

Prob. 14–3A

1.	Cash.....	3,461,181	
	Premium on Bonds Payable.....		461,181
	Bonds Payable		3,000,000
2.	a. Interest Expense	164,627	
	Premium on Bonds Payable (\$461,181 ÷ 30)	15,373	
	Cash		180,000
	b. Interest Expense	164,627	
	Premium on Bonds Payable.....	15,373	
	Cash		180,000
3.	\$164,627		
4.	Yes. Investors will be willing to pay more than the face amount of the bonds when the interest payments they will receive from the bonds exceed the amount of interest that they could receive from investing in other bonds.		
5.	Present value of \$1 for 30 (semiannual)		
	periods at 5% (semiannual rate)	0.23138	
	Face amount	<u>x \$3,000,000</u>	\$ 694,140
	Present value of annuity of \$1 for 30 periods at 5% ...	15.37245	
	Semiannual interest payment.....	<u>x \$180,000</u>	<u>2,767,041</u>
	Proceeds of bond issue		<u>\$3,461,181</u>