

శ్రీమతి (2010-11)

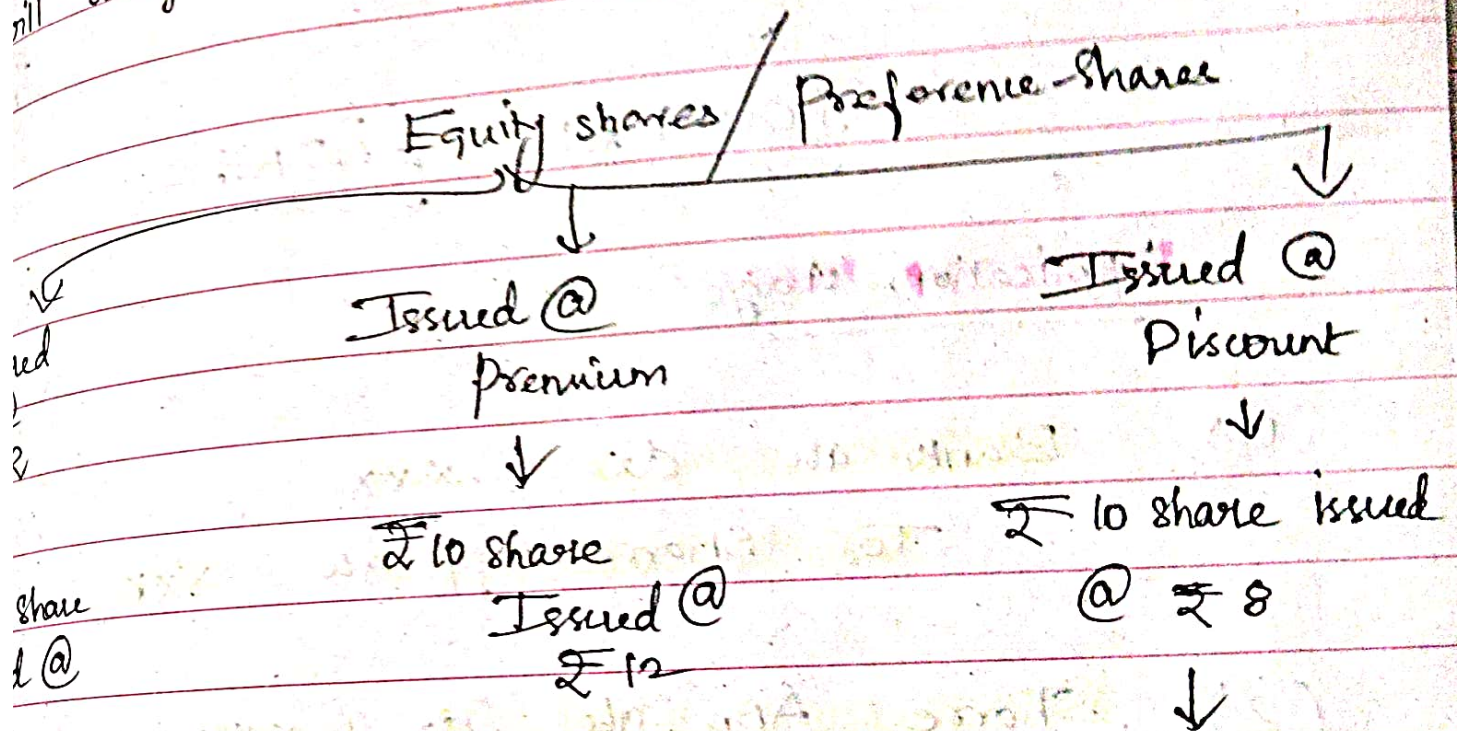
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ISSUE OF SHARES

Equity share capital / Preference share capital
will always be recorded @ F.V (face value).



PROHIBITED → except
in case of sweat equity shares

COUNTING FOR ISSUE

Minimum
subscription 90%

} If it goes below 90%
Undersubscription

App money received → refunded.



Over subscription → App received in excess of
Shares issued

Reject & Refund
excess Application

PRO RATA
Allotment

Pro Rata
reject
(+)
PRO RATA

JOURNAL ENTRIES

Application stage

(1) Bank a/c dr. xxx

To Share App a/c xxx

(2) Share App a/c dr. xxx

To share Capital a/c xxx

Allotment stage

(3) Share Allotment a/c dr. xxx

To share Capital a/c xxx

(4) Bank a/c dr. xxx

To Share Allotment a/c xxx

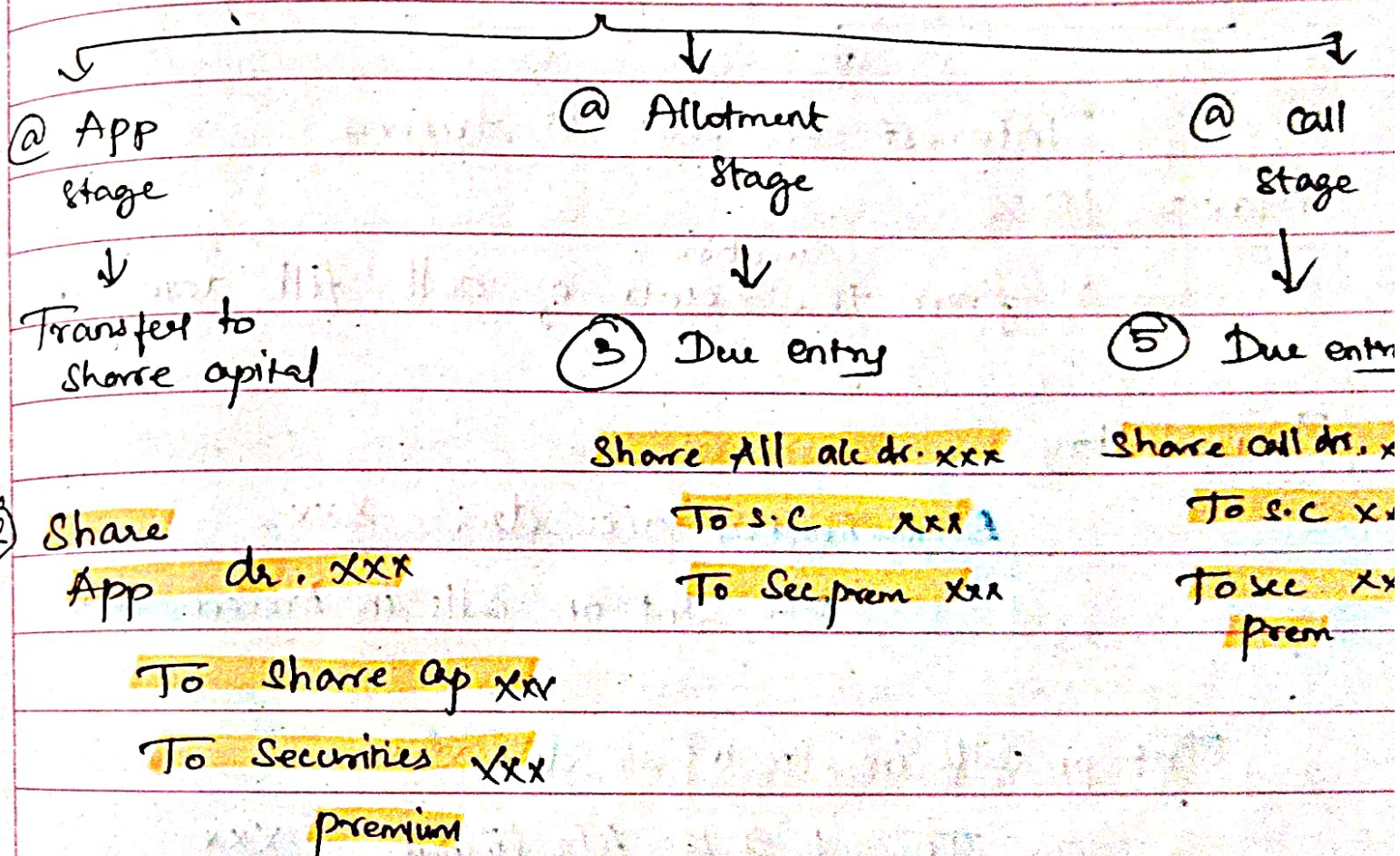


Call stage

(5) Share call ac dr. xxx
To share capital ac xxx

(6) Bank ac dr. xxx
To share call ac xxx

Shares issued @ Premium





Calls in Arrears

↓
Amt unpaid by Shareholders

↓
Asset (right to recover)

Called up capital	→	xxx
(-) Calls in Arrear		xx
Paid up capital	→	xxx

↓
Interest on calls in Arrears

Max = 10%

↳ from the ^{duration} date of call till date of payment

Due Entry

Shareholders a/c dr. xxx

To Int on calls in Arrears xxx

Int on calls in Arrears a/c dr. xxx

To P & L A/c (income) xxx

Banks a/c dr. xxx

To Shareholders a/c xxx

Calls in Advance



Amt paid before it is asked for



Liability



Not part of Share Capital



Current liability

Int on Calls in Advance

Maxt 12% p.a

duration → from date of receipt till
date of call.

Int on calls in Advance a/c dr. xxx

To Shareholder xxx

(Expense) P & L a/c dr. xxx

To Int on Calls in Advance xxx

Shareholder a/c dr. xxx

To Bank a/c xxx



Illustration - 1, 2, 3, 4 another note its basic only.

Illustration-5

Dr.		Cash Book (Bank Column)		Cr.
To	Eq. share App alc	12,50,000	By balance b/d	1,44,40,000
	(50,000 x 25)			
To	Pref share App alc	20,00,000		
	(1,00,000 x 20)			
To	Eq. share Allot	10,00,000		
To	pref share Allot alc	30,00,000		
To	Eq. share first call	15,00,000		
To	pref. share first			
	Call alc	20,00,000		
To	Eq. share final call	10,50,000		
	(42,000 x 25)			
To	pref share final	26,40,000		
	Call			
	(88,000 x 30)			
		<u>1,44,40,000</u>		<u>1,44,40,000</u>

JE

1. Equity share App alc dr. 12,50,000
Preference share App alc dr. 20,00,000
- | | |
|-----------------------------|-----------|
| To Equity share cap alc | 12,50,000 |
| To Preference share cap alc | 20,00,000 |

2. Equity share Allotment dr. 10,00,000
(50,000 x 20)
- Preference share Allotment dr. 30,00,000
(1,00,000 x 30)
- | | |
|-------------------------|-----------|
| To Equity share cap | 10,00,000 |
| To Preference share cap | 30,00,000 |

3. Equity share first call dr. 15,00,000
(50,000 x 30)
- Preference share first call dr. 20,00,000
(1,00,000 x 20)
- | | |
|--------------|-----------|
| To E.S.C alc | 15,00,000 |
| To P.S.C alc | 20,00,000 |

4. Equity share final alc dr. 12,50,000
(50,000 x 25)
- Preference share final call dr. 30,00,000
(1,00,000 x 30)
- | | |
|--------------|-----------|
| To E.S.C alc | 12,50,000 |
| To P.S.C alc | 30,00,000 |



Illustration - 6

JE in the book Pioneer Ltd.

2022 Oct
1

Bank a/c dr. 62,50,000

To share App a/c 62,50,000
(2,50,000 x 25)

20/10/22

Share Application a/c dr. 62,50,000

To Eq. share cap a/c 62,50,000

20/10/22

Equity share Allot a/c dr. 1,87,50,000

(2,50,000 x 75)

(250000 x 50) To Eq. share Cap a/c

(250,000 x 25) To sec. premium a/c

1,25,00,000
~~1,87,50,000~~

62,50,000

31/10/22

Bank a/c dr. 1,87,50,000

To Eq. share Allotment a/c 1,87,50,000

PRO - RATA ALLOTMENT

Shares are issued to all the Applications in a ratio

↓

Excess Application money → Refund or Adjust with Allotment.

↓

After Adjusting with Allotment → Excess → Refund.



Illustration-4 (Smaller) pro-rata Allotment

WN

Share Application received

Application Amt

Shares Allotted

Application Amount required

Excess App Amt

Allotment Amt required

Share Application received	Application Amt	Shares Allotted	Application Amount required	Excess App Amt	Allotment Amt required
5000 App	₹ 19,000	5000 x 2 Shares	₹ 10,000	-	25,000 (5000 x 5)
30,000 App (1:2)	₹ 60,000	15,000 Share	₹ 30,000	30,000 (60,000 - 30,000)	75,000 (15,000 x 5)
3,20,000 App (1:4)	₹ 6,40,000	80,000 shares	₹ 1,60,000	4,80,000 (6,40,000 - 1,60,000)	4,00,000 (80,000 x 5)
355000 App	₹ 7,10,000	1,00,000 shares	₹ 2,00,000	₹ 5,10,000	₹ 5,00,000

Whichever is lowest

Allotment

Amt Adjusted

Refund

(Allotment amt required - Allot amt Adjusted)

30,000

(30,000 - 30,000)

4,00,000

86,000

₹ 4,30,000

80,000

5,10,000



Journal entries In the Books of JHP Ltd.

Date	Particulars	LF	Debit	Credit
1/7/2021	Bank a/c dr.		₹10,000	
	To E.S. App a/c			₹10,000
10/7/2021	Eq. share App a/c dr. ₹10,000			
	To Eq. share Capital a/c			2,00,000
	To Eq. share Allotment a/c			4,30,000
	To Bank a/c			80,000
07/7/21	Equity share Allotment a/c dr. 5,00,000			
	To Equity share Cap. a/c			1,00,000
	(1,00,000 x 1)			
	To securities premium a/c			4,00,000
	(1,00,000 x 4)			
10/7/21	Bank a/c dr. ₹5,000			
	To Equity share Allotment a/c			₹5,000
	(5,00,000 - 4,30,000)			
30/4/22	Equity share final call dr. ₹1,00,000			
	To Eq. share Capital a/c			₹1,00,000
	(1,00,000 x (2+1)+4)			

30/4/22 Bank a/c dr. 7,00,000
To Equity share final call a/c 7,00,000

illustration - 8

1/7/21 Calls in Arrear a/c dr. 30,000
To Equity share first call a/c 30,000
(10,000 x 3)

1/4/22 Bank a/c dr. 30,000
To Calls in Arrears a/c 30,000

illustration - 9

App - 2.5

Allot - 3 1,00,000 shares

first call - 2 ₹ 10 each.

final call - 2.5

Journal entries In the Books of Rashmi Ltd.

1. Bank a/c dr. 2,50,000
To Share Application a/c 2,50,000

2. Share Application a/c dr. 2,50,000
To Share Capital a/c 2,50,000



(3) Equity share Allotment a/c dr. 3,00,000
To Share Capital a/c 3,00,000
(1,00,000 x 3)

(4) Bank a/c dr. 3,00,000
To Share Allotment a/c 3,00,000

(5) Share first call a/c dr. 2,00,000
To Share Capital a/c 2,00,000
(1,00,000 x 2)

(6) Bank a/c dr. 2,25,000
(1,00,000 x 2) + (10,000 x 2.5)
To Equity share first call a/c 2,00,000
To Calls in Advance a/c 25,000

(7) Equity share final call a/c dr. 2,50,000
To Share Capital a/c 2,50,000
(1,00,000 x 2.5)

(8) Bank a/c dr. 2,25,000
Calls in Advance a/c dr. 25,000
Calls in Arrears a/c dr. 25,000



(8) Bank a/c dr. ~~2,25,000~~ 2,22,500
 $(1,00,000 - 10,000 - 1000) \times 2.5$

Calls in Advance a/c dr. 25,000

Calls in Arrears a/c dr. 2500
 (1000×2.5)

To Eq. share final call a/c 2,50,000

(9) Interest on Calls in Advance dr. 750

To Shareholder a/c 750
 $(25,000 \times 12\% \times \frac{3}{12})$ Nair

(10) ~~Bank~~ Shareholder a/c dr. 750

To Bank a/c 750

(11) Shareholder a/c dr. 42

To Int on calls in Arrears 42

$(2500 \times 10\% \times \frac{2}{12})$

(12) Bank a/c dr. 2542

~~To Shareholder a/c 2542~~

To equity Share holder ~~2500~~ 42

To Calls in Arrear 2500



FORFEITURE OF SHARES

↓
Cancellation of shares

↓
for Non payment of call money.

Shares cancelled

Shares may be Re-issued.

It is @ the option of the Company.

J.E - Shares issued @ PAR

Equity share capital a/c dr. xxx

(Amt called up) → Cr

To Share forfeiture a/c

xxx (Amt received)

To Eq. share Allotment/

Call a/c

xxx

(or)

To Calls in Arrear a/c

xxx

Amt : not received.

Share issued @ Premium

Premium Amt
is received

Not
received
↓

Ignore
Premium

Reverse
acc Premium



pass entry only for
f.v

Equity share capital ac dr. xxx (called up - FV)

Securities Premium ac dr. xxx

To share forfeiture ac xxx (Amt received)

To Share Allot /

Call ac xxx

To Calls in Arrear ac xxx } Amt not received

RE-ISSUE → min Amt of reissue



Amt unpaid by Previous Shareholder

FE

Bank ac dr. xxx

(Amt received on reissue)

Share forfeiture ac dr. xxx

(Loss on Reissue) → FV - Reissue price

To ESC Ac xxx (F.V)

To Sec. premium ac xxx (if Reissue @ premium)



TRANSFER TO CAPITAL RESERVE

Share forfeiture a/c dr. $\times \times \times$

To Capital Reserve

$\times \times \times$

(Balance in share forfeiture a/c after
Shares are re-issued)



Illustration - 10

JE in the Books of A Ltd.

Equity share Capital a/c dr. 3,00,000
(30,000 x 10)

To Share forfeiture a/c
(30,000 x 6)

1,80,000

To Equity share final Call a/c

1,20,000

Calls in ^(or) Arrear
(30,000 x 4)

Illustration - 11

JE in the books of X Ltd.

Equity share Capital a/c dr. 1,60,000
(20,000 x 8)

To Share forfeiture a/c
(20,000 x 6)

1,20,000

To Calls in Arrears a/c

40,000

Illustration-12

JE in the books of X Ltd.

Equity share capital a/c dr. 5,00,000
(5000 x 100)

Securities premium a/c dr. 1,00,000
(5000 x 20)

To share forfeiture a/c 1,00,000
(5000 x 20)

To Equity share Allotment a/c 2,50,000
(5000 x 50)

To Equity share first & final
call a/c 2,50,000
(5000 x 50)

To calls in
Arrears

~~Illustration-12~~

What if ÷ Allotment amt was paid by
share holder.

Equity share capital a/c dr. 5,00,000
(5000 x 100)

To share forfeiture a/c 2,50,000
(5000 x (20 + 30))

To share first and final call a/c 2,50,000
(5000 x 50)



Illustration - 13

J.E. In the Books of ~~Mr~~ Sharni XYZ Ltd.

Equity share capital a/c dr. ⁶⁰⁰⁰~~10000~~
(⁶⁰⁰~~1000~~ x ₹10)

Securities premium dr. 1200
(600 x 2)

To share forfeiture a/c 2000
(1000 x 2)

To Eq. share Allotment a/c 2200
(600 x 5) - 800

To Eq. share first & final call 3000
(600 x 5)

Working note :-

Share Applied → 1000 x 2

App Amt received → 2000

Shares Alloted → 600 x 2

App Amt required 1200

Excess App Amt → 800

Allot Amt required 3000
(600 x 5)

∴ Allot Amt not received 2200



Illustration - 14



JE in the books of the Company.

Preference Share Capital a/c dr. 159000
(2000 x 75)

To Share forfeiture a/c 50,000
(2000 x 25)

To Preference Share Allotment a/c 50,000
(2000 x 25)

To Preference Share first call a/c 50,000
(2000 x 25)

Bank a/c dr. 97500
(1500 x 65)

Share forfeiture a/c dr. 15,000
(1500 x (75 - 65))

To Preference Share Capital a/c 1,12,500
(1500 x 75)

Share forfeiture a/c dr. 22,500

To Capital Reserve a/c 22,500
(25 - 10) x 1500 shares



Illustration - 15

'JE' in the Books of Beautiful Company Ltd.

1. Bank a/c dr. 90,000
 To Eq. share App a/c 90,000
 (30,000 x 3)

2. Eq. share App a/c dr. 90,000
 To Eq. share Capital a/c 90,000

3. Eq. share Allotment dr. 1,50,000
 (3000 x 5)
 To ESC A/c 90,000
 (30,000 x 3)
 To Securities premium A/c 60,000
 (30,000 x 2)

4. Bank a/c dr. 1,47,500
 (30,000 - 500 shares) x 5
 To Eq. share Allotment A/c 1,47,500

5. Eq. share Call a/c dr. 1,20,000
 To ESC A/c 1,20,000
 (30,000 shares x ₹4)



6. Bank a/c dr. 1,14,000

(30,000 shares - 500 shares - 1000 shares) x 4

To Eq. share Call a/c 1,14,000

7. Eq. Share Capital a/c dr. ₹5,000

(500 shares x 10)

Securities premium a/c dr. 1000

(500 x 2)

To share forfeiture a/c 1500

(500 shares x 3)

To Eq. share Allotment a/c 2500

(500 x 5)

To Eq. share Call a/c 2000

(500 x ₹4)

8. Equity share Capital A/c dr. 10,000

(1000 shares x ₹10)

To share forfeiture A/c 6000

(1000 shares x (3+3))

To Eq. share Call A/c 4000

(1000 x 4)



9. Bank a/c dr. 10,000
(1250 x 8)

Share forfeiture a/c dr. 2500
(1250 x 2)

To Esc A/c 12500

10. Share forfeiture a/c dr. 3500

To Capital Reserve A/c 3500

(500 shares x (3-2)) + [750 shares x (2-2)]

Balance sheet of Beautiful Ltd. (extract)

I. Equity & Liabilities

1. Shareholder's funds

(a) Share capital 1 2,99,000

(b) Reserves & Surplus 2 62,500

3,61,500

II. Assets

1. Current Assets

Cash & Cash Equivalents 3,61,500

Illustration 16

FE in the books of

1. Esc Alc dr. 90,000

$(\frac{2000}{\text{Share}} + \frac{4000}{\text{Share}} + \frac{3000}{\text{Share}}) \times 10$

To share forfeiture alc

48,000

$(\frac{2000}{\text{Shares}} \times 2) + (\frac{4000}{\text{Shares}} \times (2+3)) + (\frac{3000}{\text{Shares}} \times (2+3+3))$

To eq. share Allotment

6000

$(2000 \text{ shares} \times ₹ 3)$

To Eq. share first call

18,000

$(2000 + 4000 \times 3)$

To Eq. share final call Alc

18,000

$(2000 + 4000 + 3000) \times 2$

2. Bank Alc dr. 1,08,000

(9000×12)

To Esc Alc

90,000

(9000×10)

To Securities Premium

(18,000)

(9000×2)

3. Share forfeiture Alc dr. 48,000

To Capital Reserve Alc

48,000



SHARES ISSUED FOR CONSIDERATION OTHER THAN CASH

$$\text{No. of shares issued} = \frac{\text{Value of Asset}}{\text{Issue price}}$$

Illustration - 17

JE in the books of X Co. Ltd

(1) Land and Building A/c dr. 4,00,000
To X Co Ltd A/c 4,00,000

(2) X Co Ltd A/c dr. 4,00,000
To ESC A/c 4,00,000

$$\left(\frac{4,00,000}{10} = \right) 40,000 \text{ shares}$$

(3) Bank A/c dr. 5,00,000
To Eq. Share Capital A/c 5,00,000
(50,000 x 10)



B/s of X Co Ltd

Exam
They All

Equity & Liabilities

3 marks

1. Shareholder funds

(a) Share capital

9,00,000

9,00,000

II. Assets

1. Non current current Assets

property, Plant & Equipment

4,00,000

4,00,000

2. Current Assets

Cash & Cash Equivalents

5,09,000

9,00,000

Notes :-

2 marks

Share Capital

Authorized capital

90000 Eq. shares of ₹ 10 each

9,00,000

Issued, Subscribed, called up & paid up capital

90000 Eq. shares of ₹ 10 each

9,00,000



Practical - 1

JE in the books of X Ltd.

1/5/22 Bank a/c dr. 200
 Eq. share Application 200
 (10 x 20)

1/5/22 Eq. share Application A/c dr. 200
 To Eq. share Capital A/c 200

1/5/22 Eq. share Allotment A/c dr. 300
 To Eq. share capital 300
 (10 x 30)

1/5/22 Bank a/c dr. 310
 (10 x 30) + (0.2 x 50)
 To Eq. share Allot A/c 300
 To Calls in Advance A/c 10

1/10/22 Eq. first call A/c dr. 300
 To ESE A/c 300
 (10 x 30)

1/10/22 Bank a/c dr. 294
 (10 - 0.2) x 30

Calls in Advance A/c dr. 6
(0.2 x 30)

To Eq. share first call a/c 300

1/2/23 Eq. share final call A/c dr. 200

To FSC a/c 200
(10 x 20)

1/2/23 Bank a/c dr. 196
(10 - 0.2) x 20

Calls in Adv a/c dr. 4
(0.2) x 20

To Eq. share final call a/c 200

1/2/23 Int on Calls in Advance dr. 0.66

To equity share holder a/c 0.66
(6 x 12% x 5/12) + (4 x 12% x 9/12)

1/2/23 Equity share holder A/c dr. 0.66

To Bank a/c 0.66

3/3/23 P & L a/c dr. 0.66

To Int on Calls in Adv 0.66



Practical - 3

Equity share Capital dr 1000
(100 x 10)

To Share forfeiture A/c 200
(100 x 2)

To Eq. Share Allotment a/c 400

To Eq. share Call a/c 400

Practical - 4

Cash Book (Bank column)

To Eq. share Application 12,00,000
(24,000 x ₹50)

To Eq. share Allotment ~~10,00,000~~
(19,850 x ₹50)

To Eq. share call A/c 3,97,000
(19,850 x 20)

By Eq. share Application 2,00,000
(4,000 x ₹50)
Shares

By balance c/d 23,89,500

Journal entries in the books of BLtd.

(1) Share Application A/c dr. 10,00,000
To ESC A/c 10,00,000
(20,000 × ₹ 50)

(2) Eq. Share Allotment A/c dr. 10,00,000
To ESC A/c 6,00,000
(20,000 × 30)
To Securities premium 4,00,000
(20,000 × 20)

(3) Eq. share call a/c dr. 4,00,000
To ESC A/c 4,00,000
(20,000 × 20)

(4) ESC A/c dr. 15,000
(150 shares × 100)

Sec. premium dr. 3000

(150 × 20)
To Share forfeiture A/c 7500
(150 shares × 50)

To Eq. share Allot A/c 7500
(150 × 50)



To Eq. share cell A/c
(150 x 20)

3000

ISSUE OF DEBENTURE

Company borrowing money → long term → interm → int. is paid!

Accounting

Debenture

Issued @
PAR

Issued @
Premium

Issued @
Discount

V → 100

FV → 100

FV 100

IP → 100

IP 105

IP 95

Illustration - 1

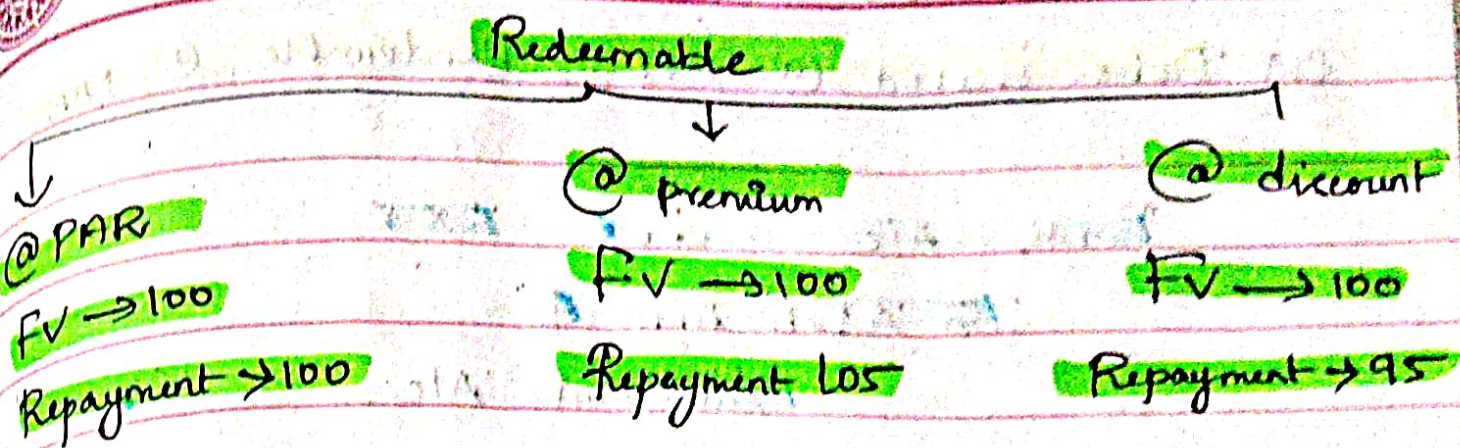
In the Books of Amol Ltd.

Bank a/c dr. 20,00,00,000

To Debenture App A/c 20,00,00,000
(40,00,000 x 50)

Debenture Application a/c dr. 20,00,00,000

To 9% Debenture A/c 20,00,00,000



RULE :- **Current profit / current loss**

Debt issued

@ premium

↓

Record it

Debt issued

@ discount

future loss → Debenture Redeemable @ Premium

(Record it Today → @ time of ISSUE)

future profit → Debentures Redeemable @ discount

IGNORE IT TODAY



Journal FV $\rightarrow$ 100

(1) Debs issued @ PAR - Redeemable @ PAR

Bank A/c dr. xxx

To % Deb App &

Allotment A/c xxx

% Deb Application & Allotment A/c dr. xxx

To % Debenture A/c xxx

(2) Debentures issued @ PAR - Redeemable @
premium @ 100
@ 110

Bank A/c dr. xxx

To % Deb App & Allot a/c xxx

Loss $\leftarrow$ Loss on issue of debenture a/c dr. xxx
% Debentures App & Allot A/c dr. xxx

To % Debenture A/c xxx

Liability $\leftarrow$ To Premium on
redemption of deb xxx

(3) Deb issued @ PAR - Redeemable @ discount
@ 100 @ 95

[Same situation (1)]

(4) Debenture issued @ Premium - Redeemable @ PAR
 @ 110 @ 100

Bank A/c dr. xxx

To % Deb Application & Allotment A/c xxx

✓ Deb App & Allot a/c dr. xxx

To % debenture a/c xxx

To Securities premium A/c xxx

(5) Debentures issued @ premium - Redeemable @ premium
 @ 110 @ 115

Bank A/c dr. xxx

To % Deb App & Allot A/c xxx

✓ deb Application & Allotment A/c dr. xxx

Loss on issue of debenture dr. xxx

To % debenture A/c xxx

To Securities premium a/c xxx

To premium on issue of debentures xxx

VSH
KZXX

XX
11

Bank A/c dr. xxx

To % Deb App & Allot A/c xxx

% Deb App & Allot A/c dr. xxx

Discount on issue of debenture dr. xxx

Loss on issue of debenture dr. xxx

To % Debentures a/c xxx

To premium on redemption
of debenture xxx

(9) Debentures issued @ discount - Redeemable @
@ 95 @ 98

(Same as situation (7))



Illustration - 2 JE in the books of Atul Ltd.

₹ in lakhs

(1) Bank A/c dr. 3000
 To 8% deb Application A/c 3000
 (100 lakhs × 30)

(2) 8% Deb Application A/c dr. 3000
 To 8% Deb A/c 3000

(3) 8% Debenture Allotment A/c dr. 6000
 (100 lakhs × 60)
 Discount on issue on debenture dr. 1000
 (100 lakhs × 10)
 To 8% debentures A/c 7000

(4) Bank A/c dr. ~~6000~~ 6000
 To 8% Deb Allot 6000

Illustration - 3

JE in the books of Koinal Chemicals Ltd.



₹ in lakhs

Bank A/c dr. 300p
 To 10% debenture App A/c 300p
 (15 lakhs × ₹ 20)

10% Debenture App A/c dr. 300

(15 × 5) To 10% debenture A/c ~~225~~ 225
 To Securities premium A/c 75
 (15 lakhs × 5)

10% Debenture Allotment A/c dr. 525

To 10% debenture A/c 525
 (15 lakhs × 35)

Bank A/c dr. 525

To 10% debenture Allotment A/c 525

Illustration - 4

JE in the Books of Modern Equipment Ltd.

₹ in lakhs

(1) Bank A/c dr. 120
 To 12% debenture App a/c 120
 (4 lakhs × ₹ 30)



(2) 12% Debenture App alc dr. 120
To 12% Debenture Alc 120

(3) 12% Debenture Allotment dr. 280
Loss on issue on debenture dr. 40
To 12% Debenture Alc 280

(4 x 70)
To Premium on redemption of deb 40

(4) Bank Alc dr. 280
To 12% Deb Allot alc 280

Illustration - 5

JE in the books of Agrotech Ltd.

₹ in lakh

Bank Alc dr. ₹500
To 9% debenture App Alc ₹500

(150 x 50)

9% Deb Application Alc dr. ₹500
To 9% Debenture Alc ₹500

9%. Debenture Allotment A/c dr. 6600
(150 lakhs x ₹44)

Discount on issue on debenture dr. 900
(150 lakh x ₹6)

Loss on issue of debenture dr. 750
(150 x ₹5)

To 9% debenture A/c 7500
(150 x ₹50)

To premium on redemption
of debentures 750

Bank A/c dr. 6600

To 9% debenture Allotment A/c 6600

illustration - 6

JE in the Books of Simmons Ltd.

1/4 | Bank A/c dr. 1,10,00,000
To 12% debenture Application A/c 1,10,00,000
(1.1 lakh x 100)

1/4 | debenture
12% Application A/c dr. 1,10,00,000
To 12% debenture A/c 1,00,00,000
To Bank A/c 10,00,000



Illustration-7

JE in the books of X Ltd.

3/5/2022 Bank A/c dr. 1,08,00,000
 To 12% debenture App A/c 1,08,00,000
 (1,20,000 x 90)

9/6/2022 12% debenture App A/c dr. 1,08,00,000
 (120000 x 90)
 Discount on issued of deb dr. 1,00,000
 (1,00,000 x 10)
 To 12% debenture a/c 1,00,00,000
 (1,00,000 x 100)
 To Bank A/c 1,20,00,000
 (20,000 x 90)

(see ISM ledger A/c pg. 11.98)

DEBENTURES ISSUED AS COLLATERAL SECURITY

No entry



Mention in notes

Entry



Debenture Suspense A/c dr. xxx

To % debenture A/c xxx

Illustration - 8, 9

Debenture Suspense A/c dr. 1,50,00,000
To 14% first Mortgage debts A/c 1,50,00,000

Illustration - 10 JE in the books of X Ltd.

(a) Bank A/c dr. 22,50,000
Discount on issue of Debts dr. 2,50,000
To 14% Debenture A/c 25,00,000

(b) Fixed Asset A/c dr. 10,00,000
To Vendor/Creditor A/c 10,00,000

Vendor A/c dr. 10,00,000
Discount on issue of deb dr. 2,50,000
To 14% Deb A/c 12,50,000

(c) Bank A/c dr. 10,00,000
To Loan A/c 10,00,000

14% Deb Suspense dr. 12,50,000
To 14% debenture A/c 12,50,000



DISCOUNT ON ISSUE OF DEBENTURES

LOSS ON ISSUE OF DEBENTURES

Dr. to P&L

If debentures are redeemable at the end of the life of debentures

Amount Dr. to P&L → Discount/loss on issue
No. of years

10,000 debts of ₹ 100 @ ₹ 94

Redeemable in 3 years

10,000 debts x ₹ 6 → ₹ 60,000

∴ $\frac{60,000}{3} = ₹ 20,000/\text{per year}$

Dr. to P&L

P&L A/c Dr. 20,000

To discount on

issue of debentures 20,000

If debentures are redeemable in installments

Amount Dr. to P&L in ratio of o/s debentures

Same eg :-

Redeemable $\frac{1}{4}$ every year

life → 4 years

Year	O/s debenture (4:3:2:1)
1	10,000 $60,000 \times \frac{4}{10} = 24,000$
2	7,50,000 $60,000 \times \frac{3}{10} = 18,000$
3	5,00,000 $60,000 \times \frac{2}{10} = 12,000$
4	2,50,000 $60,000 \times \frac{1}{10} = 6,000$





illustration ~~10~~ 12

No. of debentures $\rightarrow \frac{2,00,000 \times 0.6}{1,20,000}$

$$2,00,000 \times 10 \Rightarrow 2,00,000 \times \frac{1}{5} = 4,00,000$$

Year	O/s debentures	Ratio 5:4:3:2:1	discount dr. to P&L
31/12/22	20,00,000	5	$\frac{5}{15} \times 1,20,000 = 40,000$
31/12/23	16,00,000	4	= 32,000
31/12/24	12,00,000	3	24,000
31/12/25	8,00,000	2	16,000
31/12/26	4,00,000	1	8,000
			<u>1,20,000</u>

Debenture Interest

$\downarrow$ debenture holder to be PAID.

Accounting due entry

JE:

Debenture Interest Alc dr. xxx

To Debenture Holder Alc

xxx (10%)

To TDS payable

xxx (10%)

Payment entry :-

Debenture Holder Alc dr. xxx

TDS payable Alc dr. xxx

To Bank a/c

xxx



P & L A/c dr. xxx
To debenture interest A/c xxx

Illustration - 13

JE in the books of

30/6/22 Debenture interest A/c dr. 60,000
(10,00,000 x 12% x $\frac{6}{12}$)

To debenture Holder A/c 54,000
(60,000 x 90%)

To TDS payable A/c 6000
(60,000 x 10%)

30/6/22 Debenture Holder A/c dr. 54,000

TDS payable A/c dr. 6000

To Bank A/c 60,000

31/12/22 Debenture interest A/c dr. 60,000

To debenture Holder A/c 54,000

To TDS payable 6000

31/12/22 Debenture Holder A/c dr. 54,000

TDS payable A/c dr. 6000

To Bank 6000



21/12/22 P & L A/c dr. 1,20,000
 To debenture int A/c 1,20,000

31/12/22 P & L A/c dr. 30,000
 To discount on issue of debenture A/c 20,000
 To loss on issue of debenture 10,000

NV:-
 dis $(1,00,000 \times 10\% \Rightarrow 20,000)$ loss $(50,000 \times 5\% = 10,000)$

Practical questions (1)

Bank A/c dr. 1,05,00,000
 (100,000 x 105)

To 8% debenture Application A/c 1,05,00,000

8% Debenture Application A/c dr. 1,05,00,000
 Loss on issue of debenture dr. 10,00,000
 (1,00,000 x 10) To 8% debenture A/c 1,00,00,000
 (1,00,000 x 100)
 To Securities premium 5,00,000
 (1,00,000 x 5)

To premium on redemption of debentures A/c 10,00,000
 (1,00,000 x 10)



Practical - 2

2 in lakh

(1) Bank A/c dr. 400
 To 10% debenture App 400
 (20 lakh x 20)

(2) 10% Debenture Application A/c dr. 400
 To 10% debenture A/c 400

(3) 10% Debenture Allotment A/c dr. 700
 (20 lakh x 35)
 To 10% debenture A/c allotment 600
 (20 x 30)
 To Securities premium A/c 100
 (20 x 5)

(4) Bank A/c dr. 700
 To 10% debenture Allotment A/c 700

Practical - 3

Bank A/c dr. 55,00,000

To 12% Debenture App A/c 55,00,000
 (50,000 x (100 + 10))

12% Debenture App A/c dr. 55,00,000

(50,000 x 100) To 12% Debenture A/c 50,00,000
 To Securities premium A/c 5,00,000

ఇన్స్టిట్యూటుకు గమనిక:- ఈ ప్రాక్టీసులు ఆర్థిక సంవత్సరం ప్రారంభంలో చేయవలసినవి. "THE END" అని వ్రాసి పూర్తి సంతకం చేయండి.



practical - 4

JE in the Books of Sheru Ltd.

14/2 Bank Alc dr. 1,14,00,000

To 12% debentures App 9

Alotment Alc 1,14,00,000

(1,20,000 x 95)

14/22 12% debenture App f Alot dr. 1,14,00,000

Discount on issue of deb dr. 5,00,000

(1,00,000 x 5)

To 12% debenture Alc 1,00,00,000

(1,00,000 x 100)

To Bank Alc 19,00,000

(20,000 x 95)

dr. Discount on issue of debentures Cr.

14/22 To 12% deb Alc 5,00,000	31/3/23 By P & L Alc 1,00,000 (5,00,000 x $\frac{1}{5}$)
	31/3/23 By bal c/d 4,00,000
14/23 To bal b/d 4,00,000	31/3/24 By P & L Alc 1,00,000
	31/3/24 By bal c/d 3,00,000
14/24 To bal b/d 3,00,000	31/3/25 By P & L Alc 1,00,000
	31/3/25 By bal c/d 2,00,000

1/4/25 To bal b/d 2,00,000

31/3/26 By P & L A/c 1,00,000
31/3/26 By bal c/d 1,00,000

1/4/26 To bal b/d 1,00,000

31/3/27 By P & L 1,00,000

dr.

Debenture interest A/c

Cr.

31/3/23 To Deb Holders A/c 10,80,000

31/3/23 By P & L A/c 12,00,000

31/3/23 To TDS payable 120000

12,00,000

12,00,000

31/3/24 To deb Holdn 10,80,000

31/3/24 To TDS payable 1,20,000

31/3/24 By P & L A/c 12,00,000

31/3/25 To deb Holder A/c 10,80,000

31/3/25 To TDS payable 1,20,000

31/3/25 By P & L A/c 12,00,000

31/3/26 To deb Holder A/c 10,80,000

31/3/26 To TDS payable 1,20,000

31/3/26 By P & L A/c 12,00,000

31/3/27 To deb Holder A/c 10,80,000

31/3/27 To TDS payable 1,20,000

31/3/27 By P & L A/c 12,00,000

VSK
XZXX

XX

6

Dr. Debenture Holder A/c		Cr.	
31/3/23 To Bank A/c	10,80,000	31/3/23 By deb. int	10,80,000
	<u>10,80,000</u>		<u>10,80,000</u>
31/3/24 To Bank A/c	10,80,000	31/3/24 By debenture's interest	10,80,000
	<u>10,80,000</u>		<u>10,80,000</u>
31/3/25 To Bank A/c	10,80,000	31/3/25 By debenture's interest	10,80,000
	<u>10,80,000</u>		<u>10,80,000</u>
31/3/26 To Bank A/c	10,80,000	31/3/26 By debenture's interest	10,80,000
	<u>10,80,000</u>		<u>10,80,000</u>
31/3/27 To Bank A/c	10,80,000	31/3/27 By debenture's interest A/c	10,80,000
	<u>10,80,000</u>		<u>10,80,000</u>

Practical - 5

(a) Bank A/c dr. 9,00,000
To debenture App a/c 9,00,000
(1,00,000 x 90%)

Debenture App A/c dr. 9,00,000

Discount on issue of debenture dr. 1,00,000

To 14% debenture A/c 10,00,000
(1,00,000 x 10)

(b) Inventory A/c dr. 1,00,000
To Vendor A/c 1,09,000

Vendor A/c dr. 1,00,000

To 14% debenture A/c 80,000
(8000 x 10)

To Securities premium A/c 20,000
(2000 x 10)

(c) Bank A/c dr. 1,00,000
To Loan A/c 1,00,000



REDEMPTION OF PREFERENCE SHARES

↓
Repayment

↓
Shares that preferential Right
* Dividend
* Repayment during windup

↓
Arrange the funds

↓
Repayment

→ Sale of investments

NOTE :- PARTLY PAID-UP SHARES
(NO REDEMPTION)

→ ~~State~~ Issue ES

FE

Final Call

% pref share final call Alc dr. xxx

To % pref share cap Alc xxx

Bank Alc dr. xxx

To % PS F.C Alc xxx

Sale of Investments

Bank Alc dr. xxx

To investment Alc xxx

(profit / loss → P & L)

Issue of Equity shares

@ PAR

@ Premium

Bank A/c dr. xxx
To Esc A/c xxx

Bank A/c dr. xxx
To Esc A/c xxx
To Securities premium xxx

Repayment process.

due entry

@ PAR { 1/2 Preference share capital A/c dr. xxx
To Preference shareholder xxx

@ Premium { 1/2 Preference share capital dr. (FV) xx
Premium on redemption of
(Loss) → Preference shares dr. xx

To PSH A/c xxx

Payment entry

PSH A/c dr. xxx

To Bank A/c xxx

Transfer of Premium on Redemption

Securities premium A/c dr. xxx

To premium on Redemption of p. shares xxx

SO FW :-
Increase if
any Allow
in CA 2008

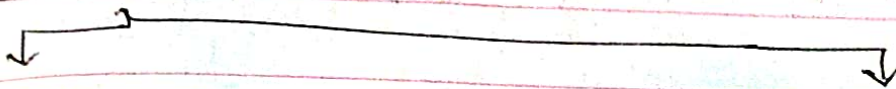
P & L A/c dr. xxx

To Premium on redemption of Preference Shares xxx

CRR → Capital Redemption Reserve

If there is Reduction in Capital Structure → CRR needs to be created.

Reduction



Redemption of Preference shares

Buy back of Equity shares

JE :

Free Reserves A/c dr. xxx

To CRR a/c xxx

Free Reserve : $\left[\begin{matrix} GR \\ P \& L \end{matrix} \right]$ Reserves that can be utilised for giving dividend

↳ Cap Reserve (If collected in Cash) → Money Received.

Amt of CRR to be created

F.V of P. shares redeemed

xxx

(-) F.V of Eq. shares issued for the purpose of

redemption

xxx

CRR

xxx

Note:- CRR can ONLY be used for issue of Bonus share

Ex: P. share $\rightarrow$ 100
Esc $\rightarrow$ 200

(1) P. share Redeemed $\rightarrow$ CRR
@ 100 $\rightarrow$ $\frac{100}{1000}$

Illustration - 1

JE in the books of Hinduja Company Ltd.

1. Bank A/c dr. 5,00,000
To Esc A/c 5,00,000

2. 8% Psc A/c dr. 5,00,000
To PSH A/c 5,00,000

Working note:-

5000 $\times$ ₹ 100 $\rightarrow$ 5,00,000
Pref Shares

Eg. Shares issued $\rightarrow$ 5000 eg. Shares
 $\frac{5,00,000}{10}$ issued.

3.

PSH Alc dr. 5,00,000
To Bank Alc 5,00,000

Illustration - 2

Pref shares $\rightarrow$ $\frac{10,000 \times 100}{10}$
 $\frac{10,00,000}{10}$

Eq. shares issued $\rightarrow$ 1,00,000 Shares $\times$ ₹ 10
10,00,000

JE In the Books of C Ltd.

1. Bank Alc dr. 12,00,000
(1,00,000 shares $\times$ ₹ 12)

To ESC Alc 10,00,000
(1,00,000 shares $\times$ ₹ 10)

To Securities premium Alc 2,00,000

2. 10% PSC Alc dr. 10,00,000

To PSH Alc 10,00,000

3. PSH Alc dr. 10,00,000

To Bank Alc 10,00,000



Illustration - 3

JE in the books of India Ltd.

Bank A/c Dr. 99000		<u>Working Note :-</u> P. shares $\rightarrow 9000 \times 100$ 90,000 9 Equity shares issued <u>10,000</u> eq. shares	
To ESC A/c	90,000		
2. 10% p.s.c Dr. 90,000			
To PSH A/c	90,000		
3. PSH A/c Dr. 99000			
To Bank A/c	90,000		

Illustration - 4

Computation of No. of Eq. shares to be issued.

F.V of P. shares $\rightarrow$ ₹ 5,00,000
 Redeemed

(-) Free Reserves Available $\rightarrow$ ₹ 3,00,000
 for CRR

₹ 2,00,000

↓

Eq. shares to be issued.

$$\frac{2,00,000}{9} = 22,223 \text{ shares}$$

CRR $\rightarrow$ FS of P.S $\rightarrow$ 5,00,000
 $\rightarrow$ facevalue of E.S. $\rightarrow$ 2,09,007
 $(22,223 \times 9)$ CRR $\rightarrow$ 2,99,993

(ii) 22223 $\Rightarrow$ 22,250 } If shares are issued
 Shares share } in multiple of 50.

Illustration-5

Amt required for Redemption of P. shares
 $\downarrow$

Amt required for redemption $65,000 + 10\% \Rightarrow \text{₹} 71,500$

($\rightarrow$) Sale of investment 15,000

($\rightarrow$) Amt available

$(31,000 - 12,000)$ 19,000

Amount required 37,500

$\div 50$

Issue of Eq. share $\rightarrow$ 750 eq. shares issued.



fr in books of x4d.

(1) Bank Alc dr. 15,000
P & L Alc dr. 3500
To investmest Alc 18500

(2) Bank Alc dr. 37500
To ESC Acc 37500

(3) PSC Alc dr. 65000
Premium on red. of Pdr. 6500
To PSH Alc 71500

(4) PSH Acc dr. 71500
To Bank Acc 71500

(5) P & L Alc dr. 6500
To premium on
red. of P.S 6500

(6) P & L Alc dr. 27,500
To CRR Alc 27,500



WN = FV of P.S Red $\rightarrow$ 65,000
 (-) FV of Eq.S issued
 for the purpose of $\rightarrow$ 37500
 redemption

CRR $\rightarrow$ 27500

Illustration - 6

(1) 10% P.S. Alc da. 1,00,000
 To P.S.H. Alc 1,00,000

(2) P.S.H. Alc da. 1,00,000
 To Bank Alc 1,00,000

(3) General Reserve Alc da. ₹5,000
 P.f. L Alc da. 25,000
 To CRR 1,00,000

Illustration - 7

FE in the Books of C Ltd.

(1) Bank Alc da. 2,50,000
 To Esc 2,50,000
 (25000 shares $\times$ ₹10)



(c) Bank A/c dr. 1,00,000

To 14% debenture App 9

Allotment A/c - 1,00,000

(3) 14% Debenture Application ₹

Alloement a/c da. 1,00,000

To 14% Debenture A/c

(4) 12% PSC A/c dr. 300,000

 $(3,000 \times 100)$

$(3,000 \times 100)$
Premium on Redemption

of Appliances etc dr. 30000

$$(30000 \times 10)$$

To PSHALC 3,30,000

(5) PSH Alc dr. 330,000

To Bank A/c 3,30,000

(6) $P \leq L_{Alc}$ da 30000

To premium on

Redemption of Pe'phones	30,000
-------------------------	--------

(7) P & L A/c dr. 59,000

to CRR are (0.25, 0.0025, 0.00025, 50000

$$(300000 - 250000)$$



Working note :-

FV of PSR $\rightarrow$ 3,09,000

FV of ESR $\rightarrow$ 2,50,000

CRR $\rightarrow$ 59,000

Illustration - 8

Working note :- No. of Eq. shares to be issued

CRR to be created = FV of Pref shares redeemed (-) FV of Eq. shares issued for the purpose of redemption.

FV of Pref shares redeemed $\rightarrow$ 1,00,000
(1000 shares $\times$ ₹100)

Amt Available in Reserves to Create CRR.

General Reserve 60,000
(80,000 - 20,000)

P&L (20,000 - 10,000) 10,000

Investment Allowance Reserve 5000
(10,000 - 5000)

75000

} Redeemed @ premium

$\therefore$ Eq. shares to be issued for $\frac{25,000}{10} \Rightarrow$ 2500 shares issued.

RE

1. Bank A/c Cr. 25,000

To BSC A/c 25,000

2. BY PSC A/c Cr. 1,00,000

Particulars of PSC Cr. 1,00,000

To PSC A/c 1,00,000

3. PSH A/c Cr. 1,10,000

To Bank A/c 1,10,000

4. P S L A/c Cr. 10,000

To Premium on Redemption

of 10% 10,000

5. General Reserve A/c Cr. 60,000

P S L A/c Cr. 10,000

Investment 1,00,000 A/c Cr. 50,000

To CRR A/c 50,000



RIGHT ISSUE

issue of equity shares to existing shareholders

Journal

Rs in the Date of 27/1/21

11/2/21 St. Frequency fund call At Cr. 15,00,000

To St. PSC A/c 15,00,000
(50,000 x 30)

11/2/21 Bank A/c Cr. 15,00,000

To St. Pay share fund
Call A/c 15,00,000

13/2/21 Bank A/c Cr. 10,00,000

To Equity share Application A/c 10,00,000
(50,000 x 20)

13/2/21 Equity share application Cr. 10,00,000

To ESSE A/c 10,00,000

13/2/21 Eq. share Allotment A/c Cr. 1,75,00,000

~~To ESSE~~ (50,000 x 35)

To Esc. Alc 12,50,000
(50,000 x 25)

To securities premium alc 5,00,000
(50,000 shares x 10)

31/3/22 Bank Alc dr. 17,50,000

To Eq. share Allotment Alc 17,50,000

31/3/22 8% Pref share Capital Alc dr. 50,00,000
(50,000 x 100)

Premium on redemption of 2,50,000
(50,00,000 x 5%) Preference shares dr.

To PSH Alc 52,50,000

31/3/22 PSH Alc dr. 52,50,000

To Bank alc 52,50,000

31/3/22 General Reserve ~~PSH Alc~~ dr. 2,50,000

To premium on redemption
of Pref shares 2,50,000

31/3/22 General Reserve dr. 27,50,000

To CRR 27,50,000
(50,00,000 - 10,00,000 - 12,50,000)

(Same question illustration - 9)

Continuation.

Illustration - 10

JE in the books of XYZ Ltd.

1/1/22 8% PS Final call a/c dr. 15,00,000
To 8% Psc A/c 15,00,000

1/1/22 Bank A/c dr. 14,40,000
(50000 - 2000) X 30
To 8% PS final call A/c 14,40,000

1/1/22 8% PS capital A/c dr. 2,00,000
(2000 X 100)
To Share forfeiture A/c 1,49,000
(2000 X 70)
To 8% pref share final call A/c 60,000
(2000 X 30)

1/3/22 Bank A/c dr. 10,00,000
To Eq. share Application 10,00,000

1/3/22 Eq. share App a/c dr. 10,00,000
To Esc A/c 1,00,000

1/3/22 Eq. share Allotment A/c dr. 17,50,000
To Esc A/c 12,50,000
To Securities premium a/c 5,00,000



31/3/22 Bank A/c dr. 17,50,000
 To eq. share Allotment A/c 17,50,000

31/3/22 8% P&L A/c dr. 48,00,000
 (48,000 x 100)

Premium on redemption of
 Pref. shares 2,40,000
 (48,000 x 5)

To PSH 50,40,000

31/3/22 PSH A/c dr. 50,40,000
 To Bank a/c 50,40,000

31/3/22 General Reserve a/c dr. 2,40,000
 To premium on redemption
 of preference shares 2,40,000

31/3/22 General Reserve a/c dr. 25,50,000
 To CRR a/c 25,50,000
 (48,00,000 - 10,00,000 - 12,50,000)

BONUS ISSUE

↓
Shares issued to existing shareholder for
NO CONSIDERATION

* When there is ↓ excessive Profits.
↓
Order of Utilisation

1. CRR
2. Securities premium
3. GR / P & L

BONUS

↓
Bonus shares

Bonus call

only fully paid-up
shares can be issued

Bonus

Conversion of partly paid-up
Shares into fully paid-up.

Journal entries

Bonus issue

due

CRR a/c dr. xxx

S.P a/c dr. xxx

GR/P&L a/c dr. xxx

To Bonus to
ESH A/c xxx

issue

Bonus to ESH A/c dr. xxx

To Esc A/c xxx

Bonus call

final call

Eq. share final call A/c dr. xxx

To Esc A/c xxx

due

GR/P&L A/c dr. xxx

To Bonus to
ESH A/c xxx

Bonus to ESH A/c dr. xxx

To Eq. share final
call A/c xxx

Illustration - 1

WN Existing Shares $\rightarrow 40,000 \times \frac{1}{4}$
Bonus Shares $\frac{10,000 \text{ shares} \times 10}{1,00,000}$

JE in the Books of Bharat Ltd.

Capital Redemption Reserve dr. 55,000

Securities premium dr. 30,000

General Reserve a/c dr. 15,000

To Bonus to Esc 1,00,000

Bonus to ESH A/c dr. 1,00,000

To ESC A/c 1,00,000

Illustration - 2

(i) Eq. share final call dr. 1,25,000

To Eq. share cap 1,25,000

(50,000 x ₹ 2.5)

General Reserve A/c dr. 1,25,000

To Bonus to ESH A/c 1,25,000

SH
XX

XX
E

Bonus to ESH Alc dr. 1,25,000

To Eq. share final call Alc 1,25,000

(ii) General Reserve Alc dr. 5,00,000

To Bonus to ESH alc 5,00,000

(50,000 x 10)

Bonus to ESH Alc dr. 5,00,000

To ESC Alc 5,00,000

Illustration-3

JE in the Books of Solid Ltd.

(1) Eq. share final call dr. 1,80,000

To ESC

1,80,000

(90,000 x 2)

WN

$90000 \times \frac{1}{4}$
Eq. share

= 22500

Bonus
shares x ₹6

2,25,000

(2) Bank Alc dr. 1,80,000

To Eq. share final call Alc 1,80,000

(3) Securities premium Alc dr. 20,000

GR

dr. 1,60,000

P&L Alc

dr. 45,000

To Bonus to ESH

2,25,000



(A) Bonus to ESH Alc dr. 2,25,000
To Esc alc. 2,25,000

Balance sheet (extract) of Solid Ltd.

I Equity and Liabilities

1. Shareholder's fund

(a) Share Capital	1	12,05,000
(b) Reserves & surplus	2	1,95,000

Notes :-

1. Share Capital

Authorized capital

10,000	12% pref. shares of ₹ 10 each	1,00,000
112500	Eq. shares of ₹ 10 each	<u>1,12,500</u>
		<u>12,25,000</u>

Issued, subscribed, called-up, & paid-up
Capital

8000, 12% Pref. shares of ₹ 10 each	80,000
1,12,500, 29. shares of ₹ 10 each	11,25,000
	<u>12,05,000</u>

2. Reserves & Surplus

GJR (160 000 - 160 000)

Revaluation Reserve

N16

35,000

Securities premium (20,000 - 20,000)

NIL

Profit & loss A/c (2,05,000 - 45,000)

~~1,60,000~~

1,95,000

Illustration - 4

JE in the Books of Preet Ltd.

1/4/22 Eq. share final call a/c dr. 2,70,000

To ESC a/c

2,70,000

(1,35,000 x 2)

20/4/22 Bank A/c dr. 2,70,000

To Eq. share final call A/c

2,70,000

Working note :-

$$1,35,000 \times \frac{1}{4} = 33,750 \text{ shares}$$

₹ 10

3,37,500 Bonus.

20/4/22 CRR A/c dr. 60,000

Securities premium dr. 37,500

GR a/c dr. 1,80,000

P & L A/c dr. 60,000

To Bonus to ES

3,37,500

VSH
XXXX

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9



20/4/22 Bonus to Estt Alc dr. 3,37,500
 To ESC Alc 3,37,500

Balance sheet (extract) of Preet Ltd @ as 30/4/22.

I. Share capital Equity and liabilities

1. Shareholder's funds	
a) Share capital	18,77,500
b) Reserves & surplus	2,40,000

Notes :-

1. Share Capital

Authorized capital

15,000, 12% pref shares of ₹ 10 each	1,50,000
168750 Eq. shares of ₹ 10 each	16,87,500
	<u>18,37,500</u>

Issued, subscribed, Called-up, paid-up Capital

12,000, 12% pref shares of ₹ 10 each	1,20,000
168750 Eq. shares of ₹ 10 each	16,87,500
	<u>18,07,500</u>

2. Reserves & Surplus

GR

NIL

CRR

NIL



Securities premium

NIL

P & L (3,00,000 - 60,000)

2,40,000

2,40,000

NOTE :- It is Assumed that all necessary resolutions are passed to increase the Authorised capital to 1,68,750 Shares.

Practical - 1

$$WN := \frac{4500 \text{ Shares} \times \frac{1}{3}}{\text{Bonus shares} \times ₹ 100} = 1500$$

JE in the Books of Saral Ltd.

CRR A/c dr. 70,000

Securities premium dr. 40,000

General Reserve dr. 40,000

To Bonus to ESH A/c 1,50,000

Bonus to ESH A/c dr. 1,50,000

To ESC 1,50,000



Practical - 6

JE In the Books of Mars Company Ltd.

11/4/2022 Eq. Share final call A/c dr. 8,00,000
 To Esc A/c 8,00,000
 (4,00,000 shares x 2)

25/4/22 Bank A/c dr. 8,00,000
 To Eq. share final call A/c 8,00,000

Working note :-

$$4,00,000 \times \frac{1}{4} \Rightarrow \frac{1,00,000 \times 10}{\text{Share}} = ₹ 10,00,000 \text{ Bonus}$$

11/5/22 CRR a/c dr. 2,40,000
 S. P a/c dr. 2,75,000
 G/R a/c dr. 1,60,000
 P & L A/c dr. 3,25,000
 To Bonus to ESH 10,00,000

15/22 Bonus to ESH A/c dr. 10,00,000
 To Esc A/c 10,00,000

Working note :- Right issue

$$\frac{5,00,000}{\text{Shares}} \times \frac{2}{5} \Rightarrow 2,00,000 \text{ shares}$$

20/6/22 Bank A/c dr. 24,00,000

(2,00,000 x ₹12)

(2,00,000 x 10)	To Ese	2,00,000
	To Securities premium	4,00,000
	(2,00,000 x 2)	



Redemption of Preference Share Capital A/c

practical - 1

Journal entries In the Books of B Ltd.

1/1/24 Bank A/c dr. 33,000
(3000 x 11)

To Esc (3000 x 10) 30,000

To Sec. premium (3000 x 1) 3000

due entry for redemption

1/1/24 12% Pref share capital A/c dr. 180,000
(12,000 x 10)

Premium on redemption of
Pref share dr. 36,000
(12,000 x 3)

To Pref shareholder a/c 2,16,000

1/2/24 PSH A/c dr. ~~2,16,000~~ 2,14,800

To Bank a/c 2,14,800
(17900 x 12)

1/1/24 P & L A/c dr. 36,000

To Premium on redemption
of Pref share A/c 36,000

1/1/24

GR Alc dr. 1,20,000

P&L Alc dr. 30,000

To CRR Alc

1,50,000

(1,80,000 - 30,000)

1/1/24

CRR Alc dr. 1,20,000

To Bonus to EST

1,20,000

1/1/24

Bonus to EST Alc dr. 1,20,000

To ESC Alc

1,20,000

BONUS ISSUE / RIGHT ISSUE



Value of Rights :-

Value of Right

→ $\frac{\text{Cum-right price/share} - \text{Ex-right price/share}}{1}$



Price per share before right issue

Ex-right price/share



Price per share after Right issue

$$\text{Ex-right price per share} = \left(\frac{\text{No. of before right issue} \times \text{Price/share before right issue}}{\text{No. of right shares} + \text{Right issue Price}} \right) + \left(\frac{\text{No. of right shares} \times \text{Right issue Price}}{\text{No. of right shares} + \text{Right issue Price}} \right)$$

Total Shares after Right issue.



Illustration - 5

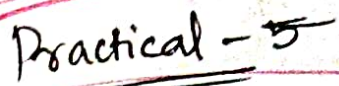
$$\begin{aligned} \text{Value of Right} &\rightarrow \text{Cum - Right price per share} \quad (\leftarrow) \quad \text{Existing Right price per share} \\ &= 150 - 145 \\ &= \textcircled{5} \text{ Right share.} \end{aligned}$$

$$\begin{aligned} \text{Ex - Right price per share} &\rightarrow \frac{(4 \times 150) + (1 \times 125)}{5 \text{ shares}} \\ &\Rightarrow 145 \end{aligned}$$

Practical - 4

$$\begin{aligned} \text{Value of Right} &\rightarrow \text{Cum - Right price/share} \quad (\leftarrow) \quad \text{Existing right price/share} \\ &= 240 - 200 \\ &\Rightarrow 40 \end{aligned}$$

$$\begin{aligned} \text{Existing right price/share} &= \frac{(2 \times 240) + (1 \times 120)}{3} \\ &= 200 \end{aligned}$$



Bank A/c Dr. 62,500
To cse' a/c 62,500

$$(25,000 \times \frac{1}{4} \Rightarrow 6250 \times ₹ 10 \\ 62,500)$$



REDEMPTION OF DEBENTURES

Repayment

In lumpsum

In installments

By conversion

Purchase from open market

Due entry

% Debenture Alc dr. xxx

Premium on redemption of

debenture Alc dr. xxx

To Debenture Holder Alc

xxx

Payment

Debenture Holder Alc dr. xxx

To Bank Alc

xxx

P & L Alc dr. xxx

To premium on redemption
of debenture Alc

xxx

Debenture Holder Alc dr. xxx

To ESC Alc

xxx

To Sec. premium Alc

xxx

DRR (Deb Redemption Reserve) DRR Investment

Listed Company → Not Applicable.
 Unlisted Company → Applicable

↓
 NA to Banking Company
 NBFC
 HFC
 AIFI (RBI)

✓ Atleast 10% of debts outstanding
 Has to be in DRR.

Create DRR

P & L Alc dr. XXX
 To DRR Alc XXX

After Redemption

DRR Alc dr. XXX
 To GR Alc XXX

✓ Safe mode of investments

Min 15% of debentures maturing during the year → must be invested by 30th April each year.

JE

DRR investment dr. XX
 To Bank Alc XX

Sell

Bank Alc dr. XX
 To DRR investment XX

Profit/Loss transferred to P&L Alc.



Illustration - A

Dr.		6% debenture A/c		Cr.
28/2/22	To debenture holder	10,00,000	By bal bld	10,00,000
		<u>10,00,000</u>		<u>10,00,000</u>

Dr.		Debenture Redemption Reserve		Cr.
28/2/22	To G.R	1,00,000	By bal bld	50,000
			11/1/22 By P&L A/c	50,000
		<u>1,00,000</u>		<u>1,00,000</u>

Dr.		DRR investments		Cr.
	To balance bld	1,50,000	28/2/22 By bank	1,50,000
		<u>1,50,000</u>		<u>1,50,000</u>



SSC

Dr. Bank A/c Cr.

1/1/2022	To bal b/d	9,00,000	28/2/22	By deb Hold	9000
28/2/22	To int on DRR invest	1000	28/2/22	By TDS payable	1000
	($150000 \times 4\% \times \frac{2}{12}$)		28/2/22	By debenture holder	10,10,000
28/2/22	To DRR investment	150000	28/2/22	By bal c/d	31,000
		10,51,000			10,51,000

or.

Dr-		Int on DRR investment A/c	
31/3/22	To P&L	1000	28/2/22 By bank 1000
		<u>1000</u>	<u>1000</u>

dr.	Debenture investment A/c	Cr.
28/2/22 To debenture holder 9000 $(10,00,000 \times 6\% \times \frac{2}{12}) \times 90\%$	31/3/22 By P&L 10,000	
28/2/22 To TDS payable 1000		10,000
	10,000	

Debenture holder A/c

28/2/22	To bank A/c	9000	28/2/22	By deb int	9000
28/2/22	To bank A/c	10,10,000	28/2/22	By 6% deb	10,00,000
		9000	28/2/22	By premium on redemption debent	10,000

VSH
XZXXXX
1



TDS payable

28/2/22	To bank	1000	28/2/22	By Deb int	1000.
		<u>1000</u>			<u>1000</u>

Dr.

Premium on redemption of debentures A/c

28/2/22	To Deb Holder	10,000	31/3/22	By P & L	10,000
	(10,000 x 1)	<u>10,000</u>			<u>10,000</u>

Illustration - 2

easy (if you know journal posting is easy.) Cr.

Dr.

12% Debentures A/c

1/4/21	To debenture holder	₹ 1,50,000	1/4/21	By balance b/d	₹ 1,50,000
		<u>₹ 1,50,000</u>			<u>₹ 1,50,000</u>

Dr.

DRR A/c

Cr.

1/4/21	To General Reserve	₹ 5,000	1/4/21	By balance b/d	₹ 25,000
		<u>₹ 5,000</u>	1/4/21	By P & L A/c	50,000
					<u>₹ 75,000</u>



DRR investment

Cr.

1,12,500

1,12,500

dr.

Bank Alc

2.

1/4/21 By debenture Holder A/c 8,25,000

17/127 TO DRP

Investment 1,25,00

11/4/21 By Bal. c/d 48750

1/4/21 To int on 11,250

DRR investment

(1,12,500 X 10%)

8,73,750

8,73750

dr.

Debenture Holder A/c

Gr.

1 | 4 | 2 |

To Bank a/c

825000

11/4/21 By 12% debentures 7,59,000

11/4/21 By premium on
Redemption of

Redemption of debentures 75000

8,25,000

8,25,000



Illustration - 3

F.V of debts to be redeemed $\rightarrow$ ₹ 20,000
(+) 5%

Am't payable $\rightarrow$ 21,000

20%

80%

₹ 4200

₹ 16,800

↓

↓

₹ 4200 = 210 shares
₹ 20 Issued

paid.

OFD: 12% debenture Alc dr. 20,000

Premium on redemption of deb dr. 1000

To 12% debenture Holder

21,000

Debenture Holder alc dr. 21,000

To E.S.C

2100

(210 x 10)

To securities premium

2100

To Bank Alc

16800



Illustration - 4

JE in the Books of BEE Ltd.

1/4/21 P & L Alc dr. 1,20,000

To DRR alc 1,20,000

(1,20,000 x 10%)

1/4/21 DRR investment Alc dr. 18,000

To Bank Alc 18,000

(1,20,000 x 15%)

1/4/21 Bank Alc dr. 75,000

(5000 shares x ₹15)

To ESC Alc 50,000

(5000 x ₹10)

To securities premium Alc 25,000

(5000 x ₹5)

1/4/21 Securities premium Alc dr. 25,000

P & L Alc dr. 25,000

To Bonus to ESH Alc 50,000

SH
XX

XX
5



1/4/21 Bonus to Estt A/c dr. 50,000
To Esc A/c 50,000

1/4/21 Bank A/c dr. 18,000
To DRR investment 18,000

1/4/21 12% debenture A/c dr. 1,20,000
Premium on redemption
(1,20,000 x 3%) of debenture dr. 3,600
To debenture holder A/c 1,23,600

1/4/21 Debenture holder A/c dr. 1,23,600
To Bank A/c 1,23,600

1/4/21 P & L A/c dr. 3,600
To premium on redemption
of debentures A/c 3,600

1/4/21 DRR A/c dr. 12,000
To General Reserve A/c 12,000

Practical - 1

Calculation of No. of eq. shares Alloted.

No. of debentures $\longrightarrow$ 20,000

2500 debentures

$\times 105$

2,62,500

Amt to be paid

17500 debts

$\times 105$

18,37,500

20%.

3,67,500

$\frac{1}{2} \times 105$

24500 Shares issued

80%

14,70,000

Amt to be paid.



Important Question.

Practical - 2

JE in the Books of Libra limited.

1/5/21 Bank A/c dr. 2,00,00,000

To 15% Debenture App &

Allotment a/c

2,00,00,000

($2,00,00,000 \times 100$)

1/6/21 15% Debenture App & Allot dr. 2,00,00,000

To 15% debenture A/c

2,00,00,000

30/9/21 Debenture Int A/c dr. 10,00,000

($2,00,00,000 \times 15\% \times \frac{4}{12}$) To Deb Holder A/c

9,00,000

To TDS payable A/c

1,00,000

30/9/21 Debenture Holder A/c dr. 9,00,000

TDS payable a/c dr. 1,00,000

To Bank A/c

10,00,000

1/11/21 15% Debenture A/c dr. 1,20,00,000

($2,00,00,000 \times 60\%$)

To deb Holder A/c

1,20,00,000

1/11/21 Debenture Holder A/c dr. 1,20,00,000

To ESC A/c 20,00,000
(2,00,000 x 10)

To securities premium a/c 1,00,00,000
(20,00,000 x 50%)

(Working note):-

$$\frac{1,20,00,000}{\div ₹ 60}$$

200,000 Shares
x 10

31/3/22 Debentures interest A/c dr. ₹ 1,50,000
(2,00,00,000 x 15% x $\frac{1}{12}$) + (^{80,00,000}~~20,00,000~~ x 15% x $\frac{5}{12}$)

To Deb Holder A/c 1,50,000
To TDS payable 75,000

31/3/22 Debenture Holder A/c dr. 6,75,000

TDS payable A/c dr. 75,000

To Bank A/c ₹ 1,50,000

31/3/22 P & L A/c dr. ₹ 7,50,000

To debentures interest A/c ₹ 1,50,000