


Accounting II - Simplified for You

Notes Receivable




Copyright © 2014 by Dr. Majo Jacinto. All Rights Reserved. May not be copied, scanned, duplicated or posted to a publicly accessible website in whole or in part.

Characteristics of Notes Receivable

- Promissory Note – written instrument
- Maker – customer - making a promise to pay
- Payee – lender – who payment is promised to




Lend

Borrow



Characteristics of Notes Receivable

- Principal – face amount
- Term – length of time of the promissory note
- Interest – interest rate agreed upon



Accounting for Notes Receivable

Recorded sales on account from Travel, Inc.

Date	Account Description	Debit	Credit
07/01/14	Accounts Receivable, Travel Inc.	17,500	
	Sales Revenue		17,500
To record sales on account, terms 2/10, n/30			

Received a \$17,500, 10%, 120-day note dated 08/01/14, in settlement of the account of Travel, Inc.

Date	Account Description	Debit	Credit
08/01/14	Notes Receivable, Travel Inc.	17,500	
	Accounts Receivable, Travel Inc.		17,500
10% note due in 120 days			


Accounting for Notes Receivable

To record receipt of payment

Date	Account Description	Debit	Credit
01/30/14	Cash	18,083	
	Interest Revenue		583
	Notes Receivable, Travel Inc.		17,500

Interest Revenue – interest earned from the promissory note

A+




Accounting II - Simplified for You


K

E

Y

Keep
Educating
Yourself





Copyright © 2014 by Dr. Majo Jacinto. All Rights Reserved. May not be copied, scanned, duplicated or posted to a publicly accessible website in whole or in part.

A+