

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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## Issue and Redemption of Debentures

### Illustration 9

G.S.Rai company purchased assets of the book value of Rs. 99,000 from another firm. It was agreed that purchase consideration be paid by issuing 11% debentures of Rs. 100 each. Assume debentures have been issued.

1. At par
2. At discount of 10%, and
3. At a premium of 10%.

Record necessary journal entries.

### Solution

#### Books of G.S.Rai Company Limited Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
In Ist Case	Sundry Assets A/c Dr. To Vendors (Assets purchased from vendors)		99,000	99,000
	Vendors Dr. To 10% Debentures A/c (Allotment of debentures to vendors as purchase consideration)		99,000	99,000

In IInd Case	Vendors	Dr.	99,000	
	Discount on Issue of Debenture A/c To 10% Debentures A/c (1,100 debenture of Rs. 100 issued at discount of 10% to vendor)	Dr.	11,000	1,10,000
In IIIrd Case	Vendors	Dr.	99,000	
	To 11% Debentures A/c To Securities Premium A/c (900 debentures of Rs. 100 issued at a premium of 10% to the vendors)			90,000 9,000

Sometimes a company may purchase the assets as well as take over its liabilities of another concern. It happens usually in case of purchase of the whole business of the other concern. In such a situation, the purchase consideration will be equal to the value of net assets and assets - liabilities) taken over, and if the whole amount of the consideration is paid by issue of debentures, the journal entry will be:

Sundry Assets A/c	Dr.
To Sundry Liabilities A/c	
To Vendors	
(Purchase of the Vendors' business)	