

d. Alpena recognized additional credit revenue of \$123,000.

- P7-13.** (Accounting for long-term receivables, LO 2, 3) On July 31, 2010 Romanace Ltd. (Romanace) agreed to sell Youbou Inc. (Youbou) \$4,500,000 of specialized equipment for use at its newly developed mine site in northern Manitoba. Because the mine had not yet begun to produce any metal, Youbou negotiated that it would pay for the equipment on August 6, 2012, at which time the mine would be generating the cash flow required to pay Romanace. Despite the fact that Romanace would not be receiving its cash for two years, it decided to recognize the revenue from the sale during the year ended July 31, 2010. The agreement between Romanace and Youbou states that Youbou does not have to pay any interest on the amount owed.

Required:

Use a spreadsheet similar to the one in Table 7–6 (page 361) to answer the following:

- How much revenue should Romanace recognize in the year ended July 31, 2010 for the sale to Youbou? Prepare the journal entry that Romanace should prepare to record the sale. Assume a discount rate of 8 percent.*
- What amount would be reported on Romanace's July 31, 2010 balance sheet for accounts receivable as a result of the sale to Youbou? How would the receivable from Youbou be shown in the balance sheet? Explain your answer.*
- How much interest revenue would Romanace report on its July 31, 2011 income statement as a result of the sale to Youbou? Prepare the journal entry that Romanace would make to record the interest revenue. What amount would be shown as receivable from Youbou on Romanace's July 31, 2011 balance sheet? How would the receivable from Youbou be classified on the balance sheet?*
- How much interest revenue would Romanace report on its July 31, 2012 income statement as a result of the sale to Youbou? Prepare the journal entry that Romanace would make to record the interest revenue. What amount would be*

- shown as receivable from Youbou on Romanace's July 31, 2012 balance sheet? How would the receivable from Youbou be classified on the balance sheet?
- e. What journal entry would Romanace make when it received payment in full on August 6, 2012?