

Debenture Redemption Reserve

Company shall create DRR out of profits of the company available for payment of dividend & the amount credited to such account shall not be utilised by company for any purpose other than redemption of debentures.

Entry:

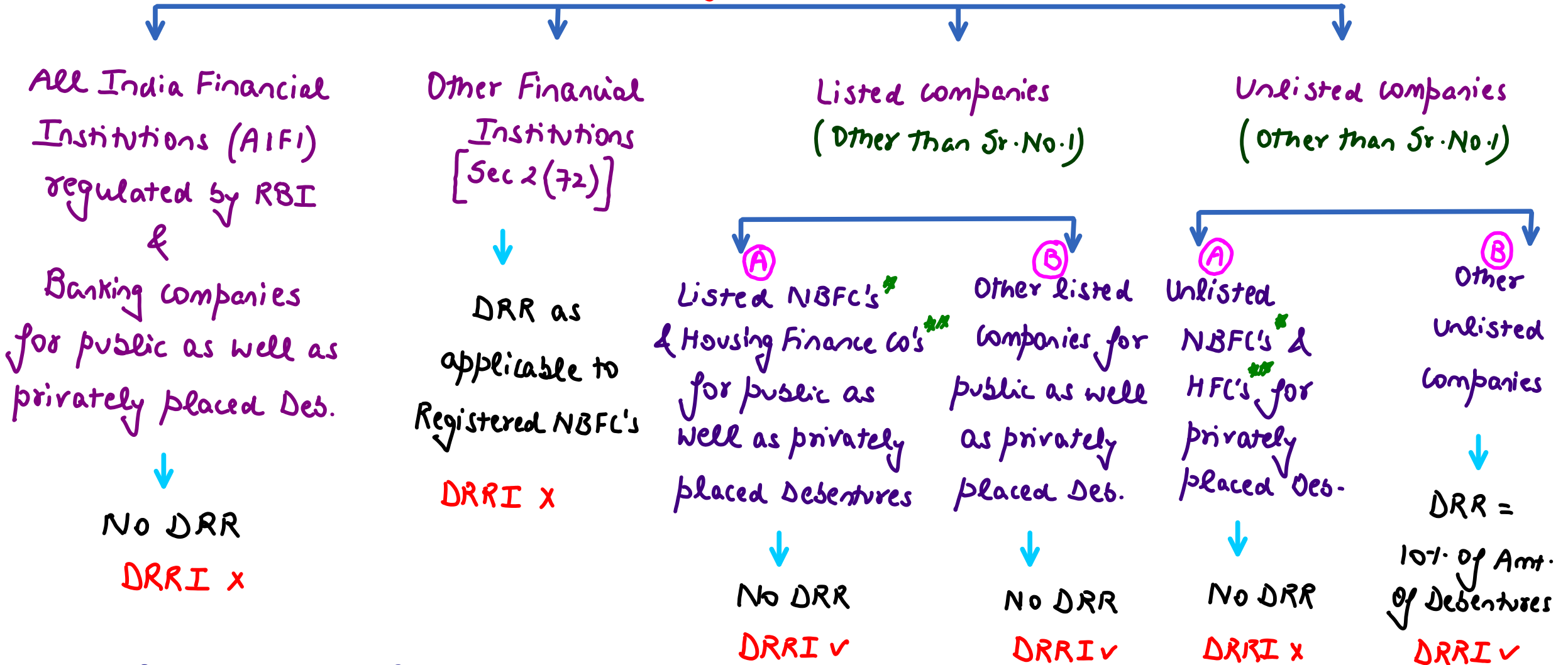
P&L/Surplus A/c - Dr
To DRR A/c

- * After redemption of debentures, balance of DRR is transferred to General Reserve.
- * In respect of partly convertible debentures, DRR shall be created in respect of non convertible portion.

Investment of DRR Amount

Company shall before 30th April of each year deposit/invest a sum not less than 15% of amount of debentures maturing during the year ending 31st March next in any one or more of prescribed modes.

Adequacy of DRR



* Registered with RBI

** Registered with National Housing Bank

The copyright of these notes is with C.A. Nitin Goel

No part of these notes may be reproduced in any manner without his prior permission in writing.

Methods of Redemption of Debentures

1. Redemption in Lumpsum after specified period

1) Creation of DRR

P&L A/c - Dr
To DRR A/c

2) Purchase of DRR Investment

DRR Investment A/c - Dr
To Bank A/c

3) Receipt of Interest on DRR Inv.

Bank A/c - Dr
To Interest on DRR Inv. A/c

4) Transfer of Interest on DRR Inv.

Interest on DRR Inv. A/c - Dr
To P&L A/c
(Assuming Non cumulative)

5) Making Payment Due to Debentureholders

a) PAR

—i. Debentures A/c - Dr
To Debentureholders A/c

b) PREMIUM

—i. Debentures A/c - Dr
Premium on Redemption A/c - Dr
To Debentureholders A/c

c) DISCOUNT

—i. Debentures A/c - Dr
To Debentureholders A/c
To Profit on Redemption A/c

6) Sale of DRR Investments

Bank A/c - Dr
To DRR Investments

(Any Profit/Loss to be trfd. to P&L A/c)

7) Payment

Debentureholders A/c - Dr
To Bank A/c

8) Transfer of DRR

DRR A/c - Dr
To General Reserve

9) Write off of Premium on Redemption*

P&L A/c - Dr
General Reserve A/c - Dr
To Premium on Redemption

* If not created at time of Issue

2. Redemption by Draw of lots

Entries in this method remains the same except that entries shall be passed on regular basis at the time of each redemption.

3. Redemption by Conversion

- 1) It means redeeming the debentures by converting them into shares.
- 2) A scheme for such redemption may be offered to debentureholders & those who do not accept the same may be given cash.

Entries:

1) Due: Same as earlier

2) Conversion

a) At Par

Debentureholders A/c - Dr
To Share capital A/c

b) At Premium

Debentureholders A/c - Dr
To Share capital A/c
To Securities Premium A/c