

REDEMPTION OF PREFERENCE SHARES

2)

1) **Cash Profit**

Profit as given (15000-10000)	5000
Add: Non-cash expenses	
Depcn.	20000
Misc. expenditure written off	<u>20000</u>
	<u>45000</u>

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1) **Preference share redemption due:**

Preference share capital a/c	...	Dr.	100000	
Prem. On redemption of Preference share			10000	
	To Preference share holder			110000
2) Bank a/c		Dr.	45000	
P&L A/c	...	Dr.	5000	
	To Investment a/c			50000
3) Preference share holder a/c.		Dr.	110000	
	To Bank			110000
4) Share Premium a/c	...	Dr.	10000	
	To Prem on redemption of	Preference shares		10000
5) General Reserve A/c		Dr.	100000	
	To CRR			100000
6) CRR A/c			100000	
	To Bonus to share holder			100000
7) Bonus to Equity share holder	...	Dr.	100000	
	To Equity share capital			100000

BALANCE SHEET

Equity share capital	200000	<u>Fixed Assets:</u>	
		Gross Block	300000
		Acc Dep.	120000
			180000
<u>Reserves & Surplus:</u>		Investments	50000
Gen. Reserve	20000	<u>Current Assets:</u>	
Sec. Premium	60000	Stock	25000
P & L Account	18500	Debtors	25000
		Bank	30000
Current liabilities	11500		
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	<u>310000</u>		<u>310000</u>

6).

Interest on calls in advance	Dr.	6,000	
To Bank			6,000
Bank	Dr.	1,200	
To Interest on calls in arrear			1,200
P&L Account	Dr.	6,000	
To Interest on calls in advance			6,000
Interest on calls in arrear	Dr.	1,200	
To P&L Account			1,200
P&L Account	Dr.	70,000	
To Proposed Dividend			70,000
(On calls in arrear dividend is given as interest has been charged on them)			
Proposed Dividend	Dr.	70,000	
To Bank			70,000
Calls in advance	Dr.	1,20,000	
To Bank			1,20,000
Bank	Dr.	20,000	
To Calls in arrear			20,000
ES Call	Dr.	1,50,000	
To ES Capital			1,50,000
General Reserve	Dr.	1,50,000	
To ES Call			1,50,000
PS Capital	Dr.	2,00,000	
POROPS	Dr.	20,000	
To PS Holders			2,20,000
PS Holders	Dr.	2,20,000	
To Bank			2,20,000
Bank	Dr.	2,20,000	
To 10% Debentures			2,20,000
General Reserve	Dr.	20,000	
To POROPS			20,000
General Reserve	Dr.	1,30,000	
P&L Account	Dr.	70,000	
To CRR			2,00,000

P&L Account and Balance sheet can be redrafted thereafter.