

Chapter 1 - Accounting For Share Capital

Short Answer Questions

Question 1:

What is public company?

Answer:

A public company is defined as a company that offers a part of its ownership in the form of shares, debentures, bonds, securities to the general public through stock market. There must be atleast seven members to form a public company. As per the section 3 (1) (iv) of Companies Act 1956, public company means a company which:

- a) is not a private company,
- b) has a minimum paid up capital of Rs 5,00,000 or such higher paid up capital, as may be prescribed,
- c) is a private company, being a subsidiary of a company which is not a private company.

A public company should not be mistakenly understood as a publicly-owned company, as the latter is exclusively owned and controlled by the government. A public company issues its share to general public without any restriction on maximum number of persons. A public company can be segmented into two types:

1. Listed Company- A Company whose shares are listed and traded in the stock exchange like, Tata Motors, Reliance, etc.

2. Unlisted Company- A Company whose shares are not listed in the stock exchange and thereby these shares cannot be traded in the stock exchange.

Question 2:

What is private limited company?

Answer:

Private limited company is a company that is limited by shares or by guarantee by its members. A private limited company is defined as a company that has a minimum paid up

share capital of Rs 1,00,000. As defined by the Section 3 (1) (iii) of Companies Act 1956, private limited company is defined by the following characteristics:

- a) It restricts the right to transfer its shares.
- b) There must be atleast two and a maximum of 50 members (excluding current and former employees) to form a private company.
- c) It cannot invite application from the general public to subscribe its shares, or debentures.
- d) It cannot invite or accept deposits from persons other than its members, Directors and their relatives.

Unlike public company, a private company cannot issue its shares or debentures to general public at large as shares of these companies are not traded in the stock exchange, for example, Coca-Cola India Private limited, etc.

Question 3:

When can shares be Forfeited?

Answer:

When a shareholder fails to pay the allotment money or any subsequent calls, then the company informs the shareholder by giving him/her a proper notice. If even after the notice, the shareholder fails to pay the due money, then the company forfeits the shares allotted to him/her.

Question 4:

What is meant by Calls-in-Arrears?

Answer:

When shareholder fails to pay all the instalments in due time, then company expects the shareholder to pay the outstanding amount in the later stages (or calls). Such amount of money that is being paid at the later stages is termed as Calls-in-Arrears.

Question 5:

What do you mean by a listed company?

Answer:

Those public companies whose shares are listed and can be traded in a recognised stock exchange for public trading like, Tata Motors, Reliance, etc are called Listed Company. These companies are also called Quota Companies. The listing of securities (shares) helps the investor to determine the increase/decrease in value of their investment in a concerned listed company. This provides ample indication to the potential investors about the goodwill of the company and facilitates them to take various investment decisions and also to assess the viability of their investment in a company.

Question 6:

What are the uses of securities premium?

Answer:

As per the Section 78 of the Companies Act of 1956, the amount of securities premium can be used by the company for the following activities:

1. For paying up un issued shares of the company to be issued to members (shareholders) of the company as fully paid bonus share,
2. For writing off the preliminary expenses of the company,
3. For writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company,
4. For paying up the premium that is to be payable on redemption of preference shares or debentures of the company.
5. Further, as per the Section 77A, the securities premium amount can also be utilised by the company to Buy-back its own shares.

Question 7:

What is meant by Calls-in-Advance?

Answer:

Calls-in-Advance refers to a situation when a shareholder pays the whole amount or a part of the amount of shares before it become due, i.e. before the company calls for it.

So, the amount of money that is being paid in advance at the earlier stages is termed as Calls-in-Advance.

Question 8:

Write a brief note on 'Minimum Subscription'.

Answer:

When shares are issued to the general public, the minimum amount that must be subscribed by the public so that the company can allot shares to the applicants is termed as Minimum Subscription. As per the Company Act of 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.

Long Answer Questions**Question 1:**

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

Answer:

The Section 3 (1) (i) of the Company Act of 1956 defines an organisation as a company that is formed and registered under the Act or any existing company that is formed and registered under any earlier company laws. In general, a company is an artificial person, created by law that has a separate legal entity, perpetual succession, common seal and has limited liability. It is a voluntary association of person who together contributes 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. There are two types of company, public company and private company.

Characteristics of Company

1. Association of Person: A company is formed voluntarily by a group of persons to perform a common business. Minimum number of person should be two for formation of a private company and seven for a public company.

2. Artificial Person: Company is an artificial and juristic person that is created by law.

3. Separate Legal Entity: A company has a separate legal entity from its members (shareholders) and Directors. It can open a bank account, sign a contract and can own a property in its own name.

4. Limited Liability: The liability of the members of a company is limited up to the nominal value or the face value of the shares. Unlike a partnership firm, on insolvency of a company, the members and the shareholders are not liable to pay the amount due to the creditors of the company. In fact, the members and the shareholders are only liable to pay the unpaid amount of the shares held by them. For example, if the value of share is Rs 10 and Rs 6 is paid up, then the member is liable to pay only Rs 4.

5. Perpetual Existence: The existence of 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 Company Act.

6. Common Seal: The Company is an artificial 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.

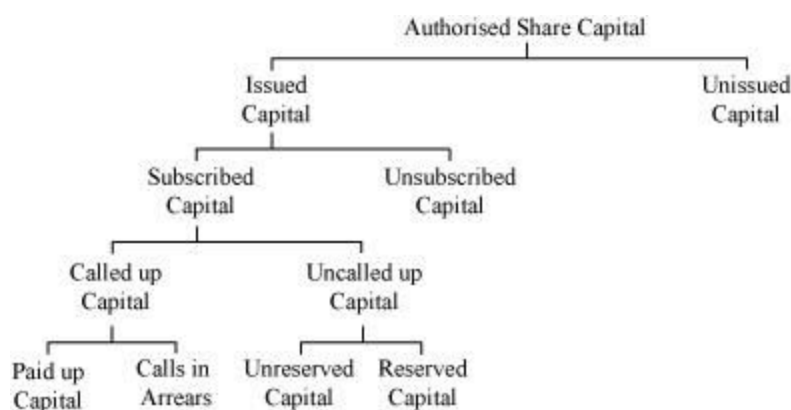
7. Transferability of Shares: The shares of public limited company is easily and freely transferable without any consent from other members. But the share of ownership of a private limited company is not transferable without the consent of the other members.

Question 2:

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

Answer:

The division of the share capital of a company into main categories is diagrammatically explained below.



1. Authorised Capital: It is an amount which is stated in the Memorandum of Association. It is the maximum amount that the company can raise by issuing shares. This maximum amount can be increased as per the procedures laid down in the Company Act.

2. Issued Capital: It is a part of authorised capital which is offered by the company to the general public for subscription. For example, if the authorised capital of a company is Rs 1,00,000 divided into Rs 10 per share, then the issued capital cannot be more than Rs 1,00,000.

3. Unissued Capital: It is a part of authorised capital that is not offered till now but can be offered to the general public in future. In the above example, if the issued capital is Rs 80,000, then the unissued capital is Rs 20,000.

4. Subscribed Capital: It is a part of issued capital that is actually subscribed by the general public. For example, if the company has issued 8,000 shares of Rs 10 per share and public has subscribed for 7,500 shares, then the subscribed share capital of the company amounts to Rs 75,000.

5. Unsubscribed Capital: It is that part of the issued capital that is not subscribed by the public. For example, in the above example, 500 shares were left unsubscribed, making an unsubscribed share capital of Rs 5,000.

6. Called up Capital: It is a part of subscribed capital that is called up by the Directors from the shareholders of a company to pay. For example, if the Directors call up Rs 6 out of Rs 10 (i.e. the face value of the share) from the shareholders of 10,000 to pay, then Rs 60,000 is regarded as called up share capital.

7. Uncalled up Capital: It is that part of subscribed capital which is not called up till now but can be called up in future as per the need of the company. For example, in the above example, Rs 4 were left uncalled from shareholders holding 10,000 shares, so Rs 40,000 is uncalled up share capital.

8. Paid up capital: It is that part of called up share capital which is actually received from the shareholders. If the entire called up money of Rs 4 on 1,000 shares has been received except from a shareholder holding 300 shares, then the paid up share capital is Rs 2,800 (Rs 4,000 – Rs 1,200). The amount of Rs 1,200 is called Call in Arrears that has been called up but is unpaid.

9. Reserved Capital: As per the Section 99 of the Company Act of 1956, a limited company may call up any portion of uncalled share capital in the event of winding up of the company to pay its creditors. This amount of uncalled share capital cannot be used for any other

purpose and is reserved for paying back the creditors, that is why, such portion of share capital is called 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, 2013 as amended to date.

Answer:

The total capital of a company is divided into equal units of small denomination termed as shares. The ownership of these shares is easily transferable, from one person to other, subject to certain conditions. The person who is contributing in the capital in the form of shares is known as shareholder. The ownership of a shareholder is limited to the value of the shares held by him/her.

Types of Shares

As per the Section 44 of the Company Act of 2013, there are two types of shares- Preference Shares and Equity Shares (also known as Ordinary Shares)

i) Preference Shares: Section 43 of the Company Act, 2013 defines Preference Shares to be featured by the following rights:

- a. Preference Shares entitle its holder the right to receive dividend at a fixed rate or fixed amount.
- b. Preference Shares entitle its holder the preferential right to receive repayment of capital invested by them before their equity counterparts at the time of winding up of the company.

ii) Equity Shares: Equity Shareholders have a voting right and control the affairs of a company.

As per Section 43 of Companies Act 2013; equity share is a share that is not a preference share. It does not possess any preferential right of payment of dividend or repayment of capital. The rate of dividend is not fixed on equity shares and varies from year to year, depending upon the amount of profit available for distribution after paying dividend to the preference shareholders.

Question 4:

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

Answer:

When the total number of applications received for shares exceeds the number of shares offered by the company to the public, the situation of oversubscription arises. A company can opt for any of the three alternatives to allot shares in case of oversubscription of shares.

i) Excess applications are refused and money received on excess applications is returned to the applicants.

The company can refuse excess applications and the money received on these excess applications is returned to the applicants.

Share Application A/c

Dr.

To Share Capital A/c

To Bank A/c

(Excess application money returned)

Example: Shares issued 10,000 @ Rs 10 per share and money received for 12,000 shares. Amount is payable Rs 2 on application, Rs 5 on allotment, Rs 3 on first and final call.

Bank A/c

Dr.

24,000

To Share Application A/c

24,000

(Application money received for 12,000 shares)

Share Application A/c

Dr.

24,000

To Share Capital A/c	20,000
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To Bank A/c	4,000
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(Application money transferred to Share Capital
Account and the excess money returned)

ii) Pro rata Basis

The company can allot shares on pro rata basis to all the share applicants. The excess amount received in the application is adjusted on the allotment.

Share Application A/c	Dr.
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To Share Capital A/c

To Share Allotment A/c

(Adjustment of application money on allotment)

Example: Shares issued 10,000 @ Rs 10 per share and money received for 12,000 shares. Amount is payable Rs 2 on application, Rs 5 on allotment, Rs 3 on first and final call.

Bank A/c	Dr.	24,000
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To Share Application A/c	24,000
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(Application money received for 12,000 shares)

Share Application A/c	Dr.	24,000	
To Share Capital A/c			20,000
To Share Allotment A/c			4,000

(Application money transferred to Share Capital Account and the balance amount is transferred to Share Allotment Account)

Share Allotment A/c	Dr.	50,000	
To Share Capital A/c			50,000

(Amount due on allotment of 10,000 shares @ Rs 5 per share)

Bank A/c	Dr.	46,000	
To Share Allotment			46,000

(Allotment money received, Rs 50,000 – Rs 4,000)

iii) Pro rata and refund of money

In this case, the company follows a combination of both the method. It may reject some share applications and may allot some applications on the pro rata basis.

Share Application A/c

Dr.

To Share Capital A/c

To Share Allotment A/c

To Bank A/c

(Application money transferred to Share Capital

Account and the balance amount is transferred to

Share Allotment Account and the excess application

money is refund)

Example: Shares issued 10,000 @ Rs 10 per share and money received for 13,000 shares. Amount is payable Rs 2 on application, Rs 5 on allotment, Rs 3 on first and final call. If the company rejects the applications for 1,000 shares and allots the remaining on the pro rata basis.

Bank A/c

Dr.

26,000

To Share Application A/c

26,000

(Application money received for 12,000 shares)

Share Application A/c

Dr.

26,000

To Share Capital A/c (10,000 × Rs 2)

20,000

To Share Allotment A/c ($2,000 \times \text{Rs } 2$)	4,000
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To Bank A/c ($1,000 \times \text{Rs } 2$)	2,000
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(Amount received on share application adjusted to Share Capital and share allotment and balance is refunded)

Share Allotment A/c	Dr.	50,000
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To Share Capital A/c	50,000
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(Amount due on share allotment of 10,000 share @ Rs 5 per share)

Bank A/c	Dr.	46,000
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To Share Allotment A/c	46,000
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(Allotment money received, Rs 50,000 – Rs 4,000)

Question 5:

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

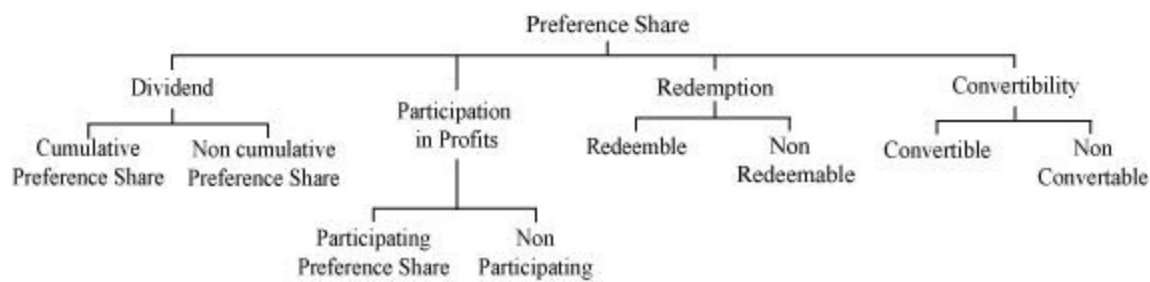
Answer:

Preference Shares: Section 85 of the Company Act, 1956 defines Preference Shares to be featured by the following rights:

- a. Preference Shares entitle its holder the right to receive dividend at a fixed rate or fixed amount.
- b. Preference Shares entitle its holder the preferential right to receive repayment of capital invested by them before their equity counterparts at the time of winding up of the company.

Types of Preference Shares

The different types of Preference Shares are diagrammatically explained below.



1. On the basis of Dividend:

a) *Cumulative Preference Shares*

When a preference shareholder has a right to recover any arrears of dividend, before any dividend is paid to the equity shareholders, then the type of Preference Shares held by the shareholder is known as Cumulative Preference Shares. All Preference Shares are cumulative unless otherwise expressly stated to be non cumulative.

b) **Non Cumulative Preference Share**

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.

2. On the basis of Participation:

a) **Participating Preference Share**

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 Share.

b) Non participating Preference Share

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.

It must be noted that all Preference Shares are non-participating until and unless expressly stated.

3. On the basis of Redemption:

a) Redeemable preference share

When a preference shareholder is repaid by the company after a certain specified period in accordance with the term specified in the Section 80 of Company Act of 1956, then the type of the shares held by him/her is known as Redeemable Preference Shares.

b) Non Redeemable Preference share

These shares are not repaid by the company during its lifetime. As per the Section 80A of the Company Act of 1956, no company can issue Non Redeemable Preference Shares. It is merely a theoretical concept.

4. On the basis of Convertibility:

a) Convertible Preference Share

The shareholders holding Convertible Preference Shares have a right to convert his/her shares into equity shares.

b) Non Convertible Preference Share

Unlike Convertible Preference Shares, the shareholders holding Non Convertible Preference Shares do not enjoy the right to convert their shares into equity shares.

Question 6:

Describe the provision of law relating to 'Calls-in-Arrears' and 'Calls-in-Advance'.

Answer:

Calls-in-Arrears: When a shareholder fails to pay the amount due on allotment or any subsequent calls, then it is termed as Calls-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% p.a. is charged from the shareholders. As per the Revised Schedule VI of the Companies Act, Calls-in-Arrears are deducted from the Called-up Share Capital in the Notes to Accounts (that is prepared outside the Balance Sheet) under the head 'Share Capital'. The final amount of Share Capital is shown on the Equity and 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 the shareholders.

Example- X Ltd. issued 12,000 shares of Rs 10 each. All the shares were duly subscribed, however, the first and final call of Rs 4 on 5,000 shares remained unpaid.

X Ltd.

Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	1,00,000
2. Non-Current Liabilities		-
3. Current Liabilities		-

Total		
II. Assets		
1. Non-Current Assets		-
2. Current Assets		-
Total		

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Share Capital	
	Authorised Share Capital	
 shares of Rs 10 each	-
	Issued Share Capital	
	12,000 shares of Rs 10 each	1,20,000
	Subscribed, Called-up and Paid-up Share Capital	

	12,000 shares of Rs 10 each	1,20,000	
	<i>Less: Calls-in-Arrears (5,000×4)</i>	<i>(20,000)</i>	1,00,000

Calls-in-Advance: 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% p.a. is provided to the shareholders. As per the Revised Schedule VI of the Companies Act, Calls-in-Advance (along with interest on it) is added to the 'Other Current Liabilities' in the Notes to Accounts. The final amount of Other Current Liabilities is shown under the main head of 'Current Liabilities' on the Equity and Liabilities side of the Company's Balance Sheet.

Example- X Ltd. issued 12,000 shares of Rs 10 each. All the shares were duly subscribed. The final call of Rs 3 was not yet made, however, a shareholder holding 5,000 shares paid the final call installment in advance along with the allotment money.

X Ltd.

Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		

a. Share Capital	1	84,000
2. Non-Current Liabilities		
3. Current Liabilities		
a. Other Current Liabilities	2	15,000
Total		
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Total		

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Share Capital	
	Authorised Share Capital	

 shares of Rs 10 each	-
	Issued Share Capital	
	12,000 shares of Rs 10 each	1,20,000
	Subscribed, Called-up and Paid-up Share Capital	
	12,000 shares of Rs 10 each, Rs 7 called-up	84,000
2	Other Current Liabilities	
	Calls-in-Advance (5,000×3)	15,000

Question 7:

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

Answer:

When the total number of applications received for shares exceeds the number of shares offered by the company to the public, the situation of Over-subscription arises. 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.

The company can refuse excess applications and the money received on these excess applications is returned to the applicants.

Share Application A/c Dr.

To Share Capital A/c

To Bank A/c

(Excess application money returned)

Example: Shares issued 10,000 @ Rs 10 per share and money received for 12,000 shares. Amount is payable Rs 2 on application, Rs 5 on allotment, Rs 3 on first and final call.

Bank A/c Dr. 24,000

To Share Application A/c 24,000

(Application money received for 12,000 shares)

Share Application A/c Dr. 24,000

To Share Capital A/c 20,000

To Bank A/c 4,000

(Application money transferred to Share Capital

Account and the excess money returned)

ii) Pro rata Basis

The company can allot shares on pro rata basis to all the share applicants. The excess amount received in the application is adjusted on the allotment.

Share Application A/c Dr.

To Share Capital A/c

To Share Allotment A/c

(Adjustment of application money on allotment)

Example: Shares issued 10,000 @ Rs 10 per share and money received for 12,000 shares. Amount is payable Rs 2 on application, Rs 5 on allotment, Rs 3 on first and final call.

Bank A/c Dr. 24,000

To Share Application A/c 24,000

(Application money received for 12,000 shares)

Share Application A/c Dr. 24,000

To Share Capital A/c 20,000

To Share Allotment A/c 4,000

(Application money transferred to Share Capital

Account and the balance amount is transferred to

Share Allotment Account)

Share Allotment A/c	Dr.	50,000	
To Share Capital A/c			50,000

(Amount due on allotment of 10,000 shares @ Rs 5 per share)

Bank A/c	Dr.	46,000	
To Share Allotment			46,000

(Allotment money received, Rs 50,000 – Rs 4,000)

iii) Pro rata and refund of money

In this case, the company follows a combination of both the method. It may reject some share applications and may allot some applications on the pro rata basis.

Share Application A/c	Dr.		
To Share Capital A/c			
To Share Allotment A/c			
To Bank A/c			

(Application money transferred to Share Capital
Account and the balance amount is transferred to
Share Allotment Account and the excess application
money is refund)

Example: Shares issued 10,000 @ Rs 10 per share and money received for 13,000 shares.
Amount is payable Rs 2 on application, Rs 5 on allotment, Rs 3 on first and final call. If the
company rejects the applications for 1,000 shares and allots the remaining on the pro rata basis.

Bank A/c	Dr.	26,000	
To Share Application A/c			26,000

(Application money received for 12,000 shares)

Share Application A/c	Dr.	26,000	
To Share Capital A/c (10,000 × Rs 2)			20,000
To Share Allotment A/c (2,000 × Rs 2)			4,000
To Bank A/c (1,000 × Rs 2)			2,000

(Amount received on share application adjusted to
Share Capital and share allotment and balance is
refunded)

Share Allotment A/c	Dr.	50,000	
To Share Capital A/c			50,000

(Amount due on share allotment of 10,000 share @
Rs 5 per share)

Bank A/c	Dr.	46,000	
To Share Allotment A/c			46,000

(Allotment money received, Rs 50,000 – Rs 4,000)

Under-subscription- When the number of shares applied by the public is lesser than the number of shares issued by the company, then the situation of Under-subscription arises. As per the Company 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 money.

Question 8:

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

Answer:

As per the Section 78 of the Companies Act of 1956, the amount of securities premium can be used by the company for the following activities:

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

Question 9:

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

Answer:

As per the Section 79 of the Company Act of 1956, following are the conditions under which a company can issue shares at a discount.

1. A company can issue shares at discount provided it has previously issued such type of shares.
2. The issue of shares at a discount is authorised by a resolution passed by the company in the General Meeting and sanction obtained from the Company Law Tribunal.
3. The resolution specifies that the maximum rate of discount is 10% of the face value of the shares, unless higher percentage of discount allowed by the Company Law Tribunal.
4. A company can issue shares at discount atleast after one year from the date of commencing business.
5. If a company wants to issue shares at discount, then it must issue them within two months of obtaining sanction from the Company Law Tribunal.
6. Every prospectus related to the issue of the shares should explicitly and clearly contain 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 subsequent calls, then the company has the right to forfeit shares by giving a proper notice to the shareholder.

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

1. 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.
2. If the shareholder does not pay the amount, then the company has the right to forfeit his/her share by passing a resolution.
3. A notice of that resolution is sent to the default shareholder and a public notice of the same is published in a daily newspaper.
4. 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**

Share Capital A/c	Dr.	(amount called up)
To Share Allotment A/c		(amount not received)
To Share Calls A/c		(amount not received)
To Share Forfeiture A/c		(amount received)

(Shares forfeited)

ii) Forfeiture of Shares that were issued at Premium

a) *If premium is received, then the premium is not shown.*

Share Capital A/c	Dr.	(amount called up)
	To Share Allotment A/c	(amount not received)
	To Share Calls A/c	(amount not received)
	To Share forfeiture A/c	(amount received)

(Share forfeited)

b) *If premium is not received, then the premium is shown.*

Share Capital A/c	Dr.	(amount called up excluding premium)
Share Premium A/c	Dr.	(amount not received)
	To Share Allotment A/c	(amount not received including premium)
	To Share Calls A/c	(amount not received)
	To Share Forfeiture A/c	(amount received including premium)

(Share forfeited)

iii) Forfeiture of Shares that were issued at Discount

Share Capital A/c	Dr.	(amount called up, plus discount)
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To Discount on Issue of Shares A/c	(amount of discount)
To Share Allotment A/c	(amount not received)
To Share Calls A/c	(amount not received)
To Share Forfeiture A/c	(amount received)

(Share forfeited)

Numerical Questions

Question 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.

Answer:

Books of Anish Limited

Date	Particulars	L.F.	Debit Amount	Credit Amount

			Rs	Rs
	Bank A/c Dr. To Equity Share Application A/c (Application money received on application for 30,000 equity shares @ Rs 30 per share)		9,00,000	9,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Share Application money transferred to Share Capital Account)		9,00,000	9,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment money due on 30,000 @ Rs 50 per share)		15,00,000	15,00,000
	Bank A/c Dr.		15,00,000	

	<p>To Equity Share Allotment A/c</p> <p>(Share Allotment money received for 30,000 shares @ Rs 50 per share)</p>			15,00,000
	<p>Equity Share First and Final Call A/c</p> <p>To Equity Share Capital A/c</p> <p>Share First and Final call due on 30,000 shares @ Rs 20 per share)</p>	Dr.	6,00,000	6,00,000
	<p>Bank A/c</p> <p>To Equity Share First and Final Call A/c</p> <p>(Share First and Final Call money received for 30,000 shares @ Rs20 per share)</p>	Dr.	6,00,000	6,00,000

Question 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.

Answer:

Books of Adersh Control Device Ltd

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Share Application money for 30,000 shares @ Rs 3 per share transferred to Share Capital Account)		90,000	90,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c		1,20,000	1,20,000

	(Share Allotment money due on 30,000 @ Rs 4 per share)			
	Equity Share First and Final Call A/c Dr.		90,000	
	To Equity Share Capital A/c			90,000
	(Share First and Final Call due on 30,000 @ Rs 3 per share)			

Cash Book (Bank Column)

Dr.

Cr.

			Amount				Amount
Date	Particulars	J.F.	Rs	Date	Particulars	J.F.	Rs
	Equity Share Application		90,000				
	Equity Share Allotment		1,20,000				

	Equity Share First and Final Call		90,000		By Balance c/d		3,00,000
			3,00,000				3,00,000

Question 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.

Answer:

Books of Software Solution India Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Equity Share Application A/c Dr.		12,00,000	
	To Equity Share Capital A/c			8,00,000

	<p>To Equity Share Allotment A/c</p> <p>(Application money transferred to Equity Share Capital for 20,000 shares @ Rs 40 and Rs 4,00,000 is adjusted towards allotment)</p>			4,00,000
	<p>Equity Share Allotment A/c Dr.</p> <p>To Equity Share Capital A/c</p> <p>(Equity Share Allotment money due on 20,000 @ Rs 30 per share)</p>		6,00,000	6,00,000
	<p>Equity Share First and Final call A/c Dr.</p> <p>To Equity Share Capital A/c</p> <p>(Equity share on First and Final call due on 20,000 @ Rs 30 per share)</p>		6,00,000	6,00,000

Cash Book (Bank Column)

Dr.**Cr.**

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Equity Share Application		12,80,000		Equity Share Application		80,000
	Equity Share Allotment		2,00,000		Balance c/d		20,00,000
	Equity Share First and Final Call		6,00,000				
			20,80,000				20,80,000

Working Note:

Amount due on Allotment for 20,000 shares @ Rs 30 per share	6,00,000
Money adjusted on application 10,000 shares @ Rs 40 each	4,00,000
Money to be received on Allotment	2,00,000

Question 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.

Answer:

Books of Rupak Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Application A/c Dr. To Share Capital A/c (Application money for 10,000 shares transferred to Share Capital Account)		2,00,000	2,00,000
	Share Allotment A/c Dr.		3,00,000	

	To Share Capital A/c (Allotment money due on 10,000 shares @ Rs 30 per share)			3,00,000
	Share First Call A/c Dr.		2,50,000	
	To Share Capital A/c (Share First Call due on 10,000 shares @ Rs 25 per share)			2,50,000
	Calls in Arrears A/c Dr.		5,000	
	To Share First Call A/c (Call in arrears on 200 shares @ Rs 25 per share)			5,000

Cash Book (Bank Column)

Dr.

Cr.

			Amount				Amount
Date	Particulars	J.F.	Rs	Date	Particulars	J.F.	Rs

	Share Application		2,00,000				
	Share Allotment		3,00,000				
	Share first call		2,45,000		By Balance c/d		7,57,500
	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
<i>Less:</i> Calls in Arrear for 200 shares @ Rs 25 per Share	(5,000)
Money Received on First Call	2,45,000
<i>Add:</i> Calls received in advance on 500 shares @ Rs25 per share	12,500
	2,57,500

Question 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:

Books of Mohit Glass Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Application money received on application for 24,000 shares @ Rs 30 per share)		7,20,000	7,20,000
	Share Application A/c Dr. To Share Capital A/c (Bank Column)		7,20,000	6,00,000

<p>To Bank A/c</p> <p>(Share Application of 20,000 shares @ Rs 30 transferred to Share Capital Account and the balance returned)</p>			1,20,000
<p>Share Allotment A/c Dr.</p> <p>To Share Capital A/c</p> <p>To Share Premium A/c</p> <p>(Allotment money due on 20,000 shares @ 40 per share including Rs 10 for premium)</p>		8,00,000	6,00,000 2,00,000
<p>Bank A/c Dr.</p> <p>To Share Allotment A/c</p> <p>(Allotment money received on 20,000 shares @ Rs 40 per share)</p>		8,00,000	8,00,000
<p>Share First Call A/c Dr.</p> <p>To Share Capital A/c</p>		4,00,000	4,00,000

(Share First Call money due on 20,000 shares @ Rs 20 per share)				
Bank A/c	Dr.	4,00,000		
To Share First Call A/c			4,00,000	
(Share First Call money received on 20,000 shares @ Rs 20 per share)				
Share Final Call A/c	Dr.	4,00,000		
To Share Capital A/c			4,00,000	
(Share Final Call money due on 20,000 shares @ Rs 20 per share)				
Bank A/c	Dr.	4,00,000		
To Share Final Call A/c			4,00,000	
(Share Final Call money received on 20,000 shares @ Rs 20 per share)				

Question 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 :

	<i>Equity Shares</i>	<i>Preference Shares</i>
On Application	Rs 3 per share	Rs 3 per share
On Allotment	Rs 5 per share	Rs 4 per share
	(including a premium)	
On First Call	Rs 4 per share	Rs 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:

Books of A Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	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			3,00,000
	To 10% Preference Share Capital A/c			6,00,000
	(Application money transferred to Equity Share Capital)			
	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			3,00,000
	To Securities Premium A/c			2,00,000
	To 10% Preference Share Allotment A/c			8,00,000
	(Amount due on allotment)			

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			4,00,000
To 10% Preference Share Capital A/c			6,00,000
(Amount on First and Final call due)			

Cash Book(Bank Column)

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Equity Share Application		3,00,000				
	10% Preference Share Application		6,00,000				
	Equity Share Allotment		5,00,000				

	10% Preference Share Allotment		8,00,000				
	Equity Share First and Final Call		4,00,000		Balance c/d		32,00,000
	10% Preference Share First & Final Call		6,00,000				
			32,00,000				32,00,000

Question 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

Rs 3 per share

On Allotment (including premium)

Rs 5 per share

On first call (due three months after allotment) and the balance as and when required.

Rs 3 per share

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:

Note: In order to solve this question, applicants of category C has been assumed as 5000 instead of 500 and allotment to the applicants of this category has been taken as 2000 in place of 200.

Books of Eastern Company Limited

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Application A/c Dr.		1,80,000	
	To Share Capital A/c			1,50,000

	<p>To Share Allotment A/c</p> <p>(Share Application money for 50,000 shares transferred to Share Capital Account and the excess money transferred to Share Allotment Account)</p>			<p>30,000</p>
	<p>Share Allotment A/c Dr.</p> <p>To Share Capital A/c</p> <p>To Share Premium A/c</p> <p>(Allotment money due on 50,000 share @ Rs 5 per share including Rs 3 security premium)</p>		<p>2,50,000</p>	<p>1,00,000</p> <p>1,50,000</p>
	<p>Share First Call A/c Dr.</p> <p>To Share Capital A/c</p> <p>(First call due on 50,000 share @ Rs 3 per share)</p>		<p>1,50,000</p>	<p>1,50,000</p>

Cash Book (Bank Column)

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Share Application		1,80,000				
	Share Allotment		2,20,000		Balance c/d		5,49,700
	Share First Call		1,49,700				
			5,49,700				5,49,700

Eastern Company Limited

Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1.Shareholders' Funds		
a. Share Capital	1	3,99,700

b. Reserves and Surplus	2	1,50,000
2.Non-Current Liabilities		
3.Current Liabilities		
Total		5,49,700
II. Assets		
1.Non-Current Assets		
2.Current Assets		
a. Cash and Cash Equivalents	3	5,49,700
Total		5,49,700

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Share Capital	
	Authorised Share Capital	

	1,00,000 shares of Rs 10 each	10,00,000
	Issued Share Capital	
	50,000 shares of Rs 10 each	5,00,000
	Subscribed, Called up and Paid up Share Capital	
	50,000 shares of Rs 10 each, Rs 4,00,000 8 called-up	
	<i>Less: Calls-in-Arrears</i>	3,99,700
	(300)	
2	Reserves and Surplus	
	Securities Premium	1,50,000
3	Cash and Cash Equivalents	
	Cash at Bank	5,49,700

Question 8:

Sumit Machine Ltd. issued 50,000 shares of Rs. 100 each at premium of 5%. The shares were payable Rs. 25 on application, Rs. 50 on allotment and Rs. 30 on first and final call. The issue was fully subscribed and money was duly received except the final call on 400 shares. The premium was adjusted on allotment.

Give journal entries and prepare balance sheet.

Answer:

Books of Sumit Machine Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Share Application A/c (Share Application money received on application for 50,000 shares @ ₹25 per share)		12,50,000	12,50,000
	Share Application A/c Dr. To Share Capital A/c (Share Application money of 50,000 shares transferred to Share Capital Account)		12,50,000	12,50,000
	Share Allotment A/c Dr.		25,00,000	

		To Share Capital A/c		22,50,000	
		To Securities Premium A/c		2,50,000	
		(Share Allotment money due on 50,000 shares @ ₹45 each at a premium of ₹5)			
	Bank A/c	Dr.	25,00,000		
		To Share Allotment A/c		25,00,000	
		(Allotment money received for 50,000 shares @ ₹50 per share)			
	Share First and Final Call A/c	Dr.	15,00,000		
		To Share Capital A/c		15,00,000	
		(Share First and Final call due on 50,000 shares @ ₹30 per share)			

	Bank A/c	Dr.	14,88,000	
	Calls in Arrears A/c	Dr.	12,000	
	To Share First and Final Call A/c			15,00,000
	(Share First and Final Call received except 400 shares)			

Sumit Machine Ltd.

Balance Sheet

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	49,88,000
b. Reserves and Surplus	2	2,50,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		52,38,000

II. Assets		
1. Non-Curr ent Assets		
1. Current Assets		
a. Cash and Cash Equivalents	3	52,38,000
Total		52,38,000

NOTES TO ACCOUNTS

No te No .	Particulars	Amount (₹)
1	Share Capital Authorised Share Capital shares of ₹ 100 each Issued Share Capital	-

	50,000 shares of ₹ 100 each	50,00,000
	Subscribed, Called-up and Paid-up Share Capital	
	50,000 shares of ₹ 100 each	50,00,000
	<i>Less:</i> Calls-in-Arrears (12,000)	49,88,000
2	Reserves and Surplus	
	Securities Premium Reserve	2,50,000
3	Cash and Cash Equivalents	
	Cash at Bank	52,38,000

Question 9:

Kumar Ltd. purchased 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 shares are issued, (a) at par, and (b) at premium of 20%.

Answer:

Case (a)

Books of Kumar Ltd

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets A/c Dr. To Bhanu Oil Ltd (Assets purchased from Bhanu Oil Ltd.)		6,30,000	6,30,000
(a)	Bhanu Oil Ltd Dr. To Share Capital A/c (6,300 shares issued at par to Bhanu Ltd.)		6,30,000	6,30,000

$$\text{No. of Shares issued at par} = \frac{\text{Amount Payable}}{\text{Face Value}}$$

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

Case (b)

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets A/c Dr. To Bhanu Oil Ltd (Assets purchased from Bhanu Oil Ltd.)		6,30,000	6,30,000
	Bhanu Oil Ltd Dr.		6,30,000	

	To Share Capital A/c		5,25,000
	To Securities Premium A/c		1,05,000
	(5,250 share are issued at 20% premium to Bhanu Ltd. in consideration of assets purchased)		

$$\text{No. of Shares issued at premium} = \frac{\text{Amount Payable}}{\text{Face Value} + \text{Premium per Share}}$$

$$5,250 \text{ Shares} = \frac{6,30,000}{100 + 20}$$

Question 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:

Book of Bansal Heavy Machine Ltd

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Machinery A/c Dr.		3,20,000	

	To Cash A/c			50,000
	To Handa Traders			2,70,000
	(Machine purchased from Handa Traders paid Rs 50,000 in cash immediately)			
	Handa Trader	Dr.	2,79,000	
	Discount on Issue of Shares A/c	Dr.	30,000	
	To Share Capital A/c			3,00,000
	(3,000 share issued at Rs 90 face value of Rs 100 each to Handa Traders in consideration of amount due to him for machinery purchased)			

Working Notes:-

1. Number of share issued

$$\begin{aligned}
 &= \frac{\text{Amount payable}}{\text{Issue price}} \\
 &= \frac{2,70,000}{90} = 3,000 \text{ shares}
 \end{aligned}$$

Question 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:**Books of Naman Ltd**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Shares Application money received for 20,000 shares @ Rs 25 each)		5,00,000	5,00,000
	Share Application A/c Dr. To Share Capital		5,00,000	5,00,000

<p>(Share Application money of 20,000 shares @ Rs 25 each transferred to Share Capital Account)</p>			
<p>Share Allotment A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share Allotment due on 20,000 shares @ Rs 30 each)</p>		<p>6,00,000</p>	<p>6,00,000</p>
<p>Bank A/c Dr.</p> <p>To Share Allotment A/c</p> <p>(Allotment money received for 19,800 shares @ Rs 30 per share)</p>		<p>5,94,000</p>	<p>5,94,000</p>
<p>Share First Call A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share First Call money due on 20,000 @ Rs 25 per share)</p>		<p>5,00,000</p>	<p>5,00,000</p>

<div>Bank A/c</div> <div>Dr.</div> <div>To Share First Call A/c</div> <div>(Share First Call received @ Rs 25 per share for 19,700 shares)</div>	4,92,500	4,92,500
<div>Share Final Call A/c</div> <div>Dr.</div> <div>To Share Capital A/c</div> <div>(Share Final Call money due on 20,000 shares @ 20 per share)</div>	4,00,000	4,00,000
<div>Bank A/c</div> <div>Dr.</div> <div>To Share final call A/c</div> <div>(Share Final Call received @ Rs 20 per Share for 19,700 shares and 300 shares failed to pay the call)</div>	3,94,000	3,94,000
<div>Share Capital A/c</div> <div>Dr.</div> <div>To Share Forfeiture A/c</div> <div>(200×25+100×55)</div>	30,000	10,500

	To Share Allotment (200×30)			6,000
	To Share First Call A/c (300×25)			7,500
	To Share Final Call A/c (300×20)			6,000
	(300 Shares forfeited)			

Alternatively this question can be solved by debiting Calls in Arrears Account

Books of Naman Ltd

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Share Application money received on application for 20,000 shares @ Rs 25 per share)		5,00,000	5,00,000

<div>Share Application A/c</div> <div>Dr.</div> <div>To Share Capital A/c</div> <div>(Share Application money for 20,000 shares @ Rs 25 per share transferred to Share Capital Account)</div>	5,00,000	5,00,000
<div>Share Allotment A/c</div> <div>Dr.</div> <div>To Share Capital A/c</div> <div>(Share Allotment money due on 20,000 shares @ Rs 30 per share)</div>	6,00,000	6,00,000
<div>Bank A/c</div> <div>Dr.</div> <div>Calls in Arrears A/c</div> <div>Dr.</div> <div>To Share Allotment A/c</div> <div>(Allotment money received for 19,800 shares @ Rs 30 per share and 200 shares failed to pay the Allotment)</div>	5,94,000 6,000	6,00,000

Share First Call A/c	Dr.	5,00,000	
To Share Capital A/c			5,00,000
(Share First Call money due on 20,000 shares @ Rs 25 per share)			
Bank A/c	Dr.	4,92,500	
Calls in Arrears A/c	Dr.	7,500	
To Share First Call A/c			5,00,000
(Share First Call money for 19,700 shares @ Rs 25 each received except 300 shares)			
Share Final Call A/c	Dr.	4,00,000	
To Share Capital A/c			4,00,000
(Share Final Call money due on 20,000 shares @ Rs 20 per share)			
Bank A/c	Dr.	3,94,000	

	<p>Calls in Arreras A/c Dr.</p> <p>To Share final call A/c</p> <p>(Share Final Call money received for 19,700 shares @ Rs 20 per share except 300 shares)</p>		6,000	
	<p>Share Capital A/c Dr.</p> <p>To Share Forfeiture A/c (200×25+100×55)</p> <p>To Calls in Arrears A/c</p> <p>(300 Shares forfeited on account failed to pay the money due)</p>		30,000	4,00,000
				10,500
				19,500

Working Note:

1. Forfeited Amount

Amount on application	(300 shares @ Rs 25 each)	=	7,500
Amount on allotment	(100 Shares @ Rs 30 each)	=	3,000
			10,500

Question 12:

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

On application	Rs 30
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On allotment	Rs 50 (including premium)
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On first and final call Rs 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:

Books of Krishna Ltd

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr.		4,50,000	

	<p>To Share Application A/c</p> <p>(Share Application money received for 15,000 shares @ Rs 30 per share)</p>		4,50,000
	<p>Share Application A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share Application money of 15,000 shares transferred to Share Capital Account)</p>	4,50,000	4,50,000
	<p>Share Allotment A/c Dr.</p> <p>To Share Capital A/c</p> <p>To Securities Premium A/c</p> <p>(Share Allotment money on 15,000 shares @ Rs 50 per share including Rs 10 securities premium due)</p>	7,50,000	<p>6,00,000</p> <p>1,50,000</p>

Bank A/c	Dr.	7,42,500	
To Share Allotment A/c			7,42,500
(Share Allotment received on 14,850 shares and 150 shares failed to pay the money due)			
Share First and Final Call A/c	Dr.	4,50,000	
To Share Capital A/c			4,50,000
(Share First and Final Call for 15,000 shares @ Rs 30 per share due)			
Bank A/c	Dr.	4,45,500	
To Share First and Final Call A/c			4,45,500

	(Share First and Final Call received for 14,850 shares @ Rs 30 per share and 150 shares failed to pay amount due)			
	<div>Share Capital A/c Dr. 15,000</div> <div>(150×100)</div> <div>Share Premium A/c Dr. 1,500</div> <div>(150×10)</div> <div>To Share Allotment A/c 7,500</div> <div>(150×50)</div> <div>To Share First and Final 4,500</div> <div>Call A/c (150×30)</div> <div>To Share Forfeiture A/c 4,500</div> <div>(150×30)</div> <div>(150 shares forfeited for non-payment of Share Allotment and Share First and Final Call)</div>			
	<div>Bank A/c Dr. 18,000</div> <div>To Share Capital A/c 15,000</div>			

	<p>To Securities Premium A/c</p> <p>(150 shares of Rs 100 each reissued @ Rs 120 to Neha)</p>			3,000
	<p>Share Forfeiture A/c Dr.</p> <p>To Capital Reserve A/c</p> <p>(Balance of Share Forfeiture Account transferred to Capital Reserve Account)</p>		4,500	4,500

Note: In the solution, the reissued price of Rs 12 has been assumed as Rs 120 per share.

Question 13:

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

On application	Rs. 20
On allotment	Rs. 50 (Rs. 40 + premium Rs. 10)
On first call	Rs. 30

On final call

Rs. 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 share.

Give journal entries in the books of the company.

Answer:

Books of Arushi Computers Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Share Application A/c (Share Application money received for 10,000 shares @ ₹20 per share)		2,00,000	2,00,000
	Share Application A/c Dr. To Share Capital A/c (Share Application money for 10,000 shares transferred to Share Capital Account)		2,00,000	2,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment money due on 10,000 shares @ ₹40 per share excluding premium ₹10)		5,00,000	4,00,000 1,00,000

Bank A/c	Dr.	5,00,000	
To Share Allotment A/c			5,00,000
(Share Allotment money received for 10,000 shares @ ₹50 per share)			
Share First Call A/c	Dr.	3,00,000	
To Share Capital A/c			3,00,000
(Share First Call money due on 10,000 shares @ ₹30 per share)			
Bank A/c	Dr.	3,00,000	
To Share First Call A/c			3,00,000
(First Call money received for 10,000 shares @ ₹30 per share)			
Share Final Call A/c	Dr.	1,00,000	
To Share Capital A/c			1,00,000
(Final Call money due on 10,000 shares @ ₹10 per share)			
Bank A/c	Dr.	98,000	
To Share final call A/c			98,000
(Final Call money received for 9800 shares @ ₹10 per share and 200 shares failed to pay)			

Share Capital A/c (200 × ×100)	Dr.	20,000	
To Share Final Call A/c (200 × ×10)			2,000
To Share Forfeiture A/c (200 × ×90)			18,000
(200 shares forfeited for non-payment of Final Call ₹ 10 per share)			
Bank A/c (150 × ×75)	Dr.	11,250	
Share Forfeiture A/c (150 × ×25)	Dr.	3,750	
To Share Capital A/c (150 × ×100)	Dr.		15,000
(150 forfeited shares reissued at ₹100 per share for ₹75)			
Share Forfeiture A/c	Dr.	9,750	
To Capital Reserve A/c			9,750
(Balance of 150 reissue shares after adjustment transferred to Capital Reserve Account)			

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Working Notes:

Amount Transferred to Capital Reserve A/c

Amount credited to Share Forfeiture	₹ 90 per share
<i>Less:</i> Amount debited to Share Forfeiture	₹25 per share
Balance after adjustment	₹ 65 per share

Amount transferred to Capital Reserve Account = Balance per share after adjustment × Number of shares reissued

$$₹ 9,750 = ₹ 65 \times ₹ 150 \text{ per share}$$

Question 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	Rs 20
On allotment	Rs 50 (including premium)
On first call	Rs 30
On final call	Rs 20

Applications 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:

Books of Raunak Cotton Ltd.

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Share Application money received on 10,000 shares)		2,00,000	2,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank (Share Application money adjusted)		2,00,000	1,20,000 40,000 40,000

Share Allotment A/c	Dr.	3,00,000	
To Share Capital A/c			1,80,000
To Share Premium A/c			1,20,000
(Share allotment money due)			
Bank A/c	Dr.	2,47,000	
To Share Allotment A/c			2,47,000
(Allotment money received except 300 shares)			
Share First Call A/c	Dr.	1,80,000	
To Share Capital A/c			1,80,000
(Share First Call money due)			
Bank A/c	Dr.	1,57,500	
To Share First Call A/c			1,57,500

(Share First Call money received except 750 (300+450 shares))			
Share Final Call A/c	Dr.	1,20,000	
To Share Capital A/c			1,20,000
(Share Final Call money is due)			
Bank A/c	Dr.	1,05,000	
To Share Final Call			1,05,000
(Share Final Call money received except 750 shares)			
Share Capital A/c (750×100)	Dr.	75,000	
Share Premium A/c (300×20)	Dr.	6,000	
To Share Allotment A/c			13,000
To Share first call A/c (750×30)			22,500
To Share final call A/c (750×20)			15,000

	To Share Forfeiture A/c (750 shares were forfeited)			30,500
	Bank A/c Dr.	60,000		
	Share Forfeiture A/c Dr.	15,000		
	To Share Capital A/c (Forfeited shares reissued @ 80 per share)			75,000
	Share Forfeiture A/c Dr.	15,500		
	To Capital Reserve A/c (Share Forfeiture Account transferred capital reserve)			15,500

Working Note:

2. Call in arrears by Rohit on allotment

Money received on Application	(400×20)	8,000
<i>Less:</i> Transferred to share capital	(300×20)	6,000
Excess adjusted on allotment		2,000
Allotment due	(300×50)	15,000
<i>Less:</i> Excess adjustment on allotment		2,000
Call in arrear		13,000

4. Share Forfeiture amount

Amount on application		
	300×20	6,000
	450×20	9,000

Excess amount received from Rohit for allotment on pro-rata basis	2,000
Amount received on Allotment by Kartika	13,500
	30,500

Question 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	Rs 3 per share
On allotment (including premium)	Rs 5 per share
On First call	Rs 2 per share
On Second and Final call	Rs 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:

Books of Himalaya Company Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	<div>Bank A/c Dr.</div> <div>To Share Application A/c</div> <div>(Share Application money received for 1,60,000 shares @ Rs 3 per share)</div>		4,80,000	4,80,000
	<div>Share Application A/c Dr.</div> <div>To Equity Share Capital A/c</div> <div>To Share Allotment A/c</div> <div>(Share Application for 1,20,000 shares @ Rs 3 per share transferred to Share Capital Account and remaining amount adjusted to Allotment)</div>		4,80,000	<div>3,60,000</div> <div>1,20,000</div>

Share Allotment A/c	Dr.	6,00,000	
To Equity Share Capital A/c			3,60,000
To Securities Premium			2,40,000
(Share Allotment due on 1,20,000 shares @ Rs 5 per share including Rs 2 Securities Premium)			
Bank A/c	Dr.	4,80,000	
To Share Allotment A/c			4,80,000
(Share allotment for 1,20,000 shares @ Rs 5 per share received)			
Share First Call A/c	Dr.	2,40,000	
To Equity Share Capital A/c			2,40,000

(Share First Call due on 1,20,000 shares @ Rs 2 per share)			
Bank A/c	Dr.	2,30,400	
To Share First Call A/c			2,30,400
(Share First Call received on 1,15,200 shares @ Rs 2 per share and 4,800 shares failed to pay)			
Share Final Call A/c	Dr.	2,40,000	
To Equity Share Capital A/c			2,40,000
(Share Final call due on 1,20,000 shares @ Rs 2 per share)			
Bank A/c	Dr.	2,30,400	
To Share Final Call A/c			2,30,400

(Share Final Call received on 1,15,200 shares @ Rs 2 per share and 4,800 shares failed to pay)			
Equity Share Capital A/c (4,800×10)	Dr.	48,000	
To Share First Call A/c (4,800×2)			9,600
To Share Final Call A/c (4,800×2)			9,600
To Share Forfeiture A/c (4,800×6)			28,800
(4,800 shares forfeited for the non-payment of First Call and Final Call)			
Bank A/c	Dr.	33,600	

	Share Forfeiture A/c	Dr.	14,400	
	To Equity Share Capital			48,000
	(4,800 shares reissued @ Rs 7 per share, fully paid-up)			
	Share Forfeiture A/c	Dr.	14,400	
	To Capital Reserve A/c			14,400
	(Share forfeiture balance of 4,800 shares transferred to Capital Reserve Account)			

Himalaya Company Limited

Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	12,00,000
b. Reserves and Surplus	2	2,54,400
2. Non-Current Liabilities		
3. Current Liabilities		
Total		14,54,400
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	14,54,400
Total		14,54,400

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Share Capital	
	Authorised Share Capital	
 shares of Rs 10 each	-
	Issued Share Capital	
	1,20,000 shares of Rs 10 each	12,00,000
2	Subscribed, Called-up and Paid-up Share Capital	
	1,20,000 shares of Rs 10 each	12,00,000
2	Reserves and Surplus	
	Securities Premium	2,40,000
	Capital Reserve	2,54,400
3	Cash and Cash Equivalents	
	Cash at Bank	14,54,400

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Question 16:

Prince Limited issued a prospectus inviting applications for 20,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable as follows:

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

Applications were received for 30,000 shares and allotment was made on pro-rata 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 his 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:

Books of Prince Limited

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)

Bank A/c	Dr.	60,000	
To Share Application A/c			60,000
(Share Application money received on 30,000 shares @ ₹ 2 per share)			
Share Application A/c	Dr.	60,000	
To Share Capital A/c			40,000
To Share Allotment A/c			20,000
(Application money on 20,000 shares transferred to Share Capital Account and the balance adjusted on allotment)			
Share Allotment A/c	Dr.	1,00,000	
To Share Capital A/c			40,000
To Securities Premium A/c			60,000
(Allotment money due on 20,000 shares @ ₹5 per share including premium of Rs 3 per share)			
Bank A/c (1,00,000 – 20,000 – 1,600)	Dr.	78,400	

<p>To Share Allotment A/c</p> <p>(Allotment money received)</p>			78,400
<p>Share First Call A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share First Call due on 20,000 shares @ ₹3 per share)</p>		60,000	60,000
<p>Bank A/c (60,000 – 1,200 – 1,800) Dr.</p> <p>To Share First Call A/c</p> <p>(First call money received)</p> <p>Share Capital A/c Dr.</p> <p>Securities Premium A/c Dr.</p> <p>To Share Forfeiture A/c</p> <p>To Share Allotment A/c</p> <p>To Share First Call A/c</p> <p>(400 shares forfeited after first call)</p>		57,000	57,000
		2,800	
		1,200	
			1,200
			1,600
			1,200

Share Second Call A/c	Dr.	58,800	
To Share Capital A/c			58,800
(Final Call money due on 19,600 shares @ ₹3 per share)			
Bank A/c (58,800 – 1,800)	Dr.	57,000	
To Share Second Call A/c			57,000
(Second Call money received except on 600 shares)			
Share Capital A/c	Dr.	6,000	
To Share Forfeiture A/c			2,400
To Share First Call A/c			1,800
To Share Second Call A/c			1,800
(600 shares forfeited)			
Bank A/c	Dr.	7,200	

	Share Forfeiture A/c	Dr.	800	
	To Share Capital A/c			8,000
	(800 Shares reissued @ Rs 9 each)			
	Share Forfeiture A/c	Dr.	2,000	
	To Capital Reserve			2,000

As per the Revised Schedule VI, the Balance Sheet of Prince Limited is as follows:

Prince Limited

Balance Sheet

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share Capital	1	1,98,000
b. Reserves and Surplus	2	61,600
2. Non-Current Liabilities		

3. Current Liabilities		
Total		2,59,600
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,59,600
Total		2,59,600

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (₹)
1	Share Capital	
	Authorised Share Capital	
 shares of ₹10 each	-
	Issued Share Capital	
	20,000 shares of ₹10 each	2,00,000

	Subscribed, Called-up and Paid-up Share Capital		
	19,800 shares of ₹10 each		1,98,000
2	Reserves and Surplus		
	Securities Premium	58,800	
	Capital Reserve	2,800	61,600
3	Cash and Cash Equivalents		
	Cash at Bank		2,59,600

Working Notes:

1. Number of Shares applied by Mohit

$$= \frac{\text{Total number of applied shares}}{\text{Total number of allotted shares}} \times \text{No. of shares allotted}$$

$$= \frac{3,00,000}{2,00,000} \times 400 = 600 \text{ shares}$$

Money received on Application	(600×2)	1,200
Less: Utilised on application	(400×2)	(800)
Excess amount received		400

Amount due on Allotment	(400×5)	2,000
<i>Less:</i> Excess amount received		(400)
Amount due on allotment		1,600

2. Amount to be transferred to Capital Reserve

Amount forfeited on Mohit's 400 shares		1,200
Amount forfeited on Joly's 600 shares	2,400	
Amount forfeited on Joly's 400 shares	$\left(\frac{2,400}{600} \times 400 \right)$	1,600
		2,800
<i>Less:</i> Discount allowed on 800 shares reissued		(800)
Amount to be transferred to Capital Reserve		2,000

Question 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.

Answer:

Books of Life machine tools Limited

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Application money received on application for 70,000 shares @ Rs 5 per share including premium Rs 2)		3,50,000	3,50,000
	Share Application A/c Dr. To Share Capital A/c To Securities Premium A/c To Share Allotment A/c To Bank A/c		3,50,000	1,50,000 1,00,000 60,000 40,000

<p>(Share Application money for 50,000 shares transferred to Share Capital Account and Securities Premium, Rs 60,000 adjusted to Allotment and Rs 40,000 returned)</p>			
<p>Share Allotment A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share Allotment money due on 50,000 shares @ Rs 4 per share)</p>		<p>2,00,000</p>	<p>2,00,000</p>
<p>Bank A/c Dr.</p> <p>To Share Allotment A/c</p> <p>(Share Allotment money received on share allotment)</p>		<p>1,40,000</p>	<p>1,40,000</p>
<p>Share First and Final A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share First and Final Call money due on 50,000 shares @ Rs 3 per share)</p>		<p>1,50,000</p>	<p>1,50,000</p>

Bank A/c	Dr.	1,48,500	
To Share First and Final A/c			1,48,500
(Share First and Final Call money received from 49,500 shares @ Rs 3 per share and 500 shares failed to pay)			
Share Capital A/c (500×10)	Dr.	5,000	
To Share First and Final Call A/c (500×3)			1,500
To Share Forfeiture A/c (500×7)			3,500
(500 shares @ Rs per share fully paid up forfeited for the non-payment of Share First and Final Call Rs 3 per share)			
Bank A/c	Dr.	4,000	
Share Forfeiture A/c	Dr.	1,000	
To Share Capital A/c			5,000

(500 Shares reissued @ 8 per share fully paid up)				
Share Forfeiture A/c	Dr.		2,500	
To Capital Reserve A/c				2,500
(Balance of 500 shares in Forfeiture Account after adjustment, transferred to Capital Reserve Account)				

Question 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:

Books of Orient Company Limited

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Share Application Money received for 26,000 shares @ Rs 2 per share)		52,000	52,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Application money @ Rs 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
	Share Allotment A/c Dr.		80,000	

<p>To Share Capital A/c</p> <p>To Securities Premium A/c</p> <p>(Share Allotment money due on 20,000 shares @ Rs 4 per share including Re 1 Securities Premium)</p>			<p>60,000</p> <p>20,000</p>
<p>Bank A/c Dr.</p> <p>To Share Allotment A/c</p> <p>(Share Allotment Money received for all the shares after adjustment of money transferred from Share Application)</p>		<p>76,000</p>	<p>76,000</p>
<p>Share First Call A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Share First Call money due on 20,000 share @ Rs 2 per share)</p>		<p>60,000</p>	<p>60,000</p>
<p>Bank A/c Dr.</p> <p>To Share First Call A/c</p>		<p>60,000</p>	<p>60,000</p>

(Share First Call received for 20,000 shares @ Rs 2 per share)			
<div>Share Second and Final Call A/c Dr.</div> <div>To Share Capital A/c</div> <div>(Share Second and Final Call money due on 20,000 shares @ Rs 2 per share)</div>		40,000	40,000
<div>Bank A/c Dr.</div> <div>To Share Second and Final Call A/c</div> <div>(Share Second and Final Call money received for 19,500 shares @ Rs 2 per share and 500 shares failed to pay)</div>		39,000	39,000
<div>Share Capital A/c Dr.</div> <div>To Share Second and Final Call A/c</div> <div>To Share Forfeiture A/c</div>		5,000	1,000 4,000

	(500 shares of Rs 10 per share fully called-up forfeited for non-payment of Second and Final Call Rs 2 per share)			
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (300 shares @ Rs 10 each reissued for Rs 9 per share fully paid-up)		2700 300	3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance of 300 shares in Share Forfeiture Account transferred to Capital Reserve Account, after adjustment)		2,100	2,100

Orient Company Limited

Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	1,99,600
b. Reserves and Surplus	2	22,100
2. Non-Current Liabilities		
3. Current Liabilities		
Total		2,21,700
II. Assets		
1. Non-Current Assets		
2. Current Assets		
1. Cash and Cash Equivalents	3	2,21,700
Total		2,21,700

NOTES TO ACCOUNTS

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Working Notes:

Share Forfeiture Account credited	Rs 8 per share
<i>Less:</i> Share Forfeiture Account debited	Rs 1 per share
Amount transferred to Capital Reserve Account, after adjustment	Rs 7 per share

Amount transferred to Capital Reserve Account, after adjustment for 300 shares = 300 Shares @
Rs 7 per share = Rs 2,100

Question 19:

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

Payable on application	Rs 5 per share
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Payable on allotment	Rs 3 per share
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Payable on first and final call	Rs 2 per share
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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.

Answer:

In the books of Alfa Limited

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Share Application money adjusted)		24,00,000	20,00,000 4,00,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment money due)		12,00,000	12,00,000

	Share First and Final Call A/c	Dr.	8,00,000	
	To Share Capital A/c			8,00,000
	(Share First and Final Call due)			

Working Note:

2. Call in arrears by applicant on allotment

Money received on Application	(500×5)	=	2,500
<i>Less:</i> Amount adjusted on Application	(400×5)	=	2,000
Amount adjusted on Allotment			500

3.

Money due on Allotment	(400×3)	1,200
<i>Less:</i> Money adjusted		500
Balance due on Allotment		700

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Capital A/c Dr.		4,000	
	To Share Allotment A/c			700
	To Share First & Final Call A/c			800
	To Share Forfeiture A/c			2,500
	(400 shares forfeited)			
	Share Forfeiture A/c Dr.		400	
	To Share Capital A/c			400
	(Share reissued and loss on issue charged from Share Forfeiture Account)			
	Share Forfeiture A/c Dr.		2,100	
	To Capital Reserve A/c			2,100

	(Share Forfeiture Account transferred to Capital Reserve Account)			
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Cash Book (Bank Column)

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Share Application		25,00,000		Share Application		1,00,000
	Share Allotment		7,99,300		Balance c/d		40,02,100
	Share First and Final Call		7,99,200				
	Share Capital		3,600				
			41,02,100				41,02,100

Question 20:

Ashoka Limited Company which had issued equity shares of Rs.20 each at a premium of Rs. 4 per share, forfeited 1,000 shares for non-payment of final call of Rs.2 per share. 400 of the forfeited shares were 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:

**Books of Ashoka Limited
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Share Capital A/c Dr.		20,000	
	To Final Call A/c			2,000
	To Share Forfeiture A/c			18,000
	(1,000 Shares of 20 per share forfeited for nonpayment of Share Final Call money @ ₹2 per share)			
	Bank A/c (400×14) Dr.		5,600	
	Share Forfeiture A/c (400×6) Dr.		2,400	
	To Share Capital A/c			8,000
	(400 shares @ ₹20 per share reissued for ₹14 per share fully paid-up)			

Bank A/c	Dr.	4,000	
To Share Capital A/c			4,000
(200 shares @ ₹20 per share reissued for ₹20 per share fully paid-up)			
Share Forfeiture A/c	Dr.	8,400	
To Capital Reserve			8,400
(Balance of 600 shares in Share Forfeiture Account transferred to Capital Reserve Account, after reissue)			

Balance in Share Forfeiture Account (18,000

—

- 10,800) = Rs 7,200

Working Notes:

For 400 Shares

Share Forfeiture Account credited	₹18 per share
<i>Less:</i> Share Forfeiture Account debited	₹6 per share
Amount transferred to Capital Reserve Account, after adjustment	₹12 per share

Amount of 400 shares transferred to Capital Reserve Account, after reissue

= 400 Shares @ ₹ 12 per share

= Rs 4,800

For 200 Shares

Share Forfeiture Account credited	₹18 per share
<i>Less:</i> Share Forfeiture Account debited	Nil
Amount transferred to Capital Reserve Account, after adjustment	₹18 per share

Amount of 200 shares transferred to Capital Reserve Account, after reissue
 = 200 Shares @ Rs 18 per share
 = ₹3,600

Total amount transferred to Capital Reserve Account for 600 shares = Capital Reserve for 400 shares + Capital Reserve for 200 shares
 = 4,800 + 3,600
 = ₹8,400

Note: As per the answer amount transferred to capital reserve is ₹6,800 however, it is not correct as the shares reissued at a discount will be provided through Share Forfeiture Account and the valance will be ₹8,400.

Question 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:

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Capital A/c (600×8) Dr.		4,800	
	To Share Allotment (100×2)			200
	To Share First Call A/c (300×3)			900

	<p>To Share Second Call A/c (600×2)</p> <p>To Share Forfeiture A/c</p> <p>(600 shares @ Rs 10 per share Rs 8 called-up forfeited after making Second Call)</p>			<p>1,200</p> <p>2,500</p>
	<p>Bank A/c Dr.</p> <p>To Share Capital A/c</p> <p>To Securities Premium A/c</p> <p>(600 shares @ Rs 10 each for Rs 11 per share fully paid-up reissued)</p>		<p>6,600</p> <p>6,000</p> <p>600</p>	
	<p>Share Forfeiture A/c Dr.</p> <p>To Capital Reserve A/c</p> <p>(Balance of Share Forfeiture Account transferred to Capital Reserve Account after reissue)</p>		<p>2,500</p> <p>2,500</p>	

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Working Notes:

Share Forfeiture Account credited				
Amit	(100×1)	=	100	
Bimal	(200×3)	=	600	
Chetan	(300×6)	=	1,800	
				2,500

Question 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:

Books of Ajanta Company Limited

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	<div>Bank A/c Dr.</div> <div>To Share Application A/c</div> <div>(Share Application money received for 24,000 shares @ Rs 2 per share)</div>		48,000	48,000
	<div>Share Application A/c Dr.</div> <div>To Share Capital A/c</div> <div>To Bank A/c</div> <div>(Share Application @ Rs 2 per share for 20,000 shares transferred to Share Capital and remaining for 4,000 shares rejected)</div>		48,000	40,000 8,000
	<div>Share Allotment A/c Dr.</div> <div>To Share Capital A/c</div>		60,000	60,000

(Share Allotment money due @ Rs 3 per share on 20,000 shares)			
<div>Bank A/c Dr.</div> <div>To Share Allotment A/c</div> <div>(Share Allotment money received for 20,000 shares @ Rs 3 per share)</div>		60,000	60,000
<div>Share First Call A/c Dr.</div> <div>To Share Capital A/c</div> <div>(Share First Call money due on 20,000 Shares @ Rs 2.5 per share)</div>		50,000	50,000
<div>Bank A/c Dr.</div> <div>To Share First Call A/c</div> <div>(Share First Call money received for 20,000 shares @ Rs 2.5 per share)</div>		50,000	50,000

<div>Share Final Call A/c</div> <div>Dr.</div> <div>To Share Capital A/c</div> <div>(Share Final Call money due on 20,000 Shares @ Rs 2.5 per share)</div>			
<div>Bank A/c</div> <div>Dr.</div> <div>Calls in Arrears A/c</div> <div>Dr.</div> <div>To Share Final Call A/c</div> <div>(Share Final Call money received for 19,400 shares @ Rs 2.5 per share except 600 shares)</div>	48,500	1,500	50,000
<div>Share Capital A/c</div> <div>Dr.</div> <div>To Calls in Arrears A/c</div> <div>To Share Forfeiture A/c</div> <div>(600 Shares forfeited @ Rs 10 each for the non-payment of Share Final Call @ Rs 2.5 per share)</div>	6,000	1,500	4,500

Bank A/c	Dr.	3,600	
Share Forfeiture A/c	Dr.	400	
To Share Capital A/c			4,000
(400 shares @ Rs 10 each for Rs 9 per share reissued)			
Share Forfeiture Account	Dr.	2,600	
To Capital Reserve A/c			2,600
(After reissue balance of 400 shares in Forfeiture Account transferred to Capital Reserve Account)			

Ajanta Company Limited

Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		

a. Share Capital	1	1,99,500
b. Reserves and Surplus	2	2,600
2. Non-Current Liabilities		
3. Current Liabilities		
Total		2,02,100
II. Assets		
1.Non-Current Assets		
2.Current Assets		
a. Cash and Cash Equivalents	3	2,02,100
Total		2,02,100

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Share Capital	
	Authorised Share Capital	

	30,000 shares of Rs 10 each		3,00,000
	Issued Share Capital		
	20,000 shares of Rs 10 each		2,00,000
	Subscribed, Called-up and Paid-up Share Capital		
	19,800 shares of Rs 10 each	1,98,000	
	<i>Add:</i> Shares Forfeiture	1,500	1,99,500
2	Reserves and Surplus		
	Capital Reserve		2,600
3	Cash and Cash Equivalents		
	Cash at Bank		2,02,100

Working Note:

Share Forfeiture Account credited	Rs 7.5 per share
<i>Less:</i> Share Forfeiture Account debited	Rs1 per share
Amount transferred to Capital Reserve Account, after adjustment	Rs 6.5 per share

Amount of 400 shares transferred to Capital Reserve Account, after reissue = 400 Shares @ Rs 6.5 per share = Rs 2,600

Question 23:

Journalise the following transactions in the books Bhushan Oil Ltd.:

(a) 200 shares of Rs. 100 each issued at a premium of Rs. 10 were forfeited for the non-payment of allotment money of Rs. 60 per share. The first and final call of Rs. 20 per share on these shares were not made. The forfeited shares 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 calls of Rs. 4 per share were not made. The forfeited shares were reissued at Rs. 15 per share fully paid-up.

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

Answer:

Case (a)

Books of Bhushan Oil Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Share Capital A/c (200 × × 80)	Dr	16,000	
	Securities Premium A/c (200 × × 10)	Dr	2,000	
	To Share Allotment A/c (200 × × 60)			12,000
	To Share Forfeiture A/c (200			6,000

<p>× × 30)</p> <p>(200 shares forfeited @ ₹100 each issued at a premium of ₹10 for the nonpayment of allotment money ₹60 per share)</p>				
<p>Bank A/c (200 × × 70)</p> <p>Share Forfeiture A/c (200 × × 30)</p> <p>To Share Capital A/c (200 × × 100)</p> <p>(200 shares reissued @ ₹70 per share fully paid-up)</p>	Dr . Dr .		14,000 6,000	20,000

Case (b)

Date	Particulars	L.F .	Debit Amount (₹)	Credit Amount (₹)
	Share Capital A/c Dr .		900	
	Securities Premium A/c Dr .		600	

To Share Allotment A/c			1,200
To Share Forfeiture A/c			300
(150 shares @ ₹10 each forfeited for nonpayment of allotment money Rs 8 per share including premium ₹4)			
Bank A/c	Dr	2,250	
To Share Capital A/c			1,500
To Securities Premium A/c			750
(150 shares @ ₹10 each reissued For ₹15 per share fully paid-up)			
Share Forfeiture A/c	Dr	300	
To Capital Reserve A/c			300
(Balance of Share Forfeiture Account transferred to Capital Reserve Account)			

Case (c)

Date	Particulars	L.F .	Debit Amount (₹)	Credit Amount (₹)
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	Share Capital A/c	Dr	20,000	
		.		
	To Share Final Call A/c			4,000
	To Share Forfeiture A/c			16,000
	(400 shares @ ₹ 50 per share forfeited for nonpayment of Final Call Rs 10 per share)			
	Bank A/c	Dr	18,000	
		.		
	Share forfeiture A/c	Dr	2,000	
		.		
	To Share Capital A/c			20,000
	(400 shares @ ₹50 each reissued for ₹45 fully paid-up)			
	Share Forfeiture A/c	Dr	14,000	
		.		
	To Capital Reserve A/c			14,000
	(Balance in Share Forfeiture Account transferred to Capital Reserve Account)			

Question 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 pro-rata 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 1,000 shares failed to pay the

Two calls and his shares were forfeited after the second call. Of the shares forfeited, 1,200 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:

Books of Amisha Ltd.

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Share Application money received on 50,000 shares @ 40 per share)		20,00,000	20,00,000
	Share Application A/c Dr. To Share Capital A/c		20,00,000	16,00,000

<p>To Share Allotment A/c</p> <p>(Share Application money adjusted)</p>			4,00,000
<p>Share Allotment A/c Dr.</p> <p>To Share Capital A/c</p> <p>To Share Premium A/c</p> <p>(Share Allotment money due including premium)</p>		16,00,000	8,00,000
<p>Bank A/c Dr.</p> <p>To Share Allotment A/c</p> <p>(Share Allotment money received except 600 shares)</p>		11,82,000	11,82,000
<p>Share Capital A/c Dr.</p> <p>Share premium A/c Dr.</p> <p>To Share Allotment A/c</p> <p>To Share Forfeiture A/c</p> <p>(600 shares forfeited after allotment)</p>		36,000	18,000
<p>Share First Call A/c Dr.</p>		12,000	30,000
		9,85,000	

<p>To Share Capital</p> <p>(First Call money in due on 39,400 shares)</p>			9,85,000
<p>Bank A/c Dr.</p> <p>To Share First Call A/c</p> <p>(First Call money received except 800 shares)</p>		9,65,000	9,65,000
<p>Share Second and Final Call A/c Dr.</p> <p>To Share Capital A/c</p> <p>(Second and Final Call money due on 39,400 shares)</p>		5,91,000	5,91,000
<p>Bank A/c Dr.</p> <p>To Share Second and Final Call A/c</p> <p>(Second and Final Call money received except 800 shares)</p>		5,79,000	5,79,000
<p>Share Capital A/c Dr.</p> <p>To Share First Call A/c</p>		80,000	20,000

		To Share Second & Final Call A/c			12,000
		To Share Forfeiture A/c			48,000
		(800 share forfeited)			
	Bank A/c	Dr.		1,02,000	
	Share Forfeiture A/c	Dr.		18,000	
	To Share Capital A/c				1,20,000
	(Forfeited shares reissued 1,200 @ 85 per share)				
	Share Forfeiture A/c	Dr.		48,000	
	To Capital Reserve A/c				48,000
	(Profit on 1,200 reissued shares are transfer to capital reserve account)				

Cash Book (Bank Column)

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Share Application		20,00,000		Balance c/d		48,28,000
	Share Allotment		11,82,000				
	Share First Call		9,65,000				
	Share Final Call		5,79,000				
	Share Capital		1,02,000				
			48,28,000				48,28,000

Working Notes:

1. Number of shares applied by Rohit

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

2. Call in arrears by Rohit on allotment

Money received on Application	(750×40)	=	30,000
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Less: Amount adjusted on Application	(600×40)	=	24,000
Amount adjusted on Allotment			6,000

3.

Money due on Allotment	(600×40)	24,000
Money adjusted		6,000
Balance due on Allotment		18,000

4. Number of shares allotted to Ashmita

$$= \frac{\text{Total number of allotted shares}}{\text{Total number of applied shares}} \times \text{Number of shares applied}$$

$$= \frac{40,000}{50,000} \times 1,000 = 800 \text{ shares}$$

5. Profit on the forfeiture of 600 share of Rohit = Rs 30,000

Profit on the forfeiture of 600 share of Ashmita = Rs 36,000 $\left(48,000 \times \frac{600}{800} = 36,000 \right)$

Profit on forfeiture of 1200 shares (30,000 + 36,000)	=	66,000
Less: Loss on reissue of shares	=	18,000
Transfer to Capital Reserve	=	48,000

6. Balance in Share Forfeiture Account (48,000 – 36,000) = Rs 12,000

