



INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Company Accounts Issue of Debentures	Date of Issue: __/__/2017 Worksheet No.21
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I ISSUE OF DEBENTURES FOR CONSIDERATION OTHER THAN CASH

1. Aakash Enterprises purchased Plant and Machinery worth `99,000 from Robin & Co.. The amount was paid by issue of 15% Debentures of `100 each. Pass Journal entries in the following cases:
 - (a) If Debentures are issued at Par.
 - (b) If Debentures are issued at a Premium of 10%
 - (c) If Debentures are issued at a Discount of 10%.
2. Abhijit Ltd purchased Land and Building worth `2,97,000 from Praveen & Company. The amount was paid by issue of 10% Debentures of `100 each. Pass Journal entries in the following cases.
 - (a) If Debentures are issued at Par.
 - (b) If Debentures are issued at a Premium of 10%
 - (c) If Debentures are issued at a Discount of 10%.
3. Abraham Ltd purchased Machinery for `90,000. Half the amount was paid in cash and the remaining half by issue of 12% debentures of `100 each at a discount of 10%. Pass Journal entries.
4. Adarsh Ltd purchased Motor Vans for `4,00,000 payable as to `1,30,000 in cash and balance by an issue of 8% Debentures of `100 each at a discount of 10%.
5. Ajay Ltd took over assets of `5,00,000 and liabilities of `1,20,000 of Nabeel Ltd for a purchase consideration of `4,40,000. Ajay Ltd paid the purchase consideration by issuing 13% debentures of `100 each at 10% premium. Give Journal entries.
6. Akhil Ltd took over assets of `6,00,000 and liabilities of `1,30,000 of Jamshad Ltd for a purchase consideration of `3,80,000. Akhil Ltd paid the purchase consideration by issuing 9% debentures of `100 each at 5% discount. Give Journal entries.
7. Akhila Ltd took over assets of `4,00,000 and liabilities of `1,80,000 of Najiya Ltd for a purchase consideration of `3,30,000. Akhila Ltd paid the purchase consideration by issuing 7% debentures of `100 each at 10% premium. Give Journal entries.



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8. Amal Ltd took over assets of ₹10,00,000 and liabilities of ₹4,00,000 of Suhail Ltd for a purchase consideration of ₹5,40,000. Amal Ltd paid the purchase consideration by issuing 10% debentures of ₹100 each at 10% discount. Give Journal entries.
9. Anoop Ltd took over assets of ₹9,00,000 and liabilities of ₹3,00,000 of Saud Ltd for a purchase consideration of ₹7,50,000. Anoop Ltd paid the purchase consideration by issuing 9% debentures of ₹100 each. Pass journal entries in the following cases.
- (a) If debentures are issued at par (b) If debentures are issued at a premium of 10%.
(b) If debentures are issued a discount of 10%. ***It was agreed that any fraction of debentures be paid in cash.*** Pass Journal entries.
10. Aravind Ltd acquired the running business of Johnson Ltd taking over the following assets and liabilities for a purchase consideration of ₹10,50,000.

Land and Building	₹7,00,000
Plant & Machinery	₹5,00,000
Stock in trade	₹2,00,000
Debtors	₹1,00,000
Current liabilities	₹3,00,000

The amount of purchase consideration was payable as to ₹2,80,000 in cash and the balance by issue of 12% debentures of ₹100 each at a premium of 10%.

11. Archana Ltd acquired the running business of Stuti Ltd taking over the following assets and liabilities for a purchase consideration of ₹7,00,000.
- | | |
|-----------|-------------|
| Machinery | Rs,7,00,000 |
| Building | ₹5,00,000 |
| Creditors | ₹3,00,000 |

The amount of purchase consideration was payable as to ₹2,60,000 as Bills of exchange and the balance by issue of 10% debentures of ₹100 each at a premium of 10%.

II. ISSUE OF DEBENTURES AS COLLATERAL SECURITY.

1. Arjun Ltd took a loan of ₹4,00,000 from Canara Bank giving 6000, 12% Debentures @ ₹100 as collateral security. Pass the necessary journal entries regarding the issue of debentures, if any, show this loan in the balance sheet of the Company.
2. Aysha Ltd took a loan of ₹3,00,000 from SBI giving ₹4,00,000, 10% Debentures as collateral security. Pass the necessary journal entries regarding the issue of debentures, if any, show this loan in the balance sheet of the Company.



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III. VARIOUS CASES OF ISSUE OF DEBENTURES FROM THE POINT OF VIEW OF REDEMPTION.

(A) WHEN DEBENTURE AMOUNT RECEIVED IN ONE LUMP SUM

1. Pass Journal entry for issue and redemption from the following:-

- a). A debenture issued at ` 100 and redeemable at `100.
- b). A debenture issued at ` 110 and redeemable at `100.
- c). A debenture issued at ` 95 and redeemable at `100.
- d). A debenture issued at ` 100 and redeemable at `110
- e). A debenture issued at `110 and redeemable at `150.

Note: The face value of each debenture is `100.

2. Pass Journal entries for issue and Redemption.

- a). 2000, 10% debentures of ` 100 each issued at par and Redeemable at a premium of 20%.
- b). 2000, 10% debentures of ` 100 each issued at a premium of 10% and Redeemable at a premium of 20%.
- c). 7000, 5% Debentures of ` 100 each issued at a premium of 20% and Redeemable at par.
- d). 8000, 5% Debentures of ` 100 each issued at a discount of 10% and Redeemable at par.
- e). 9000, 5% Debentures of ` 100 each issued at a discount of 10% and Redeemable at a premium of 20%.

3. Pass Journal entries for issue and Redemption.

- a). `1,00,000, 13% Debentures of ` 100 each issued at a premium of 10% and Redeemable at Par.
- b). `3,00,000, 8% Debentures of ` 100 each issued at par and Redeemable at a premium of 5%.
- c). `2,40,000, 3% Debentures issued at a premium of 5% and Redeemable at a premium of 25%.
- d). `2,00,000, 13% Debentures of ` 100 each issued at a discount of 6% and



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Redeemable at Par.

- e) `1,00,000, 13% Debentures of ` 100 each issued at a discount of 5% and Redeemable at a premium of 10%.
 - d) `2,00,000, 15% Debentures issued to a supplier of Machinery costing `1,90,000. The debentures are repayable at par after 5 year`
 - e) `2,00,000, 15% Debentures issued to a supplier of Machinery costing `2,20,000. The debentures are repayable at par after 5 year`
4. Devin Ltd issued 5000, 12% debentures @ `100 each issued at a premium of 10% payable full amount on application. Company received application for 6000 debentures. Directors allotted debentures on pro-rata basis. Pass Journal entries.
5. Fadya Ltd issued 20000, 10% debentures @ `100 each issued at a discount of 10% payable full amount on application. Company received application for 30,000 debentures. Directors allotted debentures on pro-rata basis. Pass Journal entries

(B) WHEN DEBENTURE AMOUNT RECEIVED IN INSTALMENTS

1. Haseena Ltd issued 5000, 12% debentures @ `100 each issued at par and redeemable at a premium of 5% payable as follows:
On Application: `30
On Allotment : Balance
Pass Journal entries.
2. Fasma Ltd issued 3000, 12% debentures @ `100 each issued at a discount of 10% and redeemable at a premium of 20% payable as follows:
On Application: `40
On Allotment : Balance
Pass Journal entries
3. Jasal Ltd issued 4,000, 12% Debentures @ `100 each issued at a Premium of 10% and redeemable at a premium of 25% payable as follows:-
On Application `40

On allotment `60 (including Premium)

On Ist and Final Call `10



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Applications were received for 4000 debentures and full allotment was made to all the applicants. Money due on allotment and first call were duly received. Pass Journal entries for issue of Debentures

4. Jashik Ltd issued 2,000, 10% Debentures @ `100 each at a premium of 20% and redeemable at par payable as follows:-

On Application	`30
On allotment	`70 (including premium)
On Ist and Final Call	Balance

Applications were received for 3000 debentures and allotment was made pro rata to the applicants of 2400 debentures and remaining applications were rejected and money refunded. Money due on allotment and first call were duly received. Pass Journal entries.

5. Jeril Ltd issued 10,000, 6% Debentures @ `100 each at a discount of 10% and redeemable at a premium of 5% payable as follows:-

On Application	`20
On allotment	`40
On Ist and Final Call	`30

Applications were received for 9000 debentures, which were duly allotted. Money due on allotment and first call were duly received. Pass Journal entries.

INTEREST ON DEBENTURES

1. On April 1, 2011 Jose Ltd has `2,00,000, 12% Debentures outstanding on which interest is Payable every September 30 and March 31. Show entries relating to interest if the year ends on March 31, 2012. Income Tax rate is 10%. Give journal entries for interest.
2. On January 1, 2011 Krishnaraj Ltd has `5,00,000, 10% Debentures outstanding on which interest is payable every June 30 and December 31. Show entries relating to interest if the year ends on December 31, 2011. Income Tax rate is 20%. Give journal entries for interest.
3. Mohammed Ltd issued `1,00,000, 12% Debentures of `100 each on April 1, 2012.



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Interest is payable every six months on Sep.30 and Mar 31. The accounting year of the company ends on March 31. Income tax rate is 10%. Give Journal entries for interest up to 31March, 2013.

4. On April 1, 2013 Nihad Ltd has `3,00,000, 12% Debentures outstanding on which interest is payable every September 30 and March 31. Show entries relating to interest if the year ends on March 31, 2012. Give journal entries for interest.

WRITING OFF DISCOUNT/LOSS ON ISSUE OF DEBENTURES

METHOD:I When Debentures are to be redeemed in one lump sum after a specified Period:

1. Amith Ltd issued 2,000, 12% debentures @ `100 at a discount of 10% on 1st April 2009 and repayable at par on 31st March 2012. Pass Journal entries and prepare Discount on issue of Debenture Account.
2. Sumith Ltd issued 4,000, 10% debentures @`100 at a discount of 7% on 1st April 2009 and repayable at par on 31st March 2012. Pass Journal entries and prepare Discount on issue of Debenture Account.
3. Kamath Ltd issued 5,000, 9% debentures @`100 at a discount of 5% on 1st April 2009 and repayable at a premium of 10% on 31st March 2012. Pass Journal entries and prepare Loss on issue of Debenture Account
4. Jumath Ltd issued 1,000, 8% debentures @`100 at a discount of 3% on 1st April 2009 and repayable at a premium of 2% on 31st March 2012. Pass Journal entries and prepare Loss on issue of Debenture Account.

METHOD.II When the Debentures are to be redeemed in Equal Installments

5. Ajay Ltd issued `2,00,000,12% Debentures at a discount of 5% on 1st April 2008 and redeemable at par by annual drawings of `40,000 made on 31st March each year. Pass Journal entries and prepare Discount on Issue of Debenture Account.
6. Vijay Ltd issued `3,00,000, 11% Debentures at a discount of 10% on 1st April 2008 and redeemable at par by five equal yearly installments on 31st March each year. Pass Journal entries and prepare Discount on issue of Debenture Account.
7. Ajay Ltd issued `1,00,000,12% Debentures at a discount of 5% on 1st April 2008 and redeemable at par by annual drawings of `25,000 beginning with the end of second year of



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- issue. *The Securities Premium Accounts shows a credit balance of `3,000.* Pass Journal entries and prepare Discount on Issue of Debenture Account.
8. Vijay Ltd issued `3,00,000, 11% Debentures at a discount of 10% on 1st April 2008 and redeemable at par by three equal yearly installments beginning with the end of third year of issue. Pass Journal entries and prepare Discount on issue of Debenture Account.
9. P Ltd. issued 12% debentures of `100 each valued at `6,00,000 at a discount of 3% repayable at par in equal proportions at the end of the 2nd, 4th and 6th year. Calculate the amount of discount to be written off at the end of each year and prepare Discount on Issue of Debentures Account.

METHOD. III When the Debentures are to be redeemed in Unequal Installments.

9. Deny Ltd issued 2,20,000, 13% Debentures at a discount of 5% on 1st April 2008 and repayable as follows:
- | | |
|---------------------------------|-----------|
| On 31 st March, 2009 | ` 40,000 |
| On 31 st March 2010 | ` 80,000 |
| On 31 st March 2011 | `1,00,000 |
- Prepare Discount on issue of Debentures.
10. Reny Ltd issued `6,00,000, 13% Debentures at a discount of 5% on 1st April 2008 and repayable as follows:
- | | |
|--------------------------------|------------|
| On 31 st March 2009 | ` 3,00,000 |
| On 31 st March 2010 | ` 2,00,000 |
| On 31 st March 2011 | ` 1,00,000 |
11. Jeny Ltd issued `2,00,000, 12% Debentures at a discount of 10% on 1st April 2008 and repayable as follows:
- | | |
|---------------------------------|-----------|
| On 31 st March, 2010 | ` 50,000 |
| On 31 st March 2011 | ` 25,000 |
| On 31 st March 2012 | `1,25,000 |
12. A Company issued 12% Debentures of `10,00,000 at 8% discount, redeemable at par. Assume further that debentures are to be redeemed by drawings method in the following manner.
- | Year end | Amount (Face Value) |
|----------|---------------------|
| 2 | 1,00,000 |
| 3 | 2,00,000 |
| 4 | 3,00,000 |
| 5 | 4,00,000 |



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Pass Journal entry for issue of debentures and ledger account of discount on debentures for 5 years.

13. A Company issued 12% Debentures of `5,00,000 at 4% discount, redeemable at par. Assume further that debentures are to be redeemed by drawings method in the following manner.

Year end	Amount (Face Value)
2	50,000
3	1,00,000
4	1,50,000
5	2,00,000

Pass Journal entry for issue of debentures and ledger account of discount on debentures for 5 years.

14. A company issued Debentures at 94% for `50,000 on 1st April 2008 repayable by five equal annual drawings of `10,000 each. The company prepares its final accounts on 31st December every year. Calculate the amount of discount to be written off every accounting year assuming that the company decides to write off the debentures discount during the life of the debentures.

15. A company issued Debentures of `1,00,000 on 1st Jan 2008 at a discount of 10% and repayable by five equal annual drawings of `10,000 each. The company prepares its final accounts on 31st March every year. Calculate the amount of discount to be written off every accounting year assuming that the company decides to write off the debentures discount during the life of the debentures.

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