



ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

COMPANY ACCOUNTS REDEMPTION OF DEBENTURES

Illustration

1. (Investment to be made for Redemption of Debentures).

X Ltd. Had issued on 1st April, 2016, 20,000, 9% Debentures of Rs. 100 each redeemable by draw of lots as under :

- (i) During the ending on 31st March, 2018 - 15 %
- (ii) During the ending on 31st March, 2019 - 25 %
- (iii) During the ending on 31st March, 2020 - 15 %
- (iv) During the ending on 31st March, 2021 - 21 %
- (i) During the ending on 31st March, 2022 - 20 %

What is the minimum investment or deposit that should be made by X

Ltd. as per the Companies Act, 2013 before redemption of debentures and

When ?

 [Watch Video Solution](#)

2. (Issue and Redemption of Debentures).

Y Ltd. Issued 50,000, 10 % Debentures of Rs. Each on 1st April, 2018 redeemable at par on 30th June, 2019. The company received applications for 55,000 debentures and the allotment was made to the applicants on prorata. The debentures were redeemed on date. Assume that required investment was made 1st April of the financial year in which redemption is due interest on debentures.

 [Watch Video Solution](#)

3. (Redemption of Debentures in case of Banking Company).

Bank of India Ltd. Has outstanding 1,00,000, 10 % Debentures of Rs. 10 each issued in 2015 due for redemption 30th June, 2019. How much amount of Debentures Redemption Reserve should be created before the

redemption of debentures begins and also how much amount should it invest in specified securities ?

Pass Journal entries at the time of redemption of debentures.



[Watch Video Solution](#)

4. (Redemption of Debentures in case of All India Financial Institutions).

Export-Import Bank of India, an All India Financial Institution, has outstanding Rs. 50,00,000, 10 % Debentures of Rs. 100 each issued in 2016, due for redemption on 31st March, 2019. State the amount of Debentures Redemption Reserve to be created before the redemption of debentures begins. Also, pass Journal entries for redemption of debentures.



[Watch Video Solution](#)

5. SRCC Ltd. Has 20,000, 9 % Debentures of Rs. 100 each outstanding as on 31st March, 2018. These debentures are due for redemption on 31st March, 2019 at a premium of 10 % . The company had a credit balance of

Rs. 22,00,000 in its Surplus, i.e., Balance in Statement of Profit and Loss.

Instead of declaring a dividend it decided to redeem the debentures. Pass the necessary Journal entries in the books of the company for the redemption of debentures.

 [Watch Video Solution](#)

6. X Ltd. Has 40,000, 9 % Debentures of Rs. 100 each outstanding as on 31st March, 2018. These debentures are due for redemption on 31st March, 2019. Debentures Redemption Reserve has a balance of Rs. 5,00,000 on 31st March, 2018.

Pass Journal entries at the time of redemption of debentures.

 [Watch Video Solution](#)

7. Grand Hotel Ltd. had 10,000, 12 % Debentures of Rs. 100 each outstanding as at 31st March, 2018. These debentures were due for redemption on 30th June, 2019. The company decided to transfer Rs. 5,00,000 to Debentures Redemption on 30th June, 2019. The company

decided to transfer Rs. 5,00,000 to Debentures Redemption Reserve on 31st March, 2019 and invest in fixed deposits with Canara Bank Rs. 1,50,000 on 1st April, 2019.

Pass Journal entries for Debentures Redemption Reserve, Debentures Redemption Investment and redemption of debentures.

 [Watch Video Solution](#)

8. Pass necessary Journal entries for the issue and redemption of Debentures in the following cases:

(i) 15,000 , 10 % Debentures of Rs. 100 each issued at 10 % premium, repayable at par.

(ii) 60,000, 12 % Debentures of Rs. 100 each issued at 5 % premium, repayable at 10 % premium.

 [Watch Video Solution](#)

9. XYZ Ltd. Issued 1,00,000, 9 % Debentures of Rs. 50 each at a premium of 10 % on 30th June, 2017 redeemable on 31st March, 2019. The issue

was subscribed. The company decided to transfer amount to DRR on 31st March, 2018 and invest in Fixed Deposit earning interest @ 10 % p.a. on 1st April, 2018 to meet the legal requirement. Tax was deducted at source (TDS) by bank @ 10 %

Pass Journal entries for issue and redemption along with interest on investment.



[Watch Video Solution](#)

10. X Ltd. has a balance of Rs. 4,00,000 in Surplus, i.e., Balance in Statement of Profit and Loss.

The company decided not to pay dividend and instead redeem Rs. 3,50,000, 12 % Debentures on 30th September, 2018 at a premium of 10 % in accordance with terms of issue. Debentures interest is payable annually on 31st March every year when the accounts are closed. The company also has a balance of Rs. 2,00,000 in the Debentures Redemption Reserve.

Tax was deducted @ 10 % on interest on debentures and deposited in Government Account.

The required investment was made by the company Government Securities on 30th April, 2018. Journalies the transactions.

 [Watch Video Solution](#)

11. Casco Infrastructure Ltd. Issued 21,000, 7 % Debentures of Rs. 100 each on 1st January, 2013 redeemable at a premium of 8 % on 30th June, 2018. The Company decided to transfer the required amount to Debentures Redemption Reserve in three equal annual instalment starting from 31st March, 2016. The company invested the funds as required by law in fixed deposit in a bank on 1st April, 2018 earning interest @ 10 % p.a. Tax was deducted on interest earned @ 10 % by the bank.

Pass Journal entries for issue and redemption of debentures, ignoring on debentures.

 [Watch Video Solution](#)

12. Manish Ltd. Issued Rs. 38,00,000 8 % Debentures of Rs. 100 each on 1st April, 2017 terms of issue stated that debentures were to be redeemed at premium of 5 % on 30th June, 2019. The Company decided to transfer out of profits Rs. 5,00,000 to Debentures Redemption Reserve on 31st March, 2018 and Rs. 4,50,000 on 31st March. 2019. Investment at the rate specified in law was made in fixed deposit of a bank on 1st April, 2019.

Pass necessary Journal entries regarding the issue and redemption of debentures, without providing for either the interest or loss on issue of debentures. Also ignore interest on fixed deposit.



[Watch Video Solution](#)

13. ABC Ltd. Issued 2,000, 10 % Debentures of Rs. 1,000 each at par on 1st April, 2016 redeemable in equal annual drawings by draw of lots in 2 years on 31st March, 2018 and 31st March, 2019.

The company decided to transfer to Debentures Redemptions Reserve amount as prescribed in law on 31st March, 2017. Investment was made in specified securities on 1st April, 2017 and 2018 respectively.

Pass Journal entries for DRR and redemption of debentures assuming the investment was realised each time the debentures were redeemed.
(Ignore Interest)

 [Watch Video Solution](#)

14. RC Ltd. Issued 15,000, 10 % Debentures of Rs. 100 each at par on 1st April, 2013 redeemable at 5 % premium in three yearly instalments by draw of lotes as follows :

On 31 st March, 2015	3,000 Debentures,
On 31 st March, 2016	6,000 Debentures,
On 31 st March, 2017	6,000 Debentures.

The company complied with the legal requirements with respect to Debentures Redemption Reserve and investment (made in Government Securities on 1st April each year).

Pass Journal entries for Issue and Redemption of Debentures. Prepare relevant Ledger Accounts in the books of the company. Ignore interest paid and received.

 [Watch Video Solution](#)

15. XYZ Ltd. Issued 1,500, 12 % Debentures of Rs. 100 each at par on 1st April, 2015 redeemable at 6 % premium in three equal yearly instalments by draw of lots, the first redemption being on 31 st March, 2017. The company complied with the lental requirements with respect to Debentures Redemption Reserve and investment (made in Government Securities on 1st April, 2016).

The company decided to transfer proportionate amount from DRR to General Reserve on each redemption and realise investment (DRI) at the time of last redemption.

Pass Journal entries for Issue of Debentures till their redemption. Ignore interest paid and received.



Watch Video Solution

16. (Transfer of DRR to General Reserve on redemption of all the debentures).

On 1st April 2017, Base Ltd. Issued Rs. 40,00,000, 10 % Debentures of Rs. 100 each at a premium of 5 % and redeemable at a premium of 10 % in

equal annual drawing by draw of lots in 2 years starting from 31 st March, 2018. It also decided to transfer amount of DRR to General Reserve after redemption of all the debentures, at the end of that Financial Year. Pass the necessary Journal entries during the years of Issue and Redemption of Debentures. Ignore interest paid on Debentures and interest received in Debentures Redemption Investment.



[Watch Video Solution](#)

17. Bharat Ltd. had an authorised capital of Rs. 20,00,000 divided into 2,00,000 equity shares of Rs. 10 each. The company issued 1,00,000 shares and the dividend per share was Rs. 2 for the year ended 31st March, 2008. The management of the company decided to export its products to the neighbouring countries Nepal, Bhutan, Sri Lanka and Bangladesh. To meet the requirement of additional funds, the financial manager of the company put up the following three alternatives before its Board of Directors:

- (i) Issue 54,000 equity shares.
- (ii) Obtain a loan from Import and Export Bank of India. The loan was

available at 12 % per annum interest.

(iii) To issue 9 % Debentures at a discount of 10 % .

after comparing the available alternatives the company decided on 1st April, 2008 to issue 6,000, 9 % Debentures of Rs. 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 redeemed at end of third, fourth, fifth and sixth year was as follows:

Years	profit Rs.
<i>III</i>	1,00,000
<i>IV</i>	1,00,000
<i>V</i>	2,00,000
<i>VI</i>	2,00,000

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



[Watch Video Solution](#)

Very Short Answer Type Questions

1. What is meant by Redemption of Debentures ?



[View Text Solution](#)

2. State the meaning of redemption for debentures out of profit.



[View Text Solution](#)

3. Which account is debited for transfer of profit to DRR ?



[View Text Solution](#)

Exercise

1. Star Ltd. Is a manufacturer of chemical fertilisers. Its annual turnover is Rs. 50 crores. The company had issued 5,000, 12 % Debentures of Rs. 500 each at par. Calculate the amount of Debentures Redemption Reserve which needs to be created to meet the requirements of law.



[Watch Video Solution](#)

2. Young India Ltd. Had issued following debentures :

(a) 1,00,000 10 % fully convertible debentures of Rs. 100 each on 1st April, 2016 redeemable by conversion after 5 years.

(b) 20,000, 10 % Debentures of Rs. 100 each redeemable after 4 years, 25 % Debentures in Cash and 75 % by conversion.

State the amount of DRR required to be created as per the Companies Act, 2013.

 [Watch Video Solution](#)

3. Dow Ltd. Issued Rs. 2,00,000, 8 % Debentures of Rs. 10 each at a premium of 8 % on 30th June, 2016 redeemable on 31st March, 2018. How much amount should be transferred to Debentures Redemption Reserve before redemption of debentures ?

 [Watch Video Solution](#)

4. Nirbhai Chemicals Ltd. Issued RS. 10,00,000 , 6 % Debentures of Rs. 50 each at a premium of 8 % on 30th June, 2018 redeemable on 30th June, 2019. The issue was fully subscribed. Pass Journal entries for issue and redemption of debentures. How much amount should be transferred to Debentures Redemption Reserve before redemption of debentures ? Also, state how much amount should be invested in specified securities ?

 [Watch Video Solution](#)

5. Export-Import Bank of India (EXIM Bank) issued 20,000, 10 % Debentures of Rs. 100 each through public issue and 10,000, 10 % Debentures of Rs. 100 each through private placement. State the amount of Investment to be made by EXIM Bank before redemption of debentures.

 [Watch Video Solution](#)

6. SRCC Ltd. has issued on 1st April, 2017, 20,000, 12 % debentures of Rs.

100 each redeemable by draw of lots as under :

During the year ended on 31st March, 2018	:	15 %
During the year ended on 31st March, 2019	:	25 %
During the year ended on 31st March, 2020	:	15 %
During the year ended on 31st March, 2021	:	25 %
During the year ended on 31st March, 2022	:	20 %

How much minimum investment should be made by SRCC Ltd. as per Companies Act, 2013 before redemption of debentures ? When should it be made ?



[Watch Video Solution](#)

7. IFCI Ltd. (An All India Financial Institution) issued 10,00,000 9 % Debentures of Rs. 50 each on 1st April, 2011 redeemable on 1st April, 2019.

How much amount of Debentures Redemption Reserve is required before the redemption of debentures ? Also, pass Journal entries for issue and redemption of debentures.



[Watch Video Solution](#)

8. On 31 st March, 2003, G Ltd. Had Rs. 8,00,000 9 % Debentures due for redemption. The company had a balance of Rs. 1,40,000 in its Debentures Redemption Reserve. Pass necessary Journal entries entries for redemption of debentures.

 [Watch Video Solution](#)

9.

On 31 st March, 2018, W Ltd. had the following balances in its books :
9 % Debentures

Debentures Redemption Reserve

surplus, i.e., Balance in Statement of Profit and Loss

On that date, the company decided to transfer Rs. 1,00,000 to Debentures Redemption Reserve. it also decided to redeem debentures of Rs. 3,00,000 on 30th June, 2018.

Pass necessary Journal entries in the books of the company.

 [Watch Video Solution](#)

10. Mansi Ltd. had 6,000, 10% Debentures of Rs. 100 each due for redemption on 31st March, 2019. assuming that the debentures were redeemed out of profits, pass necessary Journal entries for redemption of debentures. There was a credit balance of Rs. 6,00,000 in surplus, i.e., Balance in statement of profit and loss.



[Watch Video Solution](#)

11. India Textiles Corporation Ltd. has outstanding Rs. 50,00,000, 9% Debentures of Rs. 100 each due for redemption on 31st July, 2019. Pass Journal entries for redemption assuming that there is a balance of Rs. 3,00,000 in Debentures Redemption Reserve on the date of redemption.



[Watch Video Solution](#)

12. Manish Ltd. Issued Rs. 40,00,000, 8% Debentures of Rs. 100 each on 1st April, 2017. The terms of issue started that the debentures are to be redeemed at a premium of 5% on 30th June, 2019. The company decided

to transfer Rs. 10,00,000 out of profits to Debentures Redemption Reserve on 31st March, 2018 and Rs. 10,00,000 on 31st March, 2019.

Pass Journal entries regarding the issue and redemption of debentures, DRR and Investment without providing for the interest or loss on issue of debentures.

 [Watch Video Solution](#)

13. Godrej Ltd. has 20,000, 7% Debentures of Rs. 100 each due for redemption on 31st August, 2018. There is a balance of Rs. 3,50,000 in Debentures Redemption Reserve Account as on 31st March, 2016. Investment, as required by the Companies Act, 2013 is made on 1st April, 2017 in fixed deposit bearing interest pass Journal entries for redemption of debentures.

 [Watch Video Solution](#)

14. Apolio Ltd. Issued 21,000, 8% Debentures of Rs. 100 each on 1st April, 2013 redeemable at a premium of 8% on 30th June, 2019. The company

decided to transfer the required amount to Debentures Redemption of Reserve in three equal annual instalments starting with 31st March, 2017. Required investment was made in Government Securities on 30th April, 2019. Ignore interest on debentures and also investment.

Pass necessary Journal entries regarding issue, transfer to DRR, investment, and redemption of debentures.

 [Watch Video Solution](#)

15. On 1st April, 2016, following were the balances of Blue Bird Ltd. :

10 % Debentures(redeemable on 30th September, 2019)	Rs.15,00,000
Debentures Redemption Reserve	Rs.2,00,000

The company met the requirements of the Companies Act, 2013 regarding Debentures Redemption Reserve and Investment and redeemed the debentures.

Pass necessary Journal entries for the above transactions in the books of the company.

 [Watch Video Solution](#)

16. Mahima Ltd. Issued Rs. 38,00,000, 9% Debentures of Rs. 100 each on 1st April, 2013. The debentures were redeemable at a premium of 5% on 30th June 2015. The company transferred an amount of Rs. 9,50,000 to Debentures Redemption Reserve on 31st March, 2015. Investments as required by law were made in fixed deposit of a bank on 1st April, 2015. Ignoring interest on fixed deposit, pass necessary Journal entries starting from 31st March, 2015 regarding



[Watch Video Solution](#)

17. On 1st April, 2013 the following balances appeared in books of Blue and Green Ltd. :

12% Debentures (Redeemable on 31st August, 2015)	Rs. 20,00,000
Debentures Redemption Reserve	Rs. 2,00,000

The company met the requirements of Companies Act, 2013 regarding Debentures Redemption Reserve and Debentures Redemption Investments and redeemed the debentures.

Ignoring interest on investments, pass necessary Journal entries for the above transactions in the books of company.



[Watch Video Solution](#)

18. Rich Sugar Ltd. Issued Rs. 20 Lakh, 8% Debentures divided into debentures of Rs. 100 each on 1st April, 2013, redeemable in four equal annual instalments starting from 31st March, 2016. The company decided to transfer to Debentures Redemption Reserve Rs. 2,50,000 each year on 31st March, 2014 and 2015.

The company invested Rs. 3,00,000 in Government securities as required by the Companies Act, 2013.

Pass necessary Journal entries for the above transactions.

 [Watch Video Solution](#)

19. Hp Ltd. has 1,00,000, 8% Debentures of Rs. 50 each due for redemption in five equal annual instalments starting from 30th June, 2015. Debentures Redemption Reserve has a balance of Rs. 5,00,000 on that date.

Pass Journal entries.

 [Watch Video Solution](#)

20. Venus Ltd. had 9,000, 9% Debentures of Rs. 100 each due for redemption. These debentures are to be redeemed in 3 equal instalments (starting from 31st March, 2015) at a premium of 10%. The company had a balance of Rs. 25,000 in the Debentures Redemption Reserve. Pass necessary entries for redemption of debentures assuming that company transfer the balance of DRR to General Reserve after redeeming all the debentures.

[Watch Video Solution](#)

21. Tata Motors Ltd. Issued 40,000, 7% Debentures of Rs. 100 each on 1st July, 2009 redeemable at premium of 5% as under :

On 31 st March, 2015	16,000 Debentures
On 31 st March, 2016	16,000 Debentures
On 31 st March, 2017	8,000 Debentures

It was decided to transfer amount out of profit to Debentures Redemption Reserve Rs. 2,00,000 on 31st March, 2012, Rs. 4,00,000 on 31 st March, 2013 and balance on 31 st March, 2014 It invested the required

amount in terms of the Companies Act, 2013 in Government Securities and decided to realise them required amount in terms of the Companies Act, 2013 in Government Securities and decided to realise them after last redemption. Pass Journal entries ignoring interest.

 [Watch Video Solution](#)

22. Ananya Ltd'. had an authorised capital of Rs. 10,00,00,000 divided into 10,00,000 equity shares of Rs. 100 each. The company had already issued 2,00,000 shares. The dividend paid per share for the year ended 31 st March, 2007 was Rs. 30. The management decided to export its products to african countries. To meet the requirements of additional funds, the finance manager put up the following three alternate proposals before the Board of Directiors:

- (a) Issue 47,500 equity shares at a premium of Rs. 100 per
- (b) Obtain a long-term loan from bank which was available at 12 % are annum.
- (c) Issue 9 % Debentures at a discount of 5 %

After evaluating these alternatives, the company decided to issue

1,00,000, 9% Debentures on 1st April, 2008. The face value of each debenture was Rs. 100. These debentures were redeemable in four instalments starting from the end third year, which were as follows :

Year	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>
Amount (Rs.)	10,00,000	20,00,000	30,00,000	40,00,000

Prepare 9% Debenture Account from 1st April, 2008 till all the debentures were redeemed.



[Watch Video Solution](#)

23. Strong Ltd. has 10,000, 10% Debentures of Rs. 1,000 each outstanding as on 31st March, 2018. These debentures are due for redemption on 31st March =, 2019 at a premium of 10%. Ascertain the

missing values in the following Journal of Strong Ltd.

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2018				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c To Debentures Redemption Reserve A/c (Being the transfer of minimum required profit to Debentures Redemption Reserve)	...Dr.	?	?
April 30	Debentures Redemption Investment A/c To Bank A/c (Being the investment made @ 15% of face value of debentures)	...Dr.	?	?
2019				
March 31	Bank A/c To Debentures Redemption Investment A/c (Being the investment encashed)	...Dr.	?	?
March 31	10% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount due to debentureholders)	...Dr.	?	?
	Debentureholders' A/c To Bank (Being the payment made to debentureholders)	...Dr.	1,10,00,000	1,10,00,000
March 31	Debentures Redemption Reserve A/c To General Reserve A/c (Being the transfer of Debentures Redemption Reserve to General Reserve on the redemption of all the debentures)	...Dr.	?	?

JOURNAL



[View Text Solution](#)

24. Moon Ltd. has 5,000, 10 % Debentures of Rs. 100 each outstanding as on 31st March, 2018.

These Debentures are due for redemption on 31st March, 2019. The company has a Debentures Redemption Reserve of Rs. 75,000 on date. Determine the missing values in the following Journal entries of Moon Ltd. :

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c To Debentures Redemption Reserve A/c (Being the transfer of profit to Debentures Redemption Reserve)	...Dr.	?	?
April 30	Debentures Redemption Investment A/c To Bank A/c (Being the investment made @ 15% of face value of debentures)	...Dr.	?	?
2019				
March 31	Bank A/c To Debentures Redemption Investment A/c (Being the investment encashed)	...Dr.	?	?

March 31	10% Debentures A/c To Debentureholders' A/c (Being the amount due to debentureholders)	...Dr.	5,00,000	5,00,000
March 31	Debentureholders' A/c To Bank (Being the payment made to debentureholders)	...Dr.	?	?
March 31	Debentures Redemption Reserve A/c To General Reserve A/c (Being the transfer of Debentures Redemption Reserve to General Reserve on the redemption of all the debentures)	...Dr.	?	?



[View Text Solution](#)