

Name:

**B-12.05**

Date:

Section:

The corrections are noted below in blue:

The first loan was a one-year loan for \$100,000, created on November 1 of the current year. It bears interest at 8%, with interest based on the "rule of 78s."

Calculations:

$$\$100,000 \times 8\% \times 2/12 = \$1,333.33$$

The second loan is due on demand and was for \$250,000. The loan was originated on November 1 of the current year, and it bears interest at 9%, using a 360-day year assumption.

Calculations:

$$\$250,000 \times 9\% \times 2/12 = \$3,750.00$$

The financial statement implications of the above corrections are