**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  Bonds Discount  To Bonds Payable | 15,672  4,238 | 20,000 |
| First semi-annual payments | Interest Expense  To Cash  To Bonds Discount | 1,103.34 | 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 |
| 1st | 20,000 | 4,238.00 | 15,762.00 | 1,103.34 | 1,000.00 | 103.34 |
| 2nd | 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.