E15-7

Jacobson Company issued $500,000 of 5-year, 8% bonds at 97 on January 1, 2012. The bonds pay interest twice a year.

Instructions

(a)
1. Prepare the journal entry to record the issuance of the bonds.
2. Compute the total cost of borrowing for these bonds.

(b) Repeat the requirements from part (a), assuming the bonds were issued at 105.