

Corrigendum

MTP Series III

Foundation Course Paper 1: Accounting

Students should consider the revised question and solution of 6 (a) of MTP series III of Foundation Course Paper 1: Accounting as below:

Question 6(a):

On 1st April, 2023 Universe Ltd. issued 12% debentures of the face value of ₹ 40,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th September and 31st March every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the financial year 2023-24.

Solution:

In the Books of Universe Limited

Journal Entries

			<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
1-4-2023	Bank A/c	Dr.	36,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	6,00,000	
	To 12% Debentures A/c			40,00,000
	To Premium on Redemption of Debentures A/c			2,00,000
	(For issue of debentures at discount redeemable at premium)			
30-9-2023	Debenture Interest A/c	Dr.	2,40,000	
	To Debenture holders A/c			2,16,000
	To Tax Deducted at Source A/c			24,000
	(For interest payable)			
30-9-2023	Debenture holders A/c	Dr.	2,16,000	
	Tax Deducted at Source A/c	Dr.	24,000	
	To Bank A/c			2,40,000
	(For payment of interest and TDS)			
31-03-2024	Debenture Interest A/c	Dr.	2,40,000	
	To Debenture holders A/c			2,16,000

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	To Tax Deducted at Source A/c (For interest payable)			24,000
31.03.2024	Debenture holders A/c	Dr.	2,16,000	
	Tax Deducted at Source A/c	Dr.	24,000	
	To Bank A/c (For payment of interest and tax)			2,40,000
31.03.2024	Profit and Loss A/c	Dr.	4,80,000	
	To Debenture Interest A/c (For transfer of debenture interest to profit and loss account at the end of the year)			4,80,000
31.03.2024	Profit and Loss A/c	Dr.	1,20,000	
	To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., 6,00,000 x 1/5)			1,20,000