Time 2Hrs.
Red. of Debentures
Max.Marks: 70
Q. 1 B Ltd. issued 5000 debentures of Rs. 100 each on $1^{\text {st }}$ April 2015. Interest at $15 \%$ is payable on these debentures on $30^{\text {th }}$ Sept. and $31^{\text {st }}$ March every year. It purchased its own debentures as under:-
$1^{\text {st }}$ August 2017
$1^{\text {st }}$ January 2018
$1^{\text {st }}$ November 2018

500 at Rs. 94
350 at Rs. 96 (Cum- interest)
600 at Rs. 92
It cancelled above own debentures on $31^{\text {st }}$ December 2019. You are required to prepare following ledger accounts in the books of B Ltd. for two years from 1-4-2017 to 31-3-2019.
(a) Debentures account.
(b) Own debentures account.
(c) Interest on debentures account.
(d) Interest on own debentures account.
[10]
Q. 2 A company had issued $9 \%$ debentures of the face value of Rs. 1,000/- each (redeemable at par) interest on which to be paid half yearly on $30^{\text {th }}$ of June and $31^{\text {st }}$ of December each year. Under the terms of issue, it was permitted to acquire its own debentures from the market with option to resell them or to cancel them in redemption of outstanding debenture liability. On April 1, 2018, the Debentures A/s showed a balance of Rs. 40,60,000. During the year to March 31,2019 its transactions in its own debentures were as under:

Date
April 1,2018 Opening Balance of un cancelled own debentures (at cost on 'FIFO' Basis).
10 Debentures @ Rs. 990.
20 Debentures @ Rs. 1,000.
April 30 Sold 16 Debentures @ Rs. 1,007.
July 1 Purchased 10 Debentures @ Rs. 989.
Nov. 1 Purchased 10 Debentures @ Rs. 1,025
March 31,2019 After retaining 14 Debentures, the remaining Own Debentures were cancelled in part redemption of outstanding debenture liability.
All transactions are cum - interest. Show Own Debentures A/c, Debenture Interest A/c.
Q. 3 Libra Ltd. recently made a public issue in respect of which the following information is available:

No. of partly convertible debentures issued $5,00,000$; face value and issue price Rs. 100 per debenture \& Rs. 95 respectively. Convertible portion per debenture $70 \%$, date of conversion on expiry of 6 months from the date of closing of issue. Date of closure of subscription lists 1.5.2014, date of allotment 1.6.2014, rate of interest on debenture 15\% payable from the date of allotment, value of equity share for the purpose of conversion Rs. 19 (face value Rs.10). Underwriting Commission 2\%. No. of debentures applied for 4,40,000.
Interest payable on debentures half-yearly on $30^{\text {th }}$ September and $31^{\text {st }}$ march.
Write relevant journal entries for all transactions during the year ended $31^{\text {st }}$ March, 2015.
Q. 4 Rama Limited issued on $1^{\text {st }}$ Jan 2015, 1,200 Debentures of Rs. 100 each redeemable after three years at a premium of $10 \%$. For the purpose of redemption a cumulative Sinking Fund was established. The sinking fund table shows that 0.29720855 at $8 \%$ compound interest in three years will become Re.1. Amount appropriated annually was invested in Government securities bearing interest @ $8 \%$. At the end of third year Investments were sold for Rs. 78,000 and Debentures were redeemed. Pass necessary journal entries.
Q. 5 The following balances appeared in the books of A Ltd at the beginning of the year:
Sinking Fund Account
Rs.11,74,900
Sinking Fund Investment Account
6\% Debentures Account
$12,00,000$

The trustees have power to purchase, for immediate cancellation, any debenture available at a market price below par, and to realize investments of the sinking fund for this purpose. The said debentures are due for redemption at the end of this year, at a premium of $4 \%$. The under- mentioned transactions took place during the year: (a) First half year's interest on debentures was paid. (b) Immediately after six months debentures of Rs. 1,00,000 were purchased at Rs. 97,000 from market and cancelled. For this purpose investment of Rs. 97,500 were sold and Rs. $1,05,000$ were realized. (c) Interest of Rs. 69,500 was received at the end of the year on the investments. (d) Second half yearly interest was paid on $6 \%$ debentures. (c) Remaining investments was sold at the end of the year at Rs. 11,10,000 and the proceeds were utilized for redemption of debentures. (f) Debentures were fully redeemed at the end of the year.
Prepare the following ledger accounts and also show the workings: (i) 6\% Debentures Account; (ii) Sinking Fund Investments Account; (iii) Sinking Fund Account; and (iv) Debentures Interest Account.

