

Illustration of Redemption of Bonds

Face	\$100,000
Original Sales Price	104
Current BCV	\$102,000
Redemption Price	101

I. The “journal entry / plug” method:

II. Proof

Illustration of Redemption of Bonds

Face	\$1,000,000
Original Sales Price	97
Current BCV	\$980,000
Redemption Price	99

I. The “journal entry / plug” method:

II. Proof

Solution for Illustration of Redemption of Bonds

Face	\$100,000
Original Sales Price	104
Current BCV	\$102,000
Redemption Price	101

I. The “journal entry / plug” method:

Bonds Payable	100,000	
Premium on Bonds Payable	2,000	
Gain on Redemption		1,000
Cash		101,000

II. Proof

Unamortized Premium	2,000	G
Extra 1% paid	<u>1,000</u>	L
Net Gain	<u>1,000</u>	

Solution for Illustration of Redemption of Bonds

Face	\$1,000,000
Original Sales Price	97
Current BCV	\$980,000
Redemption Price	99

I. The “journal entry / plug” method:

Bonds Payable	1,000,000	
Loss on Redemption	10,000	
Discount on Bonds Pay		20,000
Cash		990,000

II. Proof

Unamortized Discount	20,000	Loss
Paid 1% Less at Redemption	<u>10,000</u>	Gain
Net Loss on Redemption	<u>10,000</u>	