

64.1 A drill to practise accounting for the issue of a debenture

ABC plc has the following balance sheet:

| ABC plc Balance Sheet | |
|--------------------------------|-----------------|
| | £ |
| Assets | 570 000 |
| Liabilities | (95 000) |
| Net Assets | <u>£475 000</u> |
| | |
| Issued Share Capital | |
| 300 000 ordinary shares of 50p | 150 000 |
| Share Premium | 75 000 |
| Retained Earnings | <u>250 000</u> |
| | <u>£475 000</u> |

The company issues a 5% debenture for £100 000, repayable in 2040.

Show the company's balance sheet after the issue of the debenture.

Response

| ABC plc Balance Sheet after debenture issue | |
|--|-------------------------|
| | £ |
| Assets | 670 000 |
| Liabilities | (95 000) |
| 5% debenture 2040 | <u>(100 000)</u> |
| Net Assets | <u>£475 000</u> |
| | |
| Issued Share Capital | |
| 300 000 ordinary shares of 50p | 150 000 |
| Share Premium | 75 000 |
| Retained Earnings | <u>250 000</u> |
| | <u>£475 000</u> |