

MONEY 101 EDUCATION

12.07 How Interest is earned on most government or corporate bonds

Interest Rate	5%
Term	15 years
Face Value	\$ 10,000

BOND A	Face Value	Interest Payment	Interest Payment	Interest Payment	Interest Payment	NET CASH
		1st qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL
Year 1	Bond Purchased \$ (10,000)					\$ (10,000)
Year 1		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 2		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 3		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 4		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 5		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 6		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 7		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 8		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 9		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 10		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 11		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 12		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 13		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 14		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 15		\$ 125	\$ 125	\$ 125	\$ 125	\$ 500
Year 15	Bond Repaid \$ 10,000					\$ 10,000
TOTAL EARNED	\$ (10,000)					\$ 7,500