

**P15-2B**

Petoskey Co. sold \$800,000, 9%, 10-year bonds on January 1, 2012. The bonds were dated January 1, and interest is paid on January 1 and July 1. The bonds were sold at 105.

### **Instructions**

- (a) Prepare the journal entry to record the issuance of the bonds on January 1, 2012.
- (b) At December 31, 2012, the balance in the Premium on Bonds Payable account is \$36,000. Show the balance sheet presentation of accrued interest and the bond liability at December 31, 2012.
- (c) On January 1, 2014, when the carrying value of the bonds was \$832,000, the company redeemed the bonds at 105. Record the redemption of the bonds assuming that interest for the period has already been paid.