Introduction to Accounting

Solutions to Exercises Pt.2
(Business transactions)

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Exercise 1

1. The business received cash of €50.000 and a building with fair value of €107.000, and in return issued common stock.

1		
	D	Cr
Cash	50,000	
Building	107,000	
Common stock		157,000
Issuance of common stock		

Cash	
50,000 (1)	
Bl. 50,000	

Building	
107,000 (1)	
BL. 107,000	

Common stock	
	157,000 (1)
	Bl. 157,000

Exercise 1

2. Borrowed €60.000 from the bank and signed a note payable.

2		
	D	Cr
Cash	60,000	
Note payable		60,000
Bank loan €60,000		

Cash	
50,000 (1) 60,000 (2)	
Bl. 110,000	

Note payable	
	60,000 (2)
	Bl. 60,000

Exercise 1

3. Paid €47.000 for equipment.

3		
	D	Cr
Equipment	47,000	
Cash		47,000
Purchased equipment €47.000		

Equipment	
47,000 (3)	
Bl. 47,000	

Cash	
50,000 (1) 60,000 (2)	47,000 (3)
Bl. 63,000	

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Exercise 1

4. Purchased supplies on account, €450.

4		
	D	Cr
Supplies	450	
Accounts Payable		450
Purchase supplies €450 on credit		

Supplies	
450 (4)	
Bl. 450	

Accounts payable	
	450 (4)
	Bl. 450

Exercise 1

5. Paid employees' salaries, €6.100.

5		
	D	Cr
Salaries	6,100	
Cash		6,100
Salaries payment €6.100		

Cash	
50,000 (1) 60,000 (2)	47,000 (3) 6,100 (5)
Bl. 56,900	

Salaries	
6,100 (5)	
BL. 6,100	

Exercise 1

6. Received €3.790 for music services performed for customers.

6		
	D	Cr
Cash	3,790	
Service revenue		3,790
Performed service for €3.790 cash		

Cash	
50,000 (1) 60,000 (2) 3,790 (6)	47,000 (3) 6,100 (5)
Bl. 60,690	

Service Revenue	
	3,790 (6)
	Bl. 3,790

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Exercise 1

7. Performed services for customers on account, €12.800.

7		
	D	Cr
Accounts receivable	12,800	
Service revenue		12,800
Performed service €12.800 on credit		

Accounts receivable	
12,800 (7)	
BL. 12,800	

Service revenue	
	3,790 (6) 12,800 (7)
	Bl. 16,590

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Exercise 1

8. Paid €100 of the account payable created in transaction 4.

8		
	D	Cr
Accounts Payable	100	
Cash		100
Pay-off €100 accounts payable		

Cash	
50,000 (1) 60,000 (2) 3,790 (6)	47,000 (3) 6,100 (5) 100 (8)
Bl. 60,590	

Accounts payable	
100 (8)	450 (4)
	Bl. 350

Exercise 1

9. Received a €700 bill for utility expenses that will be paid in the near future.

9		
	D	Cr
Utility expense	700	
Utilities payable		700
Utility expense €700 payable		

Utility expense	
700 (9)	
Bl. 700	

Utilities payable	
	700 (9)
	Bl. 700

Exercise 1

10. Received cash on account, €1.600.

10		
	D	Cr
Cash	1,600	
Accounts receivable		1,600
Received €1,600 acc receivable		

Cash	
50,000 (1) 60,000 (2) 3,790 (6) 1,600 (10)	47,000 (3) 6,100 (5) 100 (8)
Bl. 62,190	

Accounts receivable	
12,800 (7)	1,600 (10)
Bl. 11,200	

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Exercise 1

11. Paid in cash €1.400 for rent and €400 for advertising.

11		
	D	Cr
Rent expense	1,400	
Advertising expense	400	
Cash		1,800
Payment rent €1.400 and advertising €400		

Cash	
50,000 (1) 60,000 (2) 3,790 (6) 1,600 (10)	47,000 (3) 6,100 (5) 100 (8) 1,800 (11)
Bl. 60,390	

Rent expense	
1,400 (11)	
Bl. 1,400	

Adv expense	
400 (11)	
Bl. 400	

Exercise 2

TRIAL BALANCE 31/10	Debit	Credit
Cash	2.600	
Accounts Receivable	3.300	
Equipment	11.700	
Accounts Payable		8.100
Common stock		6.500
Retained earnings		3.000
TOTAL	**17,600**	**17,600**

Exercise 2

Ledger

Cash	
2,600	
Bl. 2,600	

Accounts receivable	
3,300	
Bl. 3,300	

Equipment	
11,700	
Bl. 11,700	

Accounts payable	
	8,100
	Bl. 8,100

Common stock	
	6,500
	Bl. 6,500

Ret earnings	
	3,000
	Bl. 3,000

Exercise 2

1. The business received cash of €4.000 and in return issued common stock.

1		
	D	Cr
Cash	4,000	
Common stock		4,000
Issuance of common stock		

Cash	
2,600 4,000 (1)	
Bl. 6,600	

Common stock	
	6,500 4,000 (1)
	Bl. 10,500

Exercise 2

2. Performed services for a customer and received cash of €6.300.

2		
	D	Cr
Cash	6,300	
Service revenue		6,300
Performed service €6.300 cash		

Cash	
2,600 4,000 (1) 6,300 (2)	
Bl. 12,900	

Service revenue	
	6,300 (2)
	Bl. 6,300

Exercise 2

3. Paid €4.100 on accounts payable.

3		
	D	Cr
Accounts payable	4,100	
Cash		4,100
Pay-off €4,100 accounts payable		

Cash	
2,600 4,000 (1) 6,300 (2)	4,100 (3)
Bl. 8,400	

Accounts payable	
4,100 (3)	8,100
	Bl. 4,000

Exercise 2

4. Purchased supplies on account, €1.200.

4		
	D	Cr
Supplies	1,200	
Accounts payable		1,200
Purchase supplies €1,200 on credit		

Supplies	
1,200 (4)	
Bl. 1,200	

Accounts payable	
4,100 (3)	8,100 1,200 (4)
	Bl. 5,200

Exercise 2

5. Collected cash from a customer on account, €1.700.

5		
	D	Cr
Cash	1,700	
Accounts receivable		1,700
Received €1,700 account receivable		

Cash	
2,600 4,000 (1) 6,300 (2) 1,700 (5)	4,100 (3)
BL. 10,500	

Accounts receivable	
3,300	1,700 (5)
BL. 1,600	

Exercise 2

6. Paid office rent €1.600 and for advertising €1.200.

6		
	D	Cr
Rent expense	1,600	
Advertising expense	1,200	
Cash		2,800
Paid rent €1.600 and advertising €1,200		

Cash	
2,600 4,000 (1) 6,300 (2) 1,700 (5)	4,100 (3) 2,800 (6)
Bl. 7,700	

Rent expense	
1,600 (6)	
Bl. 1,600	

Adv expense	
1,200 (6)	
Bl. 1,200	

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Exercise 2

7. Paid a cash dividend of €2.700.

7		
	D	Cr
Dividends	2,700	
Cash		2,700
Dividend payment		

Cash	
2,600 4,000 (1) 6,300 (2) 1,700 (5)	4,100 (3) 2,800 (6) 2,700 (7)
Bl. 5,000	

Dividends	
2,700 (7)	
Bl. 2,700	

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Exercise 2

TRIAL BALANCE 30/11	**Debit**	**Credit**
Cash	5,000	
Accounts Receivable	1,600	
Equipment	11,700	
Supplies	1,200	
Accounts Payable		5,200
Common stock		10,500
Retained earnings		3,000
Dividends	2,700	
Service revenue		6,300
Rent expense	1,600	
Advertising expense	1,200	
TOTAL	**25,000**	**25,000**

Exercise 3

TRIAL BALANCE 30/07	Debit	Credit
Cash	10.200	
Accounts Receivable	5.500	
Supplies	610	
Equipment	4.200	
Accounts Payable		2.600
Common stock		12.000
Retained earnings		5.910
TOTAL	**20,510**	**20,510**

Exercise 3

03/08. Paid August rent, €650.

03/08		
	D	Cr
Rent expense	650	
Cash		650
Paid rent €650		

Cash	
10,200	650 (03.08)
Bl. 9,550	

Rent expense	
650 (03.08)	
Bl. 650	

Exercise 3

07/08. Ordered supplies, €380.

- Not an economic event!

Exercise 3

10.08. Provided services of €2.800. The payment will be received within 30 days.

10.08		
	D	Cr
Accounts receivable	2,800	
Service revenue		2,800
Performed service €2.800 on account		

Accounts receivable	
5,500 2,800 (10.08)	
Bl. 8,300	

Service revenue	
	2,800 (10.08)
	Bl. 2,800

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Exercise 3

12.08. Paid accounts payable, €1.100.

12.08		
	D	Cr
Accounts Payable	1,100	
Cash		1,100
Pay-off €1,100 account payable		

Cash	
10,200	650 (03.08) 1,100 (12.08)
BL. 8,450	

Accounts payable	
1,100 (12.08)	2,600
	Bl. 1,500

Exercise 3

14.08. Received the supplies ordered on 07.08 and agreed to pay them in 30 days, €380.

14.08		
	D	Cr
Supplies	380	
Accounts Payable		380
Purchased supplies €380 on credit		

Supplies	
610 380 (14.08)	
BL. 990	

Accounts Payable	
1,100 (12.08)	2,600 380 (14.08)
	Bl. 1,880

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Exercise 3

19.08 Received cash from a customer for services provided, €4.800.

19.08		
	D	Cr
Cash	4,800	
Service revenue		4,800
Performed service €4.800 cash		

Cash	
10,200 4,800 (19.08)	650 (03.08) 1,100 (12.08)
Bl. 13,250	

Service revenue	
	2,800 (10.08) 4,800 (19.08)
	BL. 7,600

Exercise 3

24/08. Paid the utility bill for August, €280.

24/08		
	D	Cr
Utility expense	280	
Cash		280
Paid utility expense €280		

Cash	
10,200 4,800 (19.08)	650 (03.08) 1,100 (12.08) 280 (24.08)
Bl. 12,970	

Utility expense	
280 (14.08)	
Bl. 280	

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Exercise 3

26/08. For advertisements in the local newspapers during August, the firm received a bill €700, to be paid in September.

26/08		
	D	Cr
Advertising expense	700	
Advertising expense payable		700
Advertising expense €700 payable		

Adv expense	
700 (26.08)	
Bl. 700	

Adv expense payable	
	700 (26.08)
	Bl. 700

Exercise 3

29.08. Provided services of €2.700 on account.

29.08		
	D	Cr
Accounts receivable	2,700	
Service revenue		2,700
Performed service €2.700 on account		

Acc receivable	
5,500 2,800 (10.08) 2,700 (29.08)	
Bl. 11,000	

Service revenue	
	2,800 (10.08) 4,800 (19.08) 2,700 (29.08)
	BL. 10,300

Exercise 3

30.08. Paid August salaries, €3.800.

30.08		
	D	Cr
Salaries	3,800	
Cash		3,800
Paid salaries €3.800		

Cash	
10,200 4,800 (19.08)	650 (03.08) 1,100 (12.08) 280 (24.08) 3,800 (30.08)
Bl. 9,170	

Salaries	
3,800 (30.08)	
Bl. 3,800	

Exercise 3

31.08. Declared and paid cash dividend of €1.200.

31.08		
	D	Cr
Dividends	1,200	
Cash		1,200
Dividend payment		

Cash	
10,200 4,800 (19.08)	650 (03.08) 1,100 (12.08) 280 (24.08) 3,800 (30.08) 1,200 (31.08)
Bl. 7,970	

Dividends	
1,200 (31.08)	
Bl. 1,200	

Exercise 3

TRIAL BALANCE 31/08	Debit	Credit
Cash	7.970	
Accounts Receivable	11.000	
Supplies	990	
Equipment	4.200	
Accounts Payable		1.880
Advertising expense payable		**700**
Common stock		12.000
Retained earnings		5.910
Dividends	**1.200**	
Service revenue		**10.300**
Rent expense	**650**	
Utility expense	**280**	
Advertising expense	**700**	
Salaries	**3.800**	
TOTAL	***30,790***	***30,790***