AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4^{th} Year.

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Solution:-

Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

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Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

Journal entries

	Date	Particulars	Dr	Cr
1st year beginning	1-Jan-2000	Bank a/c Dr	20,00,000	
		To Debenture Application a/c		20,00,000
		(Being Application money Received)		
	1-Jan-2000	Debenture Application a/c Dr	20,00,000	
		To 10% Debenture A/c		20,00,000
		(Being Application money transferred to 10% Debentures a/c upon allotment)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000			Dec 31, 2000

Journal entries	Date	Particulars	Dr	Cr
1st year beginning	1-Jan-2000	Bank a/c Dr	20,00,000	
		To Debenture Application a/c		20,00,000
		(Being Application money Received)		
	1-Jan-2000	Debenture Application a/c Dr	20,00,000	
		To 10% Debenture A/c		20,00,000
		(Being Application money transferred to 10% Debentures a/c upon allotment)		
End of 1st year =>	Dec 31, 2000	Profit and Loss Appropriation A/c Dr	4,71,000	
		To Debenture Redemption Reserve a/c		4,71,000
		(Profits transferred to Debenture Redemption Reserve)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

On December 31,2003, the investments realised Rs.15,00,000. The debenture were paid off as per the terms of issue of Debentures. Give Journal entries to record transactions relating to issue and investment of reserve and redemption of debenture.

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Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000		Dec 31, 2000

Journal entries	Date	Particulars	Dr	Cr
1st year beginning	1-Jan-2000	Bank a/c Dr	20,00,000	
		To Debenture Application a/c		20,00,000
		(Being Application money Received)		
	1-Jan-2000	Debenture Application a/c Dr	20,00,000	
		To 10% Debenture A/c		20,00,000
		(Being Application money transferred to 10% Debentures a/c upon allotment)		
End of 1st year =>	Dec 31, 2000	Profit and Loss Appropriation A/c Dr	4,71,000	
		To Debenture Redemption Reserve a/c		4,71,000
		(Profits transferred to Debenture Redemption Reserve)		
	Dec 31, 2000	Debenture Redemption Sinking Fund Investments A/c Dr	4,71,000	
		To Bank A/c		4,71,000
		(Being Investments Purchased)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

On December 31,2003, the investments realised Rs.15,00,000. The debenture were paid off as per the terms of issue of Debentures. Give Journal entries to record transactions relating to issue and investment of reserve and redemption of debenture.

Solution:-

Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	Interest on 4,71,000 X 4% = 18,840
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year			18,840	Dec 31, 2001

Journal entries

	Date	Particulars	Dr	Cr
End of 2nd year	Dec 31, 2001	Bank a/c Dr	18,840	
		To Interest on Sinking Fund Investment a/c		18,840
		(interest received on investment)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

On December 31,2003, the investments realised Rs.15,00,000. The debenture were paid off as per the terms of issue of Debentures. Give Journal entries to record transactions relating to issue and investment of reserve and redemption of debenture.

Solution:-

Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	Interest on 4,71,000 X 4% = 18,840
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year	18,840 +		18,840	Dec 31, 2001

Journal entries

	Date	Particulars	Dr	Cr
End of 2nd year	Dec 31, 2001	Bank a/c Dr	18,840	
		To Interest on Sinking Fund Investment a/c		18,840
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	18,840	
		To Debenture Redemption Reserve a/c		18,840
		(Interest transferred to Deb. Redemption Reserve)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	Interest on 4,71,000 X 4% = 18,840
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year	18,840 + 4,71,000		18,840	Dec 31, 2001

Journal entries	Date	Particulars	Dr	Cr
End of 2nd year	Dec 31, 2001	Bank a/c Dr	18,840	
		To Interest on Sinking Fund Investment a/c		18,840
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	18,840	
		To Debenture Redemption Reserve a/c		18,840
		(Interest transferred to Deb. Redemption Reserve)		
	' '	Profit and Loss Appropriation A/c Dr	4,71,000	
		To Debenture Redemption Reserve a/c		4,71,000
		(Profits transferred to Debenture Redemption Reserve)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4^{th} Year.

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	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	Interest on 4,71,000 X 4% = 18,840
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1^{st} year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2^{nd} year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001

Journal entries	Date	Particulars	Dr	Cr
End of 2^{nd} year	Dec 31, 2001	Bank a/c Dr	18,840	
		To Interest on Sinking Fund Investment a/c		18,840
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	18,840	
		To Debenture Redemption Reserve a/c		18,840
		(Interest transferred to Deb. Redemption Reserve)		
	' '	Profit and Loss Appropriation A/c Dr	4,71,000	
		To Debenture Redemption Reserve a/c		4,71,000
		(Profits transferred to Debenture Redemption Reserve)		
	' '	Debenture Redemption Sinking Fund Investments A/c Dr	4,89,840	
		To Bank A/c		4,89,840
		(Being Investments Purchased)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001 Interest on 4,71,000 X 4% = 18,840
End of 3rd year			38,433.60	Dec 31, 2002 Interest on 9,60,840 X 4% = 38,433.60

Journal entries

	Date	Particulars	Dr	Cr
End of 3rd year	Dec 31, 2001	Bank a/c Dr	38,433.60	
		To Interest on Sinking Fund Investment a/c		38,433.60
		(interest received on investment)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4^{th} Year.

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Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account		
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve		
End of 1^{st} year	4,71,000	4,71,000	--	Dec 31, 2000	
End of 2^{nd} year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001	Interest on 4,71,000 X 4% = 18,840
End of 3^{rd} year	38,433.60 +		38,433.60	Dec 31, 2002	Interest on 9,60,840 X 4% = 38,433.60

<u>**Journal entries**</u>

	Date	Particulars	Dr	Cr
End of 3^{rd} year	Dec 31, 2001	Bank a/c Dr To Interest on Sinking Fund Investment a/c (interest received on investment)	38,433.60	38,433.60
	' '	Interest on Sinking Fund Investment a/c To Debenture Redemption Reserve a/c (Interest transferred to Deb. Redemption Reserve)	38,433.60	38,433.60

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4^{th} Year.

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	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1^{st} year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2^{nd} year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001 Interest on 4,71,000 X 4% = 18,840
End of 3^{rd} year	38,433.60 + 4,71,000		38,433.60	Dec 31, 2002 Interest on 9,60,840 X 4% = 38,433.60

Journal entries

	Date	Particulars	Dr	Cr
End of 3^{rd} year	Dec 31, 2001	Bank a/c Dr To Interest on Sinking Fund Investment a/c (interest received on investment)	38,433.60	 38,433.60
	' '	Interest on Sinking Fund Investment a/c To Debenture Redemption Reserve a/c (Interest transferred to Deb. Redemption Reserve)	38,433.60	 38,433.60
	' '	Profit and Loss Appropriation A/c Dr To Debenture Redemption Reserve a/c (Profits transferred to Debenture Redemption Reserve)	4,71,000	 4,71,000

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve		
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000	
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001	Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002	Interest on 9,60,840 X 4% = 38,433.60

Journal entries

	Date	Particulars	Dr	Cr
End of 3rd year	Dec 31, 2001	Bank a/c Dr	38,433.60	
		To Interest on Sinking Fund Investment a/c		38,433.60
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	38,433.60	
		To Debenture Redemption Reserve a/c		38,433.60
		(Interest transferred to Deb. Redemption Reserve)		
	' '	Profit and Loss Appropriation A/c Dr	4,71,000	
		To Debenture Redemption Reserve a/c		4,71,000
		(Profits transferred to Debenture Redemption Reserve)		
	' '	Debenture Redemption Sinking Fund Investments A/c Dr	5,09,433.60	
		To Bank A/c		5,09,433.60
		(Being Investments Purchased)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001 Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002 Interest on 9,60,840 X 4% = 38,433.60
End of 4th year	58,810.94 +		58,810.94	Dec 31, 2003 Interest on 14,70,273.60 X 4% = 58,810.94

Journal entries

	Date	Particulars	Dr	Cr
End of 4th year	Dec 31, 2003	Bank a/c Dr	58,810.94	
		To Interest on Sinking Fund Investment a/c		58,810.94
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	58,810.94	
		To Debenture Redemption Reserve a/c		58,810.94
		(Interest transferred to Deb. Redemption Reserve)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001 Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002 Interest on 9,60,840 X 4% = 38,433.60
End of 4th year	58,810.94 +		58,810.94	Dec 31, 2003 Interest on 14,70,273.60 X 4% = 58,810.94

<u>Journal entries</u>

	Date	Particulars	Dr	Cr
End of 4th year	Dec 31, 2003	Bank a/c Dr	58,810.94	
		To Interest on Sinking Fund Investment a/c		58,810.94
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	58,810.94	
		To Debenture Redemption Reserve a/c		58,810.94
		(Interest transferred to Deb. Redemption Reserve)		

Appropriation out of profits = Amt to be repaid – (Total of SK investments + last interest received)

= 20,00,000 – (14,70,273.60 + 58,810.94)

= **4,70,915.46**

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

On December 31,2003, the investments realised Rs.15,00,000. The debenture were paid off as per the terms of issue of Debentures. Give Journal entries to record transactions relating to issue and investment of reserve and redemption of debenture.

Solution:-

Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account		
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve		
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000	
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001	Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002	Interest on 9,60,840 X 4% = 38,433.60
End of 4th year	58,810.94 + 4,70,915.46		58,810.94	Dec 31, 2003	Interest on 14,70,273.60 X 4% = 58,810.94

Journal entries

	Date	Particulars	Dr	Cr
End of 4th year	Dec 31, 2003	Bank a/c Dr	58,810.94	
		To Interest on Sinking Fund Investment a/c		58,810.94
		(interest received on investment)		
	' '	Interest on Sinking Fund Investment a/c	58,810.94	
		To Debenture Redemption Reserve a/c		58,810.94
		(Interest transferred to Deb. Redemption Reserve)		

Appropriation out of profits = Amt to be repaid – (Total of SK investments + last interest received)

= 20,00,000 – (14,70,273.60 + 58,810.94)

= **4,70,915.46**

	Dr	Cr
Profit and Loss Appropriation A/c Dr	4,70,915.46	
To Debenture Redemption Reserve a/c		4,70,915.46
(Profits transferred to Debenture Redemption Reserve)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

On December 31,2003, the investments realised Rs.15,00,000. The debenture were paid off as per the terms of issue of Debentures. Give Journal entries to record transactions relating to issue and investment of reserve and redemption of debenture.

Solution:-

Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

Amt to be invested in 4% investments to repay after 4 years = 20,00,000 X 0.2355 = Rs.4,71,000

	Debenture Redumption	Debenture Redemption	**Interest** on Sinking Fund	
	Reserve Account	**Sinking Fund** Inv. A/c	Investment Account	
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve	
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001 Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002 Interest on 9,60,840 X 4% = 38,433.60
End of 4th year	58,810.94 + 4,70,915.46	14,70,273.60	58,810.94	Dec 31, 2003 Interest on 14,70,273.60 X 4% = 58,810.94
	20,00,000			

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	Debenture Redumption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account		
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve		
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000	
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001	Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002	Interest on 9,60,840 X 4% = 38,433.60
End of 4th year	58,810.94 + 4,70,915.46	14,70,273.60	58,810.94	Dec 31, 2003	Interest on 14,70,273.60 X 4% = 58,810.94
	20,00,000				

On December 31,2003, the investments realised Rs.15,00,000. **The debentures were paid off as per the terms of issue of Debentures**

Journal entries	Date	Particulars	Dr	Cr
End of 4th year	Dec 31, 2003	10% Debentures a/c Dt.	20,00,000	
		To Debenture holders a/c		20,00,000
		(Payment due to debenture holders)		
	' '	Debenture holders a/c Dt.	20,00,000	
		To Bank a/c		20,00,000
		(Payment made to debenture holders)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

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Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

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	Debenture Redemption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account		
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve		
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000	
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001	Interest on 4,71,000 X 4% = 18,840
End of 3rd year	38,433.60 + 4,71,000	5,09,433.60	38,433.60	Dec 31, 2002	Interest on 9,60,840 X 4% = 38,433.60
End of 4th year	58,810.94 + 4,70,915.46	14,70,273.60	58,810.94	Dec 31, 2003	Interest on 14,70,273.60 X 4% = 58,810.94
	20,00,000				

On December 31,2003, **the investments realised Rs.15,00,000**. The debentures were paid off as per the terms of issue of Debentures

Journal entries	Date	Particulars	Dr	Cr
End of 4th year	Dec 31, 2003	Bank a/c Dt	15,00,000	
		To Debenture Sinking fund a/c		14,70,273.60
		To Debenture Redemption Reserve a/c		29,726.40
		(Profit on sale of investment transferred to Debenture redemption Reserve a/c)		

AB Ltd. Issued 2,00,000 10% debentures of Rs.10 each on Jan 1, 2000 redeemable after 4 years. For this purpose, the company established a Debenture Redemption Sinking Fund Investment. The investments are expected to earn interest @ 4% p.a. Sinking Fund Factor Table shows that Rs. 0.2355 invested annually at 4% will accumulate to Rs.1 at the end of 4th Year.

On December 31,2003, the investments realised Rs.15,00,000. The debentures were paid off as per the terms of issue of Debentures. Give Journal entries to record transactions relating to issue and investment of reserve and redemption of debenture.

Solution:-

Working note:- Amt received for 10% Debentures 2,00,000 @ Rs.10 = 20,00,000.

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	Debenture Redemption **Reserve** Account	Debenture Redemption **Sinking Fund** Inv. A/c	**Interest** on Sinking Fund Investment Account		
	From P&L Approp.A/c	To Bank (Purchase of Inv.)	To Deb.Redemption Reserve		
End of 1st year	4,71,000	4,71,000	--	Dec 31, 2000	
End of 2nd year	18,840 + 4,71,000	4,89,840	18,840	Dec 31, 2001	Interest on 4,71,000 X 4% = 18,840
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	20,00,000				
	29,726.40				

On December 31,2003, **the investments realised Rs.15,00,000**. The debentures were paid off as per the terms of issue of Debentures

Journal entries	Date	Particulars	Dr	Cr
End of 4th year	Dec 31, 2003	Bank a/c Dr	15,00,000	
		To Debenture Sinking fund a/c		14,70,273.60
		To Debenture Redemption Reserve a/c		29,726.40
		(Profit on sale of investment transferred to Debenture redemption Reserve a/c)		
	' '	Debenture Redemption Reserve a/c Dr	20,29,726.40	
		To General Reserve a/c		20,29,726.40
		(After redemption of Debentures the Debenture Redemption Reserve a/c Is closed by transferring to General Reserve)		