



ACCOUNTS

BOOKS - SULTAN CHAND & SONS

ACCOUNTS (HINGLISH)

COMPANY ACCOOUNT -ISSUE OF

DEBENTURES

liiustration

1. Aspi Co. Ltd. Issued 20,000, 9% Debentures of â,^1 100 each at per payable on application by 1st April, 2019. Applications were received for 20,000 debentures. Debentures were allotted on 5th April, 2019.

Pass necessary Journal enteries in the books of the company.



[Watch Video Solution](#)

2. Hammer Ltd. Issued 4,000, 10% Debentures of â,^1 100 each, Payable â,^1 20 on application and

balance amount on allotment. The debentures are redeemable after 5 years¹. Applications were received for the issued debentures and allotment was made to all the applicants. The amount was received on due dates.

Pass the Journal entries and prepare the Balance Sheet.



[Watch Video Solution](#)

3. Intex Ltd . Issued 10,000, 10% Debentures of ₹100 each at a premium of 10%, Payable along with application. Applications were received for all the

debentures issued and allotment was made. Pass the Journal entries.



[Watch Video Solution](#)

4. Lemon Tree Ltd. Issued 5,000, 9% Debentures of $\text{â,}^1 100$ each at a premium of 20% payable:

On Application - $\text{â,}^1 50$, On Allotment - Balance.

Applications were received for the debentures issued and also the amount due on allotment.

Pass the Journal entries for the above.



[Watch Video Solution](#)

5. Exe Ltd. Issued 20,000, 9% Debentures of ₹100 each at a discount of 4% on 1st April, 2019, Payable ₹30 on application and the balance on allotment. The debentures are redeemable after 5 years. Pass Journal entries for the issue of debentures and writing off discount on issue of debentures.



[Watch Video Solution](#)

6. Nav Lakshmi Ltd . Invited application for 3,000, 125 Debentures of ₹100 each at a premium of

₹, 50 per debenture. Full amount was payable on application. Applications were received for 4,000 debentures,. Applications for 1,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applications.

Pass necessary Journal entries for the above transactions in the books of Nav Lakshmi Ltd.



Watch Video Solution

7. Exe Ltd. Issued 10,000, 9 % Debentures of ₹, 100 each at a premium of 10% payable ₹, 25 on

application, 35 on allotment (including Premium) and the balance on final call. Applications were received for 15,000 debentures. Allotment was made on pro rate basis excess application money being applied towards amount due on Allotment. All sums due were received by the company on due dates.

Journalise the above transactions in the books of Exe Ltd. and prepare extract of the Balance Sheet showing Securities Premium Reserve and Debentures.



Watch Video Solution

8. Savoy Ltd. Invited applications for 4,000 Debentures of ₹ 100 each issued at a premium of 20%. Applications were received for 6,000 debentures and it was decided to deal with the same as follows:

(i) To refuse allotment to applicants for 1,200 debentures.

(ii) To give full allotment to applicants for 400 debentures.

(iii) To allot the remaining debentures on pro rate basis among other applicants.

To utilise excess application money in part payment of allotment money.

Journalise the above transactions (including cash transactions) assuming that (i) the total amount is payable along with the application, and (ii) when the amount is payable in instalments- on applications $\text{â,}^1 20$, on allotment $\text{â,}^1 50$ (including premium), and balance as $\text{fiâ,}^1\text{t}$ and final call.



[Watch Video Solution](#)

9. Citizen Watches Ltd. Issued 7,500,8% Debentures of $\text{â,}^1 100$ each at par for subscription payable along. With application.

Subscription was received for 7,000 debentures.

The debentures were fully allotted.



[Watch Video Solution](#)

10. Elegant Ltd. Issued for subscription 10,000 11%

Debentures of ₹ 100 at a premium of 10%

payable along with application. Subscription was

received for 9,000 debentures and all the

applicants were allotted the debentures.

pass the Journal entries for the above.



[Watch Video Solution](#)

11. Honey Ltd . Issued 10,000, 9% Debentures of â,^1 100 each for subscription, payable â,^1 60 on application and balance on allotment. Subscription was received for 9,000 debentures. Allotment was made and due amount was received .

Pass the Journal entries for issue and allotment of debentures.



Watch Video Solution

12. A company purchased assets of ₹ 9,90,000 from another firm. Payment was made by issuing 11% Debentures of ₹ 100 each . Pass Journal entries when debentures have been issued: (i) at par, (ii) at a premium of 10% and (iii) at a discount of 10%.



Watch Video Solution

13. Exe Ltd. Took over assets of ₹ 7,00,000 and liabilities of ₹ 60,000 of Wyc Ltd. For the purchase consideration by issuing 9%

Debentures of ₹ 100 each at 10% premium. Pass Journal entries in the books of Exe Ltd.



[Watch Video Solution](#)

14. Rocky Ltd. Purchased building for ₹ 22,00,000. Half the payment was made by cheque and the balance half by issue of 9% Debentures of ₹ 100 each at a premium of 10%. Pass necessary Journal entries.



[Watch Video Solution](#)

15. Lemon Tree Ltd. Purchased a piece of land from JSS Ltd. And paid the consideration as follows:

(i) Issued a cheque for $\text{â,}^1 10,00,000$,

(ii) issued 5,000, 9% Debentures of $\text{â,}^1 110$ each at par redeemable at 10% premium after 5 yea â,^1 .

Pass the Journal entries.



Watch Video Solution

16. Exe Ltd. Purchased assets of $\text{â,}^1 8,40,000$ and took over liabilities of $\text{â,}^1 80,000$ of Whe Ltd. at a value of $\text{â,}^1 7,20,000$. Exe Ltd. Issued 10%

Debentures of ₹ 100 each at 10 % Discount in full satisfaction of the price. The company decided to write off discount on Issue of Debentures from Securities Premium Reserve of ₹ 1,00,000. Pass Journal entries in the books of Exe Ltd.



[Watch Video Solution](#)

17. Pass Journal entries for the following transactions:

Green Ltd. Purchased plant and machinery for ₹ 2,00,000 payable by three months post-dated

cheque and balance by issue of 6% Debentures of ₹ 100 each at a discount of 10% . The company has balance of ₹ 10,000 in Securities Premium Reserve. It decided to write off Discount from securities from Securities Premium Reserve up to the balance in the account.

1. Number of Debentures issued

$$= \frac{\text{Purchase Price} - \text{Cash Payment}}{\text{Issue Price of Debenture}}$$

$$= (\text{₹ } 20,00,000 - \text{₹ } 65,000) / (\text{₹ } 100 - \text{₹ } 10) = (\text{₹ } 1,35,000) / (\text{₹ } 90) = 1,500 \text{ Debentures.}$$

Post-dated cheque will be recorded in the books of drawer when it is issued.



[Watch Video Solution](#)

18. Zoom Ca¹ Ltd issued 2,000,10% Debentures of â,^1 100 each credited as fully paid to the Promote¹ for their services and issued 1,000, 10% Debentures of â,^1 100 each credited as fully paid to the underwrites for their underwriting commissin. Journalise these transactions.



[Watch Video Solution](#)

19. Good Blankets Ltd. are the manufacturer¹ of woollen blankets. Blankets of the company are exported to many countries. The company decided to employ 100 youth from nearby villages in their newly established factory in the state. To meet the requirements of funds for starting its new factory, the company issued 50,000 equity shares of $\text{â}^1 10$ each at par and 2,000, 8% Debentures of $\text{â}^1 100$ each to the vendor¹ of machinery purchased for $\text{â}^1 7,00,000$. Pass necessary Journal entries for the above transactions in the books of the company .





[Watch Video Solution](#)

20. Hyatt Ltd. Took loan of ₹ 8,00,00 from State Bank of India and issued 10,000, 9% Debentures of ₹ 100 each as collateral security. How will issue of debentures be shown in the Balance Sheet:

- (i) When Journal entry is not passed, and
- (ii) When Journal entry is passed?



[Watch Video Solution](#)

21. A Ltd. Issued 5,000, 9% Debentures of 100 each at par and also raised a loan of ₹ 80,000 from bank, collaterally secured by ₹ 1,00,00, 9% Debentures. How will be the Debentures shown in the Balance Sheet of the company when the company has passed journal entry for issue of Debentures as collateral security in the books?



Watch Video Solution

22. Zee Ltd. Issued 10,000, 105 Debentures of ₹ 100 each as collateral security for a loan of ₹

8,00,000 from Dena Bank. The company was unable to repay the loan which interest payable was $\text{â}^1 2,00,000$ as on 31 March, 2019.

Dena Bank, on 31st March, 2019, exercised the right vested in it by way of debentures being issued as collateral Security.

Pass Journal entries in the books of Zee Ltd on 31st March, 2019.



Watch Video Solution

23. Chand Ltd . Issued 50,000, 8% Debentures of $\text{â}^1 100$ each, payable on application and

redeemable at par after 6 years¹. Pass necessary entries for issue of debentures in the books of Chand Ltd.



[Watch Video Solution](#)

24. Anushree Ltd. Issued 10,000, 9% Debentures of ₹ 50 each at a discount of 8% redeemable at par after 7 years¹. Pass necessary entries in the books of Anushree Ltd



[Watch Video Solution](#)

25. Green Ltd. Issued ₹ 8,00,000, 9% Debentures of ₹ 100 each at a premium of 5 % redeemable at par. Give Journal entries.



Watch Video Solution

26. Bule Ltd. Issued ₹ 8,00,000, 9% Debentures of ₹ 100 each at par and redeemable at 10% premium at the end of sixth year. Pass Journal entries for issue of debentures.



Watch Video Solution

27. Adah Cosmetics Ltd. Issued 5,000, 9% Debentures of ₹ 100 each on 1st April, 2019 redeemable at a premium of 8% after 10 years. According to the terms of prospectus ₹ 40 is payable on application and balance on allotment of debentures.

Pass the necessary entries regarding issue of debentures.



Watch Video Solution

28. KTR Ltd., issued 365, 9% Debentures of ₹ 1,000 each on 4th March, 2016. Pass necessary

Journal entries for the issue of debentures in the following situations:

(i) When debentures were issued at par, redeemable at a premium of 10% .

When debentures were issued at 6% discount, redeemable at 5% premium.



[Watch Video Solution](#)

29. F Ltd, issue â^1 7,00,000, 10% Debentures of â^1 100 each at a premium of 5% redeemable at 110% after 5 year â^1 . Journalise.



[Watch Video Solution](#)

30. Pass Journal entries for issue of debentures in each of the following alternative cases:

(i) 10% Debentures of ₹ 100 each issued at ₹ 100, repayable at ₹ 100.

(ii) 10% Debentures of ₹ 100 each issued at ₹ 95, repayable at ₹ 100.

(iii) 10% Debentures of ₹ 100 each issued at ₹ 105, repayable at ₹ 100.

(iv) 10% Debentures of ₹ 100 each issued at ₹ 100, repayable at ₹ 105.

(v) 10% Debentures of ₹ 100 each issued at ₹ 100

95, repayable at $\hat{a},^1 105$.

(vi) 10% Debentures of $\hat{a},^1 100$ each issued at $\hat{a},^1 105$, repayable at $\hat{a},^1 110$.



[Watch Video Solution](#)

31. Pass Journal entries for issue of debentures in each of the following transactions:

(i) Star Ltd. Issue 30,000, 10% Debentures of 100 each at a discount of 5% to be repaid at par at the end of 5 years.

(ii) Green Ltd. Issue 10% Debentures of $\hat{a},^1 100$ each for the total nominal (face) value of $\hat{a},^1$

40,00,0000 at a premium of 5% to be redeemed at the end of 5 years¹.

(iii) Moon Ltd. issue ₹^1 50,00,000, 10% Debentures of ₹^1 100 each at par but redeemable at the end of 10 years¹ at 105%.

(iv) Strong Ltd. issue ₹^1 60,00,000, 10% Debentures of ₹^1 100 each at a discount of 5% repayable at a premium of 10% at the end of 5 years¹.

(v) Smart Ltd issues ₹^1 70,00,000, 19% Debentures of ₹^1 100 each at a premium of 5% redeemable at 110% at the end of 10 years¹.



Watch Video Solution

32. Times Sports Ltd. Issued 15,000, 10% Debentures of ₹ 100 each on 1st April, 2018. The issue was fully subscribed. According to the terms of issue, interest is payable on half-yearly basis. Pass Journal entries for Interest on Debentures for the year ended 31st March, 2019 (Ignore TDS).



Watch Video Solution

33. BG Ltd. Issued 2,000, 12% Debentures of ₹100 each on 1st April, 2012. The issue was fully subscribed. According to the terms of issue, on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 19%.

Pass necessary Journal entries related to the debenture interest for the half-yearly ending 31st March, 2013 and transfer of interest on debentures of the Statement of Profit and Loss.



Watch Video Solution

34. On 1st April, 2018, Amro Ltd. Issued 10,000, 9% Debentures of ₹ 100 each at a discount of 10% redeemable at par after 5 years. The issue price is payable along with application. The debentures were subscribed. It has a balance of ₹ 1,75,000 in Securities Premium Reserve.

Pass Journal entries for issue of debentures and writing off the discount and prepare Discount of Issue of Debentures Account.



Watch Video Solution

35. Chrome Ltd. Took over assets of ₹ 6,00,000 and liabilities of ₹ 40,000 of Polymar Ltd. At an agreed value of ₹ 6,30,000. Chrome Ltd. Issued 10% Debentures of ₹ 100 each at a discount of 10% to Polymar Ltd. In full satisfaction of the price .

Pass the necessary Journal entries to record to above transaction in the books of Chrome Ltd.



Watch Video Solution

36. On 1st April, 2018, Moonlight Ltd. Issued 1,000, 9% Debentures of ₹ 200 each at a discount of 5% redeemable after 5 years at a premium of 10%. All the debentures were subscribed and allotment was made. The balance in Securities Premium Reserve is ₹ 10,000 Profit for the year was ₹ 50,000.

Pass the Journal entries for issue of debentures and writing off the loss from Securities premium Reserve first and thereafter from profit for the year. Prepare the extract of the Balance Sheet as at 31st March, 2019.





[Watch Video Solution](#)

37. Home Products Ltd. Issued on 1st April, 2018, 10,000 9% Debentures of ₹ 100 each at a premium of 10% redeemable at a premium of 5% after 5 years. Issue price was payable along with application.

Pass the necessary Journal entries.



[Watch Video Solution](#)

38. On 1st April, 2018, Relaxo Ltd. Purchased assets of ₹ 4,30,000 and took over liabilities of ₹ 90,000 of Greg Ltd. At an agreed value of ₹ 3,80,000. It issued to the vendor, 10% Debentures of ₹ 100 each at 5% discount, redeemable at par after 5 years, in full satisfaction of the purchase price. Right On the same date, the company issued 500, 11% Debentures of ₹ 100 each as a collateral security to a bank who had advanced a loan of ₹ 45,000 to it for a period of 3 years, and also issued 5,000 12% Debentures of ₹ 100 each at par, redeemable after 3 years at

5% premium.

Additional Information:

The interest on debentures is paid half yearly on 30th September and 31st March each year. Tax deducted at source @ 20%. The Company had \hat{a} ,¹ 1,20,000 in its Securities Premium Reserve Account at the end of the year (Ignore interest on bank loan).

you are required to pass Journal entries in the books of Relaxo Ltd. for the year ended 31st March, 2019.



Watch Video Solution

39. On 1st April, 2016, Sunster Ltd. Issued 10,000, 12% Debentures of \hat{a}^1 100 each at a discount of 5% redeemable at par as follows:

On 31st March, 2017	2,000 Debentures,
On 31st March, 2018	5,000 Debentures,
On 31st March, 2019	3,000 Debentures,

Interest is paid annully on 31st March .

You are required to pass the Journal entries, including for interest for the three years and prepare Discount on Issue of Debentures Account.



Watch Video Solution

40. Pilot Pens Ltd. Issued 5,000, 6% Debentures of ₹ 100 each at a discount of 20%. It had balance in Securities Premium Reserve of ₹ 60,000. It decided to write off the discount from Securities Premium Reserve .

Show the Notes to Accounts writing off the Discount on Issue of Debentures .



Watch Video Solution

41. During the year ended 31st March, 2019, Anderson Ltd. Issued 12% Debentures of ₹ 100

each, as per the details given below:

(a) 900 Debentures issued as collateral security to a bank against a loan of ₹ 60,000.

(b) The underwriters were to be paid a commission of ₹ 48,000. 25 % of the amount was paid to them in cash and the balance was paid by the issue of Debentures at a discount of 10% to be redeemed at par.

A machine was purchased for ₹ 2,18,500. The vendor was paid by the issue of Debentures at a premium of 15% to be redeemed at par.

5,000 Debentures were issued to the public at 5% premium, to be redeemed at premium of 5%

The company wrote off all capital losses arising from the issue of Debentures at the end of the year from its capital profits and if need be from its revenue profits.

You are required to Journalise the above transactions in the books of Anderson Ltd.



[Watch Video Solution](#)

42. on 1st April, 2018, Sunshine Ltd. Issued â^1 10,00,000, 15% Debentures of â^1 100 each at 8% discount payable:

â^1 40 on application, and

The balance on allotment.

These debentures were to be redeemed at a premium of 5% after five years. All the debentures were subscribed for by the public.

Interest on these debentures was to be paid half-yearly which was duly paid by the company.

You are required to:

- (i) Pass Journal entries in the first year of debenture issue (including entries for debenture interest.)
- (ii) Prepare 15% Debentures Account for the year ending 31st March, 2019.



Watch Video Solution

43. On 1st April, 2018, Welfare Ltd. took over assets of ₹ 3,50,000 and liabilities of ₹ 60,000 of Himalyan Ltd. for the purchase consideration of ₹ 4,40,000. It paid the purchase consideration by issuing 8% Debentures of ₹ 100 each at 10% premium. On the same date it issued another 3,000, 8% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment of debentures.

You are required to pass Journal entries in the books of Welfare Ltd. to record the above transactions.



[Watch Video Solution](#)

Answers To Questions

1. Sansui Ltd. Intends to issue 1,00,000, 10 % Debentures of \hat{a}^1 100 each at a discount of \hat{a}^1 10. The accountant is of the view that since the Companies Act, 2013 does not permit issue of shares at a discount, debentures also cannot be

issued at a discount. The financial advisee of the company however, advises the company that they can issue the debentures at discount. What must be the reason for the advice of the financial advisor ?



[View Text Solution](#)

2. premium collected on issue of debentures is credited to 'Securities Premium Reserve Account'. Do you think it can be credited to any other account ? Give your reasons.



[View Text Solution](#)

3. XYZ Ltd. Acquired a business and agreed to pay purchase consideration of ₹ 2,00,000. The assets taken over are ₹ 5,50,000 and liabilities assumed are ₹ 4,00,000 What is the amount that will be debited to Goodwill Account or credited to Capital Reserve Account and why?



[View Text Solution](#)

4. ABC Ltd. Has agreed to pay purchase consideration of ₹ 1,25,000 by issuing fully paid

debentures of ₹ 100 at ₹ 120 each . How will the purchase consideration be settled ?



[View Text Solution](#)

Questions Very Short Answer Type Questions

1. Give the meaning of 'Debenture'.



[View Text Solution](#)

2. Distinguish between a Debenture and a share.

(Any two points)



View Text Solution

3. What is meant by 'Registered Debentures' ?



View Text Solution

4. What is meant by 'Secured Debentures' ?



View Text Solution

5. Define Redeemable Debentures.



[View Text Solution](#)

6. What is meant by 'Irredeemable Debentures' ?



[View Text Solution](#)

7. What is 'Convertible Debentures' ?



[View Text Solution](#)

8. Define Non-convertible Debentures.



View Text Solution

9. What is meant by 'Trust Deed' in the context of debenture ?



View Text Solution

10. Why would an investor prefer to invest in share and partly in the debentures of a company ?



[View Text Solution](#)

11. Why would an investor prefer to invest in the shares of a company rather than in the Debentures ?



[View Text Solution](#)

Exercise

1. Vishwas Ltd. Issued 2,000, 9% Debentures of ₹100 each payable as follows:

â,¹ 25 on application, â,¹ 25 on allotment and â,¹ 50 on first and final call.

Applications were received for all the debentures along with the application money and allotment was made. Call money was also received on the due date .

Pass necessary Journal entries in the books of the company.



Watch Video Solution

2. A Ltd. Issued 2,000, 9% Debentures of 100 each on the following terms:

₹ 20 on application, ₹ 20 on allotment, ₹ 30 on first call, ₹ 30 on final call.

The Public applied for 2,400 debentures, Application for 1,800 debentures were accepted in full Application for 400 debentures were allotted 200 debentures and applications for 200 debentures were rejected. Pass necessary Journal entries.



[Watch Video Solution](#)

3. ABC Ltd. Issued 10,000, 10% Debentures of ₹ 100 each at par for cash payable in full along

with the application. Applications were received for 60,000 debentures . Debentures were allotted and excess application money was refunded Pass. Journal entries in the books of the company.



[Watch Video Solution](#)

4. Narain Laxmi Ltd. Invited applications for issuing 7,500, 12% Debentures of $\text{â}^1 100$ each at a premium of $\text{â}^1 35$ par debentures. The full amount was payable on application. Application were received for 10,000 Debentures. Allotment

was made to all the application on pro rate.

Pass necessary Journal entries for the above transactions in the books of Narain Laxmi Ltd.



Watch Video Solution

5. Raj Ltd. Issued 5,000, 8% Debentures of $\text{â}^1 100$ each at a premium of 5% payable as follows:

$\text{â}^1 10$ On application, $\text{â}^1 20$ along with premium on allotment and balance on first call. Pass necessary Journal entries.



Watch Video Solution

6. Nipa Limited issued ₹ 10,00,000 Debentures of ₹ 100 each at a premium of 10%, payable 25% on application (including premium) and the balance on allotment. The debentures were applied for and the amount was duly received .
you are required to give Journal entries and prepare Cash Book.



[Watch Video Solution](#)

7. Alok Ltd. Issued 7,000, 10% Debentures of ₹ 1,500 each at a premium of ₹ 50 par debenture

redeemable at a premium of 10% after 5 years.

According to the terms of issue, ₹ 200 was payable on application and balance on allotment.

Record necessary Journal entries as the time of issue of 10% Debentures.



[Watch Video Solution](#)

8. Vijay Laxmi Ltd. Invited applications for 10,000, 12% Debentures of ₹ 100 each at a premium of ₹ 70 per debentures. The full amount was payable on application.

Applications were received for 13,500 debentures.

Applications for 3,500 debentures were rejected

and application money was refunded,

Debentures were allotted to the remaining

applications.

Pass necessary journal entries in the books of

Vijay Laxmi Ltd. for the above transactions.



[Watch Video Solution](#)

9. Iron Products Ltd. Issued 5,000, 9%

Debentures of ₹ 100 each at a premium of ₹ 40

payable as follows:

(i) ₹ 40, including premium of ₹ 10 on application ,

(ii) ₹ 45, including premium of ₹ 15 on allotment, and

(iii) Balance as first and final call.

The issue was subscribed and allotment made.

Calls were made and due amount was received

Pass Journal entries.



[Watch Video Solution](#)

10. X Ltd issued 12,000, 8% Debentures of ₹ 100 each at a discount of 5% payable as 25 % on

application: 20% on allotment and balance after three months.

Pass Journal entries.



[Watch Video Solution](#)

11. Alka Ltd. Issued 5,000, 10% Debentures of ₹1,000 each at a discount of 10% redeemable at premium of 5% after 5 years. Accounting to the terms of issue ₹500 was payable on application and the balance amount on allotment of debentures. Record necessary entries regarding issue of 10% Debentures .



Watch Video Solution

12. Amrit Ltd. Was promoted by Amrit and Bhaskar with an authorised capital of $\text{â}^1 10,00,000$ divided into 1,00,000 shares of $\text{â}^1 10$ each.

The company decided to issue 1,000,6% Debentures of $\text{â}^1 100$ each to Amrit to Bhaskar each for their services in incorporating the company.

Pass Journal entry .



Watch Video Solution

13. Joy Ltd. company bought a Building for ₹100 each at a discount of 10%.

Give Journal entries.



Watch Video Solution

14. Why Ltd. purchased an established business for ₹2,00,000 payable as ₹65,000 by cheque and the balance by issuing 9% Debentures of ₹100 each at a discount of 10%

Give Journal entries in the books of Why Ltd.



[Watch Video Solution](#)

15. Newton Ltd. purchased a Machinery from B for ₹ 5,76,000. to be paid by the issue of 9% Debentures of ₹ 100 each at 4% discount .
Journalise the transactions.



[Watch Video Solution](#)

16. Reliance Ltd. Purchased machinery costing ₹ 1,35,000. It was agreed that the purchase consideration be paid by issuing 9% Debentures

of ₹ 100 each. Assume debentures have been issued (i) at par and (ii) at a Discount of 10 %
Give necessary Journal entries.



Watch Video Solution

17. Deepak Ltd. Purchaed furniture of ₹ 2,20,000 from M/s. Furniture Mart. 50% of the amount was paid to M/s. Furnishar Mart by accepting a Bill of Exchange and for the balance the company issued 9% Journal entries in the books of Deepak Ltd.



Watch Video Solution

18. Bright Ltd. Took over the assets of ₹ 6,60,000 and liabilities of ₹ 80,000 of Star Ltd. For an agreed purchase consideration of ₹ 6,00,000 payable 10% in cash and the balance by the issue of 12 % Debentures of ₹ 100 each. Give necessary Journal entries in the books of Bright Ltd., assuming that:

Case(a): The debentures are issued at par.

Case (b): The debentures are issued at 20% Premium.

Case (c): The debentures are issued at 10% discount .



[Watch Video Solution](#)

19. Star Ltd. Took over the assets of ₹ 6,60,000 and liabilities of ₹ 80,000 of Moon Ltd. For ₹ 6,00,000 . Give necessary Journal entries in the books of Star Ltd. Assuming that:

Case (a): The purchase consideration was payable 10% in cash and the balance in 5,40,000, 12% Debentures of ₹ 100 each.

Case (b): The purchase consideration was

payable 10% in cash and the balance in 4,500, 12% Debentures of ₹ 100 each issued at 20% premium.



[Watch Video Solution](#)

20. Romi Ltd. Acquired assets of ₹ 20 lakhs and took over creditors of ₹ 12 lakhs from Kapil Enterprises. Romi Ltd. Issued 8% Debentures of ₹ 100 each at premium of 25% as purchase consideration .

Record necessary Journal entries in the books of Romi Ltd.



[Watch Video Solution](#)

21. Romi Ltd. Acquired assets of ₹ 20 lakhs and took over creditors of ₹ 12 lakhs from Kapil Enterprises. Romi Ltd. Issued 8% Debentures of ₹ 100 each at discount of 10% as purchase consideration .

Record necessary Journal entries in the books of



[Watch Video Solution](#)

22. Exe Ltd. Purchased assets of the books value $\text{â,}^1 4,00,000$ and took over the liabilities of $\text{â,}^1 50,000$ from Mohan Bros. It was agreed that the purchase consideration, settled at $\text{â,}^1 3,80,000$, be paid by issuing debentures of $\text{â,}^1 100$ each. It was agreed that any fraction of debentures be paid in cash.



Watch Video Solution

23. R Ltd. Purchased the assets of S Ltd. For $\text{â,}^1 5,00,000$. It also agreed to take over the

liabilities of S Ltd. Amounted to $\text{â,}^1 2,00,000$ for a purchase consideration of $\text{â,}^1 2,80,000$. The payment of S Ltd. Was made by issue of 9% Debentures of $\text{â,}^1 100$ each at par.

Pass necessary Journal entries in the books of R Ltd.



[Watch Video Solution](#)

24. Green Ltd. Purchased the assets of Strong Ltd. For $\text{â,}^1 40,00,000$ and took over liabilities of $\text{â,}^1 7,00,000$ at an agreed value of $\text{â,}^1 32,40,000$. Payment was made by issuing 10% Debentures of

â,¹ 100 each at a discount of 10%. Pass the necessary Journal entries in the books of Green Ltd.



[Watch Video Solution](#)

25. Wellbeing Ltd. Took over assets of â,¹ 9,80,000 and liabilities of â,¹ 40,000 of HDR Ltd. At an agreed value of â,¹ 9,00,000. Wellbeing Ltd. Paid to HDR Ltd. Bu issue of 9% Debentures of 100 each at a premium of 20% . Pass necessary Journal entries to record the above transaction in the books of Wellbeing Ltd.



[Watch Video Solution](#)

26. Grown Ltd. Issued 500, 10% Debentures of ₹1,000 each credited as fully paid-up to the promoters for their services to incorporate at company. It also issued 100, 10% Debentures of ₹1,000 each credited as fully paid-up to the underwriters towards their commission. Pass the Journal entries.



[Watch Video Solution](#)

27. Sangam Woolens Ltd., Ludhiana, are the manufactures and exporters of woollen garments. The company decided to distribute free of cost woollen garments to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40 Equity Shares of ₹ 10 each and 1,000, 9% Debentures of ₹ 100 each to the vendor for the purchase of machinery of ₹ 5,00,000.

Pass necessary Journal entries.





[Watch Video Solution](#)

28. Best Barcode Ltd. took a loan of ₹ 5,00,000 from a bank giving ₹ 6,00,000, 9% Debentures as collateral security. Pass Journal entries regarding issue of debentures, if any, and show this loan in the Balance Sheet of the company.



[Watch Video Solution](#)

29. A company took a loan of ₹ 4,00,000 from Bandhan Bank Ltd. and issued 8% Debentures of

â,¹ 4,00,000 as a collateral security.

Explain how will the issue of debentures be dealt with in the books of the company.



[Watch Video Solution](#)

30. X Ltd. took a loan of â,¹ 3,00,000 from IDBI Bank. The company issued 4,000, 9% Debentures of â,¹ 100 each as a collateral security for the same. Show how these items will be presented in the Balance Sheet of the company.



[Watch Video Solution](#)

31. S. Singh Limited obtained a loan of ₹ 5,00,000 from State Bank of India @ 10% p.a. interest. The company issued ₹ 7,50,000, 10% debentures of ₹ 100 each in favour of State Bank of India as Collateral Security. Pass necessary Journal entries for the above transaction:

- (i) When company decided not to record the issue of 10% Debentures as Collateral Security.
- (ii) When company decided to record the issue of 10% Debentures as Collateral Security.



Watch Video Solution

32. Journalise the following:

(a) A debentures issued at $\hat{a},^1 95$, rapable at $\hat{a},^1 100$.

(b) A debentures issued at $\hat{a},^1 95$, repayable at $\hat{a},^1 105$.

(c) A debentures issued at $\hat{a},^1 100$, rapayable at $\hat{a},^1 105$.

The face value of debentures is $\hat{a},^1 100$ in each of the above cases.



Watch Video Solution

33. Pass Journal entries in the following cases:

(a) A Co.Ltd. Issued â^1 40,000, 12% Debentures at a Premium of 5% redeemable at par.

(c) A Co.Ltd. Issued â^1 40,000, 12% Debentures at a par redeemable at 105 premium.

(d) A Co.Ltd. Issued â^1 40,000, 12% Debentures at a discount of 5% and redeemable at 5% premium.

(e) A Co.Ltd. Issued â^1 40,000, 12% Debentures at a premium of 10% redeemable at 110%



Watch Video Solution

34. Footfall Ltd. Issue 10,000 Debentures of â,^1 100 each at a discount of 10% redeemable at a premium of 5% after the expiry of three years.

Pass Journal entries for the issue of these debentures.



Watch Video Solution

35. Pass necessary Journal entries relating to the issue of debentures for the following:

(a) Issued â,^1 4,00,000, 9% Debentures of â,^1 100 each at a premium of 8% redeemable at 10%

premium.

(b) Issued ₹ 6,00,000, 9% Debentures of ₹ 100 each at par, repayable at a premium of 10%.

(c) Issued ₹ 10,00,000, 9% Debentures of ₹ 100 each at a premium of 5%, redeemable at par.



[Watch Video Solution](#)

36. Pass necessary Journal entries relating to the issue of debentures for the following:

(a) Issued ₹ 28,000, 10% Debentures of ₹ 100 each at a premium of 15% redeemable at par.

(b) Issued ₹ 30,000, 10% Debentures of ₹ 100

each at premium of 10% and redeemable at premium of 15%.

(c) Issued ₹ 80,000, 10% Debentures of ₹ 100 each at par repayable at a premium of 10%.



[Watch Video Solution](#)

37. Journalise the following transaction at the time of issue of 12% Debentures:

Nandan Ltd. issued ₹ 90,000, 12% Debentures of ₹ 100 each at a discount of 5% redeemable at 110%.



[Watch Video Solution](#)

38. Pass necessary Journal entries for the issue of debentures in the following cases:

(a) ₹ 40,000, 12% Debentures of ₹ 100 each issued at a premium of 5% redeemable at par.

(b) ₹ 70,000, 12% Debentures of ₹ 100 each issued at a premium of 5% redeemable at ₹ 110.



Watch Video Solution

39. Pass necessary Journal entries for the issue of debentures in the following cases:

(a) ₹ 40,000, 12% Debentures of ₹ 100 each issued at a discount of 10% redeemable at par.

(b) ₹ 80,000, 15% Debentures of ₹ 100 each issued at a premium of 10% redeemable at a premium of 10%.



[Watch Video Solution](#)

40. XYZ Ltd. Issued 5,000. 10% Debentures of ₹ 100 each on 1st April, 2015 at a discount of 10% redeemable at a premium of 10% after 4 years . Give Journal entries for the year ended 31st March, 2016, assuming that the interest was

payable half-yearly on 30th September and 31st March. Tax is to be deducted @ 10% .



Watch Video Solution

41. Bright Ltd. Issued 5,000, 10% Debentures of â,^1 100 each on 1st April, 2015. The issue was fully subscribed. Accounting to the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st March and tax deducted at source is 10%

Pass necessary Journal entries related to the debenture interest for the year ending 31st

March, 2016 and transfer of interest on debentures of the year to the Statement of Profit and Loss.



Watch Video Solution

42. On 1st April, 2015, V.V.L. Ltd. Issued 1,000, 9% Debentures of ₹ 100 each at a discount of 6%, redeemable at a premium of 10% after three years. Pass necessary Journal entries for the issue of debentures and debentures interest for the year ended 31st March, 2016, assuming that interest is payable on 30th September and 31st

March and the rate of tax deducted at source is 10% .



[Watch Video Solution](#)

43. Kitply Ltd. Issued â^1 2,00,000, 10% Debentures at a discount of 5%. The terms of issue provide the rapayment at the end of 4 years. Kitplu Ltd. has a balance of â^1 5,00,000 in Securities Premium Reserve. Pass the Journal entries for issue of debentures and writing off the discount .



[Watch Video Solution](#)

44. A limited company issued â^1 1,00,000, 9% Debentures at a discount of 6% on 1st April, 2017, These debentures are to be redeemed equally, spread over 5 annual instalments.

Pass the Journal entries for issue of debentures and writing off the discount.



Watch Video Solution

45.

Pass Journal entries. Also give Journal entries for

writing off Loss on Issue of Debentures.



[Watch Video Solution](#)

46. Global Ltd. issued 10,000, 8% Debentures of ₹ 100 each redeemable in four equal instalments by draw of lots from the end of 3 years at a premium of ₹ 19.

Pass the Journal entries for writing off the Loss on Issue of Debentures. Also prepare Loss on Issue of Debentures Account .



[Watch Video Solution](#)

47. On 1st June, 2017, R Energy Ltd. Issued 10,000, 7% Debentures of ₹ 100 each at a discount of 10% redeemable at a premium of 10% at the end of five years. All the debentures were subscribed and allotment was made. Prepare the Balance Sheet (extract) as at 31st March, 2018



Watch Video Solution

48. On 1st April, 2017, Solar Power Ltd. Issued 10,000, 8% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of

15% at the end of five years. All the debentures were subscribed and allotment was made. The company had balance in Securities Premium Reserve of ₹1,80,000.

Prepare the Balance Sheet (extract) as at 31st March, 2018.



[Watch Video Solution](#)

49. On 1st April, 2015, Mathew Ltd. Issued 10,000, 9% Debentures of ₹100 each at a discount of 5%, redeemable at a premium of 5%. These debentures were redeemable as follows:

On 31st March, 2016	2,000 Debentures,
On 31st March, 2017	3,000 Debentures,
On 31st March, 2018	3,000 Debentures,

prepare the Loss Issue of Debentures Account, Debentures Account and Premium on Redemption of Debentures Account for the three years.



[Watch Video Solution](#)

50. office Products Ltd. Issued on 1st April, 2018, 20,000, 9% Debentures of ₹ 100 each at a premium of 10% redeemable at a premium of 5% years. Issue price was payable along with

application.

Pass the necessary Journal entries.



[Watch Video Solution](#)

Evaluation Questions

1. Fill the missing value in the following:

JOURNAL OF AB LTD.				
Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
?	To ? (Application money received on 2,000; 12% Debentures of ₹ 100 each issued at a premium of 10% and redeemable at a premium of 10%)	...Dr.	?	?
?	To ?	...Dr.	?	?
?	To ?	...Dr.	?	?
?	To ?			?
(?)				?



[View Text Solution](#)

2. A Ltd. Purchased machinery from Kiran Machines Ltd. And paid them by issuing a cheque for c 60,000 and balance by issue of 4,000, 10% Debentures of â,¹ 100 each at 10% premium. On the basis of this information fill the missing values in the following Journal entries:

Date	Particulars	L.F.	Dr (₹)	Cr (₹)
?	To ?	...	?	
(?)				?
?	To ?	...	?	
	To ?			?
	To ?			?
(?)				?



[View Text Solution](#)

3. Complete the following Journal entries:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.	25,00,000	
	? ..Dr.		2,00,000	
	To Sundry Liabilities A/c			5,00,000
	To ?			5,00,000
	To BSR Ltd.			?
	(Being the business of BSR Ltd. purchased and issued a cheque for ₹ 5,00,000)			
	? ..Dr.		?	
	To 9% Debentures A/c			?
	(Being ?)			



[View Text Solution](#)

4. Complete the following Journal entries:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
April 1	Sundry Assets A/c	...Dr.	25,00,000	
	? ..Dr.		?	
	To Sundry Liabilities A/c			7,80,000
	To Shiv Shankar Ltd.			18,20,000
	(Being Shiv Shankar Ltd. taken over by Parvati Ltd. for a purchase consideration of ₹ 18,20,000)			
April 1	Shiv Shankar Ltd.	...Dr.	18,20,000	
	? ..Dr.		?	
	To ?			20,000
	To 8% Debentures A/c			?
	(Being Shiv Shankar Ltd. paid by issuing a bill of ₹ 20,000 and the balance paid by issue of 8% Debentures of ₹ 100 each at a discount of 10%)			



[View Text Solution](#)

