STUDENT NOTES

DIVIDEND DISTRIBUTION

Question 1

Particulars	₹ (in lakh)		
	2015-2016	2016-2017	2017-2018
1. Profit (Loss) before charging Depreciation	-5	6	16 ✓
2. Depreciation Chargeable u/s 123 (2)	3	7 = 1	6
3. Profit (Loss) after charging depreciation	-8	-1	10

Required: Calculate the Divisible Profits for the year 2017-2018.

CY Profit = 16
Depn
17-18 = 6
15-16 = 3
16-17 = 1
Losses
15-16 = 5
Divisible pft = 1

Question 2 → Homework

Bharat Ltd. provides you the following information:

Year	Rate of dividend declared	Paid up capital
2012-2013	0.09	₹ 1,00,000
2013-2014	0.08	₹ 1,00,000
2014-2015	0.1	₹ 1,00,000
2015-2016	0.08	₹ 1,00,000
2016-2017	0.06	₹ 1,00,000

Reserves as on 1.4.2017 ₹ 50,000

Loss after charging depreciation for the year 2017-2018 ₹ 6,000 Depreciation for year 2017-2018 ₹ 6,000

Required: X Ltd. desires to declare dividend @ 8.5% for the loss year 2017-2018. Can it do so. State giving reason.

Question 3 → Homework

Due to inadequacy of profits during the year ended 31st March, 2018, PQR Ltd. proposes to declare 8.5% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilized from general reserves for this purpose, according to the Companies (Declaration of Dividend out of Reserves) Rules, 2014.

8% Preference shares of ₹ 100 each, fully paid up	₹ 15,00,000
Equity shares of ₹ 10 each, fully paid up	₹ 1,10,00,000
General Reserves as on 1.4.2017	₹ 25,00,000
Capital Reserves as on 1.4.2017	₹ 10,00,000
Revaluation Reserves as on 1.4.2017	₹ 15,00,000
Net Profit for the year ended 31st March, 2018	₹ 4,85,000

Average rate of dividend during the last three years has been 12%.

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Illustration 1

Due to inadequacy of profits during the year ended 31st March, 20X2, XYZ Ltd. proposes to declare 10% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilised from general reserves, according to the Companies (Declaration of dividend out of Reserves) Rules, 2014:

	₹
17,500 9% Preference shares of ₹ 100 each, fully paid up	*17,50,000*
8,00,000 Equity shares of ₹ 10 each, fully paid up	*80,00,000*
General Reserves as on 1.4.20X1	*25,00,000*
Capital Reserves as on 1.4.20X1	*3,00,000*
Revaluation Reserves as on 1.4.20X1	*3,50,000*
Net profit for the year ended 31st March, 20X2	*3,00,000*
Average rate of dividend during the last three years has been 12%.	

1) Maximum rate of dividend

Preference = 9%
Equity = 12%

Preference Dividend = 1750000 × 9% = 157500
Equity Dividend = 8000000 × 12% = 960000
1117500

2) Maximum withdrawal from reserves

= 10% (Paidup capital + free Reserves)
= 10% (1750000 + 8000000 + 2500000)
= 1225000

3) Minimum balance in reserves

= 15% Paidup capital
= 15% (1750000 + 8000000)
min bal = 1462500
curr. bal = 2500000
withdraw = 1037500

maximum amount of dividend out of reserves = 1037500

Company wants to declare :-

1. Preference Dividend = 1750000 × 9% = 157500
2. Equity Dividend = 8000000 × 10% = 800000
3. Total Dividend = 957500
4. less : current year profits = 300000
5. Amount withdrawn from reserves = 657500