

## BONUS & RIGHT ISSUE

### Solution 1

#### Journal Entries in the books of Saral Ltd.

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
-	Capital Redemption Reserve A/c Dr.		70,000	
	Securities Premium A/c Dr.		40,000	
	General Reserve A/c (B.f.) Dr.		40,000	
	To Bonus to Shareholders A/c			1,50,000
	(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)			
-	Bonus to Shareholders A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being capitalization of Profit)			

**Working Note-** Number of bonus shares to be issued-  $4500/3 \times 1 = 1500$  shares

### Solution 2

#### Journal Entries in the books of Satish Ltd.

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
-	Capital Redemption Reserve A/c Dr.		60,000	
	Securities Premium A/c Dr.		80,000	
	Capital Reserve A/c Dr.		80,000	
	General Reserve A/c Dr.		80,000	
	To Bonus to Shareholders A/c			3,00,000
	(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)			
-	Bonus to Shareholders A/c Dr.		3,00,000	
	To Equity Share Capital A/c			3,00,000
	(Being capitalization of Profit)			

**Note:** Instead of general reserve, Profit and Loss Account may also be used.

### Solution 3

#### Prem Ltd. Journal Entries

Date	Particulars	Dr.	Cr.	
April 1	Capital Redemption Reserve A/c Dr.	1,20,000		
	Securities Premium A/c Dr.	75,000		
	General Reserve A/c Dr.	3,60,000		
	Profit and Loss A/c (b.f.) Dr.	5,25,000		
	To Bonus to Equity Shareholders A/c		10,80,000	
	(Bonus issue @ two shares for every five shares held by utilizing various reserves as per Board's Resolution dated...)			
	Bonus to Shareholders A/c Dr.	10,80,000		
	To Equity Share Capital A/c		10,80,000	
	(Issue of bonus shares)			

#### Balance Sheet (Extract) as on 1<sup>st</sup> April, 2023 (after bonus issue)

Particulars	Note No.	Amount
<b>Equity and Liabilities</b>		
1 Shareholders' funds		
a Share capital	1	40,20,000
b Reserves and surplus	2	75,000

## Notes to Accounts

1	Share Capital	₹
	Authorized share capital:	
	3,78,000* Equity shares of ₹10 each	37,80,000*
	25,000 10% Preference shares of ₹10 each	2,50,000
		<b>40,30,000</b>
	Issued, subscribed and fully paid share capital:	
	3,78,000 Equity shares of ₹10 each, fully paid (Out of above, 1,08,000 equity shares @ ₹10 each were issued by way of bonus)	37,80,000
	24,000 10% Preference shares of ₹10 each	2,40,000
		<b>40,20,000</b>
2	<b>Reserves and Surplus</b>	
	Capital Redemption Reserve 1,20,000	
	Less: Utilized (1,20,000)	Nil
	Securities Premium 75,000	
	Less: Utilized for bonus issue (75,000)	Nil
	General reserve 3,60,000	
	Less: Utilized for bonus issue (3,60,000)	Nil
	Profit & Loss Account 6,00,000	
	Less: Utilized for bonus issue (5,25,000)	<b>75,000</b>

**Note:** \*Authorized capital has been increased by the minimum required amount i.e. ₹ 7,80,000 (37,80,000 – 30,00,000) in the above solution.

## Solution 4

## Journal Entries in the books of Preet Ltd.

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
1/4/23	Equity share Final call A/c Dr.		2,70,000	
	To Equity share capital A/c			2,70,000
	(Being final call due)			
20/4/23	Bank A/c Dr.		2,70,000	
-	To Equity share Final call A/c			2,70,000
	(Being final call received)			
	Securities Premium A/c Dr.		37,500	
	Capital Redemption Reserve A/c Dr.		60,000	
	General Reserve A/c Dr.		1,80,000	
	Profit & Loss A/c (Bal.Fig.) Dr.		60,000	
	To Bonus to Shareholders A/c			3,37,500
	(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)			
	Bonus to Shareholders A/c Dr.		3,37,500	
	To Equity Share Capital A/c			3,37,500
	(Being capitalization of Profit)			

## Extract of Balance Sheet as at 30th April, 2023 (after bonus issue)

	Note	Amount
A. Equity and Liabilities		
1. Shareholders' Fund		
Share Capital	1	18,07,500
Reserves & Surplus	2	2,40,000

## Notes to Accounts

		Amount
1.	Share Capital	
	Authorised Capital	
	15,000 12% Preference shares of ₹10 each	1,50,000
	1,68,750 Equity shares of ₹10 each, fully paid	<u>16,87,500</u>
	Issued & Subscribed Capital	
	12,000 12% Preference shares of ₹10 each, fully paid	1,20,000
	1,68,750 Equity shares of ₹10 each, fully paid	<u>16,87,500</u>
	(Out of above, 33,750 equity shares were issued by way of bonus)	
	Total	<u>18,07,500</u>
2.	Reserves and Surplus	
	Profit and Loss Account	<u>2,40,000</u>
	Total	<u>2,40,000</u>

## Working Note:

- Number of Bonus shares to be issued-  $(1,35,000 \text{ shares} / 4) \times 1 = 33,750 \text{ shares}$
- The Authorised Capital should be increased as per details given below:

Existing Issued Equity share Capital	13,50,000
Add: Issue of Bonus shares to the existing shareholders	3,37,500
	<b>16,87,500</b>

## Solution 5

## Journal Entries in the books of Manoj Ltd.

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
1/4/23	Equity share Final call A/c Dr.		5,40,000	
	To Equity share capital A/c			5,40,000
	(Being final call due)			
20/4/23	Bank A/c Dr.		5,40,000	
	To Equity share Final call A/c			5,40,000
	(Being final call received)			
	Securities Premium A/c Dr.		75,000	
	Capital Redemption Reserve A/c Dr.		1,20,000	
	General Reserve A/c Dr.		3,60,000	
	Profit & Loss A/c (B.f.) Dr.		1,20,000	
	To Bonus to Shareholders A/c			6,75,000
	(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)			
	Bonus to Shareholders A/c Dr.		6,75,000	
	To Equity Share Capital A/c			6,75,000
	(Being capitalization of Profit)			

## Extract of Balance Sheet as at 30th April, 2023 (after bonus issue)

	Note	Amount
A. Equity and Liabilities		
1. Shareholders' Fund		
Share Capital	1	36,15,000
Reserves & Surplus	2	4,80,000

## Notes to Accounts

		Amount
1.	Share Capital	
	Authorised Capital	

	30,000 12% Preference shares of ₹10 each 3,37,500 Equity shares of ₹10 each, fully paid	3,00,000 <u>33,75,000</u>
	Issued & Subscribed Capital 24,000 12% Preference shares of ₹10 each, fully paid 3,37,500 Equity shares of ₹10 each, fully paid (Out of above, 67,500 equity shares were issued by way of bonus)	2,40,000 <u>33,75,000</u>
	Total	<u>36,15,000</u>
2.	Reserves and Surplus Profit and Loss Account	<u>4,80,000</u>
	Total	<u>4,80,000</u>

**Working Note:**

- Number of Bonus shares to be issued-  $(2,70,000 \text{ shares} / 4) \times 1 = 67,500 \text{ shares}$
- The Authorised Capital should be increased as per details given below:

Existing Issued Equity share Capital	27,00,000
Add: Issue of Bonus shares to the existing shareholders	6,75,000
	<u>33,75,000</u>

**Solution 6****Journal Entries in the books of Xeta Ltd.**

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
1/4/23	Equity share Final call A/c Dr.		5,40,000	
	To Equity share capital A/c			5,40,000
	(Being final call due)			
30/4/23	Bank A/c Dr.		5,40,000	
	To Equity share Final call A/c			5,40,000
	(Being final call received)			
	Securities Premium A/c Dr.		1,00,000	
	General Reserve A/c Dr.		3,60,000	
	Profit & Loss A/c		2,15,000	
	To Bonus to Shareholders A/c			6,75,000
	(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)			
-	Bonus to Shareholders A/c Dr.		6,75,000	
	To Equity Share Capital A/c			6,75,000
	(Being capitalization of Profit)			

**Extract of Balance Sheet as at 30th April, 2023 (after bonus issue)**

	Note	Amount
A. Equity and Liabilities		
1. Shareholders' Fund		
Share Capital	1	36,15,000
Reserves & Surplus	2	3,85,000

**Notes to Accounts**

	Amount
1. Share Capital	
Authorised Capital	
50,000 12% Preference shares of ₹10 each	5,00,000
4,00,000 Equity shares of ₹10 each, fully paid	<u>40,00,000</u>

	Issued & Subscribed Capital 24,000 12% Preference shares of ₹10 each, fully paid 3,37,500 Equity shares of ₹10 each, fully paid (Out of above, 67,500 equity shares were issued by way of bonus) Total	2,40,000 <u>33,75,000</u> 36,15,000
2.	Reserves and Surplus Profit and Loss Account	3,85,000

**Assumptions:**

- 1) It is assumed that securities premium is collected in cash as the same can only be utilized for the purpose of issue of bonus shares.

**Solution 7****Journal Entries in the books of Arya Ltd.**

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
1/4/23	Equity share Final call A/c Dr.		2,00,000	
	To Equity share capital A/c			2,00,000
	(Being final call due)			
15/4/23	Bank A/c Dr.		2,00,000	
	To Equity share Final call A/c			2,00,000
	(Being final call received)			
	Securities Premium A/c Dr.		25,000	
	General Reserve A/c Dr.		1,75,000	
	To Bonus to Shareholders A/c			2,00,000
	(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)			
	Bonus to Shareholders A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
(Being capitalization of Profit)				

**Note:** Profit and Loss Account balance may also be utilized along with General Reserve for the purpose of issue of Bonus shares.

**Solution 8****Journal Entries in the books of Star Ltd.**

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
1/4/23	Equity share Final call A/c Dr.		1,60,000	
	To Equity share capital A/c			1,60,000
	(Being final call due)			
April 23	Bank A/c Dr.		1,60,000	
	To Equity share Final call A/c			1,640,000
	(Being final call received)			
1/6/23	Capital Redemption Reserve A/c Dr.		75,000	
	Capital Reserve A/c Dr.		45,000*	
	Securities Premium A/c Dr.		60,000	
	General Reserve A/c (b.f.) Dr.		1,40,000**	
	To Bonus to Shareholders A/c			3,20,000
(Being issue of bonus shares by utilization of various Reserves, as per resolution dated ...)				
-	Bonus to Shareholders A/c Dr.		3,20,000	
	To Equity Share Capital A/c			3,20,000
	(Being capitalization of Profit)			

\* considering it as free reserve as it has been realized

\*\* Alternatively, different combination of profit and loss balance and general reserve may also be used.

## Solution 9

## Journal Entries

S.No.	Particulars	L.F.	Dr. Amount	Cr. Amount
(i)	Equity share Final call A/c Dr.		1,25,000	
	To Equity share capital A/c			1,25,000
	(Being final call due)			
	General Reserve A/c Dr.		1,25,000	
	To Bonus to Shareholders A/c			1,25,000
	(Being issue of bonus shares by utilization of Reserves, as per resolution dated ...)			
	Bonus to Shareholders A/c Dr.		1,25,000	
	To Equity Share Final Call A/c			1,25,000
(Being capitalization of Profit)				
(ii)	General Reserve A/c Dr.		5,00,000	
	To Bonus to Shareholders A/c			5,00,000
	(Being issue of bonus shares by utilization of Reserves, as per resolution dated ...)			
	Bonus to Shareholders A/c Dr.		5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Being capitalization of Profit)			

## Solution 10

## Journal Entries in the Books of Storek Limited

Sr.No.	Particulars	Debit ₹	Credit ₹
(i) (a)	General Reserve A/c Dr.	4,00,000	
	To Bonus to Equity Shareholders A/c		4,00,000
	(Being transfer of ₹ 4,00,000 from General Reserve to make the partly paid-up shares fully paid up) (1,00,000 x 4)		
(b)	Equity Share Final Call A/c Dr.	4,00,000	
	To Equity Share Capital A/c		4,00,000
	(Being final call due on 1,00,000 shares @ ₹ 4 per share)		
(c)	Bonus to Equity Shareholders A/c Dr.	4,00,000	
	To Equity Share Final Call A/c		4,00,000
	(Being Bonus money applied for final call)		
(ii) (a)	Capital Redemption Reserve A/c Dr.	80,000	
	Security Premium A/c (₹ 2,20,000 – ₹ 75,000) Dr.	1,45,000	
	General Reserve A/c Dr.	7,75,000	
	To Bonus to Equity Shareholder A/c		10,00,000
	(Being bonus issue) (4,00,000 / 6,00,000 x 15,00,000)		
(b)	Bonus to Equity Shareholder A/c Dr.	10,00,000	
	To Equity Share Capital A/c		10,00,000
	(Being Bonus Shares issued to fully paid-up shareholders)		

**Working Note:**

Value of fully paid-up shares to partly paid-up shares = 15,00,000: 6,00,000 or 5:2.

Therefore, Bonus to be issued to fully paid up if ₹ 4,00,000 bonus issued to partly paid up will be = ₹ 4,00,000 x 5 / 2 = ₹ 10,00,000.

**Note:**

- Securities premium account and capital redemption reserve account may only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares. In other words, securities premium account and capital redemption reserve cannot be applied towards payment of unpaid amount on any shares held by existing shareholders.

2. Question is silent on Capital Reserve whether realized in cash or not. Hence it is assumed that not realized in cash and therefore not available for free reserves in the above solution. If Capital Reserve is assumed to be realized in cash, then entry number (ii) (a) may be given as below:

Capital Redemption Reserve A/c	Dr.	80,000	
Capital Reserve A/c	Dr.	1,00,000	
Security Premium A/c (₹ 2,20,000 – ₹ 75,000)	Dr.	1,45,000	
General Reserve A/c	Dr.	6,75,000	
To Bonus to Equity Shareholder A/c			10,00,000
(Being bonus issue) $(4,00,000/6,00,000 \times 15,00,000)$			

### Solution 11

**a) Number of Bonus shares to be issued:**

Existing paid up Capital = 60,000 Shares

Number of Bonus Shares =  $(60,000 \times 1) \div 5 = 12,000$  Shares (i.e. for ₹ 1,20,000)

**b) Bonus out of General Reserve:**

It is a usual practice to utilize specific reserve (available for specific purpose). Therefore, if CRR and Securities Premium are available, then company should utilize these reserves in priority over other free reserves. It is clear that company should not use General Reserve, in the given example, as Capital Redemption Reserve and Securities Premium are sufficiently available.

**c) Journal Entries in the Books of Mobile Ltd.**

Particulars		Dr. (₹)	Cr. (₹)
Capital Redemption Reserve A/c	Dr.	80,000	
₹ Securities Premium A/c	Dr.	40,000	
To Bonus to Shareholders A/c			1,20,000
(Being issue of 1 Share for every 5 Shares held, by utilizing various reserves as per Board's Resolution dated .....			
Bonus to Shareholders A/c	Dr.	1,20,000	
To Equity Share Capital A/c			1,20,000
(Capitalization of profits)			

### Extracts of the Balance-Sheet after Bonus issue

	Particulars	Note No.	Amount (₹)
1.	EQUITY AND LIABILITIES		
	Shareholder's funds		
	(a) Share Capital	1	7,20,000
	(b) Reserves and Surplus	2	2,05,000

### Notes to Accounts

<b>1. Share capital</b>		
Authorised Capital		
1,00,000 Equity Shares @ ₹ 10 each		10,00,000
Issued, Called up & Paid up Capital		
72,000 Equity Shares @ ₹ 10 each		7,20,000
(Out of above, 12,000 shares have been issued as bonus shares).		
<b>2. Reserve and Surplus</b>		
Plant Revaluation Reserve	25,000	
Securities Premium A/c	20,000	
General Reserve	1,60,000	2,05,000

**d) Fully Paid up bonus shares only:**

As per section 63 of the Companies Act, 2013, only fully paid up bonus shares can be issued. Therefore, it is not possible for the company to issue partly paid-up bonus shares.

**Solution 12**

$$\begin{aligned} \text{Ex-right value of the shares} &= \frac{(\text{Cum-right value of the existing shares} + \text{Rights shares} \times \text{Issue Price})}{(\text{Existing Number of shares} + \text{Rights Number of shares})} \\ &= (\text{₹ } 240 \times 2 \text{ Shares} + \text{₹ } 120 \times 1 \text{ Share}) / (2 + 1) \text{ Shares} \\ &= \text{₹ } 600 / 3 \text{ shares} = \text{₹ } 200 \text{ per share.} \end{aligned}$$

$$\begin{aligned} \text{Value of right} &= \text{Cum-right value of the share} - \text{Ex-right value of the share} \\ &= \text{₹ } 240 - \text{₹ } 200 = \text{₹ } 40 \text{ per share.} \end{aligned}$$

Hence, any one desirous of having a confirmed allotment of one share from the company at ₹ 120 will have to pay ₹ 80 (2 shares x ₹ 40) to an existing shareholder holding 2 shares and willing to renounce his right of buying one share in favour of that person.

**Solution 13**

$$\begin{aligned} \text{Ex-right value of the shares} &= \frac{(\text{Cum-right value of the existing shares} + \text{Rights shares} \times \text{Issue Price})}{(\text{Existing Number of shares} + \text{Rights Number of shares})} \\ &= (\text{₹ } 200 \times 5 \text{ Shares} + \text{₹ } 125 \times 1 \text{ Share}) / (5 + 1) \text{ Shares} \\ &= \text{₹ } 1,125 / 6 \text{ shares} \\ &= \text{₹ } 187.50 \text{ per share.} \end{aligned}$$

$$\begin{aligned} \text{Value of right} &= \text{Cum-right value of the share} - \text{Ex-right value of the share} \\ &= \text{₹ } 200 - \text{₹ } 187.50 = \text{₹ } 12.50 \text{ per share.} \end{aligned}$$

**Solution 14**

$$\begin{aligned} \text{Ex-right value of the shares} &= \frac{(\text{Cum-right value of the existing shares} + \text{Rights shares} \times \text{Issue Price})}{(\text{Existing Number of shares} + \text{Rights Number of shares})} \\ &= (\text{₹ } 190 \times 4 \text{ Shares} + \text{₹ } 120 \times 1 \text{ Share}) / (4 + 1) \text{ Shares} \\ &= \text{₹ } 880 / 5 \text{ shares} \\ &= \text{₹ } 176 \text{ per share.} \end{aligned}$$

$$\begin{aligned} \text{Value of right} &= \text{Cum-right value of the share} - \text{Ex-right value of the share} \\ &= \text{₹ } 190 - \text{₹ } 176 = \text{₹ } 14 \text{ per share.} \end{aligned}$$

**Solution 15**

$$\begin{aligned} \text{Ex-right value of the shares} &= \frac{(\text{Cum-right value of the existing shares} + \text{Rights shares} \times \text{Issue Price})}{(\text{Existing Number of shares} + \text{Rights Number of shares})} \\ &= (\text{₹ } 46 \times 10 \text{ Shares} + \text{₹ } 31 \times 1 \text{ Share}) / (10 + 1) \text{ Shares} \\ &= \text{₹ } 44.6 \text{ per share.} \end{aligned}$$

$$\begin{aligned} \text{Value of right} &= \text{Cum-right value of the share} - \text{Ex-right value of the share} \\ &= \text{₹ } 46 - \text{₹ } 44.6 = \text{₹ } 1.4 \text{ per share.} \end{aligned}$$

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
-	Bank A/c Dr.		3,10,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium A/c			2,10,000
	(Being 10,000 right shares issued @31)			

**Solution 16**

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
-	Bank A/c Dr.		62,500	
	To Equity Share Capital A/c			62,500
	(For rights share issued at par value in the			

	ratio of 1:4 equity shares due as per Board's Resolution dated....)			
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**Working Note:**

Number of Rights shares to be issued-  $25,000/4 \times 1 = 6,250$  shares

**Solution 17**

- a) (i) Ex-right value of the shares = (Cum-right value of the existing shares + Rights shares X Issue Price) / (Existing Number of shares + No. of right shares)  
 =  $(₹ 140 \times 4 \text{ Shares} + ₹ 120 \times 1 \text{ Share}) / (1 + 4) \text{ Shares}$   
 =  $₹ 680 / 5 \text{ shares} = ₹ 136 \text{ per share.}$
- (ii) Value of right = Cum-right value of the share – Ex-right value of the share  
 =  $₹ 140 - ₹ 136 = ₹ 4 \text{ per share.}$
- (b) The entry at the time of subscription of right shares by the existing shareholders will be:

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
-	Bank A/c                      Dr.		5,00,000	
	To Equity Share Capital A/c			2,00,000
	To Securities Premium A/c			3,00,000
	(Being issue of 20,000 right shares @ ₹ 25 offered)			

**Solution 18****Journal Entries in the Books of Sujata Foods Ltd.**

2023			Dr. (₹)	Cr. (₹)
April 1	Equity Share Final Call A/c	Dr.	1,80,000	
	To Equity Share Capital A/c			1,80,000
	(Final call of ₹ 2 per share on 90,000 equity shares made due)			
April 15	Bank A/c	Dr.	1,80,000	
	To Equity Share Final Call A/c			1,80,000
	(Final call money on equity shares received)			
	Capital Redemption Reserve A/c	Dr.	75,000	
	Securities Premium A/c	Dr.	25,000	
	General Reserve A/c	Dr.	1,20,000	
	Profit and Loss A/c	Dr.	5,000	
	To Bonus to Shareholders A/c			2,25,000
	(Bonus issue of one share for every 4 held, by utilising various reserves as per Board's resolution)			
	Bonus to Shareholders A/c	Dr.	2,25,000	
	To Equity Share Capital A/c			2,25,000
	(Capitalization of profit)			
June 20	Bank A/c	Dr.	5,40,000	
	To Securities Premium A/c			90,000
	To Equity Share Capital A/c			4,50,000
	(Being Right issue of 2 shares for every 5 shares held as per board resolution dated.....)			