PROBLEMS

Prob. 11–1A

1.

Jan. 15	Merchandise Inventory		220,000	
		Accounts Payable—Hood Co.		220,000
Feb. 14	Accounts Payable—Hood Co.		220,000	
		Notes Payable		220,000
Apr. 15	Notes Payable		220,000	
	Interest Expense ($220,000 × 60/360 × 6%)		2,200	
		Cash		222,200
June 2	Cash		187,500	
		Notes Payable		187,500
July 10	Tools		187,150	
	Interest Expense ($190,000 × 90/360 × 6%)		2,850	
		Notes Payable		190,000
Aug. 1	Notes Payable		187,500	
	Interest Expense ($187,500 × 60/360 × 8%)		2,500	
		Notes Payable		187,500
		Cash		2,500
Sept. 30	Notes Payable		187,500	
	Interest Expense ($187,500 × 60/360 × 10%)		3,125	
		Cash		190,625
Oct. 8	Notes Payable		190,000	
		Cash		190,000
Dec. 1	Office Equipment		120,000	
		Notes Payable		100,000
		Cash		20,000
5	Litigation Loss		76,000	
		Litigation Claims Payable		76,000
31	Notes Payable		10,000	
	Interest Expense ($10,000 × 30/360 × 6%)		50	
		Cash		10,050

Prob. 11–1A Concluded

2. a.	Product Warranty Expense	16,400	
	Product Warranty Payable		16,400
	Warranty expense for the current year.		
b.	Interest Expense	450	
	Interest Payable		450
	Interest on notes, $10,000 × 6% × 30/360 × 9.		