Solution:

(1)

Since the bond was issued at par with the market value, the proceeds from the bond will be the same as the value i.e. $20 million.

(2)

	Effect on Balance Sheet Equation		
Transaction	Assets =	Liabilities +	Stockholders' Equity
Issuance of the bonds	+$20 million (Increase in Cash)	+$20 million (Increase in Bonds Payable)	
First semi-annual payment	-$1 million (Decrease in Cash)		-$ 1 million (Interest expense)
Payment at maturity date	-$21 million (Decrease in Cash)	-$20 million (Decrease in Bonds Payable)	-$ 1 million (Interest expense)

(3)

The journal entries for the bonds are as follows:

Transaction	Particulars	Debit	Credit
Issuance of Bonds	Cash To Bonds Payable	20	 20
First payment	Interest Expense To Cash	1	 1
Payment at maturity date	Bonds Payable To Cash	20	 20

(4)

31 December 2011 -> There will be a bonds payable liability in the balance sheet with $20 million.

30 June 2012 -> There will be expense of $1 million on income statement, and stockholders' equity will decrease. Similarly, cash will decrease.