

**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**

Beg GST Payable + Oct GST Collected – GST Paid = End GST Payable

→ GST Paid = Beg GST Payable + Oct GST – End GST Payable  
= 5,000 + 14,400 – 4,000  
= 15,400

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 x 6% / 360 x 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:

Days in Oct: 31 days – 7 = 24 days

Days in Nov: 30 days

Days in December: 75 days – 24 days – 30 days = 21 days

→ 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:

<b>Dr</b>	<b>Warranty Expense (8% x 2.4m)</b>	<b>192,000</b>	
	<b>Cr</b>	<b>Warranty Provision</b>	<b>192,000</b>

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 <sup>(1)</sup>		192,000	415,000
2025 Warranty Repairs <sup>(2)</sup>	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