

Chapter - 2 Issue of Debentures

SOLUTION: 1.

JOURNAL OF X LTD.

Particulars	LF.	Dr. (₹)	Cr. (₹)
Bank A/c Dr. To 15% Debenture Application A/c (Application money received on 3,000 debentures @ ₹25 each)		75,000	75,000
15% Debenture Application A/c Dr. To 15% Debentures A/c To 15% Debenture Allotment A/c To Bank A/c (Application money transferred)		75,000	50,000 5,000 20,000
15% Debenture Allotment A/c Dr. To 15% Debentures A/c (Allotment money due on 2,000 debentures @ ₹25 each)		50,000	50,000
Bank A/c Dr. To 15% Debenture Allotment A/c (Balance of allotment money received, i.e., ₹50,000 - ₹5,000)		45,000	45,000
15% Debenture First & Final Call A/c Dr. To 15% Debentures A/c (First and Final Call due)		1,00,000	1,00,000
Bank A/c Dr. To 15% Debenture First & Final Call A/c (First & Final Call money received)		95,000	95,000

SOLUTION: 2.

JOURNAL OF BALAJI LTD.

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 13% Debentures Application A/c (Application money received on 10,000 debentures @ ₹20 each)		2,00,000	2,00,000
	13% Debentures Application A/c Dr. To 13% Debentures A/c (Application money transferred)		2,00,000	2,00,000
	13% Debentures Allotment A/c Dr. To 13% Debentures A/c (Allotment due)		3,00,000	3,00,000
	Bank A/c Dr. To 13% Debentures Allotment A/c To Calls in Advance A/c (Allotment received on 9,800 debentures @ ₹30 per debenture; plus call received in advance on 300 debentures @ ₹50 per debenture)		3,09,000	2,94,000 15,000

Company Accounts — Issue of Debentures

13% Debentures First & Final Call A/c	Dr.	5,00,000	
To 13% Debentures A/c			5,00,000
(First and final call due on 10,000 debentures @ ₹50 per debenture)			
Bank A/c	Dr.	4,75,000	
Calls in Advance A/c	Dr.	15,000	
To 13% Debentures First & Final Call A/c			4,90,000
(First and final call money received on 9,800 debentures @ ₹50 per debenture; Calls in advance on 300 debentures of Ajay previously received now adjusted)			

SOLUTION: 3.

JOURNAL OF KAMAL LTD.

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
1.	Bank A/c Dr. To 12% Debentures Application A/c (Application money received on 5,000 debentures @ ₹10 per debenture)		50,000	50,000
2.	12% Debentures Application A/c Dr. To 12% Debentures A/c (Application money transferred)		50,000	50,000
3.	12% Debentures Allotment A/c Dr. To 12% Debentures A/c (Allotment due on 5,000 debentures @ ₹15 each.)		75,000	75,000
4.	Bank A/c Dr. To 12% Debentures Allotment A/c To Calls in Advance A/c (Allotment money received on 4,900 debentures @ ₹15 per debenture; plus call received in advance on 400 debentures @ ₹75 per debenture)		1,03,500	73,500 30,000
5.	12% Debentures First Call A/c Dr. To 12% Debentures A/c (First call due on 5,000 debentures @ ₹30 each)		1,50,000	1,50,000
6. (I)	Bank A/c Dr. Calls in Advance A/c Dr. To 12% Debentures First Call A/c (First call money received after adjusting the advance of first call @ ₹30 per debenture on 400 debentures)		1,38,000 12,000	1,50,000
(II)	Bank A/c Dr. To 12% Debentures Allotment A/c (Receipt of arrears of allotment in respect of 100 debentures)		1,500	1,500

Company Accounts — Issue of Debentures

7.	12% Debentures Second & Final Call A/c Dr. To 12% Debentures A/c (Second and final call due on 5,000 debentures @ ₹45 per debenture)	2,25,000		2,25,000
8.	Bank A/c Dr. Calls in Advance A/c Dr. To 12% Debentures Second & Final Call A/c (Second call money received after adjusting the advance of second call @ ₹45 per debenture on 400 debentures)	2,07,000 18,000		2,25,000

SOLUTION: 4.

JOURNAL OF SUNFLOWER LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. 8% Debenture Application A/c (Application money received)		32,00,00,000	32,00,00,000
	8% Debenture Application A/c Dr. To 8% Debentures A/c (Application money transferred to 8% Debentures account consequent upon allotment)		32,00,00,000	32,00,00,000
	8% Debenture Allotment A/c Dr. To 8% Debentures A/c To Securities Premium Reserve A/c (Allotment due)		52,80,00,000	48,00,00,000 4,80,00,000
	Bank A/c Dr. To 8% Debenture Allotment A/c (Allotment money received)		52,80,00,000	52,80,00,000

SOLUTION: 5.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application A/c (Application money received on 6,000 debentures @ ₹30 each)		1,80,000	1,80,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c To 12% Debenture Allotment A/c (Transfer of application money to 12% Debentures A/c and the excess money to Allotment A/c)		1,80,000	1,25,000 25,000 30,000
	12% Debenture Allotment A/c Dr. To 12% Debentures A/c (Allotment due on 5,000 debentures @ ₹40 each)		2,00,000	2,00,000

Company Accounts — Issue of Debentures

Bank A/c Dr.	1,70,000	
To 12% Debenture Allotment A/c (Allotment money received)		1,70,000
12% Debenture First & Final Call A/c Dr.	1,75,000	
To 12% Debentures A/c (First and final call due on 5,000 debentures @ ₹35 each)		1,75,000
Bank A/c Dr.	1,75,000	
To 12% Debenture First & Final Call A/c (First and final call money received)		1,75,000

SOLUTION: 6.

In the Books of Nav Lakshmi Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		6,00,000	
	To 12% Debenture Application & Allotment A/c (Receipt of application money on 4,000 debentures)			6,00,000
	12% Debenture Application & Allotment A/c Dr.		6,00,000	
	To 12% Debentures A/c			3,00,000
	To Securities Premium Reserve A/c			1,50,000
	To Bank A/c			1,50,000
	(Application money on 3,000 debentures transferred to 12% Debentures A/c and Security Premium A/c and the application money on 1,000 Debentures refunded.)			

SOLUTION: 7.

JOURNAL OF R LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,50,000	
	To 13% Debenture Application A/c (Application money received for 6,000 debentures @ 25 each)			1,50,000
	13% Debenture Application A/c Dr.		1,50,000	
	To 13% Debentures A/c (Application money transferred)			1,50,000
	13% Debenture Allotment A/c Dr.		1,50,000	
	Discount on Debentures A/c Dr.		30,000	
	To 13% Debentures A/c (Allotment due)			1,80,000
	Bank A/c Dr.		1,50,000	
	To 13% Debentures Allotment A/c (Amount received on allotment)			1,50,000
	13% Debentures First & Final Call A/c Dr.		2,70,000	
	To 13% Debentures A/c (First & Final Call due)			2,70,000

Bank A/c To 13% Debentures First & Final Call A/c (Amount received on First & Final Call)	Dr.	2,70,000	2,70,000
Expenses on Issue A/c To Bank A/c (Expenses paid on issue of debentures)	Dr.	20,000	20,000
Statement of Profit & Loss To Discount on Debentures A/c To Expenses on issue A/c (1/5th of 'Discount on debentures' and 1/5th of 'expenses on issue' written off)	Dr.	10,000	6,000 4,000

BALANCE SHEET
as at (at the end of first year)

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital			
(b) Reserve and Surplus	1	(10,000)	
Non-Current Liabilities :			
Long-term Borrowings	2	6,00,000	
II. ASSETS		<u>5,90,000</u>	
Non Current Assets :			
Other Non Current Assets	3	30,000	
Current Assets :			
Cash and Cash Equivalents	4	5,50,000	
Other Current Assets	5	<u>10,000</u>	
		5,90,000	

Notes to Accounts :

(1) Reserve and Surplus :	₹
Balance in Statement of Profit & Loss	(10,000)
(2) Long term Borrowings :	
13% Debentures	6,00,000
(3) Other Non Current Assets :	
3/5th of Discount on Debentures	18,000
3/5th of Expenses on Issue	12,000
	<u>30,000</u>
(4) Cash and Cash Equivalents :	
Cash at Bank	5,50,000

Company Accounts — Issue of Debentures

(5) Other Current Assets :	
1/5th of Discount on Debentures 1/5th of Expenses on Issue	6,000
	<u>4,000</u>
	10,000

SOLUTION: 8.

JOURNAL OF SHARDA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		4,70,000	
	To 7% Debenture Application & Allotment A/c (Application money received for 5,000 debentures @ ₹94 each)			4,70,000
	7% Debenture Application & Allotment A/c Dr.		4,70,000	
	Discount on Debentures A/c Dr.		30,000	
	To 7% Debentures A/c (Application money transferred to Debentures A/c consequent upon allotment, issued at 6% discount)			5,00,000

SOLUTION: 9.

JOURNAL OF XCOMPANY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		10,45,000	
	To Vendors' A/c (Assets purchased)			10,45,000
(1)	When Debentures are issued at par :			
	Vendors' A/c Dr.			
	To 14% Debentures A/c (Issue of 10,450 debentures of ₹100 each at par)		10,45,000	10,45,000
(2)	When Debentures are issued at Discount:			
	Vendors' A/c Dr.		10,45,000	
	Discount on Debentures A/c Dr.		55,000	
	To 14% Debentures A/c (Issue of 11,000 debentures of ₹100 each at 5% discount calculated as follows : $10,45,000/95 = 11,000$ debentures)			11,00,000
(3)	When debentures are issued at premium :		10,45,000	
	Vendors' A/c Dr.			9,50,000
	To 14% Debentures A/c			95,000
	To Securities Premium Reserve A/c (Issue of 9,500 debentures of ₹100 each at 10% premium, calculated as follows : $10,45,000/110 = 9,500$ debentures)			

SOLUTION: 10.
JOURNAL OF GOLDEN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Silver Ltd. (Purchase of assets and liabilities of Silver Ltd.)		5,50,00,000	1,26,00,000 4,24,00,000
	Silver Ltd. Dr. To 8% Debentures A/c To Securities Premium Reserve A/c (Issue of 80,000 Debentures of ₹500 each at 6% on premium, calculated as 4,24,00,000/530 = 80,000)		4,24,00,000	4,00,00,000 24,00,000

SOLUTION: 11.
JOURNAL OF SUDHIR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Goodwill A/c Dr. To Sundry Liabilities A/c Dr. To Gopal Ltd. (Purchase of assets and liabilities of Gopal Ltd.)		8,50,000 20,000	1.50.000 7.20.000
	Gopal Ltd. Dr. To 12% Debentures A/c To Securities Premium Reserve A/c (Issue of 6,000 Debentures of ₹100 each at 20% premium, calculated as follows : 7,20,000/120 = 6,000 Debentures)		7,20,000	6,00,000 1,20,000

SOLUTION: 12.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Capital Reserve A/c To Vendor Company (Purchase of assets and liabilities of Vendor Company)		12,00,000	2,20,000 40,000 9,40,000
	Vendor Company Dr. Discount on Debentures A/c Dr. To Debentures A/c (Issue of 2,000 Debentures of ₹500 each at 6% discount calculated as follows : 9,40,000/470 = 2,000 Debentures)		9,40,000 60,000	10,00,000

SOLUTION: 13.
JOURNAL OF GUNJAN LIMITED

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Buildings A/c Dr.		9,00,000	
	Plant and Machinery' A/c Dr.		8,00,000	
	Patents A/c Dr.		40,000	
	Sundry Debtors A/c Dr.		7,00,000	
	Stock A/c Dr.		5,00,000	
	To Sundry Creditors A/c			1,20,000
	To Vrindavan Ltd.			25,00,000
	To Capital Reserve A/c (Balancing Figure)			3,20,000
	(Purchase of assets and liabilities)			
	Vrindavan Ltd. Dr.		4,00,000	
	To Bank A/c			4,00,000
	(Part payment made by cheque)			
	Vrindavan Ltd. Dr.		21,00,000	
	To 8% Debentures A/c			20,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Balance of ₹21,00,000 discharged by issue of 20,000 debentures at a premium of 5% calculated as : 21,00,000/105 = 20,000)			

SOLUTION: 14.
JOURNAL OF Y LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr.		90,000	
	To Vendor's A/c			90,000
	(Machinery purchased from Vendor for ₹90,000)			
	Vendor's A/c Dr.		45,000	
	To Bank A/c			45,000
	(Half the amount paid in Cash)			
	Vendor's A/c Dr.		45,000	
	Discount on issue of Debentures A/c Dr.		5,000	
	To 12% Debentures A/c			50,000
	(Issue of 500 Debentures of ₹100 each at 10% discount calculated as 45000/90 = 500 Debentures.)			

SOLUTION: 15.
JOURNAL OF J LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Feb. 28	Machinery A/c Dr.		3,50,000	3,50,000
	To K Ltd.			
	(Machinery purchased from K Ltd.)			
Feb. 28	K Ltd. Dr.		50,000	50,000
	To Bank A/c			

Company Accounts — Issue of Debentures

(Part payment made in Cash)			
Feb. 28	K Ltd. Dr.	3,00,000	
	Discount on issue of Debentures A/c Dr.	10,000	
	To 10% Debentures A/c		3,10,000
	(Balance amount of ₹3,00,000 settled by the issue of ₹3,10,000 debentures)		

SOLUTION: 16.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c Dr.		40,00,000	
	To Vendor's A/c			40,00,000
	(Purchase of building)			
	Vendor's A/c Dr.		10,00,000	
	To Bank A/c			10,00,000
	(25% payment made in cash)			
	Vendor's A/c Dr.		30,00,000	25,00,000
	To 7% Debentures A/c (5,000 x ₹500)			5,00,000
	To Securities Premium Reserve A/c (5,000 x ₹100)			
	(Issue of 5,000 debentures of ₹500 each at 20% premium calculated as 30,00,000/600= 5,000 debentures)			

SOLUTION: 17.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	Sundry Assets A/c Dr.		8,00,000	1,00,000
	To Sundry Liabilities A/c To Y Ltd.			7,00,000
	(Assets and liabilities purchased from Y Ltd.)			
April 1	Y Ltd. Dr.		2,00,000	
	To Bank A/c			2,00,000
	(Part payment made in Cash)			
April 1	Y Ltd. Dr.		5,00,000	
	To 10% Debentures A/c			4,75,000
	To Securities Premium Reserve A/c			25,000
	(Balance amount of ₹5,00,000 settled by the issue of ₹4,75,000 debentures)			

SOLUTION: 18.

Books of Star Textiles Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Buildings A/c Dr.		40,00,000	
	Plant and Machinery A/c Dr.		7,50,000	

Company Accounts — Issue of Debentures

Furniture A/c	Dr.	1,00,000	
To Capital Reserve A/c			3,50,000
To Modern Textiles Ltd.			45,00,000
(Purchase of assets of Modern Textiles Ltd.)			
Modern Textiles Ltd.	Dr.	3,00,000	
To Bank A/c			3,00,000
(Part payment made in cash)			
Modern Textiles Ltd.	Dr.	42,00,000	
To 9% Debentures A/c			40,00,000
To Securities Premium Reserve A/c			2,00,000
(Issue of 8,000 Debentures of ₹500 each at 5% premium calculated as 42,00,000/525 = 8,000)			

SOLUTION: 19.

First Method: No entry is passed for the issue of debentures in this method. Entry is passed only for taking a loan from the bank, as under:

Bank A/c Dr.	5,00,000
To Bank Loan A/c	5,00,000
(Loan taken from the Bank and ₹6,00,000 debentures deposited as collateral security)	

EXTRACT OF BALANCE SHEET OF X LTD. as at 31st March, 2015

Particulars	Note No.	31-3-2015	31-3-2014
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	30,00,000	25,00,000
Notes to Accounts :			
(1) Long-term Borrowings :			₹
11 % Debentures			
(In addition, Debentures for ₹6,00,000 have been issued as collateral security)			25,00,000
Bank Loan (On collateral security of Debentures of ₹6,00,000)			5,00,000
			30,00,000

Second Method: Following entries are passed in this method :

1. Bank A/c	Dr.	5,00,000	
To Bank Loan A/c			5,00,000
(loan taken from the Bank)			
2. Debentures Suspense A/c	Dr.	6,00,000	
To 11% Debentures A/c			6,00,000
(Issue of ₹6,00,000 debentures as collateral security to secure a loan of ₹5,00,000 from the Bank)			

**EXTRACT OF BALANCE SHEET OF X LTD.
as at 31st March, 2015**

Particulars	Note No.	31-3-2015	31-3-2014
I. EQUITY AND LIABILITIES:	1	₹	₹
Non-Current Liabilities :		30,00,000	25,00,000
Long-term Borrowings			
Notes to Accounts :			
(1) Long-term Borrowings :			₹
11 % Debentures		31,00,000	25,00,000
Less : Debentures Suspense A/c		6,00,000	5,00,000
Bank Loan (On collateral security of Debentures of ₹6,00,000)			
			30,00,000

SOLUTION: 20.

**Books of Hassan Ltd.
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
When loan is taken	Bank A/c Dr. To Bank Loan A/c (Loan obtained from bank secured by primary security* worth ₹40,00,000 and ₹35,00,000, 6% debentures as collateral security)		30,00,000	30,00,000
"	Debentures Suspense A/c Dr. To 6% Debentures A/c (Issue of ₹35,00,000 debentures as collateral security for a loan of ₹30,00,000 from the bank)		35,00,000	35,00,000
"	Bank A/c Dr. To Bank Loan A/c (Loan obtained from bank secured by plant as primary' security and ₹60,00,000, 6% debentures as collateral security)		50,00,000	50,00,000

Company Accounts — Issue of Debentures

	Debitures Suspense A/c	Dr.	60,00,000	
"	To 6% Debentures A/c			60,00,000
	(Issue of ₹60,00,000 debentures as collateral security for a loan of ₹50,00,000 from the bank)			

* No entry is passed for primary security in the books of accounts.

EXTRACT OF BALANCE SHEET OF HASSAN LTD.

as at.....

Particulars	Note No.	Current year	Previous year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	80,00,000	

Notes to Accounts:

(1) Long-term Borrowings :		₹
6% Debentures	95,00,000	
Less : Debentures Suspense A/c	95,00,000	—
Bank Loan		80,00,000
(On primary security worth ₹40,00,000 and plant and collateral security of Debentures of ₹95,00,000)		

SOLUTION: 21.

JOURNAL OF INDIA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(1)i.	Bank A/c	Dr.	5,40,000	
	To Debenture Application & Allotment A/c			5,40,000
	(Application money received)			
ii.	Debenture Application & Allotment A/c	Dr.	5,40,000	
	Discount on Debentures A/c	Dr.	60,000	
	To 6% Debentures A/c			6,00,000
	(Transfer of application money to Debentures A/c, issued at 10% Discount)			
(2)i.	Machinery A/c	Dr.	1,00,000	
	To Vendor's A/c			1,00,000
	(Purchase of Machinery)			
ii.	Vendor's A/c	Dr.	1,00,000	
	Discount on Debentures A/c	Dr.	10,000	
	To 6% Debentures A/c			1,10,000
	(Debentures issued to vendors at discount)			
(3)i.	Bank A/c	Dr.	7,00,000	
	To Bank Loan A/c			7,00,000
	(Loan taken, secured by the issue of ₹10,00,000 debentures)			

Company Accounts — Issue of Debentures

ii.	Debitures Suspense A/c To 6% Debentures A/c (Issue of debentures as collateral security)	Dr.	10,00,000	10,00,000
	Statement of Profit & Loss To Discount on Debentures A/c (Transfer of 1/5th of Discount to Statement of Profit & Loss)	Dr.	14,000	14,000

BALANCE SHEET

as at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital			
(b) Reserve and Surplus	1	(14,000)	
Non Current Liabilities :			
Long term Borrowings	2	14,10,000	
		13,96,000	
II. ASSETS :			
Non Current Assets :			
Fixed Assets	3	1,00,000	
Other Non Current Assets	4	42,000	
Current Assets :			
Cash and Cash Equivalents	5	12,40,000	
Other Current Assets	6	14,000	
		13,96,000	

Notes to Accounts :

(1) Reserve and Surplus :	₹
Balance in Statement of Profit & Loss	(14,000)
(2) Long term Borrowings :	
6% Debentures	17,10,000
Less : Debenture Suspense Account	10,00,000
Bank Loan	7,00,000
	14,10,000
(3) Fixed Assets :	
Machinery	1,00,000
(4) Other Non Current Assets :	
Discount on Debentures	42,000
(5) Cash and Cash Equivalents :	
Cash at Bank	12,40,000
(6) Other Current Assets :	
Discount on Debentures	14,000

SOLUTION: 22.

**Books of X Ltd.
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011				
April 1	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Application money received on 25,000 debentures @ ₹104 each)		26,00,000	26,00,000
April 1	9% Debenture Application & Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Transfer of application money)		26,00,000	25,00,000 1,00,000
April 1	Fixed Assets A/c Dr. To Current Liabilities A/c To Y Ltd. (Purchase of assets and liabilities)		10,00,000	70,000 9,30,000
April 1	Y Ltd. Dr. To Bank (Part payment made in cash)		4,00,000	4,00,000
April 1	Y Ltd. Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Balance amount of ₹5,30,000 settled by the issue of ₹5,00,000 debentures)		5,30,000	5,00,000 30,000
April 1	Bank A/c Dr. To Bank Loan A/c (Loan taken, secured by the issue of ₹6,00,000 debentures)		6,00,000	6,00,000
April 1	9% Debentures Suspense A/c Dr. To 9% Debentures A/c (Issue of debentures as collateral security)		6,00,000	6,00,000

**Extract of Balance Sheet
as at 31st March, 2012**

Particulars	Note No.	31-3-2012	31-3-2011
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
Reserves and Surplus	1	1,30,000	
Non-Current Liabilities :			
Long-term Borrowings	2	36,00,000	
Current Liabilities		70,000	
II. ASSETS :			
Non-Current Assets :			
Fixed Assets		10,00,000	

Notes to Accounts:

(1) Reserves and Surplus :		₹
Securities Premium Reserve		1,30,000
(2) Long term Borrowings :		
9% Debentures	36,00,000	
Less : Debentures Suspense Account	6,00,000	30,00,000
Bank Loan		6,00,000
(On Collateral security of 9% Debentures of ₹6,00,000)		
		36,00,000

SOLUTION: 23.
Books of B.G. Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013	Interest on Debentures A/c Dr.		12,000	
March	To Debentureholders' A/c			10,800
31	To Income tax Payable A/c			1,200
	(Half yearly interest due on debentures and tax deducted at source at 10%)			
March	Debentureholders' A/c Dr.		10,800	
31	To Bank A/c			10,800
	(Interest paid)			
March	Income Tax Payable A/c Dr.		1,200	
31	To Bank A/c			1,200
	(TDS deposited with Income Tax authorities)			
March	Statement of Profit and Loss Dr.		24,000	
31	To Interest on Debentures A/c			24,000
	(Interest for full year i.e. ₹12,000 + ₹12,000 transferred to Statement of Profit and Loss)			

SOLUTION: 24.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr.		40,000	
	To 12% Debenture Application & Allotment A/c			40,000
	(Application money received)			
	12% Debenture Application & Allotment A/c		40,000	
	To 12% Debentures A/c			40,000
	(Transfer of application money to Debentures Account, issued at par, redeemable at par)			

Company Accounts

 — Issue of Debentures

(ii)	Bank A/c To 12% Debenture Application & Allotment A/c (Application money received)	Dr.	36,000	36,000
	12% Debenture Application & Allotment A/c Discount on issue of Debentures A/c To 12% Debentures A/c (Transfer of application money to Debentures Account, issued at a discount of 10%, redeemable at par)	Dr. Dr.	36,000 4,000	40,000
(iii)	Bank A/c To 12% Debenture Application & Allotment A/c (Application money received)	Dr.	42,000	42,000
	12% Debenture Application & Allotment A/c To 12% Debentures A/c To Securities Premium Reserve A/c (Transfer of application money to Debentures Account, issued at a premium of 5%, redeemable at par)	Dr.	42,000	40,000 2,000
(iv)	Bank A/c To 12% Debenture Application & Allotment A/c (Application money received)	Dr.	40,000	40,000
	12% Debenture Application & Allotment A/c Loss on issue of debentures A/c To 12% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 10%)	Dr. Dr.	40,000 4,000	40,000 4,000
(v)	Bank A/c To 12% Debenture Application & Allotment A/c (Application money received)	Dr.	38,000	38,000
	12% Debenture Application & Allotment A/c Loss on issue of debentures A/c (1) To 12% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at a discount of 5% and redeemable at a premium of 5%)	Dr. Dr.	38,000 4,000	40,000 2,000

SOLUTION: 25.

(a) Journal of KTR Ltd.				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 March 4	Bank A/c To 9% Debenture Application & Allotment A/c (Application money received)	Dr.	3,65,000	3,65,000

Company Accounts — Issue of Debentures

March 4	9% Debenture Application & Allotment A/c	Dr.	3,65,000	
	Loss on issue of Debentures A/c	Dr.	36,500	
	To 9% Debentures A/c			3,65,000
	To Premium on Redemption of Debentures A/c			36,500
	(Transfer of application money to debentures account issued at par, but redeemable at a premium of 10%)			

(b) Journal of KTR Ltd.				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016				
March 4	Bank A/c (365 x ₹940)	Dr.	3,43,100	
	To 9% Debenture Application & Allotment A/c			3,43,100
	(Application money received on 365 debentures at a discount of 6%)			
March 4	9% Debenture Application & Allotment A/c	Dr.	3,43,100	
	Loss on Issue of Debentures A/c (1)	Dr.	40,150	
	To 9% Debentures A/c			3,65,000
	To Premium on Redemption of Debentures A/c			18,250
	(Transfer of application money to debentures account issued at 6% discount, but redeemable at a premium of 5%)			

Working Note: (1) Loss on Issue of Debentures ₹

6% Discount on Issue = $365 \times ₹60 = 21,900$

5% Premium on Redemption = $365 \times ₹50 = 18,250$

40,150

SOLUTION: 26.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Case (i)	Bank A/c Dr.		10,500	
	To Debenture Application and Allotment A/c			10,500
	(Application money received)			
	Debenture Application and Allotment A/c Dr.		10,500	
	To 7% Debentures A/c			10,000
	To Securities Premium Reserve A/c			500
	(Issue of 100, 7% debentures of ₹100 each at ₹105 each)			
Case (ii)	Bank A/c Dr.		10,000	
	To Debenture Application and Allotment A/c			10,000
	(Application money received)			

Company Accounts

 — Issue of Debentures

Case (iii)	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of 100, 7% Debentures of ₹100 each at par repayable at ₹105 each)	10,000 500	10,000 500
	Bank A/c Dr. To Debenture Application and Allotment A/c (Application money received)	10,500	10,500
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Issue of 100, 7% Debentures at ₹105 repayable at ₹108 each)	10,500 800	10,000 500 800

SOLUTION : 27.

Books of Luxury Cosmetics Ltd. JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c Dr. To 9% Debenture Application A/c (Application money received on 30,00,000 debentures @ ₹200 each)	Dr.	60,00,00,000	60,00,00,000
9% Debenture Application A/c Dr. To 9% Debentures A/c (Application money transferred to 9% Debentures A/c)	Dr.	60,00,00,000	60,00,00,000
9% Debenture Allotment A/c Dr.	Dr.	84,00,00,000	
Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption A/c (Allotment due @ ₹280 each on 30,00,000 debentures issued at 4% discount and redeemable at 5% premium)	Dr.	13,50,00,000	90,00,00,000 7,50,00,000
Bank A/c Dr. To 9% Debenture Allotment A/c (Allotment money received)	Dr.	84,00,00,000	84,00,00,000

SOLUTION: 28.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 8% Debenture Application A/c (Application money received on 5,000 Debentures @ ₹80 each)	Dr.	4,00,000	4,00,000

8% Debenture Application A/c	Dr.	4,00,000	
To 8% Debentures A/c			4,00,000
(Application money adjusted)			
8% Debenture Allotment A/c	Dr.	6,60,000	
Loss on Issue of Debentures A/c	Dr.	50,000	
To 8% Debentures A/c			6,00,000
To Securities Premium Reserve A/c			60,000
To Premium on Redemption of Debentures A/c			50,000
(Allotment money due on 5,000 Debentures ₹132 each including premium of ₹12 each and redeemable at 5% premium)			
Bank A/c	Dr.	6,60,000	
To 8% Debenture Allotment A/c			6,60,000
(Allotment money received)			

SOLUTION: 29.
JOURNAL ENTRIES FOR ISSUE OF DEBENTURES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013	Bank A/c	Dr.	13,30,000	
April 1	To Debentures Application & Allotment A/c (Receipt of application money on debentures)			13,30,000
April 1	Debentures Application & Allotment A/c	Dr.	13,30,000	
	Discount on Issue of Debentures A/c		70,000	
	To Debentures A/c	Dr.		14,00,000
	(Issue of Debentures at 5% discount and redeemable at par)			

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2013		₹	2014		₹
April 1	To Debentures A/c	70,000	March 31	By Statement of P & L (1/7 of ₹70,000)	10,000
			March 31	By Balance c/d	60,000
		70,000			70,000
2014			2015		
April 1	To Balance b/d	60,000	March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	50,000
		60,000			60,000
2015			2016		
April 1	To Balance b/d	50,000	March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	40,000
		50,000			50,000
2016			2017		

Company Accounts — Issue of Debentures

April 1	To Balance b/d	40,000	March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	30,000
		40,000			40,000

SOLUTION: 30.

Discount on the issue of debentures = $5,00,000 \times 6/100 = ₹30,000$.

Since debentures amounting to ₹1,00,000 are to be redeemed each year, the amount of discount on issue written off from Statement of P & L is determined as follows :

Year ending on	Debentures Outstanding ₹	Ratio*	Amount of Discount to be written off each year ₹
31.3.2015	5,00,000	5 or 5/15	$30,000 \times 5/15 = 10,000$
31.3.2016	4,00,000	4 or 4/15	$30,000 \times 4/15 = 8,000$
31.3.2017	3,00,000	3 or 3/15	$30,000 \times 3/15 = 6,000$
31.3.2018	2,00,000	2 or 2/15	$30,000 \times 2/15 = 4,000$
31.3.2019	1,00,000	1 or 1/15	$30,000 \times 1/15 = 2,000$
		15	30,000

*Ratio has been obtained by dividing Debentures Outstanding by 1,00,000.

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2014 April 1	To Debentures A/c	₹ 30,000	2015 March 31	By Statement of P & L	10,000
				By Balance c/d	20,000
		30,000			30,000
2015 April 1	To Balance b/d	20,000	2016 March 31	By Statement of P & L	8,000
				By Balance c/d	12,000
		20,000			20,000
2016 April 1	To Balance b/d	12,000	2017 March 31	By Statement of P & L	6,000
		<u>12,000</u>		By Balance c/d	<u>6,000</u>
		12,000			12,000
2017 April 1	To Balance b/d	6,000			

SOLUTION: 31.

Discount on Issue of Debentures = $1,20,000 \times 6/100 = ₹7,200$

	Amount Year Utilised ₹	Ratio	Amount of loss transferred to Statement of P & L	
1	1,20,000	3	$7,200 \times 3/12$	= 1,800
2	1,20,000	3	$7,200 \times 3/12$	= 1,800
3	1,20,000	3	$7,200 \times 3/12$	= 1,800
4	80,000	2	$7,200 \times 2/12$	= 1,200
5	40,000	1	$7,200 \times 1/12$	= 600
		12		7,200

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.					
Date	Particulars	Amount	Date	Particulars	Amount
		₹			₹
2012 April 1	To 10% Debentures A/c	7,200	2013 March 31	By Statement of P & L By Balance c/d	1,800 5,400
		7,200			7,200
2013 April 1	To Balance b/d	5,400	2014 March 31	By Statement of P & L By Balance c/d	1,800 3,600
		5,400			5,400
2014 April 1	To Balance b/d	3,600	2015 March 31	By Statement of P & L By Balance e/d	1,800 1,800
		3,600			3,600
2015 April 1	To Balance b/d	1,800	2016 March 31	By Statement of P & L By Balance c/d	1,200 600
		1,800			1,800
2016 April 1	To Balance b/d	600	2017 March 31	By Statement of P & L	600
		600			600

SOLUTION: 32.

Discount on the issue of Debentures = $10,00,000 \times 5/100 = ₹50,000$.

Discount of ₹50,000 will be written off from Statement of P & L in the following manner:

Year ending	Debentures Outstanding ₹	Ratio	Amount to be written off ₹
31.3.2013	10,00,000	10 or 10/40	$50,000 \times 10/40 = 12,500$
31.3.2014	10,00,000	10 or 10/40	$50,000 \times 10/40 = 12,500$
31.3.2015	10,00,000	10 or 10/40	$50,000 \times 10/40 = 12,500$
31.3.2016	7,00,000	7 or 7/40	$50,000 \times 7/40 = 8,750$
31.3.2017	3,00,000	3 or 3/40	$50,000 \times 3/40 = 3,750$
		40	50,000

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2012 April 1	To 8% Debentures A/c	50,000	2013 March 31	By Statement of P & L By Balance c/d	12,500
		50,000			37,500
2013 April 1	To Balance b/d	37,500	2014 March 31	By Statement of P & L By Balance c/d	12,500
		37,500			25,000
2014 April 1	To Balance b/d	25,000	2015 March 31	By Statement of P & L By Balance c/d	12,500
		25,000			12,500
2015 April 1	To Balance b/d	12,500	2016 March 31	By Statement of P & L By Balance c/d	8,750
		12,500			3,750
2016 April 1	To Balance b/d	3,750	2017 March 31	By Statement of P & L	3,750
		3,750			3,750

SOLUTION: 33.

Discount on Debentures = $6,000 \times 100 \times 6/100 = ₹36,000$.

Discount to be written off is determined as follows:

At the end of	Debentures Outstanding ₹	Ratio	Discount to be written off ₹
Ist Year	6,00,000	3	$36,000 \times 3/10 = 10,800$
IInd Year	6,00,000	3	$36,000 \times 3/10 = 10,800$
IIIrd Year	6,00,000	3	$36,000 \times 3/10 = 10,800$
IVth Year	2,00,000	1	$36,000 \times 1/10 = 3,600$
		10	36,000

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	Year		₹
I	To 12% Debentures A/c	36,000	I	By Statement of Profit & Loss	10,800
				By Balance c/d	25,200
		36,000			36,000
II	To Balance b/d	25,200	II	By Statement of Profit & Loss	10,800
				By Balance c/d	14,400
		25,200			25,200
III	To Balance b/d	14,400	III	By Statement of Profit & Loss	10,800
				By Balance c/d	3,600
		14,400			14,400
IV	To Balance b/d	3,600	IV	By Statement of Profit & Loss	3,600
		3,600			3,600

Company Accounts — Issue of Debentures

SOLUTION: 34.

Total Discount = $80,00,000 \times ₹100 \times 6/100 = 4.8 \text{ Crores}$

Less: Securities Premium = 1.6 Crores

Discount to be written off to Statement of P & L = 3.2 Crores

Year ending	Debentures Outstanding ₹ (in Crores)	Ratio*	Amount of Discount to be written off to Statement of P&L ₹(in Crores)
31st March 2008	80	5	$5/40 \times ₹3.2 = 0.4$
31st March 2009	80	5	$5/40 \times ₹3.2 = 0.4$
31st March 2010	80	5	$5/40 \times ₹3.2 = 0.4$
31st March 2011	80	5	$5/40 \times ₹3.2 = 0.4$
31st March 2012	80	5	$5/40 \times ₹3.2 = 0.4$
31st March 2013	80	5	$5/40 \times ₹3.2 = 0.4$
31st March 2014	64	4	$4/40 \times ₹3.2 = 0.32$
31st March 2015	48	3	$3/40 \times ₹3.2 = 0.24$
31st March 2016	32	2	$2/40 \times ₹3.2 = 0.16$
31st March 2017	16	1	$1/40 \times ₹3.2 = 0.08$
		40	3.2

* Ratio has been obtained by dividing Debentures Outstanding by 16.

Books of Supriya Ltd.

JOURNAL

(in Crores)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2007				
April 1	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Application money received)		75.2	75.2
April 1	9% Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c To 9% Debentures A/c (Transfer of application money to debentures account, issued at a discount of 6%)		75.2 4.8	80.0
2008				
March 31	Securities Premium A/c Dr. To Discount on Issue of Debentures A/c (Utilisation of securities premium for writing discount)		1.6	1.6
March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A c (Discount on issue of debentures written off)		0.4	0.4
2009				
March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)		0.4	0.4

Company Accounts — Issue of Debentures

2010 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)	Dr.	0.4	0.4
2011 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written oil)	Dr.	0.4	0.4
2012 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)	Dr.	0.4	0.4
2013 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)	Dr.	0.4	0.4
2014 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)	Dr.	0.32	0.32
2015 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)	Dr.	0.24	0.24
2016 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written oil)	Dr.	0.16	0.16
2017 March 31	Statement of Profit and Loss To Discount on Issue of Debentures A/c (Discount on issue of debentures written oil)	Dr.	0.08	0.08

SOLUTION: 35.

Discount on Issue = ₹60 Crores x 6/200 = ₹ 1.8 Crores

Premium on Redemption = ₹60 Crores x 5/100 = ₹ 3 Crores

Total Loss on Issue of Debentures = ₹ 4,8 Crores

The loss on issue of debentures will be written off from Statement of P & L in the following manner:

Year ending	Debentures Outstanding ₹	Ratio *	Amount of Loss on Issue to be written off to Statement of P&L (₹ in Crores)
March 31, 2011	60	5	5/30 x ₹4.8 = 0.8
March 31, 012	60	5	5/30 x ₹4.8 = 0.8
March 31, 2013	60	5	5/30 x ₹4.8 = 0.8
March 31, 2014	60	5	5/30 x ₹4.8 = 0.8
March 31, 2015	60	5	5/30 x ₹4.8 = 0.8
March 31, 2016	36	3	5/30 x ₹4.8 = 0.48
March 31, 2017	24	2	5/30 x ₹4.8 = 0.32
		30	= 3

* Ratio has been obtained by dividing debentures outstanding by 12.

Dr.			LOSS ON ISSUE OF DEBENTURES A/C		Cr.
Date	Particulars	Amount (₹ in Crores)	Date	Particulars	Amount (₹ in Crores)
2010 April 1	To 9% Debentures A/c (3% Discount on 60 Crores)	1.8	2011 March 31	By Statement of Profit & Loss	0.8
April 1	To Premium on Redemption of Debentures A/c (5% on 60 Crores)	3	March 31	By Balance c/d	4.0
		4.8			4.8
2011 April 1	To Balance b/d	4.0	2012 March 31	By Statement of Profit & Loss	0.8
		4.0	March 31	By Balance c/d	3.2
2012 April 1	To Balance b/d	3.2			4.0
		3.2	2013 March 31	By Statement of Profit & Loss	0.8
2013 April 1	To Balance b/d	2.4	March 31	By Balance c/d	2.4
		2.4			3.2
2014 April 1	To Balance b/d	1.6	2014 March 31	By Statement of Profit & Loss	0.8
		1.6	March 31	By Balance c/d	0.8
2015 April 1	To Balance b/d	0.8			1.6
		0.8	2015 March 31	By Statement of Profit & Loss	0.8
2016 April 1	To Balance b/d	0.32	March 31	By Balance c/d	0.32
		0.32			0.8
			2016 March 31	By Statement of Profit & Loss	0.32
					0.32

Additional Questions (For Practice)
SOLUTION: 36.
JOURNAL OF RAJ LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c Dr. To Vendor's A/c (Furniture purchased)		2,20,000	2,20,000
(i)	When Debentures are issued at par : Vendors' A/c Dr. To 15% Debentures A/c (Issue of 2,200 debentures of ₹100 each)		2,20,000	2,20,000
(ii)	When Debentures are issued at premium : Vendor's A/c Dr. To 15% Debentures A/c To Securities Premium Reserve A/c (Issue of 2,000 debentures of ₹100 each at 10% premium, calculated as follows : $2,20,000/110 = 2,000$ debentures)		2,20,000	2,00,000 20,000

SOLUTION: 37.
JOURNAL OF ASHOKA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. To Vendor's A/c (Machinery purchased from Vendor for ₹ 1,35,000)		1,35,000	1,35,000
(i)	When Debentures are issued at par : Vendor's A/c Dr. To 12% Debentures A/c (Issue of 1,350 debentures of ₹100 each at par)		1,35,000	1,35,000
(ii)	When Debentures are issued at discount : Vendor's A/c Dr. Discount on issue of Debenture A/c Dr. To 12% Debentures A/c (Issue of 1,500 Debentures of ₹100 each at 10% discount calculated as $1,35,000/90 = 1,500$ Debentures.)		1,35,000 15,000	1,50,000

SOLUTION: 38.
JOURNAL OF SUVIDHA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. To Supplier's Ltd. (Machinery purchased)		1,98,000	1,98,000
(i)	When Debentures are issued at par : Supplier's Ltd. Dr. To 12% Debentures A/c		1,98,000	198,000

Company Accounts — Issue of Debentures

(Issue of 1,980 debentures of ₹100 each at par)				
(ii) When Debentures are issued at Discount:				
Supplier's Ltd. A/c	Dr.	1,98,000		
Discount on Debenture A/c	Dr.	22,000		
To 12% Debentures A/c				2,20,000
(Issue of 2,200 debentures of ₹100 each at 10% discount calculated as follows : $1,98,000/90 = 2,200$ debentures)				
(iii) When debentures are issued at premium :				
Supplier's Ltd.	Dr.	1,98,000		
To 12% Debentures A/c				1,80,000
To Securities Premium Reserve A/c				18,000
(Issue of 1,800 debentures of ₹100 each at 10% premium, calculated as follows : $1,98,000/110 = 1,800$ debentures)				

SOLUTION: 39.

JOURNAL OF ROMI LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Assets A/c Dr.		20,00,000	
	To Creditors			2,00,000
	To Kapil Enterprises			18,00,000
	(Purchase of assets and creditors from Kapil Enterprises)			
	Kapil Enterprises Dr.		18,00,000	
	Discount on Debentures A/c Dr.		2,00,000	
	To 8% Debentures A/c			20,00,000
	(Issue of 20,000 Debentures of ₹ 100 each at a discount of 10%)			

Note:

No. of Debentures issued = Purchase Consideration/ Issue Price = ₹18,00,000/90 = 20,000

SOLUTION: 40.

JOURNAL OF DEEPAK LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c Dr.		2,20,000	2,20,000
	To M/s Furniture Mart			
	(Furniture purchased)			
	M/s Furniture Mart Dr.		1,10,000	1,10,000
	To Bills Payable A/c			
	(Half the payment made by accepting bill of exchange)			
	M/s Furniture Mart Dr.		1,10,000	1,00,000
	To 9% Debentures A/c			10,000
	To Securities Premium Reserve A/c			
	(Issue of debentures of the face value of ₹1,00,000 at 10% premium)			

Company Accounts — Issue of Debentures

premium, calculated as follows : $1,10,000 \times 100/110 =$ ₹1,00,000)			
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SOLUTION: 41.

BOOKS OF X LTD. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c Dr.		8,00,000	
	Land and Building A/c Dr.		72,00,000	
	To Y Ltd. (Purchase of assets of Y Ltd.)			80,00,000
	Y Ltd. Dr.		20,00,000	
	To Bank A/c (Part payment made through Bank)			20,00,000
	Y Ltd. Dr.		60,00,000	
	To 6% Debentures A/c			50,00,000
	To Securities Premium Reserve A/c			10,00,000
	(Issue of 50,000 Debentures of ₹100 each at 20% premium calculated as $60,00,000/120 = 50,000$)			

SOLUTION: 42.

JOURNAL OF TUSHAR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016	Sundry Assets A/c Dr.		14,40,000	
April	To Sundry Liabilities A/c			2,55,000
1	To Chander Ltd. (Purchase of assets and liabilities of Chander Ltd.)			11,85,000
April	Chander Ltd. Dr.		2,40,000	
1	To Bank A/c (Part payment made in cash)			2,40,000
April	Case (i)			
1	Chander Ltd. Dr.		9,45,000	
	To 11 % Debentures A/c			9,00,000
	To Securities Premium Reserve A/c			45,000
	(Balance of ₹9,45,000 settled by the issue of ₹9,00,000 debentures)			
April	Case (ii)			
1	Chander Ltd. Dr.		9,45,000	
	Discount on Debenture A/c Dr.		1,05,000	
	To 12% Debentures A/c			10,50,000
	(Balance of ₹9,45,000 settled by the issue of ₹10,50,000 debentures)			

SOLUTION: 43.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		6,00,000	
	Goodwill A/c Dr.		30,000	
	To Sundry Liabilities A/c			1,50,000
	To Golden Ltd.			4,80,000
	(Purchase of assets and liabilities of the vendor company)			
	Golden Ltd. Dr.		4,80,000	
	To Debentures A/c			4,36,300
	To Securities Premium Reserve A/c			43,630
	To Bank A/c			70
	(Issue of 4,363 debentures of ₹100 each at 10% premium and the balance paid in cash)			

SOLUTION: 44.
JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		5,00,000	
	To Sundry Liabilities A/c			1,00,000
	To Capital Reserve A/c			20,000
	To Vendor Co.			3,80,000
	(Purchase of assets and liabilities of the vendor company)			
	Vendor Co. Dr.		3,80,000	
	Discount on Debentures A/c Dr.		42,220	
	To Debentures A/c			4,22,200
	To Bank A/c			20
	(Issue of 4,222 debentures of ₹100 each at 10% discount and the balance paid in cash)			

Working Note: Number of Debentures to be issued = $3,80,000/90 = 4,222.22$ or 4,222

SOLUTION: 45.
Books of Oberoi Ltd.

CASH BOOK					
Dr.			Cr.		
Particulars	L.F.	₹	Particulars	L.F.	₹
To 12% Debenture Application A/c		5,60,000	By Balance c/d		15,64,000
To 12% Debenture Allotment A/c		3,68,000			
To 12% Debenture First & Final Call A/c		6,36,000			
		15,64,000			15,64,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Vikram Ltd. (Purchase of Assets of Vikram Ltd.)		6,30,000	6,30,000
	Vikram Ltd. Dr. To 12% Debentures A/c To Securities Premium Reserve A/c (Issue of 6,000 Debentures of ₹100 each at 5% premium, calculated as 6,30,000/105 = 6,000)		6,30,000	6,00,000 30,000
	Bank A/c Dr. To 12% Debenture Application A/c (Application money received for 16,000 debentures @ ₹35 each)		5,60,000	5,60,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c (Application money transferred)		5,60,000	5,60,000
	12% Debenture Allotment A/c Dr. Discount on Debentures A/c Dr. To 12% Debentures A/c (Allotment due)		3,68,000 32,000	4,00,000
	Bank A/c Dr. To 12% Debenture Allotment A/c (Amount received on allotment)		3,68,000	3,68,000
	12% Debenture First & Final Call A/c Dr. To 12% Debentures A/c (First & Final Call due on 16,000 debentures @ ₹40 each)		6,40,000	6,40,000
	Bank A/c Dr. To 12% Debenture First & Final Call A/c (Amount received on First & Final Call on 15,900 debentures)		6,36,000	6,36,000

SOLUTION: 46.

Following entries may be passed for issue of debentures:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Bank A/c Dr. To Bank Loan A/c (Loan taken from the Bank)		5,00,000	5,00,000
2.	Debentures Suspense A/c Dr. To 10% Debentures A/c (Issue of ₹8,00,000 debentures as collateral security to secure a loan of ₹5,00,000 from the Bank)		8,00,000	8,00,000

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :	1	5,00,000	
Long-term Borrowings			
II. ASSETS:	2	5,00,000	
Current Assets :			
Cash and Cash Equivalents			

Notes to Accounts:

(1) Long term Borrowings :	8,00,000	₹
10% Debentures		
Less: Debentures Suspense A/c	8,00,000	—
Bank Loan		
(On Collateral Security of Debentures of ₹8,00,000)		5,00,000
(2) Cash and Cash Equivalents :		
Cash at Bank		5,00,000

SOLUTION: 47.
JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		10,00,000	
	To Bank Loan A/c			10,00,000
	(Loan taken, secured by the issue of ₹10,00,000 Debentures)			
	Debentures Suspense A/c Dr.		10,00,000	
	To 12% Debentures A/c			10,00,000
	(Issue of Debentures as collateral security)			
	Bank A/c Dr.		6,00,000	
	To 12% Debenture Application A/c			6,00,000
	(Application money received for 20,000 debentures @ ₹30 each)			

Company Accounts — Issue of Debentures

12% Debenture Application A/c	Dr.	6,00,000	
To 12% Debentures A/c			4,50,000
To 12% Debenture Allotment A/c			30,000
To Bank A/c			1,20,000
(Application money transferred)			
12% Debenture Allotment A/c	Dr.	2,70,000	
Discount on Debentures A/c	Dr.	30,000	
To 12% Debentures A/c			3,00,000
(Allotment due)			
Bank A/c	Dr.	2,40,000	
To 12% Debenture Allotment A/c			2,40,000
(Amount received on allotment)			
12% Debenture First Call A/c	Dr.	3,00,000	
To 12% Debentures A/c			3,00,000
(First Call due)			
Bank A/c	Dr.	3,00,000	
To 12% Debenture First Call A/c			3,00,000
(Amount received on First Call)			
12% Debenture Second & Final Call A/c	Dr.	4,50,000	
To 12% Debentures A/c			4,50,000
(Second & Final Call due)			
Bank A/c	Dr.	4,50,000	
To 12% Debenture Second & Final Call A/c			4,50,000
(Second & Final Call money received)			

BALANCE SHEET OF X LTD.

As at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	25,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	2	30,000	
Current Assets :			
Cash and Cash Equivalents	3	24,70,000	
		25,00,000	

Notes to Accounts:

(1) Long term Borrowings :		
25,000, 12% Debentures of ₹100 each	25,00,000	
Less : Debentures Suspense A/c	10,00,000	15,00,000
Bank Loan		10,00,000
(On collateral security of 10,000, 12% Debentures of ₹100 each)		
(2) Unamortized Expenses :		25,00,000
Discount on Debentures		30,000
(3) Cash and Cash Equivalents :		
Cash at Bank		24,70,000

SOLUTION: 48.
Case (1)
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		20,00,000	
	To 12% Debenture Application & Allotment A/c (Application money received)			20,00,000
	12% Debenture Application & Allotment A/c Dr.		20,00,000	
	To 12% Debentures A/c (Transfer of application money to Debentures Account, issued at par and redeemable at par)			20,00,000

BALANCE SHEET as at			
Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :	1	₹	₹
Non-Current Liabilities :			
Long-term Borrowings		20,00,000	
II. ASSETS :			
Current Assets :	2		
Cash and Cash Equivalents		20,00,000	

Notes to Accounts :

(1) Long term Borrowings :	₹
20,000, 12% Debentures of ₹100 each	20,00,000
(2) Cash and Cash Equivalents :	
Cash at Bank	20,00,000

Case (2)
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received)		18,00,000	18,00,000
	12% Debenture Application & Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 12% Debentures A/c (Transfer of application money to Debentures Account, issued at a discount of 10% and redeemable at par)		18,00,000 2,00,000	20,00,000

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	20,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	2	2,00,000	
Current Assets :			
Cash and Cash Equivalents	3	18,00,000	
		20,00,000	

Notes to Accounts :
(1) Long term Borrowings :

20,000, 12% Debentures of ₹100 each

20,00,000

(2) Unamortized Expenses :

Discount on Debentures

2,00,000

(3) Cash and Cash Equivalents :

Cash at Bank

18,00,000

Case (3)
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received)		22,00,000	22,00,000
	12% Debenture Application & Allotment A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c (Transfer of application money to Debentures Account, issued at a premium of 10% and redeemable at par)		22,00,000	20,00,000 2,00,000

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
Reserves and Surplus Non-Current Liabilities	1	2,00,000	
Long-term Borrowings	2	20,00,000	
II. ASSETS :		22,00,000	
Current Assets :			
Cash and Cash Equivalents	3	22,00,000	

Notes to Accounts:

(1) Reserve and Surplus :	₹
Securities Premium Reserve	2,00,000
(2) Long term Borrowings :	
20,000, 12% Debentures of ₹100 each	20,00,000
(3) Cash and Cash Equivalents :	
Cash at Bank	22,00,000

Case (a)
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		20,00,000	
	To 12% Debenture Application & Allotment A/c (Application money received)			20,00,000
	12% Debenture Application & Allotment A/c Dr.		20,00,000	
	Loss on issue of debentures A/c Dr.		1,00,000	
	To 12% Debentures A/c			20,00,000
	To Premium on Redemption A/c			1,00,000
	(Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)			

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	20,00,000	
Other Long term Liabilities	2	1,00,000	
		21,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	3	1,00,000	
Current Assets :	4	20,00,000	
Cash and Cash Equivalents			

Company Accounts — Issue of Debentures

		21,00,000	
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Notes to Accounts :

(1) Long term Borrowings : 20,000, 12% Debentures of ₹100 each	₹ 20,00,000
(2) Other Long term Liabilities : Premium on Redemption	1,00,000
(3) Unamortized Expenses : Loss on Issue of Debentures	1,00,000
(4) Cash and Cash Equivalents : Cash at Bank	20,00,000

Case (b) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		18,00,000	
	To 12% Debenture Application & Allotment A/c (Application money received)			18,00,000
	12% Debenture Application & Allotment A/c Dr.		18,00,000	
	Loss on issue of debentures A/c Dr.		3,00,000(1)	
	To 12% Debentures A/c			20,00,000
	To Premium on Redemption A/c			1,00,000
	(Transfer of application money to Debentures Account, issued at a discount of 10% and redeemable at a premium of 5%)			

Note (1): Loss on issue A/c has been debited by ₹3,00,000 by grouping together the discount on issue ₹2,00,000 and Premium on Redemption ₹1,00,000.

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	20,00,000	
Other Long term Liabilities	2	1,00,000	
		21,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	3	3,00,000	
Current Assets :			

Company Accounts

 — Issue of Debentures

Cash and Cash Equivalents	4	18,00,000	
		21,00,000	

Notes to Accounts:

	₹
(1) Long term Borrowings : 20,000, 12% Debentures of ₹100 each	20,00,000
(2) Other Long term Liabilities : Premium on Redemption	1,00,000
(3) Unamortized Expenses : Loss on Issue of Debentures	3,00,000
(4) Cash and Cash Equivalents : Cash at Bank	18,00,000

SOLUTION: 49.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture Application money received)		4,32,000	4,32,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Issue of ₹4,00,000 9% Debentures of ₹100 each at a premium of 8% and redeemable at a premium of 10%)		4,32,000 40,000	4,00,000 32,000 40,000
(ii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture Application money received)		6,00,000	6,00,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of ₹6,00,000 9% Debentures of ₹100 each, repayable at a premium of 10%)		6,00,000 60,000	6,00,000 60,000
(iii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture Application money received)		10,50,000	10,50,000
	Debenture Application and Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Issue of ₹10,00,000, 9% Debentures of ₹100 each at a premium of 5%, redeemable at par)		10,50,000	10,00,000 50,000

SOLUTION: 50.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on 400 debentures @ ₹960 each)		3,84,000	3,84,000
	Debenture Application & Allotment A/c Dr. Discount on Debenture A/c Dr. To Debentures A/c (Transfer of application money to Debentures Account, issued at a Discount of 4% and repayable at par)		3,84,000 16,000	4,00,000
(ii)	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on 400 debentures @ ₹1,040 each)		4,16,000	4,16,000
	Debenture Application & Allotment A/c Dr. To Debentures A/c To Securities Premium Reserve A/c (Transfer of application money to Debentures Account, issued at a premium of 4% and repayable at par)		4,16,000	4,00,000 16,000
(iii)	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on 400 debentures @ ₹ 1,000 each)		4,00,000	4,00,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debenture A/c Dr. To Debentures A/c To Premium on Redemption of Debenture A/c (Transfer of application money to Debentures Account, issued at par, repayable at a premium of 6%)		4,00,000 24,000	4,00,000 24,000
(iv)	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on 400 debentures @ ₹960 each)		3,84,000	3,84,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To Debentures A/c To Premium on Redemption of Debenture A/c (Transfer of application money to Debentures Account, issued at a discount of 4% and repayable at a premium of 6%)		3,84,000 40,000	4,00,000 24,000

SOLUTION: 51.
I. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received)		5,00,000	5,00,000
	12% Debenture Application & Allotment A/c Dr. To 12% Debentures A/c (Transfer of application money to Debentures Account, issued at par, redeemable at par)		5,00,000	5,00,000

II. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 11% Debenture Application & Allotment A/c (Application money received)		7,52,000	7,52,000
	11% Debenture Application & Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 11% Debentures A/c (Transfer of application money to Debentures Account, issued at a discount of 6%, redeemable at par)		7,52,000 48,000	8,00,000

III. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 14% Debenture Application & Allotment A/c (Application money received)		10,50,000	10,50,000
	14% Debenture Application & Allotment A/c Dr. To 14% Debentures A/c To Securities Premium Reserve A/c (Transfer of application money to Debentures Account, issue at a premium of 5%, redeemable at par)		10,50,000	10,00,000 50,000

IV. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received)		20,00,000	20,00,000
	12% Debenture Application & Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)		20,00,000 1,00,000	20,00,000 1,00,000

V. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 13% Debenture Application & Allotment A/c (Application money received)		11,52,000	11,52,000
	13% Debentures Application & Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 13% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at a discount of 4% and redeemable at a premium of 6%)		11,52,000 1,20,000(1)	12,00,000 72,000

Note 1: Loss on issue A/c has been debited by ₹1,20,000 by grouping together the discount on issue ₹48,000 and premium on redemption ₹72,000.

SOLUTION: 52.
JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received)		1,90,000	1,90,000
	12% Debentures Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 12% Debenture A/c (Transfer of application money to Debentures Account, issued at 5% discount, repayable at par)		1,90,000 10,000	2,00,000

JOURNAL OF Y LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(b)	Bank A/c Dr. To 11% Debenture Application & Allotment A/c (Application money received)		4,75,000	4,75,000
	11% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 11% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at 5% discount and redeemable at 7% premium)		4,75,000 60,000	5,00,000 35,000

SOLUTION: 53.
JOURNAL ENTR1LS

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 14% Debenture Application & Allotment A/c (Application money received on 600 debentures @ ₹96 each)		57,600	57,600
	14% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 14% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at 4% discount and redeemable at 10% premium)		57,600 8,400	60,000 6,000

SOLUTION: 54.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received on 10,000 debentures @ ₹100 each)		10,00,000	10,00,000
	12% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)		10,00,000 50,000	10,00,000 50,000
(b)	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received on 10,000 debentures ₹95 each)		9,50,000	9,50,000
	12% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption A/c (Application money transferred to Debentures Account, issued at 5% discount, redeemable at 5% premium)		9,50,000 1,00,000	10,00,000 50,000
(c)	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received on 5,000 debentures @ ₹110 each)		5,50,000	5,50,000
	12% Debenture Application & Allotment A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c (Transfer of application money to Debentures Account, issued at a premium of 5%)		5,50,000	5,00,000 50,000

(d)	Machinery A/c Dr.	95,000	
	To Vendor's A/c		95,000
	(Machinery purchased)		
(d)	Vendor's A/c Dr.	95,000	
	Discount on Issue of Debentures A/c Dr.	5,000	
	To 14% Debentures A/c		1,00,000
	(Vendor's Account settled by the issue of 1,000 Debentures of ₹100 each)		
(e)	Bank A/c Dr.	25,000	
	To Bank Loan A/c		25,000
	(Loan taken, secured by the issue of ₹30,000 debentures)		
(e)	Debentures Suspense A/c Dr.	30,000	
	To 13% Debentures A/c		30,000
	(Issue of debentures as collateral security)		

SOLUTION: 55.
(i) JOURNAL OF A LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		4,60,000	
	To 13% Debenture Application & Allotment A/c			4,60,000
	(Application money received)			
	13% Debenture Application & Allotment A/c Dr.		4,60,000	
	Discount on issue of Debentures A/c Dr.		40,000	
	To 13% Debentures A/c			5,00,000
	(Transfer of application money to Debentures Account, issued at a discount of 8%, redeemable at par)			

BALANCE SHEET OF A LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	5,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	2	40,000	
Current Assets :			
Cash and Cash Equivalents	3	4,60,000	
		5,00,000	

Notes to Accounts :

	₹
(1) Long term Borrowings :	
13% Debentures	5,00,000
(2) Unamortized Expenses :	
Discount on Issue of Debentures	40,000
(3) Cash and Cash Equivalents :	
Cash at Bank	4,60,000

(ii) JOURNAL OF B LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		5,64,000	
	To 12% Debenture Application & Allotment A/c (Application money received)			5,64,000
	12% Debenture Application & Allotment A/c Dr.		5,64,000	
	Loss on Issue of Debentures A/c Dr.		78,000	
	To 12% Debentures A/c			6,00,000
	To Premium on Redemption A/c			42,000
	(Transfer of application money to Debentures Account, issued at a discount of 6%, redeemable at a premium of 7%)			

BALANCE SHEET OF B LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	6,00,000	
Other Long term Liabilities	2	42,000	
		6,42,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	3	78,000	
Current Assets :			
Cash and Cash Equivalents	4	5,64,000	
		6,42,000	

Notes to Accounts:

	₹
(1) Long term Borrowings :	
12% Debentures	6,00,000
(2) Other Long term Liabilities :	
Premium on Redemption	42,000
(3) Unamortized Expenses :	
Loss on Issue of Debentures	78,000
(4) Cash and Cash Equivalents :	
Cash at Bank	5,64,000

(iii) JOURNAL OF C LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c Dr. To Vendor's A/c (Purchase of plant and machinery)		8,00,000	8,00,000
	Vendor's A/c Dr. To Bank A/c (Part payment made in cash)		2,30,000	2,30,000
	Vendor's A/c Dr. Discount on Debentures A/c Dr. To 10% Debentures A/c (Issue of 6,000 debentures of ₹100 each at 5% discount calculated as 5,70,000/95 = 6,000 debentures)		5,70,000 30,000	6,00,000

BALANCE SHEET OF C LTD.

as at

Particulars	Note No.	Current Year	Previous Year
1. EQUITY AND LIABILITIES :	1	₹	₹
Non-Current Liabilities			
Long-term Borrowings		6,00,000	
II. ASSETS :			
Non-Current Assets			
Fixed Assets	2	8,00,000	
Other Current/Non-Current Assets :			
Unamortized Expenses	3	30,000	

Company Accounts — Issue of Debentures

Notes to Accounts :	
(1) Long term Borrowings : 6,000, 10% Debentures of ₹ 100 each	₹ 6,00,000
(2) Fixed Assets : Plant & Machinery	8,00,000
(3) Unamortized Expenses : Discount on Issue of Debentures	30,000

(iv) JOURNAL OF D LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Bank Loan A/c (Loan taken from the Bank and ₹50,000 debentures deposited as collateral security)		45,000	45,000
	Debentures Suspense A/c Dr. To 11 % Debentures A/c (Issue of debentures as collateral security)		50,000	50,000

BALANCE SHEET OF D LTD. as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	45,000	

Notes to Accounts:

(1) Long term Borrowings :	₹
11 % Debentures	50,000
Less : Debentures Suspense A/c	50,000
Bank Loan	
(On collateral security of 11% Debentures of ₹50,000)	45,000

JOURNAL OF E LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Fixed Assets A/c Dr. To Vendor's A/c (Capital expenditure made for purchase of assets)		2,00,000	2,00,000

Company Accounts — Issue of Debentures

Vendor's A/c	Dr.	2,00,000	
Discount on Issue of Debentures A/c	Dr.	20,000	2,20,000
To Debentures A/c			
(Debentures issued to vendors at discount)			

BALANCE SHEET OF E LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	2,20,000	
II. ASSETS :			
Non-Current Assets			
Fixed Assets	2	2,00,000	
Other Current/Non-Current Assets :			
Unamortized Expenses	3	20,000	
		2,20,000	

Notes to Accounts :

(1) Long term Borrowings :

Debentures 2,20,000

(2) Unamortized Expenses :

Discount on Issue of Debentures 20,000

SOLUTION: 56.

Books of Z Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016	Bank A/c Dr.		2,50,00,000	
April 1	To 8% Debenture Application A/c (Receipt of application money on 5,00,000 debentures @ ₹50 each)			2,50,00,000
April 1	8% Debenture Application A/c Dr. To 8% Debentures A/c (Application money transferred to debenture account)		2,50,00,000	2,50,00,000
April 1	8% Debenture Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption A/c (Amount due @ ₹44 each on 5,00,000 debentures issued at 6% discount and redeemable at 10% premium)		2,20,00,000 80,00,000	2,50,00,000 50,00,000

Company Accounts — Issue of Debentures

April 1	Bank A/c To 8% Debenture Allotment A/c (Allotment money received)	Dr.	2,20,00,000	2,20,00,000
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SOLUTION: 57.

Discount allowed on issue of Debentures = $10,000 \times 100 \times 6/100 = ₹60,000$.

It will be written off from Statement of P & L in the following manner:

At the end of	Debentures Outstanding	Ratio	Discount to be written Off ₹
1st Year	10,00,000	2	$60,000 \times 2/6 = 20,000$
2nd Year	10,00,000	2	$60,000 \times 2/6 = 20,000$
3rd Year	5,00,000	1	$60,000 \times 1/6 = 10,000$
4th Year	5,00,000	1	$60,000 \times 1/6 = 10,000$
		6	60,000

Books of Maneesh Ltd.

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	Year		₹
I	To 12% Debentures A/c	60,000	I	By Statement of Profit & Loss	20,000
				By Balance c/d	40,000
		60,000			60,000
II	To Balance b/d	40,000	II	By Statement of Profit & Loss	20,000
				By Balance c/d	20,000
		40,000			40,000
III	To Balance b/d	20,000	III	By Statement of Profit & Loss	10,000
				By Balance c/d	10,000
		20,000			20,000
IV	To Balance b/d	10,000	IV	By Statement of Profit & Loss	10,000
		10,000			10,000

SOLUTION: 58.

Total Discount : $17,60,000 \times 3/100 = ₹52,800$

This discount of ₹52,800 will be written off from Statement of P & L in the following manner:

Year ending	Debentures Outstanding	Ratio*	Amount of Discount to be written off each year ₹
31st March 2012	17,60,000	4	$52,800 \times 4/22 = 9,600$
31st March 2013	17,60,000	4	$52,800 \times 4/22 = 9,600$
31st March 2014	17,60,000	4	$52,800 \times 4/22 = 9,600$
31st March 2015	17,60,000	4	$52,800 \times 4/22 = 9,600$
31st March 2016	13,20,000	3	$52,800 \times 3/22 = 7,200$
31st March 2017	8,80,000	2	$52,800 \times 2/22 = 4,800$
31st March 2018	4,40,000	1	$52,800 \times 1/22 = 2,400$
		22	52,800

* Ratio has been obtained by dividing Debentures Outstanding by 4,40,000.

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.					
Date	Particulars	Amount	Date	Particulars	Amount
2011		₹	2012		₹
April 1	To 12% Debentures A/c	52,800	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	43,200
		52,800			52,800
2012			2013		
April 1	To Balance b/d	43,200	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	33,600
		43,200			43,200
2013			2014		
April 1	To Balance b/d	33,600	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	24,000
		33,600			33,600
2014			2015		
April 1	To Balance b/d	24,000	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	14,400
		24,000			24,000
2015			2016		
April 1	To Balance b/d	14,400	Mar. 31	By Statement of P & L	7,200
			Mar. 31	By Balance c/d	7,200
		14,400			14,400
2016			2017		
April 1	To Balance b/d	7,200	Mar. 31	By Statement of P & L	4,800
			Mar. 31	By Balance c/d	2,400

Company Accounts — Issue of Debentures

		7,200			7,200
2017			2018		
April 1	To Balance b/d	2,400	Mar. 31	By Statement of P & L	2,400
		2,400			2,400

SOLUTION: 59.

Total Discount = ₹20,00,000 x 6/100 = ₹1,20,000.

Year end	Debentures Outstanding	Ratio*	Amount to be written off ₹
1	20,00,000	10	1,20,000 x 10/ 48= 25,000
2	20,00,000	10	1,20,000 x 10/48 = 25,000
3	20,00,000	10	1,20,000 x 10/48 = 25,000
4	12,00,000	6	1,20,000 x 6/48 = 15,000
5	12,00,000	6	1,20,000 x 6/48 = 15,000
6	6,00,000	3	1,20,000 x 3/48 = 7,500
7	6,00,000	3	1,20,000 x 3/48 = 7,500
		48	1,20,000

*Ratio has been obtained by dividing Debentures Outstanding by 2,00,000

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		18,80,000	
	To 13% Debenture Application & Allotment A/c (Receipt of application money on debentures)			18,80,000
	13% Debenture Application & Allotment A/c Dr.		18,80,000	
	Discount on Issue of Debentures A/c Dr.		1,20,000	
	To 13% Debentures A/c (Transfer of application money to Debentures Account on the issue of debentures at a discount of 6%)			20,00,000

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	Year		₹
I	To 13% Debentures A/c	1,20,000	I	By Statement of P & L	25,000
				By Balance c/d	95,000
		1,20,000			1,20,000
II	To Balance b/d	95,000	II	By Statement of P & L	25,000
				By Balance c/d	70,000
		95,000			95,000
III	To Balance b/d	70,000	III	By Statement of P & L	25,000
				By Balance c/d	45,000
		70,000			70,000
IV	To Balance b/d	45,000	IV	By Statement of P & L	15,000

Company Accounts — Issue of Debentures

				By Balance c/d	30,000
		45,000			45,000
V	To Balance b/d	30,000	V	By Statement of P & L	15,000
		30,000		By Balance c/d	15,000
VI	To Balance b/d	15,000	VI	By Statement of P & L	7,500
		15,000		By Balance c/d	7,500
VII	To Balance b/d	7,500	VII	By Statement of P & L	7,500
		7,500			7,500

SOLUTION: 60.

Total Discount = ₹6,00,000 x 5/100 = ₹30,000

Year end	Debentures Outstanding	Ratio	Amount of Discount to be written off to Statement of P&L ₹
1	6,00,000	3	30,000 x 3/30 = 3,000
2	6,00,000	3	30,000 x 3/30 = 3,000
3	6,00,000	3	30,000 x 3/30 = 3,000
4	6,00,000	3	30,000 x 3/30 = 3,000
5	6,00,000	3	30,000 x 3/30 = 3,000
6	4,00,000	2	30,000 x 2/30 = 2,000
7	4,00,000	2	30,000 x 2/30 = 2,000
8	4,00,000	2	30,000 x 2/30 = 2,000
9	4,00,000	2	30,000 x 2/30 = 2,000
10	4,00,000	2	30,000 x 2/30 = 2,000
11	2,00,000	1	30,000 x 1/30 = 1,000
12	2,00,000	1	30,000 x 1/30 = 1,000
13	2,00,000	1	30,000 x 1/30 = 1,000
14	2,00,000	1	30,000 x 1/30 = 1,000
15	2,00,000	1	30,000 x 1/30 = 1,000
		30	

SOLUTION: 61.

Total Discount = $36,000 \times 50 \times 4/100 = ₹72,000$

Year end	Debentures Outstanding	Ratio	Amount of Discount to be written off to Statement of P&L ₹
1	18,00,000	3	$72,000 \times 3/24 = 9,000$
2	18,00,000	3	$72,000 \times 3/24 = 9,000$
3	18,00,000	3	$72,000 \times 3/24 = 9,000$
4	18,00,000	3	$72,000 \times 3/24 = 9,000$
5	12,00,000	2	$72,000 \times 2/24 = 6,000$
6	12,00,000	2	$72,000 \times 2/24 = 6,000$
7	12,00,000	2	$72,000 \times 2/24 = 6,000$
8	12,00,000	2	$72,000 \times 2/24 = 6,000$
9	6,00,000	1	$72,000 \times 1/24 = 3,000$
10	6,00,000	1	$72,000 \times 1/24 = 3,000$
11	6,00,000	1	$72,000 \times 1/24 = 3,000$
12	6,00,000	1	$72,000 \times 1/24 = 3,000$
		24	

SOLUTION: 62.

Total Discount = $15,000 \times 200 \times 3/100 = ₹90,000$

Year end	Debentures Outstanding	Ratio	Amount of Discount to be written off to Statement of P&L ₹
1	30,00,000	6	$90,000 \times 6/45 = 12,000$
2	30,00,000	6	$90,000 \times 6/45 = 12,000$
3	30,00,000	6	$90,000 \times 6/45 = 12,000$
4	30,00,000	6	$90,000 \times 6/45 = 12,000$
5	30,00,000	6	$90,000 \times 6/45 = 12,000$
6	25,00,000	5	$90,000 \times 5/45 = 10,000$
7	20,00,000	4	$90,000 \times 4/45 = 8,000$
8	15,00,000	3	$90,000 \times 3/45 = 6,000$
9	10,00,000	2	$90,000 \times 2/45 = 4,000$
10	5,00,000	1	$90,000 \times 1/45 = 2,000$
		45	90,000

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	Year		₹
I	To 10% Debentures A/c	90,000	I	By Statement of P & L	12,000
				By Balance c/d	78,000
		90,000			90,000
II	To Balance b/d	78,000	II	By Statement of P & L	12,000
				By Balance c/d	66,000
		78,000			78,000
III	To Balance b/d	66,000	III	By Statement of P & L	12,000
				By Balance c/d	54,000
		66,000			66,000
IV	To Balance b/d	54,000	IV	By Statement of P & L	12,000
				By Balance c/d	42,000
		54,000			54,000