

## 2. Issue and Redemption of Redeemable Preference Shares

Q.1 Answer the following:

1. Neel Co. Ltd. issued 50,000 equity shares of Rs.10 each and 3000, 10% Redeemable preference shares of Rs.100 each. All shares are fully paid up. P& L A/c shows profit of Rs. 1,50,000 and General Reserve Rs.2,20,000. The directors decided to redeem preference shares at Rs.105 utilizing necessary profit for the purpose. Give entries in the books of company.
2. 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.
3. Parth company desires to redeem its 12% 20,000 Preference shares of Rs.100 each paid up Rs. 70 per share at 25% premium. In the books of company there was of security premium Rs.1,00,000 and P & L A/c (Cr) Rs.4,80,000. Company issued minimum equity share of Rs.10 each at 20% premium. Write journal entry of issuing equity share in the books of the company. (April-19)
4. Surya Limited wants to redeem its 6,000 Redeemable Preference Shares of Rs. 100 each, Rs. 90 paid up at a premium of 10%, There are following balances in the books:

(a) Share Premium A/C Rs. 10,000

(b) P & L Account (Cr.) Rs. 1,00,000

How many shares of Rs. 100 each would be required to be issued at a premium of 10% by the company, so that the above mentioned pref. shares can be redeemed?  
Write Journal entries.

5. Malay company desires to redeem its 15% 20,000 Preference shares of Rs.100 each paid up Rs. 70 per share at 25% premium. In the books of company there was of security premium Rs.1,00,000 and General Reserve Rs.4,80,000. Company issued minimum equity share of Rs.10 each at 20% premium. Write journal entry of issuing equity share in the books of the company.
6. Calculate the amount transferred to Capital Redemption Reserve Account in each of the following cases.

Redeemable Preference Shares	Fresh issue of Shares	Transferred to CRR
Rs.2,00,000 to be redeemed at par	Rs.1,50,000 at par	Rs.50,000
Rs.2,00,000 to be redeemed at 2.5% premium	Rs.1,00,000 at a premium of 10%	Rs.1,00,000
Rs.3,00,000 to be redeemed at par	Rs.3,00,000 at par	-----
Rs.4,00,000 to be redeemed at 5% premium	Rs.2,00,000 at a premium of 10%	Rs.2,00,000

Q.2 Solve the following:

Q.1 The balance sheet of Alisha Ltd. as at 31-03-2025 was as follows:

Particulars	Amount
<b>I. Equity and Liabilities</b>	
1. Share Holders' Fund	
a. Share Capital	
9000 Equity Shares of Rs.50 each fully paid	4,50,000
8% Preference shares of Rs.100 each fully paid	1,30,000
b. Reserve & Surplus	
Profit & Loss A/c	96,000
2. Current Liabilities	
a. Trade payable- Creditors	1,13,000
Total	7,89,000
<b>II. Assets</b>	
1. Non-Current Assets	
a. Fixed Assets- Furniture	1,00,000
b. Non-current Investments	37,000
2. Current Assets	
a. Inventories- Stock	4,90,000
b. Trade Receivables- Debtors	1,00,000
c. Cash & Cash equivalents- Bank	62,000
Total	7,89,000

The preference shares were due for redemption on 1-04-2025 at a premium of 10%. In order to facilitate the redemption of preference shares, the company decided:

- To sell investments for Rs.32,000
- To finance the part of the redemption from company's funds, subject to leaving a balance of Rs.24,000 in the profit & loss account, and
- To issue sufficient number of equity shares of Rs.50 each to raise the balance of funds required.

Pass journal entries to record above transactions and prepare balance-sheet.

Q.2 Harsidhdhi Ltd. wants to redeem its 2,00,000, 15% Redeemable preference shares of Rs.10 each at 10% premium. Balance of certain accounts before redemption is as below:

Particulars	Amount
Bank Balance	40,000
Profit & Loss Account	12,00,000
General Reserve	18,00,000
Investments	80,000

Harsidhdhi Ltd. sold investments by charging 33 1/3% profit on sales value of the investment.

Company will keep closing bank balance Rs.2,40,000. After the Redemption of preference shares,

Company will issue required number of equity shares of Rs.10 each at Rs.15 to the public. Company receives all the money on the shares issued. Pass journal entries to record above transactions.

Q.3 Following is the balance sheet of Vikarm Ltd. as on 31-03-2025

Particulars	Amount
<b>I. Equity and Liabilities</b>	
1. Share Holders' Fund	
a. Share Capital	
10% Redeemable Preference Shares of Rs.100 each, Rs.75 paid up	3,00,000/75=4000
Equity shares of Rs.100 each fully paid	8,00,000
b. Reserve & Surplus	
Security Premium A/c	60,000
Profit & Loss A/c	96,000
Reserve fund	64,000
Employees profit sharing Fund (Not used)	40,000
Dividend Equalization Fund	48,000
2. Current Liabilities	
a. Trade payable- Creditors	72,000
Total	14,80,000
<b>II. Assets</b>	
1. Non-Current Assets	
a. Fixed Assets	7,20,000
b. Non-current Investments	3,20,000
2. Current Assets	
a. Cash & Cash equivalents- Bank	2,40,000
b. Other Current Assets	2,00,000
Total	14,80,000

The company decided to redeem 10% redeemable preference shares at 10% premium after complying with the provision laid down under Companies Act,2013. For the purpose, necessary minimum numbers of equity shares are issued.

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

Write journal entries and prepare new balance sheet in the books of company.

Q.4 Following is the balance sheet of Chetna Ltd. as on 31-03-2025

Particulars	Amount
<b>I. Equity and Liabilities</b>	
1. Share Holders' Fund	
a. Share Capital	
15% Redeemable Preference Shares of Rs.100 each, Rs.60 paid up	1,20,000
Equity shares of Rs.10 each fully paid	6,00,000
b. Reserve & Surplus: General Reserve	1,20,000



to call in arrears shares. Afterwards the company decided to utilise the capital redemption reserve for issuing fully paid up bonus share to equity share holder. Write Journal entries.

6. Following is the balance sheet of Anokhi Ltd. as on 31-03-2025:

Particulars	Amount
<b>I. Equity and Liabilities</b>	
1. Share Holders' Fund	
a. Share Capital	
5000 Preference Shares of Rs.100 each fully paid-	5,00,000
Less: Final call of Rs.20 per share unpaid - 4000 (200 shares)	4,96,000
60,000 Equity shares of Rs.10 each fully paid	6,00,000
b. Reserve & Surplus	
Profit & Loss A/c	3,00,000
Security Premium	30,000
2. Current Liabilities	
a. Trade payable- Creditors	54,000
Total	14,80,000
<b>II. Assets</b>	
1. Non-Current Assets	
a. Fixed Assets	12,00,000
b. Non-current Investments	1,00,000
2. Current Assets	
a. Cash & Cash equivalents- Bank	1,80,000
Total	14,80,000

On 1-04-2025, the company decided to redeem preference shares at 10% and to sell investments at its market price of Rs.80,000. They also decided to issue sufficient number of equity shares of Rs.10 at a premium of Rs.1 per share required after utilising the profit and loss account after leaving balance of Rs.1,00,000. Repayments on redemption were made in full except to one shareholder holding 100 shares.

Pass journal entries to record above transactions and prepare balance-sheet as per Schedule III of Companies Act,2013.