



Q17. A company issued 10% Debentures of the face value of Rs,1,20,000 at a discount of 6% on January 01, 2001. The debentures are payable by annual drawings of Rs.40,000 commencing from the end of third year.

How will you deal with discount on debentures? Show the discount on debentures account in the company ledger for the period of duration of debentures. Assume accounts are closed on December 31.

**Answer**

Dr **Discount on Issue of Debentures Account** Cr

Date	Particulars	JF	Amt. (₹)	Date	Particulars	Amt. (₹)
2001 Jan 1	To 10% Debenture		7,200	2001 Dec 31	By Profit and Loss	1,800
					By Balance c/d	5,400
			7,200			7,200
2002 Jan 1	To Balance b/d		5,400	2002 Dec 31	By Profit and Loss	1,800
					By Balance c/d	3,600
			5,400			5,400

Date	Particulars	JF	Amt. (₹)	Date	Particulars	Amt. (₹)
2003 Jan 1	To Balance b/d		3,600	2003 Dec 31	By Profit and Loss	1,800
					By Balance c/d	1,800
			3,600			3,600
2004 Jan 1	To Balance b/d		1,800	2004 Mar 31	By Profit and Loss	1,200
					By Balance c/d	600
			1,800			1,800
2005 Jan 1	To Balance b/d		600	2005 Mar 31	By Profit and Loss	600
						600
			600			600

**Working Note**

$$\text{Amount of Discount on Issue of Debenture} = 1,20,000 \times \frac{6}{100} = 7,200$$

Year	Debenture Outstanding	Ratio	Amount Written off Every Year
2001	1,20,000	3	$7,200 \times \frac{3}{12} = 1,800$
2002	1,20,000	3	$7,200 \times \frac{3}{12} = 1,800$
2003	1,20,000	3	$7,200 \times \frac{3}{12} = 1,800$
2004	80,000	2	$7,200 \times \frac{2}{12} = 1,200$
2005	40,000	1	$7,200 \times \frac{1}{12} = 600$
		12	₹ 7,200

\*\*\*\*\* END \*\*\*\*\*