

9-3A – Bond Issued at a Discount

On February 1, 2017, Tinger Inc. issues a \$250,000 10-year 5% bond. The market rate of interest is 6%. Because the market rate is higher than the bond rate, the bonds issue at a discount. The bond quote is: 92.561. The bonds pay interest semi-annually on February 1 and August 1. The company's fiscal-year end is September 30.

Required

- a.) Prepare a bond amortization schedule for the issuance and the first three interest periods.
- b.) Record the journal entry required on:
 - i. The issuance of the bond. (February 1, 2017)
 - ii. The first interest payment. (August 1, 2017)
 - iii. The company's fiscal year-end. (September 30, 2017)
 - iv. The second interest payment. (February 1, 2018)

9-4A – Bond Issued at a Premium

On April 30, 2017, Smokey Inc. issues a \$100,000 10-year 7% bond. The market rate of interest is 6%. Because the market rate is lower than the bond rate, the bonds issue at a premium. The bond quote is: 107.439. The bonds pay interest semi-annually on October 31 and April 30. The company's fiscal-year end is December 31.

Required

- a.) Prepare a bond amortization schedule for the issuance and the first three interest periods.
- b.) Record the journal entry required on:
 - i. The issuance of the bond. (April 30, 2017)
 - ii. The first interest payment. (October 31, 2017)
 - iii. The company's fiscal year-end. (December 31, 2017)
 - iv. The second interest payment. (April 30, 2018)