

Examine each of the following fact scenarios, then prepare initial and end-of-year adjusting entries (when needed) assuming (a) use of a "balance sheet" approach versus (b) use of an "income statement" approach. You may assume a calendar year end for each scenario. Use T-accounts to show how the same financial statement results occur under either approach. The preprinted worksheet includes an illustrative solution for the first scenario.

- Scenario 1 A \$1,500, one-year insurance policy was purchased on June 1, 20X1.
- Scenario 2 \$20,000 of unearned revenue was collected on August 1, 20X1. 40% of this amount was earned by the end of the year.
- Scenario 3 On December 1, 20X1, \$3,000 was prepaid for space in a trade-show booth. The trade show is in February of 20X2.
- Scenario 4 A \$1,000 customer deposit for future services was received on April 1, 20X1. On June 20, 20X1, the customer canceled the agreement and received a full refund.