

## Interest on Debentures

**41 Agam Ltd. issued 40,000; 9% debentures of 100 each on 1st April, 2023 at a discount of 10% redeemable at a premium of 10%.**

**Solution:**

**Journal Entry**

Date	Particular	L.F	Dr.	Cr.
30/9/22	<b>Deb. Interest A/c (<math>4000000 \times 9\% \times 6/12</math>)</b> <b>Dr.</b> <b>To Debenture holder A/c</b> <b>(Interest on Deb. is due)</b>	.	<b>1,80,000</b>	<b>1,80,000</b>
	<b>Debenture holder A/c</b> <b>To Bank A/c</b> <b>(Interest Debenture paid)</b>		<b>1,80,000</b>	<b>1,80,000</b>
31/3/23	<b>Deb. Interest A/c (<math>4000000 \times 9\% \times 6/12</math>)</b> <b>Dr.</b> <b>To Debenture holder A/c</b> <b>(Interest on Deb. is due)</b>		<b>1,80,000</b>	<b>1,80,000</b>
	<b>Debenture holder A/c</b> <b>Dr.</b> <b>To Bank A/c</b> <b>(Interest Debenture paid)</b>		<b>1,80,000</b>	<b>1,80,000</b>
31/3/22	<b>Profit &amp; Loss A/c</b> <b>Dr.</b> <b>To deb. interest A/c</b>		<b>3,60,000</b>	<b>3,60,000</b>

	(Debenture Interest transferred p & c A/c)			
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**42 Pratham Ltd issued 50,000, 9% debentures of 100 each on 1st April, 2023 at 10% discount, redeemable at 10 premium. interest is payable quarterly on 30th june, 30th September and 31st March.**

**Solution:**

**Journal Entry**

Date	Particular	L.F	Dr.	Cr.
		.		
30/6/22	Deb. Interest A/c (5000000 x 9% x 3/12) Dr. To Debenture holder A/c (Interest on Deb. is due)		1,12,500	1,12,500

**44 Bright Ltd. issued 5,000; 10% Debentures of 100 each on 1st April, 2023. The issue was fully subscribed. As per the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st march. Pass necessary journal entries related to the debenture interest for the year ending 31st March, 2024 and transfer of interest on debentures of the year to the profit & Loss.**

**Solution:**

**Journal Entry**

Date	Particular	L.F	Dr.	Cr.
		.		

30/9/22	<b>Deb. Interest A/c (5000000 x 10% x 6/12)</b> <b>Dr.</b> <b>To Debenture holder A/c</b> <b>(Interest on Deb. is due)</b>		<b>25,000</b>	<b>25,000</b>
	<b>Debenture holder A/c</b> <b>To Bank A/c</b> <b>(Interest Debenture paid)</b>		<b>25,000</b>	<b>25,000</b>
31/3/23	<b>Deb. Interest A/c (5000000 x 10% x 6/12)</b> <b>Dr.</b> <b>To Debenture holder A/c</b> <b>(Interest on Deb. is due)</b>		<b>25,000</b>	<b>25,000</b>
	<b>Debenture holder A/c</b> <b>Dr.</b> <b>To Bank A/c</b> <b>(Interest Debenture paid)</b>		<b>25,000</b>	<b>25,000</b>
31/3/22	<b>Profit &amp; Loss A/c</b> <b>Dr.</b> <b>To deb. interest A/c</b> <b>(Debenture Interest transferred p &amp; c A/c)</b>		<b>50,000</b>	<b>50,000</b>

**45 On 1st April, 2023, V.V.L Ltd. 1,000, 9% debentures of 100 each at a discount of 6% redeemable at a premium of 10% after three year. pass necessary journal entries for the issue of debentures and debenture interest for the year ended 21st March 2024, assuming that interest is payable on 30th**

**September and 31st March. The company closes its books on 31st March every year.**

**Solution:**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L.F</b>	<b>Dr.</b>	<b>Cr.</b>
		.		
<b>1/4/22</b>	<b>Bank A/c (100000 - 6%) Dr.</b>		<b>94,000</b>	
	<b>To Deb. Application &amp; Allotment A/c</b>			<b>94,00</b>
	<b>(Deb. App. received on 1000 Deb. @</b>			
	<b>100 each at 6% Discount)</b>			
	<b>Debenture App. &amp; All. A/c</b>		<b>94,000</b>	
	<b>Dr.</b>		<b>6,000</b>	
	<b>Discount on issue of Deb. A/c</b>		<b>10,000</b>	
	<b>Dr.</b>			<b>1,00,000</b>
	<b>Loss on issue of Deb. A/c</b>			<b>10,000</b>
	<b>Dr.</b>			
	<b>To 9% Deb. A/c</b>			
<b>30/9/22</b>	<b>To premium on redemption of Deb.</b>		<b>4,500</b>	
	<b>A/c</b>			<b>4,500</b>
	<b>(Deb. App transferred to Deb. A/c)</b>			
	<b>Deb. interest A/c (100000 x 9% x 6/12)</b>		<b>4,500</b>	
	<b>To Debenture holder A/c</b>			<b>4,500</b>
	<b>(Interest on Debenture is due)</b>			
<b>31/3/23</b>	<b>Debenture holder A/c</b>		<b>4,500</b>	
	<b>Dr.</b>			<b>4,500</b>
	<b>To Bank A/c</b>			
	<b>(Interest on Debenture paid)</b>			
			<b>4,500</b>	
	<b>Deb. Interest A/c (100000 x 9% x 6/12)</b>			<b>4,500</b>

<b>To Debenture holder A/c</b> <b>(Interest on Debenture is due)</b>				
			<b>9,000</b>	
<b>Debenture holder A/c</b> <b>Dr.</b> <b>To Bank A/c</b> <b>(Interest on Debenture paid)</b>				<b>9,000</b>
<b>Profit &amp; Loss A/c</b> <b>Dr.</b> <b>To Debenture interest A/c</b> <b>(Deb. Interest transferred to p &amp; c</b> <b>A/c)</b>				

**46 Pawan Hans Ltd. issued on 1st july, 2023, 10,000, 7% debentures of 100 each for subscription at 10% premium payable 40 on application and balance on allotment. The debentures were subscribed and due amounts were received. Interest was payable on 31st March each year.**

**Solution:**

**Journal Entry**

Date	Particular	L.F	Dr.	Cr.
01/7/22	Bank A/c (10000 x 40) <span style="float:right">Dr.</span> To Deb. App. A/c (Application received on 10000 Deb. 40 each)		4,00,000	4,00,000
	Deb. Application A/c To 7% Deb. A/c (Deb. app transferred to Deb. A/c)		4,00,000	4,00,000
	Deb. Allotment A/c (100000 x 70) To 7% Deb. A/c (10000 x 60) To securities premium reserve A/c (10000 x 10) (Deb. allotment due)		7,00,000	6,00,000 1,00,000
	Bank A/c To Deb. All. A/c (Deb. allotment received)		7,00,000	7,00,000
	31/3/23	Deb. interest A/c (100000 x 7% x 9/12) To Deb. holder A/c (Debenture interest due)		52,500
	Debenture holder A/c To Bank A/c (Interest on Deb. paid)		52,500	52,500
	profit & loss A/c To Debenture interest A/c		52,500	52,500

	(Debenture int. transferred p & c A/c)			
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**47 Suzlon ltd. issued on 1st July, 2023, 20,000, 7% debentures of 100 each for subscription at 10% premium payable 40 on application, 40 (including premium) on allotment and balance on first call. The ended 31st March, 2024, Interest was payable on 31st March each year.**

**Pass the Journal entry of debentures and interest for the year ended 31st March, 2024 and transfer the interest to statement on profit & loss.**

**Solution:**

**Journal Entry**

<b>Date</b>	<b>Particular</b>	<b>L.F</b>	<b>Dr.</b>	<b>Cr.</b>
		.		
<b>01/7/22</b>	<b>Bank A/c (20,000 x 40) Dr.</b>		<b>8,00,000</b>	
	<b>To Deb. App. A/c</b>			<b>8,00,000</b>
	<b>(Application received on 20000 Deb. 40 each)</b>			
	<b>Deb. App. A/c Dr.</b>		<b>8,00,000</b>	
	<b>To 7% Deb. A/c</b>			<b>8,00,000</b>
	<b>(Deb. app. transferred to Deb. A/c)</b>			
	<b>Deb. All. A/c (20000 x 40) Dr.</b>		<b>8,00,000</b>	
	<b>To 7% Deb. A/c (20000 x 30)</b>			<b>6,00,000</b>
	<b>To securities premium reserve A/c</b>			<b>2,00,000</b>
	<b>(20000 x 10)</b>			
	<b>(Debenture allotment due)</b>			
	<b>Bank A/c</b>		<b>8,00,000</b>	
	<b>Dr.</b>			<b>8,00,000</b>
	<b>To Debenture allotment A/c</b>			

31/3/23	(Deb. allotment received)		73,500	
	Deb. interest A/c (20000 x 70 x 7% 9/12) To Debenture holder A/c (Debenture interest due)			73,500
	Debenture holder A/c Dr.		73,500	
	To Bank A/c (Interest on Debenture paid)		73,500	
	Profits & Loss A/c Dr.			73,500
	To Debenture interest A/c (Deb. interest transferred to p & L A/c)			

### Writing off Discount/Loss on issue of Debentures

- 48 Kitply Ltd. issued 2,00,000, 10% Debenture at a discount of 5%. The terms of issue provide the repayment at the end of 4 years. Kitply Ltd. has a balance of 5,00,000 in securities premium. Pass the journal entries for issue of debentures and writing off the discount.**

**Solution:**

**Journal**

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (200000 - 5%) To Deb. Application & Allotment A/c	Dr.	1,90,000	1,90,000



	(10% Deb. issued at 5% Discount)			
2.	Debenture Application & Allotment A/c Dr.		1,90,000	
	Discount on issue of Debenture A/c Dr. To 10% Debenture A/c		10,000	
	(Deb. application transferred to Deb. A/c)			2,00,000
3.	Securities premium reserve A/c Dr. To Discount on issue of Deb. A/c		10,000	
	(Discount on issue of Debentures written off against securities premium reserve A/c)			10,000

**49 Mercury Ltd. issued 10,00,000; 9% debentures of 100 each at a discount of 6% on 1st April. 2023. These debentures are to be redeemed equally, spread over 5 annual instalments. It had balance in capital reserve of 75,000.**

**Pass the Journal entries for issue of debentures and writing off the discount.**

**Solution:**

**Journal**

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (100000 - 6%) Dr. To Deb. Application & Allotment A/c (10% Deb. issued at 5% Discount)		9,40,000	9,40,000
2.	Debenture Application & Allotment A/c Dr. Discount on issue of Debenture A/c Dr. To 9% Debenture A/c		9,40,000 60,000	1,00,000

3.	(Deb. application transferred to Deb. A/c)		60,000	
	Statement of profit & Loss A/c Dr.			60,000
	To Discount on issue of Deb. A/c			
	(Discount on issue of Debentures written off against securities premium reserve A/c)			

**50 Gladiators Ltd. issued 10,000; 8% Debentures of 100 each at a discount on 5%, redeemable at a premium of 5% payable along with application, it had balance of 70,000 in securities premium and 50,000 in capital Reserve. The debentures were fully subscribed and amounts were duly received.**

**Pass the necessary journal entries for issue of debentures and writing off Loss on issue of debentures.**

**Solution:**

**Journal**

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (10000 x 100 - 5%) Dr.		9,50,000	
	To Deb. Application & Allotment A/c			9,50,000
2.	(8% Deb. issued @ 100 each at 5% Discount)		9,50,000	
	Debenture Application & Allotment A/c Dr.		50,000	
	Discount on issue of Debenture A/c Dr.		50,000	
	Loss on issue of Debenture A/c			1,00,000
3.	To 8% Debenture A/c		70,000	
	To premium on redemption of Deb. A/c		30,000	
	(Deb. application transferred to Deb. A/c)			50,000

	Securities premium reserve A/c	Dr.		50,000
	Statement of profit & Loss A/c	Dr.		50,000
	To Discount on issue of Deb. A/c			
	To loss on issue of Debenture A/c			
	(Discount on issue & loss on redemption of Debentures written off against securities premium P & L A/c)			

**51 Sujata Ltd. invited applications for issuing 50,000, 9% Debentures of 100 each at a discount of 10% redeemable at par after 5 year. The debenture were fully subscribed and all money was duly received. The company had a balance of 3,00,000 in securities premium which it decided to use for writing off the discount/loss on issue of debentures. It also decided to write off the remaining discount/loss on issue of debentures in the first year.**

**Pass the journal entries for issue of debentures and for writing off discount/loss on issue of debentures.**

**Solution:**

**Journal**

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (50000 x 100 - 10%) Dr. To Deb. Application & Allotment A/c (50000, 9% Deb. issued @ 100 each at 10% Discount)		4,50,000	4,50,000
2.	Debenture Application & Allotment A/c Dr. Discount on issue of Debenture A/c		4,50,000 50,000	5,00,000

3.	<b>To 9% Debenture A/c</b> <b>(Deb. application transferred to Deb. A/c)</b>  <b>Statement of profit &amp; Loss A/c                      Dr.</b> <b>Statement of profit &amp; Loss A/c</b> <b>To Discount on issue of Deb. A/c</b> <b>(Discount on issue of Debentures written</b> <b>off against securities premium reserve &amp; P</b> <b>&amp; L A/c)</b>		<b>3,00,000</b> <b>2,00,000</b>	<b>5,00,000</b>
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