

COMPANY ACCOUNTS

SOLUTION TO Q.2.
A Ltd.
Journal

2017	Particulars		Rs.	Rs.
May 20	Bank Account To Share Application A/c (Application money on 40,000 shares at Rs.20 per share received.)	Dr.	8,00,000	8,00,000
June 1	Share Application A/c To Share Capital A/c (The amount transferred to Capital Account on 40,000 shares at – Rs.20 on application. Directors' resolution no..... dated.....)	Dr.	8,00,000	8,00,000
	Share Allotment A/c To Share Capital A/c (Being share allotment made due at Rs.30 per share. Directors' resolution no..... dated.....)	Dr.	12,00,000	12,00,000
July 15	Bank Account To Share Allotment A/c (The sums due on allotment received.)	Dr.	12,00,000	12,00,000
Oct. 1	Share First Call Account To Share Capital Account (Amount due from members in respect of first call-on 40,000 shares at Rs.25 as per Directors, resolution no... dated...)	Dr.	10,00,000	10,00,000
Oct. 20	Bank Account To Share First Call Account (Receipt of the amounts due on first call.)	Dr.	10,00,000	10,00,000
2018 Feb. 1	Share Second and Final Call A/c To Share Capital A/c	Dr.	10,00,000	10,00,000



	(Amount due on 40,000 share at Rs. 25 per share on second and final call, as per Directors resolution no... dated...)		
Mar. 5	Bank Account To Share Second & Final Call A/c (Amount received against the final call on 40,000 shares at Rs. 25 per share.)	Dr.	10,00,000 10,00,000

SOLUTION to Q.3

Pioneer Equipment Limited
Journal

Date 2017	Particulars		Debit (Rs.000)	Credit (Rs.000)
Oct. 1	Bank A/c To Equity Share Application A/c (Money received on applications for 2,50,000 shares @ Rs. 25 per share)	Dr.	6,250	6,250
Oct. 20	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on allotment to share capital)	Dr.	6,250	6,250
Oct. 20	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Amount due on allotment of 2,50,000 shares @ Rs. 75 per share including premium)	Dr.	18,750	12,500 6,250
Oct. 31	Bank A/c To Equity Share Allotment A/c (Money received including premium consequent upon allotment)	Dr.	18,750	18,750



SOLUTION to Q.4.
Pant Ltd.
Journal

Particulars		Rs.	Rs.
Bank A/c To Equity Share Application A/c (Being the application money received for 60,000 shares at Rs.20 per share)	Dr.	12,00,000	12,00,000
Equity Share Application A/c To Equity Share Capital A/c To Bank A/c (Being share allotment made for 50,000 shares and excess refunded.)	Dr.	12,00,000	10,00,000 2,00,000
Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment amount due on 50,000 equity shares at Rs. 10 per share as per Directors' resolution no... dated...)	Dr.	5,00,000	5,00,000
Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received for 45,000 shares at Rs.10 per share.)	Dr. Dr.	4,50,000 50,000	5,00,000

SOLUTION to Q.6.

Journal Entries in the Books of the Company

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
Jan. 31	Bank A/c To Equity Share Application A/c (Money received on applications for 10,000 shares @ Rs. 25 per share)	Dr.	2,50,000	2,50,000



March 1	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 10,000 shares to share capital)	Dr.		2,50,000	2,50,000
March 1	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 10,000 shares @ Rs. 30 per share)	Dr.		3,00,000	3,00,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.		3,00,000	3,00,000
June 1	Equity Share First Call A/c To Equity Share Capital A/c (First call money due on 10,000 shares @ Rs. 20 per share)	Dr.		2,00,000	2,00,000
	Bank A/c Calls-in-Arrears A/c To Equity Share First Call A/c To Calls-in-Advance A/c (First call money received on 9000 shares and calls-in- advance on 500 shares @ Rs. 25 per share)	Dr. Dr.		1,92,500 20,000	2,00,000 12,500
	Alternatively, Bank A/c To Equity Share First Call A/c To Equity Share second n final call A/c (First call money received on 9000 shares and calls-in- advance on 500 shares @ Rs. 25 per share)	Dr.		1,92,500	1,80,000 12,500



ANSWER TO Q.NO.7:

In the books of A Ltd.

Date	Journal Particulars	Rs.	Rs.
	Equity Share Capital A/c (30,000 x Rs. 10) Dr.	3,00,000	
	To Equity Share Final Call A/c (30,000 x Rs. 4)		1,20,000
	To Forfeited Shares A/c (30,000 x Rs. 6)		1,80,000
	(Being the forfeiture of 30,000 equity shares of Rs.10 each fully called-up for non-payment of final call money @ Rs.4 each as per Board's Resolution No.... dated....)		

ANSWER TO Q.NO.8:

Journal Entries in the Books of the Company

Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
Bank A/c Dr. To Equity Share Application A/c (Money received on 1,00,000 shares @ Rs.2.5 per share)		2,50,000	2,50,000
Equity Share Application A/c Dr. To Equity Share Capital A/c (Transfer of application money on to share capital) Dr.		2,50,000	2,50,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on allotment 1,00,000 shares @ Rs.3 per share)		3,00,000	3,00,000
Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received)		3,00,000	3,00,000
Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call money on 1,00,000 shares @ Rs.2 per share)		2,00,000	2,00,000
Bank A/c Dr.	2,25,000		



To Equity Share First Call A/c		2,00,000	
To Calls in Advance A/c		25,000	
(Being first call money received along with calls in advance on 10,000 shares at Rs.2.50 per share)			
Equity Share Final Call A/c	Dr.	2,50,000	
To Equity Share Capital A/c		2,50,000	
(Being final call made due on 1,00,000 shares at Rs.2.50 each)			
Bank A/c	Dr.	2,22,500	
Calls in Advance A/c	Dr.	25,000	
Calls in Arrears A/c	Dr.	2,500	
To Equity Share Final Call A/c		2,50,000	
(Being final call received for 89,000 shares and calls in advance for 10,000 shares adjusted)			
Interest on Calls in Advance A/c	Dr.	750	
To Shareholders A/c		750	
(Being interest made due on calls in advance of Rs.25,000 at the rate of 12% p.a.)			
Shareholders A/c	Dr.	750	
To Bank A/c		750	
(Being payment of interest made to shareholder)			
Shareholders A/c	Dr.	41.67	
To Interest on Calls in Arrears A/c		41.67	
(Being interest on calls in arrears made due at the rate of 10%)			
Bank A/c	Dr.	2,541.67	
To Calls in Arrears A/c		2,500	
To Shareholders A/c		41.67	
(Being money received from shareholder for calls in arrears and interest thereupon)			



ANSWER TO Q.NO.10:

In the books of X Ltd.

Date	Particulars	Dr.	Rs.	Rs.
	Equity Share Capital A/c (5,000 x Rs.100)	Dr.	5,00,000	
	Securities Premium A/c (See Note)		1,00,000	
	To Equity Share Allotment A/c (5,000 x Rs.50)			2,50,000
	To Equity Share First and Final Call A/c (5000 x Rs.50)			2,50,000
	To Forfeited Shares A/c (5000 x Rs.20)			1,00,000
	(Being the forfeiture of 5,000 equity shares of Rs.100 each fully called-up, issued at a premium of 20%, for non payment of allotment and call money as per Board's Resolution No.....dated....)			

ANSWER TO Q.NO.11:

Journal		Rs.	Rs.
Preference Share Capital A/c (2,000 x Rs.75)	Dr.	1,50,000	
To Preference Share Allotment A/c			50,000
To Preference Share First Call A/c			50,000
To Forfeited Share A/c			50,000
(Being the forfeiture of 2,000 preference shares Rs.75 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)			
Bank A/c (1,500 x Rs.65)	Dr.	97,500	
Forfeited Shares A/c (1,500 x Rs.10)	Dr.	15,000	
To Preference Share Capital A/c			1,12,500
(Being re-issue of 1500 shares at Rs. 65 per share paid-up as Rs.75 as per Board's Resolution No.....dated....)			
Forfeited Shares A/c	Dr.	22,500	
To Capital Reserve A/c (Note 1)			22,500
(Being profit on re-issue transferred to Capital/Reserve)			



Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = Rs.50,000/2000	=	Rs. 25
Loss on re-issue = Rs.75 – Rs.65	=	Rs.10
Surplus per share re-issued		Rs.15
Transferred to capital Reserve Rs.15 x 1500	=	Rs.22,500

ANSWER TO Q.NO.12:

Journal

Date	Particulars	Rs.	Rs.
1.	Land and Buildings A/c To Y Co. Ltd A/c (Being the land and buildings purchased from Y Co. Ltd as per agreement dated...).	Dr. 4,00,000	4,00,000
2.	Y.Co. Ltd A/c To Equity Share Capital A/c (Being 40,000 shares of Rs. 10 each issued to Y Co. Ltd. on purchase of land and building)	Dr. 4,00,000	4,00,000
3.	Bank A/c To Equity Share Application & Allotment A/c (Being the issue of 50,000 shares of Rs.10 each as per Board's Resolution No.....dated...)	Dr. 5,00,000	5,00,000
4.	Equity Share Application and Allotment A/c To Equity Share Capital A/c (Being shares allotted for application money received.)	Dr. 5,00,000	5,00,000

Balance Sheet of X Company Limited as at....

Particulars	Notes No.	Rs.
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1	9,00,000
Total		9,00,000



	ASSETS		
1.	Non-current assets		
	a Property, plant and Equipment		
	i. Tangible assets	2	4,00,000
2.	Current assets		
	Cash and cash equivalents	3	5,00,000
	Total		9,00,000

Notes to accounts

		Rs.
1.	Share Capital	
	Equity share capital	
	Authorised share capital	
	90,000 Equity shares of Rs.10 each	9,00,000
	Issued share capital	
	90,000 Equity shares of Rs.10 each	9,00,000
	Subscribed Share Capital	
	90,000 Equity Shares of Rs.10 each	9,00,000
	Called up and Paid up Capital	
	90,000 Equity Shares of Rs.10 each	9,00,000
	(Out of the above 40,000 shares have been allotted as fully paid up pursuant to Contract without payment being received in cash)	
2.	Tangible Assets	
	Land and Building	4,00,000
3.	Cash and cash equivalents	
	Balances with banks	5,00,000



ANSWER TO Q.NO.13:

Journal of Shreyas Ltd

Date	Particulars	L.F.	Amount	
			Dr.	Cr.
1.7.2016	Calls in Arrears A/c To Equity Share First Call A/c (Being amount due on first call on 10,000 shares at Rs.3 per share transferred to calls in arrears account)	Dr.	30,000	30,000
1.4.2017	Bank A/c To Calls in Arrears A/c (Being calls in arrears received)	Dr.	30,000	30,000

ANSWER TO Q.NO.14:

Delhi Artware Ltd.

Cash Book

Particulars		Rs.	Particulars	Rs.
To	Equity Shares Applications Account (application money on 50,000 shares at Rs.25)	12,50,000	By Balance c/d	14,440,000
To	Preference Share Application A/c (application money on 1,00,000 shares at 20)	20,00,000		
To	Equity Share Allotment A/c (allotment money on 50,000 shares at Rs.20)	10,00,000		
To	Preference Share Allotment A/c (allotment money on 1,00,000 shares at Rs.30)	30,00,000		
To	Equity Shares First Call A/c (Rs.30 on 50,000 shares)	15,00,000		
To	Preference Share First Call A/c (Rs.20 on 1,00,000 shares)	20,00,000		
To	Equity Shares Final Call A/c (Rs.25 on 42,000 shares)	10,50,000		
To	Preference Share Final A/c (Rs.30 on 88,000 shares)	26,40,000		
		<u>14,440,000</u>		<u>14,440,000</u>



Journal

		Rs.	Rs.
Equity Share Application A/c	Dr.	12,50,000	
Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			22,50,000
[The Credit to share capital on allotment of 50,000 equity shares at Rs.45 per share(Rs.25 on application and Rs.20 on allotment) allotted as per Directors resolution no.... dated.....]			
Preference Share Application A/c	Dr.	20,00,000	
Preference Share Allotment A/c	Dr.	30,00,000	
To Preference Share Capital A/c			50,00,000
[The credit to Preference Share Capital on allotment of 1,00,000 preference shares at Rs.50 per share (Rs.20 on application and Rs.30 on allotment), allotted as per Directors' resolution no... dated...]			
Equity Share First Call A/c	Dr.	15,00,000	
To Equity Share Capital A/c			15,00,000
(Amount due on 50,000 equity shares at Rs.30 per share as per Directors' resolution no... dated...)			
Preference Share First Call A/c	Dr.	20,00,000	
To Preference Share Capital A/c			20,00,000
(Amount due on 1,00,000 preference shares at `20 per share, as per Directors' resolution no...dated...)			
Equity Share Final Call A/c	Dr.	12,50,000	
To Equity Share Capital A/c			12,50,000
(Amount due on final call on 50,000 equity shares at ` 25 per share, as per Directors' resolution no... dated...)			
Preference Share Final Call A/c	Dr.	30,00,000	
To Preference Share Capital A/c			30,00,000
(Amount due on final call on 1,00,000 preference shares at Rs.30 per share, as per Directors' resolution no... dated...)			

Note: Students may note that cash transactions have not been journalised as these have been entered in the Cash Book.



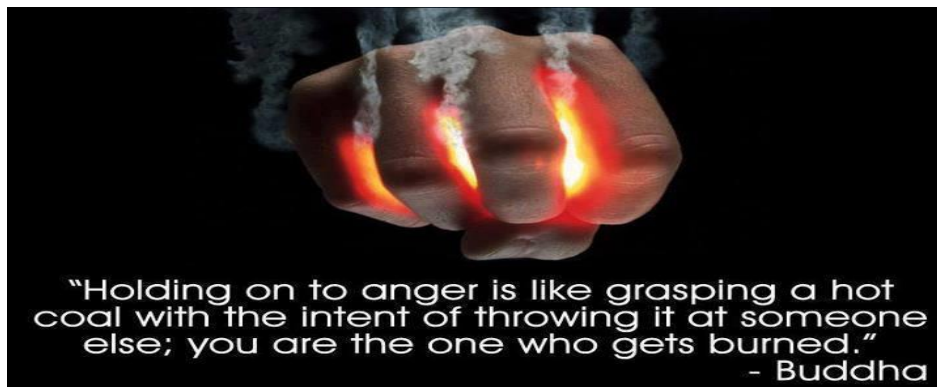
ANSWER TO Q.NO.15:

Balance Sheet as at 31st March, 2017

Particulars	Notes No.	Rs.
<u>EQUITY AND LIABILITIES</u>		
Shareholders' funds		
Share capital	1	5,30,000
Total		<u>5,30,000</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	2	5,30,000
Total		<u>5,30,000</u>

Notes to accounts

		Rs.	Rs.
1.	Share Capital		
	Equity share capital		
	Authorised share capital		
	1,00,000 Equity shares of Rs.10 each	10,00,000	
	Issued share capital		
	60,000 Equity shares of Rs.10 each	6,00,000	
	Subscribed share capital		
	60,000 Equity shares of Rs.10 each	6,00,000	
	Called up and Paid up share capital		
	60,000 Equity shares of Rs.10 each Rs.9 called up	5,40,000	5,30,000
	Less: Calls unpaid on 5,000 shares @ Rs.2 per share	(10,000)	
2.	Cash and cash equivalent		5,30,000
	Balances with banks		



ANSWER TO Q.NO.16:

In the books of Beautiful Co. Ltd.

Date	Particulars	Rs.	Rs.
	Equity Share Capital A/c (1,500 x Rs.10) Dr.	15,000	
	Securities Premium A/c (500 x Rs.2) Dr.	1,000	
	To Equity Share Allotment A/c (500 x Rs.5)		2,500
	To Equity Share Call A/c (1,500 x Rs.4)		6,000
	To Forfeited Shares A/c		7,500
	(Being forfeiture of 1,500 equity shares for non-payment of allotment and call money on 500 shares and for non-payment of call money on 1,000 shares as per Board's Resolution No..... dated)		
	Bank A/c Dr.	10,000	
	Forfeited Shares A/c Dr.	2,500	
	To Equity Share Capital A/c		12,500
	(Being re-issue of 1250 shares @ Rs.8 each as per Board's Resolution No.....dated....)		
	Forfeited Shares A/c Dr.	3,500	
	To Capital Reserve A/c		3,500
	(Being profit on re-issue transferred to Capital Reserve)		

Balance Sheet of Beautiful Limited as at.....

Particulars	Notes No.	Rs.
<u>EQUITY AND LIABILITIES</u>		
Shareholders' funds		
Share capital	1	2,99,000
Reserves and Surplus	2	<u>62,500</u>
Total		<u>3,61,500</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (bank)		<u>3,61,500</u>
Total		<u>3,61,500</u>



Notes to accounts

		Rs.	Rs.
1.	Share Capital		
	Equity share capital		
	Issued share capital		
	30,000 Equity shares of Rs.10 each	<u>3,00,000</u>	
	Subscribed, called up and paid up share capital		
	29,750 Equity shares of Rs.10 each	2,97,500	
	Add: Forfeited shares	1,500	2,99,000
2.	Reserves and Surplus		
	Securities Premium	59,000	
	Capital Reserve	3,500	62,500

Working Note:

(1) Calculation of Amount to be Transferred to Capital Reserve:

Amount forfeited per share of Shyam	Rs. 6
Less: Loss on re-issue per share	(Rs.2)
Surplus	Rs.4
Transferred to Capital Reserve: Shyam's Share (750 x Rs.4)	Rs.3,000
Amount forfeited per share of Ram	Rs. 3
Less: Loss on re-issue per share	(Rs.2)
Surplus	Rs.1
Transferred to Capital Reserve: Ram's Share (500 x Re.1)	Rs.500
Total	Rs.3,500

(2) Balance of Security Premium

Total Premium amount receivable on allotment	= 60,000
Less: Amount reversed on forfeiture	= (1,000)
Balance remaining	= 59,000

ANSWER TO Q.NO.20:

In the Books of B Ltd.
Cash Book (Bank column only)

Particulars	Rs.	Particulars	Rs.
To Equity Share Application A/c	12,00,000	By Equity Share Application A/c (Being excess money refunded)	2,00,000
To Equity Share Allotment A/c	9,92,500		
To Equity Share Final Call A/c	3,97,000	By Balance c/d	23,89,500
	<u>25,89,500</u>		<u>25,89,500</u>

Journal

Date	Particulars	Rs.	Rs.
	Equity Share Application A/c Dr. To Equity Share Capital A/c	10,00,000	10,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c	10,00,000	6,00,000 4,00,000
	Equity Share Capital A/c (150 x Rs.100) Dr. Securities Premium A/c (150 x Rs.20) Dr. To Equity Share Allotment A/c To Equity Share Final Call A/c To Forfeited Shares A/c	15,000 3,000	7,500 3,000 7,500



"because the ones who are crazy enough to think that they can change the world, are the ones who do."

Steve Jobs (1955 - 2011)



ISSUE OF DEBENTURES

ANSWER TO Q.NO.1:

Books of Koinal Chemicals Ltd.

Journal Entries

Particulars		Debit Amount (Rs.In 000)	Credit Amount (Rs. In 000)
Bank A/c To Debenture Application A/c (Debenture application money received)	Dr.	400	400
Debentures Application A/c To 10% Debentures A/c (Debenture application money transferred to 10% debenture account consequent upon allotment)	Dr.	400	400
Debenture allotment A/c To 10% Debentures A/c To Securities Premium A/c (Call made on allotment of debenture including premium)	Dr.	700	600 100
Bank A/c To Debenture Allotment A/c (Money received consequent upon allotment)	Dr.	700	700

ANSWER TO Q.NO.2:

Journal Entries in the books of Kapil Limited

Date	Date		(Rs.)	(Rs.)
2017 March 1	Bank A/c To 12% Debentures Application A/c (Being the money received on 50,000 debentures @ Rs.110 each including premium of Rs. 10 each)	Dr.	55,00,000	55,00,000
March 9	12% Debentures Application A/c To 12% Debentures A/c To Securities Premium A/c (Being the allotment of 50,000 debentures of Rs.100 each, premium @ Rs.10 each transferred to Securities Premium Account as per Board's Resolution No....dated....)	Dr.	55,00,000	50,00,000 5,00,000



ANSWER TO Q.NO.3:

Journal Entries in the Books of Country Crafts Ltd.

Date	Particulars	L.F.	Debit (Rs.'000)	Credit (Rs..'000)
(a)	Bank A/c To Debenture Application A/c (Debenture application money received)	Dr.	10,500	10,500
(b)	Debenture Application A/c Loss on Issue of Debenture A/c To Securities Premium A/c To 8% Debentures A/c To Premium on Redemption A/c (Debenture application money transferred to debenture account)	Dr. Dr.	10,500 1,000	500 10,000 1,000

ANSWER TO Q.NO.4:

Books of Atul Ltd.

Journal Entries

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
	Bank A/c To Debenture Application A/c (Debenture application money received)	Dr.	30,00,00,000	30,00,00,000
	Debenture Application A/c To 8% Debentures A/c (Application money transferred to 8% debentures account consequent upon allotment)	Dr.	30,00,00,000	30,00,00,000
	Debenture allotment A/c Discount on issue of debentures A/c To 8% Debentures A/c (Amount due on allotment)	Dr. Dr.	60,00,00,000 10,00,00,000	70,00,00,000
	Bank A/c To Debenture Allotment A/c (Money received consequent upon allotment)	Dr.	60,00,00,000	60,00,00,000



ANSWER TO Q.NO.5:**In the books of Simmons Limited**

Date	Particulars		Rs. 000	Rs. 000
April 1	Bank A/c To 12% Debentures Application A/c (Being money received on 1,10,000 debentures)	Dr.	11,000	11,000
April 7	12% Debentures Application A/c To Bank A/c (Being money on 10,000 debentures refunded as per Board's Resolution No.....dated...)	Dr.	1,000	1,000
April 7	12% Debentures Application A/c To 12% Debentures A/c (Being the allotment of 10,000 debentures of Rs. 100 each at par as per Board's Resolution No.....dated...)	Dr.	10,000	10,000

ANSWER TO Q.NO.6:**Books of Agrotech Ltd.****Journal Entries**

Date	Particulars	L.F.	Debit (Rs.) Lakhs	Credit (Rs.) Lakhs
	Bank A/c To Debenture Application A/c (Debentures application money received)	Dr.	7,500	7,500
	Debenture Application A/c To 9% Debentures A/c (Application money transferred to 9% deb account)	Dr.	7,500	7,500
	Debenture Allotment A/c Loss on issue of debenture A/c To 9% Debentures A/c To 9% Debentures A/c (Call made consequent upon allotment of debentures issued at discount and redeemable at premium)	Dr. Dr.	6,600 1,650	7,500 7,50
	Bank A/c To Debenture Allotment A/c (Allotment amount received)	Dr.	6,600	6,600

Working Notes :

Loss on issue of debentures =

(Amount of discount on issue + Premium payable on redemption) x No. of Debentures

= (6% of Rs.100 + 5% of Rs.100) x 150 lakh = (Rs.6 + Rs.5) x 150 lakh = Rs.1,650 lakh



ANSWER TO Q.NO.7:

In the books of X Limited

Date 2017	Particulars		Rs. '00	Rs. '00
May 31	Bank A/c To 12% Debentures Application A/c	Dr.	10,800	10,800
June 9	12% Debentures Application A/c To Bank A/c	Dr.	1,800	1,800
June 9	12% Debentures Application A/c Discount on Issue of Debentures A/c To 12% Debentures A/c	Dr. Dr.	9,000 1,000	10,000

Bank Account

Date	Particulars	Rs.	Date	Particulars	Rs.
31.5.17	To 12% Debentures Application A/c	10,800	9.6.2017	By 12% Debentures Application A/c	1,800
			9.6.2017	By Balance c/d	9,000
		10,800			10,800

12% Debentures Account

Date	Particulars	Rs.	Date	Particulars	Rs.
30.6.17	To Balance c/d	10,000	9.6.2017	By 12% Debentures Application A/c	9,000
			9.6.2017	By Discount on Issue of Debentures A/c	1,000
		10,000			10,000

12% Debentures Application Account

Date	Particulars	Rs.	Date	Particulars	Rs.
9.6.2017	To Bank A/c	1,800	31.5.2017	By Bank A/c	10,800
9.6.2017	To 12% Debentures A/c	9,000			
		10,800			10,800

Discount on Issue of Debentures Account

Date	Particulars	Rs.	Date	Particulars	Rs.
9.6.2017	To 12% Debentures A/c	1,000	30.6.2017	By Balance c/d	1,000
		1,000			1,000



ANSWER TO Q.NO.8:

Method 1:

No journal entry in the books of accounts; only disclosure in notes to accounts as follows:

Notes to Accounts of X Limited as at...(includes)

Long Term Borrowings	Rs.
Secured Loan	
IDBI Loan	1,00,00,000

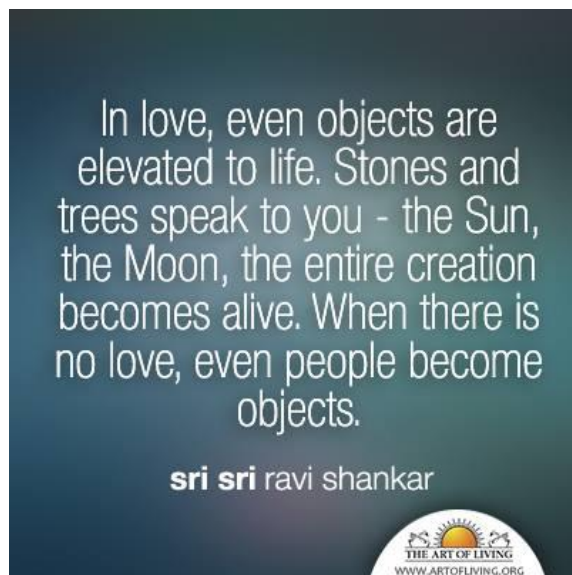
(Collaterally secured by issue of Rs.1,50,00,000 14% First Mortgage Debentures)

Method 2:

Following journal entry shall be made:

Debentures Suspense Account	1,50,00,000
To % Debentures Account	1,50,00,000
(Being the issue of...debentures collaterally as per Board's Resolution No.....dated)	

The Debentures Suspense Account will appear on the assets side of the Balance Sheet under Other Non- Current Assets and Debentures on the liabilities side of the Balance Sheet. When the loan is repaid, the entry is reversed in order to cancel it.



ANSWER TO Q.NO.9:

In the books of X Company Ltd.

Date	Particulars		Rs.	Rs.
(a)	Bank A/c To Debentures Application A/c	Dr.	22,50,000	22,50,000
	Debentures Application A/c Discount on issue of Debentures A/c To 14% Debentures A/c	Dr. Dr.	22,50,000 2,50,000	22,50,000
(b)	Fixed Assets A/c To Vendor A/c (Being the purchase of fixed assets from vendor)	Dr.	10,00,000	10,00,000
	Vendor A/c Discount on Issue of Debentures A/c To 14% Debentures A/c (Being the issue of debentures of Rs. 12,50,000 to vendor to satisfy his claim)	Dr. Dr.	10,00,000 2,50,000	12,50,000
(c)	Bank A/c To Bank Loan A/c (See Note) (Being a loan of Rs.10,00,000 taken from bank by issuing debentures of Rs.12,50,000 as collateral security)	Dr.	10,00,000	10,00,000

Note : No entry is made in the books of account of the company at the time of making issue of such debentures. In the Balance Sheet the fact that the debentures being issued as collateral security and outstanding are shown under the respective liability.

ANSWER TO Q.NO.10:

Total amount of discount comes to Rs.6,00,000 (Rs.6 X 1,00,000). The amount of discount to be written-off in each year is calculated as under :

Year end	Debentures outstanding	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	Rs.1,00,00,000	1/5	1/5th of Rs.6,00,000 = Rs.1,20,000
2nd	Rs.1,00,00,000	1/5	1/5th of Rs.6,00,000 = Rs.1,20,000
3rd	Rs.1,00,00,000	1/5	1/5th of Rs.6,00,000 = Rs.1,20,000
4th	Rs.1,00,00,000	1/5	1/5th of Rs.6,00,000 = Rs.1,20,000
5th	Rs.1,00,00,000	1/5	1/5th of Rs.6,00,000 = Rs.1,20,000



ANSWER TO Q.NO.11:

Calculation of amount of discount to be written-off

At the Year end	Debentures Outstanding before redemption	Ratio of Benefit Derived	Amount of discount to be written-off
2010	Rs.20,00,000	5	5/15th of Rs.1,20,000 = Rs.40,000
2011	Rs.16,00,000	4	4/15th of Rs.1,20,000 = Rs.32,000
2012	Rs.12,00,000	3	3/15th of Rs.1,20,000 = Rs.24,000
2013	Rs.8,00,000	2	2/15th of Rs.1,20,000 = Rs.16,000
2014	Rs.4,00,000	1	1/15th of Rs.1,20,000 = Rs.8,000
	TOTAL	15	Rs.1,20,000

“Strong minds discuss ideas,
average minds discuss events, weak
minds discuss people.”

Socrates



ANSWER TO Q.NO.12**CORRECTION IN QUESTION: A COMPANY ISSUED 12% DEBENTURES OF THE FACE VALUE OF RS.10,00,000****Journal Entries**

Date	Particulars		(Rs.)	(Rs.)
1-1-2017	Bank A/c Discount/Loss on Issue of Debentures A/c To 12% Debentures A/c To Premium on Redemption of Debentures A/c (For issue of debentures at discount redeemable at premium)	Dr. Dr. Dr.	9,00,000 1,50,000	10,00,000 50,000
30-6-2017	Debenture Interest A/c To Debenture holders A/c To Tax Deducted at Source A/c (For interest payable)	Dr.	60,000	54,000 6,000
	Debenture holders A/c Tax Deducted at Source A/c To Bank A/c (For payment of interest and TDS)	Dr. Dr.	54,000 6,000	60,000
31-12-2017	Debenture Interest A/c To Debenture holders A/c To Tax Deducted at Source A/c (For interest payable)	Dr.	60,000	54,000 6,000
	Debenture holders A/c Tax Deducted at Source A/c To Bank A/c (For payment of interest and tax)	Dr. Dr.	54,000 6,000	60,000
	Profit and Loss A/c To Debenture Interest A/c (For transfer of debenture interest to profit and loss account at the end of the year)	Dr.	1,20,000	1,20,000
	Profit and Loss A/c To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., 1,50,000 x 1/5)	Dr.	30,000	30,000

