unit - I

Issue of shares

1 Application

2. Allotment — ~~E~~ 15

3 Calls — (21)

4 forfeiture — 22, 23, (24)

5 Re - Issue — Illus - 28, 29, 30 31.

22 — 6 Premium

24 — 7 Discount — 13

Sum No: 1, 2, 3 4. 5, 7, 8, 12, 13, 16, 21, 22, 28, 29.

SumNo, 1, 2, 3, 4. 5. — 5

7 8 12 13 16 — 5

21 22 28 29. — 4

14 sums

Issue of shares for Immediate Full Collection

Illustration - 1

1. Full amount of shares will be paid in a lumpsum

↓

Full amount paid in single payment

Issued at Par

Entry → Bank a/c Dr 500 000

To Equity share Capital a/c 500 000

(50 000 × 10)

Per share ~~Per share~~

Rs $10 \times \frac{10}{100} = 1$

or

$50\,000 \times 10 = 500\,000$

$500\,000 \times \frac{10}{100} = 50\,000$

Issued at Premium of 10%.

Bank a/c Dr (50 000 × 11) 550 000

To Equity share capital a/c (50 000 × 10) 500 000

To Securities Premium a/c (50000 × 1) 50 000

Issued at discount of 10%.

Bank a/c Dr (50 000 × 9) 450 000

Discount on issue of shares (50 000 × 1) 50 000

To Equity share Capital a/c 500 000

Illustration - 2 Issue for Consideration other than Cash

Ram Ltd Purchased Assets of Rs 800 000

↓

for the Purchase of Assets issued Equity shares of Rs 100

① Credit Purchase of Assets

Assets a/c Dr ~~800000~~ 800 000

To Anil Bros a/c 800 000

~~800000~~ = ~~8000 shares~~

② Payment made by Equity shares

for 800 000 $\frac{800\,000}{100}$ = 8000 shares, Per share 100 Rs

Anil Bros a/c Dr (8000 × 100) 800 000

To Equity share Capital a/c 800 000

Illustration – 3

Kailash purchased
the business of Mani Bros
↓
for Rs 54 00 000
↓
Payable in → fully paid shares of Rs 100 each.

a) ~~Issue at Par~~

1. Credit Purchase

Sundry Assets a/c Dr 54 00 000
To Mani Bros a/c 54 00 000

Issued at par
2 Payable in → fully paid shares of Rs 100 each

Mani Bros a/c (Debit the Receiver) 54 00 000
To Share Capital 54 00 000

3 Issued at Premium of 20%.

~~Premium Rs~~
~~Rs 100 × 24/100 20~~
~~Number of shares~~
~~54 00 000 / 100 = 54000 shares~~

Mani Bros a/c Dr 54 00 000
To share capital a/c. 45 00 000
(45000 × 100)
To Securities Premium a/c 9 00 000
(45000 × 20)
Total 120 %.

Premium Calculation

Premium Rs 100 × 20/100 = Rs 20

Actual ~~shares~~ Per share value is Rs 100 + Premium 20% on 100 Rs

~~No of shares~~ = ~~45 00 000~~
shares in Rs + Premium = 54 00 000

45 00 000 / 100 = 45000 No. of shares

120% 54 00 000
100% × ? = 45 00 000 → shares in Rs

120% 54 00 000
20% × ? = Rs 900 000 → Premium in Rs

(4) Issued at discount

Mani Bros a/c Dr 54 00000
Discount on issue of shares a/c Dr 600 000
To share Capital a/c . 60,00000

Discount Calculation

~~600 x 10/100 = 600~~

~~Total Amount → 54 00 000 (60 00 000)~~

~~Discount → 10 %~~

~~Share value → 90 %~~

~~5400 000 x 10/100 = 540000~~

when discount 10% is given, after Discount 90% value is 5400 00

Total 100% is how Much ?

90% 540000
100% X ? = 60 000 No of shares

~~60000 x 1000 = 600000~~ Its is value is Rs
60 000 x 100 =
Rs 6 0,0 0 000

~~600 S. D.~~ 100% share Capital value is Rs 60,00,000

Discount is 10% on 60 00 000

Discount value is → 60 00 000 x 10/100 = Rs 6,00,000

Mani Bros a/c Dr 54 00 000
Discount on issue of shares a/c Dr 600 000
To share Capital a/c 60 00 000

Shares issued for Cash and non - Cash Considerations ①

Illustration - ④

Land and Building Purchase

↓

Payment allotted 20000 Equity shares of Rs 100 each as fully paid.

↓

Total Settlement for purchase of Land and Building is Rs

20 000 × 100 = 20, 00, 000

↓

Land and Building Purchased

↓

Land and Building a/c Dr 20 00,000

TO Equity Share Capital 20,00,000

① [illegible] Sum model

① Credit Purchase of Asset from x

Seller name is given.

② For Purchase.

Equity Share Settlement [illegible] Company

Purchase

① Asset a/c Dr

TO X a/c

② Settlement

X a/c Dr

TO Equity Share Capital a/c.

[illegible] sum model

① Credit Purchase of Asset

Seller name is not given.

② For Purchase, Equity Share settlement [illegible] Company

↓

① Asset a/c Dr

(TO X a/c)

② (X a/c Dr)

TO Equity share Capital a/c.

Entry

Asset a/c Dr

TO Equity share Capital a/c.

Public

↓

② Company issued 40,000 Equity shares to the Public

↓

Shares were payable as follows.

↓

App	—	Rs 20
Allot	—	Rs 40
Call	—	Rs 40
		100

↓

① App money received

Bank a/c Dr 8 00 000

TO Equity Share App a/c 8 00 000

(40 000 × 20)

② App money transfered to Share Capital

Equity Share App a/c 8 00 000

TO Equity Share Capital 8 00 000

③ Allotment due

Equity Share Allotment a/c Dr 16,00,000

TO Equity Share Capital a/c. 16 00,000

(40 000 × 40)

④ Allotment money Received

Bank a/c Dr 16 00,000

TO Equity Share Allotment a/c. 16 00,000

⑤ Call money due

Equity Share Call a/c Dr 16 00 000

To Equity share Capital a/c 16 00 000

(40 000 × 40)

⑥ Call money Received

Bank a/c Dr 16 00 000

To Equity shall call a/c 16 00 000

...s to Accounts

1. Share capital	
Issued and Paid up Capital	
60 000 Shares of Rs 100 each	60,00,000
(out of which 20 000 Shares issued for consideration other than cash)	
2. Tangible Assets	
Land and Building	20 00000

Balance sheet of walter Ltd as on 31st Dec

	Note No.	Rs
I Equity and liabilities		
(i) shareholders' funds		
Share Capital	1	60 00 000
(ii) Non-current liabilities		–
(iii) current Liabilities		–
Total (i) + (ii) + (iii)		60 00 000
II Assets		
(i) Non – current Assets		
Fixed Assets		
Tangible Assets	2	20,00,000
(ii) current Assets		
Cash at Bank		40 00000
Total (i) + (ii)		60 00 000

Illustration 5

H Ltd decided to create share capital of Rs 1200 000 in Rs 10 shares.

1

2

3

1. Machinery Purchased from X & Co for Rs 600 000

Machinery a/c Dr 600 000
To X & Co a/c 600 000

2. payable in fully paid shares

X & Co a/c Dr
To share Capital a/c

to allot 2000 shares credited as fully paid to the Promotors for their services.

It is Loss to the Company
No Cash is received from Promotors, only for service benefit.

3. Goodwill a/c Dr 20 000
To share Capital a/c 20,000
(2000 × 10 = 20 000)

The rest of the shares were issued for cash and were taken up by the public and fully paid.

$\frac{\text{Rs } 1200\,000}{10} = 120\,000$ shares

1. shares issued to X & Co = 60 000
2. shares issued to Promotors 2000

shares issued → 62000

Total → 120 000
(−) Issued 62000
Remaining shares → 58 000

Issued to Public for Cash.

4. Bank a/c Dr 5,80,000
To share Capital 5,80,000
(58 000 × 10)

Notes to Accounts

1. Share Capital	
Issued and paid up capital	12,00,000
1 20 000 shares of Rs 10 each	
(out of which 62 000 shares issued for Consideration)	
2 Tangible Assets.	
Machinery	6 00,000
3 Intangible Assets	
Goodwill	20,000

Balance sheet of H Ltd As on 31st Dec

	Note No	Rs.
I Equity and Liabilities		
(i) shareholders' funds:		
Share Capital	1	12 00 000
(ii) Non-current Liabilities.		
(iii) current Liabilities.		
Total (i) + (ii) + iii)		12,00,000
II Assets		
(i) Non-Current Assets		
Fixed Assets		
Tangible Assets.	2	6 00 000
InTangible Assets	3	20 000
(ii) current assets		
Bank		5 80 000
Total (i) + (ii)		12,00,000

shares issued for consideration receivable in instalments

Illustration 7

Invited Applications for 20000 shares of the value of Rs 20 each,
(20000 x 20) = 200 000

① Applications
(20 000 x 5) = 100 000 → Bank a/c Dr 100000
To share App a/c 100000
Share App a/c Dr 100 000
To share Capital a/c 100000

② Allotment
(20000 x 8) 160 000 → Share Allotment a/c Dr 160000
To share Capital a/c 160000
Bank a/c Dr 160 000
To share Allotment a/c 160000

③ Call → Is not Called.
Because
See sum ← The Balance when required
So, Now It is not required.

Issued at Par — over subscribed — rejecting excess (1)
Application

Illustration — 8

Invited Applications for 20,000 shares of Rs 100

Applied shares → 25000
Accepted shares → 20000
remaining shares were rejected → 5000

1. Application money received → Bank a/c Dr
To share App a/c

(25000 x 25) = 625000

(2) Application money Transfered to Share Capital → share App a/c Dr.
To share Capital a/c

(20000 x 25) = 500000

(3) Remaining (Excess) shares rejected → share App a/c Dr
To Bank a/c

(5000 x 25) = 125000

(4) Allotment due → share Allotment a/c Dr
To share Capital a/c

(20000 x 35) = 700000

(5) Allotment money Received → Bank a/c Dr
To share Allotment a/c

(20000 x 35) = 700000

(6) Call due → share Call a/c Dr
To share Capital a/c.

(20000 x 40) = 800000

(7) Call money Received → Bank a/c Dr
To share call a/c.

(20000 x 40) = 800000

Notes to Accounts

1. Share Capital Issued and Paid up Capital 20,000 Shares of Rs 100 each	20 00 000

Balance sheet of MTL Ltd as on 31st Dec

	Note No	Rs
I Equity and liabilities		
(i) Shareholders' funds:		
Share Capital	1	20 00 000
(ii) Non-current liabilities		
(iii) Current liabilities		
Total (i)+(ii)+(iii)		20 00 000
II Assets		
(i) Non-Current Assets		-
(ii) Current Assets		
Cash at Bank		20 00 000
Total (i) + (ii)		20 00 000

Shares issued at Premium – over subscription – Calls-in-arrears

Illustration – 12

X Co Ltd issued 4000 Shares of Rs 10 each at a Premium of Rs 2 Per Share

Applications Received — 5000 Shares
Issued by Company — 4000 Shares
Excess Applied → 1000 — 200 App money refunded
— 800 App money Adjusted in Allotment

Allotment made by the Company

1 Applicants for 200 Shares – NIL (rejected)
2 Applicants for 800 Shares – Full (800)
3 Applicants for 4000 Shares – 3200 Shares

5000   4000

(eg)
Mr X
→ Applied 1500 shares
Alloted 700
App money 800
not refuned
Adjusted in Allotment

Applied 5000

Mr Y
→ Applied 200 shares
fully rejected 200
(or) NIL

Mr Y
→ Applied 500
Alloted 300
rejected 200
↓
money refuned

① App money Received

Bank a/c Dr 15000
To Share App a/c 15000
(5000 × 3)

② App money transferred to Share Capital

Share App a/c Dr 12000
To Share Capital 12000
(4000 × 3 = 12000)

③ App Money refunded

Share App a/c Dr 600
To Bank a/c 600
(200 × 3)

④ App money Adjusted in Allotment

Share App a/c Dr 2400
To share Allotment a/c 2400
800 × 3 = 2400

(5) Allotment Due

Share Allotment a/c Dr. 16 000
 To Share Capital a/c 8 000
 To Securities Premium a/c 8 000
 (~~4000 x 4 = 16000~~)(4000 x 2)
 (4000 x 2)

(6) Allotment money Received

Shares 4000 x 4 Rs = 16 000 [illegible]
(−) App money Adjusted in Allotment 2400

Allotment money Received → 13 600

Bank a/c Dr 13 600
 To Share Allotment a/c 13 600

(7) First Call due

Share First Call a/c Dr 12000
 To Share Capital a/c 12000
 (4000 x 3 = 12000)

(8) First call money Received

4000 shares [illegible]
200 unpaid
3 800 x 3 = 11 400

First Call money received → 11 400

Bank a/c Dr 11 400
 To Share First Call a/c 11400

(9) Second Call due

Share Second Call a/c Dr 8000
 To Share Capital a/c 8000
 (4000 x 2 = 8000)

(10) Second Call money Received

Bank a/c Dr 7400
 To Share Second Call a/c 7400

4000 shares [illegible]
300 unpaid
3700 x 2 = 7400

Notes to Accounts

1. Share Capital

Called up and paid up Capital 4000 shares of Rs 10 each	40,000	
Less		
Calls in arrears		
First Call	600	
Final Call	600	38 800
2 Reserves and Surplus		
Securities Premium (4000x2)		8 000

Balance Sheet of X Co Ltd as on ...

	Note No	Rs
I Equity and liabilities		
(i) Shareholders' funds		
Share Capital	1	38 800
Securities Premium Reserves and Surplus	2	8 000
(ii) Non - current liabilities		-
(iii) current liabilities		-
Total (i) + (ii) + (iii)		46,800
II Assets		
(i) Non - Current Assets		-
(ii) Current Assets		46,800
Cash at Bank		
Total (i) + (ii)		46,800

Shares issued at discount

Illustration — 13

Green Ltd issued 2000 shares of Rs 100 each at a discount of 5 %.

App — 20

Allot — 25 (with adjustment of discounts) — Allot — 25, discount — 5

First Call — 20

Final Call — 30

95

Face value 100

5 → discount

All Calls were made and received with an exception of final call on 200 Shares

1. Bank acc Dr 40000
   To Share App acc 40000 → App — money received
   (2000 × 20 = 40000)

2. Share App acc Dr 40000
   To Share Cap acc 40000 → Transfered to Share Capital

50,000

Allotment due 3. Share Allotment acc Dr (2000 × 25)
   Discount on issue of shares acc Dr (2000 × 5) 10,000
   To Share Capital acc 60000

~~20000~~

50000

4. Bank acc Dr 50000
   To Share Allotment 50000 → Allot money received

5. Share First Call acc 40000
   To Share capital 40000 → Call — due
   (2000 × ~~30~~ 20 = 40000)

6. Bank acc Dr 40000
   To Share First Call acc 40000 → Call money received

~~2000~~

~~200~~

1800

⑦ Share final call a/c Dr 60000
To Share Capital a/c 60000
(2000 x 30 = 60000)
(Final call due)

Final call money due

⑧ Bank a/c Dr 54000
To Share final call 54000
2000
Failed — 200
1800 x 30 = 54000
(Call money received)

Final call money received

Notes to Accounts

1. Share Capital
Paid up capital
2000 shares of Rs 100 each — 200 000
Less calls in arrear — 6 000
(200 x 30) — 194000

2 Other current Assets — 10,000
unamortised discount on shares Discount

Balance sheet of Green Ltd as on 31st Dec

	Note No	Rs
I Equity and liabilities all share Capital		
(i) shareholders' funds Share Capital	1	194000
		-
(ii) Non - current liabilities		-
(iii) current liabilities		
Total (i) + (ii) + (iii)		194000
II Assets		-
(i) Non - current Assets		
(ii) current Assets Cash at Bank (All Bank)		184 000
(Discount) Other current Assets		10 000
Total (i) + (ii)		194000

Calls-in-arrears and Calls in Advance ①

Illustration-16

Daniel Co Ltd issued 30,000 ~~shares~~ Equity shares of Rs 100 each at a Premium of Rs 20 per share.

Company க்கு share holder pay பண்ண வேண்டும்

APP	20	
Allot	40	Allot - 20
		Premium - 20
I Call	30	
Final Call	30	
	120	

It is rule

Company Articles provide for
5 % p.a. Interest on Calls-in-arrears and
6 % p.a Interest on Call-in-Advance.

Company shareholder க்கு pay பண்ண வேண்டும்

All the shares were duly applied and all moneys were received on the dues except the following.

① Holders of 3000 shares paid the entire amount due along with allotment and

3000 share money யை Allotment பணம் கட்டும் போது (I Call + II Call) மொத்தமாக சேர்த்து Advance ஆக shareholder கட்டிவிட்டனர்.

calls-in-Advance

4th entry Allotment money Received Entry

④ Bank a/c Dr 13 80 000

Allotment ல் கட்ட வேண்டியது ← To share Allotment a/c (30,000 × 40) 12 00 000

To Calls-in-advance a/c. 180 000

(3000 × 60 = 180 000)

I Call 30, II Call 30

Call money, Advance ஆக கட்டியது

First Call Money Received ②

Bank a/c Dr (26700 × 30)	801 000	
Calls in Advance A/c Dr (3000 × 30)	90,000	
To Share First Call a/c		891 000

(30000 − 300 failed = 29700 × 30 = 891000)

Total shares	− 30 000	
Advance payment for I & II Call	− 3000	
	27000 − Balance for I Call	~~other than 3000 shares~~
[illegible]	300 − failed to pay in I Call	
	26700 − share money is received by Bank.	

[illegible] share [illegible] I Call [illegible]

[illegible] Rs 180 000 [illegible] Interest pay [illegible].

Interest payment → [illegible] Expenses.

[illegible] Interest pay [illegible]

[illegible] Date	———	[illegible] Date
1.2.98		1.5.98

Feb + March + April = 3 months [illegible]

[illegible] 3 [illegible] Interest pay [illegible]

$$180\,000 \times \frac{3}{12} \times \frac{6}{100} = 2700$$ Interest paid to shareholders

Due Entry

(7) Interest on Calls-in-Advance a/c Dr 2700
To Sundry Shareholders a/c 2700
(Paid to shareholders)

[illegible] I Call [illegible] Interest Calculation [illegible] Rs 180 [illegible]

Final Call money Received

(9) Bank a/c Dr (27300 × 30) 819000
Calls-in-Advance a/c (3000 × 30) 90,000

Advance payment

To share First Call a/c (300 × 30) 9000
To share Final Call a/c (30000 × 30) 900000

First call money paid in Final Call

Final Call money paid in Final Call

It is unpaid in First Call

Total shares	30000	
(–) Advance payment	3000	
	27000	Final Call இல் கட்டப்பட்ட shares
(+) I Call money paid in final Call (300 shares)	300	
	27300	shares money is received by Bank.

unpaid in I Call
Paid in II Call

இந்த share க்கு உரிய பணம் முதல் call இல் செலுத்தாமல் II Call பணம் கட்டும் போது Bank இல் கட்டப்பட்டது

Interest on Calls-in-Advance

பணம் கட்டிய Date —— பணம் கட்ட வேண்டிய Date

1.5.98 —— 1.9.98

May + June + July + Aug = 4 months க்கு முன் கூட்டியே கட்டியுள்ளனர்

4 months க்கு Interest pay பண்ண வேண்டும்

$90000 \times \frac{4}{12} \times \frac{6}{100} = 1800$ Interest paid to Shareholders due Entry

(10) Interest on Calls-in-Advance a/c Dr 1800
To Sundry shareholders a/c 1800

இந்த I Call முடிந்த பின் II Call வரை
கட்டப்பட்ட 90 ஆயிரத்தி வட்டி
Interest Payment for Advance

Allotment பின் — கட்டவேண்டியது 3000×30=90ஆ I Call — கட்டவேண்டியது 3000×30=90ஆ II Call

Advance payment
Rs 180 000
It is for
I, II Call

180 ஆ Advance payment — 90 ஆ இங்கு இருக்கிறது. — 90 ஆ Advance payment after I Call

---

(ii) A holder of 300 shares paid the amount due on First Call with the amount due on Second Call

300 shares not paid First Call money
But It is paid in second Call money

Cash in respect of Interest on Calls in arrears or Calls-in-Advance was neither received nor paid

இந்த வரை Interest on Calls in Advance
கொடுக்கப்படவில்லை
Interest on calls in arrear
வாங்கப்படவில்லை

இப்போது கணக்குகளில்
மாற்றுவதற்கு 2nd due Entry
போடவேண்டும்.

→ Interest on Calls in Advance

Shareholders க்கு கொடுப்பதற்கு உள்ள due Entry

↓

7 th entry

9 th entry

→ Interest on Calls in arrears

Shareholder இடம் இருந்து வாங்க வேண்டிய Interest

300 shares – I Call money ஐ கட்டவில்லை II Call இல் கட்டப்பட்ட 300 shares க்கு Interest receive பண்ண வேண்டும்

I Call ———————————————— II Call

I Call money கட்ட வேண்டிய Date
1.5.98

I Call money கட்டிய Date.
1.9.98

May + June + July + Aug = 4 months.

Interest should be collected from shareholders for unpaid or arrear

(300 x 30 = 9000)

Interest should be collected. → $9000 \times \frac{4}{12} \times \frac{5}{100} = \text{Rs } 150$

↓

due Entry

(11) → Sundry Shareholders a/c Dr 150

To Interest on Calls – in – arrears a/c 150

(Interest should be collected for arrear of 300 shares from the shareholders)

It is Income to the Company

App money Received

Bank a/c Dr 600 000
To Share App 600 000
(30 000 x 20)

② App money Transfered to Share Capital

Share App a/c Dr 600 000
To Share Capital a/c 600 000

③ Allotment due

Share Allotment a/c Dr 12 00 000

To Share Capital a/c 600 000
(30 000 x 20)
To Securities Premium a/c 600 000
(30 000 x 20)

④ ஏற்கனவே போட்டுவிட்டோம் (Allotment money received)

⑤ Share first call money due

Share First Call a/c Dr. 9 00 000
To Share Capital a/c 900 000
(30 000 x 30)

⑥ ஏற்கனவே போட்டுவிட்டோம் (Share first call money received)

⑦ ஏற்கனவே போட்டுவிட்டோம் (Interest on Calls-in-advance

neither received nor paid

pay பண்ணவேண்டிய உள்ள Entry

due Entry

But not paid (see sum)

pay பண்ணவில்லை

Bank credit இல்லை

ஏற்கனவே

செய்ய வேண்டாம்

⑧ Share final call money due

Share Final Call a/c Dr 9 00 000
To Share Capital a/c 900 000
(30 000 x 30)

9. Final Call money received – ஏற்கனவே போடவேண்டும்

10. Interest on Calls-in-Advance → ஏற்கனவே Due Entry போடவேண்டும்

neither received nor paid

↓

அது payment இல்லை

due Entry

nor paid (see sum)

11. Interest on Calls-in-arrears → ஏற்கனவே போடவேண்டும்

(due Entry)

↓

அது received இல்லை

due Entry

neither received

see sum

neither received

nor paid

கொடுக்கவும் ஒன்றும் இல்லை

வாங்கவும் இல்லை

Forfeiture of shares – Issued at Par

Illustration – 21

A holder holding 2000 Shares of Rs 10 each.

he has paid App money – 2
Allotment money – 3

He failed to pay (1) First call 3

He failed to pay Second Call 2

Per share. 10

Directors forfeit his shares.

Give Journal Entries

1. Share Capital a/c (2000 x 10) 20 000

Cancel Entry
- To Share First Call a/c (2000 x 3) 6000
- To Share Final Call a/c (2000 x 2) 4000

To Forfeited shares a/c 10,000

2000 x 5 = 10000

App 2, Allot 3

Failed to pay this Calls

Already pay [illegible]

this is gain to the Company. This money will not be given to the shareholder

Forfeiture of shares issued at a Premium – Premium fully Collected

Illustration – 22

Ambassadors Ltd. issued 2000 shares of Rs 100 each at a Premium of 10%.

APP — 25

Allo — 35 (Including Premium) < 25 Allotment, 10 Premium

first Call — 20

Final Call — 30

110

Actual value → 100

10 – Premium.

→ 1800 shares were Applied and Allotted.

↓

In all Places 1800 shares should be there.

2000 shares should not be at any Place.

→ All money was received with the exception of first and final Calls on 200 shares held by Raghu.

↓

These 200 shares were forfeited.

1. Bank a/c Dr → APP money Received

To Share APP

1800 × 25 = 45000

2. Share APP a/c Dr → APP Money Transfered to Share Capital

To Share Cap

(Transfer of APP)

3. Share Allot a/c 63 000 (1800 × 35) → Allot – due

To Share Cap a/c 1800 × 25 = 45 000

To Securities Premium (1800 × 10) = 18000

4. Bank a/c Dr 63 000 63 000 — Allot money received.

To Share Allot

Share First Call A/c 36 000
Share Capital A/c 36 000 → Ist Call due
1800 × 20 = 36000

6. Bank A/c Dr 32000
To Share First Call A/c. 32000 → Ist Call money Received.

1800
Failed to pay — 200
1600 × 20 = 32 000

7. Share Final A/c Dr 54 000
To Share Capital A/c 54 000 → Final Call due
1800 × 30 = 54 000

8 Bank A/c Dr 48 000
To Share Final Call A/c. 48 000 → Final Call money Received.

1800
Failed to pay — 200
1600 × 30 = 48000

(9) Forfeiture of 200 Shares
Share Capital A/c Dr (200 × Rs 100) 20 000
To Share First Call A/c (200 × 20) 4 000 ← Failed to pay
To Share Final Call A/c (200 × 30) 6 000 ← Failed to pay
To Forfeited Shares A/c. 10 000

(App + Allot) money already paid by share holders
This money will not be refunded to share holder
This money is retained by Company as a Profit.

Issued — 1800
(−) Cancelled Shares 200 — [illegible] Gain Rs 10,000
Shares in B/S 1600

Notes to Accounts

1. Share Capital	
Issued Capital	
2000 Shares of Rs 100 each.	200,000
Subscribed Capital	180000
1800 Shares of Rs 100 each	
Called up and Paid up Capital	
1600 Shares of Rs 100 each 160,000	
Add Forfeited Shares (gain) 10,000	170000
2. Reserves and Surplus	
Securities Premium	18000

Balance Sheet of Ambassadors Ltd as on

	Note No	Rs
I Equity and Liabilities.		
(i) Shareholders' funds		
Share Capital	1	170000
Reserves and Surplus	2	18000
(ii) Non-current liabilities		–
(iii) current liabilities.		–
Total (i) + (ii) + (iii)		188000
II Assets		
(i) Non-current Assets		–
(ii) current Assets		
Cash at Bank		188000
Total (i) + (ii)		188000

Illustration – 28

Forfeiture and Reissue

'X' 10 share re issue [illegible]

Directors forfeit 10 shares of Rs 50 each.

The holder is Karthik

he had paid

		Rs
	App money –	5
	Allot money –	10
	I call	15
		30
failed to pay	Final call →	20
		50

This shares re issued to Raj as fully paid of Rs 400

But Actual rate Rs 50 × 10 = Rs 500 shares.

Reissue rate Rs 40 per share

Forfeited shares 10 each Rs 50
Re issued shares 10 each Rs 40

Capital Reserve

Forfeited shares I – II

Journal for Forfeiture and Reissue

① ~~Forfeiture~~

Share Capital a/c Dr (10 × Rs 50) 500

To Share ~~First~~ Final Call a/c (10 × Rs 20) 200 – failed to pay

To Forfeited shares a/c (10 × Rs 30) 300 – Profit – It is gain to the company

② ~~Re~~ Re-Issue

Bank a/c Dr (10 × Rs 40) 400 – Loss to company

Forfeited shares a/c Dr (10 × Rs 10) 100

To Share Capital (10 × Rs 50) 500

It is created in old value only – new share capital creation

③ Forfeited shares a/c Dr 200

To Capital Reserve a/c. 200

Profit – 300

Loss – 100

gain to company 200 → Transferred to Capital Reserve

Illustration – 29 when all forfeited shares not reissued ①

Good Prospects Ltd issued 40000 shares of Rs 10 each at a Premium of Rs 2 Per shares. The shares payable as

Rs 2 on App
Rs 5 on Allot (including Premium)

Rs 5 on first & final Call

12
10 Per share
2 Premium.

→ All moneys were received with the exception of the first and final Call on 1000 shares which were forfeited

→ 400 of these were reissued as fully paid at Rs 8 Per share

1. Bank a/c Dr
To Share App a/c. → App due
40000 × 2 = 80 000

2 Share App a/c → App money Transferred to Capital.
To Share Cap a/c
(Transferred) 80 000

3. Share Allot a/c Dr. 200 000
To Share Cap a/c 40 000 × 3 = 120 000 → Allot → due
To Securities Premium 40 000 × 2 80 000
Allot → due

4 Bank a/c Dr 200 000 → Allot – money received
To Share Allot a/c

5 Share First & final Call a/c Dr → First & final Call – due
To Share Cap a/c
(40 000 × 5) = 200 000

6 Bank a/c Dr → money received
To Share first & Final a/c

40 000
failed – 1000
shares 39000 × 5 = 195 000

(7) 1000 shares forfeited (2)

Share Capital a/c Dr (1000 x 10) 10000
To Share First & Final Call (1000x5 = 5000)
To Forfeited Shares (1000 x 5 = 5000)

forfeited shares 1000
1000 x 5 = 5000

gain to company

(failed to pay
non-payment)

(8) Re-issue 400 shares

Bank a/c Dr (400 x 8) 3200
Forfeited shares a/c (400x2) 800.
To Share Cap a/c (400x10) 4000

Loss to the Company

(9) Forfeited share gain transferred to Capital Reserve a/c

Forfeited shares a/c 1200
To Capital Reserve a/c 1200

Forfeited gain Rs 5000

for 1000 shares

for 400 shares

forfeited gain is ?

$$\frac{400 \times 5000}{1000} = \text{Rs } 2000 \text{ gain}$$

for 400 shares → gain Rs 2000
Loss Rs 800
Actual (or) Final gain → 1200

retained by company It is transferred to Capital Reserve a/c.

Shares
1000
− 400 (reissued)
∴ 600 shares not reissued

Bank A/c

...re Application	80000	By Balance c/d	478200
...hare Allotment	200000		
To share First & final Call a/c	195000		
To share Capital	3200		
	478200		478200
To Balance b/d	478200		

Notes to Accounts

1. Share Capital		
Subscribed and paid up Capital		
39400 shares of Rs 10 each	394000	
Add Forfeited shares A/c	3000	
		397000
2. Reserves and Surplus		
Securities Premium	80000	~~80000~~
Capital Reserve	1200	81,200
		~~81200~~ 478200

Balance sheet of Good Prospects Ltd
as on .....

	Note No.	Rs
I. Equity and liabilities		
(i) Shareholders' funds		
Share Capital	1	397000
Reserves and Surplus	2	81200
(ii) Non Current liabilities		—
(iii) Current liabilities		—
Total (i) + (ii) + (iii)		478,200
II Assets		
(i) Non - current Assets		—
(ii) Current Assets		
Cash at Bank		478200
Total (i) + (ii)		478200

(X) old, for verification purpose only (X)

Balance Sheet

Liabilities

① Total shares 40,000

(−) forfeited shares 1000

39000

+ re-issued 400

Total shares issued by company → 39400

Share capital

39400 X 10 = 394000

② forfeited shares 3000

forfeited shares gain for 1000 shares Rs 5000

gain for 400 shares is Rs 2000 (2000 − 800 = 1200)

gain for 600 shares → 3000

Gain for 400 shares.

Re issue Loss

Rs 2000 this gain is deducted in Loss Rs 800 remaining gain is Transfered to Capital Reserve. ie, Rs 1200

→ remaining Gain for 400 shares → Transfered to Capital Reserve.

It is not reissued so, No need to Adjust in any Account

↓

This full gain Rs 3000 is stated in liability side. forfeited shares Rs 3000

③ Securities Premium Rs 80 000 (See Journal)

④ Capital Reserve a/c 1200 (See Journal)

478200

Assets

Bank 478200

Add

All Bank A/c in Dr

Less

All Bank a/c in Cr.

1000 Share forfited

- 400 reissue → Gain Rs 1200 → Transfered to Capital Reserve.
- 600 not reissued → Gain Rs 3000 → forfeited shares gain

478200

UNIT-II

Issue of Pref. Shares

(1)

Illustration - 1

model - Redemption without fresh issue of shares (or) Redemption out of revenue reserves.

Sum

- Symcox Ltd issued 75000 equity shares of Rs 10 each.
- 5000 Redeemable Pref. shares of Rs 100 each.
- All shares being fully called and Paid up on 31.3.1992.
- P&L a/c showed undistributed Profits of Rs 300000
- General Reserve stood at Rs 250000
- on 1.4.1992, the directors decided to redeem the existing Preference shares at Rs 105 utilising as much profit as would be required for the Purpose.

Ans

For Redemption of Pref. shares
↓
- Capital Redemption Reserve should be created.
- But money does not come from outside

old B/S

P&L 300000
CRR 250000 Transfer
50000
Redemption by Premium 25000 - Transfer.
25000

This Profit continues in the company after redemption

old B/S

Liability

G/R 250000
P&L 300000

→ CRR required for redemption only 500000

as per Priority G/R is 1
P&L is 2

Create CRR A/c by G/R & P&L A/c.

Journal

(1)	General Reserve a/c Dr	250000	
	P&L a/c Dr	250000	
	To CRR a/c		500000

Transfer made

(2) Amount taken from P&L a/c for Premium Purpose

↓

P&L a/c Dr 25000
TO Premium on Redemption of Pref. shares a/c 25000

(3) Amount due to Pref. shareholders

This sum is Redemption by Premium.
share value is Rs 100
But Redemption is done by 105

↓

Premium payment is Rs 5 for per share

↓

Redeemable Pref. share Capital a/c Dr 500000
(5000 x 100)
Premium on Redemption of Preff. shares a/c Dr 25000
TO Redeemable Pref. Shareholders a/c 525000

(4) payment is made

↓

Redeemable Pref. shareholders a/c Dr 525000
TO Bank a/c 525000

model — Redemption at Par out of Profits (1)

Illustration (2)

sum

Share capital

200 000 Equity shares of Rs 10 each 20 00 000

300 000 6% redeemable Pref. shares of Rs 10 each 30 00 000

Capital Reserve — 15 00 000

General Reserve — 9 00 000

Profit and loss — 25 50 000

The Company exercises its option to redeem the Pref. shares on 1st Jan 1998.

The Company has sufficient cash.

Ans

Create CRR A/c

↓

~~For~~ redemption of Pref. shares available value is Rs 30 00 000

↓

for redemption, the cash is required Rs 30 00 000

↓

Because redeemed at Par.

so, CRR should be created for Rs 30 00 000 from as per rule. → G/R — (1) → 9 00 000

P&L — (2) 21 00 000

old B/S value or available value of P&L in B/S 25 50 000

But for redemption company needs only 21 00 000

(1) G/R a/c 9 00 000

P&L a/c 21 00 000

To CRR a/c 30 00 000

This amount Transfered to CRR A/c

(2) Amount due to Pref. shareholders (2)

This sum is Redemption at Par

that means amount due or payable is

~~made~~ Rs 30 00 000 as Per old B/S

Redeemable Pref. Share Capital a/c Dr 30 00 000

To Redeemable Pref. shareholders a/c 30 00 000

(3) Payment made to ~~Rd.~~ redeemable Pref. shareholders

Redeemable Pref. shareholders a/c Dr 30 00 000

To Bank a/c 30 00 000

Redemption at a Premium out of Profits (1)

This sum is Illustration - (1) model

Illustration - (3)

Sum

Old B/S

Liabilities		Assets	
50000 Equity shares of Rs 10 each fully paid	500000	S/Assets	920000
4000 Redeemable Pref. Shares of Rs 100 each	400000	Bank	600000
P&L	520000		
Crs	100000		
	1520000		1520000

Pref. shares are redeemed at a Premium of 10%. Pass Journal entries and B/S

Ans

(1)

P&L A/c

(1) Create CRR A/c → for 400000

(2) Amount taken for Premium Rs 10%.

$$400000 \times \frac{10}{100} = 40{,}000$$

(3) due to Pref. shareholders 440000

(4) Amount paid to Pref. shareholders 440000

1. Pnl a/c Dr 4000
   To Capital Redemption Reserve a/c. 4000
   ↓
   create CRR A/c

2. Pnl a/c Dr 4000
   To Premium on Redemption of Pref. Shares a/c. 4000
   ↓
   ~~create~~ Amount taken for Premium.

3. Redeemable Pref. share capital a/c Dr 4000
   Premium on Redemption of Pref. Shares a/c 4000
   To Redeemable Pref. shareholders a/c 4400
   ↓
   amount due to Pref. shareholders.

4. Redeemable Pref. shareholders a/c Dr 4400
   To Bank 4400
   ↓
   amount paid to Pref. shareholders.

Balance sheet of Exchange Ltd ③
as on 31.12.97

Liabilities		Assets		
① 50 000 Equity Shares of Rs 10 each fully paid ↓ taken as per old B/S	5 00 000	S/ Assets		9 20 000
4000 ② Redeemable Pref. shares of Rs 100 each fully paid ↓ redeemed	X	Bank	6 00 000	
③ P&L A/c 5 20 000 It is used for redemption 4 40 000	80 000	(-) redemption	4 40 000	1 60 000
④ Crs	1 00 000			
⑤ CRR A/c	4 00 000			
	10 80 000			10 80 000

Redemption at Par out of fresh issue

Illustration - 4

P 3.14

Sum

Share Capital as 5000 Redeemable Pref. shares of Rs 100 each.

The Company decided that the whole amount will be redeemed out of a fresh issue of equal amount of equity shares of Rs 10 each.

Ans

Redeemable value is 5000 × 100 = Rs 500 000

Fresh issue of equity Shares are } $\frac{500\ 000}{10}$ = 50 000 No. of shares

Per share value is Rs 10

Cash should be ready for redemption so, fresh issue is first Entry

1. Fresh issue of equity shares

Bank a/c Dr 500 000
To Equity share capital a/c 500 000
(50 000 × 10)

2 Amount due to Pref. shareholders
(as usual entry)

Redeemable Pref. share Capital a/c Dr 500 000
To Redeemable Pref. shareholders a/c 500 000

3 Payment made to Pref. shareholders

Redeemable Pref. shareholders a/c Dr 500000
To Bank a/c 500000

Illustration – 5 page – 3-15

sum – Share Capital in 2500 6%, Redeemable Pref. shares of Rs 100 each.

– The company decided to redeem at a Premium of 10%.

– The General Reserve credit Balance Rs 300 000

– Directors decide to utilise

250 000

60%, of Reserve utilised for redemption

(40%) Balance to meet from fresh issue of sufficient number of shares of Rs 10 each

GIR – Rs 300 000

60%, for redemption

$300000 \times \frac{60}{100} = 180000$

Redeemable Pref. share Capital – $2500 \times 100 = 250\,000$

Reserve utilised 180 000

70 000

required cash

Rs 70 000 fresh issue

(7000 × 10) shares

Rs 10 — 1 share

Rs 70 000 × ? of share

$\frac{70\,000 \times 1}{10} = 7000$ shares

① Create CRR A/c

General Reserve a/c Dr 180 000

TO CRR a/c 180 000

② Fresh issue is made

Bank a/c Dr 70 000

TO Equity share Capital a/c 70 000

Premium is given from
P&L App a/c
↓
10%

Pref share capital = 2500 × 100 = 2 50 000
↙
on this 10%
Premium

$2\,50\,000 \times \frac{10}{100} = \text{Rs } 25000$

③ Premium is Provided from P&L App a/c.

P&L Appropriation a/c Dr	25000	
To Premium on Redemption of Pref. shares a/c		25000

④ Amount due to Pref. shareholders

Redeemable Pref. share capital a/c Dr	2 50 000	
Premium on Redemption of Pref share a/c Dr	25000	
To Redeemable Pref. shareholders a/c		275000

⑤ Amount paid to Pref. shareholders

Redeemable Pref. shareholders a/c Dr	275000	
To Bank a/c		275000

Redemption at Premium

Illustration — ⑧ Partly out of fresh issue and Partly out of Profits

Authorised Capital

2000 6% Redeemable Pref. shares of Rs 100 each
2000 × 100 = 2 00 000

6000 Equity shares of Rs 100 each
6000 × 100 = 6 00 000

Authorised Capital → 8 00 000

Paid up Capital → 2500 Equity shares of Rs 100 each → 2 50 000

Paid up Capital → 1000 6% Redeemable Pref. shares of Rs 100 each → 100 000

The Pref. shares are redeemable on 31st July 1998 at a Premium of 10%.

The following are done
The necessary resolutions were duly passed and the following transactions were carried through

1. To Provide Cash for repayment of redeemable Pref shares.

The Investments were sold for Rs 50 000

Any Asset is sold for redemption time that amount should not be used for redemption purpose

old value of Investment in old B/S
Rs 40 000
↓
It is sold for Rs 50 000
Now Profit is Rs 10 000
↓

① Entry for this Investment sold

Bank a/c Dr 50 000
To Investment a/c 40 000
To P&L a/c (Profit) 10 000

Redemption Amount
1000 × 100 = Rs 100000
→ Premium + 10 %
100 000 × $\frac{10}{100}$ = 10 000
↓
For this Amount is taken from Fresh Issue Premium

Rs 50,000
↓
Fresh Issue
500 Equity shares of Rs 100 each issued at Rs 120 Per share
↓

② Fresh Issue Entry

Bank a/c Dr 60 000
To Equity share Capital a/c 50 000
(500 × 100)
To securities Premium 10 000
(500 × 20)

Rs 50,000
↓
Required remaining 50000
↓
Taken from
GIR — old B/S — 30 000
P&L old B/S — 20 000
50 000

③ Transfer to CRR A/c

GIR a/c Dr 30000
P&L a/c Dr 20000
To CRR a/c 50000

④ Securities Premium a/c Dr 10 000
To Premium on redemption of Pref. Shares a/c 10 000

⑤ Due Entry

6 % Redeemable Pref. share Capital a/c Dr	100000	
Premium on redemption of Pref. shares a/c Dr	10000	
To Redeemable Pref. shareholders a/c		110000

⑥ payment Entry

Redeemable Pref. shareholders a/c Dr	110 000	
To Bank a/c		110 000

Balance sheet

Liabilities		Assets	
3000 Equity shares of Rs 100 each (3000 x 100) old – 2500 Fresh Issue – 500 3000	3,00,000	S1 Assets	3 50 000
Capital Reserve (old)	10 000	Bank old – 72000 (+) Investment sale 50 000 (+) Fresh Issue 50000 + Premium 10 000 182000 (–) payment for Redemption 110000	72000
(G/R → used) {Transfer to CRR}	Nil		
P&L old – 32000 (+) Profit from Investment 10 000 42000 (–) {Profit Transfer to CRR – 20 000	22 000		
CRR A/c → Entry ③	50 000		
Creditors (old)	40 000		
	4 22 000		4 22 000

Redemption of Debentures

Illustration (12)

Illustration – 12
P. 4.33

Redemption by Conversion

on 1.4.1997
Rama Ltd issued 2500 8% Debentures of Rs 100 each at 5% discount.

Holders of the debentures have option to convert their holdings into equity shares of 100 each at a Premium of Rs 25 per share. at any time within 3 years

on 31.3.98, holders of 500 debentures notified their intention to exercise the option.

1.4.97 debentures were issued at 5% discount

95% Bank a/c Dr		237500
5% Discount on issue of debentures a/c Dr		12500
100% To 8% Debentures a/c		250000

(2500 × 100)

250000 × 5/100 = 12500

250000 − 12500 = 237500

conversion of debentures

(500 × 100) — 8% Debentures a/c Dr		50000
To Discount on issue of debentures a/c	discount cancel entry	2500
To Equity share Capital a/c		38000
To securities Premium a/c		9500

Discount
2500 debentures — discount Rs 12500
500 — ? = 2500

Equity share Capital
face value + Premium
100 + 25 = 125

125 — ~~50000~~ 47500
100 — ? = 38000

125 — 47500
25 × ? = 9500

50000 − ~~47500~~ 2500 (discount) = 47500 (collected amt)

No. of Equity shares issued
Rs 125 — 1 share endral
Rs 47500 — ? endral share
= 380 shares

Balance sheet of Rama Ltd

Liabilities	Rs
Shareholders funds	
Share Capital :	
380 equity shares of Rs 100 each	38000
Reserves and Surplus :	
securities Premium	9500
Non - current liabilities	
Long-term borrowings	
2000 8 % Debentures of Rs 100 each	200000

2500
− 500
2000

Assets	Rs
~~current Assets~~ Bank	237500
Other current assets	
Discount on issue of debentures (12500 − 2500)	10000

old Loss by discount

For 500 debentures cancellation of discount.

(in conversion)

Redemption at a Premium and Fresh issue at Premium

Illustration – 6
p 3.16

Sum → 10,000 9% Redeemable Pref. Shares of Rs 100 each (Rs 10 00 000)

↓

For Redemption – 10,00,000 is needed
(10,000 x 100)

Company decides to redeem the shares at a Premium of 10%.

↓

For Premium → 1,00,000 is needed
$(1000,000 \times \frac{10}{100})$

↓

For the above money company makes the following issues (Fresh issue)

↓

(Sum) Company issued

(i) 6000 Equity shares of Rs 100 each at a Premium of 10%.

Equity Share Capital → 600000
(6000 x 100)

Securities Premium – 60000
$(600\,000 \times \frac{10}{100})$

Bank a/c Dr
To Equity share Capital a/c
To Securities Premium a/c.

Bank a/c Dr 660,000
To Equity share Capital a/c 600000
To Securities Premium a/c 60000

(Sum) → (ii) 4000 8% Debentures of Rs 100 each

Bank a/c Dr 400000
To 8% Debentures a/c 400000
(4000 x 100)

The Company has sufficient Cash.

10000 9 %. Redeemable Pref. shares of Rs 100 each
Company decides to redeem the shares at a Premium of 10%

$\boxed{\text{Redemption } 10000 \times 100 = 10\,00\,000 \text{ Redeemable Pref. Shares}}$

Premium + 100 000
↓
For Premium payment
↓
Available Premium is used first ↑ by Fresh issue
↓ Rs 60000
Remaining Rs 40 000 is taken from P&L App a/c
↓
③ Premium amount taken

Securities Premium a/c Dr 60 000
P&L App a/c Dr 40 000
To Premium on redemption of Pref shares a/c 100 000

Rs 600 000 is ready
↓
Fresh issue of Equity shares with Premium
↓
6000 Equity shares of Rs 100 each at a Premium of 10 %.
↓
$6000 \times 100 = 600\,000$
↓
Equity share capital
$600000 \times \frac{10}{100} = 60\,000$
↓
Securities Premium
↓
① Fresh issue at Premium

Bank a/c Dr 660 000
To Equity share capital a/c 600 000
To Securities Premium 60 000

The Collected Premium is used for Premium payment only

Rs 400 000
↓
Required remaining amount
↓
It is taken from P&L App a/c
↓
Company has sufficient cash sum
↓
Amount should be taken ~~Book~~ from P&L ~~App~~ App a/c
↓
② Create CRR A/c
↓
P&L App a/c Dr 400 000
To CRR a/c 400 000

⑥ Payment Entry

Redeemable Pref. shareholders a/c Dr 11 00 000
To Bank a/c 11 00 000

④ Issued Debentures

Bank a/c Dr 400 000
To 8 %. Debentures 400 000
(4000 x 100)

It is outside liability, should not take for Redemption Purpose

⑤ Due Entry

Redeemable Pref. Share Capital a/c Dr 10 00 000
Premium on Redemption of Pref. shares a/c Dr 100 000
To Redeemable Pref. shareholders 11 00 000

①

new

Issue of Bonus Shares

Illustration – 10
P. 3.23

Swan Ltd issued 8000 9% Redeemable Pref. shares of Rs 100 each at Par.

↓

Par value ல் Redeem பண்ணக் கூடிய Pref. shares ஐ Issue பண்ண இருக்கிறது.

redeemable at the option of the Company on or after 30th June 1996, Partly or fully

↓

on or after 30th June 1996 ல் இருந்து redemption பண்ணிக் கொள்ளலாம் என்று Company தெரிவித்துள்ளது

Redemptions were made out of Profits as follows.

↓

Profit ல் இருந்து Redemptions செய்யப்பட்டது

(i) Total shares 8000
1200 shares redeemed at Par on 30.6.96 Step I
6800
Step – II Redeemed on 31.12.96 ← 1600
at Premium 10%
5200

↓

$\boxed{\text{Capital value} + \text{Premium value}}$

Redeem பண்ண கிடைக்கும் தொகை.

Capital – 1600 x 100 = 160000
Premium – 160000 x $\frac{10}{100}$ = 16000
176000

Redeem பண்ண கிடைக்கும் தொகை → 1600 shares ஐ

↓

See next page

↓

① create CRR (No fresh issue)

P&L a/c Dr	120000	
To CRR a/c		120000
(1200 x 100)		

② Due entry (Par)

Redeemable Pref share Capital a/c Dr	120000	
To Redeemable Pref shareholders a/c		120000

③ Paid entry

Redeemable Pref share holders a/c Dr	120000	
To Bank		120000

1) Create CRR

P&L a/c Dr 160000
 To CRR 160000

(5) (2) Create Premium amount

P&L a/c Dr 16000
 To Premium on redemption of Pref shares a/c 16000

(6) (3) Due entry

Redeemable Pref. share capital a/c Dr 160000
Premium on redemption of Pref. shares a/c Dr 16000
 To Redeemable Pref shareholders a/c 176000

(7) (4) Paid Entry

Redeemable Pref shareholders a/c Dr 176000
 To Bank 176000

Step – III

Remaining shares கண்டுபிடித்தல்

	Total shares	– 8000
30.6.96 →	redeemed	– 1200
		6800
31.12.96 →	redeemed	– 1600
on 30.6.97	redeemed remaining shares →	5200

→ Remaining shares redeemed on 30.6.97.

→ at a Premium of 5%

by making fresh issue of 40000 equity shares of Rs 10 each

at a Premium of Re 1 each.

See next page.

(d) Bank a/c Dr 440000
To Equity Share Capital a/c 400000
To Securities Premium a/c 40000
③

Step – I

(a) Redemption பண்ண
தேவையான பணம்
↓
Redeemable Pref. Share Capital
5200 × 100 = 520000

Premium on Redemption 5%
$520000 \times \frac{5}{100} = 26000$

(b) → Fresh Issue of Share capital
40000 × 10 = 400000

Fresh issue at Premium of Re 1
40000 × 1 = 40000

Amount taken from
(c) → CRR → 120000

(e) P&L a/c Dr 120000
To CRR a/c 120000

Rule Premium should be utilised only for Payment of Premium
(Not for Redemption of Equity Share Capital)

(f) 520000 is ready
↓
① Fresh issue of Share Capital 400000
② Created CRR 120000
520000

(g) Rs 26000 Premium என்பது Redemption பண்ண வேண்டும்
↓
இதற்கு Premium Rs 40,000 fresh issue மூலமாக வந்திருக்கு
↓
இதில் Rs 26000 ஐ எடுத்து Redemption Payment க்கு பயன்படுத்தலாம்

(h)
Securities Premium a/c Dr 26000
To Premium on Redemption of Pref. shares a/c 26000

இந்த பக்கம் அடுத்த பக்கம் உள்ள Page No. that is Page No: 3 இல் உள்ள Information ஐ முழுமையாக கொண்டு தான் workout பண்ண வேண்டும் இந்த Page மட்டும்

Needed amount to be redeemed

1. Share Capital value → 5200 × 100 = 520000
2. Premium value → $520000 \times \frac{5}{100}$ = 26000

Total required amount 5,46,000 for 5200 shares.

Fresh Issue of Equity share Capital - 400000
CRR - 120000
520 000 created

Step IV

Share Capital value is created for Redemption. → Total required amount 5 20,000 − 400000 share Capital = 120000 CRR

Fresh issue 40,000 equity shares each Rs 10 with Premium of 1 Re

(8) Bank a/c Dr 4,40,000
To Equity Share Capital a/c 400000
(40000 × 10)
To Securities Premium a/c 40,000
(40000 × 1)

→ create CRR
CRR amount is taken from P&L a/c

(9) P&L a/c Dr 120000
To CRR a/c 120000

40,000 → Premium should be utilised only for Premium on Redemption
மீதி பணத்தை share capital redemption க்கு பயன்படுத்த முடியாது

Step - V

Premium is created, 5% for Redemption.

$520000 \times \frac{5}{100} = 26000$

old Premium should be should be used first
In fresh issue premium Rs 40000 is available

(10) Securities Premium a/c Dr 26000
To Premium on redemption of Pref shares a/c 26000

Amount due entry

Redeemable Pref share capital a/c Dr	520000	
Premium on redemption of Pref shares a/c Dr	26000	
To Redeemable Pref shareholders a/c		546000

(12) Paid Entry

Redeemable Pref shareholders a/c Dr	546000	
To Bank a/c		546000

Step - VI

On 30th June 1997, The Company also decided to capitalise 50% of its Capital Redemption Reserve

↓

CRR இல் உள்ள 50% ஐ Capital ஆக மாற்ற வேண்டும்.

↙

Equity share capital ஆக மாற்ற வேண்டும்.

CRR ஐ Capital ஆக மாற்றுவதற்கு

Company Bonus shares issue பண்ணுகிறான்

ஒரு Premium இல் Issue பண்ணுகிறான்

Per share Rs 10

Premium Rs 2.50 per share.

Step VII

To findout total amount of CRR

30.6.96	→	120 000
31.12.96	→	160 000
30.6.97	→	120 000
Total CRR	→	4 00 000

4 00 000 → 50% should be capitalised.

↓

$400000 \times \frac{50}{100} = \text{Rs } 200,000$

↓

இந்த Amount ஐ

கொண்டுபோய் உள்ளே போடவும் → [Equity share Capital + Premium]

(5)

CRR → 400 000 — [→ 200 000 (50%) Equity share Capital ആയി കൊടുക്കുന്നു with Premium.
 — 200000 CRR ആയി New B/S ൽ കാണാം]

200,000 → പണം ഉപയോഗിച്ച് Bonus shares ആയി company issue ചെയ്യുന്നു.

Per share	Rs	10.00
Premium	Rs	2.50
Total		12.50

Rs 12.50 — Rs 200 000

Rs 10.00 share capital ലേക്ക് — എത്ര ?

$$= \frac{10 \times 200\,000}{12.50} = \text{Rs } 160000$$ Equity share Capital

Rs 10 — Per share

Rs 160000 — എത്ര share

$$\frac{160\,000 \times 1}{10} = 16000 \text{ shares}$$

Rs 12.50 — Rs 200000

Rs 2.50 — ?

$$= \frac{2.50 \times 200\,000}{12.50} = \text{Rs } 40,000$$ Premium.

(13) CRR Cancellation Entry

CRR a/c Dr	200 000	
To Bonus to shareholders a/c		200000

(CRR 200000 Transferred to shareholders a/c)

(14) Issue of Bonus shares

Bonus to shareholders a/c Dr	200 000	
To Equity share Capital a/c (16000 × 10)		160000
To securities Premium a/c Dr (16 000 × 2.50)		40000

Redemption in Instalments

Illustration – 14 ①
P 4.36

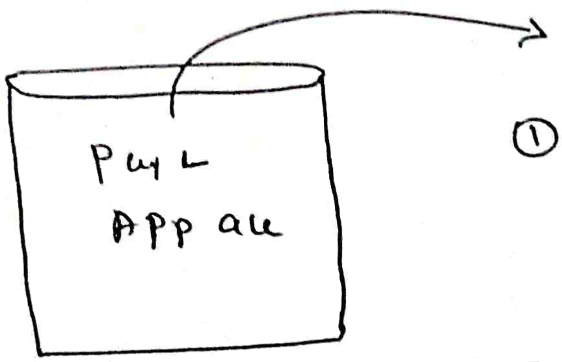
Illustration – 14

Sum — Rashid Ltd has Rs 10 00 000 8% debentures outstanding on 1.1.96

The Company has been redeeming every year on January 1st Rs 100 000 debentures by drawing by lot, at Par

Ans. a) <u>If the redemption is out of Profit</u>

when redemption is made out of Profit, the required redemption amount should be transfered to Debenture Redemption Reserve a/c



<u>Create</u>

① <u>Debenture Redemption Reserve a/c</u>

entry is

P&L Appropriation a/c Dr 100 000
To Debenture Redemption Reserve a/c 100 000

② <u>Redemption is made</u>

1.1.96 8% Debentures a/c Dr 100,000
To Bank a/c 100,000

∴ Total debenture is Rs 10 00 000
But Redemption is made Rs 100 000 for this year
Redemption is made in Instalments

Second model

(3) If the redemption is out of Capital

→ No Need to Create Debenture Redemption Reserve a/c

Because required amount is taken from Capital.

Debenture Redemption is made

1.1.98	8% Debenture a/c Dr	100 000	
	To Bank a/c		100 000

model —
- (a) — Redeemed by Prof & Loss App a/c
- (b) — Redeemed by capital.

Illustration – 14B இருந்தால்
Book எடுத்து 14A வைத்து
பார்க்கவும் ①

new

'X'

Illustration – 14B
P 3.34

(sum) Redeemable Pref. shares → Rs 600000
Premium on Redemption → 10 %.
Divisible Profits Available → Rs 180 000
Balance in G/R → Rs 120 000
Securities Premium A/c → Rs 45000

Fresh issue is to be made at 5 %. Premium.

Ans

Calculate (a) minimum Fresh issue

step-I

minimum Fresh issue எவ்வளவு வேண்டும் என்பதற்கு ஒரு Equation உள்ளது
அதை பயன்படுத்தி கண்டுபிடிக்க வேண்டும்.

All Profits in B/S — xxx
(+) Premium in B/S — xxx
Available Profit → xxx இந்த தேவையான பணத்தை Redemption பண்ணலாம்
↓
பணம் போதாத பட்சத்தில் மீதி தேவைப்படும் அமௌன்ட்
Fresh Issue பண்ணலாம்.

step-II

Redeemable Pref Shares → 600000
(–) All Profits in B/S 300000
Premium in B/S 45000 — 345000
2 55000

P&L – 180000
G/R – 120000
300000

இந்த Equation ஐ நினைவில் வைத்துக்கொள்ளவும்

Redemption பண்ண இந்த பணம் தேவைப்படுகிறது
↓
இந்த value க்கு Fresh Issue பண்ண வேண்டும்.
↓
இந்த Equation வைத்து [illegible] பார்க்கவும்

next Equation.

Step - III

(2)

Redeemable Pref. Shares − All Profits in B/S + Premium in B/S = Required Fresh Issue

600000 − 300000 + 45000 = 255000

↓

It is only share Capital.

Fresh issue is to be made at 5% Premium

[illegible]

↓

[illegible] value [illegible] ?

$255000 \times \frac{5}{100} = 12750$

↓

Fresh Issue Premium.

Step - IV

Redemption [illegible] Premium value is

Premium on Redemption 10%

$600000 \times \frac{10}{100} = 60000$

↓

[illegible] pay [illegible]

Premium [illegible]

Balance Sheet [illegible] Premium	- Rs	45000
Fresh Issue [illegible] Premium	- Rs	12750
Total available Premium →		57750

Company pay [illegible] Premium Rs 60,000

[illegible] Premium amount [illegible]

[illegible] Fresh Issue

[illegible] Share Capital value [illegible] Premium

[illegible] value Redemption [illegible]

[illegible]

[illegible] Fresh Issue value of Share Capital

[illegible]

[illegible]

↓

[illegible]

Step - V

(3)

இப்போது Fresh Issue பண்ணும் போது Share Capital ஓடு Premium value சேர்த்து
எவ்வளவு Fresh Issue பண்ணுவதுனு கண்டுபிடிப்போம்

Redeemable Pref. shares	Rs	600 000
Premium on Redemption	→ Rs	60 000
Redemption value	→	660 000

Step - VI

(a) Total Redemption amount [Share Capital + premium] → 660 000

old B/S Premium → 45000
GIR — 1 20000
Profit — 1 80000
3 45000

3 15000

(b)
Pref. share Capital 100
Premium on Redemption 5
105 → share Capital + Premium இந்த Fresh Issue பண்ண வேண்டிய value.

(c) 105 = 315 000
↓
இந்த value-ல் Share capital, Premium இரண்டும் Issue பண்ண வேண்டும்
100 5

(d) 105 → 315000 என்றால்
100 → ? என்ன

$$\frac{100 \times 315000}{105} = \text{Rs } 300000$$
↓
Fresh Issue of Share Capital மட்டும் இந்த value-க்கு Issue பண்ண வேண்டும்

Book Answer

Minimum Fresh Issue = Redeemable Pref Share Capital + Premium payable on Redemption − Securities Premium in B/S − Revenue Reserves in B/S

= 600000 + 60000 − 45000 − 120000 − 180000

315000 = 660000 − 345000 = 315000
↓
100 + 5

Fresh Issue → Share Capital + Premium

105 → 315000
100 → ?

$$= \frac{100 \times 315000}{105} = \text{Rs } 300\,000$$ Fresh Issue of Share Capital only.

Illustration – 17

1. Debenture ஐ Redemption பண்ணுகிறது Company.
2. மொத்தம் 50000 Debenture, Debenture holder கையில் உள்ளது அது Per ~~share~~ debenture Rs 100 க்கு company issue பண்ணியது
3. இதில் 1000 Debenture ஐ company Redemption பண்ணுகிறது
4. மீதி 2000 Debenture ஐ Company Redemption பண்ணுகிறது.

→ 1000 debenture Actual Issued rate 100
Redemption பண்ணியது Rs 99

→ Ex-Interest method → 1000×99 = 99000 pay பண்ணி Redemption பண்ணுகிறது

→ கொடுத்தாலும் → Quoted Price → 99000 தனி
Interest → 2500 தனி
↓
1000 debenture ஐ Redemption செய்கிறது Company

Separate Journal போடணும்

Separate Journal போடணும்

→ மீதமுள்ள 2000 Debenture க்கு போடலாம்.
Cum-Interest method → 1000×99 = 99000 Pay பண்ணி Redemption செய்கிறது

Pay பண்ணிய 99000
↓
Principle amount
+
Interest amount

இரண்டும் சேர்த்து
99000 உள்ளடங்கியது
↓
இரண்டிற்கும் ஒரே Journal போடலாம்.

→ இதேபோல் 2000 Debenture க்கு போடலாம்.

Illustration – 17

— what is open market Buying method
↓
Purchase of goods, usually in smaller quantities or in an emergency, without Contract or negotiations
↓ negotiations → பேரம்
↓ Contract → ஒப்பந்தம்

what is Ex – Interest ? Total payment 99000 + 2500 = 101500
(redeemable value ↑ 99000; Interest ↑ 2500)

Debenture ஐ redeem பண்ணும் போது
Company யால் Quoted Price உடன் தனியாக
Interest pay பண்ண வேண்டும்

1000 Debenture ன் Quoted Price is Rs 99
So Company paid – 1000 × 99 = 99000
Quoted Price
Profit → 1000
Total 100 000

'Ex – Interest' ↑ It is separate payment → Interest paid upto redemption,
$1000 \times 100 = 100\,000 \times \frac{10}{100} \times \frac{3}{12} = 2500$

---

what is Cum – Interest ? Total payment 99000 + NIL = 99000
(redeemable 99000; Interest NIL)

Debenture ஐ redeem பண்ணும் போது
Company யால் Quoted Price மட்டுமே payment பண்ணப்படும்
அந்த Quoted Price → redemption price + Interest இரண்டையும் உள்ளடக்கிய தந்த விலையில் வாங்க வேண்டும்

Interest தனியாக pay பண்ணப்பட மாட்டாது
இதனால் இந்த method ல் Profit அதிகமாக Company க்கு கிடைக்கும்.

pay பண்ண வேண்டியது —
for Debentures Rs 100 000
for Interest 2500

100000
2500
102500

pay பண்ண வேண்டியது 102500
pay பண்ணியது 99000

paid only → 99000
Profit → 3500

$\left(100000 \times \frac{10}{100} \times \frac{3}{12}\right)$

Open Market Buying method

Illustration – 17

Krishna Ltd which had Rs 50 00 000 10% Debentures outstanding made the following Purchase in the open market for immediate cancellation.

Redemption of Debentures on the following Date

1.4.1997 1000 Debentures of Rs 100 each at Rs 99

1.9.1997 2000 Debentures of Rs 100 each at Rs 97

It is Actual Issued rate

It is redeemed rate.

You are required to give the Journal entries for Purchase and Cancellation of the debentures.

a) If the above Purchase rates are Ex – Interest

b) If the above Purchase rates are cum – Interest

Assume that interest is payable every year on 30th June and 31st December

Rs 50,00000 debentures are outstanding
to be redeemed

out of that

1000 Debentures are redeemed on 1.4.97

2000 Debentures are redeemed on 1.9.97

usual Interest payable is Two times in a year

30.6.97 — 31.12.97

before this date redemption is made

before this date redemption is made

1.1.97 — 1.4.97 — 30.6.97 — 1.9.97 — 31.12.97

1.4.97

Redemption is made

up to this date Interest should be paid Then redemption is made.

Interest Period for 1000 debentures

1.1.97 to 31.3.97.

(1000 x 100) 100 000 $\times \frac{10}{100} \times \frac{3}{12} = 2500$

It is Interest

Redeemable debenture

payable ⟶ 1000 x 99 = 99,000

Debenture Cancellation is Rs 100 000

Profit for the business by Cancellation of debentures Rs 1000

1.9.97

Redemption is Made

Interest Paid from 1.7.97 to 31.8.97

2 months

2000 x 100 = 200,000

$200\,000 \times \frac{10}{100} \times \frac{2}{12} =$

3,333

It is Interest

Redeemable debenture

Payable — 2000 x 97 = 194000

Debenture Cancellation is Rs 200000

Profit for business by Cancellation of debentures Rs 6000

Ex - Interest Interest method

...ce is
...g interest

debentures redeemed

Separate Entry

1. Redemption made
Debenture Cancelled
↓
10% Debenture a/c Dr 100000
To Bank a/c (1000 x 99) 99000
To Profit on Cancellation of debentures a/c 1000

Quoted Price Interest is not included

2. Interest paid upto the date of redemption
↓
Debenture Interest a/c Dr 2500
To Bank a/c 2500

Separate payment

2000 Debentures redeemed

Separate entry

1. Redemption made
Debenture cancelled.
↓
Debenture a/c Dr 200000
To Bank a/c (2000 x 97) 1,94,000
To Profit on Cancellation of debentures 6000

2. Interest paid upto the date of redemption
↓
Debenture Interest a/c Dr 3,333
To Bank a/c 3,333

Cum - Interest method

Interest is not paid → Cum - Interest method — Quoted Price is including Interest

1000 Debentures redeemed

1. Redemption is made
Debenture Cancelled
↓
10% Debentures a/c Dr 100000
Debenture Interest a/c Dr 2500
To Bank (1000 x 99) 99000
To profit on Cancellation of debentures a/c. 3500

Cancellation
To show the profit, this must

Quoted Price including Interest

paid - 99000 — paid for Debenture 100000; paid for Interest 2500

Actual payment for both 102500
But paid Rs 99000 only
So Profit 3500

2000 Debentures redeemed

1. Redemption is made
Debenture cancelled
not paid Interest,
To show the profit
write in Debit side
Debenture Interest
↓
10%. Debentures a/c Dr 200000
Debenture Interest 3,333
$200,000 \times \frac{10}{100} \times \frac{2}{12}$
To Bank a/c (2000 x 97) 194000
To Profit on Cancellation of debentures a/c 9333

paid - 194000 — Debenture 200000; Interest 3,333

must pay for both 203333
But paid - 194000
So, Profit is - 9333

①

new

Illustration – 20 Redemption by Conversion

P 3-49

when entries can be made for the following redemptions made by the Company ?

(i) In 1996, x Ltd redeemed Rs 100 000 Pref. shares by converting them into equity shares of Rs 10 each issued at 25%. Premium.

Ans

new	old
125% [understood It is 100% ← Equity share Capital + Premium 25% (as per sum)	Redeemable Pref. share capital Rs 100,000 ↓ Entry: It should be cancelled

new It should be created

$$\frac{125 \quad 100000}{100 \quad \times \; ?}$$

$$\frac{100 \times 100\,000}{125} = \text{Rs } 80000$$ It is equity share capital

$$\frac{125 \quad 100\,000}{25 \quad \times \; ?}$$

$$\frac{25 \times 100000}{125} = \text{Rs } 20\,000$$ It is Premium

old Capital Rs 100,000

80 000 created share capital

20 000 Premiumக்கு transfer செய்து விடலாம்

Premium A/C இது Capital அல்ல

old Capital ஐ விட Compare பண்ணினால் new Capital 20 000 குறைகிறது

↓

அந்த குறைகின்ற 20000த்தை P&L a/c லிருந்து பணத்தை எடுத்து CRR க்கு அனுப்ப வேண்டும்.

① P&L a/c Dr 20 000

To CRR a/c 20,000

(2)

(2) Redeemable Pref Share Capital a/c Dr 100000
  To Equity share Capital a/c 80000
  To Securities Premium a/c. 20000

B/S

Redeemable Pref Share Capital (old cancel.)	100000	Bank	100000 (old [illegible])
Equity share Capital	80000		
CRR	20000		
Premium	20000		

(ii) In 1997 x Ltd redeemed Rs 95000 Pref shares by Converting them into equity shares issued at 5 % discount.

Ans

new

It is understood

100 % = 95 % ← Equity share capital Rs 95000 + Discount – 5 %

old

Redeemable Pref Share Capital 95000

↓

Entry cancel

new It should be Created

95 % — 95000

5 % — ?

$$\frac{5 \times 95000}{95} = \text{Rs } 5000$$

It is Discount

95 — 95000

100 — ?

$$\frac{100 \times 95000}{95} = \text{Rs } 100000$$

① Redeemable Pref. Share Capital a/c Dr 95000
Discount on issue of shares a/c Dr 5000
To Equity share Capital a/c 100000

Cancel

Loss

Created.

old cancel	B/S		
Redeemable Pref Share Capital	95000		
Equity Share Capital (created.)	100000	Discount on issue of Shares	5000

(iii) In 1998 x Ltd redeemed 10000 Pref shares of Rs 10 each at a Premium of Rs 1.25 Per share by Converting into Equity shares of Rs 10 each issued at discount of 10%.

new

It is understood

100% [90% → Equity share Capital 112500
+
Discount 10%.]

new It is Created.

90% 112500
10% × ?

$\frac{10 \times 112500}{90} = 12500$ It is Discount

90% 112500
100% × ?

$\frac{100 \times 112500}{90} =$ Rs 125,000

old

Redeemable Pref shares
10 000 × 10 = 100 000
+
Premium Rs 1.25 Per share
10000 × 1.25 = 12 500

112 500

Cancelled.

4

old

old Premium as 12500

↓

for the cancellation

↓

step I

Premium on Redemption a/c should be created

Entry

P&L a/c Dr 12500
To Premium on Redemption a/c 12500

step II

Premium should be cancelled

old Capital should be cancelled

↓

Redeemable Pref. Shares 100000

+ Premium 12000

112500

Cancelled

↓

(2) Redeemable Pref share Capital a/c Dr 100,000
Premium on Redemption a/c Dr 12500
To Redeemable Pref shareholders a/c 112500

Settlement to old Redeemable Pref shareholders

(3) Redeemable Pref. shareholders a/c Dr 112500
Discount on issue of shares a/c Dr 12500
To Equity shareholders a/c 125000

(5)

old cancelled

BS

Pref. share capital 100000	
Premium 12500	
Create Equity Share capital 125,000	Discount on issue of shares 12500

UNIT – III

Amalgamation

Sum – 1, 2, 3, 7, 9,

Absorption

Sum – 12, 16.

External Reconstruction

Illustration – 20

Amalgamation

Illustration – 1

P. 6.28

Sum Raman Ltd agrees to purchase the business of Krishnan Ltd on the following terms.

a) For each of the 10 000 shares of Rs 10 each in Krishnan Ltd, 2 shares in Raman Ltd of Rs 10 each will be issued at an agreed value of Rs 12 per share, In addition, Rs 4 per share cash also will be paid.

Ans

Krishnan Ltd. ↓ Selling Company ↓ 10 000 Shares of Rs 10 each → Purchased by Raman Ltd.

Raman Ltd. ↓ Purchasing Company

↓

1 share க்கு — 2 share கொடுத்தால்

10 000 share — எத்தனை share கொடுப்பார்கள்

$$\frac{10\,000 \times 2}{1} = 20\,000 \times 12$$

Rs = 240000

↓ 10 ரூபாய் share ஐ 12 ரூபாய்க்கு கொடுக்கிறார்கள்.

Rs 240 ம ரூபாய்க்கு Krishnan Ltd உடைய 10 ம shares ஐ Raman Ltd வாங்கி கொள்கிறார்கள்.

ரொக்கமாக

Cash கொடுக்கின்றான்

Krishnan Ltd 2ஆம் share க்கு Rs 4

Raman Ltd கொடுக்கின்றான்

அப்படியானால் மொத்த Cash எவ்வளவு

கொடுப்பான் ?

1 share க்கு Rs 4 என்றால்

10 000 share க்கு எவ்வளவு பணம் கொடுத்து இருப்பான்

$$\frac{10000 \times 4}{1} = \text{Rs } 40\,000$$

Purchase Consideration

Krishnan Ltd க்கு கொடுக்க வேண்டியது எவ்வளவு?

Raman Ltd தன்னுடைய share ஐ கொடுத்தது 2,40,000

Raman Ltd தன்னுடைய cash ஐ Krishnan Ltd க்கு கொடுத்தது 40000

Purchase Consideration → 2 80 000

8%. Debentures worth Rs 80 000 will be issued to settle ~~the~~ Rs 60 000 9%. debentures in Krishnan Ltd

Selling Company Krishnan Ltd

Purchasing company Raman Ltd

Rs 80 000 8%. debentures available ⟷ settled by Raman Ltd 9%. Debentures of Rs 60 000 only

20 000 Loss to Krishnan Ltd

But No. purchase Consideration in this debentures.

settlement is over.

8%. Debenture ന്റെ ഒപ്പം ~~Because~~
9%. Debenture കൊടുത്ത് കഴിഞ്ഞു. So,

(c) Rs 10 000 will be paid towards expenses of winding up.

It is treated as reimbursement.

ഇത് നമ്മൾ purchasing company

ആദ്യ കൊടുത്ത expenses പണം selling company ക്ക് കൊടുത്ത് തിരിച്ചു നൽകുന്നു.

അതായത് കമ്പനി വാങ്ങിയ സമയത്ത് കൊടുത്ത പണമോ share ഓ കൊടുക്കുന്നത് Purchase Consideration ആയി കണക്കാക്കില്ല.

Amalgamation (1)

Illustration – (2)

B/S

Romy Ltd agreed to takeover the business of Samy Ltd.

Romy Ltd → Purchasing Company

Samy Ltd → Selling Company

Assets liabilities takenover is settlement [illegible] PC

(A) Calculate Purchase consideration under Net

(A) Calculate Purchase Consideration under Net Asset method

1. Romy Ltd agreed to discharge for old 7% Debentures (B/S) old

giving new 9% Debentures at a Premium of 10%.

old 7% Debentures value is 3 50 000

[illegible] 9% Interest Debentures [illegible] buyer.

[illegible] Premium

Premium 10% $350\,000 \times \frac{10}{100} = 35000$

(old Debentures [illegible] 350 [illegible] 385000 Debentures [illegible] Buyer [illegible]) 3 85000

(2) Fixed Assets [illegible] 10% above book value

$1625000 \times \frac{10}{100} = \boxed{162500 + 1625000}$

[illegible] 1787500

Investment Paid = 300000

current Asset 10% Discount $250\,000 \times \frac{10}{100} = 25000$ = 225000

current liabilities book value 250 000

(B) Calculate Purchase Consideration under Net Payment method.

(1) Debenture settlement

Purchase Consideration [illegible] Because company [illegible] Exchange method [illegible] old new Debenture [illegible] Debenture [illegible]

(2) Pref. shareholders [illegible]

Pref. shares at Rs 100 each [illegible] Premium 10% [illegible]

new Pref. shares → $375000 \times \frac{10}{100} = 37500$

(375000 + 37500)

= 412500

(3) Equity shares

2 share [illegible] 3 share [illegible]

75000 share [illegible] ?

[illegible] share [illegible] Rs [illegible]

$\frac{75000 \times 3}{2} = 112500 \times 10 = 1125000$

[illegible] Cash [illegible]

1 share [illegible] 3 Rs

75000 share [illegible] ? = 225000

For Equity share holders [illegible] 1350 000

Net Asset method

Value of Assets takeover

Fixed Asset (16 25 000 + 162 500)		17 87 500
Investment		3 00 000
current Assets		2 25 000
Total Assets →		23 12 500
Less Liabilities taken over		
9 % Debentures	385000	
current liabilities	2 50 000	6 35 000
Purchase Consideration →		16 77 500

(B) Net payment method

settlement for Pref. shareholders →		412500
Equity shareholders →		
Equity share →	1125000	
Cash	225000	1350000
Purchase Consideration →		1762500

→ X . . . All Asset and All liabilities taken over in this method.

In liability side → Two owners are available
↓
For both persons
Purchasing Company settled
by their own Pref. shares, and
Equity shares.

Sometimes
as per agreement
additional cash will be paid.

Amalgamation in the Nature of merger (1)

Amalgamation

Illustration – (3)

Alpha Ltd   Beta Ltd

were Amalgamated

Selling Company   Selling Company

new Company
Gamma Ltd.

Adj (1) sum → 12% Debentures of Alpha Ltd and Beta Ltd are discharged by Gamma Ltd
By issuing adequate number of 16% Debentures of Rs 100 each
↓
ensure that they Continue to receive the same amount of Interest

Ans (1) Alpha Ltd — 12% Debentures
Beta Ltd — 12% Debentures
↓
for these debentures
16% Debentures were issued
by Gamma Ltd.

See sum → (Adj) Amalgamation has been Carried out using the 'Pooling of Interest method'

What is Pooling Interest method

↓

The new issuing Debenture Interest rate is taken (16 %)

↓

new % that is for old Debenture amount

↓

Rs 96

Now old % (12 %) Interest is taken

↓

for that what amount will be there ?

new 16 % Interest means — 96 is old debenture value

old 12 % Interest means — what will be the debenture value ?

Alpha Ltd → $\frac{12 \times 96}{16}$ = Rs 72 new debenture value for Alpha Ltd.

Beta Ltd → $\frac{12 \times 80}{16}$ = Rs 60 new Debenture value for Beta Ltd

[new 16 % — Rs 80
old 12 % — ?]

		Rs
Alpha Ltd	—	72
Beta Ltd	—	60
		Rs 132

→ New debentures were issued by Gamma Ltd

Old debenture value → Alpha Ltd → Rs 96
Beta Ltd — 80
Total value of old debentures → 176

(−) new debenture issued by Gamma Ltd 132

44 — for Alpha 24, for Beta 20

176 : 96
44 × ? = 24

176 : 80
44 × ? = 20

Gamma Ltd → Alpha Ltd, Beta Ltd ക്ക് നൽകേണ്ട ഭാഗം എത്ര

Adj (ii) → sum → Pref. shareholders of Alpha Ltd and Beta Ltd have received same number of 15 % Pref. shares of Rs 100 each of Gamma Ltd

↓

For Alpha Ltd — issued same Rs 400 for equity shares.
For Beta Ltd — issued same Rs 300 for equity shares.

↓

Both are issued by Gamma Ltd

Adj (iii) → sum → Gamma Ltd has issued 1.5 equity shares for each equity shares of Alpha Ltd

Alpha Ltd ഉടമ

↓

1 equity share ന് ഉണ്ടെങ്കിൽ — 1.5 Equity shares issue ചെയ്യുന്നു Gamma Ltd

10 shares ന് — ? എത്രണ്ണം share issue ചെയ്യണം

Equity share Issued by Gamma Ltd

For Alpha Ltd

Gamma Ltd has issued 1.5 equity shares for each equity share of Alpha Ltd.

1 equity shareக்கு — 1.5 Equity share Issue பண்ணுகிறான்

old 10 Equity shareக்கு — எத்தனை share Issue பண்ணுவான்

$$\frac{10 \times 1.5}{1} = 15$$ No. of Equity shares Issue பண்ணுகிறான்

old Equity shares எத்தனை வைத்திருக்கிறான்

Rs 100க்கு — 1 share

Rs 1000 — ? எத்தனை share

$$\frac{1000 \times 1}{100} = 10 \text{ shares}$$ old shares

Gamma Ltd issued 15 No. of Equity shares
↓
Its Rs value

1 share — Rs 100

15 shares — ? எவ்வளவு

$$\frac{15 \times 100}{1} = \text{Rs } 1500$$

For Beta Ltd

1 equity share for each equity share of Beta Ltd.

1 equity shareக்கு — 1 Equity share Issue பண்ணுகிறான்

old 8 Equity shareக்கு — ? எத்தனை share Issue பண்ணுவான்

$$\frac{8 \times 1}{1} = 8$$ No. of Equity shares Issue பண்ணுகிறான்

old Equity shares எத்தனை வைத்திருக்கிறான்

Rs 100க்கு — 1 share

Rs 800க்கு — ? எத்தனை share

$$\frac{800 \times 1}{1} = 8$$ No of old shares

Gamma Ltd issued 8 No. of Equity shares
↓
Its Rs value

1 share — Rs 100

8 shares — ? எவ்வளவு

$$\frac{8 \times 100}{1} = \text{Rs } 800$$

Purchase Consideration

		Rs
Equity shares for	Alpha Ltd →	1500
	Beta Ltd →	800
		2300
Pref. shares for		
Alpha Ltd 400		
Beta Ltd 300		700
		3000

(−) old Equity shares

Alpha −	1000		
Beta −	800	1800	

old Pref. shares

Alpha −	400		
Beta −	300	700	
			2500

Excess of Purchase Consideration over share Capital → 500

↓

	Rs
വാങ്ങിയ Capital −	2500
But new Capital issued	3000
old Capital നെക്കാൾ അധികമായി issue ചെയ്തു →	500

Gamma Ltd → Rs 2500 value ഉള്ള share കൾ ഏറ്റെടുത്ത്
Rs 3000 value ഉള്ള share കൾ നൽകിയിരിക്കുന്നു

↓

Rs 500 അധികമായി
Gamma Ltd issue ചെയ്തിരിക്കുന്നു

settlement of Debentures

Debenture க்கு settlement செய்யும் போது

old value → Rs 176 க்கு

Gamma Ltd — Rs 132 மட்டும் செலுத்தியிருக்கின்றன

Rs 44

Gamma Ltd selling company க்கு
செலுத்த வேண்டியது

இந்நிலையில் Gamma Ltd
Excess ஆக செலுத்தியது → Purchase Consideration → Rs 500

For Debentures க்கு
Gamma Ltd
செலுத்த வேண்டியது — 44

Gamma Ltd Excess ஆக selling Company க்கு செலுத்தியது → 456

இந்த பணத்தை

Gamma Ltd should receive from selling Company

so, see the old B/S → There is G/R and P&L are in liability side of old Balance sheet

↓

General Reserve மற்றும் P&L A/c பணத்தில்

இருந்து Gamma Ltd பெற்றுக் கொள்ள வேண்டும்

↓

Reserves to be shown in Balance Sheet

old Balance Sheet

	GIR	P&L
Alpha Ltd —	200	80
Beta Ltd —	150	60
	350	140

As per priority GIR Amount is taken first

350	106
0	34 → It is available ↓ taken to New Balance sheet.

In New B/s GIR value is NIL

350 + 106 = 456 → Adj. variation in v.r.l.f.

Ans Notes to Accounts

	Rs in lakh
1 Share Capital	
Issued and paid up capital	
Equity shares of Rs 100 each	2300
15 %, Pref. shares of Rs 100 each	700
	3000
2. Reserves and surplus	
Revaluation reserve (100+80)	180
GIR	—
P&L a/c	34
	214
3 Long term borrowings	
16 %. Debentures of Rs 100 each	132
4 Tangible Assets	
Fixed Assets (1200+1000)	2200

Balance sheet of Gamma Ltd as on 1.4.2001

	Note No	Rs in lakh
I Equity and liabilities		
(i) shareholders' funds		
Share Capital	1	3000
Reserves and surplus	2	214
(ii) Non - current Liabilities		
Long term borrowings	3	132
(iii) current liabilities (204+95)		299
Total (i) + (ii) + (iii) →		3645
II Assets		
(i) Non - current Assets		
Tangible Assets	4	2200
Intangible Assets		-
(ii) current Assets (880 + 565)		1445
Total (i) + (ii)		3645

when the Amalgamation is in the nature of merger

Note to Accounts

1. Share capital
Issued and paid up Capital

PLtd's share Capital
800000 shares × Rs 10 = 8 0,00 000
PLtd's share capital (to SLtd)
350 000 shares × Rs 10 = 35,00,000

11,50,000 | 115,00,000

11 50 000	Equity shares of Rs 10 each	1,15,00,000
11 0000	10 % Pref shares of Rs 100 each	11,00,000
		1,26,00,000

sum Ads

2 Reserves and surplus — 49,90,000
GIR (WN) — 515000
Statutory Reserves (390 + 125) — 918000
P&L a/c (563 + 355)
64 23 000

3. Long term borrowings
12.5 % Debentures (new) — 2 50,000

4. Tangible Assets — 1,57,30,000
Fixed Assets
11 000 + 4 730 = 15 730,000

New

Amalgamation

Illustration - 7
P. 10.48

P Ltd → Purchasing Company

S Ltd → Selling Company

Sum (i) P Ltd will issue 350 000 no. of equity shares at Rs 10 each at Par
↓
to S Ltd's equity Shareholders.

350000 shares × Rs 10 each = Rs 35,00,000

Sum (ii) P Ltd will issue 11000 10% Pref. shares of Rs 100 each at par.
↓
to the Pref. shareholders of S Ltd.

11 000 Shares × Rs 100 each = Rs 11 00,000

Purchase Consideration

Equity shares —	350,000 × 10	= 3500000
Pref shares —	11000 × 100	= 1100000
		46,00,000

Sum (iii) old debentures 12%.
new Debentures 12.5%.
No. more difference in amount
↓
Same Rs 250,000 in new B/S

Balance sheet of P Ltd as on 1.4.1999

I Equity and liabilities		
(i) Shareholders' fund		
Share capital	1	126,00,000
Reserves and surplus	2	64 23000
(ii) Non-current liabilities		
Long-term borrowings	3	2,50,000
(iii) current liabilities (1437 + 990)	—	24,27,000
Total (i) + (ii) + (iii)		2 17,00,000
II Asset		
(i) Non-current Assets		
Tangible assets (Fixed assets) →	4	1,57,30,000
Intangible Assets	—	—
(ii) current Assets (4000 + 1970)		59,70,000
Total (i) + (ii)		2 17,00,000

Adj

The statutory Reserve of S Ltd are to be maintained for Two more years
↓
Statutory Reserve should not be used for any purpose for Two more years

statutory Reserve-ஐ அடுத்த இரண்டு ஆண்டுக்கு
எந்த பொதுவான காரணங்களுக்கும் பயன்படுத்த கூடாது

P Ltd made the settlement

	new	old
For - S Ltd's Equity shareholders	35 00 000	30 00 000
For - Pref. shareholders ———	11 00 000	10 00 000
	46 00 000	40 00 000

P Ltd old value-ஐ விட
அதிகமாக கொடுத்தது 4600 000
40 00 000
6 00 000

இது P Ltd-க்கு Loss →

This overpayment should be adjusted in S Ltd's G/R

S Ltd's G/R ——— 980 000
(–) overpayment to S Ltd 600 000
Now available G/R in S Ltd ⟶ 3 80 000
(+) P Ltd's G/R ⟶ 46 10 000
49 90 000

G/R → to be shown in new B/s.

When Amalgamation is in the nature of Purchase

Calculation of Capital Reserve or Goodwill

Total Assets taken over from S Ltd		67 00 000
(–) Liability side payment of outsiders		
Debenture – 2 50 000		
Current Liabilities – 9 90,000		12,40,000
		54,60,000
(–) Liability side new payments to		
Equity shareholders	35,00,000	
Pref. shareholders	11,00,000	
		46,00,000
Asset value of S Ltd →		8 60,000

It is Capital Reserve to the Purchasing Company

Liabilities	P Ltd	S Ltd
Equity share capital	8000	3000
	taken to new B/S	Not taken to new B/S see Adj agreement new shares issued by P Ltd.
10% Pref shares	—	1000 not taken to new B/S see Adj agreement new shares issued by P Ltd.
General Reserves.	4610	980
	Nature of merger taken to new B/S.	over payment of P Ltd was adjusted remaining was taken to new B/S.

Nature of Purchase

See the Capital Reserve Calculation

Total assets taken over by P Ltd.

1 only to S Ltd [out-sider payment + current Payment current liabilities] payment by P Ltd
Debenture 250 000 + 990 000

This payment
+
2 [Equity + Pref shareholders payment was made by P Ltd.] payment by P Ltd.

Other than the above two, all the Liability side values were taken over by P Ltd including G/R and P&L

Capital Reserve ஆகும்
G/R and P&L மாற்றப்படாது.

All assets were taken over by P Ltd
Liability side 4 வகை பட்டும் payment
நாம் கொடுக்க வேண்டும்
So, other than the 4 liability
holders என்ன liability value உண்டு
P Ltd எடுத்துக் கொண்டு கொடுக்கும்
P Ltd க்கு லாபம் வருவது தான்
Capital Reserve ஆகும்.

Nature of Purchase method ல்

S Ltd 2வது statutory Reserve ஐ liability side எடுத்துக்கொண்டு
அதற்கு சமமான value ஐ
Amalgamation Adjustment A/C
என்று பெயரில் புதிதாக
எழுதி கொள்ள வேண்டும்.
New B/S ல் Asset side எழுத வேண்டும்.
↓
(S Ltd value க்கு சமமான Amount
போடவும்.

New B/S

Statutory Reserve 5,15,000 (125000 + 390000) ↓ S Ltd	Amalgamation Adjustment A/C 125000

8 Statutory Reserve தேவை இல்லை என்று company Amalgamation
முடிந்தவுடன் Cancel செய்யப்படும் Amalgamation
Adjustment A/C உடன் Cancel செய்யப்படும்.

when Amalgamation is in the nature of Purchase

Note to Accounts

① Share Capital	
Issued and Paid up Capital.	
1150000 Equity Shares of Rs 10 each	1 15,00,000
11 000 10% Pref Shares of Rs 100 each	11 00 000
	1 26 00 000
② Reserves and Surplus	
Capital Reserve (WN)	860000
GIR (only P Ltd value taken)	46,60 000
Statutory Reserve (390+125)	515000
P&L A/c (only P Ltd value taken)	5,63,000
	65 48 000
③ Long term Borrowings	
12.5% Debentures	2,50,000
④ Tangible Assets	
Fixed Assets	1,57,30000

Balance sheet of P Ltd as on 1.4.99

	Note No	Amt
I Equity and Liabilities		
(i) Shareholders' funds		
Share Capital	1	126,00,000
Reserves and surplus	2	65,48,000
(ii) Non-current liabilities		
Long-term borrowings (Debentures)	3	2 50000
(iii) current liabilities	–	24,27,000
Total (i) + (ii) + (iii)		2,18,25,000
II Assets		
(i) Non-current Assets		
Tangible Assets	4	1,57,30,000
Intangible Assets	–	–
(ii) Current Assets		5970000
(iii) Amalgamation Adjustment A/C (created)		125,000
Total (i) + (ii)		2,18,25000

new

Illustration - 9

Amalgamation

M Ltd → Selling Company

N Ltd → Selling Company

P Ltd → Purchasing Company

Assets and liabilities are to be taken over by a new company formed called P Ltd at a book values

P Ltd's Capital is Rs 200 000
↓
divided into 10 000 No of equity shares of Rs 10 each

and 10,000 9% Pref shares of Rs 10 each.

20 000 shares. x Rs 10 = Rs 200 000

P Ltd issued the equity shares equally to the vendor Companies
↓

Issued → Total No. of Equity shares
- to M Ltd → 5000 shares
- to N Ltd → 5000 shares

Equity shares 10 000 x Rs 10 = Rs 100,000

To M Ltd → 5000 shares x Rs 10 = 50,000

To N Ltd → 5000 shares x Rs 10 = 50,000

Purchase Consideration

	Rs	
Total assets of M Ltd takenover by P Ltd →	86000	
(−) M Ltd's Creditors takenover by P Ltd	3500	
Balance asset of M Ltd →	82500	→ இதுவே Purchase Consideration ← இவர்கள் share ஆக கொடுக்கிறார்கள்
		→ இதற்கு P Ltd பதில் கொடுக்க வேண்டும்

இந்த Assets க்கு எதிர் ஆக
Rs 50000 க்கு Equity share
P Ltd கொடுக்கிறார்கள்

மீதி Rs 32500 க்கு Pref share
P Ltd கொடுக்கிறார்கள்

Rs 82500

	Rs		
Total assets of N Ltd takenover by P Ltd →		58500	
(−) N Ltd's Creditors	3500		
Depreciation Fund	2500	6000	
takenover by P Ltd			
Balance Assets of N Ltd →		52500	→ இதுவே Purchase Consideration ← இவர்கள் Share கொடுக்கிறார்கள்
			→ இதற்கு P Ltd பதில் தர வேண்டும்

இந்த asset க்கு எதிர் ஆக
Rs 50000 க்கு Equity share
P Ltd கொடுக்கிறார்கள்

மீதி Rs 2500 க்கு Pref share
P Ltd கொடுக்கிறார்கள்

Rs 52500

Pref. shares were issued for any Balance of Purchase Price

↓

Pref shares old Balance sheet [illegible]

പുതിയ P Ltd issue ചെയ്യുന്നത്

Purchase Price for M Ltd and N Ltd as per nature of Purchase.

Purchase Consideration

Particulars	M Ltd		N Ltd	
Sundry Assets taken over (Balance sheet total)		86000		58500
(-) Liabilities				
Creditors	3500		3500	
Depreciation fund	—		2500	
		3500		6000
Purchase Consideration →		82500		52500
(-) Equity shares				
5000 x 10 = 50,000		50,000		50,000
5000 x 10 = 50,000				
This is balance of Purchase Price →		32500		2500
		For this amount Pref shares are issued by P Ltd.		For this amount Pref. shares are issued by P Ltd

Note Depreciation fund was created for fixed Assets only when Fixed Asset is purchased by P Ltd Depreciation fund is also takenover by P Ltd. Fund is not utilised for any other purpose.

Pass journal entries in the books of P Ltd. (4)
Purchasing Company

(1) Business Purchase a/c Dr 135000
(82500 + 52500)
To Liquidator of M Ltd a/c 82500
To Liquidator of N Ltd a/c 52500
↓
Purchase Price
Total assets after liability takenover

(2) Fixed Assets a/c Dr 70300
(31500 + 38800)
Stock a/c Dr 27000
(15000 + 12000)
Debtor a/c Dr 13200
(8000 + 5200)
Assets takenover
Bank a/c Dr 4000
(1500 + 2500)
G/W (M Ltd) a/c Dr 30,000
To Creditors a/c 7000
(3500 + 3500)
Liabilities takenover
To Depreciation fund a/c 2500
(N Ltd)
To Business Purchase a/c 135000
(Purchase Consideration)
(82500 + 52500)

(3) Liquidator of M Ltd a/c Dr 82500
To Equity share Capital a/c 50000
To 9% Pref share capital a/c 32500
(Purchase Consideration – settlement to M Ltd)

(4) Liquidator of N Ltd a/c Dr 52500
To Equity Share Capital a/c 50000
To 9% Pref share Capital a/c 2500
Purchase Consideration – settlement to N Ltd)

Notes to Accounts	Rs
1. Share Capital	
Issued and paid up Capital	
10 000 equity shares of Rs 10 each	100 000
3500	
$\frac{32500}{10} = 3250$	
$\frac{2500}{10} = 250$	
$\underline{3500}$ shares. 9%. Pref shares of Rs 10 each.	35000
	1,35,000
2 Trade payable	
Creditors. ————	7000
3 Tangible Assets	
Fixed Assets	67800
$31500 + 38800 = 70300 - \underset{\text{Dep fund}}{2500} =$	
4 InTangible Assets	
Goodwill ————	30 000

Balance sheet of P Ltd as on 31.3.1997

	Note No	Rs
I Equity and Liabilities		
(i) shareholders' fund		
share capital →	1	135000
Reserves and surplus	—	—
(ii) Non-current liabilities		
Long-term borrowings	—	—
(iii) current liabilities		
Trade payable →	2	7000
Total (i) + (ii) + (iii)		142000
II Assets		
(i) Non-current Assets		
Tangible Assets	3	67800
Intangible Assets	4	30000
(ii) current Assets	—	27000
stock		13200
Trade Receivables (debtors)	—	4000
Bank	—	
Total (i) + (ii)		142000

New

Illustration - 12 Absorption — Net payment method ①

P 10.67

A Ltd → Purchasing Company

X Ltd → Selling Company

SUM → The Company was absorbed by A Ltd → Purchasing Company

SUM → The Consideration for the absorption is the discharge of the debentures at a Premium of 5%. ↓

Ans

old debenture ↓ 12% Debentures Rs 1000000 ↓ It is discharged by 5% Premium.

'X'

There is no new debenture

old Debenture with Premium 5% തന്നിട്ട് discharge ഒഴിവാക്കുന്നത് by A Ltd

Actual value	→	Rs 10,00,000
(+) 5% Premium → $10\,00\,000 \times \frac{5}{100} =$		50 000
old debenture discharge value		10 50 000

SUM → Taking over the liability in respect of Sundry Creditors ↓

Ans

A Ltd ആണ് Sundry Creditors to P Ltd ന്റെ ഏറ്റെടുക്കുന്നത്

Taken for Actual value → Rs 300000

Sum → A payment of Rs 7 in cash and one share of Rs 5 in A Ltd at the market value of Rs 8 per share for every share in x Ltd

↓

<u>Ans</u> A payment of Rs 7 in cash
↓
to the shareholders

200 000 No of shareholders
Per shareholder paid Rs 7

<u>x Ltd ஒன்று 1 shareholderக்கு</u> paid Rs 7

200000 No. of Shareholderக்கு ? எவ்வளவு Rs pay பண்ணினார் ?

$$\frac{200000 \times 7}{1} = \text{Rs } 14{,}00{,}000$$

<u>share issued by A Ltd to x Ltd</u>

x Ltd ஒன்று 1 share க்கு — A Ltd 1 share கொடுக்கிறார்கள்

For 200,000 No of share க்கு — எத்தனை share கொடுப்பார்கள்

$$\frac{200000 \times 1}{1} = 200000 \text{ No of shares Issued}$$

<u>Rs value</u> 200 000 × Rs 8 = Rs 16,00,000
A Ltd issue பண்ணுகிறார்கள்

<u>Share value</u>

<u>Books of X Ltd</u> (see Journal)
Actual value எடுக்க கூடாது
market value மட்டும் எடுக்க வேண்டும்

<u>Books of A Ltd</u> (see Journal)
market value Rs 8 <
Actual 1s share value Rs 5
Premium Rs 3

purchase considaration

Total Payment to shareholders

	Rs
Cash payment →	1400000
shares in A ltd issued to X Ltd →	1600000
purchase consideration	30 00,000

sum → cost of liquidation of Rs 15,000 is to be met by the purchasing Company

step-I ① Exp paid by X Ltd on behalf of A Ltd.

step-II ② X Ltd's Bank received cash from A Ltd.

Books of X Ltd (Transferror Company) (selling company)

Journal entries

31.3.96 ① Realisation A/c Dr 38 01 000

cancel. ← To Sundry Assets a/c 38 01 000

Total assets of B/S

Assets transfered to Realisation a/c.

② S/creditors a/c. Dr 300 000

12 %. Debentures a/c Dr 10 00,000

To Realisation a/c 13 00 000

outside liabilities. Transfered to Realisation a/c

3 A Ltd a/c Dr 30,00,000
To Realisation a/c 30,00,000

Purchase Consideration receivable (due)

4 Purchase Consideration received

Bank a/c Dr	14,00,000	
Shares in A Ltd a/c Dr	16,00,000	
To A Ltd a/c		30,00,000

Cash is received by X Ltd's Bank

A Ltd's shares.

5 Payment of cost of Liquidation

A Ltd a/c Dr	15000	
To Bank a/c		15000

Expenses paid by X Ltd's Bank on behalf of A Ltd

6 Expenses paid reimbursed by A Ltd

A Ltd தன் Exp amount திருப்பி செலுத்துகிறது.

Bank a/c Dr	15000	
To A Ltd a/c.		15000

X Ltd's Bank received cash from A Ltd

7 X Ltd's Share Capital and accumulated Profits transferred to shareholders

Share Capital a/c Dr	20,00,000	
GIR a/c Dr	250000	
Dividend equalisation reserve a/c Dr	2,00,000	
Profit & Loss a/c Dr	51000	
To Shareholders a/c.		25,01,000

X Ltd ன் Balance Total assets and liabilities are transferred to A Ltd

X's உடைய Total assets and liabilities ஐ A Ltd க்கு Transfer பண்ணுவதால் Profit கிடைக்குமா? Loss கிடைக்குமா?

Prepare ledger for Realisation a/c

Journal ① ② ③

Realisation A/c

To Sundry assets	38 01 000	By S/Creditors	3 00 000
To Shareholders (Profit)	4 99 000	By 12% Debentures	10,00,000
		By A Ltd	30,00,000
	43,00,000		43,00,000

⑧ Realisation a/c Dr 4,99,000
To shareholders a/c 4,99,000

X Ltd உடைய Shareholders க்கு Profit கொடுக்கிறோம்.

⑨ X Ltd ன் Shareholders க்கு Purchase Consideration ஐ எப்படி settlement பண்ணலாம்.

Shareholders a/c Dr 30,00,000
To Bank a/c 14,00,000
To Shares in A Ltd A/c 16,00,000

Shareholders க்கு

Cash is given by X Ltd's Bank to the shareholders of X Ltd

Shares in A Ltd is given to shareholders of X Ltd.

entry ③

A Ltd's A/c

entry ④ ⑥

To Realisation A/c	30 00 000	By Bank	15 000
To Bank	15 000	By Bank a/c	14 00 000
		By Shares in A Ltd	16 00 000
	30 15,000		30 15 000

Shares in A Ltd A/c

entry ⑨

To A Ltd	16,00,000	By Shareholders a/c	16,00,000
	16 00,000		16,00,000

entry ④

Bank A/c

see Realisation ledger Debit side

Sundry assets 2 [illegible] Bank is 2 [illegible]

To Balance b/d	126,000	By Realisation (Transfer) [illegible]	126,000
old B/S asset side		So. Bank - Realisation a/c [illegible] Transfer [illegible]	
	126000		126,000
To A Ltd (entry ④)	14 00 000	By Shareholders (entry ⑨)	14,00,000
To A Ltd (entry ⑥)	15,000	By A Ltd (entry ⑤)	15000
	14 15,000		14 15,000

Shareholders A/c

entry ⑨ entry ⑦

To Bank a/c	14,00,000	By Share Cap	20,00,000
To Shares in A Ltd	16,00,000	By GIR a/c	2 50 000
		By Dividend equalisation reserve	2 00,000
		By P&L a/c	51 000
		By Realisation a/c (entry ⑧)	4 99,000
	30,00,000		30,00,000

Books of A Ltd (purchasing company)

Journal

31.3.96 ① Business Purchase a/c Dr 30,00,000
To Liquidator of X Ltd a/c . 30,00,000
↓
Purchase consideration payable

② Assets and liabilities takeover

L & B a/c Dr 10,00,000
P & M a/c Dr 15,00,000
Furniture a/c Dr 25000
Stock a/c Dr 6,00,000
W I P a/c Dr 3,00000
S1 Debtors a/c Dr 250 000
Bank a/c Dr 126,000
Goodwill a/c Dr 549000
(C B I F)
To S1 creditors a/c 300,000
To 12% Debtors of x Ltd a/c . 10,00,000
Issued by A Ltd. ← To Premium on redemption of Debentures a/c 50,000
To Business Purchase a/c 30,00,000
↙
P C payable

③ Goodwill a/c Dr 15000
To Bank a/c 15000
↓
Liquidation exp of X Ltd → paid by A Ltd
It is Loss to A Ltd So created G/W

old There is no new Debenture. old → discharged

12 % Debenture takenover by A Ltd with 5 % Premium → Journal (2) (8)

(2) old 12 % Debenture to Debentureholder A/c Transfer [illegible] → Journal (4)
(Actual + Premium)

(3) Debentureholder A/c Payment [illegible] Journal → (5)

(4) 12 % Debenture Transfered to Debentureholder A/c

12 % Debentures A/c Dr	10,00,000	
Premium on redemption of debentures a/c Dr	50,000	
To Debentureholders a/c		10,50,000

(5) Debentureholder A/c Payment [illegible]

Debentureholders a/c Dr	10,50,000	
To Bank a/c		10,50,000

(6) Purchase Considaration Payment to X Ltd

Liquidator of X Ltd a/c Dr	30,00,000	
To Bank a/c		14,00,000
(200,000 × 5) → To Share Capital a/c		10,00,000
(200,000 × 3) → To Share Premium a/c		6,00,000

A Ltd 200Lw Per share value is Rs 5

A Ltd 200Lw Per share of market value is Rs 8

The difference of Rs 3 is Considered as Premium
(Purchasing Company [illegible])

New

Illustration - 16

P 10.81

Big Ltd → Purchasing Company

Small Ltd → Selling Company

Sum: Big Ltd agreed to acquire the assets of Small Ltd except its investments,

Small Ltd sells its investments for Rs 32000

↓

Ans: Big Ltd investment ஐ takeover செய்யவில்லை

Small Ltd தங்களுடைய Investment ஐ வெளியே

Sales செய்கிறார்கள்

↓

Book value Rs 30,000

Sold at Rs 32000

Normal entry

Bank a/c Dr

To Investment a/c

இதனை Realisation a/c க்கு கொண்டுபோய் Transfer

பண்ணி Profit கண்டுபிடிக்கிறோம்.

சரியான Entry

Investment Transfer to realisation a/c

① Realisation a/c Dr 30,000

To Investment a/c 30,000

Ledger போடும்போது இந்த Journal entry யை எடுத்துக் கொள்ள வேண்டும் → இந்த Journal 15 உடன் சேர்க்கவும்

Realisation of Investment

② Bank a/c Dr 32000

To Realisation a/c. 32000

(2) Sum (2)

Discharge the debentures at 8% Premium by issue of 7% debentures in Big Ltd at 10%, Discount

↓

old Debenture at Rs 60,000

Its interest is 8%.

↓

Premium

கொண்டு வரும்

It is Discharged

old க்கு பதிலாக Big Ltd நிறுவனம்

7% Debentures 10% Discount இல்

Issue பண்ணியிருக்கான்.

Books of Small Ltd	Books of Big Ltd
→ 8% Debenture cancel செய்து through realisation a/c.	question இல் இந்த Book கொடுக்கவில்லை ↓
(3) 8% Debentures a/c Dr 60,000	new 7% Debentures at 10% Discount இல் Issue பண்ணியிருக்கான்.
To Realisation a/c 60000	
→ 7% Debenture in Big Ltd at 10% discount is Rs 60,000 ↓ இதற்கான Entry Small Ltd இல் வராது	

Sum: Issue of 3 shares of Big Ltd at a valuation of Rs 11 for every two shares in Small Ltd

Ans:

Small Ltd உடைய 2 share க்கு — Big Ltd உடைய 3 share கொடுக்கிறான்

Rs. ~~160000~~ each ம் — 16 000 share க்கு — எத்தனை share கொடுப்பான் ?

$$\frac{16000 \times 3}{2} = 24000 \text{ shares}$$

கொடுத்திடுவான்
↓
Per share value is Rs 11

Big Ltd கொடுத்தது

$$24000 \times Rs\ 11 = Rs\ 2\ 64\ 000$$

↓
value shares.

4

Sum: pay Rs 2 in cash for each share of Small Ltd

1 share க்கு — Rs 2 என்றால்

16 000 share க்கு — எவ்வளவு கொடுத்திடுவான் ?

$$\frac{16000 \times 2}{1} = Rs\ 32000$$

↓
Big Ltd பணமாக Small ltd share holder க்கு கொடுக்கிறான்

↓

See next page for PC

shareholders க்கு அவர்களுடைய settlement தான் Purchase Consideration

↓

Purchase Consideration

		Rs
Shares in Big Ltd	→	2 64 000
Cash	→	32000
PC	→	2 96 000

↓

entry

① PC due

② PC received.

PC – due

④ Big Ltd a/c Dr 2 96 000

To Realisation a/c. 2 96 000

PC – received

⑤ Bank a/c Dr 32000

Shares in Big Ltd a/c Dr 2 64 000

To Big Ltd a/c 2 96 000

(5) Sum) pay absorption Expense of Rs 3000

↓

as per rule.

① First Exp met by seller.

② Second That amount is reimbursed by Purchasing Company.

1. First Expenses met by seller.

↓

entry

6 Big Ltd a/c Dr 3000

To Bank a/c 3000

(Seller pay ചെയ്യുന്നു)

2. second The Exp amount is reimbursed by Purchasing Company

↓

entry

7 Bank a/c Dr 3000

To Big Ltd a/c. 3000

(cash received by small Ltd Bank for exp)

6

Sum

1/3 of the shares received from Big Ltd are sold at Rs 10.50 each.

1. Total shares received from Big Ltd 24000 shares ലഭിക്കുന്നത് Rs 11.00 each. → ലഭിക്കുന്നത് 24000 × Rs 11 = Rs 264000

↓

ഇതിൽ 1/3 shares ആ Small Ltd Shareholders വിറ്റ് കളഞ്ഞാൽ വിറ്റത് Rs 10.50 each.

2. വിറ്റ No. of shares 24000 × 1/3 = 8000 shares sold at Rs 10.50 each. → വിറ്റത് 8000 × Rs 10.50 = Rs 84000

3. Small Ltd Shareholders Loss face ചെയ്യുന്നത് → 8000 shares × Rs 0.05 = Rs 4000

small ltd shareholder வாங்குவதை குறிக்கும்

(8) Bank a/c Dr (8000 x 10.50) 84000
Realisation a/c Dr 4000 → Loss to Small Ltd

To Shares in Big Ltd a/c 88000
↓ (8000 x 11)

1/3 Shares received from Big Ltd by small ltd shareholders.

(7) SUM Tax liability was determined at Rs 24000
↓
Ans Tax pay பண்ண வேண்டியது Rs 24000 என்று தொகை நிர்ணயிக்கப்பட்டது

	Rs
Tax payment, small Ltd has to pay →	24000
Provision amount available in liability side	20000
Required amount to be paid for Tax →	4000

↓

old cancel Tax liability is created → Entry

(9) Provision for Taxation a/c Dr 20000
Realisation a/c Dr 4000
To Tax liability a/c 24000
↓
new liability for sold the company

cash required
It will be taken from Bank.

↓

payment of liability → Entry

1. Tax liability
2. creditors

10 Tax liability a/c Dr 24000
Creditors a/c Dr 37000
To Bank a/c 61000

Cancel, by Bank payment

8

SUM Before the absorption, Small Ltd declares and pays 10% dividends to its shareholders

Share capital is Rs 160 000

10% Dividend → $160000 \times \frac{10}{100} = $ Rs 16000

Dividend paid from reserve
Total reserve Rs 43000 in old B/s
Rs 16000 should be cancelled.

Dividend amount taken from reserve

11 Reserves a/c Dr 16000
To Dividend a/c 16000

Dividend is paid

12 Dividend a/c Dr 16000
To Bank a/c. 16000

Share Capital and Reserves Transferred to shareholders A/c

(13) Share Capital A/c Dr 160,000
Reserves A/c Dr 27000
To Shareholders A/c 187,000

Settlement to the shareholders

↓

① **Share settlement** Rs

Total shares issued to Small Ltd (PC) (24000 × Rs 11) → 2,64,000

(−) adj (6)
Small Ltd sold 1/3 of this shares
24000 × 1/3 = 8000 shares × 11 = 88000

[Shares amount acquired and in the hands of Small Ltd.] → 1,76,000

② **shareholders ന് ഉള്ള മൊത്തം Cash**

1. Share Capital — 160,000
2. Reserves — 27000
③ Realisation Profit — 76000

ഈ മൊത്തം total → 2,63,000
ഇതിന്റെ shareholder ആണ് owner

ഇതിൽ നിന്ന് ഇവർക്ക്
shares ലഭിച്ച് Big Ltd
നൽകിയത് → 1,76,000

Cash is to be received by Small Ltd shareholders → 87000

Small Ltd shareholders ന്
Big Ltd settle ചെയ്യേണ്ടത്

Settlement to the shareholders

(14) Shareholders a/c Dr 2,63,000
To Bank a/c 87000
To Shares in Big Ltd a/c 1,76,000

Transfer of Assets to realisation a/c.

(15) Realisation a/c Dr 3,04,000
To G/W a/c — 50,000
To L & B a/c — 80000
To Plant a/c — 80000
To Investment a/c 30,000
To Stock a/c — 40000
To Debtors a/c — 20,000
To Bank a/c — 4000
(20 000 − 16000)
old B/S Dividend paid

Realisation Profit

(16) Realisation a/c Dr 76000
To Shareholders a/c 76000

Journal Entry No 1 புதிதாக Investment Sale Entry
Journal Entry No 15 இல் இருந்து மாற்றி தவறாக உள்ளடக்கினால்
Ledger போடும் போது → Realisation A/c ledger இல்
1வது Entry வரக்கூடாது
15வது Entry மட்டும் வரவேண்டும்.
ஏன் என்றால் 15 வது Entry இனுள்
1 வது Entry உள்ளடக்கம் உள்ளது.

Ledger

Realisation a/c

To Sundry assets	306000	By Bank (Investment Sale)	32000
To Tax liability (24000 - 20000)	4000	By Big Ltd	296000
To shares in Big Ltd (Loss)	4000	By 8 % Debentures	60000
To Shareholders a/c Profit	74000		
	388,000		388000

Shares in Big Ltd a/c

To Big Ltd (PC shares)	264,000	By Bank (sale of shares 1/3 cash received)	84,000
		By Realisation (Loss)	4000
		By Shareholders a/c	176,000
	264000		264000

Big Ltd a/c

total PC To Realisation	296,000	By Bank a/c (PC cash)	32000
To Bank (Exp)	3000	By shares in Big Ltd (PC shares)	264000
		By Bank a/c (Exp)	3000
	299,000		299,000

Bank a/c

To Balance b/d (old B/S)	20000	By Dividend (paid)	16,000
		By Realisation (Transfers)	4000
	20,000		20,000
To Big Ltd a/c	32000	By Big Ltd Exp	3000
To Realisation a/c Investment sold	32000	By Tax liability	24000
To Shares in Big Ltd	84000	By Creditors	37000
To Big Ltd (Exp)	3000	By Shareholders	87000
	151 000		151,000

Shareholders a/c

11

To Bank a/c	87000	By Share capital a/c	160000
To Shares in Big Ltd	176,000	By Reserves	27000
		By Realisation a/c	76000
	263,000		263,000

External Reconstruction

New ②
Illustration – 20
P. 6.93

Transferee Co.

Mala Ltd
↓
Purchasing Company

Kala Ltd
↓
Selling Company

① Sum mala Ltd was incorporated to take the fixed Assets

Ans

Selling Company Books (Kala Ltd)
↓
Transfer to Realisation

Realisation a/c Dr	8 00 000	
To Fixed Assets.		800,000

Mala Ltd
Purchasing Company Book
↓
Assets and Liabilities taken over
↓
See Journal ②

② Sum 60% of the current assets at an agreed value of Rs 9 00 000
↓
To the shareholders Rs 900 000 is settled in the form of
- Rs 7 40 000 Equity shares of Rs 10 each
- The Balance in 9% Debentures

900 000 – 740 000 = Rs 160,000
↓
to this value issued 9%. Debentures by Mala Ltd.

Shareholders [illegible] Debenture [illegible] Purchasing company
↓
[illegible] Company [illegible] Bank loan [illegible] Debenture [illegible] Bank [illegible] Purchasing Company [illegible] → [illegible] (PC [illegible])

↓

③ Sum The debentures were accepted by Bank in settlement of loan.

Illustration - 1
P. 14.17

Holding Company

The Balance sheets of C Ltd and D Ltd as at 31st Dec 1986 are as follows

Liabilities	C Ltd Rs	D Ltd Rs	Assets	C Ltd Rs	D Ltd Rs
Share Capital (in shares of Rs 10 each) — NNO ① ↓ PNO 4.5	200000	100000	Sundry Assets — NNO ④	132500	138200
General Reserve — NNO ② — PNO ②	18000	20000	Goodwill — NNO ⑤	-	20000
Profit & Loss a/c — NNO ②	24500	23000	Shares in D Ltd at Cost ↓ PNO ⑤	140000	-
Creditors — NNO ③	30000	15200			
	272500	158200		272500	158200

In the Case of 'D' Ltd Profit for the year ended 31st Dec 1986 is Rs 12000 and Transfer to reserve is Rs 5000. The holding of C Ltd in D Ltd is 90%, acquired on 30th June 1986

Draft a Consolidated Balance sheet of C Ltd and its subsidiary

P&L (D Ltd) 23000
accumulated
Profit

Previous year Profit Rs 12000
↓
It is included in 23000 profit

Holding Company

Illustration — ①

C Ltd → Holding Company

D Ltd → Subsidiary Company

① sum In case of 'D' Ltd Profit for the year ended 31st Dec 1986 is Rs 12000

Jan —— 30th June 1986 —— Dec

Revenue Profit

C Ltd acquired 90% of shares on 30th June 1986

before the acquire what Profit is available, that is Capital Profit. ⟷ After the acquire what Profit is available? that is Revenue Profit

③ Sum - The holding of C Ltd in D Ltd is 90% acquired on 30th June 1986

C Ltd acquired 90% in D Ltd on 30th June 1986

② sum Adj → Transfer to reserve is Rs 5000

Its meaning

D Ltd's General Reserve is Rs 20000, In this Last year Profit is Rs 5000 already Transferred, so No need to do anything

Working Notes

1. Holding – minority ratio

C Ltd acquired 90% of shares in D Ltd

Total shares 100% in D Ltd

90% of shares acquired by C Ltd | 10% of shares held by outsiders

Ratio = 90 : 10

9 : 1

2) Revenue Profit

Profit for the current year → Rs 12000
(given in sum)

90 % acquired on 30th June 1986

Jan — 30th June 1986 — Dec

acquired by C Ltd.

after acquired ~~Profit is Revenue profit~~
↓
Revenue Profit.

After 30th June
Profit made
↓

$12000 \times \frac{6}{12} = 6000$

Revenue Profit is 6000

It is for

Holding Company	minority share holders
$6000 \times \frac{9}{10} = 5400$	$6000 \times \frac{1}{10} = 600$

Holding Company's share of Revenue Profit is → 5400

minority share of Revenue Profit is → 600

3 Capital Profit

General Reserve of D Ltd	20,000	year end
Profit & Loss A/C of D Ltd	23 000	year end.
	43 000 →	from Total Amount 6000 was taken to Revenue Profit
↓ (Revenue Profit is included)		
(–) Revenue Profit →	6 000	
↓ (It is taken to Revenue Profit) It is Capital Profit →	37000	← Remaining amount is Capital Profit

Holding Company's share → $37000 \times \frac{9}{10} = 33300$

minority share → $37000 \times \frac{1}{10} = 3700$

4) **minority Interest** (outsiders totals)

Face value of minority shares
$100000 \times \frac{1}{10} =$ 10,000

add minority share of Capital Profit 3700

add minority share of revenue Profit 600

minority Interest → 14300

⑤ **Cost of Control or goodwill** (Holding Company 2 marks)

Amount paid by C Ltd for shares Purchased in D Ltd (See Asset side in old B/S) 140000 pay

(−) Holding Company Equity share in ~~C Ltd~~ D Ltd. $100000 \times \frac{9}{10} =$ 90000

(−) Holding Company's share of Capital Profit 33300 — 123300

(working Note 3)

It is Loss to C Ltd → 16700

capital oriented. / Goodwill

For share Purchased, C Ltd Paid Rs 140,000
share for C Ltd → 90,000 only in D Ltd.
Capital Profit for C Ltd Rs 33300

C Ltd Paid → 140000

C Ltd Received (share + capital Profit) 123300
90,000 + 33300

Loss to C Ltd 16700

(+) Goodwill in D Ltd (old Loss) → 20000

Goodwill to be shown in Consolidated B/S → 36700

Note to Accounts

we Prepare B/S only for Holding Company
subsidiary Company ഒഴിവാക്കുന്നു.

1 Share Capital. 20000 shares of Rs 10 each (C Ltd) → 200000

- C Ltd
  - Note No 1 → Rs 200000
  - ഒന്നും മാറ്റമില്ലാതെ taken to new B/S
- D Ltd (ഒഴിവാക്കുന്നു) Rs 100,000
  - point (4) 10,000
  - point (5) 90,000

② Reserves & Surplus

G I R

- C Ltd 18000 ↓ taken to B/S
- D Ltd 20,000 ([illegible]) ↓ It is Converted into Capital Profit ↓ Not taken to B/S.

18000
29900
47900 (Note No 2)

P&L A/c

- C Ltd Rs 24500
  (+) C Ltd's Share of Revenue Profit 5400
  29900 taken to B/S
- D Ltd Rs 25,000 ([illegible]) It is Converted into Capital Profit ↓ Not taken to B/S.

③ Trade payments S/Creditors

C Ltd — 30 000
D Ltd — 15200
45200 → Note No 3

4. Tangible Assets

Sundry Assets

C Ltd	132500
D Ltd	138200
	270700

Note No 4

5 Intangible Assets

G/W (WN) 36700

Note No 5

Consolidated Balance sheet of C Ltd and its subsidiary D Ltd as on 31.12.1986 (As per schedule VI)

	Note No.	Rs
I Equity and liabilities.		
(i) shareholders' fund		
Share Capital	1	200000
Reserves and surplus	2	47900
(ii) minority Interest (WN 4) point (4)		14300
(iii) current liabilities		
Trade payables	3	45200
Total (i) + (ii) + (iii)		307400
II Assets		
(i) Non-current Assets		
Tangible Assets	4	270700
Intangible Assets	5	36700
(ii) current Assets		
Total (i) + (ii)		307400

Holding Company mutual obligation in bills

Illustration – 3

P 14.23

H Ltd ↓ Holding Company

S Ltd ↓ subsidiary Company

(A) All Profits of S Ltd have been earned after the shares were acquired by H Ltd
↓
see → old B/S – Liability side.
↓
P&L a/c — Rs 120 000
↓
~~9444 33~~ ~~53164~~

1 This Total amount is Revenue Profit.

But there was already a reserve of Rs 60,000 on that date.
↓
இதில் old B/S Reserve ல் இருந்தன
↓
old B/S → Reserve Rs 60000 is capital Profit.

(B) All the bills payable of S Ltd were accepted infavour of H Ltd

45 ம்

↓
S Ltd pay பண்ண வேண்டிய bills அனைத்தும் H Ltd ஆல் ஏற்கப்பட்டது
↓
H Ltd – B/R → Rs 10 ம் உள்ளது
S Ltd – B/P → Rs 30 ம் உள்ளது
↓
2 It is mutual obligation
↓

i.

B/S

S Ltd	B/R (H Ltd) 10 000
S Ltd → B/P 30,000	(−) mutual obligation 10 000
(−) mutual obligation 10 000	NIL
20,000	

(c) The stock of H Ltd includes Rs 50 000 Purchased from S Ltd

↓

on that stock

↓

Profit is added was 25 % on cost

Profit → on cost $50\,000 \times \frac{25}{125} = 10\,000$

Profit → on sale Price $50\,000 \times \frac{20}{100} = 10\,000$

↓

It is Profit

(3) To This level, Provision should be created in stock.

By the way of Provision

The added Profit should be deducted Rs 10000

Working Notes

① Holding - minority Ratio

See — Balance sheet

Asset side
↓
15000 shares
Purchased by H Ltd

To know the total shares available in S Ltd

Rs 10 க்கு 1 share

Rs 200000 க்கு எத்தனை share ?

$$\frac{200\,000 \times 1}{10} = 20{,}000 \text{ shares}$$

↓

minority Ratio is

H Ltd — 15000 shares

S Ltd — 5000 shares

15 : 5

3 : 1

② Revenue Profit

current year Profit of S Ltd (given in sum)

→ Profit earned by S Ltd, after shares were acquired by H Ltd in S Ltd.

acquire பண்ணிய பிறகு வரும் profit தான் Revenue profit

See — Balance sheet → Liability side
↓
P and L A/c → Rs 120000
↓
இது முழுவதும் Revenue Profit.

Holding Company share → $120\,000 \times \frac{3}{4}$ = Rs 90 000

minority share → $120\,000 \times \frac{1}{4}$ = Rs 30 000

3) Capital Profit

In Balance sheet → S ltd P&L Rs 120000
↓
It is Revenue Profit
↓
இது இங்கே எடுக்கக் கூடாது

Reserve Rs → 60000
It is in old B/S → same in Adjustment also.
↓
It is only the Capital Profit

Holding Company share $= 60000 \times \frac{3}{4} =$ Rs 45000

minority share $= 60000 \times \frac{1}{4} =$ Rs 15000

(4) minority Interest (outsider Total)

Face value of minority shares → Rs 50000

See — old B/S — Asset side
↓
15000 shares for H Ltd
remaining 5000 shares for S Ltd

(so 5000 shares × Rs 10 = 50000)

Add minority share of Capital profit = 15000
See Note — (3)

Add minority share of Revenue Profit = 30000
See Note (2)

minority Interest 95000

(5) Cost of Control or G/W

See — old B/S ← Amount paid for S Ltd shares Purchased by H Ltd → Rs 150000

Less

(H Ltd உடைய பங்கு) ← Face value of shares Purchased
15000 × 10 = 150000

Less Holding company share of capital Profit = 45000 (H Ltd உடைய capital Profit) 195000

Capital ~~Profit~~ Reserve → 45000

side → பணம் செலுத்தியது (H Ltd) → Rs 150 000

பங்கு வாங்கியது H Ltd 150 ஆ
45000
――――
195000
――――
Capital Profit → 45000 ஆகும் for H Ltd

Notes to Accounts

	Rs
1. Share Capital	
100 ஆ shares of Rs 10 each	6 00 ஆ
S Ltd share Capital Rs 200 ஆ → see Holding - minority Ratio	
It is shared to Holding Company ↓ H Ltd 15 ஆ shares ; minority shareholders ↓ 5 ஆ shares	
15 : 5 Ratio 3 : 1	
15 ஆ × 10 = 150 ஆ ; 5 ஆ × 10 = 50 ஆ	
2. Reserves and Surplus	
Reserve (H Ltd)	100 ஆ
Reserve (S Ltd) → Rs 60 ஆ → see Capital Profit	
H Ltd ↓ $60 \times \frac{3}{4} = 45$ ஆ ; S Ltd $60 \times \frac{1}{4} = 15$ ஆ	
Capital Reserve → see Cost of Control →	45 ஆ
(H Ltd) Profit and Loss A/c — 400 ஆ	
(+) H Ltd's share of Revenue Profit — 90 ஆ (see WN-2)	
490 ஆ	
(−) Provision for unrealised Profit 10 ஆ (Adj - C)	480 ஆ
	6,25,000

		(6)
3. Trade payables		
Sundry creditors		
H Ltd	200 000	
S Ltd	120 000	320 000
Bills payable (S Ltd)	80 000	
Less mutual obligation	60 000	20 000
		340 000
4. Tangible Assets		
Sundry assets		
H Ltd	800 000	
S Ltd	120 000	920 000
5 Stock		
H Ltd	610 000	
S Ltd	240 000	
	850 000	
Less Provision for unrealised Profit	10 000	840 000
Add (3)		
6 Trade ~~Creditors~~ Debtors		
Debtors		
H Ltd	130 000	
S Ltd	170 000	300 000
Bills Receivables	60 000	
Less mutual obligation	60 000	NIL
		300 000

(7)

Consolidated Balance sheet of H Ltd and its subsidiary S Ltd as on 31.12.1992
(As per Revised schedule VI)

I Equity and Liabilities		
(i) Shareholders' fund		
Share Capital	1	10 00 000
Reserves & Surplus	2	6 25 000
(ii) minority Interest (W N 4)		95 000
(iii) Current liabilities		
Trade payables	3	3 40 000
Total (i) + (ii) + (iii)		20 60 000
II Assets		
(i) Non - current Assets		
Tangible Assets	4	9 20 000
Intangible Assets		
(ii) current Assets		
Stock	5	8 40 000
Trade Receivables	6	3,00,000
Total (i) + (ii)		20 60 000

①

Holding Company

Illustration – 4

80,000

1.4.94 — Profit earned during the year 40,000 — 120 000 — 31.3.95

H Ltd → Holding Company

S Ltd → Subsidiary Company

① H Ltd acquired shares of S Ltd on 30th June 1994

1st Apr 94 — 3 months — 30.6.94 — 9 months — 31.3.95

1.4.94
G/R – 60 000
P/L – 20 000
available on 1.4.94 – 80 000

30th June 1994 → acquired

current year Total Profit is Rs 40 000 — $\frac{3}{12}$ | $\frac{9}{12}$

31.3.95
G/R – 70 000
P/L – 50 000
available on 31.3.95 – 120 000

② on 1st April 1994 S Ltd's general reserve → ① 60 000
P/L → 20 000

For Revenue Profit

see B/S → G/R on 31.3.95 — 70 000
P/L on 31.3.95 — 50 000
120 000

③ (–) opening on 1.4.94 (year starting) Profit was available (60 000 + 20 000) — 80 000

40 000 ← Profit earned during 94–95

For Capital Profit

② opening Profit
G/R → 60 000
P/L → 20 000
80 000

current year Capital Profit

Total ~~H Ltd~~ Capital Profit $40\,000 \times \frac{3}{12} = 10\,000$
90 000

Total current year Profit is 40 000 before acquired Profit was $40000 \times \frac{3}{12} = 10\,000$ ~~[illegible] by H Ltd~~

④ No Part of Preliminary Expenses was written off → Now it is removed → Less Preliminary Exp — 6 000

Capital Profit → 84 000

working notes

1. Holding - minority ratio

See - Asset side → 70 % of shares in S Ltd
acquired by H Ltd

100

70 %
↓
H Ltd

30 %
↓
subsidiary Company
S Ltd

70 : 30

7 : 3

Holding ratio   minority ratio.

2. Revenue Profit

G/R of S Ltd on 31.3.95 — 70 000
P&L of S Ltd on 31.3.95 — 50 000
120 000

as per old B/S
on end of the date.

year end Profit →

Less year begining on 1.4.94
Profit was available
G/R — 60 000
P&L — 20 000
80 000

40 000

Profit during the year
1994-95

It is one year
profit

1.4.94   30.6.94   31.3.95

acquired   9 months   Revenue Profit

40 000 × $\frac{9}{12}$ = Rs 30 000 → It is revenue Profit

Revenue Profit = 30 ws

Holding Company's share → 30 ws × $\frac{7}{10}$ = 21 ws

minority share → 30 ws × $\frac{3}{10}$ = 9 ws

(3) Capital Profit

G R – on 1.4.94 (opening) —	60 ws
P ws – on 1.4.94 —	20 ws

1 year Profit is Rs 40 ws
↓
before acquire
Period Profit
1.4.94 to 30.6.94
= 3 months
(40 ws × $\frac{3}{12}$ = 10 ws) → ~~Capital Profit is taken by H Ltd~~ 10 ws

90 ws

Less Preliminary Expenses 6 ws
↓

Capital Profit → 84 ws

(1) during the year
It should be written off
அந்த ஆண்டுக்குள் முழு
written off செய்திருக்க வேண்டும்
இல்லையென்

(2) Holding Company உடைய
Capital Profit இல் minus பண்ணவேண்டும்
↓
இந்த sum இல் இருந்துதான் ஷேர் பங்குப்
படுகிறது

Holding Company's share — 84 000 × $\frac{7}{10}$ = 58800

minority share — 84 ws × $\frac{3}{10}$ = 25200

(4) minority Interest

Face value of minority share

Total share value is Rs 200 000
in S Ltd

For minority → $200\,000 \times \frac{3}{10} =$ 60 000

Add minority share of Capital Profit = 25200
Note (3)

Add minority share of revenue Profit = 9 000
Note (2)

minority Interest → 94200

(5) cost of Control or Goodwill

Amount paid by H Ltd for shares Purchased in S Ltd → 2 60 000

See old B/S Asset side

Less face value of share Purchased

Total shares in S Ltd Rs 200 000

It is Liability side

For H Ltd → $200\,000 \times \frac{7}{10} = 140\,000$

Holding company's share of Capital Profit 58 800
Note (3)

198 800

Goodwill → 61200
(to be shown in B/S)

Paid by H Ltd		2 60 000
Received	140 000	
	58800	198800
Excess payment It is Loss		61200

so, It is Goodwill

Notes to Accounts

			Rs
1. Share Capital			
	60 000 Shares of Rs 10 each		600 000
2 Reserves & Surplus			
	GIR ———		150 000
	Surplus		
	P&L (as per H Ltd)	70 000	
	add H Ltd's share Revenue Profit	21 000	91 000
			241 000
3 Trade payables			
	S/Crs		
	H Ltd ———	90 000	
	S Ltd ———	60 000	150 000
4 Tangible Assets			
	machinery		
	H Ltd ———	3 00 000	
	S Ltd ———	1 00 000	4 00 000
	Furniture		
	H Ltd ———	70 000	
	S Ltd ———	45 000	115 000
			515 000
5 Intangible Assets			
	G/W ———		61200

6 Stock

H Ltd	—	175 000	
S Ltd	—	189 000	
			364 000

7. Trade Receivables

Debtors

H Ltd	—	55 000	
S Ltd	—	30 000	85 000

8 Cash at bank

H Ltd	—	50 000	
S Ltd	—	10 000	60 000

Consolidated Balance sheet of H Ltd and its subsidiary S Ltd as on 31.12.1992

(As Per Revised Schedule VI)

	Note No	Rs
I Equity and liabilities		
(i) Shareholders' funds		
Share Capital	1	600 000
Reserves & Surplus	2	241 000
(ii) Minority Interest (WN4)		94 200
(iii) Current Liabilities		
Trade payables	3	150 000
Total (i)+(ii)+(iii)		1085200
II Assets		
(i) Non-current Assets		
Tangible assets	4	515 000
Intangible assets	5	61 200

(ii) Current Assets

Stock	6	3 64 000
Trade receivables	7	85 000
Cash at bank	8	60 000
Total (i) + (ii)		10 85 200

Illustration - 7
P. 12.38

Banking Companies

①

① Interest on loan - 260

loan was given to customer

Interest was collected → It is income

② Interest on fixed deposit - 280 ⑬

Fixed deposit was done by customer

Interest for that paid by Bank

It is expenses ⑮

✗ ③ Rebate on bills discounted - 50

only one Rebate is given in sum

It means → It is closing rebate

So, It should be shown in Balance Sheet. ⑤

④ Commission charged to customer

Commission was collected

It is income ⑭

⑤ Establishment Expenses

It is Expenses ⑯

⑥ Discount on bills discounted

It is Income ⑬

A customer discounted a bill in Bank and received the money immediately

at that time

Bank collected a discount money from customer - Bank will wait for maturity date then collect the money

(7) Interest on current Accounts

↓

For current A/c holders

Interest is paid by Bank

↓

It is expenses (15)

(8) Printing and Advertisement

↓

Expenses (16)

(9) Interest on cash credit loan [illegible] Interest [illegible] Income.

↓

A cheque was given to Bank by customer

The cash was credited by Bank

↓

for that, Interest was collected by Bank

↓

It is income (13)

(10) Rent and Rates

↓

Expenses (16)

(11) Interest on overdraft

↓

overdraft is done by customer for overdrawn

Interest is collected from customer

↓

It is income (13)

12 Directors' and Auditors' fees

↓

Expenses 16

13 Interest on savings bank account

↓

To the saving bank A/c holders

Interest is paid by Bank

↓

It is expenses to the Bank 15

14 Postage and Telegramme

↓

Expenses 16

15 Sundry Charges

↓

It is Expenses 16

Illustration - 8
p. 12.40

Banking Companies

1. Rent Received

↓

Rent Received by Bank

↓

It is Income (14)

2. Exchange and commission

↓

Exchange and commission was collected by Bank

↓

It is income (14)

3. Interest on fixed deposit

↓

Refer - Illustration - (7) sum point - (15)

4. Interest on saving bank A/c

↓

Ref - Illustration - (7) sum point - (15)

5. Interest on overdraft

↓

Ref - Illustration - (7) sum point - (13)

6. Discount on bills discounted

↓

Ref - Illustration - (7) sum point - (13)

7. Interest on current accounts

Ref - Illustration (7) Sum Point - (15)

8. Interest on cash credit

↓

Ref. Illustration - (7) sum point - (13)

9 Depreciation on bank property

Expenses 16

10 salaries and allowance

paid by Bank – Expenses 16

11 postage

Expenses 16

12 sundry charges

Expenses 16

13 Directors' & Auditors fees

Expenses 16 paid by Bank.

14 Printing

Expenses 16

15 Law charges

Expenses 16

16 Locker Rent

collected by Bank

Income – 14

17 Transfer fees

cheque Transfer fees collected by Bank

It is income 14

18 Interest on loans

Ref – Illustration – 7 sum point 13

It is Income

Illustration - 9
P. 12 - 41

Banking Companies

The following figures are extracted from the books of Bheema Bank au Ltd as on 31.12.1982

1. Interest and Discount received
   ↓
   It is Income (13)

2. Commission, Exchange and brokerage
   ↓
   It is collected by Bank
   It is Income (14)

3. Directors fees and Allowance
   ↓
   Expenses (16)

4. Postage and Telegrame
   ↓
   Expenses (16)

5. Stationery
   ↓
   Expenses (16)

6. Preliminary Expenses
   ↓
   Expenses (16)

7. Interest Paid on deposit
   ↓
   Expenses (15)

8. Rent Received
   ↓
   Rent received by Bank
   It is Income (14)

(2)

(9) Salaries and allowance

↓

Expenses (16)

(10) Rent and Taxes paid

↓

Expenses (16)

(11) Profit on sale of Investment → It is Bank's investment ↓ It is sold by Bank

↓

It is Income for Bank (14) ↓ earned Profit by Bank

(12) Depreciation on building

↓

Expenses (16)

(13) Audit fees

↓

Expenses (16)

Additional Information

Adj (1) A customer to whome a sum of Rs 10 00,000 has been advanced has been insolvent. It is expected that only 50%. Can be recovered from his Private Estate.

Cash can be recovered in future

50% It is not taken in this year

Insolvent

↓

(1) Provisions and Contingencies

↓

Bad debts

$10\,00\,000 \times \frac{50}{100} = 500000$

↓

It is taken in this year

Because Loss in this year.

Cash - വരും

Cash - [illegible]

<u>sum</u> Adj 1 க்கு தொடர்ச்சி

Adj (2) for the remaining debts, a provision of Rs 150 000 was necessary

↓

<u>Ans</u> மீதமுள்ள கடனுக்கு Provision Create பண்ணவேண்டியது Rs 150000 க்கு

↓

<u>under the head</u>

<u>Provision and Contingencies</u>

↓

(2)

Provision for bad debts Rs 150,000

sum

Adj (3) Rebate on bills discounted as on 31.12.86 Rs 12000 and on 31.12.87 Rs 16000

↓

<u>Ans</u> It is shown is Schedule No : (13)

It is income of Opening Closing

↓

	Interest and discount received —	36,95,738
<u>Add</u>	Rebate on bills discounted on 31.12.86 (Opening)	12000
		37 07 738
<u>Less</u>	Rebate on bills discounted on 31.12.87 — (Closing)	16000
		3691738

④

Adj ④ Sum Provide Rs 650000 for Taxation

Ans under → Provision and Contingencies ③

Provision for Taxation Rs 650,000

Adj - ⑤ write off all Preliminary Expenses

It is not taken now

already taken in Schedule No : ⑯

Illustration-1
P. 12.30

Banking Company

On 31st march 1998, Bharat Commercial Bank Ltd, finds its advances classified as follows

SUM ① standard assets — 1491300

Ans $1491300 \times 0.25\% = 3728$
↓
Provision is required.

SUM ② Sub-standard assets — 92800

Ans $92800 \times 10\% = 9280$
↓
Provision is required.

SUM ③ Doubtful assets
doubtful for one year 25660

Ans $25660 \times 20\% = 5132$
Provision required

SUM ④ doubtful for 1 year to 3 years 15640
Ans $15640 \times 30\% = 4692$ Provision is required.

SUM ⑤ doubtful for more than 3 years Rs 6580
Ans $6580 \times 50\% = 3290$ Provision is required

SUM ⑥ Loss assets → 10350
Ans $10350 \times 100\% = 10350$ Provision is required

Calculate the amount of Provision to be made by the bank against the above mentioned advances

↓

Provision % required for advances

	Amount	Percentage		Provision
① standard assets	1491300 ×	0.25	=	3728
② sub-standard assets	92800 ×	10	=	9280
③ Doubtful assets				
upto 1 years	25660 ×	20	=	5132
1 to 3 years	15640 ×	30	=	4692
more than 3 years	6580 ×	50	=	3290
④ Loss assets	10350 ×	100	=	10350
Total provision required				36472

Insurance Company

Illustration - 1
P 12.34

Sum

A Life Assurance Company prepared its Revenue A/c for the year ended 31 3 2006 and its Life Assurance fund to be Rs 28,35,000

It was found later that the following had been omitted from the accounts

a) Interest accrued on investments Rs 39000

↓

Ans Earned Interest
↓
Income Add 39000

Sum

Income Tax liable to be deducted thereon is estimated to be Rs 10500

↓

Ans Income Tax to be deducted
↓
இது deduction
Less 10500

Sum

b) outstanding Premium Rs 32800

↓

Ans
Premium வரவேண்டியது
↓
Income Add 32800

Sum

c) Bonus utilised for reduction for Premium Rs 6750

↓

Ans Bonus - Premium holder க்கு கொடுக்கப்பட வேண்டும் ஆனால் Premium holder ஆ இந்த தொகை [illegible] [illegible] என்று கொள்ளப்பட்டு Bonus பணத்தை Premium செலுத்திய பணமாக வரவு வைக்கிறது Company

↓

இது Company க்கு Income

↓

Premium holder Premium செலுத்துவதால் அது வசூலிக்கப்பட்ட பணம் Company க்கு Income ஆகும்

↓

Income Add 6750

அந்த நிறுவனத்தின் Business மூலம் கிடைக்கும் Profit, Bonus ஆகியவை வழங்குவதில் payment ஆவதால் இது Expenses ஆகவும் எடுத்துக் கொள்ள வேண்டும்.

↓

Expenses Less 6750

Sum d) Claims intimated but not admitted Rs 17400

↓

Ans

Ans claims amount எதிர்பார்க்கப்பட்டது ஆனால் அந்த பணத்தை Premium holder இன்னும் கட்டவில்லை

↓

not admitted amount

↓

Less 17400

Sum e) Claims Covered under reinsurance Rs 6500

↓

Insurance பண்ணும் போது Coverage பற்றி தெரிந்துகொள்ளலாம், அந்த Coverage reinsurance பண்ணுவதால் கிடைப்பதால் அது Company க்கு Income

↓

Add 6500

Ascertaining Correct Assurance Fund.

A Life Assurance Company Prepared
↓
Revenue A/c
for the year ended 31.3.2006

ascertained its Life Assurance fund to be
2835000
↓
It was found later that the following had been omitted from the accounts

a) Interest accrued on Investments Rs 39000
↓
Income due → Add

Income Tax liable to be deducted thereon is estimated to be Rs 10500
↓
It is to be deducted → Less

ⓑ outstanding Premium Rs 32800
↓
to the Company Premium is income → Add
It is O/S Income

Less (given to customer)
ⓒ Bonus utilised for reduction of Premium Rs 6750 → Add / Less
Income
Bonus is given — less
But utilised for Premium receipt — Add

Bonus is to be given to the customer or Policy holder
But the Premium was not Collected from Policy holder,
the Premium was deducted from Bonus
↓
So, It is income to the Insurance Company → ~~Add~~

d) Claims intimated but not admitted Rs 17400

↓

Claims should be paid to the Policyholders

claims intimated by Policyholders what amount was needed

↓

but not admitted

the claim amount was not paid

Now amount should be paid → Less

e) Claims Covered under reinsurance Rs 6500

↓

Claims amount now is not paid

that amount is transfered to

reinsurance of the Policyholder.

↓

In New reinsurance that amount is

income to the Insurance

Company → Add

what is the true Life Assurance Fund ?

Statement showing Correct life Assurance Fund

Particulars	Rs	Rs
Balance of life Assurance Fund as on 31.3.2006		28 35 000
Add: Insurance accrued on Investment, gross	39000	
Bonus utilised on reduction of Premium	6750	
Outstanding Premium	32800	
Claim Covered under reinsurance	6500	
		85050
		29 20 050
Less: Bonus utilised in reduction of Premium	6750	
Claims intimated but not admitted	17400	
Income Tax on Interest accrued	10500	
		34650
Correct Life Assurance Fund →		28 85 400

Illustration – 8

Prepare from the following a life Insurance revenue A/c and Balance sheet as on 31.3.2006

	Rs		Rs
Claims by death ④	16,890	outstanding interest on Advances (31.3.2006) ⑫	1944
Agent's salary & Allowances SNO – ③	6420	Bonus paid with Claims ④	2700
surrender values paid ④	2810	Endowment assurance matured – ④ –	24415
Actuarial expenses SNo – ③	1520	Annuities paid – ④ –	1350
Premiums SNO. ①	94836	Interest revenue R A/c	19060
Commission to Agents SNO ②	8900	Rent, Rates & Taxes ③	5475
Salaries SNo – ③	13500	General charges ③ –	1860
medical fees SNo – ③	1200	Fees received – R A/c –	172
Travelling Expenses SNo – ③	1800	Bonus paid in cash ④	2825
Director's fees ③ –	900	Advertisement ③	726
Agents balances ⑫ –	750	Consideration for Annuities – R: A/c –	12853
Add Claim expenses ④	1432	Printing & stationery ③	650
Loss Premium outstanding (1.4.2005) SNO – ①	2134	Loss Claims o/s (1.4.05) ④	2376
Premium outstanding (31.3.2006) ⑫	3143	Claims o/s (31.3.06) ⑬	3735
Investments ⑧ –	146700	Loans on Policies ⑨	38300
Share Capital ⑤ –	200000	loans on mortgages ⑨	290560
Sundry creditors – ⑬ –	9200	Freehold Premises ⑩	122600
Life Assurance fund ⑥ (1.4.05)	353672	Furniture & fittings ⑩	64100
Reserve fund – ⑥ –	146000	Cash on hand & deposits ⑪	76300

Schedule 1 – Income
Schedule 2, 3, 4 – Expenses

Illustration – 8 ✓

Insurance Company

① Claims by death – 16890
↓
customer death ஆனதால் amount claim செய்யப்
பட்டது
↓
அது Exp to the Company
↓
S NO – ④

② Agent's Salary and Allowances – 6420
↓
Exp to the Company
↓
S No – ③

③ Surrender value paid – 2800
↓
customer surrendered the Policy
that is paid by Company
↓
It is expenses
↓
S NO – ④

④ Actuarial Expenses – 1520
↓
to Calculate the amount a Company must pay
Periodically to the customer
↓
It is Expenses
↓
S NO – ③

⑤ Premiums
↓
paid by customer to the Company
↓
It is Income
↓
S No – ①

6 commission to Agents — 8900

commission paid by company to the Agents

It is Expenses

S No - 2

7 salaries — 13500

It is paid by company to the staff

It is Exp → S No - 3

8 Medical fees - 1200

It is paid by the company to the staff

It is Expenses — S No - 3

9 Travelling Expenses. - 1800

It is paid by the company

It is Expenses → S No - 3

10 Director's fees - 900

It is paid by the company to the company Directors S No 3

11 Agents balances — 750

It is other Assets

S No - 12

12 Claim expenses - 1432

Amount claimed by customer — by maturity / by death

for that claim company met claim Expenses

claim expenses - It is expenses to be added with Claim amount paid

S No 4

Premium outstanding (1.4.2005) — 2134

↓

1.4.2005 ———————— 31.3.2006

↓

current year Premium received — 94836

(−) Previous year உள்ள Premium on 1.4.2005 அன்று O/S — 2134

SNO – 1

current year Premium received → 92702

(14) Premium outstanding (31.3.2006) — 3143

↓

It is current year end Premium O/S

↓

It is other Assets.

↓

SNO – 12

(15) Investment – 146700 SNO 8

↓

It is Asset – It is

(16) Share Capital – 200,000

↓

It is Liability – SNO – 5

(17) Sundry Creditors – 9200

↓

It is Liability – SNO – 13

(18) Life Assurance Fund 1.4.05 – 3,53,672

↓

It is Previous year surplus fund

It is Liability – SNO 6

(19) Reserve Fund – 146,000

↓

It is Liability – SNO – 6

(20) outstanding interest on Advances (31.3.2006) – 1944

↓

It is other Assets – SNO 12

21) Bonus paid with Claims — 2700

↓

Bonus amount paid by Company

↓

It is Expenses → S No. 4

22) Endowment assurance matured — 24415

↓

Endowment assurance என்பது ஒரு Policy அது matured ஆன பிறகு, amount paid by Company to the customer.

↓

It is Expenses — S No - 4

23) Annuities paid — 1350

↓

It is annual payment by Company to the customer.

It is Expenses — S No — 4

24) Interest revenue — 19,060

↓

இது Interest Income to the Company

இது Revenue A/c ன் சேர்ந்த வரவு

25) Rent, Rates & Taxes — 5475

↓

It is Expenses to the Company — S No — 3

26) General Charges — 1860

↓

It is Expenses to the Company — S No - 3

27) Fees received — 172

↓

இது Income to the Company

இது Revenue A/c ன் சேர்ந்த வரவு

28 Bonus paid in Cash — 2825
↓
Bonus paid by Company to the customer
It is Expenses — S No 4

29 Advertisement — 726
↓
Advertisement is given by Company
It is Expenses — S No 3

30 Consideration for annuities — 12853
↓
இது Income to the Company
இது Revenue A/c ல் கொண்டு வர

31 Printing and stationery — 650
↓
It is Expenses to the Company — S No 3

32 Claims O/s (1.4.05) 2376
↓
claims paid (Exp) by company

1.4.05 ———————— 31.3.06
↓
current year claims paid — 42737

(−) Previous year O/s claims — 2376

40361

S No 4

33 Claims O/s (31.3.06) — 3735

1.4.05 ———————— 31.3.06
↓
claims O/s 3735
↓
year end இல் [illegible] pay பண்ணாமல் உள்ளது
↓
இது current year O/s
current liability S No — 13

34 Loans on policies - 38200

↓

Policy மேல் customer loan எடுக்கிறார்கள்

இது Asset to the Company

↓

S.No 9

35 Loans on Mortgages - 2,90,560

↓

கம்பெனி R.E கட்டடங்களின் loan வழங்குகிறது

இதுவும் Asset to the Company

S.No - 9

36 Free hold Premises - 122600

Furniture & Fittings - 64100

↓

இது Fixed Asset to the Company

↓

S.No - 10

37 Cash on hand & deposits - 76300

↓

It is Asset to the Company

↓

S.No - 11

Illustration - 6 ✓

P 13.77

Insurance Company

①

① Life Assurance Fund 1.4.2005 → 15 00,000

↓

It is not taken to Revenue A/c

It is taken to Balance sheet - S.No - ⑥

② Premium Rs 4 96000 → Revenue A/c → Income → S.No - ①

ഇടതുവശത്ത് നേരെ Revenue A/c ൽ പോകും

↓

വലതുവശത്ത് Schedule ആയി പോകും

Schedule Total Revenue A/c ൽ വരും

③ Consideration for annuities granted

↓ Rs 15000

annuities → വാർഷിക [illegible]

↓

Company ക്ക് ഉള്ള വരുമാനം

↓

Other Income → നേരെ Revenue A/c ൽ പോകും.

④ Interest & Dividends Rs 1,00,000

↓

It is income from Investments

↓

It is income → നേരെ Revenue A/c ൽ പോകും

⑤ Fines for revival of Policies Rs 750

↓

revival = പുതുക്കൽ

↓

[illegible] fine amount Collected from customers

↓

It is income → നേരെ Revenue A/c ൽ പോകും

Medical fees → Rs 2400
↓
It is expenses
↓
S No : 3

12 Surrenders — Rs 4000
↓
Customer surrendered the policy that is paid by company
↓
It is Expenses
↓
S No : 4

13 Commission Rs 18650 Company is paying Commission to the agent
↓
It is expenses
↓
S No : 2

14 Management Exp Rs 22000
↓
It is Expenses
↓
S No : 3

15 Income Tax on Dividends Rs 8500
↓
Dividend distribution tax is levied by the dividend paying company
↓
It is Considered as Advances
↓
It will be taken to → In Asset side

not taken to Revenue A/c.

It is not income or Expenses

Adjustments

1. outstanding balances
   ↓
   Claims to be paid to customers Rs 14,000
   ↓
   It is → Closing Balance of claims
   ↓
   S No: 4 — Add with claims

→ Outstanding balances
   ↓
   Premium is to be collected from customers Rs 4600
   ↓
   S No: 1 — Add with Premium

2. Further bonus for Premium Rs 2400
   ↓
   It is meaning
   ↓
   bonus in reduction of Premium
   - Income S No 1
   - Exp S No: 4

Because it is bonus.

[illegible]

add

less

3. Claims under reinsurance Rs 8000
   ↓
   Claim by customer is payment of company
   S No: 4

Claim ஐ less பண்ணணும்