

Chapter 5

Accounting Systems

Study Guide Solutions

Fill-in-the-Blank Equations

1. Revenue; accounts receivable
2. Cash receipts; accounts receivable
3. Purchases; accounts payable
4. Cash payments; accounts payable

Exercises

1. Identify which of the following are steps in the three-step process of the accounting system.
 - a. Yes
 - b. No
 - c. Yes
2. Determine to which step in the accounting system each of the following descriptions relates.
 - a. Design the system to meet the user needs.
 - b. Analyze user information needs.
 - c. Implement the system.
3. Which step relates to each of the following descriptions given?
 - a. Design the system to meet the user needs.
 - b. Implement the system.
 - c. Analyze user information needs.

Strategy: *Identifying the user and its needs will assist the business to design the system, which is the next step. When implementing, the business should assess continuously that the users are receiving relevant information.*

4. Record each of the following transactions in a revenue journal.
- On January 12, issued Invoice No. 1172 to Ellen's Designs for sales on account for \$2,750.
 - On January 18, issued Invoice No. 1173 to Fabrics & More for sales on account for \$8,400.
 - On January 25, issued Invoice No. 1174 to Feeling Crafty Co. for sales on account for \$7,200.

Revenue Journal

Date	Invoice No.	Account Debited	Post. Ref.	Accts. Rec. Dr. Sales Revenue Cr.
Jan. 12	1172	Ellen's Designs		2,750
18	1173	Fabrics & More		8,400
25	1174	Feeling Crafty Co.		7,200

5. Record each of the following transactions in a revenue journal.
- Invoice No. 986 issued on August 2 to Pencil Co. for fees earned on account of \$290.
 - Invoice No. 987 issued on August 9 to Book Buyers for fees earned on account of \$980.
 - Invoice No. 988 issued on August 10 to Schoolhouse Supplies for fees earned on account of \$1,100.

Revenue Journal

Date	Invoice No.	Account Debited	Post. Ref.	Accts. Rec. Dr. Fees Earned Cr.
Aug. 2	986	Pencil Co.		290
9	987	Book Buyers		980
10	988	Schoolhouse Supplies		1,100

6. With the following journal entries, record the revenue in a revenue journal.

Date	Description	Invoice No.	Dr.	Cr.
Feb. 2	Accounts Receivable—Smith	202	325	
	Sales Revenue			325
10	Accounts Receivable—Ervin	203	410	
	Sales Revenue			410
13	Accounts Receivable—Jones	204	675	
	Sales Revenue			675

Revenue Journal

Date	Invoice No.	Account Debited	Post. Ref.	Accts. Rec. Dr. Sales Revenue Cr.
Feb. 2	202	Smith		325
10	203	Ervin		410
13	204	Jones		675

Strategy: When recording revenue, the accountant will need to know the invoice number and amounts to ensure accuracy. The customer will either pay with cash or charge on account, for which the accountant will debit the accounts receivable account.

4 Chapter 5

7. Use the revenue journal below to post the sales revenue in the corresponding subsidiary and general ledgers.

Revenue Journal				Page 24
Date	Invoice No.	Account Debited	Post. Ref.	Accts. Rec. Dr. Sales Revenue Cr.
Mar. 15	312	Roberts	✓	225
17	313	Anderson	✓	340
22	314	Martin	✓	270

Accounts Receivable Subsidiary Ledger

Name: Roberts

Date	Item	Post. Ref.	Debit	Credit	Balance
Mar. 15		R24	225		225

Name: Anderson

Date	Item	Post. Ref.	Debit	Credit	Balance
Mar. 17		R24	340		340

Name: Martin

Date	Item	Post. Ref.	Debit	Credit	Balance
Mar. 22		R24	270		270

General Ledger

Account: Accounts Receivable

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Mar. 31		R24	835		835

Account: Sales Revenue

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Mar. 31		R24		835	835

8. Use the revenue journal below to post the fees earned in the corresponding subsidiary ledgers and general ledgers. Assume there are no balances outstanding as of the beginning of the month.

Revenue Journal				Page 36
Date	Invoice No.	Account Debited	Post. Ref.	Accts. Rec. Dr. Fees Earned Cr.
Aug. 3	878	Robertson	✓	1,300
9	879	Tran	✓	890
11	880	Robertson	✓	440

Accounts Receivable Subsidiary Ledger

Name: Robertson

Date	Item	Post. Ref.	Debit	Credit	Balance
Aug. 3		R36	1,300		1,300
11		R36	440		1,740

Name: Tran

Date	Item	Post. Ref.	Debit	Credit	Balance
Aug. 9		R36	890		890

General Ledger

Account: Accounts Receivable

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Aug. 31		R36	2,630		2,630

Account: Fees Earned

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Aug. 31		R36		2,630	2,630

9. Use the revenue journal below to post the fees earned in the corresponding subsidiary ledgers and general ledgers. The accounts receivable general ledger has a previous balance of \$3,250. The Parks account also has an outstanding balance of \$770.

Revenue Journal				Page 39
Date	Invoice No.	Account Debited	Post. Ref.	Accts. Rec. Dr. Fees Earned Cr.
Sept. 2	990	Parks	✓	290
22	991	Finch	✓	950
25	992	Arvidson	✓	375

Accounts Receivable Subsidiary Ledger

Name: Parks

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			770
2		R39	290		1,060

Name: Finch

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 22		R39	950		950

Name: Arvidson

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 25		R39	375		375

General Ledger

Account: Accounts Receivable

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Sept. 1	Balance	✓			3,250
30		R39	1,615		4,865

Account: Fees Earned

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Sept. 30		R39		1,615	1,615

Strategy: Use the steps from the chapter to practice posting from the revenue journal. The revenue journal usually will increase the revenues account and the accounts receivable accounts. All accounts used will need to be cross-referenced in order to ensure accuracy as well.

10. Use the cash journal below to post the amounts in the correct subsidiary ledgers and general ledgers. The accounts receivable subsidiary ledger shows a balance in the Parks account of \$1,000, and the Finch account has a balance of \$380. Assume these are the only accounts outstanding as of October 1. The company also had a cash balance of \$490 as of the beginning of the month.

Cash Receipts Journal

Page 52

Date	Account Credited	Post. Ref.	Other Accounts Cr.	Accounts Receivable Cr.	Cash Dr.
Oct. 1	Interest Revenue	42	1,500		1,500
5	Parks	✓		550	550
12	Finch	✓		240	240

Accounts Receivable Subsidiary Ledger

Name: Parks

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			1,000
5		CR52		550	450

Name: Finch

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			380
12		CR52		240	140

General Ledger

Account: Cash

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Oct. 1	Balance	✓			490
31		CR52	2,290		2,780

Account: Interest Revenue

Acct. 42

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Oct. 1		CR52		1,500	1,500

Account: Accounts Receivable

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Oct. 1	Balance	✓			1,380
31		CR52		790	590

11. Using the cash receipts journal below and the outstanding accounts receivable balances from Exercise 8, post the transactions in the correct subsidiary ledgers and general ledgers. The company had a cash balance of \$755 as of September 1.

Cash Receipts Journal					Page 94
Date	Account Credited	Post. Ref.	Other Accounts Cr.	Accounts Receivable Cr.	Cash Dr.
Sept. 3	Royalty Revenue	22	7,800		7,800
5	Tran	✓		200	200
14	Robertson	✓		650	650

Accounts Receivable Subsidiary Ledger

Name: Tran

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			890
5		CR94		200	690

Name: Robertson

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			1,740
14		CR94		650	1,090

General Ledger

Account: Cash

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Sept. 1	Balance	✓			755
30		CR94	8,650		9,405

Account: Royalty Revenue

Acct. 22

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Sept. 3		CR94		7,800	7,800

Account: Accounts Receivable

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Sept. 1	Balance	✓			2,630
31		CR94		850	1,780

12. With the cash receipts journal below, post the transactions in the correct subsidiary ledgers and general ledgers. The company's cash balance was \$965 as of November 1. The company's outstanding accounts receivable balance of \$2,350 included Smith's balance of \$290 and Water's balance of \$820.

Cash Receipts Journal					Page 86
Date	Account Credited	Post. Ref.	Other Accounts Cr.	Accounts Receivable Cr.	Cash Dr.
Nov. 5	Rent Revenue	102	4,500		4,500
15	Smith	✓		290	290
15	Water	✓		325	325

Accounts Receivable Subsidiary Ledger

Name: Smith

Date	Item	Post. Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			290
15		CR86		290	0

Name: Water

Date	Item	Post. Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			820
15		CR86		325	495

General Ledger

Account: Cash

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Nov. 1	Balance	✓			965
30		CR86	5,115		6,080

Account: Rent Revenue

Acct. 102

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Nov. 5		CR86		4,500	4,500

Account: Accounts Receivable

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Nov. 1	Balance	✓			2,350
30		CR86		615	1,735

Strategy: When a customer pays an amount owed, the balance of cash will increase and the accounts receivable account will decrease for the amount paid. Use the steps shown in the chapter for the process to ensure accuracy.

- 13.** During December, Topy Tables (TT) had the transactions listed below. Record the transactions in the accounts receivable subsidiary ledger.
- TT sold \$1,550 of merchandise to Happy Furniture (Invoice No. 240, posted on page 4 of the revenue journal) on December 14. The company made a down payment of \$750 and will pay for the rest on account. There were no previous purchases made on account.
 - TT sold \$330 of merchandise to PartyParty Rentals (Invoice No. 241, posted on page 6 of the revenue journal) on account on December 22. The customer also had an outstanding balance of \$410.
 - TT received \$200 cash from Kitchen Suppliers to pay for previous purchases on December 23 (posted on page 10 of the cash receipts journal). The account had a beginning balance of \$480.

Accounts Receivable Subsidiary Ledger

Name: Happy Furniture

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 14	Invoice No. 240	R4	800		800

Name: PartyParty Rentals

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 1	Balance		410		410
22	Invoice No. 241	R6	330		740

Name: Kitchen Suppliers

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 1	Balance		480		480
23		CR10		200	280

14. At the beginning of February, Greener Gardens had the following balances in its accounts receivable subsidiary ledger: \$550 owed by Seeds Inc., \$780 owed by Flower Supply Co., and \$200 owed by The Garden Center. Post the following transactions in the accounts receivable subsidiary ledger.

- a. On February 5, Flower Supply Co. paid \$480 on its outstanding balance (posted on page 8 in the cash receipts journal). The company also made a purchase on account on February 12 for \$350 (on page 90 in the revenue journal under Invoice No. 490).
- b. The Garden Center paid its entire account balance on February 7 (posted on page 10 in the cash receipts journal) and made a purchase on account for \$630 on February 26 (on page 90 in the revenue journal under Invoice No. 491).
- c. Seeds Inc. made a purchase on account on February 19 for \$230 (on page 91 in the revenue journal under Invoice No. 492).

Accounts Receivable Subsidiary Ledger

Name: Flower Supply Co.

Date	Item	Post. Ref.	Debit	Credit	Balance
Feb. 1	Balance		780		780
5		CR8		480	300
12	Invoice No. 490	R90	350		650

Name: The Garden Center

Date	Item	Post. Ref.	Debit	Credit	Balance
Feb. 1	Balance		200		200
7		CR10		200	—
26	Invoice No. 491	R90	630		630

Name: Seeds Inc.

Date	Item	Post. Ref.	Debit	Credit	Balance
Feb. 1	Balance		550		550
19	Invoice No. 492	R91	230		780

15. Using the accounts receivable subsidiary ledger below, describe the transactions that occurred for the month of September. Also, give the source of each transaction.

Accounts Receivable Subsidiary Ledger

Name: Hole-In-One Golf Co.

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 1	Balance		1,100		1,100
4	Invoice No. 123	CR45		650	450
7	Invoice No. 133	CR47		200	250
18	Invoice No. 147	R88	825		1,075

- Sept. 4. Received \$650 cash (Invoice No. 123) from Hole-In-One Golf Co. The amount was posted from cash receipts journal page 45.
7. Received \$200 cash (Invoice No. 133) from Hole-In-One Golf Co. The amount was posted from cash receipts journal page 47.
18. Sold \$825 merchandise (Invoice No. 147) to Hole-In-One Golf Co. on account. The amount was posted from revenue journal page 88.

Strategy: When a customer makes a purchase on account, the account will increase for the purchase (debit the account). When a customer pays off some of the balance, the account will decrease by the amount paid (credit the account).

16. With the purchases journal below, post the transactions in the correct subsidiary ledgers and general ledgers. The company had a balance of \$4,350 in Construction in Progress as of the beginning of April, and there were no previous balances in Accounts Payable.

Purchases Journal							Page 6
Date	Account Credited	Post. Ref.	Accounts Payable Cr.	Supplies Dr.	Other Accounts Dr.	Post. Ref.	Amount
Apr. 2	Sam's Supplies	✓	480	480			
6	SuperStore Inc.	✓	290	290			
8	Bravo's Builders	✓	14,500		Construction in Progress	32	14,500

Accounts Payable Subsidiary Ledger

Name: Sam's Supplies

Date	Item	Post. Ref.	Debit	Credit	Balance
Apr. 2		P6		480	480

Name: SuperStore Inc.

Date	Item	Post. Ref.	Debit	Credit	Balance
Apr. 6		P6		290	290

Name: Bravo's Builders

Date	Item	Post. Ref.	Debit	Credit	Balance
Apr. 8		P6		14,500	14,500

General Ledger

Account: Supplies

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Apr. 30		P6	770		770

Account: Construction in Progress

Acct. 32

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Apr. 1	Balance	✓	4,350		4,350
8		P6	14,500		18,850

Account: Accounts Payable

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Apr. 30		P6		15,270	15,270

17. As of the beginning of September, Seattle Umbrellas Co. had balances in Raw Materials of \$2,200 and Accounts Payable of \$4,100, which included amounts owed to Fabric & More for \$760 and Amy's Advertising for \$900. Use the additional information provided in the purchases journal to post the transactions for the month of September to the correct subsidiary and general ledgers.

Purchases Journal							Page 44
Date	Account Credited	Post. Ref.	Accounts Payable Cr.	Raw Materials Dr.	Other Accounts Dr.	Post. Ref.	Amount
Sept. 10	Fabric & More	✓	690	690			
11	Metal Suppliers	✓	880	880			
14	Amy's Advertising	✓	325		Advertising Expense	25	325

Accounts Payable Subsidiary Ledger

Name: Fabric & More

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓		760	760
10		P44		690	1,450

Name: Metal Suppliers

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 11		P44		880	880

Name: Amy's Advertising

Date	Item	Post. Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			900
14		P44		325	1,225

General Ledger

Account: Raw Materials

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Sept. 1	Balance	✓	2,200		2,200
30		P44	1,570		3,770

Account: Advertising Expense

Acct. 25

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Sept. 14		P44	325		325

Account: Accounts Payable

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Sept. 1	Balance	✓		4,100	4,100
30		P44		1,895	5,995

18. At the beginning of October, Big Smiles Inc.'s Accounts Payable had a balance of \$2,700, with amounts owed to Ike's Insurance of \$1,000 and Happy Teeth Inc. of \$590. Office Supplies had a beginning balance of \$900. Using the information in the purchases journal, post the transactions to the corresponding general and subsidiary ledgers.

Purchases Journal							Page 78
Date	Account Credited	Post. Ref.	Accounts Payable Cr.	Office Supplies Dr.	Other Accounts Dr.	Post. Ref.	Amount
Oct. 15	Ike's Insurance	✓	490		Insurance Exp.	47	490
24	Fresh Whites	✓	770	770			
29	Happy Teeth Inc.	✓	560	560			

Accounts Payable Subsidiary Ledger

Name: Ike's Insurance

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓		1,000	1,000
15		P78		490	1,490

Name: Fresh Whites

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 24		P78		770	770

Name: Happy Teeth Inc.

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓		590	590
29		P78		560	1,150

General Ledger

Account: Office Supplies

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Oct. 1	Balance	✓	900		900
31		P78	1,330		2,230

Account: Insurance Expense

Acct. 47

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Oct. 15		P78	490		490

Account: Accounts Payable

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Oct. 1	Balance	✓		2,700	2,700
31		P78		1,820	4,520

Strategy: The purchases journal is used for various accounts. The company will usually either pay by cash (which will decrease the Cash balance) or by account (which will increase the Accounts Payable balance). The purchase will increase the account to which that purchase relates (Inventory, Supplies, etc.).

19. At the beginning of November, Big Smiles Inc. had a Cash balance of \$6,500. Use the company's ending accounts payable balances from Exercise 18 and the cash payments journal below to post the transactions in the corresponding general and subsidiary ledgers. Assume these are the only transactions involving cash for the month.

Date	Check No.	Account Credited	Post. Ref.	Other Accounts Dr.	Accounts Payable		Cash Cr.
					Dr.	Cr.	
Nov. 3	112	Fresh Whites	✓		270		270
5	113	Happy Teeth Inc.	✓		160		160
14	114	Ike's Insurance	✓		750		750

Accounts Payable Subsidiary Ledger

Name: Ike's Insurance

Date	Item	Post. Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓		1,490	1,490
14		CP88	750		740

Name: Fresh Whites

Date	Item	Post. Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓		770	770
3		CP88	270		500

Name: Happy Teeth Inc.

Date	Item	Post. Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓		1,150	1,150
5		CP88	160		990

General Ledger

Account: Cash

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Nov. 1	Balance	✓	6,500		6,500
30		CP88		1,180	5,320

Account: Accounts Payable

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Nov. 1	Balance	✓		4,520	4,520
30		CP88	1,180		3,340

20. Use the ending accounts payable balances from Exercise 17 and cash payments journal below to post transactions into the correct general and subsidiary ledgers. Seattle Umbrellas had a cash balance of \$8,950 as of the beginning of October. In addition to the cash payments, the company also had \$2,250 in cash sales for the month (which was shown in the cash receipts journal on page 23). Assume these are the only transactions involving cash for the month.

Cash Payments Journal

Page 102

Date	Check No.	Account Credited	Post. Ref.	Other Accounts Dr.	Accounts Payable Dr.	Cash Cr.
Oct. 2	22	Rent Expense	12	1,750		1,750
4	23	Metal Suppliers	✓		880	880
6	24	Amy's Advertising	✓		825	825

Accounts Payable Subsidiary Ledger

Name: Metal Suppliers

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓		880	880
4		CP102	880		—

Name: Amy's Advertising

Date	Item	Post. Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓		1,225	1,225
6		CP102	825		400

General Ledger					Acct. 12
Account: Rent Expense					
Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Oct. 2		CP102	1,750		1,750
Account: Cash					
Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
Oct. 1	Balance	✓	8,950		8,950
31		CR23	2,250		11,200
31		CP102		3,455	7,745
Account: Accounts Payable					
Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
Oct. 1	Balance	✓		5,995	5,995
31		CP102	1,705		4,290

- 21.** Use the journals below to post transactions from the cash payments journal into the correct general and subsidiary ledgers. The company had a beginning Cash balance of \$8,700 and cash sales for the month of \$1,750 (shown in the cash receipts journal on page 22). Assume these are the only cash transactions for the month.

Cash Payments Journal						Page 11
Date	Check No.	Account Credited	Post. Ref.	Other Accounts Dr.	Accounts Payable Dr.	Cash Cr.
May 5	76	Sweetie Snacks	✓		790	790
5	77	Insurance Exp.	45	3,500		3,500
8	78	Barry Bakers	✓		655	655
10	79	Farmer's Fruit	✓		330	330

Accounts Payable Subsidiary Ledger

Name: Sweetie Snacks

Date	Item	Post. Ref.	Debit	Credit	Balance
May 1	Balance	✓		880	880
4		P22		650	1,530
5		CP11	790		740

Name: Barry Bakers

Date	Item	Post. Ref.	Debit	Credit	Balance
May 1	Balance	✓		150	150
5		P22		700	850
8		CP11	655		195

Name: Farmer's Fruit

Date	Item	Post. Ref.	Debit	Credit	Balance
May 1	Balance	✓		450	450
5		P22		410	860
10		CP11	330		530

General Ledger

Account: Insurance Expense

Acct. 45

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
May 5		CP11	3,500		3,500

Account: Cash

Date	Item	Post. Ref.	Debit	Credit	Balance (Debit)
May 5	Balance	✓	8,700		8,700
31		CR22	1,750		10,450
31		CP11		5,275	5,175

Account: Accounts Payable

Date	Item	Post. Ref.	Debit	Credit	Balance (Credit)
May 5	Balance	✓		1,480	1,480
31		P22		1,760	3,240
31		CP11	1,775		1,465

Strategy: Using cross-referencing ensures accuracy and can also be a checkpoint. Knowing where to use the tick marks can be helpful in knowing that you have completed all the steps.

22. Trendy Tuxedos Inc.'s only accounts payable outstanding as of the beginning of May is owed to Custom Advertising for the amount of \$750. Use the following transactions to post to its accounts payable subsidiary ledger.

- a. Purchased \$860 on account (from purchases journal page 5 for Invoice No. 205) from Owen's Ties on May 7.
- b. Paid off \$400 of the amount owed to Custom Advertising (from cash payments journal page 10 for Invoice No. 202) on May 10.
- c. Paid off \$750 of the amount owed to Owen's Ties (from cash payments journal page 11 for Invoice No. 205) on May 28.

Accounts Payable Subsidiary Ledger

Name: Custom Advertising

Date	Item	Post. Ref.	Debit	Credit	Balance
May 1	Balance			750	750
10	Invoice No. 202	CP10	400		350

Name: Owen's Ties

Date	Item	Post. Ref.	Debit	Credit	Balance
May 7	Invoice No. 205	P5		860	860
28	Invoice No. 205	CP11	750		110

23. Bob & Joe's Diner had the following outstanding balances in the accounts payable ledger at the beginning of June: \$450 owed to Restaurant Supply, \$780 owed to Advertisers Inc., and \$320 owed to Lawyers of Greensland. Post the following transactions to its accounts payable subsidiary ledger.

- a. Paid \$400 to Advertisers Inc. (cash payments journal page 78, Invoice No. 32) on June 7.
- b. Incurred \$430 of legal fees from Lawyers of Greensland (posted in the legal expense account number 402, Invoice No. 33) on June 10.
- c. Paid \$200 to Restaurant Supply (cash payments journal page 79, Invoice No 34) on June 11.

Accounts Payable Subsidiary Ledger

Name: Restaurant Supply

Date	Item	Post. Ref.	Debit	Credit	Balance
June 1	Balance			450	450
11	Invoice No. 34	CP79	200		250

Name: Advertisers Inc.

Date	Item	Post. Ref.	Debit	Credit	Balance
June 1	Balance			780	780
7	Invoice No. 32	CP78	400		380

Name: Lawyers of Greensland

Date	Item	Post. Ref.	Debit	Credit	Balance
June 1	Balance			320	320
10	Invoice No. 33	402		430	750

- 24.** Describe the transactions posted in the following accounts payable subsidiary ledger. Also, give the source of each transaction.

Accounts Payable Subsidiary Ledger

Name: Carly's Cupcakes

Date	Item	Post. Ref.	Debit	Credit	Balance
Apr. 1	Balance			990	990
5	Invoice No. 27	CP45	330		660
10	Invoice No. 30	P22		240	900
22	Invoice No. 28	CP46	300		600

- Apr. 5. Made a payment of \$330 to Carly's Cupcakes on balances outstanding (Invoice No. 27). Amount posted from the cash payments journal page 45.
10. Purchased \$240 of supplies from Carly's Cupcakes on account (Invoice No. 30). Amount posted from the purchases journal page 22.
22. Made a payment of \$300 to Carly's Cupcakes for balances outstanding (Invoice No. 28). Amount posted from the cash payments journal page 46.

Strategy: Increases in accounts payable (a credit to the account) show that the company owes more to the other party. Decreases in accounts payable (a debit to the account) show that the company has paid an amount. To ensure accuracy, the accountant should use cross-referencing.

25. Put the following steps in the correct order of use when using a computerized accounting system.

- 1: Recording revenue by completing an electronic invoice form
- 2: Recording the collection of cash from customers
- 3: Preparing a report to list the revenue by customer for the month

26. Which of the following is not a step when using a computerized accounting system?

- a. Yes
- b. Yes
- c. No

27. Determine the correct order of the following steps when using a computerized accounting system.

- 1: Recording the rent revenue using the electronic invoices
- 2: Entering the collection of cash from customers paying rent into the system
- 3: Creating a cash receipt report to inspect any overdue amounts

Strategy: *A computerized accounting system assists a business with efficiency and accuracy, but the steps must occur in the same order. The revenue must be booked before showing payment. After the revenues have been recorded, reports can be created from these amounts.*

28. Determine whether each of the following businesses is using business-to-business e-commerce, business-to-consumer e-commerce, or neither.

- a. Business-to-consumer
- b. Business-to-business
- c. Business-to-business

29. Determine whether each of the following transactions would be classified as business-to-business e-commerce, business-to-consumer e-commerce, or neither.

- a. Neither
- b. Business-to-business
- c. Business-to-consumer

30. Determine whether each of the following transactions would be classified as business-to-business e-commerce, business-to-consumer e-commerce, or neither.
- Business-to-consumer
 - Business-to-consumer
 - Neither

Strategy: A business-to-business transaction occurs between two businesses, even if the consumer will ultimately receive the product. A business-to-consumer transaction occurs between a business and a consumer directly.

31. Perform a vertical segment analysis of Starts Today's revenue to identify which segments contributed more to the total revenue. Round percentages to two decimal places.

Rent revenue, beverage sales, and advertising revenue all showed an increase, while food sales decreased from 20Y5 to 20Y6.

<u>Segment</u>	<u>20Y6</u>		<u>20Y5</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Rent revenue	\$ 3,500	17.81%	\$ 3,250	16.29%
Food sales	10,200	51.91	11,000	55.14
Beverage sales	3,200	16.28	3,000	15.04
Advertising revenue	<u>2,750</u>	<u>13.99</u>	<u>2,700</u>	<u>13.53</u>
Total revenues	<u>\$19,650</u>	<u>99.99%</u>	<u>\$19,950</u>	<u>100.00%</u>

32. Using the revenues from Exercise 31, perform a horizontal analysis of Starts Today's revenue to identify which revenues had an increase or decrease from 20Y5 to 20Y6. Round percentages to two decimal places.

Rent revenue, beverage sales, and advertising revenue had a positive increase from 20Y5 to 20Y6. Food sales decreased from 20Y5 to 20Y6.

<u>Segment</u>	<u>20Y6</u>	<u>20Y5</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Rent revenue	\$ 3,500	\$ 3,250	\$ 250	7.69%
Food sales	10,200	11,000	(800)	(7.27)
Beverage sales	3,200	3,000	200	6.67
Advertising revenue	<u>2,750</u>	<u>2,700</u>	<u>50</u>	1.85
Total revenues	<u>\$19,650</u>	<u>\$19,950</u>	<u>\$(300)</u>	(1.50)

- 33.** Perform horizontal and vertical segment analyses using the following revenues to identify positive increases from 20Y5 to 20Y6. Round percentages to two decimal places.

From the horizontal analysis, fee revenue, loan revenue, and insurance revenue had a positive increase from 20Y5 to 20Y6.

<u>Segment</u>	<u>20Y6</u>	<u>20Y5</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Fee revenue	\$ 22,350	\$22,300	\$ 50	0.22%
Interest revenue	16,000	18,200	(2,200)	(12.09)
Loan revenue	24,500	19,000	5,500	28.95
Insurance revenue	32,000	31,050	950	3.06
Consulting revenue	<u>6,350</u>	<u>6,500</u>	<u>(150)</u>	<u>(2.31)</u>
Total revenues	<u>\$101,200</u>	<u>\$97,050</u>	<u>\$ 4,150</u>	4.28

From the vertical analysis, loan revenue was the only segment that showed an increase in the contribution to total revenue.

<u>Segment</u>	<u>20Y6</u>		<u>20Y5</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Fee revenue	\$ 22,350	22.08%	\$22,300	22.98%
Interest revenue	16,000	15.81	18,200	18.75
Loan revenue	24,500	24.21	19,000	19.58
Insurance revenue	32,000	31.62	31,050	31.99
Consulting revenue	<u>6,350</u>	<u>6.27</u>	<u>6,500</u>	<u>6.70</u>
Total revenues	<u>\$101,200</u>	<u>99.99%</u>	<u>\$97,050</u>	<u>100.00%</u>

Strategy: A horizontal segment analysis gives the increase or decrease in the segment's revenue from year to year, while a vertical segment analysis shows the changes in contribution to total revenue. To perform a horizontal segment analysis, find the changes in amounts for each segment. Next, find the percentage change by dividing the amount change by the segment's previous year's revenue. To perform a vertical segment analysis, find the percentage of the segment's revenue to the total revenue and identify changes.