

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 11.01.2021

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## Issue and Redemption of Debentures (H.W)

Question 12:

X.Ltd. issued 15,000, 10% debentures of Rs 100 each. Give journal entries and the Balance Sheet in each of the following cases:

- (i) The debentures are issued at a premium of 10%;
- (ii) The debentures are issued at a discount of 5%;
- (iii) The debentures are issued as a collateral security to bank against a loan of Rs 12,00,000; and
- (iv) The debentures are issued to a supplier of machinery costing Rs 13,50,000.

ANSWER:

(i)

### Books of X. Ltd. Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To 10% Debentures A/c To Securities Premium A/c (Issued 15,000, 10% debentures of Rs 100 each at 10% premium)		16,50,000	15,00,000 1,50,000

**X Ltd.**  
**Balance Sheet**

Particulars	Note No.	Amount (Rs)
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
a. Reserves and Surplus	1	1,50,000
2. Non-Current Liabilities		
a. Long-Term Borrowings	2	15,00,000
3. Current Liabilities		
<b>Total</b>		<b>16,50,000</b>
<b>II. Assets</b>		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	16,50,000
<b>Total</b>		<b>16,50,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	Amount (Rs)
1	<b>Reserves and Surplus</b> Securities Premium	1,50,000
2	<b>Long-Term Borrowings</b> 10% Debentures (Secured)	15,00,000
3	<b>Cash and Cash Equivalents</b> Cash at Bank	16,50,000

(ii)

Bank A/c	Dr.	14,25,000	
Discount on Issue of Debentures A/c	Dr.	75,000	
To 10% Debentures			15,00,000
(Issued 15,000 10% Debenture of Rs 100 each at 5% discount)			

**X Ltd.**  
**Balance Sheet**

Particulars	Note No.	Amount (Rs)
<b>I. Equity and Liabilities</b>		
1. Shareholder's Funds		
2. Non-Current Liabilities		
a. Long-Term Borrowings	1	15,00,000
3. Current Liabilities		
<b>Total</b>		<b>15,00,000</b>
<b>II. Assets</b>		
1. Non-Current Assets		
a. Other Non-Current Assets	2	75,000
2. Current Assets		
a. Cash and Cash Equivalents	3	14,25,000
<b>Total</b>		<b>15,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	Amount (Rs)
1	<b>Long-Term Borrowings</b> 10% Debentures (Secured)	15,00,000
2	<b>Other Non-Current Assets</b>	

	Discount on Issue of Debentures	75,000
3	<b>Cash and Cash Equivalents</b>	
	Cash at Bank	14,25,000

(iii) No entry will be passed for issuing debentures as a collateral security

**X Ltd.**

**Balance Sheet**

Particulars	Note No.	Amount (Rs)
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non-Current Liabilities		
a. Long-Term Borrowings	1	12,00,000
3. Current Liabilities		
<b>Total</b>		<b>12,00,000</b>
<b>II. Assets</b>		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	12,00,000
<b>Total</b>		<b>12,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	Amount (Rs)
1	<b>Long-Term Borrowings</b> Bank Loan (Secured against issue Debentures of Rs 12,00,000)	12,00,000
2	<b>Cash and Cash Equivalents</b> Cash at Bank	12,00,000

**Alternative Method**

	Debenture Suspense A/c	Dr.	15,00,000	
	To 10% Debentures A/c			15,00,000

(Issued 15,000 10% Debentures of Rs 100 each as collateral security to bank against a loan of Rs 12,00,000)			
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**X Ltd.**  
**Balance Sheet**

Particulars	Note No.	Amount (Rs)
<b>I. Equity and Liabilities</b>		
1. Shareholders' Fund		
2. Non-Current Liabilities		
a. Long-Term Borrowings	1	12,00,000
3. Current Liabilities		
<b>Total</b>		<b>12,00,000</b>
<b>II. Assets</b>		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	12,00,000
<b>Total</b>		<b>12,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	Amount (Rs)
1	<b>Long Term Borrowings</b>	
	<i>Secured:</i>	
	Bank Loan	12,00,000
	10 % Debentures (Secured against issue of Debentures of Rs 12,00,000)	15,00,000
	<i>Less:</i> Debenture Suspense Account	15,00,000
		12,00,000
2	<b>Cash and Cash Equivalents</b>	
	Cash at Bank	12,00,000

(iv)

Machinery A/c To Vendor A/c (Machinery purchased from vendor)	Dr.		13,50,000	13,50,000
Vendor A/c Discount on Issue of Debentures A/c To 10% Debenture A/c (15,000 10% Debentures @ Rs 100 each issued at 10% discount to the vendor in consideration of Machinery of Rs 13,50,000)	Dr. Dr.		13,50,000 1,50,000	15,00,000

**X Ltd.**  
**Balance Sheet**

Particulars	Note No.	Amount (Rs)
<b>I. Equity and Liabilities</b>		
1. Shareholders' Funds		
2. Non-Current Liabilities		
a. Long Term Borrowings	1	15,00,000
3. Current Liabilities		
<b>Total</b>		<b>15,00,000</b>
<b>II. Assets</b>		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	2	13,50,000
b. Other Non-Current Assets	3	1,50,000
2. Current Assets		
<b>Total</b>		<b>15,00,000</b>

**NOTES TO ACCOUNTS**

Note No.	Particulars	Amount (Rs)
1	<b>Long Term Borrowings</b> 10% Debentures (Secured)	15,00,000
2	<b>Tangible Assets</b>	

	Plant and Machinery	13,50,000
3	<b>Other Non-Current Assets</b>	
	Discount on Issue of Debentures	1,50,000

Question 13:

Journalise the following:

- (i) A debenture issued at Rs 95, repayable at Rs 100;
- (ii) A debenture issued at Rs 95, repayable at Rs 105; and
- (iii) A debenture issued at Rs 100, repayable at Rs 105;

The face value of debenture in each of the above cases is Rs 100.

**ANSWER:**

S.No.	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
(i)	Bank A/c Dr. Discount on Issue of Debenture A/c Dr. To Debenture A/c (Debenture of Rs 100 issued at Rs 5 discount with the term repayable at Rs 100)		95 5	100
(ii)	Bank A/c Dr. Loss on Issue of Debenture A/c Dr. To Debenture A/c To Premium on Redemption of Debentures (Debenture of Rs 100 issued at a discount of Rs 5 and with the term repayable at Rs 105)		95 10	100 5
(iii)	Bank A/c Dr. Loss on Issue of Debenture A/c Dr. To Debenture A/c		100 5	100

	To Premium on Redemption of Debenture A/c (Debenture of Rs 100 issued with the term repayable at Rs 105)			5
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