

# Problem 8

Academic Access is devoted to tracking the performance of minority students. The company issued \$5,000,000 face amount of 10% bonds. The bonds were dated January 1, 20X4, and pay interest on June 30 and December 31 of each year. The initial bond offering was delayed until March 1, 20X4, and the issue price was 100 plus accrued interest.

- a) Prepare the journal entry to record the bond issue on March 1, 20X4.
- b) Prepare the journal entry that Academic Access would record on June 30, 20X4.
- c) Prepare the journal entry that Academic Access would record on December 31, 20X4.

## Worksheet 8

a), b), c)

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
1-Mar			
30-Jun			
31-Dec			

## Solution 8

a), b), c)

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
1-Mar	Cash	5,083,333	
	Interest Payable		83,333
	Bonds Payable		5,000,000
	<i>To record issuance of bonds at par, plus accrued interest (\$5,000,000 X 10% X 2/12 = \$83,333)</i>		
30-Jun	Interest Expense	166,667	
	Interest Payable	83,333	
	Cash		250,000
	<i>To record the payment of interest (\$5,000,000 par X 10% X 6/12 months = \$250,000)</i>		
31-Dec	Interest Expense	250,000	
	Cash		250,000
	<i>To record the payment of interest (\$5,000,000 par X 10% X 6/12 months = \$250,000)</i>		