



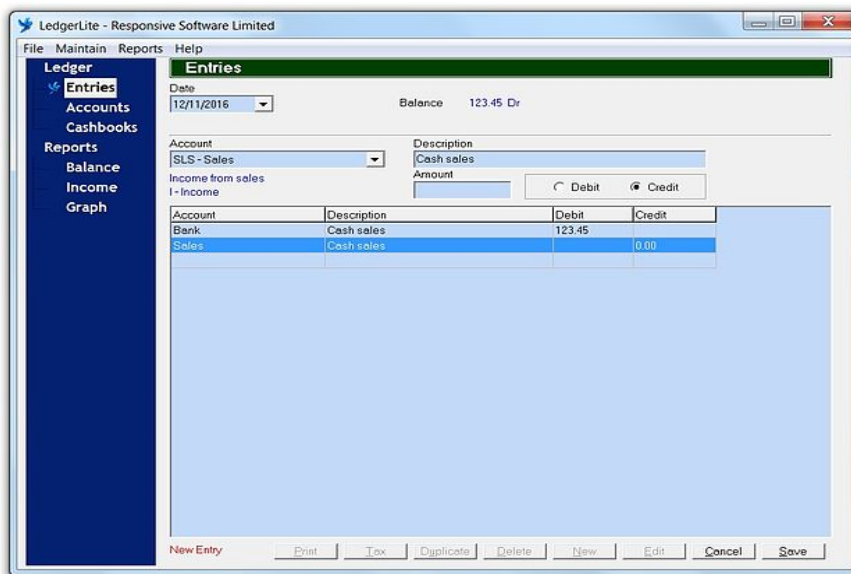
CHAPTER

# 7

## Comparing Accounting Software Programs to Manual Accounting

## Comparing Accounting Software Programs to Manual Accounting

Accounting software is a fundamental tool in the accounting profession. So far you have been doing pen-and-paper accounting, which has given you a strong understanding of the main parts of the accounting cycle. You can analyze source documents, record journal entries, post journal entries to a ledger, take off a trial balance, and prepare financial statements. Using accounting software will help you to understand all of the important procedures of the accounting cycle that you have learned so far.



As of May 2012, Sage uses a numbering system for its accounting software products—Sage 50, Sage 100, Sage 300, and Sage 500. The increasing numbers indicate the level of sophistication of the software. The different levels make it easier to match the software with the size of the business.

## Example 1:

### With Strings Attached

Jessica Lucas wants to turn her passion for music into a successful business. She plans to build a recording studio where artists and bands can record music. Customers can pay cash to rent the studio for a short time or purchase larger recording packages on credit. Jessica knows several musicians, so she is confident that her business will have customers right from the start.

Notice that Sage Simply Accounting software uses a four-digit numbering system in this chart of accounts.

#### ASSETS

1000 Assets  
 1010 Bank  
 1050 A/R – The Black Stripes  
 1060 A/R – Rebecca Green  
 1070 A/R – The Weasels  
 1200 Supplies  
 1300 Furniture and Equipment  
 1999 Total Assets

#### EQUITY

3000 Equity  
 3010 J. Lucas, Capital  
 3050 J. Lucas, Drawings  
 3600 Current Earnings  
 3999 Total Equity

#### REVENUE

4000 Revenue  
 4010 Fees Earned  
 4999 Total Revenue

#### LIABILITIES

2000 Liabilities  
 2010 Bank Loan  
 2050 A/P – Dave's Digital Music Emporium  
 2060 A/P – Digital Marketing Solutions  
 2070 A/P – Electric Circus  
 2080 A/P – The Furniture King  
 2090 A/P – Hudson Music Equipment  
 2100 A/P – Mobile City  
 2200 HST Payable  
 2300 HST Recoverable  
 2400 HST Owed  
 2999 Total Liabilities

#### EXPENSES

5000 Expense  
 5010 Advertising Expense  
 5020 Bank Charges  
 5030 Miscellaneous Expense  
 5040 Rent Expense  
 5050 Telephone Expense  
 5060 Utilities Expense  
 5070 Wages Expense  
 5999 Total Expense

# Sage 50

The screenshot displays the Sage 50 Accountant Edition software interface for 'UNIVERSL.SAI'. The main window title is 'Sage 50 Accountant Edition - UNIVERSL.SAI'. The menu bar includes File, Edit, View, Setup, Business Assistant, Services, Maintenance, Graphs, Reports, Accountant Edition, and Help. Below the menu bar, there are buttons for 'Open Company', 'Backup', 'DBM', and 'Close other windows', along with a 'Quick Search' field.

The interface is divided into several sections:

- Left Sidebar:** Contains navigation options: Dashboard, Customers & Sales, **Vendors & Purchases** (highlighted with a red box), Inventory & Services, Employees & Payroll, Job Sites, Banking, Company, Learning Centre, and Shortcuts.
- Central Workspace:** Titled 'Vendors & Purchases', it features a flowchart showing the process flow: Orders → Quotes → Purchase Invoices → Payments. Below this, there are icons for 'Settings', 'Form Designer', and 'Upload Direct Deposit' (highlighted with a red box).
- Right Panel:** Titled 'Vendors', it shows a table of vendor balances as of Mar 31, 2015. Below the table is a 'Reports' section with a dropdown menu set to 'Vendor List' and a 'Display' button. A 'Report Centre' icon is also present.

Vendor Name	Telephone	Balance
Abercrombie Hardware Inc.	(604) 555-9...	\$5,293.96
ACME Novelty Ltd.	(604) 555-9...	\$0.00
Blackwell Rentals Inc.	(604) 555-2...	\$0.00
Canadian Financial Funds		\$0.00
Catanach, Douglas	(403) 555-8...	\$0.00
Cheshire Development	(604) 555-9...	\$1,403.46
Classic Catering	(604) 555-7...	\$0.00

## Making Journal Entries

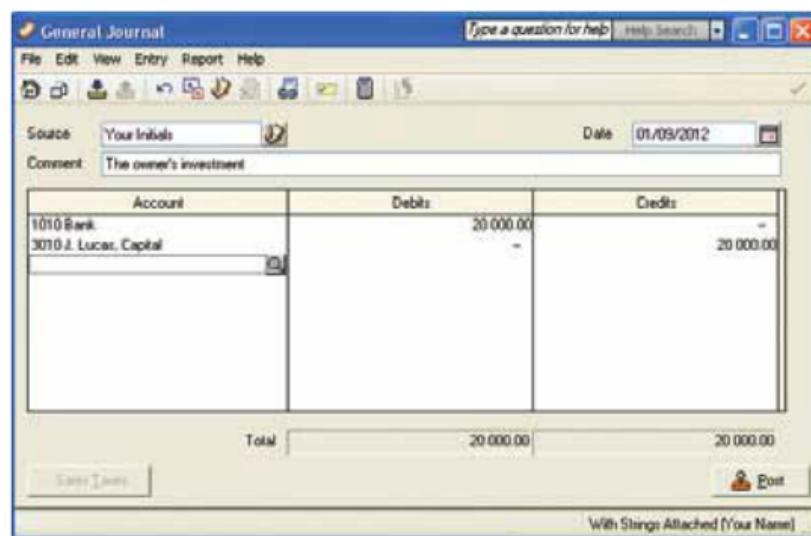
The first transaction for With Strings Attached appears below. There are three money columns. The first is the base amount of the transaction. The second is the HST calculated on the base amount. You will need to determine the account that will receive the HST portion. It will be either HST Payable or HST Recoverable. The total amount—base plus HST—is shown in the third column.

### TRANSACTION 1

			Source Document Amounts		
	Date	Transaction Details	Base	HST	Total
#1	September 1	<i>Bank Memo</i> The owner, Jessica Lucas, invested personal funds into the business.	20 000.00	—	20 000.00

## Journal Entries

To journalize this transaction double-click the General Journal icon in the Home window. A new window will open that allows you to enter the transaction details. The Source field is for source document numbers. If no source document number exists, type your initials.



The screenshot shows the 'General Journal' window with the following details:

- Source: Your Initials
- Date: 01/09/2012
- Comment: The owner's investment

Account	Debits	Credits
1010 Bank	20 000.00	-
3010 J. Lucas, Capital	-	20 000.00
Total	20 000.00	20 000.00

Buttons: Save Entry, Post

Footer: With Strings Attached [Your Name]

Account Number	Account Description	Debits	Credits
1010	Bank	20 000.00	-
3010	J. Lucas, Capital	-	20 000.00
Additional Date:	Additional Field:		
		20 000.00	20 000.00

Checking your journal entries in the format shown in Figure 7.16 may help you to prevent errors. Close this window once you are sure it is correct. You are now ready to post this transaction.

# Posting

Trial Balance As at 01/09/2012

File Options Help

Print Print Preview Change Print Settings Export Open in Excel® Modify Refresh

As at: Today Date: 01/09/2012

**With Strings Attached (Your Name)**  
**Trial Balance As at 01/09/2012**

Account Number	Account Description	Debits	Credits
1010	Bank	20 000.00	-
1050	A/R--The Black Stripes	0.00	-
1060	A/R--Rebecca Orton	0.00	-
1070	A/R--The Weasels	0.00	-
1200	Supplies	0.00	-
1300	Furniture and Equipment	0.00	-
2010	Bank Loan	-	0.00
2050	A/P--Dave's Digital Music Emporium	-	0.00
2060	A/P--Digital Marketing Solutions	-	0.00
2070	A/P--Electric Circus	-	0.00
2090	A/P--The Furniture King	-	0.00
2090	A/P--Hudson Music Equipment	-	0.00
2100	A/P--Middle City	-	0.00
2200	HST Payable	-	0.00
2300	HST Recoverable	-	0.00
3010	J. Lucas, Capital	-	20 000.00
3050	J. Lucas, Drawings	-	0.00
4010	Fees Earned	-	0.00
5010	Advertising Expense	0.00	-
5020	Bank Charges	0.00	-
5030	Miscellaneous Expense	0.00	-
5040	Rent Expense	0.00	-
5050	Telephone Expense	0.00	-
5060	Utilities Expense	0.00	-
5070	Wages Expense	0.00	-
		<b>20 000.00</b>	<b>20 000.00</b>

With Strings Attached (Your Name)



# Journal Entries

**All Journal Entries Display**

File Options Help

Print Print Preview Change Print Settings Export Open in Excel® Modify Refresh

**With Strings Attached (Your Name)**  
**All Journal Entries 01/09/2012 to 01/09/2012**

		Account Number	Account Description	Debits	Credits
01/09/2012	J1	Your Initials, The owner's investment			
		1010	Bank	20 000.00	-
		3010	J. Lucas, Capital	-	20 000.00
01/09/2012	J2	Bank Credit Memo, Borrowed funds; repayable on demand			
		1010	Bank	42 000.00	-
		2010	Bank Loan	-	42 000.00
01/09/2012	J3	ADJBank Credit Memo, Reversing J2. Correction is J4.			
		1010	Bank	-	42 000.00
		2010	Bank Loan	42 000.00	-
01/09/2012	J4	Bank Credit Memo, Borrowed funds; repayable on demand			
		1010	Bank	40 000.00	-
		2010	Bank Loan	-	40 000.00
				<u>144 000.00</u>	<u>144 000.00</u>

With Strings Attached (Your Name)

## Correcting Errors on Sage

### **TRANSACTION 3 – Correcting Errors**

A mistake has been made. The amount of the loan from the bank is \$40 000, not \$42 000. You might think that it would be best to delete Transaction 2 and start again. Accountants and auditors, however, like to see any changes that are made. Therefore, instead of deleting the incorrect entry, you can make another journal entry (or entries) to adjust the totals in the accounts.

You could make two separate journal entries to fix the mistake. The first entry would be the exact opposite of the error. To reverse this entry, you would debit Bank Loan for \$42 000 and credit Bank for \$42 000. Then, you would redo Transaction 2 properly. This procedure is easy to understand but it takes time to complete.

A better way is to use the software's features for correcting entries. In the General Journal window there is an icon showing a book and a pencil eraser. Click this icon or press Ctrl/A, which is the keyboard shortcut for adjusting a previously processed entry. You are presented with search options. Use them to find the erroneous entry. Then, change the journal entry to what it should have been (Bank Debit, \$40 000; Bank Loan Credit, \$40 000). In this case, all you have to do is change the amounts.

Post the adjusting entry after you change the amounts to \$40 000. Then, from the Home window, choose Reports, Journal Entries, All. Finally, make sure you click the Corrections box and press Enter. Your monitor will look similar to Figure 7.18 on the next page.

## Corrections Made

All Journal Entries Display					
File Options Help					
Print Print Preview Change Print Settings Export Open in Excel® Modify Refresh ?					
With Strings Attached (Your Name)					
All Journal Entries 01/09/2012 to 01/09/2012					
		Account Number	Account Description	Debits	Credits
01/09/2012	J1	Your Initials, The owner's investment			
		1010	Bank	20 000.00	-
		3010	J. Lucas, Capital	-	20 000.00
01/09/2012	J2	Bank Credit Memo, Borrowed funds; repayable on demand			
		1010	Bank	42 000.00	-
		2010	Bank Loan	-	42 000.00
01/09/2012	J3	ADJBank Credit Memo, Reversing J2. Correction is J4.			
		1010	Bank	-	42 000.00
		2010	Bank Loan	42 000.00	-
01/09/2012	J4	Bank Credit Memo, Borrowed funds; repayable on demand			
		1010	Bank	40 000.00	-
		2010	Bank Loan	-	40 000.00
				<u>144 000.00</u>	<u>144 000.00</u>

## Tax Amounts

General Journal Type a question for help Help Search

File Edit View Entry Report Help

Source: 001 Date: 01/09/2012

Comment: Monthly rent to LaForge Properties Ltd.

Account	Debits	Credits
5040 Rent Expense	3 000.00	--
2300 HST Recoverable	--	3 000.00
Total		0.00

Something to watch for!

Sales Taxes Post

The amount to credit the account With Strings Attached (Your Name)

The \$3000 credit to HST Recoverable appeared by default, and it is not what you want. Sage Simply Accounting software anticipated that you wanted a credit entry of \$3000 because Rent Expense was debited \$3000. In most cases, Sage Simply Accounting software defaults are correct and will save you time. However, the software cannot think for you, and sometimes it guesses incorrectly. In this example, the software did not know how to calculate the HST.

# Tax Amount Adjustments

General Journal Type a question for help Help Search

File Edit View Entry Report Help

Source: 001 Date: 01/09/2012

Comment: Monthly rent to LaForge Properties Ltd.

Account	Debits	Credits
5040 Rent Expense	3 000.00	--
2300 HST Recoverable	390.00	--
1010 Bank	--	3 390.00
Total	3 390.00	3 390.00

### Finishing the Journal Entries

You are now ready to complete the rest of the journal entries for the first two months of business for With Strings Attached. Remember that this is the very start of the business; there are many large purchases needed to get the recording studio up and running. With Strings Attached has two main types of customers—those who rent the studio by the hour and are required to pay in cash, and those who agree to package deals on credit and are invoiced.

The amounts in the HST column (13%) may represent either HST Recoverable or HST Payable. You must consider the details of each transaction to make the correct choice.

			Source Document Amounts		
	Date	Transaction Details	Base	HST	Total
#5	September 2	<i>Cheque Copy 002</i> Purchased various supplies for the recording studio and office.	2 312.11	300.57	2 612.68
#6	4	<i>Purchase Invoice 343</i> Purchased microphones, an audio mixer, drum kit, guitars, and amplifiers from Hudson Music Equipment; terms net 30 days.	14 131.88	1 837.14	15 969.02

# Homework

Review Exercises: 1-5

Pages. 256-258

<b>CHAPTER 7</b>	<b>REVIEW EXERCISES</b> (page 256)
------------------	------------------------------------

**Using Your Knowledge****Exercise 1, p. 256**

Indicate whether each of the following statements is true or false by entering a T or an F in the space provided. Explain the reason for each F response in the space provided.

- A. The chief advantage of the balance-column account is that there is room for the account balance.     T
- B. Both sides of an account page (front and back) are used for the same item (for example, Bank).     T
- C. Entering the journal page number in the account is the sixth step in the posting process.     F
- D. The step described in Statement C above is performed in the journal.     F
- E. The process of setting up an account is known as forwarding.     F
- F. The fourth step in the accounting cycle, as we know it, is the taking off of a trial balance.     T
- G. It is not possible for the ledger to be out of balance and also to be correct.     T
- H. If the trial balance difference is an even amount, the error could not be a transposition error.     F
- I. If the trial balance difference is zero, the ledger is correct.     F
- J. Posting a debit item incorrectly as a credit produces a trial balance credit total that is smaller than the debit total by twice the amount of the error.     F
- K. Very rarely does a transaction affect only one account.     F
- L. Ledger accounts are arranged alphabetically to make them easier to find.     F
- M. The presence of the account number in the journal indicates that the posting of an item has been completed.     T



**Explanations for F Responses**

- C. Entering the journal page number in the account is the second step in the posting process.*
- D. The step described in Statement C is performed in the ledger not the journal.*
- E. Forwarding is the process of continuing an account on a new page.*
- H. If a trial balance difference is an even amount, the error could be a transposition error if the difference is also divisible by nine.*
- I. The trial balance difference can be zero and the ledger can still be incorrect if several errors cancel each other out.*
- J. Posting a debit item incorrectly as a credit produces a trial balance credit total that is greater than the debit total by twice the amount of the error.*
- K. There is never a transaction that affects only one account.*
- L. Ledger accounts are arranged according to the classifications assets, liabilities, and equity.*

**CHAPTER 7 REVIEW EXERCISES** (continued)  
**Exercise 2, p. 257**

Error situations	Trial Balance will not balance		Trial Balance will balance but will not be correct
	Debits greater than credits by (\$)	Credits greater than debits by (\$)	
A. An entire journal entry is posted as \$400 instead of \$100.			✓
B. A debit of \$200 is posted twice.	\$ 200		
C. A debit of \$150 is posted as a credit.		\$ 300	
D. The Bank account is over-added by \$80.	\$ 80		
E. The Drawings account balance of \$5500 is missed when preparing the trial balance.		\$5 500	
F. The Revenue account balance of \$72 000 is listed on the trial balance as a debit.	\$144 000		
G. An entire general journal entry for \$325 is not posted.			✓
H. An entire general journal entry for \$50 is posted in reverse.			✓
I. A \$40 debit is not posted.		\$ 40	
J. A \$500 credit is posted as \$50.	\$ 450		
K. A debit of \$60 to Bank was posted to a customer's account instead of to Bank.			✓
L. A \$40 debit is posted as \$400.	\$ 360		

**CHAPTER 7 REVIEW EXERCISES** (continued)**Exercise 3, p. 258**

*These are the four possible errors that would not cause the trial balance to be out of balance.*

- *An entire general journal entry is posted as a wrong amount.*
- *An entire general journal entry is not posted.*
- *An entire general journal entry is posted in reverse.*
- *An amount was posted to the wrong account but on the correct side.*

**Exercise 4, p. 258**

*The credit balance of \$200 in a customer's account is possible. A simple explanation is that the customer overpaid by \$200 or received a credit of \$200 for merchandise they returned. The credit balance of \$5000 in Furniture and Equipment has to be an error. A long-term asset such as Furniture and Equipment can have a low value or even a zero value but it is impossible for it to have a negative value.*

**Exercise 5, p. 258**

*The main disadvantage of taking off a trial balance only once a year is that there has been an entire year for mistakes to accumulate. Tracing and resolving a year's worth of errors will be very difficult and time consuming because the earlier errors have been compounded by later ones. Businesses also have a limited amount of time in which to resolve errors with their bank, suppliers, and customers—usually a month or two. By waiting a whole year to check for errors, the business loses out on its chance to collect the money it might be owed due to errors. It also offers very poor customer service by waiting a year to provide evidence of errors that result in money being owed to its customers and suppliers.*

**CHAPTER 7 REVIEW EXERCISES** (continued)**Comprehensive Exercises****Exercise 6, p. 258**

A., B.

**GENERAL JOURNAL**

PAGE 1

DATE		PARTICULARS	PR.	DEBIT					CREDIT					
<i>Aug.</i>	31	<i>Bank</i>	101	7	0	0	0	-						
		<i>Supplies</i>	120	1	4	5	0	-						
		<i>Equipment</i>	125	14	7	3	2	-						
		<i>Automobiles</i>	130	28	9	5	7	-						
		<i>Bank Loan</i>	201						25	0	0	0	-	
		<i>P. Schelling, Capital</i>	301						27	1	3	9	-	
		<i>Opening entry</i>												
<i>Sep.</i>	1	<i>Rent Expense</i>	520	2	7	0	0	-						
		<i>HST Recoverable</i>	225	3	5	1	-							
		<i>Bank</i>	101						3	0	5	1	-	
		<i>Rent for the month</i>												
	3	<i>Supplies</i>	120	3	5	2	-							
		<i>HST Recoverable</i>	225			4	5	76						
		<i>A/P—Home Hardware</i>	213						3	9	7	76		
		<i>Supplies on account</i>												
	5	<i>A/R—W.J. Thomson</i>	117	5	6	5	0	-						
		<i>Service Revenue</i>	401						5	0	0	0	-	
		<i>HST Payable</i>	220						6	5	0	-		
		<i>Service rendered on account</i>												
	5	<i>A/R—L. Pero</i>	111	3	3	9	0	-						
		<i>Service Revenue</i>	401						3	0	0	0	-	
		<i>HST Payable</i>	220						3	9	0	-		
		<i>Service rendered on account</i>												
	9	<i>Bank</i>	101	5	0	0	-							
		<i>Loss on Sale of Equipment</i>	535	7	0	0	-							
		<i>Equipment</i>	125						1	2	0	0	-	
		<i>Sold piece of equipment at a loss</i>												

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 6, p. 258 (continued)

B. (continued)

## GENERAL JOURNAL

PAGE 2

DATE	PARTICULARS	PR.	DEBIT				CREDIT				
<sup>30-</sup> Sep. 10	<i>A/R—Spectrum</i>	115	1	3	5	6	–				
	<i>Service Revenue</i>	401						1	2	0	0
	<i>HST Payable</i>	220						1	5	6	–
	<i>Services rendered on account</i>										
11	<i>Pat Schelling, Drawings</i>	302	1	0	0	0	–				
	<i>Bank</i>	101						1	0	0	0
	<i>For personal use</i>										
12	<i>A/P—Home Hardware</i>	213		3	9	7	76				
	<i>Bank</i>	101						3	9	7	76
	<i>Payment on account</i>										
15	<i>Automobile Expense</i>	505	1	5	1	3	–				
	<i>HST Recoverable</i>	225		1	9	6	69				
	<i>A/P—Imperial Garage</i>	211						1	7	0	9
	<i>Repairs to company vehicle</i>										69
16	<i>Supplies</i>	120		2	4	7	50				
	<i>HST Recoverable</i>	225			3	2	18				
	<i>Bank</i>	101						2	7	9	68
	<i>Bought supplies for cash</i>										
18	<i>Bank</i>	101		5	6	5	0	–			
	<i>A/R—W.J. Thomson</i>	117						5	6	5	0
	<i>Payment of account balance</i>										
18	<i>General Expense</i>	515			4	8	–				
	<i>Automobile Expense</i>	505		1	7	7	–				
	<i>HST Recoverable</i>	225			2	9	25				
	<i>Bank</i>	101						2	5	4	25
	<i>Owner's out-of-pocket expenses</i>										

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 6, p. 258 (continued)

B. (continued)

## GENERAL JOURNAL

PAGE 3

DATE	PARTICULARS	PR.	DEBIT				CREDIT			
Sep. 19	Bank Charges Expense	510	1	2	5	-				
	Bank	101					1	2	5	-
	Interest and service charges for the month									
19	Wages Expense	530	9	0	0	-				
	Bank	101					9	0	0	-
	Part-time wages									
19	A/R—K. Puna	113	1	0	1	7	-			
	Service Revenue	401					9	0	0	-
	HST Payable	220					1	1	7	-
	Services rendered on account									
22	Bank Loan	201	2	0	0	0	-			
	Bank	101					2	0	0	0
	Loan reduction									
24	Telephone Expense	525	1	8	5	-				
	HST Recoverable	225	2	4	05					
	Bank	101					2	0	9	05
	Telephone bill									
25	Bank	101	1	5	0	0	-			
	A/R—L. Pero	111					1	5	0	0
	Payment received on account									
26	A/R—W. J. Thomson	117	6	7	8	-				
	Service Revenue	401					6	0	0	-
	HST Payable	220					7	8	-	
	Service rendered on account									



**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

**B.** (continued)

**GENERAL LEDGER**

**ACCOUNT Bank**

**No. 101**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Aug. 31	Opening Entry	J1	7 0 0 0 -		Dr	7 0 0 0 -
<sup>Sep.</sup> 1		J1		3 0 5 1 -	Dr	3 9 4 9 -
9		J1	5 0 0 0 -		Dr	4 4 4 9 -
11		J2		1 0 0 0 -	Dr	3 4 4 9 -
12		J2		3 9 7 76	Dr	3 0 5 1 24
16		J2		2 7 9 68	Dr	2 7 7 1 56
18		J2	5 6 5 0 -		Dr	8 4 2 1 56
18		J2		2 5 4 25	Dr	8 1 6 7 31
19		J3		1 2 5 -	Dr	8 0 4 2 31
19		J3		9 0 0 -	Dr	7 1 4 2 31
22		J3		2 0 0 0 -	Dr	5 1 4 2 31
24		J3		2 0 9 05	Dr	4 9 3 3 26
25		J3	1 5 0 0 -		Dr	6 4 3 3 26
26		J4		1 2 5 0 -	Dr	5 1 8 3 26
30		J4		8 5 0 -	Dr	4 3 3 3 26
30		J4		5 0 0 -	Dr	3 8 3 3 26
30		J4		2 0 2 8 35	Dr	1 8 0 4 91

**ACCOUNT A/R—L. Pero**

**No. 111**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 5		J1	3 3 9 0 -		Dr	3 3 9 0 -
25				1 5 0 0 -	Dr	1 8 9 0 -



ACCOUNT A/R—K. Puna

No. 113

DATE		PARTICULARS	P.R.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<i>Sep.</i>	19		J3	1	0	1	7	-					Dr	1	0	1	7	-

Name \_\_\_\_\_ Date \_\_\_\_\_

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

**B.** (continued)

ACCOUNT A/R—Spectrum Co.

No. 115

DATE		PARTICULARS	P.R.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<i>Sep.</i>	10		J2	1	3	5	6	-					Dr	1	3	5	6	-

ACCOUNT A/R—W. J. Thomson

No. 117

DATE		PARTICULARS	P.R.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<i>Sep.</i>	5		J1	5	6	5	0	-					Dr	5	6	5	0	-
	18		J2						5	6	5	0	-	-				0
	26		J3	6	7	8							Dr	6	7	8		

**CHAPTER 7 REVIEW EXERCISES** (continued)  
**Exercise 6, p. 258** (continued)

**B.** (continued)

ACCOUNT		Supplies	No. 120														
DATE	PARTICULARS	P.R.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<i>Aug.</i> 31	<i>Opening Entry</i>	<i>J1</i>	1	4	5	0	-					<i>Dr</i>	1	4	5	0	-
<i>Sep.</i> 3		<i>J1</i>		3	5	2	-					<i>Dr</i>	1	8	0	2	-
	16	<i>J2</i>		2	4	7	50					<i>Dr</i>	2	0	4	9	50
	29	<i>J4</i>		1	9	0	-					<i>Dr</i>	2	2	3	9	50

ACCOUNT		Equipment	No. 125															
DATE	PARTICULARS	P.R.	DEBIT				CREDIT				Dr/Cr	BALANCE						
<i>Aug.</i>	<i>Opening Entry</i>	<i>J1</i>	14	7	3	2	-					<i>Dr</i>	14	7	3	2	-	
<i>Sep.</i> 9		<i>J1</i>						1	2	0	0	-	<i>Dr</i>	13	5	3	2	-
	30	<i>J4</i>		1	7	9	5	-					<i>Dr</i>	15	3	2	7	-

ACCOUNT		Automobiles	No. 130														
DATE	PARTICULARS	P.R.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<i>Aug.</i>	<i>Opening Entry</i>	<i>J1</i>	28	9	5	7	-					<i>Dr</i>	28	9	5	7	-

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

B. (continued)

**ACCOUNT Bank Loan**

**No. 201**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Aug. 31	Opening Entry	J1		25 0 0 0 -	Cr	25 0 0 0 -
<sup>30</sup> Sep. 22		J3	2 0 0 0 -		Cr	23 0 0 0 -

**ACCOUNT A/P—Imperial Garage**

**No. 211**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 15		J2		1 7 0 9 69	Cr	1 7 0 9 69
30		J4	5 0 0 -		Cr	1 2 0 9 69

**ACCOUNT A/P—Home Hardware**

**No. 213**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 3		J1		3 9 7 76	Cr	3 9 7 76
12		J2	3 9 7 76		-	0

**ACCOUNT HST Payable**

**No. 220**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 5		J1		6 5 0 -	Cr	6 5 0 -
5		J1		3 9 0 -	Cr	1 0 4 0 -
10		J2		1 5 6 -	Cr	1 1 9 6 -
19		J3		1 1 7 -	Cr	1 3 1 3 -
26		J3		7 8 -	Cr	1 3 9 1 -

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 6, p. 258 (continued)

B. (continued)

**ACCOUNT HST Recoverable****No. 225**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 1		J1	3 5 1 -		Dr	3 5 1 -
3		J1	4 5 76		Dr	3 9 6 76
15		J2	1 9 6 69		Dr	5 9 3 45
16		J2	3 2 18		Dr	6 2 5 63
18		J2	2 9 25		Dr	6 5 4 88
24		J3	2 4 05		Dr	6 7 8 93
29		J4	2 4 70		Dr	7 0 3 63
30		J4	2 3 3 35		Dr	9 3 6 98

**ACCOUNT Pat Schelling, Capital****No. 301**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Aug. 31	Opening Entry	J1		27 1 3 9 -	Cr	27 1 3 9 -

**ACCOUNT Pat Schelling, Drawings****No. 302**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 11		J2	1 0 0 0 -		Dr	1 0 0 0 -
26		J4	1 2 5 0 -		Dr	2 2 5 0 -
29		J4		2 1 4 70	Dr	2 0 3 5 30

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

B. (continued)

**ACCOUNT Service Revenue**

**No. 401**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 5		J1		5 0 0 0 -	Cr	5 0 0 0 -
5		J1		3 0 0 0 -	Cr	8 0 0 0 -
10		J2		1 2 0 0 -	Cr	9 2 0 0 -
19		J3		9 0 0 0 -	Cr	10 1 0 0 -
26		J3		6 0 0 0 -	Cr	10 7 0 0 -

**ACCOUNT Automobile Expense**

**No. 505**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 15		J2	1 5 1 3 -		Dr	1 5 1 3 -
18		J2	1 7 7 -		Dr	1 6 9 0 -

**ACCOUNT Bank Charges Expense**

**No. 510**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 19		J3	1 2 5 -		Dr	1 2 5 -

**ACCOUNT General Expense**

**No. 515**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 18		J2	4 8 -		Dr	4 8 -

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

B. (continued)

ACCOUNT		Rent Expense				No. 520										
DATE	PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE				
<i>30</i> <i>Sep.</i>	<i>1</i>	<i>J1</i>	<i>2</i>	<i>7</i>	<i>0</i>	<i>0</i>	<i>-</i>				<i>Dr</i>	<i>2</i>	<i>7</i>	<i>0</i>	<i>0</i>	<i>-</i>

ACCOUNT		Telephone Expense				No. 525									
DATE	PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE			
<i>30</i> <i>Sep.</i>	<i>24</i>	<i>J3</i>	<i>1</i>	<i>8</i>	<i>5</i>	<i>-</i>					<i>Dr</i>	<i>1</i>	<i>8</i>	<i>5</i>	<i>-</i>

ACCOUNT		Wages Expense				No. 530										
DATE	PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE				
<i>30</i> <i>Sep.</i>	<i>19</i>	<i>J3</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>-</i>					<i>Dr</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>-</i>	
	<i>30</i>	<i>J4</i>	<i>8</i>	<i>5</i>	<i>0</i>	<i>-</i>					<i>Dr</i>	<i>1</i>	<i>7</i>	<i>5</i>	<i>0</i>	<i>-</i>

ACCOUNT		Loss on Sale of Equipment				No. 535									
DATE	PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE			
<i>30</i> <i>Sep.</i>	<i>9</i>	<i>J1</i>	<i>7</i>	<i>0</i>	<i>0</i>	<i>-</i>					<i>Dr</i>	<i>7</i>	<i>0</i>	<i>0</i>	<i>-</i>

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

C.

*ROYAL CITY ENGINEERING*

*TRIAL BALANCE*

*SEPTEMBER 30, 20-*

ACCOUNTS	DEBIT	CREDIT
<i>Bank</i>	1 8 0 4 91	
<i>A/R—L. Pero</i>	1 8 9 0 -	
<i>A/R—K. Puna</i>	1 0 1 7 -	
<i>A/R—Spectrum Co.</i>	1 3 5 6 -	
<i>A/R—W. J. Thomson</i>	6 7 8 -	
<i>Supplies</i>	2 2 3 9 50	
<i>Equipment</i>	1 5 3 2 7 -	
<i>Automobiles</i>	2 8 9 5 7 -	
<i>Bank Loan</i>		2 3 0 0 0 -
<i>A/P—Imperial Garage</i>		1 2 0 9 69
<i>HST Payable</i>		1 3 9 1 -
<i>HST Recoverable</i>	9 3 6 98	
<i>Pat Schelling, Capital</i>		2 7 1 3 9 -
<i>Pat Schelling, Drawings</i>	2 0 3 5 30	
<i>Service Revenue</i>		1 0 7 0 0 -
<i>Automobile Expense</i>	1 6 9 0 -	
<i>Bank Charges Expense</i>	1 2 5 -	
<i>General Expense</i>	4 8 -	
<i>Rent Expense</i>	2 7 0 0 -	
<i>Telephone Expense</i>	1 8 5 -	
<i>Wages Expense</i>	1 7 5 0 -	
<i>Loss on Sale of Equipment</i>	7 0 0 -	
	6 3 4 3 9 69	6 3 4 3 9 69

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 6, p. 258** (continued)

D.

ROYAL CITY ENGINEERING  
INCOME STATEMENT  
MONTH ENDED SEPTEMBER 30, 20-

<i>Revenue</i>									
<i>Service Revenue</i>						\$10	7	0	0 -
<i>Expenses</i>									
<i>Automobile Expense</i>	\$1	6	9	0 -					
<i>Bank Charges Expense</i>		1	2	5 -					
<i>General Expense</i>			4	8 -					
<i>Rent Expense</i>		2	7	0 0 -					
<i>Telephone Expense</i>			1	8 5 -					
<i>Wages Expense</i>		1	7	5 0 -					
<i>Loss on Sale of Equipment</i>			7	0 0 -					
<i>Total Expenses</i>						7	1	9	8 -
<i>Net Income</i>						\$	3	5	0 2 -







**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 7, p. 261 (continued)

A. (continued)

## GENERAL JOURNAL

PAGE 29

DATE	PARTICULARS	PR.	DEBIT				CREDIT				
Oct. 11	Supplies—Golf Course	105		2	6	4	60				
	HST Recoverable	225			3	4	40				
	A/P—Pro Equipment	215						2	9	9	–
	Golf supplies on account										
13	Shirley Ngakien, Drawings	305	1	5	0	0	–				
	Bank	101						1	5	0	0
	Cheque No. 655										
14	Wages Expense	535	1	1	7	5	–				
	Bank	101						1	1	7	5
	Cheque No. 656										
15	Bank	101	4	0	5	1	05				
	Revenue—Golf	401						2	8	8	0
	Revenue—Food	405						7	0	5	–
	HST Payable	220						4	6	6	05
	Cash receipts for the week										
15	Bank Loan	201	5	0	0	0	–				
	Bank	101						5	0	0	0
	Reduced amount of the bank loan, 654008A										
17	Maintenance Expense	510	6	0	0	–					
	HST Recoverable	225		7	8	–					
	A/P—Pro Equipment	215						6	7	8	–
	Lawnmower repairs										
18	Automotive Expense	501	8	4	2	25					
	HST Recoverable	225	1	0	9	49					
	Bank	101						9	5	1	74
	Cheque No. 658										

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 7, p. 261 (continued)

A. (continued)

## GENERAL JOURNAL

PAGE 30

DATE	PARTICULARS	P.R.	DEBIT				CREDIT				
<sup>20</sup> Oct. 20	<i>Mortgage Interest Expense</i>	520		7	7	9	16				
	<i>Mortgage Payable</i>	230	1	0	0	0	-				
	<i>Bank</i>	101						1	7	7	9
	<i>Cheque No. 659 to Greco Investments</i>										16
21	<i>Wages Expense</i>	535	1	2	2	5	-				
	<i>Bank</i>	101						1	2	2	5
	<i>Cheque No. 660</i>										-
22	<i>Bank</i>	101	4	5	7	6	75				
	<i>Revenue—Golf</i>	401						3	3	0	0
	<i>Revenue—Food</i>	405						7	5	0	22
	<i>HST Payable</i>	220						5	2	6	53
	<i>Cash receipts for the week</i>										
23	<i>A/P—Pro Equipment</i>	215	2	0	0	0	-				
	<i>Bank</i>	101						2	0	0	0
	<i>Cheque No. 661 on account</i>										-
24	<i>Supplies—Office</i>	110	1	4	2	50					
	<i>HST Recoverable</i>	225		1	8	53					
	<i>A/P—Main Supply</i>	210						1	6	1	03
	<i>Office supplies purchased on account</i>										
25	<i>Automotive Expense</i>	501	4	3	5	-					
	<i>HST Recoverable</i>	225		5	6	55					
	<i>A/P—Blair's Automotive</i>	205						4	9	1	55
	<i>Auto repairs</i>										
26	<i>Wages Expense</i>	535	1	1	9	5	-				
	<i>Bank</i>	101						1	1	9	5
	<i>Cheque No. 662</i>										-

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 7, p. 261 (continued)

A. (continued)

**GENERAL JOURNAL**

PAGE 31

DATE	PARTICULARS	PR.	DEBIT	CREDIT
<sup>30</sup> Oct. 28	Miscellaneous Expense	515	1 2 7 50	
	HST Recoverable	225	1 6 58	
	Bank	101		1 4 4 08
	Cheque No. 633			
29	Bank	101	4 3 9 0 56	
	Revenue—Golf	401		3 0 1 5 -
	Revenue—Food	405		8 7 0 45
	HST Payable	220		5 0 5 11
	Cash receipts for the week			
30	Utilities Expense	530	8 9 9 52	
	HST Recoverable	225	1 1 6 94	
	Bank	101		1 0 1 6 46
	Cheque No. 663			
31	Telephone Expense	525	2 1 2 50	
	HST Recoverable	225	2 7 63	
	Bank	101		2 4 0 13
	Cheque No. 664			
31	Shirley Ngakien, Drawings	305	1 4 0 0 -	
	Bank	101		1 4 0 0 -
	Cheque No. 665 for personal use			
31	HST Payable	220	1 0 6 5 -	
	HST Recoverable	225		2 7 7 50
	Bank	101		7 8 7 50
	Cheque No. 666 for HST remittance			

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 7, p. 261** (continued)

A. (continued)

**GENERAL LEDGER**

ACCOUNT **Bank**

**No. 101**

DATE	PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<sup>20</sup> Sep. 30	Forwarded										Dr	8	7	5	0	20	
Oct. 2		J28					2	6	2	73	Dr	8	4	8	7	47	
5		J28					8	2	5	17	Dr	7	6	6	2	30	
7		J28					1	2	2	5	Dr	6	4	3	7	30	
8		J28	4	2	2	7	33					Dr	10	6	6	4	63
9		J28					1	8	9	0	65	Dr	8	7	7	3	98
13		J29					1	5	0	0	Dr	7	2	7	3	98	
14		J29					1	1	7	5	Dr	6	0	9	8	98	
15		J29	4	0	5	1	05					Dr	10	1	5	0	03
15		J29					5	0	0	0	Dr	5	1	5	0	03	
18		J29					9	5	1	74	Dr	4	1	9	8	29	
20		J30					1	7	7	9	16	Dr	2	4	1	9	13
21		J30					1	2	2	5	Dr	1	1	9	4	13	
22		J30	4	5	7	6	75					Dr	5	7	7	0	88
23		J30					2	0	0	0	Dr	3	7	7	0	88	
26		J30					1	1	9	5	Dr	2	5	7	5	88	
28		J31					1	4	4	08	Dr	2	4	3	1	80	
29		J31	4	3	9	0	56					Dr	6	8	2	2	36
30		J31					1	0	1	6	46	Dr	5	8	0	5	90
31		J31					2	4	0	13	Dr	5	5	6	5	77	
31		J31					1	4	0	0	Dr	4	1	6	5	77	
31		J31					7	8	7	50	Dr	3	3	7	8	27	

ACCOUNT **Supplies—Golf Course**

**No. 105**

DATE	PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<sup>20</sup> Sep. 30	Forwarded										Dr	10	2	3	6	—	
Oct. 4		J28	1	4	2	5	30					Dr	11	6	6	1	30
11		J29	2	6	4	60					Dr	11	9	2	5	90	

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 7, p. 261** (continued)

A. (continued)

**ACCOUNT Supplies—Office**

**No. 110**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20-Sep. 30	Forwarded				Dr	3 2 6 5 25
Oct. 24		J30	1 4 2 50		Dr	3 4 0 7 75

**ACCOUNT Property**

**No. 115**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20-Sep. 30	Forwarded				Dr	225 1 1 2 65

**ACCOUNT Buildings**

**No. 120**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20-Sep. 30	Forwarded				Dr	128 0 4 0 -

**ACCOUNT Automotive Equipment**

**No. 125**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20-Sep. 30	Forwarded				Dr	30 9 5 6 -

**ACCOUNT Maintenance Equipment**

**No. 130**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20-Sep. 30	Forwarded				Dr	22 6 5 0 60

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 7, p. 261** (continued)

A. (continued)

**ACCOUNT Bank Loan**

**No. 201**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20 Sep. 30	Forwarded				Cr	120 0 0 0 -
Oct. 15			5 0 0 0 -			115 0 0 0 -

**ACCOUNT A/P—Blair’s Automotive**

**No. 205**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20 Sep. 30	Forwarded				Cr	2 5 0 50
Oct. 10		J28		3 7 2 90	Cr	6 2 3 40
25		J30		4 9 1 55	Cr	1 1 1 4 95

**ACCOUNT A/P—Main Supply**

**No. 210**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20 Sep. 30	Forwarded				Cr	1 8 9 0 65
Oct. 4		J28		1 6 1 0 59	Cr	3 5 0 1 24
9		J28	1 8 9 0 65		Cr	1 6 1 0 59
24		J30		1 6 1 03	Cr	1 7 7 1 62

**ACCOUNT A/P—Pro Equipment**

**No. 215**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
20 Sep. 30	Forwarded				Cr	3 5 8 2 10
Oct. 11		J29		2 9 9 -	Cr	3 8 8 1 10
17		J29		6 7 8 -	Cr	4 5 5 9 10
23		J30	2 0 0 0 -		Cr	2 5 5 9 10



**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 7, p. 261 (continued)

A. (continued)

**ACCOUNT HST Payable No. 220**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 30	Forwarded				Cr	1 0 6 5 -
Oct. 8		J28		4 8 6 33	Cr	1 5 5 1 33
15		J29		4 6 6 05	Cr	2 0 1 7 38
22		J30		5 2 6 53	Cr	2 5 4 3 91
29		J31		5 0 5 11	Cr	3 0 4 9 02
31		J31	1 0 6 5 -		Cr	1 9 8 4 02

**ACCOUNT HST Recoverable No. 225**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>30</sup> Sep. 30	Forwarded				Dr	2 7 7 50
Oct. 2		J28	3 0 23		Dr	3 0 7 73
4		J28	1 8 5 29		Dr	4 9 3 02
10		J28	4 2 90		Dr	5 3 5 92
11		J29	3 4 40		Dr	5 7 0 32
17		J29	7 8 -		Dr	6 4 8 32
18		J29	1 0 9 49		Dr	7 5 7 81
24		J30	1 8 53		Dr	7 7 6 34
25		J30	5 6 55		Dr	8 3 2 89
28		J31	1 6 58		Dr	8 4 9 47
30		J31	1 1 6 94		Dr	9 6 6 41
31		J31	2 7 63		Dr	9 9 4 04
31		J31		2 7 7 50	Dr	7 1 6 54

**ACCOUNT Mortgage Payable** **No. 230**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Cr	170 0 0 0 -
<i>Oct. 20</i>		<i>J30</i>	<i>1 0 0 0 -</i>		<i>Cr</i>	<i>169 0 0 0 -</i>

Name \_\_\_\_\_ Date \_\_\_\_\_

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 7, p. 261** (continued)

**A.** (continued)

**ACCOUNT Shirley Ngakien, Capital** **No. 301**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Cr	142 0 2 7 46

**ACCOUNT Shirley Ngakien, Drawings** **No. 305**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	27 0 0 0 -
<i>Oct. 13</i>		<i>29</i>	<i>1 5 0 0 -</i>		<i>Dr</i>	<i>28 5 0 0 -</i>
<i>31</i>		<i>31</i>	<i>1 4 0 0 -</i>		<i>Dr</i>	<i>29 9 0 0 -</i>

**ACCOUNT Revenue—Golf No. 401**

DATE		PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE					
<sup>20-</sup> Sep.	30	Forwarded										Cr	89	9	8	2	50	
<i>Oct.</i>	<i>8</i>		<i>J28</i>					<i>3</i>	<i>0</i>	<i>0</i>	<i>6</i>	<i>-</i>	<i>Cr</i>	<i>92</i>	<i>9</i>	<i>8</i>	<i>8</i>	<i>50</i>
	<i>15</i>		<i>J29</i>					<i>2</i>	<i>8</i>	<i>8</i>	<i>0</i>	<i>-</i>	<i>Cr</i>	<i>95</i>	<i>8</i>	<i>6</i>	<i>8</i>	<i>50</i>
	<i>22</i>		<i>J30</i>					<i>3</i>	<i>3</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>Cr</i>	<i>99</i>	<i>1</i>	<i>6</i>	<i>8</i>	<i>50</i>
	<i>29</i>		<i>J31</i>					<i>3</i>	<i>0</i>	<i>1</i>	<i>5</i>	<i>-</i>	<i>Cr</i>	<i>102</i>	<i>1</i>	<i>8</i>	<i>3</i>	<i>50</i>

**ACCOUNT Revenue—Food No. 405**

DATE		PARTICULARS	PR.	DEBIT				CREDIT				Dr/Cr	BALANCE				
<sup>20-</sup> Sep.	30	Forwarded										Cr	23	8	7	5	75
<i>Oct.</i>	<i>8</i>		<i>J28</i>					<i>7</i>	<i>3</i>	<i>5</i>	<i>-</i>	<i>Cr</i>	<i>24</i>	<i>6</i>	<i>1</i>	<i>0</i>	<i>75</i>
	<i>15</i>		<i>J29</i>					<i>7</i>	<i>0</i>	<i>5</i>	<i>-</i>	<i>Cr</i>	<i>25</i>	<i>3</i>	<i>1</i>	<i>5</i>	<i>75</i>
	<i>22</i>		<i>J30</i>					<i>7</i>	<i>5</i>	<i>0</i>	<i>22</i>	<i>Cr</i>	<i>26</i>	<i>0</i>	<i>6</i>	<i>5</i>	<i>97</i>
	<i>29</i>		<i>J31</i>					<i>8</i>	<i>7</i>	<i>0</i>	<i>45</i>	<i>Cr</i>	<i>26</i>	<i>9</i>	<i>3</i>	<i>6</i>	<i>42</i>

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 7, p. 261** (continued)

A. (continued)

**ACCOUNT Automotive Expense**

**No. 501**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	8 9 4 4 52
Oct. 10		J28	3 3 0 -		Dr	9 2 7 4 52
18		J29	8 4 2 25		Dr	10 1 1 6 77
25		J30	4 3 5 -		Dr	10 5 5 1 77

**ACCOUNT Bank Charges Expense**

**No. 505**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	7 8 4 2 25
Oct. 5		J28	8 2 5 17		Dr	8 6 6 7 42

**ACCOUNT Maintenance Expense**

**No. 510**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	15 8 4 6 28
Oct. 17		J28	6 0 0 -		Dr	16 4 4 6 28

**ACCOUNT Miscellaneous Expense**

**No. 515**

DATE	PARTICULARS	P.R.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	1 5 2 5 75
Oct. 2		J28	2 3 2 50		Dr	1 7 5 8 25
26		J31	1 2 7 50		Dr	1 8 8 5 75

**CHAPTER 7 REVIEW EXERCISES** (continued)

**Exercise 7, p. 261** (continued)

A. (continued)

**ACCOUNT Mortgage Interest Expense** **No. 520**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	6 3 7 5 -
Oct. 20		J30	7 7 9 16		Dr	7 1 5 4 16

**ACCOUNT Telephone Expense** **No. 525**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	1 0 2 8 33
Oct. 31		J31	2 1 2 50		Dr	1 2 4 0 83

**ACCOUNT Utilities Expense** **No. 530**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	9 2 7 5 68
Oct. 30		J31	8 9 9 52		Dr	10 1 7 5 20

**ACCOUNT Wages Expense** **No. 535**

DATE	PARTICULARS	PR.	DEBIT	CREDIT	Dr/Cr	BALANCE
<sup>20</sup> Sep. 30	Forwarded				Dr	45 5 4 7 95
Oct. 7		J28	1 2 2 5 -		Dr	46 7 7 2 95
14		J29	1 1 7 5 -		Dr	47 9 4 7 95
21		J30	1 2 2 5 -		Dr	49 1 7 2 95
26		J31	1 1 9 5 -		Dr	50 3 6 7 95

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 7, p. 261 (continued)

B.

HARBOUR GOLF LINKSTRIAL BALANCEOCTOBER 31, 20-

ACCOUNTS	DEBIT				CREDIT					
<i>Bank</i>	3	3	7	8	27					
<i>Supplies—Golf Course</i>	11	9	2	5	90					
<i>Supplies—Office</i>	3	4	0	7	75					
<i>Property</i>	225	1	1	2	65					
<i>Buildings</i>	128	0	4	0	–					
<i>Automotive Equipment</i>	30	9	5	6	–					
<i>Maintenance Equipment</i>	22	6	5	0	60					
<i>Bank Loan</i>						115	0	0	0	–
<i>A/P—Blair's Automotive</i>						1	1	4	95	
<i>A/P—Main Supply</i>						1	7	7	1	62
<i>A/P—Pro Equipment</i>						2	5	5	9	10
<i>HST Payable</i>						1	9	8	4	02
<i>HST Recoverable</i>		7	1	6	54					
<i>Mortgage Payable</i>						169	0	0	0	–
<i>Shirley Ngakien, Capital</i>						142	0	2	7	46
<i>Shirley Ngakien, Drawings</i>	29	9	0	0	–					
<i>Revenue—Golf</i>						102	1	8	3	50
<i>Revenue—Food</i>						26	9	3	6	42
<i>Automotive Expense</i>	10	5	5	1	77					
<i>Bank Charges Expense</i>	8	6	6	7	42					
<i>Maintenance Expense</i>	16	4	4	6	28					
<i>Miscellaneous Expense</i>	1	8	8	5	75					
<i>Mortgage Interest Expense</i>	7	1	5	4	16					
<i>Telephone Expense</i>	1	2	4	0	83					
<i>Utilities Expense</i>	10	1	7	5	20					
<i>Wages Expense</i>	50	3	6	7	95					
	562	5	7	7	07	562	5	7	7	07

**CHAPTER 7 REVIEW EXERCISES** (continued)

Exercise 7, p. 261 (continued)

C.

HARBOUR GOLF LINKS  
INCOME STATEMENT  
TEN MONTHS ENDED OCTOBER 31, 20-

<i>Revenue</i>										
<i>Revenue—Golf</i>	\$102	1	8	3	50					
<i>Revenue—Food</i>	26	9	3	6	42					
<i>Total Revenue</i>						\$129	1	1	9	92
<i>Expenses</i>										
<i>Automotive Expense</i>	\$ 10	5	5	1	77					
<i>Bank Charges Expense</i>	8	6	6	7	42					
<i>Maintenance Expense</i>	16	4	4	6	28					
<i>Miscellaneous Expense</i>	1	8	8	5	75					
<i>Mortgage Interest Expense</i>	7	1	5	4	16					
<i>Telephone Expense</i>	1	2	4	0	83					
<i>Utilities Expense</i>	10	1	7	5	20					
<i>Wages Expense</i>	50	3	6	7	95					
<i>Total Expenses</i>						106	4	8	9	36
<i>Net Income</i>						\$ 22	6	3	0	56





**CHAPTER 7 REVIEW EXERCISES** (continued)**Questions for Further Thought, p. 263**

1. *People who are not fully qualified accountants may refer to themselves as accountants because it gives them a feeling of importance and respectability. Also, they might not understand the full scope of an accountant's role.*
2. *The advantage of using checkmarks to cross-reference between the journal and ledger is that it quickly shows which items have been posted. The disadvantage is that checkmarks do not show the location of the posted items. Therefore, they cannot really be used to cross-reference the items between the ledger and the journal.*
3. *An accounting error that is found after a long time is corrected by a journal entry because many other entries have been recorded in the accounts after the occurrence of the error. It would be very impractical to write the correction in the accounts since it would involve crossing out and correcting many entries, leaving the accounts very difficult to read and possibly causing more errors. It would also look suspicious to anyone examining the accounts.*
4. *If you look at the Teacher's Key when you have an exercise that does not balance, you will not learn how to apply accounting techniques to find your errors. This is a bad habit because you will not learn the skills you need to continue studying accounting and to work in the field.*
5. *In my former position, I learned all about accounting for a tire company. But the accounts and the business environment of an insurance company are very different from what I previously experienced. Therefore, my new job could be very difficult for a while until I learn the new terminology, the nature of the insurance business, and the new books and records of accounts.*
6. *The teacher thought my answer was wrong because I gave the credit part of the entry first. Accountants usually describe the debit part of the entry first and then the credit part.*
7. *If an entry for Smith is posted to Smythe's account instead, the error would probably be detected when the company tried to collect Smith's debt from Smythe. Or the error would be detected when Smith paid the amount owing and the accounting clerk could not find the corresponding debit in Smith's account.*

**CHAPTER 7 REVIEW EXERCISES** (continued)**Questions for Further Thought, p. 263** (continued)

8. *If the ledger does not balance by \$5 you cannot change one of the accounts to force it to balance. You do not know how many errors there are in the accounts. The individual errors could be very large even if the trial balance total is only \$5; for example, a debit error of \$50 000 and a credit error of \$50 005. All the errors must be found and corrected.*
- 
- 

**CASE STUDIES** (page 264)**Case 1** A Stitch in Time . . . (p. 264)

1. *Karen is correct about the general journal being a record of all her transactions and it is true that she is saving some time in the short run by not posting. However, she has not considered the serious disadvantages of her system.*
- 
- 
2. *One disadvantage to not using ledger accounts is that Karen does not have quick access to account totals she may need to make informed management decisions. To obtain such account balances, she would need to review many pages of journal entries, a very time-consuming process. As well, the posting of journal entries will need to be done eventually when she prepares financial statements. Therefore, Karen's system saves her no time in the long run and denies her valuable information in the short run.*
- 
- 

**Case 2** Does the Order of Accounts Matter? (p. 264)

1. *One disadvantage of Randy's system is that it makes preparing financial statements more time consuming since the accounts are in alphabetical not statement order, with balance sheet accounts followed by income statement accounts. Also, his system makes it difficult for outsiders, such as auditors, to review his accounts since they are not in the order that accountants use.*
- 
-



CASE STUDIES (continued)

**Case 3: Challenge** Frustration for the Auditor (continued)

1. (continued)

GENERAL JOURNAL		PAGE	
DATE	PARTICULARS	P.R.	CREDIT
20-	<u>Solution 2</u>		
	Painting Equipment		10 0 0 0 -
	Bank		10 0 0 0 -
	Automobile		10 0 0 0 -
	A/R—P. Watt		5 0 0 0 -
	City Loan Co.		5 0 0 0 -
	A/P—C. Paints		5 0 0 0 -
	Bank		5 0 0 0 -
	Bank		5 0 0 0 -
	Materials		5 0 0 0 -
20-	<u>Solution 3</u>		
	Automobile		10 0 0 0 -
	Bank		5 0 0 0 -
	City Loan Co.		5 0 0 0 -
	Painting Equipment		10 0 0 0 -
	Bank		10 0 0 0 -
	A/P—C. Paints		5 0 0 0 -
	Materials		5 0 0 0 -
	Bank		5 0 0 0 -
	A/R—P. Watt		5 0 0 0 -

**Case 3: Challenge** Frustration for the Auditor (continued)

- Reports should follow proper business format. Reports should explain why financial statements cannot be prepared from the information supplied and that the bank will not approve the loan without the audit being completed.
- 
- 
- 
-





