

1. Details of Module and its structure

Module Detail	
Subject Name	Accountancy
Course Name	Accountancy 04 (Class XII, Semester – 2)
Module Name/Title	Issue of Debentures – Keeping in View the Terms of Redemption – Part 2
Module Id	leac_20202
Pre-requisites	Knowledge about Issue of Shares; Basics of Issue of Debentures
Objectives	<p>After going through this lesson, learners will be able to understand the following:</p> <ol style="list-style-type: none">1. Meaning of Redemption of Debentures2. Various terms of Issue & Redemption of Debentures3. Journal Entries to Record Issue of Debentures under various combinations of terms of Issue & Redemption.4. Accounting Treatment of Money Received on Extra Applications in case of Over-Subscription.
Keywords	Terms of Issue and Redemption of Debentures, Par Par, Premium Par, Discount Par, Par Premium, Discount Premium, Premium Premium

2. Development Team

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1. Meaning of Redemption of Debentures

Redemption of debentures means ‘**Repayment to Debenture holders**’ or discharge of liability on account of debentures.

2. Terms of Issue of Debentures & Redemption of Debentures

At the time of issues debentures, along with issue conditions, a company is also required to mentions the terms on which these will be redeemed/repaid on maturity.

Note: In this module we’ll be dealing only with ‘Issue of Debentures’, but to comply with the Accounting Principles we also need to consider the terms/conditions of Redemption of Debentures.

TERMS OF ISSUE OF DEBENTURES		
DEBENTURES CAN BE ISSUED AT:		
PAR		
	PREMIUM	
		DISCOUNT

TERMS OF REDEMPTION OF DEBENTURES	
DEBENTURES CAN BE REDEEMED AT:	
PAR	
	PREMIUM

⇒ Based upon the 'Terms of Issue and Redemption', following common cases of Issue of Debentures can be seen in practice:

Case (i)	• Issue at PAR & Redeemable at PAR
Case (ii)	• Issue at PREMIUM & Redeemable at PAR
Case (iii)	• Issue at DISCOUNT & Redeemable at PAR
Case (iv)	• Issue at PAR & Redeemable at PREMIUM
Case (v)	• Issue at DISCOUNT & Redeemable at PREMIUM
Case (vi)	• Issue at PREMIUM & Redeemable at PREMIUM

3. Issue of Debentures Keeping in view the Terms of Issue & Redemption

When Full Amount of Debentures is Called & Received in a SINGLE INSTALMENT

SAMPLE JOURNAL ENTRIES IN DIFFERENT CASES:

Case (i)	Issue at 'PAR' & Redeemable at 'PAR'			
JOURNAL				
DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	<div>Bank A/cDr.</div> <div>To Debenture Application & Allotment A/c</div> <div>(Receipt of application money forDebentures @ ₹....)</div> <hr/> <div>Debenture Application & Allotment A/cDr.</div> <div>To % Debentures A/c</div> <div>(Allotment of% Debentures of ₹)</div>			

Case (ii)	Issue at 'PREMIUM' & Redeemable at 'PAR'
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JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money forDebentures @ ₹....) <hr/> Debenture Application & Allotment A/c Dr. To % Debentures A/c To Securities Premium Reserve A/c (Allotment of debentures at premium.) <i># When Debentures are issued at Premium, 'Securities Premium Reserve A/c' is credited, in the 2nd Journal Entry, with the amount of premium received.</i>			

Case (iii)	Issue at 'DISCOUNT' & Redeemable at 'PAR'
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JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money forDebentures @ ₹....) <hr/> Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To % Debentures A/c (Allotment of debentures at discount.) <i># When Debentures are issued at Discount, 'Discount on Issue of Debentures A/c' is debited, in the 2nd Journal Entry, with the amount of discount allowed.</i>			

Case (iv)	Issue at 'PAR' & Redeemable at 'PREMIUM'
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JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	<p>Bank A/c Dr.</p> <p>To Debenture Application & Allotment A/c</p> <p>(Receipt of application money forDebentures @ ₹....)</p> <hr/> <p>Debenture Application & Allotment A/c Dr.</p> <p>Loss on Issue of Debentures A/c Dr.</p> <p>To % Debentures A/c</p> <p>To Premium on Redemption A/c</p> <p>(Allotment of debentures at par, repayable at premium.)</p> <p><i>#1 - Premium on Redemption of debentures is a liability to be met on redemption</i></p> <p><i>so, it will be credited in the 2nd Journal Entry.</i></p> <p><i>#2 – To Balance the entry, an amount equal to 'Premium on Redemption'</i></p> <p><i>is debited to a newly opened account 'Loss on Issue of Debentures'.</i></p>			

Case (v)	Issue at 'DISCOUNT' & Redeemable at 'PREMIUM'
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JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	<p>Bank A/c Dr.</p> <p>To Debenture Application & Allotment A/c</p> <p>(Receipt of application money forDebentures @ ₹....)</p> <hr/> <p>Debenture Application & Allotment A/c Dr.</p> <p>Discount on Issue of Debentures A/c Dr.</p> <p>Loss on Issue of Debentures A/c Dr.</p> <p>To % Debentures A/c</p> <p>To Premium on Redemption A/c</p> <p>(Allotment of debentures at discount & repayable at</p>			

premium.)		
<i>* Amount of 'Loss on Issue' is exactly equal to 'Premium on Redemption'.</i>		

Case (vi)	Issue at 'PREMIUM' & Redeemable at 'PREMIUM'
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JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money forDebentures @ ₹....) <hr/> Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To % Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption A/c (Allotment of debentures at Premium, repayable at Premium.) <i>* Amount of 'Loss on Issue' is exactly equal to 'Premium on Redemption'.</i>			

Notes:

- 1) **Premium on redemption** is a liability of a company payable in future. It's provision is shown Under the:

Head	'Non-current Liabilities'	Sub Head	'Long-Term Provisions'
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(* Until the year of redemption of these debentures arrives.)

- 2) **'Discount on Issue of Debentures'** and **'Loss on Issue of Debentures'** are capital loss and as per the latest provisions:

Above mentioned 'Discount & Loss' have to be **'Written Off'** in the year of Issue of Debentures only,

Out of the
Balance of Securities Premium Reserve Account
 & or by debiting to
Statement of Profit & Loss*

(*if Securities Premium Reserve doesn't exist or it is insufficient.)

3) When debentures are issued at discount & redeemable at premium, instead of showing 'Discount on Issue & Loss on Issue' separately, both can be combined and shown under the common account viz. 'Loss on Issue of Debentures'.

Illustration 1. [Full Subscription]

Indian Oil Corporation Ltd. issued 1,000, 9%# Debentures of nominal value ₹100 each.

Pass journal entries in the following cases:

i.	If 9%# Debentures are issued <u>for/at ₹100</u> each (at par)	Redeemable at <u>₹100 each</u> (at par).
ii.	If 9%# Debentures are issued at <u>₹150</u> each (at 50% premium)	Redeemable at <u>₹100 each</u> (at par).
iii.	If 9%# Debentures are issued at <u>₹90</u> each (at 10% discount)	Redeemable at <u>₹100 each</u> (at par).
iv.	If 9%# Debentures are issued at <u>₹100</u> each (at par)	Redeemable at <u>₹120 each</u> (at 20% premium).
v.	If 9%# Debentures are issued at <u>₹90</u> each (at 10% Discount)	Redeemable at <u>₹120 each</u> (at 20% premium).
vi.	If 9%# Debentures are issued at <u>₹150</u> each (at 50% Premium)	Redeemable at <u>₹120 each</u> (at 20% premium).

Solution : Case i. If 1,000 9%# Debentures are issued for ₹100 each & redeemable at par.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received for 1,000 debentures @ ₹100.)		1,00,000	1,00,000
	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c (Allotted 1,000 9% Debentures of ₹ 100 at par redeemable at par.)		1,00,000	1,00,000

Case ii. If 1,000 9%[#] Debentures are issued at 50% premium each & redeemable at par.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received for 1,000 debentures @ ₹150)		1,50,000	1,50,000
	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Allotted 1,000 9% Debentures of ₹ 100 at a premium of 50%.)		1,50,000	1,00,000 50,000

Case iii. If 1,000 9%[#] Debentures are issued at ₹90 each & redeemable at par.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received for 1,000 debentures @ ₹90)		90,000	90,000
	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Allotted 1,000 9% Debentures of ₹ 100 at a discount of 10% redeemable at par.)		90,000 10,000	1,00,000

Hint: Coupon Rate 9% is used to compute Interest Payable to Debentureholders. It is disclosed as a prefix

of debentures but never used in any sort of calculation at the time of issue/redemption.

Case iv. If 1,000 9%[#] Debentures are issued at ₹100 each & redeemable at ₹120 each i.e. at premium.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received for 1,000 debentures @ ₹100.)		1,00,000	1,00,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr.		1,00,000 20,000	
	To 9% Debentures A/c To Premium on Redemption A/c (Liability) (Allotted 1,000 9% Debentures of ₹ 100 at par, repayable at 20 % premium.)			1,00,000 20,000

Case v. If 1,000 9%[#] Debentures are issued at ₹ 90 each & redeemable at ₹120 each i.e. at premium.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received for 1,000 debentures @ ₹90.)		90,000	90,000
	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. Loss on Issue of Debentures A/c Dr.		90,000 10,000 20,000	
	To 9% Debentures A/c To Premium on Redemption A/c (Allotted 1,000 9% Debentures of ₹ 100 at a discount of 10% and redeemable at 20% premium.)			1,00,000 20,000

OR / Alternatively			
Debenture Application & Allotment A/c	Dr.	90,000	
Loss on Issue of Debentures A/c	Dr.	30,000	
To 9% Debentures A/c			1,00,000
To Premium on Redemption A/c			20,000
(Allotted 1,000 9% Debentures of ₹ 100 at a discount of 10% and redeemable at 20% premium.)			

Case vi. If 1,000 9%[#] Debentures are issued at ₹ 150 each & redeemable at ₹120 each.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received for 1,000 debentures @ ₹150.)		1,50,000	1,50,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption A/c (Allotted 1,000 9% Debentures of ₹ 100 at a premium of 50% and redeemable at a premium of 20%.)		1,50,000 20,000	1,00,000 50,000 20,000

Illustration 2. [Over-Subscription] Sumbhav Ltd. invited application for 40,000, 8% Debentures of ₹50 each but it (company) received applications for 50,000 Debentures.

Pass Journal Entries in following situations:

i.	If debentures are issued at par and redeemable at par.
ii.	If debentures are issued at 30% premium and redeemable at par.
iii.	If debentures are issued at 4% discount and redeemable at par.
iv.	If debentures are issued at par and redeemable at 10% premium.
v.	If debentures are issued at 4% discount and redeemable at 10% premium.

vi.	If debentures are issued at 30% premium and redeemable at 10% premium .
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* Application Money for extra 10,000 debentures will be refunded because full amount is received with application.

Solution: (i) If debentures are **issued at par** and **redeemable at par**.

Books of Sumbhav Ltd.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c (50,000 x 65) Dr. To Debenture Application & Allotment A/c (Application money received for 50,000 debentures @ ₹50.)		25,00,000	25,00,000
	Debenture Application & Allotment A/c Dr. To 8% Debentures A/c (40,000 x 50) To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹50.) (40,000 Debentures allotted & money on extra applications for 10,000 debentures refunded @ ₹50.)		25,00,000	20,00,000 5,00,000

(ii) If debentures are **issued at 30% premium** and **redeemable at par**. (Face Value - ₹50)

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c (50,000 x 65) Dr. To Debenture Application & Allotment A/c (Application money received for 50,000 debentures @ ₹65.)		32,50,000	32,50,000
	Debenture Application & Allotment A/c Dr. To 8% Debentures A/c (40,000 x 50) To Securities Premium Reserve A/c (40,000 x 15) To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹65)		32,50,000	20,00,000 6,00,000 6,50,000

	(40,000 8% Debentures allotted at 30% premium and money on extra applications for 10,000 debentures is refunded @₹65.) # Premium on Issue is 30% of FV i.e. 30% of ₹50 = ₹ 15.		
		65,00,000	65,00,000

(iii) If debentures are **issued at 4% discount** and **redeemable at par**. (Face Value - ₹50)

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c (50,000 x 48) Dr. To Debenture Application & Allotment A/c (Application money received for 50,000 debentures @ ₹48.)		24,00,000	24,00,000
	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c (40,000 x 2) Dr. To 8% Debentures A/c (40,000 x 50) To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹48) (40,000 8% Debentures allotted at a discount of 4% and money on extra applications for 10,000 debentures is refunded @₹48.)		24,00,000 80,000	20,00,000 4,80,000
	# Discount on Issue is 4% of FV i.e. 4% of ₹ 50 = ₹ 4.		48,80,000	48,80,000

(iv) If debentures are **issued at par** and **redeemable at 10% premium**. (Face Value - ₹50)

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c (50,000 x 10) Dr. To Debenture Application & Allotment A/c (Application money received for 50,000 debentures @ ₹50.)		25,00,000	25,00,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c (40,000 x 50)		25,00,000 2,00,000	20,00,000 2,00,000 5,00,000

<p>To Premium on Redemption of Debentures</p> <p>A/c(40,000 x 5)</p> <p>To Bank A/c (<i>Refund on Rejected App for 10,000 Deb. @ ₹50</i>)</p> <p>(40,000 Debentures allotted at par, redeemable at 10% premium and money on extra applications for 10,000 debentures refunded @₹50.)</p> <p># Premium on Redemption is 10% of FV ₹ 50 = ₹ 5.</p>		
	52,00,000	52,00,000

(v) If debentures are **issued at 4% Discount** and **redeemable at 10% premium**. (Face Value - ₹50)

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c (50,000 x 48) Dr. To Debenture Application & Allotment A/c (Application money received for 50,000 debentures @ ₹48.)		24,00,000	24,00,000
	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c (40,000 x 2) Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c (40,000 x 50) To Premium on Redemption of Debentures A/c(40,000 x 5) To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹48)		24,00,000 80,000 2,00,000	20,00,000 2,00,000 4,80,000
	(40,000 Debentures allotted at 4% discount, redeemable at 10% premium and money on extra applications for 10,000 debentures refunded @ ₹48.) # Discount on Issue is 4% of FV i.e. 4% of ₹ 50 = ₹ 4. # Premium on Redemption is 10% of FV ₹ 50 = ₹ 5.			
			50,80,000	50,80,000

(vi) If debentures are **issued at 30% Premium & redeemable at 10% premium. (Face Value - ₹50)**

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	Bank A/c (50,000 x 48) Dr. To Debenture Application & Allotment A/c (Application money received for 50,000 debentures @ ₹65.)		32,50,000	32,50,000
	Debenture Application & Allotment A/c Dr.		32,50,000	
	Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c (40,000 x 50)		2,00,000	20,00,000
	To Securities Premium Reserve A/c (40,000 x 15)			6,00,000
	To Premium on Redemption of Debentures A/c(40,000 x 5)			2,00,000
	To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹65)			6,50,000
	(40,000 Debentures allotted at 30% premium, redeemable at 10% premium and money on extra applications for 10,000 debentures refunded @ ₹65.)			
	# Premium on Issue is 30% of FV i.e. 30% of ₹ 50 = ₹ 15. # Premium on Redemption is 10% of FV ₹ 50 = ₹ 5.		50,80,000	50,80,000

4. Issue of Debentures Keeping in view the terms of Issue & Redemption

When Amount of Debentures is Called & Received in TWO INSTALMENTS

Illustration 3 – XYZ Ltd. issued 2,000, 7% Debentures of ₹500 receivable ₹200 with Application & balance at the time of allotment. Pass journal entries in the following situations:

- i. If debentures are issued at 20% Premium and redeemable at Par.
- ii. If debentures are issued at 6% Discount and redeemable at Par.
- iii. If debentures are issued at Par and redeemable at 10% Premium.
- iv. If debentures are issued at 6% Discount and redeemable at 10% Premium.
- v. If debentures are issued at 20% Premium and redeemable at 10% Premium.

Hint: Discount, Premium on Issue & Premium on Redemption is adjusted at the time of allotment

(unless contrary to it is mentioned for Premium on Issue)

Solution:

Case i. If 2,000 7% Debentures are issued at ₹ 600 each & redeemable at ₹500 each. (Face Value = ₹500)

[Premium on Issue = 20% 500 i.e. ₹100]

Books of XYZ Ltd.

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	(1) On receipt of application money Bank A/c (2,000 x 200) Dr. To Debenture Application A/c (Receipt of application money for 2,000 debentures @ ₹200)		4,00,000	4,00,000
	(2) For transfer of application money to Debentures A/c Debenture Application A/c Dr. To 7% Debentures A/c (2,000 x 200) (Application money transferred to Debentures Account)		4,00,000	4,00,000
	(3) For allotment money due Debenture Allotment A/c Dr. To Debentures A/c (2,000 x 300) To Securities Premium Reserve A/c (2,000 x 100) (Being allotment money due on 2,000 debentures issued at 20% premium and redeemable at par.) # Premium on Issue = 20% of 500 = 100.		8,00,000	6,00,000 2,00,000
	(4) On receipt of allotment money Bank A/c Dr. To 7% Debenture Allotment A/c (Being allotment money received.)		8,00,000	8,00,000
			24,00,000	24,00,000

Note: Debenture Application A/c and Debenture A/c are Personal Account in nature.

Case ii. If 2,000 7% Debentures are issued at ₹ 470 each & redeemable at ₹500 each. (Face Value = ₹500)

[Discount on Issue = 6% FV 500 i.e. ₹ 30]

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	(1) On receipt of application money			
	Bank A/c (2,000 x 200) Dr.		4,00,000	
	To Debenture Application A/c			4,00,000
	(Receipt of application money)			
	(2) For adjustment of applications money on allotment			
	Debenture Application A/c Dr.		4,00,000	
	To 7% Debentures A/c (2,000 x 200)			4,00,000
	(Application money transferred to Debentures Account)			
	(3) For allotment money due			
	Debenture Allotment A/c Dr.		5,40,000	
	Discount on Issue of Debentures A/c (2,000 x 30) Dr.		60,000	
	To Debentures A/c (2,000 x 300)			6,00,000
	(Being allotment money due on 2,000 debentures @ ₹270.)			
	# $300 - 6\% \text{ of FV } 500 = 300 - 30 \text{ or } ₹270$			
	(4) On receipt of allotment money			
	Bank A/c Dr.		5,40,000	
	To 7% Debenture Allotment A/c			5,40,000
	(Being allotment money received.)			
			19,40,000	19,40,000

Case iii. If 2,000 7% Debentures are issued at ₹ 500 each & redeemable at ₹550. (Face Value = ₹500)

[Premium on Redemption = 10% FV 500 i.e. ₹ 50]

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	(1) On receipt of application money			

Bank A/c (2,000 x 200)	Dr.	4,00,000	
To Debenture Application A/c			4,00,000
(Receipt of application money)			
(2) For adjustment of applications money on allotment			
Debenture Application A/c	Dr.	4,00,000	
To 7% Debentures A/c (2,000 x 200)			4,00,000
(Application money transferred to Debentures Account)			
(3) For allotment money due			
Debenture Allotment A/c	Dr.	6,00,000	
Loss on Issue of Debentures A/c	Dr.	1,00,000	
To Debentures A/c (2,000 x 300)			6,00,000
To Premium on Redemption of Deb. A/c (2,000 x 50)			1,00,000
(Being allotment money due on 2,000 debentures issued at par and redeemable at 10% premium.)			
(4) On receipt of allotment money			
Bank A/c	Dr.	6,00,000	
To 7% Debenture Allotment A/c			6,00,000
(Being allotment money received.)			

Case iv. If 2,000 7% Debentures are issued at ₹ 470 each & redeemable at ₹550. (Face Value = ₹500)

[Discount on Issue = 6% of FV 500 i.e. ₹30; Premium on Redemption = 10% FV 500 i.e. ₹ 50]

JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	(1) On receipt of application money			
	Bank A/c (2,000 x 200) Dr.		4,00,000	
	To Debenture Application A/c			4,00,000
	(Receipt of application money)			
	(2) For adjustment of applications money on allotment			
	Debenture Application A/c Dr.		4,00,000	
	To 7% Debentures A/c (2,000 x 200)			4,00,000

(Application money transferred to Debentures Account)			
(3) For allotment money due			
Debenture Allotment A/c	Dr.	5,40,000	
Discount on Issue of Debentures A/c (2,000 x 30)	Dr.	60,000	
Loss on Issue of Debentures A/c	Dr.	1,00,000	
	To Debentures A/c (2,000 x 300)		6,00,000
	To Premium on Redemption of Deb. A/c (2,000 x 50)		1,00,000
(Being allotment money due on 2,000 debentures issued at 4% discount and redeemable at 10% premium.)			
(4) On receipt of allotment money			
Bank A/c	Dr.	5,40,000	
	To 7% Debenture Allotment A/c		5,40,000
(Being allotment money received.)			

Case v. If 2,000 7% Debentures are issued at ₹ 600 each & redeemable at ₹550. (Face Value = ₹500)

[Premium on Issue = 20% of FV 500 i.e.100; Premium on Redemption = 10% FV 500 i.e. 50]

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DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	(1) On receipt of application money			
	Bank A/c (2,000 x 200) Dr.		4,00,000	
	To Debenture Application A/c			4,00,000
	(Receipt of application money)			
	(2) For adjustment of applications money on allotment			
	Debenture Application A/c Dr.		4,00,000	
	To 7% Debentures A/c (2,000 x 200)			4,00,000
	(Application money transferred to Debentures Account)			
	(3) For allotment money due			
	Debenture Allotment A/c Dr.		7,00,000	
	Loss on Issue of Debentures A/c Dr.		1,00,000	
	To Debentures A/c (2,000 x 300)			6,00,000
				2,00,000

	To Securities Premium Reserve A/c (2,000 x 100) To Premium on Redemption of Deb. A/c (2,000 x 50) (Being allotment money due on 2,000 debentures issued at 20% premium and redeemable at 10% premium.)		7,00,000	1,00,000
	(4) On receipt of allotment money Bank A/c Dr. To 7% Debenture Allotment A/c (Being allotment money received.)			7,00,000

Note:

Account	Nature
Debenture Application A/c	Personal Account
Debentures A/c	Personal Account
Bank A/c	Personal Account
* Premium received on issue of debentures can be used to write off <ul style="list-style-type: none"> - Preliminary expenses - Discount on issue of debentures - Write off loss on issue of debentures 	