

**\*P15-5B**

On July 1, 2012, Sagittarius Satellites issued \$4,500,000 face value, 9%, 10-year bonds at \$4,219,600. This price resulted in an effective-interest rate of 10% on the bonds. Sagittarius uses the effective-interest method to amortize bond premium or discount. The bonds pay semiannual interest July 1 and January 1.

### **Instructions**

(Round all computations to the nearest dollar.)

- (a) Prepare the journal entry to record the issuance of the bonds on July 1, 2012.
- (b) Prepare an amortization table through December 31, 2013 (3 interest periods) for this bond issue.
- (c) Prepare the journal entry to record the accrual of interest and the amortization of the discount on December 31, 2012.
- (d) Prepare the journal entry to record the payment of interest and the amortization of the discount on July 1, 2013, assuming that interest was not accrued on June 30
- (e) Prepare the journal entry to record the accrual of interest and the amortization of the discount on December 31, 2013.