Erik Food Supply Company issued $100,000 of face amount of 4-year bonds on January 1, 20X1. The bonds were issued at 98, and bear interest at a stated rate of 8% per annum, payable semiannually. The discount is amortized by the straight-line method.

(a) Prepare the journal entry to record the initial issuance on January, 20X1.

(b) Prepare the journal entry that Erik would record on each interest date.

(c) Prepare the journal entry that Erik would record at maturity of the bonds.

(d) How much cash flowed “in” and “out” on this bond issue, and how does the difference compare to total interest expense that was recognized?