

B.com II (Hons)

Debentures Redemption

Q.17 (Redemption of Debentures out of Capital)

X Ltd issued 20,000, 12% Debentures of ₹ 100 each on 1st January, 2004 redeemable at par after 10 years. Give necessary Journal Entries both at the time of issue and redemption, assume that the SEBI's guidelines are followed. (Ignore entries for interest)

Journal Entries in the Books of X Ltd.

Date	Particulars	L	F	Amount	Amount
2004 Jan 1	Bank A/c ————— To To 12% Debentures Application A/c			20,00,000	20,00,000
	(For the receipt of debenture Application money on 20,000 debentures)				
Jan 1	12% Debentures Application A/c — Dr To 12% Debentures A/c			20,00,000	20,00,000
	(For application money transferred to Debentures A/c)				
2014 Jan 1	Surplus of Statement of Profit & Loss — Dr To Debenture Redemption Reserve A/c			10,00,000	10,00,000
	(For the transfer of Profit to D.R.R A/c equal to 50% of the nominal value of debentures)				
Jan 1	12% Debentures A/c ————— Dr To Debenture holder A/c			20,00,000	20,00,000
	(For the amount payable on redemption)				
Jan 1	Debenture holder A/c ————— Dr To Bank A/c			20,00,000	20,00,000
	(For the amount paid to the debenture holders)				
Jan 1	Debenture Redemption Reserve A/c — Dr To General Reserve A/c			10,00,000	10,00,000
	(For transfer of D.R.R A/c to General Reserve A/c)				

Note - Since the debentures are redeemed purely out of capital, an amount equal to 50% of the total of debentures redeemed is transferred to D.R.R.

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