

EXERCISES

Ex. 11-1

Current liabilities:

Federal income taxes payable	\$ 160,000*
Advances on magazine subscriptions	<u>630,000**</u>
Total current liabilities	<u>\$ 790,000</u>

*\$400,000 × 40%

**14,000 × \$60 × 9/12 = \$630,000

The nine months of unfilled subscriptions are a current liability because I-Generation received payment prior to providing the magazines.

Ex. 11-2

a. 1. Merchandise Inventory	793,000	
Interest Expense	7,000*	
Notes Payable		800,000
2. Notes Payable	800,000	
Cash		800,000
b. 1. Notes Receivable	800,000	
Sales		793,000
Interest Revenue		7,000*
2. Cash	800,000	
Notes Receivable		800,000

*\$800,000 × 7% × 45/360