

Chapter 9 – More Practice with Notes

JOURNAL ENTRIES TO RECORD A PROMISSORY NOTE

The Following transactions occurred between Spoke Company (the seller) and Bryden Company (the buyer).

Apr. 19 Spoke Co. sold 80,000 in merchandise to Bryden Co. on account, with terms n/30.

May 19 Spoke Co. granted Bryden Co. a 90-day extension on the account receivable. Bryden Co. signed an 80,000, 10%, 90-day note as evidence of the time extension.

Aug. 17 Bryden Co. paid Spoke Co. the amount due on the note.

1. Prepare the journal entries used by Spoke Company to record the sale and the note receivable. Assume that the cost of the merchandise sold to Bryden Co. was 50,000.

2. Prepare the journal entries used by Bryden Co. to record the purchases and the note payable.