ACCOUNTING 2001
CLASS 15 REVIEW EXERCISE
(Answer these questions and check answers as soon as possible after each class)

Class 15 Key Concepts:    Short-Term Financing
(CHAPTER 8)

Required: Answer the following questions.

1. On August 18, 2011, Manning Company, the seller, sold Harrison $120,000 of
merchandise, terms net 30. What journal entry would Manning, the seller, record
for the sale on August 18?

2. On September 17, 2011, Harrison informs Manning that they are unable to pay
the account at that time but agreed to give Manning a 90-day, 10% note for the
balance.

   a. When is the note due (the maturity date)?

   b. What journal entry should Manning, the seller, record to receive cash payment
on the maturity date?

Multiple Choice Questions

1. If a 10%, 60-day note receivable is acquired from a customer in settlement of an existing account receivable of $18,000, the
accounting entry for acquisition of the note will:
   a. Include a debit to Notes Receivable for $18,300
   b. Include a credit to Interest Revenue for $300
   c. Include a debit to Notes Receivable for $18,000 and no entry for interest
   d. Include a debit to Notes Receivable for $19,800
   e. None of the above

2. Brooks Company received a 60-day, 15% note for $9,000 on June 16. Which of the following statements is true?
   a. Brooks should record a total receivable due of $9,225 on June 16
   b. The principal of the note plus interest is due on August 16
   c. The maturity value of this note is $9,225
   d. Brooks will receive $9,000 plus interest of $1,350 at maturity
   e. None of the above

3. On November 1, Eads Corporation sold merchandise in return for a 12%, 90-day note receivable in the amount of $50,000. The
proper adjusting entry at December 31 (end of Eads’ fiscal year) includes a:
   a. Debit to Cash of $1,000
   b. Debit to Interest Receivable of $500
   c. Credit to Notes Receivable of $1,500
   d. Credit to Interest Revenue of $1,000
   e. None of the above
ANSWERS TO CLASS 15 QUIZ:

1. Accounts Receivable – Harrison 120,000
   Sales Revenue 120,000

2. a. December 16, 2011
   b. 
      
      Cash 123,000
      Notes Receivable 120,000
      Interest Revenue 3,000

Multiple Choice Questions

1. C
2. C
3. D