The purpose of this assignment is to make sure everyone understands how to value bonds and how to record bond-related journal entries prior to moving on from the topic and prior to testing your knowledge of bonds on Quiz 2. This homework contains 3 sets of questions, all of which are based on Goldman Sachs’ [GS.SF](http://finra-markets.morningstar.com/BondCenter/BondDetail.jsp?ticker=C181534&symbol=GS.SF) bond. If you are stuck, you can use the price chart on the linked Morningstar page to assist you.

*This assignment will be graded on effort. Show your work for each of the calculations, as your work is what will be graded, not your final answers.* You will receive feedback on this assignment prior to Quiz 2, so that you can be sure to understand the material.

Question 1

Assume the GS.SF bond was issued on February 15, 2004[[1]](#footnote-1). When the bond was issued it had a coupon rate of 6.345% and a yield of 6.345%, and the principal amount was $2,750M. The bond pays its coupon semiannually and uses a 30/360 count date. The bond will mature after 30 years, on February 15, 2034. Note that Goldman Sachs uses a December 31st fiscal year end.

Required:

1. What was the price of this bond at issuance? Record the journal entry for its issuance.
2. What is the journal entry to record this bond’s first coupon payment?
3. What is the journal entry for the adjusting entry?
4. What is the journal entry for the bond’s second coupon payment?

Question 2

Now, let’s assume that the bond was instead issued on February 15, 2008, and was still due on February 15th, 2034. On this date, the bond was trading at a yield of 6.89%. Assume everything else about the bond remains the same.

Required:

1. What is the price of this hypothetical bond at issue? Record the journal entry for its issuance.
2. What is the journal entry to record this bond’s first coupon payment?
3. What is the journal entry for the adjusting entry?
4. What is the journal entry for the bond’s second coupon payment?

Question 3

Now, let’s assume that the bond was instead issued on February 15, 2018, and was still due on February 15th, 2034. On this date, the bond was trading at a yield of 4.649%. Assume everything else about the bond remains the same.

Required:

1. What is the price of this hypothetical bond at issue? Record the journal entry for its issuance.
2. What is the journal entry to record this bond’s first coupon payment?
3. What is the journal entry for the adjusting entry?
4. What is the journal entry for the bond’s second coupon payment?

1. It was actually issued, effectively, on February 20th, 2004. This difference makes only a marginal difference on the bond issue price, which is essentially just a rounding error in this bond’s case. [↑](#footnote-ref-1)