

Promoters A/c	Dr.	4,00,000	
Loss on Issue of Debentures A/c	Dr.	1,00,000	
To 8% Debentures A/c			5,00,000
(Debentures issued to promoters)			
Securities Premium A/c	Dr.	2,00,000	
Statement of Profit and Loss	Dr.	3,50,000	
To Loss on Issue of Debentures A/c			1,50,000
To Incorporation Costs A/c			4,00,000
(Incorporation costs and Loss on issue of Debentures account closed)			

PRACTICAL QUESTIONS

(Question No. 1 to 28 are strictly in the serial order of Illustrations)

Issue of Debentures at Par

- Q. 1. X Ltd. issued 2,000, 15% debentures of ₹100 each at Par, payable as follows:
₹25 on Application; ₹25 on Allotment and ₹50 on First and Final Call.

Applications were received for 3,000 debentures. Applications for 1,600 debentures were accepted in full. Applications for 600 debentures were allotted 400 debentures and the rest were rejected. All moneys due were received except final call on 100 debentures.

Pass necessary journal entries.

[Ans. Cash at Bank ₹1,95,000.]

- Q. 2. Balaji Ltd. issued 10,000, 13% Debentures of ₹100 each, payable as follows:
₹20 on application, ₹30 on allotment and ₹50 on first and final call.

All the debentures were applied. Ajay, the holder of 300 debentures paid the entire amount on his holding on allotment whereas Vijay, the holder of 200 debentures failed to pay the allotment and final call. Pass entries.

[Ans. Cash at Bank ₹9,84,000]

Hint : (i) Cash received on Allotment ₹3,09,000 (i.e., ₹3,00,000 + ₹15,000 – ₹6,000)

(ii) Cash received on 1st Call ₹4,75,000 (i.e., ₹5,00,000 – ₹15,000 – ₹10,000)

- Q. 3. Kamal Ltd. issued 5,000, 12% Debentures of ₹100 each, payable as follows:
₹10 on application, ₹15 on allotment, ₹30 on first call and ₹45 on second and final call.

A person who holds 400 debentures paid the amount of first and second calls with allotment. Another person who is holding 100 debentures failed to pay the amount due on allotment. He, however, pays this amount alongwith the first call money. Pass entries.

[Ans. Cash at bank ₹5,00,000.]

- (i) Cash received on Allotment ₹1,03,500 (i.e., ₹75,000 + ₹30,000 - ₹1,500).
 (ii) Cash received on 1st Call ₹1,38,000 (i.e., ₹1,50,000 - ₹12,000) and ₹1,500 in respect of arrears of allotment.
 (iii) Cash received on 11nd Call ₹2,07,000 (i.e., ₹2,25,000 - ₹18,000).

Premium

- Q. 4. A Ltd. issued 5,000 12% Debentures of ₹100 each at a premium of ₹5 payable as follows :

On Application

On Allotment

On 1st and Final Call

₹30 (including premium)

₹40

The balance amount

Applications were received for 6,000 debentures and allotment was made pro-rata to all applicants. All the moneys were duly received. Pass necessary journal entries.

- [Ans. Cash at Bank ₹5,25,000. Cash received on allotment ₹1,70,000 and on first call ₹1,75,000.]

- Q. 5. Nav Lakshmi Ltd. invited applications for issuing 3,000, 12% Debentures of ₹100 each at premium of ₹50 per debenture. The 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 applicants.

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

Discount

- Q. 6. R Ltd. issued 8,000, 13% Debentures of ₹100 each at a discount of 5% payable as follows :

On Application

On Allotment

On First and Final Call

₹25

₹25

The balance amount

Public applied for 6,000 debentures. All the moneys were duly received. Expenses on issue of debentures amounted to ₹20,000.

Pass journal entries (for first year only).

- Q. 7. Kaveri Ltd. issued 10,000, 8% debentures of ₹50 each at a discount of 6%. The full amount was payable on application. Applications were received for 12,000 debentures and allotment was made on pro-rata basis. Pass the necessary journal entries for the above transactions in the books of Kaveri Ltd.

- [Ans. Amount refunded ₹94,000]

Consideration other than Cash

- Q. 8. X Company purchased assets of the book value of ₹10,45,000 from Y Co. It was agreed that the purchase consideration be paid by issuing 14% Debentures of ₹100 each. Assume debentures have been issued (i) at par, (ii) at a premium of 10%, and (iii) at a discount of 5%.
Give necessary journal entries in the books of X Company.

[Ans. Number of Debentures issued in Case (I) 10,450; Case (II) 9,500, and Case (III) 11,000]

- Q. 9. Golden Ltd. bought assets for ₹5,50,00,000 and assumed liabilities worth ₹1,26,00,000 from Silver Ltd. and issued 8% Debentures of ₹500 each at a premium of 6%. Record necessary entries in the books of Golden Ltd.

[Ans. Number of Debentures Issued 80,000.]

- Q. 10. Nupur Ltd. took over Plant and Machinery worth ₹8,00,000, Stock worth ₹7,00,000 and Sundry Debtors for ₹6,00,000 from Vandna Ltd. for a purchase consideration of ₹22,80,000. Nupur Ltd. paid the purchase consideration by issuing 8% Debentures of ₹200 each. Pass entries in the books of Nupur Ltd. when :

- (a) Debentures were issued at 5% discount.
(b) Debentures were issued at 20% premium.

[Ans. Goodwill ₹1,80,000; Number of Debentures issued in Case (a) 12,000 and in Case (b) 9,500.]

- Q. 11. On 1st April, 2023, Simple Ltd. took over assets of ₹5,00,000 and liabilities of ₹1,00,000 from Temur Ltd. at an agreed value of ₹16,00,000. Simple Ltd. paid the amount to Temur Ltd. as follows :

- (i) Issued a bank draft of ₹1,00,000.
(ii) Issued 8% Debentures of ₹100 each at a premium of 50% in satisfaction of the balance amount of purchase consideration.

Pass the necessary journal entries in the books of Simple Ltd. to record the above transactions.

(C.B.S.E. 2024, Comptt.)

[Ans. Goodwill ₹12,00,000; Number of Debentures issued 10,000.]

- Q. 12. A Company purchased Assets of the book value of ₹12,00,000, and Liabilities of ₹2,20,000 of another Company for a purchase consideration of ₹9,40,000. The purchase consideration was discharged by the issue of debentures of ₹500 each at a discount of 6%. Pass journal entries in the books of purchasing company. Company writes off all capital losses in the first year itself.

[Ans. Capital Reserve ₹40,000; Debentures issued : 2,000 Debentures of ₹500 each. Discount on issue ₹60,000; It will be written off from Statement of Profit & Loss.]

- Q. 13. J Ltd. purchased machinery for ₹3,50,000 from K Ltd. on 28.2.2026. ₹50,000 were paid to K Ltd. immediately and the balance was paid by issue of 10% debentures of ₹3,10,000 in J Ltd.

Pass the necessary journal entries including writing off discount on issue of debentures.

- [Ans. Discount on issue of debentures will be debited by ₹10,000.]
- Q. 14. Star Textiles Ltd. purchased assets of Modern Textiles Ltd. as under :
- Land and Buildings of ₹25,00,000 at ₹40,00,000; Plant and Machinery of ₹10,00,000 for ₹7,50,000 and Furniture of ₹3,00,000 for ₹1,00,000 for purchase consideration of ₹45,00,000.
- Star Textiles Ltd. paid ₹3,00,000 in cash and remaining by issue of 9% Debentures of ₹500 each at a premium of 5%. Record necessary entries in the books of Star Textiles Ltd.
- [Ans. Capital Reserve ₹3,50,000; Debentures issued : 8,000 Debentures of ₹500 each.]
- Q. 15. Gunjan Limited purchased a running business from Vrindavan Limited for a sum of ₹25,00,000, payable ₹4,00,000 by cheque and for the balance issued 8% Debentures of ₹100 each at 5% premium. The assets and liabilities consisted of the following :

	Book Value (₹)	Agreed Value (₹)
Land and Buildings	5,00,000	9,00,000
Plant and Machinery	10,00,000	8,00,000
Patents	1,00,000	40,000
Sundry Debtors	8,00,000	Subject to 5% Provision
Stock	6,00,000	4,40,000
Sundry Creditors	1,20,000	1,20,000

Record necessary journal entries in the books of Gunjan Limited.

- [Ans. Capital Reserve ₹3,20,000; Number of Debentures issued 20,000]
- Q. 16. Disha Ltd. purchased machinery from Nisha Ltd. and Paid to Nisha Ltd. as follows :
- (i) By issuing 10,000, equity shares of ₹10 each at a premium of 10%.
- (ii) By issuing 200, 9% debentures of ₹100 each at a discount of 10%.
- (iii) Balance by a bank draft of ₹50,000.

Pass necessary journal entries in the books of Disha Ltd.

- [Ans. Machinery purchased for ₹1,78,000. Discount on Issue of Debentures will be written off from Securities Premium A/c.]

Issue of Debentures as Collateral Security

- Q. 17. S. Singh Limited obtained a loan of ₹5,00,000 from State Bank of India @10% 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 transactions :
- (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.
(C.B.S.E. Sample Paper, 2019)

Q. 18. Hassan Limited took a loan of ₹30,00,000 from a bank against primary security worth ₹40,00,000 and issued 35,000, 6% debentures of ₹100 each as a collateral security. The company again after one year took a loan of ₹50,00,000 from bank against Plant as primary security and deposited 60,000, 6% debentures of ₹100 each as collateral security. Record necessary journal entries.

How will you show the issue of debentures and bank loan in the balance sheet of the company?

Q. 19. India Ltd. made the following issue of 6% debentures :

- (i) For cash at 90%, 6,000 debentures of ₹100 each.
- (ii) 1,100 debentures of ₹100 each to a creditor regarding machinery costing ₹1,00,000.
- (iii) To bank for a loan of ₹7,00,000 as collateral security 10,000 debentures of ₹100 each.

Pass Journal entries for first year only. All capital losses are to be written off in the first year itself.

[Ans. (i) Discount on Issue of Debentures ₹60,000;

(ii) Discount on Issue of Debentures ₹10,000;

(iii) Dr. Bank A/c; Cr. Bank Loan A/c by ₹7,00,000, and

Dr. Debenture Suspense A/c; Cr. Debentures A/c by ₹10,00,000.]

Q. 20. X Ltd. issued 25,000, 9% Debentures of ₹100 each at a premium of ₹4 per debenture on 1st April, 2024. On the same date it purchased Property, Plant and Equipment of ₹10,00,000 and took over current liabilities of ₹70,000 of Y Ltd. and paid ₹4,00,000 in Cash and remaining by issue of ₹5,00,000, 9% debentures at a premium 6%. On the same date it took a loan from the Bank for ₹6,00,000 and issued 9% debentures as collateral security.

Give entries and the extract of Balance Sheet on 31st March, 2025. Ignore interest.

[Ans. Securities Premium ₹1,30,000.]

Q. 21. Usha Ltd. issued 30,000, 10% Debentures of ₹100 each as collateral security for a loan of ₹24,00,000 from Axis Bank. The company was unable to repay the loan on which interest payable was ₹6,00,000 as on 31st March, 2025.

Axis Bank, on 31st March, 2025, exercised the right vested in it by way of debentures being issued as collateral Security.

Pass Journal entries in the books of Usha Ltd. on 31st March, 2025.

Accounting for Issue of Debentures Considering the Terms and Conditions of Redemption

Q. 22. What journal entries will be made in the following cases :

- (i) A company issued ₹40,000, 9% Debentures at par, redeemable also at par.
- (ii) A company issued ₹40,000, 9% Debentures at a discount of 10% redeemable at par;
- (iii) A company issued ₹40,000, 9% Debentures at a premium of 5% redeemable at par.
- (iv) A company issued ₹40,000, 9% Debentures at par, redeemable at 10% premium; and
- (v) A company issued ₹40,000, 9% Debentures at a discount of 5% and redeemable at 5% premium.

Note : The face value of a 9% Debentures is ₹100.

Q. 23. On January 1, 2025 Ritu Ltd. issued ₹40,00,000, 8% Debentures of ₹100 each at 5% discount to be redeemed at 10% premium at the end of 5 years. Balance in Securities Premium on the date of such issue was of ₹2,70,000. Pass entries for Issue of debentures.

(C.B.S.E. Sample Paper, 2026)

[Ans. Loss on Issue written off from Securities Premium ₹2,70,000 and from Statement of Profit & Loss ₹3,30,000.]

Q. 24. On 1st April, 2022, Harbour Ltd. issued 50,000, 6% Debentures of ₹100 each to the public at discount of 5% to be redeemed after three years at a premium of 7%.

On this date, the company also issued 1,00,000 Equity shares of ₹10 each at a premium of ₹2 per share.

Both the issues were fully subscribed.

You are required to prepare the following accounts for the year 2022-23 in the books of Harbour Ltd. :

(i) 6% Debentures Account.

(ii) Loss on issue of Debentures Account.

(I.S.C. 2024)

[Ans. Loss on Issue written off from Securities Premium ₹2,00,000 and from Statement of Profit & Loss ₹4,00,000.]

Q. 25. ABC Ltd. purchased Plant and Machinery for ₹25,00,000 from Mahi Ltd. on 1st April, 2025 payable 20% through a bank draft and the balance by the issue of 9% Debentures of ₹200 each at a premium of 10% to be redeemed at a premium of 5% after five years.

You are required to pass Journal Entries in the books of ABC Ltd.

[Ans. Number of Debentures issued 9,090; Cash paid ₹200.]

Interest on Debentures

Q. 26. On 1-4-2024, K.K. Ltd. issued 500, 9% Debentures of ₹500 each at a discount of 4%, redeemable at a premium of 5% after three years.

Pass necessary Journal Entries for the year ended 31-3-2025 assuming that interest is payable on 30th September and 31st March. The company closes its books on 31st March every year.

[Ans. Total Interest of ₹22,500 and loss on issue of debentures ₹22,500 will be transferred to Statement of Profit & Loss on 31st March, 2025.]

Writing off Discount/Loss on Issue of Debentures

Q. 27. On 1-4-2024, X Ltd. issued 40,000, 7% debentures of ₹100 each at a discount of 6% redeemable at a premium of 2% after four years. The amount was payable as follows:

On application ₹40 per debenture.

Balance on allotment.

Company has a balance of 1,20,000 in Securities Premium and ₹1,50,000 in Capital Reserve. Profit for the year ending 31st March, 2025 was ₹2,00,000.

Pass the journal entries for issue of debentures and writing off the loss on issue of debentures.

[Ans. Loss on issue ₹3,20,000; Loss on issue written off from Securities Premium ₹1,20,000 and Statement of Profit & Loss ₹2,00,000.]

Note : Capital Reserve cannot be used for writing off Loss on Issue.

Q. 28. Y Ltd. issued on 1st April, 2024, 20,000, 9% Debentures of ₹100 each at 4% discount redeemable after four years at a premium of ₹5. All the debentures were subscribed. During the year ended 31st March, 2025, the company incurred a loss of ₹70,000. It has balance of ₹1,50,000 in Capital Reserve.

Pass the Journal entries for issue of debentures and writing off Loss on Issue of Debentures.

[Ans. Loss on Issue ₹1,80,000; Entire amount of Loss on Issue will be written off from Statement of Profit & Loss.]

ADDITIONAL QUESTIONS (For Practice)

Q. 29. Ashoka Ltd. purchased machinery costing ₹5,40,000. 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.

[Ans. Number of Debentures issued in Case (i) 5,400 and Case (ii) 6,000.]

Q. 30. Suvidha Ltd. purchased machinery for ₹1,98,000 from Suppliers Ltd. The payment was made by issue of 12% debentures of ₹100 each. Pass necessary

Journal entries for the purchase of machinery and issue of debentures when

- (i) Debentures are issued at par.
- (ii) Debentures are issued at 10% discount.
- (iii) Debentures are issued at 10% premium.

[Ans. Number of Debentures issued in Case (i) 1,980; Case (ii) 2,200 and Case (iii) 1,800.]

- Q. 31. On 1st April, 2024, Varsha Ltd. purchased from Rama Ltd., furniture at ₹12,00,000 and machinery at ₹20,00,000. It also took over its liabilities amounting to ₹3,00,000. The purchase consideration of ₹35,00,000 was paid by issuing a bank draft of ₹2,00,000 and the balance by issue of 11% Debentures of ₹100 each, at a premium of 10%.

Pass necessary journal entries for the above transactions in the books of Varsha Ltd.

(C.B.S.E. 2025, Kolkata, Odisha)

[Ans. No. of Debentures issued 30,000.]

- Q. 32. Deepak Ltd. purchased furniture for ₹2,20,000 from M/s Furniture Mart. 50% of the amount was paid to Furniture Mart through a bank draft and for the balance the company issued 9% debentures of ₹100 each at a premium of ₹10% in favour of Furniture Mart.

Pass necessary journal entries in the books of Deepak Ltd. for the above transactions.

[Ans. Debentures issued of the face value of ₹1,00,000; Securities Premium ₹10,000.]

- Q. 33. Vayee Ltd. purchased the following assets of E.X. Ltd :

Land and Building of ₹60,00,000 at ₹84,00,000; Plant and Machinery of ₹40,00,000 at 36,00,000.

The purchase consideration was ₹1,10,00,000. Payment was made by a bank draft of ₹20,00,000 and remaining by issue of 8% debentures of ₹100 each at a premium of 20%.

Record the necessary journal entries for the above transactions in the books of Vayee Ltd.

(C.B.S.E. 2020, Mumbai, Chennai)

[Ans. Capital Reserve ₹10,00,000; Number of Debentures issued ₹75,000]

- Q. 34. Tushar Ltd. purchased assets of ₹14,40,000 and liabilities of ₹2,55,000 from Chander Ltd. on 1.4.2025. ₹2,40,000 were paid immediately. Pass journal entries in the books of Tushar Ltd. if the balance was paid as follows :

Case (i) by issue of ₹9,00,000, 11% debentures in Tushar Ltd.

Case (ii) by issue of ₹10,50,000, 12% debentures in Tushar Ltd.

[Ans. Case (i) Securities Premium will be credited by ₹45,000; Case (ii) Discount on issue of debentures will be debited by ₹1,05,000.]

HOTS

- Q. 35. A Company purchased assets of the book value of ₹6,00,000 and took over liabilities of ₹1,50,000 from Golden Ltd. It was agreed that the purchase consideration settled at ₹4,80,000 be paid by issuing debentures of ₹100 each at a premium of 10%. It was further agreed that any fraction of the debenture be paid in cash. Give journal entries in the books of purchasing company.

SOLUTION:**JOURNAL**

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

Working Note: Number of Debentures to be issued = $\frac{4,80,000}{110} = 4363.63$ or 4,363.

HOTS

- Q. 36. X Ltd. took over assets of ₹5,00,000 and liabilities of ₹1,00,000 of another company at an agreed price of ₹3,80,000. The purchase consideration was discharged by issuing debentures of ₹100 each at a discount of 10%. It was agreed that any fraction of the debentures be paid in cash. Give journal entries in the books of X Ltd. Ignore writing off discount on issue of debentures.

SOLUTION:**JOURNAL**

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

of ₹16,00,000. The amount was settled by bank draft of ₹1,50,000 and balance by issuing 12% Debentures of ₹100 each at 15% premium. Pass entries in the books of Random Ltd.
(C.B.S.E. Sample Paper, 2023)

Glen Ltd. took over the running business of Hayward Ltd. having assets of ₹22,00,000 and liabilities of ₹6,00,000 by issuing ₹20,000, 11% Debentures of ₹100 each at 5% discount.

You are required to pass the journal entries in the books of Glen Ltd. if debentures were to be redeemed at 10% premium.

(C.B.S.E. Practice Question Paper, 2024)

Goodwill ₹3,00,000; Loss on Issue ₹3,00,000 will be written off from, Statement of Profit and Loss.]

PROBLEMS BASED ON INCOMPLETE INFORMATION

(Strictly as per Sample Paper Issued by CBSE)

PROBLEM 1.

V & K Limited purchased machinery from Modern Equipment Manufacturers Limited. The company paid the vendors by issue of some equity shares and debentures and the balance through an acceptance in their favour payable after three months. The accountant of the company while Journalising the above mentioned transactions left some items blank. You are required to fill in the blanks.

V & K Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. To (Purchased machinery for ₹7,00,000 from Modern Equipment Manufacturers Ltd.)		.....	.....
	Modern Equipment Manufacturers Ltd. Dr. Loss on Issue of 9% Debentures A/c Dr. To To To Securities Premium A/c To Premium on Redemption of Debentures A/c (Issued ₹1,00,000, 9% debentures at a discount of 10%, redeemable at a premium of 10% and 50,000 equity shares of ₹10 each issued at a premium of 15%)		..... ..... ..... ..... .....	..... ..... ..... .....
	 Dr. To ..... (.....)		.....	.....

(C.B.S.E. Sample Paper, 2018)

PROBLEM 6.

Fill in the missing information in the following :
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Application money received on Debentures of ₹100 each issued at a discount of 10%)		.....	.....
	12% Debenture Application & Allotment A/c Dr. Loss on issue of debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption of Debentures A/c (Transfer of application money to Debentures Account, issued at a discount of 10% and redeemable at a premium of 5%)		18,00,000 .....	..... .....

PROBLEM 7.

Fill in the blanks in the following cases :

GG Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	 Dr. To (Application and allotment money received on 2,000, 12% Debentures of ₹100 each issued at a premium of 5% and redeemable at a premium of 10%)		.....	.....
	 Dr. Dr. To To To ..... (.....)		..... .....	..... ..... ..... .....

(C.B.S.E. 2016, Comptt. Delhi)

PROBLEM 8.

Complete the following Journal Entries :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018 April 1	Sundry Assets A/c Dr. Dr. To Sundry Liabilities A/c To Shiv Shankar Ltd. (Shiv Shankar Ltd. taken over for a purchase consideration of ₹18,20,000)		25,00,000	7,80,000 18,20,000

Notes to Accounts:

		₹
1. Long-term Borrowings :		
12,000, 11% Debentures of ₹100 each		
Less : Debentures Suspense A/c	12,00,000	
	12,00,000	
Bank Loan (On collateral security of Debentures of ₹12,00,000)		10,00,000
		<u>10,00,000</u>

ANSWERS AND HINTS TO SOLVE PROBLEM 5:

Goodwill ₹36,000; Half the purchase consideration settled by issue of 800 Debentures of ₹100 each at 10% premium.

ANSWERS AND HINTS TO SOLVE PROBLEM 6:

Application money received on 20,000 debentures; Loss on Issue Debited by ₹3,00,000 (Discount ₹2,00,000 and Premium on Redemption ₹1,00,000); Premium on Redemption Credited by ₹1,00,000.

SOLUTION TO PROBLEM 7:

GG Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Application and allotment money received on 2,000, 12% Debentures of ₹100 each issued at a premium of 5% and redeemable at a premium of 10%)		2,10,000	2,10,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 12% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (2,000, 12% Debentures issued at a premium of 5% and redeemable at a premium of 10%)		2,10,000 20,000	2,00,000 10,000 20,000

ANSWERS AND HINTS TO SOLVE PROBLEM 8:

Goodwill ₹1,00,000; Issued 20,000 Debentures of ₹100 each; Discount on Issue ₹2,00,000.

OBJECTIVE TYPE QUESTIONS

(A) State Whether the following Statements are True or False:

Q. 1. Amount received from issue of debentures is a capital receipt.

Q. 2. Debenture is a part of ownership capital.

Q. 5. On July 01, 2022, Panther Ltd. issued 20,000, 9% Debentures of ₹100 each at 8% premium and redeemable at a premium of 15% in four equal instalments starting from the end of the third year. The balance in Securities Premium on the date of issue of debentures was ₹80,000. Interest on debentures was to be paid on March 31 every year.

Pass Journal entries for the financial year 2022-23. Also prepare Loss on Issue of Debentures account. (C.B.S.E. Sample Paper, 2024)

SOLUTION:

Journal Entries in the Books of Panther Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 July 1	Bank A/c Dr. To Debentures Application and Allotment A/c (Application money received)		21,60,000	21,60,000
July 1	Debentures Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Debentures issued)		21,60,000 3,00,000	20,00,000 1,60,000 3,00,000
Mar. 31	Debenture Interest A/c Dr. To Debentureholders A/c (Interest due on debentures for 9 months)		1,35,000	1,35,000
Mar. 31	Debentureholders A/c Dr. To Bank A/c (Interest paid to debentureholders)		1,35,000	1,35,000
Mar. 31	Statement of Profit and Loss Dr. To Debenture Interest A/c (Interest on Debentures charged to Statement of Profit and Loss)		1,35,000	1,35,000
Mar. 31	Securities Premium A/c Dr. Statement of Profit and Loss Dr. To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off)		2,40,000 60,000	3,00,000

Dr.

Loss on Issue of Debentures A/c

Cr.

Date	Particulars	₹	Date	Particulars	₹
2022 01 July	To Premium on Redemption of Debentures A/c	3,00,000	2023 Mar. 31	By Securities Premium A/c	2,40,000
			Mar. 31	By Statement of Profit and Loss	60,000
		<u>3,00,000</u>			<u>3,00,000</u>