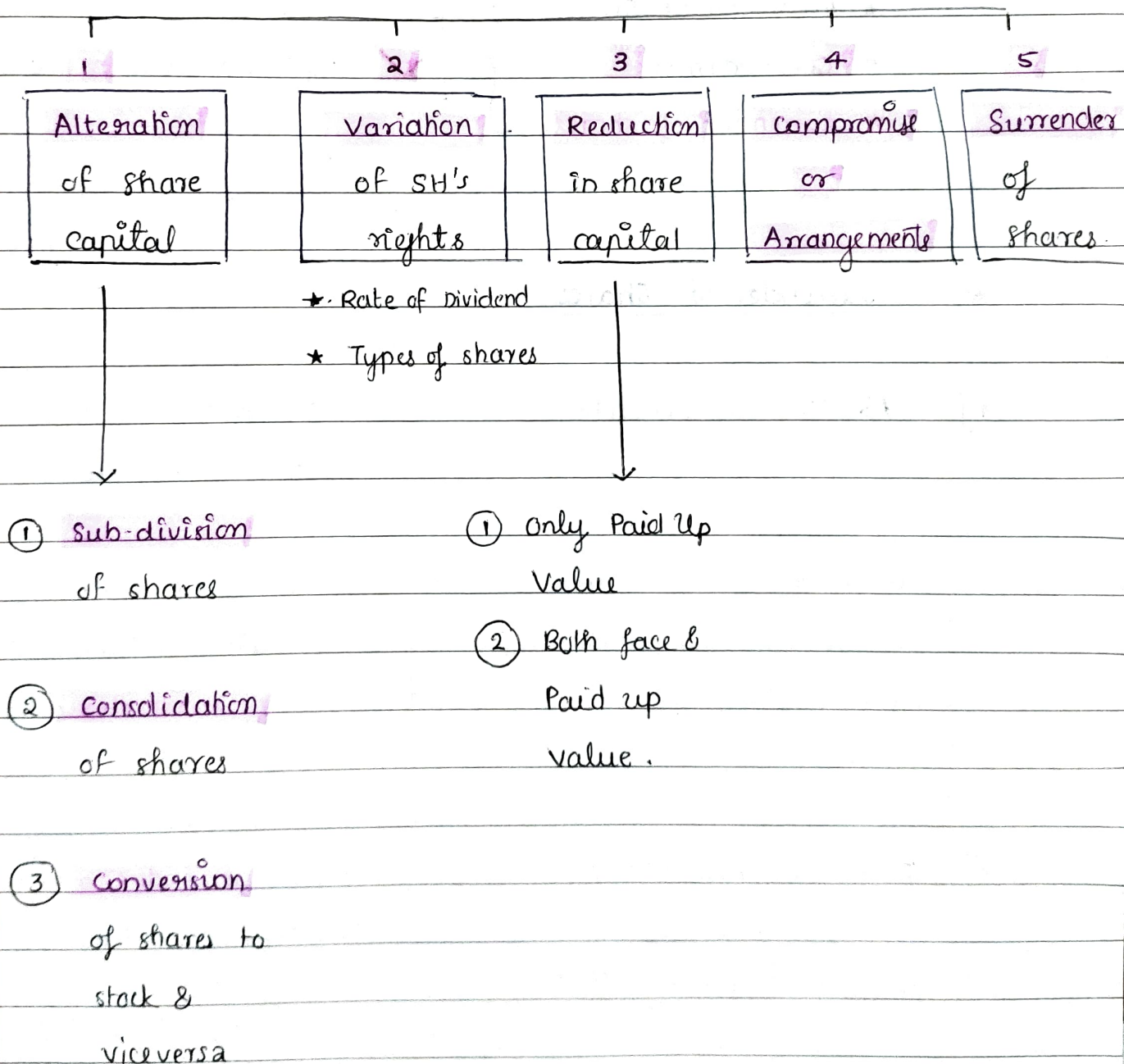


Chapter - 14

Internal Reconstruction

* Methods of internal reconstruction



Notes to remember:

* Alteration of SC
* Variation of SH rights } X Capital Reduction a/c

* Reduction of SC
* Compromises
* Surrender of shares } ✓ Capital reduction a/c

* Surrender of Shares

1] At time of surrender	SC a/c To Share Surrender a/c
2] If surrendered shares are utilised for payment of any obligation	(1) Liability a/c To Capital Reduction a/c (2) Share surrender a/c To SC a/c
3] Balance of surrendered shares remaining unutilized are cancelled	Share surrender a/c Dr To Capital reduction a/c

* Journal entries in case of Internal Reconstruction,

1. Decrease in Asset :

Capital Reduction a/c	Dr	xx	
To Asset a/c			xx

2. Increase in Asset

Asset a/c	Dr	xx	
To Capital Reduction a/c			xx

3. Increase in Liability

Capital Reduction a/c	Dr		
To Liability a/c			

4. Decrease in Liability

Liability a/c	Dr		
To Capital Reduction a/c			

12. For cancellation of surrendered shares

share surrender a/c	Dr	xx	
To Capital reduction a/c			xx

13. Balance of capital reduction a/c is transferred to capital reserve a/c

↳	CR a/c		xx
	To Capital reduction a/c		xx

↳	Capital reduction a/c	xx	
	To CR a/c		xx