



Accounting

المحاسبة

Grade 12 | Banking

بنيني
اقتصادي
المستقبل

• Semester 2

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قَسَمًا يَمَنْ رَفَعَ السَّمَاءَ قَسَمًا يَمَنْ نَشَرَ الضِّيَاءَ
قَطْرٌ سَتَبَقَى حُرَّةً تَسْمُو بِرُوحِ الأَوْفِيَاءِ
سِيرُوا عَلَى نَهْجِ الأُلَى وَعَلَى ضِيَاءِ الأنْبِيَاءِ
قَطْرٌ بِقَلْبِي سِيرَةٌ عِزٌّ وَأَمْجَادُ الإِبَاءِ
قَطْرُ الرَّجَالِ الأُولِينَ حُمَاتُنَا يَوْمَ التِّدَاءِ
وَحَمَائِمُ يَوْمِ السَّلَامِ جَوَارِحُ يَوْمِ الفِدَاءِ

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About this Learner Resource

The purpose of this Learner Resource is to provide you with the underpinning knowledge required to assist you in completing assessment/s in *accounting*.

This Learner Resource also contains activities for you to test your knowledge and examples of skills application.

Throughout this Learner Resource you will see icons that identify important information, provide opportunities to test your knowledge and practice skills as well as suggested times to begin a formal assessment. These icons are displayed as follows:



This icon is used to highlight important information, notes, research or training and assessment tips.



This icon is used to highlight an ideal time to test your knowledge or practise what you have learnt.

How will I be assessed?

In order to achieve competency in *Process payment documentation* Accounting you will need to demonstrate the skills and knowledge required for the unit.

Your teacher will decide with you how and when you will be assessed.

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About this unit

Welcome to the Learner Resource for *Accounting*. In this Learner Resource you will be learning about the performance outcomes, skills and knowledge required to record and compute several types of transactions.

It is suggested that to meet all the requirements you will need to complete the following tasks:

- Read the information contained in this Learner Resource.
- Complete the activities.
- Complete all the required assessment/s for this unit.

The topics in this Learner Resource are:

- partnerships.
- inventories and cost of sales.
- short-term liabilities.
- corporations.
- long-term liabilities - Bonds.



Introduction

FINANCE REPORT

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt

TRY IT NOW



You are about to commence a vocational course where you will be required to demonstrate your competency in processing financial transactions.



Enter data into a system

Data is entered into systems without error and within time requirements as specified in organisational policy and procedures

The different types of data and data entry tasks required in the processing of payment documentation include the following:

- Processing a tax invoice for payment
- Updating supplier and purchasing data files
- Updating the general ledger and accounts payable ledger
- Accounts payable functions
- Requesting authorisation of payments
- Authorising payments
- Following up on discrepancies or multiple payments

The accounting system you use requires data to be entered accurately and in a timely manner.

Data validation refers to the process of ensuring that a system operates with clean, accurate and useful data. 'Check routines' and 'validation rules' require the user to check for accuracy, meaningfulness and data security both in their own inputs and data entered by other users.

Data validation includes:

- Checking for lost or missing data eg dates, document numbers, amounts et
- Invalid data eg invoice number with only four digits when five digits are required
- Inconsistent data eg Gharaffa Publishing and Gharaffa Publishers

Accuracy of data entry is a general reflection of the efficiency of the business organisation. Inaccuracies reflect inefficiencies and poor business management. Inaccuracies can mislead and frustrate customers. Inaccuracies result from poor attention to detail, poor communication skills or poor computer literacy skills

Data entry mistakes can include the following:

- Misspelt contact names, business names, addresses etc
- Missing words in an address or description of goods etc
- Transposed figures
- Incorrect figures
- Repeated numbers
- Use of commas or spaces to indicate thousands etc when they are not required

Timeliness refers to the completion of tasks within agreed timelines. For example, if an employee is late in entering payroll details into the computer system, employees may not receive their salary on time.

Organisational policy and procedures will be available to employees and will inform them as to what data to enter, how to enter the data and what time-lines apply to the data entry.

Computer system documentation and procedures will also inform employees as to how data should be entered accurately into the computer accounting system.



Accurate data entry is a general reflection of the efficiency of the business.



Partnership



Forms of Business Ownership		
Sole Trader	Partnership	Corporation
<ul style="list-style-type: none"> • Generally owned by one person. • Often small service-type businesses • Owner receives any profits, suffers any losses, and is personally liable for all debts. 	<ul style="list-style-type: none"> • Owned by two or more persons. • Often retail and service-type businesses • Generally unlimited personal liability • Partnership agreement 	<ul style="list-style-type: none"> • Ownership divided into shares of stock • Organized under state corporation law • Limited liability which means that • shareholders may take part in the profits but are not personally liable for the company's debts.

BASIC PARTNERSHIP ACCOUNTING

Partnership accounting

- Uses a capital account for each partner.
- Uses a withdrawals account for each partner.
- Allocates net income or loss to partners according to the partnership agreement.



Formation of a partnership

Organizing a Partnership When partners invest in a partnership, their capital accounts are credited for the invested amounts. Partners can invest both assets and liabilities.

Example of an entry to record formation of a partnership:

Cash	10,000	
Inventory	5,000	
Office equipment	4,000	
Note payable		2,000
Partner A, Capital		10,000
Partner B, Capital		7,000





Practice 1

Hassan and Mohamed organize a partnership in January 1. Hassan's initial net investment is \$60,000, consisting of cash (\$14,000), equipment (\$66,000), and a note payable reflecting a bank loan for the new business (\$20,000). Mohamed's initial investment is cash of \$25,000. These amounts are the values agreed on by both partners.

Required

Prepare journal entries to record Hassan's and Mohamed's investments.

General Journal			
Date	Account Name	Debit	Credit



Practice 2

In March 1, 2011, Wael and Hesham formed a partnership. Wael contributed \$88,000 cash and Hesham contributed land valued at \$70,000 and a building valued at \$100,000. The partnership also assumed responsibility for Hesham's \$80,000 long-term note payable associated with the land and building.

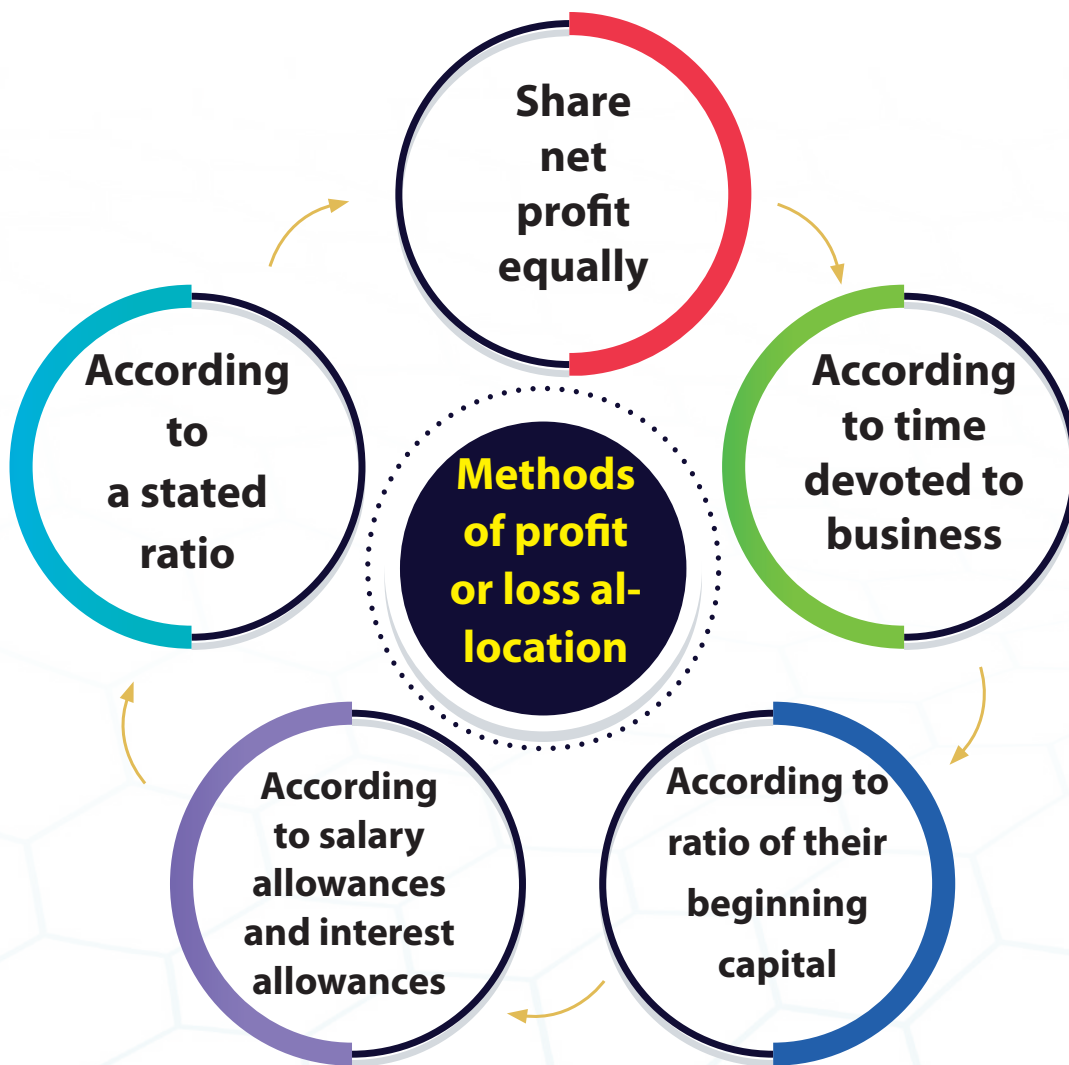
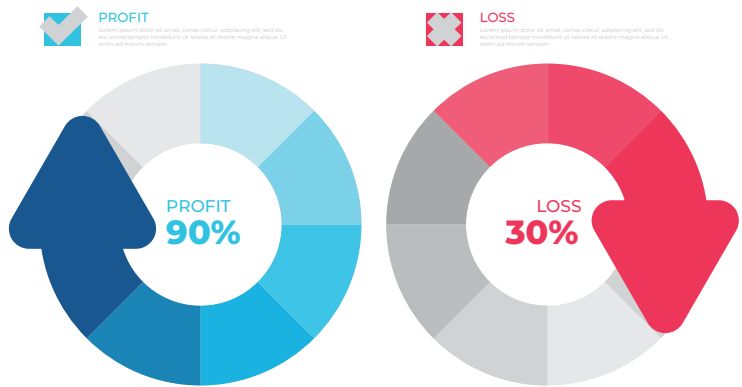
Required

Prepare journal entries to record Wael's investment and Hesham's investments.

General Journal			
Date	Account Name	Debit	Credit

Dividing Income or Loss

Profits and losses are allocated among the partners as specified in the partnership agreement. If left unspecified, profits and losses are shared equally among the partners.





Practice 3

In January 1, 2017, Mohamed, Ahmed, and Hassan formed a partnership. Mohamed invested \$40,000 cash, Ahmed contributed land valued \$30,000 and building valued \$40,000, the partnership also assumed responsibility for Ahmed's \$14,000 long-term note payable associated with the land and building. Hassan contributed Inventory \$30,000 and \$34,000 Cash, in a partnership. During its first calendar year, the firm earned \$124,500.

Required

1. Prepare journal entries to record partner's investment in January 1, 2017
2. Prepare the entry to close the firm's Income Summary account as of its December 31 year-end and to allocate the \$124,500 net income to the partners under each of the following separate assumptions:
 - a. The partners failed to agree on a method to share income.
 - b. The partners agreed to share income and loss in ratio of their beginning capital (initial investments) 25%, 35% and 40% respectively.
 - c. The partners agreed to share income and loss in a 2:3:1 ratio
 - d. In proportion to time devoted to business as Mohamed devoted one third time, Ahmed devoted two third time and Hassan devoted full time.
 - e. Agreed to share income and loss by providing annual salary allowances of \$33,000 to Mohamed, \$28,000 to Ahmed, and \$40,000 to Hassan; granting 10% interest on the partners' beginning capital investments; and sharing the remainder equally.

b.

c.

	Balance	Ratio	Income	Allocation
Mohamed, Capital				
Ahmed, Capital				
Hassan, Capital	_____	_____		_____
Totals	_____	_____		_____

d.

e. **Income Distribution**

Date	Event	Ali	Ahmed	Mohamed	Total	Remaining
	Net Income					.....
	Salary Allowances	.....	.....	.....	.....	.....
	Interest Allowances 10%	.....	.....	.....	.....	.....
	Equal Allocation	.....	.....	.....	.....	.....
	Income to each Partners	.....	.....	.....	.....	.....



Practice 4

In Jan. 1 Ahmed and Mohamed are forming a partnership to which Ahmed invests \$21,000 cash and Mohamed invested \$31,500 cash. Ahmed will devote one-half time and Mohamed will devote full time. They have discussed the following alternative plans for sharing income and loss:

- a. No agreement was available.
- b. The partners agreed to share income and loss in a ratio of 40% and 60% respectively.
- c. In the ratio of their initial capital investments, which they have agreed will be \$21,000 for Ahmed and \$31,500 for Mohamed.
- d. The partners agreed to share income and loss in a ratio of 1:1
- e. In proportion to the time devoted to the business.
- f. A salary allowance of \$3,000 per month to Mohamed, 10% interest on their initial capital investments, and the balance shared equally.

The partners expect the business to perform as follows: **year 1, \$45,000 net income.**

Required

- Record the required entries in the journal and show your calculations.

Solution

General Journal

Date	Account Name	Debit	Credit

a.
.....
.....

b.

c.

	Balance	Ratio	Income	Allocation
Ahmed				
Mohamed	_____	_____		_____
Totals	_____	_____		_____

d.

e.

f. Income Distribution

Date	Event	Ahmed	Mohamed	Total	Remaining
	Net Loss				.....
	Salary Allowances	.....	.....	.....	.....
	Interest Allowances 10%	.....	.....	.....	.....
	Equal Allocation	.....	.....	.....	.....



Practice 5

Ahmed and Mohamed are forming a partnership to which Ahmed will devote one-half time and Mohamed will devote full time. They have discussed the following alternative plans for sharing income and loss:

- a. in the ratio of their initial capital investments, which they have agreed will be \$21,000 for Ahmed and \$31,500 for Mohamed.
- b. in proportion to the time devoted to the business.
- c. a salary allowance of \$3,000 per month to Mohamed, 10% interest on their initial capital investments, and the balance shared equally.

The partners expect the business to perform as follows: **year1, \$18,000 net loss;** and **year2, \$45,000 net income.**

Required

- **Record the required entries in the journal and show your calculations.**

Solution

General Journal			
Date	Account Name	Debit	Credit

a.
.....
.....

b.
.....
.....

c. Distribution

.....



Practice 6

Choose the best answer

- 1. Mohamed and Ahmed are forming a partnership. Mohamed invests a building that has a market value of \$250,000; and the partnership assumes responsibility for a \$50,000 note secured by a mortgage on that building. Ahmed invests \$100,000 cash. For the partnership, the amounts recorded for the building and for Mohamed's Capital account are these:**
 - a. Building, \$250,000; Mohamed, Capital, \$250,000.
 - b. Building, \$200,000; Mohamed, Capital, \$200,000.
 - c. Building, \$200,000; Mohamed, Capital, \$100,000.
 - d. Building, \$250,000; Mohamed, Capital, \$200,000.

- 2. Mohamed and Ali have capital balances of \$100,000 and \$300,000 respectively. Mohamed devotes full time and Ali one-half time to the business. Determine the division of \$180,000 of net income according to the ratio of their capital 25% and 75% respectively.**
 - a. \$45,000 and \$135,000
 - b. \$135,000 and \$45,000
 - c. \$100,000 and \$50,000
 - d. \$100,000 and \$300,000

3. Jamison and Blue form a partnership with capital contributions of \$600,000 and \$800,000, respectively. Their partnership agreement calls for Jamison to receive \$120,000 per year in salary. Also, each partner is to receive an interest allowance equal to 10% of the partner's beginning capital contributions, with any remaining income or loss divided equally. If net income for its initial year is \$270,000, then Jamison's and Blue's respective shares are

- a. \$135,000; \$135,000.
- b. \$154,286; \$115,714.
- c. \$120,000; \$150,000.
- d. \$185,000; \$85,000.
- e. \$85,000; \$185,000.

4. Hansen and Fleming are partners and share equally in income or loss. Hansen's current capital balance in the partnership is \$125,000 and Fleming's is \$124,000. Hansen and Fleming agree to accept Black with a 20% interest. Black invests \$75,000 in the partnership. The bonus granted to Hansen and Fleming equals

- a. \$13,000 each.
- b. \$5,100 each.
- c. \$4,000 each.
- d. \$5,285 to Hansen; \$4,915 to Fleming.
- e. \$0; Hansen and Fleming grant a bonus to Black.

5. Mohamed, Ahmed, and Abdalla form a partnership. Mohamed contributes \$150,000, Ahmed contributes \$150,000, and Abdalla contributes \$100,000. Their partnership agreement calls for the income or loss division to be based on the ratio of capital invested. If the partnership reports income of \$90,000 for its first year of operations, what amount of income is credited to Abdalla's capital account?

- a. \$22,500.
- b. \$33,750.
- c. \$45,000.
- d. \$67,500.

6. Mohamed and Ali have capital balances of \$100,000 and \$300,000 respectively. Mohamed devotes full time and Ali one-half time to the business. Determine the division of \$120,000 of net income according to time devoted to business.

- a. \$40,000 and \$80,000
- b. \$80,000 and \$40,000
- c. \$100,000 and \$50,000
- d. \$100,000 and \$300,000

Admission of a New Partner



Admission of a New Partner

Partners must agree for the admission of a new partner

A new partner is admitted in one of two ways

01

Buying another Partner's interest

General Journal			
Date	Account Name	Dr	cr
XX	Old Partner, Capital	XX	
	New Partner, Capital		XX

02

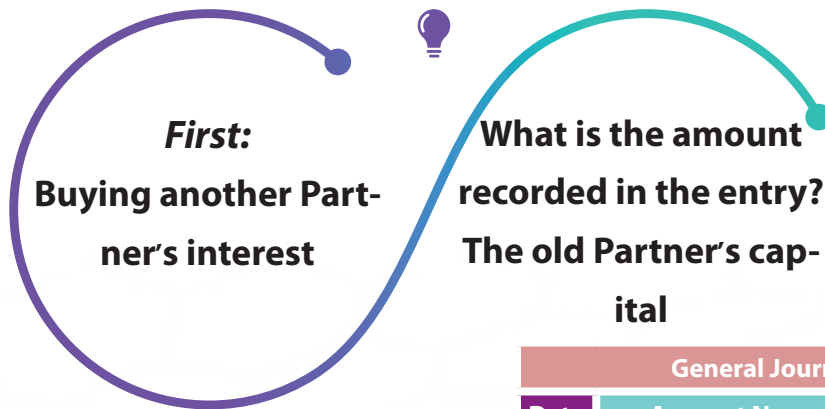
Investing cash in the Partnership

General Journal			
Date	Account Name	Dr	cr
XX	Cash	XX	
	New Partner, Capital		XX

First: Buying another partner's interest

Purchase of Partnership Interest

The purchase of partnership interest is a personal transaction between one or more current partners and the new partner.



General Journal			
Date	Account Name	Dr	cr
XX	Old Partner, Capital	xx	
	New Partner, Capital		xx

1. In April 1, Mintz agrees to pay Bogg and Heyer \$10,000 each for a one-third interest in the Bogg and Heyer partnership. Immediately prior to Mintz's admission, each partner had a \$30,000 capital balance. Make the journal entry to record Mintz's purchase of the partners' interest.

General Journal			
Date	Account Name	Debit	Credit

2. Mohamed agrees to pay Baker and Hashem \$20,000 each for a one- third interest in the Baker and Hashem partnership. Immediately prior to Mohamed's admission, each partner had a \$60,000 capital balance. The capital balance after Mohamed's admission for each partner. (the interest of equity for each partner is -----)
- Baker \$40,000; Hashem \$ 40,000; Mohamed \$20,000.
 - Baker \$40,000; Hashem\$ 40,000; Mohamed \$40,000.
 - Baker \$60,000; Hashem\$ 60,000; Mohamed \$60,000.
 - Baker \$60,000; Hashem \$ 60,000; Mohamed \$40,000.

Second: Invest Cash in the Partnership

Cash invested < Share in equity

General Journal			
Date	Account Name	Dr	cr
XXXX	Cash	xx	
	Old partner's Capital	xx	
	New partner's Capital		xxx

Cash invested > Share in equity

General Journal			
Date	Account Name	Dr	cr
XX	Cash	xxx	
	New partner's Capital		XX
	Old partner's Capital		XX

Cash invested = Share in equity

General Journal			
Date	Account Name	Dr	cr
XX	Cash	XX	
	New Partner, Capital		XX

Admission of a new partner

To whom the bonus is given in each case?

- Bonus to new partners
- Bonus to old partner's
- No bonus



Practice 1

The Gulf Partnership has total partners' equity of \$510,000, which is made up of Essam, Capital, \$400,000, and Osama, Capital, \$110,000. The partners share net income and loss in a ratio of 80% to Essam and 20% to Osama. In November 1, Ahmed is admitted to the partnership and given a 15% interest in equity (of partnership) and a 20% share in any income and loss.

Note: Any bonus will allocate according to their income and loss ratio

Required

Prepare the journal entry to record the admission of Ahmed under each of the following separate assumptions:

1. Ahmed invests cash of \$90,000
2. Ahmed invests cash of \$125,000
3. Ahmed invests cash of \$60,000

Calculations

1.

Equity of Essam, and Ossama	
Investment by Ahmed	_____
Total partnership equity	_____
Ahmed's ownership percent	_____
Ahmed's equity balance	=====

2.

Equity of Essam, and Ossama	
Investment by Ahmed	_____
Total partnership equity	_____
Ahmed's ownership percent	_____
Ahmed,s equity balance	=====

3.

Equity of Essam, and Ossama	
Investment by Ahmed	_____
Total partnership equity	_____
Ahmed's ownership percent	_____
Ahmed,s equity balance	=====

Retirement of a Partner



MEANING:

When one (or more partners) leaves the firm and the remaining partners continue to do the business of the firm, it is known as retirement of a partner. Due to some reasons like old age, poor health, strained relations etc., an existing partner may decide to retire from the partnership.



Practice 1

Fatma, Sarah, and Noor have been partners while sharing net income and loss in a 5:3:2 ratio. In January 31, the date Noor retires from the partnership, the equities of the partners are Fatma, \$350,000; Sarah, \$240,000; Noor, \$180,000.

Required:

Present journal entries to record Noor's retirement under each of the following separate assumptions:

1. Noor is paid for her equity using cash of \$180,000.
2. Noor is paid for her equity using cash of \$200,000.
3. Noor is paid for her equity using cash of \$150,000.



Practice 2

Assem, Walid, and Rashid have been partners while sharing net income and loss in a 5:4:1 ratio. In January 31, 2017, the date Rashid retires from the partnership, the equities of the partners are Assem \$330,000 Walid \$231,000 and Rashid \$165,000.

Required

Prepare the journal entry to record Rashid's retirement under each of the following assumptions. Any bonus is attributable to the withdrawing or remaining partners and is divided equally.

1. Rashid is paid for his equity cash of \$165,000.
2. Rashid is paid for his equity cash of \$192,000.
3. Rashid is paid for his equity cash of \$129,000.

Liquidation of a Partnership

When a partnership is liquidated, its business ends, and four concluding steps are required.

- 1.** Record the sale of noncash assets for cash and any gain or loss from their liquidation.
- 2.** Allocate any gain or loss from liquidation of the assets in step 1 to the partners using their income-and-loss-sharing ratio.
- 3.** Pay or settle all partner liabilities.
- 4.** Distribute any remaining cash to partners based on their capital balances.





Practice 1

Maryam, Aldana, and Amna share income and loss in a 3:2:1 ratio. The partners have decided to liquidate their partnership. On the day of liquidation, their balance sheet appears as follows.

K.D.S Company			
Balance sheet			
31-May-2017			
Assets		Liabilities and Equity	
Cash	\$90,400	Accounts Payable	\$122,750
Inventory	168,600	Maryam , Capital	46,500
Land	100,000	Aldana , Capital	106,250
		Amna , Capital	83,500
Total Assets	\$359,000	Total Liabilities and Equity	\$359,000

Required:

Prepare journal entries for (a) the sale of inventory and land, (b) the allocation of its gain or loss, (c) the payment of liabilities at book value, and (d) the distribution of cash in each of the following separate cases:

1. Inventory and land are sold for \$300,000.
2. Inventory and land are sold for \$250,000.

1. Your Calculations

2. Calculations

Banking

45

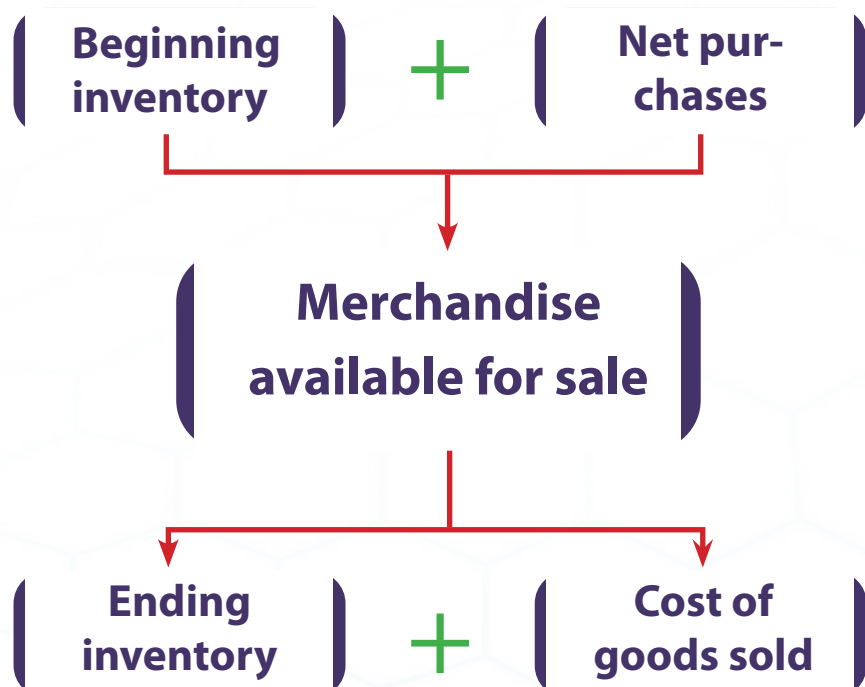


Inventories and Cost of Sales



Some important definitions:

- 1. Merchandise inventory:** includes all goods that a company owns and holds for sale.
- 2. Beginning inventory** is the company's balance before purchasing more inventory items or sell the existing inventory during an accounting period.
- 3. Cost of Goods Sold:** is the cost of inventory that a company acquires to sell to consumers.



Inventory costing under perpetual and periodic systems

Differences Between Perpetual Inventory and Periodic Inventory

Perpetual Inventory

- Keeps a continuous track of all inventory balances with every sale or transaction
- Requires inventory software
- Typically used by businesses with a lot of inventory units

Periodic Inventory

- Periodically tracks inventory balances either weekly, monthly, quarterly, or annually
- Does not require inventory software
- Typically used by businesses with few inventory units

Inventory Cost Flow Assumptions

First-In, First-Out (FIFO)

Assumes costs flow in the order incurred.

Last-In, First-Out (LIFO)

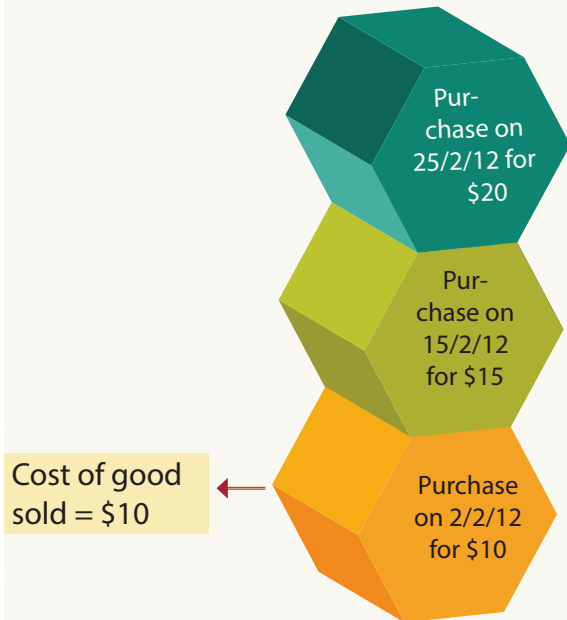
Assumes costs flow in the reverse order incurred.

Weighted Average

Assumes costs flow at an average of the costs available.

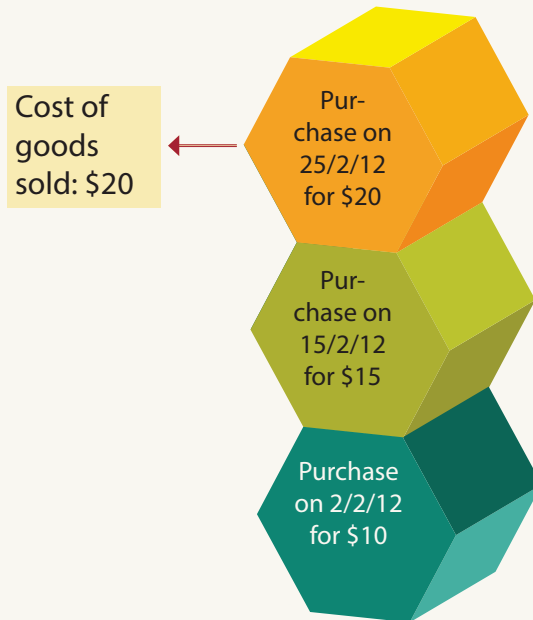
Inventory Costing-FIFO

Ending Inventory Balance = \$35



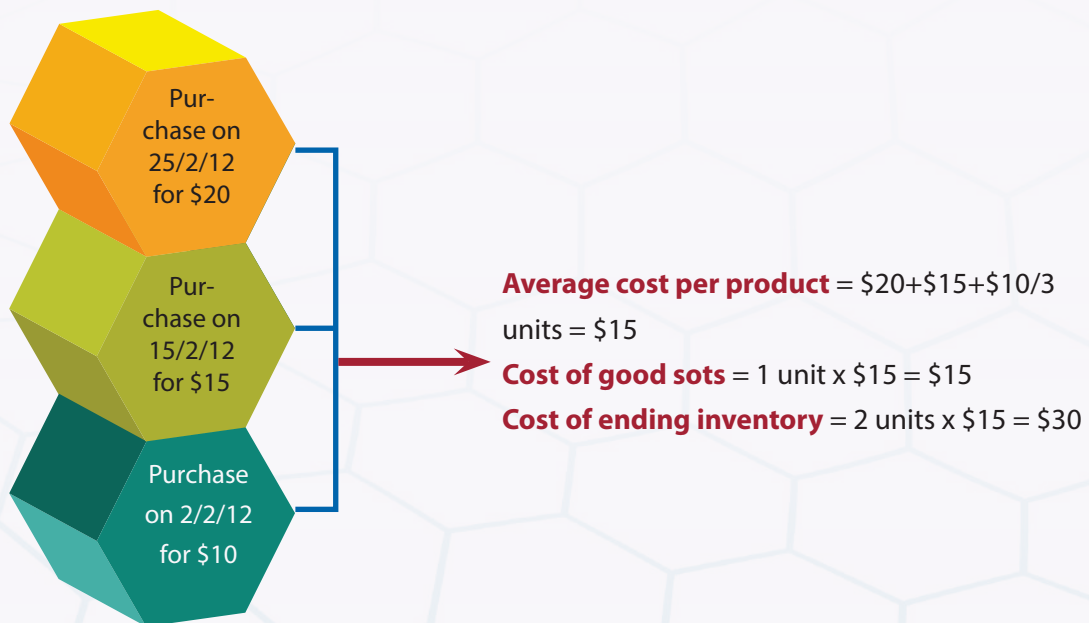
Inventory Costing-LIFO

Ending Inventory Balance = \$25



Inventory Costing - W.Average

Ending Inventory Balance = \$30





Practice 1

Anthony Company reported the following March purchases and sales data for its only product

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Mar. 1	Beginning inventory.....	50 units @ \$50/unit	
Mar. 5	Purchase.....	200 units @ \$55/unit	
Mar. 9	Sales.....		210 units @ \$85/unit
Mar. 18	Purchase.....	60 units @ \$60/unit	
Mar. 25	Purchase.....	100 units @ \$62/unit	
Mar. 29	Sales.....		80 units @ \$95/unit
Totals.....		410 units	290 units

Required

- Anthony company uses a perpetual inventory system. Determine the number and cost assigned to ending inventory and to cost of goods sold using:
 - FIFO.
 - LIFO.
 - Weighted average.

Solution

a. Perpetual Inventory System – FIFO

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

b. Perpetual Inventory System – LIFO

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

c. Perpetual Inventory System – Weighted Average Method

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total



Practice 2

Park Company reported the following March purchases and sales data for its only product.

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Mar. 1	Beginning inventory.....	150 units @ \$7.00 = \$1,050	
Mar. 10	Sales.....		90 units @ \$15
Mar. 20	Purchase.....	220 units @ \$6.00 = \$1,320	
Mar. 25	Sales.....		145 units @ \$15
Mar. 30	Purchase.....	90 units @ \$5.00 = \$450	
Totals.....		460 units \$2,820	235 units

Required

1. Park uses a perpetual inventory system. Determine the cost and number assigned to ending inventory and to cost of goods sold using:
 - a. FIFO.
 - b. LIFO.
 - c. Weighted average.

Solution

a. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

b. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

c. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total



Practice 3

Anthony Company reported the following March purchases and sales data for its only product.

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Mar. 1	Beginning inventory.....	50 units @ \$50	
Mar. 5	Purchase.....	220 units @ \$55	
Mar. 9	Sales.....		210 units @ \$85
Mar. 18	Purchase.....	60 units @ \$60	
Mar. 25	Purchase.....	100 units @ \$62 =	
Mar. 29	Sales.....		80 units @ \$95
Totals.....		410 units	290 units

Required

Anthony company uses a periodic inventory system. Determine the number and cost assigned to ending inventory and to cost of goods sold using:

- FIFO.
- LIFO.
- Weighted average.

Solution

a. Periodic Inventory System – FIFO

.....

.....

.....

b. Periodic Inventory System – LIFO

.....

.....

.....

.....

.....

.....

c. Periodic Inventory System – Weighted Average

.....

.....

.....

.....

.....

.....



Practice 4

Park Company reported the following March purchases and sales data for its only product

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Mar. 1	Beginning inventory.....	150 units @ \$7.00 = \$1,050	
Mar. 10	Sales.....		90 units @ \$15
Mar. 20	Purchase.....	220 units @ \$6.00 = \$1,320	
Mar. 25	Sales.....		145 units @ \$15
Mar. 30	Purchase.....	90 units @ \$5.00 = \$450	
Totals.....		460 units \$2,820	235 units

Required

1. Park uses a periodic inventory system. Determine the cost assigned to ending inventory and to cost of goods sold using:
 - a. FIFO.
 - b. LIFO.
 - c. Weighted average.

Solution

a. Periodic Inventory System - FIFO

.....

.....

.....

b. Periodic Inventory System - LIFO

.....

.....

.....

.....

.....

.....

c. Periodic Inventory System – Weighted Average

.....

.....

.....

.....

.....

.....



Practice 5

Viper Company began year 2011 with 20,000 units of product in its January 1 inventory costing \$15 each. It made successive purchases of its product in year 2011 as follows. The company uses a periodic inventory system. In December 31, 2011, a physical count reveals that 35,000 units of its product remain in inventory.

Mar. 1	.....	28.000 units @ \$18 each
Mar. 25	.....	30.000 units @ \$22 each
Aug. 1	.....	20.000 units @ \$24 each
nov. 10	.....	33.000 units @ \$27 each

Required:

1. Compute the number and total cost of the units available for sale in year 2011.
2. Compute the amounts assigned to the 2011-ending inventory and the cost of goods sold using:
 - a. FIFO.
 - b. LIFO.
 - c. Weighted average. (Round per unit costs to two decimals, but inventory balances to the dollar)

Solution

Date	Activities	Units Acquired at Cost
Totals.....		

a. Periodic Inventory System - FIFO

.....

.....

.....

b. Periodic Inventory System - LIFO

.....

.....

.....

c. Periodic Inventory System – Weighted Average

.....

.....

.....

Choose the best answers

1. Use the following information from Marvel Company for the month of July to answer questions from 1 through 3.

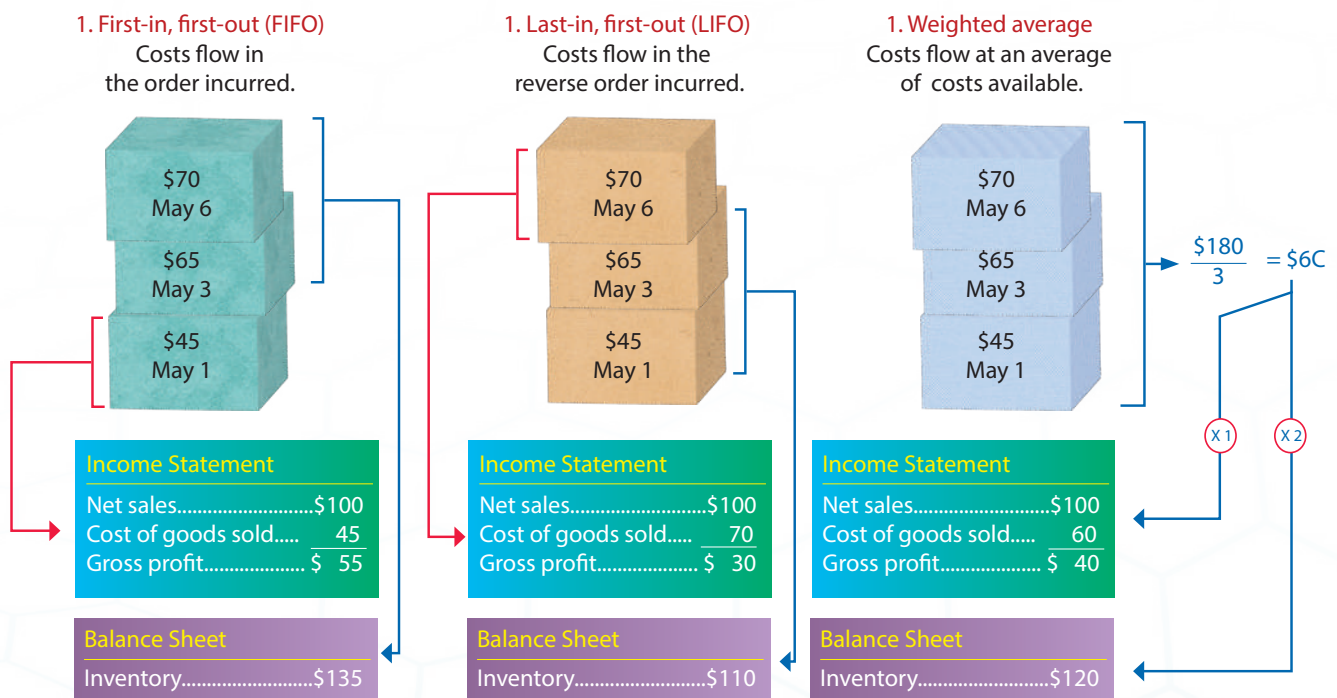
July 1	Beginning inventory.....	75 units @ \$25 each
July 3	Purchase.....	348 units @ \$27 each
July 8	Sales.....	300 units
July 15	Purchase.....	257 units @ \$28 each
July 23	Sales.....	257 units

1. Assume that Marvel uses a perpetual FIFO inventory system. What is the dollar value of its ending inventory?
- a. \$2,940
 - b. \$2,852
 - c. \$2,705
 - d. \$2,625
2. Assume that Marvel uses a perpetual LIFO inventory system. What is the dollar value of its ending inventory?
- a. \$2,940
 - b. \$2,852
 - c. \$2,685
 - d. \$2,705
3. A company reports the beginning inventory 100 units @\$20 purchase 140 units @\$12, Purchase 220 units @\$14 cost of the 30 units ending inventory under FIFO periodic inventory
- a. 500
 - b. 400
 - c. 600
 - d. 700

4. A company reports the beginning inventory 100 units @\$20 purchase 140 units @\$12, Purchase 220 units @\$14 cost of the 30 units ending inventory under LIFO periodic inventory

- a. 500
- b. 1460
- c. 600
- d. 700

Summary:





Short-Term Liabilities



Short-Term Liabilities

Personal Details

Your first name and initial Last name Document No. 34020-1
Number 1 Number 2
Nationality Phone Number No.
Address (street and number), see instructions.
City, town, street and ZIP code, see instructions.

▶ **Creating a box for confirmation** (See instructions on page 12) You Spouse
check only Single Divorced
on box Married Others

Status

Income 1 If a process to allow an organization to focus resources on

The number above is required.

Short-term note payable

A short-term note payable is a written promise to pay a specified amount on a definite future date within one year or the company's operating cycle, whichever is longer.

Promissory Note

<u>\$2,000</u>	<u>Sept. 30, 2011</u>
Face Value	Date
<u>Sixty days</u> after date, <u>I</u> promise to pay to the order of	
<u>National Bank</u> <u>Boston, MA</u>	
<u>Two thousand and no/100</u> ----- Dollars	
plus interest at the annual rate of <u>12%</u> .	
<u>Janet Lee</u>	

Cases to issue note payable

Note Given
to replace
an account
payable

Note given
to borrow
from bank



Practice 1

2019

- **Apr.20** Purchased \$38,500 of Supplies on credit from Jarir.
- **Apr.25** Completed a work for \$10,000 cash that are subject to a 10% sales tax.
- **May19 Replaced** the April 20 account payable to Jarir with a 90-day, \$30,000 note 9% annual interest along with paying \$8,500 in cash.
- **July 8** Borrowed \$60,000 cash from Community Bank by signing a 120-day, 10% interest note with a face value of \$60,000.
- **___? ___** Paid the amount due on the note to Jarir at the due date.
- **___? ___** Paid the amount due on the note to Community Bank at the due date.
- **Nov.28** Borrowed \$21,000 cash from Doha Bank by signing a 60-day, 8% interest note with a face value of \$21,000.
- **Dec.31** Recorded an adjusting entry for accrued interest on the note to Doha Bank.

2020

- **___? ___** Paid the amount due on the note to Doha Bank at the maturity date.

Required

1. Prepare journal entries for all the transactions and events for years 2019 and 2020

Calculations

General Journal

General Journal			
Date	Account Name	Debit	Credit



Practice 2

Bargen Co. entered into the following transactions involving short-term liabilities in 2019 and 2020.

2019

- **Apr. 22** Purchased \$4,000 of merchandise on credit from ALrownaq.
- **Apr. 25** Completed a work for \$20,000 cash that are subject to a 10% sales tax.
- **May 23** Replaced the April 22 account payable to ALrownaq Products with a 60-day, \$3,600 note bearing 15% annual interest along with paying \$400 in cash.
- **July 15** Borrowed \$9,000 cash from QNB Bank by signing a 120-day, 10% interest-bearing note with a face value of \$9,000.
- _____ ? Paid the amount due on the note to ALrownaq Products at maturity.
- _____ ? Paid the amount due on the note to QNB Bank at maturity.
- **Dec. 6** Borrowed \$16,000 cash from QIB by signing a 45-day, 9% interest-bearing note with a face value of \$16,000.
- **Dec. 31** Recorded an adjusting entry for accrued interest on the note to QIB.

2020

- _____ ? Paid the amount due on the note to QIB at maturity.

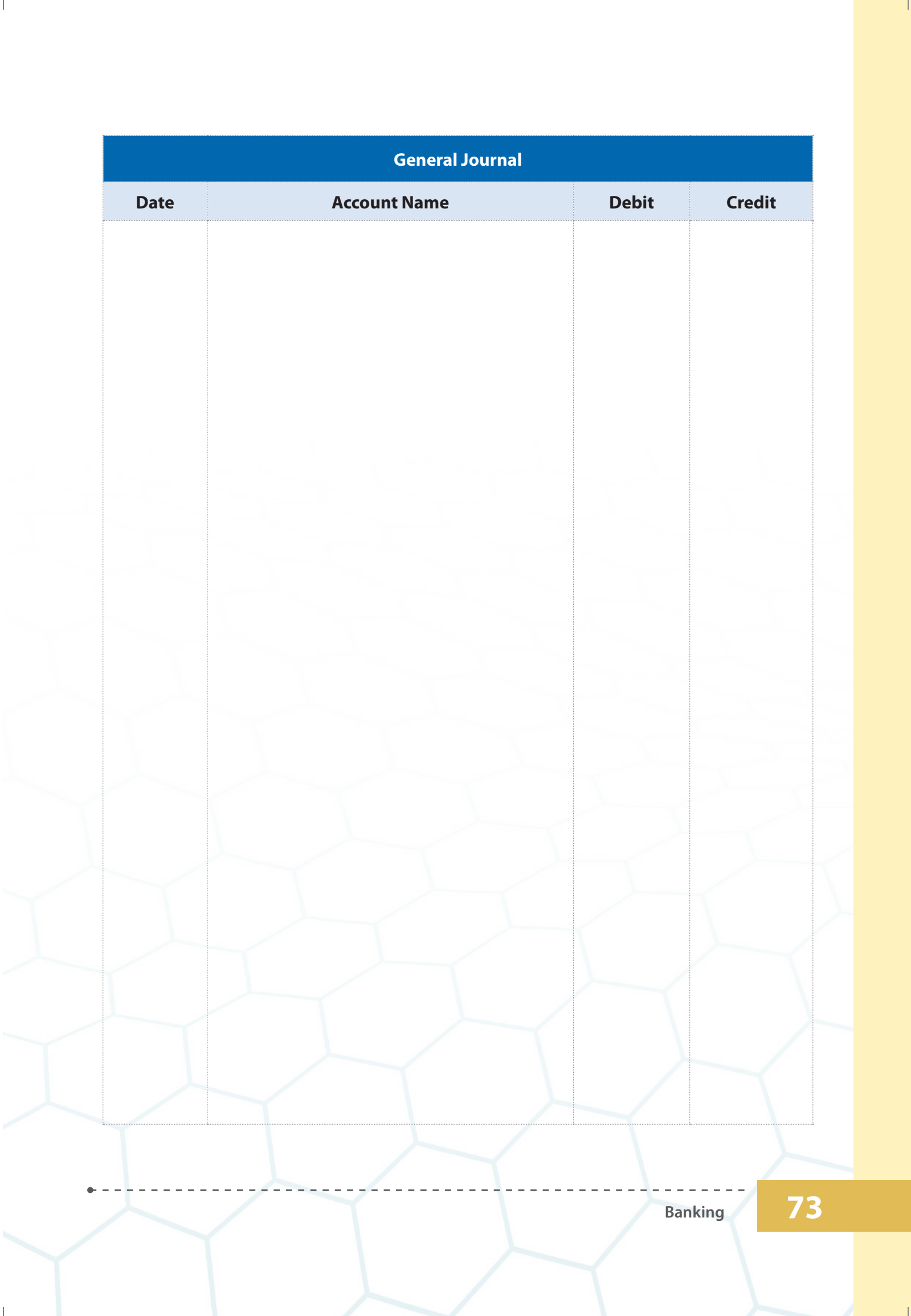
Required

1. Prepare journal entries for all the preceding transactions and events for years 2019 and 2020.

Calculations

General Journal

Date	Account Name	Debit	Credit



Corporations



Accounting for Corporations



A corporation is an entity created by law that is separate from its owners. It has most of the rights and privileges granted to individuals. Owners of corporations are called stockholders or shareholders.

Difference between stocks and bonds

Stocks (shares)
Stocks (shares) are issued to obtain capital
The stock is an owner equity account.
Stockholders

- Is an investor who becomes an owner to a company when he buys the shares (stocks) of a company.
- Dividends are given to stockholder.

Bonds

- A form of debt that the corporation promises to repay at some point in the future.
The bond is a liability.

Bondholders

- Is a creditor who lends money to a company by buying bonds issued by that company.
- Interest is given to bondholder.

Types of stocks

Common stocks

Corporation's issue common stocks with par value.

Common stock has a par value, but it can be sold at a price different from par.

Par value

It is the value written on the face of the common stock certificate or in the corporation's balance sheet.

Par value ≠ market value or selling price of stock.

Preferred Stocks

- Are type of stocks where shareholders will receive their dividends before the company can distribute dividends to common stockholders.

- Preferred stock has a par value (Like common stock), Also it can be sold at a price different from par

Some important terminologies:

Authorized stock:

Is the number of shares that a corporation's charter allows it to sell. The number of authorized shares usually exceeds the number of shares issued.

Market Value of Stock:

Is the price at which a stock is bought and sold.



Practice 1

Prepare journal entries to record the following different separate assumptions:

1. Authorized the issuance of 2 million shares of \$5 par value common stock and 100,000 shares of \$100 par value, 10% cumulative, preferred stock.
2. A corporation issued 4,000 shares of \$10 par value common stock for \$40,000 cash.
3. A corporation issued 4,000 shares of \$10 par value common stock for \$70,000 cash.
4. A corporation issued shares with \$40,000 of \$10 par value common stock for \$40,000 cash.
5. A corporation issued shares with \$40,000 of \$10 par value common stock for \$70,000 cash.
6. A corporation issued 100,000 shares of \$0.50 par value common stock assuming:
 - a. Shares sells for \$0.50 cash per share.
 - b. Shares sells for \$2 cash per share.
7. A corporation issued 4,000 shares of 20 par common stock to its promoters (Founders) in exchange for their efforts (services), estimated to be worth \$105,000.
8. A corporation paid \$10,000 cash to the company's founders for organization activities.
9. A corporation Issued 100,000 shares of \$12 par value common stock in exchange for a building valued at \$820,000 and merchandise inventory valued at \$380,000.

- 10.** A corporation issues 36,000 shares of \$9 par value common stock in exchange for land and a building. The land is valued at \$225,000 and the building at \$360,000.
- 11.** A corporation issued 1,000 shares of \$100 par value preferred stock for \$120,000 cash.
- 12.** A corporation issued 1,000 shares of \$100 par value preferred stock for \$100,000 cash.

Solution

General Journal

Date	Account Name	Debit	Credit

General Journal

Date	Account Name	Debit	Credit

•



Practice 2

The following transactions have incurred during 2010 and 2011

2010

- **Jan. 1** Authorized the issuance of 2 million shares of \$5 par value common stock and 100,000 shares of \$100 par value, 10% cumulative, preferred stock.
- **Jan. 2** Issued 200,000 shares of common stock for \$12 cash per share.
- **Jan. 3** Issued 100,000 shares of common stock in exchange for a building valued at \$820,000 and merchandise inventory valued at \$380,000.
- **Jan. 4** Paid \$10,000 cash to the company's founders for organization activities.
- **Jan. 5** Issued 12,000 shares of preferred stock for \$110 cash per share.

2011

- **June 4.** Issued 100,000 shares of common stock for \$15 cash per share.

Required

1. Prepare journal entries to record these transactions.



Practice 3

Choose the best answer

- 1. A corporation issues 6,000 shares of \$5 par value common stock for \$8 cash per share. The entry to record this transaction includes:**
 - a. A debit to Paid-In Capital in Excess of Par Value for \$18,000.
 - b. A credit to Common Stock for \$48,000.
 - c. A credit to Paid-In Capital in Excess of Par Value for \$30,000.
 - d. A credit to Common Stock for \$30,000.

- 2. A company issues 7,000 shares of its \$10 par value common stock in exchange for equipment valued at \$105,000. The entry to record this transaction includes a credit to**
 - a. Paid-In Capital in Excess of Par Value, Common Stock, for \$35,000.
 - b. Retained Earnings for \$35,000.
 - c. Common Stock, \$10 Par Value, for \$105,000.
 - d. Equipment for 105,000.

- 3. If the value of common stocks issued with \$10 Par value is \$500,000 then the number of outstanding shares is**
 - a. 250,000
 - b. 10,000
 - c. 50,000
 - d. 100,000

- 4. The entry to record the issuance of common stock at a price above par includes a debit to**
- a. Organizational Expenses
 - b. Common Stock
 - c. Cash
 - d. Paid-In Capital in Excess of Par-Common Stock
- 5. A corporation issues 6,000 shares of \$5 par value common stock for \$8 cash per share. The entry to record this transaction includes:**
- a. A debit to Paid-In Capital in Excess of Par Value for \$18,000.
 - b. A credit to Common Stock for \$48,000.
 - c. A credit to Paid-In Capital in Excess of Par Value for \$30,000.
 - d. A credit to Common Stock for \$30,000.

Dividends



First: Cash Dividend

Cash Dividend

- Is money paid to stockholders as result of their investment in the corporation.

Retained earnings:

- It is amount of net income left over after the business pays dividends or decided not to distribute any profit.



Accounting for Cash Dividends Dividend payment involves three important dates:

Date of declaration	Is the date the directors vote to declare and pay a dividend. This creates a legal liability of the corporation to its stockholders.
Date of record	Is the future date specified by the directors for identifying those stockholders listed in the corporation's records to receive dividends.
Date of payment	Is the date when the corporation makes a payment.

Summary

If Company issued Common stock only

Date of Declaration

Retained Earnings.....
Common Dividend Payable.....

Date of Record

No entry

Date of Payment

Common Dividend Payable.....
Cash.....

Second: Stock Dividends

Is a distribution of additional shares of the corporation's own stock to its stockholders without the receipt of any payment in return.

Note:

Stock dividend is distributed on common stockholders only



Types of Stock dividend

Small stock dividend
25% or less

Large stock dividend
More than 25%

Summary of Small Stock dividend 25% or less stock dividend to common stockholders only

Date of Declaration

Date of Record

Date of Distribution

No entry

Retained Earnings.....
Common Stock Dividend Distributable.....
Paid in Excess of Par Value,
Common Stock.....

Common Stock Dividend Distributable.....
Common Stock 10\$ Par Value.....

Summary of large Stock dividend
More than 25% stock dividend
for common shareholders only

Date of Declaration

Date of Record

Date of Distribution

No entry

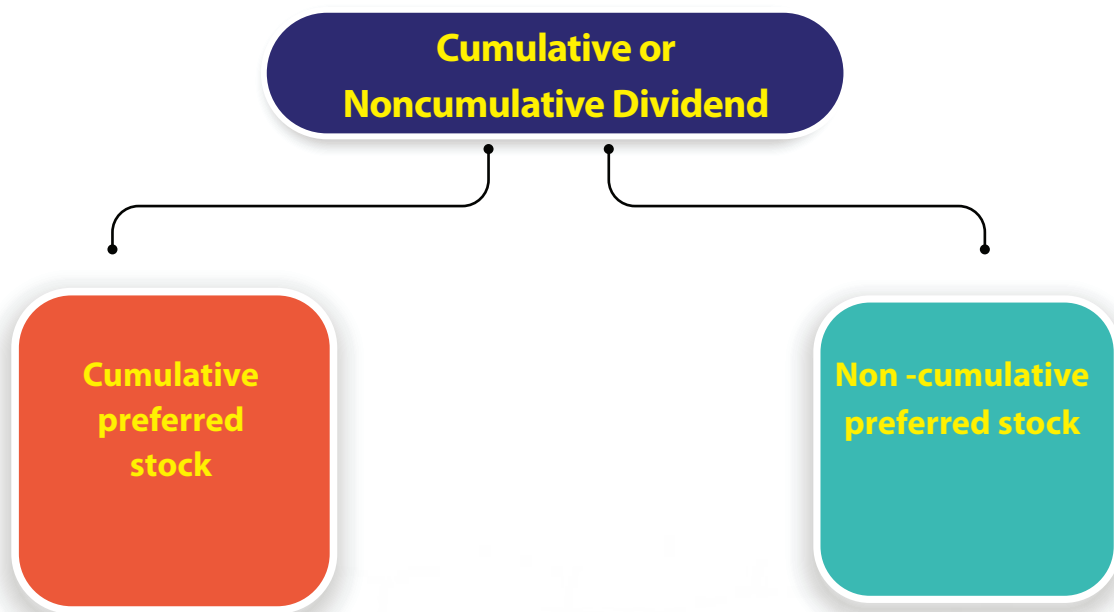
Retained Earnings.....
Common Stock Dividend Distributable.....

Common Stock Dividend Distributable.....
Common Stock \$10 ParValue.....

Preferred stocks



A preferred stock usually carries a preference for dividends, meaning that preferred stockholders are allocated their dividends before any dividends allocated to common stockholders.



Cumulative preferred stock

Has a right to be paid both the current and all prior periods' unpaid dividends before any dividend is paid to common stockholders.

Non-cumulative preferred stock

No right to prior periods' unpaid dividends if they were not declared in those prior periods.

Treasury Stock



Treasury stock, or reacquired stock, is the previously issued, outstanding shares of stock which a company repurchased or bought back from shareholders.

Case 1

- **Jan. 1** Purchased 40,000 shares of treasury stocks at \$15 per share.
- **Mar. 1** Sold 30,000 treasury shares at \$20 cash per share.
- **June. 1** Sold the remaining shares of treasury stock at \$10 cash per share.

Required

- Prepare journal entries to record these transactions.

General Journal			
Date	Account Name	Debit	Credit

Case 2

- **Jan. 1** Purchased 2,000 shares of treasury stocks at \$25 per share.
- **Mar. 1** Sold 500 treasury shares at \$30 cash per share.
- **June. 1** Sold 1,500 shares of treasury stock at \$23 cash per share.

Required

- Prepare journal entries to record these transactions.

General Journal			
Date	Account Name	Debit	Credit



Case 3

- **Jan. 1** Purchased 50,000 shares of treasury stocks at \$12 per share.
- **Mar. 1** Sold 40,000 treasury shares at \$12 cash per share.
- **June. 1** Sold the remaining shares of treasury stock at \$10 cash per share.

Required

- Prepare journal entries to record these transactions.

General Journal			
Date	Account Name	Debit	Credit

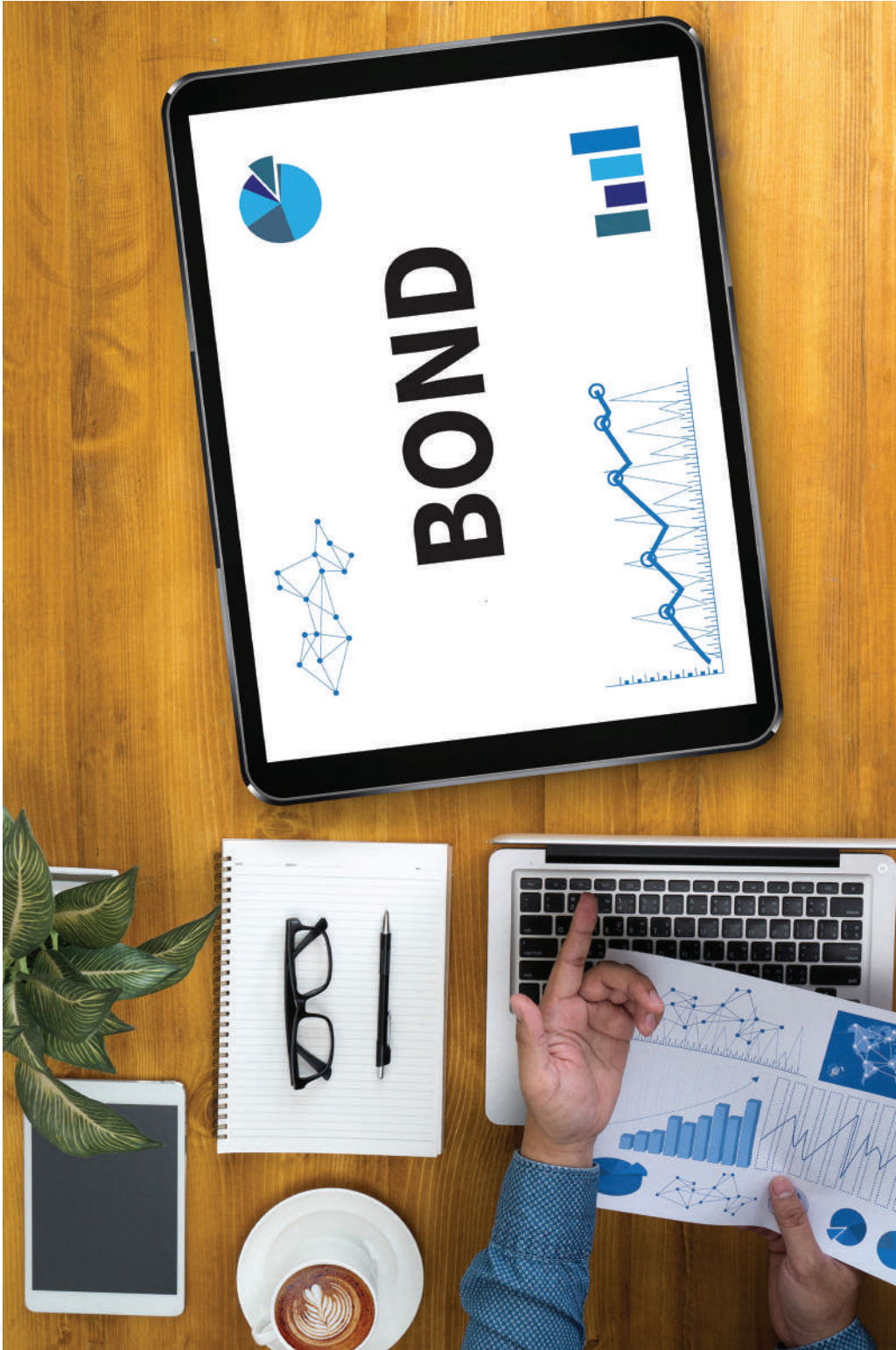
Preferred Stock Retirement

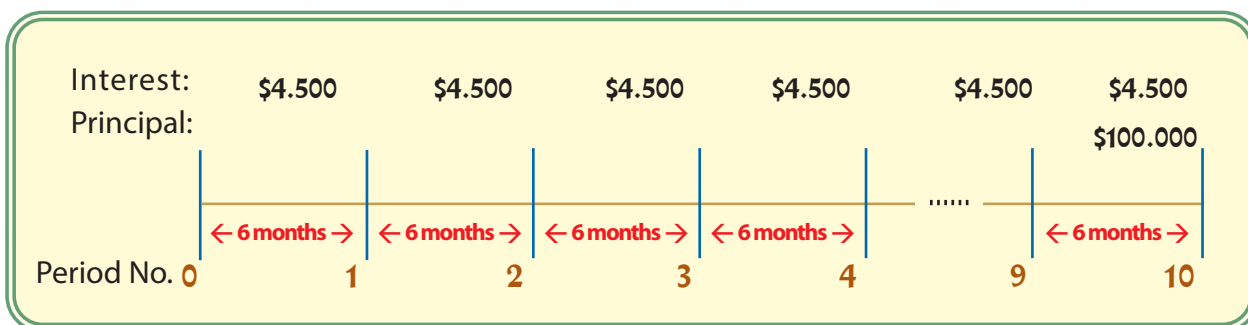
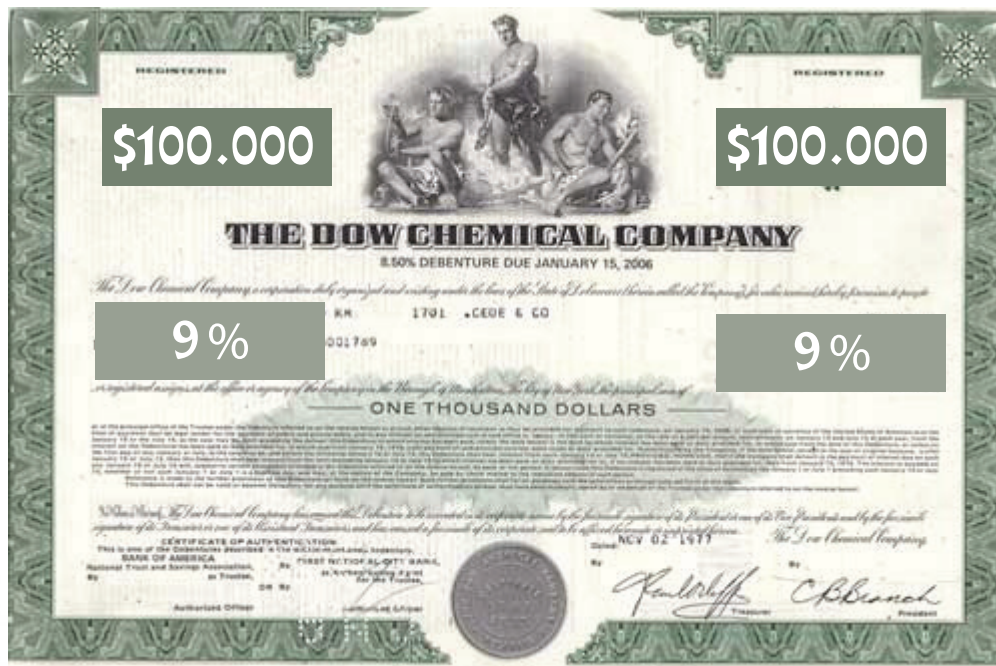
The corporation can purchase its own preferred stock and retire it. Retiring stock reduces the number of issued shares.





Bond





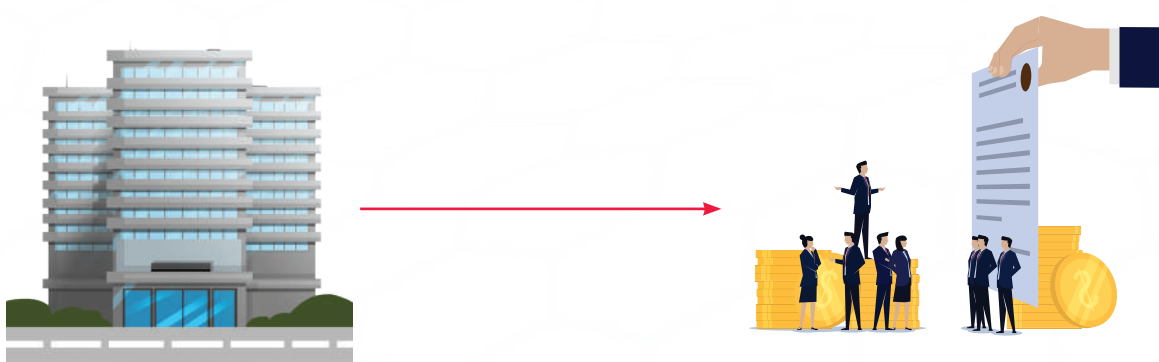
Governments issue bonds to finance their activities. In this chapter will explain the basics of bonds and the accounting for their issuance and retirement, as another financing source.

There are several advantages for issuing bonds instead of stock. Companies issue bonds because it is a way to raise needed capital without losing ownership in the company. The interest on bonds is tax deductible, which reducing the actual taxes paid by the company. Issuing bonds can increase the return on equity if the company earns a higher return on the borrowed funds than it pays in interest. On the other side of the issue, there are some disadvantages to issuing bonds. Bonds require regular payment of interest and repayment of the principal borrowed. These required cash

payments may be difficult if a company faces difficult cash flows. Bonds can also decrease the return on equity if the company pays more in interest than it earns on the borrowed funds. Bonds are securities that can be readily bought and sold. Since bonds are bought and sold in the market, they have a market value, or price.

A company sells its bonds to an investment firm called an underwriter. When an underwriter sells bonds to a large number of investors, a trustee monitors the bond issue and protects the bondholders' interests.

BOND ISSUING PROCEDURES



A company sells the bonds to...

...an investment firm called an underwriter. The underwriter sells the bonds to...



... investors



A trustee monitors the bond issued.

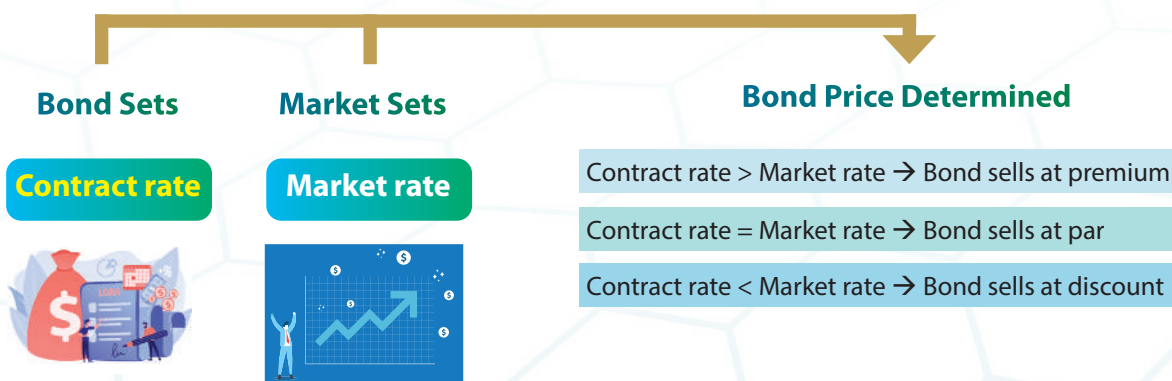
On the issue date, the bondholders give the company the market value, or selling price of the bond. The company gives the bondholders a bond certificate.

At regularly scheduled dates during the life of the bond, the company pays the bondholders interest. Interest is calculated as Bond Par Value times the Stated Interest Rate on the bond times the length of time the bond has been outstanding during the year. Just like all interest rates, the stated interest rate is expressed on an annual basis. At the maturity date, the company pays the bondholders the bond's par value.

Bond Interest Payments



Relation between Bond Issue Price, Contract Rate, and Market Rate





Student Activities

Partnerships

Activity 1

Ahmed, Ali, and Abdallah invested cash \$32,500, \$45,500, and \$52,000 respectively in a partnership. During the first year 2017 the company earned \$391,200.

Required

1. Prepare journal entries to record the partners' investment in January 1, 2017.
2. Prepare the entry to close the firm's Income Summary account in December 31, 2017 to allocate the \$391,200 net income to the partners under:
 - a. Have no agreement to share the income and loss.
 - b. Agreed to share income and loss in the ratio of their beginning capital.
 - c. Agreed to share income and loss by providing annual salary allowances of \$40,000 to Ahmed, \$35,000 to Ali and \$46,000 to Abdalla. Also, 8% interest on their beginning capital, and share the remainder equally.

Solution

2- a

General Journal			
Date	Account Name	Debit	Credit

2- b

	Balance	Ratio	Income	Allocation
Mohamed, Capital				
Ali, Capital				
Abdallah, Capital	_____	_____		_____
Totals	_____	_____		_____

2- c

Income Distribution

Date	Event	Ahmed	Ali	Mohamed	Total	Remaining
	Net Income					.....
	Salary Allowances	.....	.....	.....	.....	.....
	Interest Allowances 8%	.....	.....	.....	.....	.....
	Equal Allocation	.....	.....	.....	.....	.....
	Income to each Partner	.....	.....	.....	.....

Activity 2

Meshal, Khaled, and Mohamed invested cash \$142,500, \$118,750, and \$213,750 respectively in a partnership. During the first year 2017 the company earned \$210,000.

Required

1. Prepare journal entries to record the partners' investment in January 1, 2017.
2. Prepare the entry to close the firm's Income Summary account in December 31, 2017 to allocate the \$210,000 net income to the partners under:
 - a. Have no agreement to share the income and loss.
 - b. Agreed to share income and loss in the ratio of their beginning capital.
 - c. Agreed to share income and loss by providing annual salary allowances of \$38,000 to Meshal, \$28,000 to Khaled and \$43,000 to Mohamed. Also, 10% interest on their beginning capital, and share the remainder equally.

Solution

2- a

General Journal			
Date	Account Name	Debit	Credit

•

2- b

	Balance	Ratio	Income	Allocation
Meshal, Capital				
Khaled, Capital				
Mohamed, Capital	_____	_____		_____
Totals	_____	_____		_____

2- c

Income Distribution

Date	Event	Meshal	Khaled	Mohamed	Total	Remaining
	Net Income					.....
	Salary Allowances	.....	.....	.....	.....	.....
	Interest Allowances 10%	.....	.....	.....	.....	.....
	Equal Allocation	.....	.....	.....	.....	.....
	Income to each Partner	.....	.....	.....	.....

Activity 3

Mohamed, Ahmed, and Hassan invested \$40,000, \$56,000, and \$64,000, respectively, in a partnership. During its first calendar year 2017, the firm made \$40,000 loss.

Required

1. Prepare journal entries to record the partners' investment in January 1.
2. Prepare the entry to close the firm's Income Summary account in December 31, 2017 to allocate the net loss to the partners under following assumptions:
 - a. Have no agreement to share the income and loss.
 - b. Agreed to share income and loss in the ratio of their beginning capital.
 - c. Agreed to share income and loss by providing annual salary allowances of \$10,000 to Mohamed, \$10,000 to Ahmed and \$10,000 to Hassan. Also, granting 10% interest on their beginning capital, and share the remainder equally.

Solution

1-

General Journal			
Date	Account Name	Debit	Credit

2- b

	Balance	Ratio	loss	Allocation
Mohamed, Capital				
Ahmed, Capital				
Hassan, Capital	_____	_____		_____
Totals	_____	_____		_____

2- c

Income Distribution

Date	Event	Mohamed	Ahmed	Hassan	Total	Remaining
	Net Loss					.....
	Salary Allowances	.....	.....	.....	.....	.....
	Interest Allowances 10%	.....	.....	.....	.....	.....
	Equal Allocation	.....	.....	.....	.....	.....
	Loss to each Partner	.....	.....	.....	.....

Activity 4

The Jarir Partnership has total partners' equity of \$558,000 which represent Ali, capital \$392,000 and Ahmed, Capital 166,000. The partner share net income and loss in a ratio of 85% to Ali and 15% to Ahmed. In November 1, 2017, Meshal is admitted to the partnership and given a 10% interest in equity and a 10% share in any income and loss.

Required

Prepare the journal entry to record the admission of Meshal under each of the following assumptions. Any bonus to be shared equally:

1. Meshal invests cash of \$62,000.
2. Meshal invests cash of \$97,000.
3. Meshal invests cash of \$32,000.

Solution

1-

General Journal			
Date	Account Name	Debit	Credit

Equity of Ali and Ahmed	_____
Investment by Meshal	_____
Total partnership equity	_____
Meshal's ownership percent	_____
Meshal's ownership balance	_____

2-

General Journal			
Date	Account Name	Debit	Credit

Equity of Ali and Ahmed	_____
Investment by Meshal	_____
Total partnership equity	_____
Meshal's ownership percent	_____
Meshal's ownership balance	_____

3-

General Journal			
Date	Account Name	Debit	Credit

Equity of Ali and Ahmed	_____
Investment by Meshal	_____
Total partnership equity	_____
Meshal's ownership percent	_____
Meshal's ownership balance	_____

Activity 5

Assem, Walid, and Rashid have been partners while sharing net income and loss in a 5:4:1 ratio. In January 31, 2017, the date Rashid retires from the partnership, the equities of the partners are Assem \$330,000 Walid \$231,000 and Rashid \$165,000.

Required

Prepare the journal entry to record Rashid's retirement under each of the following assumptions. Any bonus is attributable to the withdrawing or remaining partners and is divided equally:

1. Rashid is paid for his equity cash of \$165,000.
2. Rashid is paid for his equity cash of \$192,000.
3. Rashid is paid for his equity cash of \$129,000.

Solution

1-

General Journal			
Date	Account Name	Debit	Credit

2-

General Journal

Date	Account Name	Debit	Credit



General Journal			
Date	Account Name	Debit	Credit

Activity 6

Ahmed and Mohamed organize a partnership on January 1, 2017. Ahmed's initial net investment is \$60,000, consisting of cash \$14,000, equipment \$66,000, and a note payable reflecting a bank loan for the new business \$20,000. Mohamed's initial investment is cash of \$40,000. These amounts are the values agreed on by both partners.

In January 1, 2018, Ahmed agrees to sell Meshal \$20,000 of his partnership for \$25,000 cash. Mohamed agrees with this.

In March 1, 2018, the partners agree to accept Hassan as a partner upon his investment of \$60,000 cash in the partnership. Hassan is to receive a 20% ownership interest in the new partnership. Any bonus is attributable to the existing partners and is shared equally.

Required

1. Prepare journal entries to record the partners' investment in January 1, 2017.
2. Prepare the entry to close the firm's Income Summary account as of its December 31 year-end and to allocate the \$60,000 net income to the partners if they agreed to share income and loss in the ratio of their beginning capital investments.
3. Prepare journal entries to record the new partners' investment in 2018.

Solution

1-

General Journal			
Date	Account Name	Debit	Credit

2-

General Journal			
Date	Account Name	Debit	Credit

	Balance	Ratio	Income	Allocation
Ahmed, Capital				
Mohamed, Capital	_____	_____		_____
Totals	_____	_____		_____

3-

General Journal			
Date	Account Name	Debit	Credit

Equity of Ahmed, Mohamed, and Meshal =

Equity of Ahmed, Mohamed, and Meshal	_____
Investment by Hassan	_____
Total partnership equity	_____
Hassan's ownership percent	_____
Hassan's ownership balance	=====

Activity 7

Ahmed and Mohamed organize a partnership in January 1, 2016. Ahmed's investment is consisting of cash (\$15,000), equipment (\$60,000), and a note payable for the new business (\$15,000). Mohamed's initial investment is cash of \$30,000 and \$30,000 equipment. These amounts are the values agreed on by both partners.

The partnership's income for the year is \$30,000 and they agreed to share income and loss equally.

In Feb. 1, 2017, Ahmed agrees to sell Meshal \$30,000 of his partnership for \$30,000 cash. Mohamed agrees with this. The partnership's income for the year is \$20,000 and they agreed to share income and loss in the ratio of their beginning capital investments.

In March 1, 2018, Ahmed decides to withdraw from the partnership and paid for his capital cash.

In April 1, 2018, the partners agree to accept Hassan as a partner upon his investment of \$51,000 cash in the partnership. Hassan is to receive a 30% ownership interest in the new partnership. Any bonus is attributable to the existing partners and is shared equally. The partnership's loss for the year is \$10,000 and they agreed to share income and loss equally after Mohamed, Meshal and Hassan receive \$5,000 salary allowances.

Required

Prepare the required journal entries.

Calculation

1.
.....
.....

2.
.....
.....

3.
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.....

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-----	-----	-----		-----

4.

-----	_____
-----	_____
-----	_____
-----	_____
-----	_____

Income Distribution

.....

Activity 8

Ali, Ahmed, and Meshal share income and loss in a 3:2:1 ratio. The partners have decided to liquidate their partnership. On the day of liquidation their balance sheet appears as follows.

A.A.M Company			
Balance sheet			
31-May-2020			
Assets		Liabilities and Equity	
Cash	\$199,100	Accounts Payable	\$258,000
Inventory	548,400	Ali, Capital	97,900
		Ahmed, Capital	220,275
		Meshal, Capital	171,325
Total Assets	\$747,500	Total Liabilities and Equity	\$747,500

Required

Prepare the journal entry for (a) the sale of inventory, (b) the allocation of its gain or loss, (c) the payment of liabilities at book value, and (d) the distribution of cash in each of the following separate cases:

1. Inventory is sold for \$625,200.
2. Inventory is sold for \$452,400.
3. Inventory is sold for \$321,000 and any partners with capital deficits pay in the amount of their deficits.
4. Inventory is sold for \$249,000 and the partners have no assets other than those invested in the partnerships.

1-

General Journal			
Date	Account Name	Debit	Credit

.....

Your Calculations

Solution

2-

General Journal			
Date	Account Name	Debit	Credit

• -----

Your Calculations

Your Calculations

Your Calculations

Activity 9

1. Rashid and Mohamed organize a partnership in January 1, 2016, Called JFK Co. Rashid's investment is consisting of cash \$10,000, land \$100,000, supplies \$37,500, and a note payable for the new business \$10,000. Mohamed's initial investment is cash of \$112,500. These amounts are the values agreed on by both partners. The partnership's income for the year is \$30,000 and they agreed to share income and loss equally.
2. In Feb. 1, 2017, Rashid agrees to sell Meshal \$30,000 of his partnership. The partnership's income for the year is \$20,000 and they agreed to share income and loss in the ratio of their beginning capital investments.
3. In March 1, 2018, Rashid retired from the partnership and paid for his capital. In April 1, 2018, the partners agree to accept Hassan as a partner upon his investment of \$50,000 cash in the partnership. Hassan is to receive a 30% ownership interest in the new partnership. Any bonus is attributable to the existing partners and is shared equally. The partnership's income for the year is \$15,000 and they agreed to share income and loss in the ratio of their capital after Mohamed, Meshal and Hassan had received \$5,000 salary allowances for each one.
4. In March 31, 2019, the partners have decided to liquidate their partnership. In the day of liquidation their balance sheet appears as follows.

JFK Company			
Balance sheet			
31-March-2019			
Assets		Liabilities and Equity	
Cash	\$233,700	Accounts Payable	\$100,000
Land	100,000	Mohamed, Capital	-----
		Meshal, Capital	-----
		Hassan, Capital	-----
Total Assets	\$333,700	Total Liabilities and Equity	\$333,700

Required

1. Prepare the required journal entries.
2. Prepare the journal entry for the sale of land, the allocation of its gain or loss, the payment of liabilities at book value, and the distribution of cash in each of the following separate cases:
 - a. Land is sold for \$90,000.
 - b. Land is sold for \$120,000.

Calculation

2.

	Balance	Ratio	Income	Allocation
Rashid, Capital				
Mohamed, Capital				
Meshal, Capital	_____	_____		_____
Totals	_____	_____		_____

3.

Equity of Mohamed, and Meshal	_____
Investment by Hassan	_____
Total partnership equity	_____
Hassan's ownership percent	_____
Hassan's equity balance	_____

Income Distribution

Date	Event	Mohamed	Meshal	Hassan	Total	Remaining
	Net Income					.....
	Salary Allowances	.....	.....	.....	.....	.....
	Allocation	.....	.....	.....	.....	.....
	Income to each Partner	.....	.....	.....	.....

4.

	Balance	Ratio	Loss	Allocation
Mohamed, Capital				
Meshal, Capital				
Hassan, Capital	_____	_____		_____
Totals	_____	_____		_____

Activity 10

Rashid and **Mohamed** organize a partnership in January 1, 2016, Called **JFK Co.** Rashid's investment is consisting of cash \$100,000, land \$100,000, supplies \$30,000, and a note payable for the new business \$30,000.

Mohamed's initial investment is cash of \$100,000 and supplies \$50,000.

Rashid will devote one-half time and Mohamed will devote full time. The partnership's income for the year is \$15,000 and they agreed to share income and loss in proportion to the time devoted to the business.

In Feb. 1, 2017, Rashid agrees to sell Meshal 20% of his partnership. The partnership's income for the year is \$20,000 and they agreed to share income and loss in the ratio of their beginning capital investments.

In March 1, 2018, Rashid retired from the partnership and paid for his capital.

In April 1, 2018, the partners agree to accept Hassan as a partner upon his investment of \$100,000 cash in the partnership. Hassan is to receive a 40% ownership interest in the new partnership. Any bonus is attributable to the existing partners and is shared equally. The partnership's loss for the year is \$10,000 and they agreed to share income and loss in the ratio of their capital after Mohamed had received \$5,000 salary allowances.

In March 31, 2019, the partners have decided to liquidate their partnership. In the day of liquidation their balance sheet appears as follows.

JFK Company			
Balance sheet			
31-March-2019			
Assets		Liabilities and Equity	
Cash	----?----\$	Accounts Payable	\$100,000
Land	100,000	Mohamed, Capital	-----?-----
		Meshal, Capital	-----?-----
		Hassan, Capital	-----?-----
Total Assets	-----\$	Total Liabilities and Equity	-----\$

Required

Prepare the required journal entries and find the missing capital amount, if the Land is sold for \$100,000 at the date of liquidation.

Solution

General Journal			
Date	Account Name	Debit	Credit

Calculation

1.

	Balance	Ratio	Income	Allocation
Rashid, Capital				
Mohamed, Capital				
Totals	_____	_____		_____

2.

	Balance	Ratio	Income	Allocation
Rashid, Capital				
Mohamed, Capital				
Meshal, Capital	_____	_____		_____
Totals	_____	_____		_____

3.

Equity of Mohamed, and Meshal	_____
Investment by Hassan	_____
Total partnership equity	_____
Hassan's ownership percent	_____
Hassan's equity balance	_____

Loss Distribution

Date	Event	Mohamed	Meshal	Hassan	Total	Remaining
	Net Loss					.....
	Salary Allowances	.....	.....	.....	.....	.....
	Allocation	.....	.....	.....	.....	.....
	Loss to each Partner	.....	.....	.....	.....



Student Activities

Inventories and Cost of Sales

Activity 1

Jarir company reported the following March purchases and sales data for its only product.

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Mar. 1	Beginning inventory.....	150 units @ \$7.00 = \$1,050	
Mar. 10	Sales.....		90 units @ \$15
Mar. 20	Purchase.....	220 units @ \$6.00 = \$1,320	
Mar. 25	Sales.....		145 units @ \$15
Mar. 30	Purchase.....	90 units @ \$5.00 = \$450	
Totals.....		460 units \$2,820	235 units

Required

- Jarir uses a perpetual inventory system. Determine the cost assigned to ending inventory and to cost of goods sold using:
 - FIFO, (b) LIFO, and (c) weighted average.
- Jarir uses a periodic inventory system. Determine the cost assigned to ending inventory and to cost of goods sold using:
 - FIFO, (b) LIFO, and (c) weighted average.

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total



1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

2. Periodic inventory system

Activity 2

Jarir company reported the following purchases and sales data for its only product.

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Jan. 1	Beginning inventory.....	600 units @ \$44 = -----	
Feb. 10	Purchase.....	200 units @ \$40 = -----	
Mar. 13	Purchase.....	100 units @ \$20 = -----	
Mar. 20	Sales.....		400 units @ \$75
Aug. 30	Purchase.....	160 units @ \$60 = -----	
Sep. 5	Purchase.....	280 units @ \$48 = -----	
Sep. 10	Sales.....		200 units @ \$75
Totals.....		----- units \$-----	----- units-----

Required

- Jarir uses a perpetual inventory system. Compute cost of goods available for sale and the number of units available for sale. Determine the cost assigned to ending inventory and to cost of goods sold using:
 - FIFO,
 - LIFO, and
 - weighted average.
- Compute the Gross Profit earned by the company for each of the three costing methods in required. 1
- Jarir uses a periodic inventory system. Determine the cost assigned to ending inventory and to cost of goods sold using:
 - FIFO,
 - LIFO, and
 - weighted average.

Note: (Round per unit costs to two decimals, but inventory balances to the dollar.)

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

2. The Gross Profit

3. Periodic inventory system

Activity 3

Jarir uses a perpetual inventory system and reported the following purchases in 2020 and sales data for its only product. Sold its product at \$200

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Jan. 1	Beginning inventory.....	740 units @ \$58 = -----	
Feb. 2	Sales.....		500 units
Apr. 2	Purchase.....	700 units @ \$59 = -----	
May. 2	Sales.....		500 units
June.14	Purchase.....	600 units @ \$61 = -----	
Aug. 29	Purchase.....	500 units @ 64\$ = -----	
Sep. 5	Sales.....		
Nov. 18	Purchase.....	800 units @ \$65 = -----	
Dec. 20	Sales.....		1,000 units
Totals.....		----- units \$-----	

Required

1. Compute cost of goods available for sale and the number of units available for sale.
2. Determine the Cost of Ending Inventory and the Cost of Goods Sold using:
 - a. FIFO,
 - b. LIFO, and
 - c. weighted average.
3. Compute the Gross Profit earned by the company for each of the three costing methods in required no. 2.

Note: (Round per unit costs to two decimals, but inventory balances to the dollar.)

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

1. Perpetual Inventory System

Date	Purchases			Cost of Goods sold			Inventory Balance		
	@ Units	Cost = per unit	Total	Units @	Cost = per unit	Total	Units @	Cost = per unit	Total

2. The Gross Profit



Student Activities

Short-Term Liabilities and Notes Payable

Activity 1

2010

- **Apr.20** Purchased \$4,000 of Supplies on credit from Jarir.
- **Apr.23** Completed a work for \$15,000 cash that are subject to a 10% tax.
- **July15** Replaced the April 20 account payable to Jarir with a 60-day, \$3,600 note 15% annual interest along with paying \$400 in cash.
- **July18** Borrowed \$9,000 cash from QNB Bank by signing a 120-day, 10% interest note.

___?___ Paid the amount due on the note to Jarir at the due date.

___?___ Paid the amount due on the note to QNB Bank at the due date.
- **Dec.6** Borrowed \$16,000 cash from Doha Bank by signing a 45-day, 9% interest note.
- **Dec.31** Recorded an adjusting entry for accrued interest on the note to Doha Bank.

2011

___?___ Paid the amount due on the note to Doha Bank at the maturity date.

Required

1. Determine the due date for each of the three notes described.
2. Compute the due interest for each of the three notes.
3. Prepare journal entries for all transactions and events for years 2010 and 2011.

General Journal

Date	Account Name	Debit	Credit

Calculations

Activity 2

2010

- **Feb. 2** Purchased \$5,000 of equipment on credit from Jarir.
- **March 3** Received \$11,000 for work will perform next month.
- **Apr. 4** Completed the work for the customer who paid on March 3 included 10% tax.
- **July 7** Replaced the Feb. 2 account payable to Jarir with a 90-day, \$3,000 note 15% annual interest along with paying \$2,000 in cash.
- **Aug. 8** Borrowed \$10,000 cash from QNB Bank by signing a 120-day, 10% interest note.

___?___ Paid the amount due on the note to Jarir at the due date.

___?___ Paid the amount due on the note to QNB Bank at the due date.
- **Dec. 11** Borrowed \$15,000 cash from Doha Bank by signing a 60-day, 10% interest note.
- **Dec.31** Recorded an adjusting entry for accrued interest on the note to Doha Bank.

2011

___?___ Paid the amount due on the note to Doha Bank at the maturity date.

Required

1. Determine the due date for each of the three notes described.
2. Compute the due interest for each of the three notes.
3. Prepare journal entries for all transactions and events for years 2010 and 2011.



Student Activities

Corporations

Activity 1

JFK Corporation began operations in January 1, 2017. The following transactions relating to stockholders' equity take place in the first year of the company's operations.

2017

- **Jan. 1** Authorized the issuance of 800,000 shares of \$5 par value common stock.
- **Jan. 4** Paid \$10,000 cash to the company's founders for organization expenses.
- **Feb. 2** Issued 200,000 shares of common stock for \$12 cash per share.
- **Mar. 3** Issued 100,000 shares of common stock in exchange for a building valued at \$400,000 and merchandise inventory valued at \$100,000.
- **Apr. 5** Issued 100,000 shares of common stock for \$15 cash per share.

2018

- **Feb. 10** The board declared a \$0.25 cash dividend per share.
- **Feb. 20** Shareholders' Day of record.
- **Mar. 10** Paid the cash dividend declared in February 10.

Required

1. Prepare journal entries to record these transactions.

Activity 2

JFK Corporation began operations in January 1, 2010. The following transactions relating to stockholders' equity occurred in the first year of the company's operations.

2010

- **Jan. 1** Authorized 1 million shares of \$1 par value common stock.
- **Jan. 2** Paid \$50,000 cash to the company's founders for organization activities.
- **Jan. 3** Issued 100,000 shares of common stock for \$10 cash per share.
- **Jan. 5** Issued 300,000 shares of common stock in exchange for a Land valued at \$800,000 and equipment valued at \$200,000.
- **Jan. 10** Issued 500,000 shares of common stock for \$15 cash per share.

2011

- **Mar. 10** The board declared a \$0.50 cash dividend per share to shareholders of record March 30.
- **Apr. 30** Paid the cash dividend declared in March 10.

Required

1. Prepare journal entries to record these transactions.

Activity 5

JFK Company began year 2017 with the following balances in its stockholders' equity accounts.

Common stock — \$10 par, 500,000 shares authorized,	
200,000 shares issued and outstanding	\$2,000,000
Paid-in capital in excess of par, common stock	1,000,000
Retained earnings	5,000,000
Total	\$8,000,000

All outstanding common stock was issued for \$15 per share when the company was created.

- **Jan. 10** The board declared a \$0.10 cash dividend per share to shareholders of record Jan. 28.
- **Feb. 15** Paid the cash dividend declared in January 10.
- **Mar. 31** Declared a 20% stock dividend. The market value of the stock is \$18 per share.
- **May 1** Distributed the stock dividend declared in March 31.
- **July 1** Purchased 30,000 shares of treasury stock at \$20 per share.
- **Sept. 1** Sold 20,000 treasury shares at \$26 cash per share.
- **Dec. 1** Sold the remaining 10,000 shares of treasury stock at \$8 cash per share.

Required

1. Prepare journal entries to record these transactions.

Solution

General Journal			
Date	Account Name	Debit	Credit

Activity 6

JFK Corporation began operations in January 1, 2017. Authorized the issuance of 1,000,000 shares of \$1 par value common stock. The following transactions relating to stockholders' equity occurred in the first year of the company's operations.

2017

- **Jan. 4** Paid \$20,000 cash for legal fees and founder's fees to obtain a charter.
- **Feb. 2** Issued 100,000 shares of common stock for \$1 cash per share.
- **Mar. 3** Issued 300,000 shares of common stock in exchange for a land valued at \$400,000 and furniture valued at \$100,000.
- **Apr. 4** Issued 100,000 shares of common stock for \$10 cash per share.
- **June 6** Issued 100,000 shares of common stock for \$15 cash per share.

2018

- **Feb. 2** Assume the company had \$200,000 credit balance in the Retained Earnings Account, the board declared a \$0.25 cash dividend per share to record in 28.
- **Mar. 3** Paid the cash dividend declared.
- **Apr. 4** Purchased 50,000 shares of treasury stock at \$15 per share.
- **May 5** Issued 100,000 shares of common stock for \$15 cash per share.
- **Nov. 11** Sold 30,000 treasury shares at \$25 cash per share.
- **Dec. 1** Sold the remaining shares of treasury stock at \$10 cash per share.

- **Dec.31** Declared a 25% stock dividend. The market value of the stock is \$10 per share.
- **February 2, 2019** Distributed the stock dividend declared in December 31, 2018.

Required

1. Prepare journal entries to record these transactions.

Activity 7

JFK Corporation began operations in January 1, 2017. The following transactions relating to stockholders' equity occurred in the first year of the company's operations.

2017

- **Jan. 1** Authorized the issuance of 2 million shares of \$5 par value common stock and 100,000 shares of \$100 par value, 10% cumulative, preferred stock.
- **Feb. 2** Issued 100,000 shares of common stock for \$10 cash per share.
- **Mar. 3** Issued 100,000 shares of common stock in exchange for a land valued at \$700,000.
- **Apr. 4** Issued 10,000 shares of preferred stock for \$110 cash per share.
- **June 6** Issued 5,000 shares of preferred stock for \$110 cash per share.

2018

- **Feb. 2** Assume the company had \$200,000 credit balance in the Retained Earnings Account, the board declared a cash dividend.
- **Mar. 3** Paid the cash dividend declared.
- **Apr. 4** Purchased 40,000 shares of treasury stock at \$15 per share.
- **May 5** Issued 5,000 shares of preferred stock for \$110 cash per share.
- **Nov. 11** Sold 30,000 treasury shares at \$20 cash per share.
- **Dec. 1** Sold the remaining shares of treasury stock at \$10 cash per share.

- **Dec.31** Assume the company declares 200,000 cash dividends.
- **Feb. 5** Paid the cash dividend declared.

Required

Prepare journal entries to record these transactions.

Activity 8

Stockholders' equity of STIX Company consists of 75,000 shares of \$5 par value, 8% cumulative preferred stock and 200,000 shares of \$1 par value common stock. Both classes of stock have been outstanding since the company's inception. STIX did not declare any dividends in the prior year, but it now declares and pays a \$108,000 cash dividend at the current year-end.

Determine the amount distributed to each class of stockholders for this two-year-old company.

Activity 9

JFK Company ended year 2016 with the following balances in its stockholders' equity accounts, and no dividends paid in 2016.

Preferred stock — \$100 par, 5% cumulative, 100,000 shares authorized, 40,000 shares issued and outstanding	\$4,000,000
Common stock — \$5 par, 1,000,000 shares authorized, 600,000 shares issued and outstanding	3,000,000
Paid-in capital in excess of par, preferred stock	400,000
Paid-in capital in excess of par, common stock	1,200,000
Retained earnings	400,000
Total	\$9,000,000

2017

- **Feb. 2** Issued 100,000 shares of common stock for \$9 cash per share.
- **Mar. 3** Issued 100,000 shares of common stock in exchange for a land valued at \$500,000.
- **Apr. 4** Issued 20,000 shares of preferred stock for \$120 cash per share.
- **June 6** Issued 30,000 shares of preferred stock for \$120 cash per share.
- **Dec. 31** Net Income for the year was \$600,000.
- **Dec. 31** The company decided to not pay any dividends this year.

2018

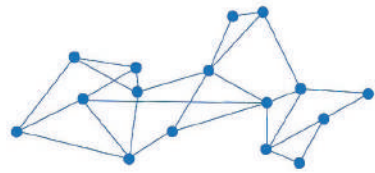
- **Apr. 4** Purchased 50,000 shares of treasury stock at \$12 per share.
- **May 5** Issued 10,000 shares of preferred stock for \$120 cash per share.
- **Nov.11** Sold 40,000 treasury shares at \$12 cash per share.
- **Dec.1** Sold the remaining shares of treasury stock at \$10 cash per share.
- **Dec. 31** Net Income for the year was \$1,000,000.
- **Dec.31** Assume the company declared 1,500,000 cash dividends.
- **Feb. 5, 2019** Paid the cash dividend declared in December 31, 2018
- **Mar. 10 2019** The company retired 10,000 shares of preferred stock at \$130

Required

Prepare journal entries to record these transactions.

Solution

General Journal			
Date	Account Name	Debit	Credit



BOND



Student Activities

LONG-TERM LIABILITIES **Bonds**

Activity 1

JFK issues bonds dated January 1, 2018, that pay interest semiannually in June 30 and December 31. The bonds have a \$1,700,000 par value and an annual contract rate of 9%, and they mature in 20 years.

Required

For each of the following three separate situations,

- a. determine the bonds' issue price in January 1, 2018, and
 1. The market rate at the date of issuance is 9%.
 2. The market rate at the date of issuance is 12%.
 3. The market rate at the date of issuance is 8%.

TABLE B.1

Present Value of 1

$$p = 1/(1 + i)^n$$

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.7972	0.7561
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6575
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5718
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.4972
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4323
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3759
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3269
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.2843
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2472
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2149
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.1869
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1625
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1413
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1229
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1631	0.1069
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1456	0.0929
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1300	0.0808
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1161	0.0703
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1037	0.0611
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0588	0.0304
30	0.7419	0.5521	0.4120	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0334	0.0151
35	0.7059	0.5000	0.3554	0.2534	0.1813	0.1301	0.0937	0.0676	0.0490	0.0356	0.0189	0.0075
40	0.6717	0.4529	0.3066	0.2083	0.1420	0.0972	0.0668	0.0460	0.0318	0.0221	0.0107	0.0037

$$p = \left[1 - \frac{1}{(1 + i)^n} \right] / i$$

TABLE B.3
Present Value of an Annuity of 1

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6257
3	2.9410	2.8939	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4019	2.2932
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.8550
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5639	4.1604
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.4873
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.7716
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502	5.0188
11	10.3676	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.2337
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.4206
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.5831
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	5.7245
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	5.8474
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	6.9740	5.9542
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.1196	6.0472
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.2497	6.1280
19	17.2260	15.6785	14.3238	13.1339	12.0853	11.1581	10.3356	9.6036	8.9501	8.3649	7.3658	6.1982
20	18.0456	16.3514	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285	8.5136	7.4694	6.2593
25	22.0232	19.5235	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226	9.0770	7.8431	6.4641
30	25.8077	22.3965	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737	9.4269	8.0552	6.5660
35	29.4086	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5668	9.6442	8.1755	6.6166
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7574	9.7791	8.2438	6.6418

Activity 2

JFK issues bonds dated January 1, 2018, that pay interest semiannually in June 30 and December 31. The bonds have a \$45,000 par value and an annual contract rate of 6%, and they mature in 6 years.

Required

For each of the following three separate situations,

- a.** determine the bonds' issue price in January 1, 2018, and
- b.** prepare the journal entry to record their issuance and second interest payment.
 - 1.** The market rate at the date of issuance is 6%.
 - 2.** The market rate at the date of issuance is 4%.
 - 3.** The market rate at the date of issuance is 8%.

1- The market rate at the date of issuance is 6%.

Solution

General Journal			
Date	Account Name	Debit	Credit

2. The market rate at the date of issuance is 4%.

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Cash Flow	Table	Table Value	Amount	Present Value
Par Value				
Interest (annuities)				
Price of Bonds				
Premium on Bonds				

General Journal			
Date	Account Name	Debit	Credit

3. The market rate at the date of issuance is 8%.

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Cash Flow	Table	Table Value	Amount	Present Value
Par Value				
Interest (annuities)				
Price of Bonds				
Discount on Bonds				

General Journal			
Date	Account Name	Debit	Credit

TABLE B.1

Present Value of 1

$$p = 1/(1 + i)^n$$

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.7972	0.7561
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6575
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5718
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.4972
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4323
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3759
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3269
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.2843
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2472
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2149
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.1869
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1625
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1413
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1229
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1631	0.1069
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1456	0.0929
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1300	0.0808
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1161	0.0703
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1037	0.0611
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0588	0.0304
30	0.7419	0.5521	0.4120	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0334	0.0151
35	0.7059	0.5000	0.3554	0.2534	0.1813	0.1301	0.0937	0.0676	0.0490	0.0356	0.0189	0.0075
40	0.6717	0.4529	0.3066	0.2083	0.1420	0.0972	0.0668	0.0460	0.0318	0.0221	0.0107	0.0037

$$p = \left[1 - \frac{1}{(1+i)^n} \right] / i$$

TABLE B.3

Present Value of an Annuity of 1

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6257
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018	2.2832
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.8550
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638	4.1604
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.4873
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.7716
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502	5.0198
11	10.3676	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.2337
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.4206
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.5831
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	5.7245
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	5.8474
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	6.9740	5.9542
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.1196	6.0472
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.2497	6.1280
19	17.2260	15.6785	14.3238	13.1339	12.0853	11.1581	10.3356	9.6036	8.9501	8.3649	7.3658	6.1982
20	18.0456	16.3514	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285	8.5136	7.4694	6.2593
25	22.0232	19.5235	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226	9.0770	7.8431	6.4641
30	25.8077	22.3965	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737	9.4269	8.0552	6.5660
35	29.4086	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5668	9.6442	8.1755	6.6166
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7574	9.7791	8.2438	6.6418

Activity 3

JFK issues bonds dated January 1, 2018, that pay interest semiannually in June 30 and December 31. The bonds have a \$100,000 par value and an annual contract rate of 8%, and they mature in 2 years.

Required

For each of the following three separate situations,

- a.** Record the issuance and third interest payment. and
- b.** Prepare the amortization table for bonds discount and premium.
 - 1.** The market rate at the date of issuance is 10%.
 - 2.** The market rate at the date of issuance is 6%.

1. The market rate at the date of issuance is 10%.

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Cash Flow	Table	Table Value	Amount	Present Value
Par Value				
Interest (annuities)				
Price of Bonds				
Discount on Bonds				

Straight-Line Amortization Table					
Date	Interest Expense	Interest Payment	Discount Amortization	Unamortized Discount	Carrying Value
1/1/2018					
6/30/2018					
12/31/2018					
6/30/2019					
12/31/2019					

General Journal			
Date	Account Name	Debit	Credit

2. The market rate at the date of issuance is 6%.

- .
- .
- .

Cash Flow	Table	Table Value	Amount	Present Value
Par Value				
Interest (annuities)				
Price of Bonds				
Premium on Bonds				

Straight-Line Amortization Table					
Date	Interest Expense	Interest Payment	Premium Amortization	Unamortized Premium	Carrying Value
1/1/2018					
6/30/2018					
12/31/2018					
6/30/2019					
12/31/2019					

General Journal			
Date	Account Name	Debit	Credit

TABLE B.1

Present Value of 1

$$p = 1/(1 + i)^n$$

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.7972	0.7561
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6575
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5718
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.4972
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4323
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3759
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3269
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.2843
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2472
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2149
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.1869
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1625
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1413
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1229
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1631	0.1069
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1456	0.0929
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1300	0.0808
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1161	0.0703
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1037	0.0611
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0588	0.0304
30	0.7419	0.5521	0.4120	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0334	0.0151
35	0.7059	0.5000	0.3554	0.2534	0.1813	0.1301	0.0937	0.0676	0.0490	0.0356	0.0189	0.0075
40	0.6717	0.4529	0.3066	0.2083	0.1420	0.0972	0.0668	0.0460	0.0318	0.0221	0.0107	0.0037

$$p = \left[1 - \frac{1}{(1+i)^n} \right] / i$$

TABLE B.3

Present Value of an Annuity of 1

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6257
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018	2.2832
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.8550
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638	4.1604
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.4873
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.7716
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502	5.0188
11	10.3676	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.2337
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.4206
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.5831
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	5.7245
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	5.8474
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	6.9740	5.9542
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.1196	6.0472
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.2497	6.1280
19	17.2260	15.6785	14.3238	13.1339	12.0853	11.1581	10.3356	9.6036	8.9501	8.3649	7.3658	6.1982
20	18.0456	16.3514	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285	8.5136	7.4694	6.2593
25	22.0232	19.5235	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226	9.0770	7.8431	6.4641
30	25.8077	22.3965	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737	9.4269	8.0552	6.5660
35	29.4086	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5668	9.6442	8.1755	6.6166
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7574	9.7791	8.2438	6.6418

Activity 4

JFK issues \$3,500,000 of 8%, 15-year bonds dated January 1, 2018, that pay interest semiannually in June 30 and December 31. The bonds are issued at a price of \$3,024,000.

Required

- a. prepare the journal entries to record the issuance and the first interest payment.
- b. prepare the first two years of an amortization table.

Activity 5

JFK issues \$800,000 of 13%, 3-year bonds dated January 1, 2018, that pay interest semiannually in June 30 and December 31. The annual market rate at the date of issuance is 12%, and the bonds are issued at a price of \$819,700.

Required

- a. prepare the journal entries to record the issuance and the first interest payment.
- b. prepare the first two years of an amortization table.

Activity 6

JFK issues bonds dated January 1, 2018, that pay interest semiannually in June 30 and December 31. The bonds have a \$100,000 par value and an annual contract rate of 8%, and they mature in 2 years.

Required

For each of the following three separate situations,

- a.** Record the issuance and third interest payment. and
 - b.** Prepare the amortization table for bonds discount and premium.
- 1.** The market rate at the date of issuance is 8%.
 - 2.** The market rate at the date of issuance is 10%.
 - 3.** The market rate at the date of issuance is 6%.

2. The market rate at the date of issuance is 10%.

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Cash Flow	Table	Table Value	Amount	Present Value
Par Value				
Interest (annuities)				
Price of Bonds				
Discount on Bonds				

Straight-Line Amortization Table					
Date	Interest Expense	Interest Payment	Discount Amortization	Unamortized Discount	Carrying Value
1/1/2018					
6/30/2018					
12/31/2018					
6/30/2019					
12/31/2019					

General Journal			
Date	Account Name	Debit	Credit

3. The market rate at the date of issuance is 6%.

- .
- .
- .

Cash Flow	Table	Table Value	Amount	Present Value
Par Value				
Interest (annuities)				
Price of Bonds				
Premium on Bonds				

Straight-Line Amortization Table					
Date	Interest Expense	Interest Payment	Premium Amortization	Unamortized Premium	Carrying Value
1/1/2018					
6/30/2018					
12/31/2018					
6/30/2019					
12/31/2019					

General Journal			
Date	Account Name	Debit	Credit

TABLE B.1

Present Value of 1

$$p = 1/(1 + i)^n$$

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.7972	0.7561
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6575
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5718
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.4972
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4323
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3759
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3269
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.2843
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2472
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2149
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.1869
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1625
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1413
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1229
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1631	0.1069
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1456	0.0929
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1300	0.0808
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1161	0.0703
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1037	0.0611
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0588	0.0304
30	0.7419	0.5521	0.4120	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0334	0.0151
35	0.7059	0.5000	0.3554	0.2534	0.1813	0.1301	0.0937	0.0676	0.0490	0.0356	0.0189	0.0075
40	0.6717	0.4529	0.3066	0.2083	0.1420	0.0972	0.0668	0.0460	0.0318	0.0221	0.0107	0.0037

$$p = \left[1 - \frac{1}{(1+i)^n} \right] / i$$

TABLE B.3

Present Value of an Annuity of 1

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6257
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018	2.2832
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.8550
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638	4.1604
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.4873
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.7716
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502	5.0188
11	10.3676	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.2337
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.4206
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.5831
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	5.7245
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	5.8474
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	6.9740	5.9542
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.1196	6.0472
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.2497	6.1280
19	17.2260	15.6785	14.3238	13.1339	12.0853	11.1581	10.3356	9.6036	8.9501	8.3649	7.3658	6.1982
20	18.0456	16.3514	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285	8.5136	7.4694	6.2593
25	22.0232	19.5235	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226	9.0770	7.8431	6.4641
30	25.8077	22.3965	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737	9.4269	8.0552	6.5660
35	29.4086	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5668	9.6442	8.1755	6.6166
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7574	9.7791	8.2438	6.6418

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