**Ch-08 : Company Accounts- Accounting Issue of Debentures**

**\*DEBENTURE: -** Debenture is a written acknowledgement of a debt by the company. It contains the terms for the repayment of the principal debt on specified date and for payment of interest at a fixed percent until the principal sum is paid.

**\*DISCLOSURE OF DEBENTURES IN COMPANY'S BALANCE SHEET:-**

As per schedule III of the companies act, 2013, debentures are shown in balance sheet as a Long-Term borrowings under non-current liabilities but debentures, shown as long - term borrowings and payable within 12 months for the date of balance sheet or within the period of operating cycle is shown as current maturity of long term debts under other current liabilities under the head current liability interest accrued [due and not due] is shown as other current liability under current liabilities.

**DEBENTURE TRUST DEED:-**is document created by the company where by trustees are appointed to protect the interest of debenture holder before they are offered for public subscription.

**ISSUE OF DEBENTURES:-**Debenture like shares can be issued for

[i] Cash and

[ii] Consideration other than cash.

These debentures can be issued

(a) at par or

(b) at premium or

(c) at discount.

Accounting for issue of debenture for cash is the same as the accounting for issue of shares with one change i.e. the word 'share' shall be replace by 'debenture' and 'share capital' by 'Debenture'. The terms used for the issue of the share will be changed at the time of issue of debenture.

**Debentures**: **Disclosure in the balance sheet:-**

(a) If the debentures are shown as 'long term borrowing' then it is shown in equity and liabilities part of the balance sheet under the head 'non-current liabilities' and sub head 'other long term liabilities'.

(b) If the debentures are shown as 'short term borrowing' then it is shown in the equity and liabilities part of the balance sheet under the head 'current liabilities' and sub head 'other current liabilities'.

(c) If the debentures are shown as 'current maturities of a long term debts' then it is shown under the head 'current liabilities' and sub head ‘other current liabilities'.

**INTEREST ON DEBENTURES**- is considered as an expense it is charged against the profit of the company and is payable whether profit are earned or not.

**TAX DEDUCTED AT SOURCE [TDS]** tax is deducted on interest at the specified rate and deposited in the government account on the due date.

**ISSUE OF DEBENTURES FOR CONSIDERATION OTHER THAN CASH**

a company can issue debentures to the vendors as a payment for the purchase of the assets such as issue of debentures is known as an issue of debenture consideration other than cash.

**ISSUE OF DEBENTURES AS COLLATERAL SECURITY:-**

Means issue of debentures as a subsidiary or secondary security collateral security means additional

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security i.e., in addition to the prime security. It is only to be realised when the prime security fails to pay the amount of the loan. Debentures issued as collateral security may or may not be recorded in the books of accounts if an accounting entry is not passed it is disclose under the loan if an accounting entry is passed it is shown below the loan first as debenture issued and there after Debenture Suspense Account is deducted.

***Case***

***Conditions of Issue***

***Condition on Redemption***

1

Issued at Par

Redeemable at Par

2

Issued at Discount

Redeemable at Par

3

Issued at Premium

Redeemable at Premium

4

Issued at Par

Redeemable at Premium

5

Issued at Discount

Redeemable at Premium

6

Issued at Premium

Redeemable at Premium

*Kinds of Debentures*

*1. Secured or Mortgaged Debentures*

*2. Unsecured or Naked Debentures*

*3. Registered or bearer Debentures*

*4. Redeemable or Irredeemable Debentures*

*5. Convertible and Non-Convertible Debentures*