

Midterm Review
Original / Adjusting Entries

Original business transactions and related adjusting entries.

Among the ledger accounts used by the Silver Wing baseball team are: Prepaid Rent, Rent Expense, Unearned Admissions Revenue, Admissions Revenue, Prepaid Printing, Printing Expense, Office Supplies, Office Supplies Expense, Accounts Receivable, and Souvenir Revenue.

For each of the following items, write *first* the journal entry (if one is needed) to record the original transaction and *second* the adjusting entry on April 30, the end of the fiscal year.

- a) On April 1, paid rent for 3 months beginning April 1 at \$10,000 per month.
- b) On April 1, borrowed \$100,000 cash from First American Bank by issuing a 12% note payable due in 3 months.
- c) On April 1, collected \$2,400,000 from sales for season tickets. The season includes 60 home games; 5 in April, 10 in May, 10 in June, 15 in July, 15 in August, 5 in September.
- d) On April 1 bought office supplies for \$800 on account. The inventory at April 30 was \$100.
- e) On April 5, an agreement was reached with Logos Incorporated allowing the company to sell team souvenirs in the baseball park in return for 25% of the gross receipts from sales.
- f) On April 12, programs for 20 games were printed and paid for at a cost of \$9,000.
- g) On April 30, Logos Inc. reported that the gross receipts from souvenir sales in April had been \$140,000, and that the 25% owed to team would be remitted on May 15.

Original Entries

General Journal

Date		Account Titles	Ref.	Debit	Credit
		Original Transactions			
a) 4	1				
b) 4	1				
c) 4	1				
d) 4	1				
e) 4	5				
f) 4	12				
g) 4	30				

Adjusting Entries

		Adjusting Entries					
a) 4	30						
b) 4	30						
c) 4	30						
d) 4	30						
e) 4	30						
f) 4	30						
g) 4	30						

- c) On April 1, collected \$2,400,000 from sales for season tickets. The season includes 60 home games; 5 in April, 10 in May, 10 in June, 15 in July, 15 in August, 5 in September.
- d) On April 1 bought office supplies for \$800 on account. The inventory at April 30 was \$100.
- e) On April 5, an agreement was reached with Logos Incorporated allowing the company to sell team souvenirs in the baseball park in return for 25% of the gross receipts from sales.
- f) On April 12, programs for 20 games were printed and paid for at a cost of \$9,000.
- g) On April 30, Logos Inc. reported that the gross receipts from souvenir sales in April had been \$140,000, and that the 25% owed to team would be remitted on May 15.

General Journal

Date	Account Titles	Ref.	Debit	Credit
	Original Transactions			
a) 4 1	PREPAID RENT CASH		30,000	30,000
b) 4 1	CASH NOTE PAYABLE		100,000	100,000
c) 4 1	CASH UNEARNED ADMISSIONS REVENUE		2,400,000	2,400,000
d) 4 1	OFFICE SUPPLIES ACCOUNTS PAYABLE		800	800
e) 4 5	NO ENTRY REQUIRED			
f) 4 12	PREPAID PRINTING CASH		9,000	9,000
g) 4 30	ACCOUNTS RECEIVABLE SOUVENIR REVENUE		35,000	35,000

		Adjusting Entries					
a) 4	30	RENT EXPENSE		10,000			
		PREPAID RENT				10,000	
b) 4	30	INTEREST EXPENSE		1,000			
		INTEREST PAYABLE				1,000	
c) 4	30	UNEARNED ADMISSIONS REVENUE		200,000			
		ADMISSIONS REVENUE				200,000	
d) 4	30	OFFICE SUPPLIES EXPENSE		700			
		OFFICE SUPPLIES				700	
e) 4	30	NO ENTRY REQUIRED					
f) 4	30	PRINTING EXPENSE		2,250			
		PREPAID PRINTING				2,250	
g) 4	30	NO ENTRY REQUIRED					

3-9A Alternative treatment for deferrals.

- a) Refer to problem 3-2. Record the October transactions for Sparkle Clean Company assuming that prepaid expenses are debited to expense when acquired and unearned revenues are credited to revenue when received.

General Journal

Date	Account Titles	Ref.	Debit	Credit
10/5	CLEANING SUPPLIES EXPENSE		700	
	ACCOUNTS PAYABLE			700
10/17	CASH		500	
	CLEANING REVENUE			500