

Relic Spotter Inc. Case

- In a prior video, we did the first 14 transactions for this start-up company
- We will resume the case with transactions related to Revenues and Expenses
- Some of the transactions will be “summary” entries to record six-months worth of activity
- As we did last time, we will record journal entries and post to t-accounts for each transaction
 - After each transaction is read, you should pause the video and try to do the journal entry. Think about (1) what accounts are involved? (2) did they increase or decrease? (3) do we debit or credit?
 - Then, resume the video to see the answer and the explanation

Relic Spotter Inc. Case: Transaction 15

- (15) In a search for new revenue opportunities, Park initiated an unlimited rental arrangement with the Penn Antiquities Club on December 1, 2012. Under this arrangement, the club paid Relic Spotter \$1,200 cash upfront for unlimited rentals over the next year

- Journal Entry

(15) 12/1/12	Dr. Cash (+A)	1,200	
	Cr. Unearned Rental Revenue (+L)		1,200

Relic Spotter Inc. Case: Transaction 15

- Journal Entry

(15) 12/1/12	Dr. Cash (+A)	1,200	
	Cr. Unearned Rental Revenue (+L)		1,200

Cash (A)

(1) 250,000	3,900	(3)
(15) 1,200	31,000	(4)
	33,000	(5)
	120,000	(6)
	2,100	(8)
	8,000	(9)
	5,000	(10)
	2,000	(13)
	2,500	(14)

Unearned Rental Revenue (L)

	1,200	(15)
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Relic Spotter Inc. Case: Transaction 16

- (16) For the six months ended December 31, 2012, rental revenues on the metal detectors totaled \$124,300. Most of the rentals were paid in cash immediately. However, as an initiative to reward repeat customers, Park allowed a select number of frequent renters to charge their rentals and be billed later. As of December 31, 2012, \$4,200 was outstanding under this plan

- Journal Entry

(16) 12/31/12	Dr. Cash (+A)	120,100
	Dr. Accounts Receivable (+A)	4,200
	Cr. Rental Revenue (+R, +SE)	124,300

Relic Spotter Inc. Case: Transaction 16

(16)	12/31/12	Dr. Cash (+A)	120,100
		Dr. Accounts Receivable (+A)	4,200
		Cr. Rental Revenue (+R, +SE)	124,300

Cash (A)

(1)	250,000	3,900	(3)
(15)	1,200	31,000	(4)
(16)	120,100	33,000	(5)
		120,000	(6)
		2,100	(8)
		8,000	(9)
		5,000	(10)
		2,000	(13)
		2,500	(14)

Accounts Receivable (A)

(16)	4,200
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Rental Revenue (R, SE)

124,300	(16)
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Relic Spotter Inc. Case: Transaction 17

- (17) During the period between July 1 and December 31, Park purchased \$40,000 of sundries inventory, of which \$38,000 had been paid in cash and \$2,000 was still owed at December 31

- Journal Entry

(17) 12/31/12	Dr. Inventory (+A)	40,000	
	Cr. Cash (-A)		38,000
	Cr. Accounts Payable (+L)		2,000

Relic Spotter Inc. Case: Transaction 17

(17) 12/31/12 Dr. Inventory (+A)

40,000

Cr. Cash (-A)

38,000

Cr. Accounts Payable (+L)

2,000

Cash (A)

(1) 250,000	3,900	(3)
(15) 1,200	31,000	(4)
(16) 120,100	33,000	(5)
	120,000	(6)
	2,100	(8)
	8,000	(9)
	5,000	(10)
	2,000	(13)
	2,500	(14)
	38,000	(17)

Inventory (A)

(7) 2,000	
(17) 40,000	

Accounts Payable (L)

(13) 2,000	2,000	(7)
	2,000	(17)

Relic Spotter Inc. Case: Transaction 18

- (18) Relic Spotter recorded sales of sundries totaling \$35,000 for the six months ended December 31, all received in cash

- Journal Entry

(18) 12/31/12	Dr. Cash (+A)	35,000	
	Cr. Sales (+R, +SE)		35,000

Relic Spotter Inc. Case: Transaction 18

(18) 12/31/12 Dr. Cash (+A)

35,000

Cr. Sales (+R, +SE)

35,000

Cash (A)

(1) 250,000	3,900	(3)
(15) 1,200	31,000	(4)
(16) 120,100	33,000	(5)
(18) 35,000	120,000	(6)
	2,100	(8)
	8,000	(9)
	5,000	(10)
	2,000	(13)
	2,500	(14)
	38,000	(17)

Sales (R, SE)

	35,000 (18)
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Relic Spotter Inc. Case: Transaction 19

- (19) The original cost of these sundries was \$30,000

- Journal Entry

(19) 12/31/12	Dr. Cost of Goods Sold (+E, -SE)	30,000	
	Cr. Inventory (-A)		30,000

Relic Spotter Inc. Case: Transaction 19

- Journal Entry

(19) 12/31/12	Dr. Cost of Goods Sold (+E, -SE)	30,000	
	Cr. Inventory (-A)		30,000

Inventory (A)		Cost of Good Sold (E, SE)	
(7) 2,000	(19) 30,000	(19) 30,000	
(17) 40,000			

Relic Spotter Inc. Case: Transaction 20

- (20) Finally, Relic Spotter's two employees were paid wages of \$32,000 total during this six-month period and Park drew a salary of \$50,000

- Journal Entry

(20)	12/31/12	Dr. Salaries & Wages Expense (+E, -SE)	82,000	
		Cr. Cash (-A)		82,000

Relic Spotter Inc. Case: Transaction 20

(20) 12/31/12 Dr. Salaries & Wages Expense (+E, -SE) 82,000

Cr. Cash (-A)

82,000

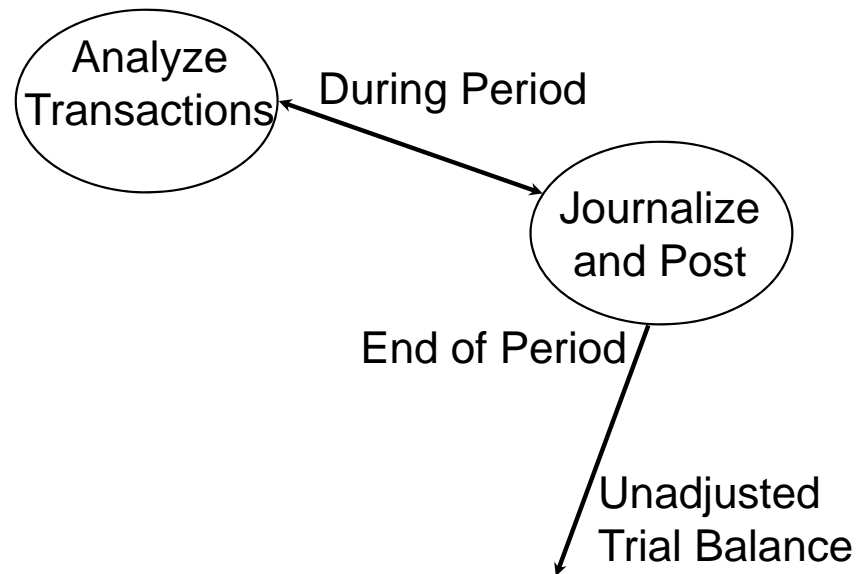
Cash (A)

(1) 250,000	3,900	(3)
(15) 1,200	31,000	(4)
(16) 120,100	33,000	(5)
(18) 35,000	120,000	(6)
	2,100	(8)
	8,000	(9)
	5,000	(10)
	2,000	(13)
	2,500	(14)
	38,000	(17)
	82,000	(20)

Salaries & Wages Expense (E, SE)

(20)	82,000	

The Accounting Cycle



3. **Unadjusted trial balance:** Account balances are summed on a worksheet to verify that *debits equal credits*