

Ex. 14–10

a.	1. Cash	44,000	
	Notes Payable		44,000
	Issued \$44,000 of installment notes for cash.		
	2. Interest Expense	2,200	
	Notes Payable	5,404	
	Cash		7,604
	Paid principal and interest on installment notes.		
b.	Interest expense, \$2,200		

Ex. 14–11

2010

Jan.	1	Cash	140,000	
		Notes Payable		140,000
		Issued \$140,000 of installment notes for cash.		
Dec.	31	Interest Expense	15,400	
		Notes Payable	8,372	
		Cash		23,772
		Paid principal and interest on installment notes.		

2019

Dec.	31	Interest Expense	2,353	
		Notes Payable	21,419	
		Cash		23,772
		Paid principal and interest on installment notes.		

Ex. 14–12

a.

Amortization of Installment Notes						
	A	B	C	D	E	
	January 1	Note		Decrease	December	
	Carrying	Payment	Interest Expense (6.5% of January 1	in Notes	31	
	Amount	(Cash Paid)	Note Carrying Amount)	Payable	Carrying	
For the Year Ending:	Amount	(Cash Paid)	Note Carrying Amount)	(B – C)	(A – D)	
December 31, 2010	\$52,000	\$15,179	\$3,380 (6.5% of \$52,000)	\$11,799	\$40,201	
December 31, 2011	40,201	15,179	2,613 (6.5% of \$40,201)	12,566	27,635	
December 31, 2012	27,635	15,179	1,796 (6.5% of \$27,635)	13,383	14,252	
December 31, 2013	14,252	<u>15,179</u>	<u>927</u> (6.5% of \$14,252)	<u>14,252</u>	0	
		<u>\$60,716</u>	<u>\$8,716</u>	<u>\$52,000</u>		

Ex. 14–12 Concluded
b.
2010

Jan. 1	Cash	52,000	
	Notes Payable		52,000
	Issued \$52,000 of installment notes for cash.		

Dec. 31	Interest Expense	3,380	
	Notes Payable	11,799	
	Cash		15,179
	Paid principal and interest on installment notes.		

2011

Dec. 31	Interest Expense	2,613	
	Notes Payable	12,566	
	Cash		15,179
	Paid principal and interest on installment notes.		

2012

Dec. 31	Interest Expense	1,796	
	Notes Payable	13,383	
	Cash		15,179
	Paid principal and interest on installment notes.		

2013

Dec. 31	Interest Expense	927	
	Notes Payable	14,252	
	Cash		15,179
	Paid principal and interest on installment notes.		

Ex. 14–13

1. The significant loss on redemption of the series X bonds should be reported in the Other Income and Expense section of the income statement, rather than as an extraordinary loss.
2. The series Y bonds outstanding at the end of the current year should be reported as a current liability on the balance sheet because they mature within one year.