	Cash	Debit	Credit
	Notes Payable	Credit	Credit
(b)	Salary Expense	Debit	Debit
	Cash	Debit	Credit
(c)	Kati Litchfield, Capital	Credit	Debit
	Cash	Debit	Credit
(d)	Supplies Expense	Debit	Debit
	Accounts Payable	Credit	Credit
(e)	Accounts Receivable	Debit	Debit
	Sales	Credit	Credit
(f)	Marketable Securities	Debit	Debit
	Cash	Debit	Credit
(g)	Accounts Payable	Credit	Debit
	Cash	Debit	Credit
(h)	Prepaid Rent	Debit	Debit
	Cash	Debit	Credit

Problem 5

Wage Expense	
\$	2,000

Food Sales	
	\$ 5,500

Rent Expense	
\$	700

Beverage Sales	
	\$ 400

Cost of Food Sales (Expense)	
\$	1,700

Cost of Beverage Sales (Expense)	
\$	100

Problem 6

<u>Transactions</u>	<u>Debit</u>	<u>Credit</u>
a) Food Expense	\$ 75	
Cash		\$ 75
To record food purchases for cash		
b) Equipment	\$150	
Accounts Payable, Circus Supply		\$150
To record the purchase of equipment from Circus Supply		
c) Cash	\$300	
Food Sales		\$300
To record food sales		
d) Wages Expense	\$110	
Cash		\$110
To record wages paid		
e) Cash	\$100	
Beverage Sales		\$100
To record beverage sales		
f) Beverage Expense	\$ 12	
Cash		\$ 12
To record the purchase of beverages for cash		
g) Accounts Payable, Circus Supply	\$ 10	
Cash		\$ 10
To record payment to Circus Supply on account		

Problem 7

**Turner Café
Trial Balance
December 31, 20XX**

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 3,500	
J. Turner, Capital		\$ 10,500
Food Inventory	4,500	
Prepaid Expenses	700	
Accounts Payable		2,100
Equipment	14,400	
Notes Payable		7,400
Sales		42,000
Cost of Food Sold	14,000	
Rent Expense	2,000	
Wages Expense	16,000	
Other Expenses	<u>6,900</u>	<u>—</u>
	<u>\$ 62,000</u>	<u>\$ 62,000</u>

Problem 8**Tyler Motel
Trial Balance**

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 12,400	
Accounts Receivable	40,500	
Inventory	18,300	
Prepaid Insurance	2,100	
Land	150,000	
Buildings	2,400,000	
Acc. Dep.—Buildings		\$1,250,000
Equipment	900,000	
Acc. Dep.—Equipment		235,000
Accounts Payable		35,000
Notes Payable		846,000
Tyler, Wray, Capital		32,800
Room Revenue		2,350,000
Wages Expense	751,000	
Laundry Expense	50,000	
Advertising Expense	36,000	
Utilities Expense	52,000	
Insurance Expense	22,000	
Property Taxes Expense	20,000	
Interest Expense	82,000	
Depreciation Expense	115,000	
Supplies Expense	33,000	
Maintenance Expense	<u>64,500</u>	
	<u>\$ 4,748,800</u>	<u>\$ 4,748,800</u>

Problem 9

	<u>Debit</u>	<u>Credit</u>
Accounts Payable		\$ 2,400
Accounts Receivable	\$ 4,500	
Building	25,500	
Cash	2,000	
Chuck Franko, Capital		18,300
Delivery Equipment	2,500	
Interest Expense	200	
Interest Payable		150
Land	8,200	
Merchandise Inventory	9,500	
Mortgage Payable		6,500
Notes Payable		1,200
Notes Receivable	300	
Office Equipment	1,600	
Office Supplies	85	
Prepaid Insurance	160	
Prepaid Interest	15	
Revenue		35,950
Store Equipment	5,450	

Store Supplies	155	
Taxes Payable		250
Telephone Expense	110	
Truck Repairs	130	
Wages Expense	4,420	
Wages Payable	<u> —</u>	<u> 75</u>
	<u>\$ 64,825</u>	<u>\$ 64,825</u>

Problem 10

1. Transactions

October 2	To record the investment of cash and equipment by the owner
October 3	To pay the rent for November in advance
October 3	To record the purchase of food and beverages (to be sold this period) on account
October 4	To record the sale of food and beverages for cash and on account
October 4	To record the wage expense incurred but not yet paid
October 5	Payment of cash from an account receivable

2.

Cash	Equipment	Mary Ramaker, Capital	
\$ 12,000	\$ 10,000		\$ 22,000
\$ 1,000	\$ 10,000		\$ 22,000
500			
100			
\$ 11,600			
Prepaid Rent	Accts. Pay., Bixbie Food		Accounts Receivable
\$ 1,000		\$ 2,500	\$ 200 \$ 100
\$ 1,000		\$ 2,500	\$ 100
Food Sales	Beverage Sales	Food Expense	
		\$ 2,000	
\$ 600	\$ 100	\$ 2,000	
\$ 600	\$ 100		
Beverage Expense	Wages Expense	Wages Payable	
\$ 500	\$ 195		\$ 195
\$ 500	\$ 195		\$ 195

Problem 11

June 1	Beginning Balance	\$ 480.00	
June 6	(+) 3 Meals Total Cost	34.00	
June 6	(+) Tip from 3 Meals (15%)	5.10	(1)
June 8	(-) Pay Down Account	- 300.00	
June 12	(+) Breakfast	12.42	
June 15	(+) 2 Lunches	24.15	

June 15	(+) Tip from 2 Lunches (20%)	4.83	(2)
June 21	(-) Pay Down Account	- 100.00	
June 28	(+) Anniversary Dinner	480.00	
June 28	(+) Service Charge (15%)	72.00	(3)
June 28	(+) Sales Tax (6%)	<u>33.12</u>	(4)
	Ending Account Balance	<u>\$ 745.62</u>	

- (1) $34.00 \times .15 = 5.10$
(2) $24.15 \times .20 = 4.83$
(3) $480.00 \times .15 = 72.00$
(4) $480.00 - 72.00 = 552.00 \times .06 = 33.12$

Problem 12

1. and 2.

Cash	
\$ 1,500	
a 10	
	\$ 200 b
	100 d
	5 e
	20 f
h 310	
\$ 1,495	

Marketable Securities	
\$ 5,000	
\$ 5,000	

Accts. Rec., Erica Lee	
\$ 20	
-	\$ 10 a
\$ 10	

Accts. Rec., Monica Ray	
\$ 15	
b 5	
\$ 20	

Office Supplies	
\$ 2,250	
\$ 2,250	

Cleaning Supplies	
\$ 500	
\$ 500	

Furniture	
\$ 1,000	
\$ 1,000	

Equipment	
\$ 2,000	
\$ 2,000	

Accts. Pay., Stacie Supply, Inc.	
	\$ 400
	250
	\$ 650

Notes Pay., Mineral State Bank	
	\$ 1,500
	\$ 1,500

Stephanie Smith, Capital	
	\$ 2,085
	\$ 2,085

Food Sales	
	\$ 25,000
	4
	250
	\$ 25,254

Beverage Sales	
	\$ 7,000

Food Expense	
\$ 10,000	

Beverage Expense	
\$ 2,000	

	1 g	250	\$ 2,000
	60 h	\$ 10,250	
			\$ 7,061

Wages Expense		Utilities Expense		Rent Expense	
\$ 8,000		\$ 1,000		\$ 2,000	
f 20		d 100		b 200	
\$ 8,020		\$ 1,100		\$ 2,200	

Insurance Expense		Office Supplies Expense		Advertising Expense	
\$ 500		\$ 100		\$ 100	
\$ 500		\$ 100		e 5	
				\$ 105	

3. **Stephanie's Steakhouse**
Trial Balance
July 1, 20X1

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 1,495	
Marketable Securities	5,000	
Accounts Receivable, Erica Lee	10	
Accounts Receivable, Monica Ray	20	
Office Supplies	2,250	
Cleaning Supplies	500	
Furniture	1,000	
Equipment	2,000	
Accounts Payable, Stacie Supply Inc.		\$ 650
Notes Payable, Mineral State Bank		1,500
Stephanie Smith, Capital		2,085
Food Sales		25,254
Beverage Sales		7,061
Food Expense	10,250	
Beverage Expense	2,000	
Wages Expense	8,020	
Utilities Expense	1,100	
Rent Expense	2,200	
Insurance Expense	500	
Office Supplies Expense	100	
Advertising Expense	<u>105</u>	<u>—</u>
	<u>\$ 36,550</u>	<u>\$ 36,550</u>

Problem 13

Cash	
5,000 (a)	
	800 (c)
	150 (d)
	450 (e)
	80 (g)
2,400 (h)	
5,920	

Food and Beverage Inventory	
1,200 (f)	
400 (f)	
1,600	

Furniture	
5,000 (a)	
5,000	

Equipment	
50,000 (a)	
800 (c)	
50,800	

Land	
100,000 (a)	
100,000	

Building	
450,000 (a)	
450,000	

Accounts Payable	
	400 (b)
	1,200 (f)
	400 (f)
	2,000

B. Wilson, Capital	
	5,000 (a)
	5,000 (a)
	50,000 (a)
	100,000 (a)
	450,000 (a)
	610,000

Food and Beverage Sales	
	2,400 (h)
	2,400

Advertising Expenses	
150 (d)	
150	

Operating Supplies Expenses	
400 (b)	
400	

Wages Expenses	
450 (e)	
450	

Utilities Expenses	
80 (g)	
80	

Problem 14

1. and 2.

Cash	
a \$ 2,000	
	\$ 200 c
	30 d
	50 e
	250 f
	10 g
	100 h
i 900	
\$ 2,260	

Furniture	
a \$ 2,000	
\$ 2,000	

Equipment	
a \$ 3,000	
c 200	
\$ 3,200	

Building

Accts. Pay., Edgar's Food Supply, Inc.

Paul Olivia, Capital

e)	Office Supplies	\$ 150	
	Accounts Payable (Bing's Office Supplies)		\$ 150
	To record the purchase of office supplies on account		
f)	Cash	\$ 1,000	
	Jack Wicks, Capital		\$ 1,000
	To record new investment by the owner		
g)	Accounts Payable (Bing's)	\$ 50	
	Cash		\$ 50
	To record payment to Bing's Office Supply Hut on account		
h)	Cash	\$ 75	
	Rental Income		\$ 75
	To record additional revenue from vending machines		
i)	Wages Expense	\$ 5,700	
	Cash		\$ 5,700
	To record the payment of wages with cash		

2. and 3.

Cash		Accounts Receivable		Prepaid Rent	
\$	3,120	\$	200	a \$	1,000
			250	\$	1,000
b	15,000		\$ 450		
f	1,000				
h	75				
	-				
	\$				
	12,155				
Cleaning Supplies		Office Supplies		Accts. Pay. (Bing's)	
\$	30	\$	100		\$ 50
d	290	e	150		150 e
\$	320		\$ 250	g \$	50
					-
					\$ 150
Notes Pay. (Mineral State Bank)		Jack Wicks, Capital		Room Sales	
	\$ 400		\$ 3,000		\$ 15,000 b
	\$ 400		1,000 f		250 c
			\$ 4,000		\$ 15,250
Rental Income (Revenue)		Wages Expense			
	\$ 75 h i		\$ 5,700		
	\$ 75		\$ 5,700		

4.

**Rodeside Motel
Trial Balance
August 31, 20X3**

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 12,155	
Accounts Receivable	450	
Prepaid Rent	1,000	
Cleaning Supplies	320	
Office Supplies	250	
Accounts Payable (Bing's)		\$ 150
Notes Payable		400
Jack Wicks, Capital		4,000
Room Sales		15,250
Rental Income		75
Wages Expense	<u>5,700</u>	<u>—</u>
	<u>\$ 19,875</u>	<u>\$ 19,875</u>