The trial balance of the Sterling Company shown below does not balance.

STERLING COMPANY

Trial Balance

May 31, 2010

|  |  |  |
| --- | --- | --- |
| Cash | 5,650 |  |
| Accounts Receivable |  | $2,750 |
| Prepaid Insurance | 625 |  |
| Equipment | 7,779 |  |
| Accounts Payable |  | 4,457 |
| Property Taxes Payable  | 579 |  |
| M.Sterling, Capital |  | 11,981 |
| Service Revenue | 6,690 |  |
| Salaries Expense | 4,627 |  |
| Advertising Expense |  | 1,202 |
| Property Tax Expense  | 767 |  |
|  | $26,717 | $20,390 |

Your review of the ledger reveals that each account has a normal balance. You also discover the following errors.

1. The totals of the debit sides of Prepaid Insurance, Accounts Payable, and Property Tax Expense were each understated $173.

2. Transposition errors were made in Accounts Receivable and Service Revenue. Based on postings made, the correct balances were $2,570 and $6,960, respectively.

3. A debit posting to Salaries Expense of $238 was omitted.

4. A $1,002 cash drawing by the owner was debited to M. Sterling, Capital for $1,002 and credited to Cash for $1,002.

5. A $480 purchase of supplies on account was debited to Equipment for $480 and credited to Cash for $480.

6. A cash payment of $500 for advertising was debited to Advertising Expense for $50 and credited to Cash for $50.

7. A collection from a customer for $239 was debited to Cash for $239 and credited to Accounts Payable for $239.

Instructions

Prepare a correct trial balance. Note that the chart of accounts includes the following: M. Sterling, Drawing, and Supplies. (Hint: It helps to prepare the correct journal entry for the transaction described and compare it to the mistake made.) (If answer is zero, please enter 0. Do not leave any fields blank.)

STERLING COMPANY

Trial Balance

May 31, 2010

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Cash |  |  |
| Accounts Receivable |  |  |
| Prepaid Insurance |  |  |
| Supplies  |  |  |
| Equipment  |  |  |
| Accounts Payable |  |  |
| Property Taxes Payable  |  |  |
| M. Sterling, Capital |  |  |
| M. Sterling, Drawing |  |  |
| Service Revenue |  |  |
| Salaries Expense |  |  |
| Advertising Expense |  |  |
| Property Tax Expense |  |  |
|  |  |  |