

Caterpillar taps the Chinese bond market case questions

1. Assume that on July 1, 2019, the company issued a ¥1 billion three-year bond with an annual coupon rate of 4.8%, an annual effective rate of 5.0%, and interest to be paid semiannually. Was this bond issued at face value, at a premium, or at a discount? Explain briefly, and without any computations.

What entry will the company make to record that issuance of bonds?

What entry will the company make to record the semiannual interest payment on December 31, 2019?
On June 30, 2020?

What amount will be presented on the company's balance sheet as of December 31, 2020, for the bond?

Over the life of the bonds, (a) what is the total amount of interest expense that will be reported in the company's income statements? And (b) what is the total amount of cash paid for interest?

Assume that on December 31, 2020, the market value of Caterpillar's dim sum bonds is ¥999,000,000. How would that affect the carrying amount on the balance sheet at this date