

TS Grewal

Class 12

Accountancy Solutions

Vol.-2



CHAPTER-10– Redemption of Debentures

Q1

Solution:

The provisions of the Companies Act, 2013 in respect of redemption of debentures, are to protect the interest of the debenture holders.

Q2

Solution:

If the Central Bank Ltd. were to redeem 40,000 10% Debentures of ₹100 each on 31st December, 2018, it should invest ₹6,00,000 in specified securities.

Q3

Solution:

Please find below the journal entries of the transactions:

Journal Entries in the Books of SBI Ltd.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
30 th June, 2018	10% Debentures A/c	Dr.		10,00,000	
	To Debenture holders A/c				10,00,000
	(Being amount of money due to debenture holders on redemption)				
	Debenture holders A/c	Dr.		10,00,000	
	To Bank A/c				10,00,000
	(Being debenture holders				

	paid for the amount due)				
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Q4

Solution:

Please find below the journal entries of the transactions:

Journal Entries in the Books of ABC Ltd.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
30 th June, 2016	Bank A/c	Dr		55,00,00 0	
	To Debentures Application and Allotment A/c				55,00,00 0
	(Being application money received)				
30 th June	Debentures Application and Allotment A/c	Dr		55,00,00 0	
	To 9% Debentures A/c				50,00,00 0
	To Securities Premium Reserve A/c				5,00,000
	(Being transfer of application money to 9% debentures and securities premium reserve account)				
31 st March	Surplus/Balance in Statement of P&L A/c	Dr		12,50,00 0	
	To Debentures Redemption Reserve A/c				12,50,00 0
	(Being transfer of outstanding				

	debentures equal to 25% of nominal value to DRR)				
1 st April	Debentures Redemption Investment A/c	Dr .		7,50,000	
	To Bank A/c				7,50,000
	(Being 15% of debentures invested in Government securities)				
31 st March , 2018	Bank A/c	Dr .		8,17,500	
	TDS Collected A/c	Dr .		7,500	
	To Debentures Redemption Investment A/c				7,50,000
	To Interest Earned A/c				75,000
	(Being TDS deducted at 10% and interest received at 10%)				
31 st March	9% Debentures A/c	Dr .		50,00,000	
	To Debenture holders A/c				50,00,000
	(Being amount of money due to debenture holders)				
31 st March	Debenture holders A/c	Dr .		50,00,000	
	To Bank A/c				50,00,000
	(Being payment of money to				

	debenture holders)				
31 st March	Debentures Redemption Reserve A/c	Dr		12,50,000	
	To General Reserve A/c				12,50,000
	(Being transfer of DRR to general reserve)				
31 st March	Interest earned A/c	Dr		75,000	
	To Statement of P&L A/c				75,000
	(Being transfer of interest to statement of P&L A/c)				

Q5

Solution:

The excess amount over the face value paid to debenture holders during redemption of debentures is known as premium on redemption of debentures. Since the amount is due to the debenture holder, the premium payable on redemption of debentures is in the nature of a **Liability A/c** .

Q6

Solution:

$$\begin{aligned}
 \text{Required Debentures Redemption Reserve (DRR)} &= 25/100 \times \\
 &(\text{redemption value}) \\
 &= 25/100 \times 25,00,000 \\
 &= 6,25,00,000/100
 \end{aligned}$$

$$= ₹6,25,000$$

Q7

Solution:

Amount transferred to DRR = $25/100 \times (\text{redemption value}) -$
existing balance

$$= (25/100 \times ₹8,00,000) - ₹1,40,000$$

$$= 2,00,000 - 1,40,000$$

$$= ₹60,000$$

