

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.