

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 16.01.2021

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Issue and Redemption of Debentures (H.W)

Question 19:

B. Ltd. issued 1,000, 12% debentures of Rs 100 each on April 01, 2014 at a discount of 5% redeemable at a premium of 10%.

Give journal entries relating to the issue of debentures and debentures interest for the period ending March 31, 2015 assuming that interest is paid half yearly on September 30 and March 31 and tax deducted at source is 10%.

ANSWER:

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
2014 Apr. 01	Bank A/c Dr. Loss on Issue on Debentures A/c Dr. To 12% Debenture A/c To Premium on Redemption of Debentures A/c (Debenture issued at discount and redeemable at Premium)		95,000 15,000	1,00,000 10,000
Sept. 30	Debenture Interest A/c Dr. To Income Tax Payable A/c To Debenture Holders A/c		6,000	600 5,400

	(Amount of interest on 12% debentures Rs 1,00,000 due for 6 months and 10% tax deducted at source)			
Sept. 30	Debenture Holders A/c Dr. To Bank A/c (Interest paid to Debenture Holders)		5,400	5,400
2015 Mar. 31	Debenture Interest A/c Dr. To Income Tax Payable A/c To Debenture Holders A/c (Amount of interest on 12% Debentures Rs 1,00,000 due for 6 months and 10% tax deducted at source)		6,000	600 5,400
Mar. 31	Debenture Holders A/c Dr. To Bank A/c (Interest paid to Debenture Holders)			5,400 5,400
Mar. 31	Profit and Loss A/c Dr. To Debenture Interest A/c (Interest on debentures transferred to Profit and Loss Account)		12,000	12,000

Question 20:

What journal entries will be made in the following cases when company redeems debentures at the expiry of period by serving the notice: (a) when debentures were issued at par with a condition to redeem them at premium; (b) when debentures were issued at premium with a condition to redeem that at par; and (c) when debentures were issued at discount with a condition to redeem them at premium?

ANSWER:

S.No.	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
(a)	Debenture A/c Dr. Premium on Redemption of Debenture A/c Dr. To Debenture Holders A/c (Amount due for redemption of Debentures)			
	Debenture Holders A/c Dr. To Bank A/c (Payment made to Debenture Holders)			
(b)	Debenture A/c Dr. To Debenture Holders A/c (Amount due for redemption of debentures that were issued at premium with term of redeemable at par)			
	Debenture Holders A/c Dr. To Bank A/c (Payment made to Debenture Holders)			

(c)	Debenture A/c Dr. Premium on Redemption of Debenture A/c Dr. To Debentures Holders A/c (Amount due for redemption on debentures that were issued at discount with the term of redeemable at premium)			
	Debenture Holders A/c Dr. To Bank A/c (Payment made to Debenture Holders)			