

## Chapter 2

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On October 1, 2010, Cody Doerr established Banyan Realty, which completed the following transaction during the month:

- A. Cody Doerr transferred cash from a personal bank account to an account to be used for the business, \$17,500.
- B. purchased supplies on account, \$1,000.
- C. Earned sales commission, receiving cash, \$12,250.
- D. Paid rent on office and equipment for the month, \$3,800.
- E. Paid creditor on account, \$600.
- F. withdrew cash for personal use, \$3,000.
- G. Paid automobile expenses (including rental charge) for month, \$1,500, and miscellaneous expenses, \$400.
- H. Paid office salaries, \$3,100.
- I. Determined that the cost of supplies used was, \$725.

### Instructions:

1. Journalize entries for transactions (A) through (I), using the following account titles:

Cash; Supplies; Accounts payable; Cody Doerr, Capital; Cody Doerr, Drawings; Sales commissions; Rent expenses; Office salaries expenses; Automobile expenses; Supplies expenses; Miscellaneous expenses.

Journal entry explanation may be omitted.

2. Prepare T accounts, using the account titles in (1). Post the journal entries to these accounts, placing the appropriate letter to the left of each amount to identify the transaction. Determine the account balance, after all posting is complete. Accounts containing only a single entry do not need balance.

3. Prepare an unadjusted trial balance as of October 31, 2010.

4. Determine the following:

- a. Amount of total revenue recorded in the ledger.
- b. Amount of total expenses recorded in the ledger.
- c. Amount of total net income recorded in the ledger.

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### Solution:

### 1. Journal

Date	Description	Post. Ref.	Debit	Credit
A	Cash Cody Doerr, Capital		17,500	17,500
B	Supplies Account payable		1,000	1,000
C	Cash Sales Commissions		12,250	12,250
D	Rent Expense Cash		3,800	3,800
E	Account payable Cash		600	600
F	Cody Doerr, Drawing Cash		3,000	3,000
G	Automobile Expense Miscellaneous Expense Cash		1,500 400	1,900
H	Office Salaries Expense Cash		3,100	3,100
I	Supplies Expense Supplies		725	725

2. T Accounts

cash	
17.500	3.800
12.250	600
	3.000
	1.900
	3.100
<b>Bal. 17.350</b>	

Cody Doerr, Capital	
	17.500
	<b>17.500 Bal.</b>
Sales Commissions	
	12.250
	<b>12.250 Bal.</b>

Supplies	
1.000	725
<b>Bal. 275</b>	

Account payable	
600	1.000
	<b>400 Bal.</b>

Rent expenses	
3.800	
<b>Bal. 3.800</b>	

Office salary expenses	
3.100	
<b>Bal. 3.100</b>	

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<b>Miscellaneous expenses</b>	
400	
<b>Bal. 400</b>	

<b>Cody Doerr ,Drawing</b>	
3.000	
<b>Bal. 3.000</b>	

<b>Automobile expenses</b>	
1.500	
<b>Bal. 1.500</b>	

<b>Supplies expenses</b>	
725	
<b>Bal. 725</b>	

3. Unadjusted trial balance

Banyan Realty Unadjusted trial balance October 31, 2010		
	Debit balances	Credit balances
Cash	17.350	
Supplies	275	
Account payable		400
Cody Doerr, Capital		17.500
Cody Doerr, Drawing	3.000	
Sales commission		12.250
Rent expenses	3.800	
Office salaries expenses	3.100	
Automobile expenses	1.500	
Supplies expenses	725	
Miscellaneous expenses	400	
	30.150	30.150

4.

- A. \$12.250
- B. \$9.525 ( $\$3.800 + \$3.100 + \$1.500 + \$725 + \$400$ )
- C. \$2.725 ( $\$12.250 - \$9.525$ )

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On August 1, 2010, Cheryl Newsome established Titus Realty, which completed the following transactions during this month:

- A. Cheryl Newsome transferred cash from a personal bank account to an account to be used for the business, \$25,000.
- B. Paid rent on office and equipment for the month, \$2,750.
- C. Purchased supplies on account, \$950.
- D. Paid creditor on account, \$400.
- E. Earned sales commission, receiving cash, \$18,100.
- F. Paid automobile expenses (including rental charge) for month, \$1,000, and miscellaneous expenses, \$600.
- G. Paid office salaries, \$2,150.
- H. Determined that the cost of supplies used was, \$575
- I. Withdrew cash for personal use, \$2,000.

#### Instructions:

1. Journalize entries for transactions (A) through (I), using the following account titles:

Cash; Supplies; Accounts payable; Cheryl Newsome, Capital; Cheryl Newsome, Drawings; Sales commissions; Rent expenses; Office salaries expenses; Automobile expenses; Supplies expenses; Miscellaneous expenses.

Explanation may be omitted.

2. Prepare T accounts, using the account titles in (1). Post the journal entries to these accounts, placing the appropriate letter to the left of each amount to identify the transaction. Determine the account balance, after all posting is complete. Accounts containing only a single entry do not need balance.

3. Prepare an unadjusted trial balance as of August 31, 2010.

4. Determine the following:

- a. Amount of total revenue recorded in the ledger.
- b. Amount of total expenses recorded in the ledger.
- c. Amount of total net income for August.

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### Solution:

### 1. Journal

Date	Description	Post. Ref.	Debit	Credit
A	Cash Cheryl Newsome , Capital		25.000	25.000
B	Rent Expense Cash		2.750	2.750
C	Supplies Account payable		950	950
D	Account payable Cash		400	400
E	Cash Sales commissions		18.100	18.100
F	Automobile Expense Miscellaneous Expense Cash		1.000 600	1.600
G	Office Salaries Expense Cash		2.150	2.150
H	Supplies Expense Supplies		575	575
I	Cheryl Newsome, Drawing Cash		2.000	2.000

2. T Accounts

cash	
25.000	2.750
18.100	400
	1.600
	2.150
	2.000
<b>Bal. 34.200</b>	

Cheryl Newsome, Capital	
	25.000
	<b>25.000 Bal.</b>
Sales Commissions	
	18.100
	<b>18.100 Bal.</b>

Supplies	
950	575
<b>Bal. 375</b>	

Account payable	
400	950
	<b>550 Bal.</b>

Rent expenses	
2.750	
<b>Bal. 2.750</b>	

Office salary expenses	
2.150	
<b>Bal. 2.150</b>	



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<u>Miscellaneous expenses</u>	
600	
<b>Bal. 600</b>	

<u>Cheryl Newsome, Drawing</u>	
2.000	
<b>Bal. 2.000</b>	

<u>Automobile expenses</u>	
1.000	
<b>Bal. 1.000</b>	

<u>Supplies expenses</u>	
525	
<b>Bal. 525</b>	

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### 3. Unadjusted trial balance

Titus Realty Unadjusted trial balance August 31, 2010		
	Debit balances	Credit balances
Cash	34.200	
Supplies	375	
Account payable		550
Cherly Newsome, Capital		25.000
Cherly Newsome, Drawing	2.000	
Sales commission		18.100
Rent expenses	2.750	
Office salaries expenses	2.150	
Automobile expenses	1.000	
Supplies expenses	575	
Miscellaneous expenses	600	
	43.650	43.650

### 4.

A. \$18.100

B. \$7.075 ( $\$2.150 + \$2.750 + \$1.000 + \$575 + \$600$ )

C. \$11.025 ( $\$18.100 - \$7.075$ )