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| Online Homework System | Assignment Worksheet*11/4/10 - 3:06 AM*  |   |

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| **Name:** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | **Class:** | ACC212 |
| **Class #:** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | **Section #:** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **Instructor:** |  | **Assignment:** | Chapter 14 |

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|  | **Question 1: (1 point)**

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| **Exercise 14-5B: Effective interest amortization of bond premium L.O. P3** |

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| Dell Co. issues bonds dated January 1, 2009, with a par value of $450,000. The bonds' annual contract rate is 9%, 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 8%, and the bonds are sold for $461,795. Use the effective interest method to amortize the premium for these bonds like the one in [Exhibit 14B.2](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Exhibit_14_B2.jpg). **(Make sure that the unamortized premium is adjusted to "0" in the last period. Round your answers to the nearest dollar amount. Omit the "$" sign in your response.)** |

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| Semiannual Interest Period-End  | Cash Interest Paid  | Bond Interest Expense  | Premium Amortization  | Unamortized Premium  | Carrying Value  |
| 1/01/2009  |    |    |    |    |    |    | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 6/30/2009  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 12/31/2009  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 6/30/2010  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 12/31/2010  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 6/30/2011  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 12/31/2011  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_ |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
|    | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |    |    |    |

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|  | **Question 2: (1 point)**

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| **Exercise 14-14: Installment note with equal total payments L.O. C1, P5** |

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| On January 1, 2009, American Eagle borrows $90,000 cash by signing a four-year, 5% installment note. The note requires four equal total payments of accrued interest and principal on December 31 of each year from 2009 through 2012. |

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| **Requirement 1:**  |
| Compute the amount of each of the four equal total payments. Use the present value [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). **(Round your answer to the nearest dollar amount. Omit the "$" sign in your response.)**  |
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| Amount of each payment  | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |

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| **Requirement 2:**  |
| Prepare an amortization table for this installment note. **(Please calculate interest expense in the final period as the amount of cash minus the amount of the Beginning balance. Leave no cells blank - be certain to enter "0" wherever required. Round your answers to the nearest dollar amount. Omit the "$" sign in your response.)**  |
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|  |  | Payments  |  |
| Period Ending Date  | Beginning Balance  | Debit Interest Expense  | Debit Notes Payable  | Credit Cash  | Ending Balance  |
| 2009  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 2010  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 2011  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
| 2012  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
|    |    |    | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  | $  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |    |

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|  | **Question 3: (1 point)**

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| **Exercise 14-15: Installment note entries L.O. P5** |

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| On January 1, 2009, American Eagle borrows $90,000 cash by signing a four-year, 5% installment note. The note requires four equal total payments of accrued interest and principal on December 31 of each year from 2009 through 2012. Use the present value [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). Prepare the journal entries for American Eagle to record the loan on January 1, 2009, and the four payments from December 31, 2009, through December 31, 2012. **(Round your table value to 4 decimal places. Round your answers to nearest dollar. Omit the "$" sign in your response.)**  |

|  |  |  |  |
| --- | --- | --- | --- |
| Date  | General Journal  | Debit  | Credit  |
| Jan. 1, 2009  | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
|    |    |    |    |
| Dec. 31, 2009  | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
|    |    |    |    |
| Dec. 31, 2010  | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
|    |    |    |    |
| Dec. 31, 2011  | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |
|    |    |    |    |
| Dec. 31, 2012  | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  | \_\_\_\_\_\_\_\_\_\_\_\_  |    |
|    | \_\_\_\_\_\_\_\_\_\_  |    | \_\_\_\_\_\_\_\_\_\_\_\_  |

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|  | **Question 4: (1 point)**

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| **Problem 14-1A: Computing bond price and recording issuance L.O. P1, P2, P3** |

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| Harvard Research issues bonds dated January 1, 2009, that pay interest semiannually on June 30 and December 31. The bonds have a $45,000 par value and an annual contract rate of 6%, and they mature in six years. |

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| **Required:** |
| For each of the following three separate situations, (a) determine the bonds’ issue price on January 1, 2009, and (b) prepare the journal entry to record their issuance. |
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| **1.** | The market rate at the date of issuance is 4%. Use the present value [Table B.1](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B1.jpg) and [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). **(Round your table values to 4 decimal places. Round your answers to the nearest dollar amount. Omit the "$" sign in your response.)** |
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| --- |
| (*a*) |
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| --- | --- | --- | --- |
| Cash Flow | Amount | Table Value | Present Value |
| Par value | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |
| Interest (annuity) |   | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   | \_\_\_\_\_\_\_\_\_\_\_\_ |
| Price of bonds |   |   |   | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |

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| --- |
| *(b)* |
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|  |  |  |  |
| --- | --- | --- | --- |
| Date | General Journal | Debit | Credit |
| Jan. 1, 2009 | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   |
|   | \_\_\_\_\_\_\_\_\_\_ |   | \_\_\_\_\_\_\_\_\_\_\_\_ |
|   | \_\_\_\_\_\_\_\_\_\_ |   | \_\_\_\_\_\_\_\_\_\_\_\_ |

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| **2.** | The market rate at the date of issuance is 6%. Use the present value [Table B.1](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B1.jpg) and [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). **(Round your table values to 4 decimal places. Round your answers to the nearest dollar amount. Omit the "$" sign in your response.)** |
|  |  |

|  |
| --- |
| *(a)* |
|  |

|  |  |  |  |
| --- | --- | --- | --- |
| Cash Flow | Amount | Table Value | Present Value |
| Par value | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |
| Interest (annuity) |   | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   | \_\_\_\_\_\_\_\_\_\_\_\_ |
| Price of bonds |   |   |   | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |

|  |
| --- |
| *(b)* |
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| --- | --- | --- | --- |
| Date | General Journal | Debit | Credit |
| Jan. 1, 2009 | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   |
|   | \_\_\_\_\_\_\_\_\_\_ |   | \_\_\_\_\_\_\_\_\_\_\_\_ |

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| **3.** | The market rate at the date of issuance is 8%. Use the present value [Table B.1](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B1.jpg) and [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). **(Round your table values to 4 decimal places. Round your answers to the nearest dollar amount. Omit the "$" sign in your response.)** |
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| --- |
| *(a)* |
|  |

|  |  |  |  |
| --- | --- | --- | --- |
| Cash Flow | Amount | Table Value | Present Value |
| Par value | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |
| Interest (annuity) |   | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   | \_\_\_\_\_\_\_\_\_\_\_\_ |
| Price of bonds |   |   |   | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |

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| *(b)* |
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| --- | --- | --- | --- |
| Date | General Journal | Debit | Credit |
| Jan. 1, 2009 | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   |
|   | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |   |
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