

**V. M. C. C.**  
**(The Pioneer Institute for C. B. S. E. Classes)**

**ACCOUNTANCY**

**CLASS – 12<sup>th</sup>**

**By: Mehul Mittal**

**Assignment – 1**

**Issue & Redemption of Debentures**

**General Instructions:** Use of calculator strictly prohibited.

**Issue of Debentures for Cash**

- Q-1.** Give the necessary Journal entries in each of the following cases if the face value of a debenture is ₹ 100:
- (i) A debenture issued at ₹ 104 repayable at ₹ 100
  - (ii) A debenture issued at ₹ 100 repayable at ₹ 105
  - (iii) A debenture issued at ₹ 108 repayable at ₹ 105.
- Q-2.** Give Journal entries in each of the following cases if the face value of a debenture is ₹ 100:
- (i) A debenture issued at ₹ 110 repayable at ₹ 100
  - (ii) A debenture issued at ₹ 100 repayable at ₹ 105
  - (iii) A debenture issued at ₹ 105 repayable at ₹ 105.
- Q-3.** Pass necessary Journal entries for issue of 1,000, 7% Debentures of ₹ 100 each in following cases:
- (i) Issued at 5% premium, redeemable at a premium of 10%.
  - (ii) Issued at a discount of 5%, redeemable at par.
- Q-4.** Pass the necessary Journal entries for the issue of 7% Debentures in the following cases:
- (i) 200 Debentures of ₹ 150 each issued at 10% premium redeemable at ₹ 200 each.
  - (ii) 200 Debentures of ₹ 200 each issued at a discount of 10% redeemable at par.
- Q-5.** Sargam Ltd. issued ₹ 1,00,000, 6% debentures of ₹ 10 each at a premium of ₹ 2 per debenture on 1st April, 2012. The issue was fully subscribed. Interest will be paid at the end of each financial year.  
Pass necessary Journal entries for the year 2012-13.
- Q-6.** Fena Ltd. issued ₹ 7,00,000 12% debentures of ₹ 100 each at a premium of 5% redeemable at a premium of 20%.  
Pass necessary Journal entries at the time of issue of debentures.
- Q-7.** Sunrise Company Ltd. has an equity share capital of ₹ 10,00,000. The company earns a return on investment of 15% on its capital. The company needed funds for diversification. The finance manager had the following options: (i) Borrow ₹ 5,00,000 @ 15% p.a. from a bank payable in four equal quarterly instalments starting from the end of the fifth year; or (ii) Issue ₹ 5,00,000, 9% Debentures of ₹ 100 each redeemable at a premium of 10% after five years. To increase the return to the shareholders, the company opted for option (ii).  
Pass the necessary Journal entries for issue of debentures.

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- Q-8.** Romi Ltd. acquired assets of ₹ 20,00,000 and took over creditors of ₹ 2,00,000 from Kapil Enterprises. Romi Ltd. issued 8% Debentures of ₹ 100 each at par as purchase consideration. Record necessary Journal entries in the books of Romi Ltd.
- Q-9.** Mona Ltd. acquired assets of ₹ 50,00,000 and took over creditors of ₹ 5,00,000 from Ram Enterprises. Mona Ltd. issued 8% Debentures of ₹ 100 each at a premium of 25% as purchase consideration. Record necessary Journal entries in the books of Mona Ltd.
- Q-10.** X Ltd. purchased Machinery for ₹ 5,50,000 from Y Ltd. ₹ 55,000 were paid by X Ltd. in cash and the balance was paid by issue of 9% Debentures of ₹ 1,000 each at 10% premium redeemable after three years. Pass necessary Journal entries in the books of the company.
- Q-11.** Y Ltd. purchased Machinery ₹ 55,000 from Z Ltd. 10% was paid by Y Ltd. by accepting a Bill of Exchange in favour of Z Ltd. and the balance was paid by issue of 9% Debentures of ₹ 100 each at par, redeemable after five years. Pass necessary Journal entries in the books of Y Ltd.
- Q-12.** Mohit Ltd. took over assets of ₹ 8,40,000 and liabilities of ₹ 80,000 of Ram Ltd. at an agreed value of ₹ 7,20,000. Mohit Ltd. paid to Ram Ltd. by issue of 9% Debentures of ₹ 100 each at a premium of 20%. Pass necessary Journal entries to record the above transactions in the books of Mohit Ltd.
- Q-13.** Hina Ltd. purchased assets of Harish Ltd. for ₹ 8,40,000 and took over the liabilities (creditors) of ₹ 80,000 for an agreed purchase consideration of ₹ 8,00,000. Hina Ltd. issued 12% debentures of ₹ 100 each at 25% premium for purchase consideration. Pass necessary Journal entries in the books of Hina Ltd.
- Q-14.** Pranshu Ltd., purchased assets worth ₹ 1,80,000 and took over the liabilities (creditors) of ₹ 40,000 of Mahesh Ltd. for a purchase consideration ₹ 1,76,000. Pranshu Ltd. paid half the amount by cheque and balance was settled by issuing 12% debentures of ₹ 100 each at a premium of 10%. Pass necessary Journal entries in the Books of Pranshu Ltd.
- Q-15.** *(Issue of Debentures as Collateral Security).* X Ltd. secured a loan of ₹ 8,00,000 from the Bank of Baroda by issuing 10,000; 9% Debentures of ₹ 100 each as a collateral security. How will you show the issue of such debentures in the Balance Sheet?
- Q-16.** 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, interest on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 10%.  
  
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 year to the Statement of Profit and Loss.
- Q-17.** Alfa Ltd. issued 10,000; 9% Debentures of ₹ 100 each. Pass necessary Journal entries for issue of debentures in the following cases:
- When debentures are issued at par and redeemable at par.
  - When debentures are issued at par and are redeemable at premium of 10%.
  - When debentures are issued at a premium of 25% to the vendors for the purchase of machinery worth ₹ 1,25,000.
  - When debentures are issued at a premium of ₹ 250 each and are redeemable at par.

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**Q-18.** Beeta Ltd. issued 5,000; 9% Debentures of ₹ 500 each. Pass necessary Journal entries for the issue of Debentures in the books of the company in following cases:

- a) When debentures are issued at 10% premium and redeemable at par.
- b) When debentures are issued at par and redeemable at 10% premium,
- c) When debentures are issued at 5% premium and redeemable at 10% premium,
- d) When debentures are issued at a premium of 25% to the vendors for the machinery purchased for ₹ 6,25,000.

**Q-19.** SSS Ltd., issued 25,000; 10% Debentures of ₹ 100 each. Give Journal entries and the Balance Sheet in each of the following cases when:

- a) The debentures were issued at a premium of 20%.
- b) The debentures were issued as a collateral security to Bank against a loan of ₹ 20,00,000.
- c) The debentures were issued to a supplier of machinery costing ₹ 28,00,000 as his full and final payment.

**Issue and Redemption of Debentures**

**Q-1.** Pass necessary Journal entries for the issue and redemption of Debentures in the following cases:

- a) 10,000; 10% Debentures of ₹ 120 each issued at 5% premium, repayable at par.
- b) 20,000; 9% Debentures of ₹ 200 each issued at 20% premium, repayable at 30% premium.

**Q-2.** Pass necessary Journal entries for the issue and redemption of debentures in the following cases

- a) 15,000; 9% Debentures of ₹ 250 each issued at 5% premium, repayable at 15% premium,
- b) 2,00,000; 12% Debentures of ₹ 10 each issued at 8% premium, repayable at par.

**Redemption of Debentures: Debenture Redemption Reserve**

**Q-3.** Mona Ltd. has issued 20,000; 9% Debentures of ₹ 100 each of which half the amount is due for redemption on 31st March, 2015. The company has in its Debenture Redemption Reserve Account a balance of ₹ 5,00,000. Record necessary Journal entries at the time of redemption of Debentures.

**Q-4.** X Ltd. has ₹ 8,00,000; 9% debentures due to be redeemed out of profits on 1st October, 2015 at a premium of 5%. The company had a Debenture Redemption Reserve of ₹ 4,14,000. Pass necessary Journal entries at the time of redemption.

**Q-5.** F Ltd. issued ₹ 1,00,000; 15% Debentures of ₹ 100 each at a premium of 5%, redeemable at a premium of 10% at the end of 4 years. The Board of Directors decided to transfer the minimum required amount to Debenture Redemption Reserve Account at the time of redemption. Pass Journal entries at the time of Redemption of Debentures.

**Q-6.** Suresh Ltd. on 1st April, 2012 acquired assets of the value of ₹ 6,00,000 and liabilities of ₹ 70,000 from P & Co., at an agreed value of ₹ 5,50,000. Suresh Ltd. issued 12% Debentures of ₹ 100 each at a premium of 10% in full satisfaction of purchase consideration. The Debentures were redeemable 3 years later at a premium of 5%. Pass entries to record the above including redemption of debentures.

**Q-7.** On 1st January, 2011 a Public Limited Company issued 15,000; 10% Debentures of ₹ 100 each at par which were repayable at a premium of 15% on 31st December, 2015. On the date of maturity, the company decided to redeem the above mentioned 10% Debentures as per the

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terms of issue, out of profits. Surplus, i.e., Balance in Statement of Profit and Loss shows a credit balance of ₹ 20,00,000 on this date. The offer was accepted by all the debenture holders and all the debentures were redeemed.

Pass necessary Journal entries in the books of the Company only for the redemption of debentures.

- Q-8.** Pass necessary Journal entries for issue and redemption of Debentures in the following cases:  
10,000; 12% Debentures of ₹ 50 each were issued and to be redeemed as follows:  
(i) Issued at par and redeemed at a premium of 10%.  
(ii) Issued at a premium of 10% and redeemable at a premium of 20%.
- Q-9.** Maharana Ltd.'s main business is manufacturing of tyres. The company is very particular about the observation of the provisions of the Companies Act. On 1st April, 2013 the company issued ₹ 18,00,000, 8% debentures of ₹ 100 each. The debentures were redeemable at a premium of 5%. On 31st March, 2016, all the debentures were redeemed. Since the manufacturing of tyres results in air pollution, the company had installed a plant for its effective control.  
Pass necessary Journal entries for the redemption of debentures. Also identify the value observed by Maharana Ltd. It is assumed that the company has adequate balance in Debenture Redemption Reserve Account.

**Issue and Redemption of Debentures**

- Q-10.** Gopalan Ltd. purchased 5,000 of its own 8% Debentures of ₹ 1,000 each at ₹ 987 per debenture. It also purchased another lot of 600 debentures of the same series at ₹ 986 per debenture. The debentures were purchased for the purpose of cancellation. Record necessary Journal entries in the books of the company.
- Q-11.** Rohit Ltd. purchased for cancellation 1,000 of its own 8% Debentures of ₹ 250 each at ₹ 200 per debenture. The Board of Directors have also decided to transfer the required amount to Debenture Redemption Reserve Account. Journalise the transactions in the books of Rohit Ltd.
- Q-12.** Pass the necessary Journal entries for issue and redemption of Debentures in the following cases:  
10,000; 12% Debentures of ₹ 50 each were issued and to be redeemed as follows:  
a) issued at par and redeemed at a premium of 10%.  
b) issued at a premium of 10% and redeemable at a premium of 20%.  
c) issued at par and 50% of the redemption to be made in cash, and the balance to be redeemed at a premium of 20% through the issue of fresh debentures.

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