

PROBLEM 3-2B

(a)

		J1		
Date	Account Titles	Ref.	Debit	Credit
May 31	Insurance Expense.....	722	190	
	Prepaid Insurance	130		190
	(\$2,280 X 1/12)			
31	Supplies Expense	631	1,450	
	Supplies (\$2,200 – \$750)	126		1,450
31	Depreciation Expense—Lodge.....	619	250	
	(\$3,000 X 1/12)			
	Accumulated Depreciation—			
	Lodge	142		250
31	Depreciation Expense—Furniture.....	621	225	
	(\$2,700 X 1/12)			
	Accumulated Depreciation—			
	Furniture	150		225
31	Interest Expense	718	350	
	Interest Payable.....	230		350
	[((\$35,000 X 12%) X 1/12)]			
31	Unearned Rent Revenue	209	2,200	
	Rent Revenue	429		2,200
	(2/3 X \$3,300)			
31	Salaries Expense.....	726	750	
	Salaries Payable	212		750

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			3,500

PROBLEM 3-2B (Continued)

Supplies					No. 126
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Balance	✓		2,200
	31	Adjusting	J1		1,450 750

Prepaid Insurance					No. 130
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Balance	✓		2,280
	31	Adjusting	J1		190 2,090

Land					No. 140
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Balance	✓		12,000

Lodge					No. 141
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Balance	✓		60,000

Accumulated Depreciation—Lodge					No. 142
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Adjusting	J1		250 250

Furniture					No. 149
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Balance	✓		15,000

Accumulated Depreciation—Furniture					No. 150
Date		Explanation	Ref.	Debit	Credit Balance
May 31		Adjusting	J1		225 225

PROBLEM 3-2B (Continued)**Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			4,800

Unearned Rent Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			3,300
31	Adjusting	J1	2,200		1,100

Salaries Payable **No. 212**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1		750	750

Interest Payable **No. 230**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1		350	350

Mortgage Payable **No. 275**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			35,000

Share Capital—Ordinary **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			46,380

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			10,300
31	Adjusting	J1		2,200	12,500

PROBLEM 3-2B (Continued)**Advertising Expense****No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			600

Depreciation Expense—Lodge**No. 619**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	250		250

Depreciation Expense—Furniture**No. 621**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	225		225

Supplies Expense**No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	1,450		1,450

Interest Expense**No. 718**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	350		350

Insurance Expense**No. 722**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Adjusting	J1	190		190

Salaries Expense**No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			3,300
31	Adjusting	J1	750		4,050

PROBLEM 3-2B (Continued)

Utilities Expense					No. 732
Date	Explanation	Ref.	Debit	Credit	Balance
May 31	Balance	✓			900

(c) **MOUND VIEW MOTEL, INC.**
Adjusted Trial Balance
May 31, 2011

	Debit	Credit
Cash	\$ 3,500	
Supplies	750	
Prepaid Insurance	2,090	
Land	12,000	
Lodge	60,000	
Accumulated Depreciation—Lodge		\$ 250
Furniture	15,000	
Accumulated Depreciation—Furniture		225
Accounts Payable		4,800
Unearned Rent Revenue		1,100
Salaries Payable		750
Interest Payable		350
Mortgage Payable		35,000
Share Capital—Ordinary		46,380
Rent Revenue		12,500
Advertising Expense	600	
Depreciation Expense—Lodge	250	
Depreciation Expense—Furniture	225	
Supplies Expense	1,450	
Interest Expense	350	
Insurance Expense	190	
Salaries Expense	4,050	
Utilities Expense	900	
	<u>\$101,355</u>	<u>\$101,355</u>

PROBLEM 3-2B (Continued)

(d)

**MOUND VIEW MOTEL, INC.
Income Statement
For the Month Ended May 31, 2011**

Revenues		
Rent revenue		\$12,500
Expenses		
Salaries expense	\$4,050	
Supplies expense	1,450	
Utilities expense	900	
Advertising expense	600	
Interest expense	350	
Depreciation expense—lodge	250	
Depreciation expense—furniture	225	
Insurance expense	190	
Total expenses		<u>8,015</u>
Net income		<u>\$ 4,485</u>

**MOUND VIEW MOTEL, INC.
Retained Earnings Statement
For the Month Ended May 31, 2011**

Retained Earnings, May 1	\$ 0
Add: Net income	<u>4,485</u>
Retained Earnings, May 31	<u>\$4,485</u>

PROBLEM 3-2B (Continued)

**MOUND VIEW MOTEL, INC.
Statement of Financial Position
May 31, 2011**

Assets		
Land.....		\$12,000
Lodge.....	\$60,000	
Less: Accumulated depreciation—lodge	<u>250</u>	59,750
Furniture.....	15,000	
Less: Accumulated depreciation—furniture	<u>225</u>	14,775
Prepaid insurance.....		2,090
Supplies		750
Cash.....		<u>3,500</u>
Total assets.....		<u>\$92,865</u>
Equity and Liabilities		
Equity		
Share capital—ordinary	\$46,380	
Retained earnings	<u>4,485</u>	\$50,865
Liabilities		
Accounts payable	4,800	
Mortgage payable.....	35,000	
Unearned rent.....	1,100	
Salaries payable	750	
Interest payable.....	<u>350</u>	<u>42,000</u>
Total equity and liabilities		<u>\$92,865</u>