

**National Institute of Open Schooling (NIOS)**  
**Senior Secondary**  
**Worksheet-30**

**L-30 ISSUE OF DEBENTURES**

1. Write the meaning of debenture As per section 2(12) of Companies Act 1956 and make a chart of classification of debenture.
2. By issuing debentures means issue of a certificate by the company under its seal which is an acknowledgment of debt taken by the company. Issue of Debenture takes various forms. Write all forms with making journal entries of all.
3. ABC Ltd issued 5000 10% Debentures of ₹ 100 each payable as ₹ 40 on application and ₹ 60 on allotment. Applications were received for 6000 debentures. Applicants for 500 debentures were sent letter of regret and money was returned. Allotment was made proportionately to the remaining applicants. Over subscription was applied to the amount due on allotment. Remaining amount was duly received. Make journal entries for the above transactions in the books of the company.
4. A company issued 5000 10% Debentures of ₹ 100 each at a premium of 20% payable as ₹ 60 on application ₹ 60 on allotment (including premium). All the debentures were subscribed for and money was duly received. Make journal entries in company book.
5. When debentures are issued at less than their nominal value they are said to be issued at discount. For example, debenture of ₹ 100 each is issued at ₹ 90 per debenture. Companies Act, 1956 has not laid down any conditions for the issue of debentures at a discount as have been laid down in case of issue of shares at discount. However, there should be provision for issue of such debentures in the Articles of Association of the Company. A company has issued 2000 9% debentures of ₹ 100 each at a discount of 10% payable as
  - 40 on application
  - 50 on allotment
Make necessary journal entries in company book.

6. When a company purchases some assets and issues debentures as a payment for the purchase, to the vendors it is known as issue of debentures for consideration other than cash. Debentures can be issued to vendors at par, at premium and at discount. M.B. Electronics Ltd. purchased machinery for ₹ 1,98,000 and issued 9% debentures of ₹ 100 each to the vendors.

Make journal entries if the debentures were issued

- at par
- at a premium of ₹ 10
- at a discount of ₹ 10

7. write a detailed note on 'issue of debentures as collateral security'.
8. When the debentures are to be redeemed after a fixed period, the amount of discount will be distributed equally within the number of years spread between the issue of debentures and their redemption. A company issues 1000 debentures of ₹1000 each at a discount of 10% redeemed after 5 years. Calculate the amount of discount to be written off each year and prepare discount on issue of debentures account. Make entries for the same.
9. Debentures may also be redeemed in instalments but over a fixed period. In that case the amount of debenture discount will be written off each year in proportion to the amount of debentures outstanding at the end of each year. A company has issued 3000 9% debentures of ₹ 1,000 each at a discount of 10%. If the debentures are to be redeemed in five equal annual instalments, calculate the amount of Discount on Issue of Debentures to be written off each year and prepare Discount on Issue of Debentures A/c.
10. Define the terms given below:
- Debentures
  - Premium of share
  - Redemption of share
  - Allotment of share