Exercise 7

(1)

How do you record the supply when you buy it?

Dr. Supply 800

Cr. Cash/Accounts Payable 800

At year end, you have to prepare adjusting entry in order to recognize the expense from using this supply:

Dr. Supply Expense 700

Cr. Supply 700

(4)

Jan 1, 2018: Dr. Prepaid Insurance 12,000

Cr. Cash 12,000

Adjusting entry:

Dec 31, 2018 Dr. Insurance Expense 4.000

Cr. Prepaid Insurance 4,000

Problem 3-2

4) Adjusting entry: Dr. Supply Expense 2,150

Cr. Supply 2,150

5) Adjusting entry: Dr. Insurance Expense 600

Cr. Prepaid Insurance 600

Problem 3-5 (3)

Adjusting entry:

Dr. Supply Expense 4,000

Cr. Supply 4,000

(4)

Dr. Insurance Expense 320

Cr. Prepaid Insurance 320

**Unearned Revenue type of adjustment**

**Exercise 1 Adjusting entry:**

Dr. Unearned Service Revenue 1,000

Cr. Service Revenue 1,000

**Exercise 7 (2) Adjusting entry:**

Dr. Unearned Revenue 200,000

Cr. Service Revenue 200,000

**Problem 3-2 (2)**

Dr. Unearned Rent Revenue 3,300

Cr. Rent Revenue 3,300

**Accrued Revenue**

**Exercise 7 (5): Adjusting entry**

Dr. Accounts Receivable 750

Cr. Service Revenue 750

**Exercise 7 (3): Adjusting entry**

Dr. Interest Receivable 800

Cr. Interest Revenue 800

(12,000 x 10/100 x 8/12= 800

**Problem 3-5 (5) Adjusting entry**

Dr. Interest Receivable 150

Cr. Interest Revenue 150

**Accrued Expense:**

**Exercise 7 (6) Adjusting entry:**

Dr. Salary Expense 400

Cr. Salary Payable 400

**Problem 3-2 (3) Adjusting entry:**

Dr. Interest Expense 500

Cr. Interest Payable 500

**Problem 3-5 (1) Adjusting entry:**

Dr. Interest Expense 400

Cr. Interest Payable 400

**Class no 6 on Dec 20, 2022**

Problem 3-1 done

**Problem 3-3**

1. Straight-line for 2019 = Cost – Salvage value x Time used.

Useful life in years

= 96,000 – 12,000 x 3/12

5 years

= 16,800 x ¼

= $4,200

1. Units-of-activity for 2019 = Cost – Salvage value x Activity used.

Useful life in units

= 96,000 – 12,000 x 1,700 hrs.

10,000 hrs.

= $8.4 per hr. x 1,700 hrs.

= $14,280

1. Declining-balance using double the straight-line rate for 2019

= Cost x DDB rate x Time

= 96,000 x 2/5 x 3/12

= $9,600

Declining-balance using double the straight-line rate for 2020

= (96,000 – 9,600) x 2/5

= $34,560

Problem 3-5 (2)

Dr. Unearned Rent Revenue 700

Cr. Rent Revenue 700

Exercise 3:

Dr. Interest Expense 87.50

Cr. Interest Payable 87.50

(7,000 x 15/100 x 1/12 = 87.50

**Problem 3-6 Part B**

1. Dr. Interest Expense 60

Cr. Interest Payable 60

(3,000 x 0.12 x 2/12 = 60

1. Dr. Supplies Expense 3,000

Cr. Supplies 3,000

1. Dr. Insurance Expense 4,000

Cr. Prepaid Insurance 4,000

1. Dr. Interest Receivable 100

Cr. Interest Revenue 100

1. Dr. Unearned Consulting Revenue 3,000

Cr. Consulting Revenue 3,000

Problem 3-7 Part B

Adjusting entries on January 31, 2019

1. Dr. Unearned Admission Revenue 4,500

Cr. Admission Revenue 4,500

1. Dr. Insurance Expense 600

Cr. Prepaid Insurance 600

1. Dr. Utility Expense 350

Cr. Utility Payable 350

1. Dr. Supply Expense 2,300

Cr. Supply 2,300

**Problem 3-8**

Adjusting entries on Dec 31, 2019

1. Dr. Rent Expense 900

Cr. Prepaid Rent 900

1. Dr. Supply Expense 1,100

Cr. Supply 1,100

1. Dr. Unearned Service Revenue 3,000

Cr. Service Revenue 3,000

1. Dr. Accounts Receivable 2,200

Cr. Service Revenue 2,200