E9–4.

Req. 1

November 1

Cash (+A)	4,800,000	
Note payable (+L)		4,800,000

Borrowed on 6-month, 8%, note payable.

Req. 2

December 31 (end of the accounting period):

Interest expense (+E, -SE)	64,000*	
Interest payable (+L)		64,000

Adjusting entry for 2 months' accrued interest.

*$4,800,000 x .08 x 2/12 = $64,000

Req. 3

April 30 (maturity date):

Note payable (-L)	4,800,000	
Interest payable (per above) (-L)	64,000	
Interest expense (+E, -SE)	128,000*	
Cash (-A)		4,992,000

Paid note plus interest at maturity.

*$4,800,000 x .08 x 4/12 = $128,000

Req. 4

It is doubtful that long-term borrowing would be appropriate in this situation. After the Christmas season, Nordstrom will collect cash from its credit sales. At this point, it does not need borrowed funds. It would be costly to pay interest on a loan that was not needed. However, it might be possible to borrow for a longer term at a lower interest rate and invest idle cash to offset the interest charges. Nordstrom should explore this possibility with its bank, but in most cases it would be better to borrow on a short-term basis to meet short-term needs.

E9–5.

	Date	Assets	Liabilities	Stockholders' Equity
(a)	November 1	Cash +	Note Payable +	No Effect
(b)	December 31	No Effect	Interest Payable +	Interest Expense –
(c)	April 30	Cash –	Note Payable – Interest Payable –	Interest Expense –

E9–13.

Req. 1

$60,000 x 0.75131 = $45,079

Req. 2

$10,000 x 2.48685 = $24,869

→ The present value of the three installments is less than paying the $28,000 immediately.

Req. 3

$90,000 x 0.51316 = $46,184

Req. 4

$40,000 x 6.14457 = $245,783

E9–16.

Present value of cash payments:

Single amount: $1,000,000 x 0.55839	$ 558,390
Annuity: $200,000 x 7.36009	1,472,018
Present value	$2,030,408

Jenkins would report a long-term liability on its balance sheet of $2,030,408.

E9–18.

Present value of annuity: $20,000 x 4.86842 = $97,368

Because the present value of the annuity is less than the immediate cash payment of $100,000, you should select the immediate cash payment.

E9–19.

Present value of future amount: $1,000,000 x 0.50187 = $501,870

Because the client already has $300,000 in the account, she needs to deposit an additional $201,870.