

Lena Fohn is a licensed accountant. During the first month of operations of her business, Lena Fohn, AG, the following events and transactions occurred.

May 1 Shareholders invested €20,000 cash in exchange for ordinary shares.

2 Hired a secretary-receptionist at a salary of €2,000 per month.

3 Purchased €1,500 of supplies on account from Hartig Supply Company.

7 Paid office rent of €900 cash for the month.

11 Completed a tax assignment and billed client €2,800 for services performed.

12 Received €3,500 advance on a management consulting engagement.

17 Received cash of €1,200 for services performed for Lucille Co.

31 Paid secretary-receptionist €2,000 salary for the month.

31 Paid 40% of balance due Hartig Supply Company.

Lena uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 311 Share Capital—Ordinary, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions

- (a) Journalize the transactions.
- (b) Post to the ledger accounts.
- (c) Prepare a trial balance on May 31, 2017.

SOLUTION

(a)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2017				
May 1	Cash.....	101	20,000	
	Share Capital—Ordinary.....	311		20,000
	(Issued shares for cash)			
2	No entry—not a transaction.			
3	Supplies.....	126	1,500	

	Accounts Payable.....	201		1,500
	(Purchased supplies on account)			
7	Rent Expense.....	729	900	
	Cash.....	101		900
	(Paid office rent)			
11	Accounts Receivable.....	112	2,800	
	Service Revenue.....	400		2,800
	(Billed client for services performed)			
12	Cash	101	3,500	
	Unearned Service Revenue.....	209		3,500
	(Received cash for future services)			
17	Cash	101	1,200	
	Service Revenue.....	400		1,200
	(Received cash for services performed)			
31	Salaries and Wages Expense.....	726	2,000	
	Cash.....	101		2,000
	(Paid salaries)			

Date	Account Titles and Explanation	Ref.	Debit	Credit
May 31	Accounts Payable (€1,500 X 40%).....	201	600	
	Cash.....	101		600
	(Paid creditor on account)			

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		600	21,200

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 11		J1	2,800		2,800

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 3		J1	1,500		1,500

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 3		J1		1,500	
31		J1	600		900

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 12		J1		3,500	3,500

Share Capital—Ordinary **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 1		J1		20,000	20,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 11		J1		2,800	2,800
17		J1		1,200	4,000

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
2017					

May 31	J1	2,000	2,000
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Rent Expense

No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
2017					
May 7		J1	900		900

(c)

LENA FOHN AG

Trial Balance

May 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	€21,200	
Accounts Receivable.....	2,800	
Supplies.....	1,500	
Accounts Payable.....		€ 900
Unearned Service Revenue.....		3,500
Share Capital—Ordinary.....		20,000
Service Revenue.....		4,000
Salaries and Wages Expense.....	2,000	
Rent Expense.....	<u>900</u>	<u> </u>
	<u>€28,400</u>	<u>€28,400</u>