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Required (round to nearest percent):

1. You have been asked to develop a comparison between (*a*) the actual results and (*b*) the results had the consultant's recommendation been followed. To do this, you develop the following schedule:

Item	Actual Results for 2014	Results with an Increase in Debt and Reduction in Equity
a. Total debt		
b. Total assets		
c. Total stockholders' equity		
d. Interest expense (total at 9 percent)		
e. Net income		
f. Return on total assets		
g. Earnings available to stockholders:		
(1) Amount		
(2) Per share		
(3) Return on stockholders' equity		

2. Based on the completed schedule in requirement (1), provide a comparative analysis and interpretation of the actual results and the consultant's recommendation.

P10-2

Reporting Bonds Issued at Par (AP10-1)

LO10-2

On January 1, 2014, Nowell Company issued $500,000 in bonds that mature in five years. The bonds have a stated interest rate of 8 percent and pay interest on June 30 and December 31 each year. When the bonds were sold, the market rate of interest was 8 percent.

Required:

1. What was the issue price on January 1, 2014?
2. What amount of interest expense should be recorded on (*a*) June 30, 2014? and (*b*) December 31, 2014?
3. What amount of cash interest should be paid on (*a*) June 30, 2014? and (*b*) December 31, 2014?
4. What is the book value of the bonds on (*a*) December 31, 2014? and (*b*) December 31, 2015?

[illegible] (AP10-2)

LO10-2, 10-3, 10-4

Barnett Corporation sold a $500,000, 7 percent bond issue on January 1, 2014. The bonds pay interest each June [illegible]

[illegible] three separate cases. Use straight-line amortization and disregard income tax unless specifically required. Assume three independ[illegible]

Required:

Complete the following schedule as of December 31, 2014, to analyze the differences among the three cases.

CASES AND PROJECTS

Annual Report Cases

CP10-1

Finding Financial Information

LO10-1, 10-2

AMERICAN EAGLE OUTFITTERS, INC.

Refer to the financial statements of American Eagle Outfitters given in Appendix B at the end of this book.

Required:

1. Did American Eagle repay a portion of its note payable during the year ended January 29, 2011? If so, what was the amount of the payment?
2. Explain why the company does not report bonds payable on its balance sheet.
3. Describe the company's established arrangements, if any, that permit it to borrow money if needed.

CP10-2

Finding Financial Information

LO10-1, 10-2

UR BN URBAN OUTFITTERS INC.

Refer to the financial statements of Urban Outfitters given in Appendix C at the end of this book.

Required:

1. Unlike most companies, Urban Outfitters does not report the amount of interest paid in cash during the most recent reporting year. Explain why you think the company has omitted this information.
2. Explain why the company does not report bonds payable on its balance sheet.
3. Describe the company's established arrangements, if any, that permit it to borrow money if needed.