Ex 14-19

Ingalls Company. sells $300,000 of 10% bonds on February 1, 2003. The bonds pay interest on August 1

and February 1. The due date of the bonds is August 1, 2006. The bonds yield 12%. The company has

a year end of December 31. Show the journal entries required on the following dates:

a. February 1, 2003

b. August 1, 2003

c. December 31, 2003

d. February 1, 2004

e. Now, assume that on May 1, 2004, the company reacquires half the bonds ($150,000 face)

for $154,000 including accrued interest. Assume that after the February 1 entry there is a

remaining discount of $12,636. Prepare the journal entries required upon reacquisition.

Ex 14-27

2. On December 1, 2003, Wilders Company placed coupons in the local newspaper for $5 off a $50

purchase. The coupons have an expiration date of March 31, 2004. The number of coupons circulated

was 1,500,000 and DD anticipates that 5% of these coupons will eventually be redeemed. During

December, 2003, 45,000 coupons were actually redeemed. During January – March, 2004, 50,000

additional coupons were redeemed. These were the only coupons issued during 2003 or 2004.

a. How much expense would be recognized by the company for the coupons for the year ended

December 31, 2003?

b. What amount would be shown as a liability related to the coupons on the balance sheet as of

December 31, 2003? If none, explain why.

c. How much expense would be recognized by the company coupons for the quarter ended March

31, 2004?