

ACCOUNTING in the headlines

When do Keurig and Dr. Pepper record a transaction resulting from their exclusive arrangement for Keurig's upcoming Keurig Cold machine?

Keurig Green Mountain, Inc., ([GMCR](#)) recently announced that it had signed an exclusive deal with Dr. Pepper Snapple Group ([DPS](#)) for rights to make pod-versions of Dr. Pepper Snapple products in the upcoming Keurig Cold machine (anticipated release date in fall 2015.)

Questions

1. On the date of the exclusive contract signing, would Keurig record an entry in its books? Why or why not?
2. On the date of the exclusive contract signing, would Dr. Pepper Snapple Group record an entry in its books? Why or why not?
3. Assume that Keurig places an order for Diet Dr. Pepper syrup. Would either company record a transaction on the order date?
4. When Dr. Pepper Snapple Group delivers the Diet Dr. Pepper syrup to Keurig, would either company record a transaction? (Assume that shipping and delivery occur on the same day.)
5. What would the journal entry be for Keurig on the date it purchases the syrup from Dr Pepper (assume it purchases on account)?
6. What would the journal entry be for Dr. Pepper on the date it sells the syrup to Keurig (assume it sells on account)?