Practice Set
ACCOUNTING FOR CURRENT LIABILITIES

I. NOTES PAYABLE USED TO SECURE CREDIT

Rapid expansion and a pre-holiday inventory buildup had left Linda short of Cash. On October 19, she signed a 90-day, 10% note payable to cover an $80,000 trade credit with her largest supplier, IBN Computers. The note was paid when due. Calculate the maturity date and make the 3 Journal Entries required to account for the loan. Transaction descriptions are not required throughout this practice set. Use a 360-day year.

Interest Calculations: Part I

= $377.78

II. BANK LOANS

Also on October 19, to pay other expenses during the period, Linda Smith borrowed $20,000 from each of her two banks, the second of which discounted the note. Both charged 14% for the 90-day notes. Both notes were paid when due. Make two sets of Journal Entries, one for each bank.

Interest Calculations: Part II

= $132.22

FIRST BANK

	DR.	CR.

SECOND BANK

	DR.	CR.