

***College Accounting A Career Approach 13th edition Scott
Solutions Manual***

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2

T Accounts, Debits and Credits, Trial Balance, and Financial Statements

TEACHING TIPS:

New to this edition:

This edition will provide students an opportunity to learn QuickBooks Online while they learn Accounting. QuickBooks Online topics covered in the QuickBooks Online Appendix for this chapter include, (1) establishing company settings, (2) modifying the chart of accounts, and (3) adding new customers, vendors, and employees.

Suggested in-class problems:

- Exercise 2-2 (debit and credit, normal balance)
- Exercise 2-3 (transaction analysis)
- Exercise 2-6 (financial statements)
- Demonstration Problem

Suggested homework:

- Problem 2-4 (transaction analysis and financial statements)
- Problem 2-5 (financial statements)

Suggested additional activities:

Active Learning: Create a set of two note cards for each student. Label them “Debit” and “Credit.” Call out different account effects and ask students to raise the correct note card. For example, if you call out “Increase to Prepaid Insurance,” the students should raise the note card labeled “Debit.”

Game: Have students play the DR/CR memory game. Based upon the childhood game Memory, this game tests students’ memory of the rules of debits and credits. For more information, see the Instructor’s companion site.

QuickBooks Online Activities:

- Complete the QuickBooks Online Appendix, *Accounting with QuickBooks Online*, Chapter 2, Setting Up a New Company.

The QuickBooks Online Appendix is available on the Cengage Learning companion site at CengageBrain.com

LEARNING OBJECTIVES

1. Determine balances of T accounts.
2. Present the fundamental accounting equation using the T account form, and label the plus and minus sides.
3. Present the fundamental accounting equation using the T account form, and label the debit and credit sides.
4. Record directly in T accounts a group of business transactions involving changes in asset, liability, owner’s equity, revenue, and expense accounts for a service business.
5. Prepare a trial balance.
6. Prepare (a) an income statement, (b) a statement of owner’s equity, and (c) a balance sheet.
7. Recognize the effect of errors on account balances.

2-1

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ACCOUNTING LANGUAGE

Balance sheet	Normal balance
Compound entry	PDF (portable document format)
Credit	Profit and loss statement
Debit	Report form
Financial position	Slide
Financial statement	Statement of owner's equity
Footings	T account form
Income statement	Transposition
Net income	Trial balance
Net loss	

KEY POINTS

1. The T account form is compared with the column arrangement.
2. In the T account form of the fundamental accounting equation, plus (+) and minus (–) signs should be inserted on the correct side of each of the classifications of accounts.
3. The normal balance of an account is on the plus side.
4. The debit side of any T account is the left side.
5. The credit side of any T account is the right side.
6. In the recording of every transaction, the amount placed on the left, or debit, side of an account or accounts must equal the amount placed on the right, or credit, side of another account or other accounts.
7. A trial balance proves the equality of debits and credits.
8. The income statement shows the results of operations for a period of time.
9. The statement of owner's equity shows the activity in the Capital account for a period of time.
10. The balance sheet shows the position or condition of the business at a point in time.

LECTURE OUTLINE

- I. The T account form: an account form shaped like the letter *T*.
 - A. Comparison of the column form with the T account form. Look at the illustration of the Cash account and the T account form in the text (page 50).
 - B. There are two sides to the T account form. One side is used for increases (+) in an account, and the other side is used for decreases in an account (–).
 - C. Footings: the totals of the amounts listed on both sides of a T account.
 - D. Balance: The balance of an account is determined after a group of transactions has been recorded over a period of time. Subtract the smaller footing on one side from the larger footing on the other side. Record the balance on the side having the larger footing. The normal balance is the increase (plus) side of any T account.
- II. Developing the full fundamental accounting equation in T account form. The T account for each of the classifications of accounts has an increase (+) and a decrease (–) side.
 - A. Assets, liabilities, owner's equity, revenue, and expenses.
 1. In Chapter 1, we introduced the equation

$$\text{Assets} = \text{Liabilities} + \text{Capital} - \text{Drawing} + \text{Revenue} - \text{Expenses}$$
 2. T account forms: In T account form, each classification needs to have a plus and a minus side.
 - a. Assets: As a starter, the plus side for assets is placed on the left, and the minus side is placed on the right.

Assets	
+	–

- b. Liabilities and owner's equity: Because these classifications are placed on the opposite side of the equals sign, the plus and minus signs are also placed on the opposite sides (switched around).

Liabilities	
–	+

Owner's Equity	
–	+

3. Asset, liability, and owner's equity classifications together.

Assets		=		Liabilities		+	Owner's Equity	
+	–			–	+		–	+

As shown later, we switch the plus and minus signs on the other side of the equals sign so that we can carry out double-entry accounting.

- B. Capital and Drawing: Show Capital and Drawing being placed under the umbrella of Owner's Equity.
 - C. Revenue and expenses: Show revenue and expenses being placed under the umbrella of owner's equity. Note that transactions involving revenue and expenses are usually increases in the accounts, which will be recorded on the plus sides.

- III. Recording transactions involving the account classifications using the concepts of debit and credit. Initially, stress that the left side of an account is called the debit side and the right side is called the credit side. Another word for *left* is *debit*, and another word for *right* is *credit*.
 - A. Show the fundamental accounting equation with debits and credits.
 - B. Review the rules of debit and credit.
 - C. Abbreviations: Traditionally, accountants use *Dr.* and *Cr.*
 - D. Explain the steps for recording business transactions in T accounts.
 1. What accounts are involved?
 2. What are the classifications of the accounts involved?
 3. Are the accounts increased or decreased?
 4. Write the transaction as a debit to one account (or accounts) and a credit to another account (or accounts).
 5. Is the equation in balance?
- IV. The trial balance.
 - A. Emphasize that the trial balance is used as a check to ensure that in recording transactions, the total of the amounts placed on the left, or debit, sides of T accounts equals the total of the amounts placed on the right, or credit, sides of T accounts.
 - B. Prepare a trial balance using account balances. Show how a trial balance is prepared from T accounts.
- V. Major financial statements.
 - A. Emphasize that the income statement is the first major financial statement prepared and that it shows the results of operations for a period of time.
 - B. The statement of owner's equity is the second major financial statement prepared. It shows the activity in the Capital account for a period of time. The net income from the income statement is required to complete the statement of owner's equity.
 - C. The balance sheet is the third major financial statement prepared. It shows the condition of a business at a point in time. The ending capital amount is brought from the statement of owner's equity.
- VI. Errors exposed by the trial balance: Discuss the causes for errors listed in the text.
 - A. The procedure for locating and correcting errors is to do everything in reverse.
 1. Transpositions: The digits of an amount have been transposed, or switched around.
 2. Slides: The decimal point in an amount has been misplaced.
 3. Divide by 2 the difference between two trial balance totals. See if the result matches a transaction amount.
 - B. Errors divisible by 9: If an error exists and the amount of difference between the totals of the trial balance is evenly divisible by 9, the error consists of either a transposition or a slide or both.

DEMONSTRATION PROBLEM

Dr. Christy Rene maintains an office for the practice of veterinary medicine. The account balances as of September 1 follow. All are normal balances.

Assets		Revenue	
Cash	\$ 2,459	Professional Fees	\$72,118
Accounts Receivable	18,120		
Supplies	840	Expenses	
Prepaid Insurance	980	Salary Expense	14,380
Automobile	20,650	Rent Expense	10,320
Furniture and Equipment	5,963	Automobile Expense	859
		Utilities Expense	1,213
Liabilities			
Accounts Payable	1,590		
Owner's Equity			
C. Rene, Capital	42,076		
C. Rene, Drawing	40,000		

The following transactions occurred during September of this year.

- Paid rent for the month, \$1,290.
- Paid \$1,800 for one year's coverage of liability insurance.
- Bought medical equipment on account from Bennett Surgical Supply, \$849, paying \$200 down with the balance due in 30 days.
- Billed patients for services performed, \$9,015.
- Paid employee salaries, \$1,797.
- Received and paid gas and electric bill, \$112.
- Received cash from patients previously billed, \$11,060.
- Received bill for gasoline for car, used only in the professional practice, from Garza Fuel Company, \$116.
- Paid creditors on account, \$1,590.
- Dr. Rene withdrew cash for personal use, \$5,000.

Instructions

- Correctly place plus and minus signs under each T account and label the sides of the T accounts as debit or credit in the fundamental accounting equation. Record the account balances as of September 1.
- Record the September transactions in the T accounts. Key each transaction to the letter that identifies the transaction.
- Foot the columns and determine the balance in the T accounts.
- Prepare a trial balance dated September 30, 20--.
- Prepare an income statement for two months ended September 30, 20--.
- Prepare a statement of owner's equity for two months ended September 30, 20--.
- Prepare a balance sheet as of September 30, 20--.

SOLUTION

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable			C. Rene, Capital			C. Rene, Drawing			Professional Fees			Salary Expense	
+	-		-	+		-	+		+	-		-	+		+	-
Bal.	2,459	(a)	1,290	Bal.	1,590		Bal.	42,076	Bal.	40,000		Bal.	72,118		Bal.	14,380
(g)	11,060	(b)	1,800	(c)	649				(j)	5,000		(d)	9,015		(e)	1,797
	13,519	(c)	200	(h)	116				Bal.	45,000		Bal.	81,133		Bal.	16,177
		(e)	1,797		2,355											
		(f)	112	Bal.	765											
		(i)	1,590													
		(j)	5,000													
			11,789													
Bal.	1,730															
Accounts Receivable			Dr. Christy Rene			Trial Balance			September 30, 20--			Rent Expense			Automobile Expense	
+	-											+	-		+	-
Bal.	18,120	(g)	11,060									Bal.	10,320		Bal.	859
(d)	9,015											(a)	1,290		(h)	116
	27,135											Bal.	11,610		Bal.	975
Bal.	16,075															
Supplies			ACCOUNT NAME			DEBIT			CREDIT			Utilities Expense				
+	-											+	-			
Bal.	840											Bal.	1,213			
Prepaid Insurance												(f)	112			
+	-											Bal.	1,325			
Bal.	980															
(b)	1,800															
Bal.	2,780															
Automobile																
+	-															
Bal.	20,650															
Furniture and Equipment																
+	-															
Bal.	5,963															
(c)	849															
Bal.	6,812															

SOLUTION (concluded)

Dr. Christy Rene			
Income Statement			
For Two Months Ended September 30, 20--			
Revenue:			
Professional Fees			\$81,133
Expenses:			
Salary Expense	\$16,177		
Rent Expense	11,610		
Automobile Expense	975		
Utilities Expense	1,325		
Total Expenses			30,087
Net Income			\$51,046

Dr. Christy Rene			
Statement of Owner's Equity			
For Two Months Ended September 30, 20--			
C. Rene, Capital, September 1, 20--			\$42,076
Investments during August and September	\$ 0		
Net Income for August and September	51,046		
Subtotal	\$51,046		
Less Withdrawals for August and September	45,000		
Increase in Capital			6,046
C. Rene, Capital, September 30, 20--			\$48,122

Dr. Christy Rene			
Balance Sheet			
September 30, 20--			
Assets			
Cash	\$ 1,730		
Accounts Receivable	16,075		
Supplies	840		
Prepaid Insurance	2,780		
Automobile	20,650		
Furniture and Equipment	6,812		
Total Assets			\$48,887
Liabilities			
Accounts Payable			\$ 765
Owner's Equity			
C. Rene, Capital			48,122
Total Liabilities and Owner's Equity			\$48,887

DISCUSSION QUESTIONS

Suggested Responses

1. A trial balance is a list of all account balances. It is used to prove that the total of all of the debit balances equals the total of all of the credit balances. A balance sheet shows only the balances of the asset, liability, and owner's capital accounts.
2. *Debit* means "increase" for asset accounts, the owner's drawing account, and expense accounts; however, *debit* means "decrease" for liability accounts, the owner's capital account, and revenue accounts. *Credit* means "decrease" for asset accounts, the owner's drawing account, and expense accounts; however, *credit* means "increase" for liability accounts, the owner's capital account, and revenue accounts. Debit refers to the left side of a T account, and credit refers to the right side.
3. Footings are the totals of each side of a T account.
4. The net income or net loss from the income statement flows to the statement of owner's equity, which produces the ending capital balance. The ending capital from the statement of owner's equity flows to the balance sheet owner's equity section.
5. A compound entry is a transaction that involves more than one debit and/or more than one credit.
6. The trial balance might not balance because half of a transaction was omitted or because the transaction debits do not equal its credits. The trial balance will not reveal that transactions were omitted or repeated or that an incorrect amount was used for a transaction.
7. *Slide*: \$890 for \$89. *Transposition*: \$327 for \$723. You can determine whether there has been a slide or a transposition by dividing the difference between the two balances by 9. If the difference is evenly divisible, the error is due to either a slide or a transposition.
8. Capital and drawing accounts are under the umbrella of owner's equity because if an owner invests capital, there is an increase in owner's equity and if an owner withdraws (drawing) capital, there is a decrease in owner's equity. Likewise, revenue and expense accounts are under the umbrella of owner's equity because if a business earns revenue, there is an increase in owner's equity, and if a business incurs expenses, there is a decrease in owner's equity.

SOLUTIONS TO EXERCISES AND PROBLEMS

Exercise 2-1

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable			J. Davie, Capital			J. Davie, Drawing			Income from Repairs			Salary Expense	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Accounts Receivable															Rent Expense	
+	-														+	-
Debit	Credit														Debit	Credit
Supplies															Utilities Expense	
+	-														+	-
Debit	Credit														Debit	Credit
Equipment															Miscellaneous Expense	
+	-														+	-
Debit	Credit														Debit	Credit

Exercise 2-2

ACCOUNT	CLASSIFICATION	INCREASE SIDE	NORMAL BALANCE SIDE	DECREASE SIDE
0. Cash	A	Debit	Debit	Credit
1. Salary Expense	E	Debit	Debit	Credit
2. Office Equipment	A	Debit	Debit	Credit
3. J. Samuels, Capital	OE	Credit	Credit	Debit
4. Service Revenue	R	Credit	Credit	Debit
5. J. Samuels, Drawing	OE	Debit	Debit	Credit
6. Accounts Receivable	A	Debit	Debit	Credit
7. Insurance Expense	E	Debit	Debit	Credit
8. Fees Earned	R	Credit	Credit	Debit
9. Accounts Payable	L	Credit	Credit	Debit

Exercise 2-3

a.	Utilities Expense		Cash		f.	Accounts Receivable		Income from Tours	
	+	–	+	–		+	–	–	+
	Debit	Credit	Debit	Credit		Debit	Credit	Debit	Credit
	175			175		1,375			1,375
b.	Supplies		Accounts Payable		g.	Gas Expense		Cash	
	+	–	–	+		+	–	+	–
	Debit	Credit	Debit	Credit		Debit	Credit	Debit	Credit
	135			135		130			130
c.	Prepaid Insurance		Cash		h.	Cash		Accounts Receivable	
	+	–	+	–		+	–	+	–
	Debit	Credit	Debit	Credit		Debit	Credit	Debit	Credit
	580			580		1,458			1,458
d.	Accounts Payable		Cash		i.	R. Dalberg, Drawing		Cash	
	–	+	+	–		+	–	+	–
	Debit	Credit	Debit	Credit		Debit	Credit	Debit	Credit
	65			65		700			700
e.	Utilities Expense		Cash						
	+	–	+	–					
	Debit	Credit	Debit	Credit					
	186			186					

Exercise 2-4

- a. The owner invested \$5,000 cash in the business.
- b. Paid the rent for the current month, \$600.
- c. Received and paid the advertising bill, \$100.
- d. Bought supplies on account, \$720.
- e. Received and paid the bill for a miscellaneous expense, \$50.
- f. The owner invested personal equipment with a fair market value of \$4,000 in the business.
- g. Bought equipment for \$1,500, paying \$500 in cash and placing the balance on account.
- h. Sold services on account, \$1,015.
- i. Received and paid the utility bill, \$250.
- j. The owner withdrew \$750 in cash for personal use.
- k. Sold services for cash, \$2,025.

Exercise 2-5**Speedy Sewing Services****Trial Balance****December 31, 20--**

ACCOUNT NAME	DEBIT	CREDIT
Cash	3,200	
Accounts Receivable	10,700	
Supplies	1,800	
Prepaid Insurance	1,300	
Equipment	24,000	
Accounts Payable		9,500
T. Nguyen, Capital		22,800
T. Nguyen, Drawing	1,900	
Income from Services		36,000
Wages Expense	17,500	
Rent Expense	4,500	
Utilities Expense	3,400	
	68,300	68,300

Exercise 2-6

<i>Cash</i>	
(a) 8,200	(b) 350
(c) 8,400	(d) 1,600
(i) 7,580	(f) 175
24,180	(g) 3,400
	(h) 2,200
	7,725
Bal. 16,455	

<i>Accounts Payable</i>	
	(k) 2,800
	(j) 82
Bal. 2,882	

<i>Salary Expense</i>	
(g) 3,400	
Bal. 3,400	

<i>Rent Expense</i>	
(d) 1,600	
Bal. 1,600	

<i>Accounts Receivable</i>	
(e) 2,600	
Bal. 2,600	

<i>R. Landish, Capital</i>	
	(a) 8,200
Bal. 8,200	

<i>Utilities Expense</i>	
(f) 175	
Bal. 175	

<i>Supplies</i>	
(j) 82	
Bal. 82	

<i>R. Landish, Drawing</i>	
(h) 2,200	
Bal. 2,200	

<i>Office Furniture</i>	
(b) 350	
Bal. 350	

<i>Modeling Fees</i>	
	(c) 8,400
	(e) 2,600
	(i) 7,580
Bal. 18,580	

<i>Office Equipment</i>	
(k) 2,800	
Bal. 2,800	

Landish Modeling Agency

Trial Balance

March 31, 20--

ACCOUNT NAME	DEBIT	CREDIT
Cash	16,455	
Accounts Receivable	2,600	
Supplies	82	
Office Furniture	350	
Office Equipment	2,800	
Accounts Payable		2,882
R. Landish, Capital		8,200
R. Landish, Drawing	2,200	
Modeling Fees		18,580
Salary Expense	3,400	
Rent Expense	1,600	
Utilities Expense	175	
	29,662	29,662

Exercise 2-6 (concluded)

Landish Modeling Agency			
Income Statement			
For Month Ended March 31, 20--			
Revenue:			
Modeling Fees			\$18,580
Expenses:			
Salary Expense	\$3,400		
Rent Expense	1,600		
Utilities Expense	175		
Total Expenses			5,175
Net Income			\$13,405

Landish Modeling Agency			
Statement of Owner's Equity			
For Month Ended March 31, 20--			
R. Landish, Capital, March 1, 20--		\$ 0	
Investment during March	\$ 8,200		
Net Income for March	13,405		
Subtotal	\$21,605		
Less Withdrawals for March	2,200		
Increase in Capital		19,405	
R. Landish, Capital, March 31, 20--		\$19,405	

Landish Modeling Agency			
Balance Sheet			
March 31, 20--			
Assets			
Cash	\$16,455		
Accounts Receivable	2,600		
Supplies	82		
Office Furniture	350		
Office Equipment	2,800		
Total Assets			\$22,287
Liabilities			
Accounts Payable			\$ 2,882
Owner's Equity			
R. Landish, Capital			19,405
Total Liabilities and Owner's Equity			\$22,287

Exercise 2-7

DESCRIPTION	AMOUNT OF DIFFERENCE	DEBIT OR CREDIT COLUMN OF TRIAL BALANCE UNDERSTATED OR OVERSTATED
0. <i>Example: A \$149 debit to Accounts Receivable was not recorded.</i>	<i>\$149</i>	<i>Debit column understated</i>
a. A \$42 debit to Supplies was recorded as \$420.	378	Debit column overstated
b. A \$155 debit to Accounts Receivable was recorded twice.	155	Debit column overstated
c. A \$179 debit to Prepaid Insurance was not recorded.	179	Debit column understated
d. A \$65 credit to Cash was not recorded.	65	Debit column overstated
e. A \$190 debit to Equipment was recorded twice.	190	Debit column overstated
f. A \$57 debit to Utilities Expense was recorded as \$75.	18	Debit column overstated

Exercise 2-8

- Equal totals in the trial balance because \$38 was debited to Office Equipment and \$38 was credited to Cash. Because the correct amount is \$380, Office Equipment is understated by \$342 and Cash is overstated by \$342.
- Equal totals in the trial balance because \$280 was debited to Accounts Receivable and \$280 was credited to Cash. Because the \$280 should have been debited to Accounts Payable, not Accounts Receivable, the error caused Accounts Receivable to be overstated by \$280 and Accounts Payable to be overstated by \$280.
- Equal totals in the trial balance because \$245 was debited to Equipment and \$245 was credited to Cash. Because the \$245 should have been debited to Supplies, not Equipment, the error caused Equipment to be overstated by \$245 and Supplies to be understated by \$245.
- Unequal totals in the trial balance because \$76 was debited correctly to Accounts Payable but the credit to Cash was transposed as \$67. The error caused Cash to be overstated by \$9.

Problem 2-1A

<i>Assets</i>		=	<i>Liabilities</i>		+	<i>Capital</i>		-	<i>Drawing</i>		+	<i>Revenue</i>		-	<i>Expenses</i>	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
<i>Cash</i>			<i>Accounts Payable</i>			<i>G. Elden, Capital</i>			<i>Income from Services</i>			<i>Advertising Expense</i>				
+	-		-	+		-	+		-	+		+	-		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
(a) 35,000	(b) 8,150		(g) 200	(c) 105		(a) 35,000				(h) 800		(c) 105				
(h) 800	(g) 200			(d) 790		(f) 1,200				Bal. 800		Bal. 105				
35,800	8,350			(e) 185		Bal. 36,200										
Bal. 27,450				1,080												
				Bal. 880												
<i>Exercise Equipment</i>																
+	-															
Debit	Credit															
(b) 8,150																
(f) 1,200																
Bal. 9,350																
<i>Store Equipment</i>																
+	-															
Debit	Credit															
(d) 790																
Bal. 790																
<i>Office Equipment</i>																
+	-															
Debit	Credit															
(e) 185																
Bal. 185																

[illegible]

Problem 2-2A (concluded)

Computer Wizards			
Trial Balance			
November 30, 20--			
ACCOUNT NAME	DEBIT	CREDIT	
Cash	40,925		
Supplies	115		
Computer Software	600		
Office Equipment	3,490		
Neon Sign	1,350		
Accounts Payable		2,545	
B. Kelso, Capital		45,600	
B. Kelso, Drawing	850		
Income from Services		2,695	
Wages Expense	925		
Rent Expense	1,800		
Advertising Expense	365		
Utilities Expense	345		
Miscellaneous Expense	75		
	50,840	50,840	

Problem 2-3A

<i>Assets</i>		=	<i>Liabilities</i>		+	<i>Capital</i>		-	<i>Drawing</i>		+	<i>Revenue</i>		-	<i>Expenses</i>	
+	-		-	+		-	+		+	-		-	+		+	-
<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>
<i>Cash</i>			<i>Accounts Payable</i>			<i>S. Myers, Capital</i>			<i>S. Myers, Drawing</i>			<i>Professional Fees</i>			<i>Salary Expense</i>	
+	-		-	+		-	+		+	-		-	+		+	-
<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>
(a) 40,000	(c) 200		(j) 300	(b) 1,330		(a) 40,000			(m) 800			(f) 1,484			(l) 880	
(i) 2,575	(e) 155			(c) 395		Bal. 40,000			Bal. 800			(i) 2,575			Bal. 880	
(n) 885	(g) 190			(d) 375								Bal. 4,059				
43,460	(h) 450			2,100												
	(j) 300			Bal. 1,800												
	(k) 940															
	(l) 880															
	(m) 800															
	3,915															
Bal. 39,545																
<i>Accounts Receivable</i>			<i>Utilities Expense</i>			<i>Miscellaneous Expense</i>										
+	-		+	-		+	-					+	-		+	-
<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>					<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>
(f) 1,484	(n) 885		(e) 155			(h) 450						(h) 450				
Bal. 599			(g) 190			Bal. 450						Bal. 450				
			Bal. 345													
<i>Office Equipment</i>																
+	-															
<i>Debit</i>	<i>Credit</i>															
(c) 595																
(d) 375																
Bal. 970																
<i>Office Furniture</i>																
+	-															
<i>Debit</i>	<i>Credit</i>															
(b) 1,330																
Bal. 1,330																

Problem 2-3A (continued)

Myers Clinic			
Trial Balance			
June 30, 20--			
ACCOUNT NAME	DEBIT	CREDIT	
Cash	39,545		
Accounts Receivable	599		
Office Equipment	970		
Office Furniture	1,330		
Accounts Payable		1,800	
S. Myers, Capital		40,000	
S. Myers, Drawing	800		
Professional Fees		4,059	
Salary Expense	880		
Rent Expense	940		
Utilities Expense	345		
Miscellaneous Expense	450		
	45,859	45,859	

Myers Clinic			
Income Statement			
For Month Ended June 30, 20--			
Revenue:			
Professional Fees		\$ 4,059	
Expenses:			
Salary Expense	\$880		
Rent Expense	940		
Utilities Expense	345		
Miscellaneous Expense	450		
Total Expenses		2,615	
Net Income		\$ 1,444	

Myers Clinic			
Statement of Owner's Equity			
For Month Ended June 30, 20--			
S. Myers, Capital, June 1, 20--		\$ 0	
Investments during June	\$40,000		
Net Income for June	1,444		
Subtotal	\$41,444		
Less Withdrawals for June	800		
Increase in Capital		40,644	
S. Myers, Capital, June 30, 20--		\$40,644	

Problem 2-3A (concluded)

Myers Clinic			
Balance Sheet			
June 30, 20--			
	Assets		
	Cash	\$39,545	
	Accounts Receivable	599	
	Office Equipment	970	
	Office Furniture	1,330	
	Total Assets		\$42,444
	Liabilities		
	Accounts Payable		\$ 1,800
	Owner's Equity		
	S. Myers, Capital		40,644
	Total Liabilities and Owner's Equity		\$42,444

<i>Assets</i>		=	<i>Liabilities</i>		+	<i>Capital</i>		-	<i>Drawing</i>		+	<i>Revenue</i>		-	<i>Expenses</i>	
+	-		-	+		-	+		+	-		-	+		+	-
<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>
<i>Cash</i>			<i>Accounts Payable</i>			<i>B. Bangle, Capital</i>			<i>B. Bangle, Drawing</i>			<i>Laundry Revenue</i>			<i>Wages Expense</i>	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
(a) 35,000	(b) 1,870		(h) 1,800	(c) 225			(a) 35,000					(f) 1,925			(k) 940	
(f) 1,925	(d) 875		(m) 225	(e) 8,900			Bal. 35,000		(l) 800			(j) 1,835			Bal. 940	
(j) 1,835	(e) 3,600		2,025	9,125					Bal. 800			Bal. 3,760				
38,760	(g) 1,560			Bal. 7,100												
	(h) 1,800															
	(i) 285															
	(k) 940															
	(l) 800															
	(m) 225															
	(n) 280															
	12,235															
Bal. 26,525																
<i>Supplies</i>																
+	-															
Debit	Credit															
(c) 225																
Bal. 225																
<i>Prepaid Insurance</i>																
+	-															
Debit	Credit															
(g) 1,560																
Bal. 1,560																
<i>Equipment</i>																
+	-															
Debit	Credit															
(e) 12,500																
Bal. 12,500																
<i>Furniture and Fixtures</i>																
+	-															
Debit	Credit															
(b) 1,870																
Bal. 1,870																

Problem 2-4A (continued)**Self-Wash Laundry****Trial Balance****May 31, 20--**

ACCOUNT NAME	DEBIT	CREDIT
Cash	26,525	
Supplies	225	
Prepaid Insurance	1,560	
Equipment	12,500	
Furniture and Fixtures	1,870	
Accounts Payable		7,100
B. Bangle, Capital		35,000
B. Bangle, Drawing	800	
Laundry Revenue		3,760
Wages Expense	940	
Rent Expense	875	
Utilities Expense	285	
Miscellaneous Expense	280	
	45,860	45,860

Self-Wash Laundry**Income Statement****For Month Ended May 31, 20--**

Revenue:		
Laundry Revenue		\$3,760
Expenses:		
Wages Expense	\$940	
Rent Expense	875	
Utilities Expense	285	
Miscellaneous Expense	280	
Total Expenses		2,380
Net Income		\$1,380

Problem 2-4A (concluded)

Self-Wash Laundry			
Statement of Owner's Equity			
For Month Ended May 31, 20--			
B. Bangle, Capital, May 1, 20--		\$ 0	
Investments during May	\$35,000		
Plus Net Income for May	1,380		
Subtotal	\$36,380		
Withdrawals for May	800		
Increase in Capital		35,580	
B. Bangle, Capital, May 31, 20--		\$35,580	

Self-Wash Laundry			
Balance Sheet			
May 31, 20--			
Assets			
Cash	\$26,525		
Supplies	225		
Prepaid Insurance	1,560		
Equipment	12,500		
Furniture and Fixtures	1,870		
Total Assets		\$42,680	
Liabilities			
Accounts Payable		\$ 7,100	
Owner's Equity			
B. Bangle, Capital		35,580	
Total Liabilities and Owner's Equity		\$42,680	

Problem 2-5A

- (a) For Month Ended October 31, 20--
- (b) 5,250
- (c) Daniels' Custom Haircuts
- (d) For Month Ended October 31, 20--
- (e) 10,000
- (f) 19,750
- (g) 25,750
- (h) October 31, 20--
- (i) 36,400
- (j) 25,750
- (k) 36,400

Problem 2-1B

<i>Assets</i>		=	<i>Liabilities</i>		+	<i>Capital</i>		-	<i>Drawing</i>		+	<i>Revenue</i>		-	<i>Expenses</i>	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
<i>Cash</i>			<i>Accounts Payable</i>			<i>H. Rose, Capital</i>			<i>Income from Services</i>			<i>Advertising Expense</i>				
+	-		-	+		-	+		-	+		+	-		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
(a) 25,000	(b) 1,525		(f) 750	(c) 325			(a) 25,000			(h) 250		(c) 325				
(h) 250	(e) 225			(d) 750			(g) 800			Bal. 250		Bal. 325				
25,250	(f) 750			(e) 400			Bal. 25,800									
	2,500			1,475												
Bal. 22,750				Bal. 725												
<i>Shop Equipment</i>																
+	-															
Debit	Credit															
(b) 1,525																
(g) 800																
Bal. 2,325																
<i>Store Equipment</i>																
+	-															
Debit	Credit															
(d) 750																
Bal. 750																
<i>Office Equipment</i>																
+	-															
Debit	Credit															
(e) 625																
Bal. 625																

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Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable			J. Carrie, Capital			J. Carrie, Drawing			Income from Services			Wages Expense	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
(a) 30,000	(b) 1,850		(j) 245	(c) 290		(a) 30,000			(n) 800			(e) 1,575			(l) 930	
(e) 1,575	(c) 350			(f) 900		(m) 1,000			Bal. 800			(k) 3,474			Bal. 930	
(k) 3,474	(d) 950			(g) 445		Bal. 31,000						Bal. 5,049				
35,049	(f) 435			(h) 460												
	(i) 380			2,095												
	(j) 245			Bal. 1,850												
	(l) 930															
	(n) 800															
	(o) 75															
	6,015															
Bal. 29,034																
Supplies																
+	-															
Debit	Credit															
(h) 460																
Bal. 460																
Computer Software																
+	-															
Debit	Credit															
(c) 640																
Bal. 640																
Office Equipment																
+	-															
Debit	Credit															
(b) 1,850																
(m) 1,000																
Bal. 2,850																
Neon Sign																
+	-															
Debit	Credit															
(f) 1,335																
Bal. 1,335																

Problem 2-2B (concluded)

Carrie's Photo Tours

Trial Balance

June 30, 20--

ACCOUNT NAME	DEBIT	CREDIT
Cash	29,034	
Supplies	460	
Computer Software	640	
Office Equipment	2,850	
Neon Sign	1,335	
Accounts Payable		1,850
J. Carrie, Capital		31,000
J. Carrie, Drawing	800	
Income from Services		5,049
Wages Expense	930	
Rent Expense	950	
Advertising Expense	445	
Utilities Expense	380	
Miscellaneous Expense	75	
	37,899	37,899

Problem 2-3B

<i>Assets</i>		=	<i>Liabilities</i>		+	<i>Capital</i>		-	<i>Drawing</i>		+	<i>Revenue</i>		-	<i>Expenses</i>	
+	-		-	+		-	+		+	-		-	+		+	-
<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>
<i>Cash</i>			<i>Accounts Payable</i>			<i>D. Johnston, Capital</i>			<i>D. Johnston, Drawing</i>			<i>Professional Fees</i>			<i>Salary Expense</i>	
+	-		-	+		-	+		+	-		-	+		+	-
<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>		<i>Debit</i>	<i>Credit</i>
(a) 35,000	(c) 835		(j) 250	(b) 560			(a) 35,000		(n) 1,200			(f) 2,255			(m) 960	
(i) 1,940	(d) 250			(d) 400			Bal. 35,000		Bal. 1,200			(l) 1,950			Bal. 960	
(l) 1,950	(e) 185											Bal. 4,205				
38,890	(g) 445			Bal. 710												
	(h) 335															
	(j) 250															
	(k) 1,245															
	(m) 960															
	(n) 1,200															
	5,705															
Bal. 33,185																
<i>Accounts Receivable</i>															<i>Rent Expense</i>	
+	-														+	-
<i>Debit</i>	<i>Credit</i>														<i>Debit</i>	<i>Credit</i>
(f) 2,255	(i) 1,940														(k) 1,245	
Bal. 315															Bal. 1,245	
<i>Office Equipment</i>															<i>Utilities Expense</i>	
+	-														+	-
<i>Debit</i>	<i>Credit</i>														<i>Debit</i>	<i>Credit</i>
(b) 560															(e) 185	
(d) 650															(h) 335	
Bal. 1,210															Bal. 520	
<i>Office Furniture</i>															<i>Miscellaneous Expense</i>	
+	-														+	-
<i>Debit</i>	<i>Credit</i>														<i>Debit</i>	<i>Credit</i>
(c) 835															(g) 445	
Bal. 835															Bal. 445	

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Problem 2-3B (continued)

Johnston's Clinic

Trial Balance

July 31, 20--

ACCOUNT NAME	DEBIT	CREDIT
Cash	33,185	
Accounts Receivable	315	
Office Equipment	1,210	
Office Furniture	835	
Accounts Payable		710
D. Johnston, Capital		35,000
D. Johnston, Drawing	1,200	
Professional Fees		4,205
Salary Expense	960	
Rent Expense	1,245	
Utilities Expense	520	
Miscellaneous Expense	445	
	39,915	39,915

Johnston's Clinic

Income Statement

For Month Ended July 31, 20--

Revenue:		
Professional Fees		\$4,205
Expenses:		
Salary Expense	\$ 960	
Rent Expense	1,245	
Utilities Expense	520	
Miscellaneous Expense	445	
Total Expenses		3,170
Net Income		\$1,035

Johnston's Clinic

Statement of Owner's Equity

For Month Ended July 31, 20--

D. Johnston, Capital, July 1, 20--		\$ 0
Investments during July	\$35,000	
Net Income for July	1,035	
Subtotal	\$36,035	
Less Withdrawals for July	1,200	
Increase in Capital		34,835
D. Johnston, Capital, July 31, 20--		\$34,835

Problem 2-3B (concluded)**Johnston's Clinic****Balance Sheet****July 31, 20--**

Assets			
Cash		\$33,185	
Accounts Receivable		315	
Office Equipment		1,210	
Office Furniture		835	
Total Assets			\$35,545
Liabilities			
Accounts Payable			\$ 710
Owner's Equity			
D. Johnston, Capital			34,835
Total Liabilities and Owner's Equity			\$35,545

2-30

[illegible]

Problem 2-4B (continued)

Resser's Business Services

Trial Balance

July 31, 20--

ACCOUNT NAME	DEBIT	CREDIT
Cash	16,284	
Supplies	535	
Prepaid Insurance	1,375	
Equipment	15,700	
Furniture and Fixtures	725	
Accounts Payable		11,220
K. Resser, Capital		25,000
K. Resser, Drawing	700	
Business Services Revenue		2,562
Wages Expense	1,200	
Rent Expense	1,750	
Utilities Expense	438	
Miscellaneous Expense	75	
	38,782	38,782

Resser's Business Services

Income Statement

For Month Ended July 31, 20--

Revenue:		
Business Services Revenue		\$2,562
Expenses:		
Wages Expense	\$1,200	
Rent Expense	1,750	
Utilities Expense	438	
Miscellaneous Expense	75	
Total Expenses		3,463
Net Loss		\$ (901)

Problem 2-4B (concluded)

Resser's Business Services			
Statement of Owner's Equity			
For Month Ended July 31, 20--			
K. Resser, Capital, July 1, 20--		\$	0
Investment during July	\$25,000		
Less Net Loss for July	901		
Subtotal	\$24,099		
Less Withdrawals for July	700		
Increase in Capital			23,399
K. Resser, Capital, July 31, 20--			\$23,399

Resser's Business Services			
Balance Sheet			
July 31, 20--			
Assets			
Cash	\$16,284		
Supplies	535		
Prepaid Insurance	1,375		
Equipment	15,700		
Furniture and Fixtures	725		
Total Assets			\$34,619
Liabilities			
Accounts Payable			\$11,220
Owner's Equity			
K. Resser, Capital			23,399
Total Liabilities and Owner's Equity			\$34,619

Problem 2-5B

- (a) For Month Ended April 30, 20--
- (b) 2,440
- (c) Baker Custom Catering
- (d) For Month Ended April 30, 20--
- (e) 5,000
- (f) 9,560
- (g) 13,560
- (h) April 30, 20--
- (i) 14,800
- (j) 13,560
- (k) 14,800

SOLUTIONS TO ACTIVITIES**WHY DOES IT MATTER?****Suggested Responses**

0. Owner invested cash in the business. Accounts involved: Cash and Capital. Cash is debited, and Capital is credited.
1. Bought rock-climbing equipment on account. Accounts involved: Equipment and Accounts Payable. Equipment is debited, and Accounts Payable is credited.
2. Received and paid the electric bill. Accounts involved: Utilities Expense and Cash. Utilities Expense is debited, and Cash is credited.
3. Paid the salary of employees. Accounts involved: Salary Expense and Cash. Salary Expense is debited, and Cash is credited.
4. Received cash from customers for rock-climbing services. Accounts involved: Cash and Rock-Climbing Fees. Cash is debited, and Rock-Climbing Fees is credited.
5. Owner withdrew cash for personal use. Accounts involved: Drawing and Cash. Drawing is debited, and Cash is credited.

WHAT WOULD YOU SAY?**Suggested Response**

First, debits must equal credits in a transaction. Second, it is possible to have more than one debit or credit on one side of the equation as long as they offset each other or there are debits or credits on the other side to offset them. In this case, on the left side of the equals sign, there is a \$15,000 debit to Equipment (which is a plus) and a \$5,000 credit to Cash (which is a minus); on the right side of the equals sign, there is a \$10,000 credit to Accounts Payable (which is a plus). Thus, a \$10,000 net increase to the left side of the equation is offset by a \$10,000 increase on the right side of the equation.

$$+ 15,000 - 5,000 = + 10,000$$

WHAT WOULD YOU DO?**Suggested Response**

The bookkeeper has acted irresponsibly. She should have requested assistance from her supervisor and should not have removed the materials from the business. To further complicate her situation, she has violated the privacy of the business's financial materials by having her uncle attempt to assist her. She could be fired for her unethical behavior. She should make a note of the difference as well as her efforts in attempting to find the errors. Then, she should take this information to her supervisor. Financial materials should never be removed from the business and shared with someone outside the circle of the people who have the right to see them. Additionally, a bookkeeper should never report information that is not correct. This is also unethical behavior and could result in termination.

Review It with QuickBooks Online - Solutions

Chapter 2 – Setting Up a New Company

1. c
2. b
3. a

College Accounting: A Career Approach

Thirteenth Edition

COLLEGE ACCOUNTING

A CAREER APPROACH



Chapter 2

T Accounts, Debits and Credits, Trial Balance, and Financial Statements

Learning Objectives (1 of 2)

- Determine balances of T accounts
- Present the fundamental accounting equation using the T account form and label the plus and minus sides
- Present the fundamental accounting equation using the T account form and label the debit and credit sides
- Record directly in T accounts a group of business transactions involving changes in asset, liability, owner's equity, revenue, and expense accounts for a service business

Learning Objectives (2 of 2)

- Prepare a trial balance
- Prepare (a) an income statement, (b) a statement of owner's equity, and (c) a balance sheet
- Recognize the effect of errors on account balances

Learning Objective - 1

- Determine balances of T accounts

T Account Form (1 of 2)

- Has the advantage of providing two sides for each account
 - One side is used to record increases in the account
 - Other side is used to record decreases
- Plus side of a T account represents the **normal balance** of that account

T Account Form (2 of 2)

Cash T Account:			
Cash			
	+	—	
(a)	90,000	(b)	38,000
(f)	8,000	(d)	2,000
(q)	2,500	(g)	1,250
(r)	8,570	(i)	1,875
		(l)	1,500
		(m)	225
		(n)	620
		(o)	2,360
		(p)	1,850
		(s)	3,500
	109,070		
			53,180
Bal.	<u>55,890</u>		

Footings

Practice Exercise 1 (1 of 2)

- Using the T accounts presented below, determine the balances.

Cash			
(a)	90,000	(b)	38,000
		(f)	1,200

Equipment			
(b)	38,000	(d)	1,500
(c)	4,500		
(e)	5,000		

Accounts Payable			
(d)	1,500	(c)	4,500

J. Jay, Capital			
		(a)	90,000
		(e)	5,000

J. Jay, Drawing			
(f)	1,200		

Practice Exercise 1 (2 of 2)

PRACTICE EXERCISE 1 • SOLUTION

Cash		Accounts Payable		J. Jay, Capital		J. Jay, Drawing	
(a)	90,000	(b)	38,000	(d)	1,500	(c)	4,500
		(f)	1,200			(a)	90,000
						(e)	5,000
			<u>39,200</u>			Bal.	<u>95,000</u>
Bal.	<u>50,800</u>						
Equipment							
(b)	38,000	(d)	1,500				
(c)	4,500						
(e)	5,000						
	<u>47,500</u>						
Bal.	<u>46,000</u>						

Learning Objective - 2

- Present the fundamental accounting equation using the T account form and label the plus and minus sides

T Account for Assets

- The T account has a title (such as **Cash**)

Assets	
+	—
Left	Right

- Assets increase on the left side
- Assets decrease on the right side

T Account for Liabilities

- T account title

Liabilities	
—	+
Left	Right

- Liabilities decrease on the left side
- Liabilities increase on the right side

T Account for Owner's Equity

- Left: Drawing and expenses cause a decrease in owner's equity
- Right: Owner's investments (capital) and revenues cause an increase in owner's equity

Owner's Equity			
—		+	
Left		Right	
↓		↓	
Drawing		Capital	
+	—	—	+
Left	Right	Left	Right
Expenses		Revenue	
+	—	—	+
Left	Right	Left	Right

Expanded Fundamental Accounting Equation

Assets				Liabilities				Owner's Equity									
								Capital		Drawing		Revenue		Expenses			
+	-			-	+			-	+	+	-	-	+	+	-		
Left	Right			Left	Right			Left	Right	Left	Right	Left	Right	Left	Right	Left	Right

- Assets – The *left* side is the increase side
- Liabilities – The *right* side is the increase side
- Capital - The *right* side is the increase side
- Drawing - The *left* side is the increase side
- Revenue - The *right* side is the increase side
- Expenses - The *left* side is the increase side

Practice Exercise 2

- Using the fundamental accounting equation in T account form, label each side with plus and minus
- **PRACTICE EXERCISE 2 • SOLUTION**

$$\begin{array}{c} \text{Assets} \\ \hline + \quad | \quad - \\ \hline \end{array} = \begin{array}{c} \text{Liabilities} \\ \hline - \quad | \quad + \\ \hline \end{array} + \overbrace{\begin{array}{c} \text{Capital} \quad - \quad \text{Drawing} \quad + \quad \text{Revenue} \quad - \quad \text{Expenses} \\ \hline - \quad | \quad + \quad + \quad | \quad - \quad - \quad | \quad + \\ \hline \end{array}}^{\text{Owner's Equity}}$$

Learning Objective - 3

- Present the fundamental accounting equation using the T account form and label the debit and credit sides

T Accounts with Debits and Credits

- **Debit:** Left side of a T account
- **Credit:** Right side of a T account

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit

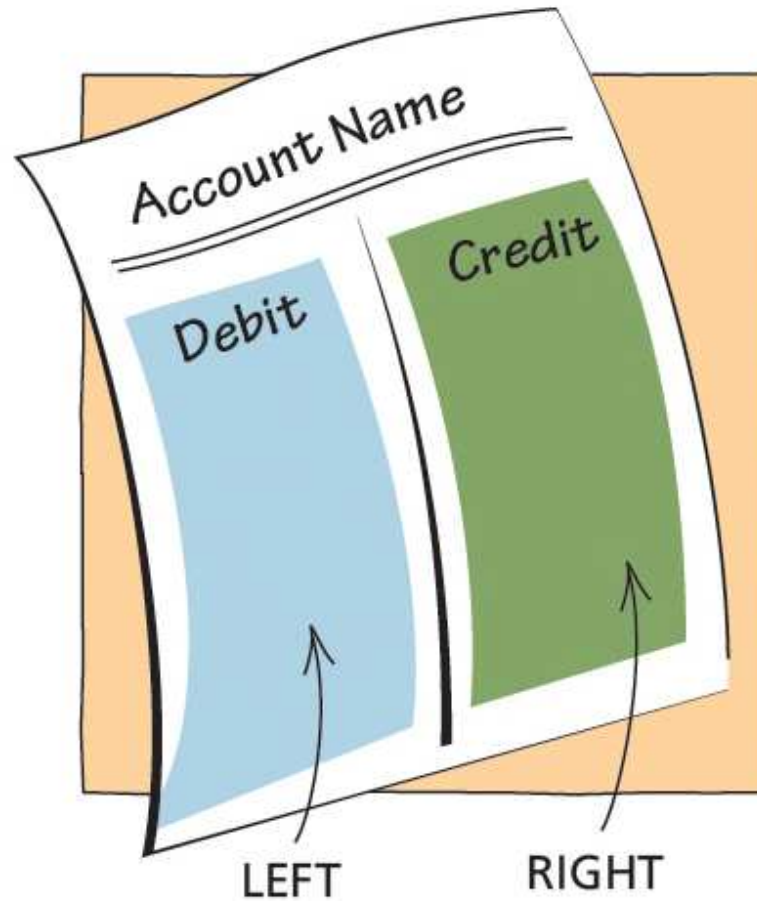
T Account Form with Debit and Credit

(1 of 2)

Debits Signify		Credits Signify	
Increases in	{ Assets	Decreases in	{ Assets
	{ Drawing		{ Drawing
	{ Expenses		{ Expenses
Decreases in	{ Liabilities	Increases in	{ Liabilities
	{ Capital		{ Capital
	{ Revenue		{ Revenue

- Amount placed on the debit side of one or more accounts must equal the amount placed on the credit side of another account or other accounts

T Account Form with Debit and Credit (2 of 2)



Practice Exercise 3

- Using the fundamental accounting equation in T account form, label each side as debit and credit
- PRACTICE EXERCISE 3• SOLUTION**

Assets				Liabilities				Capital				Drawing				Revenue				Expenses	
+	-			-	+			-	+			+	-			-	+			+	-
Debit	Credit			Debit	Credit			Debit	Credit			Debit	Credit			Debit	Credit			Debit	Credit

Learning Objective - 4

- Record directly in T accounts a group of business transactions involving changes in asset, liability, owner's equity, revenue, and expense accounts for a service business

Recording Business Transactions in T Accounts (1 of 3)

- Transaction (a) - Conner deposited \$90,000 in a bank account in the name of the business
- Step 1: What accounts are involved?
 - Answer 1: Cash and J. Conner, Capital
- Step 2: What are the classifications of the accounts involved (asset, liability, capital, drawing, revenue, expense)?
 - Answer 2: Cash is an asset account, and J. Conner, Capital, is an owner's equity account

Recording Business Transactions in T Accounts (2 of 3)

- Step 3: Are the accounts increased or decreased?
 - Answer 3: Cash is being deposited in the bank account, an increase to Cash
The owner has invested that cash in the business and has increased J. Conner, Capital
- Step 4: Write the transaction as a debit to one account (or accounts) and a credit to another account (accounts)?
 - Answer 4: Because Cash is an asset account and Cash is increased, Cash is debited
J. Conner, Capital, is an owner's equity account and is increased Thus, J. Conner, Capital, is credited

Recording Business Transactions in T Accounts (3 of 3)

- Step 5: Is the equation in balance after the transaction has been recorded?
 - Answer 5: At least one account is debited, and at least one account is credited
The total amount(s) debited equals the total amount(s) credited

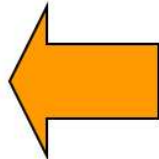
Transaction (a) in T Account Form

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash						J. Conner, Capital										
+	-					-	+									
Debit	Credit					Debit	Credit									
(a) 90,000							(a) 90,000									



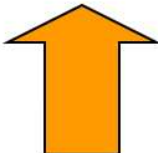
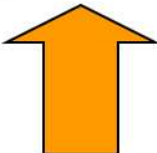
Transaction (b): Conner's Whitewater Adventures Bought Equipment, Paying Cash of \$38,000

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash																
+	-															
Debit	Credit															
	(b) 38,000															
Equipment																
+	-															
Debit	Credit															
(b) 38,000																



Transaction (c): Conner's Whitewater Adventures Bought Equipment on Account for \$4,320

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Equipment			Accounts Payable													
+	-		-	+												
Debit	Credit		Debit	Credit												
(c) 4,320				(c) 4,320												



Creditor, \$2,000

Transaction (e): J. Conner Invests Her Personal Computer, with a Fair Market Value of \$5,200

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Equipment						J. Conner, Capital										
+	-					-	+									
Debit	Credit					Debit	Credit									
(e) 5,200							(e) 5,200									



Checking the Balances of Accounts

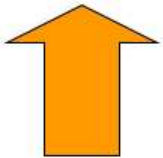
Account Name	Accounts with Normal Balances on the Left, or Debit, Side	Accounts with Normal Balances on the Right, or Credit, Side
	Assets Drawing Expenses	Liabilities Capital Revenue
Cash	\$50,000	
Equipment	47,520	
Accounts Payable		\$ 2,320
J. Conner, Capital		95,200
	<u>\$97,520</u>	<u>\$97,520</u>



Equal

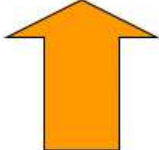
Transaction (f): Conner's Whitewater Adventures Sold Rafting Tours for Cash, \$8,000

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash												Income from Tours				
+	-											-	+			
Debit	Credit											Debit	Credit			
(f) 8,000													(f) 8,000			



Transaction (g): Conner's Whitewater Adventures Paid Rent for the Month, \$1,250

Assets		=	Liabilities		+	Owner's Equity				-	Revenue		-	Expenses	
+	-		-	+		Capital	-	Drawing	+		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit	Debit	Credit		Debit	Credit		Debit	Credit
Cash														Rent Expense	
+	-					-	+	+	-		-	+		+	-
Debit	Credit					Debit	Credit	Debit	Credit		Debit	Credit		Debit	Credit
	(g) 1,250													(g) 1,250	



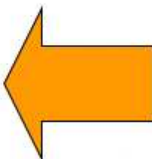

Transaction (h): Conner's Whitewater Adventures Bought Items on Account, \$675

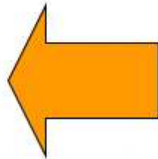
Assets		=	Liabilities		+	Owner's Equity								-			-		
+	-		-	+		Capital		-	Drawing		+	Revenue		-	Expenses				
Debit	Credit		Debit	Credit		-	+		+	-		-	+		+	-		Debit	Credit
						Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Supplies			Accounts Payable																
+	-		-	+															
Debit	Credit		Debit	Credit															
(h) 675				(h) 675															



Transaction (i): Three-Month Liability Insurance Policy, \$1,875

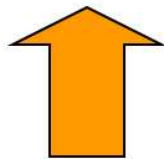
Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash																
+	-															
Debit	Credit															
	(i) 1,875															
Prepaid Insurance																
+	-															
Debit	Credit															
(i) 1,875																





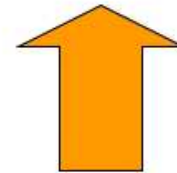
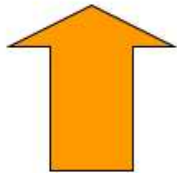
Transaction (j): Bill for Newspaper Advertisement from The Times, \$620

Assets		=	Liabilities		+	Owner's Equity				-	Revenue		-	Expenses	
+	-		-	+		Capital	-	Drawing	+		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit	Debit	Credit		Debit	Credit		Debit	Credit
			Accounts Payable											Advertising Expense	
			-	+										+	-
			Debit	Credit										Debit	Credit
				(j) 620										(j) 620	



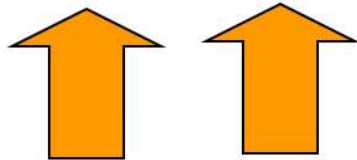
Transaction (k): Providing 27 One-Day Rafting Tours and Billing Crystal River Lodge for \$6,750

Assets		=	Liabilities		+	Owner's Equity				-	Revenue		-	Expenses	
+	-		-	+		-	+	-	+		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit	Debit	Credit		Debit	Credit		Debit	Credit
Accounts Receivable											Income from Tours				
+	-										-	+			
Debit	Credit										Debit	Credit			
(k) 6,750												(k) 6,750			



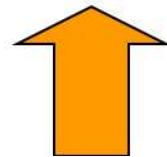
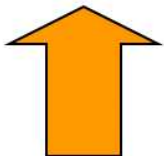
Transaction (I): Conner's Whitewater Adventures Pays on Account to Signal Products, \$1,500

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable													
+	-		-	+												
Debit	Credit		Debit	Credit												
	(I) 1,500		(I) 1,500													



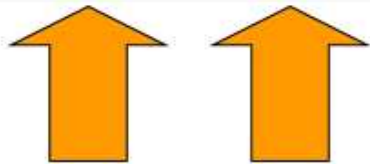
Transaction (m): Conner's Whitewater Adventures Received and Paid Solar Power, Inc., for the Electric Bill, \$225

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash															Utilities Expense	
+	-														+	-
Debit	Credit														Debit	Credit
	(m) 225														(m) 225	



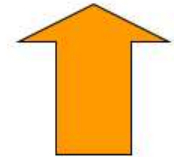
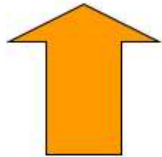
Transaction (n): Conner's Whitewater Adventures Paid on Account to The Times, \$620

Assets		=	Liabilities		+	Owner's Equity				-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+				+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit				Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable															
+	-		-	+		-	+				+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit				Debit	Credit		Debit	Credit		Debit	Credit
(n)	620		(n)	620														



Transaction (o): Conner's Whitewater Adventures Paid the Wages of a Part-Time Employee, \$2,360

Assets		=	Liabilities		+	Owner's Equity				-	Revenue		-	Expenses	
+	-		-	+		Capital	-	Drawing	+		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit	Debit	Credit		Debit	Credit		Debit	Credit
Cash														Wages Expense	
+	-					-	+	+	-		-	+		+	-
Debit	Credit					Debit	Credit	Debit	Credit		Debit	Credit		Debit	Credit
	(o) 2,360													(o) 2,360	



Transaction (p): Equipment from Signal Products, \$3,780, paying \$1,850 in Cash and Placing the Balance on Account

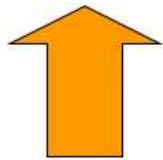
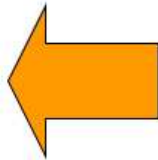
Assets		=	Liabilities		+	Owner's Equity				-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+				+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit				Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable															
+	-		-	+							+	-		-	+		+	-
Debit	Credit		Debit	Credit							Debit	Credit		Debit	Credit		Debit	Credit
	(p) 1,850			(p) 1,930														
Equipment																		
+	-																	
Debit	Credit																	
(p) 3,780																		

Compound entry



Transaction (q): Received \$2,500 Cash from Crystal River Lodge to Apply against the Amount Billed in Transaction (K)

Assets		=	Liabilities		+	Owner's Equity										
						Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash																
+	-															
Debit	Credit															
(q) 2,500																
Accounts Receivable																
+	-															
Debit	Credit															
	(q) 2,500															



Transaction (r): Sold Tours for Cash,
\$8,570

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash												Income from Tours				
+	-											-	+			
Debit	Credit											Debit	Credit			
(r) 8,570													(r) 8,570			



Transaction (s): J. Conner Withdrew Cash for Her Personal Use, \$3,500

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash									J. Conner, Drawing							
+	-								+	-						
Debit	Credit								Debit	Credit						
	(s) 3,500								(s) 3,500							

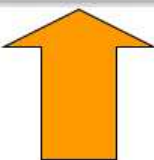
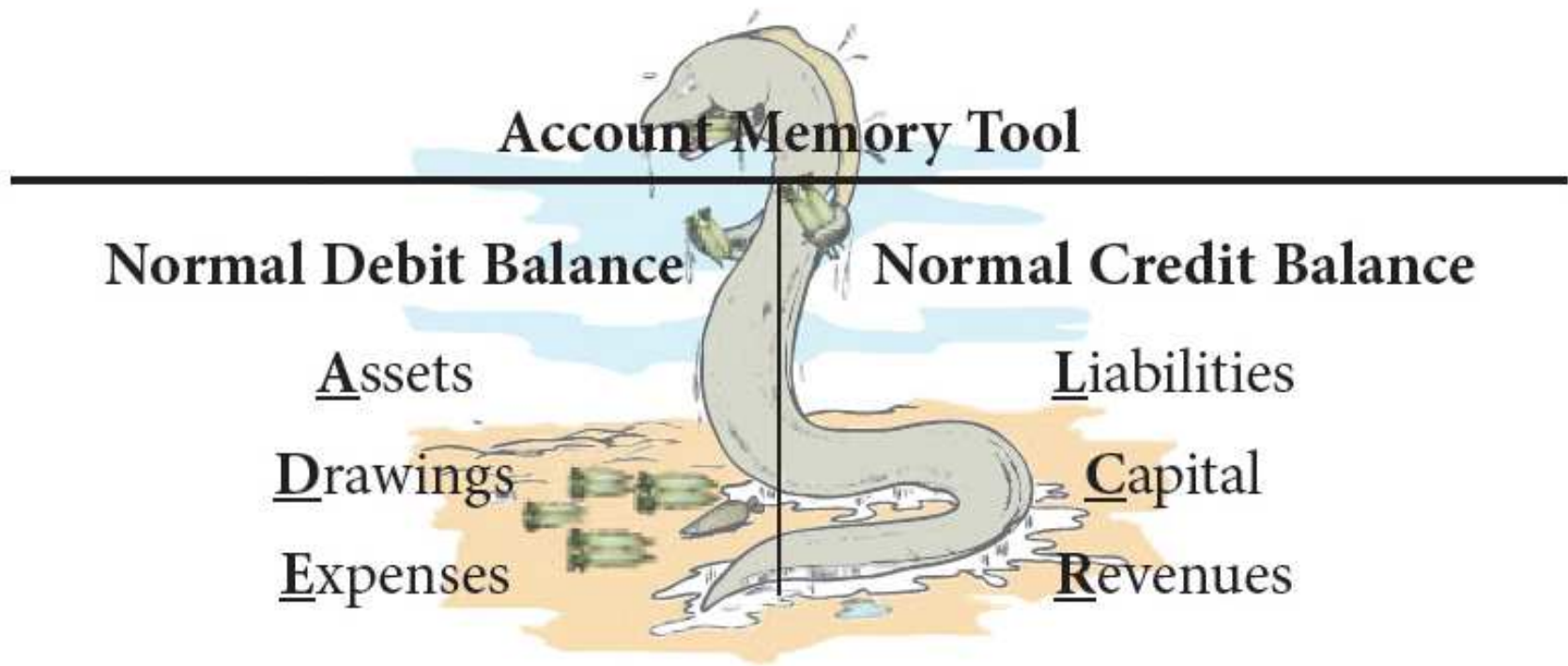



Figure 1 - Accounting Memory Tool



Practice Exercise 4 (1 of 2)

- Record the following transactions directly into the appropriate T accounts and determine the balance in each account
 - a. J. Molson deposited \$90,000 in the name of the business
 - b. Bought equipment for cash, \$38,000
 - c. Bought advertising on account, \$4,320
 - d. Paid \$2,000 on account
 - e. J. Molson invested his personal equipment, valued at \$5,200, in the business

Practice Exercise 4 (2 of 2)

- f. The business received cash from customers, \$4,000
- g. J. Molson withdrew \$1,200 from the business for personal use

Practice Exercise 4 - Complete the T Accounts

PRACTICE EXERCISE 4 • SOLUTION

Assets		=	Liabilities		+	Capital		-	Drawing		+	Revenue		-	Expenses	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
Cash			Accounts Payable			J. Molson, Capital			J. Molson, Drawing			Fees Earned			Advertising Expense	
+	-		-	+		-	+		+	-		-	+		+	-
Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
(a) 90,000	(b) 38,000		(d) 2,000	(c) 4,320			(a) 90,000		(g) 1,200				(f) 4,000		(c) 4,320	
(f) 4,000	(d) 2,000			Bal. 2,320			(e) 5,200		Bal. 1,200				Bal. 4,000		Bal. 4,320	
94,000	(g) 1,200						Bal. 95,200									
	41,200															
Bal. 52,800																
Equipment																
+	-															
Debit	Credit															
(b) 38,000																
(e) 5,200																
Bal. 43,200																

Learning Objective - 5

- Prepare a trial balance

Trial Balance (1 of 2)

- Listing of account balances in two columns
 - Left column - Debits
 - Right column - Credits
- Needs to be prepared in the order in which the items appear in the chart of accounts
 - Assets
 - Liabilities
 - Owner's Equity
 - Revenue
 - Expenses

Figure 2 - Trial Balance

Account Titles	TRIAL BALANCE	
	Left, or Debit, Balances	Right, or Credit, Balances
Assets	Assets	
Liabilities		Liabilities
Capital		Capital
Drawing	Drawing	
Revenue		Revenue
Expenses	<u>Expenses</u>	<u> </u>
Totals	<u> </u>	<u> </u>

- Normal balance of each account is on its plus side

Trial Balance (2 of 2)

Column headings identify information in each column

**Conner's Whitewater Adventures
Trial Balance
June 30, 20--**

Account Name	Debit	Credit
Cash	55,890	
Accounts Receivable	4,250	
Supplies	675	
Prepaid Insurance	1,875	
Equipment	51,300	
Accounts Payable		3,425
J. Conner, Capital		95,200
J. Conner, Drawing	3,500	
Income from Tours		23,320
Wages Expense	2,360	
Rent Expense	1,250	
Advertising Expense	620	
Utilities Expense	225	
	<u>121,945</u>	<u>121,945</u>

Accounts listed in order of the chart of accounts

Single underline beneath figures to be added

Double underline beneath column totals

Dollar signs not used on a trial balance

Practice Exercise 5

- Using the following account balances, prepare a trial balance for Collins's Backpack Adventures as of July 31, 20--

Accounts Payable	\$ 3,325	J. Collins, Drawing	\$3,400
Accounts Receivable	4,150	Prepaid Insurance	1,675
Advertising Expense	680	Rent Expense	1,350
Cash	55,830	Supplies	575
Equipment	51,500	Utilities Expense	325
Income from Treks	23,220	Wages Expense	2,460
J. Collins, Capital	95,400		

Practice Exercise 5 - Complete the Trial Balance

Collins's Backpack Adventures Trial Balance July 31, 20—		
Account Name	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid Insurance		
Equipment		
Accounts Payable		
J. Collins, Capital		
J. Collins, Drawing		
Income from Treks		
Wages Expense		
Rent Expense		
Advertising Expense		
Utilities Expense		

Practice Exercise 5 - Solution

Collins's Backpack Adventures Trial Balance July 31, 20—

Account Name	Debit	Credit
Cash	55,830	
Accounts Receivable	4,150	
Supplies	575	
Prepaid Insurance	1,675	
Equipment	51,500	
Accounts Payable		3,325
J. Collins, Capital		95,400
J. Collins, Drawing	3,400	
Income from Treks		23,220
Wages Expense	2,460	
Rent Expense	1,350	
Advertising Expense	680	
Utilities Expense	325	
	<u>121,945</u>	<u>121,945</u>

Learning Objective - 6

- Prepare (a) an income statement, (b) a statement of owner's equity, and (c) a balance sheet

Income Statement

- Shows total revenue minus total expenses, which yields the net income or net loss
- Reports how the business has performed over a period of time, usually a month or a year
- When total revenue exceeds total expenses over the period, the result is a **net income**, or profit
- When the total revenue is less than total expenses, the result is a **net loss**

Figure 3 - Income Statement

(a) { Conner's Whitewater Adventures (1) Income Statement (2) For Month Ended June 30, 20-- (3)		
Revenue:		
Income from Tours (c)		(b) \$23,320
Expenses:		
Wages Expense		(b) \$2,360
Rent Expense		1,250
Advertising Expense	(c, d)	620
Utilities Expense		(e) 225
Total Expenses (c)		4,455 (e)
Net Income		<u>\$18,865 (f)</u>

Transfer net income figure to statement of owner's equity.

1 Name of company

2 Title of statement

3 Period of time

a Three-line heading

b Dollar sign at head of column or to show subtotal or total

c Indent to indicate listing within a section

d Listed in order of chart of accounts

e Single underline beneath the final figure

f Double underline beneath grand total

Statement of Owner's Equity

- Shows how—and why—the owner's equity or Capital account has changed over a stated period of time
- Prepared after the accountant has determined the net income or net loss on the income statement

Figure 4 - Statement of Owner's Equity

a Conner's Whitewater Adventures Statement of Owner's Equity For Month Ended June 30, 20-- 1 2 3		
J. Conner, Capital, June 1, 20--	b	\$ 0
Investment during June	b	\$ 95,200
Net Income for June		18,865
Subtotal		\$ 114,065
Less Withdrawals for June	c	3,500
Increase in Capital	c	110,565
J. Conner, Capital, June 30, 20--	d	<u>\$110,565</u>

1 Name of company
 2 Title of statement
 3 Period of time
 a Three-line heading
 b Dollar sign at head of column or to show subtotal or total
 c Single underline beneath the final figure
 d Double underline beneath grand total

Carried from income statement
 Transfer ending capital to balance sheet

Balance Sheet

- Shows the financial position of a business's assets offset by claims against them as of a particular date
- Balance sheet summarizes the balances of the asset, liability, and owner's equity accounts on a given date (usually the end of a month or year)

Figure 5 - Balance Sheet

(a) { Conner's Whitewater Adventures Balance Sheet June 30, 20-- 1 2 3		
Assets		
Cash	(b) \$ 55,890	
Accounts Receivable	4,250	
Supplies	675	
Prepaid Insurance	1,875	
Equipment	(d) 51,300	
Total Assets		(e), (b) <u>\$113,990</u>
Liabilities		
Accounts Payable	(b) \$ 3,425	
Owner's Equity		
J. Conner, Capital	(d) 110,565	
Total Liabilities and Owner's Equity		(e), (b) <u>\$113,990</u>

Total assets =
 Total liabilities
 and owner's
 equity

Carried from
 statement of
 owner's equity

1 Name of company
 2 Title of statement
 3 Period of time
 a Three-line heading
 b Dollar sign at head of column or to show subtotal
 or total
 c Listed in order of chart of accounts
 d Single underline beneath the final figure
 e Double underline beneath grand total

Practice Exercise 6

- Use the trial balance in Practice Exercise 5 to prepare (a) an income statement, (b) a statement of owner's equity, and (c) a balance sheet. Assume that Collins's Backpack Adventures started business on July 1, 20--.

Collins's Backpack Adventures Trial Balance July 31, 20—		
Account Name	Debit	Credit
Cash	55,830	
Accounts Receivable	4,150	
Supplies	575	
Prepaid Insurance	1,675	
Equipment	51,500	
Accounts Payable		3,325
J. Collins, Capital		95,400
J. Collins, Drawing	3,400	
Income from Treks		23,220
Wages Expense	2,460	
Rent Expense	1,350	
Advertising Expense	680	
Utilities Expense	325	
	<u>121,945</u>	<u>121,945</u>

Practice Exercise 6 (a) - Complete the Income Statement

(a)

Collins's Backpack Adventures Income Statement For Month Ended July 31, 20--			
Revenue:			
Income from Treks			
Expenses:			
Wages Expense			
Rent Expense			
Advertising Expense			
Utilities Expense			
Total Expenses			
Net Income			

Practice Exercise 6 (a) - Solution

(a)

Collins's Backpack Adventures Income Statement For Month Ended July 31, 20--

Revenue:

Income from Treks	\$23,220
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Expenses:

Wages Expense	\$2,460
---------------	---------

Rent Expense	1,350
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Advertising Expense	680
---------------------	-----

Utilities Expense	325
-------------------	-----

Total Expenses	4,815
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Net Income	\$18,405
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Practice Exercise 6 (b) - Complete the Statement of Owner's Equity

(b)

Collins's Backpack Adventures Statement of Owner's Equity For Month Ended July 31, 20--		
J. Collins, Capital, July 1, 20--		
Investments during July		
Net Income for July		
Subtotal		
Less Withdrawals for July		
Increase in Capital		
J. Collins, Capital, July 31, 20--		

Practice Exercise 6 (b) - Solution

(b)

Collins's Backpack Adventures Statement of Owner's Equity For Month Ended July 31, 20--

J. Collins, Capital, July 1, 20--		\$ 0
Investments during July	\$ 95,400	
Net Income for July	18,405	
Subtotal	<u>\$113,805</u>	
Less Withdrawals for July	<u>3,400</u>	
Increase in Capital		110,405
J. Collins, Capital, July 31, 20--		<u><u>\$ 110,405</u></u>

Practice Exercise 6 (c) - Complete the Balance Sheet

(c)

Collins's Backpack Adventures Balance Sheet July 31, 20--		
Assets		
Cash	\$	
Accounts Receivable		
Supplies		
Prepaid Insurance		
Equipment		
Total Assets		
Liabilities		
Accounts Payable	\$	
Owner's Equity		
J. Collins, Capital		
Total Liabilities and Owner's Equity		

Practice Exercise 6 (c) - Solution

(c)

Collins's Backpack Adventures Balance Sheet July 31, 20--		
Assets		
Cash	\$55,830	
Accounts Receivable	4,150	
Supplies	575	
Prepaid Insurance	1,675	
Equipment	<u>51,500</u>	
Total Assets		<u>\$ 113,730</u>
Liabilities		
Accounts Payable		\$ 3,325
Owner's Equity		
J. Collins, Capital		<u>110,405</u>
Total Liabilities and Owner's Equity		<u>\$ 113,730</u>

Learning Objective - 7

- Recognize the effect of errors on account balances

Errors Exposed by the Trial Balance

- Evident when the debit and credit columns in a trial balance are not equal
- Include:
 - Making errors in arithmetic
 - Recording only half an entry
 - Recording both halves of the entry on the same side
 - Recording one or more amounts incorrectly

Procedure for Locating Errors

- Effective method for locating errors is to do everything in reverse
 - Involves:
 - Looking at the pattern of the balances to see if a normal balance was placed in the wrong column on the trial balance
 - Re-adding the trial balance columns
 - Checking the transferring of the figures from the accounts to the trial balance
 - Verifying the footings and balances of the accounts

Transpositions

- Digits being transposed, or switched around, when the numbers are copied from one place to another
 - Example - Writing 619 for 916 (the difference of 297 is evenly divisible by 9)

Slides

- Errors in placing the decimal point
 - Example - Writing \$27,000 for \$2,700 (the difference of 24,300 is evenly divisible by 9)
- An error may be a combination of a transposition and a slide
 - Example - Writing \$54 for \$450 (the difference of \$396 is evenly divisible by 9 with no remainder)

Practice Exercise 7

- Identify the following errors as transpositions or slides and indicate the amount of the difference and whether it is divisible by 9
 - a. The amount of supplies bought totaled \$341, but it was written as \$431
 - b. Equipment was purchased for \$3,500, but it was written as \$35
 - c. An error was made in the trial balance because \$35 was written as \$530

Practice Exercise 7 – Solution (1 of 2)

- a. Transposition: The difference is \$90 and can be evenly divided by 9

Correct Number	Number Copied	Difference	Difference Divided by 9
\$341	\$431	\$90	$\$90 \div 9 = \$10$

- b. Slide: The difference is \$3,465 and can be evenly divided by 9

Correct Number	Number Copied	Difference	Difference Divided by 9
\$3,500	\$35	\$3,465	$\$3,465 \div 9 = \$385$

Practice Exercise 7 – Solution (2 of 2)

- c. Transposition and slide: The difference is \$495 and can be evenly divided by 9

Correct Number	Number Copied	Difference	Difference Divided by 9
\$35	\$530	\$495	$\$495 \div 9 = \$55$