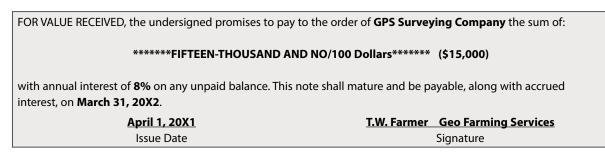
Problem 2

On April 1, 20X1, Geo Farming Services purchased a new GPS surveying instrument. Farmer paid \$2,500 down and executed the following promissory note:



- a) Prepare the appropriate journal entry to record the purchase on April 1, 20X1.
- b) Prepare the appropriate journal entry to record the year-end interest accrual on December 31, 20X1.
- c) Prepare the appropriate journal entry to record the payment of the note and accrued interest on March 31, 20X2.

Worksheet 2

a), b), c)

GENERAL JOURNAL				
Date	Accounts	Debit	Credit	

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Solution 2

a), b), c)

GENERAL JOURNAL				
Date	Accounts	Debit	Credit	
1-Apr	Equipment	17,500		
	Cash		2,500	
	Note Payable		15,000	
	To record purchase of equipment for cash and 8% note payable			
31-Dec	Interest Expense	900		
	Interest Payable		900	
	To record accrued interest for 9 months (\$15,000 X 8% X 9/12)			
31-Mar	Interest Expense	300		
	Interest payable	900		
	Note Payable	15,000		
	Cash		16,200	
	To record repayment of note and interest (\$15,000 X 8%)			

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