Q18. B.Ltd. issued debentures at 94% for Rs.4,00,000 on April 01, 2000 repayable by five equal drawings of Rs.80,000 each. The company prepares its final accounts on December 31 every year. Indicate the amount of discount to be written-off every accounting year assuming that the company decides to write off the debentures discount during the life of debentures. (Amount to be written-off: 2000 Rs.6,000; 2001 Rs.6,800; 2002 Rs.5,200; 2003 Rs.3,600; 2004 Rs.2,000; 2005 Rs.400).

Answer

Debentures face value = 100%

Debenture issued = 94%

Therefore Discount on issue = 6%

Amount of Discount on issue of debenture = $4,00,000 \times \frac{6}{100} = 24,000$,

Amount of discount to written off every year

In 2000 = ₹ 6,000

In 2001 = 2,000 + 4,800 = ₹ 6,800

In 2002 = 1,600 + 3,600 = ₹ 5,200

In 2003 = 1,200 + 2,400 = ₹ 3,600

In 2004 = 800 + 1,200 = ₹ 2,000

In 2005 = ₹ 400

Working Note

(i) **Amount of discount to be written off every year**

Year	Debenture Outstanding	Ratio	Months	New Ratio (Ratio × Months)	Amount Written off
2000					
Apr-Dec	4,00,000	5	9	45	$24,000 \times \frac{45}{180} = 6,000$
2001					
Jan-Mar	4,00,000	5	3	15	$24,000 \times \frac{15}{180} = 2,000$
Apr-Dec	3,20,000	4	9	36	$24,000 \times \frac{36}{180} = 4,800$
2002					
Jan-Mar	3,20,000	4	3	12	$24,000 \times \frac{12}{180} = 1,600$
Apr-Dec	2,40,000	3	9	27	$24,000 \times \frac{27}{180} = 3,600$

Year	Debenture Outstanding	Ratio	Months	New Ratio (Ratio × Months)	Amount Written off
2003					
Jan-Mar	2,40,000	3	3	9	$24,000 \times \frac{9}{180} = 1,200$
Apr-Dec	1,60,000	2	9	18	$24,000 \times \frac{18}{180} = 2,400$
2004					
Jan-Mar	1,60,000	2	3	6	$24,000 \times \frac{6}{180} = 800$
Apr-Dec	80,000	1	9	9	$24,000 \times \frac{9}{180} = 1,200$
2005					
Jan-Dec	80,000	1	3	3	$24,000 \times \frac{3}{180} = 400$
				180	24,000

********** END **********