



Q19. B. Ltd. issued 1,000, 12% debentures of Rs.100 each on January 01, 2005 at a discount of 5% redeemable at a premium of 10%. Give journal entries relating to the issue of debentures and debentures interest for the period ending December 31, 2005 assuming that interest is paid half yearly on June 30 and December 31 and tax deducted at source is 10%. B.Ltd. follows calendar year as its accounting year.

**Answer**

**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
2001				
Jan 1	Bank A/c Dr Loss on Issue on Debentures A/c (W.Note) Dr To 12% Debenture A/c To Premium on Redemption of Debenture A/c (Being debenture issued at discount and redeemable at premium)		95,000 15,000	1,00,000 10,000
Jun 30	Debenture Interest A/c Dr To Income Tax Payable A/c (TDS) To Debenture Holder A/c (Being amount of interest on 12% debentures ₹ 10,00,000 due for 6 months and 10% tax deducted at source)		6,000	600 5,400

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
Jun 30	Debenture Holders A/c Dr To Bank A/c (Being interest paid to debenture holders)		5,400	5,400
Dec 31	Debenture Interest A/c Dr To Income Tax Payable A/c To Debenture Holders A/c (Being amount of interest on 12% debentures ₹ 1,00,000 due for 6 months and 10% tax deducted at source)		6,000	600 5,400
Dec 31	Debenture Holders A/c Dr To Bank A/c (Being interest paid to debenture holders)		5,400	5,400
Dec 31	Profit and Loss A/c Dr To Debenture Interest A/c (Being interest on debentures transferred to profit and loss account)		12,000	12,000

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