

Buyback of Securities and Equity Shares with Differential Rights

This Chapter Covers: Study's Chapter: 4

Chapter Comprises: Buy Back of Securities Provision of Section 70 of the Companies Act, 2013 Equity Shares with Differential Rights Voting Rights Share Capital and Debentures Rules, 2014 Dilution in case of Private Companies Variation of Shareholder's Rights Protection of Minority Shareholder Clause

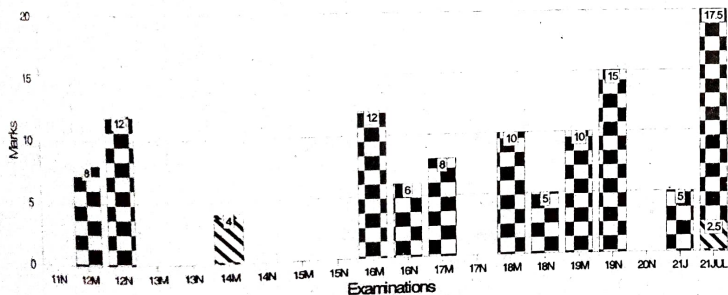
THE GRAPH

Trend Analysis

Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend

Objective Short Notes Distinguish Descriptive Practical



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TIME MANAGER

..... Plan and Manage your Time

Time	First In-depth learning	Instant Revision (in hours)		Periodic Revision (in hours)			
	i.e.....	Next day i.e.....	After 7 days i.e. on	After 30 days i.e. on	After 60 days i.e. on	After 90 days i.e. on	Fix as per your need.
	Day 1	Day 2	Day 8	Day 30	Day 60	Day 90	
1. Budgeted							
2. Actual							
3. Variance (1-2)							

QUICK LOOK

..... Weightage Analysis

Repeatedly Asked Questions	Common Answered Questions	Must Try Question
		1.3, 1.6, 2.2

1

Buy back of Securities

Q.1.1 2009 - Nov [5] (b), RTP

Practical

Dee Limited furnishes the following Balance Sheet as at 31st March, 2008 :

Liabilities	₹ '000	₹ '000
Share Capital :		
Authorised Capital		<u>30,00</u>
Issued and subscribed capital :		
2,50,000 equity shares of ₹ 10 each fully paid up	25,00	
2,000, 10% Preference shares of ₹ 100 each		
(Issued two months back for the purpose of buy back)	<u>2,00</u>	27,00

Reserves and surplus :			
Capital Reserve		10,00	
Revenue Reserve		30,00	
Securities premium		22,00	
Profit and loss A/c		35,00	97,00
Current liabilities and provisions :			
			14,00
			<u>1,38,00</u>
Assets		₹ '000	₹ '000
Property Plant and Equipment		93,00	
Investments		30,00	
Current assets, loans and advances (including cash and bank balance)			15,00
			<u>1,38,00</u>

The company passed a resolution to buy back 20% of its equity capital @ ₹ 50 per share. For this purpose, it sold all of its investments for ₹ 22,00,000.

You are required to pass necessary journal entries and prepare the Balance Sheet. (8 marks)

Answer :

**In the books of Dee Limited
Journal Entries**

Particulars		Dr.	Cr.
		(₹ in '000)	
(i)	Bank Account	Dr. 22,00	
	Profit and Loss Account	Dr. 8,00	
	To Investment Account		30,00
	(Being the investments sold at loss for the purpose of buy back)		
(ii)	Equity Share Capital Account	Dr. 5,00	
	Premium payable on buy back Account	Dr. 20,00	
	To Equity shares buy back Account		25,00
	(Being the amount due on buy back)		

(iii)	Securities Premium Account	Dr.	20,00	
	To Premium payable on buy back Account			20,00
	(Being the premium payable on buy back adjusted against securities premium account)			
(iv)	Revenue Reserve Account	Dr.	3,00	
	To Capital Redemption Reserve Account			3,00
	(Being the amount equal to nominal value of equity shares bought back out of free reserves transferred to capital redemption reserve account)			
(v)	Equity shares buy-back Account	Dr.	25,00	
	To Bank Account			25,00
	(Being the payment made on buy back)			

**Balance Sheet of Dee Limited as on 1st April, 2008
(After buy back of shares)**

Particulars		Note No.	₹ '000
I. Equity and Liabilities			
(1) Shareholders' Funds			
	(a) Share Capital	1	22,00
	(b) Reserves and Surplus	2	69,00
(2) Current Liabilities			
	(a) Current Liabilities and Provisions		14,00
	Total		<u>1,05,00</u>
II. Assets			
(1) Non-current assets			
PPE & Intangible Assets			
	(a) Property Plant and Equipment		93,00
	(b) Non-Current Assets (Investment)		—
(2) Current Assets			
	(a) Cash and cash equivalents	3	12,00
	Total		<u>1,05,00</u>

Notes to Accounts :

		₹' 000	
1.	Share Capital <i>Authorised Capital</i> <i>Issued and Subscribed Capital</i> 2,00,000 Equity share @ ₹ 10 fully paid up 2,000 10% Pref. share @ ₹ 100 fully paid up	30.00 20.00 2.00	22.00
2.	Reserves & Surplus Capital Reserve Capital redemption reserve Revenue reserve Securities Premium Profit & Loss A/c (35,00 - 8,00)	10.00 3.00 27.00 2.00 27.00	69.00
3.	Cash and Cash equivalents Op balance Add : Sale of investment Less : Payment made on buyback	15.00 22.00 (25.00)	12.00

Space to write important points for revision

- (i) The company redeemed the preference shares at a premium of 10% on 1st April 2010.
- (ii) It also bought back 3 lakhs equity shares of ₹ 10 each at ₹ 30 per share.
The payment for the above were made out of huge bank balances, which appeared as a part of the current assets.
- (iii) Included in it's investment were "investments in own debentures" costing ₹ 2 lakhs (face value ₹ 2.20 lakhs). These debentures were cancelled on 1st April 2010.
- (iv) *The company had 1,00,000 equity stock options outstanding on the above mentioned date, to the employees at ₹ 20 when the market price was ₹ 30.*
(This was included under Current liabilities). On 1.04.2010 employees exercised their options for 50,000 shares.
- (v) Pass the Journal Entries to record the above.
- (vi) Prepare Balance Sheet as at 01.04.2010. (16 marks)

Answer:

Journal Entry

Date	Particulars	(₹ in lakhs)	
		Debit	Credit
01.04.2010	9% Redeemable preference share capital A/c Dr.	20.00	
	Premium on redemption of preference shares A/c Dr.	2.00	
	To Preference shareholders A/c (Being preference share capital transferred to shareholders account)		22.00
01.04.2010	Preference shareholders A/c Dr.	22.00	
	To Bank A/c (Being payment made to shareholders)		22.00

Q.1.2	2010 - Nov [3]	Practical	
Extra Ltd. furnishes you with the following Balance Sheet as on 31 st March, 2010 :			
		(₹ in lakh)	
Liabilities	Amount	Assets	Amount
Share Capital		PPE less depreciation	50
Equity Shares of ₹ 10 each fully paid	100	Investments at cost	120
9% Redeemable Preference Shares		Current assets	142
of ₹ 100 each fully paid	20		
Capital Reserves	8		
Revenue Reserves	50		
Share Premium	60		
10% Debentures	4		
Current Liabilities	70		
	<u>312</u>		<u>312</u>

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01.04.2010	Equity shares buy back A/c* To Bank A/c (Being 3 lakhs equity shares of ₹ 10 each bought back @ ₹ 30 per share)	Dr.	90.00	90.00
01.04.2010	Equity share capital A/c Securities premium A/c To Equity Shares buy back A/c (Being cancellation of shares bought back)	Dr. Dr.	30.00 60.00	90.00
01.04.2010	Revenue reserve A/c (20 + 30) To Capital redemption reserve A/c (Being creation of capital redemption reserve account to the extent of the face value of preference shares redeemed and equity shares bought back as per the law)	Dr.	50.00	50.00

The buy back of equity shares exceeds 25% of total equity shares as per provisions of the Companies Act, 2013. Therefore, the company Extra Ltd. is subject to penalty under the Companies Act.

01.04.2010	10% Debentures A/c To Investment (own debentures) A/c To Profit on cancellation of own debentures A/c (Being cancellation of own debentures costing ₹ 2 lakhs, face value being ₹ 2.20 lakhs and the balance being profit on cancellation of debentures)	Dr.	2.20	2.00 0.20
01.04.2010	Profit on cancellation of debentures A/c To Capital reserve A/c (Being profit on cancellation of debentures transferred to capital reserve account)	Dr.	0.20	0.20

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01.04.2010	Bank A/c Employees stock option outstanding (Current liabilities) A/c To Equity share capital A/c To Securities premium A/c (Being the allotment to employees, of 50,000 shares of ₹ 10 each at a premium of 20 per share in exercise of stock options by employees)	Dr. Dr.	10.00 5.00	5.00 10.00
01.04.2010	Securities premium A/c To Premium on redemption of preference shares A/c (Being premium on redemption of preference shares adjusted through securities premium)	Dr.	2.00	2.00

Balance Sheet of Extra Ltd.
as on 01.04.2010

Particulars	Note No.	₹ in Lakhs
I. Equity and Liabilities:		
(1) Shareholders' Funds		
(a) Share Capital	1	75.00
(b) Reserves and Surplus	2	66.20
(2) Non-Current Liabilities		
(a) 10% Debentures	3	1.80
(3) Current Liabilities	4	65.00
Total		208.00
II. Assets :		
(1) Non-current assets		
PPE & Intangible Assets		50.00
(a) Property Plant and Equipment		118.00
(b) Non-current investments - investment at cost	5	40.00
(2) Current Assets	6	
Total		208.00

Transfer to Accounts:

Particulars		₹ in Lakhs
Equity Share Capital		
Opening balance		
Less: Cancellation of bought back shares	100.00	
Add: Share issued against ESOP	(30.00)	
	<u>5.00</u>	75.00
Reserves & Surplus		
Capital Reserve		
Opening balance		
Add: Profit on cancellation of debenture	8.00	
	<u>0.20</u>	8.20
Revenue Reserves		
Opening balance	50.00	
Less: Creation of CRR	(50.00)	0.00
Security Premium		
Opening balance	60.00	
Less: Adjustment for cancellation of equity share	(60.00)	
Less: Adjustment for premium on redemption of pref. share	(2.00)	
Add: Share issued against ESOP shares at premium	<u>10.00</u>	8.00
Capital Redemption Reserve	<u>50.00</u>	66.20
10% Debentures		
Opening balance	4.00	
Less: Cancellation of own debenture	(2.20)	1.80
Current Liabilities		
Opening balance	70.00	
Less: Adjustment for ESOP outstanding	(5.00)	65.00
Investment		
Opening balance	120.00	
Less: Debentures Cancelled	(2.00)	118.00

6. Current Assets			
Opening balance		142.00	
Less: Payment to preference shareholders		(22.00)	
Less: Payment to equity shareholders		(90.00)	
Add: Share price received against ESOP		<u>10.00</u>	40.00

Space to write important points for revision

Q.1.3	2012 - May [3] (a), RTP	Practical
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Following is the Balance Sheet of M/s Competent Limited as on 31st March, 2012:

Liabilities	₹	Assets	₹
Equity Shares of ₹ 10 each fully paid	12,50,000	PPE	46,50,000
Revenue Reserve	15,00,000	Current Assets	30,00,000
Securities Premium	2,50,000		
Profit & Loss Account	1,25,000		
Secured Loans:			
12% Debentures	18,75,000		
Unsecured Loans	10,00,000		
Current Liabilities	16,50,000		
Total	76,50,000	Total	76,50,000

The company wants to buy back 25,000 equity shares of ₹ 10 each, on 1st April, 2012, at ₹ 20 per share. Buy back of shares is duly authorized by its articles and necessary resolution passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as a part of Current Assets.

Comment with your calculations, whether buy back of shares by company is within the provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare Balance Sheet after buy back of shares. (8 marks)

Answer:

Determination of buy back of maximum number of shares as per the Companies Act, 2013

1. Shares Outstanding

Particulars	(Shares)
Number of shares outstanding	1,25,000
25% of the shares outstanding	31,250

2. Resources Allocation

Particulars	
Paid up capital (₹)	12,50,000
Free reserves (₹) (15,00,000 + 2,50,000 + 1,25,000)	<u>18,75,000</u>
Shareholders' funds (₹)	<u>31,25,000</u>
25% of Shareholders fund (₹)	7,81,250
Buy back price per share	₹ 20
Number of shares that can be bought back (shares)	39,063

3. Debt Equity Ratio Test

	Particulars	₹
(a)	Loan funds (18,75,000 + 10,00,000 + 16,50,000)	45,25,000
(b)	Minimum equity to be maintained after buy back in the ratio of 2 : 1	22,62,500
(c)	Present equity/shareholders fund (₹)	31,25,000
(d)	Future equity/shareholders fund (₹) (31,25,000 – 2,87,500)	28,37,500
	Maximum permitted buy back (d - b)	5,75,000
(e)	Maximum number of shares that can be bought back @ ₹ 20/ share	28,750 Shares

Statement determining the maximum number of shares to be bought back

Particulars	Number of shares
Shares Outstanding Test	31,250
Resources Test	39,063
Debt Equity Ratio Test	43,125
Maximum number of shares that can be bought back [least of the above]	31,250

Company qualifies all tests for buy-back of shares and came to the conclusion that it can buy maximum 31,250 shares on 1st April, 2012.

Whereas company wants to buy-back only 25,000 equity shares @ ₹ 20. Hence, buy-back of 25,000 shares, as desired by the company is within the provisions of the Companies Act, 2013.

Journal Entries for buy-back of shares

	Particulars	Debit (₹)	Credit (₹)
(a)	Equity shares buy-back account To Bank account (Being buy back of 25,000 equity shares of ₹10 each @ ₹ 20 per share)	Dr. 5,00,000	5,00,000
(b)	Equity shares capital account Securities premium account To Equity shares buy-back account (Being cancellation of shares bought back)	Dr. 2,50,000 Dr. 2,50,000	5,00,000
(c)	Revenue reserve account To Capital redemption reserve account (Being transfer of free reserves to CRR to the extent of nominal value of capital bought back through free reserves)	Dr. 2,50,000	2,50,000

**Balance Sheet of M/s. Competent Ltd.
as on 31st March, 2012**

Particulars	Note No.	Amt. (₹)
Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	10,00,000
(b) Reserves and Surplus	2	16,25,000
2. Non-Current Liabilities		
Long-term borrowings	3	18,75,000
3. Current Liabilities		
Short-term borrowings	4	10,00,000
Other Current Liabilities		16,50,000
Total		71,50,000
Assets		
1. Non-Current Assets		
PPE and Intangible Assets		46,50,000
Property Plant and Equipment		
2. Current Assets		
(30,00,000 - 5,00,000)		25,00,000
Total		71,50,000

Notes to Account

	₹	₹
1. Share Capital		
1,00,000 Equity Shares of ₹ 10 each		10,00,000
2. Reserves and Surplus		
1. Capital Redemption Reserve	2,50,000	
2. Revenue Reserve	12,50,000	
3. Profit & Loss A/c	1,25,000	16,25,000

3. Long-terms borrowings		
- 12% Debentures		18,75,000
4. Short-terms borrowings		
- Unsecured loan		10,00,000

Note : Revenue reserve account, Securities Premium Account and Profit and Loss Account are considered as free reserves in total.

Space to write important points for revision

Q.1.4	2012 - Nov [3] (a)	Practical	
M Ltd. furnishes the following summarized Balance Sheet as at 31 st March, 2012:			
		₹ in '000	₹ in '000
<i>Equity & Liabilities</i>			
	Share Capital		5,000
	Authorised Capital:		
	Issued and Subscribed Capital:		
	3,00,000 Equity shares of ₹ 10 each fully paid up	3,000	
	20,000 9% Preference Shares of ₹ 100 each	2,000	5,000
	(issued two months back for the purpose of buy back)		
	Reserve and Surplus:		
	Capital reserve	10	
	Revenue reserve	4,000	
	Securities premium	500	
	Profit and Loss account	1,800	6,310
	Non-current liabilities - 10% Debentures		400
	Current liabilities and provisions		40
			<u>11,750</u>

Assets		
Property Plant and Equipment: Cost	3,000	
Less Provisions for depreciation	250	2,750
Non-current investments at cost		5,000
Current assets, loans and advances (including cash and bank balances)	4,000	
		11,750

- (1) The company passed a resolution to buy back 20% of its equity capital @ ₹ 15 per share. For this purpose, it sold its investments of ₹ 30 lakhs for ₹ 25 lakhs.
- (2) The company redeemed the preference shares at a premium of 10% on 1st April, 2012.
- (3) Included in its investments were 'Investments in own debentures' costing ₹ 3 lakhs (face value ₹ 3.30 lakhs). These debentures were cancelled on 1st April, 2012.
- You are required to pass necessary Journal entries and prepare the Balance Sheet on 01.04.2012. (12 marks)

Answer:

In the books of M Ltd.
Journal Entries

Date	Particulars		Dr.	Cr.
			₹ in '000	₹ in '000
1	Bank A/c	Dr.	2,500	
	Profit and Loss A/c To Investment A/c (Being investment sold for the purpose of buy-back)	Dr.	500	3,000
2	Preference share capital A/c	Dr.	2,000	
	Premium on redemption of Preference Shares A/c To Preference shareholders A/c (Being redemption of preference share capital at premium of 10%)	Dr.	200	2,200

3	Preference Shareholders A/c To Bank A/c (Being payment made to preference shareholders)	Dr.	2,200	2,200
4	Revenue Reserve A/c To Capital redemption reserve A/c (Refer Note) (Being creation of capital redemption reserve to the extent of nominal value of preference shares redeemed)	Dr.	2,000	2,000
5	Equity Share Capital A/c	Dr.	600	
	Securities Premium A/c (Premium payable on buy-back) To Equity shares buy-back A/c (Being the amount due on buy-back)	Dr.	300	900
6	Equity shares buy-back A/c To Bank A/c (Being payment made for buy-back)	Dr.	900	900
7	10% Debentures A/c	Dr.	330	
	To Own debentures A/c To Capital reserve A/c (Profit on cancellation) (Being own debentures cancelled at profit)			300 30
8	Securities Premium A/c To Premium on redemption of preference shares A/c (Being premium on redemption of preference shares adjusted through securities premium)	Dr.	200	200

Balance Sheet of the M Ltd. as on 1st April, 2012

Particulars	Notes No.	₹ in '000
Equity and Liabilities:		
1. Shareholders' Funds		
Share capital	1	2,400
Reserves and Surplus	2	5,340
2. Non-current liabilities		
Long term borrowings	3	70
3. Current Liabilities		
		40
Total		7,850

Assets:		
1. Non-current assets		
PPE and Intangible Assets		
(a) Property Plant and Equipment		2,750
(b) Non-current investments	4	1,700
2. Current assets	5	3,400
Total		7,850

Notes to Accounts:

Particulars			₹ in '000	₹ in '000
1	Share Capital			
	Authorised share capital:			5,000
	Issued, subscribed and fully paid up share capital: 2,40,000 Equity shares of ₹ 10 each, fully paid up (60,000 equity shares had been bought back and cancelled during the year)			<u>2,400</u>
2	Reserves and Surplus			
	Capital Reserves	10		
	Add: Profit on cancellation of debentures	<u>30</u>	40	
	Securities Premium	500		
	Less: Premium on redemption of preference shares	(200)		
	Premium on buy-back of equity shares	<u>(300)</u>		
	Revenue Reserve	4,000		
	Less: Transfer to Capital Redemption Reserve	<u>(2,000)</u>	2,000	
	Capital Redemption reserve			
	Surplus (Profit & Loss Account)	1,800	2,000	
	Less: Loss on sale of investment	<u>(500)</u>	<u>1,300</u>	5,340

3	Long term borrowings			
	10% Debentures (400-330)			70
4	Non-current investments			
	Balance as on 31.03.2012		5,000	
	Less: Investment sold		(3,000)	
	Own debentures cancelled		<u>(300)</u>	1,700
5	Current assets			
	Balance as on 31.03.2012		4,000	
	Add: Cash received on sale of investment		2,500	
	Less: Payment made to equity shareholders for buy back of shares		900	
	Payment made to preference shareholders		<u>(2,200)</u>	3,400

Note: In the given solution, it is assumed that buy-back of shares has been done out of the proceeds of issue of preference shares, therefore, no amount is transferred to capital redemption reserve for buy-back. However, if it is assumed that buy-back is from sale of investments and not from the proceeds of issue of preference shares, then, amount of revenue reserves transferred to capital redemption reserve will be ₹ 2,600 instead of ₹ 2,000.

— Space to write important points for revision

Q.1.5	2014 - May [7] (e)	Descriptive
		Give four conditions to be fulfilled by a Joint Stock Company to buy back its equity Shares. (4 marks)

Answer :

As per Section 68(2) of the Companies Act, 2013, joint stock company has to fulfill the following conditions to buy back its own equity share:

1. The buy back is authorised by its articles.
2. A special resolution has been passed in general meeting of the company authorising the buy back.

3. The buy back does not exceed 25% of the total paid up capital and free reserves of the company. Provided the buy back must not exceed 25% of its total paid up equity capital in that financial year.
4. The ratio of debt owed by the company is not more than twice the capital and its free reserves after such buy back.

Space to write important points for revision

Q.1.6	2016 - May [3] (a), RTP	Practical
Following is the summarized Balance Sheet of M/s Complicated Ltd. as on 31 st March, 2016:		
Liabilities		Amount (₹)
Equity shares of ₹ 10 each fully paid up		12,50,000
Bonus shares		1,00,000
Share option outstanding Account		4,00,000
Revenue Reserve		15,00,000
Securities Premium		2,50,000
Profit & Loss Account		1,25,000
Capital Reserve		1,00,000
Revaluation Reserve		1,00,000
Unpaid dividends		1,00,000
12% Debentures (Secured)		18,75,000
Advance from related parties (Unsecured)		10,00,000
Current maturities of long term borrowings		16,50,000
Application money received for allotment due for refund		2,00,000
		86,50,000

Assets	Amount (₹)
Property Plant and Equipment	46,50,000
Current Assets	40,00,000
	86,50,000

The Company wants to buy back 25000 equity shares of ₹ 10 each, on 1st April, 2016 at ₹ 20 per share. Buy back of shares is duly authorised by its Articles and necessary resolution has been passed by the Company towards this. The payment for buy back of shares will be made by the Company out of sufficient bank balance available shown as part of Current Assets.

Comment with your calculations, whether buy back of shares by the Company is within the provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare the Balance Sheet after buy back of shares. (12 marks)

Answer:

Determination of Buy back of maximum no. of shares as per the Companies Act, 2013

1. Shares Outstanding Test:

Particulars	(Shares)
Number of shares outstanding (₹ 12,50,000 + ₹ 1,00,000) / ₹ 10	1,35,000
25% of the shares outstanding	33,750

2. Resources Test: Maximum permitted limit 25% of Equity paid up capital + Free reserves

Particulars	Amount
Paid up capital (₹)	₹ 13,50,000
Free reserves (₹) (15,00,000 + 2,50,000 + 1,25,000)	₹ 18,75,000
Shareholders' funds (₹)	₹ 32,25,000

25% of Shareholders fund (₹)	₹ 8,06,250
Buy back price per share	₹ 20
Number of shares that can be bought back (shares)	40,312
Actual Number of shares for buy back	25,000

3. Debt Equity Ratio Test:

Particulars	Amount (₹)
Should be 2 : 1	
(a) Loan funds (given) (18,75,000 + 10,00,000)	28,75,000
(b) Minimum equity to be maintained after buy back (2:1) (a ÷ 2)	14,37,500
(c) Present equity/shareholder's fund	32,25,000
(d) Permissible dilution (c - b)	17,87,500
(e) Buyback price	₹ 20
(f) Maximum permitted buyback of Equity (d) ÷ [(e) + FV]	89,375 Shares

Summary statement determining the maximum number of shares to be bought back:

Particulars	Number of shares
Shares Outstanding Test	33,750
Resources Test	40,312
Debt Equity Ratio Test	89,375
Maximum number of shares that can be bought back [least of the above]	33,750

Company qualifies all tests for buy-back of shares and conclusion is that it can buy maximum 33,750 shares on 1st April, 2016.

However, company wants to buy-back only 25,000 equity shares @ ₹ 20. Therefore, buy-back of 25,000 shares, as desired by the company is within the provisions of the Companies Act, 2013.

Journal Entries

Particulars		Dr. (₹)	Cr. (₹)
1.	Equity Shares buy back A/c To Bank A/c (Being buy back of 25,000 equity shares of ₹ 10 each @ ₹ 20 per share)	Dr. 5,00,000	5,00,000
2.	Equity Share capital A/c Securities Premium A/c To Equity Shares buy back A/c (Being cancellation of shares bought back)	Dr. 2,50,000 Dr. 2,50,000	5,00,000
3.	Revenue Reserve A/c To Capital Redemption Reserve A/c (Being transfer of free reserve to C.R.R to extent of nominal value of shares bought back)	Dr. 2,50,000	2,50,000

Balance Sheet of M/s Complicated Ltd. as at 31st March, 2016.

Particulars	Note No.	Amt. (₹)
Equity & Liabilities:		
1. Shareholder's funds		
(a) Share Capital		11,00,000
(b) Share option outstanding Account		4,00,000
(c) Reserves & Surplus	1	18,25,000
2. Non Current Liabilities		
(a) Long Term Borrowings	2	28,75,000
3. Current Liabilities		
(a) Short Term Borrowings		
(b) Other Current Liabilities	3	19,50,000
		81,50,000

Assets:		
1. Non Current Assets		
PPE and Intangible Assets		
(a) Property Plant and Equipment		46,50,000
2. Current Assets		35,00,000
		81,50,000
* Notes to Accounts:		(₹)
1. Reserves & Surplus:		
Revenue Reserve		12,50,000
Profit & Loss Account		1,25,000
Capital Reserve		1,00,000
Revaluation Reserve		1,00,000
Capital Redemption Reserve		2,50,000
		18,25,000
2. Long Term Borrowings:		
12% Debentures		18,75,000
Advance from related parties		10,00,000
		28,75,000
3. Other Current Liabilities:		
Unpaid Dividends		1,00,000
Current maturities of long term borrowings		16,50,000
Application money received for allotment due for refund		2,00,000
		19,50,000

* Note:

- Share option outstanding account is a provision created for the purpose of employee stock option plan so that it is not considered for calculating total paid up share capital.
- Advance from related parties (Unsecured) are taken as long term borrowings and all the Property Plant and Equipment are considered as tangible property plant and equipment in absence of information.

Q.1.7 2016 - Nov [3] (b)

Practical

The following is the Summarized Balance Sheet of M/s. Vriddhi Infra Ltd. as on 31st March, 2016:

Equity & Liabilities	Amount (₹)	Assets	Amount (₹)
1. Shareholders Fund		1. Non Current Assets	
(a) Share Capital:		PPE and Intangible Assets	
1,00,000 Equity Shares of ₹ 10 each fully paid up	10,00,000	(a) Property Plant and Equipment	
(b) Reserve & Surplus:		Land & Building	21,50,000
Securities Premium	3,00,000	Plant & Machinery	15,00,000
General Reserve	2,50,000	(b) Non-Current Investments	2,00,000
Profit & Loss Account Surplus	1,50,000	2. Current Assets	
2. Non-Current Liabilities		(a) Trade Receivables	5,50,000
Long Term Borrowings:		(b) Inventories	1,80,000
10% Debentures (Secured by floating charge on all assets)	20,00,000	(c) Cash and Cash Equivalents	40,000
Unsecured Loans	8,00,000		
3. Current Liability & Provisions			
Trade Payables	1,20,000		
Total	46,20,000		46,20,000

On 21st April, 2016 the Company announced the buy back of 25,000 of its equity shares @ ₹ 15 per share. For this purpose, it sold all its investment for ₹ 2.50 lakhs.

On 25th April, 2016, the company achieved the target of buy back.

On 1st May, 2016 the company issued one fully paid up share of ₹ 10 each by way of bonus for every five equity shares held by the equity shareholders.

You are requested to pass necessary Journal Entries for the above transactions.

All necessary workings should form part of your answer. (6 marks)

Answer:

**In the books of Vriddhi Infra Ltd.
Journal Entries**

Date 2016	Particulars	L.F.	Dr. (₹)	Cr. (₹)
April 21	Bank A/c Dr. To Investment A/c To Profit on Sale of Investment (Being investment sold on profit)		2,50,000	2,00,000 50,000
April 25	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity shares buy back A/c (Being the amount due to equity shareholders on buy back)		2,50,000 1,25,000	3,75,000
	Equity shares buy back A/c Dr. To Bank A/c (Being the payment made on account of buy back of 25000 Equity Shares)		3,75,000	3,75,000
	General Reserve A/c / P&L A/c Dr. To Capital Redemption Reserve A/c (Being amount equal to nominal value of buy back shares from free reserves transferred to capital redemption reserve account as per the law)		2,50,000	2,50,000

* It is assumed that there is bank overdraft amounting ₹ 85,000 [(40,000 + 2,50,000) less ₹ 3,75,000]

1 st May	Capital Redemption Reserve A/c Dr. To Bonus Shares A/c (W.N.1) (Being the utilization of capital redemption reserve to issue bonus shares)	1,50,000	1,50,000
	Bonus Shares A/c Dr. To Equity Share Capital A/c (Being issue of one bonus equity share for every five equity shares held)	1,50,000	1,50,000

Working Note:

$$\text{Amount of bonus shares} = \left[(1,00,000 - 25,000) \times \frac{1}{5} \right] \times 10$$

$$= 15,000 \times ₹ 10 = ₹ 1,50,000$$

Space to write important points for revision

Q.1.8	2017 - May [3] (b)	Practical	
SMM Ltd. has the following capital structure as on 31st March, 2017:			
₹ in crores			
Particulars		Situation I	Situation II
(i)	Equity share capital (shares of ₹ 10 each)	1,200	1,200
(ii)	Reserves:		
	General Reserves	1,080	1,080
	Securities Premium	400	400
	Profit & Loss	200	200
	Infrastructure Development Reserve (Statutory Reserve)	320	320
(iii)	Loan Funds	3,200	6,000

The company has offered a buy back price of ₹ 30 per equity share. You are required to calculate maximum permissible number of equity shares that can be bought back in both situations and also required to pass necessary Journal Entries. (8 marks)

Answer:

Determination of Buy-back of maximum no. of shares as per Co. Act. 2013

Particulars	Situation - I		Situation - II	
	₹ (Cr.)	Shares	₹ (Cr.)	Shares
1. Shares Outstanding Test: (1,200 × 25%)	300	30,00,00,000	300	30,00,00,000
2. Resources Test: Shareholders fund (1,200 + 1,080 + 400 + 200) = 2,880 (2,880 × 25%)	720	24,00,00,000	720	24,00,00,000
3. Debt Equity Ratio Test				
I. Shareholders fund 2,880 (-) ½ of Debt (3,200/2) (1,600) 1,280 (1,280 × 30/40) 960		32,00,00,000		
II. Shareholders fund 2,880 (-) ½ of Debt (6,000/2) (3,000) (120)			0	0

Thus, SMM Ltd. can buy-back 24 crores shares in Situation - I but it cannot buy-back shares in Situation - II.

Journal Entries (in crores)

No.	Particulars	Dr. ₹	Cr. ₹
1.	Equity shares Buy-back A/c To Bank A/c (Being buy-back of 24 crores equity shares of ₹ 10 each @ ₹ 30 per share)	720	720

2.	Equity share Capital A/c Securities Premium A/c To Equity shares Buy-back A/c (Being cancellation of shares bought back)	Dr. Dr.	240 480	720
3.	Securities Premium Account General Reserve Account/Profit & Loss A/c To Premium Payable on buyback Account (Being Premium Payable on buyback Account charged to Securities Premium and General Reserve/Profit & Loss A/c)	Dr. Dr.	400 80	480
4.	General Reserve A/c To Capital Redemption Reserve (Being Creation of the C.R.R.)	Dr.	240	240

Space to write important points for revision

Q.1.9	2018 - May [2] (a)	Practical
Alpha Ltd. furnishes the following summarized Balance Sheet as at 31 st March, 2017:		
	₹ in lakhs	₹ in lakhs
Equity & Liabilities		
Shareholder's Funds		
Equity share capital (fully paid up shares of ₹ 10 each)		2,400
Reserves and Surplus		
Securities Premium	350	
General Reserve	530	
Capital Redemption Reserve	400	
Profit & Loss Account	340	1,620

Non-current Liabilities		
12% Debentures		1,500
Current Liabilities		
Trade Payables	₹,490	
Other Current Liabilities	390	1,880
Total		7,400
Assets		
Non-current Assets		
PPE and Intangible Assets		
(a) Property Plant and Equipment		4,052
Current Assets		
Current Investments	148	
Inventories	1,200	
Trade Receivables	520	
Cash and Bank	1,480	3,348
Total		7,400

(i) On 1st April, 2017, the company announced buy-back of 25% of its equity shares @ ₹ 15 per share. For this purpose, it sold all its investment for ₹ 150 lakhs.

(ii) On 10th April, 2017 the company achieved the target of buy-back.

(iii) On 30th April, 2017, the company issued one fully paid up equity share of ₹ 10 each by way of bonus for every four equity shares held by the equity shareholders by capitalization of Capital Redemption Reserve.

You are required to pass necessary journal entries and prepare the Balance Sheet of Alpha Ltd. after bonus issue. (10 marks)

Answer:

In the books of Alpha Ltd. Journal Entries

Date 2017	Particulars	Dr. (₹ in lakhs)	Cr. (₹ in lakhs)
April 1	Bank A/c Dr.	150	
	To Investment A/c		148
	To Profit on sale of investment		2
	(Being investment sold on profit)		

April 10	Equity Share Capital A/c Dr.	600	
	Securities Premium A/c Dr.	300	
	To Equity shares buy bank A/c		900
	(Being the amount due to equity Shareholders on buy back)		
	Equity shares buy back A/c Dr.	900	
	To Bank A/c		900
	(Being the payment made on account of buyback of 60 lakhs Equity Shares)		
April 10	General Reserve A/c Dr.	530	
	Profit and Loss A/c Dr.	70	
	To Capital redemption reserve A/c		600
	(Being the amount equal to nominal value of buy back shares from free reserves transferred to Capital redemption reserve account as per law)		
April 30	Capital Redemption reserve A/c Dr.	450	
	To Bonus share A/c (W.N.1)		450
	(Being the utilization of capital redemption reserve to issue bonus shares)		
	Bonus Shares A/c Dr.	450	
	To Equity Share Capital A/c		450
	(Being issue of one bonus equity share for every four equity shares held)		
	Profit on sale of investment	2	
	To Profit and Loss A/c		2
	(Profit on sale transfer to P&L A/c)		

Balance Sheet (After buy back and issue of bonus shares)

Particulars	Note No.	Amount (₹ in lakhs)
(I) Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	2,250
(b) Reserves and Surplus	2	872
(2) Non Current Liabilities		
(a) Long -term borrowings -12% debentures		1,500
(3) Current Liabilities		
(a) Trade Payables		1,490
(b) Other current liabilities		390
Total		6,502
(II) Assets		
(1) Non Current Assets		
PPE and Intangible Assets		
(i) Property Plant and Equipment		4,052
(2) Current Assets		
(a) Current investments		
(b) Inventory		1,200
(c) Trade receivables		520
(d) Cash and Cash Equivalent (W.N.2)		730
Total		6,502

Notes to Account

	₹
1. Share Capital	
Equity Share Capital (225 lakh fully paid up shares of ₹ 10 each)	2,250
2. Reserves and Surplus	
General Reserve	530
Less: Transfer to CRR	(530)
Capital Redemption Reserve	400
Add: Transfer due to buy-back of shares from P/L	70
Add: Transfer due to buy-back of shares from Gen. Res.	530
Less: Utilisation for issue of Bonus shares	(450)
Securities Premium	350
Less: Adjustment for premium paid on buy back	(300)
Profit and Loss A/c	340
Add: Profit on sale of investments	2
Less: Transfer to CRR	(70)
	272
	872

Working Notes :

- Amount of bonus shares = 25% of (2,400 - 600) lakhs
= ₹ 450 lakhs
- Cash at bank after issue of bonus shares

	(₹ in lakhs)
Cash balance as on 1 st April, 2017	1,480
Add: Sale of investments	150
	1,630
Less: Payment for buyback of shares	(900)
	730

Note : In the given case, it is possible to adjust transfer to capital redemption reserve account or capitalization of bonus shares from any other free reserves or Securities Premium (to the extent available) also.

— Space to write important points for revision —

Q.1.10	2019 - May [2] (a)	Practical
Following is the summarized Balance Sheet of Super Ltd. as on 31 st March, 2018.		
Liabilities	In ₹	
Share Capital		
Equity Shares of ₹ 10 each fully paid up	17,00,000	
Reserves & Surplus		
Revenue Reserve	23,50,000	
Securities Premium	2,50,000	
Profit & Loss Account	2,00,000	
Infrastructure Development Reserve	1,50,000	
Secured Loan		
9% Debentures	22,50,000	
Unsecured Loan	8,50,000	
Current Maturities of Long term borrowings	15,50,000	
	93,00,000	
Assets		
PPE and Intangible Assets		
PPE	58,50,000	
Current Assets		
Current Assets	34,50,000	
	93,00,000	

Super Limited wants to buy back 35,000 equity shares of ₹ 10 each full paid up on 1st April, 2018 at ₹ 30 per share.

Buy Back of shares is fully authorised by its articles and necessary resolutions have been passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as part of the Current Assets.

Comment with calculations, whether the Buy Back of shares by the company is within the provisions of the Companies Act, 2013.

(10 marks)

Answer:

Determination of Buy-back of maximum number of shares as per the Companies Act, 2013.

1. Shares outstanding Test:

Particulars	Shares
Number of shares outstanding	1,70,000
25% of the shares outstanding	42,500

2. Resources Test: Maximum permitted limit 25% of Equity paid-up capital + Free Reserves

Particulars	
Paid-up capital (₹)	17,00,000
Free Reserves (₹ 23,50,000 + ₹ 2,50,000 + ₹ 2,00,000)	28,00,000
Shareholders' funds (₹)	45,00,000
25% of shareholders' fund (₹)	11,25,000
Buy back price per share (₹)	30
Number of shares that can be bought back (shares)	37,500
Actual Number of shares for buy-back	35,000

3. **Debt Equity Ratio Test:** Loans cannot be in excess of twice the Equity Funds post Buy-back:

	Particulars	₹
(a)	Loan funds (₹) (₹ 22,50,000 + ₹ 8,50,000 + ₹ 15,50,000)	46,50,000
(b)	Minimum Equity to be maintained after buy-back in ratio of 2 : 1 ₹ (a/2)	23,25,000
(c)	Present equity/shareholders fund (₹)	45,00,000
(d)	Future equity/shareholders fund (₹) (₹ 45,00,000 – ₹ 5,43,750) (W.N.1)	39,56,250
(e)	Maximum permitted buy-back of equity (₹) [(d) – (b)]	16,31,250
(f)	Maximum number of shares that can be bought back @ ₹ 30 per share	54,375 shares
(g)	Actual Buy-back Proposed	35,000 shares

Summary statement determining maximum numbers of shares to be bought back.

Particulars	Number of shares
Shares outstanding Test	42,500
Resources Test	37,500
Debt Equity ratio Test	54,375
Maximum No. of shares can be bought back (least)	37,500

Company qualified all tests for buy-back of shares and come to the conclusion that it can buy maximum 37,500 shares on 1st April, 2018. However, company wants to buy-back only 35,000 shares @ 30. Therefore, buy-back of 35,000 shares, as desired by the company is within the provisions of the Companies Act, 2013.

Working Note:

1. Amount transfer to CRR and maximum equity to be bought back will be calculated by simultaneous equation method.
Suppose, amount transferred to CRR account is 'x' and maximum permitted buy-back of equity is 'y'
Then,

$$(\text{₹ } 45,00,000 - x) - \text{₹ } 23,25,000 = y \quad \text{_____ (1)}$$

$$\left(\frac{y}{\text{₹ } 30} \times \text{₹ } 10 \right) = x \text{ or } 3x = y \quad \text{_____ (2)}$$

So, putting value of y in equation No. (2)

$$3x = y$$

$$3x = (\text{₹ } 45,00,000 - x) - \text{₹ } 23,25,000$$

$$3x = \text{₹ } 21,75,000 - x$$

$$x = \text{₹ } 5,43,750$$

$$\text{So, } y = 3x$$

$$= 3(\text{₹ } 5,43,750)$$

$$y = 16,31,250$$

Space to write important points for revision

Q.1.11	2019 - Nov [2] (a)	Practical
X Ltd. furnishes the following summarized Balance Sheet as at 31-03-2018.		
Liabilities		(in ₹)
Share Capital		(in ₹)
Equity Share Capital of ₹ 20 each fully paid up	50,00,000	
10,000, 10% Preference Share of ₹ 100 each fully paid up,	<u>10,00,000</u>	60,00,000
Reserves & Surplus		
Capital Reserve	1,00,000	
Security Premium	12,00,000	

Revenue Reserve	5,00,000	
Profit and Loss	20,00,000	
Dividend Equalization Fund	5,50,000	43,50,000
Non-Current Liabilities		
12% Debenture		12,50,000
Current Liabilities and Provisions		5,50,000
Total :		1,21,50,000
Assets		
Fixed Assets (PPE)		
PPE		1,00,75,000
Current Assets		
Investment	3,00,000	
Inventory	2,00,000	
Cash and Bank	15,75,000	20,75,000
Total :		1,21,50,000

The shareholders adopted the resolution on the date of the above mentioned Balance Sheet to :

- Buy back 25% of the paid up capital and it was decided to offer a price of 20% over market price. The prevailing market value of the company's share is ₹ 30 per share.
- To finance the buy back of share company;
 - Issue 3000, 14% debenture of ₹ 100 each at a premium of 20%.
 - Issue 2500, 10% preference share of ₹ 100 each.
- Sell investment worth ₹ 1,00,000 for ₹ 1,50,000.
- Maintain a balance of ₹ 2,00,000 in Revenue Reserve.
- Later the company issue three fully paid up equity share of ₹ 20 each by way of bonus share for every 15 equity share held by the equity shareholder.

You are required to pass the necessary journal entries to record the above transactions and prepare Balance Sheet after buy back. (15 marks)

Answer: In the books of X Ltd.
Journal Entries

Particulars	Dr. (₹)	Cr. (₹)
Cash / Bank A/c Dr.	3,60,000	
To 14% Debenture A/c		3,00,000
To Premium on issue of debenture A/c (Being issue of debentures at Premium)		60,000
Cash / Bank A/c Dr.	2,50,000	
To 10% Preference share capital A/c (Being issue of 10% Preference shares at Par)		2,50,000
Cash / Bank A/c Dr.	1,50,000	
To Investment A/c		1,00,000
To Profit on sale of investment (Being investment sold on profit)		50,000
Equity Share Capital A/c Dr.	12,50,000	
Securities Premium A/c Dr.	10,00,000	
To Equity Shares Buy back A/c (Being the amount due to equity shareholders on buy back)		22,50,000
Equity share buy back A/c Dr.	22,50,000	
To Cash / Bank A/c (Being the payment made on account of buy back of 62,500 equity shares)		22,50,000
Revenue Reserve A/c Dr.	3,00,000	
Profit and Loss A/c Dr.	9,50,000	
To Capital Redemption Reserve (CRR) A/c (Being amount equal to nominal value of buy back shares from free reserves transferred to Capital Redemption Reserve account as per the law)		12,50,000

Capital Redemption Reserve A/c To Bonus Shares A/c (W.N.1) (Being the utilization of capital redemption reserve to issue bonus shares)	Dr.	7,50,000	7,50,000
Bonus Shares A/c To Equity Share Capital A/c Being issue of 3 bonus equity shares for every 15 equity shares held)	Dr.	7,50,000	7,50,000
Profit on Sale of investment A/c To profit and loss A/c (Profit on Sale of investment transfer to profit and loss A/c)	Dr.	50,000	50,000

Note : For transferring amount equal to nominal value of buy back shares from free reserves to capital redemption reserve account, as given in the question the amount of ₹ 2,00,000 required to be maintained in revenue reserve account. So ₹ 3,00,000 utilised from revenue reserve account and ₹ 9,50,000 utilised from profit and loss account for the purpose of transfer to CRR.

Balance Sheet (After buy back and issue of bonus share)

Particulars	Note No.	Amount (₹)
(I) Equity and Liabilities	-	
1. Shareholders's Funds		
(a) Share Capital	1	57,50,000
(b) Reserves and Surplus	2	27,10,000
2. Non current Liabilities		
(a) Long - term borrowings	3	15,50,000
3. Current liabilities and provisions		5,50,000
Total		1,05,60,000

II. Assets

1. Non - Current Assets

PPE & Intangible Assets		
(a) Fixed Assets (PPE)		
(i) PPE		1,00,75,000

2. Current Assets

(a) Investments	4	2,00,000
(b) Inventory		2,00,000
(c) Cash and Cash Equivalent (W.N.2)		85,000
Total		1,05,60,000

Notes to Account :

		₹	₹
1. Share Capital			
(i) Equity share capital Authorised, issued, subscribed & paid up capital (225000 equity shares of ₹ 20 each fully paid, (out of the above 37500 equity shares are issued for consideration other than cash)		45,00,000	
(ii) Preference share capital ₹ 12,500, 10% preference shares of ₹ 100 each		12,50,000	57,50,000
2. Reserves & Surplus			
Capital Reserve		1,00,000	
Security Premium	12,00,000		
Add : Debenture prem.	60,000		
Less : Premium on Buy back	(10,00,000)		
		2,60,000	

Revenue Reserve	5,00,000		
Less : Transfer to CRR	(3,00,000)	2,00,000	
Capital Redemption Reserve	12,50,000		
Less : Bonus issue	(7,50,000)	5,00,000	
Profit and loss	20,00,000		
Less : Transfer to CRR	(9,50,000)		
Add : Profit on sale of investments	(50,000)	11,00,000	
Dividend Equalization Fund		5,50,000	27,10,000
3. Long term Borrowings			
12% Debenture		12,50,000	
14% Debenture		3,00,000	15,50,000
4. Investment			
Investment	3,00,000		
Less : Sale	(1,00,000)		2,00,000

Working Notes :

1. Number of equity shares

$$= 2,50,000 - 62,500 \text{ (buy back)} + 37,500 \text{ (Bonus shares)}$$

$$= 2,25,000 \text{ Shares}$$

2. Cash/ Bank after issue of bonus share:

	₹
Cash and Bank as at 1 st April, 2018	15,75,000
Add: Sale of Investments	1,50,000
Add: Issue of 14% Debentures	3,60,000
Add: Issue of 10% Preference Shares	2,50,000
	23,35,000
Less: Payments for buy back of shares	(22,50,000)
	85,000

Space to write important points for revision

Q.1.12	2021 - Jan [6] (e)	Practical
Answer the following:		
The Directors of Umang Ltd. passed a resolution to buyback 5,00,000 numbers of its fully paid equity shares of ₹ 10 each at ₹ 15 per share. This buyback is in compliance with the provisions of the Companies Act, 2013 For this purpose, the company.		
(i) Sold its investments of ₹ 30,00,000 for ₹ 25,00,000.		
(ii) Issued 20,000, 12% preference shares of ₹ 100 each at par, the entire amount being payable with application.		
(iii) Used ₹ 15,00,000 of its Securities Premium Account apart from its adequate balance in General Reserve to fulfill the legal requirements regarding buy-back.		
(iv) The company has necessary cash balance for the payment to shareholders.		
You are required to pass necessary Journal Entries (including narration) regarding buy-back of shares in the books of Umang Ltd. (5 marks)		

Answer:

Journal Entries in the books of Umang Ltd.

S. No.	Particulars	Dr. ₹	Cr. ₹
1.	Bank A/c	Dr. 25,00,000	
	Profit and Loss A/c	Dr. 5,00,000	
	To Investment A/c		30,00,000
	(Being investment sold for the purpose of buy-back of Equity Shares)		
2.	Bank A/c	Dr. 20,00,000	
	To 12% Pref. Share capital A/c		20,00,000
	(Being 12% Pref. Shares issued for ₹ 20,00,000)		

3.	Equity share capital A/c	Dr.	50,00,000	
	Premium payable on buy-back	Dr.	25,00,000	
	To Equity shares buy-back A/c/ Equity shareholders A/c			75,00,000
	(Being the amount due on buy-back of equity shares)			
4.	Equity shares buy-back A/c/ Equity shareholders A/c	Dr.	75,00,000	
	To Bank A/c			75,00,000
	(Being payment made for buy-back of equity shares)			
5.	Securities Premium A/c	Dr.	15,00,000	
	General Reserve A/c	Dr.	10,00,000	
	To Premium payable on buy-back			25,00,000
	(Being premium payable on buy-back charged from Securities premium)			
6.	General Reserve A/c	Dr.	30,00,000	
	To Capital Redemption Reserve A/c			30,00,000
	(Being creation of capital redemption reserve to the extent of the equity shares bought back after deducting fresh pref. shares issued)			

Particulars	Situation 1	Situation 2
Equity Share Capital (Shares of ₹ 10 each, fully paid up)	30,00,000	30,00,000
Reserves & surplus		
General Reserve	12,00,000	12,00,000
Securities Premium	6,00,000	6,00,000
Profit & Loss	2,10,000	2,10,000
Statutory Reserve	4,20,000	4,20,000
Loan Funds	25,00,000	1,20,00,000

The company is planning to offer buy back of Equity Share at a price of ₹ 30 per equity share.
You are required to calculate maximum permissible number of equity shares that can be bought back in both the situations as per Companies Act, 2013 and are also required to pass necessary Journal Entries in the situation where the buyback is possible. (15 marks)

Space to write important points for revision

Q.1.13	2021 - July [2] (a)	Practical
A company provides the following 2 possible Capital Structure as on 31 st March, 2021:		