

Prof. Aida R. Lozada Rivera, CPA, MBA, Ph.D.

aida.lozada@upr.edu

**University of Puerto Rico
Río Piedras Campus
Business School**



LIABILITIES:

DEFINITION

It is a present responsibility to sacrifice assets in the future because of a transaction or other event that happened in the past.

Characteristics

- Are probable, future sacrifices (assets or benefits)
- Arise from present obligations
- Result from past transactions or events

This presentation contains information, in addition to the material prepared and provided by the professor, from:

1. Financial Accounting, David Spiceland, 6th Ed., McGraw-Hill
2. Intermediate Accounting, David Spiceland, 11th Ed., McGraw-Hill
3. Intermediate Accounting, Donald Kieso, 18th Ed., Wiley
4. Other: Official Websites

NON CURRENT LIABILITIES:

It takes more than one period to pay the full amount or PRINCIPAL

LIABILITIES:

ORIGIN

1. Loans, Borrowings, Notes, Bonds) (%)
2. Issue Bonds Payable
3. Leases
4. Pensions

LIABILITIES: CONTINGENT LIABILITIES

➤ **Accrued if = Record Journal Entry**

- Probable
- Reasonable estimate
- Disclosure

➤ **Journal Entry**

Dr. Contingent Loss

Cr. Contingent Liability

➤ **Disclosure if**

- Reasonably Possible

NON CURRENT LIABILITIES: BONDS PAYABLE

ISSUING/SELLING A BOND



BORROW TO MANY INVESTORS

NON CURRENT LIABILITIES: BONDS PAYABLE

Ratings agencies research the financial health of each bond issuer (including issuers of municipal bonds) and assign ratings to the bonds being offered. Each agency has a similar hierarchy to help investors assess that bond's credit quality compared to other bonds. Bonds with a rating of BBB- (on the Standard & Poor's and Fitch scale) or Baa3 (on Moody's) or better are considered "investment-grade." Bonds with lower ratings are considered "speculative" and often referred to as "high-yield" or "junk" bonds. <https://www.fidelity.com/learning-center/investment-products/fixed-income-bonds/bond-ratings>

Investment grade	Moody's	Standard & Poor's	Fitch
Strongest	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

NON CURRENT LIABILITIES: BONDS PAYABLE

PRESENT VALUE FUTURE CASH FLOWS: INTEREST PAYMENT \$ ---- \leftarrow $\frac{Y1}{}$ (INTEREST PAYMENT = PRINCIPAL X COUPON RATE) X FACTOR (PV TABLE : ORDINARY ANNUITY) \rightarrow Yn

+

PRESENT VALUE FUTURE CASH FLOWS: PRINCIPAL \$ ---- \leftarrow $\frac{Y1}{}$ (PRINCIPAL FROM BOND INDENTURE) X FACTOR (PV TABLE OF \$1) \rightarrow Yn

=

SELLING PRICE
(CASH RECEIVED) \$ -----

NON CURRENT LIABILITIES: BONDS PAYABLE

ISSUED AT PAR VALUE

Then:

1. Bond Price = Principal

2. Coupon Rate = Market Rate

3. Interest Expense = Cash Interest Payment

NON CURRENT LIABILITIES: BONDS PAYABLE

ISSUED AT PREMIUM

Then:

1. Bond Price $>$ Principal
2. Coupon Rate $>$ Market Rate
3. Interest Expense \neq Cash Interest Payment

NON CURRENT LIABILITIES: BONDS PAYABLE

ISSUED AT DISCOUNT

Then:

1. Bond Price $<$ Principal
2. Coupon Rate $<$ Market Rate
3. Interest Expense \neq Cash Interest Payment

P e r i o d s	PRESENT VALUE OF ORDINARY ANNUITY (annuity in arrears -- end of period payments)																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	1.99252	1.98510	1.97772	1.97040	1.95588	1.94156	1.92742	1.91347	1.88609	1.85941	1.83339	1.80802	1.78326	1.75911	1.73554	1.71252	1.69005
3	2.98506	2.97025	2.95556	2.94099	2.91220	2.88388	2.85602	2.82861	2.77509	2.72325	2.67301	2.62432	2.57710	2.53129	2.48685	2.44371	2.40183
4	3.97512	3.95050	3.92611	3.90197	3.85438	3.80773	3.76197	3.71710	3.62990	3.54595	3.46511	3.38721	3.31213	3.23972	3.16987	3.10245	3.03735
5	4.96272	4.92587	4.88944	4.85343	4.78264	4.71346	4.64583	4.57971	4.45182	4.32948	4.21236	4.10020	3.99271	3.88965	3.79079	3.69590	3.60478
6	5.94785	5.89638	5.84560	5.79548	5.69719	5.60143	5.50813	5.41719	5.24214	5.07569	4.91732	4.76654	4.62288	4.48592	4.35526	4.23054	4.11141
7	6.93052	6.86207	6.79464	6.72819	6.59821	6.47199	6.34939	6.23028	6.00205	5.78637	5.58238	5.38929	5.20637	5.03295	4.86842	4.71220	4.56376
8	7.91074	7.82296	7.73661	7.65168	7.48593	7.32548	7.17014	7.01969	6.73274	6.46321	6.20979	5.97130	5.74664	5.53482	5.33493	5.14612	4.96764
9	8.88852	8.77906	8.67158	8.56602	8.36052	8.16224	7.97087	7.78611	7.43533	7.10782	6.80169	6.51523	6.24689	5.99525	5.75902	5.53705	5.32825
10	9.86386	9.73041	9.59958	9.47130	9.22218	8.98259	8.75206	8.53020	8.11090	7.72173	7.36009	7.02358	6.71008	6.41766	6.14457	5.88923	5.65022
11	10.83677	10.67703	10.52067	10.36763	10.07112	9.78685	9.51421	9.25262	8.76048	8.30641	7.88687	7.49867	7.13896	6.80519	6.49506	6.20652	5.93770
12	11.80725	11.61893	11.43491	11.25508	10.90751	10.57534	10.25776	9.95400	9.38507	8.86325	8.38384	7.94269	7.53608	7.16073	6.81369	6.49236	6.19437
13	12.77532	12.55615	12.34235	12.13374	11.73153	11.34837	10.98318	10.63496	9.98565	9.39357	8.85268	8.35765	7.90378	7.48690	7.10336	6.74987	6.42355
14	13.74096	13.48871	13.24302	13.00370	12.54338	12.10625	11.69091	11.29607	10.56312	9.89864	9.29498	8.74547	8.24424	7.78615	7.36669	6.98187	6.62817
15	14.70420	14.41662	14.13699	13.86505	13.34323	12.84926	12.38138	11.93794	11.11839	10.37966	9.71225	9.10791	8.55948	8.06069	7.60608	7.19087	6.81086
16	15.66504	15.33993	15.02431	14.71787	14.13126	13.57771	13.05500	12.56110	11.65230	10.83777	10.10590	9.44665	8.85137	8.31256	7.82371	7.37916	6.97399
17	16.62348	16.25863	15.90502	15.56225	14.90765	14.29187	13.71220	13.16612	12.16567	11.27407	10.47726	9.76322	9.12164	8.54363	8.02155	7.54879	7.11963
18	17.57953	17.17277	16.77918	16.39827	15.67256	14.99203	14.35336	13.75351	12.65930	11.68959	10.82760	10.05909	9.37189	8.75563	8.20141	7.70162	7.24967
19	18.53320	18.08236	17.64683	17.22601	16.42617	15.67846	14.97889	14.32380	13.13394	12.08532	11.15812	10.33560	9.60360	8.95011	8.36492	7.83929	7.36578
20	19.48449	18.98742	18.50802	18.04555	17.16864	16.35143	15.58916	14.87747	13.59033	12.46221	11.46992	10.59401	9.81815	9.12855	8.51356	7.96333	7.46944
21	20.43340	19.88798	19.36280	18.85698	17.90014	17.01121	16.18455	15.41502	14.02916	12.82115	11.76408	10.83553	10.01680	9.29224	8.64869	8.07507	7.56200
22	21.37995	20.78406	20.21121	19.66038	18.62082	17.65805	16.76541	15.93692	14.45112	13.16300	12.04158	11.06124	10.20074	9.44243	8.77154	8.17574	7.64465
23	22.32414	21.67568	21.05331	20.45582	19.33086	18.29220	17.33211	16.44361	14.85684	13.48857	12.30338	11.27219	10.37106	9.58021	8.88322	8.26643	7.71843
24	23.26598	22.56287	21.88915	21.24339	20.03041	18.91393	17.88499	16.93554	15.24696	13.79864	12.55036	11.46933	10.52876	9.70661	8.98474	8.34814	7.78432
25	24.20547	23.44564	22.71876	22.02316	20.71961	19.52346	18.42438	17.41315	15.62208	14.09394	12.78336	11.65358	10.67478	9.82258	9.07704	8.42174	7.84314
30	28.86787	27.79405	26.77508	25.80771	24.01584	22.39646	20.93029	19.60044	17.29203	15.37245	13.76483	12.40904	11.25778	10.27365	9.42691	8.69379	8.05518
35	33.47243	32.03537	30.68266	29.40858	27.07559	24.99862	23.14516	21.48722	18.66461	16.37419	14.49825	12.94767	11.65457	10.56682	9.64416	8.85524	8.17550
40	38.01986	36.17223	34.44694	32.83469	29.91585	27.35548	25.10278	23.11477	19.79277	17.15909	15.04630	13.33171	11.92461	10.75736	9.77905	8.95105	8.24378
50	46.94617	44.14279	41.56645	39.19612	34.99969	31.42361	28.36231	25.72976	21.48218	18.25593	15.76186	13.80075	12.23348	10.96168	9.91481	9.04165	8.30450

P e r i o d s	PRESENT VALUE OF \$1																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	0.99502	0.99007	0.98517	0.98030	0.97066	0.96117	0.95181	0.94260	0.92456	0.90703	0.89000	0.87344	0.85734	0.84168	0.82645	0.81162	0.79719
3	0.99254	0.98515	0.97783	0.97059	0.95632	0.94232	0.92860	0.91514	0.88900	0.86384	0.83962	0.81630	0.79383	0.77218	0.75131	0.73119	0.71178
4	0.99006	0.98025	0.97055	0.96098	0.94218	0.92385	0.90595	0.88849	0.85480	0.82270	0.79209	0.76290	0.73503	0.70843	0.68301	0.65873	0.63552
5	0.98759	0.97537	0.96333	0.95147	0.92826	0.90573	0.88385	0.86261	0.82193	0.78353	0.74726	0.71299	0.68058	0.64993	0.62092	0.59345	0.56743
6	0.98513	0.97052	0.95616	0.94205	0.91454	0.88797	0.86230	0.83748	0.79031	0.74622	0.70496	0.66634	0.63017	0.59627	0.56447	0.53464	0.50663
7	0.98267	0.96569	0.94904	0.93272	0.90103	0.87056	0.84127	0.81309	0.75992	0.71068	0.66506	0.62275	0.58349	0.54703	0.51316	0.48166	0.45235
8	0.98022	0.96089	0.94198	0.92348	0.88771	0.85349	0.82075	0.78941	0.73069	0.67684	0.62741	0.58201	0.54027	0.50187	0.46651	0.43393	0.40388
9	0.97778	0.95610	0.93496	0.91434	0.87459	0.83676	0.80073	0.76642	0.70259	0.64461	0.59190	0.54393	0.50025	0.46043	0.42410	0.39092	0.36061
10	0.97534	0.95135	0.92800	0.90529	0.86167	0.82035	0.78120	0.74409	0.67556	0.61391	0.55839	0.50835	0.46319	0.42241	0.38554	0.35218	0.32197
11	0.97291	0.94661	0.92109	0.89632	0.84893	0.80426	0.76214	0.72242	0.64958	0.58468	0.52679	0.47509	0.42888	0.38753	0.35049	0.31728	0.28748
12	0.97048	0.94191	0.91424	0.88745	0.83639	0.78849	0.74356	0.70138	0.62460	0.55684	0.49697	0.44401	0.39711	0.35553	0.31863	0.28584	0.25668
13	0.96806	0.93722	0.90743	0.87866	0.82403	0.77303	0.72542	0.68095	0.60057	0.53032	0.46884	0.41496	0.36770	0.32618	0.28966	0.25751	0.22917
14	0.96565	0.93256	0.90068	0.86996	0.81185	0.75788	0.70773	0.66112	0.57748	0.50507	0.44230	0.38782	0.34046	0.29925	0.26333	0.23199	0.20462
15	0.96324	0.92792	0.89397	0.86135	0.79985	0.74301	0.69047	0.64186	0.55526	0.48102	0.41727	0.36245	0.31524	0.27454	0.23939	0.20900	0.18270
16	0.96084	0.92330	0.88732	0.85282	0.78803	0.72845	0.67362	0.62317	0.53391	0.45811	0.39365	0.33873	0.29189	0.25187	0.21763	0.18829	0.16312
17	0.95844	0.91871	0.88071	0.84438	0.77639	0.71416	0.65720	0.60502	0.51337	0.43630	0.37136	0.31657	0.27027	0.23107	0.19784	0.16963	0.14564
18	0.95605	0.91414	0.87416	0.83602	0.76491	0.70016	0.64117	0.58739	0.49363	0.41552	0.35034	0.29586	0.25025	0.21199	0.17986	0.15282	0.13004
19	0.95367	0.90959	0.86765	0.82774	0.75361	0.68643	0.62553	0.57029	0.47464	0.39573	0.33051	0.27651	0.23171	0.19449	0.16351	0.13768	0.11611
20	0.95129	0.90506	0.86119	0.81954	0.74247	0.67297	0.61027	0.55368	0.45639	0.37689	0.31180	0.25842	0.21455	0.17843	0.14864	0.12403	0.10367
21	0.94892	0.90056	0.85478	0.81143	0.73150	0.65978	0.59539	0.53755	0.43883	0.35894	0.29416	0.24151	0.19866	0.16370	0.13513	0.11174	0.09256
22	0.94655	0.89608	0.84842	0.80340	0.72069	0.64684	0.58086	0.52189	0.42196	0.34185	0.27751	0.22571	0.18394	0.15018	0.12285	0.10067	0.08264
23	0.94419	0.89162	0.84210	0.79544	0.71004	0.63416	0.56670	0.50669	0.40573	0.32557	0.26180	0.21095	0.17032	0.13778	0.11168	0.09069	0.07379
24	0.94184	0.88719	0.83583	0.78757	0.69954	0.62172	0.55288	0.49193	0.39012	0.31007	0.24698	0.19715	0.15770	0.12640	0.10153	0.08170	0.06588
25	0.93949	0.88277	0.82961	0.77977	0.68921	0.60953	0.53939	0.47761	0.37512	0.29530	0.23300	0.18425	0.14602	0.11597	0.09230	0.07361	0.05882
30	0.92783	0.86103	0.79919	0.74192	0.63976	0.55207	0.47674	0.41199	0.30832	0.23138	0.17411	0.13137	0.09938	0.07537	0.05731	0.04368	0.03338
35	0.91632	0.83982	0.76988	0.70591	0.59387	0.50003	0.42137	0.35538	0.25342	0.18129	0.13011	0.09366	0.06763	0.04899	0.03558	0.02592	0.01894
40	0.90495	0.81914	0.74165	0.67165	0.55126	0.45289	0.37243	0.30656	0.20829	0.14205	0.09722	0.06678	0.04603	0.03184	0.02209	0.01538	0.01075
50	0.88263	0.77929	0.68825	0.60804	0.47500	0.37153	0.29094	0.22811	0.14071	0.08720	0.05429	0.03395	0.02132	0.01345	0.00852	0.00542	0.00346

PAR
COUPON RATE: 6%
=
MARKET RATE: 6%

BOND PRICE	
PV of Interest Cash Payments	\$206,527
Table: ordinary annuity (n=6, i= 6%)	
PV of Principal	\$493,473
Table: PV of \$1 (n=6, i= 6%)	
	\$700,000

P e r i o d s	PRESENT VALUE OF ORDINARY ANNUITY (annuity in arrears -- end of period payments)																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	1.99252	1.98510	1.97772	1.97040	1.95588	1.94156	1.92742	1.91347	1.88609	1.85941	1.83339	1.80802	1.78326	1.75911	1.73554	1.71252	1.69005
3	2.98506	2.97025	2.95556	2.94099	2.91220	2.88388	2.85602	2.82861	2.77509	2.72325	2.67301	2.62432	2.57710	2.53129	2.48685	2.44371	2.40183
4	3.97512	3.95050	3.92611	3.90197	3.85438	3.80773	3.76197	3.71710	3.62990	3.54595	3.46511	3.38721	3.31213	3.23972	3.16987	3.10245	3.03735
5	4.96272	4.92587	4.88944	4.85343	4.78264	4.71346	4.64583	4.57971	4.45182	4.32948	4.21236	4.10020	3.99271	3.88965	3.79079	3.69590	3.60478
6	5.94785	5.89638	5.84560	5.79548	5.69719	5.60143	5.50813	5.41719	5.24214	5.07569	4.91732	4.76654	4.62288	4.48592	4.35526	4.23054	4.11141
7	6.93052	6.86207	6.79464	6.72819	6.59821	6.47199	6.34939	6.23028	6.0205	5.78637	5.58238	5.38929	5.20637	5.03295	4.86842	4.71220	4.56376
8	7.91074	7.82296	7.73661	7.65168	7.48593	7.32548	7.17014	7.01969	6.73274	6.46321	6.20979	5.97130	5.74664	5.53482	5.33493	5.14612	4.96764
9	8.88852	8.77906	8.67158	8.56602	8.36052	8.16224	7.97087	7.78611	7.43533	7.10782	6.80169	6.51523	6.24689	5.99525	5.75902	5.53705	5.32825
10	9.86386	9.73041	9.59958	9.47130	9.22218	8.98259	8.75206	8.53020	8.11090	7.72173	7.36009	7.02358	6.71008	6.41766	6.14457	5.88923	5.65022
11	10.83677	10.67703	10.52067	10.36763	10.07112	9.78685	9.51421	9.25262	8.76048	8.30641	7.88687	7.49867	7.13896	6.80519	6.49506	6.20652	5.93770
12	11.80725	11.61893	11.43491	11.25508	10.90751	10.57534	10.25776	9.95400	9.38507	8.86325	8.38384	7.94269	7.53608	7.16073	6.81369	6.49236	6.19437
13	12.77532	12.55615	12.34235	12.13374	11.73153	11.34837	10.98318	10.63496	9.98565	9.39357	8.85268	8.35765	7.90378	7.48890	7.10336	6.74987	6.42355
14	13.74096	13.48871	13.24302	13.00370	12.54338	12.10625	11.69091	11.29607	10.56312	9.89864	9.29498	8.74547	8.24424	7.78615	7.36669	6.98187	6.62817
15	14.70420	14.41662	14.13699	13.86505	13.34323	12.84926	12.38138	11.93794	11.11839	10.37966	9.71225	9.10791	8.55948	8.06069	7.60608	7.19087	6.81086
16	15.66504	15.33993	15.02431	14.71787	14.13126	13.57771	13.05500	12.56110	11.65230	10.83777	10.10590	9.44665	8.85137	8.31256	7.82371	7.37916	6.97399
17	16.62348	16.25863	15.90502	15.56225	14.90765	14.29187	13.71220	13.16612	12.16567	11.27407	10.47726	9.76322	9.12164	8.54363	8.02155	7.54879	7.11963
18	17.57953	17.17277	16.77918	16.39827	15.67256	14.99203	14.35336	13.75351	12.65930	11.68959	10.82760	10.05909	9.37189	8.75563	8.20141	7.70162	7.24967
19	18.53320	18.08236	17.64683	17.22601	16.42617	15.67846	14.97889	14.32380	13.13394	12.08532	11.15812	10.33560	9.60360	8.95011	8.36492	7.83929	7.36578
20	19.48449	18.98742	18.50802	18.04555	17.16864	16.35143	15.58916	14.87747	13.59033	12.46221	11.46992	10.59401	9.81815	9.12855	8.51356	7.96333	7.46944
21	20.43340	19.88798	19.36280	18.85698	17.90014	17.01121	16.18455	15.41502	14.02916	12.82115	11.76408	10.83553	10.01680	9.29224	8.64869	8.07507	7.56200
22	21.37995	20.78406	20.21121	19.66038	18.62082	17.65805	16.76541	15.93692	14.45112	13.16300	12.04158	11.06124	10.20074	9.44243	8.77154	8.17574	7.64465
23	22.32414	21.67568	21.05331	20.45582	19.33086	18.29220	17.33211	16.44361	14.85684	13.48857	12.30338	11.27219	10.37106	9.58021	8.88322	8.26643	7.71843
24	23.26598	22.56287	21.88915	21.24339	20.03041	18.91393	17.88499	16.93554	15.24696	13.79864	12.55036	11.46933	10.52876	9.70661	8.98474	8.34814	7.78432
25	24.20547	23.44564	22.71876	22.02316	20.71961	19.52346	18.42438	17.41315	15.62208	14.09394	12.78336	11.65358	10.67478	9.82258	9.07704	8.42174	7.84314
30	28.86787	27.79405	26.77508	25.80771	24.01584	22.39646	20.93029	19.60044	17.29203	15.37245	13.76483	12.40904	11.25778	10.27365	9.42691	8.69379	8.05518
35	33.47243	32.03537	30.68266	29.40858	27.07559	24.99862	23.14516	21.48722	18.66461	16.37419	14.49825	12.94787	11.65457	10.56682	9.64416	8.85524	8.17550
40	38.01986	36.17223	34.44694	32.83469	29.91585	27.35548	25.10278	23.11477	19.79277	17.15909	15.04630	13.33171	11.92461	10.75736	9.77905	8.95105	8.24378
50	46.94617	44.14279	41.56645	39.19612	34.99969	31.42361	28.36231	25.72976	21.48218	18.25593	15.76186	13.80075	12.23348	10.96168	9.91481	9.04165	8.30450

P e r i o d s	PRESENT VALUE OF \$1																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	0.99502	0.99007	0.98517	0.98030	0.97066	0.96117	0.95181	0.94260	0.92456	0.90703	0.89000	0.87344	0.85734	0.84168	0.82645	0.81162	0.79719
3	0.99254	0.98515	0.97783	0.97059	0.95632	0.94232	0.92860	0.91514	0.88900	0.86384	0.83962	0.81630	0.79383	0.77218	0.75131	0.73119	0.71178
4	0.99006	0.98025	0.97055	0.96098	0.94218	0.92385	0.90595	0.88849	0.85480	0.82270	0.79209	0.76290	0.73503	0.70843	0.68301	0.65873	0.63552
5	0.98759	0.97537	0.96333	0.95147	0.92826	0.90573	0.88385	0.86261	0.82193	0.78353	0.74726	0.71299	0.68058	0.64993	0.62092	0.59345	0.56743
6	0.98513	0.97052	0.95616	0.94205	0.91454	0.88797	0.86230	0.83748	0.79031	0.74622	0.70496	0.66634	0.63017	0.59627	0.56447	0.53464	0.50663
7	0.98267	0.96569	0.94904	0.93272	0.90103	0.87056	0.84127	0.81309	0.75992	0.71068	0.66506	0.62275	0.58349	0.54703	0.51316	0.48166	0.45235
8	0.98022	0.96089	0.94198	0.92348	0.88771	0.85349	0.82075	0.78941	0.73069	0.67684	0.62741	0.58201	0.54027	0.50187	0.46651	0.43393	0.40388
9	0.97778	0.95610	0.93496	0.91434	0.87459	0.83676	0.80073	0.76642	0.70259	0.64461	0.59190	0.54393	0.50025	0.46043	0.42410	0.39092	0.36061
10	0.97534	0.95135	0.92800	0.90529	0.86167	0.82035	0.78120	0.74409	0.67556	0.61391	0.55839	0.50835	0.46319	0.42241	0.38554	0.35218	0.32197
11	0.97291	0.94661	0.92109	0.89632	0.84893	0.80426	0.76214	0.72242	0.64958	0.58468	0.52679	0.47509	0.42888	0.38753	0.35049	0.31728	0.28748
12	0.97048	0.94191	0.91424	0.88745	0.83639	0.78849	0.74356	0.70138	0.62460	0.55684	0.49697	0.44401	0.39711	0.35553	0.31863	0.28584	0.25668
13	0.96806	0.93722	0.90743	0.87866	0.82403	0.77303	0.72542	0.68095	0.60057	0.53032	0.46884	0.41496	0.36770	0.32618	0.28966	0.25751	0.22917
14	0.96565	0.93256	0.90068	0.86996	0.81185	0.75788	0.70773	0.66112	0.57748	0.50507	0.44230	0.38782	0.34046	0.29925	0.26333	0.23199	0.20462
15	0.96324	0.92792	0.89397	0.86135	0.79985	0.74301	0.69047	0.64186	0.55526	0.48102	0.41727	0.36245	0.31524	0.27454	0.23939	0.20900	0.18270
16	0.96084	0.92330	0.88732	0.85282	0.78803	0.72845	0.67362	0.62317	0.53391	0.45811	0.39365	0.33873	0.29189	0.25187	0.21763	0.18829	0.16312
17	0.95844	0.91871	0.88071	0.84438	0.77639	0.71416	0.65720	0.60502	0.51337	0.43630	0.37136	0.31657	0.27027	0.23107	0.19784	0.16963	0.14564
18	0.95605	0.91414	0.87416	0.83602	0.76491	0.70016	0.64117	0.58739	0.49363	0.41552	0.35034	0.29586	0.25025	0.21199	0.17986	0.15282	0.13004
19	0.95367	0.90959	0.86765	0.82774	0.75361	0.68643	0.62553	0.57029	0.47464	0.39573	0.33051	0.27651	0.23171	0.19449	0.16351	0.13768	0.11611
20	0.95129	0.90506	0.86119	0.81954	0.74247	0.67297	0.61027	0.55368	0.45639	0.37689	0.31180	0.25842	0.21455	0.17843	0.14864	0.12403	0.10367
21	0.94892	0.90056	0.85478	0.81143	0.73150	0.65978	0.59539	0.53755	0.43883	0.35894	0.29416	0.24151	0.19866	0.16370	0.13513	0.11174	0.09256
22	0.94655	0.89608	0.84842	0.80340	0.72069	0.64684	0.58086	0.52189	0.42196	0.34185	0.27751	0.22571	0.18394	0.15018	0.12285	0.10067	0.08264
23	0.94419	0.89162	0.84210	0.79544	0.71004	0.63416	0.56670	0.50669	0.40573	0.32557	0.26180	0.21095	0.17032	0.13778	0.11168	0.09069	0

PAR
 COUPON RATE: 6%
 =
 MARKET RATE: 6%

A	B	C	D	E
Date	Cash	Effective	Decrease in	Outstanding
	Interest / Payment	Interest	Balance	Balance
	6%	6%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$700,000
6/30/Y1	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y1	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y2	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y2	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y3	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y3	42,000	42,000 (700,000 X .06)	0	700,000
	252,000	216,467	0	
	COUPON RATE			
	Semi annual: 42,000/700,000 = 6%			
	Annual: 84,000/700,000 = 12%			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: 42,000/700,000 = 6%			
	Annual: 84,000/700,000 = 12%			

BOND PRICE	
PV of Interest Cash Payments	\$206,527
\$42,000 x 4.91732	
Table: ordinary annuity (n=6, i= 6%)	
PV of Principal	
\$700,000 x 0.70496	\$493,473
Table: PV of \$1 (n=6, i= 6%)	
	\$700,000

PAR
 COUPON RATE: 6%
 =
 MARKET RATE: 6%

BOND PRICE	
PV of Interest Cash Payments	\$206,527
\$42,000 x 4.91732	
<small>Table: ordinary annuity (n=6, i= 6%)</small>	
PV of Principal	
\$700,000 x 0.70496	\$493,473
<small>Table: PV of \$1 (n=6, i= 6%)</small>	
	\$700,000

JOURNAL ENTRIES					
1/1/Y1			12/31Y3		
Dr. Cash	700,000		Dr. Bonds Payable	700,000	
Cr. Bonds Payable		700,000	Cr. Cash		700,000
<i>To record bond issue</i>			<i>To record bond principal payment</i>		
6/30/Y1			6/30/Y3		
Dr. Interest Expense	42,000		Dr. Interest Expense	42,000	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
12/31/Y1			12/31/Y3		
Dr. Interest Expense	42,000		Dr. Interest Expense	42,000	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
6/30/Y2					
Dr. Interest Expense	42,000				
Cr. Cash		42,000			
<i>To record interest payment</i>					
12/31/Y2					
Dr. Interest Expense	42,000				
Cr. Cash		42,000			
<i>To record interest payment</i>					

BOND PRICE	
PV of Interest Cash Payments	\$206,527
\$42,000 x 4.91732	
Table: ordinary annuity (n=6, i= 6%)	
PV of Principal	
\$700,000 x 0.70496	\$493,473
Table: PV of \$1 (n=6, i= 6%)	
	\$700,000

A	B	C	D	E
Date	Cash Interest / Payment	Effective Interest	Decrease in Balance	Outstanding Balance Carrying Value
	6%	6%		
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$700,000
6/30/Y1	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y1	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y2	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y2	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y3	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y3	42,000	42,000 (700,000 X .06)	0	700,000
	252,000	216,467	0	
	COUPON RATE			
	Semi annual: 42,000/700,000 = 6.%			
	Annual: 84,000/700,000 = 12%			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: 42,000/700,000 = 6.%			
	Annual: 84,000/700,000 = 12%			

JOURNAL ENTRIES					
1/1/Y1			12/31Y3		
Dr. Cash	700,000		Dr. Bonds Payable	700,000	
Cr. Bonds Payable		700,000	Cr. Cash		700,000
<i>To record bond issue</i>			<i>To record bond principal payment</i>		
6/30/Y1			6/30/Y3		
Dr. Interest Expense	42,000		Dr. Interest Expense	42,000	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
12/31/Y1			12/31/Y3		
Dr. Interest Expense	42,000		Dr. Interest Expense	42,000	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
6/30/Y2					
Dr. Interest Expense	42,000				
Cr. Cash		42,000			
<i>To record interest payment</i>					
12/31/Y2					
Dr. Interest Expense	42,000				
Cr. Cash		42,000			
<i>To record interest payment</i>					

PREMIUM
COUPON RATE: 6%
>
MARKET RATE: 5%

BOND PRICE	
PV of Interest Cash Payments	\$213,179
\$42,000 x × 5.07569	
Table: ordinary annuity (n=6, i= 5%)	
PV of Principal	\$522,354
\$700,000 x 0.74622	
Table: PV of \$1 (n=6, i= 5%)	
\$735,533	

Periods	PRESENT VALUE OF ORDINARY ANNUITY (annuity in arrears -- end of period payments)																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	1.99252	1.98510	1.97772	1.97040	1.95588	1.94156	1.92742	1.91347	1.88609	1.85941	1.83339	1.80802	1.78326	1.75911	1.73554	1.71252	1.69005
3	2.98506	2.97025	2.95556	2.94099	2.91220	2.88388	2.85602	2.82861	2.77509	2.72325	2.67301	2.62432	2.57710	2.53129	2.48685	2.44371	2.40183
4	3.97512	3.95050	3.92611	3.90197	3.85438	3.80773	3.76197	3.71710	3.62990	3.54595	3.46511	3.38721	3.31213	3.23972	3.16987	3.10245	3.03735
5	4.96272	4.92587	4.88944	4.85343	4.78264	4.71346	4.64583	4.57971	4.45182	4.32948	4.21236	4.10020	3.99271	3.88965	3.79079	3.69590	3.60478
6	5.94785	5.89638	5.84560	5.79548	5.69719	5.60143	5.50813	5.41719	5.24214	5.07569	4.91732	4.76654	4.62288	4.48592	4.35526	4.23054	4.11141
7	6.93052	6.86207	6.79464	6.72819	6.59821	6.47199	6.34939	6.23028	6.0205	5.78637	5.58238	5.38929	5.20637	5.03295	4.86842	4.71220	4.56376
8	7.91074	7.82296	7.73661	7.65168	7.48593	7.32548	7.17014	7.01969	6.73274	6.46321	6.20979	5.97130	5.74664	5.53482	5.33493	5.14612	4.96764
9	8.88852	8.77906	8.67158	8.56602	8.36052	8.16224	7.97087	7.78611	7.43533	7.10782	6.80169	6.51523	6.24689	5.99525	5.75902	5.53705	5.32825
10	9.86386	9.73041	9.59958	9.47130	9.22218	8.98259	8.75206	8.53020	8.11090	7.72173	7.36009	7.02358	6.71008	6.41766	6.14457	5.88923	5.65022
11	10.83677	10.67703	10.52067	10.36763	10.07112	9.78885	9.51421	9.25262	8.30641	7.88687	7.49867	7.13896	6.80519	6.49506	6.20652	5.93770	5.68764
12	11.80725	11.61893	11.43491	11.25508	10.90751	10.57534	10.25776	9.95400	9.38507	8.86325	8.38384	7.94269	7.53608	7.16073	6.81369	6.49236	6.19437
13	12.77532	12.55615	12.34235	12.13374	11.73153	11.34837	10.98318	10.63496	9.98565	9.39357	8.85268	8.35765	7.90378	7.48890	7.10336	6.74987	6.42355
14	13.74096	13.48871	13.24302	13.00370	12.54338	12.10625	11.69091	11.29607	10.54312	9.89864	9.29498	8.74547	8.24424	7.78815	7.36669	6.98187	6.62817
15	14.70420	14.41662	14.13699	13.86505	13.34323	12.84926	12.38138	11.93794	11.1839	10.37966	9.71225	9.10791	8.55948	8.06069	7.60608	7.19087	6.81086
16	15.66504	15.33993	15.02431	14.71787	14.13126	13.57771	13.05500	12.56110	11.65230	10.83777	10.10590	9.44665	8.85137	8.31256	7.82371	7.37916	6.97399
17	16.62348	16.25863	15.90502	15.56225	14.90765	14.29187	13.71220	13.16612	12.16567	11.27407	10.47726	9.76322	9.12164	8.54363	8.02155	7.54879	7.11963
18	17.57953	17.17277	16.77918	16.39827	15.67256	14.99203	14.35336	13.75351	12.65930	11.68959	10.82760	10.05909	9.37189	8.75563	8.20141	7.70162	7.24967
19	18.53320	18.08236	17.64683	17.22601	16.42617	15.67846	14.97889	14.32380	13.13394	12.08532	11.15812	10.33560	9.60360	8.95011	8.36492	7.83929	7.36578
20	19.48449	18.98742	18.50802	18.04555	17.16864	16.35143	15.58916	14.87747	13.59033	12.46221	11.46992	10.59401	9.81815	9.12855	8.51356	7.96333	7.46944
21	20.43340	19.88798	19.36280	18.85698	17.90014	17.01121	16.18455	15.41502	14.02916	12.82115	11.76408	10.83553	10.01680	9.29224	8.64869	8.07507	7.56200
22	21.37995	20.78406	20.21121	19.66038	18.62082	17.65805	16.76541	15.93692	14.45112	13.16300	12.04158	11.06124	10.20074	9.44243	8.77154	8.17574	7.64465
23	22.32414	21.67568	21.05331	20.45582	19.33086	18.29220	17.33211	16.44361	14.85684	13.48857	12.30338	11.27219	10.37106	9.58021	8.88322	8.26643	7.71843
24	23.26598	22.56287	21.88915	21.24339	20.03041	18.91393	17.88499	16.93554	15.24696	13.79864	12.55036	11.46933	10.52876	9.70661	8.98474	8.34814	7.78432
25	24.20547	23.44564	22.71876	22.02316	20.71961	19.52346	18.42438	17.41315	15.62208	14.09394	12.78336	11.65358	10.67478	9.82258	9.07704	8.42174	7.84314
30	28.86787	27.79405	26.77508	25.80771	24.01584	22.39646	20.93029	19.60044	17.29203	15.37245	13.76483	12.40904	11.25778	10.27365	9.42691	8.69379	8.05518
35	33.47243	32.03537	30.68266	29.40858	27.07559	24.99862	23.14516	21.48722	18.66461	16.37419	14.49825	12.94767	11.65457	10.56682	9.64416	8.85524	8.17550
40	38.01986	36.17223	34.44694	32.83469	29.91585	27.35548	25.10278	23.11477	19.79277	17.15909	15.04630	13.33171	11.92461	10.75736	9.77905	8.95105	8.24378
50	46.94617	44.14279	41.56645	39.19612	34.99969	31.42361	28.36231	25.72976	21.48218	18.25593	15.76186	13.80075	12.23348	10.96168	9.91481	9.04165	8.30450

Periods	PRESENT VALUE OF \$1																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	0.99502	0.99007	0.98517	0.98030	0.97066	0.96117	0.95181	0.94260	0.92456	0.90703	0.89000	0.87344	0.85734	0.84168	0.82645	0.81162	0.79719
3	0.99254	0.98515	0.97783	0.97059	0.95632	0.94232	0.92860	0.91514	0.89900	0.88384	0.86962	0.85630	0.84300	0.82993	0.81718	0.80478	0.79263
4	0.99006	0.98025	0.97055	0.96098	0.94218	0.92385	0.90595	0.88849	0.85480	0.82270	0.79209	0.76290	0.73503	0.70843	0.68301	0.65873	0.63552
5	0.98759	0.97537	0.96333	0.95147	0.92826	0.90573	0.88385	0.86261	0.82193	0.78353	0.74726	0.71299	0.68058	0.64993	0.62092	0.59345	0.56743
6	0.98513	0.97052	0.95616	0.94205	0.91454	0.88797	0.86230	0.83748	0.79031	0.74622	0.70496	0.66634	0.63017	0.59627	0.56447	0.53464	0.50663
7	0.98267	0.96589	0.94904	0.93272	0.90103	0.87056	0.84127	0.81309	0.75992	0.71068	0.66506	0.62275	0.58349	0.54703	0.51316	0.48166	0.45235
8	0.98022	0.96089	0.94198	0.92348	0.88771	0.85349	0.82075	0.78941	0.73069	0.67684	0.62741	0.58201	0.54027	0.50187	0.46651	0.43393	0.40388
9	0.97778	0.95610	0.93496	0.91434	0.87459	0.83676	0.80073	0.76642	0.70259	0.64461	0.59190	0.54393	0.50025	0.46043	0.42410	0.39092	0.36061
10	0.97534	0.95135	0.92800	0.90529	0.86167	0.82035	0.78120	0.74409	0.67556	0.61391	0.55839	0.50835	0.46319	0.42241	0.38554	0.35218	0.32197
11	0.97291	0.94661	0.92109	0.89632	0.84893	0.80426	0.76214	0.72242	0.64958	0.58468	0.52679	0.47509	0.42888	0.38753	0.35049	0.31728	0.28748
12	0.97048	0.94191	0.91424	0.88745	0.83639	0.78849	0.74356	0.70138	0.62460	0.55684	0.49697	0.44401	0.39711	0.35553	0.31863	0.28584	0.25668
13	0.96806	0.93722	0.90743	0.87866	0.82403	0.77303	0.72542	0.68095	0.60057	0.53032	0.46884	0.41496	0.36770	0.32618	0.28966	0.25751	0.22917
14	0.96565	0.93256	0.90068	0.86996	0.81185	0.75788	0.70773	0.66112	0.57748	0.50507	0.44230	0.38782	0.34046	0.29925	0.26333	0.23199	0.20462
15	0.96324	0.92792	0.89397	0.86135	0.79985	0.74301	0.69047	0.64186	0.55526	0.48102	0.41727	0.36245	0.31524	0.27454	0.23939	0.20900	0.18270
16	0.96084	0.92330	0.88732	0.85282	0.78803	0.72845	0.67362	0.62317	0.53391	0.45811	0.39365	0.33873	0.29189	0.25187	0.21763	0.18829	0.16312
17	0.95844	0.91871	0.88071	0.84438	0.77639	0.71416	0.65720	0.60502	0.51337	0.43630	0.37136	0.31657	0.27027	0.23107	0.19784	0.16963	0.14564
18	0.95605	0.91414	0.87416	0.83602	0.76491	0.70016	0.64117	0.58739	0.49363	0.41552	0.35034	0.29586	0.25025	0.21199	0.17986	0.15282	0.13004
19	0.95367	0.90959	0.86765	0.82774	0.75361	0.68643	0.62553	0.57029	0.47464	0.39573	0.33051	0.27651	0.23171	0.19449	0.16351	0.13768	0.11611
20	0.95129	0.90506	0.86119	0.81954	0.74247	0.67297	0.61027	0.55368	0.45639	0.37689	0.31180	0.25842	0.21455	0.17843	0.14864	0.12403	0.10367
21	0.94892	0.90056	0.85478	0.81143	0.73150	0.65978	0.59539	0.53755	0.43883	0.35894	0.29416	0.24151	0.19866	0.16370	0.13513	0.11174	0.09256
22	0.94655	0.89608	0.84842	0.80340	0.72069	0.64684	0.58086	0.52189	0.42196	0.34185	0.27751	0.22571	0.18394	0.15018	0.12285	0.1006	

PREMIUM
 COUPON RATE: 6%
 >
 MARKET RATE: 5%

BOND PRICE	
PV of Interest Cash Payments	\$213,179
\$42,000 x 5.07569	
Table: ordinary annuity (n=6, i= 5%)	
PV of Principal	
\$700,000 x 0.74622	\$522,354
Table: PV of \$1 (n=6, i= 5%)	
	\$735,533

A	B	C	D	E
Date	Cash	Effective	Decrease in	Outstanding
	Interest / Payment	Interest	Balance	Balance
	6%	5%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$735,533
6/30/Y1	42,000	36,777 (735,533 x 5%)	5,223	730,310
12/31/Y1	42,000	36,516 (730,310 x 5%)	5,484	724,826
6/30/Y2	42,000	36,241 (724,826 x 5%)	5,759	719,067
12/31/Y2	42,000	35,953 (719,067 x 5%)	6,047	713,020
6/30/Y3	42,000	35,651 (713,020 x 5%)	6,349	706,671
12/31/Y3	42,000	*35,329 (706,671 x 5%)	6,671	700,000
	252,000	216,467	35,533	
			(\$735,533 - \$700,000)	
	COUPON RATE			
	Semi annual: 42,000/700,000 = 6.%			
	Annual: 84,000/700,000 = 12%			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: 36,777/735,533 = 5%			
	Annual: 36,677 + 36,516/735,533 = 10%			

PREMIUM
COUPON RATE: 6%
>
MARKET RATE: 5%

BOND PRICE	
PV of Interest Cash Payments	\$213,179
\$42,000 x 5.07569	
Table: ordinary annuity (n=6, i= 5%)	
PV of Principal	
\$700,000 x 0.74622	\$522,354
Table: PV of \$1 (n=6, i= 5%)	
	\$735,533

JOURNAL ENTRIES					
1/1/Y1			12/31Y3		
Dr. Cash	735,533		Dr. Bonds Payable	700,000	
Cr. Bonds Payable		700,000	Cr. Cash		700,000
Cr. Premium in Bonds Payable		35,533			
<i>To record bond issue</i>			<i>To record bond principal payment</i>		
6/30/Y1			6/30/Y3		
Dr. Interest Expense	36,777		Dr. Interest Expense	35,651	
Dr. Premium Amortizaion	5,223		Dr. Premium Amortizaion	6,349	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
12/31/Y1			12/31/Y3		
Dr. Interest Expense	36,516		Dr. Interest Expense	35,329	
Dr. Premium Amortizaion	5,484		Dr. Premium Amortizaion	6,671	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
6/30/Y2					
Dr. Interest Expense	36,241				
Dr. Premium Amortizaion	5,759				
Cr. Cash		42,000			
<i>To record interest payment</i>					
12/31/Y2					
Dr. Interest Expense	35,953				
Dr. Premium Amortizaion	6,047				
Cr. Cash		42,000			
<i>To record interest payment</i>					

BOND PRICE	
PV of Interest Cash Payments	\$213,179
\$42,000 x 5.07569	
Table: ordinary annuity (n=6, i= 5%)	
PV of Principal	
\$700,000 x 0.74622	\$522,354
Table: PV of \$1 (n=6, i= 5%)	
	\$735,533

A	B	C	D	E
Date	Cash Interest / Payment	Effective Interest	Decrease in Balance	Outstanding Balance
	6%	5%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$735,533
6/30/Y1	42,000	36,777 (735,533 x 5%)	5,223	730,310
12/31/Y1	42,000	36,516 (730,310 x 5%)	5,484	724,826
6/30/Y2	42,000	36,241 (724,826 x 5%)	5,759	719,067
12/31/Y2	42,000	35,953 (719,067 x 5%)	6,047	713,020
6/30/Y3	42,000	35,651 (713,020 x 5%)	6,349	706,671
12/31/Y3	42,000	*35,329 (706,671 x 5%)	6,671	700,000
	252,000	216,467	35,533	
			(\$735,533 - \$700,000)	
	COUPON RATE			
	Semi annual: 42,000/700,000 = 6%			
	Annual: 84,000/700,000 = 12%			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: 36,777/735,533 = 5%			
	Annual: 36,677 + 36,516/735,533 = 10%			

JOURNAL ENTRIES					
1/1/Y1			12/31Y3		
Dr. Cash	735,533		Dr. Bonds Payable	700,000	
Cr. Bonds Payable		700,000	Cr. Cash		700,000
Cr. Premium in Bonds Payable		35,533			
<i>To record bond issue</i>			<i>To record bond principal payment</i>		
6/30/Y1			6/30/Y3		
Dr. Interest Expense	36,777		Dr. Interest Expense	35,651	
Dr. Premium Amortizaion	5,223		Dr. Premium Amortizaion	6,349	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
12/31/Y1			12/31/Y3		
Dr. Interest Expense	36,516		Dr. Interest Expense	35,329	
Dr. Premium Amortizaion	5,484		Dr. Premium Amortizaion	6,671	
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
6/30/Y2					
Dr. Interest Expense	36,241				
Dr. Premium Amortizaion	5,759				
Cr. Cash		42,000			
<i>To record interest payment</i>					
12/31/Y2					
Dr. Interest Expense	35,953				
Dr. Premium Amortizaion	6,047				
Cr. Cash		42,000			
<i>To record interest payment</i>					

DISCOUNT
COUPON RATE: 6%
 <
MARKET RATE: 7%

BOND PRICE	
PV of Interest Cash Payments	\$200,195
\$42,000 x × 4.76654	
Table: ordinary annuity (n=6, i= 7%)	
PV of Principal	\$466,438
\$700,000 x 0.66634	
Table: PV of \$1 (n=6, i= 7%)	
\$666,633	

PRESENT VALUE OF ORDINARY ANNUITY
 (annuity in arrears -- end of period payments)

Periods	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	1.99252	1.98510	1.97772	1.97040	1.95588	1.94156	1.92742	1.91347	1.88609	1.85941	1.83339	1.80802	1.78326	1.75911	1.73554	1.71252	1.69005
3	2.98506	2.97025	2.95556	2.94099	2.91220	2.88388	2.85602	2.82861	2.77509	2.72325	2.67301	2.62432	2.57710	2.53129	2.48685	2.44371	2.40183
4	3.97512	3.95050	3.92611	3.90197	3.85438	3.80773	3.76197	3.71710	3.62990	3.54595	3.46511	3.38721	3.31213	3.23972	3.16987	3.10245	3.03735
5	4.96272	4.92587	4.88944	4.85343	4.78264	4.71346	4.64583	4.57971	4.45182	4.32948	4.21236	4.10020	3.99271	3.88965	3.79079	3.69590	3.60478
6	5.94785	5.89638	5.84560	5.79548	5.69719	5.60143	5.50813	5.41719	5.24214	5.07569	4.91732	4.76654	4.62288	4.48592	4.35526	4.23054	4.11141
7	6.93052	6.86207	6.79464	6.72819	6.59821	6.47199	6.34939	6.23028	6.00205	5.78637	5.58238	5.38929	5.20637	5.03295	4.86842	4.71220	4.56376
8	7.91074	7.82296	7.73661	7.65168	7.48593	7.32548	7.17014	7.01969	6.73274	6.46321	6.20979	5.97130	5.74664	5.53482	5.33493	5.14612	4.96764
9	8.88852	8.77906	8.67158	8.56602	8.36052	8.16224	7.97087	7.78611	7.43533	7.10782	6.80169	6.51523	6.24689	5.99525	5.75902	5.53705	5.32825
10	9.86386	9.73041	9.59958	9.47130	9.22218	8.98259	8.75206	8.53020	8.11090	7.72173	7.36009	7.02358	6.71008	6.41766	6.14457	5.88923	5.65022
11	10.83677	10.67703	10.52067	10.36763	10.07112	9.78885	9.51421	9.25262	8.76048	8.30641	7.88687	7.49867	7.13896	6.80519	6.49506	6.20652	5.93770
12	11.80725	11.61893	11.43491	11.25508	10.90751	10.57534	10.25778	9.95400	9.38507	8.86325	8.38384	7.94269	7.53608	7.16073	6.81369	6.49236	6.19437
13	12.77532	12.55615	12.34235	12.13374	11.73153	11.34837	10.98318	10.63496	9.98565	9.39357	8.85268	8.35765	7.90378	7.48690	7.10336	6.74987	6.42355
14	13.74096	13.48871	13.24302	13.00370	12.54338	12.10625	11.69091	11.29607	10.56312	9.89684	9.29498	8.74547	8.24424	7.78615	7.36669	6.98187	6.62817
15	14.70420	14.41662	14.13699	13.86505	13.34323	12.84926	12.38138	11.93794	11.11839	10.37966	9.71225	9.10791	8.55948	8.06069	7.60608	7.19087	6.81086
16	15.66504	15.33993	15.02431	14.71787	14.13126	13.57771	13.05500	12.56110	11.65230	10.83777	10.10590	9.44665	8.85137	8.31256	7.82371	7.37916	6.97399
17	16.62348	16.25863	15.90502	15.56225	14.90765	14.29187	13.71220	13.16612	12.16567	11.27407	10.47726	9.76322	9.12164	8.54363	8.02155	7.54879	7.11963
18	17.57953	17.17277	16.77918	16.39827	15.67256	14.99203	14.35336	13.75351	12.65930	11.68959	10.82760	10.05909	9.37189	8.75563	8.20141	7.70162	7.24967
19	18.53320	18.08236	17.64683	17.22601	16.42617	15.67846	14.97889	14.32380	13.13394	12.08532	11.15812	10.33560	9.60360	8.95011	8.36492	7.83929	7.36578
20	19.48449	18.98742	18.50802	18.04555	17.16864	16.35143	15.58916	14.87747	13.59033	12.46221	11.46992	10.59401	9.81815	9.12855	8.51356	7.96333	7.46944
21	20.43340	19.88798	19.36280	18.85698	17.90014	17.01121	16.18455	15.41502	14.02916	12.81115	11.76408	10.83553	10.01680	9.29224	8.64869	8.07507	7.56200
22	21.37995	20.78406	20.21121	19.66038	18.62082	17.65805	16.76541	15.93692	14.45112	13.16300	12.04158	11.06124	10.20074	9.44243	8.77154	8.17574	7.64465
23	22.32414	21.67568	21.05331	20.45582	19.33086	18.29220	17.33211	16.44361	14.85684	13.48857	12.30338	11.27219	10.37106	9.58021	8.88322	8.26643	7.71843
24	23.26598	22.56287	21.88915	21.24339	20.03041	18.91393	17.88499	16.93554	15.24696	13.79864	12.55036	11.46933	10.52876	9.70661	8.98474	8.34814	7.78432
25	24.20547	23.44564	22.71876	22.02316	20.71961	19.52346	18.42438	17.41315	15.62208	14.09394	12.78336	11.65358	10.67478	9.82258	9.07704	8.42174	7.84314
30	28.86787	27.79405	26.77508	25.80771	24.01584	22.39646	20.93029	19.60044	17.29203	15.37245	13.76483	12.40904	11.25778	10.27365	9.42691	8.69379	8.05518
35	33.47243	32.03537	30.68266	29.40858	27.07559	24.98862	23.14516	21.48722	18.66461	16.37419	14.49825	12.94767	11.65457	10.56682	9.64416	8.85524	8.17550
40	38.01986	36.17223	34.44694	32.83469	29.91585	27.35548	25.10278	23.11477	19.79277	17.15909	15.04630	13.33171	11.92461	10.75736	9.77905	8.95105	8.24378
50	46.94617	44.14279	41.56645	39.19612	34.99969	31.42361	28.36231	25.72976	21.48218	18.25593	15.76186	13.80075	12.23348	10.96168	9.91481	9.04165	8.30450

PRESENT VALUE OF \$1

Periods	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	0.99502	0.99007	0.98517	0.98030	0.97066	0.96117	0.95181	0.94260	0.92456	0.90703	0.89000	0.87344	0.85734	0.84168	0.82645	0.81162	0.79719
3	0.99254	0.98515	0.97783	0.97059	0.95632	0.94232	0.92860	0.91514	0.88900	0.86384	0.83962	0.81630	0.79383	0.77218	0.75131	0.73119	0.71178
4	0.99006	0.98025	0.97055	0.96098	0.94218	0.92385	0.90595	0.88849	0.85480	0.82270	0.79209	0.76290	0.73503	0.70843	0.68301	0.65873	0.63552
5	0.98759	0.97537	0.96333	0.95147	0.92826	0.90573	0.88385	0.86261	0.82193	0.78353	0.74726	0.71299	0.68058	0.64993	0.62092	0.59345	0.56743
6	0.98513	0.97052	0.95616	0.94205	0.91454	0.88797	0.86230	0.83748	0.79031	0.74622	0.70496	0.66634	0.63017	0.59627	0.56447	0.53464	0.50663
7	0.98267	0.96569	0.94904	0.93272	0.90103	0.87056	0.84127	0.81309	0.75992	0.71068	0.66506	0.62275	0.58349	0.54703	0.51316	0.48166	0.45235
8	0.98022	0.96089	0.94198	0.92348	0.88771	0.85349	0.82075	0.78941	0.73069	0.67684	0.62741	0.58201	0.54027	0.50187	0.46651	0.43393	0.40388
9	0.97778	0.95610	0.93496	0.91434	0.87459	0.83676	0.80073	0.76642	0.70259	0.64461	0.59190	0.54393	0.50025	0.46043	0.42410	0.39092	0.36061
10	0.97534	0.95135	0.92800	0.90529	0.86167	0.82035	0.78120	0.74409	0.67556	0.61391	0.55839	0.50835	0.46319	0.42241	0.38554	0.35218	0.32197
11	0.97291	0.94661	0.92109	0.89632	0.84893	0.80426	0.76214	0.72242	0.64958	0.58468	0.52679	0.47509	0.42888	0.38753	0.35049	0.31728	0.28748
12	0.97048	0.94191	0.91424	0.88745	0.83639	0.78849	0.74356	0.70138	0.62460	0.55684	0.49697	0.44401	0.39711	0.35553	0.31863	0.28584	0.25668
13	0.96806	0.93722	0.90743	0.87866	0.82403	0.77303	0.72542	0.68095	0.60057	0.53032	0.46884	0.41496	0.36770	0.32618	0.28966	0.25751	0.22917
14	0.96565	0.93256	0.90068	0.86996	0.81185	0.75788	0.70773	0.66112	0.57748	0.50507	0.44230	0.38782	0.34046	0.29925	0.26333	0.23199	0.20462
15	0.96324	0.92792	0.89397	0.86135	0.79985	0.74301	0.69047	0.64186	0.55526	0.48102	0.41727	0.36245	0.31524	0.27454	0.23939	0.20900	0.18270
16	0.96084	0.92330	0.88732	0.85282	0.78803	0.72845	0.67362	0.62317	0.53391	0.45811	0.39365	0.33873	0.29189	0.25187	0.21763	0.18829	0.16312
17	0.95844	0.91871	0.88071	0.84348	0.77639	0.71416	0.65720	0.60502	0.51337	0.43630	0.37136	0.31657	0.27027	0.23107	0.19784	0.16963	0.14564
18	0.95605	0.91414	0.87416	0.83602	0.76491	0.70016	0.64117	0.58739	0.49363	0.41552	0.35034	0.29586	0.25025	0.21199	0.17986	0.15282	0.13004
19	0.95367	0.90959	0.86765	0.82774	0.75361	0.68843	0.62553	0.57029	0.47464	0.39573	0.33051	0.27651	0.23171	0.19449	0.16351	0.13768	0.11611
20	0.95129	0.90506	0.86119	0.81954	0.74247	0.67297	0.61027	0.55368	0.45639	0.37689	0.31180	0.25842	0.21455	0.17843	0.14864	0.12403	0.10367
21	0.94892	0.90056	0.85478	0.81143	0.73150	0.65978	0.59539	0.53755	0.43883	0.35894	0.29416	0.24151	0.19866	0.16370	0.13513	0.11174	0.09256
22	0.94655	0.89608	0.84842	0.80340	0.72089	0.64684	0.58086	0.52189	0.42196	0.34185	0.27751	0.22571	0.18394	0.15018	0.12285	0.10067	0.08264

**DISCOUNT
COUPON RATE
<
MARKET RATE**

BOND PRICE	
PV of Interest Cash Payments	\$200,195
\$42,000 x 4.76654	
Table: ordinary annuity (n=6, i= 7%)	
PV of Principal	
\$700,000 x 0.66634	\$466,438
Table: PV of \$1 (n=6, i= 7%)	
	\$666,633

A	B	C	D	E
Date	Cash	Effective	Decrease in	Outstanding
	Interest / Payment	Interest	Balance	Balance
	6%	7%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$666,633
6/30/Y1	42,000	46,664 (666.633 X 7%)	4,664	671,297
12/31/Y1	42,000	46,991 (671,297 X 7%)	4,991	676,288
6/30/Y2	42,000	47,340 (676,288 X 7%)	5,340	681,628
12/31/Y2	42,000	47,714 (681,628 X 7%)	5,714	687,342
6/30/Y3	42,000	48,114 (687,342 X 7%)	6,114	693,456
12/31/Y3	42,000	*48,544 (693,456 X 7%)	6,544	700,000
	252,000	285,367	33,367	
			(\$666,633 - \$700,000)	
	COUPON RATE			
	Semi annual: 42,000/700,000 = 6.%			
	Annual: 84,000/700,000 = 12%			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: 46,664 / 666,633 = 7%			
	Annual: 46,664 + 46,991 / 666,633 = 14%			

*rounded

**DISCOUNT
COUPON RATE
<
MARKET RATE**

BOND PRICE	
PV of Interest Cash Payments	\$200,195
\$42,000 x 4.76654	
Table: ordinary annuity (n=6, i= 7%)	
PV of Principal	
\$700,000 x 0.66634	\$466,438
Table: PV of \$1 (n=6, i= 7%)	
	\$666,633

JOURNAL ENTRIES					
1/1/Y1			12/31/Y3		
Dr. Cash	666,633		Dr. Bonds Payable	700,000	
Dr. Discount on Bonds Payable	33,367		Cr. Cash		700,000
Cr. Bonds Payable		700,000			
<i>To record bond issue.</i>			<i>To record bond principal payment</i>		
6/30/Y1			6/30/Y3		
Dr. Interest Expense	46,664		Dr. Interest Expense	48,114	
Cr. DiscountAmortizaion		4,664	Cr. DiscountAmortizaion		6,114
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
12/31/Y1			12/31/Y3		
Dr. Interest Expense	46,991		Dr. Interest Expense	48,544	
Cr. DiscountAmortizaion		4,991	Cr. DiscountAmortizaion		6,544
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
6/30/Y2					
Dr. Interest Expense	47,340				
Cr. DiscountAmortizaion		5,340			
Cr. Cash		42,000			
<i>To record interest payment</i>					
12/31/Y2					
Dr. Interest Expense	47,714				
Cr. DiscountAmortizaion		5,714			
Cr. Cash		42,000			
<i>To record interest payment</i>					

BOND PRICE	
PV of Interest Cash Payments	\$200,195
\$42,000 x 4.76654	
Table: ordinary annuity (n=6, i= 7%)	
PV of Principal	
\$700,000 x 0.66634	\$466,438
Table: PV of \$1 (n=6, i= 7%)	
	\$666,633

A	B	C	D	E
Date	Cash	Effective	Decrease in	Outstanding
	Interest / Payment	Interest	Balance	Balance
	6%	7%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$666,633
6/30/Y1	42,000	46,664 (666.633 X 7%)	4,664	671,297
12/31/Y1	42,000	46,991 (671,297 X 7%)	4,991	676,288
6/30/Y2	42,000	47,340 (676,288 X 7%)	5,340	681,628
12/31/Y2	42,000	47,714 (681,628 X 7%)	5,714	687,342
6/30/Y3	42,000	48,114 (687,342 X 7%)	6,114	693,456
12/31/Y3	42,000	*48,544 (693,456 X 7%)	6,544	700,000
	252,000	285,367	33,367	
			(\$666,633 - \$700,000)	
	COUPON RATE			
	Semi annual: $42,000/700,000 = 6\%$			
	Annual: $84,000/700,000 = 12\%$			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: $46,664 / 666,633 = 7\%$			
	Annual: $46,664 + 46,991/666,633 = 14\%$			

JOURNAL ENTRIES					
1/1/Y1			12/31/Y3		
Dr. Cash	666,633		Dr. Bonds Payable	700,000	
Dr. Discount on Bonds Payable	33,367		Cr. Cash		700,000
Cr. Bonds Payable		700,000			
<i>To record bond issue.</i>			<i>To record bond principal payment</i>		
6/30/Y1			6/30/Y3		
Dr. Interest Expense	46,664		Dr. Interest Expense	48,114	
Cr. DiscountAmortizaion		4,664	Cr. DiscountAmortizaion		6,114
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
12/31/Y1			12/31/Y3		
Dr. Interest Expense	46,991		Dr. Interest Expense	48,544	
Cr. DiscountAmortizaion		4,991	Cr. DiscountAmortizaion		6,544
Cr. Cash		42,000	Cr. Cash		42,000
<i>To record interest payment</i>			<i>To record interest payment</i>		
6/30/Y2					
Dr. Interest Expense	47,340				
Cr. DiscountAmortizaion		5,340			
Cr. Cash		42,000			
<i>To record interest payment</i>					
12/31/Y2					
Dr. Interest Expense	47,714				
Cr. DiscountAmortizaion		5,714			
Cr. Cash		42,000			
<i>To record interest payment</i>					

AMORTIZATION TABLE: BOND ISSUED AT PAR

A	B	C	D	E
Date	Cash Interest / Payment	Effective Interest	Decrease in Balance	Outstanding Balance
	6%	6%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$700,000
6/30/Y1	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y1	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y2	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y2	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y3	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y3	42,000	42,000 (700,000 X .06)	0	700,000
	252,000	216,467	0	

AMORTIZATION TABLE: BOND ISSUED AT PREMIUM

A	B	C	D	E
Date	Cash Interest / Payment	Effective Interest	Decrease in Balance	Outstanding Balance
	6%	5%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$735,533
6/30/Y1	42,000	36,777 (735,533 x 5%)	5,223	730,310
12/31/Y1	42,000	36,516 (730,310 x 5%)	5,484	724,826
6/30/Y2	42,000	36,241 (724,826 x 5%)	5,759	719,067
12/31/Y2	42,000	35,953 (719,067 x 5%)	6,047	713,020
6/30/Y3	42,000	35,651 (713,020 x 5%)	6,349	706,671
12/31/Y3	42,000	*35,329 (706,671 x 5%)	6,671	700,000
	252,000	216,467	35,533	
			(\$735,533 - \$700,000)	

AMORTIZATION TABLE: BOND ISSUED AT DISCOUNT

A	B	C	D	E
Date	Cash Interest / Payment	Effective Interest	Decrease in Balance	Outstanding Balance
	6%	7%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$666,633
6/30/Y1	42,000	46,664 (666.633 X 7%)	4,664	671,297
12/31/Y1	42,000	46,991 (671.297 X 7%)	4,991	676,288
6/30/Y2	42,000	47,340 (676,288 X 7%)	5,340	681,628
12/31/Y2	42,000	47,714 (681,628 X 7%)	5,714	687,342
6/30/Y3	42,000	48,114 (687,342 X 7%)	6,114	693,456
12/31/Y3	42,000	*48,544 (693,456 X 7%)	6,544	700,000
	252,000	285,367	33,367	
			(\$666.633 - \$700,000)	

BALANCE SHEET: BONDS PAYABLE SCHEDULE

DECEMBER 31 XXXX

PAR

	1/1/Y1	12/31/Y1	12/31/Y2	12/31/Y3
BONDS PAYABLE	\$700,000	\$700,000	\$700,000	\$700,000
CARRYING VALUE	\$700,000	\$700,000	\$700,000	\$700,000

BALANCE SHEET: BONDS PAYABLE SCHEDULE: PAR

DECEMBER 31 XXXX

PREMIUM

	1/1/Y1	12/31/Y1	12/31/Y2	12/31/Y3
BONDS PAYABLE	\$700,000	\$700,000	\$700,000	\$700,000
ADD: UNAMORTIZED PREMIUM	35,533	24,826	13,020	0
CARRYING VALUE	\$735,533	\$724,826	\$713,020	\$700,000

BALANCE SHEET: BONDS PAYABLE SCHEDULE: PAR

DECEMBER 31 XXXX

DISCOUNT

	1/1/Y1	12/31/Y1	12/31/Y2	12/31/Y3
BONDS PAYABLE	\$700,000	\$700,000	\$700,000	\$700,000
LESS: UNAMORTIZED PREMIUM	33,367	23,712	12,658	0
CARRYING VALUE	\$666,633	\$676,288	\$687,342	\$700,000

Early Extinguishment of Debt (Bond)

1. Debt is **retired prior to its scheduled maturity date**:
2. Any difference between the outstanding debt and the amount paid to retire that debt represents a gain or loss.

12/31Y2

Call price:

\$725,000

Carrying Value:

\$700,000

Loss on Early Extinguishment of Debt

(\$25,000)

A	B	C	D	E
Date	Cash	Effective	Decrease in	Outstanding
	Interest / Payment	Interest	Balance	Balance
	6%	6%		Carrying Value
	Principal x Coupon Rate	(E x C)	(B - C)	(E - D)
1/1/Y1				\$700,000
6/30/Y1	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y1	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y2	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y2	42,000	42,000 (700,000 X .06)	0	700,000
6/30/Y3	42,000	42,000 (700,000 X .06)	0	700,000
12/31/Y3	42,000	42,000 (700,000 X .06)	0	700,000
	252,000	216,467	0	
	COUPON RATE			
	Semi annual: 42,000/700,000 = 6%			
	Annual: 84,000/700,000 = 12%			
	EFFECTIVE/ MARKET INTEREST RATE			
	Semi annual: 42,000/700,000 = 6%			
	Annual: 84,000/700,000 = 12%			