

Chapter 2 Handouts

1. The detailed record of the changes in a particular asset, liability, or stockholders' equity is called

- A. an account.
 - B. a journal.
 - C. a ledger.
 - D. a trial balance.
-

2. Which of the following accounts is a liability?

- A. Accounts Receivable
 - B. Service Revenue
 - C. Unearned Revenue
 - D. Prepaid Rent Expense
-

3. The left side of an account is used to record which of the following?

- A. Debit or credit, depending on the type of account
 - B. Increases
 - C. Credits
 - D. Debits
-

4. Which of the following statements is correct?

- A. Prepaid Expenses are decreased with a debit.
 - B. Unearned Revenue is increased with a debit.
 - C. Rent Expense is increased with a credit.
 - D. Accounts Payable is increased with a credit.
-

5. Your business purchased office supplies of \$2,500 on account. The journal entry to record this transaction is as follows:

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Office Supplies Accounts Receivable	2,500	2,500
<input type="radio"/> B.	Office Supplies Accounts Payable	2,500	2,500
<input type="radio"/> C.	Accounts Payable Office Supplies	2,500	2,500
<input type="radio"/> D.	Cash Accounts Payable	2,500	2,500

6. Sedlor Properties purchased office supplies on account for \$800. Which journal entry records the payment of those office supplies?

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Accounts Payable Accounts Receivable	800	800
<input type="radio"/> B.	Accounts Payable Cash	800	800
<input type="radio"/> C.	Cash Accounts Payable	800	800
<input type="radio"/> D.	Office Supplies Cash	800	800

7. Posting a \$2,500 purchase of supplies on account appears as follows:

<input type="radio"/> A.	Cash	Office Supplies
	2,500	2,500
<input type="radio"/> B.	Office Supplies	Accounts Payable
	2,500	2,500
<input type="radio"/> C.	Office Supplies	Accounts Receivable
	2,500	2,500
<input type="radio"/> D.	Office Supplies	Accounts Payable
	2,500	2,500

8. Pixel Copies recorded a cash collection on account by debiting Cash and crediting Accounts Payable. What will the trial balance show for this error?

- A. Cash is overstated
- B. Liabilities are overstated
- C. Expenses are overstated
- D. The trial balance will not balance

9. Which sequence correctly summarizes the accounting process?

- A. Journalize transactions, post to the accounts, prepare a trial balance
- B. Journalize transactions, prepare a trial balance, post to the accounts
- C. Post to the accounts, journalize transactions, prepare a trial balance
- D. Prepare a trial balance, journalize transactions, post to the accounts

10. Nashville Laundry reported assets of \$800 and equity of \$480. What is Nashville's debt ratio? (Round your answer to the nearest whole number.)
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Review Only

Click the icon to see the Worked Solution.

- A. 60%
 - B. 40%
 - C. 67%
 - D. Not enough information is provided
-

11. Vick Yardley practices medicine under the business title Vick Yardley, M. D. During July, the medical practice completed the following transactions:

¹(Click the icon to view the transactions.)

The business uses the following accounts: Cash; Accounts Receivable; Office Supplies; Land; Accounts Payable; Advertising Payable; Unearned Revenue; Notes Payable; Common Stock; Dividends; Service Revenue; Salaries Expense; Rent Expense; Utilities Expense; and Advertising Expense.

Read the [requirements](#)².

Requirement 1. Journalize each transaction. Explanations are not required. (Record debits first, then credits. Exclude explanations from journal entries.)

July 1: Yardley contributed \$65,000 cash to the business in exchange for common stock.

Date	Accounts	Debit	Credit
Jul. 1	(1)		
	(2)		
	(3)		
	(4)		

July 5: Paid monthly rent on medical equipment, \$500.

Date	Accounts	Debit	Credit
Jul. 5	(5)		
	(6)		
	(7)		
	(8)		

July 9: Paid \$15,000 cash to purchase land to be used in operations.

Date	Accounts	Debit	Credit
Jul. 9	(9)		
	(10)		
	(11)		
	(12)		

July 10: Purchased office supplies on account, \$1,300.

Date	Accounts	Debit	Credit
Jul. 10	(13)		
	(14)		
	(15)		
	(16)		

July 19: Borrowed \$21,000 from the bank for business use.

Date	Accounts	Debit	Credit
Jul. 19	(17)		
	(18)		
	(19)		
	(20)		

July 22: Paid \$800 on account.

Date	Accounts	Debit	Credit
Jul. 22	(21)		
	(22)		
	(23)		
	(24)		

July 28: The business received a bill for advertising in the daily newspaper to be paid in August, \$230.

Date	Accounts	Debit	Credit
Jul. 28	(25)		
	(26)		
	(27)		
	(28)		

July 31: Revenues earned during the month included \$6,900 cash and \$5,400 on account. Record as a compound entry.

Date	Accounts and Explanation	Debit	Credit
Jul. 31	(29)		
	(30)		
	(31)		
	(32)		

July 31: Paid employees' salaries \$2,500, office rent \$700, and utilities \$600. Record these entries as a compound entry.

Date	Accounts and Explanation	Debit	Credit
Jul. 31	(33)		
	(34)		
	(35)		
	(36)		

July 31: The business received \$1,000 for medical screening services to be performed next month.

Date	Accounts	Debit	Credit
Jul. 31	(37)		
	(38)		
	(39)		
	(40)		

July 31: Paid cash dividends of \$7,000.

Date	Accounts	Debit	Credit
Jul. 31	(41)		
	(42)		
	(43)		
	(44)		

Requirement 2. Post the journal entries to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal.*

We will post to the accounts one transaction at a time. Begin by posting the events from the 1st.

July 1: Yardley contributed \$65,000 cash to the business in exchange for Common Stock.

Review the July 1 journal entry that you prepared in Requirement 1.³

Cash				Accounts Payable				Service Revenue			
(45)			(46)	(47)			(48)	(49)			(50)
(51)			(52)	(53)		(54)	(55)	(56)			(57)
(58)			(59)	Advertising Payable				Salaries Expense			
(60)			(61)	(64)			(65)	(66)			(67)
(62)			(63)	Accounts Receivable				Unearned Revenue			
Accounts Receivable				Unearned Revenue				Rent Expense			
(68)			(69)	(70)			(71)	(72)			(73)
Office Supplies				Notes Payable				Utilities Expense			
(74)			(75)	(76)			(77)	(78)			(79)
Land				Common Stock				Advertising Expense			
(80)			(81)	(82)			(83)	(84)			(85)
Dividends				Dividends				Dividends			
Dividends				(86)			(87)				

July 5: Paid monthly rent on medical equipment, \$500.

Review the July 5 journal entry that you prepared in Requirement 1.⁴

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000		(88)	(89)			(90)	(91)			(92)
(93)			(94)	(95)		(96)	(97)	(98)			(99)
(100)			(101)	Advertising Payable				Salaries Expense			
(102)			(103)	(106)			(107)	(108)			(109)
(104)			(105)	Unearned Revenue				Rent Expense			
Accounts Receivable				(112)			(113)	(114)			(115)
(110)			(111)	Notes Payable				Utilities Expense			
(116)			(117)	(118)			(119)	(120)			(121)
Land				Common Stock				Advertising Expense			
(122)			(123)	(124)		65,000 Jul. 1		(125)			(126)
(127)			(128)	(129)			(130)	(131)			(132)
Dividends				(133)			(134)				

July 9: Paid \$15,000 cash to purchase land for an office site.

Review the July 9 journal entry that you prepared in Requirement 1.⁵

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500 Jul. 5		(135)			(136)	(137)			(138)
(139)			(140)	(141)		(142)	(143)	(144)			(145)
(146)			(147)	Advertising Payable				Salaries Expense			
(148)			(149)	(152)			(153)	(154)			(155)
(150)			(151)	Unearned Revenue				Rent Expense			
Accounts Receivable				(158)			(159)	Jul. 5	500		(160)
(156)			(157)	(163)			(164)	(165)			(166)
(161)			(162)	Notes Payable				Utilities Expense			
Office Supplies				(169)			(170)	(171)			(172)
(167)			(168)	Common Stock				Advertising Expense			
Land				(175)		65,000 Jul. 1		(176)			(177)
(173)			(174)	(180)			(181)	(182)			(183)
(178)			(179)	Dividends							
				(184)			(185)				

July 10: Purchased office supplies on account, \$1,300.

Review the July 10 journal entry that you prepared in Requirement 1.⁶

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500	Jul. 5	(186)			(187)	(188)			(189)
(190)		15,000	Jul. 9	(191)			(192)	(193)			(194)
(195)			(196)								
(197)			(198)								
(199)			(200)	(201)			(202)	(203)			(204)

Accounts Receivable				Advertising Payable				Salaries Expense			
(205)			(206)	(201)			(202)	(203)			(204)
(210)			(211)								

Accounts Payable				Unearned Revenue				Rent Expense			
(205)			(206)	(207)			(208)	Jul. 5	500		(209)
(210)			(211)	(212)			(213)	(214)			(215)

Office Supplies				Notes Payable				Utilities Expense			
(216)			(217)	(218)			(219)	(220)			(221)

Land				Common Stock				Advertising Expense			
Jul. 9	15,000		(222)	(223)		65,000	Jul. 1	(224)			(225)
(226)			(227)	(228)			(229)	(230)			(231)

Dividends			
(232)			(233)

July 19: Borrowed \$21,000 from the bank for business use.

Review the July 19 journal entry that you prepared in Requirement 1.⁷

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500	Jul. 5	(234)		1,300	Jul. 10	(235)			(236)
(237)		15,000	Jul. 9	(238)			(239)	(240)			(241)
(242)			(243)								
(244)			(245)								
(246)			(247)	(248)			(249)	(250)			(251)
Accounts Receivable				Advertising Payable				Salaries Expense			
(252)			(253)	(248)			(249)	(250)			(251)
(257)			(258)								
Unearned Revenue				Rent Expense							
(254)			(255)	Jul. 5	500		(256)				
(259)			(260)	(261)			(262)				
Office Supplies				Notes Payable				Utilities Expense			
Jul. 10	1,300		(263)	(264)			(265)	(266)			(267)
(268)			(269)	(270)			(271)	(272)			(273)
Land				Common Stock				Advertising Expense			
Jul. 9	15,000		(274)	(275)		65,000	Jul. 1	(276)			(277)
(278)			(279)	(280)			(281)	(282)			(283)
Dividends											
(284)			(285)								

July 22: Paid \$800 on account.

Review the July 22 journal entry that you prepared in Requirement 1.⁸

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500	Jul. 5	(286)		1,300	Jul. 10	(287)			(288)
Jul. 19	21,000	15,000	Jul. 9	(289)			(290)	(291)			(292)
(293)			(294)								
(295)			(296)								
(297)			(298)	(299)			(300)	(301)			(302)
Accounts Receivable				Advertising Payable				Salaries Expense			
(303)			(304)	(299)			(300)	(301)			(302)
(308)			(309)								
Accounts Receivable				Unearned Revenue				Rent Expense			
(303)			(304)	(305)			(306)	Jul. 5	500		(307)
(308)			(309)	(310)			(311)	(312)			(313)
Office Supplies				Notes Payable				Utilities Expense			
Jul. 10	1,300		(314)	(315)		21,000	Jul. 19	(316)			(317)
(318)			(319)	(320)			(321)	(322)			(323)
Land				Common Stock				Advertising Expense			
Jul. 9	15,000		(324)	(325)		65,000	Jul. 1	(326)			(327)
(328)			(329)	(330)			(331)	(332)			(333)
Dividends				(334)			(335)				

July 28: The business received a bill for advertising in the daily newspaper to be paid in August, \$230.

Review the July 28 journal entry that you prepared in Requirement 1.⁹

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500	Jul. 5	Jul. 22	800	1,300	Jul. 10	(336)			(337)
Jul. 19	21,000	15,000	Jul. 9	(338)			(339)	(340)			(341)
(342)		800	Jul. 22								
(343)			(344)								
(345)			(346)	(347)			(348)	(349)			(350)
Accounts Receivable				Advertising Payable				Salaries Expense			
(351)			(352)								
(356)			(357)								
Unearned Revenue				Rent Expense							
(353)			(354)	Jul. 5	500		(355)				
(358)			(359)	(360)			(361)				
Office Supplies				Notes Payable				Utilities Expense			
Jul. 10	1,300		(362)	(363)		21,000	Jul. 19	(364)			(365)
(366)			(367)	(368)			(369)	(370)			(371)
Land				Common Stock				Advertising Expense			
Jul. 9	15,000		(372)	(373)		65,000	Jul. 1	(374)			(375)
(376)			(377)	(378)			(379)	(380)			(381)
Dividends											
(382)			(383)								

July 31: Revenues earned during the month included \$6,900 cash and \$5,400 on account. Record these entries as a compound entry.

Review the July 31 journal entry that you prepared in Requirement 1.¹⁰

Cash			
Jul. 1	65,000	500	Jul. 5
Jul. 19	21,000	15,000	Jul. 9
(390)		800	Jul. 22
(391)			(392)
(393)			(394)
(398)			(399)

Accounts Payable			
Jul. 22	800	1,300	Jul. 10
(386)			(387)

Service Revenue			
(384)			(385)
(388)			(389)

Advertising Payable			
(395)		230	Jul. 28
(400)			(401)

Salaries Expense			
(396)			(397)
(402)			(403)

Accounts Receivable			
(404)			(405)
(409)			(410)

Unearned Revenue			
(406)			(407)
(411)			(412)

Rent Expense			
Jul. 5	500		(408)
(413)			(414)

Office Supplies			
Jul. 10	1,300		(415)
(419)			(420)

Notes Payable			
(416)		21,000	Jul. 19
(421)			(422)

Utilities Expense			
(417)			(418)
(423)			(424)

Land			
Jul. 9	15,000		(425)
(428)			(429)

Common Stock			
(426)		65,000	Jul. 1
(430)			(431)

Advertising Expense			
Jul. 28	230		(427)
(432)			(433)

Dividends			
(434)			(435)

July 31: Paid employees' salaries \$2,500, office rent \$700, and utilities \$600. Record as a compound entry.

Review the July 31 journal entry that you prepared in Requirement 1.¹¹

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500	Jul. 5	Jul. 22	800	1,300	Jul. 10	(436)		12,300	Jul. 31
Jul. 19	21,000	15,000	Jul. 9	(437)			(438)	(439)			(440)
Jul. 31	6,900	800	Jul. 22								
(441)			(442)								
(443)			(444)								
(448)			(449)								
Accounts Receivable				Advertising Payable				Salaries Expense			
Jul. 31	5,400		(454)	(445)		230	Jul. 28	(446)			(447)
(458)			(459)	(450)			(451)	(452)			(453)
Accounts Receivable				Unearned Revenue				Rent Expense			
Jul. 31	5,400		(454)	(455)			(456)	Jul. 5	500		(457)
(458)			(459)	(460)			(461)	(462)			(463)
Office Supplies				Notes Payable				Utilities Expense			
Jul. 10	1,300		(464)	(465)		21,000	Jul. 19	(466)			(467)
(468)			(469)	(470)			(471)	(472)			(473)
Land				Common Stock				Advertising Expense			
Jul. 9	15,000		(474)	(475)		65,000	Jul. 1	Jul. 28	230		(476)
(477)			(478)	(479)			(480)	(481)			(482)
Dividends											
				(483)			(484)				

July 31: The business received \$1,000 for medical screening services to be performed next month.

Review the July 31 journal entry that you prepared in Requirement 1.¹²

Cash				Accounts Payable				Service Revenue							
Jul. 1	65,000	500	Jul. 5	Jul. 22	800	1,300	Jul. 10	(485)		12,300	Jul. 31				
Jul. 19	21,000	15,000	Jul. 9	(486)			(487)	(488)			(489)				
Jul. 31	6,900	800	Jul. 22												
(490)		3,800	Jul. 31												
(491)			(492)	(493)		230	Jul. 28	Jul. 31	2,500		(494)				
(495)			(496)	(497)			(498)	(499)			(500)				
Accounts Receivable				Advertising Payable				Salaries Expense							
Jul. 31	5,400		(501)	(502)			(503)	Jul. 5	500		(504)				
(505)			(506)	(507)			(508)	Jul. 31	700		(509)				
(510)			(511)	(512)			(513)	(514)			(515)				
Office Supplies				Unearned Revenue				Rent Expense							
Jul. 10	1,300		(516)	(517)			(518)	Jul. 5	500		(504)				
(519)			(520)	(521)			(522)	Jul. 31	700		(509)				
								(514)			(515)				
Notes Payable				Land				Common Stock							
Jul. 10	1,300		(516)	Jul. 9	15,000		(525)	(526)		65,000	Jul. 1	Jul. 28	230		(527)
(519)			(520)	(528)			(529)	(530)			(531)	(532)			(533)
Utilities Expense				Advertising Expense				Dividends							
Jul. 31	600		(518)	(534)			(535)								
(523)			(524)												

July 31: Paid cash dividends of \$7,000.

Review the July 31 journal entry that you prepared in Requirement 1.¹³

Cash				Accounts Payable				Service Revenue			
Jul. 1	65,000	500	Jul. 5	Jul. 22	800	1,300	Jul. 10	(536)		12,300	Jul. 31
Jul. 19	21,000	15,000	Jul. 9	(537)			(538)	(539)			(540)
Jul. 31	6,900	800	Jul. 22								
Jul. 31	1,000	3,800	Jul. 31								
(541)			(542)	(543)		230	Jul. 28	Jul. 31	2,500		(544)
(545)			(546)	(547)			(548)	(549)			(550)
Accounts Receivable				Unearned Revenue				Rent Expense			
Jul. 31	5,400		(551)	(552)		1,000	Jul. 31	Jul. 5	500		(553)
(554)			(555)	(556)			(557)	Jul. 31	700		(558)
(559)			(560)	(561)			(562)	(563)			(564)
Office Supplies				Notes Payable				Utilities Expense			
Jul. 10	1,300		(565)	(566)		21,000	Jul. 19	Jul. 31	600		(567)
(568)			(569)	(570)			(571)	(572)			(573)
Land				Common Stock				Advertising Expense			
Jul. 9	15,000		(574)	(575)		65,000	Jul. 1	Jul. 28	230		(576)
(577)			(578)	(579)			(580)	(581)			(582)
Dividends											
				(583)			(584)				

Calculate the account balances. Use a "Bal." posting reference on the proper side of each account to show the ending balances of the accounts.

Cash			
Jul. 1	65,000	500	Jul. 5
Jul. 19	21,000	15,000	Jul. 9
Jul. 31	6,900	800	Jul. 22
Jul. 31	1,000	3,800	Jul. 31
		7,000	Jul. 31
(589)			(590)

Accounts Payable			
Jul. 22	800	1,300	Jul. 10
(585)			(586)

Service Revenue			
		12,300	Jul. 31
(587)			(588)

Advertising Payable			
		230	Jul. 28
(591)			(592)

Salaries Expense			
Jul. 31	2,500		
(593)			(594)

Accounts Receivable			
Jul. 31	5,400		
(595)			(596)

Unearned Revenue			
		1,000	Jul. 31
(597)			(598)

Rent Expense			
Jul. 5	500		
Jul. 31	700		
(599)			(600)

Office Supplies			
Jul. 10	1,300		
(601)			(602)

Notes Payable			
		21,000	Jul. 19
(603)			(604)

Utilities Expense			
Jul. 31	600		
(605)			(606)

Land			
Jul. 9	15,000		
(607)			(608)

Common Stock			
		65,000	Jul. 1
(609)			(610)

Advertising Expense			
Jul. 28	230		
(611)			(612)

Dividends			
Jul. 31	7,000		
(613)			(614)

Requirement 3. Prepare the trial balance of Vick Yardley, M. D. as of July 31, 2017.

Review the ending balances of the T-account that you prepared in Requirement 2.¹⁴

Vick Yardley, M. D.

Trial Balance

July 31, 2017

Account Title	Balance	
	Debit	Credit
(615)		
(616)		
(617)		
(618)		
(619)		
(620)		
(621)		
(622)		
(623)		
(624)		
(625)		
(626)		
(627)		
(628)		
(629)		
Total		

1: More Info

-
- Jul. 1 Yardley contributed \$65,000 cash to the business in exchange for common stock.
 - 5 Paid monthly rent on medical equipment, \$500.
 - 9 Paid \$15,000 cash to purchase land to be used in operations.
 - 10 Purchased office supplies on account, \$1,300.
 - 19 Borrowed \$21,000 from the bank for business use.
 - 22 Paid \$800 on account.
 - 28 The business received a bill for advertising in the daily newspaper to be paid in August, \$230.
 - 31 Revenues earned during the month included \$6,900 cash and \$5,400 on account.
 - 31 Paid employees' salaries \$2,500, office rent \$700, and utilities \$600. Record as a compound entry.
 - 31 The business received \$1,000 for medical screening services to be performed next month.
 - 31 Paid cash dividends of \$7,000.
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2: Requirements

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1. Journalize each transaction. Explanations are not required.
 2. Post the journal entries to the T-accounts, using transaction dates as posting references in the ledger accounts. Label the balance of each account *Bal.*
 3. Prepare the trial balance of Vick Yardley, M. D. as of July 31, 2017.

3: Journal entry

Date	Accounts	Debit	Credit
Jul. 1	Cash	65,000	
	Common Stock		65,000

4: Journal entry

Date	Accounts	Debit	Credit
Jul. 5	Rent Expense	500	
	Cash		500

5: Journal entry

Date	Accounts	Debit	Credit
Jul. 9	Land	15,000	
	Cash		15,000

6: Journal entry

Date	Accounts	Debit	Credit
Jul. 10	Office Supplies	1,300	
	Accounts Payable		1,300

7: Journal entry

Date	Accounts	Debit	Credit
Jul. 19	Cash	21,000	
	Notes Payable		21,000

8: Journal entry

Date	Accounts	Debit	Credit
Jul. 22	Accounts Payable	800	
	Cash		800

9: Journal entry

Date	Accounts	Debit	Credit
Jul. 28	Advertising Expense	230	
	Advertising Payable		230

10: Journal entry

Date	Accounts and Explanation	Debit	Credit
Jul. 31	Cash	6,900	
	Accounts Receivable	5,400	
	Service Revenue		12,300

11: Journal entry

Date	Accounts and Explanation	Debit	Credit
Jul. 31	Salaries Expense	2,500	
	Rent Expense	700	
	Utilities Expense	600	
	Cash		3,800

12: Journal entry

Date	Accounts	Debit	Credit
Jul. 31	Cash	1,000	
	Unearned Revenue		1,000

13: Journal entry

Date	Accounts	Debit	Credit
Jul. 31	Dividends	7,000	
	Cash		7,000

14: T-accounts

<table border="1"> <thead> <tr> <th colspan="2">Cash</th> </tr> </thead> <tbody> <tr> <td>Jul. 1 65,000</td> <td>500 Jul. 5</td> </tr> <tr> <td>Jul. 19 21,000</td> <td>15,000 Jul. 9</td> </tr> <tr> <td>Jul. 31 6,900</td> <td>800 Jul. 22</td> </tr> <tr> <td>Jul. 31 1,000</td> <td>3,800 Jul. 31</td> </tr> <tr> <td></td> <td>7,000 Jul. 31</td> </tr> <tr> <td>Bal. 66,800</td> <td></td> </tr> </tbody> </table>		Cash		Jul. 1 65,000	500 Jul. 5	Jul. 19 21,000	15,000 Jul. 9	Jul. 31 6,900	800 Jul. 22	Jul. 31 1,000	3,800 Jul. 31		7,000 Jul. 31	Bal. 66,800		<table border="1"> <thead> <tr> <th colspan="2">Accounts Payable</th> </tr> </thead> <tbody> <tr> <td>Jul. 22 800</td> <td>1,300 Jul. 10</td> </tr> <tr> <td></td> <td>500 Bal.</td> </tr> </tbody> </table>		Accounts Payable		Jul. 22 800	1,300 Jul. 10		500 Bal.	<table border="1"> <thead> <tr> <th colspan="2">Service Revenue</th> </tr> </thead> <tbody> <tr> <td></td> <td>12,300 Jul. 31</td> </tr> <tr> <td></td> <td>12,300 Bal.</td> </tr> </tbody> </table>		Service Revenue			12,300 Jul. 31		12,300 Bal.
Cash																															
Jul. 1 65,000	500 Jul. 5																														
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Accounts Receivable																															
Jul. 31 5,400																															
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Unearned Revenue																															
	1,000 Jul. 31																														
	1,000 Bal.																														
Rent Expense																															
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Office Supplies																															
Jul. 10 1,300																															
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Notes Payable																															
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Land																															
Jul. 9 15,000																															
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Dividends																															
Jul. 31 7,000																															
Bal. 7,000																															

12. The trial balance as of July 31, 2017, for Sharon Silver, Registered Dietician, is presented below:
¹⁵(Click the icon to view the trial balance.)

Read the [requirements](#)¹⁶.

Requirement 1. Prepare the income statement for the month ended July 31, 2017. (If a box is not used in the statement, leave the box empty; do not select a label or enter a zero.)

Sharon Silver, Registered Dietician
Income Statement
Month Ended July 31, 2017

(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
Net Income		

Requirement 2. Prepare the statement of retained earnings for the month ended July 31, 2017. The beginning balance of retained earnings was \$0. (Enter a "0" for any zero balances. Use a minus sign or parentheses to show a decrease in Retained earnings.)

Sharon Silver, Registered Dietician
Statement of Retained Earnings
Month Ended July 31, 2017

Retained Earnings, July 1, 2017	
(9)	
(10)	
Retained Earnings, July 31, 2017	

Requirement 3. Prepare the balance sheet as of July 31, 2017. (If a box is not used in the statement, leave the box empty; do not select a label or enter a zero.)

Sharon Silver, Registered Dietician

Balance Sheet

July 31, 2017

Assets		Liabilities	
(11)		(12)	
(13)		(14)	
(15)		(16)	
(17)		(18)	
(19)		Stockholders' Equity	
(20)		(21)	
(22)		(23)	
(24)		(25)	
(26)		(27)	

Requirement 4. Calculate the debt ratio as of July 31, 2017.

Select the debt ratio formula on the first line and then calculate the ratio.

(28)	/	(29)	=	Debt ratio
	/		=	%

15: Data Table

Sharon Silver, Registered Dietician

Trial Balance

July 31, 2017

Account Title	Balance	
	Debit	Credit
Cash	\$ 38,000	
Accounts Receivable	9,400	
Office Supplies	1,300	
Prepaid Insurance	2,300	
Equipment	16,000	
Accounts Payable		\$ 2,700
Unearned Revenue		1,810
Notes Payable		31,000
Common Stock		17,000
Dividends	3,000	
Service Revenue		19,940
Salaries Expense	1,700	
Rent Expense	600	
Utilities Expense	150	
Total	\$ 72,450	\$ 72,450

16: Requirements

-
1. Prepare the income statement for the month ended July 31, 2017.
 2. Prepare the statement of retained earnings for the month ended July 31, 2017. The beginning balance of retained earnings was \$0.
 3. Prepare the balance sheet as of July 31, 2017.
 4. Calculate the debt ratio as of July 31, 2017.

1. A. an account.

2. C. Unearned Revenue

3. D. Debits

4. D. Accounts Payable is increased with a credit.

5. B.

Office Supplies	2,500	
Accounts Payable		2,500

6. B.

Accounts Payable	800	
Cash		800

7. D.

Office Supplies	Accounts Payable
2,500	2,500

8. B. Liabilities are overstated

9. A. Journalize transactions, post to the accounts, prepare a trial balance

10. B. 40%

11.	Date	Accounts	Debit	Credit
	Jul. 1	Cash	65,000	
		Common Stock		65,000
	Date	Accounts	Debit	Credit
	Jul. 5	Rent Expense	500	
		Cash		500
	Date	Accounts	Debit	Credit
	Jul. 9	Land	15,000	
		Cash		15,000
	Date	Accounts	Debit	Credit
	Jul. 10	Office Supplies	1,300	
		Accounts Payable		1,300
	Date	Accounts	Debit	Credit
	Jul. 19	Cash	21,000	
		Notes Payable		21,000
	Date	Accounts	Debit	Credit
	Jul. 22	Accounts Payable	800	
		Cash		800
	Date	Accounts	Debit	Credit
	Jul. 28	Advertising Expense	230	
		Advertising Payable		230

Date	Accounts and Explanation	Debit	Credit
Jul. 31	Cash	6,900	
	Accounts Receivable	5,400	
	Service Revenue		12,300

Date	Accounts and Explanation	Debit	Credit
Jul. 31	Salaries Expense	2,500	
	Rent Expense	700	
	Utilities Expense	600	
	Cash		3,800

Date	Accounts	Debit	Credit
Jul. 31	Cash	1,000	
	Unearned Revenue		1,000

Date	Accounts	Debit	Credit
Jul. 31	Dividends	7,000	
	Cash		7,000

Cash		Accounts Payable		Service Revenue	
Jul. 1	65,000				
		Advertising Payable		Salaries Expense	
Accounts Receivable		Unearned Revenue		Rent Expense	
Office Supplies		Notes Payable		Utilities Expense	
Land		Common Stock		Advertising Expense	
		65,000 Jul. 1			
		Dividends			

Cash				Accounts Payable				Service Revenue	
Jul. 1	65,000		500 Jul. 5						
				Advertising Payable				Salaries Expense	
Accounts Receivable				Unearned Revenue				Rent Expense	
						Jul. 5	500		
Office Supplies				Notes Payable				Utilities Expense	
Land				Common Stock				Advertising Expense	
						65,000 Jul. 1			
				Dividends					
Cash				Accounts Payable				Service Revenue	
Jul. 1	65,000		500 Jul. 5 15,000 Jul. 9						
				Advertising Payable				Salaries Expense	
Accounts Receivable				Unearned Revenue				Rent Expense	
						Jul. 5	500		
Office Supplies				Notes Payable				Utilities Expense	
Land				Common Stock				Advertising Expense	
Jul. 9	15,000					65,000 Jul. 1			
				Dividends					

Cash		
Jul. 1	65,000	
		500 Jul. 5
		15,000 Jul. 9

Accounts Payable	
	1,300 Jul. 10

Service Revenue	

Advertising Payable	

Salaries Expense	

Accounts Receivable	

Unearned Revenue	

Rent Expense	
Jul. 5	500

Office Supplies	
Jul. 10	1,300

Notes Payable	

Utilities Expense	

Land	
Jul. 9	15,000

Common Stock	
	65,000 Jul. 1

Advertising Expense	

Dividends	

Cash		
Jul. 1	65,000	
		500 Jul. 5
Jul. 19	21,000	15,000 Jul. 9

Accounts Payable	
	1,300 Jul. 10

Service Revenue	

Advertising Payable	

Salaries Expense	

Accounts Receivable	

Unearned Revenue	

Rent Expense	
Jul. 5	500

Office Supplies	
Jul. 10	1,300

Notes Payable	
	21,000 Jul. 19

Utilities Expense	

Land	
Jul. 9	15,000

Common Stock	
	65,000 Jul. 1

Advertising Expense	

Dividends	

Cash	
Jul. 1	65,000
Jul. 19	21,000
	500 Jul. 5
	15,000 Jul. 9
	800 Jul. 22

Accounts Payable	
Jul. 22	800
	1,300 Jul. 10

Service Revenue	

Advertising Payable	

Salaries Expense	

Accounts Receivable	

Unearned Revenue	

Rent Expense	
Jul. 5	500

Office Supplies	
Jul. 10	1,300

Notes Payable	
	21,000 Jul. 19

Utilities Expense	

Land	
Jul. 9	15,000

Common Stock	
	65,000 Jul. 1

Advertising Expense	

Dividends	

Cash	
Jul. 1	65,000
Jul. 19	21,000
	500 Jul. 5
	15,000 Jul. 9
	800 Jul. 22

Accounts Payable	
Jul. 22	800
	1,300 Jul. 10

Service Revenue	

Advertising Payable	
	230 Jul. 28

Salaries Expense	

Accounts Receivable	

Unearned Revenue	

Rent Expense	
Jul. 5	500

Office Supplies	
Jul. 10	1,300

Notes Payable	
	21,000 Jul. 19

Utilities Expense	

Land	
Jul. 9	15,000

Common Stock	
	65,000 Jul. 1

Advertising Expense	
Jul. 28	230

Dividends	

Cash		Accounts Payable		Service Revenue	
Jul. 1	65,000	500 Jul. 5	Jul. 22	800	1,300 Jul. 10
Jul. 19	21,000	15,000 Jul. 9			
Jul. 31	6,900	800 Jul. 22			12,300 Jul. 31
		Advertising Payable		Salaries Expense	
		230 Jul. 28			
Accounts Receivable		Unearned Revenue		Rent Expense	
Jul. 31	5,400			Jul. 5	500
Office Supplies		Notes Payable		Utilities Expense	
Jul. 10	1,300				
		21,000 Jul. 19			
Land		Common Stock		Advertising Expense	
Jul. 9	15,000			Jul. 28	230
		65,000 Jul. 1			
		Dividends			

Cash		Accounts Payable		Service Revenue						
Jul. 1	65,000	500	Jul. 5	Jul. 22	800	1,300	Jul. 10		12,300	Jul. 31
Jul. 19	21,000	15,000	Jul. 9							
Jul. 31	6,900	800	Jul. 22							
		3,800	Jul. 31							
Accounts Receivable		Unearned Revenue		Rent Expense						
Jul. 31	5,400			Jul. 5	500					
				Jul. 31	700					
Office Supplies		Notes Payable		Utilities Expense						
Jul. 10	1,300			Jul. 31	600					
Land		Common Stock		Advertising Expense						
Jul. 9	15,000			Jul. 28	230					
Dividends										

Cash		Accounts Payable		Service Revenue	
Jul. 1	65,000	500 Jul. 5	Jul. 22	800	1,300 Jul. 10
Jul. 19	21,000	15,000 Jul. 9			12,300 Jul. 31
Jul. 31	6,900	800 Jul. 22			
Jul. 31	1,000	3,800 Jul. 31			
Accounts Receivable		Unearned Revenue		Rent Expense	
Jul. 31	5,400		1,000 Jul. 31	Jul. 5	500
				Jul. 31	700
Office Supplies		Notes Payable		Utilities Expense	
Jul. 10	1,300		21,000 Jul. 19	Jul. 31	600
Land		Common Stock		Advertising Expense	
Jul. 9	15,000		65,000 Jul. 1	Jul. 28	230
Dividends					

Cash

Jul. 1	65,000	500	Jul. 5
Jul. 19	21,000	15,000	Jul. 9
Jul. 31	6,900	800	Jul. 22
Jul. 31	1,000	3,800	Jul. 31
		7,000	Jul. 31

Accounts Payable

Jul. 22	800	1,300	Jul. 10
		230	Jul. 28

Service Revenue

		12,300	Jul. 31
Jul. 31	2,500		

Advertising Payable**Salaries Expense****Accounts Receivable**

Jul. 31	5,400		
---------	-------	--	--

Unearned Revenue

		1,000	Jul. 31
--	--	-------	---------

Rent Expense

Jul. 5	500		
Jul. 31	700		

Office Supplies

Jul. 10	1,300		
---------	-------	--	--

Notes Payable

		21,000	Jul. 19
--	--	--------	---------

Utilities Expense

Jul. 31	600		
---------	-----	--	--

Land

Jul. 9	15,000		
--------	--------	--	--

Common Stock

		65,000	Jul. 1
--	--	--------	--------

Advertising Expense

Jul. 28	230		
---------	-----	--	--

Dividends

Jul. 31	7,000		
---------	-------	--	--

Cash		Accounts Payable		Service Revenue	
Jul. 1	65,000	500 Jul. 5	Jul. 22	800	1,300 Jul. 10
Jul. 19	21,000	15,000 Jul. 9			500 Bal.
Jul. 31	6,900	800 Jul. 22			
Jul. 31	1,000	3,800 Jul. 31			
		7,000 Jul. 31			
Bal.	66,800				

Accounts Receivable		Unearned Revenue		Rent Expense	
Jul. 31	5,400		1,000 Jul. 31	Jul. 5	500
Bal.	5,400		1,000 Bal.	Jul. 31	700
				Bal.	1,200

Office Supplies		Notes Payable		Utilities Expense	
Jul. 10	1,300		21,000 Jul. 19	Jul. 31	600
Bal.	1,300		21,000 Bal.	Bal.	600

Land		Common Stock		Advertising Expense	
Jul. 9	15,000		65,000 Jul. 1	Jul. 28	230
Bal.	15,000		65,000 Bal.	Bal.	230

Dividends	
Jul. 31	7,000
Bal.	7,000

Vick Yardley, M. D.

Trial Balance

July 31, 2017

Account Title	Balance	
	Debit	Credit
Cash	\$ 66,800	
Accounts Receivable	5,400	
Office Supplies	1,300	
Land	15,000	
Accounts Payable		\$ 500
Advertising Payable		230
Unearned Revenue		1,000
Notes Payable		21,000
Common Stock		65,000
Dividends	7,000	
Service Revenue		12,300
Salaries Expense	2,500	
Rent Expense	1,200	
Utilities Expense	600	
Advertising Expense	230	
Total	\$ 100,030	\$ 100,030

12.

Sharon Silver, Registered Dietician**Income Statement****Month Ended July 31, 2017**

Revenues:

Service Revenue	\$	19,940
-----------------	----	--------

Expenses:

Salaries Expense	\$	1,700
------------------	----	-------

Rent Expense		600
--------------	--	-----

Utilities Expense		150
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Total Expenses	2,450
----------------	-------

Net Income	\$	17,490
------------	----	--------

Sharon Silver, Registered Dietician**Statement of Retained Earnings****Month Ended July 31, 2017**

Retained Earnings, July 1, 2017	\$	0
---------------------------------	----	---

Net income for the month		17,490
--------------------------	--	--------

17,490

Dividends		(3,000)
-----------	--	---------

Retained Earnings, July 31, 2017	\$	14,490
----------------------------------	----	--------

Sharon Silver, Registered Dietician**Balance Sheet****July 31, 2017**

Assets		Liabilities	
Cash	\$ 38,000	Accounts Payable	\$ 2,700
Accounts Receivable	9,400	Unearned Revenue	1,810
Office Supplies	1,300	Notes Payable	31,000
Prepaid Insurance	2,300	Total Liabilities	35,510
Equipment	16,000		
		Stockholders' Equity	
		Common Stock	17,000
		Retained Earnings	14,490
		Total Stockholders' Equity	31,490
Total Assets	\$ 67,000	Total Liabilities and Stockholders' Equity	\$ 67,000

Total liabilities	/	Total assets	=	Debt ratio
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\$ 35,510	/	\$ 67,000	=	53 %
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