

debⁿ Trust to protect
the rights of Debⁿholders.

Interest Entry

	Without TDS	with TDS
due	Deb ⁿ Intl Dr 10 to D/H 10	Deb ⁿ Intl Dr 10 to TDS 1 to D/H 9
Payment	D/H Dr 10 to Bank 10	D/H Dr 9 TDS Dr 1 to Bank 10
Trf to P&L	P&L Dr 10 to Deb ⁿ Intl 10	P&L Dr 10 to Deb ⁿ Intl 10

Debⁿ issued as collateral Securities

B/s

9% BK Loan 20L
 (mortgage against L&B 50G)
 (15% debⁿ of 20L
 as collateral Security)

OR

B/s

9% BK Loan 20L
 (Mortgage against L&B)
 15% debⁿ 20L

debⁿ Suspense at 20L

If default.

9% BK Loan Dr 20L
 to 15% debⁿ 20L

9% BK Loan Dr
 to Debⁿ Suspense a/c.

Issue of debentures

Case 2 :

Redemption is at premium ¹²⁵ and there is NO Sinking Fund.

Issue at par @ 100

Bank Dr	100	
Loss on deb ⁿ Dr	25	
		to debenture 100
		to prem on red reserve 25

Issue is at
premium @ 120

Bank Dr	120	
Loss on deb ⁿ Dr	25	
		to debenture 100
		to security premium 20.
		to prem on red reserve 25

Issue is at
Discount @ 85.

Bank Dr	85		
Disc on deb ⁿ Dr	15		
Loss on deb ⁿ Dr	25		
			→ P&L w/o.
		to debenture 100	
		to prem on red reserve 25	

How to write off Disc/loss on debⁿ in P&L

10000 10% debⁿ of ₹ 100 are issued at 85 on 1.4.2007.

1 $\frac{4}{07}$ Bank Dr 850000

Disc on debⁿ Dr 150000

to 10% debⁿ 1000000

Case 1: The debⁿ are to be redeemed after 10 years

$$\frac{150000}{10} = 15000$$

P&L Dr 15000

to Disc on debⁿ 15000

Case 2 : The debⁿ of Rs 20000 will be redeemed every year commencing from 31.3.10.

1.4.07 - 31.3.08 10

1.4.08 - 31.3.09 10

1.4.09 - 31.3.10* 10

1.4.10 - 31.3.11 8

1.4.11 - 31.3.12 6

1.4.12 - 31.3.13 4

1.4.13 - 31.3.14 2

1.4.14 - 31.3.15 0

Disc on debⁿ is WTD
in the ratio of

5:5:5:4:3:2:1

Case 3: The debⁿ will be redeemed as per following
Schedule

1.4.09	200000	31.3.10	300000
31.3.12	100000	31.3.14	Balance of debentures

1.4.07 - 31.3.08 10

1.4.08 - 31.3.09 10

1.4.09* - 31.3.10* 8

1.4.10 - 31.3.11 5

1.4.11 - 31.3.12* 5

1.4.12 - 31.3.13 4

1.4.13 - 31.3.14* 4

1.4.14 - 31.3.15 0

Disc is w/o in the
ratio of

10:10:8:5:5:4:4

Case 4: The redemption is at per following Schedule

30.9.08	100000	1.10.09	300000	31.3.10	100000
1.4.11	200000	30.9.12	Balance.		

1.4.07 - 30.9.07

10

} 20

1.10.07 - 31.3.08

10

1.4.08 - 30.9.08*

10

} 19

1.10.08 - 31.3.09

9

1.4.09 - 30.9.09

9

1.10.09* - 31.3.10*

6

} 15

1.4.10 - 30.9.10

5

} 10

1.10.10 - 31.3.11

5

1.4.11* - 30.9.11

3

} 6

1.10.11 - 31.3.12

3

1.4.12 - 30.9.12*

3

} 3


1.10.12 - 31.3.13

0

disc is w/o in

20:19:15:10:6:3

Redemption of debentures

1. Redemption in Cash 
 - Drawing of lot
 - Auction Method
2. Redemption out of Profit → preparing SF
3. Redemption by Conversion: debⁿ are converted in Equity Shares
4. Redemption by Cancellation

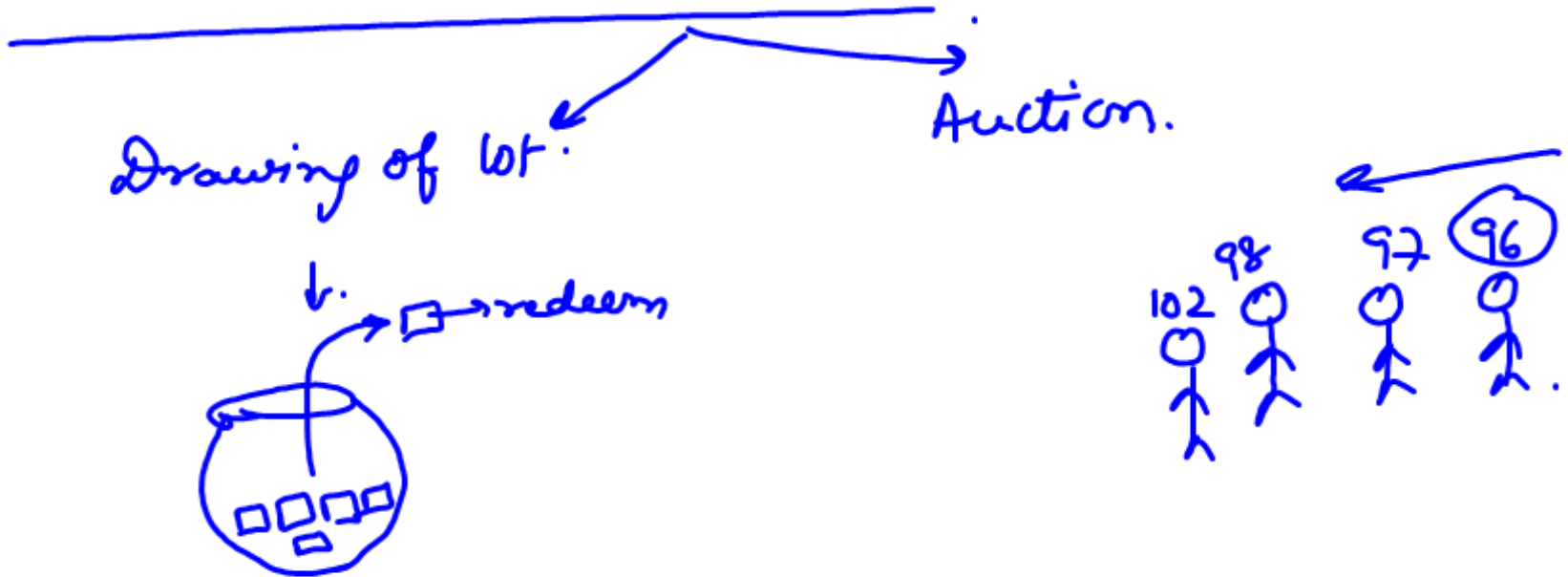
PTR

1. Premium on redemption of debenture is w/o from

- a) Prem on redemption reserve
- b) Sinking Fund
- c) Security Premium
- d) General Reserve
- e) P&L a/c

Redemption in Cash

Deb ⁿ	Dr	100
Prem on red	Dr	20
to Bank		120



Redemption Out of Profits

Sinking fund/ Debⁿ Redemption Reserve (DRR) /

Debⁿ Redemption Fund (DRF)

SEBI

Every Co. should prepare at least 25% of the debenture in the form of SF except when the life of debenture is less than 18 months.

If I want to get 5.5256, I invest Rs 1

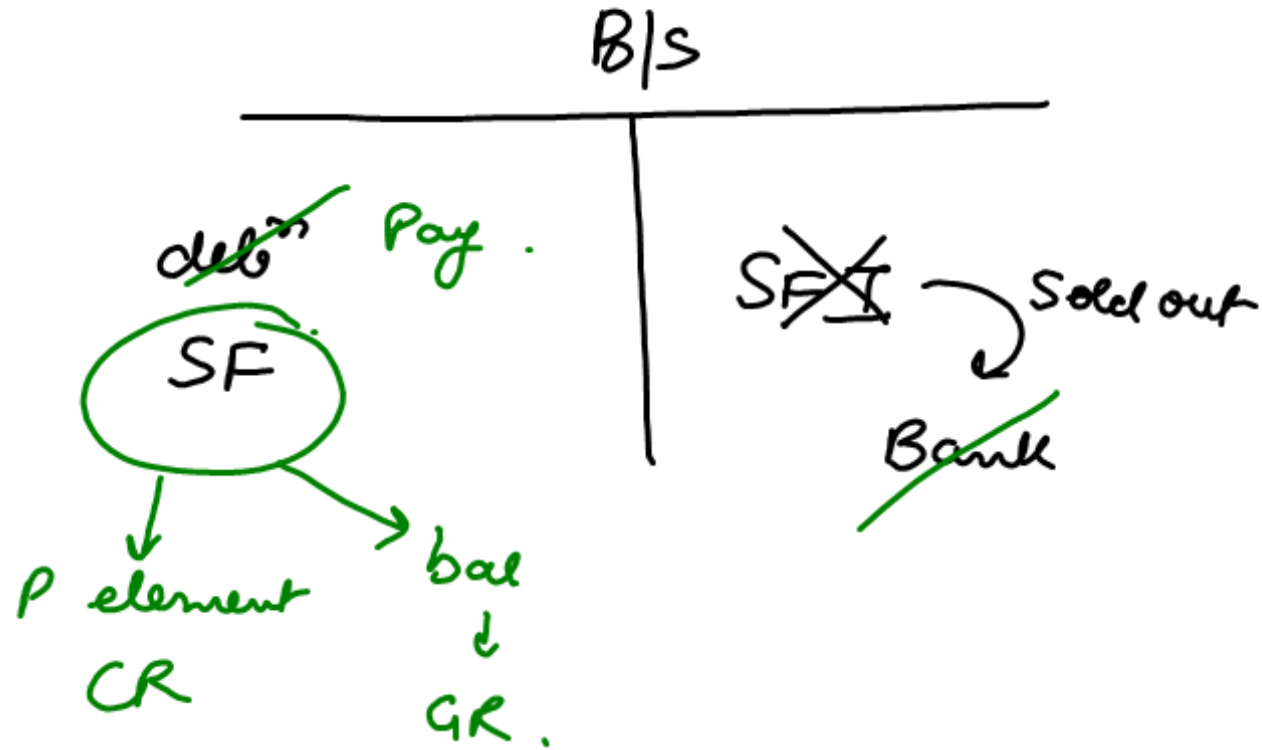
If I want to get 220000, I invest $\frac{1}{5.5256} \times 220000$

$$= 39815$$

	31.12.86	31.12.87	31.12.88	31.12.89	31.12.90
		$39820 \times 5\%$	$81630 \times 5\%$	$129530 \times 5\%$	$171620 \times 5\%$
Bank Dr to Intt on SFI		1991 1991	4082 4082	6277 6277	8581 8581
Intt on SFI Dr to SF		1991 1991	4082 4082	6277 6277	8581 8581
P&L a/c Dr to SF	39815 39815	39815 39815	39815 39815	39815 39815	39815 39815
SF Investment Dr to Bank	39820 39820	41810 41810	43900 43900	46090 46090	X Growth..

<u>5th yr End</u>	Due	Deb ⁿ Dr	200000
		Premon red Dr	20000
		to D/H	220000
		<hr/>	
	Prem w/o	SF Dr	20000
		to premon red	20000
		<hr/>	
	Inv sold out	Bank Dr	175000
		to SF Investment	171620
		to SF	3380
		<hr/>	
	Pay off D/H	D/H Dr	220000
		to Bank	220000.
		<hr/>	
	SF hof to CR & GR	SF Dr	203386
		to CR	3380
		to GR	200006

(Note: A blue arrow points from the 3380 amount in the 'to SF' entry to the 'to CR' entry.)



Issue of debentures

Case 1: Either Redemption is at PAR OR the redemption is at Premium but there is Sinking Fund.

<p>Issue at par @ 100</p>	<p>Bank Dr 100 to debenture 100</p> <p style="text-align: right; border: 1px solid green; border-radius: 50%; padding: 5px;">No tension</p>
<p>Issue is at premium @ 120</p>	<p>Bank Dr 120 to debenture 100 to security premium 20.</p>
<p>Issue is at Discount @ 85.</p>	<p>Bank Dr 85 Disc on debⁿ Dr 15 to debenture 100</p>