

(a)

Initial carrying value of bonds	\$	-
Effective interest rate	X	<u>0.04</u>
Effective interest cost	\$	-
Less cash paid (3% X \$1,000,000)		<u>-</u>
Amortization for Jan. 1 to June 30, 20X5	\$	-
Plus: Carrying value before periodic amortization		<u>-</u>
Revised carrying value as of June 30, 20X5	\$	-
Effective interest rate	X	<u>0.04</u>
Effective interest cost	\$	-
Less cash paid (3% X \$1,000,000)		<u>-</u>
Amortization for July 1 to Dec. 31, 20X5	\$	-
Plus: Carrying value before periodic amortization		<u>-</u>
Revised carrying value as of Dec. 31, 20X5	\$	-
Effective interest rate	X	<u>0.04</u>
Effective interest cost	\$	-
Less cash paid (3% X \$1,000,000)		<u>-</u>
Amortization for Jan. 1 to June 30, 20X6	\$	-
Plus: Carrying value before periodic amortization		<u>-</u>
Revised carrying value as of June 30, 20X6	\$	-
Effective interest rate	X	<u>0.04</u>
Effective interest cost	\$	-
Less cash paid (3% X \$1,000,000)		<u>-</u>
Amortization for July 1 to Dec. 31, 20X6	\$	-
Plus: Carrying value before periodic amortization		<u>-</u>
Revised carrying value as of Dec. 31, 20X6	\$	-

(b)

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Date	Accounts		Debit	Credit
31-Dec				
31-Dec				

(c)

Periodic interest payments (\$1,000,000 X 3%)	\$	-	
Present value factor (16-period annuity, 2.5%)	X	<u> </u>	\$ -
Maturity value		\$ 1,000,000	
Present value factor (16 periods, 2.5%)	X	<u> </u>	\$ -
Price of bond at 5%, 8 years to maturity			<u><u> </u></u> \$ -