ACCOUNTANCY
Meaning and Characteristics of Debentures:

- **Meaning of Debentures as per Section 2(30) of the Companies Act, 2013:** Debenture includes debenture stock, bonds and any other instrument of the company evidencing a debt, whether constituting a charge on the assets of the company or not.

- **Understanding Debentures and Debentureholders:**
  i. **Debentures:**
     - It is a document known as Debenture Certificate.
     - It is an acknowledgement of debt by the company.
     - It is an agreement between the company and its debenture holders for repayment of the principal amount on a specified date along with interest at a pre-determined rate charged on the principal amount until the principal is repaid.
     - It is an evidence of a debt to the holder usually arising out of a loan and mostly secured by a charge.
  ii. **Debentureholders:**
     - They are the persons to whom debentures are issued by a company.
     - These persons are lenders to the company as they provide funds in exchange of debentures issued to them.

- **Characteristics or Features of a Debenture:**
  i. A document known as Debenture Certificate.
  ii. An acknowledgement of debt by the company.
  iii. Involves an agreement between the company and its debenture holders to fix the mode and period of repayment of principal and interest.
  iv. It is a common practice to prefix ‘Debentures’ with the rate of interest like if the rate of interest is 10%, the title of the debentures will be ‘10% Debentures’.
  v. It is treated as an external equity or long term borrowings by the company.
  vi. It is usually secured by way of charge on the assets of the company.
  vii. The interest charged on debentures is a charge against profit.

- **Meaning of a Bond:** Bond is similar to debenture, both in terms of contents and texture. It is an acknowledgment of debt issued by the company and signed by an authorized signatory. Traditionally, bonds were issued by the Government. But these days, bonds are also being issued by semi-government and non-government organisations as an acknowledgement of debt.

- **Difference between Share and Debenture:**

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Basis</th>
<th>Debenture</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ownership</td>
<td>It is a debt taken by the company and therefore, holder of such a</td>
<td>It is the capital of a company and therefore, holder of such share is the</td>
</tr>
</tbody>
</table>
### Issue of Debentures

<table>
<thead>
<tr>
<th></th>
<th>Shareholders</th>
<th>Debentureholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status</strong></td>
<td>Shareholders are the owners of the company.</td>
<td>Debentureholders are the lenders of the company.</td>
</tr>
<tr>
<td><strong>Return</strong></td>
<td>Shareholders get dividend on their investment. He or she cannot get dividend if the company suffers losses.</td>
<td>Debentureholders get interest at the stated rate whether the company earns profit or not.</td>
</tr>
<tr>
<td><strong>Control</strong></td>
<td>Shareholders have the right to attend and vote in the General</td>
<td>Debentureholders do not have such right.</td>
</tr>
</tbody>
</table>
### Issue of Debentures

<table>
<thead>
<tr>
<th>Meetings.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Risk</td>
<td>Shareholders can lose amount invested in shares and therefore they are at a greater risk.</td>
</tr>
</tbody>
</table>

#### Types of Debentures

**Types and disclosure of Debentures in Balance Sheet:**

- Following are the different kinds of debentures classified based on:
  
  i. **Security point of view:**
     a. **Secured:** Such debentures are secured by either a fixed charge or a floating charge on the assets of the company. Such charge is to be registered with the Registrar of the Companies.
     b. **Unsecured:** Such debentures are not secured by any charge on assets of the company.
  
  ii. **Redemption/Permanence point of view:**
    a. **Redeemable:** Such debentures are repayable by the company at the end of a specified period or by instalments during the existence of the company.
    b. **Irredeemable:** Such debentures are not repayable during the lifetime of the company and are repayable only when the company is liquidated.
  
  iii. **Records/Negotiability point of view:**
    a. **Registered:** Such debentures are registered in the company's records in the holder’s name. All amounts towards principal and interest are to be paid to the registered debentureholder only. Any transfer of such debentures requires execution of transfer deed.
    b. **Bearer:** Such debentures are not registered in the records of the company in the name of the holder. They are easily transferable by mere delivery. Interest is paid to the person who produces coupons attached to the debenture.
  
  iv. **Priority point of view:**
    a. **First Debentures:** Such debentures are to be repaid before the other debentures.
    b. **Second Debentures:** Such debentures are to be repaid after the first debentures are redeemed.
  
  v. **Coupon rate point of view:**
    a. **Specific Coupon Rate:** Such debentures are issued with a specified rate of interest, called the coupon rate. This rate may be either fixed or floating. If it's a floating rate, it is usually linked with the bank rate.
    b. **Zero Coupon Rate (Bonds):** Such debentures do not carry a specific rate of interest. They are issued at a substantial discount. Such difference between the face value and issue price is the total amount of interest related to the duration of debentures.
  
  vi. **Convertibility point of view:**
    a. **Convertible:** Such debentures are convertible into shares. Where only a part of the debentures amount is convertible into Equity Shares, they are known as Partly Convertible Debentures. However, when full amount of debentures is convertible into Equity Shares, they are known as Fully Convertible Debentures.
    b. **Non-Convertible:** Such debentures are not convertible into shares.
Issue of Debentures

Disclosure of Debentures in the Balance Sheet: Since these are the borrowings of a company, they are considered as liability and therefore, shown in the Equity and Liabilities part of the Balance Sheet. They can be disclosed either as Non-Current or Current Liability depending upon the tenure of such debentures. An important point to remember is that unless the question requires otherwise, debentures are shown as Long-term Borrowings under Non-current Liabilities.

Non-Current Liability: This is done when Debentures are due for redemption after 12 months from the reporting date i.e., the date of Balance Sheet or after the period of Operating Cycle. The date of issue of debentures determines whether these debentures are Long-term borrowings or Short-term Borrowings.

Current Liability:
   i. Short-term Borrowings: This is done when Debentures are due for redemption within 12 months from the reporting date i.e., the date of Balance Sheet or within the period of Operating Cycle.
   ii. Current Maturities of Long term debt: This is a part of Debentures shown as Long-term borrowings that become due for redemption within 12 months of the Balance Sheet or within the period of Operating Cycle.

Issue of Debentures

Understanding Minimum Subscription, Issue of Debentures and Accounting Treatment:

Concept of Minimum Subscription with respect to Debentures under section 39(1) of the Companies Act, 2013: According to section 39(1) of the Companies Act, 2013, a company cannot allot securities unless minimum subscription stated in the prospectus is received. Such minimum subscription is therefore, to be decided by the company. As per SEBI, 75% of the issue should be subscribed before a company allots debentures.

Issue of Debentures: As per the Companies Act, 2013, a company may issue debentures:
   i. for Cash: It means that the company has received an amount (in cash or cheque) against the debentures issued. When debentures are issued at cash, they may be issued at par, premium or at discount.
   ii. for Consideration other than Cash: It means that the company has not received amount (in cash or cheque) against the debentures issued. Such issue of debentures can be issue to promoters for their services, to vendors against assets purchased, etc.
   iii. as Collateral Security: Security given for loans in addition to the prime or principal security is known as collateral security. Debentures may be issued as collateral security when the borrower is not in a position to give any other asset as a collateral security.

Issue of Debentures for Cash: Such issue can be at par, at premium or at discount as follows:
   - At par: Debentures are issued at their nominal (face) value.
   - At premium: Debentures are issued at a price that is higher than its nominal (face) value. Such premium on issue is a capital receipt and is credited to Securities Premium Reserve Account. Utilisation of balance in such Securities Premium Account is governed by Section 52(2) of the Companies Act, 2013.
At discount: Here, debentures are issued at a price that is less than its nominal (face) value. Such amount of discount is debited to an account titled Discount on Issue of Debentures Account. Balance in such account is written off at the earliest but within the tenure of debentures. Since, it is a capital loss it is written off from Capital Reserve, if it has a balance. If it has no balance, it is written off from Securities Premium Reserve and/or from Statement of Profit and Loss.

Disclosure of Unamortised Discount (loss) on issue of Debentures: Since, the balance in such account is written off over the life of debentures but within the tenure of debentures, it will have a debit balance. It will be disclosed in the books as follows:

1. **Under Current Assets:** That part of unamortised discount or loss on issue of debentures which is to be written off within a period of 12months from the date of Balance Sheet or within the period of Operating Cycle is shown in the Balance Sheet under the head ‘Current Assets’ and sub-head ‘Other Current Assets’.

2. **Under Non-Current Assets:** That part of unamortised discount or loss on issue of debentures which is to be written off after a period of 12months from the date of Balance Sheet or after the period of Operating Cycle is shown in the Balance Sheet under the head ‘Non-Current Assets’ and sub-head ‘Other Non-Current Assets’.

Accounting Entries: Entries can be explained as follows:

- **If amount of debentures is received in Lump Sum:**
  1. For receipt of Application Money:
     - Bank A/c ...Dr. (With application money received)
     - To Debentures Application and Allotment A/c
  2. For allotment of Debentures:
     - Debentures Application and Allotment A/c ...Dr. (With the amount of application money on the allotted debentures)
     - To %Debentures A/c
  3. For Refund of Excess Application Money:
     - Debentures Application and Allotment A/c ...Dr. (With the application money refunded)
     - To Bank A/c

- **If amount of debentures is received in instalments:**
  1. For receipt of Application Money:
     - Bank A/c ...Dr. (With application money received)
     - To Debentures Application A/c
  2. For allotment of Debentures:
     - Debentures Application A/c ...Dr. (With the amount of application money on the allotted debentures)
     - To %Debentures A/c
  3. For adjustment of Excess Debentures Application Money:
     - Debentures Application A/c ...Dr. (With surplus application money on partially accepted applications)
     - To Debentures Allotment A/c
  4. For Refund of Excess Debentures Application Money:
     - Debentures Application A/c ...Dr. (With the application money refunded on rejected applications)
     - To Bank A/c
  5. For Allotment Money Being Called:
     - Debentures Allotment A/c ...Dr. (With the amount due on Allotment)
ACCOUNTANCY

**Issue of Debentures**

To % Debentures A/c

vi. For receipt of Allotment Money:
Bank A/c …Dr. (With the amount actually received on allotment)
To Debentures Allotment A/c

vii. For calls money being called:
Debentures Call A/c …Dr. (With the money due on call)
To % Debentures A/c

viii. For receipt of call money:
Bank A/c …Dr. (With amount received on call)
To % Debentures Call A/c

- **Section 52(2) of the Companies Act, 2013 on use of the amount received as premium on securities:** As per section 52(2) of the Companies Act, 2013, use of the amounts received as premium on securities is restricted to the following purposes only:
  i. issuing fully paid bonus shares to the members;
  ii. writing off preliminary expenses of the company;
  iii. writing off the expenses of, or the commission paid or discount allowed on any issue of securities or debentures of the company;
  iv. providing for the premium payable on the redemption of any redeemable Preference Shares or any debentures of the company;
  v. in purchasing its own shares i.e., in case of buy back of shares.

- **Disclosure of Securities Premium Reserve:** It is shown in Equity and Liabilities Part of Balance Sheet under head ‘Shareholders’ Funds’ and sub-head ‘Reserves and Surplus’.

- **Collateral Security:** Loans taken are secured by mortgage of the assets which are known as prime or principal security. Security given in addition to the prime or principal security is termed as Collateral Security. Such security is realised by the lender only if the due amount cannot be recovered by realising the principal security.

- **Disclosure of Debentures issued at Collateral Security in the Balance Sheet:** Since it is for the loan of the company, such debentures issued as Collateral Security are shown in the Notes to Account in which the loan secured by debentures is shown.

- **Accounting of Debentures issued as collateral security:** When the debentures are issued as collateral security, they can be dealt in following 2 ways:
  i. First Method: As per this method, entry for issue of such debentures is not passed in the books of account at the time of issuing such debentures. It is disclosed under the head Secured Loans in the Equity and Liabilities part of the Balance Sheet.
  ii. Second Method: As per this method, entry for issue of such debentures is passed in the books of account as follows:
    Debentures Suspense A/c …Dr.
    To % Debentures A/c
    At the time when the loan is paid to the lender, this entry will be reversed to cancel or nullify the effect of entry already passed. In balance sheet, such debentures are disclosed separately from the other debentures.
• **If the borrower fails to repay the loan:** In case if the borrower fails to pay the loan along with interest, the lender can recover the amount due by selling primary security or by redeeming collateral security, i.e., debentures. Accounting treatment for the same is as follows:
  i. At the time of issuing the debentures as collateral security, no immediate liability is created and therefore, no journal entry is passed.
  ii. Liability arises when the lender exercises his right vested in the collateral security. Following journal entries are to be passed as and when the lender exercises this option:
    a. % Debentures A/c ...Dr. 
       To Debentures Suspense A/c
    b. Loan A/c ...Dr. (Principal)
       Outstanding Interest A/c ...Dr. (Interest outstanding for the period intervening the date of default on the loan to date of invoking security by the lender)
       To % Debentures A/c (Principal + Interest outstanding)

• **Oversubscription of Debentures:**
  i. It is a situation where applications received for debentures is more than the number of debentures issued.
  ii. In such situation the company may make allotment by any of the 3 options available;
    a. Rejecting excess applications;
    b. Partial or Pro-rata allotment;
    c. A combination of the above 2 alternatives.
  iii. Such excess application money received on account of oversubscription may be retained for adjustment towards allotment and the respective calls, in case of pro-rata allotment, if so provided in the terms of issue. However, in case of applicants to whom no debentures are allotted, such excess application money is refunded to the respective applicants.

• **Undersubscription of Debentures:**
  i. It is a situation where the applications received are for lesser number of debentures than the number of debentures offered for subscription.
  ii. In this situation, allotment is made to all the applicants.
  iii. In such situation where the allotment is made to all the applicants, Journal entries are passed for the number of debentures subscribed.

• **Issue of Debentures for consideration other than Cash:** Such issue is possible under the following circumstances where debentures are issued to:
  i. **Promoters for rendering their services:** Such issue is made for services rendered by promoters for incorporating the company. Entry to be passed is as follows:
     Incorporating Expenses A/c ...Dr. 
     To % Debentures A/c
  ii. **Vendors against purchase of assets or business:** Entry to be passed is as follows:
    a. if debentures are issued for purchase of assets:
       Sundry Assets A/c ...Dr. (With agreed value of assets taken over)
       To Vendor’s A/c
    b. if debentures are issued for purchase of business: When a business is purchased, both assets and liabilities are taken over for a consideration which can be equal to, more than or less than the difference between values of assets and liabilities. Entry to be passed in each of these cases is as follows:
I. if consideration is equal to the difference between the value of assets and liabilities:
Sundry Assets A/c (individually) …Dr. (agreed value)
To Sundry Liabilities (individually) (agreed value)
To Vendor’s A/c (purchase consideration)

II. if consideration is more than the difference between the value of assets and liabilities, such excess is debited to Goodwill Account:
Sundry Assets A/c (individually) …Dr. (agreed value)
Goodwill A/c …Dr. (excess consideration over net assets)
To Sundry Liabilities (individually) (agreed value)
To Vendor’s A/c (purchase consideration)

III. if consideration is less than the difference between the value of assets and liabilities, such shortfall is credited to Capital Reserve Account:
Sundry Assets A/c (individually) …Dr. (agreed value)
To Sundry Liabilities (individually) (agreed value)
To Vendor’s A/c (purchase consideration)
To Capital Reserve A/c (excess of net assets over consideration)

- **Accounting Entries for issue of Debentures to Vendors when debentures are:**
  i. Issued at par:
     Vendor’s A/c …Dr. (nominal value of debentures)
     To % Debentures A/c
  ii. Issued at premium:
     Vendor’s A/c …Dr. (purchase consideration)
     To % Debentures A/c (nominal value of debentures)
     To Securities Premium A/c (premium amount)
  iii. Issued at discount:
     Vendor’s A/c …Dr. (purchase consideration)
     Discount on Issue of Debentures A/c …Dr. (discount amount)
     To % Debentures A/c (nominal value of debentures)

- **Calculation of Number of Debentures:** When a business is purchased and consideration is paid in the form of issue of debentures, number of debentures is to be calculated as follows:
  
  Number of Debentures Issued = \( \frac{\text{Purchase Consideration}}{\text{Issue Price of Debenture}} \)

Various cases of Issue of Debentures from the redemption point of view:

Debentures issued at par, at premium or at discount may be redeemed either at par or at premium:
- **Debentures redeemable at par:** It means debentures are redeemable at their nominal (face) value.
- **Debentures redeemable at premium:** It means debentures are redeemable at a value that is higher than their nominal (face) value.

Depending on the terms of issue and redemption of debentures, there may be six cases of redemption as follows:
### Issue of Debentures

<table>
<thead>
<tr>
<th>Case</th>
<th>Conditions of Issue</th>
<th>Conditions of Redemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Issued at par</td>
<td>Redeemable at par</td>
</tr>
<tr>
<td>2</td>
<td>Issued at discount</td>
<td>Redeemable at par</td>
</tr>
<tr>
<td>3</td>
<td>Issued at premium</td>
<td>Redeemable at par</td>
</tr>
<tr>
<td>4</td>
<td>Issued at par</td>
<td>Redeemable at premium</td>
</tr>
<tr>
<td>5</td>
<td>Issued at discount</td>
<td>Redeemable at premium</td>
</tr>
<tr>
<td>6</td>
<td>Issued at premium</td>
<td>Redeemable at premium</td>
</tr>
</tbody>
</table>

- **Differences between Premium on Issue of Debentures and Premium on Redemption of Debentures:**
  Following are the differences between Premium on Issue of Debentures and Premium on Redemption of Debentures:

<table>
<thead>
<tr>
<th>Basis</th>
<th>Premium on Issue of Debentures</th>
<th>Premium on Redemption of Debentures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Capital Profit/Loss</td>
<td>It is a capital profit and is to be used for the purposes mentioned in section 52(2).</td>
<td>It is a capital loss.</td>
</tr>
<tr>
<td>2.Nature</td>
<td>It is reserve.</td>
<td>It is liability.</td>
</tr>
<tr>
<td>3.Cashflow Involved</td>
<td>It does not involve any outflow of cash.</td>
<td>It is paid when the debentures are redeemed.</td>
</tr>
<tr>
<td>4.Disclosure in Balance Sheet</td>
<td>It is shown under the sub-head of Reserves and Surplus which comes under the main head of Shareholders’ Funds which forms a part of Equity and Liabilities.</td>
<td>It is shown under the sub-head of Other Long term liabilities which comes under the main head of Non-current liabilities which forms a part of Equity and Liabilities.</td>
</tr>
</tbody>
</table>

- **Journal Entries for each of the six cases of redemption:**

  **Case I:** When debentures are issued at par and are redeemable at par:
  In this case, since the amount payable at the time of redemption is equal to the nominal value of debentures, company will not incur any loss at the time of redemption of debentures. Following entries are passed:
  a. Bank A/c …Dr.  
     To Debentures Application A/c (application money)
  b. Debentures Application A/c …Dr. (application money)
     To % Debentures A/c (nominal value)
Case II: When debentures are issued at discount but are redeemable at par:
In this case, since the amount payable at the time of redemption is equal to the nominal value of debentures, company will not incur any loss at the time of redemption of debentures. Following entries are passed:

a. Bank A/c ...Dr.
   To Debentures Application A/c (application money)

b. Debentures Application A/c ...Dr. (application money)
   Discount on Issue of Debentures A/c ...Dr. (discount amount)
   To % Debentures A/c (nominal value)

Case III: When debentures are issued at premium and are redeemable at par:
In this case, since the amount payable at the time of redemption is equal to the nominal value of debentures, so company will not incur any loss at the time of redemption of debentures. Following entries are passed:

a. Bank A/c ...Dr.
   To Debentures Application A/c (application money)

b. Debentures Application A/c ...Dr. (application money)
   To % Debentures A/c (nominal value)
   To Securities Premium Reserve A/c (premium amount)

Case IV: When debentures are issued at par and are redeemable at premium:
In this case, since the amount payable at the time of redemption is more than the nominal value of debentures, company will incur loss at the time of redemption of debentures. Difference between the redeemable value and the issue price is the loss which is to be debited to Loss on Issue of Debentures Account at the time of allotment of debentures. This is done as per the concept of prudence. Following entries are passed:

a. Bank A/c ...Dr.
   To Debentures Application A/c (application money)

b. Debentures Application A/c ...Dr. (application money)
   Loss on Issue of Debentures A/c ...Dr. (premium payable on redemption)
   To % Debentures A/c (nominal value)
   To Premium on Redemption of Debentures A/c (premium payable on redemption)

Case V: When debentures are issued at discount and are redeemable at premium:
In this case, company will incur loss on two counts, i.e., discount allowed at the time of issue of debentures and premium payable at the time of its redemption. These losses are to be accounted at the time of issue of debentures as per the principle of prudence. Following entries are passed:

a. Bank A/c ...Dr.
   To Debentures Application A/c (application money)

b. Debentures Application A/c ...Dr. (application money)
   Discount on Issue of Debentures A/c ...Dr. (discount amount)
   Loss on Issue of Debentures A/c ...Dr. (premium payable on redemption)
   To % Debentures A/c (nominal value)
   To Premium on Redemption of Debentures A/c (premium payable on redemption)

Instead of using 2 separate accounts for as 'Discount on Issue of Debentures' and 'Premium Payable on Redemption', one combined account can be used titled as 'Loss on Issue of Debentures Account'. Entry will be as follows:

Debentures Application A/c ...Dr. (application money)
Loss on Issue of Debentures A/c ...Dr. (discount + premium)
To % Debentures A/c (nominal value)
To Premium on Redemption of Debentures A/c (premium on redemption)
Case VI: When debentures are issued at premium and are redeemable at premium:

In this case, premium received by the company at the time of issue of debentures is a capital receipt and is credited to Securities Premium Reserve Account. On the other hand, premium payable at the time of redemption of debentures is a loss for the company and is provided in the books of account following the principle of prudence. Following entries are passed:

a. Bank A/c ...Dr.
    To Debentures Application A/c (application money)

b. Debentures Application A/c ...Dr. (application money)
   Loss on Issue of Debentures A/c ...Dr. (premium payable on redemption)
   To % Debentures A/c (nominal value)
   To Securities Premium Reserve A/c (premium received on issue)
   To Premium on Redemption of Debentures A/c (premium payable on redemption)

- **Interest on Debentures:**
  i. It is a charge against profit of the company and is payable whether the company earns profit or incurs loss.
  ii. It is calculated at a fixed rate of interest on the nominal (face) value.
  iii. It is not payable on debentures issued as collateral security.
  iv. It is prefixed on debentures i.e., if the rate is 15% p.a. then debentures will be titled ‘15% Debentures.’
  v. Balance in the Debentures’ Interest Account is transferred to Statement of Profit and Loss (Finance Cost) at the end of the year.
  vi. Interest payment may be subject to TDS.

- **Journal entries for interest on Debentures are as follows:**

  i. When Interest on Debentures is due and Tax is ignored:
     Interest on Debentures A/c ...Dr.
     To Debentureholders’ A/c

  ii. When Interest on Debentures is due and Tax is Deducted at Source:
     Interest on Debentures A/c ...Dr.
     To Debentureholders’ A/c
     To TDS Payable A/c

  iii. When Interest on Debentures is paid:
     Debentureholders’ A/c ...Dr.
     To Bank A/c

  iv. When TDS is deposited in Government Account:
     TDS Payable A/c ...Dr.
     To Bank A/c

  v. When Interest on Debentures is transferred to Statement of Profit and Loss at the end of the year:
     Statement of Profit and Loss (Finance Cost) ...Dr.
     To Debentures’ Interest A/c
Writing off Discount or loss on Issue of Debentures:

i. Discount or loss on Issue of Debentures is a Capital Loss for the company and is therefore, written off at the earliest but within the tenure of the debentures.

ii. It is to be written off any time before the debentures are due for redemption.

iii. It may be written off following any of the following options:
   a. written off in the first year itself;
   b. written off over the tenure of the debentures either by:
      o Fixed Instalment Method: In this method, it is written off in equal instalments every year.
      o Fluctuating Instalment Method: This method is used when debentures are redeemed on different dates by draw of lots. Discount or loss on issue of debentures is written off in the ratio of outstanding balance of nominal value of debentures.

iv. It may be written off from Capital Reserve and/or from Securities Premium Reserve and/or from Statement of Profit and Loss.

v. When the amount of discount/loss on issue of debentures is written off in parts, balance in the account will reduce by the amount of discount or loss written off. The balance so left in the account is shown under the Assets of the Balance Sheet as follows:
   a. amount to be written off within 12 months of the Balance Sheet date or within the period of Operating Cycle, is shown as Other Current Assets under the head Current Assets; and
   b. amount other than mentioned in (a) above is shown as Other Non-Current Assets under the head Non-current Assets.

Accounting Entry

Capital Reserve A/c …Dr. (Amount Witten Off)
and/or
Securities Premium Reserve A/c …Dr. (Amount Witten Off)
and/or
Statement of P&L (Finance Cost) …Dr. (Amount Witten Off)
To Discount or Loss on Issue of Debentures A/c