On December 31, 2007 A Corporation sold some of its product to D Company, accepting a 3%, four-year promissory note having a maturity value of $900,000 (interest payable annually on December 31). D Company pays 8% for its borrowed funds.

**Instructions**

1. Prepare the journal entries to record the transaction on the books of A Corporation at December 31, 2007. (Assume that the effective interest method is used. Use the interest tables below and round to the nearest dollar.)

|  |  |  |
| --- | --- | --- |
| Accounts | Debit | Credit |
|  |  |  |
|  |  |  |
|  |  |  |

1. Make all appropriate entries for 2008 on the books of A Corporation.

|  |  |  |
| --- | --- | --- |
| Accounts | Debit | Credit |
|  |  |  |
|  |  |  |
|  |  |  |

(c) Make all appropriate entries for 2009 on the books of A Corporation.

|  |  |  |
| --- | --- | --- |
| Accounts | Debit | Credit |
|  |  |  |
|  |  |  |
|  |  |  |

For use with Problem 12

Table 1

Present Value of 1

Periods 2% 3% 4% 6% 8%

1 0.98039 0.97087 0.96154 0.94340 0.92593

2 0.96117 0.94260 0.92456 0.89000 0.85734

3 0.94232 0.91514 0.88900 0.83962 0.79383

4 0.92385 0.88849 0.85480 0.79209 0.73503

5 0.90573 0.86261 0.82193 0.74726 0.68058

Table 2

Present Value of Ordinary Annuity of 1

Periodic Rents 2% 3% 4% 6% 8%

1 0.98039 0.97087 0.96154 0.94340 0.92593

2 1.94156 1.91347 1.88609 1.83339 1.78326

3 2.88388 2.82861 2.77509 2.67301 2.57710

4 3.80773 3.71710 3.62990 3.46511 3.31213

5 4.71346 4.57971 4.45182 4.21236 3.99271