

Alternate Inspired by BE15-5, page 666

The balance sheet for Smith Company reports the following information on July 1, 20x1.

Long-term liabilities:

| | | |
|--------------------------|----------------|-------------|
| Bonds Payable | \$1,000,000 | |
| Premium on Bonds Payable | <u>120,000</u> | |
| Bond Carrying Amount | | \$1,120,000 |

Smith decided to redeem these bonds at 101 after paying semiannual interest. Prepare the journal entry to record the redemption on July 1, 20x1.

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Solution for Alternate to BE15-5, page 666

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| | | |
|--------------------------|-----------|-----------|
| Bonds Payable | 1,000,000 | |
| Premium on Bonds Payable | 120,000 | |
| Gain on Redemption | | 110,000 |
| Cash | | 1,010,000 |

Another Alternate Inspired by BE15-5, page 666

The balance sheet for Johnson Company reports the following information on July 1, 20x1.

Long-term liabilities:

| | | |
|---------------------------|---------------|-----------|
| Bonds Payable | \$500,000 | |
| Discount on Bonds Payable | <u>30,000</u> | |
| Bond Carrying Amount | | \$470,000 |

Johnson decided to redeem these bonds at 102 after paying semiannual interest. Prepare the journal entry to record the redemption on July 1, 20x1.

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Solution for Another Alternate to BE15-5, page 666

The balance sheet for Johnson Company reports the following information on July 1, 20x1.

Long-term liabilities:

| | | |
|---------------------------|---------------|-----------|
| Bonds Payable | \$500,000 | |
| Discount on Bonds Payable | <u>30,000</u> | |
| Bond Carrying Amount | | \$470,000 |

Johnson decided to redeem these bonds at 102 after paying semiannual interest. Prepare the journal entry to record the redemption on July 1, 20x1.

| | | |
|---------------------------|---------|---------|
| Bonds Payable | 500,000 | |
| Loss on Redemption | 40,000 | |
| Discount on Bonds Payable | | 30,000 |
| Cash | | 510,000 |