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 6%.

Bond Certificate

We, ABC Co., promise to pay \$500,000 on December 31, 2018, and interest at 5% payable semiannually on June 30 and December 31.

- 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.

ose a factor to knock interest out of a series of deposits.						
					Present Value	
Single payment or	Number of interest	Interest rate per			of interest	
Annuity	periods	interest period	Factor	Payment amount	payments	
>	•				ingle payment or Number of interest Interest rate per	

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

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

Total present valu	a of bonds.			
Total bresent valu	e or bonas:			

	General Journal					
DATE	ACCOUNT TITLES AND EXPLANATION	P.R.	DEBIT	CREDIT		