

Solution:

(1)

The analysis is done as follows:

EFFECT ON BALANCE SHEET EQUATION (Amount in thousands of NKR)			
Scenario	Balance Sheet Equation		
	Assets =	Liabilities +	Stockholders' Equity
Issuance of Bonds	+15,672 (cash)	+20,000 (bonds payable) -4,238 (bonds discount)	
First semi-annual payment	-1,000 (cash)	+103.34 (bonds discount)	-1,103.34 (interest expense)
Maturity Value Payment	-20,000 (cash)	-20,000 (bonds payable)	

(2)

The journal entries can be prepared as follows:

JOURNAL ENTRIES FOR THE BOND TRANSACTIONS (Amounts are in thousands of NKR)			
Scenario	Particulars	Debit	Credit
Issuance of debentures	Cash	15,672	
	Bonds Discount To Bonds Payable	4,238	20,000
First semi-annual payments	Interest Expense	1,103.34	
	To Cash To Bonds Discount		1,000.00 1,103.34
Maturity Payment	Bonds Payable To Cash	20,000	20,000

(3)

To calculate, we will create a table for 2010 as well, since we know what balances will be there in 2009. The table is created as follows:

CALCULATION OF THE BOND ACCOUNTS
(Amounts in thousands of NKR)

Payment Time	Bond Payable	Bond Discount	Net Payable	Interest Expense	Interest Payable	Amortization
1 st	20,000	4,238.00	15,762.00	1,103.34	1,000.00	103.34
2 nd	20,000	4,134.66	15,865.34	1,110.57	1,000.00	110.57
Final	20,000	4,024.09	-	-	-	-

The “final” row shows the values at the 2010 balance sheet for the bond related items.