

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 for Consideration Other Than Cash – Part 3
Module Id	leac_20203
Pre-requisites	Knowledge about Recording of Purchase of Assets, Issue of Debentures under different terms of redemption.
Objectives	After going through this lesson, learners will be able to understand the following: <ol style="list-style-type: none">1. How to record debentures issued for purchase of assets?2. How to record debentures issued for purchase of business?3. How to record debentures issued to Promoters?4. How to record debentures issued to Underwriters.
Keywords	Purchase Consideration, Debentures for Assets, Issue of Debentures for Consideration other than Cash, Debentures Issued to Promoters, Debentures issued to Underwriters

2. Development Team

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Course Coordinator (CC) / PI	Prof. Shipra Vaidya	DESS, NCERT New Delhi
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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’
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JOURNAL

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Bank A/c</p> <p>To Debenture Application & Allotment A/c (Receipt of application money forDebentures @ ₹....)</p> </div> <div style="width: 45%; text-align: right;"> <p>Dr.</p> </div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Debenture Application & Allotment A/c</p> <p>To % Debentures A/c (Allotment of% Debentures of ₹)</p> </div> <div style="width: 45%; text-align: right;"> <p>Dr.</p> </div> </div>			

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

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

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

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	<p style="text-align: center;">Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money forDebentures @ ₹....)</p> <hr/> <p style="text-align: center;">Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To % Debentures A/c (Allotment of debentures at discount.)</p> <p># 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.</p>			

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

DATE	PARTICULARS	LF	DR. Amt. in ₹	CR. Amt. in ₹
	<p style="text-align: center;">Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money forDebentures @ ₹....)</p> <hr/> <p style="text-align: center;">Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To % Debentures A/c To Premium on Redemption A/c (Allotment of debentures at par, repayable at premium.)</p>			

#1 - Premium on Redemption of debentures is a liability to be met on redemption
so, it will be credited in the 2nd Journal Entry.
#2 – To Balance the entry, an amount equal to 'Premium on Redemption'
is debited to a newly opened account 'Loss on Issue of Debentures'.

Case (v)	Issue at 'DISCOUNT' & 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 @ ₹....)			
	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. Loss on Issue of Debentures A/c Dr. To % Debentures A/c To Premium on Redemption A/c (Allotment of debentures at discount & repayable at 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 @ ₹....)			
	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 for/at ₹100 each (at par)	Redeemable at ₹100 each (at par).
ii.	If 9%# Debentures are issued at ₹150 each (at 50% premium)	Redeemable at ₹100 each (at par).
iii.	If 9%# Debentures are issued at ₹90 each (at 10% discount)	Redeemable at ₹100 each (at par).
iv.	If 9%# Debentures are issued at ₹100 each (at par)	Redeemable at ₹120 each (at 20% premium).
v.	If 9%# Debentures are issued at ₹90 each (at 10% Discount)	Redeemable at ₹120 each (at 20% premium).
vi.	If 9%# Debentures are issued at ₹150 each (at 50% Premium)	Redeemable at ₹120 each (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 ₹
	<div style="display: flex; justify-content: space-between;"> Bank A/c Dr. </div> <div style="margin-left: 40px;">To Debenture Application & Allotment A/c</div> <div style="margin-left: 20px;">(Application money received for 1,000 debentures @ ₹100.)</div> <hr style="border: 0.5px solid black;"/> <div style="display: flex; justify-content: space-between;"> Debenture Application & Allotment A/c Dr. </div> <div style="margin-left: 40px;">To 9% Debentures A/c</div> <div style="margin-left: 20px;">(Allotted 1,000 9% Debentures of ₹ 100 at par redeemable at par.)</div>		1,00,000	1,00,000
			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 ₹
	<div style="display: flex; justify-content: space-between;"> Bank A/c Dr. </div> <div style="margin-left: 40px;">To Debenture Application & Allotment A/c</div> <div style="margin-left: 20px;">(Application money received for 1,000 debentures @ ₹150)</div> <hr style="border: 0.5px solid black;"/> <div style="display: flex; justify-content: space-between;"> Debenture Application & Allotment A/c Dr. </div> <div style="margin-left: 40px;">To 9% Debentures A/c</div> <div style="margin-left: 40px;">To Securities Premium Reserve A/c</div> <div style="margin-left: 20px;">(Allotted 1,000 9% Debentures of ₹ 100 at a premium of 50%.)</div>		1,50,000	1,50,000
			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 ₹
	<div style="display: flex; justify-content: space-between;"> Bank A/c Dr. </div> <div style="margin-left: 40px;">To Debenture Application & Allotment A/c</div> <div style="margin-left: 20px;">(Application money received for 1,000 debentures @ ₹90)</div> <hr style="border: 0.5px solid black;"/> <div style="display: flex; justify-content: space-between;"> Debenture Application & Allotment A/c Dr. </div> <div style="margin-left: 40px;">Discount on Issue of Debentures A/c</div> <div style="margin-left: 40px;">Dr.</div> <div style="margin-left: 40px;">To 9% Debentures A/c</div> <div style="margin-left: 20px;">(Allotted 1,000 9% Debentures of ₹ 100 at a discount of 10% redeemable at par.)</div>		90,000	90,000
			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. 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	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. 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.)		90,000 10,000 20,000	1,00,000 20,000
	OR / Alternatively			
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. 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.)		90,000 30,000	1,00,000 20,000

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 .

* 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) (40,000 8% Debentures allotted at 30% premium and money on extra applications for 10,000 debentures is refunded @ ₹65.)		32,50,000	20,00,000 6,00,000 6,50,000
	# 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) To Premium on Redemption of Debentures A/c(40,000 x 5)		25,00,000 2,00,000	20,00,000 2,00,000 5,00,000

To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹50)		
(40,000 Debentures allotted at par, redeemable at 10% premium and money on extra applications for 10,000 debentures refunded @₹50.)		
# Premium on Redemption is 10% of FV ₹ 50 = ₹ 5.	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.		24,00,000 80,000 2,00,000	
	To 8% Debentures A/c (40,000 x 50) To Premium on Redemption of Debentures A/c(40,000 x 5)			20,00,000 2,00,000 4,80,000
	To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹48)			
	(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. Loss on Issue of Debentures A/c Dr.		32,50,000 2,00,000	
	To 8% Debentures A/c (40,000 x 50) To Securities Premium Reserve A/c (40,000 x 15) To Premium on Redemption of Debentures A/c(40,000 x 5)			20,00,000 6,00,000 2,00,000 6,50,000

<p style="text-align: center;">To Bank A/c (Refund on Rejected App for 10,000 Deb. @ ₹65)</p> <p>(40,000 Debentures allotted at 30% premium, redeemable at 10% premium and money on extra applications for 10,000 debentures refunded @₹65.)</p> <p># Premium on Issue is 30% of FV i.e. 30% of ₹ 50 = ₹ 15. # Premium on Redemption is 10% of FV ₹ 50 = ₹ 5.</p>		
	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 ₹
	<p>(1) On receipt of application money</p> <p>Bank A/c (2,000 x 200) Dr.</p> <p style="padding-left: 20px;">To Debenture Application A/c</p> <p>(Receipt of application money for 2,000 debentures @₹200)</p>		4,00,000	4,00,000
	<p>(2) For transfer of application money to Debentures A/c</p> <p>Debenture Application A/c Dr.</p> <p style="padding-left: 20px;">To 7% Debentures A/c (2,000 x 200)</p> <p>(Application money transferred to Debentures Account)</p>		4,00,000	4,00,000
	<p>(3) For allotment money due</p> <p>Debenture Allotment A/c Dr.</p> <p style="padding-left: 20px;">To Debentures A/c (2,000 x 300)</p>		8,00,000	6,00,000

			2,00,000
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.			
(4) On receipt of allotment money			
Bank A/c	Dr.	8,00,000	
To 7% Debenture Allotment A/c (Being allotment money received.)			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 (Receipt of application money)			4,00,000
	(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) (Application money transferred to Debentures Account)			4,00,000
	(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) (Being allotment money due on 2,000 debentures @ ₹270.) # $300 - 6\% \text{ of FV } 500 = 300 - 30 \text{ or } ₹270$			6,00,000
	(4) On receipt of allotment money			
	Bank A/c Dr.		5,40,000	
	To 7% Debenture Allotment A/c (Being allotment money received.)			5,40,000
			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 (Receipt of application money)			4,00,000
(2) For adjustment of applications money on allotment			
Debiture 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			
Debiture 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			
	Debiture 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			
	Debiture 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]

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)		4,00,000	4,00,000
	(2) For adjustment of applications money on allotment 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. Loss on Issue of Debentures A/c Dr. To Debentures A/c (2,000 x 300) 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	6,00,000 2,00,000 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	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	
- Preliminary expenses	
- Discount on issue of debentures	
- Write off loss on issue of debentures	