TT TEXTBOOK TESTBANKS

Solutions Manual for College Accounting A Practical Approach 15th Slater

SOLUTIONS MANUAL SAMPLE PREVIEW

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Chapter 2
Debits and Credits: Analyzing and Recording Business Transactions

Chapter Overview

This chapter transitions from analyzing transactions and listing each account in a potentially long accounting equation to double entry accounting. There are five steps used to analyze a transaction: 1) determining which accounts are affected; 2) determining which categories the accounts belong to (assets, liabilities, capital, withdrawals, revenue, or expenses); 3) determining whether the accounts increase or decrease; 4) using the debit and credit rules to determine if the result of steps 2 and 3 results in a journal entry debit or credit; and 5) computing the balance in the T account. T accounts are used to illustrate debits and credits and how to evaluate each account's balance. A T account is a simpler way to illustrate an account. It has a debit and credit side and can be used to compute the balance in that account. Several examples are used to illustrate transaction analysis and the resulting journal entry and T account balance. Next, how to use the balances in the T accounts to prepare a trial balance is illustrated. A trial balance is a listing of a company's accounts and its resulting debit or credit balance in the proper debit or credit column. The information from the trial balance is used to prepare financial statements. Finally, the interrelationship between the financial statements is emphasized. The income or loss from the income statement is carried to the statement of owner's' equity. The ending balance in the statement of owner's equity is carried to the balance sheet.

Learning Objectives

After studying Chapter 2, your students should gain proficiency in the following:

1. Explain T Accounts and How to Foot and Balance.

2. Use a Chart of Accounts to Record Transactions in T Accounts According to the Rules of Debits and Credits.

3. Prepare a Trial Balance and the Financial Statements.

Chapter 2 Assignment Grid

Assignment	Topic(s)	Learning Objective(s)	Estimated Time in Minutes	Level of Difficulty
Discussion Questions and Critical Thinking/Ethical Case				
1	Define ledger	1	5	Easy
2	Debit side of the account	1	5	Easy
3	Footings and balancing	1	5	Easy
4	Accounting cycle and end product	2	5	Easy
5	Transaction Analysis Chart	2	5	Easy
6	Transaction Analysis Chart	2	5	Easy
7	Computers and double entry bookkeeping	2	5	Easy
8	Trial Balance	3	5	Easy
9	Financial Statements	3	5	Easy
10	Financial Statements	3	5	Easy
11	Trial Balance	3	5	Medium
12	Ethics, Pandemic, and remote work	2,3,4	10	Medium
Concept Checks				
1	The T account	1	5	Easy
2	Transaction Analysis	2	5	Easy
3	Transaction Analysis	2	5	Easy
4	Trial Balance	3	5	Easy
5	Trial Balance/ Financial Statements	3	10	Easy
Exercises (Set A)				
2A-1	Chart of accounts	2	10	Easy
2A-2	Transaction analysis	2	5	Easy
2A-3	Transaction analysis	2	5	Easy
2A-4	Account analysis	2	20	Medium
2A-5	Financial Statements	3	20	Medium
Exercises (Set B)				
2B-1	Chart of accounts	2	10	Easy
2B-2	Transaction analysis	2	5	Easy
2B-3	Transaction analysis	2	5	Easy
2B-4	Account analysis	2	20	Medium
2B-5	Financial Statements	3	20	Medium
Problems (Set A)				
2A-1	Transaction Analysis	2	20	Medium
2A-2	Transaction Analysis	2	20	Medium
2A-3	Trial Balance	1, 3	20	Medium
2A-4	Financial Statements	3	40	Hard
2A-5	Transactions, Trial Balance, & Financial Prep	1,2, 3	60	Hard
Problems (Set B)				
2B-1	Transaction Analysis	2	20	Medium
2B-2	Transaction Analysis	2	20	Medium
2B-3	Trial Balance	1, 3	20	Medium
2B-4	Financial Statements	3	40	Hard
2B-5	Transactions, Trial Balance, & Financial Prep	1,2, 3	60	Hard

Assignment Topic(s)	Learning Objective(s)	Estimated Time in Minutes	Level of Difficulty
Financial Report Problem			
Reading Amazon's Annual Reports/Internet Project	2	5	Easy
Keeping It Real			
Suarez Digital Services	1, 2, 3	60	Medium

Learning Unit 2-1: The T Account and How to Foot and Balance

Summary: The T account is a tool to demonstrate the increases and decreases in each account. The T account is a skeleton version of a standard account. A **standard account** form is the formal structure required for each account. All T accounts have three parts: account title, **debit** (left) and **credit** (right). The T accounts are footed to determine the balance or ending balance for the specific account. Foot is to (sum) add all debits and add (sum) all credits, and **footing** is totaling each individual column. The column balances are subtracted to compute the final total or ending balance for each account. The ending balance is always presented on the bigger or **normal side.** To record transactions, the accountant determines which accounts are credited or debited utilizing the debit and credit rules. The double-entry bookkeeping is an accounting system in which the recording of each transaction affects two or more accounts. You must include at least one debit and one credit per transaction, and the total amount of debits is equal to the total amount of credits.

Key Concepts: account, standard account, ledger, T account, debit, credit, footings, ending balance

Lecture Outline:

1) Each transaction is recorded in the accounting equation under specific accounts: assets, liabilities, capital, withdrawals, revenue, expenses, and so on.
   a) Accounts are also called "ledger accounts", from the days when each account was a type of paper business form, placed in a book called the ledger.
2) Accounts are used to record increases and decreases of business transactions relating to individual elements of the accounting equation:
   a) assets,
   b) liabilities,
   c) capital,
   d) withdrawals,
   e) revenue,
   f) and expenses.
3) The subdivisions or account categories (account classification) are:
   a) asset accounts,
   b) liability accounts,
   c) owner's equity accounts,
   d) revenue accounts,
   e) and expense accounts.
4) The standard account form includes:
   a) columns for date,
   b) explanation,

c) posting reference,
d) debit,
e) credit,
f) and total columns.

5) The ledger has all the individual accounts, and all transactions affecting an account are recorded on the form.
   a) A ledger is a book of accounts that records data from business transactions.
   b) Prepared manually in a traditional accounting format.
   c) Ledger accounts in a computerized system are updated automatically by software.
6) For simplicity's sake, use the T account form for demonstration purposes. T account simple form includes:
   a) the title, which expresses the name of the account
   b) debit (left) side or Dr.
   c) credit (right) side or Cr.
7) Footing: (the totals for each column)
   a) process of adding all items on the debit side,
   b) adding all items on the credit side
   c) calculate the T account ending balance.
   d) Balance the difference between the amounts on each side of the T account.
      i) Total the debits (Dr.)
      ii) Total the credits (Cr.)
      iii) Subtract the debits and credits
      iv) The ending balance will be on the side that has the greater number.

Teaching Tips/Strategy: Use the "Success Coach" LU 2-1 and the five true/false questions to assess the understanding of the T account. Normally, the assets will increase by the left or debit. Items to the right of the equal sign, such as liabilities and equity, increase by the right. The subdivisions of equity (revenue, expenses, capital, and withdrawals) will increase or decrease based on their relationship to equity. The revenue or capital accounts will increase the equity. Therefore, the account increases by the right or credit. If the account is an expense or a withdrawal, it decreases equity. The account increases by left or debit.

For lecture practice, utilize the Concept Check 1 to use T accounts to foot and balance each account.

Learning Unit 2-2: The Chart of Accounts: Recording Transactions in T Accounts According to Rules of Debits and Credits.

Summary: The accounting recording process starts with a business transaction, an exchange between two or more parties, sharing items of equal value. The double-entry analysis of transactions presents two or more accounts that are affected and the total of debits and credits that are equal**.** This double-entry system helps in checking the recording of business transactions. All business transactions are recorded in accounts. An **account** is a tool used to record and summarize the effects of the organization's transactions. The basic accounting equation contains the following account categories: assets, liabilities, capital, withdrawals, revenues, and expenses. The chart of accounts is a system of accounts that summarizes increases and decreases of all individual accounts. This numbering system of accounts allows accounts to be located quickly. For example, 100s are assets, 200s are liabilities, 300s are equity, 400s are revenues and 500s are expenses (See Table 2.2). A **compound entry** is a transaction that involves more than one debit or more than one credit**.**

The debit and credit rules are:
1. Assets increase by debit side (left) and decrease by credit side (right)

2. Liabilities increase by credit side (right) and decrease by debit side (left).
3. Equity accounts increase by credit side (right) and decrease by debit side (left). The equity subdivisions or categories will use the debit and credit rules to present the effect on the organization's equity.
   a. The equity subdivision rules are:

   1. Revenues increase the organization's equity in the business. Revenue accounts increase by credit and decrease by debit (same as the equity).
   2. The expenses decrease the organization's equity. Therefore, all expense accounts will increase by debit and decrease by credit. (Note that any item that decreases the equity, the behavior is opposite to the main equity account.)
   3. Capital accounts increase the organization's equity. Therefore, any capital transaction will increase by credit and decrease by debit. Withdrawals by owner decrease the organization's equity. Therefore, any withdrawal increases are recorded on the debit side.

Key Concepts: normal balance of an account, chart of accounts, compound entry, double-entry bookkeeping

Lecture Outline:

1) Refer to Table 2.1 for the rules of debit and credit using T accounts affecting the accounting equation.
   a) For assets increases are on the debit (left) side.
   b) For liabilities increases are on the credit (right) side.
   c) For capital increases are on the credit (right) side.
   d) For revenue increases are on the credit side which is the same as for capital.
   e) For withdrawals and expenses increases are on the debit side which is the opposite of how capital increases are.

   f) A normal balance of an account is the side that increases by the rules of debit and credit.
   g) The accounting equation balance must be maintained when transactions occur.
2) A chart of accounts is a numbered list of all of a business's accounts.
   a) Assets use 100s (as an example).
   b) Liabilities use 200s.
   c) Owner's Equity uses 300s.
   d) Revenues use 400s.
   e) Expenses use 500s.
3) Transaction analysis: five steps:
   a) Determine which accounts are affected.
   b) Determine which categories the accounts belong to assets, liabilities, capital, withdrawals, revenue, or expenses.
   c) Determine whether the accounts increase or decrease.
   d) What do the rules of debit and credit say?
   e) What does the T account look like?
4) Compound entry is a transaction involving more than one debit or credit.
5) Double-entry bookkeeping refers to an accounting system in which the recording of each transaction affects two or more accounts, and the total of the debits is equal to the total of credits.

Teaching Tips/Strategy: Use the "Success Coach" LU 2-2 (end of the chapter) and its five true/false questions to review the debit and credit rules. After reviewing the concepts, complete the Concept Checks 2 and 3 to check the debit and credit rules. Exercises 2A-1, 2A-2, 2A-3, and 2A-4 are excellent classroom practice to reinforce the objective 2 concepts.

Learning Unit 2-3: The Trial Balance and Preparation of Financial Statements

Summary: The **trial balance** is a list of all accounts with their balances in the same order as they appear in the chart of accounts. A trial balance is not a financial statement although it is used to prepare financial statements. A trial balance is a listing of each account with each account balance listed in its proper debit or credit column. Balances on the trial balance are taken directly from footings and ending balances on the T accounts. The total of the debit column should equal the total of the credit column.

The financial statements include income statement, statement of owner's equity, and the balance sheet. All financial statements have two columns. The columns are used for subtotals and NOT for debit and credit format. There are no debits and credits on the financial statements. The income statement summarizes the revenues and expenses to calculate the net income or net loss. The statement of owner's equity updates the ending capital balance for the period. It includes the beginning and ending balances of capital accounts, the net income or net loss, and the withdrawals account. The balance sheet is the representation of the accounting equation as the last day of the period or as a "snapshot". The balance sheet includes all assets, liabilities, and the ending balance of equity.

Key Concepts: Trial balance

Lecture Outline:

2) The trial balance:
    a) is a list of all accounts with their balances,
    b) the order of accounts is the same as they appear in the chart of accounts,
    c) is not a financial statement but is a tool used to prepare financial statements,
    d) is a list of ending balances from the ledger,
    e) and the total of the debit column should equal the total of the credit column.
6) Preparing financial statements:
    a) All financial statements are related:
        i) the net income or net loss from the income statement flows to the statements of owner's equity,
        ii) the ending balance of capital on the owner's equity statement flows to the balance sheet.
    b) The dollar sign or currency sign is used at the top of each column and on the final total amounts.
    c) One underline represents a list to subtotal
    d) Two underlines represent the end of the statement or the final "bottom line" number.
7) The Income Statement: (is generally prepared first)
    f) includes revenues and expenses
    g) includes gains or losses
    h) Net Income – revenues are greater than expenses. (Revenues – Expenses)
    i) Net Loss – expenses are greater than revenues. (Expenses – Revenues)
    j) The net income or net loss is carried to the statement of owner's equity.
8) The Statement of Owner's Equity:
    a) Start with the capital balance as of the beginning of the period
    b) Add: Net income (from the income statement)
    c) Add: additional investments from the owners
    d) Deduct: Net Loss (from the income statement)
    e) Deduct: any withdrawals
    f) Calculate the new ending balance for the capital account or owner's equity.
    g) The new balance for owner's equity is carried to the Balance Sheet.
9) The Balance Sheet:

a) Lists all assets, liabilities and the new equity or capital account balance.
b) The total of assets = total of liabilities and equity.

Teaching Tips/Strategy: Use the “Success Coach” LU 2-3 and its five true/false questions to review trial balance and financial statement concepts. After reviewing the concepts, complete the Concept Checks 4 to confirm to order in which various accounts appear on the trial balance and assure that students understand that the order is the same as how the accounts appear in the chart of accounts and the order of general ledger.

The instructor can use the Concept Check 5 as a demonstration exercise identify which accounts on which financial statements. Exercises 2A-5 and 2B-5 are excellent classroom practice to reinforce the learning objective 3 concepts. Use the “Ten-Minute Quiz”, located on the last page of this instructor’s manual, as an quick in- class exercise to assess learning outcomes.

Teaching Tips/Strategy: Each chapter contains a Try It! at the end of each Learning Unit. The Try its! are intended as practice for students and/or as checking of student understanding. There is also a Demonstration Summary Problem with each chapter to provide an overview of all the chapter concepts. Students can study and review this problem to view how all the chapter concepts fit together.

Name________________________________Date______________Section______

CHAPTER 2
TEN-MINUTE QUIZ

Circle the letter of the best response.

1. Although debits increase assets, they also
   a. increase revenues
   b. increase expenses
   c. increase owner's equity
   d. increase liabilities

2. The right side of a T account is the
   a. increase side
   b. decrease side
   c. credit side
   d. debit side

3. A compound entry is
   a. an entry involving more than one debit or credit
   b. an entry involving multiple transactions
   c. an entry involving more than one date
   d. an entry increasing and decreasing the same account

4. Which of the following accounts has a normal debit balance?
   a. Mia Wong, Capital
   b. Cash
   c. Accounts Payable
   d. Fees Earned

5. Which of the following accounts has a normal credit balance?
   a. Office Equipment
   b. Salaries Expense
   c. Accounts Receivable
   d. Accounts Payable

6. Payment of salaries to employees is recorded as a(n)
   a. asset
   b. liability
   c. revenue
   d. expense

7. The trial balance
   a. shows the income earned during the year
   b. shows the total amount of assets
   c. shows the accuracy of the general ledger
   d. is the first financial statement prepared

8. Which account is shown on the balance sheet?
   a. Cash
   b. Utilities Expense

c. Withdrawals by owner
d. Revenue

9. Which account is shown on the income statement?
   a. Equipment
   b. Owner, Capital Account
   c. Accounts Payable
   d. Rent Expense

10. Which account is shown on the statement of owner's equity?
   a. Fees Earned
   b. Accounts Receivable
   c. Owner, Withdrawals
   d. Accounts Payable

Answer Key to Chapter 2 Quiz

1. b
2. c
3. a
4. b
5. d
6. d
7. c
8. a
9. d
10. c

2
Debits and Credits: Analyzing and Recording Business Transactions

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. A ledger is a group of accounts that records in monetary value the data from business transactions.
2. The left-hand side is always the debit side. It is an arbitrary rule.
3. False. Accounts with one entry will not need footings.
4. The financial statements are the end products of the accounting process.
5. The transaction analysis chart is a teaching device that is not used in the regular accounting process.
6. Which accounts are affected? In which categories do the accounts belong? Are the accounts increasing or decreasing? What do the rules of debit and credit say? What does the T-account look like?
7. Disagree. Computers will record debits and credits based on the account type.
8. False. The trial balance is an informal report that does not have the same status as financial statements. The trial balance is used to verify the equality of total debits and credits and prepare the financial statements.
9. The financial statements are prepared from the ending balances of the accounts (debit or credit) in the ledger. The columns on financial statements are used for listing amounts and for subtotaling.
10. It is easier to prepare the reports from the trial balance rather than the expanded accounting equation because the trial balance lists all accounts and their balances. The columns for revenue, expenses, etc., in the expanded accounting equation do not list specific titles and their balances.
11. The question in this case is whether Jasmine should be allowed to put fictitious figures into the trial balance. I would not support this type of behavior. Her behavior is extremely unprofessional and goes against professional ethical standards. Instead of putting in fictitious figures, Jasmine should stay late and correct the trial balance. She could also ask for help.

12. Covid-19 affected businesses since many employees, including accountants, began to work remotely, i.e. from home. The advantage to the employee is not having any work commute time. The advantage for the company is that some employees tended to work longer hours since they were forced to self-isolate at times. Companies did have to institute or at least enforce monitoring of their employees’ productivity since the employees were working remotely. Ultimately, this is good for employees because they are safer from Covid-19 by working remotely.

SOLUTIONS TO CONCEPT CHECKS

1. The ending balance in Cash is $20,500 (debit balance). The ending balance in C. Rice, Capital is $18,000(credit balance).

Cash 110

6/24 9,000	500 6/26
6/28 12,000	
21,000	500
Bal. 20,500	

C. Rice, Capital 311

	11,000 6/1
	6,000 6/8
	1,000 6/22
	18,000 Bal.

2.

Category	Incr.	Decr.	Normal Bal.
A. Liability	Cr.	Dr.	Cr.
B. Revenue	Cr.	Dr.	Cr.
C. Asset	Dr.	Cr.	Dr.
D. Capital	Cr.	Dr.	Cr.
E. Withdrawal	Dr.	Cr.	Dr.
F. Asset	Dr.	Cr.	Dr.
G. Expense	Dr.	Cr.	Dr.

3.

Account	Category	**Increase/Decrease**	Dr. or Cr.	T Accounts
Cash	Asset	↑	Dr.	Cash: 600 (Dr.)
Accounts Receivable	Asset	↑	Dr.	Acc. Rec.: 2,900 (Dr.)
Design Service Revenue	Revenue	↑	Cr.	Design Service Revenue: 3,500 (Cr.)

4. Cash
   Accounts Receivable
   Office Equipment
   Accounts Payable
   C. Norris, Capital
   C. Norris, Withdrawals
   Day Spa Fees Earned
   Selling Expense
   Salary Expense
   Advertising Expense

5. A.BS
   B.BS
   C.BS
   D.BS
   E.OE
   F.OE
   G.IS
   H.IS
   I. IS
   J.IS
   K.IS

SOLUTIONS TO SET A EXERCISES

2A-1. Balance Sheet Accounts

Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Office Equipment (iPad)

Liabilities

- 211 Accounts Payable

Owner's Equity

- 311 L. Janas, Capital
- 312 L. Janas, Withdrawals

Income Statement Accounts

Revenue

- 411 Legal Fees

Expenses

- 511 Salary Expense
- 512 Repair Expense
- 513 Advertising Expense

2A-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update
Computer Equipment	Asset	↑	Dr.	Computer Equipment 30,000
Cash	Asset	↓	Cr.	Cash 8,000
Accounts Payable	Liability	↑	Cr.	Accounts Payable 22,000

EXERCISES (CONTINUED)

2A-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Computer Supplies	Asset	Dr.	Cr.	Balance Sheet
Legal Fees Earned	Revenue	Cr.	Dr.	Income Statement
P. Roy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Salaries Expense	Expense	Dr.	Cr.	Income Statement
Auto	Asset	Dr.	Cr.	Balance Sheet

2A-4.

	Dr.	Cr.
A.	8	1
B.	6	1
C.	9	4
D.	1	7
E.	10	1
F.	3	5
G.	2	7
H.	1	2
I.	3	4

EXERCISES (CONTINUED)

2A-5.

(1)

TUPUOLA'S JANITORIAL SERVICES
INCOME STATEMENT
FOR MONTH ENDED MARCH 31, 202X

Revenue:		
Cleaning Fees		$466
Operating Expenses:		
Salaries Expense	$125	
Utilities Expense	162	
Total Operating Expenses		287
Net Income		$179

(2)

TUPUOLA'S JANITORIAL SERVICES
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MARCH 31, 202X

L. Tupuola, Capital, March 1, 202X			$726
Net Income for March	$	179	
Less: Withdrawals for March		(55)	
Increase in Capital			124
L. Tupuola, Capital, March 31, 202X			$850

(3)

TUPUOLA'S JANITORIAL SERVICES
BALANCE SHEET
MARCH 31, 202X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$750	Liabilities	
Equipment	500	Accounts Payable	$400
		Owner's Equity	
		L. Tupuola, Capital	850
		Total Liabilities and	
Total Assets	$1250	Owner's Equity	$1250

SOLUTIONS TO SET B EXERCISES

2B-1. Balance Sheet Accounts

Assets
- 111 Cash
- 112 Accounts Receivable
- 121 Office Equipment (Microsoft Surface Pro)

Liabilities
- 211 Accounts Payable

Owner's Equity
- 311 L. Jones, Capital
- 312 L. Jones, Withdrawals

Income Statement Accounts

Revenue
- 411 Legal Fees Earned

Expenses
- 511 Salary Expense
- 512 Rent Expense
- 513 Advertising Expense

2B-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update
Computer Equipment	Asset	↑	Dr.	Computer Equipment: Dr. 28,000
Cash	Asset	↓	Cr.	Cash: Cr. 8,000
Accounts Payable	Liability	↑	Cr.	Accounts Payable: Cr. 20,000

EXERCISES (CONTINUED)

2B-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Office Supplies	Asset	Dr.	Cr.	Balance Sheet
Rental Fees Earned	Revenue	Cr.	Dr.	Income Statement
A. Jackson, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Wage Expense	Expense	Dr.	Cr.	Income Statement
Computer	Asset	Dr.	Cr.	Balance Sheet

2B-4.

	Dr.	Cr.
A.	8	1
B.	6	1
C.	9	4
D.	1	7
E.	10	1
F.	3	5
G.	2	7
H.	1	2
I.	3	4

EXERCISES (CONTINUED)

2B-5.

(1)

ALI'S CLEANERS
INCOME STATEMENT
FOR MONTH ENDED JANUARY 31, 202X

Revenue:		
Cleaning Fees		$ 460
Operating Expenses:		
Salaries Expense	$ 110	
Utilities Expense	171	
Total Operating Expenses		281
Net Income		$ 179

(2)

ALI'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED JANUARY 31, 202X

H. Ali, Capital, January 1, 202X		$ 866
Net Income for January	$ 179	
Less: Withdrawals for January	(250)	
Decrease in Capital		(71)
H. Ali, Capital, January 31, 202X		$ 795

(3)

ALI'S CLEANERS
BALANCE SHEET
JANUARY 31, 202X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$ 750	Liabilities	
Equipment	500	Accounts Payable	$ 455
		Owner's Equity	
		H. Ali, Capital	795
		Total Liabilities and	
Total Assets	$1 250	Owner's Equity	$1 250

SOLUTIONS TO SET A PROBLEMS

PROBLEM 2A-1

Accounts Affected	Category	Inc. ↑ Dec. ↓	Rules	T-Account update					
				Account	Dr.	Cr.	Account	Dr.	Cr.
A. Cash	Asset	↑	Dr.	Cash	(A) 30,000		Brent Omara, Capital		30,000 (A)
Brent Omara, Capital	Capital*	↑	Cr.						
B. Delivery Trucks	Asset	↑	Dr.	Delivery Trucks	(B) 6,000		Accounts Payable		6,000 (B)
Accounts Payable	Liability	↑	Cr.						
C. Rent Expense	Expense	↑	Dr.	Rent Expense	(C) 1,000		Accounts Payable		6,000 (B) 1,000 (C)
Accounts Payable	Liability	↑	Cr.						
D. Cash	Asset	↑	Dr.	Cash	(A)30,000 (D) 1,200		Delivery Fees Earned		1,200 (D)
Delivery Fees Earned	Revenue	↑	Cr.						
E. Accounts Receivable	Asset	↑	Dr.	Accounts Receivable	(E) 1,010		Delivery Fees Earned		1,200 (D) 1,010 (E)
Delivery Fees Earned	Revenue	↑	Cr.						
F. Brent Omara, Withdrawals	Withdrawal*	↑	Dr.	Brent Omara, Withdrawals	(F) 1,000		Cash	(A)30,000 (D) 1,200	1,000 (F)
Cash	Asset	↓	Cr.						

* A subdivision of Owner's Equity

PROBLEM 2A-2

Cash 111

(A) 34,000	80 (D)
(C) 3,100	650 (E)
	600 (G)

Office Equipment 121

(B) 1,000	

Accounts Payable 211

(G) 600	1,000 (B)
	900 (F)

Lizette Pena, Capital 311

	34,000 (A)

Lizette Pena, Withdrawals 312

(D) 80	

Consulting Fees Earned 411

	3,100 (C)

Advertising Expense 511

(E) 650	

Rent Expense 512

(F) 900	

PROBLEM 2A-3

(a)

Cash	111
(A) 17,000	600 (D)
(G) 5,500	100 (E)
	100 (F)
	340 (H)
	320 (I)
22,500	1,460
Bal 21,040	

Accounts Payable	211
(D) 600	1,400 (C)
	800 Bal

Cleaning Fees Earned	411
	11,000 (B)

Accounts Receivable	112
(B) 11,000	5,500 (G)
Bal 5,500	

Richard Chen, Capital	311
	17,000 (A)

Rent Expense	511
(F) 100	

Office Equipment	121
(C) 1,400	
(H) 340	
Bal 1,740	

Richard Chen, Withdrawals	312
(I) 320	

Utilities Expense	512
(E) 100	

(b)

CHEN'S CUSTOM CLEANING SERVICE
TRIAL BALANCE
OCTOBER 31, 202X

	Dr.	Cr.
Cash	21 040	
Accounts Receivable	5 500	
Office Equipment	1 740	
Accounts Payable		800
Richard Chen, Capital		17 000
Richard Chen, Withdrawals	320	
Cleaning Fees Earned		11 000
Rent Expense	100	
Utilities Expense	100	
Totals	28 800	28 800

PROBLEM 2A-4

(a)

GABRIELLA LEITZ, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED JANUARY 31, 202X

Revenue:		
Revenue from Legal Fees		$1600
Operating Expenses:		
Utilities Expense	$150	
Rent Expense	350	
Salaries Expense	150	
Total Operating Expenses		650
Net Income		$950

(b)

GABRIELLA LEITZ, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED JANUARY 31, 202X

G. Leitz, Capital, January 1, 202X		$4600
Net Income for January	$950	
Less: Withdrawals for January	(400)	
Increase in Capital		550
G. Leitz, Capital, January 31, 202X		$5150

(c)

GABRIELLA LEITZ, ATTORNEY AT LAW
BALANCE SHEET
JANUARY 31, 202X

ASSETS		LIABILITIES AND OWNER'S EQUITY		
Cash	$7000	Liabilities		
Accounts Receivable	800	Accounts Payable	$2200	
Office Equipment	500	Salaries Payable	950	
		Total Liabilities		$3150
		Owner's Equity		
		G. Leitz, Capital		5150
		Total Liabilities and		
Total Assets	$8300	Owner's Equity		$8300

PROBLEM 2A-5

(1, 2)

Cash 111

(A) 30,000	1,200 (C)
(E) 2,600	250 (D)
(J) 100	650 (F)
	1,600 (G)
	700 (K)
32,700	4,400
28,300	

Accounts Payable 211

	5,000 (B)
	700 (I)
	5,700

Advertising Expense 511

(D) 250	

Accounts Receivable 112

(H) 1,500	100 (J)
1,400	

Sam Kim, Capital 311

	30,000 (A)

Gas Expense 512

(G) 1,600	

Office Equipment 121

(C) 1,200	

Sam Kim, Withdrawals 312

(K) 700	

Salaries Expense 513

(F) 650	

Trucks122

(B) 5,000	

Tree Trimming Fees Earned 411

	2,600 (E)
	1,500 (H)
	4,100

Telephone Expense 514

(I) 700	

PROBLEM 2A-5 (CONTINUED)

(3)

KIM'S TREE TRIMMING SERVICE
TRIAL BALANCE
OCTOBER 31, 202X

	Dr.	Cr.
Cash	28 3 0 0	
Accounts Receivable	1 4 0 0	
Office Equipment	1 2 0 0	
Trucks	5 0 0 0	
Accounts Payable		5 7 0 0
Sam Kim, Capital		30 0 0 0
Sam Kim, Withdrawals	7 0 0	
Tree Trimming Fees Earned		4 1 0 0
Advertising Expense	2 5 0	
Gas Expense	1 6 0 0	
Salaries Expense	6 5 0	
Telephone Expense	7 0 0	
Totals	39 8 0 0	39 8 0 0

(4a)

KIM'S TREE TRIMMING SERVICE
INCOME STATEMENT
FOR MONTH ENDED OCTOBER 31, 202X

Revenue:		
Tree Trimming Fees Earned		$4 1 0 0
Operating Expenses:		
Advertising Expense	$ 2 5 0	
Gas Expense	1 6 0 0	
Salaries Expense	6 5 0	
Telephone Expense	7 0 0	
Total Operating Expenses		3 2 0 0
Net Income		$ 9 0 0

PROBLEM 2A-5 (CONCLUDED)

(4b)

KIM'S TREE TRIMMING SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED OCTOBER 31, 202X

Sam Kim, Capital, October 1, 202X					$			0
Investment in October			.		30	0	0	0
Total investment for October					30	0	0	0
Net Income for October	$	9	0	0				
Less: Withdrawals for October		(7	0	0)				
Increase in Capital						2	0	0
Sam Kim, Capital, October 31, 202X					$30	2	0	0

(4c)

KIM'S TREE TRIMMING SERVICE
BALANCE SHEET
OCTOBER 31, 202X

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	28	3	0	0	Liabilities				
Accounts Receivable	1	4	0	0	Accounts Payable	$ 5	7	0	0
Office Equipment	1	2	0	0					
Trucks	5	0	0	0	Owner's Equity				
					Sam Kim, Capital	30	2	0	0
					Total Liabilities and				
Total Assets	$35	9	0	0	Owner's Equity	$35	9	0	0

SOLUTIONS TO SET B PROBLEMS

PROBLEM 2B-1

Accounts Affected	Category	Inc. ↑ Dec. ↓	Rules	T-Account update	Dr. side	Cr. side	T-Account update	Dr. side	Cr. side
A. Cash	Asset	↑	Dr.	Cash	(A) 50,000		B. Orwell, Capital		50,000 (A)
B. Orwell, Capital	Capital	↑	Cr.						
B. Delivery Trucks	Asset	↑	Dr.	Delivery Trucks	(B) 13,000		Accounts Payable		13,000 (B)
Accounts Payable	Liability	↑	Cr.						
C. Rent Expense	Expense	↑	Dr.	Rent Expense	(C) 1,100		Accounts Payable		13,000 (B) 1,100 (C)
Accounts Payable	Liability	↑	Cr.						
D. Cash	Asset	↑	Dr.	Cash	(A) 50,000 (D) 2,500		Delivery Fees Earned		2,500 (D)
Delivery Fees Earned	Revenue	↑	Cr.						
E. Accounts Receivable	Asset	↑	Dr.	Accounts Receivable	(E)1,200		Delivery Fees Earned		2,500 (D) 1,200 (E)
Delivery Fees Earned	Revenue	↑	Cr.						
F. B. Orwell, Withdrawals	Withdrawal	↑	Dr.	B. Orwell, Withdrawals	(F) 400		Cash	(A)50,000 (D) 2,500	400 (F)
Cash	Asset	↓	Cr.						

PROBLEM 2B-2

Cash	111
(A) 33,000	150 (D)
(C) 2,000	250 (E)
	600 (G)

Office Equipment	121
(B) 2,500	

Accounts Payable	211
(G) 600	2,500 (B)
	500 (F)

Tina Diskin, Capital	311
	33,000 (A)

Tina Diskin Withdrawals	312
(D) 150	

Consulting Fees Earned	411
	2,000 (C)

Advertising Expense	511
(E) 250	

Rent Expense	512
(F) 500	

PROBLEM 2B-3

(a)

Cash	111
7,000 (A)	400 (D)
2,000 (G)	500 (E)
	550 (F)
	550 (H)
	320 (I)
9,000	2,320
Bal. 6,680	

Accounts Receivable	112
11,000 (B)	2,000 (G)
Bal. 9,000	

Office Equipment	121
2,100 (C)	
550 (H)	
Bal. 2,650	

Accounts Payable	211
400 (D)	2,100 (C)
	1,700 Bal.

Brent Jane, Capital	311
	7,000 (A)

Brent Jane, Withdrawals	312
320 (I)	

Cleaning Fees Earned	411
	11,000 (B)

Rent Expense	511
550 (F)	

Utility Expense	512
500 (E)	

(b)

BRENT'S CLEANING SERVICE
TRIAL BALANCE
JULY 31, 202X

	Dr.	Cr.
Cash	6680	
Accounts Receivable	9000	
Office Equipment	2650	
Accounts Payable		1700
Brent Jane, Capital		7000
Brent Jane, Withdrawals	320	
Cleaning Fees Earned		11000
Rent Expense	550	
Utilities Expense	500	
Totals	19700	19700

PROBLEM 2B-4

(a)

GAIL LANTZ, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED JULY 31, 202X

Revenue:		
Revenue from Legal Fees		$1 6 0 0
Operating Expenses:		
Utilities Expense	$ 1 0 0	
Rent Expense	4 5 0	
Salaries Expense	2 0 0	
Total Operating Expenses		7 5 0
Net Income		$ 8 5 0

(b)

GAIL LANTZ, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED JULY 31, 202X

G. Lantz, Capital, July 1, 202X		$4 7 0 0
Net Income for July	$ 8 5 0	
Less: Withdrawals for July	(1 1 0 0)	
Decrease in Capital		(2 5 0)
G. Lantz, Capital, July 31, 202X		$4 4 5 0

(c)

GAIL LANTZ, ATTORNEY AT LAW
BALANCE SHEET
JULY 31, 202X

ASSETS		LIABILITIES AND OWNER'S EQUITY		
Cash	$5 0 0 0	Liabilities		
Accounts Receivable	7 5 0	Accounts Payable	$3 0 0 0	
Office Equipment	2 7 0 0	Salaries Payable	1 0 0 0	
		Total Liabilities		$4 0 0 0
		Owner's Equity		
		G. Lantz, Capital		4 4 5 0
		Total Liabilities and		
Total Assets	$8 4 5 0	Owner's Equity		$8 4 5 0

PROBLEM 2B-5

(1, 2)

Cash 111

(A) 33,000	1,100 (C)
(E) 3,500	250 (D)
(J) 100	750 (F)
	1,000 (G)
	700 (K)
36,600	3,800
Bal. 32,800	

Accounts Receivable 112

(H) 800	100 (J)
Bal. 700	

Office Equipment 121

(C) 1,100	

Delivery Trucks 122

(B) 13,000	

Accounts Payable 211

	13,000 (B)
	50 (I)
	Bal. 13,050

Angelique Bujol, Capital 311

	33,000 (A)

Angelique Bujol, Withdrawals 312

(K) 700	

Grocery Delivery Fees Earned 411

	3,500 (E)
	800 (H)
	Bal. 4,300

Advertising Expense 511

(D) 250	

Gas Expense 512

(G) 1,000	

Salaries Expense 513

(F) 750	

Telephone Expense 514

(I) 50	

PROBLEM 2B-5 (CONTINUED)
(3)

ANGELIQUE'S GROCERY DELIVERY SERVICE
TRIAL BALANCE
OCTOBER 31, 202X

	Dr.	Cr.
Cash	32 8 0 0	
Accounts Receivable	7 0 0	
Office Equipment	1 1 0 0	
Delivery Trucks	13 0 0 0	
Accounts Payable		13 0 5 0
Angelique Bujol, Capital		33 0 0 0
Angelique Bujol, Withdrawals	7 0 0	
Grocery Delivery Fees Earned		_4 3 0 0
Advertising Expense	2 5 0	
Gas Expense	1 0 0 0	
Salaries Expense	7 5 0	
Telephone Expense	5 0	
Totals	50 3 5 0	50 3 5 0

(4a)

ANGELIQUE'S GROCERY DELIVERY SERVICE
INCOME STATEMENT
FOR MONTH ENDED OCTOBER 31, 202X

Revenue:		
Grocery Delivery Fees Earned		$4 3 0 0
Operating Expenses:		
Advertising Expense	$ 2 5 0	
Gas Expense	1 0 0 0	
Salaries Expense	7 5 0	
Telephone Expense	5 0	
Total Operating Expenses		2 0 5 0
Net Income		$2 2 5 0

PROBLEM 2B-5 (CONCLUDED)
(4b)

ANGELIQUE'S GROCERY DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED OCTOBER 31, 202X

Angelique Bujol, Capital, October 1, 202X					$			0
Investment in October					33	0	0	0
Total investment for October					33	0	0	0
Net Income for October	$2	2	5	0				
Less: Withdrawals for October		(7	0	0)				
Increase in Capital					1	5	5	0
Angelique Bujol, Capital, October 31, 202X					$34	5	5	0

(4c)

ANGELIQUE'S GROCERY DELIVERY SERVICE
BALANCE SHEET
OCTOBER 31, 202X

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	$32	8	0	0	Liabilities				
Accounts Receivable		7	0	0	Accounts Payable	$13	0	5	0
Office Equipment	1	1	0	0					
Delivery Trucks	13	0	0	0	Owner's Equity				
					Angelique Bujol, Capital	34	5	5	0
					Total Liabilities and				
Total Assets	$47	6	0	0	Owner's Equity	$47	6	0	0

FINANCIAL REPORT PROBLEM SOLUTION—

1. 2020 Amazon.com's Annual Report

Year	Accounts Payable
2020	$72,539 million
2019	$47,183 million
Increase	$25,356 million

Accounts Payable increased by $25.3 billion in 2020. The change means Amazon.com, Inc. owes more to suppliers in 2020 than in 2019. Accounts Payable is a liability that increases with a credit.

2. Target's accounts payable balance for 2020 is $12,859 million, which is an increase of $2,939 million from the prior year.

Date	Accounts Payable
1/30/2021 (2020 Annual Report)	$12,859 million
2/1/2020 (2019 Annual Report)	$9,920 million
Increase	$2,939 million

Cash 1000

10,540 (bal)	300 (L)
1,400 (P)	50 (M)
	500 (N)
	100 (Q)
	20 (R)
11,940	970
10,970 bal	

Accounts Receivable 1020

1,100 (O)	

Supplies 1030

500 (bal)	
500 (S)	
1,000 (bal)	

Computer Shop Equipment 1080

1,260 (bal)	

Office Equipment 1090

1,500 bal)	

Accounts Payable 2000

50 (M)	600 (bal)
100 (Q)	200 (K)
	500 (S)
150	1,300
	1,150 (bal)

Suarez, Capital 3000

	12,500 (bal)

Suarez, Withdrawals 3010

1,500 bal	

Service Revenue 4000

	3,100 (bal)
	1,100 (O)
	1,400 (P)
	5,600 (bal)

Advertising Expense 5010

500(N)	

Rent Expense 5020

800 (bal)	

Utilities Expense 5030

100 bal	

Phone Expense 5040

200(K)	

Supplies Expense 5050

0	

Insurance Expense 5060

300 (L)	

Postage Expense 5070

20 (R)	

Assignment 4

SUAREZ DIGITAL SERVICES
TRIAL BALANCE
AUGUST 31, 202X

	Dr.	Cr.
Cash	10,970.00	
Accounts Receivable	_1,100.00	
Supplies	_1,000.00	
Computer Shop Equipment	_1,260.00	
Office Equipment	_1,500.00	
Accounts Payable		_1,150.00
Suarez, Capital		12,500.00
Suarez, Withdrawals	_1,500.00	
Service Revenue		_5,600.00
Advertising Expense	500.00	
Rent Expense	800.00	
Utilities Expense	100.00	
Phone Expense	200.00	
Insurance Expense	300.00	
Postage Expense	20.00	
Totals	19,250.00	19,250.00

Assignment 5

SUAREZ DIGITAL SERVICES
INCOME STATEMENT
FOR THE TWO MONTHS ENDED AUGUST 31, 202X

Revenue:		
Service Revenue		$ 5,600.00
Operating Expenses:		
Advertising Expense	$ 500.00	
Rent Expense	800.00	
Utilities Expense	100.00	
Phone Expense	200.00	
Insurance Expense	300.00	
Postage Expense	20.00	
Total Operating Expenses		1,920.00
Net Income		$ 3,680.00

Assignment 5 (Concluded)

SUAREZ DIGITAL SERVICES
STATEMENT OF OWNER'S EQUITY
FOR THE TWO MONTHS ENDED AUGUST 31, 202X

Suarez, Capital, July 1, 202X		$ 0 00
Investment in July		12 5 0 0 00
Total investment for July		12 5 0 0 00
Net Income	$ 3 6 8 0 00	
Less: Suarez Withdrawals	(1 5 0 0 00)	
Net Increase Capital		2 1 8 0 00
Suarez, Capital, August 31, 202X		$14 6 8 0 00

SUAREZ DIGITAL SERVICES
BALANCE SHEET
AUGUST 31, 202X

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Cash	$10 9 7 0 00	Liabilities:	
Accounts Receivable	1 1 0 0 00	Accounts Payable	$ 1 1 5 0 00
Supplies	1 0 0 0 00		
Computer Shop Equipment	1 2 6 0 00	Owner's Equity:	
Office Equipment	1 5 0 0 00	Suarez, Capital	14 6 8 0 00
		Total Liabilities and	
Total Assets	$15 8 3 0 00	Owner's Equity	$15 8 3 0 00

