

CHAPTER-4

INTERNAL RECONSTRUCTIONS

Ans. 1. Green Limited Journal Entries

	Dr.	Cr.
	₹	₹
Bank Account Dr. To Equity Share Capital Account (Balance of ? 10 per share on 1,00,000 equity shares called up as per reconstruction scheme)	10,00,000	10,00,000
Equity Share Capital Account (? 50) Dr. To Equity Share Capital Account (? 20) To Capital Reduction Account (Reduction of equity shares of X 50 each to shares of ? 20 each as per reconstruction scheme)	75,00,000	30,00,000 45,00,000
12% First Debentures Account Dr. 12% Second Debentures Account Dr. Trade payables Account Dr. To X (The total amount due to X, transferred to his account)	3,00,000 7,00,000 2,00,000	12,00,000
Bank Account Dr. To X (The amount paid by X under the reconstruction scheme)	2,00,000	2,00,000
12% First Debentures Account Dr. 12% Second Debentures Account Dr. Trade payables Account Dr. To Y (The total amount due to Y, transferred to his account)	2,00,000 3,00,000 1,00,000	6,00,000
Y Dr. To 14% First Debentures Account To Capital Reduction Account (The amount due to Y discharged by issue of 14% first debentures)	6,00,000	3,00,000 3,00,000
X Dr. To 14% First Debentures Account To Capital Reduction Account (The cancellation of ? 7,00,000 out of total debt of Mr. X and issue of 14% first debentures for the balance amount as per reconstruction scheme)	14,00,000	7,00,000 7,00,000
Capital Reduction Account Dr. To Goodwill Account To Profit and Loss Account To Computers Account (The balance amount of capital reduction account utilised in writing off goodwill, profit and loss account, and computers—Working Note)	55,00,000	20,00,000 20,00,000 15,00,000

Balance Sheet of Green Limited (and reduced) as on 31st March, 2015

Particulars	Notes	₹
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	30,00,000
2 Non-current liabilities		
a Long-term borrowings	2	10,00,000
3 Current liabilities		
a Trade Payables		2,00,000
Total		42,00,000
Assets		
1 Non-current assets		
a Fixed assets		
Tangible assets	3	30,00,000
2 Current assets		
Cash and cash equivalents		12,00,000
Total		42,00,000

Notes to accounts

	₹
1. Share Capital	
Equity share capital	
Issued, subscribed and paid up	
1,50,000 equity shares of ₹ 20 each	
Total	30,00,000
2. Long-term borrowings	
Secured	
14% First Debentures	10,00,000
Total	10,00,000
3. Tangible assets	
Building	10,00,000
Plant	10,00,000
Computers	10,00,000
Total	30,00,000

Working Note:

Capital Reduction Account

	₹		₹
To Goodwill A/c	20,00,000	By Equity Share Capital A/c	
To P&LA/c	20,00,000	By X	7,00,000
To Computers (Bal. Fig.)		By Y	3,00,000
	55,00,000		55,00,000

Ans. 2.

In the books of M Ltd.

Journal Entries

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
1.	Equity Share Capital (₹ 100) A/c Dr. To Equity Share Capital (₹ 25) A/c To Capital Reduction A/c (Being Equity shares of ₹100 each reduced to ₹ 25 each and balance transferred to Capital Reduction A/c)	35,000	8,75,000 26,25,000
2.	10% Preference Share Capital (₹100) A/c Dr. To 10% Preference Share Capital (₹ 75) A/c To Capital Reduction A/c (Being Preference shares of ₹ 100 each reduced to ₹ 75 each and balance transferred to Capital Reduction A/c. Total Pref Shares = 15,000)	15,00,000	11,25,000 3,75,000
3.	10% Preference Share Capital (₹75) A/c Dr. To 13% Preference Share Capital (₹ 50) A/c To Equity Share Capital A/c (Being one new 13% Preference share of ₹ 50 each and one equity share of ₹ 25 each issued against 10% Preference Share of ₹ 75 each. Total Pref Shares = 15,000)	11,25,000	7,50,000 3,75,000
4.	Capital Reduction A/c Dr. To Preference share dividend payable A/c (Being arrear of Preference share dividend payable for one year)	1,50,000	1,50,000
5.	Preference share dividend payable A/c Dr. To Equity Share Capital A/c Being Equity Shares of ₹ 25 each issued for arrears of Preference Share dividend)	1,50,000	1,50,000
6.	7 % Debentures A/c Dr. To Debenture holders A/c (Being balance of 7% Debentures transferred to [Debenture holders A/c)	5,00,000	5,00,000
7.	Debenture holders A/c Dr. To 13% Preference Share Capital A/c To Bank A/c To Capital Reduction A/c Being 50% of Debenture holders opted to take 13% Preference shares at par and remaining took 90% cash payment for their claims)	5,00,000	2,50,000 2,25,000

8.	Loan from Director A/c To Provision for Contingent Liability A/c (Being provision for contingent liability of ₹ 1,50,000 as it is payable and the same is adjusted against Loan from director A/c)	Dr.	1,50,000	1,50,000
9.	Bank A/c To Equity Share Application & Allotment A/c (Being application money received on 40,000 Equity shares @ ₹ 25 each)	Dr.	1,00,000	1,00,000
10.	Equity Share Application & Allotment A/c To Equity Share Capital A/c (Being application money transferred to capital A/c, on allotment)	Dr.	10,00,000	10,00,000
11.	Underwriting Commission A/c To Bank A/c (Being underwriting commission paid)	Dr.	40,000	40,000
12.	Land & Buildings A/c To Capital Reduction A/c (Being value of Land & Buildings appreciated)	Dr.	3,00,000	3,00,000
13.	Expenses on Reconstruction A/c To Bank A/c (Being payment of expenses on reconstruction)	Dr.	15,000	15,000
14.	Capital Reduction A/c To Goodwill A/c To Plant & Machinery A/c To Inventory A/c To Trade receivables A/c To Profit & Loss A/c To Expenses on Reconstruction A/c To Underwriting Commission A/c To Capital Reserve A/c (bal fig) (Being various losses written off and balance of Capital Reduction A/c transferred to Capital Reserve A/c)	Dr.	31,75,000	3,50,000 4,00,000 1,00,000 1,50,000 19,50,000 15,000 40,000 1,70,000

Note: Capital Reduction Account is inter changeable with Internal Reconstruction Account. Any Account form may be used in answering the question.

Ans. 3.

Journal Entries In the books of A Co.Ltd.

Date	Particulars	LF	Amt. (Dr.)	Amt. (Cr.)
	Preference Share Capital A/c (4,000 x 100) Dr.		4,00,000	
	Equity Share Capital A/c (75,000 x 10) Dr.		7,50,000	
	To 6% Preference Share Capital A/c (4,000 x 75)		3,00,000	
	To Equity Share Capital (75,000 x 2)			1,50,000
	To Capital Redemption A/c			7,00,000
	Capital Redemption A/c Dr.		24,000	
	To Equity Share Capital A/c (12,000 x 2)		24,000	
	Accrued Interest A/c Dr.		22,500	
	To Cash / Bank A/c			22,500
	Freehold Property A/c Dr.		20,000	
	To Capital Redemption A/c			20,000
	6% Debenture A/c Dr.		1,20,000	
	To Freehold Property A/c			1,20,000
	Cash A/c Dr.		1,30,000	
	To 8% Debenture A/c			1,30,000
	Capital Red. A/c Dr.		2,67,500	
	To Patent A/c			37,500
	To Goodwill A/c			1,30,000
	To Deffered Advertising A/c			1,00,000
	Capital Red. a/c Dr.		65,000	
	To Stock a/c			65,000
	Free hold Property Dr.		62,500	
	To Capital Reduction			62,500
	Cap. Red. A/c Dr.		68,500	
	To Debtors A/c			68,500
	Bank A/c Dr.		1,40,000	
	To Trade Investment A/c			55,000
	To Cap. Red. A/c			85,000
	Dir's Loan a/c Dr.		1,00,000	
	To Equity Share capital a/c			90,000
	To Cash A/c			5,000
	To Cap. Red. A/c			5,000
	Cap. Red. A/c Dr.		12,500	
	To Cash & Bank A/c			12,500
	Capital Reduction A/c Dr.		4,35,000	
	To Profit and Loss A/c			4,35,000

**A Co. Ltd. (And Reduced)
Balance Sheet as at 01.04.2011**

		C.Y.	P.Y.
I. Equity and Liabilities			
1.	Shareholder's Fund		
	Share Capital	1	5,64,000
	Reserve & Surplus		-----
2.	Share app. money pending allotment		-----
3.	Non-current Liabilities	2	3,85,000
4.	Current Liabilities	3	4,95,000
	Total		14,40,000
II. Assets			
1.	Non-Current Assets	4	4,37,500
2.	Current Assets	5	10,06,500
	Total		14,40,000

Notes To A/c's		C.Y.	P.Y.
1. Share Capital			
<u>Authorised</u>			?
Issued, Subscribed & Paid up			
4,000 6% cum - Preference Share Capital of ₹ 75 each fully paid up			3,00,000
1,32,000 Equity Share Capital of ₹ 2 each fully paid up			2,64,000
			5,64,000
Note : Of the above 57,000 Equity Share are issue for Consideration other than cash			
2. Non Current Liabilities			
8% Debenture			1,30,000
6% Debenture			2,56,000
			3,85,000
3. Current Liabilities			
Bank Old			1,95,000
Creditors			3,00,000
			4,95,000
4. Non-current Assets			
Freehold Property			3,87,500
Plant			50,000
			4,37,500
5. Current Assets			
Stock		3,60,000	
Debtors		4,85,000	
Less : Doubtful Debt		(68,500)	4,16,500
Cash / Bank			2,30,000
			10,06,500

Ans. 4. Journal Entries in the Books of Y Ltd.

		Dr. ₹	Cr. ₹
(i)	Equity Share Capital (? 10 each) A/c Dr. To Equity Share Capital (? 5 each) A/c To Reconstruction A/c (Being conversion of 5,00,000 equity shares of ? 10 each fully paid into same number of fully paid equity shares of ? 5 each as per scheme of reconstruction.)	50,000	25,00,000 25,00,000
(ii)	9% Preference Share Capital (?100 each) A/c Dr. To 10% Preference Share Capital (? 50 each) A/c To Reconstruction A/c (Being conversion of 9% preference share of ? 100 each into same number of 10% preference share of ? 50 each and claims of preference dividends settled as per scheme of reconstruction.)	20,00,000 10,00,000	10,00,000
(iii)	10% First Debentures A/c Dr. 10% Second Debentures A/c Dr. Trade payables A/c Dr. Interest on Debentures Outstanding A/c Dr. Bank A/c Dr. To 12% New Debentures A/c (bal fig) To Reconstruction A/c (Being ? 6,00,000 due to A (including trade payables) cancelled and 12% new debentures allotted for balance amount as per scheme of reconstruction.)	4,00,000 6,00,000 1,00,000 1,00,000 1,00,000	7,00,000 6,00,000
(iv)	10% First Debentures A/c Dr. 10% Second Debentures A/c Dr. Trade payables A/c Dr. Interest on Debentures Outstanding A/c Dr. To 12% New Debentures A/c To Reconstruction A/c (Being Z 3,00,000 due to B (including trade payables) cancelled and 12% new debentures allotted for balance amount as per scheme of reconstruction.)	2,00,000 4,00,000 50,000 60,000	4,10,000 3,00,000
(v)	Trade payables A/c Dr. To Reconstruction A/c (Being remaining trade payables sacrificed 50% of their claim.)	1,75,000	1,75,000

(vi)	Directors' Loan A/c To Equity Share Capital (? 5) A/c To Reconstruction A/c (Being Directors' loan claim settled by issuing 12,000 equity shares of ? 5 each as per scheme of reconstruction.)	Dr.	1,00,000	60,000 40,000
(vii)	Reconstruction A/c To Bank A/c (Being payment made towards penalty of 5% for cancellation of capital commitments of ?3 Lakhs.)	Dr.	15,000	15,000
(viii)	Bank A/c To Reconstruction A/c (Being refund of fees by directors credited to reconstruction A/c.)	Dr.	1,10,000	1,10,000
(ix)	Reconstruction A/c To Bank A/c (Being payment of reconstruction expenses.)	Dr.	10,000	10,000
(x)	Provision for Tax A/c To Bank A/c To Reconstruction A/c	Dr.	1,00,000	80,000 20,000
(xi)	(Being payment of tax for 80% of liability in settlement against provision for tax.)			
(xi)	Reconstruction A/c To Goodwill A/c To Patent A/c To Profit and Loss-A/c To Discount on issue of Debentures A/c To Land and Building A/c To Plant and Machinery A/c To Furniture & Fixture A/c To Computers A/c To Trade Investment A/c To Inventory A/c To Trade receivables A/c (Being writing off of losses and reduction in the value of assets as per scheme of reconstruction.)	Dr.	47,20,000	10,00,000 50,00,000 15,00,000 1,00,000 2,00,000 6,00,000 1,00,000 1,20,000 1,00,000 3,00,000 2,00,000

Note: Goodwill, patents, losses should be written off under a scheme of reconstruction whether or not it is mentioned in the question. The objective of reconstruction is to remove fictitious values from the assets of the Company and correspondingly reduce capital or pump in additional!

Working Notes:

(1) Outstanding interest on debentures have been allocated between A and B as follows :

		₹
As Share		
10% First Debentures	4,00,000	
10% Second Debentures	6,00,000	10,00,000
10% on ` 10,00,000 i.e. (A)		1,00,000
B's Share		
10% First Debentures	2,00,000	
10% Second Debentures	4,00,000	6,00,000
10% on ` 6,00,000 i.e. (B)		60,000
Total (A + B)		1,60,000

(2) **Bank Account**

		₹			₹
To A (reconstruction)	1,00,000	By Balance b/d		1,00,000	
To Reconstruction A/c (refund of earlier fees by directors)	1,10,000	By Reconstruction A/c (capital commitment penalty paid)		15,000	
		By Reconstruction A/c (reconstruction expenses paid)		10,000	
		By Provision for tax A/c (tax paid)		80,000	
		By Balance c/d		5,000	
	2,10,000			2,10,000	

Ans. 5.

S.P. Construction Co. Ltd

		₹	₹
Equity Share Capital (₹10) A/c	Dr.	2,00,000	
To Capital Reduction A/c			1,50,000
To Equity Share Capital (₹2.50) A/c			50,000
(Equity shareholders rights of ? 10 shares reduced to a are of ₹ 2.50 vide Board's Resolution dated..., the amount of sacrifice credited to Capital Reduction Account)			
Bank A/c	Dr.	60,000	
To Equity Share Capital A/c			50,000
To Securities Premium A/c			10,000
(20,000 Equity shares issued for cash at premium of Re. 0.05 per share vide Board's Resolution dated...)			
5% Preference share capital A/c	Dr.	70,000	
To 8% Pref. Share Capital A/c			35,000
To Equity Share Capital A/c			35,000
5 % Preference share capital converted into 3,500 8% preference shares of ₹ 10 each and 14,000 Equity shares of ₹ 2.50 each vide Board's Resolution dated...)			

Interest Payable on Debentures A/c To Equity Share Capital A/c To Capital Reduction A/c (2,000 Equity shares of ₹ 2.50 each issued in full and final settlement of interest payable, balance credited to Capital Reduction Account vide Board's Resolution dated....)	Dr.	12,800	5,000 7,800
8% Debentures A/c To 9 1/2% Debentures A/c (8% Debentures converted into 9 1/2% Debentures vide Board's Resolution dated)	Dr.	80,000	80,000
Bank A/c Capital Reduction A/c To 9 1/4% Debentures A/c (₹ 9,000 Debentures issued at a discount of 10% for cash vide Board's Resolution dated)	Dr. Dr.	8,100 900	9,000
Loan from Directors A/c To Capital Reduction A/c To Equity Share Capital A/c To Securities Premium A/c (₹ 6,000 of directors' loan credited to Capital Reduction A/c, 1,000 Equity Shares of ₹ 2.50 each issued in settlement of the balance due. ₹ 7,500 credited to share premium A/c vide Board's Resolution dated...)	Dr.	16,000	6,000 2,500 7,500
Bank A/c To Investment A/c To Capital Reduction A/c (Investment sold for ₹ 60,000, profit on sale credited to capital reduction A/c)	Dr.	60,000	27,000 33,000
Bank Overdraft (loan) A/c Trade payables A/c To Bank A/c (Payment of Bank overdraft ₹36,713 and ₹ 46,000 paid to Trade payables)	Dr. Dr.	36,713 46,000	82,713
Building A/c To Capital Reduction A/c (Appreciation in the value of the building under the scheme of reconstruction dated....)	Dr.	52,754	52,754
Capital Reduction A/c To Goodwill To Profit & Loss A/c To Land To Equipment To Inventory To Trade receivables Amounts written off on various assets A/c and the amount of goodwill and debit balance of profit and loss account written off under scheme of reconstruction dated...)	Dr.	2,43,891	60,000 39,821 66,000 754 70,247 7,069

Working Note :

Capital Reduction Account

	₹		₹
To Goodwill	60,000	By Equity Share Capital A/c	1,50,000
To Profit & Loss A/c	39,821	By Debenture Interest	7,800
To Trade receivables	7,069	By Loan from Directors A/c	6,000
To Land	66,000	By Investment A/c	33,000
To Equipment	754	By Building	52,754
To Inventory	70,247		
To Debentures (Discount)	900		
To Capital Reserve	4,763		
	2,49,554		2,49,554

Balance Sheet of S.P. Construction Co. Ltd. (And reduced) as on.....

Particulars	Note No	₹
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	1,77,500
(b) Reserves and Surplus	2	22,263
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	89,000
(3) Current Liabilities		
(a) Trade payables		50,247
Total		3,39,010
II. Assets		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	4	1,80,000
(b) Non-current investments	5	--
(2) Current assets		
(a) Inventories		50,000
(b) Trade receivables (? 7069 written off)		63,263
(c) Cash and cash equivalents	6	45,387
Total		3,39,010

Notes to Accounts

		₹
1. Share Capitals		
Equity Share Capital		
57,000 Equity shares of ₹ 2.50 each fully paid (17,000 shares issued on conversion and settlement claims against the company)		1,42,500
Preference Share Capital		
8% Cumulative Preference share capital		<u>35,000</u>
		<u>1,77,500</u>
2. Reserve and Surplus		
Securities Premium		17,500
Capital Reserve		<u>4,763</u>
		<u>22,263</u>
3. Long-term borrowings		
Secured Loans		
9½% Debentures		89,000
4. Fixed Assets		
(i) Tangible assets		
Land	1,56,000	
Less: written off under the scheme of reconstruction	<u>(66,000)</u>	90,000
Building	27,246	
Add: Appreciation under the scheme of reconstruction	<u>52,754</u>	80,000
Equipment	10,754	
Less: written off under the scheme of reconstruction	<u>(754)</u>	<u>10,000</u>
		<u>1,80,000</u>
(ii) Intangible assets		
Goodwill	60,000	
Less: written off under the scheme of reconstruction	<u>(60,000)</u>	
5. Non-current investments		
Investments	27,000	
Less: Sold during the year	<u>(27,000)</u>	
6. Cash and cash equivalents		
Cash at Bank		45,387

Ans. 6.

Journal of Bhanushali Ltd.

8% Preference Share Capital A/c	Dr.	6,00,000	
To Cash / Bank A/c			4,20,000
To Capital Reduction A/c			1,80,000
Capital Reduction A/c	Dr.	33,600	
To Cash / Bank A/c			33,600
Outstanding Debentures Interest A/c	Dr.	1,08,000	
9% Debentures A/c	Dr.	6,00,000	
To Capital Reduction A/c			1,08,000
To 10% Debenture A/c			6,00,000
Loan from ICICI	Dr.	1,50,000	
Outstanding Interest	Dr.	15,000	
To Cash / Bank A/c			1,57,500
To Capital Reduction A/c			7,500
Sundry Creditors A/c	Dr.	69,000	
To Cash / Bank A/c			65,550
To Capital Reduction			3,450
Capital Reduction A/c	Dr.	5,38,000	
To Profit / Loss A/c			4,20,000
To Goodwill A/c			80,000
To Debtors			30,000
Capital Reduction A/c	Dr.	14,000	
To Fixed Assets			14,000
Capital Reduction A/c	Dr.	10,000	
To Investments A/c			10,000
Capital Reduction A/c	Dr.	3,350	
To Cash / Bank A/c			3,350
Cash / Bank A/c	Dr.	20,000	
To Equity Share Capital A/c			20,000

Bhansali Ltd. (And Reduced)
Balance - sheet As on 31.3.2011

	Note	C.Y.	P.Y.
(I) Equity and Liabilities			
(1) Shareholders Funds			
Share Capital	1	14,00,000	
Reserves and Surplus		----	
(2) Share application money pending allotment		----	
(3) Non Current liabilities		2 6,00,000	
(4) Current liabilities		----	
Total		20,00,000	
(II) Assets			
(1) Non-Current Assets	3	11,61,000	
(2) Current Assets	4	8,39,000	
Total		20,00,000	

Notes to Accounts

	C.Y.	P.Y.
(1) Share Capital		
Authorised	?	
Issued, subscribed & paid up		
1,00,000 Equity shares of ₹ 20 each, ₹14 paid up	14,00,000	
	14,00,000	
(2) Non Current Liabilities		
10% Debentures	6,00,000	
	6,00,000	
(3) Non-Current Assets		
Fixed Assets	11,06,000	
Investments	55,000	
	11,61,000	
(4) Current Assets		
Stock	6,80,000	
Debtors	90,000	
Bills Receivable	49,000	
Cash / Bank Balance	20,000	
	8,39,000	

Notes:

- (1) Reduction in Equity share capital is worked by preparing Capital Reduction A/c.
- (2) Call on Equity share capital is worked out by preparing Cash / Bank A/c.

Ans. 7.

Delta Ltd.

11.5% Preference Share Capital A/c	Dr.	1,50,000	
To 14% Preference Share Capital A/c			90,000
To Capital Reduction A/c			60,000
10% Preference Share Capital A/c	Dr.	65,000	
To 13% Preference Share Capital			39,000
To Capital Reduction A/c			26,000
Equity Share Capital A/c (20,000 x 10)	Dr.	2,00,000	
To Equity Share Capital A/c (20,000 x 5)			1,00,000
To Capital Reduction A/c			1,00,000
11% Debentures	Dr.	3,00,000	
To Equity Share Capital (50,000 x 5)			2,50,000
To Capital Reconstruction			50,000
Interest due on Debenture A/c	Dr.	19,500	
To Capital Reduction A/c			19,500
Creditors A/c	Dr.	45,000	
To Capital Reduction A/c			45,000
Cash / Bank A/c	Dr.	50,000	
To Capital Reduction A/c			50,000
Capital Reduction A/c	Dr.	2,250	
To Cash / Bank A/c			2,250
Capital Reduction A/c	Dr.	3,09,500	
To Goodwill			80,000
To Patents			54,000
To Profit & Loss A/c			1,75,500
Capital Reduction A/c	Dr.	70,000	
To Plant & Machinery			50,000
To Furniture			5,000
To Debtors			15,000
Land & Building A/c	Dr.	75,000	
Investments A/c	Dr.	15,000	
To Capital Reduction A/c			90,000
Capital Reduction	Dr.	1,12,750	
To Capital Res.			1,12,750

Note		C.Y.	P.Y.
I) Equity and liabilities			
1. Share holder's fund			
Share Capital	1	4,79,000	
Reserve & Surplus	2	1,12,750	
2. Share app. Money pending allotment		----	
3. Non-current Liabilities	3	1,50,000	
4. Current Liabilities	4	4,05,000	
Total		11,46,750	
II) Assets			
1. Non-current Assets	3	6,79,000	
2. Current Assets	4	4,67,750	
Total		11,46,750	

Notes to A/c's	C.Y.	P.Y.
1. Share Capital		
<u>Authorized</u>		
13,000 13% Preference Share of ₹ 10 each ₹ 3 paid up	39,000	
15,000 11.5% Preference Share Capital of ₹ 10 each ₹ 6 paid up	90,000	
70,000 Equity Share of ₹ 5 each fully paid	3,50,000	
	4,79,000	
Note : Of the above 50,000 Equity Share are issued for consideration other than cash		
2. Reserve & Surplus		
Capital Reserve	1,12,750	
	1,12,750	
3. Current Liabilities		
Sundry Creditors	4,05,000	
	4,05,000	
4. Non-current Assets		
Patent	54,000	
Land & Building	2,50,000	
Plant and Machinery	2,75,000	
Furniture	10,000	
Investment	90,000	
	6,79,000	
5. Current Assets		
Debtors	3,00,000	
Bank	67,750	
Bill Receivable	1,00,000	
	4,67,750	

Ans. 8.

In the books of Maitri Ltd.

Journal Entries

	2012		Dr. ₹	Cr. ₹
1.	March 31	Equity Share Capital A/c (? 10) Dr. To Capital Reduction A/c To Equity Share Capital A/c (? 7) (Being reduction of equity shares of ? 10 each to shares of f 7 each as per Reconstruction Scheme dated...)	3,00,000	90,000 2,10,000
2.		8% Cum. Preference Share Capital A/c (? 10) Dr. To Capital Reduction A/c To Preference Share Capital A/c (? 5) (Being reduction of preference shares of ? 10 each to shares of ? 5 each as per reconstruction scheme)	4,00,000	2,00,000 2,00,000
3.		Equity Share Capital A/c (30,000 x ? 7) Dr. Preference Share Capital A/c (40,000 x ? 5) Dr. To Equity Share Capital A/c (21,000 x? 10) To Preference Share Capital A/c (20,000 x?10) (Being post reduction, both classes of shares re consolidated into ? 10 each)	2,00,000	
4.		Cash Account Dr. To Trade Investments (Being trade investments liquidated in the open market)	64,000	64,000
5.		Capital Reduction Account Dr. To Equity Share Capital tecount (Being arrears of preference dividends of 4 years satisfied by the issue of 3,200 equity shares of ? 10 each)	32,000	32,000
6.		Capital Reduction Account Dr. To Cash Account (Being expenses of reconstruction scheme paid in cash)		10,000 10,000
7.		9% Debentures Account Dr. Accrued Interest Account Dr. To Debenture holders Account (Being amount due to debenture holders)	1,20,000 5,400	1,25,400
8.		Debenture holders Account Dr. Cash Account (2,10,000 - 1,25,400) Dr. To Freehold Land To Capital Reduction Account (2,10,000-1,20,000) (Being Debenture holders took over freehold land at ₹ 2,10,000 and settled the balance)	1,25,400 84,600	1,20,000 90,000

9.	Capital Reduction Account To Cash Account (Being contingent liability of ₹ 54,000 paid)	Dr.	54,000	54,000
10.	Cash Account To Capital Reduction Account (Being pending insurance claim received)	Dr.	12,500	12,500
11.	Capital Reduction Account To Trademarks and Patents To Goodwill To Raw materials & Packing materials To Trade receivables (Being intangible assets written off along with raw materials and packing materials worth ₹ 10,000 and 10% of trade receivables)	Dr.	1,68,100	1,10,000 36,100 10,000 12,000
12.	Cash Account To Equity Share Capital Account (Being 12,600 shares issued to existing shareholders)	Dr.	1,26,000	1,26,000
13.	Bank Overdraft Account To Cash Account (Being cash balance utilized to pay off bank overdraft)	Dr.	2,23,100	2,23,100
14.	Capital Reduction Account To Capital reserve Account (Being balance of capital reduction account transferred to capital reserve account)	Dr.	1,28,400	1,28,400

Cash Account

Particulars	₹	Particulars	₹
To Investment	64,000	By Capital reduction (Contingent liability)	54,000
To 9% Debenture holders (2,10,000-1,25,400)	84,600	By Expenses	10,000
To Capital reduction (insurance claim)	12,500	By Temporary bank overdraft- From available cash (64,000+84,600+12,500- 54,000-10,000)	97,100-
To Equity share capital 12,600 shares @ ₹10 each	1,26,000	-From proceeds of equity sharecapital (2,23,100-97,100)	1,26,000
			2,23,100
	2,87,100		2,87,100