

Season Corporation had excess cash on hand on January 1, 20X1, and invested in three separate bond issues on that date. Each bond investment had a maturity date of December 31, 20X6, and a maturity value of \$100,000. The bond issues each pay interest on June 30 and December 31 of each year, and it is intended that these investments be held to maturity. Additional information about each investment follows:

Spring Company bonds were purchased at par and pay 7% annual interest.

Summer Company bonds were purchased for \$95,168.33 and pay 6% annual interest.

Fall Company bonds were purchased for \$104,831.67 and pay 8% annual interest.

- (a) Prepare a table showing the accounting implications for the Spring Company bonds. Include columns for the date, cash flows, amount of interest income to record on each payment date, and the resulting bond investment account balance (the blank worksheets should be helpful in allowing you to complete this problem expeditiously).
- (b) Prepare a table showing the accounting implications for the Summer Company bonds. Include columns for the date, cash flows, amount of interest income to record on each payment date, discount amortization, and the resulting bond investment account balance (the blank worksheets should be helpful in allowing you to complete this problem expeditiously).
- (c) Prepare a table showing the accounting implications for the Fall Company bonds. Include columns for the date, cash flows, amount of interest income to record on each payment date, premium amortization, and the resulting bond investment account balance (the blank worksheets should be helpful in allowing you to complete this problem expeditiously).
- (d) Examine the interest rates, and comment on why some bonds were available for purchase at par, while others involved a discount or premium.