

VAISHALI EDUCATION POINT
(QUALITY EDUCATION PROVIDER)

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REDEMPTION OF DEBENTURE

Class :- XII

ACCOUNTS

General Instructions : ALL QUESTIONS ARE COMPULSORY

QNo.	Questions
1	Gati Ltd. has issued 30,000 8% Debentures of Rs. 100 each of which one-third is due for redemption on March 31st 2010. The company has in its Debenture Redemption Reserve Account a balance of Rs. 3,80,000. Record the necessary journal entries at the time of Redemption of Debentures.
2	X Ltd., had Rs. 8,00,000 9% debentures due to be redeemed out profits on 1st Oct. 2009 at a premium of 5% . The company had a Debenture Redemption Reserve of Rs. 4,14,000. Pass necessary journal entries at the time of redemption.
3	Chandra Tubes Ltd. issued 35,00,000, 7% debentures of Rs. 100 each on June 30, 2001 redeemable at a premium of 6% on July 1, 2005. The Board of Directors have decided to transfer out of profits Rs. 7,50,00,000 to Debenture Redemption Reserve on March 31, 2003, Rs. 5,00,00,000 on March 31, 2004 and Rs. 5,00,00,000 on March 31, 2005. Record necessary journal entries regarding issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid thereon.
4	Priya Ltd. issued 15 Lac, 8% debentures of Rs. 200 each on August 1, 2003 redeemable in four equal annual instalments starting with March 31, 2007. It was decided to transfer Rs. 4,00,00,000 to Debenture Redemption Reserve on March 31, 2005 and March 31, 2006 and balance required to be transferred to Debenture Redemption Reserve on March 31, 2007. Record necessary journal entries. Ignore entries for payment of interest.
5	Malwa Textiles Ltd. issued 20,00,000, 7% debentures of Rs. 500 each redeemable after 5 year by converting them into equity shares of Rs. 100 each. Record journal entries for issue and redemption of debentures.

6	<p>Journalise the following transactions:</p> <p>(i) A Ltd. redeemed 500, 12% Debentures of Rs. 200 each by converting them into equity shares of Rs. 100 each at par.</p> <p>(ii) B Ltd. redeemed 2,500, 13% Debentures of 100 each by converting them into equity shares of Rs. 10 each at a premium of 25%.</p> <p>(iii) C Ltd. redeemed 380, 10% Debentures of Rs. 1,000 each by converting them into 12% preference shares of Rs. 100 each at a discount of 5%.</p>
7	<p>Z Ltd. issued Rs. 20,00,000, 8% debentures on 1st April, 2011 at a premium of 5%. On 31st March, 2006, out of these Rs. 2,00,000, 8% debentures were redeemed by converting them into equity shares of Rs. 100 each issued at par and Rs. 5,00,000, 8% debentures into 10% preference shares of Rs. 100 each issued at a premium of 25%. Pass the necessary Journal entries in the books of Z Ltd. for the redemption of debentures.</p>
8	<p>R Ltd. redeemed 95,000, 12% Debentures of Rs. 100 each which were issued at a discount of 10% by converting them into equity shares of Rs. 100 each at a discount of 5%. Journalise, assuming that the debentures were converted at the option of debentureholders before the date of redemption.</p>
9	<p>AH Ltd. issued Rs. 20,00,000; 9% debentures of Rs. 100 each at a discount of 10% redeemable after five years by converting them into equity shares of Rs. 10 each. Pass necessary journal entries for the issue and redemption of debentures.</p>
10	<p>Pass necessary Journal entries in the books of the company in the following cases for redemption of 2,000 12% Debentures of Rs. 10 each issued at par:</p> <p>(a) Debentures redeemed at par by conversion into 10% preference shares of Rs. 50 each.</p> <p>(b) Debentures redeemed at a premium of 5% by conversion into equity shares issued at par.</p> <p>(c) Debentures redeemed at a premium of 5% by conversion into equity shares issued at a premium of 20%.</p>
11	<p>On 30th June, 2010 a limited company gave notice of its intention to redeem its outstanding Rs. 20,00,000, 10% debentures on 31st December, 2010 at 102% and offered the holders the following options:</p>

	<p>(a) To apply the redemption money to subscribe for:</p> <p>(i) 12% cumulative preference shares of Rs. 100 each at Rs. 112.50 per share (accepted by the holders of 8,55,000 debentures).</p> <p>(ii) 15% debentures at 96% (accepted by the holders of Rs. 7,20,000 debentures).</p> <p>(b) To have their holding redeemed for cash if neither of the options under (a) was accepted.</p> <p>Show the journal entries necessary to record the redemption allotments under options (a) (i) and (a) (ii) and state the amount of cash required to satisfy option (b).</p>
12	<p>On 1st January, 2007 Mohan Agro Ltd. issued 5,000, 14% Debentures of Rs. 100 each. One of the condition of issue was that the debentures could be redeemed by giving six month's notice at any time after three years at a premium of 4%, either by payment in cash or by allotment of Equity Shares or other debentures according to the option of the debentureholders.</p> <p>On 1st January, 2010 the Company informed the debenture holders to redeem the debentures on 1st July, 2010 either by payment in Cash or by allotment of Equity Shares of Rs. 10 each at Rs. 13 per share or 15% 2nd Debentures of Rs. 100 each at Rs. 96 per debenture.</p> <p>Holders of 600 debentures agreed to take immediate cash payment; holders of 2,000 debentures accepted the offer of equity shares and the rest accepted the offer of 15% 2nd Debentures.</p> <p>Give Journal Entries to record the redemption of debentures.</p>
13	<p>Pass necessary journal entries in the books of Varun Ltd. for the following transactions:</p> <p>(i) Issued 58,000, 9% debentures of Rs. 1,000 each at a premium of 10%.</p> <p>(ii) Converted 350, 9% debentures of Rs. 100 each into equity shares of Rs. 10 each issued at a premium of 25%.</p> <p>(iii) Redeemed 450, 9% debentures of Rs. 100 each by draw of lots.</p>
14	<p>On 31-3-2003 G Ltd. had Rs. 8,00,000 9% debentures due for redemption. The company had a balance of Rs. 3,40,000 in its Debenture Redemption Reserve Account. Pass necessary journal entries for redemption of debentures.</p>
15	<p>Anupama Ltd. had issued 10,000, 9% Debentures of Rs. 100 each which is due for redemption on 31st March 2008. The company has in its Debenture Redemption Reserve Account a balance of Rs. 4,00,000. Record the necessary journal entries at the time of Redemption of</p>

	<p>Debentures.</p>
16	<p>Green Forest Ltd. issued Rs. 6,00,00,000, 7% Debentures divided into debentures of Rs. 100 each on April 1, 2001, redeemable in four equal annual instalments starting from April 1, 2004. The Board of Directors have decided to create Debenture Redemption Reserve of Rs. 80,00,000 on March 31, 2002; Rs. 80,00,000 on March 31, 2003 and the balance on March 31, 2004. Record necessary journal entries at the time of issue and at the time of redemption of debentures and creation of Debenture Redemption Reserve.</p>
17	<p>On 1-1-2005, Y Ltd. issued 500, 13% Debentures of Rs. 100 each at par redeemable at par and offered the holders option to convert their holdings into equity shares of Rs. 10 each at 20% premium after 31-12-2009. On 1-1-2010, 60% holders exercised their option. Give journal entries on 1-1-2010.</p>
18	<p>On January 1, 2004, Rhythm Limited issued 1,000, 10% debentures of Rs. 500 each at par. Debentures are redeemable after 7 years. However, the company gave an option to debentureholders to get their debentures converted into equity shares of Rs. 100 each at a premium of Rs. 25 per share anytime after the expiry of one year.</p> <p>Shivansh, holder of 200 debentures, informed on Jan. 1, 2006 that he wanted to exercise the option of conversion of debentures into equity shares.</p> <p>The company accepted his request and converted debentures into equity shares.</p> <p>Pass necessary journal entries to record the issue of debentures on Jan. 1, 2004 and conversion of debentures on Jan. 1, 2006.</p>
19	<p>On 1-1-2005, A Ltd. issued Rs. 1,00,000, 12% Debentures of Rs. 100 each at par redeemable at 5% premium and offered the holders option to convert their holdings into equity shares of Rs. 10 each at par after 31-12-2009. On 1-1-2010, 50% holders exercised their option. Give journal entries on 1-1-2010.</p>
20	<p>On 1-1-2005, C Ltd. issued Rs. 4,00,000 13% Debentures of Rs. 100 each at par redeemable at 102% and offered the holders option to convert their holding into 15% Debentures at 96% after 31-12-2009. On 1-1-2010, the holders of Rs. 1,72,800 Debentures exercised their option. Give journal entries on 1-1-2010.</p>

21	<p>On 1.4.2005, Raja Ltd. issued 1,000, 9% debentures of Rs. 100 each. 4% of these debentures were redeemable at the end of 3rd year by converting them into Equity Shares of Rs. 100 each at par. The remaining debentures were redeemable at the end of 4th year by converting the same into Equity Shares of Rs. 100 each issued at a premium of 25%.</p> <p>Pass necessary journal entries in the books of the company for the Issue and Redemption of Debentures.</p>
22	<p>X Ltd. redeemed 100, 6% Debentures of Rs. 100 each by converting them into Equity Shares of Rs. 100 each. The 6% Debentures were redeemable at 10% premium for which the Equity shares were issued at 25% premium. Pass the necessary Journal entries for the redemption of above mentioned debentures in the books of X Ltd.</p>
23	<p>On 1-1-1994, D Ltd. Issued 800, 13% Debentures of Rs. 100 each at Rs. 95 and offered the holders to convert their holding into equity shares of Rs. 100 each at par after 31-12-1997. On 1-1-1998, 6% holders exercised their option. Give journal entries on 1-1-1998, assuming that the debentures were converted before the date of redemption.</p>
24	<p>Journalise the following transaction in the books of Sun Ltd.: 100, 12% Debentures of Rs. 100 each issued at a discount of 10% were converted into 10% preference shares of Rs. 100 each issued at a premium of 25%. The debentures were converted at the option of the debenture holders before the date of redemption.</p>
25	<p>On 1-4-1998 X Ltd. issue 1,00,000 8% debentures of Rs. 100 each at a discount of 5% redeemable after 5 years by converting them into equity shares of Rs. 100 each issued at a premium of 25%.</p> <p>Pass necessary journal entries for the issue and redemption of debentures.</p>