

PART – 2
CHAPTER 01
ACCOUNTING FOR SHARE CAPITAL

Short Answer Questions

Question 1

What is public company?

Answer:

The company which are not the private companies and is different with them in various respects is known as a public company. The public companies can thus issue the share to the general public and there are no restrictions as far as the transfer of shares is concerned. The value of the public company is determined through the daily trading of its shares. The public company uses the word 'limited' at the end of its name.

Question 2

What is private company?

Answer:

The business entity which is not owned by the non-governmental organisations and which comprises of few numbers of shareholders and thus they can no sell or purchase the share of the concerned company is public company A private company is a business entity that is owned by non-governmental organizations or by a relatively smaller number of shareholders or members who do not sell purchase its shares to the general public on the stock market. Instead, the company's shares are owned, offered,

exchanged and traded privately. The total number of members is restricted to a maximum of 200 in the case of a private company. It has to incorporate the word “private limited” at the end of its name.

Question3

When can share be forfeited?

Answer:

The forfeiture of shares occurs when the shareholders of any company fails to pay the amount of call money when it is demanded by any company. The forfeiture of shares thus amount to the cancellation of the membership of the concerned shareholder in the company.

Question 4

What is meant by Call in Arrears?

Answer:

Calls in Arrears occur when the shareholders fail to pay the amount of the sum of the allotment and the call money and it thus becomes due. Any company which issues shares may decide to consider the payment of the amount against the full the price or else may decide to consider it on the basis of the allotment and the call money. The shareholders in the latter cases have to pay the amount of the sum in exchange of the allotment made to them. In the cases when the shareholders fail to pay the amount of the sum as and when it become due, the amount is considered to be the calls in arrears.

Question 5

What do you mean by a listed company?

Answer:

Listed company refers to the company which is listed and recognised by the National Stock Exchange or the Bombay Stock Exchange. In other words when the stock exchange of the country recognises the existence of the company, it is known to be listed. The listed companies have the responsibility to adhere to the requirements of the stock exchange.

Question 6

What are the uses of securities premium?

Answer:

The uses of the securities premium are as follows:

1. To write off the preliminary expense.
2. To write off the expenses such as commission, or discount allowed on the issue of shares and debentures.
3. To issue fully paid up bonus shares
4. To provide premium payable on the redemption of preference shares and debentures
5. To buyback the share owned by us.

Question 7

What is meant by Calls in Advance?

Answer:

During the time of the call of the shares by the company, the shareholders pay the whole or the part of the sum called by the company in advance, i.e. before even when the company calls for the amount. This amount is liability for the company and such amount has to be adjusted towards the payment of the call as and when they become due. For example: A company has made a breakup of Rs. 100 per share in the following manner: Rs. 50 (On Application), Rs. 20 (On Allotment) and Rs. 30 (On 1st Call). A person may pay more than Rs. 50 during the time of the application or the allotment which results in the deposition of the additional amount in the company which is recorded as the calls in advance in the books of the account.

Question 8

Write a brief note on “Minimum Subscription”.

Answer:

The ‘Minimum Subscription’ refers to the minimum amount of issue which must be subscribed on the date of the closure by the public. The Security Exchange Board of India guidelines suggest that minimum subscription of the share must be 90% of the size of the issue. In the case when the public fails to achieve the amount of minimum subscription then the shares by the company cannot be issued and they have to repay the money called on the application.

Long Answer Questions

Question 1

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

Answer:

A company is referred to as the legal entity which is created under the due procedure of law and has its own spate legal existence under the common seal and with the perpetual succession.

The characteristics of the company are as follows:

1. Artificial Person which is created by Law:

A company is also known as the artificial person which is created by the law. Thus it enjoys all the right of the natural person.

2. Separate Legal Entity:

A company is considered to be an artificial person. It is a legal entity which has separate and distinct identity than its members. Thus the company being the separate legal entity has its own name and seal. The assets and the liabilities of the company are distinct and separate than its members.

3. Perpetual Succession:

The perpetual succession of the company infers that the company is not related to the life of its members and it is created by the law and thus can be dissolved by the law only. Hence the existence of the company is unaffected by the death of any of its member, or the insolvency of any of the member or the transfer of the shares of its members.

4. Common Seal:

Company being a legal entity having its separate and distinct identity has a common seal which acts as the signature of the company.

5. Limited Liability:

The Limited liability feature of the company is important for any company as it provides the security of the company when anything goes wrong in the company. If anything goes wrong with the company, the risk is only to the extent of the number of his shares and nothing more. Thus it is a condition in which the shareholders of the company are liable to the company for their part of share only.

6. Transferability of Shares:

The transferability of the shares infers that the shares can be transferred to another member with or without the consent of the members of the company. There can be certain limitations put upon this feature of the shares under the Articles of Association. The private companies on the other hand have more limitations than the public companies when it comes to the transfer of the shares. But it is however important to note that the transferability of shares cannot be repealed and stopped and it is done in some or the other manner.

Question 2

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

Answer:

The main categories in which the share capital of the company is divided are as follows:

1. Authorised Capital:

It is referred to amount which is stated under the Memorandum of Association. The authorised capital is the maximum amount which any company can raise by issuing the shares. This amount is laid down by the procedures which are stated in the Company Act.

2. Issued capital:

It is referred to as the amount which is a part of authorised capital and is offered to the general public by the company in order to achieve subscription.

3. Subscribed capital:

It is the part of the issued capital for which the applications are received from the public and hence the subscriptions are made.

4. Unissued Capital:

It is the amount under the authorised capital which is not issued by the company but can be issued in the future to the general public

5. Unsubscribed Capital:

The unsubscribed capital is the part of the issued capital which is no subscribed by the public.

6. Called up capital:

It is referred to as the part of the subscribed capital which is called by the company to pay.

7. Paid up capital:

It is the part of the subscribed capital which is paid up by the shareholders.

8. Uncalled up Capital:

Uncalled up capital is the part of the subscribed capital which is not called in the routine course of the business but which may be called as the need for the winding of the company arise.

9. Reserved capital

Any limited company may call up any proportion of the share capital which is uncalled in the cases when the company has to wind and pay its creditors. Thus, the amount of the uncalled capital is reserved in order to pay back the creditors and hence this amount is not used by the company to meet any another purpose. Thus, the proportion of such the amount which is reserved is known as the reserve capital.

Question 3

What do you mean by the term ‘share’? Discuss the types of shares, which can be issued under the Companies Act, 2013 as amended to date.

Answer:

Share is referred to as the amount of the capital which is divided into the definite value units. The people who hold such shares are called as shareholders.

Any company issues two types of shares:

1. Preference Shares: Those shares in which the share holders have the preference over payment of the dividend or the repayment of the capital in the case when the company winds up. The dividend to such shareholders is paid at the fixed rate.

2. Equity Shares: The equity shares are the type of shares in which the shareholders have the right to participate in the profits of the organization after the claims of the preference shareholders are settled. The rate of dividend of such shareholders is not fixed and they vary from year to year. The shareholders have the right to vote and control the affairs of the business.

Question 4

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

Answer:

The oversubscription is referred to as the situation in which the company receives the excess of the application than called by the company. In case of the allotment of the shares, the allotments can be made in three cases:

i) In the case when the amount received on the excess of the application is returned back to the applicants after when they are refused.

Share Application A/c Dr.

To Share Capital A/c

To Bank A/c

(Excess application money returned)

ii) In the case when the company allot the shares on the pro rata basis to all the applicants of shares. The excess of the amount which is received on the application of the shares is adjusted during the allotment.

Share Application A/cDr.

To Share Capital A/c

To Share Allotment A/c

(Adjustment of application money on allotment)

iii) In the case when the companies follows the combination of both the refund of the money and the adjustment through pro rata basis on the excess of the amount received.

Share Application A/cDr.

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)

Question 5

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

Answer:

Preference Shares are referred to as the types of shares which get a preferential treatment over the equity shares when it comes to the payment of the dividend and the repayment of the capital in the case when the company will wind up itself. The preference shares entitle the owner to get the dividend at a fixed rate. Following are the types of preference shares:

1. **Callable:** The companies have the right to call back such shares at the certain price on any certain date.
2. **Convertible:** The preference shareholders have the option of converting their shares to the company's common stock at any conversion ratio.
3. **Cumulative:** The preference shareholders which have this type of shares have the right to receive the dividend on the shares even when the company does not have the financial resources for the same. The companies are thus liable for the payment of such dividend as the dividend gets accrued .
4. **Non-cumulative:** The preference share holders do not pile the liability upon the company to pay the dividend in the future years if they fail to pay the scheduled dividend to them.
5. **Participating:** This is the type of preference share in which the company is required to pay the increasing amount of dividend if there is the participation clause for the same in the share agreement.

Question 6

Describe the provisions of laws relating to 'Calls in Arrears' and 'Calls in Advance'

Answer:

Calls in Arrears: The calls in arrears occur when the shareholder fails to pay the sum of the allotment and the call money when it is due. The rate of interest on call in arrears is 10% and this will have to be paid for the period from the fixed date of the payment to the time of the actual payment.

Calls in Advance: The calls in advance happen in the situation in which the shareholders pay the amount wholly or partly when the call was not yet demanded from the company. This amount is the liability for the company and the rate of interest on the calls in advance is 12% per annum.

Question 7

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

Answer:

Over subscription: The situation of oversubscription occurs when the company issues more number of shares than offered by the company. In the case of the oversubscription of the shares the company can opt for any of the three situations:

i) In the case when the amount received on the excess of the application is returned back to the applicants after when they are refused.

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

(Excess application money returned)

ii) In the case when the company allot the shares on the pro rata basis to all the applicants of shares. The excess of the amount which is received on the application of the shares is adjusted during the allotment.

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

(Adjustment of application money on allotment)

iii) In the case when the companies follows the combination of both the refund of the money and the adjustment through pro rata basis on the excess of the amount received.

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)

Under subscription: Under subscription of the shares is the case in which the application for the shares is less than the shares issued by the company. For instance, a company issued 1,000 shares to the public and the company received applications for 900 shares only from the public. This situation is called under-subscription.

In such cases the allotment of the shares to the numbers of people who have subscribed for it which is 900 shares. It is thus important to note that any company cannot be allowed to make the allotment of the shares if the minimum subscription is below than at least 90%. In such cases the company is not allowed to allot the shares and they will be required to pay back the money they have received from the applicants.

Question 8

Describe the purposes for which a company can use the amount of Securities Premium.

Answer:

The purposes for which the company may use the amount of the securities premium wholly or in part are as follows:

- It order to issue the fully paid bonus shares of the company.
- It order to write off the preliminary expenses of the company.
- It order to write off the expenses such as discount allowed, commission paid on the issue of any shares or debentures.
- In order to purchase its own shares this is also termed as Buy Back.
- It order to provide the premiums payable upon the redemption of the preference shares or debentures.

Question 9

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

Answer:

The issue of shares at discount means that any company is issuing the share at the price which is lower than the face value of the share. For example: If a share of Rs 1000 is issued at Rs 850, then Rs 150 (i.e. Rs 1000-850) is the amount of discount.

The conditions in which the shares are issued at discount are as follows:

- The rate of discount of shares should not exceed 10%.
- The shares must belong to a class which has already been issued by the company.
- The discount must be provided when at least one year from the date of which the company was allowed to commence its business has passed.
- The issue of such discount is sanctioned by the Company Law Board and is authorized by the passing of the resolution passed by the company in their general meeting.
- The court may allow the issue of such shares within the two months of the sanction by the court or within the extended time as allowed by the court.

Question 10

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

Answer:

The forfeiture of shares happens when at the time of the allotment of the shares they fail to pay money and further fail to pay the subsequent amount of the call money by the company concerned demanded by the company. The shareholders are liable to pay the amount of the allotment money and the amount of the call when it is called by the company. Hence the failure of the payment of such amount makes the companies to forfeit the shares of such shareholders.

The Accounting Treatment for Forfeiture is given below:

Share capital A/c DR
To Share Forfeiture A/c
To Share Allotment/Call A/c
(Being Shares forfeited for non-payment)

Numerical Questions

Questions 1

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

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
		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)		15,00,000	15,00,000
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
		6,00,000	6,00,000

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

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 Adarsh 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 1,20,000	90,000 1,20,000
	Equity Share Allotment A/c Dr.			

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

Cash Book (Bank Column)

Dr.

Cr.

Date	Particulars	J.F	Amount Rs	Date	Particulars	J.F	Amount Rs
	Equity Share Application		90,000		By Balance c/d		30,00,000
			1,20,000				
			90,000				
			30,00,000				30,00,000
	Equity Share Allotment Equity Share First and Final Call						

Question 3

Software solution India Ltd invited application for 20,000 equity share of Rs 100 each, payable Rs 40 on application, Rs 30 on allotment and Rs 30 on first and final 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 due on allotment and call was received.

Prepare journal and cash book.

Answer:

Books of Software Solution India Ltd.

Journal

Da te	Particulars	L. F	Debit Amount Rs	Credit Amount Rs
	Equity Share Application A/c Dr.		120,00,000	
	To Equity Share Capital A/c			8,00,000
	To Equity Share Allotment A/c (Application money transferred to Equity Share Capital for 20,000		6,00,000	4,00,000

shares @ Rs 40 and Rs 4,00,000 is adjusted towards allotment)		6,00,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Equity Share Allotment money due on 20,000 @ Rs 30 per share)	6,00,000	6,00,000
Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Equity Share on First and Final Call due on 20,000 @ Rs 30 per share)		

Cash Book (Bank Column)

Dr.

Cr.

Date	Particulars	J.F	Amount Rs	Date	Particulars	J.F	Amount Rs
	Equity Share Application		12,80,000 2,00,000 6,00,000		Equity Share Application		80,000 20,00,000

Equity Share Allotment Equity Share First and Final Call	20,80,000	By Balance c/d	20,80,000
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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 paid 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 Account Capital)		2,00,000 3,00,000	2,00,000 3,00,000
	Share Allotment A/c Dr. To Share Capital A/c (Allotment money due on 10,000 shares @ Rs 30 per share)		2,50,000	2,50,000
	Share First Call A/c Dr. To Share Capital A/c (Share First Call due on 10,000 @ Rs 25 per share)		5,000	5,000
	Calls in Arrears A/c Dr.			

To Share First Call A/c (Call in arrears on 200 shares @ Rs 25 per share)			
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Cash Book (Bank Column)

Dr.

Cr.

Da te	Particulars	J. F	Amount Rs	Dat e	Particulars	J. F	Amount Rs
	Share Application		2,00,00		By		7,57,500
	Share Allotment		0		Balance		
	Share First Call		3,00,00		c/d		
	Calls in Advance		0				
			2,45,00				
			0				
			12,500				
			7,57,50				7,57,500
			0				

Working Note:

Money due on First Call for 10,000 shares @ Rs 25 per share	2,50,000
<i>Less:</i> Calls in Arrear for 200 shares @ Rs 25 per share	(5000)
	2,45,000
	12,500
	2,57,500
Money Revised on First Call	
<i>Add:</i> Calls received in advance on 500 share @ Rs 25 per share	

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 rejected 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) To Bank A/c		7,20,000	6,00,000 1,20,000

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

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

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	3,00,000
	To Equity Share Capital A/c			6,00,000
	To 10% preference Share Capital A/c		5,00,000	
	(Application money transferred to Equity Share Capital)		8,00,000	3,00,000
				2,00,000
				8,00,000
	Equity Share Allotment A/c Dr.			

10% preference Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To 10% preference Share Allotment A/c (Amount due on allotment)	4,00,000 6,00,000	4,00,000 6,00,000
Equity Share First and Final Call A/c Dr. 10% preference Share first and Final Call A/c Dr. To Equity Share Capital A/c To 10% preference Share Allotment A/c (Amount on First and Final Call due)		

Cash Book (Bank Column)

Dr.

Cr.

Da te	Particulars	J. F	Amou nt Rs	Da te	Particula rs	J. F	Amoun t Rs
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Equity Share Application	3,00,000	By Balance c/d	32,00,000
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		
10% Preference Share First and Final Call	6,00,000		
	32,00,000		32,00,000

Questions 7

Eastern Company Limited, with an authorised capital of Rs 10,00,000 is divided into equity shares of Rs 10 each, issued 50,000 equity 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 in full.**
- (b) Applicants for 15,000 shares received an allotment of 8,000 shares.**
- (c) Applicants for 5000 shares received on allotment 2000 shares, 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:

In the books of Eastern Company Limited

Journal Entries				
Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.	1,80,000	
	To Share Application A/c			1,80,000
	(Amount received on application for 60,000 shares @ Rs. 3 per share)			
	Share Application A/c (60,000 × ₹ 3)	Dr.	1,80,000	
	To Share Capital A/c (50,000 × ₹ 3)			1,50,000
	To Share Allotment A/c (10,000 × ₹ 3)			30,000
	(Share Application money for 50,000 shares transferred To Share Capital Account and the excess money transferred To Share Allotment Account)			
	Share Application A/c	Dr.	30,000	
	To Bank A/c			30,000
	(Application of excess money returned)			
	Share Allotment A/c (50,000 × ₹ 5)	Dr.	2,50,000	
	To Share Capital A/c (50,000 × ₹ 2)			1,00,000
	To Security Premium Reserve A/c (50,000 × ₹ 3)			1,50,000
	(Allotment money due on 50,000 shares @ Rs 5 per share including Rs 3 security premium)			

Bank A/c	Dr.	2,20,000		
To Share Allotment A/c			2,20,000	
(Allotment money received)				
Share First Call Account A/c	Dr.	1,50,000		
To Share Capital A/c			1,50,000	
(First call due on 50,000 shares @ Rs 3 per share)				
Bank A/c	Dr.	1,49,700		
Call in Arrears A/c		300		
To Share First Call Account A/c			1,50,000	
(First call money received except that of 100 shares @ Rs 3 per share)				
Share Final Call A/c	Dr.	1,00,000		
To Share Capital A/c			1,00,000	
(Money due on call on 50,000 shares @ Rs. 2 per share)				
Bank A/c	Dr.	1,00,000		
To Share Final Call A/c			1,00,000	
(Call money received on 50,000 shares @ Rs. 2 per share)				

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

**Eastern Company Limited
Balance Sheet**

Particulars	Note No.	Amount (₹)
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 (₹)
1	Share Capital:	
(a)	Authorised Share Capital	
	1,00,000 shares of ₹ 10 each	10,00,000
(b)	Issued Share Capital	
	50,000 shares of Rs 10 each	5,00,000
(c)	Subscribed, Called up and Paid up Share Capital	
	50,000 shares of Rs 10 each, Rs 8 called-up	4,00,000
	Less: Calls-in-Arrears	(300)
		3,99,700
2	Reserves and Surplus:	
	Securities Premium Reserve (50,000 × ₹ 3)	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 were fully subscribed and money were 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 Rs	Credit Amount Rs
	Bank A/c 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 To Share Capital A/c (Share Application money of 50,000 shares transferred to Share Capital Account)		12,50,000	12,50,000
			25,00,000	

	<p>Share Allotment A/c</p> <p>To Share Capital A/c</p> <p>To Securities Premium A/c</p> <p>(Share Allotment money due on 50,000 shares @ ₹45 each at a premium of ₹5)</p>			<p>22,50,000</p> <p>2,50,000</p>
	<p>Bank A/c</p> <p>To Share Allotment A/c</p> <p>(Allotment money received for 50,000 shares @ ₹50 per share)</p>	<p>25,00,000</p>		<p>25,00,000</p>
	<p>Share First and Final Call A/c</p> <p>To Share Capital A/c</p> <p>(Share First and Final call due on 50,000 shares @ ₹30 per share)</p>	<p>15,00,000</p>		<p>15,00,000</p>
	<p>Bank A/c</p> <p>Calls in Arrears A/c</p> <p>To Share First and Final Call A/c</p> <p>(Share First and Final Call received except 400 shares)</p>	<p>14,88,000</p> <p>12,000</p>		<p>15,00,000</p>

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		
Non-Current Assets		
Current Assets		
a. Cash and Cash Equivalents	3	52,38,000
Total		

Notes to Accounts

Note No.	Particulars		Amount (₹)
1	Share Capital Authorised Share Capital shares of ₹ 100 each Issued Share Capital 50,000 shares of ₹ 100 each Subscribed, Called-up and Paid-up Share Capital 50,000 shares of ₹ 100 each Less: Calls-in-Arrears	50,00,000 50,00,000 (12,000)	50,00,000 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 purchases assets of Rs 6,30,000 from Bhanu Oil Ltd. Kumar Ltd. issued equity share of Rs 100 each fully paid in consideration. What journal entries will be made, if the share are issued, (a) at par, and (b) at premium of 20 %.

Answer:

Case (a)

Books of Kumar Ltd

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

$$\text{No. of shares issued at par} = \frac{\text{Amount payable}}{\text{face value}}$$

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

Case (b)

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

No. of shares issued at premium = $\frac{\text{Amount payable}}{\text{Face value} + \text{Premium per share}}$

$$5,250 \text{ shares} = \frac{5,250}{100 + 20}$$

Question 10

Bansal Heavy machine Ltd purchased machine worth Rs 3,80,000 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 110 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 To Cash A/c To Handa Traders (Machine purchased from Handa Traders paid Rs 50,000 in cash immediately)		3,80,000	3,30,000 50,000
	Handa Trader ...Dr To Share Capital A/c (3,000 × 100) To Securities premium (3,000 × 10) (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)		3,30,000 30,000	3,00,000

Working Notes:

Number of share issued

$$= \frac{\text{Amount payable}}{\text{issue price}}$$
$$= \frac{2,70,000}{90}$$

= 3,000 shares

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 (Share application money received on application for 20,000 shares @ Rs 25 per share)		5,00,000	5,00,000
			50,00,000	
	Share Application A/c Dr. To Share Capital A/c (Share Application money for 20,000 shares @ Rs 25 share transferred to Share Capital account)			5,00,000
			6,00,000	
	Share Allotment A/c Dr. To Share Capital A/c			6,00,000

(Share Allotment money due on 20,000 shares @ Rs 30 per share)	5,94,000	5,94,000
Bank A/c Dr. To Share Allotment A/c (Allotment money received for 19,800 shares @ Rs 30 per)	5,00,000	5,00,000
Share First Call A/c Dr. To Share Capital A/c (Share First Call money due on 20,000 shares @ Rs 25 per share)	4,92,500	4,92,500
Bank A/c Dr. To Share Final Call A/c (Share First Call money for 19,700 shares @ Rs 25 each)	4,00,000 3,94,000	4,00,000 3,94,000
Share Final Call A/c Dr. To Share Capital A/c		

	(Share Final call money due on 20,000 shares @ Rs 20 per share)		30,000	
	Bank A/c Dr. To Share Final Call A/c (Share Final Call money received for 19,700 shares @ Rs 20 per share and 300 shares failed to pay call)			10,500 6,000 7,500 6,000
	Share Capital A/c Dr. To Share Forfeiture A/c (200×25+100×55) To Share Allotment (200×300) To share First Call A/c (300×25) To Share Final Call A/c (300×20) (300 share forfeited)			

Working Note:-

1. Forfeited Amount

Amount on application (300 shares @ Rs 25 each) =	7,500 3,000
Amount on allotment (100 shares @ Rs 30 each) =	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
On allotment Rs 50 (including premium)
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 at an issue price 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. To Share Application A/c		4,50,000	4,50,000

(Share Application money received for 15,000 shares @ 30 per share)		4,50,000	4,50,000
Share Application A/c Dr. To Share Capital A/c (Share Application money of 15,000 shares transferred to Share Capital Account)		7,50,000	6,00,000 1,50,000
Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Share Allotment money on 15,000 shares @ Rs 50 per share including Rs 10 securities premium due)		7,42,500	7,42,500
Bank A/c Dr. To Share Allotment A/c (Share Allotment received on 14,850		4,50,000	4,50,000
		4,45,500	4,45,500

shares and 150 shares failed to pay the money due)		15,000	
Share First and Final Call A/c Dr. To Share Capital A/c (Share First and Final Call for 15,000 shares @ Rs 30 per share due)		1,500	7,500 4,500 4,500
Bank A/c Dr. To Share First and Final Call A/c (Share First and Final Call received for 14,850 shares @ Rs 30 per share and 150 shares failed to pay amount due)		18,000	15,000 3,000
Share Capital A/c (150×100) Dr. Share Premium A/c(150×10) Dr. To Share Allotment A/c(150×50) To Share First and Final Call A/c(150×30)		4,500	4,500

<p>To Share Forfeiture A/c(150×30) (150 share forfeited for non-payment of Share Allotment and Share First and Final Call)</p>			
<p>Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (150 shares of Rs 100 each reissued @ Rs 120 to Neha)</p>			
<p>Share Forfeiture A/c Dr. To Capital Reserves A/c (Balance of Share Forfeiture Account transferred to Capital reserve account)</p>			

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 shares.

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.	2,00,000	
	To Share Application A/c			2,00,000
	(Share Application money received for 10,000 shares @ ₹20 per share)			

	Share Application A/c	Dr.	2,00,000	
	To Share Capital A/c			2,00,000
	(Share Application money for 10,000 shares transferred to Share Capital Account)			
	Share Allotment A/c	Dr.	5,00,000	
	To Share Capital A/c			4,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Allotment money due on 10,000 shares @ ₹40 per share excluding premium ₹10)			
	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)			

Working Notes:

Amount Transferred to Capital Reserve A/c

		₹ 90 per share
Amount credited to Share Forfeiture		₹25 per share
Amount debited to Share Forfeiture	<i>Less:</i>	
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	Particular	L.F	Debit Amount Rs.	Credit Amount Rs.
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Bank A/c Dr To Share Application A/c (Share application money received for 10000 shares @ Rs.20 per share)	200000	200000
Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Share application money for 10000 shares are adjusted)	200000	120000 40000 40000
Share Allotment A/c Dr To Share Capital A/c To Share Premium A/c (Share allotment money due)	300000	180000 120000
Bank A/c Dr To Share Allotment A/c (Allotment money received except 300 shares)	247000	247000
Share First Call A/c Dr To Share Capital A/c (Share first call money due)	180000	180000

Bank A/c Dr	157500	
To Share First Call A/c (First call money received except 750 shares) (300 + 450)		157500
Share Final Call A/c Dr	120000	
To Share Capital A/c (Final Call money due)		120000
Bank A/c Dr	105000	
To Share Final Call A/c (Final call money received except 750 shares)		105000
Share Capital A/c Dr (750 x 100)	75000	
Share Premium A/c Dr (300 x 20)	6000	
To Share Allotment A/c		13000
To Share First Call A/c (750 x 30)		22500
To Share Final Call A/c (750 x 20)		15000
To Share Forfeiture A/c (200 x 80) (750 shares forfeited)		30500
Bank A/c Dr	60000	
Share Forfeiture A/c Dr	15000	

To Share Capital A/c (Forfeited shares reissued @ Rs.80 per share)		75000
Share Forfeiture A/c Dr To Capital Reserve A/c (Balance of reissued shares are transferred to capital reserve account)	15500	15500

Working Note:

1. Number of share applied by Rohit = (Total number of applied shares/Total number of allotted shares) x Number of allotted shares = $(8000/6000) \times 300 = 400$ shares

2. Call in arrears by Rohit on allotment

Money received on application	(400 x 20)	8000
Less: Transfer to share capital	(300 x 20)	6000
Excess adjusted on allotment		2000
Allotment due	(300 x 50)	15000
Less: Excess adjustment on allotment		2000
Call in arrear		13000

3. Number of share allotted to Itika = (Total number of allotted shares/Total number of applied shares) x Number of applied shares = $(6000/8000) \times 600 = 450$

4. Share forfeiture amount

Amount on application	300 x 20	6000
	450 x 20	9000
Excess amount received from Rohit for allotment on pro-rata basis		2000
Amount received on allotment by Kartika		13500
		30500

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 and show the transactions relating to share capital in the company's balance sheet.

Answer:

Books of Himalaya Company Ltd.

Date	Particular	L.F	Debit Amount Rs.	Credit Amount Rs.
	Bank A/c Dr To Share Application A/c (Share application money received for 160000 Shares @ Rs.3 per share)		480000	480000
	Share Application A/c Dr To Equity Share Capital A/c To Share Allotment A/c (Share application money for 120000 shares @ Rs.3 per share transferred to share capital account and remaining adjusted to allotment)		480000	360000 120000

Share Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Share allotment money due including premium)	600000	360000 240000
Bank A/c Dr To Share Allotment A/c (Allotment money received)	480000	480000
Share First Call A/c Dr To Equity Share Capital A/c (Share first call money due)	240000	240000
Bank A/c Dr To Share First Call A/c (First call money received on 115200 shares and 4800 shares failed to pay)	230400	230400
Share Final Call A/c Dr To Equity Share Capital A/c (Final Call money due)	240000	240000

Bank A/c Dr	230400	
To Share Final Call A/c (Final call money received except 4800 shares)		230400
Equity Share Capital A/c Dr (4800 x 10)	48000	
To Share First Call A/c (4800 x 2)		9600
To Share Final Call A/c (4800 x 2)		9600
To Share Forfeiture A/c (4800 x 6) (4800 shares forfeited)		28800
Bank A/c Dr	33600	
Share Forfeiture A/c Dr	14400	
To Equity Share Capital A/c (Forfeited shares reissued @ Rs.7 per share)		48000
Share Forfeiture A/c Dr	14400	
To Capital Reserve A/c (Balance of reissued shares are transferred to capital reserve account)		14400

Himalaya Company Limited Balance Sheet

Particular	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share Capital	1	1200000
b. Reserve and Surplus	2	254400
2. Non-Current Liabilities		
3. Current Liabilities		
Total		1454400
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	1454400
Total		1454400

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs.)
1	Share Capital	
	Authorised Share Capital	
	shares of Rs.10 each	-
	Issued Share Capital 120000	
	shares of Rs.10 each	1200000
	Subscribed, Called-up and Paid-up Share Capital	

	120000 shares of Rs.10 each		1200000
2	Reserve and Surplus		
	Securities Premium	240000	
	Capital Reserve	14400	254400
3	Cash and Cash Equivalents		
	Cash at Bank		1454400

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

Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs 9 per share, the whole of Mr. Mohit's shares being included.

Record journal entries in the books of the Company and prepare the Balance Sheet.

Answer:

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c	Dr.	60,000	
	To Share Application A/c			60,000
	(Application money received on 30,000 shares @ Rs 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 received transferred to Share Capital and 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 @ Rs 5 per share including premium of Rs 3 per share)				
	Bank A/c (1,00,000 – 20,000 – 1,600)	Dr.	78,400	
	To Share Allotment A/c			78,400
(Allotment money received)				
	Share First Call A/c	Dr.	60,000	
	To Share Capital A/c			60,000
(Share First Call due on 20,000 shares @ Rs 3 per share)				
	Bank A/c (60,000 – 1,200 – 1,800)	Dr.	57,000	
	To Share First Call A/c			57,000
(First call money received)				

	Share Capital A/c	Dr.	2,800	
	Share Premium A/c	Dr.	1,200	
	To Share Forfeiture A/c			1,200
	To Share Allotment A/c			1,600
	To Share First Call A/c			1,200
	(400 shares forfeited)			
	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)			
	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
	(Profit on re-issue transferred to Capital Reserve)			

Balance Sheet

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share Capital	1	1,98,800
b. Reserves and Surplus	2	60,800
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 Rs 10 each	–
	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
	Add: Share Forfeiture (200 × 4)	800
		1,98,800
2	Reserves and Surplus	
	Securities Premium	58,800
	Capital Reserve	2,000
		60,800

3	Cash and Cash Equivalents	
	Cash at Bank	2,59,600

Working Notes :

WN 1: Calculation of unpaid amount on allotment by Mohit

$$\text{Shares applied by Mohit} = \frac{30000}{2000} \times 400 = 600$$

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

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

WN 2: Calculation of Amount to be transferred to Capital Reserve

Amount forfeited on Mohit's 400 shares(600×2)	1,200
Amount forfeited on Joly's 400 shares (400 × 4)	1,600
Total Credit Balance in Share Forfeiture	2,800
Less: 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. 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 Ltd.

Date	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
	Bank A/c Dr To Share Application A/c (Share application money received for 70000 Shares @ 5 per share including premium Rs.2)		350000	350000
	Share Application A/c Dr To Share Capital A/c To Securities Premium A/c To Share Allotment A/c To Bank A/c (Share application money for 50000 shares transferred to share capital account and securities premium Rs.60000 adjusted to allotment and Rs.40000 returned)		350000	150000 100000 60000 40000
	Share Allotment A/c Dr To Share Capital A/c (Share allotment money due @ Rs.4 per share on 50000 shares)		200000	200000
	Bank A/c Dr		140000	

To Share Allotment A/c (Share allotment money received for all the share)		140000
Share First and Final Call A/c Dr	150000	
To Share Capital A/c (Share first and final call money due on 50000 shares @ Rs.3 per share)		150000
Bank A/c Dr	148500	
To Share First and Final Call A/c (Share first and final call money received for 49500 shares @ Rs.3 per share and 500 shares failed to pay)		148500
Share Capital A/c Dr (500 x 10)	5000	
To First and Final Call A/c (500 x 3)		1500
To Share Forfeiture A/c (500 x 7) (500 shares of Rs.10 per share fully paid-up forfeited for non-payment of first and final call		3500

	Rs.3 per share)		
Bank A/c Dr		4000	
Share Forfeiture A/c Dr		1000	
To Share Capital A/c (500 shares @ Rs.10 each for Rs.8 per share fully paid-up, reissued)			5000
Share Forfeiture A/c Dr		2500	
To Capital Reserve A/c (Balance of 500 reissued shares are transfer to capital reserve account)			2500

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 reissued as fully paid at Rs 9 per share. Give journal entries and prepare the balance sheet.

Answer:

Books of Orient Company Ltd.

Date	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
	Bank A/c Dr To Share Application A/c (Share application money received for 26000 shares @ 2 per share)		52000	52000
	Sahre Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Share application @ Rs.2 per share for 20000 shares transferred to share capital and remaining for 4000 shares returned)		52000	40000 4000 8000
	Share Allotment A/c Dr To Share Capital A/c To Securities Premium A/c (Share allotment money due @ Rs.4 per share including Re.1 securities premium, on 20000 shares)		80000	60000 20000

Bank A/c Dr To Share Allotment A/c (Share allotment money received for all the share after adjustment of money transferred from share application)	76000	76000
Share First Call A/c Dr To Share Capital A/c (Share first call money due on 20000 shares @ Rs.3 per share)	60000	60000
Bank A/c Dr To Share First Call A/c (Share first call money received for 20000 shares @ Rs.3 per share)	60000	60000
Share Second and Final Call A/c Dr To Share Capital A/c (Share second and final call money due on 20000 shares @ Rs.2 per share)	40000	40000
Bank A/c Dr To Share Second and Final Call A/c	39000	39000

(Share second and final call money received for 19500 shares @ Rs.2 per share except 500 shares)		
Share Capital A/c Dr	5000	
To Second and Final Call A/c		1000
To Share Forfeiture A/c		4000
(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	2700	
Share Forfeiture A/c Dr	300	
To Share Capital A/c		3000
(300 shares @ Rs.10 each for Rs.9 per share reissued)		
Share Forfeiture A/c Dr	2100	
To Capital Reserve A/c		2100
(Balance of 300 reissued shares are transfer to capital reserve account)		

Oriented Company Limited

Balance Sheet

Particular	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share Capital	1	199600
b. Reserve and Surplus	2	22100
2. Non-Current Liabilities		
3. Current Liabilities		
Total		221700
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	221700
Total		221700

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs.)
1	Share Capital	
	Authorised Share Capital	
	shares of Rs.10 each	-
	Issued Share Capital 20000	
	shares of Rs.10 each	200000
	Subscribed, Called-up and Paid-up Share Capital	
	19800 shares of Rs.10	19800
	each	0

	Add: Shares Forfeiture	1600	199600
2	Reserve and Surplus		
	Securities Premium	20000	
	Capital Reserve	2100	22100
3	Cash and Cash Equivalents		
	Cash at Bank		221700

Working Note:

Share Forfeiture Account credited	Rs.8 per share
Less: 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.2100

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**

Payable on allotment **Rs 3 per share**

Payable on first and final call

Rs 2 per share

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

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

One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due on allotment and on the call, and his 400 shares were forfeited. The shares were reissued @ Rs 9 per share. Show the journal and prepare Cash book to record the above.

Answer:

In the books of Alfa Limited

Date	Particular	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)		2400000	2000000 400000
	Share Allotment A/c Dr To Share Capital A/c		1200000	1200000

(Share allotment money due)			
Share First and Final Call A/c Dr		800000	
To Share Capital A/c (Share first and final call due)			800000

Working Note:

1. Number of Share Applied by Applicant = (Total number of Applied Shares/Total number of Allotted Shares) x Number of Shares Allotted = $(400000/320000) \times 400 = 500$ shares

2. Call in arrears by applicant on allotment

Money received on Application (500 x 5)	2500
Less: Amount adjusted on Application (400 x 5)	2000
Amount adjusted on Allotment	500

3.

Money due on Allotment (400 x 3)	1200
Less: Money adjusted	500
Balance due on Allotment	700

Date	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
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Share Capital A/c Dr To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (400 shares forfeited)	4000	700
		800
		2500
Share Forfeiture A/c Dr To Share Capital A/c (Share reissued and loss on issue charged from share forfeiture account)	400	400
Share Forfeiture A/c Dr To Capital Reserve A/c (Share forfeiture account transferred to capital reserve account)	2100	2100

Cash Book (Bank Column)

Date	Particular	J. F.	Amount	Date	Particular	J. F.	Amount
	Share Application		25000 00		Share Application		10000 0
	Share Allotment		79930 0		Balance c/d		40021 00

	Share First and Final Call		79920 0				
	Share Capital		3600				
			41021 00				41021 00

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 are reissued at Rs 14 per share out of the remaining shares of 200 shares reissued at Rs 20 per share. Give journal entries for the forfeiture and reissue of shares and show the amount transferred to capital reserve and the balance in Share Forfeiture Account.

Answer:

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
Less: 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
Less: 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 balance 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	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
	Share Capital A/c Dr (600 x 8)		4800	
	To Share Allotment A/c (100 x 2)			200
	To Share First Call A/c (300 x 3)			900
	To Share Second Call A/c (600 x 2)			1200
	To Share Forfeiture A/c (600 shares @ Rs.10 per share Rs.8 called-up)			2500

forfeited after making second call)		
Bank A/c Dr	6600	
To Share Capital A/c		6000
To Securities Premium A/c (600 shares @ Rs.10 each for Rs.11 per share fully paid-up reissued)		600
Share Forfeiture A/c Dr	2500	
To Capital Reserve A/c (Balance of share forfeiture account transferred to capital reserve account after reissue)		2500

Working Note:

Share Forfeiture Account credited			
Amit	(100 x 1)	=	100
Bimal	(200 x 3)	=	600
Chetan	(300 x 6)	=	1800
			2500

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 Ltd.

Date	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
	Bank A/c Dr To Share Application A/c (Share application money received for 24000 shares @ 2 per share)		48000	48000
	Share Application A/c Dr To Share Capital A/c To Bank A/c		48000	40000 8000

(Share application @ Rs.2 per share for 20000 shares transferred to share capital and remaining for 4000 shares rejected)

Share Allotment A/c Dr
To Share Capital A/c
(Share allotment money due @ Rs.3 per share on 20000 shares)

60000

60000

Bank A/c Dr
To Share Allotment A/c
(Share allotment money received for 20000 shares @ Rs.3 per share)

60000

60000

Share First Call A/c Dr
To Share Capital A/c
(Share first call money due on 20000 shares @ Rs.2.5 per share)

50000

50000

Bank A/c Dr
To Share First Call A/c
(Share first call money received for 20000 shares @ Rs.2.5 per share)

50000

50000

Share Final Call A/c Dr To Share Capital A/c (Share final call money due on 20000 @ Rs.2.5 per share)	50000	50000
Bank A/c Dr Call in Arrears A/c Dr To Share Final Call A/c (Share final call money received for 19400 shares @ Rs.2.5 per share except 600 shares)	48500 1500	50000
Share Capital A/c Dr To Calls in Arrears A/c To Share Forfeiture A/c (600 shares forfeited @ Rs.10 each for the non payment of share final call @ Rs.2.5 per share)	6000	1500 4500
Bank A/c Dr Share Forfeiture A/c Dr To Share Capital A/c (400 shares @ Rs.10 each for Rs.9 per share reissued)	3600 400	4000
Share Forfeiture A/c Dr	2600	

To Capital Reserve A/c (Balance of 400 reissued shares are transfer to capital reserve account)			2600
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Ajanta Company Limited Balance Sheet

Particular	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholders Fund		
a. Share Capital	1	199500
b. Reserve and Surplus	2	2600
2. Non-Current Liabilities		
3. Current Liabilities		
Total		202100
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	202100
Total		202100

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs.)
1	Share Capital	
	Authorised Share Capital 30000 shares of Rs.10 each	300000
	Issued Share Capital 20000 shares of Rs.10 each	200000
	Subscribed, Called-up and Paid-up Share Capital 19800 shares of Rs.10 each	198000
	Add: Shares Forfeiture	1500
		<u>199500</u>
2	Reserve and Surplus Capital Reserve	2600
3	Cash and Cash Equivalents Cash at Bank	202100

Working Note:

Share Forfeiture Account credited	Rs.7.5 per share
Less: Share Forfeiture Account debited	Rs.1 per share

Amount transferred to Capital Reserve
Account, after adjustment

Rs.6.5
per share

Question 23

Journalise the following transaction in the books
Bhushan Oil Ltd:

(a) 200 shares of Rs 100 each issued at a discount of Rs 10 were forfeited for the non payment of allotment money of Rs 60 per share. The first and final call of Rs 20 per share on these share were not made. The forfeited share were reissued at Rs 70 per share as fully paid-up.

(b) 150 shares of Rs 10 each issued at a premium of Rs 4 per share payable with allotment were forfeited for non-payment of allotment money of Rs 8 per share including premium. The first and final call of Rs 4 per share were not made. The forfeited 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 × 30)			6,000
	(200 shares forfeited @ ₹100 each issued at a premium of ₹10 for the nonpayment of allotment money ₹60 per share)			
	Bank A/c (200x 70)	Dr.	14,000	
	Share Forfeiture A/c (200 × 30)	Dr.	6,000	
	To Share Capital A/c (200 × 100)			20,000
	(200 shares reissued @ ₹70 per share fully paid-up)			

Case (b)

Date	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
	Share Capital A/c Dr		900	
	Securities Premium A/c Dr		600	
	To Share Allotment A/c			1200
	To Share Forfeiture A/c			300

(150 shares @ Rs.10 each forfeited for non payment of allotment money Rs.8 per share including premium Rs.4)			
Bank A/c Dr		2250	
To Share Capital A/c			1500
To Securities Premium A/c			750
(150 shares @ Rs.10 each reissued for Rs.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	Particular	L.F.	Debit Amount Rs.	Credit Amount Rs.
	Share Capital A/c Dr		20000	
	To Share Final Call A/c			4000
	To Share Forfeiture A/c			16000
	(400 shares @ Rs.50 per share forfeited for			

Non-payment of final call Rs.10 per share)			
Bank A/c Dr	18000		
Share Forfeiture A/c	2000		
To Share Capital A/c (400 shares @ Rs.50 each reissued for Rs.45 fully paid-up)			20000
Share Forfeiture A/c Dr	14000		
To Capital Reserve A/c (Balance in share forfeiture account transferred to capital reserve account)			14000

Question 24

Amisha Ltd inviting application for 40,000 shares of Rs 100 each at a premium of Rs 20 per share. Amount 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 her 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	Particular	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)		2000000	2000000
	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c (Share application money adjusted)		2000000	1600000 400000
	Share Allotment A/c Dr To Share Capital A/c To Share Premium A/c (Share allotment money due including premium)		1600000	800000 800000
	Bank A/c Dr To Share Allotment A/c		1182000	1182000

(Share allotment money received except 600 shares)

Share Capital A/c Dr

36000

Share Premium A/c Dr

12000

To Share Allotment A/c

18000

To Share Forfeiture A/c

30000

(600 shares forfeited after allotment)

Share First Call A/c Dr

985000

To Share Capital A/c

985000

(First call money in due on 39400 shares)

Bank A/c Dr

965000

To Share First Call A/c

965000

(First call money received except 800 shares)

Share Second and Final Call A/c Dr

591000

To Share Capital A/c

591000

(Second and final call money due on 39400 shares)

Bank A/c Dr

579000

To Share Second and Final Call A/c (Second and final call money received except 800 shares)			579000
Share Capital A/c Dr To Share First Call A/c	80000		20000
To Share Second and Final Call A/c			12000
To Share Forfeiture A/c (800 shares forfeited)			48000
Bank A/c Dr	102000		
Share Forfeiture A/c Dr	18000		
To Share Capital A/c (Forfeited shares reissued 1200 @ 85 per share)			120000
Share Forfeiture A/c Dr To Capital Reserve A/c (Profit on 1200 reissued shares are transfer to capital reserve account)	48000		48000

Cash Book (Bank Column)

Date	Particular	J.F.	Amount	Date	Particular	J.F.	Amount
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	Share Application		20000 00		Balance c/d		48280 00
	Share Allotment		11820 00				
	Share First Call		96500 0				
	Share Final Call		57900 0				
	Share Capital		10200 0				
			48280 00				48280 00

Working Note:

1. Number of Share Applied by Rohit = (Total number of Applied Shares/Total number of Allotted Shares) x Number of Allotted Shares = $(50000/40000) \times 600 = 750$ shares

2. Call in arrears by Rohit on allotment

Money received on application (750 x 40)	=	30000
Less: Amount adjusted on application (600 x 40)	=	24000
Amount adjusted on Allotment	=	6000

3.

Money due on allotment (600 x 40)	=	24000
Money adjusted	=	6000
Balance due on allotment	=	18000

4. Number of shares allotted to Ashmita = (Total number of Allotted Shares/Total number of Applied Shares) x Number of Applied Shares = (40000/50000) x 1000 = 800 shares

5. Profit on the forfeiture of 600 shares of Rohit = Rs.30000
Profit on the forfeiture of 600 shares of Ashmita = 48000 x (600/800) = Rs.36000

Profit on forfeiture of 1200 shares (30000 + 36000)	=	66000
Less: Loss on reissue of shares	=	18000
Transfer to Capital Reserve	=	48000

6. Balance in Share Forfeiture Account = 48000 – 36000 = Rs.12000