

## Chapter 2 A/R and Notes Receivable

a)

$$\begin{aligned}
 PV &= (1,000,000 * 0.7118) + (100,000 * 2.4018) \\
 &= 711,800 + 240,180 \\
 &= 951,980
 \end{aligned}$$

Period	PV	Im = 12%	I = 10%	Amortized
1	951,980	114,238	100,000	14,238
2	966,218	115,946	100,000	15,946
3	982,164	117,860	100,000	17,836
				48,020

<u>Dr.</u> Notes Receivable	1,000,000
<u>Cr.</u> Sales	951,980
Discount	48,020

	Year 1	Year 2	Year 3
<u>Dr.</u> Cash	100,000	100,000	100,000
Discount	14,238	15,946	17,836
<u>Cr.</u> Int. Rev.	114,238	115,946	117,836

<u>Dr.</u> Cash	1,000,000
<u>Cr.</u> Notes Receivable	1,000,000

b)

$$\begin{aligned}
 PV &= (1,000,000 * 0.7938) + (100,000 * 2.5771) \\
 &= 793,800 + 257,710 \\
 &= 1,051,510
 \end{aligned}$$

Period	PV	Im = 8%	I = 10%	Amortized
1	1,051,510	84,121	100,000	15,879
2	1,035,631	82,851	100,000	17,149
3	1,018,482	81,479	100,000	18,482
				51,510

<u>Dr.</u> Notes Receivable	1,000,000
Premium	51,510
<u>Cr.</u> Sales	1,051,510

	Year 1	Year 2	Year 3
<u>Dr.</u> Cash	100,000	100,000	100,000
<u>Cr.</u> Int. Rev.	84,121	82,851	81,518
Premium	15,879	17,149	18,482

Dr. Cash 1,000,000  
Cr. Notes Receivable 1,000,000