

Question.

The Assets of A Limited were over valued and hence Gt is decided to reconstruct the Company on the basis of following terms:-

The shareholders to receive in lieu of their present holding of 25000 shares of 10 each (Fully paid) The following.

- ① equity share of Rs 10 each, fully paid to the extent of  $\frac{2}{5}$  of their holding.
- ② Preference share of Rs 10 each, fully paid to the extent of  $\frac{2}{5}$  of the above new equity share.
- ③ Debenture of Rs 10,000

The Assets to be written down as under.

- (A) Goodwill which stood Rs 1,20,000 was written down to 70,000
- (B) Machinery which stood at 1,30,000 was written down to 90,000
- (C) Buildings were written down by 10,000

Entry in the necessary Journal to give effect to the above.

also upon

Solution

Journal entries in the books of A Limited.

date	Particulars	L.P	Dr Cr	
			Amount	Amount
	Equity share capital A/c Dr to equity share capital " Preference share capital. " Debentures " Reconstruction (Buy reduction in above 4 items)		250000	
	Reconstruction A/c Dr to goodwill " Machine " Buildings (Buy reconstruction are used in write off assets.)		100000	
				100000
				100000
				100000
				100000