**Solution:**

(1)

|  |  |  |  |
| --- | --- | --- | --- |
| EFFECT ON BALANCE SHEET EQUATION  (Amount in $) | | | |
| Scenario | Balance Sheet Equation | | |
| Assets = | Liabilities + | Stockholders’ Equity |
| Issuance of note | +76,190.48  (cash) | +80,000.00  (note payable)  -3,809.52  (discount of note payable) |  |
| Payment of the note | -80,000.00  (cash) | -80,000.00  (note payable)  +3,809.52  (discount of note payable) | -3,809.52  (interest expense) |

(2)

|  |  |  |
| --- | --- | --- |
| Cash  Note Discount  To Note Payable | 76,190.48  3,809.52 | 80,000.00 |
| Note Payable  Interest Expense  To Cash  To Note Discount | 80,000.00  3,809.52 | 80,000.00  3,809.52 |

The entries are in $.

(3)

The real rate of interest was 5% because it was what the bank had assumed, while disbursing the amount and collecting the same at the maturity.