Amortization of Bond Discount: Straight-Line Method

The straight-line method of amortization may be used to amortize a bond's discount when the amount is not significant. (When the amount of discount is significant, the effective interest method is required. See **Form D5**.) With either method of amortization, a bond's book value is always moving toward the bond's face or maturity amount. The reason is that the balance in the account Bond Discount is being reduced to zero over the life of the bond.

The straight-line method of amortization is considered to be simpler than the effective interest method.

Our form assumes that bond's interest expense and amortization of bond's discount will be recorded on the dates of the interest payments.

A	B	C	D	E	F	G
Date	**Interest Payment**	**Amortization of Discount**	**Interest Expense**	Balance in *Bond Discount*	Balance in *Bonds Payable*	**Book Value of Bonds**
Amounts at Issue Date:						
Date bonds are issued				Original amount of bond discount	Face or maturity amount of bonds	The credit balance in Column F minus the debit balance in Column E.
How Accounts Are Affected on Each Semiannual Interest Date:						
	Credit *Cash*	Credit *Bond Discount*	Debit *Interest Expense*			
Calculation of Amounts Entered at Each Semiannual Interest Date:						
	Bond's stated interest rate X face amount X 1/2 year	Original amount of *Bond Discount* spread evenly to the accounting periods during the life of the bonds.	Column B plus Column C	Previous debit balance in *Bond Discount* in Column E minus the credit amount in Column C		The credit balance in Column F minus the debit balance in Column E.

See **Filled-In Form D6** for an illustration.

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