

# ACCT 2021 - CHAPTER 3 - EXERCISE

Version 5.1

## Instructions

a) Use the T-Accounts to record the transactions below for Dixie Incorporated in its first year of business.

**HINT: Now that we are recording entries on the account level. The Retained Earnings account should not be impacted as part of these entries. The Retained Earnings balance will be impacted during the closing process.**

b) As you complete each T-account entry, prepare the Journal Entries using correct journal format.

c) After completing your entries, calculate an account balance for each account and prepare a Trial Balance.

d) Return to the T-accounts to record the Closing Entries for the company and then prepare a Post-Closing Trial Balance (form included later in exercise).

e) Use the post-closing balances to prepare a set of Financial Statements for the company.

- 1) Provided services to customers for cash, \$4,000
- 2) Purchased a 1 year insurance policy- \$1,800
- 3) Acquired cash of \$6,000 by issuing common stock.
- 4) Purchased office supplies on account, \$700.
- 5) Paid cash to purchase Equipment- Cost: \$1,600.
- 6) Provided \$1,900 of services on account.
- 7) Collected \$1,200 cash in advance on a contract to provide future services.
- 8) Paid \$300 of the Accounts Payable balance.
- 9) Paid \$1,400 cash for employee salaries.
- 10) Collected \$1,300 cash from Accounts Receivable.
- 11) Paid \$400 in cash dividends to shareholders.
- 12) \$375 of the Prepaid Insurance has expired.
- 13) Record depreciation on the Equipment- \$450.
- 14) \$650 of salaries are owed to employees at the end of the period.
- 15) Earned \$500 of the contract in #7.



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Prepare Journal Entries for entries 2-15 in Step 1. The entry for #1 is shown below as an example.

Journal			
Date	Description	Debit	Credit
1)	Cash	4,000	
	Services Revenue		4,000
2)			
3)			
4)			
5)			
6)			
7)			
8)			
9)			
10)			
11)			
12)			
13)			
14)			
15)			

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## Post Closing Trial Balance

	Debit	Credit
Cash		
Prepaid Insurance		
Supplies		
Equipment		
Accumulated Depreciation		
Accounts Receivable		
Accounts Payable		
Unearned Revenue		
Salaries Payable		
Common Stock		
Retained Earnings		
Totals		

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Prepare the Financial Statements (Cash Flows not included).

## Dixie Incorporated Income Statement For the Year Ended December 31, 20XX

Service Revenue		\$	
Expenses: Salaries Expense			
Insurance Expense			
Depreciation Expense			
Total Expenses			
Net Income		\$	

## Dixie Incorporated Statement of Stockholders' Equity For the Year Ended December 31, 20XX

Beginning Common Stock	\$	
Add: Stock Issued		
Ending Common Stock		\$
Beginning Retained Earnings	0	
Add: Net Income		
Less: Dividends		
Ending Retained Earnings		\$
Total Stockholders' Equity		\$

## Dixie Incorporated Balance Sheet At December 31, 20XX

<u>Assets</u>		<u>Liabilities:</u>	
Cash	\$	Accounts Payable	\$
Accounts Receivable		Salaries Payable	
Prepaid Insurance		Unearned Revenue	
Supplies		Total Liabilities	\$
Equipment		<u>Stockholders' Equity</u>	
Less: Accum. Depreciation		Common Stock	\$
		Retained Earnings	
Total Assets	\$	Total Liab. & Equity	\$