



Q10. B.Ltd. purchased assets of the book value of Rs.4,00,000 and took over the liability of Rs.50,000 from Mohan Bros. It was agreed that the purchase consideration, settled at Rs.3,80,000, be paid by issuing debentures of Rs.100 each. What Journal entries will be made in the following three cases, if debentures are issued: (a) at par; (b) at discount; (c) at premium of 10%? It was agreed that any fraction of debentures be paid in cash.

#### Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Sundry Assets A/c Dr		4,00,000	
	Goodwill A/c (Balancing figure) Dr		30,000	
	To Sundry Liabilities A/c			50,000
	To Mohan Bros			3,80,000
	(Being assets and liabilities of Mohan Bros taken over)			
(ii)	Mohan Bros Dr		3,80,000	
	To Debenture A/c			3,80,000
	(Being 3,800 debentures of 100 each issued to Mohan Bros in consideration of assets and liabilities)			

#### Working Note

Amount payable to Mohan Bros = ₹ 3,80,000

Number of Debentures to be issued at par =  $\frac{3,80,000}{100}$   
= 3,800 Debentures

(b)

#### Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Sundry Assets A/c Dr		4,00,000	
	Goodwill A/c Dr		30,000	
	To Sundry Liabilities A/c			50,000
	To Mohan Bros.			3,80,000
	(Being assets and liabilities of Mohan Bros taken over)			
(ii)	Mohan Bros. Dr		3,80,000	
	Discount on Issue of Debenture A/c Dr		20,000	
	To Debenture A/c			4,00,000
	(Being issued 4,000 debentures of ₹ 100 each at 5% discount)			

**Working Note** Amount payable to Mohan Bros = ₹ 3,80,000

Number of debentures to be issued at discount of 5% (assume 5% as nothing is given in question) =  $\frac{3,80,000}{95}$  = 4,000 Debentures

(c)

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Sundry Assets A/c Dr		4,00,000	
	Goodwill A/c Dr		30,000	
	To Sundry Liabilities A/c			50,000
	To Mohan Bros			3,80,000
	(Being assets and liabilities of Mohan Bros. taken over)			
(ii)	Mohan Bros Dr		3,80,000	
	To Debenture A/c			3,45,400
	To Securities Premium A/c			34,540
	To Bank A/c (Balance figure)			60
	(Being issued of 3,454 debentures at 10% premium and balance paid in cash)			

**Working Note**

Amount payable to Mohan Bros = ₹ 3,80,000

Number of debentures to be issued at premium of 10%

$$= \frac{3,80,000}{110} = 3,454 \text{ Debentures}$$

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