

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 26.11.2020

Teacher name – Ajay Kumar Sharma

### Issue and Redemption of Debentures

#### Illustration 10

Romi Ltd. acquired assets of Rs. 20 lakh and took over creditors of Rs. 2 lakh from Kapil Enterprises. Romi Ltd. issued 8% debentures of Rs. 100 each at par as purchase consideration. Record necessary journal entries in the books of Romi Ltd.

#### Solution

#### Books of Romi Ltd. Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Sundry Assets A/c Dr. To Kapil Enterprises To Sundry Creditors A/c (The purchase of business)		20,00,000	18,00,000 2,00,000

	Vendors Dr. To 8% Debentures A/c (The issue of 18,000, 8% debentures of Rs. 100 each)		18,00,000	18,00,000
--	---	--	-----------	-----------

In case of the whole business being taken over if the amount of debentures issued is more than the amount of the net assets taken over, Its difference (excess) will be treated as value of goodwill and the same shall also be debited while passing the journal entry for the purchase of vender's business (see Illustration 10). But if it is the other way round i.e., the value of debentures is less than the value of the net assets taken over the difference will be credited to capital Reserve accounts (See Illustration 12).