

## MASTER QUESTION

## ACCOUNTANCY

## Issue of debenture

**MASTER QUESTIONS .** our aim of the master question(s) is/are to cover or summarised the whole chapters in one or two or more numerical questions

**Important points kept in mind**

1. Debenture is a document given by a company as evidence of a debt to the holder usually arising out of a loan and most commonly secured by a charge. A charge created on definite assets of permanent nature such as land ,building ,machinery etc is known as fixed charge When a charge is created not on specific assets but all the assets (except those charged by way of fixed charge) is known as floating charge.

2. Disclosure of debenture in the balance sheet:- debentures are borrowing of a company i.e liability

Debenture may be issued for long term or short term If long term then it is shown under the heading of non-current liability and sub heading long term borrowing or if short term (when they are due for redemption within 12 months from the date of balance sheet or within the period of operating cycle from the date of balance sheet ) then it is shown under the heading of current liability and sub heading short term borrowings.

For example 20,000 debenture are issued @100 each on 1-4-2018 redeemable on 28-2-2020 The period of operating cycle is 24 months. From the date of balance sheet 31-3-2019 Which is redeemable within 12 months from the date 31-3-2019 by 31-3-2020 also within 24 months (operating cycle) from the date balance sheet 31-3-2019 by the 31-3-2021.

The date of redemption 28-2-2020 lies 31-3-2019 to 31-3-2020 and 31-3-2019 to 31-3-2021 hence it is short term borrowings

Whether debenture is long term or short term it is determined on the date of issue of debenture.so it is clear that the debenture issued on 1-4-2018 is short term 20,000 debenture @100 each is shown under the heading of current liability and sub heading short term borrowings.

If the question does not specify the redemption date then it is presumed that they are due after 12 months from the date of balance sheet and also after the period of operating cycle it is shown as long term borrowings.

3. Under subscription of debenture:- if the number of debenture applied are less than number of debenture issued for subscription . for example a company offered 1,00,000 debenture to the public for subscription but the public applied for 95,000 debenture . It is a case of undersubscription. Accounting entries are made on the basis of debenture applied i.e 95,000 debenture.According to SEBI guidelines if the company does not receive the subscription for at least 75% of the debenture offered. Company can not allot the debenture it will refund the whole application money to the subscribers .On the basis of above example if the company receive the application say 70,000 debenture this is 70% of debenture offered in this case

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company can not allot any debenture as per SEBI guidelines. it will refund the whole application money which would be received on 70,000 debenture

## 4. A company may issue debenture

- (i) For cash consideration
- (ii) For consideration other than cash
- (iii) As collateral security

For cash consideration issue price may be payable in

- (a) In lump sum
- (b) In instalment i.e partly on application ,partly on allotment and balance on calls
- (a) In lump sum :-Accounting entry when share issue at par , premium or discount and amount receivable in one instalment i.e in lump sum

| Date | particulars   | l.f | Dr amount | Cr amount |
|------|---|-----|-----------|-----------|
|      | Bank account _____ Dr<br>To debenture application and allotment<br>(being the application money received in lump sum)<br><br>Debenture application and allotment ___ Dr<br>Discount on issue of debenture _____ Dr (If any)<br>To debenture<br>To securities premium reserve (if any)<br>(being the debenture allotted against the application money received ) |     |           |           |

(b) in instalment i.e partly on application ,partly on allotment and balance on calls

- (i) issue of debenture at par or nominal value or face value

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| Date | particulars   | l.f | Dr amount | Cr amount |
|------|---|-----|-----------|-----------|
|      | Bank _____ Dr<br>To debenture application<br>(being the application money received on ___ debentures @ ___) |     |           |           |
|      | debenture application _____ Dr<br>To debenture<br>(being the application money transfer to debenture)       |     |           |           |
|      | debenture allotment _____ Dr<br>To debenture<br>(being the allotment money due on _____ debenture @ ___)    |     |           |           |
|      | Bank _____ Dr<br>To debenture allotment<br>(being the allotment money received on ___ debenture @ ___)      |     |           |           |
|      | debenture call _____ Dr<br>To debenture<br>(being the call money due on _____ debenture @ ___)              |     |           |           |
|      | Bank _____ Dr<br>To debenture call<br>(being the call money received on ___ debenture @ ___)                |     |           |           |

- (ii) issue of debenture at premium and premium received along with application money , with allotment money or call money as the case may be

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| Date | particulars   | l<br>f | Dr<br>amount | Cr<br>amount |
|------|---|--------|--------------|--------------|
|      | <p>Bank _____ Dr<br/>To debenture application<br/>(being the application money received<br/>on ___ debenture @___)</p> <p>debenture application _____ Dr<br/>To debenture<br/>To securities premium reserve(if any)<br/>(being the application money transfer to<br/>debenture)</p> <p>debenture allotment _____ Dr<br/>To debenture<br/>To securities premium reserve(if any)<br/>(being the allotment money due on<br/>_____ debenture @___ at a premium of<br/>____)</p> <p>Bank _____ Dr<br/>To debenture allotment<br/>(being the allotment money received on<br/>___ debenture @___)</p> <p>Share call _____ Dr<br/>To debenture capital<br/>To securities premium reserve(if any)<br/><br/>(being the call money due on _____<br/>debenture @___)</p> <p>Bank _____ Dr<br/>To debenture call<br/><br/>(being the call money received on<br/>___ debenture @___ at a premium of Rs<br/>_____)</p> |        |              |              |

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- (iii) issue of debenture at discount (when the issue price is less than face value) and discount entry with application money , with allotment money or call money as the case may be

| Date | particulars  |  | Dr<br>amount | Cr<br>amount |
|------|--|--|--------------|--------------|
|      | <p>Bank _____ Dr<br/>To debenture application<br/>(being the application money received<br/>on ___ debenture @___)</p> <p>debenture application _____ Dr<br/>discount on issue of deb _____ Dr (if any)<br/>To debenture</p> <p>(being the application money transfer to<br/>debenture)</p> <p>debenture allotment _____ Dr<br/>discount on issue of shares _____ Dr (if any)<br/>To debenture</p> <p>(being the allotment money due on<br/>_____ debenture @__ at a premium of<br/>_____)</p> <p>Bank _____ Dr<br/>To debenture allotment<br/>(being the allotment money received on<br/>_____ debenture @___)</p> <p>Share call _____ Dr<br/>discount on issue of deb _____ Dr (if any)<br/>To debenture</p> |  |              |              |

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|   |  |  |  |  |
|---|--|--|--|--|
| (being the call money due on _____<br>debenture @__)<br><br>Bank _____ Dr<br>To debenture call<br><br>(being the call money received on<br>____debenture @__ at a premium of Rs<br>_____) |  |  |  |  |
|---|--|--|--|--|

## 5. section 52(2) of the companies act 2013

Discount or loss on issue of debenture is written off in the year when the loss is incurred i.e in the year when the debenture are issued it is written off from the securities premium reserve account and /or statement of profit and loss account  
accounting treatment of writing off loss on issue of debenture  
securities premium reserve or statement of profit & loss account \_\_\_\_\_ Dr

To discount or loss on issue of debenture

Firstly loss is written off from the securities premium reserve and if there is any balance left then it is written off from the statement of profit and loss account

For example loss on issue of debenture is Rs 1,00,000

Securities premium reserve balance Rs 40,000

Statement of profit and loss account(cr balance) Rs 20,000

Balance sheet

| particulars                     | Note no | amount   |
|---------------------------------|---------|----------|
| <b>1.EQUITY AND LIABILITIES</b> |         |          |
| Reserve and surpluses           | 1       | (40,000) |

**Note to accounts**

| particulars   |               | amount |
|---|---------------|--------|
| <b>1. reserve and surpluses</b>                         |               |        |
| securities premium reserve                              |               |        |
| opening balance   | 40,000        |        |
| less discount on issue of deb                           | <u>40,000</u> | ----   |
| <b>surplus i.e statement of profit and loss account</b> | <b>20,000</b> |        |

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|                                 |                 |          |
|---------------------------------|-----------------|----------|
| less loss on issue of debenture | <b>(60,000)</b> | (40,000) |
|                                 |                 | (40,000) |

6. Over subscription of debenture:- if the number of debenture applied are more than number of debenture issued for subscription . for example a company offered 1,00,000 debenture to the public for subscription but the public applied for 1,50,000 debenture . It is a case of over subscription. In case of over subscription debenture can be allotted by the company by any of the following alternatives
- Excess application money refunded
  - Partial or Pro-rata allotment
  - Some application money refunded and some pro-rata allotment
  - Some applicants get full allotment, some pro-rata allotment and some applications rejected

It is clear from the following example

| s.no | category  | debenture applied | debenture offered/alloted |                |
|------|---|-------------------|---------------------------|----------------|
| 1    | Applicants who applied less than 500 debenture                              | 40,000            | Nil                       | Refund         |
| 2    | Applicants who applied more than 500 debenture but less than 1000 debenture | 60,000            | 50,000                    | Pro-rata       |
| 3    | Applicants who applied more than 1000 debenture                             | 50,000            | 50,000                    | Full allotment |
|      | Total   | 1,50,000          | 1,00,000                  |                |
|      |   |                   |                           |                |

**Note 1:-** If the question is silent about the adjustment of excess application money in case pro-rata allotment then excess application money received in case pro-rata is to be adjusted against allotment money due only and still if there is any surplus left after the adjustment in allotment that will be refunded.

**Note 2:-** when question states that surplus application money is to be adjusted against allotment and calls then after the adjustment in allotment and calls still if there is any balance left of excess application money that would be refunded.

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## Accounting treatment of over subscription

| date | particulars  |
|------|--|
|      | <p>Bank _____ Dr<br/> To debenture application<br/> (being the application money received)</p> <p>debenture application _____ Dr<br/> To debenture capital (shares allotted × application money)<br/> To bank (if some application money refunded)<br/> To debenture allotment (pro-rata and excess application money adjusted<br/> in allotment)<br/> To call in advance (pro-rata and surplus after the adjustment in<br/> allotment transfer to call in advance if the terms of issue prescribe if the terms<br/> of issue does not prescribe then in place of call in advance we will refund the<br/> application money)</p> |

## 7. For consideration other than cash there are the following accounting treatment

For purchase of assets

Sundry assets \_\_\_\_\_ Dr  
To Vendor

For purchase of business

Sundry assets \_\_\_\_\_ Dr

Goodwill (bal fig if any) \_\_\_\_\_ Dr

To sundry liabilities

To Vendor

To capital reserve (bal fig if any)

For issue of debenture

Vendor \_\_\_\_\_ Dr

To debenture

To securities premium reserve (if any)

Issue of debenture to promoters

Accounting treatment

Incorporation or formation cost \_\_\_\_\_ Dr

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To promoters

Promoters \_\_\_\_\_ Dr

To debenture

Issue of shares to underwriters

Sometimes the company issue the shares to underwriters in place of commission

Underwriting commission \_\_\_\_\_ Dr

To underwriter's

Underwriter's \_\_\_\_\_ Dr

Discount on issue of debenture (if any) \_\_\_\_\_ Dr

To debenture

To securities premium reserve (if any)

8. issue of debenture as collateral securities:- loan taken are secured by mortgage of the assets is known as primary and principal securities when securities is given in addition to the primary or principal securities is termed as collateral securities that collateral securities realised by the lender(who gives the loan) only if the due amount i.e loan plus interest cannot be recovered from the realisation of primary or principal securities . here the company is taking a loan by mortgaging the primary securities in addition company also issued debenture as collateral securities and no interest on the debenture is payable to the bank when issued as collateral securities. issue of debenture as collateral securities is shown separately under the head non-current liability and sub heading of long term borrowings Issue of debenture as collateral securities is not a liability of company it is just a securities held by the lender. There are two things can happen
1. when the loan is repaid to the lender the debenture issued as collateral securities is returned back to the company
  2. when the company fails to repay the loan to the lender may exercise the right towards debenture issued as collateral securities
- accounting treatment of issue of debenture as collateral securities

Alternative I

Bank account \_\_\_\_\_ Dr

To bank loan

(being the loan taken from bank)

(a) if the loan is long term

Balance sheet

| particulars               |  |
|---------------------------|--|
| 1. EQUITY AND LIABILITIES |  |

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|   |  |
|---|--|
| non-current liabilities<br>long term borrowings |  |
|---|--|

## Notes to accounts

- |  |
|--|
| <b>1. Long term borrowings</b><br>Loan from bank<br>(secured by issue of debenture as collateral securities)<br><b>(b) if the loan is short term</b> |
|--|

## Balance sheet

|  |  |
|--|--|
| particulars  |  |
| <b>2. EQUITY AND LIABILITIES</b><br>current liabilities<br>short term borrowings<br>(secured by issue of debenture as collateral securities) |  |

## Notes to accounts

- |   |
|---|
| <b>2. short term borrowings</b><br>Loan from bank |
|---|

## Alternative II

Bank account \_\_\_\_\_ Dr  
 To bank loan  
 (being the loan taken from bank)

Debenture suspense A/C \_\_\_\_\_ Dr  
 To debenture  
 (being the debenture issued as collateral securities)

## Balance sheet(relevant part only)

|  |  |
|--|--|
| particulars  |  |
| <b>1 EQUITY AND LIABILITIES</b><br>non-current liabilities<br>long term borrowings |  |

## Notes to accounts

- |  |
|--|
| <b>1. Long term borrowings</b><br>Loan from bank<br>(secured by issue of debenture as collateral securities) |
|--|

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**Debenture issued as collateral securities  
Less debenture suspense account**

When loan is repaid to the lender then reverse entry will be passed as follows

Bank loan \_\_\_\_\_ Dr  
Interest \_\_\_\_\_ Dr (if any)  
    To bank account  
(being the loan along with interest repaid to the bank)  
Debenture \_\_\_\_\_ Dr  
    To debenture suspense account  
(being the entry for debenture issued as collateral securities reversed as debenture returned back to the company)

When the company does not pay the loan along with interest the lender can recover the amount by selling the primary securities or by redeeming the collateral securities i.e debenture lender may exercise the right towards debenture issued as collateral securities it means company now converting the debenture issued as collateral securities into the debenture as a liability

Debenture \_\_\_\_\_ Dr  
    To debenture suspense account  
(being the entry for debenture issued as collateral securities reversed)

Bank loan \_\_\_\_\_ Dr  
Outstanding interest \_\_\_\_\_ Dr  
    To debenture  
(Being lender exercise the right towards debenture issued as collateral securities as now company converting the debenture issued as collateral securities into the debenture as a liability)

### 9. Various cases of issue of debenture from the redemption point of view

There are the following entries will be passed at the time of issue and at the time redemption debenture

| cases                                | Entry At the time of issue of debenture                            | Entry At the time of redemption of debenture  |
|--------------------------------------|--|---|
| issue at par<br>redeemable at<br>par | Bank _____ Dr<br>To debenture application<br>and allotment account | Debenture _____ Dr<br>To debentureholder<br>(being the redemption amount due<br>to debentureholder) |

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|  |   |   |
|--|---|---|
|  | <p>(being the application money received @ ___ each on ___ debenture)</p> <p>debenture application and allotment account _____ Dr<br/>To debenture</p> <p>(being the application money transferred to debenture account)</p> <p>Bank _____ Dr<br/>To debenture application and allotment account</p> <p>(being the application money received @ ___ each on ___ debenture at a discount of ___)</p> <p>debenture application and allotment account _____ Dr<br/>discount on issue of debenture _____ Dr<br/>To debenture</p> <p>(being the debenture issue at discount and redeemable at par)</p> | <p>Debentureholder _____ Dr<br/>To bank<br/>(being the amount due to debentureholder paid)</p> <p>Debenture _____ Dr<br/>To debentureholder<br/>(being the redemption amount due to debentureholder)</p> <p>Debentureholder _____ Dr<br/>To bank<br/>(being the amount due to debentureholder paid)</p> |
| <p>issue at discount redeemable at par</p> | <p>Bank _____ Dr<br/>To debenture application and allotment account</p> <p>(being the application money received @ ___ each on ___ debenture )</p> <p>debenture application and allotment account _____ Dr<br/>To debenture<br/>To securities premium reserve<br/>(being the debenture issue at premium and redeemable at par)</p>  | <p>Debenture _____ Dr<br/>To debentureholder<br/>(being the redemption amount due to debentureholder)</p> <p>Debentureholder _____ Dr<br/>To bank<br/>(being the amount due to debentureholder paid)</p>  |
| <p>issue at premium redeemable at par</p>  |   |   |

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|  |  |   |
|--|--|---|
| <p>issue at par<br/>redeemable at<br/>premium</p>          | <p>Bank _____ Dr<br/>To debenture application<br/>and allotment account</p> <p>(being the application money received<br/>@ ___ each on ___ debenture )</p> <p>debenture application and allotment __ Dr<br/>loss on issue of debenture _____ Dr<br/>To debenture<br/>To premium on redemption on debenture<br/>(being the debenture issue at par and<br/>redeemable at premium)</p>      | <p>Debenture _____ Dr<br/>Premium on redemptiom of deb_ Dr<br/>To debentureholder<br/>(being the redemption amount due<br/>to debentureholder)</p> <p>Debentureholder _____ Dr<br/>To bank<br/>(being the amount due to<br/>debentureholder paid)</p> |
| <p>issue at<br/>discount<br/>redeemable at<br/>premium</p> | <p>Bank _____ Dr<br/>To debenture application<br/>and allotment account</p> <p>(being the application money received<br/>@ ___ each on ___ debenture )</p> <p>debenture application and allotment __ Dr<br/>loss on issue of debenture _____ Dr<br/>To debenture<br/>To premium on redemption on debenture<br/>(being the debenture issue at discount and<br/>redeemable at premium)</p> | <p>Debenture _____ Dr<br/>Premium on redemptiom of deb_ Dr<br/>To debentureholder<br/>(being the redemption amount due<br/>to debentureholder)</p> <p>Debentureholder _____ Dr<br/>To bank<br/>(being the amount due to<br/>debentureholder paid)</p> |
| <p>issue at<br/>premium<br/>redeemable at<br/>premium</p>  | <p>Bank _____ Dr<br/>To debenture application<br/>and allotment account</p> <p>(being the application money received<br/>@ ___ each on ___ debenture )</p> <p>debenture application and allotment __ Dr<br/>loss on issue of debenture _____ Dr<br/>To debenture<br/>To premium on redemption on debenture<br/>To securities premium</p>   | <p>Debenture _____ Dr<br/>Premium on redemptiom of deb_ Dr<br/>To debentureholder<br/>(being the redemption amount due<br/>to debentureholder)</p> <p>Debentureholder _____ Dr<br/>To bank<br/>(being the amount due to<br/>debentureholder paid)</p> |

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|  |   |  |
|--|---|--|
|  | ((being the debenture issue at premium and redeemable at premium) |  |
|--|---|--|

10. Interest on debenture:- interest rate on debenture is fixed . it is calculated on nominal value or face value payable quarterly, half yearly or yearly as per the terms of issue. Rate of interest is pre fixed to the debenture say 6% debenture. Interest on debenture is a chargeable expense and is payable even the company incurs a loss. interest payment may be subject to tax deducted at source(TDS )

Accounting treatment

|  |
|--|
| Debenture interest _____ Dr<br>To debentureholder<br>To TDS payable (if any)<br>(being the interest due and TDS )  |
| Debentureholder _____ Dr<br>To bank<br>(being interest paid to debentureholder after deduction of TDS)   |
| TDS payable _____ Dr<br>To bank<br>(being TDS deposited into government. )   |
| Statement of profit and loss account _____ Dr<br>To debenture interest<br>(being debenture interest transfer to Statement of profit and loss account at the end of the year) |

Question 1.( Issue of debenture and received in lumpsum)

- Micro ltd issued a 1000 6% debenture @ 100 each the whole amount received in lump sum
  - Apse ltd issued a 1000 6% debenture @ 100 each at a premium of 10% the whole amount received in lump sum
  - Z ltd issued a 1000 6% debenture @ 100 each at a discount of 10% the whole amount received in lump sum
- pass journal entries in all the above cases and show the disclosure in balance sheet

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Question 2(A) .(issue of debenture and received in instalments)

- (a) Tej ltd issued 2000 10% debenture @100 each at par Rs 30 on application on june 1<sup>st</sup> 2018, Rs 50 on allotment on nov 30th 2018 and balance on first and final call on jan31 st 2019 the whole amount received in time
  - (b) sangam ltd issued 2000 10% debenture @100 each at a discount of 20% Rs 30 on application on june 1<sup>st</sup> 2018, Rs 40 on allotment on nov 30th 2018 and balance on first and final call on jan31st 2019 the whole amount received in time
  - (c) Micro ltd issued 2000 10% debenture @100 each at a premium of 10% Rs 30 on application on june 1<sup>st</sup> 2018, Rs 50 on allotment on nov 30th 2018 and balance on first and final call on jan31st 2019 the whole amount received in time
- pass journal entries in all the above cases and show the disclosure in balance sheet

question 2 (B)

**XLtd invited applications for 5000 10% Debenture of Rs 100 each payable as under**

**On application Rs 20 per Debenture**

**On allotment Rs 30 per Debenture**

**On first call due three months after allotment Rs 30 per Debenture**

**On second call due two months after first call Rs 20 per Debenture**

**Applications were received for 20,000 10% Debenture on august 1<sup>st</sup> 2018 and allotment was made on july 1<sup>st</sup> 2018**

**Pass journal entries in the following cases.**

**Case I Allotted 5,000 Debenture in full to selected applicants and the application for the remaining 15,000 Debenture were rejected**

**Case II pro-rata allotment to the Debenture applied**

**Case III Reject applications for 1,000 Debenture, accept full applications of 4,000**

**Debenture and balance pro-rata allotment .Excess application money is adjusted towards allotment and further calls.**

**Pass journal entries in the books of X ltd co.**

Question 2(C)

**X Ltd invited applications for 5000 Debenture of Rs 100 each at a premium of 20% total amount is payable along with application Applications were received for 20,000 Debenture. And pro-rata allotment is made to the Debenture applied.**

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## Question 3. (A)

lux ltd issued 3000 10% debenture of Rs 100 each fully paid up to promoters for their services and the underwriters were to be paid a commission of 96,000 out of which 25% is paid in cash , balance issue 10% debenture at a discount of 10% lux ltd co also issue the 1000 10%debenture as a collateral securities to a bank against the loan of Rs 85,000 lux ltd also Purchased the business of zebra pvt ltd for Rs 12,00,000 it acquires the following assets and liabilities

|                              |          |
|------------------------------|----------|
| Land and building for Rs     | 7,00,000 |
| Machinery for Rs             | 2,00,000 |
| Motor vehicle for Rs         | 3,00,000 |
| Furniture and fixture for Rs | 2,00,000 |
| Sundry creditors for Rs      | 50,000   |

Lux ltd paid the consideration as

- (i) issued a Post dated cheque for Rs 9,00,000
- (ii) issued a bills of exchange for Rs 120,000
- (iii) and balance issue 10% debenture if debenture issued
  - (a) at par for Rs 100 each
  - (b) at a premium of 20%
  - (c) at a discount of 20%

## Question 3 (B)

Z ltd issue on april 1st 2016 2000, 6% debenture of Rs 100 each as a collateral securities to the bank against the loan of Rs 1,80,000 pass the journal entries at the time issue of debenture as collateral securities and at the time of repayment or fails to repay the loan as the case may be and also the treatment in balance sheet as on april 1<sup>st</sup> 2016 .

Case I if the company repaid the loan on 31-3-2019 amount along with interest of Rs 20,000

Case II if the company fails to repay the loan on 31-3-2019 outstanding interest of Rs 20,000 company exercised the right in it by way of debenture being issued as collateral securities

## Question 4.

Pass journal entries at the time of issue and at the time of redemption excluding the entries of DRR and DRI ignoring the entries of interest on debenture in the following cases

- (i) weak ltd co issues 1000,6% debenture at par for Rs 100 each and repayable at par
- (ii) Pee ltd co issues 10% debenture of Rs 100 each for the total face value of Rs 20,000 at premium of 10% and repayable at par..

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- (iii) Zee Ltd co issues Rs 30,000 10% debenture of Rs 100 each at a discount of 10% and repayable at par.
- (iv) pee Ltd co issues Rs 50,000 10% debenture of Rs 100 each at par and repayable at premium of 10%.
- (v) mee Ltd co issues Rs 90,000 10% debenture of Rs 100 each at a discount of 5% and repayable at a premium of 10%.
- (vi) Tej Ltd co issues Rs 60,000 10% debenture of Rs 100 each at a premium of 5% and repayable at a premium of 10%.

## Question 5(A)

X Ltd co issued 3000, 10% debenture @ 100 each at discount of 5% and repayable at a premium of 10%. Company also issued 1000 12% debenture @100 each as a collateral securities against a bank loan for Rs 80,000 and 500, 6% debenture @100 each to vendor for purchasing land and building of Rs 50,000 all category of debenture issue on 1-4-2018 interest on debenture is payable half yearly on 30<sup>th</sup> sep and on 31<sup>st</sup> march every year And TDS @10% balance of securities premium reserve is Rs 35,000 Pass journal entries in the books of company for the year ended 31-3-2019 and also transfer the interest on debenture to statement of profit and loss account.

## Question 5(B)

X Ltd co issued 5000, 10% debenture @ 100 each at discount of 5% on 1-4-2016 and repayable at a premium of 10%. Redemption is made in instalment as follows

|              |                |
|--------------|----------------|
| On 31-3-2017 | 2000 debenture |
| On 31-3-2018 | 2000 debenture |
| On 31-3-2019 | 1000 debenture |

interest on debenture is payable annually on 31<sup>st</sup> march every year and TDS @10% balance of securities premium reserve is Rs 35,000 as on 1-4-2016 Pass journal entries in the books of company for the year three years excluding redemption entries .

## Question 5 (C)

X Ltd has 4,000 12% debenture of Rs 100 each on April 1<sup>st</sup> 2018. According to the terms of issue interest on debenture is payable half yearly on 30<sup>th</sup> sep and 31<sup>st</sup> march every year and the rate of TDS is 10% Pass necessary journal entries for interest on debenture for the year 2018-2019