

# CHAPTER 7

## Accounting Information Systems

### ASSIGNMENT CLASSIFICATION TABLE

<u>Study Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Exercises</u>	<u>A Problems</u>	<u>B Problems</u>
1. Identify the basic concepts of an accounting information system.	1, 2, 3, 4	1, 2, 3			
2. Describe the nature and purpose of a subsidiary ledger.	5, 6, 9, 11, 16	4, 5	1, 2, 3, 4, 5, 6, 7, 9, 11, 12	1A, 2A, 3A, 4A, 5A, 6A	1B, 2B, 3B, 4B, 5B
3. Explain how companies use special journals in journalizing.	7, 8, 10, 11, 12, 13, 14, 17	6, 7, 8, 9	6, 7, 8, 10, 12	1A, 2A, 3A, 4A, 5A, 6A	1B, 2B, 3B, 4B, 5B
4. Indicate how companies post a multi-column journal.	12, 15	10	1, 3, 9, 11, 13, 14	1A, 2A, 3A, 4A, 5A, 6A	1B, 2B, 3B, 4B, 5B

## ASSIGNMENT CHARACTERISTICS TABLE

<b>Problem Number</b>	<b>Description</b>	<b>Difficulty Level</b>	<b>Time Allotted (min.)</b>
1A	Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.	Simple	30–40
2A	Journalize transactions in cash payments journal; post to control account and subsidiary ledgers.	Simple	30–40
3A	Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.	Moderate	40–50
4A	Journalize transactions in special journals.	Moderate	50–60
5A	Journalize in sales and cash receipts journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.	Moderate	60–70
6A	Journalize in special journals; post; prepare a trial balance.	Complex	60–70
1B	Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.	Simple	30–40
2B	Journalize transactions in cash payments journal; post to the general and subsidiary ledgers.	Simple	30–40
3B	Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.	Moderate	40–50
4B	Journalize transactions in special journals.	Moderate	50–60
5B	Journalize in purchases and cash payments journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.	Moderate	60–70

# BLOOM'S TAXONOMY TABLE

Correlation Chart between Bloom's Taxonomy, Study Objectives and End-of-Chapter Exercises and Problems

Study Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
1. Identify the basic concepts of an accounting information system.	Q7-1 Q7-2 Q7-3 Q7-4	BE7-1 BE7-2 BE7-3				
2. Describe the nature and purpose of a subsidiary ledger.	Q7-5 Q7-6 Q7-9 Q7-16 BE7-4 BE7-5 E7-2 E7-11		E7-1 E7-11 P7-6A E7-3 E7-12 P7-1B E7-4 P7-1A P7-2B E7-5 P7-2A P7-3B E7-6 P7-3A P7-4B E7-7 P7-4A P7-5B E7-9 P7-5A	Q7-11		
3. Explain how companies use special journals in journalizing.	Q7-7 Q7-8 Q7-10 Q7-12 Q7-13 Q7-14 Q7-17	BE7-6 BE7-7 BE7-8 BE7-9 E7-8 E7-10	E7-6 P7-4A E7-7 E7-7 P7-5A E7-10 P7-6A E7-12 P7-1B P7-1A P7-2B P7-2A P7-3B P7-3A P7-4B	Q7-11		
4. Indicate how companies post a multi-column journal.	Q7-12 Q7-15 BE7-10 E7-11		E7-1 P7-2A P7-2B E7-3 P7-3A P7-3B E7-9 P7-4A P7-4B E7-13 P7-5A P7-5B E7-14 P7-6A P7-1A P7-1B			
Broadening Your Perspective	Exploring the Web	Exploring the Web	Financial Reporting (Mini Practice Set)			Decision Making Across the Organization Communication Ethics Case All About You

# ANSWERS TO QUESTIONS

1. (a) An accounting information system collects and processes transaction data and communicates financial information to decision makers.  
(b) Disagree. An accounting information system applies regardless of whether manual or computerized procedures are used to process the transaction data.
2. There are three principles for developing an accounting information system:  
**Cost effectiveness.** The system must be cost-effective; that is, the benefits obtained from the information must outweigh the cost of providing it.  
**Useful output.** To be useful, information must be understandable, relevant, reliable, timely, and accurate.  
**Flexibility.** The system should accommodate a variety of users and changing information needs.
3. Common features of a computerized accounting package beyond recording transactions and preparing financial statements are: easy data access and report preparation; audit trail, internal controls, customization; and network compatibility.
4. ERP systems go far beyond the functions of an entry level general ledger package. They integrate all aspects of the organization, including accounting, sales, human resource management, and manufacturing.
5. A subsidiary ledger is a group of accounts with a common characteristic. The accounts are assembled together to facilitate the accounting process by freeing the general ledger from details concerning individual balances. The advantages of using subsidiary ledgers are that they:
  - ▶ Permit transactions affecting a single customer or single creditor to be shown in a single account, thus providing necessary up-to-date information on specific account balances.
  - ▶ Free the general ledger of excessive details relating to accounts receivable and accounts payable. As a result, a trial balance of the general ledger does not contain potentially thousands and thousands of individual account balances.
  - ▶ Assist in locating errors in individual accounts by reducing the number of accounts in one ledger and by using control accounts.
  - ▶ Permit a division of labor in posting by having one employee post to the general ledger and (a) different employee(s) post to the subsidiary ledgers.
6. (a) (1) Transactions to individual accounts are generally posted daily to the subsidiary ledger.  
(2) In contrast, postings to the control accounts are usually made in total at the end of the month.  
(b) A control account is a general ledger account that summarizes subsidiary ledger data. Subsidiary ledger accounts keep track of specific account activity (i.e., specific debtors or creditors). A subsidiary ledger is an addition to, and an expansion of, the general ledger.

## Questions Chapter 7 (Continued)

7. Sales journal. Records entries for all sales of merchandise on account.  
Cash receipts journal. Records entries for all cash received by the business.  
Purchases journal. Records entries for all purchases of merchandise on account.  
Cash payments journal. Records entries for all cash paid.

Some advantages of each journal are given below:

- ▶ Sales journal. (1) Since the sales journal employs only one line to record a Sales transaction, its use reduces recording time; (2) the column totals are only posted to the general ledger once an accounting period; and (3) the journal's use separates responsibilities between employees.
- ▶ Cash receipts journal. (1) Its use aids in the posting process since the totals for Cash, Sales Discounts, Accounts Receivable, and Sales are all recorded in the general ledger only at the end of the month; and (2) it allows all accounts receivable credits to be posted to the appropriate subsidiary ledger accounts daily.
- ▶ Purchases journal. The advantages are similar to those of the sales journal except that items involved are Merchandise Inventory debits and Accounts Payable credits.
- ▶ Cash payments journal. Similar advantages to cash receipts journal except the columns involved are different.

In general, special journals: (1) allow greater division of labor because various individuals can record entries in different journals at the same time; and (2) reduce posting time of journals.

8. The entry for the sales return should be recorded in the general journal. Since Thogmartin Company has a single-column sales journal, only credit sales can be recorded there. A purchase by Thogmartin Company has not taken place, so the use of the purchases journal is inappropriate. Finally, no cash is received or paid, so neither the cash receipts or cash payments journal should be used.
9. At the end of the month, after all postings to both the general ledger and the subsidiary accounts have been made, the total of the subsidiary account balances should equal the balance of the control account in the general ledger. In this case, the control account balance will be \$450 larger than the total of the subsidiary accounts.
10. The purpose of special journals is to facilitate the recording process of the business entity. Therefore, the columns included in any special journal should correspond to the unique needs of the entity. In particular, one type of business which might not require an Accounts Receivable column would be grocery stores. These businesses rarely sell on credit to their customers. The minimum frequency of the transaction implies no need for an Accounts Receivable column in the cash receipts journal.
11. (a) No, the customers' ledger will not agree with the Accounts Receivable control account. The customers' ledger will be posted correctly, but the Accounts Receivable control account will be incorrect.  
(b) The trial balance will balance, although Cash will be \$4,000 too high and Accounts Receivable \$4,000 too low.
12. The special journal is the sales journal. The other account is Sales. (The cash receipts journal is an incorrect answer because there would be more than two month-end postings to general ledger accounts.)

## Questions Chapter 7 (Continued)

13. (a) General journal. (d) Sales journal.  
(b) General journal. (e) Cash receipts journal.  
(c) Cash receipts journal. (f) General journal.
14. (a) Cash receipts journal. (d) Purchases journal.  
(b) Cash receipts journal. (e) General journal.  
(c) General journal. (f) Cash payments journal.
15. Typically included would be credit purchases of equipment, office supplies, and store supplies. However, any other item purchased on credit could also be included in a special column or the "other" column.
16. One such example is a purchase return. Here the Accounts Payable control and subsidiary account must be debited for the same amount. The debit/credit equality is unaffected since the balance sheet equation is computed using general ledger (control) accounts only. The subsidiary accounts should prove to the control account balance.
17. The general journal may be used to record such transactions as the granting of credit to a customer for a sales return or allowance, the receipt of credit from a supplier for purchases returned, acceptance of a note receivable from a customer, or the purchase of a plant asset by issuing a note payable. In addition, all correcting, adjusting, and closing entries should be made in the general journal.

# SOLUTIONS TO BRIEF EXERCISES

## BRIEF EXERCISE 7-1

1. True.
2. False.
3. True.

## BRIEF EXERCISE 7-2

- |        |        |
|--------|--------|
| 1. (e) | 4. (b) |
| 2. (d) | 5. (c) |
| 3. (a) |        |

## BRIEF EXERCISE 7-3

1. True.
2. False. The benefits obtained from information provided by the accounting information system *must* outweigh the cost of providing that information.
3. True.
4. False. An accounting information system must be cost effective, provide useful output, *and be flexible enough to accommodate changing information needs.*

## BRIEF EXERCISE 7-4

Accounts Receivable Subsidiary Ledger					General Ledger				
Agler Co.					Accounts Receivable				
Date	Ref.	Debit	Credit	Balance	Date	Ref.	Debit	Credit	Balance
Jan. 7		10,000		10,000	Jan. 31		25,000		25,000
17			7,000	3,000	31			20,000	5,000
Barto Co.									
Date	Ref.	Debit	Credit	Balance					
Jan. 15		6,000		6,000					
24			4,000	2,000					
Maris Co.									
Date	Ref.	Debit	Credit	Balance					
Jan. 23		9,000		9,000					
29			9,000	0					

### **BRIEF EXERCISE 7-5**

- |                      |                      |
|----------------------|----------------------|
| 1. General ledger    | 3. General ledger    |
| 2. Subsidiary ledger | 4. Subsidiary ledger |

### **BRIEF EXERCISE 7-6**

- |                          |                          |
|--------------------------|--------------------------|
| 1. Cash Receipts Journal | 4. Sales Journal         |
| 2. Cash Payments Journal | 5. Purchases Journal     |
| 3. Cash Payments Journal | 6. Cash Receipts Journal |

### **BRIEF EXERCISE 7-7**

- |        |        |
|--------|--------|
| 1. No  | 3. Yes |
| 2. Yes | 4. No  |

### **BRIEF EXERCISE 7-8**

1. General Journal (if a one-column Purchases Journal)  
Purchases Journal (if a multi-column Purchases Journal)
2. Purchases Journal
3. Cash Payments Journal
4. Sales Journal

### **BRIEF EXERCISE 7-9**

1. Cash Receipts Journal
2. Cash Receipts Journal
3. Cash Receipts Journal
4. Sales Journal and Cash Receipts Journal
5. Purchases Journal

### **BRIEF EXERCISE 7-10**

- |                            |               |
|----------------------------|---------------|
| 1. Both in total and daily | 3. In total   |
| 2. In total                | 4. Only daily |



# SOLUTIONS TO EXERCISES

## EXERCISE 7-1

- (a) **\$350,400. Beginning balance of \$320,000 plus \$161,400 debit from sales journal less \$131,000 credit from cash receipts journal.**
- (b) **\$85,900. Beginning balance of \$77,000 plus \$56,400 credit from purchases journal less \$47,500 debit from cash payments journal.**
- (c) **The column total of \$161,400 in the sales journal would be posted to the credit side of the Sales account and the debit side of the Accounts Receivable account in the general ledger.**
- (d) **The accounts receivable column total of \$131,000 in the cash receipts journal would be posted to the credit side of the Accounts Receivable account in the general ledger.**

## EXERCISE 7-2

**To: Andrea Barden, Chief Financial Officer**

**From: Student**

**Subject: Jeremy Dody account**

**The explanation of the three entries in the subsidiary ledger for the Jeremy Dody account is as follows:**

- Sept. 2 This was a credit sale of merchandise to Dody. The entry was recorded on page 31 of the Sales Journal.**
- Sept. 9 This was a sales return or allowance granted to Dody. The entry was recorded on page 4 of the General Journal.**
- Sept. 27 This was a payment by Dody of the balance due. The entry was recorded on page 8 of the Cash Receipts Journal.**

**If I can be of further help, please let me know.**

**EXERCISE 7-3****(a) & (b)****General Ledger****Accounts Receivable**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			10,960
		S	4,490		15,450
		CR		7,030	8,420
		G		220	8,200

**Accounts Receivable Subsidiary Ledger****Bannister**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			2,060
		S	1,100		3,160
		CR		1,310	1,850

**Crampton**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			4,820
		S	800		5,620
		CR		2,300	3,320
		G		220	3,100

**Iman**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1					0
		S	1,330		1,330
		CR		380	950

**Kingston**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept. 1	Balance	✓			2,640
		CR		1,800	840

### EXERCISE 7-3 (Continued)

Ruiz

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			1,440
		S	1,260		2,700
		CR		1,240	1,460

(c)

#### SEAVER COMPANY Schedule of Customers As of September 30, 2008

Bannister .....	\$1,850
Crampton .....	3,100
Iman .....	950
Kingston .....	840
Ruiz .....	1,460
<b>Total</b> .....	<u><b>\$8,200</b></u>
 <b>Accounts Receivable</b> .....	 <u><b>\$8,200</b></u>

### EXERCISE 7-4

- (a) \$4,500 [ $\$11,000 - (\$4,000 + \$2,500)$ ].
- (b) \$13,000 [ $\$11,000 + (\$9,000 + \$7,000 + \$8,500) - (\$8,000 + \$2,500 + \$9,000) - \$3,000$ ].
- |           |   |                        |
|-----------|---|------------------------|
| (c) Smith | ( $\$4,000 + \$9,000 - \$8,000$ )           | \$ 5,000               |
| Green     | ( $\$2,500 + \$7,000 - \$2,500 - \$3,000$ ) | 4,000                  |
| Koyan     | ( $\$4,500 + \$8,500 - \$9,000$ )           | <u>4,000</u>           |
|           |   | <u><b>\$13,000</b></u> |
- (d) The sales return (\$3,000) would be recorded in the general journal.

### EXERCISE 7-5

- (a) \$3,375 [ $\$8,250 - (\$3,000 + \$1,875)$ ].
- (b) \$9,750 [ $\$8,250 + (\$6,750 + \$5,250 + \$6,375) - (\$6,000 + \$1,875 + \$6,750) - \$2,250$ ].
- |           |   |                       |
|-----------|---|-----------------------|
| (c) Jones | ( $\$3,000 + \$6,750 - \$6,000$ )           | \$3,750               |
| Brown     | ( $\$1,875 + \$5,250 - \$1,875 - \$2,250$ ) | 3,000                 |
| Aatski    | ( $\$3,375 + \$6,375 - \$6,750$ )           | <u>3,000</u>          |
|           |   | <u><b>\$9,750</b></u> |
- (d) The purchase return (\$2,250) would be recorded in the general journal.

**EXERCISE 7-6**

(a) & (b)

**MONTALVO COMPANY  
Sales Journal**

**S1**

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
<b>2008</b>					
Sept. 2	T. Hossfeld	101		720	420
21	P. Lowther	102		<u>800</u>	<u>480</u>
				<u>1,520</u>	<u>900</u>

**MONTALVO COMPANY  
Purchases Journal**

**P1**

Date	Account Credited	Terms	Ref.	Merchandise Inventory Dr. Accounts Payable Cr.
<b>2008</b>				
Sept. 10	L. Rincon	2/10, n/30		600
25	W. Barone	n/30		<u>860</u>
				<u>1,460</u>

**EXERCISE 7-7**

(a) & (b)

**PHERIGO CO.  
Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
<b>2008</b>								
May 1	I. Pherigo, Cap.		50,000				50,000	
2			6,300			6,300		4,200
22	M. Moody		<u>9,000</u>		<u>9,000</u>			
			<u>65,300</u>		<u>9,000</u>	<u>6,300</u>	<u>50,000</u>	<u>4,200</u>

**EXERCISE 7-7 (Continued)**

**PHERIGO CO.  
Cash Payments Journal**

**CP1**

<b>Date</b>	<b>Ck. No.</b>	<b>Account Debited</b>	<b>Ref.</b>	<b>Other Accounts Dr.</b>	<b>Accounts Payable Dr.</b>	<b>Cash Cr.</b>
<b>2008</b>						
May 3	101	Merchandise Inventory		7,200		7,200
14	102	Salary Expense		<u>700</u>		<u>700</u>
				<u>7,900</u>		<u>7,900</u>

**EXERCISE 7-8**

**(a) Journal**

**(b) Columns in the journal**

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. Cash Payments</li> <li>2. Cash Receipts</li> <li>3. Cash Payments</li> <li>4. Cash Payments</li> <li>5. Cash Receipts</li> <li>6. Cash Payments</li> <li>7. Cash Payments</li> <li>8. Cash Receipts</li> <li>9. Cash Payments</li> <li>10. Cash Receipts</li> </ol> | <p>Cash (Cr.), Other Accounts (Dr.).</p> <p>Cash (Dr.), Sales Discounts (Dr.), and<br/>Accounts Receivable (Cr.).</p> <p>Cash (Cr.), Other Accounts (Dr.).</p> <p>Cash (Cr.), Merchandise Inventory (Cr.), and<br/>Accounts Payable (Dr.).</p> <p>Cash (Dr.), Accounts Receivable (Cr.).</p> <p>Cash (Cr.), Other Accounts (Dr.).</p> <p>Cash (Cr.), Other Accounts (Dr.).</p> <p>Cash (Dr.), Other Accounts (Cr.).</p> <p>Cash (Cr.), Other Accounts (Dr.).</p> <p>Cash (Dr.), Sales (Cr.), Cost of Goods Sold (Dr.),<br/>and Merchandise Inventory (Cr.).</p> |
|---|---|

## EXERCISE 7-9

(a)	Mar. 2	Equipment .....	9,400	
		Accounts Payable—Chang Company .....		9,400
	5	Accounts Payable—Lyden Company .....	410	
		Merchandise Inventory.....		410
	7	Sales Returns and Allowances.....	400	
		Accounts Receivable—Higley Company .....		400
		Merchandise Inventory.....	260	
		Cost of Goods Sold .....		260

(b) To:           President Velasquez

From:           Chief Accountant

Subject:         Posting of Control and Subsidiary Accounts

The posting of these accounts varies with the journals used in recording the transactions.

**Sales and purchases journals—the total for the month is posted to the control accounts. The individual entries are posted daily to the subsidiary accounts.**

**Columnar cash receipts and cash payments journals—the total of the control account column for the month is posted to the control account. The individual amounts in the column are posted daily to the subsidiary accounts.**

**General journal—the individual entries are posted daily. Each entry that pertains to a control and a subsidiary account is dual posted. That is, it is posted to both the control account and the subsidiary account.**

I hope this memo answers your questions about posting.

**EXERCISE 7-10**

- |                          |                           |
|--------------------------|---------------------------|
| 1. Cash Payments Journal | 8. Cash Receipts Journal  |
| 2. General Journal       | 9. Cash Payments Journal  |
| 3. Cash Receipts Journal | 10. General Journal       |
| 4. Cash Receipts Journal | 11. General Journal       |
| 5. Sales Journal         | 12. Cash Payments Journal |
| 6. Cash Receipts Journal | 13. Purchases Journal     |
| 7. General Journal       |                           |

**EXERCISE 7-11**

- (a) The debit posting reference on February 28 should be from the cash payments journal to record the payments made during the month. The general ledger debit amount should be \$29,340 to balance. Tebbetts' ending balance must be \$2,600. (Accounts Payable control balance of \$9,500 less Perez, \$4,600, and Zerbe, \$2,300.)
- (b) Only the general journal amounts were dual posted. Thus, the amounts were \$1,400 (Dr.), \$265 (Cr.), and \$550 (Cr.).

**EXERCISE 7-12**

(a) Purchases Journal P1

Date	Account Credited	Ref.	Merchandise Inventory Dr. Accounts Payable Cr.
July 3	Brian Co.	✓	2,400
12	Erik Co.	✓	500
14	Drago Co.	✓	1,100
17	Chacon Corp.	✓	1,400
20	Brian Co.	✓	700
21	Erik Co.	✓	600
29	Chacon Corp.	✓	1,600
			<u>8,300</u>
			120/201

## EXERCISE 7-12 (Continued)

### (b) General Journal

Date	Accounts and Explanations	Ref.	Debit	Credit
July 1	Store Equipment .....	153	3,900	
	Accounts Payable—Albin Equipment Co. ....	201/✓		3,900
15	Merchandise Inventory .....	120	400	
	Accounts Payable—Heinen Inc. ....	201/✓		400
	(This entry should have been recorded in the Purchases Journal.)			
18	Accounts Payable—Chacon Corp. ....	201/✓	100	
	Merchandise Inventory .....	120		100
25	Accounts Payable—Drago Co. ....	201/✓	200	
	Merchandise Inventory .....	120		200

## EXERCISE 7-13

**\$925 (\$200 + \$240 + \$145 + \$190 + \$150).** All of the debit postings to the subsidiary ledger accounts should be from sales invoices. The total of all these debits should therefore be the total credit sales for the month, which would be the same amount as the end-of-month debit to Accounts Receivable.

## EXERCISE 7-14

- (a)  $\$14,000 + \$72,000 - \$46,000 = \underline{\$40,000}$   
 (b)  $\$22,000 + \$100,000 - \$45,000 = \underline{\$77,000}$   
 (c)  $\$17,000 + \$61,000 - \$55,000 = \underline{\$23,000}$   
 (d)  $\$13,500 + \$72,000 - \$1,000 - \$63,600 = \underline{\$20,900}$   
 (e)  $\$100,000 + \$6,000 = \underline{\$106,000}$



# SOLUTIONS TO PROBLEMS

## PROBLEM 7-1A

**(a) Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
Apr. 1	O. Grider, Capital	301	7,200				7,200	
4	Baez	✓	1,764	36	1,800			
5	Eggleston Co.	✓	920		920			
8			7,245			7,245		4,347
10	Ogden	✓	600		600			
11	Merchandise Inventory	120	740				740	
23	Eggleston Co.	✓	1,500		1,500			
29	Chelsea	✓	1,200		1,200			
			<u>21,169</u>	<u>36</u>	<u>6,020</u>	<u>7,245</u>	<u>7,940</u>	<u>4,347</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

**(b) General Ledger**

**Accounts Receivable No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			7,450
30		CR1		6,020	1,430

**Accounts Receivable Subsidiary Ledger**

**Ogden**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			1,550
10		CR1		600	950

**PROBLEM 7-1A (Continued)**

**Chelsea**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1	Balance	✓			1,200
29		CR1		1,200	0

**Eggleston Co.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1	Balance	✓			2,900
5		CR1		920	1,980
23		CR1		1,500	480

**Baez**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1	Balance	✓			1,800
4		CR1		1,800	0

(c) Accounts receivable balance: \$1,430

**Subsidiary account balances:**

Ogden	\$ 950
Eggleston Co.	<u>480</u>
Total	<u>\$1,430</u>

<b>PROBLEM 7-2A</b>
---------------------

(a) **Cash Payments Journal**

**CP1**

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash Cr.
Oct. 1	63	Merch. Inventory	120	300			300
3	64	Equipment	157	800			800
5	65	Bovary Company	✓		2,700	54	2,646
10	66	Merch. Inventory	120	2,250			2,250
15	67	Pyron Co.	✓		1,800		1,800
16	68	T. Ming, Drawing	306	400			400
19	69	Nyman Co.	✓		1,600	32	1,568
29	70	Sims Company	✓		2,500		2,500
				<u>3,750</u>	<u>8,600</u>	<u>86</u>	<u>12,264</u>
				(X)	(201)	(120)	(101)

(b) **General Ledger**

<b>Accounts Payable</b>					<b>No. 201</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			10,700
31		CP1	8,600		2,100

**Accounts Payable Subsidiary Ledger**

<b>Bovary Company</b>					
Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			2,700
5		CP1	2,700		0

**PROBLEM 7-2A (Continued)**

**Nyman Co.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Oct. 1	Balance	✓			2,500
19		CP1	1,600		900

**Pyron Co.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Oct. 1	Balance	✓			1,800
15		CP1	1,800		0

**Sims Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Oct. 1	Balance	✓			3,700
29		CP1	2,500		1,200

(c) Accounts payable balance: \$2,100

Subsidiary account balances:

Nyman Co.	\$ 900
Sims Company	<u>1,200</u>
	<u>\$2,100</u>

<b>PROBLEM 7-3A</b>
---------------------

(a)

### Purchases Journal

P1

Date	Account Credited (Debited)	Ref.	Accounts Payable Cr.	Merchandise Inventory Dr.	Other Accounts Dr.
July 1	Fritz Company	✓	8,000	8,000	
2	Wayward Shipping	✓	400	400	
5	Moon Company	✓	3,200	3,200	
13	Cress Supply (Supplies)	126/✓	720		720
15	Fritz Company	✓	3,600	3,600	
15	Anton Company	✓	3,300	3,300	
18	Lynda Advertisements (Advertising Expense)	610/✓	600		600
24	Moon Company	✓	3,000	3,000	
26	Cress Supply (Equipment)	157/✓	900		900
28	Wayward Shipping	✓	380	380	
			<u>24,100</u>	<u>21,880</u>	<u>2,220</u>
			(201)	(120)	(X)

### Sales Journal

S1

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
July 3	Pinick Company	✓	1,300	910
3	Wayne Bros.	✓	1,500	1,050
16	Sager Company	✓	3,450	2,415
16	Wayne Bros.	✓	1,570	1,099
21	Pinick Company	✓	310	217
21	Haddad Company	✓	2,800	1,960
30	Sager Company	✓	5,600	3,920
			<u>16,530</u>	<u>11,571</u>
			(112)(401)	(505)(120)

**PROBLEM 7-3A (Continued)**

**General Journal**

				G1
Date	Accounts and Explanations	Ref.	Debit	Credit
July 8	Accounts Payable—Moon Company .....	201/✓	300	
	Merchandise Inventory .....	120		300
22	Sales Returns and Allowances	412	40	
	Accounts Receivable—Pinick Company .....	112/✓		40

**(b) General Ledger**

					No. 112
<b>Accounts Receivable</b>					
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1	16,530		16,530
22		G1		40	16,490

					No. 120
<b>Merchandise Inventory</b>					
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		P1	21,880		21,880
8		G1		300	21,580
31		S1		11,571	10,009

					No. 126
<b>Supplies</b>					
Date	Explanation	Ref.	Debit	Credit	Balance
July 13		P1	720		720

**PROBLEM 7-3A (Continued)**

<b>Equipment</b>					<b>No. 157</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 26		P1	900		900

<b>Accounts Payable</b>					<b>No. 201</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		P1		24,100	24,100
8		G1	300		23,800

<b>Sales</b>					<b>No. 401</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		S1		16,530	16,530

<b>Sales Returns and Allowances</b>					<b>No. 412</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 22		G1	40		40

<b>Cost of Goods Sold</b>					<b>No. 505</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		S1	11,571		11,571

<b>Advertising Expense</b>					<b>No. 610</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 18		P1	600		600

**PROBLEM 7-3A (Continued)**

**Accounts Receivable Subsidiary Ledger**

**Wayne Bros.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 3		S1	1,500		1,500
16		S1	1,570		3,070

**Pinick Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 3		S1	1,300		1,300
21		S1	310		1,610
22		G1		40	1,570

**Sager Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 16		S1	3,450		3,450
30		S1	5,600		9,050

**Haddad Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 21		S1	2,800		2,800

**Accounts Payable Subsidiary Ledger**

**Cress Supply**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 13		P1		720	720
26		P1		900	1,620



**PROBLEM 7-3A (Continued)****Wayward Shipping**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 2		P1		400	400
28		P1		380	780

**Fritz Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 1		P1		8,000	8,000
15		P1		3,600	11,600

**Moon Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 5		P1		3,200	3,200
8		G1	300		2,900
24		P1		3,000	5,900

**Lynda Advertisements**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 18		P1		600	600

**Anton Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 15		P1		3,300	3,300

**PROBLEM 7-3A (Continued)**

**(c) Accounts receivable balance ..... \$16,490**

**Subsidiary account balances**

Wayne Bros.....	\$3,070	
Pinick Company.....	1,570	
Sager Company .....	9,050	
Haddad Company.....	<u>2,800</u>	
Total .....		<u>\$16,490</u>

**Accounts payable balance ..... \$23,800**

**Subsidiary account balances**

Cress Supply .....	\$ 1,620	
Wayward Shipping.....	780	
Fritz Company .....	11,600	
Moon Company .....	5,900	
Lynda Advertisements .....	600	
Anton Company.....	<u>3,300</u>	
Total .....		<u>\$23,800</u>

<b>PROBLEM 7-4A</b>
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(a), (b) & (c)

**Sales Journal**

**S1**

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
Jan. 4	Milam	371	✓	5,250	3,150
9	Connor Corp.	372	✓	6,400	3,840
17	Bullock Co.	373	✓	1,200	720
31	Milam	374	✓	<u>9,330</u>	<u>5,598</u>
				<u>22,180</u>	<u>13,308</u>
				(112)(401)	(505)(120)

**Purchases Journal**

**P1**

Date	Account Credited	Ref.	Merchandise Inventory Dr. Accounts Payable Cr.
Jan. 3	Wortham Co.	✓	10,000
8	Noyes Co.	✓	4,500
11	Betz Co.	✓	3,700
23	Wortham Co.	✓	7,800
24	Forgetta Corp.	✓	<u>5,100</u>
			<u>31,100</u>
			(120)(201)

**General Journal**

**G1**

Date	Accounts and Explanations	Ref.	Debit	Credit
Jan. 5	Accounts Payable—Wortham Co. ....	201/✓	300	
	Merchandise Inventory .....	120		300
19	Equipment.....	157	5,500	
	Accounts Payable—Murphy Corp.....	201/✓		5,500

**PROBLEM 7-4A (Continued)**

**Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales	Accounts	Sales	Other	Cost of Goods Sold
				Discounts Dr.	Receivable Cr.	Cr.	Accounts Cr.	Dr. Merchandise Inventory Cr.
Jan. 6			3,150			3,150		1,890
13			6,260			6,260		3,756
15	Connor Corp.	✓	6,336	64	6,400			
17	Milam	✓	5,250		5,250			
20			3,200			3,200		1,920
27			4,230			4,230		2,538
30	Bullock Co.	✓	1,200		1,200			
			<u>29,626</u>	<u>64</u>	<u>12,850</u>	<u>16,840</u>	<u>0</u>	<u>10,104</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

**Cash Payments Journal**

**CP1**

Date	Account Debited	Ref.	Other	Accounts	Merchandise	Cash
			Accounts Dr.	Payable Dr.	Inventory Cr.	Cr.
Jan. 4	Supplies	126	80			80
13	Wortham Co.	✓		9,700	194	9,506
15	Salaries Expense	726	14,300			14,300
20	Noyes Co.	✓		4,500	90	4,410
31	Salaries Expense	726	<u>13,200</u>			<u>13,200</u>
			<u>27,580</u>	<u>14,200</u>	<u>284</u>	<u>41,496</u>
			(X)	(201)	(120)	(101)

<b>PROBLEM 7-5A</b>
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(a), (d) & (g)

**General Ledger**

**Cash** **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		CR1	101,035		101,035
31		CP1		39,066	61,969

**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1	19,700		19,700
31		CR1		14,700	5,000

**Merchandise Inventory** **No. 120**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		P1	44,020		44,020
29		CR1		420	43,600
31		CP1		234	43,366
31		S1		12,805	30,561
31		CR1		3,900	26,661

**Store Supplies** **No. 127**

Date	Explanation	Ref.	Debit	Credit	Balance
July 4		CP1	600		600
31	Adjusting entry	G1		460	140

**Prepaid Rent** **No. 131**

Date	Explanation	Ref.	Debit	Credit	Balance
July 11		CP1	6,000		6,000
31	Adjusting entry	G1		500	5,500

**PROBLEM 7-5A (Continued)****Accounts Payable** **No. 201**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		P1		44,020	44,020
31		CP1	30,200		13,820

**Reyes, Capital** **No. 301**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 1		CR1		80,000	80,000

**Reyes, Drawing** **No. 306**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 19		CP1	2,500		2,500

**Sales** **No. 401**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		S1		19,700	19,700
31		CR1		6,000	25,700

**Sales Discounts** **No. 414**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		CR1	85		85

**Cost of Goods Sold** **No. 505**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 31		S1	12,805		12,805
31		CR1	3,900		16,705

**PROBLEM 7-5A (Continued)**

**Supplies Expense**

**No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting entry	G1	460		460

**Rent Expense**

**No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting entry	G1	500		500

**(b)**

**Sales Journal**

**\$1**

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
July 6	Ewing Co.	✓	6,200	4,030
8	S. Beauty	✓	3,600	2,340
10	W. Pitts	✓	4,900	3,185
21	H. Prince	✓	5,000	3,250
			<u>19,700</u>	<u>12,805</u>
			(112)(401)	(505)(120)

**Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
July 1	Reyes, Capital	301	80,000				80,000	
7			6,000			6,000		3,900
13	S. Beauty	✓	3,564	36	3,600			
16	W. Pitts	✓	4,851	49	4,900			
20	Ewing Co.	✓	6,200		6,200			
29	Merchandise Inventory	120	420				420	
			<u>101,035</u>	<u>85</u>	<u>14,700</u>	<u>6,000</u>	<u>80,420</u>	<u>3,900</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

**PROBLEM 7-5A (Continued)**

**(c) Accounts Receivable Subsidiary Ledger**

**Ewing Co.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 6		S1	6,200		6,200
20		CR1		6,200	0

**H. Prince**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 21		S1	5000		5,000

**W. Pitts**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 10		S1	4,900		4,900
16		CR1		4,900	0

**S. Beauty**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 8		S1	3,600		3,600
13		CR1		3,600	0

**Accounts Payable Subsidiary Ledger**

**C. Tabor**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 13		P1		15,300	15,300
21		CP1	15,300		0

**A. Ernst**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
July 5		P1		8,100	8,100
10		CP1	8,100		0



**PROBLEM 7-5A (Continued)**

**M. Sneezy**

Date	Explanation	Ref.	Debit	Credit	Balance
July 20		P1		7,900	7,900

**G. Clemens**

Date	Explanation	Ref.	Debit	Credit	Balance
July 4		P1		6,800	6,800
15		CP1	6,800		0

**J. Happy**

Date	Explanation	Ref.	Debit	Credit	Balance
July 11		P1		5,920	5,920

(e)

**REYES CO.  
Trial Balance  
July 31, 2008**

	Debit	Credit
Cash .....	\$ 61,969	
Accounts Receivable.....	5,000	
Merchandise Inventory .....	26,661	
Store Supplies .....	600	
Prepaid Rent.....	6,000	
Accounts Payable.....		\$ 13,820
Reyes, Capital .....		80,000
Reyes, Drawing .....	2,500	
Sales .....		25,700
Sales Discounts .....	85	
Cost of Goods Sold.....	16,705	
	<u>\$119,520</u>	<u>\$119,520</u>

**PROBLEM 7-5A (Continued)**

<b>(f)</b>	<b>Accounts receivable balance .....</b>	<b><u>\$ 5,000</u></b>
	<b>Subsidiary accounts balance</b>	
	<b>H. Prince .....</b>	<b><u>\$ 5,000</u></b>
	<b>Accounts payable balance .....</b>	<b><u>\$13,820</u></b>
	<b>Subsidiary accounts balance</b>	
	<b>M. Sneezy .....</b>	<b>\$ 7,900</b>
	<b>J. Happy .....</b>	<b><u>5,920</u></b>
		<b><u>\$13,820</u></b>

**(g)**

**General Journal**

				<b>G1</b>
<b>Date</b>	<b>Accounts and Explanations</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>July 31</b>	<b>Supplies Expense .....</b>	<b>631</b>	<b>460</b>	
	<b>Store Supplies .....</b>	<b>127</b>		<b>460</b>
<b>31</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>500</b>	
	<b>Prepaid Rent .....</b>	<b>131</b>		<b>500</b>

**PROBLEM 7-5A (Continued)**

**(h)**

**REYES CO.  
Adjusted Trial Balance  
July 31, 2008**

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	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 61,969	
Accounts Receivable .....	5,000	
Merchandise Inventory .....	26,661	
Store Supplies.....	140	
Prepaid Rent .....	5,500	
Accounts Payable.....		\$ 13,820
Reyes, Capital .....		80,000
Reyes, Drawing.....	2,500	
Sales.....		25,700
Sales Discounts.....	85	
Cost of Goods Sold.....	16,705	
Supplies Expense .....	460	
Rent Expense .....	500	
	<u>\$119,520</u>	<u>\$119,520</u>

**PROBLEM 7-6A**

**(b) & (c)**

**Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold
								Dr. Merchandise Inventory Cr.
Jan. 7	T. Dudley	✓	3,500		3,500			
13	M. Rensing	✓	4,900	100	5,000			
23			9,100			9,100		5,460
29	Notes Receivable	115	<u>40,000</u>				<u>40,000</u>	
			<u>57,500</u>	<u>100</u>	<u>8,500</u>	<u>9,100</u>	<u>40,000</u>	<u>5,460</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

**Cash Payments Journal**

**CP1**

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash
						Cr.
Jan. 11	Merchandise Inventory	120	300			300
12	Rent Expense	729	1,000			1,000
15	K. Inwood	✓		15,000	150	14,850
18	Sales Salaries Expense	726	2,800			2,800
18	Office Salaries Expense	727	2,000			2,000
27	E. Vietti	✓		950		950
			<u>6,100</u>	<u>15,950</u>	<u>150</u>	<u>21,900</u>
			(X)	(201)	(120)	(101)

**Sales Journal**

**S1**

Date	Account Debited	Ref.	Accounts Receivable Dr.	Cost of Goods Sold Dr.
			Sales Cr.	Merchandise Inventory Cr.
Jan. 3	M. Rensing	✓	5,000	3,000
24	F. Cone	✓	7,400	4,440
			<u>12,400</u>	<u>7,440</u>
			(112)(401)	(505)(120)

**PROBLEM 7-6A (Continued)**

**Purchases Journal**

P1

Date	Account Credited	Ref.	Merchandise Inventory Dr.	Accounts Payable Cr.
Jan. 5	E. Vietti	✓	2,000	
17	G. Marley	✓	<u>1,600</u>	
			<u>3,600</u>	
			(120)(201)	

**General Journal**

G1

Date	Accounts and Explanations	Ref.	Debit	Credit
Jan. 14	Sales Returns and Allowances.....	412	300	
	Accounts Receivable—			
	J. Anders .....	✓/112		300
	Merchandise Inventory .....	120	180	
	(\$300 X .60)			
	Cost of Goods Sold.....	505		180
20	Accounts Payable—D. Goodman ....	✓/201	18,000	
	Notes Payable .....	200		18,000
30	Accounts Payable—G. Marley .....	✓/201	300	
	Merchandise Inventory .....	120		300

(a) & (c)

**General Ledger**

**Cash** No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			41,500
31		CR1	57,500		99,000
31		CP1		21,900	77,100

**PROBLEM 7-6A (Continued)****Accounts Receivable** **No. 112**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			15,000
14		G1		300	14,700
31		CR1		8,500	6,200
31		S1	12,400		18,600

**Notes Receivable** **No. 115**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			45,000
29		CR1		40,000	5,000

**Merchandise Inventory** **No. 120**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			23,000
11		CP1	300		23,300
14		G1	180		23,480
30		G1		300	23,180
31		P1	3,600		26,780
31		CP1		150	26,630
31		CR1		5,460	21,170
31		S1		7,440	13,730

**Equipment** **No. 157**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			6,450

**Accumulated Depreciation—Equipment** **No. 158**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			1,500

**PROBLEM 7-6A (Continued)****Notes Payable** No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 20		G1		18,000	18,000

**Accounts Payable** No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			43,000
20		G1	18,000		25,000
30		G1	300		24,700
31		P1		3,600	28,300
31		CP1	15,950		12,350

**B. Cortez, Capital** No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			86,450

**Sales** No. 401

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CR1		9,100	9,100
31		S1		12,400	21,500

**Sales Returns and Allowances** No. 412

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 14		G1	300		300

**Sales Discounts** No. 414

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CR1	100		100

**PROBLEM 7-6A (Continued)****Cost of Goods Sold****No. 505**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		CR1	5,460		5,460
31		S1	7,440		12,900
14		G1		180	12,720

**Sales Salaries Expense****No. 726**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 18		CP1	2,800		2,800

**Office Salaries Expense****No. 727**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 18		CP1	2,000		2,000

**Rent Expense****No. 729**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 12		CP1	1,000		1,000

**Accounts Receivable Subsidiary Ledger****J. Anders**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			2,500
14		G1		300	2,200

**F. Cone**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			7,500
24		S1	7,400		14,900



**PROBLEM 7-6A (Continued)****T. Dudley**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			5,000
7		CR1		3,500	1,500

**M. Rensing**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 3		S1	5,000		5,000
13		CR1		5,000	0

**Accounts Payable Subsidiary Ledger****G. Marley**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 17		P1		1,600	1,600
30		G1	300		1,300

**J. Feeney**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			10,000

**D. Goodman**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			18,000
20		G1	18,000		0

**K. Inwood**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			15,000
15		CP1	15,000		0

**PROBLEM 7-6A (Continued)**

**E. Vietti**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 5		P1		2,000	2,000
27		CP1	950		1,050

**(d) CORTEZ CO.  
Trial Balance  
January 31, 2009**

	<b>Debit</b>	<b>Credit</b>
Cash .....	\$ 77,100	
Accounts Receivable .....	18,600	
Notes Receivable .....	5,000	
Merchandise Inventory.....	13,730	
Equipment .....	6,450	
Accumulated Depreciation—Equipment.....		\$ 1,500
Notes Payable .....		18,000
Accounts Payable .....		12,350
B. Cortez, Capital .....		86,450
Sales.....		21,500
Sales Returns and Allowances.....	300	
Sales Discounts.....	100	
Cost of Goods Sold.....	12,720	
Sales Salaries Expense.....	2,800	
Office Salaries Expense.....	2,000	
Rent Expense .....	1,000	
	<u>\$139,800</u>	<u>\$139,800</u>

**(e) Accounts Receivable Subsidiary Ledger**

J. Anders .....	\$ 2,200
F. Cone.....	14,900
T. Dudley .....	1,500
	<u>\$18,600</u>
<b>Accounts Receivable Control .....</b>	<b><u>\$18,600</u></b>

**PROBLEM 7-6A (Continued)**

<b>Accounts Payable Subsidiary Ledger</b>	
G. Marley.....	\$ 1,300
J. Feeney.....	10,000
E. Vietti .....	<u>1,050</u>
	<u>\$12,350</u>
 <b>Accounts Payable Control.....</b>	 <b><u>\$12,350</u></b>

**PROBLEM 7-1B**

**(a) Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales		Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr.	
				Discounts Dr.	Receivable Cr.			Merchandise	Inventory Cr.
June 1	J. Darby, Capital	301	10,000				10,000		
3	Lenninger Co.	✓	1,274	26	1,300				
6	Farley Co.	✓	1,862	38	1,900				
7			6,135			6,135		4,090	
9	Deering & Son	✓	2,450	50	2,500				
11	Merchandise Inventory	120	320				320		
15			4,500			4,500		3,000	
20	Grinnell Bros.	✓	1,600		1,600				
			<u>28,141</u>	<u>114</u>	<u>7,300</u>	<u>10,635</u>	<u>10,320</u>	<u>7,090</u>	
			(101)	(414)	(112)	(401)	(X)	(505/120)	

**(b) General Ledger**

**Accounts Receivable No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			7,300
30		CR1		7,300	0

**Accounts Receivable Subsidiary Ledger**

**Deering & Son**

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,500
9		CR1		2,500	0

**PROBLEM 7-1B (Continued)**

**Farley Co.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
June 1	Balance	✓			1,900
6		CR1		1,900	0

**Grinnell Bros.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
June 1	Balance	✓			1,600
20		CR1		1,600	0

**Lenninger Co.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
June 1	Balance	✓			1,300
3		CR1		1,300	0

- (c) Accounts receivable balance = 0.  
Sum of all subsidiary accounts = 0.

**PROBLEM 7-2B**

**(a) Cash Payments Journal**

**CP1**

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash Cr.
Nov. 1	11	Merch. Inventory	120	1,140			1,140
3	12	Equipment	157	1,700			1,700
5	13	Wex Bros.	✓		1,500	15	1,485
11	14	Merch. Inventory	120	2,000			2,000
15	15	G. Ruttan	✓		1,000	30	970
16	16	B. Gonya, Drawing	306	500			500
19	17	C. Kimberlin	✓		1,150	23	1,127
25	18	Prepaid Insurance	130	3,000			3,000
30	19	A. Hess & Co.	✓		<u>3,500</u>		<u>3,500</u>
				<u>8,340</u>	<u>7,150</u>	<u>68</u>	<u>15,422</u>
				(X)	(201)	(120)	(101)

**(b) General Ledger**

**Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			9,350
30		CP1	7,150		2,200

**Accounts Payable Subsidiary Ledger**

**A. Hess & Co.**

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			4,500
30		CP1	3,500		1,000

**PROBLEM 7-2B (Continued)**

**C. Kimberlin**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Nov. 1	Balance	✓			2,350
19		CP1	1,150		1,200

**G. Ruttan**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Nov. 1	Balance	✓			1,000
15		CP1	1,000		0

**Wex Bros.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Nov. 1	Balance	✓			1,500
5		CP1	1,500		0

(c) Accounts payable balance: \$2,200

Subsidiary account balances:

A. Hess & Co. \$1,000

C. Kimberlin 1,200

\$2,200

**PROBLEM 7-3B**

**(a) Purchases Journal**

**P1**

Date	Account Credited (Debited)	Ref.	Accounts Payable Cr.	Merchandise Inventory Dr.	Other Accounts Dr.
May 2	Younger Company	✓	7,500	7,500	
3	Ruden Freight	✓	360	360	
8	Utle Company	✓	8,000	8,000	
8	Zeider Company	✓	8,700	8,700	
15	Rodriguez Supply (Supplies)	126/✓	900		900
16	Younger Company	✓	4,500	4,500	
16	Utle Company	✓	7,200	7,200	
18	Ruden Freight	✓	500	500	
25	Amster Advertising (Adv. Exp.)	610/✓	900		900
28	Rodriguez Supply (Equipment)	157/✓	500		500
			<u>39,060</u>	<u>36,760</u>	<u>2,300</u>
			(201)	(120)	(X)

**Sales Journal**

**S1**

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
May 5	Ellie Company	✓	1,980	1,287
5	DeShazer Bros.	✓	2,700	1,755
5	Liu Company	✓	1,500	975
23	DeShazer Bros.	✓	2,400	1,560
23	Liu Company	✓	3,600	2,340
			<u>12,180</u>	<u>7,917</u>
			(112)(401)	(505)(120)



**PROBLEM 7-3B (Continued)**

**General Journal**

<b>Date</b>	<b>Accounts and Explanations</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
May 10	Accounts Payable—Zeider Company .....	201/✓	500	
	Merchandise Inventory .....	120		500
17	Accounts Payable—Rodriguez Supply .....	201/✓	100	
	Supplies .....	126		100
20	Accounts Payable—Younger Company .....	201/✓	300	
	Merchandise Inventory .....	120		300
26	Sales Returns and Allowances .....	412	200	
	Accounts Receivable— Liu Company .....	112/✓		200

(b)

**General Ledger**

<b>Accounts Receivable</b>						<b>No. 112</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
May 31		S1	12,180		12,180	
26		G1		200	11,980	

  

<b>Merchandise Inventory</b>						<b>No. 120</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
May 31		P1	36,760		36,760	
10		G1		500	36,260	
20		G1		300	35,960	
31		S1		7,917	28,043	

**PROBLEM 7-3B (Continued)****Supplies** **No. 126**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 15		P1	900		900
17		G1		100	800

**Equipment** **No. 157**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 28		P1	500		500

**Accounts Payable** **No. 201**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 31		P1		39,060	39,060
10		G1	500		38,560
17		G1	100		38,460
20		G1	300		38,160

**Sales** **No. 401**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 31		S1		12,180	12,180

**Sales Returns and Allowances** **No. 412**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 26		G1	200		200

**Cost of Goods Sold** **No. 505**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 31		S1	7,917		7,917

**Advertising Expense** **No. 610**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 25		P1	900		900

**PROBLEM 7-3B (Continued)****Accounts Receivable Subsidiary Ledger****Ellie Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 5		S1	1,980		1,980

**DeShazer Bros.**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 5		S1	2,700		2,700
23		S1	2,400		5,100

**Liu Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 5		S1	1,500		1,500
23		S1	3,600		5,100
26		G1		200	4,900

**Accounts Payable Subsidiary Ledger****Ruden Freight**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 3		P1		360	360
18		P1		500	860

**Younger Company**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
May 2		P1		7,500	7,500
16		P1		4,500	12,000
20		G1	300		11,700

**PROBLEM 7-3B (Continued)**

**Rodriguez Supply**

Date	Explanation	Ref.	Debit	Credit	Balance
May 15		P1		900	900
17		G1	100		800
28		P1		500	1,300

**Utley Company**

Date	Explanation	Ref.	Debit	Credit	Balance
May 8		P1		8,000	8,000
16		P1		7,200	15,200

**Zeider Company**

Date	Explanation	Ref.	Debit	Credit	Balance
May 8		P1		8,700	8,700
10		G1	500		8,200

**Amster Advertising**

Date	Explanation	Ref.	Debit	Credit	Balance
May 25		P1		900	900

<b>(c) Accounts receivable balance.....</b>		<b><u>\$11,980</u></b>
<b>Subsidiary account balances</b>		
Ellie Company .....	\$1,980	
DeShazer Bros. ....	5,100	
Liu Company.....	<u>4,900</u>	
Total .....		<b><u>\$11,980</u></b>
<b>Accounts payable balance.....</b>		<b><u>\$38,160</u></b>

**PROBLEM 7-3B (Continued)**

**Subsidiary account balances**

Ruden Freight .....	\$ 860	
Younger Company.....	11,700	
Rodriguez Supply .....	1,300	
Utley Company .....	15,200	
Zeider Company .....	8,200	
Amster Advertising .....	<u>900</u>	
<b>Total.....</b>		<b><u>\$38,160</u></b>

**PROBLEM 7-4B**

(a), (b) & (c)

**Sales Journal**

**S1**

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
Oct. 4	Enos Co.	204	✓	7,700	5,390
17	G. Richter & Co.	205	✓	5,350	3,745
25	Hunt Corp.	206	✓	5,220	3,654
30	G. Richter & Co.	207	✓	4,600	3,220
				<u>22,870</u>	<u>16,009</u>
				(112)(401)	(505)(120)

**Purchases Journal**

**P1**

Date	Account Credited	Ref.	Merchandise Inventory Dr. Accounts Payable Cr.
Oct. 2	Camacho Company	✓	16,500
10	Finn Corp.	✓	3,500
27	Kudro Co.	✓	8,500
30	Camacho Company	✓	14,000
			<u>42,500</u>
			(120)(201)

**General Journal**

**G1**

Date	Accounts and Explanations	Ref.	Debit	Credit
Oct. 13	Accounts Payable—Finn Corp. ....	201/✓	210	
	Merchandise Inventory.....	120		210
25	Supplies .....	126	260	
	Accounts Payable—Robinson Co. ....	201/✓		260

**PROBLEM 7-4B (Continued)**

**Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold
								Dr. Merchandise Inventory Cr.
Oct. 7			9,160			9,160		6,412
12	Enos Co.	✓	7,546	154	7,700			
14			8,180			8,180		5,726
16	Land	140	27,000				27,000	
21			8,200			8,200		5,740
25	G. Richter & Co.	✓	5,243	107	5,350			
28			7,540			7,540		5,278
			<u>72,869</u>	<u>261</u>	<u>13,050</u>	<u>33,080</u>	<u>27,000</u>	<u>23,156</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

**Cash Payments Journal**

**CP1**

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash
						Cr.
Oct. 5	Supplies	126	80			80
9	Camacho Co.	✓		16,500	330	16,170
18	Merchandise Inventory	120	2,125			2,125
23	Finn Corp.	✓		3,290		3,290
26	Land	140	21,000			
	Buildings	145	14,000			35,000
30	Advertising Expense	610	400			400
			<u>37,605</u>	<u>19,790</u>	<u>330</u>	<u>57,065</u>
			(X)	(201)	(120)	(101)

**PROBLEM 7-5B**

**(b) Purchases Journal**

P1

Date	Account Credited	Ref.	Merchandise Inventory Dr.	Accounts Payable Cr.
Feb. 2	J. Vopat	✓	4,600	
7	P. Kneiser	✓	30,000	
16	J. Nunez	✓	2,400	
21	G. Reedy	✓	7,800	
			<u>44,800</u>	
				(120)(201)

**Cash Payments Journal**

CP1

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash Cr.
Feb. 9	Supplies	126	1,250			1,250
12	J. Vopat	✓		4,600	92	4,508
15	Equipment	157	7,000			7,000
17	P. Kneiser	✓		30,000	300	29,700
20	A. Wyrick, Drawing	306	1,100			1,100
28	J. Nunez	✓		2,400		2,400
			<u>9,350</u>	<u>37,000</u>	<u>392</u>	<u>45,958</u>
			(X)	(201)	(120)	(101)

**(a), (d) & (g) General Ledger**

**Cash** No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		CR1	48,595		48,595
28		CP1		45,958	2,637



**PROBLEM 7-5B (Continued)****Accounts Receivable** **No. 112**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28		S1	27,000		27,000
28		CR1		12,000	15,000

**Merchandise Inventory** **No. 120**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28		P1	44,800		44,800
18		CR1		150	44,650
28		CP1		392	44,258
28		S1		17,820	26,438
28		CR1		4,290	22,148

**Supplies** **No. 126**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 9		CP1	1,250		1,250
28	Adjusting entry	G1		950	300

**Equipment** **No. 157**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 15		CP1	7,000		7,000

**Accumulated Depreciation—Equipment** **No. 158**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28	Adjusting entry	G1		200	200

**Accounts Payable** **No. 201**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28		P1		44,800	44,800
28		CP1	37,000		7,800

**PROBLEM 7-5B (Continued)****A. Wyrick, Capital** **No. 301**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 1		CR1		30,000	30,000

**A. Wyrick, Drawing** **No. 306**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 20		CP1	1,100		1,100

**Sales** **No. 401**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28		S1		27,000	27,000
28		CR1		6,500	33,500

**Sales Discounts** **No. 414**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28		CR1	55		55

**Cost of Goods Sold** **No. 505**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28		S1	17,820		17,820
28		CR1	4,290		22,110

**Supplies Expense** **No. 631**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28	Adjusting entry	G1	950		950

**Depreciation Expense** **No. 711**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 28	Adjusting entry	G1	200		200

**PROBLEM 7-5B (Continued)**

**(c) Accounts Receivable Subsidiary Ledger**

**S. Arndt**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 3		S1	5,500		5,500
13		CR1		5,500	0

**F. Catt**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 12		S1	8,000		8,000

**C. Boyd**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 9		S1	6,500		6,500
26		CR1		6,500	0

**M. Didde**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 26		S1	7,000		7,000

**Accounts Payable Subsidiary Ledger**

**G. Reedy**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 21		P1		7,800	7,800

**J. Vopat**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 2		P1		4,600	4,600
12		CP1	4,600		0

**PROBLEM 7-5B (Continued)**

**P. Kneiser**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 7		P1		30,000	30,000
17		CP1	30,000		0

**J. Nunez**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Feb. 16		P1		2,400	2,400
28		CP1	2,400		0

(e) **WYRICK CO.**  
**Trial Balance**  
**February 28, 2008**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 2,637	
Accounts Receivable .....	15,000	
Merchandise Inventory.....	22,148	
Supplies .....	1,250	
Equipment .....	7,000	
Accounts Payable .....		\$ 7,800
A. Wyrick, Capital.....		30,000
A. Wyrick, Drawing .....	1,100	
Sales .....		33,500
Sales Discounts.....	55	
Cost of Goods Sold .....	22,110	
	<u>\$71,300</u>	<u>\$71,300</u>

**PROBLEM 7-5B (Continued)**

<b>(f)</b>	<b>Accounts Receivable control account.....</b>		<b><u>\$15,000</u></b>
	<b>Accounts Receivable subsidiary accounts</b>		
	<b>F. Catt.....</b>	<b>\$8,000</b>	
	<b>M. Didde .....</b>	<b><u>7,000</u></b>	<b><u>\$15,000</u></b>
	<b>Accounts Payable control account.....</b>		<b><u>\$ 7,800</u></b>
	<b>Accounts Payable subsidiary account</b>		
	<b>G. Reedy.....</b>		<b><u>\$ 7,800</u></b>

**(g) General Journal**

				<b>G1</b>
<b>Date</b>	<b>Accounts and Explanations</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Feb. 28</b>	<b>Supplies Expense .....</b>	<b>631</b>	<b>950</b>	
	<b>Supplies.....</b>	<b>126</b>		<b>950</b>
<b>28</b>	<b>Depreciation Expense .....</b>	<b>711</b>	<b>200</b>	
	<b>Accumulated Depreciation—</b>			
	<b>Equipment.....</b>	<b>158</b>		<b>200</b>

**PROBLEM 7-5B (Continued)**

(h)

**WYRICK CO.  
Adjusted Trial Balance  
February 28, 2008**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 2,637	
Accounts Receivable .....	15,000	
Merchandise Inventory.....	22,148	
Supplies .....	300	
Equipment .....	7,000	
Accumulated Depreciation—Equipment.....		\$ 200
Accounts Payable .....		7,800
A. Wyrick, Capital.....		30,000
A. Wyrick, Drawing .....	1,100	
Sales .....		33,500
Sales Discounts.....	55	
Cost of Goods Sold .....	22,110	
Supplies Expense .....	950	
Depreciation Expense .....	200	
	<u>\$71,500</u>	<u>\$71,500</u>

**COMPREHENSIVE PROBLEM: CHAPTERS 3 TO 7**

**Note:** If the working papers that accompany this text are not used in solving this problem, account numbers may differ from those presented in this solution.

(a)

**Sales Journal**

				S1
Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Cr.
Jan. 3	B. Remy	510	✓	3,100
3	J. Fine	511	✓	1,800
11	R. Draves	512	✓	1,900
11	S. Ingles	513	✓	900
22	B. Remy	514	✓	3,700
22	R. Draves	515	✓	800
25	B. Hachinski	516	✓	3,500
25	J. Fine	517	✓	<u>6,100</u>
				<u>21,800</u>
				(112)(401)

**Purchases Journal**

				P1
Date	Account Credited	Terms	Ref.	Purchases Dr. Accounts Payable Cr.
Jan. 5	S. Yost		✓	3,000
5	D. Laux		✓	2,700
16	D. Moreno		✓	15,000
16	S. Kosko		✓	13,900
16	S. Yost		✓	1,500
27	D. Moreno		✓	12,500
27	D. Laux		✓	1,200
27	S. Yost		✓	<u>2,800</u>
				<u>52,600</u>
				(510)(201)

## COMPREHENSIVE PROBLEM (Continued)

### Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.
Jan. 7	S. Ingles	✓	4,000	4,000		
7	B. Hachinski	✓	2,000	2,000		
10			15,500		15,500	
13	B. Remy	✓	3,100	3,100		
13	J. Fine	✓	1,500	1,500		
20			17,500		17,500	
21	S. Ingles	✓	900	900		
31			<u>22,920</u>		<u>22,920</u>	
			<u>67,420</u>	<u>11,500</u>	<u>55,920</u>	
			(101)	(112)	(401)	

### Cash Payments Journal

CP1

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Office Supplies Dr.	Cash Cr.
Jan. 8	Freight In	516	180			180
9	S. Kosko	✓		9,000		9,000
9	D. Moreno	✓		11,000		11,000
12	Rent Expense	729	1,000			1,000
15	I. Packard, Drawing	306	800			800
17					400	400
23	D. Moreno	✓		15,000		15,000
23	S. Kosko	✓		13,700		13,700
28					200	200
31	Sales Salaries Expense	627	4,300			4,300
31	Office Salaries Expense	727	3,600			3,600
			<u>9,880</u>	<u>48,700</u>	<u>600</u>	<u>59,180</u>
			(X)	(201)	(125)	(101)



## COMPREHENSIVE PROBLEM (Continued)

(a) & (e)

### General Journal

				G1
Date	Account Titles and Explanations	Ref.	Debit	Credit
Jan. 9	Sales Returns and Allowances .....	412	300	
	Accounts Receivable—			
	J. Fine.....	112/✓		300
	(Issued credit for merchandise returned)			
18	Accounts Payable—S. Kosko .....	201/✓	200	
	Purchase Returns and Allowances .....	512		200
	(Received credit for returned goods)			
21	Accounts Payable—			
	R. Mikush.....	201/✓	15,000	
	Notes Payable .....	200		15,000
	(Issued note for balance due)			
	<u>Adjusting Entries</u>			
31	Office Supplies Expense .....	728	900	
	Office Supplies .....	125		900
31	Insurance Expense .....	722	200	
	(1/10 X 2,000)			200
	Prepaid Insurance .....	130		
31	Depreciation Expense .....	711	125	
	(1/12 X 1,500)			
	Accumulated Depreciation—	158		125
	Equipment			
31	Interest Expense.....	718	30	
	Interest Payable.....	230		30

**COMPREHENSIVE PROBLEM (Continued)**

**General Journal**

**G1**

<b>Date</b>	<b>Account Titles and Explanations</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
Jan. 31	Merchandise Inventory (Jan. 31) .....	120	15,000	
	Sales .....	401	77,720	
	Purchase Returns and Allowances .....	512	200	
	Income Summary .....	350		92,920
31	Income Summary .....	350	83,235	
	Merchandise Inventory (Jan. 1) .....	120		20,000
	Sales Returns and Allowances .....	412		300
	Purchases .....	510		52,600
	Freight In .....	516		180
	Rent Expense .....	729		1,000
	Sales Salaries Expense .....	627		4,300
	Office Salaries Expense .....	727		3,600
	Office Supplies Expense .....	728		900
	Insurance Expense .....	722		200
	Depreciation Expense .....	711		125
	Interest Expense .....	718		30
31	Income Summary .....	350	9,685	
	I. Packard, Capital .....	301		9,685
31	I. Packard, Capital .....	301	800	
	I. Packard, Drawing .....	306		800

**(b) & (e)**

**General Ledger**

<b>Cash</b>					<b>No. 101</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			33,750
31		CR1	67,420		101,170
31		CP1		59,180	41,990

**COMPREHENSIVE PROBLEM (Continued)****Accounts Receivable** No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			13,000
31		S1	21,800		34,800
31		CR1		11,500	23,300
9		G1		300	23,000

**Notes Receivable** No. 115

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			39,000

**Merchandise Inventory** No. 120

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			20,000
31		G1	15,000		35,000
31		G1		20,000	15,000

**Office Supplies** No. 125

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,000
31		CP1	600		1,600
31		G1		900	700

**Prepaid Insurance** No. 130

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			2,000
31		G1		200	1,800

**Equipment** No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1		✓			6,450

**COMPREHENSIVE PROBLEM (Continued)****Accumulated Depreciation—Equipment** **No. 158**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			1,500
31		G1		125	1,625

**Notes Payable** **No. 200**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 21	Balance	G1		15,000	15,000

**Accounts Payable** **No. 201**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			35,000
31		P1		52,600	87,600
31		CP1	48,700		38,900
18		G1	200		38,700
21		G1	15,000		23,700

**Interest Payable** **No. 230**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1		30	30

**I. Packard, Capital** **No. 301**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			78,700
31		G1		9,685	88,385
31		G1	800		87,585

**I. Packard, Drawing** **No. 306**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 15		CP1	800		800
31		G1		800	0

**COMPREHENSIVE PROBLEM (Continued)****Income Summary** No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1		92,920	92,920
31		G1	83,235		9,685
31		G1	9,685		0

**Sales** No. 401

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		S1		21,800	21,800
31		CR1		55,920	77,720
31		G1	77,720		0

**Sales Returns and Allowances** No. 412

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 9		G1	300		300
31		G1		300	0

**Purchases** No. 510

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		P1	52,600		52,600
31		G1		52,600	0

**Purchase Returns and Allowances** No. 512

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 18		G1		200	200
31		G1	200		0

**Freight-In** No. 516

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 8		CP1	180		180
31		G1		180	0

**COMPREHENSIVE PROBLEM (Continued)****Sales Salaries Expense****No. 627**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		CP1	4,300		4,300
31		G1		4,300	0

**Depreciation Expense****No. 711**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	125		125
31		G1		125	0

**Interest Expense****No. 718**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	30		30
31		G1		30	0

**Insurance Expense****No. 722**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	200		200
31		G1		200	0

**Office Salaries Expense****No. 727**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		CP1	3,600		3,600
31		G1		3,600	0

**Office Supplies Expense****No. 728**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	900		900
31		G1		900	0

## COMPREHENSIVE PROBLEM (Continued)

### Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 12		CP1	1,000		1,000
31		G1		1,000	0

### Accounts Receivable Subsidiary Ledger

#### R. Draves

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
11		S1	1,900		3,400
22		S1	800		4,200

#### J. Fine

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	1,800		1,800
9		G1		300	1,500
13		CR1		1,500	0
25		S1	6,100		6,100

#### B. Hachinski

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			7,500
7		CR1		2,000	5,500
25		S1	3,500		9,000

#### S. Ingles

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			4,000
7		CR1		4,000	0
11		S1	900		900
21		CR1		900	0

**COMPREHENSIVE PROBLEM (Continued)****B. Remy**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	3,100		3,100
13		CR1		3,100	0
22		S1	3,700		3,700

**Accounts Payable Subsidiary Ledger****D. Laux**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		2,700	2,700
27		P1		1,200	3,900

**S. Kosko**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			9,000
9		CP1	9,000		0
16		P1		13,900	13,900
18		G1	200		13,700
23		CP1	13,700		0

**R. Mikush**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			15,000
21		G1	15,000		0

**D. Moreno**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			11,000
9		CP1	11,000		0
16		P1		15,000	15,000
23		CP1	15,000		0
27		P1		12,500	12,500



## COMPREHENSIVE PROBLEM (Continued)

### S. Yost

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 5		P1		3,000	3,000
16		P1		1,500	4,500
27		P1		2,800	7,300

COMPREHENSIVE PROBLEM (Continued)

(c) PACKARD COMPANY  
Worksheet  
For the Month Ended January 31, 2008

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	41,990				41,990				41,990	
Accounts Receivable	23,000				23,000				23,000	
Notes Receivable	39,000				39,000				39,000	
Merchandise Inventory	20,000				20,000		20,000	15,000	15,000	
Office Supplies	1,600		(1)	900	700				700	
Prepaid Insurance	2,000		(2)	200	1,800				1,800	
Equipment	6,450				6,450				6,450	
Accum. Depreciation—Equipment		1,500	(3)	125		1,625				1,625
Notes Payable		15,000				15,000				15,000
Accounts Payable		23,700				23,700				23,700
Interest Payable			(4)	30		30				30
I. Packard, Capital		78,700				78,700				78,700
I. Packard, Drawing	800				800				800	
Sales						77,720		77,720		
Sales Returns and Allowances	300				300		300			
Purchases	52,600				52,600		52,600	200		
Purchase Returns and Allowances		200				200				
Freight In	180				180		180			
Sales Salaries Expense	4,300				4,300		4,300			
Office Salaries Expense	3,600				3,600		3,600			
Rent Expense	1,000				1,000		1,000			
Totals	<u>196,820</u>	<u>196,820</u>			<u>196,975</u>	<u>196,975</u>	<u>83,235</u>	<u>92,920</u>	<u>128,740</u>	<u>119,055</u>
Office Supplies Expense			(1)	900	900		900			
Insurance Expense			(2)	200	200		200			
Depreciation Expense			(3)	125	125		125			
Interest Expense			(4)	30	30		30			
Totals			<u>1,255</u>	<u>1,255</u>	<u>196,975</u>	<u>196,975</u>	<u>83,235</u>	<u>92,920</u>	<u>128,740</u>	<u>119,055</u>
Net Income							<u>9,685</u>			<u>9,685</u>
Totals							<u>92,920</u>	<u>92,920</u>	<u>128,740</u>	<u>128,740</u>

**COMPREHENSIVE PROBLEM (Continued)**

(d)

**PACKARD CO.  
Income Statement  
For the Month Ended January 31, 2008**

<b>Sales revenues</b>			
Sales .....			\$77,720
Less: Sales returns and allowances .....			<u>300</u>
Net sales revenue .....			77,420
<b>Cost of goods sold</b>			
Merchandise inventory, 1/1/08 .....		\$20,000	
Purchases .....	\$52,600		
Less: Purchase returns and allowances .....		<u>200</u>	
Net purchases .....	52,400		
Freight in .....	<u>180</u>	52,580	
Total merchandise available for sale .....		72,580	
Less: Merchandise inventory, 1/31/08 .....		<u>15,000</u>	
Cost of goods sold .....			<u>57,580</u>
Gross profit on sales .....			19,840
<b>Operating expenses</b>			
<b>Selling expenses</b>			
Sales salaries expense .....		4,300	
<b>Administrative expenses</b>			
Office salaries expense .....	3,600		
Rent expense .....	1,000		
Office supplies expense .....	900		
Insurance expense .....	200		
Depreciation expense .....	<u>125</u>		
Total admin. expenses .....		<u>5,825</u>	
Total oper. expenses .....			<u>10,125</u>
Income from operations .....			9,715
<b>Other expenses and losses</b>			
Interest expense .....			<u>30</u>
Net income .....			<u>\$ 9,685</u>

COMPREHENSIVE PROBLEM (Continued)

**PACKARD CO.**  
**Statement of Owner's Equity**  
**For the Month Ended January 31, 2008**

<b>I. Packard, Capital, January 1, 2008</b> .....	\$78,700
<b>Add: Net income</b> .....	<u>9,685</u>
	<b>88,385</b>
<b>Less: Drawing</b> .....	<u>800</u>
<b>I. Packard, Capital, January 31, 2008</b> .....	<u><b>\$87,585</b></u>

**PACKARD CO.**  
**Balance Sheet**  
**January 31, 2008**

Assets		
<b>Current assets</b>		
Cash	\$41,990	
Notes receivable	39,000	
Accounts receivable	23,000	
Merchandise inventory	15,000	
Office supplies	700	
Prepaid insurance	<u>1,800</u>	
Total current assets		\$121,490
<b>Capital assets</b>		
Equipment	6,450	
Less: Accumulated depreciation	<u>1,625</u>	<u>4,825</u>
Total assets		<u><b>\$126,315</b></u>
<b>Liabilities and Owner's Equity</b>		
<b>Current liabilities</b>		
Notes payable	\$15,000	
Accounts payable	23,700	
Interest payable	<u>30</u>	
Total liabilities		\$ 38,730
<b>Owner's equity</b>		
I. Packard, Capital		<u>87,585</u>
Total liabilities and owner's equity		<u><b>\$126,315</b></u>

COMPREHENSIVE PROBLEM (Continued)

(f)

**PACKARD CO.**  
**Post-Closing Trial Balance**  
**January 31, 2008**

	Debit	Credit
Cash .....	\$ 41,990	
Notes Receivable .....	39,000	
Accounts Receivable.....	23,000	
Merchandise Inventory .....	15,000	
Office Supplies .....	700	
Prepaid Insurance .....	1,800	
Equipment.....	6,450	
Accumulated Depreciation—Equipment .....		\$ 1,625
Notes Payable .....		15,000
Accounts Payable.....		23,700
Interest Payable .....		30
I. Packard, Capital.....		87,585
	\$127,940	\$127,940

Accounts Receivable balance ..... \$23,000

Subsidiary account balances

R. Draves .....	\$ 4,200	
J. Fine .....	6,100	
B. Hachinski.....	9,000	
B. Remy .....	3,700	
		\$23,000

Accounts Payable balance ..... \$23,700

Subsidiary account balances

D. Laux.....	\$ 3,900	
D. Moreno .....	12,500	
S. Yost .....	7,300	
		\$23,700

**BYP 7-1 FINANCIAL REPORTING PROBLEM—A MINI PRACTICE SET**

(a)

**Sales Journal**

**S1**

<b>Date</b>	<b>Account Debited</b>	<b>Invoice No.</b>	<b>Ref.</b>	<b>Accounts Receivable Dr. Sales Cr.</b>	<b>Cost of Goods Sold Dr. Merchandise Inventory Cr.</b>
Jan. 3	B. Richey	510	✓	3,100	1,860
3	J. Forbes	511	✓	1,800	1,080
11	R. Dvorak	512	✓	1,600	960
11	S. LaDew	513	✓	900	540
22	B. Richey	514	✓	2,700	1,620
22	R. Dvorak	515	✓	1,300	780
25	B. Garcia	516	✓	3,500	2,100
25	J. Forbes	517	✓	6,100	3,660
				<u>21,000</u>	<u>12,600</u>
				(112)(401)	(505)(120)

**Purchases Journal**

**P1**

<b>Date</b>	<b>Account Credited</b>	<b>Terms</b>	<b>Ref.</b>	<b>Merchandise Inventory Dr. Accounts Payable Cr.</b>
Jan. 5	S. Vogel	n/30	✓	5,000
5	D. Lynch	n/30	✓	2,200
16	D. Omara	1/10, n/30	✓	18,000
16	S. Hoyt	2/10, n/30	✓	14,200
16	S. Vogel	n/30	✓	1,500
27	D. Omara	1/10, n/30	✓	14,500
27	D. Lynch	n/30	✓	1,200
27	S. Vogel	n/30	✓	5,400
				<u>62,000</u>
				(120)(201)

**BYP 7-1 (Continued)**

**Cash Receipts Journal**

**CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales	Accounts	Sales Cr.	Other	Cost of Goods Sold
				Discounts Dr.	Receivable Cr.		Accounts Cr.	Dr. Merchandise Inventory Cr.
Jan. 7	S. LaDew	✓	4,000		4,000			
7	B. Garcia	✓	2,000		2,000			
10			15,500			15,500		9,300
13	B. Richey	✓	3,038	62	3,100			
13	J. Forbes	✓	1,470	30	1,500			
20			20,100			20,100		12,060
21	S. LaDew	✓	882	18	900			
31			<u>21,300</u>			<u>21,300</u>		<u>12,780</u>
			<u>68,290</u>	<u>110</u>	<u>11,500</u>	<u>56,900</u>		<u>34,140</u>
			(101)	(414)	(112)	(401)		(505)(120)

**Cash Payments Journal**

**CP1**

Date	Account Debited	Ref.	Other	Accounts	Office	Merchandise	Cash Cr.
			Accounts Dr.	Payable Dr.	Supplies Dr.	Inventory Cr.	
Jan. 8	Merchandise Inventory	120	235				235
9	S. Hoyt	✓		9,000		180	8,820
9	D. Omara	✓		11,000		110	10,890
12	Rent Expense	729	1,000				1,000
15	M. Bluma, Drawing	306	800				800
17					400		400
23	D. Omara	✓		18,000		180	17,820
23	S. Hoyt	✓		14,000		280	13,720
28					200		200
31	Sales Salaries Expense	627	4,300				4,300
31	Office Salaries Expense	727	<u>3,800</u>				<u>3,800</u>
			<u>10,135</u>	<u>52,000</u>	<u>600</u>	<u>750</u>	<u>61,985</u>
			(X)	(201)	(125)	(120)	(101)

**BYP 7-1 (Continued)**

**(a) & (e)**

**General Journal**

				<b>G1</b>
<b>Date</b>	<b>Account Titles and Explanations</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
Jan. 9	Sales Returns and Allowances .....	412	300	
	Accounts Receivable—			
	J. Forbes .....	112/✓		300
	(Issued credit for merchandise returned)			
	Merchandise Inventory .....	120	180	
	(\$300 X .60)			
	Cost of Goods Sold .....	505		180
18	Accounts Payable—S. Hoyt .....	201/✓	200	
	Merchandise Inventory .....	120		200
	(Received credit for returned goods)			
21	Accounts Payable—R. Moses .....	201/✓	15,000	
	Notes Payable .....	200		15,000
	(Payment of balance due)			
<b><u>Adjusting Entries</u></b>				
31	Office Supplies Expense .....	728	700	
	Office Supplies .....	125		700
31	Insurance Expense .....	722	200	
	Prepaid Insurance .....	130		200
31	Depreciation Expense			
	(\$1,500 ÷ 12) .....	711	125	
	Accumulated Depreciation—			
	Equipment .....	158		125
31	Interest Expense .....	718	50	
	Interest Payable .....	230		50
31	Sales .....	401	77,900	
	Income Summary .....	350		77,900



**BYP 7-1 (Continued)**

**General Journal**

				G1	
Date	Account Titles and Explanations	Ref.	Debit	Credit	
Jan. 31	Income Summary .....	350	57,145		
	Sales Discounts .....	414		110	
	Sales Returns and Allowances .....	412		300	
	Cost of Goods Sold.....	505		46,560	
	Rent Expense .....	729		1,000	
	Sales Salaries Expense .....	627		4,300	
	Office Salaries Expense .....	727		3,800	
	Office Supplies Expense .....	728		700	
	Insurance Expense.....	722		200	
	Depreciation Expense .....	711		125	
	Interest Expense .....	718		50	
31	Income Summary .....	350	20,755		
	M. Bluma, Capital.....	301		20,755	
31	M. Bluma, Capital .....	301	800		
	M. Bluma, Drawing .....	306		800	

**(b) & (e)**

**General Ledger**

<b>Cash</b>					<b>No. 101</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			35,750
31		CR1	68,290		104,040
31		CP1		61,985	42,055

<b>Accounts Receivable</b>					<b>No. 112</b>
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			13,000
31		S1	21,000		34,000
31		CR1		11,500	22,500
9		G1		300	22,200

**BYP 7-1 (Continued)****Notes Receivable** **No. 115**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			39,000

**Merchandise Inventory** **No. 120**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			18,000
31		P1	62,000		80,000
31		S1		12,600	67,400
31		CR1		34,140	33,260
8		CP1	235		33,495
31		CP1		750	32,745
9		G1	180		32,925
18		G1		200	32,725

**Office Supplies** **No. 125**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			1,000
31		CP1	600		1,600
31		G1		700	900

**Prepaid Insurance** **No. 130**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			2,000
31		G1		200	1,800

**Equipment** **No. 157**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			6,450

**BYP 7-1 (Continued)**

**Accumulated Depreciation—Equipment** No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
31		G1		125	1,625

**Notes Payable** No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 21		G1		15,000	15,000

**Accounts Payable** No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			35,000
31		P1		62,000	97,000
31		CP1	52,000		45,000
18		G1	200		44,800
21		G1	15,000		29,800

**Interest Payable** No. 230

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1		50	50

**M. Bluma, Capital** No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			78,700
31		G1		20,755	99,455
31		G1	800		98,655

**M. Bluma, Drawing** No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 15		CP1	800		800
31		G1		800	0

**BYP 7-1 (Continued)****Income Summary** **No. 350**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1		77,900	77,900
31		G1	57,145		20,755
31		G1	20,755		0

**Sales** **No. 401**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		S1		21,000	21,000
31		CR1		56,900	77,900
31		G1	77,900		0

**Sales Returns and Allowances** **No. 412**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 9		G1	300		300
31		G1		300	0

**Sales Discounts** **No. 414**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		CR1	110		110
31		G1		110	0

**Cost of Goods Sold** **No. 505**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		S1	12,600		12,600
31		CR1	34,140		46,740
9		G1		180	46,560
31		G1		46,560	0

**BYP 7-1 (Continued)****Sales Salaries Expense** **No. 627**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		CP1	4,300		4,300
31		G1		4,300	0

**Depreciation Expense** **No. 711**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	125		125
31		G1		125	0

**Interest Expense** **No. 718**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	50		50
31		G1		50	0

**Insurance Expense** **No. 722**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	200		200
31		G1		200	0

**Office Salaries Expense** **No. 727**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		CP1	3,800		3,800
31		G1		3,800	0

**Office Supplies Expense** **No. 728**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 31		G1	700		700
31		G1		700	0

**BYP 7-1 (Continued)**

**Rent Expense**

**No. 729**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 12		CP1	1,000		1,000
31		G1		1,000	0

**Accounts Receivable Subsidiary Ledger**

**R. Dvorak**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			1,500
11		S1	1,600		3,100
22		S1	1,300		4,400

**J. Forbes**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 3		S1	1,800		1,800
9		G1		300	1,500
13		CR1		1,500	0
25		S1	6,100		6,100

**B. Garcia**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			7,500
7		CR1		2,000	5,500
25		S1	3,500		9,000

**S. LaDew**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			4,000
7		CR1		4,000	0
11		S1	900		900
21		CR1		900	0

**BYP 7-1 (Continued)****B. Richey**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 3		S1	3,100		3,100
13		CR1		3,100	0
22		S1	2,700		2,700

**Accounts Payable Subsidiary Ledger****D. Lynch**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 5		P1		2,200	2,200
27		P1		1,200	3,400

**S. Hoyt**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			9,000
9		CP1	9,000		0
16		P1		14,200	14,200
18		G1	200		14,000
23		CP1	14,000		0

**R. Moses**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			15,000
21		G1	15,000		0

**D. Omara**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 1	Balance	✓			11,000
9		CP1	11,000		0
16		P1		18,000	18,000
23		CP1	18,000		0
27		P1		14,500	14,500

**BYP 7-1 (Continued)**

**S. Vogel**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Jan. 5		P1		5,000	5,000
16		P1		1,500	6,500
27		P1		5,400	11,900



BYP 7-1 (Continued)

(c) **BLUMA COMPANY**  
Worksheet

For the Month Ended January 31, 2008

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	42,055				42,055				42,055	
Accounts Receivable	22,200				22,200				22,200	
Notes Receivable	39,000				39,000				39,000	
Merchandise Inventory	32,725				32,725				32,725	
Office Supplies	1,600		(1)	700	900				900	
Prepaid Insurance	2,000		(2)	200	1,800				1,800	
Equipment	6,450				6,450				6,450	
Accum. Depreciation—Equipment		1,500		(3)	125					1,625
Notes Payable		15,000								15,000
Accounts Payable		29,800								29,800
Interest Payable				(4)	50					50
M. Bluma, Capital		78,700								78,700
M. Bluma, Drawing	800				800				800	
Sales								77,900		
Sales Returns and Allowances	300				300			300		
Sales Discounts	110				110			110		
Cost of Goods Sold	46,560				46,560			46,560		
Sales Salaries Expense	4,300				4,300			4,300		
Office Salaries Expense	3,800				3,800			3,800		
Rent Expense	1,000				1,000			1,000		
<b>Totals</b>	<u>202,900</u>	<u>202,900</u>			<u>203,075</u>	<u>203,075</u>			<u>145,930</u>	<u>125,175</u>
Office Supplies Expense			(1)	700	700			700		
Insurance Expense			(2)	200	200			200		
Depreciation Expense			(3)	125	125			125		
Interest Expense			(4)	50	50			50		
<b>Totals</b>			<u>1,075</u>	<u>1,075</u>	<u>203,075</u>	<u>203,075</u>		<u>57,145</u>	<u>77,900</u>	<u>125,175</u>
<b>Net Income</b>								<u>20,755</u>		<u>20,755</u>
<b>Totals</b>					<u>77,900</u>	<u>77,900</u>		<u>77,900</u>	<u>145,930</u>	<u>145,930</u>

**BYP 7-1 (Continued)**

**(d) BLUMA CO.  
Income Statement  
For the Month Ended January 31, 2008**

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<b>Sales revenues</b>		
Sales .....		<b>\$77,900</b>
Less: Sales discounts .....	<b>\$ 110</b>	
Sales returns and allowances .....	<b>300</b>	<b>410</b>
Net sales revenue.....		<b>77,490</b>
Cost of goods sold .....		<b>46,560</b>
Gross profit .....		<b>30,930</b>
 <b>Operating expenses</b>		
<b>Selling expenses</b>		
Sales salaries expense.....	<b>4,300</b>	
<b>Administrative expenses</b>		
Office salaries expense.....	<b>\$3,800</b>	
Rent expense .....	<b>1,000</b>	
Office supplies expense.....	<b>700</b>	
Insurance expense.....	<b>200</b>	
Depreciation expense .....	<b>125</b>	
Total administrative expenses.....	<b>5,825</b>	
Total operating expenses.....		<b>10,125</b>
Income from operations.....		<b>20,805</b>
 <b>Other expenses and losses</b>		
Interest expense .....		<b>50</b>
Net income.....		<b>\$20,755</b>

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BYP 7-1 (Continued)

**BLUMA CO.**  
**Owner's Equity Statement**  
**For the Month Ended January 31, 2008**

M. Bluma, Capital, January 1, 2008.....	\$78,700
Add: Net income.....	<u>20,755</u>
	99,455
Less: Drawings.....	<u>800</u>
M. Bluma, Capital, January 31, 2008 .....	<u>\$98,655</u>

**BLUMA CO.**  
**Balance Sheet**  
**January 31, 2008**

Assets		
<b>Current assets</b>		
Cash .....	\$42,055	
Accounts receivable .....	22,200	
Notes receivable.....	39,000	
Merchandise inventory .....	32,725	
Office supplies.....	900	
Prepaid insurance.....	<u>1,800</u>	
Total current assets .....		\$138,680
 <b>Property, plant, and equipment</b>		
Equipment .....	6,450	
Less: Accumulated depreciation.....	<u>1,625</u>	<u>4,825</u>
Total assets.....		<u>\$143,505</u>
<b>Liabilities and Owner's Equity</b>		
<b>Current liabilities</b>		
Notes payable .....	\$15,000	
Accounts payable .....	29,800	
Interest payable.....	<u>50</u>	
Total liabilities.....		\$ 44,850
 <b>Owner's equity</b>		
M. Bluma, Capital .....		<u>98,655</u>
Total liabilities and owner's equity .....		<u>\$143,505</u>

BYP 7-1 (Continued)

(f)

**BLUMA CO.**  
**Post-Closing Trial Balance**  
**January 31, 2008**

	<b>Debit</b>	<b>Credit</b>
Cash .....	\$ 42,055	
Notes Receivable .....	39,000	
Accounts Receivable .....	22,200	
Merchandise Inventory.....	32,725	
Office Supplies .....	900	
Prepaid Insurance.....	1,800	
Equipment .....	6,450	
Accumulated Depreciation—Equipment.....		\$ 1,625
Notes Payable .....		15,000
Accounts Payable .....		29,800
Interest Payable.....		50
M. Bluma, Capital .....		98,655
	<b>\$145,130</b>	<b>\$145,130</b>

Accounts Receivable balance..... **\$22,200**

**Subsidiary account balances**

R. Dvorak.....	\$ 4,400	
J. Forbes .....	6,100	
B. Garcia.....	9,000	
B. Richey .....	2,700	
		<u><b>\$22,200</b></u>

Accounts Payable balance..... **\$29,800**

**Subsidiary account balances**

D. Lynch .....	\$ 3,400	
D. Omara .....	14,500	
S. Vogel.....	11,900	
		<u><b>\$29,800</b></u>

- (a) Some of the key features of the general ledger module highlighted by the company are:
- ▶ Highly flexible account and fiscal period setup, including different account structures for separate companies.
  - ▶ Account numbers can be up to 20 characters long in 10 segments.
  - ▶ Statistical accounts for tracking nonfinancial information, such as head count and square footage.
  - ▶ Standard, recurring, auto-reversing, clearing, and “quick-journal” entries.
  - ▶ Unlimited budgets, unlimited years of history.
- (b) Some of the key features of the payables management module highlighted by the company are:
- ▶ Handles purchases on account, manual and computer check payments, and credit memos.
  - ▶ Vendor classes provide a fast, consistent method for entering new records by entering common information for you.
  - ▶ Changes to one vendor in a class can be made to all vendors in the same class.
  - ▶ Automatically calculates the number of days it takes to pay each vendor.
  - ▶ Enter recurring transactions.
  - ▶ Put transactions on “hold” until you want to pay them.
  - ▶ A variety of inquiry windows and reports provide multiple ways to view vendor information.
  - ▶ Complete vendor and transaction history.

(a) The special journals for Hughey & Payne should be: (1) sales journal, (2) purchases journal, (3) cash receipts journal, and (4) cash payments journal.

(1) Sales Journal columns:

Date.

Account Debited.

Invoice Number.

Reference.

Accounts Receivable, Dr. and Sales—Appliances, Cr.

Cost of Goods Sold, Dr. and Merchandise Inventory—Appliances, Cr.

(2) Purchases Journal columns:

Date.

Account Credited.

Terms.

Reference.

Accounts Payable, Cr.

Merchandise Inventory—Appliances, Dr.

Merchandise Inventory—Parts, Dr.

**Note:** Because two different types of merchandise are purchased on credit, a three-column purchases journal might be used.

(3) Cash Receipts Journal columns:

Date.

Account Credited.

Reference.

Cash, Dr.

Accounts Receivable, Cr.

Sales—Appliances, Cr.

Sales—Parts, Cr.

Revenue from Repairs, Cr.

Other Accounts, Cr.

Cost of Goods Sold, Dr. and Merchandise Inventory—

Appliances, Cr.

Cost of Goods Sold, Dr. and Merchandise Inventory—Parts, Cr.

**Note:** A Sales Discounts, Dr. column is not needed because all credit terms are net/30 days.

## **BYP 7-3 (Continued)**

### **(4) Cash Payments Journal columns:**

**Date.**

**Check Number.**

**Account Debited.**

**Reference.**

**Other Accounts, Dr.**

**Accounts Payable, Dr.**

**Advertising Expense, Dr.**

**Salaries Expense, Dr.**

**Merchandise Inventory—Appliances, Cr.**

**Merchandise Inventory—Parts, Cr.**

**Cash, Cr.**

### **(b) Hughey & Payne should have:**

**(1) An accounts receivable control account with individual customers' accounts in a customers' subsidiary ledger.**

**(2) An accounts payable control account with individual creditors in a creditors' subsidiary ledger.**

**The use of control accounts and subsidiary ledgers will: (1) provide necessary up-to-date information on specific customer and creditor balances, (2) free the general ledger of excessive detail, (3) help locate errors in individual accounts, and (4) make possible a division of labor in posting.**

**Mr. Jim Houser  
2 Main Street  
Central City, Michigan 48172**

**Dear Mr. Houser:**

**Thank you for hiring two additional bookkeepers a month ago to help me with the accounting. Unfortunately, the inefficiencies in recording transactions have continued at an even higher rate. The reason is that there are often times when more than one person needs to use the journal. In addition, the daily posting of transactions continues to be very time consuming.**

**I would like to suggest some changes in the accounting system. Because of the increased volume of business, I believe it is time for us to use special journals for journalizing transactions. Special journals would be in addition to the journal that we are using now. There would be four special journals:**

- 1. Sales journal—for all sales of merchandise on account.**
- 2. Cash receipts journal—for all cash received.**
- 3. Purchases journal—for all purchases of merchandise on account.**
- 4. Cash payments journal—for all cash payments.**

**To use special journals, we will need columnar journal paper which can be obtained at any office supply store at very low cost. I can also quickly train the new bookkeepers in the use of special journals. Special journals will permit a division of labor so that all three of us can be recording transactions at the same time. Thus, the inefficiencies in journalizing will be eliminated.**

**Special journals also make it possible to do some postings monthly. This will significantly reduce the time required to make daily postings. As a result, it should free up some time for us to do other things!**

**I am confident that the use of special journals will improve the efficiency of the accounting department. If you have any questions on this recommendation, please let me know.**

**Yours sincerely,**

**Barb**



- (a) The stakeholders in this case are:
- ▶ Jose Molina, manager of Roniger's centralized computer accounting operation.
  - ▶ The employees of Roniger's three divisions at Freeport, Rockport, and Bayport.
- (b) Jose's instructions to assign the Bayport code to all uncoded and incorrectly coded sales documents overstates the sales of Bayport and understates the sales of Freeport and Rockport, thereby affecting the employee bonus plan. Jose's intent and action are unethical. He is padding the sales of his wife's, relatives', and friends' Bayport division sales and unfairly aiding them in the bonus competition.
- (c) Roniger Products Company should have a written policy covering uncoded and incorrectly coded sales documents. This would prevent the manager from arbitrarily designating the division to be credited for the uncoded sales.

The process begins when journal entries are recorded for transactions in a journal. Once entries are made in the journal, they are posted to the ledger by using the Post function. After entries have been posted, you can click on Reports in the Main Menu and choose from a variety of reports. These include the following: Chart of Accounts, Trial Balance, General Ledger, Subsidiary Ledger, Journals, Balance Sheet, Income Statement, Owner's Equity Statement.