
CHAPTER 7

CASH AND RECEIVABLES CONTINUED

Sommers – ACCT 3311

Notes Receivable

Supported by a formal promissory note.

- ◆ A negotiable instrument.
- ◆ Maker signs in favor of a Payee.
- ◆ Interest-bearing (has a stated rate of interest) OR
- ◆ Zero-interest-bearing (interest included in face amount).

Notes Receivable..

Generally originate from:

- ◆ Customers who need to extend payment period of an outstanding receivable.
- ◆ High-risk or new customers.
- ◆ Loans to employees and subsidiaries.
- ◆ Sales of property, plant, and equipment.
- ◆ Lending transactions (the majority of notes).