

BOOK-2
CHAPTER-1
ACCOUNTING FOR SHARE CAPITAL

Section A: One Mark Questions

I. Fill in the blanks

1. A company is an Person.
2. is the part of the issued capital.
3. Call money received in advance is called
4. is the minimum paid up capital of a Public Company.
5. months must elapse between two calls.
6. is minimum number of members in a Public Company.
7. is minimum number of members in a Private Company.
8. The amount of buy back of shares in any financial year should not exceed % of the paid-up capital
9. Minimum paid up capital of a private company is
10. Profit on forfeiture of shares is transferred to Account

II. Multiple Choice Questions:

1. Equity share holders are:
[a] Creditors [b] Owners
[c] Customers of the company [d] None of the above
2. Interest on calls in arrears is charged according to table 'F' at the rate of:
[a] 10% [b] 6%
[c] 8% [d] 11%
3. Shares can be forfeited for:
[a] non-payment of call money
[b] failure to attend meeting
[c] failure to repay the loan to the bank.
[d] the pledging of shares as a security
4. Balance of Share Forfeiture Account is shown in the Balance Sheet under the head:
[a] Current Liabilities and Provisions
[b] Reserves and Surplus
[c] Share Capital
[d] Unsecured Loans
5. Issued capital is part of:
[a] Reserve capital [b] Unissued capital
[c] Authorised capital [d] None of the above

6. Maximum number of members in a private company is

[a] 40	[b] 200
[c] 70	[d] No limits
7. More applications are received than offered to public is called

[a] Less offers	[b] Under subscription
[c] Over subscription	[d] more offers
8. Paid up capital is part of

[a] Authorised capital	[b] Reserve capital
[c] Called-up capital	[d] Subscribed capital
9. If a shareholder fails to pay call money, it is called

[a] calls unpaid
[b] calls in advance
[c] calls in arrears
[d] None of the above
10. Minimum number of members in a public company is.

[a] 20	[b] 50
[c] no limit	[d] 7

III True or False Type Questions

1. A company is an artificial person
2. Shares of a company are generally transferable.
3. Share application account is a liability account.
4. Paid-up capital may exceed called- up capital.
5. Capital Reserves are created out of capital profits.
6. The part of capital which is called-up only on winding up is called reserve capital
7. Private companies invite the public to subscribe for its shares
8. Forfeiture of shares is cancellation of the rights of shareholders
9. All the shares of buy-back should be fully paid-up
10. The Articles of the Association must authorize the company for the buy-back of shares.

IV. Very Short Answer Questions

1. State any one kind of a company.
2. What is issued capital?.
3. What is buy-back of shares?
4. What is minimum paid-up capital of a private company?
5. When the Reserve Capital is used ?
6. What is over subscription?
7. What is under subscription?

8. What is issue of shares at par?
9. What is issue of shares at premium?
10. When the shares are forfeited?

Section B: Short Answer Questions for Two marks

1. What is a Company?
2. State any two features of a company.
3. What is 'Prospectus'?
4. What do you mean by Over subscription?
5. What is calls in arrears?
6. State any two methods of issue of shares.
7. What is issue of shares for consideration other than cash?
8. What is forfeiture of shares?
9. Give the journal entry for transfer of profit on re-issue of forfeited shares.
10. State any two categories of share capital.

Section C: 12 Marks Problems Over Subscription: Problems on Issues of Shares at Par, Forfeiture & Re-issue

1. ABC Company Ltd., issued 20,000 Equity Shares of ₹ 10 each. The amount was payable is as follows.

On application	₹ 2
On allotment	₹ 3
On first and final call	₹ 5

Applications were received for 25,000 Shares. Excess application money refunded and the money was duly received except the first and final call on 500 shares held by Akash. The Directors forfeited these shares and then re-issued to Sagar at ₹ 7 per share as fully paid-up

Pass the necessary journal entries.

2. 'X' Company Ltd issued 10,000 shares of ₹ 100 each. The amount was payable as follows:

₹10 on application, ₹ 40 on allotment and ₹ 50 on first call and final call.

The money was duly received except the first call and final call on 2,000 shares. The directors forfeited these shares and reissued at ₹ 80 per share as fully paid-up.

Pass the journal entries.

3. Excellent Company Ltd., issued 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On application	₹ 2
On allotment	₹ 3 and
On first and final call	₹ 5

Applications were received for 12,000 Equity Shares. The Directors refunded excess application money on 2,000 Shares. All the money was duly received except the first and final call money on 1000 Shares held by Niraj. His shares were forfeited by the Directors of the company. These shares were re-issued to Prakash at ₹ 8 per share as fully paid-up.

Pass the necessary journal entries.

Problems on Under Subscription

4. A company Ltd has a Registered Capital of ₹ 5,00,000 divided into equity shares of ₹10 each. Of these, 40,000 Shares were issued to the public. The amount was payable as follows:

₹ 2 on application
₹ 5 on allotment
₹ 3 on first and final call.

All the shares were subscribed and the money was duly received except the first and final call on 2,000 shares. These shares were forfeited and re-issued at ₹ 8 per share as fully paid-up.

Pass the journal entries in the books of A company

Problems on Excess application money refund & adjustment towards allotment

5. Bharat Company Ltd. issued 10,000 Shares of ₹ 100 each payable as under.

On Application	₹ 20
On Allotment	₹ 40
On First and Final Call	₹ 40

Applications were received for 15,000 shares, of which applications for 3,000 shares were rejected and their application money refunded and the remaining 2,000 share application money on 2000 shares are adjusted towards allotment. All the calls were made and all the moneys were duly received except the first and final call on 500 shares. The Directors forfeited these Shares and then re-issued @₹75 Per Share as fully paid-up.

Pass the Journal Entries.

Problem on Issues of Shares at a Premium Forfeiture & Re-issue

6. XYZ Co. Ltd. issued 30,000 equity shares of ₹ 10 each at a premium of Re. 1 per share to the public. The amount payable was payable as follows:

₹ 2 on application
₹ 5 on allotment (including premium)
₹ 4 on first and final call

All the shares were subscribed and the money duly received except the first and final call on 2,000 shares. The Directors forfeited these shares and re-issued them as fully paid-up at ₹ 8 per share.

Pass the necessary Journal entries in the books of a company.

7. Sun India Ltd. issued 20,000 Equity Shares of ₹ 100 each at premium of ₹ 10 each. The amount payable was as follows:

₹ 20 on application

₹ 50 on allotment (including premium)

₹ 40 on first and final call

All the shares were subscribed and money duly received except the first and final call on 1,000 shares. The Directors forfeited these shares and re-issued them as fully paid at ₹ 90 per share.

Pass the journal entries regarding issue, forfeiture and reissue of Equity Shares

8. Harsha Co. Ltd. issued 10,000 Preference Shares of ₹ 100 each at a premium of ₹ 5 per share, The amount was payable as follows:

₹ 10 on application

₹ 50 on allotment (including premium)

₹ 45 on first and final call

All the shares were subscribed and the money duly received except the first and final call on 500 shares. The Directors forfeited these shares and re-issued at ₹ 80 each fully paid.

Pass the necessary Journal entries.

9. Mandya Sugar Co. Ltd. issued 40,000 equity shares of ₹ 10 each at a premium of ₹2 per share. The amount was payable as follows:

₹ 2 on application

₹ 6 on allotment (including premium)

₹ 4 on first and final call

All the shares were subscribed and the money duly received except the first and final call on 2,000 equity shares. The Directors forfeited these shares and re-issued them as fully paid-up at ₹ 8 per share.

Pass the necessary Journal entries.

10. Sagar Company Ltd. issued 10,000 shares of ₹ 100 each at a premium of ₹ 10 per share. The amount was payable as follows :

On applications ₹ 20

On allotments ₹ 50(including premium)

On First and Final call ₹ 40

All the shares were subscribed and the money duly received except the first and final call on 500 shares. The Directors forfeited these shares and re-issued them as fully paid at ₹ 80 per share.

Pass the Journal entries

- 11.** The Rajesh Trading Company Ltd issued 10,000 shares of ₹ 10 each at premium of Rs 2 per share payable as follows:

On application	₹ 2
On allotment	₹ 6[including premium]
On first and final call	₹ 4

All the shares were subscribed and the money duly received except the first and final call on 1,000 shares. These shares were forfeited and only 800 shares are re-issued at ₹ 80 each as fully paid-up.

Pass the journal entries.

- 12.** A Mining Company Ltd, invited applications for ₹ 50,000 equity shares of ₹ 100 each at premium ₹10 per share. The amount was payable as follows:

On application	₹ 20
On allotment	₹ 60 [including premium]
On first and final call	₹ 30

All the shares were subscribed and money duly received with the exception of the first and final call on 5,000 shares and the Directors forfeited these shares and re-issued as fully paid at ₹ 70 per share.

Pass the journal entries.

- 13.** 'A' Company issued 5,000 Equity shares of ₹ 100 each at a premium of 10%. The amount was payable as follows:

On application	₹ 20
On allotment	₹ 50[including premium]
On first call and final call	₹ 40

All the shares were subscribed and the money duly received except final call money on 200 Equity Shares held by Dinesh. These shares were forfeited and then re-issued to Mahesh at ₹ 80 per share, fully paid-up. Pass the journal entries.

- 14.** The Gama Company Ltd issued 60,000 Equity Shares of ₹10 each at a premium of ₹ 2 per share payable as follows:

On application	₹ 3
On allotment	₹ 5 (including premium)
On first and final call	₹ 4

All the Shares were subscribed and the money duly received except the first and final call money on 1,500 shares held by Mr.Sudesh. These Shares were forfeited and only were re-issued to Mr.Naresh @ ₹8 per share, as fully paid.

Pass the necessary journal entries.

Key Answers:-

I. Fill in the blanks

1. Artificial
2. Subscribed Capital
3. Calls in advance
4. 5 Lakhs rupees
5. One
6. 7 members
7. 2 members
8. 25 %
9. 1 Lakh rupees
10. Capital Reserve

II. Multiple choice questions

1. [b] owners
2. [a] 10%
3. [a] for non payment of call money
4. [c] share capital
5. [c] authorised capital
6. [b] 200
7. [c] Over subscription
8. [c] called up capital
9. [c] calls in arrears
10. [d] 7

III True / False

1. True
2. True
3. True
4. False
5. True
6. True
7. False
8. True
9. True
10. True