



Q15. A company issues the following debentures:

- (i) 10,000, 12% debentures of Rs.100 each at par but redeemable at premium of 5% after 5 years;
- (ii) 10,000, 12% debentures of Rs.100 each at a discount of 10% but redeemable at par after 5 years;
- (iii) 5,000, 12% debentures of Rs.100 each at a premium of 5% but redeemable at par after 5 years;
- (iv) 1,000, 12% debentures of Rs.100 each issued to a supplier of machinery costing Rs.95,000. The debentures are repayable after 5 years; and
- (v) 300, 12% debentures of Rs.100 each as a collateral security to a bank which has advanced a loan of Rs.25,000 to the company for a period of 5 years. Pass the journal entries to record the: (a) issue of debentures; and (b) repayment of debentures after the given period.

Answer

(a)

Journal Entries Issue of Debentures

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c Dr To 12% Debenture Application A/c (Being debenture application money of 10,000 12% debentures @ 100 each received)		10,00,000	10,00,000
	12% Debenture Application A/c Dr		10,00,000	
	Loss on Issue of Debenture A/c Dr To 12% Debenture A/c To Premium on Redemption of Debenture A/c (Being debenture application money of 10,000 12% debentures @ ₹ 100 each transferred to 12% debentures account and the debentures are issued with term of repayable at 5% premium)		50,000	10,00,000 50,000
(ii)	Bank A/c Dr To Debenture Application and Allotment A/c (Being debenture application money received excluding discount on issue)		9,00,000	9,00,000
	12% Debenture Application and Allotment A/c Dr		9,00,000	
	Discount on Issue of Debenture A/c Dr To Debenture A/c (Being debenture allotment made due)		1,00,000	10,00,000
(iii)	Bank A/c Dr To Debenture Application and Allotment A/c (Being debenture application money received)		52,50,000	52,50,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Debenture Application and Allotment A/c Dr To Debenture A/c To Security Premium A/c (5,000 × 50) (Being allotment of debenture at premium)		52,50,000	50,00,000 2,50,000
(iv)	Machinery A/c Dr To Vendor A/c (Being machinery purchased from supplier)		95,000	95,000
	Vendor A/c Dr Discount on Issue of Debenture Dr To 12% Debenture A/c (Being debenture issue at discount to vendor of machinery)		95,000 5,000	1,00,000
(v)	12% Debenture Suspense A/c Dr To Debenture A/c (Being 300, 12% Debentures of ₹ 100 each issued as collateral security to the bank against a loan of ₹ 25,000)		30,000	30,000

(b)

Journal Entries
Repayment of Debentures

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	12% Debenture A/c Dr Premium on Redemption of Debenture A/c Dr To Debenture Holders A/c (Being amount due on redemption of debentures)		10,00,000 50,000	10,50,000
	Debenture Holders A/c Dr To Bank A/c (Being payment made to debenture holders)		10,50,000	10,50,000
(ii)	12% Debenture A/c Dr To Debenture Holders A/c (Being amount due on redemption of debentures)		10,00,000	10,00,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Debenture Holders A/c Dr To Bank A/c (Being payment made to debenture holders)		10,00,000	10,00,000
(iii)	12% Debenture A/c Dr To Debenture Holders A/c (Being amount due on redemption of debentures)		50,00,000	50,00,000
	Debenture Holders A/c Dr To Bank A/c (Being payment made to debenture holders)		50,00,000	50,00,000
(iv)	12% Debenture A/c Dr To Vendor A/c (Being amount due to vendor)		1,00,000	1,00,000
	Vendor A/c Dr To Bank A/c (Being payment made to vendor)		1,00,000	1,00,000
(v)	12% Debenture A/c Dr To Debenture Suspense A/c (Being debenture and debenture suspense account closed)		30,000	30,000

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