

Illustration 18

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The following is the summarized Balance Sheet of Artex Limited on 31st March, 2017:

Particulars	₹	₹
(I) Equity and Liabilities		
Share Capital		
1,00,000 Equity Shares of ₹ 10 each fully paid		10,00,000
2,000, 10% Redeemable Preference Shares of ₹ 100 each fully called-up	2,00,000	
Less: Calls-in-arrears @ ₹ 20 each	(2,000)	1,98,000
Reserves and Surplus:		
Securities Premium	40,000	
Profit and Loss Account	1,20,000	
General Reserve	1,40,000	3,00,000
Current Liabilities :		
Creditors		3,02,000
Total		18,00,000
(II) Assets		
Fixed Assets		16,20,000
Current Assets (Cash and Cash Equivalents)		1,80,000
Total		18,00,000

The Redeemable Preference Shares were redeemed as per the following plan:

(i) 9,000 Equity Shares were issued at a premium of 10%.

(ii) Expenses for fresh issue of shares ₹ 10,000.

(iii) Of the 100 preference shares on which call money was due, holders of 80 shares paid the call money before the date of redemption. The balance 20 shares were forfeited. The forfeited shares were re-issued as fully paid for ₹ 1,000 before redemption.

(iv) Preference Shares were redeemed at a premium of 10% and Securities Premium Account was utilized in full for this purpose.

Prepare journal to show above transactions.

[B.Com(P) Semester IV, May 2018]

Solution

Artex Ltd.				
Journal Entries				
S. No.	Particulars	Lf	Debit ₹	Credit ₹
1.	Bank A/c To Calls-in-arrears A/c (Being call money received in respect of 80 shares)	20 x 80 Dr.	1,600	1,600

2.	10% Red. Preference share Capital A/c To Calls-in-arrears A/c To Share Forfeited A/c (Being forfeiture of 20 shares on which call money was not received)	Dr.	2,000	400 1,600
3.	Bank A/c Share Forfeited A/c To 10% Red. Preference share Capital A/c (Being forfeited shares were re-issued)	Dr. Dr.	1,000 1,000	2,000
4.	Share Forfeited A/c To Capital Reserve A/c (Being balance in share forfeited account transferred to capital reserve account)	Dr.	600	600
5.	Bank A/c To Equity Share App. & Allotment A/c (Being 9,000 equity shares were issued at a premium of 10%)	Dr.	99,000	99,000
6.	Equity Share App. & Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share application & allotment money transferred to equity share capital account and securities premium reserve account)	Dr.	99,000	90,000 9,000
7.	Expenses on Issue A/c To Bank A/c (Being payment of expenses on issue)	Dr.	10,000	10,000
8.	10% Red. Preference Share Capital A/c Premium on Redemption A/c To Preference Shareholders A/c (Being 10% Redeemable Preference Shares due for redemption)	Dr. Dr.	2,00,000 20,000	2,20,000
9.	Preference Shareholders A/c To Bank A/c (Being 10% preference shares redeemed)	Dr.	2,20,000	2,20,000
10.	Securities Premium Reserve A/c To Premium on Redemption A/c (Being premium on redemption adjusted against securities premium reserve)	Dr.	20,000	20,000
11.	General Reserve A/c To Capital Redemption Reserve A/c (Being Capitalisation of general reserve on redemption of preference share capital)	Dr.	1,10,000	1,10,000
12.	Securities Premium Reserve A/c To Expenses on Issue A/c (Being expenses on issue written off by utilising securities premium reserve as per section 52 of Company Act, 2013)	Dr.	10,000	10,000