DCC 205 Fall 2016 Current Liabilities In Class Assignments Student Version

QS 9-4

Interest-bearing note transactions **P1**

On November 7, 2016, Mura Company borrows $160,000 cash by signing a 90-day, 8% note payable with a face value of $160,000. (1) Compute the accrued interest payable on December 31, 2016; (2) prepare the journal entry to record the accrued interest expense at December 31, 2016; and (3) prepare the journal entry to record payment of the note at maturity.

Exercise 9-3

Accounting for note payable **P1**

Sylvestor Systems borrows $110,000 cash on May 15, 2016, by signing a 60-day, 12% note.

1. On what date does this note mature?
2. Suppose the face value of the note equals $110,000, the principal of the loan. Prepare the journal entries to record (*a*) issuance of the note and (*b*) payment of the note at maturity.

**Check**   (2b) Interest expense, $2,200

Exercise 9-4

Interest-bearing notes payable with year-end adjustments **P1**

Keesha Co. borrows $200,000 cash on November 1, 2016, by signing a 90-day, 9% note with a face value of $200,000.

1. On what date does this note mature?
2. How much interest expense results from this note in 2016? (Assume a 360-day year.)

Check   (2) $3,000

1. How much interest expense results from this note in 2017? (Assume a 360-day year.)

Check   (3) $1,500

1. Prepare journal entries to record (*a*) issuance of the note, (*b*) accrual of interest at the end of 2016, and (*c*) payment of the note at maturity. (Assume *no* reversing entries are made.)