

PART IV — BOND ENTRIES (41 points)

**Instructions:** Limon Company uses the chart of accounts shown below. Use the numbers preceding each account title to create journal entries for each situation. Account titles may be used more than once, or not at all, and journal entries may have two, three, or more lines. *If you had to perform any calculations to arrive at figures show your work.*

*Account Titles*

1. Cash
2. Retained Earnings
3. Sales
4. Bond Interest Revenue
5. Bond Interest Payable
6. Bonds Payable
7. Bond Interest Expense
8. Accounts Receivable
9. Common Stock
10. Premium on Bonds Payable
11. Gain on Bond Redemption
12. Loss on Bond Redemption
13. Paid-in Capital in Excess of Par
14. Discount on Bonds Payable

*Situation*

	<u>Debit</u>	<u>Credit</u>	<u>Amount</u>
0. Limon sold merchandise for \$1,500, receiving \$300 in cash with the balance on account.	1 8		\$ 300 1,200
		3	1,500
1. Limon issued \$400,000 face amount of 12% bonds payable on January 1, 2008 at 104. The bonds were dated January 1, 2008, pay interest on July 1 and January 1, and mature in five years.			
2. Limon paid interest on the bonds described in #1 above on July 1, 2008.			
3. Limon issued \$200,000 face amount of six-year, 10% bonds payable on January 1, 2004 at 94. Interest is payable annually on January 1. Record the accrual of interest on these bonds at December 31, 2008 using the straight-line method of amortization.			
4. Limon redeemed the bonds described in #1 above at book value when the book value was \$409,600.			