Times-Roman Publishing Company reports the following amounts in its first three years of operation:



The difference between pretax accounting income and taxable income is due to subscription revenue for one-year magazine subscriptions being reported for tax purposes in the year received, but reported in the income statement in later years when earned. The income tax rate is 40% each year. Times-Roman anticipates profitable operations in the future.

1. What is the balance sheet account for which a temporary difference is created by this situation?

2. For each year, indicate the cumulative amount of the temporary difference at year-end.

3. Determine the balance in the related deferred tax account at the end of each year. Is it a deferred tax asset or a deferred tax liability?

4. How should the deferred tax amount be classified and reported in the balance sheet?