

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 13.01.2021

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

Question 17:

A company issued 10% Debentures of the face value of Rs,1,20,000 at a discount of 6% on April 01, 2011. The debentures are payable by annual drawings of Rs 40,000 commencing from the end of third year.

How will you deal with discount on debentures?

Show the discount on debentures account in the company ledger for the period of duration of debentures. Assume accounts are closed on March 31 every year.

ANSWER:

In the books of.....  
Journal

| Date               | Particulars  | L.F. | Debit Amount Rs   | Credit Amount Rs |
|--------------------|--|------|-------------------|------------------|
| 2011<br>Apr.<br>01 | Bank A/c Dr.<br>To Debenture Application and Allotment A/c<br>(Debentures Application Money received)  |      | 1,12,800          | 1,12,800         |
| Apr.<br>01         | Debentures Application and Allotment A/c Dr.<br>Discount on issue of Debenture A/c Dr.<br>To 10% Debenture A/c<br>(Debenture Application Money transferred to Debenture Account) |      | 1,12,800<br>7,200 | 1,20,000         |
| 2012<br>Mar.<br>31 | Profit and Loss A/c Dr.<br>To Discount on Issue of Debentures A/c  |      | 1,800             | 1,800            |

|                    |   |     |       |       |
|--------------------|---|-----|-------|-------|
|                    | (Discount on issue of debenture written off)  |     |       |       |
| 2013<br>Mar.<br>31 | Profit and Loss A/c<br>To Discount on Issue of Debenture A/c<br>(Discount on issue of debenture written off)  | Dr. | 1,800 | 1,800 |
| 2014<br>Mar.<br>31 | Profit and Loss A/c<br>To Discount on Issue of Debenture A/c<br>(Discount on issue of debenture written off)  | Dr. | 1,800 | 1,800 |
| 2015<br>Mar.<br>31 | Profit and Loss A/c<br>To Discount on Issue of Debentures A/c<br>(Discount on issue of debenture written off) | Dr. | 1,200 | 1,200 |
| 2016<br>Mar.<br>31 | Profit and Loss A/c<br>To Discount on Issue of Debentures A/c<br>(Discount on issue of debenture written off) | Dr. | 600   | 600   |

### Discount on Issue of Debentures

| Dr.                |                |      |              | Cr.                |                 |      |              |
|--------------------|----------------|------|--------------|--------------------|-----------------|------|--------------|
| Date               | Particulars    | J.F. | Amount<br>Rs | Date               | Particulars     | J.F. | Amount<br>Rs |
| 2011<br>Apr.<br>01 | 10% Debentures |      | 7,200        | 2012<br>Mar.<br>31 | Profit and Loss |      | 1,800        |
|                    |                |      | 7,200        |                    | Balance c/d     |      | 5,400        |
|                    |                |      |              |                    |                 |      | 7,200        |
| 2012<br>Apr.<br>01 | Balance b/d    |      | 5,400        | 2013<br>Mar.<br>31 | Profit and Loss |      | 1,800        |

|                    |             |  |       |                    |                                |                |
|--------------------|-------------|--|-------|--------------------|--------------------------------|----------------|
|                    |             |  |       |                    | Balance c/d                    | 3,600          |
|                    |             |  | 5,400 |                    |                                | 5,400          |
| 2013<br>Apr.<br>01 | Balance b/d |  | 3,600 | 2014<br>Mar.<br>31 | Profit and Loss<br>Balance c/d | 1,800<br>1,800 |
|                    |             |  | 3,600 |                    |                                | 3,600          |
| 2014<br>Apr.<br>01 | Balance b/d |  | 1,800 | 2015<br>Mar.<br>31 | Profit and Loss<br>Balance c/d | 1,200<br>600   |
|                    |             |  | 1,800 |                    |                                | 1,800          |
| 2015<br>Apr.<br>01 | Balance b/d |  | 600   | 2016<br>Mar<br>31  | Profit and Loss                | 600            |
|                    |             |  | 600   |                    |                                | 600            |
|                    |             |  |       |                    |                                |                |

**i) Working Note:**

Amount of Discount on Issue of Debenture

| Year    | Debenture Outstanding | Ratio | Amount written off every year |          |
|---------|-----------------------|-------|-------------------------------|----------|
| 2011-12 | 1,20,000              | 3     | =                             | 1,800    |
| 2012-13 | 1,20,000              | 3     | =                             | 1,800    |
| 2013-14 | 1,20,000              | 3     | =                             | 1,800    |
| 2014-15 | 80,000                | 2     | =                             | 1,200    |
| 2015-16 | 40,000                | 1     | =                             | 600      |
|         |                       | 12    |                               | Rs 7,200 |
|         |                       |       |                               |          |

Question 18:

B. Ltd. issued debentures at 94% for Rs 4,00,000 on April 01, 2011 repayable by five equal drawings of Rs 80,000 each. The company prepares its final accounts on March 31 every year.

Indicate the amount of discount to be written-off every accounting year assuming that the company decides to write-off the debentures discount during the life of debentures. (Amount to be written-off: 2012 Rs 8,000; 2013 Rs 6,400; 2014 Rs 4,800; 2015 Rs 2,000; 2016 Rs 1,600).

**ANSWER:**

Amount of discount to written off every year

In 2012 = ₹8,000

In 2013 = ₹6,400

In 2014 = ₹4,800

In 2015 = ₹3,200

In 2016 = ₹1,600

**Working Notes:**

| Year                | Debentures Outstanding | Ratio | Months | New Ratio (Ratio × Months) | Amounts written off  |
|---------------------|------------------------|-------|--------|----------------------------|--|
| 2012<br>Apr-<br>Mar | 3,20,000               | 5     | 12     | 60                         | $24,000 \times 60 = ₹8,000$<br>$24,000 \times 60 = ₹8,000$ |
| 2013<br>Apr-<br>Mar | 2,40,000               | 4     | 12     | 48                         | $24,000 \times 48 = ₹6,400$<br>$24,000 \times 48 = ₹6,400$ |
| 2014<br>Apr-<br>Mar | 1,60,000               | 3     | 12     | 36                         | $24,000 \times 36 = ₹4,800$<br>$24,000 \times 36 = ₹4,800$ |
| 2015<br>Apr-<br>Mar | 80,000                 | 2     | 12     | 24                         | $24,000 \times 24 = ₹3,200$<br>$24,000 \times 24 = ₹3,200$ |
| 2016<br>Apr-<br>Mar | 80,000                 | 1     | 12     | 12                         | $24,000 \times 12 = ₹1,600$<br>$24,000 \times 12 = ₹1,600$ |
|                     |                        |       |        | 180                        |  |

**Note: As per NCERT, ₹2,000 discount has been written off in the year 2015 which is incorrect because then the total discount amounts to ₹22,800. Therefore, it should be ₹3,200.**

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