Learning Objective 1:

Explain the accounting cycle.

Summary

The steps in preparing financial statements for users repeated each reporting period.

Learning Objective 2:

Explain the steps in processing transactions.

Summary

The accounting cycle captures business transactions and events, analyzes and records their effects, and summarizes and prepares information useful in making decisions. Transactions and events are the starting points in the accounting cycle. Source documents help in analyzing them. The effects of transactions and events are recorded in the accounting books. Postings and the trial balance help summarize and classify these effects. The final step is providing this information in useful reports or financial statements to decision makers.

Learning Objective 3:

Describe source documents and their purpose.

Summary

Source documents are business papers that identify and describe transactions and events. Examples are sales invoices, cheques, purchase orders, bills, and bank statements. Source documents help ensure accounting records include all transactions. They also help prevent mistakes and theft, and are important to internal control. Source documents provide objective evidence making information more reliable and useful.

Learning Objective 4:

Describe an account and its use in recording information about transactions.

Summary

An account is a detailed record of increases and decreases in a specific asset, liability, or equity item. Information is taken from accounts, analyzed, summarized, and presented in useful reports and financial statements for users.
**Learning Objective 5:**

Describe a ledger and a chart of accounts.

**Summary**

A ledger is a record containing all accounts used by a company. This is what is referred to as the books. The chart of accounts is a listing of all accounts and usually includes an identification number assigned to each account.

**Learning Objective 6:**

Define debits and credits and explain their role in double-entry accounting.

**Summary**

Debit refers to left, and credit refers to right. Debits increase assets, withdrawals and expenses, while credits decrease them. Credits increase liabilities, capital and revenues, while debits decrease them. Double-entry accounting means every transaction affects at least two accounts. The total amount debited must equal the total amount credited for each transaction. The system for recording debits and credits follows from the accounting equation. The debit side is the normal balance for assets, owner’s withdrawals, and expenses, and the credit side is the normal balance for liabilities, owner’s capital, and revenues.

**Learning Objective 7:**

Analyze the impact of transactions on accounts.

**Summary**

We analyze transactions using the concepts of double-entry accounting. This analysis is performed by determining a transaction’s effects on accounts. These effects are recorded in journals and posted to accounts in the ledger.

**Learning Objective 8:**

Record transactions in a journal and post entries to a ledger.

**Summary**

We record transactions in a journal to give a record of their effects. Each entry in a journal is posted to the accounts in the ledger. This provides information in accounts that is used to produce financial statements. Balance column ledger accounts are widely used and include columns for debits, credits and the account balance after each entry.

**Learning Objective 9:**

Prepare and explain the use of a trial balance.

**Summary**

A trial balance is a list of accounts in the ledger showing the debit and credit balances in separate columns. The trial balance is a convenient summary of the ledger’s contents and is useful in preparing financial statements. It reveals errors of the kind that produce unequal debit and credit account balances.
Chapter Outline

I. The Accounting Cycle
   A. Refers to the steps in preparing financial statements for users. The steps
      are repeated each reporting period. The steps are: analyze transactions,
      journalize, post, prepared unadjusted trial balance, adjust, prepare
      adjusted trial balance, prepare statements, close, and prepared post-
      closing trial balance.

II. Transactions and Documents
   A. Relies on source documents
      Source documents identify and describe transactions and events
      entering the business process. Examples are sales invoices, cheques,
      purchase orders, charges to customers, bills from suppliers, employee
      earnings records, and bank statements. Source documents provide
      objective evidence about transactions, making information more reliable
      and useful.
   B. Analyze transactions and events using the accounting equation to
      understand how they affect organization performance and financial
      position.
   C. Record, summarize and classify the effects in the accounting books.

III. Accounts and Double-Entry Accounting
   A. An account is a detailed record of increases and decreases in a specific
      asset, liability, or equity item.
   B. Separate accounts are kept for each type of asset, liability, and equity
      item. Examples of the different types of accounts are:
      1. Assets: are resources controlled by an organization that have
         current and future benefits. They have value and are used in the
         operations of the business to create revenue. Some asset accounts
         are:
            a. Cash: includes money and any form of exchange that a
               bank accepts for deposit.
            b. Accounts Receivables: recorded when services are
               performed for or goods are sold to customers in return for
               promises to pay in the future, transactions are on credit or
               on account.
            c. Note Receivable: or promissory note: an unconditional
               written promise to pay a definite sum of money on demand
               or on a defined future date.
d. Prepaid Expenses: asset account containing payments made for assets that are not used until later. As these assets are used up, the costs of the used assets become expenses. Examples are supplies, prepaid insurance, prepaid rent, and advance payments for services.
e. Equipment: Assets used in a business, such as computers, furniture, counters, and showcases.
f. Buildings: Space provided for use as a store, office, warehouse, or factory.
g. Land: Cost is separated from the cost of buildings to provide more useful information

2. Liabilities: are obligations to transfer assets or provide services to other entities. Some asset accounts are:
   a. Accounts payable: produced when purchases are made by a promise to pay later.
   b. Note payable: when an organization formally recognizes a promise to pay by signing a promissory note.
   c. Unearned revenues: a liability that is satisfied by delivering products or services in the future.

3. Equity accounts: include:
   a. Owner’s capital: owner’s investments recorded in an account identified by the owner’s name and the title Capital.
   b. Owner’s withdrawals: an account with the owner’s name and the word Withdrawals.
   c. Revenues and Expenses: revenues earned and expenses incurred for a period.

C. The ledger, is a record containing of all accounts used by a business. The chart of accounts is a list of all accounts used by a company.

D. A T-account is an informal tool used in showing the effects of transactions and events on specific accounts. Its shape looks like the letter T. The format includes:
   1. The account title on top, the left or debit side (Dr.), and the right or credit side (Cr.).
   2. Liabilities: Accounts Payable, Notes Payable, and Unearned Revenues.
   3. Equity: Owner’s Capital, Owner’s Withdrawals, Revenues and Expenses.
Chapter Outline

4. A T-account provides one side for recording in increases in the item and the other side for decreases. An account balance is the difference between the increases and decreases recorded in an account.

E. Double-entry accounting means every transaction affects and is recorded in at least two accounts. The total amount debited must equal the total amount credited. Therefore, the sum of the debits for all entries must equal the sum of the credits for all entries. The sum of the debit account balances must equal the sum of the credit account balances.

F. The system for recording debits and credits balances follows the accounting equation. The normal balance of each account refers to the debit or credit side where increases are recorded.

1. Assets are on the left side of the equation; therefore the left or debit side is the normal balance for assets. Increases in assets are debited to asset accounts. Decreases in assets are credited to asset accounts.

2. Liabilities and owner’s equity are on the right side; therefore the right or the credit side is the normal balance for liabilities and equity. Increases in liabilities and owner’s equity are credited, and decreases are debited.

3. Owner’s Investments, Owner’s Withdrawals, revenues, and expenses are changes in owner’s equity. Owner’s Investments and Revenues increase owner’s equity, and are credited. Withdrawals and expense accounts decrease owner’s equity, and are debited.

IV. Analyzing Transactions

Step one: analyze a transaction and its source document(s).

Step two: Apply double-entry accounting to identify the effect of a transaction on account balances.
### Chapter Outline

<table>
<thead>
<tr>
<th>V. Recording and Posting Transactions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. <strong>Journalizing</strong> is the process of recording transactions in a journal. Recording transactions in a journal avoid the potential for error and the difficulty in tracking mistakes. A general journal gives a complete record of each transaction in one place, linking directly the debits and credits for each transaction.</td>
<td></td>
</tr>
<tr>
<td>B. <strong>Posting</strong> is the process of transferring journal entry information from the journal to the ledger. <em>This step occurs only after debits and credits for each transaction are entered into a journal.</em></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VI. Trial Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. A trial balance is a list of accounts and their balances at a point in time. Account balances are reported in the debit or credit columns. The sum of debit account balances must equal the sum of credit account balances.</td>
</tr>
<tr>
<td>B. One purpose for preparing a trial balance is to test for the equality of the debit and credit account balances. Another reason is to simplify the task of preparing the financial statements.</td>
</tr>
<tr>
<td>C. When a trial balance does not balance, one or more errors exist (the columns are not equal), at least one error has occurred in one of the following steps:</td>
</tr>
<tr>
<td>1. preparing journal entries</td>
</tr>
<tr>
<td>2. posting entries to the ledger</td>
</tr>
<tr>
<td>3. computing account balances</td>
</tr>
<tr>
<td>4. copying account balances to the trial balance</td>
</tr>
<tr>
<td>5. totalling the trial balance columns.</td>
</tr>
<tr>
<td>Any errors must be found and corrected before preparing the financial statements.</td>
</tr>
</tbody>
</table>
VISUAL #2

THREE PARTS OF AN ACCOUNT

(1) ACCOUNT TITLE

<table>
<thead>
<tr>
<th>Left Side</th>
<th>Right Side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Called</td>
<td>called</td>
</tr>
</tbody>
</table>

(2) DEBIT | (3) CREDIT

Rules for using accounts

Accounts have balance sides (Debit or Credit)

To increase any account, use the balance side

To decrease any account, use the side opposite the balance

Finding account balances

If total debits = total credits, the account balance is zero.

If total debits are greater than total credits, the account has a debit balance equal to the difference of the two totals.

If total credits are greater than total debits, the account has a credit balance equal to the difference of the two totals.
REAL ACCOUNTS

ALL ACCOUNTS HAVE BALANCE SIDES

BALANCE SIDES FOR ASSETS, LIABILITIES, AND EQUITY ACCOUNTS ARE BASED ON THE SIDE OF EQUATION THEY ARE ON.

\[
\text{ASSETS} = \text{LIABILITIES + OWNER’S EQUITY}
\]

are on the \underline{LEFT-SIDE BALANCE} are on the \underline{RIGHT-SIDE BALANCE}

\underline{DEBIT BALANCE} \underline{CREDIT BALANCE}

All Asset Accts

<table>
<thead>
<tr>
<th>Normal</th>
<th>Debit Balance</th>
<th>+ side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal</td>
<td>Credit Balance</td>
<td>− side</td>
</tr>
</tbody>
</table>

All Liability Accts

<table>
<thead>
<tr>
<th>Normal</th>
<th>Debit Balance</th>
<th>+ side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal</td>
<td>Credit Balance</td>
<td>− side</td>
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</tbody>
</table>

All Equity Accts

<table>
<thead>
<tr>
<th>Normal</th>
<th>Debit Balance</th>
<th>+ side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal</td>
<td>Credit Balance</td>
<td>− side</td>
</tr>
</tbody>
</table>

*In a sole proprietorship, there is only one owner’s equity account, which is called capital. For that reason, the terms equity and capital are often used interchangeably. When corporations are discussed in detail, you will learn many (shareholder’s) equity accounts. Owner’s equity is an account classification like assets. Owner’s name, capital, is the account title.*
**Problem I**

The following statements are either true or false. Place a (T) in the parentheses before each true statement and an (F) before each false statement.

1. (   ) Credits are used to record increases in assets, withdrawals, and expenses.
2. (   ) The process of recording transactions in a journal is called posting.
3. (   ) In double-entry accounting, all errors are avoided by being sure that debits and credits are equal when transactions are recorded.
4. (   ) The cost of renting an office during the current period is an expense; however, the cost of renting an office six periods in advance is an asset.
5. (   ) Liability accounts include accounts payable, unearned revenues, and equipment.

**Problem II**

You are given several words, phrases, or numbers to choose from in completing each of the following statements or in answering the following questions. In each case select the one that best completes the statement or answers the question, and place its letter in the answer space provided.

1. Leo Foreman’s company had a capital balance of $23,400 on June 30 and $28,600 on July 31. Net income for the month of July was $15,000. How much did Foreman withdraw from the business during July?
   a. $5,200.
   b. $9,800.
   c. $15,000.
   d. $20,200.
   e. $0.

2. Which of the following transactions does not affect the owner’s equity in a proprietorship?
   a. Investments by the owner.
   b. Withdrawals of cash by the owner.
   c. Cash receipts for revenues.
   d. Cash receipts for unearned revenues.
   e. Cash payments for expenses.

3. A ledger is:
   a. A book of original entry in which the effects of transactions are first recorded.
   b. The collection of all accounts used by a business.
   c. A book of original entry in which any type of transaction can be recorded.
   d. A book of special journals.
   e. An account with debit and credit columns and a third column for showing the balance of the account.
4. The following transactions occurred during the month of October:

1) Paid $1,500 cash for store equipment.
2) Paid $1,000 in partial payment for supplies purchased 30 days previously.
3) Paid October’s utility bill of $600.
4) Paid $1,200 to owner of business for his personal use.
5) Paid $1,400 salary of office employee for October.

What was the total amount of expenses during October?

a. $3,000.
b. $4,500.
c. $2,000.
d. $3,500.
e. $5,700.

5. The journal entry to record the completion of legal work for a client on credit and billing the client $1,700 for the services rendered would be:

a. Accounts Receivable ................................................................. 1,700
   Unearned Legal Fees .............................................................. 1,700
b. Legal Fees Earned ................................................................. 1,700
   Accounts Receivable .............................................................. 1,700
c. Accounts Payable ................................................................. 1,700
   Legal Fees Earned ................................................................. 1,700
d. Legal Fees Earned ................................................................. 1,700
   Sales ...................................................................................... 1,700
e. Accounts Receivable .............................................................. 1,700
   Legal Fees Earned ................................................................. 1,700
Problem III

Following are the first ten transactions completed by A. P. Larsen’s new business called Larsen’s Repair Shop:

a. Started the business with a cash deposit of $4,000 to a bank account in the name of the business.
b. Paid three months’ rent in advance on the shop space, $1,500.
c. Purchased repair equipment for cash, $2,200.
d. Completed repair work for customers and collected cash, $1,200.
e. Purchased additional repair equipment on credit from Lenney Company, $575.
f. Completed repair work on credit for Joe Whalen, $250.
g. Paid Lenney Company $300 of the amount owed from transaction (e).
h. Paid the local radio station $150 for an announcement of the shop opening.
i. Joe Whalen paid for the work completed in transaction (f).
j. Withdrew $350 cash from the bank for A. P. Larsen to pay personal expenses.

Required

1. Record the transactions directly in the T-accounts that follow. Use the transaction letters to identify the amounts in the accounts.
2. Prepare a trial balance as of the current date using the form that follows.
Problem IV

Journalize the following transactions and post to the accounts that follow.

a. On November 5 of the current year, Megan Lear invested $1,700 in cash, and equipment having a fair value of $800, to start a decorating business.

b. On November 6, the business purchased additional equipment for $425 cash.
<table>
<thead>
<tr>
<th>DATE</th>
<th>ACCOUNT TITLES AND EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
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### GENERAL LEDGER

#### Cash
Account No. 101

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<th>EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
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#### Equipment
Account No. 163

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<th>DEBIT</th>
<th>CREDIT</th>
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#### Megan Lear, Capital
Account No. 301

<table>
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<tr>
<th>DATE</th>
<th>EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
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Problem V

Many of the important ideas and concepts discussed in Chapter 3 are reflected in the following list of key terms. Test your understanding of these terms by matching the appropriate definition with the terms. Record the number identifying the most appropriate definition in the blank space next to each term.

1. The most flexible type of journal; can be used to record any kind of transaction.
2. An asset account containing payments made for assets that are not used until later.
3. The steps repeated each reporting period for the purpose of preparing financial statements for users.
4. A list of accounts and their balances at a point in time; the total debit balances should equal the total credit balances.
5. The debit or credit side on which an account increases.
6. A place or location within an accounting system in which the increases and decreases in a specific asset, liability, or equity are recorded and stored.
7. A list of all accounts used by a company; includes the identification number assigned to each account.
8. An unconditional written promise to pay a definite sum of money on demand or on a defined future date(s); also called note receivable.
9. Liabilities created when customers pay in advance for products or services; created when cash is received before revenues are earned; satisfied by delivering the products or services in the future.
10. A record where transactions are recorded before they are recorded in accounts; amounts are posted from the journal to the ledger; also called the book of original entry.
11. A journal entry that affects at least three accounts.
12. An account with debit and credit columns for recording entries and a third column for showing the balance of the account after each entry is posted.
13. An unconditional written promise to pay a definite sum of money on demand or on a defined future date(s); also called promissory note.
14. A column in journals where individual account numbers are entered when entries are posted to the ledger. A column in ledgers where journal page numbers are entered when entries are posted.
15. The process of recording transactions in a journal.
16. An entry that increases asset, expense, and owner’s withdrawals accounts or decreases liability, owner’s capital, and revenue accounts; recorded on the left side of a T-account.
17. The process of transferring journal entry information to ledger accounts.
18. A simple characterization of an account form used as a helpful tool in showing the effects of transactions and events on specific accounts.
19. An entry that decreases asset, expenses, and owner’s withdrawals accounts or increases liability, owner’s capital, and revenue accounts; recorded on the right side of a T-account.
20. The difference between the increases (including the beginning balance) and decreases recorded in an account.
21. These are the source of information recorded with accounting entries and can be in either paper or electronic form.
22. An accounting system where every transaction affects and is recorded in at least two accounts; the sum of the debits for all entries must equal the sum of the credits for all entries.
23. A record containing all accounts used by a business.
24. Exchanges between the entity and some other person or organization.
25. Exchanges within an organization that can also affect the accounting equation.

Problem VI

Complete the following by filling in the blanks.

1. Assets are resources controlled by an organization that have ________________ and ________________ benefits. They have value and are used in the operations of the business to create ________________.

2. A ________________ is an amount of cash that the business is expecting to receive in the future. When services are performed for or goods are sold to customers in return for promises to pay in the future, an (n) ________________ is recorded. A ________________, or a ________________, is an unconditional written promise to pay a definite sum of money on demand or on a defined future date.

3. A ________________ is an obligation to transfer assets or provide services to other entities. Purchases of merchandise, supplies, equipment or services made by an oral or implied promise to pay later produce ________________, ________________. ________________ is satisfied by delivering products or services in the future.

4. Four transactions that affect equity are ________________, ________________, ________________, and ________________.

5. The process of recording transactions in a journal is called ________________. The process of transferring journal entry information to the ledger is called ________________.

6. The ________________ creates a link between a journal entry and the ledger accounts by providing a cross-reference for tracing the entry from one record to the other.
7. Notes receivable and prepaid insurance are examples of a(n) _________________ account. Unearned revenues and interest payable are examples of a(n) _________________ account.

8. Balances of _____________________ and _____________________ accounts flow into the income statement. Then, net income from the income statement and balances from _____________________ and _____________________ accounts flow into the statement of changes in owner’s equity. Then, ending owner’s equity and balances from _____________________ and _____________________ accounts flow into the balance sheet.

9. a. The normal balance of an asset account is a _____________________.
   b. The normal balance of a liability account is a _____________________.
   c. The normal balance of the capital account is a _____________________.
   d. The normal balance of the withdrawals account is _____________________.
   e. The normal balance of a revenue account is a _____________________.
   f. The normal balance of an expense account is a _____________________.

10. The steps in preparing a trial balance are: ______________________________________
    ______________________________________
    ______________________________________
    ______________________________________
    ______________________________________
    ______________________________________
    ______________________________________
    ______________________________________

11. A trial balance that balances is not absolute proof that no errors were made because ______________________________________.

12. One frequent error that is made is called a _____________________, which occurs when two digits within a number are switched. This type of error probably has occurred if the difference between the two trial balance columns is evenly divisible by _____________________.
Solutions for Chapter 3

Problem I

1. F
2. F
3. F
4. T
5. F

Problem II

1. B
2. D
3. B
4. C
5. E

Problem III

<table>
<thead>
<tr>
<th>Cash</th>
<th>Repair Equipment</th>
<th>A. P. Larsen, Withdrawals</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 4,000.00</td>
<td>(c) 2,200.00</td>
<td>(j) 350.00</td>
</tr>
<tr>
<td>(d) 1,200.00</td>
<td>(e) 575.00</td>
<td></td>
</tr>
<tr>
<td>(i) 250.00</td>
<td>(g) 300.00</td>
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</tr>
<tr>
<td></td>
<td>(h) 150.00</td>
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<tr>
<td></td>
<td>(j) 350.00</td>
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<table>
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<tr>
<th>Accounts Receivable</th>
<th>Accounts Payable</th>
<th>Repair Services Revenue</th>
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<td>(f) 250.00</td>
<td>(g) 300.00</td>
<td>(d) 1,200.00</td>
</tr>
<tr>
<td>(i) 250.00</td>
<td>(e) 575.00</td>
<td>(f) 250.00</td>
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<table>
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<tr>
<th>Prepaid Rent</th>
<th>A. P. Larsen, Capital</th>
<th>Advertising Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) 1,500.00</td>
<td>(a) 4,000.00</td>
<td>(h) 150.00</td>
</tr>
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</table>

LARSEN’S REPAIR SHOP

Trial Balance
(Current Date)

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$950.00</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>1,500.00</td>
</tr>
<tr>
<td>Repair equipment</td>
<td>2,775.00</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$275.00</td>
</tr>
<tr>
<td>P. L. Wheeler, capital</td>
<td>4,000.00</td>
</tr>
<tr>
<td>P. L. Wheeler, withdrawals</td>
<td>350.00</td>
</tr>
<tr>
<td>Repair services revenue</td>
<td>1,450.00</td>
</tr>
<tr>
<td>Advertising expense</td>
<td>150.00</td>
</tr>
<tr>
<td>Totals</td>
<td>$5,725.00</td>
</tr>
</tbody>
</table>

Fundamental Accounting Principles, 10th Canadian Edition
### Problem IV

#### GENERAL JOURNAL

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACCOUNT TITLES AND EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>19— Nov. 5</td>
<td>Cash</td>
<td>101</td>
<td>1 7 0 0 00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equipment</td>
<td>163</td>
<td>8 0 0 00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Megan Lear, Capital</td>
<td>301</td>
<td>2 5 0 0 00</td>
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</tr>
<tr>
<td></td>
<td>Owner’s initial investment.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Equipment</td>
<td>163</td>
<td>4 2 5 00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>101</td>
<td>4 2 5 00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchased office equipment</td>
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</tbody>
</table>

#### GENERAL LEDGER

**Cash**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>19— Nov. 5</td>
<td>G-1</td>
<td>1 7 0 0 00</td>
<td></td>
<td>1 7 0 0 00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>G-1</td>
<td>4 2 5 00</td>
<td>1 2 7 5 00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Equipment**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>19— Nov. 5</td>
<td>G-1</td>
<td>8 0 0 00</td>
<td></td>
<td>8 0 0 00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>G-1</td>
<td>4 2 5 00</td>
<td>1 2 2 5 00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Megan Lear, Capital**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EXPLANATION</th>
<th>P.R.</th>
<th>DEBIT</th>
<th>CREDIT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>19— Nov. 5</td>
<td>G-1</td>
<td>2 5 0 0 00</td>
<td></td>
<td>2 5 0 0 00</td>
<td></td>
</tr>
</tbody>
</table>
Problem V

Account ......................................... 6  Journalizing ................................. 15
Account balance .............................. 20  Normal balance ............................. 5
Accounting cycle ............................. 3  Ledger ......................................... 23
Balance column ledger account ......... 12  Note Receivable ............................... 13
Chart of accounts ............................. 7  Posting ......................................... 17
Compound journal entry ................. 11  Posting reverence (PR) column ........ 14
Credit ............................................ 19  Prepaid expenses ............................. 2
Debit .............................................. 16  Promissory note ............................... 8
Double-entry accounting ................. 22  Source documents ........................... 21
External transactions .................... 24  T-account ....................................... 18
General journal ............................... 1  Trial balance ................................. 4
Internal transactions ..................... 25  Unearned revenues .......................... 9
Journal ........................................... 10

Problem VI

1. current, future, revenue
2. receivable, account receivable, note receivable, promissory note
3. liability, account payable, unearned revenue
4. investment by the owner, withdrawals by the owner, revenues, expenses
5. journalizing, posting
6. Posting Reference (PR) column
7. asset, liability
8. revenue, expense; capital, withdrawals; asset, liability
9. (a) debit; (b) credit; (c) credit; (d) debit; (e) credit; (f) debit
10. (1) Determine the balance of each account; (2) List in their ledger order the accounts having balances, with the debit balances in one column and the credit balances in another; (3) Add the debit balances; (4) Add the credit balances; (5) Compare the two totals for equality.
11. some types of errors do not create unequal debits and credits
12. transposition, nine