**Example 4(*balance sheet before Bonus Issue*)**

Following is the balance sheet of A Ltd as on 31.3.19

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Asset | Amount |
| Share Capital  5,000 shares of Rs.100  each, Rs. 60 paid  Security Premium  Reserve  Profit and Loss  Creditors | 3,00,000  40,000  2,70,000  1,25,000  2,65,000  10,00,000 | Sundry Assets | 10,00,000  10,00,000 |

The company resolves to distribute Rs 1, 50,000 as bonus to be utilized in paying up a call Of Rs 30 per share. Minimum reduction is to be made from free reserves. Pass Journal entries and show balance sheet after bonus issue.

***Working Note:***

1. Since the shares are partly paid, bonus issue cannot be made unless they are made fully paid by making a final call of Rs.40 per share.

2. Out of the call of Rs.40 bonus issue is only to the extent of Rs. 30. The balance of the amount

Rs.50, 000 (i.e., 10 x 5,000) is assumed to be received in cash.

3. Since minimum reduction is to be made from the free reserves, it is assumed that entire balance of profit and loss is utilized.

4. Security premium cannot be utilized for the purpose.

**Journal**

|  |  |  |
| --- | --- | --- |
| Profit and Loss Dr.  Reserve A/c Dr.  To Bonus to Shareholders A/c  (Declaration of bonus out of P&L and free reserves) | 1,25,000  25,000 | 1,50,000 |
| Share Final call A/c Dr.  To Equity share Capital A/c  (Final call made on 5000 shares @ Rs 40 per share) | 2,00,000 | 2,00,000 |
| Bonus to shareholders A/c Dr.  Cash A/c Dr.  To Share Final Call A/c  (Utilization of bonus to convert the partly paid shares in to fully paid shares) | 1,50,000 | 3,00,000 |

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Notes to A/C** | **Amount** |
| 1. **Assets**   Sundry Assets  **TOTAL ASSETS** | 1 | 10,50,000  10,50,000 |
| 1. **Equity and Liabilities** 2. **Equity** 3. Share Capital 4. Other Equity (Retained Earnings) 5. **Current Liabilities**   Sundry Creditors  **TOTAL EQUITY AND LIABLITIES** | 2  3  - | 5,00,000  2,85000  2,65,000  8,90,000 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Note No.** | **Particulars** |  | **Amount** |
| 1  2  3 | **Sundry Assets**  (10,00,000+cash 50,000)  **Share Capital:**  5,000 Equity shares of Rs. 100 each fully paid  **Other Equity (Retained Earnings)**  Security Premium(15,000-10,000)  Reserve (270000-25,000) | 40,000  2,45,000 | **1,50,000**  **5,00,000**  **2,85,000** |