Solution:

(1)

EFFECT ON THE BALANCE SHEET EQUATION (Amounts are in thousands of $)			
Scenario	Balance Sheet Equation		
	Assets =	Liabilities +	Stockholders' Equity
Issuance of debentures	+11,359 (cash)	+10,000 (bonds payable) +1,359 (bond premium)	
First semi-annual payment	-500.00 (cash)	-45.64 (bond premium)	-454.36 (interest expense)
Payment at maturity	-10,000 (cash)	-10,000 (bonds payable)	

(2)

JOURNAL ENTRIES FOR THE BOND TRANSACTIONS (Amounts are in thousands of $)			
Date	Particulars	Debit	Credit
Issuance	Cash	11,359	
	To Bonds Payable		10,000
	To Bonds Premium		1,359
First Payment	Interest Expense	454.36	
	Bonds Premium	45.64	
	To Cash		500.00
Maturity Payment	Bonds Payable	10,000	
	To Cash		10,000

(3) The bond related accounts can be easily updated, based on the data that is provided above.

(4)

To calculate, we note that after first payment, the net bond payable becomes \$11,359,000 - \$45,640 = \$11,313,360.

Thus, the interest expense for the second payment (i.e. tenure ending on Dec 31, 2011) will be given by \$11,313,360 x 4% = \$45,253.44.