

ACCOUNTING in the headlines

When does Carnival Cruise Lines recognize revenues and expenses for its cruises?

Carnival Cruise Lines had a [record-breaking month in January 2014](#) in terms of number of net bookings (new bookings less cancellations.) During January 2014, Carnival booked more than 565,000 (net) guests for cruises to be taken over the next two years.

Part of the reason that Carnival may be seeing increased bookings is its new LIVE concert series which features performances by many top artists, including Jennifer Hudson, Gavin DeGraw, Lady Antebellum, Daughtry, Martina McBride, Jewel, and others.

Questions

1. Assume that on January 10, 2014, Kerrie Collins booked a four-day cruise for June 2015 to Western Caribbean for a total of \$1,958 (not including taxes, fees, or port expenses.) The customer pays in full on the day she books. What journal entry will Carnival make on January 10, 2014, for the Kerrie Collins booking and payment?
2. When (what month/year) does Carnival recognize the revenue from Kerrie Collins' cruise? What journal entry would Carnival make when it recognizes the revenue from Kerrie Collins' cruise?
3. Now assume that Carnival booked Lady Antebellum in January 2014 to perform on the June 2015 Western Caribbean cruise. Further assume that Carnival pays Lady Antebellum its entire performance fee of \$52,000 on January 15, 2014, for the June 2015 cruise. What journal entry will Carnival make on January 15, 2014, for its payment to Lady Antebellum?
4. When (what month/year) would Carnival expense the payment to Lady Antebellum? What journal entry would Carnival make when it recognizes the Lady Antebellum expense?