

WHAT IS CONVERTIBLE DEBENTURE/CONVERTIBLE LOAN STOCK?

Special type of debenture which can be converted into shares at a specified date. Upon conversion the debenture holder receives ordinary shares and he gives away is debenture certificate. The shares are sold to them in return of debentures, so that's usually done at market price of share (so share premium will be involved) . For example, A company has convertible loan stock worth \$60000. They decided to convert it into shares by issuing 10 Ordinary shares of \$1 each for every \$15 of debenture. This means company will issue 40000 shares to settle the debenture , each share which is for \$1 was sold for \$1.5 .

Debit : Debenture 60000

Credit : Ordinary Shares 40000

Share premium 20000

Preview from Notesale.co.uk
Page 3 of 3