



Competency 12.0 – Prepares Financial Statements for a Limited Company.

Competency Level 12.3 – Accounting for Reserve Capitalization and right issue.

**Annexure 12.3.3**

**Thilakshana PLC**  
**Statement of financial position as at 01.01.2018**  
**(Extracts)**

	(Rs.' 000)
Stated capital	
Ordinary share capital at Rs. 50/-	5 000
Reserves	
Retained earnings	3 000

Above equity details are appeared from the following decisions made by board of directors.

- Right issue of ordinary shares at a ratio of 4 : 1 for a consideration of Rs. 50/-
- Reserve capitalization after the right issue considering all available shares at a ratio 5 : 1 at a consideration at Rs. 50/-

**Required :**

1. Journal entries to record above transactions
2. General ledger accounts to record above transactions

- Differentiating right issue and reserve capitalization
- Stating similarities between right issue and reserve capitalization
- Preparing a Journal Entries for right issue and reserve capitalization using an example.
- Preparing accounts relating to right issue and reserve capitalization
- Preparing statement of financial position after the right issue and reserve capitalization

