

# **CORPORATE ACCOUNTING (PART-8)**

## **UNIT- I**

### **ISSUE OF DEBENTURES- IX**

#### **1. INTRODUCTION**

Hello viewers, welcome to the lecture series of corporate accounting. And under today's discussion, we are taking up unit-I of corporate accounting. Where we are going to discuss in detail about issue of debentures. Issue of debentures when we talk about it's the more of the taking loan that means a form of taking loan from the person concern or it is known as acknowledgement of the loan to the company. So on the issue of debentures under today's lectures our objective is to learn in detail about meaning and purpose of issuing in debentures. What are the various types of debentures identified the ways of issue and debentures understanding the terms of issue of debentures. So these are the four criteria's which we are going to learn in detail one by one. We will learn about the debentures in light of the provision, which are being given under the company act- 1956 also.

#### **2. DEBENTURES**

So first of all, let us understand, what do mean by debentures. Its other name is loan capital because it's the source of fund to the company where debentures are being issued and loan is taken from the company for which the company is going to pay of fixed charge to the debenture holders. It's different from the shareholders.

Because the equity shareholders and preference shareholders are being given the dividend. While the debenture holders are being paid in interest and such interest is to be paid whether the companies earning profits or not. While the dividends are subject to the availability of the profits. So the debenture or the loan capital is different from that of the source of capital which is arising out of the issue of shares. So today we will learn how the debenture is being defined and what are the various types of debentures first. A debenture is unit of loan amount, when a company intends to raise the loan amount from the public, it issues debentures.

A person holding debenture or debenture is called debenture holder a debenture is the documents issue under the seal of company. So again the elaborating this definition or meaning of debenture. We can say that where the company's intension is to take a loan and such loan is not taken from any financial institutions or banking sectors but it is taken from public. And what public expects by giving such money to the company is interest. So such persons who have taken up the debentures are known as debenture holders. So we can say the debenture is document which is issued under the common seal of company. As we know that the company is artificial person created by law having its own seals or perpetual existence. So, the company seal is relevant aspect where any document or agreement is being made for a legal aspect.

So, when we issue the debentures they are too issued at a common seal of the company. So moving ahead again we are elaborating the meaning of debenture in a different way, here it is acknowledgement of loan received by the company equal to the nominal value of the debenture.

It bears the date of redemption and rate and mode of interest. Debenture holder is the creditor of the company. So again we highlight on certain parameters that is it's the acknowledgement of the loan. Again it will be having nominal value that means the smallest unit at which it's being issued to public. It bears date of redemption, there are not irredeemable or for ever the loan to the company. They are going to be redeemed after the expiry of the redemption period which is being mentioned on the debenture certificate. Rate of debenture interest is also being mentioned and the mode of payment of the interest that is quarterly or half yearly or annually.

We are going to pay the interest. It too shall be written on the document which is need as debenture under the common seal of the company. And the debenture holder is the creditor of the company because he is asking the money back from the company which he has given for the purpose of the finance to the company. As per section-2(12) of the company act-1956 debenture include debenture stock, bond and any other security of company where they are constituting a charge the company assets or not. So this is the legal definition which is given under Companies Act.

### 3. TYPES OF DEBENTURES

Now having learned about the meaning of the debentures. Now we are going to discuss about various types of the debentures. Debentures are being classified under various categories on certain assumptions or certain bases. The first one is on the bases of security then on the basis of redemption, on the bases of records, on the bases of convertibility and lastly on the bases of priority against sub classification is being made.

When we talk about debenture on the bases of security there are being classified as secured debenture or mortgage debentures and another categories is that of unsecured debenture. Secured or mortgage debentures are further being classified as first mortgage and second mortgage. So under security we have two level of division. When we talk about debenture on the bases of redemption there are two types redeemable and non-convertible or irredeemable. On the basis of records, we have registered debentures and bearer debentures. When we talk about convertibility, it is on account of convertible debenture or non-convertible debenture.

There are only two categories and on the basis of priority, debentures are being classified as first debenture, second debentures. Now are going learn about them one by one, what do you mean by each of these categories and what the meaning of various types of debentures which are being classified on these five basis. First one is debentures being classified from security point of view, so the first categories; secured or mortgage debenture. These are the debentures that are secured by on the charge on the assets of the company.

These are mortgage debenture, the holder of secured debenture have the right to recover the principle amount with the unpaid amount of interest on such debenture out of the assets mortgaged by the company. So here what we are doing is that we are securing the portion of the debenture by the assets, there is a assets making. When the assets are being mortgaged and amount is being realized the principle amounts as well as the unpaid amount of interest on such debentures are being secured. In India, debenture must be secured and secured debentures are again of two types.

As we have discussed in diagram i.e. first mortgage debentures by first mortgage debenture We mean that the holder of such debenture have first claim on the assets charge and when we talk about the second mortgage debenture, the holders of such debentures have second claim on the assets charged.

So the priority basis is being set under the mortgage, debenture or secured debenture which are being secured by assets backing. So firstly the first mortgage debenture would be paid off as they have charged on such assets and then the second mortgage debenture. Not its second category is of unsecured debentures. Debentures which do not carry any security with respect to principle amount or unpaid interest are called unsecured debentures. They are the simple debentures, so their principles amount as well as the unpaid interest amount is totally unsecured. There is no asset mortgage being taken place for repaying the amount of the money due to such debenture holders.

#### **4. TYPES ON THE BASIS OF DEBENTURES**

Now on the basis of redemption, we have to learn the two types of debentures that is redeemable and non-redeemable. First when we talk about the redeemable debentures, these are the debenture which are issued for a fixed period, this period can be 5years, 10 years depending upon the deed so drafted.

The principle amount of such debenture is paid off to the debenture holder on the expiry of such period. These can be redeemed by annual drawings or by purchasing from open market. So redemption of the debentures will take place, there are various methods and among them, here we are talking about annual drawing method or purchasing from open market method.

So these are two peculiar methods, which we are going to learn in detail when we will learn about the redemption of debentures. Here under redemption on debenture which are redeemable? There is one or two point which we need to keep in mind is that it is for fixed period, but the principle amount would be paid only after the the expiry of that the period of redemption that means after the justification period is being over, they are being paid off however interest will be paid regularly. It can be annually or half yearly whatever has been the scheme of debenture under which they are being issued to the public.

Non-redeemable debentures, these are the debenture which are not redeemed in the lifetime of the company such debentures are paid back only when the company goes into liquidation. Liquidation means winding up of the company has taken place. On the basis of the records, first of all we are discussing about registered debenture.

These are the debentures that registered with the company. The amount of such debenture is payable only to those debenture holders whose names appear in the register of the company. There are set off registered which are being prepared for doing the compliance and various provisions of the company's act and out of such compliance registered of debenture holders is also being maintained by the company and when such registered is made is being maintained and name of the holders are being written in such registered.

At the time of the payment of the money of such debentures only that person would be given the money, whose the name is recorded with the company. Now it's another categories bearer debenture, these are the debenture which are not recorded in a register of the company such debentures are transferable nearly by delivery.

Holders of this debenture is entitled to get interest, however principle amount would be paid whosoever is having the debenture in hand because such debentures are bearer debenture. Now the next categories of debentures are on basis of convertibility among it the first one is convertible debentures. These are the debentures that can be converted into shares of the company on the expiry of pre decided period. The terms and conditions of conversions are generally announced the time of issue of debentures. And the second one are non-convertible debentures. The debentures holders of such debentures cannot convert their debenture into shares of the company.

Convertible or Non-convertible debentures are self-explanatory. On the basis of priority, first debenture these debentures are redeemed before other debenture, they are preferential in their payment. The next category is on basis of priority non the basis of priority again the aggregation is made on the basis of first debenture and second debentures. First debentures are those preference share debentures which are redeemed before other debenture that means they have a priority in the payment of their money. Second debentures, these debentures are redeemed after the redemption of first debentures that is there are priorities the second in comparison to first debenture. Since they are the debenture on the basis of priority as for as their payments are being concerned.

## 5. ISSUE OF DEBENTURES

Now the next topic which we are going to learn in detail is issue of debentures. We are well versed now with the meaning of debenture that it's the loan capital and various types of debentures. Now we are moving towards issue of debenture.

We are going to learn its accounting entries to pass in the books of accounts of the company. By issue of debentures we mean that the issue of the certificate by the company under the seal which is the acknowledgement of debt taken by a company. So where a debenture is being issued it's a certificate which says that company has acknowledge the debt which it has taken from the public. The procedure of issue of debenture by a company similar to that of shares. A prospectus issued, applications are invited and letter of allotments are issued, on rejections of application, application money refunded, in case of partial allotment excess application money may be adjusted towards subsequent call.

So here the mechanism is same, as that of issuing of the shares. That we have to issue of prospectus, applications are being invited and letter of allotment are being issued then the application can be rejected and the application money is to be refunded. The same mechanisms, as we have learned in the case of the issue of shares are to be followed when we issue that debentures. Issue of debenture takes various forms which are as under debentures issued for cash, debentures issue for consideration other than cash. Debentures issue as collateral securities.

So these are the three conditions or forms under which debentures can be issued. They can be issued for cash that means we are receiving cash when we issue the debentures. They can be issued for consideration other than cash that means where we have to make payment but we are not paying the consideration or not receiving the consideration in cash, debentures can be mode for the payments or as a collateral security, they can be given. Further the debenture may be issued at par premium on discount and these conditions can be used in all these three categories where the debentures are being issued at cash. They can be issued either at premium, at par or discount.

When we have issued them for consideration other than cash then also these three types of issues can be made. So they are the broad condition and these are the ways in which the debenture can be made.

## 6. ACCOUNTING TREATMENT OF ISSUE OF DEBENTURES

Now let us understand the accounting treatment of issue of debentures. Accounting treatment of issue of debentures for cash, this is the first situation, we are taking up where debentures issued for cash at par that means equal to nominal value or face value of debentures, we are issuing such debenture to public following journal entries will be made.

Application money is received so entry will be :Bank a/c debit to Debenture application a/c. application money received for debentures. Now when allotment is being made due such application money will be transferred. So transfer of debenture application to debenture account to their allotment. Debenture application account will be debited to debenture account that means application money transferred to the debenture account on allotment because whatever money we have received on account of application being received, they will be part of debentures only when the allotment of debentures have been made. It is similar to the issue of share. Third one is money due on allotment. So the entry for making the money, making the allotment would be passed. And it is debenture allotment account debit to debenture account, being allotment money due. Money due allotment when received we are going to pass the entry:

Bank a/c Dr.  
To Debenture allotment a/c

Narration is receipt of debenture allotment money. First and final call is made. So this is a due entry for making the final and first calls due.

Debenture first & final call a/c Dr.  
To Debenture a/c

Narration would be first and final called money made due on here we are going to write the respective number of debentures or the amount of debentures. Debentures first and final call money when received then we are going to pass the entry :

Bank a/c Dr.  
To debenture first and final call and receipt of the amount due on calls.  
Here note two calls; first and second call may be made and journal entry will be made on lines made for first and final call.

Now let us take up the illustration to the understand these entries with practical example: shining limited issued = 5000/- 8% debenture of 100 each payable as Rs. 20/- on application, 30/- on allotment and 50/- on first and final call. So first of all we can say that the debentures are issued at par because the par value or face value is Rs.100/- and application allotment and first call money per share when we add them, it is Rs.100/-.

All these debentures were applied for and allotted and calls were duly received make necessary the journal entry is in the books of the company. Now moving towards solutions first of all we can make hour workings or hour calculation and here first of all the entry which we are going to pass for receiving the application money would be for Rs.1,00,000/- that is Rs.5000/- debentures into rupees 24 applications. Then when the allotment money is received.

We are going to pass the entry as 5000 x 30 that is Rs.1,50,000/- entry would be passed and for calls it will be for Rs. 2,50,000/- both at the time of making the calls and allotment due and receiving the money there on. So let us move towards the journal, where we are going to pass this entries, so this is a journal of shining india ltd. First of all we have passed a entry as :  
Bank a/c Dr.

To debenture application for Rs.1,00,000/- application money received for 5000 debentures. Next entry is when the allotment is made due, so when the allotment is made at that time the application money transferred to the debenture account.

So the  
Debenture application a/c Dr.  
To 8% debenture a/c

Here 8% is the rate of interest associated with the debenture, so one lakh entry is being transferred to the debenture account and the narration is application money transferred to the debenture account on allotment. Now we have to make the allotment due.

Debenture allotment a/c Dr. 1,50,000  
To 8% debentures 1,50,000

(being allotment due on 5000 debentures @ 30/- per debentures)

so it amounts to Rs.1,50,000/- next entry when we have received the money on the allotment due, it is



Bank a/c Dr. 1,50,000  
To debenture allotment 1,50,000  
(being allotment money received)

and now the entry would be for first and final call to be made due and then we will receive the money there on. So next entry is :-

Debenture first and final call a/c Dr. 2,50,000/-  
To 8% Debentures a/c 2,50,000/-

Debenture first and final call made @ Rs. 50 per debenture and money is received on such first and final call. And we have passed the entry as bank a/c debit to debenture first and final call for Rs. 2,50,000 and we have narrated it as receipt of debentures first and final call money.

## **7. SUMMARY**

Now we are concluding up our discussion of today based on the loan capital that is debenture, its meaning and various types of debentures which are being issued by the company to the public for raising the funds. Today we have also learned about the issue of debenture for cash at par. And its accounting entries are being discussed and practical example is being taking up to understand how the calculation will flow and how the accounting would be done for issue of debentures in the books of company. With this we are ending up our today's discussion based on the issue of debenture.

**Thank You !**

# **CORPORATE ACCOUNTING (PART-13)**

## **UNIT- I**

### **REDEMPTION OF DEBENTURES (PART- XII)**

#### **1. INTRODUCTION**

Hello viewers, welcome to the lecture series on Corporate Accounting. Under today's discussion, we shall take up the topic Redemption of Debentures. When we talk about Redemption of Debenture, it means that we are to pay back the loan capital which we are taking from public at large. There are certain terms of the issue which are being specifically mentioned at the time of issue of debenture. That means what time period, the debentures are going to be redeemed or the debenture convertible or there are non- convertible, there are redeemable or irredeemable.

So when we talk about the Redemption of Debenture, it means paying back the liability which is incurred or the obligation of the debts is being paid off by the company, to person concern from which the debentures are being taking. So when we talk about debentures, there are being redeemed, it's the change of paying back the money to person concern out of the funds of the company. So there are certain modes by which the redemption can be made either out of the profits of the company or otherwise. When we say or otherwise it means say either out of the capital of the company or profit. Redemption of the debenture cannot be done 100% by the capital of the company because there are certain restrictions which are being imposed for not redeeming the debentures out of the capital of the company entirely. The mix of the both can be used profits and capital. So eventually when we move to us the topic, we will learn in detail; how they can be redeemed.

#### **2. MOBILISATION OF FUNDS FOR REDEMPTION**

First of all let us understand in detail the implication of the phrase redemption of debenture. Redemption of debenture refers to discharge of the liability in respect of debenture issued by the company. So the first thing is very clear that redemption is a liability. It is known as capital, so it has to paid off. So when the company is going to discharge its loan and obligation, it's called redemption of debenture.

Redeemable debenture will be redeemed on or before us specified date which is stated clearly in terms of the issue of debenture.

Officially the debentures are statistically the acknowledge the depth. Therefore the time period is being specifically mentioned in the issue of the debenture. So when we talk about the redemption of debentures obviously the redeemable debentures are going to be redeemed. Now when we are going to redeem the debenture. The concern for redeeming the debenture is that of the funds. So let us understand how we are going to mobilize the funds for the purpose of redemption of debentures.

If no provision is being made, the mobilizing the additional funds for the purpose of redemption of debentures. The company may find difficulty in discharging the liabilities, when the debenture becomes due for payment. Theworking capital and the liquidity of the company would be affected if large some of the money withdrawn from the business at a time. So here the concern is that is the liquidity and the working capital. If large sum of money is paid at a place or at a time. What happens that the liquid position of company is affected? The liquidity would become zero. When the cash position is affected obviously it's going to affect the working capital.

So there are certain mechanisms being drafted where we can make the provisioning of the funds which is being required and keep those funds aside for the specific purpose of redemption of the debenture. So that the company may not face the hard ship of lake of liquidity. So in order to provide the funds to finance the redemption of debenture, the company may use themoney from the following resources. And three such modes are being drafted. The first one is utilizing apart of the profits of the company that means the divisible profit of the company can be used for the purpose of the redemption of the debenture. And they can be kept at side so that the redemption can take place.

Second one is; if it is not being paid out of the profit available with the company. It can be paid otherwise that means out of the capital. They can raise the capital either by fresh issue of the shares or new debentures. And thirdly; by disposing of the assets of the company so that if at any particular point of time a large lump-sum amount is to be paid to debenture holders. They canpay it by disposing of assets and get the money to pay back the debentures holders the amount which is to be paid to them at the time of redemption as per the terms of the redemption of debenture.

So there are certain methods by which we can pay the debenture holders, the money due to the company. The first one is by the conversion of the shares and by the conversion of the shares, we mean that we are going to convert the debenture to the shares. The debenture holders would be given a right, that they can convert their debentures or the loan acknowledgement to shares of the company. So in that case the debenture should be convertible debenture else the conversion of the debentures would not take place.

Second one is; by payment in one lump-sum at the expiry of specific period. At this time the company needs lot of funds, it can dispose of the assets or it can have a provisioning done for the repayment of particular sum at specific point of time. When the expiry period of the redeemable debentures come now.

The third one is; by purchase of debenture in open market. It's the details topic which we will discuss in length in our upcoming lecture and by annual drawings, it can be paid off. So first of all our topic of discussion in length today would be the conversion of shares that means the how debentures are being converted to the shares. What are the sections which governed the conversion of the shares and we will discuss in details that what are the provisions and various section which are to be kept in mind, when we convert the debenture into the share. So we will start up discussing about the conversion of debenture into shares.

### **3. BY CONVERSION INTO SHARES**

So let us understand this mechanism of converting debentures into the shares. The first one is; option to the debenture holders the conversion of debenture is given as per the terms of issue. So one thing is very clear that when we talk about redemption of debenture, it will be governed by the terms of the issue. And when the conversion of the debenture is to take place into the share. It's an option or right which is being given to the debenture holders. So it is at his will that he has to go for conversion or not. He cannot be obligated of course to exercise its option. If the option is not being exercised, this conversion would not take place.

Next one is; no restriction is imposed by the company act 1956 for conversion but section 79 of the act has to be taken into consideration. Section 79 is a section, which governs in discounting issue. Now what's the underline principle of redemption under the conversion of debentures into shares?

Actual proceeds of issue of debenture should be considered in determining the nos. of shares is issued in exchange of debenture to be converted. So analysing this principle we can say that first of all we have to consider the actual proceed of the issue of debenture. That means if the proceeds are a discounted value, we will take the net process to the consideration to arrive at the number of the share to be issued in the exchange of the debentures to be converted. We cannot make up conversion at the face value. The issue price of the shares must be equal to the amount actually receive from the debenture's holders at the time of issue of debentures. It is the simplification of underline principles that issue price of the share cannot exceed or cannot be lower than both amount actually is being paid or which is being payable to the debenture holder.

Whatever we have to receive from the debenture holder, only that much amount is going to be converted into the shares. So the deciding factor to find out the nos. of shares would be the actual received from the debenture holders at the time of the issue of debenture to them. So as shares cannot be issued at discount accept at providing section 79, so we have to be abide by the laws which are being given under section 79 in relation to the issue of share at discount. So here is a question to understand the mechanism of the conversion of the debenture into the share. 'X' limited which is a company issued 12% debenture are at a discount of 10% and debenture holder were given right to exercise the option of conversion of debentures into 14% preference share of Rs. 100/- each to be issued at the premium of 10%.

The holders of 33000 debentures express their willingness to the exercise the option, now solve it. Let us understand the scheme of the question first since there lot many information into it. We will find out the junk of the information which is being relevant for us solution. The first one is 12% debenture were issued at a discounted figure. So we have ascertained the actual receipt from the debenture holder in a step one. Then there are being converted into 14% preference share of Rs. 100/- each at a premium of 10%. So the issue price of the new preference shares which are to be issued in lieu of the debenture is rupees 110/- and 33000 is the figure which is relevant for us for doing the conversion. And we will start-up our solution now.

So face value of the debenture is to be converted is given to us, it is 33000/-. Now we know that it's the face value. So we have to ascertain the actual receipt. So where we are going to do, we have subtract the discounted figure. Discount allowed is 10% of issue, so it will be amount to rupees 3300/-.

So the actual amount received on the issue of debenture is Rs. 29700/-. Now the figure of 29,700/- is relevant for us to ascertain the nos. of shares to be issued to the debenture holders were exercised this right of conversion into the shares.

Now what's the denominator? That will be the issue price of the new shares or these shares which are to be given to the shareholders in lieu of the debentures. So here the issue price of preference share will be as follows; face value is 100/- and there are being issued at premium, so it is 110/-. So this issue price would be working as a denominator for converting to the actual receipts from the debenture holders so that we ascertain nos. of shares to be issued to them. So the next step, we have to ascertain the nos. of preference share to be issued in the exchange of rupees 33000/- that is 29700/- is to be divided by 110/-.

So we have got the figure of nos. of the shares to be issued as 270. So there are the 270 preference shares. Face value of 270 preference share is 27000/- because there are being issued at 110/- rupees so 100/- rupees into 270 is given us the figure of preference share capital 27000/-. Now we are going to add up the premium, which is 10% of the face value and its amount to 2700/-. So together, they are getting Rs. 29700/- that is the amount equal to the actual pre-sets from the debenture holders. So there are being given 270/- shares.

#### **4. ACCOUNTING ENTRY FOR CONVERSION**

Now what are the accounting entries for conversion of the debentures into the shares. When issue of the shares at par that means new share after being converted where we have given the new share in lieu of the debenture and such new shares are being issued at par then entry shall be passed with the nominal value of the debentures converted and the nominal amount of shares issued. So this entry will be :

Debenture a/c Dr.  
To share capital  
(Being issued of share at par.)

Now if the shares are being issued at premium. The entry will be passed the nominal amount of debenture converted in the debit column. That means; Debenture a/c debit with the nominal value and with the nominal amount of shares issued as well as the premium amount as their difference on the credit column. So let us see this entry to understand the description.

It is :

Debenture a/c Dr.

To share capital

To security premium

The difference would be security premium.

Now what is the issue of shares are a discount then entry will be passed with the nominal value of the debenture converted and with the discount and issue of share and credited share capital account with the total amount. Let us see the entry, so this journal entry is;

Debenture a/c Dr.

Discount on issue of share Dr.

To share capital account

Share capital account would be reflecting the total value and this way we are going to pass the entries when the issue of the shares are being made at par, at premium and at discount.

## 5. EXAMPLE

Now again we are going to apply all the theoretical principle to understand them in a practical way. Here is an example when a April 2007 'X' limited issued in 2500/- 12% debenture of 100/- each at rupees 95/-. So again it's the situation of discount. The debenture holder were given right to exercise the option of conversion of debenture into 14% preference share of 100/- each to be issued at a premium of Rs. 25/-. The older of 500 debentures express their willingness to exercise the option.

So we have to follow this same schemes where we have to find out first the actual receipts from the debenture holders then the issue price to be used for dividing such actual receipts from the debenture holders to ascertain the nos. of shares to be issued and we have to pass the accounting entries.

Here is the solution where the face value of debenture to be converted is 50000/-. Because 500/- debenture holders have exercised this option, so the face value is 50000/- and discount is rupees 5/- per debenture, so we have subtracted the amount of the discount to ascertain the actual amount receipt on issue of debenture which comes to 47500/-.

Now the second step is to ascertain the issue price of the preference share capital which is being issued in lieu of the debentures and it is issued at a premium of rupees 25. So 100 + 25 would give us the issue price of the preference share to be issued as rupees 125/-. So again the following the same mechanisms, we have find out the nos. of shares as 380/-, we have divided 47500/- to 125/- then face value of 380 shares is 38000/-. While its premium money is 9500/- so together it is equal to the actual receipts from the debentures holders which is 47500/-.

Now we are going to pass the journal entries in relation to the issue of debentures as well as the conversion of the debenture into the preference shares, first one is at the time of issue of 2500/- debentures at the discounted value. So we will pass the entry :

Bank a/c	Dr.	2,37,500	
Discount on issue of debenture a/c	Dr.	12,500	
To 12% debenture a/c			2,50,000

The next entry is in relation to the conversion of 500 debentures and it will be

12% debentures	Dr.	50000/-,	
To discount on issue of debenture			2500/-.
This amount of the discount is being cancelled and			
To 14% preference share capital a/c			38000/-
and			
To security premium			9500/-.

Rs. 38000/- and Rs.9500/- is equal to amount of the actual received from the debenture holders. And discount on issue of debenture is being cancelled because no amount of money is being received and when there are being converted this amount will stand cancel. So this way the conversion of the debenture into the shares take place.

## 6. SUMMARY

Now we are concluding up our lecture of today and under today's lecture, we have learnt about the meaning of Redemption of Debentures and the methods of Financing the Redemption of Debenture either out of the profit available with the company or by arising capital or by using the assets of the company by disposing them of pay off the debenture holders.



We also learned various methods of paying the debenture holders that is by conversion of the debenture into the stock or what we call its share capital. And we have done it detail analysis with the help of the illustration and calculative aspect has been discussed. With this we are ending up our lecture of today.

**Thank you!**