

**ANSWERS TO SECTION 7.3 COMPUTER EXERCISES (cont.)**

**Exercise 1 (cont.)**

**Communicate It (text p. 237)**

Write down the main points of your letter before you prepare it with a word-processing program.

*Students should point out the time-saving benefit to Mr. McKell. Simply Accounting will save him many hours of work per week because posting is done as soon as journal entries are made, totals are calculated instantly, no mathematical errors occur and financial statements are ready to be printed at any time.*

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**ANSWERS TO CHAPTER 7 REVIEW EXERCISES (text p. 238)**

**Exercise 1, p. 238 Using Your Knowledge**

Indicate whether each of the following statements is true or false by placing a “T” or an “F” in the space indicated. Explain the reason for each “F” response in the space provided.

- A. The chief advantage of the balance-column account is that there is room for the account balance.  T
- B. Both sides of an account page (front and back) are used for the same item (for example, Bank).  T
- C. Entering the journal page number in the account is the sixth step in the posting process.  F
- D. The step described in question c above is performed in the journal.  F
- E. The process of setting up an account is known as “forwarding.”  F
- F. The fourth step in the accounting cycle, as we know it, is the taking off of a trial balance.  T
- G. It is not possible for the ledger to be out of balance and also to be correct.  T
- H. If the trial balance difference is an even amount, the error could not be a transposition error.  F
- I. If the trial balance difference is zero, the ledger is correct.  F
- J. Posting a debit item incorrectly as a credit produces a trial balance credit total that is smaller than the debit total by twice the amount of the error.  F
- K. Very rarely does a transaction affect only one account.  F
- L. Ledger accounts are arranged alphabetically to make them easier to find.  F
- M. The presence of the account number in the journal indicates that the posting of an item has been completed.  T



**ANSWERS TO CHAPTER 7 REVIEW EXERCISES (cont.)**

**Exercise 2, p. 239**

Error situations	Trial Balance will not balance		Trial Balance will balance but will not be correct
	Debits greater than credits by (\$\$)	Credits greater than debits by (\$\$)	
a. An entire journal entry is posted as \$400 instead of \$100.			✓
b. A debit of \$200 is posted twice.	\$200		
c. A debit of \$150 is posted as a credit.		\$300	
d. The Bank account is over-added by \$80.	\$80		
e. The Drawings account balance of \$5 500 is missed when preparing the trial balance.		\$5 500	
f. The Revenue account balance of \$72 000 is listed on the trial balance as a debit.	\$144 000		
g. An entire general journal entry for \$325 is not posted.			✓
h. An entire general journal entry for \$50 is posted in reverse.			✓
i. A \$40 debit is not posted.		\$40	
j. A \$500 credit is posted as \$50.	\$450		
k. A debit of \$60 to Bank was posted to a customer's account instead of to Bank.			✓
l. A \$40 debit is posted as \$400.	\$360		

**Exercise 3, p. 240**

*Possible errors that would not cause the trial balance to be out of balance:*

- *an entire general journal entry is posted as a wrong amount;*
- *an entire general journal entry is not posted;*
- *an entire general journal entry is posted in reverse;*
- *an amount was posted to the wrong account but correct side.*

**ANSWERS TO CHAPTER 7 REVIEW EXERCISES (cont.)**

**Exercise 4, p. 240**

*The credit balance of \$200 in a customer's account is possible. A simple explanation is that the customer sent a cheque for \$900 when it should have been \$700. The credit balance of \$5 000 in Furniture and Equipment is impossible except as an error. It is simply impossible to take more out of that asset account than was put in.*

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**Exercise 5, p. 240**

*The advantage of this method is that you do not have to flip through the entire ledger to find an account. Also, you can keep the running total of the ledger account (i.e., if you are using a printing calculator).*

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**Exercise 6, p. 240**

*A disadvantage to taking off a trial balance only once a year is that there has been an entire year for mistakes to accumulate. Finding errors after an entire year will be extremely difficult. Also, if there has been a mistake in a customer's account, you will have difficulty persuading the customer of that fact a year later.*

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