

***PROBLEM 10-8A**

(a)	Jan. 1	Cash (\$2,000,000 X 103%)	2,060,000	
		Bonds Payable		2,000,000
		Premium on Bonds Payable.....		60,000
	Dec. 31	Bond Interest Expense.....	114,000	
		Premium on Bonds Payable		
		(\$60,000 ÷ 10).....	6,000	
		Bond Interest Payable		
		(\$2,000,000 X 6%)		120,000

(b)	Jan. 1	Cash (\$2,000,000 X 98%)	1,960,000	
		Discount on Bonds Payable.....	40,000	
		Bonds Payable		2,000,000
	Dec. 31	Bond Interest Expense.....	124,000	
		Discount on Bonds		
		Payable (\$40,000 ÷ 10)		4,000
		Bond Interest Payable		120,000

(c) Premium

Current Liabilities		
Bond interest payable		\$ 120,000

Long-term Liabilities		
Bonds payable, due 2020	\$2,000,000	
Add: Premium on bonds payable.....	54,000	2,054,000

Discount

Current Liabilities		
Bond interest payable		\$ 120,000

Long-term Liabilities		
Bonds payable, due 2020	\$2,000,000	
Less: Discount on bonds payable.....	36,000	1,964,000