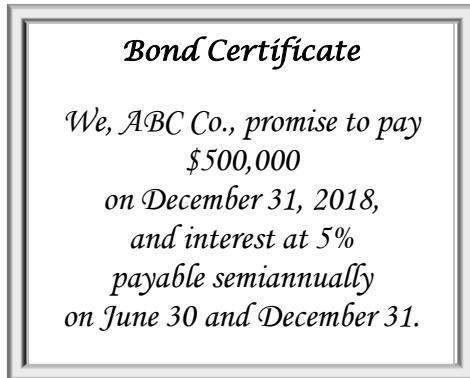


Issue Bonds - Introduction Workpaper

On January 1, 2014, ABC Co. borrowed by issuing \$500000, 5-year, 5%, bonds with interest payable semiannually. The market interest rate on January 1, 2014 is 5%.



1. Calculate the amount of interest that ABC has promised to pay every 6 months for 5 years:
2. Calculate the amount of cash ABC will borrow (the present value of the bonds):

Use a factor to knock interest out of a series of deposits.

| Present or Future Value table | Single payment or Annuity | Number of interest periods | Interest rate per interest period | Factor | Payment amount | Present Value of interest payments |
|-------------------------------|---------------------------|----------------------------|-----------------------------------|--------|----------------|------------------------------------|
| | | | | | | |

Use a factor to knock interest out of a future value.

| Present or Future Value table | Single payment or Annuity | Number of interest periods | Interest rate per interest period | Factor | Payment amount | Present Value of face value payment |
|-------------------------------|---------------------------|----------------------------|-----------------------------------|--------|----------------|-------------------------------------|
| | | | | | | |

Total present value of bonds: