

Promotional Description for “Liberty Company Bond” Problem: Understanding Bond Discounts and Accounting for Zero-Coupon Bonds

Students commonly confuse coupon and effective bond interest rates. This problem explains accounting for a zero-coupon bond. Students realize that there is an expense on the bond, even though there is no corresponding cash “interest” payment.

Participants will learn to use this problem as a foundation for explaining bonds with non-zero coupons.