

會計 CH14 長期負債 Answer Key — Long-Term Liabilities

Subject : Financial Accounting (IFRS) | Chapter : CH14 | Total : 100

Q1. Issue at par + interest [12]

Cash interest = $600,000 \times 6\% \times 6/12 = 18,000$.

| | | |
|--------|-----------------------------|---------|
| Jan 1 | Cash | 600,000 |
| | Bonds Payable | 600,000 |
| Jun 30 | Bond Interest Expense | 18,000 |
| | Cash | 18,000 |

檢誤 Common errors

- Using an annual 6% (36,000) for a semiannual payment — apply 6/12.

Q2. Discount, straight-line [18]

(a) Discount = $200,000 - 185,000 = 15,000$. Periods = 10. Amortization = $15,000 \div 10 = 1,500$ /period. Cash interest = $200,000 \times 8\% \times 6/12 = 8,000$. Interest expense = $8,000 + 1,500 = 9,500$.

| | | |
|-----------|---------------------------------|---------|
| (b) Jan 1 | Cash | 185,000 |
| | Discount on Bonds Payable | 15,000 |
| | Bonds Payable | 200,000 |
| Jun 30 | Bond Interest Expense | 9,500 |
| | Discount on Bonds Payable | 1,500 |
| | Cash | 8,000 |

檢誤 Common errors

- Treating Discount on Bonds Payable as an asset — it is a **contra-liability**.

- Setting interest expense = cash paid; with a discount, expense **exceeds** cash.

Q3. Premium amortization [16]

(a) Premium = $108,100 - 100,000 = 8,100$. Periods = 10. Amortization = $8,100 \div 10 = 810$ /period. Cash interest = $100,000 \times 10\% \times 6/12 = 5,000$. Interest expense = $5,000 - 810 = 4,190$.

| | |
|---------------------------------|-------|
| (b) Bond Interest Expense | 4,190 |
| Premium on Bonds Payable | 810 |
| Cash | 5,000 |

檢誤 Common errors

- Premium amortization **increasing** interest expense — it **reduces** it.
- Crediting Premium on Bonds Payable on amortization — it is **debited** down.

Q4. Bond price as a percentage [12]

(a) $97.5\% \times 50,000 = \$48,750$ → below par → **discount**. (b) $102\% \times 30,000 = \$30,600$ → above par → **premium**.

檢誤 Common errors

- Reading 97.5 as \$97.50 rather than a percentage of par.

Q5. Early retirement [16]

Gain/loss = carrying value – cash = $96,200 - 98,000 = -1,800$ → **Loss of \$1,800**.

| | |
|---------------------------------|---------|
| Bonds Payable | 100,000 |
| Loss on Bond Retirement | 1,800 |
| Discount on Bonds Payable | 3,800 |
| Cash | 98,000 |

檢誤 Common errors

- Comparing cash to **par** instead of **carrying value**.
- Forgetting to remove the unamortized discount (\$3,800).

Q6. Installment note [14]

Interest = $60,000 \times 8\% = 4,800$. Principal = $23,281 - 4,800 = 18,481$.

| | | |
|--------|------------------------|--------|
| Dec 31 | Interest Expense | 4,800 |
| | Notes Payable | 18,481 |
| | Cash | 23,281 |

Ending balance = $60,000 - 18,481 = 41,519$ (next year's interest is computed on this).

檢誤 Common errors

- Splitting the payment with a constant principal each year — the interest portion shrinks and principal grows.

Q7. Debt-to-equity ratio [12]

$450,000 \div 300,000 = 1.5$. The company carries \$1.50 of debt for every \$1 of equity — relatively high reliance on creditor financing and higher financial risk.

檢誤 Common errors

- Inverting the ratio (equity \div liabilities).