

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.

Solution for Alternate to 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.

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.

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