

Save hours with the what-to-debit, what-to-credit answer book

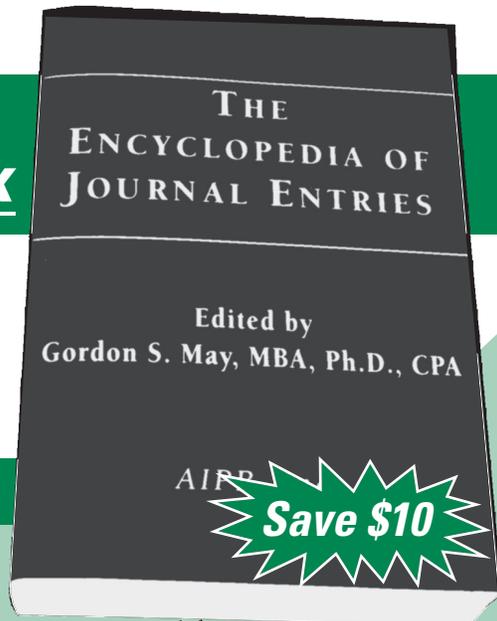
- Gives you the JE you need *instantly*
- Tells you what amounts to include the debit and credit—and why
 - Assures compliance with the latest GAAP standards
 - Over 600 pages...over 1,200 JEs...full fast-find index

See for yourself...

You need to record these JEs today:

1. Your company receives payment of the invoice it sent to SmallCo within the discount period. You use the gross method and an Allowance for Sales Discounts account. What is the journal entry?
2. Your company sold its vehicle for less than its book value. What is the journal entry?
3. You discover that last year's inventory was understated. What is the journal entry?

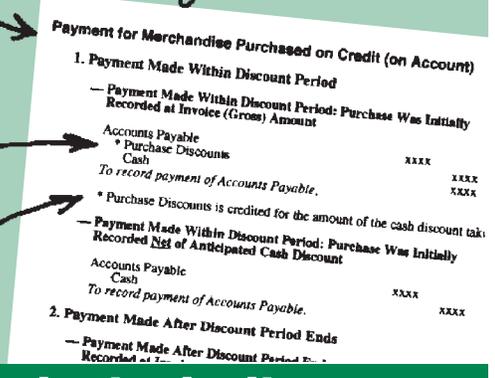
Turn the page for answers...



Find entries instantly

Get account titles (and variations)

Know costs, etc. to include in accounts



Find any JE you will ever need instantly, including:

1. Accounts and Notes Receivable Journal Entries. Accounts Receivable. All entries for credit sales and collection under the gross and net methods, within and after the discount period...for uncollectible accounts (Bad Debts and Doubtful Accounts) under the percentage of sales, percentage of receivables and direct write-off approaches...sales returns and allowances...collection expense...factoring receivables...installment sales.

Notes Receivable. All entries for receipt of note with/without discount or premium...for accrual and receipt of interest...uncollectible notes receivable (Bad Debts or Doubtful Accounts)...Discounting Notes Receivable at the bank.

2. Inventory Journal Entries. All entries for merchandising and manufacturing inventories under the periodic or perpetual system...cash or credit purchases and merchandise returns...payment within v. after the discount period...closing entries and adjustments...payments collected within or after the discount period, customer returns for cash or credit...reduction of inventory to market under the direct or indirect method...changes in valuation... correction of inventory accounting errors...purchase commitments, contracts and consignments.

3. Property, Plant and Equipment Journal Entries. All entries for acquisition using cash, notes or stock...for discounts taken or not taken...for lump-sum purchases...costs to make ready for use...self-construction...capitalization of interest during construction...maintenance, repair and other costs...replacements, improvements, additions, rearrangements and relocation...sale, trade-in and exchange...disposal...casualty losses...and scrapping assets. *Plus:* Computations for all depreciation methods.

4. Intangible Assets Journal Entries. All entries for acquisition and amortization of goodwill...patents...copyrights...trademarks...trade names...franchises...licenses...leasehold improvements...organization costs...and legal and other costs to protect these assets.

5. Income Tax Journal Entries. All entries for recording and for paying estimated income tax...for recording and adjusting deferred income taxes (deferred tax liabilities and assets)...for net operating loss carrybacks and carryforwards with v. without a valuation account...collection of income tax receivable...assessment of additional income tax.

6. Current Liabilities and Contingencies Journal Entries. All entries for accounts and notes payable, including accrual and payment of interest for property, income and sales taxes...lawsuits, claims and assessments...warranties, guarantees, premiums, and coupons...payroll (salaries, days off, employee/employer taxes, and postretirement benefits).

7. Long-Term Liabilities Journal Entries. All entries for bonds payable issued at par, at a premium or discount. For each condition, gives you the entry for accrual and payment of interest, redemption or reduction of bonds, reacquisition and cancellation...conversion to stock under the market value or book value approach...induced conversion...interest rate swaps...take-or-pay contracts...through-put contracts...debt restructuring...and settlement below book value.

8. Stockholders' Equity Journal Entries. All stockholders' equity entries for the issuing of common and preferred stock...for treasury stock at par v. cost...stock issuance costs... stock subscriptions...payment refunds...stock warrants...stock options...stock appreciation rights (SARs)... donated capital...retained earnings...dividends (cash, property, scrip, stock, and liquidating dividends)...stock splits...convertible bonds.

9. Investment Journal Entries. All entries for purchase and sale of bonds, notes, stocks, and nonmarketable securities at market, at a premium or discount...trading securities, available-for-sale and held-to-maturity...for transferring investments from one of these categories to another... for gains/losses in investments held...for cash v. stock dividends...accrual v. receipt of interest...cash surrender value of life insurance.

10. Revenue Recognition Journal Entries. All entries for revenue earned on inventory sales (cash and credit)...under a buyback agreement or right of return...installment sales...consignment sales (for consignor and consignee)...long-term construction contracts (percentage-of-completion and completed contract methods)...short-term construction contracts...franchise revenues.

11. Pension and Postretirement Benefits. All entries for defined contribution and defined benefit plans, including a practical *pension worksheet* showing all debits and credits...for postretirement benefits other than pensions...for current period postretirement expense.

12. Leasing Journal Entries. All entries for operating and capital leases for lessor and lessee, including rental and ownership costs, depreciation and initial direct costs... disposition or acquisition of leased assets...direct financing of capital leases...sales-type capital leases...sale-leaseback contracts...amortization of profit/loss on sale-lease-back transactions.

13. Accounting Changes and Error Correction Journal Entries. All entries for changes in accounting principle, including all changes that increase or decrease assets or liabilities and those whose period-specific effects cannot be determined...for change in accounting

“Faced with a complex or unfamiliar accounting situation, busy accountants will be glad to have ‘The Encyclopedia of Journal Entries’ at their side...well-indexed, so you can find just the example or advice you need.” — *Accounting Today*

(Please turn over) ▶▶▶

estimate, including estimate of bad debt expense...estimate of service life or salvage value...counterbalancing and noncounterbalancing errors.

14. Cost Accounting Journal Entries. All entries for direct and indirect materials and inside and outside labor...manufacturing overhead...job costing...process costing...standard costing...variable (direct) costing...spoilage, scrap and reworked product...application to production of backflush, hybrids, variances, applied and actual, and transfer of units...recording actual conversion costs and application to production...post-deduct or delayed costing.

15. Foreign Currency Transaction Journal Entries. All entries for cash or credit sales (exports) and purchases (imports) in foreign currencies or dollars...for end-of-period adjustments of A/R or A/P based on currency fluctuation...for settlement...for borrowing (purchases) or lending (sales) in foreign currency v. dollars...for forward exchange contracts...hedges of A/R or A/P...deferred v. nondeferred discount or premium on forward contracts.

16. Reorganization and Liquidation Journal Entries. All debtor and creditor entries for

reorganization...for fresh start accounting for the emerging entity and for the creditor...exchange of receivables for debtor's stock...for accounting by trustee (new books established).

17. Partnership Journal Entries. All entries for new partnership...partner contributions equal to, less or greater than his/her initial capital balance...drawings...change in a partner's capital investment...withdrawal of assets...admission of new partner...new partner's contribution...new partner's payment to old partners...distribution of assets to withdrawing partner...remaining partners' payment to withdrawing partner. *All entries shown for the goodwill and bonus methods.*

18. Estate and Trust Journal Entries. All entries for estates, including inventory of assets...collection of receivables...receipt of income...cash investment in income-producing assets...expenses...sale v. distribution of assets...closing the estate. All entries for trusts, including opening the trust...investment in income-producing assets...receipt of income...expenses charged to income v. principal...distributions...closing the trust.

How the Encyclopedia tells you what to debit, what to credit, and why...

1. You receive payment from SmallCo...

Cash Collection within Discount Period if Allowance for Sales Discounts Is Used.

Sales Discounts (Cash Discounts)	xxxx	
* Allowance for Sales Discounts		xxxx

To periodically set an allowance for sales discounts as a percentage of accounts receivable.

Cash	xxxx	
Allowance for Sales Discounts	xxxx	
Accounts Receivable - SmallCo		xxxx

To record collection of accounts receivable.

* Common alternative account titles include "Allowance For Cash Discounts," "Allowance For Unearned Discounts," and "Allowance For Finance Charges."

2. Your company sold its vehicle...

Proceeds from Sale of Plant Asset Are Less than Book Value.

Cash	xxxx	
Accumulated Depreciation-Equipment (or other asset)	xxxx	
* Loss on Sale of Plant Asset Equipment (or other asset)	xxxx	xxxx

To record sale of plant asset.

* The excess of the asset's current book value over the proceeds is recorded as a loss. Such losses are not considered extraordinary.

3. Your inventory was understated...

Prior Year Ending Inventory is Understated.

This entry is made if the error is found and corrected in the year following the year in which the error was made. If the error is not found until the second year following the year in which the error was made, no correcting journal entry is needed because the error corrects itself over two years (in other words, it is a counterbalancing error). However, financial statements for the two individual years (the year of the error and the next year) will each show errors.

* Inventory	xxxx	
** Income Tax Payable		xxxx
*** Retained Earnings		xxxx

To correct inventory error.

* Inventory is debited for the amount it was understated at the end of the previous year.

** Income Tax Payable is credited because taxes have in effect been underpaid as a result of reporting understated earnings in the previous year. The amount of the credit is found by multiplying the amount of the error by the average tax rate.

*** Because revenue was understated in the previous year, net income and Retained Earnings were also understated. Therefore, to balance the entry, Retained Earnings must be credited.

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