Buy-Back of Shares

Short Sum

1. Sai Ltd issued 1, 00, 00,000 Rs equity share of Rs.10 each. The security premium is Rs. 1, 00,000 and general reserve was Rs. 14, 00,000. The company decided to buy back 20% of its share capital at a price of Rs. 8 per share. The company had issued 10% preference share of Rs. 5, 00,000 two month ago for the purpose of buyback. Pass the journal entry. **(VNSGU April – 2025)**

Long Sums

1. The following is the balance sheet of Kanha Ltd on 31.03.2024 :

Particular	Note no.	Rs.
1. Equity and liabilities:		
1) Share holder's funds:		
a) Share Capital: 10,00,000 equity share of 10 Rs fully paid up		1,00,00,000
b) Reserve and Surplus:		
Securities premium		30,50,000
General Reserve		8,75,000
Profit & Loss A/C		6,00,000
2. Non current Liabilities		
a) Long Term borrowing: 9% Debenture		3,75,000
3) Current Labilities:		
a) Trade Payable		3,00,000
		1,52,00,000
2. Assets:		
1) Non Current Assets		
a) Fixed Assets: Tangible assets		
Land & Building		37,50,000
Plant Machinery		56,25,000
Furniture		12,50,000
2) Current Assets		
a) Current Investment		13,50,000
b) Trade receivable		5,85,000
c) Cash and cash equivalent		26,40,000
		1,52,00,000

On 01/04/2024 the company announced the buy back of its 25% equity shares at Rs.20 per share. For that purpose the company sold its entire investments at Rs. 14,65,000 and issued 10,000, 10% preference shares of Rs.100 each. The company utilised 50% of the General Reserve, 100% of the profit & loss account and the rest was taken from the securities premium. Pass necessary journal entries in the book of company and prepare the post buy back balance sheet. **(VNSGU October – 2024)**

2. The Balance sheet of Shiv Limited as on 31.03.2024 is as under.

PARTICULARS	Note No.	Rs.
1. Equity & Liabilites :		
(4) Share holder's funds:		
(A) Share Capital:		
2,50,000 equity shares of Rs. 10 each Rs. 8 paid up		20,00,000
12% preference share of Rs. 100 each		15,00,000
(B) Reserve & surplus:		
Securities premimum		3,00,000
General reserve		7,50,000
Profit & Loss account		5,00,000
2. Non Current Liabilities:		
(A) Long term Borrowing :		
14% Debentures		22,60,000
Bank Loan		15,00,000
3. Current Liabilities :		
Trade Payable:		11,90,000
TOTAL		**1,00,00,000**
II. Assets:		
1) Non-Current Assets :		
(A) Fixed assets:		
Tangible assets :		
Land and Building		40,00,000
Machinery		20,00,000
(B) Non-current Investments		10,00,000
2) Current Assets:		
(A) Inventories		3,50,000
(B) Trade receibable:		
Debtors		7,50,000
Bills receivable		4,00,000
(C) Cash and Cash equivalents		15,00,000
TOTAL		**1,00,00,000**

Additional Information :

1) On 01-04-2024 the company announced the buy back of its 62,500 equity shares at Rs. 15 per share.
2) For that purpose the company issued 2,000, 12% preference shares of Rs. 100 each at a premium of 10%.
3) Cash and back balance of Rs. 17,62,500 to be maintained in the Business.
4) Part of Investments were sold at a profit of 25% on cost price.

Pass the necessary journal entries in the Books of the company and prepare the Post buy back Balance Sheet. **(VNSGU October – 2024)**

3. Following is the balance sheet of Swara Limited as on 31 March, 2022.

Particular	Note no.	Rs.(in lakhs)
EQUITY AND LIABILITIES		
(1) Shareholders' Funds:		
(a) Share capital Equity share of Rs. 10 each fully paid		1,200
(b) Reserves and surplus		
Securities Premium		175
General reserve		465
Profit and loss account		170
(2) Non-current liabilities : 12% Debentures		750
(3) Current liabilities and provisions		570
TOTAL		**3,330**
II. ASSETS		
(1) Non -current assets:		
(1) Fixed assets		2,026
(2) Current assets:		
Stock		600
Debtors		260
Cash & Bank balance		444
TOTAL		**3,330**

On 1st April 2022 The company announced the buy-back of 25% of its equity shares at Rs. 10 per Share. For this purpose, Company issued 1,00,000, 8% preference shares of Rs. 100 each at par. The issue was fully subscribed. The company achieved the target of buy-back. Later the company issued one fully paid up equity share by way of bonus shares for every four equity shares held by the equity Shareholders.
Pass necessary journal entries and prepare post buyback Balance Sheet. **(VNSGU October – 2023)**

4. Following is the balance sheet of Sargam Limited as on 31 March,2022.

Particulars		Note no.	Rs.(in Crores)
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds:			
(a) Share capital			
Equity share of Rs. 10 each fully paid			50
10% Redeemable preference shares of Rs. 100 each, fully paid up.			150
(b) Reserves and surplus			
Securities Premium			50
General reserve			520
Capital Reserve			30
(2) Non -current liabilities			---
(3) Current liabilities			80
TOTAL			**880**
II. ASSETS			
(1) Non -current assets:			
(1) Fixed assets : Cost	200		
Less : Provision for depreciation	200		
	------		
(2) Investments at cost (Market value of Rs.800 Cr.)			200
(2) Current assets			680
TOTAL			**880**

The company redeemed preference shares on 1 July, 2022. It also bought back 100 lakhs equity shares of Rs.10 each at 50 per share. The payments for the above were made out of the huge bank balances, which appeared as a part of current assets. Pass journal entries and Prepare post buyback balance sheet (**VNSGU October – 2023)**

5. Balance Sheet of Mayank Ltd as on 31st March 2019 are as under.

PARTICULARS		NOTE NO.	RS
1.	**EQUITY & LIABILITIES**		
1)	SHARE HOLDERS FUNDS		
a)	share capital		
	share capital of rs 10 each		1,00,00,000
b)	reservers & surplus		
	securities premium		11,00,000
	general reserve		13,00,000
	profit & loss account		7,50,000
2)	non current liabilities		
	12% debentures		50,00,000
	term loan		26,50,000
3)	current liabilities		17,14,000
	Total		2,25,14,000
2.	**ASSETS**		
1)	non current assets		
a)	fixed assets		1,20,00,000
b)	non current investments		36,00,000
2)	current assets		
a)	inventories		35,74,000
b)	Trade receivable : Debtors		19,20,000
c)	Cash and cash equivalents		14,20,000
	Total		2,25,14,000

The shareholders adopted the resolution on the date of the above mentioned balance sheet to:

(i) buy back 20% of the paid-up capital at Rs 15 per share

(ii) issue 13% Debentures of Rs. 10,00,000 at a premium of 10% to finance the buy back of shares.
(iii) maintain a balance of Rs. 6,00,000 in general reserve account and
(iv) sell investments worth Rs. 16,00,000 for Rs. 13,00,000.

You are required to pass the necessary Journal entries to record the above transaction and prepare the balance sheet immediately after the buy back. (**January – 2021)**

6. Balance Sheet of Mayank Ltd as on 31st March 2019 are as under.

	PARTICULARS	NOTE NO.	RS
1.	**EQUITY & LIABILITIES**		
1)	SHARE HOLDERS FUNDS		
a)	share capital		
	equity shares of Rs 10 each 8 is paid up		1,28,00,000
b)	reserve & surplus		
	securities premium		40,00,000
	general reserve		20,00,000
	profit & loss ac		1,00,00,000
2)	non current liabilities : (a) Long term Borrowing		
	11% debentures		40,00,000
	Bank loan		40,00,000
3)	current liabilities : (a) Trade Payable		
	sundry creditors		30,00,000
	bills payable		30,00,000
	Total		4,28,00,000
2.	**ASSETS**		
1)	non current assets		
a)	fixed assets : Tangible assets :		
	land and building		60,00,000
	plant and machinery		60,00,000
	furniture and fixtures		44,00,000
b)	non current investments		30,00,000
2)	current assets		
a)	inventories		40,00,000
b)	Trade receivable : bills receivable		20,00,000
	Sundry debtors		94,00,000
c)	Cash and cash equivalents		80,00,000
	Total		4,28,00,000

The company decides to buy back the maximum number of equity shares as may be permitted by law at a price of Rs. 20 per share. You are required to compute maximum number of equity shares that can be bought back by the company. You are required to pass journal entries and prepare post buy back balance sheet. (**January – 2021)**

7. The following is the balance sheet of Shani Ltd on 31.03.2024 :

PARTICULARS	NOTE NO.	RS.
1. EQUITY & LIABILITES		
i) Share holders' fund		
a) Share capital :		1,28,00,000
Equity shares of Rs. 10 each		
8 is paid up		
b) Reserve & surplus		
Securities premium		40,00,000
General reserve		20,00,000
Profit & loss ac		1,00,00,000
ii) Non current liabilities:		
(a) Long term Borrowing		
11% debentures		40,00,000
Bank Loan		40,00,000
iii) Current liabilities: (a) Trade Payable		
Sundry creditors		30,00,000
Bills payable		30,00,000
Total		4,28,00,000
2. ASSETS		
1) Non current assets		
a) Fixed assets: Tangible assets :		
Land and building		60,00,000
Plant and machinery		60,00,000
Furniture		44,00,000
b) Non current investments		30,00,000
2) Current assets		
a) Inventories		40,00,000
b) Trade receivable : bills receivable		20,00,000
Sundry debtors		94,00,000
c) Cash and cash equivalents		80,00,000
Total		4,28,00,000

The company decides to buy back the maximum number of equity shares as may be permitted by law at a price of Rs. 20 per share. You are required to compute maximum number of equity shares that can be bought back by the company. You are required to pass journal entries and prepare post buy back balance sheet. (**VNSGU April – 2025)**

8. Following is the balance sheet of Om Sai Ltd as on 31 March 2024.

Particular	Note no.	Rs.
1. Equity and Liabilities		
1) Shareholders' Funds		
a) Share Capital		
Equity share of Rs.10 each fully paid		30,00,000
b) Reserve and Surplus		
Securities Premium		5,000
General Reserve		1,00,000
2)Non-Current Liabilities		
10% Debentures		14,00,000
3)Current Liabilities		
Creditors		15,60,000
Total		60,65,000
2. Assets		
1)Non-Current Assets		
a) Fixed Assets		
Land & Building		6,30,000
Plant & Machinery		23,50,000
Furniture & Fitting		3,50,000
b)Non-Current investment		3,70,000
2) Current Assets		
a) Inventories: Stock		12,00,000
b) Trade receivable : Debtors		5,90,000
c) Cash and cash equivalents : Bank balance		5,75,000
TOTAL		60,65,000

On 1st April 2024 Share holders approved the share buy-back plan. The information is as follows.

1) Buyback of 15% of total shares at 11 Rs per share to do.
2) General serve and security premium to utilize as much as possible. Also issue new 12% redeemable preference share of Rs. 10 each.

From the above information prepare the new balance sheet after the buyback by writing the necessary entry in the book of the company. **(VNSGU April – 2025)**

9. The Balance Sheet of Ekta Ltd. as on 31st March 2023 is as follows:

Balance Sheet of Ekta Limited as on 31st March, 2023

Particulars	Notes Number	Amount (Rs.)
I. Equity and Liabilities		
1) Shareholder's Funds::		
(a) Share Capital:		
i) 2,90,000 Equity Shares of Rs. 10 each Rs.9 paid up		26,10,000
ii) 10% Preference Share of Rs. 100 each fully paid		16,00,000
(b) Reserve and Surplus:		
i) Securities Premium		4,00,000
ii) General Reserve		8,50,000
iii) Profit and Loss Account		6,00,000
2) Non- current Liabilities:		
a) Long-term Borrowings:		
i) 12% debentures		23,80,000
ii) Bank loan		16,40,000
3) Current Liabilities:		
a) Short-term Borrowings		2,60,000
b) Trade payables		2,85,000
c) Other Current Liabilities		6,25,000
Total		**1,12,50,000**
II. Assets		
1) Non-current Assets:		
a) Fixed Assets:		
i) Tangible Assets:		
a) Land & Building		43,55,000
b) Machinery		21,40,000
b) Non-current Investments		11,00,000
2) Current Assets:		
a) Inventories		4,65,000
b) Trade Receivables:		
i) Debtors		6,60,000
ii) Bills receivable		6,20,000
c) Cash and Cash Equivalents		19,10,000
Total		**1,12,50,000**

Additional information:

1) On 1-4-2023 the company announced the buyback of its 65,500 equity shares at Rs. 16 per share.
2) Cash and bank balance of Rs. 18,52,500 is to be maintained in the business.
3) Part of investments were sold at a profit of 25% on cost price.
4) For buyback purpose the company issued 2,200, 11% preference shares of Rs. 100 each at a premium of 12%.

You are required to pass necessary journal entries in the books of the company and prepare the post buy-back Balance Sheet. (**VNSGU March – 2024)**

10. The Balance Sheet of Ayushi Ltd. as on 31st March 2023 is as follows:

Balance Sheet of Ayushi Limited as on 31st March, 2023

Particulars	Notes No.	Amount (Rs.)
I. Equity and Liabilities		
1) Shareholder's Funds:		
a) Share Capital: 6,40,000 Equity Shares of Rs. 10 each fully paid		64,00,000
b) Reserve and Surplus:		
i) General Reserve		6,65,000
ii) Securities Premium		7,80,000
iii) Profit and Loss Account		4,40,000
2) Non- current Liabilities:		
a) Long-term Borrowings:		
i) 12% Debentures		26,60,000
ii) Term loan		14,85,000
3) Current Liabilities:		
a) Other Current Liabilities		9,65,000
Total		**1,33,95,000**
II. Assets		
1) Non-current Assets:		
a) Fixed Assets:		
i) Tangible Assets		78,00,000
b) Non-current Investments		20,50,000
2) Current Assets:		
a) Inventories		12,95,000
b) Trade Receivables		10,15,000
c) Cash and Cash Equivalent		12,35,000
Total		**1,33,95,000**

The shareholders adopted the resolution on the date of the above mentioned Balance Sheet to:

1) Buyback 20% of the paid up capital at Rs. 16 each.
2) Sell investments worth Rs. 11,00,000 for Rs. 9,80,000.
3) Issue 6,500, 10% Debentures of Rs. 100 each at a premium of 8% to finance the buyback of shares.
4) Maintain a balance of Rs. 3,40,000 in general reserve account.

You are required to pass the necessary journal entries to record the above transactions and prepare the Balance Sheet immediately after the buyback. (**VNSGU March – 2024)**

11. The Balance Sheet of Veer Ltd. as on 31st March 2021 is as follows:

Particulars	Notes No.	Amount (Rs.)
I. Equity and Liabilities		
1) Shareholder's Funds:		
a) Share Capital: 6,50,000 Equity Shares of Rs. 10 each fully paid		65,00,000
b) Reserve and Surplus:		
i) General Reserve		6,80,000
ii) Securities Premium		6,75,000
iii) Profit and Loss Account		5,00,000
c) Money received against share warrant		-
2) Non- current Liabilities:		
a) Long-term Borrowings:		
i) 12% Debentures		19,60,000
ii) Term loan		13,75,000
3) Current Liabilities:		
a) Short-term Borrowings		-
b) Other Current Liabilities		8,10,000
Total		**1,25,00,000**
II. Assets		
1) Non-current Assets:		
a) Fixed Assets:		
i) Tangible Assets		70,00,000
b) Non-current Investments		19,00,000
2) Current Assets:		
a) Current Investments		-
b) Inventories		12,30,000
c) Trade Receivables		16,10,000
d) Cash and Cash Equivalents		7,60,000
Total		**1,25,00,000**

The shareholders adopted the resolution on the date of the above mentioned Balance Sheet to:
1. Buyback 20% of the paid up capital at Rs. 15 each.
2. Issue 6,000,11% Debentures of Rs. 100 each at a premium of 10% to finance the buyback of shares.
3. Maintain a balance of Rs. 3,20,000 in general reserve account; and
4. Sell investments worth Rs. 9,00,000 for Rs. 7,50,000.
You are required to pass the necessary journal entries to record the above transactions and prepare the Balance Sheet immediately after the buyback.

12. VNSGU June – 2023

The Balance Sheet of Gold Ltd. as on 31st March 2021 is as follows:

Balance Sheet of Gold Limited as on 31st March, 2021

Particulars	Notes Number	Amount (Rs.)
I. Equity and Liabilities		
1) Shareholder's Funds:		
a) Share Capital		
i) 2,80,000 Equity Shares of Rs. 10 each fully paid		28,00,000
ii) 2,000, 9% Preference Share of Rs. 100 each fully paid (Issued for the purpose of buy back)		2,00,000
b) Reserve and Surplus:		
i) Capital Reserve		12,00,000
ii) General Reserve		33,00,000
iii) Securities Premium		25,00,000
iv) Profit and Loss Account		35,00,000
c) Money received against share warrant		-
2) Non- current Liabilities:		
a) Long-term Borrowings:		
i) Secured loan		5,00,000
3) Current Liabilities:		
a) Short-term Borrowings		3,00,000
b) Trade payables		2,00,000
b) Other Current Liabilities		6,00,000
Total		**1,51,00,000**
II. Assets		
1) Non-current Assets:		
a) Fixed Assets:		
i) Tangible Assets		1,01,00,000
b) Non-current Investments		2,00,000
2) Current Assets:		
a) Current Investments		25,00,000
b) Inventories		3,00,000
c) Trade Receivables		2,00,000
d) Cash and Cash Equivalents		18,00,000
Total		**1,51,00,000**

The company passed a resolution to buy back 20% of its equity capital at Rs. 50 per share. For this purpose, it sold all of its investment for Rs. 20,00,000. You are required to pass necessary journal entries in the books of company and prepare the Balance Sheet post buy-back. (**VNSGU June – 2023)**

13. VNSGU March – 2023

Following is the balance sheet of KAJOL Limited as on 31st, March,2021.

Particulars	Note no.	RS.
I. Equity and Liabilities		
(1) Shareholders' Funds :		
(a) Share capital :		
Equity share of Rs. 10 each fully paid		40,00,000
(b) Reserves and surplus :		
Securities Premium		4,00,000
General reserve		6,00,000
Profit and loss account		8,00,000
(2) Non-current liabilities :		
12% Debentures		12,00,000
(3) Current liabilities :		
Creditors		11,20,000
TOTAL		**81,20,000**

Particulars	Note no.	RS.
II. Assets		
(1) Non -current assets :		
Fixed assets		31,20,000
Investment		12,00,000
(2) Current assets :		
(a) Inventories		17,00,000
(b) Trade receivables		11,60,000
(c) Bank balance		9,40,000
TOTAL		**81,20,000**

On 1st April 2021, the company decides to buy back 25% of its equity shares at a premium of 10%. The company owns machinery with a residual value of Rs. 3,20,000, the accumulated depreciation of which is Rs. 60,000, Which was sold for Rs. 2,00,000. From the above information, make journal entries in the books of the company and prepare the balance sheet after share buyback.

14. Following is the balance sheet of Vibhuti Limited as on 31 March,2021.

Particulars	Note no.	RS.
I. Equity and Liabilities		
(1) Shareholders' Funds :		
(a) Share capital :		
Equity share of Rs. 10 each fully paid		30,00,000
(b) Reserves and surplus :		
Securities Premium		5,000
General reserve		1,00,000
(2) Non-current liabilities :		
10% Debentures		14,00,000
(3) Current liabilities :		
Creditors		15,60,000
TOTAL		**60,65,000**
II. Assets		
(1) Non-current assets :		
(a) Fixed assets :		
Land &Building		6,30,000
Plant & Machine		23,50,000
Furniture & fittings		3,50,000
(b) Non-current investment		3,70,000
(2) Current assets :		
(a) Inventories :		
Stock		12,00,000
(b) Trade receivables :		
Debtors		5,90,000
(c) Cash and Cash equipments :		
Bank balance		5,75,000
TOTAL		**60,65,000**

On 1st April 2021, Share holders approved the share buy-back plan. The information is as follows.

1) Buyback of 15% of total shares at Rs. 11 per share to do.

2) General reserve and security premium to utilize as much as possible. Also issue a new 12% redeemable preference share of Rs. 10 each.

From the above information prepare the new balance sheet after the buyback by writing the necessary entry in the books of the company. **(VNSGU March – 2023)**

Right Issue

Short Sums

1. A company gave its equity share holders the right to buy certain shares at a price of Rs.25 in exchange for 5 shares each. If the value of the right is Rs. 4 and the market price of the share is 39 Rs. How many shares will the company have given the right to buy in exchange for 5 share? **(VNSGU April – 2025)**

2. Bhumi Limited is planning to raise funds by making rights issue of equity shares to part finance its expansion, the existing equity share capital of the company is Rs. 60 lakhs and the market value is Rs. 45 per share. The company offered to its shareholders the right to buy two shares of face value Rs. 10 each at price Rs. 12 per share for every five shares held. From the above information calculate:
   1) Theoretical market price per share after the right issues;
   2) The value of the rights and
   3) Percentage increase in share capital. (**VNSGU March – 2024)**

Theory Questions

1. **Employee Stock Option Plan** (VNSGU October – 2024, January – 2021, April – 2025, March – 2024, June – 2023)
2. **Guidelines for Buyback as per Companies Act 2013** (VNSGU October – 2024, April 2025, March – 2024, March – 2023)
3. **Methods of share buy back** (VNSGU October – 2024, March – 2023)

Employee Stock Option Plan (ESOP)

Short Sums

1. Company share capital is distributed in Rs. 10 per share. Company granted 5,000 shares worth Rs. 40 per share on 01/04/2023 according to Employees stock option scheme. At that time market value is Rs. 130 per share. A right of using this scheme is between 16/12/2023 to 15/03/2024. Employees only used their right for 4,500 shares and leave right for other shares, company closes his accounts on 31st March. Pass necessary journal entries in the books of the company. **(VNSGU October – 2024)**

2. Oberoi Limited granted 1,500 options on 1st April, 2019 at Rs. 80 when the market price was Rs. 160. Face value of share is Rs. 10. The vesting period was 3 years. The maximum exercise period was 1 year. All the 1,500 options were exercised by the employees on 30th October,2022. Pass necessary journal entries recording above transaction and Prepare Employee Compensation Expense Account. **(VNSGU October – 2023)**

3. Company share capital is distributed in 10 Rs per share. Company granted 5000 shares worth Rs 40 per share on 1/4/2018 according to Employees stock option scheme. At that time market value is Rs 130 per share. A right of using this scheme is between 16/12/2018 to 15/3/2019. Employees only used their right for 4500 shares and leave right for other shares. Company closes his account on 31st march. Pass necessary journal entries. **(VNSGU January – 2021)**

4. Ajay Ltd. has its share capital divided into shares of Rs. 10 each. On 1st October, 2020, it granted 22,000 shares as employees' stock option at Rs. 50 per share, when the market price was Rs. 120 per share. The options were to be exercised between 10th December, 2020 and 31st March, 2021. The employee exercised their options for 80% shares only. The remaining options lapsed. The company closes its books on 31st March every year. Pass the journal entries in the books of Ajay Ltd. **(VNSGU June – 2023)**

5. Pratik Company has decided to issue 2,500 shares under Employee Stock Option Scheme at a Price of Rs. 80 per share on 1/4/2019. Then its market price was Rs. 200. The facevalue of the share was Rs. 10. Period of exercise of ownership right 3 years. On 31/03/2022 Option of 1,600 shares accepted by employee. Prepare Employee Compensation Expense Account. **(VNSGU March – 2023)**