

BONDS PAYABLE

PAR	1,000,000	LIFE	5 YEARS
STATED RATE	10%	ISSUANCE DATE	01-01-X1
INTEREST PAYMENT PERIOD	SEMIANNUALLY	MATURITY DATE	31-12-X5

Issuance date	Bond life	Maturity date
01-01-X1	5 Years	31-12-X5

PV = PRICE	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	Cash interest payment [PAR x STATED I x TIME] [1,000,000 x 10% x 6/12]
												1,000,000 Principal payment

Case #1 Bond issued at par

PRICE	=	PAR
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MARKET RATE [10%]	=	STATED RATE [10%]
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Case #2 Bond issued at discount

PRICE	<	PAR
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MARKET RATE [12%]	>	STATED RATE [10%]
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Case #3 Bond issued at premium

PRICE	>	PAR
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MARKET RATE [8%]	<	STATED RATE [10%]
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