

Specialised Accounts.
T.D.C. Part II
B. Com Hons

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Question -

M.K. Company passed Resolution and received sanction of the Court for the reduction of 9% share capital by Rs 2,50,000. The scheme of reconstruction provided:

- ~~(i) To write off 9% share capital~~
- (i) To write off the debit balance of statement of Profit and Loss Rs. 1,50,000
- (ii) To reduce the value of Plant and Machinery by 40,000 and goodwill by Rs. 20,000.
- (iii) To reduce the value of Preference Capital was made by writing off 40,000 Preference share of Rs 20 each, fully paid to the same no. of Preference share of Rs 15 each paid up and converting 25,000 equity share of 20 each Rs 15 paid up into 25,000 equity

Share of 10 each fully paid up.

Show Journal Entries in relate to the reduction of share capital.

Solution

(In the book of M.K. Comptan)

Journal Entries

Date	Particulars	L.P	Amount	
			Dr	Cr
	Preference share capital A/c		500 000	
	TO Preference share capital (New)			375 000
	" Reconstruction			125 000
	(Reduction of 25000 Preference shares of 20 each fully paid into 15 per share.)			
	Equity share capital A/c		375 000	
	TO Equity share capital (New)			250 000
	" Reconstruction			125 000
	(Re construction of 25000 Equity share of 25, Rs 15 paid up into 10 fully paid)			
	Reconstruction A/c		250 000	
	TO Statement of P&L -			150 000
	" Plant & machine -			40 000
	" Goodwill -			20 000
	" Investment			40 000
	(Being Reduction amount utilised to write off accumulated loss and to write down the value of Assets.)			