

## Chapter 2 – Company Account – Issue of Debenture

### Question 1.

Vishwas Ltd. issued 2,000; 9% Debentures of Rs.100 each payable as follows:

Rs.25 on application; Rs.25 on allotment and Rs.50 on first and final call.

Applications were received for all the debentures along with the application money and allotment was made. The call money was also received on the due date.

Pass necessary Journal entries in the books of the company.

### Solution:

#### Books of Vishwas Ltd. Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To 9% Debenture Application A/c (Being application money received for 2,000 debentures at ₹25 each)	Dr.	50,000	50,000
	9% Debenture Application A/c To 9% Debenture A/c (Being debenture application money transferred to 9% Debentures A/c)	Dr.	50,000	50,000
	9% Debenture Allotment A/c To 9% Debenture A/c (Being debenture allotment money due on 2,000 Debentures at ₹25 each)	Dr.	50,000	50,000
	Bank A/c To 9% Debenture Allotment A/c (Being debenture allotment money received)	Dr.	50,000	50,000
	9% Debenture First and Final Call A/c To 9% Debenture A/c (Being debenture first and final call money due on 2,000 debentures at ₹50 each)	Dr.	1,00,000	1,00,000
	Bank A/c To 9% Debenture First and Final Call A/c (Being debenture first and final call received)	Dr.	1,00,000	1,00,000

### Question 2.

A Ltd. Issued 2,000; 9% Debentures of Rs.100 each on the following terms:

Rs.20 on application; Rs.20 on allotment; Rs.30 on first call; Rs.30 on final call.

The public applied for 2,400 debentures. Application for 1,800 debentures were accepted in full. Applications for 400 debentures were allotted 200 debentures and application for 200 debentures were rejected. Pass necessary Journal entries.

**Solution:**

**Books of A Ltd.**  
**Journal Entries**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To 9% Debenture Application A/c (Being application money received for 2,400 debentures at Rs.20 each)	Dr.	48,000	48,000
	9% Debenture Application A/c To 9% Debenture A/c To 9% Debenture Allotment A/c To Bank A/c (Being debenture application money transferred to 9% debentures A/c for 2,000 debenture, adjusted to debenture allotment account for 200 debentures and money refunded for 200 debentures)	Dr.	48,000	40,000 4,000 4,000
	9% Debenture Allotment A/c To 9% Debenture A/c (Being debenture allotment money due on 2,000 debentures at Rs.20 each)	Dr.	40,000	40,000
	Bank A/c To 9% Debenture Allotment A/c (Being debenture allotment money received)	Dr.	36,000	36,000
	Debenture First Call A/c To 9% Debenture A/c (Being debenture first call money due on 2,000 9% debentures at Rs.30 each)	Dr.	60,000	60,000
	Bank A/c To Debenture First Call A/c (Being debenture first call received)	Dr.	60,000	60,000
	Debenture Final Call A/c To 9% Debenture A/c (Being debenture Final call money due on 2,000 9% debentures at Rs.30 each)	Dr.	60,000	60,000
	Bank A/c To Debenture Final Call A/c (Being debenture first call received on 2,000 9% debenture at Rs.30 each)	Dr.	60,000	60,000

**Question 3.**

Narain Laxmi Ltd. invited applications for issuing 7,500; 12% Debentures of Rs.100 each at a premium of Rs.35 per debenture. The full amount was payable on application. Applications were received for 10,000 Debentures. Applications for 2,500 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants. Pass necessary Journal entries for the above transactions in the books of Narain Laxmi Ltd.

**Solution:**

**Books of Narain Laxmi Ltd.**  
**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (10,000 debentures × 135) To 9% Debenture Application and Allotment A/c (Being application money received on 10,000 12% debentures)	Dr.	13,50,000	13,50,000
	Debenture Application and Allotment A/c To 12% Debenture A/c To Securities Premium Reserve A/c To Bank A/c (Being 7,500; 12% debenture of ₹100 each issued at a premium of ₹35 and excess money refunded)	Dr.	13,50,000	7,50,000 2,62,500 3,37,500

**Question 4.**

Raj Ltd. issued 5,000; 8% Debentures of Rs.100 each at a premium of 5% payable as follows: Rs.10 on application; Rs.20 along with premium on allotment and balance on first and final call.

Pass necessary Journal entries.

**Solution:**Books of Raj Ltd.  
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To 8% Debenture Application A/c (Being application money received for 5,000 debentures at ₹10 each)	Dr.	50,000	50,000
	8% Debenture Application A/c To 8% Debenture A/c (Being debenture application money transferred to 8% debentures A/c)	Dr.	50,000	50,000
	8% Debenture Allotment A/c To 8% Debenture A/c To Securities Premium A/c (Being debenture allotment money due on 5,000 8% debentures at ₹20 including premium of ₹5)	Dr.	1,00,000	75,000 25,000
	Bank A/c To 8% Debenture Allotment A/c (Being debenture allotment money received)	Dr.	1,00,000	1,00,000
	8% Debenture First and Final Call A/c To 8% Debenture A/c (Being debenture first and final call money due on 5,000 debentures at ₹75 each)	Dr.	3,75,000	3,75,000
	Bank A/c To 8% Debenture First and Final Call A/c (Being debenture first and final call received)	Dr.	3,75,000	3,75,000

**Question 5.**

Nipa Limited issued Rs.10,00,000 Debentures of Rs.100 each at a premium of 10%, payable as 25% on application (including the premium) and the balance on allotment. The debentures were duly taken up by the public and the money was duly received.

You are required to give Journal entries and prepare Cash Book.

**Solution:**

Face value of Debenture = ₹100

Premium (₹100 × 10%) = ₹10

∴ Issue Price = ₹110

Amount Payable as:

On Application (25%)      ₹25 including premium of ₹10 (i.e. ₹10 + 15)

On Allotment (85%)      ₹85 per debenture

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Debenture Application A/c To Debenture A/c To Securities Premium A/c (Being debenture application money received for 10,000 debentures at ₹25 including premium of ₹10 each transferred to debenture account)	Dr.	2,50,000	1,50,000 1,00,000
	Debenture Allotment A/c To Debenture A/c (Being debenture allotment due on 10,000 Debentures at ₹85 each)	Dr.	8,50,000	8,50,000

## Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Debenture Application A/c		2,50,000		By Balance c/d		11,00,000
	To Debenture Allotment A/c		8,50,000				
			11,00,000				11,00,000

**Question 6.**

Alok Ltd. issued 7,000, 10% Debentures of Rs.500 each at a premium of Rs.50 per debenture redeemable at a premium of 10% after 5 years. According to the terms of issue, Rs.200 was payable on application and balance on allotment.

Record necessary Journal entries at the time of issue of 10% Debentures.

**Solution:**

**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (7,000 × 200) To Debenture Application A/c (Being application money received for 7,000 debentures)	Dr.	14,00,000	14,00,000
	Debenture Application A/c To 10% Debenture A/c (Being transferred of application money to Debentures A/c)	Dr.	14,00,000	14,00,000
	Debenture Allotment A/c (7,000 × 350) Loss on issue of Debentures A/c (7,000 × 50) To 10% Debenture A/c (7,000 × 3000) To Securities Premium Reserve A/c (7,000 × 50) To premium on Redemption of Debentures A/c (7000 × 300) (Being allotment due on 7,000 Debentures at a premium of ₹50 per debentures and redeemable at premium of 10%)	Dr. Dr.	24,50,000 3,50,000	21,00,000 3,50,000 3,50,000
	Bank A/c To Debenture Allotment A/c (Being allotment money received)	Dr.	24,50,000	24,50,000

**Question 7.**

Vijay Laxmi Ltd. invited applications for issuing 10,000; 12% Debentures of Rs.100 each at a premium of Rs.70 per

debenture. The full amount was payable on application. Applications were received for 13,500 debentures. Applications for 3,500 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applications.

Pass necessary Journal entries in the books of Vijay Laxmi Ltd. for the above transactions.

**Solution:**

**Books of Vijay Laxmi Ltd.  
Journal Entries**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Debenture Application and Allotment A/c (Being application money received on 13,500 12% debenture)	Dr.	22,95,000	22,95,000
	Debenture Application and Allotment A/c To 12% Debenture A/c To Securities Premium Reserve A/c To Bank A/c (Being 10,000; 12% debenture issued at a premium of Rs.70 and excess money refunded)	Dr.	22,95,000	10,00,000 7,00,000 5,95,000

**Question 8.**

X Ltd. Issued 12,000; 8% Debentures of Rs.100 each at a discount of 5% payable as 25% on application; 20% on allotment and balance after three months.

Pass Journal entries.

**Solution:**

Face value of Debenture = Rs.100

Premium (Rs.100 × 5%) = Rs.5

∴ Issue Price = Rs.95

Amount Payable as:

On Application (25%)	Rs.25 per debenture
On Allotment (85%)	Rs.20 (25 - 5) per debenture
On First and Final Call (50%)	Rs.50 per debenture

**Journal**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To 8% Debenture Application A/c (Being application money received for 12,000 8% debentures at Rs.25 each)	Dr.	3,00,000	3,00,000
	8% Debenture Application A/c To 8% Debenture A/c (Being debenture application money transferred to 8% debentures A/c)	Dr.	3,00,000	3,00,000
	8% Debenture Allotment A/c Discounted on Issue of Debentures A/c To 8% Debenture A/c (Being allotment money due on 12,000 8% debentures at Rs.20 each at discount of Rs.5)	Dr. Dr.	2,40,000 60,000	3,00,000
	Bank A/c To 8% Debenture Allotment A/c (Being allotment money received)	Dr.	2,40,000	2,40,000
	8% Debenture First and Final Call A/c To 8% Debenture A/c (Being first and final call money due on 12,000 8% debentures at Rs.50 each)	Dr.	6,00,000	6,00,000
	Bank A/c To 8% Debenture First and Final Call A/c (Being first and final call received)	Dr.	6,00,000	6,00,000

**Question 9.**

Alka Ltd. issued 5,000, 10% Debentures of Rs.1,000 each at a discount of 10% redeemable at a premium of 5% after 5 years. According to the terms of issue Rs.500 was payable on application and the balance amount on allotment of debentures. Record necessary entries regarding issue of 10% Debentures.

**Solution:****Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (5,000 × 500) Dr. To Debenture Application A/c (Being application money received for 5,000 debentures)		25,00,000	25,00,000
	Debenture Application A/c Dr. To 10% Debenture A/c (Being transferred application money to debentures A/c)		25,00,000	25,00,000
	Debenture Allotment A/c (5,000 × 400) Dr. Discount on issue of Debentures A/c (5,000 × 100) Dr. Loss on issue of Debentures A/c (5,000 × 50) Dr. To 10% Debenture A/c (5,000 × 500) To Premium on Redemption of Debentures (5,000 × 50) (Being allotment due on 5,000 debentures at a discounted of ₹100 per debentures and redeemable at premium of 5%)		20,00,000 5,00,000 2,50,000	25,00,000 2,50,000
	Bank A/c Dr. To Debenture Allotment A/c (Being allotment money received)		20,00,000	20,00,000

**Question 10.**

A limited company bought a Building for Rs.9,00,000 and the consideration was paid by issuing 10% Debentures of the nominal (face) value of Rs.100 at a discount of 10%.

Give Journal entries.

**Solution:****Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Building A/c Dr. To Vendor A/c (Being building purchased)		9,00,000	9,00,000
	Vendor A/c Dr. Discount on Issue of Debentures A/c Dr. To 10% Debentures A/c (Being issued 10,000, 10% debentures at 10% discount)		9,00,000 1,00,000	10,00,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{9,00,000}{90} = 10,000 \text{ debentures}$$

**Question 11.**

Wye Ltd. purchased an established business for Rs.2,00,000 payable as Rs.65,000 by cheque and the balance by an issue of 9% Debentures of Rs.100 each at a discount of 10%.

Give Journal entries in the books of Wye Ltd.

**Solution:**

Books of Wye Ltd.  
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Sundry Assets A/c To vendor A/c (Being business purchased)	Dr.	2,00,000	2,00,000
	Vendor A/c To Bank A/c (Being amount paid to vendor in cash)	Dr.	65,000	65,000
	Vendor A/c Discount on Issue of Debentures A/c To 9% Debenture A/c (Being issued 1,500 debentures at 10% discount)	Dr. Dr.	1,35,000 15,000	1,50,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{1,35,000}{90} = 1,500 \text{ debentures}$$

**Question 12.**

Newton Ltd. purchased a Machinery from B for an agreed purchase consideration of Rs.5,76,000 to be satisfied by the issue of 9% Debentures of Rs.100 each at 4% discount. Journalise the transactions.

**Solution:**

Books of Newton Ltd.  
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c To B's A/c (Being machinery purchased from B)	Dr.	5,76,000	5,76,000
	B's A/c Discount on Issue of Debentures A/c To 9% Debenture A/c (Being issued 6,000 debentures at 4% discount)	Dr. Dr.	5,76,000 24,000	6,00,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{5,76,000}{100 - 4} = \frac{5,76,000}{96} = 6,000 \text{ debentures}$$

**Question 13.**

Reliance Ltd. purchased machinery costing Rs.1,35,000. It was agreed that the purchase consideration be paid by issuing 9% Debentures of Rs.100 each. Assume debentures have been issued (i) at par and (ii) at a discount of 10%. Give necessary Journal entries.

**Solution:**

**Books of Reliance Ltd.**  
**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c To Vendor A/c (Being machinery purchased)	Dr.	1,35,000	1,35,000
	Vendor A/c To 9% Debenture A/c (Being issued 1,350 debentures at par)	Dr.	1,35,000	1,35,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{1,35,000}{100} = 1,350 \text{ debentures}$$

Case 2

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c To Vendor A/c (Being machinery purchased)	Dr.	1,35,000	1,35,000
	Vendor A/c Discount on Issue of Debentures A/c To 9% Debenture A/c (Being issued 1,500 debentures at 10% discount)	Dr. Dr.	1,35,000 15,000	1,50,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{1,35,000}{90} = 1,500 \text{ debentures}$$

**Question 14.**

Deepak Ltd. purchased furniture of Rs.2,20,000 from M/s. Furniture Mart. 50% of the amount was paid to M/s. Furniture Mart by accepting a Bill of Exchange and for the balance the company issued 9% Debentures of Rs.100 each at a premium of 10% in favour of M/s. Furniture Mart.

Pass Journal entries in the books of Deepak Ltd.

**Solution:**

**Books of Deepak Ltd.**  
**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Furniture A/c To Furniture Mart A/c (Being furniture purchased from furniture mart )	Dr.	2,20,000	2,20,000
	Furniture Mart A/c To Bills Payable A/c (Being bill accepted from furniture mart against 50% payment)	Dr.	1,10,000	1,10,000
	Furniture Mart A/c To 9% Debenture A/c To Securities Premium A/c (Being issued 1,000 9% debentures of ₹100 each at a premium of 10% furniture mart)	Dr.	1,10,000	1,00,000 10,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{1,10,000}{100 + 10} = \frac{1,10,000}{110} = 1,000 \text{ debentures}$$



**Question 15.**

Lotus Ltd. took over assets of Rs.2,50,000 and liabilities of Rs.30,000 of Goneby Company for the purchase consideration of Rs.3,30,000. Lotus Ltd. paid the purchase consideration by issuing debentures of Rs.100 each at 10% premium.

Give Journal entries in the books of the Lotus Ltd.

**Solution:**

**Books of Lotus Ltd.  
Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c	Dr.	2,50,000	
	Goodwill A/c (balancing figure)	Dr.	1,10,000	
	To Sundry Liabilities A/c			30,000
	To Goneby Company A/c			3,30,000
	(Being business purchased of goneby company)			
	Goneby Company A/c	Dr.	3,30,000	
	To Debenture A/c			3,00,000
	To Securities Premium A/c			30,000
	(Being issued 3,000 debenture at 10% premium)			

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{3,30,000}{100 + 10} = \frac{3,30,000}{110} = 3,000 \text{ debentures}$$

**Question 16.**

Exe Ltd. purchased assets of the book value of Rs.4,00,000 and took over the liabilities of Rs.50,000 from Mohan Bros. It was agreed that the purchase consideration, settled at Rs.3,80,000, be paid by issuing debentures of 100 each.

Pass Journal entries if debentures are issued:

- at par,
- at a discount of 10%and
- at a premium of 100%

It was agreed that any fraction of debentures be paid in cash.

**Solution:**

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c Dr.		4,00,000	
	Goodwill A/c (balancing figure) Dr.		30,000	
	To Liabilities A/c			50,000
	To Mohan Bros. A/c			3,80,000
	(Being business purchased of mohan bros.)			

**Case 1** When Debentures are issued at par

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Mohan Bros A/c Dr.		3,80,000	
	To Debenture A/c			3,80,000
	(Being issued 3,800 debenture at par)			

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{3,80,000}{100} = 3,800 \text{ debentures}$$

**Case 2** When Debentures are issued at 10% discount

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Mohan Bros. A/c Dr.		3,80,000	
	Discount on issue of Debenture A/c Dr.		42,220	
	To Debenture A/c			4,22,200
	To Bank A/c			20
	(Being issued 4,222 debentures of ₹100 each at 10% discount to Mohan Bros. and fraction of debentures is paid in cash)			

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{3,80,000}{100 - 10} = \frac{3,80,000}{90} = 4,222.2 \text{ debentures}$$

**Case 3** When Debentures are issued at 10% premium

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Mohan Bros. A/c Dr.		3,80,000	
	To Debenture A/c			3,45,400
	To Securities Premium A/c			34,540
	To Bank A/c			60
	(Being issued 3,454 debentures of ₹100 each at 10% premium to mohan bros. and fraction of debentures is paid in cash)			

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{3,80,000}{100 + 10} = \frac{3,80,000}{110} = 3,454.6 \text{ debentures}$$

**Question 17.**

R Ltd. purchased the assets of S Ltd. for Rs.5,00,000. It also agreed to take over the liabilities of S Ltd. amounted to Rs.2,00,000 for a purchase consideration of Rs.2,80,000. The payment of S Ltd. was made by issue of 9% Debentures of T, Rs.100 each at par.

Pass necessary Journal entries in the books of A' Ltd.

**Solution:**

**Books of R Ltd.  
Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c Dr. To Sundry Liabilities A/c To S Ltd. A/c To Capital Reserve A/c (balancing figure) (Being assets purchased and liabilities took over from S Ltd.)		5,00,000	2,00,000 2,80,000 20,000
	S Ltd. A/c Dr. To 9% Debenture A/c (Being issued 2,800 9% debenture of ₹10 each)		2,80,000	2,80,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{2,80,000}{100} = 2,800 \text{ debentures}$$

**Question 18.**

Romi Ltd. acquired assets of Rs.20 lakhs and took over creditors of Rs.2 lakhs from Kapil Enterprises. Romi Ltd. issued 8% Debentures of Rs.100 each at a premium of 25% as purchase consideration.

Record necessary Journal entries in the books of Romi Ltd.

**Solution:**

**Books of Romi Ltd.  
Journal Entries**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Assets A/c Dr. To Creditors A/c To Kapil Enterprises (Being assets purchased and creditors took over from kapil enterprises )		20,00,000	2,00,000 18,00,000
	Kapil Enterprises A/c Dr. To 8%Debenture A/c To Securities Premium A/c (Being issued 14,400 8% debentures of Rs.100 each at a premium of 25% to kapil enterprises)		18,00,000	14,40,000 3,60,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{18,00,000}{100 + 25} = \frac{18,00,000}{125} = 14,400 \text{ debentures}$$

**Question 19.**

Romi Ltd. acquired assets of Rs.20 lakhs and took over creditors of Rs.2 lakhs from Kapil Enterprises. Romi Ltd. issued 8% Debentures of Rs.100 each at a discount of 10% as purchase consideration.

Record necessary Journal entries in the books of Romi Ltd.

**Solution:**

**Books of Romi Ltd.**  
**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c Dr. To Creditors A/c To Kapil Enterprises A/c (Being assets purchased and Creditors took over from Kapil Enterprises )		20,00,000	2,00,000 18,00,000
	Kapil Enterprises A/c Dr. Discount on Issue of Debentures A/c Dr. To 8% Debenture A/c (Being issued 20,00 8% Debentures of ₹100 each at discount of 10% to Kapil Enterprises)		18,00,000 2,00,000	20,00,000

**Working Notes :**

$$\text{No. of debentures to be issued} = \frac{\text{purchase Consideration}}{\text{Issue Price}} = \frac{18,00,000}{100 - 10} = \frac{18,00,000}{90} = 20,000 \text{ debentures}$$

**Question 20.**

Best Barcode Ltd. took a loan of Rs.5,00,000 from a bank giving Rs.6,00,000; 9% Debentures as collateral security. Pass Journal entries regarding issue of debentures, if any, and show this loan in the Balance Sheet of the company.

**Solution:**

**Best Barcode Ltd.**  
**Balance Sheet**

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	5,00,000
3. Current Liabilities		
<b>Total</b>		<b>5,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	5,00,000
<b>Total</b>		<b>5,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	₹
1	Long - Term Borrowings Loan (Secured by issue of 9% Debentures of ₹6,00,000 as Collateral Security)	5,00,000
2	Cash and Cash Equivalents Cash at Bank	5,00,000

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Loan A/c (Being loan taken against issuing 9% Debentures as collateral Security )	Dr.	5,00,000	5,00,000

**Alternative Method:**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Loan A/c (Being loan taken against issuing 9% Debentures as collateral Security )	Dr.	5,00,000	5,00,000
	Debenture Suspense A/c To 9% Debentures A/c (Being issued 9% Debentures of ₹6,00,0000 as collateral security)	Dr.	6,00,000	6,00,000

Posting in the Company's Balance sheet

**Best Barcode Ltd.  
Balance Sheet**

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	5,00,000
3. Current Liabilities		
<b>Total</b>		<b>5,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	5,00,000
<b>Total</b>		<b>5,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	₹
1	Long - Term Borrowings Secured: Loan (Secured by issue of 9% Debentures of ₹6,00,000 as Collateral Security) 9% Debenture(Issued as Collateral Security to Bank against loan) Less : Debenture Suspense Account	5,00,000 6,00,000 6,00,000 <hr/> 5,00,000
2	Cash and Cash Equivalents Cash at Bank	5,00,000

**Question 21.**

A company took a loan of Rs.4,00,000 from Bandhan Bank Ltd. and issued 8% Debentures of Rs.4,00,000 as a collateral security.

Explain how will the issue of debentures be dealt with in the books of the company.

**Solution:**

When Debentures Issued as Collateral Security are shown separately

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Loan from Bandhan Bank Ltd. (Being loan taken against issuing 8% Debentures as collateral Security )	Dr.	4,00,000	4,00,000
	Debenture Suspense A/c To 8% Debentures A/c (Being issued 8% Debentures as collateral security)	Dr.	4,00,000	4,00,000

Posting in the Company's Balance Sheet (When Debentures Issued as Collateral Security are shown separately )

Balance Sheet		
Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	4,00,000
3. Current Liabilities		
<b>Total</b>		<b>4,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	4,00,000
<b>Total</b>		<b>4,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	₹
1	Long - Term Borrowings Secured: Loan form Bandhan Bank (Secured by issue of Debentures of ₹4,00,000) 8% Debenture(Issued as Collateral Security to Bank against loan) Less : Debenture Suspense Account	4,00,000 4,00,000 -
2	Cash and Cash Equivalents Cash at Bank	4,00,000

Alternative Method: When Debentures Issued as Collateral Security are shown separately

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Loan Form Bandhan Bank Ltd (Being loan taken from Bandhan Bank secured by issuing Debentures as collateral Security )	Dr.	4,00,000	4,00,000

(When Debentures Issued as Collateral Security are shown separately )

**Balance Sheet**

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	4,00,000
3. Current Liabilities		
<b>Total</b>		<b>4,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	4,00,000
<b>Total</b>		<b>4,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	₹
1	Long - Term Borrowings Secured: Loan form Bandhan Bank (Secured by issue of 8% Debenture of ₹4,00,000 as Collateral Security)	4,00,000
2	Cash and Cash Equivalents Cash at Bank	4,00,000

**Question 22.**

X Ltd. obtained a loan of Rs.3,00,000 from IDBI Bank. The company issued 4,000; 9% Debentures of Rs.100 each as a collateral security for the same. Show how these items will be presented in the Balance Sheet of the company.

**Solution:**

When Debentures Issued as Collateral Security are shown separately

X Ltd.

**Balance Sheet**

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	3,00,000
3. Current Liabilities		
<b>Total</b>		<b>3,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	3,00,000
<b>Total</b>		<b>3,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	₹
1	Long - Term Borrowings Secured: Loan Form IDBI (Secured by issue of Debentures of ₹4,00,000) 9% Debenture(Issued as Collateral Security to Bank against loan) Less : Debenture Suspense Account	3,00,000 4,00,000 4,00,000 -
2	Cash and Cash Equivalents Cash at Bank	3,00,000

Alternative Method: When Debentures Issued as Collateral Security are shown separately

X Ltd.  
Balance Sheet

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	3,00,000
3. Current Liabilities		
<b>Total</b>		<b>3,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	3,00,000
<b>Total</b>		<b>3,00,000</b>

NOTES TO ACCOUNTS

Note No.	Particulars	₹
1	Long - Term Borrowings Secured: Loan Form IDBI (Secured by issue of 9% Debentures of ₹4,00,000 as Collateral Security)	3,00,000
2	Cash and Cash Equivalents Cash at Bank	3,00,000

**Question 23.**

Journalise the following:

- a. A debenture Issued at Rs.95, repayable at Rs.100.
  - b. A debenture issued at Rs.95, repayable at Rs.105.
  - c. A debenture issued at Rs.100, repayable at Rs.105.
- The face value of debenture is Rs.100 in each of the above cases.

**Solution:**



**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Bank A/c Dr. To Debenture Application A/c (Being debentures application money received )		95	95
	Debenture Application A/c Dr. Discount On Issue of Debentures A/c Dr. To Debenture A/c (Being debenture of ₹100 each issued at ₹95 with the term repayable at par)		95 5	100
(b)	Bank A/c Dr. To Debenture Application A/c (Being debenture application money received)		95	95
	Debenture Application A/c Dr. Discount On Issue of Debentures A/c Dr. Loss on Issue of Debentures A/c Dr. To Debenture A/c To premium on Redemption A/c (Being debenture of ₹100 each issued of ₹95 with the term repayable at ₹105)		95 5 5	100 5
(c)	Bank A/c Dr. To Debenture Application A/c (Being debenture application received)		100	100
	Debenture Application A/c Dr. Loss On Issue of Debentures A/c Dr. To Debenture A/c To premium on Redemption A/c (Being debenture of ₹100 each issued at par with the term repayable at ₹105)		100 5	100 5

**Question 24.**

Pass Journal entries in the following cases:

- A Co. issued Rs.40,000; 12% debentures at a premium of 5% redeemable at par?
- A Co. issued Rs.40,000; 12% debentures at a discount of 10% redeemable at par?
- A Co. issued Rs.40,000; 12% debentures at par redeemable at 10% premium?
- A Co. issued Rs.40,000; 12% debentures at a discount of 5% and redeemable at 5% premium?

**Solution:**

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Bank A/c To 12%Debenture Application A/c (Being debentures application money received )	Dr.	42,000	42,000
	12%Debenture Application A/c To 12%Debenture A/c To Securities Premium A/c (Being debenture application money transferred to 12% Debentures account and securities premium account)	Dr.	42,000	40,000 2,000

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
(b)	Bank A/c To 12% Debenture Application A/c (Being debenture application money received)	Dr.	36,000	36,000
	12% Debenture Application A/c Discount On Issue of Debentures A/c To 12% Debenture A/c (Being debenture of ₹40,000 issued at 10% discount)	Dr. Dr.	36,000 4,000	40,000

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
(c)	Bank A/c To 12% Debenture Application A/c (Being debenture application money received)	Dr.	40,000	40,000
	12%Debenture Application A/c Loss On Issue of Debentures A/c To 12% Debenture A/c To Premium on Redemption A/c (Being debenture of ₹40,000 issued at par with the term repayable at 10% premium)	Dr. Dr.	40,000 4,000	40,000 4,000

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
(d)	Bank A/c To 12%Debenture Application A/c (Being debenture application money received)	Dr.	38,000	38,000
	Debenture Application A/c Discount on Issue of Debentures A/c Loss On Issue of Debentures A/c To 12%Debenture A/c To Premium on Redemption A/c (Being debenture of ₹40,000 issued at 5% discount with the term repayable at 5% premium)	Dr. Dr. Dr.	38,000 2,000 2,000	40,000 2,000

**Question 25.**

Footfall Ltd. issues 10,000 Debentures of Rs.100 each at a discount of 10% redeemable at a premium of 5% after the expiry

of three years.

Pass Journal entries for the issue and redemption of these debentures after the expiry of three years.

**Solution:**

Books of Footfall Ltd.  
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Debenture Application A/c (Being debentures application money received for 10,000 debentures at ₹90 each)	Dr.	9,00,000	9,00,000
	Debenture Application A/c Discount on Issue of Debentures A/c Loss On Issue of Debentures A/c To Debenture A/c To Premium on Redemption A/c (Being 10,000 debenture of ₹100 each issued at 10% discount with the term repayable at 5% redemption)	Dr. Dr. Dr.	9,00,000 1,00,000 50,000	10,00,000 50,000
	Debentures A/c Premium on Redemption A/c To Debenture holders' A/c (Being debenture due for redemption along with premium on redemption)	Dr. Dr.	10,00,000 50,000	10,50,000
	Debenture holders' A/c To Bank A/c (Being amount due for redemption paid to debenture holders)	Dr.	10,50,000	10,50,000

**Question 26.**

A company issued Rs.1,00,000; 9% Debentures at a discount of 5% redeemable after 10 years at a premium of 10%. Pass Journal entry for the issue.

**Solution:**

Books of Footfall Ltd.  
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To 9% Debenture Application A/c (Being debentures application money received)	Dr.	95,000	95,000
	9% Debenture Application A/c Discount on Issue of Debentures A/c Loss On Issue of Debentures A/c To 9% Debenture A/c To premium on Redemption A/c (Being 9% Debenture issued at 5% discount with the term repayable at 10% premium)	Dr. Dr. Dr.	95,000 5,000 10,000	1,00,000 10,000

**Question 27.**

Pass necessary Journal entries relating to the issue of debentures for the following:

- Issued Rs.4,00,000; 9% Debentures of Rs.100 each at a premium of 8% redeemable at 10% premium.
- Issued Rs.6,00,000; 9% Debentures of Rs.100 each at par, repayable at a premium of 10%.
- Issued Rs.10,00,000; 9% Debentures of Rs.100 each at a premium of 5%, redeemable at par.

**Solution:****Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Bank A/c To Debenture Application and Allotment A/c (Being application money received on 4,000 9% debentures )	Dr.	4,32,000	4,32,000
	Debenture Application and Allotment A/c Loss on Issue of Debentures A/c To 9% Debenture A/c To Securities Premium Reserve A/c To Premium on Redemption of debentures A/c (Being 4,000; 9% debenture issued at a premium of ₹8 and redeemable at premium of 10%)	Dr. Dr.	4,32,000 40,000	4,00,000 32,000 40,000
(b)	Bank A/c To Debenture Application and Allotment A/c (Being application money received on 6,000 9% debentures)	Dr.	6,00,000	6,00,000
	Debenture Application and Allotment A/c Loss On Issue of Debentures A/c To 9% Debenture A/c To premium on Redemption of Debentures A/c (Being 6,000; 9%debenture issued at par and redeemable at premium of 10%)	Dr. Dr.	6,00,000 60,00	6,00,000 60,000
(c)	Bank A/c To Debenture Application and Allotment A/c (Being application money received on 10,000 9% debentures)	Dr.	10,50,000	10,50,000
	Debenture Application and Allotment A/c To 9% Debenture A/c To Securities Premium Reserve A/c (Being 1,000; 9% debentures issued at a premium of ₹5)	Dr.	10,50,000	10,00,000 50,000

**Question 28.**

Pass necessary Journal entries relating to the issue of debentures for the following:

- Issued Rs.28,000; 10% Debentures of Rs.100 each at a premium of 15% redeemable at par.
- Issued Rs.30,000; 10% Debentures of Rs.100 each at a premium of 10% and redeemable at a premium of 15%.
- Issued Rs.80,000; 10% Debentures of Rs.100 each at par repayable at a premium of 10%.

**Solution:****Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Bank A/c (280 debentures × 115) To Debenture Application and Allotment A/c (Being application money received)	Dr.	32,200	32,200
	Debenture Application and Allotment A/c To 10% Debenture A/c To Securities Premium Reserve A/c (Being 280; 10% debenture issued at a premium of 15%)	Dr.	32,200	28,000 4,200
(b)	Bank A/c To Debenture Application and Allotment A/c (Being application money received)	Dr.	33,000	33,000
	Debenture Application and Allotment A/c Loss On Issue of Debentures A/c To 10% Debenture A/c To Securities Premium Reserve A/c To premium on Redemption of Debentures A/c (Being 300; 10% debenture issued at a premium of 10% and redeemable at a premium of 15%)	Dr. Dr.	33,000 4,500	30,000 3,000 4,500
(c)	Bank A/c To Debenture Application and Allotment A/c (Being application money received)	Dr.	80,000	80,000
	Debenture Application and Allotment A/c Loss On Issue of Debentures A/c To 10% Debenture A/c To premium on Redemption of Debentures A/c (Being 800; 10% debentures issued at a par and redeemable at premium of 10%)	Dr. Dr.	80,000 8,000	80,000 8,000

**Question 29.**

Pass necessary Journal entries for the issue of debentures in the following cases:

- Rs.40,000; 12% debentures of Rs.100 each issued at a premium of 5% redeemable at par.
- Rs.70,000; 12% debentures of Rs.100 each issued at a premium of 5% redeemable at 110.

**Solution:**

a.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Debenture Application A/c (Being 400 debentures issued at ₹100 at a premium of 5%)	Dr.	42,000	42,000
	Debenture Application A/c To 12% Debenture A/c To Securities Premium A/c (Being 400 debentures issued at a premium of 5% and redeemable at par)	Dr.	42,000	40,000 2,000

b.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Debenture Application A/c (Being 700 debentures issued at ₹100 at a premium of 5%)	Dr.	73,500	73,500
	Debenture Application A/c Loss On Issue of Debentures A/c To 12% Debenture A/c To Securities Premium Reserve A/c To premium on Redemption A/c (Being 70,000; debenture issued at a premium of 5% and redeemable at ₹110)	Dr. Dr.	73,500 7,000	70,000 3,500 7,000

**Question 30.**

Pass necessary Journal entries for the issue of Debentures in the following cases:

- Rs.40,000; 15% Debentures of Rs.100 each issued at a discount of 10% redeemable at par.
- Rs.80,000; 15% Debentures of Rs.100 each issued at a premium of 10% redeemable at a premium of 10%.

**Solution:**

a.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Debenture Application A/c (Being 400 debentures issued at ₹100 at a premium of 10%)	Dr.	36,000	36,000
	Debenture Application A/c Discount on Issue of Debentures A/c To 15% Debenture A/c (Being 400 debentures issued at discount and redeemable at par)	Dr. Dr.	36,000 4,000	40,000

b.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Debenture Application A/c (Being 800 debentures issued at ₹100 at a premium of 10%)	Dr.	88,000	88,000
	Debenture Application A/c Loss On Issue of Debentures A/c To 15% Debenture A/c To premium on Redemption A/c To Securities Premium A/c (Being 800 debenture issued at a premium of 10% and redeemable at a premium of 10%)	Dr. Dr.	88,000 8,000	80,000 8,000 8,000

**Question 31.**

XYZ Ltd. issued 5,000, 10% Debentures of Rs.100 each on 1st April, 2015 at a discount of 10% redeemable at a premium of 10% after 4 years. Give Journal entries for the year ended 31st March, 2016 assuming that the interest was payable half yearly on 30th September and 31st March. Tax is to be deducted @ 10%.

**Solution:**

Books of XYZ Ltd.  
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
2015 April 01	Bank A/c To Debenture Application A/c (Being application money received)	Dr.	4,50,000	4,50,000
April 01	Debenture Application A/c Loss On Issue of Debentures A/c To 10% Debenture A/c To premium on Redemption A/c (Being 5,000 debentures of ₹100 each issued at 10% discount with the term repayable at premium of 10%)	Dr. Dr.	4,50,000 1,00,000	5,00,000 50,000
2015 Sept. 30	Interest on Debentures A/c To Debenture holders' A/c To Income Tax Payable A/c (Being interest due on 10% debentures)	Dr.	25,000	22,500 2,500
Sept. 30	Debenture holders' A/c To Bank A/c (Being interest on debentures paid to debenture holders)	Dr.	22,500	22,500
Sept. 30	Income Tax Payable A/c To Bank A/c (Being payment of tax on interest on debentures)	Dr.	2,500	2,500
2016 March 31	Interest on debentures A/c To Debentures holders' A/c To Income Tax Payable A/c (Being interest due on 10% debentures)	Dr.	25,000	22,500 2,500
March 31	Debenture holders' A/c To Bank A/c (Being interest on debentures paid to debenture holders)	Dr.	22,500	22,500
March 31	Income Tax Payable A/c To Bank A/c (Being payment of tax on interest on debentures)	Dr.	2,500	2,500
March 31	Profit and Loss A/c To Interest on debentures A/c (Being interest on debentures transferred to profit and loss account)	Dr.	50,000	50,000

**Working Notes :**

$$\text{Interest on Debentures (for half year)} = 5,00,000 \times \frac{10}{100} \times \frac{6}{12} = ₹25,000.$$

**Question 32.**

Bright Ltd. issued 5,000; 10% debentures of Rs.100 each on 1st April, 2015. The issue was fully subscribed. According to the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 10%.

Pass necessary Journal entries related to the debenture interest for the year ending 31st March, 2016 and transfer of interest on debentures of the year to the Statement of Profit and Loss.



**Solution:**

Journal  
In the books of Bright Ltd.

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016 Mar. 31	<div style="display: flex; justify-content: space-between;"> <div> Debentures Interest A/c              To Debenture Holder's A/c              To Income Tax Payable A/c  (Being debentures interest due) </div> <div>Dr.</div> </div>		25,000	22,500 2,500
	<div style="display: flex; justify-content: space-between;"> <div> Debenture Holder's A/c  Income Tax Payable A/c              To Bank A/c  (Being interest on debentures paid) </div> <div>Dr. Dr.</div> </div>		22,500 2,500	25,000
Mar. 31	<div style="display: flex; justify-content: space-between;"> <div> Statement of Profit and Loss A/c              To Debentures Interest A/c  (Being interest transferred to profit and loss) </div> <div>Dr.</div> </div>		50,000	50,000

**Question 33.**

XYZ Ltd. issues 5,000; 9% Debentures of Rs.100 each. Pass Journal entries and prepare the Balance Sheet in each of the following cases:

- i. Debentures are issued at a premium of 10%.
- ii. Debentures are issued as a collateral security to bank against a loan of Rs.4,00,000.
- iii. Debentures are issued at a discount of 5%.
- iv. Debentures are issued to a supplier of machinery costing Rs.4,50,000.

**Solution:**

Case (I) Debentures Issued at Premium of 10%

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	<div style="display: flex; justify-content: space-between;"> <div> Bank A/c              To 9% Debenture Application A/c  (Being debentures application money received) </div> <div>Dr.</div> </div>		5,50,000	5,50,000
	<div style="display: flex; justify-content: space-between;"> <div> 9% Debenture Application A/c              To 9% Debenture A/c              To Securities Premium A/c  (Being 5,000 9% debenture of ₹100 each issued at 10% premium) </div> <div>Dr.</div> </div>		5,50,000	5,00,000 50,000

Posting in the Company's Balance Sheet

XYZ Ltd.  
Balance Sheet

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
a. Reserves and Surplus	1	50,000
2. Non - Current Liabilities		
a. Long - Term Borrowings	2	5,00,000
3. Current Liabilities		
<b>Total</b>		<b>5,50,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	5,50,000
<b>Total</b>		<b>5,50,000</b>

# NOTES TO ACCOUNTS

Note No.	Particulars	₹
1	Reserves and Surplus Securities Premium	50,000
2	Long Term Borrowing 9% Debentures (Secured)	5,00,000
3	Cash and Cash Equivalents Cash at Bank	5,50,000

Case (II) Debentures Issued as Collateral Security to bank against a loan of ₹4,00,000

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Loan A/c (Being loan taken and Debentures issued as collateral security)		4,00,000	4,00,000
	Debenture Suspense A/c Dr. To 9% Debentures A/c (Being debenture issued as Collateral Security)		5,00,000	5,00,000

Posting in the Company's Balance Sheet

## XYZ Ltd. Balance Sheet

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	4,00,000
3. Current Liabilities		
<b>Total</b>		<b>4,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	4,00,000
<b>Total</b>		<b>4,00,000</b>

# NOTES TO ACCOUNTS

Note No.	Particulars	₹
1	Long Term Borrowing Loan from Bank (Secured by issued of 9% Debentures of ₹5,00,000) 9% Debentures (Secured) (Issued as Collateral Security) Less: Debentures Suspense A/c	4,00,000 5,00,000 (5,00,000) -
2	Cash and Cash Equivalents Cash at Bank	4,00,000

Case (III) Debentures Issued at Discount of 5%

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To 9% Debenture Application A/c (Being debenture application money received)	Dr.	4,75,000	4,75,000
	9% Debenture Application A/c Discount on Issue of Debentures A/c To 9% Debentures A/c (Being 5,000 9% Debentures of ₹100 each issued at a discount of 5%)	Dr. Dr.	4,75,000 25,000	5,00,000

## Posting in the Company's Balance Sheet

XYZ Ltd.  
Balance Sheet

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	5,00,000
3. Current Liabilities		
<b>Total</b>		<b>5,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
a. Other Non - Current Assets	2	25,000
2. Current Assets		
a. Cash and Cash Equivalents	3	4,75,000
<b>Total</b>		<b>5,00,000</b>

## NOTES TO ACCOUNTS

Note No.	Particulars	₹
1	<b>Long Term Borrowing</b> 9% Debentures (Secured)	5,00,000
2	<b>Other Non - Current Assets</b> Discount on Issue of Debentures	25,000
3	<b>Cash and Cash Equivalents</b> Cash at Bank	4,75,000

Case (IV) Debentures are issued to supplier of machinery costing ₹4,50,000

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c To Vendor (Being machinery purchased)	Dr.	4,50,000	4,50,000
	Vendor Discount on Issue of Debentures A/c To 9% Debentures A/c (Being 5,000 9% Debentures to Vendor of Machinery)	Dr. Dr.	4,50,000 50,000	5,00,000

XYZ Ltd.  
Balance Sheet

Particulars	Note No.	₹
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non - Current Liabilities		
a. Long - Term Borrowings	1	5,00,000
3. Current Liabilities		
<b>Total</b>		<b>5,00,000</b>
<b>II. Assets</b>		
1. Non - Current Assets		
a. Fixed Assets		
i. Tangible Assets	2	4,50,000
b. Other Non - Current Assets	3	50,000
2. Current Assets		
<b>Total</b>		<b>5,00,000</b>

## NOTES TO ACCOUNTS

Note No.	Particulars	₹
1	<b>Long Term Borrowing</b> 9% Debentures (Secured)	5,00,000
2	<b>Tangible Assets</b> Machinery	4,50,000
3	<b>Other Non - Current Assets</b> Discount on Issue of Debentures	50,000

**Question 34.**

Pass Journal entries for the following transactions in the books of Y Ltd:

- Purchased machinery Rs.1,65,000. The vendor was paid by issuing 9% Debentures of Rs.100 each at a premium of 10%.
  - Issued 9% Debentures of Rs.1,50,000 as collateral security.
  - Paid half yearly interest on Rs.1,80,000; 9% Debentures.
  - Issued 1,000; 9% Debentures of 100 each at a discount of 5%.
- The debentures were repayable at a premium of 10%.

**Solution:**

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
Case (a)	Machinery A/c To Vendor A/c (Being machinery purchased)	Dr.	1,65,000	1,65,000
	Vendor A/c Loss On Issue of Debentures A/c To 9% Debenture A/c To premium on Redemption A/c To Securities premium A/c (Being 1,500 9% debentures of ₹100 each issued at ₹10 premium)	Dr. Dr.	1,65,000 15,000	1,50,000 15,000 15,000
Case (b)	Debentures Suspense A/c Loss On Issue of Debentures A/c To 9% Debenture A/c To premium on Redemption A/c (Being debenture issued at as collateral security)	Dr. Dr.	1,50,000 15,000	1,50,000 15,000
Case (c)	Interest on debentures A/c To Bank A/c (Being half yearly interest paid on 9% debenture of ₹1,80,000) (WN)	Dr.	8,100	8,100
Case (d)	Bank A/c To 9% Debentures Application A/c (Being application money received)	Dr.	95,000	95,000
	9% Debentures Application A/c Discount on Issue of Debentures A/c Loss on Issue of Debentures A/c To 9% Debentures A/c To premium on Redemption A/c (Being 1,000 9% debentures of ₹100 each issued at 5% discount and repayable at a premium of 10%)	Dr. Dr. Dr.	95,000 5,000 10,000	1,00,000 1,000

**Working Notes :**

Calculation of Interest on Debentures (Case c)

$$\text{Interest on Debentures (for half year)} = 1,80,000 \times \frac{9}{100} \times \frac{6}{12} = ₹8,100$$