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Chapter-5

Issue of debentures

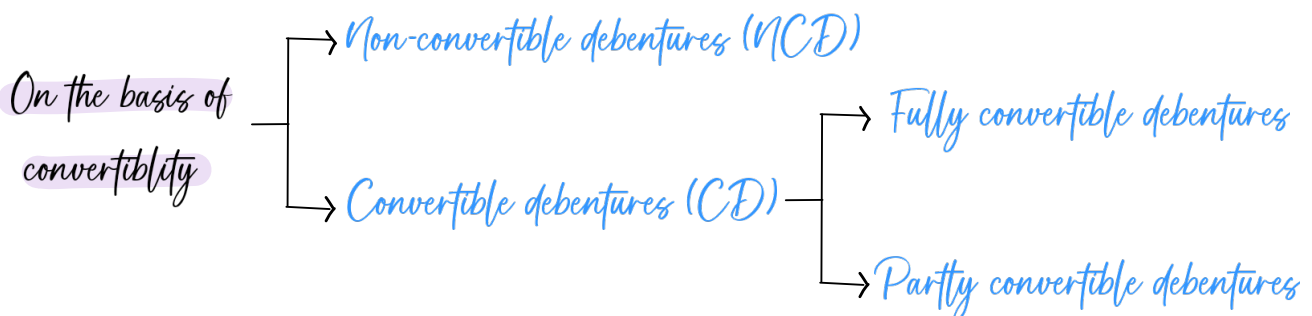
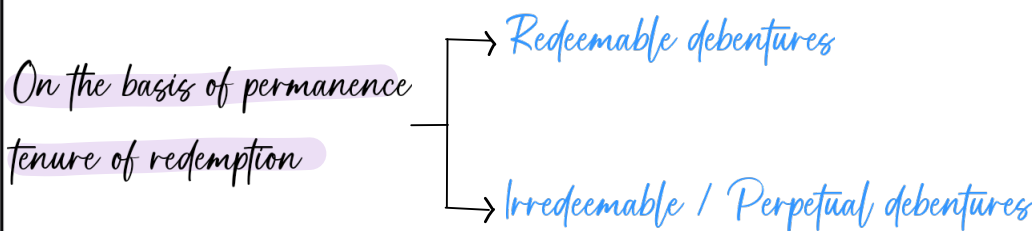
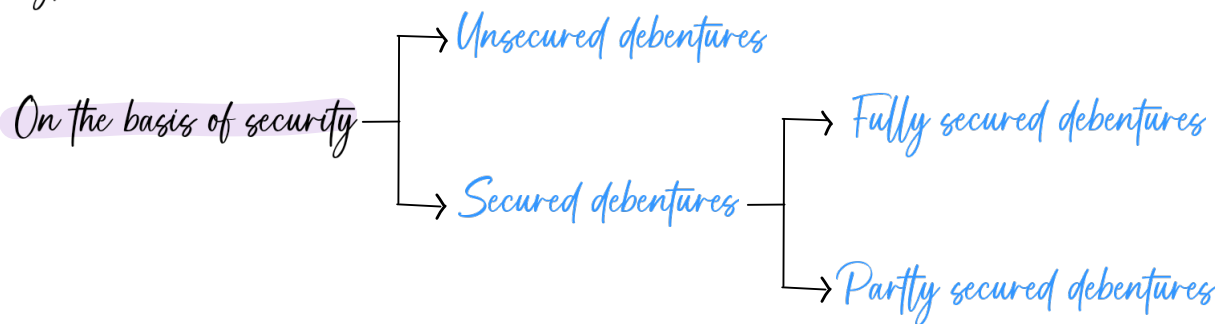
Lecture 1

* **Meaning of debenture:** -

- Debentures are the sources of obtaining long term finance for a company.
- A debenture is a bond issued by a company under its seal, acknowledging a debts and containing provisions as regards repayment of the principal and interest.

* **Companies act 2013 section 2(30):** -

Debenture includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.

* **Types of debentures:** -

On the basis of negotiability

- Bearer / Naked debentures
- Registered debentures

On the basis of priority

- First charge debentures
- Second charge debentures

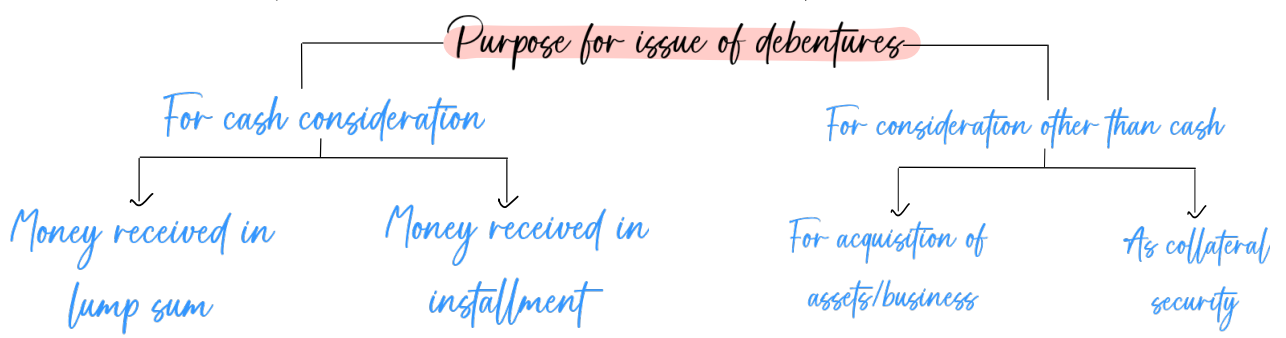
Lecture 2

* Distinction between a share and a debenture :-

Basis	Share	Debenture
Nature	Share is a part of owned capital (owner's fund)	Debenture constitutes a loan
Reward for investment	Reward is the payment of dividend	Reward is the payment of interest
Fluctuations of the rate of interest and dividend	The rate of dividend may vary from year to year depending upon the profit decisions of directors and members	The rate of dividend is fixed except in case of debentures carrying floating rate of interest
Charge vs appropriation	Payment of dividend is an appropriation out of profit and this cannot be made if there is not profit	Payment of interest is an charge against profits and is to be made even if there is no profit
Priority as to payment of interest / dividend	Payment of dividend gets no priority over the payment of interest	Payment of interest gets priority over the payment of dividend

Basis	Share	Debenture
Priority as to repayment of principle during winding up	Payment of share capital is made after the repayment of debentures	Payment of debentures is made before the payment of share capital
Secured by charge	Shares are not secured by any charge	Non-convertible debentures are redeemable on or after 18 months are secured by a charge
Restriction on issue of discount	Section 53 prohibits the issue shares at discount	No restriction is imposed on the issue of debentures at discount
Voting rights	Shareholders generally enjoy voting rights	Debenture holders do not have any voting rights (except at their class meeting)
Convertibility	Equity shares can never be convertible	Debentures can be convertible
Types	There are only two kinds of shares - equity shares and preference shares	There are different kinds of debentures such as secured/unsecured, redeemable/irredeemable, registered/bearer, convertible/non-convertible etc
Disclosure in balance sheet	In the company's balance sheet, shares are shown under "shareholder fund" detailed in "share capital" of notes to account	In the company's balance sheet, debentures are shown under "long term borrowings"

*



* Journal entry: -

1st installment	Application	→ Receive	Bank a/c	Dr
			To 10% debenture application a/c	
		→ Transfer	10% debenture application	Dr
			To 10% debenture a/c	

2nd installment	Allotment	→ Due	10% debenture allotment	Dr
			To 10% debenture a/c	
		→ Receive	Bank a/c	Dr
			To 10% debenture allotment a/c	

3rd installment	First call	→ Due	10% debenture first call a/c	Dr
			To 10% debenture a/c	
		→ Receive	Bank a/c	Dr
			To 10% debenture first call a/c	

Last installment	Final call	→ Due	10% debenture final call a/c	Dr
			To 10% debenture a/c	
		→ Receive	Bank a/c	Dr
			To 10% debenture final call a/c	

~~Q~~ **Q No. 1:** Yash Ltd. issued 10,000, 12% Debentures of ₹ 100 each at per payable in full on application by 1st April, 2019. Application were received for 11,000 Debenture. Debenture were allotted on 7th April, 2019. Excess money was refunded. You are required to pass necessary journal entries in the books of the company.

Sol.

In the books of Yash Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c (11,000 SH @ ₹ 100) Dr To 12% debenture app & allot a/c (being the application money received for 11,000 deb at ₹ 100 per debenture)		11,00,000	11,00,000
b)	12% debenture app & allot a/c Dr To 12% debenture a/c (10,000 SH @ ₹ 100) To bank a/c (1,000 SH @ ₹ 100) (being application & allotment money transferred to 12% debenture app & allot a/c and excess refunded)		11,00,000	10,00,000 1,00,000

~~Q~~ No. 2: Priya Ltd. issued 10,000, 12% Debentures of ₹ 100 each at a premium of 10% payable in full on application by 1st March, 2019. The issue was fully subscribed and debentures were allotted on 9th March, 2019. You are required to pass necessary journal entries in the books of the company.

Sol.

In the books of Priya Ltd
Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c (10,000 SH @ ₹ 110) Dr To 12% debenture app & allot a/c (being the application money received for 10,000 deb at ₹ 110 per debenture)		11,00,000	11,00,000
b)	12% debenture app & allot a/c Dr To 12% debenture a/c (10,000 SH @ ₹ 100) To security premium a/c (10,000 SH @ ₹ 10) (being application & allotment money transferred to 12% debenture app & allot a/c)		11,00,000	10,00,000 1,00,000

~~Q No. 3~~

Q No. 3: Nikhil Ltd. issued 10,000, 12% Debentures of ₹ 100 each at a discount of 10% payable in full on application by 31st May, 2019. Application were received for 12,000 debentures. Debentures were allotted on 9th June 2019. Excess monies were refunded on the same date. You are required to pass necessary journal entries (including cash transactions) in the books of the company.

Sol.

In the books of Nikhil Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
31.5.19	Bank a/c (12,000 SH @ ₹ 90) Dr To 12% debenture app & allot a/c (being the application money received for 12,000 deb at ₹ 80 per debenture)		10,80,000	10,80,000
9.6.19	12% debenture app & allot a/c Dr Discount on issue of debenture a/c Dr (10,000 SH @ ₹ 10) To 12% debenture a/c To bank a/c (2,000 SH @ ₹ 90) (being application & allotment money transferred to 12% debenture app & allot a/c . excess refunded)		10,80,000 1,00,000	10,00,000 1,80,000

~~Ans~~

Q No. 4: Z Ltd. issued 5,000, 14% debentures of Rs 100 each at a discount of 5%, the discount being adjustable on allotment. The debentures were payable as follows:

On Application - Rs. 20

On Allotment - Rs. 25

On First and Final Call - Rs. 50

The debentures were fully subscribed and the money was duly received.

Show the cash book and journal entries and prepare the balance sheet of the company.

Sol.

In the books of Z Ltd

Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	14% debenture application a/c Dr To 14% debenture a/c (being application money transferred to 14% debenture application a/c)		1.00.000	1.00.000
b)	14% debenture allotment a/c (5000 SH @ Rs 25) Dr Discount on issue of debentures a/c Dr To 14% debenture a/c (being allotment money due on 5.000 debentures at Rs 25 at discount)		1.25.000 25.000	1.50.000
c)	14% debenture final call a/c Dr To 14% debenture a/c (5.000 SH @ Rs 50) (being final call money due on 5.000 debentures at Rs 50)		2.50.000	2.50.000

Lecture 3

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To 14% debentures application a/c		1.00.000		By balance c/d		4.75.000
	To 14% debentures allotment a/c		1.25.000				
	To 14% debentures final call a/c		2.50.000				
			<u>4.75.000</u>				<u>4.75.000</u>

Balance sheet of Z Ltd as on ----

Particulars	Note no.	Amount (₹) (C. Y)	Amount (₹) (P. Y)
I Equity & liabilities			
1) Non-current liabilities			
a) Long term borrowings		5.00.000	
14% debenture (5000 × ₹100)			
	TOTAL	<u>5.00.000</u>	
II Assets			
1) Non-currents assets			
a) Other non-current assets		25.000	
(discount on issue of debentures (5000×5))			
2) Current assets			
a) Cash & cash equivalent		4.75.000	
(bank balance)			
	TOTAL	<u>5.00.000</u>	

it is a deferred tax liability which is treated as assets

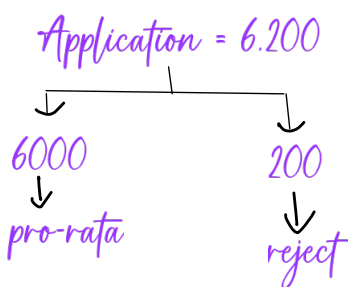
Q No. 5: Kakloo Ltd issues Rs 1000, 15%, 5,000 debentures on which amount payable is Rs 200 on application, Rs 300 on allotment and balance on first call. In addition, the company offers 1,000 - 12% second mortgage debentures of Rs 1000 each. In case of 15% debentures, the company received applications for 6200 debentures and the directors made pro-rata allotment, and excess money was refunded. Journalise.
 ↓
 for 6,000 application

Sol.

In the books of Kakloo
 Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c (6200 SH @ Rs 200) Dr To 15% debenture application a/c (being the application money received for 6,200 deb Rs 200 per debenture)		12,40,000	12,40,000
b)	15% debenture application a/c Dr To 15% debenture a/c (5000 SH @ Rs 200) To bank a/c (200 SH @ Rs 200) To 15% debenture allotment a/c (being application money transferred to 15% deb a/c)		12,40,000	10,00,000 40,000 2,00,000
c)	15% debenture allotment a/c Dr To 15% debenture a/c (being allotment money due on 5,000 deb Rs 300 per deb)		15,00,000	15,00,000
d)	Bank a/c Dr To 15% debenture allotment a/c (being the allotment money received for 5,000 deb at Rs 300 per deb)		13,00,000	13,00,000

Date	Particular	l.f	Amount (₹)	Amount (₹)
e)	15% deb first & final call a/c Dr To 15% debenture a/c (being first & final call money due on 5.000 deb Rs 500 per deb)		25.00.000	25.00.000
f)	Bank a/c Dr To 15% deb first & final call a/c (being the first & final call money received for 15.000 shares at Rs 5 per share)		25.00.000	25.00.000
g)	Bank a/c Dr To 12% 2nd deb app & allot a/c (being the app & allot money received for 1.000 deb at Rs 1000 per deb)		10.00.000	10.00.000
h)	12% 2nd deb app & allot a/c Dr To 12% 2nd debenture a/c (being application & allotment money transferred to 12% 2nd debenture app & allot a/c)		10.00.000	10.00.000



Lecture 4

* Issue of debentures under various cases :-

Case 1

Debentures issued at par and redeemable at par

Present

Future

Issue price = FV \longrightarrow Face value = FV \longrightarrow Redemption value = FV

Issue price = 100 \longleftarrow Face value = 100 \longleftarrow Redemption value = 100

Bank a/c Dr

To debenture a/c

Case 2

Debentures issued at par and redeemable at premium

Present

Future

Issue price = FV \longrightarrow Face value = FV \longrightarrow Redemption value $>$ FV

Issue price = 100 \longleftarrow Face value = 100 \longleftarrow Redemption value = 110

Bank a/c Dr

Loss on issue of debenture a/c Dr

To debenture a/c

To premium on redemption a/c

Case 3

Debentures issued at par and redeemable at discount

Present

Future

Issue price = FV \longrightarrow Face value = FV \longrightarrow Redemption value $<$ FV

Issue price = 100 \longleftarrow Face value = 100 \longleftarrow Redemption value = 90

Case 9

Debentures issued at discount and redeemable at discount

Present

Future

Issue price < FV \longrightarrow Face value = FV \longrightarrow Redemption value < FV

Issue price = 90 \longleftarrow Face value = 100 \longleftarrow Redemption value = 85

Bank a/c

Dr

Discount on issue of debenture a/c Dr

To debenture a/c

Q No. 6: Give Journal entries for the following:

1. Issue of Rs. 1,00,000, 9% debentures of Rs. 100 each at par and redeemable at par.
2. Issue of Rs. 1,00,000, 9% debentures of Rs. 100 each at premium of 5% but redeemable at par.
3. Issue of Rs. 1,00,000, 9% debentures of Rs. 100 each at discount of 5% repayable at par.
4. Issue of Rs. 1,00,000, 9% debentures of Rs. 100 each at par but repayable at a premium of 5%.
5. Issue of Rs. 1,00,000, 9% debentures of Rs. 100 each at discount of 5% but redeemable at premium of 5%.
6. Issue of Rs. 1,00,000, 9% debentures of Rs. 100 each at premium of 5% and redeemable at premium of 5%.

Sol. 1)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		1,00,000	1,00,000
b)	9% deb app & allot a/c Dr To 9% debenture a/c (being app & allot money transferred to 9% debenture a/c)		1,00,000	1,00,000

2)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		1.05.000	1.05.000
b)	9% deb app & allot a/c Dr To 9% debenture a/c (1.000 × ₹ 100) To security premium a/c (1.000 × ₹ 5) (being app & allot money transferred to 9% debenture a/c including prem)		1.05.000	1.00.000 5.000

3)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		95.000	95.000
b)	9% deb app & allot a/c Dr Discount on issue of deb a/c ^(1.000 × ₹ 5) Dr To 9% debenture a/c (1.000 × ₹ 100) (being app & allot money transferred to 9% debenture a/c & discent recorded)		95.000 5.000	1.00.000

4)

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		1,00,000	1,00,000
b)	9% deb app & allot a/c Dr Loss on issue of deb a/c (1,000 × ₹ 5) Dr To 9% debenture a/c (1,000 × ₹ 100) To prem on red of deb a/c (1,000 × ₹ 5) (being app & allot money transferred to 9% debenture a/c and loss recorded)		1,00,000 5,000	1,00,000 5,000

5)

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		95,000	95,000
b)	9% deb app & allot a/c Dr Loss on issue of deb a/c (1,000 × ₹ 10) Dr To 9% debenture a/c (1,000 × ₹ 100) To prem on red of deb a/c (1,000 × ₹ 5) (being app & allot money transferred to 9% debenture a/c and loss recorded)		95,000 10,000	1,00,000 5,000

6)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		1.05.000	1.05.000
b)	9% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 9% debenture a/c To security premium a/c To prem on red of deb a/c (being app & allot money transferred to 9% debenture a/c and loss recorded)		1.05.000 5.000	1.00.000 5.000 5.000

Q No. 7: You are required to pass the journal entries relating to the issue of the debentures in the books of X Ltd., under the following cases:

(a) 120, 8% debentures of Rs. 1,000 each are issued at 5% discount and repayable at par. Balance in Securities Premium Reserve is Rs. 10,000.

(b) 150, 7% debentures of Rs. 1,000 each are issued at 5% discount and repayable at premium of 10%. Balance in Securities Premium Reserve is Rs. 20,000.

(c) 80, 9% debentures of Rs. 1,000 each are issued at 5% premium.

(d) Another 400, 8% debentures of Rs. 100 each are issued as collateral security against a loan of Rs. 40,000

Sol.

In the books of X Ltd
Journal entry

a)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 8% deb app & allot a/c (being app & allot money received)		1.14.000	1.14.000
b)	8% deb app & allot a/c Dr Discount on issue of deb a/c Dr To 8% debenture a/c (being app & allot money transferred to 8% debenture a/c & discent recorded)		1.14.000 6.000	1.20.000
c)	Security premium a/c Dr To discount on issue of deb a/c (being discount on issue of debenture W/off against security premium)		6.000	6.000

b)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 7% deb app & allot a/c (being app & allot money received)		1.14.500	1.14.500
b)	7% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 7% debenture a/c To prem on red of deb a/c (being app & allot money transferred to 7% debenture a/c & loss recorded)		1.42.500 22.500	1.50.000 15.000
c)	Security premium a/c Dr To loss on issue of deb a/c (being loss on issue of debenture w/off against security premium)		20.000	20.000

Note - Remaining loss Rs 2.500 will be return of against P&L a/c over the life of debenture

c)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 9% deb app & allot a/c (being app & allot money received)		84.000	84.000
b)	9% deb app & allot a/c Dr To 9% debenture a/c To security premium a/c (being app & allot money transferred to 8% debenture a/c)		84.000	80.000 4.000

d)

Alternative 1

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c To bank loan a/c (being loan amount received)	Dr	40.000	40.000

Note - Under 1st method debenture issued as collateral security will be disclosed in balance sheet as follows

Balance sheet of X Ltd as on ----

Particulars	Note no.	Amount (₹) (C. Y)	Amount (₹) (P. Y)
I Equity & liabilities			
1) Non-current liability			
a) Long term borrowings bank loan (issued 400 8% deb of Rs 10 as collateral security)		40.000	
TOTAL		40.000	
II Assets			
1) Currents assets			
a) Cash & cash equivalent		40.000	
TOTAL		40.000	

Alternative 2

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c To bank loan a/c (being loan amount received)	Dr	40.000	40.000
b)	Debtore suspense a/c To 8% debenture a/c (being debenture issued)	Dr	40.000	40.000

Balance sheet of X Ltd as on ----

Particulars	Note no.	Amount (₹) (C. Y)	Amount (₹) (P. Y)
I Equity & liabilities			
1) Non-current liability			
a) Long term borrowings bank loan		40.000	
b) Other non-current liability 8% debenture (issued as collateral security)		40.000	
TOTAL		80.000	
II Assets			
1) Non-currents assets			
a) Other non-current assets debenture suspense a/c		40.000	
2) Current assets			
a) Cash & cash equivalent		40.000	
TOTAL		80.000	

Payal Agarwal

~~WJ~~
~~PQ~~ No. 1: ABC Ltd. made an issue of 50,000 12% Debentures of Rs 100 each, payable as follows:

Rs. 25 on Application

Rs. 50 on Allotment

Rs. 25 on First and Final Call.

Applications were received for 52,000 debentures and the directors allotted 50,000 debentures rejecting applications for 2,000 debentures. The application money received for 2,000 rejected debentures was duly refunded. All the calls were made and the moneys duly received.

Show the Journal Entries to record the above transactions and prepare the Balance Sheet of the company.

Sol.

In the books of ABC Ltd
 Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c (52,000 SH @ Rs 25) Dr To 12% debenture application a/c (being the application money received for 52,000 deb Rs 25 per debenture)		13,00,000	13,00,000
b)	12% debenture application a/c Dr To 12% debenture a/c (50,000 SH @ Rs 25) To bank a/c (being application money transferred to 12% deb a/c and excess refunded)		13,00,000	12,50,000 50,000
c)	12% debenture allotment a/c Dr To 12% debenture a/c (being allotment money due on 50,000 deb Rs 50 per deb)		25,00,000	25,00,000
d)	Bank a/c Dr To 12% debenture allotment a/c (being the allotment money received for 50,000 deb at Rs 50 per deb)		25,00,000	25,00,000

Payal Agarwal

Date	Particular	l. f	Amount (₹)	Amount (₹)
e)	12% deb first & final call a/c Dr To 12% debenture a/c (being first & final call money due on 50,000 deb Rs 25 per deb)		12,50,000	12,50,000
f)	Bank a/c Dr To 12% deb first & final call a/c (being the first & final call money received for 50,000 shares at Rs 25 per share)		12,50,000	12,50,000

Balance sheet of ABC Ltd as on ----

Particulars	Note no.	Amount (₹) (C. Y)	Amount (₹) (P. Y)
I Equity & liabilities			
1) Non-current liability			
a) Long term borrowings		50,00,000	
II Assets			
1) Currents assets			
a) Cash & cash equivalent		50,00,000	

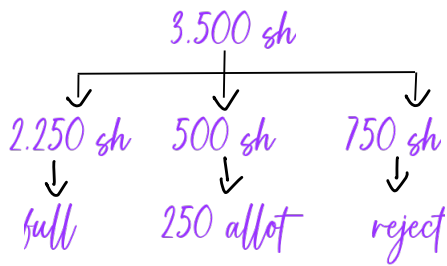
~~HW~~

PQ No. 2: Z Ltd. issued 2,500, 10% Debentures of Rs.100 each, a premium of 10% payable as Rs. 20 on application, Rs. 50 on allotment (including the premium) and the balance on first & final call.

The public applied for 3,500 debentures. Applications for 2,250 debentures were accepted in full, applicants for 500 were allotted 250 debentures, and remaining applications were rejected. All money was duly received.

Journalize these transactions and balance sheet of company.

Sof.



Analysis table

	Particular	A	B	Reject	Total
A	Number of applications received	2,250 sh	500 sh	750 sh	3,500 sh
B	Applications money received @ Rs 20	Rs 45,000	Rs 10,000	Rs 15,000	Rs 70,000
C	Number of debentures allotted	2,250 sh	250 sh	-	2,500 sh
D	Appl money trans to capital (C x Rs 20)	Rs 45,000	Rs 5,000	-	Rs 50,000
E	Excess application money (B-D)	-	Rs 5,000	Rs 15,000	Rs 20,000
	i) Adjusted with allotment	-	Rs 5,000	-	Rs 5,000
	ii) Refund	-	-	Rs 15,000	Rs 15,000

In the books of Z Ltd
Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c (3,500 SH x Rs 20) Dr To 10% debenture application a/c (being the application money received for 3,500 deb Rs 20 per debenture)		70,000	70,000

Payal Agarwal

Date	Particular	l.f	Amount (₹)	Amount (₹)
b)	10% debenture application a/c Dr To 10% debenture a/c (3,500 SH @ ₹ 20) To bank a/c To 10% debenture allotment a/c (being application money transferred to 10% deb a/c . excess adjusted with allotment and excess refunded)		70,000	50,000 15,000 5,000
c)	10% debenture allotment a/c Dr To 10% debenture a/c To security premium a/c (being allotment money due on 2,500 deb ₹ 50 per deb including premium)		1,25,000	1,00,000 25,000
d)	Bank a/c Dr To 10% debenture allotment a/c (being the allotment money received for 2,500 deb at ₹ 50 per deb) Calculation Allotment due 1,25,000 - excess (5,000) Cash received 1,20,000		1,20,000	1,20,000
e)	10% deb first & final call a/c Dr To 10% debenture a/c (being first & final call money due on 2,500 deb ₹ 40 per deb)		1,00,000	1,00,000

Date	Particular	l.f	Amount (₹)	Amount (₹)
f)	Bank a/c To 10% deb first & final call a/c (being the first & final call money received for 2,500 shares at ₹ 40 per share)	Dr	1,00,000	1,00,000

Balance sheet of Z Ltd as on ----

Particulars	Note no.	Amount (₹) (C. Y)	Amount (₹) (P. Y)
I Equity & liabilities			
1) Share holder's fund			
a) Reserve & surplus		25,000	
2) Non-current liabilities			
a) Long term borrowings 10% debentures		2,50,000	
TOTAL		<u>2,75,000</u>	
II Assets			
1) Current assets			
a) Cash & cash equivalent		2,75,000	
TOTAL		<u>2,75,000</u>	

~~HW~~

PQ No. 3: Aakanksha Ltd. made an issue of 10,000 12% debentures of ₹ 100 each as follows:

₹ 25 on Application

₹ 25 on Allotment

₹ 50 on First & Final Call

Application were received for 12,000 shares and the directors allotted 10,000 debentures rejecting an application for 2,000 debentures. The money received on application for 2,000 debentures rejected was duly refunded. All the calls were made and duly received. Show the necessary Journal Entries and Cash Book to record the above transactions.

Sol.

In the books of Aakanksha Ltd

Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	12% debenture application a/c Dr To 12% debenture a/c (being application money transferred to 12% deb a/c)		2,50,000	2,50,000
b)	12% debenture allotment a/c Dr To 12% debenture a/c (being allotment money due on 10,000 deb Rs 25 per deb)		2,50,000	2,50,000
c)	12% deb first & final call a/c Dr To 12% debenture a/c (being first & final call money due on 10,000 deb Rs 50 per deb)		5,00,000	5,00,000

Cash book							
Dr				Cr			
Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To 12% deb app a/c		3.00.000		By 12% deb app a/c		50.000
	To 12% deb allot a/c		2.50.000		By balance c/d		10.00.000
	To 12% first & final call a/c		5.00.000				
			10.50.000				10.50.000

~~Ques~~

PQ No. 4: Journalize the following transactions.

Issue of 12%, 1,00,000 debentures of Rs. 100 each

1. at par and redeemable at par.
2. at 10% discount and redeemable at par.
3. at 10% premium and redeemable at par.
4. at 10% premium and redeemable at a premium of 5%.
5. at par and redeemable at a premium of 5%.
6. at 10% discount and redeemable at a premium of 5%.

Sol. 1)

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		1.00.00.000	1.00.00.000
b)	12% deb app & allot a/c Dr To 12% debenture a/c (being app & allot money transferred to 12% debenture a/c)		1.00.00.000	1.00.00.000

2)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		90.00.000	90.00.000
b)	12% deb app & allot a/c Dr Discount on issue of deb a/c Dr To 12% debenture a/c (being app & allot money transferred to 12% debenture a/c & discent recorded)		90.00.000 10.00.000	1.00.00.000

3)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		1.10.00.000	1.10.00.000
b)	12% deb app & allot a/c Dr To 12% debenture a/c To security premium a/c (being app & allot money transferred to 12% debenture a/c including prem)		1.10.00.000	1.00.00.000 10.00.000

4)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		110.00.000	110.00.000
b)	12% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 12% debenture a/c To security premium a/c To prem on red of deb a/c (being app & allot money transferred to 12% debenture a/c and loss recorded)		110.00.000 5.00.000	100.00.000 10.00.000 5.00.000

5)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		100.00.000	100.00.000
b)	12% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 12% debenture a/c To prem on red of deb a/c (being app & allot money transferred to 12% debenture a/c and loss recorded)		100.00.000 5.00.000	100.00.000 5.00.000

6)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		90.00.000	90.00.000
b)	12% deb app & allot a/c Dr Discount on issue of deb a/c Dr To 12% debenture a/c To prem on red of deb a/c (being app & allot money transferred to 12% debenture a/c and loss recorded)		90.00.000 15.00.000	1.00.00.000 5.00.000

Lecture 5

* **Cost benefit concept** :-

Cost should be written off in the ratio of benefit received

Q No. 8: A company issued 15,000 10% Debentures of Rs 100 each on 1 April, 2018 at a discount of 6% redeemable at par by drawings method as follows:

Date of redemption Amt of Redemption (FV)

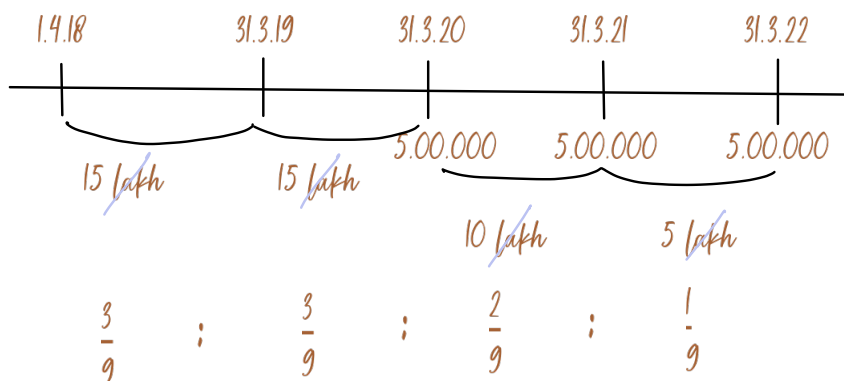
31 March 2020 5,00,000

31 March 2021 5,00,000

31 March, 2022 5,00,000

Calculate amount of discount on issue of debentures to be written of each year.

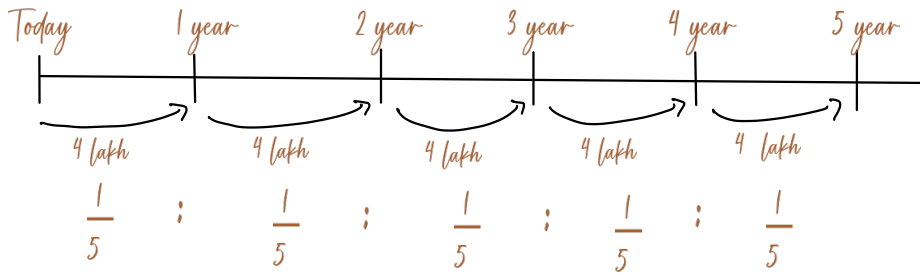
Sol.



Calculation of loss on depreciation = { Rs 100 \times (5% + 10%) } \times 10,000 deb
 = Rs 1,50,000

Dr				Loss on issue of debenture a/c				Cr			
Date	Particular	l.f	Amount (₹)	Date	Particular	l.f	Amount (₹)				
1 year	To 12% deb + prem on redemption		1,50,000	1 year	By P&L a/c		30,000				
					By balance c/d		1,20,000				
			<u>1,50,000</u>				<u>1,50,000</u>				
2 year	To balance b/d		1,20,000	2 year	By P&L a/c		30,000				
					By balance c/d		90,000				
			<u>1,20,000</u>				<u>1,20,000</u>				
3 year	To balance b/d		90,000	3 year	By P&L a/c		30,000				
					By balance c/d		60,000				
			<u>90,000</u>				<u>90,000</u>				
4 year	To balance b/d		60,000	4 year	By P&L a/c		30,000				
					By balance c/d		30,000				
			<u>60,000</u>				<u>60,000</u>				
5 year	To balance b/d		30,000	5 year	By P&L a/c		30,000				
			<u>30,000</u>				<u>30,000</u>				

PQ No. 16: Tripti Ltd. issued 40,000, 8% debentures of ₹ 10 each which are redeemable after 5 years at a premium of 20%. Calculate the amount of loss on issue of Debentures to be written off every year will be.



Loss to be written off each year = $\frac{80,000}{5} = 16,000$

$80,000 \times \frac{1}{5} = 16,000$
 $80,000 \times \frac{1}{5} = 16,000$
 $80,000 \times \frac{1}{5} = 16,000$
 $80,000 \times \frac{1}{5} = 16,000$
 $80,000 \times \frac{1}{5} = 16,000$

Balance - = 64,000
 ↗ = 16,000 ↓ bal = 48,000
 ↗ = 16,000 ↓ bal = 32,000
 ↗ = 16,000 ↓ bal = 16,000
 ↗ = 16,000 ↓ bal = Nil

Dr

Loss on issue of debenture a/c

Cr

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
1 year	To 8% deb + prem on redemption		80,000	1 year	By P&L a/c		16,000
					By balance c/d		64,000
			80,000				80,000
2 year	To balance b/d		64,000	2 year	By P&L a/c		16,000
					By balance c/d		48,000
			64,000				64,000
3 year	To balance b/d		48,000	3 year	By P&L a/c		16,000
					By balance c/d		32,000
			48,000				48,000
4 year	To balance b/d		32,000	4 year	By P&L a/c		16,000
					By balance c/d		16,000
			32,000				32,000
5 year	To balance b/d		16,000	5 year	By P&L a/c		16,000
							16,000
			16,000				16,000

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PQ No. 17: Prashant Ltd. issued 10,000, 12% Debentures of ₹ 100 each at ₹ 94 on 1st January, 2014. Under the terms of issue, the debentures are redeemable at the end of 8 years from the date of the issue. Calculate the amount of discount to be written -off in each of the 8 years.

Sol. Calculation of discount = $10,000 \text{ deb} \times (100 - 94) = 60,000$

Ratio = $1/8$ for each year

Loss to be written off each year = $\frac{60,000}{8} = \text{₹ } 7,500$

8

Discount on issue of debenture a/c

Dr

Cr

Date	Particular	l.f	Amount (₹)	Date	Particular	l.f	Amount (₹)
1 year	To 12% deb a/c		60,000	1 year	By P&L a/c		7,500
					By balance c/d		52,500
			<u>60,000</u>				<u>60,000</u>
2 year	To balance b/d		52,500	2 year	By P&L a/c		7,500
					By balance c/d		45,000
			<u>52,500</u>				<u>52,500</u>
3 year	To balance b/d		45,000	3 year	By P&L a/c		7,500
					By balance c/d		37,500
			<u>45,000</u>				<u>45,000</u>
4 year	To balance b/d		37,500	4 year	By P&L a/c		7,500
					By balance c/d		30,000
			<u>37,500</u>				<u>37,500</u>
5 year	To balance b/d		30,000	5 year	By P&L a/c		7,500
					By balance c/d		22,500
			<u>30,000</u>				<u>30,000</u>
6 year	To balance b/d		22,500	6 year	By P&L a/c		7,500
					By balance c/d		15,000
			<u>22,500</u>				<u>22,500</u>

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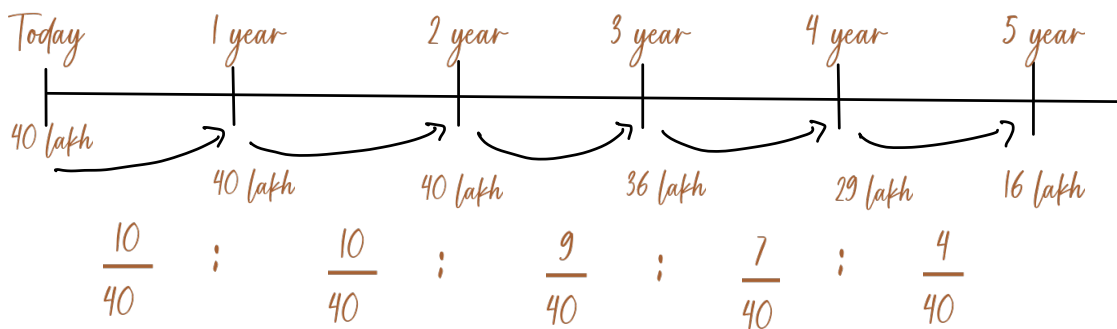
Date	Particular	l.f	Amount (₹)	Date	Particular	l.f	Amount (₹)
7 year	To balance b/d		15.000	7 year	By P&L a/c		7.500
					By balance c/d		7.500
			<u>15.000</u>				<u>15.000</u>
8 year	To balance b/d		7.500	8 year	By P&L a/c		7.500
			<u>7.500</u>				<u>7.500</u>

PQ No. 23: Ram Ltd. issued 40,00,000, 15% Debentures at 8% discount. Debentures are to be redeemed as per scheduled given below:

End of the year	Face value of Debentures (₹)
2	4,00,000
3	8,00,000
4	12,00,000
5	16,00,000

Calculate the Amount of discount to be written off in each the 5 calendar years-

Sol.



$$\text{Discount} = 40,00,000 \times 8\% = 3,20,000$$

$$\begin{aligned}
 & 3,20,000 \times \frac{10}{40} & 3,20,000 \times \frac{10}{40} & 3,20,000 \times \frac{9}{40} & 3,20,000 \times \frac{7}{40} & 3,20,000 \times \frac{4}{40} \\
 & = 80,000 & = 80,000 & = 80,000 & = 80,000 & = 80,000 \\
 \text{Balance -} & = 2,40,000 & \begin{array}{l} \nearrow \\ \downarrow \text{bal} \end{array} & \begin{array}{l} \nearrow \\ \downarrow \text{bal} \end{array} & \begin{array}{l} \nearrow \\ \downarrow \text{bal} \end{array} & \begin{array}{l} \nearrow \\ \downarrow \text{bal} \end{array} \\
 & & = 1,60,000 & = 88,000 & = 32,000 & = Nil
 \end{aligned}$$

HW

Q No. 11: Show journal entries for the following issues.

- 1) P Ltd. issues 5,000 10% Debentures of ₹ 100 each at a discount of 5%, redeemable at the end of 5 years at par.
- 2) Q Ltd. issues 5,000, 11% Debentures of ₹ 100 each at par; redeemable at the end of 5 years at a premium of 5%.
- 3) R Ltd. issues 5,000, 12% Debentures of ₹ 100 each at a discount of 5%, redeemable at the end of 5 years at premium of 10%.
- 4) S Ltd. issues 5,000, 13% Debentures of ₹ 100 each at a premium of 5%, redeemable at the end of 5 years at a premium of 10%.

Sol. 1)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 10% deb app & allot a/c (being app & allot money received)		4.75.000	4.75.000
b)	10% deb app & allot a/c Dr Discount on issue of deb a/c Dr To 10% debenture a/c (being app & allot money transferred to 10% debenture a/c & discnt recorded)		4.75.000 25.000	5.00.000

2)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 11% deb app & allot a/c (being app & allot money received)		5.00.000	5.00.000
b)	11% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 11% debenture a/c To prem on red of deb a/c (being app & allot money transferred to 11% debenture a/c and loss recorded)		5.00.000 25.000	5.00.000 25.000

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3)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		4.75.000	4.75.000
b)	12% deb app & allot a/c Dr Discount on issue of deb a/c Dr To 12% debenture a/c To prem on red of deb a/c (being app & allot money transferred to 12% debenture a/c and loss recorded)		4.75.000 75.000	5.00.000 50.000

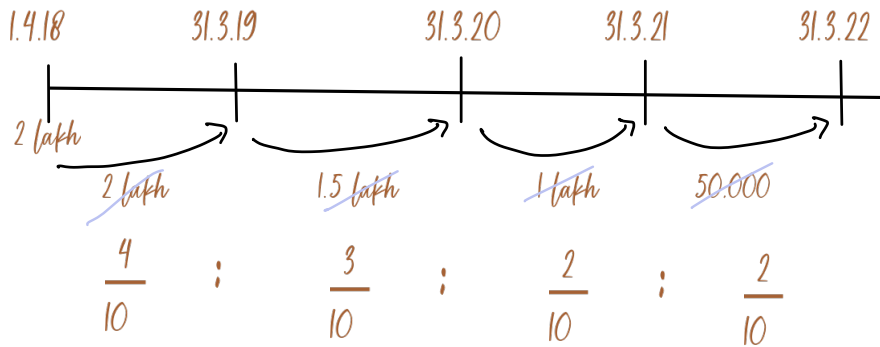
4)

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 13% deb app & allot a/c (being app & allot money received)		5.25.000	5.25.000
b)	13% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 13% debenture a/c To security premium a/c To prem on red of deb a/c (being app & allot money transferred to 13% debenture a/c and loss recorded)		5.25.000 50.000	5.00.000 25.000 50.000

Hint

PQ No. 12: Bee Ltd. issued 2,000, 12% Debentures of Rs.100 each at a discount of 6% on 01.04.2018 repayable by equal annual drawings in four years. You are required to show the discount on Issue of Debentures Account over the period.

Sol.



Discount to be written off = $2,00,000 \times 6\% = 12,000$

$$31.3.19 = 12,000 \times \frac{4}{10} = 4,800$$

$$31.3.20 = 12,000 \times \frac{3}{10} = 3,600$$

$$31.3.21 = 12,000 \times \frac{2}{10} = 2,400$$

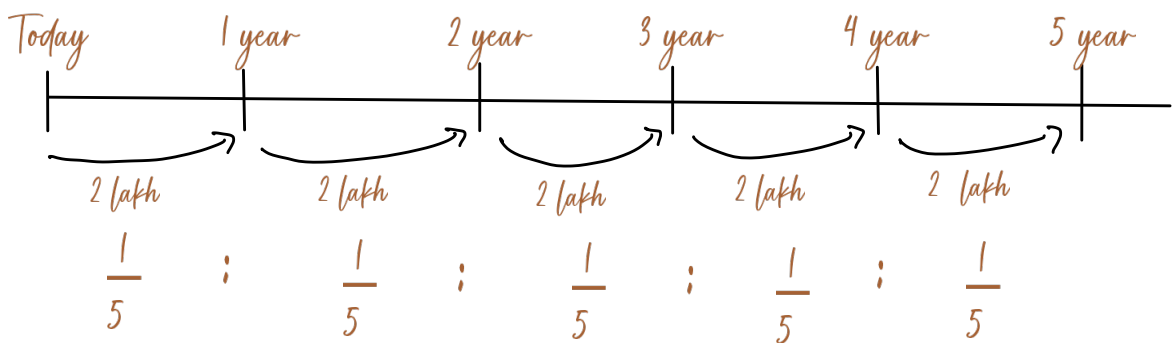
$$31.3.22 = 12,000 \times \frac{1}{10} = 1,200$$

Rs 12,000

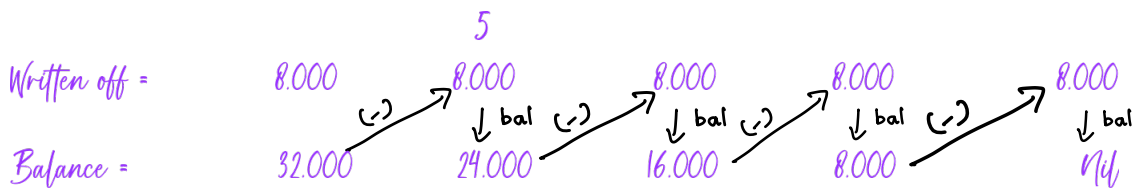
Hint

PQ No. 14: Shubham Ltd. issued 20,000, 8% debenture of ₹ 10 each at par, which are redeemable after 5 years at a premium of 20%. Calculate the amount of loss on redemption of debentures to be written off every.

Sol. Calculation on loss on issue of debentures = $(20,000 \times ₹10) \times 20 = 40,000$



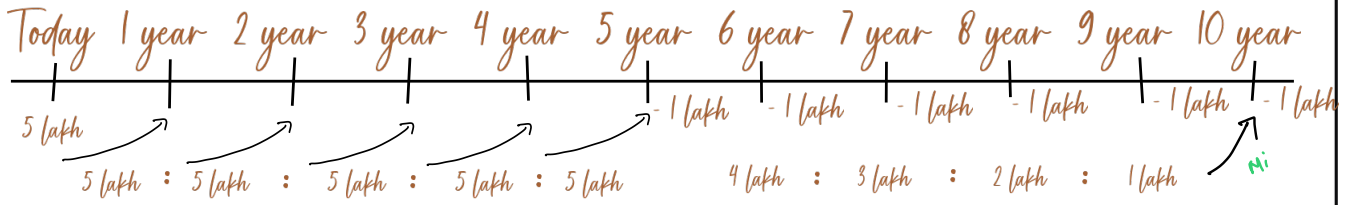
Loss to be written off each year = $\frac{40,000}{5} = 8,000$



Dr				Loss on issue of debenture a/c				Cr			
Date	Particular	l.f	Amount (₹)	Date	Particular	l.f	Amount (₹)				
1 year	To 8% deb a/c + Prem on red		40.000	1 year	By P&L a/c		8.000				
					By balance c/d		32.000				
			<u>40.000</u>				<u>40.000</u>				
2 year	To balance b/d		32.000	2 year	By P&L a/c		8.000				
					By balance c/d		24.000				
			<u>32.000</u>				<u>32.000</u>				
3 year	To balance b/d		24.000	3 year	By P&L a/c		8.000				
					By balance c/d		16.000				
			<u>24.000</u>				<u>24.000</u>				
4 year	To balance b/d		16.000	4 year	By P&L a/c		8.000				
					By balance c/d		8.000				
			<u>16.000</u>				<u>16.000</u>				
5 year	To balance b/d		8.000	5 year	By P&L a/c		8.000				
			<u>8.000</u>				<u>8.000</u>				

PQ No. 22: Rai Ltd. issued 5,000 debentures of ₹ 100 each at a discount of 10%. The expenses on issue amounted to ₹ 20,000. The company wants to redeem the debentures at the rate of ₹ 1,00,000 each year commencing with the end of 5th year:
How much discount and expenses should be written off in each year?

Sol.



Discount = $5.000 \times (100 \times 10\%) = 50.000$

Expenses = 20.000

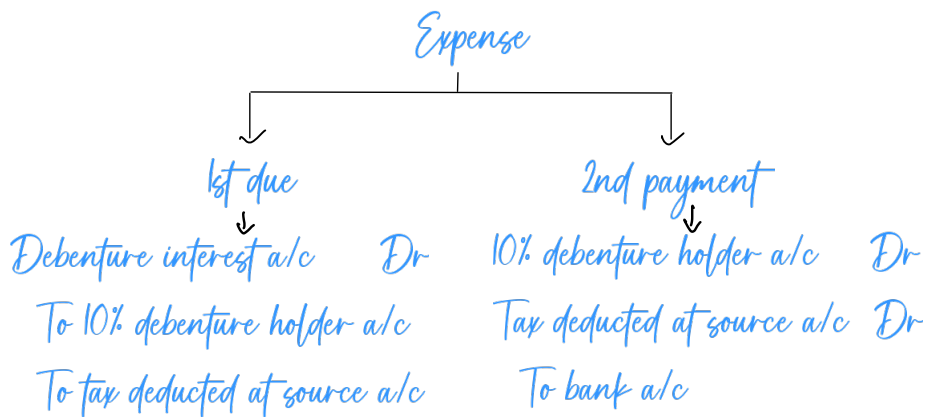
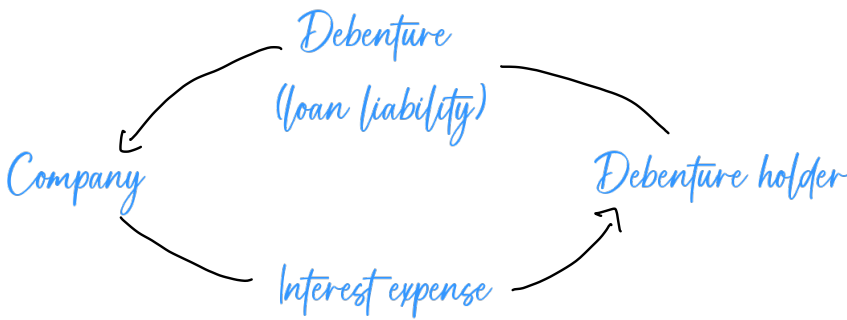
Amount to be W/ off each year = 70.000

	year 1 - year 5	year 6	year 7	year 8	year 9
Written off =	$70.000 \times \frac{5}{35}$	$70.000 \times \frac{4}{35}$	$70.000 \times \frac{3}{35}$	$70.000 \times \frac{2}{35}$	$70.000 \times \frac{1}{35}$
	= 10.000	= 8.000	= 6.000	= 4.000	= 2.000
Balance	= 20.000	= 12.000	= 6.000	= 2.000	= Nil

Arrows indicate balance flow: 20.000 → 12.000 → 6.000 → 2.000 → Nil. Each step shows a decrease of 8.000, 6.000, 4.000, and 2.000 respectively, with 'bal' written above the decrease.

Lecture 6

* **Debenture interest :-**



Interest on
debenature

$$= \frac{\text{No. of debentures} \times \text{Face value of debenture} \times \text{Rate of interest} \times \text{No. of months}}{12}$$

Q No. 12: Babli Ltd has ₹10,00,000 12% Debentures on which the interest is payable on 30th September and 31st March. Show the entries related to debenture interest. Tax deducted at source is 10%.

Sol.

In the books of Babli Ltd
Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
30.9.21	Debenture interest a/c (₹10,00,000 × 12% × 6/12) Dr To 12% debenture holder a/c To tax deducted at source a/c (being interest due)		60,000	54,000 6,000
30.9.21	12% debenture holder a/c Dr Tax deducted at source a/c Dr To bank a/c (being interest paid)		54,000 6,000	60,000
31.3.22	Debenture interest a/c (₹10,00,000 × 12% × 6/12) Dr To 12% debenture holder a/c To tax deducted at source a/c (being interest due)		60,000	54,000 6,000
31.3.22	12% debenture holder a/c Dr Tax deducted at source a/c Dr To bank a/c (being interest paid)		54,000 6,000	60,000
31.3.22	P&L a/c Dr To loss on debenture interest a/c (being interest transferred to P&L a/c)		1,20,000	1,20,000

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Q No. 13: A company issued 12% debentures of the face value of Rs.10,00,000 at 10% discount on 01-04-2022. Debenture interest after deducting tax at source @ 10% was payable on 30th June and 31st of December every year. All the debentures were to be redeemed after the expiry of five-year period at 5% premium.

Pass journal entries for the accounting year 2022-2023.

In the books of a company
Journal entry

<i>Date</i>	<i>Particular</i>	<i>l.f</i>	<i>Amount (₹)</i>	<i>Amount (₹)</i>
1.4.22	Bank a/c Dr To 12% deb app & allot a/c (being app & allot money received)		9,00,000	9,00,000
1.4.22	12% deb app & allot a/c Dr Loss on issue of deb a/c Dr To 12% debenture a/c To prem on red of deb a/c (being app & allot money transferred to 12 debenture a/c and loss recorded)		9,00,000 1,50,000	10,00,000 50,000
30.6.22	Debenture interest a/c Dr To 12% debenture holder a/c To tax deducted at source a/c (being interest due)		30,000	27,000 3,000
30.6.22	12% debenture holder a/c Dr Tax deducted at source a/c Dr To bank a/c (being interest paid)		27,000 3,000	30,000
31.12.22	Debenture interest a/c Dr To 12% debenture holder a/c To tax deducted at source a/c (being interest due)		60,000	54,000 6,000

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Date	Particular	l.f	Amount (₹)	Amount (₹)
31.12.22	12% debenture holder a/c Dr Tax deducted at source a/c Dr To bank a/c (being interest paid)		54.000 6.000	60.000
31.3.23	P&L a/c Dr Req ratio = 1:1:1:1 (1.50.000 \times 1/5 = 30.000) To loss on debenture interest a/c		30.000	30.000
31.3.23	Debenture interest a/c Dr To Outstanding debenture int a/c 10.00.000 \times 12% \times 3/12		30.000	30.000
31.3.23	P&L a/c Dr To debenture interest a/c (30.000 3m + 60.000 6m + 30.000 0/3)		1.20.000 90.000	1.20.000 90.000

Ww
PQ No. 23:

M Ltd. had issued Rs. 5,00,000, 10% debentures on which interest was payable half-yearly on 30th September and 31st March. Show the necessary journal entries relating to debenture interest for the year ended 31st March, 2022 assuming that all moneys were duly paid by the company. Tax deducted at source is 10%.

Sol.

In the books of M Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
30.9.21	Debiture interest a/c To 10% debenture holder a/c To tax deducted at source a/c (being interest due)	Dr	25.000	22.500 2.500
30.9.21	10% debenture holder a/c Tax deducted at source a/c To bank a/c (being interest paid)	Dr Dr	22.500 2.500	25.000
31.3.22	Debiture interest a/c To 10% debenture holder a/c To tax deducted at source a/c (being interest due)	Dr	25.000	22.500 2.500
31.3.22	10% debenture holder a/c Tax deducted at source a/c To bank a/c (being interest paid)	Dr Dr	22.500 2.500	25.000
31.3.22	P&L a/c To loss on debenture interest a/c (being interest transferred to P&L a/c)	Dr	1.20.000	1.20.000

Payal Agarwal

~~Q. No.~~ **PQ No. 24:** Reet Ltd. has issued 14% Debentures of ₹ 20,00,000 at a discount of 10% on April 1, 2017 and the company pays interest half-yearly on June 30, and December 31 every year: Give necessary journal entry for the year ended 31.03.2018. (Assuming rate of Tax Deducted at Source is 10%)

Sol.

In the books of Reet Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
1.4.17	Bank a/c Dr To 14% deb app & allot a/c (being app & allot money received)		18.00.000	18.00.000
1.4.17	14% deb app & allot a/c Dr Discount on issue of deb a/c Dr To 12% debenture a/c (being app & allot money transferred to 14% debenture a/c and discount recorded)		18.00.000 2.00.000	20.00.000
30.6.17	Debenture interest a/c Dr To 14% debenture holder a/c To tax deducted at source a/c (being interest due)		70.000	63.000 7.000
30.6.17	14% debenture holder a/c Dr Tax deducted at source a/c Dr To bank a/c (being interest paid)		63.000 7.000	70.000
31.12.17	Debenture interest a/c Dr To 14% debenture holder a/c To tax deducted at source a/c (being interest due)		1.40.000	1.26.000 14.000

Payal Agarwal

Date	Particular	l. f	Amount (₹)	Amount (₹)
31.12.17	14% debenture holder a/c Dr		1,26,000	
	Tax deducted at source a/c Dr		14,000	
	To bank a/c			1,40,000
	(being interest paid)			
31.3.18	P&L a/c Dr		70,000	
	(20,00,000 × 14% × 3/12 = 70,000)			
	To loss on debenture interest a/c			70,000
31.3.18	Debenture interest a/c Dr		70,000	
	To P&L a/c			70,000

Note - Since period of debenture redemption is not given in question discount on issue of debenture will be written off over life of debenture

~~Ans~~

PQ No. 25: On May 1, 2018, Zoya Ltd. issued 7% 10,000 convertible debentures of ₹ 100 each at a premium of 20%. Interest is payable on September 30 and March 31 every year. Assuming that the interest runs from the date of issue and accounting year ends on 31st March each year, give necessary journal entry for the year ended 31.03.2019. (Assuming rate of Tax Deducted at Source is 12%)

In the books of Zoya Ltd
Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
1.5.18	Bank a/c Dr		12,00,000	
	To debenture allot & app a/c			12,00,000
1.5.18	Debenture app & allot a/c Dr		12,00,000	
	To 7% debenture a/c			10,00,000
	To security premium a/c			2,00,000
30.9.18	Debenture interest a/c Dr		29,167	
	To 7% debenture holder a/c			25,667
	To tax deducted at source a/c			3,500

Payal Agarwal

Date	Particular	l.f	Amount (₹)	Amount (₹)
30.9.18	7% debenture holder a/c Dr		25.667	
	Tax deducted at source a/c		3.500	
	To bank a/c			29.167
31.3.19	Debenture interest a/c Dr		35.000	
	To 7% debenture holder a/c			30.800
	To tax deducted at source a/c			4.200
31.3.19	7% debenture holder a/c Dr		30.800	
	Tax deducted at source a/c		4.200	
	To bank a/c			35.000
31.3.19	P&L a/c Dr		64.167	
	To debenture interest a/c			64.167

Lecture 7

* Purpose for issue for debentures :-

For acquisition of asset / business

For acquisition of asset

On Purchase of Asset

Assets a/c Dr

To Vendor a/c

On Payment to Vendor

Vendor a/c Dr

Discount on issue of Deb a/c Dr

(if Debentures are issued at Discount)

To Bank a/c (if any)

To Debentures a/c

To security premium a/c

(if debentures are issued at Premium)

$$\text{Number of debentures} = \frac{\text{Amount payable}}{\text{Issue price}}$$

For acquisition of business

On takeover of business

Assets a/c Dr

Goodwill a/c (PC > NA) Dr

To liability a/c

To vendor a/c

To capital reserve a/c (PC < NA)

On payment to vendor

Vendor a/c Dr

Discount on issue of debentures a/c Dr

(If debentures are issued at discount)

To Bank a/c (if any)

To Debentures a/c

To security premium a/c

(If debentures are issued at premium)

Q No. 9: Rajkumar Ltd, purchased a building from Alok Ltd. for Rs 65,00,000. The payment was made as to 25% by accepting a bill of exchange, and for the balance debentures are allotted at 25% premium. Journalise in the books of purchaser.

Sol.

In the books of Rajkumar Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Building a/c Dr To Alok Ltd a/c (being bulding purchased)		65.00.000	65.00.000
b)	Alok Ltd a/c Dr To bills of exchange (65.00.000 × 25%) To debentures a/c (39.000 × ₹ 100) To security premium a/c (39.000 × ₹ 25) (being payment made for building by accepting bills of exchange and issue of debentures)		65.00.000	16.25.000 39.00.000 9.75.000

Number of debentures = $\frac{65.00.000 - 16.25.000}{125} = 39.000$

Lecture 8

Q No. 10: On April 1, 2018, Ha Ltd. purchased a running business from Hu Ltd. for Rs. 10,40,000 payable as to 25% by a cheque and the balance by an issue of 12% Debentures of Rs. 500 each at a premium of 4%. The assets and liabilities consisted of the following: Building Rs. 6,00,000, Plant and Machinery Rs. 1,00,000, Inventories Rs. 2,00,000, Trade Receivables Rs. 1,80,000, Trade Payables Rs. 80,000.

Pass the necessary journal entries in the books of Ha Ltd on April, 1, 2018.

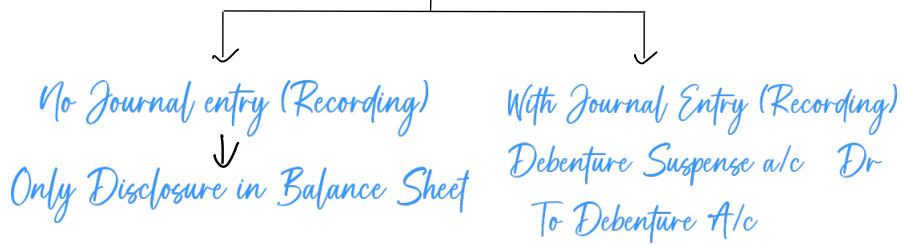
Sol.

In the books Ha Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Building a/c	Dr	6,00,000	
	Plant & machinery a/c	Dr	1,00,000	
	Inventories a/c	Dr	2,00,000	
	Trade receivables a/c	Dr	1,80,000	
	Goodwill a/c	Dr	40,000	
	To trade payables a/c			80,000
	To Ha Ltd a/c			10,40,000
	(being building purchased)			
b)	Ha Ltd a/c	Dr	10,40,000	
	To 12% debentures a/c			7,50,000
	To security premium a/c			30,000
	To bank a/c			2,60,000
	(being payment made)			

Lecture 9

Purpose of issue of debentures
 ↓
 For consideration other than cash
 ↓
 As collateral security
 ↓
 Accounting Treatment



Q No. 11: B Ltd. secured an overdraft of Rs. 80,000 from the bank by issuing 900, 12% Debentures of Rs.100 each as collateral security. Prepare the Balance Sheet of the Company.

Sol. Balance sheet of B Ltd as on ----

Particulars	Note no.	Amount (₹) (C. Y)	Amount (₹) (P. Y)
I Equity & liabilities			
1) Current liability			
a) Short term borrowings			
i) Bank overdraft		80,000	
(900, 12% deb of Rs 100 each issued as collateral security)			
TOTAL		80,000	
II Assets			
1) Current assets			
a) Cash & cash equivalent		80,000	
TOTAL		80,000	

PQ No. 26: Radha Ltd. purchased machinery worth Rs.1,20,000 and building worth Rs. 2,00,000 from Deepa Ltd. For an agreed purchase consideration of Rs. 3,00,000 to be satisfied by the issue of 3,000, 12% debentures of Rs. 100 each. Show the necessary journal entries in the books of Radha Ltd.

Sol.

In the books Radha Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Building a/c Plant & machinery a/c To Deepa Ltd a/c To capital reserve a/c (being asset purchased)	Dr Dr	200.000 120.000	300.000 20.000
b)	Deepa Ltd a/c To 12% debentures	Dr	300.000	300.000

PQ No. 27: Rai Company purchased assets of the book value of Rs. 2,20,000 from another company and agreed to make the payment of purchase consideration by issuing 2,000, 10% debentures of Rs. 100 each at a premium of 10%. Record necessary journal entries.

Sol.

In the books Raj Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Asset a/c To vendor a/c (being asset purchased)	Dr	220.000	220.000
b)	Vendor Ltd a/c To 10% debentures To security premium a/c	Dr	220.000	200.000 20.000

~~Hw~~ **PQ No. 28:** Abheet Ltd. borrowed 25,00,000 from a scheduled bank at an annual interest rate of 12% and deposited 14% debentures of the face value of ₹ 40,00,000 as collateral security. Pass the journal entries regarding the issue of debentures as collateral security and also show the above items in the company's balance sheet.

Sol.

In the books Abheet Ltd

Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c To bank loan a/c (being money raised up from loan)	Dr	25.00.000	25.00.000
b)	Debentures suspense a/c To 14% debentures a/c (being debentures issued as collateral security)	Dr	40.00.000	40.00.000

~~Hw~~ **PQ No. 29:** Adarsh Ltd. obtained loan from IDBI of ₹ 10,00,000, giving as collateral security of ₹ 15,00,000, 14% Debenture on 1st April 2019. Show the accounting treatment to issue debentures as collateral security?

Sol.

In the books Adarsh Ltd

Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
a)	Bank a/c To bank loan a/c (being money raised up from loan)	Dr	10.00.000	10.00.000
b)	Debentures suspense a/c To 14% debentures a/c (being debentures issued as collateral security)	Dr	15.00.000	15.00.000

Payal Agarwal

~~Ans~~ **PQ No. 30:** Aditi Ltd. obtained loan from IDBI of ₹ 10,00,000, given as collateral security of ₹ 15,00,000, 14% Debentures on 1st April 2019. Show necessary journal entry for issue of debenture as collateral security along with Balance Sheet.

Sol.

In the books Aditi Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c To bank loan a/c (being money raised up from loan)	Dr	10.00.000	10.00.000
b)	Debentures suspense a/c To 14% debentures a/c (being debentures issued as collateral security)	Dr	15.00.000	15.00.000

~~Ans~~ **PQ No. 31:** Adrija Ltd. borrowed ₹ 25,00,000 from a scheduled bank at an annual interest rate of 12% and deposited 14% debentures of the face value of ₹ 40,00,000 as collateral security. Give balance sheet.

Sol.

In the books Adrija Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c To bank loan a/c (being money raised up from loan)	Dr	25.00.000	25.00.000
b)	Debentures suspense a/c To 14% debentures a/c (being debentures issued as collateral security)	Dr	40.00.000	40.00.000

Payal Agarwal

~~Q.2~~ **PQ No. 32:** Ajinkya Ltd. obtained loan of ₹ 5,00,000 on 31st March, 2016 from a bank by issuing and securing 6,000, 12% debentures of ₹ 100 each as collateral security. Give balance sheet.

Sol.

In the books Ajinkya Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To bank loan a/c (being money raised up from loan)		5.00.000	5.00.000
b)	Debentures suspense a/c Dr To 12% debentures a/c (being debentures issued as collateral security)		6.00.000	6.00.000

~~Q.3~~ **PQ No. 33:** Aliya Ltd. issued 10% Debentures as follows:

- To public for cash at 95% having face value ₹ 10,00,000.
 - To a vendor having face value ₹ 2,50,000 for purchase of fixed assets of ₹ 2,00,000.
 - To bank as collateral security having face value ₹ 2,50,000 for a loan of ₹ 1,00,000.
- Pass necessary journal entries.

Sol.

In the books Aliya Ltd
Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	Bank a/c Dr To 10% debentures app & allot a/c		9.50.000	9.50.000
b)	10% debentures app & allot a/c Dr Discount on issue of deb a/c Dr To 10% debentures a/c		9.50.000 50.000	10.00.000

Payal Agarwal

<i>Date</i>	<i>Particular</i>	<i>l.f</i>	<i>Amount (₹)</i>	<i>Amount (₹)</i>
c)	Fixed asset a/c Dr To vendor a/c		2.00.000	2.00.000
d)	Vendor a/c Dr Discount on issue on deb a/c Dr To 10% debentures a/c		2.00.000 50.000	2.50.000
e)	Bank loan a/c Dr To bank loan a/c		1.00.000	1.00.000
f)	Debenture suspense a/c Dr To 10% debenture a/c		2.50.000	2.50.000

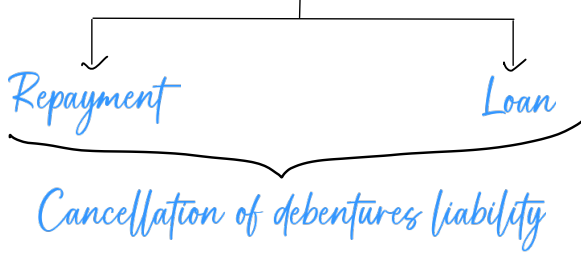
Solutions (pg numbers)

Practical question 1	5.5	Practice question 1	5.23
Practical question 2	5.6	Practice question 2	5.25
Practical question 3	5.7	Practice question 3	5.28
Practical question 4	5.8	Practice question 4	5.29
Practical question 5	5.10	Practice question 10	5.33
Practical question 6	5.15	Practice question 11	5.38
Practical question 7	5.19	Practice question 12	5.40
Practical question 8	5.32	Practice question 14	5.40
Practical question 9	5.51	Practice question 16	5.35
Practical question 10	5.52	Practice question 17	5.36
Practical question 11	5.53	Practice question 22	5.41
Practical question 12	5.43	Practice question 23	5.37
Practical question 13	5.44	Practice question 23	5.46
		Practice question 24	5.47
		Practice question 25	5.48
		Practice question 26	5.54
		Practice question 27	5.54
		Practice question 28	5.55
		Practice question 29	5.55
		Practice question 30	5.56
		Practice question 31	5.56
		Practice question 32	5.57
		Practice question 33	5.57

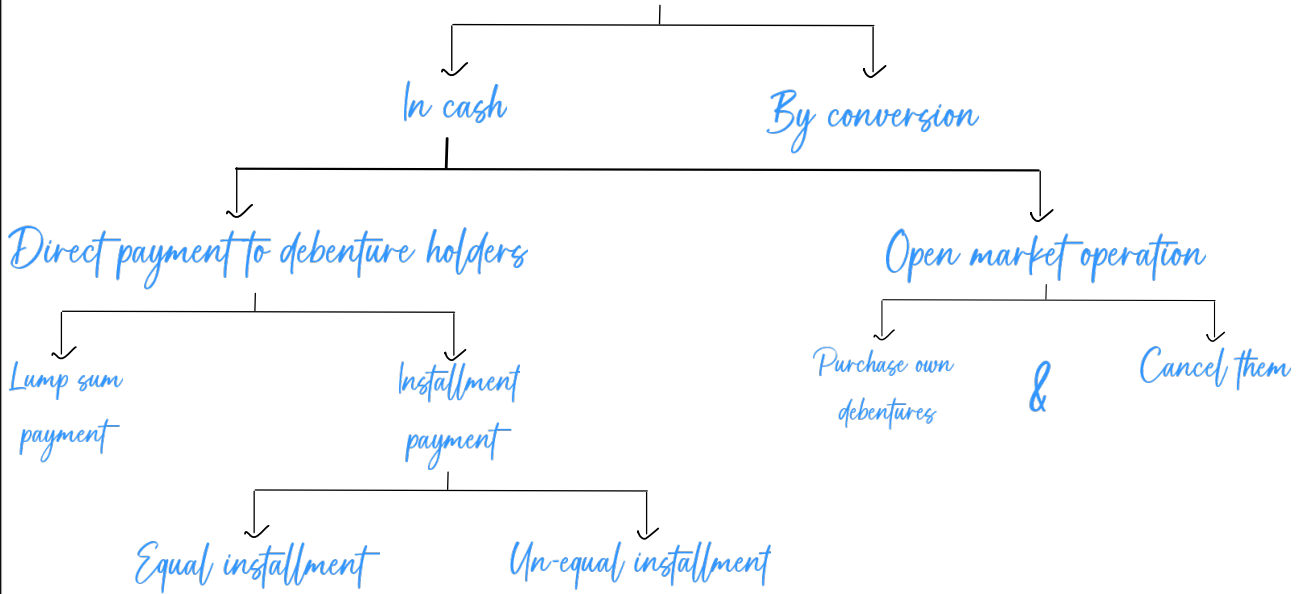
Redemption of debentures

Lecture 2

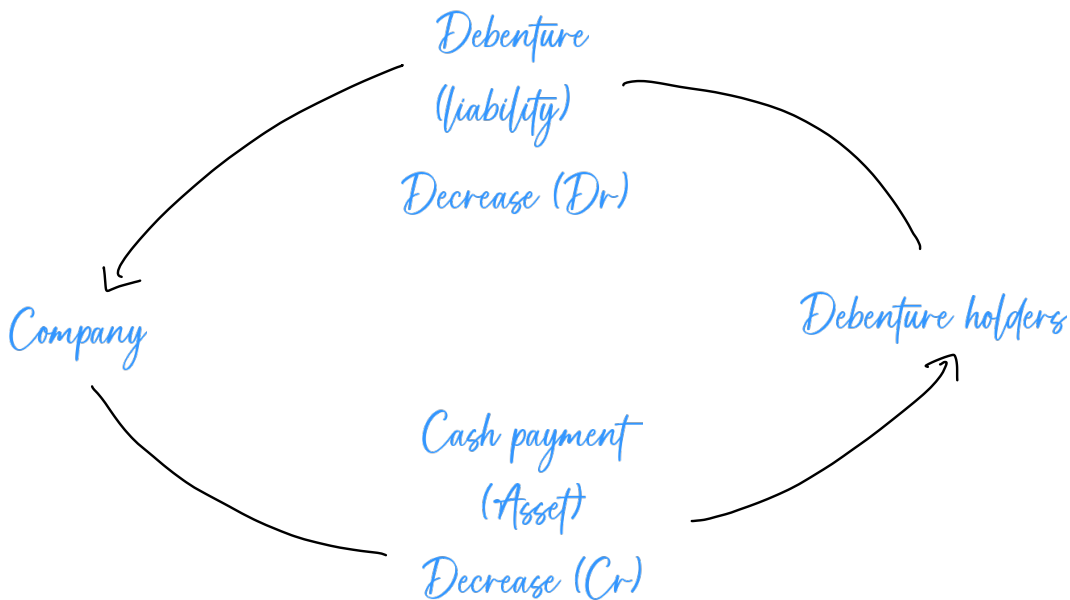
* **Redemption of debentures:-**



Forms of redemption of debentures



* **Redemption in cash:-**



Journal entry -

Due

Debentures a/c Dr

Premium on Redemption of Debenture a/c Dr

(if Debentures are redeemed at premium)

To Debenture-holder a/c

To Capital Reserve a/c

(if redemption is at Discount)

Payment

Debenture holder a/c

To Bank a/c

Write off premium

Security Premium a/c Dr

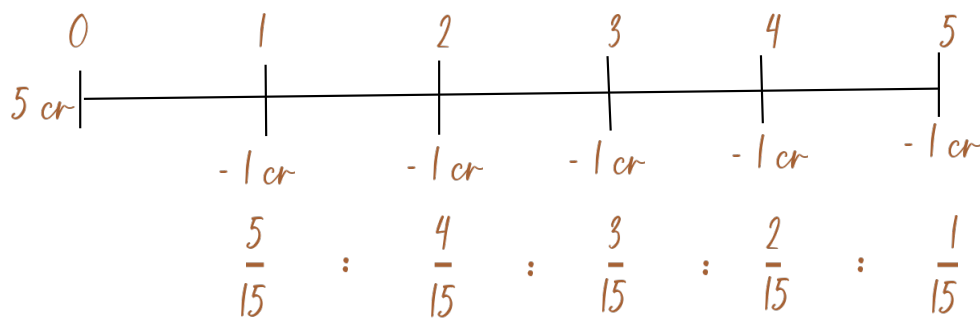
Free Reserve a/c Dr

To Premium on Redemption of Debenture A/c

Q No. 1: Amritsar Ltd. issued Rs 5 Crores, 10% debentures of Rs. 1000 each at Rs. 940. The debentures are redeemable in five annual instalments. Pass appropriate entries in year 1 and 2. Ignore interest on debenture

Sol.

$$\frac{5,00,00,000}{1,000} = \frac{50,000}{5} = 10,000 \text{ debentures red.}$$



In the books of Amritsar Ltd
Journal entry

Date	Particular	L. f	Amount (₹)	Amount (₹)
Year 1				
a)	Bank a/c Dr To 10% debenture app & allot a/c		4,70,00,000	4,70,00,000
b)	10% debenture app & allot a/c Dr Discount on issue of deb a/c Dr To 10% debenture a/c		4,70,00,000 30,00,000	5,00,00,000
c)	10% debenture a/c Dr To 10% debenture holder a/c		1,00,00,000	1,00,00,000
d)	10% debenture holder a/c Dr To bank a/c		1,00,00,000	1,00,00,000
e)	P&L a/c (30,00,000 × 5/15) Dr To discount on issue of deb a/c		10,00,000	10,00,000
Year 2				
f)	10% debenture a/c Dr To 10% debenture holder a/c		1,00,00,000	1,00,00,000
g)	10% debenture holder a/c Dr To bank a/c		1,00,00,000	1,00,00,000
h)	P&L a/c (30,00,000 × 4/15) Dr To discount on issue of deb a/c		8,00,000	8,00,000

Q No. 2: A company issued 100,000 debentures of Rs. 100 each redeemable at the end of 10th year, but reserves the right to redeem earlier from the end of the 5th year. The company decides at the end of the 5th year to redeem 20,000 debentures out of the profits it has made.

Pass necessary journal entries relating to redemption.

Sol.

In the books of a company
Journal entry

<i>Date</i>	<i>Particular</i>	<i>l.f</i>	<i>Amount (₹)</i>	<i>Amount (₹)</i>
a)	Debit: Debenture a/c Dr Credit: To 10% debenture holder a/c		20,00,000	20,00,000
b)	Debit: Debenture holder a/c Dr Credit: To bank a/c		20,00,000	20,00,000

Lecture 3

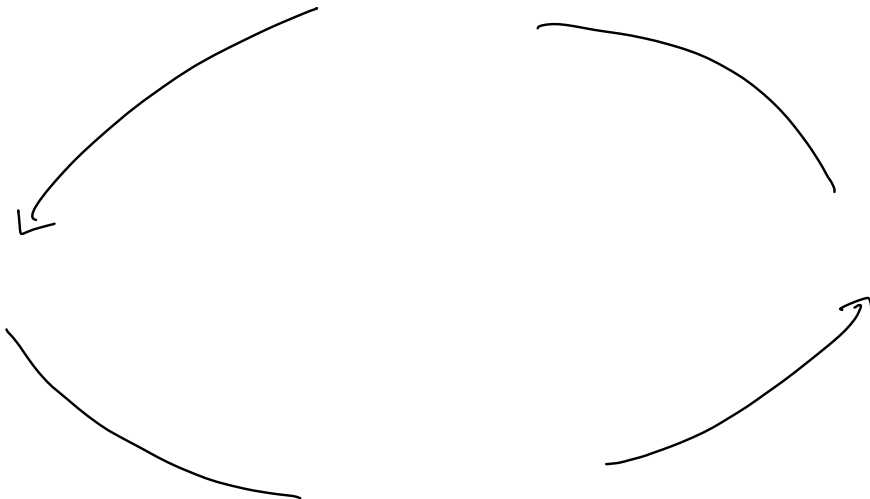
Q No. 3: JK Ltd., a listed company, issued 6,000, 12% Debentures of 50 each at a premium of 5% on April 1, 2016. Interest on these debentures is payable annually on 31st March each year. The debentures are redeemable at par in four equal installments at the end of third, fourth, fifth and sixth year at a premium of 10%. The company invested in specified securities as investment for the redemption of debentures.

You are required to pass journal entries for year 1, 3 and 4 in the books of the company along with entries related to interest. (narration is not required)

In the books of Jk Ltd
Journal entry

Date	Particular	L. f	Amount (₹)	Amount (₹)
Year 1				
a)	Bank a/c Dr To 12% debenture app & allot a/c		315.000	315.000
b)	12% debenture app & allot a/c Dr To 12% debenture a/c To security premium a/c		315.000	300.000 15.000
c)	Interest on 12% debentures a/c Dr (6,000 × ₹50 × 12% × 1yr) To bank a/c		36.000	36.000
d)	P&L a/c Dr To Interest on 12% debenture a/c		36.000	36.000
Year 2				
Not asked				
Year 3				
e)	Interest on 12% debentures a/c Dr (6,000 × ₹50 × 12% × 1yr) To bank a/c		36.000	36.000
f)	12% debenture a/c Dr Premium on red a/c Dr To 12% debenture holder a/c		75.000 7.500	82.500
g)	12% debenture holder a/c Dr To bank a/c		82.500	82.500
h)	P&L a/c Dr To Interest on 12% debenture a/c		36.000	36.000
i)	Security premium a/c Dr To premium on red a/c		7.500	7.500

Date	Particular	l.f	Amount (₹)	Amount (₹)
	Interest on 12% debentures a/c Dr To bank a/c		27.000	27.000
	12% debenture a/c Dr Premium on red a/c Dr To 12% debenture holder a/c		75.000 7.500	82.500
	12% debenture holder a/c Dr To bank a/c		82.500	82.500
	P&L a/c Dr To Interest on 12% debenture a/c		27.000	27.000
	Security premium a/c Dr To premium on red a/c		7.500	7.500



Journal entry -

Due

Debentures a/c Dr

Premium on Redemption Of Debenture a/c Dr

(if Debentures are redeemed at premium)

To Debenture-holder a/c

To Capital Reserve a/c

(if redemption is at Discount)

Payment

Debenture-holder a/c Dr

To Eq share capital a/c

To pref share capital a/c

To other debenture a/c

To security premium a/c

(if Eq shares are issued at premium)

Q No. 4: Bima Ltd. had issued 11% 5,00,000 debentures of Rs. 100 each redeemable on 31st March 2019 at a premium of 5%. The company offered three options to debenture holders as under:

- (i) 13% Preference shares of Rs. 10 each at Rs. 10.50
- (ii) 14% debentures of Rs. 100 at par.
- (iii) Redemption in cash.

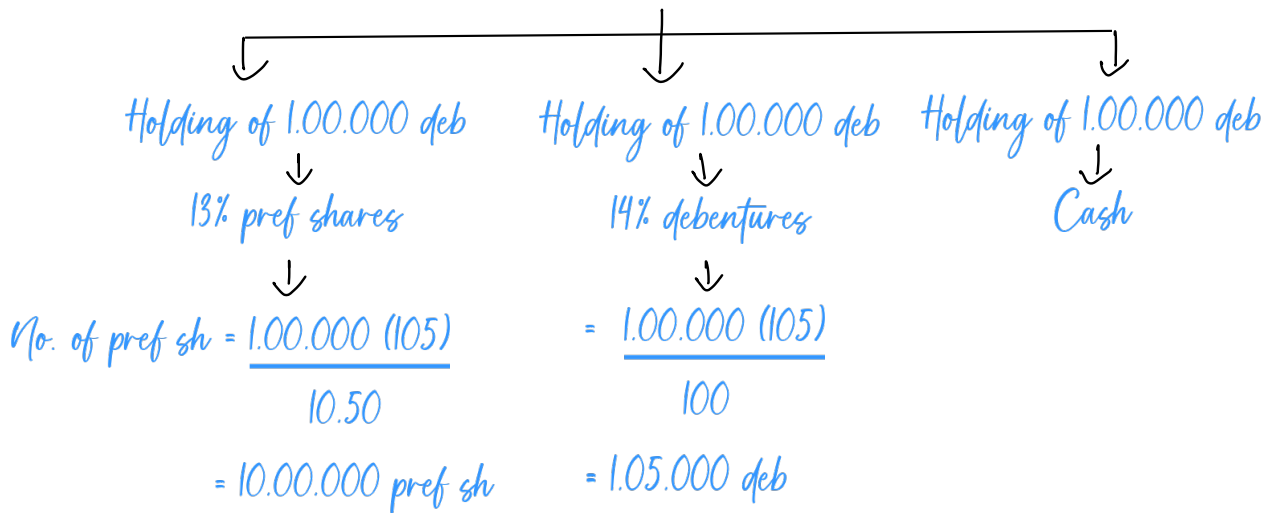
The options were accepted as under:

- Option (i) by holders of 1,00,000 debentures.
- Option (ii) by holders of 1,00,000 debentures.
- Option (iii) by holders of 3,00,000 debentures.

The company carried out the redemption. Pass the necessary journal entries.

Sol.

Total = 5,00,000 debentures



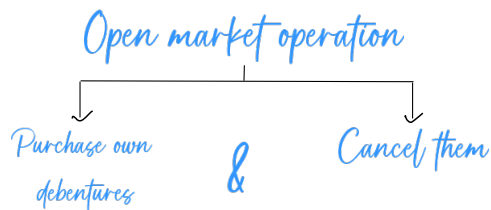
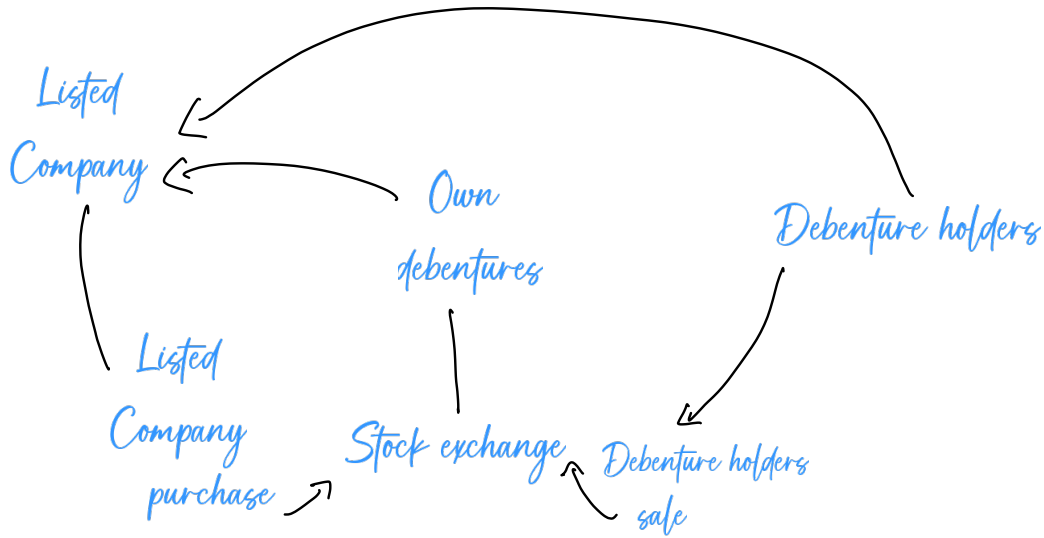
In the books of Bima Ltd

Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
a)	11% debenture a/c	Dr	5,00,00,000	
	Premium on red a/c	Dr	25,00,000	
	To 11% debenture holder a/c			5,25,00,000
b)	11% debenture holder a/c	Dr	1,05,00,000	
	To 13% pref share capital a/c			1,00,00,000
	To security premium a/c			5,00,000
c)	11% debenture holder a/c	Dr	1,05,00,000	
	To 13% debenture a/c			1,05,00,000
d)	11% debenture holder a/c	Dr	3,15,00,000	
	To bank a/c			3,15,00,000
e)	Security premium a/c	Dr	5,00,000	
	P&L a/c	Dr	20,00,000	
	To premium on red of deb a/c			25,00,000

Lecture 4

* Redemption by open market operation :-



Journal entry

On PURCHASE of OWN Debenture

Own Debenture a/c Dr (Excluding/Ex interest)

Interest on Debentures a/c Dr (Accrued interest)

To Bank a/c (Cumulative/Cum interest)

(Being purchase of own debentures)

On CANCELLATION of OWN Debenture

Debenture a/c Dr

Loss on Redemption a/c Dr

To Own Debenture A/c

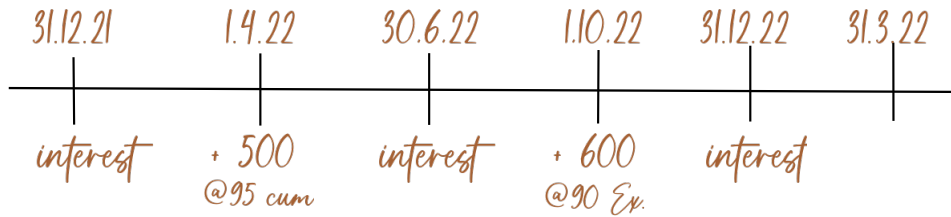
To profit on redemption a/c

Lecture 5

Q No. 5: XYZ Ltd. has 5000, 10% debentures of Rs.100 each. The interest on these debentures is paid half yearly on June 30, December 31 every year. The company is not maintaining any sinking fund. On 01-04-2022, the company purchased 500 debentures at Rs. 95 each cum - interest for immediate cancellation. On 01-10-2022, the company purchased 600 debentures at Rs. 90 each ex-interest for immediate cancellation.

Journalize.

Sol.



Note - Accrued interest will be calculated from date of last interest to date of transaction

In the books of XYZ Ltd

Journal entry

Date	Particular	l.f	Amount (₹)	Amount (₹)
1.4.22	Own debenture a/c	Dr	46.250	
	Interest on debenture a/c	Dr	1.250	
	To bank a/c			47.500
	Cum interest price (500 × Rs.95)		47.500	
	Less: Accrued interest		(1.250)	
	Ex. interest price		46.250	
1.4.22	10% debenture a/c	Dr	50.000	
	To own debenture a/c			46.250
	To profit on redemption a/c			3.750
30.6.22	Interest on debenture a/c	Dr	22.500	
	To bank a/c			22.500
	(5.000 - 500) × 100 × 10% × 6/12 = 22.500			
1.10.22	Own debenture a/c	Dr	54.000	
	Interest on debenture a/c (600 × Rs.100 × 10% × 3/12)		1.500	
	To bank a/c			55.500

Date	Particular	l.f	Amount (₹)	Amount (₹)
1.10.22	10% debenture a/c Dr		60.000	
	To profit on redemption a/c			6.000
	To own debenture a/c			54.000
31.12.22	Interest on debenture a/c Dr		19.500	
	To bank a/c			19.500
	(5000 - 500 - 600) × ₹100 × 10% × 6/12			
31.3.23	P&L a/c Dr		44.750	
	To Interest on debenture a/c			44.750

Q No. 6: On 1st April, 2018 A Ltd. made an issue of 10,00,000 14% debentures of Rs. 100 each at Rs. 98 per debenture. According to the terms of issue, the company should redeem 10000 debentures either by purchasing them from the open market or by drawing lots at par at the company's option. Profit, if any, on redemption is to be transferred to capital reserve. The company's accounting year ends on 31st March. Interest is payable on 30th September and 31st March.

During 2018-19 the company wrote off 20% of Debenture Discount Account.

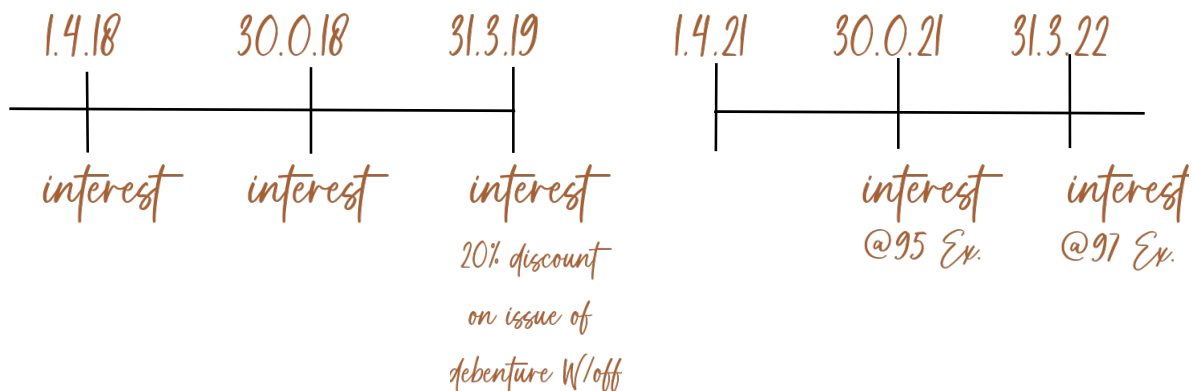
During 2021-22, the company purchased and cancelled the debentures as given below:

Rs. 200,00,000 at Rs. 95 per debenture on 30th September, and

Rs. 300,00,000 at Rs. 97 per debenture on 31st March.

Give the journal entries in the books of A Ltd. for both the years

Sol.



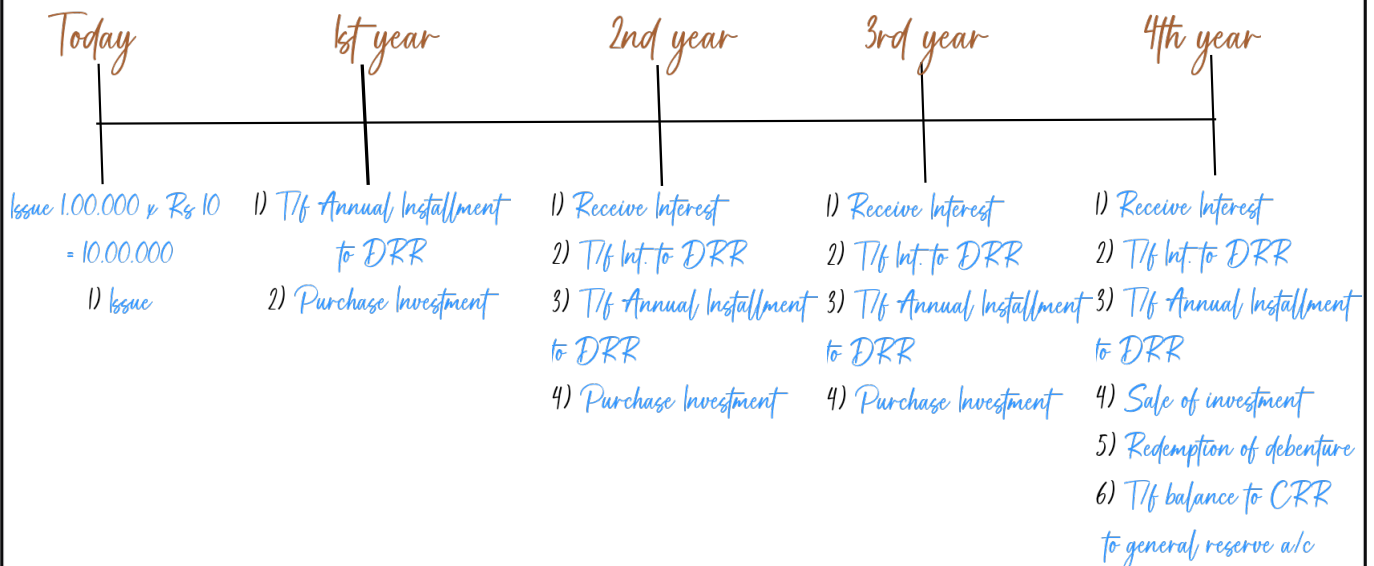
In the books of A Ltd
Journal entry

Date	Particular	l. f	Amount (₹)	Amount (₹)
1.4.18	Bank a/c (10,00,000 × ₹98) Dr To 14% debenture app & allot a/c		9,80,00,000	9,80,00,000
1.4.18	14% debenture app & allot a/c Dr Discount on issue of deb a/c Dr To 14% debenture a/c		9,80,00,000 20,00,000	10,00,00,000
30.0.18	Interest 14% debenture a/c Dr To bank a/c (10,00,000 × ₹100) × 14% × 6/12		70,00,000	70,00,000
31.3.19	Interest 14% debenture a/c Dr To bank a/c (10,00,000 × ₹100) × 14% × 6/12		70,00,000	70,00,000
31.3.19	P&L a/c Dr To interest on 14% debenture a/c		1,40,00,000	1,40,00,000
31.3.19	P&L a/c Dr To discount on issue of deb a/c		40,00,000	40,00,000
30.9.21	Interest 14% debenture a/c Dr To bank a/c (10,00,000 × ₹100) × 14% × 6/12		70,00,000	70,00,000
30.9.21	Own debenture a/c Dr Interest on 14% debenture a/c Dr (2,00,000 × ₹100) × 14% × 0/12 To bank a/c		1,90,00,000 -	1,90,00,000
30.9.21	14% debenture a/c Dr To own debenture a/c To capital reserve a/c		2,00,00,000	10,00,000 1,90,00,000

Date	Particular	l.f.	Amount (₹)	Amount (₹)
31.3.22	Interest 14% debenture a/c Dr To bank a/c (10.00.000 - 2.00.000 × ₹100) × 14% × 6/12		56.00.000	56.00.000
31.3.22	Own debenture a/c Dr Interest on 14% debenture a/c Dr (3.00.000 × ₹100) × 14% × 0/12 To bank a/c		2.91.00.000 -	2.91.00.000
31.3.22	14% debenture a/c Dr To own debenture a/c To capital reserve a/c		3.00.00.000	2.91.00.000 9.00.000
31.3.22	P&L a/c Dr To Interest on 14% deb a/c		1.26.00.000	1.26.00.000

Lecture 6

* Redemption by sinking fund method :-



Journal entry -

Transaction	Journal entry	1st year	2nd year	3rd year	4th year
Issue of Debentures	Bank A/c Dr To Debenture A/c	✓	✗	✗	✗
T/F Annual Instal- -ment to DRR	P&L a/c Dr To DRR a/c	✓	✓	✓	✓
Purchase of Invest- -ment	DRR Investment a/c Dr To Bank A/c	✓	✓	✓	✗
Interest Receive	Bank A/c Dr To Interest on DRR A/c	✗	✓	✓	✓
T/F Int. to DRR	Interest on DRR A/c Dr To DRR A/c	✗	✓	✓	✓
Sale of Investment	Bank A/c Dr To DRR	✗	✗	✗	✓
Redemption of debentures	Debenture a/c Dr To debenture holder a/c	✗	✗	✗	✓

* **Important Points:** -

1) Always Transfer Interest on DRR to DRR A/c.

(Do Not Transfer Int. on DRR to P & L A/c)

2) Transfer Profit/ Loss on Sale of DRR Investment to DRR A/c.

(Do Not Transfer Profit/ Loss on sale of DRR Investment to P & L A/c)

3) Debenture Redemption Reserve (DRR) A/c will always have Cr. Balance.

4) DRR Investment A/c will always have Dr. Balance.

5) (If Nothing Specifies in Question)

Cr. Balance of DRR A/c = Dr. Balance of DRR Investment A/c

6) After Redemption of Debentures Balance of DRR will be transferred to General Reserve.

Note - In Case of Installment Redemption ONLY Sum Equal to Debentures Redeemed will be transferred to General Reserve.

Q No. 8: On 30th June 2022 following balances stood in the books of a company:

	Rs.
8% First Mortgage Debentures Stock	2,00,000
Debenture Redemption Fund	2,13,080
Debenture Redemption Fund Investments:	

Rs 70,000 6% Punjab Electricity Board Bonds	71,260
Rs 80,000 5% UP Water Board Bonds	64,068
Rs 60,000 8% Government of India Loan	61,710
Rs 16,000 7% Cooperative Bank Loan	16,042

On the same day the investments were sold:

Electricity bonds at par, 5% loan at Rs 91, 8% loan at Rs 109 and 7% loan at Rs 103.

On 1st July the debentures were redeemed at a premium of 5%.

Write up the accounts concerned:

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12% debenture a/c

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To 12% debenture holder a/c		30.000		By balance b/d		90.000
	To balance c/d		60.000				
			<u>90.000</u>				<u>90.000</u>

O/S debentures
Payable future

Debenture redemption reserve a/c

Since 1/3 debenture redeemed

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To premium on red of debenture a/c		6.000		By balance b/d		60.000
	To general res a/c		20.000		By profit sale of DRR a/c		4.000
	(60.000 × 1/3)		38.000				
	To balance c/d		<u>64.000</u>				<u>64.000</u>

DRR investment a/c

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To balance b/d		60.000		By bank a/c		32.000
	To debenture red fund a/c (profit c/f)		4.000		By balance c/d		32.000
			<u>64.000</u>				<u>64.000</u>

12% debenture holder a/c

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To bank a/c		36.000		By 12% debenture a/c		30.000
					By premium on redemption a/c		6.000
			<u>36.000</u>				<u>36.000</u>

Premium on redemption on debenture a/c

Date	Particular	l. f	Amount (₹)	Date	Particular	l. f	Amount (₹)
	To 12% debenture holder a/c		6.000		By DRR a/c		6.000
			<u>6.000</u>				<u>6.000</u>

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