

3. On January 1, 2018, Shirley Corporation issued 10% bonds dated January 1, 2018 with a face amount of \$20 million. The bonds mature in 2027 (10 years). For bonds of similar risk and maturity, the market yield is 12%. Interest is paid semiannually on June 30 and December 31.

Required:

- Determine the price of the bonds at January 1, 2018.
- Prepare the journal entry to record the bond issuance by Shirley on January 1, 2018.
- Prepare the journal entry to record interest on June 30, 2018 using the effective interest method.
- Prepare the journal entry to record interest on December 31, 2018 using the effective interest method.

5. The information that follows pertains to Julia Company.

- a. Temporary differences for the year 2018 are summarized below.

Expenses deducted in the tax return but not included in the income statement:

Depreciation	\$60,000
Prepaid expense	\$8,000

Expenses reported in the income statement but not deducted in the tax return:

Warranty expense	\$9,000
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- No temporary differences existed at the beginning of 2018.
- Pretax accounting income was \$67,000 and taxable income was \$8,000 for 2018.
- There were no permanent differences.
- The tax rate is 30%.

Required:

Prepare the journal entry to record the tax provision for 2018. Provide supporting computations.

6. Crystal Company has an unfunded retiree healthcare plan. Each of the company's four employees has been with the organization since its inception at the beginning of 2017. As of the end of 2018, the actuary estimates the total net cost of providing benefits to employees during their retirement years to have a present value of \$196,000. Each of the employees will become fully eligible for benefits after 28 more years of service but aren't expected to retire for 30 more years. The interest rate is 8%.

Required:

- What's the expected postretirement benefit obligation at the end of 2018?
- What's the accumulated postretirement benefit obligation at the end of 2018?
- What's the expected postretirement benefit obligation at the end of 2019?
- What's the accumulated postretirement benefit obligation at the end of 2019?

7. The shareholders' equity of HS Corporation includes \$300,000 of \$1 par common stock and \$600,000 par of 6% cumulative preferred stock. The board of directors of HS declared cash dividends of \$70,000 in 2018 after paying \$30,000 cash dividends in 2017 and \$50,000 in 2016.

Required:

What's the amount of dividends common shareholders will receive in 2018?

8. On December 31, 2017, Jackson Company had 100,000 shares of common stock outstanding and 30,000 shares of 7%, \$50 par, cumulative preferred stock outstanding. On February 28, 2018, Jackson purchased 24,000 shares of common stock on the open market as Treasury stock for \$35 per share. Jackson sold 6,000 treasury shares on September 30, 2018 for \$37 per share. Net income for 2018 was \$180,905. Also outstanding during the year were fully vested incentive stock options giving key personnel the option to buy 50,000 common shares at \$40. The market price of the common shares averaged \$39 during 2018.

Required:

Compute Jackson's basic and diluted earnings per share (rounded to two decimal places) for 2018.

9. Lugar Company purchased a piece of machinery for \$30,000 on January 1, 2016 and has been depreciating the machine using the sum-of-the-years'-digits method based on a five-year estimated useful life and no salvage value. On January 1, 2018, Lugar decided to switch to the straight-line method of depreciation. The salvage value is still zero, and the estimated useful life is changed to a total of six years from the date of purchase. Ignore income taxes.

Required:

- Prepare the appropriate journal entry, if any, to record the accounting change.
- Prepare the journal entry to record depreciation for 2018.