

ANSWERS TO CHAPTER 4 REVIEW EXERCISES (cont.)

Exercise 1 (cont.)

- M. An exceptional balance is opposite to what would be normal. T
- N. A customer is given a refund because of unsatisfactory service. The account of this customer will now have an exceptional balance. F
- O. A ledger contains an exceptional balance. A trial balance cannot be taken until the exceptional item is transferred to another part of the ledger. F
- P. A trial balance that is in balance proves that there are no errors in the accounts. F
- Q. A trial balance is taken using a printing calculator. When the “total” key is pressed, the figure 89.00 comes up. This is the amount of the error. F
- R. The business buys supplies and pays cash. The accounting entry made in the accounts is Dr Bank and Cr Supplies. This causes the ledger to be out of balance. F

Explanations for “F” Responses

- A. *There should only be one account per page.*
- B. *Though the ledger may appear more complex, it is better organized.*
- C. *A total assets figure is not found in the ledger, but can be found on the balance sheet.*
- D. *T-accounts are only used in the teaching of accounting theory.*
- F. *Though equity can always be calculated, there does exist a capital account in the ledger.*
- G. *The sole purpose of the transaction analysis sheet is to serve as an introduction to transactions.*
- H. *In a transaction, there could exist one debit amount that equals two credit amounts.*
- I. *A balanced accounting entry may not always be correct. It is possible to use the wrong accounts but the right values.*
- L. *The account of Eric Lai is likely an account payable, meaning we purchase goods or services from him.*
- N. *Since a refund is cash, it would not affect the account of the customer.*
- O. *A trial balance can be taken at any time.*
- P. *A balancing trial balance does not prove there are no errors. It is possible to have a correct number in an incorrect account.*
- Q. *The \$89.00 may not be the amount of the error. It only proves that one or more errors are present.*
- R. *Though the accounts have been debited and credited backwards, numerically it will balance.*

Exercise 2, p. 110

- A. *The Bank account was overstated by \$1 000. Suppose the balance before the transaction was \$2 000. Had the account been correctly credited, the balance would have been \$1 500. Instead, though, it was debited, giving it a balance of \$2 500. The difference (which is two times the error) is \$1 000.*
- B. *The total of the debit column of the trial balance is overstated by \$1 000, the same amount that Bank was overstated.*
- C. *The total of the credit column is correctly stated.*

ANSWERS TO CHAPTER 4 REVIEW EXERCISES (cont.)

Exercise 3, p. 110

The debit balance could still exist because:

- *the cheque may not have been recorded or could have been for something else;*
- *there may have been two bills for the same amount and M. Finney received payment on only the first one; perhaps Pearson was paying only one-half of his balance;*
- *the \$375 may have been entered in the wrong account.*

Exercise 4, p. 110

- A. *A credit without a debit (or debits) of equal value will always cause the trial balance to be out of balance. \$150.*
- B. *Since the debit and credit are equal, the trial balance would balance.*
- C. *Since the debit and credit amounts are not equal, the trial balance would be out of balance. \$90.*
- D. *Since the debit and credit amounts are equal, the trial balance would balance.*

Exercise 5, p. 111 Comprehensive Exercise

A., B.

<p>Bank</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 2 216 ① 200 ③ 402 ④ 100 <hr style="border: 0; border-top: 1px solid black;"/> 2 918 ④ </td> <td style="width: 50%; padding: 5px;"> 500 ② 1 000 ⑤ 500 ⑥ 875 ⑦ <hr style="border: 0; border-top: 1px solid black;"/> 2 875 </td> </tr> </table>	2 216 ① 200 ③ 402 ④ 100 <hr style="border: 0; border-top: 1px solid black;"/> 2 918 ④	500 ② 1 000 ⑤ 500 ⑥ 875 ⑦ <hr style="border: 0; border-top: 1px solid black;"/> 2 875	<p>A/R — G. Anderson</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 357 </td> <td style="width: 50%; padding: 5px;"> ④ 150 </td> </tr> </table>	357	④ 150	<p>A/R — G. Brand</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> ④ 150 </td> <td style="width: 50%; padding: 5px;"> ④ 150 </td> </tr> </table>	④ 150	④ 150
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<p>A/R — N. Ostrowski</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 402 0 </td> <td style="width: 50%; padding: 5px;"> 402 ③ </td> </tr> </table>	402 0	402 ③	<p>Office Supplies</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 2 980 </td> <td style="width: 50%; padding: 5px;"> ③ </td> </tr> </table>	2 980	③	<p>Painting Supplies</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 4 120 </td> <td style="width: 50%; padding: 5px;"> ③ </td> </tr> </table>	4 120	③
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<p>Office Furniture</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 5 090 ④ 640 </td> <td style="width: 50%; padding: 5px;"> 450 ④ </td> </tr> </table>	5 090 ④ 640	450 ④	<p>Automobile</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> 20 000 </td> <td style="width: 50%; padding: 5px;"> ④ </td> </tr> </table>	20 000	④	<p>Bank Loan</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 5px;"> ⑤ 1 000 ⑥ 500 <hr style="border: 0; border-top: 1px solid black;"/> 1 500 </td> <td style="width: 50%; padding: 5px;"> 6 500 ⑤ 000 </td> </tr> </table>	⑤ 1 000 ⑥ 500 <hr style="border: 0; border-top: 1px solid black;"/> 1 500	6 500 ⑤ 000
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Name _____ Date _____

ANSWERS TO CHAPTER 4 REVIEW EXERCISES (cont.)

Exercise 5 (cont.)

A/P — Consumer's Supply		A/P — Nu-Style Furniture		Loan Payable, M. Hoysted		A. Hoysted, Capital	
② 500	1 375		2 951		11 980	④ 200	12 359
⑦ 875							200 ①
1 375							12 559
							<u>12 359</u>

C. _____ *A. Hoysted*
 _____ *Trial Balance*
 _____ *—date—*

ACCOUNTS	DEBIT				CREDIT				
Bank			4	3	-				
A/R—G. Anderson			3	5	7				
A/R—G. Brand			1	5	0				
Office Supplies			2	9	8				
Painting Supplies			4	1	2				
Office Furniture			4	6	4				
Automobile			20	0	0				
A/P—Nu-Style Furniture								2	9
Bank Loan								5	0
Loan Payable, M. Hoysted								11	9
A. Hoysted, Capital								12	3
			32	2	9			32	2
			0	-				0	-

Exercise 6, p. 111 Comprehensive Exercise

Bank		A/R — V. Morris		A/R — D. Murray		A/R — A. Niemi	
1 056	95 ③	④ 4 150	2 000 ⑤	1 351	800 ⑥	2 516	516 ⑦
⑧ 516	15 000 ⑧						
⑨ 20 000	520 ⑨	<u>2 150</u>		<u>551</u>		<u>2 000</u>	
⑩ 800	40 ⑩						
⑪ 2 000	500 ⑪						
⑫ 5 100	1 000 ⑫						
29 472	17 155						
<u>12 317</u>							

ANSWERS TO CHAPTER 4 REVIEW EXERCISES (cont.)

Exercise 6 (cont.)

<p>Office Supplies</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: right;">1 115</td><td style="width: 50%;"></td></tr> <tr><td style="text-align: right;">ⓐ <u>95</u></td><td></td></tr> <tr><td></td><td style="text-align: right;">ⓑ <u>1 210</u></td></tr> </table>	1 115		ⓐ <u>95</u>			ⓑ <u>1 210</u>	<p>Furniture and Equipment</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: right;">11 916</td><td style="width: 50%;"></td></tr> <tr><td style="text-align: right;">ⓐ <u>600</u></td><td></td></tr> <tr><td></td><td style="text-align: right;">ⓑ <u>12 516</u></td></tr> </table>	11 916		ⓐ <u>600</u>			ⓑ <u>12 516</u>	<p>Properties Owned</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: right;">18 042</td><td style="width: 50%; text-align: right;">5 000 ⓐ</td></tr> <tr><td></td><td style="text-align: right;">ⓑ <u>13 042</u></td></tr> </table>	18 042	5 000 ⓐ		ⓑ <u>13 042</u>	<p>Automobile</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; text-align: right;">27 965</td><td style="width: 50%;"></td></tr> </table>	27 965							
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* Calculate opening capital

Rainbow Real Estate

 Trial Balance

 —date—

ACCOUNTS	DEBIT					CREDIT				
Bank	12	3	1	7	-					
A/R—V. Morris	2	1	5	0	-					
A/R—D. Murray		5	5	1	-					
A/R—A. Niemi	2	0	0	0	-					
Office Supplies	1	2	1	0	-					
Furniture and Equipment	12	5	1	6	-					
Properties Owned	13	0	4	2	-					
Automobile	27	9	6	5	-					
Bank Loan						4	0	0	0	-
A/P—Pioneer Furniture						6	0	0		-
Cathy Geraci, Capital						67	1	5	1	-
	71	7	5	1	-	71	7	5	1	-

Career **MELANIE APPELYARD/CO-OPERATIVE EDUCATION STUDENT**

ANSWERS TO DISCUSSION QUESTIONS (text p. 115)

1. *Advantages of a co-operative education program in accounting:*
 - *provides an alternative method of earning accounting credits;*
 - *provides the student with both theoretical and practical accounting experience;*
 - *co-op helps identify the student's capabilities and limitations;*
 - *helps to improve interpersonal skills, self-confidence and poise.*

2. *The computer cannot make decisions regarding the rules for debit and credit when entries are keyed in from source documents.*

3. a. *Two steps:*
Recording the ledger; trial balance.

- b. *The computer automatically completes all the steps in the accounting cycle. If the students do not know the complete accounting cycle, they will be unable to retrieve the proper information input in the computer.*

- c. *When an accounting transaction is entered into the computer, the amounts are automatically transferred to the appropriate ledger accounts and the necessary changes are made on the trial balance, income statement, and balance sheet.*

4. *Answers to this question depend on where the students live. Examples of businesses could include public accounting offices, municipal offices, etc.*

5. *Employees' earnings records, merchandise inventory files, etc.*