

APPENDIX A

DOUBLE-ENTRY ACCOUNTING SYSTEMS

EXERCISES

E-1

- | | |
|-----------|-----------|
| a. credit | g. credit |
| b. debit | h. credit |
| c. debit | i. credit |
| d. credit | j. debit |
| e. credit | k. credit |
| f. credit | l. debit |

E-2

a. and b.

Transaction	Account Debited		Account Credited	
	Type	Effect	Type	Effect
(1)	asset	+	capital stock	+
(2)	asset	+	asset	—
(3)	asset	+	asset	—
			liability	+
(4)	expense	+	asset	—
(5)	asset	+	revenue	+
(6)	liability	—	asset	—
(7)	asset	+	asset	—
(8)	expense	+	asset	—
(9)	dividend	+	asset	—

E-3

(1)	Cash	25,000	
	Capital Stock.....		25,000
(2)	Supplies	1,750	
	Cash.....		1,750
(3)	Equipment	18,000	
	Accounts Payable.....		14,400
	Cash.....		3,600
(4)	Operating Expenses	2,700	
	Cash.....		2,700
(5)	Accounts Receivable.....	13,500	
	Service Revenue.....		13,500
(6)	Accounts Payable	7,500	
	Cash.....		7,500
(7)	Cash	10,000	
	Accounts Receivable		10,000
(8)	Operating Expenses	1,050	
	Supplies		1,050
(9)	Dividends.....	2,500	
	Cash.....		2,500

E-4

**WILD RIVER TOURS CO.
Trial Balance
May 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash	16,950	
Accounts Receivable	3,500	
Supplies	700	
Equipment.....	18,000	
Accounts Payable		6,900
Capital Stock		25,000
Dividends	2,500	
Service Revenue.....		13,500
Operating Expenses.....	<u>3,750</u>	
	<u>45,400</u>	<u>45,400</u>

E-5

- 1. debit and credit entries (c)**
- 2. debit and credit entries (c)**
- 3. debit and credit entries (c)**
- 4. credit entries only (b)**
- 5. debit entries only (a)**
- 6. debit entries only (a)**
- 7. debit entries only (a)**

E-6

- | | |
|---|--------------------------|
| a. Liability—credit | f. Revenue—credit |
| b. Asset—debit | g. Asset—debit |
| c. Stockholders' equity
(Capital stock)—credit | h. Expense—debit |
| d. Asset—debit | i. Asset—debit |
| e. Stockholders' equity
(Dividends)—debit | j. Expense—debit |

E-7

- a. The increase of \$184,000 (\$515,000 – \$331,000) in the cash account does not necessarily indicate earnings of that amount. Earnings will represent the net change in all assets and liabilities from operating transactions.**
- b. \$38,350 (\$222,350 – \$184,000)**

E-8

a.

Accounts Payable			
		Oct. 1	X
	<u>100,000</u>		<u>115,150</u>
		Oct. 31	39,000

$$X + \$115,150 - \$100,000 = \$39,000$$

$$X = \$39,000 + \$100,000 - \$115,150$$

$$X = \$23,850$$

b.

Accounts Receivable			
May 1	36,200		315,000
	<u>X</u>		<u> </u>
May 31	41,600		

$$\$36,200 + X - \$315,000 = \$41,600$$

$$X = \$41,600 + \$315,000 - \$36,200$$

$$X = \$320,400$$

c.

Cash			
June 1	20,000		X
	<u>279,100</u>		<u> </u>
June 30	15,500		

$$\$20,000 + \$279,100 - X = \$15,500$$

$$X = \$20,000 + \$279,100 - \$15,500$$

$$X = \$283,600$$

E-9**2012**

July	1	Rent Expense	4,500	
		Cash.....		4,500
	2	Advertising Expense	1,800	
		Cash.....		1,800
	5	Supplies	900	
		Cash.....		900
	6	Office Equipment	12,300	
		Accounts Payable.....		12,300
	10	Cash	4,100	
		Accounts Receivable		4,100
	15	Accounts Payable	1,200	
		Cash.....		1,200
	27	Miscellaneous Expense.....	500	
		Cash.....		500
	30	Utilities Expense	180	
		Cash.....		180
	31	Accounts Receivable.....	26,800	
		Fees Earned		26,800
	31	Utilities Expense	315	
		Cash.....		315
	31	Dividends.....	2,000	
		Cash.....		2,000

E-10**a.**

2012			
Nov. 2	Supplies	1,800	
	Accounts Payable		1,800

b., c., d.**Supplies**

2012		
Nov. 1 Bal.	1,050	
2	<u>1,800</u>	
Nov. 30 Bal.	2,850	

Accounts Payable

2012		
Nov. 1 Bal.		15,600
2		<u>1,800</u>
Nov. 30 Bal.		17,400

E-11

a.

1.	Accounts Receivable	41,730	
	Fees Earned		41,730
2.	Supplies	1,800	
	Accounts Payable		1,800
3.	Cash	39,150	
	Accounts Receivable		39,150
4.	Accounts Payable	1,100	
	Cash		1,100

b.

Cash		Accounts Payable	
(3)	39,150	(4)	1,100
		(4)	1,100
		(2)	1,800
Supplies		Fees Earned	
(2)	1,800		
		(1)	41,730
Accounts Receivable			
(1)	41,730	(3)	39,150

CUPID CO.
Trial Balance
December 31, 2012

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash	26,000*	
Accounts Receivable	59,900	
Supplies	3,150	
Prepaid Insurance	4,500	
Land.....	127,500	
Accounts Payable		28,000
Unearned Rent.....		13,500
Notes Payable.....		60,000
Capital Stock		50,000
Retained Earnings.....		83,500
Dividends	30,000	
Fees Earned		465,000
Wages Expense	262,500	
Rent Expense	90,000	
Utilities Expense	62,250	
Supplies Expense.....	11,850	
Insurance Expense.....	9,000	
Miscellaneous Expense	13,350	
	<u>700,000</u>	<u>700,000</u>

***Hint:** Total debits must equal total credits. To get the cash amount, first find the total Credit column balance, which is \$700,000. Once you know that the total credit column balance is \$700,000, then you know that the total Debit column must be the same amount. Once you have the total balance for the Debit column, \$700,000, you can solve for the missing number, which is cash.

Cash must be: \$700,000 – \$13,350 – \$9,000 – \$11,850 – \$62,250 – \$90,000 – \$262,500 – \$30,000 – \$127,500 – \$4,500 – \$3,150 – \$59,900 = \$26,000

PROBLEMS

P-1

1.

(a)	Cash	20,000	
	Capital Stock.....		20,000
(b)	Supplies	1,000	
	Accounts Payable.....		1,000
(c)	Cash	12,250	
	Sales Commissions.....		12,250
(d)	Rent Expense	3,800	
	Cash.....		3,800
(e)	Accounts Payable	600	
	Cash.....		600
(f)	Dividends.....	3,000	
	Cash.....		3,000
(g)	Automobile Expense	1,500	
	Miscellaneous Expense.....	400	
	Cash.....		1,900
(h)	Office Salaries Expense	3,100	
	Cash.....		3,100
(i)	Supplies Expense	725	
	Supplies		725

P-1, Concluded

2.

Cash		Sales Commissions	
(a) 20,000	(d) 3,800		(c) 12,250
(c) 12,250	(e) 600		
	(f) 3,000		
	(g) 1,900		
	(h) <u>3,100</u>		
Bal. 19,850			
Supplies		Office Salaries Expense	
(b) <u>1,000</u>	(i) <u>725</u>	(h) 3,100	
Bal. 275			
Accounts Payable		Automobile Expense	
(e) <u>600</u>	(b) <u>1,000</u>	(g) 1,500	
	Bal. 400		
Capital Stock		Supplies Expense	
	(a) 20,000	(i) 725	
Dividends		Miscellaneous Expense	
(f) 3,000		(g) 400	

3.

VALLEY REALTY Trial Balance March 31, 2012

	Debit Balances	Credit Balances
Cash	19,850	
Supplies	275	
Accounts Payable		400
Capital Stock		20,000
Dividends	3,000	
Sales Commissions		12,250
Rent Expense	3,800	
Office Salaries Expense.....	3,100	
Automobile Expense.....	1,500	
Supplies Expense.....	725	
Miscellaneous Expense	400	
	<u>32,650</u>	<u>32,650</u>

P-2

2. and 3.

2012

Nov.	1	Office Supplies	2,100	
		Accounts Payable		2,100
	2	Rent Expense	4,000	
		Cash		4,000
	3	Cash	44,600	
		Accounts Receivable		44,600
	5	Prepaid Insurance	5,700	
		Cash		5,700
	9	Accounts Payable	400	
		Office Supplies		400
	17	Advertising Expense	5,500	
		Cash		5,500
	23	Accounts Payable	4,950	
		Cash		4,950
	29	Miscellaneous Expense	500	
		Cash		500
	30	Automobile Expense	1,500	
		Cash		1,500
	30	Cash	1,000	
		Salary and Commission Expense		1,000
	30	Salary and Commission Expense	27,800	
		Cash		27,800
	30	Accounts Receivable	83,000	
		Fees Earned		83,000
	30	Land	75,000	
		Cash		10,000
		Notes Payable		65,000
	30	Dividends	5,000	
		Cash		5,000
	30	Cash	3,600	
		Unearned Rent		3,600

P-2, Continued

1. and 3.

Cash

2012			
Nov. 1 Bal.	33,920	Nov. 2	4,000
3	44,600	5	5,700
30	1,000	17	5,500
30	3,600	23	4,950
		29	500
		30	1,500
		30	27,800
		30	10,000
		30	<u>5,000</u>
Nov. 30 Bal.	<u>18,170</u>		

Accounts Receivable

2012			
Nov. 1 Bal.	69,800	Nov. 3	44,600
30	<u>83,000</u>		
Nov. 30 Bal.	108,200		

Prepaid Insurance

2012			
Nov. 1 Bal.	7,200		
5	<u>5,700</u>		
Nov. 30 Bal.	12,900		

Office Supplies

2012			
Nov. 1 Bal.	1,600	Nov. 9	400
1	<u>2,100</u>		
Nov. 30 Bal.	3,300		

P-2, Continued

Land

2012	
Nov. 30	<u>75,000</u>
Nov. 30 Bal.	75,000

Accounts Payable

		2012	
Nov. 9	400	Nov. 1 Bal.	9,920
23	<u>4,950</u>	1	<u>2,100</u>
		Nov. 30 Bal.	6,670

Unearned Rent

	2012	
	Nov. 30	<u>3,600</u>
	Nov. 30 Bal.	3,600

Notes Payable

	2012	
	Nov. 30	<u>65,000</u>
	Nov. 30 Bal.	65,000

P-2, Continued

Capital Stock

	2012	
	Nov. 1 Bal.	10,000

Retained Earnings

	2012	
	Nov. 1 Bal.	53,080

Dividends

2012		
Nov. 1 Bal.	25,600	
30	<u>5,000</u>	
Nov. 30 Bal.	30,600	

Fees Earned

	2012	
	Nov. 1 Bal.	352,000
	30	<u>83,000</u>
	Nov. 30 Bal.	435,000

Salary and Commission Expense

2012			
Nov. 1 Bal.	224,000	Nov. 30	1,000
30	<u>27,800</u>		<u> </u>
Nov. 30 Bal.	250,800		

P-2, Continued

Rent Expense

2012	
Nov. 1 Bal.	28,000
2	<u>4,000</u>
Nov. 30 Bal.	32,000

Advertising Expense

2012	
Nov. 1 Bal.	22,880
17	<u>5,500</u>
Nov. 30 Bal.	28,380

Automobile Expense

2012	
Nov. 1 Bal.	10,240
30	<u>1,500</u>
Nov. 30 Bal.	11,740

Miscellaneous Expense

2012	
Nov. 1 Bal.	1,760
29	<u>500</u>
Nov. 30 Bal.	2,260

P-2, Concluded

4.

**APPLE REALTY
Trial Balance
November 30, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash	18,170	
Accounts Receivable	108,200	
Prepaid Insurance	12,900	
Office Supplies	3,300	
Land.....	75,000	
Accounts Payable		6,670
Unearned Rent.....		3,600
Notes Payable.....		65,000
Capital Stock		10,000
Retained Earnings.....		53,080
Dividends	30,600	
Fees Earned		435,000
Salary and Commission Expense	250,800	
Rent Expense	32,000	
Advertising Expense	28,380	
Automobile Expense.....	11,740	
Miscellaneous Expense	2,260	
	<u>573,350</u>	<u>573,350</u>