

Please note this correction to page 465 of the textbook:

The check figure for Exercise 9-8 should read \$314.79, not \$320.09.

All corrections to original solutions in the Instructor's Solutions Manual are in blue type.

(10-15 min.) **E 9-8**

General Journal					
DATE		ACCOUNT TITLES AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Oct.	1	Note Receivable—Joe Lazarus		88,000	
		Cash			88,000
Nov.	3	Note Receivable—Highwater Inc.		6,325	
		Sales Revenue			6,325
	16	Note Receivable—STM Inc.		4,400	
		Account Receivable—STM Inc.			4,400
	30	Interest Receivable		314.79*	
		Interest Revenue			314.79

* $(\$88,000 \times 0.02 \times 60/365) + (\$6,325 \times 0.04 \times 27/365) + (\$4,400 \times 0.04 \times 14/365) = \314.79

\$289.32

\$18.72

\$6.75

Req. 1 (maturity value of note)

(30-40 min.) **P 9-5A**

<u>Note</u>	<u>Due Date</u>	<u>Principal + Interest</u>	=	<u>Maturity Value</u>
(a)	Dec. 31, 2006	$\$18,000 + (\$18,000 \times 0.04 \times 92/365)$	=	\$18,181.48
(b)	Jan. 18, 2007	$\$24,000 + (\$24,000 \times 0.03 \times 60/365)$	=	\$24,118.36
(c)	Dec. 1, 2007	$\$30,000 + (\$30,000 \times 0.05 \times 1)$	=	\$31,500.00
(d)	Dec. 15, 2008	$\$40,000 + (\$40,000 \times 0.06 \times 2)$	=	\$44,800.00

Req. 2 (adjusting entries for interest at December 31, 2006)

General Journal					
DATE		ACCOUNT TITLES AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
2006					
Dec.	31	Interest Receivable		492.83	
		Interest Revenue			492.83

*Computation:	Note (a)	$\$18,000 \times 0.04 \times 92/365$	=	\$ 181.48
	Note (b)	$\$24,000 \times 0.03 \times 42/365$	=	82.85
	Note (c)	$\$30,000 \times 0.05 \times 30/365$	=	123.29
	Note (d)	$\$40,000 \times 0.06 \times 16/365$	=	<u>105.21</u>
	Total interest			\$492.83

Req. 3 (to record collection of note b)

General Journal					
DATE		ACCOUNT TITLES AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
2007					
Jan.	18	Cash		24,118.36	
		Notes Receivable			24,000.00
		Interest Receiv. ($\$24,000 \times 0.03 \times 42/365$)			82.85
		Interest Revenue			
		($\$24,000 \times 0.03 \times 18/365$)			35.51

General Journal					
DATE		ACCOUNT TITLES AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
2013					
Oct.	1	Interest Expense		83,750	
		Discount on Bonds Payable			3,750
		($\$60,000 \times 1/8 \times 6/12$)			
		Cash ($\$2,000,000 \times 0.08 \times 6/12$)			80,000
	1	Bonds Payable		2,000,000	
		Loss on Retirement of Bonds Payable		42,500	
		Discount on Bonds Payable			22,500
		($\$60,000 \times 3/8$) or ($\$60,000 - (10 \times \$3,750)$)			
		Cash			2,020,000

* $\$2,000,000 \times 0.97 = \$60,000$

The following corrections are for Chapter 4 of the Study Guide provided on CD with the textbook.

For Chapter 4, Demonstration Problem #1:

On page 21 - change b. Amortization expense from \$1,650 to \$650;
 In the trial balance that follows f., change Accounts receivable \$9,585 to \$7,585;
 change S. Star, Capital \$103,140 to \$101,140

On page 22 - change Total \$236,740 to \$234,740 for both the debit and credit totals

On page 23, in the Trial Balance columns of the worksheet, change Accounts receivable \$9,585 to \$7,585; change S. Star, Capital \$103,140 to \$101,140; change both the debit and credit totals from \$236,740 to \$234,740