

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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## Issue and Redemption of Debentures

### 2.4.3 Debentures issued at Premium

A debenture is said to be issued at a premium when the price charged is more than its nominal value. For example, the issue of Rs.100 debentures for Rs.110, (Rs.10 is being the premium). The amount of premium is credited to Securities Premium account and is shown on the liabilities side of the balance sheet under the head "Reserves and Surpluses".

### Illustration 3

XYZ Industries Ltd. issued 2,000, 10% debentures of Rs.100 each, at a premium of Rs.10 per debenture payable as follows:

On application Rs.50

On allotment Rs.60

The debentures were fully subscribed and all money was duly received. Record the journal entries in the books of company. Show how the amounts will appear in the balance sheet.

### Solution

#### Books of XYZ Industries Limited Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c Dr. To 10% Debenture Application A/c (application money on 10% debentures received)		1,00,000	1,00,000
	10% Debenture Application A/c Dr. To 10% Debentures A/c (Transfer of application money on allotment)		1,00,000	1,00,000

10% Debenture Allotment A/c	Dr.	1,20,000	
To 10% Debentures A/c			1,00,000
To Securities Premium A/c			20,000
(Allotment money due on debentures including the premium)			
Bank A/c	Dr.	1,20,000	
To 10% Debenture Allotment A/c			1,20,000
(Allotment money received)			

**Balance Sheet of XYZ Industries Ltd. as on —**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
<u>Reserves and Surplus:</u>		Cash at bank	2,20,000
Securities premium	20,000		
Secured loans :			
10% Debentures	2,00,000		
	<b>2,20,000</b>		<b>2,20,000</b>

\* Relevant data only.