**Accrual Accounting Concepts Chapter 3**

**Complete each of the following exercise below:**

**E3-6**

**Classify accruals and deferrals**

**Obj|3**

Classify the following items as (a) deferred expense (prepaid expense), (b) deferred revenue (unearned revenue), (c) accrued expense (accrued liability), or (d) accrued revenue (accrued asset).

* 1. Subscriptions received in advance by a magazine publisher.
* 2. A three-year premium paid on a fire insurance policy.
* 3. Fees received but not yet earned.
* 4. Fees earned but not yet received.
* 5. Utilities owed but not yet paid.
* 6. Supplies on hand.
* 7. Salary owed but not yet paid.
* 8. Taxes owed but payable in the following period.

**E3-13**

**Adjustment for accrued salaries**

**Obj|3**

North Slope Realty Co. pays weekly salaries of $7,900 on Friday for a five-day week ending on that day. What is the adjustment at the end of the accounting period, assuming that the period ends (a) on Wednesday, (b) on Thursday? Indicate each account affected, whether the account is increased or decreased, and the amount of the increase or decrease

**E3-23**

**Adjustment for depreciation**

**Obj|3**

The estimated amount of depreciation on equipment for the current year is $41,700.

* a. How is the adjustment recorded? Indicate each account affected, whether the account is increased or decreased, and the amount of the increase or decrease.
* b. If the adjustment in (a) was omitted, which items would be erroneously stated on (1) the income statement for the year and (2) the balance sheet as of December 31?

**E3-26**

**Classify assets**

**Obj|4**

Identify each of the following as (a) a current asset or (b) property, plant, and equipment:

* 1.Accounts Receivable
* 2.Building
* 3.Cash
* 4.Office Equipment
* 5.Prepaid Insurance
* 6.Supplies

Reference

Survey of Accounting by Warren