

# TS Grewal

Class 12

Accountancy Solutions

Vol.-2



## CHAPTER-9–Issue of Debentures

**Q1**

**Solution:**

Please find below the journal entries of the transactions:

Journal Entries in the Books of X Ltd.

Date	Particulars		L.F.	Dr (₹)	Cr (₹)
	Bank A/c	Dr.		80,000	
	To 10% Debenture Application A/c				80,000
	(Being receipt of application money on 4,000 10% debentures of ₹20 each)				
	10% Debenture Application A/c	Dr.		80,000	
	To 10% Debentures A/c				80,000
	(Being transfer of application money to debenture A/c)				
	10% Debenture Allotment A/c	Dr.		3,20,000	
	To 10% Debentures A/c				3,20,000
	(Being allotment money due on 4,000 10% debentures of ₹80 each)				
	Bank A/c	Dr.		3,20,000	
	To 10% Debenture Allotment A/c				3,20,000
	(Being allotment money received)				

## Q2

### Solution:

Please find below the journal entries of the transactions:

#### Journal Entries in the Books of Axe Ltd.

Date	Particulars		L.F.	Dr (₹)	Cr (₹)
1 <sup>st</sup> April, 2018	Bank A/c	Dr.		6,00,000	
	To 9% Debenture Application A/c				6,00,000
	(Being application money received on 20,000 9% debentures of ₹30 each)				
	Debentures Application A/c	Dr.		6,00,000	
	To 9% Debentures A/c				6,00,000
	(Being transfer of application money to debenture A/c)				
	Debenture Allotment A/c	Dr.		13,20,000	
	Discount on Issue of Debentures A/c	Dr.		80,000	
	To 9% Debentures A/c				14,00,000
	(Being allotment money due on 20,000 9% debentures and discount received)				
	Bank A/c	Dr.		13,20,000	
	To Debenture Allotment A/c				13,20,000
	(Being allotment money received)				

**Q3****Solution:**

Please find below the journal entries of the transactions:

**Journal Entries in the Books of Titan Watches Ltd.**

<b>Date</b>	<b>Particulars</b>		<b>L.F.</b>	<b>Dr (₹)</b>	<b>Cr (₹)</b>
	Bank A/c	Dr.		7,00,000	
	To Debenture Application and Allotment A/c				7,00,000
	(Being application money received for 7,000 8% debentures of ₹100 each)				
	Debentures Application and Allotment A/c	Dr.		7,00,000	
	To 8% Debentures A/c				7,00,000
	(Being transfer of application money to debentures A/c)				

**Q4****Solution:**

Please find below the journal entries of the transactions:

**Journal Entries in the Books of Hibiscus Ltd.**

<b>Date</b>	<b>Particulars</b>		<b>L.F.</b>	<b>Dr (₹)</b>	<b>Cr (₹)</b>
	Land A/c	Dr .		20,00,00 0	
	Loss on Issue of Debentures A/c	Dr .		50,000	
	To Bank A/c				10,00,00 0
	To Bills Payable A/c				5,00,000
	To 9% Debentures A/c				5,00,000
	To Premium on Redemption of Debentures A/c				50,000
	(Being land purchased and consideration paid with money being transferred into debentures A/c issued at par and redeemable at 10% premium)				

## **Q5**

### **Solution:**

Please find below the balance sheet and distribution of long term borrowings:

Balance Sheet of V Ltd.  
as at...

Particulars	Note No.	₹
<b>EQUITY AND LIABILITIES</b>		
<b>Non-Current Liabilities</b>	1	
Long-term Borrowings		5,80,000

### **Note to Accounts:**

<b>Long-term Borrowings</b>		
5,000 9% debentures of ₹100 each		5,00,000
Loan from bank		80,000
1,000 9% debentures of ₹100 each issued as Collateral Security	1,00,000	
<b>Less: Debentures Suspense A/c</b>	1,00,000	
		5,80,000

## **Q6**

### **Solution:**

Debentures are shown in the Balance Sheet of a firm below the head of **Non- Current Liabilities**, because Debentures are borrowings made from public for a long term, and the same has to be returned to the debenture holder upon maturity of the debenture.

**Q7**

**Solution:**

Debenture Holders are the **Lenders of the Company** and not owners because, debentures are considered to be borrowed funds for a long, but fixed period of time. Debenture holders have no say in the running of the company, thereby making them a long term creditor to the business.

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