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The General Journal and the General Ledger

DEMONSTRATION PROBLEM

G. Bell, a fitness enthusiast, buys an existing exercise center, Body Firm. The following chart of accounts now applies:

Assets

- 111 Cash
- 124 Land
- 126 Building
- 128 Equipment

Liabilities

- 221 Accounts Payable
- 223 Mortgage Payable

Owner's Equity

- 311 G. Bell, Capital
- 312 G. Bell, Drawing

Revenue

- 411 Income from Services

Expenses

- 511 Wages Expense
- 512 Utilities Expense
- 513 Advertising Expense
- 514 Repair Expense
- 519 Miscellaneous Expense

- Apr. 16 Bell deposited \$100,000 in a bank account for the purpose of buying Body Firm.
- 17 Bought the assets of Body Firm for a total price of \$188,000. The assets include equipment, \$28,000; building, \$96,000; and land, \$64,000. Made a down payment of \$89,000 and signed a mortgage note for the remainder.
- 17 Bought additional equipment from Fitness Supply Co. on account for \$3,550, paying \$710 down, with balance due in thirty days.
- 29 Celebrated the grand opening of Body Firm. Advertising expenses were paid in cash for the following:
- | | |
|---|-------|
| Advertising in newspaper | \$314 |
| Announcements mailed to local residents | 85 |
| Postage | 125 |
| Balloons, ribbons, flowers | 126 |
| Food and refreshments | 58 |
- 30 Received fees for daily use of the facilities, \$1,152.
- 30 Paid wages for the period April 17 through April 30, \$833.
- 30 Received and paid electric bill, \$129.
- 30 Received and paid repair bill, \$96.
- 30 Bell withdrew \$600 for personal use.

Instructions

1. Record the transactions in the general journal.
2. Post the transactions to the general ledger.
3. Prepare a trial balance as of April 30.

SOLUTION

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20 —					1
2	Apr. 16	Cash	111	100,000.00		2
3		<i>G. Bell, Capital</i>	311		100,000.00	3
4		<i>Invested cash in the business.</i>				4
5						5
6	17	Equipment	128	28,000.00		6
7		<i>Building</i>	126	96,000.00		7
8		<i>Land</i>	124	64,000.00		8
9		<i>Cash</i>	111		89,000.00	9
10		<i>Mortgage Payable</i>	223		99,000.00	10
11		<i>Bought Body Firm.</i>				11
12						12
13	17	Equipment	128	3,550.00		13
14		<i>Cash</i>	111		710.00	14
15		<i>Accounts Payable</i>	221		2,840.00	15
16		<i>Bought equipment on account from</i>				16
17		<i>Fitness Supply Co., with balance</i>				17
18		<i>due in 30 days.</i>				18
19						19
20	29	Advertising Expense	513	708.00		20
21		<i>Cash</i>	111		708.00	21
22		<i>Grand opening expenses.</i>				22
23						23
24	30	Cash	111	1,152.00		24
25		<i>Income from Services</i>	411		1,152.00	25
26		<i>Received fees.</i>				26
27						27
28	30	Wages Expense	511	833.00		28
29		<i>Cash</i>	111		833.00	29
30		<i>Paid wages for period</i>				30
31		<i>April 17 through April 30.</i>				31
32						32
33	30	Utilities Expense	512	129.00		33
34		<i>Cash</i>	111		129.00	34
35		<i>Paid electric bill.</i>				35
36						36
37	30	Repair Expense	514	96.00		37
38		<i>Cash</i>	111		96.00	38
39		<i>Paid repair bill.</i>				39
40						40
41	30	G. Bell, Drawing	312	600.00		41
42		<i>Cash</i>	111		600.00	42
43		<i>Withdrawal for personal use.</i>				43
44						44

GENERAL LEDGER

ACCOUNT Cash

ACCOUNT NO. 111

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 16		1	100,000.00		100,000.00	
	17	1		89,000.00	11,000.00	
	17	1		710.00	10,290.00	
	29	1		708.00	9,582.00	
	30	1	1,152.00		10,734.00	
	30	1		833.00	9,901.00	
	30	1		129.00	9,772.00	
	30	1		96.00	9,676.00	
	30	1		600.00	9,076.00	

ACCOUNT Land

ACCOUNT NO. 124

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 17		1	64,000.00		64,000.00	

ACCOUNT Building

ACCOUNT NO. 126

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 17		1	96,000.00		96,000.00	

ACCOUNT Equipment

ACCOUNT NO. 128

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 17		1	28,000.00		28,000.00	
	17	1	3,550.00		31,550.00	

ACCOUNT Accounts Payable ACCOUNT NO. 221

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 17		1		2,840.00		2,840.00

ACCOUNT Mortgage Payable ACCOUNT NO. 223

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 17		1		99,000.00		99,000.00

ACCOUNT G. Bell, Capital ACCOUNT NO. 311

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 16		1		100,000.00		100,000.00

ACCOUNT G. Bell, Drawing ACCOUNT NO. 312

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 30		1	600.00		600.00	

ACCOUNT Income from Services ACCOUNT NO. 411

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 30		1		1,152.00		1,152.00

ACCOUNT Wages Expense ACCOUNT NO. 511

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 30		1	833.00		833.00	

ACCOUNT Utilities Expense ACCOUNT NO. 512

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 30		1	129.00		129.00	

ACCOUNT Advertising Expense ACCOUNT NO. 513

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 29		1	708.00		708.00	

ACCOUNT Repair Expense ACCOUNT NO. 514

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20 —						
Apr. 30		1	96.00		96.00	

ACCOUNT Miscellaneous Expense ACCOUNT NO. 519

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT

Body Firm
Trial Balance
April 30, 20 —

ACCOUNT NAME	DEBIT	CREDIT
<i>Cash</i>	9,076.00	
<i>Land</i>	64,000.00	
<i>Building</i>	96,000.00	
<i>Equipment</i>	31,550.00	
<i>Accounts Payable</i>		2,840.00
<i>Mortgage Payable</i>		99,000.00
<i>G. Bell, Capital</i>		100,000.00
<i>G. Bell, Drawing</i>	600.00	
<i>Income from Services</i>		1,152.00
<i>Wages Expense</i>	833.00	
<i>Utilities Expense</i>	129.00	
<i>Advertising Expense</i>	708.00	
<i>Repair Expense</i>	96.00	
	202,992.00	202,992.00