

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्तिउत्थानआश्रमलखीसरायबिहार

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### Issue and Redemption of Debentures

#### Issue of Debentures

The procedure for the issue of debentures is the same as that for the issue of shares. The intending investors apply for debentures on the basis of the prospectus issued by the company. The company may either ask for the entire amount to be paid on application or by means of instalments on application, on allotment and on various calls. Debentures can be issued at par, at a premium or at a discount. They can also be issued for consideration other than cash or as a Collateral Security.

Debentures are said to be issued at par when their issue price is equal to the face value. The journal entries recorded for such issue are as under.

- (a) *If whole amount is received in one instalment:*
- (i) On receipt of the money on application  
Bank A/c Dr.  
    To Debenture Application & Allotment A/c
  - (ii) On making the allotment  
Debenture Application & Allotment A/c Dr.  
    To Debentures A/c
- (b) *If debenture amount is received in two instalments:*
- (i) On receipt of application money  
Bank A/c Dr.  
    To Debenture Application A/c
  - (ii) For adjustment of applications money on allotment  
Debenture Application A/c Dr.  
    To Debentures A/c
  - (iii) For a allotment money due  
Debenture Allotment A/c Dr.  
    To Debentures A/c
  - (iv) On receipt of allotment money  
Bank A/c Dr.  
    To Debenture Allotment A/c
- (c) *If debenture money is received in more than two instalments*  
*Additional entries:*
- (i) On making the first call  
Debenture First Call A/c Dr.  
    To Debentures A/c
  - (ii) On the receipt of the first call  
Bank A/c Dr.  
    To Debenture First Call A/c

Notes: Similar entries may be made for the second call and final call. However, normally the whole amount is collected on application or in two instalments, i.e. on application and allotment. More than two instalments involving calls is a rarity.