NOTE: Use any piece of paper. You only need to write the question number followed by your answer. Homework is due at the BEGINNING of the next class session.

1. Management has a note payable which matures within 12 months. What two criteria must management satisfy in order to be able to classify the note as a LONG-TERM liability?

2. EconomicsRus, Inc. is involved in a lawsuit at December 31, 2004. Prepare the December 31, 2004 entry assuming (a) it is probable that EconomicsRus, Inc. will be liable for $700,000 as a result of this suit (b) it is not probable that EconomicsRus, Inc. will be liable for any payment as a result of this suit. (c’) the estimated range of loss to EconomicsRus, Inc. is $100,000 to $1,000,000.

3. Assume that management runs payroll on December 31, 2004 and it is composed as follows:

   Wages payable to employees $100,000 (paid out on December 31)
   Federal and state withholding $  7,000 (paid after December 31, 2004)
   Health & other insurance     $  5,000 (paid after December 31, 2004)

   What is the journal entry to record payroll?