

## 7.1 A drill to practise the analysis of borrowing, lending and interest

Analyze each of the following transactions as movements of equal value IN to and OUT of the business.

1. (a) a business borrows £1 000 from XYZ, receiving the money by cheque

IN	bank	£1 000	
OUT	promise to XYZ		£1 000

- (b) the business pays £40 interest by cheque to XYZ

IN	permission to use money (interest)	£40	
OUT	bank		£40

- (c) the business repays £600 by cheque to XYZ

IN	promise from XYZ	£600	
OUT	bank		£600

2. (a) a business lends £800 to ABC, paying the money by cheque

IN	promise from ABC	£800	
OUT	bank		£800

- (b) the business receives a cheque from ABC for £20 interest

IN	bank	£20	
OUT	permission to use money (interest)		£20

- (c) the business receives repayment of £500 by cheque from ABC

IN	bank	£500	
OUT	promise back to ABC		£500

3. a business pays £450 by cheque to a lender, being £250 interest, and £200 repayment of principal

IN	permission to use money (interest)	£250	
IN	promise back from lender	£200	
OUT	bank		£450

4. a business receives a cheque for £275 from a borrower, being £25 interest and £250 repayment of principal

IN	bank	£275	
OUT	permission to use money (interest)		£25
OUT	promise back to borrower		£250

5. a business borrows £1 200, receiving £1 000 by cheque, and £200 in cash

IN	bank	£1 000	
IN	cash	£200	
OUT	promise to lender		£1 200

6. a business pays a lender £350 by cheque and £50 cash, being a repayment of £300, and a payment of £100 interest

IN	promise back from lender	£300	
IN	permission to use money (interest)	£100	
OUT	bank		£350
OUT	cash		£50