

**31X Ltd. took loan of 3,00,000 from IDBI Bank. The company issued 4,000; 9% Debentures of 100 each as a collateral security for the same. Show how these items will be shown in the Balance Sheet of the company.**

**Solution:**

**First method (when journal entry is not passed)**

**An Extract of Balance Sheet as at...**

Particulars	Note No.	
<b>I Equity and Liabilities</b>		
<b>Non-current Liabilities</b>		
<b>Long-term Borrowings</b>	<b>1</b>	<b>3,00,000</b>

**Note to Accounts**

Particular	
<b>1. Long-term Borrowings</b>	
<b>Loan from IDBI Bank Ltd.</b>	<b>3,00,000</b>
<b>(Secured by issue of 4,000, 9% Deb. of 100 each)</b>	

**Second Method (when Journal Entry is Passed)**

**Journal Entry**

Date	Particular	L. F.	Dr.	Cr.
1.	<b>Bank A/c</b> <span style="float: right;"><b>Dr.</b></span>		<b>3,00,000</b>	
	<b>To Bank Loan A/c</b>			<b>3,00,000</b>
	<b>(Bank loan raised from IDBI Bank Ltd.)</b>			
2.	<b>Debenture suspense A/c</b> <span style="float: right;"><b>Dr.</b></span>		<b>4,00,000</b>	
	<b>To 9% Deb. A/c</b>			<b>4,00,000</b>

	(issue of 4,000, 9% Deb. of 100 each as collateral security for a loan taken from IDBI Bank Ltd.)			
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**An Extract of Balance Sheet as at...**

Particulars	Note No.	
<b>I Equity and Liabilities</b>		
Non-current Liabilities		
Long-term Borrowings	<b>1</b>	<b>3,00,000</b>

**Note to Accounts**

Particular	
<b>1. Long-term Borrowings</b>	
Loan from IDBI Bank Ltd.	<b>3,00,000</b>
(4000, 9% Deb. of 100 each issued as collateral security)	
400000	
Less: Debentures suspense A/c	<b>3,00,000</b>
<u>400000</u>	

**32 S. Singh Limited obtained loan of 5,00,000 from state Bank of India @ 10% p.a. interest. The company issued 7,50,000, 10% Debentures of 100 each in favour of state bank of India as Collateral security. Pass necessary journal entries for the above transactions:**

- I. When company decided not to record the issue of 10% debentures as Collateral Security.**
- II. When company decided to record the issue of 10% debentures as collateral security.**

**Solution:**

First method (when journal entry is not passed)

An Extract of Balance Sheet as at...

Particulars	Note No.	
<b>I Equity and Liabilities</b>		
Non-current Liabilities	<b>1</b>	<b>5,00,000</b>
Long-term Borrowings		

Note to Accounts

Particular	
<b>1. Long-from Borrowings</b>	
Loan from State Bank of INDIA (Secured by issue of 7,500, 10% Deb. of 100 each)	<b>5,00,000</b>

Second Method (when Journal Entry is passed)

Journal Entry

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c To Bank Loan A/c (Bank loan raised from State Bank of India)		<b>5,00,000</b>	<b>5,00,000</b>
2.	Debenture suspense A/c To 9% Deb. A/c (issue of 7,500, 10% Deb. of 100 each as collateral security for a loan taken from State Bank of India)		<b>7,50,000</b>	<b>7,50,000</b>

An Extract of Balance Sheet as at...

Particulars	Note No.	
<b>I Equity and Liabilities</b>		
Non-current Liabilities	<b>1</b>	<b>5,00,000</b>

<b>Long-term Borrowings</b>		
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### Note to Accounts

Particular	
<b>1. Long-from Borrowings</b>	
Loan from State Bank of India.	<b>5,00,000</b>
(7500, 10% Deb. of 100 each issued as collateral security)	
<b>750000</b>	
Less: Debentures suspense A/c	<b>5,00,000</b>
<b>(750000)</b>	

### Issue of Debentures with Term of Redemption

**33 On 1st April, 2021, Bingo Ltd. issued 20,00,000, 9% Debentures of 100 each at a premium of 10% redeemable at a premium of 5%.**

**Pass the necessary Journal entries for issue of debentures in the book of Bingo Ltd.**

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c To Deb. App. & All. A/c (Deb. application received)		<b>22,00,000</b>	<b>22,00,000</b>
2.	Debenture App. & All. A/c Dr. Loss on issue on debenture a/c Dr. To 9% Deb. A/c To security premium a/c To premium on redemption of debenture a/c		<b>22,00,000</b> <b>100,000</b>	<b>20,00,000</b> <b>2,00,000</b> <b>100,000</b>

	(Application money transfer to Deb. A/c)			
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**34 'ZK Ltd.' issued 4,00,000, 9% Debentures of 100 each at a discount of 5% redeemable at premium of 10%. pass necessary journal entries for the above transactions in the Book of ZK Ltd.**

**Solution:**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c Dr.</b> <b>To Deb. App. &amp; All. A/c</b> <b>(Deb. application received)</b>		<b>3,80,000</b>	<b>3,80,000</b>
<b>2.</b>	<b>Debenture App. &amp; All. A/c Dr.</b> <b>Discount on issue of Deb. A/c Dr.</b> <b>Loss on issue of Debenture A/c Dr.</b> <b>To 9% Debenture A/c</b> <b>To Premium on redemption of Deb. A/c</b> <b>(Application money transfer to Deb. A/c)</b>		<b>3,80,000</b> <b>20,000</b> <b>40,000</b>	<b>4,00,000</b> <b>40,000</b>

**35 On 1st April, 2018, sakshi Ltd. issued 1,000, 11% Debentures of 100 each at a discount of 6%, redeemable at a premium of 5% after three years.**

**Pass the necessary Journal entries for the issue of debentures in the books of sakshi Ltd.**

**Solution:**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c (1000 x 94)</b> <b>Dr.</b> <b>To Deb. App. &amp; All. A/c</b> <b>(Deb. application received)</b>		<b>94,000</b>	<b>94,000</b>
<b>2.</b>	<b>Debenture App. &amp; All. A/c</b> <b>Dr.</b> <b>Discount on issue of Deb. A/c</b> <b>Dr.</b> <b>Loss on issue of Debenture A/c</b> <b>Dr.</b> <b>To 11% Debenture A/c</b> <b>To Premium on redemption of Deb.</b> <b>A/c</b> <b>(Deb. Application transfer to Deb. A/c)</b>		<b>94,000</b> <b>6,000</b> <b>5,000</b>	<b>1,00,000</b> <b>5,000</b>

**Alternatives**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c (1000 x 94)</b> <b>Dr.</b> <b>To Deb. App. &amp; All. A/c</b> <b>(Deb. application received)</b>		<b>94,000</b>	<b>94,000</b>
<b>2.</b>	<b>Debenture App. &amp; All. A/c</b> <b>Dr.</b>		<b>94,000</b> <b>11,000</b>	

	<b>Loss on issue of Debenture A/c                      Dr.</b> <b>To 11% Debenture A/c</b> <b>To Premium on redemption of Deb.</b> <b>A/c</b> <b>(Deb. Application transfer to Deb. A/c)</b>			<b>1,00,000</b> <b>5,000</b>
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**36 Care cosmetics Ltd. issued 50,000; 9% debentures of 10 each on 1st April, 2021 redeemable at a premium of 10% after 10 years. According to the terms of issue, 4 is payable on application and balance on allotment of debentures. Record necessary journal entries regarding issue of debentures.**

**Solution:**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c (50000 x 4)</b> <b>Dr.</b> <b>To Deb. App. &amp; All. A/c</b> <b>(Deb. application received on 500 Deb.</b> <b>@ 4 per share)</b>		<b>2,00,000</b>	<b>2,00,000</b>
<b>2.</b>	<b>Debenture App. &amp; All. A/c                      Dr.</b> <b>To 11% Debenture A/c</b> <b>(Deb. Application transfer to Deb. A/c)</b>		<b>2,00,000</b>	<b>2,00,000</b>
<b>3.</b>	<b>Debenture All. A/c (50000 x 6)</b> <b>Dr.</b> <b>Loss on issue of Debenture A/c                      Dr.</b> <b>To 9% Debenture A/c (50000 x 6)</b> <b>To Premium on redemption of Deb.</b> <b>A/c (50000 x 1)</b>		<b>3,00,000</b> <b>50,000</b>	<b>3,00,000</b> <b>50,000</b>
<b>4.</b>	<b>(Debenture Allotment due)</b>		<b>3,00,000</b>	

	<b>Bank A/c (50000 x 6)</b>	<b>Dr.</b>		<b>3,00,000</b>
	<b>To Debenture allotment A/c</b>			
	<b>(Debenture allotment received)</b>			

**37 Pass necessary journal entries relating to the issue of debentures for the following:**

- a) issued 28,000; 10% debentures of 100 each at a premium of 15% redeemable at par.**
- b) issued 30,000; 10% debentures of 100 each at a premium of 10% and redeemable at a premium of 15%.**
- c) Issued 80,000; 10% debentures of 100 each at par repayable at a premium of 10%.**

**Solution:**

**Case - a**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c (28000 + 15%)</b>		<b>32,200</b>	
	<b>Dr.</b>			<b>32,200</b>
	<b>To Deb. App. &amp; All. A/c</b>			
	<b>(Application received on 280 Deb. @ 100 each at 15% premium)</b>			
<b>2.</b>			<b>32,200</b>	
	<b>Debenture App. &amp; All. A/c</b>	<b>Dr.</b>		<b>28,000</b>
	<b>To 10% Debenture A/c (280 x 100)</b>			<b>4,200</b>
	<b>To security Pre. reserve A/c (280 x 15)</b>			
	<b>(Deb. Application transfer to Deb. A/c &amp; security premium Reserve A/c)</b>			

**Case - b**

**Journal Entry**



Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c (3000 + 10%) Dr. To Deb. App. & All. A/c (Application on 280 Deb. @ 100 each at 15% premium received)		33,000	33,000
2.	Debenture App. & All. A/c                      Dr. Loss on issue of Deb. A/c                      Dr. To 10% Debenture A/c To security premium reserve A/c To premium on redemption of Deb. A/c (Deb. Application transfer to Deb. A/c)		33,000 4,500	30,000 3,000 4,500

### Case - c

### Journal Entry

Date	Particular	L. F.	Dr.	Cr.
1.	Bank A/c (800 + 100) Dr. To Deb. App. & All. A/c (Application received on 800 Deb. @ 100 each)		80,000	80,000
2.	Debenture App. & All. A/c                      Dr. Loss on issue of Deb. A/c                      Dr. To 10% Debenture A/c (280 x 100) To Pre. on redemption on Deb. A/c (Deb. Application transfer to Deb. A/c )		80,000 8,000	80,000 8,000

**38 Pass necessary journal entries for the issue of debentures in the following cases:**

- a) 40,000; 12% debentures of 100 each issued at a premium of 5% redeemable at par.**
- b) 70,000; 12% debentures of 100 each issued at a premium of 5% redeemable at 110.**

**Case - a**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1</b>	<b>Bank A/c (40,000 + 5%)</b> <b>Dr.</b>		<b>42,000</b>	
	<b>To Deb. application A/c</b>			<b>42,000</b>
<b>2.</b>			<b>42,000</b>	
	<b>Deb. application A/c</b> <b>(400 x 100) To 12% Deb. A/c</b> <b>(400 x 5) To premium A/c</b> <b>Dr.</b>			<b>40,000</b> <b>2,000</b>

**Case - b**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1</b>	<b>Bank A/c (70,000 + 5%)</b> <b>Dr.</b>		<b>73,500</b>	
	<b>To Deb. application A/c</b>			<b>73,500</b>
<b>2.</b>			<b>73,500</b>	
	<b>Deb. application/Allotment A/c</b> <b>Dr.</b> <b>less on issue of Deb. A/c</b> <b>To 12% Deb. A/c</b> <b>To premium security A/c</b> <b>To premium on redemption</b>		<b>7,000</b>	<b>70,000</b> <b>3,500</b> <b>7,000</b>

	<b>On Debenture A/c</b>			
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**39 Chiranjeevi Limited issued 2,000, 10% debentures of 100 each. Pass the necessary journal entries issue of debentures in the following cases:**

- a) When debentures were issued at 10% premium, redeemable at 5% premium.**
- b) When debentures were issued at 5% discount, redeemable at 10% premium.**
- c) When debentures were issued at par, redeemable at a premium at 10% premium of 10%.**

**Chiranjeevi LTD  
journal**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c Dr.</b> <b>To Deb. App. &amp; All. A/c</b> <b>(Deb. application received on 2000 Deb.</b> <b>)</b>		<b>22,00,000</b>	<b>22,00,000</b>
<b>2.</b>	<b>Debenture App. &amp; All. A/c Dr.</b> <b>Loss on issue on debenture a/c Dr.</b> <b>To 9% Deb. A/c</b> <b>To security premium a/c</b> <b>To premium on redemption of</b> <b>debenture a/c</b> <b>(Deb. Application transfer to Deb. A/c)</b>		<b>22,00,000</b> <b>10,000</b>     <b>190,000</b>	<b>2,00,000</b> <b>20,000</b> <b>10,000</b>
<b>3.</b>	<b>Bank A/c (50000 x 6) Dr.</b> <b>To Debenture app. and all A/c</b>			<b>190,000</b>

	(app. Amount received )			
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**40 Pass necessary journal entries for the issue of debentures in the following cases:**

- I. Issued 75,00,000, 9% debentures of 100 each at a premium of 10% redeemable at a premium of 5% after 3 year.**
- II. Issued 8,000, 9% debentures of 100 each at a discount of 6% redeemable at a premium of 3% after 5 years.**
- III. Issued 90,000, 9% debentures of 100 each at par, redeemable at par after 4 year.**

### **Journal entry**

<b>Date</b>	<b>Particular</b>	<b>L. F.</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1.</b>	<b>Bank A/c Dr.</b> <b>To Deb. App. &amp; All. A/c</b> <b>(Deb. application received on 75000 Deb. )</b>  <b>Debenture App. &amp; All. A/c Dr.</b> <b>Loss on issue on debenture a/c Dr.</b>		<b>82,50,000</b>   <b>82,50,000</b> <b>375,000</b>	   <b>82,50,000</b>

	<b>To 9% Deb. A/c</b> <b>To security premium a/c</b> <b>To premium on redemption of debenture a/c</b> <b>(Deb. Application transfer to Deb. A/c)</b>			<b>75,00,000</b> <b>750,000</b> <b>375,000</b>
<b>2.</b>	<b>Bank A/c (80000 x 94) Dr.</b> <b>To Debenture app. and all A/c</b> <b>(app. Amount received )</b>		<b>752000</b>	<b>752000</b>
	<b>Debenture app. And all. a/c Dr.</b> <b>Loss on issue of debenture a/c Dr.</b> <b>To 9% debenture a/c</b> <b>To premium on redemption on debenture</b> <b>(being 6% discount and 3 % premium of redemption )</b>		<b>752000</b> <b>72000</b>	<b>800,000</b> <b>24000</b>
<b>3.</b>	<b>Bank A/c Dr.</b> <b>To Debenture app. and all A/c</b> <b>(being debenture issued)</b>		<b>90,00,000</b>	<b>90,00,000</b>
	<b>Debenture app. and all A/c Dr.</b> <b>To 9% debenture a/c</b> <b>(Deb. Application transfer to Deb. A/c)</b>		<b>90,00,000</b>	<b>90,00,000</b>