HW10

E10-3 **Computing Issue Prices of Bonds Sold at Par, at a Discount, and at a Premium**
Computing Issue Prices of Bonds Sold at Par, at a Discount, and at a Premium LaTanya Corporation is planning to issue bonds with a face value of $100,000 and a coupon rate of 8 percent. The bonds mature in seven years. Interest is paid annually on December 31. All of the bonds will be sold on January 1 of this year.

***Required:***
Compute the issue (sales) price on January 1 of this year for each of the following independent cases (show computations):
a. Case A: Market interest rate (annual): 8 percent.
b. Case B: Market interest rate (annual): 6 percent.
c. Case C: Market interest rate (annual): 9 percent.

E10-8 **Recording and Reporting a Bond Issued at a Discount (with Discount Account)**

Denzel Corporation is planning to issue bonds with a face value of $600,000 and a coupon rate of 7.5 percent. The bonds mature in four years and pay interest semiannually every June 30 and December 31. All of the bonds were sold on January 1 of this year. Denzel uses the effective-interest amortization method and also uses a discount account. Assume an annual market rate of interest of 8.5 percent.

***Required:***

1. Provide the journal entry to record the issuance of the bonds.
2. Provide the journal entry to record the interest payment on June 30 of this year.
3. What bonds payable amount will Denzel report on its June 30 balance sheet?

E10-11 **Interpreting a Bond Amortization Schedule**

Santa Corporation issued a bond on January 1 of this year with a face value of $1,000. The bond's coupon rate is 6 percent and interest is paid once a year on December 31. The bond matures in three years. The annual market rate of interest was 8 percent at the time the bond was sold. The following amortization schedule pertains to the bond issued:

| Date | Cash Paid | Interest Expense | Amortization | Balance |
|---|---|---|---|---|
| 1/1/20×1 | | | | 948 |
| 12/31/20×1 | 60 | 76 | 16 | 964 |
| 12/31/20×2 | 60 | 77 | 17 | 981 |
| 12/31/20×3 | 60 | 79 | 19 | 1,000 |

***Required:***

1. What was the bond's issue price?
2. Did the bond sell at a discount or a premium? How much was the premium or discount?
3. What amount(s) should be shown on the balance sheet for bonds payable at 12/31/20×1 and 12/31/20x2.
4. Show how the following amounts were computed for Year 2: (*a*) $60, (*b*) $77, (*c*) $17, and (*d*) $981.

**E10-13 Recording and Reporting a Bond Issued at a Premium (with Premium Account)**

Park Corporation is planning to issue bonds with a face value of $2,000,000 and a coupon rate of 10 percent. The bonds mature in 10 years and pay interest semiannually every June 30 and December 31. All of the bonds were sold on January 1 of this year. Park uses the effective-interest amortization method and also uses a premium account. Assume an annual market rate of interest of 8.5 percent.

***Required:***

1. Provide the journal entry to record the issuance of the bonds.
2. Provide the journal entry to record the interest payment on June 30 of this year.
3. What bonds payable amount will Park report on its June 30 balance sheet?