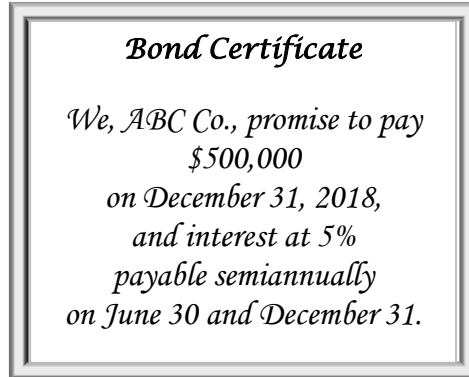


Bonds - Premium Workpaper 1

On January 1, 2014, ABC Co. borrowed by issuing \$500,000, 5-year, 5%, bonds with interest payable semiannually. The market interest rate on January 1, 2014 is 4%.



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:

