

CONCEPT: ADJUSTING ENTRIES – ACCRUED EXPENSES

- Adjusting entries include ***deferrals***, ***accruals***, and ***depreciation***.

☐ ***Accrued Expenses*** – expenses incurred before _____ is paid.

POP QUIZ: Accrued Expenses are:

- a) Expenses
- b) Liabilities
- c) Assets
- d) Revenues

☐ There are two important dates for recording accrued expenses:

The period-ending date: All expenses incurred up to this date must be recognized (_____ principle)

The company's employee earns \$100 per day and the last pay date was December 28. On December 31, the entry is:

Payment Date – The payment of the accrued expense removes it from the books

On January 4, the company paid its employee for the seven day pay-period.

PRACTICE: Wait-2-Pay, Inc. has an employee that works every day of the year for \$100 per day. W2P pays its employee once per month on the 25th of the month. The company is preparing its December 31 financial statements. The entry to adjust for accrued salary expense would include:

- a) Debit Salary Expense \$600; Credit Prepaid Salaries \$600
- b) Credit Salary Expense \$600; Debit Prepaid Salaries \$600
- c) Debit Salary Expense \$600; Credit Accrued Salaries Expense \$600
- d) Credit Salary Expense \$600; Debit Accrued Salaries Expense \$600