

Redemption of Debentures

Q. → ~~Nirmal Coal Ltd issued 1,00,000 10% Debentures of ₹ 10 each at a premium of 5% on October 1, 2013 redeemable on 30th September, 2014. The issue was fully subscribed. Record necessary entries for issue and redemption of debentures. How much amount of Debenture Redemption Reserve is to be created before redemption of debentures.~~

Solution: → In the Books of Nirmal Coal Ltd
Journal Entries

Date	Particulars	Dr Cr	
		₹ Amount	Amount
2013 Oct 1	Bank A/c ————— Dr To 10% Debentures Application A/c (For application money received at a premium of 5%)	10,50,000	10,50,000
	10% Debentures Application A/c — Dr To 10% Debentures A/c To Securities Premium A/c (For transfer of application money to 10% Debentures A/c and Securities Premium A/c)	10,50,000	10,00,000 50,000
2014 Sep 30	10% Debentures A/c ————— Dr To Debenture holders A/c (For payment due on redemption of Debentures)	10,00,000	10,00,000
"	Debenture holders A/c ——— Dr To Bank A/c (For payment made)	10,00,000	10,00,000

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