

## 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:

<b>Bonds Payable</b>	<b>100,000</b>	
<b>Premium on Bonds Payable</b>	<b>2,000</b>	
<b>Gain on Redemption</b>		<b>1,000</b>
<b>Cash</b>		<b>101,000</b>

### II. Proof

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

## 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:

<b>Bonds Payable</b>	<b>1,000,000</b>	
<b>Loss on Redemption</b>	<b>10,000</b>	
<b>Discount on Bonds Pay</b>		<b>20,000</b>
<b>Cash</b>		<b>990,000</b>

### II. Proof

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