

Mortgage Payment Schedule

Principle
Interest on Mortgage
Term years

Annual Mortgage Payment per year

Over the Term of the Mortgage:		
Total Interest Expense	Total Mortgage Repayment	Total Paid (Int. + Principle)

	Principle	Interest	Principle Repayment	Total Payment	Ending Principle
1	37,000.00				
2					
3					
4					
5					

Bond Valuation - Discounting Future Cash Flows

Principle: \$
Stated Rate:
Market Rate:

Year	Interest Plus Principle Received	Discounting Factor	Present Value of Cash to be Received
1			
2			
3			
4			
5			

Based on a market value of:	
New Cash Generated	Average Actual Interest Rate (Based on Price PAID for Bond)

MARKET VALUE OF BOND:
(sum of all discounted cash flows)

OVER THE 5 YRS:
(average of the 5 years of effective return)

Instructions:

Complete both schedules and make the following journal entries.

For the Mortgage:

1. Record the first year's Mortgage payment on December 31 of this year.
2. Record the last year's Mortgage payment on December 31.

For the Bond Issue:

3. Record the issue of the Bond on January 1st of this year.
4. Record the payment of interest on December 31st of this year.
5. On September 30th of year 2, the owner redeems Bond for \$ 71,000.00

	Date	Particulars		P.R.	Debit	Credit	
1		Mortgage Entries					1
2							2
3	Dec	31					3
4							4
5							5
6							6
7							7
8		31					8
9							9
10							10
11							11
12							12
13		Bond Entries					13
14							14
15	Jan	1					15
16							16
17							17
18							18
19							19
20	Dec	31					20
21							21
22							22
23							23
24							24
25	Sept	30					25
26							26
27							27
28							28
29							29
30		30					30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38

Mortgage Payment Schedule

Principle \$ 37,000.00
 Interest on Mortgage 4%
 Term 5 years

Annual Mortgage Payment \$8,311.20 per year

Over the Term of the Mortgage:		
Total Interest Expense	Total Mortgage Repayment	Total Paid (Int. + Principle)
4,556.02	37,000.00	41,556.02

	Principle	Interest	Principle Repayment	Total Payment	Ending Principle
1	37,000.00	1,480.00	6,831.20	8,311.20	30,168.80
2	30,168.80	1,206.75	7,104.45	8,311.20	23,064.35
3	23,064.35	922.57	7,388.63	8,311.20	15,675.72
4	15,675.72	627.03	7,684.17	8,311.20	7,991.54
5	7,991.54	319.66	7,991.54	8,311.20	0.00

NOTE

This assignment is for

It is out of ten application marks.

One mark shall be removed for each error.

Bond Valuation - Discounting Future Cash Flows

Principle: \$ 70,000
 Stated Rate: 10%
 Market Rate: 12%

Year	Interest Plus Principle Received	Discounting Factor	Present Value of Cash to be Received
1	7,000	1.12	6,250
2	7,000	1.25	5,580
3	7,000	1.40	4,982
4	7,000	1.57	4,449
5	77,000	1.76	43,692

Based on a market value of:	
64,953	
New Cash Generated	Average Actual Interest Rate (Based on Price PAID for Bond)
7,000	10.8%
7,000	10.8%
7,000	10.8%
7,000	10.8%
12,047	18.5%

MARKET VALUE OF BOND: 64,953
(sum of all discounted cash flows)

AVERAGE SIMPLE GROWTH OVER THE 5 YRS: 12.3%
(average of the 5 years of effective return)

Instructions:

Complete both schedules and make the following journal entries.

For the Mortgage:

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2. Record the last year's Mortgage payment on December 31.

For the Bond Issue:

3. Record the issue of the Bond on January 1st of this year.
4. Record the payment of interest on December 31st of this year.
5. On September 30th of year 2, the owner redeems Bond for \$ 71,000.00

Your Company

General Journal

Page:

	Date		Particulars	P.R.	Debit	Credit	
1			Mortgage Entries				1
2							2
3	Dec	31	Interest Expense		1,480.00		3
4			Current Portion of Mortgage Payable		6,831.20		4
5			Cash			8,311.20	5
6							6
7							7
8		31	Interest Expense		319.66		8
9			Current Portion of Mortgage Payable		7,991.54		9
10			Cash			8,311.20	10
11							11
12							12
13			Bond Entries				13
14							14
15	Jan	1	Cash		64,953.31		15
16			Bond Discount		5,046.69		16
17			Bonds Payable			70,000.00	17
18							18
19							19
20	Dec	31	Interest Expense		8,009.34		20
21			Bond Discount			1,009.34	21
22			Cash			7,000.00	22
23							23
24							24
25	Sept	30	Interest Expense		6,007.00		25
26			Bond Discount			757.00	26
27			Cash			5,250.00	27
28							28
29							29
30		30	Bonds Payable		70,000.00		30
31			Loss on Recall		4,280.35		31
32			Bond Discount			3,280.35	32
33			Cash			71,000.00	33
34							34
35							35
36							36
37							37
38							38