

Exercise 4-1

Quick Company paid P 25,920 premium on a three-year insurance policy on September 1, 2019. The effectivity of the policy begins on September 1, 2019.

1. Assuming the cash basis of accounting, how much of the premium will appear as an expense on the annual statement of comprehensive income for year 2019? For 2020? For 2021? For 2022?

2. Assuming the cash basis, how much of the premium will appear as an asset on each December 31 statement of financial position for the year 2019? For 2020? For 2021? For 2022?

3. Assuming the accrual basis of accounting, how much of the premium will appear as an expense on the annual statement of comprehensive income for the year 2019? For 2020? For 2021? For 2022?

4. Assuming the accrual basis, how much of the premium will appear as an asset on each December 31 statement of financial position for the year 2019? For 2020? For 2021? For 2022?

Answer

	2019	2020	2021	2022
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1	2,880	11,520	20,160	25,920
2	23,040	14,400	5,760	0
3	2,880	11,520	20,160	25,920
4	23,040	14,400	5,760	0

Exercise 4-2

Determine the amounts indicated by question marks in the columns below. Consider column a separate problem. Make the adjusting entry for column (a) assuming supplies purchased are debited to an asset account.

	a	b	c	d
Supplies on hand, Aug 1	264	434	196	<u>892</u>
Supplies purchased during the month	52	<u>974</u>	174	1,928
Supplies consumed during the month	194	972	<u>314</u>	1,632
Supplies remaining on Aug 31	<u>122</u>	436	56	1,188

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