Buy back of shares.

Sec 68.

1) A co. can buyback its securities out of
   a). free Reserve ⟶ FR Dr to Cap Res Res.
   b). Sec premium a/c.
   c) new share issue

2). (a) BB must be authorised by articles.
   (b). a Sp. resolution is passed in GM

BODM BB ≤ 10% (Paid up Equity Capital + FR.)

GM. BB ≤ 25% (Paid up capital + FR)

Provided that BB of Equity shares in one financial year ≤ 25% Total Equity Capital.

(a) Debt Equity ≤ 2:1

→ BB can be out of.

i) ~~odd lot~~

ii) existing S/H (directors)

iii) open market (SE)

iv) Existing employees.

→ The shares shall ~~can~~ be physically destroyed within seven days.

Expl II: For purpose of this section, free Reserve include security premium a/c.

BB Accounting

at Par @10

Sh. Capital Dr 10

to Bank 10.

at premium @12

Sh. capital Dr 10

Sec prem/FR Dr 2

to Bank 12

at Discount @9

Sh. capital Dr 10

to Bank 9

to Cap Res 1

Q4

Pref Sh. capital Dr 150
to Pref S/H 150

Rev Res Dr 150
to Capital Red Res 150

Pref S/H Dr 150
to Bank 150

Eq Sh. capital Dr 10
Sec prem Dr 40
to Bank 50

FV

Res Res Dr 10
to Cap Red Res 10

Q5/ (a) Bank Dr 30000
P&L Dr 10000
to Investment 40000.

Eq Sh Cap Dr 25000
to Bank 25000.

GR Dr 25000
to CRR 25000

(b) P&L Dr 2000
to Tax payable 2000

debt = 80 + 30 + 260 = 370.

FR = GR + P&L + IAR + Secprem. = 148
110 (20-10-2) 20. 10

i) TBB ≤ 25% (Paidup cap + FR)

BB ≤ 25% (100000 + 10000 + 148000 − 20000)

≤ 59500.

ii) BB ≤ 25% Eq sh. capital.
of Equity

≤ 25% 100000 = 25000.

iii) $\frac{\text{debt}}{\text{Equity}} = 2$ $\frac{\text{debt}}{2} = \text{Equity}$.

$185000 = \frac{370000}{2} =$ S/H fund. (Paidup cap + FR)

Existing S/H fund = 100000 + 10000 + 148000 − 20000

= 238000

S/H Required	185000
BB	53000

The maximum Buyback is 25000 Equity shares.

if i) authorised by articles to buyback shares

ii) Sp resolution passed in General Meeting

~~Q5~~

Balance Sheet.
ABC limited.
as on 31.3.08 (after Proposed buyback)

S/H fund.	
Eq Sh. capital (₹ 10)	~~25000~~
Pref Sh. Cap (₹ 10).	10000
Security premium.	10000
Capital Res Res	29000
Debn red. res	40000
Invt all. Reserve	36000
General Reserve	85000.
P&L	8000.
— misc. Expd	(20000)
Noncurrent liab	
10% debn	80000
Term loan	30000
Unsec LT loan	260000
Current liab	
CL & prov	10000
Tax payable	2000
Noncurrent Assets	
Goodwill	20000
Fixed asset	300000.
Current Asset	
Investment	80000
Other CA 250000	
+ 30000	
— 25000	255000
	655000.

(a) BB $\leq$ 25% [Paid up cap + FR]

(b) BB of Equity $\leq$ 25% [Eq Sh. capital]

(c). debt $\leq$ 2 (Paid up cap + FR]

] wel

$\frac{\text{debt}}{2} \leq$ PUC + FR.

Paid up cap = 1980.

FR = GR 1440 + Sec prem 540 + P&L 540

= 2520.

	Loan = 10800	Loan = 7200	Loan = 9000
1.(a) BB ≤ 25% (PUC+FR)	BB ≤ 25% (1980 + 2520) BB ≤ 1125	1125	1125
(b) BB ≤ 25% & sh.	BB ≤ 25% 1980 ≤ 495	495	495
(c) Existing PUC+FR	1980+2520 = 4500	4500	4500
Reqd PUC+FR ≥ debt/2	10800/2 = 5400	7200/2 = 3600	9000/2 = 4500
BB allowed	0	900	0
lesser (Rs)	0.	495/10 = 49.5	0
Max no. of shares	0	900/30 = 30	

BB TEST

i) $BB_1 \leq 25\% (PUC + FR)$

No. of shares = $\frac{BB_1}{MV}$

ii) BB_2 of Equity $\leq$ 25% Eq sh. Cap.

No. of Eq share = $\frac{BB_2}{FV}$

iii) Existing PU Capital + FR

− Required PU Capital + FR = $\frac{debt}{2}$

BB_3 allowed.

No. of shares = $\frac{BB_3}{MV}$

which ever is lesser