

QUESTION BANK - CORPORATE ACCOUNTING (CPH501)

Unit-I

Part-A (5 Marks)

1. What is a share? List out the various kinds of shares which can be issued by companies.
2. What do you understand by issue of shares 'at par', 'issue of shares at premium' and 'issue of shares at discount'?
3. A company issued 30,000 shares of Rs. 15 each at a discount of Re. 1 per share payable Rs. 5 on application and the balance on allotment. All the shares offered were applied for and allotted. The money due on allotment was received. Pass necessary journal entries
4. 10,000 equity shares of Rs. 20 each are issued for public subscription at a premium of 10%. The full amount is payable on application. Applications were received for 20,000 shares and it was decided to make pro-rata allotment to all the applicants. Journalise the transactions.
5. Vahid Ltd. issued shares of Rs.100 each. for Rs. 2,00,000. What entries will be made in the books of Vahid Ltd. if such issue is:
 - (i) At Par
 - (ii) At a Premium of 10%
 - (iii) At a Discount of 10%
6. A company issues 20,000 shares of Rs. 10 each, payable: Rs. 3 on application, Rs. 3 on allotment and the balance Rs. 4 on first & final call . Final call money was not received on 2,000 shares. Pass journal entries regarding first & final call.
7. A company forfeited 10 shares of Rs 10 each issued at a premium of 10% for non-payment of the final call of Rs.3 per share. Out of these, 7 shares were issued at Rs.8 per share as fully paid. Give journal entries for forfeiture and reissue.

Part-B (10 Marks)

1. Explain the forfeiture and reissue of shares.
2. Write short notes on:

- a. Calls on shares
 - b. Pro rata allotment
 - c. Security premium
 - d. Over subscription and Under subscription
 - e. Calls in arrear and Calls in advance
3. Alpha Ltd issued 10,000 equity shares of Rs.10 each payable into Rs.2 per share on application, Rs.5 per share on allotment and Rs.3 per share on first and final call. All money was duly received. Give necessary Journal entries.
4. Rakesh Ltd. issued to public 5,000 equity shares of Rs.100 each at a premium of Rs.10 per share, payable as follows:
- On Application – Rs.20
On Allotment – Rs.40
On First & Final Call – Rs.50
- Applications were received for 4,000 shares and all were accepted. All monies due were fully received except the first & final call on 300 shares.
- Pass journal entries and prepare the Balance Sheet.
5. Dee Ltd. offered to the public 20,000 equity shares of Rs.100 each at a premium of Rs.10 per share.

The payment was to be made as follows:

- On Application – Rs.20
- On Allotment – Rs.40 (including premium)
- On First Call – Rs.25
- On Second Call – Rs.25

Applications were received for 35,000 shares. Applications for 10,000 shares were rejected. Applicants for 15,000 shares were allotted 10,000 shares and the remaining applications were accepted in full. The directors made both the calls.

One shareholder holding 500 shares (fully allotted) failed to pay the calls.

Pass journal entries and prepare relevant extracts from the Balance Sheet.

6. Bright Ltd. invited applications for 10,000 shares of Rs.100 each at a 6% discount, payable as follows:
- Application – Rs.30
 - Allotment – Rs.24

- First & Final Call – Rs.40

Applications were received for 9,500 shares and all were accepted. All money due was received except the final call on 250 shares, which were forfeited. 150 forfeited shares were reissued at Rs.80 per share as fully paid. Assuming all legal requirements were complied with, pass Journal Entries and prepare the Balance Sheet.

7. Ram Ltd. issued to the public 5,000 shares of Rs.100 each at a discount of 5%, payable as follows:

- Application – Rs.25
- Allotment – Rs.34
- First & Final Call – Rs.36

Applications were received for 4,800 shares and all were accepted. All money due was received except the first and final call on 300 shares, which were forfeited. Later, 200 of these shares were reissued at Rs.90 per share as fully paid.

Pass Journal Entries.

Unit-II

Part-A (5 Marks)

1. What are redeemable preference shares?
2. Write short notes on:
 - a. Capital Redemption Reserve
 - b. Minimum Fresh issue of shares
3. A company having free reserves of Rs.60,000 wants to redeem Rs.2,00,000 preference shares. Calculate the face value of fresh issue of shares of Rs.10 each to be made at a premium of 10%.
4. Redemption of 20,000 preference shares of Rs.100 each was carried out by utilisation of reserves and by issue of 8,000 equity shares of Rs.100 each at Rs.125. How much should be credited to Capital Redemption Reserve Account?
5. MKN Ltd issued 50,000 equity shares of Rs.10 each at a discount of 10% in order to utilise the proceeds to redeem 80,000 12% Preference Shares of Rs.10 each. The balance amount required for redemption has been adjusted in Reserve Fund being Rs.4,00,000. Journalize.

6. Give journal entries in the books of X Company Ltd.:

X Company Ltd redeems 1,00,000 9% Preference Shares of Rs.10 each at par out of revenue profits.

7. NHB Ltd had decided to issue 2,000 equity shares of Rs.100 each at par and utilise the proceeds to redeem 20,000 6% Preference Shares of Rs.10 each at a premium of 10%. The new issue was fully subscribed and paid up. The redemption was completed as per schedule. Give Journal Entries.

Part-B (15 Marks)

1. Explain the rules regarding the redemption of preference shares.
2. Discuss the steps in solving the problems related to redemption of debentures.
3. Sri Ram Ltd. had the following Balance Sheet as on 1.4.2017.

Liabilities	Rs.	Assets	Rs.
10,000 6% Preference Shares of Rs. 10 each	1,00,000	Buildings	2,00,000
30,000 Equity Shares of Rs. 10 each	3,00,000	Plant	2,00,000
General Reserve	1,00,000	Stock	1,00,000
Profit & Loss A/c	80,000	Debtors	1,00,000
Creditors	1,20,000	Cash at Bank	1,00,000
Total	7,00,000	Total	7,00,000

The company decided to redeem its preference shares at 10% premium. For this purpose, it issued 5,000 equity shares of Rs.10 each at 10% premium. Pass necessary journal entries and prepare the Balance Sheet.

4. On 31st December 2019, the Balance Sheet of Sundaram Ltd. stood as follows:

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	5,00,000	Sundry Assets	7,60,000
Redeemable Preference Share Capital	2,00,000	Bank	1,90,000
General Reserve	1,50,000		
Sundry Creditors	1,00,000		
Total	9,50,000	Total	9,50,000

On the above date, the preference shares had to be redeemed. For this purpose, 1,000 equity shares of Rs.100 each were issued at Rs.110. The shares were immediately subscribed and paid for. The preference shares were duly redeemed.

Pass journal entries and prepare the Balance Sheet after redemption.

5. The summarised Balance Sheet of Gaur Ltd. on 31st Dec. 2025 was as follows:

Liabilities

Particulars	Rs.
Share Capital	
2,000 9% Redeemable Preference Shares of Rs.100 each	2,00,000
80,000 Equity Shares of Rs.10 each	8,00,000
Profit & Loss A/c	2,60,000
Creditors	1,40,000
Total	14,00,000

Assets

Particulars	Rs.
Sundry Assets	9,80,000
Cash at Bank	4,20,000
Total	14,00,000

On the above date, the preference shares were redeemed at a premium of 10%. Pass journal entries and give the amended Balance Sheet.

6. The Balance Sheet of Sun Ltd. as on 31st March, 2008 was as follows:

Balance Sheet

Liabilities

Particulars	Rs.
Share Capital:	
12% Redeemable Preference Share Capital (2,000 shares of Rs.100 each)	2,00,000
Equity Share Capital (30,000 shares of Rs.10 each)	3,00,000
General Reserve	1,20,000
Profit & Loss Account	80,000
Creditors	1,00,000
Total	8,00,000

Assets

Particulars	Rs.
Fixed Assets	4,50,000
Investments	1,00,000
Stock	80,000
Debtors	1,20,000
Cash at Bank	50,000
Total	8,00,000

The company decided to redeem the preference shares at a premium of 10%. For the purpose of redemption:

- All the investments were sold for Rs.1,10,000.
- Fresh equity shares were issued at par to the extent necessary.
- The amount due on redemption was duly paid.

Pass the necessary Journal Entries and prepare the Balance Sheet after redemption.

7. A company wishes to redeem its preference shares amounting to Rs.1,00,000 at a premium of 5% and for this purpose issued 5,000 equity shares of Rs.10 each at a premium of 10%. The Company has also a balance of Rs.1,00,000 on general reserve and Rs.50,000 on Profit and Loss Account. Pass the journal entries to record the above transactions .
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Unit-III

Part-A (5 Marks)

1. What is a debenture? Explain its characteristics
2. Explain writing off losses when debentures are issued at discount
3. A company issued Rs. 1,00,000, 7½% debentures at par redeemable at 5% premium after 10 years. Pass necessary journal entries to record the transactions.
4. A company issued 4,000 5% debentures of Rs. 100 each at a discount of 10% payable Rs. 30 on application and balance on allotment. Pass necessary journal entries in the books of the company.
5. Z Ltd purchased the fixed assets for Rs.8,40,000 from Velavan and issued 8 % debentures of Rs.100 each , issued at a premium of 20% to settle the price. Give journal entries for the above transactions.
6. Journalize :
 - a) A company issued 1,000 , 6% debentures of Rs.100 each at par.
 - b) A company issued 1,000 , 6% debentures of Rs.100 each at 10% premium
 - c) A company issued 1,000 , 6% debentures of Rs.100 each at 10% discount.
7. Sunrise Ltd issued 10% debentures of the face value of Rs.100 each as follows:
On 01.06.2025 , 3,000 debentures at par to Indian bank as collateral security for the term loan of Rs.2,50,000. Journalize the above transaction.

Part B (15 Marks)

1. Describe the Sinking fund method of redeeming the debentures in detail
2. Explain the types Debentures may be issued by a company
3. Goodwill Ltd. issues 1,000 6% Debentures of Rs.100 each. Give journal entries in each of the following cases:
 - a) The debentures are issued and redeemable at par.
 - b) They are issued at a discount of 6%, but redeemable at par.
 - c) They are issued at a premium of 5%, but redeemable at par.
 - d) They are issued at a discount of 4% but are redeemable at a premium of 5%.
4. PK Ltd issues 980 , 12 % Debentures of Rs.100 each, which were issued as follows:
 - a) To sundry persons for cash at 90% – Rs.50,000 nominal
 - b) To a creditor for Rs.20,000 in satisfaction of his claim for the supply of machinery -- Rs.23,000 nominal
 - c) To the bankers as collateral security for a loan of Rs.20,000 – Rs.25,000 nominal
 - d) The issues (a) and (b) above are redeemable at the end of 10 years at par.

Pass journal entries to record the above transactions and show how the debentures are dealt with in preparing the Balance Sheet of the company.
5. Pass the required journal entries relating to the issue of the following in the books of X Ltd.
 - (a) 250 Rs.100, 8% debentures are issued at 5% discount and are repayable at par.
 - (b) Another Rs.150, Rs.1,000 debentures are issued at 5% discount and are repayable at 10% premium.
 - (c) Further 80, 9% Rs.1,000 debentures are issued at 5% premium.
 - (d) In addition another 400, Rs.100 debentures are issued as collateral security against a loan of Rs.40,000.
6. A Limited Company issued 2,000 debenture bonds of Rs.100 each at a premium of 10%, repayable at par at the end of the 10th year.

The debenture bonds were payable:

 - 25% on application
 - 25% on allotment (including the premium)
 - Balance on first and final call

All the moneys were received by the company in due course.

You are asked to journalise the above transactions in the books of the company

7. Narayanan & Co. Ltd. purchased assets worth Rs.28,80,000. It issued debentures in satisfaction of the purchase price. Calculate how many debentures will be issued:

(a) Debentures of Rs.100 each issued at a discount of 4%.

(b) Debentures of Rs.80 each issued at a premium of Rs.10 per debenture.

Also pass the journal entries required for the issue of debentures.

Unit-IV

Part-A (5 Marks)

1. What is time ratio and sales ratio?
2. Write short notes on shareholder's funds.
3. Ganesh Ltd., was incorporated on 1st May 2016 to purchase the running business of Vijay and Co., with effect from 1st January 2016. The company obtained certificate of commencement of business on 24th August 2016. Accounts were finalised on 31st December 2016. Calculate the time ratio, if the accounts are to be prepared for pre and post incorporation periods.
4. You are required to calculate the Time ratio for the Pre and Post incorporation periods from the following particulars:
 - (a) Date of Incorporation: 1st June 2019
 - (b) Period of Financial Accounts: April 2019 to March 2020
 - (c) Total wages: Rs. 4,800
 - (d) Number of workers:
Pre-incorporation period: 5
Post-incorporation period: 25Also divide the total wages between the Pre and Post incorporation periods.
5. Ramesh & Raju carrying on a partnership business converted their business into a limited company with effect from 01-01-2016. However, they could complete the legal formalities and incorporate the company only on 1st May 2016. When the accounts were finalised on 31-12-2016, it was noted that sales went up by 50% on average each month after incorporation compared to those before incorporation. Ascertain the sales ratio.

6. From the following balances of XYZ Ltd., prepare the Statement of Profit and Loss:

Particulars	Rs.
Revenue from Operations	8,00,000
Cost of Goods Sold	5,20,000
Administrative Expenses	40,000
Selling Expenses	25,000
Finance Cost	15,000
Other Income	10,000
Income Tax	50,000

7. The following balances relate to ABC Ltd.:

Particulars	₹
Equity Share Capital	6,00,000
General Reserve	80,000
10% Debentures	2,00,000
Land and Building	4,50,000
Plant and Machinery	2,20,000
Inventory	70,000
Trade Receivables	90,000
Cash at Bank	50,000
Trade Payables	60,000

Prepare the Balance Sheet as per Schedule III.

Part-B (15 Marks)

1. How do you apportion various expenses and incomes between pre and post incorporation periods?
2. Give the format of balance sheet as per Revised Schedule VI.

3. A company was incorporated on 1st May 2014 to take over a business as a going concern from 1st January of the same year. The turnover for the year ended 31st December was Rs. 2,00,000, namely Rs. 60,000 for the first period up to 1st May and Rs. 1,40,000 for the following period. From the Profit and Loss Account given below for the year ended 31st December 2014, you are required to ascertain profit prior to incorporation.

Particulars	Rs.	Particulars	Rs.
To Rent & Rates	3,240	By Gross Profit	70,000
To Insurance	720		
To Lighting	2,040		
To Salaries	7,800		
To Directors' Fees	2,000		
To Sales Discount	5,000		
To Sales Commission	10,000		
To General Expenses	2,400		
To Carriage Outwards	3,000		
To Bank Charges	420		
To Repairs	1,380		
To Bad Debts	600		
To Loan Interest	1,200		
To Net Profit	30,200		
Total	70,000	Total	70,000

4. A company was incorporated on 30th June 2014 to acquire the business of Mohan from 1st January 2014. The accounts for the year ended 31st Dec. 2014 disclosed the following:
- There was a gross profit of Rs. 2,40,000.
 - The sales for the year amounted to Rs. 12,00,000, of which Rs. 5,40,000 were for the first six months.
 - The expenses debited to Profit and Loss Account included:

Particulars	Rs.
Directors' fees	15,000
Bad debts	3,600
Advertising (Under a monthly contract of Rs. 1,000)	12,000
Salaries	64,000
Preliminary expenses written off	5,000
Donation to political parties given by the company	5,000

Prepare a statement showing profit made before and after incorporation.

5. The following Trial Balance of Nallis Ltd. as at 30th Dec. 2018 is given to you:

Debits	Rs.	Credits	Rs.
Stock (1.1.2018)	80,000	8,000 equity shares of Rs.100 each, Rs.75 paid	6,00,000
Bank	17,600	6% Debentures	2,00,000
Patents	60,000	Sundry creditors	1,00,000
Calls-in-arrears	20,000	General reserve	80,000
Returns inwards	30,000	Sales	10,00,000
Purchases	7,72,000	Returns outward	20,000
Wages	1,08,000	P & L A/c (Cr.)	12,000
Insurance prepaid	400		
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant & Machinery	4,00,000		
Land & Buildings	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment expenses	60,000		
	20,12,000		20,12,000

Additional information:

- a) The value of stock on 31st Dec. 2018 was Rs. 74,000.
- b) Outstanding wages totalled Rs. 10,000.
- c) A provision 5% is to be created on sundry debtors for doubtful debts.
- d) Depreciate:
 - i. Patents @ 10%
 - ii. Plant & Machinery @ 7½%
 - iii. Land & Buildings @ 4%

You are required to prepare Statement of Profit & Loss for the year ended 31.12.2018 and Balance Sheet as on that date.

6. The following ledger balances were extracted from the books of Varun Ltd. as on 31.3.2013:

Land & Building – Rs.2,00,000
12% Debentures – Rs.2,00,000
Share Capital – Rs.10,00,000 (equity shares of Rs.10 each fully paid up)
Plant & Machinery – Rs.8,00,000
Goodwill – Rs.2,00,000
Investment in shares of Raja Ltd. – Rs.2,00,000
General Reserve – Rs.1,95,000
Stock in Trade – Rs.1,00,000
Bills Receivable – Rs.50,000
Debtors – Rs.1,50,000
Creditors – Rs.1,00,000
Bank Loan (Unsecured) – Rs.1,00,000
Provision for Tax – Rs.50,000
Proposed Dividend – Rs.55,000

Prepare the Balance Sheet of the company as per Revised Schedule VI, Part I of the Companies Act, 1956.

7. Moon and Star Co. Ltd. is a company with an authorised capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each, of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015.

Trial Balance of Moon & Star Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,28,500
Purchases	2,00,000	Discount received	3,350
Wages	70,000	Profit & Loss A/c	6,520
Discount allowed	4,200	Creditors	35,250
Insurance (upto 31.3.2016)	6,720	Reserves	25,000
Salaries	18,500	Loan from Managing Director	15,700
Rent	6,000	Share Capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Statement of Profit & Loss for the year ended 31.12.2015 and a Balance Sheet as on that date.

Further information:

- (a) Closing stock was valued at Rs.1,91,500.
 - (b) Depreciation: Plant @ 15% and Furniture @ 10%
 - (c) A tax provision of Rs.8,000 is considered necessary.
 - (d) The directors declared an interim dividend on 15.8.2015 for six months ending June 30, 2015 @ 6%.
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Unit-V

Part-A (5 Marks)

1. What is internal reconstruction.? Distinguish it from external reconstruction.
2. State the forms of capital reduction.
3. Vasu Ltd. has 10,000 equity shares of Rs. 100 each fully paid. The company reduces the shares to Rs. 70 each. The amount arising from the reduction is utilised to write off:
(a.) Goodwill – Rs. 1,00,000 , (b.) Profit & Loss A/c (Debit balance) – Rs. 1,00,000 and
(c.) Preliminary Expenses – Rs. 20,000.

Pass the necessary journal entries.

4. LMN Ltd. has 5,000 preference shares of Rs. 100 each, fully paid and 10,000 equity shares of Rs. 50 each, fully paid. Under a scheme of capital reduction, Preference shares are reduced to Rs. 80 each and Equity shares are reduced to Rs. 40 each. The amount available is used to write off Goodwill Rs. 60,000 and Profit & Loss A/c Rs. 40,000.
Pass the necessary journal entries.
5. A Ltd. has 25,000 equity shares of Rs. 100 each fully paid. The company decides to reduce the paid-up value to Rs. 80 per share by cancelling Rs. 20 per share. The amount arising from the reduction is utilised to write off Goodwill Rs. 2,00,000 and Profit & Loss A/c Rs. 1,50,000. Pass the necessary journal entries.
6. B Ltd. owes Rs. 2,00,000 to debenture holders. The debenture holders agree to accept 1,500 equity shares of Rs. 60 each and cash of Rs. 50,000 in full settlement of their claim. Pass the necessary journal entry and calculate the amount sacrificed by the debenture holders.
7. ABC Ltd. has an issued capital of 30,000 equity shares of Rs. 100 each, fully paid. The company decided to reconstruct its capital under the following scheme:
 1. The equity shares are to be reduced from Rs. 100 to Rs. 60 each by cancelling Rs. 40 per share.
 2. Goodwill of Rs. 1,50,000 is to be completely written off.
 3. Profit & Loss Account (Debit Balance) of Rs. 2,00,000 is to be completely written off.
 4. Plant and Machinery valued at Rs. 5,00,000 is to be written down by 10%.
 5. Preliminary Expenses of Rs. 30,000 are to be written off.
 6. The balance remaining in the Capital Reduction Account is to be transferred to Capital Reserve Account.

Pass the necessary journal entries in the books of ABC Ltd. to give effect to the above scheme of capital reduction.

Part-B (15 Marks)

1. Explain the procedure for reducing share capital.
2. Discuss the steps in solving the problems related to capital reduction.
3. The share capital of Vishwa Ltd. consists the following: 10,000 6% preference shares of Rs. 100 each and 50,000 equity shares of Rs. 10 each.'

The shares were fully paid up. The company had accumulated losses totalling Rs. 3,50,000 besides preliminary expenses of Rs. 20,000. It was also ascertained that the fixed asset which stood in the books of Rs. 14,00,000 was overvalued to the extent of Rs. 4,00,000. A scheme of capital reduction was approved as follows:

- a) 6% preference shares were to be converted into 7% preference shares of Rs. 60 each.
- b) Equity shares were to be reduced to Rs. 2 each.

Journalise the above transactions.

4. The balance sheet of Gloomy Ltd. was as follows on 30th June 2025:

Liabilities	Rs.	Assets	Rs.
4,000 shares of Rs. 100 each fully paid	4,00,000	Goodwill	60,000
6% debentures	2,00,000	Land & Buildings	1,00,000
Sundry creditors	2,50,000	Plant and Machinery	4,00,000
		Stock	90,000
		Sundry debtors	60,000
		Preliminary expenses	10,000
		Profit & Loss A/c	1,30,000
Total	8,50,000	Total	8,50,000

In order to reconstruct the company, wiping off fictitious and intangible assets and writing down Plant and Machinery to its proper figure of Rs. 3,00,000, the shares were reduced to Rs. 20 each. Court's approval was obtained.

Draft the necessary journal entries and show the balance sheet after the scheme is put through.

5. Sick Ltd. had the following balance sheet as on 31.3.2024:

Liabilities	Rs.	Assets	Rs.
6% Preference shares of Rs. 100 each	2,00,000	Goodwill	60,000
Equity shares of Rs. 100 each	4,00,000	Fixed assets	3,00,000
Debentures	1,00,000	Stock	1,50,000
Sundry creditors	1,50,000	Debtors	60,000
		Discount on debentures	10,000
		Bank	1,000
		P & L A/c	2,69,000
Total	8,50,000	Total	8,50,000

The following reconstruction scheme was approved:

- Preference shares be reduced to 8% preference shares of Rs. 60 each.
- Equity shares to be reduced by Rs. 80 each.
- The amount thus made available to be utilised to write off fictitious assets including goodwill and Rs. 50,000 from fixed assets.

Give entries for the reconstruction and the final balance sheet.

6. Given below is the Balance Sheet of a Company as on 31-3-2024.

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share Capital:		Goodwill	1,20,000
2,000 Preference shares of Rs. 100 each	2,00,000	Fixed Assets	2,50,000
3,000 Ordinary shares of Rs. 100 each	3,00,000	Current Assets	1,80,000
Securities Premium	50,000	Preliminary Expenses	15,000
Other Liabilities	1,50,000	P & L A/c	1,35,000
Total	7,00,000	Total	7,00,000

During 2024-25, the following resolutions were implemented:

- To reduce the Face value of the Preference and Equity shares to Rs. 50 each.
- To write off other assets (except real assets) by utilising securities premium to the required extent.

Prepare the Balance Sheet after the reconstruction and also the journal entries thereon.

7. The following is the balance sheet of Reckless Co. Ltd. as on 31.3.2006

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Subscribed share capital:		Leasehold premises	1,30,800
7,500 preference shares of Rs. 100 each fully paid	7,50,000	Plant	42,200
5,000 equity shares of Rs. 100 each fully paid	5,00,000	Patents	8,50,000
Sundry creditors	30,000	Stock	55,000
Bank overdraft	20,000	Debtors	76,500
		Cash	500
		Preliminary expenses	12,000
		Discount on issue of shares	18,000
		P & L A/c	1,15,000
Total	13,00,000	Total	13,00,000

As the company was not doing well, the following scheme of reconstruction was adopted:

- a) The preference shares be reduced to an equal number of fully paid shares of Rs. 50 each.
- b) The equity shares be reduced to an equal number of shares of Rs. 25 each.
- c) The amount available be used to write off the fictitious assets fully, Rs. 30,800 off the leasehold premises, Rs. 15,000 off stock, 20% off plant and debtors and the balance available off patents.

Journalise and prepare the balance sheet after the reconstruction has been carried out.

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