



INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Company Accounts Redemption of Debentures	Date of Issue: __/__/2017 Worksheet No.22
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CONVERSION OF DEBENTURES

I WHEN DEBENTURES ARE ORIGINALLY ISSUED AT PAR AND PREMIUM.

1. Arun Ltd redeemed 1000, 10% debentures of `100 each by converting them in to equity shares of `10 each at par. Journalise.
2. Inder Ltd redeemed 2,400, 11% debentures of `100 each which were issued at par and redeemable at a premium of 10% by converting them in to equity shares of `10 each at a premium of 25%. Journalise.
3. Bimal Ltd redeemed `6,84,000, 10% debentures which were issued at par and redeemable at a premium of 2% by converting them in to 12% Preference shares of `20 each at `22.50. Journalise.
4. On 1st Jan.2011, Riddhi Ltd issued 1,000, 12% Debentures of `100 each at par and redeemable at par after three years and offered the holders option to convert their holdings into Equity shares of `10 each at par. On 31st December 2013, 40% holders exercised their option. Pass journal entries for Conversion.
5. On 1st Jan.2011, Kaushal Ltd issued `200,000, 12% Debentures of `100 each at par and redeemable at 5% premium after three years and offered the holders option to convert their holdings into Equity shares of `10 each at a premium of 25%. On 31st December 2013, 60% holders exercised their option. Pass journal entries for Conversion.
6. On 1st Jan.2011, Siddarth Ltd issued `100,000, 12% Debentures of `100 each at par and redeemable at 10% premium after three years and offered the holders option to convert their holdings into Equity shares of `10 each at a premium of 10%. On 31st December 2013, 50% holders exercised their option. Pass journal entries for Conversion.
7. On 1st Jan.2011, Madhur Ltd issued `100,000, 11% Debentures of `100 each at par and redeemable at 5% premium after three years and offered the holders option to convert their holdings into 8% New Debentures of `10 each at a discount of 4%. On 31st December 2013, 40% holders exercised their option. Pass journal entries for Conversion



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II. WHEN DEBENTURES ARE ORIGINALLY ISSUED AT DISCOUNT.

8. Anand Ltd redeemed 3000, 13% debentures of ₹100 each which were issued at a discount of 5% by converting them in to equity shares of ₹10 each at par. Journalize.
9. Joshi Ltd redeemed 2,000, 11% debentures of ₹100 each which were issued at a discount of 5% by converting them in to equity shares of ₹10 each at a Premium of 25%. Journalize.
10. Meenakshi Ltd redeemed ₹9,00,000, 10% debentures which were issued at a discount of 5% and redeemable at a premium of 10% by converting them in to 7% New Debentures of ₹10 each at a discount of 10%. Journalise.
11. Jeena Ltd redeemed ₹18,00,000, 10% debentures which were issued at a discount of 5% and redeemable at a premium of 10% by converting them in to 7% New Debentures of ₹100 each at a discount of 10%. Journalise.
12. Linette Ltd redeemed ₹9,00,000, 10% debentures which were issued at a discount of 5% by converting them in to 7% New Debentures of ₹10 each at a discount of 5%. Journalise.
13. On 1st April 2016, Anusha Ltd issued 6,000, 12% Debentures of ₹100 each at ₹95 and redeemable at par after three years and offered the holders option to convert their holdings into Equity shares of ₹10 each at par. On 31st March 2019, 40% holders exercised their option. Pass journal entries for Conversion.
14. On 1st April.2016, Elvira Ltd issued ₹200,000, 12% Debentures of ₹100 each at ₹90 and redeemable at par after three years and offered the holders option to convert their holdings into Equity shares of ₹10 each at a Premium of 10%. On 31st March 2019, 60% holders exercised their option. Pass journal entries for Conversion.
15. On 1st April.2016, Guru Ltd issued 1000, 12% Debentures of ₹500 each at ₹450 and redeemable at par after three years and offered the holders option to convert their holdings into Equity shares of ₹100 each at a premium of ₹50per debenture. On 31st March 2019, 10% holders exercised their option. Pass journal entries for Conversion.
16. Anu Ltd issued 4,000.12% Debentures of ₹100 each at par and redeemable at a Premium of 5%. According to the terms of issue , debenture holders were given an option to convert their holdings in to 9% Preference shares of ₹10 each at a premium of 20% at any time after two years On 31st December 2013(the third year of issue) a holder of 800 debentures gave a notice of exercising his option to the company. Interest on debentures for the full one year had accrued and unpaid until 31st December 2013. Give the necessary journal entries for the year 2013.



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17. On 1st April 2015, Diya Ltd issued 200, 12% Debentures @ `1,000 at a discount of 5% and redeemable at par. According to the terms of issue, debenture holders were given an option to convert their holdings in to 8% Preference shares of `100 each at a premium of `25 per debenture at any time after two years
On 31st March 2017, a holder of 20 debentures gave notice of exercising his option to the company. Interest on debentures for the full one year had accrued and unpaid until 31st March 2017. Give the necessary journal entries.
18. On 1st July, 2015, Aisharya Ltd gave notice of its intention to redeem its outstanding `8,00,000, 7% Debentures on 31st December, 2015 at a premium of 2% and offered the holders the following options.
- (i) To subscribe for:
 - (a) 8% Preference shares of `20 each at a premium of `2.50 per share accepted by holders of `3,42,000 stock.
 - (b) 10% New Debentures at a discount of 4% accepted by the holders of `2,88,000 stock.
 - (ii) To have their holding redeemed for cash if neither of options under (i) was accepted.
Pass Journal entries.
19. On 1st July, 2015, Abhinaya Ltd gave notice of its intention to redeem its outstanding `2,00,000, 6% Debentures on 31st December, 2015 at a premium of 10% and offered the holders the following options.
- (i) To subscribe for:
 - (a) 9% Preference shares of `100 each at a premium of `25 per share accepted by holders of `50,000 stock.
 - (b) 12% New Debentures at a discount of 10% accepted by the holders of `90,000 stock.
 - (ii) To have their holding redeemed for cash if neither of options under (i) was accepted.
Pass Journal entries.

REDEMPTION OF DEBENTURES IN ONE LUMP SUM

(A) OUT OF CAPITAL

(Note (i) As per Section 71(4) of the Companies Act 2013, company can't redeem debentures purely out of capital. Creation of DRR a/c is compulsory in which 25% of the nominal value of the debentures issued must be transferred, before the commencement of redemption.



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Note (ii) As per Rule 18(7) of the Companies (Share Capital and Debentures) Rules, 2014, all Companies are required to invest 15% of the nominal value of Debentures on 30th April for the debentures to be redeemed in that financial year.

Note (III). The following organizations are exempted from creating DRR.

- (1) Financial Institutions regulated by RBI
- (2) Banking Companies.
- (3) Housing Finance Companies registered with the National Housing Bank.

REDEMPTION OF DEBENTURES IN ONE LUMP SUM AND INSTALMENTS BY DRAW OF LOT

1. Amil Ltd issued 50,000, 12% Debentures of `100 each at a premium of 10% on 30th June 2014 redeemable at par on 30th June, 2015. The issue was fully subscribed. How much amount of DRR is to be created before redemption of debentures?
2. Axis bank Ltd has outstanding 2,00,000, 10% debentures of `10 each issued in the year 2010 due for redemption on 30th June 2015. How much amount of Debenture Redemption Reserve should be created before the redemption of debentures begins? Pass journal entries at the time of redemption of debentures.
3. Pass necessary Journal entries for the issue and redemption of debentures in the following cases:
 - (a) 30,000, 12% Debentures of `100 each issued at a premium of 10% and redeemable at Par.
 - (b) 5,000, 12% Debentures of `1,000 each issued at 5% premium and redeemable at 10% premium.
4. Meher Ltd has 8,000, 12% Debentures of `100 each outstanding as on 31st March, 2014. These debentures are due for redemption on 31st March, 2015. Debenture Redemption Reserve has a balance of `1,00,000 on 31st March, 2014. Pass journal entries at the time of Redemption of debentures.
5. On 31-3-2014 Diya Ltd had ` 8,00,000, 9% Debentures. The company has decided to redeem its debentures at par on 31st March 2015. Pass journal entries at the time of Redemption of debentures.
6. On 31-3-2014 Aman Ltd had ` 10,00,000, 9% Debentures due for redemption. The company has a balance of `2,00,000 in its Debenture Redemption Reserve Account. The company has decided to redeem its debentures at a Premium of 10% on 31st March 2015. Pass journal entries at the time of Redemption of debentures.



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7. The Federal Bank Ltd issued 5,00,000, 9% Debentures of `10 each on April 1, 2012 redeemable on March 31, 2015. How much amount of Debenture Redemption Reserve is required before the redemption of debentures? Also record journal entries for issue and redemption of debentures.
8. The South Indian Bank Ltd has `10,00,000, 8% debentures outstanding, which were issued on 1-1-2013. As per the terms of the issue, these debentures were to be redeemed on 31st December,2017. Pass necessary journal entries regarding redemption of debentures.
9. Vigneshwar Ltd issued 5,000, 9% Debentures of `100 each at par on 1-4-2013. As per the terms of the issue these debentures were to be redeemed at par on 31st March,2015. The company decided to create DRR on 31st March 2014 and also decided to invest in 10 % Govt. Securities to meet the legal requirements. Pass necessary journal entries regarding issue and redemption of debentures
10. Rafa Ltd issued 2,000, 8% Debentures of `100 each on 1-4-2013. As per the terms of the issue these debentures were to be redeemed at a premium of 10% on 31st March,2016. The company decided to transfer out of profits `40,000 to Debenture Redemption Reserve on March 31,2014 and `10,000 on March 31,2015. Pass necessary journal entries regarding issue and redemption of debentures.
11. Anjali Ltd issued 60,000, 7% Debentures of `100 each on 31st March 2006 redeemable at a premium of 5 % on 30th June, 2015. The Board of Directors decided to transfer the required amount to DRR on 31st March 2015. The company invested the funds as required by law in Fixed deposits in a bank on 30th April 2015 earning interest @ 10% p.a. Pass necessary journal entries regarding issue and redemption of debentures.
12. Hiba Ltd issued 80,000, 7% Debentures of `100 each on 31st March 2006 redeemable at a premium of 10% on 30th June, 2015. The Board of Directors decided to transfer the required amount to DRR on 31st March 2015. The company invested the funds as required by law in Fixed deposits in a bank on 30th April 2015 earning interest @ 10% p.a. Pass necessary journal entries regarding issue and redemption of debentures.
13. Eirene Ltd issued 21,000, 7% Debentures of `100 each on 31st March 2012 redeemable at a premium of 5 % on 30th June, 2015. The Board of Directors decided to transfer the required amount to DRR on 31st March 2015. The company invested the funds as required by law in Fixed deposits in a bank on 30th April 2015 earning interest @ 10% p.a. Tax was deducted on interest earned @10% by the bank. Pass necessary journal entries regarding issue and redemption of debentures.
14. Fathima Ltd issued 40,000, 7% Debentures of `100 each on 31st March 2012 redeemable at a premium of 10 % on 30th June, 2014. The Board of Directors decided to transfer the required



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amount to DRR on 31st March 2014. The company invested the funds as required by law in Fixed deposits in a bank on 30th April 2014 earning interest @ 10% p.a. Tax was deducted on interest earned @10% by the bank. Pass necessary journal entries regarding issue and redemption of debentures.

15. Sonnel Ltd issued 42,000, 7% Debentures of `100 each on 31st March 2012 redeemable at a premium of 8% on 30th June, 2015. The Board of Directors decided to transfer the required amount to DRR in three equal annual instalments starting from 31st March 2013. The company invested the funds as required by law in Fixed deposits in a bank on 30th April 2015 earning interest @ 10% p.a. Tax was deducted on interest earned @10% by the bank. Pass necessary journal entries regarding issue and redemption of debentures.
16. Siddique Ltd issued 10,000, 8% Debentures of `100 each on 1-4-2013. As per the terms of the issue these debentures were to be redeemed at a premium of 5% on 31st March, 2017. The company decided to transfer out of profits `1,00,000 to Debenture Redemption Reserve on March 31,2014; `1,00,000 on March 31,2015 and `50,000 on March 31, 2016. Pass necessary journal entries regarding issue and redemption of debentures. Ignore writing off loss on issue of debentures and interest paid thereon.
17. Khadeeja Ltd issued 1,00,000, 10% Debentures of ` 10 each on 1st April 2014 redeemable at par on 30th June 2015. The Company received applications for 1,10,000 debentures and the allotment was made on pro-rata basis. The debentures were redeemed on due date. Assume that required investments was made on 15th April of the financial year in which redemption is due. Pass Journal entries regarding issue and redemption of debentures, DRR and Investment. Assume interest was payable on debentures on 31st March Every year Ignore TDS).
18. Ramona Ltd issued 1,500, 10% debentures of `1,000 each at par on 1st April 2014 redeemable in three equal yearly instalments by draw of lots beginning 30th September, 2015. The Company complied with the requirements of the companies Act 2013 with respect to Debenture Redemption Reserve. Pass Journal entries assuming that the investments are encashed each time the debentures were redeemed (Ignore interest).
19. Hellen Ltd issued 3,000, 10% debentures of `1,000 each at par on 1st April 2014 redeemable in three equal yearly instalments by draw of lots beginning 30th September, 2015. The Company complied with the requirements of the companies Act 2013 with respect to Debenture Redemption Reserve. Pass Journal entries assuming that the investments are encashed each time the debentures were redeemed (Ignore interest).
20. Sahithi Ltd issued 6,000, 10% debentures of `1,000 each at par on 1st April 2014 redeemable in three equal half yearly instalments by draw of lots beginning 31st March, 2015. The Company



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complied with the requirements of the companies Act 2013 with respect to Debenture Redemption Reserve. Pass Journal entries assuming that the investments are encashed each time the debentures were redeemed (Ignore interest). Pass Journal entries and Prepare ledger Accounts.

21. Mattu Ltd issued 1,500, 10% debentures of `1,000 each at par on 1st April 2014 redeemable in three equal half yearly instalments by draw of lots beginning 31st March, 2015. The Company complied with the requirements of the companies Act 2013 with respect to Debenture Redemption Reserve. Pass Journal entries assuming that the investments are encashed each time the debentures were redeemed (Ignore interest). Pass Journal entries and Prepare ledger Accounts.
22. Sanu Ltd has a balance of `8,00,000 in its statement of Profit and Loss. Instead declaring dividend, the company decided to redeem its `7,00,000, 12 % Debentures on 30th September, 2015 at a premium of 10%. Debenture interest is payable annually on 31st March every year when the accounts are closed. The Company has also a balance of `4,00,000 in the Debenture Redemption Reserve account. Tax was deducted 10% on interest on Debentures and deposited in government account. The required investments was made by the company in govt. Securities on 30th April 2015. Journalise the Transactions.
23. Malu Ltd has a balance of `4,40,000 in its statement of Profit and Loss. Instead declaring dividend, the company decided to redeem its `4,00,000, 12 % Debentures on 30th September, 2015 at a premium of 10%. Debenture interest is payable annually on 31st March every year when the accounts are closed. The Company has also a balance of `1,00,000 in the Debenture Redemption Reserve account. Tax was deducted 10% on interest on Debentures and deposited in government account. The required investments was made by the company in govt. Securities on 30th April 2015. Journalise the Transactions.

REDEMPTION OF DEBENTURES BY PURCHASE FROM OPEN MARKET.

1. Vismaya Ltd purchased for cancellation `50,000 of its 14% Debentures at `96. The expenses of purchase amounted to `200. Pass Journal entries.
2. Shaju Ltd purchased for cancellation 400, 15% Debentures @ `100each at `92 per debenture. The Brokerage of purchase amounted to `140. Pass Journal entries.
3. Salsal Ltd purchased for cancellation `30,000 of its 14% Debentures at `90 and `70,000 of its 14% Debentures at `95. The expenses of purchase amounted to `600. Pass Journal entries.



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4. Safwan Ltd purchased its own debentures of the face value `10,000 from the open market for immediate cancellation at 93%. Pass Journal entries.
5. Kajal Ltd purchased its own 200, 12 % Debentures of ` 100 each at `100. Brokerage paid @2%. Pass Journal entries.
6. Manu Ltd purchased its own 500, 12 % Debentures of ` 100 each at `105. Brokerage of purchase amounted to `200. These debentures were redeemable at a premium of 10%. Pass Journal entries.
7. Kala Ltd purchased its own 800, 12 % Debentures of ` 100 each at `110. Brokerage of purchase amounted to `100. These debentures were redeemable at a premium of 5%. Pass Journal entries.
8. Sampat Ltd purchased its own 400, 12 % Debentures of ` 100 each at `105. Brokerage of purchase amounted to `300. These debentures were redeemable at a premium of 6%. Pass Journal entries.
9. Excel Ltd purchased its own 2,000, 12 % Debentures of ` 50 each at `60. Brokerage of purchase amounted to `400. These debentures were redeemable at a premium. Balance in Capital Reserve is Rs.7,500. Pass Journal entries.
10. On June 30th 2013, Krishnakant Ltd buys 1,00,000, 9% debentures of `50 each at `47 each Record journal entries assuming that debentures are purchased for cancellation.
11. On 1-4-2015, Ashish Ltd issued 10,000, 9% debentures @ `100 each at par The terms of issue provide for the redemption of `1,00,000 worth of debentures every year commencing from the end of 2016-17 either by purchasing from the open market or by draw of lots at the company's option.. During the year 2016-17, the company purchased 400 debentures @ `95 and 500 debentures @ `96 for cancellation. Journalize these transactions and also show how you would deal with the profit on redemption of debentures.
12. On 1-4-2015, Ashik Ltd issued 2000, 12% debentures @ `100 each at par. The terms of issue provide for the redemption of `40,000 worth of debentures every year commencing from the end of 2016-17 either by purchasing from the open market or by draw of lots at the company's option. During the year 2016-17, the company purchased 250 debentures @ `96 and 150 debentures @ `98 for cancellation. Journalize these transactions and also show how you would deal with the profit on redemption of debentures.
13. On 1-4-2015, Aiswarya Ltd issued 500, 9% debentures @ `1000 each at par. The terms of issue provide for the redemption of `50,000 worth of debentures every year commencing from the end



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of 2016-17 either by purchasing from the open market or by draw of lots at the company's option.. During the year 2016-17, the company purchased 30 debentures @ `940 and 20 debentures @ `975 for cancellation. The expenses incurred for purchase of debentures amounted to `1000. Journalize these transactions and also show how you would deal with the profit on redemption of debentures.