

Equity Share of ₹ 10 each converted into of ₹ 8 each as per board resolution.  
 The paid up share Capital i.e. ₹ 6 per share of the company will remain unchanged.

② By reducing only paid up value.

For example:- A ltd having 10,000 share of ₹ 10 each, fully paid up, decided to reduce paid up value [₹ 10] to ₹ 8, The entry will be

Share Capital	20,000	
To Capital Reduction A/c		20,000

③ By reducing both face value & paid up value

For example B Ltd having 10,000 share of ₹ 10 each fully paid, decided to reduce face value of ₹ 10 each to ₹ 8, fully paid.  
 The entry will be -

Share Capital A/c	10,000 x 10	1,00,000	
To Share Capital	10,000 x 8		80,000
To Capital Reduction A/c			20,000

④ By paying off the surplus excess paid up capital:-

For example - weak ltd having 1000 equity share of ₹ 10 each fully paid up decided to refund to its members ₹ 3 per share and make share of ₹ 7 each fully paid up, you will require to pass the necessary journal entry:-

Equity Share Capital	1000 x 10	10,000	
To Equity Share Capital	1000 x 7		7000
To Equity Shareholders A/c	1000 x 3		3000

ii) Payment to Equity Shareholders

Equity Shareholders A/c	3000	
To Bank		3000



Surrender of Share under informal reconstruction.

Scheme, The shareholders may be required to surrender (or sacrifice) a part of their share holding to the company. Such surrendered share may be re-issued to other parties in whole or part satisfaction of their claims, unissued or surrendered shares are cancelled.

Following entries are passed in this connection:

(i) When share are surrendered.

Share Capital A/c      Dr  
To Share Surrendered A/c

② If Debentureholders, Creditors, etc. give up their claim to receive some shares in satisfaction of their claim [out of above surrendered shares]

[The entry will be]

Sacrifice by the Debentureholders      Creditors

X% Debentures/ Creditors A/c      Dr  
Outstanding/ Accrued Interest A/c (if any)      Dr  
To Capital Reduction (with full claim)

When some shares are issued to debentureholders credit out of surrendered shares -

Share Surrendered A/c      Dr  
To Share Capital A/c (with the value of share issued)

When surrendered shares are converted into pre shares setting external liabilities

Share Surrendered A/c      Dr  
To pre. Share Capital

For transferring balance of surrendered share A/c to Capital Reduction A/c

Share Surrendered A/c      Dr  
To Capital Reduction A/c