

ISSUE OF DEBENTURES

Class 12 - Accountancy

Time Allowed: 2 hours

Maximum Marks: 60

Section A

1. Sushma Limited issued 1,000, 13% debentures of Rs.100 each at a premium of 10%. Applications were received [1]
for 900 debentures only. All applications were accepted and debentures were allotted. What amount is to be
credited to the Securities Premium Account?
a) 1,000 b) 10,000
c) 900 d) 9,000
2. Vinod Limited offered 20,000 debentures @ 100 each at a premium of 10%. The issue was oversubscribed by 3 [1]
times. The company made full allotment to 4,000 applicants and pro-rata allotment made to the 36,000
applicants and remaining applications are rejected. How much amount is to be refunded by the company?
a) 22,00,000 b) 33,00,000
c) 44,00,000 d) 18,00,000
3. LMN Limited acquired assets of Rs.18,00,000 and took over creditors of ₹2,00,000 from Vidhi Enterprises. [1]
LMN Limited issued 8% Debenture of Rs.100 each at par as purchase consideration. Find out how many
debentures issued by the company?
a) 16,000 b) 2,000
c) 18,000 d) 16,00,000
4. Y Limited acquired assets of ₹100 Lakhs and took over liabilities of ₹40,00,000 from Sita Enterprises. Y [1]
Limited issued 8% Debenture of ₹100 each at a premium of 25% as purchase consideration. Calculate the
number of debentures issued by the company.
a) 60,000 b) 48,000
c) 40,000 d) 45,000
5. Vinod Limited has 5,000, 11% Debentures which are to be redeemed within the 8 months from the date of [1]
previous balance sheet. How will you show these debentures in the balance sheet?
a) Under Other Current Liabilities b) Long Term Borrowings
c) Short Term Borrowings d) Trade payables
6. Vinod Limited issued 12%, 1,000 Debentures @ 100 each at a premium of 10%. What will be the first journal [1]
entry?
a) 12% Debentures A/c ... Dr. 1,10,000 b) Bank A/c ... Dr. 1,10,000
To Debentures App. & Allot. A/c 1,10,000 To Debentures App. & Allot. A/c 1,00,000
To Securities premium 10,000
c) Bank A/c ... Dr. 1,10,000 d) Bank A/c ... Dr. 1,00,000

To 12% Debentures App. & Allot. A/c
1,10,000
(Being Application money received)

To Debentures App. & Allot. A/c 1,00,000

OR

INDO Limited offered 20,000 debentures @ 100 each at a premium of 10%. Total applications received 60000. The company made full allotment to 4,000 applicants and pro-rata allotment to the applicants of 36,000 debentures and remaining applications rejected. What amount is to be credited to the Securities premium account?

- a) 4,00,000
- b) 40,000
- c) 6,00,000
- d) 2,00,000

7. Vinod Limited offered 10,000 debentures @ 100 each at a premium of 10%. Applications are received for 30000 [1] applicants. The company made full allotment to 2,000 applicants and pro-rata allotment to the applicants of 18,000 debentures. How many applications were rejected?

- a) 20,000
- b) 10,000
- c) 28,000
- d) 18,000

8. Retro Limited issued 1,000, 11% debentures of Rs.100 each at a discount of 10%. Applications were received [1] for 1500 debentures and pro-rata allotment was made to all the applicants. All applications were accepted and debentures were allotted. What amount is to be refunded to the applicants?

- a) No Refund
- b) 50,000
- c) 45,000
- d) 55,000

9. Under which head the amount of discount which is unamortized or cannot be written off, is shown in the balance [1] sheet?

- a) Other Non-current Liabilities
- b) Other current liabilities
- c) Other current assets
- d) Other Non-current Assets

10. When debentures are issued at a discount the discount is written off [1]

- a) In the year of the issue of debentures
- b) In the year of redemption of debentures
- c) During the life of the debentures
- d) Within 5 years of the issue of debentures

OR

When a company purchases some assets and not paying cash instead issues debentures as a payment for the purchase, from the vendors it is known as the issue of:

- a) Debentures issued for cash
- b) Debentures issued for consideration other than cash
- c) Debentures issued as collateral security
- d) Debenture issued in consideration of asset

11. Debentures can be issued through various modes other than cash, one such is through collateral security When [1] does company issue debentures as collateral security?

- a) When the lender does not gives additional security
- b) When a lender demands additional or secondary security
- c) When lender does not demands additional or secondary security
- d) When a lender gives additional security

12. Securities Premium received on issue of debentures is a [1]
- a) Fixed Asset b) Capital Profit
c) Capital Loss d) Current Asset
13. Why is a premium on the issue of debentures considered as a capital profit [1]
- a) It is not an income arising from the normal course of business operations. b) It is an income arising from the normal course of business operations.
c) All of these d) It is not a loss arising from the normal course of business operations.
14. Tamy Limited issued 5,000 debentures @ 1,000 each at a discount of 10%. Rs.300 is payable on application and balance payable on the allotment. Find the amount received on an allotment? [1]
- a) 45,00,000. b) 40,00,000
c) 30,00,000 d) 35,00,000
15. In which head Debentures cannot be shown in the Balance Sheet? [1]
- a) Long Term Borrowings b) Equity Shareholders' Funds
c) Other Current Liabilities d) Short Term Borrowings
16. On the issue of debentures as collateral security, which account is credited? [1]
- a) Debenture Holdings Account b) Debentures Account
c) Debenture Suspense Account d) Bank Loan Account

Section B

17. R Ltd. purchased the assets of S Ltd. for ₹5,00,000. It also agreed to take over the liabilities of S Ltd. amounted to ₹2,00,000 for a purchase consideration of ₹2,80,000. The payment of S Ltd. was made by issue of 9% Debentures of ₹100 each at par. Pass necessary Journal entries in the books of R Ltd. [3]
- OR
- Narain Laxmi Ltd. invited applications for issuing 7,500; 12% Debentures of ₹100 each at a premium of ₹35 per debenture. The full amount was payable on application. Applications were received for 10,000 Debentures. The allotment was made to all the applicants on pro-rata. Pass necessary Journal entries for the above transactions in the books of Narain Laxmi Ltd.
18. Rohan Chemicals Ltd. of Mumbai issued 1,00,00,000, 10% Debentures of ₹100 each at a premium of 10% payable as ₹40 on application and ₹70 on allotment. Debentures are redeemable on March 31, 2020. Record necessary entries to record issue of debentures assuming that the issue is fully subscribed and all the money due is received. [3]
19. Chand Ltd. issued 50,000; 8% Debentures of ₹ 100 each, payable on application and redeemable at par after 6 years. Pass necessary entries for the issue of debentures in the books of Chand Ltd. [3]
20. K. K. Limited obtained a loan of ₹10,00,000 from State Bank of India @ 9 % interest. The company issued ₹15,00,000 9% debentures of ₹100 each, in favour of State Bank of India as collateral security. Pass necessary Journal entries for the above transactions: [3]
- i. When company decided not to record the issue of 9% Debentures as collateral security.
ii. When company decided to record the issue of 9% Debentures as collateral security.

OR

Sangam Woollens Ltd., Ludhiana, are the manufacturers and exporters of woollen garments. The company decided to distribute free of cost woollen garments to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40,000 equity shares of ₹10 each and 1,000, 9% debentures of ₹100 each to the vendors for the purchase of machinery of ₹ 5,00,000. Pass necessary journal entries.

Section C

21. A company issues the following debentures: [4]
- i. 10,000, 12% debentures of ₹100 each at par but redeemable at a premium of 5% after 5 years;
 - ii. 10,000, 12% debentures of ₹100 each at a discount of 5%, but redeemable at a premium of 5% after 5 years;
 - iii. 5,000, 12% debentures of ₹100 each at a premium of 10% but redeemable at par after 5 years;
 - iv. 1,000, 14% debentures of ₹100 each issued to a supplier of machinery costing ₹95,000, the debentures are repayable after 5 years; and
 - v. 300, 13% debentures of ₹100 each as a collateral security to a bank who has advanced a loan of ₹25,000 to the company for a period of 5 years.

Pass the Journal entries to record the issue of debentures.

22. X Ltd. issued 2,000, 15% debentures of ₹100 each at Par, payable as follows: [4]
 ₹25 on Application; ₹25 on Allotment and ₹50 on First and Final Call.
 Applications were received for 3,000 debentures. Applications for 1,600 debentures were accepted in full. Applications for 600 debentures were allotted 400 debentures and the rest were rejected. All moneys due were received except the final call on 100 debentures.
 Pass necessary journal entries.

OR

On 1st April, 2012, a Limited Company issued 11% ₹10,00,000 debentures at a discount of 6%, repayable at the end of 5 years at par. Pass journal entries for the issue of debentures and prepare Discount on Issue of Debentures Account for five years. Assume that the accounts are closed on 31st March each year.

Section D

23. Pass necessary Journal entries relating to the issue of debentures for the following: [6]
- a. Issued ₹ 4,00,000; 9% Debentures of ₹ 100 each at a premium of 8% redeemable at 10% premium.
 - b. Issued ₹ 6,00,000; 9% Debentures of ₹ 100 each at par, repayable at a premium of 10%.
 - c. Issued ₹ 10,00,000; 9% Debentures of ₹ 100 each at a premium of 5%, redeemable at par.

OR

X Ltd. issued 25,000, 9% Debentures of ₹100 each at a premium of ₹4 per debenture on 1st April, 2017. On the same date it purchased fixed assets of ₹10,00,000 and took over current liabilities of ₹70,000 of Y Ltd. and paid ₹4,00,000 in Cash and remaining by issue of ₹5,00,000, 9% debentures at a premium 6%. On the same date it took a loan from the Bank for ₹6,00,000 and issued 9% debentures as collateral security. Give entries and the extract of Balance Sheet on 31st March, 2018. Ignore interest.

24. Feeble Ltd. issued 10% Debentures at 94% for ₹ 20,00,000 on 1st July, 2013 repayable by five equal annual [6]
 installments of ₹ 4,00,000 each starting from 30th June, 2014. Calculate the amount of discount to be written off in every accounting year assuming that the company decides to write off the debentures discount during the life of the debentures.
25. On 1-4-2015, K.K. Ltd. issued 500, 9% Debentures of ₹500 each at a discount of 4%, redeemable at a premium [6]
 of 5% after three years.

Pass necessary Journal Entries for the issue of debentures and debenture interest for the year ended 31-3-2016 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year.

26. On 1st April, 2012 a Limited Company issued 10% Debentures of the face value of ₹1,20,000 at a discount of 6%. The debentures are repayable by annual drawings of ₹40,000 commencing from the end of 3rd year. How will you deal with discount on debentures? **[6]**

Show the discount on issue of debentures account in the Company's ledger for the period of duration of debentures. Assume that the accounts are closed on 31st March each year.

OR

Hammer Ltd. issued ₹4,000; 10% Debentures of ₹100 each, payable ₹ 20 on the application and the balance amount on the allotment. The debentures are redeemable after 5 years. Applications were received for the issued debentures and allotment made to all the applicants. The amount was received on due dates.

Pass the Journal entries and prepare the Balance Sheet.