



1. (c) Redeemable Debentures.
2. (c) Rate of Interest payable on debentures.
3. (a) get back their amount at maturity as per the terms and conditions of redemption.
4. (c) Debentures are allotted from Securities Premium Account and Statement of Profit & Loss, in that order.
5. (a) a charge against profit.
6. (a) A-III, B-IV, C-I, D-II.
7. (c) converted into equity shares and/or new debentures after a certain period of time.
8. (b) as current liabilities.
9. (c) Both (a) and (b).
10. (a) Both statements are correct.
11. (c) Either (a) or (b).
12. (b) ₹ 2,00,000.

Working Note:

Loss on Issue of Debentures	₹ 4,00,000
Less: Discount on Issue of Debentures	₹ 2,00,000
Premium on Redemption of Debentures	<u>₹ 2,00,000</u>

13. (d) ₹ 55,000.

Working Note:

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

14. (a) ₹ 16,00,000.

15. (a) ₹ 9,00,000.

Working Note:

$$\text{No. of Debentures to be issued} = \frac{₹ 8,10,000}{₹ 90} = 9,000 \text{ Debentures}$$

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

16. (b) ₹ 3,75,000.

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) 6%.

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.

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

18. (b) Capital Reserve.

19. (b) 5%.

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

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

20. (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

21. (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

22.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Assets A/c ...Dr.		6,00,000	
	To Liabilities A/c			1,00,000
	To Rabi Ltd.			3,60,000
	To Capital Reserve A/c (Balancing Figure)			1,40,000
	(Assets and Liabilities of Rabi Ltd. taken over)			
	Rabi Ltd. ...Dr.		3,60,000	
	Discount on Issue of Debentures A/c ...Dr.		40,000	
	To 10% Debentures A/c			4,00,000
	(Issue of 4,000 debentures at a discount of 10%)			
	Statement of Profit & Loss (Finance Cost) ...Dr.		40,000	
	To Discount on Issue of Debentures A/c			40,000
	(Discount on Issue of Debentures written off)			

Note: No. of Debentures to be issued = ₹ 3,60,000/ ₹ 90 = **4,000**.

23.

JOURNAL OF SAMPRAG 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 (Part payment made to vendor by cheque)		60,000
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.

24. JOURNAL OF ANAND LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c ...Dr.		33,00,000	
	To Debentures Application and Allotment A/c (Debenture Application money received)			33,00,000
	Debentures Application and Allotment A/c ...Dr.		33,00,000	
	To 9% Debentures A/c			30,00,000
	To Securities Premium A/c			3,00,000
	(Application money transferred to Debentures A/c and Securities Premium A/c)			
(b)	Bank A/c ...Dr.		4,60,000	
	To Debentures Application and Allotment A/c (Debenture Application money received)			4,60,000
	Debentures Application and Allotment A/c ...Dr.		4,60,000	
	Loss on Issue of Debentures A/c ...Dr.		40,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	To Securities Premium A/c			60,000
	(Application amount transferred to Debentures A/c, Securities Premium A/c and to Premium on Redemption of Debentures Account)			
(c)	Bank A/c Dr.		4,75,000	
	To Debentures Application and Allotment A/c (Debenture Application money received)			4,75,000
	Debentures Application and Allotment A/c ...Dr.		4,75,000	
	Loss on Issue of Debentures A/c ...Dr.		75,000	
	To 9% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(Debenture Application money transferred to Debentures A/c and to Premium on Redemption of Debentures Account)			

25.

(a) JOURNAL OF NILKAMAL LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (₹ 5,00,000 + 5% of ₹ 5,00,000) ...Dr. To Debenture Application and Allotment A/c (Debenture application money received)		5,25,000	5,25,000
	Debenture Application and Allotment A/c ...Dr.		5,25,000	
	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%)		50,000	5,00,000 50,000 25,000
	Securities Premium A/c ...Dr.		25,000	
	Statement of Profit & Loss (Finance Cost) ...Dr. To Loss on Issue of Debentures A/c (Loss on issue of Debentures written off)		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 SHAKTIMAN 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.		2,79,000	
	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%)		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 CLIMAX 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

Debtures Application and Allotment A/c	...Dr.	1,88,000	
Discount on Issue of Debtures A/c	...Dr.	12,000	
To 9% Debtures A/c			2,00,000
(Debtures issued at a discount of 6% and redeemable at par)			
Statement of Profit & Loss (Finance Cost)	...Dr.	12,000	
To Discount on Issue of Debtures A/c			12,000
(Discount on issue of debtures written off)			

26. JOURNAL OF PIONEER LTD.

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

AN EXTRACT OF BALANCE SHEET *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% Debtures of ₹ 100 each	5,00,000
Loan from Bank (SBI) (Secured by the issue of 1,000, 9% Debtures of ₹ 100 each as collateral security)	80,000
1,000, 9% Debtures of ₹ 100 each (Issued as collateral security)	1,00,000
Less: Debtures Suspense Account	1,00,000
	Nil
	<u>5,80,000</u>

27. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
April 1	Bank A/c	...Dr.	12,00,000	
	To Debtures Application A/c			12,00,000
	(Application money received for 40,000 Debtures @ ₹ 30 per debenture)			

May	1	Debentures Application A/c To 10% Debentures A/c To Debentures Allotment A/c (Debentures allotted)	...Dr.	12,00,000	6,00,000 6,00,000
May	1	Debentures Allotment A/c Loss on Issue of Debentures A/c (₹ 2,00,000 + ₹ 1,00,000) To 10% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of debentures at discount redeemable at premium)	...Dr. ...Dr.	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) To Debentureholders' A/c (Interest payable for five months ended 30th September, 2024)	...Dr.	70,000	70,000
		Debentureholders' A/c To Bank A/c (Payment of interest)	...Dr.	70,000	70,000
2026	March 31	Debenture Interest A/c (20,000 × ₹ 70 × 12/100 × 6/12) To Debentureholders' A/c (Interest payable for six months)	...Dr.	84,000	84,000
		Debentureholders' A/c To Bank A/c (Payment of Interest)	...Dr.	84,000	84,000
		Statement of Profit & Loss (Finance Cost) To Debenture Interest A/c (Transfer of debenture interest to Statement of Profit & Loss at the end of the year)	...Dr.	1,54,000	1,54,000
		Statement of Profit & Loss (Finance Cost) To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)	...Dr.	3,00,000	3,00,000

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

28. 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.

Dr.		LOSS ON ISSUE OF DEBENTURES ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2025			2026			
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 (Finance Cost)	25,000	
		30,000			30,000	