

Server Planet operates a web hosting company. Examine the following items and prepare the current liability section of the company's December 31, 20X7, balance sheet.

The beginning of year accounts payable was \$100,000. Purchases on trade accounts during the year were \$650,000, and payments on account were \$610,000.

The company incurs substantial costs for electricity to run its servers and air conditioning systems. As of December 31, 20X7, it is estimated that \$55,000 of electricity has been used, although the monthly billing for December has not yet been received.

Server Planet sells web hosting plans for as low as \$25 per month. However, it requires its customers to prepay in 6-month increments. As of the end of the year, \$375,000 had been collected for 20X8 web hosting plans.

Web hosting services are subject to sales taxes, and Server Planet collected \$65,000 during the year. All of these amounts have been remitted to taxing authorities, with the exception of \$5,000 that is due to be paid in January, 20X8.

The company has total bank loans of \$1,500,000. This debt bears interest at 6%, payable monthly. As of December 31, 20X7, all interest had been paid, with the exception of accrued interest for the last half of December.

The company's bank loans (\$1,500,000) are all due on June 30, 20X8. However, Server Planet has a firm lending agreement with the bank to renew and extend \$1,000,000 of this amount on a 5-year basis. The company intends to exercise this renewal option, but is not yet sure about the final disposition of the remainder.