

CONCEPT: CURRENT PORTION OF LONG-TERM DEBT

- Some long-term debt must be repaid in _____
 - ☐ The **current portion of long-term debt** is the amount of _____ that is payable within _____
 - ☐ On the reporting date, we _____ any upcoming payments of long-term debt to current liabilities

On January 2, Year 1, ABC Company signed a \$100,000 long-term note payable. The note payable has a 10% interest rate and interest is payable each January 1. The repayment schedule denotes payment of principal on each January 1 of \$10,000 for Years 2 – 11. Make any necessary journal entries on December 31, Year 1 and December 31, Year 2.

Journal Entries for December 31, Year 1:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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Journal Entries for December 31, Year 2:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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PRACTICE: ABC Company is preparing the liabilities section of its December 31, 2018 balance sheet. Selected information includes \$20,000 in accounts payable, \$100,000 in bonds payable, \$80,000 of short-term debt, \$10,000 in wages payable, \$10,000 in prepaid rent expense, and \$20,000 of unearned revenue. Furthermore, on January 1, 2018, ABC Company signed a \$60,000, 10% note payable with interest payable annually on December 31. The principal of the note payable is repaid in \$10,000 annual installments on January 1 of each year. The total of ABC's current liabilities is:

- a) \$300,000
- b) \$240,000
- c) \$150,000
- d) \$140,000