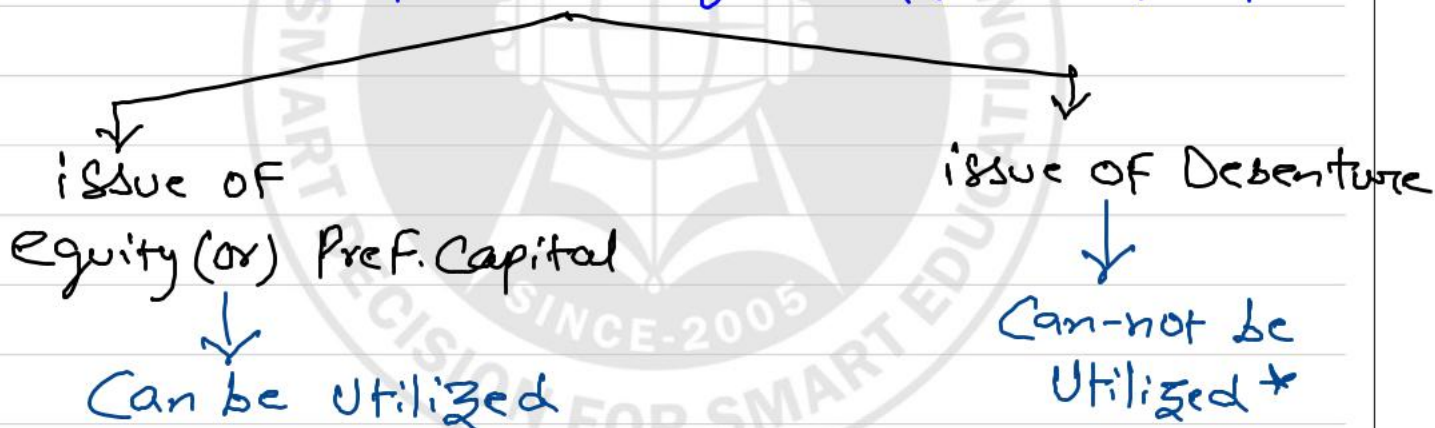


Buy Back - Summary

1) Source of Buy Back of Equity & Redemption of Pref. Shares :-

- Free Reserves (GR & P&L)
- Security Premium
- Fresh issue Proceeds of any Securities

2) Securities Premium generated out of :-



3) Important Working For Buy Back :-

Total no. of Shares of — xxx
No. of Buy Back Shares @ 1% —→ xxx
Buy Back price = X
Per share 40 10/-

Total Amt. of Buy Back — xxx

Face Value OF BB 2nd law.

1st
Out of 1/-
Free issue
proceeds

1/- **2nd**
Remaining
Bal. out
OF Free
Reserves & SP

Create **CRR**
Equal to this
amt out of :-

- GR (1st Priority)
- P&L (2nd)
- SP (3rd)

Premium on BB

W/OFF Out
OF :-

- a) SP (1st priority)
- b) GR (2nd)
- c) P&L (3rd)

4) Journal Entries

On Announcement of Buyback	Equity Share Capital A/c 10 Dr. (Face Value) Premium Payable on Buy-Back A/c Dr. 30 10 To Equity Shares Buy-back A/c (Buyback Value)
On Payment to Shareholders	Equity Shares Buy-back A/c Dr. 40 To Bank A/c 40
Writing off Premium on Buy-back	Security Premium A/c Dr. (1 st Priority) Revenue Reserves Dr. (Gen. Reserve and P&L) To Premium Payable on Buyback a/c
Transfer to CRR (Equal to Nominal Value)	Revenue Reserve Dr. (Gen. Reserve and P&L A/c) Security Premium A/c Dr. To Capital Redemption Reserve
On Fresh issue of other securities such as Pref. Shares	Bank A/c Dr. To Pref. Share Capital A/c FV To Security Premium A/c
On sale of Investment for the purpose of Buy-back	Bank A/c Dr. To Investment A/c (Gain or Loss on sale transfer to P&L A/c)
On Issue of Bonus Shares out of CRR and Other Free Res.	Capital Redemption Reserve Dr. (1 st Priority if available) Revenue Reserves Dr. (Gen. Res and P&L) & SP To Bonus Shares A/c Bonus Shares A/c Dr. FV To Equity Share Capital A/c

5) Other Important Points :-

(i) Sale of any Asset or Investment for BB means Using Free Reserves & SP Balance. Hence CRR to be Created.

(ii) Gain on Sale of any Asset transfer to P&L.

(iii) Utilization of CRR

To issue
Bonus shares

↓
allowed

Not allowed
to pay Dividend
(or) to w/off
any Premium Paid

(iv) Buy Back Exp. Such as Legal Charges, Fees shall always be transfer to P&L a/c (or) General Reserves.

(v) These are not Free Reserves :-

Capital Reserves, Revaluation Reserves, DRR CRR & any other Statutory Reserve & Can never be utilized to w/off premium (or) to create CRR.

1) Bonus issue after Buy Back :-

👉 Bonus shall be issued at Face Value always

👉 Bonus shall be issued by Using Following Reserves :-

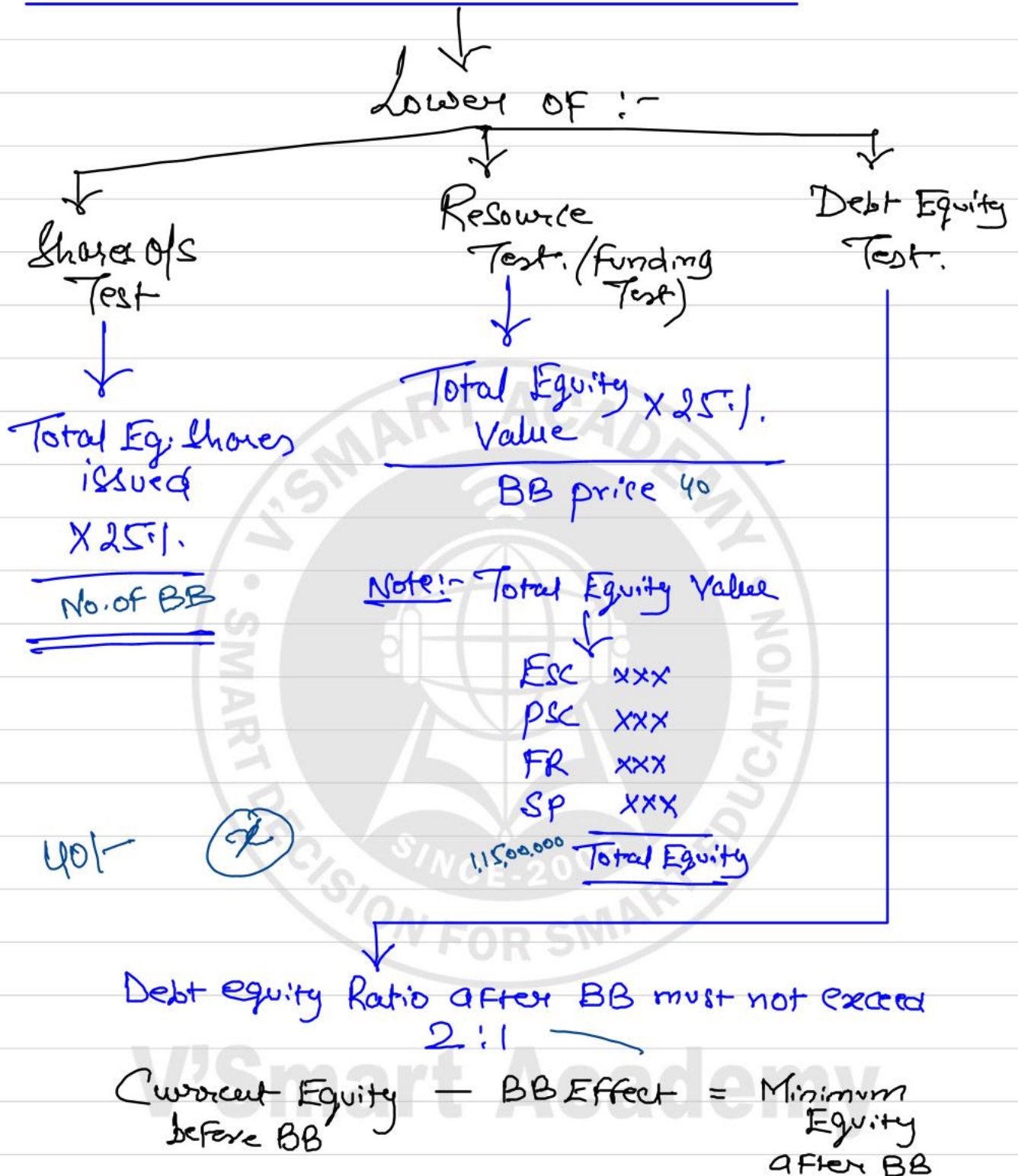
CRR available (1st priority)
Sec. Premium (2nd)
GR (3rd)
P&L a/c (4th)

👉 Final Equity Capital after Buy Back & Bonus :-

Original Equity (as per B/s given) -	xxx
(-) Face Value of BB	(xx)
(+) Face Value of Bonus	xx

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6) Maximum Permissible Buy Back :-



a) Current Equity before BB $\Rightarrow$ Total paid up Capital (Esc + Psc)
(+) FR (+) SP

b) Minimum Equity after BB $\Rightarrow \frac{\text{Debt}}{2}$

Debt = LT Borrowings (+) Short Term Borrowings
(including Current maturity of LT loans)

Creditors / provisions / any other liabilities are not Debt.

c) Buy Back Effect :-

Reduction in FV of Share Capital ——— xx

(+) W/OFF of Premium on BB ——— xx
out of FR/SP

(+) Creation of CRAR out of ——— xx
FR/SP

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