Chapter 2

Problems: Set C

P2-1C Eucpar Miniature Golf and Driving Range was opened on March 1 by Nicholas Palmer. The following selected events and transactions occurred during March:

Mar. 1 Invested $50,000 cash in the business.
3 Purchased Tee's Golf Land for $38,000 cash. The price consists of land $23,000, building $9,000, and equipment $6,000. (Make one compound entry.)
5 Advertised the opening of the driving range and miniature golf course, paying advertising expenses of $1,600.
6 Paid cash $1,480 for a one-year insurance policy.
10 Purchased golf clubs and other equipment for $2,600 from Hogan Company payable in 30 days.
18 Received $800 in cash for golf fees (record as service revenue).
19 Sold 100 coupon books for $15 each. Each book contains 10 coupons that enable the holder to play one round of miniature golf or to hit one bucket of golf balls.
25 Withdrew $2,000 cash for personal use.
30 Paid salaries of $600.
30 Paid Hogan Company in full.
31 Received $500 cash for golf fees.

Nicholas Palmer uses the following accounts: Cash; Prepaid Insurance; Land; Buildings; Equipment; Accounts Payable; Unearned Service Revenue; Owner’s Capital; Owner’s Drawings; Service Revenue; Advertising Expense; and Salaries and Wages Expense.

Instructions
Journalize the March transactions.

P2-2C Barbara Fair is a licensed architect. During the first month of the operation of her business, the following events and transactions occurred.

April 1 Invested $45,000 cash.
1 Hired a secretary-receptionist at a salary of $500 per week payable monthly.
2 Paid office rent for the month $800.
3 Purchased architectural supplies on account from Dakin Company $1,500.
10 Completed blueprints on a carport and billed client $1,800 for services performed.
11 Received $500 cash advance from D. Ellington for the design of a new home.
20 Received $1,500 cash for services completed and delivered to J. Leno.
30 Paid secretary-receptionist for the month $2,000.
30 Paid $600 to Dakin Company for accounts payable due.

Fair uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 301 Owner’s Capital, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions
(a) Journalize the transactions.
(b) Post to the ledger accounts.
(c) Prepare a trial balance on April 30, 2017.

P2-3C Haskett Services was formed on May 1, 2017. The following transactions took place during the first month.

Transactions on May 1:
1. Frank Haskett invested $100,000 cash in the company, as its sole owner.
2. Hired two employees to work in the warehouse. They will each be paid a salary of $3,000 per month.
3. Signed a 2-year rental agreement on a warehouse; paid $36,000 cash in advance for the first year.
4. Purchased furniture and equipment costing $60,000. A cash payment of $20,000 was made immediately; the remainder will be paid in 6 months.
5. Paid $3,000 cash for a one-year insurance policy on the furniture and equipment.
Transactions during the remainder of the month:

6. Purchased basic office supplies for $1,000 cash.
7. Purchased more office supplies for $3,000 on account.
8. Total revenues earned were $30,000—$10,000 cash and $20,000 on account.
9. Paid $800 to suppliers for accounts payable due.
10. Received $5,000 from customers in payment of accounts receivable.
11. Received utility bills in the amount of $400, to be paid next month.
12. Paid the monthly salaries of the two employees, totalling $6,000.

Instructions

(a) Prepare journal entries to record each of the events listed. (Omit explanations).
(b) Post the journal entries to T accounts.
(c) Prepare a trial balance as of May 31, 2017.

Prepare a correct trial balance. P2-4C The trial balance of Bill Bellichek Co. shown below does not balance.

<table>
<thead>
<tr>
<th>BILL BELLICHEK CO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trial Balance</td>
</tr>
<tr>
<td>June 30, 2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 2,840</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$ 3,231</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>2,666</td>
<td></td>
</tr>
<tr>
<td>Unearned Service Revenue</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Owner's Capital</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Owner's Drawings</td>
<td>2,380</td>
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<tr>
<td>Service Revenue</td>
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<td></td>
</tr>
<tr>
<td>Salaries and Wages Expense</td>
<td>3,400</td>
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</tr>
<tr>
<td>Supplies Expense</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>$13,341</td>
<td>$16,886</td>
</tr>
</tbody>
</table>

Each of the listed accounts has a normal balance per the general ledger. An examination of the ledger and journal reveals the following errors.

1. Cash received from a customer in payment of its account was debited for $470, and Accounts Receivable was credited for the same amount. The actual collection was for $740.
2. The purchase of a printer on account for $340 was recorded as a debit to Supplies for $340 and a credit to Accounts Payable for $340.
3. Services were performed on account for a client for $890. Accounts Receivable was debited for $890, and Service Revenue was credited for $89.
4. A debit posting to Salaries and Wages Expense of $600 was omitted.
5. A payment of a balance due for $206 was credited to Cash for $206 and credited to Accounts Payable for $260.
6. The withdrawal of $500 cash for Bellichek’s personal use was debited to Salaries and Wages Expense for $500 and credited to Cash for $500.

Instructions

Prepare a correct trial balance. (Hint: It helps to prepare the correct journal entry for the transaction described and compare it to the mistake made).

Trial balance totals $15,581

Journalize transactions, post, and prepare a trial balance. P2-5C The Jensen Theater, owned by Tom Jensen, will begin operations in March. The Jensen Theater will be unique in that it will show only triple features of sequential theme movies. As of March 1, the ledger of Jensen Theater showed: No. 101 Cash $16,000; No. 140 Land $42,000; No. 145 Buildings (concession stand, projection room, ticket booth, and screen) $18,000; No. 157 Equipment $16,000; No. 201 Accounts Payable $12,000; and No. 301 Owner’s Capital $80,000. During the month of March the following events and transactions occurred.

Mar. 2 Rented the three Star Wars movies (Star Wars, The Empire Strikes Back, and The Return of the Jedi) to be shown for the first 3 weeks of March. The film rental was $6,000; $3,000 was paid in cash and $3,000 will be paid on March 10.
3 Ordered the first three *Star Trek* movies to be shown the last 10 days of March.
   It will cost $300 per night.
9 Received $6,500 cash from admissions.
10 Paid balance due on *Star Wars* movies rental and $4,000 on March 1 accounts payable.
11 Jensen Theater contracted with B. Rice Company to operate the concession stand. Pitt is to pay 10% of gross concession receipts (payable monthly) for the rental of the concession stand.
12 Paid advertising expenses $800.
20 Received $7,200 cash from customers for admissions.
20 Received the *Star Trek* movies and paid the rental fee of $3,000.
31 Paid salaries of $4,800.
31 Received statement from B. Rice showing gross receipts from concessions of $8,000 and the balance due to Jensen Theater of $800 ($8,000 × 10%) for March. Rice paid one-half the balance due and will remit the remainder on April 5.
31 Received $7,000 cash from customers for admissions.

In addition to the accounts identified above, the chart of accounts includes: No. 112 Accounts Receivable, No. 400 Service Revenue, No. 429 Rent Revenue, No. 610 Advertising Expense, No. 632 Rent Expense, and No. 726 Salaries and Wages Expense.

**Instructions**
(a) Enter the beginning balances in the ledger. Insert a check mark (√) in the reference column of the ledger for the beginning balance.
(b) Journalize the March transactions.
(c) Post the March journal entries to the ledger: Assume that all entries are posted from page 1 of the journal.
(d) Prepare a trial balance on March 31, 2017.

Trial balance totals $109,500