ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1A	Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.	Simple	30–40
2A	Journalize transactions in cash payments journal; post to control account and subsidiary ledgers.	Simple	30–40
3A	Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.	Moderate	40–50
4A	Journalize transactions in special journals.	Moderate	50–60
5A	Journalize in sales and cash receipts journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.	Moderate	60–70
6A	Journalize in special journals; post; prepare a trial balance.	Complex	60–70
1B	Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.	Simple	30–40
2B	Journalize transactions in cash payments journal; post to the general and subsidiary ledgers.	Simple	30–40
3B	Journalize transactions in multi-column purchases journal; post to the general and subsidiary ledgers.	Moderate	40–50
4B	Journalize transactions in special journals.	Moderate	50–60
5B	Journalize in purchases and cash payments journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.	Moderate	60–70

SOLUTIONS TO EXERCISES

EXERCISE 7-1

(a) $350,400. Beginning balance of $320,000 plus $161,400 debit from sales journal less $131,000 credit from cash receipts journal.

(b) $85,900. Beginning balance of $77,000 plus $56,400 credit from purchases journal less $47,500 debit from cash payments journal.

(c) The column total of $161,400 in the sales journal would be posted to the credit side of the Sales account and the debit side of the Accounts Receivable account in the general ledger.

(d) The accounts receivable column total of $131,000 in the cash receipts journal would be posted to the credit side of the Accounts Receivable account in the general ledger.

EXERCISE 7-2

To: Andrea Barden, Chief Financial Officer

From: Student

Subject: Jeremy Dody account

The explanation of the three entries in the subsidiary ledger for the Jeremy Dody account is as follows:

Sept. 2 This was a credit sale of merchandise to Dody. The entry was recorded on page 31 of the Sales Journal.

Sept. 9 This was a sales return or allowance granted to Dody. The entry was recorded on page 4 of the General Journal.

Sept. 27 This was a payment by Dody of the balance due. The entry was recorded on page 8 of the Cash Receipts Journal.

If I can be of further help, please let me know.

EXERCISE 7-6

(a) & (b)

MONTALVO COMPANY
Sales Journal

S1

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
2008					
Sept. 2	T. Hossfeld	101		720	420
21	P. Lowther	102		800	480
				1,520	900

MONTALVO COMPANY
Purchases Journal

P1

Date	Account Credited	Terms	Ref.	Merchandise Inventory Dr. Accounts Payable Cr.
2008				
Sept. 10	L. Rincon	2/10, n/30		600
25	W. Barone	n/30		860
				1,460

EXERCISE 7-7

(a) & (b)

PHERIGO CO.
Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
2008								
May 1	I. Pherigo, Cap.		50,000				50,000	
2			6,300			6,300		4,200
22	M. Moody		9,000		9,000			
			65,300		9,000	6,300	50,000	4,200

EXERCISE 7-12 (Continued)

(b) **General Journal**

Date		Accounts and Explanations	Ref.	Debit	Credit
July	1	Store Equipment	153	3,900	
		Accounts Payable—Albin Equipment Co.	201/✓		3,900
	15	Merchandise Inventory	120	400	
		Accounts Payable—Heinen Inc.	201/✓		400
		(This entry should have been recorded in the Purchases Journal.)			
	18	Accounts Payable—Chacon Corp.	201/✓	100	
		Merchandise Inventory	120		100
	25	Accounts Payable—Drago Co.	201/✓	200	
		Merchandise Inventory	120		200

EXERCISE 7-13

$925 ($200 + $240 + $145 + $190 + $150). All of the debit postings to the subsidiary ledger accounts should be from sales invoices. The total of all these debits should therefore be the total credit sales for the month, which would be the same amount as the end-of-month debit to Accounts Receivable.

EXERCISE 7-14

(a) $14,000 + $72,000 – $46,000 = $40,000
(b) $22,000 + $100,000 – $45,000 = $77,000
(c) $17,000 + $61,000 – $55,000 = $23,000
(d) $13,500 + $72,000 – $1,000 – $63,600 = $20,900
(e) $100,000 + $6,000 = $106,000

PROBLEM 7-1A (Continued)

Chelsea

Date		Explanation	Ref.	Debit	Credit	Balance
Apr.	1	Balance	✓			1,200
	29		CR1		1,200	0

Eggleston Co.

Date		Explanation	Ref.	Debit	Credit	Balance
Apr.	1	Balance	✓			2,900
	5		CR1		920	1,980
	23		CR1		1,500	480

Baez

Date		Explanation	Ref.	Debit	Credit	Balance
Apr.	1	Balance	✓			1,800
	4		CR1		1,800	0

(c) Accounts receivable balance: $1,430

Subsidiary account balances:

Ogden	$ 950
Eggleston Co.	480
Total	$1,430

PROBLEM 7-3A

(a)

Purchases Journal

P1

Date	Account Credited (Debited)	Ref.	Accounts Payable Cr.	Merchandise Inventory Dr.	Other Accounts Dr.
July 1	Fritz Company	✓	8,000	8,000	
2	Wayward Shipping	✓	400	400	
5	Moon Company	✓	3,200	3,200	
13	Cress Supply (Supplies)	126/✓	720		720
15	Fritz Company	✓	3,600	3,600	
15	Anton Company	✓	3,300	3,300	
18	Lynda Advertisements (Advertising Expense)	610/✓	600		600
24	Moon Company	✓	3,000	3,000	
26	Cress Supply (Equipment)	157/✓	900		900
28	Wayward Shipping	✓	380	380	
			24,100	21,880	2,220
			(201)	(120)	(X)

Sales Journal

S1

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Cr.	Cost of Goods Sold Dr. Merchandise Inventory Cr.
July 3	Pinick Company	✓	1,300	910
3	Wayne Bros.	✓	1,500	1,050
16	Sager Company	✓	3,450	2,415
16	Wayne Bros.	✓	1,570	1,099
21	Pinick Company	✓	310	217
21	Haddad Company	✓	2,800	1,960
30	Sager Company	✓	5,600	3,920
			16,530	11,571
			(112)(401)	(505)(120)

PROBLEM 7-6A (Continued)

E. Vietti

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		2,000	2,000
27		CP1	950		1,050

(d)

CORTEZ CO.
Trial Balance
January 31, 2009

	Debit	Credit
Cash	$ 77,100	
Accounts Receivable	18,600	
Notes Receivable	5,000	
Merchandise Inventory	13,730	
Equipment	6,450	
Accumulated Depreciation—Equipment		$ 1,500
Notes Payable		18,000
Accounts Payable		12,350
B. Cortez, Capital		86,450
Sales		21,500
Sales Returns and Allowances	300	
Sales Discounts	100	
Cost of Goods Sold	12,720	
Sales Salaries Expense	2,800	
Office Salaries Expense	2,000	
Rent Expense	1,000	
	$139,800	$139,800

(e) Accounts Receivable Subsidiary Ledger

J. Anders	$ 2,200
F. Cone	14,900
T. Dudley	1,500
	$18,600
Accounts Receivable Control	$18,600

PROBLEM 7-2B

(a) **Cash Payments Journal**

CP1

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Merchandise Inventory Cr.	Cash Cr.
Nov. 1	11	Merch. Inventory	120	1,140			1,140
3	12	Equipment	157	1,700			1,700
5	13	Wex Bros.	✓		1,500	15	1,485
11	14	Merch. Inventory	120	2,000			2,000
15	15	G. Ruttan	✓		1,000	30	970
16	16	B. Gonya, Drawing	306	500			500
19	17	C. Kimberlin	✓		1,150	23	1,127
25	18	Prepaid Insurance	130	3,000			3,000
30	19	A. Hess & Co.	✓		3,500		3,500
				8,340	7,150	68	15,422
				(X)	(201)	(120)	(101)

(b) **General Ledger**

Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			9,350
30		CP1	7,150		2,200

Accounts Payable Subsidiary Ledger

A. Hess & Co.

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			4,500
30		CP1	3,500		1,000

COMPREHENSIVE PROBLEM (Continued)

General Journal

G1

Date		Account Titles and Explanations	Ref.	Debit	Credit
Jan.	31	Merchandise Inventory (Jan. 31)	120	15,000	
		Sales	401	77,720	
		Purchase Returns and Allowances	512	200	
		Income Summary	350		92,920
	31	Income Summary	350	83,235	
		Merchandise Inventory (Jan. 1)	120		20,000
		Sales Returns and Allowances	412		300
		Purchases	510		52,600
		Freight In	516		180
		Rent Expense	729		1,000
		Sales Salaries Expense	627		4,300
		Office Salaries Expense	727		3,600
		Office Supplies Expense	728		900
		Insurance Expense	722		200
		Depreciation Expense	711		125
		Interest Expense	718		30
	31	Income Summary	350	9,685	
		I. Packard, Capital	301		9,685
	31	I. Packard, Capital	301	800	
		I. Packard, Drawing	306		800

(b) & (e) General Ledger

Cash No. 101

Date		Explanation	Ref.	Debit	Credit	Balance
Jan.	1	Balance	✓			33,750
	31		CR1	67,420		101,170
	31		CP1		59,180	41,990

COMPREHENSIVE PROBLEM (Continued)

Accumulated Depreciation—Equipment — No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
31		G1		125	1,625

Notes Payable — No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 21	Balance	G1		15,000	15,000

Accounts Payable — No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			35,000
31		P1		52,600	87,600
31		CP1	48,700		38,900
18		G1	200		38,700
21		G1	15,000		23,700

Interest Payable — No. 230

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1		30	30

I. Packard, Capital — No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			78,700
31		G1		9,685	88,385
31		G1	800		87,585

I. Packard, Drawing — No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 15		CP1	800		800
31		G1		800	0

S. Yost

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		3,000	3,000
16		P1		1,500	4,500
27		P1		2,800	7,300

(c)

PACKARD COMPANY
Worksheet
For the Month Ended January 31, 2008

Account Titles	Trial Balance Dr.	Trial Balance Cr.	Adjustments Dr.	Adjustments Cr.	Adjusted Trial Balance Dr.	Adjusted Trial Balance Cr.	Income Statement Dr.	Income Statement Cr.	Balance Sheet Dr.	Balance Sheet Cr.
Cash	41,990				41,990				41,990	
Accounts Receivable	23,000				23,000				23,000	
Notes Receivable	39,000				39,000				39,000	
Merchandise Inventory	20,000				20,000		20,000	15,000	15,000	
Office Supplies	1,600			(1) 900	700				700	
Prepaid Insurance	2,000			(2) 200	1,800				1,800	
Equipment	6,450				6,450				6,450	
Accum. Depreciation—Equipment		1,500		(3) 125		1,625				1,625
Notes Payable		15,000				15,000				15,000
Accounts Payable		23,700				23,700				23,700
Interest Payable				(4) 30		30				30
I. Packard, Capital		78,700				78,700				78,700
I. Packard, Drawing	800				800				800	
Sales		77,720				77,720		77,720		
Sales Returns and Allowances	300				300		300			
Purchases	52,600				52,600		52,600			
Purchase Returns and Allowances		200				200		200		
Freight In	180				180		180			
Sales Salaries Expense	4,300				4,300		4,300			
Office Salaries Expense	3,600				3,600		3,600			
Rent Expense	1,000				1,000		1,000			
Totals	196,820	196,820								
Office Supplies Expense			(1) 900		900		900			
Insurance Expense			(2) 200		200		200			
Depreciation Expense			(3) 125		125		125			
Interest Expense			(4) 30		30		30			
Totals			1,255	1,255	196,975	196,975	83,235	92,920	128,740	119,055
Net Income							9,685			9,685
Totals							92,920	92,920	128,740	128,740

(f)

BLUMA CO.
Post-Closing Trial Balance
January 31, 2008

	Debit	Credit
Cash	$ 42,055	
Notes Receivable	39,000	
Accounts Receivable	22,200	
Merchandise Inventory	32,725	
Office Supplies	900	
Prepaid Insurance	1,800	
Equipment	6,450	
Accumulated Depreciation—Equipment		$ 1,625
Notes Payable		15,000
Accounts Payable		29,800
Interest Payable		50
M. Bluma, Capital		98,655
	$145,130	$145,130

Accounts Receivable balance		$22,200
Subsidiary account balances		
R. Dvorak	$ 4,400	
J. Forbes	6,100	
B. Garcia	9,000	
B. Richey	2,700	
		$22,200

Accounts Payable balance		$29,800
Subsidiary account balances		
D. Lynch	$ 3,400	
D. Omara	14,500	
S. Vogel	11,900	
		$29,800

BYP 7-3 DECISION MAKING ACROSS THE ORGANIZATION

(a) The special journals for Hughey & Payne should be: (1) sales journal, (2) purchases journal, (3) cash receipts journal, and (4) cash payments journal.

(1) Sales Journal columns:
- Date.
- Account Debited.
- Invoice Number.
- Reference.
- Accounts Receivable, Dr. and Sales—Appliances, Cr.
- Cost of Goods Sold, Dr. and Merchandise Inventory—Appliances, Cr.

(2) Purchases Journal columns:
- Date.
- Account Credited.
- Terms.
- Reference.
- Accounts Payable, Cr.
- Merchandise Inventory—Appliances, Dr.
- Merchandise Inventory—Parts, Dr.

Note: Because two different types of merchandise are purchased on credit, a three-column purchases journal might be used.

(3) Cash Receipts Journal columns:
- Date.
- Account Credited.
- Reference.
- Cash, Dr.
- Accounts Receivable, Cr.
- Sales—Appliances, Cr.
- Sales—Parts, Cr.
- Revenue from Repairs, Cr.
- Other Accounts, Cr.
- Cost of Goods Sold, Dr. and Merchandise Inventory—Appliances, Cr.
- Cost of Goods Sold, Dr. and Merchandise Inventory—Parts, Cr.

Note: A Sales Discounts, Dr. column is not needed because all credit terms are net/30 days.

BYP 7-3 (Continued)

(4) **Cash Payments Journal columns:**
- Date.
- Check Number.
- Account Debited.
- Reference.
- Other Accounts, Dr.
- Accounts Payable, Dr.
- Advertising Expense, Dr.
- Salaries Expense, Dr.
- Merchandise Inventory—Appliances, Cr.
- Merchandise Inventory—Parts, Cr.
- Cash, Cr.

(b) **Hughey & Payne should have:**

(1) An accounts receivable control account with individual customers' accounts in a customers' subsidiary ledger.

(2) An accounts payable control account with individual creditors in a creditors' subsidiary ledger.

The use of control accounts and subsidiary ledgers will: (1) provide necessary up-to-date information on specific customer and creditor balances, (2) free the general ledger of excessive detail, (3) help locate errors in individual accounts, and (4) make possible a division of labor in posting.

BYP 7-5	ETHICS CASE

(a) The stakeholders in this case are:

- Jose Molina, manager of Roniger's centralized computer accounting operation.
- The employees of Roniger's three divisions at Freeport, Rockport, and Bayport.

(b) Jose's instructions to assign the Bayport code to all uncoded and incorrectly coded sales documents overstates the sales of Bayport and understates the sales of Freeport and Rockport, thereby affecting the employee bonus plan. Jose's intent and action are unethical. He is padding the sales of his wife's, relatives', and friends' Bayport division sales and unfairly aiding them in the bonus competition.

(c) Roniger Products Company should have a written policy covering uncoded and incorrectly coded sales documents. This would prevent the manager from arbitrarily designating the division to be credited for the uncoded sales.