

Q:- Rajiv Company Limited issued 5000, 10% Redeemable Debentures of ₹ 100 each at a discount of 5% Redeemable after 5 years at a premium of 5%. How much amount of Debenture Redemption Reserve should be created before the redemption of debentures begins. Show the Journal Entries for issue and redemption of debentures.

Date	Particulars	L	Dr Amount	Cr Amount
(i)	Bank A/c Dr Loss on Issue of Debenture A/c Dr To 10% Debentures A/c To Premium on Redemption of Debentures A/c (The issue of 10% Debentures of ₹ 100 each at a discount of 5% payable at a premium of 5%)	Dr Dr	4,75,000 50,000	300,000 25,000
(ii)	Surplus of Statement of Profit & Loss A/c Dr To Debenture Redemption Reserve A/c (For creation of Debentures Redemption Reserve for 50% of 500,000)	Dr	250,000	2,50,000
(iii)	10% Debentures A/c — — — — — Dr Premium on Redemption of Debentures A/c Dr To Debenture holder A/c (For total amount payable to debenture holder)	Dr	5,00,000 25,000	5,25,000
(iv)	Debenture holder A/c — — — — — Dr To Bank A/c (For payment made to Debenture holders)	Dr	5,25,000	5,25,000
(v)	Debenture Redemp Reserve A/c — — — — — Dr To General Reserve A/c (For transfer of DRA A/c to General Reserve A/c)	Dr	2,50,000	2,50,000

Note: If it is not mentioned in the question as to the payment of entire amount is out of Profit, then the D.R.R. should be created with the amount equal to 50% of Debentures.

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