

ACC1701XA
SEMESTER 1 2025 / 2026
POST LECTURE SUPPLEMENT

LECTURE 08

SPEED CHALLENGE: Liabilities liabilities on the wall, Am I obligated to pay them all?

Q#1. A single liability can be divided between current and noncurrent liabilities. **TRUE**

Q#2. White Phoenix Corp receives \$545 in cash sales, of which \$45 is for GST. The journal entry to record the sale would include:

Dr. Cash	\$545
Cr. GST Payable	\$45
Cr. Sales Revenue	\$500

Q#3. Green Dragon Inc's GST Payable balance on Oct 1 is \$5,000. During the month of October, Green Dragon collected \$14,400 of GST on behalf of IRAS. On Oct 31, the GST Payable account is \$4,000. How much cash did Green Dragon pay to the IRAS in Oct? **\$15,400**

$$\text{Beg GST Payable} + \text{Oct GST Collected} - \text{GST Paid} = \text{End GST Payable}$$

$$\begin{aligned} \rightarrow \text{GST Paid} &= \text{Beg GST Payable} + \text{Oct GST} - \text{End GST Payable} \\ &= 5,000 + 14,400 - 4,000 \\ &= 15,400 \end{aligned}$$

Q #4. The interest on a 6%, 50 days, \$36,000 note is: (use the Actual/360 convention) **\$300**

Interest on a 6%, 50 days, \$36,000 note is: (Actual/360 convention)

$$= \$36,000 \times 6\% / 360 \times 50$$

$$= \$300$$

Q#5. A 75 days note dated Oct 7, 2025 will be due on **Dec 21, 2025**

A 75 days note dated Oct 8 will be due on:

$$\text{Days in Oct: } 31 \text{ days} - 7 = 24 \text{ days}$$

$$\text{Days in Nov: } 30 \text{ days}$$

$$\text{Days in December: } 75 \text{ days} - 24 \text{ days} - 30 \text{ days} = 21 \text{ days}$$

$$\rightarrow \text{DUE DATE: Dec 21, 2025}$$

Q#6. Grumpy Inc. is the defendant in a lawsuit for \$10 million. The company's lawyers believe there is a 75% probability that Grumpy will lose the case and pay the damages. How should Grumpy record this in its books? **Record as a liability, with footnote disclosure.**

Q#7. Uncertainties such as natural disasters **are not contingent liabilities.**

Q#8. In 2025, iFly Corp sold \$2,400,000 worth of AI powered drones. It estimates that warranty expense will be 8% of sales. The entry to record warranty expense in 2025 is:

Dr Warranty Expense (8%\times 2.4m)	192,000
Cr Warranty Provision	192,000

Q#9. On 1 Jan 2025, iFly's Warranty Provision balance is \$223,000. In 2025, iFly recorded \$192,000 of warranty expense, and also used up \$148,000 of inventory parts to repair drones under warranty. What is the balance of its Warranty Provision at 31 Dec? **\$267,000**

Warranty Provision Account			
	Dr	Cr	Balance
1 Jan 2025 (Beg Balance)			223,000
2025 Warranty Expense ⁽¹⁾		192,000	415,000
2025 Warranty Repairs ⁽²⁾	148,000		267,000
31 Dec 2025 (End Balance)			267,000

Related Journal Entries:

(1) Dr. Warranty Expense	192k
Cr. Warranty Provision	192k
(2) Dr. Warranty Provision	148k
Cr. Inventory	148k

Q#10. Which of the following transactions could increase iFly's current ratio?

- (a) Purchasing inventory with cash

Explanation: Inventory ↑ & Cash ↓ → No change in CA & CL

- (b) Paid cash on accounts payable

Explanation: Cash ↓ & Accounts Payable ↓ → Change in both CA & CL

- (c) Received cash on accounts receivable

Explanation: Cash ↑ & Accounts Receivable ↓ → No change in CA & CL

- (d) All of the above