CHAPTER 2

PROBLEMS: SET B

P2-1B Frontier Park was started on April 1 by M. Preston. The following selected events and transactions occurred during April.

Apr.  1  Preston invested $35,000 cash in the business.
        4  Purchased land costing $27,000 for cash.
        8  Incurred advertising expense of $1,800 on account.
       11  Paid salaries to employees $1,500.
       12  Hired park manager at a salary of $4,000 per month, effective May 1.
       13  Paid $1,650 cash for a one-year insurance policy.
       17  Withdrew $1,000 cash for personal use.
       20  Received $6,800 in cash for admission fees.
       25  Sold 100 coupon books for $25 each. Each book contains 10 coupons that entitle the holder to one admission to the park.
       30  Received $8,900 in cash admission fees.
       30  Paid $900 on balance owed for advertising incurred on April 8.

Frontier Park uses the following accounts: Cash, Prepaid Insurance, Land, Accounts Payable, Unearned Service Revenue, Owner’s Capital, Owner’s Drawings, Service Revenue, Advertising Expense, and Salaries and Wages Expense.

Instructions
Journalize the April transactions.

P2-2B Iris Beck is a licensed CPA. During the first month of operations of her business, the following events and transactions occurred.

May  1  Beck invested $20,000 cash in her business.
       2  Hired a secretary-receptionist at a salary of $2,000 per month.
       3  Purchased $2,500 of supplies on account from Tinio Supply Company.
       7  Paid office rent of $900 cash for the month.
      11  Completed a tax assignment and billed client $3,200 for services performed.
      12  Received $3,500 advance on a management consulting engagement.
      17  Received cash of $1,200 for services performed for Misra Co.
      31  Paid secretary-receptionist $2,000 salary for the month.
      31  Paid 60% of balance due Tinio Supply Company.

Iris uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 301 Owner’s Capital, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions
(a) Journalize the transactions.
(b) Post to the ledger accounts.
(c) Prepare a trial balance on May 31, 2017.

(c) Trial balance totals $28,900

P2-3B Tony Vian owns and manages a computer repair service, which had the following trial balance on December 31, 2016 (the end of its fiscal year).

VIAN REPAIR SERVICE
Trial Balance
December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 8,000</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>13,000</td>
<td></td>
</tr>
<tr>
<td>Prepaid Rent</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td>$19,000</td>
</tr>
<tr>
<td>Owner’s Capital</td>
<td></td>
<td>40,000</td>
</tr>
</tbody>
</table>

$59,000 $59,000

Journalize transactions, post, and prepare a trial balance.

Journalize transactions, post, and prepare a trial balance.

Journalize transactions, post, and prepare a trial balance.

Journalize a series of transactions.
Summarized transactions for January 2017 were as follows.
1. Advertising costs, paid in cash, $1,000.
2. Additional supplies acquired on account $4,200.
3. Miscellaneous expenses, paid in cash, $2,000.
4. Cash collected from customers in payment of accounts receivable $14,000.
5. Cash paid to creditors for accounts payable due $15,000.
6. Repair services performed during January: for cash $6,000; on account $9,000.
8. Tony's drawings during January were $3,000.

Instructions
(a) Open T-accounts for each of the accounts listed in the trial balance, and enter the opening balances for 2017.
(b) Prepare journal entries to record each of the January transactions. (Omit explanations.)
(c) Post the journal entries to the accounts in the ledger. (Add accounts as needed.)
(d) Prepare a trial balance as of January 31, 2017.

P2-4B The trial balance of the Sean Devine Company shown below does not balance.

SEAN DEVINE COMPANY
Trial Balance
May 31, 2017

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 5,850</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$ 2,750</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>700</td>
</tr>
<tr>
<td>Equipment</td>
<td>8,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>4,500</td>
</tr>
<tr>
<td>Unearned Service Revenue</td>
<td>650</td>
</tr>
<tr>
<td>Owner's Capital</td>
<td>11,700</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>6,690</td>
</tr>
<tr>
<td>Salaries and Wages Expense</td>
<td>4,200</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>1,100</td>
</tr>
<tr>
<td>Utilities Expense</td>
<td>890</td>
</tr>
</tbody>
</table>

| $26,980 | $20,550 |

Your review of the ledger reveals that each account has a normal balance. You also discover the following errors.
1. The totals of the debit sides of Prepaid Insurance, Accounts Payable, and Utilities Expense were each understated $100.
2. Transposition errors were made in Accounts Receivable and Service Revenue. Based on postings made, the correct balances were $2,570 and $6,960, respectively.
3. A debit posting to Salaries and Wages Expense of $200 was omitted.
4. A $1,000 cash drawing by the owner was debited to Owner's Capital for $1,000 and credited to Cash for $1,000.
5. A $520 purchase of supplies on account was debited to Equipment for $520 and credited to Cash for $520.
6. A cash payment of $540 for advertising was debited to Advertising Expense for $54 and credited to Cash for $54.
7. A collection from a customer for $210 was debited to Cash for $210 and credited to Accounts Payable for $210.

Instructions
Prepare a correct trial balance. Note that the chart of accounts includes the following: Owner's Drawings and Supplies. (Hint: It helps to prepare the correct journal entry for the transaction described and compare it to the mistake made.)

P2-5B The Classic Theater is owned by Kim Lockerby. All facilities were completed on March 31. At this time, the ledger showed: No. 101 Cash $4,000, No. 140 Land $10,000, No. 145 Buildings (concession stand, projection room, ticket booth, and screen) $8,000, No. 157 Equipment $6,000, No. 201 Accounts Payable $2,000, No. 275 Mortgage Payable $8,000, and No. 301 Owner's Capital $18,000. During April, the following events and transactions occurred.
Apr.  2  Paid film rental of $1,100 on first movie.
     3  Ordered two additional films at $1,000 each.
     9  Received $2,800 cash from admissions.
     10 Made $2,000 payment on mortgage and $1,000 for accounts payable due.
     11 Classic Theater contracted with Rhonda Humes to operate the concession stand. Humes is to pay Classic Theater 17% of gross concession receipts, payable monthly, for the rental of the concession stand.
     12 Paid advertising expenses $500.
     20 Received one of the films ordered on April 3 and was billed $1,000. The film will be shown in April.
     25 Received $5,200 cash from admissions.
     29 Paid salaries $2,000.
     30 Received statement from Rhonda Humes showing gross concession receipts of $1,000 and the balance due to The Classic Theater of $170 ($1,000 × 17%) for April. Humes paid one-half of the balance due and will remit the remainder on May 5.
     30 Prepaid $1,200 rental on special film to be run in May.

In addition to the accounts identified above, the chart of accounts shows: No. 112 Accounts Receivable, No. 136 Prepaid Rent, No. 400 Service Revenue, No. 429 Rent Revenue, No. 610 Advertising Expense, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

**Instructions**

(a) Enter the beginning balances in the ledger as of April 1. Insert a check mark (✓) in the reference column of the ledger for the beginning balance.

(b) Journalize the April transactions. Classic records admission revenue as service revenue, rental of the concession stand as rent revenue, and film rental expense as rent expense.

(c) Post the April journal entries to the ledger. Assume that all entries are posted from page 1 of the journal.

(d) Prepare a trial balance on April 30, 2017.  

(d) Trial balance totals $34,170