# Accounting Notes

## Bonds Payable, Lease Liabilities

### Issuing Bonds Payable:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Cash</th>
<th>Face Value</th>
<th>Need to add:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At Par</strong></td>
<td>Cash</td>
<td>Face Value</td>
<td>Face Value</td>
</tr>
<tr>
<td></td>
<td>Bonds Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Below Par</strong></td>
<td>Cash</td>
<td>Sales Price</td>
<td>Difference</td>
</tr>
<tr>
<td></td>
<td>Discount on Bonds Payable</td>
<td>Difference</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bonds Payable</td>
<td></td>
<td>Face Value</td>
</tr>
<tr>
<td><strong>Above Par</strong></td>
<td>Cash</td>
<td>Sales Price</td>
<td>Difference</td>
</tr>
<tr>
<td></td>
<td>Premium on Bonds Payable</td>
<td>Difference</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bonds Payable</td>
<td></td>
<td>Face Value</td>
</tr>
<tr>
<td><strong>At Par</strong></td>
<td>Cash</td>
<td>Face Value + Interest</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td>between Interest Dates</td>
<td>Bonds Payable</td>
<td>Face Value</td>
<td></td>
</tr>
<tr>
<td><strong>Interest Dates</strong></td>
<td>Interest Payable</td>
<td>FV * Int. % * (#months/12)</td>
<td></td>
</tr>
</tbody>
</table>

### Interest Payments:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Interest Expense</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>no discount</strong></td>
<td>Interest Expense</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td><strong>or premium</strong></td>
<td>Interest Expense</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td></td>
<td>Discount on Bonds Payable</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td><strong>w/ discount</strong></td>
<td>Interest Expense</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td></td>
<td>Discount on Bonds Payable</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
<tr>
<td><strong>w/ premium</strong></td>
<td>Interest Expense</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Premium on Bonds Payable</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>FV * Int. % * (#months/12)</td>
</tr>
</tbody>
</table>
### Retirement of Bonds Payable:

<table>
<thead>
<tr>
<th>Bonds w/ Discount</th>
<th>Bonds w/ Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face Value of Bonds Payable</td>
<td>Face Value of Bonds Payable</td>
</tr>
<tr>
<td>- Discount on Bonds Payable</td>
<td>+ Premium on Bonds Payable</td>
</tr>
<tr>
<td>Carrying Value of Bonds</td>
<td>Carrying Value of Bonds</td>
</tr>
<tr>
<td>- Cash Paid</td>
<td>- Cash Paid</td>
</tr>
<tr>
<td>Gain or loss on retirement</td>
<td>Gain or loss on retirement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bonds Payable</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount on Bonds Payable</td>
<td>Unamortized Discount</td>
</tr>
<tr>
<td>Cash</td>
<td>Amount Paid</td>
</tr>
<tr>
<td>Extraordinary Gain on Retirement of Bonds Payable</td>
<td>Amount of Gain</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bonds Payable</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium on Bonds Payable</td>
<td>Unamortized Premium</td>
</tr>
<tr>
<td>Extraordinary loss on Retirement of Bonds Payable</td>
<td>Amount of Loss</td>
</tr>
<tr>
<td>Cash</td>
<td>Amount Paid</td>
</tr>
</tbody>
</table>

### Convertible Bonds and Notes:

<table>
<thead>
<tr>
<th>Notes (or Bonds) Payable</th>
<th>Face Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount on Notes Payable</td>
<td>Unamortized Discount</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Shares * Par Value</td>
</tr>
<tr>
<td>Paid In Capital in Excess of Par, Common</td>
<td>Excess amount</td>
</tr>
</tbody>
</table>

### 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"

<table>
<thead>
<tr>
<th>Rent Expense (or Lease Expense)</th>
<th>monthly (or annual) payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>monthly (or annual) payment</td>
</tr>
</tbody>
</table>
Accounting Notes
Bonds Payable, Lease Liabilities

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

<table>
<thead>
<tr>
<th>Building</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Down Payment</td>
</tr>
<tr>
<td>Lease Liability</td>
<td>PV of future lease payments</td>
</tr>
</tbody>
</table>

Depreciation of leased asset

<table>
<thead>
<tr>
<th>Depreciation Expense</th>
<th>Total Cost / Lease term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Depreciation, Building</td>
<td>Total Cost / Lease term</td>
</tr>
</tbody>
</table>

Recording Interest on the Lease

<table>
<thead>
<tr>
<th>Interest Expense</th>
<th>Lease Liability CV * Int. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Liability</td>
<td>Lease Liability CV * Int. %</td>
</tr>
</tbody>
</table>

Making Lease Payments

<table>
<thead>
<tr>
<th>Lease Liability</th>
<th>Annual lease payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Annual lease payment</td>
</tr>
</tbody>
</table>