



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

Corso di Laurea Magistrale in
ACCOUNTING, GOVERNANCE AND
SUSTAINABILITY

Homework: double-entry exercises

International and Advanced Accounting

RELATORI

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HOMEWORK – DOUBLE-ENTRY EXERCISES

Seven exercises, one path: from the first transaction to the financial statements

Set 1 – due Monday 28 September

- ✓ Exercise 1 – November transactions (Table 1): use / source and journal entries
- ✓ Exercise 2 – December transactions (Table 2): transactions on account, multi-line entries
- ✓ Exercise 3 – T-accounts for December
- ✓ Exercise 4 – Trial balance: December and cumulative

Set 2 – due Wednesday 30 September

- ✓ Exercise 5 – «The Library»: journal, income statement and balance sheet
- ✓ Exercise 6 – The retail shop: the accounting equation in one table
- ✓ Exercise 7 – «Bergamo Bikes S.r.l.»: year-end adjustments (new case)

Work on paper or in a spreadsheet, on your own first, then compare with a classmate. Solutions are in the last section of this file: use them only after you have tried. Bring your questions to class; the debriefing takes the first 20 minutes of each lesson.

THE RULES ON ONE PAGE

Keep this next to you while you work

The four questions for every transaction

1. How was the money used? → DEBIT (acquisition / use)
2. Where did it come from? → CREDIT (source)
3. How much? The same amount on both sides.
4. When? The date of the transaction.

Total debits = total credits. Always.

Account type	Increases with	Normal balance
Assets (what you own)	Debit	Debit
Expenses / costs	Debit	Debit
Liabilities (what you owe)	Credit	Credit
Equity (owners' stake)	Credit	Credit
Revenue / income	Credit	Credit

Accounting equation: $\text{Assets} = \text{Liabilities} + \text{Equity}$ (and Equity grows with revenues, shrinks with expenses)

Journal → Ledger → Trial balance

Journal: one line per transaction, in date order. Ledger / T-accounts: the same amounts sorted by account. Trial balance: the list of account balances.

Cash vs on account

«On account» / «on credit»: record the expense or the sale when the bill is issued (Accounts Payable / Accounts Receivable), the cash movement later.

EXERCISE 1 – TABLE 1 (NOVEMBER)

Identify the Use and the Source for each of these financial transactions.

Transactions 1 – 7 occur in November 20XX

Description	Acquisition/Use (Debit)	Source (Credit)
1. Owner invested in the business and deposited \$1500 into the Business Checking Account		
2. Paid Rent of \$500 with Check #100		
3. Bought Office Phone/Fax for \$75 with Check #101		
4. Used check #102 to buy new Printer for \$150		
5. Bought \$75 of Office Supplies with Check #103		
6. Bought \$500 in parts for Server with Check #104		
7. Bank Charges of \$10 deducted from Checking Account		

Task: for each line identify use and source, then write the journal entry (date, description, debit, credit).

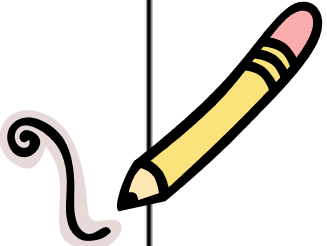
EXERCISE 2 – TABLE 2 (DECEMBER)

Transactions 8 – 16 of Table 2 occur in December 20XX Description

Description	Acquisition/Use	Source
8. Owner invested another \$1100 and deposited it into Checking Account		
9. Bought \$700 Office Chair with Check #105		
10. Had car's Oil Changed for \$25 – used Check #106		
11. Deposited \$500 check for providing Advertising Space on site into Checking Account		
12. Received \$150 Phone Bill		
13. Received \$100 Electric Bill		
14. Received Credit Card Statement \$930 – additional entries below (prior to #15): Credit Card Interest and Fees \$ 30		
• Office Desk \$245		
• Fuel \$25		
• Business Magazines \$65		
• Business Lunch \$45		
• Website Hosting \$120		
• Server Parts \$400		
15. Paid \$500 on Credit Card with Check #107	Accounts Payable	
16. Bank Charges of \$15 deducted from Checking Account		

EXERCISE 3 – T-ACCOUNTS FOR DECEMBER

Create entries in the T-Accounts for the December transactions from Tables 1 and 2.

Checking Account	Owner's Equity	Computer Hardware	Bank Charges
			
Office Furniture	Repairs & Maintenance	Sales	Accounts Payable
Phone Service	Electric Service	Credit Card Fees	Fuel
Subscriptions	Meals	Website Hosting	

Now, it's your turn!

EXERCISE 4 – TRIAL BALANCE

Trial Balance for November Transactions only

Account	Debit	Credit
Checking Account	190.00	
Office Equipment	225.00	
Computer Hardware	500.00	
Owners' Equity		1500.00
Rent	500.00	
Office Supplies	75.00	
Bank Charges	10.00	
Totals	\$1,500.00	\$1,500.00

Trial Balance for December Transactions only

Account	Debit	Credit
Checking Account		
Office Equipment		
Computer Hardware		
Office Furniture		
Accounts Payable		
Owners' Equity		
Sales		
Website Hosting		
Repairs & Maintenance		
Fuel		
Subscriptions		
Meals		
Phone Service		
Electric Service		
Office Supplies		
Bank Charges		
Credit Card Fees & Int		
Totals		

Combine the Account Balances for November and December and Create a Trial Balance for Dec. 31.

EXERCISE 5 – «THE LIBRARY»

From ten transactions to the income statement and the balance sheet

#	Date	Transaction
1	Jan 1	«The Library» is established to sell books; share capital 20,000: shareholders contribute cash 16,000 and a building 4,000
2	Mar 15	Buys land for 6,000: pays 2,000 cash, 4,000 due by Sept 15
3	Jun 3	Buys books for 2,000, payment due June 30
4	Jun 8	Sells half of the books for 1,200; payment postponed to June 15 (perpetual inventory)
5	Jun 30	Pays the amount due for the books (transaction 3)
6	Jun 30	Pays cash salaries of 100
7	Jul 31	Issues bonds for 2,000, collecting cash
8	Sept 15	Pays the debt for the land
9	Oct 30	Sells the land for 7,000, collecting cash
10	Dec 31	Depreciates the building by 5% of its value

Required: for each account say whether it is A, L, OE, R or E; write the journal; prepare the income statement and the balance sheet at 31 Dec.

EXERCISE 6 – THE RETAIL SHOP

Suppose the entity runs a retail shop that undertakes the following transactions after initial input of capital of € 100,000:

- 1) Borrows € 50,000 from the bank;
- 2) Buy property for € 50,000;
- 3) Buys inventory (goods to be sold again) costing € 45,000, paying cash;
- 4) Sells one-third of the quantity of this inventory for € 35,000, on credit (the customer agree to pay later);
- 5) Pays wages for the period, in cash, of € 4,000;
- 6) € 16,000 of the money due from the customer is received;
- 7) Buys inventory costing € 25,000 on credit

Task: fill a table with columns: Cash, Receivables, Other assets, Liabilities, Owner's capital and profit, one row per transaction, with + and -. No debits and credits: only the accounting equation.

EXERCISE 7 – «BERGAMO BIKES S.R.L.»

First year of activity: transactions and year-end adjustments

#	Transaction (year 1)
1	Shareholders contribute cash 50,000
2	1 Oct: bank loan 20,000, interest 5% per year, paid every 30 September
3	Buys equipment for 24,000 cash; useful life 6 years, no residual value
4	Buys 100 bikes at 300 each (30,000) on account
5	Sells 70 bikes at 500 each (35,000): 20,000 cash, 15,000 on account
6	Pays suppliers 18,000
7	1 July: pays 6,000 rent for 12 months in advance
8	Pays wages 8,000

Hint: the difference between paying and consuming is the whole point of this exercise.

Required

- a) Journal entries for 1-8.
- b) Year-end adjustments at 31 Dec: cost of goods sold and closing inventory, depreciation, accrued interest, prepaid rent.
- c) Income statement and balance sheet at 31 Dec.
- d) **One sentence: is the first year good or bad?**

SOLUTIONS

Use them only after you have tried

Solutions to exercises 1-7 follow. If your answer differs, look first for the account (did you choose the right type?), then for the side (use or source?), and only last for the arithmetic.

Debriefing in class: exercises 1-4 on Monday 28 September, exercises 5-7 on Wednesday 30 September.