

**PKL Software**

**Work4Me Answer Book**  
**Problems 1--10**

**3<sup>rd</sup> Web-Based Edition**

**Student Documents**  
**and**  
**Examination Answers**

## **Notes to Professors:**

The year--dates of the financial documents in the Answer Book will not reflect the current year, but will show a year--date of 2007.

The financial documents printed by your students will show a year--date of the current year plus one.

# **Student Documents and Examination Answers**

**for**

## **Problem 1**

### **Demonstration**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME**

**NAME** \_\_\_\_\_

**DEMONSTRATION PROBLEM**

**CLASS DAY AND TIME** \_\_\_\_\_

**DATE** \_\_\_\_\_

**Use the required printed documents from the Demonstration Problem and answer the following questions:**

1. Do the totals on your printed Trial Balance match the figures shown in the “**Check It Out**” box? **Y**  
**Answer only Y for Yes or N for No.**
  
2. What was the correct balance of the Cash account at the close of business on April 3? **\$29,040.00**
  
3. What was the balance of cash after the first check was written on April 1? **\$29,100.00**
  
4. What is the current balance of the Cash account? **\$31,440.00**
  
5. How much is owed by Abbey Bookkeeping Services, Inc., on April 8? **\$2,460.10**
  
6. What was the correct total amount of revenues earned at the close of business, April 7? **\$2,400.00**
  
7. What is the total of the operating expenses to date? **\$960.00**
  
8. What is the total net income for the eight days of operations? **\$2,215.00**
  
9. What is the total amount owed to Abbey Bookkeeping Services by clients? **\$775.00**
  
10. What is the total value of the business assets reported on the Abbey Bookkeeping Services, Trial Balance? **\$34,675.10**

**EXAM PROBLEM ONE: DEMONSTRATION  
ANSWER KEY**

Answer Book

Question Number	Your Answer
1. Do the totals on your printed Trial Balance match the figures shown in the `Check It Out` box? (Answer only Y for Yes or N for No.)	Y
2. What was the correct balance of the Cash account at the close of business on April 3?	\$29,040.00
3. What was the balance of cash after the first check was written on April 1?	\$29,100.00
4. What is the current balance of the Cash account?	\$31,440.00
5. How much is owed by Abbey Bookkeeping Services, Inc., on April 8?	\$2,460.10
6. What was the correct total amount of revenues earned at the close of business, April 7?	\$2,400.00
7. What is the total of the operating expenses to date?	\$960.00
8. What is the total net income for the eight days of operations?	\$2,215.00
9. What is the total amount owed to Abbey Bookkeeping Services by clients?	\$775.00
10. What is the total value of the business assets reported on the Abbey Bookkeeping Services, Trial Balance?	\$34,675.10

Abbey Bookkeeping Service, Inc.  
Trial Balance  
Apr. 8, 2007

Account Titles	Debit	Credit
Cash	31,440.00	
Accounts Receivable	775.00	
Office Supplies	80.00	
Office Equipment	2,380.10	
Accounts Payable		2,460.10
Common Stock		30,000.00
Bookkeeping Fees Earned		3,175.00
Advertising Expense	60.00	
Rent Expense	900.00	
Total	35,635.10	35,635.10

Work4Me  
 Problem 1 - Demonstration  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Apr. 1	Cash	101	30,000.00	
	Common Stock	301		30,000.00
Apr. 1	Rent Expense	621	900.00	
	Cash	101		900.00
Apr. 3	Miscellaneous Expense	635	60.00	
	Cash	101		60.00
Apr. 3	Cash	101	60.00	
	Miscellaneous Expense	635		60.00
Apr. 3	Advertising Expense	605	60.00	
	Cash	101		60.00
Apr. 6	Office Equipment	131	610.10	
	Office Supplies	127	80.00	
	Accounts Payable	201		690.10
Apr. 7	Cash	101	2,400.00	
	Bookkeeping Fees Earned	401		2,400.00
Apr. 7	Office Equipment	131	1,770.00	
	Accounts Payable	201		1,770.00
Apr. 8	Accounts Receivable	105	775.00	
	Bookkeeping Fees Earned	401		775.00

Work4Me  
Problem 1 - Demonstration

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 101Cash

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 1		30,000.00		30,000.00
Apr. 1			900.00	29,100.00
Apr. 3			60.00	29,040.00
Apr. 3		60.00		29,100.00
Apr. 3			60.00	29,040.00
Apr. 7		2,400.00		31,440.00



Work4Me  
Problem 1 - Demonstration

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 105 Accounts Receivable

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 8		775.00		775.00

Work4Me  
Problem 1 - Demonstration

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 201Accounts Payable

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 6			690.10	690.10
Apr. 7			1,770.00	2,460.10

Work4Me  
Problem 1 - Demonstration

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 401 Bookkeeping Fees Earned

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 7			2,400.00	2,400.00
Apr. 8			775.00	3,175.00

**Student Documents and  
Examination Answers**

**for**

**Problem 2**

**Daily Journal Entries**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM TWO**  
**DAILY JOURNAL ENTRIES**

NAME \_\_\_\_\_  
CLASS DAY AND TIME \_\_\_\_\_ DATE \_\_\_\_\_

1. Do the totals on your Trial Balance match the figures shown in the “Check It Out” box? **Answer only Y for Yes or N for No.** **Y**
  
2. If no errors have been made, what should be the correct balance of the Cash account at the close of business on April 3? **\$35,470.00**
  
3. At the close of business on April 13, what total amount has been debited to the Cash account so far this month? **\$41,975.00**
  
4. Has the correct balance of the Cash account fallen below \$20,000 at any time during April? **Answer only Y for Yes or N for No.** **N**
  
5. What is the total amount owed to Abbey Bookkeeping Services by clients? (**list dollars and cents in your answer**) **\$0.00**
  
6. What is the reason for your answer to question number five? **B**  
**A. customers are not allowed to charge**  
**B. all accounts receivable balances have been paid in full**  
**C. there have been no charges by customers this month**
  
7. How much was owed by Abbey Bookkeeping Services, Incorporated, on April 15? **List dollars and cents in your answer.** **\$5,630.40**
  
8. How many individual vendor accounts are still outstanding at the end of April and must be paid in May? **D**  
**A. Four**  
**B. Three**  
**C. Two**  
**D. One**
  
9. What are the total revenues earned through the close of business April 15? **\$6,625.00**
  
10. What are the total revenues for the month of April? **\$7,275.00**
  
11. What is the total of the April expenses? **\$2,121.90**
  
12. What is the total net income for the month of April? **\$5,153.10**
  
13. The net income is what percent of the total revenues? **70.83**  
**Always round your answer to two decimal places: .323457 = 32.35%. On the computer examination DO NOT write “percent” or use the percent sign in your answer.**

14. If a balance sheet was prepared at the end of April, what would be the total for business assets? **\$48,353.10**
15. The beginning Retained Earnings balance for this new business was \$0.00. If a Retained Earnings Statement is prepared at the end of April, what will be the new balance of this account? **\$5,153.10**

**EXAM PROBLEM TWO: DAILY JOURNAL ENTRIES**  
**ANSWER KEY**

Answer Book

Question Number	Your Answer
1. Do the totals on your Trial Balance match the figures shown in the `Check It Out` box? Answer only Y for Yes or N for No.	Y
2. If no errors have been made, what should be the correct balance of the Cash account at the close of business on April 3?	\$35,470.00
3. At the close of business on April 13, what total amount has been debited to the Cash account so far this month?	\$41,975.00
4. Has the correct balance of the Cash account fallen below \$20,000 at any time during April? Answer only Y for Yes or N for No.	N
5. What is the total amount owed to Abbey Bookkeeping Services by clients? (list dollars and cents in your answer)	\$0.00
6. What is the reason for your answer to question number five?	B
A) customers are not allowed to charge	
B) all accounts receivable balances have been paid in full	
C) there have been no charges by customers this month	
7. How much was owed by Abbey Bookkeeping Services, Incorporated, on April 15? List dollars and cents in your answer.	\$5,630.40
8. How many individual vendor accounts are still outstanding at the end of April and must be paid in May?	D
A) Four	
B) Three	
C) Two	
D) One	
9. What are the total revenues earned through the close of business April 15?	\$6,625.00
10. What are the total revenues for the month of April?	\$7,275.00
11. What is the total of the April expenses?	\$2,121.90

12. What is the total net income for the month of April? \$5,153.10
13. The net income is what percent of the total revenues? Always round your answer to two decimal places:  $.323457 = 32.35\%$ . On the computer examination DO NOT write `percent` or use the percent sign in your answer. 70.83
14. If a balance sheet was prepared at the end of April, what would be the total for business assets? \$48,353.10
15. The beginning Retained Earnings balance for this new business was \$0.00. If a Retained Earnings Statement is prepared at the end of April, what will be the new balance of this account? \$5,153.10



Work4Me  
 Problem 2 - Daily Journal Entries

Answer Book

Abbey Bookkeeping Service, Inc.  
 Trial Balance  
 Apr. 30, 2007

Account Titles	Debit	Credit
Cash	26,644.70	
Prepaid Rent	3,300.00	
Prepaid Insurance	1,800.00	
Office Supplies	308.40	
Office Equipment	8,600.00	
Automobile	7,700.00	
Accounts Payable		3,200.00
Common Stock		40,000.00
Bookkeeping Fees Earned		7,275.00
Vehicle Operating Expense	66.50	
Advertising Expense	525.00	
Delivery Expense	15.00	
Rent Expense	900.00	
Insurance Expense	250.00	
Telephone Expense	235.40	
License Expense	130.00	
	-----	-----
Total	50,475.00	50,475.00
	=====	=====

Work4Me  
 Problem 2 - Daily Journal Entries  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Apr. 1	Cash	101	40,000.00	
	Common Stock	301		40,000.00
Apr. 1	Rent Expense	621	900.00	
	Cash	101		900.00
Apr. 1	Insurance Expense	622	250.00	
	Cash	101		250.00
Apr. 3	License Expense	628	130.00	
	Cash	101		130.00
Apr. 3	Office Equipment	131	3,250.00	
	Cash	101		3,250.00
Apr. 3	Office Equipment	131	2,150.00	
	Office Supplies	127	180.50	
	Accounts Payable	201		2,330.50
Apr. 5	Cash	101	1,975.00	
	Bookkeeping Fees Earned	401		1,975.00
Apr. 7	Advertising Expense	605	460.00	
	Cash	101		460.00
Apr. 8	Accounts Receivable	105	775.00	
	Bookkeeping Fees Earned	401		775.00
Apr. 10	Automobile	139	7,700.00	
	Cash	101		7,700.00
Apr. 12	Office Equipment	131	3,200.00	
	Accounts Payable	201		3,200.00
Apr. 13	Office Supplies	127	99.90	
	Accounts Payable	201		99.90
Apr. 14	Cash	101	3,200.00	
	Bookkeeping Fees Earned	401		3,200.00
Apr. 15	Accounts Receivable	105	675.00	
	Bookkeeping Fees Earned	401		675.00
Apr. 17	Vehicle Operating Expense	604	66.50	
	Cash	101		66.50
Apr. 20	Office Supplies	127	28.00	
	Cash	101		28.00
Apr. 22	Delivery Expense	606	15.00	
	Cash	101		15.00
Apr. 23	Cash	101	775.00	
	Accounts Receivable	105		775.00
Apr. 23	Accounts Payable	201	99.90	
	Cash	101		99.90
Apr. 23	Advertising Expense	605	65.00	
	Cash	101		65.00
Apr. 23	Accounts Payable	201	2,330.50	
	Cash	101		2,330.50
Apr. 25	Cash	101	650.00	
	Bookkeeping Fees Earned	401		650.00
Apr. 27	Prepaid Insurance	122	1,800.00	
	Cash	101		1,800.00
Apr. 29	Telephone Expense	626	235.40	
	Cash	101		235.40
Apr. 30	Cash	101	675.00	
	Accounts Receivable	105		675.00
Apr. 30	Prepaid Rent	121	3,300.00	
	Cash	101		3,300.00

Work4Me  
Problem 2 - Daily Journal Entries

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 101Cash

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 1		40,000.00		40,000.00
Apr. 1			900.00	39,100.00
Apr. 1			250.00	38,850.00
Apr. 3			130.00	38,720.00
Apr. 3			3,250.00	35,470.00
Apr. 5		1,975.00		37,445.00
Apr. 7			460.00	36,985.00
Apr. 10			7,700.00	29,285.00
Apr. 14		3,200.00		32,485.00
Apr. 17			66.50	32,418.50
Apr. 20			28.00	32,390.50
Apr. 22			15.00	32,375.50
Apr. 23		775.00		33,150.50
Apr. 23			99.90	33,050.60
Apr. 23			65.00	32,985.60
Apr. 23			2,330.50	30,655.10
Apr. 25		650.00		31,305.10
Apr. 27			1,800.00	29,505.10
Apr. 29			235.40	29,269.70
Apr. 30		675.00		29,944.70
Apr. 30			3,300.00	26,644.70

Work4Me  
Problem 2 - Daily Journal Entries

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 105 Accounts Receivable

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 8		775.00		775.00
Apr. 15		675.00		1,450.00
Apr. 23			775.00	675.00
Apr. 30			675.00	0.00

Work4Me  
Problem 2 - Daily Journal Entries

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account: 201Accounts Payable

Date	Explanation	Debit	Credit	Balance
Apr. 1	Beginning Balance			0.00
Apr. 3			2,330.50	2,330.50
Apr. 12			3,200.00	5,530.50
Apr. 13			99.90	5,630.40
Apr. 23		99.90		5,530.50
Apr. 23		2,330.50		3,200.00

Work4Me  
Problem 2 - Daily Journal Entries

Answer Book

Abbey Bookkeeping Service, Inc.  
Ledger Card

Account:	401Bookkeeping	Fees Earned			
Date	Explanation		Debit	Credit	Balance
Apr. 1	Beginning Balance				0.00
Apr. 5				1,975.00	1,975.00
Apr. 8				775.00	2,750.00
Apr. 14				3,200.00	5,950.00
Apr. 15				675.00	6,625.00
Apr. 25				650.00	7,275.00

**Student Documents and  
Examination Answers**

**for**

**Problem 3**

**Adjusting Entries**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM THREE**  
**ADJUSTING ENTRIES**

**NAME** \_\_\_\_\_  
**CLASS DAY AND TIME** \_\_\_\_\_ **DATE** \_\_\_\_\_

1. Do the totals on your printed Adjusted Trial Balance match the figures shown in the “**Check It Out**” box? **Y**  
**Answer only Y for Yes or N for No.**
  
2. What is the current asset value for Prepaid Rent? **\$4,500.00**
  
3. What is the current book value of Office Equipment? **\$9,535.00**
  
4. As of June 30, what has been the total depreciation on the Building? **\$37,800.00**
  
5. What was the historical cost of the Automobile? **\$15,500.00**
  
6. If in error, the adjusting entry for the property taxes had not been recorded, would the net income for the business have been? **A**  
**A. overstated**  
**B. understated**  
**C. unchanged**
  
7. If in error, the adjusting entry for the consulting fees had not been recorded, would the net income for the business have been? **B**  
**A. overstated**  
**B. understated**  
**C. unchanged**
  
8. What is the Income from Operations for this period? **\$16,742.80**  
**(Note: For this question, Interest Expense is considered an Operating Expense.)**
  
9. If a Retained Earnings Statement is prepared at the end of June what will be the new balance of this account? **\$44,406.80**
  
10. If only **\$126** of office supplies had been used during the period, what would have been the ending balance of the Office Supplies account? **\$598.00**



**EXAM PROBLEM THREE: ADJUSTING ENTRIES****ANSWER KEY**

Answer Book

Question Number	Your Answer
1. Do the totals on your printed Adjusted Trial Balance match the figures shown in the `Check It Out` box? Answer Y for Yes or N for No.	Y
2. What is the current asset value for Prepaid Rent?	\$4,500.00
3. What is the current book value of Office Equipment?	\$9,535.00
4. As of June 30, what has been the total depreciation on the Building?	\$37,800.00
5. What is the historical cost of the Automobile?	\$15,500.00
6. If in error, the adjusting entry for the property taxes had not been recorded, would the net income for the business have been A) overstated B) understated C) unchanged	A
7. If in error, the adjusting entry for the consulting fees had not been recorded, would the net income for the business have been A) overstated B) understated C) unchanged	B
8. What is the Income from Operations for this period? (Note: For this question, Interest Expense is considered an Operating Expense.)	\$16,742.80
9. If a Retained Earnings Statement is prepared at the end of June what will be the new balance of this account?	\$44,406.80
10. If only \$126 of office supplies had been used during the period, what would have been the ending balance of the Office Supplies account?	\$598.00

Work4Me  
 Problem 3 - Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
 Adjusted Trial Balance  
 June 30, 2007

Account Titles	Debit	Credit
Cash	10,550.00	
Accounts Receivable	12,395.00	
Prepaid Rent	4,500.00	
Prepaid Insurance	1,985.00	
Prepaid Advertising	400.00	
Office Supplies	260.00	
Office Equipment	12,460.00	
Accumulated Deprec. - Office Equip. Automobile	15,500.00	2,925.00
Accumulated Deprec. - Automobile Building	124,000.00	2,450.00
Accumulated Deprec. - Building Land	100,000.00	37,800.00
Accounts Payable		9,245.00
Short-term Notes Payable		5,000.00
Salaries and Wages Payable		172.50
Property Taxes Payable		275.00
Interest Payable		445.70
Unearned Consulting Fees		3,330.00
Long-term Notes Payable		16,000.00
Mortgage Payable		60,000.00
Common Stock		100,000.00
Retained Earnings		28,664.00
Cash Dividends	1,000.00	
Accounting Fees Earned		25,620.00
Consulting Fees Earned		14,905.00
Salaries and Wages Expense	8,732.50	
Office Supplies Expense	464.00	
Vehicle Operating Expense	750.00	
Advertising Expense	850.00	
Delivery Expense	388.00	
Deprec. Expense - Office Equipment	475.00	
Deprec. Expense - Automobile	450.00	
Deprec. Expense - Building	1,800.00	
Rent Expense	4,500.00	
Insurance Expense	1,465.00	
Property Tax Expense	275.00	
Electric and Gas Expense	890.00	
Telephone Expense	577.00	
License Expense	125.00	
Miscellaneous Expense	45.00	
Interest Expense	1,995.70	
Total	306,832.20	306,832.20
	=====	=====

Work4Me  
 Problem 3 - Adjusting Entries  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
June 30	Office Supplies Expense	602	464.00	
	Office Supplies	127		464.00
	Adjusting Entry			
June 30	Insurance Expense	622	1,465.00	
	Prepaid Insurance	122		1,465.00
	Adjusting Entry			
June 30	Prepaid Advertising	125	400.00	
	Advertising Expense	605		400.00
	Adjusting Entry			
June 30	Property Tax Expense	624	275.00	
	Property Taxes Payable	211		275.00
	Adjusting Entry			
June 30	Salaries and Wages Expense	601	172.50	
	Salaries and Wages Payable	209		172.50
	Adjusting Entry			
June 30	Deprec. Expense - Office Equipment	610	475.00	
	Accumulated Deprec. - Office Equip.	132		475.00
	Adjusting Entry			
June 30	Deprec. Expense - Automobile	612	450.00	
	Accumulated Deprec. - Automobile	140		450.00
	Adjusting Entry			
June 30	Deprec. Expense - Building	615	1,800.00	
	Accumulated Deprec. - Building	151		1,800.00
	Adjusting Entry			
June 30	Rent Expense	621	4,500.00	
	Prepaid Rent	121		4,500.00
	Adjusting Entry			
June 30	Accounts Receivable	105	250.00	
	Accounting Fees Earned	401		250.00
	Adjusting Entry			
June 30	Interest Expense	651	445.70	
	Interest Payable	215		445.70
	Adjusting Entry			
June 30	Unearned Consulting Fees	220	1,470.00	
	Consulting Fees Earned	405		1,470.00
	Adjusting Entry			

Work4Me  
Problem 3 - Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Income Statement  
For the Quarter Ended June 30, 2006  
Revenues:

Accounting Fees Earned	\$	25,620.00
Consulting Fees Earned		14,905.00
		-----
Total Revenues	\$	40,525.00
		-----

Operating Expenses:

Salaries and Wages Expense	\$	8,732.50
Office Supplies Expense		464.00
Vehicle Operating Expense		750.00
Advertising Expense		850.00
Delivery Expense		388.00
Deprec. Expense - Office Equipment		475.00
Deprec. Expense - Automobile		450.00
Deprec. Expense - Building		1,800.00
Rent Expense		4,500.00
Insurance Expense		1,465.00
Property Tax Expense		275.00
Electric and Gas Expense		890.00
Telephone Expense		577.00
License Expense		125.00
Professional Fees Expense		0.00
Miscellaneous Expense		45.00
Interest Expense		1,995.70
		-----
Total Operating Expenses	\$	23,782.20
		-----
Income From Operations	\$	16,742.80
		=====

Work4Me  
Problem 3 - Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account: 150 Building

Date Explanation

June 30 Beginning Balance

Debit

Credit

Balance

124,000.00

Work4Me  
Problem 3 - Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account:	151	Accumulated Deprec. - Building			
Date		Explanation	Debit	Credit	Balance
June 30		Beginning Balance			36,000.00
June 30		Adjusting Entry		1,800.00	37,800.00

Work4Me  
Problem 3 - Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account:	615	Deprec. Expense - Building			
Date		Explanation	Debit	Credit	Balance
June 30		Beginning Balance			0.00
June 30		Adjusting Entry	1,800.00		1,800.00

**Student Documents and  
Examination Answers**

**for**

**Problem 4**

**Daily and Adjusting Entries**

**The student is required to print all the financial documents shown in this section.**



**WORK4ME - PROBLEM FOUR**      NAME \_\_\_\_\_  
**DAILY & ADJUSTING ENTRIES**      CLASS DAY AND TIME \_\_\_\_\_ DATE \_\_\_\_\_

1. Do the totals on your printed Adjusted Trial Balances match the figures shown in the “**Check It Out**” box? Y  
**Answer only Y for Yes or N for No.**
  
2. If the ending inventory for supplies had been only **\$50**, what would have been the **balance** of the Supplies Expense account after the required adjusting entry? **\$830.00**
  
3. If there had not been any accrued salaries and wages for the period, what would have been the balance of the Salaries and Wages Expense account? **\$8,612.00**
  
4. What is the **total** of the quarterly operating expenses? **\$23,642.25**
  
5. What is the **total net income** for the quarter ended June 30? **\$29,802.75**
  
6. The income from operations of the business is **what percent** of the total revenues? **Always round to 2 decimal places. On the computer graded examination do NOT write the word percent or use the percent sign % in the answer to this question.** **55.76**
  
7. Salaries and Wages Expense is what percent of total revenues? **On the computer graded examination do NOT write the word percent or use the percent sign [%] in the answer to this question.** **16.31**
  
8. For the same quarter one year ago, Income From Operations was 55.01% and Salaries and Wages Expense was 17.01% of Total Revenues. This current quarter has shown improvement in: A  
**A. Both Items**  
**B. Only Salaries and Wages**  
**C. Only in Income From Operations to Total Revenues**  
**D. None of the areas.**
  
9. If in error, the adjusting entry for the depreciation of the building had not been recorded as required, what would have been the reported total for the net income of the business? **\$31,202.75**
  
10. How much has the Retained Earnings account increased this accounting period? **\$28,302.75**

11. What is the net worth or total Stockholders' Equity of Classic Accounting Services, Incorporated? **\$219,978.75**
12. On the June 30 Balance Sheet, what is the new book value of the Automobile? **\$14,720.00**
13. On the Cash account ledger card, what was the invoice number for the June 19 credit entry? **W5555**
14. What was the number of the check used to pay the cash dividend on **June 30**? **00463**
15. On the Accounts Payable ledger card, what was the number of the check used to pay invoice number **V4567**? **00460**

**EXAM PROBLEM FOUR: DAILY AND ADJUSTING ENTRIES**  
**ANSWER KEY**

Answer Book

Question Number	Your Answer
1. Do the totals on your printed Adjusted Trial Balances match the figures shown in the `Check It Out` box? Answer only Y for Yes or N for No.	Y
2. If the ending inventory for supplies had been only \$50, what would have been the balance of the Supplies Expense account after the required adjusting entry?	\$830.00
3. If there had not been any accrued salaries and wages for the period, what would have been the balance of the Salaries and Wages Expense account?	\$8,612.00
4. What is the total of the quarterly operating expenses?	\$23,642.25
5. What is the total net income for the quarter ended June 30?	\$29,802.75
6. The income from operations of the business is what percent of the total revenues? Always round to 2 decimal places. On the computer graded examinations do NOT write the word percent or use the percent sign [%] in the answer to this question.	55.76
7. Salaries and Wages Expense is what percent of total revenues? On the computer graded examinations do NOT write the word percent or use the percent sign [%] in the answer to this question.	16.31
8. For the same quarter one year ago, Income From Operations was 55.01% and Salaries and Wages Expense was 17.01% of Total Revenues. This current quarter has shown improvement in: A) Both Items B) Only Salaries and Wages C) Only in Income From Operations to Total Revenues D) None of the areas.	A
9. If in error, the adjusting entry for the depreciation of the building had not been recorded as required, what would have been the reported total for the net income of the	\$31,202.75

business?

- |   |              |
|---|--------------|
| 10. How much has the Retained Earnings account increased this accounting period?                            | \$28,302.75  |
| 11. What is the net worth or total Stockholders' Equity of Classic Accounting Services, Incorporated?       | \$219,978.75 |
| 12. On the June 30 Balance Sheet, what is the new book value of the Automobile?                             | \$14,720.00  |
| 13. On the Cash account ledger card, what was the invoice number for the June 19 credit entry?              | W5555        |
| 14. What was the number of the check used to pay the cash dividend on June 30?                              | 00463        |
| 15. On the Accounts Payable ledger card, what was the number of the check used to pay invoice number V4567? | 00460        |

Work4Me  
 Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.

Trial Balance

June 30, 2007

Account Titles	Debit	Credit
Cash	13,966.00	
Accounts Receivable	13,315.00	
Prepaid Rent	6,600.00	
Prepaid Insurance	3,650.00	
Office Supplies	880.00	
Office Equipment	16,550.00	
Accumulated Deprec. - Office Equip. Automobile		2,550.00
Accumulated Deprec. - Automobile Building		3,240.00
Accumulated Deprec. - Building Land		29,000.00
Accounts Payable		13,916.00
Short-term Notes Payable		5,000.00
Unearned Consulting Fees		5,000.00
Long-term Notes Payable		16,000.00
Mortgage Payable		60,000.00
Common Stock		100,000.00
Retained Earnings		91,676.00
Cash Dividends	1,500.00	
Accounting Fees Earned		36,965.00
Consulting Fees Earned		14,755.00
Salaries and Wages Expense	8,612.00	
Vehicle Operating Expense	840.50	
Advertising Expense	1,550.00	
Delivery Expense	449.00	
Electric and Gas Expense	990.00	
Telephone Expense	979.50	
License Expense	125.00	
Miscellaneous Expense	45.00	
Interest Expense	1,550.00	
<b>Total</b>	<b>378,102.00</b>	<b>378,102.00</b>

Classic Accounting Services, Inc.  
 Adjusted Trial Balance  
 June 30, 2007

Account Titles	Debit	Credit
Cash	13,966.00	
Accounts Receivable	13,660.00	
Prepaid Rent	3,300.00	
Prepaid Insurance	1,800.00	
Prepaid Advertising	100.00	
Office Supplies	335.00	
Office Equipment	16,550.00	
Accumulated Deprec. - Office Equip. Automobile	18,500.00	2,865.00
Accumulated Deprec. - Automobile Building	138,000.00	3,780.00
Accumulated Deprec. - Building Land	150,000.00	30,400.00
Accounts Payable		13,916.00
Short-term Notes Payable		5,000.00
Salaries and Wages Payable		106.25
Property Taxes Payable		220.00
Interest Payable		325.00
Unearned Consulting Fees		3,620.00
Long-term Notes Payable		16,000.00
Mortgage Payable		60,000.00
Common Stock		100,000.00
Retained Earnings		91,676.00
Cash Dividends	1,500.00	
Accounting Fees Earned		37,310.00
Consulting Fees Earned		16,135.00
Salaries and Wages Expense	8,718.25	
Office Supplies Expense	545.00	
Vehicle Operating Expense	840.50	
Advertising Expense	1,450.00	
Delivery Expense	449.00	
Deprec. Expense - Office Equipment	315.00	
Deprec. Expense - Automobile	540.00	
Deprec. Expense - Building	1,400.00	
Rent Expense	3,300.00	
Insurance Expense	1,850.00	
Property Tax Expense	220.00	
Electric and Gas Expense	990.00	
Telephone Expense	979.50	
License Expense	125.00	
Miscellaneous Expense	45.00	
Interest Expense	1,875.00	
Total	381,353.25	381,353.25

Work4Me  
 Problem 4 - Daily and Adjusting Entries  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
June 17	Office Equipment	131	3,550.00	
	Office Supplies	127	90.00	
	Accounts Payable	201		3,640.00
	Invoice: B4444			
June 17	Cash	101	865.00	
	Accounting Fees Earned	401		865.00
	Invoice: C4666			
June 19	Advertising Expense	605	725.00	
	Cash	101		725.00
	Check: 00465			
	Invoice: W5555			
June 19	Cash	101	300.00	
	Accounts Receivable	105	600.00	
	Accounting Fees Earned	401		900.00
	Invoice: C4667			
June 21	Cash	101	2,000.00	
	Unearned Consulting Fees	220		2,000.00
	Invoice: RTFEE			
June 22	Vehicle Operating Expense	604	90.50	
	Cash	101		90.50
	Check: 00457			
	Invoice: 47777			
June 23	Office Supplies	127	66.00	
	Cash	101		66.00
	Check: 00458			
	Invoice: 00777			
June 23	Delivery Expense	606	24.00	
	Cash	101		24.00
	Check: 00459			
	Invoice: 22222			
June 25	Cash	101	635.00	
	Accounts Receivable	105		635.00
	Invoice: C4632			
June 27	Accounts Payable	201	124.00	
	Cash	101		124.00
	Check: 00460			
	Invoice: V4567			
June 29	Prepaid Insurance	122	1,800.00	
	Cash	101		1,800.00
	Check: 00461			
	Invoice: L3355			
June 29	Telephone Expense	626	304.50	
	Cash	101		304.50
	Check: 00462			
	Invoice: LN888			
June 30	Cash Dividends	310	1,500.00	
	Cash	101		1,500.00
	Check: 00463			
	Invoice: CASHD			
June 30	Cash	101	300.00	
	Accounts Receivable	105		300.00
	Invoice: C4651			
June 30	Office Supplies Expense	602	545.00	

	Office Supplies	127		545.00
	Adjusting Entry			
June 30	Rent Expense	621	3,300.00	
	Prepaid Rent	121		3,300.00
	Adjusting Entry			
June 30	Insurance Expense	622	1,850.00	
	Prepaid Insurance	122		1,850.00
	Adjusting Entry			
June 30	Prepaid Advertising	125	100.00	
	Advertising Expense	605		100.00
	Adjusting Entry			
June 30	Accounts Receivable	105	345.00	
	Accounting Fees Earned	401		345.00
	Adjusting Entry			
June 30	Interest Expense	651	325.00	
	Interest Payable	215		325.00
	Adjusting Entry			
June 30	Unearned Consulting Fees	220	1,380.00	
	Consulting Fees Earned	405		1,380.00
	Adjusting Entry			
June 30	Property Tax Expense	624	220.00	
	Property Taxes Payable	211		220.00
	Adjusting Entry			
June 30	Deprec. Expense - Office Equipment	610	315.00	
	Accumulated Deprec. - Office Equip.	132		315.00
	Adjusting Entry			
June 30	Deprec. Expense - Automobile	612	540.00	
	Accumulated Deprec. - Automobile	140		540.00
	Adjusting Entry			
June 30	Deprec. Expense - Building	615	1,400.00	
	Accumulated Deprec. - Building	151		1,400.00
	Adjusting Entry			
June 30	Salaries and Wages Expense	601	106.25	
	Salaries and Wages Payable	209		106.25
	Adjusting Entry			



Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Income Statement  
For the Quarter Ended June 30, 2006

Revenues:

Accounting Fees Earned	\$ 37,310.00
Consulting Fees Earned	16,135.00

Total Revenues	\$ 53,445.00
----------------	--------------

Operating Expenses:

Salaries and Wages Expense	\$ 8,718.25
Office Supplies Expense	545.00
Vehicle Operating Expense	840.50
Advertising Expense	1,450.00
Delivery Expense	449.00
Deprec. Expense - Office Equipment	315.00
Deprec. Expense - Automobile	540.00
Deprec. Expense - Building	1,400.00
Rent Expense	3,300.00
Insurance Expense	1,850.00
Property Tax Expense	220.00
Electric and Gas Expense	990.00
Telephone Expense	979.50
License Expense	125.00
Professional Fees Expense	0.00
Miscellaneous Expense	45.00
Interest Expense	1,875.00

Total Operating Expenses	\$ 23,642.25
--------------------------	--------------

Income From Operations	\$ 29,802.75
------------------------	--------------

Classic Accounting Services, Inc.  
 Balance Sheet

ASSETS

Current Assets:

Cash	\$ 13,966.00
Accounts Receivable	13,660.00
Notes Receivable	0.00
Prepaid Rent	3,300.00
Prepaid Insurance	1,800.00
Prepaid Advertising	100.00
Office Supplies	335.00

Total Current Assets \$ 33,161.00

Plant and Equipment

Office Equipment	\$ 16,550.00
Accumulated Depreciation	2,865.00

Book Value \$ 13,685.00

Automobile	18,500.00
Accumulated Depreciation	3,780.00

Book Value \$ 14,720.00

Building	138,000.00
Accumulated Depreciation	30,400.00

Book Value \$ 107,600.00

Total Book Value	\$ 136,005.00
Land	150,000.00

Total Plant and Equipment 286,005.00

Total Assets \$ 319,166.00

LIABILITIES

Current Liabilities

Accounts Payable	\$ 13,916.00
Short-term Notes Payable	5,000.00
Salaries and Wages Payable	106.25
Property Taxes Payable	220.00
Interest Payable	325.00
Unearned Consulting Fees	3,620.00

Total Current Liabilities \$ 23,187.25

Long-term liabilities:

Long-term Notes Payable	\$ 16,000.00
Mortgage Payable	60,000.00

Total Long-term Liabilities 76,000.00

Total Liabilities \$ 99,187.25

STOCKHOLDER`S EQUITY

Common Stock	\$ 100,000.00
Retained Earnings	119,978.75

Total Stockholder`s Equity	-----	\$ 219,978.75
Total Liabilities and Owner`s Equity		-----
		\$ 319,166.00
		=====

Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Retained Earnings Statement  
For the Quarter Ended June 30, 2007

Retained earnings, March 31, 2006		\$	91,676.00
Add: Net Income	\$	29,802.75	
Less: Dividends declared		1,500.00	
		-----	
Net increase in retained earnings			28,302.75
			-----
Retained earnings, June 30, 2007		\$	119,978.75
			=====

Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account: 101 Cash				
Date	Explanation	Debit	Credit	Balance
June 16	Beginning Balance			14,500.00
June 17	C4666	865.00		15,365.00
June 19	00465 W5555		725.00	14,640.00
June 19	C4667	300.00		14,940.00
June 21	RTFEE	2,000.00		16,940.00
June 22	00457 47777		90.50	16,849.50
June 23	00458 00777		66.00	16,783.50
June 23	00459 22222		24.00	16,759.50
June 25	C4632	635.00		17,394.50
June 27	00460 V4567		124.00	17,270.50
June 29	00461 L3355		1,800.00	15,470.50
June 29	00462 LN888		304.50	15,166.00
June 30	00463 CASHD		1,500.00	13,666.00
June 30	C4651	300.00		13,966.00

Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account: 105 Accounts Receivable

Date	Explanation	Debit	Credit	Balance
June 16	Beginning Balance			13,650.00
June 19	C4667	600.00		14,250.00
June 25	C4632		635.00	13,615.00
June 30	C4651		300.00	13,315.00
June 30	Adjusting Entry	345.00		13,660.00

Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account: 201 Accounts Payable

Date	Explanation	Debit	Credit	Balance
June 16	Beginning Balance			10,400.00
June 17	B4444		3,640.00	14,040.00
June 27	00460 V4567	124.00		13,916.00

Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account: 220 Unearned Consulting Fees

Date	Explanation	Debit	Credit	Balance
June 16	Beginning Balance			3,000.00
June 21	RTFEE		2,000.00	5,000.00
June 30	Adjusting Entry	1,380.00		3,620.00



Work4Me  
Problem 4 - Daily and Adjusting Entries

Answer Book

Classic Accounting Services, Inc.  
Ledger Card

Account:	601	Salaries and Wages Expense			
Date		Explanation	Debit	Credit	Balance
June 16		Beginning Balance			8,612.00
June 30		Adjusting Entry	106.25		8,718.25

# **Student Documents and Examination Answers**

**for**

## **Problem 5**

### **Closing Entries**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM FIVE**  
**CLOSING ENTRIES**

**NAME** \_\_\_\_\_  
**CLASS DAY AND TIME** \_\_\_\_\_ **DATE** \_\_\_\_\_

1. The last account on a corporation Post-Closing Trial Balance most likely will be the Retained Earnings account. **T**  
**Answer only T for True or F for False for all questions.**
2. Asset and Liability accounts are sometimes included in the closing entry process. **F**
3. If the Income Summary account has a credit balance after the revenue and expenses have been closed, the business has a net loss. **F**
4. If the business had a net loss for the period, the third closing entry would debit the Retained Earnings account and credit the Income Summary account. **T**
5. When closing the books, net income for the period is the debit balance of the Income Summary account and is closed by being debited into the Retained Earnings account. **F**
6. Dividends Payable is closed into the Retained Earnings account. **F**
7. The Cash Dividends Declared account is closed by being credited. **T**
8. All Expense accounts are closed by being credited. **T**
9. Some special revenue accounts are never closed. **F**
10. The final step in the accounting cycle is the preparation of the Post-Closing Trial Balance. **T**

**EXAM PROBLEM FIVE: CLOSING ENTRIES  
ANSWER KEY**

Answer Book

Question Number	Your Answer
1. The last account on a corporation Post-Closing Trial Balance most likely will be the Retained Earnings account. Answer Only T for True or F for False for all questions.	T
2. Asset and Liability accounts are sometimes included in the closing entry process.	F
3. If the Income Summary account has a credit balance after the revenue and expenses have been closed, the business has a net loss.	F
4. If the business had a net loss for the period, the third closing entry would debit the Retained Earnings account and credit the Income Summary account.	T
5. When closing the books, net income for the period is the debit balance of the Income Summary account and is closed by being debited into the Retained Earnings account.	F
6. Dividends Payable is closed into the Retained Earnings account.	F
7. The Cash Dividends Declared account is closed by being credited.	T
8. All Expense accounts are closed by being credited.	T
9. Some special revenue accounts are never closed.	F
10. The final step in the accounting cycle is the preparation of the Post-Closing Trial Balance.	T

Work4Me  
Problem 5 - Closing Entries

Answer Book

Duckworth Legal Services, Inc.  
Post-Closing Trial Balance  
Sept 30, 2007

Account Titles	Debit	Credit
Cash	8,500.00	
Accounts Receivable	4,200.00	
Prepaid Insurance	300.00	
Office Supplies	450.00	
Building	75,000.00	
Accumulated Deprec. - Building		5,000.00
Land	25,000.00	
Accounts Payable		4,000.00
Salaries and Wages Payable		450.00
Dividends Payable		1,000.00
Unearned Consulting Fees		1,200.00
Common Stock		50,000.00
Retained Earnings		51,800.00
Total	113,450.00	113,450.00

Work4Me  
 Problem 5 - Closing Entries  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Sept 30	Legal Fees Earned	401	35,000.00	
	Consulting Fees Earned	405	10,500.00	
	Income Summary	901		45,500.00
	Closing Entry			
Sept 30	Income Summary	901	9,500.00	
	Salaries and Wages Expense	601		3,450.00
	Office Supplies Expense	602		2,550.00
	Deprec. Expense - Building	615		2,000.00
	Insurance Expense	622		1,500.00
	Closing Entry			
Sept 30	Income Summary	901	36,000.00	
	Retained Earnings	305		36,000.00
	Closing Entry			
Sept 30	Retained Earnings	305	1,000.00	
	Cash Dividends Declared	310		1,000.00
	Closing Entry			

**Student Documents and  
Examination Answers**

**for**

**Problem 6**

**Adjusting, Closing, and Analysis**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM SIX  
ADJUSTING, CLOSING AND  
ANAYLSIS**

NAME \_\_\_\_\_  
CLASS DAY & TIME \_\_\_\_\_ DATE \_\_\_\_\_

1. The last account on a corporation Post-Closing Trial Balance is the Common Stock account. **Answer only T for True or F for False for all True/False questions.** **F**
2. If the Income Summary account has a debit balance after the revenues and expenses have been closed, the business has a net loss. **T**
3. If the business has net income for the period, this income will be closed into the Retained Earnings account with a debit to Retained Earnings and a credit to Income Summary. **F**
4. A net loss for the period will result in a debit balance in the Income Summary account (before the account is closed) because the expenses are greater than the revenues. **T**
5. Cash Dividends Declared is an account that is closed into the Income Summary account. **F**
6. The Cash Dividends Declared account is an account that is closed at the end of each accounting period. **T**
7. Expense accounts are closed by being debited. **F**
8. All revenue accounts can be closed with a single journal entry. **T**
9. If a work sheet is used in the accounting process, the adjusting entries are entered on the work sheet **after** being recorded in the general journal. **F**
10. The final step in the accounting cycle is the journalizing and posting of the closing entries. **F**
11. Income from Operations for the second quarter totaled \$9,352 and total revenues were \$28,955. Has Income from Operations as a percentage of total revenues improved during the third quarter? **Answer only Y for Yes or N for No.** **Y**
12. For the third quarter ended September 30, what is the Income from Operations as a percentage of Total Revenues? **C**
  - A. Less than 34.00%
  - B. More than 40.00%
  - C. 34.87%
  - D. 33.78%



13. Using information from questions 11 and 12, what has been the percentage increase in **third** quarter revenues over **second** quarter revenues? C  
 A. 32.44%  
 B. 33.42%  
 C. 32.14%  
 D. More than 35.00%  
 E. None of the above.
14. Salaries Expense is what percent of total revenues? B  
 A. 32.44%  
 B. 33.42%  
 C. 32.14%  
 D. More than 35.00%  
 E. None of the above.
15. Is the building owned by the company: B  
 A. Very Old  
 B. Very New  
 C. About six years old  
 D. Fully depreciated
16. What is the book value of Office Equipment? \$6,460.00
17. What has been the total amount of **net increase** in retained earnings during the third quarter ended September 30? \$12,842.80
18. Emory Legal Services, Incorporated, began with an investment of \$80,000. What is the current “net worth” of Emory Legal Services, Incorporated on September 30? \$105,219.80
19. If the depreciation entries for Emory had not been recorded because of a clerical error, what would have been the reported Income from Operations of the business? \$15,332.80
20. **If during the fourth quarter of this year,** the Emory Legal Services sustained a net loss of \$4,500, and at the same time paid a dividend of \$3,000, what would be the new Retained Earnings balance when the books are closed on **December 31**? \$17,719.80

**EXAM PROBLEM SIX: ADJUSTING, CLOSING AND ANALYSIS**  
**ANSWER KEY**

Answer Book

Question Number	Your Answer
1. The last account on a corporation Post-Closing Trial Balance is the Common Stock account. Answer only T for True or F for False for all True/False questions	F
2. If the Income Summary account has a debit balance after the revenues and expenses have been closed, the business has a net loss.	T
3. If the business has net income for the period, this income will be closed into the Retained Earnings account with a debit to Retained Earnings and a credit to Income Summary.	F
4. A net loss for the period will result in a debit balance in the Income Summary account (before the account is closed) because the expenses are greater than the revenues.	T
5. Cash Dividends Declared is an account that is closed into the Income Summary account.	F
6. The Cash dividends Declared account is an account that is closed at the end of each accounting period.	T
7. Expense accounts are closed by being debited.	F
8. All revenue accounts can be closed with a single journal entry.	T
9. If a work sheet is used in the accounting process, the adjusting entries are entered on the work sheet after being recorded in the general journal.	F
10. Assume the business uses the Balance Sheet (or Accounts Receivable) method of estimating bad debts for the period and the Allowance for Doubtful Accounts account at the end of the period has a credit balance of \$500. If the business estimates current bad debts at 3% of a current Accounts Receivable balance of \$200,000, the amount of the debit to the Bad Debt Expense account will be: A) \$6,000	F

- B) \$6,500
- C) \$5,500
- D) \$10,500

E) None of the above.

11. Income from Operations for the second quarter totaled \$9,352 and total revenues were \$28,955. Has Income from Operations as a percentage of total revenues improved during the third quarter? Answer Only Y for YES or N for NO. Y
12. For the third quarter ended September 30, what is the Income from Operations as a percentage of Total Revenues? C
- A) Less than 34.00%
  - B) More than 40.00%
  - C) 34.87%
  - D) 33.78%
13. Using information from questions 11 and 12, what has been the percentage increase in third quarter revenues over second quarter revenues? C
- A) 32.44%
  - B) 33.42%
  - C) 32.14%
  - D) More than 35%
  - E) None of the above.
14. The Salaries and Wages Expense is what percent of total revenues? B
- A) 32.44%
  - B) 33.42%
  - C) 32.14%
  - D) More than 35.00%
  - E) None of the above.
15. Is the building owned by the company: B
- A) Very Old
  - B) Very New
  - C) About six years old
  - D) Fully depreciated
16. What is the book value of Office Equipment? \$6,460.00
17. What has been the total amount of net increase in retained earnings during the third quarter ended September 30? \$12,842.80
18. Emory Legal Services, Incorporated, began with an investment of \$80,000. What is the current `net worth` of Emory Legal Services, Incorporated on September 30? \$105,219.80
19. If the depreciation entries for Emory had not been recorded because of a clerical error, what would have been the reported Income from \$15,332.80

Operations of the business?

20. If during the fourth quarter of this year, the Emory Legal Services sustained a net loss of \$4,500, and at the same time paid a dividend of \$3,000, what would be the new Retained Earnings balance when the books are closed on December 31? \$17,719.80

Emory Legal Services, Inc.

Adjusted Trial Balance

Sept 30, 2007

Account Titles	Debit	Credit
Cash	1,980.00	
Accounts Receivable	4,575.00	
Prepaid Rent	4,500.00	
Prepaid Insurance	1,561.50	
Office Supplies	220.00	
Office Equipment	10,050.00	
Accumulated Deprec. - Office Equip. Automobile	30,500.00	3,590.00
Accumulated Deprec. - Automobile Building	40,000.00	11,700.00
Accumulated Deprec. - Building Land	50,000.00	300.00
Accounts Payable		4,750.00
Short-term Notes Payable		3,000.00
Salaries and Wages Payable		785.70
Property Taxes Payable		266.00
Interest Payable		425.00
Unearned Consulting Fees		1,350.00
Long-term Notes Payable		12,000.00
Common Stock		80,000.00
Retained Earnings		12,377.00
Cash Dividends Declared	500.00	
Legal Fees Earned		34,500.00
Consulting Fees Earned		3,760.00
Salaries and Wages Expense	12,785.70	
Office Supplies Expense	1,220.00	
Vehicle Operating Expense	745.00	
Advertising Expense	1,050.00	
Delivery Expense	125.00	
Deprec. Expense - Office Equipment	390.00	
Deprec. Expense - Automobile	1,300.00	
Deprec. Expense - Building	300.00	
Rent Expense	4,500.00	
Insurance Expense	415.50	
Property Tax Expense	266.00	
Electric and Gas Expense	645.00	
Telephone Expense	475.00	
License Expense	200.00	
Miscellaneous Expense	75.00	
Interest Expense	425.00	
Total	168,803.70	168,803.70

Work4Me  
 Problem 6 - Adjusting, Closing, and Analysis

Answer Book

Emory Legal Services, Inc.  
 Post-Closing Trial Balance  
 Sept 30, 2007

Account Titles	Debit	Credit
Cash	1,980.00	
Accounts Receivable	4,575.00	
Prepaid Rent	4,500.00	
Prepaid Insurance	1,561.50	
Office Supplies	220.00	
Office Equipment	10,050.00	
Accumulated Deprec. - Office Equip. Automobile	30,500.00	3,590.00
Accumulated Deprec. - Automobile Building	40,000.00	11,700.00
Accumulated Deprec. - Building Land	50,000.00	300.00
Accounts Payable		4,750.00
Short-term Notes Payable		3,000.00
Salaries and Wages Payable		785.70
Property Taxes Payable		266.00
Interest Payable		425.00
Unearned Consulting Fees		1,350.00
Long-term Notes Payable		12,000.00
Common Stock		80,000.00
Retained Earnings		25,219.80
	-----	-----
Total	143,386.50	143,386.50
	=====	=====

Work4Me  
 Problem 6 - Adjusting, Closing, and Analysis  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Sept 30	Office Supplies Expense	602	1,220.00	
	Office Supplies	127		1,220.00
	Adjusting Entry			
Sept 30	Insurance Expense	622	415.50	
	Prepaid Insurance	122		415.50
	Adjusting Entry			
Sept 30	Rent Expense	621	4,500.00	
	Prepaid Rent	121		4,500.00
	Adjusting Entry			
Sept 30	Interest Expense	651	425.00	
	Interest Payable	215		425.00
	Adjusting Entry			
Sept 30	Consulting Fees Earned	405	1,350.00	
	Unearned Consulting Fees	220		1,350.00
	Adjusting Entry			
Sept 30	Property Tax Expense	624	266.00	
	Property Taxes Payable	211		266.00
	Adjusting Entry			
Sept 30	Salaries and Wages Expense	601	135.70	
	Salaries and Wages Payable	209		135.70
	Adjusting Entry			
Sept 30	Deprec. Expense - Office Equipment	610	390.00	
	Accumulated Deprec. - Office Equip.	132		390.00
	Adjusting Entry			
Sept 30	Deprec. Expense - Automobile	612	1,300.00	
	Accumulated Deprec. - Automobile	140		1,300.00
	Adjusting Entry			
Sept 30	Deprec. Expense - Building	615	300.00	
	Accumulated Deprec. - Building	151		300.00
	Adjusting Entry			
Sept 30	Legal Fees Earned	401	34,500.00	
	Consulting Fees Earned	405	3,760.00	
	Income Summary	901		38,260.00
	Closing Entry			
Sept 30	Income Summary	901	24,917.20	
	Salaries and Wages Expense	601		12,785.70
	Office Supplies Expense	602		1,220.00
	Vehicle Operating Expense	604		745.00
	Advertising Expense	605		1,050.00
	Delivery Expense	606		125.00
	Deprec. Expense - Office Equipment	610		390.00
	Deprec. Expense - Automobile	612		1,300.00
	Deprec. Expense - Building	615		300.00
	Rent Expense	621		4,500.00
	Insurance Expense	622		415.50
	Property Tax Expense	624		266.00
	Electric and Gas Expense	625		645.00
	Telephone Expense	626		475.00
	License Expense	628		200.00
	Miscellaneous Expense	635		75.00
	Interest Expense	651		425.00
	Closing Entry			
Sept 30	Income Summary	901	13,342.80	

	Retained Earnings	305		13,342.80
	Closing Entry			
Sept 30	Retained Earnings	305	500.00	
	Cash Dividends Declared	310		500.00
	Closing Entry			



Work4Me  
Problem 6 - Adjusting, Closing, and Analysis

Answer Book

Emory Legal Services, Inc.

Income Statement

For the Quarter Ended September 30, 2006

Revenues:

Legal Fees Earned	\$ 34,500.00
Consulting Fees Earned	3,760.00

Total Revenues	\$ 38,260.00
----------------	--------------

Operating Expenses:

Salaries and Wages Expense	\$ 12,785.70
Office Supplies Expense	1,220.00
Vehicle Operating Expense	745.00
Advertising Expense	1,050.00
Delivery Expense	125.00
Deprec. Expense - Office Equipment	390.00
Deprec. Expense - Automobile	1,300.00
Deprec. Expense - Building	300.00
Rent Expense	4,500.00
Insurance Expense	415.50
Property Tax Expense	266.00
Electric and Gas Expense	645.00
Telephone Expense	475.00
License Expense	200.00
Miscellaneous Expense	75.00
Interest Expense	425.00

Total Operating Expenses	\$ 24,917.20
--------------------------	--------------

Income From Operations	\$ 13,342.80
------------------------	--------------

Emory Legal Services, Inc.  
 Balance Sheet

ASSETS

Current Assets:

Cash	\$ 1,980.00
Accounts Receivable	4,575.00
Notes Receivable	0.00
Prepaid Rent	4,500.00
Prepaid Insurance	1,561.50
Prepaid Advertising	0.00
Office Supplies	220.00

Total Current Assets \$ 12,836.50

Plant and Equipment

Office Equipment	\$ 10,050.00
Accumulated Depreciation	3,590.00

Book Value \$ 6,460.00

Automobile	30,500.00
Accumulated Depreciation	11,700.00

Book Value \$ 18,800.00

Building	40,000.00
Accumulated Depreciation	300.00

Book Value \$ 39,700.00

Total Book Value	\$ 64,960.00
Land	50,000.00

Total Plant and Equipment 114,960.00

Total Assets \$ 127,796.50

LIABILITIES

Current Liabilities

Accounts Payable	\$ 4,750.00
Short-term Notes Payable	3,000.00
Salaries and Wages Payable	785.70
Property Taxes Payable	266.00
Dividends Payable	0.00
Interest Payable	425.00
Unearned Consulting Fees	1,350.00

Total Current Liabilities \$ 10,576.70

Long-term liabilities:

Long-term Notes Payable	\$ 12,000.00
Mortgage Payable	0.00

Total Long-term Liabilities 12,000.00

Total Liabilities \$ 22,576.70

STOCKHOLDER`S EQUITY

Common Stock \$ 80,000.00

Retained Earnings	25,219.80	
	-----	
Total Stockholder`s Equity		\$ 105,219.80
		-----
Total Liabilities and Owner`s Equity		\$ 127,796.50
		=====

Work4Me  
Problem 6 - Adjusting, Closing, and Analysis

Answer Book

Emory Legal Services, Inc.  
Retained Earnings Statement  
For the Quarter Ended September 30, 2007

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Retained earnings, June 30, 2006		\$ 12,377.00
Add: Net Income	\$ 13,342.80	
Less: Dividends declared	500.00	
	-----	
Net increase in retained earnings		12,842.80
		-----
Retained earnings, September 30, 2007		\$ 25,219.80
		=====

**Student Documents and  
Examination Answers**

**for**

**Problem 7**

**Accounts Receivable  
Perpetual Inventory**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM SEVEN NAME \_\_\_\_\_**

**ACCOUNTS RECEIVABLE**

**CLASS DAY AND TIME \_\_\_\_\_**

**DATE \_\_\_\_\_**

**PERPETUAL INVENTORY**

1. The issuance of a credit memo requires that the Sales Returns and Allowances account be debited. **T**  
**Answer only T for True or F for False for questions 1-5.**
2. A sale of merchandise on credit requires that a debit entry be recorded to the Accounts Payable account. **F**
3. The Schedule of Accounts Receivable is a list of all of the customers and the balance owed by each customer. **T**
4. Accounts Receivable and Accounts Payable are also known as “control accounts”. **T**
5. Cash terms of **3/10, net 60** means that the balance of the invoice must be paid within **60** days of the invoice date to qualify for the discount. **F**
6. How many customers have an outstanding balance owed to Uptight Tools, Incorporated? **B**
  - A. 1
  - B. 2
  - C. 3
  - D. 4
  - E. None of the above.
7. **List by number**, the customer that has the largest balance due on December 31? **11475**
8. What is the current balance owned by customer Ernie Young? **\$17,100.00**
9. **List by number**, the customer who has an overdue balance (a balance that is past the net 30-day period). **10440**
10. What was the additional cost to Kathy Taylor when she paid Invoice **U2001** after the discount period? **\$220.00**
11. How many issued checks are shown on the Cash ledger card? **A**
  - A. 1
  - B. 2
  - C. 3
  - D. 4
  - E. None of the above.

12. How many credit memos are shown on the Accounts Receivable ledger card? **B**
- A. 1
  - B. 2
  - C. 3
  - D. 4
  - E. None of the above.
13. Has the balance of the Merchandise Inventory account **increased** or **decreased** during December? **B**
- A. Increased
  - B. Decreased
  - C. Not Changed
14. Has the balance of the Cost of Goods Sold **increased** or **decreased** during December? **A**
- A. Increased
  - B. Decreased
  - C. Not Changed
15. After the final entry on December 31, what is the correct total for **Net Sales**? **\$132,302.00**

**EXAM PROBLEM SEVEN: ACCOUNTS RECEIVABLE AND PERPETUAL INVENTORY  
ANSWER KEY**

Answer Book

Question Number	Your Answer
1. The issuance of a credit memo requires that the Sales Returns and Allowances account be debited. Answer only T for True or F for False for questions 1 to 5.	T
2. A sale of merchandise on credit requires that a debit entry be recorded to the Accounts Payable account.	F
3. The Schedule of Accounts Receivable is a list of all of the customers and the balance owed by each customer.	T
4. Accounts Receivable and Accounts Payable are also known as `control accounts`.	T
5. Cash terms of 3/10, net 60 means that the balance of the invoice must be paid within 60 days of the invoice date to qualify for the discount.	F
6. How many customers have an outstanding balance owed to Uptight Tools, Incorporated? A) 1 B) 2 C) 3 D) 4 E) None of the above.	B
7. List by number, the customer that has the largest balance due on December 31?	11475
8. What is the current balance owned by customer Ernie Young?	\$17,100.00
9. List by number, the customer who has an overdue balance (a balance that is past the net 30-day period)	10440
10. What was the additional cost to Kathy Taylor when she paid Invoice U2001 after the discount period?	\$220.00
11. How many issued checks are shown on the Cash ledger card? A) 1 B) 2 C) 3	A



- D) 4
- E) None of the above.

12. How many credit memos are shown on the Accounts Receivable ledger card? B

- A) 1
- B) 2
- C) 3
- D) 4
- E) None of the above.

13. Has the balance of the Merchandise Inventory account increased or decreased during December? B

- A) Increased
- B) Decreased
- C) Not Changed.

14. Has the balance of the Cost of Goods Sold increased or decreased during December? A

- A) Increased
- B) Decreased
- C) Not Changed

15. After the final entry on December 31, what is the correct total for Net Sales? \$132,302.00

Uptight Tools

Trial Balance

Dec. 31, 2007

Account Titles

Debit

Credit

Account Titles	Debit	Credit
Cash	82,721.00	
Accounts Receivable	23,600.00	
Merchandise Inventory	46,875.00	
Prepaid Insurance	1,200.00	
Prepaid Rent	6,000.00	
Store Supplies	1,400.00	
Office Supplies	300.00	
Store Equipment and Fixtures	12,500.00	
Accum. Deprec. - Store Equip. & Fix.		3,200.00
Office Equipment	11,250.00	
Accum. Deprec. - Office Equipment		5,000.00
Delivery Vehicles	16,200.00	
Accum. Deprec. - Delivery Vehicles		3,000.00
Land	15,000.00	
Accounts Payable		3,525.00
Common Stock		150,000.00
Retained Earnings		35,550.00
Tool and Accessory Sales		137,900.00
Sales Returns and Allowances	4,525.00	
Sales Discounts	1,073.00	
Cost of Goods Sold	90,125.00	
Salaries and Wages Expense	21,200.00	
Advertising Expense	1,200.00	
Delivery Expense	1,506.00	
Vehicle Operating Expense	200.00	
Professional Services Expense	500.00	
Electric and Gas Expense	650.00	
Telephone Expense	125.00	
Miscellaneous Expense	25.00	
Total	338,175.00	338,175.00

Work4Me  
 Problem 7 - Accounts Receivable with Perpetual Inventory  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Dec. 1	Accounts Receivable	105	4,550.00	
	Tool and Accessory Sales	401		4,550.00
	Invoice: U2002			
	Customer: 10350			
	Alex Anderson			
Dec. 1	Cost of Goods Sold	501	2,275.00	
	Merchandise Inventory	115		2,275.00
	Invoice: U2002			
Dec. 4	Accounts Receivable	105	14,500.00	
	Tool and Accessory Sales	401		14,500.00
	Invoice: U2003			
	Customer: 10900			
	Marshal Motors			
Dec. 4	Cost of Goods Sold	501	7,250.00	
	Merchandise Inventory	115		7,250.00
	Invoice: U2003			
Dec. 5	Cash	101	9,800.00	
	Sales Discounts	403	200.00	
	Accounts Receivable	105		10,000.00
	Invoice: U1998			
	Customer: 10760			
	Clinker's Plumbing			
Dec. 7	Sales Returns and Allowances	402	900.00	
	Accounts Receivable	105		900.00
	Invoice: U2003			
	Credit Memo: CM202			
	Customer: 10900			
	Marshal Motors			
Dec. 7	Merchandise Inventory	115	450.00	
	Cost of Goods Sold	501		450.00
	Invoice: U2003			
Dec. 8	Cash	101	24,990.00	
	Sales Discounts	403	510.00	
	Accounts Receivable	105		25,500.00
	Invoice: U2000			
	Customer: 11330			
	Robert Wise			
Dec. 12	Delivery Expense	606	356.00	
	Cash	101		356.00
	Check: 10040			
	Invoice: D3333			
Dec. 16	Cash	101	4,459.00	
	Sales Discounts	403	91.00	
	Accounts Receivable	105		4,550.00
	Invoice: U2002			
	Customer: 10350			
	Alex Anderson			
Dec. 19	Cash	101	13,328.00	
	Sales Discounts	403	272.00	
	Accounts Receivable	105		13,600.00
	Invoice: U2003			
	Customer: 10900			
	Marshal Motors			

Dec. 21	Accounts Receivable	105	17,600.00	
	Tool and Accessory Sales	401		17,600.00
	Invoice: U2004			
	Customer: 11475			
	Ernie Young			
Dec. 21	Cost of Goods Sold	501	8,800.00	
	Merchandise Inventory	115		8,800.00
	Invoice: U2004			
Dec. 27	Cash	101	11,000.00	
	Accounts Receivable	105		11,000.00
	Invoice: U2001			
	Customer: 11250			
	Kathy Taylor			
Dec. 31	Sales Returns and Allowances	402	500.00	
	Accounts Receivable	105		500.00
	Invoice: U2004			
	Credit Memo: CM203			
	Customer: 11475			
	Ernie Young			
Dec. 31	Merchandise Inventory	115	250.00	
	Cost of Goods Sold	501		250.00
	Invoice: U2004			

Work4Me

Problem 7 - Accounts Receivable with Perpetual Inventory

Answer Book

Uptight Tools

Schedule of Accounts Receivable

Last Activity Date: December 31, 2006

Number	Name	Balance
10350	Alex Anderson	\$ .00
10440	Bob's Auto Repair	6,500.00
10760	Clinker's Plumbing	.00
10830	Folsom School District	.00
10900	Marshal Motors	.00
11250	Kathy Taylor	.00
11330	Robert Wise	.00
11475	Ernie Young	17,100.00
		-----
Total Accounts Receivable		\$ 23,600.00
		=====

Work4Me

Problem 7 - Accounts Receivable with Perpetual Inventory

Answer Book

Uptight Tools

Ledger Card

Account: 101 Cash

Date	Explanation	Debit	Credit	Balance
Dec. 1	Beginning Balance			19,500.00
Dec. 5	10760 U1998	9,800.00		29,300.00
Dec. 8	11330 U2000	24,990.00		54,290.00
Dec. 12	10040 D3333		356.00	53,934.00
Dec. 16	10350 U2002	4,459.00		58,393.00
Dec. 19	10900 U2003	13,328.00		71,721.00
Dec. 27	11250 U2001	11,000.00		82,721.00

Work4Me

Problem 7 - Accounts Receivable with Perpetual Inventory

Answer Book

Uptight Tools

Ledger Card

Account: 105 Accounts Receivable

Date	Explanation	Debit	Credit	Balance
Dec. 1	Beginning Balance			53,000.00
Dec. 1	10350 U2002	4,550.00		57,550.00
Dec. 4	10900 U2003	14,500.00		72,050.00
Dec. 5	10760 U1998		10,000.00	62,050.00
Dec. 7	10900 U2003 CM202		900.00	61,150.00
Dec. 8	11330 U2000		25,500.00	35,650.00
Dec. 16	10350 U2002		4,550.00	31,100.00
Dec. 19	10900 U2003		13,600.00	17,500.00
Dec. 21	11475 U2004	17,600.00		35,100.00
Dec. 27	11250 U2001		11,000.00	24,100.00
Dec. 31	11475 U2004 CM203		500.00	23,600.00

Work4Me

Problem 7 - Accounts Receivable with Perpetual Inventory

Answer Book

Uptight Tools

Ledger Card

Account: 115 Merchandise Inventory

Date	Explanation	Debit	Credit	Balance
Dec. 1	Beginning Balance			64,500.00
Dec. 1	U2002		2,275.00	62,225.00
Dec. 4	U2003		7,250.00	54,975.00
Dec. 7	U2003	450.00		55,425.00
Dec. 21	U2004		8,800.00	46,625.00
Dec. 31	U2004	250.00		46,875.00



Work4Me

Problem 7 - Accounts Receivable with Perpetual Inventory

Answer Book

Uptight Tools

Ledger Card

Account: 501 Cost of Goods Sold

Date	Explanation	Debit	Credit	Balance
Dec. 1	Beginning Balance			72,500.00
Dec. 1	U2002	2,275.00		74,775.00
Dec. 4	U2003	7,250.00		82,025.00
Dec. 7	U2003		450.00	81,575.00
Dec. 21	U2004	8,800.00		90,375.00
Dec. 31	U2004		250.00	90,125.00

Work4Me  
 Uptight Tools  
 Accounts Receivable with Perpetual Inventory  
 All Customer Data

Number: 10350  
 Name: Alex Anderson  
 Address: 607 Borate Avenue                      Rocklin: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 1	U2002	4,550.00		4,550.00
Dec. 16	U2002		4,550.00	0.00

Number: 10440  
 Name: Bob's Auto Repair  
 Address: 445 Sluice Pan Way                      Colfax: CA

Date	Explanation	Debit	Credit	Balance
Oct. 28	U1085	6,500.00		6,500.00

Number: 10760  
 Name: Clinker's Plumbing  
 Address: 340 Ophir Avenue                      Roseville: CA

Date	Explanation	Debit	Credit	Balance
Nov. 20	U1998	10,000.00		10,000.00
Dec. 5	U1998		10,000.00	0.00

Number: 10830  
 Name: Folsom School District  
 Address: 800 Dry Ravine Road                      Dutch Flat: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00

Number: 10900  
 Name: Marshal Motors  
 Address: 101 Gold Rush Plaza                      Newcastle: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 4	U2003	14,500.00		14,500.00
Dec. 7	U2003 CM202		900.00	13,600.00
Dec. 19	U2003		13,600.00	0.00

Number: 11250  
 Name: Kathy Taylor  
 Address: 555 Rail Road Street                      Portola: CA

Date	Explanation	Debit	Credit	Balance
Nov. 27	U2001	11,000.00		11,000.00
Dec. 27	U2001		11,000.00	0.00

Number: 11330  
 Name: Robert Wise  
 Address: 300 Sloat Road                      Quincy: CA

Date	Explanation	Debit	Credit	Balance
Nov. 23	U2000	25,500.00		25,500.00
Dec. 8	U2000		25,500.00	0.00

Number: 11475

Name: Ernie Young

Address: 120 White Fir Drive

Gold Run: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 21	U2004	17,600.00		17,600.00
Dec. 31	U2004 CM203		500.00	17,100.00

**Student Documents and  
Examination Answers**

**for**

**Problem 8**

**Accounts Payable  
Perpetual Inventory**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM EIGHT NAME \_\_\_\_\_**  
**ACCOUNTS PAYABLE CLASS DAY AND TIME \_\_\_\_\_ DATE \_\_\_\_\_**  
**PERPETUAL INVENTORY**

1. The issuance of a debit memo for the return of merchandise to a vendor requires that the Sales Returns and Allowances account be debited. **Answer only T for True or F for False for questions 1-4.** **F**
2. A purchase of merchandise on credit requires that a credit entry to be recorded to the Accounts Payable account. **T**
3. Cash terms of 2/10, 1/15, net 60 means that the balance of the invoice must be paid in full within 15 days of the invoice date to qualify for a 2 percent discount. **F**
4. Cash terms of 3/10, net 30 means that the balance of the invoice must be paid within 10 days of the invoice date to qualify for the full discount. **T**
5. If paid on time, what is the last day to pay the Honker Brothers invoice? **A**
  - A. **January 7**
  - B. **December 7**
  - C. **January 5**
  - D. **January 6**
  - E. **None of the above**
6. What amount will be saved by paying the Honker Brothers invoice on time? **B**
  - A. **\$100.00**
  - B. **\$0.00**
  - C. **\$20.00**
  - D. **\$10.00**
  - E. **None of the above**
7. What are the credit terms offered by Mosetti and Company? **B**
  - A. **2/10, n/30**
  - B. **net 30**
  - C. **01/10, n/30**
  - D. **None of the above**

8. What is the problem with the Mosetti and Company account balance? **C**
- A. no problem
  - B. not yet due
  - C. past due
  - D. due in 5 days
  - E. None of the above
9. If the Deadwood Equipment Company balance, that is currently past due, had been paid on time, what would have been the reduction in the cost of inventory if the invoice had been paid within the discount period? **\$316.00**
10. The Boot Hill Tools invoice of December 2, was paid on time to take the discount. What was the reduction in the cost of inventory for paying this invoice within the discount period? **\$250.00**

**EXAM PROBLEM EIGHT: ACCOUNT PAYABLE AND PERPETUAL INVENTORY  
ANSWER KEY**

Answer Book

Question Number	Your Answer
1. The issuance of a debit memo for the return of merchandise to a vendor requires that the Sales Returns and Allowances account be debited. Answer only T for True or F for False for questions 1 - 4	F
2. A purchase of merchandise on credit requires that a credit entry to be recorded to the Accounts Payable account.	T
3. Cash terms of 2/10, 1/15, net 60 means that the balance of the invoice must be paid in full within 15 days of the invoice date to qualify for a 2 percent discount.	F
4. Cash terms of 3/10, net 30 means that the balance of the invoice must be paid within 10 days of the invoice date to qualify for the full discount.	T
5. If paid on time, what is the last day to pay the Honker Brothers invoice? A) January 7 B) December 7 C) January 5 D) January 6 E) None of the above	A
6. What amount will be saved by paying the Honker Brothers invoice on time? A) \$100.00 B) \$0.00 C) \$20.00 D) \$10.00 E) None of the above	B
7. What are the credit terms offered by Mosetti and Company? A) 2/10, n/30 B) net 30 C) 01/10, n/30 D) None of the above	B
8. What is the problem with the Mosetti and Company account balance? A) no problem B) not yet due	C

- C) past due
- D) due in 5 days
- E) None of the above

9. If the Deadwood Equipment Company balance, that is currently past due, had been paid on time, what would have been the reduction in the cost of inventory if the invoice had been paid within the discount period? \$316.00
10. The Boot Hill Tools invoice of December 2, was paid on time to take the discount. What was the reduction in the cost of inventory for paying this invoice within the discount period? \$250.00



Uptight Tools

Trial Balance

Dec. 31, 2007

Account Titles

Debit

Credit

Account Titles	Debit	Credit
Cash	24,543.00	
Accounts Receivable	7,315.00	
Notes Receivable	12,100.00	
Merchandise Inventory	113,882.00	
Prepaid Insurance	1,500.00	
Prepaid Rent	7,200.00	
Store Supplies	650.00	
Office Supplies	150.00	
Store Equipment and Fixtures	15,500.00	
Accum. Deprec. - Store Equip. & Fix.		1,200.00
Office Equipment	21,300.00	
Accum. Deprec. - Office Equipment		16,200.00
Delivery Vehicles	15,300.00	
Accum. Deprec. - Delivery Vehicles		4,000.00
Land	20,000.00	
Accounts Payable		22,300.00
Common Stock		125,000.00
Retained Earnings		42,040.00
Tool and Accessory Sales		156,500.00
Sales Returns and Allowances	5,100.00	
Cost of Goods Sold	93,625.00	
Salaries and Wages Expense	23,400.00	
Advertising Expense	2,500.00	
Delivery Expense	1,550.00	
Vehicle Operating Expense	250.00	
Professional Services Expense	275.00	
Electric and Gas Expense	625.00	
Telephone Expense	450.00	
Miscellaneous Expense	25.00	
Total	367,240.00	367,240.00

Work4Me  
 Problem 8 - Accounts Payable with Perpetual Inventory  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Dec. 1	Accounts Payable	201	1,375.00	
	Cash	101		1,375.00
	Check: 41002			
	Invoice: G5001			
	Vendor: 23400			
	Goodman Freight, Inc.			
Dec. 2	Merchandise Inventory	115	12,500.00	
	Accounts Payable	201		12,500.00
	Invoice: BH545			
	Vendor: 21200			
	Boot Hill Tools			
Dec. 3	Merchandise Inventory	115	11,000.00	
	Cash	101		11,000.00
	Check: 41003			
	Invoice: T0101			
Dec. 9	Merchandise Inventory	115	4,600.00	
	Accounts Payable	201		4,600.00
	Invoice: D3267			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 10	Accounts Payable	201	9,000.00	
	Cash	101		8,910.00
	Merchandise Inventory	115		90.00
	Check: 41004			
	Invoice: V1555			
	Vendor: 28800			
	Videcamper Saws			
Dec. 11	Accounts Payable	201	12,500.00	
	Cash	101		12,250.00
	Merchandise Inventory	115		250.00
	Check: 41005			
	Invoice: BH545			
	Vendor: 21200			
	Boot Hill Tools			
Dec. 13	Accounts Payable	201	1,200.00	
	Merchandise Inventory	115		1,200.00
	Invoice: D3267			
	Debit Memo: DM303			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 19	Accounts Payable	201	3,400.00	
	Cash	101		3,332.00
	Merchandise Inventory	115		68.00
	Check: 41006			
	Invoice: D3267			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 21	Merchandise Inventory	115	8,200.00	
	Accounts Payable	201		8,200.00
	Invoice: L3003			
	Vendor: 26660			
	Locker and Sons, Inc.			
Dec. 28	Merchandise Inventory	115	4,350.00	

	Accounts Payable	201		4,350.00
	Invoice: HB876			
	Vendor: 24000			
	Honker Brothers			
Dec. 31	Accounts Payable	201	8,200.00	
	Cash	101		8,040.00
	Merchandise Inventory	115		160.00
	Check: 41007			
	Invoice: L3003			
	Vendor: 26660			
	Locker and Sons, Inc.			

Work4Me

Problem 8 - Accounts Payable with Perpetual Inventory

Answer Book

Uptight Tools

Schedule of Accounts Payable

Last Activity Date: December 31, 2006

Number	Name	Balance
20650	Bart's Supply	\$ .00
21200	Boot Hill Tools	.00
22700	Deadwood Equipment	15,800.00
23400	Goodman Freight: Inc.	.00
24000	Honker Brothers	4,350.00
26660	Locker and Sons: Inc.	.00
27500	Mosetti and Company	2,150.00
28800	Videcamper Saws	.00
		-----
Total Accounts Payable		\$ 22,300.00 =====

Accounts Payable with Perpetual Inventory

Vendor Data

Number: 20650

Name: Bart's Supply

Address: 100 Richad Avenue Sacramento: CA Net 30

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00

Number: 21200

Name: Boot Hill Tools

Address: 240 Chipmunk Lane Truckee: CA 2/10: n/30

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 2	BH545		12,500.00	12,500.00
Dec. 11	BH545	12,500.00		0.00

Number: 22700

Name: Deadwood Equipment

Address: 100 Overlook Drive Auburn: CA 2/10: n/30

Date	Explanation	Debit	Credit	Balance
Dec. 1	D3088		15,800.00	15,800.00
Dec. 9	D3267		4,600.00	20,400.00
Dec. 13	D3267 DM303	1,200.00		19,200.00
Dec. 19	D3267	3,400.00		15,800.00

Number: 23400

Name: Goodman Freight: Inc.

Address: 360 Gold Rush Ave. Gold Run: CA Net 15

Date	Explanation	Debit	Credit	Balance
Nov. 16	G5001		1,375.00	1,375.00
Dec. 1	G5001	1,375.00		0.00

Number: 24000

Name: Honker Brothers

Address: 477 Main Street Paradise: CA Net 10

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 28	HB876		4,350.00	4,350.00

Number: 26660

Name: Locker and Sons: Inc.

Address: 333 Hillcrest Drive Eureka: CA 2/10: n/30

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 21	L3003		8,200.00	8,200.00
Dec. 31	L3003	8,200.00		0.00

Number: 27500

Name: Mosetti and Company

Address: 500 Hoppy Lane Manteca: CA Net 30

Date	Explanation	Debit	Credit	Balance
Nov. 30	M2005		2,150.00	2,150.00

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Number: 28800

Name: Videcamper Saws

Address: 240 Vista Lane

Redding: CA 1/10: n/30

Date	Explanation	Debit	Credit	Balance
Dec. 1	V1555		9,000.00	9,000.00
Dec. 10	V1555	9,000.00		0.00

---

**Student Documents and  
Examination Answers**

**for**

**Problem 9**

**Accounts Receivable and  
Accounts Payable**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM NINE**  
**ACCOUNTS RECEIVABLE AND**  
**ACCOUNTS PAYABLE**

**NAME** \_\_\_\_\_  
**CLASS DAY AND TIME** \_\_\_\_\_ **DATE** \_\_\_\_\_

1. Cash terms of 2/10, 1/20, n/30 means that as much as 3% discount can be earned by paying this invoice within the discount period.  
**Answer only T for True or F for False.** **F**
  
2. Is the Marshal Motors account past due (over 15 days)?  
**Answer only Y for Yes or N for No on questions 2, and 3.** **Y**
  
3. Does the Schedule of Accounts Receivable total match the balance of the Accounts Receivable control account? **Y**
  
4. What is the customer number of the only customer with a current balance owed to Uptight Tools? **10900**
  
5. The Deadwood Equipment accounts payable balance is now zero. What was the highest correct balance owed on this account during the month of December? **\$18,230.00**
  
6. On what date will the balance owed to Bart's Supply be due and payable?  
**A. January 23**  
**B. December 23**  
**C. December 31**  
**D. January 24**  
**E. None of the above** **A**
  
7. If due to an accounting error, the balance of the Cost of Goods Sold account was overstated, this error would cause the Net Income for the period to be:  
**A. Overstated**  
**B. Understated**  
**C. Unchanged**  
**D. None of the above** **B**
  
8. If, in error, a delivery expense invoice was not recorded, the Net Income for the period would be:  
**A. Overstated**  
**B. Understated**  
**C. The Same**  
**D. None of the above** **A**



9. Failure to record an adjusting entry for accrued expenses would cause the Income from Operations for the period to be: A  
**A. Overstated**  
**B. Understated**  
**C. The Same**
10. Income from Operations is what percent of Net Sales? **Round all percentage answers to two decimal places. In your answer do NOT write percent or use the % sign. Example: 45.23** 29.60
11. Salaries and Wages Expense is what percent of Net Sales? 7.47  
**Remember to use 2 decimal places for all percentage answers. Do NOT write percent or use the % sign in your answer.**
12. Last quarter the Salaries and Wages were 8.01% of Net Sales. Has there been any improvement in Salaries and Wages Expense for this quarter? **Answer only Y for Yes or N for No.** Y
13. Uptight Tools management attempts to keep the total operating expenses at not more than 18% of the Net Sales. Have they been successful in reaching this goal this quarter? N  
**Answer only Y for Yes or N for No.**
14. If the total operating expenses for the quarter could have been reduced by just 10%, **to the nearest dollar**, what would have been the new total of the Income from Operations? \$44,034.00
15. Cost of Goods Sold (not Total Cost of Goods Sold) is what Percent of Net Sales? (2 decimal places and Do NOT write percent or use the % sign in your answer) 50.00
16. If the cost of paying freight charges for merchandise purchased and freight charges for delivering goods to customers could be cut by 50%, what effect would this have on the Income from Operations of the business? D  
**A. Net Income would decrease by \$982.50.**  
**B. There would be no change in Net Income.**  
**C. Net Income would increase by \$1,965**  
**D. None of the above.**
17. Calculate the current ratio of Uptight Tools, Inc. (2 decimal places) 3.14

18. If necessary, research the text for the formula for the acid-test or quick ratio. Use this ratio to evaluate the ability of Uptight Tools, Inc., to meet its current debt. **D**
- A. Excellent
  - B. Good
  - C. Fair
  - D. Poor
19. In general, are the Plant and Equipment items of Uptight Tools, Inc., relatively: **A**
- A. New
  - B. Old
20. What amount (historical cost) was spent to acquire the Office Equipment? **\$28,300.00**

**EXAM PROBLEM NINE: ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE**  
**ANSWER KEY**

Answer Book

Question Number	Your Answer
1. Cash terms of 2/10, 1/20, n/30 means that as much as 3% discount can be earned by paying this invoice within the discount period. Answer only T for True or F for False.	F
2. Is the Marshal Motors account past due (over 15 days)? Answer only Y for Yes or N for No on questions 2 and 3.	Y
3. Does the Schedule of Accounts Receivable total match the balance of the Accounts Receivable control account?	Y
4. What is the customer number of the only customer with a current balance owed to Uptight Tools?	10900
5. The Deadwood Equipment accounts payable balance is now zero. What was the highest correct balance owed on this account during the month of December?	\$18,230.00
6. On what date will the balance owed to Bart's Supply be due and payable? A) January 23 B) December 23 C) December 31 D) January 24 E) None of the above	A
7. If due to an accounting error, the balance of the Cost of Goods Sold account was overstated, this error would cause the Net Income for the period to be: A) Overstated B) Understated C) Unchanged D) None of the above	B
8. If, in error, a delivery expense invoice was not recorded, the Net Income for the period would be: A) Overstated B) Understated C) The Same D) None of the above	A
9. Failure to record an adjusting entry for accrued	A

expenses would cause the Income from Operations for the period to be:

- A) Overstated
- B) Understated
- C) The Same

10. Income from Operations is what percent of Net Sales? Round all percentage answers to two decimal places. In your answer do NOT write percent or use the % sign. Example: 45.23 29.60
11. Salaries and Wages Expense is what percent of Net Sales? Remember to use 2 decimal places for all percentage answers. Do NOT write percent or use the % sign in your answer. 7.47
12. Last quarter the Salaries and Wages were 8.01% of Net Sales. Has there been any improvement in Salaries and Wages Expense for this quarter? Answer only Y for Yes or N for No. Y
13. Uptight Tools management attempts to keep the total operating expenses at not more than 18% of the Net Sales. Have they been successful in reaching this goal this quarter? Answer only Y for Yes or N for No. N
14. If the total operating expenses for the quarter could have been reduced by just 10%, to the nearest dollar, what would have been the new total of the Income from Operations? \$44,034.00
15. Cost of Goods Sold (not Total Cost of Goods Sold) is what Percent of Net Sales? (2 decimal places and Do NOT write percent or use the % sign in your answer) 50.00
16. If the cost of paying freight charges for merchandise purchased and freight charges for delivering goods to customers could be cut by 50%, what effect would this have on the Income from Operations of the business? D
- A) Net Income would decrease by \$982.50.  
B) There would be no change in Net Income.  
C) Net Income would increase by \$1,965  
D) None of the above.
17. Calculate the current ratio of Uptight Tools, Inc. (2 decimal places). 3.14
18. If necessary, research the text for the formula for the acid-test or quick ratio. Use this ratio to evaluate the ability of Uptight Tools, Inc., to meet its current debt. D
- A) Excellent  
B) Good  
C) Fair

D) Poor

19. In general, are the Plant and Equipment items of Uptight Tools, Inc., relatively: A

A) New

B) Old

20. What amount (historical cost) was spent to acquire the Office Equipment? \$28,300.00

## Uptight Tools

Trial Balance

Dec. 31, 2007

Account Titles	Debit	Credit
Cash	12,986.82	
Accounts Receivable	350.00	
Merchandise Inventory	100,839.40	
Prepaid Insurance	1,800.00	
Prepaid Rent	8,700.00	
Store Supplies	865.00	
Office Supplies	1,828.60	
Store Equipment and Fixtures	9,500.00	
Accum. Dep. - Store Equip. and Fix.		1,900.00
Office Equipment	28,300.00	
Accum. Deprec. - Office Equipment		9,300.00
Delivery Vehicles	42,000.00	
Accum. Deprec. - Delivery Vehicles		9,000.00
Land	35,000.00	
Accounts Payable		12,331.60
Short-term Notes Payable		12,000.00
Sales Tax Payable		1,137.22
Dividends Payable		10,000.00
Income Taxes Payable		2,100.00
Common Stock		100,000.00
Retained Earnings		42,831.00
Cash Dividends Declared	10,000.00	
Tool and Accessory Sales		147,146.00
Sales Returns and Allowances	7,550.00	
Cost of Goods Sold	69,798.00	
Transportation-In	1,355.00	
Salaries and Wages Expense	10,005.00	
Advertising Expense	1,250.00	
Delivery Expense	610.00	
Vehicle Operating Expense	320.00	
Rent Expense	900.00	
Professional Services Expense	250.00	
Electric and Gas Expense	1,098.00	
Telephone Expense	310.00	
Miscellaneous Expense	30.00	
Income Taxes Expense	2,100.00	
Total	347,745.82	347,745.82

## Uptight Tools

Adjusted Trial Balance

Dec. 31, 2007

Account Titles	Debit	Credit
Cash	12,986.82	
Accounts Receivable	350.00	
Merchandise Inventory	100,839.40	
Prepaid Insurance	600.00	
Prepaid Rent	4,350.00	
Store Supplies	355.00	
Office Supplies	1,523.60	
Store Equipment and Fixtures	9,500.00	
Accum. Dep. - Store Equip. and Fix.		2,215.00
Office Equipment	28,300.00	
Accum. Deprec. - Office Equipment		9,585.00
Delivery Vehicles	42,000.00	
Accum. Deprec. - Delivery Vehicles		13,368.00
Land	35,000.00	
Accounts Payable		12,331.60
Short-term Notes Payable		12,000.00
Sales Tax Payable		1,137.22
Salaries and Wages Payable		424.00
Dividends Payable		10,000.00
Interest Payable		270.00
Property Tax Payable		321.00
Income Taxes Payable		2,100.00
Common Stock		100,000.00
Retained Earnings		42,831.00
Cash Dividends Declared	10,000.00	
Tool and Accessory Sales		147,146.00
Sales Returns and Allowances	7,550.00	
Cost of Goods Sold	69,798.00	
Transportation-In	1,355.00	
Salaries and Wages Expense	10,429.00	
Store Supplies Expense	510.00	
Office Supplies Expense	305.00	
Advertising Expense	1,250.00	
Delivery Expense	610.00	
Vehicle Operating Expense	320.00	
Deprec. Ex.- Store Equip. and Fix.	315.00	
Deprec. Ex. - Office Equipment	285.00	
Deprec. Ex. - Delivery Vehicles	4,368.00	
Rent Expense	5,250.00	
Insurance Expense	1,200.00	
Professional Services Expense	250.00	
Electric and Gas Expense	1,098.00	
Telephone Expense	310.00	
Property Tax Expense	321.00	
Miscellaneous Expense	30.00	
Interest Expense	270.00	
Income Taxes Expense	2,100.00	
Total	353,728.82	353,728.82

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Problem 9 - Accounts Receivable and Accounts Payable

General Journal

Book Answer

Date	Accounts and Explanation	PR	Debit	Credit
Dec. 1	Cash	101	487.92	
	Tool and Accessory Sales	401		456.00
	Sales Tax Payable	205		31.92
	Invoice: U2061			
Dec. 1	Cost of Goods Sold	501	228.00	
	Merchandise Inventory	115		228.00
	Invoice: U2061			
Dec. 1	Accounts Receivable	105	1,647.80	
	Tool and Accessory Sales	401		1,540.00
	Sales Tax Payable	205		107.80
	Invoice: U2062			
	Customer: 11475			
	Ernie Young			
Dec. 1	Cost of Goods Sold	501	770.00	
	Merchandise Inventory	115		770.00
	Invoice: U2062			
	Customer: 11475			
	Ernie Young			
Dec. 2	Merchandise Inventory	115	13,100.00	
	Accounts Payable	201		13,100.00
	Invoice: BH666			
	Vendor: 21200			
	Boot Hill Tools			
Dec. 4	Merchandise Inventory	115	5,730.00	
	Accounts Payable	201		5,730.00
	Invoice: D4545			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 6	Transportation-In	502	155.00	
	Cash	101		155.00
	Check: 33332			
	Invoice: HL123			
Dec. 10	Accounts Payable	201	9,000.00	
	Cash	101		8,910.00
	Merchandise Inventory	115		90.00
	Check: 33333			
	Invoice: V1425			
	Vendor: 28800			
	Videcamper Saws			
Dec. 12	Accounts Payable	201	13,100.00	
	Cash	101		12,838.00
	Merchandise Inventory	115		262.00
	Check: 33334			
	Invoice: BH666			
	Vendor: 21200			
	Boot Hill Tools			
Dec. 12	Accounts Payable	201	1,200.00	
	Merchandise Inventory	115		1,200.00
	Invoice: D4545			
	Debit Memo: DM121			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 12	Accounts Receivable	105	16,745.50	



	Tool and Accessory Sales	401		15,650.00
	Sales Tax Payable	205		1,095.50
	Invoice: U2063			
	Customer: 10830			
	Folsom School District			
Dec. 12	Cost of Goods Sold	501	7,825.00	
	Merchandise Inventory	115		7,825.00
	Invoice: U2063			
	Customer: 10830			
	Folsom School District			
Dec. 13	Cash	101	8,000.00	
	Accounts Receivable	105		8,000.00
	Invoice: U2040			
	Customer: 10760			
	Clinker's Plumbing			
Dec. 14	Accounts Payable	201	4,530.00	
	Cash	101		4,439.40
	Merchandise Inventory	115		90.60
	Check: 33335			
	Invoice: D4545			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 15	Sales Returns and Allowances	402	1,400.00	
	Sales Tax Payable	205	98.00	
	Accounts Receivable	105		1,498.00
	Invoice: U2063			
	Credit Memo: CM300			
	Customer: 10830			
	Folsom School District			
Dec. 15	Merchandise Inventory	115	700.00	
	Cost of Goods Sold	501		700.00
	Invoice: U2063			
	Credit Memo: CM300			
	Customer: 10830			
	Folsom School District			
Dec. 16	Cash	101	1,647.80	
	Accounts Receivable	105		1,647.80
	Invoice: U2062			
	Customer: 11475			
	Ernie Young			
Dec. 20	Accounts Payable	201	12,500.00	
	Cash	101		12,500.00
	Check: 33336			
	Invoice: D3145			
	Vendor: 22700			
	Deadwood Equipment			
Dec. 24	Merchandise Inventory	115	7,350.00	
	Accounts Payable	201		7,350.00
	Invoice: HB999			
	Vendor: 24000			
	Honker Brothers			
Dec. 24	Office Supplies	129	1,456.60	
	Accounts Payable	201		1,456.60
	Invoice: B8787			
	Vendor: 20650			
	Bart's Supply			
Dec. 26	Cash	101	15,247.50	
	Accounts Receivable	105		15,247.50
	Invoice: U2063			
	Customer: 10830			

Folsom School District				
Dec. 29	Salaries and Wages Expense	601	3,455.00	
	Cash	101		3,455.00
	Check: 33337			
	Invoice: PAYRL			
Dec. 31	Electric and Gas Expense	624	423.00	
	Cash	101		423.00
	Check: 33338			
	Invoice: 56667			
Dec. 31	Store Supplies Expense	602	510.00	
	Store Supplies	127		510.00
	Adjusting Entry			
Dec. 31	Office Supplies Expense	603	305.00	
	Office Supplies	129		305.00
	Adjusting Entry			
Dec. 31	Insurance Expense	622	1,200.00	
	Prepaid Insurance	121		1,200.00
	Adjusting Entry			
Dec. 31	Rent Expense	621	4,350.00	
	Prepaid Rent	123		4,350.00
	Adjusting Entry			
Dec. 31	Interest Expense	811	270.00	
	Interest Payable	215		270.00
	Adjusting Entry			
Dec. 31	Property Tax Expense	626	321.00	
	Property Tax Payable	218		321.00
	Adjusting Entry			
Dec. 31	Salaries and Wages Expense	601	424.00	
	Salaries and Wages Payable	209		424.00
	Adjusting Entry			
Dec. 31	Deprec. Ex.- Store Equip. and Fix.	610	315.00	
	Accum. Dep. - Store Equip. and Fix.	132		315.00
	Adjusting Entry			
Dec. 31	Deprec. Ex. - Office Equipment	611	285.00	
	Accum. Deprec. - Office Equipment	136		285.00
	Adjusting Entry			
Dec. 31	Deprec. Ex. - Delivery Vehicles	612	4,368.00	
	Accum. Deprec. - Delivery Vehicles	140		4,368.00
	Adjusting Entry			

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Problem 9 - Accounts Receivable and Accounts Payable

Answer Book

Uptight Tools

Income Statement

For the Quarter Ended December 31, 2008

Revenues:

Tool and Accessory Sales	\$	147,146.00
Less: Sales Returns and Allowances		7,550.00

Net Sales	\$	139,596.00
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Cost of Goods Sold:

Cost of Goods Sold	\$	69,798.00
Transportation-In		1,355.00

Total Cost of Goods Sold		71,153.00
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Gross Profit on Sales	\$	68,443.00
-----------------------	----	-----------

Operating Expenses:

Salaries and Wages Expense	\$	10,429.00
Store Supplies Expense		510.00
Office Supplies Expense		305.00
Advertising Expense		1,250.00
Delivery Expense		610.00
Vehicle Operating Expense		320.00
Deprec. Ex.- Store Equip. and Fix.		315.00
Deprec. Ex. - Office Equipment		285.00
Deprec. Ex. - Delivery Vehicles		4,368.00
Rent Expense		5,250.00
Insurance Expense		1,200.00
Professional Services Expense		250.00
Electric and Gas Expense		1,098.00
Telephone Expense		310.00
Property Tax Expense		321.00
Bank Service Expense		0.00
Miscellaneous Expense		30.00
Interest Expense		270.00

Total Operating Expenses		27,121.00
--------------------------	--	-----------

Income From Operations	\$	41,322.00
------------------------	----	-----------

Income Taxes Expense		2,100.00
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Net Income After Income Taxes	\$	39,222.00
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Uptight Tools  
Balance Sheet

## ASSETS

## Current Assets:

Cash	\$ 12,986.82
Accounts Receivable	350.00
Notes Receivable	0.00
Interest Receivable	0.00
Merchandise Inventory	100,839.40
Prepaid Insurance	600.00
Prepaid Rent	4,350.00
Prepaid Advertising	0.00
Store Supplies	355.00
Office Supplies	1,523.60
	-----

Total Current Assets \$ 121,004.82

## Plant and Equipment

Store Equipment and Fixtures	\$ 9,500.00
Accumulated Depreciation	2,215.00
	-----

Book Value \$ 7,285.00

Office Equipment	28,300.00
Accumulated Depreciation	9,585.00
	-----

Book Value \$ 18,715.00

Delivery Vehicles	42,000.00
Accumulated Depreciation	13,368.00
	-----

Book Value \$ 28,632.00

Total Book Value \$ 54,632.00

Land \$ 35,000.00

Total Plant and Equipment 89,632.00

Total Assets \$ 210,636.82

## LIABILITIES

## Current Liabilities

Accounts Payable	\$ 12,331.60
Short-term Notes Payable	12,000.00
Sales Tax Payable	1,137.22
Salaries and Wages Payable	424.00
Dividends Payable	10,000.00
Property Tax Payable	591.00
Revenue Received in Advance	0.00
Income Taxes Payable	2,100.00
	-----

Total Current Liabilities \$ 38,583.82

## Long-term liabilities:

Long-term Notes Payable \$ 0.00

Total Long-term Liabilities 0.00

Total Liabilities		----- \$ 38,583.82
	STOCKHOLDER'S EQUITY	
Common Stock	\$ 100,000.00	
Retained Earnings	72,053.00	
	-----	
Total Stockholder`s Equity		172,053.00 -----
Total Liabilities and Owner`s Equity		\$ 210,636.82 =====

Work4Me

Problem 9 - Accounts Receivable and Accounts Payable

Answer Book

Uptight Tools

Retained Earnings Statement

For the Quarter Ended December 31, 2007

Retained earnings, December 31, 2006		\$ 42,831.00
Add: Net Income	\$ 39,222.00	
Less: Dividends declared	10,000.00	
	-----	
Net increase in retained earnings		29,222.00
		-----
Retained earnings, December 31, 2007		\$ 72,053.00
		=====

Work4Me

Problem 9 - Accounts Receivable and Accounts Payable

Answer Book

Uptight Tools

Schedule of Accounts Receivable

Last Activity Date: December 26, 2006

Number	Name	Balance
10350	Alex Anderson	\$ .00
10440	Bob's Auto Repair	.00
10760	Clinker's Plumbing	.00
10830	Folsom School District	.00
10900	Marshal Motors	350.00
11250	Kathy Taylor	.00
11330	Robert Wise	.00
11475	Ernie Young	.00
		-----
Total Accounts Receivable		\$ 350.00 =====

Work4Me  
 Uptight Tools  
 Accounts Receivable and Accounts Payable  
 All Customer Data

Number: 10350  
 Name: Alex Anderson  
 Address: 607 Borate Avenue                      Rocklin: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00

Number: 10440  
 Name: Bob's Auto Repair  
 Address: 445 Sluice Pan Way                      Colfax: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00

Number: 10760  
 Name: Clinker's Plumbing  
 Address: 340 Ophir Avenue                      Roseville: CA

Date	Explanation	Debit	Credit	Balance
Nov. 28	U2040	8,000.00		8,000.00
Dec. 13	U2040		8,000.00	0.00

Number: 10830  
 Name: Folsom School District  
 Address: 800 Dry Ravine Road                      Dutch Flat: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 12	U2063	16,745.50		16,745.50
Dec. 15	U2063 CM300		1,498.00	15,247.50
Dec. 26	U2063		15,247.50	0.00

Number: 10900  
 Name: Marshal Motors  
 Address: 101 Gold Rush Plaza                      Newcastle: CA

Date	Explanation	Debit	Credit	Balance
Nov. 4	U2032	350.00		350.00

Number: 11250  
 Name: Kathy Taylor  
 Address: 555 Rail Road Street                      Portola: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00

Number: 11330  
 Name: Robert Wise  
 Address: 300 Sloat Road                      Quincy: CA

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00



---

Number: 11475

Name: Ernie Young

Address: 120 White Fir Drive

Gold Run: CA

Date

Explanation

Debit

Credit

Balance

---

Dec. 1	Balance			0.00
Dec. 1	U2062	1,647.80		1,647.80
Dec. 15	U2062		1,647.80	0.00

---

Work4Me

Problem 9 - Accounts Receivable and Accounts Payable

Answer Book

Uptight Tools

Schedule of Accounts Payable

Last Activity Date: December 24, 2006

Number	Name	Balance
20650	Bart's Supply	\$ 1,456.60
21200	Boot Hill Tools	.00
22700	Deadwood Equipment	.00
23400	Goodman Freight: Inc.	1,375.00
24000	Honker Brothers	7,350.00
26660	Locker and Sons: Inc.	.00
27500	Mosetti and Company	2,150.00
28800	Videcamper Saws	.00
		-----
Total Accounts Payable		\$ 12,331.60 =====

Accounts Receivable and Accounts Payable

Vendor Data

Number: 20650

Name: Bart's Supply

Address: 100 Richad Avenue Sacramento: CA Net 30

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 24	B8787		1,456.60	1,456.60

Number: 21200

Name: Boot Hill Tools

Address: 240 Chipmunk Lane Truckee: CA 2/10: n/30

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 2	BH666		13,100.00	13,100.00
Dec. 12	BH666	13,100.00		0.00

Number: 22700

Name: Deadwood Equipment

Address: 100 Overlook Drive Auburn: CA 2/10: n/30

Date	Explanation	Debit	Credit	Balance
Nov. 21	D3145		12,500.00	12,500.00
Dec. 4	D4545		5,730.00	18,230.00
Dec. 12	D4545 DM121	1,200.00		17,030.00
Dec. 14	D4545	4,530.00		12,500.00
Dec. 20	D3145	12,500.00		0.00

Number: 23400

Name: Goodman Freight: Inc.

Address: 360 Gold Rush Ave. Gold Run: CA Net 15

Date	Explanation	Debit	Credit	Balance
Nov. 16	G5001		1,375.00	1,375.00

Number: 24000

Name: Honker Brothers

Address: 477 Main Street Paradise: CA Net 10

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00
Dec. 24	HB999		7,350.00	7,350.00

Number: 26660

Name: Locker and Sons: Inc.

Address: 333 Hillcrest Drive Eureka: CA 2/10: n/30

Date	Explanation	Debit	Credit	Balance
Dec. 1	Balance			0.00

Number: 27500

Name: Mosetti and Company

Address: 500 Hoppy Lane Manteca: CA Net 30

Date	Explanation	Debit	Credit	Balance
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Nov. 30	M2005		2,150.00	2,150.00
Number: 28800				
Name: Videcamper Saws				
Address: 240 Vista Lane		Redding: CA 1/10: n/30		
Date	Explanation	Debit	Credit	Balance
Dec. 1	V1425		9,000.00	9,000.00
Dec. 10	V1425	9,000.00		0.00

**Student Documents and  
Examination Answers**

**for**

**Problem 10**

**Accounting for Bad Debts**

**The student is required to print all the financial documents shown in this section.**

**WORK4ME - PROBLEM TEN**  
**ACCOUNTING FOR BAD DEBTS**

NAME \_\_\_\_\_  
CLASS DAY AND TIME \_\_\_\_\_ DATE \_\_\_\_\_

1. Does the balance of the Accounts Receivable account match the total of the schedule of Accounts Receivable? Y  
**Answer only Y for Yes or N for No.**
  
2. What is the ending balance of the Allowance for Doubtful Accounts? \$6,500.00
  
3. What is the ending balance of Bad Debts Recovered? \$6,500.00
  
4. What is the 'net realizable value' of Accounts Receivable? \$103,396.00
  
5. The December 24 collection of a previously written off account included a credit to Allowance for Doubtful Accounts? Y  
**Answer only Y for Yes or N for No.**
  
6. The December 27 collection of the account written off in a previous accounting period required a credit to Bad Debt Expense. N  
**Answer only Y for Yes or N for No.**
  
7. The December 28 collection of 1/2 of the balance of a previously written off account required a credit to Allowance for Doubtful Accounts for the full amount? N  
**Answer only Y for Yes or N for No.**
  
8. If the **Income Statement** method of determining the Allowance for Doubtful accounts had been used, based on 4% of Net Sales, what would have been the dollar amount of the adjusting entry to record the bad debt expense? \$9,878.08
  
9. The aging method used in Problem 10, gave \$6,500 as the calculated balance of the Allowance for Doubtful Accounts account. If the allowance account had a **debit balance of \$1,300** before the adjusting entry, what would have been the dollar amount recorded for the adjusting entry? \$7,800.00

10. Assume the business uses the **Balance Sheet** (or Accounts Receivable) method of estimating bad debts for the period and the Allowance for Doubtful Accounts account at the end of the period has a **credit balance of \$500**. If the business estimates current bad debts at 3% of a current Accounts Receivable balance of \$200,000, the amount of the debit to the Bad Debt Expense account will be: **C**
- A. **\$6,000**
  - B. **\$6,500**
  - C. **\$5,500**
  - D. **\$10,500**
  - E. **None of the above.**
11. If the business is not using the allowance method for handling bad debts, it must be using the: **B**
- A. **Indirect method**
  - B. **Direct Write-off method**
  - C. **Closing method**
  - D. **Aging method**
  - E. **Receivable method**
12. If the allowance method is not used, what account would be **debited** to write off a bad debt? **C**
- A. **Accounts Receivable**
  - B. **Allowance for Doubtful Accounts**
  - C. **Bad Debts Expense**
  - D. **Accounts Payable**
  - E. **None of the above**
13. If the allowance method is not used, what account would be **credited** to write off a bad debt? **A**
- A. **Accounts Receivable**
  - B. **Allowance for Doubtful Accounts**
  - C. **Bad Debts Expense**
  - D. **Accounts Payable**
  - E. **None of the above**
14. Which method of accounting for bad debts does the best job of matching the expenses of the period with the revenues of the same period? **D**
- A. **Cash method**
  - B. **Direct Write-off method**
  - C. **Indirect method**
  - D. **Allowance method**
  - E. **Inventory method**

15. What account is **debited** when recording the **adjusting entry** for a business that uses the Direct Write-off Method?

C

A. **Bad Debts Expense**

B. **Cash**

C. **There is no adjusting entry required**

D. **Allowance for Doubtful Accounts**

E. **Both Accounts Receivable and Allowance for Doubtful Accounts**



**EXAM PROBLEM TEN: ACCOUNTING FOR BAD DEBTS****ANSWER KEY**

Answer Book

Question Number	Your Answer
1. Does the balance of the Accounts Receivable account match the total of the schedule of Accounts Receivable? Answer only Y for Yes or N for No.	Y
2. What is the ending balance of the Allowance for Doubtful Accounts?	\$6,500.00
3. What is the ending balance of Bad Debts Recovered?	\$6,500.00
4. What is the 'net realizable value' of Accounts Receivable?	\$103,396.00
5. The December 24 collection of a previously written off account included a credit to Allowance for Doubtful Accounts? Answer only Y for Yes or N for No.	Y
6. The December 27 collection of the account written off in a previous accounting period required a credit to Bad Debt Expense. Answer Y for Yes or N for No.	N
7. The December 28 collection of 1/2 of the balance of a previously written off account required a credit to Allowance for Doubtful Accounts for the full amount? Answer only Y for Yes or N for No.	N
8. If the Income Statement method of determining the Allowance for Doubtful accounts had been used, based on 4% of Net Sales, what would have been the dollar amount of the adjusting entry to record the bad debt expense	\$9,878.08
9. The aging method used in Problem 10, gave \$6,500 as the calculated balance of the Allowance for Doubtful Accounts account. If the allowance account had a debit balance of \$1,300 before the adjusting entry, what would have been the dollar amount recorded for the adjusting entry?	\$7,800.00
10. Assume the business uses the Balance Sheet (or Accounts Receivable) method of estimating bad debts for the period and the Allowance for Doubtful Accounts account at the end of the	C

period has a credit balance of \$500. If the business estimates current bad debts at 3% of a current Accounts Receivable of \$200,000, the amount of the debit to the Bad Debt Expense account will be:

- A) \$6,000
- B) \$6,500
- C) \$5,500
- D) \$10,500

E) None of the above.

11. If the business is not using the allowance method for handling bad debts, it must be using the: B

- A) Indirect method
- B) Direct Write-off method
- C) Closing method
- D) Aging method
- E) Receivable method

12. If the allowance method is not used, what account would be debited to write off a bad debt? C

- A) Accounts Receivable
- B) Allowance for Doubtful Accounts
- C) Bad Debts Expense
- D) Accounts Payable
- E) None of the above

13. If the allowance method is not used, what account would be credited to write off a bad debt? A

- A) Accounts Receivable
- B) Allowance for Doubtful Accounts
- C) Bad Debts Expense
- D) Accounts Payable
- E) None of the above

14. Which method of accounting for bad debts does the best job of matching the expenses of the period with the revenues of the same period? D

- A) Cash method
- B) Direct Write-off method
- C) Indirect method
- D) Allowance method
- E) Inventory method

15. What account is debited when recording the adjusting entry for a business that uses the Direct Write-off Method? C

- A) Bad Debts Expense
- B) Cash
- C) There is no adjusting entry required
- D) Allowance for Doubtful Accounts
- E) Both Accounts Receivable and Allowance for Doubtful Accounts

Work4Me  
 Problem 10 - Accounting for Bad Debts

Answer Book

Rebel Ridge Software  
 Adjusted Trial Balance  
 Dec. 31, 2007

Account Titles	Debit	Credit
Cash	30,537.00	
Accounts Receivable	109,896.00	
Allowance for Doubtful Accounts		6,500.00
Merchandise Inventory	76,300.00	
Prepaid Insurance	1,200.00	
Prepaid Rent	6,000.00	
Store Supplies	1,400.00	
Office Supplies	300.00	
Store Equipment and Fixtures	12,500.00	
Accum. Deprec. - Store Equip. & Fix.		3,200.00
Office Equipment	11,250.00	
Accum. Deprec. - Office Equipment		5,000.00
Delivery Vehicles	16,200.00	
Accum. Deprec. - Delivery Vehicles		3,000.00
Land	20,000.00	
Accounts Payable		3,525.00
Sales Tax Payable		8,212.00
Common Stock		130,000.00
Retained Earnings		28,110.00
Sales		252,050.00
Sales Returns and Allowances	4,025.00	
Sales Discounts	1,073.00	
Cost of Goods Sold	123,700.00	
Salaries and Wages Expense	21,200.00	
Advertising Expense	1,200.00	
Delivery Expense	1,506.00	
Vehicle Operating Expense	200.00	
Professional Services Expense	500.00	
Electric and Gas Expense	650.00	
Telephone Expense	125.00	
Bad Debts Expense	6,310.00	
Miscellaneous Expense	25.00	
Bad Debts Recovered		6,500.00
Total	446,097.00	446,097.00

Work4Me  
 Problem 10 - Accounting for Bad Debts  
 General Journal

Answer Book

Date	Accounts and Explanation	PR	Debit	Credit
Dec. 23	Allowance for Doubtful Accounts	106	500.00	
	Accounts Receivable	105		500.00
	Invoice: WROFF			
	Customer: 10760			
	Clinker's Plumbing			
Dec. 24	Accounts Receivable	105	13,500.00	
	Sales	401		12,500.00
	Sales Tax Payable	205		1,000.00
	Invoice: MB456			
	Customer: 10830			
	Folsom School District			
Dec. 24	Accounts Receivable	105	3,000.00	
	Allowance for Doubtful Accounts	106		3,000.00
	Invoice: RECOV			
	Customer: 10350			
	Alex Anderson			
Dec. 24	Cash	101	3,000.00	
	Accounts Receivable	105		3,000.00
	Invoice: RECOV			
	Customer: 10350			
	Alex Anderson			
Dec. 26	Cash	101	6,966.00	
	Sales	401		6,450.00
	Sales Tax Payable	205		516.00
	Invoice: MB457			
Dec. 27	Accounts Receivable	105	6,500.00	
	Bad Debts Recovered	701		6,500.00
	Invoice: RECOV			
	Customer: 10440			
	Bob's Auto Repair			
Dec. 27	Cash	101	6,500.00	
	Accounts Receivable	105		6,500.00
	Invoice: RECOV			
	Customer: 10440			
	Bob's Auto Repair			
Dec. 28	Cash	101	17,600.00	
	Accounts Receivable	105		17,600.00
	Invoice: MB279			
	Customer: 11475			
	Ernie Young			
Dec. 28	Accounts Receivable	105	8,748.00	
	Sales	401		8,100.00
	Sales Tax Payable	205		648.00
	Invoice: MB458			
	Customer: 10900			
	Marshal Motors			
Dec. 28	Accounts Receivable	105	250.00	
	Allowance for Doubtful Accounts	106		250.00
	Invoice: RECOV			
	Customer: 10760			
	Clinker's Plumbing			
Dec. 28	Cash	101	250.00	
	Accounts Receivable	105		250.00

	Invoice: RECOV			
	Customer: 10760			
	Clinker's Plumbing			
Dec. 29	Accounts Receivable	105	81,648.00	
	Sales	401		75,600.00
	Sales Tax Payable	205		6,048.00
	Invoice: MB459			
	Customer: 10900			
	Marshal Motors			
Dec. 30	Merchandise Inventory	115	81,000.00	
	Cash	101		81,000.00
	Check: 11222			
	Invoice: 57777			
Dec. 30	Allowance for Doubtful Accounts	106	10,560.00	
	Accounts Receivable	105		10,560.00
	Invoice: WROFF			
	Customer: 11330			
	Robert Wise			
Dec. 31	Cash	101	5,000.00	
	Accounts Receivable	105		5,000.00
	Invoice: MB260			
	Customer: 11250			
	Kathy Taylor			
Dec. 31	Cost of Goods Sold	501	51,325.00	
	Merchandise Inventory	115		51,325.00
	Invoice: CGSLD			
Dec. 31	Bad Debts Expense	628	6,310.00	
	Allowance for Doubtful Accounts	106		6,310.00
	Adjusting Entry			

Work4Me  
Problem 10 - Accounting for Bad Debts

Answer Book

Rebel Ridge Software  
Schedule of Accounts Receivable  
Last Activity Date: December 31, 2006

Number	Name	Balance
10350	Alex Anderson	\$ .00
10440	Bob's Auto Repair	.00
10760	Clinker's Plumbing	.00
10830	Folsom School District	13,500.00
10900	Marshal Motors	90,396.00
11250	Kathy Taylor	6,000.00
11330	Robert Wise	.00
11475	Ernie Young	.00
		-----
	Total Accounts Receivable	\$ 109,896.00
		=====

Rebel Ridge Software  
Ledger Card

Account:	106	Allowance for Doubtful Accounts			
Date		Explanation	Debit	Credit	Balance
Dec. 1		Beginning Balance			14,500.00
Dec. 15		10440 WROFF	6,500.00		8,000.00
Dec. 23		10760 WROFF	500.00		7,500.00
Dec. 24		10350 RECOV		3,000.00	10,500.00
Dec. 28		10760 RECOV		250.00	10,750.00
Dec. 30		11330 WROFF	10,560.00		190.00
Dec. 31		Adjusting Entry		6,310.00	6,500.00

Work4Me  
Problem 10 - Accounting for Bad Debts

Answer Book

Rebel Ridge Software  
Ledger Card

Account: 628 Bad Debts Expense

Date	Explanation	Debit	Credit	Balance
Dec. 1	Beginning Balance			0.00
Dec. 31	Adjusting Entry	6,310.00		6,310.00



Work4Me  
Problem 10 - Accounting for Bad Debts

Answer Book

Rebel Ridge Software  
Ledger Card

Account: 701 Bad Debts Recovered

Date	Explanation	Debit	Credit	Balance
Dec. 1	Beginning Balance			0.00
Dec. 27	10440 RECOV		6,500.00	6,500.00