

Bonds Handout Project

- 1) On January 1, 20A Standard Corporation sold \$200,000 of 10 year, 9% bonds receiving cash of \$200,000. The bonds were dated January 1, 20A. Interest will be paid to the bondholders semi-annually on June 30 and December 31.

Required:

1. What is the amount of annual interest that will be paid to the bondholders?

$$\$200,000 * .09 = \$18,000$$

2. What is the amount of interest that will be paid to the bondholders on a monthly basis?

$$\$18,000 / 12 = \$1,500$$

3. Give the journal entry to record the sale of the bonds on January 1, 20A.

Cash	\$200,000	
Bonds Payable		\$200,000

4. Give the journal entry to record the first semiannual interest payment on June 30, 20A, including the amortization of any premium or discount.

Interest Expense	\$9,000	
Cash (6 * \$1,500)		\$9,000

5. Give the journal entry to record the second semiannual interest payment on December 31, 20A, including the amortization of any premium or discount.

Interest Expense	\$9,000	
Cash (6 * \$1,500)		\$9,000

6. What is the amount of bond interest expense that will be recorded for 20A assuming the fiscal year ends December 31.

$$\text{Interest Expense} = \$9,000 + \$9,000 = \$18,000$$

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2) The Strand Company issued some 6% bonds, face value, \$400,000. The term of the bonds is 5 years, with interest to be paid semi-annually. The current market rate for securities of this type is more than 6%, therefore the bonds were sold at 96.4. Assume the bonds were dated January 1, 20A and that Strand Company has a fiscal year end of December 31. The bonds were sold on January 1, 20A.

Required:

1. What was the total amount of cash received from the sale of the bonds?
2. What is the amount of premium or discount recognized at the sale of the bond?
3. What is the amount of premium or discount that should be amortized monthly using the straight-line method?
4. What is the amount of interest that will be paid too the bondholders on a monthly basis?
5. Give the journal entry to record the sale of the bonds on January 1, 20A.
6. Give the journal entry to record the first semiannual interest payment on June 30, 20A, including the amortization of any premium or discount.
7. Give the journal entry to record the second semiannual interest payment on December 31, 20A, including the amortization of any premium or discount.
8. Show how the bonds would be presented on the December 31, 20A classified balance sheet.

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- 2) The Tomar Corp. sold \$100,000 of 9% bonds on March 1, 20A. The life of the bonds is 15 years, with interest to be paid each August 31, and February 28. The bonds were sold at 107.2. Assume that Tomar Corp. has a fiscal year end of December 31. The bonds were dated March 1, 20A.

Required:

1. What was the total of cash received from the sale of the bonds?
2. What is the amount of premium or discount recognized at the sale of the bond?
3. What is the amount of premium or discount that should be amortized monthly using the straight-line method?
4. What is the amount of interest that will be paid to the bondholders on a monthly basis?
5. Give the journal entry to record the sale of the bonds on March 1, 20A.
6. Give the journal entry to record the first semiannual interest payment on August 31, 20A, including the amortization of any premium or discount.
7. Give the journal entry needed on December 31, 20A, if there is any entry Required. (December 31 is the end of the accounting period.)
8. Give the journal entry to record the second semiannual interest payment on February 28, 19B, including the amortization of any premium or discount.

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4) On March 1, 20A, Homer Inc. sold \$250,000 of 10 year, 9% bonds at par. They received cash plus any accrued interest. The bonds were dated January 1, 20A, and interest is to be paid on June 30, and December 31.

Required:

1. What is the amount of interest that will be paid to the bondholders on a monthly basis?
2. What is the amount of the accrued interest the bondholders will be Required to pay when they purchase the bonds?
3. Give the journal entry to record the sale of the bonds on March 1, 20A.
4. Give the journal entry to record the first semiannual interest payment on June 30, 20A, including the amortization of any premium or discount.
5. Give the journal entry to record the second semiannual interest payment on December 31, 20A, including the amortization of any premium or discount.
6. What is the amount of bond interest expense that will be recorded for 20A assuming the fiscal year ends December 31.

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5) On January 1, 2010, Harris Corporation sold \$500,000 of 10 year, 12% bonds at \$476,800 plus any accrued interest. The bonds were dated October 1, 2009, and interest is to be paid on March 31, and September 30 (the year end is September 30).

Required:

1. What is the amount of interest that will be paid to the bondholders on a monthly basis?
2. What is the amount of accrued interest the bondholders will be Required to pay when they purchase the bonds?
3. What is the amount of discount or premium?
4. Over what period of time would the discount or premium be amortized?
5. What would be the amortization amount per month assuming straight-line amortization?
6. Give the journal entry to record the sale of the bonds on January 1.
7. Give the journal entry to record the first semiannual interest payment on March 31, including the amortization of any premium or discount.
8. Give the journal entry to record the second semiannual interest payment on September 30, including the amortization of any premium or discount.

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\$500,000 of bonds of Tom Turkey Co. were sold on November 1, 20A at \$528,375 plus accrued interest. The bonds pay 6% interest annually. Interest payments are made on February 28 and August 31. The bonds were dated September 1, 20A and have a 9 year life. Tom Turkey has a fiscal year end of August 31.

Required:

1. What is the amount of interest that will be paid to the bondholders on a monthly basis?
2. What is the amount of accrued interest the bondholders will be Required to pay when they purchase the bonds on December 1, 20A?
3. What is the amount of discount or premium?
4. Over what period of time should the discount or premium be amortized?
5. What would be the amortization amount per month assuming straight-line amortization?
6. Give the journal entry to record the sale of the bonds on November 1, 20A
7. Give the journal entry to record the semiannual interest payment on February 28, including the amortization of any premium or discount.
8. Give the journal entry to record the semiannual interest payment on August 31, including the amortization of any premium or discount.
9. Show how the bonds would be reported on the classified balance sheet at the fiscal year end August 31.