

Redemption of Debentures.

Redemption out of Profits at premium.

Q:-> On 1st April, 2014 R Trading company gave notice of their intention to redeem their outstanding ₹ 8,00,000, 9% Debentures at a premium of 5%. The company has a balance of ₹ 8,40,000 at the credit of the statement of Profit and Loss. Instead of declaring a dividend it decides to utilize the profits to redeem the above debentures. What Journal entries the company will pass to redeem the above debentures.

Ans:-> In the books of R Trading company

Journal Entries.

Dr Cr.

Date	particulars	L/F	Amount	Amount
2014 April 1	Surplus of Statement of Profit & Loss - Dr To Debenture Redemption Reserve A/c	Dr	8,00,000	8,00,000
	(For transfer of amount equal to the face value of Debentures redeemed)			
" "	9% Debenture A/c — Dr Premium on Redemption of Debentures A/c — Dr	Dr	8,00,000 40,000	
	To Debenture holders A/c			8,40,000
	(For Debentures and premium on Redemption of Debentures A/c transferred to Debenture holders A/c)			
" "	Debenture holders A/c — Dr To Bank A/c	Dr	8,40,000	8,40,000
	(For the Debentures paid off)			
" "	Surplus of Statement of P/L — Dr To Premium on Redemption of Debenture A/c	Dr	40,000	40,000
	(For Premium on Redemption of Debentures provided out of Profit)			
" "	Debenture Redemption Reserve A/c Dr To General Reserve A/c	Dr	8,00,000	8,00,000
	(For transfer of D.R. to General Reserve A/c)			

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Deber → 10/10/2020

