

Solution:

(1)

JOURNAL ENTRY FOR SALES (in millions of \$)		
Name: Whirlpool Corporation		
Particulars	Debit	Credit
Cash	5	
To Sales		5
Warranty Expense	0.15	
To Allowance for warranty		0.15
Allowance for warranty	0.144	
To Cash		0.144

(2)

JOURNAL ENTRY FOR DEPOSITS (in thousands of \$)		
Name: Pepsi-Cola Bottling Co.		
Particulars	Debit	Credit
Cash	72	
To Deposits Payable		72
Deposits Payable	68	
To Cash		68

(3)

JOURNAL ENTRY FOR ACCOUNT (in \$)			
Name: Citibank			
Date	Particulars	Debit	Credit
April 1	Cash	14,000	
	To Customers' Savings A/c		14,000
July 1	Customers' Savings A/c	14,000	
	Interest Expense	280	
	To Cash		14,280

Note: assumed to be July 1 of the next year, for full year.

(4)

(a) Balance sheet incurs liabilities of \$180,000 for unearned revenue.

JOURNAL ENTRY FOR ACCOUNT (in \$)			
Name: Village Theatre			
Date	Particulars	Debit	Credit
April 1	Cash	180,000	
	To Unearned Sales Revenue		180,000

(b) Liability decreases by \$30,000 since the revenue is earned now.

JOURNAL ENTRY FOR ACCOUNT (in \$)			
Name: Village Theatre			
Date	Particulars	Debit	Credit
April 1	Unearned Sales Revenue To Sales	30,000	30,000

(5)

They can show an allowance for the lawsuit. The allowance is credited with \$500,000 to indicate that this is the allowed value. When the judgement comes up, the allowance is compensated by the cash, thus providing an essential picture that the lawsuit was paid via cash. If it is over-turned (as 90% chance suggests), then they easily get cancelled and we get no net lawsuit.