

# 11. ACCOUNTING FOR BONUS SHARES

## PROBLEM NO: 1

Journal Entries in the books Bharat Ltd.

	Particulars		Debit (Rs)	Credit (Rs)
1.	Capital Reserve A/c	Dr.	30,000	
	Capital Redemption Reserve A/c	Dr.	25,000	
	Securities Premium A/c	Dr.	30,000	
	General Reserve A/c	Dr.	15,000	
	To Bonus to Shareholders A/c			1,00,000
	(Bonus issue of one share for every four shares held, by utilising various reserves as per Board's resolution dated)			
2.	Bonus to Shareholders A/c	Dr.	1,00,000	
	To Equity Shares Capital A/c (Capitalization of profit)			1,00,000

**Note:** Capital reserve amounting Rs.30,000 realised in cash can only be used for bonus issue.

## PROBLEM NO: 2

Solid Ltd.

Journal Entries

Date 2015	Particulars		Debit (Rs)	Credit (Rs)
April 1	Equity Shares Final Call A/c	Dr.	1,80,000	
	To Equity share capital A/c (Final call of Rs.2 per share on 90,000 equity shares due as per Board's Resolution dated....)			1,80,000
April 20	Bank A/c	Dr.	1,80,000	
	To Equity Shares Final Call A/c (Final Call money on 90,000 equity shares received)			1,80,000
April 20	Securities Premium A/c	Dr.	25,000	
	General Reserve A/c	Dr.	1,20,000	
	Profit and Loss A/c	Dr.	80,000	
	To Bonus to Shareholders A/c (Bonus issue @ one share for every four shares held by Utilising various reserves as per Board's Resolution Dated.....)			2,25,000
April 20	Bonus to Shareholders A/c	Dr.	2,25,000	
	To Equity Share Capital A/c (Capitalization of profit)			2,25,000

**Balance Sheet (Extract) as on 30<sup>th</sup> April, 2015 (after bonus issue)**

	Particulars	Notes	Amount (Rs.)
	<b>Equity and Liabilities</b>		
1	<b>Shareholders' funds</b>		
a.	Share capital	1	12,05,000
b.	Reserves and Surplus	2	1,95,000
2	<b>Non-current liabilities</b>		
a.	Long-term borrowings	3	5,00,000
	<b>Total</b>		<b>19,00,000</b>

**Notes to Accounts:**

	Share Capital		
	Equity share capital:		

Authorised share capital 1,25,000 Equity shares of Rs.10each		12,50,000
Issued, subscribed and fully paid share capital 1,12,500 Equity shares of Rs.10each,fully paid (Out of above, 22,500 equity shares @ Rs.10 each were Issued by way of bonus) (A)		11,25,000
Preference share capital Authorised share capital 10,000, 12% Preference shares of Rs.10 each Issued, subscribed and fully paid share capital 8,000 12% Preference shares of Rs.10 each (B)		80,000
<b>Total (A + B)</b>		<b>12,05,000</b>
<b>Reserves and Surplus:</b>		
Revaluation Reserves		35,000
Securities Premium	20,000	
Less: Utilised for bonus issue	(20,000)	-
General reserve	1,60,000	
Less: Utilised for bonus issue	(1,60,000)	-
Profit & Loss Account	2,05,000	
Less: Utilised for bonus issue	(45,000)	1,60,000
<b>Total</b>		<b>1,95,000</b>
Long Term Borrowings Secured 12% Debentures @ Rs.100each		5,00,000

**PROBLEM NO: 3****Journal Entries in the Books of Trinity Ltd.**

	Particulars	Rs.	Rs.
1.	Securities Premium A/c Dr.	10,000	
	To Premium on Redemption of Preference shares A/c (Being amount of premium of Payable on redemption of preference shares)		10,000
2.	10% Redeemable Preference Capital A/c Dr.	1,00,000	
	Premium on redemption of Preference Shares A/c Dr.	10,000	
	To Preference Shareholders A/c ( Being the amount payable to preference shareholders on Redemption)		1,10,000
3.	General Reserve A/c Dr.	1,00,000	
	To Capital Redemption Reserve A/c (Being transfer to the latter account on redemption of shares)		1,00,000
4.	Bank A/c Dr.	90,000	
	Profit & Loss A/c Dr.	10,000	
	To Investments A/c (Being amount realised on sale of Investments and Loss thereon adjusted)		1,00,000
5.	Preference shareholders A/c Dr.	1,10,000	
	To Bank A/c (Being payment made to preference shareholders)		1,10,000
6.	Capital Redemption Reserve A/c Dr.	1,00,000	
	To Bonus to Shareholders A/c ( Being Amount adjusted for issuing bonus share in ratio of 1:1)		1,00,000
7.	Bonus to Shareholders A/c Dr.	1,00,000	
	To Equity Share Capital A/c (Being Balance on former account transferred to latter)		1,00,000

**THE END**