Student: Stanley Lewis **Date:** 10/7/15 **Time:** 12:40 PM	**Instructor:** Alfred Greenfield **Course:** Financial & Managerial Accting MBA-560-MBOL7 **Book:** Custom MyAccountingLab for Saint Leo University	**Assignment:** Module 4 Homework

1. The following transactions of Happy Music Company occurred during 2012 and 2013:

(Click the icon to view the transactions.)

Requirement

1. Record the transactions in Happy's journal. Explanations are not required.

Requirement 1. Record the transactions in Happy's journal. (Record debits first, then credits. Explanations are not required.)

Purchased a piano (inventory) for $40,000, signing a six-month, 6% note payable.

Journal Entry				
Date		Accounts	Debit	Credit
2012				
Mar	3	Inventory	40,000	
		Notes Payable, Short-term		40,000

Borrowed $70,000 on a 4% note payable that calls for annual installment payments of $14,000 principal plus interest. Record the short-term note payable in a separate account from the long-term note payable.

Journal Entry				
Date		Accounts	Debit	Credit
May	31	Cash	70,000	
		Notes Payable, Short-term		14,000
		Notes Payable, Long-term		56,000

Paid the six-month, 6% note at maturity.

Journal Entry				
Date		Accounts	Debit	Credit
Sep	3	Notes Payable, Short-term	40,000	
		Interest Expense	1,200	
		Cash		41,200

Accrued warranty expense, which is estimated at 4.0% of sales of $193,000.

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1.
(cont.)

Journal Entry

Date		Accounts	Debit	Credit
Dec	31	Warranty Expense	7,720	
		Estimated Warranty Payable		7,720

Accrued interest on the outstanding note payable. (Do not round until the final answer. Then round to the nearest whole number.)

Journal Entry

Date		Accounts	Debit	Credit
Dec	31	Interest Expense	1,633	
		Interest Payable		1,633

Paid the first installment and interest for one year on the outstanding note payable. (Do not round until the final answer. Then round to the nearest whole number.)

Journal Entry

Date		Accounts	Debit	Credit
2013				
May	31	Notes Payable, Short-term	14,000	
		Interest Payable	1,633	
		Interest Expense	1,167	
		Cash		16,800

Data Table

2012		
Mar	3	Purchased a piano (inventory) for $40,000, signing a six-month, 6% note payable.
May	31	Borrowed $70,000 on a 4% note payable that calls for annual installment payments of $ plus interest. Record the short-term note payable in a separate account from the long-te payable.
Sep	3	Paid the six-month, 6% note at maturity.
Dec	31	Accrued warranty expense, which is estimated at 4.0% of sales of $193,000.
	31	Accrued interest on the outstanding note payable.
2013		
May	31	Paid the first installment and interest for one year on the outstanding note payable.

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1. (cont.)

May 31 Paid the first installment and interest for one year on the outstanding note payable.

YOU ANSWERED:

2013			
May	31	Notes Payable, Short-term	1400
		Interest Payable	163
		Interest Expense	492
		nothing	nothin

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2. On February 28, 2012, Mackerel Corp. issues 6%, 20-year bonds payable with a face value of $1,800,000. The bonds pay interest on February 28 and August 31. Mackerel Corp. amortizes bonds by the straight-line method.

Read the requirements.

Requirement 1. If the market interest rate is 5% when Mackerel Corp. issues its bonds, will the bon par, at a premium, or at a discount? Explain.

The 6% bonds issued when the market interest rate is 5% will be priced at a premium . T attractive in this market, so investors will pay more than maturity value to acquire them.

Requirement 2. If the market interest rate is 7% when Mackerel Corp. issues its bonds, will the bon par, at a premium, or at a discount? Explain.

The 6% bonds issued when the market interest rate is 7% will be priced at a discount . T unattractive in this market, so investors will pay less than maturity value to acquire them.

Requirement 3. Assume that the issue price of the bonds is 96. Journalize the following bonds pay
(Record debits first, then credits. Explanations are not required.)

a. Record the issuance of the bonds on February 28, 2012.

Journal Entry			
Date		**Accounts**	**Debit**
Feb	28	Cash	1,728,000
		Discount on Bonds Payable	72,000
		Bonds Payable	

b. Record the payment of interest and amortization of the bonds on August 31, 2012.

Journal Entry			
Date		**Accounts**	**Debit**
Aug	31	Interest Expense	55,80
		Discount on Bonds Payable	
		Cash	

c. Record the accrual of interest and amortization of the bonds on December 31, 2012, the year enc
until the final answer. Then round to the nearest whole dollar.)

2.
(cont.)

Journal Entry		
Date	**Accounts**	**Debit**
Dec 31	Interest Expense	37,200
	Discount on Bonds Payable	
	Interest Payable	

d. Record the payment of interest and amortization of the bonds on February 28, 2013. (Do not rou answer. Then round to the nearest whole dollar.)

Journal Entry		
Date	**Accounts**	**Debit**
Feb 28	Interest Expense	18,600
	Interest Payable	36,000
	Discount on Bonds Payable	
	Cash	

Requirement 4. Report interest payable and bonds payable as they would appear on the Mackerel sheet at December 31, 2012.

Liabilities		
Current liabilities:		
Interest payable		$ 36,000
Long-term liabilities:		
Bonds payable	$ 1,800,000	
Less: Discount on bonds payable	(69,000)	1,731,000

Requirements

1. If the market interest rate is 5% when Mackerel Corp. issues its bonds, will the bonds be price premium, or at a discount? Explain.
2. If the market interest rate is 7% when Mackerel Corp. issues its bonds, will the bonds be price premium, or at a discount? Explain.
3. Assume that the issue price of the bonds is 96. Journalize the following bonds payable transa
   - **a.** Issuance of the bonds on February 28, 2012.
   - **b.** Payment of interest and amortization of the bonds on August 31, 2012.
   - **c.** Accrual of interest and amortization of the bonds on December 31, 2012, the year end.
   - **d.** Payment of interest and amortization of the bonds on February 28, 2013.
4. Report interest payable and bonds payable as they would appear on the Mackerel Corp. bala

2. (cont.)

Report interest payable and bonds payable as they would appear on the Mackerel Corp. balance sheet at December 31, 2012.

YOU ANSWERED: **unattractive**

Journal Entry	
Date	**Accounts**
Feb 28	Cash
	Bonds Payable
	nothing
	nothing

Journal Entry	
Date	**Accounts**
Aug 31	Interest Payable
	nothing
	nothing
	nothing

Journal Entry	
Date	**Accounts**
Dec 31	Cash
	nothing
	nothing
	nothing

Journal Entry	
Date	**Accounts**
Feb 28	Interest Expense
	nothing
	nothing
	nothing

2.
(cont.)

Liabilities		
Bonds payable		
nothing		600
nothing		
nothing	nothing	
nothing	nothing	nothing