

Appendix 2 Ex. 14–21

a. 1. Cash	8,588,850	
Premium on Bonds Payable		588,850
Bonds Payable		8,000,000
2. Interest Expense	515,331*	
Premium on Bonds Payable	44,669	
Cash		560,000
*\$8,588,850 × 6%		
3. Interest Expense	512,651*	
Premium on Bonds Payable	47,349	
Cash		560,000
*(\$8,588,850 – \$44,669) × 6%		
b. Annual interest paid		\$1,120,000
Less premium amortized		92,018
Interest expense for first year		<u>\$1,027,982</u>

Appendix 2 Ex. 14–22

a. Present value of \$1 for 10 (semiannual) periods at 6.5% (semiannual rate)	0.53273	
Face amount	× \$15,000,000	\$ 7,990,950
Present value of annuity of \$1 for 10 periods at 6.5%	7.18883	
Semiannual interest payment	× \$1,125,000	8,087,434
Proceeds of bond sale		<u>\$16,078,384</u>
b. First semiannual interest payment		\$ 1,125,000
6.5% of carrying amount of \$16,078,384		1,045,095
Premium amortized		<u>\$ 79,905</u>
c. Second semiannual interest payment		\$ 1,125,000
6.5% of carrying amount of \$15,998,479*		1,039,901
Premium amortized		<u>\$ 85,099</u>
*\$16,078,384 – \$79,905 = \$15,998,479		
d. Annual interest paid		\$ 2,250,000
Less premium amortized		165,004*
Interest expense for first year		<u>\$ 2,084,996</u>
*\$79,905 + \$85,099 = \$165,004		