

# BUYBACK OF SECURITIES

*"You can't go back and change the beginning, but you can start where you are and change the ending."*

## TOPIC 1 INTRODUCTION: BUYBACK OF SHARES

### Meaning:

Buyback means purchase of its own shares by a company. When shares are bought back by a company they have to be cancelled by the company. Thus shares bought back results in decrease in share capital of the company. A company having sufficient cash may decide to buyback its own shares.

### Objectives/Advantages of Buyback:

- a) To increase Earning per share if there is no dilution in company's earnings as the buyback of shares reduces the outstanding number of shares.
- b) To increase promoters holding as the shares bought back are cancelled & also discourage others to make hostile bid to takeover the company (i.e. to eliminate threats by shareholders who are looking for a controlling stake)
- c) To support the share price on the stock exchange when the share price in the opinion of company management is less than its worth, especially in depressed market (i.e to take the advantage of undervaluation. For instance, if a company is undervalued due to any microeconomic & macroeconomic reason, it buys its shares back at the current market price & issues those later when the prices go up)
- d) To pay surplus cash to the shareholders when the company does not need it for the business.

## TOPIC 1A BUYBACK OF SHARES: LEGAL PROVISIONS & JOURNAL ENTRIES

### Basic Conditions:

*Section 68 (2) further states that no company shall purchase its own shares or other specified securities unless—*

- (i) the buy-back is authorised by its articles
- (ii) a special resolution has been passed in general meeting of the company authorizing the buy-back  
Exception: In case the buy back is upto 10% of paid up equity + free reserves, the same may be done with the authorization of the Board Resolution
- (iii) There shall be a minimum gap of 1 year in buyback offer from the date of closure of the previous buy back
- (iv) All the shares or other specified securities for buy-back are fully paid-up
- (v) Every buy-back shall be completed within 12 months from the date of passing the special resolution, or the resolution passed by the board of directors.

As per Section 68 (1) of the Companies Act 2013, buy back of shares can be made out of: its free reserves; or the securities premium account; or the proceeds of any shares or other specified securities.

Provided that no buyback of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or other specified securities  
Note:

- 1) Specified securities include Employees stock option or other securities as may be notified by the Central Government from time to time.
- 2) Free Reserves includes Securities Premium Account

### Three Test Conditions

- (i) Maximum Limit of number of equity shares to be bought back must not exceed 25% of total paid up equity capital.
- (ii) Maximum Limit of amount of equity shares to be bought back must not exceed 25% of (Paid up capital & Free reserves)
- (iii) Debt Equity ratio must not be > 2:1 after buyback  
 where Debt = Secured + Unsecured Debt (both long term & short term)  
 Equity = Capital + Free Reserves

### PROVISIONS OF SECTION 70 OF THE COMPANIES ACT 2013

- (1) No company shall directly or indirectly purchase its own shares or other specified securities—
  - a. through any subsidiary company including its own subsidiary companies; or
  - b. through any investment company or group of investment companies; or
  - c. if a default is subsisting, in repayment of deposit or interest payable thereon, redemption of debentures or preference shares or payment of dividend to any shareholder or repayment of any term loan or interest payable thereon to any financial institutions or bank. Provided that buy-back is not prohibited if the default is remedied and a period of 3 years has elapsed since the cessation of the default.
  
- (2) In accordance with schedule III, no company shall directly or indirectly purchase its own shares or other specified securities in case such company has not complied with provisions of Sections 92 (filling of annual return), 123 (payment of dividend within 30 days of declaration), 127 (failure to distribute dividend) and 129 (preparation of financial statement of the company).

### JOURNAL ENTRIES

S.No	Particulars	Journal Entry
1.	To make partly paid equity shares fully paid up	Equity Share Final Call A/c Dr. To Equity Share Capital A/c  Bank A/c Dr. To Equity Share Final Call A/c
2.	To realize investments to provide cash for buyback	Bank A/c Dr. P&L A/c (Loss) Dr. To Investments A/c To P&L A/c (Profit)
3.	To issue Preference shares	Bank A/c Dr. To Preference Share Capital A/c To Securities Premium A/c

4.	To cancel the shares bought back	Equity Share Capital A/c Dr. Premium on Buyback A/c Dr. To Equity Share Buyback A/c  Equity Share Buyback A/c Dr. To Bank A/c
5.	For closing the premium on buyback account	Securities Premium A/c Dr. General (Revenue) Reserve/ P&L A/c Dr. To Premium on Buyback A/c
6.	Transfer to CRR (Capital Redemption Reserve)*	General (Revenue) Reserve A/c Dr. P&L A/c Dr. Free Reserve (any) A/c Dr. To CRR A/c

**\*Note:** CRR can be utilized for issuing fully paid bonus shares to its members.

Face Value of Equity Shares bought back	XX
Less: Face Value of shares issued	(XX)
Amount to be transferred to CRR	XX

CREATION OF CRR

Case 1:

Balance sheet

Liabilities	Lakhs	Assets	Lakhs
Share capital	10	Sundry Assets	30
P&L A/c	10		
Creditors	10		
	<u>30</u>		<u>30</u>

Case 2: Buyback of 2 Lacs: NO CRR

Balance sheet

Liabilities	Lakhs	Assets	Lakhs
Share capital	<del>10</del> 8	Sundry Assets	<del>30</del> 28
P&L A/c	10		
Creditors	10		
	<u><del>30</del> 28</u>		<u><del>30</del> 28</u>

Case 3: Buyback of 2 Lacs: CRR Created

Balance sheet

Liabilities	Lakhs	Assets	Lakhs
Share capital	<del>10</del> 8	Sundry Assets	<del>30</del> 28
P&L A/c	10		
CRR			
Creditors	10		
	<u><del>30</del> 28</u>		<u><del>30</del> 28</u>

## ASSIGNMENT QUESTIONS

### TOPIC 1 BUYBACK OF SHARES

#### Question 1 Pg no. \_\_\_\_\_

The Balance Sheet of X Ltd. as at 31<sup>st</sup> March, 2021 is given below:-

Liabilities	(In Lakhs)	Assets	(In Lakhs)
Paid up Share Capital		Freehold Property	200
20 Lakhs Equity shares of ₹ 10 each	200	Stock	120
Securities Premium	20	Debtors	100
General Reserve	180	Cash & Bank Balance	180
14% Redeemable Debentures	100		
Current Liabilities	100		
	600		600

It was resolved at the meeting of shareholders to buyback 20% of equity shares @ ₹ 12 per share. Pass necessary journal entries.

#### Question 2 Pg no. \_\_\_\_\_

Sohan Ltd. provides you the following information:

Issued capital	1,00,000 equity shares of ₹ 10 each
<b>Reserves and surplus</b>	
Capital reserve	₹ 5,00,000
Securities premium	₹ 9,00,000
Revenue reserve	₹ 15,00,000

The company resolved to buy 10% of its equity share capital @ ₹ 60 per share. Give the necessary journal entries in the books of Sohan Ltd.

#### Question 3 Pg no. \_\_\_\_\_

The Balance Sheet of X Ltd. as at 31<sup>st</sup> March, 2021 is as follows:-

Liabilities	₹	Assets	₹
Share Capital of ₹ 10 each	50,00,000	Property, Plant & Equipment	66,00,000
General Reserve	6,50,000	Investments	18,00,000
Securities Premium	5,40,000	Stock	11,87,000
P&L Account	3,75,000	Debtors	9,60,000
12% Debentures	25,00,000	Cash & Bank Balance	7,10,000
Term Loan	13,25,000		
Current Liabilities & Provisions	8,67,000		
	1,12,57,000		1,12,57,000

The shareholders adopted the resolution on the date of above mentioned balance sheet to:-

- a) Buyback 20% of the paid up capital @ ₹ 15 each
- b) Issue 13% Preference shares of ₹ 5,00,000 at a premium of 10% to finance the buyback of shares
- c) Issue 10% Debentures of ₹ 2,00,000 at a premium of 10% to finance the buyback of shares
- d) Maintain a balance of ₹ 3,00,000 in general reserve account
- e) Sell investments worth ₹ 3,00,000 for ₹ 1,90,000.
- f) Buyback expenses were ₹ 2,000

Pass necessary journal entries.

**Question 4 (ICAI Study Material)**

Pg no. \_\_\_\_\_

KG Limited furnishes the following summarized Balance Sheet as at 31st March, 2021.

	Note	Amount (Lakhs)
<b>A. Equity and Liabilities</b>		
1. Shareholders' Fund		
(a) Share Capital	1	1,200
(b) Reserves & Surplus	2	810
2. Non-current Liabilities		
(a) Long Term Borrowings	3	750
3. Current Liabilities		
(a) Trade Payables		745
(b) Other Current Liabilities		195
<b>Total</b>		<b>3,700</b>
<b>B. Assets</b>		
1. Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
i. Property, Plant & Equipment	4	2,026
(b) Non Current Investments		74
2. Current Assets		
(a) Inventories		600
(b) Trade Receivables		260
(c) Cash & Cash Equivalents		740
<b>Total</b>		<b>3,700</b>

**Notes to Accounts**

	Amount (Lakhs)
1. Share Capital Authorised, Issued & Subscribed Capital Equity shares of ₹ 10 each	1,200
2. Reserves and Surplus Securities Premium Revenue Reserve Capital Redemption Reserve Profit & Loss Account	175 265 200 <u>170</u> 810
3. Long Term borrowings 12% Debentures	750
4. Property, Plant & Equipment Land & Building Plant & Machinery	1,800 <u>226</u> 2,026

On 1st April, 2021, the company announced the buy back of 25% of its equity shares @ ₹ 15 per share. For this purpose, it sold all of its investments for ₹ 75 lakhs.

On 5th April, 2021, the company achieved the target of buy back. On 30th April, 2021 the company issued one fully paid up equity share of ₹ 10 by way of bonus for every four equity shares held by the equity shareholders. You are required to:

- (1) Pass necessary journal entries for the above transactions.
- (2) Prepare Balance Sheet of KG Limited after bonus issue of the shares

**Question 5** (ICAI Study Material)

Pg no. \_\_\_\_\_

Dee Limited furnishes the following summarized Balance Sheet as at 31st March, 2021:

	Note	Amount (000)
<b>A. Equity and Liabilities</b>		
1. Shareholders' Fund		
(a) Share Capital	1	2,700
(b) Reserves & Surplus	2	9,700
2. Current Liabilities		
(a) Trade Payables		1,400
<b>Total</b>		<b>13,800</b>
<b>B. Assets</b>		
1. Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
i. Property, Plant & Equipment		9,300
(b) Non Current Investments		3,000
2. Current Assets		
(a) Inventories		500
(b) Trade Receivables		200
(c) Cash & Cash Equivalents		800
<b>Total</b>		<b>13,800</b>

**Notes to Accounts**

	Amount (000)
1. Share Capital	
Authorised, Issued & Subscribed Capital	
2,50,000 equity shares of ₹ 10 each	2,500
2,000 10% preference shares of ₹ 100 each	200
(Issued 2 months back for the purpose of buyback)	<u>          </u>
	<b>2,700</b>
2. Reserves and Surplus	
Capital Reserve	1,000
Revenue Reserve	3,000
Securities Premium	2,200
Profit & Loss Account	<u>3,500</u>
	<b>9,700</b>

The company passed resolution to buy back 20% of its equity capital @ ₹ 50 per share. For this purpose, it sold all of its investment for ₹ 22,00,000. Pass necessary journal entries & prepare the Balance Sheet

**Question 6**

Pg no. \_\_\_\_\_

The following was the summarized balance sheet of Mukta Ltd. as on 31st March, 2021:

Liabilities	(In Lakhs)	Assets	(In Lakhs)
Authorised capital:		Property, Plant & Equipment	1,12,000
Equity shares of ₹ 10 each	<u>80,000</u>	Investments	24,000
Issued capital:		Cash at Bank	13,200
Equity Shares - ₹ 10 each Fully Paid Up	64,000	Trade Receivables	66,000

10% Redeemable Preference Shares of 10 each, Fully Paid Up	20,000		
Reserves & Surplus:			
Capital Redemption Reserve	8,000		
Securities Premium	6,400		
General Reserve	48,000		
Profit & Loss Account	2,400		
9% Debentures	40,000		
Trade payables	26,400		
	2,15,200		2,15,200

On 1st April, 2021, the Company redeemed all its Preference Shares at a Premium of 10% and bought back 25% of its Equity Shares at ₹ 20 per Share. In order to make Cash available, the Company sold all the Investments for ₹ 25,200 Lakhs and raised a Bank Loan amounting to ₹ 16,000 lakh on the security of Company's Plant. Pass necessary Journal Entries considering that the buy back is authorised by the articles of company and necessary resolution is passed by the company. Securities premium will be utilized to the maximum extent allowed by law.

**Question 7** *(RTP May 2018)/ (RTP May 2022)* Pg no. \_\_\_\_\_

Complicated Ltd.(unlisted company) gives following information as on 31st March, 2021:

Liabilities	Amount
Equity shares of ₹ 10 each fully paid up	13,50,000
Share option outstanding Account	4,00,000
Revenue Reserve	15,00,000
Securities Premium	2,50,000
Profit & Loss Account	1,25,000
Capital Reserve	2,00,000
Unpaid dividends	1,00,000
12% Debentures (Secured)	18,75,000
Advance from related parties (Long Term- Unsecured)	10,00,000
Current maturities of long term borrowings	16,50,000
Application money received for allotment due for refund	2,00,000
	86,50,000
Property, Plant & Equipment	46,50,000
Current Assets	40,00,000
	86,50,000

The Company wants to buy back 25,000 equity shares of ₹ 10 each, on 1st April, 2021 at ₹ 20 per share. Buy back of shares is duly authorised by its Articles and necessary resolution has been passed by the Company towards this. The payment for buy back of shares will be made by the Company out of sufficient bank balance available shown as part of Current Assets. Pass necessary journal entries towards buy back of shares and prepare the Balance Sheet after buy back of shares.

**Question 8** *(ICAI Study Material)* Pg no. \_\_\_\_\_

Extra Ltd. furnishes you with the following summarized Balance Sheet as on 31st March, 2021:

	Note	Amount (Lakhs)
A. Equity and Liabilities		
1. Shareholders' Fund		
(a) Share Capital	1	120
(b) Reserves & Surplus	2	118

2. Non-current Liabilities (a) Long Term Borrowings	3	4
3. Current Liabilities (a) Trade Payables		70
Total		312
<b>B. Assets</b>		
1. Non-current assets (a) Property, Plant & Equipment & Intangible Assets i. Property, Plant & Equipment (b) Non Current Investments		50 120
2. Current Assets (a) Cash & Cash Equivalents		142
Total		312

## Notes to Accounts

		Amount (Lakhs)
1.	Share Capital Authorised, Issued & Subscribed Capital Equity shares of ₹ 10 each fully paid up 9% preference shares of ₹ 100 each fully paid up	100 20 120
2.	Reserves and Surplus Capital Reserve Revenue Reserve Securities Premium	8 50 60 118
3.	Long Term borrowings 10% Debentures	4

- (i) The company redeemed the preference shares at a premium of 10% on 1st April, 2021.
- (ii) It also bought back 3 lakhs equity shares of ₹ 10 each at ₹ 30 per share. The payment for the above was made out of huge bank balances.
- (iii) Included in its investment were "investments in own debentures" costing ₹ 2 lakhs (face value ₹ 2.20 lakhs). These debentures were cancelled on 1st April, 2021.
- (iv) The company had 1,00,000 equity stock options outstanding on the above mentioned date, to the employees at ₹ 20 when the market price was ₹ 30 (This was included under current liabilities). On 1.04.2021 employees exercised their options for 50,000 shares. Pass the journal entries to record the above & Prepare Balance Sheet as at 01.04.2021.

## TOPIC 2 BUYBACK OF SHARES: 3 Test Conditions

### Question 9 (ICAI Study Material)

Pg no. \_\_\_\_\_

Following is the Balance Sheet of M/s Competent Limited as on 31st March, 2021:

	Note	Amount
<b>A. Equity and Liabilities</b>		
1. Shareholders' Fund		
(a) Share Capital	1	12,50,000
(b) Reserves & Surplus	2	18,75,000
2. Non-current Liabilities		
(a) Long Term Borrowings	3	28,75,000

3. Current Liabilities		
(a) Short Term Borrowings		16,50,000
Total		76,50,000
B. Assets		
1. Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
i. Property, Plant & Equipment	4	46,50,000
2. Current Assets		
(a) Other Current Assets		30,00,000
Total		76,50,000

## Notes to Accounts

		Amount
1.	Share Capital Authorised, Issued & Subscribed Capital Equity shares of ₹ 10 each fully paid up	12,50,000
2.	Reserves and Surplus Securities Premium Profit & Loss Account Revenue Reserve	2,50,000 1,25,000 <u>15,00,000</u> 18,75,000
3.	Long Term borrowings 14% Debentures Unsecured Loans	18,75,000 <u>10,00,000</u> 28,75,000
4	Property, Plant & Equipment Land & Building Plant & Machinery Furniture & Fittings	19,30,000 18,00,000 <u>9,20,000</u> 46,50,000

The company wants to buy back 25,000 equity shares of ₹ 10 each, on 1st April, 2021 at ₹ 20 per share. Buy back of shares is duly authorized by its articles and necessary resolution passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as part of Current Assets.

Comment with your calculations, whether buy back of shares by company is within the provisions of the companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare the Balance Sheet after buy back of shares.

**Question 10** *(ICAI Study Material)*

Pg no. \_\_\_\_\_

Perrotte Ltd. (non listed company) has the following Capital Structure as on 31.03.2021:

S.No.	Particulars	(₹ In crores)	
(1)	Equity Share Capital (Shares of ₹ 10 each fully paid)	-	330
(2)	Reserves and Surplus		
	General Reserve	240	-
	Securities Premium Account	90	-
	Profit & Loss Account	90	-
	Infrastructure Development Reserve	180	600
(3)	Loan Funds		1,800

The Shareholders of Perrotte Ltd., on the recommendation of their Board of Directors, have approved on 12.09.2021 a proposal to buy back the maximum permissible number of Equity shares considering the large surplus funds available at the disposal of the company.

The prevailing market value of the company's shares is ₹ 25 per share and in order to induce the existing shareholders to offer their shares for buy back, it was decided to offer a price of 20% over market.

You are also informed that the Infrastructure Reserve is created to satisfy Income-tax Act requirements. You are required to compute the maximum number of shares that can be bought back in the light of the above information and also under a situation where the loan funds of the company were either ₹ 1,200 crores or ₹ 1,500 crores. Assuming that the entire buy back is completed by 09.12.2021, show the accounting entries in the company's books in each situation.

**Question 11** *(Inter Dec 2021) (10 Marks)*

Pg no. \_\_\_\_\_

Mohan Ltd. furnishes the following summarised Balance Sheet as on 31<sup>st</sup> March 2021,

	Amount (₹ in Lakhs)
<b>Equity &amp; Liabilities:</b>	
Shareholder's Fund	
Share Capital	
Equity Shares of 10 each fully paid up	780
6% Redeemable Preference shares of 50 each fully paid up	240
Reserve & Surplus	
Capital Reserve	58
General Reserve	625
Security Premium	52
Profit & Loss	148
Revaluation Reserve	34
Infrastructure Development Reserve	16
Non Current Liabilities	
7% Debentures	268
Unsecured Loans	36
Current Liabilities	395
<b>Total</b>	<b>2652</b>
<b>Assets :</b>	
Non Current Assets	
Plant and Equipment less depreciation	725
Investment at cost	720
Current Assets	1207
<b>Total</b>	<b>2652</b>

Other Information :

- The Company redeemed Preference shares at a premium of 10% on 1st April, 2021.
- It is also offered buyback the maximum permissible number of Equity shares of ₹10 each at ₹30 per share on 2nd April, 2021.
- The payment for the above was made out of available account balance, which appeared as a part of the current assets.
- The company had investment in own Debentures costing ₹60 lakhs (face value ₹75 lakhs). These Debenture were cancelled on 2nd April, 2021.
- On 4th April 2021 company issued one fully paid up equity share of ₹10 each by way of bonus for every five equity shares held by the shareholders.

You are required to :

- Calculate maximum possible number of equity shares that can be bought back as per the Companies Act, 2013 and
- Record the Journal Entries for the above mentioned information.

### Solution

- Statement determining the maximum number of shares to be bought back

#### Number of shares (in lakhs)

Particulars	When loan fund is ₹ 304 lakhs
Shares Outstanding Test (W.N.1)	19.5
Resources Test (W.N.2)	11.175
Debt Equity Ratio Test (W.N.3)	29.725
Maximum number of shares that can be bought back [least of above]	11.175

Thus, the company can buy 11,17,500 Equity shares at ₹ 30 each.

### Working Notes:

#### 1. Shares Outstanding Test

Particulars	(Shares in lakh)
Number of shares outstanding	78
25% of the shares outstanding	19.5

#### 2. Resources Test

Particulars	
Paid up capital (₹ in lakh)	780
Free reserves (₹ in lakh) (625+52+148-24-240*)	561
Shareholders' funds (₹ in lakh)	1341
25% of Shareholders fund (₹ in lakh)	335.25
Buy-back price per share	30
Number of shares that can be bought back	11.175

\*Amount transferred to CRR is excluded from free reserves. Premium on redemption also reduced.

#### 3. Debt Equity Ratio Test: Loans cannot be in excess of twice the Equity Funds post Buy-Back

	Particulars	₹ In lakh
(a)	Loan funds (₹)	304
(b)	Minimum equity to be maintained after buy- back in ratio of 2:1 (a/2)	152
(c)	Present equity shareholders fund (₹)	1341
(d)	Future equity shareholders fund (₹) (see W.N.4)	1043.75 (1341-297.25)
(e)	Maximum permitted buy-back of Equity (₹) [(d) – (b)]	891.75
(f)	Maximum number of shares that can be bought back @ ₹ 30 per share	29.725
	As per the provisions of the Companies Act, 2013, company	Qualifies

Alternatively, when current liabilities are considered as part of loan funds, in that case Debt Equity Ratio Test will be done as follows:

	Particulars	₹ in lakh
(a)	Loan funds (₹)	699
(b)	Minimum equity to be maintained after buy-back in ratio of 2:1 (a/2)	349.5
(c)	Present equity shareholders fund (₹)	1341

(d)	Future equity shareholders fund (₹) (see W.N.4)	1093.125 (1341-247.875)
(e)	Maximum permitted buy-back of Equity (₹) [(d) – (b)]	743.625
(f)	Maximum number of shares that can be bought back @ ₹ 30 per share	24.7875
	As per the provisions of the Companies Act, 2013, company	Qualifies

**Amount transferred to CRR and maximum equity to be bought back will be calculated by simultaneous equation method**

Suppose amount transferred to CRR account is 'x' and maximum permitted buy-back of equity is 'y' Then

**Equation 1:** (Present Equity- Transfer to CRR) - Minimum Equity to be maintained = Maximum Permitted Buy-Back

$$= (1341 - x) - 152 = y \quad = 1189 - x = y(1)$$

**Equation 2:** Maximum Permitted Buy-Back x Nominal Value Per Share/Offer Price Per Share

$$y/30 \times 10 = x \text{ or } 3x = y(2)$$

by solving the above two equations we get  $x = ₹ 297.25$  and  $y = ₹ 891.75$

*Alternatively*, when current liabilities are considered as part of loan fund, in that case

**Equation 1:** (Present Equity- Transfer to CRR)- Minimum Equity to be maintained = Maximum Permitted Buy-Back

$$= (1341 - x) - 349.5 = y \quad = 991.5 - x = y \quad (1)$$

**Equation 2:** Maximum Permitted Buy-Back X Nominal Value Per Share/Offer Price Per Share

$$y/30 \times 10 = x \text{ or } 3x = y(2)$$

by solving the above two equations we get  $x = 247.875$  and  $y = 743.625$

\*Loan funds have been taken without considering current liabilities. Alternatively, If current liabilities are considered, then the maximum number of shares that can be bought back as per debt equity ratio test will be 24.7875 lakhs.

**(ii) Journal Entries for Buy Back (₹ in lakhs)**

Date	Particulars	Debit	Credit
2021 1st April	6% Redeemable preference share capital A/c Dr.	240	
	Premium on redemption of preference shares A/c Dr	24	
	To Preference shareholders A/c		264
	(Being preference share capital transferred to share holders account)		
1st April	Preference shareholders A/c Dr.	264	
	To Bank A/c		264
	(Being payment made to shareholders)		
1st April	General Reserve or P&L A/c* Dr.	24	
	To Premium on redemption of preference shares A/c		24
	(Being premium on redemption of preference shares adjusted through securities premium)		
2nd April	Equity shares buy-back A/c Dr.	335.25	
	To Bank A/c		335.25
	(Being 11.175 lakhs equity shares of ₹ 10 each bought back @ ₹ 30 per share)		
2nd April	Equity share capital A/c Dr.	111.75	
	Securities Premium A/c Dr.	52	
	General Reserve or P&L A/c Dr.	171.50	
	To Equity Shares buy-back A/c		335.25
	(Being cancellation of shares bought back)		

2nd April	General reserve A/c	Dr.	351.75	
	To Capital redemption reserve A/c			351.75
	(Being creation of capital redemption reserve account to the extent of the face value of preference shares redeemed and equity shares bought back as per the law ie. 240+111.75 lakhs)			
2nd April	7% Debentures A/c	Dr.	75	
	To Investment (own debentures) A/c			60
	To Profit on cancellation of own debentures A/c			15
	(Being cancellation of own debentures costing ₹ 60 lakhs, face value being ₹ 75 lakhs and the balance being profit on cancellation of debentures)			
4th April	Capital Redemption Reserve	Dr.	133.65	
	To Bonus Shares A/c			133.65
	(Being issue of one bonus equity share for every five equity shares held)			
4th April	Bonus shares A/c	Dr.	133.65	
	To Equity share capital A/c			133.65
	(Being bonus shares issued)			

**Working Note:** Bonus Share to be issued =  $66.825$  ( $78 - 11.175$ ) lakh shares divided by  $5 = 13.365$  lakh shares.

**Note:** \*Securities premium has not been utilized for the purpose of premium payable on redemption of preference shares assuming that the company referred in the question is governed by Section 133 of the Companies Act, 2013 and complies with the Accounting Standards prescribed for them. Alternative entry considering otherwise is also possible by utilizing securities premium amount.

## PRACTICE QUESTIONS

## TOPIC 1 BUYBACK OF SHARES

**Question 1** *(RTP Nov 2019)/ (RTP Nov 2022)* \_\_\_\_\_ Pg no. \_\_\_\_\_

Umesh Ltd. (a listed company) resolves to buy back 4 lakhs of its fully paid equity shares of ₹ 10 each at ₹ 22 per share from the open market. For the purpose, it issues 1 lakh 11 % preference shares of ₹ 10 each at par, the entire amount being payable with applications. The company uses ₹ 16 lakhs of its balance in Securities Premium Account apart from its adequate balance in General Reserve to fulfill the legal requirements regarding buy-back.

Give necessary journal entries to record the above transactions.

**Question 2** *(Inter Jan 2021) (5 Marks)* \_\_\_\_\_ Pg no. \_\_\_\_\_

The Directors of Umang Ltd. passed a resolution to buyback 5,00,000 of its fully paid equity shares of ₹ 10 each at ₹ 15 per share. This buyback is in compliance with the provisions of the Companies Act, 2013. For this purpose, the company

- (i) Sold its investments of ₹ 30,00,000 for ₹ 25,00,000.
- (ii) Issued 20,000, 12% preference shares of ₹ 100 each at par, the entire amount being payable with application.
- (iii) Used ₹ 15,00,000 of its Securities Premium Account apart from its adequate balance in General Reserve to fulfill the legal requirements regarding buy-back.

(iv) The company has necessary cash balance for the payment to shareholders.

You are required to pass necessary Journal Entries (including narration) regarding buyback of shares in the books of Umang Ltd.

**Question 3** *(ICAI Study Material)* \_\_\_\_\_ Pg no. \_\_\_\_\_

M Ltd. furnishes the following summarized Balance Sheet as at 31st March, 2021:

	Note	Amount (000)
<b>A. Equity and Liabilities</b>		
1. Shareholders' Fund		
(a) Share Capital	1	5,000
(b) Reserves & Surplus	2	6,310
2. Non-current Liabilities		
(a) Long Term Borrowings	3	400
3. Current Liabilities		
(a) Trade Payables		40
Total		11,750
<b>B. Assets</b>		
1. Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
i. Property, Plant & Equipment	4	2,750
(b) Non Current Investments		5,000
2. Current Assets		
(a) Inventories		1,000
(b) Trade Receivables		2,000
(c) Cash & Cash Equivalents		1,000
Total		11,750

		Amount (000)
1.	Share Capital Authorised, Issued & Subscribed Capital 3,00,000 equity shares of ₹ 10 each 20,000 9% preference shares of ₹ 100 each	3,000 2,000 5,000
2.	Reserves and Surplus Capital Reserve Revenue Reserve Securities Premium Profit & Loss Account	10 4,000 500 1,800 6,310
3.	Long Term borrowings 10% Debentures	400
4.	Property, Plant & Equipment Cost Less: Provision for Depreciation	3,000 (250) 2,750

The company passed a resolution to buy back 20% of its equity capital @ ₹ 15 per share. For this purpose, it sold its investments of ₹ 30 lakhs for ₹ 25 lakhs.

You are required to pass necessary Journal entries.

(Ans: CRR 600)

**Question 4** (RTP May 2019)

Pg no. \_\_\_\_\_

Alpha Limited furnishes the following summarized Balance Sheet as at 31st March, 2021.

Liabilities	(In Lakhs)	Assets	(In Lakhs)
Equity share capital (fully paid up shares of ₹ 10 each)	2,400	Machinery	3,600
Securities premium	350	Furniture	450
General reserve	530	Investment	148
Capital redemption reserve	400	Stock	1,200
Profit & loss A/c	340	Trade receivables	500
12% Debentures	1,500	Cash at bank	1,500
Trade Payables	1,400		
Other current liabilities	478		
	7,398		7,398

On 1st April, 2021, the company announced the buy back of 25% of its equity shares @ ₹ 15 per share. For this purpose, it sold all of its investments for ₹ 150 lakhs.

On 5th April, 2021, the company achieved the target of buy back.

You are required to:

- Pass necessary journal entries for the buyback.
- Prepare Balance Sheet of Alpha Limited after buyback of the shares

**Question 5** (Inter Nov 2022) (5 Marks)

Pg no. \_\_\_\_\_

PG Limited furnishes the following Balance Sheet as at 31st March, 2022:

	Particulars	Notes	₹ (in Lakhs)
	Equity and Liabilities		
1.	Shareholders' funds		
	(a) Share Capital	1	12,000
	(b) Reserves and Surplus	2	8,100
2.	Current liabilities		

	(a) Trade Payables		7,450
	(b) Other Current Liabilities		1,950
	Total		<u>29,500</u>
	Assets		
1.	Non-current assets		
	(a) Property, Plant and Equipment		12,760
	(b) Non-current Investments		740
2.	Current assets		
	(a) Inventories		6,000
	(b) Trade receivables		2,600
	(c) Cash and cash equivalents		<u>7,400</u>
	Total		<u>29,500</u>

Notes to accounts:

	Particulars	₹ (in Lakhs)
1.	Share Capital	
	Authorized, issued and subscribed capital	
	Equity share capital (fully paid-up shares of ₹ 10 each)	12,000
2.	Reserves and Surplus:	
	Securities premium	1,750
	General reserve	2,650
	Capital redemption reserve	2,000
	Profit and Loss account	<u>1,700</u>
	Total	<u>8,100</u>

On 1<sup>st</sup> April, 2022, the company announced the buy-back of 25% of its Equity Shares @ ₹ 15 per share. For this purpose, it sold all of its investments for ₹ 750 lakhs.

On 5<sup>th</sup> April, 2022, the company achieved the target of buy-back. You are required to pass necessary journal entries for the above transactions.

**Question 6** (RTP May 2021)

Pg no. \_\_\_\_\_

Following is the Summarized Balance Sheet of M/s. Vriddhi Infra Ltd. as on 31st March, 2021:

Equity & Liabilities	Amount	Assets	Amount
<b>Shareholders Fund</b>		<b>Non Current Assets</b>	
(a) Share Capital:		(a) PPE	
1,00,000 Equity Sh. of 10 each	10,00,000	Land & Building	21,50,000
(b) Reserve & Surplus:		Plant & Machinery	15,00,000
Securities Premiums	3,00,000	(b) Non- current Investment	2,00,000
General Reserve	2,50,000		
Profit & Loss A/c (Surplus)	1,50,000	<b>Current Assets</b>	
<b>Non-Current Liabilities</b>		(a) Trade Receivables	5,50,000
Long-Term Borrowings:		(b) Inventories	1,80,000
10% Debentures (Secured by floating charge on all assets)	20,00,000	(c) Cash and Cash Equivalents	40,000
Unsecured Loans	8,00,000		
<b>Current Liability &amp; Provisions</b>			
Trade Payables	1,20,000		
	<u>46,20,000</u>		<u>46,20,000</u>

On 21st April, 2021 the Company announced the buy back of 15,000 of its equity shares @ ₹ 15 per share. For this purpose, it sold all its investment for ₹ 2.50 lakhs.

On 25th April, 2021, the company achieved the target of buy back. On 1st May, 2021 the company issued one fully paid up share of ₹ 10 each by way of bonus for every eight equity shares held by the equity shareholders.

You are requested to pass necessary Journal Entries for the above transactions.

**Question 7** *(Inter May 2018) (10 Marks)*

Pg no. \_\_\_\_\_

Alpha Ltd. furnishes the following summarized Balance Sheet as at 31st March, 2021:

	₹ In Lakhs	₹ In Lakhs
<b>Equity &amp; Liabilities</b>		
Shareholders' Funds		
Equity share capital (fully paid up shares of ₹ 10 each)		2,400
Reserves and Surplus		
Securities Premium	350	
General Reserve	530	
Capital Redemption Reserve	400	
Profit & Loss Account	340	1,620
Non-current Liabilities		
12% Debentures		1,500
Current Liabilities		
Trade Payables'	1,490	
Other Current Liabilities	390	1,880
Total		7,400
<b>Assets</b>		
Non-current Assets		
Property, Plant & Equipment		4,052
Current Assets		
Current Investments	148	
Inventories	1,200	
Trade Receivables	520	
Cash and Bank	1,480	3,348
Total		7,400

- (i) On 1st April, 2021, the company announced buy-back of 25% of its equity shares @ ₹ 15 per share. For this purpose, it sold all its investment for ₹ 150 lakhs.
- (ii) On 10th April, 2021 the company achieved the target of buy-back.
- (iii) On 30th April, 2021, the company issued one fully paid up equity share of ₹ 10 each by way of bonus for every four equity shares held by the equity shareholders by capitalization of Capital Redemption Reserve.

Pass necessary journal entries and prepare the Balance Sheet of Alpha Ltd. after bonus issue.

**Question 8** *(RTP Nov 2018)*

Pg no. \_\_\_\_\_

The following Balance Sheet Pee Limited (a non-listed company) as at 31st March, 2021

	Amount (in ₹)	
<b>Equity &amp; Liabilities</b>		
Share Capital: Authorised capital		
2,50,000 Equity shares of ₹ 10 each fully paid up	25,00,000	
5,000, 10% Preference shares of ₹ 100 each	5,00,000	30,00,000
Issued and subscribed capital:		
2,40,000 Equity shares of ₹ 10 each fully paid up	24,00,000	
3,000, 10% Preference shares of ₹ 100 each (Issued two months back for the purpose of buy back)	3,00,000	27,00,000

Reserves and surplus:		
Capital reserve	10,00,000	
Revenue reserves	25,00,000	
Securities premium	27,00,000	
Profit and loss account	35,00,000	97,00,000
Current liabilities		
Trade payables	13,00,000	
Other current Liabilities	3,00,000	16,00,000
		1,40,00,000
<b>Assets</b>		
Property, Plant & Equipment		
Building	25,00,000	
Machinery	31,00,000	
Furniture	20,00,000	76,00,000
Non-current Investments		30,00,000
Current assets		
Inventory	12,00,000	
Trade receivables	7,00,000	
Cash and bank balance	15,00,000	34,00,000
		1,40,00,000

On 1st April, 2021, the company passed a resolution to buy back 20% of its equity capital @ ₹ 60 per share. For this purpose, it sold all of its investment for ₹ 25,00,000. The company achieved its target of buy-back. You are required to:

- Give necessary journal entries and
- Give the Balance Sheet of the company after buy back of shares.

**Question 9** *(RTP May 2020) / (RTP Nov 2023) (Similar)*

Pg no. \_\_\_\_\_

The following was the Balance Sheet of C Ltd. as on 31st March, 2021

Liabilities	(in Lakhs)	Assets	(in Lakhs)
Share Capital:		Property, Plant & Equipm.	14,000
Equity shares ₹10 each Fully Paid Up	8,000	Investments	2,350
10% Redeemable Pref. Shares of ₹ 10 each Fully Paid Up	2,500	Cash at Bank	2,300
Reserves & Surplus		Other Current Assets	8,250
Capital Redemption Reserve	1,000		
Securities Premium	800		
General Reserve	6,000		
Profit & Loss Account	300		
Secured Loans: 9% Debentures	5,000		
Current Liabilities:			
Trade payables	2,300		
Sundry Provisions	1,000		
	26,900		26,900

On 1st April, 2021 the Company redeemed all its Preference Shares at a Premium of 10% and bought back 10% of its Equity Shares at ₹ 20 per Share. In order to make cash available, the Company sold all the Investments for ₹ 2,500 lakhs.

You are required to

- pass journal entries for the above and
- prepare the Company's Balance sheet immediately thereafter.

**Question 10** (ICAI Study Material)

Pg no. \_\_\_\_\_

Anu Ltd. furnishes you with the following summarized balance sheet as at 31st March, 2021:

	Note	Amount (crores)
<b>A. Equity and Liabilities</b>		
1. Shareholders' Fund		
(a) Share Capital	1	100
(b) Reserves & Surplus	2	300
2. Current Liabilities		
(a) Trade Payables		40
<b>Total</b>		<b>440</b>
<b>B. Assets</b>		
1. Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
i. Property, Plant & Equipment	3	-
(b) Non Current Investments	4	100
2. Current Assets		
(a) Trade Receivables		140
(b) Cash & Cash Equivalents		200
<b>Total</b>		<b>440</b>

**Notes to Accounts**

	Amount (crores)
1. Share Capital Authorised, Issued & Subscribed Capital Equity shares of ₹ 10 each 12% preference shares of ₹ 100 each	25 75 <u>100</u>
2. Reserves and Surplus Capital Reserve Revenue Reserve Securities Premium	15 260 25 <u>300</u>
3. Property, Plant & Equipment Cost Less: Provision for Depreciation	100 (100) <u>Nil</u>
4. Non Current Investments At Cost (Market Value 400 crores)	100

The company redeemed preference shares on 1st April, 2021. It also bought back 50 lakhs equity shares of ₹ 10 each at ₹ 50 per share. The payments for the above were made out of the huge bank balances, which appeared as a part of current assets.

You are asked to:

- (i) Pass journal entries to record the above.
- (ii) Prepare balance sheet as at 1.4.2021.

**Question 11** (RTP May 2023)

Pg no. \_\_\_\_\_

Pay Limited provides you with the following information as at 31st March, 2022:

		(₹ in Lakhs)
Share Capital:		300
Authorised		
Issued:		
11% Redeemable preference shares of ₹ 100 each fully paid	125	
Equity shares of ₹ 10 each fully paid	175	300
Reserves and surplus:		
Capital reserve	35	
Securities premium	105	
Revenue reserves	460	
Profit and loss account	50	650
Current liabilities and provisions		50
Fixed assets: cost	100	
Less: Accumulated depreciation	(90)	10
Non-current investments at cost (Market value ₹ 400 Lakhs)		200
Current assets		790

- a) The company redeemed preference shares at a premium of 4% on 1st April, 2022.  
b) It also bought back 2.5 lakhs equity shares of ₹ 10 each at ₹ 40 per share. The payments for the above were made out of bank balances, which appeared as a part of current assets.  
You are asked to:
- Pass journal entries to record the above.
  - Prepare balance sheet as at 01.04.2022.

**Question 12** *(Inter Nov 2019) (15 Marks) / (RTP Nov 2021)*

Pg no. \_\_\_\_\_

X Ltd. furnishes the following summarized Balance Sheet as at 31-03-2021.

	Amount (in ₹)	
<b>Equity &amp; Liabilities</b>		
Share Capital:		
Equity Shares of ₹ 20 each fully paid up	50,00,000	
10,000, 10% Preference Shares of ₹ 100 each fully paid up	10,00,000	60,00,000
Reserves and surplus:		
Capital Reserve	1,00,000	
Securities premium	12,00,000	
Revenue Reserve	5,00,000	
Profit and loss account	20,00,000	
Dividend Equalization Fund	5,50,000	43,50,000
Non-Current Liabilities		
12% Debentures		12,50,000
Current Liabilities and Provisions		5,50,000
		1,21,50,000
<b>Assets</b>		
Non Current Assets		
Property, Plant & Equipment & Intangible Assets		
Property, Plant & Equipment		1,00,75,000
Current assets		
Investment	3,00,000	
Inventory	2,00,000	
Cash & Bank	15,75,000	20,75,000
		1,21,50,000

- The shareholders adopted the resolution on the date of above mentioned Balance Sheet to:
- (1) Buy back 25% of the paid up capital and it was decided to offer a price of 20% over market price. The prevailing market value of the company's share is ₹ 30 per share.
  - (2) To finance the buy-back of shares, company:
    - (a) Issues 3000, 14% debentures of ₹ 100 each at a premium of 20%.
    - (b) Issues 2500, 10% preference shares of ₹ 100 each.
  - (3) Sell investment worth ₹ 1,00,000 for ₹ 1,50,000.
  - (4) Maintain a balance of ₹ 2,00,000 in Revenue Reserve.
  - (5) Later the company issue three fully paid up equity share of ₹ 20 each by way of bonus share for every 15 equity share held by the equity shareholders.
- You are required to pass the necessary journal entries to record the above transactions and prepare Balance Sheet after buy back.

## TOPIC 2 BUYBACK OF SHARES: 3 Test Conditions

### Question 13 *(Inter May 2019) (10 Marks)*

Pg no. \_\_\_\_\_

Following is the summarized Balance Sheet of Super Ltd. as on 31st March, 2021.

	Amount (in ₹)	
Equity & Liabilities		
Share Capital:		
Equity Shares of ₹ 10 each fully paid up		17,00,000
Reserves and surplus:		
Revenue reserves		23,50,000
Securities premium		2,50,000
Profit and loss account		2,00,000
Infrastructure Development Reserve		1,50,000
Secured Loan		
9% Debentures		22,50,000
Unsecured Loan		8,50,000
Current Maturities of Long term borrowings		15,50,000
		93,00,000
Assets		
Non Current Assets		
Property, Plant & Equipment & Intangible Assets		
Property, Plant & Equipment		58,50,000
Current assets		
Current assets		34,50,000
		93,00,000

Super Limited wants to buy back 35,000 equity shares of ₹ 10 each fully paid up on 1st April, 2021 at ₹ 30 per share. Buy Back of shares is fully authorised by its articles and necessary resolutions have been passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as part of the Current Assets. Comment with calculations, whether the Buy Back of shares by the company is within the provisions of the Companies Act, 2013

### Question 14 *(ICAI Study Material)*

Pg no. \_\_\_\_\_

SMM Ltd. has the following capital structure as on 31<sup>st</sup> March, 2021

S.No.	Particulars	₹ in crore	₹ in crore
		Situation	Situation
(1)	Equity Share Capital (Shares of ₹ 10 each fully paid)	1,200	1,200

(2)	Reserves and Surplus		
	General Reserve	1,080	1,080
	Securities Premium Account	400	400
	Profit & Loss Account	200	200
	Infrastructure Development Reserve (Statutory reserve)	320	320
(3)	Loan Funds	3,200	6,000

The company has offered buy back price of ₹ 30 per equity share.

You are required to calculate maximum permissible number of equity shares that can be bought back in both situations and also required to pass necessary Journal Entries

**Question 15** *(Inter July 2021) (15 Marks)* Pg no. \_\_\_\_\_

A company provides the following 2 possible Capital Structures as on 31st March, 2021:

Particulars	Situation 1 (₹)	Situation 2 (₹)
Equity Share Capital (Shares of ₹ 10 each, fully paid up)	30,00,000	30,00,000
Reserves & Surplus:		
General Reserve	12,00,000	12,00,000
Securities Premium	6,00,000	6,00,000
Profit & Loss	2,10,000	2,10,000
Statutory Reserve	4,20,000	4,20,000
Loan Funds	25,00,000	1,20,00,000

The company is planning to offer buy back of Equity Share at a price of ₹ 30 per equity share. You are required to calculate maximum permissible number of equity shares that can be bought back in both the situations as per Companies Act, 2013 and are also required to pass necessary Journal Entries in the situation where the buyback is possible.

**Question 16** *(RTP Nov 2020) / (ICAI Study Material)* Pg no. \_\_\_\_\_

Pratham Ltd. (a non-listed company) has following Capital structure as on 31st March, 2021:

Particulars	₹	₹
Equity Share Capital (shares of ₹ 10 each fully paid)		30,00,000
Reserves & Surplus		
General Reserve	32,50,000	
Security Premium Account	6,00,000	
Profit & Loss Account	4,30,000	
Revaluation Reserve	6,20,000	49,00,000
Loan Funds		42,00,000

You are required to compute by Debt Equity Ratio Test, the maximum number of shares that can be bought back in the light of above information, when the offer price for buy back is ₹ 30 per share.

**Question 17** *(Inter May 2022) (10 Marks)* Pg no. \_\_\_\_\_

Quick Ltd. has the following capital structure as on 31st March, 2021:

	Particulars	₹ in Crores	₹ in Crores
(1)	Share Capital: (Equity Shares of ₹ 10 each, fully paid)		462
(2)	Reserves and Surplus:		
	General Reserve	336	
	Securities Premium Account	126	

	Profit and Loss Account	126	
	Statutory Reserve	180	
	Capital Redemption Reserve	87	
	Plant Revaluation Reserve	33	888
(3)	Loan Funds:		
	Secured	2,200	
	Unsecured	320	2,520

On the recommendations of Board of Directors, on 16th September, 2021, the shareholders of the company have approved a proposal to buy-back of equity shares. The prevailing market value of the company's share is ₹ 20 per share and in order to induce the existing shareholders to offer their shares for buy-back, it was decided to offer a price of 50% over market value.

The company had sufficient balance in its bank account for the buy-back of shares.

You are required to compute the maximum number of shares that can be bought back in the light of the above information and also under a situation where the loan funds of the company were either ₹ 1,680 Crores or ₹ 2,100 Crores.

Assuming that the entire buy-back is completed by 31st December, 2021, Pass the necessary accounting entries (narrations not required) in the books of the company in each situation.

**Question 18** (Inter May 2023) (10 Marks)

Pg no. \_\_\_\_\_

VIJ Ltd. has the following capital structure as on 31<sup>st</sup> March, 2022:

Particulars		(₹ in Lakhs)
Equity share capital (Shares of ₹ 10 each, fully paid)		990
Reserve and Surplus:		
General Reserve	720	
Securities Premium Account	270	
Profit & Loss Account	270	
Infrastructure development Reserve	540	1,800
Loan Funds		5,400

On the recommendation of the Board of Directors, the shareholders of the company have approved on 2<sup>nd</sup> September 2022 a proposal to buyback the maximum permissible number of equity shares, considering the sufficient funds available at the disposal of the company.

The current market value of the company's shares is ₹ 25 per share and in order to induce the existing shareholders to offer their shares for buy-back, it was decided to offer a price of 20% over market value.

You are also informed that the Infrastructure Development Reserve is created to satisfy income tax requirements.

You are required to compute the maximum permissible number of equity shares that can be bought back in the light of the above information and also under a situation where the loan funds of the company were either ₹ 3600 lakh or ₹ 4500 lakh.

The entire buy-back is completed by 09/12/2022, show the accounting entries with full narrations in the company's books in each situation.

**Question 19** (Inter May 2023) (5 Marks)

Pg no. \_\_\_\_\_

What are the conditions to be fulfilled by a Joint Stock Company to buy-back its equity shares as per Companies Act, 2013? Explain.

**Question 20** (Inter Nov 2023) (5 Marks)

Pg no. \_\_\_\_\_

The following is the extract of Balance Sheet of Yellow Limited as on 31<sup>st</sup> March 2023.

Particulars	Amount (₹)
4,00,000 Equity shares of ₹ 10 each	40,00,000
General Reserve	48,00,000
Profit & Loss Account	10,00,000
Securities Premium	18,00,000
Secured Loans	60,00,000
Unsecured Loans	32,00,000
Current Liabilities	<u>28,00,000</u>
Total	<u>2,36,00,000</u>
Property, Plant and Equipment	90,00,000
Investments	18,00,000
Current Assets	<u>1,28,00,000</u>
Total	<u>2,36,00,000</u>

The company intends to buy-back 80,000 equity shares of ₹ 10 each at a premium of 150%. You are required to state whether the company can buy back equity shares.