2. Issue & Redemption of Redeemable Preference Shares

1. A company desires to redeem its 10% 50,000 preference shares of Rs.10 each paid up as Rs.8 per share at 20% premium. In the books of the company, there was balance of security premium Rs.40,000 and P & L A/c (Cr.) 2, 00,000. Company issued minimum equity shares of Rs.10 each at 20% premium. Write journal entries for issue of equity shares in the books of company.
2. C. Ltd. had 10,000 10% Redeemable Preference Shares of Rs. 100 each, fully paid up. The company decided to redeem these preference shares at par, by issue of sufficient number of equity shares of Rs. 10 each at a premium of Rs. 2 per share as fully paid up. You are required to pass necessary Journal Entries including cash transactions in the books of the company.
3. A company desires redeem 10,000 6% redeemable shares of Rs.100 each fully paid and wants to utilise Profit and Loss Account for the same. Profit and loss account shows balance of Rs. 12, 00,000. Pass journal entry for redemption of preference shares.
4. A Company wants to redeem 5000, 6% Redeemable Preference shares of Rs.100 each fully paid and for this purpose it issued 50,000 Equity Shares of Rs.10 each. All shares were fully. Pass necessary journal entries for redemption of shares.
5. The 12% preference shares of Rs.3,00,000 are redeemable at a premium of 10%. The company wishes to maintain the cash balance at Rs. 25,000. For the purpose of redemption of preference shares, it proposed to sell the investments of Rs.2,25,000 for Rs. 2,00,000. The company proposes to issue sufficient number of equity shares of Rs. 100 each at a premium of 5% to raise required cash resources. Pass necessary journal entries for redemption of shares.
6. Following is the Balance sheet of Pavan Ltd. as on 31-03-2024.

Particulars	Amount
I. Equity and Liabilities	
1. Share Holders' Fund	
a. Share Capital	
10% Redeemable Preference Shares of Rs.100 each, Rs.80 paid-up	8,00,000
12% Redeemable Preference Shares of Rs.100 each fully paid	4,00,000
Equity shares of Rs.100 each fully paid	20,00,000
b. Reserve & Surplus	
Security Premium A/c	1,00,000
Profit & Loss A/c	2,30,000
General Reserve	7,20,000
2.Current Liabilities	
a. Trade payable- Creditors	50,000
Total	43,00,000
II. Assets	
1. Non-Current Assets	

a. Fixed Assets	30,50,000
b. Non-current Investments	----------
2Current Assets	
a. Inventories- Stock	3,00,000
b. Trade Receivables- Debtors	7,00,000
c. Cash & Cash equivalents- Bank	2,50,000
Total	43,00,000

The company decided to redeem both the classes of redeemable preference shares at 10% premium after complying with the provision laid down under Companies Act,2013. Cash & bank balance of Rs.2,30,000 is to be maintained in the business. For the purpose of redemption, the company issued necessary number of 10% cumulative Preference shares at 10% premium. Preference shareholders are paid.

Thereafter, the company issued fully paid bonus shares to the holders in the ratio of one equity share to the holders of 10 equity shares from the capital redemption reserve.

Write journal entries and prepare new balance sheet in the books of company. (April-19)

Solution:

7. Following is the balance sheet of Kiran Ltd. as on 31/03/2023

Particulars	Amount
I. Equity and Liabilities	
1. Share Holders' Fund	
a. Share Capital	
10% ,14,850 Redeemable Preference Shares of Rs.100 each, Rs.80 paid up	11,88,000
7425 Redeemable Preference Shares of Rs.100 each fully paid	7,42,500
Equity shares of Rs.10 each fully paid	29,70,000
b. Reserve & Surplus	
Security Premium A/c	2,22,750
General Reserve	29,70,000
2. Current Liabilities	
a. Trade payable- Creditors	14,85,000
Total	95,78.250
II. Assets	
1. Non-Current Assets	
a. Fixed Assets- Land & Building	55,08,000
Machinery	11,00,000
b. Intangible Assets- Goodwill	7,42,500
c. Non-current Investments	7,42,500
2. Current Assets	
a. Inventories: Stock	5,02,500
b. Trade Receivables- Debtors	2,40,250

a. Cash & Cash equivalents- Bank	7,42,500
Total	95,78,250

Additional Information:
(1) The company decided to redeem Preference Shares at 4% redemption premium.
(2) Govt. Securities were sold at 10% profit.
(3) Thereafter, the company issued required number of 12% Preference shares of Rs. 100 each at par so that the Bank balance is maintained at Rs. 1,33,650.
(4) Existing equity shareholders are to be given one fully paid new equity share as bonus for two shares held from the Capital Redemption Reserve.
Write necessary journal entries in the books of Kiran Co. ltd. and prepare Revised Balance Sheet after redemption of Preference Shares as per Companies Act, 2013. (April-23)

8. The balance sheet of Jala Ltd. as on 31/03/2022 is as under:

Particulars	Amount
I. Equity and Liabilities	
1. Share Holders' Fund	
a. Share Capital	
Equity shares of Rs.10 each, Rs.9 paid up	9,00,000
10% Redeemable Preference Shares of Rs.100 each, Rs.80 paid-up	4,00,000
14% Redeemable Preference Shares of Rs.10 each, fully paid	3,00,000
b. Reserve & Surplus	
Security Premium A/c	50,000
Profit & Loss A/c	50,000
General Reserve	15,00,000
2.Current Liabilities	
a. Trade payable- Creditors	2,50,000
Total	34,50,000
II. Assets	
1. Non-Current Assets	
a. Fixed Assets	19,50,000
b. Non-current Investments	2,00,000
2. Current Assets	
a. Cash & Cash equivalents- Bank	5,00,000
b. Other Current Assets	8,00,000
Total	34,50,000

It was decided to redeem 12% redeemable preference shares at a premium of 10% and 14% redeemable preference shares at a premium of 5% on the date of balance sheet, after complying with necessary provisions of companies Act. Investments were sold at Rs. 1,50,000. Now bank balance to be maintained in the business is Rs. 50,000. For this purpose 15% cumulative preference shares were issued at a premium of 10% in adequate number.

Afterwards on the same date one bonus share for two equity shares held to be given and bonus was declared for converting partly paid-up equity shares into fully paid shares.
Write journal entries in the book of Jala Ltd.