

Chapter – 8 Issue of Debenture

Demo Question

ISSUE FOR DEBENTURE WITH TERMS OF REDEMPTION

1 Journalize the following transactions at the time of issue:

- a) 100 8% debentures issued at Rs. 100 each , repayable at Rs. 100.
- b) 100 8% debentures issued at Rs. 95 each , repayable at Rs. 100.
- c) 100 8% debentures issued at Rs. 105 each , repayable at Rs. 100.
- d) 800 8% debentures issued at Rs. 100 each , repayable at Rs. 105.
- e) 450 8% debentures issued at Rs. 95 each , repayable at Rs. 105.
- f) 700 8% debentures issued at Rs. 105 each , repayable at Rs. 105.

2 Journalize the following transactions at the time of issue:

- a) Issued ₹ 4,00,000 10% debentures of ₹ 100 each at a par redeemable at par
- b) Issued ₹ 4,00,000 10% debentures of ₹ 100 each at a premium of 5% redeemable at par
- c) Issued ₹ 8,00,000 10% debentures of ₹ 50 each at a discount of 5% redeemable at premium of 10%
- d) Issued ₹ 6,00,000 10% debentures of ₹ 200 each at a premium of 5% redeemable at premium of 10%

Interest on debenture

3 Buliya Ltd. Issued 1,000 10% debentures of Rs.100 on 1st April 2017 on which interest is payable on half yearly basis. Pass necessary journal entries for the payment of interest for year ended 31, March, 2017 under following case:

Case a) Ignore TDS

Case b) TDS(Tax deducted at source) was deducted at source on interest @ 10%.

Writing off Discount or Loss on issue of Debenture

4 a) Z Ltd. issued 1,00,000, 10% Debentures of Rs 10 each at discount of 10%, redeemable at the end of four years at a premium of 20% . Show the 'loss on Issue of Debentures Account' till it is written off completely. Books of Z Ltd.

b) If Z Ltd. had balance of Rs 2,00,000 in security premium reserve. It decided to write off loss on Issue of Debentures at end of first year from security premium reserve.

5 Kabir Ltd. Issued 5,000 7% debentures of Rs. 100 at a discount of 5%, redeemable at premium of 5 % on 1st April 2017 redeemable in Instalment as follow :

31 , March , 2018 : 2,000 debentures

31 , March , 2019 : 3,000 debentures

Show the 'loss on Issue of Debentures Account' till it is written off completely from Books of Kabir Ltd.

Collateral security

6 On 1st April, 2017 A Ltd. took a loan of Rs 5, 00,000 from the State Bank of India for which the company issued 8 % Debentures of Rs 6, 00,000 as collateral security.

How will issue of debentures and bank loan will appear in the Balance Sheet of the company under following case :

Case 1) When no Journal entry is passed

Case 2) When Journal entry is passed

7 Waga Ltd took a loan of Rs 5,00,000 from the Punjab National Bank for which the company placed with the bank , 10% Debentures for Rs 7,00,000 as collateral Security. Waga Ltd unable to repay the loan on which interest payable was Rs 2,00,000 as on 31st March,2017. Punjab National Bank , on on 31st March,2017 , realise the debenture being issued as collateral Security,
Pass journal entries in books of Waga Ltd as on 31st March,2017.

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