

CONCEPTUAL ENTRIES.

1. For Buy Back of Shares.

| | | |
|------------------------|-----|----|
| Buy Back of Shares a/c | F.V | Dr |
| Buy Back premium a/c | | Dr |
| To Bank a/c | | |

2. For Buy Back premium written off.

| | | |
|-------------------------|--|----|
| Securities premium a/c | | Dr |
| Free reserves a/c | | Dr |
| To Buy Back premium a/c | | |

3. For Buy Back of Shares written off F.V

| | | |
|--------------------------|--|----|
| Equity Share capital a/c | | Dr |
| To Buy Back Shares a/c | | |

4. For creation of CRR [Capital Redemption Reserve]

$CRR = \text{Buy Back}^{F.V} \text{ Shares} - \text{Fresh issue}^{F.V} \text{ of Shares.}$

| | | |
|-------------------------------|--|----|
| Revenue Reserves a/c | | Dr |
| To Capital Redemption Reserve | | |

SALE OF ASSETS.

1. For Sale of assets

| | | |
|---------------------|--|----|
| Bank a/c | | Dr |
| PLL a/c [loss] | | Dr |
| To asset a/c | | |
| To PLL a/c [profit] | | |

BONUS SHARE

1. For declaration of Bonus Share

| | |
|---------------------------|----|
| Free Reserves a/c | Dr |
| To Bonus Shareholders a/c | |
2. For bonus issue

| | |
|--------------------------|----|
| Bonus Shareholders a/c | Dr |
| To Eq. Share Capital a/c | |

Redemption of pref. Shares.

1. For pref. Share Capital transfer to pref. Shareholders

| | |
|-------------------------------|----|
| pref. Share Capital a/c | Dr |
| Redemption of pref. Share a/c | Dr |
| To pref. Shareholders a/c. | |
2. For pref. Share Capital written off

| | |
|-----------------------------------|----|
| Securities Premium a/c | Dr |
| To Redemption of pref. Share a/c. | |
3. Amt paid to pref. Shareholders

| | |
|------------------------|----|
| pref. Shareholders a/c | Dr |
| To Bank a/c | |
4. Creation of CRR [Capital Redemption Reserve]

CRR = pref. Share - Fresh issue of Shares

| | |
|------------------------------------|----|
| Revenue Reserve a/c | Dr |
| To Capital Redemption Reserve a/c. | |

Esop

Bank a/c Dr
Esop a/c [Outstanding] Dr
To Equity Share Capital a/c
To Securities Premium a/c

Cum debentures Cancellation

PA
Old debentures a/c FV Dr
To ~~New~~ debentures cost
To profit/loss a/c

Sale of Investment

Bank a/c Dr
P/L a/c [loss] Dr
To Investment a/c
To P/L a/c [profit]

Cash & Cash Equivalent

- (+) debit amt
- (-) credit amt

Debt Equity Ratio

$$* \text{Equity} = \text{Capital} + \text{Reserves} + \text{Surplus}$$

$$* \text{loan fund} = \text{long term loans} + \text{debentures} - \text{CL}$$

Sec-68 : Determination of Quantum for Buy Back

(i) Share Outstanding Test

[25% of Share Capital]

(ii) Resource Test

$$[\text{Shareholder funds} = \text{Share Capital} + \text{Free Reserves} + \text{Surplus}]$$

[No. of Shares]

No. of Shares

(iii) Debt Equity Ratio Test [2:1] ^{Equity - 1} _{Debit - 2}

$$[\text{Debt} = \text{loan funds}]$$

$$[\text{Equity} = \text{Capital} + \text{Reserves} + \text{Premium} + \text{PLC}]$$

[No. of Shares] debt

\therefore available funds [Equity - debt] if Negative $\neq 0$