

- (c) Identify the other account(s) that ordinarily would be involved when:
- (1) Interest Expense is increased.
 - (2) Property, Plant, and Equipment is increased.

Comparative Analysis Problem

PepsiCo, Inc. vs. The Coca-Cola Company

BYP2-2 PepsiCo's financial statements are presented in Appendix A. Coca-Cola's financial statements are presented in Appendix B.

Instructions

- (a) Based on the information contained in the financial statements, determine the normal balance of the listed accounts for each company.



PepsiCo	Coca-Cola
1. Inventory	1. Accounts Receivable
2. Property, Plant, and Equipment	2. Cash and Cash Equivalents
3. Accounts Payable	3. Cost of Goods Sold
4. Interest Expense	4. Sales (revenue)

- (b) Identify the other account ordinarily involved when:
- (1) Accounts Receivable is increased.
 - (2) Wages Payable is increased.
 - (3) Property, Plant, and Equipment is increased.
 - (4) Interest Expense is increased.

Exploring the Web

BYP2-3 Much information about specific companies is available on the World Wide Web. Such information includes basic descriptions of the company's location, activities, industry, financial health, and financial performance.

Address: biz.yahoo.com/i, or go to www.wiley.com/college/weygandt

Steps

1. Type in a company name, or use index to find company name.
2. Choose **Profile**. Perform instructions (a)–(e) below.
3. Click on the company's specific industry to identify competitors. Perform instructions (d)–(g) below.

Instructions

Answer the following questions.

- (a) What is the company's industry?
- (b) What was the company's total sales?
- (c) What was the company's net income?
- (d) What are the names of four of the company's competitors?
- (e) Choose one of these competitors.
- (f) What is this competitor's name? What were its sales? What was its net income?
- (g) Which of these two companies is larger by size of sales? Which one reported higher net income?



CRITICAL THINKING

Decision Making Across the Organization



BYP2-4 Lisa Ortega is president of Ortega Riding Academy, Inc. The academy's primary sources of revenue are riding fees and lesson fees, which are paid on a cash basis. Lisa also boards horses for owners, who are billed monthly for boarding fees. In a few cases, boarders pay in advance of expected use. For its revenue transactions, the academy maintains the following accounts: No. 1 Cash, No. 5 Boarding Accounts Receivable, No. 27 Unearned Boarding Revenue, No. 51 Riding Revenue, No. 52 Lesson Revenue, and No. 53 Boarding Revenue.

The academy owns 10 horses, a stable, a riding corral, riding equipment, and office equipment. These assets are accounted for in accounts No. 11 Horses, No. 12 Building, No. 13 Riding Corral, No. 14 Riding Equipment, and No. 15 Office Equipment.

For its expenses, the academy maintains the following accounts: No. 6 Hay and Feed Supplies, No. 7 Prepaid Insurance, No. 21 Accounts Payable, No. 60 Salaries Expense, No. 61 Advertising Expense, No. 62 Utilities Expense, No. 63 Veterinary Expense, No. 64 Hay and Feed Expense, and No. 65 Insurance Expense.

Ortega makes periodic payments of cash dividends to stockholders. To record stockholders' equity transactions in the business, Ortega maintains three accounts: No. 50 Common Stock, No. 51 Retained Earnings, and No. 52 Dividends.

During the first month of operations an inexperienced bookkeeper was employed. Lisa Ortega asks you to review the following eight entries of the 50 entries made during the month. In each case, the explanation for the entry is correct.

May 1	Cash	18,000	
	Common Stock		18,000
	(Invested \$18,000 cash in exchange for stock)		
5	Cash	250	
	Riding Revenue		250
	(Received \$250 cash for lessons provided)		
7	Cash	300	
	Boarding Revenue		300
	(Received \$300 for boarding of horses beginning June 1)		
14	Riding Equipment	80	
	Cash		800
	(Purchased desk and other office equipment for \$800 cash)		
15	Salaries Expense	400	
	Cash		400
	(Issued dividend checks to stockholders)		
20	Cash	148	
	Riding Revenue		184
	(Received \$184 cash for riding fees)		
30	Veterinary Expense	75	
	Accounts Payable		75
	(Received bill of \$75 from veterinarian for services rendered)		
31	Hay and Feed Expense	1,700	
	Cash		1,700
	(Purchased an estimated 2 months' supply of feed and hay for \$1,700 on account)		

Instructions

With the class divided into groups, answer the following.

- Identify each journal entry that is correct. For each journal entry that is incorrect, prepare the entry that should have been made by the bookkeeper.
- Which of the incorrect entries would prevent the trial balance from balancing?
- What was the correct net income for May, assuming the bookkeeper reported net income of \$4,500 after posting all 50 entries?
- What was the correct cash balance at May 31, assuming the bookkeeper reported a balance of \$12,475 after posting all 50 entries (and the only errors occurred in the items listed above)?

Communication Activity

BYP2-5 Woderson's Maid Company offers home cleaning service. Two recurring transactions for the company are billing customers for services rendered and paying employee salaries. For example, on March 15, bills totaling \$6,000 were sent to customers and \$2,000 was paid in salaries to employees.