

# [Accounting 110](https://assignbuster.com/accounting-110/)

Accounting 110 a) Entry in November 2007 During 2007 Walter has sold 6000 subscriptions beginning with December issue. That means the subscription isfor the period from December 2007 to November 2008 issues. Assuming cost of each subscription is ₤10 for one year. Then subscription received in advance for December 2007 is ₤5000 and for period from January 2008 to November 2008 is₤55000. Accordingly in November 2007 the following journal entry will be passed   
DrCr   
Cash60000   
Advance Subscription (2007) 5000   
Advance Subscription (2008)55000   
It may be noted that at the year ending December 2007, the subscription earned will be ₤5000 only with regard to this November 2007 transaction.   
b) Adjusting Entry in December 2008 for revenue earned in December 2007   
Passing an adjustment entry on December 31, 2008 for revenue earned in 2007 means revenue for 2007 was not recognized in December 2007 and it was wrongly treated as ‘ unearned subscription revenue’. It may be noted that revenue considered here is of subscription received in November 2007 and not for the entire year of 2007. Accordingly the adjusting entry at December 31, 2008 to record subscription earned in December 2007 will be as under:   
DrCr   
  
Unearned Subscription Revenue5000   
Retained Earnings (Subscription Revenue)5000   
c) Adjusting Entry at March 31, 2008   
For quarter ending the unearned subscription revenue will for the quarter ending with March 31, 2008. Accordingly the journal entry to be passed on March 31, 2008 will be as under:   
DrCr.   
Advance Subscription(2008)20000   
Unearned Subscription Revenue20000   
It may be noted that entry for subscription earned will be passed only after November 30, 2008.