



Question 5. What is meant by 'Issue of debentures at discount and redeemable at premium'?

Answer: As per the prevailing market circumstances sometimes company has to manage funds by issuing debenture below its par value and to attract the investor when these are redeemed at price higher than its par value, then it is termed as issue of debenture at discount and redeemable at premium.

The difference between the issue price and the redemption price is treated as loss on issue of debenture and posted in assets side of the company as miscellaneous expenditure. To have a better understanding about the issue we may take an example as follows

Example: A 10% debenture of ₹ 100 each is issued at 5% discount and is redeemed at 5% premium. The following Journal Entry will be passed for that

Journal Entry

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Bank A/c	Dr	95	
	Discount on Issue of Debenture A/c	Dr	5	
	Loss on Issue of Debenture A/c	Dr	5	
	To Debentures A/c			100
	To Premium on Redemption of Debenture A/c			5
	(Being 10% debenture are issued at 5% discount and redeemable at 5% premium)			

***** END *****