

Joint Stock Company— Redemption of Debentures

MEANING OF KEY TERMS USED IN THE CHAPTER

1. Redemption of Debentures

Redemption of Debentures means repayment of the amount of debentures.

2. Debentures Redemption Reserve (DRR)

It is a reserve set aside of profits available for payment as dividend for the purpose of redemption of debentures.

It is created for Non-convertible Debentures (NCD) and Non-convertible part of Partly Convertible Debentures (PCD).

3. Debentures Redemption Investment (DRI)

It is an investment made by a company on or before 30th April of the current year of an amount that is at least equal to 15% of the nominal value of debentures to be redeemed by 31st March of next year.

4. Redemption of Debentures out of Capital

When profits are not transferred from Surplus, *i.e.*, Balance in Statement of Profit and Loss to Debentures Redemption Reserve (DRR) before the redemption of debentures, such redemption is Redemption of Debentures out of capital.

5. Redemption of Debentures out of Profits

When adequate profits are transferred from Surplus, *i.e.*, Balance in Statement of Profit and Loss to Debentures Redemption Reserve (DRR) before redemption of debentures, such redemption is Redemption of Debentures out of profits.

6. Redemption of Debentures in Lump Sum

It means all the debentures are redeemed at the date specified for redemption of debentures.

7. Redemption in Instalment by Draw of Lots

It means redemption of debentures (selected by lottery) at the specified date.

8. Redemption by Purchase from Open Market

When a company purchases its own debentures from open market for the purpose of cancellation, such an act of purchasing and cancelling the debentures is redemption by purchase from open market. The company may purchase its own debentures from the open market with the objective of (i) immediate cancellation, or (ii) as investments.

SUMMARY OF THE CHAPTER

- **Redemption of Debentures** is a process of repayment of loan taken by issue of debentures.
- **Methods of Redemption of Debentures:**
 1. On maturity in lump sum;
 2. In instalments by draw of lots;
 3. By purchase of Own Debentures from Open Market, and
 4. By Conversion into Shares or New Class of Debentures (It is not in Syllabus).
- **Sources of Redemption of Debentures:** Debentures can be redeemed by utilising any of the following sources:
 - (i) *Redemption Out of Capital:* When debentures are redeemed without transfer of profits from Surplus, i.e., Statement of Profit and Loss to Debentures Redemption Reserve (DRR), at the time of redemption of debentures, such redemption is said to be out of capital.
 - (ii) *Redemption Out of Profits:* When debentures are redeemed only out of profits and amount equal to nominal (face) value of Debentures is transferred from Surplus, i.e., Statement of Profit and Loss to Debentures Redemption Reserve (DRR) before the redemption of debentures, such redemption is said to be out of profits.
 - (iii) *Redemption Partly out of Profits and Partly out of Capital:* It means that the company does not transfer 100 per cent nominal (face) value of total redeemable debentures of a particular series to DRR out of surplus.
- **Debentures Redemption Reserve (DRR)** is created out of profits of the company available for payment as dividend for the purpose of redemption of debentures.

DRR is created before the redemption of Debentures.

As per the provisions of Section 71(4) of the Companies Act, 2013 read with Rule 18(7) (b) of the Companies (Share Capital and Debentures) Rules, 2014, a company shall transfer at least 25 per cent of nominal (face) value of the outstanding debentures of that class out of surplus available for payment of dividend to DRR.

DRR is required to be created only in case of **Non-convertible Debentures (NCD) and Non-convertible portion of Partly Convertible Debentures (PCD)**

All India Financial Institutions, regulated by RBI and Banking Companies are exempt from creating DRR.

Debentures Redemption Investment: A company required to create/maintain DRR shall **on or before 30th April** of the current year, deposit or invest (as the case may be) **at least 15% of the amount of its debentures maturing during the year** ending on 31st March of the next year.

Companies not required to create DRR are not required to invest in specified securities.

Solved Questions

Illustration 1.

Brooke Bond Ltd. had 10,000, 12% Debentures of ₹ 100 each outstanding as at 31st March, 2017. These debentures were due for redemption on 30th June, 2018. The company decided to transfer ₹ 5,00,000 to Debentures Redemption Reserve on 31st March, 2018 and invest in fixed deposits with Canara Bank ₹ 1,50,000 on 1st April, 2018.

Pass Journal entries for Debentures Redemption Reserve, Debentures Redemption Investment and redemption of debentures.

Solution:

JOURNAL OF BROOKE BOND LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018 March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being the amount transferred to DRR)		5,00,000	5,00,000
April 1	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the amount invested in fixed deposit with bank)		1,50,000	1,50,000
June 30	Bank A/c ...Dr. To Debentures Redemption Investment A/c (Being the Debentures Redemption Investment realised)		1,50,000	1,50,000
	12% Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption)		10,00,000	10,00,000
	Debentureholders' A/c ...Dr. To Bank A/c (Being the amount paid to debentureholders)		10,00,000	10,00,000
	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being transfer of DRR to General Reserve)		5,00,000	5,00,000

Illustration 2.

Nikhil Cosmetics Ltd. issued 21,000; 7% Debentures of ₹ 100 each on 31st March, 2010 redeemable at a premium of 8% on 30th June, 2018. The Company decided to transfer the required amount to Debentures Redemption Reserve in three equal annual instalments starting from 31st March, 2016. The company invested the funds as required by law in fixed deposit in a bank on 1st April, 2018 earning interest @ 10% p.a. Tax was deducted on interest earned @ 10% by the bank.

Interest on Debentures was payable annually on 31st March. Tax on interest was deducted @ 10% and deposited.

Pass Journal entries for issue, redemption of debentures and interest on debentures for the years ended 31st March, 2018 and 2019.

Solution:

JOURNAL OF NIKHIL COSMETICS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2010 March 31	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Being the debentures application money received)		21,00,000	21,00,000
March 31	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 7% Debentures A/c To Premium on Redemption of Debentures A/c (Being the allotment of 7% Debentures redeemable at 8% premium)		21,00,000 1,68,000	21,00,000 1,68,000
2016 March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit transferred to create Debentures Redemption Reserve)		1,75,000	1,75,000
2017 March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit transferred to Debentures Redemption Reserve)		1,75,000	1,75,000
2018 March 31	Debentures' Interest A/c ...Dr. To Debentureholders' A/c To TDS Payable A/c (Being interest on debentures payable, TDS deducted @ 10%)		1,47,000	1,32,300 14,700
March 31	Debentureholders' A/c ...Dr. TDS Payable A/c ...Dr. To Bank A/c (Being the interest paid to Debentureholders and TDS deposited)		1,32,300 14,700	1,47,000
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit transferred to Debentures Redemption Reserve)		1,75,000	1,75,000
April 1	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the investment made as fixed deposit as prescribed in Companies Act, 2013 earning interest @ 10% p.a.)		3,15,000	3,15,000
June 30	Bank A/c ...Dr. TDS Collected (Receivable) A/c ...Dr. To Debentures Redemption Investment A/c To Interest Earned A/c (Being the fixed deposit realised on redemption, interest received @ 10% p.a. for 3 months)		3,22,087 788	3,15,000 7,875
	Debentures' Interest A/c ...Dr. To Debentureholders' A/c To TDS Payable A/c (Being the interest due to debentureholders for 3 months)		36,750	33,075 3,675
	Debentureholders' A/c ...Dr. TDS Payable A/c ...Dr. To Bank A/c (Being the interest paid to debentureholders and TDS deposited)		33,075 3,675	36,750

June 30	7% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount due on redemption)	...Dr. ...Dr.	21,00,000 1,68,000	22,68,000
June 30	Debentureholders' A/c To Bank A/c (Being the amount due on redemption paid)	...Dr.	22,68,000	22,68,000
June 30	Debentures Redemption Reserve A/c To General Reserve A/c (Being the DRR transferred to General Reserve)	...Dr.	5,25,000	5,25,000

Note: Outstanding amount on debentures = ₹ 21,00,000
 Amount transferable to DRR = 25% of ₹ 21,00,000 = ₹ 5,25,000
 Three equal annual instalments for DRR = $1/3 \times ₹ 5,25,000 = ₹ 1,75,000$.

Illustration 3.

Toyota Ltd. issued 1,500; 10% Debentures of ₹ 1,000 each at par on 1st April, 2015 redeemable in three equal half-yearly instalments by draw of lots beginning 30th September, 2016. The company complied with the requirements of the Companies Act, 2013 with respect to Debentures Redemption Reserve and investment.

Pass Journal entries (Ignore Interest).

Solution: JOURNAL OF TOYOTA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	Bank A/c To Debentures Application and Allotment A/c (Being the debentures application money received for 1,500 debentures @ ₹ 1,000 per debenture)	...Dr.	15,00,000	15,00,000
	Debentures Application and Allotment A/c To 10% Debentures A/c (Being 10% Debentures allotted)	...Dr.	15,00,000	15,00,000
2016 March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c To Debentures Redemption Reserve A/c (Being the amount equal to 25% of nominal (face) value of debentures outstanding transferred to DRR)	...Dr.	3,75,000	3,75,000
April 30	Debentures Redemption Investment A/c To Bank A/c (Being investment equal to 15% of the amount of debentures to be redeemed during the year ended 31st March, 2017, i.e., 15% of ₹ 10,00,000)	...Dr.	1,50,000	1,50,000
Sept. 30	Bank A/c To Debentures Redemption Investment A/c (Being the half value of investment realised before redemption of 1st lot of debentures)	...Dr.	75,000	75,000
Sept. 30	10% Debentures A/c To Debentureholders' A/c (Being the first lot, i.e., one-third debentures, i.e., 500 debentures became due for redemption)	...Dr.	5,00,000	5,00,000
	Debentureholders' A/c To Bank A/c (Being the amount paid to debentureholders)	...Dr.	5,00,000	5,00,000

Sept. 30	Debtures Redemption Reserve A/c To General Reserve A/c (Being one-third of DRR transferred to General Reserve on redemption of one-third debentures)	...Dr.	1,25,000	1,25,000
2017				
March 31	10% Debentures A/c To Debentureholders' A/c (Being the second lot, i.e., one-third debentures, i.e., 500 debentures became due for redemption)	...Dr.	5,00,000	5,00,000
	Debentureholders' A/c To Bank A/c (Being the amount paid to debentureholders)	...Dr.	5,00,000	5,00,000
	Debtures Redemption Reserve A/c To General Reserve A/c (Being the transfer of DRR to General Reserve in proportion to 500 Debentures redeemed)	...Dr.	1,25,000	1,25,000
Sept. 30	Bank A/c To Debtures Redemption Investment A/c (Being the investment redeemed)	...Dr.	75,000	75,000
Sept. 30	10% Debentures A/c To Debentureholders' A/c (Being the third and final lot, i.e., one-third debentures, i.e., 500 debentures became due for redemption)	...Dr.	5,00,000	5,00,000
	Debentureholders' A/c To Bank A/c (Being the amount paid to debentureholders)	...Dr.	5,00,000	5,00,000
	Debtures Redemption Reserve A/c To General Reserve A/c (Being the DRR transferred to General Reserve on redemption of debentures)	...Dr.	1,25,000	1,25,000

Illustration 4.

N Ltd. issued 10,000; 9% Debentures of ₹ 100 each at par on April, 2014 with the condition that they will be redeemed at a premium of 5% after the expiry of five years.

Pass Journal entries for issue and redemption of these debentures along with the entries for DRR. Investment is to earn interest @ 6% p.a.

Solution:**In the Books of N Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 April 1	On Issue of Debentures Bank A/c To Debentures Application and Allotment A/c (Being the amount received on 10,000 debentures @ ₹ 100 each)	...Dr.	10,00,000	10,00,000

	Debit	Credit		
	Debit	Credit		
	Debit	Credit		
	Debit	Credit		
	Debit	Credit		
2015				
March 31	Statement of Profit and Loss To Loss on Issue of Debentures A/c (Being the loss written off)	...Dr. 50,000	50,000	50,000
2018				
March 31	On Creation of DRR Surplus, i.e., Balance in Statement of Profit and Loss A/c To Debentures Redemption Reserve A/c (Being the transfer of profit to DRR equivalent to 25% of the nominal value of outstanding debentures)	...Dr. 2,50,000	2,50,000	2,50,000
April 1	On Investment being made Debentures Redemption Investment A/c To Bank A/c (Being the amount equal to 15% of the value of debentures invested, earning interest @ 6% p.a.)	...Dr. 1,50,000	1,50,000	1,50,000
2019				
March 31	On Redemption of Debentures Bank A/c To Debentures Redemption Investment A/c To Interest Earned A/c (Being the investment bearing interest @ 6% p.a. encashed on redemption of debentures)	...Dr. 1,59,000	1,50,000 9,000	1,50,000 9,000
	9% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount payable on redemption, transferred to Debentureholders' Account)	...Dr. ...Dr. 10,00,000 50,000	10,50,000	10,50,000
	Debentureholders' A/c To Bank A/c (Being the amount paid to debentureholders on redemption)	...Dr. 10,50,000	10,50,000	10,50,000
	Debentures Redemption Reserve A/c To General Reserve A/c (Being the transfer of Debentures Redemption Reserve to General Reserve after redemption of debentures)	...Dr. 2,50,000	2,50,000	2,50,000
	Interest Earned A/c To Statement of Profit and Loss (Other Income) (Being the interest on DRI transferred)	...Dr. 9,000	9,000	9,000

Illustration 5.

Pragati Ltd. has 50,000; 8% Debentures of ₹ 100 each due for redemption in four equal annual instalments starting from 31st March, 2016. Debentures Redemption Reserve has a balance of ₹ 9,00,000 on that date. The company pays interest annually and deducted tax @ 10% on interest payment and deposits in Government Account on due date.

Pass Journal entries for investment, redemption of debentures and payment of interest on debentures. The company made investment in fixed deposit with bank earning interest @ 10% p.a. Bank deducted TDS @ 10%.

Solution:**In the Books of Pragati Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being the transfer of profits to Debentures Redemption Reserve) (WN 2)		3,50,000	3,50,000
April 1	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the fixed deposit placed with Bank for 15% nominal value of debentures to be redeemed)		1,87,500	1,87,500
2016				
March 31	Interest on Debentures A/c (WN 1) ...Dr. To Debentureholders' A/c To TDS Payable A/c (Being the interest on debentures due and tax deducted @ 10%)		4,00,000	3,60,000 40,000
March 31	Debentureholders' A/c ...Dr. TDS Payable A/c ...Dr. To Bank A/c (Being the payment of debentures' interest and TDS payable)		3,60,000 40,000	4,00,000
March 31	8% Debentures A/c ...Dr. To Debentureholders' A/c (Being the payment due to debentureholders on redemption)		12,50,000	12,50,000
March 31	Debentureholders' A/c ...Dr. To Bank A/c (Being the payment due to debentureholders discharged)		12,50,000	12,50,000
March 31	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being one-fourth of DRR transferred to General Reserve on redemption of one-fourth debentures)		3,12,500	3,12,500
March 31	Statement of Profit and Loss ...Dr. To Interest on Debentures A/c (Being the interest on debentures transferred)		4,00,000	4,00,000
2017				
March 31	Interest on Debentures A/c ...Dr. To Debentureholders' A/c (WN 3) To TDS Payable A/c (Being the interest due on debentures)		3,00,000	2,70,000 30,000
March 31	Debentureholders' A/c ...Dr. TDS Payable A/c ...Dr. To Bank A/c (Being the debentures' interest and TDS paid)		2,70,000 30,000	3,00,000
March 31	8% Debentures A/c ...Dr. To Debentureholders' A/c (Being the payment due to debentureholders on redemption)		12,50,000	12,50,000
March 31	Debentureholders' A/c ...Dr. To Bank A/c (Being the payment due to debentureholders discharged)		12,50,000	12,50,000

Joint Stock Company—Redemption of Debentures

9.9

March 31	Debitures Redemption Reserve A/c To General Reserve A/c (Being the one-fourth of DRR transferred to General Reserve on redemption of one-fourth debentures)	...Dr.	3,12,500	3,12,500
March 31	Statement of Profit and Loss To Interest on Debentures A/c (Being the interest on debentures transferred)	...Dr.	3,00,000	3,00,000
2018				
March 31	Interest on Debentures A/c To Debentureholders' A/c (WN 4) To TDS Payable A/c (Being the debentures' interest due)	...Dr.	2,00,000	1,80,000 20,000
March 31	Debentureholders' A/c TDS Payable A/c To Bank A/c (Being the debentures' interest paid along with TDS payable)	...Dr. ...Dr.	1,80,000 20,000	2,00,000
March 31	8% Debentures A/c To Debentureholders' A/c (Being the payment due to debentureholders on redemption)	...Dr.	12,50,000	12,50,000
March 31	Debentureholders' A/c To Bank A/c (Being the payment due to debentureholders discharged)	...Dr.	12,50,000	12,50,000
March 31	Debitures Redemption Reserve A/c To General Reserve A/c (Being the one-fourth of DRR transferred to General Reserve on redemption of one-fourth debentures)	...Dr.	3,12,500	3,12,500
March 31	Statement of Profit and Loss To Interest on Debentures A/c (Being the interest on debentures transferred)	...Dr.	2,00,000	2,00,000
2019				
March 31	Interest on Debentures A/c To Debentureholders' A/c To TDS Payable A/c (Being the interest due on debentures)	...Dr.	1,00,000	90,000 10,000
March 31	Debentureholders' A/c TDS Payable A/c To Bank A/c (Being the debentures' interest and TDS paid)	...Dr. ...Dr.	90,000 10,000	1,00,000
March 31	8% Debentures A/c To Debentureholders' A/c (Being the payment due to debentureholders on redemption)	...Dr.	12,50,000	12,50,000
March 31	Debentureholders' A/c To Bank A/c (Being the payment due to debentureholders discharged)	...Dr.	12,50,000	12,50,000

9.10

Double Entry Book Keeping (Section A) – ISC XII

March 31	Bank A/c	...Dr.	2,55,000	
	TDS Collected A/c	...Dr.	7,500	
	To Debentures Redemption Investment A/c			1,87,500
	To Interest Earned A/c			75,000
	(Being the fixed deposit placed on 1st April, 2015 encashed and interest earned on the same @ 10% p.a. but received after deducting tax @ 10% on all debentures having been redeemed)			
March 31	Debentures Redemption Reserve A/c	...Dr.	3,12,500	
	To General Reserve A/c			3,12,500
	(Being the DRR closed by transferring it to General Reserve)			
March 31	Statement of Profit and Loss	...Dr.	1,00,000	
	To Interest on Debentures A/c			1,00,000
	(Being the interest on debentures transferred)			
March 31	Interest Earned A/c	...Dr.	75,000	
	To Statement of Profit and Loss (Other Income)			75,000
	(Being the interest earned transferred)			

Working Notes:

- | | ₹ |
|---|-----------------|
| 1. Interest = ₹ 50,00,000 × 8/100 | <u>4,00,000</u> |
| 2. 25% of ₹ 50,00,000 (Face value of Debentures) | 12,50,000 |
| Less: Existing Debentures Redemption Reserve (DRR) | <u>9,00,000</u> |
| DRR to be created before redemption | <u>3,50,000</u> |
| 3. ₹ 50,00,000 – ₹ 12,50,000 = ₹ 37,50,000 (After Redemption) | |
| Interest = ₹ 37,50,000 × 8/100 = ₹ 3,00,000 | |
| 4. Interest = (₹ 37,50,000 – ₹ 12,50,000 = ₹ 25,00,000) × 8/100 = ₹ 2,00,000. | |
| 5. Investment in fixed deposit in terms of Section 71 (4) of the Companies Act, 2013 is assumed to have been made on 1st April, 2015. | |
| 6. Interest on Debentures Account is shown in Statement of Profit and Loss as 'Finance Costs'. | |

Illustration 6.

Ashoka Ltd. issued 10,000; 8% Debentures of ₹ 100 each on 1st September, 2012 redeemable at a premium of 7% as under:

On 31st March, 2017	5,000 Debentures;
On 31st March, 2018	2,500 Debentures;
On 31st March, 2019	2,500 Debentures.

The company decided to transfer the required amount to Debentures Redemption Reserve (DRR) in four equal annual instalments starting from 31st March, 2013. The company decided to make investment in fixed deposit as required by the Companies Act, 2013 on 1st April, 2016. Pass Journal entries for issue and redemption of debentures and transfer to Debentures Redemption Reserve.

Solution: **In the Books of Ashoka Ltd.**
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012	Issue of Debentures			
Sept. 1	Bank A/c (10,000 × ₹ 100) ...Dr. To Debentures Application and Allotment A/c (Being the debentures application money received on issue of debentures)		10,00,000	10,00,000
Sept. 1	Debentures Application and Allotment A/c (10,000 × ₹ 100) ...Dr. Loss on Issue of Debentures A/c (₹ 10,00,000 × 7/100) ...Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Being the issue of debentures at par but redeemable at premium)		10,00,000 70,000	10,00,000 70,000
2013	Creation of DRR			
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit appropriated towards Debentures Redemption Reserve)		62,500	62,500
March 31	Statement of Profit and Loss ...Dr. To Loss on Issue of Debentures A/c (Being the loss on issue of debentures transferred)		70,000	70,000
2014				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit appropriated towards Debentures Redemption Reserve)		62,500	62,500
2015				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit appropriated towards Debentures Redemption Reserve)		62,500	62,500
2016				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c (Note) ...Dr. To Debentures Redemption Reserve A/c (Being the profit appropriated towards Debentures Redemption Reserve)		62,500	62,500
April 1	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the investment made of amount equal to 15% of nominal value of debentures to be redeemed on 31st March, 2017)		75,000	75,000
2017	Redemption of Debentures			
March 31	Bank A/c ...Dr. To Debentures Redemption Investment A/c (Being the half fixed deposit encashed on redemption of 5,000 debentures)		37,500	37,500
March 31	8% Debentures A/c ...Dr. Premium on Redemption of Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption of debentures)		5,00,000 35,000	5,35,000

March 31	Debentureholders' A/c To Bank A/c (Being the payment made to debentureholders)	...Dr.	5,35,000	5,35,000
March 31	Debentures Redemption Reserve A/c To General Reserve A/c (Being the amount proportionate to 5,000 debentures redeemed transferred to General Reserve)	...Dr.	1,25,000	1,25,000
March 31	8% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount due to debentureholders on redemption of debentures)	...Dr. ...Dr.	2,50,000 17,500	2,67,500
March 31	Debentureholders' A/c To Bank A/c (Being the payment made to debentureholders)	...Dr.	2,67,500	2,67,500
March 31	Debentures Redemption Reserve A/c To General Reserve A/c (Being the amount proportionate to 2,500 debentures redeemed transferred to General Reserve)	...Dr.	62,500	62,500
2019 March 31	Bank A/c To Debentures Redemption Investment A/c (Being the fixed deposit encashed on 2,500 debentures being reedemed)	...Dr.	37,500	37,500
March 31	8% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount due to debentureholders on redemption of debentures)	...Dr. ...Dr.	2,50,000 17,500	2,67,500
March 31	Debentureholders' A/c To Bank A/c (Being the payment made to debentureholders)	...Dr.	2,67,500	2,67,500
March 31	Debentures Redemption Reserve A/c To General Reserve A/c (Being the Debentures Redemption Reserve closed by transferring it to General Reserve)	...Dr.	62,500	62,500

Note: Outstanding amount on debentures = ₹ 10,00,000

DRR, i.e., 25% of ₹ 10,00,000 = ₹ 2,50,000

Four equal annual instalments = $1/4 \times ₹ 2,50,000 = ₹ 62,500$.

Illustration 7 (Purchase of Debentures from the Open Market for Cancellation).

Zenith Ltd. purchased its own 200, 9% Debentures of ₹ 100 each from the open market for cancellation at ₹ 92. Pass Journal entries for purchase and cancellation of own debentures.

Solution: JOURNAL OF ZENITH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Own Debentures A/c ...Dr. To Bank A/c (Being the purchase of 200 own debentures @ ₹ 92 each)		18,400	18,400
	9% Debentures A/c ...Dr. To Own Debentures A/c To Gain (Profit) on Cancellation of Own Debentures A/c (Being own debentures of the face value of ₹ 20,000 purchased for ₹ 92 each from open market and cancelled)		20,000	18,400 1,600
	Gain (Profit) on Cancellation of Own Debentures A/c ...Dr. To Capital Reserve A/c (Being the transfer of Gain (Profit) on redemption of debentures to Capital Reserve)		1,600	1,600

Illustration 8.

X Ltd. has 4,000; 9% Debentures of ₹ 100 each outstanding as on 31st March, 2019. These debentures are due for redemption on 31st March, 2019. Debentures Redemption Reserve has a balance of ₹ 50,000 on 31st March, 2018.

Pass Journal entries at the time of redemption of debentures.

Solution: JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being the transfer of Profit to DRR as per Rule 18(7)) (Note)		50,000	50,000
April 30	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the investment made of a sum equal to 15% of the nominal value of debentures to be redeemed)		60,000	60,000
2019				
March 31	Bank A/c ...Dr. To Debentures Redemption Investment A/c (Being the Debentures Redemption investment realised)		60,000	60,000
March 31	9% Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption)		4,00,000	4,00,000
March 31	Debentureholders' A/c ...Dr. To Bank A/c (Being the amount due to debentureholders paid)		4,00,000	4,00,000
March 31	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being the DRR transferred to General Reserve)		1,00,000	1,00,000

Note: Balance in DRR is ₹ 50,000 as on 31st March, 2019. A further amount of ₹ 50,000 is transferred from Surplus, i.e., Balance in Statement of Profit and Loss to make DRR equal to ₹ 1,00,000 (i.e., 25% of ₹ 4,00,000).

Master Question and Advanced Level Question

Illustration 9.

Ananya Ltd. issued on 1st July, 2013, 20,000, 8% Debentures of ₹ 50 each at a premium of 10% redeemable at a premium of 20% in four equal annual installments beginning 31st March, 2016 either by draw of lot or by purchase from open market. Interest on Debentures was payable yearly on 31st March and TDS was deducted @ 10%. It was decided to create DRR in two years equally on 31st March, 2015 and 31st March, 2016. Investment, as required by law, shall be made in fixed deposit with a bank on 1st April, 2015. Fixed Deposit earned an interest @ 6% p.a. Bank deducted TDS @ 10% every year.

Pass Journal entries for issue and redemption of debentures, DRR, Investment, interest on debentures and interest on investments.

Solution:

JOURNAL OF ANANYA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013 July 1	Bank A/c To Debentures Application and Allotment A/c (Being the applications received for 20,000, 8% Debentures @ ₹ 55 each)	...Dr.	11,00,000	11,00,000
	Debentures Application and Allotment A/c Loss on Issue of Debentures A/c To 8% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Being 20,000; 8% Debentures of ₹ 50 each issued at a premium of 10% redeemable at 20% premium)	...Dr. ...Dr.	11,00,000 2,00,000	10,00,000 1,00,000 2,00,000
2014 March 31	Interest on Debentures A/c To Debentureholders' A/c To TDS Payable A/c (Being the interest due on 8% Debentures for nine months and TDS deducted @ 10%)	...Dr.	60,000	54,000 6,000
	Debentureholders' A/c To Bank A/c (Being the interest on debentures paid)	...Dr.	54,000	54,000
	TDS Payable A/c To Bank A/c (Being the TDS deposited in Government Account)	...Dr.	6,000	6,000
	Securities Premium Reserve A/c Statement of Profit and Loss To Loss on Issue of Debentures A/c (Being the loss written off)	...Dr. ...Dr.	1,00,000 1,00,000	2,00,000
	Statement of Profit and Loss To Interest on Debentures A/c (Being the interest transferred)	...Dr.	60,000	60,000

Joint Stock Company—Redemption of Debentures

9.15

2015				
March 31	Interest on Debentures A/c	...Dr.	80,000	
	To Debentureholders' A/c			72,000
	To TDS Payable A/c			8,000
	(Being the interest due on 8% Debentures for one year and TDS deducted @ 10%)			
	Debentureholders' A/c	...Dr.	72,000	
	To Bank A/c			72,000
	(Being the interest on debentures paid)			
	TDS Payable A/c	...Dr.	8,000	
	To Bank A/c			8,000
	(Being the TDS deposited in Government Account)			
	Surplus, i.e., Balance in Statement of Profit and Loss A/c	...Dr.	1,25,000	
	To Debentures Redemption Reserve A/c			1,25,000
	(Being one-half of total DRR required transferred)			
	Statement of Profit and Loss	...Dr.	80,000	
	To Interest on Debentures A/c			80,000
	(Being the interest transferred)			
April 1	Debentures Redemption Investment A/c	...Dr.	37,500	
	To Bank A/c			37,500
	(Being the investment made in fixed deposit with bank earning interest @ 6%)			
2016				
March 31	Interest on Debentures A/c	...Dr.	80,000	
	To Debentureholders' A/c			72,000
	To TDS Payable A/c			8,000
	(Being the interest due on 20,000, 8% Debentures for one year and TDS deducted @ 10%)			
	Debentureholders' A/c	...Dr.	72,000	
	To Bank A/c			72,000
	(Being the interest on debentures paid)			
	TDS Payable A/c	...Dr.	8,000	
	To Bank A/c			8,000
	(Being the TDS deposited in Government Account)			
	Interest Accrued But Not Due A/c	...Dr.	2,025	
	TDS Collected (Receivable) A/c	...Dr.	225	
	To Interest Earned A/c			2,250
	(Being the interest on fixed deposit @ 6% provided, TDS was deducted by Bank @ 10%)			
	Surplus, i.e., Balance in Statement of Profit and Loss A/c	...Dr.	1,25,000	
	To Debentures Redemption Reserve A/c			1,25,000
	(Being one-half of total DRR required transferred)			
	8% Debentures A/c	...Dr.	2,50,000	
	Premium on Redemption of Debentures A/c	...Dr.	50,000	
	To Debentureholders' A/c			3,00,000
	(Being the amount due on 5,000; 8% Debentures on redemption)			

	Debentureholders' A/c ...Dr.	3,00,000	3,00,000
	To Bank A/c (Being the payment made to debentureholders)		
	Debentures Redemption Reserve A/c ...Dr.	62,500	62,500
	To General Reserve A/c (Being the amount proportionate to debentures redeemed transferred to General Reserve)		
	Statement of Profit and Loss ...Dr.	80,000	80,000
	To Interest on Debentures A/c (Being the interest transferred)		
	Interest Earned A/c ...Dr.	2,250	2,250
	To Statement of Profit and Loss (Being the interest earned transferred)		
2017 March 31	Interest on Debentures A/c ...Dr.	60,000	54,000
	To Debentureholders' A/c To TDS Payable A/c (Being the interest due on 15,000; 8% Debentures for one year and TDS deducted @ 10%)		6,000
	Debentureholders' A/c ...Dr.	54,000	54,000
	To Bank A/c (Being the interest on debentures paid)		
	TDS Payable A/c ...Dr.	6,000	6,000
	To Bank A/c (Being the TDS deposited in Government Account)		
	Interest Accrued But Not Due A/c ...Dr.	2,025	
	TDS Collected (Receivable) A/c ...Dr.	225	
	To Interest Earned A/c (Being the interest on fixed deposit @ 6% provided, TDS was deducted by Bank @ 10%)		2,250
	8% Debentures A/c ...Dr.	2,50,000	
	Premium on Redemption of Debentures A/c ...Dr.	50,000	
	To Debentureholders' A/c (Being the amount due on 5,000; 8% Debentures on redemption)		3,00,000
	Debentureholders' A/c ...Dr.	3,00,000	3,00,000
	To Bank A/c (Being the payment made to debentureholders)		
	Debentures Redemption Reserve A/c ...Dr.	62,500	62,500
	To General Reserve A/c (Being the amount proportionate to debentures redeemed transferred to General Reserve)		
	Statement of Profit and Loss ...Dr.	60,000	60,000
	To Interest on Debentures A/c (Being the interest on debentures transferred)		
	Interest Earned A/c ...Dr.	2,250	2,250
	To Statement of Profit and Loss (Being the interest earned transferred)		

Joint Stock Company—Redemption of Debentures

9.17

2018				
March 31	Interest on Debentures A/c	...Dr.	40,000	
	To Debentureholders' A/c			36,000
	To TDS Payable A/c			4,000
	(Being the interest due on 10,000, 8% Debentures for one year and TDS deducted @ 10%)			
	Debentureholders' A/c	...Dr.	36,000	
	To Bank A/c			36,000
	(Being the interest on debentures paid)			
	TDS Payable A/c	...Dr.	4,000	
	To Bank A/c			4,000
	(Being the TDS deposited in Government Account)			
	Interest Accrued But Not Due A/c	...Dr.	2,025	
	TDS Collected (Receivable) A/c	...Dr.	225	
	To Interest Earned A/c			2,250
	(Being the interest on fixed deposit @ 6% provided, TDS was deducted by Bank @ 10%)			
	8% Debentures A/c	...Dr.	2,50,000	
	Premium on Redemption of Debentures A/c	...Dr.	50,000	
	To Debentureholders' A/c			3,00,000
	(Being the amount due on 5,000; 8% Debentures on redemption)			
	Debentureholders' A/c	...Dr.	3,00,000	
	To Bank A/c			3,00,000
	(Being the payment made to debentureholders)			
	Debentures Redemption Reserve A/c	...Dr.	62,500	
	To General Reserve A/c			62,500
	(Being the amount proportionate to debentures redeemed transferred to General Reserve)			
	Statement of Profit and Loss	...Dr.	40,000	
	To Interest on Debentures A/c			40,000
	(Being the interest transferred)			
	Interest Earned A/c	...Dr.	2,250	
	To Statement of Profit and Loss			2,250
	(Being the interest earned transferred)			
2019				
March 31	Interest on Debentures A/c	...Dr.	20,000	
	To Debentureholders' A/c			18,000
	To TDS Payable A/c			2,000
	(Being the interest due on 5,000; 8% Debentures for one year and TDS deducted @ 10%)			
	Debentureholders' A/c	...Dr.	18,000	
	To Bank A/c			18,000
	(Being the interest on debentures paid)			
	TDS Payable A/c	...Dr.	2,000	
	To Bank A/c			2,000
	(Being the TDS deposited in Government Account)			
	Interest Accrued But Not Due A/c	...Dr.	2,025	
	TDS Collected (Receivable) A/c	...Dr.	225	
	To Interest Earned A/c			2,250
	(Being the interest on fixed deposit @ 6% provided, TDS was deducted by Bank @ 10%)			

Interest Receivable A/c To Interest Accrued But Not Due A/c* (Being the Interest Accrued became due)	...Dr.	8,100	8,100
Bank A/c To Debentures Redemption Investment A/c To Interest Receivable A/c (Being the Investment made in fixed deposit realised)	...Dr.	45,600	37,500 8,100
8% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount due on 5,000; 8% Debentures on redemption)	...Dr. ...Dr.	2,50,000 50,000	3,00,000
Debentureholders' A/c To Bank A/c (Being the payment made to debentureholders)	...Dr.	3,00,000	3,00,000
Debentures Redemption Reserve A/c To General Reserve A/c (Being the amount of DRR transferred to General Reserve)	...Dr.	62,500	62,500
Statement of Profit and Loss To Interest on Debentures A/c (Being the interest transferred)	...Dr.	20,000	20,000
Interest Earned A/c To Statement of Profit and Loss (Being the interest earned transferred)	...Dr.	2,250	2,250

*Interest Accrued but not due on 31st March, 2019 = ₹ 2,025 (31st March, 2016) + ₹ 2,025 (31st March, 2017) + ₹ 2,025 (31st March, 2018) + ₹ 2,025 (31st March, 2019) = ₹ 8,100.

Advanced Level Question

Illustration 10.

Master Business Ltd., on 1st July, 2012 issued 27,500, 8% Debentures of ₹ 50 each at a premium of 10% redeemable at a premium of 20% in five equal annual instalments either by draw of lots or by purchase from the open market beginning 31st March, 2015. Interest on debentures is payable yearly on 31st March on which TDS is 10%. Applications were received for 25,000 debentures.

The terms and conditions of issue of debentures provided that the company shall, as far as possible, purchase debentures from open market and if the debentures could not be purchased from open market then it will resort to redemption by draw of lots. In case, debentures were to be redeemed by draw of lots, the debentureholders will be paid nominal (face) value and premium on redemption of debentures.

The company decided to set aside to DRR an amount as prescribed in law in two equal instalments in the years ended 31st March, 2014 and 2015. The company also decided to invest amount as required in fixed deposit on 1st April, 2014 with Canara Bank earning 10% interest to be realised at the time of last redemption. Bank deducts TDS every year on interest @ 10%.

The company purchased 5,000, 8% Debentures on 31st March, 2015 at an average price of ₹ 52 and cancelled them.

The company, on 31st March, 2016, purchased 2,500, 8% Debentures @ ₹ 62 per debenture and 1,500, 8% Debentures @ ₹ 61 per debenture. Balance debentures were redeemed by draw of lots.

The company could not purchase any debenture from open market in the year ended 31st March, 2017 and thus, had to resort to redemption by draw of lots.

Pass Journal entries according to the above transactions for the years ended 31st March, 2015, 2016 and 2017. Also prepare Debentures Redemption Reserve Account, Interest Accrued But Not Due Account, TDS Payable and TDS Receivable Account.

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 July 1	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Being the applications received for 25,000, 8% Debentures @ ₹ 55 each)		13,75,000	13,75,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 8% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Being the debentures issued at a premium of 10% redeemable at 20% premium)		13,75,000 2,50,000	12,50,000 1,25,000 2,50,000
2013 March 31	Interest on Debentures A/c ...Dr. To Debentureholders' A/c To TDS Payable A/c (Being the interest due on debentures @ 8% p.a. for nine months and TDS deducted @ 10%)		75,000	67,500 7,500
	Debentureholders' A/c ...Dr. To Bank A/c (Being the interest on debentures paid)		67,500	67,500
	TDS Payable A/c ...Dr. To Bank A/c (Being the TDS deposited in Government Account)		7,500	7,500
	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being one-half of total DRR required transferred)		1,56,250	1,56,250
	Securities Premium Reserve A/c ...Dr. Statement of Profit and Loss ...Dr. To Loss on Issue of Debentures A/c (Being the loss written off)		1,25,000 1,25,000	2,50,000
	Statement of Profit and Loss ...Dr. To Interest on Debentures A/c (Being the interest on debentures transferred)		75,000	75,000
2014 March 31	Interest on Debentures A/c ...Dr. To Debentureholders' A/c To TDS Payable A/c (Being the interest due on debentures @ 8% p.a. for one year and TDS deducted @ 10%)		1,00,000	90,000 10,000
	Debentureholders' A/c ...Dr. To Bank A/c (Being the interest on debentures paid)		90,000	90,000
	TDS Payable A/c ...Dr. To Bank A/c (Being the TDS deposited in Government Account)		10,000	10,000
	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being one-half of total DRR required transferred)		1,56,250	1,56,250

	Statement of Profit and Loss To Interest on Debentures A/c (Being the interest transferred)	...Dr.	1,00,000	1,00,000
April 1	Debentures Redemption Investment A/c To Bank A/c (Being the investment made in fixed deposit with bank earning interest @ 10%)	...Dr.	37,500	37,500
2015 March 31	Interest on Debentures A/c To Debentureholders' A/c To TDS Payable A/c (Being the interest due on 20,000, 8% Debentures @ 8% p.a. for one year and TDS deducted @ 10%)	...Dr.	80,000	72,000 8,000
	Debentureholders' A/c To Bank A/c (Being the interest on debentures paid)	...Dr.	72,000	72,000
	TDS Payable A/c To Bank A/c (Being the TDS deposited in Government Account)	...Dr.	8,000	8,000
	Interest Accrued But Not Due A/c TDS Collected (Receivable) A/c To Interest Earned A/c (Being the interest on fixed deposit @ 10% provided, TDS was deducted by Bank @ 10%)	...Dr. ...Dr.	3,375 375	3,750
	Own Debentures A/c To Bank A/c (Being own 5,000, 8% Debentures purchased at all average price of ₹ 52)	...Dr.	2,60,000	2,60,000
	8% Debentures A/c Premium on Redemption of Debentures A/c To Own Debentures A/c To Gain (Profit) on Cancellation of Own Debentures A/c (Being 5,000 Own Debentures cancelled resulting in a gain)	...Dr. ...Dr.	2,50,000 50,000	2,60,000 40,000
	Gain (Profit) on Cancellation of Own Debentures A/c To Capital Reserve A/c (Being the gain (profit) on Cancellation transferred)	...Dr.	40,000	40,000
	Debentures Redemption Reserve A/c To General Reserve A/c (Being the amount proportionate to debentures redeemed transferred to General Reserve)	...Dr.	62,500	62,500
	Statement of Profit and Loss To Interest on Debentures A/c (Being the interest transferred)	...Dr.	80,000	80,000
	Interest Earned A/c To Statement of Profit and Loss (Being the interest earned transferred)	...Dr.	3,750	3,750
2016 March 31	Interest on Debentures A/c To Debentureholders' A/c To TDS Payable A/c (Being the interest due on 15,000 Debentures @ 8% p.a. for one year and TDS deducted @ 10%)	...Dr.	60,000	54,000 6,000

Joint Stock Company—Redemption of Debentures

9.21

Debentureholders' A/c	...Dr.	54,000	
To Bank A/c			54,000
(Being the interest on debentures paid)			
TDS Payable A/c	...Dr.	6,000	
To Bank A/c			6,000
(Being the TDS deposited in Government Account)			
Interest Accrued But Not Due A/c	...Dr.	3,375	
TDS Collected (Receivable) A/c	...Dr.	375	
To Interest Earned A/c			3,750
(Being the interest on fixed deposit @ 10% provided, TDS was deducted by Bank @ 10%)			
Own Debentures A/c	...Dr.	2,46,500	
To Bank A/c			2,46,500
(Being own 2,500, 8% Debentures purchased @ ₹ 62 each, 1,500, 8% Debentures @ ₹ 61 each)			
8% Debentures A/c	...Dr.	2,00,000	
Premium on Redemption of Debentures A/c	...Dr.	40,000	
Loss on Cancellation of Own Debentures A/c	...Dr.	6,500	
To Own Debentures A/c			2,46,500
(Being 4,000 Own Debentures cancelled resulting in a loss)			
Capital Reserve A/c	...Dr.	6,500	
To Loss on Cancellation of Own Debentures A/c			6,500
(Being the loss on Cancellation of Own debentures set off from Capital Reserve)			
8% Debentures A/c	...Dr.	50,000	
Premium on Redemption of Debentures A/c	...Dr.	10,000	
To Debentureholders' A/c			60,000
(Being amount due to debentureholders)			
Debentureholders' A/c	...Dr.	60,000	
To Bank A/c			60,000
(Being payment made to debentureholders)			
Debentures Redemption Reserve A/c	...Dr.	62,500	
To General Reserve A/c			62,500
(Being the amount proportionate to debentures redeemed transferred to General Reserve)			
Statement of Profit and Loss	...Dr.	60,000	
To Interest on Debentures A/c			60,000
(Being the interest transferred)			
Interest Earned A/c	...Dr.	3,750	
To Statement of Profit and Loss			3,750
(Being the interest earned transferred)			
Interest on Debentures A/c	...Dr.	40,000	
To Debentureholders' A/c			36,000
To TDS Payable A/c			4,000
(Being the interest due on 10,000, 8% Debentures @ 8% p.a. for one year and TDS deducted @ 10%)			

2017
March 31

Debentureholders' A/c To Bank A/c (Being the interest on debentures paid)	...Dr.	36,000	36,000
TDS Payable A/c To Bank A/c (Being the TDS deposited in Government Account)	...Dr.	4,000	4,000
Interest Accrued But Not Due A/c TDS Collected (Receivable) A/c To Interest Earned A/c (Being the interest on fixed deposit @ 10% provided, TDS was deducted by Bank @ 10%)	...Dr. ...Dr.	3,375 375	3,750
8% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being 5,000; 8% Debentures due for redemption)	...Dr. ...Dr.	2,50,000 50,000	3,00,000
Debentureholders' A/c To Bank A/c (Being the payment made to debentureholders)	...Dr.	3,00,000	3,00,000
Debentures Redemption Reserve A/c To General Reserve A/c (Being the amount proportionate to debentures redeemed transferred to General Reserve)	...Dr.	62,500	62,500
Statement of Profit and Loss To Interest on Debentures A/c (Being the interest on debentures transferred)	...Dr.	40,000	40,000
Interest Earned A/c To Statement of Profit and Loss (Being the interest earned transferred)	...Dr.	3,750	3,750

Ledger Accounts

DEBENTURES REDEMPTION RESERVE ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2013 March 31	To Balance <i>c/d</i>	1,56,250	2013 March 31	By Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss	1,56,250
		1,56,250			1,56,250
2014 March 31	To Balance <i>c/d</i>	3,12,500	2013 April 1	By Balance <i>b/d</i>	1,56,250
		3,12,500	2014 March 31	By Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss	1,56,250
2015 March 31	To General Reserve A/c To Balance <i>c/d</i>	62,500 2,50,000 3,12,500	2014 April 1	By Balance <i>b/d</i>	3,12,500
		3,12,500			3,12,500
2016 March 31	To General Reserve A/c To Balance <i>c/d</i>	62,500 1,87,500 2,50,000	2015 April 1	By Balance <i>b/d</i>	2,50,000
		2,50,000			2,50,000
2017 March 31	To General Reserve A/c To Balance <i>c/d</i>	62,500 1,25,000 1,87,500	2016 April 1	By Balance <i>b/d</i>	1,87,500
		1,87,500			1,87,500

Joint Stock Company—Redemption of Debentures

9.23

Dr.			INTEREST ACCRUED BUT NOT DUE ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2015			2015					
March 31	To Interest Earned A/c	3,375	March 31	By Balance c/d	3,375			
		3,375			3,375			
2015			2016					
April 1	To Balance b/d	3,375	March 31	By Balance c/d	6,750			
2016								
March 31	To Interest Earned A/c	3,375			6,750			
		6,750			6,750			
2016			2017					
April 1	To Balance b/d	6,750	March 31	By Balance c/d	10,125			
2017								
March 31	To Interest Earned A/c	3,375			10,125			
		10,125			10,125			

Dr.			TDS PAYABLE ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2013			2013					
March 31	To Bank A/c	7,500	March 31	By Interest on Debentures A/c	7,500			
2014			2014					
March 31	To Bank A/c	10,000	March 31	By Interest on Debentures A/c	10,000			
2015			2015					
March 31	To Bank A/c	8,000	March 31	By Interest on Debentures A/c	8,000			
2016			2016					
March 31	To Bank A/c	6,000	March 31	By Interest on Debentures A/c	6,000			
2017			2017					
March 31	To Bank A/c	4,000	March 31	By Interest on Debentures A/c	4,000			

Dr.			TDS COLLECTED (RECEIVABLE) ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2015			2015					
March 31	To Interest Earned A/c	375	March 31	By Balance c/d	375			
		375			375			
2015			2016					
April 1	To Balance b/d	375	March 31	By Balance c/d	750			
2016								
March 31	To Interest Earned A/c	375			750			
		750			750			
2016			2017					
April 1	To Balance b/d	750	March 31	By Balance c/d	1,125			
2017								
March 31	To Interest Earned A/c	375			1,125			
		1,125			1,125			