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

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

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|  | **Question 1: (1 point)**   |  | | --- | | **Exercise 14-5B: Effective interest amortization of bond premium L.O. P3** |  |  | | --- | | 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.)** |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 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)**   |  | | --- | | **Exercise 14-14: Installment note with equal total payments L.O. C1, P5** |  |  | | --- | | On January 1, 2009, American Eagle borrows $90,000 cash by signing a four-year, 5% installment note. The note requires four equal total payments of accrued interest and principal on December 31 of each year from 2009 through 2012. |  |  | | --- | | **Requirement 1:** | | Compute the amount of each of the four equal total payments. Use the present value [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). **(Round your answer to the nearest dollar amount. Omit the "$" sign in your response.)** | |  |  |  |  |  | | --- | --- | --- | | Amount of each payment | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |  |  | | --- | | **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.)** | |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | | 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)**   |  | | --- | | **Exercise 14-15: Installment note entries L.O. P5** |  |  | | --- | | 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)**   |  | | --- | | **Problem 14-1A: Computing bond price and recording issuance L.O. P1, P2, P3** |  |  | | --- | | Harvard Research issues bonds dated January 1, 2009, that pay interest semiannually on June 30 and December 31. The bonds have a $45,000 par value and an annual contract rate of 6%, and they mature in six years. |  |  | | --- | | **Required:** | | For each of the following three separate situations, (a) determine the bonds’ issue price on January 1, 2009, and (b) prepare the journal entry to record their issuance. | |  |  |  |  | | --- | --- | | **1.** | The market rate at the date of issuance is 4%. Use the present value [Table B.1](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B1.jpg) and [Table B.3](http://mh.brownstone.net/web/WiFuAcPr001/Public_Html/ch14/Table_B3.jpg). **(Round your table values to 4 decimal places. Round your answers to the nearest dollar amount. Omit the "$" sign in your response.)** | |  |  |  |  | | --- | | (*a*) | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Cash Flow | Amount | | Table Value | Present Value | | | Par value | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | | Interest (annuity) |  | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_ | | Price of bonds |  |  |  | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |  |  | | --- | | *(b)* | |  |  |  |  |  |  | | --- | --- | --- | --- | | Date | General Journal | Debit | Credit | | Jan. 1, 2009 | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |  | |  | \_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_ | |  | \_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  | | --- | --- | | **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)* | |  |  |  |  |  |  | | --- | --- | --- | --- | | Date | General Journal | Debit | Credit | | Jan. 1, 2009 | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |  | |  | \_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  | | --- | --- | | **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.)** | |  |  |  |  | | --- | | *(a)* | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Cash Flow | Amount | | Table Value | Present Value | | | Par value | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ | $ | \_\_\_\_\_\_\_\_\_\_\_\_ | | Interest (annuity) |  | \_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_ | | Price of bonds |  |  |  | $ | \_\_\_\_\_\_\_\_\_\_\_\_ |  |  | | --- | | *(b)* | |  |  |  |  |  |  | | --- | --- | --- | --- | | Date | General Journal | Debit | Credit | | Jan. 1, 2009 | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |  | |  | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_ |  | |  | \_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_ | |
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