Standard Pacific Shipping issued $5,000,000, face amount, of 5% bonds on January 1, 20X3. The bonds are 5-year bonds, and interest is payable every 6 months. At the time of issue, the market rate of interest was 6%, so the bonds were issued at a discount.

(a) Prepare calculations showing that issue price was approximately $4,786,725.

(b) Use the effective-interest method of amortization, and prepare the journal entries that Standard Pacific Shipping would record on January 1, 20X3, June 30, 20X3, and December 31, 20X3.

(c) Show how the bonds would appear on Standard Pacific Shipping’s December 31, 20X3 balance sheet.