Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

SKU: 9781259654657-SOLUTIONS

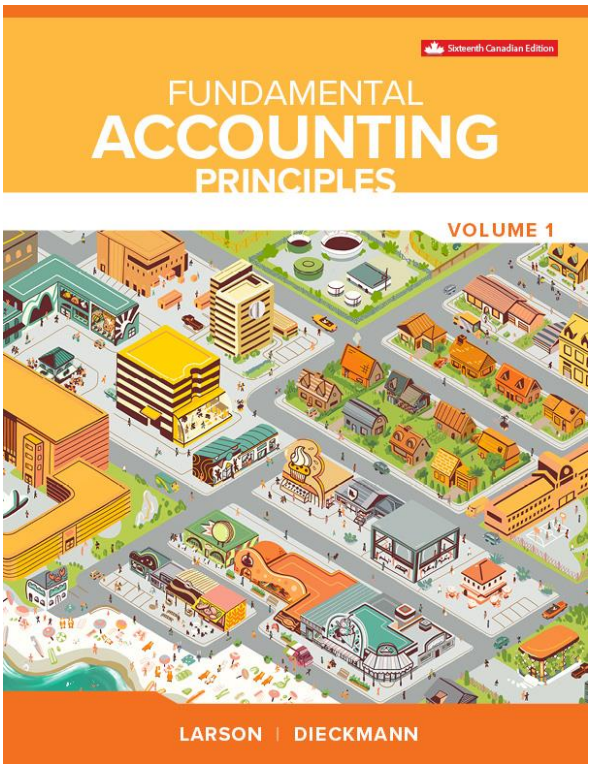
SOLUTIONS MANUAL

to accompany

Fundamental Accounting Principles

16th Canadian Edition

by Larson/Dieckmann



Revised for the 16th Edition by:

Laura Dallas, Kwantlen Polytechnic University

Technical checks by:

Rhonda Heninger, Southern Alberta Institute of Technology

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Chapter 2 Analyzing and Recording Transactions

Chapter Opening Critical Thinking Challenge Questions*

Alexandre Bilodeau experienced a huge setback in achieving his goal of winning gold in the 2006 Olympics. In the face of this challenge, he reflected on the experience, set his personal goal and had a daily action plan to achieve it. These same steps can be applied to your life. For instance, you may experience a setback in this accounting course. For instance, you may not perform as well on a homework assignment or exam as you would have liked. Like Alexandre Bilodeau, take a moment to understand why you may have experience this setback, commit to a personal goal and have a detailed action plan to achieve it. This may include reading the chapters before class, setting aside a few hours each day to work on the homework, meeting up with a friend once a week to discuss challenging topics and going to office hours. You can also learn from Alexandre Bilodeau's determination in pursuing your career and in facing challenges in the workplace.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Knowledge Check-Up Questions

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

Concept Review Questions

1. **Welcome to Lululemon! We are happy to have you as a co-op student. The fundamental steps in the accounting process are those involved in the accounting cycle: Analyze transactions to determine if an economic exchange has taken place and, if so, journalize and post the transaction. An unadjusted trial balance is then prepared to help identify potential adjustments. Appropriate adjusting entries are journalized and posted and an adjusted trial balance is generated from which the financial statements are prepared. Closing entries are then journalized and posted. Finally, a post-closing trial balance is prepared.**

   The accounting cycle helps Lululemon keep track of its business activities. These business transactions include buying fabric, selling yoga clothing and paying employees. The accounting cycle helps produce financial statements which provide Lululemon the information to make good business decisions.

2. **An account receivable is an amount due to a company, but the amount can be increased by the customer (debtor) by making additional purchases. An account receivable is not a single document but represents the result of several written, oral, or implied promises to pay the creditor. A note receivable is a formal document that specifies the fixed amount due to a company on a fixed date or on demand.**

3. **Four different asset accounts would include any of the following from Spin Master's December 31, 2107 balance sheet: Cash, Trade and other receivables, Inventories, Prepaid expenses, Advances on Royalties, Property, plant and equipment, Intangible Assets, Goodwill or Deferred Tax Assets. Three different liability accounts would include any of the following: Trade Payables and other liabilities, (same as Accounts payable and accrued liabilities), Loans and Borrowings, Deferred Revenue, Provisions, Income Tax Payable and Interest Payable.**

4. **A debit will decrease and a credit will increase the following accounts: Accounts Payable, Owner's capital and Revenue. Answers will vary, but can include liability (accounts payable, notes payable, unearned revenue and bank loan), owner's capital and revenue accounts.**

5. **Three debit balance accounts from WestJet's December 31, 2017 balance sheet might include any of the following: Cash and cash equivalents; Marketable securities; Restricted cash; Accounts receivable; Prepaid expenses, deposits and other; Inventory; Property and equipment; Intangible assets; or Other assets. Three credit balance accounts might include any of the following: Accounts payable and accrued liabilities; Advance ticket sales; Deferred rewards program; Non-refundable guest credits; Current portion of maintenance provisions; Current portion of long-term debt; Maintenance provisions; Long-term debt; Other liabilities; Deferred income tax; Share capital; Equity reserves; Hedge reserves; or Retained earnings.**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

6. When a company sells services or goods, they will exchange their service or good for cash. When the company sells services or goods, they earn revenue. In the account equation, Cash (Asset) increases and Revenue (Equity) increases. If the customer does not pay today, the company records accounts receivable instead of cash. Accounts receivable holds value for the company because it is a promise from the customer to pay in the future. When the customer pays cash, the company no longer has accounts receivable. With the accounting equation, Accounts receivable (Asset) increases and Revenue (Equity) increases.

Account	(1) Type of account	(2) Normal Balance	(3) Financial statement	(4) Time period
Accounts receivable	Asset	Debit	Balance Sheet	A specific point in time
Revenue	Equity	Credit	Income Statement	Period of time

7. Owner's withdrawals are when a business owner takes out money that was earned in the business for personal use. An example is when an owner needs to take out money for a personal vacation. An expense occurs when a cost is needed to run the normal operations of the business. An example is that a business needs to pay its employees for selling clothes at a retail store.

Account	(5) Type of account	(6) Normal Balance	(7) Financial statement
Owner's withdrawals	Equity	Debit	Statement of Changes in Equity
Expense	Equity	Debit	Income Statement

8. Debited accounts are recorded first. The credited accounts are indented.

9. A transaction should first be recorded in a journal to create a complete record of the transaction in one place. Then the transaction is posted to the ledger where entries are summarized by type, i.e., cash, accounts payable, interest expense, etc., to enable analysis by account. This arrangement also means that fewer errors will be made in the accounts.

10. Accounting software is a tool that makes recording accounting transactions easier. You are still the "brain" behind the accounting. You will need to decide when to record a transaction, how to record the transaction, how to interpret the financial statements and what business decisions to make. Knowing how to record accounting manually will help you understand the entire accounting process and what happens behind the software. There are errors in software programs. Over relying on a software program can result in large errors. When you are writing a report using the computer, you still need to know how to write paragraphs and how to explain your content. Just like accounting software, the computer is only a tool.

11. Not preparing a trial balance can cause errors in the financial statements. The trial balance helps to identify and correct errors. If the debits do not equal the credits in the trial balance, this is a clue that errors need to be corrected.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

12. The title of the financial statements must have the 1) company name, 2) the name of the financial statement and 3) the date. Dollar signs are used beside the first number in each column and on the total. Some numbers are indented to show a list of similar numbers in a category. For instance, all expenses are indented. This formatting makes the financial statements easier to read. Indentations do not represent debits and credits. The financial statements do not have debits and credits like the trial balance.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

QUICK STUDY

Quick Study 2-1

Answer	Answer Detail	Account
A	Asset	1. Buildings
E	Expenses (Equity)	2. Building Repair Expense
E	Expenses (Equity)	3. Wages Expense
L	Liability	4. Wages Payable
A	Asset	5. Notes Receivable
L	Liability	6. Notes Payable
A	Asset	7. Prepaid Advertising
E	Expenses (Equity)	8. Advertising Expense
L	Liability	9. Advertising Payable
L	Liability	10. Unearned Advertising
R	Revenues (Equity)	11. Advertising Revenue
R	Revenues (Equity)	12. Interest Income
E	Expenses (Equity)	13. Interest Expense
L	Liability	14. Interest Payable
R	Revenues (Equity)	15. Subscription Revenue
L	Liability	16. Unearned Subscription Revenue
A	Asset	17. Prepaid Subscription Fees
A	Asset	18. Supplies
E	Expenses (Equity)	19. Supplies Expense
R	Revenues (Equity)	20. Rent Revenue
L	Liability	21. Unearned Rent Revenue
A	Asset	22. Prepaid Rent
L	Liability	23. Rent Payable
R	Revenues (Equity)	24. Service Revenue
W	Owner's Withdrawals (Equity)	25. Jessica Vuong, Withdrawals
OE	Owner's Capital (Equity)	26. Jessica Vuong, Capital
E	Expenses (Equity)	27. Salaries Expense
L	Liability	28. Salaries Payable
A	Asset	29. Furniture
A	Asset	30. Equipment

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-2

a.	Equipment	Debit
b.	Land	Debit
c.	Amrit Sandhu, Withdrawals	Debit
d.	Rent Expense	Debit
e.	Interest Income	Credit
f.	Prepaid Rent	Debit
g.	Accounts Receivable	Debit
h.	Office Supplies	Debit
i.	Notes Receivable	Debit
j.	Notes Payable	Credit
k.	Amrit Sandhu, Capital	Credit
l.	Rent Revenue	Credit
m.	Rent Payable	Credit
n.	Interest Expense	Debit
o.	Interest Payable	Credit

Quick Study 2-3

a.	Credit	f.	Credit	k.	Debit
b.	Credit	g.	Debit	l.	Credit
c.	Credit	h.	Credit	m.	Debit
d.	Debit	i.	Debit	n.	Debit
e.	Credit	j.	Debit	o.	Debit

Quick Study 2-4

a.	Credit	f.	Debit	k.	Credit
b.	Debit	g.	Credit	l.	Debit
c.	Credit	h.	Credit	m.	Debit
d.	Debit	i.	Credit	n.	Credit
e.	Credit	j.	Debit	o.	Credit

Quick Study 2-5

Note: Students could choose any account number within the specified range.

a.	173	f.	203	k.	629
b.	409	g.	106	l.	219
c.	302	h.	622	m.	222
d.	301	i.	124	n.	170
e.	128	j.	403	o.	115

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-6

a.	**Analysis**	**Assets increase. Assets decrease.**
	Journal entry analysis	**Debit the Furniture account for $400.** **Credit the Cash account for $400.**
b.	**Analysis**	**No transaction required.**
	Journal entry analysis	
c.	**Analysis**	**Assets increase. Equity increases.**
	Journal entry analysis	**Debit the Accounts Receivable account for $600.** **Credit the Revenue account for $600.**
d.	**Analysis**	**Liabilities increase. Equity decreases.**
	Journal entry analysis	**Debit the Cleaning Expense account for $300.** **Credit the Accounts Payable account for $300.**
e.	**Analysis**	**Assets increase. Equity increases.**
	Journal entry analysis	**Debit the Cash account for $25,000.** **Credit the Douglas Malone, Capital account for $25,000.**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-7

	Date		Account Titles and Explanation	Debit	Credit
a.	Aug.	1	Furniture	400	
			Cash		400
			Purchase of furniture for cash.....		
b.	Aug.	7	No transaction required.		
c.	Aug.	13	Accounts Receivable	600	
			Revenue		600
			Provided services on credit.		
d.	Aug.	14	Cleaning Expense	300	
			Accounts Payable		300
			Purchased cleaning services on credit.		
e.	Aug.	31	Cash	25,000	
			Douglas Malone, Capital		25,000
			Investment by owner.....		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-8

1 & 2.

Cash			
Jul 31	25,000	400	Aug 1
Aug 31	25,000		
Bal.	49,600		

Accounts Receivable			
Jul 31	1,500		
Aug 13	600		
Bal.	2,100		

Furniture			
Jul 31	5,000		
Aug 1	400		
Bal.	5,400		

Accounts Payable			
		500	Jul 31
		300	Aug 14
		800	Bal.

Douglas Malone, Capital			
		28,000	Jul 3`
		25,000	Aug 31
		53,000	Bal.

Revenue			
		4,500	Jul 31
		600	Aug 13
		5,100	Bal.

Cleaning Expense			
Jul 31	1,500		
Aug 14	300		
Bal.	1,800		

3. The account balance for each T-account is shown above. The accounting equation (Assets = Liabilities + Equity) is proved as follows: $57,100 = $800 + $56,300

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-9

May 2	**Analysis**	**Assets increase. Equity increases.**			
	Journal entry analysis	**Debit the Car account for $8,000.** **Credit the Dee Bell, Capital account for $8,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	May 2	**Car**		**8,000**	
		Dee Bell, Capital			**8,000**
		Investment by owner.			
May 10	**Analysis**	**Assets increase. Equity increases.**			
	Journal entry analysis	**Debit the Accounts Receivable account for $4,000. Credit the Revenue account for $4,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	May 10	**Accounts Receivable**		**4,000**	
		Revenue			**4,000**
		Billed customer for work performed.			
May 12	**Analysis**	**Assets increase. Liabilities increase.**			
	Journal entry analysis	**Debit the Cash account by $10,000.** **Credit the Unearned Revenue account by $10,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	May 12	**Cash**		**10,000**	
		Unearned Revenue			**10,000**
		Collected cash for future services.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-9 (*Continued*)					
May 15	**Analysis**	**Assets decrease. Equity decreases.**			
	Journal entry analysis	**Debit the Wages Expense account for $6,000.** **Credit the Cash account for $6,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	May 15	**Wages Expense**		**6,000**	
		Cash			**6,000**
		Paid for wages.			
May 16	**Analysis**	**Assets increase. Assets decrease.**			
	Journal entry analysis	**Debit the Cash account for $4,000.** **Credit the Accounts Receivable account for $4,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	May 16	**Cash**		**4,000**	
		Accounts Receivable			**4,000**
		Collection of cash from customer.			
May 22	**Analysis**	**Assets decrease. Liabilities decrease.**			
	Journal entry analysis	**Debit the Accounts Payable account by $3,000.** **Credit the Cash account by $3,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	May 22	**Accounts Payable**		**3,000**	
		Cash			**3,000**
		Paid for outstanding accounts payable.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-10

1 & 2.

Cash			101
Apr 30	15,000	6,000	May 15
May 12	10,000	3,000	May 22
May 16	4,000		
Bal.	20,000		

Accounts Receivable			106
Apr 30	3,200	4,000	May 16
May 10	4,000		
Bal.	3,200		

Car			150
May 2	8,000		
Bal.	8,000		

Accounts Payable			202
May 22	3,000	6,000	Apr 30
		3,000	Bal.

Unearned Revenue			205
		1,800	Apr 30
		10,000	May 12
		11,800	Bal.

Dee Bell, Capital			301
		8,900	Apr 30
		8,000	May 2
		16,900	Bal.

Revenue			410
		3,000	Apr 30
		4,000	May 10
		7,000	Bal.

Wages Expense			650
Apr 30	1,500		
May 15	6,000		
Bal.	7,500		

3. The account balance for each T-account is shown above. The accounting equation (Assets = Liabilities + Equity) is proved as follows: $31,200 = $14,800 + $16,400

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-11

Accounts Receivable	
1,000	650
400	920
920	1,500
3,000	
Bal. 2,250	

Accounts Payable	
250	250
900	1,800
650	1,400
	650
	2,300 Bal.

Service Revenue	
	13,000
	2,500
	810
	3,500
	19,810 Bal.

Utilities Expense	
610	
520	
390	
275	
Bal. 1,795	

Cash	
3,900	2,400
17,800	3,900
14,500	21,800
340	
Bal. 8,440	

Notes Payable	
4,000	50,000
8,000	
	38,000 Bal.

Quick Study 2-12

General Journal — Page 1

Date		Account Titles and Explanation	Debit	Credit
2020 May	1	Equipment	500	
		Accounts Payable		500
		Purchased equipment on account.		
	2	Accounts Payable	500	
		Cash		500
		Paid for the equipment purchased May 1.		
	3	Supplies	100	
		Cash		100
		Purchased supplies for cash.		
	4	Wages Expense	2,000	
		Cash		2,000
		Paid wages to employees.		
	5	Cash	750	
		Service Revenue		750
		Performed services for a client for cash.		
	6	Accounts Receivable	2,500	
		Service Revenue		2,500
		Did work for a customer on credit.		
	7	Cash	2,500	
		Accounts Receivable		2,500
		Collected May 6 customer account.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-13

		General Journal		Page 1
Date		**Account Titles and Explanation**	**Debit**	**Credit**
2020				
Jan.	**3**	**Cash**	**60,000**	
		Equipment	**40,000**	
		Stan Adams, Capital		**100,000**
		Investment by owner.		
	4	**Office Supplies**	**340**	
		Accounts Payable		**340**
		Purchased office supplies on credit.		
	6	**Cash**	**5,200**	
		Landscaping Services Revenue		**5,200**
		Received cash for landscaping services.		
	15	**Accounts Payable**	**200**	
		Cash		**200**
		Paid part of the January 4 credit purchase.		
	16	**Office Supplies**	**700**	
		Accounts Payable		**700**
		Purchased supplies on account.		
	30	**Accounts Payable**	**140**	
		Cash		**140**
		Paid the balance owing re January 4 credit purchase; 340 – 200 paid on Jan. 15 = 140.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-14

Cash — **Account No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Jan.	3			60,000		60,000
	6			5,200		65,200
	15				200	65,000
	30				140	64,860

Office Supplies — **Account No. 124**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Jan.	4			340		340
	16			700		1,040

Equipment — **Account No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Jan.	3			40,000		40,000

Accounts Payable — **Account No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Jan.	4				340	340
	15			200		140
	16				700	840
	30			140		700

Stan Adams, Capital — **Account No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Jan.	3				100,000	100,000

Landscaping Services Revenue — **Account No. 403**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Jan.	6				5,200	5,200

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-15

Vahn Landscaping
Trial Balance
January 31, 2020

Acct. No.	Account	Debit	Credit
101	Cash	$ 7,000	
163	Equipment	9,000	
233	Unearned revenue		$ 2,000
301	Brea Vahn, capital		14,000
302	Brea Vahn, withdrawals	1,000	
401	Revenue		11,000
640	Rent expense	6,000	
690	Utilities expense	4,000	
	Totals	$27,000	$27,000

Quick Study 2-16

The correct answer is c. If a $2,250 debit to Rent Expense is incorrectly posted as a credit, the effect is to understate the Rent Expense debit balance by $4,500. This causes the Debit column total on the trial balance to be $4,500 less than the Credit column total.

Quick Study 2-17

1. **Subtract total debits in the trial balance from total credits**
   24,250 - 21,550 = 2,700
2. **Divide the difference by 9**
   2,700 ÷ 9 = 300
3. **The quotient equals the difference between the two transposed numbers.**
   300 is the difference between the two transposed numbers.
4. **The number of digits in the quotient tells us the location of the transposition**
   Look for a difference of 3 between the third number from the right and the fourth number from the right.

Through a process of elimination, the incorrect value is Rent Expense for $4,100. The correct value must be $1,400.

Proof: Recalculate the trial balance replacing $1,400 for the incorrect $4,100 and the trial balance now balances at $21,550.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Quick Study 2-18

1. **Subtract total debits in the trial balance from total credits**
   728 - 503 = 225
2. **Divide the difference by 9**
   225 ÷ 9 = 25
   The quotient equals the incorrect number.

Through a review of the values in the trial balance, the incorrect value is Notes Payable for $25. The correct value must be $250.

Proof: Recalculate the trial balance replacing $250 for the incorrect $25 and the trial balance now balances at $728.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

EXERCISES

Exercise 2-1 (30 minutes)

		(a) Basic Account	(b) Financial Statement	(c) Normal Balance	(d) Effect of a Debit	(e) Effect of a Credit
a.	Cash	Asset	Balance Sheet	Debit	Increase	Decrease
b.	Supplies	Asset	Balance Sheet	Debit	Increase	Decrease
c.	Accounts Payable	Liability	Balance Sheet	Credit	Decrease	Increase
d.	Yoojin Chang, Capital Account	Owner's Capital	Balance Sheet and The Statement of Changes in Equity	Credit	Decrease	Increase
e.	Yoojin Chang, Withdrawals	Withdrawals	The Statement of Changes in Equity	Debit	Increase	Decrease
f.	Design Revenue	Revenue	Income Statement	Credit	Decrease	Increase
g.	Salaries Expense	Expense	Income Statement	Debit	Increase	Decrease
h.	Accounts Receivable	Asset	Balance Sheet	Debit	Increase	Decrease
i.	Notes Payable	Liability	Balance Sheet	Credit	Decrease	Increase
j.	Prepaid Insurance	Asset	Balance Sheet	Debit	Increase	Decrease

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-2

a.	**Analysis**	**Assets increase. Equity increases.**
	Journal entry analysis	**Debit the Cash account for $15,000.** **Credit the Christina Reis, Capital account in equity for $15,000**
b.	**Analysis**	**Assets increase. Liabilities increase.**
	Journal entry analysis	**Debit the Equipment account for $2,000.** **Credit the Accounts Payable account for $2,000.**
c.	**Analysis**	**Assets increase. Assets decrease.**
	Journal entry analysis	**Debit the Equipment account for $500.** **Credit the Cash account for $500.**
d.	**Analysis**	**Assets increase. Equity increases from Revenue.**
	Journal entry analysis	**Debit the Cash account for $1,000.** **Credit the Revenue account for $1,000.**
e.	**Analysis**	**Assets increase. Equity increases from Revenue.**
	Journal entry analysis	**Debit the Accounts Receivable account for $700.** **Credit the Revenue account for $700.**
f.	**Analysis**	**Assets decrease. Liabilities decrease.**
	Journal entry analysis	**Debit the Accounts Payable account for $1,000.** **Credit the Cash account for $1,000.**
g.	**Analysis**	**Assets increase. Assets decrease.**
	Journal entry analysis	**Debit the Cash account for $300.** **Credit the Accounts Receivable account for $300.**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-3

	Date		Account Titles and Explanation		Debit	Credit
a.	Sept.	1	Cash		15,000	
			Christina Reis, Capital			15,000
			Investment by owner			
b.	Sept.	12	Equipment		2,000	
			Accounts Payable			2,000
			Purchased equipment on credit.			
c.	Sept.	13	Equipment		500	
			Cash			500
			Purchased equipment with cash.			
d.	Sept.	18	Cash		1,000	
			Revenue			1,000
			Provided service for cash.			
e.	Sept.	21	Accounts Receivable		700	
			Revenue			700
			Provided service on account			
f.	Sept.	26	Accounts Payable		1,000	
			Cash			1,000
			Payment for Equipment.			
g.	Sept.	29	Cash		300	
			Accounts Receivable			300
			Collection of cash from customer			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-4

1 and 2.

Cash 101	
(a) 15,000	500 (c)
(d) 1,000	1,000 (f)
(g) 300	
Bal. 14,800	

Accounts Receivable 106	
(e) 700	300 (g)
Bal. 400	

Equipment 161	
(b) 2,000	
(c) 500	
Bal. 2,500	

Accounts Payable 201	
(f) 1,000	2,000 (b)
	1,000 Bal.

Christina Reis, Capital 301	
	15,000 (a)
	15,000 Bal.

Revenue 403	
	1,000 (d)
	700 (e)
	1,700 Bal.

3. The account balance for each T-account is shown above. The accounting equation (Assets = Liabilities + Equity) is proved as follows: $17,700 = $1,000 + $16,700

Exercise 2-5 (30 minutes)

a.	Analysis	Assets increase. Equity increases.			
	Journal entry analysis	Debit the Cash account for $32,600. Credit the William Curtis, Capital account for $32,600.			
	Journal Entry				
	Date	Account Description		Debit	Credit
	Oct. 2	Cash		32,600	
		William Curtis, Capital			32,600
		Investment by owner.			
b.	Analysis	Assets increase. Assets decrease.			
	Journal entry analysis	Debit the Office Supplies account for $925. Credit the Cash account for $925.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Oct. 4	Office Supplies		925	
		Cash			925
		Purchased supplies for cash.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-5 (*Continued*)

c.	**Analysis**	**Assets increase. Liabilities increase.**		
	Journal entry analysis	**Debit the Office Equipment account by $13,600.** **Credit the Accounts Payable account by $13,600.**		
	Journal Entry			
	Date	**Account Titles and Explanation**	**Debit**	**Credit**
	Oct. 6	**Office Equipment**	**13,600**	
		Accounts Payable		**13,600**
		Purchased office equipment on credit.		
d.	**Analysis**	**Assets increase. Equity increases.**		
	Journal entry analysis	**Debit the Cash account for $3,000.** **Credit the Revenue account for $3,000.**		
	Journal Entry			
	Date	**Account Titles and Explanation**	**Debit**	**Credit**
	Oct. 10	**Cash**	**3,000**	
		Revenue		**3,000**
		Cash collected for services provided.		
e.	**Analysis**	**Assets decrease. Liabilities decrease.**		
	Journal entry analysis	**Debit the Accounts Payable account for $13,600.** **Credit the Cash account for $13,600.**		
	Journal Entry			
	Date	**Account Titles and Explanation**	**Debit**	**Credit**
	Oct. 12	**Accounts Payable**	**13,600**	
		Cash		**13,600**
		Made payment on outstanding payable.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-5 (*Continued*)					
f.	Analysis	Assets increase. Equity increases.			
	Journal entry analysis	Debit the Accounts Receivable account by $5,400. Credit the Revenue account by $5,400.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Oct. 16	Accounts Receivable		5,400	
		Revenue			5,400
		Customer billed for services provided.			
g.	Analysis	Assets decrease. Equity decreases.			
	Journal entry analysis	Debit the Rent Expense account for $3,500. Credit the Cash account for $3,500.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Oct. 18	Rent Expense		3,500	
		Cash			3,500
		Paid October rent with cash.			
h.	Analysis	Assets increase. Assets decrease.			
	Journal entry analysis	Debt the Cash account for $5,400. Credit the Accounts Receivable account for $5,400.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Oct. 26	Cash		5,400	
		Accounts Receivable			5,400
		Collected amounts owing on account.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-5 (*Concluded*)					
i.	Analysis	Assets decrease. Equity decreases.			
	Journal entry analysis	Debit the William Curtis, Withdrawal account for $5,000. Credit the Cash account for $5,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Oct. 31	William Curtis, Withdrawals		5,000	
		Cash			5,000
		Withdrawal of cash by owner.			

Exercise 2-6 (20 minutes)

Cash

(a)	32,600	925	(b)
(d)	3,000	13,600	(e)
(h)	5,400	3,500	(g)
		5,000	(i)
Balance	17,975		

Accounts Receivable

(f)	5,400	5,400	(h)
Balance	0		

Office Supplies

(b)	925		
Balance	925		

Office Equipment

(c)	13,600		
Balance	13,600		

Accounts Payable

(e)	13,600	13,600	(c)
		0	Balance

William Curtis, Capital

		32,600	(a)
		32,600	Balance

William Curtis, Withdrawals

(i)	5,000		
Balance	5,000		

Revenue

		3,000	(d)
		5,400	(f)
		8,400	Balance

Rent Expense

(g)	3,500		
Balance	3,500		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-7 (20 minutes)

b.	**Accounts Receivable**	**2,700**	
	Services Revenue		**2,700**
	Provided services on credit.		
c.	**Cash**	**3,150**	
	Services Revenue		**3,150**
	Provided services for cash.		

Revenues are inflows of assets (or decreases in liabilities) received in exchange for goods or services provided to customers. The other transactions did not create revenues for the following reasons:

a. This transaction brought in cash, but it was an owner investment in the company.

d. This transaction brought in cash, but it also created a liability because the services have not yet been provided to the client.

e. This transaction changed the form of the asset from accounts receivable to cash. Total assets were not increased. Revenue was not generated.

f. This transaction brought cash into the company and increased assets, but it also increased a liability by the same amount.

Exercise 2-8 (20 minutes)

b.	**Salaries Expense**	**1,125**	
	Cash		**1,125**
	Paid the salary of the receptionist.		
d.	**Utilities Expense**	**930**	
	Cash		**930**
	Paid the utilities bill for the office.		

Expenses are outflows or using up of assets (or the creation of liabilities) that occur in the process of providing goods or services to customers. The transactions labelled a, c, and e were not expenses for the following reasons:

a. This transaction decreased assets in settlement of a previously existing liability. Thus, the using up of assets did not reduce equity.

c. This transaction was the purchase of an asset. The form of the company's assets changed, but total assets did not change, and the equity did not decrease.

e. This transaction was a distribution of cash to the owner. Even though equity decreased, the decrease did not occur in the process of providing goods or services to customers.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-9 (45 minutes)

Part 2

GENERAL JOURNAL **Page 1**

Date		Account Titles and Explanation	PR	Debit	Credit
2020					
July	1	Cash	101	5,200	
		Manny Gill, Capital	301		5,200
		To record investment by owner.			
	10	Equipment	150	2,700	
		Accounts Payable	201		2,700
		Purchased equipment on credit.			
	12	Cash	101	12,000	
		Revenue	401		12,000
		Performed services for cash.			
	14	Expenses	501	3,700	
		Cash	101		3,700
		Paid expenses.			
	15	Accounts Receivable	106	1,600	
		Revenue	401		1,600
		Completed services on account.			
	31	Manny Gill, Withdrawals	302	270	
		Cash	101		270
		Owner withdrew cash.			

Note: The account numbers in the PR column above would be included only during the posting of these journal entries into the ledger accounts in Part 3 of this exercise.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-9 *(continued)*

***Note: The student could use T-accounts or balance column format accounts as their general ledger. Both are shown in this solution.**

Part 1 and 3

Cash			101
July 1	5,200	3,700	July 14
12	12,000	270	31
Balance	13,230		

Accts. Receivable			106
July 15	1,600		

Equipment			150
July 10	2,700		

Accounts Payable			201
		2,700	July 10

Manny Gill, Capital			301
		5,200	July 1

Manny Gill, Withdrawals			302
July 31	270		

Revenue			401
		12,000	July 12
		1,600	15
		13,600	Balance

Expenses			501
July 14	3,700		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-9 *(continued)*

Part 1 and 3

Cash — **Account No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	1		G1	5,200		5,200
	12		G1	12,000		17,200
	14		G1		3,700	13,500
	31		G1		270	13,230

Accounts Receivable — **Account No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	15		G1	1,600		1,600

Equipment — **Account No. 150**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	10		G1	2,700		2,700

Accounts Payable — **Account No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	10		G1		2,700	2,700

Manny Gill, Capital — **Account No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	1		G1		5,200	5,200

Manny Gill, Withdrawals — **Account No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	31		G1	270		270

Revenue — **Account No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
July	12		G1		12,000	12,000
	15		G1		1,600	13,600

Expenses — **Account No. 501**

Date		Explanation	PR	Debit	Credit	Balance
2020						

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

July	14		G1	3,700	3,700

Exercise 2-9 *(continued)*

Part 4

West Secure
Trial Balance
July 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$13,230	
106	Accounts receivable	1,600	
150	Equipment	2,700	
201	Accounts payable		$ 2,700
301	Manny Gill, capital		5,200
302	Manny Gill, withdrawals	270	
401	Revenue		13,600
501	Expenses	3,700	
	Totals	$21,500	$21,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-9 *(concluded)*

Part 5

West Secure
Income Statement
For Month Ended July 31, 2020

Revenue	$13,600
Expenses	3,700
Profit	$ 9,900

West Secure
Statement of Changes in Equity
For Month Ended July 31, 2020

Manny Gill, capital, July 1		$ 0
Investments by owner	$5,200	
Profit	9,900	15,100
Total		15,100
Less: Withdrawals by owner		270
Manny Gill, capital, July 31		$14,830

The arrows are imaginary but emphasize the link between statements.

West Secure
Balance Sheet
July 31, 2020

Assets		*Liabilities*	
Cash	$13,230	Accounts payable	$ 2,700
Accounts receivable	1,600		
Equipment	2,700	*Equity*	
		Manny Gill, capital	14,830
		Total liabilities and equity	
Total assets	$17,530		$17,530

Analysis component:

Accounts receivable result from credit sales to customers (debit accounts receivable and credit a revenue). Sales, or revenue, is part of equity. As revenues on account are recorded, assets on the left side of the accounting equation increase and equity on the opposite side of the accounting equation also increases. Therefore, accounts receivable are financed by, or created by, an equity transaction.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-10 (10 minutes)

Note: Students could choose any account number within the specified range.

Account Number	Account Name
101	Cash
115	Accounts Receivable
160	Office Equipment
210	Accounts Payable
215	Unearned Revenue
310	Aaron Paquette, Capital
320	Aaron Paquette, Withdrawals
410	Consulting Revenues
510	Salaries Expense
520	Rent Expense
530	Utilities Expense

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-11 (30 minutes)

1. **General Journal** **Page G1**

Date		Account Titles and Explanation	PR	Debit	Credit
2020					
Feb.	1	Cash	101	8,500	
		Consulting Revenues	410		8,500
		Performed work for cash.			
	5	Accounts Payable	210	5,000	
		Cash	101		5,000
		Paid account.			
	10	Cash	101	3,600	
		Unearned Revenue	215		3,600
		Received cash in advance.			
	12	No entry.			
	17	Aaron Paquette, Withdrawals	320	3,000	
		Cash	101		3,000
		Owner withdrew cash.			
	28	Salaries Expense	510	10,000	
		Cash	101		10,000
		Paid salaries.			

Note: The account numbers in the PR column above would be included only during the posting of these journal entries into the ledger accounts in Part 2 of this exercise.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-11 (*Continued*)

2.

Cash			101
Bal	15,000	5,000	Feb 5
Feb 1	8,500	3,000	17
10	3,600	10,000	28
Bal	9,100		

Accounts Receivable			115
Bal	3,800		

Office Equipment			160
Bal	22,500		

Accounts Payable			210
Feb 5	5,000	8,000	Bal
		3,000	Bal

Unearned Revenue			215
		2,600	Bal
		3,600	Feb 10
		6,200	Bal

Aaron Paquette, Capital			310
		9,500	Bal

Aaron Paquette, Withdrawals			320
Bal	2,000		
Feb 17	3,000		
Bal	5,000		

Consulting Revenues			410
		41,700	Bal
		8,500	Feb 1
		50,200	Bal

Salaries Expense			510
Bal	10,000		
Feb 28	10,000		
Bal	20,000		

Rent Expense			520
Bal	7,500		

Utilities Expense			530
Bal	1,000		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-11 (*Continued*)
3.

Paquette Advisors
Trial Balance
February 28, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 9,100	
115	Accounts receivable	3,800	
160	Office equipment	22,500	
210	Accounts payable		$ 3,000
215	Unearned revenue		6,200
310	Aaron Paquette, capital		9,500
320	Aaron Paquette, withdrawals	5,000	
410	Consulting revenues		50,200
510	Salaries expense	20,000	
520	Rent expense	7,500	
530	Utilities expense	1,000	
	Totals	$68,900	$68,900

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-11 (*Concluded)*

4.

Paquette Advisors
Income Statement
For Two Months Ended February 28, 2020

Revenues:		
Consulting revenues		**$50,200**
Operating expenses:		
Salaries expense	**$20,000**	
Rent expense	**7,500**	
Utilities expense	**1,000**	
Total operating expenses		**28,500**
Profit		**$21,700**

The arrows are imaginary but emphasize the link between statements.

5.

Paquette Advisors
Statement of Changes in Equity
For Two Months Ended February 28, 2020

Aaron Paquette, capital, March 1		**$ 0**
Investments by owner	**$ 9,500**	
Profit	**21,700**	**31,200**
Total		**$31,200**
Less: Withdrawals by owner		**5,000**
Aaron Paquette, capital, February 28		**$26,200**

6.

Paquette Advisors
Balance Sheet
February 28, 2020

Assets		***Liabilities***	
Cash	**$ 9,100**	**Accounts payable**	**$ 3,000**
Accounts receivable	**3,800**	**Unearned revenue**	**6,200**
Office equipment	**22,500**	**Total liabilities**	**$ 9,200**
		Equity	
		Aaron Paquette, capital	**26,200**
Total assets	**$35,400**	**Total liabilities and equity**	**$35,400**

Analysis component:

Unearned revenue occurs when cash is received from a customer in advance of the work being done. The collection is not recorded as revenue because it has not been earned until the work is done. Unearned revenue is therefore a liability because the business owes the customer a service (or work). For example, WestJet receives cash from customers in advance of the customer actually flying and records it as advance ticket revenue, a type of unearned revenue. These cash collections are recorded as advance ticket revenue, a liability, because the cash doesn't belong to WestJet until they have earned it, which occurs when the customer takes their flight.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-12 (30 minutes)

a.	**Cash**	**7,000**	
	Equipment	**5,600**	
	Automobiles	**11,000**	
	Jerry Steiner, Capital		**23,600**
	The owner invested cash, an automobile, and equipment.		
b.	**Prepaid Insurance**	**3,600**	
	Cash		**3,600**
	Purchased insurance coverage in advance.		
c.	**Office Supplies**	**600**	
	Cash		**600**
	Purchased supplies with cash.		
d.	**Office Supplies**	**200**	
	Equipment	**9,400**	
	Accounts Payable		**9,600**
	Purchased supplies and equipment on credit.		
e.	**Cash**	**2,500**	
	Delivery Services Revenue		**2,500**
	Received cash from customer for work done.		
f.	**Accounts Payable**	**2,400**	
	Cash		**2,400**
	Made payment on payables.		
g.	**Gas and Oil Expense**	**700**	
	Cash		**700**
	Paid for gas and oil.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-13 (20 minutes)

2020			
April 5	Cash	5,200	
	Surgical Revenues		5,200
	Performed surgery and collected cash.		
8	Supplies	19,600	
	Accounts Payable		19,600
	Purchased surgical supplies on credit.		
10	No entry.		
18	Salaries Expense	47,000	
	Cash		47,000
	Paid salaries.		
20	Accounts Receivable	26,400	
	Surgical Revenues		26,400
	Performed six surgeries on credit;		
	$4,400 x 6 = $26,400		
21	Accounts Payable	19,600	
	Cash		19,600
	Paid for the credit purchase of April 8.		
22	Utilities Expense	2,100	
	Cash		2,100
	Paid the April utilities.		
29	Cash	17,600	
	Accounts Receivable		17,600
	Collection from four credit customers of April 20;		
	$4,400 x 4 = $17,600.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-14 (25 minutes)

Parts a and b:

Cash — **Account No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				850
2020						
Jan.	1		G1	3,500		4,350
	20		G1		2,000	2,350
	31		G1	5,000		7,350

Accounts Receivable — **Account No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				300
2020						
Jan.	12		G1	9,000		9,300
	31		G1		5,000	4,300

Equipment — **Account No. 167**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				1,500
2020						
Jan.	20		G1	12,000		13,500

Accounts Payable — **Account No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				325
2020						
Jan.	20		G1		10,000	10,325

Toshi Sato, Capital — **Account No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				2,325
2020						
Jan.	1		G1		3,500	5,825

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-14 (Parts a and b continued)

Toshi Sato, Withdrawals — **Account No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				300

Revenue — **Account No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				1,800
2020						
Jan.	12		G1		9,000	10,800

Salaries Expense — **Account No. 622**

Date		Explanation	PR	Debit	Credit	Balance
2019						
Dec.	31	Beginning balance				1,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-14 (Parts a and b continued)

Note: After posting the journal entries, the PR column in the General Journal would appear as follows:

General Journal — **Page 1**

Date	Account Titles and Explanation	PR	Debit	Credit
2020				
Jan. 1	Cash	101	3,500	
	Toshi Sato, Capital	301		3,500
	Additional owner investment.			
12	Accounts Receivable	106	9,000	
	Revenue	401		9,000
	Performed work for a customer on account.			
20	Equipment	167	12,000	
	Cash	101		2,000
	Accounts Payable	201		10,000
	Purchased equipment by paying cash and the balance on credit.			
31	Cash	101	5,000	
	Accounts Receivable	106		5,000
	Collected cash from credit customer.			

Analysis component:
All of the details regarding a transaction, such as serial numbers or invoice numbers, form part of the journal entry recorded in the journal and provide a chronological picture of what has happened in the business. The general ledger does not accommodate these kinds of very necessary details. Therefore, we need to journalize to ensure important details are readily available.

The general ledger summarizes by account all of the transactions recorded in the journal. For example, without the ledger, we would not be able to determine the balance in cash without going through the journal and adding/subtracting all of the individual transactions. The ledger allows us to have account balance information.

In summary, although it appears that journalizing and posting are recording the same information twice, the journal and ledger each serve different and important functions in the accounting system.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-15 (25 minutes)

		General Journal			Page G1
Date 2020		Account Titles and Explanation	PR	Debit	Credit
Aug.	1	Cash	101	20,000	
		Photography Equipment	167	42,000	
		Joseph Eagle, Capital	301		62,000
		Investment by owner.			
	1	Prepaid Rent	131	12,000	
		Cash	101		12,000
		Rented studio space for 3 months in advance.			
	5	Office Supplies	124	1,800	
		Cash	101		1,800
		Purchased office supplies.			
	20	Cash	101	9,200	
		Photography Revenue	401		9,200
		Collected cash for photography services.			
	31	Utilities Expense	690	1,400	
		Cash	101		1,400
		Paid for August utilities.			

Note: The account numbers in the PR column above would be included only during the posting of these journal entries into the ledger accounts in Exercise 2-16.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-16 (30 minutes)

Cash — **Account No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	1		G1	20,000		20,000
	1		G1		12,000	8,000
	5		G1		1,800	6,200
	20		G1	9,200		15,400
	31		G1		1,400	14,000

Office Supplies — **Account No. 124**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	5		G1	1,800		1,800

Prepaid Rent — **Account No. 131**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	1		G1	12,000		12,000

Photography Equipment — **Account No. 167**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	1		G1	42,000		42,000

Joseph Eagle, Capital — **Account No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	1		G1		62,000	62,000

Photography Revenue — **Account No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	20		G1		9,200	9,200

Utilities Expense — **Account No. 690**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Aug.	31		G1	1,400		1,400

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-16 ***(concluded)***

FOR THE LOVE OF PIXELS
Trial Balance
August 31, 2020

Acct No.	Account Title	Debit	Credit
101	Cash	$ 14,000	
124	Office supplies	1,800	
131	Prepaid rent	12,000	
167	Photography equipment	42,000	
301	Joseph Eagle, capital		$62,000
401	Photography revenue.....		9,200
690	Utilities expense	1,400	
	Totals	$71,200	$71,200

Analysis component:
The trial balance is not a financial statement; it is an internal working paper used to verify that debits and credits in the general ledger are equal and to review account balances. The trial balance format does not readily communicate information such as financial performance and financial position, information that is desired by external decision makers. Financial statements are used for external reporting because the formats of these communicate information desired by external users. For example, the income statement reports financial performance while the balance sheet reports financial position.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-17 (20 minutes)

Cash 101			
Aug. 1	20,000	12,000	Aug. 1
20	9,200	1,800	5
		1,400	31
Bal	14,000		

Office Supplies 124			
Aug. 5	1,800		

Prepaid Rent 131			
Aug. 1	12,000		

Photography Equipment 167			
Aug. 1	42,000		

Joseph Eagle, Capital 301			
		62,000	Aug. 1

Photography Revenue 401			
		9,200	Aug. 20

Utilities Expense 690			
Aug. 31	1,400		

FOR THE LOVE OF PIXELS
Trial Balance
August 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$14,000	
124	Office supplies	1,800	
131	Prepaid rent	12,000	
167	Photography equipment	42,000	
301	Joseph Eagle, capital		$62,000
401	Photography revenue		9,200
690	Utilities expense	1,400	
	Totals	$71,200	$71,200

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-17 (Concluded)

***Analysis component*:**
The trial balance is an internal working paper used to verify that debits and credits in the general ledger are equal and to review account balances. The trial balance format does not readily communicate information such as financial performance and financial position, information that is desired by external decision makers. Financial statements are used for external reporting because the formats of these communicate information desired by external users. For example, the income statement reports financial performance while the balance sheet reports financial position

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-18 (20 minutes)

Extreme Hockey
Income Statement
For Year Ended December 31, 2020

Revenues:		
Training revenue		$18,000
Operating expenses:		
Wages expense	$29,000	
Rent expense	8,000	
Total operating expenses		37,000
Loss		$19,000

Extreme Hockey
Statement of Changes in Equity
For Year Ended December 31, 2020

Ryan Roy, capital, January 1		$ 0
Investments by owner		50,000
Total		$50,000
Less: Withdrawals by owner	$2,000	
Loss	19,000	21,000
Ryan Roy, capital, December 31		$29,000

The arrows are imaginary but emphasize the link between statements.

Extreme Hockey
Balance Sheet
December 31, 2020

Assets		*Liabilities*	
Cash	$18,000	Accounts payable	$ 17,300
Accounts receivable	5,200	Notes payable	47,000
Prepaid rent	13,000	Total liabilities	$ 64,300
Machinery	57,100	*Equity*	
		Ryan Roy, capital	29,000
Total assets	$93,300	Total liabilities and equity	$ 93,300

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Analysis component:

Losses cause equity to decrease. If equity decreases, either assets have to decrease and/or liabilities must increase to keep the balance sheet in balance. Therefore, if Extreme Hockey's continues to experience losses, there are two short-term alternatives available to prevent a decrease in assets. First, the business could borrow which would increase liabilities and temporarily increase assets until payments had to be made. Second, Ryan Roy, the owner, could invest additional assets into the business which would increase equity and assets. However, for the long-term, the owner does not want to support the business through continual investments; the business must be able to support itself through positive performance (profit).

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-19 (20 minutes)

CYCLE TRAVEL TOURS
Income Statement
For Month Ended March 31, 2020

Revenues:		
Service revenue		$1,510
Operating expenses:		
Salaries expense	$ 730	
Interest expense	10	
Total operating expenses		740
Profit		$ 770

CYCLE TRAVEL TOURS
Statement of Changes in Equity
For Month Ended March 31, 2020

Francois Laneuv, capital, March 1		$ 0
Investment by owner	$1,980	
Profit	770	2,750
Total		$2,750
Less: Withdrawal by owner		1,430
Francois Laneuv, capital, March 31		$1,320

CYCLE TRAVEL TOURS
Balance Sheet
March 31, 2020

Assets		*Liabilities*	
Cash	$ 430	Accounts payable	$ 430
Accounts receivable	1,880	Unearned service revenue	390
Prepaid insurance	230	Notes payable	1,030
Equipment	630	Total liabilities	$1,850
		Equity	
		Francois Laneuv, capital	1,320
Total assets	$3,170	Total liabilities and equity	$3,170

The arrows are imaginary but emphasize the link between statements.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-20 (20 minutes)

Media Marketing Services
Income Statement
For Month Ended March 31, 2020

Revenues:		
Revenue		$126,000
Operating expenses:		
Wages expense	$146,000	
Office supplies expense	7,000	
Total operating expenses		153,000
Loss		$ 27,000

Media Marketing Services
Statement of Changes in Equity
For Month Ended March 31, 2020

Sam Smith, capital, March 1		$87,000*
Investment by owner		35,000
Total		$122,000
Less: Withdrawal by owner	$ 18,000	
Loss	27,000	45,000
Sam Smith, capital, March 31		$77,000

Media Marketing Services
Balance Sheet
March 31, 2020

Assets		*Liabilities*	
Cash	$ 17,000	Accounts payable	$ 46,000
Accounts receivable	3,000	Notes payable	114,000
Office supplies	3,000	Total liabilities	$ 160,000
Building	80,000		
Land	84,000	*Equity*	
Machinery	50,000	Sam Smith, capital	77,000
Total assets	$237,000	Total liabilities and equity	$237,000

The arrows are imaginary but emphasize the link between statements.

$122,000 March 31/20 Balance - $35,000 invested in March = $87,000 March 1/20 Balance

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-21 (20 minutes)

	Description	*(1) Difference Between Debit and Credit Columns*	*(2) Column With the Larger Total*	*(3) Identify Account(s) Incorrectly Stated*	*(4) Amount That Account(s) is Overstated or Understated*
a.	A $2,400 debit to Rent Expense was posted as a $1,590 debit.	$810	Credit	Rent Expense	Rent Expense is understated by $810
b.	A $42,000 debit to Machinery was posted as a debit to Accounts Payable.	$0	—	Machinery Accounts Payable	Machinery is understated by $42,000 and Accounts Payable is understated by $42,000
c.	A $4,950 credit to Services Revenue was posted as a $495 credit.	$4,455	Debit	Services Revenue	Services Revenue is understated by $4,455
d.	A $1,440 debit to Store Supplies was not posted at all.	$1,440	Credit	Store Supplies	Store Supplies is understated by $1,440
e.	A $2,250 debit to Prepaid Insurance was posted as a debit to Insurance Expense.	$0	—	Prepaid Insurance Insurance Expense	Prepaid Insurance is understated by $2,250 and Insurance Expense is overstated by $2,250
f.	A $4,050 credit to Cash was posted twice as two credits to the Cash account.	$4,050	Credit	Cash	Cash is understated by $4,050
g.	A $9,900 debit to the owner's withdrawals account was debited to the owner's capital account.	$0	—	Owner's Capital Owner's Withdrawals	Owner's Capital account is understated by $9,900 Owner's Withdrawals is understated by $9,900

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-22 (15 minutes)

a. 1. Dr = Cr
2. Accounts Receivable is understated (too low) by $3,500 and Revenue is understated by $3,500.

b. 1. Dr = Cr
2. Accounts Payable is overstated (too high) by $600 and Cash is overstated by $600.

c. 1. Dr ≠ Cr
2. Cash is overstated by $180.

d. 1. Dr ≠ Cr
2. Accounts Receivable is overstated by $750.

e. 1. Dr = Cr
2. Accounts Payable is understated by $2,000 and Equipment is understated by $2,000.

Exercise 2-23 (15 minutes)

Case A:

1. **Subtract total debits in the trial balance from total credits**
   5,010 – 4,290 = 720
2. **Divide the difference by 9**
   720 ÷ 9 = 80
3. **The quotient equals the difference between the two transposed numbers.**
   80 is the difference between the two transposed numbers.
4. **The number of digits in the quotient tells us the location of the transposition.**
   Look for a difference of 8 between the second number from the right and the third number from the right.

Through a process of elimination, the incorrect value is Accounts Payable of $190. The correct value must be <u>$910</u>.

Proof: Recalculate the trial balance replacing $910 for the incorrect $190 and the trial balance now balances at $5,010.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Exercise 2-23 (*concluded*)

Case B:

1. **Subtract total debits in the trial balance from total credits**
   34,400 – 28,100 = 6,300
2. **Divide the difference by 9 to reveal a slide error**
   6,300 ÷ 9 = 700
3. **The quotient identifies a slide error and equals the correct value.**

Through a process of elimination, the incorrect value is Withdrawals for $7,000. The correct value must be $700.

Proof: Recalculate the trial balance replacing $700 for the incorrect $7,000 and the trial balance now balances at $28,100.

Case C:

1. **Subtract total debits in the trial balance from total credits**
   942 – 906 = 36
2. **Divide the difference by 9**
   36 ÷ 9 = 4
3. **The quotient equals the difference between the two transposed numbers.**
   4 is the difference between the two transposed numbers.
4. **The number of digits in the quotient tells us the location of the transposition.**
   Look for a difference of 4 between the first number from the right and the second number from the right.

Through a process of elimination, the incorrect value is Cash for $59. The correct value must be $95.

Proof: Recalculate the trial balance replacing $95 for the incorrect $59 and the trial balance now balances at $942.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

PROBLEMS

Problem 2-1A (30 minutes)

Nov 1	**Analysis**	**Assets increase. Equity increases.**			
	Journal entry analysis	**Debit the Cash account for $200,000. Debit the Aircraft Equipment account for $50,000.** **Credit the Tobias Eaden, Capital account for $250,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	Nov 1	**Cash**		**200,000**	
		Aircraft Equipment		**50,000**	
		Tobias Eaden, Capital			**250,000**
		Owner investment of cash and equipment.			
Nov 3	**Analysis**	**Assets increase and assets decrease. Liabilities increase.**			
	Journal entry analysis	**Debit the Land account for $400,000.** **Debit the Building account for $100,000.** **Credit the Cash account for $125,000.** **Credit the Long-Term Notes Payable account for 375,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	Nov 3	**Land**		**400,000**	
		Building		**100,000**	
		Cash			**125,000**
		Long-Term Notes Payable			**375,000**
		Purchased Land and Building with Cash and a long-term Notes Payable.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-1A (*Continued*)					
Nov 7	Analysis	Assets increase. Equity increase.			
	Journal entry analysis	Debit the Airplane account for $200,000. Credit the Tobias Eaden, Capital account for $200,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Nov 7	Airplane		200,000	
		Tobias Eaden, Capital			200,000
		Owner investment of asset.			
Nov 9	Analysis	Assets increase. Liabilities increase.			
	Journal entry analysis	Debit the Supplies account for $5,000. Credit the Accounts Payable account for $5,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Nov 9	Supplies		5,000	
		Accounts Payable			5,000
		Purchased supplies on credit.			
Nov 13	Analysis	Assets increase. Equity increases.			
	Journal entry analysis	Debit the Accounts Receivable account for $16,000. Credit the Revenue account for $16,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Nov 13	Accounts Receivable		16,000	
		Revenue			16,000
		Billed customer for services provided.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-1A (*Continued*)					
Nov 17	**Analysis**	**Assets decrease. Equity decreases.**			
	Journal entry analysis	**Debit the Wages Expense account for $3,000.** **Credit the Cash account for $3,000.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	Nov 17	**Wages Expense**		**3,000**	
		Cash			**3,000**
		Paid wages.			
Nov 21	**Analysis**	**No Transaction required.**			
	Journal entry analysis				
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
		No Transaction required.			
Nov 23	**Analysis**	**Assets decrease. Liabilities decrease.**			
	Journal entry analysis	**Debit the Accounts Payable account for $2,500.** **Credit the Cash account for $2,500.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	Nov 23	**Accounts Payable**		**2,500**	
		Cash			**2,500**
		Paid accounts payable.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-1A (*Concluded*)					
Nov 27	Analysis	Assets increase. Assets decrease.			
	Journal entry analysis	Debit the Aircraft Equipment (new) account for $20,000. Credit the Cash account for $15,000. Credit the Aircraft Equipment (old) account for $5,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Nov 27	Aircraft Equipment (new)		20,000	
		Cash			15,000
		Aircraft Equipment (old)			5,000
		Purchase of aircraft equipment.			
Nov 30	Analysis	Assets decrease. Equity decreases.			
	Journal entry analysis	Debit the Tobias Eaden, Withdrawal account for $3,200. Credit the Cash account for $3,200.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Nov 30	Tobias Eaden, Withdrawals		3,200	
		Cash			3,200
		Withdrawal of cash by owner.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-2A (30 minutes) ***Parts 1 and 2***

Generally accounts with only 1 debit or 1 credit do not have a Balance row.

Cash

Nov 1	200,000	125,000	Nov 3
		3,000	Nov 17
		2,500	Nov 23
		15,000	Nov 27
		3,200	Nov 30
Bal	51,300		

Accounts Receivable

Bal	16,000		

Supplies

Nov 9	5,000		

Airplane

Nov 7	200,000		

Aircraft Equipment

Nov 1	50,000	5,000	Nov 27
Nov 27	20,000		
Bal.	65,000		

Building

Nov 3	100,000		

Land

Nov 3	400,000		

Accounts Payable

Nov 23	2,500	5,000	Nov 9
		2,500	Bal

Long-Term Notes Payable

		375,000	Nov 3

Tobias Eaden, Capital

		250,000	Nov 1
		200,000	Nov 7
		450,000	Bal.

Tobias Eaden, Withdrawals

Nov 30	3,200		

Revenue

		16,000	Nov 13

Wages Expense

Nov 17	3,000		

Note: There is no entry for November 27 since it is not a transaction.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-2A Continued (5 minutes)

Part 3

Assets ($837,300) = Liabilities ($377,500) + Equity ($459,800)

Problem 2-3A (30 minutes)

General Journal **Page 1**

Date	Account Titles and Explanation	Debit	Credit
2020			
May 1	Equipment	53,700	
	Cash		14,700
	Notes Payable		39,000
	Purchased new equipment paying cash and signing a 90-day note payable.		
2	Prepaid Insurance	28,200	
	Cash		28,200
	Purchased 12 months of insurance to begin May 2.		
3	Cash	6,700	
	Design Revenue		6,700
	Completed a fitness contract for a group of customers and collected cash.		
4	Office Supplies	4,100	
	Accounts Payable		4,100
	Purchased office supplies on account.		
6	Accounts Payable	820	
	Office Supplies		820
	Returned defective supplies to supplier.		
10	Accounts Receivable	12,200	
	Fitness Contract Revenue		12,200
	Did work for a client today on account.		
15	Accounts Payable	3,280	
	Cash		3,280
	Paid for the May 4 purchase less the return on May 6; $4,100 - $820 return = $3,280.		
20	Cash	12,200	
	Accounts Receivable		12,200
	Received payment from the client of May 10.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-3A *(concluded)*

May 25	**Cash**	**3,200**	
	Unearned Revenue		**3,200**
	Received cash for work to be done in June.		
31	**Salaries Expense**	**54,000**	
	Cash		**54,000**
	Paid month-end salaries.		
31	**Telephone Expense**	**2,600**	
	Cash		**2,600**
	Paid the May telephone bill.		
31	**Utilities Expense**	**3,800**	
	Accounts Payable (or Utilities Payable)		**3,800**
	May electrical bill to be paid June 15.		

Note: Assume that all entries were journalized on Page 1 of the General Journal.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-4A (90 minutes)

Date		General Journal Account Titles and Explanation	PR	Debit	Page 1 Credit
2020					
Mar.	1	Cash	101	50,000	
		Office Equipment	163	12,000	
		Abe Factor, Capital	301		62,000
		Invested cash and equipment to start the business.			
	1	Prepaid Rent	131	9,000	
		Cash	101		9,000
		Prepaid three months' rent.			
	3	Office Equipment	163	6,000	
		Office Supplies	124	1,200	
		Accounts Payable	201		7,200
		Purchased equipment and supplies on credit.			
	5	Cash	101	6,200	
		Accounting Revenue	401		6,200
		Received cash from client for completed work.			
	9	Accounts Receivable	106	4,000	
		Accounting Revenue	401		4,000
		Billed client for completed work.			
	11	Accounts Payable	201	7,200	
		Cash	101		7,200
		Paid balance due on accounts payable.			
	15	Prepaid Insurance	128	3,000	
		Cash	101		3,000
		Paid annual premium for insurance.			
	20	Cash	101	1,500	
		Accounts Receivable	106		1,500
		Collected part of the amount owed by a client.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-4A *(concluded)*

Mar.	**22**	**No entry.**			
	23	**Accounts Receivable**	**106**	**2,850**	
		Accounting Revenue	**401**		**2,850**
		Billed client for completed work.			
	27	**Abe Factor, Withdrawals**	**302**	**3,600**	
		Cash	**101**		**3,600**
		Owner's withdrawal of cash.			
	30	**Office Supplies**	**124**	**650**	
		Accounts Payable	**201**		**650**
		Purchased supplies.			
	31	**Utilities Expense**	**690**	**860**	
		Cash	**101**		**860**
		Paid monthly utility bill.			

Note: The account numbers in the PR column above would be included only when these journal entries are being posted in Problem 3-4A. Assume that all entries were journalized on Page 1 of the General Journal.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-5A (45 minutes)

Parts 1 and 2

Cash — **Acct. No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	1		G1	50,000		50,000
	1		G1		9,000	41,000
	5		G1	6,200		47,200
	11		G1		7,200	40,000
	15		G1		3,000	37,000
	20		G1	1,500		38,500
	27		G1		3,600	34,900
	31		G1		860	34,040

Accounts Receivable — **Acct. No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	9		G1	4,000		4,000
	20		G1		1,500	2,500
	23		G1	2,850		5,350

Office Supplies — **Acct. No. 124**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	3		G1	1,200		1,200
	30		G1	650		1,850

Prepaid Insurance — **Acct. No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	15		G1	3,000		3,000

Prepaid Rent — **Acct. No. 131**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	1		G1	9,000		9,000

Office Equipment — **Acct. No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	1		G1	12,000		12,000
	3		G1	6,000		18,000

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-5A *(continued)*

Accounts Payable — **Acct. No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	3		G1		7,200	7,200
	11		G1	7,200		0
	30		G1		650	650

Abe Factor, Capital — **Acct. No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	1		G1		62,000	62,000

Abe Factor, Withdrawals — **Acct. No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	27		G1	3,600		3,600

Accounting Revenue — **Acct. No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	5		G1		6,200	6,200
	9		G1		4,000	10,200
	23		G1		2,850	13,050

Utilities Expense — **Acct. No. 690**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Mar.	31		G1	860		860

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-5A *(concluded)*

Part 3

X-FACTOR ACCOUNTING
Trial Balance
March 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$34,040	
106	Accounts receivable	5,350	
124	Office supplies	1,850	
128	Prepaid insurance	3,000	
131	Prepaid rent	9,000	
163	Office equipment	18,000	
201	Accounts payable		$ 650
301	Abe Factor, capital		62,000
302	Abe Factor, withdrawals	3,600	
401	Accounting revenue		13,050
690	Utilities expense	860	
	Totals	$75,700	$75,700

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-6A (20 minutes)

X-FACTOR ACCOUNTING
Income Statement
For Month Ended March 31, 2020

Revenues:	
Accounting revenue	$13,050
Operating expenses:	
Utilities expense	860
Profit	$12,190

X-FACTOR ACCOUNTING
Statement of Changes in Equity
For Month Ended March 31, 2020

Abe Factor, capital, March 1		$ 0
Investments by owner	$62,000	
Profit	12,190	74,190
Total		74,190
Less: Withdrawals by owner		3,600
Abe Factor, capital, March 31		$70,590

The arrows are imaginary but emphasize the link between statements.

X-FACTOR ACCOUNTING
Balance Sheet
March 31, 2020

Assets		*Liabilities*	
Cash	$34,040	Accounts payable	$ 650
Accounts receivable	5,350		
Office supplies	1,850		
Prepaid insurance	3,000	*Equity*	
Prepaid rent	9,000	Abe Factor, capital	70,590
Office equipment	18,000	Total liabilities and	
Total assets	$71,240	equity	$71,240

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7A (90 minutes)

Part 1

		General Journal			Page 1
Date		**Account Titles and Explanation**	**PR**	**Debit**	**Credit**
2020					
May	**1**	**Cash**	**101**	**78,000**	
		Office Equipment	**163**	**51,000**	
		Elizabeth Wong, Capital	**301**		**123,000**
		Invested cash and equipment to start the business.			
	1	**Prepaid Rent**	**131**	**15,300**	
		Cash	**101**		**15,300**
		Prepaid three months' rent.			
	2	**Office Equipment**	**163**	**25,500**	
		Office Supplies	**124**	**5,100**	
		Accounts Payable	**201**		**30,600**
		Purchased equipment and supplies on credit.			
	6	**Cash**	**101**	**8,300**	
		Services Revenue	**403**		**8,300**
		Received cash from client for services performed.			
	9	**Accounts Receivable**	**106**	**16,300**	
		Services Revenue	**403**		**16,300**
		Billed client for completed work.			
	10	**Accounts Payable**	**201**	**15,300**	
		Cash	**101**		**15,300**
		Paid one-half of balance due on accounts payable.			
	19	**Prepaid Insurance**	**128**	**7,800**	
		Cash	**101**		**7,800**
		Paid annual premium for insurance.			
	22	**Cash**	**101**	**13,100**	
		Accounts Receivable	**106**		**13,100**
		Collected part of the amount owed by a client.			
	25	**Accounts Receivable**	**106**	**5,580**	
		Services Revenue	**403**		**5,580**
		Billed client for completed work.			
	25	**Wages expense**	**623**	**35,500**	
		Cash	**101**		**35,500**
		Paid wage expense.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem2-7A, *Part 1 (continued)*

May	31	Elizabeth Wong, Withdrawals	302	5,300	
		Cash	101		5,300
		Owner withdrew cash.			
	31	Office Supplies.....	124	1,750	
		Accounts Payable	201		1,750
		Purchased supplies on credit.			
	31	Utilities Expense	690	1,430	
		Cash	101		1,430
		Paid monthly utility bill.			

Note: Assume that all entries were journalized on Page 1 of the General Journal.

Parts 2 and 3

Cash — **Acct. No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	1		G1	78,000		78,000
	1		G1		15,300	62,700
	6		G1	8,300		71,000
	10		G1		15,300	55,700
	19		G1		7,800	47,900
	22		G1	13,100		61,000
	25		G1		35,500	25,500
	31		G1		5,300	20,200
	31		G1		1,430	18,770

Accounts Receivable — **Acct. No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	9		G1	16,300		16,300
	22		G1		13,100	3,200
	25		G1	5,580		8,780

Office Supplies — **Acct. No. 124**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	2		G1	5,100		5,100
	31		G1	1,750		6,850

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7A *(continued) Parts 2 and 3*

Prepaid Insurance — **Acct. No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	19		G1	7,800		7,800

Prepaid Rent — **Acct. No. 131**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	1		G1	15,300		15,300

Office Equipment — **Acct. No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	1		G1	51,000		51,000
	2		G1	25,500		76,500

Accounts Payable — **Acct. No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	2		G1		30,600	30,600
	10		G1	15,300		15,300
	31		G1		1,750	17,050

Elizabeth Wong, Capital — **Acct. No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	1		G1		129,000	129,000

Elizabeth Wong, Withdrawals — **Acct. No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	31		G1	5,300		5,300

Services Revenue — **Acct. No. 403**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	6		G1		8,300	8,300
	9		G1		16,300	24,600
	25		G1		5,580	30,180

Wages Expense — **Acct. No. 623**

Date		Explanation	PR	Debit	Credit	Balance
2020						
May	25		G1	35,500		35,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7A ***(continued) Parts 2 and 3***

Utilities Expense					Acct. No. 690
Date	**Explanation**	**PR**	**Debit**	**Credit**	**Balance**
2020 May 31		G1	1,430		1,430

Part 4

HR Solutions
Trial Balance
May 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 18,770	
106	Accounts receivable	8,780	
124	Office supplies	6,850	
128	Prepaid insurance	7,800	
131	Prepaid rent	15,300	
163	Office equipment	76,500	
201	Accounts payable		$ 17,050
301	Elizabeth Wong, capital		129,000
302	Elizabeth Wong, withdrawals	5,300	
403	Services revenue		30,180
623	Wages expense	35,500	
690	Utilities expense	1,430	
	Totals	$176,230	$176,230

Analysis component:
Equity represents how much of HR Solutions' assets belong to the owner, Elizabeth Wong. Services Revenue is an equity account because as revenues are realized, the business's net worth (assets – liabilities, or equity) increases either through the receipt of an asset (cash or accounts receivable) or satisfying a liability (unearned revenues). Utilities Expense is an equity account because as expenses are realized, net worth (what belongs to the owner) decreases either through the use of an asset (such as prepaid insurance) or increase in a liability (such as rent payable). Elizabeth Wong, Withdrawals is an equity account because as the owner withdraws assets, Elizabeth Wong's equity in the business (what belongs to the owner) decreases. The owner's objective is for the business to generate sufficient revenues to cover all expenses, provide sufficient assets for the purpose of withdrawals, and at the same time maintain or preferably increase equity (because excess revenues remained after deducting expenses and withdrawals).

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-8A

HR Solutions
Income Statement
For Month Ended May 31, 2020

Revenues:		
Service revenue		**$30,180**
Operating expenses:		
Wages expense	**$35,500**	
Utilities expense	**1,430**	
Total operating expenses		**36,930**
Loss		**$ 6,750**

HR Solutions
Statement of Changes in Equity
For Month Ended May 31, 2020

Elizabeth Wong, capital, May 1		**$ 0**
Investments by owner		**129,000**
Less: Withdrawals by owner	**$5,300**	
Loss	**6,750**	**12,050**
Elizabeth Wong, capital, May 31		**$116,950**

The arrows are imaginary but emphasize the link between statements.

HR Solutions
Balance Sheet
May 31, 2020

Assets		***Liabilities***	
Cash	**$ 18,770**	**Accounts payable**	**$ 17,050**
Accounts receivable	**8,780**		
Office supplies	**6,850**		
Prepaid insurance	**7,800**	***Equity***	
Prepaid rent	**15,300**	**Elizabeth Wong, capital**	**116,950**
Office equipment	**76,500**	**Total liabilities and**	
Total assets	**$134,000**	**equity**	**$134,000**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-9A (25 minutes)

Hipster Optical
Income Statement
For Month Ended May 31, 2020

Revenues:		
Service revenue		**$30,380**
Operating expenses:		
Wages expense	**$16,000**	
Rent expense	**5,300**	
Utilities expense	**1,500**	
Total operating expenses		**22,800**
Profit		**$ 7,580**

Hipster Optical
Statement of Changes in Equity
For Month Ended May 31, 2020

Peeta Black, capital, May 1		**$ -0-**
Owner investment	**$ 57,300**	
Profit	**7,580**	**64,880**
Total		**$64,880**
Less: Withdrawals by owner		**1,580**
Peeta Black, capital, May 31		**$63,300**

The arrows are imaginary but emphasize the link between statements.

Hipster Optical
Balance Sheet
May 31, 2020

Assets		***Liabilities***	
Cash	**$19,500**	**Accounts payable**	**$ 1,700**
Accounts receivable	**9,480**	**Unearned service revenue**	**8,800**
Office supplies	**7,400**	**Total liabilities**	**$ 10,500**
Prepaid insurance	**10,820**		
Office equipment	**26,600**		
		Equity	
		Peeta Black, capital	**63,300**
Total assets	**$73,800**	**Total liabilities and equity**	**$73,800**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-9A (*Concluded*)

Analysis component:

2020				
May	**31**	**Utilities Expense**	**1,500**	
		Cash		**1,500**
		Paid the May utilities.		
		OR		
	31	**Utilities Expense**	**1,500**	
		Accounts Payable		**1,500**
		Received the May utility bill which will be paid next month.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10A (90 minutes)

Part 1

		General Journal			Page 1
Date		Account Titles and Explanation	PR	Debit	Credit
2020					
July	1	Cash	101	300,000	
		Office Equipment	163	12,000	
		Drafting Equipment	167	90,000	
		Bob Binbutti, Capital	301		402,000
		Investment by owner.			
	2	Land	183	108,000	
		Cash	101		10,800
		Long-Term Notes Payable	251		97,200
		Purchased land.			
	3	Building	173	150,000	
		Cash	101		150,000
		Purchased a building.			
	5	Prepaid Insurance	128	12,000	
		Cash	101		12,000
		Purchased two one-year insurance policies.			
	7	Cash	101	1,400	
		Engineering Revenue	401		1,400
		Completed services for cash.			
	9	Drafting Equipment	167	45,000	
		Cash	101		21,000
		Long-Term Notes Payable	251		24,000
		Purchased drafting equipment.			
	10	Accounts Receivable	106	4,000	
		Engineering Revenue	401		4,000
		Completed services on credit.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10A ***(continued)***

July	**12**	**Office Equipment**	**163**	**4,500**	
		Accounts Payable	**201**		**4,500**
		Purchased office equipment on credit.			
	15	**Accounts Receivable**	**106**	**7,000**	
		Engineering Revenue	**401**		**7,000**
		Completed services on credit.			
	16	**Equipment Rental Expense**	**645**	**13,800**	
		Accounts Payable	**201**		**13,800**
		Equipment rental to be paid in 30 days.			
	17	**Cash**	**101**	**400**	
		Accounts Receivable	**106**		**400**
		Collection from credit customer.			
	19	**Wages Expense**	**623**	**12,000**	
		Cash	**101**		**12,000**
		Paid drafting assistants.			
	22	**Accounts Payable**	**201**	**4,500**	
		Cash	**101**		**4,500**
		Paid July 12 transaction.			
	25	**Repairs Expense**	**684**	**1,350**	
		Cash	**101**		**1,350**
		Paid for repairs on drafting equipment.			
	26	**Bob Binbutti, Withdrawals**	**302**	**800**	
		Cash	**101**		**800**
		Owner withdrawal.			
	30	**Wages Expense**	**623**	**12,000**	
		Cash	**101**		**12,000**
		Paid drafting assistants.			
	31	**Advertising Expense**	**655**	**6,000**	
		Cash	**101**		**6,000**
		Paid for advertising in local newspaper.			

Note: Assume all entries were journalized on Page 1 of the General Journal.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10A *(continued)*

Parts 2 and 3

Cash — **Account No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				26,000
July	1		G1	300,000		326,000
	2		G1		10,800	315,200
	3		G1		150,000	165,200
	5		G1		12,000	153,200
	7		G1	1,400		154,600
	9		G1		21,000	133,600
	17		G1	400		134,000
	19		G1		12,000	122,000
	22		G1		4,500	117,500
	25		G1		1,350	116,150
	26		G1		800	115,350
	30		G1		12,000	103,350
	31		G1		6,000	97,350

Accounts Receivable — **Account No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				3,000
July	10		G1	4,000		7,000
	15		G1	7,000		14,000
	17		G1		400	13,600

Prepaid Insurance — **Account No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				500
July	5		G1	12,000		12,500

Office Equipment — **Account No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				1,700
July	1		G1	12,000		13,700
	12		G1	4,500		18,200

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10A ***(continued)***

Parts 2 and 3 (continued)

Drafting Equipment — **Account No. 167**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				1,200
July	1		G1	90,000		91,200
	9		G1	45,000		136,200

Building — **Account No. 173**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				42,000
July	3		G1	150,000		192,000

Land — **Account No. 183**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				28,000
July	2		G1	108,000		136,000

Accounts Payable — **Account No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				1,740
July	12		G1		4,500	6,240
	16		G1		13,800	20,040
	22		G1	4,500		15,540

Long-Term Notes Payable — **Account No. 251**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				24,000
July	2		G1		97,200	121,200
	9		G1		24,000	145,200

Bob Binbutti, Capital — **Account No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				54,000
July	1		G1		402,000	456,000

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10A ***(continued)***

Parts 2 and 3 (continued)

Bob Binbutti, Withdrawals — **Account No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				1,000
July	26		G1	800		1,800

Engineering Revenue — **Account No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				29,600
July	7		G1		1,400	31,000
	10		G1		4,000	35,000
	15		G1		7,000	42,000

Wages Expense — **Account No. 623**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				4,000
July	19		G1	12,000		16,000
	30		G1	12,000		28,000

Equipment Rental Expense — **Account No. 645**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				1,000
July	16		G1	13,800		14,800

Advertising Expense — **Account No. 655**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				640
July	31		G1	6,000		6,640

Repairs Expense — **Account No. 684**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				300
July	25		G1	1,350		1,650

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10A *(concluded)*

Part 4

BINBUTTI ENGINEERING
Trial Balance
July 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 97,350	
106	Accounts receivable	13,600	
128	Prepaid insurance	12,500	
163	Office equipment	18,200	
167	Drafting equipment	136,200	
173	Building	192,000	
183	Land	136,000	
201	Accounts payable		$ 15,540
251	Long-term notes payable		145,200
301	Bob Binbutti, capital		456,000
302	Bob Binbutti, withdrawals	1,800	
401	Engineering revenue		42,000
623	Wages expense	28,000	
645	Equipment rental expense	14,800	
655	Advertising expense	6,640	
684	Repairs expense	1,650	
	Totals	$658,740	$658,740

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-11A (25 minutes)

BINBUTTI ENGINEERING
Income Statement
For Three Months Ended July 31, 2020

Revenues:		
Engineering revenue		**$42,000**
Operating expenses:		
Wages expense	**$28,000**	
Equipment rental expense	**14,800**	
Advertising expense	**6,640**	
Repairs expense	**1,650**	
Total operating expenses		**51,090**
Loss		**$ 9,090**

BINBUTTI ENGINEERING
Statement of Changes in Equity
For Three Months Ended July 31, 2020

Bob Binbutti, capital, May 1		**$ 0**
Investments by owner		**456,000**
Total		**456,000**
Less: Withdrawals by owner	**$1,800**	
Loss	**9,090**	**10,890**
Bob Binbutti, capital, July 31		**$445,110**

The arrows are imaginary but emphasize the link between statements.

BINBUTTI ENGINEERING
Balance Sheet
July 31, 2020

Assets		***Liabilities***	
Cash	**$ 97,350**	**Accounts payable**	**$ 15,540**
Accounts receivable	**13,600**	**Long-term notes payable**	**145,200**
Prepaid insurance	**12,500**	**Total liabilities**	**160,740**
Office equipment	**18,200**		
Drafting equipment	**136,200**	***Equity***	
Building	**192,000**	**Bob Binbutti, capital**	**445,110**
Land	**136,000**	**Total liabilities and**	
Total assets	**$605,850**	**equity**	**$605,850**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12A (45 minutes) Part 1

Date		General Journal Account Titles and Explanation	PR	Debit	Page 1 Credit
2020					
July	1	Supplies	126	100	
		Accounts Payable	201		100
		Purchased supplies on credit.			
	2	Cash	101	4,000	
		Unearned Teaching Revenue	233		4,000
		Collected cash for teaching services in August.			
	3	Cash	101	2,000	
		Teaching Revenue	401		2,000
		Collected cash for teaching services in July.			
	4	Rent Expense	640	3,000	
		Cash	101		3,000
		Paid July rent.			
	5	Accounts Payable	201	500	
		Cash	101		500
		Paid for supplies purchased on account.			
	15	Taylor Smith, Withdrawals	302	500	
		Cash	101		500
		The owner withdrew cash.			
	20	Wages Expense	623	1,300	
		Cash	101		1,300
		Paid wages.			
	31	Equipment	161	300	
		Accounts Payable	201		300
		Purchased equipment on credit.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12A (*continued*)

Parts 2 and 3

Cash 101			
Bal.	6,000		
Jul. 2	4,000	3,000	Jul. 4
3	2,000	500	Jul. 5
		500	Jul. 15
		1,300	Jul. 20
Bal.	6,700		

Supplies 126			
Bal.	950		
Jul. 1	100		
Bal.	1,050		

Equipment 161			
Bal.	8,000		
Jul. 31	300		
Bal.	8,300		

Accounts Payable 201			
		1,500	Bal.
Jul. 5	500	100	Jul. 1
		300	Jul. 31
		1,400	Bal.

Unearned Teaching Rev 233			
		9,800	Bal.
		4,000	Jul. 2
		13,800	Bal.

Taylor Smith, Capital 301			
		3,000	Bal.

Taylor Smith, Withdrawals 302			
Bal.	13,000		
Jul. 15	500		
Bal.	13,500		

Teaching Revenue 401			
		46,000	Bal.
		2,000	Jul. 3
		48,000	Bal.

Wages Expense 623			
Bal.	26,350		
Jul. 20	1,300		
Bal.	27,650		

Rent Expense 640			
Bal.	6,000		
Jul. 4	3,000		
Bal.	9,000		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12A (*continued*)

Part 4

Glitter and Gold Studio
Trial Balance
July 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 6,700	
126	Supplies	1,050	
161	Furniture	8,300	
201	Accounts payable		$ 1,400
233	Unearned teaching revenue		13,800
301	Taylor Smith, capital		3,000
302	Taylor Smith, withdrawals	13,500	
401	Teaching revenue		48,000
623	Wages expense	27,650	
640	Rent expense	9,000	
	Totals	$66,200	$66,200

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12A (*concluded*)
Part 5

Glitter and Gold Studio
Income Statement
For Three Months Ended July 31, 2020

Teaching revenue		$48,000
Operating expenses:		
Wages expense	$27,650	
Rent expense	9,000	
Total operating expenses		36,650
Profit		$11,350

Glitter and Gold Studio
Statement of Changes in Equity
For Three Months Ended July 31, 2020

Taylor Smith, capital, May 1		$ 3,000
Owner investment	$ 0	
Profit	11,350	11,350
Total		$14,350
Less: Withdrawals by owner		13,500
Taylor Smith, capital, July 31		$ 850

The arrows are imaginary but emphasize the link between statements.

Glitter and Gold Studio
Balance Sheet
July 31, 2020

Assets		*Liabilities*	
Cash	$ 6,700	Accounts payable	$ 1,400
Supplies	1,050	Unearned teaching revenue	13,800
Furniture	8,300	Total liabilities	$15,200
		Equity	
		Taylor Smith, capital	850
Total assets	$16,050	Total liabilities and equity	$16,050

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13A (45 minutes) Part 1

Date		General Journal Account Titles and Explanation	PR	Debit	Page 1 Credit
2020					
Mar.	1	Supplies	126	200	
		Accounts Payable	201		200
		Purchased supplies on credit.			
	2	Cash	101	4,400	
		Unearned Wedding Planning Revenue	233		4,400
		Collected cash for wedding planning in April.			
	3	Cash	101	2,200	
		Wedding Planning Revenue	401		2,200
		Collected cash for wedding planning services in March.			
	4	Rent Expense	640	3,200	
		Cash	101		3,200
		Paid March rent.			
	5	Accounts Payable	201	600	
		Cash	101		600
		Paid for supplies purchased on account.			
	15	Ranjeet Gill, Withdrawals	302	450	
		Cash	101		450
		The owner withdrew cash.			
	20	Wages Expense	623	1,500	
		Cash	101		1,500
		Paid wages.			
	31	Equipment	161	400	
		Accounts Payable	201		400
		Purchased equipment on credit.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13A (*continued*)

Parts 2 and 3

Cash				101
Bal.	6,200			
Mar 2	4,400	3,200	Mar. 4	
3	2,200	600	Mar. 5	
		450	Mar. 15	
		1,500	Mar. 20	
Bal.	7,050			

Supplies				126
Bal.	1,050			
Mar 1	200			
Bal.	1,250			

Equipment				161
Bal.	8,200			
Mar. 31	400			
Bal.	8,600			

Accounts Payable				201
		1,700	Bal.	
Mar 5	600	200	Mar. 1	
		400	Mar. 31	
		1,700	Bal.	

Unearned Wedding Planning Revenue				233
		10,000	Bal.	
		4,400	Mar. 2	
		14,400	Bal.	

Ranjeet Gill, Capital				301
		3,200	Bal.	

Ranjeet Gill, Withdrawals				302
Bal.	13,200			
Mar. 15	450			
Bal.	13,650			

Wedding Planning Revenue				401
		46,600	Bal.	
		2,200	Mar. 3	
		48,800	Bal.	

Wages Expense				623
Bal.	26,650			
Mar. 20	1,500			
Bal.	28,150			

Rent Expense				640
Bal.	6,200			
Mar. 4	3,200			
Bal.	9,400			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13A (*continued*)

Part 4

Everything Wedding Planning
Trial Balance
March 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 7,050	
126	Supplies	1,250	
161	Furniture	8,600	
201	Accounts payable		$ 1,700
233	Unearned wedding planning revenue		14,400
301	Ranjeet Gill, capital		3,200
302	Ranjeet Gill, withdrawals	13,650	
401	Wedding planning revenue		48,800
623	Wages expense	28,150	
640	Rent expense	9,400	
	Totals	$68,100	$68,100

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13A (*concluded*)
Part 5

Everything Wedding Planning
Income Statement
For Three Months Ended March 31, 2020

Wedding planning revenue		$48,800
Operating expenses:		
Wages expense	$28,150	
Rent expense	9,400	
Total operating expenses		37,550
Profit		$11,250

Everything Wedding Planning
Statement of Changes in Equity
For Three Months Ended Mar 31, 2020

Ranjeet Gill, capital, January 1		$ 0
Owner investment	$3,200	
Profit	11,250	11,250
Total		$14,450
Less: Withdrawals by owner		13,650
Ranjeet Gill, capital, March 31		$ 800

The arrows are imaginary but emphasize the link between statements.

Everything Wedding Planning
Balance Sheet
March 31, 2020

Assets		*Liabilities*	
Cash	$ 7,050	Accounts payable	$ 1,700
Supplies	1,250	Unearned teaching revenue	14,400
Furniture	8,600	Total liabilities	$16,100
		Equity	
		Ranjeet Gill, capital	800
Total assets	$16,900	Total liabilities and equity	$16,900

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-14A (25 minutes)

FELINE PET CARE
Income Statement
For Year Ended July 31, 2020

Revenues:		
Revenue		$111,900
Operating expenses:		
Wages expense	$56,000	
Equipment rental expense	32,000	
Pet food expense	17,600	
Advertising expense	9,000	
Total operating expenses		114,600
Loss		$ 2,700

FELINE PET CARE
Statement of Changes in Equity
For Year Ended July 31, 2020

Dwight Turnbull, capital, August 1		$ 0
Investments by owner		290,760
Total		290,760
Less: Withdrawals by owner	$ 4,800	
Loss	2,700	7,500
Dwight Turnbull, capital, July 31		$283,260

The arrows are imaginary but emphasize the link between statements.

FELINE PET CARE
Balance Sheet
July 31, 2020

Assets		*Liabilities*	
Cash	$ 22,800	Accounts payable	$ 14,240
Accounts receivable	11,400	Unearned revenue	91,000
Prepaid insurance	12,300	Total liabilities	105,240
Equipment	18,000		
Building	190,000	*Equity*	
Land	134,000	Dwight Turnbull, capital	283,260
		Total liabilities and	
Total assets	$388,500	equity	$388,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-14A (*concluded*)

Analysis component:

2020				
July	**31**	**Cash**	**111,900**	
		Revenue		**111,900**
		Received cash for completing work for clients.		
	31	**Accounts Receivable**	**111,900**	
		Revenue		**111,900**
		Completed work for clients on account.		

Problem 2-15A (15 minutes)

Wilm's Window Washing Services
Trial Balance
January 31, 2020

	Debit	Credit
Cash (11,600 + 2,800[b] – 4,400[d])	$ 10,000	
Accounts receivable (9,240 – 2,800[b] + 3,600[c])	10,040	
Prepaid insurance	2,400	
Equipment (24,000 + 4,000[a])	28,000	
Accounts payable (5,400 + 4,000[a])		$ 9,400
Wilm Schmidt, capital		45,000
Wilm Schmidt, withdrawals	8,960	
Service revenues (60,400 + 3,600[e])		64,000
Salaries expense	32,000	
Insurance expense	5,200	
Maintenance expense (13,000 + 3,600[e])	16,600	
Utilities expense	5,200	
Totals	$118,400	$118,400

Note: The superscripts (a) to (e) are references to items (a) to (e) listed in Problem 2-13A.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

ALTERNATE PROBLEMS

Problem 2-1B (30 minutes)

June 2	Analysis	Assets increase. Equity increases.			
	Journal entry analysis	Debit the Cash account for $46,000. Debit the Office Equipment account for $24,000. Credit the Trevor Peeters, Capital account for $70,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 2	Cash		46,000	
		Office Equipment		24,000	
		Trevor Peeters, Capital			70,000
		Owner investment of cash and equipment.			
Jun 4	Analysis	Assets increase and assets decrease. Liabilities increase.			
	Journal entry analysis	Debit the Land account for $268,000. Debit the Building account for $66,000. Credit the Cash account for $30,000. Credit the Long-Term Notes Payable account for 304,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 4	Land		268,000	
		Building		66,000	
		Cash			30,000
		Long-Term Notes Payable			304,000
		Purchased Land and Building with Cash and a Long-Term Notes Payable.			
Jun 8	Analysis	Assets increase. Equity increase.			
	Journal entry analysis	Debit the Vehicle account for $7,000. Credit the Trevor Peeters, Capital account for $7,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 8	Vehicle		7,000	
		Trevor Peeters, Capital			7,000

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

		Owner investment of asset.			
Problem 2-1B (*Continued*)					
Jun 10	**Analysis**	**Assets increase. Liabilities increase.**			
	Journal entry analysis	**Debit the Office Supplies account for $600.** **Credit the Accounts Payable account for $600.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	Jun 10	**Office Supplies**		**600**	
		Accounts Payable			**600**
		Purchased supplies on credit.			
Jun 14	**Analysis**	**Assets increase. Equity increases.**			
	Journal entry analysis	**Debit the Accounts Receivable account for $2,400.** **Credit the Revenue account for $2,400.**			
	Journal Entry				
	Date	**Account Description**		**Debit**	**Credit**
	Jun 14	**Accounts Receivable**		**2,400**	
		Revenue			**2,400**
		Billed customer for services provided.			
Jun 18	**Analysis**	**Assets decrease. Equity decreases.**			
	Journal entry analysis	**Debit the Salaries Expense account for $1,800.** **Credit the Cash account for $1,800.**			
	Journal Entry				
	Date	**Account Titles and Explanation**		**Debit**	**Credit**
	Jun 18	**Salaries Expense**		**1,800**	
		Cash			**1,800**
		Paid salary.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-1B (*Continued*)					
Jun 22	Analysis	Assets decrease. Liabilities decrease.			
	Journal entry analysis	Debit the Accounts Payable account for $600. Credit the Cash account for $600.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 22	Accounts Payable		600	
		Cash			600
		Paid accounts payable.			
Jun 24	Analysis	Assets increase. Assets decrease.			
	Journal entry analysis	Debit the Office Equipment (new) account for $4,000. Credit the Cash account for $2,400. Credit the Office Equipment (old) account for $1,600.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 24	Office Equipment (new)		4,000	
		Cash			2,400
		Equipment (old)			1,600
		Purchase of office equipment.			
Jun 28	Analysis	Assets increase. Assets decrease.			
	Journal entry analysis	Debit the Cash account for $1,000. Credit the Accounts Receivable account for $1,000.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 28	Cash		1,000	
		Accounts Receivable			1,000
		Collected cash from a customer.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-1B (*Concluded*)					
Jun 30	Analysis	Assets decrease. Equity decreases.			
	Journal entry analysis	Debit the Trevor Peeters, Withdrawal account for $1,050. Credit the Cash account for $1,050.			
	Journal Entry				
	Date	Account Titles and Explanation		Debit	Credit
	Jun 30	Trevor Peeters, Withdrawals		1,050	
		Cash			1,050
		Withdrawal of cash by owner.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-2B (30 minutes) Part 1 and 2

Part 3

Cash

Jun 2	46,000	30,000	Jun 4
Jun 28	1,000	1,800	Jun 18
		600	Jun 22
		2,400	Jun 24
		1,050	Jun 30
Balance	11,150		

Accounts Receivable

Jun 14	2,400	1,000	Jun 28
Balance	1,400		

Office Supplies

Jun 10	600		

Vehicle

Jun 8	7,000		

Office Equipment

Jun 2	24,000	1,600	Jun 24
Balance	26,400		

Building

Jun 4	66,000		

Land

Jun 4	268,000		

Accounts Payable

Jun 22	600	600	Jun 10
		0	Balance

Long-Term Notes Payable

		304,000	Jun 4

Trevor Peeters, Capital

		70,000	Jun 2
		7,000	Jun 8
		77,000	Balance

Trevor Peeters, Withdrawals

Jun 30	1,050		

Revenue

		2,400	Jun 14

Salaries Expense

Jun 18	1,800		

Assets ($380,550) = Liabilities ($304,000) + Equity ($76,550)

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-3B

Date		General Journal Accounts Titles and Explanations	Debit	Page 1 Credit
2020				
March	1	Building	375,000	
		Cash		75,000
		Long-Term Note Payable		300,000
		Purchased new portable building paying cash and signing a five-year note payable.		
	1	Prepaid Insurance	5,700	
		Cash		5,700
		Purchased six months of insurance to begin March 1.		
	2	No entry.		
	4	Cleaning Supplies	450	
		Accounts Payable		450
		Purchased cleaning supplies on account.		
	15	Accounts Payable	450	
		Cash		450
		Paid for the March 4 purchase.		
	19	Accounts Receivable	35,000	
		Advertising Revenue (or other revenue account)		35,000
		Performed work for a client on account.		
	20	Cash	8,000	
		Unearned Revenue		8,000
		Collected cash from a customer for work to be done in April.		
	28	Hotel Expense or Travel Expense	240	
		Cash		240
		Paid for a hotel regarding a business meeting.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-3B ***(concluded)***

March	**29**	**Cash**	**5,000**	
		Advertising Revenue (or other revenue account)		**5,000**
		Provided advertising services and collected cash.		
	30	**Salaries Expense**	**25,600**	
		Cash		**25,600**
		Paid month-end salaries.		
	30	**Telephone Expense**	**1,300**	
		Accounts Payable		**1,300**
		March telephone bill to be paid on April 14.		
	30	**Cash**	**17,500**	
		Accounts Receivable		**17,500**
		Collected half of the amount owed by the customer of March 19.		

Note: Assume all entries were journalized on Page 1 of the General Journal.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-4B (60 minutes)

		General Journal			Page 1
Date		**Account Titles and Explanation**	**PR**	**Debit**	**Credit**
2020					
Sept.	**1**	**Cash**	**101**	**48,000**	
		Office Equipment	**163**	**11,800**	
		Francis Dhami, Capital	**301**		**59,800**
		Investment by owner.			
	1	**Prepaid Rent**	**131**	**8,700**	
		Cash	**101**		**8,700**
		Paid three months' rent.			
	2	**Office Supplies**	**124**	**1,180**	
		Office Equipment	**163**	**5,800**	
		Accounts Payable	**201**		**6,980**
		Purchased items on credit.			
	4	**Cash**	**101**	**6,000**	
		Accounting Revenue	**401**		**6,000**
		Sold accounting services for cash.			
	8	**Accounts Receivable**	**106**	**3,800**	
		Accounting Revenue	**401**		**3,800**
		Sold accounting services on credit.			
	10	**Accounts Payable**	**201**	**6,980**	
		Cash	**101**		**6,980**
		Paid for credit purchase.			
	14	**Prepaid Insurance**	**128**	**2,800**	
		Cash	**101**		**2,800**
		Paid annual insurance premium.			
	15	**No entry.**			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-4B *(concluded)*

Sept.	**18**	**Cash**	**101**	**1,400**	
		Accounts Receivable	**106**		**1,400**
		Received cash from credit customer.			
	24	**Accounts Receivable**	**106**	**2,750**	
		Accounting Revenue	**401**		**2,750**
		Sold accounting services on credit.			
	28	**Francis Dhami, Withdrawals**	**302**	**3,400**	
		Cash	**101**		**3,400**
		Owner withdrew cash.			
	29	**Office Supplies**	**124**	**630**	
		Accounts Payable	**201**		**630**
		Purchased supplies on credit.			
	30	**Utilities Expense**	**690**	**840**	
		Cash	**101**		**840**
		Paid utilities bill.			

Note: The account numbers in the PR column above would be included only when these journal entries are being posted in Problem 2-4B. Assume that all entries were journalized on Page 1 of the General Journal.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-5B

Parts 1 and 2

Cash — **Acct. No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	1		G1	48,000		48,000
	1		G1		8,700	39,300
	4		G1	6,000		45,300
	10		G1		6,980	38,320
	14		G1		2,800	35,520
	18		G1	1,400		36,920
	28		G1		3,400	33,520
	30		G1		840	32,680

Accounts Receivable — **Acct. No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	8		G1	3,800		3,800
	18		G1		1,400	2,400
	24		G1	2,750		5,150

Office Supplies — **Acct. No. 124**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	2		G1	1,180		1,180
	29		G1	630		1,810

Prepaid Insurance — **Acct. No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	14		G1	2,800		2,800

Prepaid Rent — **Acct. No. 131**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	1		G1	8,700		8,700

Office Equipment — **Acct. No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	1		G1	11,800		11,800
	2		G1	5,800		17,600

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-5B *(continued)*

Parts 1 and 2

Accounts Payable — **Acct. No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	2		G1		6,980	6,980
	10		G1	6,980		0
	29		G1		630	630

Francis Dhami, Capital — **Acct. No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	1		G1		59,800	59,800

Francis Dhami, Withdrawals — **Acct. No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	28		G1	3,400		3,400

Accounting Revenue — **Acct. No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	4		G1		6,000	6,000
	8		G1		3,800	9,800
	24		G1		2,750	12,550

Professional Development Expense — **Acct. No. 680**

Date		Explanation	PR	Debit	Credit	Balance
2020						

Utilities Expense — **Acct. No. 690**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Sept.	30		G1	840		840

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-5B *(concluded)*

Part 3

FRANCIS DHAMI, PUBLIC ACCOUNTANT
Trial Balance
September 30, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 32,680	
106	Accounts receivable	5,150	
124	Office supplies	1,810	
128	Prepaid insurance	2,800	
131	Prepaid rent	8,700	
163	Office equipment	17,600	
201	Accounts payable		$ 630
301	Francis Dhami, capital		59,800
302	Francis Dhami, withdrawals	3,400	
401	Accounting revenue		12,550
690	Utilities expense	840	
	Totals	$72,980	$72,980

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-6B (25 minutes)

FRANCIS DHAMI, PUBLIC ACCOUNTANT
Income Statement
For Month Ended September 30, 2020

Revenues:		
Accounting revenue		**$12,550**
Operating expenses:		
Utilities expense	**$840**	
Total operating expenses		**840**
Profit		**$ 11,710**

FRANCIS DHAMI, PUBLIC ACCOUNTANT
Statement of Changes in Equity
For Month Ended September 30, 2020

Francis Dhami, capital, September 1		**$ 0**
Investments by owner	**$59,800**	
Profit	**11,710**	**71,510**
Total		**$71,510**
Less: Withdrawals by owner		**3,400**
Francis Dhami, capital, September 30		**$68,110**

The arrows are imaginary but emphasize the link between statements.

FRANCIS DHAMI, PUBLIC ACCOUNTANT
Balance Sheet
September 30, 2020

Assets		***Liabilities***	
Cash	**$ 32,680**	**Accounts payable**	**$ 630**
Accounts receivable	**5,150**		
Office supplies	**1,810**		
Prepaid insurance	**2,800**	***Equity***	
Prepaid rent	**8,700**	**Francis Dhami, capital**	**68,110**
Office equipment	**17,600**	**Total liabilities and**	
Total assets	**$68,740**	**equity**	**$68,740**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7B (90 minutes)

Part 1

		General Journal			Page 1
Date		**Account Titles and Explanation**		**Debit**	**Credit**
2020					
Nov.	**1**	**Cash**	**101**	**62,000**	
		Office Equipment	**163**	**19,000**	
		Tait Unger, Capital	**301**		**81,000**
		Owner invested in the business.			
	2	**Prepaid Rent**	**131**	**21,000**	
		Cash	**101**		**21,000**
		Prepaid three months' rent.			
	4	**Office Equipment**	**163**	**9,000**	
		Office Supplies	**124**	**1,650**	
		Accounts Payable	**201**		**10,650**
		Purchased equipment and supplies on credit.			
	8	**Cash**	**101**	**5,200**	
		Service Revenue	**401**		**5,200**
		Received cash from client for completed work.			
	12	**Accounts Receivable**	**106**	**4,800**	
		Service Revenue	**401**		**4,800**
		Billed client for completed work.			
	13	**Accounts Payable**	**201**	**10,650**	
		Cash	**101**		**10,650**
		Paid balance due on accounts payable.			
	19	**Prepaid Insurance**	**128**	**3,750**	
		Cash	**101**		**3,750**
		Paid annual premium for insurance.			
	22	**Cash**	**101**	**2,000**	
		Accounts Receivable	**106**		**2,000**
		Collected part of the amount owed by a client.			
	24	**Accounts Receivable**	**106**	**3,600**	
		Service Revenue	**401**		**3,600**
		Billed client for completed work.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7B *(continued)*

Part 1

Nov.	**28**	**Tait Unger, Withdrawals**	**302**	**5,300**	
		Cash	**101**		**5,300**
		Owner withdrew cash for personal use.			
	29	**Office Supplies**	**124**	**1,700**	
		Accounts Payable	**201**		**1,700**
		Purchased supplies on credit.			
	30	**Wages Expense**	**680**	**19,000**	
		Cash	**101**		**19,000**
		Paid wages.			
	30	**Utilities Expense**	**690**	**1,650**	
		Cash	**101**		**1,650**
		Paid monthly utility bill.			

Note: Assume all entries were journalized on Page 1 of the General Journal.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7B *(continued)*

Parts 2 and 3

Cash — **Acct. No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	1		G1	62,000		62,000
	2		G1		21,000	41,000
	8		G1	5,200		46,200
	13		G1		10,650	35,550
	19		G1		3,750	31,800
	22		G1	2,000		33,800
	28		G1		5,300	28,500
	30		G1		19,000	9,500
	30		G1		1,650	7,850

Accounts Receivable — **Acct. No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	12		G1	4,800		4,800
	22		G1		2,000	2,800
	24		G1	3,600		6,400

Office Supplies — **Acct. No. 124**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	4		G1	1,650		1,650
	29		G1	1,700		3,350

Prepaid Insurance — **Acct. No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	19		G1	3,750		3,750

Prepaid Rent — **Acct. No. 131**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	2		G1	21,000		21,000

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7B *(continued)*

Parts 2 and 3

Office Equipment — **Acct. No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	1		G1	19,000		19,000
	4		G1	9,000		28,000

Accounts Payable — **Acct. No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	4		G1		10,650	10,650
	13		G1	10,650		0
	29		G1		1,700	1,700

Tait Unger, Capital — **Acct. No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	1		G1		81,000	81,000

Tait Unger, Withdrawals — **Acct. No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	28		G1	5,300		5,300

Service Revenue — **Acct. No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	8		G1		5,200	5,200
	12		G1		4,800	10,000
	24		G1		3,600	13,600

Wages Expense — **Acct. No. 680**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	30		G1	19,000		19,000

Utilities Expense — **Acct. No. 690**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	30		G1	1,650		1,650

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-7B *(concluded)*

Part 4

WiCOM SERVICING
Trial Balance
November 30, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 7,850	
106	Accounts receivable	6,400	
124	Office supplies	3,350	
128	Prepaid insurance	3,750	
131	Prepaid rent	21,000	
163	Office equipment	28,000	
201	Accounts payable		$ 1,700
301	Tait Unger, capital		81,000
302	Tait Unger, withdrawals	5,300	
401	Service revenue		13,600
680	Wages expense	19,000	
690	Utilities expense	1,650	
	Totals	$96,300	$96,300

Analysis component:
The November 29 purchase of office supplies is recorded as a debit to an asset account because they have not yet been used. Assets are economic resources held by the business. The supplies will remain on the books as an asset until they are used. Once used, the supplies will become an expense.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-8B (25 minutes)

WiCOM SERVICING
Income Statement
For Month Ended November 30, 2020

Revenues:		
Service revenue		**$13,600**
Operating expenses:		
Wages expense	**$19,000**	
Utilities expense	**1,650**	
Total operating expenses		**20,650**
Loss		**$ 7,050**

WiCOM SERVICING
Statement of Changes in Equity
For Month Ended November 30, 2020

Tait Unger, capital, November 1		**$ 0**
Investments by owner		**81,000**
Total		**81,000**
Less: Withdrawals by owner	**$5,300**	
Loss	**7,050**	**12,350**
Tait Unger, capital, November 30		**$68,650**

The arrows are imaginary but emphasize the link between statements.

WiCOM SERVICING
Balance Sheet
November 30, 2020

Assets		***Liabilities***	
Cash	**$ 7,850**	**Accounts payable**	**$ 1,700**
Accounts receivable	**6,400**		
Office supplies	**3,350**		
Prepaid insurance	**3,750**	***Equity***	
Prepaid rent	**21,000**	**Tait Unger, capital**	**68,650**
Office equipment	**28,000**	**Total liabilities and**	
Total assets	**$70,350**	**equity**	**$70,350**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-9B (25 minutes)

RUSH INNOVATIONS
Income Statement
For Month Ended November 30, 2020

Service revenue		$15,800
Operating expenses:		
Wages expense	$16,000	
Utilities expense	2,920	
Total operating expenses		18,920
Loss		$ 3,120

RUSH INNOVATIONS
Statement of Changes in Equity
For Month Ended November 30, 2020

Jay Rush, capital, November 1		$ 0
Investments by owner		146,000
Total		146,000
Less: Withdrawals by owner	$10,600	
Loss	3,120	13,720
Jay Rush, capital, November 30		$132,280

The arrows are imaginary but emphasize the link between statements.

RUSH INNOVATIONS
Balance Sheet
November 30, 2020

Assets		*Liabilities*	
Cash	$ 23,480	Accounts payable	$ 3,400
Accounts receivable	7,000		
Office supplies	5,800		
Prepaid insurance	10,400	*Equity*	
Prepaid rent	21,000	Jay Rush, capital	132,280
Office equipment	68,000	Total liabilities and	
Total assets	$135,680	equity	$135,680

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-9B (*concluded*)

Analysis component:

2020				
Nov.	**30**	**Accounts Receivable**	**XXX**	
		Service Revenue.....		**XXX**
		Did work for a customer on account.		
	30	**Cash**	**XXX**	
		Accounts Receivable		**XXX**
		Collected an amount owing from a credit customer.		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10B (90 minutes)

Part 1

		General Journal			Page 1
Date		Account Titles and Explanation	PR	Debit	Credit
2020					
July	1	Office Equipment	163	9,000	
		Trucks	153	56,000	
		Long-Term Notes Payable	251		65,000
		Purchased assets on credit.			
	2	Land	183	124,000	
		Cash	101		40,800
		Long-Term Notes Payable	251		83,200
		Purchased land.			
	3	Building	173	21,000	
		Cash	101		21,000
		Purchased a building.			
	5	Prepaid Insurance	128	9,600	
		Cash	101		9,600
		Purchased two one-year insurance policies.			
	9	Cash	101	3,200	
		Revenue	401		3,200
		Performed services for cash.			
	12	Office Equipment	163	6,500	
		Cash	101		700
		Long-Term Notes Payable	251		5,800
		Purchased office equipment.			
	15	Accounts Receivable	106	3,750	
		Revenue	401		3,750
		Performed services on credit.			
	20	Accounts Receivable	106	9,200	
		Revenue	401		9,200
		Performed services on credit.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10B *(continued)*

Part 1

		General Journal			Page 2
Date		Account Titles and Explanation	PR	Debit	Credit
2020					
July	21	Truck Rental Expense	645	1,300	
		Accounts Payable	201		1,300
		Rented truck on credit.			
	22	Cash	101	5,000	
		Accounts Receivable	106		5,000
		Collected cash from credit customer.			
	23	Wages Expense	623	1,600	
		Cash	101		1,600
		Paid wages to assistant.			
	24	Accounts Payable	201	1,300	
		Cash	101		1,300
		Paid for July 21 rental on account.			
	25	Repairs Expense	684	1,425	
		Cash	101		1,425
		Paid for truck repairs.			
	26	Brett Wilson, Withdrawals	302	3,875	
		Cash	101		3,875
		Owner withdrawal.			
	27	Wages Expense	623	1,600	
		Cash	101		1,600
		Paid wages to assistant.			
	28	Advertising Expense	655	800	
		Cash	101		800
		Paid for advertising in local newspaper.			
	29	Cash	101	1,400	
		Unearned Revenue	233		1,400
		Received cash for services to be performed in August.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10B *(continued)*

Parts 2 and 3

Cash — **Account No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				75,000
July	2		G1		40,800	34,200
	3		G1		21,000	13,200
	5		G1		9,600	3,600
	9		G1	3,200		6,800
	12		G1		700	6,100
	22		G2	5,000		11,100
	23		G2		1,600	9,500
	24		G2		1,300	8,200
	25		G2		1,425	6,775
	26		G2		3,875	2,900
	27		G2		1,600	1,300
	28		G2		800	500
	29		G2	1,400		1,900

Accounts Receivable — **Account No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				950
July	15		G1	3,750		4,700
	20		G1	9,200		13,900
	22		G2		5,000	8,900

Prepaid Insurance — **Account No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				275
July	5		G1	9,600		9,875

Trucks — **Account No. 153**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				20,800
July	1		G1	56,000		76,800

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10B *(continued)*

Parts 2 and 3

Office Equipment — **Account No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				1,200
July	1		G1	9,000		10,200
	12		G1	6,500		16,700

Building — **Account No. 173**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				-0-
July	3		G1	21,000		21,000

Land — **Account No. 183**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				-0-
July	2		G1	124,000		124,000

Accounts Payable — **Account No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				725
July	21		G1		1,300	2,025
	24		G2	1,300		725

Unearned Revenue — **Account No. 233**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				0
July	29		G2		1,400	1,400

Long-Term Notes Payable — **Account No. 251**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				7,000
July	1		G1		65,000	72,000
	2		G1		83,200	155,200
	12		G1		5,800	161,000

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10B *(continued)*

Parts 2 and 3

Brett Wilson, Capital — **Account No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				83,825

Brett Wilson, Withdrawals — **Account No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				600
July	26		G2	3,875		4,475

Revenue — **Account No. 401**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				8,400
July	9		G1		3,200	11,600
	15		G1		3,750	15,350
	20		G1		9,200	24,550

Wages Expense — **Account No. 623**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				780
July	23		G2	1,600		2,380
	27		G2	1,600		3,980

Truck Rental Expense — **Account No. 645**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				230
July	21		G2	1,300		1,530

Advertising Expense — **Account No. 655**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				75
July	28		G2	800		875

Repairs Expense — **Account No. 684**

Date		Explanation	PR	Debit	Credit	Balance
2020						
June	30	Beginning balance				40

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

July	**25**		**G2**	**1,425**		**1,465**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-10B *(concluded)*

Part 4

FROG BOX COMPANY
Trial Balance
July 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 1,900	
106	Accounts receivable	8,900	
128	Prepaid insurance	9,875	
153	Trucks	76,800	
163	Office equipment	16,700	
173	Building	21,000	
183	Land	124,000	
201	Accounts payable		$ 725
233	Unearned revenue		1,400
251	Long-term notes payable		161,000
301	Brett Wilson, capital		83,825
302	Brett Wilson, withdrawals	4,475	
401	Revenue		24,550
623	Wages expense	3,980	
645	Truck rental expense	1,530	
655	Advertising expense	875	
684	Repairs expense	1,465	
	Totals	$271,500	$271,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-11B

FROG BOX COMPANY
Income Statement
For Two Months Ended July 31, 2020

Revenues:		
Revenue		**$24,550**
Operating expenses:		
Wages expense	**$3,980**	
Truck rental expense	**1,530**	
Repairs expense	**1,465**	
Advertising expense	**875**	
Total operating expenses		**7,850**
Profit		**$16,700**

FROG BOX COMPANY
Statement of Changes in Equity
For Two Months Ended July 31, 2020

Brett Wilson, capital, June 1		**$ 83,825**
Investments by owner	**$ 0**	
Profit	**16,700**	**16,700**
Total		**$100,525**
Less: Withdrawals by owner		**4,475**
Brett Wilson, capital, July 31		**$ 96,050**

The arrows are imaginary but emphasize the link between statements.

FROG BOX COMPANY
Balance Sheet
July 31, 2020

Assets		***Liabilities***	
Cash	**$ 1,900**	**Accounts payable**	**$ 725**
Accounts receivable	**8,900**	**Unearned revenue**	**1,400**
Prepaid insurance	**9,875**	**Long-term notes payable**	**161,000**
Trucks	**76,800**	**Total liabilities**	**$163,125**
Office equipment	**16,700**		
Building	**21,000**	***Equity***	
Land	**124,000**	**Brett Wilson, capital**	**96,050**
Total assets	**$259,175**	**Total liabilities and equity**	**$259,175**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12B (45 minutes)

Part 1

		General Journal			Page 1
Date 2020		Account Titles and Explanation	PR	Debit	Credit
Nov.	1	Accounts Payable	201	10,000	
		Cash	101		10,000
		Paid for purchase made on account.			
	2	Office Equipment	163	34,000	
		Cash	101		6,000
		Notes Payable	205		28,000
		Purchased a photocopier.			
	3	Office Supplies	124	800	
		Cash	101		800
		Purchased supplies for cash.			
	14	Wages Expense	623	6,000	
		Cash	101		6,000
		Paid wages.			
	20	Cash	101	14,000	
		Travel Revenue	401		14,000
		Collected cash for November travel.			
	25	Ike Petrov, Withdrawals	302	2,000	
		Cash	101		2,000
		The owner withdrew cash.			
	30	Interest Expense	633	150	
		Cash	101		150
		Paid interest on notes payable.			

Note: There is no entry to record for November 4 as this does not represent an economic exchange.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12B (*continued*)

Parts 2 and 3

Cash 101

Bal.	26,000	10,000	Nov. 1
Nov. 20	14,000	6,000	2
		800	3
		6,000	14
		2,000	25
		150	30
Bal.	15,050		

Office Supplies 124

Bal.	900		
Nov. 3	800		
Bal.	1,700		

Office Equipment 163

Bal.	36,000		
Nov. 2	34,000		
Bal.	70,000		

Accounts Payable 201

Nov. 1	10,000	43,000	Bal.
		33,000	Bal.

Notes Payable 205

		20,000	Bal.
		28,000	Nov. 2
		48,000	Bal.

Ike Petrov, Capital 301

		8,000	Bal.

Ike Petrov, Withdrawals 302

Bal.	4,000		
Nov. 25	2,000		
Bal.	6,000		

Travel Revenue 401

		34,000	Bal.
		14,000	Nov. 20
		48,000	Bal.

Wages Expense 623

Bal.	38,000		
Nov. 14	6,000		
Bal.	44,000		

Interest Expense 633

Bal.	100		
Nov. 30	150		
Bal.	250		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12B (continued)

Part 4

TOUR-ALONG
Trial Balance
November 30, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 15,050	
124	Office supplies	1,700	
163	Office equipment	70,000	
201	Accounts payable		$ 33,000
205	Notes payable		48,000
301	Ike Petrov, capital		8,000
302	Ike Petrov, withdrawals	6,000	
401	Travel revenue		48,000
623	Wages expense	44,000	
633	Interest expense	250	
	Totals	$137,000	$137,000

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-12B (continued)

Part 5

TOUR-ALONG
Income Statement
For Two Months Ended November 30, 2020

Travel revenue		$48,000
Operating expenses:		
Wages expense	$44,000	
Interest expense	250	
Total operating expenses		44,250
Profit		$ 3,750

TOUR-ALONG
Statement of Changes in Equity
For Two Months Ended November 30, 2020

Ike Petrov, capital, October 1		$ -0-
Owner investment	$8,000	
Profit	3,750	11,750
Total		$11,750
Less: Withdrawals by owner		6,000
Ike Petrov, capital, November 30		$ 5,750

The arrows are imaginary but emphasize the link between statements.

TOUR-ALONG
Balance Sheet
November 30, 2020

Assets		*Liabilities*	
Cash	$15,050	Accounts payable	$33,000
Office supplies	1,700	Notes payable	48,000
Office equipment	70,000	Total liabilities	$81,000
		Equity	
		Ike Petrov, capital	5,750
Total assets	$86,750	Total liabilities and equity	$86,750

Analysis component:

The $8,000 October 31 balance in Ike Petrov, Capital represents investments made by the owner, Ike Petrov, into the business.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13B (45 minutes) Part 1

		General Journal			Page 1
Date		Account Titles and Explanation	PR	Debit	Credit
2020					
July	1	Supplies	126	400	
		Accounts Payable	201		400
		Purchased supplies on credit.			
	2	Cash	101	7,000	
		Unearned Travel Deposit Revenue	233		7,000
		Collected cash for travel planning services in August.			
	3	Cash	101	13,500	
		Travel Planning Revenue	401		13,500
		Collected cash for travel planning services in July.			
	4	Rent Expense	640	4,500	
		Cash	101		4,500
		Paid July rent.			
	5	Accounts Payable	201	700	
		Cash	101		700
		Paid for supplies purchased on account.			
	15	Tom Keenan, Withdrawals	302	650	
		Cash	101		650
		The owner withdrew cash.			
	20	Wages Expense	623	1,400	
		Cash	101		1,400
		Paid wages.			
	31	Equipment	161	1,000	
		Accounts Payable	201		1,000
		Purchased equipment on credit.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13B (*continued*)

Parts 2 and 3

Cash			101
Bal.	17,500		
Jul. 2	7,000	4,500	Jul. 4
3	13,500	700	Jul. 5
		650	Jul. 15
		1,400	Jul. 20
Bal.	30,750		

Supplies			126
Bal.	1,700		
Jul. 1	400		
Bal.	2,100		

Equipment			161
Bal.	9,500		
Jul. 31	1,000		
Bal.	10,500		

Accounts Payable			201
		3,000	Bal.
Jul. 5	700	400	Jul. 1
		1,000	Jul. 31
		3,700	Bal.

Unearned Travel Deposit Revenue			233
		11,300	Bal.
		7,000	Jul. 2
		18,300	Bal.

Tom Keenan, Capital			301
		4,500	Bal.

Tom Keenan, Withdrawals			302
Bal.	14,500		
Jul. 15	650		
Bal.	15,150		

Travel Planning Revenue			401
		60,500	Bal.
		13,500	Jul. 3
		74,000	Bal.

Wages Expense			623
Bal.	28,600		
Jul. 20	1,400		
Bal.	30,000		

Rent Expense			640
Bal.	7,500		
Jul. 4	4,500		
Bal.	12,000		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13B (*continued*)
Part 4

Epic Adventures
Trial Balance
July 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 30,750	
126	Supplies	2,100	
161	Equipment	10,500	
201	Accounts payable		$ 3,700
233	Unearned travel deposit revenue		18,300
301	Tom Keenan, capital		4,500
302	Tom Keenan, withdrawals	15,150	
401	Travel planning revenue		74,000
623	Wages expense	30,000	
640	Rent expense	12,000	
	Totals	$100,500	$100,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-13B (*concluded*)
Part 5

Epic Adventures
Income Statement
For Three Months Ended July 31, 2020

Travel planning revenue		$74,000
Operating expenses:		
Wages expense	$30,000	
Rent expense	12,000	
Total operating expenses		42,000
Profit		$32,000

Epic Adventures
Statement of Changes in Equity
For Three Months Ended July 31, 2020

Tom Keenan, capital, May 1		$ 0
Owner investment	$ 4,500	
Profit	32,000	36,500
Total		$36,500
Less: Withdrawals by owner		15,150
Tom Keenan, capital, July 31		$ 21,350

The arrows are imaginary but emphasize the link between statements.

Epic Adventures
Balance Sheet
July 31, 2020

Assets		*Liabilities*	
Cash	$ 30,750	Accounts payable	$ 3,700
Supplies	2,100	Unearned travel deposit revenue	18,300
Equipment	10,500	Total liabilities	$22,000
		Equity	
		Tom Keenan, capital	21,350
Total assets	$43,350	Total liabilities and equity	$43,350

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-14B

LINCOLN LANDSCAPING
Income Statement
For Three Months Ended July 31, 2020

Revenues:		
Revenue		**$29,100**
Operating expenses:		
Wages expense	**$59,000**	
Advertising expense	**1,750**	
Rental expense	**1,100**	
Repairs expense	**930**	
Total operating expenses		**62,780**
Loss		**$33,680**

LINCOLN LANDSCAPING
Statement of Changes in Equity
For Three Months Ended July 31, 2020

Brielle Lincoln, capital, May 1		**$ 0**
Investments by owner		**65,000**
Total		**65,000**
Less: Withdrawals by owner	**$ 8,950**	
Loss	**33,680**	**42,630**
Brielle Lincoln, capital, July 31		**$22,370**

The arrows are imaginary but emphasize the link between statements.

LINCOLN LANDSCAPING
Balance Sheet
July 31, 2020

Assets		***Liabilities***	
Cash	**$ 23,720**	**Accounts payable**	**$ 37,500**
Accounts receivable	**18,600**	**Unearned revenue**	**2,800**
Prepaid insurance	**13,750**	**Long-term notes payable**	**58,000**
Equipment	**64,600**	**Total liabilities**	**$98,300**
		Equity	
		Brielle Lincoln, capital	**22,370**
Total assets	**$120,670**	**Total liabilities and equity**	**$120,670**

Analysis component:

a) **Assets financed by debt = ($98,300/$120,670) x 100 = 81.5%**
b) **Assets financed by equity = ($22,370/$120,670) x 100 = 18.5%**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Problem 2-15B

Wicked Dance
Trial Balance
December 31, 2020

Account Title	Debit	Credit
Cash ($37,175[a] - $30,540[a])	$ 6,635	
Accounts receivable ($7,900 - $275[b])	7,625	
Office supplies ($2,650 + 400[c])	3,050	
Office equipment	20,500	
Accounts payable ($9,465 + 400[c])		$ 9,865
Paula Fernandes, capital (a credit balance account)		16,745
Services revenue ($23,250[d] not $22,350)		23,250
Wages expense (a debit balance account)	6,000	
Rent expense (a debit balance account)	4,800	
Advertising expense (a debit balance account)	1,250	
Totals	$49,860	$49,860

Note: The superscripts (a) to (d) are references to items (a) to (d) listed in Problem 2-13B.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

ANALYTICAL AND REVIEW PROBLEMS

A&R Problem 2-1 (35 minutes)

YOUNG ENGINEERING
Trial Balance
March 31, 2020

Account Title	Debit	Credit
Cash	$26,660	
Office supplies	660	
Prepaid insurance	3,200	
Office equipment	16,500	
Accounts payable		$16,500
Carlos Young, capital		17,000
Carlos Young, withdrawals	3,740	
Consulting revenue		24,000
Rent expense	6,740	
Totals	$57,500	$57,500

1. Purchased $660 of office supplies for cash.
2. Paid $3,200 insurance premium in advance.
3. Purchased $16,500 office equipment on credit.
4. Carlos Young invested $17,000 cash in the business.
5. Carlos Young withdrew $3,740 cash from the business for personal use.
6. Earned $24,000 in consulting services and was paid in cash.
7. Paid $6,740 rent expense with cash.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

A&R 2-2 (30 minutes)

Designer Dry Cleaning
Statement of Changes in Equity
For Months Ended

	April 30, 2020	March 31, 2020
Christopher Dior, capital, beginning	$ 34,400	$ 0
Investment by owner	0	10,000
Profit	48,500[4]	25,400[3]
Total	$ 82,900	$35,400
Less: Withdrawals by owner	25,100	1,000
Christopher Dior, capital, ending	$57,800	$34,400

Designer Dry Cleaning
Balance Sheet

Assets	*April 30, 2020*	*March 31, 2020*	*Liabilities*	*April 30, 2020*	*March 31, 2020*
Cash	$ 7,000	$ 3,000	Accounts payable	$ 700	$ 500
Cleaning supplies	3,500	900	Notes payable	40,000	15,000
Prepaid rent	12,000	16,000	Total liabilities	$40,700	$15,500
Equipment	76,000	30,000	*Equity*		
			Christopher Dior, capital	57,800[2]	34,400[1]
Total assets	$98,500	$49,900	Total liabilities and equity	$98,500	$49,900

Calculations:

1. 49,900 – 15,500 = 34,400
2. 98,500 – 40,700 = 57,800
3. 34,400 + 1,000 – 10,000 = 25,400
4. 57,800 + 25,100 – 34,400 = 48,500

Analysis component:

a. Liabilities increased because of the $200 increase in accounts payable and the $25,000 increase in notes payable used, most probably, to finance the purchase of equipment (equipment increased by $46,000).

b. Equity increased by a larger amount in March than April because the owner invested $10,000 during March and nothing during April. Also, during April, the owner made a withdrawal of $25,100 and only $1,000 in March. Profit in April was almost twice as much as that reported for March but the large withdrawal and no investments during April caused equity to increase by a smaller amount than in March.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

ETHICS CHALLENGE

This problem emphasizes the importance of source documents.

1. **There are advantages to the process proposed by the manager. They include improved customer service, less delays, and less work for you. However, you should have serious concerns about the potential for fraud. In particular, there is no control over the possibility of embezzlement by the manager because there are no *source documents** being prepared at the time of sale. The manager could steal cash and simply prepare sales receipts to match the remaining cash.**

   This case involves a conflict between the need for efficiency and the need for control in the form of *source documents. While it makes sense to take and process sales receipts quickly, this efficiency is being accomplished by a shortcut that greatly weakens control over cash receipts. That is, cash could be received and lost because there would be no source documents to verify the sales and cash received.**

   Recall from Chapter 1 that source documents identify and describe transactions entering the accounting process and are the source of accounting information, whether in paper or electronic form.

2. **The manager's explanation that the owner does not arrive until 3:00 p.m. suggests that the owner does not know about the proposed shortcut. Thus, the new employee is faced with the dilemma of deciding whether to accept the manager's instructions, to confront the manager with the argument that the shortcut seems wrong, or to ask the owner to confirm the instructions. Each of these alternatives involves personal risk.**

   Initially, the best thing may be to simply work as instructed for a while in order to get an idea of whether the shortcut is being abused by the manager and perhaps to find out discreetly whether the owner knows about it. The relationship that develops between you and the manager may be of a nature that will allow you to explain your concern and convince the manager that the shortcut should be avoided. Even if the manager is not abusing this shortcut, there are other reasons for doing away with it, such as maintaining accurate records for tax reports and gathering marketing information. Also, the shortcut may result in fraud by other employees who might not be as honest as you and the manager.

   If you conclude that the manager is committing fraud, you should report the situation to the owner as quickly as possible.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

FFS 2-1

McALLISTER SURVEYING
Income Statement
For Month Ended May 31, 2020

Revenue:		
Surveying fees earned		$18,000
Operating expenses:		
Advertising expense	$3,200	
Rent expense	3,100	
Salaries expense	3,000	
Insurance expense	900	
Telephone expense	600	
Utilities expense	300	
Total operating expenses		11,100
Profit		$ 6,900

McALLISTER SURVEYING
Statement of Changes in Equity
For Month Ended May 31, 2020

Travis McAllister, capital, May 1		$75,000
Investments by owner	$3,000	
Profit	6,900	9,900
Total		$84,900
Less: Withdrawals by owner		6,000
Travis McAllister, capital, May 31		$78,900

McALLISTER SURVEYING
Balance Sheet
May 31, 2020

Assets		Liabilities	
Cash	$ 3,900	Accounts payable	$ 2,400
Accounts receivable	2,700	Unearned surveying fees	6,000
Office supplies	300	Short-term notes payable	48,000
Prepaid insurance	1,800	Total liabilities	$ 56,400
Prepaid rent	4,200		
Surveying equipment	5,400		
Buildings	81,000	**Equity**	
Land	36,000	Travis McAllister, capital	78,900
Total assets	$135,300	Total liabilities and equity	$135,300

Analysis component:
Withdrawals are how an owner takes assets out of the business for personal use. McAllister Surveying realized a $6,900 profit during the month which caused equity to

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

increase. It is reasonable for the owner to benefit from that profit by making a withdrawal even though withdrawals cause equity to decrease.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

FFS 2-2

1(a)(i)

Accounts Receivable	**XXX**	
Guest Revenues		**XXX**
Provided services to customers on account.		
Cash	**XXX**	
Guest Revenues		**XXX**
Provided services to customers for cash.		

1(a)(ii) Revenues affect the balance sheet because they cause equity to increase.

1(a)(iii) The Revenue Recognition Principle assures us that revenues on the income statement are for the year ended December 31, 2017.

1(b)(i)

Interest Expense	**XXX**	
Cash		**XXX**
Paid interest expense..		

1(b)(ii) Yes, expenses affect the balance sheet because they cause equity to decrease.

2(a) ***Advance ticket sales*** **represent airline tickets sold in advance to customers.**

2(b)

Cash	**XXX**	
Advance Ticket Sales		**XXX**
Cash received in advance from customers for airline tickets sold		

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Critical Thinking Question

CT 2-1

Note to instructor: Student responses will vary and therefore the answer here is only suggested and not inclusive of all possibilities; it is presented in point form for brevity.

Problem(s):

- **information that is available does not provide adequate detail to enable analysis and resulting decision making (from the Western Canadian Sales Division Manager's perspective; from the perspective of the sales and admin staff, the limited detail would make recording information very straightforward/easy since there are only 2 accounts — 1 revenue and 1 expense)**

Goal(s)*:

- **Sales Division Manager would want to maximize sales, minimize costs, and at the same time accurately record and report with sufficient detail to assist decision making process**

Assumption(s)/Principle(s):

- **division results have been deteriorating but because of a lack of detail, appropriate questions were not being asked and consequently inappropriate decisions were likely being made**
- **the disclosure principle (introduced in Chapter 6) requires that appropriate detail be provided and the materiality principle (introduced in Chapter 7) suggests that anything of significance be disclosed/reported**

Facts:

- **as presented in the sales reports**
- **by converting the dollars to percentages, we see that from July to September, although profit is increasing in total dollars, expenses are increasing as a percentage of sales causing profit to shrink as a percentage of sales which is unfavourable**

Prairie Insurance – Western Canadian Division Sales Report Month Ended						
	Sept. 30, 2020	%	Aug. 31, 2020	%	July 31, 2020	%
Sales revenue	$680,000	100	$510,000	100	$440,000	100
Expenses	544,000	80	382,500	75	321,200	73
Profit	$136,000	20	$127,500	25	$118,800	27

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

CT 2-1 (*concluded*)

Conclusion(s)/Consequence(s):

- **more revenue and expense accounts are required to provide sufficient detail to allow appropriate monitoring/questions and resulting decisions; this will require a restructuring of the accounting including submission of expense reports which requires resources including expertise**

***The goal is highly dependent on "perspective."**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems (120 minutes) ***Part A***

2.

Journal		Page 1			General
Date		Account Titles and Explanation	PR	Debit	Credit
2020					
Oct.	1	Cash	101	90,000	
		Office Equipment	163	18,000	
		Computer Equipment	167	36,000	
		Mary Graham, Capital	301		144,000
		Owner invested in the business.			
	2	Prepaid Rent	131	9,000	
		Cash	101		9,000
		Paid rent in advance.			
	3	Computer Supplies	126	2,640	
		Accounts Payable	201		2,640
		Purchased supplies on credit.			
	5	Prepaid Insurance	128	4,320	
		Cash	101		4,320
		Paid 12 months' premium in advance.			
	6	Accounts Receivable	106	6,600	
		Computer Services Revenue	403		6,600
		Billed customer for services.			
	8	Accounts Payable	201	2,640	
		Cash	101		2,640
		Paid balance due on account payable.			
	10	No entry recorded in the journal.			
	12	Accounts Receivable	106	2,400	
		Computer Services Revenue	403		2,400
		Billed customer for services.			
	15	Cash	101	6,600	
		Accounts Receivable	106		6,600
		Collected accounts receivable.			
	17	Repairs Expense, Computer	684	1,410	
		Cash	101		1,410
		Paid for computer repairs.			
	20	Advertising Expense	655	3,720	
		Cash	101		3,720
		Purchased ad in local newspaper.			
	22	Cash	101	2,400	
		Accounts Receivable	106		2,400
		Collected accounts receivable.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part A

General Journal					Page 2
Date		**Account Titles and Explanation**	**PR**	**Debit**	**Credit**
2020					
Oct.	**28**	**Accounts Receivable**	**106**	**6,450**	
		Computer Services Revenue	**403**		**6,450**
		Billed customer for services.			
	31	**Wages Expense**	**623**	**1,400**	
		Cash	**101**		**1,400**
		Paid employee for part-time work.			
	31	**Mary Graham, Withdrawals**	**302**	**7,200**	
		Cash	**101**		**7,200**
		Owner withdrew cash.			

1 and 3.

Cash					Acct. No. 101
Date	**Explanation**	**PR**	**Debit**	**Credit**	**Balance**
2020					
Oct. 1		**G1**	**90,000**		**90,000**
2		**G1**		**9,000**	**81,000**
5		**G1**		**4,320**	**76,680**
8		**G1**		**2,640**	**74,040**
15		**G1**	**6,600**		**80,640**
17		**G1**		**1,410**	**79,230**
20		**G1**		**3,720**	**75,510**
22		**G1**	**2,400**		**77,910**
31		**G2**		**1,400**	**76,510**
31		**G2**		**7,200**	**69,310**

Accounts Receivable					Acct. No. 106
Date	**Explanation**	**PR**	**Debit**	**Credit**	**Balance**
2020					
Oct. 6		**G1**	**6,600**		**6,600**
12		**G1**	**2,400**		**9,000**
15		**G1**		**6,600**	**2,400**
22		**G1**		**2,400**	**0**
28		**G2**	**6,450**		**6,450**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part A

Computer Supplies — **Acct. No. 126**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 3		G1	2,640		2,640

Prepaid Insurance — **Acct. No. 128**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 5		G1	4,320		4,320

Prepaid Rent — **Acct. No. 131**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 2		G1	9,000		9,000

Office Equipment — **Acct. No. 163**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 1		G1	18,000		18,000

Computer Equipment — **Acct. No. 167**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 1		G1	36,000		36,000

Accounts Payable — **Acct. No. 201**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 3		G1		2,640	2,640
8		G1	2,640		0

Mary Graham, Capital — **Acct. No. 301**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 1		G1		144,000	144,000

Mary Graham, Withdrawals — **Acct. No. 302**

Date	Explanation	PR	Debit	Credit	Balance
2020					
Oct. 31		G2	7,200		7,200

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part A

Computer Services Revenue **Acct. No. 403**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	6		G1		6,600	6,600
	12		G1		2,400	9,000
	28		G2		6,450	15,450

Wages Expense **Acct. No. 623**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	31		G2	1,400		1,400

Advertising Expense **Acct. No. 655**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	20		G1	3,720		3,720

Mileage Expense **Acct. No. 676**

Date	Explanation	PR	Debit	Credit	Balance
2020					

Repairs Expense, Computer **Acct. No. 684**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	17		G1	1,410		1,410

Charitable Donations Expense **Acct. No. 699**

Date	Explanation	PR	Debit	Credit	Balance
2020					

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part A

4.

ECHO SYSTEMS
Trial Balance
October 31, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 69,310	
106	Accounts receivable	6,450	
126	Computer supplies	2,640	
128	Prepaid insurance	4,320	
131	Prepaid rent	9,000	
163	Office equipment	18,000	
167	Computer equipment	36,000	
201	Accounts payable		$ -0-
301	Mary Graham, capital		144,000
302	Mary Graham, withdrawals	7,200	
403	Computer services revenue		15,450
623	Wages expense	1,400	
655	Advertising expense	3,720	
676	Mileage expense	-0-	
684	Repairs expense, computer	1,410	
699	Charitable donations expense	-0-	
	Totals	$159,450	$159,450

NOTE: Accounts with zero balance may be omitted.

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part A

5.

ECHO SYSTEMS
Income Statement
For Month Ended October 31, 2020

Revenues:		
Computer services revenue		**$15,450**
Operating expenses:		
Advertising expense	**$3,720**	
Repairs expense, computer	**1,410**	
Wages expense	**1,400**	
Total operating expenses		**6,530**
Profit		**$ 8,920**

ECHO SYSTEMS
Statement of Changes in Equity
For Month Ended October 31, 2020

Mary Graham, capital, October 1		**$ 0**
Investments by owner	**$144,000**	
Profit	**8,920**	**152,920**
Total		**$152,920**
Less: Withdrawals by owner		**7,200**
Mary Graham, capital, October 31		**$145,720**

The arrows are imaginary but emphasize the link between statements.

ECHO SYSTEMS
Balance Sheet
October 31, 2020

Assets		***Liabilities***	
Cash	**$ 69,310**	**Accounts payable**	**$ -0-**
Accounts receivable	**6,450**		
Computer supplies	**2,640**		
Prepaid insurance	**4,320**	***Equity***	
Prepaid rent	**9,000**	**Mary Graham, capital**	**145,720**
Office equipment	**18,000**		
Computer equipment	**36,000**	**Total liabilities and**	
Total assets	**$ 145,720**	**equity**	**$145,720**

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part B

6.

2020

Nov.	**1**	**Mileage Expense**	**676**	**1,000**	
		Cash	**101**		**1,000**
		Reimbursed Mary Graham for business usage.			
	2	**Cash**	**101**	**9,300**	
		Computer Services Revenue	**403**		**9,300**
		Collected cash revenue from customer.			
	5	**Computer Supplies**	**126**	**1,920**	
		Cash	**101**		**1,920**
		Purchased computer supplies for cash.			
	8	**Accounts Receivable**	**106**	**8,700**	
		Computer Services Revenue	**403**		**8,700**
		Billed customer for services.			
	13	**No entry recorded in the journal.**			
	18	**Cash**	**101**	**3,750**	
		Accounts Receivable	**106**		**3,750**
		Collected accounts receivable.			
	22	**Charitable Donations Expense**	**699**	**1,500**	
		Cash	**101**		**1,500**
		Made a donation.			
	24	**Accounts Receivable**	**106**	**7,500**	
		Computer Services Revenue	**403**		**7,500**
		Billed customer for services.			
	25	**No entry recorded in the journal.**			
	28	**Mileage Expense**	**676**	**1,200**	
		Cash	**101**		**1,200**
		Reimbursed Mary Graham for business usage.			
	30	**Wages Expense**	**623**	**2,800**	
		Cash	**101**		**2,800**
		Paid employee for part-time work.			
	30	**Mary Graham, Withdrawals**	**302**	**3,600**	
		Cash	**101**		**3,600**
		Owner withdrew cash.			

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part B

7.

General Ledger accounts:

Cash — **Acct. No. 101**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	1		G1	90,000		90,000
	2		G1		9,000	81,000
	5		G1		4,320	76,680
	8		G1		2,640	74,040
	15		G1	6,600		80,640
	17		G1		1,410	79,230
	20		G1		3,720	75,510
	22		G1	2,400		77,910
	31		G2		1,400	76,510
	31		G2		7,200	69,310
Nov.	1		G2		1,000	68,310
	2		G2	9,300		77,610
	5		G2		1,920	75,690
	18		G2	3,750		79,440
	22		G2		1,500	77,940
	28		G2		1,200	76,740
	30		G2		2,800	73,940
	30		G2		3,600	70,340

Accounts Receivable — **Acct. No. 106**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	6		G1	6,600		6,600
	12		G1	2,400		9,000
	15		G1		6,600	2,400
	22		G1		2,400	0
	28		G2	6,450		6,450
Nov.	8		G2	8,700		15,150
	18		G2		3,750	11,400
	24		G2	7,500		18,900

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued) Part B*

Computer Supplies — **Acct. No. 126**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	3		G1	2,640		2,640
Nov.	5		G2	1,920		4,560

Prepaid Insurance — **Acct. No. 128**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	5		G1	4,320		4,320

Prepaid Rent — **Acct. No. 131**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	2		G1	9,000		9,000

Office Equipment — **Acct. No. 163**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	1		G1	18,000		18,000

Computer Equipment — **Acct. No. 167**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	1		G1	36,000		36,000

Accounts Payable — **Acct. No. 201**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	3		G1		2,640	2,640
	8		G1	2,640		0

Mary Graham, Capital — **Acct. No. 301**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	1		G1		144,000	144,000

Mary Graham, Withdrawals — **Acct. No. 302**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	31		G2	7,200		7,200
Nov.	30		G3	3,600		10,800

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part B

Computer Services Revenue — **Acct. No. 403**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	6		G1		6,600	6,600
	12		G1		2,400	9,000
	28		G2		6,450	15,450
Nov.	2		G2		9,300	24,750
	8		G2		8,700	33,450
	24		G2		7,500	40,950

Wages Expense — **Acct. No. 623**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	31		G2	1,400		1,400
Nov.	30		G2	2,800		4,200

Advertising Expense — **Acct. No. 655**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	20		G1	3,720		3,720

Mileage Expense — **Acct. No. 676**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	1		G2	1,000		1,000
	28		G2	1,200		2,200

Repairs Expense, Computer — **Acct. No. 684**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Oct.	17		G1	1,410		1,410

Charitable Donations Expense — **Acct. No. 699**

Date		Explanation	PR	Debit	Credit	Balance
2020						
Nov.	22		G2	1,500		1,500

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(continued)*

Part B

8.

ECHO SYSTEMS
Trial Balance
November 30, 2020

Acct. No.	Account Title	Debit	Credit
101	Cash	$ 70,340	
106	Accounts receivable	18,900	
126	Computer supplies	4,560	
128	Prepaid insurance	4,320	
131	Prepaid rent	9,000	
163	Office equipment	18,000	
167	Computer equipment	36,000	
201	Accounts payable		$ -0-
301	Mary Graham, capital		144,000
302	Mary Graham, withdrawals	10,800	
403	Computer services revenue		40,950
623	Wages expense	4,200	
655	Advertising expense	3,720	
676	Mileage expense	2,200	
684	Repairs expense, computer	1,410	
699	Charitable donations expense	1,500	
	Totals	$184,950	$184,950

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual

Cumulative Problem, Echo Systems *(concluded)*

Part B

9.

ECHO SYSTEMS
Income Statement
For Two Months Ended November 30, 2020

Computer services revenue		$40,950
Operating expenses:		
Wages expense	$4,200	
Advertising expense	3,720	
Mileage expense	2,200	
Charitable donations expense	1,500	
Repairs expense, computer	1,410	
Total operating expenses		13,030
Profit		$27,920

ECHO SYSTEMS
Statement of Changes in Equity
For Two Months Ended November 30, 2020

Mary Graham, capital, October 1		$ -0-
Investments by owner	$144,000	
Profit	27,920	171,920
Total		$171,920
Less: Withdrawals by owner		10,800
Mary Graham, capital, November 30		$161,120

ECHO SYSTEMS
Balance Sheet
November 30, 2020

Assets		*Liabilities*	
Cash	$ 70,340	Accounts payable	$ -0-
Accounts receivable	18,900		
Computer supplies	4,560		
Prepaid insurance	4,320	*Equity*	
Prepaid rent	9,000	Mary Graham, capital	161,120
Office equipment	18,000		
Computer equipment	36,000	Total liabilities and	
Total assets	$161,120	equity	$161,120

Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Solutions Manual