

Kern Inc., had the following long-term receivable account balances at December 31, 1989:

Note receivable from the sale of an idle building	\$750,000
Note receivable from an officer	200,000

Transactions during 1990 and other information relating to Kern's long-term receivables follow:

1. The \$750,000 note receivable is dated May 1, 1989, bears interest at 9%, and represents the balance of the consideration Kern received from the sale of its idle building to Able Co. Principal payments of \$250,000 plus interest are due annually beginning May 1, 1990. Able made its first principal and interest payment on May 1, 1990. Collection of the remaining note installments is reasonably assured.
2. The \$200,000 note receivable is dated December 31, 1987, bears interest at 8%, and is due on December 31, 1992. The note is due from Frank Black, president of Kern, Inc., and is collateralized by 5,000 shares of Kern's common stock. Interest is payable annually on December 31, and all interest payments were made through December 31, 1990. The quoted market price on Kern's common stock was \$45 per share on December 31, 1990.
3. On April 1, 1990, Kern sold a patent to Frey Corp. in exchange for a \$100,000 noninterest bearing note due on April 1, 1992. There was no established exchange price for the patent, and the note had no ready market. The prevailing interest rate for this type of note was 10% at April 1, 1990. The present value of \$1 for two periods at 10% is 0.826. The patent had a carrying amount of \$40,000 at January 1, 1990, and the amortization for the year ended December 31, 1990, would have been \$8,000. Kern is reasonably assured of collecting the note receivable from Frey.
4. On July 1, 1990, Kern sold a parcel of land to Barr Co. for \$400,000 under an installment sale contract. Barr made a \$120,000 cash down payment on July 1, 1990, and signed a four-year 10% note for the \$280,000 balance. The equal annual payments of principal and interest on the note will be \$88,332, payable on July 1 of each year from 1991 through 1994. The fair value of the land at the date of sale was \$400,000. The cost of the land to Kern was \$300,000. Collection of the remaining note installments is reasonably assured.

**Required:**

Prepare the following and show supporting computations:

1. Long-term receivables section of Kern's December 31, 1990, balance sheet.
2. Schedule showing current portion of long-term receivables and accrued interest receivable to be reported in Kern's December 31, 1990, balance sheet.
3. Schedule showing interest revenue from long-term receivables and gains recognized on sale of assets to be reported in Kern's 1990 income statement.