

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 22.11.2020

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## Issue and Redemption of Debentures

### 2.6 Issue of Debentures for Consideration other than Cash

Sometimes a company purchases assets from vendors and instead of making payment in cash issues debentures for consideration thereof. Such issue of debentures is called debentures issued for consideration other than cash. In that case also, the debentures may be issued at par, at a premium or at a discount then entries made in such a situation are similar to those of the shares issued for consideration other than cash, which are as follows :

1. On purchase of assets

Sundry Assets A/c	Dr.
To Vendor's	

2. On issue of debentures

(a) At Par

Vendors	Dr.
To Debentures A/c	

(b) At premium

Vendors	Dr.
To Debentures A/c	
To Securities Premium A/c	

(c) At a discount

Vendors	Dr.
Discount on Issue of Debenture A/c	Dr.
To Debentures A/c	

### Illustration 6

Aashirward Company Ltd. purchased assets of the book value of Rs. 2,00,000 from another company and agreed to make the payment of purchase consideration by issuing 2,000, 10% debentures of Rs.100 each.

Record the necessary journal entries.

**Solution**

**Books of Aashirwad Company Limited  
Journal**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit Amount (Rs.)</i>	<i>Credit Amount (Rs.)</i>
	Sundry Assets A/c Dr. To Vendors (Assets purchased from vendors)		2,00,000	2,00,000
	Vendors Dr. To 10% Debentures A/c (Allotment of debentures to vendors as purchase consideration)		2,00,000	2,00,000