

Accounting Notes

Bonds Payable, Lease Liabilities

Issuing Bonds Payable:

<i>At Par</i>	Cash Bonds Payable	Face Value	Face Value
<i>Below Par</i>	Cash Discount on Bonds Payable Bonds Payable	Sales Price Difference	Face Value
<i>Above Par</i>	Cash Premium on Bonds Payable Bonds Payable	Sales Price	Difference Face Value
<i>At Par between Interest Dates</i>	Cash Bonds Payable Interest Payable	Face Value + Interest	Face Value $FV * \text{Int. \%} * (\# \text{months}/12)$

Interest Payments:

<i>no discount or premium</i>	Interest Expense Cash	$FV * \text{Int. \%} * (\# \text{months}/12)$	$FV * \text{Int. \%} * (\# \text{months}/12)$
<i>w/ discount</i>	Interest Expense Cash Discount on Bonds Payable	Total	$FV * \text{Int. \%} * (\# \text{months}/12)$ Discount / # of payment periods
<i>w/ premium</i>	Interest Expense Premium on Bonds Payable Cash	Total	Premium / # of payment periods $FV * \text{Int. \%} * (\# \text{months}/12)$

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Retirement of Bonds Payable:

Bonds w/ Discount
Face Value of Bonds Payable
- <u>Discount on Bonds Payable</u>
Carrying Value of Bonds
- <u>Cash Paid</u>
Gain or loss on retirement

Bonds w/ Premium
Face Value of Bonds Payable
+ <u>Premium on Bonds Payable</u>
Carrying Value of Bonds
- <u>Cash Paid</u>
Gain or loss on retirement

Bonds Payable
Discount on Bonds Payable
Cash
Extraordinary Gain on Retirement of Bonds Payable

Carrying Value
Unamortized Discount
Amount Paid
Amount of Gain

Bonds Payable
Premium on Bonds Payable
Extraordinary loss on Retirement of Bonds Payable
Cash

Carrying Value
Unamortized Premium
Amount of Loss
Amount Paid

Convertible Bonds and Notes:

Notes (or Bonds) Payable	Face Value	
Discount on Notes Payable		Unamortized Discount
Common Stock		Shares * Par Value
Paid In Capital in Excess of Par, Common		Excess amount

Lease Liabilities:

Operating Leases

- " Short term or cancellable
- " Gives lessee the right to use the asset but provides the lessee with no continuing (ownership) rights to the asset after the end of the lease term

Rent Expense (or Lease Expense)	monthly (or annual) payment
Cash	monthly (or annual) payment

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Lease Liabilities:

Capital Leases

- " Long term and noncancellable
- " Title transfers to lessee at the end of the lease term
- " Lease contains a bargain purchase price
- " Lease term is 75% or more of the estimated useful life of the asset
- " Present Value of the lease payments is 90% or more of the market value of the asset

Acquisition of asset

Building	Total Cost	
Cash		Down Payment
Lease Liability		PV of future lease payments

Depreciation of leased asset

Depreciation Expense	Total Cost / Lease term
Accumulated Depreciation, Building	Total Cost / Lease term

Recording Interest on the Lease

Interest Expense	Lease Liability CV * Int. %
Lease Liability	Lease Liability CV * Int. %

Making Lease Payments

Lease Liability	Annual lease payment
Cash	Annual lease payment