

Traditions is an upscale university housing complex providing all the amenities of private townhouse living, and a full service 24-hour cafeteria for busy students. Prior to recording any adjusting entries for 20X4, Traditions has incurred and recorded total salary expense of \$875,000 and total rental revenue of \$4,800,000.

As of December 31, 20X4, the company owes \$15,000 of additional salaries to employees, and accrued rent due from residents amounts to \$100,000.

On January 10, 20X5, Traditions paid salaries of \$40,000 covering the amount due as of December 31, as well as additional amounts relating to 20X5.

On January 15, 20X5, Traditions received rental payments for \$250,000 covering the rents due as of December 31, 20X4, and additional amounts relating to the first half of January, 20X5.

- (a) Prepare the necessary year-end adjusting entries for salaries and rent.
- (b) Determine the total salaries expense and total rent revenue for 20X4.
- (c) Assuming the company uses reversing entries, prepare necessary reversals for early 20X5.
- (d) Assuming the company used reversing entries, prepare entries for January 10 and 15, 20X5.
- (e) Assuming the company does not use reversing entries, prepare entries for January 10 and 15, 20X5.
- (f) Show how 20X5 salaries expense and rent revenue will be the same, whether reversing entries are used or not.