

Accounting for issue of Debentures

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Debenture is a most usual way in which a company borrows money from the public. A debenture is a written acknowledgement of a debt by a company under its seal containing provisions as to payment of interest and repayment of principal. It usually creates a charge on the assets of the company, bearing a fixed rate of interest and repayable within a fixed period of time.

Debentures are issued like shares by the company issuing a prospectus. These debentures can be issued for cash or for other than cash. When they are issued for cash generally public is invited to apply for its debentures. The debentures may be issued at par, at premium or at discount. The holders of debentures are called 'Debenture holders'. Debenture holders may be asked to pay the whole amount along with the application or to pay the sum in various installments. The journal entries on the issue of debentures are also the same as in case of issue of shares. The difference is that instead of 'Share Capital Account' a '**Debenture Account**' is opened in the books of accounts and the rate of interest on debenture is **prefixed the debentures**.

A company can issue debentures:

1. For cash
2. For consideration other than cash; and
- 3 As collateral security

Journal entries in all the three cases are as under:

Accounting for Issue of debenture for cash

1. **If the entire amount received in lump sum with the debenture application:**

Journal

| S.No. | Particulars | L.F. | Dr. (Rs) | Cr. (Rs.) |
|-------|---|------|----------|-----------|
| 1. | Bank A/c.....Dr. To ---%-Debenture A/c (Being debenture money received in lump sum) | | | |

2. **If the value of debenture is received in certain installment:**

Journal

| S.No.. | Particulars | L.F. | Dr. (Rs) | Cr. (Rs) |
|--------|---|------|----------|----------|
| 1. | <i>On receiving debenture application</i> | | | |
| | Bank A/c..... Dr. To --%-Debenture Application A/c (Being application money on --- debentures @ Rs.---per debenture received) | | | |
| 2 . | <i>On transferring debenture application money to debenture account</i> | | | |
| | | | | |

| | | | | |
|----|---|--|--|--|
| | --%-Debenture Application.....Dr. To ----%Debenture A/c (Being application money on --- debentures @ Rs. ---per debenture transferred to debenture a/c) | | | |
| 3. | In case of refunding application money | | | |
| | --%-Debenture Application A/c.....Dr. To Bank A/c (Being refund of debenture application money on---debentures @ Rs.--- per debentures) | | | |
| 4. | For making debenture allotment due | | | |
| | ---%-Debenture Allotment A/c.....Dr. To ---%-Debenture A/c (Being allotment money due on – debenture @ Rs.---per debentures) | | | |
| 5. | On receiving debenture allotment money | | | |
| | Bank A/c.....Dr. To ---%-Debenture Allotment A/c (Being debenture allotment money on— debentures @ Rs.—per debenture received) | | | |
| 6. | For making debenture call | | | |
| | ---%-Debenture ----Call A/c.....Dr. To ---% Debenture A/c (Being debenture---call money on – debentures @ Rs. –per debenture due) | | | |
| 7. | For receiving Debenture--- Call money | | | |
| | Bank A/c.....Dr. To—%Debenture---Call A/c Being debenture---call money on— debentures @ Rs.—per debenture received) | | | |

Note: If there are more than one call, separate entries for each call will be passed like above

| | | | | |
|--|--|--|--|--|
| | When installment containing premium is made due | | | |
| | ---%-Debenture Allotment A/c.....Dr. To ----%Debenture A/c To Securities Premium A/c Being allotment money---debentures @ Rs. ---per debenture including premium made due) | | | |
| | When debenture Allotment money including premium received | | | |
| | When installment containing discount is made due | | | |
| | ----%Debenture Allotment A/c.....Dr. Discount on Issue of Debentures A/c.....Dr. To---%Debentures A/c | | | |

| | | | | |
|--|---|--|--|--|
| | (Being allotment money due on --- debentures @ Rs.---- per debenture including Rs.---as discount made due) | | | |
|--|---|--|--|--|

Problem1. Samrithi Co. issued 1,00,000, 12% Debenture of Rs. 100 each payable as Rs. 10 on application, Rs. 40 on allotment, Rs. 25 on First Call and the balance on Final Cal.

All the money was received when due.

Pass necessary Journal Entries.

Solution:

Books of Samrithi Company

Journal

| S. No. | Particulars | L.F. | Dr. (Rs) | Cr. (Rs.) |
|--------|---|------|------------|------------|
| 1. | Bank A/c.....Dr. To 12% Debenture Application A/c (Being application money on 1,00,000 debentures @ Rs, 10 per debenture received) | | 10,00,000 | 10,00,000 |
| 2. | 12% Debenture Application A/c.....Dr. To 12% Debentures A/c Being application money on 10,00,000 debentures @ Rs. 10 per debentures transferred to debenture a/c) | | 10,00,000 | 10,00,000 |
| 3. | 12% Debentures Allotment A/c.....Dr. To 12% Debenture A/c (Being allotment money on 1,00,000 debentures @ Rs 40 per debentures made due) | | 40,00,000 | 40,00,000 |
| 4. | Bank A/c.....Dr. 12% Debentures Allotment A/c (Being allotment money on 1,00,000 debentures @ Rs. 40 per debentures received) | | 40,00,000 | 40,00,000 |
| 5. | 12% Debentures First Call A/c.....Dr. To 12% Debentures A/c (Being First Call money on 1,00,000 debentures @ Rs. 25 per debentures made due) | | 25,00,000 | 25,00,000 |
| 6. | Bank A/c.....Dr. To 12% Debentures A/c (Being First Call money on 1,00,000 debentures @ Rs 25 per debentures received) | | 25,00,000 | 25,00,000 |
| 7. | 12% Debentures Final Call A/c.....Dr. To 12% Debentures A/c Being final call money on 1,00,000 debentures @ Rs. 25 per debentures made due) | | 25,00,000 | 25,00,000 |
| 8. | Bank A/c.....Dr. To 12% Debentures A/c Being final call money on 1,00,000 debentures @ Rs 25 per debentures received) | | 25,00,000 | 25,00,000 |
| | | | 200,00,000 | 200,00,000 |

Problem2:Anushree Ltd issued 50,000, 10% Debentures of Rs. 100 each. The amount was payable as Rs. 20 on application, Rs. 30 on allotment and Rs. 50 on first & final call. All the debenture were applied for and money duly received except first & final call on 2,000 debentures.

Pass necessary Journal Entries.

Solution :

Books of Anushree Ltd

Journal

| S.No. | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs) |
|-------|---|------|-----------------------|-------------------|
| 1. | Bank A/c.....-Dr. To 10% Debentures Application A/c Being application money received on 50,000 debentures @ Rs. 20 per debentures) | | 10,00,000 | 10,00,000 |
| 2. | 10% Debentures Application A/c.....-Dr. To 10% Debentures A/c (Being application money on 50,000 debentures @ Rs. 20 per debentures transferred to Debenture A/c) | | 10,00,000 | 10,00,000 |
| 3. | 10% Debentures Allotment A/cDr. To 10% Debentures A/c (Being allotment ,money on 50,000 debentures @ Rs. 30 per debentures made due) | | 15,00,000 | 15,00,000 |
| 4. | Bank a/c.....-Dr. To 10% debentures Allotment A/c Being allotment money on 50,000 debentures @ Rs. 30 per debentures received) | | 15,00,000 | 15,00,000 |
| 5. | 10% Debentures First & Final Call A/c.....-Dr. To 10% Debentures A/c CBeing first & final call money due on 50000, 10% @ Rs.50each) | | 25,00,000 | 25,00,000 |
| 6. | Bank A/cDr. Debentures Calls-in-arrears A/c.....Dr. To 10% Debentures First & Final Call A/c (Being first & final call money received on48,000 debentures @ Rs. 50 per debentures | | 24,00,000 1,00,000 | 25,00,000 |
| | | | <u>100,00,000</u> | <u>100,00,000</u> |

Problem3:Rohan Chemical Ltd issued 10,000 9% debentures of Rs. 100 each for subscription. The debenture money was payable as follows:
Rs. 30 on Application

Rs. 40 on Allotment

Rs. 20 on First Call

Rs. 10 on Second & Final Call.

A person who holds 200 debentures failed to pay the amount due at the time of allotment. He however pays this amount with the first call money. Another person who is holding 400 debentures has paid all the calls in advance at the time of allotment.

Give necessary journal entries in the books of Rohan Chemicals Ltd.

Solution:

Books of Rohan Chemicals Ltd
Journal

| S. No. | Particulars | L. F. | Dr. (Rs.) | Cr. (Rs.) |
|--------|--|-------|-------------------|--------------------|
| 1. | Bank A/c.....-Dr. To 9% Debentures Application A/c (Being application money on 10,000 debentures @ Rs. 30 per debentures received) | | 3,00,000 | 3,00,000 |
| 2. | 9% Debentures Application A/cDr. To 9% Debentures A/c Being application money on 10,000 debentures @ Rs. 30 per debentures transferred to Debentures A/c) | | 3,00,000 | 3,00,000 |
| 3. | 9% Debentures Allotment A/cDr. To 9% Debentures A/c (Being the allotment money on 10,000 debentures @ Rs. 40 per debentures made due) | | 4,00,000 | 4,00,000 |
| 4. | Bank A/c.....-Dr. Debentures Calls-in-arrears A/c.....Dr. To 9% Debentures Allotment A/c To Debentures Calls-in-advance A/c (Being the debentures allotment money on 9,800 debentures and calls in advance on 400 debentures received) | | 4,04,000 8,000 | 4,00,000 12,000 |
| 5. | 9% Debentures First Call A/c.....Dr. To 9% Debentures A/c | | 2,00,000 | 2,00,000 |

| | | | | |
|----|---|--|-------------------|-------------------|
| | (Being the first call money on 10,000 debentures @ Rs. 20 per debentures made due) | | | |
| 6. | Bank A/c.....-Dr. 9% Debentures Calls-in-Advance A/c-Dr. To Calls in Arrears A/c To 9%Debentures First Call A/c (Being the arrears of debenture allotment amount in respect of 200 debentures and the first call money in respect of 9,600 debentures received and the debenture calls in advance adjusted against first calls in respect of 400 debentures) | | 2,00,000 8,000 | 8,000 2,00,000 |
| 7. | 9% Debentures Second & Final Call a/cDr. To 9% Debentures A/c (Being the second & final call money on 10,000 debentures @ Rs. 10 per debentures made due) | | 1,00,000 | 1,00,000 |
| 8. | Bank A/c-Dr. Debentures Calls-in-advance A/c.....-Dr. To 9% Debentures Second & Final Call A/c (Being the second call money on 9,600 debentures received and the calls in advance adjusted against the second & final call in respect of 400 debentures) | | 96,000 4,000 | 1,00,000 |
| | | | <u>20,20,000</u> | <u>20,20,000</u> |

Problem4:Efficiency Ltd. issued 15,000,9% Debentures of Rs. 100 each,payable Rs. 15 on application, Rs. 25 on allotment and Rs. 60 on final call. All the Debentures wereapplied and allotmentwas made . Mr, Ashitosh , the applicants of 100 Debentures paid the entire amount on his holdings on allotment and Mr. Bhushan, the holder of 200 Debentures failed to pay the allotment and final call money.

Pass necessary Journal Entries.

Solution:

Books of Efficiency Ltd.

Journal

| S. No. | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs.) |
|--------|---|------|-----------|-----------|
| 1. | Bank A/c.....Dr. To 9% Debenture Application A/c | | 2,25,000 | 2,25,000 |

| | | | | |
|----|--|--|-----------------------------|-------------------|
| | (Being application money on 15,000 debentures @ Rs. 15 per debentures received) | | | |
| 2. | 9% Debenture Application A/c.....-Dr To 9% Debentures A/c Being application money on 15,000 debentures @ Rs. 15 per debenture transferred to Debenture Account) | | 2,25,000 | 2,25,000 |
| 3. | 9% Debenture Allotment A/c-Dr. To 9% Debenture A/c (Being allotment money on 15,000 debentures @ Rs. 25 per debenture made due) | | 3,75,000 | 3,75,000 |
| 4. | Bank A/c-.....Dr. Calls-in-arrears A/c.....Dr. To 9% Debenture Allotment A/c To Calls-in-advance A/c (Being allotment money on 14,800 debentures @ Rs. 25 per debentures received. Calls money on 100 debentures @Rs. 60 per debentures received in advance) | | 3,76,000 5,000 | 3,75,000 6,000 |
| 5. | 9% Debenture First & Final Call A/c.....-Dr. To 9% Debentures A/c (Being first 7 final call money on 15,000 debentures @ Rs. 60 per debenture made due) | | 9,00,000 | 9,00,000 |
| 6. | Bank A/cDr. Calls-in-arrears A/c.....Dr. Calls-in advance A/cDr. To 9% Debenture First & Final Call A/c (Being first & final call money on 14,800 debentures @ Rs. 60 per debenture after adjusting calls-in-advance received) | | 8,82,000 12,000 6,000 | 9,00,000 |
| | | | <u>30,06,000</u> | <u>30,06,000</u> |

Problem5:The Prosperous Co. Ltd. issued 50,000,11% Debentures of Rs. 100 each at a premium Of Rs. 10 per debenture. The amount was payable as follows:

| | |
|----------------------------------|----------------------|
| On Application | Rs. 20 per debenture |
| On Allotment (including Premium) | 50 per debenture |
| On First Call | 30 per debenture |
| On Final Call | 10 per debenture |

All the debentures were subscribed and the money duly received except the first call on 500 debentures and the final call on 1,500 debentures.

Give the Journal Entries:

Solution:Books of Prosperous Co. Ltd

Journal

| S.No. | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs.) |
|-------|--|------|---------------------|-----------------------|
| 1. | Bank A/c.....Dr. To 11% Debenture Application A/c (Being application money on 50,000 debentures @ Rs. 20 per debenture received) | | 10,00,000 | 10,00,000 |
| 2. | 11% Debenture Application A/c.....Dr. To 11% Debenture A/c (Being application money on 50,000 debenture @ Rs. 20 per debenture transferred to Debenture A/c) | | 10,00,000 | 10,00,000 |
| 3. | 11% Debenture Allotment A/c -.....Dr. To 11% Debenture A/c To Securities Premium A/c (Being allotment money on 50,000 debentures @ Rs. 50 per debenture including premium made due) | | 25,00,000 | 20,00,000 5,00,000 |
| 4 | Bank A/c -.....Dr. To 11% Debenture Allotment A/c Being allotment money on 50,000 debentures @ Rs. 50 per debenture including premium received) | | 25,00,000 | 25,00,000 |
| 5. | 11% Debenture First Call A/cDr. To Debenture A/c (Being first call money on 50,000 debentures @ Rs. 30 per debenture made due) | | 15,00,000 | 15,00,000 |
| 6. | Bank A/c.....Dr. Calls- in-arrears A/c.....Dr. To 11% Debenture First Call A/c (Being first call money on 49,500 debentures @ Rs 30 per debenture received) | | 14,85,000 15,000 | 15,00,000 |
| 7. | 11% Debenture Final Call A/c.....Dr. To 11% Debenture A/c (Being final call money on 50,000 debentures @ Rs. 10 per debenture made due) | | 5,00,000 | 5,00,000 |
| 8. | Bank A/c.....Dr. Calls-in-arrears A/c -.....Dr. To 11% Debenture Final A/c (Being final call money on 48,500 @ Rs, 10 per debenture received) | | 4,85,000 15,000 | 5,00,000 ----- |
| | | | <u>1,10,00,000</u> | <u>1,10,00,000</u> |

ii) For consideration other than cash :

Journal

| S. No. | Particulars | L.F. | Dr.(Rs) | Cr. (Rs.) |
|--------|--|------|---------|-----------|
| 1. | When asset is purchased | | | |
| | Asset A/c.....-Dr. To Vendor's A/c (Being ----purchased from----) | | | |
| 2.a | When Debentures were issued at par | | | |
| | Vendor's A/cDr. To ----Debentures A/c Being --- debentures @ Rs.—issued to vendor in settlement of p.c of asset purchased) No. of debentures to be issued= $\frac{\text{Amount Due}}{100(\text{Face Value})}$ | | | |
| b. | When debentures are issued @ premium | | | |
| | Vendor's A/c-Dr. To---Debentures A/c To Securities Premium A/c Being --- debentures of Rs.---issued at a premium of Rs.—in settlement of p.c. of asset purchased) No. of debentures to be issued= $\frac{\text{Amount due}}{100(\text{F.V})+\text{Premium}}$ | | | |
| c. | When debentures are issued @ discount | | | |
| | Vendor's A/c.....-Dr. Discount on issue of debentures A/c.....-Dr. To ----Debentures A/c Being ---debentures of Rs—issued at a discount of— in settlement of the p.c. of asset purchased) No. of debentures to be issued = $\frac{\text{Amount Due}}{100(\text{F.V.})-\text{Discount}}$ | | | |

Problem1: MadhurAgrotech Ltd. purchased Building worth Rs. 99,00,000 and issued to the vendor's as purchase consideration.

Pass Journal entries in the following cases:

- a. If 13% debentures of Rs. 100 are issued to vendor's at par
- b. If 13% debentures of Rs. 100 are issued at a premium of 10%
- c. If 13% debentures of Rs.100 are issued at a discount of 10%

MadhurAgrotech Ltd.

Journal

| S. No. | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs.) |
|--------|---|------|-----------|-----------|
| 1. | Building A/c-Dr. To Vendor's A/c (Being Building purchased) | | 99,00,000 | 99,00,000 |

| | | | | |
|-----|--|--|-----------------------|-----------------------|
| 2.a | Vendors A/c-Dr. To 13% Debentures A/c (Being issue of 99,000 debentures of Rs 10 each to vendors at par) No. of debentures to be issued = $\frac{99,00,000}{100}$ | | 99,00,000 | 99,00,000 |
| 2.b | Vendors A/c.....-Dr. To 13.5% Debentures A/c To Securities Premium A/c (Being 90,000 debentures of Rs. 10 each issued to vendors at a premium of 10%) No. of debentures to be issued = $\frac{99,00,000}{100+10}$ | | 99,00,000 | 90,00,000 9,00,000 |
| 2.c | Vendors A/c-.....Dr. Discount on Issue of Debentures A/c.....Dr. To 13.5% Debentures A/c (Being 1,10,000 debentures of Rs. 10 each were issued @ a discount of 10% to vendors) No. of debentures to be issued = $\frac{99,00,000}{100-10}$ | | 99,00,000 1,10,000 | 1,10,00,000 |

Problem2: Traditional Products Ltd. issued 25,000 10% Debentures of Rs. 100 per debenture payable as under:

| | |
|----------------|----------------------|
| On Application | Rs. 30 per debenture |
| On Allotment | 20 per debenture |
| On First Call | 30 per debenture |
| On Final Call | 20 per debenture |

The public applied for 30,000 debentures. Excess applications received were rejected and the amount thereon was refunded to the applicants. All the calls were made and the amount duly received.

The Company purchased Machinery worth Rs. 6,60,000 from BHML Ltd. It was agreed that the purchase consideration be paid by issuing 11% debentures of Rs. 100 each at a premium of Rs. 10 per debentures.

Give necessary Journal entries .

Solution:Books of Traditional Products Ltd.

Journal

| S. No. | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs.) |
|--------|--|------|-----------|-----------|
| 1. | Bank A/c.....Dr. To 10% Debentures Application A/c (Being application money on 30,000 debentures @ | | 9,00,000 | 9,00,000 |

| | | | | |
|-----|---|--|----------|----------------------|
| | Rs. 30 per debenture received) | | | |
| 2. | 10% Debentures Application A/c.....-Dr. To 10% Debenture A/c (Being application money on 25,000 debentures @ Rs 30 per debentures a Transferred to Debenture A/c) | | 7,50,000 | 7,50,000 |
| 3. | 10% Debenture Application A/cDr. To Bank A/c (Being refund of debenture application money on 5,000debentures @ Rs. 30 per debentures) | | 1,50,000 | 1,50,000 |
| | OR | | | |
| | 10% Debentures Application A/c-----Dr. To 10% Debentures A/c To Bank A/c Being application money on 25,000 debentures transferred to Debentures A/c & application money on rejected debentures refunded) | | 9,00,000 | 7,50,000 1,50,000 |
| 4. | 10% Debenture Allotment A/c.....-Dr. To 10% Debentures A/c Being allotment money on 25,000 debentures @ Rs. 20 per debentures made due) | | 5,00,000 | 5,00,000 |
| 5. | Bank A/c-Dr. To 10% Debentures Allotment A/c Being allotment money on 25,000 debentures @ Rs, 20 per debentures received) | | 5,00,000 | 5,00,000 |
| 6. | 10% Debentures First Call A/c.....Dr. To 10% Debentures A/c Being first call money on 25,000 debentures @ Rs. 30 per debentures made due) | | 7,50,000 | 7,50,000 |
| 7. | Bank A/c.....Dr. To 10% Debentures First Call A/c Being first call money on 25,000 debentures @ Rs. 25,000 debentures received | | 7,50,000 | 7,50,000 |
| 8. | 10% Debentures Final Call A/c.....-Dr. To 10% Debentures A/c Being final call money on 25,000 debentures @ Rs. 20 per debentures made due) | | 5,00,000 | 5,00,000 |
| 9. | Bank A/c.....Dr. To 10% Debentures Final Call A/c Being final call money ob 25,000 debentures @ Rs. 20 per debentures received) | | 5,00,000 | 5,00,000 |
| 10. | Machinery A/c-Dr. To BHML Ltd A/c Being machinery purchased from BHML Ltd.) | | 6,60,000 | 6,60,000 |
| 11. | BHML Ltd. A/c.....-Dr. To 11% Debentures A/c To Securities Premium A/c | | 6,60,000 | 6,00,000 60,000 |

| | | | | |
|--|--|--|------------------|------------------|
| | Being 6,000 debentures of Rs. 100 per debentures issued to BHML Ltd. at a Premium of Rs. 10 per debentures in settlement of p.c.) No of debentures to be issued = $\frac{6,60,000}{100+10} = 6,000$ | | | |
| | | | <u>66,20,000</u> | <u>66,20,000</u> |

iii)As collateral security

Journal

| S.No | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs.) |
|------|--|------|-----------|-----------|
| 1. | At the time of Issue of Debentures as Collateral Security | | | |
| | ---% Debentures Suspense A/c.....Dr. To ---% Debentures A/c | | | |
| 2. | After the repayment of loan | | | |
| | --% Debentures A/c.....Dr. To --% Debentures Suspense A/c | | | |

Problem1: Hindustan Electronic Co. Ltd issued 10,000, 10% Debentures of Rs. 100 each, at discount of 5%, payable as under:

On Application Rs. 30 per debenture

On Allotment 45 per debentures

On First & Final Call 20 per debenture

The issue was fully subscribed. Money due was fully received.

During the year it took a Loan of Rs. 10,00,000 from SBI for which the company gave 13% Debentures of Rs. 12,00,000 as collateral security.

Pass Journal entries .

Solution:

Books of Hindustan Electronics Ltd.

Journal

| S.No. | Particulars | L.F. | Dr. (Rs) | Cr. (Rs.) |
|-------|--|------|--------------------|------------------|
| 1. | Bank A/c-Dr. To 10% Debentures Application A/c (Being application money on 10,000 debentures @ Rs. 30 per debentures received) | | 3,00,000 | 3,00,000 |
| 2. | 10% Debentures Application A/c.....Dr. To 10% Debentures A/c (Being application money on 10,000 debentures @ Rs. 30 per debenture transferred to Debenture A/c) | | 3,00,000 | 3,00,000 |
| 3. | 10% Debentures Allotment A/c-Dr. Discount on Issue of Debentures A/c-Dr. To 10% Debentures A/c (Being allotment money on 10,000 debentures @ Rs. 45 per debenture excluding Rs. 5 as discount made due) | | 4,50,000 50,000 | 5,00,000 |
| 4. | Bank A/c.....-Dr. To 10% Debentures Allotment A/c (Being allotment money on 10,000 @ Rs. 45 per debentures received) | | 4,50,000 | 4,50,000 |
| 4. | 10% Debentures First & Final Call A/c.....Dr. To 10% Debentures A/c (Being first & final call money on 10,000 debentures @ Rs. 20 per debenture made due) | | 2,00,000 | 2,00,000 |
| 5. | Bank A/c-Dr. To 10% Debenture First & Final Call A/c (Being first & final call money on 10,000 debentures @ 20 per debentures received) | | 2,00,000 | 2,00,000 |
| 6. | SBI A/cDr. To SBI loan A/c (Being loan borrowed from SBI) | | 10,00,000 | 10,00,000 |
| 7. | Debenture Suspense A/c.....-Dr. To 13% Debentures A/c (Being 12,000, 13% debentures of Rs. 100 each issued to bank as collateral security for the loan taken) | | 12,00,000 | 12,00,000 |
| | | | <u>41,50,000</u> | <u>41,50,000</u> |

Practical Problems

Problem1: Nova Ltd. issued 15,000, 10% debentures of Rs. 100 each, payable as follows:

| | | |
|---------------|------------------|----------------------|
| | On Application | Rs. 45 per debenture |
| On Allotment | 25 per debenture | |
| On First Call | 20 per debenture | |
| On Final Call | 10 per debenture | |

The issue was fully subscribed and all the money was duly received by the company.

The company purchased machinery worth Rs. 20,00,000 from Autotech co. Ltd. and settled the purchase consideration by issuing 20,000, 12% debentures of Rs. 100 each at par.

Pass Journal entries in the books of the company.

Problem2: Ankit Products Ltd. issued 15,000, 8% debentures of Rs. 100 each at a premium of 10% payable as follows:

| | |
|-----------------------|--------------------------------------|
| On Application | Rs. 25 per debenture |
| On Allotment | 45 per debenture (including premium) |
| On First & Final Call | 40 per debenture |

Applications were received for 18,000 debentures. The Directors rejected 3,000 applications and refunded their application money. The remaining applicants were allotted in full. All the monies due was received.

The company borrowed a loan of Rs. 5,00,000 from Goa State Co-operative Bank and issued 10% debentures of Rs. 100 each at par as collateral security.

Pass Journal entries in the books of the company.

Problem3: Apple Industries Ltd. issued 20,000, 11% debentures of Rs. 100 each at a discount of 5% payable as follows:

| | |
|-----------------------|-----------------------|
| On Application | Rs. 15 per debentures |
| On Allotment | 55 per debentures |
| On First & Final Call | 25 per debenture |

Applications were received for 15,000 debentures and allotment was made. Money due was fully received.

The company purchased computers worth Rs. 1,90,000 from HCL Ltd. and settled the purchase consideration by issuing 10% debentures of Rs. 100 each at a discount of 5%.

The company borrowed Rs. 2,00,000 from ICICI and issued 12% debentures of Rs. 100 each at par as collateral security.

Pass Journal entries in the books of the company.

Problem4: Sukruti Cosmetics Ltd. made the following issue of debentures:

1. For cash @ 95% 5,000 debentures of Rs. 100 each.
2. To a creditor who supplied furniture costing Rs. 45,000, 500,12% debentures of Rs. 100 each
3. To State Bank for a loan of Rs. 1,00,000 as a collateral security , 1,200 , 12% debentures of Rs. 100each.

Journalise the above transactions.

Problem5:Premier Industries Ltd. issued 40,000, 12% Debentures of Rs. 100 each payable as follows:

| | |
|-----------------------|----------------------|
| On Application | Rs. 35 per Debenture |
| On Allotment | Rs. 25 per Debenture |
| On First & Final Call | Rs. 40 per Debenture |

The public applied for 45,000 debentures. The excess numbers of applications received were rejected and money were duly refunded to the applicants. All other monies were duly received by the company.

The company purchased machinery from M/s Sultan Industries for Rs. 4,00,000 and agreed to make payment of Rs. 1,00,000 in cash and balance by issue of 12% Debentures of Rs 100 each.

Pass Journal entries in the books of Premier Industries Ltd.

Problem6Trupti Textile Ltd. purchased machinery costing Rs. 2,70,000. It was agreed that the purchase consideration be paid by issuing 12% debentures of Rs. 100 each .

Assume debentures have been issued –

- i. At par
- ii. At a discount of 4%.
- iii. At a premium of 20%

Journalise .