

Solution:

(1)

For the 11-year bond (22 periods), the company raised \$5,219 for \$10,000 face value.

Thus, the present value factor for the bond is 0.5219. Now, if we look at the present value table given, then we can see that this corresponds to 3% interest rate per period.

Thus, we see that the bond is being offered at 6% interest rate per annum.

(2)

Let us calculate the current price of the 3-year bond under the assumption.

For a 3-year bond (6 periods) with face value \$10,000 and a rate of 6% (3% per period), the present value will be

$\$10,000 \times 0.8375 = \$8,375.0$.

This is lower than the current value of \$9,500. This means that the 3-year bonds are offered at a lower interest rate than the 11-year bonds. This is reasonable since the 3-year bonds are more secure than 11-year bonds usually.

(3)

JOURNAL ENTRY FOR ISSUANCE OF ONE BOND (Amount in \$)		
Particulars	Debit	Credit
Cash	5,219	
Discount on Notes Payable	4,781	
To Notes Payable		10,000

(4)

The interest expense is given by $\$5,219 \times 3\% = \156.57 .

Thus, the interest expense record is as follows:

JOURNAL ENTRY FOR INTEREST EXPENSE (Amount in \$)		
Particulars	Debit	Credit
Interest Expense	156.57	
To Discount on Notes Payable		156.57

(5)

Liabilities on the balance sheet is as follows:

1. Notes Payable: \$10,000
2. Discount on Notes Payable (contra): \$4,937.57

These are the two accounts based on the information provided.