BCM SCHOOL

BASANT AVENUE, DUGRI, LUDHIANA

CLASS XII – COMMERCE

ASSIGNMENT

CHAPTER: ACCOUNTING FOR DEBENTURES

MM: 20

1. Globe Ltd. issued 20,000, 9% debentures of ₹100 each at a discount of 5%, redeemable at the end of 5 years at a premium of 6%. What amount will be debited to 'Loss on Issue of Debentures Account'? (1 mark)
(a) ₹1,00,000 (b) ₹1,20,000 (c) ₹2,80,000 (d) ₹2,20,000

2. Kanak Ltd. purchased a building for ₹60,00,000 payable 20% in cash and balance by allotment of 12% debentures of ₹500 each at a premium of 20%. Number of debentures issued will be: (1 mark)
(a) 9,600 (b) 8,000 (c) 12,000 (d) 10,000

3. Debentures represent the: (1 mark)
(a) Long term borrowings of a company (b) Investment of equity shareholders (c) Director's shares (d) Short-term loans

4. Debentures issued as collateral security will be debited to: (1 mark)
(a) Bank Account (b) Debentures Suspense Account (c) Debentures Account (d) Bank Loan Account

5. Issued 20,000, 15% debentures of ₹100 each at a premium of 2%, redeemable at a premium of 5%. In such case, the loss on issue will be debited by: (1 mark)
(a) ₹20,000 (b) ₹80,000 (c) ₹1,00,000 (d) ₹1,20,000

6. Assertion (A): Debentures can be issued at a discount of more than 25% of face value. Reason (R): There are no restrictions on issue of debentures at discount. (1 mark)
(a) Both (A) and (R) are correct and (R) is the correct reason for (A) (b) Both correct but (R) not reason (c) Only (A) is correct (d) Both are wrong

7. Assertion (A): A zero-coupon bond is issued at zero rate of interest. Reason (R): In case of zero-coupon bond, difference between issue price and redemption price represents total interest. (1 mark)
(a) Both (A) and (R) correct and (R) reason for (A) (b) Both correct but (R) not reason (c) (A) false but (R) true (d) Both wrong

8. Bhawani Ltd. issued 5,000, 10% Debentures of ₹100 each at 10% discount, redeemable at 5% premium after 5 years. Also, it purchased a business for ₹4,80,000 by issuing 10% Debentures at 4% discount. Pass journal entry for the takeover of business. (3 marks)

9. Vishwas Ltd. acquired business assets worth ₹6,40,000 and liabilities worth ₹1,80,000 for ₹6,00,000. It issued 8% debentures of ₹100 each at 5% discount for payment. Also, 1,000 debentures were issued as collateral security for a ₹1,50,000 loan. Prepare necessary journal entries and show how collateral debentures will appear in Balance Sheet. (4 marks)

10. Excel Ltd. invited applications for 12% debentures of ₹100 each at a premium of ₹60 per debenture, repayable after 5 years at a premium of ₹60. Applications were received for 18,000 debentures; 15,000 were allotted. Pass necessary journal entries , for issue debenture , interest is paid half yearly ,writing off loss on issue and compute the amounts credited to (a) Debenture Account, (b) Securities Premium Reserve, and (c) Premium on Redemption Account. (6 marks)