

Setting Up Accounting Records for a Sole Proprietorship



Main Task

- ▶ Set up the accounting records and perform the daily activities for Canyon.com Web Sites.

Summary of Steps

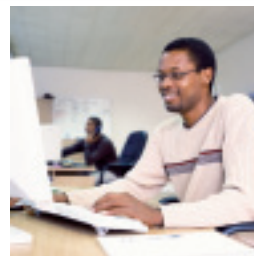
- ▶ Open general ledger accounts.
- ▶ Analyze, journalize, and post transactions.
- ▶ Prepare a trial balance.

Why It's Important

- ▶ You could one day work with a sole proprietor as he or she starts a business from scratch. You might even open your own business!

Canyon.com Web Sites

Company Background: Whether you are interested in a Web site for your new hair salon or a corporate intranet site, Canyon.com Web Sites can provide design, hosting, and maintenance services for the small mom-and-pop business and the multinational corporation alike. Jack Hines, owner of Canyon, is known for his unique and dynamic presentations on the Web. His creativity and knowledge of Web culture makes him a success in electronic content delivery.



Organization: Canyon is organized as a sole proprietorship. The business is fully owned and operated by Jack Hines.

Your Job Responsibilities: As Canyon's accounting clerk, use the accounting stationery in your working papers for these tasks.

- (1) Open a general ledger account for each account in the chart of accounts.
- (2) Analyze each business transaction.
- (3) Enter each business transaction in the general journal, page 1.
- (4) Post each journal entry to the appropriate accounts in the general ledger.
- (5) Prove the general ledger by preparing a trial balance.

CHART OF ACCOUNTS Canyon.com Web Sites

ASSETS

- 101 Cash in Bank
- 105 Accts. Rec.—Andrew Hospital
- 110 Accts. Rec.—Indiana Trucking
- 115 Accts. Rec.—Sunshine Products
- 130 Office Supplies
- 135 Office Equipment
- 140 Office Furniture
- 145 Web Server

LIABILITIES

- 205 Accts. Pay.—Computer Specialists Inc.
- 210 Accts. Pay.—Office Systems
- 215 Accts. Pay.—Service Plus Software Inc.

OWNER'S EQUITY

- 301 Jack Hines, Capital
- 305 Jack Hines, Withdrawals

REVENUE

- 401 Web Service Fees

EXPENSES

- 505 Membership Expense
- 506 Telecommunications Expense
- 507 Rent Expense
- 508 Utilities Expense

Canyon.com Web Sites (continued)

Complete the project using: **Manual Glencoe Working Papers** OR **Peachtree Complete Accounting Software** OR **QuickBooks Templates**

Business Transactions: Jack Hines, owner of Canyon.com Web Sites, began business operations on May 1 of this year. During the month of May, the business completed the transactions that follow.

Date	Transactions
May 1	Jack Hines invested \$50,000 in the business, Memorandum 1.
2	The owner, Jack Hines, invested a desktop computer and printer (Office Equipment) \$3,500, Memorandum 2.
2	Issued Check 101 for \$125 for the purchase of office supplies.
3	Bought office furniture for \$2,700 on account from Office Systems, Invoice 457.
7	Bought a Web server from Computer Specialists Inc. on account for \$35,000, Invoice WS4658421.
9	Received \$1,000 from James Market for Web site services, Receipt 101.
11	Completed Web site design services for Andrew Hospital to be paid later, Invoice 101, \$3,000.
12	Bought software for the Web server (Web Server) on account from Service Plus Software Inc., Invoice 876, \$10,000.
14	Wrote Check 102 for \$118 to pay the electric bill.
15	Jack Hines withdrew \$2,500 for personal expenses, Check 103.
17	Completed Web site design on account for Sunshine Products, Invoice 102, \$5,000.
18	Bought a filing cabinet (Office Furniture) for \$275, Check 104.
19	Received a check for \$4,000 as payment for Web site maintenance for one year to a client, Receipt 102.
20	Provided design services on account to Indiana Trucking, Invoice 103 for \$2,000.
21	Prepared Receipt 103, \$2,500, received on account, Sunshine Products.
22	Paid \$4,900 for telecommunication services for the period May 1–May 31, Check 105.
22	Wrote check 106 for \$3,333 to Service Plus Software Inc. as payment on account.
25	Sent Check 107 for \$2,000 to Office Systems as payment on account.
26	Received \$1,000 for two months of Web services, Receipt 104.
27	Paid the dues for membership in the All Inclusive Group for \$7,000, Check 108.
30	Wrote Check 109 for the monthly rent \$750.
30	Withdrew \$2,500 for personal expenses, Check 110.
30	Sent Check 111 for \$25,000 to Computer Specialists Inc., as payment on account.

Analyze

Compute the total of all the checks written during May.

Peachtree®

SMART GUIDE

Step-by-Step Instructions:

1. Select the problem set for Canyon.com Web Sites (MP-1).
2. Rename the company and set the system date.
3. Record all of the business transactions using the **General Journal Entry** option.
4. Print a General Journal report.
5. Proof your work.
6. Print a General Ledger report.
7. Print a Trial Balance.
8. Complete the Analyze activity.
9. Complete the Audit Test.
10. End the session.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions:

1. Restore the Problem Mini Practice 1.QBB file.
2. Record all of the business transactions using the **Make General Journal Entries** option.
3. Print a Journal report.
4. Proof your work.
5. Print a General Ledger report.
6. Print a Trial Balance.
7. Complete the Analyze activity.
8. Complete the Audit Test.
9. Back up your work.