

Exercise

It is required to perform the recording of the following integrative, adjusting and closing entries in the double-entry accounting system:

1. Provision for the tax risk: €900;
2. Provision for the scheduled maintenance: €700;
3. Final inventory of goods: €600;
4. On September 1, a building is rented out to third parties for 6 months, with a total rent of € 6,000. The rent is paid at the beginning of the rental period;
5. Final inventory of goods: €900;
6. A loan of €20,000 is taken out, with semi-annual interest at 12% paid in advance on May 1 and November 1;
7. On July 1, a building is rented out by the company for 12 months, with a total rent of € 8,000. The rent is paid at the beginning of the rental period;
8. A loan of €22,000 is granted by the company to third parties, with semi-annual interest at 9% paid in advance on September 1 and March 1.

SOLUTION

1.

		Dec. 31		
Provision for Tax risk	to	Tax Provision		900,00
Income Statement	to	Provision for Tax risk		900,00

2.

		Dec. 31		
Provision for future expenses	to	Scheduled maintenance provision		700,00
Income Statement	to	Provision for future expenses		700,00

3.

		Dec. 31		
Goods	to	Purchase of Goods		600,00
Purchase of Goods	to	Income Statement		600,00

4.

Deferred Income= $(6.000 \cdot 2) / 6 = 2.000$

		Dec. 31		
Rental income	To	Deferred Income		2.000,00
Rental income	to	Income Statement		4.000,00

5.

		Dec. 31			
Goods	to		Purchase of Goods		900,00
Purchase of Goods	to		Income Statement		900,00

6.

$$\text{Interest Expense} = (20.000 * 6 * 12) / 1.200 = 1.200$$

$$\text{Deferred Expense} = (1.200 * 4) / 6 = 800$$

		Dec. 31			
Deferred Expense	To		Interest Expense		800,00
Income Statement	to		Interest Expense		400,00

7.

$$\text{Deferred Expense} = (8.000 * 6) / 12 = 4.000$$

		Dec. 31			
Deferred Expense	To		Rental Expense		4.000,00
Income Statement	to		Rental Expense		4.000,00

8.

$$\text{Interest Income} = (22.000 * 6 * 9) / 1.200 = 990$$

$$\text{Deferred Income} = (990 * 2) / 6 = 330$$

		Dec. 31			
Interest income	To		Deferred Income		330,00
Interest income	to		Income Statement		660,00