Accounting Homework

NAME________________________________

1. NAME THE FOUR REQUIRED FINANCIAL STATEMENTS AND THE PURPOSE FOR EACH ONE

2. WHAT IS WORKING CAPITAL? HOW IS IT CALCULATED AND WHAT DOES IT TELL YOU? (YOUR WORDS NOT THE BOOKS)

3. WHAT DOES THE ACCOUNTS RECEVIABLE TURNOVER RATIO TELL YOU? (YOUR WORDS NOT THE BOOKS)

4. CHAPTER 9--- DO PROBLEM P9-1B, PAGE 460

5. CHAPTER 10- DO PROBLEM P10—3A, PAGE 507.

6. CHAPTER 11-- DO PROBLEM P11-1B, PAGE 557.

7. CHAPTER 12-- DO EXERCISE E12-2

8. CHAPTER 13—P13-1A, PAGE 636

9. CHAPTER 14—E14-1, PAGE 671

10. CHAPTER 15—E15-4

Prepare entries for various notes receivable transactions.

(LO 2, 4, 5, 8, 9)

GLS

P9-6A Farwell Company closes its books monthly. On September 30, selected ledger account balances are:

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Notes Receivable	$37,000
Interest Receivable	183

Notes Receivable include the following.

Date	Maker	Face	Term	Interest
Aug. 16	K. Goza Inc.	$12,000	60 days	8%
Aug. 25	Holt Co.	9,000	60 days	7%
Sept. 30	Noblitt Corp.	16,000	6 months	9%

Interest is computed using a 360-day year. During October, the following transactions were completed.

Oct. 7 Made sales of $6,900 on Farwell credit cards.
12 Made sales of $900 on MasterCard credit cards. The credit card service charge is 3%.
15 Added $460 to Farwell customer balances for finance charges on unpaid balances.
15 Received payment in full from K. Goza Inc. on the amount due.
24 Received notice that the Holt note has been dishonored. (Assume that Holt is expected to pay in the future.)

Instructions

(a) Journalize the October transactions and the October 31 adjusting entry for accrued interest receivable.

(b) Enter the balances at October 1 in the receivable accounts. Post the entries to all of the receivable accounts.

(c) Show the balance sheet presentation of the receivable accounts at October 31.

(b) Accounts receivable $16,465

(c) Total receivables $32,585

Prepare entries for various receivable transactions.

(LO 2, 4, 5, 6, 8)

P9-7A On January 1, 2014, Harter Company had Accounts Receivable $139,000, Notes Receivable $25,000, and Allowance for Doubtful Accounts $13,200. The note receivable is from Willingham Company. It is a 4-month, 9% note dated December 31, 2013. Harter Company prepares financial statements annually at December 31. During the year, the following selected transactions occurred.

Jan. 5 Sold $20,000 of merchandise to Sheldon Company, terms n/15.
20 Accepted Sheldon Company's $20,000, 3-month, 8% note for balance due.
Feb. 18 Sold $8,000 of merchandise to Patwary Company and accepted Patwary's $8,000, 6-month, 9% note for the amount due.
Apr. 20 Collected Sheldon Company note in full.
30 Received payment in full from Willingham Company on the amount due.
May 25 Accepted Potter Inc.'s $6,000, 3-month, 7% note in settlement of a past-due balance on account.
Aug. 18 Received payment in full from Patwary Company on note due.
25 The Potter Inc. note was dishonored. Potter Inc. is not bankrupt; future payment is anticipated.
Sept. 1 Sold $12,000 of merchandise to Stanbrough Company and accepted a $12,000, 6-month, 10% note for the amount due.

Instructions

Journalize the transactions.

PROBLEMS: SET B

Prepare journal entries related to bad debt expense.

(LO 2, 3, 9)

P9-1B At December 31, 2013, Obermeyer Imports reported the following information on its balance sheet.

Accounts receivable	$250,000
Less: Allowance for doubtful accounts	15,000

During 2014, the company had the following transactions related to receivables.

1. Sales on account	$2,600,000
2. Sales returns and allowances	45,000

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3. Collections of accounts receivable 2,250,000
4. Write-offs of accounts receivable deemed uncollectible 10,000
5. Recovery of bad debts previously written off as uncollectible 3,000

Instructions

(a) Prepare the journal entries to record each of these five transactions. Assume that no cash discounts were taken on the collections of accounts receivable.

(b) Enter the January 1, 2014, balances in Accounts Receivable and Allowance for Doubtful Accounts. Post the entries to the two accounts (use T-accounts), and determine the balances.

(b) Accounts receivable $545,000
ADA $8,000

(c) Prepare the journal entry to record bad debt expense for 2014, assuming that an aging of accounts receivable indicates that estimated bad debts are $22,000.

(c) Bad debt expense $14,000

(d) Compute the accounts receivable turnover for the year 2014.

P9-2B Information related to Miracle Company for 2014 is summarized below.

Compute bad debt amounts.
(LO 3)

Total credit sales	$1,000,000
Accounts receivable at December 31	369,000
Bad debts written off	22,150

Instructions

(a) What amount of bad debt expense will Miracle Company report if it uses the direct write-off method of accounting for bad debts?

(b) Assume that Miracle Company decides to estimate its bad debt expense to be 2% of credit sales. What amount of bad debt expense will Miracle record if Allowance for Doubtful Accounts has a credit balance of $3,000?

(c) Assume that Miracle Company decides to estimate its bad debt expense based on 5% of accounts receivable. What amount of bad debt expense will Miracle Company record if Allowance for Doubtful Accounts has a credit balance of $4,000?

(d) Assume the same facts as in (c), except that there is a $2,000 debit balance in Allowance for Doubtful Accounts. What amount of bad debt expense will Miracle record?

(e) What is the weakness of the direct write-off method of reporting bad debt expense?

P9-3B Presented below is an aging schedule for Loucks Company.

Journalize entries to record transactions related to bad debts.
(LO 2, 3)

Worksheet.xls

Customer	Total	Not Yet Due	Number of Days Past Due 1–30	31–60	61–90	Over 90
Alma	$ 30,000		$ 13,500	$16,500		
Browne	45,000	$ 45,000				
Conlon	75,000	22,500	7,500		$45,000	
Dalton	57,000					$57,000
Others	189,000	138,000	22,500	19,500		9,000
	$396,000	$205,500	$43,500	$36,000	$45,000	$66,000
Estimated Percentage Uncollectible		2%	6%	10%	25%	40%
Total Estimated Bad Debts	$ 47,970	$ 4,110	$ 2,610	$ 3,600	$ 11,250	$26,400

At December 31, 2014, the unadjusted balance in Allowance for Doubtful Accounts is a credit of $16,000.

Instructions

(a) Journalize and post the adjusting entry for bad debts at December 31, 2014.

(a) Bad debt expense $31,970

(b) Journalize and post to the allowance account the following events and transactions in the year 2015.

(1) March 1, a $1,900 customer balance originating in 2014 is judged uncollectible.

(2) May 1, a check for $1,900 is received from the customer whose account was written off as uncollectible on March 1.

Bus	Acquired	Cost	Salvage Value	Useful Life in Years	Depreciation Method
1	1/1/12	$ 96,000	$ 6,000	5	Straight-line
2	1/1/12	110,000	10,000	4	Declining-balance
3	1/1/13	92,000	8,000	5	Units-of-activity

For the declining-balance method, the company uses the double-declining rate. For the units-of-activity method, total miles are expected to be 120,000. Actual miles of use in the first 3 years were 2013, 24,000; 2014, 34,000; and 2015, 30,000.

Instructions

(a) Compute the amount of accumulated depreciation on each bus at December 31, 2014.

(b) If Bus 2 was purchased on April 1 instead of January 1, what is the depreciation expense for this bus in (1) 2012 and (2) 2013?

(a) Bus 2, 2013, $82,500

P10-3A On January 1, 2014, Evers Company purchased the following two machines for use in its production process.

Compute depreciation under different methods.

(LO 2)

Machine A: The cash price of this machine was $48,000. Related expenditures included: sales tax $1,700, shipping costs $150, insurance during shipping $80, installation and testing costs $70, and $100 of oil and lubricants to be used with the machinery during its first year of operations. Evers estimates that the useful life of the machine is 5 years with a $5,000 salvage value remaining at the end of that time period. Assume that the straight-line method of depreciation is used.

Machine B: The recorded cost of this machine was $180,000. Evers estimates that the useful life of the machine is 4 years with a $10,000 salvage value remaining at the end of that time period.

Instructions

(a) Prepare the following for Machine A.
  (1) The journal entry to record its purchase on January 1, 2014.
  (2) The journal entry to record annual depreciation at December 31, 2014.

(b) Calculate the amount of depreciation expense that Evers should record for Machine B each year of its useful life under the following assumptions.
  (1) Evers uses the straight-line method of depreciation.
  (2) Evers uses the declining-balance method. The rate used is twice the straight-line rate.
  (3) Evers uses the units-of-activity method and estimates that the useful life of the machine is 125,000 units. Actual usage is as follows: 2014, 45,000 units; 2015, 35,000 units; 2016, 25,000 units; 2017, 20,000 units.

(b) (2) 2014 DDB depreciation $90,000

(c) Which method used to calculate depreciation on Machine B reports the highest amount of depreciation expense in year 1 (2014)? The highest amount in year 4 (2017)? The highest total amount over the 4-year period?

P10-4A At the beginning of 2012, Mazzaro Company acquired equipment costing $120,000. It was estimated that this equipment would have a useful life of 6 years and a salvage value of $12,000 at that time. The straight-line method of depreciation was considered the most appropriate to use with this type of equipment. Depreciation is to be recorded at the end of each year.

Calculate revisions to depreciation expense.

(LO 2)

During 2014 (the third year of the equipment's life), the company's engineers reconsidered their expectations, and estimated that the equipment's useful life would probably be 7 years (in total) instead of 6 years. The estimated salvage value was not changed at that time. However, during 2017 the estimated salvage value was reduced to $5,000.

Instructions

Indicate how much depreciation expense should be recorded each year for this equipment, by completing the following table.

Year	Depreciation Expense	Accumulated Depreciation
2012		
2013		
2014		
2015		
2016		
2017		
2018		

2018 depreciation expense, $17,900

P11-5A For the year ended December 31, 2014, Denkinger Electrical Repair Company reports the following summary payroll data.

Prepare entries for payroll and payroll taxes; prepare W-2 data.

(LO 6, 7)

Gross earnings:	
Administrative salaries	$200,000
Electricians' wages	370,000
Total	$570,000
Deductions:	
FICA taxes	$ 38,645
Federal income taxes withheld	174,400
State income taxes withheld (3%)	17,100
United Fund contributions payable	27,500
Health insurance premiums	17,200
Total	$274,845

Denkinger Company's payroll taxes are Social Security tax 6.2%, Medicare tax 1.45%, state unemployment 2.5% (due to a stable employment record), and 0.8% federal unemployment. Gross earnings subject to Social Security taxes of 6.2% total $490,000, and gross earnings subject to unemployment taxes total $135,000.

Instructions

(a) Prepare a summary journal entry at December 31 for the full year's payroll.
(b) Journalize the adjusting entry at December 31 to record the employer's payroll taxes.
(c) The W-2 Wage and Tax Statement requires the following dollar data.

Wages, Tips, Other Compensation	Federal Income Tax Withheld	State Income Tax Withheld	FICA Wages	FICA Tax Withheld

Complete the required data for the following employees.

Employee	Gross Earnings	Federal Income Tax Withheld
Maria Sandoval	$59,000	$28,500
Jennifer Mingenback	26,000	10,200

(a) Salaries and wages payable $295,155
(b) Payroll tax expense $43,100

PROBLEMS: SET B

P11-1B On January 1, 2014, the ledger of Werth Company contains the following liability accounts.

Prepare current liability entries, adjusting entries, and current liabilities section.

(LO 1, 2, 3, 4, 5)

GLS

Accounts Payable	$35,000
Sales Taxes Payable	5,000
Unearned Service Revenue	12,000

During January, the following selected transactions occurred.

Jan. 1 Borrowed $30,000 in cash from Platteville Bank on a 4-month, 6%, $30,000 note.
5 Sold merchandise for cash totaling $11,130, which includes 6% sales taxes.
12 Performed services for customers who had made advance payments of $8,000. (Credit Service Revenue.)
14 Paid state treasurer's department for sales taxes collected in December 2013, $5,000.
20 Sold 750 units of a new product on credit at $44 per unit, plus 6% sales tax. This new product is subject to a 1-year warranty.
25 Sold merchandise for cash totaling $16,536, which includes 6% sales taxes.

Instructions

(a) Journalize the January transactions.
(b) Journalize the adjusting entries at January 31 for (1) the outstanding notes payable, and (2) estimated warranty liability, assuming warranty costs are expected to equal 5% of sales of the new product.
(c) Prepare the current liabilities section of the balance sheet at January 31, 2014. Assume no change in accounts payable.

(c) Current liability total $74,346

EXERCISES

Identify characteristics of partnership.
(LO 1)

E12-1 Mark Rensing has prepared the following list of statements about partnerships.

1. A partnership is an association of three or more persons to carry on as co-owners of a business for profit.
2. The legal requirements for forming a partnership can be quite burdensome.
3. A partnership is not an entity for financial reporting purposes.
4. The net income of a partnership is taxed as a separate entity.
5. The act of any partner is binding on all other partners, even when partners perform business acts beyond the scope of their authority.
6. Each partner is personally and individually liable for all partnership liabilities.
7. When a partnership is dissolved, the assets legally revert to the original contributor.
8. In a limited partnership, one or more partners have unlimited liability and one or more partners have limited liability for the debts of the firm.
9. Mutual agency is a major advantage of the partnership form of business.

Instructions

Identify each statement as true or false. If false, indicate how to correct the statement.

Journalize entry for formation of a partnership.
(LO 2)

E12-2 K. Decker, S. Rosen, and E. Toso are forming a partnership. Decker is transferring $50,000 of personal cash to the partnership. Rosen owns land worth $15,000 and a small building worth $80,000, which she transfers to the partnership. Toso transfers to the partnership cash of $9,000, accounts receivable of $32,000 and equipment worth $39,000. The partnership expects to collect $29,000 of the accounts receivable.

Instructions

(a) Prepare the journal entries to record each of the partners' investments.
(b) What amount would be reported as total owners' equity immediately after the investments?

Journalize entry for formation of a partnership.
(LO 2)

E12-3 Suzy Vopat has owned and operated a proprietorship for several years. On January 1, she decides to terminate this business and become a partner in the firm of Vopat and Sigma. Vopat's investment in the partnership consists of $12,000 in cash, and the following assets of the proprietorship: accounts receivable $14,000 less allowance for doubtful accounts of $2,000, and equipment $30,000 less accumulated depreciation of $4,000. It is agreed that the allowance for doubtful accounts should be $3,000 for the partnership. The fair value of the equipment is $23,500.

Instructions

Journalize Vopat's admission to the firm of Vopat and Sigma.

Prepare schedule showing distribution of net income and closing entry.
(LO 3)

E12-4 McGill and Smyth have capital balances on January 1 of $50,000 and $40,000, respectively. The partnership income-sharing agreement provides for (1) annual salaries of $22,000 for McGill and $13,000 for Smyth, (2) interest at 10% on beginning capital balances, and (3) remaining income or loss to be shared 60% by McGill and 40% by Smyth.

Instructions

(a) Prepare a schedule showing the distribution of net income, assuming net income is (1) $50,000 and (2) $36,000.
(b) Journalize the allocation of net income in each of the situations above.

Prepare journal entries to record allocation of net income.
(LO 3)

E12-5 Coburn (beginning capital, $60,000) and Webb (beginning capital $90,000) are partners. During 2014, the partnership earned net income of $80,000, and Coburn made drawings of $18,000 while Webb made drawings of $24,000.

Instructions

(a) Assume the partnership income-sharing agreement calls for income to be divided 45% to Coburn and 55% to Webb. Prepare the journal entry to record the allocation of net income.
(b) Assume the partnership income-sharing agreement calls for income to be divided with a salary of $30,000 to Coburn and $25,000 to Webb, with the remainder divided 45%

Classify stockholders' equity accounts.
(LO 6)

E13-15 The ledger of Rolling Hills Corporation contains the following accounts: Common Stock, Preferred Stock, Treasury Stock, Paid-in Capital in Excess of Par—Preferred Stock, Paid-in Capital in Excess of Stated Value—Common Stock, Paid-in Capital from Treasury Stock, and Retained Earnings.

Instructions
Classify each account using the following table headings.

	Paid-in Capital			
Account	**Capital Stock**	**Additional**	**Retained Earnings**	**Other**

EXERCISES: SET B AND CHALLENGE EXERCISES

Visit the book's companion website, at **www.wiley.com/college/weygandt**, and choose the Student Companion site to access Exercise Set B and Challenge Exercises.

PROBLEMS: SET A

Journalize stock transactions, post, and prepare paid-in capital section.
(LO 3, 5, 6)
GLS

P13-1A DeLong Corporation was organized on January 1, 2014. It is authorized to issue 10,000 shares of 8%, $100 par value preferred stock, and 500,000 shares of no-par common stock with a stated value of $2 per share. The following stock transactions were completed during the first year.

Jan. 10	Issued 80,000 shares of common stock for cash at $4 per share.
Mar. 1	Issued 5,000 shares of preferred stock for cash at $105 per share.
Apr. 1	Issued 24,000 shares of common stock for land. The asking price of the land was $90,000. The fair value of the land was $85,000.
May 1	Issued 80,000 shares of common stock for cash at $4.50 per share.
Aug. 1	Issued 10,000 shares of common stock to attorneys in payment of their bill of $30,000 for services performed in helping the company organize.
Sept. 1	Issued 10,000 shares of common stock for cash at $5 per share.
Nov. 1	Issued 1,000 shares of preferred stock for cash at $109 per share.

Instructions
(a) Journalize the transactions.
(b) Post to the stockholders' equity accounts. (Use J5 as the posting reference.)
(c) Prepare the paid-in capital section of stockholders' equity at December 31, 2014.

(c) Total paid-in capital $1,479,000

Journalize and post treasury stock transactions, and prepare stockholders' equity section.
(LO 4, 6)

P13-2A Fechter Corporation had the following stockholders' equity accounts on January 1, 2014: Common Stock ($5 par) $500,000, Paid-in Capital in Excess of Par—Common Stock $200,000, and Retained Earnings $100,000. In 2014, the company had the following treasury stock transactions.

Mar. 1	Purchased 5,000 shares at $8 per share.
June 1	Sold 1,000 shares at $12 per share.
Sept. 1	Sold 2,000 shares at $10 per share.
Dec. 1	Sold 1,000 shares at $7 per share.

Fechter Corporation uses the cost method of accounting for treasury stock. In 2014, the company reported net income of $30,000.

Instructions
(a) Journalize the treasury stock transactions, and prepare the closing entry at December 31, 2014, for net income.
(b) Open accounts for (1) Paid-in Capital from Treasury Stock, (2) Treasury Stock, and (3) Retained Earnings. Post to these accounts using J10 as the posting reference.
(c) Prepare the stockholders' equity section for Fechter Corporation at December 31, 2014.

(b) Treasury Stock $8,000
(c) Total stockholders' equity $829,000

	2013	2014
Net income	$100,000	$110,000
Dividends on preferred stock	$30,000	$30,000
Dividends on common stock	$20,000	$25,000
Weighted-average number of common shares outstanding	50,000	45,000
Common stockholders' equity beginning of year	$600,000	$750,000
Common stockholders' equity end of year	$750,000	$830,000

Compute (a) return on common stockholders' equity for each year and (b) earnings per share for each year, and (c) discuss the changes in each.

EXERCISES

E14-1 On January 1, Guillen Corporation had 95,000 shares of no-par common stock issued and outstanding. The stock has a stated value of $5 per share. During the year, the following occurred.

Journalize cash dividends; indicate statement presentation.
(LO 1)

Apr.	1	Issued 25,000 additional shares of common stock for $17 per share.
June	15	Declared a cash dividend of $1 per share to stockholders of record on June 30.
July	10	Paid the $1 cash dividend.
Dec.	1	Issued 2,000 additional shares of common stock for $19 per share.
	15	Declared a cash dividend on outstanding shares of $1.20 per share to stockholders of record on December 31.

Instructions

(a) Prepare the entries, if any, on each of the three dividend dates.

(b) How are dividends and dividends payable reported in the financial statements prepared at December 31?

E14-2 Knudsen Corporation was organized on January 1, 2013. During its first year, the corporation issued 2,000 shares of $50 par value preferred stock and 100,000 shares of $10 par value common stock. At December 31, the company declared the following cash dividends: 2013, $5,000; 2014, $12,000; and 2015, $28,000.

Allocate cash dividends to preferred and common stock.
(LO 1)

Instructions

(a) Show the allocation of dividends to each class of stock, assuming the preferred stock dividend is 6% and noncumulative.

(b) Show the allocation of dividends to each class of stock, assuming the preferred stock dividend is 7% and cumulative.

(c) Journalize the declaration of the cash dividend at December 31, 2015, under part (b).

E14-3 On January 1, 2014, Frontier Corporation had $1,000,000 of common stock outstanding that was issued at par. It also had retained earnings of $750,000. The company issued 40,000 shares of common stock at par on July 1 and earned net income of $400,000 for the year.

Journalize stock dividends.
(LO 1)

Instructions

Journalize the declaration of a 15% stock dividend on December 10, 2014, for the following independent assumptions.

(a) Par value is $10, and market price is $18.

(b) Par value is $5, and market price is $20.

E14-4 On October 31, the stockholders' equity section of Heins Company consists of common stock $500,000 and retained earnings $900,000. Heins is considering the following two courses of action: (1) declaring a 5% stock dividend on the 50,000, $10 par value shares outstanding, or (2) effecting a 2-for-1 stock split that will reduce par value to $5 per share. The current market price is $14 per share.

Compare effects of a stock dividend and a stock split.
(LO 1)

Instructions

Prepare a tabular summary of the effects of the alternative actions on the components of stockholders' equity, outstanding shares, and par value per share. Use the following column headings: Before Action, After Stock Dividend, and After Stock Split.

8. The rate used to determine the amount of cash interest the borrower pays is called the stated rate.
9. Bond prices are usually quoted as a percentage of the face value of the bond.
10. The present value of a bond is the value at which it should sell in the marketplace.

Instructions

Identify each statement as true or false. If false, indicate how to correct the statement.

E15-2 Gilliland Airlines is considering two alternatives for the financing of a purchase of a fleet of airplanes. These two alternatives are:

Compare two alternatives of financing—issuance of common stock vs. issuance of bonds.
(LO 1)

1. Issue 90,000 shares of common stock at $30 per share. (Cash dividends have not been paid nor is the payment of any contemplated.)
2. Issue 10%, 10-year bonds at face value for $2,700,000.

It is estimated that the company will earn $800,000 before interest and taxes as a result of this purchase. The company has an estimated tax rate of 30% and has 120,000 shares of common stock outstanding prior to the new financing.

Instructions

Determine the effect on net income and earnings per share for these two methods of financing.

E15-3 On January 1, Klosterman Company issued $500,000, 10%, 10-year bonds at face value. Interest is payable semiannually on July 1 and January 1.

Prepare entries for issuance of bonds, and payment and accrual of bond interest.
(LO 2)

Instructions

Prepare journal entries to record the following.

(a) The issuance of the bonds.
(b) The payment of interest on July 1, assuming that interest was not accrued on June 30.
(c) The accrual of interest on December 31.

E15-4 On January 1, Forrester Company issued $400,000, 8%, 5-year bonds at face value. Interest is payable semiannually on July 1 and January 1.

Prepare entries for bonds issued at face value.
(LO 2)

Instructions

Prepare journal entries to record the following events.

(a) The issuance of the bonds.
(b) The payment of interest on July 1, assuming no previous accrual of interest.
(c) The accrual of interest on December 31.

E15-5 Laudie Company issued $400,000 of 9%, 10-year bonds on January 1, 2014, at face value. Interest is payable semiannually on July 1 and January 1.

Prepare entries for bonds issued at face value.
(LO 2, 3)

Instructions

Prepare the journal entries to record the following events.

(a) The issuance of the bonds.
(b) The payment of interest on July 1, assuming no previous accrual of interest.
(c) The accrual of interest on December 31.
(d) The redemption of bonds at maturity, assuming interest for the last interest period has been paid and recorded.

E15-6 Swisher Company issued $2,000,000 of bonds on January 1, 2014.

Prepare entries for issuance, redemption, and conversion of bonds.
(LO 2, 3)

Instructions

(a) Prepare the journal entry to record the issuance of the bonds if they are issued at (1) 100, (2) 98, and (3) 103.
(b) Prepare the journal entry to record the redemption of the bonds at maturity, assuming the bonds were issued at 100.
(c) Prepare the journal entry to record the redemption of the bonds before maturity at 98. Assume the balance in Premium on Bonds Payable is $9,000.
(d) Prepare the journal entry to record the conversion of the bonds into 60,000 shares of $10 par value common stock. Assume the bonds were issued at par.

E15-7 Whitmore Company issued $500,000 of 5-year, 8% bonds at 97 on January 1, 2014. The bonds pay interest twice a year.

Prepare entries to record issuance of bonds at discount and premium.
(LO 2)

Instructions

(a) (1) Prepare the journal entry to record the issuance of the bonds.
(2) Compute the total cost of borrowing for these bonds.
(b) Repeat the requirements from part (a), assuming the bonds were issued at 105.