

# 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—<br>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—<br>O'Brian's Office Supply | 520 | Rent Expense        |
| 301 | Regina Delgado, Capital                      |     |                     |
| 305 | Regina Delgado, Withdrawals                  |     |                     |

**CONTINUE** 



# Problems

# CHAPTER 5

**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—<br>Juan Alvarez  | 405 Grooming Revenue         |
| 140 Grooming Equipment                    | 501 Advertising Expense      |
| 205 Accounts Payable—<br>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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### SMART GUIDE

#### 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—<br>Mary Johnson     | 302 | Juanita Ortega, Withdrawals |
| 150 | Rafting Equipment                        | 401 | Guide Service Revenue       |
| 205 | Accounts Payable—<br>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.    |

**CONTINUE**

| 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—<br>Computer Horizons   |
| 105 | Accounts Receivable—<br>Gabriel Cohen | 207 | Accounts Payable—<br>New Media Suppliers |
| 110 | Accounts Receivable—<br>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.

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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.

| 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** 

| 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.

**CHALLENGE PROBLEM****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 | ? |
|----|--------|---|--|--------|--|-------|--------|---|

(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.