

Problem 2

Caritas Publishing issues the Weekly Welder. The company's primary sources of revenue are sales of subscriptions to customers and sales of advertising in the Weekly Welder. Caritas owns its building and has excess office space that it leases to others.

The following transactions involved the receipt of advance payments. Prepare the indicated journal entries for each set of transactions.

- 1) On September 1, 20X7, the company received a \$48,000 payment from an advertising client for a 6-month advertising campaign. The campaign was to run from November, 20X7, through the end of April, 20X8. Prepare the journal entry on September 1, and the December 31 end-of-year adjusting entry.
- 2) The company began 20X7 with \$360,000 in unearned revenue relating to sales of subscriptions for future issues. During 20X7, additional subscriptions were sold for \$3,490,000. Magazines delivered during 20X7 under outstanding subscriptions totaled \$3,060,000. Prepare a summary journal entry to reflect the sales of subscriptions, and the end-of-year adjusting entry to reflect magazines delivered.
- 3) The company received a \$9,000 rental payment on December 16, 20X7, for the period running from mid-December to Mid-January. Prepare the December 16 journal entry, as well as the December 31 end-of-year adjusting entry

Worksheet 2

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Sep. 1			
Dec. 31			

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Various			
Dec. 31			

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Dec. 16			
Dec. 31			

Please click the advert

It's only an opportunity if you act on it

IKEA.SE/STUDENT

© Inter IKEA Systems B.V. 2009

Solution 2

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Sep. 1	Cash	48,000	
	Unearned Advertising Revenue		48,000
	<i>Sold 6-month ad campaign</i>		
Dec. 31	Unearned Advertising Revenue	16,000	
	Advertising Revenue		16,000
	<i>To record delivery of ad services for 2 months (2/6 X \$48,000)</i>		

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Various	Cash	3,490,000	
	Unearned Subscription Revenue		3,490,000
	<i>Sold advance subscriptions</i>		
Dec. 31	Unearned Subscription Revenue	3,060,000	
	Subscription Revenue		3,060,000
	<i>To record subscriptions delivered</i>		

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
Dec. 16	Cash	9,000	
	Unearned Rental Revenue		9,000
	<i>Rented office space to tenant</i>		
Dec. 31	Unearned Rental Revenue	4,500	
	Rental Revenue		4,500
	<i>To record rents earned for last half of December</i>		