

HW Assignments for Day 14: Mon, March 10, 2003

E13-4 **Effective Interest Discount Amortization** The Cotton Corporation issued \$100,000 of 10% bonds dated January 1, 2001 for \$97,158.54 on July 1, 2001. The bonds are due December 31, 2004, were issued to yield 11%, and pay interest semiannually on June 30 and December 31. The company uses the effective interest method of amortization.

Required Record (1) the issuance of the bonds, and (2) the payment of interest and the discount amortization on December 31, 2001, June 30, 2002, and December 31, 2002.

E13-8 **Bond Amortization Tables** On January 1, 2001 the Medina Company issues 12%, \$100,000 face value bonds for \$103,545.91, a price to yield 10%. The bonds mature on January 1, 2003. Interest is paid semiannually on June 30 and December 31.

Required

1. Prepare a bond interest expense and premium amortization schedule using the straight-line method.
2. Prepare a bond interest expense and premium amortization schedule using the effective interest method.
3. Prepare the journal entries to record the interest payments on June 30, 2001 and December 31, 2001, using both methods.

E13-9 **Premium Amortization and Partial Retirement** Rockwood Company issued \$100,000 of 10% bonds on November 1, 2000 at 102. Interest on the bonds is payable on November 1 and May 1 of each year, and the maturity date is November 1, 2010. Rockwood Company retired bonds with a face value of \$30,000 on February 1, 2002, at 98 plus accrued interest. The company uses straight-line amortization and reverses any calendar year-end adjusting entries.

Required

1. Prepare the journal entry to record the issuance of the bonds on November 1, 2000.
2. Prepare all the journal entries to record the interest expense during 2001.
3. Prepare the journal entries to record the retirement of \$30,000 of the bonds on February 1, 2002.