

B-12.04

On April 1, 20X7, Miller Oil Company purchased a pumping truck. The sole consideration was a \$100,000 note due in one year. Interest of \$12,000 was included the face amount of the note. If Miller had purchased the truck for cash, the purchase price would have been only \$88,000.

- (a) Prepare the appropriate journal entry to record the purchase on April 1, 20X7.
- (b) Prepare the appropriate journal entry to record the year-end discount amortization on December 31, 20X7.
- (c) Prepare the appropriate journal entry to record the payment of the note on March 31, 20X8.
- (d) What was the actual rate of interest on this loan?