

Problem 2-2A

Preparing and posting
journal entries; preparing
a trial balance

C3 C4 A1 P1 P2

Aracel Engineering completed the following transactions in the month of June.

- a. Jenna Aracel, the owner, invested \$100,000 cash, office equipment with a value of \$5,000, and \$60,000 of drafting equipment to launch the company.
- b. The company purchased land worth \$49,000 for an office by paying \$6,300 cash and signing a long-term note payable for \$42,700.
- c. The company purchased a portable building with \$55,000 cash and moved it onto the land acquired in *b*.
- d. The company paid \$3,000 cash for the premium on an 18-month insurance policy.
- e. The company completed and delivered a set of plans for a client and collected \$6,200 cash.
- f. The company purchased \$20,000 of additional drafting equipment by paying \$9,500 cash and signing a long-term note payable for \$10,500.
- g. The company completed \$14,000 of engineering services for a client. This amount is to be received in 30 days.
- h. The company purchased \$1,150 of additional office equipment on credit.
- i. The company completed engineering services for \$22,000 on credit.
- j. The company received a bill for rent of equipment that was used on a recently completed job. The \$1,333 rent cost must be paid within 30 days.
- k. The company collected \$7,000 cash in partial payment from the client described in transaction *g*.
- l. The company paid \$1,200 cash for wages to a drafting assistant.
- m. The company paid \$1,150 cash to settle the account payable created in transaction *h*.
- n. The company paid \$925 cash for minor maintenance of its drafting equipment.

- o. Jenna Aracel withdrew \$9,480 cash from the company for personal use.
- p. The company paid \$1,200 cash for wages to a drafting assistant.
- q. The company paid \$2,500 cash for advertisements on the web during June.

Required

1. Prepare general journal entries to record these transactions (use the account titles listed in part 2).
2. Open the following ledger accounts—their account numbers are in parentheses (use the balance column format): Cash (101); Accounts Receivable (106); Prepaid Insurance (108); Office Equipment (163); Drafting Equipment (164); Building (170); Land (172); Accounts Payable (201); Notes Payable (250); J. Aracel, Capital (301); J. Aracel, Withdrawals (302); Engineering Fees Earned (402); Wages Expense (601); Equipment Rental Expense (602); Advertising Expense (603); and Repairs Expense (604). Post the journal entries from part 1 to the accounts and enter the balance after each posting.
3. Prepare a trial balance as of the end of June.

Check (2) Ending balances: Cash, \$22,945; Accounts Receivable, \$29,000; Accounts Payable, \$1,333	(3) Trial balance totals, \$261,733
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