September 30: BOC loans \$100,000 to an employee at a 12% interest rate

Dr. Notes Receivable (+A) 100,000 Cr. Cash (-A) 100,000

• December 31: End of the fiscal year, and no principal or interest payments have been made yet

Dr. Interest Receivable (+A) 3,000
Cr. Interest Revenue (+R, +SE) 3,000

 January 6: The employee sends a check for three months of interest on the loan

Dr. Cash (+A) 3,000
Cr. Interest Receivable (-A) 3,000



 December 31: End of the fiscal year. During December, employees earned \$400,000 in salaries, but paychecks do not get issued until January 2

Dr. Salary Expense (+E, -SE) 400,000 Cr. Salaries Payable (+L) 400,000

• January 2: The paychecks are sent

Dr. Salaries Payable (-L) 400,000 Cr. Cash (-A) 400,000



November 20: BOC pays \$10,000 for December's rent

Dr. Prepaid Rent (+A) 10,000 Cr. Cash (-A) 10,000

• December 31: End of the fiscal year. Is an adjusting entry needed? If so, what is it?

Dr. Rent Expense (+E, -SE) 10,000

Cr. Prepaid Rent (-A) 10,000



 June 30: A customer pays BOC \$60,000 for a three-year software license

Dr. Cash (+A) 60,000
Cr. Unearned Software Revenue (+L) 60,000

• December 31: End of the fiscal year. Is an adjusting entry needed? If so, what is it?

Dr. Unearned Software Revenue (-L) 10,000
Cr. Software revenue (+R, +SE) 10,000



 June 30: BOC purchases a building for \$500,000. The expected life of the building is 20 years and its expected salvage value is \$100,000

 December 31: End of the fiscal year: Is an adjusting entry needed? If so, what is it?

```
Dr. Depreciation Expense (+E, -SE) 10,000
Cr. Accumulated Depreciation (+XA, -A) 10,000
```

$$(500,000 - 100,000) / 20 = 20,000$$
 annual expense $20,000 / 2 = 10,000$ six-month expense



 December 31: BOC still has an outstanding order for \$300,000 of products that will be delivered and billed in January No entry



Overview of Adjusting Entries



