

## B-12.07

Riseva Corporation manufactures and sells energy efficient lighting systems. These systems include a complex dimmer module, and about 10% of all units sold require subsequent repair under the warranty. The average repair cost is \$80 per unit.

Riseva began the year with an accrued warranty liability of \$250,000. During the year, 50,000 lighting systems were sold. \$310,000 was expended on warranty services performed during the year.

Prepare Riseva's journal entries to accrue additional warranty costs relating to current year sales and account for monies expended on actual warranty work performed during the year. How much will appear as warranty expense in the current year income statement, and how much will appear as the warranty liability on the closing balance sheet?