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शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 12.01.2021

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Issue and Redemption of Debentures (H.W)

Question 14:

A.Ltd. issued 50,00,000, 8% Debenture of Rs 100 at a discount of 6% on April 01, 2009 redeemable at premium of 4% by draw of lots as under:

20,00,000 Debentures on March, 2011

10,00,000 Debentures on March, 2013

20,00,000 Debentures on March, 2014

Compute the amount of discount to be written-off in each year till debentures are paid. Also prepare discount/loss on issue of debenture account.

ANSWER:

Loss on issue of debenture = 6% (discount on issue) + 4% (premium on redemption) = 10%

At the end of	Debenture Outstanding	Ratio	Loss to be written off every year
March 2010	50,00,00,000	5	= 1,38,88,889
March 2011	50,00,00,000	5	= 1,38,88,889
March 2012	30,00,00,000	3	= 83,33,333
March 2013	30,00,00,000	3	= 83,33,333
March 2014	20,00,00,000	2	= 55,55,556
		18	Rs 5,00,00,000

Question 15:

A company issues the following debentures:

- (i) 10,000, 12% debentures of Rs 100 each at par but redeemable at premium of 5% after 5 years;
- (ii) 10,000, 12% debentures of Rs 100 each at a discount of 10% but redeemable at par after 5 years;
- (iii) 5,000, 12% debentures of Rs 1,000 each at a premium of 5% but redeemable at par after 5 years;
- (iv) 1,000, 12% debentures of Rs 100 each issued to a supplier of machinery costing Rs 95,000. The debentures are repayable after 5 years; and
- (v) 300, 12% debentures of Rs 100 each as a collateral security to a bank which has advanced a loan of Rs 25,000 to the company for a period of 5 years.

Pass the journal entries to record the: (a) issue of debentures; and (b) repayment of debentures after the given period.

ANSWER:

In the books of
Journal

a) Issue of Debentures

S. No.	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
(i)	Bank A/c Dr. To 12% Debenture Application A/c (Debenture Application money of 10,000 12% debentures @ 100 each received)		10,00,000	10,00,000
	12% Debenture Application A/c Dr. Loss on Issue of Debenture A/c Dr. To 12% Debenture A/c To Premium on Redemption of Debenture A/c (Debenture Application money of 10,000 12% debentures @ Rs 100 each transferred to 12%		10,00,000 50,000	10,00,000 50,000

	Debentures Account and the Debentures are issued with term of repayable at 5% premium)			
(ii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture Application money received excluding discount on issue)		9,00,000	9,00,000
	12% Debenture Application & Allotment A/c Dr. Discount on Issue of Debenture A/c Dr. To Debentures A/c (Debenture Allotment made due)		9,00,000 1,00,000	10,00,000
(iii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture Application money received)		52,50,000	52,50,000
	Debenture Application and Allotment A/c Dr. To Debenture A/c To Security Premium A/c (Allotment of debenture at premium)		52,50,000	50,00,000 2,50,000
(iv)	Machinery A/c Dr. To Vender A/c (Machinery purchased from supplier)		95,000	95,000
	Vender A/c Dr. Discount on Issue of Debenture Dr. To 12% Debenture A/c (Debenture issue at discount to vender of machinery)		95,000 5,000	1,00,000
(v)	12% Debenture Suspense A/c Dr. To Debenture A/c (300, 12% Debentures of Rs 100 each issued as collateral security to the bank against a loan of Rs 25,000)		30,000	30,000

b) Repayment of Debentures

S.No.	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
(i)	12% Debentures A/c Premium on Redemption of Debenture A/c To Debenture Holders A/c (Amount due on redemption of debentures)	Dr. Dr.	10,00,000 50,000	10,50,000
	Debenture Holders A/c To Bank A/c (Payment made to Debenture Holders)	Dr.	10,50,000	10,50,000
(ii)	12% Debenture A/c To Debenture Holders A/c (Amount due on redemption of debentures)	Dr.	10,00,000	10,00,000
	Debenture Holders A/c To Bank A/c (Payment made to Debenture Holders)	Dr.	10,00,000	10,00,000
(iii)	12% Debenture A/c To Debenture Holders A/c (Amount due on redemption of debentures)	Dr.	50,00,000	50,00,000
	Debenture Holders A/c To Bank A/c (Payment made to Debenture Holders)	Dr.	50,00,000	50,00,000
(iv)	12% Debenture A/c To Vender A/c (Amount due to vender)	Dr.	1,00,000	1,00,000
	Vender A/c To Bank (Payment made to vender)	Dr.	1,00,000	1,00,000
(v)	12% Debenture A/c To Debenture Suspense A/c (Debenture and debenture Suspense Account closed)	Dr.	30,000	30,000

Question 16:

A company issued debentures of the face value of Rs 5,00,000 at a discount of 6% on April 01, 2012. These debentures are redeemable by annual drawings of Rs,1,00,000 made on March 31 each year. The directors decided to write off discount based on the debentures outstanding each year.

Calculate the amount of discount to be written-off each year. Give journal entries also.

ANSWER:

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
2012 Apr 1	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture Application money received)		4,70,000	4,70,000
Apr 1	Debenture Application and Allotment A/c Dr. Discount on Issue of Debenture A/c Dr. To Debentures A/c (Debenture Application money transferred to Debenture Account)		4,70,000 30,000	5,00,000

Assuming that the amount of discount on issue of debentures is to be written off in 5 years.

Year	Debenture outstanding	Ratio	Amount written off
2012	5,00,000	5	= 10,000
2013	4,00,000	4	= 8,000
2014	3,00,000	3	= 6,000
2015	2,00,000	2	= 4,000
2016	1,00,000	1	= 2,000
		15	30,000

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
2013 Mar 31	Profit and Loss A/c Dr. To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)		10,000	10,000
2014 Mar 31	Profit and Loss A/c Dr. To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)		8,000	8,000
2015 Mar 31	Profit and Loss A/c Dr. To Discount on Issue of Debenture A/c (Discount on issue of debentures written off)		6,000	6,000
2016 Mar 31	Profit and Loss A/c Dr. To Discount on issue of Debentures A/c (Discount on issue of debenture written off)		4,000	4,000
2017 Mar 31	Profit and Loss A/c Dr. To Discount on Issue of Debenture A/c (Discount on issue of debenture written off)		2,000	2,000