Financial Accounting with International Financial Reporting Standards 5th edition Weygandt Solutions Manual

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MC2 MATCHA CREATIONS

(a) **GENERAL JOURNAL** J1

Date		Account Titles and Explanation	Debit	Credit
Nov.	8	No entry required for selling her investments—this is a personal transaction.		
	8	Cash	500	
		Share Capital—Ordinary		500
	11	Advertising Expense	65	
		Cash		65
	13	Supplies	125	
		Cash		125
	14	Equipment	300	
		Share Capital—Ordinary		300
	16	Cash	2,000	
		Notes Payable		2,000
	17	Equipment	900	
		Cash		900
	20	Cash	125	
		Service Revenue		125
	25	Cash	30	
		Unearned Service Revenue		30
	30	Prepaid Insurance	1,320	
		Cash		1,320

MC2 (Continued)

(b)

Cash

Date		Explanation	Ref.	Debits	Credits	Balance
Nov.	8		J1	500		500
	11		J1		65	435
	13		J1		125	310
	16		J1	2,000		2,310
	17		J1		900	1,410
	20		J1	125		1,535
	25		J1	30		1,565
	30		J1		1,320	245

Supplies

Date		Explanation	Ref.	Debits	Credits	Balance
Nov.	13		J1	125		125

Prepaid Insurance

Date		Explanation	Ref.	Debits	Credits	Balance
Nov.	30		J1	1,320		1,320

Equipment

Date		Explanation	Ref.	Debits	Credits	Balance
Nov.	14		J1	300		300
	17		J1	900		1,200

MC2 (Continued)

(b) (Continued)

Unearned Service Revenue

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 25		J1		30	30

Notes Payable

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 16		J1		2,000	2,000

Share Capital—Ordinary

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 20		J1		125	125

Advertising Expense

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 11		J1	65		65

MC2 (Continued)

(c)

MATCHA CREATIONS
Trial Balance
November 30, 2021

	Debit	Credit
Cash	NT$ 195	
Supplies	125	
Prepaid Insurance	1,320	
Equipment	1,200	
Unearned Service Revenue		NT$ 30
Notes Payable		2,000
Share Capital—Ordinary		800
Service Revenue		125
Advertising Expense	65	
Travel Expense	50	
	NT$2,955	NT$2,955

Note to instructors: Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.

CHAPTER 2

The Recording Process

Learning Objectives

1. Describe how accounts, debits, and credits are used to record business transactions.
2. Indicate how a journal is used in the recording process.
3. Explain how a ledger and posting help in the recording process.
4. Prepare a trial balance.

ANSWERS TO QUESTIONS

1. A T-account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.
LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: Knowledge AICPA AC: Reporting

2. Disagree. The terms debit and credit mean left and right respectively.
LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: Knowledge AICPA AC: Reporting

3. Pete is incorrect. The double-entry system merely records the dual effect of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.
LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: Knowledge AICPA AC: Reporting

4. Melissa is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

5. (a) Asset accounts are increased by debits and decreased by credits.
(b) Liability accounts are decreased by debits and increased by credits.
(c) Revenues and share capital are increased by credits and decreased by debits. Expenses and dividends are increased by debits and decreased by credits.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

6. (a) Accounts Receivable—debit balance.
(b) Cash—debit balance.
(c) Dividends—debit balance.
(d) Accounts Payable—credit balance.
(e) Service Revenue—credit balance.
(f) Salaries and Wages Expense—debit balance.
(g) Share Capital—Ordinary—credit balance.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

7. (a) Accounts Receivable—asset—debit balance.
(b) Accounts Payable—liability—credit balance
(c) Equipment—asset—debit balance.
(d) Dividends—equity—debit balance.
(e) Supplies—asset—debit balance.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

8. (a) Debit Supplies and credit Accounts Payable.
(b) Debit Cash and credit Notes Payable.
(c) Debit Salaries and Wages Expense and credit Cash.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

9. (1) Cash—both debit and credit entries.
(2) Accounts Receivable—both debit and credit entries.
(3) Dividends—debit entries only.
(4) Accounts Payable—both debit and credit entries.
(5) Salaries and Wages Expense—debit entries only.
(6) Service Revenue—credit entries only.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

10. The basic steps in the recording process are:
(1) Analyze each transaction for its effect on the accounts.
(2) Enter the transaction information in a journal.
(3) Transfer the journal information to the appropriate accounts in the ledger.

LO 2 BT: K Difficulty: Easy TOT: 1 min. AACSB: Knowledge AICPA AC: Reporting

11. The advantages of using the journal in the recording process are:
(1) It discloses in one place the complete effects of a transaction.
(2) It provides a chronological record of all transactions.
(3) It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

12. (a) The debit should be entered first.
(b) The credit should be indented.

LO 2 BT: C Difficulty: Easy TOT: 1 min. AACSB: Knowledge AICPA AC: Reporting

13. When three or more accounts are required in one journal entry, the entry is referred to as a compound entry. An example of a compound entry is the purchase of equipment, part of which is paid for with cash and the remainder is on account.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

14. (a) No, debits and credits should not be recorded directly in the ledger.
(b) The advantages of using the journal are:
1. It discloses in one place the complete effects of a transaction.
2. It provides a chronological record of all transactions.
3. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

15. The advantage of the last step in the posting process is to indicate that the item has been posted.

LO 3 BT: K Difficulty: Easy TOT: 1 min. AACSB: Knowledge AICPA AC: Reporting

16.

		Debit	Credit
(a)	Cash	7,000	
	Share Capital—Ordinary		7,000
	(Invested cash in the business)		
(b)	Prepaid Insurance	800	
	Cash		800
	(Paid one-year insurance policy)		

(c)	Supplies	2,000	
	Accounts Payable		2,000
	(Purchased supplies on account)		
(d)	Cash	8,500	
	Service Revenue		8,500
	(Received cash for services performed)		

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA AC: Reporting

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and equity accounts, is referred to collectively as the ledger.
(b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

LO 3 BT: C Difficulty: Easy TOT: 3 min. AACSB: Knowledge AICPA AC: Reporting

18. A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements.

LO 4 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

19. No, Victor is not correct. The proper sequence is as follows:
(b) Business transaction occurs.
(c) Information entered in the journal.
(a) Debits and credits posted to the ledger.
(e) Trial balance is prepared.
(d) Financial statements are prepared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

20. (a) The trial balance would balance.
(b) The trial balance would not balance.

LO 4 BT: AN Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA AC: Reporting

21. The normal balances are Cash debit, Accounts Payable credit, and Interest Expense debit.

LO 1 BT: K Difficulty: Easy TOT: 2 min. AACSB: Knowledge AICPA AC: Reporting

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 2.1

		(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1.	Accounts Payable	Decrease	Increase	Credit
2.	Advertising Expense	Increase	Decrease	Debit
3.	Service Revenue	Decrease	Increase	Credit
4.	Accounts Receivable	Increase	Decrease	Debit
5.	Share Capital—Ordinary	Decrease	Increase	Credit
6.	Dividends	Increase	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: Knowledge AICPA AC: Reporting

BRIEF EXERCISE 2.2

		Account Debited	Account Credited
June	1	Cash	Share Capital—Ordinary
	2	Equipment	Accounts Payable
	3	Rent Expense	Cash
	12	Accounts Receivable	Service Revenue

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: Knowledge AICPA AC: Reporting

BRIEF EXERCISE 2.3

June	1	Cash	5,000	
		Share Capital—Ordinary		5,000
	2	Equipment	3,600	
		Accounts Payable		3,600
	3	Rent Expense	800	
		Cash		800
	12	Accounts Receivable	400	
		Service Revenue		400

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA AC: Reporting

BRIEF EXERCISE 2.4

The basic steps in the recording process are:

1. **Analyze each transaction. In this step, business documents are examined to determine the effects of the transaction on the accounts.**

2. **Enter each transaction in a journal. This step is called journalizing and it results in making a chronological record of the transactions.**

3. **Transfer journal information to ledger accounts. This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.**

LO 2 BT: C Difficulty: Moderate TOT: 5 min. AACSB: Knowledge AICPA AC: Reporting

BRIEF EXERCISE 2.5

		(a) Effect on Accounting Equation	(b) Debit-Credit Analysis
Aug.	1	The asset Cash is increased; the equity account Share Capital—Ordinary is increased.	Debits increase assets: debit Cash R$9,000. Credits increase equity: credit Share Capital—Ordinary R$9,000.
	4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance R$2,100. Credits decrease assets: credit Cash R$2,100.
	16	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash R$3,600. Credits increase revenues: credit Service Revenue R$3,600.
	27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense R$1,000. Credits decrease assets: credit Cash R$1,000.

LO 1 BT: C Difficulty: Moderate TOT: 6 min. AACSB: Knowledge AICPA AC: Reporting

BRIEF EXERCISE 2.6

Aug. 1	Cash		9,000	
		Share Capital—Ordinary		9,000
4	Prepaid Insurance		2,100	
		Cash		2,100
16	Cash		3,600	
		Service Revenue		3,600
27	Salaries and Wages Expense		1,000	
		Cash		1,000

LO 2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA AC: Reporting

BRIEF EXERCISE 2.7

Cash

5/12	4,200		
5/15	3,000		
Ending Bal.	7,200		

Service Revenue

		5/5	5,400
		5/15	3,000
		Ending Bal.	8,400

Accounts Receivable

5/5	5,400	5/12	4,200
Ending Bal.	1,200		

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA AC: Reporting

BRIEF EXERCISE 2.8

Cash

Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1	4,200		4,200
15		J1	3,000		7,200

BRIEF EXERCISE 2.8 (Continued)

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,400		5,400
12		J1		4,200	1,200

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,400	5,400
15		J1		3,000	8,400

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA AC: Reporting

BRIEF EXERCISE 2.9

AMARO COMPANY
Trial Balance
June 30, 2025

	Debit	Credit
Cash	$ 5,800	
Accounts Receivable	3,000	
Equipment	17,000	
Accounts Payable		$ 8,100
Share Capital—Ordinary		15,000
Dividends	1,200	
Service Revenue		10,000
Salaries and Wages Expense	5,100	
Rent Expense	1,000	
	$33,100	$33,100

(Credit tot. = Accts. pay. + Sh. cap.-ord. + Serv. rev.)

LO 4 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA AC: Reporting

BRIEF EXERCISE 2.10

CHANG LTD.
Trial Balance
December 31, 2025

	Debit	Credit
Cash	£10,600	
Prepaid Insurance	3,500	
Accounts Payable		£ 3,000
Unearned Service Revenue		2,200
Share Capital—Ordinary		9,000
Dividends	4,500	
Service Revenue		25,400
Salaries and Wages Expense	18,600	
Rent Expense	2,400	
	£39,600	£39,600

(Credit tot. = Accts. pay. + Unearn. serv. rev. + Sh. cap.-ord. + Serv. rev.)
LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA AC: Reporting

SOLUTIONS FOR DO IT! EXERCISES

DO IT! 2.1

Tom would likely need the following accounts in which to record the transactions necessary to ready his photography studio for opening day:

Cash (debit balance)	**Equipment (debit balance)**
Supplies (debit balance)	**Accounts Payable (credit balance)**
Notes Payable (credit balance)	**Share Capital—Ordinary (credit balance)**

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: Knowledge AICPA AC: Reporting

DO IT! 2.2

Each transaction that is recorded is entered in the general journal. The three activities would be recorded as follows:

1.	**Cash ....**	**6,500**	
	Share Capital—Ordinary		**6,500**
2.	**Supplies ....**	**1,200**	
	Cash...		**400**
	Accounts Payable.............................		**800**
3.	**No entry because no transaction has occurred.**		

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA AC: Reporting

DO IT! 2.3

Cash			
4/1	1,600	4/16	700
4/3	3,400	4/20	250
4/30	4,050		

LO 3 BT: AP Difficulty: Easy TOT: 3 min. AACSB: Analytic AICPA AC: Reporting

DO IT! 2.4

CHILLIN COMPANY
Trial Balance
December 31, 2025

	Debit	Credit
Cash	R$ 6,000	
Accounts Receivable	8,000	
Supplies	7,000	
Equipment	80,000	
Notes Payable		R$ 20,000
Accounts Payable		11,000
Salaries and Wages Payable		3,000
Share Capital—Ordinary		28,000
Dividends	9,000	
Service Revenue		90,000
Rent Expense	4,000	
Salaries and Wages Expense	38,000	
	R$152,000	R$152,000

LO 4 BT: AP Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA AC: Reporting

SOLUTIONS TO EXERCISES

EXERCISE 2.1

1. **False. An account is an accounting record of a specific asset, liability, *or equity item*.**

2. **False. An account shows *increases and decreases* in the item it relates to.**

3. **False. Each asset, liability, and equity item *has a separate account*.**

4. **False. An account has a left, or *debit* side, and a right, or *credit* side.**

5. **True.**

LO 1 BT: K Difficulty: Easy TOT: 3 min. AACSB: Knowledge AICPA AC: Reporting

EXERCISE 2.2

Transaction	Account Debited (a) Basic Type	Account Debited (b) Specific Account	Account Debited (c) Effect	Account Debited (d) Normal Balance	Account Credited (a) Basic Type	Account Credited (b) Specific Account	Account Credited (c) Effect	Account Credited (d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Equity	Share Capital—Ordinary	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Equity	Service Revenue	Increase	Credit
16	Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 10 min. AACSB: Knowledge AICPA AC: Reporting

EXERCISE 2.3

General Journal — J1

Date		Account Titles	Ref.	Debit	Credit
Jan.	2	Cash		10,000	
		Share Capital—Ordinary			10,000
	3	Equipment		3,000	
		Cash			3,000
	9	Supplies		600	
		Accounts Payable			600
	11	Accounts Receivable		2,400	
		Service Revenue			2,400
	16	Advertising Expense		350	
		Cash			350
	20	Cash		900	
		Accounts Receivable			900
	23	Accounts Payable		300	
		Cash			300
	28	Dividends		1,000	
		Cash			1,000

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.4

Oct. 1 Debits increase assets: debit Cash HK$17,000.
Credits increase equity: credit Share Capital—Ordinary HK$17,000.

2 No transaction.

3 Debits increase assets: debit Supplies HK$1,900.
Credits increase liabilities: credit Accounts Payable HK$1,900.

EXERCISE 2.4 (Continued)

Oct. 6 Debits increase assets: debit Accounts Receivable HK$3,800.
Credits increase revenues: credit Service Revenue HK$3,800.

27 Debits decrease liabilities: debit Accounts Payable HK$1,300.
Credits decrease assets: credit Cash HK$1,300.

30 Debits increase expenses: debit Salaries and Wages Expense HK$2,500.
Credits decrease assets: credit Cash HK$2,500.

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: Knowledge AICPA AC: Reporting

EXERCISE 2.5

General Journal

Date		Account Titles	Ref.	Debit	Credit
Oct.	1	Cash		17,000	
		Share Capital—Ordinary			17,000
	2	No entry.			
	3	Supplies		1,900	
		Accounts Payable			1,900
	6	Accounts Receivable		3,800	
		Service Revenue			3,800
	27	Accounts Payable		1,300	
		Cash			1,300
	30	Salaries and Wages Expense		2,500	
		Cash			2,500

LO 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.6

(a) 1. Increase the asset Cash, increase the liability Notes Payable.
2. Increase the asset Equipment, decrease the asset Cash.
3. Increase the asset Supplies, increase the liability Accounts Payable.

(b)

1.	Cash	5,000	
	Notes Payable		5,000
2.	Equipment	3,900	
	Cash		3,900
3.	Supplies	650	
	Accounts Payable		650

LO 1, 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.7

(a)

	Assets	= Liabilities + Equity	
1.	+	+	(Investment)
2.	–	–	(Expense)
3.	+	+	(Revenue)
4.	–	–	(Dividends)

(b)

1.	Cash	40,000	
	Share Capital—Ordinary		40,000
2.	Rent Expense	8,400	
	Cash		8,400
3.	Accounts Receivable	52,000	
	Service Revenue		52,000
4.	Dividends	7,500	
	Cash		7,500

LO 1, 2 BT: AP Difficulty: Easy TOT: 8min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.8

General Journal

Date		Account Titles	Debit	Credit
March	1	Rent Expense	1,200	
		Cash		1,200
	3	Accounts Receivable	160	
		Service Revenue		160
	5	Cash	75	
		Service Revenue		75
	8	Equipment	600	
		Cash		90
		Accounts Payable		510
	12	Cash	160	
		Accounts Receivable		160
	14	Salaries and Wages Expense	525	
		Cash		525
	22	Utilities Expense	72	
		Cash		72
	24	Cash	1,500	
		Notes Payable		1,500
	27	Repairs Expense	220	
		Cash		220
	28	Accounts Payable	510	
		Cash		510
	30	Prepaid Insurance	1,800	
		Cash		1,800

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.9

Trans.	Account Titles	Debit	Credit
1.	Cash	24,000	
	Share Capital—Ordinary		24,000
2.	Cash	7,000	
	Notes Payable		7,000
3.	Equipment	11,000	
	Cash		11,000
4.	Rent Expense	1,200	
	Cash		1,200
5.	Supplies	1,450	
	Cash		1,450
6.	Advertising Expense	600	
	Accounts Payable		600
7.	Cash	2,000	
	Accounts Receivable	16,000	
	Service Revenue		18,000
8.	Dividends	400	
	Cash		400
9.	Utilities Expense	2,000	
	Cash		2,000
10.	Accounts Payable	600	
	Cash		600
11.	Interest Expense	40	
	Cash		40
12.	Salaries and Wages Expense	6,400	
	Cash		6,400
13.	Cash	12,000	
	Accounts Receivable		12,000

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.10

1. **False. The general ledger contains all the asset, liability, *and equity* accounts.**
2. **True.**
3. **False. The accounts in the general ledger are arranged in *financial statement order:* first the assets, then the liabilities, share capital, dividends, revenues, and expenses.**
4. **True.**
5. **False. The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.**

LO 3 BT: C Difficulty: Easy TOT: 4 min. AACSB: Knowledge AICPA AC: Reporting

EXERCISE 2.11

(a)

Cash

Aug. 1	5,000	Aug. 12	2,300
10	2,600		
31	900		
Bal.	6,200		

Accounts Receivable

Aug. 25	1,700	Aug. 31	900
Bal.	800		

Equipment

Aug. 12	5,000		

Notes Payable

		Aug. 12	2,700

Share Capital—Ordinary

		Aug. 1	5,000

Service Revenue

		Aug. 10	2,600
		25	1,700
		Bal.	4,300

EXERCISE 2.11 (Continued)

(b)

WONG CONSULTANTS
Trial Balance
August 31, 2025

	Debit	Credit
Cash	¥ 6,200	
Accounts Receivable	800	
Equipment	5,000	
Notes Payable		¥ 2,700
Share Capital—Ordinary		5,000
Service Revenue		4,300
	¥12,000	¥12,000

LO 3, 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.12

(a)

General Journal

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash		14,000	
	Share Capital—Ordinary			14,000
	(Shareholder's investment of cash in business)			
12	Cash		900	
	Service Revenue			900
	(Received cash for services performed)			
15	Salaries and Wages Expense		1,300	
	Cash			1,300
	(Paid salaries to date)			
25	Accounts Payable		1,500	
	Cash			1,500
	(Paid creditors on account)			
29	Cash		400	
	Accounts Receivable			400
	(Rec'd cash in payment of account)			
30	Cash		1,000	
	Unearned Service Revenue			1,000
	(Received cash for future services)			

EXERCISE 2.12 (Continued)

(b)

NEGRETE LANDSCAPING
Trial Balance
April 30, 2025

	Debit	Credit
Cash	€13,500	
Accounts Receivable	2,600	
Supplies	1,800	
Accounts Payable		€ 300
Unearned Service Revenue		1,000
Share Capital—Ordinary		14,000
Service Revenue		3,900
Salaries and Wages Expense	1,300	
	€19,200	€19,200

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Sh. cap.-ord. + Serv. rev.)
LO 2, 4 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.13

(a)

Date	Account	Debit	Credit
Oct. 1	Cash	3,000	
	Share Capital—Ordinary		3,000
	(Shareholder's investment of cash in business)		
10	Cash	750	
	Service Revenue		750
	(Received cash for services performed)		
10	Cash	4,000	
	Notes Payable		4,000
	(Obtained loan from bank)		
20	Cash	500	
	Accounts Receivable		500
	(Received cash in payment of account)		
20	Accounts Receivable	940	
	Service Revenue		940
	(Billed clients for services performed)		

EXERCISE 2.13 (Continued)

(b)

SHUMWAY CO.
Trial Balance
October 31, 2025

	Debit	Credit
Cash	¥ 7,200	
Accounts Receivable	1,240	
Supplies	400	
Equipment	2,000	
Notes Payable		¥ 4,000
Accounts Payable		500
Share Capital—Ordinary		5,000
Dividends	300	
Service Revenue		2,490
Salaries and Wages Expense	500	
Rent Expense	350	
	¥11,990	¥11,990

(Tot. credits = Notes pay. + Accts. pay. + Sh. cap.-ord. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.14

(a)

General Journal J1

Date	Account Titles	Ref.	Debit	Credit
Sept. 1	Cash	101	10,000	
	Share Capital—Ordinary	311		10,000
5	Equipment	157	14,000	
	Cash	101		4,000
	Accounts Payable	201		10,000
25	Accounts Payable	201	3,000	
	Cash	101		3,000
30	Dividends	332	900	
	Cash	101		900

EXERCISE 2.14 (Continued)

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	10,000		10,000
5		J1		4,000	6,000
25		J1		3,000	3,000
30		J1		900	2,100

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	14,000		14,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		10,000	10,000
25		J1	3,000		7,000

Share Capital—Ordinary **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		10,000	10,000

Dividends **No. 332**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	900		900

LO 2, 3 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.15

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	$525	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	415	Credit
5.	Yes	—	—
6.	No	27	Debit

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.16

OVERNITE DELIVERY SERVICE
Trial Balance
July 31, 2025

	Debit	Credit
Cash (¥74,819 – Debit total without Cash ¥62,338) .	¥12,481	
Accounts Receivable	7,640	
Prepaid Insurance	1,968	
Equipment	45,360	
Notes Payable		¥17,000
Accounts Payable		8,394
Salaries and Wages Payable		815
Share Capital—Ordinary		38,000
Dividends	700	
Service Revenue		10,610
Salaries and Wages Expense	4,428	
Maintenance and Repairs Expense	961	
Gasoline Expense	758	
Utilities Expense	523	
	¥74,819	¥74,819

LO 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA AC: Reporting

EXERCISE 2.17
(a)

Date		Account Titles	Debit	Credit
Oct.	1	Cash	66,000	
		Share Capital—Ordinary		66,000
	2	No entry		
	4	Rent Expense	2,000	
		Cash		2,000
	7	Equipment	18,000	
		Cash		4,000
		Accounts Payable		14,000
	8	Advertising Expense	500	
		Cash		500
	10	Maintenance and Repairs Expense	390	
		Accounts Payable		390
	12	Accounts Receivable	3,200	
		Service Revenue		3,200
	16	Supplies	410	
		Accounts Payable		410
	21	Accounts Payable	14,000	
		Cash		14,000
	24	Utilities Expense	148	
		Cash		148
	27	Cash	3,200	
		Accounts Receivable		3,200
	31	Salaries and Wages Expense	5,100	
		Cash		5,100

EXERCISE 2.17 (Continued)

(b)

Cash

10/1	66,000	10/4	2,000
10/27	3,200	10/7	4,000
		10/8	500
		10/21	14,000
		10/24	148
		10/31	5,100
Bal.	43,452		

Accounts Receivable

10/12	3,200	10/27	3,200

Supplies

10/16	410		
Bal.	410		

Equipment

10/7	18,000		
Bal.	18,000		

Accounts Payable

10/21	14,000	10/7	14,000
		10/10	390
		10/16	410
		Bal.	800

Share Capital—Ordinary

		10/1	66,000
		Bal.	66,000

Service Revenue

		10/12	3,200
		Bal.	3,200

Advertising Expense

10/8	500		
Bal.	500		

Salaries and Wages Expense

10/31	5,100		
Bal.	5,100		

Maintenance & Repairs Expense

10/10	390		
Bal.	390		

Rent Expense

10/4	2,000		
Bal.	2,000		

Utilities Expense

10/24	148		
Bal.	148		

EXERCISE 2.17 (Continued)

(c)

BEYERS SECURITY
Trial Balance
October 31, 2025

	Debit	Credit
Cash	$43,452	
Supplies	410	
Equipment	18,000	
Accounts Payable		$ 800
Share Capital—Ordinary		66,000
Service Revenue		3,200
Advertising Expense	500	
Salaries and Wages Expense	5,100	
Maintenance and Repairs Expense	390	
Rent Expense	2,000	
Utilities Expense	148	
	$70,000	$70,000

(Tot. credits = Accts. pay. + Sh. cap.-ord. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Hard TOT: 20 min. AACSB: Analytic AICPA AC: Reporting

SOLUTIONS TO PROBLEMS

PROBLEM 2.1

J1

Date		Account Titles and Explanation	Ref.	Debit	Credit
Mar.	1	Cash		20,000	
		Share Capital—Ordinary			20,000
		(Owner's investment of cash in business)			
	3	Land		12,000	
		Buildings		2,000	
		Equipment		1,000	
		Cash			15,000
		(Purchased Rainbow's Golf Land)			
	5	Advertising Expense		900	
		Cash			900
		(Paid for advertising)			
	6	Prepaid Insurance		600	
		Cash			600
		(Paid for one-year insurance policy)			
	10	Equipment		1,050	
		Accounts Payable			1,050
		(Purchased equipment on account)			
	18	Cash		1,100	
		Service Revenue			1,100
		(Received cash for services performed)			
	19	Cash		1,500	
		Unearned Service Revenue			1,500
		(Received cash for coupon books sold)			

PROBLEM 2.1 (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Dividends		800	
	Cash			800
	(Paid cash for dividend)			
30	Salaries and Wages Expense		250	
	Cash			250
	(Paid salaries)			
30	Accounts Payable		1,050	
	Cash			1,050
	(Paid creditor on account)			
31	Cash		2,700	
	Service Revenue			2,700
	(Received cash for services performed)			

LO 1, 2 BT: AP Difficulty: Easy TOT: 25 min. AACSB: Analytic AICPA AC: Reporting

PROBLEM 2.2

(a)

J1

Date		Account Titles and Explanation	Ref.	Debit	Credit
Apr.	1	Cash	101	20,000	
		Share Capital—Ordinary	311		20,000
		(Shareholder's investment of cash in business)			
	1	No entry—not a transaction.			
	2	Rent Expense	729	1,100	
		Cash	101		1,100
		(Paid monthly office rent)			
	3	Supplies	126	4,000	
		Accounts Payable	201		4,000
		(Purchased supplies on account from Dazzle Company)			
	10	Accounts Receivable	112	5,100	
		Service Revenue	400		5,100
		(Billed clients for services performed)			
	11	Cash	101	1,000	
		Unearned Service Revenue	209		1,000
		(Received cash for future service)			
	20	Cash	101	2,100	
		Service Revenue	400		2,100
		(Received cash for services performed)			
	30	Salaries and Wages Expense	726	2,800	
		Cash	101		2,800
		(Paid monthly salary)			

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 30	Accounts Payable............................	201	2,400	
	Cash..	101		2,400
	(Paid Dazzle Company on account)			

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	20,000		20,000
2		J1		1,100	18,900
11		J1	1,000		19,900
20		J1	2,100		22,000
30		J1		2,800	19,200
30		J1		2,400	16,800

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,100		5,100

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,000		4,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,000	4,000
30		J1	2,400		1,600

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,000	1,000

PROBLEM 2.2 (Continued)

Share Capital—Ordinary **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		20,000	20,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		5,100	5,100
20		J1		2,100	7,200

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,800		2,800

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,100		1,100

(c)

EMILY STANSBURY, DENTIST
Trial Balance
April 30, 2025

	Debit	Credit
Cash	€16,800	
Accounts Receivable	5,100	
Supplies	4,000	
Accounts Payable		€ 1,600
Unearned Service Revenue		1,000
Share Capital—Ordinary		20,000
Service Revenue		7,200
Salaries and Wages Expense	2,800	
Rent Expense	1,100	
	€29,800	€29,800

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Sh. cap.-ord. + Serv. rev.)

LO 1, 2,3,4 BT: AP Difficulty: Easy TOT: 35 min. AACSB: Analytic AICPA AC: Reporting

PROBLEM 2.3

(a)

Trans.	Account Titles	Debit	Credit
1.	Cash	40,000	
	Share Capital—Ordinary		40,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent	24,000	
	Cash		24,000
4.	Equipment	30,000	
	Cash		10,000
	Accounts Payable		20,000
5.	Prepaid Insurance	1,800	
	Cash		1,800
6.	Supplies	420	
	Cash		420
7.	Supplies	1,500	
	Accounts Payable		1,500
8.	Cash	8,000	
	Accounts Receivable	12,000	
	Service Revenue		20,000
9.	Accounts Payable	400	
	Cash		400
10.	Cash	3,000	
	Accounts Receivable		3,000
11.	Utilities Expense	380	
	Accounts Payable		380

PROBLEM 2.3 (Continued)

Trans.	Account Titles	Debit	Credit
12.	Salaries and Wages Expense	6,100	
	Cash		6,100

(b)

Cash

(1)	40,000		
		(3)	24,000
		(4)	10,000
		(5)	1,800
		(6)	420
(8)	8,000		
		(9)	400
(10)	3,000		
		(12)	6,100
	8,280		

Equipment

(4)	30,000		
	30,000		

Accounts Payable

		(4)	20,000
		(7)	1,500
(9)	400		
		(11)	380
			21,480

Accounts Receivable

(8)	12,000		
		(10)	3,000
	9,000		

Share Capital—Ordinary

		(1)	40,000
			40,000

Service Revenue

		(8)	20,000
			20,000

Supplies

(6)	420		
(7)	1,500		
	1,920		

Salaries and Wages Expense

(12)	6,100		
	6,100		

Prepaid Insurance

(5)	1,800		
	1,800		

Utilities Expense

(11)	380		
	380		

Prepaid Rent

(3)	24,000		
	24,000		

PROBLEM 2.3 (Continued)

(c)

KOCHI SERVICES
Trial Balance
May 31, 2025

	Debit	Credit
Cash	₹ 8,280	
Accounts Receivable	9,000	
Supplies	1,920	
Prepaid Insurance	1,800	
Prepaid Rent	24,000	
Equipment	30,000	
Accounts Payable		₹21,480
Share Capital—Ordinary		40,000
Service Revenue		20,000
Salaries and Wages Expense	6,100	
Utilities Expense	380	
	₹81,480	₹81,480

(Tot. credits = Accts. pay. + Sh. cap.-ord. + Ret. earn. + Serv. rev.)

LO 1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA AC: Reporting

PROBLEM 2.4

DE BORTOLI CO.
Trial Balance
June 30, 2025

	Debit	Credit
Cash ($3,340 + $270)	$ 3,610	
Accounts Receivable ($2,812 – $270)	2,542	
Supplies ($1,200 – $710)	490	
Equipment ($2,600 + $710)	3,310	
Accounts Payable ($3,666 – $306 – $360)		$ 3,000
Unearned Service Revenue		1,100
Share Capital—Ordinary		8,000
Dividends ($800 + $600)	1,400	
Service Revenue ($2,480 + $882)		3,362
Salaries and Wages Expense ($3,200 + $700 – $600)	3,300	
Utilities Expense	810	
	$15,462	$15,462

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Sh. cap.-ord. + Serv. rev.)

(Tot. credits = $3,000 + $1,100 + $8,000 + $3,362)

LO 4 BT: AN Difficulty: Moderate TOT: 35 min. AACSB: Analytic AICPA AC: Reporting

PROBLEM 2.5

(a) & (c)

Cash — No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			3,000
2		J1		1,500	1,500
9		J1	4,300		5,800
10		J1		4,100	1,700
12		J1		900	800
20		J1	5,000		5,800
20		J1		2,000	3,800
31		J1		3,100	700
31		J1	450		1,150
31		J1	9,000		10,150

Accounts Receivable — No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	450		450

Land — No. 140

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			24,000

Buildings — No. 145

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

Equipment — No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

Accounts Payable — **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			7,000
2		J1		2,000	9,000
10		J1	4,100		4,900

Share Capital—Ordinary — **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			40,000

Service Revenue — **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		4,300	4,300
20		J1		5,000	9,300
31		J1		9,000	18,300

Rent Revenue — **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		900	900

Advertising Expense — **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	900		900

Salaries and Wages Expense — **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	3,100		3,100

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	3,500		3,500
20		J1	2,000		5,500

(b)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 2	Rent Expense	729	3,500	
	Accounts Payable	201		2,000
	Cash	101		1,500
	(Rented films for cash and on account)			
3	No entry.			
9	Cash	101	4,300	
	Service Revenue	400		4,300
	(Received cash for services performed)			
10	Accounts Payable (₩2,000 + ₩2,100)	201	4,100	
	Cash	101		4,100
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense	610	900	
	Cash	101		900
	(Paid advertising expense)			
20	Cash	101	5,000	
	Service Revenue	400		5,000
	(Received cash for services performed)			
20	Rent Expense	729	2,000	
	Cash	101		2,000
	(Paid film rental)			

PROBLEM 2.5 (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Salaries and Wages Expense	726	3,100	
	Cash	101		3,100
	(Paid salaries expense)			
31	Cash	101	450	
	Accounts Receivable	112	450	
	Rent Revenue	429		900
	(15% X ₩6,000)			
	(Received cash and balance on account for rent revenue)			
31	Cash	101	9,000	
	Service Revenue	400		9,000
	(Received cash for services performed)			

(d)

SUN THEATER
Trial Balance
March 31, 2025

	Debit	Credit
Cash	₩10,150	
Accounts Receivable	450	
Land..	24,000	
Buildings..	10,000	
Equipment..	10,000	
Accounts Payable..		₩ 4,900
Share Capital—Ordinary		40,000
Service Revenue..		18,300
Rent Revenue		900
Advertising Expense	900	
Salaries and Wages Expense	3,100	
Rent Expense..	5,500	
	₩64,100	₩64,100

(Tot. credits = Accts. pay. + Sh. cap.-ord. + Serv. rev. + Rent rev.)
LO 1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA AC: Reporting

CT2.1 FINANCIAL REPORTING PROBLEM

(a)

Account	(1) Increase Side	(1) Decrease Side	(2) Normal Balance
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Property, Plant, and Equipment	Debit	Credit	Debit
Income Tax Payable	Credit	Debit	Credit
Interest Expense (Finance Cost)	Debit	Credit	Debit
Inventories	Debit	Credit	Debit

(b) 1. Cash is increased.
2. Cash is decreased.
3. Cash is decreased or Accounts Payable is increased.

(c) 1. Cash is decreased or Interest Payable is increased.
2. Cash is decreased or Notes or Mortgage Payable is increased.

LO 1 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA AC: Reporting

CT2.2 COMPARATIVE ANALYSIS PROBLEM

(a)

Nestlé			Delfi Limited		
1.	Inventories:	debit	1.	Accounts (Trade) Receivable:	debit
2.	Property, Plant, and Equipment:	debit	2.	Cash and Cash Equivalents:	debit
3.	Accounts (Trade) Payable:	credit	3.	Cost of Sales (Expense):	debit
4.	Interest Expense (Finance Cost):	debit	4.	Sales (Revenue)	credit

(b) The following other accounts are ordinarily involved:

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).

2. Decrease in Salaries and Wages Payable: Cash is decreased (credited).

3. Increase in Property, Plant, and Equipment: Notes Payable is increased (credited) or Cash is decreased (credited).

4. Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA AC: Reporting

CT2.3 REAL-WORLD FOCUS

The answer is dependent upon the company selected by the student.

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA AC: Technology & Tools AICPA PC: Communication

CT2.4 DECISION–MAKING ACROSS THE ORGANIZATION

(a)

May 1	Correct.		
5	Cash	250	
	Lesson Revenue		250
7	Cash	500	
	Unearned Boarding Revenue		500
14	Office Equipment	800	
	Cash		800
15	Dividends	440	
	Cash		440
20	Cash	184	
	Riding Revenue		184
30	Correct.		
31	Hay and Feed Supplies	1,500	
	Accounts Payable		1,500

(b) The error in the May 20 entry would prevent the trial balance from balancing.

(c)

Net income as reported		£4,600
Add: 5/15, Salaries expense (Dividends paid)	£ 440	
5/31, Hay and feed expense (still on hand)	1,500	1,940
		6,540
Less: 5/7, Boarding revenue unearned		500
Correct net income		£6,040

(d)

Cash as reported		£12,475
Add: 5/20, Transposition error	£ 36	
5/31, Purchase on account	1,500	1,536
Correct cash balance		£14,011

LO 2, 4 BT: AN Difficulty: Hard TOT: 45 min. AACSB: Analytic AICPA AC: Reporting

CT2.5	COMMUNICATION ACTIVITY

Date: May 25, 2025

To: Accounting Instructor

From: Student

In the first transaction, bills totaling €6,000 were sent to customers for services performed. Therefore, the asset Accounts Receivable is increased €6,000 and the revenue Service Revenue is increased €6,000. Debits increase assets and credits increase revenues, so the journal entry is:

Accounts Receivable..	6,000	
Service Revenue..		6,000
(Bill customers for services performed)		

The €6,000 amount is then posted to the debit side of the general ledger account Accounts Receivable and to the credit side of the general ledger account Service Revenue.

In the second transaction, €2,000 was paid in salaries to employees. Therefore, the expense Salaries and Wages Expense is increased €2,000 and the asset Cash is decreased €2,000. Debits increase expenses and credits decrease assets, so the journal entry is:

Salaries and Wages Expense..	2,000	
Cash...		2,000
(Salaries paid)		

The €2,000 amount is then posted to the debit side of the general ledger account Salaries and Wages Expense and to the credit side of the general ledger account Cash.

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic, Communication AICPA AC: Reporting AICPA PC: Communication

CT2.6	ETHICS CASE

(a) The stakeholders in this situation are:

- **Ellynn Kole, assistant chief accountant.**
- **Users of the company's financial statements.**
- **Doman Circuits.**

(b) By adding €1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by €1,000. If the amount of €1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Ellynn's action might not be considered unethical in the preparation of interim financial statements. However, if Ellynn is violating a company accounting policy by her action, then she is acting unethically.

(c) Ellynn's alternatives are:

1. **Miss the deadline but find the error causing the imbalance.**

2. **Tell her supervisor of the imbalance and suffer the consequences.**

3. **Do as she did and locate the error later, making the adjustment in the next quarter.**

LO 4 BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Ethical Conduct

CT2.7	ETHICS CASE

The decision whether to fire Mr. Ling was the responsibility of the company's board of directors, which is elected by the company's shareholders to oversee management. The board initially announced its support for the CEO. After further investigation, the board encouraged Mr. Ling to resign, which he did. In contrast, when Bausch & Lomb's CEO offered to resign in a similar situation, the company's board refused to accept his resignation. Board members stated that they felt he was still the best person for the position.

The company says that although it did a reference check at the time of Mr. Ling hiring, it did not check his educational credentials. Under the Sarbanes-Oxley Act companies must now perform thorough background checks as part of a check of internal controls. The bottom line: Your résumé must be a fair and accurate depiction of your past.

LO N/A BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Ethical Conduct

CT2.8 ALL ABOUT YOU

(a) **Students' responses to this question will vary. It is important that the steps that they identify be as specific as possible, and clearly directed toward achieving their goal. You may wish to ask a follow-up question asking them to explain how each step will assist them in achieving their goal.**

(b) **There are many sites on the Internet that provide information about preparing a résumé. For example, you can find extensive resources at: http://www.rileyguide.com/resprep.html. Many schools also have resources in their placement centers or writing labs. The Writing Center at Rensselaer Polytechnic Institute provides useful, concise information on its website at http://www.ccp.rpi.edu/resources/careers-and-graduate-school/resumes. A wide variety of sample résumés can be found.**

(c) **It is important to provide accurate and complete documentation of all relevant training, education, and employment experiences so as to provide assurance to the potential employer, and also to enable that employer to do follow-up work. If you say you have certain skills, such as computer skills, try to substantiate the claim with recognized proof of proficiency. Make sure that all addresses and phone numbers are accurate and up-to-date. Also, ensure that the people you use as references have a copy of your résumé and cover letter, and that they are informed that you are interviewing so they know to expect a call.**

(d) **See the sample résumés provided in the websites above for various format options. You might also mention to students that there are electronic résumé templates available on the Internet.**

LO N/A BT: E Difficulty: Moderate TOT: 45 min. AACSB: Communication, Reflective Thinking AICPA PC: Communication

CT2.9 CONSIDERING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING

(a) The existence of three different forms of certification would most likely create confusion for coffee purchasers. It would be difficult to know what aspects of the coffee growing process each certification covered. Similarly, if there were multiple groups that certified financial statements, each with different criteria, it would be difficult for financial statement users to know what each certification promised.

(b) The Starbucks certification appears to be the most common in that area. It has the advantage of having a direct link to the Starbucks coffee market. Although it does not guarantee that Starbucks will buy its coffee, it is a requirement that must be met before Starbucks will buy somebody's coffee. Note that the article states that the Starbucks certification "incorporates elements of social responsibility and environmental leadership, but quality of coffee is the first criteria." The Smithsonian Bird Friendly is considered to have the strictest requirements and, as a result, appears to be the least common.

(c) The certifications have multiple objectives including organic farming as a means to protect bird species, biodiversity and wildlife habitat. Some included requirements are to improve workers' living conditions, such as providing running water in worker housing, child labor regulations and education requirements. As mentioned above, the Starbucks certification has the potential financial benefit of making Starbucks a potential customer, which can stabilize farmers' earnings. Certifications can also be financially beneficial because companies can benefit from the positive public relations effects of either producing or buying coffee produced using sustainable practices.

LO N/A BT: S Difficulty: Moderate TOT: 40 min. AACSB: Communication, Technology AICPA AC: Technology & Tools AICPA PC: Communication

GAAP EXERCISE

GAAP2.1

In deciding whether the U.S. should adopt IFRS, the SEC should consider the following.

- **Whether IFRS is sufficiently developed and consistent in application**
- **Whether the IASB is sufficiently independent**
- **Whether IFRS is established for the benefit to investors**
- **The issues involved in educating investors about IFRS**
- **The impact of a switch to IFRS on U.S. laws and regulations**
- **The impact on companies including changes to their accounting systems, contractual arrangements, corporate governance, and litigation**
- **The issues involved in educating accountants, so they can prepare statements under IFRS**

LO 5 BT: C Difficulty: Easy TOT: 5 min. AACSB: Knowledge, Diversity AICPA AC: Reporting AICPA BC: Global and Industry Perspectives

GAAP FINANCIAL REPORTING PROBLEM

GAAP2.2

(a)

	(1)		(2)
	Increase Side	Decrease Side	Normal Balance
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Buildings	Debit	Credit	Debit
Inventories	Debit	Credit	Debit
Net Sales	Credit	Debit	Credit
Research and Development	Debit	Credit	Debit

(b) The following other accounts are ordinarily involved:

1. Accounts Receivable is decreased: Cash is increased (debited).

2. Accounts Payable is decreased: Cash is decreased (credited).

3. Inventories is increased: Cash is decreased (credited) or Accounts Payable is increased (credited).

LO 5 BT: C Difficulty: Easy TOT: 10 min. AACSB: Knowledge, Diversity AICPA AC: Reporting AICPA BC: Global and Industry Perspectives