



CHAPTER - 08

REDEMPTION OF DEBENTURES

Redemption of Debentures: Redemption of debentures means repayment of the loan due on debentures to debenture holders. According to the Companies Act 2013, the debentures should be redeemed in accordance with the terms and conditions of their issue/ offer documents. The date, the terms, and the conditions are generally stated in the debenture certificate itself or in the trust deed.

On the due date or happening of the circumstances so specified, the company becomes liable to pay the principal amount to the debenture holder.

Sources of Finance for Redemption of Debentures

- (i) **Redemption of Debentures out of Capital:** When no profits are set aside for redemption of debentures, it is called redemption out of capital. In such case no profits are transferred to Debenture Redemption Reserve. As per Companies Act, 2013 guidelines requiring creation of Debenture Redemption Reserve are as follows:
- (i) Listed Companies are not required to create any Debenture Redemption Reserve. So they redeem all the debentures out of capital.
 - (ii) Unlisted companies are required to create Debenture Redemption Reserve equal to at least 10% of the nominal value of outstanding debentures out of divisible profits. Hence, they can redeem 90% of their debentures out of capital.

Note

Listed Company is a company whose shares are freely traded on a stock exchange.

- (ii) **Redemption of Debentures out of profits:** Redemption of profit means that an amount equal to debentures issued is transferred from 'divisible profits' to a newly opened account named 'Debenture

Redemption Reserve Account'. It is called redemption out of profits because the transfer of profits to Debenture Redemption Reserve (DRR) reduces the amount of profit available for dividend.

- (iii) **Redemption of Debentures Out of Capital and Profits:** It means redemption of debentures partly out of capital and partly out of profits. For example an unlisted company creates DRR equal to 10% of the outstanding debentures, then 10% redemption will be called out of profits and 90% redemption will be out of capital.

SEBI Guidelines for issue of Debentures

- (i) The creation of Debenture Redemption Reserve is obligatory only for non-convertible debentures and non-convertible portion of partly convertible debentures.
- (ii) A company shall create Debenture Redemption Reserve equivalent to at least 10% of the nominal value of outstanding debentures.

Exemptions to the rule of Creating Debenture Redemption Reserve

(For both public as well as private placed debentures)

- (i) All India Regulated Institutions regulated by Reserve Bank of India.
- (ii) Banking Companies.
- (iii) Other Financial Institutions within the meaning of Section 2(72) of the Companies Act, 2013.
- (iv) Housing Finance Companies registered with National Housing Bank.
- (v) Non- Banking Finance Companies Registered with Reserve Bank of India.
- (vi) Other Listed Companies

On Redemption of debentures the amount proportionate to the debentures redeemed shall be transferred from DRR to

General Reserve. For example if the amount of outstanding debentures is ₹10,00,000 and there is a DRR of ₹1,00,000, then if 50% i.e., ₹5,00,000 debentures are redeemed, 50% of ₹1,00,000 i.e., ₹1,00,000 shall be transferred to general reserve.

Debenture Redemption Reserve A/c Dr.
To General Reserve A/c

Conditions for Investing 15% of the Debentures maturing during the year:

As per Rule 18(7) (C) of the Companies Rules, 2014, every company listed or non listed that are to redeem debentures, shall before the 30th day of April of each year, deposit or invest, a sum not less than 15% of the amount of its debentures maturing during the year ending on 31st March of the next year.

For example, if a company is to redeem debentures of ₹10,00,000 on 31st December, 2022, it must invest on or before 30th April, 2022 at least ₹1,50,000 in specified securities.

The amount invested can only be utilised for the purpose of repayment of debentures maturing during the year.

Exemptions to the rule of investing 15% in specified securities:

Following categories of companies are exempt from making Debenture Redemption Investment: (For both Public as well as Privately Placed Debentures:

- (i) All Indian Financial Institutions, regulated by Reserve Bank of India.
- (ii) Banking Companies
- (iii) Other Financial Institutions within the meaning of Section 2(72) of the Companies Act, 2013.
So following companies are required to invest at least 15% of the nominal value of its debentures maturing during the year.
- (i) Listed Companies (including NBFCs registered with RBI and HFCs registered with National Housing Banks)
- (ii) Unlisted Companies

Methods of the Redemption of Debentures: The various methods of redemption of debentures are as under:

1. Payment in Lump-Sum
2. Payment in Instalments
3. Purchase in Open Market
4. Conversion of existing Debenture into Shares or New Debentures.

1. Lump Sum Payment at the end of fixed period: It means debentures can be redeemed by paying the debenture holders in one lump sum at the expiry of the agreed time or earlier at the option of the company. In this case, the time of repayment is known in advance and thus the company can plan its financial resources accordingly.

As discussed earlier, it is necessary for an unlisted company to transfer an amount equal to 10% of the face value of debentures from 'divisible profits' to a newly opened account called 'Debenture Redemption Reserve

A/c' before commencement of redemption of debentures. This reduces the divisible profits, which ultimately reduces the amount available for dividend distribution. So such redemption is called redemption out of profits because it reduces the amount of profits available for dividends.

When all the debentures are redeemed in lump-sum, the Debenture Redemption Reserve A/c is closed by transferring the entire amount to General Reserve A/c

Accounting Treatment:

- (i) **On 31st March of previous year:**
(On transfer of profits by an unlisted company @10% of the face value of debentures outstanding):
Surplus in Statement of Profit and Loss Dr.
To Debenture Redemption Reserve A/c
- (ii) **At the beginning of year up to 30th April:**
(On making investment by all unlisted as well as listed companies @15% of the face value of the debentures to be redeemed):
Debenture Redemption Investment A/c Dr.
To Bank A/c
- (iii) **At the time of Redemption:**
Bank A/c Dr.
To Debenture Redemption Investment A/c
- (iv) **On Redemption of debentures:**
 - (a) Debentures A/c Dr.
To Debenture- holder A/c
 - (b) Debentureholder A/c Dr.
To Bank A/c
- (v) **On transfer of amount to General Reserve**
Debenture Redemption Reserve A/c Dr.
To General Reserve A/c

2. Redemption of debentures in instalments by drawing of lots: It means the redemption is made in annual instalments. The amount of instalment is worked out by dividing the total amount of debentures by the number of years it is to last. The number of debentures to be redeemed each year are selected by lottery. Thus, it is also known as drawing by lottery or draw of lots. For example, the debentures for ₹20,00,000 may be redeemed at the rate of ₹5,00,000 per annum. Transfer of an amount equal to 10% of outstanding debentures to DRR in case of an unlisted company before redemption is necessary in this method also.

(3) and (4) not in syllabus.

3. Purchase in Open Market: A company, if authorized by its Articles of Association, can purchase its own debenture in the open market. Debentures so purchased may be cancelled and it means the debentures have been paid.

4. Conversion of Existing Debentures into Shares or New Debentures: It means the debenture holder can exchange their debenture either for shares or new debentures of the company and the debentures which carry such right are called convertible debentures.

Solved Examples

Q1. Ganga Ltd. (an unlisted company) issued 20,000 6% Debentures of ₹100 each at a premium of 10% on 1st April, 2017 redeemable on March 31, 2022. The issue was all subscribed. It was decided to invest 15% of the face value of debentures to be redeemed towards Debenture Redemption Investment on 30th April, 2021. Investments were encashed and Debentures were redeemed on due date. Record necessary entries for issue and redemption of debentures.

SOLUTION:

Books of Ganga Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	Bank A/c Dr. To 6% Debenture Application & Allotment A/c (Receipt of application money)		22,00,000	22,00,000
April 1	6% Debenture Application & Allotment A/c Dr. To 6% Debentures A/c To Securities Premium Reserve A/c (Transfer of application money)		22,00,000	20,00,000 2,00,000
2021 March 31	Surplus in Statement of Profit & loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits equal to 10% of the nominal value of debentures outstanding)		2,00,000	2,00,000
April 30	Debenture Redemption Investment Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		3,00,000	3,00,000
2022 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		3,00,000	3,00,000
March 31	6% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		20,00,000	20,00,000
March 31	Debentureholder's A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		20,00,000	20,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on redemption)		2,00,000	,00,000

Notes: (1) Interest on Investment is not calculated because rate of interest is not given.

Q2. Punjab National Bank issued 10,000, 8% Debentures of Rs. 50 each at a premium of 8% on June 30, 2010 redeemable on June 30, 2020. The issue was fully subscribed. Record necessary entries for issue and redemption of debentures.

SOLUTION:

Books of Punjab National Bank JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2010 June 30	Bank A/c Dr. To 8% Debenture Application & Allotment A/c (Receipt of application money)		5,40,000	5,40,000
June 30	8% Debenture Application & Allotment A/c Dr. To 8% Debentures A/c		5,40,000	5,00,000

	To Securities Premium Reserve A/c (Transfer of application money)			40,000
2020 June 30	8% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		5,00,000	5,00,000
June 30	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		5,00,000	5,00,000

- Q3.** On 1st April 2015, Wipro Ltd., which is listed on the stock exchange, issued 10,000, 10% Debentures of ₹100 each at a discount of 4%, redeemable at a premium of 5% after 5 years. The issue was fully subscribed. Debentures were redeemed on due date. Pass necessary entries for issue and redemption of debentures, assuming that the loss on issue was written off at the end of first year.

SOLUTION:

**Books of Wipro Ltd.
JOURNAL**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
2015 April 1	Bank A/c Dr. To Debenture Application and Allotment A/c (Application and allotment money received on issue of Debentures)		9,60,000	9,60,000
April 1	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c (Allotment of Debentures redeemable at 5% premium)		9,60,000 90,000	10,00,000 50,000
2016 March 31	Statement of Profit & Loss Dr. To Loss on Issue of Debentures A/c (Loss on issue written off)		90,000	90,000
2019 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @ 15% of the face value of debentures to be redeemed)		1,50,000	1,50,000
2020 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		1,50,000	1,50,000
March 31	10% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholder's A/c (Amount due to Debentureholders)		10,00,000 50,000	10,50,000
March 31	Debentureholder's A/c Dr. To Bank A/c (Amount paid on redemption)		10,50,000	10,50,000

- Q4.** Raj Ltd. (an unlisted company) had issued ₹20,00,000, 7% debentures which are due to be redeemed out of profits on 1st October 2020 at a premium of 5%. The company had a Debenture Redemption Reserve of ₹8,28,000. It was decided to invest the required amount in Debenture Redemption Investment. Pass necessary journal entries for the redemption of debentures.

SOLUTION :

**Books of Raj Ltd.
JOURNAL**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
2020 March 31	Surplus in Statement of Profit and Loss ⁽¹⁾ Dr. To Debenture Redemption Reserve A/c		11,72,000	11,72,000

April 30	(Transfer of profit to Debenture Redemption Reserve)			
	Debtenture Redemption Investment A/c Dr. To Bank A/c (Investment made @ 15% of the face value of debentures to be redeemed)		3,00,000	3,00,000
Oct. 1	Bank A/c Dr. To Debtenture Redemption Investment A/c (Investment encashed)		3,00,000	3,00,000
	7% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debtentureholders A/c (Amount due on redemption)		20,00,000 1,00,000	21,00,000
Oct. 1	Debtentureholders A/c Dr. To Bank A/c (Payment of amount due to debtentureholders)		21,00,000	21,00,000
	Debtenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debtenture Redemption Reserve A/c to General Reserve A/c on redemption)		20,00,000	20,00,000

Working Notes

(1) Total Amount required for transfer to

₹

Debtenture Redemption Reserve = 100% of 20,00,000	=	20,00,000
Less : Existing Balance	=	8,28,000
Amount now required to be transferred to Debtenture Redemption Reserve		11,72,000

- Q5. On 1st April 2018, Yamuna Ltd. (an unlisted company) has 12,000, 8% debentures of ₹100 each due for redemption at 5% premium in three equal annual instalments starting from March 31, 2020. The Company complied with the requirements with respect to Investment made in Government Securities on 30th April, 2019.
Pass necessary journal entries and prepare ledger accounts.

SOLUTION:

Books of Yamuna Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
March 31	Surplus in Statement of Profit and Loss Dr. To Debtenture Redemption Reserve A/c (Transfer of profits to Debtenture Redemption Reserve)		1,20,000	1,20,000
April 30	Debtenture Redemption Investment A/c Dr. To Bank A/c (Investment made in Govt. Securities equal to 15% of the face value of debentures to be redeemed i.e. 15% of first instalment of ₹2,00,000)		60,000	60,000
2020				
March 31	8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debtentureholders A/c (1/3 rd of debentures and premium payable on redemption)		4,00,000 20,000	4,20,000
March 31	Debtentureholders A/c Dr. To Bank A/c (Payment due to Debtenturholders discharged)		4,20,000	4,20,000
March 31	Debtenture Redemption Reserve A/c Dr. To General Reserve A/c (One-third amount of DRR transferred to general reserve on redemption of one-third debentures)		40,000	40,000
2021				
March 31	8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr.		4,00,000 20,000	

		To Debentureholders A/c (1/3 rd of debentures and premium payable on redemption)			4,20,000
March 31		Debentureholders A/c Dr. To Bank A/c (Payment due to Debentureholders discharged)		4,20,000	4,20,000
March 31		Debenture Redemption Reserve A/c Dr. To General Reserve A/c (One-third amount of DRR transferred to general reserve on redemption of one-third debentures)		40,000	40,000
2022 March 31		Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed)		60,000	60,000
March 31		8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (1/3 rd of debentures and premium payable on redemption)		4,00,000 20,000	4,20,000
March 31		Debentureholders A/c Dr. To Bank A/c (Payment due to Debentureholders discharged)		4,20,000	4,20,000
March 31		Debenture Redemption Reserve A/c Dr. To General Reserve A/c (One-third amount of DRR transferred to general reserve on redemption of one-third debentures)		40,000	40,000

Note: In case of redemption in instalments, investment is made for first instalment and it remains invested till the last instalment. In this question, the Company has made investment on 30th April, 2019 which remains invested till the last instalment i.e. upto 31st March, 2022.

**In the Books of Yamuna Ltd.
8% DEBENTURE ACCOUNT**

Dr.			Cr.		
<i>Date</i>	<i>Particulars</i>	<i>₹</i>	<i>Date</i>	<i>Particulars</i>	<i>₹</i>
2020 Mar. 31 Mar. 31	To Debentureholders A/c To Balance c/d	4,00,000 8,00,000 12,00,000	2019 April 1	By Balance b/d	12,00,000 12,00,000
2021 Mar. 31 Mar. 31	To Debentureholders A/c To Balance c/d	4,00,000 4,00,000 8,00,000	2020 April 1	By Balance b/d	8,00,000 8,00,000
2022 Mar. 31	To Debentureholders A/c	4,00,000 4,00,000	2021 April 1	By Balance b/d	4,00,000 4,00,000

DEBENTUREHOLDERS ACCOUNT

Dr.			Cr.		
<i>Date</i>	<i>Particulars</i>	<i>₹</i>	<i>Date</i>	<i>Particulars</i>	<i>₹</i>
2020 Mar. 31	To Bank A/c	4,20,000	2020 Mar. 31 Mar. 31	By 8% Debentures A/c By Premium on Redemption of Debentures A/c	4,00,000 20,000 4,20,000
2021 Mar. 31	To Bank A/c	4,20,000	2021 Mar. 31 Mar. 31	By 8% Debentures A/c By Premium on Redemption of Debentures A/c	4,00,000 20,000

2022 Mar. 31	To Bank A/c	4,20,000	2022 Mar. 31	By 8% Debentures A/c	4,20,000
		4,20,000	Mar. 31	By Premium on Redemption of Debentures A/c	4,00,000
		4,20,000			20,000
					4,20,000
Dr. DEBENTURE REDEMPTION RESERVE ACCOUNT Cr.					
Date	Particulars	₹	Date	Particulars	₹
2019			2019		
Mar. 31	To Balance c/d	1,20,000	Mar. 31	By Surplus in Statement of Profit & Loss	1,20,000
2020			2019		
Mar. 31	To General Reserve A/c	40,000	April 1	By Balance b/d	1,20,000
Mar. 31	To Balance c/d	80,000			1,20,000
		1,20,000			
2021			2020		
Mar. 31	To General Reserve A/c	40,000	April 1	By Balance b/d	80,000
Mar. 31	To Balance c/d	40,000			80,000
		80,000			
2022			2021		
Mar. 31	To General Reserve A/c	40,000	April 1	By Balance b/d	40,000
		40,000			40,000

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT Cr.					
Date	Particulars	₹	Date	Particulars	₹
2019			2020		
Apr. 30	To Bank A/c	60,000	Mar. 31	By Balance c/d	60,000
		60,000			60,000
2020			2021		
Apr. 1	To Balance b/d	60,000	Mar. 31	By Balance c/d	60,000
		60,000			60,000
2021			2022		
Apr. 1	To Balance b/d	60,000	Mar. 31	By Bank A/c	60,000
		60,000			60,000

QUESTIONS FOR PRACTICE

MCQ

- K Ltd. an unlisted company, wants to redeem 5,000, 6% debentures of ₹100 each at 10% premium. How much amount it must transfer to Debenture Redemption Reserve, if it has already a balance of ₹40,000 in Debenture Redemption Reserve Account?
(a) ₹50,000 (b) ₹10,000
(c) ₹20,000 (d) ₹5,000
- State Bank of India has decided to redeem 30,000; 6% debentures of ₹100 each at a premium of 10% redeemable after 5 years. The amount transferred to DRR will be:
(a) ₹3,00,000 (b) ₹30,00,000
(c) ₹4,50,000 (d) Nil
- Punjab National Bank has decided to redeem 30,000; 6% debentures of ₹100 each at a premium of 8% on June 30th, 2021. How much amount it has to invest in specified securities on or before April 30, 2021?
(a) ₹3,00,000
(b) ₹1,50,000
(c) ₹4,50,000
(d) No amount is required to be invested
- Kapoor Ltd. has 10,000; 8 % debentures of ₹100 each due for redemption on 31st March 2021. Company has invested the required amount in specified investment as per the rules. On due date investments were

realised at 150% less 10% brokerage. State the amount that is received on realisation of investment.

- (a) ₹2,25,000 (b) ₹2,02,500

(c) ₹1,50,000

(d) ₹1,35,000

5. Match the following:

Column A	Column B
(i) Method of redemption	(1) By Capital
(ii) Sources of Redemption	(2) By Draw of Lots
(iii) Listed and Unlisted Company	(3) Required to invest in DRI
(iv) Banking Company	(4) Exempted to create DRR

(a) (i) 1, (ii) 2, (iii) 3, (iv) 4

(b) (i) 2, (ii) 1, (iii) 3, (iv) 4

(c) (i) 2, (ii) 1, (iii) 4, (iv) 3

(d) (i) 1, (ii) 2, (iii) 4, (iv) 3

6. A company issued 5,000; 12% debentures of ₹100 each at 10% discount repayable at 10% premium. How much amount will be repayable on due date of redemption?

(a) ₹4,50,000

(b) ₹5,50,000

(c) ₹6,00,000

(d) ₹5,00,000

7. Which of the following is not a true statement?

(a) Unlisted company shall create DRR equivalent to at least 10% of face value outstanding debentures

(b) DRR is obligatory for non-convertible debentures and non-convertible portion of partly convertible debentures

(c) DRR is exempted for All India Financial Institutions regulated by RBI

(d) DRI is obligatory for all types of companies including All India Financial Institutions regulated by RBI.

8. Unlisted Company shall create DRR equivalent to at least 10% of ____.

(a) Face value of outstanding debentures

(b) Total redeemable value of outstanding debentures

(c) Face value of total issued debentures

(d) Total redeemable value of total issued debentures

9. If an unlisted company is creating DRR equivalent to 10% of outstanding debentures then ____ % debentures can be redeem out of ____.

(a) 70%, Capital

(b) 90%, Capital

(c) 90%, Profit

(d) 70%, Profit

10. RR Ltd. wants to redeem its debentures worth ₹12,00,000. Debenture Redemption Reserve shows balance of ₹3,00,000. What is the amount that need to be transferred to Debenture Redemption Reserve if company wants to redeem its debentures out of profits?

(a) ₹1,20,000

(b) ₹12,00,000

(c) ₹3,00,000

(d) ₹9,00,000

11. A company had issued debentures and DRR is created as required by law. Accountant is of the view that this

DRR is to be transferred into capital reserve that is a profit in the nature of capital. Tell him that DRR is to be transferred to ____ at the end of redemption.

(a) Capital reserve

(b) Profit and Loss Account

(c) General Reserve

(d) None of these

12. Rajesh Ltd. issued 8%, 12% debentures of ₹100 each at par on 1st April, 2020 which are redeemable at 5% premium in five equal instalments. First redemption to be made on 31st March, 2021. The company complied with legal requirements. Calculate amount which is required to be legally invested?

(a) ₹1,20,000

(b) ₹24,000

(c) ₹60,000

(d) ₹96,000

13. The amount invested in specified securities as per Rule 18(T)(b) of Companies rule 2014 (amended) can be utilized for :

(a) Payment of dividend

(b) Repayment of debentures only

(c) Payment of dividend and debentures

(d) For any kind of payment

Directions for question 14 to 17: Read the given text and answer the questions as per it.

Renu Ltd a listed company issued 50,000, 7% Debentures of ₹100 each on 1st April 2017, payable ₹50 on application and ₹50 on allotment, redeemable at a premium of 8% on 31st March 2021. The company received applications for 60,000 debentures and the allotment was made on pro-rata basis to the applicants of 55,000 debentures and the remaining were rejected. The company invested the funds as required by law. Based on the above information you are required to answer the following question

14. Out of the total application money received, the amount refunded was:

(a) ₹2,50,000

(b) ₹5,00,000

(c) ₹7,50,000

(d) Nil

15. What is the amount required to be transferred to be transferred to Debenture Redemption Reserve A/c?

- | | | | |
|---------------|---------------|---------------|------------------|
| (a) ₹5,00,000 | (b) ₹3,50,000 | (c) ₹2,00,000 | (d) Not required |
|---------------|---------------|---------------|------------------|
-
- 16.** What is the journal entry for sale of investment:
- | | | |
|---|-----|-----------|
| (a) Bank A/c | Dr. | 50,00,000 |
| To Debenture Redemption Investment A/c | | 50,00,000 |
| (b) Bank A/c | Dr. | 7,50,000 |
| To Debenture Redemption Investment A/c | | 7,50,000 |
| (c) Debenture Redemption Investment A/c | Dr. | 50,00,000 |
| To Bank A/c | | 50,00,000 |
| (d) Debenture Redemption Investment A/c | Dr. | 7,50,000 |
| To Bank A/c | | 7,50,000 |
-
- 17.** DRI should be made on or before ____ of the year in which debentures are to be redeemed.
- | | |
|----------------|--------------------|
| (a) 30th June | (b) 30th September |
| (c) 30th April | (d) None of these |
-
- 18.** Arrange the following in order of happening when the debentures are redeemed by draw of lots:
- A. Issue of debentures
 B. Investment in DRI
 C. Transfer of profits to DRR
 D. Transfer of DRR to general reserve
 E. Realisation of DRI
- | | |
|-----------------------|-----------------------|
| (a) A, C, B, E, and D | (b) A, D, C, B, and E |
| (c) A, B, C, D, and E | (d) A, D, B, C, and E |
-
- 19.** Which of the following is not a method of redemption of debentures?
- (a) Lump sum payment at end of fixed period
 (b) Purchase of own debentures from open market
 (c) Conversion into shares
 (d) Redemption out of profits
-
- 20.** Premium payable on redemption of debentures is accounted at the time of allotment of debentures due to:
- | | |
|---------------------------|-------------------------|
| (a) Going concern concept | (b) Accrual Concept |
| (c) Prudence Concept | (d) Realisation Concept |

SUBJECTIVE QUESTIONS

- | | |
|---|--|
| <p>1. Raman Ltd. (an unlisted company) issued ₹8,00,000, 10% Debentures of ₹100 each on April 1, 2018 at a premium of 6%, redeemable at a premium of 10% on 31st March, 2022. Assume that required investment was made in 10% Government Securities on April 30 of the financial year in which redemption is due. Debentures were redeemed on the due date. Pass journal entries at the time of Issue and Redemption of Debentures.</p> <p>2. Garima Ltd. (an unlisted company) has 5,000, 12% Debentures of ₹100 each due for redemption on 31st March 2022. Debenture Redemption Reserve has a balance of ₹25,000 on 31st March, 2021. It was decided to invest the required amount towards Debenture Redemption Investment. Investments were realised at 104% less 0.5% brokerage and debentures were redeemed. Record the necessary entries for the redemption of debentures.</p> <p>3. Arora Ltd. (an unlisted company) had issued 10,000, 10% debentures of Rs. 100 each out of which, 4,000, 10% debentures were due for redemption on 31st March, 2019. The company had a balance of Rs. 70,000 in the Debenture Redemption Reserve Account on 31st March, 2018. The company invested the required amount in the Debenture Redemption Investment on 1st April, 2018.</p> | <p>Pass the necessary journal entries for redemption of debentures. Ignore the entries for interest on debentures.</p> <p>4. On 1st April, 2017, Jindal Ltd. (an unlisted company) invited applications for issuing 2,500 12% debentures of ₹1,000 each at a discount of 6%. These debentures were repayable at the end of 3rd year at a premium of 10%. Applications for 3,000 debentures were received and the debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded. The directors decided to transfer the minimum amount to Debenture Redemption Reserve on 31.3.2019. On 1.4.2019, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act, 2013. Tax was deducted at source by bank on interest @10%. Pass the necessary journal entries for issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid on debentures.</p> <p>5. Gandhi Ltd. (an unlisted company) had a balance of ₹1,10,00,000 in its Statement of Profit and Loss. Instead of declaring a dividend it decided to redeem its ₹1,00,00,000, 8% debentures at a premium of 10% out of profits on 31st March, 2020. The Company invested the required amount in fixed deposit in a bank on 30th April, 2019 earning interest @8% p.a. Tax was deducted on interest earned @10% by the bank. Pass</p> |
|---|--|

the necessary Journal entries in the books of the company for the redemption of debentures.

6. On 1st April, 2013, Harshit Ltd. (an unlisted company) issued 10,000, 12% Debentures of ₹100 each at a discount of 10%, redeemable at par on 31st March, 2017. The issue was fully subscribed. To meet the provisions of the Companies Act, 2013, the Board of Directors decided to transfer ₹60,000 to Debenture Redemption Reserve on 31st March, 2014, and the balance on 31st March, 2015. On 1st April, 2016, the company made the required investment in government securities.
The investments were encashed and the debentures were redeemed on the due date.
It is the policy of the company to write off capital losses in the year in which they occur.
You are required to pass journal entries for issue and redemption of debentures (ignore interest on debentures).
7. Meenu Garments Ltd. (an unlisted company) issued 42,000, 9% Debentures of ₹100 each on March 31, 2013 redeemable at a premium of 8% on 30th June,

2018. The Board of Directors decided to transfer the required amount to Debenture Redemption Reserve in three equal annual instalments starting with March 31, 2018. Record necessary journal entries regarding issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid thereon.

8. On 1st April, 2016, Ganesh Ltd. (an unlisted company) acquired assets of ₹6,00,000 and took over liabilities of ₹70,000 of Sohan Ltd. an agreed value of ₹6,60,000. Ganesh Ltd. issued 12% Debentures of ₹100 each at a premium of 10% in full satisfaction of purchase consideration. Debentures were redeemable after three years at a premium of 5%. The company decided to transfer the minimum required amount to Debenture Redemption Reserve on 31st March, 2018. It also made the required investment in Government securities earning interest @ 10% p.a. on 1st April, 2018. Tax was deducted on interest earned @ 10%. Ignoring entries relating to interest paid on debentures, pass the necessary journal entries to record the issue and redemption of debentures.

HOMEWORK

MCQ

1. As per SEBI Guidelines in case of unlisted company, an amount equal to ____ of the debentures outstanding must be transferred to Debenture Redemption Reserve before redemption begins.
(a) 25% (b) 50%
(c) 10% (d) 100%
2. A company issuing debentures with a maturity period of not more than 18 months, in that case the creation of Debenture Redemption Reserve will be:
(a) 25% of the amount debentures outstanding
(b) 10% of the amount debentures outstanding
(c) 50% of the amount debentures outstanding
(d) None of the above
3. No debenture redemption reserve is required for debentures issued by:
(a) Manufacturing Companies
(b) Infrastructure Companies
(c) Banking Companies
(d) Trading Companies
4. Deepak Ltd. issued 2,000, 10% debentures of ₹100 each at par, redeemable after four years at a premium of 10%. The minimum amount invested in Debenture Redemption Investment will be:
(a) ₹30,000
(b) ₹50,000
(c) ₹1,00,000
(d) ₹2,00,000
5. According to the guidelines issued by Securities and Exchange Board of India (SEBI) what percentage of the amount of debentures must be transferred to 'Debenture Redemption Reserve' before the commencement of redemption of debentures, in case of convertible debentures?
(a) 25% (b) 50%
(c) 100% (d) Zero
6. King Ltd. (an unlisted company) decided to redeem its 4,000, 9% Debentures of ₹100 each which were issued at a discount of 8%, and were redeemable at a premium of 10%. The amount transferred to Debenture Redemption Reserve will be:
(a) ₹40,800 (b) ₹44,000
(c) ₹1,00,000 (d) ₹40,000
7. Naresh Ltd. (an unlisted company) wants to redeem 5,000, 5% Debentures of 100 each at 5% premium. How much amount it must transfer to Debenture Redemption Reserve, if it has already a balance of ₹20,000 in Debenture Redemption Reserve Account?
(a) ₹1,05,000 (b) ₹30,000
(c) ₹2,30,000 (d) ₹4,80,000
8. A Company issuing debentures with a maturity period of not more than ____ need not create Debenture Redemption Reserve
(a) 2 months (b) 6 months
(c) 12 months (d) 18 months
9. Where is 'Debenture Redemption Reserve' transferred after the redemption of all debentures?
(a) Capital Reserve Account
(b) General Reserve Account
(c) Statement of Profit and Loss

- (d) Sinking Fund Account
10. Ram Kishan Co. Ltd. (an unlisted company) has issued 20,000, 9% Debentures of ₹100 each at a premium of 10% on 1st April, 2018 redeemable as follows:
31st March, 2021 - 10,000 debentures
31st March, 2022 - 4,000 debentures
31st March, 2023 - balance debentures.
It transferred the required amount to Debentures Redemption Reserve on due date. How much amount will be transferred to General Reserve on 31st March, 2021.
(a) ₹2,50,000 (b) ₹1,00,000
(c) ₹2,00,000 (d) ₹5,00,000
11. Anmol Finance Ltd. a listed NBFC is to redeem 10,000, 8% Debentures of ₹100 each at a premium of ₹10 out of profit. Amount that should be invested in Debentures Redemption Investment is:
(a) ₹1,50,000
(b) ₹1,65,000
(c) ₹3,15,000
(d) Nil
12. If debentures are redeemed in parts, Debentures Redemption Reserve is:
(a) transferred to Capital reserve proportionate to debentures redeemed.
(b) transferred to General reserve proportionate to debentures redeemed.
(c) transferred to Capital reserve proportionate after all debentures have been redeemed.
(d) transferred to General reserve proportionate after all debentures have been redeemed.
13. Amount is not set aside to DRR if:
(a) The debentures are not convertible
(b) The debentures are partly convertible
(c) The debentures are fully convertible
(d) The debentures are redeemable in cash
14. Anubhav Financing Ltd., a listed NBFC, is to redeem its debentures of nominal (face) value ₹2,50,000 each on 30th June, 2021, 30th September, 2021, 31st December, 2021 and 31st March, 2022. The amount that should be invested in Debentures Redemption Investment on or before 30th April, 2021 should be:
18. The entry passed in the books of Cera Ltd. to write off Discount on Issue of Debentures:
(a) Surplus, i.e., Balance in Statement of Profit & Loss A/c Dr. 6,00,000
To Discount on Issue of Debentures A/c 6,00,000
(b) Statement of Profit & Loss Dr. 5,00,000.
To Discount on Issue of Debentures A/c 5,00,000
(c) Surplus, i.e., Balance in Statement of Profit & Loss A/c Dr. 7,50,000
To Discount on Issue of Debentures A/c 7,50,000
(d) Statement of Profit & loss Dr. 12,50,000
To Discount on Issue of Debentures A/c 12,50,000
19. The entry passed in the books of Cera Ltd. on realisation of 10% Fixed Deposit (Including interest) is:
(a) Bank A/c Dr. 8,12,500
To Debentures Redemption Investment A/c 7,50,000
To Interest Earned A/c 62,500
(b) Bank A/c Dr. 8,25,000
To Debentures Redemption Investment A/c 7,50,000
To Interest Earned A/c 75,000

- (a) ₹37,500 (b) ₹1,50,000
(c) ₹2,50,000 (d) 10,00,000

15. Anurag Ltd., a listed HFC, is to redeem its debentures of nominal (face) value ₹2,50,000 each on 30th September, 2021, 31st December, 2021, 31st March, 2022 and 30th June, 2022. The amount to be invested in Debentures Redemption Investment on or before 30th April, 2021 should be:
(a) ₹37,500 (b) ₹1,50,000
(c) ₹2,50,000 (d) ₹1,12,500

Direction for Questions 16 to 20: Read the following text and answer the questions as per it.

Cera Ltd., a listed company, offers a wide spectrum of experience through an extensive range of products. To complement the Sanitaryware products there is wide range of faucets, tiles, shower products, kitchen sink and personal care products.

During the year ended 31st March, 2013, it planned to open its showrooms pan India, for which it issued 50,000, 12% Debentures of Rs.100 each at a Discount of 10% on 1st April, 2017 redeemable at par on 31st January, 2022. Applications were received for 60,000 Debentures and the allotment was made to all the applicants on pro roto basis. The debentures were redeemed on the due date. The company complied with the legal requirements with respect to DRR and DRI (made in Fixed Deposit earning interest @ 10% p.a. on 1st April, 2021). As per the terms of issue interest on debentures is payable annually. Tax is deducted by both the company and bank @ 10%. Based on the above information, answer the following questions:

16. The amount transferred to DRR before the redemption of debentures is:
(a) ₹5,00,000 (b) ₹4,00,000
(c) ₹50,00,000
(d) Nil
17. The amount of Fixed Deposit to be made of
(a) ₹9,00,000
(b) ₹7,50,000
(c) ₹50,00,000
(d) Nil

- (c) Bank A/c
TDS Collected (Receivable) A/c
To Debentures Redemption Investment A/c
To Interest Earned A/c
- (d) Bank A/c
TDS Collected (Receivable) A/c
To Debentures Redemption Investment A/c
To Interest Earned A/c
20. Amount Payable to Debenture holders on redemption (including Debentures' Interest) is
(a) ₹50,00,000 (b) ₹55,00,000
(c) ₹55,40,000 (d) ₹54,50,000
21. Following companies except _____ are required to invest amount in Debenture Redemption Investment an amount not less than 15% of the debentures to be redeemed by 31st March of next year.
(a) Listed Companies
(b) Unlisted Companies (Other than NBFCs and HFCs)
(c) All India Financial Institutions regulated by RBI
(d) Listed NBFC and HFC companies
22. A company before the redemption of debentures should transfer at least 10% of the nominal value of outstanding debentures to Debenture Redemption Reserve, if:
(a) It is a NBFC regulated by RBI
(b) It is a Housing Finance Company registered with National Housing Bank
(c) It is a listed company.
(d) It is an unlisted (Other than NBFC or HFC) company.
23. The Companies Act, 2013 (Section 71(4) read along with Rules) prescribes that a company required to invest amount in Debentures Redemption Investment (DRI) shall invest 15% of Debentures to be redeemed by 31st March of next year on or before 30th April of the Current year. A company is to redeem ₹5,000, 6% Debentures of ₹100 each on 31st January, 2022. The company will
(a) invest ₹1,25,000 in DRI on 30th April, 2021.
(b) invest ₹1,25,000 in DRI between 1st April, 2021 and 30th April, 2021.
(c) invest ₹75,000 in DRI on any day before 1st April, 2021.
(d) invest ₹75,000 in DRI on or any day before 30th April, 2021.
24. Aces Ltd., an unlisted (Non-NBFC or HFC) company, is to redeem 2,000; 9% Debentures of ₹100 each upon 31st December, 2022. The company should invest 15% of ₹2,00,000 in specified securities on or before:
(a) 30th April, 2021
(b) 30th April, 2022
(c) 31st December, 2021
(d) 31st December, 2022
25. Best Finance Ltd. a listed (NBFC) is to redeem 5,000, 10% Debentures of ₹100 each on 30th June, 2022 and 10,000, 10% Debentures of ₹100 each on 31st December, 2022. The company should invest in specified securities:
(a) ₹75,000 on or before 30th April, 2021
(b) ₹1,50,000 on 30th April, 2022

Dr.	8,06,250
Dr.	6,250
	7,50,000
	62,500
Dr.	8,17,500
Dr.	7,500
	7,50,000
	75,000

- (c) ₹2,25,000 on or before 30th June, 2022
(d) ₹2,25,000 on or before 30th April, 2022
26. Balance Sheet of the company shows 1,000, 8% debentures of ₹1,000 each as a liability. Its balance sheet also shows following balances under the main head reserves and surplus:
(i) Capital Reserve ₹50,000
(ii) Securities Premium ₹2,00,000
(iii) Revaluation Reserve ₹10,00,000
(iv) Surplus, i.e., Balance in Statement in Profit and Loss ₹1,50,000
If it is to transfer amount to DRR, it will transfer as follows:
(a) ₹1,00,000 from securities premium
(b) ₹50,000 each from capital reserve and revaluation reserve
(c) ₹50,000 each from Securities Premium and Revaluation reserve
(d) ₹1,00,000 from surplus, i.e., Balance in Statement of Profit and Loss
27. Arrange the following in order of happening when the debentures are redeemed by draw of lots:
A. Issue of Debentures
B. Receipt of amount against issue of debentures
C. Investment in DRI
D. Determining Debentures to be redeemed
E. Transfer of profits to DRR
Choose the correct option:
(a) A, B, E, D and C (b) A, D, C, B and E
(c) A, B, D, C and E (d) A, D, B, C and E
28. Which of the following relate to Redemption of Debentures by a listed Company?
A. transfer 10% of the value of Outstanding Debentures to Debentures Redemption Reserve.
B. Invest in specified securities an amount at least equal to 15% of the nominal (face) value of debentures to be redeemed by 31st March of next year.
C. Investment in specified securities an amount at least equal to 10% of the nominal (face) value of debentures to be redeemed by 31st March of next year.
D. transfer to Debentures Redemption Reserve is not required
E. ₹15,000 will be invested on or before 30th April, 2022 if 1,000, 8% Debentures of ₹100 each are to be redeemed on 31st July, 2022.

Choose the correct option

- (a) B, C and D only (b) B, D and E only
(c) A, B and D only (d) A, B, C, and E only
29. Which of the following relate to Redemption of Debentures by an Unlisted (Other than NBFC and HFC) company?
- A. transfer 10% of the Outstanding Debentures to Debentures Redemption Reserve.
B. Invest in specified securities an amount at least equal to 15% of the nominal (face value of debentures to be redeemed by 31st March of next year.
C. Investment in specified securities an amount at least equal to 10% of the nominal (face) value of debentures to be redeemed by 31st March of next year.
- D. transfer to Debentures Redemption Reserve is not required.
E. Investment in specified securities is not to be made.
Choose the correct option.
(a) A, B and D only (b) A and B only
(c) A, C and D only (d) A, B, C, D and E
30. Redemption of profits means that an amount equal to _____ is transferred from _____ to a newly opened A/c called DRR A/c.
(a) Divisible Profits, Outstanding Debentures
(b) Outstanding Debentures, Divisible Profits
(c) Issued Debentures, Earned Profits
(d) Earned Profits, Issued Debentures

SUBJECTIVE QUESTIONS

1. Pass necessary Journal entries in the books of M Ltd.(an unlisted company) for the issue and redemption of Debentures in the following cases:
(i) 30,000; 13% Debentures of ₹100 each issued at 10% premium, repayable at par.
(ii) 12,000; 14% Debentures of ₹500 each issued at 5% premium, repayable at 10% premium.
2. Vikas Enterprises Ltd. (an unlisted company) issued 70,000, 6 ½% debentures of ₹100 each on October 1, 2011 redeemable as follows:
- | | |
|--------------------|-------------------|
| On 31st March 2015 | 10,000 Debentures |
| On 31st March 2016 | 10,000 Debentures |
| On 31st March 2017 | 14,000 Debentures |
| On 31st March 2018 | 14,000 Debentures |
| On 31st March 2019 | 22,000 Debentures |
- The Board decides to transfer to Debenture Redemption Reserve ₹40,000 and ₹3,20,000 on March 31, 2012 and 2013 respectively and balance required to be transferred to Debenture Redemption Reserve on March 31, 2014. Record necessary journal entries. Ignore entries for payment of interest. Investment as required by law was made in fixed deposit of the bank.
3. Tanu Enterprises Ltd. (an unlisted company) issued 24,000, 6% Debentures of ₹100 each on September 1, 2012 redeemable at a premium of 7% as under:
- | | |
|-------------------|-------------------|
| On March 31, 2018 | 8,000 Debentures |
| On March 31, 2019 | 6,000 Debentures |
| On March 31, 2020 | 10,000 Debentures |
- The Board of Directors has also decided to transfer the required amount to Debenture Redemption Reserve in four equal annual instalments starting with March 31, 2014. Record necessary journal entries. Ignore entries for interest. Investment as required by law was made in fixed deposit of the bank.
4. On 1st April, 2016, the following balances appeared in the books of Rohit Ltd. (*an unlisted company*)
- | | |
|-------------------------------------|-----------|
| | ₹ |
| 12% Debentures | 14,00,000 |
| Premium on Redemption of Debentures | 1,40,000 |
| Debenture Redemption Reserve | 75,000 |
- The debentures were to be redeemed at a premium of 10% in *two equal annual instalments* beginning from 31st March, 2018. To meet the requirements of the Companies Act, 2013, the company transferred the balance amount to Debenture Redemption Reserve on 31st March, 2017. On 30th April, 2017, it met the requirements of the Companies Act, 2013 regarding Debenture Redemption Investment and redeemed the debentures on the scheduled dates.
You are required to pass necessary journal entries to record the above transactions in the books of Shikhar Ltd. (*Ignore interest on Debentures*).
5. On 1-4-2008 Prince Ltd: issued 12,000 9% debentures of ₹100 each at a discount of 10%. These debentures were redeemable in four instalments starting from the end of third year. The amount of debentures to be redeemed at the end of third, fourth, fifth and sixth year was as follows :

Year	Amount of Debentures to be redeemed ₹
III	2,00,000
IV	2,00,000
V	4,00,000
VI	4,00,000

Prepare 9% Debentures Account for the years 2008-09 to 2013-14.

6. Truth and Dare Ltd. has total redeemable debentures of ₹5,00,000. It decides to redeem these debentures in two instalments of ₹2,00,000 and ₹3,00,000 on December 31st 2018 and March 31st 2020 respectively. Assuming that the Company has sufficient funds in Debenture Redemption Reserve Account, pass necessary journal entries for the year ending March 31st 2020.
7. Mega Ltd. (an unlisted company) redeemed its entire outstanding 8% Debentures of ₹100 each at a premium of 5% on 31st March, 2020.

Fill in the missing figures in the following journal entries.

Books of Mega Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	Surplus of Statement of Profit and Loss Dr. To Debentures Redemption Reserve A/c (Transfer of profits equal to% of the nominal value of debentures outstanding)		--	--
2020 March 31	8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption of Debentures of ₹100 each at 5% premium)		-- --	--
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		--	--
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c General Reserve A/c on redemption)		80,000	80,000

8. Rama Ltd. redeemed its entire 11% debentures at a premium of 10% out of profits on 31st March, 2020. Fill in the missing figures in the following journal entries:

Books of Rama Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31A/c Dr. ToA/c (Transfer of profit to)		--	--
2020 March 31	11% Debentures A/c Dr.A/c Dr. To Debentureholdes A/c (Amount due on redemption)		40,00,000 --	--
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		--	--
March 31A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on redemption)		--	--

SOLUTION FOR MCQ QUESTIONS

1. (b) Amount that must be in DRR Account = 10% of 5,00,000 = ₹50,000
Amount already in DRR Account = ₹40,000
Amount to be transferred to DRR A/c = 50,000 – 40,000 = ₹10,000
2. (d) Banking companies are exempt from creatin DRR.
3. (d) Banking Companies are not required to invest in specified securities.
4. (b) Amount that must have been invested = 15% of 10,00,000 = ₹1,50,000
Amount realised from investment less brokerage = 150% of 1,50,000 – 10 % of (150% of 1,50,000) = 2,25,000 – 22,500 = ₹2,02,500
5. (b)
6. (b) Amount payable on redemption = 110% of 5,00,000 = ₹5,50,000
7. (d)
8. (a)
9. (b)
10. (d) As redemption is out of profits, so 100% of amount equal to debentures outstanding must be transferred to DRR A/c. So amount needed to be transferred to DRR= 12,00,000 – 3,00,000 = ₹9,00,000.
11. (c)
12. (b) Amount to be redeemed in each lot = 8,00,000/5 = ₹1,60,000
So amount of investment =15% of 1,60,000 = ₹24,000
13. (b)
14. (a) Amount refunded = 5,000 × 50 = ₹2,50,000
15. (d)
16. (b)
17. (c)
18. (a)
19. (d)
20. (a)

SOLUTIONS FOR SUBJECTIVE QUESTIONS

1.

Books of Raman Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018 April 1	Bank A/c Dr. To 10% Debenture Application & Allotment A/c (Receipt of application money)		8,48,000	8,48,000
April 1	10% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Transfer of application money)		8,48,000 80,000	8,00,000 48,000 80,000
2019 March 31	Securities Premium Reserve A/c Dr. Statement of Profit & Loss Dr. To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)		48,000 32,000	80,000
2021 March 31	Surplus in Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c		80,000	80,000

April 30	(Transfer of profits equal to 10% of the nominal value of debentures outstanding)			
	Debiture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		1,20,000	1,20,000
2022 March 31	Bank A/c Dr. To Debiture Redemption Investment A/c To Interest Received A/c (Investment bearing 10% p.a. interest encashed)		1,31,000	1,20,000 *11,000
March 31	10% Debitures A/c Dr. Premium on Redemption of Debitures A/c Dr. To Debitureholder's A/c (Amount due on redemption)		8,00,000 80,000	8,80,000
March 31	Debitureholder's A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		8,80,000	8,80,000
March 31	Debiture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debiture Redemption Reserve A/c to General Reserve A/c on redemption)		80,000	80,000
March 31	Interest Received A/c Dr. To Statement of Profit & Loss (Transfer of interest on investments)		11,000	11,000

*Interest is calculated for 11 months.

2.

Books of Garima Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2021 March 31	Surplus in Statement of Profit and Loss ⁽²⁾ Dr. To Debiture Redemption Reserve A/c (Transfer of profits as per SEBI guidelines)		25,000	25,000
April 30	Debiture Redemption Investment A/c Dr. To Bank A/c (Investment made @ 15% of the face value of debentures to be redeemed)		75,000	75,000
2022 March 31	Bank A/c ⁽¹⁾ Dr. To Debiture Redemption Investment A/c To Profit on Sale of Investment A/c (Investment encashed at 104% less brokerage 0.5%)		77,610	75,000 2,610
March 31	Profit on Sale of Investment A/c Dr. To Statement of Profit & Loss (Transfer of profit on sale of investments)		2,610	2,610
March 31	12% Debitures A/c Dr. To Debitureholders A/c (Amount due on redemption)		5,00,000	5,00,000
March 31	Debitureholders A/c Dr. To Bank A/c		5,00,000	5,00,000

March 31	(Payment of amount due to debentureholders)			
	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on redemption)		50,000	50,000

Working Note :

(1)	Amount realised from date of investments :		₹
	$75,000 \times \frac{104}{100}$	=	78,000
	Less : Brokerage $78,000 \times \frac{0.5}{100}$	=	390
			77,610

(2)	Total Amount required for transfer to		₹
	Debenture Redemption Reserve = 10% of 10,00,000	=	50,000
	Less : Existing Balance	=	25,000
	Amount now required to be transferred to Debenture Redemption Reserve		25,000

3.

Books of Arora Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
March 31	Surplus in Statement of Profit and Loss ⁽¹⁾ Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)		30,000	30,000
April 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed i.e. 15% of ₹4,00,000)		60,000	60,000
2019				
March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		60,000	60,000
March 31	10% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption of debentures)		4,00,000	4,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		4,00,000	4,00,000
March 31	Debenture Redemption Reserve A/c ⁽²⁾ Dr. To General Reserve A/c (Proportionate amount of DRR transferred to General Reserve on redemption of 4,000 debentures)		40,000	40,000

Note : (1)	Total amount required for transfer to Debenture Redemption Reserve = 10% of Rs.10,00,000	₹
	Reserve = 10% of Rs.10,00,000	1,00,000
	Less : Existing Balance	70,000
	Amount now required to be transferred to Debenture Redemption Reserve	30,000

(2)	Total DRR for 20,000 Debenture = ₹1,00,000
	Proportionate DRR for 8,000 Debentures = $\frac{1,00,000}{10,000} \times 4,000 = ₹ 40,000$

4.

Books of Jindal. Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	Bank A/c Dr. To Debenture Application and Allotment A/c (Application and allotment money received (3,000 × ₹940))		28,20,000	28,20,000
April 1	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption of Debentures A/c To Bank A/c (Allotment of Debentures redeemable at 10% premium)		28,20,000 4,00,000	25,00,000 2,50,000 4,70,000
2018 March 31	Statement of Profit & Loss Dr. To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)		4,00,000	4,00,000
2019 March 31	Surplus i.e., Balance in Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profit equal to 10% of ₹ 25,00,000)		2,50,000	2,50,000
April 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @ 15% of ₹ 25,00,000)		3,75,000	3,75,000
2020 March 31	Bank A/c Dr. TDS Deposited A/c Dr. To Debenture Redemption Investment A/c To Interest Received A/c (Fixed deposit encashed on Redemption)		4,05,375 3,375	3,75,000 33,750
March 31	12% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due to Debentureholders)		25,00,000 2,50,000	27,50,000
March 31	Debentureholders A/c Dr. To Bank A/c (Amount paid on redemption)		27,50,000	27,50,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve)		2,50,000	2,50,000
March 31	Interest Received A/c Dr. To Statement of Profit & Loss (Transfer of interest on investments)		33,750	33,750

5.

Books of Gandhi Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	Surplus in Statement of Profit and Loss ⁽¹⁾ Dr. To Debenture Redemption Reserve A/c (Transfer of profits to DRR)		1,00,00,000	1,00,00,000
April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		15,00,000	15,00,000
2020 March 31	Bank A/c Dr. TDS Deposited A/c Dr.		15,99,000 11,000	

	To Debenture Redemption Investment A/c			15,00,000
	To Interest Received A/c			1,10,000
	(Fixed deposit earning interest @8)% p.a. encashed on redemption)			
March 31	8% Debentures A/c Dr.	1,00,00,000		
	Premium on Redemption of Debentures A/c Dr.	10,00,000		
	To Debentureholders A/c		1,10,00,000	
	(Amount due on redemption)			
March 31	Debentureholders A/c Dr.	1,10,00,000		
	To Bank A/c		1,10,00,000	
	(Payment of amount due to debentureholders)			
March 31	Debenture Redemption Reserve A/c Dr.	1,10,00,000		
	To General Reserve A/c		1,10,00,000	
	(Transfer of Debenture Redemption Reserve A/c) to General Reserve A/c on redemption)			
March 31	Interest Received A/c Dr.	1,10,000		
	To Statement of Profit and Loss		1,10,000	
	(Transfer of interest on investments)			

Note (1) : Since the debentures are redeemable fully out of profits, an amount equal to the total amount of debentures redeemed i.e., ₹1,00,00,000 (and not 10% of ₹1,00,00,000) has been transferred to Debenture Redemption Reserve.

6.

Journal of Harshit LTD.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
2013 April 1	Bank A/c Dr. To 12% Debenture Application and Allotment A/c (Debenture application money received)		9,00,000	9,00,000
April 1	12% Debenture Application and Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 12% Debentures A/c (Issue of Debentures at 10% discount)		9,00,000 1,00,000	10,00,000
2014 March 31	Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c (Discount on issue of debentures written off)		1,00,000	1,00,000
March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profit to DRR)		60,000	60,000
2015 March 31	Surplus in Statement of Profit & Loss ⁽¹⁾ Dr. To Debenture Redemption Reserve A/c (Transfer of profits to DRR)		40,000	40,000
2016 April 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		1,50,000	1,50,000
2017 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		1,50,000	1,50,000
March 31	9% Debentures A/c Dr. To Debentureholders' A/c (Amount due on redemption)		10,00,000	10,00,000
March 31	Debentureholders' A/c Dr. To Bank A/c (Payment made to Debentureholders)		10,00,000	10,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of DRR to General Reserve)		1,00,000	1,00,000

Working Notes

1.	Total amount required to be transferred to Debenture Redemption Reserve	= 10% of ₹10,00,000	= ₹ 1,00,000
	Less : Transferred on 31 st March, 2014		60,000
	Balance amount to be transferred on 31 st March, 2015		<u>40,000</u>

7.

Books of Meenu Garments Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013 March 31	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Application money received on issue of debentures)		42,00,000	42,00,000
March 31	9% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7 ½ % Debenture Redemption Premium A/c To Debenture Redemption Premium A/c (Transfer of application money)		42,00,000 3,36,000	42,00,000 3,36,000
2014 March 31	Statement of Profit & Loss Dr. To Loss on Issue of Debentures A/c (Loss on issue of debenture written off)		3,36,000	3,36,000
2018 March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)		1,40,000	1,40,000
2019 March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)		1,40,000	1,40,000
2020 March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption reserve)		1,40,000	1,40,000
April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		6,30,000	6,30,000
June 30	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		6,30,000	6,30,000
June 30	9% Debentures A/c Dr. Debentures Redemption Premium A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption of debentures)		42,00,000 3,36,000	45,36,000
June 30	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		45,36,000	45,36,000
June 30	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve)		4,20,000	4,20,000

8.

JOURNAL OF GANESH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	Sundry Assets A/c Dr. Goodwill A/c (Balancing figure) Dr. To Sundry Liabilities To Sohan Ltd.		6,00,000 1,30,000	70,000 6,60,000
"	(Assets and liabilities acquired of Sohan Ltd.) Sohan Ltd. Dr. Loss on Issue of Debentures A/c Dr. To 12% Debentures A/c ⁽¹⁾ To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Debentures issued at a premium redeemable at a premium)		6,60,000 30,000	6,00,000 60,000 30,000
2017 Mar. 31	Securities Premium Reserve A/c Dr. To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)		30,000	30,000
2018 Mar. 31	Surplus i.e. balance in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Debenture Redemption Reserve created out of profits)		60,000	60,000
April 1	10% Debenture Redemption Investments A/c Dr. To Bank A/c (Debenture Redemption Investment purchased)		90,000	90,000
2019 Mar. 31	Bank A/c Dr. TDS Collected/Deposited A/c Dr. To Interest on Debenture Redemption Investments A/c (Interest received on Debenture redemption Investments)		8,100 900	9,000
"	Bank A/c Dr. To 10% Debenture Redemption Investments A/c (Debenture Redemption Investments sold)		90,000	90,000
"	12% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debenture Holders A/c (Amount payable to debenture holders on redemption)		6,00,000 30,000	6,30,000
"	Debenture holders A/c Dr. To Bank A/c (Debentures redeemed)		6,30,000	6,30,000
"	Interest on Debenture Redemption Investments A/c Dr. To Statement of Profit and Loss (Interest on Debenture Redemption Investments transferred to Statement of Profit and Loss)		9,000	9,000
"	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Debenture Redemption Reserve transferred to general reserve)		60,000	60,000

Working Notes

1. Debentures issued = $\frac{6,60,000}{110} = 6,000$ Debentures of ₹100 each.

SOLUTION FOR HOMEWORK QUESTIONS

SOLUTION FOR MCQ QUESTIONS

- | | |
|--|--|
| <p>1. (c)</p> <p>2. (d)</p> <p>3. (c)</p> <p>4. (a) Minimum amount invested in Debenture Redemption Investment will be = 15% of 2,00,000 = ₹30,000</p> <p>5. (d)</p> <p>6. (d) Amount transferred to Debenture Redemption Reserve will be = 10% of 4,00,000 = ₹40,000</p> <p>7. (b) Amount that must in DRR Account = 10% of 5,00,000 = ₹50,000
Amount already in DRR Account = ₹20,000
Amount to be transferred to DRR Account = 50,000 – 20,000 = ₹30,000</p> <p>8. (d)</p> <p>9. (b)</p> <p>10. (b)</p> <p>11. (a) Amount that should be invested in Debentures Redemption Investment is = 15% of 10,00,000 = ₹1,50,000</p> <p>12. (b)</p> <p>13. (c)</p> <p>14. (b) Amount that should be invested in Debentures Redemption Investment on or before 30th April, 2021 = 15% of (2,50,000 × 4) = ₹1,50,000</p> | <p>15. (d) Amount to be invested in DRI = 15% of (2,50,000 × 3) = 1,12,500</p> <p>16. (d) As Cera Ltd. is a listed company so no amount is transferred to Debenture Redemption Reserve Account.</p> <p>17. (b) Amount of fixed deposit = 15% of 50,00,000 = ₹7,50,000</p> <p>18. (b)</p> <p>19. (c)</p> <p>20. (d)</p> <p>21. (c)</p> <p>22. (d)</p> <p>23. (d) Company will invest in DRI 15% of 5,00,0000 i.e. ₹75,000 on or before 30th April, 2021</p> <p>24. (b)</p> <p>25. (d) Amount to be invested = 15% of 15,00,000 = ₹2,25,000 and it will be invested on or before 30th April, 2022</p> <p>26. (d)</p> <p>27. (a)</p> <p>28. (b)</p> <p>29. (b)</p> <p>30. (b)</p> |
|--|--|

SOLUTION FOR SUBJECTIVE QUESTIONS

1. **JOURNAL OF M LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	At the time of Issue of Debentures			
	Bank A/c Dr. To 13% Debenture Application and Allotment A/c (Receipt of application money)		33,00,000	33,00,000
	13% Debenture Application and Allotment A/c Dr. To 13% Debentures A/c To Securities Premium Reserve A/c (Issue of Debentures at 10% premium, repayable at par)		33,00,000	30,00,000 3,00,000
	Before Redemption of Debentures Begins			
	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Amount transferred to DRR equal to 10% of the nominal value of debentures outstanding)		3,00,000	3,00,000
	Debentures Redemption Investments A/c Dr. To Bank A/c (Investment made @ 15% of the nominal value of debentures to be redeemed)		4,50,000	4,50,000
	On Redemption			
	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed)		4,50,000	4,50,000

(ii)	13% Debentures A/c To Debentureholders' A/c (Amount due to debentureholders)	Dr.	30,00,000	30,00,000
	Debentureholders' A/c To Bank A/c (Amount paid to Debentureholders)	Dr.	30,00,000	30,00,000
	Debenture Redemption Reserve A/c To General Reserve A/c (Transfer of DRR to General Reserve after redemption)	Dr.	3,00,000	3,00,000
	At the time of Issue of Debentures			
	Bank A/c To 14% Debenture Application and Allotment A/c (Receipt of application money)	Dr.	63,00,000	63,00,000
	14% Debenture Application and Allotment A/c Loss on Issue of Debentures A/c To 14% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Issue of debentures at 5% premium, repayable at 10% premium)	Dr. Dr.	63,00,000 6,00,000	60,00,000 3,00,000 6,00,000
	Securities Premium Reserve A/c Statement of Profit & Loss To Loss on Issue of Debentures A/c (Loss on issue of Debentures written off)	Dr. Dr.	3,00,000 3,00,000	6,00,000
	Before Redemption of Debentures Begins			
	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Amount transferred to DRR equal to 10% of the nominal value of debentures outstanding)	Dr.	6,00,000	6,00,000
	Debenture Redemption Investment A/c To Bank A/c (Investment made @ 15% of the nominal value of debentures to be redeemed)	Dr.	9,00,000	9,00,000
	On Redemption			
	Bank A/c To Debenture Redemption Investment A/c (Investments encashed)	Dr.	9,00,000	9,00,000
	14% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders A/c (Amount due to debentureholders)	Dr. Dr.	60,00,000 6,00,000	66,00,000
	Debentureholders A/c To Bank A/c (Amount paid to Debentureholders)	Dr.	66,00,000	66,00,000
	Debenture Redemption Reserve A/c To General Reserve A/c (Transfer of DRR to General Reserve after redemption)	Dr.	6,00,000	6,00,000

2.

**Books of Vikas Enterprises Ltd.
JOURNAL**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
2011 Oct. 1	Bank A/c To 6 ½ % Debenture Application & Allotment A/c (Receipt of application money)	Dr.	70,00,000	70,00,000
Oct. 1	6 ½ % Debenture Application & Allotment A/c To 6 ½ % Debentures A/c (Transfer of application money)		70,00,000	70,00,000
2012				

March 31	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to DRR)	Dr.	40,000	40,000
2013 March 31	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to DRR)	Dr.	3,20,000	3,30,000
2014 March 31	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to DRR: 10% of 70,00,000 = 7,00,000 Less : On 31.3.2012 40,000 On 31.3.2013 <u>3,20,000</u> <u>3,60,000</u> <u>3,40,000</u>	Dr.	3,40,000	3,40,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of first instalment Of ₹10,00,000)	Dr.	1,50,000	1,50,000
2015 March 31	6 ½ % Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	10,00,000	10,00,000
March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	10,00,000	10,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Note 1) (Transfer of proportionate amount of DRR to General Reserve)	Dr.	1,00,000	1,00,000
2016 March 31	6 ½ % Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	10,00,000	10,00,000
March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	10,00,000	10,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Note 1) (Transfer of proportionate amount of DRR to General Reserve)	Dr.	1,00,000	1,00,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of additional amount ₹4,00,000 i.e., ₹14,00,000 – ₹10,00,000)	Dr.	60,000	60,000
2017 March 31	6 ½ % Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	14,00,000	14,00,000
March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	14,00,000	14,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Note 1) (Transfer of proportionate amount of DRR to General Reserve)	Dr.	1,40,000	1,40,000
2018 March 31	6 ½ Debentures A/c To Debentureholders A/c	Dr.	14,00,000	14,00,000

	(Amount due on redemption)			
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to Debentureholders)		14,00,000	14,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Note 1) (Transfer of proportionate amount of DRR to General Reserve)		1,40,000	1,40,000
April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made equal to 15% of additional amount of ₹8,00,000 i.e., ₹22,00,000 – ₹14,00,000)		1,20,000	1,20,000
2019				
March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments amounting to ₹1,50,000 plus ₹60,000 plus ₹1,20,000 encashed before redemption of last instalment)		3,30,000	3,30,000
March 31	6 ½ % Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		22,00,000	22,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to Debentureholders)		22,00,000	22,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of proportionate amount of DRR to General Reserve)		2,20,000	2,20,000

Working Note :

(1) DRR will be transferred to General Reserve A/c as follows:

On 31 st March 2015 : 7,00,000 × $\frac{10,00,000}{70,00,000}$	=	₹ 1,00,000
On 31 st March 2016 : 7,00,000 × $\frac{10,00,000}{70,00,000}$	=	₹ 1,00,000
On 31 st March 2017 : 7,00,000 × $\frac{14,00,000}{70,00,000}$	=	₹ 1,40,000
On 31 st March 2018 : 7,00,000 × $\frac{14,00,000}{70,00,000}$	=	₹ 1,40,000
On 31 st March 2019 : 7,00,000 × $\frac{22,00,000}{70,00,000}$	=	₹ 2,20,000

3.

Books of Tanu Enterprises Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 Sept. 1	Bank A/c Dr. To 6% Debenture Application & Allotment A/c (Receipt of application money)		24,00,000	24,00,000
Sept. 1	6% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 6% Debentures A/c To Premium on Redemption of Debentures A/c (Transfer of application money)		24,00,000 1,68,000	24,00,000 1,68,000
2013 March 31	Statement of Profit & Loss Dr. To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)		1,68,000	1,68,000
2014 March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profit to DRR)		60,000	60,000

2015	March 31	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profit to DRR)	Dr.	60,000	60,000
2016	March 31	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profit to DRR)	Dr.	60,000	60,000
2017	March 31	Surplus in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profit to DRR)	Dr.	60,000	60,000
	April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of first instalment of ₹8,00,000)	Dr.	1,20,000	1,20,000
2018	March 31	Bank A/c To Debenture Redemption Investment A/c (Investments encashed equal to 15% of ₹2,00,000 i.e., ₹6,00,000 – ₹4,00,000)	Dr.	30,000	30,000
	March 31	6% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr. Dr.	8,00,000 56,000	8,56,000
	March 31	Debentureholders A/c To Bank A/c (Payment of amount due to debentureholders)	Dr.	8,56,000	8,56,000
	March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Note 1) (Transfer of proportionate amount of DRR to General Reserve)	Dr.	80,000	80,000
2019	March 31	6% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr. Dr.	6,00,000 42,000	6,42,000
	March 31	Debentureholders A/c To Bank A/c (Payment of amount due to debentureholders)	Dr.	6,42,000	6,42,000
	March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Note 1) (Transfer of proportionate amount of DRR to General Reserve)	Dr.	60,000	60,000
	April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of additional amount of ₹4,00,000 i.e ₹10,00,000 – ₹6,00,000)	Dr.	60,000	60,000
2020	March 31	Bank A/c To Debenture Redemption Investment A/c (Investments encashed before redemption of last instalment)	Dr.	1,50,000	1,50,000
	March 31	6% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr. Dr.	10,00,000 70,000	10,70,000
	March 31	Debentureholders A/c	Dr.	10,70,000	

March 31	To Bank A/c (Payment of amount due to debentureholders)			10,70,000
	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of proportionate amount of DRR to General Reserve)		1,00,000	1,00,000

Working Note :

(1) DRR will be transferred to General Reserve as follows:

On 31 st March 2018 : 2,40,000 × $\frac{8,00,000}{24,00,000}$	=	₹80,000
On 31 st March 2019 : 2,40,000 × $\frac{6,00,000}{24,00,000}$	=	₹60,000
On 31 st March 2020 : 2,40,000 × $\frac{10,00,000}{24,00,000}$	=	₹1,00,000

4.

**Rohit Ltd.
JOURNAL**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. Amount</i>	<i>Cr. Amount</i>
2017			₹	₹
March 31	Surplus in Statement of Profit and Loss ⁽¹⁾ Dr. To Debenture Redemption Reserve A/c (Transfer of profit equal to 10% of the face value of debentures to DRR)		65,000	65,000
April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made equal to 15% of first instalment of ₹7,00,000)		1,05,000	1,05,000
2018				
March 31	12% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		7,00,000 70,000	7,70,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		7,70,000	7,70,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of proportionate amount of DRR to General Reserve)		70,000	70,000
2019				
March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed)		1,05,000	1,05,000
March 31	12% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		7,00,000 70,000	7,70,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		7,70,000	7,70,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of proportionate amount of DRR to General Reserve)		70,000	70,000

Working Note : (1)

Total amount required for transfer to DRR 10% of ₹14,00,000
Less : Existing Balance

₹
1,40,000
<u>75,000</u>
65,000

5.

Dr.

9% DEBENTURES ACCOUNT

Cr.

<i>Date</i>	<i>Particular</i>	<i>L.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particular</i>	<i>L.F.</i>	<i>Amount</i>
2009 March 31	To Balance c/d		₹ 12,00,000	2008 April 1	By Debentures Application & Allotment A/c	₹	₹ 10,80,000
				April 1	By Discount on Issue of Debentures A/c		1,20,000
			12,00,000				12,00,000
2010 March 31	To Balance c/d		12,00,000	2009 April 1	By Balance b/d		12,00,000
2011 March 31	To Debenture- holders A/c		2,00,000	2010 April 1	By Balance b/d		12,00,000
March 31	To Balance c/d		10,00,000				12,00,000
			12,00,000				10,00,000
2012 March 31	To Debenture- holders A/c		2,00,000	2011 April 1	By Balance b/d		10,00,000
March 31	To Balance c/d		8,00,000				10,00,000
			10,00,000				8,00,000
2013 March 31	To Debenture- holders A/c		4,00,000	2012 April 1	By Balance b/d		8,00,000
March 31	To Balance c/d		4,00,000				8,00,000
			8,00,000				8,00,000
2014 March 31	To Debenture- holders A/c		4,00,000	2013 April 1	By Balance b/d		4,00,000

6.

Truth and Dare Ltd.

JOURNAL

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
2019 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investments made @ 15% of ₹3,00,000)		45,000	45,000
2020 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed)		45,000	45,000
"	Debentures A/c Dr. To Debenture Holders A/c (Debentures due for redemption)		3,00,000	3,00,000
"	Debenture Holders A/c Dr. To Bank A/c (Payment made to debenture holders)		3,00,000	3,00,000
"	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of proportionate Debenture Redemption reserve i.e. 10% of ₹3,00,000 to General Reserve)		30,000	30,000

7.

Books of Mega Ltd.**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	Surplus of Statement of Profit and Loss Dr. To Debentures Redemption Reserve A/c (Transfer of profits equal to 10% of the nominal value of debentures outstanding)		80,000	80,000
2020 March 31	8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption of 8,000 Debentures of ₹100 each at 5% premium)		8,00,000 40,000	8,40,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		8,40,000	8,40,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on redemption)		80,000	80,000

8.

Books of Rama Ltd.**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	Surplus of Statement of Profit and Loss ⁽¹⁾ Dr. To Debenture Redemption Reserve A/c (Transfer of profit to Debenture Redemption Reserve)		40,00,000	40,00,000
2020 March 31	11% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		40,00,000 4,00,000	44,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		44,00,000	44,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on redemption)		40,00,000	40,00,000

Note (1): Since the debentures are redeemed fully out of profits, debenture redemption reserve will be created with the full amount of debentures redeemed.