

Tutorial questions (P8-2A, P8-6A)

## Problem 8-2A

### Requirement 1

(a). October 1, 2024

Cash	41,000,000	
Notes Payable		41,000,000
<i>(Issuance of notes payable)</i>		

(b). October 1, 2024

Notes Receivable	41,000,000	
Cash		41,000,000
<i>(Acceptance of notes receivable)</i>		

### Requirement 2

(a). December 31, 2024

Interest Expense ( $\$41 \text{ million} \times 9\% \times 3/12$ )	922,500	
Interest Payable		922,500
<i>(Interest expense incurred, but not paid)</i>		

(b). December 31, 2024

Interest Receivable	922,500	
Interest Revenue		922,500
<i>(Interest revenue earned, but not received)</i>		

### Requirement 3

(a) September 30, 2025

<b>Notes Payable</b>	<b>41,000,000</b>	
<b>Interest Payable</b> ( $\$41 \text{ million} \times 9\% \times 3/12$ )	<b>922,500</b>	
<b>Interest Expense</b> ( $\$41 \text{ million} \times 9\% \times 9/12$ )	<b>2,767,500</b>	
<b>Cash</b>		<b>44,690,000</b>
<i>(Payment of notes payable and interest)</i>		

(b). September 30, 2025

<b>Cash</b>	<b>44,690,000</b>	
<b>Interest Receivable</b> ( $\$41 \text{ million} \times 9\% \times 3/12$ )	<b>922,500</b>	
<b>Interest Revenue</b> ( $\$41 \text{ million} \times 9\% \times 9/12$ )	<b>2,767,500</b>	
<b>Notes Receivable</b>		<b>41,000,000</b>
<i>(Collection of notes receivable and interest)</i>		

## Problem 8-6A

### Requirement 1

<b>Cash</b>	<b>3,500</b>	
<b>Deferred Revenue</b>		<b>3,500</b>
<i>(Sale of gift cards)</i>		

### Requirement 2

<b>Deferred Revenue</b>	<b>728</b>	
<b>Sales Revenue</b> (\$728 / 1.04)		<b>700</b>
<b>Sales Taxes Payable</b>		<b>28</b>
<i>(Redemption of gift certificates)</i>		

### Requirement 3

<b>Deferred Revenue</b>		
	3,500	
728		
	<u>2,772</u>	<b>Balance</b>

Take-home questions (E8-2, E8-3, E8-10)

**Exercise 8-2**

<u>1. November 1, 2024</u>	<u>Debit</u>	<u>Credit</u>
<b>Cash</b>	<b>60,000</b>	
<b>Notes Payable</b>		<b>60,000</b>
<i>(Issuance of notes payable)</i>		
 <u>2. December 31, 2024</u>		
<b>Interest Expense</b> ( $\$60,000 \times 7\% \times 2/12$ )	<b>700</b>	
<b>Interest Payable</b>		<b>700</b>
<i>(Interest expense incurred, but not paid)</i>		
 <u>3. January 31, 2025</u>		
<b>Notes Payable</b>	<b>60,000</b>	
<b>Interest Payable</b> ( $\$60,000 \times 7\% \times 2/12$ )	<b>700</b>	
<b>Interest Expense</b> ( $\$60,000 \times 7\% \times 1/12$ )	<b>350</b>	
<b>Cash</b>		<b>61,050</b>
<i>(Payment of notes payable and interest)</i>		

### Exercise 8-3

	<u>Debit</u>	<u>Credit</u>
1. <u>August 1, 2024</u>		
Cash	21,000,000	
Notes Payable		21,000,000
<i>(Issuance of notes payable)</i>		
2. <u>December 31, 2024</u>		
Interest Expense ( $\$21 \text{ million} \times 9\% \times 5/12$ )	787,500	
Interest Payable		787,500
<i>(Interest expense incurred, but not paid)</i>		
3. <u>January 31, 2025</u>		
Notes Payable	21,000,000	
Interest Payable ( $\$21 \text{ million} \times 9\% \times 5/12$ )	787,500	
Interest Expense ( $\$21 \text{ million} \times 9\% \times 1/12$ )	157,500	
Cash		21,945,000
<i>(Payment of notes payable and interest)</i>		

## Exercise 8-10

### Requirement 1

November 30

<b>Cash</b>	<b>21,000,000</b>	
<b>Deferred Revenue</b>		<b>21,000,000</b>
<i>(Advance collection for gift cards)</i>		

### Requirement 2

December 31

<b>Deferred Revenue</b>	<b>14,000,000</b>	
<b>Sales Revenue</b>		<b>14,000,000</b>
<i>(Revenue recognized when gift cards are redeemed)</i>		

### Requirement 3

The ending balance in Deferred Revenue is \$7,000,000.

<b>Deferred Revenue</b>	
14,000,000	21,000,000
	7,000,000 Ending balance