

- 3.4. Indicate in the columns below the increases and decreases in each account by placing a check in the appropriate column.

	Debit	Credit
(a) Capital is increased		
(b) Cash is decreased		
(c) Accounts Payable is increased		
(d) Rent Expense is increased		
(e) Equipment is increased		
(f) Fees Income is increased		
(g) Capital is decreased (through drawing)		

**SOLUTION**

(a) Cr. (b) Cr. (c) Cr. (d) Dr. (e) Dr. (f) Cr. (g) Dr.

- 3.5. For each transaction in the table below, indicate the account to be debited and the account to be credited by placing the letter representing the account in the appropriate column.

Name of Account	Transaction	Dr.	Cr.
(a) Accounts Payable	1. Invested cash in the firm		
(b) Capital	2. Paid rent for month		
(c) Cash	3. Received cash fees for services		
(d) Drawing	4. Paid salaries		
(e) Equipment	5. Bought equipment on account		
(f) Fees Income	6. Paid 1/2 balance on equipment		
(g) Notes Payable	7. Bought supplies on account		
(h) Rent Expense	8. Borrowed money from bank, giving a note in exchange		
(i) Salaries Expense	9. Supplies inventory showed 1/3 used during the month		
(j) Supplies	10. Withdrew cash for personal use		
(k) Supplies Expense			

**SOLUTION**

	Dr.	Cr.
1.	(c)	(b)
2.	(h)	(c)
3.	(c)	(f)
4.	(i)	(c)
5.	(e)	(a)
6.	(a)	(c)
7.	(j)	(a)
8.	(c)	(g)
9.	(k)	(j)
10.	(d)	(c)

3.6. Record each separate transaction in the accompanying accounts.

(a) Bought supplies for cash, \$700.

Supplies	Cash
	Bal. 2,000

(b) Bought equipment for \$2,700, paying 1/3 down and owing the balance.

Equipment	Cash	Accounts Payable
Bal. 600	Bal. 1,400	

(c) Gave a note in settlement of transaction (b).

Accounts Payable	Notes Payable
Bal. 1,800	

(d) Received \$800 in plumbing fees.

Cash	Fees Income
Bal. 500	

**SOLUTION**

(a)

Supplies	Cash
700	Bal. 2,000     700

(b)

Equipment	Cash	Accounts Payable
Bal. 600 2,700	Bal. 1,400     900	1,800

(c)

Accounts Payable	Notes Payable
1,800     Bal. 1,800	1,800

(d)

Cash	Fees Income
Bal. 500 800	800

3.7. The 10 accounts that follow summarize the first week's transactions of the company.

<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Cash</td> <td style="text-align: right; vertical-align: bottom;">11</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(a) 14,000</td> <td style="width: 50%;">10,000</td> <td style="width: 50%; border-right: 1px solid black;">(b)</td> </tr> <tr> <td style="border-right: 1px solid black;">(e) 1,000</td> <td>200</td> <td style="border-right: 1px solid black;">(d)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td>300</td> <td style="border-right: 1px solid black;">(f)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td>500</td> <td style="border-right: 1px solid black;">(g)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td>100</td> <td style="border-right: 1px solid black;">(h)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td>2,000</td> <td style="border-right: 1px solid black;">(i)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td>300</td> <td style="border-right: 1px solid black;">(j)</td> </tr> </table>	Cash		11	(a) 14,000	10,000	(b)	(e) 1,000	200	(d)		300	(f)		500	(g)		100	(h)		2,000	(i)		300	(j)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Capital</td> <td style="text-align: right; vertical-align: bottom;">3</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;">14,000</td> <td style="width: 50%; border-right: 1px solid black;">(a)</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Drawing</td> <td style="text-align: right; vertical-align: bottom;">3</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(h) 100</td> <td style="width: 50%;"></td> <td style="width: 50%; border-right: 1px solid black;"></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Fees Income</td> <td style="text-align: right; vertical-align: bottom;">4</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;">1,000</td> <td style="width: 50%; border-right: 1px solid black;">(e)</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Salaries Expense</td> <td style="text-align: right; vertical-align: bottom;">5</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(f) 300</td> <td style="width: 50%;"></td> <td style="width: 50%; border-right: 1px solid black;"></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Rent Expense</td> <td style="text-align: right; vertical-align: bottom;">5</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(g) 500</td> <td style="width: 50%;"></td> <td style="width: 50%; border-right: 1px solid black;"></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Gasoline Expense</td> <td style="text-align: right; vertical-align: bottom;">5</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(j) 300</td> <td style="width: 50%;"></td> <td style="width: 50%; border-right: 1px solid black;"></td> </tr> </table>	Capital		3		14,000	(a)	Drawing		3	(h) 100			Fees Income		4		1,000	(e)	Salaries Expense		5	(f) 300			Rent Expense		5	(g) 500			Gasoline Expense		5	(j) 300		
Cash		11																																																											
(a) 14,000	10,000	(b)																																																											
(e) 1,000	200	(d)																																																											
	300	(f)																																																											
	500	(g)																																																											
	100	(h)																																																											
	2,000	(i)																																																											
	300	(j)																																																											
Capital		3																																																											
	14,000	(a)																																																											
Drawing		3																																																											
(h) 100																																																													
Fees Income		4																																																											
	1,000	(e)																																																											
Salaries Expense		5																																																											
(f) 300																																																													
Rent Expense		5																																																											
(g) 500																																																													
Gasoline Expense		5																																																											
(j) 300																																																													
<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Supplies</td> <td style="text-align: right; vertical-align: bottom;">12</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(d) 200</td> <td style="width: 50%;"></td> <td style="width: 50%; border-right: 1px solid black;"></td> </tr> </table>	Supplies		12	(d) 200			<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Equipment</td> <td style="text-align: right; vertical-align: bottom;">13</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(b) 10,000</td> <td style="width: 50%;"></td> <td style="width: 50%; border-right: 1px solid black;"></td> </tr> <tr> <td style="border-right: 1px solid black;">(c) 6,000</td> <td></td> <td style="border-right: 1px solid black;"></td> </tr> </table>	Equipment		13	(b) 10,000			(c) 6,000																																															
Supplies		12																																																											
(d) 200																																																													
Equipment		13																																																											
(b) 10,000																																																													
(c) 6,000																																																													
<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">Accounts Payable</td> <td style="text-align: right; vertical-align: bottom;">21</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">(i) 2,000</td> <td style="width: 50%;">6,000</td> <td style="width: 50%; border-right: 1px solid black;">(c)</td> </tr> </table>	Accounts Payable		21	(i) 2,000	6,000	(c)																																																							
Accounts Payable		21																																																											
(i) 2,000	6,000	(c)																																																											

Complete the form below. (The analysis of the first transaction is given as a

	Transaction	Account Debited	Effect of Debit	Account Credited
(a)	Invested \$14,000 in firm	Cash	Increased asset	Capital
(b)				
(c)				
(d)				
(e)				
(f)				
(g)				
(h)				
(i)				
(j)				

**SOLUTION**

	Transaction	Account Debited	Effect of Debit	Account Credited	Effect of Credit
(a)	Invested \$14,000 in firm	Cash	Increased asset	Capital	Increased capital
(b)	Bought equipment for cash	Equipment	Increased asset	Cash	Decreased asset
(c)	Bought additional equipment on account	Equipment	Increased asset	Accts. Payable	Increased liability
(d)	Paid \$200 for supplies	Supplies	Increased asset	Cash	Decreased asset
(e)	Received \$1,000 in fees	Cash	Increased asset	Fees Income	Increased income
(f)	Paid \$300 for salaries	Salaries Expense	Increased expense	Cash	Decreased asset
(g)	Paid \$500 for rent	Rent Expense	Increased expense	Cash	Decreased asset
(h)	Withdrew \$100 for personal use	Drawing	Decreased capital	Cash	Decreased asset
(i)	Paid \$2,000 on account	Accounts Payable	Decreased liability	Cash	Decreased asset
(j)	Paid \$300 for gasoline	Gasoline Expense	Increased expense	Cash	Decreased asset

- i. Rearrange the following list of accounts as they would appear in the ledger and assign a numerical designation for each one based on a two-digit system.

Fees Income	Accounts Payable
Salaries Expense	Notes Payable
Supplies Expense	Capital
Supplies	Equipment
Cash	Drawing
Accounts Receivable	

**SOLUTION**

Account	Designated Number	Account	Designated Number
Cash	11	Capital	31
Supplies	12	Drawing	32
Accounts Receivable	13	Fees Income	41
Equipment	14	Salaries Expense	51
Accounts Payable	21	Supplies Expense	52
Notes Payable	22		

3.9. Rearrange the alphabetical list of the accounts and produce a trial balance.

Accounts Payable	\$ 6,000	General Expense	\$ 1,000
Accounts Receivable	14,000	Notes Payable	11,000
Sarah Hudson, Capital	32,000	Rent Expense	5,000
Cash	20,000	Salaries Expense	8,000
Sarah Hudson, Drawing	4,000	Supplies	6,000
Equipment	15,000	Supplies Expense	2,000
Fees Income	26,000		

**SOLUTION**

	Dr.	Cr.
Cash	\$20,000	
Accounts Receivable	14,000	
Supplies	6,000	
Equipment	15,000	
Accounts Payable		\$ 6,000
Notes Payable		11,000
Sarah Hudson, Capital		32,000
Sarah Hudson, Drawing	4,000	
Fees Income		26,000
Salaries Expense	8,000	
Rent Expense	5,000	
Supplies Expense	2,000	
General Expense	1,000	
	<u>\$75,000</u>	<u>\$75,000</u>

3.10. In the following trial balance for R. Romez Company, certain accounts have been recorded improperly; therefore it does not balance. Prepare a corrected trial balance.

**R. Romez Company  
Trial Balance  
December 31, 19X8**

	Debit	Credit
Cash	\$ 26,000	
Accounts Receivable	14,000	
Supplies		\$ 6,000
Equipment	12,000	
Accounts Payable	14,000	
R. Romez, Capital	30,000	
R. Romez, Drawing		4,000
Fees Income		38,000
Rent Expense	6,000	
Supplies Expense	2,000	
Salaries Expense		12,000
	<u>\$104,000</u>	<u>\$60,000</u>

**3.13.** For the transactions below, record each entry in the T accounts furnished. (*Note:* The transactions are those of Prob. 1.17, which may be used in reference.)

- (1) The Nu-Look Dry Cleaning Company opened a business bank account by depositing \$12,000 on November 1.
- (2) Purchased supplies for cash, \$220.
- (3) Purchased dry cleaning equipment from Hill Cleaning Equipment, Inc., for \$3,500, paying \$1,500 in cash with the balance on account.
- (4) Paid rent for the month, \$825.
- (5) Cash sales for the month totaled \$1,850.
- (6) Paid salaries of \$375.
- (7) Paid \$500 on account to Hill Cleaning Equipment, Inc.
- (8) The cost of supplies used was determined to be \$60.

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Cash</td> <td style="width: 50%; text-align: right;">11</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; height: 100px;"></td> <td></td> </tr> <tr> <td style="text-align: center;">Supplies</td> <td style="text-align: right;">12</td> </tr> </table>	Cash	11			Supplies	12	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Equipment</td> <td style="width: 50%; text-align: right;">13</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; height: 100px;"></td> <td></td> </tr> <tr> <td style="text-align: center;">Accounts Payable</td> <td style="text-align: right;">21</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; height: 100px;"></td> <td></td> </tr> <tr> <td style="text-align: center;">Capital</td> <td style="text-align: right;">31</td> </tr> </table>	Equipment	13			Accounts Payable	21			Capital	31	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Cleaning Income</td> <td style="width: 50%; text-align: right;">41</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; height: 100px;"></td> <td></td> </tr> <tr> <td style="text-align: center;">Rent Expense</td> <td style="text-align: right;">51</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; height: 100px;"></td> <td></td> </tr> <tr> <td style="text-align: center;">Salaries Expense</td> <td style="text-align: right;">52</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; height: 100px;"></td> <td></td> </tr> <tr> <td style="text-align: center;">Supplies Expense</td> <td style="text-align: right;">53</td> </tr> </table>	Cleaning Income	41			Rent Expense	51			Salaries Expense	52			Supplies Expense	53
Cash	11																															
Supplies	12																															
Equipment	13																															
Accounts Payable	21																															
Capital	31																															
Cleaning Income	41																															
Rent Expense	51																															
Salaries Expense	52																															
Supplies Expense	53																															

**SOLUTION**

Cash		11	Equipment		13	Cleaning Income		41	
(1)	12,000	220	(2)	(3)	3,500		1,850	(5)	
(5)	1,850	1,500	(3)						
	<u>10,430</u>	13,850	(4)	Accounts Payable		21	Rent Expense		51
		375	(6)	(7)	500	2,000	(3)	(4)	825
		500	(7)			<u>1,500</u>			
		<u>3,420</u>		Capital		31	Salaries Expense		52
Supplies		12	(6)		12,000	(1)	(6)	375	
(2)	220	60	(8)				Supplies Expense		53
	<u>160</u>						(8)	60	

3.14. Prepare a trial balance as of November 30 for the Nu-Look Dry Cleaning Company, using the account balances in Prob. 3.13.

<i>Nu-Look Dry Cleaning Company</i>		
<i>Trial Balance</i>		
<i>November 30, 19X8</i>		
	Debit	Credit
Cash		
Supplies		
Equipment		
Accounts Payable		
Nu-Look Dry Cleaning Company		
Cleaning Income		
Rent Expense		
Salaries Expense		
Supplies Expense		

**SOLUTION**

<i>Nu-Look Dry Cleaning Company</i>		
<i>Trial Balance</i>		
<i>November 30, 19X8</i>		
	Debit	Credit
Cash	\$10,830	
Supplies	160	
Equipment	3,500	
Accounts Payable		\$ 1,500
Nu-Look Dry Cleaning Company, Capital		12,000
Cleaning Income		1,850
Rent Expense	425	
Salaries Expense	375	
Supplies Expense	60	
	<u>\$15,350</u>	<u>\$15,350</u>