SOUTH-WESTERN
CENGAGE Learning

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.		