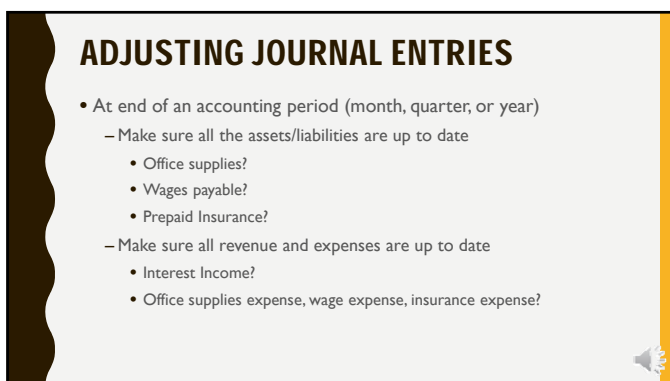


- Record revenue when:
 - It is “earned”
 - Generally, goods delivered or services performed
- Record expenses when:
 - Generally, when goods or services received



- At end of an accounting period (month, quarter, or year)
 - Make sure all the assets/liabilities are up to date
 - Office supplies?
 - Wages payable?
 - Prepaid Insurance?
 - Make sure all revenue and expenses are up to date
 - Interest Income?
 - Office supplies expense, wage expense, insurance expense?

ADJUSTING JOURNAL ENTRY EXAMPLE 1

You own a plumbing business. You bought 15 boxes of paper during the month and debited Office Supplies for \$300.

At the end of the month, you have 10 boxes of paper still on hand.

The adjusting journal entry will be:

	Debit	Credit
Office Supply Expense	100	
Office Supplies (asset)		100



ADJUSTING JOURNAL ENTRY EXAMPLE 2

You own a plumbing business. Your salaried employees work 5 days a week and are paid \$5,000 every Friday. The month ends on a Tuesday.

Since the employees have worked, but not yet been paid, the adjusting journal entry is:

	Debit	Credit
Salary Expense	2,000	
Salaries Payable		2,000



ADJUSTING JOURNAL ENTRY EXAMPLE 3

You own a plumbing business. A customer owes you \$50 in interest on an overdue account.

The adjusting journal entry is:

	Debit	Credit
Interest Receivable	50	
Interest Revenue		50



DEPRECIATION

- Expense assets (office supplies, for example) as you use them up
- When you "use up" long-term assets, it is called "Depreciation"
- Just expensing the original cost as you use it up
 - **NOT** estimating the value of the asset
 - Estimate the life of the asset and divide the original cost over that period
- Accounts used:
 - Depreciation Expense (debit)
 - Accumulated Depreciation (credit)
 - Contra Asset Account



DEPRECIATION & BALANCE SHEET

- Balance Sheet Presentation
 - Building has a 10-year life
 - The company has owned the building for 3 years

Building	\$500,000	
- Accumulated Depreciation - Building	(150,000)	
Building, Net		350,000



ADJUSTING JOURNAL ENTRY EXAMPLE 4

You own a plumbing business. You bought an automobile on December first of this year for \$30,000. The car should be used for 60 months.

The adjusting journal entry is:

	Debit	Credit
Depreciation Expense	500	
Accumulated Depreciation - Auto		500

