Solution

# Amount and Timing

The solution is shown with comments.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transaction | Cash | Accrual | Both | Not Applicable |
| Raw material is purchased and the date for the transaction is the date of delivery although the supplier is not paid until 40 days later.***Accrual – date based upon taking control.*** |  | X |  |  |
| A copier repair company repairs the office copier and the date of the transaction is the day the bill is paid – 3 weeks after the repair.***Cash – date based upon money changing hands.*** | X |  |  |  |
| A team travels to a customer for negotiations. The travel expenses are placed in the month when each individual files their expense account – in some cases over a month later.***Cash – date based upon money being paid.*** | X |  |  |  |
| A project business case is approved and the funding is made available the following day.***No transaction occurred yet.*** |  |  |  | X |
| A shipment is sent to a customer and the date of the sale transaction is the ship date although the customer pays 30 days later.***Accrual – date is based upon control transfer.*** |  | X |  |  |
| The office administrator goes to the local office supply store to purchases supplies. They are paid for with a credit card.***Both – control and payment at same time.*** |  |  | X |  |
| Income tax for the year just finished is calculated two weeks after year end, but the taxes are shown as an expense that occurred in the year that just finished. ***Accrual – bill shown as expense when incurred.*** |  | X |  |  |
| A customer pays for a customized product. The date of the transaction is when the customer pays, although the product doesn’t ship until 2 weeks later.***Cash – date based upon payment not shipment.*** | X |  |  |  |
| A customer comes into the showroom and buys the showroom model, paying cash and taking immediate delivery.***Both – control and payment at same time.*** |  |  | X |  |
| A long term contract is negotiated with a supplier and the contract is signed 1 week after negotiations are finished – shipments and payment to occur monthly.***Neither – no transaction occurred yet.*** |  |  |  | X |