

**\*P15-8B**

Gabriel Corporation sold \$4,000,000, 8%, 10-year bonds on January 1, 2012. The bonds were dated January 1, 2012, and pay interest on July 1 and January 1. Gabriel Corporation uses the straight-line method to amortize bond premium or discount. Assume no interest is accrued on June 30.

### **Instructions**

- (a) Prepare all the necessary journal entries to record the issuance of the bonds and bond interest expense for 2012, assuming that the bonds sold at 103.
- (b) Prepare journal entries as in part (a) assuming that the bonds sold at 96.
- (c) Show balance sheet presentation for each bond issue at December 31, 2012.