

Unit 1: Accounting for Share Capital

NCERT · Class 12 · Accountancy · Part 2

Short Questions for NCERT Accountancy Solutions Part 2 Class 12 Chapter 1

Question 1

What is a public company?

Solution

A Public company, as per Sec. 2(71) and Sec. 3 (1) (a) of the Company Act, 2013, means a company which has the following characteristics:

- a. It is not a private company
- b. It has a minimum paid-up share capital of five lakh rupees or such higher paid-up capital as may be prescribed
- c. It is a private company, being a subsidiary of a company which is not a private company.

The stock of a public company can be acquired by any individual, and it may be through IPO or trading on the stock market.

Question 2

What is a private limited company?

Solution

As per Section 2(68) of the Companies Act, 2013, Private limited companies are defined as companies that have the following characteristics:

- 1. Companies whose article of association restricts the transfer of shares
 - 2. No minimum paid-up capital
 - 3. Minimum 2 members and maximum of 200 members (Only one in case of One Person Company)
 - 4. Must include “private limited” or “Pvt Ltd” in their names
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5. Shares of a private company are not traded in stock exchanges

Question 3

When can shares be forfeited?

Solution

A shareholder has to pay allotment money for holding the shares and has to pay the calls, which are part of the share allotment. When a shareholder fails to do so, a 14 days' notice is served to the shareholder. If the shareholder does not pay in these 14 days, the shares will be forfeited.

Question 4

What is meant by Calls-in-Arrears?

Solution

When an investor (shareholder) fails to pay all the instalments for the allotted shares in due time, the company expects the investor to pay the amount on subsequent calls or stages. The amount of money that is paid at later stages is called as Call-in-Arrears.

Question 5

What do you mean by a listed company?

Solution

Public companies whose shares are listed in recognised stock exchanges for public trading are called Listed Companies. Such companies are also known as Quota Companies. Once the securities are listed, it helps the investors know the value of their investment in a listed company. It provides the potential investors with an idea about the goodwill of the company and helps them on taking future investment decisions and evaluate the viability of investing in the company.

Question 6

What are the uses of securities premium?

Solution

Securities premium can be used for these activities:

1. Issuing fully paid-up bonus shares to existing shareholders.
2. Writing off the expense of the issue of shares and debentures, such as the discount given on the issue of shares.
3. Writing off preliminary expenses
4. Buying back shares
5. For paying premium payable on redemption of debentures.

Question 7

What is meant by Calls-in-Advance?

Solution

When the shareholder pays the whole amount before the share payment date becomes due, i.e., before the share issuing company makes a call for it. It is known as Calls-in-advance.

Question 8

Write a brief note on 'Minimum Subscription'.

Solution

It refers to the minimum amount of shares that must be subscribed by the public so that the share allotting company can allot shares to the applicants. If Minimum Subscription is not attained, the company cannot allot shares to its applicants, and it should refund the amount received to the public. Minimum Subscription should not be less than 90% of the amount issued.

Long Questions for NCERT Accountancy Solutions Part 2 Class 12 Chapter 1

Question 1

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

Solution

Section 2(20) of the Companies Act 2013 defines the term “company” to mean “a company incorporated under the Companies Act, 2013 or any previous company law. In general parlance, a company is an artificial person created by law, having a separate legal entity, common seal, perpetual succession and limited liability. It is a voluntary association of persons who come together and contribute capital for doing business. The capital of a company is available in the form of shares, and the ownership of shares is subject to certain terms and conditions. Public and private are two forms of company.

Characteristics of a Company

1. A company is an association formed voluntarily by a group of persons having a common business goal. Minimum number of members required for a private company is two and that for a public company is seven.
2. Company is a juristic and artificial person created by law.
3. Company is a separate legal entity from shareholders and directors. It has the authority to open a bank account, sign contracts and own property in its name.
4. The liability of the members of a company is limited to the unpaid value of the shares they are holding.
5. The company has perpetual existence, which means the existence of the company is not affected by the death, insolvency or retirement of any of its members
6. The company, being an artificial person, has no individual signature; hence it carries a common seal for validating the official documents.
7. Shares of a public company are transferrable, while private companies do not allow the transfer of shares without members' consent.

Question 2

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

Solution

The following categories of share capital are there:

1. **Authorised Capital:** This is the maximum amount a company can raise by issuing shares. It is the amount mentioned during the formation of the Memorandum of Association.
2. **Issued Capital:** A portion of authorised share capital that is offered by the company to the general public for subscription.
3. **Unissued Capital:** A part of authorised capital that is not yet offered to the general public for subscription but can be offered in near future.
4. **Subscribed Capital:** A part of issued capital which is subscribed by the general public.
5. **Unsubscribed Capital:** Referred to as that part of issued capital that has not been subscribed by the people (public).
6. **Called up Capital:** It is a portion of the subscribed capital for which the shareholders are called to pay
7. **Uncalled up capital:** It is that part of a subscribed capital that is not yet called up, but can be called up as per requirement.
8. **Paid Up Capital:** It is part of called up share capital that is received by the shareholders
9. **Reserve Capital:** A company may call up certain part of uncalled share capital when a company is winding up. This cannot be used for any other purpose other than paying back creditors, hence it 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.

Solution

In a company, the capital is split into small denominations, which are known as shares. Shares can be easily transferred from one person to another, and this transfer is bound by certain terms and conditions. A shareholder is a person who contributes capital in the form of shares. Ownership is limited to the value of shares possessed by the shareholder. There are two types of shares:

1) Preference Shares and 2) Equity Shares

1) **Preference Share:** Section 43 of the Companies Act, 2013 defines preference shares as those which entitle the holder to receive dividends and also the right to receive capital invested in order of preference before equity shareholders when the company winds up.

2) Equity Shares: Equity shareholders manage the affairs of the company and also have a voting right. These types of shares do not possess any preferential right for dividend payment or capital repayment. The dividend rate is not fixed and varies year on year, which is dependent on available profit left after distributing to preference shareholders.

Question 4

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

Solution

Over-subscription: It is referred to as the situation where the total number of applications received for share allotment exceeds the available number of shares that are issued by the company for public.

In case of over-subscription, there are 3 ways to deal with it:

1. Reject excess application received and refund the money for these applications.

Share Application A/c Dr.

 To Share Capital A/c

 To Bank A/c

(Refunded excess application money)

2. Pro-rata basis is used where a company allots shares on pro rata basis to all share applicants. Excess amount received for application is adjusted on allotment.

Share Application A/c Dr.

 To Share Capital A/c

 To Share Allotment A/c

(Application money for allotment)

3. Pro rata and refund of money

In this case, some applications are rejected and some are provided on a 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 refunded)

Question 5

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

Solution

Preference Share: Section 43 of the Companies Act, 2013 defines preference shares as shares which entitle the holder to receive dividends and also the right to receive capital invested in order of preference before equity shareholders when the company winds up.

The different types are:

1. Cumulative Preference Share: When arrears of a dividend are cumulative, and such arrears are paid before paying any dividend to equity shareholders, such shares are known as cumulative shares.
2. Non-Cumulative Preference Share: Shares where the dividend is paid from the net profits earned each year, are known as non-cumulative preference shares. If the company does not earn profits in any of the years, the arrears of dividends cannot be claimed.
3. Participating preference share: In these types of shares, the preference shareholder has the luxury of participating in the surplus profit (i.e. apart from the fixed rate of dividend), which is remaining after paying equity shareholders.
4. Non-participating Preference Share: The condition in which the shareholder is entitled only to a fixed dividend pay-out and no share in surplus profits is known as a non-participating preference share.

5. **Convertible Preference Share:** A type of share which can be converted to equity shares within a period of time.
6. **Non-Convertible Preference Share:** Type of shares which do not have the right to convert into equity shares.
7. **Redeemable Preference Shares:** Those shares that can be repaid to the shareholders after a certain period as per provisions mentioned in the Companies Act, 1956
8. **Guaranteed Preference Shares:** These shares have the provision of getting fixed dividend, even if the company is making no profits
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Question 6

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

Solution

When an investor (shareholder) fails to pay all the instalments for the allotted shares in due time, the company expects the investor to pay the amount on subsequent calls or stages. The amount of money that is paid at later stages is called as Call-in-Arrears. The company is authorized by its Article of Association to charge interest at a specified rate on the call in arrears amount from the due date till the date of payment. If the Article of Association does not mention or is silent about such a case, then a 5% charge is levied.

The amount is deducted from called-up share capital on the liabilities side of the Balance Sheet. If the due amount is not paid, the shares can be forfeited with proper notice to shareholders.

When the shareholder pays the whole amount before the share payment date becomes due, i.e., before the share issuing company makes a call for it, it is known as Calls-in-advance. In case of advance payment, the company has a provision in their article of association to pay interest to shareholders from the date of payment till the date of call. If the article of association is silent in this regard, then a default 6% interest is provided.

It is shown on the liabilities side of the Balance Sheet under the heading of current liabilities.

Question 7

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

Solution

Over-subscription: It is referred to as the situation where the total number of applications received for share allotment exceeds the available number of shares that are issued by the company for the public.

Under-subscription: This is the situation when the number of applications for share allotment is less than the number of shares issued by the company. A 90% subscription of the shares is called a Mini Subscription. If a 90% subscription does not take place, the company should refund the money back to applicants.

In case of over-subscription, there are 3 ways to deal with it:

1. Reject excess application received and refund the money for these applications.

Share Application A/c Dr.

 To Share Capital A/c

 To Bank A/c

(Refunded excess application money)

2. Pro-rata basis is used where a company allots shares on pro rata basis to all share applicants. Excess amount received for application is adjusted on allotment.

Share Application A/c Dr.

 To Share Capital A/c

 To Share Allotment A/c

(Application money for allotment)

3. Pro rata and refund of money

In this case, some applications are rejected and some are provided on a 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 refunded)

Question 8

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

Solution

A securities premium account can be used for these activities:

1. Issuing fully paid-up bonus shares to existing shareholders.
2. Writing off the expense of the issue of shares and debentures, such as the discount given on the issue of shares.
3. Writing off preliminary expenses
4. Buying back shares
5. For paying premium payable on redemption of debentures

Question 9

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

Solution

Under the following conditions, a company can issue shares at a discount:

1. The shares issued must belong to a class of shares that are already issued.
2. Shares can be issued at a discount after a minimum time frame of 1 year from the date business has started
3. The issue of shares at a discount is authorised by a resolution that is passed by the company in a general meeting and approved by the Company law board.
4. Shares can be issued at a discount within two months of obtaining sanction company law board.
5. Maximum rate of discount must not cross 10% of the face value or as decided by the company law board.

Question 10

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

Solution

A shareholder has to pay allotment money for holding the shares and has to pay the calls, which are part of the share allotment. When a shareholder fails to do so, a 14 days' notice is served to the shareholder. If the shareholder does not pay in these 14 days, the shares will be forfeited.

Table A of the Companies Act, 2013 deals with the Memorandum of Association for a company limited by shares. It has the following procedure for forfeiting shares:

1. Notice sent to the shareholder for making payment related to call arrears and interest on outstanding call money within a period of 14 days of receipt of the notice.
2. On non-payment of dues, the company can forfeit the share by passing a resolution
3. Forfeit notice resolution sent to the shareholder and a statement published in a daily newspaper
4. Name of shareholder removed from registered shareholders list.

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		(not received)
To Share Calls A/c		(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		(not received)
To Share Calls A/c		(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 with no premium)
Share Premium A/c	Dr.	(not received)
To Share Allotment A/c		(not received)
To Share Calls A/c		(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, with discount)
To Discount on Issue of Shares A/c		(amount of discount)
To Share Allotment A/c		(not received)
To Share Calls A/c		(not received)
To Share Forfeiture A/c		(amount received)
(Share forfeited)		

Numerical Questions for NCERT Accountancy Solutions Part 2 Class 12 Chapter 1

Question 1

Anish Limited issued 30,000 equity shares of ₹ 100 each payable at ₹ 30 on application, ₹ 50 on allotment and ₹ 20 on last and final call. All money was duly received.

Record these transactions in the journal of the company.

Solution

Books of Anish Limited				
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
	Bank A/c	Dr	9,00,000	
	To Equity Share Application A/c			9,00,000
	(Application money received on application for 30,000 equity shares @ ₹ 30 per share)			
	Equity Share Application A/c	Dr	9,00,000	
	To Equity Share Capital A/c			9,00,000
	(Share Application money transferred to Share Capital Account)			

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

Question 2

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

Solution

Books of Adersh Control Device Ltd				
Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Equity Share Application A/c	Dr.	90,000	
	To Equity Share Capital A/c			90,000
	(Share Application money for 30,000 shares @ ₹ 3 per share transferred to Share Capital Account)			
	Equity Share Allotment A/c	Dr.	1,20,000	
	To Equity Share Capital A/c			1,20,000
	(Share Allotment money due on 30,000 @ ₹ 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 @ ₹ 3 per share)			
Cash Book (Bank Column)				

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	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 ₹ 100 each, payable ₹ 40 on application, ₹ 30 on allotment and ₹ 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.

Solution

Books of Software Solution India Ltd.					
Journal					
Date	Particulars		L. F.	Debit Amount ₹	Credit Amount ₹
	Equity Share Application A/c		D r.	12,00,000	
	To Equity Share Capital A/c				8,00,000

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

Cash Book (Bank Column)

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	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				

			20,80,00 0				20,80,00 0

Working Note:

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

Question 4

Rupak Ltd. issued 10,000 shares of ₹ 100 each payable ₹ 20 per share on application, ₹ 30 per share on allotment and balance in two calls of ₹ 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.

Solution

Books of Rupak Ltd.					
Journal					
Date	Particulars		L.F	Debit Amount ₹	Credit Amount ₹
	Share Application A/c	Dr		2,00,000	
	To Share Capital A/c				2,00,000

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

Cash Book (Bank Column)

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	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
Less: Calls in Arrear for 200 shares @ ₹ 25 per Share	(5,000)
Money Received on First Call	2,45,000
Add: Calls received in advance on 500 shares @ ₹25 per share	12,500
	2,57,500

Question 5

Mohit Glass Ltd. issued 20,000 shares of ₹ 100 each at ₹ 110 per share, payable ₹ 30 on application, ₹ 40 on allotment (including Premium), ₹ 20 on first call and ₹ 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.

Solution

Books of Mohit Glass Ltd.				
Journal				
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹

	Bank A/c	Dr	7,20,000	
	To Share Application A/c			7,20,000
	(Application money received on application for 24,000 shares @ ₹ 30 per share)			
	Share Application A/c	Dr	7,20,000	
	To Share Capital A/c (Bank Column)			6,00,000
	To Bank A/c			1,20,000
	(Share Application of 20,000 shares @ ₹ 30 transferred to Share Capital Account and the balance returned)			
	Share Allotment A/c	Dr	8,00,000	
	To Share Capital A/c			6,00,000
	To Share Premium A/c			2,00,000
	(Allotment money due on 20,000 shares @ 40 per share including ₹ 10 for premium)			
	Bank A/c	Dr	8,00,000	
	To Share Allotment A/c			8,00,000

	(Allotment money received on 20,000 shares @ ₹ 40 per share)				
	Share First Call A/c	Dr		4,00,000	
	To Share Capital A/c				4,00,000
	(Share First Call money due on 20,000 shares @ ₹ 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 @ ₹ 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 @ ₹ 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 @ ₹ 20 per share)				

Question 6

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

The amount on share was payable as under:

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

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

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

Solution

Books of A Ltd.				
Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	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 ₹	Date	Particulars	J.F	Amount ₹
	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 ₹ 10, 00,000 in shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 3 per share payable as follows:

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

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.

Solution

Books of Eastern Company Limited				
Da te	Particulars	L. F.	Debi t Amo unt ₹	Cred it Amo unt ₹

	Share Application A/c	Dr.	1,80,000	
	To Share Capital A/c			1,50,000
	To Share Allotment A/c			30,000
	(Share Application money for 50,000 shares transferred to Share Capital Account and the excess money transferred to Share Allotment Account)			
	Share Allotment A/c	Dr.	2,50,000	
	To Share Capital A/c			1,00,000
	To Share Premium A/c			1,50,000
	(Allotment money due on 50,000 share @ ₹ 5 per share including ₹ 3 security premium)			
	Share First Call A/c	Dr.	1,50,000	
	To Share Capital A/c			1,50,000
	(First call due on 50,000 share @ ₹ 3 per share)			

Cash Book (Bank Column)

Dr.							Cr.
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	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 (₹)
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	

	Authorised Share Capital		
	1,00,000 shares of ₹ 10 each		10,00,000
	Issued Share Capital		
	50,000 shares of ₹ 10 each		5,00,000
	Subscribed, Called up and Paid up Share Capital		
	50,000 shares of ₹ 10 each, ₹ 8 called-up	4,00,000	
	Less: Calls-in-Arrears	(300)	3,99,700
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 ₹. 100 each at premium of 5%. The shares were payable ₹. 25 on application, ₹. 50 on allotment and ₹. 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.

Solution

Books of Sumit Machine Ltd.				
Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)

	Bank A/c	Dr.		12,50,000	
	To Share Application A/c				12,50,000
	(Share Application money received on application for 50,000 shares @ ₹25 per share)				
	Share Application A/c	Dr.		12,50,000	
	To Share Capital A/c				12,50,000
	(Share Application money of 50,000 shares transferred to Share Capital Account)				
	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-Current Assets		

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

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	50,00,000
	Subscribed, Called-up and Paid-up Share Capital	
	50,000 shares of ₹ 100 each	50,00,000
	Less: 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 ₹. 6, 30,000 from Bhanu Oil Ltd. Kumar Ltd. issued equity share of ₹. 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%?

Case (a)

Solution

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

		To Bhanu Oil Ltd		6,30,000
	(Assets purchased from Bhanu Oil Ltd.)			
	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 ₹ 3, 20,000 from Handa Trader. Payment was made as ₹ 50,000 cash and remaining amount by issue of equity share of the face value of ₹ 100 each fully paid at an issue price of ₹ 90 each.

Give journal entries to record the above transaction.

Solution

Book of Bansal Heavy Machine Ltd				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹

	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 ₹ 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 ₹ 90 face value of ₹ 100 each to Handa Traders in consideration of amount due to him for machinery purchased)				

Working Notes:-

1. Number of shares 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 ₹ 100 each, payable ₹ 25 on application, ₹ 30 on allotment, ₹ 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.

Solution**Books of Naman Ltd**

Date	Particulars		L.F	Debit	Credit
				Amount ₹	Amount ₹
	Bank A/c	Dr.		5,00,000	
	To Share Application A/c				5,00,000
	(Shares Application money received for 20,000 shares @ ₹ 25 each)				
	Share Application A/c	Dr.		5,00,000	
	To Share Capital				5,00,000
	(Share Application money of 20,000 shares @ ₹ 25 each transferred to Share Capital Account)				
	Share Allotment A/c	Dr.		6,00,000	
	To Share Capital A/c				6,00,000
	(Share Allotment due on 20,000 shares @ ₹ 30 each)				
	Bank A/c	Dr.		5,94,000	
	To Share Allotment A/c				5,94,000
	(Allotment money received for 19,800 shares @ ₹ 30 per share)				

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

It can also be solved by debiting Calls in Arrears Account

Books of Naman Ltd					
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹	
	Bank A/c	Dr.	5,00,000		
	To Share Application A/c			5,00,000	
	(Share Application money received on application for 20,000 shares @ ₹ 25 per share)				
	Share Application A/c	Dr.	5,00,000		
	To Share Capital A/c			5,00,000	
	(Share Application money for 20,000 shares @ ₹ 25 per share transferred to Share Capital Account)				
	Share Allotment A/c	Dr.	6,00,000		
	To Share Capital A/c			6,00,000	

	(Share Allotment money due on 20,000 shares @ ₹ 30 per share)					
	Bank A/c	Dr.		5,94,000		
	Calls in Arrears A/c	Dr.		6,000		
	To Share Allotment A/c				6,00,000	
	(Allotment money received for 19,800 shares @ ₹ 30 per share and 200 shares failed to pay the Allotment)					
	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 @ ₹ 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 @ ₹ 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 @ ₹ 20 per share)				
	Bank A/c	Dr.	3,94,000		
	Calls in Arreras A/c	Dr.	6,000		
	To Share final call A/c				4,00,000
	(Share Final Call money received for 19,700 shares @ ₹ 20 per share except 300 shares)				
	Share Capital A/c	Dr.	30,000		
	To Share Forfeiture A/c (200×25+100×55)				10,500
	To Calls in Arrears A/c				19,500
	(300 Shares forfeited on account failed to pay the money due)				

Working Note:**1. Forfeited Amount**

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

Question 12

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

On application	₹ 30
On allotment	₹ 50 (including premium)

On first and final call	₹ 30
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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 ₹ 12 each.

Give journal entries in the books of the company.

Solution

Books of Krishna Ltd				
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
	Bank A/c	Dr.	4,50,000	
	To Share Application A/c			4,50,000
	(Share Application money received for 15,000 shares @ ₹ 30 per share)			
	Share Application A/c	Dr.	4,50,000	
	To Share Capital A/c			4,50,000
	(Share Application money of 15,000 shares transferred to Share Capital Account)			

	Share Allotment A/c	Dr.	7,50,000	
	To Share Capital A/c			6,00,000
	To Securities Premium A/c			1,50,000
	(Share Allotment money on 15,000 shares @ ₹ 50 per share including ₹ 10 securities premium due)			
	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 @ ₹ 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 @ ₹ 30 per share and 150 shares failed to pay amount due)			

	Share Capital A/c (150×100)	Dr.	15,000	
	Share Premium A/c (150×10)	Dr.	1,500	
	To Share Allotment A/c (150×50)			7,500
	To Share First and Final Call A/c (150×30)			4,500
	To Share Forfeiture A/c (150×30)			4,500
	(150 shares forfeited for non-payment of Share Allotment and Share First and Final Call)			
	Bank A/c	Dr.	18,000	
	To Share Capital A/c			15,000
	To Securities Premium A/c			3,000
	(150 shares of ₹ 100 each reissued @ ₹ 120 to Neha)			
	Share Forfeiture A/c	Dr.	4,500	
	To Capital Reserve A/c			4,500
	(Balance of Share Forfeiture Account transferred to Capital Reserve Account)			

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

Question 13

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

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

A shareholder holding 200 shares did not pay final call. His shares were forfeited. Out of these 150 shares were reissued to Ms. Sonia at ₹. 75 per share.

Give journal entries in the books of the company.

Solution

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

Amount credited to Share Forfeiture	₹ 90 per share
Less: Amount debited to Share Forfeiture	₹25 per share

Balance after adjustment	₹ 65 per share
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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 ₹ 100 each at a premium of ₹ 20 per shares, payable as follows:

On application	₹ 20
On allotment	₹ 50 (including premium)
On first call	₹ 30
On final call	₹ 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 ₹ 80 per shares.

Give journal entries in the books of the company.

Solution

Books of Raunak Cotton Ltd.				
Date	Particulars	L.F.	Debit Amount	Credit Amount

				₹	₹
	Bank A/c	Dr	.	2,00,00 0	
	To Share Application A/c				2,00,00 0
	(Share Application money received on 10,000 shares)				
	Share Application A/c	Dr	.	2,00,00 0	
	To Share Capital A/c				1,20,00 0
	To Share Allotment A/c				40,000
	To Bank				40,000
	(Share Application money adjusted)				
	Share Allotment A/c	Dr	.	3,00,00 0	
	To Share Capital A/c				1,80,00 0
	To Share Premium A/c				1,20,00 0
	(Share allotment money due)				
	Bank A/c	Dr	.	2,47,00 0	
	To Share Allotment A/c				2,47,00 0
	(Allotment money received except 300 shares)				

	Share First Call A/c	Dr	1,80,00 0	
	To Share Capital A/c			1,80,00 0
	(Share First Call money due)			
	Bank A/c	Dr	1,57,50 0	
	To Share First Call A/c			1,57,50 0
	(Share First Call money received except 750 (300+450 shares))			
	Share Final Call A/c	Dr	1,20,00 0	
	To Share Capital A/c			1,20,00 0
	(Share Final Call money is due)			
	Bank A/c	Dr	1,05,00 0	
	To Share Final Call			1,05,00 0
	(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				30,500
		(750 shares were forfeited)				
		Bank A/c	Dr		60,000	
			.			
		Share Forfeiture A/c	Dr		15,000	
			.			
		To Share Capital A/c				75,000
		(Forfeited shares reissued @ 80 per share)				
		Share Forfeiture A/c	Dr		15,500	
			.			
		To Capital Reserve A/c				15,500
		(Share Forfeiture Account transferred capital reserve)				

Working Note:

1. Number of shares applied by Rohit

$$\begin{aligned}
 &= \frac{\text{Total number of applied shares}}{\text{Total number of allotted shares}} \times \text{Number of allotted shares} \\
 &= \frac{8,000}{6,000} \times 300 = 400 \text{ shares}
 \end{aligned}$$

2. Call in arrears by Rohit on allotment

Money received on Application	(400×20)	8,000
Less: Transferred to share capital	(300×20)	6,000
Excess adjusted on allotment		2,000

Allotment due	(300×50)	15,000
Less: Excess adjustment on allotment		2,000
Call in arrear		13,000

3. Number of share allotted to Itika

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

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

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 ₹ 10 each at a premium of ₹ 2 per share payable as under:

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

Applications were received for 1, 60,000 shares. Allotment was made on pro-rata basis. Excess money on application was adjusted against the amount due on allotment.

Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena

as fully paid at ₹ 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.

Solution

Books of Himalaya Company Ltd.				
Journal				
Date	Particulars	L. F.	Debit Amount	Credit Amount
			₹	₹
	Bank A/c	Dr.	4,80,000	
	To Share Application A/c			4,80,000
	(Share Application money received for 1,60,000 shares @ ₹ 3 per share)			
	Share Application A/c	Dr.	4,80,000	
	To Equity Share Capital A/c			3,60,000
	To Share Allotment A/c			1,20,000
	(Share Application for 1,20,000 shares @ ₹ 3 per share transferred to Share Capital Account and remaining amount adjusted to Allotment)			
	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 @ ₹ 5 per share including ₹ 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 @ ₹ 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 @ ₹ 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 @ ₹ 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 @ ₹ 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 @ ₹ 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 @ ₹ 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 (₹)
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 (₹)
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1	Share Capital		
	Authorised Share Capital		
	 shares of ₹ 10 each		—
	Issued Share Capital		
	1,20,000 shares of ₹ 10 each		12,00,000
	Subscribed, Called-up and Paid-up Share Capital		
	1,20,000 shares of ₹ 10 each		12,00,000
2	Reserves and Surplus		
	Securities Premium	2,40,000	
	Capital Reserve	14,400	2,54,400
3	Cash and Cash Equivalents		
	Cash at Bank		14,54,400

Question 16

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

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

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

Solution

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 ₹ 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 @ ₹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	

	Securities 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 after first call)			
	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 @ ₹ 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 (₹)
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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**

$$\begin{aligned}
 &= \frac{\text{Total number of applied shares}}{\text{Total number of allotted shares}} \times \text{No. of shares allotted} \\
 &= \frac{3,00,000}{2,00,000} \times 400 = 600 \text{ shares}
 \end{aligned}$$

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
Less: 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
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 ₹ 10 each at ₹ 12 per share, payable at to ₹ 5 on application (including premium), ₹ 4 on allotment and the balance on the first and final call.

Applications for 70,000 shares had been received. Of the cash received, ₹ 40,000 was returned and ₹ 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 ₹ 8 per share. Journalise the transactions.

Solution

Books of Life machine tools Limited				
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
	Bank A/c	Dr.	3,50,000	

		To Share Application A/c			3,50,000
		(Application money received on application for 70,000 shares @ ₹ 5 per share including premium ₹ 2)			
		Share Application A/c	Dr.	3,50,000	
		To Share Capital A/c			1,50,000
		To Securities Premium A/c			1,00,000
		To Share Allotment A/c			60,000
		To Bank A/c			40,000
		(Share Application money for 50,000 shares transferred to Share Capital Account and Securities Premium, ₹ 60,000 adjusted to Allotment and ₹ 40,000 returned)			
		Share Allotment A/c	Dr.	2,00,000	
		To Share Capital A/c			2,00,000
		(Share Allotment money due on 50,000 shares @ ₹ 4 per share)			
		Bank A/c	Dr.	1,40,000	
		To Share Allotment A/c			1,40,000

	(Share Allotment money received on share allotment)				
	Share First and Final A/c	Dr.		1,50,000	
	To Share Capital A/c				1,50,000
	(Share First and Final Call money due on 50,000 shares @ ₹ 3 per share)				
	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 @ ₹ 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 @ ₹ per share fully paid up forfeited for the non-payment of Share First and Final Call ₹ 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 ₹ 10 each at a premium of 10% payable at ₹ 2 on application; ₹ 4 on allotment including premium; ₹ 3 on First Call and ₹ 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 ₹ 9 per share. Give journal entries and prepare the balance sheet.

Solution

Books of Orient Company Limited					
Journal					
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹	
	Bank A/c	Dr	52,000		
	To Share Application A/c			52,000	
	(Share Application Money received for 26,000 shares @ ₹ 2 per share)				
	Share Application A/c	Dr	52,000		
	To Share Capital A/c			40,000	

		To Share Allotment A/c			4,000
		To Bank A/c			8,000
	(Application money @ ₹ 2 per share of 20,000 shares transferred to Share Capital Account and money of 4,000 shares returned, remaining to Share Allotment)				
	Share Allotment A/c	Dr		80,000	
		To Share Capital A/c			60,000
		To Securities Premium A/c			20,000
	(Share Allotment money due on 20,000 shares @ ₹ 4 per share including Re 1 Securities Premium)				
	Bank A/c	Dr		76,000	
		To Share Allotment A/c			76,000
	(Share Allotment Money received for all the shares after adjustment of money transferred from Share Application)				
	Share First Call A/c	Dr		60,000	
		To Share Capital A/c			60,000
	(Share First Call money due on 20,000 share @ ₹ 2 per share)				
	Bank A/c	Dr		60,000	

		To Share First Call A/c			60,000
	(Share First Call received for 20,000 shares @ ₹ 2 per share)				
	Share Second and Final Call A/c	Dr		40,000	
		.			
		To Share Capital A/c			40,000
	(Share Second and Final Call money due on 20,000 shares @ ₹ 2 per share)				
	Bank A/c	Dr		39,000	
		.			
		To Share Second and Final Call A/c			39,000
	(Share Second and Final Call money received for 19,500 shares @ ₹ 2 per share and 500 shares failed to pay)				
	Share Capital A/c	Dr		5,000	
		.			
		To Share Second and Final Call A/c			1,000
		To Share Forfeiture A/c			4,000
	(500 shares of ₹ 10 per share fully called-up forfeited for non-payment of Second and Final Call ₹ 2 per share)				
	Bank A/c	Dr		2700	
		.			
	Share Forfeiture A/c	Dr		300	
		.			
		To Share Capital A/c			3,000

	(300 shares @ ₹ 10 each reissued for ₹ 9 per share fully paid-up)			
	Share Forfeiture A/c	Dr	2,100	
	To Capital Reserve A/c			2,100
	(Balance of 300 shares in Share Forfeiture Account transferred to Capital Reserve Account, after adjustment)			

Orient Company Limited		
Balance Sheet		
Particulars	Note No.	Amount (₹)
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

Note No.	Particulars	Amount (₹)
1	Share Capital	
	Authorised Equity Share Capital	
	 Equity Shares of ₹ 10 each	—
	Issued Equity Share Capital	
	20,000 Equity Shares of ₹ 10 each	2,00,000
	Subscribed, Called-up and Paid-up Equity Share Capital	
	19,800 Equity Shares of ₹ 10 each	1,98,000
	Add: Shares Forfeiture	1,600
		1,99,600
2	Reserves and Surplus	
	Securities Premium	20,000
	Capital Reserve	2,100
		22,100
3	Cash and Cash Equivalents	
	Cash at Bank	2,21,700

Working Notes:

Share Forfeiture Account credited	₹ 8 per share
Less: Share Forfeiture Account debited	₹ 1 per share
Amount transferred to Capital Reserve Account, after adjustment	₹ 7 per share

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

Question 19

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

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

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

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

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

Solution

In the books of Alfa Limited					
Journal					
Date	Particulars		L.F.	Debit Amount ₹	Credit Amount ₹
	Share Application A/c	Dr.		24,00,000	
		To Share Capital A/c			20,00,000
		To Share Allotment A/c			4,00,000
	(Share Application money adjusted)				

	Share Allotment A/c	Dr.		12,00,000	
		To Share Capital A/c			12,00,000
	(Share Allotment money due)				
	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:

1. Number of shares applied by Applicant

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

$$= \frac{4,00,000}{3,20,000} \times 400 = 500 \text{ shares}$$

2. Call in arrears by applicant on allotment

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

3.

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

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

	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)				

Cash Book (Bank Column)

Dr.							Cr.	
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹	
	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 ₹.20 each at a premium of ₹. 4 per share, forfeited 1,000 shares for non-payment of final call of ₹.2 per share. 400 of the forfeited shares were reissued at ₹.14 per share out of the remaining shares of 200 shares reissued at ₹.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.

Solution

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) = ₹ 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

= ₹ 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 @ ₹ 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

Question 21

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

Solution

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Share Capital A/c (600×8) Dr.		4,800	
	To Share Allotment (100×2)			200
	To Share First Call A/c (300×3)			900
	To Share Second Call A/c (600×2)			1,200
	To Share Forfeiture A/c			2,500
	(600 shares @ ₹ 10 per share ₹ 8 called-up forfeited after making Second Call)			

	Bank A/c	Dr.		6,600	
	To Share Capital A/c				6,000
	To Securities Premium A/c				600
	(600 shares @ ₹ 10 each for ₹ 11 per share fully paid-up reissued)				
	Share Forfeiture A/c	Dr.		2,500	
	To Capital Reserve A/c				2,500
	(Balance of Share Forfeiture Account transferred to Capital Reserve Account after reissue)				

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 ₹ 3,00,000, divided into shares of ₹ 10 each offered for public subscription of 20,000 shares payable at ₹ 2 on application; ₹ 3 on allotment and the balance in two calls of ₹ 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 ₹ 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.

Solution

Books of Ajanta Company Limited					
Da te	Particulars		L. F.	Debit A mo unt	Credi t A mo unt
				₹	₹
	Bank A/c		Dr.	48,000	
		To Share Application A/c			48,000
	(Share Application money received for 24,000 shares @ ₹ 2 per share)				
	Share Application A/c		Dr.	48,000	
		To Share Capital A/c			40,000
		To Bank A/c			8,000
	(Share Application @ ₹ 2 per share for 20,000 shares transferred to Share Capital and remaining for 4,000 shares rejected)				
	Share Allotment A/c		Dr.	60,000	
		To Share Capital A/c			60,000
	(Share Allotment money due @ ₹ 3 per share on 20,000 shares)				
	Bank A/c		Dr.	60,000	

		To Share Allotment A/c				60,000
		(Share Allotment money received for 20,000 shares @ ₹ 3 per share)				
		Share First Call A/c	Dr.		50,000	
		To Share Capital A/c				50,000
		(Share First Call money due on 20,000 Shares @ ₹ 2.5 per share)				
		Bank A/c	Dr.		50,000	
		To Share First Call A/c				50,000
		(Share First Call money received for 20,000 shares @ ₹ 2.5 per share)				
		Share Final Call A/c	Dr.			
		To Share Capital A/c				
		(Share Final Call money due on 20,000 Shares @ ₹ 2.5 per share)				
		Bank A/c	Dr.		48,500	
		Calls in Arrears A/c	Dr.		1,500	
		To Share Final Call A/c				50,000
		(Share Final Call money received for 19,400 shares @ ₹ 2.5 per share except 600 shares)				

	Share Capital A/c	Dr.		6,000	
	To Calls in Arrears A/c				1,500
	To Share Forfeiture A/c				4,500
	(600 Shares forfeited @ ₹ 10 each for the non-payment of Share Final Call @ ₹ 2.5 per share)				
	Bank A/c	Dr.		3,600	
	Share Forfeiture A/c	Dr.		400	
	To Share Capital A/c				4,000
	(400 shares @ ₹ 10 each for ₹ 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 (₹)
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 (₹)
1	Share Capital	
	Authorised Share Capital	
	30,000 shares of ₹ 10 each	3,00,000
	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
	Add: 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	₹ 7.5 per share
Less: Share Forfeiture Account debited	₹1 per share
Amount transferred to Capital Reserve Account, after adjustment	₹ 6.5 per share

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

Question 23

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

- (a) 200 shares of ₹. 100 each issued at a premium of ₹. 10 were forfeited for the non-payment of allotment money of ₹. 60 per share. The first and final call of ₹. 20 per share on these shares were not made. The forfeited shares were reissued at ₹. 70 per share as fully paid-up.
- (b) 150 shares of ₹. 10 each issued at a premium of ₹. 4 per share payable with allotment were forfeited for non-payment of allotment money of ₹. 8 per share including premium. The first and final calls of ₹. 4 per share were not made. The forfeited shares were reissued at ₹. 15 per share fully paid-up.
- (c) 400 shares of ₹. 50 each issued at par were forfeited for non-payment of final call of ₹. 10 per share. These shares were reissued at ₹. 45 per share fully paid-up.

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 (200 × 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)**Solution**

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 ₹ 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 (₹)
	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 ₹ 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 ₹ 100 each at a premium of ₹ 20 per share payable; on application ₹ 40 ; on allotment ₹ 40 (Including premium): on first call ₹ 25 and Second and final call

₹ 15.

Applications 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 ₹ 85 per share as fully paid, the whole of Rohit's shares being included.

Record necessary journal entries.

Solution

Books of Amisha Ltd.				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bank A/c	Dr.	20,00,000	
	To Share Application A/c			20,00,000
	(Share Application money received on 50,000 shares @ 40 per share)			
	Share Application A/c	Dr.	20,00,000	
	To Share Capital A/c			16,00,000
	To Share Allotment A/c			4,00,000
	(Share Application money adjusted)			
	Share Allotment A/c	Dr.	16,00,000	

		To Share Capital A/c			8,00,000
		To Share Premium A/c			8,00,000
		(Share Allotment money due including premium)			
		Bank A/c	Dr.	11,82,000	
		To Share Allotment A/c			11,82,000
		(Share Allotment money received except 600 shares)			
		Share Capital A/c	Dr.	36,000	
		Share premium A/c	Dr.	12,000	
		To Share Allotment A/c			18,000
		To Share Forfeiture A/c			30,000
		(600 shares forfeited after allotment)			
		Share First Call A/c	Dr.	9,85,000	
		To Share Capital			9,85,000
		(First Call money in due on 39,400 shares)			
		Bank A/c	Dr.	9,65,000	
		To Share First Call A/c			9,65,000
		(First Call money received except 800 shares)			
		Share Second and Final Call A/c	Dr.	5,91,000	
		To Share Capital A/c			5,91,000
		(Second and Final Call money due on 39,400 shares)			
		Bank A/c	Dr.	5,79,000	
		To Share Second and Final Call A/c			5,79,000

	(Second and Final Call money received except 800 shares)				
	Share Capital A/c	Dr.		80,000	
	To Share First Call A/c				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 ₹	Date	Particulars	J.F.	Amount ₹
	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**

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

$$= \frac{50,000}{40,000} \times 600 = 750 \text{ shares}$$

2. Call in arrears by Rohit on allotment

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

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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 = ₹ 30,000

Profit on the forfeiture of 600 share of Ashmita = ₹ 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 $(48,000 - 36,000) = ₹ 12,000$

Concepts covered in this chapter –

- Features of a company
- Types of companies
- Share capital of a company
- Nature and classes of shares
- Issue of shares
- Accounting treatment
- Forfeiture of the shares

Conclusion
