

CHAPTER 7

ACCOUNTING INFORMATION SYSTEMS

LEARNING OBJECTIVES

- 1. IDENTIFY THE BASIC CONCEPTS OF AN ACCOUNTING INFORMATION SYSTEM.**
- 2. DESCRIBE THE NATURE AND PURPOSE OF A SUBSIDIARY LEDGER.**
- 3. EXPLAIN HOW COMPANIES USE SPECIAL JOURNALS IN JOURNALIZING.**

CHAPTER REVIEW

Accounting Information Systems

1. (L.O. 1) The **accounting information system** collects and processes transaction data and communicates financial information to decision makers. It includes each step of the accounting cycle.
2. The **basic principles** of an accounting information system are:
 - a. **Cost-effectiveness.** The system must be cost effective: the benefits of the information must outweigh the cost of providing it.
 - b. **Usefulness.** To be useful the information must be understandable, relevant, reliable, timely, and accurate.
 - c. **Flexibility.** The system should accommodate a variety of users and changing information needs.

Computerized Accounting Systems

3. **General ledger accounting systems** are software programs that integrate the various accounting functions related to sales, purchases, receivables, payables, cash receipts and disbursements, and payroll. They also generate financial statements.
4. Companies with revenues of less than \$5 million and up to 20 employees generally use **entry-level programs**. Quality entry-level packages include easy data access and report preparation, provide an “audit trail,” have internal controls, enable customization, and provide network-compatibility.
5. **Enterprise resource planning (ERP) systems** are typically used by manufacturing companies with more than 500 employees and \$500 million in sales. ERP systems go far beyond the functions of an entry-level general ledger package by integrating all aspects of the organization, including accounting, sales, human resource management, and manufacturing.

Manual Systems

6. In a **manual accounting system**, each of the steps in the accounting cycle is performed by hand.

Subsidiary Ledgers

7. (L.O. 2) A **subsidiary ledger** is a group of accounts with a common characteristic, assembled together to facilitate the recording process by freeing the general ledger from details concerning individual balances.
8. Two common subsidiary ledgers are:
 - a. The accounts receivable (or customers’) ledger, which collects transaction data of individual customers.
 - b. The accounts payable (or creditors’) ledger, which collects transaction data of individual creditors.
9. The summary account in the general ledger is called a **control account** and the balance in the control account must equal the composite balance of the individual accounts in the subsidiary ledger at the end of the period.
10. The advantages of using subsidiary ledgers are that they:
 - a. Show in a single account transactions affecting one customer or one creditor, thus providing up-to-date information on specific account balances.
 - b. Free the general ledger of excessive details. As a result, a trial balance of the general ledger does not contain vast numbers of individual account balances.

- c. Help locate errors in individual accounts by reducing the number of accounts in one ledger and by using control accounts.
- d. Make possible a division of labor in posting by having one employee post to the general ledger while a different employee posts to the subsidiary ledgers.

Special Journals

11. (L.O. 3) To expedite journalizing and posting transactions, most companies use **special journals** in addition to the general journal. A special journal is used to group similar types of transactions, such as all sales of merchandise on account or all cash receipts.
12. The following are types of special journals:
 - a. Sales journal—all sales of merchandise on account.
 - b. Cash receipts journal—all cash received (including cash sales).
 - c. Purchases journal—all purchases of merchandise on account.
 - d. Cash payments journal—all cash paid (including cash purchases).
13. If a transaction cannot be recorded in a special journal, it is recorded in the general journal. Special journals permit greater division of labor and reduce the time necessary to complete the posting process.

Sales Journal

14. For the **sales journal**,
 - a. Each entry results in a debit to Accounts Receivable and a credit to Sales Revenue at selling price; and a debit to Cost of Goods Sold and a credit to Inventory at cost.
 - b. Only one line is needed to record each transaction.
 - c. All entries are made from sales invoices.
 - d. Postings are made daily to the individual accounts receivable in the subsidiary ledger and monthly, in total, to Accounts Receivable, Sales Revenue, Cost of Goods Sold and Inventory in the general ledger.

Cash Receipts Journal

15. The **cash receipts journal** is a columnar journal with debit columns for cash and sales discounts, and credit columns for accounts receivable, sales revenue, and “other” accounts. In addition there is a separate column for a debit to Cost of Goods Sold and a credit to Inventory. In journalizing cash receipts transactions:
 - a. Only one line is needed for each entry.
 - b. Each sale entry is accompanied by another entry that debits Cost of Goods Sold and credits Inventory for cost.
16. The **posting of a columnar journal** such as the cash receipts journal involves the following procedures:
 - a. All column totals except the total for the Other Accounts column are posted once at the end of the month to the account title or titles specified in the column heading.
 - b. The total of the Other Accounts column is not posted. Instead, the individual amounts comprising the total are posted separately to the general ledger accounts specified in the Accounts Credited column.
 - c. The individual amounts in a column, posted in total to a control account, are posted daily to the subsidiary ledger account specified in the Accounts Credited column.

Purchases Journal

17. For the **purchases journal**,
 - a. Each entry results in a debit to Inventory and a credit to Accounts Payable.
 - b. Only one line is needed to record each transaction.
 - c. All entries are made from purchase invoices.

- d. Postings are made daily to the individual creditor accounts in the accounts payable subsidiary ledger and monthly, in total, to Inventory and Accounts Payable in the general ledger.
18. The purchases journal can be expanded into a columnar journal by adding columns for supplies and other accounts.

Cash Payments Journal

19. The **cash payments journal** has multiple columns because cash payments may be made for a variety of purposes.
- a. The journalizing procedures are similar to those described earlier for the cash receipts journal.
 - b. All entries are made from prenumbered checks.
 - c. The posting procedures are similar to those described earlier for the cash receipts journal.

Effects of Special Journals on the General Journal

20. Only transactions that cannot be entered in a special journal are recorded in the **general journal**. When the entry involves both control and subsidiary accounts the following modifications are required:
- a. In journalizing, both the control and subsidiary accounts must be identified.
 - b. In posting, there must be a dual posting: once to the control account and once to the subsidiary account.

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 7-1

- 1. True.
- 2. False.
- 3. True.

BRIEF EXERCISE 7-2

- | | |
|-------|-------|
| (a) 3 | (d) 2 |
| (b) 4 | (e) 1 |
| (c) 5 | |

BRIEF EXERCISE 7-3

- 1. True.
- 2. False. The benefits obtained from information provided by the accounting information system *must* outweigh the cost of providing that information.
- 3. True.
- 4. False. An accounting information system must be cost effective, provide useful output, *and be flexible enough to accommodate changing information needs.*

BRIEF EXERCISE 7-4

<u>Accounts Receivable Subsidiary Ledger</u>					<u>General Ledger</u>				
Austin Co.					Accounts Receivable				
<u>Date</u>	<u>Ref.</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>	<u>Date</u>	<u>Ref.</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
Jan. 7		10,000		10,000	Jan. 31		27,000		27,000
17			7,000	3,000	31			20,000	7,000
Diaz Co.									
<u>Date</u>	<u>Ref.</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>					
Jan. 15		8,000		8,000					
24			4,000	4,000					
Noble Co.									
<u>Date</u>	<u>Ref.</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>					
Jan. 23		9,000		9,000					
29			9,000	0					

BRIEF EXERCISE 7-5

- (a) General ledger
- (b) Subsidiary ledger
- (c) General ledger
- (d) Subsidiary ledger

BRIEF EXERCISE 7-6

- (a) Cash Receipts Journal
- (b) Cash Payments Journal
- (c) Cash Payments Journal
- (d) Sales Journal
- (e) Purchases Journal
- (f) Cash Receipts Journal

BRIEF EXERCISE 7-7

- (a) No
- (b) Yes
- (c) Yes
- (d) No

BRIEF EXERCISE 7-8

- (a) General Journal (if a one-column Purchases Journal)
Purchases Journal (if a multi-column Purchases Journal)
- (b) Purchases Journal
- (c) Cash Payments Journal
- (d) Sales Journal

BRIEF EXERCISE 7-9

- (a) Cash Receipts Journal
- (b) Cash Receipts Journal
- (c) Cash Receipts Journal
- (d) Sales Journal and Cash Receipts Journal
- (e) Purchases Journal

BRIEF EXERCISE 7-10

- (a) Both in total and daily
- (b) In total
- (c) In total
- (d) Only daily

PROBLEM 7-1B

(a) **Cash Receipts Journal** **CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
June 1	Owner's Capital	301	15,000				15,000	
3	Hinshaw Co.	✓	1,960	40	2,000			
6	Guthrie Co.	✓	2,744	56	2,800			
7			8,700			8,700		5,000
9	Suppan & Son	✓	2,940	60	3,000			
11	Inventory	120	450				450	
15			6,500			6,500		4,000
20	Quentin Bros.	✓	2,400		2,400			
			<u>40,694</u>	<u>156</u>	<u>10,200</u>	<u>15,200</u>	<u>15,450</u>	<u>9,000</u>
			(101)	(414)	(112)	(401)	(X)	(505/120)

(b) **General Ledger**

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			10,200
30		CR1		10,200	0

Accounts Receivable Subsidiary Ledger

Suppan & Son

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			3,000
9		CR1		3,000	0

PROBLEM 7-1B (Continued)

Guthrie Co.

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,800
6		CR1		2,800	0

Quentin Bros.

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,400
20		CR1		2,400	0

Hinshaw Co.

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,000
3		CR1		2,000	0

- (c) Accounts receivable balance = 0.
Sum of all subsidiary accounts = 0.

PROBLEM 7-2B

(a) **Cash Payments Journal** CP1

Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
Nov. 1	11	Inventory	120	950			950
3	12	Equipment	157	1,400			1,400
5	13	W. Olivo	✓		1,800	18	1,782
11	14	Inventory	120	1,700			1,700
15	15	R. Trumbo	✓		800	24	776
16	16	Owner's Drawings	306	400			400
19	17	D. Montero	✓		2,100	42	2,058
25	18	Prepaid Insurance	130	2,400			2,400
30	19	S. Gentry	✓		<u>2,700</u>		<u>2,700</u>
				<u>6,850</u>	<u>7,400</u>	<u>84</u>	<u>14,166</u>
				(X)	(201)	(120)	(101)

(b) **General Ledger**

Accounts Payable						No. 201
Date	Explanation		Ref.	Debit	Credit	Balance
Nov. 1	Balance		✓			8,700
30			CP1	7,400		1,300

Accounts Payable Subsidiary Ledger

S. Gentry						
Date	Explanation		Ref.	Debit	Credit	Balance
Nov. 1	Balance		✓			4,000
30			CP1	2,700		1,300

PROBLEM 7-2B (Continued)

D. Montero

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			2,100
19		CP1	2,100		0

R. Trumbo

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			800
15		CP1	800		0

W. Olivo

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			1,800
5		CP1	1,800		0

(c) Accounts payable balance: \$1,300

Subsidiary account balances:

S. Gentry \$1,300
\$1,300

PROBLEM 7-3B

(a)

Purchases Journal					P1
Date	Account Credited (Debited)	Ref.	Accounts Payable Cr.	Inventory Dr.	Other Accounts Dr.
May 2	Berkman Company	✓	5,000	5,000	
3	Fast Freight	✓	250	250	
8	Kayser Company	✓	5,400	5,400	
8	Neufeld Company	✓	3,000	3,000	
15	Rabel's Supplies (Supplies)	126/✓	600		600
16	Berkman Company	✓	3,100	3,100	
16	Kayser Company	✓	4,200	4,200	
18	Fast Freight	✓	325	325	
25	Mock Advertising (Adv. Exp.)	610/✓	620		620
28	Rabel's Supplies (Equipment)	157/✓	400		400
			<u>22,895</u>	<u>21,275</u>	<u>1,620</u>
			(201)	(120)	(X)

Sales Journal					S1
Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.	
May 5	Persinger Co.	✓	1,300	780	
5	Fehr Bros.	✓	2,300	1,380	
5	Mount Company	✓	1,000	600	
23	Fehr Bros.	✓	1,600	960	
23	Mount Company	✓	2,500	1,500	
			<u>8,700</u>	<u>5,220</u>	
			(112)(401)	(505)(120)	

PROBLEM 7-3B (Continued)

General Journal

Date	Accounts and Explanations	Ref.	Debit	Credit
May 10	Accounts Payable—Neufeld Company	201/✓	350	
	Inventory	120		350
17	Accounts Payable—Rabel’s Supplies	201/✓	70	
	Supplies	126		70
20	Accounts Payable—Berkman Company	201/✓	200	
	Inventory	120		200
26	Sales Returns and Allowances	412	140	
	Accounts Receivable—Mount Company	112/✓		140

(b) General Ledger

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
May 31		S1	8,700		8,700
26		G1		140	8,560

Inventory					No. 120
Date	Explanation	Ref.	Debit	Credit	Balance
May 31		P1	21,275		21,275
10		G1		350	20,925
20		G1		200	20,725
31		S1		5,220	15,505

PROBLEM 7-3B (Continued)**Supplies** **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
May 15		P1	600		600
17		G1		70	530

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
May 28		P1	400		400

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		P1		22,895	22,895
10		G1	350		22,545
17		G1	70		22,475
20		G1	200		22,275

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		S1		8,700	8,700

Sales Returns and Allowances **No. 412**

Date	Explanation	Ref.	Debit	Credit	Balance
May 26		G1	140		140

Cost of Goods Sold **No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		S1	5,220		5,220

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
May 25		P1	620		620

PROBLEM 7-3B (Continued)**Accounts Receivable Subsidiary Ledger****Persinger Company**

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		S1	1,300		1,300

Fehr Bros.

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		S1	2,300		2,300
23		S1	1,600		3,900

Mount Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		S1	1,000		1,000
23		S1	2,500		3,500
26		G1		140	3,360

Accounts Payable Subsidiary Ledger**Fast Freight**

Date	Explanation	Ref.	Debit	Credit	Balance
May 3		P1		250	250
18		P1		325	575

Berkman Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 2		P1		5,000	5,000
16		P1		3,100	8,100
20		G1	200		7,900

PROBLEM 7-3B (Continued)

Rabel's Supplies

Date	Explanation	Ref.	Debit	Credit	Balance
May 15		P1		600	600
17		G1	70		530
28		P1		400	930

Kayser Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 8		P1		5,400	5,400
16		P1		4,200	9,600

Neufeld Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 8		P1		3,000	3,000
10		G1	350		2,650

Mock Advertising

Date	Explanation	Ref.	Debit	Credit	Balance
May 25		P1		620	620

PROBLEM 7-3B (Continued)

(c) Accounts receivable balance \$ 8,560

Subsidiary account balances

Persinger Company	\$1,300	
Fehr Bros.....	3,900	
Mount Company.....	<u>3,360</u>	
Total		<u>\$ 8,560</u>

Accounts payable balance \$22,275

Subsidiary account balances

Fast Freight	\$ 575	
Berkman Company	7,900	
Rabel's Supplies	930	
Kayser Company	9,600	
Neufeld Company	2,650	
Mock Advertising.....	<u>620</u>	
Total		<u>\$22,275</u>

PROBLEM 7-4B

(a), (b) & (c)

Sales Journal

S1

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
Oct. 4	Doumit Co.	204	✓	5,600	3,640
17	JR's Warehouse	205	✓	4,900	3,185
25	Fryer Corp.	206	✓	3,800	2,470
30	JR's Warehouse	207	✓	3,400	2,210
				<u>17,700</u>	<u>11,505</u>
				(112)(401)	(505)(120)

Purchases Journal

P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Oct. 2	Kent Company	✓	15,000
10	Wrigley Corp.	✓	2,600
27	Marte Co.	✓	6,200
30	Kent Company	✓	10,000
			<u>33,800</u>
			(120)(201)

General Journal

G1

Date	Accounts and Explanations	Ref.	Debit	Credit
Oct. 13	Accounts Payable—Wrigley Corp.....	201/✓	150	
	Inventory	120		150
25	Supplies	126	190	
	Accounts Payable—Francisco Co.....	201/✓		190

PROBLEM 7-4B (Continued)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales	Accounts	Sales	Other	Cost of Goods Sold
				Discounts Dr.	Receivable Cr.	Revenue Cr.	Accounts Cr.	Dr. Inventory Cr.
Oct. 7			6,700			6,700		4,355
12	Doumit Co.	✓	5,488	112	5,600			
14			6,000			6,000		3,900
16	Land	140	20,000				20,000	
21			6,000			6,000		3,900
25	JR's Warehouse.	✓	4,802	98	4,900			
28			<u>5,500</u>			<u>5,500</u>		<u>3,575</u>
			<u>54,490</u>	<u>210</u>	<u>10,500</u>	<u>24,200</u>	<u>20,000</u>	<u>15,730</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

Cash Payments Journal

CP1

Date	Account Debited	Ref.	Other	Accounts	Inventory Cr.	Cash Cr.
			Accounts Dr.	Payable Dr.		
Oct. 5	Supplies	126	60			60
9	Kent Co.	✓			15,000	300
18	Inventory	120	1,600			1,600
23	Wrigley Corp.	✓			2,450	2,450
26	Land	140	16,000			
	Buildings	145	10,000			26,000
30	Advertising Expense	610	<u>290</u>			<u>290</u>
			<u>27,950</u>	<u>17,450</u>	<u>300</u>	<u>45,100</u>
			(X)	(201)	(120)	(101)

PROBLEM 7-5B

(b)

Purchases Journal

P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Feb. 2	B. Setterstrom	✓	5,600
7	A. Dambro	✓	23,000
16	D. Budke	✓	1,900
21	Eberle Company	✓	8,000
			<u>38,500</u>
			(120)(201)

Cash Payments Journal

CP1

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
Feb. 9	Supplies	126	980			980
12	B. Setterstrom	✓		5,600	112	5,488
15	Equipment	157	4,500			4,500
17	A. Dambro	✓		23,000	230	22,770
20	Owner's Drawings	306	800			800
28	D. Budke	✓		1,900		1,900
			<u>6,280</u>	<u>30,500</u>	<u>342</u>	<u>36,438</u>
			(X)	(201)	(120)	(101)

(a), (d) & (g)

General Ledger

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		CR1	36,580		36,580
28		CP1		36,438	142

PROBLEM 7-5B (Continued)**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		S1	21,000		21,000
28		CR1		9,000	12,000

Inventory **No. 120**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		P1	38,500		38,500
18		CR1		120	38,380
28		CP1		342	38,038
28		S1		12,600	25,438
28		CR1		2,700	22,738

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 9		CP1	980		980
28	Adjusting entry	G1		780	200

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 15		CP1	4,500		4,500

Accumulated Depreciation—Equipment **No. 158**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28	Adjusting entry	G1		150	150

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		P1		38,500	38,500
28		CP1	30,500		8,000

PROBLEM 7-5B (Continued)**Owner's Capital** **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 1		CR1		23,000	23,000

Owner's Drawings **No. 306**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 20		CP1	800		800

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		S1		21,000	21,000
28		CR1		4,500	25,500

Sales Discounts **No. 414**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		CR1	40		40

Cost of Goods Sold **No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		S1	12,600		12,600
28		CR1	2,700		15,300

Supplies Expense **No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28	Adjusting entry	G1	780		780

Depreciation Expense **No. 711**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28	Adjusting entry	G1	150		150

PROBLEM 7-5B (Continued)

(c) Accounts Receivable Subsidiary Ledger

C. Ogleby

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 3		S1	4,000		4,000
13		CR1		4,000	0

T. Ghosh

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 12		S1	6,500		6,500

S. Hauke

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 9		S1	5,000		5,000
26		CR1		5,000	0

W. Hoy

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 26		S1	5,500		5,500

Accounts Payable Subsidiary Ledger

Eberle Company

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 21		P1		8,000	8,000

B. Setterstrom

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 2		P1		5,600	5,600
12		CP1	5,600		0

PROBLEM 7-5B (Continued)

A. Dambro

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 7		P1		23,000	23,000
17		CP1	23,000		0

D. Budke

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 16		P1		1,900	1,900
28		CP1	1,900		0

(e) **LOWERY CO.**
Trial Balance
February 28, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 142	
Accounts Receivable	12,000	
Inventory	22,738	
Supplies	980	
Equipment	4,500	
Accounts Payable		\$ 8,000
Owner's Capital		23,000
Owner's Drawings	800	
Sales Revenue		25,500
Sales Discounts	40	
Cost of Goods Sold	<u>15,300</u>	
	<u>\$56,500</u>	<u>\$56,500</u>

PROBLEM 7-5B (Continued)

(f)	Accounts Receivable control account.....		<u>\$12,000</u>
	Accounts Receivable subsidiary accounts		
	T. Ghosh	\$6,500	
	W. Hoy	<u>5,500</u>	<u>\$12,000</u>
	Accounts Payable control account.....		<u>\$ 8,000</u>
	Accounts Payable subsidiary account		
	Eberle Company		<u>\$ 8,000</u>

(g)

General Journal				G1
Date	Accounts and Explanations	Ref.	Debit	Credit
Feb. 28	Supplies Expense	631	780	
	Supplies	126		780
28	Depreciation Expense.....	711	150	
	Accumulated Depreciation— Equipment.....	158		150

PROBLEM 7-5B (Continued)

(h)

**LOWERY CO.
Adjusted Trial Balance
February 28, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 142	
Accounts Receivable	12,000	
Inventory	22,738	
Supplies	200	
Equipment	4,500	
Accumulated Depreciation—Equipment		\$ 150
Accounts Payable		8,000
Owner's Capital		23,000
Owner's Drawings	800	
Sales Revenue		25,500
Sales Discounts	40	
Cost of Goods Sold	15,300	
Supplies Expense	780	
Depreciation Expense	150	
	<u>\$56,650</u>	<u>\$56,650</u>