

Ans - The share capital of S.K. Ltd. consisted of 20,000 Equity shares of ₹100 each, fully paid up. The co. has huge accumulated losses amounting to ₹700,000 and goodwill stands at ₹3,00,000. It is resolved to reconstruct the company. As per approval of the court the existing equity shares are reduced to ₹50 and loss and goodwill are written off. Pass necessary journal entries to give effect to the above scheme of reconstruction.

Solution

Date	Particulars	Dr		Cr.	
		L. F.	Amount	Amount	
	Equity Share Cap. A/c (old) Dr		₹ 20,00,000	₹	
	To Equity Share Cap. A/c (New)				10,00,000
	(20,000 × 50)				10,00,000
	To Reconstruction A/c (B.F.)				
	(Being conversion of 20,000 equity shares of ₹100 each into ₹50 each and balance transferred to Reconstruction A/c)				
	Reconstruction A/c Dr		10,00,000		
	To Statement of Profit & Loss A/c				7,00,000
	To Goodwill A/c				3,00,000
	(Being Accumulated loss A/c and goodwill written off as per internal reconstruction scheme)				

The End

By Dr. S.K. Sharma, Dept. of Commerce