

**Module 10 Accounting Procedures and journal Entries - Part 1****Model Accounting Entries**

<b>Transaction</b>	<b>Accounting Entry</b>
1. When the face value of shares is changed:	Share Capital A/c (old) Debit (with paid up value of old shares)
	To Share Capital A/c (New) (with paid up value of new shares)
	To Capital Reduction A/c (with difference)
2. When there is reduction in share capital (face value of shares is not changed):	Share Capital A/c (old) Debit
	To Capital Reduction A/c (with the amount of reduction)
3. When any sacrifice is made by Debenture holders:	Debentures A/c Debit (with sacrifice)
	To Capital Reduction A/c
4. When any sacrifice is made by Creditors:	Creditors A/c Debit (with sacrifice)

	To Capital Reduction A/c
5. When the value of any asset is appreciated:	Asset A/c      Debit (with appreciation in asset)
	To Capital Reduction A/c
6. When Capital Reduction is utilised for writing off fictitious assets, losses and excess value of other assets:	Capital Reduction A/c Debit
	To Profit & Loss A/c
	To Goodwill A/c
	To Preliminary Expenses A/c
	To Discount on Shares/ Debentures A/c
	To Other Assets A/c
7. When shares are consolidated:	Share Capital A/c Debit                      (say Rs.10)
	To Share Capital A/c (say Rs.100)
8. When shares are sub-divided:	Share Capital A/c Debit                      (say Rs.10)
	To Share Capital A/c (say Rs.100)
9. When shares are converted into	Debit Share Capital A/c

stock	Credit Share Stock A/c
10. When shares are surrendered:	Share Capital A/c Debit
	To Shares surrendered a/c
11. When shares are converted into preference shares and issued to Creditors and unissued surrendered shares are cancelled	a) Shares surrendered A/c Debit
	To Preference Share Capital A/c
	b) Creditors A/c Debit
	To Capital Reduction A/c
	c) Share Surrendered A/c Debit
	To Capital Reduction A/c
12. When an unrecorded liability is paid for:	Capital Reduction A/c Debit
	To Bank A/c

13. When recorded liability is paid for:	Liability A/c Debit
	To Bank A/c
<b>Note:</b> Any profit or loss should be transferred to Capital Reduction Account	
14. When Contingent Liability is paid for	Capital Reduction A/c Debit
	To Bank A/c
15. When recorded asset is disposed off:	Bank A/c Debit
	To Asset A/c
<b>Note:</b> Any profit or loss on sale should be transferred to Capital Reduction Account	
16. When an unrecorded asset is sold off:	Bank A/c                      Debit
	To Capital Reduction A/c
17. When Reconstruction expenses are paid:	Capital Reduction A/c Debit
	To Bank A/c
18. When finance is raised by issue	Bank A/c                      Debit

of shares:	To Share Capital A/c
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19. When arrears of preference dividend are cancelled:	No Entry
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20. When arrears of preference dividend are settled by issue of deposit certificates/ cash / shares	Capital Reduction A/c Debit
	To Deposit Certificates/ Cash / Share Capital A/c

21. When new debentures are exchanged for old debentures	Old Debentures A/c    Debit
	To New Debentures A/c

### **Important Notes:**

1. The basic purpose of Internal Reconstruction Scheme is to write off all heavy losses. Therefore all Fictitious Assets like the debit balance of P &L A/c , Preliminary expenses, Underwriting Commission, Discount on Issue of Shares/ Debentures should be written off whether given in adjustment or not.

2.Capital Reduction A/c must not leave any balance. If credit is more, balance on debit side is to be transferred to Capital Reserve A/c. If by chance debit total is more, do look at an additional adjustment in the Question.

3. Consider each item in the original Balance sheet and revised it in the light of given adjustments and show the revised value in the Revised Balance Sheet

The word "BY" stands for the value of Capital Reduction and "To" represents New (revalued) Value.

Intangible Assets like Goodwill Patents etc to be written off only if given in adjustment

