

ACCOUNTING
Notes Payable

During the fiscal year ended December 31, 2010, GW Co. carried out the following transactions involving notes payable.

- ☐ Prepare journal entries using the general journal form provided
- ☐ Use a 360-day year in making interest calculations
- ☐ Prepare the adjusting entry needed at December 31 to accrue interest owed on notes payable. (Assume adjusting entries are annually) Use one entry for both notes

- Aug 6 Borrowed \$10,000 from Grace Loans, issuing a 45-day, 10% note payable.
- Sept. 16 Purchased office equipment from Flowers Furniture. The invoice amount was \$20,000, and Flowers Furniture agreed to accept as full payment a 14%, 3-month note for the invoice amount.
- Sept. 20 Paid the Grace Loans note plus accrued interest.
- Nov. 1 Borrowed \$225,000 from Sylvester Trust Bank at an interest rate of 12%; signed a 90-day note.
- Dec. 1 Purchased merchandise (to resell) in the amount of \$8,000 from Abbott Associates. Abbott Associates accepted a 90-day note bearing interest at 8%.
- Dec. 16 The \$20,000 note payable to Flowers Furniture matured today. Paid the note and interest accrued.
- Dec. 31 Prepare the adjusting entry needed at December 31 to accrue interest owed on notes payable.

How much interest must GW pay when the Abbot note matures? _____

What will be the interest expense on the Dec. 1 Note when it is paid back on February 28, 2011? _____

General Journal

Date	Account Titles	Ref.	Debit	Credit
Aug 16	Cash NP		10,000	
				10,000
Sept 16	office equip NP		20,000	
				20,000
Sept 20	NP ← Int Exp $12,000 \times 10\% \times \frac{45}{360}$ Cash		10,000 125	
				10,125
Nov 1	Cash NP		22,500	
				22,500
Dec 1	Inv NP		8,000	
				8,000
Dec 16	NP Int Exp $20,000 \times 14\% \times \frac{3}{12}$ Cash		20,000 700	
				20,700
Dec 31	Int Exp Int pay $22,500 \times 12\% \times \frac{60}{360}$		4,500	
				4,500
	Int Exp Int pay $8,000 \times 8\% \times \frac{30}{360}$		53	
				53

- The Recording Process

N/P Problems:

On November 1, 2012, Allen Associates borrowed \$400,000 from Katie's Credit Union and signed a 14%, one year note payable, all due at maturity. (Round to the nearest dollar)

- a) The amount Allen must pay on November 1, 2013 when the note matures is

\$ 456,000

$$400000 \times 14\% \times \frac{12}{12} = 56000$$

- b) The Interest expense Allen will recognize on this note on December 31, 2012 is

\$ 9,333

$$400000 \times 14\% \times \frac{2}{12}$$

On August 1, 2012, Powers Partners borrowed \$200,000 from Smith Credit Union and signed a 8%, one year note payable, all due at maturity. (Round to the nearest dollar)

- a) The amount Powers must pay on August 1, 2013 when the note matures is

\$ 216,000

$$200000 \times 8\% = 16000 \text{ int.}$$

- b) The Interest expense Powers will recognize on this note on December 31, 2012 is

\$ 6,667

$$5/12 \times 16000$$

On March 1, 2012, Sam Associates borrowed \$1,800,000 from Cody Credit Union and signed a 3%, one year note payable, all due at maturity. (Round to the nearest dollar)

- a) The amount Sam must pay on March 1, 2013 when the note matures is

\$ 1,854,000

$$1800000 \times 3\% = 54000$$

- b) The Interest expense Sam will recognize on this note on December 31, 2012 is

\$ 4,500

$$10/12 \times 54000$$

c) 2013: 9,000

ACCOUNTING
FINAL EXAM REVIEW: Payroll Transactions

PAYROLL PROBLEM:

ABC Corp. had \$200,000 in salaries for January. Assume that the Social Security tax rate is 6.0% on a \$70,000 base, and the Medicare tax rate is 1.5% on all wages. The state unemployment tax rate is 5.4% on a \$7,000 base, and the federal unemployment tax rate is 0.8% on a \$7,000 base.

Federal and state taxes withheld amount to \$55,000 and that no employee earned more than \$7,000 in the month of January.

Record the transactions for both the *Salaries Expense* and the employer's *Payroll Taxes Expense*:

Sal Exp 200 000

Inc tax pay

55000

SS tax pay

12000

MC tax pay

3600

Cash

130000

Payroll tax Exp 27400

SS tax

12000

MC tax

3600

FUTA

1600

SUTA

10800

Answer the following questions:

\$ What was the employees take-home pay?

130000

\$ What was the employers expense?

27 400