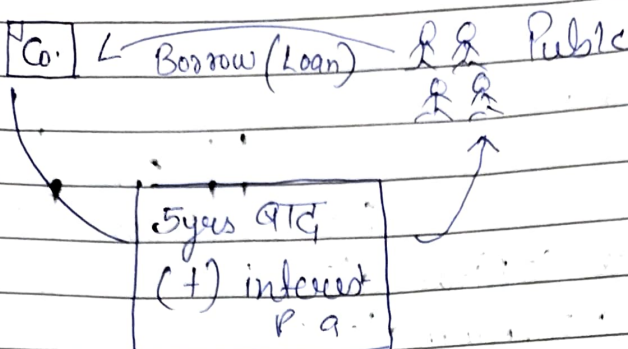
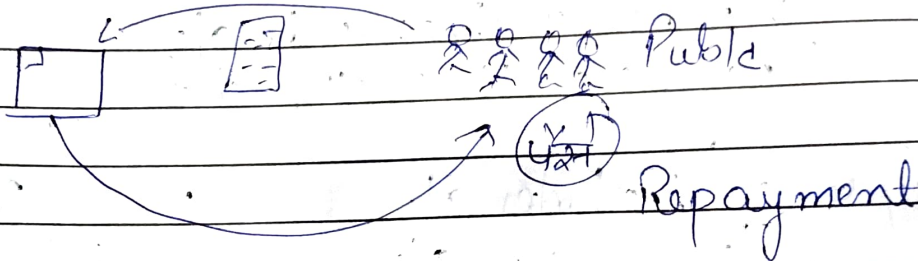


Unit - 6 Redemption of Debentures Dr. Delta



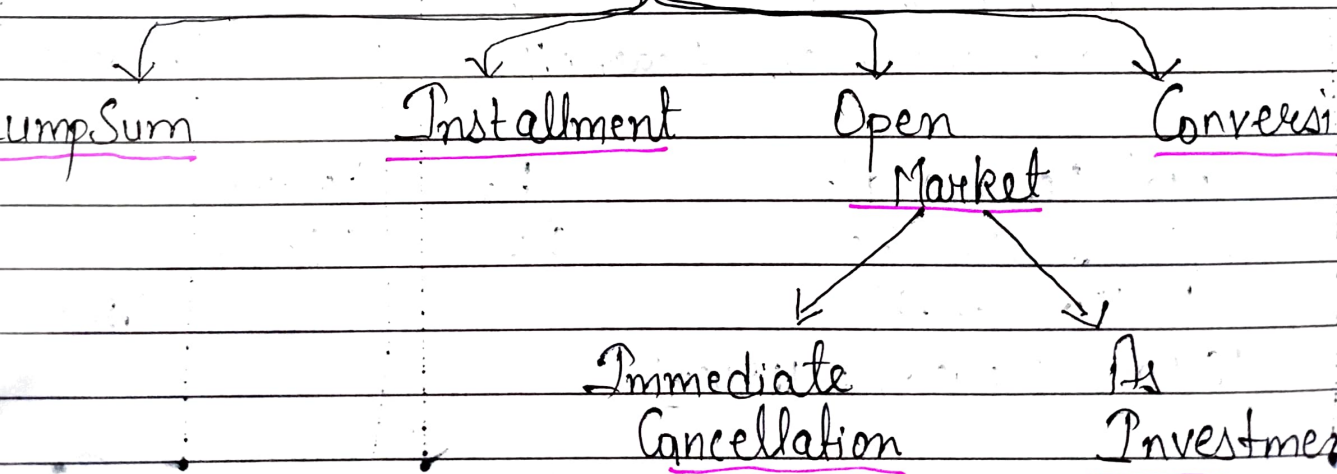
Issue of debenture

After 5 years



Redemption of Debentures

* Redemption of Debenture *



I LUMP SUM (5th 21/81)

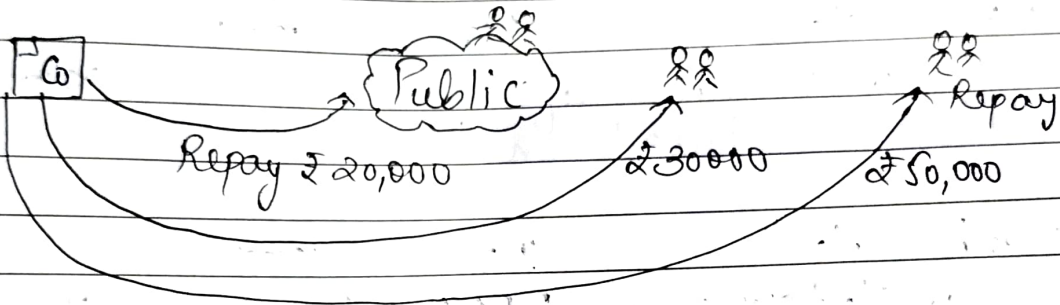
E.g



1000 debentures of ₹ 100 each
= ₹ 1,00,000

(Repayment of ₹ 1,00,000 in single shot)

II INSTALLMENTS



* Rules to be followed according to Companies Act

① Debenture Redemption Reserve (DRR) shall be 10% of value of outstanding debentures issued.

② Debenture Redemption Reserve Investment (DRRI) shall not fall below 15% of the amount of debentures maturing during the 31st March of that year.

Exceptions (i.e. No DRR & No DRRI)

- All India Financial Institutions (AIFIs)
- Listed Companies
- Unlisted NBFCs ^(non banking firms) and Unlisted HFCs
- Convertible debentures

Accounting - (Journal Entries)

① Profit and Loss a/c Dr xxx
 To DRR a/c xxx
(Creation of DRR)

② DRRT a/c Dr xxx
 To Bank a/c xxx
(Purchase of Investment)

③ Bank a/c Dr xxx
 To Interest on DRRT a/c xxx
(Interest received on DRRT)

④ Interest on DRRT a/c Dr xxx
 To P&L a/c xxx
(Interest is transfer to P&L)

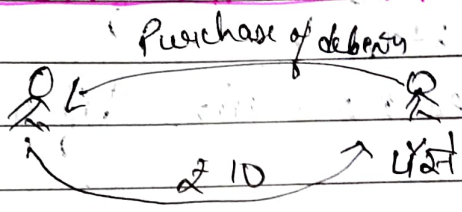
At the time of Redemption

Bank a/c Dr xx
 To DRRT a/c xxx
(Sale of DRRT)

Profit
loss
Transfer
DRRT a/c
Notebook

- ⑥ $\% \text{ Debenture a/c}$ Dr (face value)
 $\text{Premium on redemption a/c}$ Dr (if any)
 To $\text{Debenture holder a/c}$
 (Amount payable)
- ⑦ $\text{Debenture holder a/c}$ Dr xxx
 To Bank a/c xxx
 (Amount paid to debenture holder)
- ⑧ $\text{P\&L or Securities premium a/c}$ Dr xxx
 To $\text{premium on redemption a/c}$ xxx
 (premium payable on redemption charged to P\&L)
- ⑨ DRR a/c Dr xxx
 To $\text{General Reserve a/c}$ xxx
 (DRR transfer to General Reserve)

III OPEN MARKET



B/S Asset

Debentures	1000	Debenture	
Reserve	500	(Investment)	1000
Share Capital	500		

$\% \text{ Debenture a/c}$ Dr
 To Investment a/c

B/S

Reserve	500		
S.C	500		

(i) Own debenture a/c (Investment) Dr (Ex Int. Loss)
 Interest a/c Dr (Interest)
 To Bank a/c (Curr. Id. Pay)

(ii) % Debenture a/c Dr (Face value)
 To own debenture a/c (Investment) ——— xx
 To gain on Cancellation a/c ——— (Bal. fig)

It is of capital nature
 Later, transfer to
 Capital Reserve

IV CONVERSION (Only in case of convertible debentures)

(1) % Debenture a/c Dr (Face value)
 premium on Redemption a/c Dr (if any)
 To Share Capital a/c ——— (F.V)
 To Securities premium (if any) ——— xx