

Q-3 The following is the Balance Sheet of Shaila ltd. as on 31-3-2017: [15]

Liabilities	Rs.	Assets	Rs.
Paid up capital:		Goodwill	50000
Equity shares of		Patents	25000
Rs.100 each	500000	Land & building	250000
10 cum pref. shares of		Plant & machinery	150000
Rs.10 each fully paid	250000	Investments(market	
Share Premium	50000	value Rs.75000)	50000
10% Debentures	100000	Stock	110000
Outstanding int. on		Debtors	115000
debentures	10000	Good	100000
Bank loan	90000	Doubtful	15000
Creditors	100000	Preliminary exps.	50000
Contingent liability:		Profit & loss A/c	300000
Pref. dividend in			
arrears since 1-4-15	1100000		1100000

The scheme of capital reduction as approved by the court was as under:

- 1.) Each equity share of Rs.100 is to be subdivided into 10 equity shares each of Rs. 10.
 - 2.) After subdivision , equity shares are to be reduced by Rs.3 each and Pref. Shares up to Rs.6 each.
 - 3.) Debenture holders have agreed to waive their outstanding interest.
 - 4.) Pref. shareholders have agreed to accept new equity shares for their 70% dividend in arrears and waived the balance.
 - 5.) 50% creditors have accepted 10% debentures of Rs.25000 as full payment of their dues.
 - 6.) Bank has accepted investments at its market value against the full payments of their loan.
 - 7.) In order to implement the above scheme, land & building is to be revalued to adjust necessary amount if required.
- Pass necessary journal entries and prepare a new balance sheet.