

MODULE 8.2 – APPLICATION: PROMISSORY NOTES**LEARNING OBJECTIVES**

In this section, you will:

- Define a promissory note.
- Calculate unknown values for interest bearing promissory notes.
- Calculate unknown values for noninterest bearing promissory notes.

Note: Module 8.2 Guided Notes has 3 pages!

What are Promissory Notes?

- State the definition of a promissory note.
- State the definition of Noninterest-Bearing Notes.
- State the definition of Interest-Bearing Notes.

Interest-Bearing Promissory Notes**How It Works**

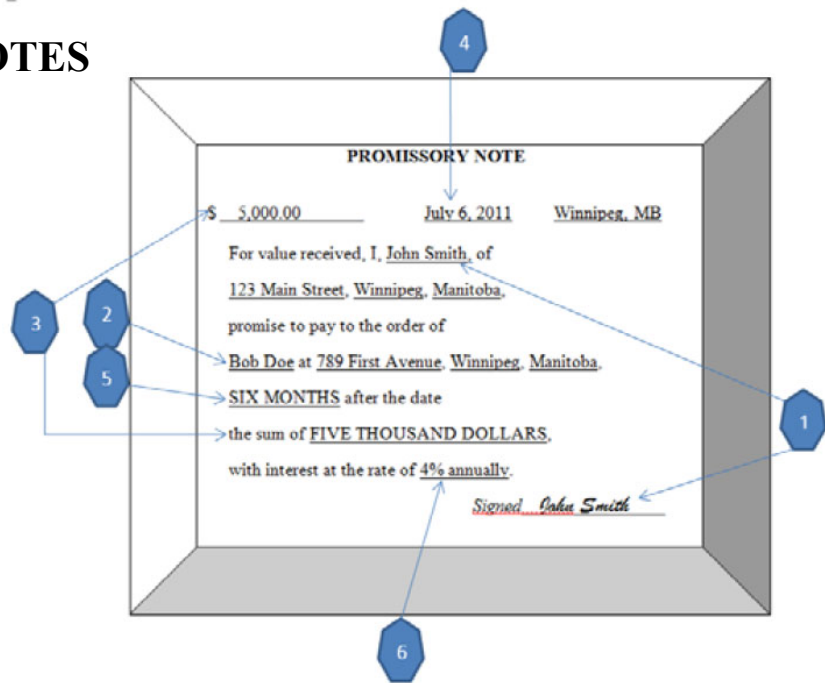
Follow these steps when working with Interest-Bearing Promissory Notes

Noninterest-Bearing Promissory Notes**How It Works**

Follow these steps when working with Noninterest-Bearing Promissory Notes

MODULE 8.2 - CLASS NOTES

1. Parts of a Promissory Note



Calculate the unknown variable (indicated with a ?) for the following noninterest-bearing promissory notes.

2.	Principal	Issue Date	Due Date	Sale Date	Discount Rate	Sale Proceeds
	\$19,000	May 29, 2010	May 29, 2015	September 29, 2012	8.7% compounded monthly	\$?

3.	Principal	Issue Date	Due Date	Sale Date	Discount Rate	Sale Proceeds
	\$?	September 30, 2009	September 30, 2014	March 30, 2012	6.8% compounded semi-annually	\$21,574.34

Calculate the unknown variable (indicated with a ?) for the following interest-bearing promissory notes.

4.	Issue Amount	Term of Note	Interest Rate on Note	Date of Sale (before maturity)	Discount Rate	Sale Proceeds
	\$5,350	3¼ years	6.95% compounded monthly	1½ years	?% compounded semi-annually	\$5,587.02

5.

Issue Amount	Term of Note	Interest Rate on Note	Date of Sale (before maturity)	Discount Rate	Sale Proceeds
\$?	5 years	7.5% compounded quarterly	2 years, 6 months	13.25% compounded semi-annually	\$11,705.14

6. Jake's Fine Jewellers sold a diamond engagement ring to a customer for \$4,479.95 and established a promissory note under one of its promotions on January 1, 2014. The note requires 6% compounded semi-annually interest and is due on January 1, 2017. On October 1, 2015, Jake's Fine Jewellers needed the money and sold the note to a finance company at a discount rate of 11% compounded quarterly. What are the proceeds of the sale?

7. A \$6,825 two-year promissory note bearing interest of 12% compounded monthly is sold six months before maturity to a finance company for proceeds of \$7,950.40. What semi-annually compounded discount rate was used by the finance company?

8. A five-year, noninterest-bearing promissory note for \$8,000 was issued on June 23, 2011. The plan is to sell the note at a discounted rate of 4.5% compounded semi-annually on December 23, 2015. Calculate the expected proceeds on the note.