

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 28.11.2020

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Issue and Redemption of Debentures

Illustration 11

Blue Prints Ltd. Purchased building worth Rs.1,50,000, machinery worth Rs.1,40,000 and furniture worth Rs.10,000 from XYZ Co. and took over its liabilities of Rs.20,000 for a purchase consideration of Rs.3,15,000. Blue Prints Ltd. paid the purchase consideration by issuing 12% debentures of Rs.100 each at a premium of 5%. Record necessary journal entries.

Solution

Books of Blue Prints Limited Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Building A/c Dr.		1,50,000	
	Plant & Machinery A/c Dr.		1,40,000	
	Furniture A/c Dr.		10,000	
	Goodwill A/c ¹ Dr.		35,000	
	To Liabilities (Sundry)			20,000
	To XYZ Co.			3,15,000
	(Purchase of assets and taking over of liabilities of XYZ Co.)			
	XYZ Co. Dr.		3,15,000	
	To 12% Debentures A/c			3,00,000
	To Securities Premium A/c			15,000
	(Issue of 3,000 debentures at a premium of 5%)			

*Note: 1. Since the purchase consideration is more than net assets taken over, the difference has been debited to Goodwill account.

2. No. of debentures issued = $\frac{\text{Purchase Consideration}}{\text{Issue Price of a Debenture}}$

No. of debentures = $\frac{\text{Rs. 3,15,000}}{105} = 3,000$