

B-13.07

Horton Micro Chip Company issued \$100,000 of face amount of 6-year bonds on January 1, 20X1. The bonds were issued at 103, and bear interest at a stated rate of 8% per annum, payable semiannually. The premium is amortized by the straight-line method.

- (a) Prepare the journal entry to record the initial issue on January, 20X1.
- (b) Prepare the journal entry that Horton would record on each interest date.
- (c) Prepare the journal entry that Horton would record at maturity of the bonds.
- (d) How much cash flowed "in" and "out" on this bond issue, and how does the difference compare to total interest expense that was recognized?