

PROBLEM 3-1A

(a)

J4

Date	Account Titles	Ref.	Debit	Credit
2014				
May 31	Supplies Expense	631	900	
	Supplies.....	126		900
31	Utilities Expense	736	250	
	Accounts Payable	201		250
31	Insurance Expense	722	150	
	Prepaid Insurance			
	(\$3,600 ÷ 24 months).....	130		150
31	Unearned Service Revenue	209	1,600	
	Service Revenue			
	(\$2,000 – \$400).....	400		1,600
31	Salaries and Wages Expense.....	726	1,080	
	Salaries and Wages Payable			
	[(3/5 X \$900) X			
	2 employees]	212		1,080
31	Depreciation Expense.....	717	190	
	Accumulated Depreciation—			
	Equipment	150		190
31	Accounts Receivable.....	112	1,700	
	Service Revenue	400		1,700

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			4,500

PROBLEM 3-1A (Continued)**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			6,000
31	Adjusting	J4	1,700		7,700

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			1,900
31	Adjusting	J4		900	1,000

Prepaid Insurance **No. 130**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			3,600
31	Adjusting	J4		150	3,450

Equipment **No. 149**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			11,400

Accumulated Depreciation—Equipment **No. 150**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Adjusting	J4		190	190

PROBLEM 3-1A (Continued)**Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			4,500
31	Adjusting	J4		250	4,750

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			2,000
31	Adjusting	J4	1,600		400

Salaries and Wages Payable **No. 212**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Adjusting	J4		1,080	1,080

Owner's Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			17,700

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			7,500
31	Adjusting	J4		1,600	9,100
31	Adjusting	J4		1,700	10,800

Supplies Expense **No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Adjusting	J4	900		900

PROBLEM 3-1A (Continued)

Depreciation Expense **No. 717**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Adjusting	J4	190		190

Insurance Expense **No. 722**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Adjusting	J4	150		150

Salaries and Wages Expense **726**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			3,400
31	Adjusting	J4	1,080		4,480

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Balance	✓			900

Utilities Expense **No. 736**

Date	Explanation	Ref.	Debit	Credit	Balance
2014					
May 31	Adjusting	J4	250		250

PROBLEM 3-1A (Continued)

(c) **NARDELLI CONSULTING**
Adjusted Trial Balance
May 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 4,500	
Accounts Receivable	7,700	
Supplies	1,000	
Prepaid Insurance	3,450	
Equipment	11,400	
Accumulated Depreciation— Equipment		\$ 190
Accounts Payable		4,750
Unearned Service Revenue		400
Salaries and Wages Payable		1,080
Owner's Capital		17,700
Service Revenue		10,800
Salaries and Wages Expense	4,480	
Rent Expense	900	
Depreciation Expense	190	
Insurance Expense	150	
Utilities Expense	250	
Supplies Expense	900	
	<u>\$34,920</u>	<u>\$34,920</u>

PROBLEM 3-2A

(a)

J1

Date	Account Titles	Ref.	Debit	Credit
May 31	Insurance Expense	722	200	
	Prepaid Insurance (\$2,400 X 1/12)	130		200
31	Supplies Expense	631	1,330	
	Supplies (\$2,080 – \$750).....	126		1,330
31	Depreciation Expense (\$3,000 X 1/12) + (\$1,500 X 1/12).....	619	375	
	Accumulated Depreciation— Buildings	142		250
	Accumulated Depreciation— Equipment	150		125
31	Interest Expense	718	400	
	Interest Payable [((\$40,000 X 12%) X 1/12]	230		400
31	Unearned Rent Revenue.....	208	2,200	
	Rent Revenue (2/3 X \$3,300)	429		2,200
31	Salaries and Wages Expense.....	726	750	
	Salaries and Wages Payable	212		750

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			3,500

PROBLEM 3-2A (Continued)**Supplies** **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			2,080
31	Adjusting	J1		1,330	750

Prepaid Insurance **No. 130**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			2,400
31	Adjusting	J1		200	2,200

Land **No. 140**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			12,000

Buildings **No. 141**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			60,000

Accumulated Depreciation—Buildings **No. 142**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1		250	250

Equipment **No. 149**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			15,000

Accumulated Depreciation—Equipment **No. 150**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1		125	125

PROBLEM 3-2A (Continued)**Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			4,800

Unearned Rent Revenue **No. 208**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			3,300
31	Adjusting	J1	2,200		1,100

Salaries and Wages Payable **No. 212**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1		750	750

Interest Payable **No. 230**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1		400	400

Mortgage Payable **No. 275**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			40,000

Owner's Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			41,380

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			10,300
31	Adjusting	J1		2,200	12,500

PROBLEM 3-2A (Continued)**Advertising Expense** **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			600

Depreciation Expense **No. 619**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	375		375

Supplies Expense **No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	1,330		1,330

Interest Expense **No. 718**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	400		400

Insurance Expense **No. 722**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	200		200

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			3,300
31	Adjusting	J1	750		4,050

Utilities Expense **No. 732**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			900

PROBLEM 3-2A (Continued)

(c)

SKYLINE MOTEL
Adjusted Trial Balance
May 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 3,500	
Supplies.....	750	
Prepaid Insurance.....	2,200	
Land.....	12,000	
Buildings.....	60,000	
Accumulated Depreciation—Buildings.....		\$ 250
Equipment.....	15,000	
Accumulated Depreciation—Equipment.....		125
Accounts Payable.....		4,800
Unearned Rent Revenue.....		1,100
Salaries and Wages Payable.....		750
Interest Payable.....		400
Mortgage Payable.....		40,000
Owner’s Capital.....		41,380
Rent Revenue.....		12,500
Advertising Expense.....	600	
Depreciation Expense.....	375	
Supplies Expense.....	1,330	
Interest Expense.....	400	
Insurance Expense.....	200	
Salaries and Wages Expense.....	4,050	
Utilities Expense.....	900	
	<u>\$101,305</u>	<u>\$101,305</u>

PROBLEM 3-2A (Continued)

(d)

SKYLINE MOTEL
Income Statement
For the Month Ended May 31, 2014

Revenues		
Rent revenue		\$12,500
Expenses		
Salaries and wages expense.....	\$4,050	
Supplies expense	1,330	
Utilities expense	900	
Advertising expense.....	600	
Interest expense	400	
Depreciation expense.....	375	
Insurance expense	<u>200</u>	
Total expenses		<u>7,855</u>
Net income.....		<u>\$ 4,645</u>

SKYLINE MOTEL
Owner's Equity Statement
For the Month Ended May 31, 2014

Owner's capital, May 1	\$ 0
Investment by owner.....	<u>41,380</u>
	41,380
Add: Net income.....	<u>4,645</u>
Owner's capital, May 31	<u>\$46,025</u>

PROBLEM 3-2A (Continued)

SKYLINE MOTEL
Balance Sheet
May 31, 2014

Assets		
Cash		\$ 3,500
Supplies		750
Prepaid insurance		2,200
Land		12,000
Buildings.....	\$60,000	
Less: Accumulated depreciation— buildings.....	250	59,750
Equipment.....	15,000	
Less: Accumulated depreciation— equipment	125	14,875
Total assets		\$93,075
Liabilities and Owner's Equity		
Liabilities		
Accounts payable		\$ 4,800
Unearned rent revenue.....		1,100
Salaries and wages payable		750
Interest payable		400
Mortgage payable		40,000
Total liabilities		47,050
Owner's equity		
Owner's capital		46,025
Total liabilities and owner's equity		\$93,075