

## **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 25<sup>th</sup> 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