CONCEPT: ADJUSTING ENTRIES – UNEARNED REVENUE

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

□ ***Unearned Revenue –*** receiving cash from customer ___________ delivering goods and services to customer

POP QUIZ: Unearned Revenues are:

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

□ There are two important dates for recording unearned revenue:

Cash receipt date: Receive cash from the customer in advance and create the unearned revenue On January 15, a student paid the tutor $1,000 in advance for twenty hours of tutoring.	

Adjusting date – Adjust the unearned revenue account based on the amount of revenue ________ On January 31, the student still had eight hours of tutoring prepaid.			
Revenue:	Unearned Revenue:	Revenue:	Unearned Revenue:

PRACTICE: In May, the Party Company received $4,000 as a deposit for a party that was occurring in November. In October, the Party Company received a $5,000 deposit for a party occurring in February of the following year. The company recorded both of these payments into the Unearned Revenue account and did not adjust the account after recording the payments. The adjusting entry at December 31 would include:

a) Debit Revenue $4,000; Credit Unearned Revenue $4,000
b) Credit Revenue $4,000; Debit Unearned Revenue $4,000
c) Debit Revenue $9,000; Credit Unearned Revenue $9,000
d) Credit Revenue $9,000; Debit Unearned Revenue $9,000