



1. (b)
2. (d)
3. (d)
4. (a)
5. (d)
6. (a)
7. (c)
8. (c)
9. (b)
10. (c)
11. (b)
12. (c)
13. (c)
14. (d)

Working Note:

$$\text{Interest on Debentures} = ₹ 10,00,000 \times \frac{6}{100} \times \frac{11}{12} = ₹ 55,000.$$

15. (a)

Working Note:

$$\text{No. of Debentures to be issued} = \frac{₹ 8,10,000}{₹ 90} = 90,000 \text{ Debentures}$$

Debentures Account will be credited with ₹ 9,00,000 (90,000 × ₹ 100).

16. (b)

Working Note:

$$\text{No. of Debentures to be issued} = \frac{₹ 4,50,000}{₹ 120} = 3,750 \text{ Debentures}$$

Debentures Account will be credited with ₹ 3,75,000 (3,750 × ₹ 100).

17. (c)

Working Note:

Premium payable at the time of redemption @ 10% = ₹ 10,00,000, out of this amount ₹ 4,00,000 have been debited to Statement of Profit & Loss. It means ₹ 6,00,000 (i.e., ₹ 10,00,000 – ₹ 4,00,000) have been written off from Securities Premium.

$$\text{Rate of Premium on Issue of Debentures} = \frac{₹ 6,00,000}{₹ 1,00,00,000} \times 100 = 6\%.$$

18. (b)

Working Note:

Premium payable on Redemption @ 20% = 1,60,000 × ₹ 20 = ₹ 32,00,000

Total loss written off from Securities Premium = ₹ 50,00,000 – ₹ 10,00,000 = ₹ 40,00,000

Discount on Issue of Debentures = ₹ 40,00,000 – ₹ 32,00,000 = ₹ 8,00,000

Rate of discount on issue of debentures = $\frac{₹ 8,00,000}{₹ 1,60,00,000} \times 100 = 5\%$.

19. (a)

20.

JOURNAL OF CHROME LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr.		6,00,000	
	Goodwill A/c (Balancing Figure) ...Dr.		70,000	
	To Sundry Liabilities A/c			40,000
	To Polymer Ltd.			6,30,000
	(Assets and liabilities took over of Polymer Ltd.)			
	Polymer Ltd. ...Dr.		6,30,000	
	Discount on Issue of Debentures A/c ...Dr.		70,000	
	To 10% Debentures A/c			7,00,000
	(7,000, i.e., ₹ 6,30,000 ÷ ₹ 90, 10% Debentures of ₹ 100 each issued at ₹ 90 each in full satisfaction)			
	Statement of Profit & Loss (Finance Cost) ...Dr.		70,000	
	To Discount on Issue of Debentures A/c			70,000
	(Discount on Issue of Debentures written off)			

Note: Discount/Loss on Issue of Debentures is written off in the year debentures are allotted from Securities Premium and Statement of Profit & Loss, in that order. In the absence of balance in Securities Premium, it is written off from Statement of Profit & Loss.

21.

JOURNAL OF SUNDER LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c ...Dr.		3,00,000	
	Plant and Machinery A/c ...Dr.		1,00,000	
	Stock A/c ...Dr.		2,00,000	
	Sundry Debtors A/c ...Dr.		1,00,000	
	To Sundry Creditors A/c			80,000
	To India Bulls Ltd.			6,00,000
	To Capital Reserve A/c (Balancing Figure)			20,000
	(Purchase of business from India Bulls Ltd.)			
	India Bulls Ltd. ...Dr.		60,000	
	To Bank A/c			60,000
	(Part payment made to vendor by cheque)			
	India Bulls Ltd. ...Dr.		5,40,000	
	To 10% Debentures A/c			4,50,000
	To Securities Premium A/c			90,000
	(Issue of 4,500 debentures at 20% premium to India Bulls Ltd.)			

Note: No. of Debentures to be issued = ₹ 5,40,000/₹ 120 = 4,500 Debentures.

22.

(a) JOURNAL OF ZOOM LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (6,000 × ₹ 100) ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		6,00,000	6,00,000
	Debentures Application and Allotment A/c ...Dr. To 10% Debentures A/c (6,000; 10% Debentures of ₹ 100 each issued at par)		6,00,000	6,00,000

(b) JOURNAL OF ZOLA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		4,50,000	4,50,000
	Debentures Application and Allotment A/c ...Dr. Discount on Issue of Debentures A/c ...Dr. To 10% Debentures A/c (Issue of 5,000, 10% Debentures of ₹ 100 each at a discount of 10%)		4,50,000 50,000	5,00,000
	Statement of Profit & Loss (Finance Cost) ...Dr. To Discount on Issue of Debentures A/c (Discount on issue of Debentures written off)		50,000	50,000

(c) JOURNAL OF ZUBIC LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		12,60,000	12,60,000
	Debentures Application and Allotment A/c ...Dr. To 10% Debentures A/c To Securities Premium A/c (Issue of 10% Debentures of the value of ₹ 12,00,000 at a premium of 5%)		12,60,000	12,00,000 60,000

23.

(a) JOURNAL OF RUBY LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (₹ 5,00,000 + 5% of ₹ 5,00,000) ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		5,25,000	5,25,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c To Securities Premium A/c (Issue of 10% Debentures of ₹ 5,00,000 at a premium of 5% and redeemable at a premium of 10%)		5,25,000 50,000	5,00,000 50,000 25,000
	Securities Premium A/c ...Dr. Statement of Profit & Loss (Finance Cost) ...Dr. To Loss on Issue of Debentures A/c (Loss on issue of Debentures written off)		25,000 25,000	50,000

Note: Discount/Loss on Issue of Debentures is written off at the end of the financial year. At the end of the financial year, balance in Securities Premium Account was ₹ 25,000 due to issue of debentures. It is used for writing off Loss on Issue of Debentures and balance is written off from Statement of Profit & Loss as Finance Cost.

(b) JOURNAL OF EMERALD LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (3,000 × ₹ 93) ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		2,79,000	2,79,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c (₹ 21,000 + ₹ 30,000) ...Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of 3,000; 9% Debentures of ₹ 100 each at a discount of 7% and repayable at a premium of 10%)		2,79,000 51,000	3,00,000 30,000
	Statement of Profit & Loss (Finance Cost) ...Dr. To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off)		51,000	51,000

(c) JOURNAL OF NEWBIE LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (2,000 × ₹ 94) ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		1,88,000	1,88,000
	Debentures Application and Allotment A/c ...Dr. Discount on Issue of Debentures A/c ...Dr. To 9% Debentures A/c (Debentures issued at a discount of 6% and redeemable at par)		1,88,000 12,000	2,00,000
	Statement of Profit & Loss (Finance Cost) ...Dr. To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)		12,000	12,000

24.

JOURNAL OF JAYPEE LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		5,00,000	5,00,000
	Debentures Application and Allotment A/c ...Dr. To 9% Debentures A/c (Issue of 5,000, 9% Debentures of ₹ 100 each at par)		5,00,000	5,00,000
	Debentures Suspense A/c ...Dr. To 9% Debenture A/c (Issue of 1,000, 9% Debentures of ₹ 100 each as collateral security for a loan from bank SBI)		1,00,000	1,00,000

AN EXTRACT OF BALANCE SHEET OF JAYPEE LTD.

as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Non-current Liabilities		
Long-term Borrowings	1	5,80,000

Note to Accounts

	₹
1. Long-term Borrowings	
5,000, 9% Debentures of ₹ 100 each	5,00,000
Loan from Bank (SBI) (Secured by the issue of 1,000, 9% Debentures of ₹ 100 each as collateral security)	80,000
1,000, 9% Debentures of ₹ 100 each (Issued as collateral security)	1,00,000
Less: Debentures Suspense Account	1,00,000
	Nil
	<u>5,80,000</u>

25.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
April 1	Bank A/c ...Dr. To Debentures Application A/c (Application money received for 40,000 Debentures @ ₹ 30 per debenture)		12,00,000	12,00,000
May 1	Debentures Application A/c ...Dr. To 10% Debentures A/c To Debentures Allotment A/c (Debentures allotted)		12,00,000	6,00,000 6,00,000
May 1	Debentures Allotment A/c ...Dr. Loss on Issue of Debentures A/c (₹ 2,00,000 + ₹ 1,00,000) ...Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of debentures at discount redeemable at premium)		6,00,000 3,00,000	8,00,000 1,00,000
Sept. 30	Debenture Interest A/c (₹ 14,00,000 × 12/100 × 5/12) ...Dr. To Debentureholders' A/c (Interest payable for five months ended 30th September, 2022)		70,000	70,000
	Debentureholders' A/c ...Dr. To Bank A/c (Payment of interest)		70,000	70,000

2023				
March 31	Debenture Interest A/c ($20,000 \times ₹ 70 \times 12/100 \times 6/12$)	...Dr.	84,000	
	To Debentureholders' A/c			84,000
	(Interest payable for six months)			
	Debentureholders' A/c	...Dr.	84,000	
	To Bank A/c			84,000
	(Payment of Interest)			
	Statement of Profit & Loss	...Dr.	1,54,000	
	To Debenture Interest A/c			1,54,000
	(Transfer of debenture interest to Statement of Profit & Loss at the end of the year)			
	Statement of Profit & Loss	...Dr.	3,00,000	
	To Loss on Issue of Debentures A/c			3,00,000
	(Loss on issue of debentures written off)			

Note: Interest is paid on paid-up value for the period, it is paid-up.

- 26.** Total loss on issue of debentures will be ₹ 30,000. Discount on Issue of Debentures @ 6% on ₹ 3,00,000, i.e., ₹ 18,000 and premium on redemption ₹ 12,000. Such loss is to be written off from Securities Premium Account first up to ₹ 5,000 and balance from Statement of Profit & Loss, i.e., ₹ 25,000.

Note: Capital Reserve cannot be used for writing off Loss on Issue of Debentures.

LOSS ON ISSUE OF DEBENTURES ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2022			2023		
April 1	To 9% Debentures A/c	18,000	March 31	By Securities Premium A/c	5,000
	To Premium on Redemption of Debentures A/c	12,000		By Statement of Profit & Loss	25,000
		30,000			30,000