The following were the balances of Surendra Limited as on 1st April, 2016 :

	₹
12% Debentures	50,000
Cumulative Debentures Sinking Fund	38,000
Debenture Sinking Fund Investments	36,000

represented by :

(a) 10% Government Securities, nominal value ₹ 20,000, purchased for ₹ 15,000, and

(b) 12% Debentures of Tisco, nominal value ₹ 20,000 purchased for ₹ 21,000.

A sum of ₹ 8,000 is transferred every year to Debenture Sinking Fund Account according to the policy decision of the management. Interest due on Debenture Sinking Fund Investments for the accounting year 2016-17 was received on 31st March, 2017.

Debentures were due for redemption at the end of the year and as such Debenture Sinking Fund Investment were sold : Government Securities at a discount of 10 per cent and TISCO Debentures at a premium of 2%.

Show necessary accounts relating to above transactions in the books of the company.

What Journal entries will be passed in each of the following cases for issue and redemption of debentures after complying with the requirements of the Companies Act, 2013 with respect of Debenture Redemption Resereve and Investment?

(i) 100 12% Debenture of ₹ 100 each issued at ₹ 98 and repayable at par

(ii) 100 12% Debenture of ₹ 100 each issued at par and repayable at ₹ 102

(iii) 100 12% Debenture of ₹ 100 each issued at ₹ 98 and repayable at ₹ 102

(iv) 100 12% Debenture of ₹ 100 each issued at ₹ 102 and repayable at par

(v) 100 12% Debenture of ₹ 100 each issued at ₹ 100 and repayable at ₹ 98.

Illustration 2 : X, Y and Z has signed an underwriting agreement for 50,000 Shares of Mohan Ltd. as under :

X for 30,000 Shares, Y for 12,500 Shares and Z for 7,500 Shares. In addition to it there was an agreement for firm underwriting where company has agreed to issue 4,000 shares to X, 1,500 shares to Y and 5,000 shares to Z. The share applications of underwriters were unmarked.

Against 50,000 Shares issued by company, received applications for 35,500 Shares including shares of firm underwriting out of which shares of X 5,000 Shares, Y 10,000 Shares and Z 2,500 Shares were marked.

Determine liability of underwriters if :

(1) Shares of firm underwriting are not included in marked shares.

(2) Shares of firm underwriting are included in marked shares.

Illustration 5 : The Underwriters Pvt. Ltd. agreed to underwrite the new issue of 50,000 Equitiy Shares of ₹ 100 each of Lucky Ltd. The agreed commission was 2% payable as to 40% in cash and the rest in fully paid up shares. The public subscribed for 30,000 shares and the rest had to be taken up by the Underwriters Pvt. Ltd. These shares were subsequently quoted in the market at 10% discount.

Pass the necessary journal entries in the books of Lucky Ltd. and the Underwriters Pvt. Ltd. Also open the necessary accounts in the books of underwriters.

Illustration 3 : A company was formed with an authorised capital of ₹ 10,00,000 divided into 50,000 Equity Shares of ₹ 10 each and 50,000 Preference Shares of ₹ 10 each to acquire the going concern of Messrs Fine Traders, whose Balance Sheet stood as follows:

Balance Sheet of Messrs Fine Traders

Liabilities	Amount	Assets		Amount
	₹			₹
Bills Payable	7,000	Cash at Bank	₹	9,000
Sundry Creditors	12,800	Book Debts	16,000	
Capital	2,64,200	*Less* Provision for Bad Debts	1,000	15,000
		Insurance Policy		8,000
		Stock in Trade		62,000
		Plant & Machinery		1,00,000
		Freehold Premises		90,000
	2,84,000			2,84,000

The purchase price was agreed upon at ₹ 3,50,000 to be paid as ₹ 1,00,000 in fully paid Equity Shares, ₹ 1,00,000 in fully paid 8% Preference Shares, ₹ 60,000 in 10% redeemable debentures and the balance in cash. The company does not take over the insurance policy, values the stock and the plant and machinery at 10% less than the book value and the freehold premises at 20% more than book value. The liabilities will be discharged by the company.

The balance of both kinds of shares was issued to and paid up by public with the exception of 1,200 Equity Shares held by Ram on which he had not paid the allotment money of ₹ 3 per share and which were subsequently forfeited and reissued at a discount of 20%.

Give journal entries to record the above transactions and prepare the balance sheet of the company. Application money @ ₹ 7 per share was payable on both kinds of shares.

Illustration 7 : Swati Pvt. Ltd. was incorporated on 1.7.2016. It took over the proprietary business of Swati Enterprises with effect from 1.4.2016. The balance sheet of Swati Enterprises as at 31.3.2016 was as follows :

Balance Sheet

as at 31st March, 2016

Liabilities		₹	Assets	₹
	₹		Buildings	3,00,000
Capital	10,00,000		Machinery	7,50,000
Add : Profit	78,750	10,78,750	Debtors	64,250
Mrs. X's Loan		21,250	Cash	34,500
Trade Creditors		42,500		
Outstanding Expenses		6,250		
		11,48,750		11,48,750

It was agreed to pay ₹ 11,25,000 payable in equity shares of ₹ 100 each at ₹ 125 to the Swati Enterprises. The company decided to close its first year's accounts on 31st March, 2017. The following are the further details for the year finished to you :

Sales ₹ 7,50,000, Purchases ₹ 3,50,000; Salaries ₹ 1,00,000; General Expenses 80,000; Interest ₹ 20,000; Carriage inward ₹ 11,750; Closing Stock ₹ 61,750; Depreciation on all assets @ 10% p.a. A new machine was acquired for ₹ 1,00,000 on 1.7.2016.

You are required :

(i) to pass journal entries to take over of business; and

(ii) to prepare Statement of Profit & Loss.

Illustration 10 : Calculate the managerial remuneration from the following particulars of Prateek Limited payable to the managing director of the company at the rate of 5% of the profits. Also determine the excess remumeration paid if any :

		₹
Net Profit		2,00,000
Net Profit is calculated after considering the following :		
(i)	Depreciation	40,000
(ii)	Preliminary Expenses	10,000
(iii)	Provision for Taxation	3,10,000
(iv)	Director's Remuneration (by way of Setting Fees)	8,000
(v)	Bonus	15,000
(vi)	Profit on Sale of Fixed Assets (Original Cost ₹ 20,000; Written Down Value ₹ 11,000)	15,500
(vii)	Provision for Doubtful Debts	9,000
(viii)	Scientific Research Expenditure (for setting up new laboratory)	20,000
(ix)	Managing Director's Remuneration paid	30,000

Other informations :

(a)	Depreciation allowable under Schedule II of the Companies Act, 2013	35,000
(b)	Bonus liability as per Payment of Bonus Act, 1965	18,000
(c)	Provision for doubtful debts is not required looking to the past record of debtors.	

Illustration 4 : X Ltd. has declared 10% dividend on equity share capital of ₹ 20,00,000 (divided into shares of ₹ 100 each) on 18 May, 2017 for the year ending 31st March, 2017. The company opened a separate bank account in State Bank of India on 20th May, 2017 to pay the dividend and dispatched dividend warrants on the same day. A shareholder, holding 500 equity shares did not claim the payment of his final dividend upto 18 June, 2017. His unclaimed dividend amount was transferred to 'unclaimed dividend account'. Amount of unclaimed dividend deposited in 'unpaid dividend bank account' on 25 June, 2017.

What journal entries will be passed in the books of the company for the despatch of dividend warrants and transferring the unclaimed amount to Unclaimed Dividend Account ? What further journal entry will be passed in the books of the company when the unclaimed amount is deposited by the company in the Investor Education and Protection Fund of the Central Government. Assume tax rate on dividend @ 20.35765%.

Illustration 8 : Ramesh runs a general store. His landlord is interested in acquiring the business. For this purpose goodwill agreed to be valued at three years' purchase of the weighted average profit of the past four years. The appropriate rights to be used and profits for these years were :

Year	Weight	Profits
		₹
2013-14	1	10,100
2014-15	2	10,400
2015-16	3	12,000
2016-17	4	15,000

On a scrutiny of the accounts the following matters are revealed :

(a) On 1st December, 2014 a major repair was made in respect of the plant incurring ₹ 3,000 which amount was charged to revenue. The said amount is agreed to be capitalised in the goodwill calculation subject to adjustment of depreciation @ 10% p.a. on reducing balance method.

(b) The closing stock for 2014-15 was over-valued by ₹ 1,200.

(c) To cover management cost an annual charge of ₹ 2,400 should be made for the purpose of goodwill valuation.

Compute the value of goodwill of the business of Ramesh.

Illustration 12 : From the following particulars, calculate the value of goodwill by the annuity method based at three years' purchase of super profit—

(a) Net Assets ₹ 15,00,000.

(b) 10% Govt. Securities ₹ 2,00,000.

(c) Net profit of past 3 years ₹ 2,30,000 in 2015; ₹ 1,80,000 in 2016 and ₹ 2,80,000 in 2017.

(d) Profit for 2016 arrived after debiting ₹ 30,000 as loss on sale of asset.

(e) Fair remuneration of owner ₹ 20,000 per annum.

(f) Normal rate of return in similiar type of business 12 per cent.

17. The following is the balance sheet of Tamboli & Bros., Udaipur as at 31-3-2017 :

Liabilities	₹	Assets	₹
Capital	1,64,000	Land and Buildings	36,000
General Reserve	40,000	Plant	54,000
Creditors	38,040	Investment	30,000
		Stock	26,850
		Bank	75,990
		Debtors	19,200
	2,42,040		2,42,040

The following net profits were earned which includes fixed income from investments ₹ 1,800 per annum :

	₹
31.3.2015	32,280
31.3.2016	36,870
31.3.2017	43,350

In this business rate of return on closing capital employed is 10%. Goodwill will be calculated on two years' purchase of super profit considering that earned profit is withdrawn immediately every year.

Illustration 4 : Balances of Rohit Limited as at 31 March, 2017 are as follows :

Particulars	₹
10,000 Equity Shares of ₹ 10 each, fully paid up	1,00,000
5,000 Equity Shares of ₹ 10 each, ₹ 5 paid up	25,000
4,000 Equity Shares of ₹ 10 each, ₹ 4 paid up	16,000
Securities Premium	10,000
Sundry Creditors	40,000
	1,91,000
Fixed Assets	1,20,000
Stock	30,000
Debtors	21,000
Cash at Bank	20,000
	1,91,000

On 31st March, 2017 realisable value of company's fixed assets is ₹ 1,80,000 and the value of goodwill of the company is ₹ 80,000. Compute intrinsic value of equity shares.

Illustration 22 : The following particulars are available of Advani Export Ltd. :

(a) Capital : 45,000 6% Preference Shares of ₹ 10 each, fully paid up;
45,000 Equity Shares of ₹ 10 each, fully paid up.

(b) External Liabilities ₹ 75,000.

(c) Reserve and Surplus ₹ 35,000.

(d) Average profit after taxation, earned every year by the company ₹ 85,050.

(e) The Normal Profit earned on the market value of equity shares, fully paid, on the same type of company is 9%.

(f) Company transfers every year ₹ 10,000 to reserve.

Calculate fair value of share assuming that out of the total assets, assets worth ₹ 3,500 are fictitious or Other Non-Current Assets.

Illustration 23 : The following are the balances of M Ltd. as at 31st March, 2017 :

Particulars	₹
I. EQUITY AND LIABILITIES :	
Equity Shares of ₹ 10 each	8,50,000
Current Liabilities	2,00,000
	10,50,000
II. ASSETS :	
Sundry Assets	10,50,000
	10,50,000

Average net profit of the business is ₹ 3,00,000; expected normal return is 20% in case of such equity shares. It is observed that the sundry assets on revaluation are worth ₹ 1,00,000 more than the book-value. Goodwill is to be valued at 3 years' purchase of super profit. Determine the fair value of equity share on the basis of Actual Rate of Return Method. Ignore additional depreciation on revalued value of fixed assets at the time of calculation of future maintainable profits.

Illustration 12 : From the following information calculate the amount of claim under loss of profit policy :

(i) Indemnity Period : 5 months *i.e.* from 1.5.2017 to 30.9.2017

(ii) Insurance Policy : ₹ 1,50,000

(iii) Turnover, Net Profit, Standing charges in the last financial accounting year (ended on 31.3.2017) amounted to ₹ 8,00,000, ₹ 48,000 and ₹ 1,00,000 respectively.

(iv) Insured standing charges ₹ 80,000.

(v) Sales from 1st May, 2016 to 30th September, 2016 ₹ 2,80,000.

(vi) Sales from 1st May, 2017 to 30th September, 2017 ₹ 1,08,000.

(vii) Sales from 1st May, 2016 to 30th April, 2017 ₹ 9,60,000.

(viii) There were upward trend of business by 10% every year.

Illustration 14 : A fire occurred on 1st February, 2017 in the premises of Priya Ltd. and business was partially disorganised upto 30th June, 2017. From the books of accounts, the following information was extracted :

		₹
(i)	Actual turnover from 1st February, 2017 to 30th June, 2017 (Because of additional expenses)	1,50,000
(ii)	Turnover from 1st February, 2016 to 30th June, 2016	4,20,000
(iii)	Turnover from 1st February, 2016 to 31st January, 2017	9,00,000
(iv)	Net Profit for last financial year	1,40,000
(v)	Insured standing charges	1,12,000
(vi)	Total standing charges for last financial year	1,28,000
(vii)	Turnover for the last financial year	8,40,000

The Company incurred additional expenses amounting to ₹ 13,400 which reduced the loss in turnover. There was also a saving during the indemnity period of ₹ 4,900 in the insured standing charges. The company hold a "Loss of Profit Policy" for ₹ 2,48,400 for an indemnity period of 6 months.

There had been a considerable increase in trade since the date of the last annual accounts and it had been agreed that an adjustment of 15% be made in respect of the upward trend in turnover.

Compute the claim under the policy.

Illustration 10 : On 1st April, 2015 Kumar & Co. purchased a Machine on hire purchase whose cash price was ₹ 1,20,000. The hire-purchase price of the machine is ₹ 1,50,000; ₹ 30,000 was payable on down and balance amount was to be paid in three equal annual instalments. Books are closed on 31st March, every year. The company charges depreciation on Machine @ 10% p.a. on fixed instalment method. Calculate interest in each instalment and prepare Machine a/c and Vendor's A/c in the books of Purchaser for 3 years.

Illustration 13 : Rajesh purchased a machine on 1st April, 2014 from Kamal on hire purchases system ₹ 16,000 were paid cash down and they agreed to pay three equal annual instalments of ₹ 20,000 each. Each instalment is payable on 31st March at the end of each year. Cash price of the machine was ₹ 61,700 while Kamal purchased it for ₹ 49,700. Rate of interest is 15% per annum. Prepare the necessary accounts in the books of the Vendor. Provision for Unrealised profit is also to be made. Show the Balance Sheet as on 31st March, 2015.

Illustration 17 : X Company purchased from Y Company three trucks costing ₹ 60,000 each on the hire purchase system. Payment to be made as ₹ 36,000 down and the remainder in three equal instalments together with interest @ 6% p.a. X Company writes off depreciation @ 20% on the reducing balance. They paid the instalment due at the end of the first year but could not pay the next instalment. Y Co. agreed to leave one truck with the purchaser adjusting the value of the other two trucks against the amount due. The trucks were valued on the basis of 30% depreciation annually. Show necessary accounts in the books of both the parties for two years.

Illustration 7 : Amit Ltd. was registered with an authorised capital of ₹ 1 crore, divided into 60,000 equity shares of ₹ 100 each and 40,000 12% preference shares of ₹ 100 each. On 1st April, 2017 17,500 equity shares were offered for subscription at a premium of ₹ 20 per share, payable as follows :

On application	₹ 30 per share
On allotment (1st May)	₹ 40 per share (₹ 20 being premium)
On first call (two months after allotment)	₹ 25 per share
On second call (one month after first call)	₹ 25 per share

Applications were received for 16,000 equity shares. The directors allotted all the shares on 1st May. The money called was received from shareholders when due except the following : (i) Mr. Sanman a holder of 400 shares, failed to pay allotment, first call and second call money; (ii) Mr. Rahim a holder of 100 shares, failed to pay the second call money. Give necessary Journal and Cash Book entries in the books of the company and show how the Share Capital would appear in the Balance Sheet, as on 31st March, 2018.

Illustration 8 : Reshma Ltd. issued 1,00,000 14% Preference Shares of ₹ 10 each at a premium of 10% payable as : ₹ 3 on application; ₹ 3 on allotment (including premium); ₹ 2.50 on first call, ₹ 2.50 on second and final call. Applications were received for 1,25,000 Preference Shares. Allotment was made pro rata to all the applicants, and excess application money being applied towards the amount due on allotment. Arif to whom 1,000 shares were allotted, failed to pay the amount due on allotment and subsequent calls. Journalise the above transactions in the books of the company.

Illustration 17 : Give journal entries for forfeiture and re-issue of shares :

(i) P Limited forfeited 1,000 shares of ₹ 10 each, ₹ 7 called up, issued at a premium of 20% (to be paid-up at the time of allotment) for non-payment of a first call of ₹ 2 per share. Out of these 600 shares were re-issued at ₹ 7 paid up for ₹ 4 per share.

(ii) Q Limited forfeited 1,000 shares of ₹ 10 each ₹ 7 called up, issued at a premium of 20% (to be paid at the time of allotment) for non-payment of allotment money of ₹ 4 per share (including premium) and first call of ₹ 2 per share out of these 600 shares were re-issued as fully paid up for ₹ 8.50 per share.

(iii) R Limited forfeited 800 shares of ₹ 10 each issued at 30% premium for non-payment of allotment money of ₹ 5 per share (including premium) and first call of ₹ 2 per share. The second and final call of ₹ 2 has not been called. Out of these 200 shares were re-issued as fully paid up for ₹ 11 per share.

Illustration 21 : Ashoka Company Ltd. issued a prospectus inviting applications for 8,000 equity shares of ₹ 100 each at a premium of ₹ 20 per share; payable as ₹ 30 on application, ₹ 45 (including premium) on allotment, ₹ 25 on first call and the balance on second & final call.

Applications were received for 12,000 shares. Allotment was made pro rata to the applicants for 9,600 shares, the remaining applications being refused. Money over-paid on applications was employed on account of sums due on allotment.

Ramesh to whom 160 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Sohan, the holder of 240 shares, failed to pay the two calls and his shares were forfeited after the second call. Of the shares forfeited, 320 shares were sold to Amar credited as fully paid for ₹ 90 per share, the whole of Ramesh's shares being included. Show Journal and Cash Book entries in the books of Ashoka Company Ltd.

Illustration 22 : Goyal Ltd. issued a prospectus with the object of inviting applications for 10,000 equity shares of ₹ 10 each at a premium of 10% payable ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance on call. The issue was subscribed to the extent of 2½ times. Applications for shares below 20 (5,000 shares in total) were rejected. An applicant for 5,000 shares was given 1,000 shares. The remaining shares were allotted pro-rata. The excess amount to the extent of allotment dues was retained. Shareholders holding 300 shares failed to pay the allotment money and call money. Shareholders holding 150 shares failed to pay the call money. All 450 shares were forfeited. 150 equity shares out of the lot of 300 shares were reissued at a premium of 20%. Show the Journal entries including cash entries.

Das Limited issued a prospectus inviting applications for 3,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

on application ₹ 3 per share,

on allotment ₹ 5 per share (including premium),

on first call ₹ 2 per share, and

on second call ₹ 2 per share.

Applications were received for 4,50,000 shares and allotment made prorata to the applicants of 3,60,000 shares, the remaining applications being refused.

Money overpaid on application was employed on account of sum due on allotment :

Rahul to whom 6,000 shares were allotted failed to pay allotment money and on his subsequent failure to pay first call, his shares were forfeited. Azhar the holder of 9,000 shares failed to pay the two calls and so his shares were also forfeited.

All these shares were sold to Ajay, credited as fully paid up for ₹ 9 per share. Show the Journal and Cash Book entries in the books of the company. Prepare Balance Sheet also.

Majnu Ltd. issued 50,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share payable as to ₹ 3 on application, ₹ 4 (including premium) on allotment, ₹ 3 on first call and the balance on final call. Subscriptions were received for 55,000 shares and the directors made the allotment as follows :

Group I : 100% to the applicants of 47,500 shares.

Group II : 1/3 of the number of shares applied by them to the application of 7,500 shares. Excess amount received on application from them was retained towards allotment dues.

Three months after allotment, the first call was made. Excepting the following two, all the shareholders paid the entire amount called :

(i) One shareholder from Group I could not pay anything apart from application money paid by him on 1,000 shares.

(ii) One shareholder from Group II did not pay first call made on 500 shares allotted to him.

The directors, after giving due notices to both the above shareholders, forfeited their shares and later all of them were reissued as fully paid up to first call in lieu of a consideration of ₹ 14,000. Pass necessary entries in the journal of the company and show the related items in Balance Sheet.

Illustration 5 : Borex Ltd. had 20,000 12% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up, the company decided to redeem these shares at a premium of 20 per cent on 31st March 2017. The company had a positive balance of ₹ 1,40,000 in Statement of Profit & Loss, ₹ 50,000 in General Reserve and ₹ 20,000 in Securities Premium Account. For redemption 5,000 Equity Shares of ₹ 10 each were issued at 10% premium. The issue was fully subscribed and all money was duly received. Give necessary Journal entries to record the above transactions.

Illustration 7 : The summarised Balance Sheet of A Limited as at 31st March, 2017 was as follows :

Particulars		Amount
		₹
I. EQUITY AND LIABILITIES :		
(1) **Shareholders' Fund :**		
(a) Share Capital :		
Issued & Subscribed Capital :	₹	
50,000 Equity Shares of ₹ 100 each fully paid up		50,00,000
10,000 10% Redeemable Preference Shares of ₹ 100 each	10,00,000	
Less : Calls-in-Arrear @ 20 per share	10,000	9,90,000
(b) Reserves and Surplus :		
Securities Premium		2,00,000
General Reserve		7,00,000
Surplus		6,00,000
(2) **Current Liabilities :**		
Trade Payables		10,10,000
	Total	85,00,000
II. ASSETS :		
(1) **Non-Current Assets :** Fixed Assets		45,00,000
(2) **Current Assets**		
(a) Trade Receivables		31,00,000
(b) Cash and Cash Equivalents : Cash at Bank		9,00,000
	Total	85,00,000

The redeemable preference shares were redeemed on the following basis :

(i) 4,500 equity shares of ₹ 100 each were issued at a premium of 10%.

(ii) Expenses of fresh issue of shares amounted to ₹ 25,000.

(iii) Out of the 500 preference shares, holders of 400 shares paid the unpaid call money before the date of redemption. Before redemption the balance 100 shares were forfeited for non-payment of call and reissued as fully paid on receipt of ₹ 5,000.

(iv) Preference Shares were redeemed at a premium of 10% and securities premium account was utilised full for this purpose.

Show journal entries and prepare the Balance Sheet after redemption.

Illustration 8 : Goyal Ltd. had issued 5,000 Redeemable Preference Shares of ₹ 100 each fully called, due for redemption at a premium of 10%. The following balances appeared in the books of the Co. :

	₹
Redeemable Preference Share Capital	5,00,000
Calls in Arrear (Redeemable Preference Shares)	10,000
General Reserve	3,00,000
Securities Premium	40,000
Foreign Project Reserve	2,00,000

It is ascertained that :

Calls-in-arrear are on account of final call on 500 shares held by four members whose where-abouts are not known. ₹ 50,000 of the Foreign Project Reserve is free for distribution as dividends. Balance of General Reserve and Securities Premium is to be utilised for the purpose of redemption and the shortfall is to be made good by issue of Equity Shares of ₹ 10 each at par. The redemption of preference shares was duly carried out. You are required to give the journal entries and show how these items will appear in Company's Balance Sheet after redemption.

Illustration 7 : On 1st April, 2012 Seema Ltd. issued 12% Debentures of ₹ 1,00,000 with a condition that these should be redeemed after 5 years. The amounts are invested at the end of each year in 4% Government Securities available in any amount at par. On 31st March, 2017 the investments realised ₹ 78,001 and debentures were paid off. Sinking Fund Table shows that 0.184627 at 4% compound interest in five years will be ₹ 1. Give Journal entries and necessary Ledger accounts for recording the above transactions.

Illustration 9 : The following balances appeared in the books of Raj. Ltd. on 1st April 2016 :

12% Debentures ₹ 4,00,000; Debenture Redemption Fund Account ₹ 3,00,000

Debenture Redemption Fund Investment a/c ₹ 3,00,000 represented by ₹ 3,60,000 10% secured bonds of Govt. of India. Annual contribution to Redemption Fund ₹ 64,000 made on 31st March every year. Balance at Bank (on 31.3.2017) after crediting interest on investments ₹ 2,00,000.

The company sold all investments at 80% and debentures were paid off on 31st March, 2017. Prepare necessary accounts for the year 2016-17 regarding redemption of debentures.

Illustration 17 : Savita Limited had 2,000 6% debentures of ₹ 100 each outstanding on 31st March, 2017. The Company decided to transfer the required amount to Debenture Redemption Reserve on 31st March, 2017 and also invested the required amount in Govt. Securities on 30th April, 2017 as per law. As per the terms of issue the company purchased the following debentures from the open market for immediate cancellation :

1st June, 2017 : 400 Debentures @ ₹ 98 cum-interest

1st Jan., 2018 : 800 Debentures @ ₹ 100.25 cum-interest

1st Mar., 2018 : 200 Debentures @ ₹ 98.50 ex-interest

The debenture interest was payable half yearly on 30th Sept. and 31st March every year. Pass necessary journal entries assuming that redemption by cancellation of own debentures was made out of profits. The company closes its annual books of accounts on 31st March each year.

Illustration 20 : (i) Ram Associates Ltd. has issued, 10,000 12% Debentures of ₹ 100 each on 1.4.2014. These Debentures are redeemable after 3 years. Interest is payable annually.

(ii) On January 1, 2016, it buys 1,500 debentures from the market at ₹ 98 per debenture. These are sold away on Sept. 30, 2016 at ₹ 105 per debenture.

(iii) On April 1, 2016, it buys 1,000 debentures at ₹ 104 per debenture from the open market. These are cancelled on July 1, 2016.

(iv) On January 1, 2017, it buys 2,000 debentures at ₹ 106 per debenture from the open market. These debentures along with other debentures are redeemed on 31st March, 2017 at a premium of ₹ 5 per debenture.

Give journal entries of the above transactions after complying with the provisions of Section 71(4) of the Companies Act, 2013 and SEBI guidelines. Assuming that all the transactions are ex-interest.