

Designed Question

REDEMPTION OF DEBENTURE IN LUMP SUM

- 1 AB Ltd. has outstanding 1,00,000 9% Debentures of Rs 10 each due for redemption on 31st March 2017 . Record the necessary entries at the time of redemption of debentures in book of AB Ltd.
2. If in above case , if DRR has balance of Rs 20,000 on 31st March 2016, then show its effect.
3. If in above case , company had credit balance of Rs 10,20,000 in its Profit & Loss Account.
4. If in above case , company decided to transfer Rs 2,80,000 in DRR .
5. Bank of India Ltd has 5,000 10% Debentures of Rs 10 each due for redemption on 31st March 2017. Record the necessary entries at the time of redemption of debentures Journal in book of Bank of India Ltd.

REDEMPTION OF DEBENTURE IN INSTALLMENT BY DRAW OF LOTS

6. ABC Ltd. issued 3,000, 14% Debentures of Rs 100 each at a discount of 5% on January 1, 2012. The debentures are redeemable at par in three equal instalments at the end of the third, fourth and fifth year. Record the necessary entries at the time of redemption of debentures in book of ABC Ltd.
7. Astha Ltd. issued 40,000; 7% Debentures of Rs.100 each on 1st July, 2009 redeemable at premium of 5% as under:

On 31st March, 2014	16,000 Debentures
On 31st March, 2015	16,000 Debentures
On 31st March, 2016	8,000 Debentures

It was decided to transfer Debenture Redemption Reserve Rs.2,00,000 on 31st March, 2011; Rs.4,00,000 on 31st March, 2012 and balance on 31st March, 2013. It invested the required amount in terms of the Companies Act, 2013 in Government Securities and decided to encash them after last redemption. Pass Journal entries ignoring interest.

Purchase in the open market

- 8 Z Ltd. purchased its own 1,000; 10% Debentures of Rs.100 each @ Rs.92 from open market for immediate cancellation. Pass necessary journal entries for purchase and cancellation of debentures.
9. If in above case , debentures were redeemable at 5% premium. Pass necessary journal entries for purchase and cancellation of debentures.
- 10 DDD Ltd. purchased its own 2,500; 10% Debentures of Rs.100 each redeemable at 10% premium @Rs.112 per debenture for immediate cancellation. Balance in capital reserve is Rs 3,000. Pass necessary Journal entries for purchase and cancellation of debentures.

Conversion of Debentures into new debentures

11. Pass necessary Journal entries for redemption of 2,000; 12% Debentures of Rs.10 each issued at par redeemed as :
 - a. Redeemable at par by conversion into 14% Debenture of Rs.50 each issued at par.

b. Redeemable at a premium of 20% by conversion into 14% Debenture of Rs.50 each issued at a discount of 20%.

c. Redeemable at a premium of 20 % by conversion into 14% Debenture of Rs.50 each issued at a premium of 20%.

12 Rio Ltd Has 5,000 10% Debentures of Rs 10 each due for redemption on 31st March 2017.50% of face value of debenture to be redeemed in cash & balance to be redeemed at premium of 20 % through issue of fresh issue 12% Debentures . Record the necessary entries at the time of redemption of debentures in book of Rio Ltd.

Conversion of Debentures into shares (Preference share or Equity share)

13 If in Que 11 , Debenture are converted into shares

Conversion of Debentures into shares before maturity

13 D Ltd. Redeemed 10,000, 9% Debentures of Rs. 100 each at the end of four years which were issued at a discount of 10 % redeemable after 5 years by converting them into equity shares of Rs. 10 each issued at a premium of 25%. Journalise.

14 Z Ltd. Had issued 5,000, 10% Debenture of Rs. 100 each on 1st April 2015 at a discount of 10% redeemable at premium of 5 % after 4 years. Discount on Issue of Debentures is written off uniformly over a period of 4 years. Debentures are redeemed on 31st March, 2018 by conversion into equity shares of Rs. 10 each issued at 25% premium.

Pass the necessary Journal Entries for redemption of Debentures.

15 Glowpen Ltd. Issued 10,000, 8% Debentures of Rs. 100 each at a discount of 10%, redeemable after five years by conversion into Equity Shares of Rs.10 each at a premium of 25%.

According to terms of issue , debentureholder were given an option to convert their holding into Equity Shares at any time after two years.

At the end of fourth year , 4000 debentureholder exercise this option.

It had balance of Rs.2,00,000 in Securities Premium Reserve against which Loss on Issue of Debenture was written off in the first year.

Pass necessary entries at the time of redemption of debentures.