

1	Present value the principal	20,000.00	x	0.677	=	13,540.00	
	Present value of of the coupon payments	800.00	x	6.463	=	<u>5,170.40</u>	
						18,710.40	
	<u>1-Jul-03</u>					<u>dr,</u>	<u>cr,</u>
	Cash					18,710.40	
	Discount on bonds payable					1,289.60	
	Bonds payable						\$20,000
2	Bonds payable	20,000.00					40428
	Less: Discount on bonds payable	<u>1,289.60</u>					
	Bonds payable, net	18,710.40					
3	<u>31-Dec-03</u>					<u>dr,</u>	<u>cr,</u>
	Interest expense	18,710.40	x	5.00%	=	935.52	
	Interest payable						935.52
4	<u>1-Jan-04</u>					<u>dr,</u>	<u>cr,</u>
	Interest payable					935.52	
	Cash						800.00
	Discount on bonds payable						135.52
5	<u>30-Jun-04</u>					<u>dr,</u>	<u>cr,</u>
	Interest expense	18,845.92	x	5.00%	=	942.30	
	Cash						942.30
6	<u>1-Jan-04</u>						
	Bonds payable	20,000.00					
	Less: Discount on bonds payable	<u>1,154.08</u>				Plug	
	The value of the bond	18,845.92					
7	<u>1-Jul-07</u>					<u>dr,</u>	<u>cr,</u>
	Bonds payable					20,000.00	
	Cash						20,000.00
	Discount on bonds payable	200	/	105.00%	=		190.48
	Cash						800.00
	Interest payable	20,000.00	-	190.48	=		
		= 19,809.52	x	5.00%	=	990.48	
8	<u>1-Jan-04</u>						
	Present value the principal	20,000.00	x	0.665	=	13,300.00	
	Present value of of the coupon payments	800.00	x	5.582	=	<u>4,465.60</u>	
						17,765.60	
9	<u>1-Jan-04</u>						
	Bonds payable	20,000.00					
	Gain on reirement of bonds					1,080.32	
	Discount on bonds payable					1,154.08	
	Cash						17,765.60
10	<u>30-Jun-04</u>						
	Interest expense	17,765.60	x	6.00%	=	1,065.94	