

BCM SCHOOL

ANSWER KEY

CHAPTER: ACCOUNTING FOR DEBENTURES

1. (d) ₹2,20,000

2. (b) 8,000

3. (a) Long term borrowings of a company

4. (b) Debentures Suspense Account

5. (c) ₹1,00,000

6. (d) Both (A) and (R) are wrong

7. (c) (A) false but (R) true

8. Journal Entry:

Sundry Assets A/c Dr. ₹4,50,000

Goodwill A/c Dr. ₹1,00,000

To Sundry Liabilities A/c ₹70,000

To Swami Ltd. ₹4,80,000

(Assets & liabilities taken over from Swami Ltd.)

9. Journal Entries:

(i) Assets A/c Dr. ₹6,40,000

To Liabilities A/c ₹1,80,000

To Vendor A/c ₹4,60,000

(ii) Vendor A/c Dr. ₹6,00,000

To 8% Debentures A/c ₹5,70,000

To Discount on Issue of Debentures A/c ₹30,000

(iii) For collateral issue:

Debenture Suspense A/c Dr. ₹1,00,000

To 8% Debentures A/c ₹1,00,000

(Shown as note under Long-term Borrowings in Balance Sheet).

10. (a) Amount credited to 12% Debentures A/c – ₹15,00,000

(b) Securities Premium Reserve – ₹9,00,000

(c) Premium on Redemption of Debentures – ₹9,00,000

Journal:

Bank A/c Dr. ₹28,80,000

To Debenture Application & Allotment A/c ₹28,80,000

Debenture Application & Allotment A/c Dr.

To 12% Debentures A/c ₹15,00,000

To Securities Premium Reserve A/c ₹9,00,000

To Premium on Redemption A/c ₹9,00,000