What are the Journal Entries?

- **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

What are the Journal Entries?

- **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

What are the Journal Entries?

- **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

What are the Journal Entries?

- **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

What are the Journal Entries?

- **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**

  Dr. Building (+A)   **500,000**

          Cr. Cash (-A)   **500,000**

- **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

What are the Journal Entries?

- **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

Dr. Cash   →   Dr. Liability   Deferred Revenue
Cr. Liability   Cr. Revenue

Dr. Asset   →   Dr. Expense   Deferred Expense
Cr. Cash   Cr. Asset

|————————————————|————————————————|

Cash   Accounting   Cash
Transaction   Recognition   Transaction

Accrued Expense   Dr. Expense   →   Dr. Liability
                         Cr. Liability   Cr. Cash

Accrued Revenue   Dr. Asset   →   Dr. Cash
                         Cr. Revenue   Cr. Asset

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