

51 On 1st January, 2018, Raha Ltd. 6,000, 8% Debentures of nominal (face) value of 100 each redeemable at 5% premium in equal proportions at the end of 5, 10 and 15 years. it has a balance of 10,000 in securities premium.

Pass Journal entries. Also give journal entries for writing off Loss on issue of Debentures.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
01/1/18	Bank A/c (6000 x 100) Dr. To Deb. Application & Allotment A/c (6,000 8% Deb. issued @ 100 each)		6,00,000	6,00,000
	Debenture Application & Allotment A/c Dr. Loss on issue of Debenture A/c (6000 x 5)Dr. To 8% Debenture A/c (6000 x 5) To premium on redemption of Deb. A/c (Deb. application transferred to Deb. A/c)		6,00,000 30,000	6,00,000 30,000
31/3/19	Securities premium reserve A/c Dr. Statement of profit & Loss A/c Dr. To Discount on issue of Deb. A/c (loss on issue of Debenture A/c written off)		10,000 20,000	30,000

52 Global Ltd. issued 10,000 8% debentures of 100 each redeemable in four equal installments by draw of lots form the end of 3 years at a premium of 9.

Pass the Journal entries for writing off the Loss on issue of Debentures. Also prepare Loss on issue of Debentures Account.

Journal Entry

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c (10000 x 1000) Dr. To Deb. App. & All. A/c (Debenture Application receive)		10,00,000	10,00,000
2.	Deb. App. & All. A/c Dr. Loss issue of Deb. A/c Dr. To 8% Deb. A/c To premium on redemption of Deb. A/c (Deb. app transferred to Deb. A/c)		10,00,000 90,000	10,00,000 90,000
3.	Statement of profit & loss A/c Dr. To loss on issue of Deb. A/c (Loss on issue of Deb. Written off)		90,000	90,000

Loss on issue of Debenture A/c

Date	Particular		Date	Particular	
	To premium redemption of debenture A/c	90,000		By statement of P & L A/c	90,000
		<u>90,000</u>			<u>90,000</u>

53 Gravit Ltd. invited applications for issuing 3,000, 11% Debentures of 100 each at a discount of 6%. The full amount was payable on application. Application were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants.

Pass the necessary Journal entries for the above transactions, including writing off the Discount on issue of Debentures, in the book of Gravit Ltd.

Case - a

Journal Entry

Date	Particular	L. F.	Dr.	Cr.
1	Bank A/c (3,600 x 100 - 6%) Dr. To Deb. application/Allotment A/c (Deb. application received on 3600 Deb. @ 100 each of 6% Discount)		3,38,400	3,38,400
2.	Deb. application/Allotment A/c Dr. Discount on issue of Deb. A/c (3000 x 6) To 12% Deb. A/c (3000 x 100) To Bank A/c (600 x 94) (Deb. application transferred to Deb. A/c & Excess returned)		3,38,400 18,000	3,00,000 56,400
3.	Statement of profit & loss A/c Dr. To Discount on issue of debenture written off)		18,000	18,000

54 On 1st June, 2023, R Energy Ltd. issued 10,000. 7% Debentures of 100 each at a discount of 10% redeemable at a premium of 10% at the end of five years. All the debentures were subscribed and allotment was made. prepare the Balance Sheet (extract) as at 31 March, 2024.

**An Extract of Balance Sheet
as at 31st March 2018**

Particular	Note. No	
I Equities & Liabilities		
1. Share holder's Funds		
Reserve and surplus	3	(2,00,000)
2. Non-Current Liabilities		
a) Long-term Borrowings	1	10,00,000
b) Other Long-term Liabilities	2	1,00,000
Total		<u>9,00,000</u>
II Assets		
Current Assets		
Cash and cash Equivalents	4	<u>9,00,000</u>
Total		<u><u>9,00,000</u></u>

Note to Accounts

Note No.	Particular	
1	Long-term Borrowings 10,000, 7% Debentures of 100 each	10,00,000
2	Other Long-term Liabilities Premium on Redemption of Debentures	1,00,000
3.	Reserves and Surplus Statement of Profit & Loss Less: Loss on issue of Deb. written off <u>(200000)</u>	(2,00,000)
4.	Cash and cash Equivalents on 7% Deb. @ 90 each (10000 x 90)	9,00,000

55 On 1st April, 2023, solar power Ltd. issued 10,000, 8% debentures of 100 each at a discount of 5% redeemable at a premium of 15% at the end of five years. All the debenture were subscribed and allotment was made.

The company had balance in securities premium of 80,000.

Prepare the Balance Sheet (extract) as at 31st March, 2024.

**An Extract of Balance Sheet
as at 31st March 2018**

Particular	Note. No	
I Equities & Liabilities		
1. Share holder's Funds		
Reserve and surplus	3	(1,20,000)
2. Non-Current Liabilities		
a) Long-term Borrowings	1	10,00,000
b) Other Long-term Liabilities	2	1,50,000
II Assets		
Current Assets		
Cash and cash Equivalents		<u>9,50,000</u>

Note to Accounts

Note No.	Particular	
1	Long-term Borrowings 10,000, 8% Debentures of 100 each	10,00,000
2	Other Long-term Liabilities Premium on Redemption of Debentures	1,50,000
3.	Reserves and Surplus	

4.

On 31st March, 2020	2,000 Debentures
On 31st March, 2021	5,000 Debentures
On 31st March, 2022	3,000 Debentures

Solution: **Loss on issue of Debentures A/c**

Cr.

Date	Particular		Date	Particular	
Apr. 1	To 9% Deb. A/c (Discount issue)	<u>50,000</u>	31st Mar.	By Statement of profit & Loss A/c	1,00,000
	To premium on redemption of Deb. A/c	<u>50,000</u>			
		<u>1,00,000</u>			<u>1,00,000</u>

9% Debentures A/c

Date	Particular		Date	Particular	
31/3/	To Deb. holders A/c	2,00,000	01/01/	By Deb. App. & All. A/c	9,50,000
	To Balance C/d	8,00,000		by loss on issued of Deb. A/c (Discount on issue)	50,000
		<u>10,00,000</u>			<u>10,00,000</u>
31/3/	To deb. holder A/c	5,00,000	01/01/	By Balance B/d	8,00,000
		3,00,000			
	To Balance c/d	<u>8,00,000</u>			<u>8,00,000</u>
31/3/		3,00,000	01/01/	By balance B/d	3,00,000
	To Deb. holder A/c	<u>3,00,000</u>			3,00,000

Premium on Redemption on Debentures A/c

Date	Particular		Date	Particular	
31/3/	To Deb. holders A/c	10,000	01/01/	By loss on issue of Deb. A/c	50,000
		40,000			
	To Balance C/d	<u>50,000</u>			<u>50,000</u>
		25,000		By Balance B/d	40,000
31/3/	To deb. holder A/c	15,000	01/01/		<u>40,000</u>
		40,000			
	To Balance c/d	<u>40,000</u>			
		15,000		By balance B/d	15,000

31/3/	To Deb. holder A/c		01/01/		
		<u>15,000</u>			<u>15,000</u>

57 Dev Ltd. acquired running business of Amrit Ltd. having assets of 10,00,000 and liabilities of 2,50,000. 9% debentures of 100 each were issued for the acquisition of business at a premium of 20 per debenture. The company issued 10,000, 8% Debentures of 100 each redeemable at premium of 20 per debenture after 5 years.

You are required to pass the journal entries for the above transactions.

Solution:

Journal

Date	Particular	L. F.	Dr.	Cr.
1.	Assets A/c Dr. To Liabilities A/c To Amrit Ltd. A/c (Business of Amrit purchased comprising Assets & Liabilities)		10,00,000	2,50,000 7,50,000
2.	Amrit Ltd A/c Dr. To 9% Deb. A/c (6250 x 100) To Securities pre. reserve A/c (6250 x 20) (6250 Deb. @ 100 each at 20% premium issued)		7,50,000	6,25,000 1,25,000
3.	Bank A/c (10000 x 100) Dr. To Deb. App & All. A/c (10000 Deb. @ 100 each issued)		10,00,000	10,00,000

4.	Deb. App & All. A/c	Dr.	10,00,000	
	Loss on issue of Deb. A/c	Dr.	2,00,000	
	To 8% Deb. A/c			10,00,000
	To premium on redemption of Deb. A/c (Deb. app transferred to Deb. A/c)			2,00,000
5.	Securities premium reserve A/c		1,25,000	
	Statements of profit & loss A/c		75,000	
	To Loss on issue of Deb. A/c			2,00,000
	(Loss on issue of Deb. written A/c)			

58 Fit India Ltd. has paid-up share capital of 1,00,00,000 (divided into 5,00,000 Equity shares of 20 each) and 10,00,00, 7% debentures of 200 each. On 1st July, 2022, it further issued 7% Debentures at a premium of 10% redeemable at 25% premium to meet the long-term funds requirement of 1,65,000. The issue price was payable along with application. Balance in Securities Premium Account after the issue of debentures is 25,00,000. Loss for the year ended 31st March, 2023 is 10,000.

You are required to:

- I. Pass Journal entries for issue of Debentures.**
- II. Prepare Loss on Issue of Debentures.**
- III. Pass Journal entries for interest on debentures, if interest is payable on 30th September and 31st March each year.**

Solution:

Journal

Date	Particular	L. F	Dr.	Cr.
01/07/	Bank A/c (150000 x 110) To Deb. App & All. A/c	Dr.	1,65,00,000	1,65,00,000

	(150000 Deb. @ 100 each issued of 10% premium)			
01/07/	Deb. App & All. A/c Dr. Loss on issue of Deb. A/c (150000 x 25) To 7% Deb. A/c To premium on redemption of Deb. A/c To securities premium reserve A/c (Deb. App transferred to Deb. A/c)		1,65,00,000 37,50,000	15,00,0000 37,50,000 15,00,000
30/9/	Debenture interest A/c Dr. To Debenture holder A/c (15000000 x 7% x 3/12 + 2000000 x 7% x 6/12) (interest on debenture due)		3,32,500	3,32,500
	Debenture holder A/c Dr. To Bank A/c (interest on Deb. paid)		3,32,500	3,32,500
31/3/	Debenture A/c Dr. To Debenture holder A/c (17000000 x 7% x 6/12) (Interest on Debenture due.)		5,95,000	5,95,000
	Deb. holder A/c Dr. To Bank A/c (Interest Debentures paid) Securities premium Reserve A/c Dr.		25,00,000 12,50,000	37,50,000

	Statement of profit & Loss A/c Dr. To loss on issue of Deb. A/c (Loss on issue of Debentures written off)			
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Loss on issue of Debentures A/c

Dr.			Cr.		
Date	Particular		Date	Particular	
1/7/	To premium on redemption of Deb. A/c	37,50,000	31/3/	By Statement of profit & Loss A/c	25,00,000
				By statement of profit & loss A/c	12,50,000
		<u>37,50,000</u>			<u>37,50,000</u>