**Instructions:** You will complete each of the following problems using Microsoft Excel. In Excel, create a tab for each problem. Solve each problem on the excel tab in a professional manner (make sure your solution is clear and neatly organized).

**Problem One (Chapter 10):**

On January 1, 2011, the Seikely-Anderson Company signed a contract with Jones Construction to build a new building. The building will take one year to build and the following progress payments have been approved by both parties:

January 1, 2011 $ 200,000

March 31, 2011 250,000

June 30, 2011 250,000

September 30, 2011 250,000

December 1, 2011 250,000

Total payments $1,200,000

On January 1, 2011, Seikely-Anderson borrowed $500,000 at 12% specifically for the project. The company had no other short-term debt but there were two long-term notes payable outstanding for the entire year: $1,500,000 note with an interest rate of 10% and a $2,500,000 note with an interest rate of 6%.

**Required:**

Calculate the amount of interest Seikely-Anderson should capitalize in 2011 assuming that the *specific interest method* is used. Be sure you show your calculation in Excel.

**Problem Three (Chapter 15):**

Glass Company leased machinery to Johnson Corporation on December 31, 2012. The annual lease payment amount is $187,090 due on December 31 each year. The first payment is due on December 31, 2012. The term of the lease is 4 years. The machinery has an expected economic life of 5 years. The machinery cost Glass Company $500,000 to manufacture. The assets fair value on December 31, 2012 is $700,000. At the end of the lease term, the asset reverts to the lessor and has a lessee guaranteed residual value of $100,000. Both Glass and Johnson use straight-line depreciation for this type of machinery. The collectability of the lease payments is reasonably predictable and there are no cost uncertainties for this lease. Johnson’s incremental borrowing rate is 12% and Johnson knows the implicit rate is 12%.

**Required:**

1. Show how Glass Company calculated the annual lease payment?
2. Complete an amortization table for Johnson for the full term of the lease.
3. Complete an amortization table for Glass for the full term of the lease.
4. Record the journal entries required for Johnson on December 31, 2012.
5. Record the journal entries required for Glass on December 31, 2012.
6. Record all journal entries for Johnson on December 31, 2016. Assume the equipment is returned to Glass and the actual residual value on that date is $85,000.
7. Record all journal entries for Glass on December 31, 2016. Assume the equipment is returned to Glass and the actual residual value on that date is $85,000.

**Problem Five (Chapter 18):**

Listed below are the transactions that affected the shareholders’ equity of BLT Corporation during the period 2011 - 2013. At December 31, 2010, the corporation’s accounts included:

($ in 000s)

Common stock, 315 million shares at $1 par, $315,000  
Paid-in capital – excess of par 1,890,000  
Retained earnings 2,910,000

a. November 2, 2011, the board of directors declared a cash dividend of $.80 per share on its common shares, payable to shareholders of record November 16, to be paid December 2.

b.On March 3, 2012, the board of directors declared a property dividend consisting of bonds of Blair County that BLT was holding as an investment. The bonds had a fair market value of $4.8 million, but were purchased two years previously for $3.9 million. Because they were intended to be held to maturity, the bonds had not been previously written up. The property dividend was payable to shareholders of record March 14, to be distributed April 6.

c. On July 13, 2012, the corporation declared and distributed a 5% common stock dividend (when the market value of the common stock was $21 per share). Cash was paid for fractional share rights representing 750,000 equivalent whole shares.

d. On November 2, 2012, the board of directors declared a cash dividend of $.80 per share on its common shares, payable to shareholders of record November 16, to be paid December 2.

e. On January 16, 2013, the board of directors declared and distributed a 3 for 2 stock split effected in the form of a 50% stock dividend when the market value of the common stock was $23 per share.

f. On November 2, 2013, the board of directors declared a cash dividend of $.65 per share on its common shares, payable to shareholders of record November 16, to be paid December 2.

**Required:**

1. Prepare the journal entries that BLT recorded during the three-year period for these transactions