

## 6

## Accounting for Professional Enterprises: The Combined Journal (Optional)

### DEMONSTRATION PROBLEM

Transactions for Heins' Cleaners are presented below.

- June
- 1 N.L. Heins invests \$40,000 cash in his new business.
  - 2 Buys equipment from Craig Company costing \$22,000, paying cash (Ck. No. 1).
  - 2 Buys equipment costing \$4,000 on credit from Drake Equipment Company.
  - 5 Pays \$1,000 to Drake Equipment Company to be applied against the firm's liability of \$4,000 (Ck. No. 2).
  - 5 Buys cleaning fluid and garment bags on account from Blair Supply Company for \$400.
  - 7 Cash revenue received for the first week, \$960.
  - 8 Pays rent for the month, \$500 (Ck. No. 3).
  - 10 Pays wages to a part-time employee, for the period June 1 through June 10, \$440 (Ck. No. 4).
  - 11 Pays \$360 for a two-year liability insurance policy (Ck. No. 5).
  - 14 Cash revenue received for the second week, \$980.
  - 14 Receives bill from the *City News* for newspaper advertising, \$180.
  - 15 Pays \$1,800 to Drake Equipment Company as partial payment on account (Ck. No. 6).
  - 15 Receives and pays bills for utilities, \$220 (Ck. No. 7).
  - 15 Pays \$180 to *City News* for advertising, (Ck. No. 8). (This bill has been previously recorded.)
  - 21 Cash revenue received for the third week, \$830.
  - 23 Heins' Cleaners enters into a contract with Formal Rentals to clean formal garments on a credit basis. Heins' Cleaners bills Formal Rentals for services performed, \$140.
  - 24 Pays wages to part-time employee, \$490, for June 11 through June 24 (Ck. No. 9).
  - 26 Buys additional equipment for \$940 from Drake Equipment Company, paying \$140 down, with the remaining \$800 on account (Ck. No. 10).
  - 30 Cash received for the remainder of the month, \$960.
  - 30 Receives \$90 from Formal Rentals to apply on amount previously billed.
  - 30 Heins withdraws \$1,200 in cash for personal use (Ck. No. 11).

#### Instructions

Record the June transactions in a combined journal, page 12.

## SOLUTION

Notice the first transaction of June 5, involving payment to a creditor on account. The name of the creditor is recorded in the Account Name column. Likewise, in receiving cash from a customer on account (second entry of June 30), the name of the charge customer is recorded in the Account Name column.

### Combined Journal (continued on next page)

	CASH		CK. NO.	DATE	ACCOUNT NAME	POST. REF.	OTHER ACCOUNTS	
	DEBIT	CREDIT					DEBIT	CREDIT
1				20 —				
2	40,000.00			June 1	N.L. Heins, Capital			40,000.00
3		22,000.00	1	2	Equipment, Craig Co.		22,000.00	
4				2	Equipment, Drake			
5					Equip. Co.		4,000.00	
6		1,000.00	2	5	Drake Equipment Co.	—		
7				5	Supplies Expense,			
8					Blair Supply Co.		400.00	
9	960.00			7	—————	—		
10		500.00	3	8	Rent Expense		500.00	
11		440.00	4	10	—————	—		
12		360.00	5	11	Prepaid Insurance		360.00	
13	980.00			14	—————	—		
14				14	Advertising Expense,			
15					City News		180.00	
16		1,800.00	6	15	Drake Equipment Co.	—		
17		220.00	7	15	Utilities Expense		220.00	
18		180.00	8	15	City News	—		
19	830.00			21	—————	—		
20				23	Formal Rentals	—		
21		490.00	9	24	—————	—		
22		140.00	10	26	Equipment, Drake			
23					Equip. Co.		940.00	
24	960.00			30	—————	—		
25	90.00			30	Formal Rentals	—		
26		1,200.00	11	30	N. L. Heins, Drawing		1,200.00	
27	43,820.00	28,330.00		30			29,800.00	40,000.00
28								
29								

Debits	\$43,820
	29,800
	140
	2,980
	930
	<u>\$77,670</u>

Credits	\$28,330
	40,000
	90
	5,380
	3,870
	<u>\$77,670</u>

ACCOUNTS RECEIVABLE		ACCOUNTS PAYABLE		INCOME FROM SERVICES	WAGES EXPENSE	
DEBIT	CREDIT	DEBIT	CREDIT	CREDIT	DEBIT	
						1
						2
						3
						4
			4,000.00			5
		1,000.00				6
						7
			400.00			8
				960.00		9
					440.00	10
						11
						12
				980.00		13
						14
			180.00			15
		1,800.00				16
						17
		180.00				18
				830.00		19
140.00				140.00		20
					490.00	21
						22
			800.00			23
				960.00		24
	90.00					25
						26
140.00	90.00	2,980.00	5,380.00	3,870.00	930.00	27
						28
						29