

**Solution:**

(1)

In March, announcing the \$40,000 compensation means that the company records an expense of \$40,000 in the March. However, since some of this is not paid, it is a liability to the company.

Thus, the journal entry is as follows:

Compensation Expense	40,000	
To Salaries & Wages Payable		10,000
To Cash		30,000
(Being recording of the expense for March.)		

(2)

The final value of the liability will be  
 $\$10,000 + \$8,000 = \$18,000$ .