CONCEPT: FACE VALUE BONDS

- A bond is issued at ***face value*** when the *stated interest rate* is ________________ the *market interest rate*
    - □ The selling price of a bond is equal to the present value of the interest payments and principal payments

Stated Rate = Market Rate	The price of the bond will be _______________ the face value
Stated Rate < Market Rate	The price of the bond will be _______________ the face value
Stated Rate > Market Rate	The price of the bond will be _______________ the face value

- Bonds are initially ***issued*** and the respective journal entry is made:

On January 1, 2018, ABC Company issues $50,000 of 9% bonds payable maturing in five years. Interest is payable semi-annually on January 1 and July 1. The market interest rate was equal to 9%.

January 1, 2018 Journal Entry:

Assets	=	Liabilities	+	Equity

- Interest is paid in cash on the interest payment dates. A journal entry is made for ***interest expense***:

On January 1, 2018, ABC Company issues $50,000 of 9% bonds payable maturing in five years. Interest is payable semi-annually on January 1 and July 1. The market interest rate was equal to 9%.

July 1, 2018 Journal Entry:

Assets	=	Liabilities	+	Equity

● Interest is paid in cash on the interest payment dates. A journal entry is made for ***interest expense***:

On January 1, 2018, ABC Company issues $50,000 of 9% bonds payable maturing in five years. Interest is payable semi-annually on January 1 and July 1. The market interest rate was equal to 9%.

December 31, 2018 Journal Entry:

Assets	=	Liabilities	+	Equity

● On the maturity date, the company ***repays the principal*** and removes the bonds payable from the books:

On January 1, 2018, ABC Company issues $50,000 of 9% bonds payable maturing in five years. Interest is payable semi-annually on January 1 and July 1. The market interest rate was equal to 9%.

January 1, 2023 Journal Entry:

Assets	=	Liabilities	+	Equity