**\*P11-6A** On July 1, 2006, Kingston Satellites issued $3,600,000 face value, 9%, 10-year bonds at $3,375,680. This price resulted in an effective-interest rate of 10% on the bonds. Kingston uses the effective-interest method to amortize bond premium or discount. The bonds pay semiannual interest July 1 and January 1.

**Instructions** (Round all computations to the nearest dollar.)

**(a)** Prepare the journal entry to record the issuance of the bonds on July 1, 2006.

**(b)** Prepare the journal entry to record the accrual of interest and the amortization of the discount on December 31, 2006. (b) Amortization $6,784

**(c)** Prepare the journal entry to record the payment of interest and the amortization of the discount on July 1, 2007, assuming that interest was not accrued on June 30. (c) Amortization $7,123

**(d)** Prepare the journal entry to record the accrual of interest and the amortization of the discount on December 31, 2007. (d) Amortization $7,479

**(e)** Prepare an amortization table through December 31, 2007 (3 interest periods) for this bond issue.

 *Prepare entries to record issuance of bonds, payment of interest, and amortization of bond discount using effective interest method.*

**\*P11-7A** On July 1, 2006, S. Strigel Chemical Company issued $5,000,000 face value, 10%, 10-year bonds at $5,679,533. This price resulted in an 8% effective-interest rate on the bonds. Strigel uses the effective-interest method to amortize bond premium or discount. The bonds pay semiannual interest on each July 1 and January 1.

**Instructions**

(Round all computations to the nearest dollar.)

**(a)** Prepare the journal entries to record the following transactions.

**(1)** The issuance of the bonds on July 1, 2006.

**(2)** The accrual of interest and the amortization of the premium on December 31, 2006. (a) (2) Amortization $22,819

**(3)** The payment of interest and the amortization of the premium on July 1, 2007, assuming no accrual of interest on June 30. (a) (3) Amortization $23,731

**(4)** The accrual of interest and the amortization of the premium on December 31, 2007. (a) (4) Amortization $24,681

 **(b)** Show the proper balance sheet presentation for the liability for bonds payable on the December 31, 2007, balance sheet. (b) $5,608,302

**(c)** Provide the answers to the following questions in letter form.

**(1)** What amount of interest expense is reported for 2007?

**(2)** Would the bond interest expense reported in 2007 be the same as, greater than, or less than the amount that would be reported if the straight-line method of amortization were used?

**(3)** Determine the total cost of borrowing over the life of the bond.

**(4)** Would the total bond interest expense be greater than, the same as, or less than the total interest expense if the straight-line method of amortization were used?

 *Prepare entries to record issuance of bonds, payment of interest, and amortization of premium using effective-interest method. In addition, answer questions.*