

# You are an accountant in a medium-sized manufacturing company

[Finance](#)



## Adjusting Entries al affiliation Adjusting Entries

Adjusting entries according to Warren, Reeve & Duchac (2012) are obligatory since they ensure that revenues get recorded at the time of earning and expenses are available in the books of accounts at the time the expenses get incurred. They get recorded when the accounting period ends so as to make an allocation on the expenditure and income at the exact time of occurrence.

Adjusting entries are into four distinct classes according to the work of Gilbertson & Lehman (2009). The types include prepayments which are necessary to account for received cash prior to delivery of goods and in case of a service, at the completion of the service in a manufacturing industry.

Accruals are revenues already recognized, but no drawn cash or recorded cash such as rent, salaries and taxes in an industry. Estimates are a class of adjusting entries which occurs when the actual particulars of an expense is not easily determined such as an entry for wayward debt. Inventory is an adjusting entry since in an inventory system which is periodic; the adjusting entry helps in determining the outlay of goods sold expense.

In a computerized system, these entries would first be characterized into prepayments and accruals then define expenses into prepaid expenses and accrued expenses while the revenues would fall into unearned revenue and accrued revenues (Warren, Reeve & Duchac, 2012). This would be necessary since the computer system only understands systemic information.

Some of the ethical issues arising from these manufacturing entries as seen in the studies of Gilbertson & Lehman (2009) include honesty. This is where the person delegated the duty of recording the entries, is necessary to

demonstrate honesty when recording the particulars to avoid errors, and misappropriations during in the final books of accounts since it would amount to fraud which is unethical.

#### References

Gilbertson, C. B., & Lehman, M. W. (2009). *Fundamentals of Accounting*. Mason, Ohio: South-Western/Cengage Learning.

Warren, C. S., Reeve, J. M., & Duchac, J. E. (2012). *Accounting*. Mason, OH: South-Western Cengage Learning.