1. (1 point) $ 81,825

2. (5 points)

Part A: Straight-Line Depreciation

<table>
<thead>
<tr>
<th>Date</th>
<th>Dep Expense</th>
<th>Accum Dep</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/12</td>
<td></td>
<td></td>
<td>145,000</td>
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<tr>
<td>12/31/12</td>
<td>26,400</td>
<td>26,400</td>
<td>118,600</td>
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<td>26,400</td>
<td>52,800</td>
<td>92,200</td>
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<tr>
<td>12/31/14</td>
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<td>79,200</td>
<td>65,800</td>
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<tr>
<td>12/31/15</td>
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<td>105,600</td>
<td>39,400</td>
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<td>12/31/16</td>
<td>26,400</td>
<td>132,000</td>
<td>13,000</td>
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</table>

Part C: Double Declining Balance

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<th>Book Value</th>
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</thead>
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<td></td>
<td>145,000</td>
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<tr>
<td>12/31/12</td>
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<td>58,000</td>
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<tr>
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<td>113,680</td>
<td>31,320</td>
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<tr>
<td>12/31/15</td>
<td>12,528</td>
<td>126,208</td>
<td>18,792</td>
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<td>12/31/16</td>
<td>5,792</td>
<td>132,000</td>
<td>13,000</td>
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</table>

Watch calculation --->

3

<table>
<thead>
<tr>
<th>Date</th>
<th>Int Paid</th>
<th>Amortization</th>
<th>Int Expense</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
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<td>7,600</td>
<td>349,600</td>
<td>3,762,000</td>
</tr>
<tr>
<td>12/31/12</td>
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<td>7,600</td>
<td>349,600</td>
<td>3,769,600</td>
</tr>
<tr>
<td>12/31/13</td>
<td>342,000</td>
<td>7,600</td>
<td>349,600</td>
<td>3,777,200</td>
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<tr>
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<td>349,600</td>
<td>3,800,000</td>
</tr>
</tbody>
</table>

a. January 1, 2012:
Cash 3,762,000
Discount on B/P 38,000
Bonds Payable 3,800,000

b. December 31, 2012:
Interest Expense 349,600
Discount on B/P 7,600
Cash 342,000

C. CV at 12/31/13:
3,777,200

4

Cost to redeem = $ 525,000 times 0.98 = $ 514,500
Carrying value = $ 525,000 minus $ 9,000 = $ 516,000
Gain $ 1,500

5

Stated Rate = Market Rate: bond will sell at face value
Stated Rate < Market Rate: bond will sell at discount
Stated Rate > Market Rate: bond will sell at premium