

Solution:

(1)

The bond was sold at the same rate as market rate, meaning that the bond was sold at par and the valuation of it will be CHF10 million.

Thus, we have CHF10 million in the bond payable and no amortization and discount/premium accounts.

The valuation will be thus CHF10 million even after 1 year, since the net bond payable has not decreased at all.

Thus, the company recorded **gain of CHF1 million** on the callback of the bonds.

(2)

The impact is as follows:

(Entries are in millions of CHF)

Assets =	Liabilities +	Stockholders' Equity
-9 (cash)	-10 (bonds payable)	+1 (gain in extinguishment)

(3)

Bonds Payable	10	
To Cash		9
To Gain in Extinguish		1

(All entries are in millions of CHF)