

QUESTION IS SHEET for BUYBACK of EQUITY SHARES

1. Following is the Summary Balance Sheet of BTC Ltd. (a non-listed company) as on 31-3-2012.

Liabilities	₹	Assets	₹
Share Capital		Sundry Assets	12,20,000
60,000 Equity Shares of ₹ 10 each		Cash at Bank	2,00,000
₹ 8 paid up	4,80,000		
10% Preference Share Capital			
₹ 100 paid	5,00,000		
Securities Premium A/c	15,000		
Capital Reserves	15,000		
General Reserve	60,000		
Profit & Loss A/c	50,000		
Trade Payables	3,00,000		
	14,20,000		14,20,000

Company took all necessary steps to make the equity shares eligible for buy-back. Then company decided to issue 1,200 preference shares at par in order to buy-back 20% equity capital of the company. The new issue was fully subscribed. The company also issued 1000, 10% Debentures of ₹ 100 each fully paid. After the issue of shares and debentures the company bought back 20% equity share capital from the open market.

Pass journal entries and prepare the Balance Sheet of the company.

2. Following is the Summary Balance Sheet of X Ltd. (a non-listed company) as on 31-3-2012.

Liabilities	₹	Assets	₹
Share Capital		Land and Building	10,00,000
2,00,000 Equity Shares of ₹ 10		Plant and Machinery	10,00,000
each fully paid	20,00,000	Furniture	1,00,000
Securities Premium A/c	2,50,000	Investments	2,00,000
Profit & Loss A/c	3,00,000	Stock	1,70,000
General Reserve A/c	3,00,000	Debtors	3,80,000
Creditors	3,00,000	Bank Balance	3,00,000
	31,50,000		31,50,000

The Company decided to buy-back 20% of its equity share capital out of profits. All the legal formalities were duly completed. The company sold its investments for ₹ 2,05,000 and issued 500 8% Debentures of ₹ 100 each which amount was received in full. After the buy-back the company issued bonus share to equity shareholders in the ratio of 1 bonus share to 2 equity shares held using the least possible amount out of the profit & loss account.

Pass Journal entries and prepare the Balance Sheet after the buy-back and issue of bonus shares.

3. The Balance Sheet to Ketan Ltd. (a non-listed company) as on 31st March, 2015 is as follows :

Liabilities	₹	Assets	₹
Equity Shares of ₹ 10 each	6,00,000	Fixed Assets	20,90,000
10% Preference Shares of ₹ 100 each	1,50,000	Investments	6,00,000
Securities Premium	1,20,000	Current Assets	8,10,000
General Reserve	2,00,000	(including Bank Balance ₹ 1,25,000)	
Profit and Loss Account	1,80,000		
10% Debentures	10,00,000		
Term Loan from Dena Bank	8,00,000		
Current Liabilities	4,50,000		
Total	35,00,000	Total	35,00,000

Keeping in view all the legal requirements, ascertain the maximum no. of equity shares that Ketan Ltd. can buy back @ ₹ 50 per share. Assume that the buy back is actually carried out. Investment costing ₹ 3,00,000 sold for ₹ 3,20,000. Pass journal entries.

4. Following is the summarised Balance Sheet of Surya Ltd. as on 31-03-15 :

Liabilities	₹	Assets	₹
16,00,000 Equity Shares of ₹ 10 each, ₹ 8 paid up	1,28,00,000	Land and Buildings	60,00,000
Profit and Loss Account	1,20,00,000	Plant and Machinery	60,00,000
Security Premium	40,00,000	Furniture	44,00,000
10% Debentures	40,00,000	Investments	30,00,000
Bank Term Loan	40,00,000	Debtors	94,00,000
Creditors	60,00,000	Bank Balance	1,00,00,000
		Stock	40,00,000
	4,28,00,000		4,28,00,000

The company decides to buy-back maximum number of equity shares as may be permitted at a price of ₹ 20 per share being the current market price.

Assuming that the buy back is actually carried out, you are required to :

- Pass necessary Journal Entries in the books of the company and
- Prepare Notes to Accounts of Share Capital and Reserve and Surplus as they would appear in Notes to Accounts forming part of the Balance Sheet of Surya Ltd. as on 31st March, 2015. (Do not prepare the Balance Sheet)

(T.Y.B.Com., April 2016, adapted)

5. The Summary Balance Sheet of M Ltd. (a non-listed company) as on 31-3-2012 is as follows:

Liabilities	₹	Assets	₹
Equity Shares of ₹ 10 each	3,00,000	Net Block of Fixed Assets	8,00,000
Preference Shares of ₹ 100 each	1,00,000	Long Term Investments	1,00,000
Securities Premium A/c	1,50,000	Bank	7,50,000
General Reserve	1,00,000		
Profit & Loss A/c	1,00,000		
Debentures	8,00,000		
Trade Payables	1,00,000		
	<u>16,50,000</u>		<u>16,50,000</u>

Keeping in view all the legal requirements, ascertain the maximum no. of equity shares that M Ltd. can buy back @ ₹ 30 per share, being the current market price. Assume that the buy-back is carried out actually on the changed terms and accordingly record the entries in the Journal of M Ltd. and prepare its balance sheet thereafter.

6. KG Limited (a non-listed company) furnishes the following Summary Balance Sheet as at 31st March, 2012.

Liabilities	₹ in lakhs	Assets	₹ in lakhs
Equity Share Capital (Fully paid up shares of ₹ 10 each)	1,200	Machinery	1,800
Securities Premium	175	Furniture	226
General Reserve	265	Investment	74
Capital Redemption Reserve	200	Stock	600
Profit and Loss A/c	170	Debtors	260
12% Debentures	750	Cash at Bank	740
Sundry Creditors	745		
Other Current Liabilities	195		
	<u>3,700</u>		<u>3,700</u>

On 1st April, 2012, the company announced the buy back of 25% of its Equity Shares @ ₹ 15 per share. For this purpose, it sold all of its investments for ₹ 75 lakhs.

On 5th April, 2012, the company achieved the target of buy back. On 30th April, 2012 the company issued one fully paid up Equity Share of ₹ 10 by way of bonus for every four Equity Shares held by the Equity Shareholders.

You are required to :

- (1) Pass necessary journal entries for the above transactions.
- (2) Prepare Balance Sheet of KG Limited after bonus issue of the shares.

7. The Summary Balance Sheet of AFCONS LTD. (a non-listed company) as on 31st March, 2018 was as follows :

Liabilities	₹	Assets	₹
Equity Shares of ₹ 10 each	4,00,000	Net Block of Fixed Assets	7,50,000
Preference Shares of ₹ 100 each	1,00,000	Trade Investments	50,000
Security Premium	1,27,500	Bank	10,00,000
General Reserves	1,00,000		
Profit & Loss Account	1,22,500		
Debentures	8,00,000		
Trade Payables	1,50,000		
	<u>18,00,000</u>		<u>18,00,000</u>

Keeping in view the legal requirements, ascertain the maximum number of equity shares that AFCONS LTD. can buy back @ ₹ 25 per share.

Pass Journal entries to record buy back and prepare a Balance Sheet thereafter.

8. The Summary Balance Sheet of Manish Ltd. (a non-listed company) as on 31-03-2012 is as follows:

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
Authorised, Issued, Subscribed and Called-up :		Net Block	40,00,000
Equity Shares of ₹ 10 each	25,00,000	Trade Investments	15,00,000
Reserves & Surplus :		Current Assets :	
Security Premium	5,00,000	Current Assets	
General Reserve	10,00,000	(Including Bank Balance	
Profit & Loss Account	10,00,000	₹ 15,00,000)	35,00,000
Secured Loan :		Loans and Advances	5,00,000
10% Debentures	25,00,000		
Current Liabilities :			
Sundry Creditors	15,00,000		
Bills Payable	5,00,000		
	<u>95,00,000</u>		<u>95,00,000</u>

Keeping in view all the legal requirements ascertain:

- (1) Maximum number of Equity shares that Manish Ltd. can buy-back.
- (2) The maximum price it can offer.

Assume that the buy-back is carried out actually on the legally permissible terms, record the entries in the Journal of Manish Ltd. and prepare its Balance Sheet thereafter.

9. Following is the summarised Balance Sheet of M/s Mandangad Ltd. (a non-listed company) as on 31st March, 2013.

Liabilities	₹	Assets	₹
40,000 Equity shares of ₹ 100 each fully paid	40,00,000	Fixed Assets	1,20,00,000
20,000, 10% Redeemable Preference shares of ₹ 100 each fully paid	20,00,000	Investments	8,80,000
Capital Redemption Reserve	4,00,000	Stock	14,00,000
Security Premium	3,20,000	Debtors	14,00,000
General Reserve	8,00,000	Bank Balance	4,00,000
Profit and Loss Account	4,00,000		
11% Debentures	40,00,000		
Creditors	41,60,000		
	<u>1,60,80,000</u>		<u>1,60,80,000</u>

On the same date it was decided to buy back the maximum number of Equity shares at the maximum price possible under the law.

In case of shortage of funds, Bank overdraft was to be arranged.

The company decided to utilise profit and loss account to the minimum extent.

10. Following is the Balance Sheet of M/s. Swamini Ltd. (a non-listed company) as on 31st March, 2012.

Liabilities	₹	Assets	₹
10,000 Equity Shares of ₹ 100 each	10,00,000	Fixed Assets	20,00,000
5,000 - 10% Preference Shares of ₹ 10 each	5,00,000	Investments	1,00,000
Securities Premium	2,00,000	Stock	2,50,000
General Reserve	2,00,000	Debtors	3,50,000
Profit and Loss Account	1,00,000	Bank Balance	3,00,000
8% Debentures	6,00,000		
Creditors	4,00,000		
Total	<u>30,00,000</u>	Total	<u>30,00,000</u>

It was decided to buy back maximum number of Equity Shares at the maximum price possible under the law. Temporary bank overdraft was arranged in case of shortage of funds.

You are required to :

1. Ascertain maximum number of equity shares that company can buy back.
2. Maximum price that company can offer.

11. The summarised Balance Sheet of Shreenath Ltd. as on 31st March, 2014 is as follows:

<i>Particulars</i>	₹
Share Capital :	
6,00,000 Equity Shares of ₹ 10 each fully paid	60,00,000
Securities Premium	4,00,000
Profit & Loss Account	20,00,000
13% Debentures	28,00,000
Creditors	10,00,000
Total	1,22,00,000
Fixed Assets	67,00,000
Investments	25,00,000
Current Assets	30,00,000
Total	1,22,00,000

Ascertain the maximum number of equity shares the company can buy back at the maximum possible price under the law as on 31st March, 2014.

Assuming the buy back is actually carried out, record the journal entries in the books of Shreenath Ltd. Also prepare Notes to Accounts with respect to Share Capital and Reserves and Surplus as they would appear in Notes to Accounts forming part of the Balance Sheet of Shreenath Ltd. as on 31st March, 2014. (Do not prepare Balance Sheet) **(T.Y.B.Com., April 2015, adapted)**