Chapter - 2 Issue of Debentures

SOLUTION: 1.

JOURNAL OF X LTD.

Particulars		LF.	Dr. (₹)	Cr. (₹)
Bank A/c	Dr.		75,000	
To 15% Debenture Application A/c				75,000
(Application money received on 3,000 debentures @ ₹25 each)				
15% Debenture Application A/c	Dr.		75,000	
To 15% Debentures A/c				50,000
To 15% Debenture Allotment A/c				5,000
To Bank A/c				20,000
(Application money transferred)				
15% Debenture Allotment A/c	Dr.		50,000	
To 15% Debentures A/c				50,000
(Allotment money due on 2,000 debentures @ ₹25 each)				
Bank A/c	Dr.		45,000	
To 15% Debenture Allotment A/c				45,000
(Balance of allotment money received, i.e., ₹50,000 - ₹5,000)				
15% Debenture First & Final Call A/c	Dr.		1,00,000	
To 15% Debentures A/c				1,00,000
(First and Final Call due)				
Bank A/c	Dr.		95,000	
To 15% Debenture First & Final Call A/c				95,000
(First & Final Call money received)				

SOLUTION: 2.

JOURNAL OF BALAJI LTD.

Date	Particulars		LF.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		2,00,000	
	To 13% Debentures Application A/c				2,00,000
	(Application money received on 10,000 debentures @ ₹20 each)				
	13% Debentures Application A/c	Dr.		2,00,000	
	To 13% Debentures A/c				2,00,000
	(Application money transferred)				
	13% Debentures Allotment A/c	Dr.		3,00,000	
	To 13% Debentures A/c				3,00,000
	(Allotment due)				
	Bank A/c	Dr.		3,09,000	2,94,000
	To 13% Debentures Allotment A/c				15,000
	To Calls in Advance A/c				
	(Allotment received on 9,800 debentures @ ₹30 per debenture; plus call received in advance on 300 debentures @ ₹50 per debenture)				

	13% Debentures First & Final Call A/c Dr. To 13% Debentures A/c **(First and final call due on 10,000 debentures @ ₹50 per debenture)**		5,00,000	 5,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To 13% Debentures First & Final Call A/c **(First and final call money received on 9,800 debentures @ ₹50 per debenture; Calls in advance on 300 debentures of Ajay previously received now adjusted)**		4,75,000 15,000	 4,90,000

SOLUTION: 3.

JOURNAL OF KAMAL LTD.

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
1.	Bank A/c Dr. To 12% Debentures Application A/c **(Application money received on 5,000 debentures @ ₹10 per debenture)**		50,000	50,000
2.	12% Debentures Application A/c Dr. To 12% Debentures A/c **(Application money transferred)**		50,000	 50,000
3.	12% Debentures Allotment A/c Dr. To 12% Debentures A/c **(Allotment due on 5,000 debentures @ ₹15 each.)**		75,000	 75,000
4.	Bank A/c Dr. To 12% Debentures Allotment A/c To Calls in Advance A/c **(Allotment money received on 4,900 debentures @ ₹15 per debenture; plus call received in advance on 400 debentures @ ₹75 per debenture)**		1,03,500	73,500 30,000
5.	12% Debentures First Call A/c Dr. To 12% Debentures A/c **(First call due on 5,000 debentures @ ₹30 each)**		1,50,000	 1,50,000
6. (I)	Bank A/c Dr. Calls in Advance A/c Dr. To 12% Debentures First Call A/c **(First call money received after adjusting the advance of first call @ ₹30 per debenture on 400 debentures)**		1,38,000 12,000	 1,50,000
(II)	Bank A/c Dr. To 12% Debentures Allotment A/c **(Receipt of arrears of allotment in respect of 100 debentures)**		1,500	 1,500

7.	12% Debentures Second & Final Call A/c Dr. To 12% Debentures A/c **(Second and final call due on 5,000 debentures @ ₹45 per debenture)**		2,25,000	2,25,000
8.	Bank A/c Dr. Calls in Advance A/c Dr. To 12% Debentures Second & Final Call A/c **(Second call money received after adjusting the advance of second call @ ₹45 per debenture on 400 debentures)**		2,07,000 18,000	2,25,000

SOLUTION: 4.

JOURNAL OF SUNFLOWER LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. 8% Debenture Application A/c **(Application money received)**		32.00,00,000	32,00,00,000
	8% Debenture Application A/c Dr. To 8% Debentures A/c **(Application money transferred to 8% Debentures account consequent upon allotment)**		32,00,00,000	32,00,00,000
	8% Debenture Allotment A/c Dr. To 8% Debentures A/c To Securities Premium Reserve A/c **(Allotment due)**		52,80,00,000	48,00,00,000 4,80,00,000
	Bank A/c Dr. To 8% Debenture Allotment A/c **(Allotment money received)**		52,80,00,000	52,80,00,000

SOLUTION: 5.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application A/c **(Application money received on 6,000 debentures @ ₹30 each)**		1,80,000	1,80,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c To 12% Debenture Allotment A/c **(Transfer of application money to 12% Debentures A/c and the excess money to Allotment A/c)**		1,80,000	1,25,000 25,000 30,000
	12% Debenture Allotment A/c Dr. To 12% Debentures A/c **(Allotment due on 5,000 debentures @ ₹40 each)**		2,00,000	2,00,000

	Bank A/c To 12% Debenture Allotment A/c **(Allotment money received)**	Dr.		1,70,000	 1,70,000
	12% Debenture First & Final Call A/c Dr. To 12% Debentures A/c **(First and final call due on 5,000 debentures @ ₹35 each)**	Dr.		1,75,000	 1,75,000
	Bank A/c Dr. To 12% Debenture First & Final Call A/c **(First and final call money received)**	Dr.		1,75,000	 1,75,000

SOLUTION: 6.

In the Books of Nav Lakshmi Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c **(Receipt of application money on 4,000 debentures)**		6,00,000	 6,00,000
	12% Debenture Application & Allotment A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c To Bank A/c **(Application money on 3,000 debentures transferred to 12% Debentures A/c and Security Premium A/c and the application money on 1,000 Debentures refunded.)**		6,00,000	 3,00,000 1,50,000 1,50,000

SOLUTION: 7.

JOURNAL OF R LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To 13% Debenture Application A/c **(Application money received for 6,000 debentures @ 25 each)**	Dr.		1,50,000	 1,50,000
	13% Debenture Application A/c Dr. To 13% Debentures A/c **(Application money transferred)**	Dr.		1,50,000	 1,50,000
	13% Debenture Allotment A/c Discount on Debentures A/c To 13% Debentures A/c **(Allotment due)**	Dr. Dr.		1,50,000 30,000	 1,80,000
	Bank A/c To 13% Debentures Allotment A/c **(Amount received on allotment)**	Dr.		1,50,000	 1,50,000
	13% Debentures First & Final Call A/c To 13% Debentures A/c (**First & Final Call due)**	Dr.		2,70,000	 2,70,000

	Bank A/c Dr. To 13% Debentures First & Final Call A/c **(Amount received on First & Final Call)**		2,70,000	 2,70,000
	Expenses on Issue A/c Dr. To Bank A/c **(Expenses paid on issue of debentures)**		20,000	 20,000
	Statement of Profit & Loss Dr. To Discount on Debentures A/c To Expenses on issue A/c **(1/5th of 'Discount on debentures' and 1/5th of 'expenses on issue' written off)**		10,000	 6,000 4,000

BALANCE SHEET
as at (at the end of first year)

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital			
(b) Reserve and Surplus	1	(10,000)	
Non-Current Liabilities :			
Long-term Borrowings	2	6,00,000	
II. ASSETS		5,90,000	
Non Current Assets :			
Other Non Current Assets	3	30,000	
Current Assets :			
Cash and Cash Equivalents	4	5,50,000	
Other Current Assets	5	10,000	
		5,90,000	

Notes to Accounts :	
	₹
(1) Reserve and Surplus : Balance in Statement of Profit & Loss	(10,000)
(2) Long term Borrowings : 13% Debentures	6,00,000
(3) Other Non Current Assets : 3/5th of Discount on Debentures 3/5th of Expenses on Issue	18,000 12,000 30,000
(4) Cash and Cash Equivalents : Cash at Bank	5,50,000

(5) Other Current Assets : 1/5th of Discount on Debentures 1/5th of Expenses on Issue	 6,000 4,000 10,000

SOLUTION: 8.

JOURNAL OF SHARDA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		4,70,000	
	To 7% Debenture Application & Allotment A/c				4,70,000
	(Application money received for 5,000 debentures @ ₹94 each)				
	7% Debenture Application & Allotment A/c	Dr.		4,70,000	
	Discount on Debentures A/c	Dr.		30,000	
	To 7% Debentures A/c				5,00,000
	(Application money transferred to Debentures A/c consequent upon allotment, issued at 6% discount)				

SOLUTION: 9.

JOURNAL OF XCOMPANY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		10,45,000	
	To Vendors' A/c				10,45,000
	(Assets purchased)				
(1)	**When Debentures are issued at par :**				
	Vendors' A/c	Dr.			
	To 14% Debentures A/c			10,45,000	10,45,000
	(Issue of 10,450 debentures of ₹100 each at par)				
(2)	**When Debentures are issued at Discount:**				
	Vendors' A/c	Dr.		10,45,000	
	Discount on Debentures A/c	Dr.		55,000	
	To 14% Debentures A/c				
	(Issue of 11,000 debentures of ₹100 each at 5% discount calculated as follows : 10,45,000/95 = 11,000 debentures)				11,00,000
(3)	**When debentures are issued at premium :**			10,45,000	
	Vendors' A/c	Dr.			
	To 14% Debentures A/c				9,50,000
	To Securities Premium Reserve A/c				95,000
	(Issue of 9,500 debentures of ₹100 each at 10% premium, calculated as follows : 10,45,000/110 = 9,500 debentures)				

SOLUTION: 10.

JOURNAL OF GOLDEN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		5,50,00,000	1,26,00,000
	To Sundry Liabilities A/c			4,24,00,000
	To Silver Ltd.			
	(Purchase of assets and liabilities of Silver Ltd.)			
	Silver Ltd. Dr.		4,24,00,000	4,00,00,000
	To 8% Debentures A/c			24,00,000
	To Securities Premium Reserve A/c			
	(Issue of 80,000 Debentures of ₹500 each at 6% on premium, calculated as 4,24,00,000/530 = 80,000)			

SOLUTION: 11.

JOURNAL OF SUDHIR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Goodwill A/c Dr.		8,50,000	
	To Sundry Liabilities A/c Dr.		20,000	1.50.000
	To Gopal Ltd.			7.20.000
	(Purchase of assets and liabilities of Gopal Ltd.)			
	Gopal Ltd. Dr.		7,20,000	
	To 12% Debentures A/c			6,00,000
	To Securities Premium Reserve A/c			1,20,000
	(Issue of 6,000 Debentures of ₹100 each at 20% premium, calculated as follows : 7,20,000/120 = 6,000 Debentures)			

SOLUTION: 12.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		12,00,000	
	To Sundry Liabilities A/c			2,20,000
	To Capital Reserve A/c			40,000
	To Vendor Company			9,40,000
	(Purchase of assets and liabilities of Vendor Company)			
	Vendor Company Dr.		9,40,000	
	Discount on Debentures A/c Dr.		60,000	
	To Debentures A/c			10,00,000
	(Issue of 2,000 Debentures of ₹500 each at 6% discount calculated as follows : 9,40,000/470 = 2,000 Debentures)			

SOLUTION: 13.

JOURNAL OF GUNJAN LIMITED

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Land and Buildings A/c	Dr.		9,00,000	
	Plant and Machinery' A/c	Dr.		8,00,000	
	Patents A/c	Dr.		40,000	
	Sundry Debtors A/c	Dr.		7,00,000	
	Stock A/c	Dr.		5,00,000	
	To Sundry Creditors A/c				1,20,000
	To Vrindavan Ltd.				25,00,000
	To Capital Reserve A/c (Balancing Figure)				3,20,000
	(Purchase of assets and liabilities)				
	Vrindavan Ltd.	Dr.		4,00,000	
	To Bank A/c				4,00,000
	(Part payment made by cheque)				
	Vrindavan Ltd.	Dr.		21,00,000	
	To 8% Debentures A/c				20,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Balance of ₹21,00,000 discharged by issue of 20,000 debentures at a premium of 5% calculated as : 21,00,000/105 = 20,000)				

SOLUTION: 14.

JOURNAL OF Y LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c	Dr.		90,000	
	To Vendor's A/c				90,000
	(Machinery purchased from Vendor for ₹90,000)				
	Vendor's A/c	Dr.		45,000	
	To Bank A/c				45,000
	(Half the amount paid in Cash)				
	Vendor's A/c	Dr.		45,000	
	Discount on issue of Debentures A/c	Dr.		5,000	
	To 12% Debentures A/c				50,000
	(Issue of 500 Debentures of ₹100 each at 10% discount calculated as 45000/90 = 500 Debentures.)				

SOLUTION: 15.

JOURNAL OF J LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2015 Feb. 28	Machinery A/c	Dr.		3,50,000	
	To K Ltd.				3,50,000
	(Machinery purchased from K Ltd.)				
Feb. 28	K Ltd.	Dr.		50,000	
	To Bank A/c				50,000

	(Part payment made in Cash)			
Feb. 28	K Ltd. Dr.		3,00,000	
	Discount on issue of Debentures A/c Dr.		10,000	
	To 10% Debentures A/c			3,10,000
	(Balance amount of ₹3,00,000 settled by the issue of ₹3,10,000 debentures)			

SOLUTION: 16.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c Dr.		40,00,000	
	To Vendor's A/c			40,00,000
	(Purchase of building)			
	Vendor's A/c Dr.		10,00,000	
	To Bank A/c			10,00,000
	(25% payment made in cash)			
	Vendor's A/c Dr.		30,00,000	25,00,000
	To 7% Debentures A/c (5,000 x ₹500)			5,00,000
	To Securities Premium Reserve A/c (5,000 x ₹100)			
	(Issue of 5,000 debentures of ₹500 each at 20% premium calculated as 30,00,000/600= 5,000 debentures)			

SOLUTION: 17.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	Sundry Assets A/c Dr.		8,00,000	1,00,000
	To Sundry Liabilities A/c To Y Ltd.			7,00,000
	(Assets and liabilities purchased from Y Ltd.)			
April 1	Y Ltd. Dr.		2,00,000	
	To Bank A/c			2,00,000
	(Part payment made in Cash)			
April 1	Y Ltd. Dr.		5,00,000	
	To 10% Debentures A/c			
	To Securities Premium Reserve A/c			4,75,000
	(Balance amount of ₹5,00,000 settled by the issue of ₹4,75,000 debentures)			25,000

SOLUTION: 18.

Books of Star Textiles Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Buildings A/c Dr.		40,00,000	
	Plant and Machinery A/c Dr.		7,50,000	

	Furniture A/c Dr.		1,00,000	
	To Capital Reserve A/c			3,50,000
	To Modem Textiles Ltd.			45,00,000
	(Purchase of assets of Modem Textiles Ltd.)			
	Modem Textiles Ltd. Dr.		3,00,000	
	To Bank A/c			3,00,000
	(Part payment made in cash)			
	Modem Textiles Ltd. Dr.		42,00,000	
	To 9% Debentures A/c			40,00,000
	To Securities Premium Reserve A/c			2,00,000
	(Issue of 8,000 Debentures of ₹500 each at 5% premium calculated as 42,00,000/525 = 8,000)			

SOLUTION: 19.

First Method: No entry is passed for the issue of debentures in this method. Entry is passed only for taking a loan from the bank, as under:

Bank A/c Dr.	5,00,000	
To Bank Loan A/c		5,00,000
(Loan taken from the Bank and ₹6,00,000 debentures deposited as collateral security)		

EXTRACT OF BALANCE SHEET OF X LTD.
as at 31st March, 2015

Particulars	Note No.	31-3-2015	31-3-2014
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	30,00,000	25,00,000

Notes to Accounts :	
	₹
(1) Long-term Borrowings :	
11 % Debentures	
(In addition, Debentures for ₹6,00,000 have been issued a s collateral security)	25,00,000
Bank Loan **(On collateral security of Debentures of ₹6,00,000)**	5,00,000
	30,00,000

Second Method: Following entries are passed in this method :

1. Bank A/c	Dr.	5,00,000	
To Bank Loan A/c			5,00,000
(loan taken from the Bank)			
2. Debentures Suspense A/c	Dr.	6,00,000	
To 11% Debentures A/c			6,00,000
(Issue of ₹6,00,000 debentures as collateral security to secure a loan of ₹5,00,000 from the Bank)			

EXTRACT OF BALANCE SHEET OF X LTD.
as at 31st March, 2015

Particulars	Note No.	31-3-2015	31-3-2014
I. EQUITY AND LIABILITIES:	1	₹	₹
Non-Current Liabilities :		30,00,000	25,00,000
Long-term Borrowings			
Notes to Accounts :			
(1) Long-term Borrowings :			₹
11 % Debentures		31,00,000	25,00,000
Less : Debentures Suspense A/c		6,00,000	5,00,000
Bank Loan (On collateral security of Debentures of ₹6,00,000)			
			30,00,000

SOLUTION: 20.

Books of Hassan Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
When loan is taken	Bank A/c Dr. To Bank Loan A/c **(Loan obtained from bank secured by primary security* worth ₹40,00,000 and ₹35,00,000, 6% debentures as collateral security)**		30,00,000	30,00,000
"	Debentures Suspense A/c Dr. To 6% Debentures A/c **(Issue of ₹35,00,000 debentures as collateral security for a loan of ₹30,00,000 from the bank)**		35,00,000	35,00,000
"	Bank A/c Dr. To Bank Loan A/c **(Loan obtained from bank secured by plant as primary' security and ₹60,00,000, 6% debentures as collateral security)**		50,00,000	50,00,000

"	Debentures Suspense A/c Dr. To 6% Debentures A/c **(Issue of ₹60,00,000 debentures as collateral security for a loan of ₹50,00,000 from the bank)**		60,00,000	60,00,000

*** No entry is passed for primary security in the books of accounts.**

EXTRACT OF BALANCE SHEET OF HASSAN LTD.
as at............

Particulars	Note No.	Current year	Previous year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	80,00,000	

Notes to Accounts:

		₹
(1) Long-term Borrowings :		
6% Debentures	95,00,000	
Less : Debentures Suspense A/c	95,00,000	—
Bank Loan		80,00,000
(On primary security worth ₹40,00,000 and plant and collateral security of Debentures of ₹95,00,000)		

SOLUTION: 21.

JOURNAL OF INDIA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(1)i.	Bank A/c Dr. To Debenture Application & Allotment A/c **(Application money received)**		5,40,000	5,40,000
ii.	Debenture Application & Allotment A/c Dr. Discount on Debentures A/c Dr. To 6% Debentures A/c **(Transfer of application money to Debentures A/c, issued at 10% Discount)**		5,40,000 60,000	6,00,000
(2)i.	Machinery A/c Dr. To Vendor's A/c **(Purchase of Machinery)**		1,00,000	1,00,000
ii.	Vendor's A/c Dr. Discount on Debentures A/c Dr. To 6% Debentures A/c **(Debentures issued to vendors at discount)**		1,00,000 10,000	1,10,000
(3)i.	Bank A/c Dr. To Bank Loan A/c **(Loan taken, secured by the issue of ₹10,00,000 debentures)**		7,00,000	7,00,000

ii.	Debentures Suspense A/c	Dr.		10,00,000	
	To 6% Debentures A/c				10,00,000
	(Issue of debentures as collateral security)				
	Statement of Profit & Loss	Dr.		14,000	
	To Discount on Debentures A/c				14,000
	(Transfer of 1/5th of Discount to Statement of Profit & Loss)				

BALANCE SHEET
as at.........

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital			
(b) Reserve and Surplus	**1**	(14,000)	
Non Current Liabilities :			
Long term Borrowings	**2**	14,10,000	
		13,96,000	
II. ASSETS :			
Non Current Assets :			
Fixed Assets	**3**	1,00,000	
Other Non Current Assets	**4**	42,000	
Current Assets :			
Cash and Cash Equivalents	**5**	12,40,000	
Other Current Assets	**6**	14,000	
		13,96,000	

Notes to Accounts :		
		₹
(1) Reserve and Surplus :		
Balance in Statement of Profit & Loss		(14,000)
(2) Long term Borrowings :		
6% Debentures	17,10,000	
Less : Debenture Suspense Account	10,00,000	7,10,000
Bank Loan		7,00,000
		14,10,000
(3) Fixed Assets :		
Machinery		**1,00,000**
(4) Other Non Current Assets :		
Discount on Debentures		**42,000**
(5) Cash and Cash Equivalents :		
Cash at Bank		**12,40,000**
(6) Other Current Assets :		
Discount on Debentures		**14,000**

SOLUTION: 22.

Books of X Ltd.
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2011 April 1	Bank A/c	Dr.		26,00,000	
	To 9% Debenture Application & Allotment A/c				26,00,000
	(Application money received on 25,000 debentures @ ₹104 each)				
April 1	9% Debenture Application & Allotment A/c	Dr.		26,00,000	
	To 9% Debentures A/c				25,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Transfer of application money)				
April 1	Fixed Assets A/c	Dr.		10,00,000	
	To Current Liabilities A/c				70,000
	To Y Ltd.				9,30,000
	(Purchase of assets and liabilities)				
April 1	Y Ltd.	Dr.		4,00,000	
	To Bank				4,00,000
	(Part payment made in cash)				
April 1	Y Ltd. Dr.			5,30,000	
	To 9% Debentures A/c				5,00,000
	To Securities Premium Reserve A/c				30,000
	(Balance amount of ₹5,30,000 settled by the issue of ₹5,00,000 debentures)				
April 1	Bank A/c	Dr.		6,00,000	
	To Bank Loan A/c				6,00,000
	(Loan taken, secured by the issue of ₹6,00,000 debentures)				
April 1	9% Debentures Suspense A/c	Dr.		6,00,000	
	To 9% Debentures A/c				6,00,000
	(Issue of debentures as collateral security)				

Extract of Balance Sheet
as at 31st March, 2012

Particulars	Note No.	31-3-2012	31-3-2011
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
Reserves and Surplus	1	1,30,000	
Non-Current Liabilities :			
Long-term Borrowings	2	36,00,000	
Current Liabilities		70,000	
II. ASSETS :			
Non-Current Assets :			
Fixed Assets		10,00,000	

Notes to Accounts:

		₹
(1)Reserves and Surplus :		
Securities Premium Reserve		1,30,000
(2)Long term Borrowings :		
9% Debentures	36,00,000	
Less : Debentures Suspense Account	6,00,000	30,00,000
Bank Loan		6,00,000
(On Collateral security of 9% Debentures of ₹6,00,000)		
		36,00,000

SOLUTION: 23.

Books of B.G. Ltd.
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2013 March 31	Interest on Debentures A/c To Debentureholders' A/c To Income fax Payable A/c **(Half yearly interest due on debentures and tax deducted at source at 10%)**	Dr.		12,000	10,800 1,200
March 31	Debentureholders' A/c To Bank A/c **(Interest paid)**	Dr.		10,800	10,800
March 31	Income Tax Payable A/c To Bank A/c **(TDS deposited with Income Tax authorities)**	Dr.		1,200	1,200
March 31	Statement of Profit and Loss To Interest on Debentures A/c **(Interest for full year i.e. ₹12,000 + ₹12,000 transferred to Statement of Profit and Loss)**	Dr.		24,000	24,000

SOLUTION: 24.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To 12% Debenture Application & Allotment A/c **(Application money received)**	Dr.		40,000	40,000
	12% Debenture Application & Allotment A/c To 12% Debentures A/c **(Transfer of application money to Debentures Account, issued at par, redeemable at par)**	Dr.		40,000	40,000

(ii)	Bank A/c	Dr.		36,000	
	To 12% Debenture Application & Allotment A/c				36,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		36,000	
	Discount on issue of Debentures A/c	Dr.		4,000	
	To 12% Debentures A/c				40,000
	(Transfer of application money to Debentures Account, issued at a discount of 10%, redeemable at par)				
(iii)	Bank A/c	Dr.		42,000	
	To 12% Debenture Application & Allotment A/c				42,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		42,000	
	To 12% Debentures A/c				40,000
	To Securities Premium Reserve A/c				2,000
	(Transfer of application money to Debentures Account, issued at a premium of 5%, redeemable at par)				
(iv)	Bank A/c	Dr.		40,000	
	To 12% Debenture Application & Allotment A/c				40,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		40,000	
	Loss on issue of debentures A/c	Dr.		4,000	
	To 12% Debentures A/c				40,000
	To Premium on Redemption A/c				4,000
	(Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 10%)				
(v)	Bank A/c	Dr.		38,000	
	To 12% Debenture Application & Allotment A/c				38,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		38,000	
	Loss on issue of debentures A/c **(1)**	Dr.		4,000	
	To 12% Debentures A/c				40,000
	To Premium on Redemption A/c				2,000
	(Transfer of application money to Debentures Account, issued at a discount of 5% and redeemable at a premium of 5%)				

SOLUTION: 25.

(a) Journal of KTR Ltd.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2016 March 4	Bank A/c	Dr.		3,65,000	
	To 9% Debenture Application & Allotment A/c				3,65,000
	(Application money received)				

March 4	9% Debenture Application & Allotment A/c Loss on issue of Debentures A/c To 9% Debentures A/c To Premium on Redemption of Debentures A/c **(Transfer of application money to debentures account issued at par, but redeemable at a premium of 10%)**	Dr. Dr.		3,65,000 36,500	 3,65,000 36,500

(b)	Journal of KTR Ltd.				
Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2016 March 4	Bank A/c (365 x ₹940) To 9% Debenture Application & Allotment A/c **(Application money received on 365 debentures at a discount of 6%)**	Dr.		3,43,100	 3,43,100
March 4	9% Debenture Application & Allotment A/c Loss on Issue of Debentures A/c **(1)** To 9% Debentures A/c To Premium on Redemption of Debentures A/c **(Transfer of application money to debentures account issued at 6% discount, but redeemable at a premium of 5%)**	Dr. Dr.		3,43,100 40,150	 3,65,000 18,250

Working Note: (1) Loss on Issue of Debentures ₹

6% Discount on Issue = 365 x ₹60 = 21,900

5% Premium on Redemption = 365 x ₹50 = 18,250

40,150

SOLUTION: 26.

JOURNAL

Date	**Particulars**	**L.F.**	**Dr. (₹)**	**Cr. (₹)**
Case (i)	Bank A/c Dr. To Debenture Application and Allotment A/c **(Application money received)**		10,500	 10,500
	Debenture Application and Allotment A/c Dr. To 7% Debentures A/c To Securities Premium Reserve A/c **(Issue of 100, 7% debentures of ₹100 each at ₹105 each)**		10,500	 10,000 500
Case (ii)	Bank A/c Dr. To Debenture Application and Allotment A/c **(Application money received)**		10,000	 10,000

Case (iii)	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7% Debentures A/c To Premium on Redemption of Debentures A/c **(Issue of 100, 7% Debentures of ₹100 each at par repayable at ₹105 each)**	10,000 500	 10,000 500
	Bank A/c Dr. To Debenture Application and Allotment A/c **(Application money received)**	10,500	 10,500
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c **(Issue of 100, 7% Debentures at ₹105 repayable at ₹108 each)**	10,500 800	 10,000 500 800

SOLUTION : 27.

Books of Luxury Cosmetics Ltd.
JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c Dr. To 9% Debenture Application A/c **(Application money received on 30,00,000 debentures @ ₹200 each)**		60,00,00,000	 60,00,00,000
9% Debenture Application A/c Dr. To 9% Debentures A/c **(Application money transferred to 9% Debentures A/c)**		60,00,00,000	 60,00,00,000
9% Debenture Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption A/c **(Allotment due @ ₹280 each on 30,00,000 debentures issued at 4% discount and redeemable at 5% premium)**		84,00,00,000 13,50,00,000	 90,00,00,000 7,50,00,000
Bank A/c Dr. To 9% Debenture Allotment A/c **(Allotment money received)**		84,00,00,000	 84,00,00,000

SOLUTION: 28.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 8% Debenture Application A/c **(Application money received on 5,000 Debentures @ ₹80 each)**		4,00,000	 4,00,000

	8% Debenture Application A/c Dr. To 8% Debentures A/c **(Application money adjusted)**		4,00,000	 4,00,000
	8% Debenture Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c **(Allotment money due on 5,000 Debentures ₹132 each including premium of ₹12 each and redeemable at 5% premium)**		6,60,000 50,000	 6,00,000 60,000 50,000
	Bank A/c Dr. To 8% Debenture Allotment A/c **(Allotment money received)**		6,60,000	 6,60,000

SOLUTION: 29.

JOURNAL ENTRIES FOR ISSUE OF DEBENTURES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013 April 1	Bank A/c Dr. To Debentures Application & Allotment A/c **(Receipt of application money on debentures)**		13,30,000	 13,30,000
April 1	Debentures Application & Allotment A/c Dr. Discount on Issue of Debentures A/c To Debentures A/c Dr. **(Issue of Debentures at 5% discount and redeemable at par)**		13,30,000 70,000	 14,00,000

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2013		₹	2014		₹
April 1	To Debentures A/c	70,000	March 31	By Statement of P & L (1/7 of ₹70,000)	10,000
			March 31	By Balance c/d	60,000
		70,000			70,000
2014			2015		
April 1	To Balance b/d	60,000	March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	50,000
		60,000			60,000
2015			201o		
April 1	To Balance b/d	50,000	March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	40,000
		50,000			50,000
2016			2017		

April 1	To Balance b/d	40,000	March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	30,000
		40,000			**40,000**

SOLUTION: 30.

Discount on the issue of debentures = 5,00,000 x 6/100= ₹30,000.
Since debentures amounting to ₹1,00,000 are to be redeemed each year, the amount of discount on issue written off from Statement of P & L is determined as follows :

Year ending on	Debentures Outstanding ₹	Ratio*	Amount of Discount to be written off each rear ₹ ₹
31.3.2015	5,00,000	5 or 5/15	30,000 x 5/15 = 10,000
31.3.2016	4,00,000	4 or 4/15	30,000 x 4/15 = 8,000
31.3.2017	3,00,000	3 or 3/15	30,000 x 3/15 = 6,000
31.3.2018	2,00,000	2 or 2/15	30,000 x 2/15 = 4,000
31.3.2019	1,00,000	1 or 1/15	30,000 x 1/15 = 2,000
		15	**30,000**

*Ratio has been obtained by dividing Debentures Outstanding by 1,00,000.

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2014 April 1	To Debentures A/c	30,000	2015 March 31	By Statement of P & L	10,000
			March 31	By Balance c/d	20,000
		30,000			**30,000**
2015 April 1	To Balance b/d	20,000	2016 March 31	By Statement of P & L	8,000
			March 31	By Balance c/d	12,000
		20,000			**20,000**
2016 April 1	To Balance b/d	12,000	2017 March 31	By Statement of P & L	6,000
			March 31	By Balance c/d	6,000
		12,000			**12,000**
2017 April 1	To Balance b/d	6,000			

SOLUTION: 31.

Discount on Issue of Debentures = 1,20,000 x 6/100 = ₹7,200

Year	Amount Utilised ₹	Ratio	Amount of loss transferred to Statement of P & L	
1	1,20,000	**3**	7,200 x 3/12	= 1,800
2	1,20,000	**3**	7,200 x 3/12	= 1,800
3	1,20,000	**3**	7,200 x 3/12	= 1,800
4	80,000	**2**	7,200 x 2/12	= 1,200
5	40,000	**1**	7,200 x 1/12	= 600
		12		**7,200**

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012 April 1	To 10% Debentures A/c	7,200	2013 March 31 March 31	By Statement of P & L By Balance c/d	1,800 5,400
		7,200			**7,200**
2013 April 1	To Balance b/d	5,400	2014 March 31 March 31	By Statement of P & L By Balance c/d	1,800 3,600
		5,400			**5,400**
2014 April 1	To Balance b/d	3,600	2015 March 31 March 31	By Statement of P & L By Balance e/d	1,800 1,800
		3,600			**3,600**
2015 April 1	To Balance b/d	1,800	2016 March 31 March 31	By Statement of P & L By Balance c/d	1,200 600
		1,800			**1.800**
2016 April 1	To Balance b/d	600	2017 March 31	By Statement of P & L	600
		600			**600**

SOLUTION: 32.

Discount on the issue of Debentures = 10,00,000 x 5/100 = ₹50,000.
Discount of ₹50,000 will be written off from Statement of P & L in the following manner:

Year ending	Debentures Outstanding ₹	Ratio	Amount to be written off ₹	₹
31.3.2013	10,00,000	10 or 10/40	50,000 x 10/40 =	12,500
31.3.2014	10,00,000	10 or 10/40	50,000 x 10/40 =	12,500
31.3.2015	10,00,000	10 or 10/40	50,000 x 10/40 =	12,500
31.3.2016	7,00,000	7 or 7/40	50,000 x 7/40 =	8,750
31.3.2017	3,00,000	3 or 3/40	50,000 x 3/40 =	3,750
		40		**50,000**

Dr. **DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
2012 April 1	To 8% Debentures A/c	50,000	2013 March 31 March 31	By Statement of P & L By Balance c/d	12,500 37,500
		50,000			**50,000**
2013 April 1	To Balance b/d	37,500	2014 March 31 March 31	By Statement of P & L By Balance c/d	12,500 25,000
		37,500			**37,500**
2014 April 1	To Balance b/d	25,000	2015 March 31 March 31	By Statement of P & L By Balance c/d	12,500 12,500
		25,000			**25,000**
2015 April 1	To Balance b/d	12,500	2016 March 31 March 31	By Statement of P & L By Balance c/d	8,750 3,750
		12,500			**12,500**
2016 April 1	To Balance b/d	3,750	2017 March 31	By Statement of P & L	3,750
		3,750			**3,750**

SOLUTION: 33.

Discount on Debentures = 6,000 x 100 x 6/100 = ₹36,000.
Discount to be written off is determined as follows:

At the end of	Debentures Outstanding ₹	Ratio	Discount to be written off ₹	
Ist Year	6,00,000	**3**	36,000 x 3/10	= 10,800
IInd Year	6,00,000	**3**	36,000 x 3/10	= 10,800
IIIrd Year	6,00,000	**3**	36,000 x 3/10	= 10,800
IVth Year	2,00,000	**1**	36,000 x 1/10	= 3,600
		10		**36,000**

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	**Year**		₹
I	To 12% Debentures A/c	36,000	**I**	By Statement of Profit & Loss	10,800
				By Balance c/d	25,200
		36,000			**36,000**
II	To Balance b/d	25,200	**II**	By Statement of Profit & Loss	10,800
				By Balance c/d	14,400
		25,200			**25,200**
III	To Balance b/d	14,400	**III**	By Statement of Profit & Loss	10,800
				By Balance c/d	3,600
		14,400			**14,400**
IV	To Balance b/d	3,600	**IV**	By Statement of Profit & Loss	3,600
		3,600			**3,600**

SOLUTION: 34.

Total Discount = 80,00,000 x ₹100 x 6/100 = 4.8 Crores
Less: Securities Premium = 1.6 Crores
Discount to be written off to Statement of P & L = **3.2 Crores**

Year ending	Debentures Outstanding ₹ (in Crores)	Ratio*	Amount of Discount to be written off to Statement of P&L ₹(in Crores)
31st March 2008	80	5	5/40 x ₹3.2 = 0.4
31st March 2009	80	5	5/40 x ₹3.2 = 0.4
31st March 2010	80	5	5/40 x ₹3.2 = 0.4
31st March 2011	80	5	5/40 x ₹3.2 = 0.4
31st March 2012	80	5	5/40 x ₹3.2 = 0.4
31st March 2013	80	5	5/40 x ₹3.2 = 0.4
31st March 2014	64	4	4/40 x ₹3.2 = 0.32
31st March 2015	48	3	3/40 x ₹3.2 = 0.24
31st March 2016	32	2	2/40 x ₹3.2 = 0.16
31st March 2017	16	1	1/40 x ₹3.2 = 0.08
		40	**3.2**

*** Ratio has been obtained by dividing Debentures Outstanding by 16.**

Books of Supriya Ltd.
JOURNAL **(in Crores)**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2007					
April 1	Bank A/c	Dr.		75.2	
	To 9% Debenture Application & Allotment A/c				75.2
	(Application money received)				
April 1	9% Debenture Application & Allotment A/c	Dr.		75.2	
	Discount on Issue of Debentures A/c			4.8	
	To 9% Debentures A/c				80.0
	(Transfer of application money to debentures account, issued at a discount of 6%)				
2008					
March 31	Securities Premium A/c	Dr.		1.6	
	To Discount on Issue of Debentures A/c				1.6
	(Utilisation of securities premium for writing discount)				
March 31	Statement of Profit and Loss	Dr.		0.4	
	To Discount on Issue of Debentures A c				0.4
	(Discount on issue of debentures written off)				
2009 March 31	Statement of Profit and Loss	Dr.		0.4	
	To Discount on Issue of Debentures A/c				0.4
	(Discount on issue of debentures written off)				

2010 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written off)**		0.4	0.4
2011 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written oil)**		0.4	0.4
2012 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written off)**		0.4	0.4
2013 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written off)**		0.4	0.4
2014 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written off)**		0.32	0.32
2015 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written off)**		0.24	0.24
2016 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written oil)**		0.16	0.16
2017 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c **(Discount on issue of debentures written oil)**		0.08	0.08

SOLUTION: 35.

Discount on Issue = ₹60 Crores x 6/200 = ₹ 1.8 Crores
Premium on Redemption = ₹60 Crores x 5/100 = ₹ 3 Crores
Total Loss on Issue of Debentures = ₹ 4,8 Crores
The loss on issue of debentures will be written off from Statement of P & L in the following manner:

Year ending	Debentures Outstanding ₹	Ratio *	Amount of Loss on Issue to be written off to Statement of P&L (₹ in Crores)	
March 31, 2011	60	5	5/30 x ₹4.8	= 0.8
March 31, 012	60	5	5/30 x ₹4.8	= 0.8
March 31, 2013	60	5	5/30 x ₹4.8	= 0.8
March 31, 2014	60	5	5/30 x ₹4.8	= 0.8
March 31, 2015	60	5	5/30 x ₹4.8	= 0.8
March 31, 2016	36	3	5/30 x ₹4.8	= 0.48
March 31,2017	24	2	5/30 x ₹4.8	= 0.32
		30		= 3

*** Ratio has been obtained by dividing debentures outstanding by 12.**

Dr. **LOSS ON ISSUE OF DEBENTURES A/C** Cr.

Date	Particulars	Amount (₹ in Crores)	Date	Particulars	Amount (₹ in Crores)
2010			2011		
April 1	To 9% Debentures A/c (3% Discount on 60 Crores)	1.8	March 31	By Statement of Profit & Loss	0.8
April 1	To Premium on Redemption of Debentures A/c (5% on 60 Crores)	3	March 31	By Balance c/d	4.0
		4.8			**4.8**
2011			2012		
April 1	To Balance b/d	4.0	March 31	By Statement of Profit & Loss	0.8
			March 31	By Balance c/d	3.2
		4.0			**4.0**
2012			2013		
April 1	To Balance b/d	3.2	March 31	By Statement of Profit & Loss	0.8
			March 31	By Balance c/d	2.4
		3.2			**3.2**
2013			2014		
April 1	To Balance b/d	2.4	March 31	By Statement of Profit & Loss	0.8
			March 31	By Balance c/d	1.6
		2.4			**2.4**
2014			2015		
April 1	To Balance b/d	1.6	March 31	By Statement of Profit & Loss	0.8
			March 31	By Balance c/d	0.8
		1.6			**1.6**
2015			2016		
April 1	To Balance b/d	0.8	March 31	By Statement of Profit & Loss	0.48
			March 31	By Balance c/d	0.32
		0.8			**0.8**
2016			2017		
April 1	To Balance b/d	0.32	March 31	By Statement of Profit & Loss	0.32
		032			**032**

Additional Questions (For Practice)

SOLUTION: 36.

JOURNAL OF RAJ LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c	Dr.		2,20,000	
	To Vendor's A/c				2,20,000
	(Furniture purchased)				
(i)	When Debentures are issued at par :				
	Vendors' A/c	Dr.		2,20,000	
	To 15% Debentures A/c				2,20,000
	(Issue of 2,200 debentures of ₹100 each)				
(ii)	When Debentures are issued at premium :				
	Vendor's A/c	Dr.		2,20,000	
	To 15% Debentures A/c				2,00,000
	To Securities Premium Reserve A/c				20,000
	(Issue of 2,000 debentures of ₹100 each at 10% premium, calculated as follows : 2,20,000/110 = 2,000 debentures)				

SOLUTION: 37.

JOURNAL OF ASHOKA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c	Dr.		1,35,000	
	To Vendor's A/c				1,35,000
	(Machinery purchased from Vendor for ₹ 1,35,000)				
	When Debentures are issued at par :				
(i)	Vendor's A/c	Dr.		1,35,000	
	To 12% Debentures A/c				1,35,000
	(Issue of 1,350 debentures of ₹100 each at par)				
	When Debentures are issued at discount :				
(ii)	Vendor's A/c	Dr.		1,35,000	
	Discount on issue of Debenture A/c	Dr.		15,000	
	To 12% Debentures A/c				1,50,000
	(Issue of 1,500 Debentures of ₹100 each at 10% discount calculated as 1,35,000/90 = 1,500 Debentures.)				

SOLUTION: 38.

JOURNAL OF SUVIDHA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c	Dr.		1,98,000	
	To Supplier's Ltd.				1,98,000
	(Machinery purchased)				
(i)	When Debentures are issued at par :				
	Supplier's Ltd.	Dr.		1,98,000	198,000
	To 12% Debentures A/c				

	(Issue of 1,980 debentures of ₹100 each at par)			
(ii)	When Debentures are issued at Discount:			
	Supplier's Ltd. A/c	Dr.	1,98,000	
	Discount on Debenture A/c	Dr.	22,000	
	To 12% Debentures A/c			2,20,000
	(Issue of 2,200 debentures of ₹100 each at 10% discount calculated as follows : 1,98,000/90 = 2,200 debentures)			
(iii)	When debentures are issued at premium :	Dr.		
	Supplier's Ltd.		1,98,000	
	To 12% Debentures A/c			1,80,000
	To Securities Premium Reserve A/c			18,000
	(Issue of 1,800 debentures of ₹100 each at 10% premium, calculated as follows : 1,98,000/110 = 1,800 debentures)			

SOLUTION: 39.

JOURNAL OF ROMI LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Assets A/c	Dr.		20,00,000	
	To Creditors				2,00,000
	To Kapil Enterprises				18,00,000
	(Purchase of assets and creditors from Kapil Enterprises)				
	Kapil Enterprises	Dr.		18,00,000	
	Discount on Debentures A/c	Dr.		2,00,000	
	To 8% Debentures A/c				20,00,000
	(Issue of 20,000 Debentures of ₹ 100 each at a discount of 10%)				

Note:

No. of Debentures issued = Purchase Consideration/ Issue Price = ₹18,00,000/90= 20,000

SOLUTION: 40.

JOURNAL OF DEEPAK LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c	Dr.		2,20,000	2,20,000
	To M/s Furniture Mart				
	(Furniture purchased)				
	M/s Furniture Mart Dr.			1,10,000	1,10,000
	To Bills Payable A/c				
	(Half the payment made by accepting bill of exchange)				
	M/s Furniture Mart Dr.			1,10,000	1,00,000
	To 9% Debentures A/c				10,000
	To Securities Premium Reserve A/c				
	(Issue of debentures of the face value of ₹1,00,000 at 10%				

	premium, calculated as follows : 1,10,000 x 100/110 = ₹1,00,000)				

SOLUTION: 41.

BOOKS OF X LTD.
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	Dr.		8,00,000	
	Land and Building A/c	Dr.		72,00,000	
	To Y Ltd.				80,00,000
	(Purchase of assets of Y Ltd.)				
	Y Ltd.	Dr.		20,00,000	
	To Bank A/c				20,00,000
	(Part payment made through Bank)				
	Y Ltd.	Dr.		60,00,000	
	To 6% Debentures A/c				50,00,000
	To Securities Premium Reserve A/c				10,00,000
	(Issue of 50,000 Debentures of ₹100 each at 20% premium calculated as 60,00,000/120= 50,000)				

SOLUTION: 42.

JOURNAL OF TUSHAR LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	Sundry Assets A/c	Dr.		14,40,000	
	To Sundry Liabilities A/c				2,55,000
	To Chander Ltd.				11,85,000
	(Purchase of assets and liabilities of Chander Ltd.)				
April 1	Chander Ltd.	Dr.		2,40,000	
	To Bank A/c				2,40,000
	(Part payment made in cash)				
April 1	**Case (i)**				
	Chander Ltd.	Dr.		9,45,000	
	To 11 % Debentures A/c				9,00,000
	To Securities Premium Reserve A/c				45,000
	(Balance of ₹9,45,000 settled by the issue of ₹9,00,000 debentures)				
April 1	**Case (ii)**				
	Chander Ltd.	Dr.		9,45,000	
	Discount on Debenture A/c	Dr.		1,05,000	
	To 12% Debentures A/c				10,50,000
	(Balance of ₹9,45,000 settled by the issue of ₹10,50,000 debentures)				

SOLUTION: 43.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		6,00,000	
	Goodwill A/c	Dr.		30,000	
	To Sundry Liabilities A/c				1,50,000
	To Golden Ltd.				4,80,000
	(Purchase of assets and liabilities of the vendor company)				
	Golden Ltd.	Dr.		4,80,000	
	To Debentures A/c				4,36,300
	To Securities Premium Reserve A/c				43,630
	To Bank A/c				70
	(Issue of 4,363 debentures of ₹100 each at 10% premium and the balance paid in cash)				

SOLUTION: 44.

JOURNAL OF X LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		5,00,000	
	To Sundry Liabilities A/c				1,00,000
	To Capital Reserve A/c				20,000
	To Vendor Co.				3,80,000
	(Purchase of assets and liabilities of the vendor company)				
	Vendor Co.	Dr.		3,80,000	
	Discount on Debentures A/c	Dr.		42,220	
	To Debentures A/c				4,22,200
	To Bank A/c				20
	(Issue of 4,222 debentures of ₹100 each at 10% discount and the balance paid in cash)				

Working Note: Number of Debentures to be issued = 3,80,000/90 = 4,222.22 or 4,222

SOLUTION: 45.

Books of Oberoi Ltd.

Dr. CASH BOOK Cr.

Particulars	L.F.	₹	Particulars	L.F.	₹
To 12% Debenture Application A/c		5,60,000	By Balance c/d		15,64,000
To 12% Debenture Allotment A/c		3,68,000			
To 12% Debenture First & Final Call A/e		6,36,000			
		15,64,000			**15,64,000**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		6,30,000	
	To Vikram Ltd.				6,30,000
	(Purchase of Assets of Vikram Ltd.)				
	Vikram Ltd.	Dr.		6,30,000	
	To 12% Debentures A/c				6,00,000
	To Securities Premium Reserve A/c				30,000
	(Issue of 6,000 Debentures of ₹100 each at 5% premium, calculated as 6,30,000/105 = 6,000)				
	Bank A/c	Dr.		5,60,000	
	To 12% Debenture Application A/c				5,60,000
	(Application money received for 16,000 debentures @ ₹35 each)				
	12% Debenture Application A/c	Dr.		5,60,000	
	To 12% Debentures A/c				5,60,000
	(Application money transferred)				
	12% Debenture Allotment A/c	Dr.		3,68,000	
	Discount on Debentures A/c	Dr.		32,000	
	To 12% Debentures A/c				4,00,000
	(Allotment due)				
	Bank A/c	Dr.		3,68,000	
	To 12% Debenture Allotment A/c				3,68,000
	(Amount received on allotment)				
	12% Debenture First & Final Call A/c	Dr.		6,40,000	
	To 12% Debentures A/c				6,40,000
	(First & Final Call due on 16,000 debentures @ ₹40 each)				
	Bank A/c	Dr.		6,36,000	
	To 12% Debenture First & Final Call A/c				6,36,000
	(Amount received on First & Final Call on 15,900 debentures)				

SOLUTION: 46.

Following entries may be passed for issue of debentures:

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
1.	Bank A/c	Dr.		5,00,000	
	To Bank Loan A/c				5,00,000
	(Loan taken from the Bank)				
2.	Debentures Suspense A/c Dr.	Dr.		8,00,000	
	To 10% Debentures A/c				8,00,000
	(Issue of ₹8,00,000 debentures as collateral security to secure a loan of ₹5,00,000 from the Bank)				

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :	1	5,00,000	
Long-term Borrowings			
II. ASSETS:	2	5,00,000	
Current Assets :			
Cash and Cash Equivalents			

Notes to Accounts:

			₹
(1)	**Long term Borrowings :**	8,00,000	
	10% Debentures		
	Less: Debentures Suspense A/c	8,00,000	—
	Bank Loan		
	(On Collateral Security of Debentures of ₹8,00,000)		**5,00,000**
(2)	**Cash and Cash Equivalents :**		
	Cash at Bank		**5,00,000**

SOLUTION: 47.

JOURNAL OF X LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		10,00,000	
	To Bank Loan A/c				10,00,000
	(Loan taken, secured by the issue of ₹10,00,000 Debentures)				
	Debentures Suspense A/c	Dr.		10,00,000	
	To 12% Debentures A/c				10,00,000
	(Issue of Debentures as collateral security)				
	Bank A/c	Dr.		6,00,000	
	To 12% Debenture Application A/c				6,00,000
	(Application money received for 20,000 debentures @ ₹30 each)				

12% Debenture Application A/c Dr. To 12% Debentures A/c To 12% Debenture Allotment A/c To Bank A/c **(Application money transferred)**		6,00,000	 4,50,000 30,000 1,20,000
12% Debenture Allotment A/c Dr. Discount on Debentures A/c Dr. To 12% Debentures A/c **(Allotment due)**		2,70,000 30,000	3,00,000
Bank A/c Dr. To 12% Debenture Allotment A/c **(Amount received on allotment)**		2,40,000	 2,40,000
12% Debenture First Call A/c Dr. To 12% Debentures A/c **(First Call due)**		3,00,000	 3,00,000
Bank A/c Dr. To 12% Debenture First Call A/c **(Amount received on First Call)**		3,00,000	 3,00,000
12% Debenture Second & Final Call A/c Dr. To 12% Debentures A/c **(Second & Final Call due)**		4,50,000	 4,50,000
Bank A/c Dr. To 12% Debenture Second & Final Call A/c **(Second & Final Call money received)**		4,50,000	 4,50,000

BALANCE SHEET OF X LTD.
As at.........

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	25,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	2	30,000	
Current Assets :			
Cash and Cash Equivalents	3	24,70,000	
		25,00,000	

Notes to Accounts:

(1) Long term Borrowings :		
25,000, 12% Debentures of 1100 each	25,00,000	
Less : Debentures Suspense A/c	10,00,000	15,00,000
Bank Loan		10,00,000
(On collateral security of 10,000, 12% Debentures of ₹100 each)		
(2) Unamortized Expenses :		25,00,000
Discount on Debentures		30,000
(3) Cash and Cash Equivalents :		
Cash at Bank		**24,70,000**

SOLUTION: 48.

Case (1) **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		20,00,000	
	To 12% Debenture Application & Allotment A/c				20,00,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		20,00,000	
	To 12% Debentures A/c				20,00,000
	(Transfer of application money to Debentures Account, issued at par and redeemable at par)				

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :	1	₹	₹
Non-Current Liabilities :			
Long-term Borrowings		20,00,000	
II. ASSETS :			
Current Assets :	2		
Cash and Cash Equivalents		20,00,000	

Notes to Accounts :

(1) Long term Borrowings :	₹
20,000, 12% Debentures of ₹100 each	20,00,000
(2) Cash and Cash Equivalents :	
Cash at Bank	20,00,000

Case (2) **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		18,00,000	
	To 12% Debenture Application & Allotment A/c				18,00,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		18,00,000	
	Discount on issue of Debentures A/c	Dr.		2,00,000	
	To 12% Debentures A/c				20,00,000
	(Transfer of application money to Debentures Account, issued at a discount of 10% and redeemable at par)				

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	20,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	2	2,00,000	
Current Assets :			
Cash and Cash Equivalents	3	18,00,000	
		20,00,000	

Notes to Accounts :	
(1) Long term Borrowings : 20,000, 12% Debentures of ₹100 each	20,00,000
(2) Unamortized Expenses : Discount on Debentures	2,00,000
(3) Cash and Cash Equivalents : Cash at Bank	18,00,000

Case (3) **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		22,00,000	
	To 12% Debenture Application & Allotment A/c				22,00,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		22,00,000	
	To 12% Debentures A/c				20,00,000
	To Securities Premium Reserve A/c				2,00,000
	(Transfer of application money to Debentures Account, issued at a premium of 10% and redeemable at par)				

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
Reserves and Surplus Non-Current Liabilities	1	2,00,000	
Long-term Borrowings	2	20,00,000	
II. ASSETS :		**22,00,000**	
Current Assets :			
Cash and Cash Equivalents	3	**22,00,000**	

Notes to Accounts:

	₹
(1) Reserve and Surplus :	
Securities Premium Reserve	2,00,000
(2) Long term Borrowings :	
20,000, 12% Debentures of ₹100 each	20,00,000
(3) Cash and Cash Equivalents :	
Cash at Bank	22,00,000

Case (a) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		20,00,000	
	To 12% Debenture Application & Allotment A/c				20,00,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		20,00,000	
	Loss on issue of debentures A/c	Dr.		1,00,000	
	To 12% Debentures A/c				20,00,000
	To Premium on Redemption A/c				1,00,000
	(Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)				

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	20,00,000	
Other Long term Liabilities	2	1,00,000	
		21,00,000	
II. ASSETS :	3		
Other Current/Non-Current Assets :	4		
Unamortized Expenses		1,00,000	
Current Assets :		20,00,000	
Cash and Cash Equivalents			

		21,00,000	

Notes to Accounts :	
(1) Long term Borrowings : 20,000, 12% Debentures of ₹100 each	₹ 20,00,000
(2) Other Long term Liabilities : Premium on Redemption	1,00,000
(3) Unamortized Expenses : Loss on Issue of Debentures	1,00,000
(4) Cash and Cash Equivalents : Cash at Bank	20,00,000

Case (b) **JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c **(Application money received)**		18,00,000	 18,00,000
	12% Debenture Application & Allotment A/c Dr. Loss on issue of debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption A/c **(Transfer of application money to Debentures Account, issued at a discount of 10% and redeemable at a premium of 5%)**		18,00,000 3,00,000**(1)**	 20,00,000 1,00,000

Note (1): Loss on issue A/c has been debited by ₹3,00,000 by grouping together the discount on issue ₹2,00,000 and Premium on Redemption ₹1,00,000.

BALANCE SHEET as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	20,00,000	
Other Long term Liabilities	2	1,00,000	
		21,00,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	3	3,00,000	
Current Assets :			

Cash and Cash Equivalents	4	18,00,000 **21,00,000**	

Notes to Accounts:

	₹
(1) Long term Borrowings : 20,000, 12% Debentures of ₹100 each	20,00,000
(2) Other Long term Liabilities : Premium on Redemption	1,00,000
(3) Unamortized Expenses : Loss on Issue of Debentures	3,00,000
(4) Cash and Cash Equivalents : Cash at Bank	18,00,000

SOLUTION: 49. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c	Dr.		4,32,000	
	To Debenture Application and Allotment A/c				4,32,000
	(Debenture Application money received)				
	Debenture Application and Allotment A/c	Dr.		4,32,000	
	Loss on Issue of Debentures A/c	Dr.		40,000	
	To 9% Debentures A/c				4,00,000
	To Securities Premium Reserve A/c				32.000
	To Premium on Redemption of Debentures A/c				40.000
	(Issue of ₹4,00,000 9% Debentures of ₹100 each at a premium of 8% and redeemable at a premium of 10%)				
(ii)	Bank A/c	Dr.		6,00,000	
	To Debenture Application and Allotment A/c				6,00,000
	(Debenture Application money received)				
	Debenture Application and Allotment A/c	Dr.		6,00,000	
	Loss on Issue of Debentures A/c	Dr.		60,000	
	To 9% Debentures A/c				6,00,000
	To Premium on Redemption of Debentures A/c				60,000
	(Issue of ₹6,00,000 9% Debentures of ₹100 each, repayable at a premium of 10%)				
(iii)	Bank A/c	Dr.		10,50,000	
	To Debenture Application and Allotment A/c				10,50,000
	(Debenture Application money received)				
	Debenture Application and Allotment A/c	Dr.		10,50,000	
	To 9% Debentures A/c				10,00,000
	To Securities Premium Reserve A/c				50,000
	(Issue of ₹10,00,000, 9% Debentures of ₹100 each at a premium of 5%, redeemable at par)				

SOLUTION: 50.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c	Dr.		3,84,000	
	To Debenture Application & Allotment A/c				3,84,000
	(Application money received on 400 debentures @ ₹960 each)				
	Debenture Application & Allotment A/c	Dr.		3,84,000	
	Discount on Debenture A/c	Dr.		16,000	
	To Debentures A/c				4,00,000
	(Transfer of application money to Debentures Account, issued at a Discount of 4% and repayable at par)				
(ii)	Bank A/c	Dr.		4,16,000	
	To Debenture Application & Allotment A/c				4,16,000
	(Application money received on 400 debentures @ ₹1,040 each)				
	Debenture Application & Allotment A/c	Dr.		4,16,000	
	To Debentures A/c				4,00,000
	To Securities Premium Reserve A/c				16,000
	(Transfer of application money to Debentures Account, issued at a premium of 4% and repayable at par)				
(iii)	Bank A/c	Dr.		4,00,000	
	To Debenture Application & Allotment A/c				4,00,000
	(Application money received on 400 debentures @ ₹ 1,000 each)				
	Debenture Application & Allotment A/c	Dr.		4,00,000	
	Loss on Issue of Debenture A/c	Dr.		24,000	
	To Debentures A/c				4,00,000
	To Premium on Redemption of Debenture A/c				24,000
	(Transfer of application money to Debentures Account, issued at par, repayable at a premium of 6%)				
(iv)	Bank A/c	Dr.		3,84,000	
	To Debenture Application & Allotment A/c				3,84,000
	(Application money received on 400 debentures @ ₹960 each)				
	Debenture Application & Allotment A/c	Dr.		3,84,000	
	Loss on Issue of Debentures A/c	Dr.		40,000	
	To Debentures A/c				4,00,000
	To Premium on Redemption of Debenture A/c				24,000
	(Transfer of application money to Debentures Account, issued at a discount of 4% and repayable at a premium of 6%)				

SOLUTION: 51.

I. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		5,00,000	
	To 12% Debenture Application & Allotment A/c				5,00,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		5,00,000	
	To 12% Debentures A/c				5,00,000
	(Transfer of application money to Debentures Account, issued at par, redeemable at par)				

II. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		7,52,000	
	To 11% Debenture Application & Allotment A/c				7,52,000
	(Application money received)				
	11% Debenture Application & Allotment A/c	Dr.		7,52,000	
	Discount on issue of Debentures A/c	Dr.		48,000	
	To 11% Debentures A/c				8,00,000
	(Transfer of application money to Debentures Account, issued at a discount of 6%, redeemable at par)				

III. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		10,50,000	
	To 14% Debenture Application & Allotment A/c				10,50,000
	(Application money received)				
	14% Debenture Application & Allotment A/c	Dr.		10,50,000	
	To 14% Debentures A/c				10,00,000
	To Securities Premium Reserve A/c				50,000
	(Transfer of application money to Debentures Account, issue at a premium of 5%, redeemable at par)				

IV. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		20,00,000	
	To 12% Debenture Application & Allotment A/c				20,00,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		20,00,000	
	Loss on issue of Debentures A/c	Dr.		1,00,000	
	To 12% Debentures A/c				20,00,000
	To Premium on Redemption A/c				1,00,000
	(Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)				

V. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		11,52,000	
	To 13% Debenture Application & Allotment A/c				11,52,000
	(Application money received)				
	13% Debentures Application & Allotment A/c	Dr.		11,52,000	
	Loss on issue of Debentures A/c	Dr.		1,20,000**(1)**	
	To 13% Debentures A/c				12,00,000
	To Premium on Redemption A/c				72,000
	(Transfer of application money to Debentures Account, issued at a discount of 4% and redeemable at a premium of 6%)				

Note 1: Loss on issue A/c has been debited by ₹1,20,000 by grouping together the discount on issue ₹48,000 and premium on redemption ₹72,000.

SOLUTION: 52.

JOURNAL OF X LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c	Dr.		1,90,000	
	To 12% Debenture Application & Allotment A/c				1,90,000
	(Application money received)				
	12% Debentures Application & Allotment A/c	Dr.		1,90,000	
	Discount on Issue of Debentures A/c	Dr.		10,000	
	To 12% Debenture A/c				2,00,000
	(Transfer of application money to Debentures Account, issued at 5% discount, repayable at par)				

JOURNAL OF Y LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(b)	Bank A/c	Dr.		4,75,000	
	To 11% Debenture Application & Allotment A/c				4,75,000
	(Application money received)				
	11% Debenture Application & Allotment A/c	Dr.		4,75,000	
	Loss on Issue of Debentures A/c	Dr.		60,000	
	To 11% Debentures A/c				5,00,000
	To Premium on Redemption A/c				35,000
	(Transfer of application money to Debentures Account, issued at 5% discount and redeemable at 7% premium)				

SOLUTION: 53.

JOURNAL ENTR1LS

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		57,600	
	To 14% Debenture Application & Allotment A/c				57,600
	(Application money received on 600 debentures @ ₹96 each)				
	14% Debenture Application & Allotment A/c	Dr.		57,600	
	Loss on Issue of Debentures A/c	Dr.		8,400	
	To 14% Debentures A/c				60,000
	To Premium on Redemption A/c				6,000
	(Transfer of application money to Debentures Account, issued at 4% discount and redeemable at 10% premium)				

SOLUTION: 54.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c	Dr.		10,00,000	
	To 12% Debenture Application & Allotment A/c				10,00,000
	(Application money received on 10,000 debentures @ ₹ 100 each)				
	12% Debenture Application & Allotment A/c	Dr.		10,00,000	
	Loss on Issue of Debentures A/c	Dr.		50,000	
	To 12% Debentures A/c				10,00,000
	To Premium on Redemption A/c				50,000
	(Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)				
(b)	Bank A/c	Dr.		9,50,000	
	To 12% Debenture Application & Allotment A/c				9,50,000
	(Application money received on 10,000 debentures ₹95 each)				
	12% Debenture Application & Allotment A/c	Dr.		9,50,000	
	Loss on Issue of Debentures A/c	Dr.		1,00,000	
	To 12% Debentures A/c				10,00,000
	To Premium on Redemption A/c				50,000
	(Application money transferred to Debentures Account, issued at 5% discount, redeemable at 5% premium)				
(c)	Bank A/c	Dr.		5,50,000	5,50,000
	To 12% Debenture Application & Allotment A/c				
	(Application money received on 5,000 debentures @ ₹110 each)				
	12% Debenture Application & Allotment A/c	Dr.		5,50,000	
	To 12% Debentures A/c				5,00,000
	To Securities Premium Reserve A/c				50,000
	(Transfer of application money to Debentures Account, issued at a premium of 5%)				

(d)	Machinery A/c Dr.			95,000	
	To Vendor's A/c				95,000
	(Machinery purchased)				
	Vendor's A/c Dr.			95,000	
	Discount on Issue of Debentures A/c Dr.			5,000	
	To 14% Debentures A/c				1,00,000
	(Vendor's Account settled by the issue of 1,000 Debentures of ₹100 each)				
(e)	Bank A/c Dr.			25,000	
	To Bank Loan A/c				25,000
	(Loan taken, secured by the issue of ₹30,000 debentures)				
	Debentures Suspense A/c Dr.			30,000	
	To 13% Debentures A/c				30,000
	(Issue of debentures as collateral security)				

SOLUTION: 55.

(i) JOURNAL OF A LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		4,60,000	
	To 13% Debenture Application & Allotment A/c				4,60,000
	(Application money received)				
	13% Debenture Application & Allotment A/c	Dr.		4,60,000	
	Discount on issue of Debentures A/c	Dr.		40,000	
	To 13% Debentures A/c				5,00,000
	(Transfer of application money to Debentures Account, issued at a discount of 8%, redeemable at par)				

BALANCE SHEET OF A LTD.
as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	**5,00,000**	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	2	40,000	
Current Assets :			
Cash and Cash Equivalents	3	4,60,000	
		5,00,000	

Notes to Accounts :

	₹
(1)Long term Borrowings :	
13% Debentures	5,00,000
(2)Unamortized Expenses :	
Discount on Issue of Debentures	40,000
(3)Cash and Cash Equivalents :	
Cash at Bank	4,60,000

(ii) JOURNAL OF B LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		5,64,000	
	To 12% Debenture Application & Allotment A/c				5,64,000
	(Application money received)				
	12% Debenture Application & Allotment A/c	Dr.		5,64,000	
	Loss on Issue of Debentures A/c	Dr.		78,000	
	To 12% Debentures A/c				6,00,000
	To Premium on Redemption A/c				42,000
	(Transfer of application money to Debentures Account, issued at a discount of 6%, redeemable at a premium of 7%)				

BALANCE SHEET OF B LTD.
as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	6,00,000	
Other Long term Liabilities	2	42,000	
		6,42,000	
II. ASSETS :			
Other Current/Non-Current Assets :			
Unamortized Expenses	3	78,000	
Current Assets :			
Cash and Cash Equivalents	4	5,64,000	
		6,42,000	

Notes to Accounts:

	₹
(1) Long term Borrowings :	
12% Debentures	6,00,000
(2) Other Long term Liabilities :	
Premium on Redemption	42,000
(3) Unamortized Expenses :	
Loss on Issue of Debentures	78,000
(4) Cash and Cash Equivalents :	
Cash at Bank	5,64,000

(iii) JOURNAL OF C LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	Dr.		8,00,000	
	To Vendor's A/c				8,00,000
	(Purchase of plant and machinery)				
	Vendor's A/c	Dr.		2,30,000	
	To Bank A/c				2,30,000
	(Part payment made in cash)				
	Vendor's A/c	Dr.		5,70,000	
	Discount on Debentures A/c	Dr.		30,000	
	To 10% Debentures A/c				6,00,000
	(Issue of 6,000 debentures of ₹100 each at 5% discount calculated as 5,70,000/95 = 6,000 debentures)				

BALANCE SHEET OF C LTD.
as at

Particulars	Note No.	Current Year	Previous Year
1. EQUITY AND LIABILITIES :	1	₹	₹
Non-Current Liabilities			
Long-term Borrowings		**6,00,000**	
II. ASSETS :			
Non-Current Assets			
Fixed Assets	2	8,00,000	
Other Current/Non-Current Assets :			
Unamortized Expenses	3	30,000	

Notes to Accounts :	
(1) Long term Borrowings :	₹
6,000, 10% Debentures of ₹ 100 each	6,00,000
(2) Fixed Assets :	
Plant & Machinery	8,00,000
(3) Unamortized Expenses :	
Discount on Issue of Debentures	30,000

(iv) JOURNAL OF D LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		45,000	45,000
	To Bank Loan A/c				
	(Loan taken from the Bank and ₹50,000 debentures deposited as collateral security)				
	Debentures Suspense A/c	Dr.		50,000	50,000
	To 11 % Debentures A/c				
	(Issue of debentures as collateral security)				

BALANCE SHEET OF D LTD.
as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities :			
Long-term Borrowings	1	45,000	

Notes to Accounts:

		₹
(1) Long term Borrowings :		
11 % Debentures	50,000	
Less : Debentures Suspense A/c	50,000	Nil
Bank Loan		
(On collateral security of 11% Debentures of ₹50,000)		45,000

JOURNAL OF E LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Fixed Assets A/c	Dr.		2,00,000	
	To Vendor's A/c				2,00,000
	(Capital expenditure made for purchase of assets)				

	Particulars		Dr.	Cr.
	Vendor's A/c Dr. Discount on Issue of Debentures A/c Dr. To Debentures A/c **(Debentures issued to vendors at discount)**		2,00,000 20,000	2,20,000

BALANCE SHEET OF E LTD.
as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Non-Current Liabilities			
Long-term Borrowings	1	**2,20,000**	
II. ASSETS :			
Non-Current Assets			
Fixed Assets	2	2,00,000	
Other Current/Non-Current Assets :			
Unamortized Expenses	3	20,000	
		2,20,000	

Notes to Accounts :	
(1) Long term Borrowings :	
Debentures	2,20,000
(2) Unamortized Expenses :	
Discount on Issue of Debentures	20,000

SOLUTION: 56.

Books of Z Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	Bank A/c Dr. To 8% Debenture Application A/c **(Receipt of application money on 5,00,000 debentures @ ₹50 each)**		2,50,00,000	2,50,00,000
April 1	8% Debenture Application A/c Dr. To 8% Debentures A/c **(Application money transferred to debenture account)**		2,50,00,000	2,50,00,000
April 1	8% Debenture Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption A/c **(Amount due @ ₹44 each on 5,00,000 debentures issued at 6% discount and redeemable at 10% premium)**		2,20,00,000 80,00,000	2,50,00,000 50,00,000

April 1	Bank A/c	Dr.		2,20,00,000	
	To 8% Debenture Allotment A/c				2,20,00,000
	(Allotment money received)				

SOLUTION: 57.

Discount allowed on issue of Debentures = 10,000 x 100 x 6/100 = ₹60,000.
It will be written off from Statement of P & L in the following manner:

At the end of	Debentures Outstanding	Ratio	Discount to be written Off ₹	
1st Year	10,00,000	2	60,000 x 2/6 =	20,000
2nd Year	10,00,000	2	60,000 x 2/6 =	20,000
3rd Year	5,00,000	1	60,000 x 1/6 =	10,000
4th Year	5,00,000	1	60,000 x 1/6 =	10,000
		6		**60,000**

Books of Maneesh Ltd.

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	**Year**		₹
I	To 12% Debentures A/c	60,000	**I**	By Statement of Profit & Loss	20,000
				By Balance c/d	40,000
		60,000			**60,000**
II	To Balance b/d	40,000	**II**	By Statement of Profit & Loss	20,000
				By Balance c/d	20,000
		40,000			**40,000**
III	To Balance b/d	20,000	**III**	By Statement of Profit & Loss	10,000
				By Balance c/d	10,000
		20,000			**20,000**
IV	To Balance b/d	10,000	**IV**	By Statement of Profit & Loss	10,000
		10,000			**10,000**

SOLUTION: 58.

Total Discount : 17,60,000 x 3/100 = ₹52,800

This discount of ₹52,800 will be written off from Statement of P & L in the following manner:

Year ending	Debentures Outstanding	Ratio*	Amount of Discount to be written off each year ₹
31st March 2012	17,60,000	4	52,800 x 4/22 = 9,600
31st March 2013	17,60,000	4	52,800 x 4/22 = 9,600
31st March 2014	17,60,000	4	52,800 x 4/22 = 9,600
31st March 2015	17,60,000	4	52,800 x 4/22 = 9,600
31st March 2016	13,20,000	3	52,800 x 3/22 = 7,200
31st March 2017	8,80,000	2	52,800 x 2/22 = 4,800
31st March 2018	4,40,000	1	52,800 x 1/22 = 2,400
		22	**52,800**

* Ratio has been obtained by dividing Debentures Outstanding by 4,40,000.

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2011		₹	2012		₹
April 1	To 12% Debentures A/c	52,800	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	43,200
		52,800			**52,800**
2012			2013		
April 1	To Balance b/d	43,200	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	33,600
		43,200			**43,200**
2013			2014		
April 1	To Balance b/d	33,600	Mar. 31	By Statement of P & L	9,600
			Mar. 31	By Balance c/d	24,000
		33,600			**33,600**
2014			2015		
April 1	To Balance b/d	24,000	Mar. 3 1	By Statement of P & L	9,600
			Mar. 3 1	By Balance c/d	14,400
		24,000			**24,000**
2015			2016		
April 1	To Balance b/d	14,400	Mar. 31	By Statement of P & L	7,200
			Mar. 31	By Balance c/d	7,200
		14,400			**14,400**
2016			2017		
April 1	To Balance b/d	7,200	Mar. 31	By Statement of P & L	4,800
			Mar. 31	By Balance c/d	2,400

		7,200			**7,200**
2017 April 1	To Balance b/d	2,400	2018 Mar. 31	By Statement of P & L	2,400
		2,400			**2,400**

SOLUTION: 59.

Total Discount = ₹20,00,000 x 6/100 = ₹1,20,000.

Year end	Debentures Outstanding	Ratio*	Amount to be written off ₹
1	20,00,000	10	1,20,000 x 10/ 48= 25,000
2	20,00,000	10	1,20,000 x 10/48 = 25,000
3	20,00,000	10	1,20,000 x 10/48 = 25,000
4	12,00,000	6	1,20,000 x 6/48 = 15,000
5	12,00,000	6	1,20,000 x 6/48 = 15,000
6	6,00,000	3	1,20,000 x 3/48 = 7,500
7	6,00,000	3	1,20,000 x 3/48 = 7,500
		48	**1,20,000**

*Ratio has been obtained by dividing Debentures Outstanding by 2,00,000

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		18,80,000	
	To 13% Debenture Application & Allotment A/c			18,80,000
	(Receipt of application money on debentures)			
	13% Debenture Application & Allotment A/c Dr.		18,80,000	
	Discount on Issue of Debentures A/c Dr.		1,20,000	
	To 13% Debentures A/c			20,00,000
	(Transfer of application money to Debentures Account on the issue of debentures at a discount of 6%)			

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	Year		₹
I	To 13% Debentures A/c	1,20,000	I	By Statement of P & L	25,000
				By Balance c/d	95,000
		1,20,000			**1,20,000**
II	To Balance b/d	95,000	II	By Statement of P & L	25,000
				By Balance c/d	70,000
		95,000			**95,000**
III	To Balance b/d	70,000	III	By Statement of P & L	25,000
				By Balance c/d	45,000
		70,000			**70,000**
IV	To Balance b/d	45,000	IV	By Statement of P & L	15,000

				By Balance c/d	30,000
		45,000			**45,000**
V	To Balance b/d	30,000	**V**	By Statement of P & L By Balance c/d	15,000 15,000
		30,000			**30,000**
VI	To Balance b/d	15,000	**VI**	By Statement of P & L By Balance c/d	7,500 7,500
		15,000			**15,000**
VII	To Balance b/d	7,500	**VII**	By Statement of P & L	7,500
		7,500			**7,500**

SOLUTION: 60.

Total Discount = ₹6,00,000 x 5/100 = ₹30,000

Year end	Debentures Outstanding	Ratio	Amount of Discount to be written off to Statement of P&L ₹
1	6,00,000	3	30,000 x 3/30 = 3,000
2	6,00,000	3	30,000 x 3/30 = 3,000
3	6,00,000	3	30,000 x 3/30 = 3,000
4	6,00,000	3	30,000 x 3/30 = 3,000
5	6,00,000	3	30,000 x 3/30 = 3,000
6	4,00,000	2	30,000 x 2/30 = 2,000
7	4,00,000	2	30,000 x 2/30 = 2,000
8	4,00,000	2	30,000 x 2/30 = 2,000
9	4,00,000	2	30,000 x 2/30 = 2,000
10	4,00,000	2	30,000 x 2/30 = 2,000
11	2,00,000	1	30,000 x 1/30 = 1,000
12	2,00,000	1	30,000 x 1/30 = 1,000
13	2,00,000	1	30,000 x 1/30 = 1,000
14	2,00,000	1	30,000 x 1/30 = 1,000
15	2,00,000	1	30,000 x 1/30 = 1,000
		30	

SOLUTION: 61.

Total Discount = 36,000 x 50 x 4/100 = ₹72,000

Year end	Debentures Outstanding	Ratio	Amount of Discount to be written off to Statement of P&L ₹
1	18,00,000	3	72,000 x 3/24 = 9,000
2	18,00,000	3	72,000 x 3/24 = 9,000
3	18,00,000	3	72,000 x 3/24 = 9,000
4	18,00,000	3	72,000 x 3/24 = 9,000
5	12,00,000	2	72,000 x 2/24 = 6,000
6	12,00,000	2	72,000 x 2/24 = 6,000
7	12,00,000	2	72,000 x 2/24 = 6,000
8	12,00,000	2	72,000 x 2/24 = 6,000
9	6,00,000	1	72,000 x 1/24 = 3,000
10	6,00,000	1	72,000 x 1/24 = 3,000
11	6,00,000	1	72,000 x 1/24 = 3,000
12	6,00,000	1	72,000 x 1/24 = 3,000
		24	

SOLUTION: 62.

Total Discount = 15,000 x 200 x 3/100 = ₹90,000

Year end	Debentures Outstanding	Ratio	Amount of Discount to be written off to Statement of P&L ₹
1	30,00,000	6	90,000 x = 6/45 = 12,000
2	30,00,000	6	90,000 x = 6/45 = 12,000
3	30,00,000	6	90,000 x = 6/45 = 12,000
4	30,00,000	6	90,000 x = 6/45 = 12,000
5	30,00,000	6	90,000 x = 6/45 = 12,000
6	25,00,000	5	90.000 x = 5/45 = 10,000
7	20,00,000	4	90,000 x = 4/45 = 8,000
8	15,00,000	3	90,000 x = 3/45 = 6,000
9	10,00,000	2	90,000 x = 2/45 = 4,000
10	5,00,000	1	90,000 x = 1/45 = 2,000
		45	**90,000**

Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Year		₹	Year		₹
I	To 10% Debentures A/c	90,000	I	By Statement of P & L	12,000
				By Balance c/d	78,000
		90,000			**90,000**
II	To Balance b/d	78,000	II	By Statement of P & L	12,000
				By Balance c/d	66,000
		78,000			**78,000**
III	To Balance b/d	66,000	III	By Statement of P & L	12,000
				By Balance c/d	54,000
		66,000			**66,000**
IV	To Balance b/d	54,000	IV	By Statement of P & L	12,000
				By Balance c/d	42,000
		54,000			**54,000**