

## SELF STUDY EXERCISE 2-1

Listed below are several account titles. You are to indicate whether the normal balance for the account is a debit or a credit. It is suggested that you cover the answer column until you choose an answer. Repeat the entire assignment until you are sure of each answer.

Column 1	Answer	Column 2	Answer
Accounts Payable	Credit	Utilities Expense	Debit
Store Equipment	Debit	Sales Returns & Allowances	Debit
J. Doe, Capital	Credit	Cash	Debit
Depreciation Expense	Debit	Commissions Earned	Credit
Building	Debit	Tools and Equipment	Debit
Wages Expense	Debit	Accumulated Depreciation	Credit
Patents	Debit	Taxes Payable	Credit
Holdings of Stock in Subsidiary Corporations	Debit	J. Doe, Drawing	Debit
Sales	Credit	Accounts Receivable	Debit
		Purchase Discounts	Credit
Interest Expense	Debit	Mortgage Payable	Credit
Notes Payable	Credit	Prepaid Insurance	Debit
Land	Debit	Depreciation Expense	Debit
Sales Discounts	Debit	Prepaid Revenue	Credit
Purchase Returns & Allow.	Credit	Revenue From Repairs	Credit
Miscellaneous Expense	Debit	Notes Receivable	Debit
Delivery Equipment	Debit	Merchandise Inventory	Debit
Fees Earned	Credit	Equipment	Debit
Prepaid Interest	Debit	Purchases	Debit
Office Supplies Expense	Debit	Prepaid Rent	Debit
Unearned Revenue	Credit	Store Supplies	Debit
Office Supplies	Debit	Copyrights	Debit
Supplies Expense	Debit	Wages Payable	Credit
Trademarks	Debit	Store Supplies	Debit
Rent Expense	Debit	Office Equipment	Debit
Interest Payable	Credit	Wages Expense	Debit
Tools and Equipment	Debit	Sales	Credit
Commissions Earned	Credit	Holdings of Stock in Subsidiary Corporations	Debit
Cash	Debit	Temporary Investments	Debit
Sales Returns & Allowances	Debit		
Revenue From Repairs	Credit	Building	Debit
Prepaid Revenue	Credit	Depreciation Expense	Debit
Purchase Discounts	Credit	J. Doe, Capital	Credit
Accounts Receivable	Debit	Store Equipment	Debit
Taxes Payable	Credit	Accounts Payable	Credit

SELF STUDY EXERCISE 2-2

<u>Balance Sheet</u>			
Current Asset .....	CA	Contra Intangible Assets .....	(IA)
Contra Current Asset .....	(CA)	Current Liability .....	CL
Long-Term Investment .....	LTI	Contra Current Liability .....	(CL)
Contra Long-Term Liability .....	(LTI)	Long-Term Liability .....	LTL
Plant Asset .....	PA	Contra Long-Term .....	(LTL)
Contra Plant Asset .....	(PA)	Account Included in, or Used	
Intangible Asset .....	INT	to Calculate, Owners Equity .....	OE
<u>Income Statement</u>			
Revenue .....	R	Account Used to Calculate	
Contra Revenue .....	(R)	Cost of Goods Sold .....	CGS
		Operating Expense .....	OPE

Listed below are several account titles. Using the symbols listed above, you are to classify each of the account titles under the proper financial statement caption. It is suggested that you cover the answer column until you choose an answer. Repeat the entire assignment until you are sure of each answer.

Column 1	Answer	Column 2	Answer
Notes Payable (due in 7 months)	CL	Salaries Expense	OPE
Office Supplies	CA	J. Doe, Capital	OE
Interest Expense	OPE	Land	PA
Purchases	CGS	Cash	CA
Machinery	PA	Taxes Payable	CL
Prepaid Advertising Income, arising from the receipt of payment for advertising serv- ices to be provided during the first six months of next year	CL	Sales	R
		Accounts Receivable	CA
		Trademarks	INT
		Common Stock	OE
		Rent Expense	OPE
Store Equipment	PA	Accumulated Depreciation	(PA)
Rental Income	R	Investment in XYZ Co. Common Stock (for purpose of obtaining control of XYZ Co.)	LTI
Prepaid Interest	CA	Purchase Discount	CGS
Wages Payable	CL	Merchandise Inventory (Beginning)	CGS
Freight In	CGS	J. Doe, Drawing	OE
Sales Discounts	(R)	Prepaid Rent	CA
Delivery Equipment	PA	Bonds Payable (due in 15 years)	LTL
Fees Earned	R	Advertising Expense	OPE
Goodwill	INT	Mortgage Note Payable (due in equal monthly installments for the next 20 years)	LTL
Building	PA	Notes Receivable (due in 5 months)	CA
Common Stock	OE	Utilities Expense	OPE
Merchandise Inventory (Ending)	CGS & CA		
Supplies Expense	OPE		
Patents	INT		

Column 1	Answer	Column 2	Answer
Sales Returns and Allowances	(R)	Investment in ABC Co. Common	
Account Payable	CL	Stock (resulting from temporary	
Wages Expense	OPE	investment of cash not immedi-	
Office Equipment	PA	ately needed in the conduct of	
Prepaid Insurance	CA	regular operations)	CA
Investment in XYZ Co. Common		Copyrights	INT
Stock (for purpose of gain-		Revenue From Repairs	R
ing benefits of expected		Insurance Expense	OPE
long-term price appreciation	LTI	Accounts Payable	CL
Interest Payable	CL	Depreciation Expense	OPE
Notes Payable (due in equal monthly		Services Income	R
installments for the next three		Miscellaneous Expense	OPE
years)	CL & LTL	Purchase Returns and Allowances	CGS
Commissions Earned	R	Interest Income	R
Sales	R	Supplies Expense	OPE
Trademarks	INT	Common Stock	OE
Rent Expense	OPE	Goodwill	INT
Investment in LMN Co. Common		Delivery Equipment	PA
Stock (for purpose of obtaining		Frieght In	CGS
control of LMN Co.)	LTI	Prepaid Interest	CA
Merchandise Inventory (Beginning)	CGS	Store Equipment	PA
Prepaid Rent	CA	Machinery	PA
Advertising Expense	OPE	Interest Expense	OPE
Notes Receivable (due in 10 months)	CA	Notes Payable (due in 2 months)	CL
Store Supplies	CA	Interest Payable	CL
Copyrights	INT	Investment in DEF Co. Common	
Insurance Expense	OPE	Stock (for purpose of gaining	
Depreciation Expense	OPE	benefits of expected long-term	
Miscellaneous Expense	OPE	price appreciation)	LTI
Purchase Returns and Allowances	CGS	Office Equipment	PA
Service Income	R	Accounts Payable	CL
Accounts Payable	CL	Revenue From Repairs	R
Patents	INT	Merchandise Inventory	
Cash	CA	(Ending)	CGS & CA
J. Doe, Capital	OE	Building	PA
Investment in PQR Co. Common		Fees Earned	R
Stock (resulting from temporary		Sales Discounts	(R)
investment of cash not immedi-		Wages Payable	CL
ately needed in the conduct of		Rental Income	R
regular operations)	CA	Purchases	CGS

## SELF STUDY EXERCISE 2-3

Listed below are several account titles. You are to indicate whether the account would be closed out, via closing entries, at the end of an accounting entity's fiscal year. It is suggested that you cover the answer column until you choose an answer. Repeat the entire assignment until you are sure of each answer.

Column 1	Answer	Column 2	Answer
Services Income	Yes	Accounts Payable	No
Accounts Payable	No	Revenue From Repairs	Yes
Patents	No	Merchandise Inventory	
Cash	No	(Ending)	No
J. Doe, Capital	No	Building	No
Trademarks	No	Common Stock	No
Rent Expense	Yes	Goodwill	No
Investment in LMN Co. Common Stock (for purpose of obtaining control of LMN Co.)	No	Delivery Equipment	No
		Freight In	Yes
		Prepaid Interest	No
Sales Returns and Allowances	Yes	Investment in ABC Co. Common Stock (resulting from temporary investment of cash not immediately needed in the conduct of regular operation)	No
Cost of Goods Sold	Yes		
Wages Expense	Yes		
Office Equipment	No		
Prepaid Insurance	No		
Store Equipment	No	Accumulated Depreciation	No
Rental Income	Yes	Investment in XYZ Co. Common Stock (for purpose of obtaining control of XYZ Co.)	No
Prepaid Interest	No	Purchase Discounts	Yes
Wages Payable	No		
Revenue From Repairs	Yes		
Utilities Expense	Yes	Prepaid Advertising Income, arising from the receipt of payment for advertising services to be provided during the first ten months of next year	No
Mortgage Note Payable (due in equal monthly installments for the next 10 years)	No		
Bonds Payable (due in 7 years)	No		
Merchandise Inventory (Beginning)	Yes	Store Equipment	No
Prepaid Rent	No	Machinery	No
Advertising Expense	Yes	Interest Expense	Yes
Notes Receivable (due in 10 months)	No	Notes Payable (due in 2 months)	No
Store Supplies	No	Interest Payable	No
J. Doe, Drawing	Yes	Office Supplies	No
Purchase Discounts	Yes	Interest Payable	No
Accumulated Depreciation	No	Commissions Earned	Yes
Common Stock	No	Trademarks	No
Accounts Receivable	No	Prepaid Rent	No

<u>Column 1</u>	<u>Answer</u>	<u>Column 2</u>	<u>Answer</u>
Note Payable (due in 7 months)	No	Salaries Expense	Yes
Office Supplies	No	J. Doe, Capital	No
Interest Expense	Yes	Land	No
Purchases	Yes	Cash	No
Machinery	No	Taxes Payable	No
Copyrights	No	Investment in DEF Co. Common Stock (for purpose of gaining benefits of expected long-term price appreciation)	No
Insurance Expense	Yes	Office Equipment	No
Depreciation Expense	Yes	Mortgage Note Payable (due in equal monthly installments for the next 20 years)	No
Miscellaneous Expense	Yes	Notes Receivable (due in 5 months)	No
Purchase Returns and Allowances	Yes	Utilities Expense	Yes
Common Stock	No	Copyrights	No
Merchandise Inventory (Ending)	No	Revenue From Repairs	Yes
Supplies Expense	Yes	Insurance Expense	Yes
Patents	No	Accounts Payable	No
Investment in XYZ Co. Common Stock (for purpose of gaining benefits of expected long- term price appreciation)	No	Depreciation Expense	Yes
Interest Payable	No	Sales	Yes
Prepaid Advertising Income, arising from the receipt of payment for advertising serv- ices to be provided during the first six months of next year	No	Accounts Receivable	No
Notes Payable (due in equal monthly installments for the next three years)	No	Trademarks	No
Commissions Earned	Yes	Common Stock	No
Sales	Yes	Rent Expense	Yes
Sales Discounts	Yes	Service Income	Yes
Delivery Equipment	No	Miscellaneous Expense	Yes
Fees Earned	Yes	Purchase Returns and Allowances	Yes
Goodwill	No	Interest Income	Yes
Building	No	Supplies Expense	Yes
Investment in PQR Co. Common Stock (resulting from temporary investment of cash no immedi- ately needed in the conduct of regular operations)	No	Merchandise Inventory (Beginning)	Yes
		J. Doe, Drawing	Yes
		Prepaid Rent	No
		Bonds Payable (due in 15 years)	No
		Advertising Expense	Yes
		Fees Earned	Yes
		Sales Discounts	Yes
		Wages Payable	No
		Rental Income	Yes
		Purchases	Yes