

**TOPIC: Company Accounts, Issue of Shares, Issue of Debentures, Redemption of share, Redemption of Debentures, Accounts for bonus issue & Righth issue**

**QUESTION: 1**

A limited Company, with an authorized capital of Rs. 20,00,000 divided into shares of Rs. 100 each, issued for subscription 10,000 shares payable at Rs. 25 per share on application, Rs. 30 per share on allotment, Rs. 20 per share on first call three months after allotment and the balance as and when required. The subscription list closed on January 31, 2022 when application money on 10,000 shares was duly received and allotment was made on March 1, 2022. All amounts due were received within one month of the date they were called. The allotment amount was received in full but, when the first call was made, one shareholder failed to pay the amount on 1,000 shares held by him and another shareholder with 500 shares paid the entire amount on his shares. Give journal entries in the books of the Company to record these share capital transactions.

**(8 Marks)**

**Question: 2**

Kapil Ltd. issued 50,000, 12% Debentures of Rs.100 each at a premium of 10% payable in full on application by 1st March, 2022. The issue was fully subscribed and debentures were allotted on 9th March, 2022.

**(6 Marks)**

**Question: 3**

Case Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2022:

Particulars	Rs.
<b>Shareholder's Funds</b>	
(a) Share Capital	
Authorized share capital:	
45,000 equity shares of Rs. 10 each fully paid	4,50,000
Issued and subscribed share capital:	
30,000 equity shares of Rs. 10 each fully paid	3,00,000
(b) Reserves and Surplus	
Profit & Loss Account	1,62,000

Debenture Redemption Reserve	18,000
<b>Non-current liabilities</b>	
(a) Long term borrowings	
12% Debentures	1,80,000
<b>Current Liabilities</b>	
(a) Trade payables	1,72,500
<b>Non-current assets</b>	
(a) Property, Plant and Equipment (Freehold property)	1,72,500
(b) Non-current Investment: DRR Investment	27,000
<b>Current assets</b>	
(a) Inventories	2,02,500
(b) Trade receivables	1,12,500
(c) Cash and bank balances:	
Cash at bank	2,73,000
Cash in hand	45,000

At the Annual General Meeting on 1.4.2022, it was resolved:

- (a) To give existing shareholders the option to purchase one Rs. 10 share at Rs. 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.
- (b) To issue one bonus share for every five shares held.
- (c) To repay the debentures at a premium of 3%.

Give the necessary journal entries for these transactions

**(8 Marks)**

**Question: 4**

What are the provisions of the Companies Act, 2013 related with redemption of preference shares? Explain in brief.

**(6 Marks)**

**Question: 5**

Following notes pertain to the Balance Sheet of Mars Company Limited as at 31st March 2022:

	Rs.
Authorised capital:	

50,000 12% Preference shares of Rs. 10 each	5,00,000
5,00,000 Equity shares of Rs. 10 each	50,00,000
	55,00,000
Issued and Subscribed capital:	
50,000 12% Preference shares of Rs. 10 each fully paid	5,00,000
4,00,000 Equity shares of Rs. 10 each, Rs. 8 paid up	32,00,000
Reserves and surplus:	
General Reserve	1,60,000
Capital Redemption Reserve	2,40,000
Securities premium (collected in cash)	2,75,000
Revaluation Reserve	1,00,000
Profit and Loss Account	16,00,000

On 1st April, 2022, the Company has made final call @ RRs. 2 each on 4,00,000 equity shares. The call money was received by 25th April, 2022. Thereafter, on 1st May 2022 the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held, it decided that there should be minimum reduction in free reserves. On 1st June 2022, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of Rs. 12 per share. All the rights shares were accepted by the existing shareholders and the money was duly received by 20th June 2022. Show necessary journal entries in the books of the company for bonus issue and rights issue  
(8 Marks)

**Question: 6**

Write short note on:

- (i) Foreign company.
- (ii) Small company.

(4 Marks)

**State with reason whether following statements are true or false**

- i. Shares of a private company are not listed on stock exchange
- ii. Right shares are normally offered at a price more than the cum-right value of the share, causing dilution in its value post-right issue.
- iii. When shares are redeemed by utilising distributable profit, an amount equal to the face value of shares redeemed is transferred to Capital Reserve account by debiting the distributable profit
- iv. Under payment in instalments method, the payment of entire debenture is made in one lot.
- v. Convertible debentures can be converted into equity shares.

(5\*2 Marks)