

Redemption of Debentures.

Q. U.P. Road Construction Co. an infrastructure company, had issued 20,000 @ 10% Debentures of ₹ 100 each on 1.4.2009 redeemable at par on 31st March, 2014. How much amount of Debenture Redemption Reserve should be created before the redemption of debentures begins. Give necessary entries for issue and redemption of debentures.

Solution.

In the Books of U.P. Road Construction Co.
Journal Entries.

Date	Particulars	L.F.	Amount	Amount
2009 April	Bank A/c ————— Dr To Debenture Application A/c (For application money received)		20,00,000	20,00,000
April 1	Debenture Application A/c ——— Dr To 10% Debentures A/c (For Application money transferred to 10% Debentures A/c)		20,00,000	20,00,000
2014 March 31	10% Debentures A/c ————— Dr To Debenture holders A/c (for the amount due to debenture holders on redemption)		20,00,000	20,00,000
March 31	Debenture holders A/c ——— Dr To Bank A/c (For payment paid to debenture holders)		20,00,000	20,00,000
Note:-	As per SEBI's Guidelines, infrastructure companies are exempted for creating Debenture Redemption Reserve.			

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