

ESTIMATED PROPERTY TAX PAYABLE

ABC Company's property tax expense for 1994 was \$2,400. In August the company was notified that the property tax would be \$3,000 per year and was due September 30th.

Required:

Prepare the journal entries to record the following:

1. Property tax expense for July
2. Property tax expense for August
3. Property tax expense for September
4. Property tax payment in September
5. Property tax expense in October

Working Paper:

DATE	ACCOUNT	PUZZLE	DEBIT	CREDIT
July 31				
	Explain:			
Aug 31				
	Explain:			
Sept 30				
	Explain:			
Sep 30				
	Explain:			
Oct 31				
	Explain:			

Answer:

DATE	ACCOUNT	PUZZLE	DEBIT	CREDIT
July 31	Property Tax Expense	Expense	200	
	Est. Property Tax Payable	Liability		200
	Explain: $\$2,400 / 12 = \200 per month.			
Aug 31	Property Tax Expense	Expense	600	
	Est. Property Tax Payable	Liability		600
	Explain: $\$3,000 / 12 = \250 per month plus the \$50 per month under estimated for January to July ($\$50 \times 7 + \250).			
Sept 30	Property Tax Expense	Expense	250	
	Est. Property Tax Payable	Liability		250
	Explain: $\$3,000 / 12$			
Sep 30	Est. Property Tax Payable	Liability	2,250	
	Prepaid Property Tax	Asset	750	
	Cash in Bank	Asset		3,000
	Explain: January to July ($\$200 \times 7 = \$1,400$ August estimate \$600 September estimate \$250 Prepaid Property Tax is $\$250 \times 3$ (October, November & December)			
Oct 31	Property Tax Expense	Expense	250	
	Prepaid Property Tax	Asset		250
	Explain: Property Tax for October			