Solution:

(1)

Under U.S. GAAP, the entire bond is reported as a debt and treated as a normal bond.

1 January, 2010	Cash To Bonds Payable	\$100,000	 \$100,000

(2)

Under IFRS, the entire bond needs to be broken down into a debt part and an equity part, and then it is added.

So, the following are calculated:

(i) **Debt Part:** $Debt\ Part = Principal + Interest$

Calculation is as follows:

$$Principal = \$\frac{100{,}000}{(1.05)^{10}} = \$61{,}391.32$$

$$Interest\ Paid\ = \$\ (100{,}000 - 61{,}391.32) \times \frac{0.03}{0.05} = \$23{,}165.21$$

Thus, the total debt to be paid will be $\$61{,}391.32 + \$23{,}165.21 = \$84{,}556.53$

(ii) **Equity Part:** $Equity\ Part = Excess\ of\ payment\ over\ debt$

Calculation is as follows:

$$Equity\ Part = \$100{,}000 - \$84{,}556.53 = \$15{,}443.47$$

Thus, the entries are as follows:

1 January, 2010	Cash To Debt of Convertible Bonds To Equity of Convertible Bonds	\$100,000	 \$84,556.53 \$15,443.47