

The following selected transactions are from Ohlm Company.

Problem 9-5A

Analyzing and

journalizing notes

receivable transactions

C2 C3 P3



2014

- Dec. 16 Accepted a \$10,800, 60-day, 8% note dated this day in granting Danny Todd a time extension on his past-due account receivable.
- 31 Made an adjusting entry to record the accrued interest on the Todd note.

2015

Check Feb. 14, Cr.
Interest Revenue \$108

May 31, Cr. Interest
Revenue \$122

- Feb. 14 Received Todd's payment of principal and interest on the note dated December 16.
- Mar. 2 Accepted a \$6,100, 8%, 90-day note dated this day in granting a time extension on the past-due account receivable from Midnight Co.
- 17 Accepted a \$2,400, 30-day, 7% note dated this day in granting Ava Privet a time extension on her past-due account receivable.
- Apr. 16 Privet dishonored her note when presented for payment.
- May 31 Midnight Co. refuses to pay the note that was due to Ohlm Co. on May 31. Prepare the journal entry to charge the dishonored note plus accrued interest to Midnight Co.'s accounts receivable.
- July 16 Received payment from Midnight Co. for the maturity value of its dishonored note plus interest for 46 days beyond maturity at 8%.
- Aug. 7 Accepted a \$7,450, 90-day, 10% note dated this day in granting a time extension on the past-due account receivable of Mulan Co.
- Sept. 3 Accepted a \$2,100, 60-day, 10% note dated this day in granting Noah Carson a time extension on his past-due account receivable.
- Nov. 2 Received payment of principal plus interest from Carson for the September 3 note.
- Nov. 5 Received payment of principal plus interest from Mulan for the August 7 note.
- Dec. 1 Wrote off the Privet account against Allowance for Doubtful Accounts.

Required

1. Prepare journal entries to record these transactions and events. (Round amounts to the nearest dollar.)

Analysis Component

2. What reporting is necessary when a business pledges receivables as security for a loan and the loan is still outstanding at the end of the period? Explain the reason for this requirement and the accounting principle being satisfied.