

EXERCISES

E3-1 (Transaction Analysis—Service Company) Beverly Crusher is a licensed CPA. During the first month of operations of her business (a sole proprietorship), the following events and transactions occurred.

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| April | 2 | Invested \$32,000 cash and equipment valued at \$14,000 in the business. |
| | 2 | Hired a secretary-receptionist at a salary of \$290 per week payable monthly. |
| | 3 | Purchased supplies on account \$700. (Debit an asset account.) |
| | 7 | Paid office rent of \$600 for the month. |
| | 11 | Completed a tax assignment and billed client \$1,100 for services rendered. (Use Service Revenue account.) |
| | 12 | Received \$3,200 advance on a management consulting engagement. |
| | 17 | Received cash of \$2,300 for services completed for Ferengi Co. |
| | 21 | Paid insurance expense \$110. |
| | 30 | Paid secretary-receptionist \$1,160 for the month. |
| | 30 | A count of supplies indicated that \$120 of supplies had been used. |
| | 30 | Purchased a new computer for \$6,100 with personal funds. (The computer will be used exclusively for business purposes.) |

Instructions

Journalize the transactions in the general journal. (Omit explanations.)

E3-4 (Corrected Trial Balance) The trial balance of Antoine Watteau Co. shown below does not balance.

ANTOINE WATTEAU CO. TRIAL BALANCE JUNE 30, 2005		
	Debit	Credit
Cash		\$ 2,870
Accounts Receivable	\$ 3,231	
Supplies	800	
Equipment	3,800	
Accounts Payable		2,666
Unearned Service Revenue	1,200	
Common Stock		6,000
Retained Earnings		3,000
Service Revenue		2,380
Wages Expense	3,400	
Office Expense	940	
	\$13,371	\$16,916

Each of the listed accounts has a normal balance per the general ledger. An examination of the ledger and journal reveals the following errors.

1. Cash received from a customer on account was debited for \$570, and Accounts Receivable was credited for the same amount. The actual collection was for \$750.
2. The purchase of a computer printer on account for \$500 was recorded as a debit to Supplies for \$500 and a credit to Accounts Payable for \$500.
3. Services were performed on account for a client for \$890. Accounts Receivable was debited for \$890 and Service Revenue was credited for \$89.
4. A payment of \$65 for telephone charges was recorded as a debit to Office Expense for \$65 and a debit to Cash for \$65.
5. When the Unearned Service Revenue account was reviewed, it was found that \$325 of the balance was earned prior to June 30.
6. A debit posting to Wages Expense of \$670 was omitted.
7. A payment on account for \$206 was credited to Cash for \$206 and credited to Accounts Payable for \$260.
8. A dividend of \$575 was debited to Wages Expense for \$575 and credited to Cash for \$575.

Instructions

Prepare a correct trial balance. (Note: It may be necessary to add one or more accounts to the trial balance.)

E3-21 (Transactions of a Corporation, Including Investment and Dividend) Scratch Miniature Golf and Driving Range Inc. was opened on March 1 by Scott Verplank. The following selected events and transactions occurred during March.

- Mar. 1 Invested \$50,000 cash in the business in exchange for common stock.
- 3 Purchased Lee Janzen's Golf Land for \$38,000 cash. The price consists of land \$10,000; building \$22,000; and equipment \$6,000. (Make one compound entry.)
- 5 Advertised the opening of the driving range and miniature golf course, paying advertising expenses of \$1,600.
- 6 Paid cash \$1,480 for a one-year insurance policy.
- 10 Purchased golf equipment for \$2,500 from Sluman Company, payable in 30 days.
- 18 Received golf fees of \$1,200 in cash.
- 25 Declared and paid a \$500 cash dividend.
- 30 Paid wages of \$900.
- 30 Paid Sluman Company in full.
- 31 Received \$750 of fees in cash.

Scratch uses the following accounts: Cash; Prepaid Insurance; Land; Buildings; Equipment; Accounts Payable; Common Stock; Dividends; Service Revenue; Advertising Expense; and Wages Expense.

Instructions

Journalize the March transactions.