

- (1) Preference shares to be reduced to Rs. 6 and equity shares to be reduced by Rs. 6.
- (2) Debenture holders to waive their outstanding interest.
- (3) The preference share holders to waive their arrears of dividend and Rs. 25000 to be paid to them in lieu thereof
- (4) Goodwill, the profit and Loss A/c (Debit balance) preliminary expenses are to be written off.
- (5) The balance available to be utilised for writing down the value of assets as under

Liabilities	Rs.
Land and Building	100000
Plant and machinery	100000
Patents	150000
Furniture	20000

- (6) Provision for Baddebts to be made at 5% on debtors.
Pass journal entries giving effect to the above scheme and prepare a revised balance sheet.

OR

Q.3 The balance sheet of Anand Ltd. as on 31-3-2017 is as follows :

(15)

Liabilities	Rs.	Assets	Rs.
10% Pref. Shares of Rs. 100 each	150000	Goodwill	82000
Equity share of Rs. 10 each	500000	Land and Building	300000
12% Debentures	160000	Machinery	145000
Accrued interest on Debentures	19200	Investment	35000
Director's Loan	30000	Stock	145000
Creditors	144800	Debtors	40000
<u>Contingent Liability</u>		Bank Balance	147000
Claim against Company for Rs. 46000	--	Preliminary exps	24000
		Profit and Loss A/c	86000
	1004000		1004000

The following scheme of capital reduction was approved and implemented.

- (1) Preference shares to be reduced up to Rs. 90.
- (2) Equity shares to be written down by Rs. 3.
- (3) The debenture holders agreed to forgo their accrued interest and also agreed to accept a piece of land worth Rs. 80000 at Rs. 100000 as part payment.
- (4) The remaining land and building were valued at Rs. 250000.
- (5) Rs. 39000 were realised of investment.
- (6) Reconstruction expenses amounted to Rs. 15000.
- (7) It was decided that company had to pay the claim against itself. For this company adjusted the amount against the loan of a director of Rs. 30000.
- (8) Intangible assets are to be written off Draft journal entries in the books of Anand Ltd. Prepare Balance Sheet after Capital Reduction.