Exercise

# Amount and Timing

Consider each of the transactions below. Determine whether they are using the cash basis or accrual basis to assign timing. In some cases, neither may apply because there is no transaction and in some cases the date could apply to either case.

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| --- | --- | --- | --- | --- |
| 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. |  |  |  |  |
| 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. |  |  |  |  |
| 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. |  |  |  |  |
| A project business case is approved and the funding is made available the following day. |  |  |  |  |
| 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. |  |  |  |  |
| The office administrator goes to the local office supply store to purchases supplies. They are paid for with a credit card. |  |  |  |  |
| 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. |  |  |  |  |
| 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. |  |  |  |  |
| A customer comes into the showroom and buys the showroom model, paying cash and taking immediate delivery. |  |  |  |  |
| A long term contract is negotiated with a supplier and the contract is signed 1 week after negotiations are finished – shipments and payments to occur monthly. |  |  |  |  |