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ABSTRACT

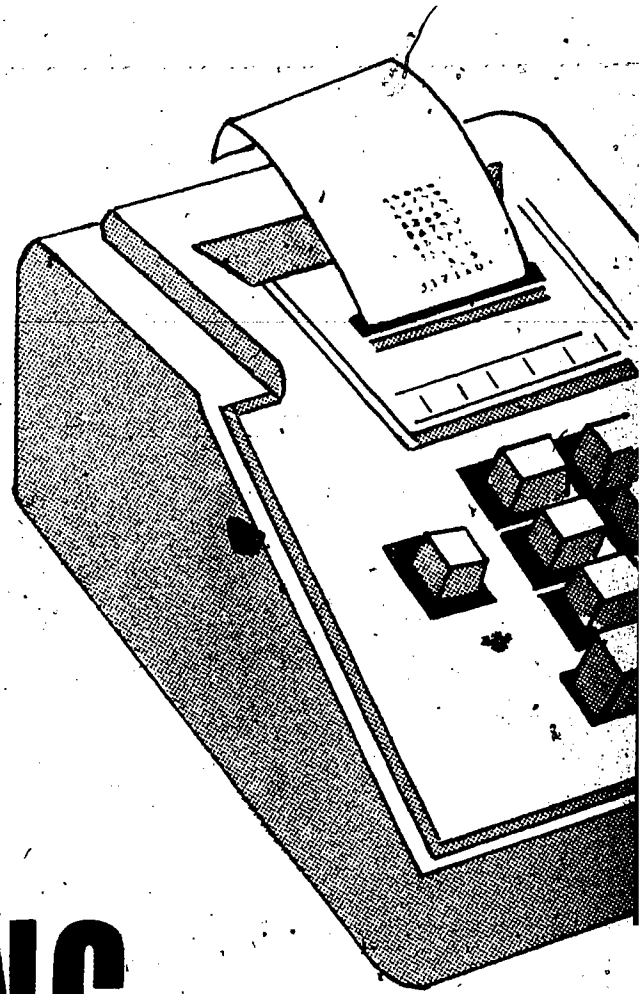
This guide is designed for the second part of a two-part bookkeeping course for adults who are either keeping a set of records for a small business, or who wish to prepare to do so. The following seven lessons are included and are based on a business making retail sales of goods: (1) Introduction; (2) Data Sources and Recording for a Trading Business; (3) Journalizing, Posting, and Trial Balance; (4) Journalizing, Posting, and Trial Balance (continued); (5) Eight-Column Worksheet, and Preparing Financial Statements; (6) Adjusting and Closing the General Ledger, and Preparing the Post-Closing Trial Balance; and (7) Practical Problems. (Lessons 1 through 6 cover about three hours of class time each. Lesson 7 is a practice problem requiring about four class sessions of three hours each.) The appendixes contain illustrations, forms, and solutions to problems; a practical application problem; and tips for teachers of adult classes in small business bookkeeping. (WL)

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PART II

SMALL BUSINESS BOOKKEEPING



U.S. DEPARTMENT OF HEALTH,
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A SUGGESTED ADULT BUSINESS EDUCATION COURSE

2

THE UNIVERSITY OF THE STATE OF NEW YORK / THE STATE EDUCATION DEPARTMENT
BUREAU OF CONTINUING EDUCATION CURRICULUM DEVELOPMENT / ALBANY, NEW YORK 12234

1975

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FOREWORD

The course described in this instructor's guide, *Small Business Bookkeeping*, Part II, is an adult course for those who are either keeping a set of records for a small business, or who wish to prepare to do so. Students in the course will very likely include those operating their own small businesses and others employed in such businesses.

The scope of a two-part course in small business bookkeeping was determined by an advisory committee which then prepared a general outline of its content. Part I of that course was published in 1973. Part II is contained in this book.

The members of the advisory committee were: Stephen Cumberbatch, Business Education Department, Newtown High School, Elmhurst; George J. Gearhardt, chairman of business education, Guilderland Central High School, Guilderland Center; Bernard Goldhill, Manpower Development Training Program, New York; Frederick G. Smith, chairman, Accounting Department, State University of New York Agricultural and Technical College, Cobleskill; Hobart H. Conover, chief, Bureau of Business Education; E. Noah Gould, associate in continuing curriculum; and Eugene Whitney, associate in business education. Mr. Conover and Mr. Gould were cochairmen of the committee.

The course in this book was written and all accounting problems and illustrative forms were prepared by Helen N. Safford, associate professor, School of Education, State University of New York at Albany. (Part I was also prepared by Professor Safford.) Mr. Gould guided the development and writing of both parts of the course, edited the manuscripts, and prepared them for publication.

Herbert Bothamley, *Chief*
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MESSAGE TO THE INSTRUCTOR

The course described in this book is suitable for use in the adult education programs of school districts, of Boards of Cooperative Educational Services (BOCES), and in the community colleges of New York State. Part I (contained in another book) consists of 10 lessons, five problems, and additional illustrative material. The illustrations and problems are based on a dry cleaning business.

Part II (contained in this book) applies the principles covered in Part I, in a more advanced way. It is based on a business making retail sales of goods—a trading business. Those who take Part II should either complete Part I first or have the equivalent in training or experience. Part II contains seven lessons. Lessons 1 through 6 cover about 3 hours of class time each. Lesson 7, however, consists of a practice problem which is likely to require about four class sessions of 3 hours each. An appendix contains an additional practice problem.

Students will probably bring in bookkeeping problems from their jobs or businesses which can add much to the course. You should help them with these problems, and if one of the problems is of general interest, you might wish to explain it to the whole class.

The illustrations, forms, and problem solutions in this course all have figure numbers. In these numbers, the digit to the left of the decimal point is the number of the lesson in which the figure is first discussed. The digit (or digits) to the right of the decimal point show the number of the figure within the lesson. If a figure number has a "K" in it, this means that the figure is an answer key. Some answer keys have more than one page; digits to the right of the "K" show the sheet numbers for such an answer key.

An instructor for this course should be experienced in bookkeeping and, if possible, should have teaching experience also. A qualified instructor can usually be obtained from the faculty of a high school, a collegiate school of business, a school of education, or other similar schools.

The content of Part II can generally be covered in 10 sessions of 3 hours each, but this pattern is by no means universal, nor is it mandatory. For those students who wish to cover some topics in greater depth, the instructor can suggest materials for independent study.

An instructor or administrator who needs help in planning or conducting a course using this publication may contact the Bureau of Business Education.

HOBART H. CONOVER, *Chief*
Bureau of Business Education

ROBERT H. BIELEFELD, *Director*
Division of Occupational Education Instruction

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LESSON 1 INTRODUCTION

Content Outline

Teaching Suggestions and Techniques

I. Introduction to the Course

Have the students introduce themselves and give general comments as to the type of work they do and their previous bookkeeping experience. Establish an informal relaxed atmosphere for the classroom.

A. Purpose of course

It is assumed that the students enrolled in this course have taken Part I of *Small Business Bookkeeping* or have had some previous bookkeeping instruction. Part II of *Small Business Bookkeeping* is offered for students interested in the records necessary for a trading business. Upon completion of this course a person should be able to keep the records of a small retail trading business.

Note: The term *trading business*, as used in this course, means a business which sells goods to customers at retail.

B. Course content

Mention the topics to be covered in Part II and give the students an overview of the course.

C. Reference materials

Explain to the students that this course is self-contained, with general content and practice problems to apply the concepts learned. The following may be used as general reference for students interested in further reading and practice:

1. Textbooks

Boynton, Lewis D. and others. *Century 21 Accounting, First-Year Course* (with Key to problems). Cincinnati, Ohio. South-Western Publishing Co. 1972. Chapters 12-20.

Freeman, M.H. and others. *Accounting 10/12*; 2d ed. New York, N.Y. McGraw-Hill Book Company. 1973. Part II: *Accounting Systems and Procedures*, and Part IV: *Special Accounting Procedures*.

2. Practice sets

Use a published practice set at the end of this course to provide the students with the experience of using related business papers upon which transactions are based. The following practice sets are suggested:

Campers' Cove Business Simulation (with business papers) by Lewis D. Boynton and others. Published by South-Western Publishing Company, Cincinnati, Ohio, 1972.

Judd Paint Company, Practice Set for Accounting 10/12, Part II by M.H. Freeman and others. Published by Gregg Division, McGraw-Hill Book Company, 1968.

3. Supplemental problem

A supplemental practice problem is provided in this book as lessons 7 through 10. Also included are forms to be duplicated by the instructor and keys for the problem.

The time covered by lessons 7 through 10 should be used either for completing a commercial practice set or for doing the supplemental problem.

II. Records of a Typical Service Business

For review, a motel is used in this book as an example of a service business. Part I of this course is based on a dry cleaning business, another example of a typical service business.

A. Cash received

Draw out from the class the sources of cash for a motel business. These sources are:

1. Room rentals (the primary source of income for a motel)
2. Additional investment by owner
3. Sale of old furnishings and equipment

B. Cash paid out

Have students describe some of the common items of expense for a motel owner. List them on a transparency or the chalkboard as the students mention them. The list might include items such as:

1. Expense items

- room furnishings
- linen service
- utilities
- office supplies and equipment
- salaries
- room maintenance supplies and equipment
- insurance
- grounds care
- land and buildings
- taxes

Show transparencies of Figures 1.1, Income Statement, and 1.2, Balance Sheet for Sleepy-Time Motel. Review with class and discuss.

III. Records of a Typical Trading Business

A. Cash received

The trading business upon which this course is based is a small electrical appliance business (North Star Appliances) at the retail level.

Generate from the class the sources of cash for a small electrical appliance business. List them on chalkboard or transparency and discuss. The main sources are:

1. Sources of cash

- Sale of goods
- Additional investment by owner
- Sale of old store equipment or fixtures

The main source of cash for this business is from the sale of goods to customers.

B. Cash paid out

Elicit from the class the typical expenses of a small retail merchant. Assume that the small electrical appliance store is in a central shopping area and that the owner of the business is renting store space. List the items as students describe them. Typical expense items include:

1. Typical expense items

- cost of item sold (cost to merchant)
- heat
- lights (electricity)
- rent
- salaries
- insurance
- telephone
- store fixtures and equipment (display counters, shelves, cash register, adding machine, etc.)
- store supplies (wrapping material, office supplies, store supplies)

C. Operation of a small trading business

Discuss with the class the overall operation of a small trading business. Emphasize the following:

- The retail merchant must maintain an inventory of goods for sale to prospective customers.
- Regular store hours must be maintained. This generates operating expenses (rent, salaries, utilities, etc.) which are relatively fixed.
- The owner of a trading business is in business to make a profit and the main source of cash is from the sale of goods to customers.

Show a transparency of Figure 1.3, Comparison of Service Business and Trading Business. Discuss it.

IV. Income Statement, Small Appliance Business

Show a transparency of Figure 1.4, Income Statement, North Star Appliances. Compare Figure 1.4 with the income statement of Sleepy-Time Motel, Figure 1.1.

Point out that an income statement for a trading business differs from that of a service business in that it has a Cost of Goods Sold section, and a Gross Profit on Sales section. Operating expenses are shown after the gross profit, then net profit is shown.

A. General Ledger accounts of a service business

Briefly review the ledger accounts of a service business including assets, liabilities, capital, income, and expenses. Refer to Figures 1.1 and 1.2, if necessary.

B. New accounts needed for a trading business

Describe fully the new accounts by title and classification.

1. Merchandise Inventory

Merchandise Inventory is an asset account. This account represents the goods on hand for sale to customers at the time the balance sheet is prepared. The balance of this account is determined by an actual physical count of items on hand (in storage and on the shelves) and is, in general, at cost.

2. Purchases

Purchases is a cost account, listed with the expense accounts. When goods for resale to customers are purchased by the business, the amount paid for the goods is entered as a debit to the Purchases account. The merchant either pays cash for the goods or buys it on credit. The entry to record the transaction would be either

a. Debits and Credits

Debit: Purchases Account
Credit: Cash Account (cash)

OR

Debit: Purchases Account
Credit: Accounts Payable (credit)

Demonstrate in T-account form on chalkboard.

3. Accounts Payable

Accounts Payable is a liability account. This account represents amounts owed to creditors. When a purchase is made on credit to be paid at a later date, the amount is entered on the credit side of Accounts Payable. The entry to record the transaction would be

a. Debits and Credits

Debit: Purchases (for goods to be resold to customers)
Credit: Accounts Payable

When the amount is paid (at a later date), the entry to record the transaction would be

Debit: Accounts Payable
Credit: Cash

Demonstrate in T-account form on chalkboard. Discuss with class and, if needed, briefly review the debit/credit-increase/decrease concept for assets, liabilities, capital, income, and expenses.

4. Sales

Sales is an income account. For a trading business, this account represents the total amount received from the sale of goods (at retail). When a sale is made, the Sales account is credited. The transaction involves receiving cash for the sale of an item and the entry would be

a. Debits and Credits

Debit: Cash
Credit: Sales

V. The Why of Income and Cost Accounts

The retail merchant is confronted with the problem of keeping records that will show the cost of doing business. This involves the concept of *markup* to arrive at a retail price for the goods he sells. The merchant must also maintain accurate inventory and purchase figures. And he must understand how to use these figures to determine the cost of goods sold and to arrive at gross profit.

A. Computation of Cost of Goods Sold

Demonstrate fully, using the chalkboard or an overhead projector, how to compute Cost of Goods Sold.

1. Formula

• Formula:

Beginning Inventory
plus
Purchases

=Cost of Goods Available for Sale
minus
Ending Inventory

=Cost of Goods Sold

2. Computations

• Problem: Find Cost of Goods Sold.
Beginning Inventory (Jan. 1) \$8,600
Ending Inventory (March 31) 7,200
Purchases 8,100

2. Computations

Solution:

Merchandise Inventory, Jan. 1	\$8,600.00
Purchases	8,100.00
Goods Available for Sale	\$16,700.00
Less: Mdse Inventory Mar. 31	7,200.00
Cost of Goods Sold	<u>\$ 9,500.00</u>

3. Practice

- Have students do the following individually.

Problem: Find Cost of Goods Sold.
Beginning Inventory (Jan. 1) \$9,050
Ending Inventory (Dec. 31) 9,600
Purchases 53,192

Answer: Cost of Goods Sold \$52,642.00

Supply more practice problems, if needed.

B. Computation of selling price

1. Markup principles

The markup process is a way of determining the selling price of an item from the cost. In retail businesses, the *markup rate* for a given item (or kind of item) is usually stated as a policy. Then, for each item, the selling price is computed. Present and demonstrate the following problem.

2. Problem

A merchant wishes to sell an electric frypan which cost him \$14.00, to realize a gross profit of 30% based on retail selling price. What will be the selling price (S.P.) of the frypan?

NOTE: The markup rate is the same as the gross profit.

a. Analysis

Analyze the problem with the class: It gives the cost of the frypan to the merchant, and the desired markup, 30%, based on selling price.

b. Restatement of problem

Cost	=	\$14.00
Markup (on S.P.)	=	.30%
Selling price	=	?

Selling price (S.P.)	=	100%
Markup (on S.P.)	=	30%
Cost must be equal to	=	<u>70%</u>

c. Solution

$$\begin{aligned} \text{Selling price (S.P.)} &= \text{cost} \div 70\% \\ &= 14.00 \div .70 = \$20.00 \end{aligned}$$

d. Checking the result

Check the answer by taking 30% of selling price,
 $.30 \times \$20 = \6.00
and adding the result (\$6) to cost (\$14) to see if it proves equal to the selling price (\$20).

Cost (70%)	\$ - 14.00
Markup (30%)	6.00
Selling Price (100%)	\$ 20.00

The answer checks.

3. Practice problem.

Have the students try another problem working individually:

What would be the selling price of an electric coffee pot that cost the merchant \$8.00 if the markup is 20% based on selling price?

a. Solution

$$\begin{aligned} \text{As before, S.P.} &= 100\% \\ \text{Markup on S.P.} &= 20\% \\ \text{Cost} &= 80\% \end{aligned}$$

$$\begin{aligned} \text{S.P.} &= \text{Cost} \div 80\% \\ &= 8.00 \div .80 = \$10.00 \end{aligned}$$

4. Guidelines on pricing

Point out that markup can also be a percent based on cost. Sometimes the manufacturer will have a suggested selling price or a suggested percent of markup to guide the retail merchant.

C. Merchandise Inventory

Merchandise Inventory is carried on the books as an asset account because it represents an investment in goods for resale to customers. The merchant owns the goods until they are sold to customers.

1. Inventory records

Briefly describe why inventory records are kept. Show a transparency of Figure 1.5, List of Inventory Items, North Star Appliances. This gives examples of some of the items which might be found in an appliance store.

a. Many items involved

Point out that there is a large number of items within an inventory. For example, a small electrical appliance store has a wide range of items and a variety within each item.

b. Varieties of items

For variety within an item, for example, the retail merchant might carry two or more brands of toasters. Each brand might have two or more sizes or models. Each size or model might have two or more colors (trim, or type of metal). Each of these brands, sizes, and models would probably have a different price.

c. Information needed on record

For each item in inventory, the retail merchant will have a stock inventory record. The record should show

- Stock number of item
- Name of the item
- How many are currently in inventory

- Minimum and maximum number to be in inventory (a guide for reorder)
- Number sold and dates of sales.
- Number entered into stock and dates

d. Inventory Card

Show a transparency of Figure 1.6 Inventory Card. Discuss it.

2. Inventory control

Briefly describe the procedures of a business in maintaining an adequate quantity of goods on hand to satisfy customers. This generally involves the establishment policy to:

- Control the quantity on hand
- Keep accurate up-to-date records of inventory
- Guard against loss through theft or damage

D. Profit terms

Distinguish the difference between *gross profit* and *net profit*.

1. Gross profit

A retail merchant makes his *gross profit* from selling goods at a price higher than he paid for the goods. Gross profit is found by subtracting the cost of goods sold from net sales.

2. Net profit

Net profit is found by subtracting the expenses of doing business (operating expenses) from gross profit. Refer back to Figure 1.4, Income Statement, if necessary.

LESSON 2

DATA SOURCES AND RECORDING FOR A TRADING BUSINESS

Content Outline

I. Sources of Data for a Trading Business

A. Cash received

1. Sales Slip (or Sales Ticket)

Teaching Suggestions and Techniques

Problems in narrative form provide practice in recording transactions. But in a real business situation, the bookkeeper must recognize the kind of book entry needed for a given series of events.

The purpose of this section is to discuss the type of business papers that usually support the receipt or payment of cash.

Explain that there are various procedures used by a small businessman in a trading business to write up a sale. One common procedure is to use a multiple-copy sales slip that is written up at the time of the sale. The original is given to the customer. The copies are kept by the businessman for cash control and control of inventory.

Show transparency of Figure 2.1, Sales Slip, and discuss it.

a. Another procedure

Another procedure used is to provide the customer with only a cash register tape (duplicate of tape, is made within the cash register for the business-man). The clerk making the sale will record the information on a form retained by the business-man for cash and inventory control. In this method, the clerk is usually required to make a one-line entry on the form showing date, item (description: model No., color, size), quantity, price, sales tax, and total amount of cash received.

Show transparency of Figure 2.2, Daily Sales Sheet.

b. Purposes

Whatever method is used, the business needs written evidence of each sale to verify the cash, sales tax, and total sales. Generally, the business paper generated at the time of the sale is also used to keep a check on inventory. Also, it is good business practice to supply the customer with written evidence (sales slip or cash register tape) for proof of purchase, in case an item purchased has to be returned.

2. Cash register tape

Use of a cash register, with printed tape, provides a chronological record of cash for the day. At the end of the day total cash in the drawer, after subtracting the change fund, should agree with the total cash taken in as indicated by the tape. This amount should also agree with the total amount derived from the duplicate sales slips for the day or the sales summary sheet.

NOTE: *Change fund* refers to the amount of cash put in the drawer at the beginning of the day to make change. A typical amount for a small trading business is \$50.00.

3. Other sources of cash received

Point out that other sources of cash for the business might include additional investments by the owner, and the sale of old furniture or equipment of the business. In either case, the cash would probably be in the form of a check. An entry would be made directly into the books followed by a deposit in the bank. This type of a transaction usually would not be handled through the cash register. These sources of cash represent receipts other than from the sale of goods to customers.

B. Cash paid out

1. Purchase invoice (Refer back to Lesson I, IV-B.) Discuss with the class the Purchases account and Accounts Payable account including the procedure of buying goods for resale to customers.

The supplier will send a *Purchase Invoice* to the businessman when the goods are shipped. Show transparency of Figure 2.3, Purchase Invoice.

- a. Used for checking goods When the goods are received by the business, before they are put into inventory, they are checked against the original order and the Purchase Invoice.

- b. Basis of book entries After the goods received and the computations have been verified, the Purchase Invoice becomes the basis for the entries in the books:

Debit: Purchases Account
Credit: Accounts Payable Account

The Purchase Invoice is evidence of money owed for goods received.

- c. Credit terms on invoices At this time, the terms of the invoice would also be noted and a note would be made as to when it should be paid. Review briefly the terms of an invoice and how cash discounts are computed.

Now show Figure 2.3, Purchase Invoice and discuss it. The invoice is dated October 8 and the terms are 2/15, 1/30, n/60.

- d. Explanation of terms If this invoice is paid not later than 15 days from its date (on or before October 23), the businessman can take a 2% cash discount. If it is paid within 30 days of its date (on or before November 7), the businessman can take a 1% cash discount. If it is paid after November 7, no cash discount is given. But the total amount should be paid on or before December 7 (60 days from date of invoice).

Supply more examples, if needed.

- e. Summary of Purchase Invoice Summarize the uses of the Purchase Invoice. It is a business paper used by the businessman to

- Verify the goods received (quantity, type, and cost)

- Establish the cost figure for inventory records
- Provide a cost figure for computation of selling price
- Furnish evidence that money is owed to the supplier

2. Checks

Good cash control requires that cash received be deposited in the bank promptly, and cash paid out be in the form of a check. This should be the general rule.

a. Checkbook

Usually the owner of a small business will maintain a *Checkbook* in addition to the *Combined Cash Journal*.

Show transparency of Figure 2.4, Checkbook.

b. Book entries

When a check is written, the stub information is entered in the Checkbook, and a current balance maintained. The check, supported by the invoice, would then be the business paper, to cause an entry in the cash payments section of the *Combined Cash Journal*.

At the end of the month, the cash balance in the Checkbook Register would be reconciled with the bank statement. It should also agree with the cash balance of the *Combined Cash Journal*.

3. Signed receipts for cash payments

The general rule for good cash control is to issue a check for all cash payments, but some businesses do issue cash from the cash drawer for some bills. For example, in a small grocery business: for daily deliveries such as dairy products and baked goods, cash might be used. In this case, the delivery person prepares an invoice, cash is paid out, and the person receiving the cash signs a receipt. The receipt is written either directly on the face of the invoice or on a separate sheet. It is placed in the cash drawer.

a. Book entries

If cash is paid out, a signed receipt must be placed in the cash drawer as evidence of payment. This signed receipt, with the supporting invoice (or bill) then becomes the business paper used to record the payment of cash in the *Combined Cash Journal*.

4. Petty Cash Vouchers

Discuss the general concept of a petty cash fund. When cash is paid from the fund a signed receipt is placed in the petty cash box. This signed receipt is called a *Petty Cash Voucher*.

Show a transparency of Figure 2.5, Petty Cash Voucher.

The Petty Cash Voucher is evidence of payment of cash from the fund. When the fund is replenished with cash, the petty cash vouchers together with a summary sheet form the business papers to record the expenses in the Combined Cash Journal.

II. Petty Cash Procedures

A. Purpose of petty cash fund

A petty cash fund is established to provide a nominal amount of cash, in a separate fund, for small cash payments. Examples include postage due, package delivery charges, postage, donations, ad in local newspaper, and incidental store supplies. This saves writing checks for small amounts.

B. Establishment of the fund

Discuss with the class that when a fund is established, one person is made responsible for its maintenance. The size of the fund is determined by the needs of the business. It should be large enough to cover small cash expenditures for 2 to 4 weeks. The fund is usually kept in a cash box separate from the regular cash register drawer. Separate records are also kept for the petty cash fund.

1. Check issued

To start the fund, a check is issued from the regular business cash account made payable to cash or petty cash. The check is then cashed and the money placed in the petty cash box.

2. Example

For example, to establish a petty cash fund for \$50, the journal entry is:

Debit: Petty Cash	\$50.00	
Credit: Cash		\$50.00

Demonstrate in T-account form on chalkboard. This is merely the transfer of cash from one asset account (Cash) to another (Petty Cash).

C. Operation of fund

Show a transparency of Figure 2.6, Petty Cash Book. Distribute copies of this form to the class.

1. Use of Petty Cash Book

Demonstrate, using overhead projector or chalkboard, the recording of the \$50 in the Petty Cash Book to establish the petty cash fund. Have the students record the following expenditures in their copies of the Petty Cash Book.

2. Petty cash expenditures

- Oct. 1. Established petty cash fund, \$50
 3. Paid mailman 14¢ for postage due (postage)
 7. Paid \$4.00 for window washing (miscellaneous)
 8. Paid \$4.24 for parcel post charges (postage)
 8. Paid \$8.00 donation to Heart Association (donations)
 9. Paid \$5.00 for postage stamps (postage)
 12. Paid \$6.50 for ad in local paper (advertising)
 14. Paid \$3.12 for instant coffee, sugar, and powdered cream (miscellaneous)
 15. Paid \$4.89 for envelopes, 6 ballpoint pens, and adding machine tape (store supplies)

After they have made the entries, show the students Figure 2.7K, Answer Key, Petty Cash Book. Point out to them the totaling, ruling summarizing, and replenishing of the Petty Cash Book. Use Figure 2.8K, Answer Key, Petty Cash Summary.

Explain that the cash to replenish the petty cash fund will be the difference between the balance on hand in the fund (\$14.11) and \$50.00. After the fund is replenished it will again have \$50.00 in cash.

D. Replenishment of the fund

The Petty Cash Summary (Figure 2.8K) and the signed Petty Cash Vouchers constitute the business papers for drawing a check to replenish the petty cash fund and to record the transaction in the Combined Cash Journal. The entry in the Journal would be

1. Entries in the Combined Cash Journal

Debit:		
Advertising Expense	\$6.50	
Donations Expense	8.00	
Postage Expense	9.38	
Store Supplies Exp.	4.89	
Misc. Expense	7.12	
Credit: Cash		\$35.89

When the \$35.89 check is cashed, the petty cash fund has a balance of \$50.00 cash.

Demonstrate the recording of the cash received (\$35.89) in the Petty Cash Book.

At all times the petty cash fund must have either \$50.00 actual cash or the combination of actual cash plus the total of the signed vouchers equal to \$50.00.

III. Combined Cash Journal for a Trading Business

A. Format

Show a transparency of Figure 2.9, Combined Cash Journal. Most small businesses use this journal rather than special journals. The Combined Cash Journal is used to record all the transactions of the small business.

1. Number of columns needed

The number of columns used in a Combined Cash Journal is flexible. A column can be added whenever there is enough repetition of one kind of entry. It can be eliminated whenever it becomes clear that it is not needed.

B. Recording the transactions of Problem 1

Problem 1 is a selected group of typical transactions for a small appliance business, North Star Appliances. Distribute copies of Figure 2.9, Combined Cash Journal, to the class.

Use chalkboard or overhead projector and present each transaction to the class. Analyze and discuss each transaction, then record it in the Combined Cash Journal with the students recording in their own copies.

1. Basic steps

While recording the transactions for the North Star Appliances, emphasize to the class the importance of the following:

- Analyze each transaction before recording it.
- In double entry bookkeeping, debits must equal credits. At least two accounts are affected by each transaction.

PROBLEM 1 NOVEMBER TRANSACTIONS

Record the following transactions in a Combined Cash Journal.

- Nov. 1. Record beginning cash balance \$1,700.00.
1. Paid Central Mall Association \$220.00 for November rent
 2. Cash sales \$246.10 (Sales \$230.00; Sales tax \$16.10)
 3. Paid N.Y. Telephone \$31.90, Telephone service
 5. Cash sales \$195.17 (Sales \$182.40; Sales Tax \$12.77)
 6. Paid Andersen Electric Company invoice, \$288.45, less 1% discount (See Figure 2.3 in Lesson 2.)
 6. Payroll, net cash paid \$202.25
- Distribution for recording:—

Salary expense	\$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

6. Record employer's FICA tax expense \$14.35.
7. Cash sales \$419.44 (Sales \$392.00; Sales tax \$27.44)
10. Cash sales \$289.97 (Sales \$271.00; Sales tax \$18.97)
10. Received credit memorandum for \$21.60 from Skiff's Electric for a damaged roaster oven returned for credit (Roaster oven was badly damaged when received.)
12. Paid 60-day \$1,000.00 note due today with interest at 8% (Notes payable \$1,000.00; Interest expense \$13.33; Cash credit \$1,013.33)
12. Cash sales \$205.44 (Sales \$192.00; Sales tax \$13.44)
13. Payroll, net cash paid \$202.25
Distribution for recording:

Salary expense	\$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35
13. Record employer's FICA tax expense \$14.35.
14. Paid Diamond Electric invoice for \$106.00 for merchandise purchased on account
14. Cash sales \$271.78. (Sales \$254.00; Sales tax \$17.78)
15. Purchased \$176.00 worth of merchandise from Andersen Electric Company on account, terms 2/15, 1/30, n/60
17. Mr. North, owner, made an additional investment in business of \$1,200.00
17. Cash sales \$334.70 (Sales \$310.00; Sales tax \$21.70)
18. Issued check to replenish the Petty cash fund. The Petty cash summary sheet shows the following distribution:

Advertising expense	\$14.40
Donations	10.00
Postage	5.00
Miscellaneous	11.00
Cash needed	<u>\$40.40</u>
18. Purchased \$268.00 worth of merchandise from Diamond Electric Company on account
20. Payroll, net cash paid \$202.25
Distribution for recording:

Salary expense	\$245.00
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35
20. Record employer's FICA tax expense \$14.35.
21. Cash sales \$234.33 (Sales \$219.00; Sales tax \$15.33)
23. Paid \$21.36 to local PRUDENT SHOPPER for 4-inch ad on special holiday sale
25. Mr. North, owner, withdrew \$500.00 cash for personal use.
25. Cash sales \$175.48 (Sales \$164.00; Sales tax \$11.48)
29. Paid Andersen Electric Company invoice \$176.00, less 2% discount
30. Prepare a cash proof from Combined Cash Journal. Checkbook shows a cash balance of \$2,271.62.

LESSON 3

JOURNALIZING, POSTING, AND TRIAL BALANCE

Content Outline

I. Record the Transactions of Problem 1.
(continued)

II. Summarize the Combined Cash Journal.

III. Open and Post the General Ledger.

A. Two-Column General Ledger

1. Opening the General Ledger

2. Posting for November

a. Steps in posting

Teaching Suggestions and Techniques

Briefly review the transactions recorded in the Combined Cash Journal from Lesson 2. Finish journalizing Problem 1, using the pattern already established. Allow time for questions and discussion.

Using the chalkboard or overhead projector, demonstrate the procedure for footing and ruling the Journal.

Emphasize the importance of accuracy in adding the columns, proving the equality of the debits and credits, and preparing a cash proof. The balance of cash should agree with the balance in the checkbook, which in turn is reconciled to the bank statement.

Refer to Figure 3.3K, Answer Key, Combined Cash Journal for November, and Figure 3.4K Answer Key, Cash Proof, November 30.

Show a transparency of Figure 3.2, General Ledger. Review the purpose of the General Ledger and the overall procedures for posting it.

Provide the students with copies of the blank General Ledger form (Figure 3.2).

Demonstrate the opening of the General Ledger Accounts, using Figure 3.1, Chart of Accounts, North Star Appliances, which shows account balances. Have students set up their Ledger accounts.

Direct this process, at least for the first few accounts, then carefully supervise as the students work independently.

Demonstrate the posting procedure and have students work with their own Journal and Ledger accounts. Allow time for questions and discussion.

While working together, emphasize:

- That the proper steps should be used in transferring information from Journal to Ledger.

- For example, in posting the total cash debit
 - (1) Locate the Cash General Ledger account
 - (2) Record in Ledger (debit side) amount, date, and posting reference. (Use *CJ* for Combined Cash Journal.)
 - (3) Record in the Journal at foot of cash debit column the record posting reference 101, which is the Cash Ledger account number.

b. Account to be posted

- That the column heading in the Journal indicates to which account each item in that column should be posted. Also whether it is a debit or a credit.
- That most columns are posted in total to the Ledger account indicated. But a figure in the General Ledger debit or credit column requires that that amount be posted to the account manual in the "Account Title and Explanation" column.

c. Importance of accuracy

- That all posting be done carefully and accurately.

3. Computing account balances

Using the chalkboard or overhead projector demonstrate the procedure for computing account balances. Do not show computations in the Ledger account but only small pencil footings. Show the balance on the proper side of the account. (See Figure 3.4K, Answer Key, General Ledger, November.)

Prepare the Trial Balance.

Provide a copy of a Trial Balance form for each student. Briefly review the purpose of a trial balance and how it is prepared.

Show how to prepare a Trial Balance for North Star Appliances for November, with students working individually on their own materials. (See Figure 3.6K, Answer Key, Trial Balance, November 30.)

Answer questions.

Now allow time for questions and discussion.

Lesson 4 provides transactions for December on which students should work independently to journalize, post, and take a trial balance.

LESSON 4

JOURNALIZING, POSTING, AND TRIAL BALANCE (continued)

Content Outline

I. Review Problem 1.

This lesson is a reinforcement of journalizing, posting, and preparing a trial balance. The students are to work independently.

Review the work finished for November transactions in Problem 1. Point out to the students that their trial balance for November 30 must be in balance since Problem 2, December transactions, will be posted using that balance as a base.

II. Problem 2, December Transactions.

A. Journalize.

Distribute copies of the Combined Cash Journal form (Figure 2.9) and have the students journalize December transactions. Also give them copies of Problem 2, December Transactions, which appears at the end of this lesson.

Have students work independently with a minimum of assistance. But you should supervise the activity and make suggestions where appropriate.

When the students are finished, check the results against Figure 4.1K, Answer Key, Combined Cash Journal, December Transactions. Discuss with class and answer questions.

B. Post to General Ledger.

Briefly review the posting procedure used for November transactions.

Have students post their December Journal entries to their General Ledger accounts and compute the account balances. Check the results against Figure 4.2K, Answer Key, General Ledger.

Note: You may prefer to have students prepare a Trial Balance first and then check it against the answer key.

C. Prepare Trial Balance.

Review the Trial Balance. Distribute copies of a Trial Balance form and have the students prepare a Trial Balance for December 31.

When they are finished, check the results against Figure 4.3K, Answer Key, Trial Balance, December 31.

D. Review the December entries.

Discuss with the students the work completed for December for North Star Appliances. Point out that most small businesses will have a periodic routine of journalizing, posting to the ledger, and preparing a Trial Balance.

E. Timing of the operations

- Journalizing is done either daily or as transactions occur.
- Posting is usually done at least once a month. It is helpful to post individual items from General Ledger debit and credit columns during the month to keep accounts current.
- A Trial Balance is usually prepared monthly to give the bookkeeper a periodic check on the equality of debits and credits in the General Ledger.

PROBLEM 2 DECEMBER TRANSACTIONS

Record the following transactions in a Combined Cash Journal.

- Dec. 1. Beginning cash balance \$2,271.62
1. Paid Central Mall Association \$220.00 for December rent
 2. Paid N.Y. Telephone \$34.30, telephone service
 2. Cash sales \$230.05 (Sales \$215.00; Sales tax \$15.05)
 3. Purchased \$449.00 worth of merchandise from Andersen Electric Company on account; terms 2/15, 1/30; n/60
 4. Cash sales \$205.44 (Sales \$192.00; Sales tax \$13.44)
 4. Received a credit memorandum for \$10.90 from Diamond Electric for broken electric iron returned for credit
 5. Cash sales \$220.42 (Sales \$206.00; Sales tax \$14.42)
 7. Payroll, net cash paid \$202.25
- Distribution for recording:
- | | |
|--------------------|----------|
| Salary expense | \$245.30 |
| Federal income tax | 22.90 |
| State income tax | 5.80 |
| FICA tax | 14.35 |
7. Record employer's FICA tax expense \$14.35.
 8. Cash sales \$310.30 (Sales \$290.00; Sales tax \$20.30)
 9. Paid Diamond Electric Company invoice \$268.00, less \$10.90 per credit memorandum
 10. Paid \$23.00 to local PRUDENT SHOPPER for a 4-inch ad on special holiday sale
 11. Mr. North, owner, withdrew \$500.00 cash for personal use.
 12. Cash sales \$331.70 (Sales \$310.00; Sales tax \$21.70)

14. Replenished petty cash fund. The petty cash summary sheet shows the following distribution:

Advertising expense	\$ 8.00
Donations	15.00
Postage	7.80
Miscellaneous	12.00
Cash needed	<u>\$42.80</u>

15. Payroll, net cash paid \$202.25
Distribution for recording:

Salary expense	\$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

15. Record employer's FICA tax expense \$14.35.
15. Cash sales \$353.10 (Sales \$330.00; Sales tax \$23.10)
16. Paid Andersen Electric Company invoice \$449.00, less 2% discount
18. Paid \$44.80 to Utility Electric Co. for electrical service for 2-month period
23. Cash sales \$434.42 (Sales \$406.00; Sales tax \$28.42)
28. Paid Skiff Electric invoice for \$310.00, less 1% discount for merchandise purchased on account
30. Cash sales \$171.20 (Sales \$160.00; Sales tax \$11.20)
31. Prepare a cash proof from Combined Cash Journal. Checkbook shows a cash balance of \$2,354.83.

LESSON 5 EIGHT-COLUMN WORKSHEET, AND PREPARING FINANCIAL STATEMENTS

Content Outline

Teaching Suggestions and Techniques

I. Review of Problem 2

Briefly review the independent work from Lesson 4, December Transactions for North Star Appliances.

II. The 8-Column Worksheet

A. Introduce the Worksheet.

Show a transparency of Figure 5.1, 8-Column Worksheet. Distribute copies of this worksheet to the class and discuss its purpose. Emphasize that:

- It is a bookkeepers' tool, prepared from General Ledger balances for end-of-accounting-period analysis and adjustments. It is prepared in pencil and is not part of the formal financial papers.
- A step-by-step process must be followed in preparing it.
- When completed, it is a good basis for preparing financial statements and journalizing adjusting and closing entries.

B. Prepare a Worksheet.

Working with the class, demonstrate the preparation of an 8-Column Worksheet for North Star Appliances for the year ended December 31, 19___. (See Figure 5.2K, Answer Key, 8-Column Worksheet, December 31, 19___.)

1. Fill in headings.

Fill in main heading and the column headings. Point out that each pair of columns (Trial Balance, for example) has a debit column and a credit column.

2. Enter Trial Balance.

A Trial Balance has already been prepared for December 31. Point out that if a Worksheet is used, the bookkeeper probably would not prepare a separate Trial Balance but would enter it directly on the Worksheet from the ledger accounts.

Working with the class, enter the trial balance on the Worksheet. Add the columns to be sure debits equal credits.

III. Adjustments on the Worksheet

Adjustments needed for North Star Appliances for December 31, 19__ are as follows:

A. Adjustments needed

- Physical count and pricing of the merchandise on hand shows a balance of \$8,640.00 in merchandise inventory.
- Value of prepaid insurance that has expired is \$174.00.

- Physical count and pricing of store supplies shows a total of \$140.00 worth on hand.
- Depreciation expense on store fixtures and equipment is \$260.00.

B. The concept of adjusting ledger accounts

Discuss with the class the concept of adjusting certain ledger accounts to show true balances.

Use chalkboard or the overhead projector and present each adjustment to the class. Analyze and discuss each adjustment, then enter it in the Adjustments column on the Worksheet. The students should be making entries on their own Worksheets.

C. Adjustment of Merchandise Inventory

The first adjustment, the Merchandise Inventory account, must show the new balance of \$8,640.00. We suggest the two-entry method for adjusting: (A) remove the old balance, (B) record the new balance.

1. Starting balance

Start with the balance shown on the Trial Balance, as illustrated in the T-account form:

Merchandise Inventory	
bal. 8,350.00	

The other account involved in the adjustment is the Profit and Loss Summary Account:

Profit and Loss Summary

(no balance on Trial Balance)

2. First adjusting entry

The first adjusting entry will remove the *old* balance from Merchandise Inventory account:

Merchandise Inventory	
bal. 8,350.00	(A) 8,350.00

Profit and Loss Summary

(A) 8,350.00

Adjusting entry (A)

Debit: Profit and Loss Summary \$8,350.00

Credit: Merchandise Inventory \$8,350.00

3. Second adjusting entry

The second entry will record the *new* balance in the Merchandise Inventory account:

Merchandise Inventory	
bal. 8,350.00	(A) 8,350.00
(B) 8,640.00	

Profit and Loss Summary	
(A) 8,350.00	(B) 8,640.00

Adjusting Entry (B)

Debit: Merchandise Inventory	\$8,640.00
Credit: Profit and Loss Summary	\$8,640.00

4. Balance after adjustments

After the adjustment, Merchandise Inventory shows a debit balance of \$8,640.00, the *new* amount.

Point out that each adjustment entered on the Worksheet has a capital letter to identify the debit adjustment with the credit adjustment.

D. Adjustment of Prepaid Insurance

The (C) adjustment is to the Prepaid Insurance account and the insurance accounts.

1. Starting balance

Using T-accounts show the balance as listed on the Trial Balance:

Prepaid Insurance	
bal. 360.00	

Insurance Expense

\$174.00 of the prepaid insurance has expired-- that amount of the prepaid premium applies to this accounting period. Therefore, that amount is recorded as an expense of this accounting period.

Discuss in full, using a specific example, to be sure the students understand how expired insurance is computed.

2. Adjusting entry

The entry to record the expired insurance for North Star Appliances is:

Prepaid Insurance	
bal. 360.00	(C) 174.00

Insurance Expense	
(C) 174.00	

Adjusting Entry (C)

Debit: Insurance Expense \$174.00
 Credit: Prepaid Insurance \$174.00

3. Balance after adjustment After adjustment, the Prepaid Insurance account shows a balance of \$186.00 and Insurance Expense a balance of \$174.00.

E. Adjustment of Store Supplies The (D) adjustment concerns the Store Supplies account and the expense account, Store Supplies Expense.

1. Starting balance The balances in T-account form as shown on the Trial Balance are:

Store Supplies	
bal.	285.00

Store Supplies Expense

The balance of store supplies on hand as of December 31, 19__ is \$140.00, which means \$145.00 worth of store supplies were used during the accounting period. The \$145.00 would be the expense for the period for store supplies.

2. Adjusting entry The adjustment entry to record this expense is:

Store Supplies	
bal.	285.00

Store Supplies Expense

Adjusting Entry (D)
 Debit: Store Supplies Expense \$145.00
 Credit: Store Supplies \$145.00

F. Adjustment for depreciation

The last adjustment is for depreciation. Discuss the concept of depreciation using a specific example.

Depreciation is the (E) adjustment and involves Accumulated Depreciation--Store Fixtures and Equipment account and the Depreciation Expense account.

1. Starting balances

Balances of these accounts as listed on the Trial Balance shown in T-account form are:

Accumulated Depreciation--
Store Fixtures and Equipment

bal. 1,300.00

Depreciation Expense

The depreciation adjustment of \$260.00 represents the estimated decrease in the value of the store fixtures and equipment that is to be recorded as an expense for this accounting period.

2. Adjusting entry

The entry to record this expense is:

Accumulated Depreciation--
Store Fixtures and Equipment

bal. 1,300.00
(E) 260.00

Depreciation Expense

(E) 260.00

Adjusting Entry (E)

Debit: Depreciation Expense \$260.00

Credit: Accumulated Depreciation--
Store Fixtures and Equip. \$260.00

3. Balance after adjustment

The new balance in Accumulated Depreciation account is \$1,560.00.

If time permits, discuss with the class the significance of the asset account, Store Fixtures and Equipment, and the minus asset account, Accumulated Depreciation.

After the last adjustment is entered on the Worksheet, add the adjustments columns to be sure the debits equal the credits, and make double lines where needed.

G. Extend amounts to Income Statement columns and Balance Sheet columns.

Demonstrate how each item is extended from the Trial Balance (combined with the adjustments) to either the Income Statement columns or the Balance Sheet columns according to the classification of the account.

1. Example For example, for the cash account, debit balance \$2,354.83 (no adjustment), the amount is extended to the Balance Sheet debit column.
 2. Demonstrate on Merchandise Inventory. Do each item individually and systematically. The first item with an adjustment is the Merchandise Inventory account. Demonstrate fully how the new balance is determined and extended to the Balance Sheet debit column.
- H. Compute net profit (or loss) and finish the Worksheet. Working with the class, demonstrate the completion of the Worksheet.
1. Total the columns. Total the Income Statement columns and the Balance Sheet columns. Examine the Income Statement column totals. Is the credit total (\$75,527.88) greater than the debit total (\$63,338.84)? Since it is, there is a *net profit* for the period. Income is greater than expense.
 2. Determine the net profit. Subtract the lesser amount from the greater amount and the difference (\$12,189.04) is the net profit for the period. The difference between the two Balance Sheet column totals should be the same amount as the net profit (\$12,189.04).
 3. Enter the net profit. Enter the net profit, bring down the final totals, and double rule the Worksheet. Point out that the net profit (or loss) figure is used as a balancing figure.

IV. Preparation of Financial Statements

- A. Balance Sheet Using the completed Worksheet, Figure 5.2K, prepare a Balance Sheet for North Star Appliances as of December 31, 19___. (See Figure 5.3K.)
- B. Income Statement Using the completed Worksheet, Figure 5.2K, prepare an Income Statement for North Star Appliances for the year ended December 31, 19___. (See Figure 5.4K.)
- C. Summary Point out to the class that the net profit figure on the Income Statement is also shown in the Owner's Equity section of the Balance Sheet.

Allow time for questions and discussion of the work completed to date.

**LESSON 6
ADJUSTING AND CLOSING THE GENERAL LEDGER, AND
PREPARING THE POST-CLOSING TRIAL BALANCE**

Content Outline

Teaching Suggestions and References

I. Review of Worksheet

Briefly review the Worksheet that was completed in Lesson 5. Remind the students that the financial statements were prepared from the Worksheet and that the information on the Worksheet will be used to journalize the adjusting and closing entries.

II. Adjusting and Closing Entries

A. Adjusting entries

1. Journalizing

Distribute copies of the Combined Cash Journal, (Figure 2.9) to the class. Review the adjustments that were made on the Worksheet for North Star Appliances and the manner in which each adjustment is keyed.

Working with the class, demonstrate the journalizing of the adjusting entries starting with adjustment (A). (See Figure 6.1K.)

2. Posting to Ledger

After the adjusting entries are journalized, post them to the General Ledger accounts.

Have the students compute the account balances for the accounts involved with adjustments. Make sure that each balance agrees with the balance shown on the financial statements and/or the extended balance on the Worksheet.

B. Closing entries

1. Results of closing entries

Discuss with the class the purpose of closing entries. As a result of closing entries, three things are accomplished:

- Income accounts are closed (in balance).
- Expense accounts are closed (in balance).
- Net profit (or loss) is transferred to the capital section (in agreement with the financial statements).

2. Closing entries needed

To close the General Ledger for North Star Appliances, make four closing entries (Figure 6.1K):

- Transfer income to Profit and Loss Summary account.
- Transfer expenses to Profit and Loss Summary account.
- Transfer net profit (or loss) from Profit and Loss Summary account to the Drawing account.
- Transfer the net increase (or decrease) from the Drawing account to the permanent Capital account.

3. Journalizing

Demonstrate the journalizing of the closing entries, working from the Worksheet. The concept can be clearly illustrated first in T-accounts before actually journalizing.

4. Posting to Ledger

Have the students post the closing entries to their General Ledger accounts. When the posting is completed, have them compute account balances to be sure the temporary accounts are in balance, that is, closed.

C. Balancing and ruling the General Ledger accounts

Briefly review the classification of accounts in the Ledger. Point out that the permanent accounts (Balance Sheet accounts) are balanced and ruled, but a balance is also shown for the beginning of the new accounting period. The temporary accounts (income and expense accounts) are closed (without balances) to start the new accounting period.

Demonstrate balancing and ruling the General Ledger for North Star Appliances. (See Figure 6.2K.)

D. Post-Closing Trial Balance

Distribute a Trial Balance form and have the students prepare a Post-Closing Trial Balance (Figure 6.3K). Make sure debits equal credits in the Ledger after the closing procedures.

Review the accounting cycle, emphasizing that it is repeated each accounting period. Allow time for questions and discussion of the work completed.

LESSON 7

PRACTICAL PROBLEM

Content Outline

I. Purpose of Application

A. Alternate application

Teaching Suggestions and Techniques

In Lesson 1, we recommend that a published practice set be used at the end of this course. This will provide the students with experience in using the related business papers upon which transactions are based. Several commercially published practice sets are suggested in Lesson 1.

If you prefer, you can use the supplemental practice problem (SNO SHACK, Appendix B) in place of a published practice set. This supplemental problem includes transactions for December plus

the closing for the end of the year. It also includes forms (which can be duplicated) and answer keys for the problem.

We estimate that four class sessions would be an appropriate amount of time to devote to completing either a practice set or the supplemental problem.

II. Procedure

In using either a practice set or the supplemental problem, we recommend that you do the following. (In the statements below, we will assume you have chosen to use the practice set.)

A. First do the practice set yourself.

Do the practice set yourself before you assign it to the students. As you do it, notice:

- What the student will need to work the practice set
- The type of entries which might give the student problems
- The time required to complete the set

B. Review the materials with the students.

Review the practice set with the students before they work it to emphasize:

- Type of business involved
- Task the student is confronted with
- Time schedule to be followed

C. Provide check figures.

Provide check figures at key points. For example: Journal totals, Trial Balance totals, net profit (or loss) figures, etc.

D. Make your completed set available.

Make your completed practice set available as an answer key while the students are doing their sets.

III. Summary

Review with the students the bookkeeping cycle and the role of the bookkeeper and/or accountant in the small business environment.

APPENDIX A
ILLUSTRATIONS, FORMS, AND SOLUTIONS TO PROBLEMS

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SLEEPY-TIME MOTEL

INCOME STATEMENT

For the month ended January 31, 19__

Income from Sales:		
Sales		\$ 4,710.00
Operating Expenses:		
Advertising	\$ 163.00	
Electric	156.80	
FICA Tax	38.72	
Heat	265.00	
Insurance	300.00	
Linen Service	750.00	
Maintenance and Repairs	150.00	
Miscellaneous	19.00	
Office Supplies	38.00	
Salaries	710.00	
TV Repairs	63.00	
Taxes	139.50	
Telephone	123.40	
Total Expenses		<u>2,916.00</u>
Net Income		<u>\$ 1,793.58</u>

Figure 1.1
Income Statement
Sleepy-Time Motel

SLEEPY-TIME MOTEL

BALANCE SHEET
As of January 31, 19__

<u>Assets</u>		
Cash		\$ 1,530.00
Petty Cash		50.00
Prepaid Insurance		1,600.00
Office Supplies		200.00
Room Maintenance Supplies		850.00
Building	\$ 65,000.00	
Less Accumulated Depreciation	23,400.00	41,600.00
Guest Room Furniture	\$ 18,000.00	
Less Accumulated Depreciation	8,600.00	9,400.00
Office Furniture and Equipment	\$ 2,800.00	
Less Accumulated Depreciation	1,600.00	1,200.00
Motel Maintenance Equipment	\$ 2,600.00	
Less Accumulated Depreciation	900.00	1,700.00
Total Assets		<u>\$ 58,130.00</u>
<u>Liabilities</u>		
Accounts Payable		\$ 600.00
Federal Income Taxes Payable		106.50
State Income Taxes Payable		14.10
FICA Tax Payable		38.72
Sales Tax Payable		329.70
State	\$ 188.40	
County	141.30	
Mortgage Payable		<u>\$ 18,000.00</u>
Total Liabilities		\$ 19,089.02
<u>Net Worth</u>		
K. George Hayes, Capital, January 1	\$ 38,447.40	
Net Profit for January	\$1,793.58	
Less, Drawings	<u>1,200.00</u>	
Net Increase to Capital	593.58	
K. George Hayes, Capital, January 31		<u>39,040.98</u>
Total Liabilities and Net Worth		<u>\$ 58,130.00</u>

Figure 1.2
Balance Sheet
Sleepy-Time Motel

SERVICE BUSINESS
(Motel)

COMPARISON

TRADING BUSINESS
(Appliance Store)

Cash Received

Room Rentals (Patrons)

Sale of Goods

Cash Paid Out

Cost of Goods for Resale
to Customers

Advertising
Electric
FICA Tax
Heat
Insurance
Linen Service
Maintenance and Repairs
Miscellaneous
Office Supplies
Salaries
TV Repairs
Taxes
Telephone

Advertising
Electric
FICA Tax
Heat
Insurance
Maintenance and Repairs
Miscellaneous
Office/Store Supplies
Rent (if building is
not owned)
Salaries
Telephone

Figure 1.3
Comparison of
Service Business and Trading Business

NORTH STAR APPLIANCES

INCOME STATEMENT

For the month ended January 31, 19__

Income from Sales:		
Sales		\$ 6,339.00
Cost of Goods Sold:		
Merchandise Inventory, January 1	\$ 3,350.00	
Purchases	3,084.00	
Goods Available for Sale	\$ 6,434.00	
Less: Merchandise Inventory, January 31	<u>2,920.00</u>	
Cost of Goods Sold		<u>3,514.00</u>
Gross Profit on Sales		\$ 2,825.00
Operating Expenses:		
Advertising	\$ 23.50	
Electric	14.50	
FICA Tax	56.16	
Miscellaneous	12.00	
Office and Store Supplies	69.00	
Rent Expense	220.00	
Salaries	1,040.00	
Telephone	<u>41.50</u>	
Total Expenses		<u>1,476.66</u>
Net Income		\$ <u>1,448.34</u>

Figure 1.4
Income Statement
North Star Appliances

NORTH STAR APPLIANCES
LIST OF INVENTORY ITEMS

Household Items

Alarm Clocks
Blenders
Can Openers
Clock Radios
Clocks
Coffee Pots
Crockpots
Electric Irons
Frypans
Knife Sharpeners
Mixers
 Counter-top
 Hand
Steamer Cookers
Timers
Toaster Ovens
Toasters
Vacuum Cleaners

Hobby Items

Drills
Hot Glue Guns
Sabre Saws
Sanders
Skill Saws
Soldering Irons

Retail Supplies

Cleaners
 Coffee Pots
 Electric Steam Irons
Drills
 Wood Bits
 Metal Bits
Electrical Cords (Appliance)
Glue Pacs
Sandpaper
Saw Blades
Solder
Vacuum Cleaner Bags

Figure 1.5
List of Inventory Items
North Star Appliances

**NORTH STAR APPLIANCES
INVENTORY CARD**

Item Number 74-P12

Item Name Diamond Toaster (2-slice), Coppertone

Number to be in Inventory Maximum: 10 Minimum: 4

Date		Quantity Received	Unit Cost	Quantity Sold	Balance
19- October	15	10	12.40		10
November	5			1	9
	12			1	8
	21			2	6
December	4			1	5

Figure 1.6
Inventory Card
North Star Appliances

NORTH STAR APPLIANCES			
Phone 000-8823		Northland, N.Y.	
Order No. _____		Date _____	
Sold to _____			
Quantity	Description	Amount	
	TAX		
	TOTAL		

Figure 2.1
Sales Ticket

DAILY SALES SHEET

NORTH STAR APPLIANCES

Date

Quantity	Description	Item Price		Sales Tax		Total Cash	
TOTALS FOR DAY							

Figure 2.2
Daily Sales Sheet



I N V O I C E

No.

ANDERSEN ELECTRIC COMPANY
Clearcity, New York 12839
Telephone (518) 234-2616

Sold to North Star Appliances
Northland
New York 12809

Invoice Date Oct. 8, 19	Terms 2/15, 1/30, n/60	FOB Shipping Point	Your Order No. 1032	Via Dean Trucking
----------------------------	---------------------------	-----------------------	------------------------	----------------------

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
5	Blenders K43-10	16.25	\$ 81.25
10	Toasters 74-P12	12.40	124.00
4	Roaster Ovens R0631-4	20.80	<u>83.20</u>
TOTAL			\$ 288.45

Figure 2.3
Purchase Invoice

BAL. BRO'T FOR'D
101
19

TO _____

FOR _____

TOTAL _____

AMOUNT THIS CHECK _____

BALANCE _____

DEPOSIT



North Star Appliances
Northland, New York 12809

101

19

Pay _____ DOLLARS \$ _____

TO THE ORDER OF

BY ENDORSEMENT THIS CHECK WHEN PAID IS ACCEPTED IN FULL PAYMENT OF THE FOLLOWING ACCOUNT

THE FIRST NATIONAL BANK
NORTHLAND, NEW YORK

BAL. BRO'T FOR'D
102
19

TO _____

FOR _____

TOTAL _____

AMOUNT THIS CHECK _____

BALANCE _____

DEPOSIT



North Star Appliances
Northland, New York 12809

102

19

Pay _____ DOLLARS \$ _____

TO THE ORDER OF

BY ENDORSEMENT THIS CHECK WHEN PAID IS ACCEPTED IN FULL PAYMENT OF THE FOLLOWING ACCOUNT

THE FIRST NATIONAL BANK
NORTHLAND, NEW YORK

BAL. BRO'T FOR'D
103
19

TO _____

FOR _____

TOTAL _____

AMOUNT THIS CHECK _____

BALANCE _____

DEPOSIT



North Star Appliances
Northland, New York 12809

103

19

Pay _____ DOLLARS \$ _____

TO THE ORDER OF

BY ENDORSEMENT THIS CHECK WHEN PAID IS ACCEPTED IN FULL PAYMENT OF THE FOLLOWING ACCOUNT

THE FIRST NATIONAL BANK
NORTHLAND, NEW YORK

40

47

48

Figure 2.4
Checkbook

PETTY CASH VOUCHER

No. _____ Date _____ 19 _____

Paid to _____ \$ _____

For _____

Charge to _____

Approved

Received by

Figure 2.5
Petty Cash Voucher

PETTY CASH BOOK

Petty Cash Funds		Date	Explanation	Expenditures				
Received	Paid Out			Advertis- ing	Donations	Postage	Store Supplies	Misc.
50 00		19- Oct 1	To establish fund					
	14	3	Postage due			14		
	4 00	7	Washing windows					4 00
	4 24	8	Parcel Post charges			4 24		
	8 00	8	Donations - Heart Assoc.		8 00			
	5 00	9	Stamps			5 00		
	6 50	12	Ad in newspaper	6 50				
	3 12	14	Coffee supplies					3 12
	4 89	15	Envelopes, Pens, Tape				4 89	
50 00	35 89		Totals	6 50	8 00	9 38	4 89	7 12
	14 11	15	Cash on hand					
50 00	50 00							
14 11		15	Cash on hand					
35 89		15	To replenish fund					

Figure 2.7K
Answer Key
Petty Cash Book, October 15

PETTY CASH SUMMARY

To replenish fund
Expenditures from October 1 to October 15

Advertising Expense	\$ 6.50
Donations Expense	8.00
Postage Expense	9.38
Store Supplies Expense	4.89
Miscellaneous Expense	<u>7.12</u>
Total Expenditures	\$ 35.89
Cash on Hand	<u>14.11</u>
Total Petty Cash Fund	<u>\$ 50.00</u>

Figure 2.8K
Answer Key
Petty Cash Summary, October 15

NORTH STAR APPLIANCES

CHART OF ACCOUNTS (Account Balances as of November 1, 19__)

<u>Account Title</u>	<u>Account Number</u>	<u>Account Balance</u>	
		<u>Debit</u>	<u>Credit</u>
Cash	101	\$ 1,700.00	\$
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchandise Inventory	111	8,350.00	
Prepaid Insurance	121	360.00	
Store Supplies	131	285.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1	*	\$ 1,300.00
Accounts Payable	201		810.00
Notes Payable	202		1,000.00
Federal Income Tax Payable	211		91.60
State Income Tax Payable	212		23.20
FICA Tax Payable	213		57.40
State Sales Tax Payable	214		472.00
County Sales Tax Payable	215		354.00
John G. North, Capital	301		13,500.00
John G. North, Drawing	302	9,000.00	
Income and Expense Summary	311		-
Sales	401		61,901.57
Purchases	501	37,080.00	
Purchases Returns and Allowances	502		272.00
Purchases Discount	503		339.93
Advertising Expense	511	854.80	
Depreciation Expense	512	-	
Donations Expense	513	110.00	
Electric Expense	514	137.70	
FICA Tax Expense	515	57.40	
Insurance Expense	516	-	
Interest Expense	517	28.00	
Miscellaneous Expense	518	78.90	
Postage Expense	519	56.00	
Rent Expense	520	2,200.00	
Salary Expense	521	10,547.90	
Store Supplies Expense	522	-	
Telephone Expense	523	376.00	

Figure 3.1
Chart of Accounts
North Star Appliances

CASH		Ch. No.	Date	ACCOUNT TITLE AND EXPLANATION	Dr.	GENERAL LEDGER		ACCOUNTS PAYABLE		PURCHASES	SALARY EXP.	FED. INC. TAX	STATE INC. TAX	FICA TAX	PURCH. DISC.	SALES TAX	SALES
Debit	Credit					Debit	Credit	Debit	Credit								
				Cash Balance	9,700.00												
				Rent Expense		220.00											
286.10			11/20/40	Cash Sales												16.00	230.00
			11/21/40	Telephone Expense		30.00											
196.10			11/22/40	Cash Sales													
			11/23/40	Anderson Electric Co.				220.00									
			11/24/40	Payroll													
			11/25/40	F.I.C.A. Tax Expense		10.00				200.00	20.00	5.00	10.00				
119.10			11/26/40	Cash Sales													
200.00			11/27/40	Cash Sales												20.00	300.00
			11/28/40	Purchases Returns & Allowances			20.00	20.00									
			11/29/40	Notes Payable													
			11/30/40	Interest Expense													
205.10			11/31/40	Cash Sales													
			12/01/40	Payroll													
			12/02/40	F.I.C.A. Tax Expense		10.00				200.00	20.00	5.00	10.00				
			12/03/40	Diamond Electric Co.				100.00									
221.10			12/04/40	Cash Sales													
			12/05/40	Anderson Electric Co.				100.00									
120.00			12/06/40	T.G. North, Capital			120.00										
331.10			12/07/40	Cash Sales													
			12/08/40	To replace Petty Cash													
			12/09/40	Advertising Expense		100.00											
			12/10/40	Donations Expense		50.00											
			12/11/40	Postage Expense		50.00											
			12/12/40	Miscellaneous Expense		100.00											
			12/13/40	Diamond Electric Co.				260.00									
			12/14/40	Payroll													
			12/15/40	F.I.C.A. Tax Expense		10.00				200.00	20.00	5.00	10.00				
229.10			12/16/40	Cash Sales													
			12/17/40	Advertising Expense		20.00											
			12/18/40	T.G. North, Drawing			50.00										
176.10			12/19/40	Cash Sales													
			12/20/40	Anderson Electric Co.				170.00									
356.10			12/21/40	TOTALS		1870.00	1870.00	592.00	400.00	400.00	785.00	60.00	170.00	86.00	30.00	15.00	2310.00
0.00			12/22/40														

Figure 3.4K
Answer Key, Combined Cash Journal
November Transactions



Store Supplies								Acct. No. 131
Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit	
19- Nov 1	Balance	✓	285.00					

Store Fixtures and Equipment								Acct. No. 141
Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit	
19- Nov 1	Balance	✓	880.00					

Accumulated Depreciation— Store Fixtures and Equipment								Acct. No. 141.1
Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit	
				19- Nov 1	Balance	✓	1300.00	

Accounts Payable								Acct. No. 201
Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit	
19- Nov 30		CS	592.05	19- Nov 1	Balance	✓	810.00	
				30	667.95	CS	444.00	
							1259.00	

Notes Payable								Acct. No. 202
Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit	
19- Nov 12		CS	1000.00	19- Nov 1	Balance	✓	1000.00	

Figure 3.5K2
 Answer Key
 General Ledger, November Transactions

Federal Income Tax Payable

Acct. No. 211

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19-Nov. 1	Balance	✓	91 60
				30		CJ	68 70
							22 90

State Income Tax Payable

Acct. No. 212

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19-Nov. 1	Balance	✓	23 20
				30		CJ	17 40
							6 80

FICA Tax Payable

Acct. No. 213

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19-Nov. 1	Balance	✓	57 40
				30		CJ	86 10
							28 70

State Sales Tax Payable

Acct. No. 214

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19-Nov. 1	Balance	✓	472 00
				30		CJ	88 58
							560 58

County Sales Tax Payable

Acct. No. 215

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19-Nov. 1	Balance	✓	354 00
				30		CJ	66 43
							420 43

Figure 3.5K3.
Answer Key
General Ledger, November Transactions

John G. North, Capital

Acct. No. 301

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	9 000 00				
	25	CJ	500 00				
			4 500 00				

John G. North, Drawing

Acct. No. 302

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Income and Expense Summary

Acct. No. 311

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Sales

Acct. No. 401

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19-Nov 1	Balance	✓	6 190 57
					30	CJ	2 214 40
							4 976 17

Purchases

Acct. No. 501

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	37 080 00				
	30	CJ	444 00				
			37 524 00				

Figure 3.5K4
 Answer Key
 General Ledger, November Transactions

Purchases Returns and Allowances

Acct. No. 502

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				Nov. 1	Balance	✓	272.00
				10		CS	21.60
							293.60

Purchases Discount

Acct. No. 503

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				Nov. 1	Balance	✓	339.93
				30		CS	6.40
							346.33

Advertising Expense

Acct. No. 511

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov. 1	Balance	✓	854.80				
18		CS	14.40				
23		CS	21.36				
			890.56				

Depreciation Expense

Acct. No. 512

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Donations Expense

Acct. No. 513

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov. 1	Balance	✓	110.00				
15		CS	10.00				
			120.00				

Figure 3.5K5
Answer Key
General Ledger, November Transactions

Electric Expense

Acct. No. 514

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	137 70				

FICA Tax Expense

Acct. No. 515

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	57 40				
6		CS	14 35				
13		CS	14 35				
20		CS	14 35				

Insurance Expense

Acct. No. 516

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Interest Expense

Acct. No. 517

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	28 00				
12		CS	13 33				
			41 33				

Miscellaneous Expense

Acct. No. 518

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	78 90				
18		CS	11 00				
			89 90				

Figure 3.5K6
 Answer Key
 General Ledger, November Transactions

Postage Expense

Acct. No. 519

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 - Nov. 1	Balance	✓	56 00				
		CS	5 00				
			61 00				

Rent Expense

Acct. No. 520

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 - Nov. 1	Balance	✓	220 00				
		CS	220 00				
			440 00				

Salary Expense

Acct. No. 521

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 - Nov. 1	Balance	✓	10547 90				
		CS	735 90				
			11283 80				

Store Supplies Expense

Acct. No. 522

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Telephone Expense

Acct. No. 523

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 - Nov. 1	Balance	✓	376 00				
		CS	31 90				
			407 90				

Figure 3.5K7
 Answer Key
 General Ledger, November Transactions

NORTH STAR APPLIANCES

TRIAL BALANCE
November 30, 19__

<u>Account Title</u>	<u>Account No.</u>	<u>Debit</u>	<u>Credit</u>
Cash	101	\$ 2,271.61	
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchandise Inventory	111	8,350.00	
Prepaid Insurance	121	360.00	
Store Supplies	131	285.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1		\$ 1,300.00
Accounts Payable	201		661.95
Federal Income Tax Payable	211		160.30
State Income Tax Payable	212		40.60
FICA Tax Payable	213		143.50
State Sales Tax Payable	214		560.58
County Sales Tax Payable	215		420.43
John G. North, Capital	301		14,700.00
John G. North, Drawing	302	9,500.00	
Sales	401		64,115.97
Purchases	501	37,524.00	
Purchases Returns and Allowances	502		293.60
Purchases Discount	503		346.33
Advertising Expense	511	890.56	
Donations Expense	513	120.00	
Electric Expense	514	137.70	
FICA Tax Expense	515	100.45	
Interest Expense	517	41.33	
Miscellaneous Expense	518	89.90	
Postage Expense	519	61.00	
Rent Expense	520	2,420.00	
Salary Expense	521	11,283.80	
Telephone Expense	523	407.90	
Totals		\$ 82,743.26	\$ 82,743.26

Figure 3.6K
Answer Key
Trial Balance, November 30

CASH		CK. No.	DATE	ACCOUNT TITLE AND EXPLANATION	Pmt. No.	GENERAL LEDGER		ACCOUNTS PAYABLE		PURCHASES	SALARY EXP.		FED. INC. TAX		FICA TAX	PURCH. DISC.	SALES TAX	SALES	
Debit	Credit					Debit	Credit	Debit	Credit	Debit	Debit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit
				1 Cash Balance	✓														
		20000413		1 Rent Expense	520	27000													
		20000414		2 Telephone Expense	520	3000													
23000				2 Cash Sales													1500	21500	
				3 Anderson Electric Co.				44000	44000										
20000				4 Cash Sales														1300	19000
				4 Purchases Returns & Allowances	500	1000	1000												
22000				5 Cash Sales														1400	20000
		20220405		7 Payroll						24500	2200	500	1400	1400					
				7 F.I.C.A. Tax Expense	510	1935													
31000				8 Cash Sales														2000	30000
		20510406		9 Diamond Electric Co.			25000												
23000		20000407		10 Advertising Expense	510	23000													
50000		400		11 J.C. North, Drawing	300	50000													
33100				12 Cash Sales														2100	31000
		4000409		14 To replace Telly Club															
				Advertising Expense	510	800													
				Donations Expense	610	1500													
				Postage Expense	510	700													
				Miscellaneous Expense	510	1200													
		20220408		15 Payroll						24500	2200	500	1400	1400					
				15 F.I.C.A. Tax Expense	510	1935													
35000				15 Cash Sales														2300	30000
		44000409		16 Anderson Electric Co.			44000												
		44000410		18 Electric Expense	510	44000													
43000				23 Cash Sales														2000	40000
		20600403		28 Skiff Electric Co.			21000												
17000				30 Cash Sales														1100	16000
285000	317000			31 TOTALS		89300	10100	92700	44900	44900	49000	4500	1100	5700	1200	1000	500	14000	210000
(101)	(101)					(12)	(12)	(600)	(201)	(501)	(501)	(211)	(211)	(211)	(211)	(211)	(211)	(211)	(211)

Figure 4.1K
Answer Key, Combined Cash Journal
December Transactions

57

Cash

Acct. No. 101

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	1700 00	Nov 30		CJ	2977 79
Dec 31	2,271.62	CJ	3569 41	Dec 31		CJ	2173 42
	2,254.83	CJ	2256 63				5171 81

Petty Cash

Acct. No. 102

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	50 00				

Change Fund

Acct. No. 103

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	50 00				

Merchandise Inventory

Acct. No. 111

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	8350 00				

Prepaid Insurance

Acct. No. 121

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	360 00				

Figure 4.2K1
 Answer Key
 General Ledger, December Transactions

Store Supplies

Acct. No. 131

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	285.00				

Store Fixtures and Equipment

Acct. No. 141

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
18- Nov 1	Balance	✓	8800.00				

Accumulated Depreciation
Store Fixtures and Equipment

Acct. No. 141.1

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				18- Nov 1	Balance	✓	1300.00

Figure 4.2K2
Answer Key
General Ledger, December Transactions



Accounts Payable

Acct. No. 201

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 30		CJ	592.05	19- Nov 1	Balance	✓	810.00
Dec 31		CJ	927.00	30		CJ	444.00
			13.19	Dec 31	261.95	CJ	449.00
					183.45		1783.00

Notes Payable

Acct. No. 202

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 12		CJ	1000.00	19- Nov 1	Balance	✓	1000.00

Federal Income Tax Payable

Acct. No. 211

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	91.60
				30		CJ	68.70
				Dec 31		CJ	1.60
							45.30
							206.10

State Income Tax Payable

Acct. No. 212

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	23.20
				30		CJ	17.40
				Dec 31		CJ	7.00
							11.60
							52.20

FICA Tax Payable

Acct. No. 213

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	57.40
				30		CJ	86.10
				Dec 31		CJ	1.43
							57.40
							200.90

Figure 4.2K3
Answer Key
General Ledger, December Transactions

State Sales Tax Payable

Acct. No. 214

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				Nov 1	Balance	✓	472.00
				30		CJ	87.58
				Dec 31		CJ	546.58
							84.36
							27.99

County Sales Tax Payable

Acct. No. 215

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				Nov 1	Balance	✓	354.00
				30		CJ	66.43
				Dec 31		CJ	426.73
							63.27
							483.70

John G. North, Capital

Acct. No. 301

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				Nov 1	Balance	✓	13500.00
				17		CJ	1200.00
							14700.00

John G. North, Drawing

Acct. No. 302

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	9000.00				
25		CJ	500.00				
Dec 11		CJ	500.00				
			10000.00				

Income and Expense Summary

Acct. No. 311

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 4.2K4
 Answer Key
 General Ledger, December Transactions

Sales

Acct. No. 401

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	61901 57
				30		CJ	2214 40
				Dec. 31		CJ	2109 00
							66 224 97

Purchases

Acct. No. 501

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov. 1	Balance	✓	37080 00				
30		CJ	444 00				
Dec. 31		CJ	37 524 00				
			449 00				
			37 973 00				

Purchases Returns and Allowances

Acct. No. 502

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	272 00
				10		CJ	21 60
				Dec. 4		CJ	293 60
							19 90
							307 50

Figure 4.2K5
Answer Key
General Ledger, December Transactions

Purchases Discount

Acct. No. 503

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19 - Nov 1	Balance	✓	339 93
				30		CJ	6 40
				Dec 31		CJ	5 76 83
							12 68
							358 01

Advertising Expense

Acct. No. 511

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	854 80				
18		CJ	14 40				
23		CJ	21 36				
Dec 10		CJ	8 90				
14		CJ	23 00				
			8 00				
			427 56				

Depreciation Expense

Acct. No. 512

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 4.2K6
 Answer Key
 General Ledger, December Transactions

Donations Expense

Acct. No. 513

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	110 00				
18		CJ	10 00				
Dec 14		CJ	15 00				
			135 00				

Electric Expense

Acct. No. 514

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	137 70				
Dec 18		CJ	44 80				
			182 50				

FICA Tax Expense

Acct. No. 515

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	57 40				
6		CJ	14 35				
13		CJ	14 35				
20		CJ	14 35				
Dec 7		CJ	14 35				
15		CJ	14 35				
			129 15				

Figure 4.2K7
 Answer Key
 General Ledger, December Transactions

Insurance Expense

Acct. No. 516

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Interest Expense

Acct. No. 517

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	28 00				
	12	CJ	13 33				
			41 33				

Miscellaneous Expense

Acct. No. 518

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	78 90				
	18	CJ	11 00				
Dec 14		CJ	29 90				
			12 00				
			101 80				

Postage Expense

Acct. No. 519

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	56 00				
	18	CJ	5 00				
Dec 14		CJ	7 80				
			68 80				

Rent Expense

Acct. No. 520

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	220 00				
	1	CJ	220 00				
Dec 1		CJ	220 00				
			2640 00				

Figure 4.2K8
 Answer Key
 General Ledger, December Transactions

Salary Expense

Acct. No. 521

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	10547 90				
		CJ	735 90				
Dec 31		CJ	490 60				
			774 40				

Store Supplies Expense

Acct. No. 522

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Telephone Expense

Acct. No. 523

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	376 00				
		CJ	31 90				
Dec 2		CJ	407 90				
			34 30				
			442 20				

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 4.2K9
Answer Key
General Ledger, December Transactions

NORTH STAR APPLIANCES

TRIAL BALANCE
December 31, 19__

<u>Account Title</u>	<u>Account Number</u>	<u>Debit</u>	<u>Credit</u>
Cash	101	\$ 2,354.83	
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchandise Inventory	111	8,350.00	
Prepaid Insurance	121	360.00	
Store Supplies	131	285.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation— Store Fixtures and Equipment	141.1		\$ 1,300.00
Accounts Payable	201		183.95
Federal Income Tax Payable	211		206.10
State Income Tax Payable	212		52.20
FICA Tax Payable	213		200.90
State Sales Tax Payable	214		644.94
County Sales Tax Payable	215		483.70
John G. North, Capital	301		14,700.00
John G. North, Drawing	302	10,000.00	
Sales	401		66,224.97
Purchases	501	37,973.00	
Purchases Returns and Allowances	502		304.50
Purchases Discount	503		358.41
Advertising Expense	511	921.56	
Donations Expense	513	135.00	
Electric Expense	514	182.50	
FICA Tax Expense	515	129.15	
Interest Expense	517	41.33	
Miscellaneous Expense	518	101.90	
Postage Expense	519	68.80	
Rent Expense	520	2,640.00	
Salary Expense	521	11,774.40	
Telephone Expense	523	442.20	
Totals		\$ 84,659.67	\$ 84,659.67

Figure 4.3K
Answer Key
Trial Balance, December 31

NORTH STAR APPLIANCES
WORKSHEET
For Year Ended December 31, 19__

ACCOUNT TITLE	NO.	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
		Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	101	2,354.83						2,354.83	
Petty Cash	102	50.00						50.00	
Change Fund	103	50.00						50.00	
Merchandise Inventory	111	805.00		80	805.00	805.00		805.00	
Prepaid Insurance	121	360.00			174.00			186.00	
Store Supplies	131	285.00			145.00			140.00	
Store Fixtures and Equipment	141	800.00						800.00	
Accumulated Depreciation	142		130.00		26.00				156.00
Accounts Payable	201		173.00						173.00
Federal Income Tax Payable	211		26.10						26.10
State Income Tax Payable	212		72.00						72.00
F.I.C.A. Tax Payable	213		200.00						200.00
State Sales Tax Payable	214		6,449.00						6,449.00
County Sales Tax Payable	215		442.00						442.00
John G. North, Capital	301		14,700.00						14,700.00
John G. North, Drawing	302	1,000.00						1,000.00	
Sales	401		66,247.77			66,247.77			
Purchases	501	30,933.00				37,078.00			
Purchases Returns & Allowances	502		3,450.00				3,450.00		
Purchases Discount	503		252.41				252.41		
Advertising Expense	511	721.50				721.50			
Donations Expense	512	130.00				130.00			
Electric Expense	514	180.50				180.50			
F.I.C.A. Tax Expense	516	129.15				129.15			
Interest Expense	517	7.33				7.33			
Miscellaneous Expense	518	1,017.00				1,017.00			
Postage Expense	519	678.00				678.00			
Rent Expense	520	200.00				200.00			
Salary Expense	521	11,774.10				11,774.10			
Telephone Expense	522	442.00				442.00			
		64,626.77	64,626.77						
Income and Expense Summary	311			17,532.00	17,532.00	17,532.00	17,532.00		
Insurance Expense	541			174.00		174.00			
Store Supplies Expense	531			145.00		145.00			
Depreciation Expense	571			26.00		26.00			
Net Profit						4,257.77	4,257.77	4,257.77	4,257.77

Figure 5.2K
Answer Key,
8-Column Worksheet, December 31

NORTH STAR APPLIANCES

BALANCE SHEET
As of December 31, 19__

<u>Assets</u>		
Cash		\$ 2,354.83
Petty Cash		50.00
Change Fund		50.00
Merchandise Inventory		8,640.00
Prepaid Insurance		186.00
Store Supplies		140.00
Store Fixtures and Equipment	\$ 8,800.00	
Less Accumulated Depreciation	<u>1,560.00</u>	<u>7,240.00</u>
Total Assets		\$ <u>18,660.83</u>
<u>Liabilities</u>		
Accounts Payable		\$ 183.95
Federal Income Tax Payable		206.10
State Income Tax Payable		52.20
FICA Tax Payable		200.90
State Sales Tax Payable		644.94
County Sales Tax Payable		<u>483.70</u>
Total Liabilities		\$ 1,771.79
<u>Owner's Equity</u>		
John G. North, Capital, Jan. 1		\$ 14,700.00
Net Profit for the Year	\$ 12,189.04	
Less Drawings	<u>10,000.00</u>	
Net Increase to Capital		<u>2,189.04</u>
John G. North, Capital, Dec. 31		<u>16,889.04</u>
Total Liabilities and Owner's Equity		\$ <u>18,660.83</u>

Figure 5.3K
Answer Key
Balance Sheet, December 31

NORTH STAR APPLIANCES

INCOME STATEMENT

For the Year Ended December 31, 19__

Income from Sales		\$ 66,224.97
Sales		
Cost of Goods Sold:		
Merchandise Inventory, Jan. 1	\$ 8,350.00	
Purchases	\$ 37,973.00	
Less: Purchases Returns and Allowances	\$ 304.50	
Purchases Discount	358.41 662.91	
Net Purchases	<u>37,310.09</u>	
Goods Available for Sale	45,660.09	
Less: Merchandise Inventory, Dec. 31	<u>8,640.00</u>	
Cost of Goods Sold		<u>37,020.09</u>
Gross Profit on Sales		\$ 29,204.88
Operating Expenses		
Advertising	921.56	
Donations	135.00	
Electric	182.50	
FICA Tax	129.15	
Interest	41.33	
Miscellaneous	101.90	
Postage	68.80	
Rent	2,640.00	
Salary	11,774.40	
Telephone	442.20	
Insurance	174.00	
Store Supplies	145.00	
Depreciation	<u>260.00</u>	
Total Operating Expenses		<u>17,015.84</u>
Net Income		\$ 12,189.04

Figure 5.4K
Answer Key
Income Statement

CASH		Cr. No.	Date	ACCOUNT TITLE AND EXPLANATION	Pr. No.	GENERAL LEDGER		ACCOUNTS PAYABLE		PURCHASES		SALARY EXP.		FED. INC. TAX		ST. INC. TAX		FICA TAX		PURCH. DISC.		SALES TAX		SALES			
Debit	Credit					Debit	Credit	Debit	Debit	Debit	Debit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit
ADJUSTING ENTRIES																											
			Dec 31	Income and Expense Summary	311	8350.00																					
				Merchandise Inventory	111		8350.00																				
			31	Merchandise Inventory	111	8640.00																					
				Income and Expense Summary	311		8640.00																				
			31	Insurance Expense	516	1740.00																					
				Prepaid Insurance	124		1740.00																				
			31	Store Supplies Expense	522	1450.00																					
				Store Supplies	131		1450.00																				
			31	Depreciation Expense	512	260.00																					
				Accumulated Depreciation	411		260.00																				
CLOSING ENTRIES																											
			31	Sales	41	6622497																					
				Purchases Returns & Allowances	502	30450																					
				Purchases Discounts	503	35246																					
				Income and Expense Summary	311		6687730																				
			31	Income and Expense Summary	311	3492874																					
				Purchases	501		3797300																				
				Advertising Expense	511		92480																				
				Donation Expense	513		13500																				
				Electric Expense	514		18250																				
				F.I.C.O. Tax Expense	515		12915																				
				Interest Expense	517		4183																				
				Miscellaneous Expense	518		10170																				
				Postage Expense	519		6870																				
				Rent Expense	521		264000																				
				Salary Expense	522		1172440																				
				Telephonic Expense	523		44200																				
				Insurance Expense	516		17400																				
				Store Supplies Expense	522		145000																				
				Depreciation Expense	512		26000																				
			31	Income and Expense Summary	311	1213904																					
				J. C. North Drawing	312		1213904																				
			31	J. C. North, Drawing	302	213904																					
				J. C. North, Capital	301		213904																				

Figure 6.1K
Answer Key
Adjusting Entries and Closing Entries

72

85



Cash

Acct. No. 101

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	1700 00	19 Nov 30		CJ	2997 79
Dec 31	2,297.62	CJ	3569 41	Dec 31		CJ	2173 72
	2,259.83						
Jan 1	Balance	✓	7536 84	31	Balance	✓	7536 84

Petty Cash

Acct. No. 102

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	50 00				

Change Fund

Acct. No. 103

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	50 00				

Figure 6.2K1
 Answer Key
 General Ledger, Closed (Balanced and Ruled)

Merchandise Inventory

Acct. No. 111

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	8350 00	19 Dec 31	Adjusting Entry	CS	8350 00
Dec 31	Adjusting Entry	CS	8640 00	31	Balance	✓	8640 00
			16990 00				16990 00
Jan 1	Balance	✓	8640 00				

Prepaid Insurance

Acct. No. 121

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	360 00	19 Dec 31	Adjusting Entry	CS	174 00
				31	Balance	✓	186 00
			360 00				360 00
19 Jan 1	Balance	✓	186 00				

Store Supplies

Acct. No. 131

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	285 00	19 Dec 31	Adjusting Entry	CS	145 00
				31	Balance	✓	140 00
			285 00				285 00
19 Jan 1	Balance	✓	140 00				

Store Fixtures and Equipment

Acct. No. 141

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	8800 00				

Accumulated Depreciation, Store Fixtures and Equipment

Acct. No. 141.1

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Dec 31	Balance	✓	1560 00	19 Nov 1	Balance	✓	1300 00
				Dec 31	Adjusting Entry	CS	260 00
			1560 00				1560 00
				19 Jan 1	Balance	✓	1560 00

Figure 6.2K2
Answer Key

General Ledger, Closed (Balanced and Ruled)

Accounts Payable

Acct. No. 201

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 30		CJ	592.05	19 Nov 1	Balance	✓	810.00
Dec 31		CJ	927.00	30		CJ	444.00
	31 Balance	✓	183.95	Dec 31	661.95	CJ	449.00
			1703.00		183.95		1203.00
				19 Jan 1	Balance	✓	183.95

Notes Payable

Acct. No. 202

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 12		CJ	1000.00	19 Nov 1	Balance	✓	1000.00

Federal Income Tax Payable

Acct. No. 211

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
31	Balance	✓	206.10	19 Nov 1	Balance	✓	91.60
				30		CJ	168.70
				Dec 31		CJ	45.80
			206.10				206.10
				19 Jan 1	Balance	✓	206.10

Figure 6.2K3
 Answer Key
 General Ledger, Closed (Balanced and Ruled).

State Income Tax Payable

Acct. No. 212.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Dec 31	Balance	✓	52 20	19 Nov 1	Balance	✓	23 20
				30		CS	17 40
				Dec 31		CS	11 60
			52 20				52 20
				19 Jan 1	Balance	✓	52 20

FICA Tax Payable

Acct. No. 213

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Dec 31	Balance	✓	200 90	19 Nov 1	Balance	✓	57 40
				30		CS	86 10
				Dec 31		CS	57 40
			200 90				200 90
				19 Jan 1	Balance	✓	200 90

State Sales Tax Payable

Acct. No. 214

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Dec 31	Balance	✓	644 94	19 Nov 1	Balance	✓	472 00
				30		CS	88 58
				Dec 31		CS	84 36
			644 94				644 94
				19 Jan 1	Balance	✓	644 94

Figure 6.2K4
 Answer Key
 General Ledger, Closed (Balanced and Ruled)

County Sales Tax Payable

Acct. No. 215

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Dec 31	Balance	✓	483 70	19 Nov 1	Balance	✓	354 00
				Nov 30		CS	66 43
				Dec 31		CS	23 27
			483 70				483 70
				19 Jan 1	Balance	✓	483 70

John G. North, Capital

Acct. No. 301

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Dec 31	Balance	✓	16 889 04	19 Nov 1	Balance	✓	13 500 00
				Nov 17		CS	1 200 00
				Dec 31	Closing (Not increase)	CS	2 189 04
			16 889 04				16 889 04
				19 Jan 1	Balance	✓	16 889 04

John G. North, Drawing

Acct. No. 302

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19 Nov 1	Balance	✓	9 000 00	19 Dec 31	Closing (Net Profit)	CS	12 189 04
Nov 25		CS	500 00				
Dec 11		CS	500 00				
Dec 31	Closing (To Capital)	CS	2 189 04				
			12 189 04				12 189 04

Figure 6.2K5
 Answer Key
 General Ledger, Closed (Balanced and Ruled)

Income and Expense Summary

Acct. No. 311

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	Beg. Mdse. Inventory	CJ	8 350 00	19- Dec 31	Ending Mdse. Inventory	CJ	8 640 00
	Expenses	CJ	54 988 84		Income		66 887 88
	Net Prof. L. (Drawing)	CJ	12 189 04				75 227 88
			75 527 88				75 527 88

Sales

Acct. No. 401

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	To I & E Summary	CJ	66 224 97	19- Nov 1	Balance	✓	61 901 57
						CJ	2214 40
				Dec 31		CJ	21 09 00
			66 224 97				66 224 97

Purchases

Acct. No. 501

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	37 080 00	19- Dec 31	To I & E Summary	CJ	37 973 00
		CJ	444 00				
Dec 31		CJ	449 00				
			37 973 00				37 973 00

Purchases Returns and Allowances

Acct. No. 502

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	To I & E Summary	CJ	304 50	19- Nov 1	Balance	✓	272 00
						CJ	21 60
				Dec 4		CJ	10 90
			304 50				304 50

Purchases Discounts

Acct. No. 503

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	To I & E Summary	CJ	358 41	19- Nov 1	Balance	✓	339 93
						CJ	640
				Dec 31		CJ	342 53
			358 41				12 08
							358 41

Figure 6.2K6

Answer Key

General Ledger, Closed (Balanced and Ruled)

Advertising Expense

Acct. No. 511

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	854 80	19- Dec 31	To I & E Summary	CJ	921 56
18		CJ	14 40				
23		CJ	21 36				
Dec 10		CJ	23 00				
14		CJ	8 00				
			921 56				921 56

Depreciation Expense

Acct. No. 512

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	Adjusting Entry	CJ	260 00	19- Dec 31	To I & E Summary	CJ	260 00

Donations Expense

Acct. No. 513

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	110 00	19- Dec 31	To I & E Summary	CJ	135 00
18		CJ	10 00				
Dec 14		CJ	15 00				
			135 00				135 00

Figure 6.2K7
 Answer Key
 General Ledger, Closed (Balanced and Ruled)

Electric Expense

Acct. No. 514

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	137 70	Dec 31	To I. & E. Summary	CT	182 50
Dec 18		CJ	44 80				
			182 50				182 50

FICA Tax Expense

Acct. No. 515

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	57 40	Dec 31	To I. & E. Summary	CT	129 15
6		CJ	14 35				
13		CJ	14 35				
20		CJ	14 35				
Dec 7		CJ	14 35				
15		CJ	14 35				
			129 15				129 15

Insurance Expense

Acct. No. 516

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Dec 31	Adjusting Entry	CT	174 00	Dec 31	To I & E. Summary	CT	174 00

Figure 6.2K8

Answer Key

General Ledger, Closed (Balanced and Ruled)

Interest Expense

Acct. No. 517

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	28 00	19-Dec 31	To I. & E. Summary	CJ	41 33
		CJ	13 33				
			41 33				41 33

Micellaneous Expense

Acct. No. 518

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	78 90	19-Dec 31	To I. & E. Summary	CJ	101 90
		CJ	11 00				
Dec 14		CJ	17 00				
			101 90				101 90

Postage Expense

Acct. No. 519

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	56 00	19-Dec 31	To I. & E. Summary	CJ	68 80
		CJ	5 00				
Dec 14		CJ	7 80				
			68 80				68 80

Rent Expense

Acct. No. 520

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	2200 00	19-Dec 31	To I. & E. Summary	CJ	2640 00
		CJ	220 00				
Dec 1		CJ	220 00				
			2640 00				2640 00

Salary Expense

Acct. No. 521

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-Nov 1	Balance	✓	10 547 90	19-Dec 31	To I. & E. Summary	CJ	11 774 40
		CJ	735 90				
Dec 31		CJ	490 60				
			11 774 40				11 774 40

* Figure 6.2K9
 Answer Key
 General Ledger, Closed (Balanced and Ruled)

Store Supplies Expense

Acct. No. 522

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Dec 31	Adjusting Entry	CT	145 00	Dec 31	To I & E Summary	CT	145 00

Telephone Expense

Acct. No. 523

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	376 00	Dec 31	To I & E Summary	CT	442 20
3		CT	31 90				
Dec 2		CT	34				
			442 20				442 20

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 6.2K10
 Answer Key
 General Ledger, Closed (Balanced and Ruled)