Bonds Payable

(Crossword Puzzle #2)

Harold Averkamp
CPA, MBA

AccountingCoach®

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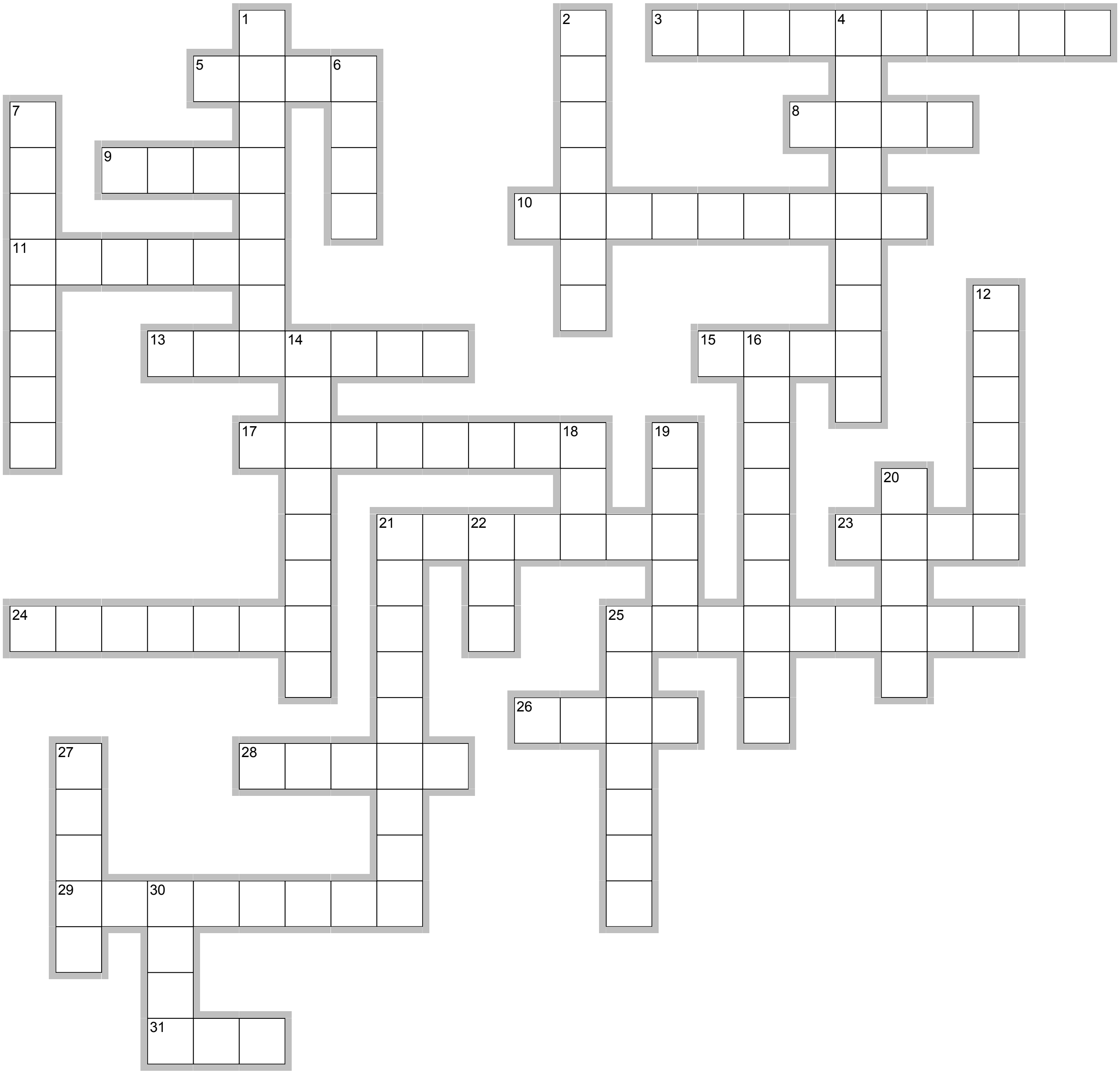

Across (Bonds Payable #2)

3. Bonds without specific ___________________ are unsecured bonds known as debentures.

5. Bonds that mature on a single date are referred to as ________ bonds.

8. The effective interest rate method results in a correlation between a bond's interest expense and its carrying or ___________ value.

9. The proceeds of a 9% $400,000 bond issued at 101 will be four hundred ________ thousand dollars plus accrued interest.

10. A bond maturing in three years will be reported on the issuer's balance sheet as a long-term _______________.

11. The account Discount on Bonds Payable is a __________-liability account.

13. If a new bond's issue price (excluding any accrued interest) is more than the bond's face amount, the difference is recorded as ________________ on Bonds Payable.

15. A 20-year bond has a stated interest rate of eight percent per year with the interest paid semiannually. If the market interest rate is ten percent per year, the bond's cash payments will be discounted by "i" equal to _________ percent when calculating the bond's present value.

17. If the amount of the discount or premium on bonds payable is not significant, the _________________-line method of amortization may be used.

21. The discount or premium on bonds payable is amortized to interest ____________.

23. As opposed to equity, bonds are a form of _______.

24. Interest accrued on bonds payable will be reported on the issuer's balance sheet as a ______________ liability.

25. A corporation with bonds outstanding will need to make ______________ entries prior to issuing its monthly financial statements.

26. The interest rate stated on the _______ of the bonds is used to calculate the cash payment of interest.

28. The present value calculation of a 20-year bond which pays interest semiannually will have "n" equal to this number.

Across (Bonds Payable #2)

29. A corporation's outstanding bonds are often ______________ by the corporation at a set price, such as par value plus one year's interest.

31. Bonds usually pay interest every _______ months.

Down (Bonds Payable #2)

1. An increase in the market interest rates for bonds will cause the selling price of an existing bond to ___________ (decrease, increase).

2. A long-term asset that is restricted for retiring bonds payable when they mature is a bond ___________ fund.

4. When the premium on bonds payable is ________________ by the issuer, the carrying value of the bonds will decrease.

6. If an 8% bond is offered in a market that demands 7.9% interest, the amount received by the issuer will be _________ (less, more) than its face amount.

7. If the issue price of a new bond (excluding any accrued interest) is less than the bond's face amount, the difference is recorded as _______________ on Bonds Payable.

12. The unamortized amount in Premium on Bonds Payable will have this type of account balance.

14. The face amount of a bond is also its par, principal, and ______________ amount.

16. A bond's legal document containing restrictions on the issuer of the bonds.

18. A change in the interest rates from 8.25% to 8.35% is a change of _____ basis points.

19. A bond's effective interest rate is also its __________-to-maturity.

20. The unamortized amount in Discount on Bonds Payable has this type of account balance.

21. The preferred method for amortizing the discount or premium on bonds payable is the ________________ interest rate method.

22. The _________, maturity, or face value of a bond is used to calculate the amount of the interest payments to the bondholder.

25. When purchasing a bond, the investor pays the seller or issuer the bond's market price plus _____________ interest.

27. An advantage for issuing bonds instead of common ________ is that the interest is deductible on the corporation's income tax return.

30. The amortization of bond premium will mean that the annual interest expense will be _________ (less, more) than the annual cash payments for interest.

Solutions (Bonds Payable #2)