To: [The name of your fictional supervisor]

From: Kelsey Berta

Date: 10/31/2021

Subject: Error in financial statements

There was an accounting error made in the 2021 financial statement. The error is with the cash earned was in cash under services revenue. The statement should be a under unearned revenue because the actual service hasn’t happened yet. If left uncorrected the income statement will be unbalanced. The statement of retained earnings will be higher than it should be. The balance sheet would be overstated.

If left uncorrected this will also cause the company to spend more than it has. The external and internal users will have false information. The external users will think the company is worth more and the internal users will use more money within the company. To fix the problem the subscription unearned revenue should be debited at 600000 and the cash should be credited at 600000. The adjusting should be debited with cash and adjusting revenue.

Unearned Revenue (Debited) 600000

Cash (credited) 600000

Cash (debited) 50,000

Revenue (credited) 50,000