

# Basis of Redemption (Journal of Redem.)

At Par  
100 → 100

At Premium  
100 → 120

Journal

Journal

Due:- Preference share Cap.  
To pref. share holder

Due:- pref. share Cap  
Premium on redemption  
To pref share holder.

Payment:- preference share holder  
To bank

Payment:- pref. share holder  
To bank.

## METHOD OF REDUMPTION

out of fresh issue.

(New equity & preference) → No debentures.

Bank  
To ed. S. cap  
To S. prem.

out of profits

⇒ Company has to create  
"Capital redemption reserve"  
[C.R.R.]

⇒ CRR = 100% of Preference Capital.

Free reserve  
To C.R.R

⇒ CRR Created from free reserve.

[Any reserve available for dividend]