**Bonds In Class Assignments Student Version Wild 7e**

**QS 10-1**

Straight-Line: Bond computations P1 P2

Enviro Company issues 8%, 10-year bonds with a par value of $250,000 and semiannual interest payments. On the issue date, the annual market rate for these bonds is 10%, which implies a selling price of 871/2. The straight-line method is used to allocate interest expense.

1. What are the issuer's cash proceeds from issuance of these bonds?
2. What total amount of bond interest expense will be recognized over the life of these bonds?
3. What is the amount of bond interest expense recorded on the first interest payment date?

**Exercise 10-1**

Recording bond issuance and interest P1

On January 1, 2013, Boston Enterprises issues bonds that have a $3,400,000 par value, mature in 20 years, and pay 9% interest semiannually on June 30 and December 31. The bonds are sold at par.

1. How much interest will Boston pay (in cash) to the bondholders every six months?
2. Prepare journal entries to record (*a*) the issuance of bonds on January 1, 2013; (*b*) the first interest payment on June 30, 2013; and (*c*) the second interest payment on December 31, 2013.
3. Prepare the journal entry for issuance assuming the bonds are issued at (*a*) 98 and (*b*) 102.

**Exercise 10-2**

**Straight-Line:** Amortization of bond discount P2

Tano issues bonds with a par value of $180,000 on January 1, 2013. The bonds' annual contract rate is 8%, and interest is paid semiannually on June 30 and December 31. The bonds mature in three years. The annual market rate at the date of issuance is 10%, and the bonds are sold for $170,862.

1. What is the amount of the discount on these bonds at issuance?
2. How much total bond interest expense will be recognized over the life of these bonds?
3. Prepare an amortization table like the one in Exhibit 10.7 for these bonds; use the straight-line method to amortize the discount.

**Exercise 10-4**

**Straight-Line:** Amortization of bond premium P3

Quatro Co. issues bonds dated January 1, 2013, with a par value of $400,000. The bonds' annual contract rate is 13%, and interest is paid semiannually on June 30 and December 31. The bonds mature in three years. The annual market rate at the date of issuance is 12%, and the bonds are sold for $409,850.

1. What is the amount of the premium on these bonds at issuance?
2. How much total bond interest expense will be recognized over the life of these bonds?
3. Prepare an amortization table like the one in Exhibit 10.11 for these bonds; use the straight-line method to amortize the premium

**Exercise 10-6**

**Straight-Line:** Recording bond issuance and discount amortization P1 P2

Paulson Company issues 6%, four-year bonds, on December 31, 2013, with a par value of $200,000 and semiannual interest payments. Use the following bond amortization table and prepare journal entries to record (*a*) the issuance of bonds on December 31, 2013; (*b*) the first interest payment on June 30, 2014; and (*c*) the second interest payment on December 31, 2014.



**Exercise 10-8**

**Straight-Line:** Recording bond issuance and premium amortization P1 P3

Woodwick Company issues 10%, five-year bonds, on December 31, 2012, with a par value of $200,000 and semiannual interest payments. Use the following bond amortization table and prepare journal entries to record (*a*) the issuance of bonds on December 31, 2012; (*b*) the first interest payment on June 30, 2013; and (*c*) the second interest payment on December 31, 2013.



**Exercise 10-11**

**Straight-Line:** Bond computations, amortization, and bond retirement P2 P4

On January 1, 2013, Shay issues $700,000 of 10%, 15-year bonds at a price of 973/4. Six years later, on January 1, 2019, Shay retires 20% of these bonds by buying them on the open market at 1041/2. All interest is accounted for and paid through December 31, 2018, the day before the purchase. The straight-line method is used to amortize any bond discount.

1. How much does the company receive when it issues the bonds on January 1, 2013?
2. What is the amount of the discount on the bonds at January 1, 2013?
3. How much amortization of the discount is recorded on the bonds for the entire period from January 1, 2013, through December 31, 2018?
4. What is the carrying (book) value of the bonds as of the close of business on December 31, 2018? What is the carrying value of the 20% soon-to-be-retired bonds on this same date?
5. How much did the company pay on January 1, 2019, to purchase the bonds that it retired?
6. What is the amount of the recorded gain or loss from retiring the bonds?
7. Prepare the journal entry to record the bond retirement at January 1, 2019.