

Chapter - 3 Redemption of Debentures

Books of Kaveri Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 Oct. 1	Bank A/c To 8% Debenture Application & Allotment A/c (Receipt of application money)	Dr.	50,00,000	50,00,000
Oct. 1	8% Debenture Application & Allotment A/c To 8% Debentures A/c (Transfer of application money)	Dr.	50,00,000	50,00,000
2015 April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	7,50,000	7,50,000
2016 March 31	Bank A/c To Debenture Redemption Investment A/c (Investment encashed)	Dr.	7,50,000	7,50,000
March 31	Surplus of Statement of Profit & Loss To Debenture Redemption Reserve A/c (Transfer of profits equal to 25% of the nominal value of debentures issued)	Dr.	12,50,000	12,50,000
March 31	8% Debentures A/c To Debentureholder's A/c (Amount due on redemption)	Dr.	50,00,000	50,00,000
March 31	Debentureholder's A/c To Bank A/c (Payment of amount due to debentureholders)	Dr.	50,00,000	50,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on the redemption of all the debentures)	Dr.	12,50,000	12,50,000

Notes : (1) Minimum investment of 15% will be made on or before 30th April of the year in which debentures are to be redeemed and the same will be encashed at the time of redemption of debentures.

(2) Interest on Investment is not calculated because rate of interest is not given.

SOLUTION: 2.

Books of F Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	6,00,000	6,00,000

Company Accounts —

Redemption of Debentures

2015	Bank A/c	Dr.	6,33,000	
March 31	To Debenture Redemption Investment A/c			6,00,000
	To Interest Earned A/c*			33,000
	(Investment encashed)			
March 31	Surplus of Statement of Profit and Loss	Dr.		
	To Debenture Redemption Reserve A/c		10,00,000	
	(Transfer of 25% of the nominal value of debentures as per SEBI guidelines)			10,00,000
March 31	7% Debentures A/c	Dr.	40,00,000	
	Premium on Redemption of Debentures A/c	Dr.	4,00,000	
	To Debentureholders A/c			44,00,000
	(Amount due on redemption)			
March 31	Debentureholders A/c	Dr.	44,00,000	
	To Bank A/c			44,00,000
	(Payment of amount due to debentureholders)			
March 31	Debenture Redemption Reserve A/c	Dr.	10,00,000	
	To General Reserve A/c			10,00,000
	(Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on the redemption of all the debentures)			

* Interest is calculated for 11 months.

SOLUTION: 3.

Books of Bank of Baroda JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2008 April 1	Bank A/c	Dr.	8,48,000	
	To 8% Debenture Application & Allotment A/c			8,48,000
	(Receipt of application money)			
April 1	8% Debenture Application & Allotment A/c	Dr.	8,48,000	
	To 8% Debentures A/c			8,00,000
	To Securities Premium Reserve A/c			48,000
	(Transfer of application money)			
2015	8% Debentures A/c	Dr.	8,00,000	
March 31	To Debentureholders A/c			8,00,000
	(Amount due on redemption)			
March 31	Debentureholders A/c	Dr.	8,00,000	
	To Bank A/c			8,00,000
	(Payment of amount due to debentureholders)			

Notes: (1) As per Section 17 (4) with rule 18 (7) a Banking Company is not required to create Debenture Redemption Reserve.

Company Accounts —

Redemption of Debentures

(2) A Company which is not required to create DRR is exempted from Investing 15% amount also.

SOLUTION: 4.

Books of AFCONs India Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2005 April 1	Bank A/c To 9% Debenture Application & Allotment A/c (Receipt of application money)	Dr.	1,00,00,000	1,00,00,000
April 1	9% Debenture Application & Allotment A/c To 9% Debentures A/c (Transfer of application money)	Dr.	1,00,00,000	1,00,00,000
2014 April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @ 15% of the face value of debentures to be redeemed)	Dr.	15,00,000	15,00,000
2015 March 31	Bank A/c To Debenture Redemption Investment A/c (Investment encashed)	Dr.	15,00,000	15,00,000
March 31	Surplus in Statement of Profit & Loss To Debenture Redemption Reserve A/c (Transfer of profit equal to 25% of the nominal value of debentures issued)	Dr.	25,00,000	25,00,000
March 31	9% Debentures A/c To Debentureholders A/c (Amount due to debentureholders on redemption)	Dr.	1,00,00,000	1,00,00,000
March 31	Debentureholders A/c To Bank A/c (Amount due to debentureholders paid)	Dr.	1,00,00,000	1,00,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve (Transfer of DRR on redemption of all the debentures)	Dr.	25,00,000	25,00,000

Note: As per New Guidelines, infrastructure companies are also required to create Debenture Redemption Reserve @ 25% of the face value of debentures.

SOLUTION: 5.

Books of Blue and Green Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 March 31	Surplus of Statement of Profit and Loss (1) To Debenture Redemption Reserve A/c (Transfer of profits as per SEBI guidelines)	Dr.	3,00,000	3,00,000

Company Accounts —

Redemption of Debentures

April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	3,00,000	3,00,000
August 31	Bank A/c To Debenture Redemption Investment A/c (Investment encashed)	Dr.	3,00,000	3,00,000
August 31	12% Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	20,00,000	20,00,000
August 31	Debentureholders A/c To Bank A/c (Payment of amount due to debentureholders)	Dr.	20,00,000	20,00,000
August 31	Debenture Redemption Reserve A/c To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on the redemption of all the debentures)	Dr.	5,00,000	5,00,000

Working Note: (1)

Total Amount required for transfer to	₹
Debenture Redemption Reserve = 25% of 20,00,000	= 5,00,000
Less: Existing Balance	= 2,00,000
<i>Amount now required to be transferred to Debenture Redemption Reserve</i>	<u>3,00,000</u>

SOLUTION: 6.

Gati Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	1,50,000	1,50,000
2015 March 31	Bank A/c To Debenture Redemption Investment A/c To Interest Earned A/c* (Investment bearing 6% p.a. interest encashed)	Dr.	1,58,250	1,50,000 8,250
March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Amount transferred to debenture redemption reserve account)	Dr.	3,70,000	3,70,000
March 31	8% Debentures A/c To Debentureholders A/c (Amount due to debentureholders on redemption)	Dr.	10,00,000	10,00,000

Company Accounts —

Redemption of Debentures

March 31	Debentureholders A/c To Bank A/c (Amount paid to debentureholders)	Dr.	10,00,000	10,00,000
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* Interest is calculated for 11 months.

Notes:

(1) Total amount required for transfer to Debenture Redemption Reserve	₹
= 25% of ₹30,00,000	7,50,000
Less : Existing Balance	3,80,000
Amount now required to be transferred to Debenture Redemption Reserve	3,70,000

(2) Debenture Redemption Reserve A/c will be transferred to General Reserve when all debentures are redeemed.

SOLUTION: 7.

Blue Bird Ltd. JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	4,50,000	4,50,000
2015 March 31	Bank A/c To Debenture Redemption Investment A/c To Interest Earned A/c (Investment encashed together with interest for 11 months)	Dr.	4,83,000	4,50,000 33,000
March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profit to DRR as per guidelines of SEBI)	Dr.	2,50,000	2,50,000
March 31	10% Debentures A/c To Debentureholders' A/c (Amount due on redemption)	Dr.	30,00,000	30,00,000
March 31	Debentureholders' A/c To Bank A/c (Payment made to Debentureholders)	Dr.	30,00,000	30,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve (Transfer of the balance of DRR to General Reserve)	Dr.	7,50,000	7,50,000

Working Note: (1)

Total Amount required for transfer to Debenture Redemption Reserve	₹
= 25% of 30,00,000	= 7,50,000
Less : Existing Balance	= 5,00,000
Amount now required to be transferred to Debenture Redemption Reserve	2,50,000

SOLUTION: 8.

**Books of X Ltd.
 JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 March 31	Surplus of Statement of Profit and Loss (2) To Debenture Redemption Reserve A/c (Transfer of profit to Debenture Redemption Reserve)	Dr.	3,86,000	3,86,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @ 15% of the face value of debentures to be redeemed)	Dr.	1,20,000	1,20,000
Oct. 1	Bank A/c To Debenture Redemption Investment A/c To Interest Lamed A/c (Investment bearing 10% p.a. interest encashed)	Dr.	1,25,000	1,20,000 *5,000
Oct. 1	9% Debentures A/c Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)	Dr.	8,00,000 40,000	8,40,000
Oct. 1	Debentureholders A/c To Bank A/c (Payment of amount due to debentureholders)	Dr.	8,40,000	8,40,000
Oct. 1	Debenture Redemption Reserve A/c To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on the redemption of all the debentures)	Dr.	8,00,000	8,00,000

* Interest is calculated for five months.

Notes: (1) since the debentures are to be redeemed purely out of profits Debenture Redemption Reserve will be created equal to 100% of debentures redeemed.

(2) Total Amount required for transfer to Debenture Redemption Reserve	₹
= 100% of 8,00,000	= 8,00,000
Less: Existing Balance	= 4,14,000
Amount now required to be transferred to Debenture Redemption Reserve	3,86,000

SOLUTION: 9.**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		2,25,000	2,25,000
2015 March 31	Bank A/c Dr. TDS Collected A/c Dr. To Debenture Redemption Investment A/c To Interest Earned A/c (Fixed deposit earning interest @8% p.a. encashed on redemption)		2,39,850 1,650	2,25,000 16,500
March 31	Surplus of Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c (Profit transferred to Debenture Redemption Reserve)		15,00,000	15,00,000
March 31	10% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Amount due to the debentureholders)		15,00,000 2,25,000	17,25,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment made to the debentureholders)		17,25,000	17,25,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve on redemption of all the debentures)		15,00,000	15,00,000

Note: Since the debentures are to be redeemed fully out of profits, debenture redemption reserve will be created with the full amount of debentures redeemed.

SOLUTION: 10.**JOURNAL OF X LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2007 April 1	Bank A/c Dr. To 8% Debenture Application and Allotment A/c (Debenture application money received)		80,00,000	80,00,000
April 1	8% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of debentures at par and redeemable at 5% premium)		80,00,000 4,00,000	80,00,000 4,00,000

Company Accounts —

Redemption of Debentures

2014	Surplus of Statement of Profit and Loss				
March 31	To Debenture Redemption Reserve A/c (Transfer of profit to DRR)	Dr.	10,00,000		10,00,000
2015	Surplus of Statement of Profit and Loss				
March 31	To Debenture Redemption Reserve A/c (Transfer of profit to DRR)	Dr.	10,00,000		10,00,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	12,00,000		12,00,000
June 30	Bank A/c To Debenture Redemption Investment A/c (Investment encashed)	Dr.	12,00,000		12,00,000
June 30	8% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Amount due on redemption)	Dr. Dr.	80,00,000 4,00,000		84,00,000
June 30	Debentureholders' A/c To Bank A/c (Payment made to debentureholders)	Dr.	84,00,000		84,00,000
June 30	Debenture Redemption Reserve A/c To General Reserve A/c (Transfer of DRR to General Reserve)	Dr.	20,00,000		20,00,000

SOLUTION: 11.

Books of Chandra Tubes Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011	At the time of issue			
June 30	Bank A/c To 7% Debenture Application & Allotment A/c (Application money received on issue of debentures)	Dr.	70,00,000	70,00,000
June 30	7% Debenture Application & Allotment A/c Loss on Issue of Debentures A/c To 7% Debentures A/c To Debenture Redemption Premium A/c (Transfer of application money)	Dr. Dr.	70,00,000 4,20,000	70,00,000 4,20,000
2013	For creation of Debenture Redemption Reserve			
March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)	Dr.	7,50,000	7,50,000

Company Accounts —

Redemption of Debentures

2014 March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)	Dr.	5,00,000	5,00,000
2015 March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)	Dr.	5,00,000	5,00,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	Dr.	10,50,000	10,50,000
July 1	Bank A/c To Debenture Redemption Investment A/c (Investment encashed)	Dr.	10,50,000	10,50,000
July 1	At the time of redemption 7% Debentures A/c Debentures Redemption Premium A/c To Debentureholders A/c (Amount due to debentureholders on redemption of debentures)	Dr. Dr.	70,00,000 4,20,000	74,20,000
July 1	Debentureholders A/c To Bank A/c (Payment of amount due to debentureholders)	Dr.	74,20,00,000	74,20,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve)	Dr.	17,50,000	17,50,000

SOLUTION: 12.

JOURNAL OF KUBER LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2010 April 1	Sundry Assets A/c Goodwill A/c (Balancing figure) To Sundry Liabilities A/c To Varun Ltd. (Purchase of assets and liabilities of Varun Ltd.)	Dr. Dr.	7,00,000 10,000	80,000 6,30,000
April 1	Varun Ltd. Loss on Issue of Debentures A/c To 10% Debentures A/c (1) To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Issue of 6,000 Debentures of ₹ 100 each at 5% premium, redeemable at 4% premium)	Dr. Dr.	6,30,000 24,000	6,00,000 30,000 24,000

Company Accounts —

Redemption of Debentures

2015	Surplus of Statement of Profit and Loss	Dr.	1,50,000	
March 31	To Debenture Redemption Reserve A/c (Transfer of profit to Debenture Redemption Reserve equal to 25% of the nominal value of debentures issued)			1,50,000
April 30	Debenture Redemption Investment A/c	Dr.	90,000	
	To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)			90,000
Oct. 31	Bank A/c	Dr.	90,000	
	To Debenture Redemption Investment A/c (Investment encashed)			90,000
Oct. 31	10% Debentures A/c	Dr.	6,00,000	
	Premium on Redemption of Debentures A/c	Dr.	24,000	
	To Debentureholders A/c (Amount due on redemption)			6,24,000
Oct. 31	Debentureholders A/c	Dr.	6,24,000	
	To Bank A/c (Payment of amount due to debentureholders)			6,24,000
Oct. 31	Debenture Redemption Reserve A/c	Dr.	1,50,000	
	To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve on redemption of all the debentures)			1,50,000

Note: 1. Debentures issued = $6,30,000/105 = 6,000$ Debentures of ₹100 each.

SOLUTION: 13.

Books of Universe Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made in Govt. Securities of an amount equal to 15% of the face value of debentures to be redeemed in first instalment i.e., 15% of ₹20,00,000)		3,00,000	3,00,000
2015 March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)		8,00,000	8,00,000
March 31	9% Debentures A/c Dr. To Debentureholders A/c (Payment due to Debentureholders on redemption)		20,00,000	20,00,000

Company Accounts —

Redemption of Debentures

March 31	Debentureholders A/c To Bank A/c (Payment due to Debentureholders discharged)	Dr.	20,00,000	20,00,000
2016 March 31	9% Debentures A/c To Debentureholders A/c (Payment due to Debentureholders on redemption)	Dr.	20,00,000	20,00,000
March 31	Debentureholders A/c To Bank A/c (Payment due to Debentureholders discharged)	Dr.	20,00,000	20,00,000
2017 March 31	9% Debentures A/c To Debentureholders A/c (Payment due to Debentureholders on redemption)	Dr.	20,00,000	20,00,000
March 31	Debentureholders A/c To Bank A/c (Payment due to Debentureholders discharged)	Dr.	20,00,000	20,00,000
2018 March 31	9% Debentures A/c To Debentureholders A/c (Payment due to Debentureholders on redemption)	Dr.	20,00,000	20,00,000
March 31	Debentureholders A/c To Bank A/c (Payment due to Debentureholders discharged)	Dr.	20,00,000	20,00,000
2019 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed)		3,00,000	3,00,000
March 31	9% Debentures A/c To Debentureholders A/c (Payment due to Debentureholders on redemption)	Dr.	20,00,000	20,00,000
March 31	Debentureholders A/c To Bank A/c (Payment due to Debentureholders discharged)	Dr.	20,00,000	20,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (DRR Account closed by transferring it to General Reserve)	Dr.	25,00,000	25,00,000

SOLUTION: 14.

Books of Priya Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 Aug. 1	Bank A/c To 8% Debenture Application & Allotment A/c (Receipt of application money)	Dr.	60,00,000	60,00,000
Aug. 1	8% Debenture Application & Allotment A/c To 8% Debentures A/c (Transfer of application money)	Dr.	60,00,000	60,00,000
2013 March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to DRR)	Dr.	4,00,000	4,00,000
2014 March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to DRR)	Dr.	4,00,000	4,00,000
2014 April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of first instalment of ₹12,00,000)	Dr.	1,80,000	1,80,000
2015 March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profits to DRR : 25% of 60,00,000 = 15,00,000 Less : On 31st March 2013 4,00,000 On 31st March 2014 4,00,000 7,00,000)	Dr.	7,00,000	7,00,000
March 31	8% Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	12,00,000	12,00,000
March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	12,00,000	12,00,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of additional amount of ₹2,00,000)	Dr.	30,000	30,000
2016 March 31	8% Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	14,00,000	14,00,000

Company Accounts —

Redemption of Debentures

March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	14,00,000	14,00,000
2017 March 31	8% Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	14,00,000	14,00,000
March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	14,00,000	14,00,000
April 30	Debenture Redemption Investment A/c To Bank A/c (Investment made equal to 15% of additional amount of ₹6,00,000)	Dr.	90,000	90,000
2018 March 31	Bank A/c To Debenture Redemption Investment A/c (Investments encashed before redemption of last instalment)	Dr.	3,00,000	3,00,000
March 31	8% Debentures A/c To Debentureholders A/c (Amount due on redemption)	Dr.	20,00,000	20,00,000
March 31	Debentureholders A/c To Bank A/c (Payment of amount due to Debentureholders)	Dr.	20,00,000	20,00,000
March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve on the redemption of all Debentures)	Dr.	15,00,000	15,00,000

SOLUTION: 15.

Books of Tata Power Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 July 1	Bank A/c To 9% Debenture Application & Allotment A/c (Receipt of application money)	Dr.	90,00,000	90,00,000
July 1	9% Debenture Application & Allotment A/c Loss on Issue of Debentures A/c To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Transfer of application money)	Dr. Dr.	90,00,000 4,50,000	90,00,000 4,50,000
2012 March 31	Surplus of Statement of Profit and Loss To Debenture Redemption Reserve A/c (Transfer of profit to DRR)	Dr.	10,00,000	10,00,000

Company Accounts —

Redemption of Debentures

2013	Surplus of Statement of Profit and Loss	Dr.		
March 31	To Debenture Redemption Reserve A/c (Transfer of profit to DRR)		4,00,000	4,00,000
2014	Surplus of Statement of Profit and Loss	Dr.		
March 31	To Debenture Redemption Reserve A/c (Transfer of profit to DRR)		8,50,000	8,50,000
April 30	Debenture Redemption Investment A/c	Dr.	4,50,000	
	To Bank A/c (Investment made equal to 15% of first instalment of ₹30,00,000)			4,50,000
2015	Bank A/c	Dr.	75,000	
March 31	To Debenture Redemption Investment A/c (Investments encashed equal to 15% of ₹5,00,000)			75,000
March 31	9% Debentures A/c	Dr.	30,00,000	
	Premium on Redemption of Debentures A/c	Dr.	1,50,000	
	To Debentureholders A/c (Amount due on redemption)			31,50,000
March 31	Debentureholders A/c	Dr.	31,50,000	
	To Bank A/c (Payment of amount due to debentureholders)			31,50,000
2016	9% Debentures A/c	Dr.	25,00,000	
March 31	Premium on Redemption of Debentures A/c	Dr.	1,25,000	
	To Debentureholders A/c (Amount due on redemption)			26,25,000
March 31	Debentureholders A/c	Dr.	26,25,000	
	To Bank A/c (Payment of amount due to debentureholders)			26,25,000
April 30	Debenture Redemption Investment A/c	Dr.	1,50,000	
	To Bank A/c (Investment made equal to 15% of additional amount of ₹10,00,000)			1,50,000
2017	Bank A/c	Dr.	5,25,000	
March 31	To Debenture Redemption Investment A/c (Investments encashed before redemption of last instalment)			5,25,000
March 31	9% Debentures A/c	Dr.	35,00,000	
	Premium on Redemption of Debentures A/c	Dr.	1,75,000	
	To Debentureholders A/c (Amount due on redemption)			36,75,000
March 31	Debentureholders A/c	Dr.	36,75,000	
	To Bank A/c (Payment of amount due to debentureholders)			36,75,000
March 31	Debenture Redemption Reserve A/c	Dr.	22,50,000	
	To General Reserve A/c (DRR A/c closed by transferring it to General Reserve on redemption of all debentures)			22,50,000

Company Accounts —
Redemption of Debentures

SOLUTION: 16

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 March 31	Own Debentures A/c Dr. To Bank A/c (5,000 own debentures of ₹100 each purchased at ₹96 for immediate cancellation)		4,80,000	4,80,000
March 31	7% Debentures A/c Dr. To Own Debentures A/c To Profit on Redemption of Debentures A/c (Cancellation of own Debentures)		5,00,000	4,80,000 20,000
March 31	Profit on Redemption of Debentures A/c Dr. To Capital Reserve A/c (Profit on redemption transferred to Capital Reserve A/c)		20,000	20,000

Note : (1) It is assumed that the Company has adequate balance in DRR before initiating the purchase of own debentures and also investment of 15% amount as required by law.

(2) It is assumed that the company must have invested the required amount.

SOLUTION: 17.

JOURNAL OF X LTD.

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Own Debentures A/c Dr. To Bank A/c (Purchase of 2,000 Own Debentures of ₹100 each @ ₹102)		2,04,000	2,04,000
9% Debentures A/c Dr. Loss on Cancellation of Own Debentures A/c Dr. To Own Debentures A/c (Own Debentures cancelled)		2,00,000 4,000	2,04,000
Statement of Profit & Loss Dr. To Loss on Cancellation of Own Debentures A/c (Loss on Cancellation written off)		4,000	4,000

SOLUTION: 18.

(i) Journal of JJJ Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 1	Own Debentures A/c Dr. To Bank A/c (Purchase of 30,000 own debentures @ ₹99 each)		29,70,000	29,70,000

Company Accounts —

Redemption of Debentures

April 1	10% Debentures A/c To Own Debentures A/c To Gain on Redemption of Debentures A/c (Cancellation of 30,000 own Debentures)	Dr.	30,00,000	29,70,000 30,000
2015 March 31	Gain on Redemption of Debentures A/c To Capital Reserve A/c (Transfer of Gain on cancellation of Debentures to Capital Reserve)	Dr.	30,000	30,000

(ii) Journal of JJJ Ltd.				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Feb. 28	10% Debentures A/c To Debentureholders A/c (Payment due to Debentureholders on redemption)	Dr.	50,00,000	50,00,000
Feb. 28	Debentureholders A/c To Bank A/c (Payment made to Debentureholders)	Dr.	50,00,000	50,00,000

(iii) Journal of JJJ Ltd.				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 Jan. 31	Own Debentures A/c To Bank A/c (Purchase of 20,000 own debentures)	Dr.	20,03,000	20,03,000
Jan. 31	10% Debentures A/c Loss on Redemption of Debentures A/c To Own Debentures A/c (Cancellation of own debentures)	Dr. Dr.	20,00,000 3,000	20,03,000
March 31	Statement of Profit & Loss To Loss on Redemption of Debentures A/c (Loss on redemption transferred to Statement of Profit & Loss)	Dr.	3,000	3,000

SOLUTION: 19.

JOURNAL OF VOLTAS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Own Debentures A/c To Bank A/c (Purchase of 4,000 Own Debentures of ₹100 each @₹95)	Dr.	3,80,000	3,80,000

Company Accounts —

Redemption of Debentures

8% Debentures A/c	Dr.	4,00,000	
Premium on Redemption of Debentures A/c	Dr.	16,000	3,80,000
To Own Debentures A/c			36,000
To Profit on Cancellation of Own Debentures A/c			
(4,000 Debentures of ₹100 each cancelled)			
Profit on Cancellation of Own Debentures A/c	Dr.	36,000	
To Capital Reserve A/c			36,000
(Profit on cancellation transferred to Capital Reserve)			

SOLUTION: 20.

JOURNAL OF MANU LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Own Debentures A/c	Dr.	5,20,000	
	To Bank A/c			5,20,000
	(Purchase of 5,000 Own Debentures of ₹ 100 each @ ₹104 for immediate cancellation)			
	10% Debentures A/c	Dr.	5,00,000	
	Premium on Redemption of Debentures A/c	Dr.	50,000	5,20,000
	To Own Debentures A/c			30,000
	To Profit on Cancellation of Own Debentures A/c			
	(5,000 own debentures of ₹ 100 each redeemable at ₹ 110 cancelled)			
	Profit on Cancellation of Own Debentures A/c	Dr.	30,000	
	To Capital Reserve A/c			30,000
	(Profit on cancellation transferred to Capital Reserve)			

SOLUTION: 21.

JOURNAL OF SHASHI LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Own Debentures A/c	Dr.	3,21,000	
	To Bank A/c			3,21,000
	(3,000 Own Debentures purchased at ₹107 per debenture)			
	9% Debentures A/c	Dr.	3,00,000	
	Premium on Redemption of Debentures A/c	Dr.	15,000	
	Loss on Cancellation of Own Debentures A/c	Dr.	6,000	
	To Own Debentures A/c			3,21,000
	(3,000 Own Debentures of ₹100 each redeemable at 5% premium cancelled)			
	Statement of Profit & Loss	Dr.	6,000	
	To Loss on Cancellation of Own Debentures A/c			6,000
	(Loss on Cancellation written off)			

SOLUTION: 22.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	Own Debentures A/c (1) Dr. To Bank A/c (Purchase of 200 own debentures of ₹ 100 each for immediate cancellation)		18,800	18,800
March 31	8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Own Debentures A/c To Gain on Cancellation of Own Debentures A/c (Cancellation of 200 own debentures)		20,000 4,000	18,800 5,200
March 31	Gain on Cancellation of Own Debentures A/c Dr. To Capital Reserve A/c (Transfer of gain on cancellation of debentures to Capital Reserve)		5,200	5,200

Note (1) Amount paid for purchase of own debentures: ₹

160 debentures @95 each	15,200
40 debentures @90 each	3,600
	<u>18,800</u>

SOLUTION: 23.

JOURNAL OF Z LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Own Debentures A/c (1) Dr. To Bank A/c (Purchase of own debentures 2,000 for ₹1,86,000 and 1,000 for ₹95,000 plus ₹1,500 expenses for purchase)		2,82,500	2,82,500(2)
	Debentures A/c Dr. To Own Debentures A/c To Profit on Redemption of Debentures A/c (Cancellation of own debentures)		3,00,000	2,82,500 17,500
	Profit on Redemption of Debentures A/c Dr. To Capital Reserve A/c (Transfer of profit on redemption to Capital Reserve A/c)		17,500	17,500

Notes: (1) Amount paid for the purchase of debentures: ₹

2,000 Debentures	1,86,000
1,000 Debentures	95,000
	<u>2,81,000</u>
Add: Expenses	1,500
Total Payment	<u>2,82,500</u>

Company Accounts —

Redemption of Debentures

(2) It is assumed that the company has adequate balance in DRR and also investment as required.

SOLUTION: 24.

Dr.			15% DEBENTURES ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2015			2014					
Mar.31	To Own Debentures A/c		April 1	By Balance b/d	5,00,000			
	₹300 @95	28,500						
	₹200 @96	19,200						
	₹250 @98	24,500						
	Add: Expenses	320						
		72,520						
Mar.31	To Profit on Redemption A/c	2,480						
Mar.31	To Debentureholders A/c (Shortfall met)	25,000						
Mar.31	To Balance c/d	4,00,000						
		5,00,000			5,00,000			

Dr.			OWN DEBENTURES ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2015 Mar. 31	To Bank A/c	72,520	2015 Mar. 31	By 15% Debentures A/c	72,520			

Dr.			PROFIT ON REDEMPTION ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2015 Mar. 31	To Capital Reserve A/c	2,480	2015 Mar. 31	By 15% Debentures A/c	2,480			

Dr.			INTEREST ON DEBENTURES ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2015 Mar. 31	To Bank A/c	75,000	2015 Mar. 31	By Statement of P & L (Transfer)	75,000			

Dr.			DEBENTURE REDEMPTION INVESTMENT ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2014	To Bank A/c	15,000*	2015	By Balance c/d	15,000			
April			March					
30			31					

* 15% of Annual redemption of ₹1,00,000.

Note: It is assumed that Company has sufficient balance in Debenture Redemption Reserve before initiating the purchase of debentures for cancellation.

Company Accounts —
Redemption of Debentures

SOLUTION: 25.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2010 April 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on debentures)		5,30,000	5,30,000
April 1	Debenture Application & Allotment A/c Dr. To 15% Debentures A/c To Securities Premium Reserve A/c (Application money on 5,000 debentures of ₹ 100 each at ₹106 transferred to Debentures A/c)		5,30,000	5,00,000 30,000
2014 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		3,750	3,750
2015 Mar. 31	Own Debentures A/c Dr. To Bank A/c (Purchase of own debentures)		23,000(1)	23,000
Mar. 31	15% Debentures A/c Dr. To Own Debentures A/c To Profit on Redemption of Debentures A/c (Cancellation of Own debentures)		25,000	23,000 2,000
Mar. 31	Profit on Redemption of Debentures A/c Dr. To Capital Reserve A/c (Transfer of pro fit on redemption to capital reserve)		2,000	2,000

Note (1): Debentures have been purchased for cancellation.
Amount paid for the purchase of debentures:

Debentures of ₹15,000 means 150 Debentures of ₹100 each	
150 Debentures x ₹90 per Debenture	= ₹13,500
100 Debentures x ₹95 per Debenture	= ₹9,500
Total Payment	= <u>₹23,000</u>

SOLUTION: 26.

(i) If debentures are purchased for immediate cancellation:

India Tea Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Own Debentures A/c Dr. To Bank A/c (800 own debentures of ₹100 each purchased at ₹95 for immediate cancellation)		76,000	76,000

Company Accounts —

Redemption of Debentures

13% Debentures A/c	Dr.	80,000	
To Own Debentures A/c			76,000
To Profit on Redemption of Debentures A/c			4,000
(Cancellation of own Debentures)			
Profit on Redemption of Debentures A/c	Dr.	4,000	
To Capital Reserve A/c			4,000
(Profit on redemption transferred to Capital Reserve A/c)			

(ii) If debentures are purchased as investments:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Investment in Own Debentures A/c Dr.		76,000	
	To Bank A/c			76,000
	(800 own debentures of ₹100 each purchased at ₹95 as investments)			

SOLUTION: 27.

Mafatlal Cotton Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
On the date of purchase	Investments in Own Debentures A/c Dr.		3,76,000	
	To Bank A/c			3,76,000
	(Purchase of 4,000 own debentures of ₹100 each at ₹94 each as investments)			
On the date of sale	Bank A/c Dr.		3,88,000	
	To Investments in Own Debentures A/c			3,76,000
	To Profit on Sale of Investments A/c			12,000
	(Investments in own debentures sold at ₹97 each)			
On the date of sale	Profit on Sale of Investments A/c Dr.		12,000	
	To Statement of Profit and Loss			12,000
	(Profit on sale of investments transferred to Statement of Profit and Loss)			

Note:

The Company is not required to create DRR and also there is no requirement to make investment because the debentures are purchased for investment and not for cancellation.

SOLUTION: 28.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 Oct. 1	Investment in Own Debentures A/c Dr.		4,79,000	
	To Bank A/c			4,79,000
	(Purchase of 5,000 own debentures as investment @ ₹95 plus expenses ₹4,000)			

Company Accounts —

Redemption of Debentures

2015 Jan. 1	Bank A/c(2) To Investment in Own Debentures A/c To Profit on Sale of Investments A/c (Sale of 4,000 own debentures)	Dr.	3,89,000	
Jan. 1	Profit on Sale of Investments A/c To Statement of Profit & Loss (Profit on sale of 4,000 own debentures transferred to Statement of P & L)	Dr.	5,800	3,83,200 5,800
March 31	8% Debentures A/c Dr. To Investment in Own Debentures A/c(3) To Profit on Cancellation of Debentures A/c (1,000 own debentures cancelled)		1,00,000	95,800 4,200
March 31	Profit on Cancellation of Debentures A/c To Capital Reserve A/c (Profit on Cancellation transferred to Capital Reserve)	Dr.	4,200	4,200

Working Notes:

It is assumed that the Company has sufficient balance in DRR.

Sale Price of 4,000 own debentures:

$$4,000 \times ₹98 = 3,92,000$$

Less: Expenses 3,000 3,89,000

Less : Cost of 4,000 own debentures

$$4,79,000 \times (4,000 \div 5,000) = 3,83,200$$

Profit on Sale of Own Debentures **5,800**

Cost of 1,000 Own Debentures:

$$4,79,000 \times (1,000 \div 5,000) = ₹95,800$$

SOLUTION: 29.

Nikita Ltd. JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 1	Investment in Own Debentures A/c Dr. To Bank A/c (Purchase of 3,000 Own Debentures as investment for ₹2,95,000 plus expenses ₹500)		2,95,500	2,95,500
Sept. 30	Debenture Interest A/c To Debentureholder's A/c To Interest on Own Debentures A/c (Interest on 7,000 outside debentures for six months and interest on 3,000 own debentures)	Dr.	60,000	42,000 18,000
Sept. 30	Debentureholder's A/c To Bank A/c (Interest paid to outside debentureholders)	Dr.	42,000	42,000

Company Accounts —

Redemption of Debentures

2015 March 31	Debenture Interest A/c Dr.	60,000	
	To Debentureholder's A/c		42,000
	To Interest on Own Debentures A/c (Interest on 7,000 outside debentures for six months and interest on 3,000 own debentures)		18,000
March 31	Debentureholder's A/c Dr.	42,000	
	To Bank A/c (Interest paid to outside debentureholders)		42,000
March 31	12% Debentures A/c Dr.	3,00,000	
	To Investment in Own Debentures A/c		2,95,500
	To Profit on Cancellation of Debentures A/c (Cancellation of 3,000 own debentures)		4,500
March 31	Profit on Cancellation of Debentures A/c Dr.	4,500	
	To Capital Reserve A/c (Profit on cancellation of debentures transferred to Capital Reserve)		4,500

Working Note: It is assumed that the Company has sufficient balance in DRR.

Redemption by Conversion

SOLUTION: 30.

Books of Malwa Textiles Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	On the date of issue Bank A/c Dr. To Debenture Application & Allotment A/c (Debenture application money received)		10,00,000	10,00,000
	On the date of issue Debenture Application & Allotment A/c Dr. To 7% Debentures A/c (Application money transferred to 7% debentures account consequent upon allotment)		10,00,000	10,00,000
	On the date of redemption 7% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		10,00,000	10,00,000
	On the date of redemption Debentureholders A/c Dr. To Equity Share Capital A/c (Conversion of 2,000 Debentures of ₹500 each into 10,000 equity shares of ₹100 each calculated as: $2,000 \times 500 \div 100 = 10,000$)		10,00,000	10,00,000

SOLUTION: 31 (A).

Company Accounts —

Redemption of Debentures

Books of Indian Cable Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 March 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Debenture application money received)		31,50,000	31,50,000
March 1	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Transfer of Debenture Application to 9% Debentures A/c consequent upon allotment)		31,50,000	30,00,000 1,50,000
2015 May 31	9% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		30,00,000	30,00,000
May 31	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Conversion of 60,000 Debentures of ₹50 each into 1,25,000 equity shares of ₹20 each at a premium of ₹4)		30,00,000	25,00,000 5,00,000

Working Notes:

- (i) Calculation of No. of Shares $30,00,000 \div (20+4) = 1,25,000$
- (ii) Equity Share Capital = $1,25,000 \times ₹20 = ₹25,00,000$
- (iii) Securities Premium Reserve = $1,25,000 \times ₹4 = ₹5,00,000$

SOLUTION: 31 (B).

BCL Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Feb. 28	9% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of debentures)		1,00,00,000	1,00,00,000
Feb. 28	Debentureholders A/c Dr. To 8% Preference Share Capital A/c To Securities Premium Reserve A/c (Issue of preference shares at a premium of 25% for conversion of debentures)		1,00,00,000	80,00,000 20,00,000

No. of Preference Shares issued = $1,00,00,000 \div 125 = 80,000$

SOLUTION: 32.**JOURNAL ENTRIES**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	12% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		1,00,000	1,00,000
	Debentureholders A/c Dr. To Equity Share Capital A/c (Conversion of 500 Debentures of ₹200 each into 1,000 equity shares of ₹100 each)		1,00,000	1,00,000
(ii)	13% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		2,50,000	2,50,000
	Debentureholders A/c Dr. To Equity Share Capital A/c (20,000 x ₹10) To Securities Premium Reserve A/c (20,000 x ₹2.50) (Conversion of 2,500 Debentures of ₹100 each into 20,000 Equity Shares calculated as: 2,50,000 ÷ 12.50 = 20,000)		2,50,000	2,00,000 50,000
(iii)	10% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		4,20,000	4,20,000
	Debentureholders A/c Dr. To 12% Preference Share Capital A/c (4,000 x ₹100) To Securities Premium Reserve A/c (4,000 x ₹5) (Conversion of 420 Debentures of ₹1,000 each into 4,000 preference shares calculated as: 4,20,000 ÷ 105 = 4,000)		4,20,000	4,00,000 20,000

SOLUTION: 33.**Books of Z Ltd.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 March 31	8% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders, i.e., ₹2,00,000 and ₹5,00,000)		7,00,000	7,00,000
March 31	Debentureholders A/c Dr. To Equity Share Capital A/c (Issue of 2,000 equity shares of ₹100 each at par on conversion of 2,000 debentures)		2,00,000	2,00,000

Company Accounts —

Redemption of Debentures

March	Debentureholders A/c Dr.	5,00,000	
31	To 10% Preference Share Capital A/c		4,00,000
	To Securities Premium Reserve A/c		1,00,000
	(Issue of 4,000 preference shares of ₹100 each at a premium of 25% on conversion of 5,000 debentures calculated as : 5,00,000 ÷ 125 = 4,000)		

SOLUTION: 34.

Books of Suruchi Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		19,00,000	
	To Debenture Application & Allotment A/c (Debenture application money received)			19,00,000
	Debenture Application & Allotment A/c Dr.		19,00,000	
	Discount on Issue of Debentures A/c Dr.		1,00,000	
	To 9% Debentures A/c (Debentures issued at discount transferred to 9% debentures account consequent upon allotment)			20,00,000
	9% Debentures A/c Dr.		20,00,000	
	To Discount on Issue of Debentures A/c			1,00,000
	To Debentureholders A/c (Payment to debentureholders due on redemption, equal to the amount of actual proceeds received on issue of debentures from them)			19,00,000
	Debentureholders A/c Dr.		19,00,000	
	To Equity Share Capital A/c			7,60,000
	To Securities Premium Reserve A/c (Conversion of 4,000 debentures of ₹500 each issued at 5% discount into equity shares)			11,40,000

Note 1: Calculation of equity shares to be issued on Conversion: $19,00,000 \div 25 = 76,000$

Equity Share Capital = $76,000 \times ₹10 = ₹7,60,000$

Securities Premium Reserve = $76,000 \times ₹15 = ₹11,40,000$

SOLUTION: 35.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	13% Debentures A/c Dr.		5,00,000	
	To Discount on Issue of Debentures A/c			50,000
	To Debentureholders A/c (Amount due to debentureholders on conversion of 1,000 Debentures of ₹500 each issued at a discount of 10%)			4,50,000

Company Accounts —

Redemption of Debentures

	Debentureholders A/c Dr. To Equity Share Capital A/c (Amount due to debentureholders on conversion discharged by issue of 45,000 equity shares of ₹10 each)	4,50,000	4,50,000
(ii)	15% Debentures A/c Dr. To Discount on Issue of Debentures A/c To Debentureholders A/c (Amount due to debentureholders on conversion of 600 debentures of ₹100 each issued at a discount of 2%)	60,000	1,200 58,800
	Debentureholders A/c Dr. To Equity Share Capital A/c (3,920 x ₹10) To Securities Premium Reserve A/c (3,920 x ₹5) (Amount due to debentureholders on conversion discharged by issue of 3,920 Equity Shares calculated as below: 58,800/15 = 3,920)	58,800	39,200 19,600

SOLUTION: 36.

JOURNAL ENTRIES				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Debenture application money received on 250 debentures @ ₹950 each)		2,37,500	2,37,500
April 1	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 12% Debentures A/c (Allotment of 250 debentures of ₹1,000 each at ₹950)		2,37,500 12,500	2,50,000
2015 March 31	Debenture Interest A/c Dr. To Debenture Interest Outstanding A/c (Interest due on debentures at 12% for one year)		30,000	30,000
March 31	12% Debentures A/c Dr. To Discount on Issue of Debentures A/c To Debentureholder A/c (Amount due to debentureholder on conversion)		20,000	1,000 19,000
March 31	Debentureholder A/c Dr. To 10% Preference Share Capital A/c (152 Shares x ₹100) To Securities Premium Reserve A/c (152 Shares x ₹25) (Amount due to debentureholder discharged by issue of 152 preference shares of ₹ 100 each calculated as below : 19,000 ÷ ₹125 = 152)		19,000	15,200 3,800
March 31	Statement of Profit and Loss Dr. To Debenture Interest A/c (Transfer of debenture interest to Statement of Profit and Loss)		30,000	30,000

SOLUTION: 37.

AH Ltd.
JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
On Issue	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Receipt of application money on 20,000 debentures @ ₹90 each)		18,00,000	18,00,000
On Issue	9% Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Application money transferred to Debentures A/c consequent upon allotment, issued at 10% discount)		18,00,000 2,00,000	20,00,000
On Redemption at Maturity date	9% Debentures A/c Dr. To Debentureholders A/c(1) (Amount due to debentureholders on conversion into equity shares on maturity date)		20,00,000	20,00,000
On Redemption at Maturity date	Debentureholders A/c Dr. To Equity Share Capital A/c (Amount due on conversion discharged by issue of 2,00,000 equity shares of ₹10 each)		20,00,000	20,00,000

Note: (1) If the debentures originally issued at discount are converted into shares on the due date of their redemption, the debentures will be converted into shares on the basis of the nominal value of debentures and hence 'Discount on Issue of Debentures A/c' will not be credited in the entry for conversion.

SOLUTION: 38.

Books of Satyam Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	8% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Payment due to Debentureholders on redemption of debentures at a premium of 5%)		80,00,000 4,00,000	84,00,000
	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Amount due to Debentureholders discharged by issue of 6,00,000 equity shares of ₹10 each at a premium of ₹4)		84,00,000	60,00,000 24,00,000

Working Notes:

(i) Calculation of No. of Shares ₹84,00,000 ÷ (10 + 4) = 6,00,000

Company Accounts —

Redemption of Debentures

(ii) Equity Share Capital = 6,00,000 x ₹ 10 = ₹60,00,000

(iii) Securities Premium Reserve = 6,00,000 x ₹ 4 = ₹24,00,000

SOLUTION: 39.

JOURNAL ENTRIES				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	12% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 2,000 debentures of ₹10 each at par.)		20,000	20,000
	Debentureholders A/c Dr. To 10% Preference Share Capital A/c (Amount due on conversion discharged by issue of 400 Preference Shares of ₹50 each)		20,000	20,000
(b)	12% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 2,000 debentures of ₹10 each at a premium of 5%)		20,000 1,000	21,000
	Debentureholders A/c Dr. To Equity Share Capital A/c (Amount due on conversion discharged by issue of Equity Shares at par)		21,000	21,000
(c)	12% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 2,000 debentures of ₹10 each at a premium of 5%)		20,000 1,000	21,000
	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Amount due on conversion discharged by issue of Equity Shares at 20% premium)		21,000	17,500(1) 3,500

Working Note:

(1) Face value of Equity Shares issued on Conversion = 21,000 x 100/120 = ₹17,500

Securities Premium Reserve = 21,000 x 20/120 = ₹3,500

SOLUTION: 40.

JOURNAL				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money)		5,00,000	5,00,000

Company Accounts —

Redemption of Debentures

April 1	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 15% Debentures A/c To Premium on Redemption A/c (Transfer of application money to Debentures Account, being issued at par, but redeemable at a premium of 5%)	5,00,000 25,000	5,00,000 25,000
2015	Debentures Interest A/c Dr.	75,000	75,000
March 31	To Debentures Interest Outstanding A/c (One year's interest due on debentures)		
March 31	15% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholder A/c (Amount due to debentureholder on conversion of 60 debentures of ₹1,000 each redeemable at a premium of 5%)	60,000 3,000	63,000
March 31	Debentureholder A/c Dr. To 10% Preference Share Capital A/c To Securities Premium Reserve A/c (Amount due to debentureholder discharged by issue of 525 preference shares of 1100 each at a Premium of ₹20 per share)	63,000(1)	52,500 10,500
March 31	Statement of Profit & Loss Dr. To Debentures Interest A/c (Interest transferred to Statement of Profit & Loss)	75,000	75,000

Working Note (1): Total amount payable to Debentureholder:	₹
Amount of 60 Debentures of ₹1,000 each	60,000
Add: 5% premium payable on redemption (5% on ₹60,000)	3,000
	<u>63,000</u>

As a share of ₹100 will be issued at a premium of ₹20,
therefore, the number of preference shares to be issued = $63,000/120 = 525$ shares
Face value of 525 Preference Shares = $525 \times ₹100 = ₹52,500$
Securities Premium on 525 Preference Shares = $525 \times ₹20 = ₹10,500$

SOLUTION: 41 (A).

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015	10% Debentures A/c Dr.		20,00,000	
March 31	Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders, redeemable at a premium of 2%)		40,000	20,40,000
March 31	Debentureholders A/c Dr. To 12% Preference Share Capital A/c To Securities Premium Reserve A/c (Redemption of 10% Debentures by Conversion into Preference Shares)		8,72,100(1)	7,75,200 96,900

Company Accounts —

Redemption of Debentures

March 31	Debentureholders A/c Dr. Discount on Issue of Debentures A/c Dr. To 15% Debentures A/c (Redemption of 10% Debentures by Conversion into 15% Debentures)	7,34,400(2) 30,600	7,65,000
March 31	Debentureholders A/c Dr. To Bank A/c (Redemption of 10% Debentures by cash)	4,33,500(3)	4,33,500
March 31	Surplus of Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profit equal to 25% of the face value of debentures of ₹4,25,000 redeemed in cash)	1,06,250	1,06,250
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve to General Reserve on the redemption of all debentures)	1,06,250	1,06,250

Working Note:

(1)

Holders of ₹8,55,000 Debentures have accepted the proposal (a) (i)

Total amount payable to them = ₹8,55,000 + 2% Premium on ₹8,55,000
= ₹8,55,000 + ₹17,100 = ₹8,72,100

As a Preference Share of ₹100 is to be issued at ₹112.50, therefore the number of Preference Shares to be issued $8,72,100 \div 112.50 = 7,752$ shares

Amount of Preference Shares = 7,752 Shares x ₹ 100 each = ₹7,75,200

Premium on issue of Preference Shares = 7,752 Shares x ₹ 12.50 = ₹ 96,900

(2)

Holders of ₹7,20,000 Debentures have accepted the proposal (a) (ii)

Total amount payable to them = ₹7,20,000 + 2% Premium on ₹7,20,000
= 7,20,000 + ₹14,400 = ₹7,34,400

As a new Debenture of ₹100 is to be issued at ₹96 therefore, the number of new Debentures to be issued = $7,34,400 / 96 = 7,650$ Debentures

Amount of new 15% Debentures = 7,650 Debentures x ₹100 each = ₹7,65,000

Discount on issue of Debentures = 7,650 Debentures x ₹4 per Deb. = ₹30,600

(3)

Amount of remaining Debentures = ₹20,00,000 - ₹8,55,000 - ₹7,20,000 = ₹4,25,000

Amount payable to them in Cash = ₹4,25,000 + 2% Premium on ₹4,25,000 = ₹4,25,000 + ₹8,500 = ₹4,33,500

(4) Redemption of debentures in the first two cases was by conversion into new shares and debentures. Hence there was no need to transfer to debenture redemption reserve. It is only in the third case, the debentures have been redeemed for cash. In this case, it is

Company Accounts —

Redemption of Debentures

necessary to transfer 25% of the face value of debentures redeemed to debenture redemption reserve.

SOLUTION: 41 (B).

Mohan Agro Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	14% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders redeemable at a premium of 4%)		5,00,000 20,000	5,20,000
April 1	Debentureholders A/c Dr. To Bank A/c (Redemption of 600 Debentures of ₹100 each at a premium of 4%)		62,400	62,400
April 1	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Redemption of Debentures by conversion into Equity Shares)		2,08,000(1)	1,60,000 48,000
April 1	Debentureholders A/c Dr. Discount on Issue of Debentures A/c Dr. To 15% 2nd Debentures A/c (Redemption of Debentures by conversion into 15% 2nd Debentures)		2,49,600(2) 10,400	2,60,000
April 1	Surplus of Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profit equal to 25% of the face value of debentures of ₹60,000 redeemed in cash)		15,000	15,000
April 1	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve to General Reserve on the redemption of all debentures)		15,000	15,000

Working Notes:

(1) Total amount payable to the holders of 2,000 debentures who have opted for equity shares:

$$₹2,00,000 + 4\% \text{ Premium on } ₹2,00,000 = ₹2,00,000 + ₹8,000 = ₹2,08,000$$

$$\text{Number of Equity Shares to be issued} = 2,08,000/16 = 16,000$$

$$\text{Amount of Equity Share Capital} = 16,000 \times ₹10 = ₹1,60,000$$

$$\text{Amount of Securities Premium} = 16,000 \times ₹3 = ₹48,000$$

(2) Number of remaining debentures = 5,000 - 600 - 2,000 = 2,400

Total amount payable to the holders of 2,400 debentures

Who have opted for 15% 2nd Debentures:

Company Accounts —

Redemption of Debentures

$$\begin{aligned} ₹2,40,000 + 4\% \text{ Premium on } ₹2,40,000 &= ₹2,40,000 + ₹9,600 \\ &= ₹2,49,600 \end{aligned}$$

$$\text{Number of new Debentures to be issued} = 2,49,600/96 = 2,600$$

$$\therefore \text{Amount of new 15\% 2nd Debentures} = 2,600 \times ₹100 = ₹2,60,000$$

$$\text{Amount of Discount on issue of Debentures} = 2,600 \times ₹4 = ₹10,400$$

SOLUTION: 42.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	9% Debentures A/c Dr.		74,000	
	To Debentureholders A/c (Amount due on conversion of 740, 9% Debentures)			74,000
(i)	Debentureholders A/c Dr.		74,000	
	To Equity Share Capital A/c (Note 1)			59,200
	To Securities Premium Reserve A/c (Issue of 592 equity shares of ₹100 each at a premium of 25%)			14,800
(ii)	Bank A/c Dr.		2,06,250	
	To Debenture Application & Allotment A/c (Receipt of application money on 1,875 debentures)			2,06,250
(ii)	Debenture Application & Allotment A/c Dr.		2,06,250	
	To 8% Debentures A/c			1,87,500
	To Securities Premium Reserve A/c			18,750
	(Issue of 1,875, 8% debentures of ₹100 each at a premium of ₹10)			

Note (1): No. of Equity Shares issued = ₹74,000/₹125 = 592 Equity Shares.

SOLUTION: 43.

Varun Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr.		6,38,00,000	
	To Debenture Application & Allotment A/c (Receipt of application money)			6,38,00,000
(i)	Debenture Application & Allotment A/c Dr.		6,38,00,000	
	To 9% Debentures A/c			5,80,00,000
	To Securities Premium Reserve A/c (58,000 9% debentures issued at premium)			58,00,000
(ii)	9% Debentures A/c Dr.		35,000	
	To Debentureholders A/c (Amount due to debentureholders on conversion)			35,000
(ii)	Debentureholders A/c Dr.		35,000	
	To Equity Share Capital A/c (Note 1)			28,000
	To Securities Premium Reserve A/c			7,000
	(Issue of 2,800 equity shares of ₹0 each at a premium of ₹2.50)			

Notes (1): No. of Equity Shares issued = ₹35,000/₹12.50 = 2,800 Shares.

SOLUTION: 44.X Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	12% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		8,00,000	8,00,000
	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Conversion of ₹8,00,000 debentures into 6,400 equity shares of ₹100 each at a premium of 25%)		8,00,000	6,40,000 1,60,000

Additional Questions (For Practice)**SOLUTION: 45.**

JOURNAL OF MUDRA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		1,50,000	1,50,000
2015 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		1,50,000	1,50,000
March 31	Surplus of Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c (10,00,000 x 25%) (Transfer of profits to DRR A/c as per SEBI guidelines i.e. 25% of the face value of debentures to be redeemed)		2,50,000	2,50,000
March 31	12% Debentures A/c (10,000 x 100) Dr. Premium on Redemption of Debentures A/c (10,000 x 5) To Debentureholders A/c (Amount payable to debentureholders on redemption)		10,00,000 50,000	10,50,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment made to debentureholders on redemption)		10,50,000	10,50,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Balance of DRR A/c transferred to General Reserve after redemption)		2,50,000	2,50,000

SOLUTION: 46.

Books of Anupama Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		3,00,000	3,00,000
2015 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)		3,00,000	3,00,000
March 31	Surplus of Statement of Profit and Loss(1) Dr. To Debenture Redemption Reserve A/c (Transfer of profits as per SEBI guidelines)		1,00,000	1,00,000
March 31	9% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		20,00,000	20,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)		20,00,000	20,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Transfer of Debenture Redemption Reserve A/c to General Reserve A/c on the redemption of all the debentures)		5,00,000	5,00,000

Working Note: (1)

Total Amount required for transfer to

Debenture Redemption Reserve = 25% of 20,00,000 = ₹5,00,000

Less: Existing Balance = ₹4,00,000

Amount now required to be transferred toDebenture Redemption Reserve = **₹1,00,000****SOLUTION: 47.**

Books of Saraswati Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2005 June 30	At the time of issue Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on issue of debentures)		16,80,000	16,80,000
June 30	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Application money transferred to 9% debentures being issued at premium of 5%)		16,80,000	16,00,000 80,000

Company Accounts —

Redemption of Debentures

2014	For creation of Debenture Redemption Reserve			
March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)	2,00,000		2,00,000
2015				
March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)	2,00,000		2,00,000
April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)	2,40,000		2,40,000
July 1	Bank A/c Dr. To Debenture Redemption Investment A/c (Investment encashed)	2,40,000		2,40,000
July 1	At the time of redemption 9% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption of debentures)	16,00,000		16,00,000
July 1	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to debentureholders)	16,00,000		16,00,000
July 1	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve)	4,00,000		4,00,000

SOLUTION: 48.

Books of Pooja Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011	At the time of issue			
June	Bank A/c		80,00,000	
30	To Debenture Application & Allotment A/c (Application money received on issue of debentures)			80,00,000
June	Debenture Application & Allotment A/c	Dr.	80,00,000	
30	Loss on Issue of Debentures A/c	Dr.	4,80,000	
	To 8% Debentures A/c			80,00,000
	To Debenture Redemption Premium A/c			4,80,000
	(Application money transferred to 8% debentures being redeemable at a premium of 6%)			

Company Accounts —

Redemption of Debentures

2013	For creation of Debenture Redemption Reserve			
March 31	Surplus of Statement of Profit and Loss	Dr.	12,00,000	
	To Debenture Redemption Reserve A/c			12,00,000
	(Transfer of profits to Debenture Redemption Reserve)			
2014	Surplus of Statement of Profit and Loss		Dr.	4,00,000
March 31	To Debenture Redemption Reserve A/c			4,00,000
	(Transfer of profits to Debenture Redemption Reserve)			
2015	Surplus of Statement of Profit and Loss		Dr.	4,00,000
March 31	To Debenture Redemption Reserve A/c			4,00,000
	(Transfer of profits to Debenture Redemption Reserve)			
April 30	Debenture Redemption Investment A/c	Dr.	12,00,000	
	To Bank A/c			12,00,000
	(Investment made @15% of the face value of debentures to be redeemed i.e., 15% of ₹80,00,000)			
July 1	Bank A/c	Dr.	12,00,000	
	To Debenture Redemption Investment A/c			12,00,000
	(Investment encashed)			
July 1	At the time of redemption			
	8% Debentures A/c	Dr.	80,00,000	
	Debentures Redemption Premium A/c	Dr.	4,80,000	
	To Debentureholders A/c			84,80,000
	(Amount due to debentureholders on redemption of debentures)			
July 1	Debentureholders A/c	Dr.	84,80,000	
	To Bank A/c			84,80,000
	(Payment of amount due to debentureholders)			
July 1	Debenture Redemption Reserve A/c	Dr.	20,00,000	
	To General Reserve A/c			20,00,000
	(Debenture Redemption Reserve transferred to General Reserve)			

Payment of Installments

SOLUTION: 49.

Books of Luxury Travels Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made in Govt. Securities of an amount equal to 15% of the face value of first instalment of ₹20,00,000)		3,00,000	3,00,000
2015 March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to Debenture Redemption Reserve)		5,00,000	5,00,000
March 31	8% Debentures A/c Dr. To Debentureholders A/c (Payment due to Debentureholders on redemption)		20,00,000	20,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment due to Debentureholders discharged)		20,00,000	20,00,000
2016 March 31	8% Debentures A/c Dr. To Debentureholders A/c (Payment due to Debentureholders on redemption)		20,00,000	20,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment due to Debentureholders discharged)		20,00,000	20,00,000
2017 March 31	8% Debentures A/c Dr. To Debentureholders A/c (Payment due to Debentureholders on redemption)		20,00,000	20,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment due to Debentureholders discharged)		20,00,000	20,00,000
2018 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed)		3,00,000	3,00,000
March 31	8% Debentures A/c Dr. To Debentureholders A/c (Payment due to Debentureholders on redemption)		20,00,000	20,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment due to Debentureholders discharged)		20,00,000	20,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (DRR Account closed by transferring it to General Reserve)		20,00,000	20,00,000

SOLUTION: 50.**Books of Green Forest Ltd.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2010 April 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Receipt of application money)		12,00,000	12,00,000
April 1	Debenture Application & Allotment A/c Dr. To 7% Debentures A/c (Transfer of application money)		12,00,000	12,00,000
2012 March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to DRR)		80,000	80,000
2013 March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to DRR)		80,000	80,000
2014 March 31	Surplus of Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Transfer of profits to DRR : 25% of 12,00,000 = 3,00,000 Less : On 31st March 2012 80,000 On 31st March 2013 80,000 1,60,000 <u>1,40,000</u>)		1,40,000	1,40,000
April 30	Debenture Redemption Investment A/c Dr. To Bank A/c (Investment made equal to 15% of first instalment of ₹3,00,000)		45,000	45,000
2015 March 31	7% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		3,00,000	3,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to Debentureholders)		3,00,000	3,00,000
2016 March 31	7% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		3,00,000	3,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to Debentureholders)		3,00,000	3,00,000
2017 March 31	7% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)		3,00,000	3,00,000
March 31	Debentureholders A/c Dr. To Bank A/c		3,00,000	3,00,000

Company Accounts —

Redemption of Debentures

	(Payment of amount due to Debentureholders)		
2018 March 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Investments encashed before redemption of last instalment)	45,000	45,000
March 31	7% Debentures A/c Dr. To Debentureholders A/c (Amount due on redemption)	3,00,000	3,00,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment of amount due to Debentureholders)	3,00,000	3,00,000
March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Debenture Redemption Reserve transferred to General Reserve on the redemption of all Debentures)	3,00,000	3,00,000

Purchase of Own Debentures

SOLUTION: 51.

Amount paid for 5,000 Debentures = 5,000 x ₹95 = 4,75,000

Add: Brokerage	15,000
	<u>4,90,000</u>

Amount of profit on redemption to be transferred to capital reserve :
= ₹5,00,000 - ₹4,90,000 = ₹10,000

SOLUTION: 52.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on debentures)		10,50,000	10,50,000
April 1	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Application money transferred to debentures account, being issued at 5% premium)		10,50,000	10,00,000 50,000
2013 March 31	Interest on Debentures A/c Dr. To Bank A/c (Interest paid on debentures)		90,000	90,000
March 31	Statement of Profit & Loss Dr. To Interest on Debentures A/c (Interest on Debentures transferred to Statement of P & L)		90,000	90,000

Company Accounts —

Redemption of Debentures

April 30	Debtore Redemption Investment A/c Dr. To Bank A/c (Investment made @15% of first instalment of ₹1,00,000)	15,000	15,000
2014	Interest on Debentures A/c Dr. To Bank A/c (Interest paid on debentures)	90,000	90,000
March 31	Statement of Profit & Loss Dr. To Interest on Debentures A/c (Interest on debentures transferred to Statement of P& L)	90,000	90,000
March 31	Own Debentures A/c Dr. To Bank A/c (Purchase of own debentures)	86,000	86,000
March 31	9% Debentures A/c Dr. To Own Debentures A/c To Profit on Redemption of Debentures A/c (Cancellation of Own debentures)	90,000	86,000 4,000
March 31	9% Debentures A/c Dr. To Debentureholders A/c (Shortfall met to redeem ₹1,00,000 debentures annually i.e., ₹ 1,00,000 - ₹90,000 = ₹10,000)	10,000	10,000
March 31	Debentureholders A/c Dr. To Bank A/c (Payment made)	10,000	10,000
March 31	Profit on Redemption of Debentures A/c Dr. To Capital Reserve A/c (Profit on redemption transferred to capital reserve)	4,000	4,000

Note (1):

Debentures have been purchased for cancellation.

Amount paid for the purchase of debentures:

Debentures of ₹15,000 means 150 Debentures of ₹100 each

400 Debentures x ₹ 95 per Debenture = ₹ 38,000

500 Debentures x ₹96 per Debenture = ₹48,000

Total Payment = ₹86,000

(2) It is assumed that Company has sufficient balance in DRR.

SOLUTION: 53.

JOURNAL OF A LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Debtore Redemption Investments A/c (Investments encashed)	Dr.	37,500	37,500

Company Accounts —

Redemption of Debentures

Own Debentures A/c Dr.		2,32,300(2)	
To Bank A/c			2,32,300
(Purchase of 2,500 debentures @ ₹92 each plus ₹2,300 for brokerage)			
12% Debentures A/c	Dr.	2,50,000	
To Own Debentures A/c			2,32,300
To Profit on Redemption of Debentures A/c			17,700
(Cancellation of own debentures)			
Profit on Redemption of Debentures A/c Dr.		17,700	
To Capital Reserve A/c			17,700
(Transfer of profit on redemption to Capital Reserve A/c)			

Note: (1) It is assumed that the Company has sufficient balance in DRR and must have invested 15% of ₹2,50,000.

(2) Amount paid for the purchase of debentures:	₹
₹2,50,000 or 2,500 Debentures at ₹92 each =	2,30,000
Add: Brokerage : 2,30,000 x 1/100 =	2,300
Total Payment	<u>2,32,300</u>

SOLUTION: 54.

Y Ltd.

Dr.		OWN DEBENTURES A/C		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2014 March 31	To Bank A/c (₹1,14,000 + 2% brokerage)	1,16,280	2014 March 31	By 13% Debentures A/c	1,16,280

Dr.		13% DEBENTURES A/C		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2014 March 31	To Own Debentures A/c	1,16,280	2013 April 1	By Debenture Application & Allotment A/c	6,00,000
March 31	To Profit on Redemption A/c (1,20,000 - 1,16,280)	3,720			
March 31	To Debentureholders A/c (Shortfall met)	30,000			
March 31	To Balance c/d	4,50,000			
		6,00,000			6,00,000

Dr.		PROFIT ON REDEMPTION A/C		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2014 March 31	To Capital Reserve A/c	3,720	2014 March 31	By 13% Debentures A/c	3,720

Company Accounts —

Redemption of Debentures

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT Cr.					
Date	Particulars	₹	Date	Particulars	₹
2013 April 30	To Bank A/c (15% on ₹ 1,50,000)		2014 March 31	By Balance c/d	
		22,500			22,500

Note: It is assumed that the Company has adequate balance in DRR

SOLUTION : 55.

Dr. OWN DEBENTURES A/C Cr.					
Dale	Particulars	₹	Date	Particulars	₹
2014 March 31	To Bank A/c ₹50,000 @96 48,000 ₹30,000 @95 28,500 Add: Expenses 1,200		2014 March 31	By 11% Debentures A/c	
		77,700			77,700

Dr. 1% DEBENTURES A/C Cr.					
Date	Particulars	₹	Date	Particulars	₹
2014 March 31	To Own Debentures A/c	77,700	2013 April 1	By Balance b/d	8,00,000
March 31	To Profit on Redemption A/c (80,000-77,700)	2,300			
March 31	To Debentureholders A/c (Shortfall met)	20,000			
	To Balance c/d	7,00,000			
		8,00,000			8,00,000

Dr. PROFIT ON REDEMPTION A/C Cr.					
Date	Particulars	₹	Date	Particulars	₹
2014 March 31	To Capital Reserve A/c	2,300	2014 March 31	By 11 % Debentures A/c	2,300

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT Cr.					
Date	Particulars	₹	Date	Particulars	₹
2013 April 30	To Bank A/c (15% of ₹1,00,000)		2014 March 31	By Balance c/d	
		15,000			15,000

Note: It is assumed that the Company has adequate balance in DRR.

Redemption by Conversion

Company Accounts —

Redemption of Debentures

SOLUTION: 56.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	13% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		15,000	15,000
April 1	Debentureholders A/c Dr. To Equity Share Capital A/c (Conversion of 150 Debentures of ₹100 each into 1,500 equity shares of ₹10 each)		15,000	15,000

SOLUTION: 57.

JOURNAL OF Y LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	13% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		30,000	30,000
April 1	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Conversion of 480 Debentures of ₹100 each into 3,000 equity shares calculated as: 30,000/12 = 3,000)		30,000	25,000 5,000

SOLUTION: 58.

JOURNAL OF Z LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	13% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on redemption)		48,000	48,000
April 1	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Conversion of 480 Debentures of ₹100 each into 3,000 equity shares calculated as: 48,000/16 = 3,000)		48,000	30,000 18,000

SOLUTION: 59.

Books of Rhythm Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.1.2013	Bank A/c Dr. To 10% Debenture Application and Allotment A/c (Application money received on 1,000 debentures @ ₹500 each)		5,00,000	5,00,000

Company Accounts —

Redemption of Debentures

1.1.2013	10% Debenture Application and Allotment A/c Dr. To 10% Debentures A/c (Application money transferred to 10% Debentures A/c consequent upon allotment)	5,00,000		5,00,000
1.1.2015	10% Debentures A/c Dr. To Debentureholders A/c (Amount due to Debentureholders on conversion)	1,00,000		1,00,000
1.2.2015	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Issue of 800 equity shares of ₹100 each at a premium of ₹25 per share)	1,00,000		80,000 20,000

Working Note:

Number of equity shares issued = ₹1,00,000/₹125 = 800 shares

Conversion of Debentures issued at par but redeemable at premium:

SOLUTION: 60.

JOURNAL OF A LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	12% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 500 debentures of ₹100 each redeemable at 5% premium)		50,000 2,500	52,500
April 1	Debentureholders A/c Dr. To Equity Share Capital A/c (Amount due to debentureholders discharged by issue of 5,250 equity shares of ₹10 each at par)		52,500	52,500

SOLUTION: 61.

JOURNAL OF B LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	11% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 1,000 debentures of ₹100 each redeemable at a premium of 5%)		1,00,000 5,000	1,05,000

Company Accounts —

Redemption of Debentures

April 1	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Amount due to debentureholders discharged by the issue of 7,500 equity shares of ₹10 each at a premium of ₹4 per share, calculated as below : 1,05,000/14 = 7,500)	1,05,000	75,000 30,000
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SOLUTION: 62.

JOURNAL OF C LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016	13% Debentures A/c Dr.		1,72,800	
April 1	Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 1,728 debentures of ₹100 each redeemable at a premium of 2%)		3,456	1,76,256
April 1	Debentureholders A/c Dr. Discount on issue of Debentures A/c Dr. To 15% Debentures A/c (Amount due to debentureholders discharged by the issue of ₹ 1,83,600, 15% Debentures at 96% calculated as: 1,76,256 / 96 x 100 = ₹1,83,600)		1,76,256 7,344	1,83,600

SOLUTION: 63.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	12% Debentures A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 3,000 Debentures of ₹10 each at par.)		30,000	30,000
	Debentureholders A/c Dr. To 10% Preference Share Capital A/c (Amount due on conversion discharged by issue of 600 Preference Shares of ₹50 each)		30,000	30,000
(b)	12% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 3,000 debentures of ₹10 each at a premium of 5%)		30,000 1,500	31,500
	Debentureholders A/c Dr. To Equity Share Capital A/c (Amount due on conversion discharged by issue of Equity Shares at par)		31,500	31,500

Company Accounts —

Redemption of Debentures

(c)	12% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Amount due to debentureholders on conversion of 3,000 debentures of ₹10 each at a premium of 10%)	30,000 3,000	33,000
	Debentureholders A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Amount due on conversion discharged by issue of Equity Shares at 20% premium)	33,000	27,500(1) 5,500

Working Note:

(1) Face value of Equity Shares issued on Conversion = $33,000 \times 100/120 = ₹27,500$

Securities Premium Reserve = $33,000 \times 20/120 = ₹5,500$

SOLUTION: 64.

**Raja Ltd.
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 April 1	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Application money received on issue of debentures)		1,00,000	1,00,000
April 1	9% Debenture Application & Allotment A/c Dr. To 9% Debentures A/c (Transfer of application money to Debentures A/c)		1,00,000	1,00,000
2014 March 31	9% Debentures A/c Dr. To Debentureholders A/c (Amount due to Debentureholders on Conversion)		40,000	40,000
March 31	Debentureholders A/c Dr. To Equity Share Capital A/c (Issue of 400 equity shares of ₹100 each on Conversion)		40,000	40,000
2015 March 31	9% Debentures A/c Dr. To Debentureholders A/c (Amount due to Debentureholders on Conversion)		60,000	60,000
March 31	Debentureholders A/c Dr. To Equity Share Capital A/c (Note 1) To Securities Premium Reserve A/c (Issue of 480 debentures of ₹100 each at a premium of 25% on Conversion)		60,000	48,000 12,000

Note: (1) No. of Debentures issued = $60,000/125 = 480$

SOLUTION: 65.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	6% Debentures A/c Dr.		10,000	
	Premium on Redemption of Debentures A/c Dr.		1,000	
	To Debentureholders A/c			11,000
	(Amount due to debentureholders on redemption of debentures at a premium of 10%)			
	Debentureholders A/c Dr.		11,000	
	To Equity Share Capital A/c			8,800
	To Securities Premium Reserve A/c			2,200
	(Issue of 88 equity shares of ₹100 each at a premium of ₹25 per share)			

Working Note:

Number of Equity Shares to be issued = ₹11,000/₹125 = 88 Equity Shares

Conversion of Debentures (earlier issued at discount)**SOLUTION: 66.****JOURNAL OF D LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	13% Debentures A/c Dr.		48,000	
	To Discount on Issue of Debentures A/c			2,400
	To Debentureholders A/c			45,600
	(Amount due to debentureholders)			
April 1	Debentureholders A/c Dr.		45,600	
	To Equity Share Capital A/c			45,600
	(Issue of 4,560 equity shares of ₹10 each at par)			

SOLUTION: 67.**JOURNAL OF E LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	13% Debentures A/c Dr.		2,00,000	
	To Discount on Issue of Debentures A/c			20,000
	To Debentureholders A/c			1,80,000
	(Amount due to debentureholders)			
April 1	Debentureholders A/c Dr.		1,80,000	
	To Equity Share Capital A/c			1,44,000
	To Securities Premium Reserve A/c			36,000
	(Issue of 1,440 equity shares of ₹100 each at a premium of ₹25 calculated as: 1,80,000/125 = 1,440)			

Company Accounts —
Redemption of Debentures

SOLUTION: 68.

JOURNAL OF SUN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	12% Debentures A/c Dr.		10,000	
	To Discount on Issue of Debentures A/c			1,000
	To Debentureholders A/c			9,000
	(Amount due to debentureholders)			
	Debentureholders A/c Dr.		9,000	
	To 10% Preference Share Capital A/c			7,200
	To Securities Premium Reserve A/c			1,800
	(Issue of 72, 10% preference shares of ₹100 each at a premium of ₹25 calculated as: 9,000/125 = 72)			

SOLUTION: 69.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.4.2010	Bank A/c Dr.		95,00,000	
	To 8% Debenture Application & Allotment A/c			95,00,000
	(Application money received for 1,00,000 debentures @ ₹95 each)			
1.4.2010	8% Debenture Application & Allotment A/c Dr.		95,00,000	
	Discount on Issue of Debentures A/c Dr.		5,00,000	
	To 8% Debentures A/c			1,00,00,000
	(Application money transferred to Debentures A/c consequent upon allotment, issued at 5% discount)			
1.4.2015	8% Debentures A/c Dr.		1,00,00,000	
	To Debentureholders A/c(1)			1,00,00,000
	(Amount due to debentureholders on conversion into equity shares at maturity date)			
1.4.2015	Debentureholders A/c Dr.		1,00,00,000	
	To Equity Share Capital A/c			80,00,000
	To Securities Premium Reserve e A/c			20,00,000
	(Amount due on conversion discharged by issue of 80,000 equity shares calculated as 1,00,00,000/125 = 80,000)			

Note (1): 'Discount on Issue of Debentures A/c' will not be credited in the entry for conversion since the debentures are being converted on the due date of their redemption i.e. after 5 years on 1.4.2015.

Employee Stock - Option Plan

SOLUTION: 1.

Books of Vikas Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 July 1	Bank A/c (5,000 x ₹60) Dr. Employees Compensation Expenses A/c (5,000 x ₹40) Dr. To Equity Share Capital A/c (5,000 x ₹10) To Securities Premium Reserve A/c (5,000 x ₹90) (Allotment of 5,000 equity shares under employee stock option plan at a price of ₹60 each when market price is ₹100)		3,00,000 2,00,000	50,000 4,50,000
2016 March 31	Statement of Profit & Loss Dr. To Employees Compensation Expenses A/c (Transfer of employee compensation to Statement of Profit & Loss)		2,00,000	2,00,000

SOLUTION: 2.

X Ltd.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1st Jan. to 31st March 2016	Bank A/c (15,000 x ₹90) Dr. Employee Compensation Expenses A/c (15,000 x ₹60) Dr. To Equity Share Capital A/c (15,000 x ₹10) To Securities Premium A/c (15,000 x ₹140) (Allotment to employees of 15,000 equity shares of ₹10 each at a premium of ₹140 per share in exercise of stock options by employees)		13,50,000 9,00,000	1,50,000 21,00,000
31st March 2016	Statement of Profit and Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)		9,00,000	9,00,000

SOLUTION: 3.

Books of Pushkar Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013 March 31	Employee Compensation Expenses A/c Dr. To Employee Stock Option Outstanding A/c (One-third amount of 8,000 options granted to employees at a discount of ₹60 each recognised as expenses)		1,60,000	1,60,000
March 31	Statement of Profit & Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)		1,60,000	1,60,000

Employee Stock Option Plan

2014 March 31	Employee Compensation Expenses A/c Dr. To Employee Stock Option Outstanding A/c (One-third amount of 8,000 options granted to employees at a discount of ₹60 each recognised as expenses)	1,60,000	
			1,60,000
March 31	Statement of Profit & Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)	1,60,000	
			1,60,000
2015 March 31	Employee Compensation Expenses A/c Dr. To Employee Stock Option Outstanding A/c (One-third amount of 8,000 options granted to employees at a discount of ₹60 each recognised as expenses)	1,60,000	
			1,60,000
March 31	Statement of Profit & Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)	1,60,000	
			1,60,000
2016 Jan. 31	Bank A/c (8,000 x ₹75) Dr. Employee Stock Option Outstanding A/c (8,000 x ₹60) Dr. To Equity Share Capital A/c (8,000 x ₹10) To Securities Premium Reserve A/c (8,000 x ₹125) (8,000 employee stock option exercised at an exercise price of ₹75 each)	6,00,000 4,80,000	
			80,000 10,00,000

Working Notes:

(i) Total amount of employee compensation expenses:

$$8,000 \times (\text{₹}135 - \text{₹}75) = \text{₹}4,80,000$$

(ii) Amount written off each year = $\text{₹}4,80,000 \div 3 = \text{₹}1,60,000$

SOLUTION: 4.

Books of Yuvraj Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 March 31	Employee Compensation Expenses A/c Dr. To Employee Stock Option Outstanding A/c (One-third amount of 40,000 options granted to employees at a discount of ₹90 each recognised as expenses)		12,00,000	
				12,00,000
March 31	Statement of Profit & Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)		12,00,000	
				12,00,000

Employee Stock Option Plan

2013 March 31	Employee Compensation Expenses A/c Dr. To Employee Stock Option Outstanding A/c (One-third amount of 40,000 options granted to employees at a discount of ₹90 each recognised as expenses)	12,00,000	12,00,000
March 31	Statement of Profit & Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)	12,00,000	12,00,000
2014 March 31	Employee Compensation Expenses A/c Dr. To Employee Stock Option Outstanding A/c (One-third amount of 40,000 options granted to employees at a discount of ₹90 each recognised as expenses)	12,00,000	12,00,000
March 31	Statement of Profit & Loss Dr. To Employee Compensation Expenses A/c (Transfer of employee compensation expenses to Statement of Profit & Loss)	12,00,000	12,00,000
During 2014-15	Bank A/c (30,000 x ₹30) Dr. Employee Stock Option Outstanding A/c (30,000 x ₹90) Dr. To Equity Share Capital A/c (30,000 x ₹10) To Securities Premium Reserve A/c (30,000 x ₹110) (30,000 employee stock option exercised at an exercise price of ₹30 each)	9,00,000 27,00,000	3,00,000 33,00,000
2015 March 31	Employee Stock Option Outstanding A/c (10,000x₹90) Dr. To General Reserve A/c (Employee Stock Option Outstanding A/c on lapse of 10,000 options at the end of exercise period transferred to General Reserve)	9,00,000	9,00,000

Working Notes:

(i) Total amount of employee compensation expenses:

$$400 \times 100 \text{ Shares} \times (\text{₹}120 - \text{₹}30) = \text{₹}36,00,000$$

(ii) Amount written off each year = $\text{₹}36,00,000 \div 3 = \text{₹}12,00,000$