

CHAPTER 5

Problems

Complete problems using:

Manual Glencoe
Working Papers

OR

Peachtree Complete
Accounting Software

OR

Spreadsheet
Templates

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 5-3

1. Select the problem set for Wilderness Rentals (Prob. 5-3).
2. Rename the company and set the system date.
3. Print a Chart of Accounts using the **General Ledger** option in the **Reports** menu.
4. Review the Chart of Accounts.
5. Complete the Analyze activity manually.
6. End the session.

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SMART GUIDE

Step-by-Step Instructions: Problem 5-4

1. Select the problem set for Hot Suds Car Wash (Prob. 5-4).
2. Rename the company and set the system date.
3. Print a Chart of Accounts using the **General Ledger** option in the **Reports** menu.
4. Review the Chart of Accounts.
5. Complete the Analyze activity manually.
6. End the session.

TIP: You will learn how to enter transactions into the accounts in the next chapter.

Problem 5-3 Identifying Increases and Decreases in Accounts

Ronald Hicks uses these accounts in his business, Wilderness Rentals.

General Ledger

101 Cash in Bank	301 Ronald Hicks, Capital
105 Accounts Receivable— Helen Katz	305 Ronald Hicks, Withdrawals
120 Office Equipment	401 Equipment Rental Revenue
125 Camping Equipment	505 Maintenance Expense
	525 Utilities Expense

Instructions Analyze each of the following transactions using the format shown in the example below. Record your answers in your working papers.

- a. Explain the debit.
- b. Explain the credit.

Example:

On Jan. 2 Ronald Hicks paid the bill for office cleaning, \$100.

- a. The expense account **505 Maintenance Expense** is increased. Increases in expenses are recorded as debits.
- b. The asset account **101 Cash in Bank** is decreased. Decreases in assets are recorded as credits.

Date	Transactions
Jan. 3	1. Ronald Hicks withdrew \$500 from his business for his own use, Check 225.
8	2. The business received \$1,200 cash in rental fees from various customers.
12	3. The business paid a telephone bill of \$85, Check 226.

Analyze Calculate the amount of increase or decrease in the **Cash in Bank** account.

Problem 5-4 Using T Accounts to Analyze Transactions

Regina Delgado, owner of Hot Suds Car Wash, uses these accounts:

General Ledger

101 Cash in Bank	401 Wash Revenue
125 Office Equipment	510 Maintenance Expense
205 Accounts Payable— O'Brian's Office Supply	520 Rent Expense
301 Regina Delgado, Capital	
305 Regina Delgado, Withdrawals	

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Instructions In your working papers:

1. Determine which accounts are affected for each transaction.
2. Prepare T accounts for the accounts affected.
3. Enter the amount of the debit and the amount of the credit in the T accounts.

Date	Transactions
Jan. 7	1. Received a check for \$1,675 for car wash services.
12	2. Paid the monthly rent of \$450 by writing Check 212.
15	3. Regina Delgado withdrew \$250 for her personal use, Check 213.
29	4. Had the computer repaired at O'Brian's Office Supply for \$245 and was given until next month to pay.

Analyze Identify the transactions that affect expense accounts.

Problem 5-5 Analyzing Transactions into Debit and Credit Parts

Abe Shultz, owner of Kits & Pups Grooming, uses the following accounts to record transactions for the month.

General Ledger

101 Cash in Bank	401 Boarding Revenue
105 Accounts Receivable— Juan Alvarez	405 Grooming Revenue
140 Grooming Equipment	501 Advertising Expense
205 Accounts Payable— Dogs & Cats Inc.	505 Equipment Repair Expense
301 Abe Shultz, Capital	510 Maintenance Expense
305 Abe Shultz, Withdrawals	520 Rent Expense
	530 Utilities Expense

Instructions For each transaction:

1. Prepare a T account for each account listed.
2. Enter a balance of \$15,000 in the **Cash in Bank** account; also enter a balance of \$15,000 in the **Abe Shultz, Capital** account.
3. Analyze and record each of the following business transactions, using the appropriate T accounts. Identify each transaction by number.
4. After all the business transactions have been recorded, write the word *Balance* on the normal balance side of each account.
5. Compute and record the balance for each account.

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Step-by-Step Instructions: Problem 5-5

1. Select the problem set for Kits & Pups Grooming (Prob. 5-5).
2. Rename the company and set the system date.
3. Add new general ledger accounts using the **Chart of Accounts** option in the **Maintain** menu.
4. Enter beginning balances using the **Chart of Accounts** option in the **Maintain** menu.
5. Print a Chart of Accounts using the **General Ledger** option in the **Reports** menu.
6. Proof your work.
7. Complete the Analyze activity manually.
8. End the session.

TIP: When a report list appears, double-click a report title to go directly to that report.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 5-5

1. Restore the Problem 5-5.QBB file.
2. Add new general ledger accounts using the **Chart of Accounts** option in the **Lists** menu.
3. Enter beginning balances using the **Chart of Accounts** option in the **Lists** menu.
4. Print a Chart of Accounts by selecting **Print List** in the **File** menu.
5. Proof your work.
6. Complete the Analyze activity manually.
7. Back up your work.

CONTINUE

Date	Transactions
Jan. 1	1. Purchased grooming equipment for \$12,700, Check 283.
10	2. Wrote Check 284 for advertising, \$125.
12	3. Received \$1,850 cash for dog boarding services.
15	4. Paid \$150 for equipment repair, Check 285.
17	5. Purchased a dog cage on account from Dogs & Cats Inc. for \$75.
20	6. Abe Shultz withdrew \$150 for personal use, Check 286.
22	7. Billed Juan Alvarez for \$775 covering grooming services for all of the dogs boarded at the kennels he owns. Payment will be received later.
23	8. Paid the first two weeks' rent by writing Check 287 for \$325.
25	9. Paid the electric bill at a cost of \$115, Check 288.

Analyze Identify the transactions that affect owner's equity.

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SMART GUIDE

Step-by-Step Instructions: Problem 5-6

1. Select the problem set for Outback Guide Service (Prob. 5-6).
2. Rename the company and set the system date.
3. Add new general ledger accounts using the **Chart of Accounts** option in the **Maintain** menu.
4. Print a Chart of Accounts using the **General Ledger** option in the **Reports** menu.
5. Proof your work.
6. Complete the Analyze activity manually.
7. End the session.

TIP: You can use General Ledger Navigation Aid to access the Maintain Chart of Accounts window.

Problem 5-6 Analyzing Transactions into Debit and Credit Parts

Juanita Ortega operates Outback Guide Service. She uses the following accounts to record and summarize her business transactions.

General Ledger

101 Cash in Bank	301 Juanita Ortega, Capital
105 Accounts Receivable— Mary Johnson	302 Juanita Ortega, Withdrawals
150 Rafting Equipment	401 Guide Service Revenue
205 Accounts Payable— Peak Equipment Inc.	505 Maintenance Expense
	515 Rent Expense
	520 Utilities Expense

Instructions For each transaction:

1. Prepare a T account for each account the business uses.
2. Analyze and record each of the following transactions using the appropriate T accounts. Identify each transaction by number.
3. After recording all transactions, compute and record the account balance on the normal balance side of each T account.
4. Test for the equality of debits and credits.

Date	Transactions
Jan. 2	1. Juanita Ortega invested \$12,000 cash in her business.
7	2. Purchased two new whitewater rafts on account for \$3,750 from Peak Equipment Inc.
10	3. Billed, but did not collect, \$750 for guide services provided to Mary Johnson.

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Date	Transactions (cont.)
12	4. Repaired a raft at a cost of \$123, Check 411.
14	5. Wrote Check 412 to pay the electric bill of \$95.
17	6. Received \$225 for guide service fees.
21	7. Paid the \$225 rent for the month, Check 413.
24	8. Paid \$1,750 toward the rafts bought on account, Check 414.
27	9. Juanita Ortega withdrew \$250 cash for personal use, Check 415.
29	10. Received guide service fees of \$250.

Analyze Calculate the amount of revenue earned.

Problem 5-7 Analyzing Transactions

Greg Failla owns Showbiz Video. He uses the following accounts to record business transactions.

General Ledger

101 Cash in Bank	205 Accounts Payable— Computer Horizons
105 Accounts Receivable— Gabriel Cohen	207 Accounts Payable— New Media Suppliers
110 Accounts Receivable— James Coletti	301 Greg Failla, Capital
140 Computer Equipment	305 Greg Failla, Withdrawals
145 Video Tapes	401 Video Rental Revenue
	405 VCR Rental Revenue
	505 Equipment Repair Expense
	520 Rent Expense
	530 Utilities Expense

Instructions For each transaction:

1. Prepare a T account for each account listed above.
2. Analyze and record each of the following transactions using the appropriate T accounts. Identify each transaction by number.
3. After recording all transactions, compute a balance for each account.
4. Test for the equality of debits and credits.

Date	Transactions
Jan. 1	1. Greg Failla invested \$17,500 cash in Showbiz Video.
3	2. Purchased computer equipment on account from Computer Horizons for \$2,400.
8	3. Purchased videos on account from New Media Suppliers for \$375.
10	4. Paid monthly rent of \$750, Check 1183.

CONTINUE

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SMART GUIDE

Step-by-Step Instructions: Problem 5-7

1. Select the problem set for Showbiz Video (Prob. 5-7).
2. Rename the company and set the system date.
3. Add a new record for each of the general ledger accounts.
4. Print a Chart of Accounts.
5. Proof your work.
6. Complete the Analyze activity manually.
7. End the session.

TIP: Peachtree requires that you group accounts by type: asset, liability, equity, income, and expense.

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Date	Transactions (cont.)
13	5. Wrote Check 1184 to pay for new videos, \$265.
14	6. Sent a bill for \$67 to Gabriel Cohen for a VCR rental.
16	7. Deposited the receipts from video rentals, \$233.
19	8. Paid the gas and electric bill of \$125, Check 1185.
21	9. Sent Check 1186 for \$375 to New Media Suppliers as payment on account.
22	10. Greg Failla withdrew \$150 for his personal use, Check 1187.
25	11. Paid \$45 for VCR repair, Check 1188.
30	12. Deposited VCR rental receipts of \$264 in the bank.

Analyze Identify the permanent accounts that have normal credit balances.

SPREADSHEET SMART GUIDE

Step-by-Step Instructions: Problem 5-8

1. Select the spreadsheet template for Problem 5-8.
2. Enter your name and the date in the spaces provided on the template.
3. Complete the spreadsheet using the instructions in your working papers.
4. Print the spreadsheet and proof your work.
5. Complete the Analyze activity manually.
6. Save your work and exit the spreadsheet program.



Problem 5-8 Completing the Accounting Equation

With the addition of temporary accounts, the basic accounting equation can be expressed as follows:

Owner's Equity

$$\text{Assets} = \text{Liabilities} + \text{Owner's Capital} - \text{Withdrawals} + \text{Revenue} - \text{Expenses}$$

Instructions Using the expanded equation shown above, determine the missing amounts for the following accounting equations. Use the form in your working papers. The first equation is completed as an example.

	Assets	= Liabilities +	Owner's Capital	- Withdrawals +	Revenue	- Expenses
1.	\$64,400	\$8,200	\$56,300	\$ 500	\$10,000	\$ 9,600
2.	\$22,150	525	18,800	1,200	12,100	?
3.	17,500	75	21,650	?	4,115	3,250
4.	49,450	?	47,840	1,500	20,300	17,610
5.	21,900	1,150	20,005	950	?	16,570
6.	72,640	2,790	?	10,750	67,908	39,749
7.	?	1,988	41,194	6,196	52,210	42,597
8.	?	3,840	61,774	?	40,163	21,637

(Expenses plus withdrawals equal \$27,749.)

9.	64,070	?	49,102	4,875	53,166	?
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(Total owner's equity after adding revenue and subtracting expenses and withdrawals is \$50,643.)

Analyze For equation 7, calculate the sum of owner's equity.