

### Issue of Debentures at Discount for Cash

**11 Kati Ltd. issued 8,000, 9% Debentures of 100 each at a discount of 10%. The full amount was payable on application. Applications were received for 9,000 debentures and allotment was made on pro rata basis. Pass the necessary journal entries for the above transactions in the books of kati Ltd.**

**Solution:**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c (9000 x 90) Dr. To debenture app. A/c		810,000	810,000
2.	Debenture app. A/c ( 80000 x 10) Dr. Discount on issue of debentures A/c (8000 x 100) To 9% deb. A/c (1000 x 90) To bank A/c		810,000 80,000	8,00,000 90,000

**12Linux Ltd. issued 12,000 8% Debentures of 100 each at a discount of 5% payable as 25% on application: 20% on allotment and balance after three months. Pass journal entries.**

**Solution:**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c Dr. To Debenture app. A/c		3,00,000	3,00,000
2.	Debenture app. A/c Dr. To 8% debenture A/c		3,00,000	3,00,000
3.	Debentures all. A/c (12000 x 20) Dr.		240000	

4.	Discount on issue of Debentures A/c (12000 x 5) Dr. To 8% Debentures A/c		60,000	3,00,000
			2,40,000	
5.	Bank A/c To Debentures all. A/c	Dr.		2,40,000
			6,00,000	
6.	Debentures first & final A/c (12000 x 50) To 8% Debentures	Dr.		6,00,000
	Bank A/c To deb. first & final call	Dr.	6,00,000	6,00,000

**13 Alka Ltd. issued 5,000 10% Debentures of 1,000 each at a discount of 10% redeemable after 5 years. According to the terms of issue, 500 (after discount of 50) was payable on application and the balance amount on allotment of debentures. Record necessary entries regarding issue of 10% Debentures.**

**Solution:**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c To Debenture A/c	Dr.	25,00,000	25,00,000
2.	(5000 x 50) Deb. app. A/c (5000 x 50) Discount on issue of debenture To 10% Deb. A/c (5000 x 50)	Dr.	25,00,000 2,50,000	2,75,000
3.			20,00,000	

4.	Debenture all. A/c (5000 x 400)		2,50,000	
	Dr.			22,20,000
	(50 x 500) Discount issued of deb.			
	To 10% Deb. A/c (5000 x 450)		20,00,000	20,00,000
	Bank A/c			
	Dr.			
	To debenture A/c			

**14 The Décor Ltd. issued 20,000, 6% Debentures of 100 each at 10% discount payable 30 on application. 40 (after discount) and balance as first and final call. Debentures were subscribed and allotment was made. Amount due on allotment was made and received. First and final call is yet to be made. You are required to pass the necessary journal entries.**

**Solution:**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c Dr. To Debenture ap. A/c (20000 x 30)		6,00,000	6,00,000
2.	Debenture app. A/c Dr. To 6% Debenture A/c		6,00,000	6,00,000
3.	Debenture All. A/c (20,000 x 40) Dr.		8,00,000	
	Discount on issued of deb. A/c (20,000 x 10)		2,00,000	
	Dr.			10,00,000
4.	To 6% Debentures A/c (50 x 20,000)		8,00,000	8,00,000

	<b>Bank A/c</b>			
	<b>To Debenture all. A/c</b>			

## Issue of Debentures for Consideration Other than Cash

**15 Joy Ltd. company bought a building for 9,00,000 and the consideration was paid by issuing 10% Debentures of the nominal (face) value of 100 each at a discount of 10%. Give Journal entries.**

**Solution:**

**Journal**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Building A/c</b> <b>To Vendor A/c</b>		<b>9,00,000</b>	<b>9,00,000</b>
<b>2.</b>	<b>Vendor A/c</b> <b>Discount on issue of Debenture A/c</b> <b>To 10% Debenture A/c</b>		<b>9,00,000</b> <b>1,00,000</b>	<b>10,00,000</b>

**Note:-**

**Number of Debenture =  $\frac{\text{Value of assets}}{\text{Price of one share offer discount}}$**

$$= \frac{9,00,000}{90} \mathbf{10,000}$$

**16 Amrit Ltd. issued 1,000, 6% Debentures of 100 each to Amit and Bhaskar (promoters) each for their services in incorporating the company. Pass Journal entries.**

**Solution: Journal**

<b>Date</b>	<b>Particular</b>	<b>L. F</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Incorporation expense A/c (1000 x 2 x 100)     To 6% Deb. A/c (6% Deb. issued to promoter for their services of Amit &amp; Bhaskar (promoters))</b>		<b>2,00,000</b>	<b>2,00,000</b>

**17 B Ltd. issued 9% Debentures of 100 each at a premium of 20% to vendors for purchase of plant costing 6,00,000. Pass the necessary Journal entry for the payment made to vendors.**

**Solution: Journal**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Plant A/c Dr.     To vender A/c (Plant purchased)</b>		<b>6,00,000</b>	<b>6,00,000</b>
<b>2.</b>	<b>Vendor A/c (5000 x 120)     To 9% Deb. A/c (5000 x 100)     To Securities premium Reserves A/c     (5000 x 20) (5000 Deb. issue to vender @ 100 each at 20% premium at consideration)</b>		<b>6,00,000</b>	<b>5,00,000 1,00,000</b>

### Working Notes:

$$\begin{aligned}\text{Number of Debenture} &= \frac{\text{Value of Asset}}{\text{Price of one share after Discount}} \\ &= \frac{6,00,000}{120} \\ &= 5,000\end{aligned}$$

**18 Ananya Ltd. Purchased an established business for 2,00,000 payable as 65,000 by cheque and the balance by issuing 9% Debentures of 100 each at a discount of 10%. Give journal entries in the books of Ananya Ltd.**

**Solution:**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Business A/c Dr. To vendors A/c (Business purchased by Ananya Ltd.)		2,00,00	2,00,000
2.	Vendors A/c Dr. To Bank A/c (Cheque paid to vendor)		65,000	65,000
3.	Vendor A/c (200000 - 65000) Dr. Discount on issue of Deb. A/c Dr. (1500 x 10) To 9% Deb. A/c (1500 x 100) (1500 deb. issued to vender @ 100 each at 10% Discount)		1,35,000 15,000	1,50,000

**19 Reliance Ltd. purchased machinery costing 1,35,000. It was agreed that the purchase consideration be paid by issuing 9%**

**Debentures of 100 each. if debentures have been issued (i) at par and (ii) at a discount of 10%. Give necessary journal entries.**

**Solution:**

**Case - I**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Machinery A/c Dr. To vendor A/c (Machinery purchased)		1,35,000	1,35,000
2.	Vendor A/c Dr. To 9% Debenture A/c (1350 debenture issued to vendor @ 100 each against payment)		1,35,000	1,35,000

**Working Note:**

$$\begin{aligned}
 \text{Number of Debentures} &= \frac{\text{Value of Machinery}}{\text{Price of one Debenture}} \\
 &= \frac{1,35,000}{100} \\
 &= 1,350
 \end{aligned}$$

**Case - II**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Machinery A/c Dr. To vendor A/c (Machinery purchased)		1,35,000	1,35,000
2.	Vendor A/c Dr. Discount on issue of Deb. A/c (1500 x 10) To 9% Debenture A/c (1500 x 100)		1,35,000 15,000	1,35,000

	(1350 debenture issued to vender @ 100 each at 10% discount against payment)			
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### Working Note:

$$\begin{aligned}
 \text{Number of Debentures} &= \frac{\text{Value of Machinery}}{\text{Price of one Debentures}} \\
 &= \frac{1,35,000}{90} \\
 &= 1,500
 \end{aligned}$$

**20 Romi Ltd. acquired assets of 20 lakh and took over creditors of 2 lakh from kapil Enterprises. Romi Ltd. issued 8% Debentures of 100 each at a discount of 10% as purchase consideration.**

**Solution:**

**Journal**

Date	Particular	L. F.	Dr.	Cr.
1.	Assets A/c <span style="float: right;">Dr.</span> To Creditors A/c To Kapil Enterprises A/c (Assets & Liabilities Purchased of Kapil Enterprises)		20,00,000	20,00,000 18,00,000
2.	Kapil Enterprises A/c Dr. Discount on issue of Deb. A/c (20000 x 10) Dr. To 8% Deb. A/c (20000 Deb. issued @ 100 each 10% Discount to kapil Enterprises)		18,00,000 2,00,000	20,00,000



**Working Note:**

$$\begin{aligned}\text{Number of Debentures} &= \frac{\text{Value of Machinery}}{\text{Price of one Debentures}} \\ &= \frac{1,80,000}{90} = 20,000\end{aligned}$$