

Scenario 1: Balance Sheet Approach

06/01/X1	Prepaid Insurance		1,500	
	Cash			1,500
	<i>To record payment for 1-year policy</i>			

12/31/X1	Insurance Expense		875	
	Prepaid Insurance			875
	<i>To record insurance "used" (\$1,500 X 7/12)</i>			

Prepaid Insurance	
06/01/X1	1,500
	875
	<u>625</u>
12/31/X1	

Insurance Expense	
12/31/X1	875
	<u>875</u>

Scenario 1: Income Statement Approach

06/01/X1	Insurance Expense		1,500	
	Cash			1,500
	<i>To record payment for 1-year policy</i>			

12/31/X1	Prepaid Insurance		625	
	Insurance Expense			625
	<i>To record insurance "unused" (\$1,500 X 5/12)</i>			

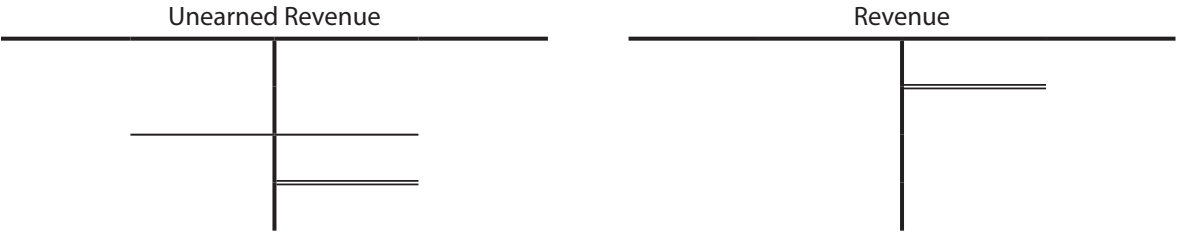
Prepaid Insurance	
12/31/X1	<u>625</u>

Insurance Expense	
06/01/X1	1,500
	625
	<u>875</u>
12/31/X1	

Scenario 2: Balance Sheet Approach

08/01/X1				

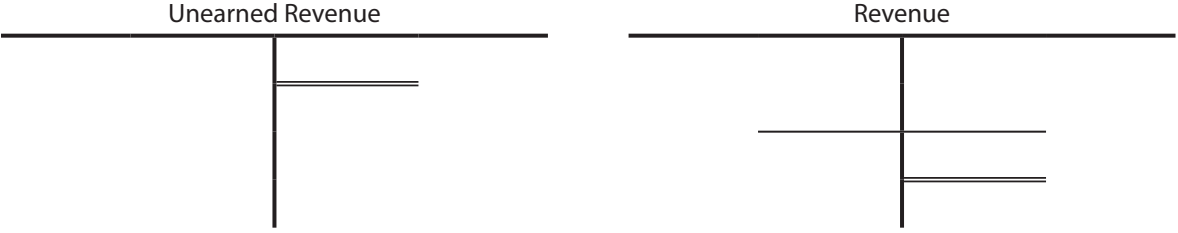
12/31/X1				



Scenario 2: Income Statement Approach

08/01/X1				

12/31/X1				



Scenario 3: Balance Sheet Approach

12/01/X1				

12/31/X1				

Prepaid Rent	

Rent Expense	

Scenario 3: Income Statement Approach

12/01/X1				

12/31/X1				

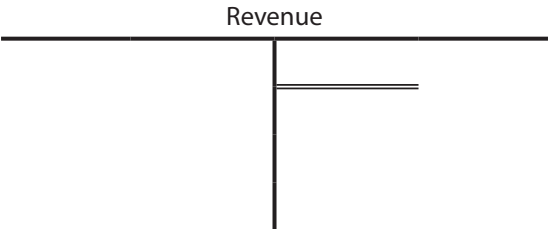
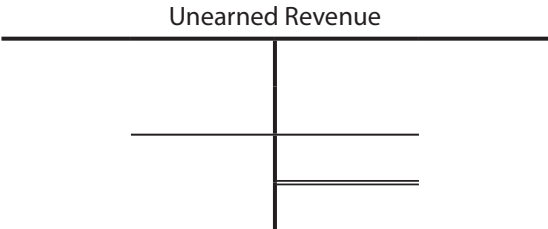
Prepaid Rent	

Rent Expense	

Scenario 4: Balance Sheet Approach

04/01/X1				

06/20/X1				



Scenario 4: Income Statement Approach

04/01/X1				

06/20/X1				

