CHAPTER 7

PROBLEMS: SET B

P7-1B Belt Company's chart of accounts includes the following selected accounts.

101 Cash 401 Sales Revenue  
112 Accounts Receivable 414 Sales Discounts  
120 Inventory 505 Cost of Goods Sold  
301 Owner's Capital

On June 1, the accounts receivable ledger of Belt Company showed the following balances: Suppan & Son $3,000, Guthrie Co. $2,800, Quentin Bros. $2,400, and Hinshaw Co. $2,000. The June transactions involving the receipt of cash were as follows.

June 1 The owner, Jim Belt, invested additional cash in the business $15,000.  
3 Received check in full from Hinshaw Co. less 2% cash discount.  
6 Received check in full from Guthrie Co. less 2% cash discount.  
7 Made cash sales of merchandise totaling $8,700. The cost of the merchandise sold was $5,000.  
9 Received check in full from Suppan & Son less 2% cash discount.  
11 Received cash refund from a supplier for damaged merchandise $450.  
15 Made cash sales of merchandise totaling $6,500. The cost of the merchandise sold was $4,000.  
20 Received check in full from Quentin Bros. $2,400.

Instructions

(a) Journalize the transactions above in a six-column cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr. Foot and cross-foot the journal.

(b) Insert the beginning balances in the Accounts Receivable control and subsidiary accounts, and post the June transactions to these accounts.

(c) Prove the agreement of the control account and subsidiary account balances.

P7-2B Schellhammer Company's chart of accounts includes the following selected accounts.

101 Cash 157 Equipment  
120 Inventory 201 Accounts Payable  
130 Prepaid Insurance 306 Owner's Drawings

On November 1, the accounts payable ledger of Schellhammer Company showed the following balances: S. Gentry $4,000, D. Montero $2,100, R. Trumbo $800, and W. Olivo $1,800. The November transactions involving the payment of cash were as follows.

Nov. 1 Purchased merchandise, check no. 11, $950.  
3 Purchased store equipment, check no. 12, $1,400.  
5 Paid W. Olivo balance due of $1,800, less 1% discount, check no. 13, $1,782.  
11 Purchased merchandise, check no. 14, $1,700.  
15 Paid R. Trumbo balance due of $800, less 3% discount, check no. 15, $776.  
16 M. Richey, the owner, withdrew $400 cash for own use, check no. 16.  
19 Paid D. Montero in full for invoice no. 1245, $2,100 less 2% discount, check no. 17, $2,058.  
25 Paid premium due on one-year insurance policy, check no. 18, $2,400.  
30 Paid S. Gentry in full for invoice no. 832, $2,700, check no. 19.

Instructions

(a) Journalize the transactions above in a four-column cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr. Foot and cross-foot the journal.

(b) Insert the beginning balances in the Accounts Payable control and subsidiary accounts, and post the November transactions to these accounts.

(c) Prove the agreement of the control account and the subsidiary account balances.

P7-3B The chart of accounts of Henry Company includes the following selected accounts.

112 Accounts Receivable 401 Sales Revenue  
120 Inventory 412 Sales Returns and Allowances  
126 Supplies 505 Cost of Goods Sold  
157 Equipment 610 Advertising Expense  
201 Accounts Payable

Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.

Journalize transactions in cash payments journal; post to the general and subsidiary ledgers.

Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.
In May, the following selected transactions were completed. All purchases and sales were on account except as indicated. The cost of all merchandise sold was 60% of the sales price.

May 2 Purchased merchandise from Berkman Company $5,000.
3 Received freight bill from Fast Freight on Berkman purchase $250.
5 Sales were made to Persinger Company $1,300, Fehr Bros. $2,300, and Mount Company $1,000.
8 Purchased merchandise from Kayser Company $5,400 and Neufeld Company $3,000.
10 Received credit on merchandise returned to Neufeld Company $350.
15 Purchased supplies from Rabel’s Supplies $600.
16 Purchased merchandise from Berkman Company $3,100, and Kayser Company $4,200.
17 Returned supplies to Rabel’s Supplies, receiving credit $70. (Hint: Credit Supplies.)
18 Received freight bills on May 16 purchases from Fast Freight $325.
20 Returned merchandise to Berkman Company receiving credit $200.
23 Made sales to Fehr Bros. $1,600 and to Mount Company $2,500.
25 Received bill for advertising from Mock Advertising $620.
26 Granted allowance to Mount Company for merchandise damaged in shipment $140.
28 Purchased equipment from Rabel’s Supplies $400.

Instructions
(a) Journalize the transactions above in a purchases journal, a sales journal, and a general journal. The purchases journal should have the following column headings: Date, Account Credited (Debited), Ref., Accounts Payable Cr., Inventory Dr., and Other Accounts Dr.
(b) Post to both the general and subsidiary ledger accounts. (Assume that all accounts have zero beginning balances.)
(c) Prove the agreement of the control and subsidiary accounts.

P7-4B Selected accounts from the chart of accounts of Conley Company are shown below.

\[
\begin{align*}
101 & \text{Cash} & & 201 & \text{Accounts Payable} \\
112 & \text{Accounts Receivable} & & 401 & \text{Sales Revenue} \\
120 & \text{Inventory} & & 414 & \text{Sales Discounts} \\
126 & \text{Supplies} & & 505 & \text{Cost of Goods Sold} \\
140 & \text{Land} & & 610 & \text{Advertising Expense} \\
145 & \text{Buildings} & & & \\
\end{align*}
\]

The cost of all merchandise sold was 65% of the sales price. During October, Conley Company completed the following transactions.

Oct. 2 Purchased merchandise on account from Kent Company $15,000.
4 Sold merchandise on account to Doumit Co. $5,600. Invoice no. 204, terms 2/10, n/30.
5 Purchased supplies for cash $60.
7 Made cash sales for the week totaling $6,700.
9 Paid in full the amount owed Kent Company less a 2% discount.
10 Purchased merchandise on account from Wrigley Corp. $2,600.
12 Received payment from Doumit Co. for invoice no. 204.
13 Returned $150 worth of damaged goods purchased on account from Wrigley Corp. on October 10.
14 Made cash sales for the week totaling $6,000.
16 Sold a parcel of land for $20,000 cash, the land’s original cost.
17 Sold merchandise on account to JR’s Warehouse $4,900, invoice no. 205, terms 2/10, n/30.
18 Purchased merchandise for cash $1,600.
21 Made cash sales for the week totaling $6,000.
23 Paid in full the amount owed Wrigley Corp. for the goods kept (no discount).
25 Purchased supplies on account from Francisco Co. $190.
25 Sold merchandise on account to Fryer Corp. $3,800, invoice no. 206, terms 2/10, n/30.
25 Received payment from JR’s Warehouse for invoice no. 205.
26 Purchased for cash a small parcel of land and a building on the land to use as a storage facility. The total cost of $26,000 was allocated $16,000 to the land and $10,000 to the building.
27 Purchased merchandise on account from Marte Co. $6,200.
28 Made cash sales for the week totaling $5,500.
30 Purchased merchandise on account from Kent Company $10,000.
30 Paid advertising bill for the month from the Gazette, $290.
30 Sold merchandise on account to JR’s Warehouse $3,400, invoice no. 207, terms 2/10, n/30.
Conley Company uses the following journals.
1. Sales journal.
2. Single-column purchases journal.
3. Cash receipts journal with columns for Cash Dr., Sales Discounts Dr., Accounts Receivable Cr., Sales Revenue Cr., Other Accounts Cr., and Cost of Goods Sold Dr./Inventory Cr.
4. Cash payments journal with columns for Other Accounts Dr., Accounts Payable Dr., Inventory Cr., and Cash Cr.
5. General journal.

**Instructions**
Using the selected accounts provided:
(a) Record the October transactions in the appropriate journals.
(b) Foot and cross-foot all special journals.
(c) Show how postings would be made by placing ledger account numbers and check marks as needed in the journals. (Actual posting to ledger accounts is not required.)

**P7-5B** Presented below are the sales and cash receipts journals for Lowery Co. for its first month of operations.

### SALES JOURNAL S1

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Debited</th>
<th>Ref.</th>
<th>Accounts Receivable Dr.</th>
<th>Sales Revenue Cr.</th>
<th>Cost of Goods Sold Dr.</th>
<th>Inventory Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 3</td>
<td>C. Ogleby</td>
<td></td>
<td>4,000</td>
<td>2,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>S. Hauke</td>
<td></td>
<td>5,000</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>T. Ghosh</td>
<td></td>
<td>6,500</td>
<td>3,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>W. Hoy</td>
<td></td>
<td>5,500</td>
<td>3,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21,000</td>
<td>12,600</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CASH RECEIPTS JOURNAL CR1

<table>
<thead>
<tr>
<th>Date</th>
<th>Owner's Account Credited</th>
<th>Ref.</th>
<th>Cash Dr.</th>
<th>Sales Discounts Dr.</th>
<th>Accounts Receivable Cr.</th>
<th>Sales Revenue Cr.</th>
<th>Other Accounts Cr.</th>
<th>Cost of Goods Sold Dr.</th>
<th>Inventory Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 1</td>
<td>Owner’s Capital</td>
<td></td>
<td>23,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>4,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>C. Ogleby</td>
<td></td>
<td>3,960</td>
<td>40</td>
<td>4,000</td>
<td>4,500</td>
<td>23,000</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Inventory</td>
<td></td>
<td>120</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>S. Hauke</td>
<td></td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>120</td>
<td>23,120</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>36,580</td>
<td>9,000</td>
<td>4,500</td>
<td>23,120</td>
<td>2,700</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition, the following transactions have not been journalized for February 2017.
- **Feb. 2** Purchased merchandise on account from B. Setterstrom for $5,600, terms 2/10, n/30.
- **Feb. 7** Purchased merchandise on account from A. Dambro for $23,000, terms 1/10, n/30.
- **Feb. 9** Paid cash of $980 for purchase of supplies.
- **Feb. 12** Paid $5,488 to B. Setterstrom in payment for $5,600 invoice, less 2% discount.
- **Feb. 15** Purchased equipment for $4,500 cash.
- **Feb. 16** Purchased merchandise on account from D. Budke $1,900, terms 2/10, n/30.
- **Feb. 17** Paid $22,770 to A. Dambro in payment of $23,000 invoice, less 1% discount.
- **Feb. 20** S. Lowery withdrew cash of $800 from the business for personal use.
- **Feb. 21** Purchased merchandise on account from Eberle Company for $8,000, terms 1/10, n/30.
- **Feb. 28** Paid $1,900 to D. Budke in payment of $1,900 invoice.
Instructions
(a) Open the following accounts in the general ledger:

101 Cash 301 Owner's Capital
112 Accounts Receivable 306 Owner's Drawings
120 Inventory 401 Sales Revenue
126 Supplies 414 Sales Discounts
157 Equipment 505 Cost of Goods Sold
158 Accumulated Depreciation—Equipment 631 Supplies Expense
201 Accounts Payable 711 Depreciation Expense

(b) Journalize the transactions that have not been journalized in a one-column purchases journal and the cash payments journal (see Illustration 7-16).

Cash payments journal—
Cash, Cr. $36,438
(b) Purchases journal total
$38,500

(c) Post to the accounts receivable and accounts payable subsidiary ledgers. Follow the sequence of transactions as shown in the problem.

(d) Post the individual entries and totals to the general ledger.

(e) Prepare a trial balance at February 28, 2017.

(f) Determine that the subsidiary ledgers agree with the control accounts in the general ledger.

(g) The following adjustments at the end of February are necessary.

1. A count of supplies indicates that $200 is still on hand.
2. Depreciation on equipment for February is $150.

Prepare the adjusting entries and then post the adjusting entries to the general ledger.

(h) Prepare an adjusted trial balance at February 28, 2017.