

## Lesson 21: Bonds Payable — Accounting for Long-Term Debt

### Part A: Key Bond Terms — Fill in the Blank

Term	Definition (fill in)
Face Value	The _____ amount paid at maturity
Coupon Rate	The _____ interest rate on the bond
Premium (bond price)	Issued at a price _____ face value
Discount (bond price)	Issued at a price _____ face value
Maturity Date	The date the _____ is repaid

### Part B: Bond Journal Entry

On Jan 1, a company issues \$100,000 of 5-year bonds at 98 (discount). Coupon rate is 6%, paid annually.

1. What are the cash proceeds? \$ \_\_\_\_\_
2. Record the issuance:

Date	Account	Debit (\$)	Credit (\$)
Jan 1	Cash		
	Discount on Bonds Payable		
	Bonds Payable		

### Part C: Short Answer

Why would a company issue bonds instead of taking a bank loan?

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