

SELF STUDY PROBLEM 1-1

On September 1, 20x1, Ralph Ventnor established an enterprise to be known as the Ventnor Advisory Service Company, a business consulting company. The following transactions were completed by the company during the remainder of the month of September:

20x1

- Sept. 1 Mr. Ventnor invested in the company cash in the amount of \$2,000.
- 1 The company obtained \$3,000 cash from the First City Bank by issuing a promissory note payable.
- 3 Mr. Ventnor, on behalf of the company, agreed to rent an office from the Office Leasing Company. The monthly rent was to be \$400.
- 5 The company purchased office equipment for cash, \$4,000.
- 8 Billed The Buckley Co. for services rendered, \$500.
- 9 Miscellaneous expenses of \$100 were paid.
- 15 Completed work for Tracy Manufacturing Co. and received \$700 cash in full payment.
- 18 Received a check from The Buckley Co. in full payment of its account.
- 21 Supplies were purchased for \$50 cash.
- 23 Received a telephone bill for the month, \$150.
- 30 Paid \$500 of the note given on September 1. Interest charges of \$20 were also paid.
- 30 Ralph Ventnor withdrew \$300 for his own personal use.

Required:

Prepare general journal entries to record the transactions shown above for the Ventnor Advisory Service Company.

SELF STUDY PROBLEM 1-2

On November 1, 20x3, Robert Stone opened a printing shop to be known as the Quick Print Company. The following transactions were completed by the company during the remainder of the month of November:

20x3

- Nov. 1 Mr. Stone invested in the company cash in the amount of \$4,000, printing equipment having a value of \$20,000, and various supplies having a value of \$1,000.
- 1 The company paid rent for three months, beginning November 1, \$1,500.
- 9 Purchased supplies on account, \$750.
- 12 Recorded cash sales for the week, \$800.
- 15 Billed Fred Murphy for services rendered, \$150.
- 19 Recorded cash sales for the week, \$1,100.
- 21 Purchased supplies on account, \$900.
- 23 Paid creditors on account, \$1,000.
- 24 Received a check from Fred Murphy in full payment of his account.
- 26 Recorded cash sales for the week, \$800.
- 29 Miscellaneous expenses of \$175 were paid.

Required:

Prepare general journal entries to record the transactions shown above for the Quick Print Company.

SELF STUDY PROBLEM 1-3

In the space below each journal entry write the explanation (one sentence) of the transaction that resulted in the given journal entry:

1. Cash 1010--
Interest Income 10--
Notes Receivable 1000--

2. B. Franklin, Withdrawals 500--
Cash 500--

3. Cash 2000--
Service Income 2000--

4. Equipment 8000--
Supplies 500--
Accounts Payable 8500--

5. Accounts Payable 300--
Cash 300--

SELF STUDY PROBLEM 1-4

On June 7, 20x1, Phil Landy started a plumbing business. He called the company The Central Plumbing Company. The following transactions were completed by the company during the remainder of the month:

20x1

- June 7 Mr. Landy transferred \$5,000 cash from a personal bank account to an account to be used for the business.
- 9 Purchased plumbing tools for \$1,500, paying \$1,000 cash and signing a promissory note for the balance.
- 9 Paid the Evening Sentinel for newspaper advertising that had appeared, \$30.
- 16 Paid the note given on June 9. Interest charges of \$5 were also paid.

Required:

Journalize and post all of the previously stated transactions for the Central Plumbing Company. Use the following accounts and account numbers.

- | | | | |
|---|---------------------|----|---------------------|
| 1 | Accounts Payable | 8 | Interest Payable |
| 2 | Accounts Receivable | 9 | Interest Receivable |
| 3 | Advertising Expense | 10 | Notes Payable |
| 4 | Cash | 11 | Notes Receivable |
| 5 | P. Landy, Capital | 12 | Prepaid Advertising |
| 6 | P. Landy, Drawing | 13 | Prepaid Interest |
| 7 | Interest Expense | 14 | Tools |

SELF STUDY PROBLEM 1-5

On September 1, 20x1, John Davis opened a plumbing shop. He called his business the Davis Plumbing Co. During the month of September he completed the following transactions for the firm:

20x1

- Sept. 1 Mr. Davis invested in the company cash in the amount of \$1,500, a truck having a fair market value of \$300, land valued at \$800, a building at \$14,000, and tools worth \$250.
- 2 Bought additional tools from the John Able Company on credit, \$125.
- 8 Received a letter from the Evening Sentinel stating that the four days advertising that Mr. Davis was considering would cost \$25.
- 12 Completed work from Fred Beam and received \$150 cash in full payment.
- 12 Purchased office equipment, \$2,000, giving \$1,000 cash and signing a promissory note payable for the balance.
- 14 Completed repair work and billed George Carr for \$235.
- 15 Paid \$500 for a two-year fire insurance policy.
- 21 Received a check from George Carr in full payment of his account.
- 30 Paid Dennis Gorman, a plumber's helper who had worked from time to time during the previous two weeks, \$80.

Required:

Journalize all of the previous transactions for the Davis Plumbing Co. Post only to the Cash and the J. Davis, Capital accounts. However, put the proper numbers in the posting reference column of the journal (even though no posting was done to some accounts). Use the following accounts and account numbers:

1	Accounts Payable	10	Land
2	Accounts Receivable	11	Notes Payable
3	Advertising Expense	12	Notes Receivable
4	Building	13	Office Equipment
5	Cash	14	Prepaid Advertising
6	Delivery Equipment	15	Prepaid Insurance
7	Insurance Expense	16	Service Income
8	J. Davis, Capital	17	Tools
9	J. Davis, Drawing	18	Wages Expense

SELF STUDY PROBLEM 1-1
ANSWERS

		20x1	
Sept.	1	Cash	2000--
		R. Ventnor, Capital	2000--
	1	Cash	3000--
		Notes Payable	3000--
<p>Note: There would be no entry recorded on September 3 because no financial exchange transaction took place. No entry would be recorded until either the rent is paid or the rented office is used.</p>			
	5	Office Equipment	4000--
		Cash	4000--
	8	Accounts Receivable	500--
		Service Income ¹	500--
	9	Miscellaneous Expense	100--
		Cash	100--
	15	Cash	700--
		Service Income ²	700--
	18	Cash	500--
		Accounts Receivable	500--
	21	Supplies	50--
		Cash	50--
	23	Telephone Expense ³	150--
		Telephone Payable	150 --
	30	Notes Payable	500--
		Interest Expense	20--
		Cash	520--
	30	R. Ventnor, Withdrawals	300--
		Cash	300--

¹ A different, appropriately titled, revenue account could be used instead of Service Income.

² A different, appropriately titled, revenue account consistent with that used in the entry on September 8, could be used instead of Service Income.

³ Theoretically, the company should record telephone expense every time a long-distance call is made and some appropriate recording should be made to account for the basic monthly charge. Since this recording procedure is probably never used, we usually await a specific "trigger event", i.e., an event that "triggers" an entry, such as receipt or payment of a bill, before an entry is made. The receipt of the bill would trigger the recording of an entry to reflect the receipt of telephone service in exchange for our written or implied promise to pay for such service.

SELF STUDY PROBLEM 1-2
ANSWERS

20x3				
Nov.	1	Cash	4000--	
		Printing Equipment	20000--	
		Supplies	1000--	
		R. Stone, Capital		25000--
	1	Prepaid Rent	1500--	
		Cash		1500--
	9	Supplies	750--	
		Accounts Payable		750--
	12	Cash	800--	
		Printing Revenue ⁴		800--
	15	Accounts Receivable	150--	
		Printing Revenue ⁵		150--
	19	Cash	1100--	
		Printing Revenue ⁶		1100--
	21	Supplies	900--	
		Accounts Payable		900--
	23	Accounts Payable	1000--	
		Cash		1000--
	24	Cash	150--	
		Accounts Receivable		150--
	26	Cash	800--	
		Printing Revenue ⁷		800--
	29	Miscellaneous Expense	175--	
		Cash		175--

⁴ A different, appropriately titled, revenue account could be used instead of Printing Revenue.

⁵ A different, appropriately titled, revenue account, consistent with that used in the entry on November 12, could be used instead of Printing Revenue.

⁶ A different, appropriately titled, revenue account, consistent with that used in the entry on November 12, could be used instead of Printing Revenue.

⁷ A different, appropriately titled, revenue account, consistent with that used in the entry on November 12, could be used instead of Printing Revenue.

SELF STUDY PROBLEM 1-3 AND 1-4
ANSWERS

Problem 1-3

1. Received payment of \$1,010 on an outstanding note receivable, \$1,000 of which represented repayment of principal and \$10 of which represented payment of interest.
2. B. Franklin, owner, withdrew \$500 cash from the company.
3. Received \$2,000 cash in payment for services performed.
4. Purchased equipment, \$8,000, and supplies, \$500, on account.
5. Paid creditors on account, \$300.

Problem 1-4

GENERAL JOURNAL

Date		Description	Post Ref.	Debit			Credit		
20x1									
June	7	Cash	4	5 000	--				
		P. Landy, Capital	5			5 000	--		
	9	Tools	14	1 500	--				
		Cash	4			1 000	--		
		Notes Payable	10			500	--		
	9	Advertising Expense	3	30	--				
		Cash	4			30	--		
	16	Notes Payable	10	500	--				
		Interest Expense	7	5	--				
		Cash	4			505	--		

GENERAL LEDGER

Advertising Expense

Account No. 3

Date		Explanation	Post Ref.	Debit			Credit			Balance		
										Debit	Credit	
20x1												
June	9		J1	30	--				30	--		

SELF STUDY PROBLEM 1-3 AND 1-4
ANSWERS

Problem 1-4 (continued)

Cash

Account No. 4

Date	Explanation	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
20x1						
June 7		J1	5 000 --		5 000 --	
9		J1		1 000 --	4 000 --	
9		J1		30 --	3 970 --	
16		J1		505 --	3 465 --	

P. Landy, Capital

Account No. 5

Date	Explanation	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
20x1						
June 7		J1		5 000 --		5 000 --

Interest Expense

Account No. 7

Date	Explanation	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
20x1						
June 16		J1	5 --		5 --	

Notes Payable

Account No. 10

Date	Explanation	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
20x1						
June 9		J1		500 --		500 --
16		J1	500 --			

Tools

Account No. 14

Date	Explanation	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
20x1						
June 9		J1	1 500 --		1 500 --	

SELF STUDY PROBLEM 1-5
ANSWERS

GENERAL JOURNAL

Date		Description	Post Ref.	Debit		Credit	
20x1							
Sept.	1	Cash	5	1	500		
		Delivery Equipment	6		300		
		Land	10		800		
		Building	4	14	000		
		Tools	17		250		
		J. Davis, Capital	8			16	850
	2	Tools	17		125		
		Accounts Payable	1				125
	12	Cash	5		150		
		Service Income	16				150
	12	Office Equipment	13	2	000		
		Cash	5				1 000
		Notes Payable	11				1 000
	14	Accounts Receivable	2		235		
		Service Income	16				235
	15	Prepaid Insurance	15		500		
		Cash	5				500
	21	Cash	5		235		
		Accounts Receivable	2				235
	30	Wages Expense	18		80		
		Cash	5				80

GENERAL LEDGER

Cash					Account No. 5					
Date		Explanation	Post Ref.	Debit		Credit		Balance		
								Debit		Credit
20x1										
Sept.	1		J1	1	500	--		1	500	--
	12		J1		150	--		1	650	--
	12		J1				1	000	650	--
	15		J1					500	150	--
	21		J1		235	--			385	--
	30		J1					80	305	--

J. Davis, Capital					Account No. 8					
Date		Explanation	Post Ref.	Debit		Credit		Balance		
								Debit		Credit
20x1										
Sept.	1		J1				16	850	--	16 850 --