

Accounting Treatment of Issue Shares

1 Mark Questions

1.What is the maximum amount of discount at which forfeited shares can be re-issued? (Delhi 2014)

Ans. When forfeited shares are re-issued at a discount, the discount cannot exceed the amount forfeited on re-issued shares.

2.Give any one purpose for which the amount received as 'securities premium reserve' may be utilised. (Compartment 2014)

Ans. Securities premium can be utilised in writing-off preliminary expenses of the company.

3.A Ltd forfeited 100 equity shares of Rs 10 each issued at premium of 20% for the non-payment of final call of Rs 5 including premium. State the maximum amount of discount at which these shares can be re-issued. (All India 2014)

Ans. Maximum amount of discount that can be allowed at the time of re-issue is the amount forfeited on re-issued shares, i.e. Rs 7.

4.What is meant by private placement of shares? (Compartment 2014)

Ans. Private placement of shares means selling of shares to a relatively small number of select investors. Private placement is the opposite of a public issue, in which securities are made available for sale in the open market.

5.Give the meaning of forfeiture of shares. (All India 2014(c), 2010)

Ans. Forfeiture of shares means cancellation of shares and seizure of the amount received from the defaulting shareholders, whose shares have been forfeited. Upon forfeiture, the name of original shareholder must be removed from the register of members. Forfeiture results in reduction of share capital.

6.What is meant by 'calls-in-arrears'? (All India 2013)

Ans. If shareholders make default in paying the money due on allotment or any call, the money not so paid is called calls-in-arrears.

7.What rate of interest the company pays on calls-in-advance, if it has not prepared its own Articles of Association?(Delhi 2013)

Ans. As per Table F, of the Companies Act, interest on calls-in-advance is payable @ 12% per annum by the company.

8.What is meant by 'securities premium reserve'? (Delhi 2013)

Ans. A company can issue its shares at more than its face value. Excess of issue price of shares over its face value is termed as securities premium.

9.What is meant by calls-in-advance? (All India 2012; Delhi 2008)

Ans. Calls-in-advance means the amount paid by shareholders in excess of the amount due from them. The company may receive calls-in-advance if the articles permit. It is shown as a current liability in the balance sheet.

**10.State the steps other than rejecting applications that a company can take in case of over subscription. (Delhi 2011c)
or**

Give any two alternatives available to a company for the allotment of shares in case of over subscription. (Delhi 2009 c)

Ans. The step's other than rejecting applications that a company can take in case of over subscription are:

- (i) All applicants are allotted shares on pro-rata basis.
- (ii) Some applicants are allotted shares in full and some are allotted shares on pro-rata basis.

11.Can securities premium be used as working capital? Give reason in support of your answer.(All India 2011; HOTS)

Ans. Securities premium cannot be used as working capital.

According to Section 52 (2) of the Companies Act, 2013, the securities premium can be applied only for the following purposes:

- (i) Issuing fully paid bonus shares to the members.
- (ii) Writing-off the preliminary expenses of the company.
- (iii) Writing-off the expenses on issue of shares, commission paid on any issue of shares or debentures of the company and discount allowed on any issues of shares and debentures.
- (iv) Providing for the premium payable on the redemption of redeemable preference shares or debentures of the company.

12.What is meant by pro-rata allotment of shares? (All India 2010)

Ans. In the case of over subscription, it is not possible to allot shares to all applicants. Applicants may be allotted less number of shares than they have applied for. This type of allotment of shares is known as pro-rata allotment of shares, e.g. if company allots 50,000 shares to applicants of 75,000 shares, it is pro-rata allotment in proportion of 2 : 3.

13.Give the meaning of over subscription. (All India 2008)

Ans. Over subscription is a situation in which applications received are for more shares than the number of shares offered to the public for subscription through prospectus by a company.

3 Marks Questions

14. Sundram Ltd purchased furniture for Rs 3,00,000 from Ravindram Ltd, Rs 1,00,000 were paid by drawing a promissory note in favour of Ravindram Ltd. The balance was paid by issue of equity shares of Rs 10 each at a premium of 25%. Pass journal entries in the books of Sundram Ltd. (All India 2012)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Furniture A/c Dr To Ravindram Ltd (Being furniture purchased)		3,00,000	3,00,000
	Ravindram Ltd Dr To Bills Payable A/c To Equity Share Capital A/c (16,000 × 10) To Securities Premium Reserve A/c (16,000 × 2.5) (Being payment made by issuing of a promissory note of ₹ 1,00,000 and 16,000 equity shares @ ₹ 10 per share at a premium of 25%)		3,00,000	1,00,000 1,60,000 40,000

$$\begin{aligned}\text{Number of shares to be issued to Ravindram Ltd} &= \frac{2,00,000}{10 + 2.5} \\ &= 16,000 \text{ shares}\end{aligned}$$

15.Z Ltd purchased furniture costing Rs 2,20,000 from CD Ltd. The payment was to be made by issuing of 9% preference share of Rs 100 each at a premium of Rs 10 per share. Pass necessary journal entries in the books of Z Ltd. (Delhi 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Furniture A/c Dr To CD Ltd (Being furniture purchased)		2,20,000	2,20,000
	CD Ltd Dr To 9% Preference Share Capital A/c (2,000 × 100) To Securities Premium Reserve A/c (2,000 × 10) (Being payment made by issuing of 2,000 equity shares @ ₹ 100 per share at a premium of ₹ 10 per share)		2,20,000	2,00,000 20,000

$$\begin{aligned}\text{Number of shares to be issued to CD Ltd} &= \frac{2,20,000}{100 + 10} \\ &= 2,000 \text{ shares}\end{aligned}$$

16. Goodluck Ltd purchased machinery costing Rs 10,00,000 from Fair Deals Ltd. The company paid the price by issue of equity shares of Rs 10 each at a premium of 25%. Pass necessary journal entries for above transactions in the books of Goodluck Ltd. (All India 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Machinery A/c Dr To Fair Deals Ltd (Being furniture purchased)		10,00,000	10,00,000
	Fair Deals Ltd Dr To Equity Share Capital A/c (80,000 × 10) To Securities Premium Reserve A/c (80,000 × 2.5) (Being payment made by issuing of 80,000 equity shares @ ₹ 10 per share at a premium of 25%)		10,00,000	8,00,000 2,00,000

$$\text{Number of shares to be issued to Fair Deals Ltd} = \frac{10,00,000}{10 + 2.5} = 80,000 \text{ shares}$$

17. SSP Ltd forfeited 300 shares of Rs 10 each issued at a premium of Rs 2 per share for the non-payment of allotment of Rs 4 per share (including premium). The first and final call of Rs 3 per share has not been made yet, 50% of forfeited shares were re-issued at Rs 8 per share fully paid-up. Pass necessary journal entries for the forfeiture and re-issue of shares. (Delhi 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (300 × 7) Dr		2,100	
	Securities Premium Reserve A/c (300 × 2) Dr		600	
	To Forfeited Shares A/c (300 × 5)			1,500
	To Share Allotment A/c (300 × 4)			1,200
	(Being 300 shares forfeited for the non-payment of allotment of ₹ 4 each including premium)			
	Bank A/c (150 × 8) Dr		1,200	
	Forfeited Shares A/c (150 × 2) Dr		300	
	To Share Capital A/c (150 × 10)			1,500
	(Being re-issue of 150 shares @ ₹ 8 per share as fully paid-up)			
	Forfeited Shares A/c Dr		450	
	To Capital Reserve A/c (W.N)			450
	(Being balance of forfeited shares account transferred to capital reserve)			

Working Note

$$\text{Amount of 50\% forfeited shares} = 1,500 \times \frac{150}{300} = ₹ 750$$

$$\text{Amount of forfeited shares transferred to capital reserve} = 750 - 300 = ₹ 450$$

18. TAG Ltd forfeited 400 shares of Rs 10 each issued at a premium of Rs 1 per share for the non-payment of allotment of Rs 4 per share (including premium). The first and final call of Rs 3 per share has not been made yet. 50% of forfeited shares were re-issued at Rs 8 per share fully paid-up. Pass necessary journal entries for the forfeiture and re-issue of shares. (All India 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (400 × 7) Dr		2,800	
	Securities Premium Reserve A/c (400 × 1) Dr		400	
	To Forfeited Shares A/c (400 × 4)			1,600
	To Share Allotment A/c (400 × 4)			1,600
	(Being 400 shares forfeited for the non-payment of allotment of ₹ 4 each including premium)			
	Bank A/c (200 × 8) Dr		1,600	
	Forfeited Shares A/c (200 × 2) Dr		400	
	To Share Capital A/c (200 × 10)			2,000
	(Being re-issue of 200 shares @ ₹ 8 per share as fully paid-up)			
	Forfeited Shares A/c Dr		400	
	To Capital Reserve A/c (WN)			400
	(Being balance of forfeited shares account transferred to capital reserve)			

Working Note

$$\text{Amount of 50\% forfeited shares} = 1,600 \times \frac{200}{400} = ₹ 800$$

$$\text{Amount of forfeited shares transferred to capital reserve} = 800 - 400 = ₹ 400$$

19. DN Ltd issued 50,000 shares of 110 each payable as Rs 2 per share on application, Rs 3 per share on allotment and Rs 5 on first and final call.

Applications were received for It was decided that

(i) Refuse allotment to the applicants of 10,000 shares.

(ii) Allot 20,000 shares to Mohan who had applied for similar number.

(iii) Allot the remaining shares on pro-rata basis.

Mohan failed to pay the allotment money and Sohan who belonged to the category (iii) and was allotted 3,000 shares paid both the calls with allotment.

Calculate the amount received on allotment. (All India; Delhi 2010)

Ans.

Shares Applied	Shares Allotted	
(i) 10,000	Nil	
(ii) 20,000	20,000	
(iii) 40,000	30,000	(Pro-rata allotment)
<u>70,000</u>	<u>50,000</u>	

Calculation of Amount Received on Allotment

Allotment money due (50,000 × 3)	1,50,000
(–) Excess received with application (40,000 – 30,000) × 2	(20,000)
	1,30,000
(–) Calls-in-arrears (Mohan) (20,000 × 3)	(60,000)
	70,000
(+) Calls-in-advance (Sohan) (3,000 × 5)	15,000
Amount received with allotment	₹ 85,000

20. Shanker Ltd purchased machinery for Rs 1,98,000 from Parvati Ltd. The payment of Parvati Ltd was made by issue of equity shares of Rs 100 each. Pass necessary journal entries in the books of Shanker Ltd for the above transactions when shares were issued at 10% premium. (All India 2010)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Machinery A/c Dr To Parvati Ltd (Being machinery purchased)		1,98,000	1,98,000
(i)	Parvati Ltd Dr To Equity Share Capital A/c (1,800 × 100) To Securities Premium Reserve A/c (1,800 × 10) (Being payment made by issuing of 1,800 equity shares @ ₹ 100 per share at a premium 10%)		1,98,000	1,80,000 18,000

Working Note

$$\text{Number of shares to be issued to Parvati Ltd} = \frac{1,98,000}{100 + 10} = 1,800 \text{ shares}$$

21. MCS. Ltd issued 40,000 shares of Rs 10 each payable at Rs 2 on application, Rs 4 on allotment and balance, in two equal instalments. Applications were received for 80,000 shares and the allotment was made as follows: *

(i) Applications of 50,000 shares were allotted 30,000 shares.

(ii) Applications of 30,000 shares were allotted 10,000 shares.

Neeraj to whom 600 shares were allotted from category (i), failed to pay the allotment money.

Pass the necessary journal entries upto allotment only. (Delhi 2010c; All India 2009)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (80,000 × 2) To Share Application A/c (Being application money received on 80,000 shares @ ₹ 2 per share)	Dr	1,60,000	1,60,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Being application money adjusted)	Dr	1,60,000	80,000 80,000
	Share Allotment A/c (40,000 × 4) To Share Capital A/c (Being allotment money due on 40,000 shares @ ₹ 4 per share)	Dr	1,60,000	1,60,000
	Bank A/c To Share Allotment A/c (WN) (Being allotment received on 39,400 shares and excess adjusted)	Dr	78,400	78,400

Working Note

	Applied Shares	Allotted Shares
(i)	50,000	30,000 (Pro-rata allotment)
(ii)	30,000	10,000 (Pro-rata allotment)
(iii)	80,000	40,000

$$\text{Number of shares applied by Neeraj} = 600 \times \frac{50,000}{30,000} = 1,000 \text{ shares}$$

Surplus towards Allotment on Neeraj's Shares

Application money received (1,000 × 2)	2,000
(-) Application money required (600 × 2)	(1,200)
Surplus towards allotment	800

Calculation of Amount Received on Allotment

Allotment money due (40,000 × 4)	1,60,000
(-) Excess received with application (40,000 × 2)	(80,000)
	80,000
(-) Calls-in-arrears (Neeraj)	
Due (600 × 4)	2,400
(-) Surplus	(800)
Amount received with allotment	₹ 78,400

Excess money received on application is adjusted towards allotment.

22.SSS Ltd has a paid-up share capital of % 60,00,000 and a balance of Rs 15,00,000 in the securities premium account. The companies management do not want to carry over this balance. State the purpose for which this balance can be utilised. (Delhi 2010; HOTS)

or

State the purposes for which the securities premium can be utilised under Section 52 (2) of the Companies Act, 2013. (All India 2009)

Ans. According to Section 52 (2) of the Companies Act, 2013, SSS Ltd can utilise the securities premium of Rs 15,00,000, only for the following purposes

- (i) Issuing fully paid bonus shares to the members.
- (ii) Writing off the preliminary expenses of the company.
- (iii) Writing off the expenses of or the commission paid or the discount allowed on any issue of securities or debentures of the company.
- (iv) Providing for the premium payable on the redemption of any redeemable preference shares or or any debentures of the company.
- (v) In purchasing its own shares (Buy back).

23.The directors of a company forfeited 200 shares of Rs 10 each issued at a premium of Rs 3 per share, for the non-payment of the first call money of Rs 3 per share. The final call of Rs 2 per share has not been made. Half the forfeited shares were re-issued at Rs 1,000 fully paid. Record the journal entries for the forfeited shares and re-issue of (Delhi 2009)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (200 × 8) Dr		1,600	
	To Forfeited Shares A/c (200 × 5)			1,000
	To Share First Call A/c (200 × 3)			600
	(Being 200 shares forfeited for the non-payment of allotment of ₹ 3 each)			
	Bank A/c Dr		1,000	
	To Share Capital A/c			1,000
	(Being re-issue of 100 shares at ₹ 1,000 as fully paid-up)			
	Forfeited Shares A/c Dr		500	
	To Capital Reserve A/c (WN)			500
	(Being balance of forfeited shares account transferred to capital reserve)			

Working Note

$$\text{Amount of 50\% forfeited shares} = 1,000 \times \frac{100}{200} = ₹ 500$$

Amount of forfeited shares transferred to capital Reserve = ₹ 500.

24. Meena Ltd issued 60,000 shares of Rs 10 each at a premium of Rs 2 per share payable as Rs 3 on application, Rs 5 on allotment (including premium) and balance on the first and final call. Applications were received for 1,02,000 shares. The directors resolved to allot as follows

- (i) Applicants of 60,000 shares — 30,000 shares
- (ii) Applicants of 40,000 shares — 30,000 shares
- (iii) Applicants of 2,000 shares — Nil

Nikhil who had applied for 1,000 shares in category (i) and Vish, who was allotted 600 shares in category (ii) failed to pay the allotment money. Calculate the amount received on allotment. (Delhi 200s)

Ans.

Shares Issued : 60,000 shares @ 10 each at a premium of ₹ 2 per share

Application	:	₹ 3
Allotment	:	₹ 3 + 2 (Premium)
First and final call	:	₹ 4

	Applied Shares	Allotted Shares
(i)	60,000	30,000 (Pro-rata allotment)
(ii)	40,000	30,000 (Pro-rata allotment)
(iii)	2,000	Nil
	<u>1,02,000</u>	<u>60,000</u>

$$\text{Number of shares allotted to Nikhil} = 1,000 \times \frac{30,000}{60,000} = 500 \text{ shares}$$

Surplus towards Allotment on Nikhil's Shares

Application money received (1,000 × 3)	3,000
(–) Application money required (500 × 3)	(1,500)
Surplus towards Allotment	<u>1,500</u>

$$\text{Number of shares applied by Vish} = 600 \times \frac{40,000}{30,000} = 800 \text{ shares}$$

Surplus towards Allotment on Vish's Shares

Application money received (800×3)	2,400
(-) Application money required (600×3)	(1,800)
Surplus towards allotment	<u>600</u>

Calculation of Amount Received on Allotment

Allotment money due ($60,000 \times 5$)	3,00,000
(-) Excess received with application ($40,000 \times 3$)	(1,20,000)
	<u>1,80,000</u>
(-) Calls-in-arrears (Nikhil)	
Due (500×5)	2,500
(-) Surplus	<u>(1,500)</u>
	<u>1,79,000</u>
(-) Calls-in-arrears (Vish)	
Due (600×5)	3,000
(-) Surplus	<u>(600)</u>
Amount received with allotment	<u>₹ 1,76,600</u>

25. Jaya Ltd issued 60,000 shares of Rs 10 each at a premium of Rs 2 per share payable as Rs 3 on application, Rs 5 (including premium) on allotment and balance on the first and final call. Applications were received for 82,000 shares. The directors resolved to allot as follows

(i) Applicants of 30,000 shares — allotted 20,000 shares

(ii) Applicants of 50,000 shares — allotted 40,000 shares

(iii) Applicants of 2,000 shares — Nil

Ramesh who had applied for 900 shares in category (i) and Suresh who was allotted 600 shares in category (ii) failed to pay the allotment money. Calculate the amount received on allotment. (All India 2009)

Ans.

Shares issued 60,000 shares @ 10 each at a premium of ₹ 2 per share

Application : ₹ 3

Allotment : ₹ 3 + 2

First and final call : ₹ 4

	Applied Shares	Allotted Shares	
(i)	30,000	20,000	(Pro-rata allotment)
(ii)	50,000	40,000	(Pro-rata allotment)
(iii)	2,000	Nil	
	<u>82,000</u>	<u>60,000</u>	

Number of shares allotted to Ramesh = $900 \times \frac{20,000}{30,000} = 600$ shares

Surplus towards Allotment on Ramesh's Shares

Application money received (900×3)	2,700
(-) Application money required (600×3)	(1,800)
Surplus towards allotment	<u>900</u>

Number of shares applied by Suresh = $600 \times \frac{50,000}{40,000} = 750$ shares

Surplus towards Allotment on Suresh's Shares

Application money received (750×3)	2,250
(-) Application money required (600×3)	(1,800)
Surplus towards allotment	<u>450</u>

Calculation of Amount Received on Allotment

Allotment money due ($60,000 \times 5$)	3,00,000
(-) Excess received with application ($20,000 \times 3$)	(60,000)
	<u>2,40,000</u>

(-) Calls-in-arrears (Ramesh)		
Due (600×5)	3,000	
(-) Surplus	<u>(900)</u>	(2,100)
		<u>2,37,900</u>

(-) Calls-in-arrears (Suresh)		
Due (600×5)	3,000	
(-) Surplus	<u>(450)</u>	(2,550)
Amount received with allotment		<u>₹ 2,35,350</u>

26. The directors of a company forfeited 500 shares of Rs 10 each issued at a premium of Rs 3 per share, for the non-payment of the first call money of Rs 3 per share. The final call of Rs 2 per share has not been made. Half the forfeited shares were re-issued at Rs 2,500 fully paid. Record the journal entries for the forfeited shares and re-issue of shares. (All India 2009)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (500 × 8) Dr To Forfeited Shares A/c (500 × 5) To Share First Call A/c (500 × 3) (Being 500 shares forfeited for the non-payment of first call of ₹ 3 each)		4,000	2,500 1,500
	Bank A/c Dr To Share Capital A/c (Being re-issue of 250 shares at ₹ 2,500 as fully paid-up)		2,500	2,500
	Forfeited Shares A/c Dr To Capital Reserve A/c (WN) (Being balance of forfeited shares account transferred to capital reserve)		1,250	1,250

Working Note

$$\text{Amount of half forfeited shares} = 2,500 \times \frac{250}{500} = ₹ 1,250$$

Amount of forfeited shares transferred to capital reserve ₹ 1,250.

27. PS Ltd forfeited 500 shares of Rs 100 each for the non-payment of first call of Rs 30 per share. The final call of Rs 10 per share was not yet made. The forfeited shares were re-issued for Rs 65,000 fully paid-up. Pass necessary journal entries for the books of the company. (Delhi 2008)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (500 × 90) Dr To Forfeited Shares A/c (500 × 60) To Share First Call A/c (500 × 30) (Being 500 shares forfeited for the non-payment of first call of ₹ 30 each)		45,000	30,000 15,000
	Bank A/c Dr To Share Capital A/c (500 × 100) To Securities Premium Reserve A/c (Being re-issue of 500 shares at ₹ 65,000 as fully paid-up)		65,000	50,000 15,000
	Forfeited Shares A/c Dr To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)		30,000	30,000

28.Samta Ltd forfeited 800 equity shares of 1100 each for the non-payment of first call of Rs 30 per share. The final call of Rs 20 per share was not yet made. Out of the forfeited shares 400 were re-issued at the rate of Rs 105 per share fully paid-up. Pass necessary journal entries in the books of Samta Ltd for the above transactions.(All India 2008)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (800 × 80) Dr		64,000	
	To Forfeited Shares A/c (800 × 50)			40,000
	To Share First Call A/c (800 × 30)			24,000
	(Being 800 shares forfeited for the non-payment of first call of ₹ 30 each)			
	Bank A/c (400 × 105) Dr		42,000	
	To Share Capital A/c (400 × 100)			40,000
	To Securities Premium Reserve A/c (400 × 5)			2,000
	(Being re-issue of 400 shares at ₹ 105 as fully paid-up)			
	Forfeited Shares A/c Dr		20,000	
	To Capital Reserve A/c (WN)			20,000
	(Being balance of forfeited share account transferred to capital reserve)			

Working Note

$$\text{Amount for 400 forfeited shares} = 40,000 \times \frac{400}{800} = ₹ 20,000$$

Amount of forfeited shares transferred to capital reserve ₹ 20,000.

29.Gagan Ltd forfeited 1,500 equity shares of Rs 10 each for the non-payment of first call of Rs 2 per share. The final call of Rs 1 per share was not yet made. The forfeited shares were re-issued for Rs 21,000 fully paid-up.Pass necessary journal entries in the books of the company for forfeiture and re-issue of the shares. (All India 2008)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (1,500 × 9) To Forfeited Shares A/c (1,500 × 7) To Share First Call A/c (1,500 × 2) (Being 1,500 shares forfeited for the non-payment of first call of ₹ 2 each)	Dr	13,500	10,500 3,000
	Bank A/c To Share Capital A/c (1,500 × 10) To Securities Premium Reserve A/c (Being re-issue of 1,500 shares at ₹ 21,000 as fully paid-up)	Dr	21,000	15,000 6,000
	Forfeited Shares A/c To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)	Dr	10,500	10,500

4 Marks Questions

30. Pass necessary journal entries for the following transactions in the books of Gopal Ltd

(i) Purchased furniture for Rs 2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of Rs 10 each at a premium of 25%.

(ii) Purchased a running business from Aman Ltd for a sum of Rs 15,00,000. The payment of Rs 12,00,000 was made by issue of fully paid equity shares of Rs 10 each and balance by a bank draft. The assets and liabilities consisted of the following plant Rs 3,50,000; stock Rs 4,50,000; land and building Rs 6,00,000; sundry creditors Rs 1,00,000. (All India 2014)

Ans.

(i)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Furniture A/c To M/s Furniture Mart (Being furniture purchased)	Dr	2,50,000	2,50,000
	M/s Furniture Mart To Equity Share Capital A/c (20,000 × 10) To Securities Premium Reserve A/c (20,000 × 2.5) (Being the issue of 20,000 shares of ₹ 10 each at a premium of 25%)	Dr	2,50,000	2,00,000 50,000

Working Note

$$\begin{aligned}
 \text{Number of Shares to be Issued} &= \frac{\text{Purchase Consideration}}{\text{Issue Price}} \\
 &= \frac{2,50,000}{10 + 2.5} = 20,000 \text{ shares}
 \end{aligned}$$

(ii)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Plant A/c Dr		3,50,000	
	Stock A/c Dr		4,50,000	
	Land and Building A/c Dr		6,00,000	
	Goodwill A/c (Balancing Figure) Dr		2,00,000	
	To Sundry Creditors A/c			1,00,000
	To Aman Ltd			15,00,000
	(Being the purchase of business)			
	Aman Ltd Dr		15,00,000	
	To Equity Share Capital A/c (1,20,000 × 10)			12,00,000
	To Bank A/c			3,00,000
	(Being the payment made to Aman Ltd)			

31. On 1st April, 2012, Vishwas Ltd was formed with an authorised capital of Rs 10,00,000 divided into 1,00,000 equity shares of Rs 10 each. The company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares.

During the first year, Rs 8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of Rs 2 per share. Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were re-issued at Rs 6 per share, Rs 8 called up. Show the following

(i) Share capital in the balance sheet of the company as per Revised Schedule VI Part I of the Companies Act, 1956.

(ii) Also prepare 'notes to accounts' for the same. (All India 2014)

Ans.

Balance Sheet (Extract)
as at 1st April, 2012

Particulars	Note No.	Amt (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	6,77,000
Reserves and Surplus	2	6,000

Notes to Accounts

Particulars		Amt (₹)
1. Share Capital		
Authorised Share Capital		
1,00,000 Equity Shares of ₹ 10 each		10,00,000
Issued Share Capital		
90,000 Equity Shares of ₹ 10 each		9,00,000
Subscribed Capital		
Subscribed but not Fully Paid-up		
84,500 Equity Shares of ₹ 8 each	6,76,000	
(–) Calls-in-arrears	2,000	6,74,000
(+) Forfeited Shares		3,000
2. Reserves and Surplus		6,77,000
Capital Reserve		6,000

Working Note

Calls-in-arrears = $(1,000 \times 2) = 2,000$

Forfeited shares = $(500 \times 6) = 3,000$

Capital Reserve

(a) Amount forfeited on re-issued shares = $12,000 \times \frac{1,500}{2,000} = 9,000$

(b) Amount utilised at the time of reissue = $3,000 (1,500 \times 2)$

Capital reserve $(a - b) = 9,000 - 3,000 = 6,000$

NOTE Calls-in-arrears will be shown only of Ram's holding because Shyam's shares have been forfeited.

- 32.** The authorised capital of Suhani Ltd is ₹ 45,00,000 divided into 30,000 shares of ₹ 150 each. Out of these company issued 15,000 shares of ₹ 150 each at a premium of ₹ 10 per share. The amount was payable as follows

₹ 50 per share on application, ₹ 40 per share on allotment (including premium), ₹ 30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.

Prepare an extract of balance sheet of Suhani Ltd as per Revised Schedule VI, Part I of the Companies Act, 1956 disclosing the above information. Also prepare 'notes to accounts' for the same.

(Delhi 2013)

Ans.

Balance Sheet
as at ...

Particulars	Note No.	Current Year (₹)	Previous year (₹)
I. EQUITY AND LIABILITIES			
(i) Shareholders' Funds			
Share Capital	1	21,00,000	
Reserves and Surplus (Securities premium reserve)		1,40,000	
Total		22,40,000	
II. ASSETS			
(i) Current Assets			
Cash and Cash Equivalents (Cash at bank)		22,40,000	
Total		22,40,000	

Notes to Accounts

Particulars	Amt (₹)
Share Capital	
Authorised Capital	
30,000 Shares of ₹ 150 each	45,00,000
Issued Capital	
15,000 Shares of ₹ 150 each	22,50,000
Subscribed Capital	
Subscribed and Fully Paid-up	
14,000 Shares of ₹ 150 each	21,00,000

33. Nikhil Ltd purchased a running business from Sonia Ltd for a sum of Rs 22,00,000 by issuing 20,000 fully paid equity shares of Rs 100 each at a premium of 10%. The assets and liabilities consisted of the following Machinery Rs 7,00,000, debtors Rs 2,50,000, stock Rs 5,00,000, budding Rs 11,50,000 and bills payable Rs 2,50,000. Pass necessary journal entries in the books of Nikhil Ltd for the above transactions. (All India 2013)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Machinery A/c Dr		7,00,000	
	Debtors A/c Dr		2,50,000	
	Stock A/c Dr		5,00,000	
	Building A/c Dr		11,50,000	
	To Bills Payable A/c			2,50,000
	To Sonia Ltd			22,00,000
	To Capital Reserve A/c (Balancing Figure)			1,50,000
	(Being business purchased from Sonia Ltd for a purchase consideration of ₹ 22 lakhs and excess of net assets over purchase consideration transferred to capital reserve account)			
	Sonia Ltd Dr		22,00,000	
	To Equity Share Capital A/c (20,000 × 100)			20,00,000
	To Securities Premium Reserve A/c (20,000 × 10)			2,00,000
	(Being 20,000 equity shares of ₹ 100 each issued to Sonia Ltd at premium of ₹ 10 each)			

Working Note

$$\begin{aligned}
 \text{Number of Shares Issued} &= \frac{\text{Purchase Consideration}}{\text{Issue Price Per Equity Share}} \\
 &= \frac{22,00,000}{(100 + 10)} = 20,000 \text{ equity shares}
 \end{aligned}$$

34. The authorised capital of Suhas Ltd is Rs 50,00,000 divided into 25,000 shares of Rs 200 each. Out of these, the company issued 12,000 shares of Rs 200 each at a premium of 10%. The amount per share was payable as follows Rs 60 on application Rs 60 on allotment (including premium) Rs 30 on first call and balance on final call. Public applied for 11,000 shares. All the money was duly received. Prepare an extract of balance sheet of Suhas Ltd as per Revised Schedule VI, Part I of the Companies Act, 1956 disclosing the above information. Also prepare 'notes to accounts' for the same. (All India 2013)

Ans.

Balance Sheet
as at...

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
(i) Shareholders' Funds			
Share Capital	1	22,00,000	
Reserves and Surplus (Securities premium reserve)		2,20,000	
Total		24,20,000	

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
II. ASSETS			
(i) Current Assets			
Cash and Cash Equivalents (Cash at bank)		24,20,000	
Total		24,20,000	

Notes to Accounts

Particulars	Amt (₹)
Share Capital	
Authorised Capital	
25,000 Shares of ₹ 200 each	50,00,000
Issued Capital	
12,000 Shares of ₹ 200 each	24,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
11,000 Shares of ₹ 200	22,00,000

35.S Ltd registered with an authorised capital of Rs 4,00,000 divided into 40,000 equity shares of Rs 10 each. The company offered to the public for subscription 30,000 equity shares. Applications for 28,000 equity shares were received and allotment was made to all the applicants. All calls were made and were duly received except the final call of Rs 2 per share on 200 shares. Prepare the balance sheet of the company showing the different categories of share capital. (Delhi 2008)

Ans.

Balance Sheet
as at...

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
(i) Shareholders' Funds			
Share Capital	1	2,79,600	
Total		2,79,600	
II. ASSETS			
(i) Current Assets			
Cash and Cash Equivalents	2	2,79,600	
Total		2,79,600	

Notes to Accounts

Particulars	Amt (₹)
1. Share Capital	
Authorised Capital	
40,000 Equity Shares of ₹ 10 each	4,00,000
Issued Capital	
30,000 Equity Shares of ₹ 10 each	3,00,000

Particulars	Amt (₹)
Subscribed Capital	
Subscribed and Fully Paid-up	
27,800 Equity Shares of ₹ 10 each	2,78,000
Subscribed but Not Fully Paid-up	
200 Shares of ₹ 10 each	2,000
(–) Calls-in-arrears (200 × 2)	(400)
2. Cash and Cash Equivalents	
Cash at Bank	2,79,600

36. Sagar Ltd was registered with an authorised capital of Rs 1,00,00,000 divided into Rs 1,00,000 equity shares of Rs 100 each. The company offered for public subscription 60,000 equity shares. Applications for 56,000 equity shares were received and allotment was made to all the applicants. All calls were made and were duly received except the second and final call of Rs 20 per share on 700 shares. Prepare the balance sheet of the company showing the different types of share capital.

Ans.

Balance Sheet
as at ...

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
(i) Shareholders' Funds			
Share Capital	1	55,86,000	
Total		55,86,000	
II. ASSETS			
(i) Current Assets			
Cash and Cash Equivalents	2	55,86,000	
Total		55,86,000	

Notes to Accounts

Particulars	Amt (₹)
1. Share Capital	
Authorised Capital	
1,00,000 Equity Shares of ₹ 100 each	1,00,00,000
Issued Capital	
60,000 Equity Shares of ₹ 100 each	60,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
55,300 Equity Shares of ₹ 100 each	55,30,000
Subscribed but Not Fully Paid-up	
700 Equity Shares of ₹ 100 each	70,000
(—) Calls-in-arrears	(14,000)
2. Cash and Cash Equivalents	
Cash at Bank	55,86,000

37. Poonam Ltd was registered with an authorised capital of Rs 4,00,00,000 divided into 4,00,000 equity shares of Rs 100 each. The company offered for public subscription 3,00,000 equity shares. The public applied for 2,80,000 shares and all were allotted.

The company did not make the second and final call of Rs 10 per share. The first call of Rs 20 per share was not received on 1,000 shares. Prepare the balance sheet of the company showing the different types of share capital. (All India 2008)

Ans.

Balance Sheet
as at ...

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
(i) Shareholder's Funds			
Share Capital	1	2,51,80,000	
Total		2,51,80,000	
II. ASSETS			
(i) Current Assets			
Cash and Cash Equivalents	2	2,51,80,000	
Total		2,51,80,000	

Notes to Accounts

Particulars	Amt (₹)
1. Share Capital	
Authorised Capital	
4,00,000 Equity Shares of @ 100 each	4,00,00,000
Issued Capital	
3,00,000 Equity Shares of @ 100 each	3,00,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
2,79,000 Equity Shares of @ ₹ 90 each	2,51,10,000
Subscribed But Not Fully Paid-up	
1000 Equity Shares of @ ₹ 90 each	90,000
(–) Calls-in-arrears (1,000 × 20)	(20,000)
2. Cash and Cash Equivalents	
Cash at Bank	2,51,80,000

8 Marks Questions

38.X Ltd invited applications for issuing 75,000 equity shares of Rs 10 each at a premium of Rs 5 per share. The amount was payable as follows On application and allotment — Rs 9 per share (including premium) On first and final call — Balance amount.

Applications for 3,00,000 shares were received. Applications for 2,00,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Ravi. His shares were forfeited. The forfeited shares were re-issued at a discount of Rs 4 per share. Pass necessary journal entries for the above transactions in the books of X Ltd. (All India 2014)

Ans.

(i)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (3,00,000 × 9) Dr To Share Application and Allotment A/c (Being share application and allotment received on 3,00,000 of ₹ 9 each including premium of ₹ 5 each)		27,00,000	27,00,000
	Share Application and Allotment A/c Dr To Share Capital A/c (75,000 × 4) To Securities Premium Reserve A/c (75,000 × 5) To Bank A/c (2,00,000 × 9) To Share First and Final Call A/c (Being share application of 75,000 shares transferred to share capital, share application and allotment on 2,00,000 shares refunded and rest is adjusted on share first and final call)		27,00,000	3,00,000 3,75,000 18,00,000 2,25,000
	Share First and Final Call A/c Dr To Share Capital A/c (75,000 × 6) (Being share first and final call due on 75,000 shares of ₹ 6 each)		4,50,000	4,50,000
	Bank A/c Dr To Share First and Final Call A/c (Being share first and final call received)		4,46,625	4,46,625
	Share Capital A/c Dr To Share Forfeiture A/c To Share First and Final Call A/c (Being 1,125 shares were forfeited for non-payment of share first and final call of ₹ 6 each)		11,250	7,875 3,375
	Bank A/c Dr Shares Forfeited A/c Dr To Share Capital A/c (Being 1,125 forfeited shares were re-issued at a discount of ₹ 4 per share)		6,750 4,500	11,250
	Share Forfeiture A/c Dr To Capital Reserve A/c (Being share forfeiture transferred to capital reserve)		3,375	3,375

Shares Applied	Shares Allotted	Money Received on Application and Allotment @ 9 each	Money Transferred to Share Capital @ ₹ 4 each	Money Transferred to Securities Premium @ ₹ 5 each	Excess Application and Allotment Money	Share First and Final Call @ ₹ 6 each	Amount Received on Share First and Final Call after Adjustment	Money Refunded
2,00,000	—	18,00,000	—	—	—	—	—	18,00,000
1,00,000	75,000	9,00,000	3,00,000 (75,000 × 4)	3,75,000 (75,000 × 5)	2,25,000	4,50,000	4,46,625	—
3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,46,625	18,00,000

Working Note

Those who applied for 1,00,000 shares were allotted = 75,000 shares

Those who applied for 1,500 shares were allotted = $75,000 \times \frac{1,500}{1,00,000} = 1,125$ shares

Share application and allotment received on 1,500 shares of ₹ 9 each (including premium of ₹ 5 each)

= ₹ 13,500

Shares allotted (1,125 × 9)

= ₹ 10,125

Excess application and allotment money received

= ₹ 3,375

Share first and final call due to 1,125 shares of ₹ 6 each

= ₹ 6,750

Excess application and allotment money received

= ₹ 3,375

Share first and final call not received

= ₹ 3,375 (6,750 – 3,375)

Therefore, share first and final call not received

= ₹ 4,46,625 (4,50,000 – 3,375)

39.L Ltd forfeited 470 equity shares of Rs 20 each issues at a premium of Rs 3 per share for the non-payment of allotment money of Rs 8 (including premium Rs 3) and first call of Rs 5 per share. Final call of Rs 5 per share was not made. Out of these 235 shares were reissued at Rs 19 each fully paid. Pass necessary journal entries for the above transactions in the books of L Ltd. (Compartment 2014)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Equity Share Capital A/c (470 × 15) Dr		7,050	
	Securities Premium Reserve A/c (470 × 3) Dr		1,410	
	To Equity Share Allotment A/c (470 × 8)			3,760
	To Equity Share First Call A/c (470 × 5)			2,350
	To Share Forfeiture A/c (470 × 5)			2,350
	(Being 470 shares forfeited for non-payment of allotment and first call)			
	Bank A/c Dr		4,465	
	Share Forfeiture A/c Dr		235	
	To Equity Share Capital A/c			4,700
	(Being 235 shares re-issued @ 19 per share)			
	Share Forfeiture A/c Dr		940	
	To Capital Reserve A/c			940
	(Being the balance on re-issued shares transferred to capital reserve)			

Working Note

Amount to be transferred to capital reserve

$$\text{Amount forfeited on reissued shares} = \frac{2,350}{470} \times 235 = ₹ 1,175$$

$$\begin{aligned} (-) \text{ Amount utilised at the time of re-issue} &= ₹ 235 \\ \text{Capital reserve} &= ₹ 940 \end{aligned}$$

40.(i) A company forfeited 200 shares of Rs 20 each, Rs 15 per share called-up on which Rs 10 per share had been paid. Directors reissued all the forfeited shares to B as Rs 15 per share paid up for a payment of Rs 10 each. Give journal entries in the books of the company for forfeiture and re-issue of shares.

(ii) A Ltd forfeited 100 equity shares of the face value of Rs 10 each, for the non-payment of first call of Rs 2 per share Rs 6 per share had already been called and paid. These shares were subsequently re-issued as fully paid at the rate of Rs 7 per share. Give journal entries in the books of the company for forfeiture and re-issue of shares. (Compartment 2014)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Share Capital A/c (200 × 15) Dr		3,000	
	To Unpaid Calls A/c			1,000
	To Share Forfeiture A/c			2,000
	(Being 200 shares forfeited)			
	Bank A/c Dr		2,000	
	Share Forfeiture A/c Dr		1,000	
	To Share Capital A/c			3,000
	(Being shares reissued)			
	Share Forfeiture A/c Dr		1,000	
	To Capital Reserve A/c			1,000
	(Being balance of forfeiture account transferred to capital reserve)			
(ii)	Equity Share Capital A/c (100 × (6 + 2)) Dr		800	
	To Equity Share First Call A/c			200
	To Share Forfeiture A/c			600
	(Being 100 shares forfeited)			
	Bank A/c Dr		700	
	Share Forfeiture A/c Dr		300	
	To Equity Share Capital A/c			1,000
	(Being forfeited shares re-issued as fully paid up).			
	Share Forfeiture A/c Dr		300	
	To Capital Reserve A/c			300
	(Being balance of share forfeiture transferred to capital reserve)			

41. Bhagwati Ltd invited applications for issuing 2,00,000 equity shares of Rs 10 each. The amounts were payable as follows:

On application — Rs 3 per share

On allotment — Rs 5 per share ,

On first and final call — Rs 2 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were re-issued as fully paid up @ Rs 8 per share. Pass necessary journal entries to record the above transactions in the books of Bhagwati Ltd. (Compartment 2014)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Equity Share Application A/c (Being application money received for 3,00,000 shares)		9,00,000	9,00,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (Being allotment made due on 2,00,000 shares)		10,00,000	10,00,000
	Equity Share Application A/c Dr To Equity Share Capital A/c To Equity Share Allotment A/c (Being application money transferred to capital and excess adjusted in allotment)		9,00,000	6,00,000 3,00,000
	Bank A/c Dr To Equity Share Allotment A/c (Being the balance of allotment money received)		7,00,000	7,00,000
	Equity Share First and Final Call A/c Dr To Equity Share Capital A/c (Being first and final call made due)		4,00,000	4,00,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being final call received on 1,97,000 Shares)		3,94,000	3,94,000
	Equity Share Capital A/c Dr To Share First and Final Call A/c To Share Forfeiture A/c (Being 3000 shares forfeited for non-payment of final call)		30,000	6,000 24,000
	Bank A/c Dr Share Forfeiture A/c Dr To Equity Share Capital A/c (Being 2,500 shares reissued @ ₹ 8 per share)		20,000 5,000	25,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Forfeiture A/c To Capital Reserve A/c (Being the balance on re-issued shares transferred to capital reserve)	Dr	15,000	15,000

Working Note

(i) Amount received at the time of allotment

Amount due on allotment ₹ 10,00,000

(-) Excess received at the time of application ₹ 3,00,000

₹ 7,00,000

(ii) Amount forfeited on re-issued shares = $\frac{24,000}{3,000} \times 2,500$ 20,000

(-) Amount utilised at the time of re-issue 5,000

Amount transferred to capital reserve 15,000

42.A Ltd purchased running business from B Ltd for a sum of Rs 1,50,000 payable by issue of 10,000 equity shares of Rs 10 each at a premium of Rs 2 per share and balance in cash. The assets and liabilities taken over were:

Plant — Rs 40,000; building — Rs 40,000; debtors — Rs 30,000 ;

Stock — Rs 50,000; furniture — Rs 20,000; creditors — Rs 20,000

You are required to pass necessary journal entries for the above transactions in the books of A Ltd. (Compartment 2014)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Plant A/c Dr		40,000	
	Building A/c Dr		40,000	
	Debtors A/c Dr		30,000	
	Stock A/c Dr		50,000	
	Furniture A/c Dr		20,000	
	To Creditors A/c			20,000
	To B Ltd			1,50,000
	To Capital Reserve A/c			10,000
	(Being assets purchased and liabilities taken over from B Ltd)			
	B Ltd A/c Dr		1,50,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			20,000
	To Cash A/c			30,000
	(Being the issue of 10,000 shares of ₹ 10 each at a premium of ₹ 2 per share)			

43.A Ltd was registered with an authorised capital of Rs 10,00,000 divided into equity shares of Rs 10 each. The company invited applications for the issue of 50,000 shares. Applications for 48,000 shares were received. All calls were made

and were duly received except the final call of Rs 2 per share on 1,000 shares. All these shares were forfeited and later on re-issued at Rs 9,000 as fully paid.

(i) Show how 'share capital' will appear in the balance sheet of A Ltd. as per Schedule VI, Part I of the Companies Act, 1956. (Compartment 2014)

(ii) Also prepare 'notes to accounts' for the same.

Ans.

(i) Balance Sheet (Extract) as at ...		
Particulars	Note No.	Amt (₹)
I. EQUITY AND LIABILITIES		
1. Shareholder's Funds		
(a) Share Capital	1	4,80,000
(b) Reserves and Surplus	2	7,000
Total		<u>4,87,000</u>

Notes to Accounts

Particulars	Amt (₹)
1. Share Capital	
Authorised Share Capital	
1,00,000 Equity Shares of ₹ 10 each	<u>10,00,000</u>
Issued Share Capital	
50,000 Equity Shares of ₹ 10 each	<u>5,00,000</u>
Subscribed Share Capital	
Subscribed and Fully Paid-up	
48,000 Equity Shares of ₹ 10 each	<u>4,80,000</u>
2. Reserves and Surplus	
Capital Reserve	<u>7,000</u>

Working Note

Calculation of Capital Reserve

Amount forfeited (1,000 × 8)	8,000
(-) Amount utilised at the time of re-issue	<u>1,000</u>
Amount to be transferred to capital reserve	<u>₹ 7,000</u>

44. Record the journal entries for forfeiture and re-issue in the following cases

(i) X Ltd forfeited 200 shares of Rs 100 each, Rs 70 called up, on which the shareholders had paid application and allotment money of Rs 50 per share. Out of these, 150 shares were re-issued to Naresh as Rs 70 paid-up for Rs 80 per share.

(ii) Y Ltd forfeited 180 shares of Rs 10 each, Rs 8 called-up, issued at a premium of Rs 2 per

share to R for non-payment of allotment money of Rs 5 per share (including premium). Out of these, 160 shares were re-issued to Sanjay as Rs 8 called up for 110 per share fully paid-up. (All India 2013)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i) (a)	Share Capital A/c (200 × 70) Dr To Calls-in-arrears A/c (200 × 20) To Share Forfeited A/c (200 × 50) (Being 200 shares on which ₹ 70 is called-up, forfeited for non-payment of ₹ 20 per share)		14,000	4,000 10,000
(b)	Bank A/c (150 × 80) Dr To Share Capital A/c (150 × 70) To Securities Premium Reserve A/c (150 × 10) (Being 150 forfeited shares re-issued for ₹ 80 per share, ₹ 70 being paid-up)		12,000	10,500 1,500
(c)	Share Forfeited A/c Dr To Capital Reserve A/c (W.N) (Being share forfeited amount on 150 shares transferred to capital reserve account)		7,500	7,500
(ii) (a)	Share Capital A/c (180 × 8) Dr Securities Premium Reserve A/c (180 × 2) Dr To Share Allotment A/c (180 × 5) To Share Forfeited A/c (180 × 5) (Being 180 shares forfeited on which ₹ 8 is called up, for non-payment of allotment money including premium)		1,440 360	900 900
(b)	Bank A/c (160 × 8) Dr Share Forfeited A/c Dr To Share Capital (160 × 10) (Being 160 forfeited shares re-issued for ₹ 10 per share, ₹ 8 being called up)		1,280 320	1,600
(c)	Share Forfeited A/c Dr To Capital Reserve A/c (W.N) (Being share forfeited amount on 160 shares transferred to capital reserve)		480	480

Working Note

(i) Amount to be transferred to capital reserve account

$$\text{Forfeited amount of 200 shares} = 10,000 \text{ of 150 shares} = \frac{10,000}{200} \times 150 = ₹ 7,500$$

$$\begin{aligned} (-) \text{ Amount utilised on re-issue} &= \text{Nil} \\ &= ₹ 7,500 \end{aligned}$$

(ii) Amount to be transferred to capital reserve account

$$\text{Forfeited amount of 160 shares} = \frac{900}{180} \times 160 = 800$$

$$\begin{aligned} (-) \text{ Amount utilised in re-issue} &= 320 \\ &= 480 \end{aligned}$$

45. Record the journal entries for forfeiture and re-issue of shares in the following cases

(i) X Ltd forfeited 20 shares of Rs 10 each, Rs 7 called up on which the shareholder had paid application and allotment money of Rs 5 per share. Out of

these, 15 shares were re-issued to Naresh as Rs 7 per share paid up for Rs 8 per share.

(ii) Y Ltd forfeited 90 shares of Rs 10 each, Rs 8 called up issued at a premium of Rs 2 per share to 'R' for non-payment of allotment money of Rs 5 per share (including premium). Out of these, 80 shares were re-issued to Sanjay as Rs 8 called up for Rs 10 per share.(Delhi 2013)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i) (a)	Share Capital A/c (20 × 7) Dr To Calls-in-arrears (20 × 2) To Shares Forfeited A/c (20 × 5) (Being 20 shares forfeited for non payment of calls-in-arrears of ₹ 2 per share, ₹ 7 being called-up)		140	40 100
(b)	Bank A/c (15 × 8) Dr To Share Capital A/c (15 × 7) To Securities Premium Reserve A/c (15 × 1) (Being 15 shares re-issued for ₹ 8 per share, ₹ 7 being called-up)		120	105 15
(c)	Shares Forfeited A/c Dr To Capital Reserve A/c (W.N) (Being shares forfeited amount on 15 shares transferred to capital reserve account)		75	75
(ii) (a)	Share Capital A/c (90 × 8) Dr Securities Premium Reserve A/c (90 × 2) Dr To Share Allotment A/c (90 × 5) To Shares Forfeited A/c (90 × 5) (Being 90 shares forfeited for non-payment of allotment including premium, ₹ 8 being called-up)		720 180	450 450
(b)	Bank A/c (80 × 10) Dr To Share Capital A/c (80 × 8) To Securities Premium Reserve A/c (80 × 2) (Being 80 shares issued for ₹ 10, ₹ 8 being called-up)		800	640 160
(c)	Share Forfeited A/c Dr To Capital Reserve A/c (W.N) (Being shares forfeited amount on 80 shares transferred to capital reserve account)		400	400

Working Note

(i) Amount to be transferred to capital reserve

Share forfeiture amount for 15 shares $\left(100 \times \frac{15}{20}\right)$ 75

(-) Amount utilised on re-issue

Amount to be transferred to capital reserve 75

(ii) Amount to be transferred to capital reserve

Share forfeited amount for 80 shares $\left(450 \times \frac{80}{90}\right)$ 400

(-) Amount utilised on re-issue

Amount to be transferred to capital reserve 400

46. Shyam Ltd invited applications for issuing 80,000 equity shares of Rs 10 each at a premium of Rs 40 per share. The amount was payable as follows
 On application — Rs 35 per share (including Rs 30 premium)
 On allotment — Rs 8 per share (including Rs 4 premium)
 On first and final call — Balance

Applications for 77,000 shares were received. Shares were allotted to all the applicants. Sundram to whom 7,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Satyam, the holder of 500 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at Rs 50 per share fully paid-up. The re-issued shares included all the shares of Satyam. Pass necessary journal entries for the above transactions in the books of Shyam Ltd. (Delhi 2012)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (77,000 × 35) Dr To Equity Share Application A/c (Being share application money received on 77,000 equity shares @ ₹ 35 per share including premium)		26,95,000	26,95,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (77,000 × 5) To Securities Premium Reserve A/c (77,000 × 30) (Being share application money transferred)		26,95,000	3,85,000 23,10,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (77,000 × 4) To Securities Premium Reserve A/c (77,000 × 4) (Being allotment money due on 77,000 equity shares @ ₹ 8 per share including premium of ₹ 4 each)		6,16,000	3,08,000 3,08,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Equity Share Allotment A/c (70,000 × 8) (Being share allotment money received on 70,000 equity shares @ ₹ 8 per share including premium)		5,60,000	5,60,000
	Equity Share Capital A/c (7,000 × 9) Dr Securities Premium Reserve A/c (7,000 × 4) Dr To Forfeited Shares A/c (7,000 × 5) To Equity Share Allotment A/c (7,000 × 8) (Being 7,000 shares forfeited for the non-payment of allotment of ₹ 8 per share including premium)		63,000 28,000	35,000 56,000
	Equity Share First and Final Call A/c (70,000 × 7) Dr To Equity Share Capital A/c (70,000 × 1) To Securities Premium Reserve A/c (70,000 × 6) (Being share first and final call due on 70,000 equity shares @ ₹ 7 per share including premium of ₹ 6 each)		4,90,000	70,000 4,20,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 69,500 equity shares @ ₹ 7 per share including premium)		4,86,500	4,86,500
	Equity Share Capital A/c (500 × 10) Dr Securities Premium Reserve A/c (500 × 6) Dr To Forfeited Shares A/c (500 × 9) To Equity Share First and Final Call A/c (500 × 7) (Being 500 shares forfeited for the non-payment of first and final call of ₹ 7 per share including premium)		5,000 3,000	4,500 3,500
	Bank A/c (1,000 × 50) Dr To Equity Share Capital A/c (1,000 × 10) To Securities Premium Reserve A/c (1,000 × 40) (Being re-issue of 1,000 forfeited shares @ ₹ 50 per share as fully paid-up)		50,000	10,000 40,000
	Forfeited Shares A/c Dr To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)		7,000	7,000

Working Note

Amount of Sundram's 500 forfeited shares = $35,000 \times \frac{500}{7,000} = 2,500$

Amount of Satyam's 500 forfeited shares 4,500

Amount to be transferred to capital reserve ₹ 7,000

47.RK Ltd invited applications for issuing 70,000 equity shares of Rs 10 each at a premium of Rs 35 per share. The amount was payable as follows On application – Rs 15 per share (including Rs 12 premium)

On Allotment – Rs 10 per share (including Rs 8 premium)

On first and final call – Balance

Applications for 65,000 shares were received and allotment was made to all

applicants. A shareholder Ram, who was allotted 2,000 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Sohan, who had 3,000 shares, failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 4,000 shares were re-issued @ Rs 50 per share fully paid-up. The re-issued shares included all the shares of Ram. Pass necessary journal entries for the above transactions in the books of RK Ltd.(All India 2012)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (65,000 × 15) Dr To Equity Share Application A/c (Being share application money received on 65,000 equity shares @ ₹ 15 per share including premium)		9,75,000	9,75,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (65,000 × 3) To Securities Premium Reserve A/c (65,000 × 12) (Being share application money transferred)		9,75,000	1,95,000 7,80,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (65,000 × 2) To Securities Premium Reserve A/c (65,000 × 8) (Being allotment money due on 65,000 equity shares @ ₹ 10 per shares including premium of ₹ 8 each)		6,50,000	1,30,000 5,20,000
	Bank A/c Dr To Equity Share Allotment A/c (Being share allotment money received on 63,000 equity shares @ ₹ 10 per shares including premium)		6,30,000	6,30,000
	Equity Share Capital A/c (2,000 × 5) Dr Securities Premium Reserve A/c (2,000 × 8) Dr To Forfeited Shares A/c (2,000 × 3) To Equity Share Allotment A/c (2,000 × 10) (Being 2,000 shares forfeited for the non-payment of allotment of ₹ 10 per share including premium)	Dr Dr	10,000 16,000	6,000 20,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Equity Share First and Final Call A/c (63,000 × 20) Dr To Equity Share Capital A/c (63,000 × 5) To Securities Premium Reserve A/c (63,000 × 15) (Being share first and final call due on 63,000 equity shares @ ₹ 20 per share including premium of ₹ 15 each)		12,60,000	3,15,000 9,45,000
	Bank A/c Dr To Equity Share First and Final Call A/c (60,000 × 20) (Being share first and final call money received on 60,000 equity shares @ ₹ 20 per share including premium)		12,00,000	12,00,000
	Equity Share Capital A/c (3,000 × 10) Dr Securities Premium Reserve A/c (3,000 × 15) Dr To Forfeited Share A/c (3,000 × 5) To Equity Share First and Final Call A/c (3,000 × 20) (Being 3,000 shares forfeited for the non-payment of first and final call of ₹ 20 per shares including premium)		30,000 45,000	15,000 60,000
	Bank A/c (4,000 × 50) Dr To Equity Share Capital A/c (4,000 × 10) To Securities Premium Reserve A/c (4,000 × 40) (Being re-issue of 4,000 forfeited shares @ ₹ 50 per share as fully paid-up)		2,00,000	40,000 1,60,000
	Forfeited Shares A/c Dr To Capital Reserve A/c (WN) (Being balance of forfeited shares account transferred to capital reserve)		16,000	16,000

Working Note

Amount of Ram's 2,000 forfeited shares	= ₹ 6,000
Amount of Sohan's 2,000 forfeited share $\left(15,000 \times \frac{2,000}{3,000}\right)$	= ₹ 10,000
Amount to be transferred to capital reserve	= ₹ 16,000

48.X Ltd issued 40,000 equity shares of Rs 10 each at a premium of Rs 2.50 per share. The amount was payable as follows

On application Rs 2 per share
On allotment Rs 4.50 per share (including premium)
and on call Balance Rs 6 per share

Owing to heavy subscription the allotment was made on pro-rata basis as follows

(i) Applications for 20,000 shares were allotted 10,000 shares.

(ii) Applications for 56,000 shares were allotted 14,000 shares.

(ii) Applications for 48,000 shares were allotted 16,000 shares.

It was decided that excess amount received on applications would be utilised on allotment and the surplus would be refunded.

Ram, to whom 1,000 shares were allotted, who belongs to category (i), failed to pay allotment money. His shares were forfeited after the call.

Pass necessary journal entries in the books of X Ltd for the above transactions.(Delhi 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (1,24,000 × 2) Dr To Equity Share Application A/c (Being share application money received on 1,24,000 equity share @ ₹ 2 per share)		2,48,000	2,48,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (WN) To Equity Share Allotment A/c (WN) To Bank A/c (WN) (Being share application money adjusted)		2,48,000	80,000 1,47,000 21,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (40,000 × 2) To Securities Premium Reserve A/c (40,000 × 2.5) (Being allotment money due on 40,000 equity shares @ ₹ 4.50 per share including premium of ₹ 2.50 each)		1,80,000	80,000 1,00,000
	Bank A/c Dr To Equity Share Allotment A/c (WN) (Being allotment money received and excess on application adjusted)		30,500	30,500
	Equity Share First and Final Call A/c (40,000 × 6) Dr To Equity Share Capital A/c (Being first and final call money due on 40,000 equity shares @ ₹ 6 per share)		2,40,000	2,40,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 39,000 equity shares @ ₹ 6)		2,34,000	2,34,000
	Equity Share Capital A/c (1,000 × 10) Dr Securities Premium Reserve A/c (1,000 × 2.5) Dr To Forfeited Share A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (1,000 × 6) (Being 1,000 shares forfeited)	Dr Dr	10,000 2,500	4,000 2,500 6,000

Working Note

Shares Applied	Shares Allotted	Application Money Received @ ₹ 2	Application Money Transferred	Excess Money on Application	Allotment Due @ ₹ 4.50	Excess Application Money Adjusted	Allotment Money Required	Refunded Money
20,000	10,000	40,000	20,000	20,000	45,000	20,000	25,000	—
56,000	14,000	1,12,000	28,000	84,000	63,000	63,000	—	21,000
48,000	16,000	96,000	32,000	64,000	72,000	64,000	8,000	—
1,24,000	40,000	2,48,000	80,000	1,68,000	1,80,000	1,47,000	33,000	21,000

Number of shares applied by Ram = $1,000 \times \frac{20,000}{10,000} = 2,000$ shares

Surplus towards Allotment on Ram's Shares

Application money received (2,000 × 2)	4,000
(–) Application money required (1,000 × 2)	(2,000)
Surplus towards allotment	₹ 2,000

Calculation of Amount Received on Allotment

Allotment money due (40,000 × 4.50)	1,80,000
(–) Excess received with application	(1,47,000)
	33,000

(–) Calls-in-arrears (Ram)	
Due (1,000 × 4.50)	4,500
(–) Surplus	(2,000)
	(2,500)

Amount received with allotment	₹ 30,500
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49. Give journal entries to record the following transactions of forfeiture and re-issue of shares and open share forfeiture account in the books of the respective companies. L Ltd forfeited 470 equity shares of Rs 10 each issued at premium of Rs 5 per share for non-payment of allotment money Rs 8 per share (including share premium Rs 5 per share) and the first and final call of Rs 5 per share. Out of these, 60 equity shares were subsequently re-issued @ Rs 14 per shares. (Delhi 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Equity Share Capital A/c (470 × 10) Dr		4,700	
	Securities Premium Reserve A/c (470 × 5) Dr		2,350	
	To Forfeited Shares A/c (470 × 2)			940
	To Equity Share Allotment A/c (470 × 8)			3,760
	To Equity Share First and Final Call A/c (470 × 5)			2,350
	(Being 470 shares forfeited for the non-payment of allotment and first and first call)			

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (60 × 14) Dr		840	
	To Equity Share Capital A/c (60 × 10)			600
	To Securities Premium Reserve A/c (60 × 4)			240
	(Being re-issue of 60 shares @ ₹ 14 per share as fully paid-up)			
	Forfeited Shares A/c Dr		120	
	To Capital Reserve A/c			120
	(Being balance of forfeited share account transferred to capital reserve)			

Dr		Forfeited Shares Account		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Capital Reserve A/c	120	By Share Capital A/c	940		
To Balance c/d (Balancing Figure)	820				
	940				940

Working Note

$$\text{Amount of 60 forfeited shares} = 940 \times \frac{60}{470} = ₹ 120 \text{ to be transferred to capital reserve account.}$$

50. Dinesh Ltd invited applications for issuing 10,000 equity shares of Rs 10 each. The amount was payable as follows

On application Rs 1
 On application Rs 2
 On first call Rs 3
 On second and final call Balance

The issue was fully subscribed. Ram, to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued @ Rs 9 per share fully paid-up. The re-issued shares included all the shares of Ram. Pass necessary journal entries in the books of Dinesh Ltd. (All India 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (10,000 × 1) Dr To Equity Share Application A/c (Being application money received on 10,000 equity share @ ₹ 1 per share)		10,000	10,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (Being share application money transferred to equity share capital account)		10,000	10,000
	Equity Share Allotment A/c (10,000 × 2) Dr To Equity Share Capital A/c (Being allotment money due on 10,000 equity shares @ ₹ 2 per share)		20,000	20,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Equity Share Capital A/c (Being share allotment money received on 9,900 equity shares @ ₹ 2 per share)		19,800	19,800
	Equity Share Capital A/c (100 × 3) Dr To Forfeited Shares A/c (100 × 1) To Equity Share Allotment A/c (100 × 2) (Being 100 equity shares forfeited for the non-payment of allotment of ₹ 2 per share)		300	100 200
	Equity Share First Call A/c (9,900 × 3) Dr To Equity Share Capital A/c (Being equity share first call due on 9,900 equity shares @ ₹ 3 per share)		29,700	29,700
	Bank A/c Dr To Equity Share First Call A/c (Being share first call money received on 9,750 equity shares @ ₹ 3 per share)		29,250	29,250
	Equity Share Capital A/c (150 × 6) Dr To Forfeited Shares A/c (150 × 3) To Equity Share First Call A/c (150 × 3) (Being 150 equity shares forfeited for the non-payment of first call of ₹ 3 per share)		900	450 450
	Equity Share Second and Final Call A/c (9,750 × 4) Dr To Equity Shares Capital A/c (Being share second and final call due on 9,750 equity shares @ ₹ 4 per share)		39,000	39,000
	Bank A/c Dr To Equity Share Second and Final Call A/c (Being shares second and final call money received on 9,700 equity shares @ ₹ 4 per share)		38,800	38,800
	Equity Share Capital A/c (50 × 10) Dr To Forfeited Shares A/c (50 × 6) To Equity Share Second and Final Call A/c (50 × 4) (Being 50 equity shares forfeited for the non-payment of second and final call of ₹ 4 per share)		500	300 200
	Bank A/c (300 × 9) Dr Forfeited Shares A/c (300 × 1) Dr To Equity Share Capital A/c (300 × 10) (Being re-issue of 300 forfeited shares @ ₹ 9 per share as fully paid-up)		2,700 300	3,000
	Forfeited Shares A/c Dr To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)		550	550

Dr		Forfeited Shares Account		Cr	
Particulars	Amt (₹)	Particulars		Amt (₹)	
To Equity Share Capital A/c	300	By Equity Share Capital A/c		100	
To Capital Reserve A/c	550	By Equity Share Capital A/c		450	
(Balancing Figure)		By Equity Share Capital A/c		300	
	850			850	

NOTE Entry for forfeiture of shares will be passed as and when the shares are forfeited.

51. Moti Ltd invited applications for issuing 10,00,000 equity shares of Rs 10 each at a premium of Rs 2 per share. The amount was payable as follows On application Rs 5 (including premium)

On allotment Rs 4

On first and final call Rs 3

Applications for 15,00,000 shares were received. Applications for 3,00,000 shares were rejected and the pro-rata allotment was made to the remaining applicants. Excess application money was utilised towards sum due on allotment. Giri, who had applied for 24,000 shares, failed to pay allotment and call money. His shares were forfeited. Out of the forfeited shares, 10,000 shares were re-issued for Rs 8 per share fully paid-up. Pass necessary journal entries in the books of Moti Ltd. (All India 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (15,00,000 × 5) To Equity Share Application A/c (Being share application money received on 15,00,000 equity share @ ₹ 5 per share)	Dr	75,00,000	75,00,000
	Equity Share Application A/c To Equity Share Capital A/c (10,00,000 × 3) To Securities Premium Reserve A/c (10,00,000 × 2) To Equity Share Allotment A/c (2,00,000 × 5) To Bank A/c (3,00,000 × 5) (Being share application money adjusted)	Dr	75,00,000	30,00,000 20,00,000 10,00,000 15,00,000
	Equity Share Allotment A/c (10,00,000 × 4) To Equity Share Capital A/c (Being allotment money due on 10,00,000 equity shares @ ₹ 4 per share)	Dr	40,00,000	40,00,000
	Bank A/c (WN) To Equity Share Allotment A/c (Being allotment money received and excess on application adjusted)	Dr	29,40,000	29,40,000
	Equity Share First and Final Call A/c (10,00,000 × 3) To Equity Share Capital A/c (Being first and final call money due on 10,00,000 equity shares @ ₹ 3 per share)	Dr	30,00,000	30,00,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 9,80,000 equity shares @ ₹ 3)		29,40,000	29,40,000
	Equity Share Capital A/c (20,000 × 10) Dr To Forfeited Shares A/c (20,000 × 3) + 20,000 To Equity Share Allotment A/c To Equity Share First and Final Call A/c (20,000 × 3) (Being 20,000 shares forfeited for non-payment of allotment and first and final call)		2,00,000	80,000 60,000 60,000
	Bank A/c (10,000 × 8) Dr Forfeited Shares A/c (10,000 × 2) Dr To Equity Share Capital A/c (10,000 × 10) (Being re-issue of 10,000 forfeited shares @ ₹ 8 per share as fully paid-up)		80,000 20,000	1,00,000
	Forfeited Shares A/c Dr To Capital Reserve A/c (WN) (Being balance of forfeited shares account transferred to capital reserve)		20,000	20,000

Working Note

$$\text{Number of shares allotted to Giri} = 24,000 \times \frac{10,00,000}{12,00,000} = 20,000 \text{ shares}$$

Surplus towards Allotment on Giri's Shares

Application money received (24,000 × 5)	1,20,000
(–) Application money required (20,000 × 5)	(1,00,000)
Surplus towards allotment	20,000

Calculation of Amount Received on Allotment

Allotment money due (10,00,000 × 4)	40,00,000
(–) Excess received with application (2,00,000 × 5)	(10,00,000)
	30,00,000
(–) Calls-in-arrears (Giri) Due (20,000 × 4)	80,000
(–) Surplus	(20,000)
Amount received with allotment	<u>₹ 29,40,000</u>

Amount to be Transferred to Capital Reserve

$$\text{Amount of 10,000 forfeited shares} = 80,000 \times \frac{10,000}{20,000} = ₹ 40,000$$

$$\text{Amount of forfeited share transferred to capital reserve} = 40,000 - 20,000 = ₹ 20,000$$

52. Bhamashah Company Ltd made an issue of 1,00,000 equity shares of Rs 10 each at a premium of 20%, payable as follows

On application Rs 2.50 per share

On allotment Rs 4.50 per share

On first and final call Balance

Applications were received for 2,00,000 equity shares and the directors made pro-rata allotment.

Ranu, who had applied for 800 shares, did not pay the allotment and final call money; with the result his shares were forfeited. Later on, 80% of the forfeited shares were re-issued @ Rs 8 per share fully paid-up. Pass necessary journal entries for the above mentioned transactions in the books of the company. (Delhi 2011 c)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (2,00,000 × 2.5) Dr To Equity Share Application A/c (Being share application money received on 2,00,000 equity share @ ₹ 2.50 per share)		5,00,000	5,00,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (1,00,000 × 2.5) To Equity Share Allotment A/c (1,00,000 × 2.5) (Being share application money adjusted)		5,00,000	2,50,000 2,50,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (1,00,000 × 2.5) To Securities Premium Reserve A/c (1,00,000 × 2) (Being allotment money due on 1,00,000 equity shares @ ₹ 4.50 per share at a premium of 20%)		4,50,000	2,50,000 2,00,000
	Bank A/c Dr To Equity Share Allotment A/c (W.N) (Being allotment money received and excess on application adjusted)		1,99,200	1,99,200
	Equity Share First and Final Call A/c (1,00,000 × 5) Dr To Equity Share Capital A/c (Being first and final call money due on 1,00,000 equity shares @ ₹ 5 per share)		5,00,000	5,00,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 99,600 equity shares @ ₹ 5)		4,98,000	4,98,000
	Equity Share Capital A/c (400 × 10) Dr Securities Premium Reserve A/c (400 × 2) Dr To Forfeited Shares A/c To Equity Share Allotment A/c To Equity Shares First and Final Call A/c (400 × 5) (Being 400 shares forfeited)		4,000 800	2,000 800 2,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (320 × 8) Dr		2,560	
	Forfeited Shares A/c (320 × 2) Dr		640	
	To Equity Shares Capital A/c (320 × 10) (Being re-issue of 320 forfeited shares @ ₹ 8 per share as fully paid-up)			3,200
	Forfeited Shares A/c Dr		960	
	To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)			960

Working Note

$$\text{Number of shares allotted to Ranu} = 800 \times \frac{1,00,000}{2,00,000} = 400 \text{ shares}$$

Surplus towards Allotment on Ranu's Shares

Application money received (800 × 2.5)	2,000
(-) Application money required (400 × 2.5)	(1,000)
Surplus towards allotment	1,000

Calculation of Amount Received on Allotment

Allotment money due (1,00,000 × 4.50)	4,50,000
(-) Excess received with application (1,00,000 × 2.5)	(2,50,000)
	2,00,000

(-) Calls-in-arrears (Ranu)	
Due (400 × 4.50)	1,800
(-) Surplus	(1,000)
Amount received with allotment	₹ 1,99,200
Amount of 80% forfeited share $\left(2,000 \times \frac{80}{100}\right)$	1,600
Amount of 320 forfeited shares	(640)
Amount to be transferred to capital reserve	₹ 960

53.DP Shah Company Ltd made an issue of 1,00,000 equity shares of Rs 10 each at a premium of 30% payable as follows

On application Rs 3.50 per share

On allotment Rs 6.50 per share

On first and final call Balance

Applications were received for 2,00,000 equity shares and the directors made pro-rata allotment. Harsh who had applied for 1,600 shares did not pay the allotment and final call money. With the result his shares were forfeited. Later on 60% of the forfeited shares were re-issued at Rs 8 per share fully paid-up. Pass necessary journal entries for the mentioned transactions in the books of the company. (All India 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (2,00,000 × 3.5) Dr To Equity Share Application A/c (Being share application money received on 2,00,000 equity share @ ₹ 3.50 per share)		7,00,000	7,00,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (1,00,000 × 3.5) To Equity Share Allotment A/c (1,00,000 × 3.5) (Being share application money adjusted)		7,00,000	3,50,000 3,50,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (1,00,000 × 3.5) To Securities Premium Reserve A/c (1,00,000 × 3) (Being allotment money due on 1,00,000 equity shares @ ₹ 6.50 per share at including premium @ 30%)		6,50,000	3,50,000 3,00,000
	Bank A/c Dr To Equity Share Allotment A/c (WN) (Being allotment money received and excess on application adjusted)		2,97,600	2,97,600
	Equity Share First and Final Call A/c (1,00,000 × 3) Dr To Equity Share Capital A/c (Being first and final call money due on 1,00,000 equity shares @ ₹ 3 per share)		3,00,000	3,00,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 99,200 equity shares @ ₹ 3)		2,97,600	2,97,600
	Equity Share Capital A/c (800 × 10) Dr Securities Premium Reserve A/c (800 × 3) Dr To Forfeited Shares A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (800 × 3) (Being 800 shares forfeited for non-payment allotment and first and final call)		8,000 2,400	5,600 2,400 2,400
	Bank A/c (480 × 8) Dr Forfeited Shares A/c (480 × 2) Dr To Equity Share Capital A/c (480 × 10) (Being re-issue of 480 forfeited shares @ ₹ 8 per share as fully paid-up)		3,840 960	4,800
	Forfeited Shares A/c Dr To Capital Reserve A/c (WN) (Being balance of forfeited shares account transferred to capital reserve)		2,400	2,400

Working Note

Number of shares allotted to Harsh = $1,600 \times \frac{100,000}{2,00,000} = 800$ shares

Surplus towards Allotment on Harsh's Shares

Application money received ($1,600 \times 3.5$)	5,600
(-) Application money required (800×3.5)	(2,800)
Surplus towards allotment	<u>₹ 2,800</u>

Calculation of Amount Received on Allotment

Allotment money due ($100,000 \times 6.50$)	6,50,000
(-) Excess received with application ($100,000 \times 3.5$)	(3,50,000)
	<u>3,00,000</u>

(-) Calls-in-arrears (Harsh)		
Due (800×6.50)	5,200	
(-) Surplus	(2,800)	(2,400)
Amount received with allotment		<u>₹ 2,97,600</u>
Amount of 60% forfeited shares ($5,600 \times \frac{60}{100}$)		3,360
Amount of 480 forfeited share		(960)
Amount to be transferred to capital reserve		<u>₹ 2,400</u>

54.X Ltd issued 50,000 shares of Rs 10 each at a premium of Rs 2 per share, payable as follows Rs 3 on application Rs 6 on allotment (including premium) and Rs 3 on call Applications were received for 75,000 shares and a pro-rata allotment was made as follows.

To the applicants of 40,000 shares, 30,000 shares were issued and for the rest 20,000 shares were issued. All money due were received except the allotment and call money from Ram who had applied for 1,200 shares (out of group of 40,000 shares). All his shares were forfeited. The forfeited shares were re-issued for Rs 7 per share fully paid-up. Pass necessary journal entries for the above transactions. (All India 2011)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (75,000 × 3) Dr		2,25,000	
	To Share Application A/c			2,25,000
	(Being share application money received on 75,000 share @ ₹ 3 per share)			
	Share Application A/c Dr		2,25,000	
	To Share Capital A/c (50,000 × 3)			1,50,000
	To Share Allotment A/c (25,000 × 3)			75,000
	(Being share application money transferred)			

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Allotment A/c Dr		3,00,000	
	To Share Capital A/c (50,000 × 4)			2,00,000
	To Securities Premium Reserve A/c (50,000 × 2)			1,00,000
	(Being allotment money due on 50,000 shares @ ₹ 6 per share including premium @ ₹ 2 each)			
	Bank A/c Dr		2,20,500	
	To Share Allotment A/c (WN)			2,20,500
	(Being allotment money received and excess on application adjusted)			
	Share First and Final Call A/c (50,000 × 3) Dr		1,50,000	
	To Share Capital A/c			1,50,000
	(Being share first and final call due on 50,000 shares @ ₹ 3 per share)			
	Bank A/c Dr		1,47,300	
	To Share First and Final Call A/c			1,47,300
	(Being share first and final call money received on 49,100 equity shares @ ₹ 3)			
	Share Capital A/c (900 × 10) Dr		9,000	
	Securities Premium Reserve A/c (900 × 2) Dr		1,800	
	To Forfeited Shares A/c			3,600
	To Share Allotment A/c			4,500
	To Share First and Final Call A/c (900 × 3)			2,700
	(Being 900 shares forfeited for non-payment allotment and first and final call)			
	Bank A/c (900 × 7) Dr		6,300	
	Forfeited Shares A/c (900 × 3) Dr		2,700	
	To Share Capital A/c (900 × 10)			9,000
	(Being re-issue of 900 forfeited shares @ ₹ 7 per share as fully paid-up)			
	Forfeited Shares A/c Dr		900	
	To Capital Reserve A/c (WN)			900
	(Being balance of forfeited share account transferred to capital reserve)			

Working Note

Applied Shares	Allotted Shares	
40,000	30,000	(Pro-rata allotment)
35,000	20,000	(Pro-rata allotment)
<u>75,000</u>	<u>50,000</u>	

$$\text{Number of shares allotted to Ram} = 1,200 \times \frac{30,000}{40,000} = 900 \text{ shares}$$

Surplus towards Allotment on Ram's Shares

Application money received (1200×3)	3,600
(-) Application money required (900×3)	(2,700)
Surplus towards allotment	900

Calculation of Amount Received on Allotment

Allotment money due ($50,000 \times 6$)	3,00,000
(-) Excess received with application ($25,000 \times 3$)	(75,000)
	2,25,000
(-) Calls-in-arrears (Ram)	
Due (900×6)	5,400
(-) Surplus	(900)
Amount received with allotment	₹ 2,20,500

Amount of forfeited shares to be transferred to capital reserve = $3,600 - (900 \times 3) = ₹ 900$

55. Som Ltd invited applications for issuing 60,000 equity shares of Rs 100 each at a premium of Rs 50 per share. The amount was payable as follows

On application Rs 75 per share (including Rs 25 premium)

On allotment Rs 50 per share (including Rs 25 premium)

On first and final call Balance amount

Applications for 55,000 shares were received. Allotment was made to all applicants and the company received all money due on allotment except 'K' who was allotted 500 share and his shares were immediately forfeited. Afterwards the first and final call was made. 'L' to whom 300 shares were allotted, failed to pay the first and final call. His shares were also forfeited. 300 shares of 'K' and 200 shares of 'L' were re-issued for 75,000 fully paid-up. Pass necessary journal entries in the books of Som Ltd for the above transactions. (Delhi 2010 C)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c ($55,000 \times 75$)	Dr	41,25,000	
	To Equity Share Application A/c			41,25,000
	(Being share application money received on 55,000 equity share @ ₹ 75 per share including premium)			
	Equity Share Application A/c	Dr	41,25,000	
	To Equity Share Capital A/c ($55,000 \times 50$)			27,50,000
	To Securities Premium Reserve A/c ($55,000 \times 25$)			13,75,000
	(Being share application money transferred)			

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Equity Share Allotment A/c Dr		27,50,000	
	To Equity Share Capital A/c (55,000 × 25)			13,75,000
	To Securities Premium Reserve A/c (55,000 × 25)			13,75,000
	(Being allotment money due on 55,000 equity shares @ ₹ 50 per share including premium @ ₹ 25 each)			
	Bank A/c Dr		27,25,000	
	To Equity Share Allotment A/c			27,25,000
	(Being allotment money received on 54,500 equity share @ ₹ 50 per share including premium)			
	Equity Share Capital A/c (500 × 75) Dr		37,500	
	Securities Premium Reserve A/c (500 × 25) Dr		12,500	
	To Forfeited Shares A/c (500 × 50)			25,000
	To Equity Share Allotment A/c (500 × 50)			25,000
	(Being 500 shares forfeited for non-payment of allotment of ₹ 50 per share including premium)			
	Equity Share First and Final Call A/c (54,500 × 25) Dr		13,62,500	
	To Equity Share Capital A/c			13,62,500
	(Being share first and final call due on 54,500 equity shares @ ₹ 25 per share)			
	Bank A/c Dr		13,55,000	
	To Equity Share First and Final Call A/c			13,55,000
	(Being share first and final call money received on 54,200 equity shares @ ₹ 25 per share)			
	Equity Share Capital A/c (300 × 100) Dr		30,000	
	To Forfeited Shares A/c (300 × 75)			22,500
	To Equity Share First and Final Call A/c (300 × 25)			7,500
	(Being 300 shares forfeited for the non-payment of first and final call of ₹ 25 per share)			
	Bank A/c Dr		75,000	
	To Equity Share Capital A/c (500 × 100)			50,000
	To Securities Premium Reserve A/c			25,000
	(Being re-issue of 1,000 forfeited shares @ ₹ 50 per share as fully paid-up)			
	Forfeited Shares A/c Dr		30,000	
	To Capital Reserve A/c (WN)			30,000
	(Being balance of forfeited shares account transferred to capital reserve)			

Working Note

$$\text{Amount of K's 300 forfeited shares} = 25,000 \times \frac{300}{500} = 15,000$$

$$\text{Amount of L's 200 forfeited shares} = 22,500 \times \frac{200}{300} = 15,000$$

$$\text{Amount to be transferred to capital reserve} \quad \underline{\underline{₹ 30,000}}$$

56. Shiva Ltd invited applications for issuing 2,00,000 equity shares of Rs 100 each at a premium of Rs 60 per share. The amount was payable as follows On application Rs 30 per share (including premium t10)

On allotment Rs 70 per share (including premium Rs 50)

On first and final call Balance amount

Applications for 1,90,000 shares were received. Shares were allotted to all the applicants and the company received all money due on allotment except Jain who had been allotted 1,000 shares, and his shares were immediately forfeited.

Afterwards the first and final call was made. Gupta did not pay the first and final call on his 2,000 allotted shares. His shares were also forfeited. 50% of the forfeited shares of both Jain and Gupta were re-issued @ Rs 90 per share fully paid-up. Pass necessary journal entries in the books of Shiva Ltd for the above transactions. (All India 2010)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (1,90,000 × 30) Dr To Equity Share Application A/c (Being share application money received on 1,90,000 equity shares @ ₹ 30 per share including premium of ₹ 10 per share)		57,00,000	57,00,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (1,90,000 × 20) To Securities Premium Reserve A/c (1,90,000 × 10) (Being share application money transferred)		57,00,000	38,00,000 19,00,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (1,90,000 × 20) To Securities Premium Reserve A/c (1,90,000 × 50) (Being allotment money due on 1,90,000 equity shares @ ₹ 70 per share including premium @ ₹ 50 per share)		1,33,00,000	38,00,000 95,00,000
	Bank A/c Dr To Equity Share Allotment A/c (Being allotment money received on 1,89,000 equity share @ ₹ 70 including premium)		1,32,30,000	1,32,30,000
	Equity Share Capital A/c (1,000 × 40) Dr Securities Premium Reserve A/c (1,000 × 50) Dr To Forfeited Shares A/c (1,000 × 20) To Equity Share Allotment A/c (1,000 × 70) (Being 1,000 shares forfeited for non-payment of allotment)		40,000 50,000	20,000 70,000
	Equity Share First and Final Call A/c (1,89,000 × 60) Dr To Equity Share Capital A/c (Being share first and final call due on 1,89,000 equity shares @ ₹ 60 per share)		1,13,40,000	1,13,40,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 1,87,000 equity shares @ ₹ 60)		1,12,20,000	1,12,20,000
	Equity Share Capital A/c (2,000 × 100) Dr To Forfeited Shares A/c (2,000 × 40) To Equity Share First and Final Call A/c (2,000 × 60) (Being 2,000 shares forfeited for the non-payment of first and final call)		2,00,000	80,000 1,20,000
	Bank A/c (1,500 × 90) Dr Forfeited Shares A/c (1,500 × 10) Dr To Equity Share Capital A/c (1,500 × 100) (Being re-issue of 1,500 forfeited shares @ ₹ 90 per share as fully paid-up)		1,35,000 15,000	1,50,000
	Forfeited Shares A/c Dr To Capital Reserve A/c (WN) (Being balance of forfeited shares account transferred to capital reserve)		35,000	35,000

Working Note

Amount of Jain's 500 forfeited shares $\left(20,000 \times \frac{500}{1,000}\right)$	10,000
Amount of Gupta's 1,000 forfeited shares $\left(80,000 \times \frac{1,000}{2,000}\right)$	40,000
	50,000
(-) Loss on re-issue of forfeited shares	15,000
Amount of be transferred to capital reserve	<u>₹ 35,000</u>

57. Petromax Ltd issued 50,000 shares of Rs 10 each at a premium of Rs 2 per share payable as Rs 3 on application, Rs 5 including premium on allotment and balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under

- (i) Applications of 40,000 shares – Allotted 30,000 shares
- (ii) Applications of 40,000 shares – Allotted 20,000 shares
- (iii) Applications of 12,000 shares – Nil

Suresh who had applied for 2,000 shares (category (i)) did not pay any money other than application money. Chandar who was allotted 800 shares (category (ii)) paid the call money due along with allotment.

All other allottees paid their dues as per schedule. Pass necessary journal entries in the books of Petromax Ltd for the above transactions. (Delhi; All India 2009)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (92,000 × 3) Dr To Share Application A/c (Being share application money received on 92,000 share @ ₹ 3 per share)		2,76,000	2,76,000
	Share Application A/c Dr To Share Capital A/c (50,000 × 3) To Share Allotment A/c (30,000 × 3) To Bank A/c (12,000 × 3) (Being share application money transferred)		2,76,000	1,50,000 90,000 36,000
	Share Allotment A/c Dr To Share Capital A/c (50,000 × 3) To Securities Premium Reserve A/c (50,000 × 2) (Being allotment money due on 50,000 shares @ ₹ 5 per share share including premium of ₹ 2 each)		2,50,000	1,50,000 1,00,000
	Bank A/c Dr To Equity Share Allotment A/c To Calls-in-advance A/c (800 × 4) (Being allotment money received and calls-in-advance on 800 shares @ ₹ 4 per share)		1,57,200	1,54,000 3,200
	Share First Call A/c (50,000 × 2) Dr To Share Capital A/c (Being first call money due on 50,000 shares @ ₹ 2 per share)		1,00,000	1,00,000
	Bank A/c Dr Calls-in-advance A/c Dr To Share First Call A/c (48,500 × 2) (Being first call money received on 48,500 shares @ ₹ 2)		95,400 1,600	97,000
	Share Final Call A/c (50,000 × 2) Dr To Share Capital A/c (Being final call money due on 50,000 shares @ ₹ 2 per share)		1,00,000	1,00,000
	Bank A/c Dr Call-in-advance A/c Dr To Share Final Call A/c (48,500 × 2) (Being final call money received on 48,500 share @ ₹ 2)		95,400 1,600	97,000

Working Note

Applied Shares	Allotted Shares	
40,000	30,000	(Pro-rata allotment)
40,000	20,000	(Pro-rata allotment)
12,000	—	
<u>92,000</u>	<u>50,000</u>	

Number of shares allotted to Suresh = $2,000 \times \frac{30,000}{40,000} = 1,500$ shares

Surplus towards Allotment on Suresh's Shares

Application money received ($2,000 \times 3$)	6,000
(-) Application money required ($1,500 \times 3$)	(4,500)
Surplus towards allotment	<u>1,500</u>

Calculation of Amount Received on Allotment

Allotment money due ($50,000 \times 5$)		2,50,000
(-) Excess received with application ($30,000 \times 3$)		(90,000)
		<u>1,60,000</u>
(-) Calls-in-arrears (Suresh)		
Due ($1,500 \times 5$)	7,500	
(-) Surplus	(1,500)	(6,000)
		<u>1,54,000</u>
(+) Calls-in-advance (Chander)		
First call (800×2)	1,600	
Final call (800×2)	1,600	3,200
Amount received with allotment		<u>1,57,200</u>

58. Veer Ltd invited applications for issuing 1,00,000 equity shares of Rs 500 each at a premium of Rs 100 per share. The amount was payable as follows On application Rs 200 per share

On allotment Rs 300 per share (including premium)

On first and final call Balance amount

Applications for 2,00,000 shares were received. Applications for 50,000 shares were rejected and the application money was refunded. Pro-rata allotment was made to the remaining applicants. Amount overpaid with application was adjusted towards sums due on allotment. All calls were made and were duly received except the first and final call on 100 shares allotted to Vasu. These shares were forfeited. The forfeited shares re-issued to Ravi for 60,000 fully paid-up. Pass necessary journal entries in the books of Veer Ltd for the above transactions. (Delhi 2009 C)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (2,00,000 × 200) Dr		4,00,00,000	
	To Equity Share Application A/c			4,00,00,000
	(Being share application money received on 2,00,000 equity share @ ₹ 200 per share)			
	Equity Share Application A/c Dr		4,00,00,000	
	To Equity Share Capital A/c (1,00,000 × 200)			2,00,00,000
	To Equity Share Allotment A/c (50,000 × 200)			1,00,00,000
	To Bank A/c (50,000 × 200)			1,00,00,000
	(Being share application money adjusted)			

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Equity Share Allotment A/c Dr		3,00,00,000	
	To Equity Share Capital A/c (1,00,000 × 200)			2,00,00,000
	To Securities Premium Reserve A/c (1,00,000 × 100)			1,00,00,000
	(Being allotment money due on 1,00,000 equity shares @ ₹ 300 per share including premium of ₹ 100 each)			
	Bank A/c Dr		2,00,00,000	
	To Equity Share Allotment A/c			2,00,00,000
	(Being share allotment money received and excess on application adjusted)			
	Equity Share First and Final Call A/c (1,00,000 × 100) Dr		1,00,00,000	
	To Equity Share Capital A/c			1,00,00,000
	(Being share first and final call money due on 1,00,000 equity shares @ ₹ 100 per share)			
	Bank A/c Dr		99,90,000	
	To Equity Share First and Final Call A/c			99,90,000
	(Being share first and final call money received on 99,900 equity shares @ ₹ 100)			
	Equity Share Capital A/c (100 × 500) Dr		50,000	
	To Forfeited Shares A/c (100 × 400)			40,000
	To Equity Share First and Final Call A/c (100 × 100)			10,000
	(Being 100 shares forfeited for non-payment of first and final call of ₹ 100 per share)			
	Bank A/c Dr		60,000	
	To Equity Share Capital A/c (100 × 500)			50,000
	To Securities Premium Reserve A/c			10,000
	(Being re-issue of 100 forfeited shares at 60,000 as fully paid-up)			
	Forfeited Shares A/c Dr		40,000	
	To Capital Reserve A/c			40,000
	(Being balance of forfeited shares account transferred to capital reserve)			

59. Bharat Ltd invited applications for 40,000 equity shares of Rs 100 each at a premium of Rs 20 per share. The amount was payable as follows On application Rs 30 per share

On allotment	Rs 70 per share (including premium)
On first and final call	Balance amount

Applications for 60,000 shares were received. Applications for 10,000 shares were rejected and the application money on these shares was refunded. Pro-rata allotment was made to the remaining applicants and excess money received from them with applications was adjusted towards sums due on allotment.

All calls were made and were duly received except the first and final call on 500 shares allotted to Rajan. These shares were forfeited. The forfeited shares were afterwards re-issued for Rs 51,000 fully paid-up. Pass necessary journal entries in the books of the company for the above transactions. (All India 2009)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (60,000 × 30) Dr		18,00,000	
	To Equity Share Application A/c			18,00,000
	(Being share application money received on 60,000 equity shares @ ₹ 30 per share)			
	Equity Share Application A/c Dr		18,00,000	
	To Equity Share Capital A/c (40,000 × 30)			12,00,000
	To Equity Share Allotment A/c (10,000 × 30)			3,00,000
	To Bank A/c (10,000 × 30)			3,00,000
	(Being share application money adjusted)			
	Equity Share Allotment A/c Dr		28,00,000	
	To Equity Share Capital A/c (40,000 × 50)			20,00,000
	To Securities Premium Reserve A/c (40,000 × 20)			8,00,000
	(Being allotment money due on 40,000 equity shares @ ₹ 70 per share including premium of ₹ 20 each)			
	Bank A/c Dr		25,00,000	
	To Equity Share Allotment A/c			25,00,000
	(Being share allotment money received and excess on application adjusted)			
	Equity Share First and Final Call A/c (40,000 × 20) Dr		8,00,000	
	To Equity Share Capital A/c			8,00,000
	(Being first and final call money due on 40,000 equity shares @ ₹ 20 per share)			
	Bank A/c Dr		7,90,000	
	To Equity Share First and Final Call A/c			7,90,000
	(Being share first and final call money received on 39,500 equity shares @ ₹ 20 per share)			
	Equity Share Capital A/c (500 × 100) Dr		50,000	
	To Forfeited Shares A/c (500 × 80)			40,000
	To Equity Share First and Final Call A/c (500 × 20)			10,000
	(Being 500 shares forfeited for non-payment of first and final call of ₹ 20 per share)			
	Bank A/c Dr		51,000	
	To Equity Share Capital A/c (100 × 500)			50,000
	To Securities Premium Reserve A/c			1,000
	(Being final call money received on 51,000 as fully paid-up)			
	Forfeited Shares A/c Dr		40,000	
	To Capital Reserve A/c			40,000
	(Being balance of forfeited shares account transferred to capital reserve)			

60.X Ltd invited applications for issuing 80,000 equity shares of Rs 10 each at a premium of Rs 2 per share. The amount was payable as follows On application Rs 6 per share (including premium)

On allotment Rs 3 per share

On first and final call Balance amount

Applications for 90,000 shares were received. Applications for 5,000 shares were rejected and pro-rata allotment was made to the remaining applicant.

Overpayment received on application was adjusted towards sum due on allotment. All calls were made and were duly received except the allotment and final call on 1,600 shares allotted to Vijay. These shares were forfeited and the forfeited shares were re-issued for Rs 18,400 fully paid-up. Pass necessary journal entries for the above transactions in the books of the company. (Delhi 2008)

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (90,000 × 6) Dr To Equity Share Application A/c (Being application money received on 90,000 equity share @ ₹ 6 per share)		5,40,000	5,40,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (80,000 × 4) To Securities Premium Reserve A/c (80,000 × 2) To Equity Share Allotment A/c (5,000 × 6) To Bank A/c (5,000 × 6) (Being share application money adjusted)		5,40,000	3,20,000 1,60,000 30,000 30,000
	Equity Share Allotment A/c (80,000 × 3) Dr To Equity Share Capital A/c (Being allotment money due on 80,000 equity shares @ ₹ 3 per share)		2,40,000	2,40,000
	Bank A/c Dr To Equity Share Allotment A/c (WN) (Being allotment money received and excess on application adjusted)		2,05,800	2,05,800
	Equity Share First and Final Call A/c (80,000 × 3) Dr To Equity Share Capital A/c (Being first and final call money due on 80,000 equity shares @ ₹ 3 per Share)		2,40,000	2,40,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 78,400 equity shares @ ₹ 3)		2,35,200	2,35,200
	Equity Share Capital A/c (1,600 × 10) Dr To Forfeited Shares A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (1,600 × 3) (Being 1,600 shares forfeited)		16,000	7,000 4,200 4,800

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr		18,400	
	To Equity Share Capital A/c (1,600 × 10)			16,000
	To Securities Premium Reserve A/c			2,400
	(Being re-issue of 1,600 forfeited shares at ₹ 18,400 as fully paid-up)			
	Forfeited Shares A/c Dr		7,000	
	To Capital Reserve A/c			7,000
	(Being balance of forfeited shares account transferred to capital reserve)			

Working Note

$$\text{Number of shares allotted to Vijay} = 1,600 \times \frac{85,000}{80,000} = 1,700 \text{ shares}$$

Surplus towards Allotment on Vijay's Shares

Application money received (1,700 × 6)	10,200
(-) Application money required (1,600 × 6)	(9,600)
Surplus towards allotment	600

Calculation of Amount Received on Allotment

Allotment money due (80,000 × 3)	2,40,000
(-) Excess received with application (5,000 × 6)	(30,000)
	2,10,000
(-) Calls-in-arrears (Vijay)	
Due (1,600 × 3)	4,800
(-) Surplus	(600)
Amount received with allotment	₹ 2,05,800

61. Janta Ltd invited applications for issuing 70,000 equity shares of Rs 10 each at a premium of Rs 2 per share. The amount was payable as follows

On application Rs 4 per share (including premium)

On allotment Rs 3 per share

On first and final call Balance

Applications for 1,00,000 shares were received. Applications for 10,000 shares were rejected. Shares were allotted to the remaining applicants on pro-rata basis. Excess money received with applications was adjusted towards sum due on allotment. All calls were made and were duly received except first and final call on 700 shares, allotted to Kanwar. His shares were forfeited. The forfeited shares were re-issued for

Rs 7,700 fully paid-up. Pass necessary journal entries in the books of the company for the above transactions. (All India 2008)

Ans.

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (1,00,000 × 4) Dr To Equity Share Application A/c (Being application money received on 1,00,000 equity share @ ₹ 4 per share)		4,00,000	4,00,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (70,000 × 2) To Securities Premium Reserve A/c (70,000 × 2) To Equity Share Allotment A/c (20,000 × 4) To Bank A/c (10,000 × 4) (Being share application money adjusted)		4,00,000	1,40,000 1,40,000 80,000 40,000
	Equity Share Allotment A/c (70,000 × 3) Dr To Equity Share Capital A/c (Being allotment money due on 70,000 equity shares @ ₹ 3 per share)		2,10,000	2,10,000
	Bank A/c Dr To Equity Share Allotment A/c (Being allotment money received and excess on application adjusted)		1,30,000	1,30,000
	Equity Share First and Final Call A/c (70,000 × 5) Dr To Equity Share Capital A/c (Being first and final call money due on 70,000 equity shares @ ₹ 5 per Share)		3,50,000	3,50,000
	Bank A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received on 69,300 equity shares @ ₹ 5)		3,46,500	3,46,500
	Equity Share Capital A/c (700 × 10) Dr To Forfeited Shares A/c (700 × 5) To Equity Share First and Final Call A/c (700 × 5) (Being 700 forfeited for non-payment of first and final call of ₹ 5 per share)		7,000	3,500 3,500
	Bank A/c Dr To Equity Share Capital A/c (700 × 10) To Securities Premium Reserve A/c (Being re-issue of 700 forfeited shares at ₹ 7,700 as fully paid-up)		7,700	7,000 700
	Forfeited Shares A/c Dr To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)		3,500	3,500