

CHAPTER - 5

ACCOUNTING OF SHARING CAPITAL

Test Your Understanding I

• State which of the following statements are true

(a) A company is formed according to the provisions of Indian Companies Act, 1932.

Answer False

(b) A company is an artificial person.

Answer True

(c) Shareholders of a company are liable for the acts of the company.

Answer False

(d) Every member of a company is entitled to take part in its management.

Answer False

(e) Company's shares are generally transferable.

Answer True

(f) Share application account is a personal account.

Answer True

(g) The director of a company must be a shareholder.

Answer True

(h) Application money should not be less than 25% of the face value of shares.

Answer False

(i) Paid-up capital can exceed called-up capital. .

Answer True

(j) Capital reserves are created from capital profits.

Answer True

(k) Securities premium account is shown on the assets side of the balance sheet.

Answer False

(l) Premium on issue of shares is a capital loss.

Answer False

(m) At the time of issue of shares, the maximum rate of securities premium is 10%.

Answer False

(n) The part of capital which is called-up only on winding up is called reserve capital.

Answer True

(o) Forfeited shares can not be issued at a discount.

Answer False

(p) The shares originally issued at discount may be re-issued at a premium.

Answer True

Do it Yourself I

Question 1. On January 01, 2006, a limited company was incorporated with an authorised capital of Rs.40,000 divided into shares of Rs.10 each. It offered to the public for subscription of 3,000 shares payable as follows

Rs.

On Application 3 per share

On Allotment 2 per share

On First Call (One month after allotment) 2.50 per share

On Second and Final Call 2.50 per share

The shares were fully subscribed for by the public and application money duly received on January 15, 2006. The directors made the allotment on February 1, 2006.

How will you record the share capital transactions in the books of a company if the amounts due has been duly received, and the company maintains the combined account for application and allotment.

Answer

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
2006 Jan 15	Bank A/c Dr To Share Application and Allotment A/c (Being application money received on 3,000 share @ ₹ 5 each)		15,000	15,000
	Share Application A/c Dr To Share Capital A/c (Being application money transferred to share capital)		15,000	15,000
Mar 1	Share First Call A/c Dr To Share Capital A/c (Being money due on 3,000 shares @ 2.50 each)		7,500	7,500
	Bank A/c Dr To Share First Call A/c (Being first call money received)		7,500	7,500
	Share II nd and Final Call A/c Dr To Share Capital A/c (Being money due on 3,000 shares @ 2.50 each)		7,500	7,500
	Bank A/c Dr To Share II nd and Final Call A/c (Being final call money received)		7,500	7,500

Note Entries for share application and share allotment are made separately but in this question they are taken together is single entry according to the requirement of the question.

Do it Yourself II

1. A company issued 20,000 equity shares of Rs.10 each payable at Rs.3 on application, Rs.3 on allotment, Rs.2 on first call and Rs.2 on second and the final call. The allotment money was payable on or before May 01, 2005; first call money on or before August 1st, 2005; and the second and final call on or before October 1st, 2005; 'X', whom 1,000 shares were allotted, did not pay the allotment and call money; 'Y', an allottee of Rs.600 shares, did not pay the two calls; and 'Z', whom 400 shares were allotted, did not pay the final call. Pass journal entries and prepare the Balance Sheet of the company as on December 31, 2005.

Answer

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Bank A/c Dr To Share Application A/c (Being application money received on 20,000 share @ 3 each)		60,000	60,000
	Share Application A/c Dr To Share Capital A/c (Being application money transferred to share capital)		60,000	60,000
2005 May 1	Share Allotment A/c Dr To Share Capital A/c (Being allotment money due on 20,000 share @ 3 each)		60,000	60,000
	Bank A/c (19,000 × 3) Dr Call to Arrear A/c (1,000 × 3) Dr To Share Allotment A/c (Being allotment money received except for 1,000 shares)		57,000 3,000	60,000
Aug 1	Share 1 st Call A/c Dr To Share Capital A/c (Being 1 st call money due on 20,000 shares @ 2 each)		40,000	40,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Bank A/c (18,400×2) Dr		36,800	
	Calls-in-Arrears A/c (1,600×2) Dr		3,200	
	To Share in Call A/c			40,000
	(Being 1st call money received except for 1,600 shares (1,000 of X and 600 of Y))			
Oct 1	Share IInd Final Call A/c Dr		40,000	
	To Share 1st Capital A/c			40,000
	(Being money due on II call on 20,000 shares @ 2 each)			
	Bank A/c (18,000×2) Dr		36,000	
	Calls-in-Arrears A/c (2,000×2) Dr		4,000	
	To Share IInd and Final Call A/c			40,000
	(Being money received on IInd call except for 2,000 shares (X-1,000, Y-600, Z-400))			

Balance Sheet
as on December 31, 2005

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Authorised Share Capital Issued, Subscribed, Callesd-up and Paid-up Capital		Current Assets	
20,000 Shares @ 10 each 2,00,000		Cash at Bank	1,89,800
(-) Calls-in-Arrear (10,200)			
(3,000+3,200+4,000)	1,89,800		
	1,89,800		1,89,800

2. Alfa company Ltd. issued 10,000 shares of Rs.10 each for cash payable at Rs.3 on application, Rs.2 on allotment and the balance in two equal instalments. The allotment money was payable on or before March 3, 2006; the first call money on or before 30 June, 2006; and the final call money on or before 31st August, 2006. Mr. 'A', whom 600 shares were allotted, paid the entire remaining face value of shares allotted to him on allotment. Record journal entries in company's books and also prepare their balance sheet on the date.

Answer

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Bank A/c Dr		30,000	
	To Share Application A/c			30,000
	(Being application money received on 10,000 shares @ ₹ 3 each)			
	Share Application A/c Dr		30,000	
	To Share Capital A/c			30,000
	(Being application money transferred to share capital)			
2006 March 3	Share Allotment A/c Dr		20,000	
	To Share Capital A/c			20,000
	(Being money due on allotment on 10,000 shares @ 2 each)			
	Bank A/c (10,000×2+600×5) Dr		23,000	
	To Share Allotment A/c Dr			20,000
	To Calls in Advance A/c			3,000
	(Being allotment money received along with advance payment on 600 shares @ 5 each)			

June 30	Share 1st Call A/c	Dr	25,000	
	To Share Capital A/c			25,000
	(Being 1st call due on 10,000 shares @ 2.50 each)			
	Bank A/c	Dr	23,500	
	Calls in Advance A/c	Dr	1,500	
	To Share 1st Call A/c			25,000
Aug 31	(Being 1st call money received except for 600 shares (received as advance))			
	Share 2nd and Final Call A/c	Dr	25,000	
	To Share Capital A/c			25,000
	(Being money due on final call on 10,000 shares @ 2.50 each)			
	Bank A/c	Dr	23,500	
	Calls in Advance A/c	Dr	1,500	
	To Share 2nd and Final Call A/c			25,000
	(Being money received on final call except for 600 shares received on allotment as advance)			

Balance Sheet
as on August 31, 2006

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Authorised Capital	–	Current Assets	
Issued, Subscribed, Called-up and Paid-up Capital		Cash at Bank	1,00,000
10,000 Shares @ 10 each	1,00,000		
	1,00,000		1,00,000

Test your Understanding – II

Choose the Correct Answer.

(a) Equity share holders are :

- (i) creditors
- (ii) owners
- (iii) customers of the company.

Answer (ii) Owners

(b) Nominal share capital is :

- (i) that Part of the authorised capital which is issued by the company.
- (ii) the amount of capital which is actually applied for by the prospective shareholders.
- (iii) the maximum amount of share capital which a company is authorised to issue.

Answer (iv) the amount actually paid by the shareholders.

(c) Interest on calls-in-arrears is charged according to "Table A" at :

- (i) 5%
- (ii) 6%
- (iii) 8%
- (iv) 11%

Answer (i) 5%

(d) Money received in advance from shareholders before it is actually called-up by the directors is :

- (i) debited to calls-in-advance account
- (ii) credited to calls-in-advance account
- (iii) debited to calls account.

Answer (ii) Credited to calls account

(e) Shares can be forfeited

- (i) for non-paymnt of call money
- (ii) for failure to attend meetings
- (iii) for failure to repay the loan to the bank
- (iv) for which shares are pledged as a security.

Answer (i) For non-paymntof call money

(f) The balance of share forfeited account after the reissue of forfeited shares is transferred to

- (i) general reserve
- (ii) capital redemption reserve
- (iii) capital reserve
- (iv) reveueue reserve

Answer (iii) Capital

(g) Balance of share forfeiture account is shown in the balance sheet under the item :

- (i) current liabilities and provisions
- (ii) reserves and surpluses
- (iii) share capital account
- (iv) unsecured loans

Answer (iii) Share capital account

Do it Yourself III

1. A company forfeited 100 equity shares of Rs.10 each issued at a premium of 20% for non-payment of final call of Rs.5 including the premium. Show the journal entry to be passed for forfeiture of shares.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c (100 × 10) Dr		1,000	
	Securities Premium A/c (100 × 2) Dr		200	
	To Share Final Call A/c (100 × 5)			500
	To Share Forfeiture A/c			700
	(Being 100 shares forfeited for non payment of final call ₹ 3 + premium ₹ 2)			

2. A company forfeited 800 equity shares of Rs.10 each issued at a discount of 10% for non-payment of two calls of Rs.2 each. Calculate the amount forfeited by the company and pass the journal entry for forfeiture of the shares.

Answer

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c (800 × 10) Dr		8,000	
	To Calls-in-Arrears A/c (800 × 4)			3,200
	To Discount on Issue A/c (800 × 1)			800
	To Share Forfeiture A/c (800 × 5)			4,000
	(Being 800 shares forfeited for non payment of two calls of ₹ 2 each issued at discount 10%)			

Do it Yourself IV

Excell Company Limited made an issue of 1,00,000 Equity Shares of Rs.10 each, payable as follows :

Rs.

On Application Rs.2.50 per share

On Allotment Rs.2.50 per share

On Ist and Final Call Rs.5.00 per share

X, the holder of 400 shares did not pay the call money and his shares were forfeited. Two hundred of the forfeited shares were reissued as fully paid at Rs.8 per share. Draft necessary journal entries and prepare Share Capital and Share Forfeited' accounts in the books of the company.

Answer

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Bank A/c (1,00,000 × 2.50) To Equity Share Application A/c (Being application money received on 1,00,000 equity shares @ 2.50 each)	Dr	2,50,000	2,50,000
	Equity Share Application A/c To Equity Share Capital A/c (Being application money transferred to share capital)	Dr	2,50,000	2,50,000
	Equity Share Allotment A/c (1,00,000 × 2.50) To Equity Share Capital A/c (Being allotment money due on 1,00,000 shares @ 2.50 each)	Dr	2,50,000	2,50,000
	Bank A/c To Equity Share Allotment A/c (Being allotment money received in full)	Dr	2,50,000	2,50,000
	Equity Share Ist and Final Call A/c (1,00,000 × 5) To Equity Share Capital A/c (Being final call due on 1,00,000 shares @ 5 each)	Dr	5,00,000	5,00,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Bank A/c (99,600 × 5) To Equity Share Ist and Final Call A/c (Being money received on final call except for 400 shares)	Dr	4,98,000	4,98,000
	Share Capital A/c (400 × 10) To Equity Share Ist and Final Call A/c (400 × 5) To Share Forfeiture A/c (Being 400 shares forfeited for non-payment of final call)	Dr	4,000	2,000 2,000
	Bank A/c (200 × 8) Share Forfeiture A/c (200 × 2) To equity share Capital A/c (200 × 10) (Being 200 equity shares reissued @ 8 each fully paid up)	Dr Dr	1,600 400	2,000
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)	Dr	600	600

Working Note Amount received on 200 shares = $200 \times 5 = 1000$
 (-) Amount used on reissue of 200 shares = (400)
 Amount transferred to capital reserve 600

Test your Understanding – III

- (a) If a Share of Rs. 10 on which Rs. 8 is called-up and Rs. 6 is paid is forfeited. State with what amount the Share Capital account will be debited.
- (b) If a Share of Rs. 10 on which Rs. 6 has been paid is forfeited, at what minimum price it can be reissued.
- (c) Allhuwalia Ltd. issued 1,000 equity shares of Rs. 100 each as fully paid-up in consideration of the purchase of plant and machinery worth Rs. 1,00,000. What entry will be recorded in company's journal.

Answer

- (a) On forfeiture, share capital is debited with called up amount i.e., X 8.
- (b) The total price of money collected from 1st issue and reissue should be equal to face value atleast. It can exceed also. The share can be reissue for minimum ? 4 per share.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Plant and Machinery A/c Dr To Vendor A/c (Being plant and machinery purchased and money due on vendor)		1,00,000	1,00,000
(ii)	Vendor A/c Dr To Share Capital A/c (Being vendor paid in form of shares)		1,00,000	1,00,000

Do it Yourself V

Journalise the following :

- (a) The directors of a company forfeited 200 equity shares of Rs. 10 each on which Rs. 800 had been paid. The Shares were re-issued upon payment of Rs. 1,500.
- (b) A holds 100 shares of Rs. 10 each on which he has paid Re. 1 per share on application. B holds 200 Shares of Rs. 10 each on which he has paid Re. 1 on application Rs. 2 on allotment. C holds 300 shares of Rs. 10 each who has paid Re. 1 on applications, Rs. 2 on allotment and Rs. 3 on first call. They all failed to pay their arrears and second call of Rs. 4 per share as well. All the shares of A, B and C were forfeited and subsequently reissued at Rs. 11 per share as fully Paid-up.

Answer (a)

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c (200 × 10) Dr To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 200 shares forfeited for non-payment of ₹ 1200)		2,000	1,200 800
	Bank A/c Dr Share Forfeiture A/c Dr To Share Capital A/c (Being 200 shares reissued for ₹ 1,500)		1,500 500	2,000
	Share Forfeiture A/c Dr To Capital Reserve A/c (Being balance of share forfeiture transferred to capital reserve)		300	300

(b)

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c (600 × 10) Dr To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 600 shares forfeited)		6,000	3,500 2,500
	Bank A/c (600 × 11) Dr To Share Capital A/c (600 × 10) To Securities Premium A/c (600 × 1) (Being 600 shares reissued @ 11 each)		6,600	6,000 600
	Share Forfeiture A/c Dr To Capital Reserve A/c (Being balance of share forfeiture transferred to capital reserve)		2,500	2,500

Working Note

	Shares	Application	Allotment	1st Call	Final Call
		₹ 1	₹ 2	₹ 3	₹ 4
A	100	✓	×	×	×
B	200	✓	✓	×	×
C	300	✓	✓	✓	×

Amount Received	600×1	500×2	300×3	600×0	Total
	= 600	= 1,000	= 900	= -	2,500
Amount not Received	-	100×2	300×3	600×4	
		= 200	= 900	= 2,400	3,500

Short Answer Type Questions**Question 1. What is public company?**

Answer Minimum requirement of a public company is seven person. As per the Section 3 (1) (iv) of Companies Act 1956, public company is a company which (a) is not a private company, (b) has minimum capital of ₹ 5 lakh or such higher paid-up capital as may be prescribed, and (c) is a private company which is a subsidiary public company.

Question 2. What is private limited company?

Answer As per Section 3 (1) (iii) of Companies Act 1956, A private company is one which has a minimum paid up capital of ₹ 1 lakh or such higher paid-up capital as may be prescribed by its Articles

- (i) Restricts the right to transfer its shares.
- (ii) Limits the number of its members to fifty (excluding its employees).
- (iii) Prohibits any invitation to the public to subscribe for any shares in or debentures of the company.
- (iv) Prohibits any invitation or acceptance of deposits from person other than its members, directors and relatives.

Question 3. Define Government Company.

Answer Section 617 of Companies Act 1956 defines Government Company as a company in which not less than 51% of the paid up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government Company.

Question 4. What do you mean by a listed company?

Answer Listed companies are those companies whose shares are listed on a recognised stock exchange for public trading. When a company's security is listed in a recognised stock exchange the price fluctuation can easily be observed by the investor and he/she can easily determine the increase/decrease in value of their investment in a concerned listed company. This is the only reason that the volume remain high in case of a listed company as all the moves can be observed and investment strategy can easily be planned in that company.

Question 5. What are the uses of securities premium?

Answer When securities like shares and debentures are issued to public more than their face value the excess is called security premium. As per the Section 78 of the Companies Act 1956, the amount of securities premium can be used by the company for the following purposes

- (i) For paying up unissued shares of the company to be issued to members (shareholders) of the company as fully paid bonus share.
- (ii) For writing off the preliminary expenses of the company.
- (iii) For writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.
- (iv) For paying up the premium that is to be payable on redemption of preference shares or debentures of the company.
- (v) Further, as per the Section 77A, the securities premium amount can also be utilised by the company to buy-back its own shares.

Question 6. What is buy-back of shares?

Answer When a company repurchase its own share from the market to reduce the number of share it is called buy-back of shares. As per the Section 77A of the Companies Act, 1956 the procedure for buy back of share would be as follows

- (i) First of all the Articles of the Association must authorise the company for the buy-back of shares.
- (ii) A special resolution must be passed in the companies' Annual general body meeting.
- (iii) The amount of buy-back of shares should not exceed 25% of the paid-up capital and free reserves.
- (iv) The debt-equity ratio should not be more than a ratio of 2:1 after the buyback.
- (v) All the shares of buy-back should be fully paid-up.
- (vi) The buy-back of the shares should be completed within 12 months from the date of passing the special the resolution.
- (vii) The company should file a solvency declaration with the Registrar and SEBI which must be signed by at least two directors of the company. –

Sources for Buy-back of Share

- (i) Free reserves.
- (ii) Securities premium account.
- (iii) Proceeds of any shares or other specified securities, provided that no buy-back of any kind of shares or other specified securities shall be made out of the proceeds of the earlier issues of the similar kind of shares or specified securities.

Question 7. Write a brief note on 'Minimum Subscription'

Answer When shares are issued to the general public, it is necessary that the minimum subscription amount should be subscribed so that the company can allot shares to the applicants. This minimum amount of share subscription is termed as minimum subscription. As per the Company Act 1956, the minimum subscription of share cannot be less than 90% of the issued amount. If the minimum subscription is not received, the company cannot allot shares to its applicants and it shall immediately refund the entire application amount received to the public.

e.g., if a company issued 1,00,000 equity share than at least 90,000 share must be subscribed by the public.

Long Answer Type Questions

Question 1. What is meant by the word 'Company'? Describe its characteristics.

Answer According to Section 3 (1) (i) of the Company Act of 1956 "Company means a company formed and registered under this Act or an existing company."

In general, a company is an artificial person, created by law that has separate legal entity, perpetual succession, and common seal and limited liability. It is a voluntary association of persons who together contribute in the capital of the company to do business.

Generally, the capital of a company is divided into small parts known as shares, the ownership of which is transferable subject to certain terms and conditions.

Characteristics of Company

(i) Incorporated Association A company comes into existence through the operation of law. Therefore, its incorporation under the Companies Act is a must. Without such registration, no company can come into existence. Being created by law, it is regarded as an artificial legal person.

(ii) Separate Legal Entity A company has a separate legal entity, which is not affected by changes in the membership. Therefore being a separate entity, a company can contract, sue and be sued in its corporate name and capacity.

(iii) Artificial Person A company is an artificial and juristic person that is created by law.

(iv) Limited Liability Every shareholder of a company has limited liability. His liability is limited to the extent of the unpaid value of the shares held by him. If such shares are fully paid up, he is subject to no further liability.

(v) Perpetual Existence The existence of a company is not affected by the death, retirement, and insolvency of its members. That is, the life of a company remains unaffected by the life and the tenure of its members in the company. The life of a company is infinite until it is properly wound up as per the Companies Act.

(vi) Common Seal The company is not a natural person and has no physical existence. Hence, it cannot put its signature. Thus, the common seal acts as an official signature of a company that validates the official documents.

(vii) Maintenance of Books A limited company is required by law to keep a prescribed set of account books and any failure in this regard attracts penalties.

Question 2. Explain in brief the main categories in which the share capital of a company is divided.

Answer Share capital of a company can be divided into the following categories

(i) Authorised Capital It refers to that amount which is laid down in clause of the memorandum of association of the company. This is maximum amount with which company is registered and to raise from the public by the issue of shares. Therefore, called the registered or nominal or authorised capital of company.

(ii) Issued Capital The authorised capital which is offered to the public for subscription including shares offered to the vendors for subscription other than cash is called the issued

capital.

(iii) Subscribed Capital It is the portion of issued capital which has been subscribed to by the public i.e., applied for and allotted by the company. Thus, face value of allotted shares is known as subscribed capital.

(iv) Called-up Capital The portion of the subscribed capital which the shareholders are called upon to pay is termed as called up capital of the company. The company usually does not require a shareholder to pay in one lot, the full value of the shares he has subscribed for. He is generally required to pay it by instalments. The balance of subscribed capital which has not been called-up represents uncalled capital.

(v) Paid-up Capital The amount of called-up capital which has been actually paid by the shareholders is called as paid-up capital and the amounts yet due from the shareholders are called as calls-in-arrears.

(vi) Reserve Capital Sometimes a company by means of special resolution decides that certain portion of its uncalled capital shall not be called-up during its existence and it would be available as an additional security to its creditors in the event of its liquidation. Such a portion of uncalled capital is termed as reserve capital.

Question 3. What do you mean by the term 'share? Discuss the type of shares, which can be issued under the Companies Act, 1956 as amended to date.

Answer The capital of a company is divided into a number of equal parts. Each part is called a share. A company may divide its capital into shares of ₹ 10, ₹ 50, ₹ 100 or any suitable amount, but it is always preferable to have shares of small denomination in order to bring them within the reach of small investor.

According to Lord Lindley, "The portion of capital to which each member is entitled to his share". In this way, share is proportionate part of the share capital and forms ownership in a company.

According to Companies Act, 1956 there are two types of shares

(i) Preference Share Preference Share is one which carries the following two rights

(a) They have a right to receive dividend at a fixed rate before any dividend is paid on the equity shares

(b) On the winding up of the company, they have right to return of capital before the capital returned on equity shares.

However, notwithstanding the above two conditions, a holder of the preference share may have a right to share fully or to a limited extent in the surplus of the company as specified in the Memorandum or Articles* of the company.

(ii) Equity Share Under Indian Companies Act 1956, 'an equity share is share which is not preference share'. Thus, this share does not carry any preferential right or in other words, equity share is one which is entitled to dividend and repayment of capital after the claim of preference shares is satisfied. Usually the equity shareholders control the affairs of the company and hence right to all the profits after the preference dividend has been paid.

Question 4. Discuss the process for the allotment of shares of a company in case of over subscription.

Answer When shares are issued to the public for subscription through the prospectus by well managed and financially strong companies, it may happen that the total number of applications received for shares exceeds the number of shares offered by the company to the public, such situation is called the situation of over-subscription. A company can opt for any of the three alternatives to allot shares in case of over-subscription of shares.

(i) Excess Applications are Refused and Money received on Excess Applications is Returned to the Applicants

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Bank A/c (Being excess share application money refunded)			

(ii) If the Applicant are made Partially Allotment (or Pro-rata Basis) In case of over-subscription, when a company allots shares rateable to all the applicants, it is called as pro-rata allotment. In such a case, the main problem is what to do with the excess amount received on application. Practically, it will be quite irrational to refund the excess money first and then ask the allottee applicants to pay the allotment money.

In practice, generally excess application money receive on these shares is adjusted towards the amount due on allotment or call. For this purpose the entry is made as follows
Pro-rata and Refund of Money In case of over-subscription, the director can adopt a combination of the above two alternatives i.e., they can accept full allotment to some applications, a pro-rata allotment to others and no allotment to the rest.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Allotment A/c (Being excess share application money transferred to share allotment account)			

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Allotment A/c To Bank A/c (Being application money transferred to share capital account and excess share application money transferred to share allotment account and rest money is refund)			

Question 5. What is a 'Preference Share'? Describe the different types of preference shares.

Answer Preference share is one which carries the following two rights

(i) They have a right to receive dividend at a fixed rate before any dividend is paid on the equity shares.

(iii) On the winding up of the company, they have right to return of capital before of the capital returned on equity shares.

However, not with standing the above two conditions, a holder of the preference share may have a right to share fully or to a limited extent in the surplus of the company as specified in the Memorandum or Articles of the Company.

Preference shares can be of various types which are as follows

(i) **Cumulative Preference** Shares If there are no profits in one year and the arrears of dividends are to be carried forward and paid out of the profits of subsequent years, the preference share is said to be cumulative. It is noted that the company should pay dividend out of profits only.

(ii) **Non-Cumulative Preference** Shares If unpaid dividend lapses, the share is said to be non-cumulative preference share. It means when a preference shareholder receives dividend only in case of profit and is not entitled any right to recover the arrears of dividend, then the type of preference shares held by the shareholder is known as non-cumulative preference shares.

(iii) **Redeemable Preference** Shares When shares are repaid after some specified time in accordance with the terms of issue they are called redeemable preference shares.

(iv) **Non-Redeemable Preference** Shares These are the preference shares, which do not carry with them the arrangement regarding redemption. According to Section 80 (54), no company limited by shares shall issue irredeemable preference shares or preference shares redeemable after the expiry of 20 years from the date of issue.

(v) **Participating Preference Shares** When a preference shareholder enjoys the right to participate in the surplus profit (in addition to the fixed rate of dividend) that is left after the payment of dividend to the equity shareholders, the type of shares held by the shareholder is known as participating preference shares.

(vi) **Non-Participating Preference Shares** When a preference shareholder receives only a fixed rate of dividend every year and do not enjoy the additional participation in the surplus profit, then the type of shares held by the shareholder is known as non-participating preference shares.

(vii) **Convertible Preference Shares** These shares give the right to the holder to get them converted into equity shares at their option according to the terms and conditions of their issue.

(viii) **Non-Convertible Preference Shares** When the holder of a preference share has not been conferred the right to get his holding converted into equity share, it is called non-convertible preference shares. Preference shares are non-convertible unless otherwise stated.

Question 6. Describe the provisions of law relating to 'Calls-in- Arrears' and 'Calls in Advance'

Answer Calls-in-Arrears The portion of called up capital which is not paid by the shareholder within a specified time is known as calls-in-arrears. In other words, when a shareholder fails to pay the amount due on allotment or any subsequent calls, then it is termed as call-in-arrears. The company is authorised by its Article of Association to charge interest at a specified rate on the amount of call-in-arrears from the due date till the date of payment. If the Article of Association is silent in this regard, then Table A shall be applicable that is interest at 5% pa is charged.

It is deducted from the called-up share capital on the liabilities side of the Company's Balance Sheet. The company can also forfeit the shares on account of non-payment of the calls money after giving proper notice to shareholders.

Calls in Advance It means calls not due but paid by the shareholder in advance. Thus, the amount of future calls is received in advance by the company.

In other words, when a shareholder pays the whole amount or a part of the amount in advance, i.e., before the company calls, then it is termed as calls in advance. The company is authorised by its Article of Association to pay interest at the specified rate on call in advance from the date of payment till the date of call made.

If the Article of Association is silent in this regard, then the Table A shall be applicable that is, interest at 6% pa is provided. It is shown under the heading of current liabilities on the liabilities side of the Company's Balance Sheet.

Question 7. Explain the terms 'Over-subscription' and 'Under-subscription'. How are they dealt with in accounting records?

Answer When shares are issued to the public for subscription through the prospectus by well managed and financially strong companies, it may happen that the total number of applications received for shares exceeds the number of shares offered by the company to the public, such situation is called the situation of over-subscription. A company can opt for any of the three alternatives to allot shares in case of over-subscription of shares.

(i) Excess Applications are Refused and Money Received on Excess Applications is Returned to the Applicants

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c To Share Allotment A/c (Being excess share application money refunded)	Dr		

(ii) If the Applicant are made Partially Allotment (or Pro-rata Basis) In case of over-subscription, when a company allots shares rateable to all the applicants, it is called as pro-rata allotment. In such a case the main problem is what to do with the excess amount received on

application.

Practically, it will be quite irrational to refund the excess money first and then ask the allottee applicants to pay the allotment money.

In practice, generally excess application money received on these shares is adjusted towards the amount due on allotment or call. For this purpose the entry is made as follows

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Allotment A/c (Being excess share application money transferred to share allotment account)			

(iii) Pro-rata and Refund of Money In case of over-subscription, the director can adopt a combination of the above two alternatives i.e., they can accept full allotment to some applications, a pro-rata allotment to others and no allotment to the rest.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money transferred to share capital account and excess share application money transferred to share allotment account and rest money is refund)			

Under-Subscription: In case when shares are issued by the company and the number of shares applied by the public is lesser than the number of shares issued this is called the situation of under-subscription.

As per the Companies Act, the minimum subscription is 90% of the shares issued by the company. This implies that the company can allot shares to the applicants provided if applications for 90% of the issued shares are received. Otherwise, the company should refund the entire application amount received.

In this regard, necessary journal entry is passed only after receiving and refunding of the application. In this case, normal entries are made as the adjustment is not needed for any excess.

Question 8. Describe the purposes for which a company can use 'Securities Premium Account.'

Answer Securities premium account can be used only for the following four purposes as laid down by Section 78 of the Companies Act 1956

- (i) To issue fully paid bonus shares to an extent not exceeding unissued share capital of the company.
- (ii) To write-off preliminary expenses of the company.
- (iii) To write-off the expenses of, or commission paid, or discount allowed on any of the shares or debentures of the company.
- (iv) To pay premium on the redemption of preference shares or debentures of the company.

Question 9. State clearly the conditions under which a company can issue shares at a discount.

Answer In normal condition as a general rule, a company cannot ordinarily issue shares at a discount. It can do so only in cases such as 'reissue of forfeited shares' and in accordance with the provisions of Section 79 of the Companies Act. According to Section 79 of the Companies Act, 1932, a company is permitted to issue shares, at a discount provided the following conditions are satisfied

- (i) The issue of shares at a discount is authorised by an ordinary resolution passed by the company at its general meeting and sanctioned by the Company Law Board now Central Government.

- (ii) The resolution must specify the maximum rate of discount at which the shares are to be issued but the rate of discount must not exceed 10 per cent of the nominal value of shares. The rate of discount can be more than 10 per cent if the government is convinced that a higher rate is called-for under special circumstances of a case.
- (iii) At least one year must have elapsed since the date on which the company became entitled to commence the business.
- (iv) The shares are of a class which has already been issued. •
- (v) The shares issued within two months from the date of receiving sanction for the same from the government or within such extended period as the government may allow.
- (vi) If the offer prospectus at the date of issue must mention particulars of the discount allowed on the issue of shares.

Question 10. Explain the term 'Forfeiture of Shares' and give the accounting treatment on forfeiture.

Answer If a shareholder fails to pay the allotment money and or any call money on his shares as called upon by the directors, his shares may be forfeited by the directors, if they are so authorised by the Articles of Association. This is known as forfeiture of shares.

As per the Table A of the Company Act, the procedure of forfeiting shares is mentioned below.

- (i) A notice is sent to default shareholder stating him/her to pay calls-in-arrears along with the interest accrued on the outstanding calls money within a period of 14 days of the receipt of notice, otherwise, the shares will be forfeited.
- (ii) If the shareholder does not pay the amount, then the company has the right to forfeit his/her share by passing a resolution.
- (iii) A notice of that resolution is sent to the default shareholder and a public notice of the same is published in a daily newspaper.
- (iv) The name of the shareholder is removed from the register of members (i.e., shareholders).

Accounting Treatment for Forfeiture of Shares

(i) Forfeiture of Shares that were Issued at Par

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c Dr		(Amount Called-up)	
	To Share Allotment A/c (Not Received)			
	To Share Calls A/c (Not Received)			
	To Share Forfeiture A/c (Amount Received)			
	(Being shares forfeited on non-payment of allotment or call money)			

(ii) Forfeiture of Shares that were Issued at Premium

(a) Sometimes forfeited shares would have been issued at premium in that case if amount of premium is received than premium received is not shown.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c Dr		(Amount Called-up)	
	To Share Allotment A/c (Not Received)			
	To Share Calls A/c (Not Received)			
	To Share Forfeiture A/c (Amount Received)			
	(Being shares forfeited on non payment of allotment or call money)			

(b) Sometimes forfeited shares would have been issued at premium in that case if amount of premium is not received than premium not received is shown.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c Dr		(Total Amount Called-up)	
	Share Premium A/c Dr		(Premium Amount Called-up)	
	To Share Allotment A/c (Not Received)			
	To Share Calls A/c (Not Received)			
	To Share Forfeiture A/c (Amount Received)			
	(Being shares forfeited on non payment of allotment or call money)			

(iii) Forfeiture of shares that were issued at discount Sometimes forfeited shares would have been issued at discount in that case amount of discount will always be shown.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c Dr		(Total Amount Called-up)	(Discount Amount)
	To Discount on Issue of Shares A/c			
	To Share Allotment A/c (Not Received)			
	To Share Calls A/c (Not Received)			
	To Share Forfeiture A/c (Amount Received)			
	(Being shares forfeited on non payment of allotment or call money)			

NUMERICAL QUESTIONS

1. Anish Limited issued 30,000 equity shares of Rs.100 each payable at Rs.30 on application, Rs.50 on allotment and Rs.20 on 1st and final call. All money was duly received. Record these transactions in the journal of the company.

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (30,000 × 30) Dr To Equity Share Application A/c (Being application money received on application for 30,000 equity shares @ ₹ 30 per share)		9,00,000	9,00,000
(ii)	Equity Share Application A/c Dr To Equity Share Capital A/c (30,000 × 30) (Being share application money transferred to share capital account)		9,00,000	9,00,000
(iii)	Equity Share Allotment A/c Dr To Equity Share Capital A/c (30,000 × 50) (Being allotment money due on 30,000 @ ₹ 50 per share)		15,00,000	15,00,000
(iv)	Bank A/c (30,000 × 50) Dr To Equity Share Allotment A/c (Being share allotment money received for 30,000 shares @ ₹ 50 per share)		15,00,000	15,00,000
(v)	Equity Share First and Final Call A/c Dr To Equity Share Capital A/c (30,000 × 20) (Being share first and final call due on 30,000 shares @ ₹ 20 per share)		6,00,000	6,00,000
(vi)	Bank A/c (30,000 × 20) Dr To Equity Share First and Final Call A/c (Being share first and final call money received for 30,000 shares @ ₹ 20 per share)		6,00,000	6,00,000

2. The Adersh Control Device Ltd was registered with the authorised capital of Rs.3,00,000 divided into 30,000 shares of Rs.10 each, which were offered to the public. Amount payable as Rs.3 per share on application, Rs.4 per share on allotment and Rs.3 per share on first and final call. These share were fully subscribed and all money was dully received. Prepare journal and Cash Book.

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Money received against application		—	—
(ii)	Equity Share Application A/c Dr To Equity Share Capital A/c (30,000×3) (Being application money for 30,000 shares @ ₹ 3 per share transferred to share capital A/c)		90,000	90,000
(iii)	Equity Share Allotment A/c Dr To Equity Share Capital A/c (30,000×4) (Being allotment money due on 30,000 shares @ ₹ 4 per share)		1,20,000	1,20,000
(iv)	Money received against allotment due		—	—
(v)	Equity Share First and Final Call A/c Dr To Equity Share Capital A/c (30,000×3) (Being first and final call money due on 30,000 shares @ ₹ 3 per share)		90,000	90,000
(vi)	Money received against first and final call		—	—

Note All the entries related to bank (i.e., money received in different situations) will not be passed as the question has asked for separate cash Book.

Dr				Cr			
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)
	To Equity Share Application		90,000				
	To Equity Share Allotment		1,20,000				
	To Equity Share First and Final Call		90,000		By Balance c/d		3,00,000
			<u>3,00,000</u>				<u>3,00,000</u>

3. Software solution India Ltd inviting application for 20,000 equity share of Rs.100 each, payable Rs.40 on application, Rs.30 on allotment and Rs.30 on call. The company received applications for 32,000 shares.

Application for 2,000 shares were rejected and money returned to Applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 share allotted half of the number of share applied and excess application money adjusted into allotment. All money received due on allotment and call. Prepare journal and cash book.

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Equity Share Application A/c Dr To Equity Share Capital A/c (20,000×40) To Equity Share Allotment A/c (10,000×30) (Being application money transferred to equity share capital for 20,000 shares @ ₹ 40 and ₹3,00,000 is adjusted towards allotment)		11,00,000	8,00,000 3,00,000
(ii)	Equity Share Allotment A/c Dr To Equity Share Capital A/c (20,000×30) (Being equity share allotment money due on 20,000 @ ₹ 30 per share)		6,00,000	600,000
(iii)	Equity Share First and Final Call A/c Dr To Equity Share Capital A/c (20,000×30) (Being equity share on first and final call due on 20,000 @ ₹ 30 per share)		6,00,000	600,000

Dr		Cash Book (Bank Column)				Cr	
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)
	To Equity Share Application		12,80,000		By Equity Share Application (80,000+1,00,000)		1,80,000
	To Equity Share Allotment		3,00,000		By Balance c/d		20,00,000
	To Equity Share First and Final Call		6,00,000				
			21,80,000				21,80,000

Note Entries related to money received against application, allotment and call are directly taken in cash book.

Working Note

Applications received for 32,000 shares @ 40 each	12,80,000
Application for 2,000 shares rejected and amount (2,000×40) refunded	(80,000)
	12,00,000
10,000 shares allotted in full and amount transferred to share capital (10,000×40)	(4,00,000)
	8,00,000
20 shares allotted 10 shares hence amount for 10,000 shares adjusted to share capital (10000×40) and excess 10,000 shares @ ₹ 30 taken as allotment advance remaining ₹ 10 refunded for excess 10,000 shares	(4,00,000)
	(3,00,000)
	(1,00,000)
	x
Total refund (80,000+1,00,000) = ₹ 1,80,000	
Total amount due on allotment (20,000 share @ 30)	6,00,000
(-) Amount received on application	(3,00,000)
Amount to be received on allotment	3,00,000

Adjustment Table

Category	Shares Application	Stores Allotted	Application Money Received	Application Money due	Excess	Excess Adjusted in		
						Allotment	Calls	Return
(i)	2,000	—	80,000	—	80,000			80,000
(ii)	10,000	10,000	4,00,000	4,00,000	—	—	—	
(iii)	20,000	10,000	8,00,000	4,00,000	4,00,000	3,00,000		1,00,000
	32,000	20,000	12,80,000	8,00,000	4,80,000	3,00,000		1,80,000

4. Rupak Ltd. issued 10,000 shares of Rs.100 each payable Rs.20 per share on application, Rs.30 per share on allotment and balance in two calls of Rs.25 per share. The application and allotment money were duly received. On first call all member pays their dues except one member holding 200 shares, while another member holding 500 shares paid for the balance due in full. Final call was not made. Give journal entries and prepare cash book.

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c Dr To Share Capital A/c (10,000×20) (Being application money for 10,000 shares transferred to share capital account)		2,00,000	2,00,000
(ii)	Share Allotment A/c Dr To Share Capital A/c (10,000×30) (Being allotment money due on 10,000 shares @ ₹ 30 per share)		3,00,000	3,00,000
(iii)	Share First Call A/c Dr To Share Capital A/c (10,000×25) (Being share first call due on 10,000 shares @ ₹ 25 per share)		2,50,000	2,50,000
(iv)	Call-in-Arrears A/c (200×25) Dr To Share First Call A/c (Being call-in-arrears on 200 shares @ ₹ 25 per share)		5,000	5,000

Dr				Cash Book (Bank Column)				Cr
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)	
	To Share Application		2,00,000					
	To Share Allotment		3,00,000					
	To Share First Call		2,45,000		By Balance c/d		7,57,500	
	To Calls in Advance		12,500					
			7,57,500				7,57,500	

Working Note

Money due on first call for 10,000 shares @ 25 each	2,50,000
(-) Calls-in-arrears for 200 shares @ ₹ 25 per share	(5,000)
Money received on first call	2,45,000
(+) Calls received in advance on 500 shares @ ₹ 25 per share	12,500
Total money received on first call	2,57,500

Note It is not necessary to open call-in-arrears account.

5. Mohit Glass Ltd. issued 20,000 shares of Rs.100 each at Rs.110 per share, payable Rs.30 on application, Rs.40 on allotment (including Premium), Rs.20 on first call and Rs.20 on final call. The applications were received for 24,000 shares and allotted 20,000 shares and reject 4,000 shares and amount returned thereon. The money was duly received. Give journal entries.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (24,000×30) Dr To Share Application A/c (Being application money received on application for 24,000 shares @ ₹ 30 per share)		7,20,000	7,20,000
(ii)	Share Application A/c Dr To Share Capital A/c (20,000×30) To Bank A/c (4,000×30) (Being share application of 20,000 shares @ ₹ 30 transferred to share capital account and the balance returned)		7,20,000	6,00,000 1,20,000
(iii)	Share Allotment A/c Dr To Share Capital A/c (20,000×30) To Share Premium A/c (20,000×10) (Being allotment money due on 20,000 shares @ 40 per share including ₹ 10 for premium)		8,00,000	6,00,000 2,00,000
(iv)	Bank A/c (20,000 × 40) Dr To Share Allotment A/c (Being allotment money received on 20,000 shares @ ₹ 40 per share)		8,00,000	8,00,000
(v)	Share First Call A/c Dr To Share Capital A/c (20,000×20) (Being share first call money due on 20,000 shares @ ₹ 20 per share)		4,00,000	4,00,000
(vi)	Bank A/c (20,000×20) Dr To Share First Call A/c (Being share first call money received on 20,000 shares @ ₹ 20 per share)		4,00,000	4,00,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(vii)	Share Final Call A/c Dr To Share Capital A/c (20,000×20) (Being share final call money on 20,000 shares @ ₹ 20 per share)		4,00,000	4,00,000
(viii)	Bank A/c (20,000×20) Dr To Share Final Call A/c (Being share final call money received on 20,000 shares @ ₹ 20 per share)		4,00,000	4,00,000

6. A limited company offered for subscription of 1,00,000 equity shares of Rs.10 each at a premium of Rs.2 per share. 2,00,000. 10% Preference shares of Rs.10 each at par.

The amount on share was payable as under :

The amount on share was payable as under

	Equity Shares	Preference Shares
On Application	₹ 3 per share	₹ 3 per share
On Allotment	₹ 5 per share (including a premium)	₹ 4 per share
On First Call	₹ 4 per share	₹ 3 per share

All the shares were fully subscribed, called-up and paid.

Record these transactions in the journal and cash book of the company.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Equity Share Application A/c Dr		3,00,000	
	10% Preference Share Application A/c Dr		6,00,000	
	To Equity Share Capital A/c (1,00,000×3)			3,00,000
	To 10% Preference Share Capital A/c (2,00,000×3)			6,00,000
	(Being application money transferred to equity share capital)			
(ii)	Equity Share Allotment A/c Dr		5,00,000	
	10% Preference Share Allotment A/c Dr		8,00,000	
	To Equity Share Capital A/c (1,00,000×3)			3,00,000
	To Securities Premium A/c (1,00,000×2)			2,00,000
	To 10% Preference Share Allotment A/c (2,00,000×4)			8,00,000
	(Being amount due on allotment)			

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(iii)	Equity Share First and Final Call A/c Dr		4,00,000	
	10% Preference Share First and Final Call A/c Dr		6,00,000	
	To Equity Share Capital A/c (1,00,000×4)			4,00,000
	To 10% Preference Share Capital A/c (2,00,000×3)			6,00,000
	(Being amount on first and final call due)			

Dr				Cash Book (Bank Column)				Cr			
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)				
	To Equity Share Application		3,00,000								
	To 10% Preference Share Application		6,00,000								
	To Equity Share Allotment		5,00,000								
	To 10% Preference Share Allotment		8,00,000								
	To Equity Share First and Final Call		4,00,000		By Balance c/d		32,00,000				
	To 10% Preference Share First and Final Call		6,00,000								
			32,00,000				32,00,000				

Note Entries related to money received are directly taken in cash book. The entries for equity shares and preference shares can be made separately also.

7. Eastern Company Limited, having an authorised capital of Rs.10,00,000 in shares of Rs.10 each, issued 50,000 shares at a premium of Rs.3 per share payable as follows :

(₹)

On Application	3 per share
On Allotment (including premium)	5 per share
On First Call (due three months after allotment) and	3 per share
the balance as and when required.	

Applications were received for 60,000 shares and the directors allotted the shares as follows :

(a) Applicants for 40,000 shares received shares, in full.

(b) Applicants for 15,000 shares received an allotment of 8,000 shares.

(c) Applicants for 500 shares received 200 shares on allotment, excess money being returned.

All amounts due on allotment were received. The first call was duly made and the money was received with the exception of the call due on 100 shares.

Give journal and cash book entries to record these transactions of the company. Also prepare the Balance Sheet of the company.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c Dr To Share Capital A/c (50,000×3) To Share Allotment A/c (Working Note) (Being share application money for 50,000 shares transferred to share capital account and the excess money transferred to share allotment account)		1,80,000	1,50,000 30,000
(ii)	Share Allotment A/c (50,000×5) Dr To Share Capital A/c (50,000×2) To Share Premium A/c (50,000×3) (Being allotment money due on 50,000 share @ ₹ 5 per share including ₹ 3 security premium)		2,50,000	1,00,000 1,50,000
(iii)	Share First Call A/c Dr To Share Capital A/c (Being first call due on 50,000 share @ ₹ 3 per share)		1,50,000	1,50,000
(iv)	Arrear on First Call A/c (100 × 3) Dr To Share First Call A/c (Being call-in-arrears on 100 share @ ₹ 3 per share)		300	300

Dr				Cr			
Cash Book (Bank Column)							
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)
	To Share Application (60,000×3)		1,80,000				
	To Share Allotment (Working Note)		2,20,000		By Balance c/d		5,49,700
	To Share First Call (49,900×3)		1,49,700				
			5,49,700				5,49,700

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Share Capital		Current Assets	
Authorised Capital		Cash at Bank	5,49,700
Issue and Subscribed Capital			
Called-up and Paid-up			
50,000 shares of ₹ 10 each			
₹ 8 Called-up	4,00,000		
(-) Share First Call (Calls-in-Arrears) (300)	3,99,700		
Reserve and Surplus			
Securities Premium	1,50,000		
	5,49,700		5,49,700

Note In category C, 500 and 200 shares should be read as 5,000 and 2,000.

Working Note

(i) **Amount Transferred to Share Capital on Application**

Category A $40,000 \times 3 = 1,20,000$
 Category B $8,000 \times 3 = 24,000$
 Category C $2,000 \times 3 = 6,000$
₹ 1,50,000

(ii) **Amount Transferred to Share Allotment on Application**

Category B excess shares $7,000 \times 3 = 21,000$
 Category C excess shares $3,000 \times 3 = 9,000$
₹ 30,000

(iii) Amount Received on Allotment

	Due	Advance	Received
Category A	40,000×5 ₹ 2,00,000	—	2,00,000
Category B	8,000×5 ₹ 40,000	21,000	19,000
Category C	2,000×5 ₹ 10,000	9,000	1,000 ₹ 2,20,000

8. Sumit Machine Ltd issued 50,000 shares of Rs.100 each at discount of 5%. The shares were payable Rs.25 on application, Rs. 40 on allotment and Rs.30 on first and final call. The issue were fully subscribed and money were duly received except the final call on 400 shares. The discount was adjusted on allotment. Give journal entries and prepare balance sheet.

Answer**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (50,000×25) To Share Application A/c (Being share application money received on application for 50,000 shares @ ₹ 25 per share)	Dr	12,50,000	12,50,000
(ii)	Share Application A/c To Share Capital A/c (50,000×25) (Being share application money of 50,000 shares transferred to share capital account)	Dr	12,50,000	12,50,000
(iii)	Share Allotment A/c (50,000×40) Discount on Issue of Shares (50,000×5) To Share Capital A/c (50,000×45) (Being share allotment money due on 50,000 shares @ ₹ 40 each at discount of ₹ 5)	Dr Dr	20,00,000 2,50,000	22,50,000
(iv)	Bank A/c (50,000×40) To Share Allotment A/c (Being allotment money received for 50,000 shares @ ₹ 40 per share)	Dr	20,00,000	20,00,000
(v)	Share First and Final Call A/c To Share Capital A/c (50,000×30) (Being share first and final call due on 50,000 shares @ ₹ 30 per share)	Dr	15,00,000	15,00,000
(vi)	Bank A/c (50,000×30) Call-in-Arrears A/c To Share First and Final call A/c (Being share first and final call received except 400 shares)	Dr Dr	14,88,000 12,000	15,00,000

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Shares Capital		Current Assets	
Authorised Capital			
Issued Capital			
50,000 shares @ 100 each	50,00,000	Cash at Bank	47,38,000
		Miscellaneous Expenditure	
Subscribed and Paid-up		Discount on Issue of Shares	2,50,000
50,000 shares of ₹ 100 each	50,00,000		
(-) Calls-in-Arrears	(12,000)		
	49,88,000		
	49,88,000		49,88,000

9. Kumar Ltd purchases assets of Rs.6,30,000 from Bhanu Oil Ltd. Kumar Ltd. issued equity share of Rs.100 each fully paid in consideration. What journal entries will be made, if the share are issued, (a) at par, (b) at discount of 10 % and (c) at premium of 20%

Answer**Case (i)****Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Sundry Assets A/c To Bhanu Oil Ltd A/c (Being assets purchased from Bhanu Oil Ltd)	Dr	6,30,000	6,30,000
(ii)	Bhanu Oil Ltd A/c To Share Capital A/c (6,300 × 100) (Being 6,300 shares issued at par to Bhanu Ltd)	Dr	6,30,000	6,30,000

Working Note Case (i) Number of Shares to be issued

$$= \frac{\text{Amount payable}}{\text{Face value per share}}$$

$$= \frac{6,30,000}{100} = 6,300 \text{ shares}$$

$$\text{Case (ii)} = \frac{6,30,000}{90} = 7,000 \text{ shares}$$

$$\text{Case (iii)} = \frac{6,30,000}{120} = 5,250 \text{ shares}$$

Case (ii)**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Sundry Assets A/c To Bhanu Oil Ltd A/c (Being assets purchased from Bhanu Oil Ltd)	Dr	6,30,000	6,30,000
	Bhanu Oil Ltd A/c Discount on Issue of Share A/c To Share Capital A/c (Being 7,000 shares are issued at 10% discount to Bhanu Ltd in consideration of assets purchased)	Dr Dr	6,30,000 70,000	7,00,000

Case (iii)**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Sundry Assets A/c To Bhanu Oil Ltd A/c (Being assets purchased from Bhanu Oil Ltd)	Dr	6,30,000	6,30,000
	Bhanu Oil Ltd A/c To Share Capital A/c To Securities Premium A/c (Being 5,250 shares are issued at 20% premium to Bhanu Ltd in consideration of assets purchased)	Dr	6,30,000	5,25,000 1,05,000

10. Bansal Heavy machine Ltd purchased machine worth Rs.3,20,000 from Handa Trader. Payment was made as Rs.50,000 cash and remaining amount by issue of equity share of the face value of Rs. 100 each fully paid at an issue price of Rs.90 each. Give journal entries to record the above transaction.

Answer**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Machinery A/c To Cash A/c To Handa Traders A/c (Being machine purchased from Handa Traders paid ₹ 50,000 in cash immediately)	Dr	3,20,000	50,000 2,70,000
(ii)	Handa Traders Discount on Issue of Shares A/c (3,000 × 10) To Share Capital A/c (3,000 × 100) (Being 3,000 share issued at ₹ 90 face value of ₹ 100 each to Handa Traders in consideration of amount due to him for machinery purchased)	Dr Dr	2,70,000 30,000	3,00,000

Working Note

Number of equity shares to be issued

$$= \frac{\text{Amount payable}}{\text{Face value (per share)}} = \frac{2,70,000}{90} = 3,000 \text{ shares}$$

11. Naman Ltd issued 20,000 shares of Rs.100 each, payable Rs.25 on application, Rs.30 on allotment, Rs.25 on first call and The balance on final call. All money duly received except Anubha, who holding 200 shares did not pay allotment and calls money and Kumkum, who holding 100 shares did not pay both the calls. The directors forfeited shares of Anubha and kumkum. Give journal entries.

Answer**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c To Share Application A/c (Being shares application money received for 20,000 shares @ ₹ 25 each)	Dr	5,00,000	5,00,000
(ii)	Share Application A/c To Share Capital A/c (Being share application money of 20,000 shares @ ₹ 25 each transferred to share capital account)	Dr	5,00,000	5,00,000
(iii)	Share Allotment A/c To Share Capital A/c (Being share allotment money due on 20,000 shares @ ₹ 30 per share)	Dr	6,00,000	6,00,000
(iv)	Bank A/c (19,800 × 30) Calls-in-Arrears A/c (200 × 30) To Share Allotment A/c (Being allotment money received for 19,800 shares @ ₹ 30 per share and 200 shares failed to pay the allotment)	Dr Dr	5,94,000 6,000	6,00,000
(v)	Share First Call A/c To Share Capital A/c (Being share first call money due on 20,000 shares @ ₹ 25 per share)	Dr	5,00,000	5,00,000
(vi)	Bank A/c (19,700 × 25) Calls-in-Arrears A/c (300 × 25) To Share First Call A/c (Being share first call money for 19,700 shares @ ₹ 25 each received except 300 shares)	Dr Dr	4,92,500 7,500	5,00,000
(vii)	Share Final Call A/c To Share Capital A/c (Being share final call money due on 20,000 shares @ ₹ 20 per share)	Dr	4,00,000	4,00,000
(viii)	Bank A/c (19,700 × 20) Calls-in-Arrears A/c (300 × 20) To Share Final Call A/c (Being share Final call money received for 19,700 shares @ ₹ 20 per share except 300 shares)	Dr Dr	3,94,000 6,000	4,00,000
(ix)	Share Capital A/c To Share Forfeiture A/c (Working Note) To Calls-in-Arrears A/c (Working Note) (Being 300 shares forfeited on account failed to pay the money due)	Dr	30,000	10,500 19,500

Working Note

Share forfeiture amount

$$\begin{aligned}
 &\text{Received application money on } (200 + 100) \\
 &\quad \text{shares @ 25 each} = 7,500 \\
 &\text{Received allotment money on } 100 \text{ shares @ 30 each} = 3,000 \\
 &\quad \underline{\hspace{1cm}} \\
 &\quad \text{₹ } 10,500
 \end{aligned}$$

(ii) Calls-in-Arrears

On Allotment = 6,000
On First Call = 7,500
On Final Call = 6,000
<u>₹ 19,500</u>

12. Kishna Ltd issued 15,000 shares of Rs.100 each at a premium of Rs.10 per share, payable as follows:

	(₹)
On Application	30
On Allotment	50 (including premium)
On First and Final Call	30

All the shares subscribed and the company received all the money due, With the exception of the allotment and call money on 150 shares. These shares were forfeited and reissued to Neha as fully paid share of Rs.12 each.

Give journal entries in the books of the company.

Answer**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c To Share Application A/c (Being shares application money received for 15,000 shares @ ₹ 30 per share)	Dr	4,50,000	4,50,000
(ii)	Share Application A/c To Share Capital A/c (15,000×30) (Being share application money of 15,000 shares transferred to share capital account)	Dr	4,50,000	4,50,000
(iii)	Share Allotment A/c To Share Capital A/c (15,000×40) To Securities Premium A/c (15,000×10) (Being share allotment money on 15,000 shares @ ₹50 per share including ₹ 10 securities premium due)	Dr	7,50,000	6,00,000 1,50,000
(iv)	Bank A/c (14,850×50) Calls-in-Arrears A/c (150×50) To Share Allotment A/c (Being shares allotment received on 14,850 shares and 150 shares failed to pay the money due)	Dr Dr	7,42,500 7,500	7,50,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(v)	Share First and Final Call A/c To Share Capital A/c (Being share first and final call for 15,000 shares @ ₹ 30 per share due)	Dr	4,50,000	4,50,000
(vi)	Bank A/c (14,850×30) Calls-in-Arrears A/c (150×30) To Share First and Final Call A/c (Being share first and final call received for 14,850 shares @ ₹ 30 per share and 150 shares failed to pay amount due)	Dr Dr	4,45,500 4,500	4,50,000
(vii)	Share Capital A/c (150×100) Share Premium A/c (150×10) To Calls-in-Arrears A/c (150×80) To Share Forfeiture A/c (150×30) (Being 150 shares forfeited for non-payment of share allotment and share first and final call)	Dr Dr	15,000 1,500	12,000 4,500
(viii)	Bank A/c To Share Capital A/c (150×100) To Securities Premium A/c (150×20) (Being 150 shares of ₹ 100 each reissued @ ₹120 to Neha)	Dr	18,000	15,000 3,000
(ix)	Share Forfeiture A/c To Capital Reserve A/c (Being balance of share forfeiture account transferred to capital reserve account)	Dr	4,500	4,500

13. Arushi Computers Ltd issued 10,000 equity shares of Rs.100 each at 10% discount. The net amount payable as follows:

	(₹)
On Application	20
On Allotment	30 (₹ 40 – discount ₹ 10)
On First Call	30
On Final Call	10

A shareholder holding 200 shares did not pay final call. His shares Were forfeited. Out of these 150 shares were reissued to Ms.Sonia at Rs.75 per shares. Give journal entries in the books of the company.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (10,000×20) To Share Application A/c (Being shares application money received for 10,000 shares @ ₹ 20 per share)	Dr	2,00,000	2,00,000
(ii)	Share Application A/c To Share Capital A/c (10,000×20) (Being share application money of 10,000 shares transferred to share capital account)	Dr	2,00,000	2,00,000
(iii)	Share Allotment A/c (10,000×30) Discount on Issue of Shares A/c (10,000×10) To Share Capital A/c (10,000×40) (Being allotment money due on 10,000 shares @ ₹ 30 per share excluding discount ₹ 10)	Dr	3,00,000 1,00,000	4,00,000
(iv)	Bank A/c To Share Allotment A/c (Being shares allotment money received for 10,000 shares @ ₹ 30 per share)	Dr	3,00,000	3,00,000
(v)	Share First Call A/c To Share Capital A/c (10,000×30) (Being share first call money due on 10,000 shares @ ₹ 30 per share)	Dr	3,00,000	3,00,000
(vi)	Bank A/c (10,000×30) To Share First Call A/c (Being final call money received for 10,000 shares @ ₹ 30 per share)	Dr	3,00,000	3,00,000
(vii)	Share Final Call A/c To Share Capital A/c (10,000×10) (Being final call money due on 10,000 shares @ ₹ 10 per share)	Dr	1,00,000	1,00,000
(viii)	Bank A/c (9,800×10) Call-in-Arrears A/c (200×10) To Share Final Call A/c (Being final call money received for 9,800 shares @ ₹ 10 per share and 200 shares failed to pay)	Dr Dr	98,000 2,000	1,00,000
(ix)	Share Capital A/c (200×100) To Call-in-Arrears A/c (200×10) To Discount on Issue of Shares A/c (200×10) To Share Forfeiture A/c (200×80) (Working Note) (Being 200 shares forfeited for non-payment of final call ₹ 10 per share)	Dr	20,000	2,000 2,000 16,000
(x)	Bank A/c (150×75) Discount on Issue of Shares (150×10) Share Forfeiture A/c (150×15) To Share Capital A/c (150×100) (Being 150 forfeited shares reissued at ₹ 100 per share for ₹ 75)	Dr Dr Dr Dr	11,250 1,500 2,250	15,000
(xi)	Share Forfeiture A/c To Capital Reserve A/c (Working Note) (Being balance of 150 reissue shares after adjustment transferred to capital reserve account)	Dr	9,750	9,750

Working Note

- (i) Amount for share forfeiture on 200 shares
- | | |
|---|-----------------|
| Received on application 200 shares × 20 | = 4,000 |
| Received on allotment 200 shares × 30 | = 6,000 |
| Received on first call 200 shares × 30 | = 6,000 |
| | <u>₹ 16,000</u> |
- (ii) Calculation of Capital Reserve
- Amount transferred to share forfeiture on
150 shares (150 × 80) = ₹12,000
- (–) Amount used on reissue of 150 shares
forfeited (150 × 15) = ₹ (2,250)
capital reserve = ₹ 9,750

Note At the time of forfeiture discount should be credited and when we reissue of these shares, Discount should be debited (special case).

14. Raunak Cotton Ltd. issued a prospectus inviting applications for 6,000 equity shares of Rs.100 each at a premium of Rs.20 per shares, payable as follows:

	(₹)
On Application	20
On Allotment	50 (including premium)
On First Call	30
On Final Call	20

Application were received for 10,000 shares and allotment was made Pro-rata to the applicants of 8,000 shares, the remaining applications Being refused. Money received in excess on the application was adjusted toward the amount due on allotment. Rohit, to whom 300 shares were allotted failed to pay allotment and calls money, his shares were forfeited. Itika, who applied for 600 shares, failed to pay the two calls and her share were also forfeited. All these shares were sold to Kartika as fully paid for Rs.80 per shares. Give journal entries in the books of the company

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (10,000 × 20) To Share Application A/c (Being shares application money received on 10,000 shares)	Dr	2,00,000	2,00,000
(ii)	Share Application A/c To Share Capital A/c (6,000 × 20) To Share Allotment A/c (2,000 × 20) To Bank A/c (2,000 × 20) (Being share application money adjusted)	Dr	2,00,000	1,20,000 40,000 40,000
(iii)	Share Allotment A/c To Share Capital A/c (6,000 × 30) To Share Premium A/c (6,000 × 20) (Being share allotment money due)	Dr	3,00,000	1,80,000 1,20,000
(iv)	Calls-in-Arrears A/c (Working Note) Bank A/c To Share Allotment A/c (Being share allotment money received except 300 shares)	Dr Dr	13,000 2,47,000	2,60,000
(v)	Share First Call A/c To Share Capital A/c (6,000 × 30) (Being share first call money due)	Dr	1,80,000	1,80,000
(vi)	Bank A/c Call-in-Arrears A/c (750 × 30) To Share First Call A/c (Being share first call money received except 750 (300 + 450 shares))	Dr Dr	1,57,500 22,500	1,80,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(vii)	Share Final Call A/c To Share Capital A/c (6,000 × 20) (Being share final call money is due)	Dr	1,20,000	1,20,000
(viii)	Call-in-Arrear A/c (750 × 20) Bank A/c (5,250 × 20) To Share Final Call A/c (Being share final call money received except 750 shares)	Dr Dr	15,000 1,05,000	1,20,000
(ix)	Share Capital A/c (750 × 100) Share Premium A/c (300 × 20) To Calls-in-Arrears A/c (Working note) To Share Forfeiture A/c (Being 750 shares were forfeited)	Dr Dr	75,000 6,000	50,500 30,500
(x)	Bank A/c (750 × 80) Share Forfeiture A/c (750 × 20) To Share Capital A/c (Being forfeited shares reissued @ 80 per share)	Dr Dr	60,000 15,000	75,000
(xi)	Share Forfeiture A/c To Capital Reserve A/c (working Note) (Being share forfeiture account transferred capital reserve)	Dr	15,500	15,500

Working Note

Calculation of shares applied by Rohit

$$= \frac{\text{Total number of shares applied}}{\text{Total number of shares allotted}} \times \text{Shares allotted to applicant}$$

$$= \frac{8,000}{6,000} \times 300 = 400 \text{ shares applied}$$

Calculation of shares allotted to Itika

$$= \frac{\text{Total number of shares allotted}}{\text{Total number of shares applied}} \times \text{Shares applied by applicant}$$

$$= \frac{6,000}{8,000} \times 600 = 450 \text{ shares allotted}$$

Treatment of Amount Received from Rohit and his Arrears	Amt. (₹)
Amount received on application (400 × 20)	8,000
(-) Adjusted to share capital (300 × 20)	
Advance for allotment	6,000
	<u>2,000</u>

Amount due on Allotment (300 × 50)	15,000
(-) Advance received Arrear on Allotment	2,000
	<u>13,000</u>

Amount due on First Call (300 × 30)	
full amounts becomes Arrear on First Call	<u>9,000</u>

Amount due on Final Call (300 × 20) full amount becomes Arrear on Final Call	<u>6,000</u>
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Treatment of Amount as Arrear from Itika

Amount due on First Call (450 × 30)	
full amount becomes Arrear on First Call	<u>13,500</u>
Amount due on Final Call (450 × 20)	
full amount becomes Arrear on Final Call	<u>9,000</u>

Arrears	Allotment	First Call	Final Call	
Rohit	13,000	9,000	6,000	
Itika	—	13,500	9,000	
Total	13,000 (+)	22,500 (+)	15,000	= 50,500

Capital Reserve

Amount transferred to forfeiture for 750 Shares	30,500
(-) Amount adjusted on reissue of 750 Shares	<u>(15,000)</u>
Amount transferred to Capital Reserve	<u>15,500</u>

Amount Transferred to Forfeiture Account

	(₹)
Rohit	8,000
Itika (12,000 + 10,500)	<u>22,500</u>
	<u>30,500</u>

Note Amount received as premium is not taken.

15. Himalaya Company Limited issued for public subscription of 1,20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under :

	(₹)
With Application	3 per share
On Allotment (including premium)	5 per share
On First Call	2 per share
On Second and Final Call	2 per share

Applications were received for 1,60,000 shares. Allotment was made on pro-rata basis.

Excess money on application was adjusted against the amount due on allotment.

Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at Rs 7 per share.

Record journal entries in the books of the company to record these transactions relating to share capital. Also show the company's balance sheet.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (1,60,000 × 3) Dr To Share Application A/c (Being share application money received for 1,60,000 shares @ ₹ 3 per share)		4,80,000	4,80,000
(ii)	Share Application A/c Dr To Equity Share Capital A/c (1,20,000 × 3) To Share Allotment A/c (40,000 × 3) (Being share application for 1,20,000 shares @ ₹ 3 per share transferred to share capital account and remaining amount adjusted to allotment)		4,80,000	3,60,000 1,20,000
(iii)	Share Allotment A/c Dr To Equity Share Capital A/c (1,20,000 × 3) To Securities Premium A/c (1,20,000 × 2) (Being share allotment due on 1,20,000 shares @ ₹ 5 per share including ₹ 2 securities premium)		6,00,000	3,60,000 2,40,000
(iv)	Bank A/c (Working Note i) Dr To Share Allotment A/c (Being share allotment for 1,20,000 shares @ ₹ 5 per share received)		4,80,000	4,80,000
(v)	Share First Call A/c Dr To Equity Share Capital A/c (1,20,000 × 2) (Being share first call due on 1,20,000 share @ ₹ 2 per share)		2,40,000	2,40,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(vi)	Bank A/c (1,15,200 × 2) Dr To Share First Call A/c (Being share first call received on 1,15,200 shares @ ₹ 2 per share and 4,800 shares failed to pay)		2,30,400	2,30,400
(vii)	Share Final Call A/c Dr To Equity Share Capital A/c (1,20,000 × 2) (Being share final call due on 1,20,000 shares @ ₹ 2 per share)		2,40,000	2,40,000
(viii)	Bank A/c (1,15,200 × 2) Dr To Share Final Call A/c (Being share final call received on 1,15,200 shares @ ₹ 2 per share and 4,800 shares failed to pay)		2,30,400	2,30,400
(ix)	Equity Share Capital A/c (4,800 × 10) Dr To Share First Call A/c (4,800 × 2) To Share Final Call A/c (4,800 × 2) To Share Forfeiture A/c (4,800 × 6) (Working Note ii) (Being 4,800 shares forfeited for the non-payment of first call and final call)		48,000	9,600 9,600 28,800
(x)	Bank A/c (4,800 × 7) Dr Share Forfeiture A/c (4,800 × 3) Dr To Equity Share Capital A/c (Being 4,800 share reissued @ ₹ 7 per share, fully paid-up)		33,600 14,400	48,000
(xi)	Share Forfeiture A/c Dr To Capital Reserve A/c (Working Note iii) (Being share forfeiture balance of 4,800 shares transferred to capital reserve account)		14,400	14,400

Working Note (i) On Allotment Money Due

	(₹)
	1,20,000 × 5 = 6,00,000
(-) Money advanced on application =	(1,20,000)
Money received on allotment =	4,80,000
(ii) Amount of Share Forfeiture includes ₹ 3 of Application and ₹ 3 of Allotment on 4800 shares i.e., 4800 × 6 = ₹ 28,800	
Amount of premium received is never taken to forfeiture account.	

(iii) Capital Reserve

	(₹)
Amount transferred to share forfeiture	28,800
(-) Amount adjusted on reissue of share forfeited transferred to capital reserve	14,400
	<u>14,400</u>

16. Prince Limited issued a prospectus inviting applications for 2,00,000 equity shares of Rs.10 each at a premium of Rs.3 per share payable as follows :

	(₹)
With Application	2
On Allotment (including premium)	5
On First Call	3
On Second Call	3

Applications were received for 30,000 shares and allotment was made on prorata basis.

Money overpaid on applications was adjusted to the amount due on allotment.

Mr. 'Mohit' whom 400 shares were allotted, failed to pay the allotment money and the first call, and her shares were forfeited after the first call. Mr. 'Joly', whom 600 shares were allotted, failed to pay for the two calls and hence, his

shares were forfeited. Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs.9 per share, the whole of Mr. Mohit's shares being included. Record journal entries in the books of the Company and prepare the Balance Sheet.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (3,00,000 × 2) Dr To Share Application A/c (Being share application money received for 3,00,000 shares @ ₹ 2 per share)		6,00,000	6,00,000
(ii)	Share Application A/c Dr To Share Capital A/c (2,00,000 × 2) To Share Allotment A/c (1,00,000 × 2) (Being application money of 2,00,000 shares @ ₹ 2 per share transferred to share capital and the balance adjusted on allotment)		6,00,000	4,00,000 2,00,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(iii)	Share Allotment A/c Dr To Share Capital A/c (2,00,000 × 2) To Securities Premium A/c (2,00,000 × 3) (Being allotment money due on 2,00,000 shares @ ₹ 5 per share including ₹ 3 securities premium)		10,00,000	4,00,000 6,00,000
(iv)	Bank A/c (Working Note i) Dr To Share Allotment A/c (Being allotment money received on 2,99,600 shares and 400 shares failed to pay)		7,98,400	7,98,400
(v)	Share First Call A/c Dr To Share Capital A/c (2,00,000 × 3) (Being share first call due on 2,00,000 share @ ₹ 3 per share)		6,00,000	6,00,000
(vi)	Bank A/c (1,99,000 × 3) Dr To Share First Call A/c (Being first call money received except 1,000 (400 + 600) shares of Mohit and Joly respectively)		5,97,000	5,97,000
(vii)	Share Capital A/c (7 × 400) Dr Share Premium A/c (3 × 400) Dr To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (Working Note ii) (Being 400 shares forfeited after first call)		2,800 1,200	1,600 1,200 1,200
(viii)	Share Final Call A/c Dr To Share Capital A/c (1,99,600 × 3) (Being final call money due on 1,99,600 shares @ ₹ 3 per share)		5,98,800	5,98,800
(ix)	Bank A/c (1,99,000 × 3) Dr To Share Second and Final Call A/c (Being second and final call money received except 600 shares)		5,97,000	5,97,000
(x)	Share Capital A/c (600 × 10) Dr To Share First Call A/c (600 × 3) To Share Second and Final Call A/c (600 × 3) To Share Forfeiture A/c (600 × 4) (Being 600 share forfeited)		6,000	1,800 1,800 2,400

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(xi)	Bank A/c (800 × 9) Dr Share Forfeiture A/c (800 × 1) Dr To Share Capital A/c (Being share reissued))		7,200 800	8,000
(xii)	Share Forfeiture A/c Dr To Capital Reserve A/c (Working Note iii) (Being balance of share forfeiture account transferred to capital reserve account)		2,000	2,000

Working Note**(i) Mohits Arrear on Allotment**

Shares applied by Mohit = $\frac{3,00,000}{2,00,000} \times 400$	= 600 shares
Amount received on application 600×2	= ₹ 1,200
(-) Amount transferred to capital on application 400×2	= (800)
Advance of allotment received on applicaiton	= ₹ 400
Mohit's money due on allotment 400×5	= 2,000
(-) Amount advance on application for allotment = 400	
Mohit's arrear on allotment	= 1,600
Total amount due on allotment	= 10,00,000
(-) Received on application as advance	= (2,00,000)
	8,00,000
(-) Mohit' arrear	(1,600)
Money received on allotment	<u>₹ 7,98,400</u>

Working Note**(i) Mohits Arrear on Allotment**

Shares applied by Mohit = $\frac{3,00,000}{2,00,000} \times 400$	= 600 shares
Amount received on application 600×2	= ₹ 1,200
(-) Amount transferred to capital on application 400×2	= (800)
Advance of allotment received on applicaiton	= ₹ 400
Mohit's money due on allotment 400×5	= 2,000
(-) Amount advance on application for allotment = 400	
Mohit's arrear on allotment	= 1,600
Total amount due on allotment	= 10,00,000
(-) Received on application as advance	= (2,00,000)
	8,00,000
(-) Mohit' arrear	(1,600)
Money received on allotment	<u>₹ 7,98,400</u>

(ii) Amount Transferred to Share Forfeiture Account on Forfeiture of Mohit's Shares

Money received on 600 shares @ 2/- on application	₹ 1,200
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(iii) Calculation of Capital Reserve

• Money transferred to share forfeiture on 400 shares of Mohit forfeited	₹ 1,200
(-) Money used on reissue (400 × 1) of all 400 share of Mohit	400
Mohit's amount transferred to capital reserve	800
• Money transferred to share forfeiture on balance 400 shares from Joly (400 × 4)	1,600
(-) Money used on reissue (400 × 1) of balance 400 shares from Joly	(400)
Joly's Amount transferred to capital reserve	<u>1,200</u>
• Total Capital Reserve = 800 + 1200 = ₹ 2,000	

17. Life machine tools Limited, issued 50,000 equity shares of Rs.10 each at Rs.12 per share, payable at to Rs.5 on application (including premium), Rs.4 on allotment and the balance on the first and final call.

Applications for 70,000 shares had been received. Of the cash received, Rs.40,000 was returned and Rs.60,000 was applied to the amount due on allotment, the balance of which was paid. All shareholders paid the call due, with the exception of one share holder of 500 shares. These shares were forfeited and reissued as fully paid at Rs.8 per share. Journalise the transactions.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (70,000 × 5) Dr To Share Application A/c (Being application money received on application for 70,000 shares @ ₹ 5 per share including premium ₹ 2)		3,50,000	3,50,000
(ii)	Share Application A/c Dr To Share Capital A/c (50,000 × 3) To Securities Premium A/c (50,000 × 2) To Share Allotment A/c To Bank A/c (Being share application money for 50,000 shares transferred to share capital account and securities premium, ₹ 60,000 adjusted to allotment and ₹ 40,000 returned)		3,50,000	1,50,000 1,00,000 60,000 40,000
(iii)	Share Allotment A/c Dr To Share Capital A/c (50,000 × 4) (Being share allotment money due on 50,000 shares @ ₹ 4 per share)		2,00,000	2,00,000
(iv)	Bank A/c (2,00,000 – 60,000) Dr To Share Allotment A/c (Being share allotment money received on shares allotment)		1,40,000	1,40,000
(v)	Share First and Final Call A/c Dr To Share Capital A/c (50,000 × 3) (Being share first and final call money due on 50,000 share @ ₹ 3 per share)		1,50,000	1,50,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(vi)	Bank A/c (49,500 × 3) Dr To Share First and Final Call A/c (Being share first and final call money received from 49,500 shares @ ₹ 3 per share and 500 shares failed to pay)		1,48,500	1,48,500
(vii)	Share Capital A/c (500 × 10) Dr To Share First and Final Call A/c (500 × 3) To Share Forfeiture A/c (500 × 7) (Being 500 shares @ ₹ per share fully paid up forfeited for the non-payment of share first and final Call ₹ 3 per share)		5,000	1,500 3,500
(viii)	Bank A/c (500 × 8) Dr Share Forfeiture A/c (500 × 2) Dr To Share Capital A/c (Being 500 shares reissued @ ₹ 8 per share fully paid up)		4,000 1,000	5,000
(ix)	Share Forfeiture A/c (3500 – 1000) Dr To Capital Reserve A/c (Being balance of 500 shares in forfeiture account after adjustment, transferred to capital reserve account)		2,500	2,500

18. The Orient Company Limited offered for public subscription 20,000 equity shares of Rs.10 each at a premium of 10% payable at Rs.2 on application; Rs.4 on allotment including premium; Rs.3 on First Call and Rs.2 on Second and Final call. Applications for 26,000 shares were received. Applications for 4,000 shares were rejected. Pro-rata allotment was made to the remaining applicants. Both the calls were made and all the money were received except the final call on 500 shares which were forfeited. 300 of the forfeited shares were later on issued as fully paid at Rs.9 per share. Give journal entries and prepare the balance sheet

Answer**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (26,000 × 2) Dr To Share Application A/c (Being share application money received for 26,000 shares @ ₹ 2 per share)		52,000	52,000
(ii)	Share Application A/c Dr To Share Capital A/c (20,000 × 2) To Share Allotment A/c (2,000 × 2) To Bank A/c (4,000 × 2) (Being application money @ ₹ 2 per share of 20,000 shares transferred to share capital account and money of 4,000 shares returned, remaining to share allotment)		52,000	40,000 4,000 8,000
(iii)	Share Allotment A/c Dr To Share Capital A/c (20,000 × 3) To Share Premium A/c (20,000 × 1) (Being share allotment money due on 20,000 shares @ ₹ 4 per share including ₹ 1 securities premium)		80,000	60,000 20,000
(iv)	Bank A/c (80,000 – 4,000) Dr To Share Allotment A/c (Being share allotment money received for all the shares after adjustment of money transferred from share application)		76,000	76,000
(v)	Share First Call A/c Dr To Share Capital A/c (20,000 × 3) (Being share first call money due on 20,000 share @ ₹ 2 per share)		60,000	60,000
(vi)	Bank A/c (20,000 × 3) Dr To Share First Call A/c (Being share first call received for 20,000 shares @ ₹ 2 per share)		60,000	60,000
(vii)	Share Second and Final Call A/c Dr To Share Capital A/c (20,000 × 2) (Being share second and final call money due on 20,000 shares @ ₹ 2 per share)		40,000	40,000

Date	Particulars	LF	Amt.s (Dr)	Amt. (Cr)
(viii)	Bank A/c (19,500 × 2) Dr To Share Second and Final Call A/c (Being share second and final call money received for 19,500 shares @ ₹ per share and 500 shares failed to pay)		39,000	39,000
(ix)	Share Capital A/c (500 × 10) Dr To Share Second and Final Call A/c (500 × 2) To Share Forfeiture A/c (500 × 8) (Being 500 shares of ₹ 10 per share fully called-up forfeited for non-payment of second and final call Rs. 2 per share)		5,000	1,000 4,000
(x)	Bank A/c (300 × 9) Dr Share Forfeiture A/c (300 × 1) Dr To Share Capital A/c (300 × 10) (Being 300 shares @ ₹ 10 each reissued for ₹ 9 per share fully paid-up)		2,700 300	3,000
(xi)	Share Forfeiture A/c (Working Note) Dr To Capital Reserve A/c (Being balance of 300 shares in share forfeiture account transferred to capital reserve account, after adjustment)		2,100	2,100

Working Note**Calculation of Capital Reserve**

Money transferred to share forfeiture against forfeiture of 300 shares (300 × 8)	2,400
(–) Money adjusted on reissue of 300 shares from forfeiture account (300 × 1)	300
Amount transferred to Capital Reserve	<u>₹ 2,100</u>

19. Alfa Limited invited applications for 4,00,000 of its equity shares of Rs.10 each on the following terms :

	(₹)
Payable on Application	5 per share
Payable on Allotment	3 per share
Payable on First and Final Call	2 per share

Applications for 5,00,000 shares were received. It was decided :

- (a) to refuse allotment to the applicants for 20,000 shares;
- (b) to allot in full to applicants for 80,000 shares;
- (c) to allot the balance of the available shares' pro-rata among the other applicants; and
- (d) to utilise excess application money in part as payment of allotment money.

One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due on allotment and on the call, and his 400 shares were forfeited.

The shares were reissued @ Rs.9 per share. Show the journal and prepare Cash book to record the above .

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c (5,00,000 × 5) To Share Capital A/c (4,00,000 × 5) To Share Allotment A/c (Being share application money adjusted)	Dr	25,00,000	20,00,000 5,00,000
(ii)	Share Allotment A/c To Share Capital A/c (Being share allotment money due)	Dr	12,00,000	12,00,000
(iii)	Share First and Final Call A/c To Share Capital A/c (Being share first and final call due)	Dr	8,00,000	8,00,000
(iv)	Share Capital A/c To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Being 400 shares forfeited)	Dr	4,000	700 800 2,500
(v)	Share Forfeiture A/c To Share Capital A/c (Being share reissued and loss on issue charged from share forfeiture account)	Dr	400	400
(vi)	Share Forfeiture A/c (2,500 – 400) To Capital Reserve A/c (Being share forfeiture account transferred to capital reserve account)	Dr	2,100	2,100

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c (5,00,000 × 5) To Share Capital A/c (4,00,000 × 5) To Share Allotment A/c (Being share application money adjusted)	Dr	25,00,000	20,00,000 5,00,000
(ii)	Share Allotment A/c To Share Capital A/c (Being share allotment money due)	Dr	12,00,000	12,00,000
(iii)	Share First and Final Call A/c To Share Capital A/c (Being share first and final call due)	Dr	8,00,000	8,00,000
(iv)	Share Capital A/c To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Being 400 shares forfeited)	Dr	4,000	700 800 2,500
(v)	Share Forfeiture A/c To Share Capital A/c (Being share reissued and loss on issue charged from share forfeiture account)	Dr	400	400
(vi)	Share Forfeiture A/c (2,500 – 400) To Capital Reserve A/c (Being share forfeiture account transferred to capital reserve account)	Dr	2,100	2,100

Dr				Cash Book (Bank Column)				Cr			
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)				
	To Share Application (5,00,000 × 5)		25,00,000		By Shares Allotment		1,00,000				
	To Share Allotment (Working note iii)		7,99,300		By Balance B/d		40,02,100				
	To Share First and Final Call (Working note i)		7,99,200								
	To Share Capital (400 × 9)		3,600								
			41,02,100				41,02,100				

Working Note

(i) **Calculation of Amount Received on Allotment**

Money received on application (5,00,000 × 5)	= 25,00,000
(–) Money transferred to capital (4,00,000 × 5)	= (20,00,000)
	5,00,000
(–) Money refunded for shares rejected (20,000 × 5)	(1,00,000)
Amount to be taken as allotment advance	4,00,000

(ii) **Amount of Arrear on Allotment for 400 Shares Unpaid**

Shares applied = $\frac{4,00,000}{3,20,000} \times 400$	= 500 shares
Money received on application from applicant (500 × 5)	= 2,500
(–) Money transferred to share capital (400 × 5)	= (2,000)
Taken as allotment advance	(500)
Amount due on allotment for 400 shares (400 × 3)	= 1,200
(–) Money received on application as advance	= (500)
Arrear on 400 shares on allotment	700

(iii) **Calculation for Money Received on Allotment**

Money due on allotment (4,00,000 × 3)	= 12,00,000
(–) Received as advance on application	= (4,00,000)
Money to be received on allotment	8,00,000
(–) Arrear of 400 shares to be forfeited	(700)
Net amount received on allotment	7,99,300

(iv) Calculation of Money Received on First Call	
Money due (4,00,000 × 2)	= 8,00,000
(–) Amount of arrear (400 × 2)	= (800)
Net amount received on final call	<u>7,99,200</u>

20. Ashoka Limited Company which had issued equity shares of Rs.20 each at a discount of Rs. 4 per share, forfeited 1,000 shares for non-payment of final call of Rs.4 per share. 400 of the forfeited shares are reissued at Rs.14 per share out of the remaining shares of 200 shares reissued at Rs.20 per share. Give journal entries for the forfeiture and reissue of shares and show the amount transferred to capital reserve and the balance in Share Forfeiture Account.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Capital A/c Dr To Final Call A/c (1,000×4) To Share Discount A/c (1,000×4) To Share Forfeiture A/c (1,000×12) (Being 1,000 shares of 20 per share forfeited for nonpayment of share final call money @ ₹ 4 per share)		20,000	4,000 4,000 12,000
(ii)	Bank A/c (400×14) Dr Discount on Issue of Shares A/c (400×4) Dr Share Forfeiture A/c (400×2) Dr To Share Capital A/c (Being 400 shares @ ₹ 20 per share reissued for ₹14 per share fully paid-up)		5,600 1,600 800	8,000
(iii)	Bank A/c (200×20) Dr To Share Capital A/c (Being 200 shares @ ₹ 20 per share reissued for ₹ 20 per share fully paid-up)		4,000	4,000
(iv)	Share Forfeiture A/c (Working Note) Dr To Capital Reserve (Being balance of 600 shares in share forfeiture account transferred to capital reserve account, after reissue)		6,400	6,400

Working Note

Calculation of Capital Reserve

	For 400 Shares	For 200 Shares
Money transferred to share capital @ ₹ 12 per share	4800	2400
(–) Money adjusted on reissue @ 2 per share	(800)	—
Transferred to capital reserve	<u>4,000</u>	<u>2400</u>

Total transfer to capital reserve = 4,000 + 2,400 = ₹ 6,400

Note In reissue, the amount of discount is adjusted if rate of reissue is less than face value of share. If reissue is at face value or premium then discount of main issue will not be considered on reissue.

21. Amit holds 100 shares of Rs.10 each on which he has paid Re.1 per share as application money. Bimal holds 200 shares of Rs.10 each on which he has paid Re.1 and Rs.2 per share as application and allotment money, respectively. Chetan holds 300 shares of Rs.10 each and has paid Re.1 on application, Rs.2 on allotment and Rs.3 for the first call. They all fail to pay their arrears and the second call of Rs.2 per share and the directors, therefore, forfeited their shares. The shares are reissued subsequently for Rs.11 per share as fully paid. Journalise the transactions.

Answer**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Capital A/c (600 × 8) Dr		4,800	
	To Share Allotment A/c (100×2)			200
	To Share First Call A/c (300×3)			900
	To Share Second Call A/c (600×2)			1,200
	To Share Forfeiture A/c (600+1,000+900)			2,500
	(Being 600 shares @ ₹ 10 per share ₹ 8 called-up forfeited after making second call)			
(ii)	Bank A/c Dr		6,600	
	To Share Capital A/c			6,000
	To Securities Premium A/c			600
	(Being 600 shares @ ₹ 10 each ₹ 11 per share fully paid-up reissued)			
(iii)	Share Forfeiture A/c Dr		2,500	
	To Capital Reserve A/c			2,500
	(Being balance of share forfeiture account transferred to capital reserve account after reissue)			

Working Note

Total Money Called-up

	(₹)
Application	1
Allotment	2
First Call	3
Second Call	2
	<u>8</u>

Amount Transferred to Share Forfeiture

Application money received from Amit (100 share × 1)	100
Application and allotment money received from Bimal (200 share×3)	600
Application, allotment and first call received from Chetan (300 Share × 6)	1800
Amount transferred to share forfeiture	<u>2500</u>

Calculation of Capital Reserve

As shares are reissued at price higher than face value hence full amount of share forfeiture will be transferred to capital reserve.

22. Ajanta Company Limited having a normal capital of Rs.3,00,000, divided into shares of Rs.10 each offered for public subscription of 20,000 shares payable at Rs.2 on application; Rs.3 on allotment and the balance in two calls of Rs.2.50 each. Applications were received by the company for 24,000 shares. Applications for 20,000 shares were accepted in full and the shares allotted. Applications for the remaining shares were rejected and the application money was refunded.

All moneys due were received with the exception of the final call on 600 shares which were forfeited after legal formalities were fulfilled. 400 shares of the forfeited shares were reissued at Rs.9 per share. Record necessary journal entries and prepare the balance Sheet showing the amount transferred to capital reserve and the balance in Share forfeiture account.

Answer
Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c To Share Application A/c (Being share application money received for 24,000 shares @ ₹ 2 per share)	Dr	48,000	48,000
(ii)	Share Application A/c To Share Capital A/c (20,000×2) To Bank A/c (4,000×2) (Being share application @ ₹ 2 per share for 20,000 shares transferred to share capital and remaining for 4,000 shares rejected)	Dr	48,000	40,000 8,000
(iii)	Share Allotment A/c To Share Capital A/c (Being share allotment money due @ ₹ 3 per share on 20,000 shares)	Dr	60,000	60,000
(iv)	Bank A/c To share allotment A/c (Being share allotment money received for 20,000 shares @ ₹ 3 per share)	Dr	60,000	60,000
(v)	Share First Call A/c To Share Capital A/c (Being share first call money due on 20,000 shares @ ₹ 2.5 per share)	Dr	50,000	50,000
(vi)	Bank A/c To Share First Call A/c (Being share first call money received for 20,000 shares @ ₹ 2.5 per share)	Dr	50,000	50,000
(vii)	Share Final Call A/c To Share Capital A/c (Being share final call money due on 20,000 shares @ ₹ 2.5 per share)	Dr	50,000	50,000
(viii)	Bank A/c (19,400×2.50) Calls-in-Arrears A/c (600×2.50) To Share Final Call A/c (Being share final call money received for 19,400 shares @ ₹ 2.5 per share except 600 shares)	Dr	48,500 1,500	50,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(ix)	Share Capital A/c To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 600 shares forfeited @ ₹ 10 each for the non-payment of Share Final Call @ ₹ 2.5 per share)	Dr	6,000	1,500 4,500
(x)	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 400 shares @ ₹ 10 each for ₹ 9 per share reissued)	Dr Dr	3,600 400	4,000
(xi)	Share Forfeiture A/c To Capital Reserve A/c (Working Note) (Being after reissue balance of 400 shares in forfeiture account transferred to capital reserve account)	Dr	2,600	2,600

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Shares Capital		Current Assets	
Authorised Capital		Cash at Bank	2,02,100
30,000 shares of ₹ 10 each	3,00,000		
Issued and Subscribed Capital			
20,000 shares of ₹ 10 each	2,00,000		
Called-Up and Paid-Up			
19,800 Shares of ₹ 10 each	1,98,000		
(+) Share Forfeiture	1,500		
	1,99,500		
Reserve and Surplus			
Capital Reserve	2,600		
	2,02,100		2,02,100

Working Note**Calculation of Capital Reserve**

Amount transferred to share forfeiture account on forfeiture of 400 shares (400 × 7.50)	3,000
(–) Amount adjusted on reissue of 400 shares (400 × 1)	(4,00)
Amount transferred to capital reserve	<u>2,600</u>

23. Journalise the following transaction in the books Bhushan Oil Ltd:

(a) 200 shares of Rs.100 each issued at a discount of Rs.10 were forfeited for the non payment of allotment money of Rs.50 per share. The first and final call of Rs.20 per share on these share were not made. The forfeited share were reissued at Rs.70 per share as fully paid-up.

(b) 150 shares of Rs.10 each issued at a premium of Rs.4 per share payable with allotment were forfeited for non-payment of allotment money of Rs.8 per share including premium. The first and final call of Rs.4 per share were not made. The forfeited share were reissued at Rs.15 per share fully paid-up.

(c) 400 share of Rs.50 each issued at par were forfeited for non-payment of final call of Rs.10 per share. These share were reissued at Rs.45 per share fully paid-up.

Answer Case (a)**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Capital A/c Dr To Share Allotment A/c (200 × 50) To Share Forfeiture A/c (200 × 20) To Discount on Issue of Shares (20 × 10) (Being 200 shares forfeited @ ₹ 100 each issued at a discount of ₹ 10 for the nonpayment of allotment money ₹ 50 per share)		16,000	10,000 4,000 2,000
(ii)	Bank A/c (200 × 70) Dr Discount on Issue of Shares A/C (200 × 10) Dr Share Forfeiture A/c Dr To Share Capital A/c (Being 600 shares reissued @ ₹ 70 per share fully paid-up)		14,000 2,000 4,000	20,000

Note There will be no capital reserve in case (a) as full amount transferred to forfeiture account is adjusted on reissue.

Money received on application will be ₹ 20 per share after deducting ₹ 20 for final call, ₹ 10 for discount and ₹ 50 for allotment from face value ₹ 100.

Case (b)**Journal Entries**

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Capital A/c (150 × 6) Dr Securities Premium A/c (150 × 4) Dr To Share Allotment A/c (150 × 8) To Share Forfeiture A/c (150 × 2) (Being 150 shares @ ₹ 10 each forfeited for nonpayment of a allotment money ₹ 8 per share including premium ₹ 4)		900 600	1,200 300
(ii)	Bank A/c (150 × 15) Dr To Share Capital A/c (150 × 10) To Securities Premium A/c (150 × 5) (Being 150 shares @ ₹ 10 each reissued for ₹ 15 per share fully paid-up)		2,250	1,500 750
(iii)	Share Forfeiture A/c Dr To Capital Reserve A/c (Being balance of share forfeiture account transferred to capital reserve account)		300	300

Case (c)

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Capital A/c (400×50) Dr To Share Final Call A/c (400×10) To Share Forfeiture Call A/c (400×40) (Being 400 shares @ ₹ 50 per share forfeited for non-payment of final call ₹10 per share)		20,000	4,000 16,000
(ii)	Bank A/c (400×45) Dr Share Forfeiture A/c (400×5) Dr To Share Capital A/c (Being 400 shares @ ₹ 50 each reissued for ₹ 45 fully paid-up)		18,000 2,000	20,000
(iii)	Share Forfeiture A/c Dr To Capital Reserve A/c (Being balance in share forfeiture account transferred to capital reserve account)		14,000	14,000

Working Note

Calculation of Capital Reserve

Amount transferred to share forfeiture	16,000
(–) Amount adjusted on reissue	(2,000)
Amount transferred to capital reserve	<u>14,000</u>

24. Amisha Ltd inviting application for 40,000 shares of Rs.100 each at a premium of Rs.20 per share payable; on application Rs.40 ; on allotment Rs.40 (Including premium): on first call Rs.25 and Second and final call Rs.15.

Application were received for 50,000 shares and allotment was made on prorata basis.

Excess money on application was adjusted on sums due on allotment.

Rohit to whom 600 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment. Ashmita, who applied for 1000 shares failed to pay the Two calls and his shares were forfeited after the second call. Of the shares forfeited, 1200 shares were sold to Kapil for Rs.85 per share as fully paid, the whole of Rohit's shares being included. Record necessary journal entries.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c Dr To Share Application A/c (Being share application money received on 50,000 shares @ 40 per share)		20,00,000	20,00,000
(ii)	Share Application A/c Dr To Share Capital A/c (40,000×40) To Share Allotment A/c (10,000×40) (Being share application money adjusted)		20,00,000	16,00,000 4,00,000
(iii)	Share Allotment A/c Dr To Share Capital A/c (40,000×20) To Share Premium A/c (40,000×20) (Being share allotment money due including premium)		16,00,000	8,00,000 8,00,000
(iv)	Bank A/c (Working Note) Dr To Share Allotment A/c (Being share allotment money received except 600 shares)		11,82,000	11,82,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(v)	Share Capital A/c (600×60) Dr		36,000	
	Share Premium A/c (600×20) Dr		12,000	
	To Share Allotment A/c (Working Note)			18,000
	To Share Forfeiture A/c (Working Note)			30,000
	(Being 600 shares forfeited after allotment)			
(vi)	Share First Call A/c Dr		9,85,000	
	To Share Capital (39,400×25)			9,85,000
	(Being first call money in due on 39,400 shares)			
(vii)	Bank A/c (38,600×25) Dr		9,65,000	
	To Share first Call A/c			9,65,000
	(Being first call money received except 800 shares)			
(viii)	Share Second and Final Call A/c Dr		5,91,000	
	To Share Capital A/c (39,400×15)			5,91,000
	(Being second and final call money due on 39,400 shares)			
(ix)	Bank A/c (38,600×15) Dr		5,79,000	
	To Share Second and Final Call A/c			5,79,000
	(Being second and final call money received except 800 shares)			
(x)	Share Capital A/c (800×100) Dr		80,000	
	To Share First Call A/c (800×25)			20,000
	To Share Second and Final Call A/c (800×15)			12,000
	To Share Forfeiture A/c (800×60)			48,000
	(Being 800 shares forfeited for non payment of two calls)			
(xi)	Bank A/c (1,200×85) Dr		1,02,000	
	Share Forfeiture A/c (1,200×15) Dr		18,000	
	To Share Capital A/c (1,200×100)			1,20,000
	(Being 1200 shares reissued @ ₹ 85 per share fully paid-up)			
(xii)	Share Forfeiture A/c (Working Note) Dr		48,000	
	To Capital Reserve A/c			48,000
	(Being balance amount after reissue from share forfeiture account transferred to capital reserve)			

Working Note

(i) Calculation of Amount received on Allotment

$$\begin{aligned}
 \text{Number of shares applied by Rohit} &= \frac{\text{Total shares applied}}{\text{Total shares allotted}} \times \text{Shares Allotted} \\
 &= \frac{50,000}{40,000} \times 600 = 750 \text{ Shares}
 \end{aligned}$$

Arrear of Rohit on Allotment

Money received on application (750×40)	= 30,000
(-) Money adjusted on application (600×40)	= (24,000)
Allotment advance	6000
Rohit money due on Allotment (600×40)	24,000
(-) Allotment advance	(6,000)
Rohit's arrear on allotment	<u>18,000</u>

(ii) Calculation of Capital Reserve

(a) On Rohit's 600 Shares Reissued

Amount transferred to share forfeiture (750×40)	= 30,000
(-) Amount adjusted on reissue (600×15)	= 9,000
Rohit's transfer to capital reserve	<u>21,000</u>

(b) On 600 Shares of Ashmita Reissued

$$\begin{aligned}
 \text{Number of share allotted} &= \frac{\text{Total shares allotted}}{\text{Total shares applied}} \times \text{Shares applied} \\
 &= \frac{40,000}{50,000} \times 1,000 = 800 \text{ shares.}
 \end{aligned}$$

Amount transferred to share forfeiture on 600 = 36,000
share forfeited (600×60)

(-) Amount adjusted on reissue 600 shares = (9,000)
(600×15)

Ashmita's transfer to capital reserve 27,000

Hence total capital reserve = 21,000 + 27,000
= ₹ 48,000