

Relic Spotter Inc. Case: Transaction 25

- (25) ...What about the prepaid advertising account?
- Recall that, in transaction (9), Park paid \$8,000 upfront on June 30, 2012 for advertising through June 30, 2013

- Journal Entry

(25) 12/31/12	Dr. Advertising Expense (+E, -SE)	4,000	
	Cr. Prepaid Advertising (-A)		4,000

$$8,000 * 1/2 \text{ year} = 4,000$$

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- Journal Entry

(25)	12/31/12	Dr. Advertising Expense (+E, -SE)	4,000	
		Cr. Prepaid Advertising (-A)		4,000

Prepaid Advertising (A)				Advertising Expense (E, SE)		
(9)	8,000	4,000	(25)	(25)	4,000	

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- (26) ...What about the notes receivable account?
- Recall that, in transaction (10), Park borrowed \$5,000 from Relic Spotter at 10% interest on June 30, 2012, with the principal and interest due in a lump sum on June 30, 2013

- Journal Entry

(26) 12/31/12	Dr. Interest Receivable (+A)	250	
	Cr. Interest Revenue (+R, +SE)		250

$$5,000 * 10\% = 500$$

$$500 * 1/2 \text{ year} = 250$$

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- Journal Entry

(26)	12/31/12	Dr. Interest Receivable (+A)	250	
		Cr. Interest Revenue (+R, +SE)		250

Interest Receivable (A)		Interest Revenue (R, SE)	
(26)	250	250	(26)

Relic Spotter Inc. Case: Transaction 27

- (27) ...What about the unearned revenue account?
- Recall that, in transaction (15), the Penn Antiquities Club paid Relic Spotter \$1,200 cash upfront on December 1, 2012 for unlimited rentals over the next year

- Journal Entry

(27) 12/31/12	Dr. Unearned Rental Revenue (-L)	100	
	Cr. Rental Revenue (+R, +SE)		100

$$1,200 * 1/12 \text{ year} = 100$$

Relic Spotter Inc. Case: Transaction 27

- Journal Entry

(27) 12/31/12	Dr. Unearned Rental Revenue (-L)	100	
	Cr. Rental Revenue (+R, +SE)		100

Unearned Rental Revenue (L)				Rental Revenue (R, SE)			
100	(27)	1,200	(15)		124,300	(16)	
					100	(27)	

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- (28) Finally, the accountant noted that Relic Spotter incurred an estimated income tax expense of \$630 for 2012 (Park was also confused by this because she did not do her taxes until April)

- Journal Entry

(28) 12/31/12	Dr. Income Tax Expense (+E, -SE)	630	
	Cr. Income Taxes Payable (+L)		630

Relic Spotter Inc. Case: Transaction 28

- Journal Entry

(28)	12/31/12	Dr. Income Tax Expense (+E, -SE)	630	
		Cr. Income Taxes Payable (+L)		630

Income Taxes Payable (L)		
	630	(28)

Income Tax Expense (E, SE)		
(28)	630	