

MEPL CLASSES

COPORATE ACCOUNTING - BUYBACK OF SHARES AND RIGHT ISSUE OF SHARES

Each question carries 7 marks

TIME ALLOWED – 30 min

Total Marks - 28

Question 1) The paid-up equity share capital of LMN Ltd. is ₹40,00,000 and free reserves are ₹20,00,000

The company proposes to buy back equity shares at ₹25 per share (face value ₹10).

You are required to:

1. Calculate the maximum number of equity shares that can be bought back
2. Pass the journal entries assuming buy-back is made out of free reserves
3. Calculate the amount to be transferred to Capital Redemption Reserve

Question 2) XYZ Ltd. has the following balance as on 31st March 2025:

Equity Share Capital: 2,00,000 equity shares of ₹10 each, fully paid

General Reserve: ₹8,00,000

Securities Premium: ₹3,00,000

The company decides to buy back 20,000 equity shares at ₹14 per share, out of free reserves.

You are required to:

1. Calculate the amount of buy-back
2. Calculate the amount to be transferred to Capital Redemption Reserve
3. Pass the necessary journal entries

Question 3) ABC Ltd. has 1,00,000 equity shares of ₹10 each fully paid.

The company makes a right issue of 1 share for every 4 shares held at a price of ₹15 per share.

You are required to:

1. Calculate the number of shares issued under right issue
2. Calculate the amount received on right issue
3. Pass the necessary journal entries

LMN Ltd. has 3,00,000 equity shares of ₹10 each fully paid.

Question 4) The company issues 1 right share for every 3 shares held at ₹14 per share.

The company decides to utilise the securities premium received on right issue for writing off preliminary expenses.

You are required to:

1. Calculate number of right shares issued
2. Calculate amount transferred to Securities Premium Account
3. Pass the necessary journal entries

