ACCOUNTING FOR COMPANIES

CHAPTER – 06

ISSUE OF SHARES

Accounting for Share Capital

With the expansion in the scale of operations, non-corporate forms of organizations, for example, sole proprietorship, partnership firms found themselves unequal to the tasks of meeting all the capital requirements of the present-day large-scale business operations. Thus, a relatively new form of the business organization came into vogue and this is called a Company.

Company:

A Company may be defined as an artificial person created by law, having a corporate and legal personality distinct and separate from its members, perpetual succession, and a common seal.

Features of a Company:

1. **Separate Legal Entity-** A company is a legal person and its entity is quite distinct and separate from its members. It can purchase and sell the properties in its own name, can open bank account in its own name and can enter into contracts. Since a company has a legal personality distinct from its members, a creditor of such a company an sue only the company for its debts and not any of tis members.
2. **Limited liability-** The liability of the shareholder of the company is limited to the unpaid value of his shares. For example, if the face value of a share in a company is ₹10 and a shareholder has already paid Rs.8 per share, he can be called upon to pay not more than ₹2 per share.
3. **Perpetual succession-** The existence of the company is not affected by the retirement, death, lunacy or insolvency of members. Shareholders may come and shareholders may go but the company goes on for ever, unless wound up according to companies act.
4. **Common seal-** Since the company has no physical existence, it must act through agents, called directors. All documents prepared by the directors must bear the seal of the company. The common seal acts as the official signature of the company.
5. **Transferability of shares-** The capital of the company is divided into parts, called shares. These shares are freely transferable subject to certain conditions.
6. **Separation of Management and Ownership-** Shareholders are the true owners of the company, but usually, the number of shareholders is quite large, and as such it is neither possible nor desirable for each member ta take part in the day-to -day management of the company. Therefore, the Company is managed by a 'Board of Directors' elected by the shareholders.

Kinds of a Company:

Companies Limited by Shares: In this case, the liability of the members is limited to the extent of the nominal value of shares held by them.

Companies Limited by Guarantee: In this case, the liability of its members is limited to the extent of the guarantee given by them in the event of the company being wound up.

Unlimited Companies: When there is no limit on the liability of its members, such Companies are called unlimited companies.

Public Company: A Public Company means a company that is not a Private Company.

One Purpose Company (OPC) : An OPC means a private limited company with only one person as its member. Its paid up share capital should not exceed 50 lakhs and its average turnover should not exceed 2 crores. OPC is nor required to include Cash Flow Statement in its financial statements. The provisions relating to calling of AGM, Notice of General Meeting, Quorum of Meetings, Proxies etc. shall not apply to OPC.

Private Company: A Private Company is one which by its Articles of Association:

1. Restricts the right to transfer its shares;
2. Limits the number of its members to fifty;
3. Prohibits any invitation to the public to subscribe for any shares in or debentures of the company.

Difference between Private and Public Company

Basis of Distinction	Private Company	Public Company
Number of Members	Minimum number of members is 2, and the maximum, exclusive of past and present employees, is 200.	Minimum number of members is 7 and there is no limit to maximum member.
Invitation to Public	It cannot invite the public to subscribe to its shares.	It can invite the public to subscribe to its shares.
Transfer of Shares	There is restriction on the transfer of its shares.	There is no restriction on the transfer of its shares.
Preparation of Articles	Preparation of Articles is mandatory for all private companies	Preparation of Articles is not mandatory.
Number of Directors	It must have at least 2 directors.	It must have at least three directors.
Statutory Meeting	It is not required to hold the statutory meeting.	It is required to hold statutory meeting within 6 months of getting the Certificate of Commencement of Business.
Use of word 'Limited'	It is compulsory to use the words 'Private Limited' at the end of its name.	Only the word 'Limited' is used at the end of its name.

Share Capital of a Company:

Every company should have capital in order to finance its activities. The company raises this capital by issue of share because it does not have capital of its own being an artificial person. Thus, the total capital of the company is divided into shares, therefore, it is called share capital.

Categories of Share Capital:

1. **Authorised Capital:** An Authorised Capital refers to that amount that is stated in the Memorandum of Association as the share capital of the company. It is the maximum amount with which the company is registered and which it is authorized to raise from the public by the issue of shares. The amount is also called the registered or nominal capital.
2. **Issued Capital:** It is the portion of authorized capital that is offered to the public for subscription and the remaining portion not yet offered to the public for subscription is called the unissued capital.
3. **Subscribed Capital:** It is that part of the issued capital which has been actually subscribed by the public. When the shares offered for public subscription were subscribed fully by the public, in such a case the issued capital and subscribed capital would be the same.

Subscribed Capital is shown in the Balance Sheet under two heads

(a) **Subscribed and fully paid up-** When entire nominal value of a share is called by the company and also paid up by the shareholder, it is said to be 'Subscribed and Fully paid up' capital.

(b) **Subscribed but not fully paid up-** Shares are said to be 'Subscribed but not fully paid up' under the following two situations:

   (i) When the company has called-up the full nominal value of the share but the shareholder has not paid some part of the nominal value of share.

   (ii) When the company has not called-up the full nominal of the share.

4. **Called-up Capital:** It is that part of the subscribed share capital which the company actually demands from the share-holders. The company may decide to call the entire amount or part of the face value of the shares.
5. **Paid-up Capital:** It means the total amount paid up or credited as paid upon the subscribed capital. Some of the shareholders may fail to pay the amount due from them on account of a call which is termed as "call-in-arrears" or "unpaid capital".
6. **Uncalled Capital:** That portion of the subscribed capital that has not been called up is called uncalled capital. The company may collect this amount at any time when it needs further funds.
7. **Reserve Capital:** Sometimes a company, by means of a special resolution, decides that a certain portion of its uncalled capital shall not be called up during its existence and it would be available in the event of winding up of the company. Such a portion of uncalled capital is termed as 'reserve capital'.

Capital Reserves:

Capital Reserves are those reserves which are created out of normal profits. Capital profits are those profits which are not earned in the normal course of business. These reserves cannot be utilised for the distribution of dividends. Following are the items that give rise to Capital profits and hence capital reserves.

(i) Profit on sale of fixed assets.
(ii) Profit on revaluation of fixed assets.
(iii) Profit on issue of shares and debentures.
(iv) Profit on redemption of debentures.
(v) Profit earned by a company prior to its incorporation.
(vi) Profit on re-issue and forfeiture of shares.

Capital Reserves are shown on the liabilities side of the balance sheet under head 'Reserves and Surplus'.

Share Capital in the Balance Sheet of Company:

According to Schedule III of the Companies Act, 2013 the information regarding Share Capital is to be shown in the company's Balance Sheet in the following manner:

EXTRACT OF BALANCE SHEEET OF……………………

as at ……………….

Particulars	*Note No.*	*Amount Current Year*	*Amount Previous Year*
		₹	₹
1. EQUITY AND LIABILITIES:			
Shareholder's Funds:			
(a) Share Capital*	(1)	……	
(b) Reserves and Surplus		……	
(c) Money received against share warrants		……	…….

* As per Schedule III disclosure requirements pertaining to Share Capital are to be provided in notes to accounts.

Notes to Accounts :

		₹	₹
(1) **Share Capital**			
Authorised Capital :			
………….. Equity Shares of ₹ ….. each			
………….. Preference Shares of ₹ ….. each			
Issued Capital :			
………….. Equity Shares of ₹ ….. each			
………….. Preference Shares of ₹ ….. each			
Subscribed Capital :			
Subscribed and Fully Paid Capital:			
………….. Equity Shares of ₹ ….. each			
………….. Preference Shares of ₹ ….. each			
(Of the above shares ………………. Shares are allotted as fully paid-up pursuant to a contract without payments being received in cash)			
Subscribed but not fully paid Capital:			
….. Shares of ₹ ……each, ₹ …… per share Called-up	₹ ……		
Less : Calls in Arrears:			
(i) By Directors and Officers of the Company	₹ ……		
(ii) By Others	₹ ……		
Add: Forfeited shares:	₹ ……		

Shares of a Company:

The capital of a company is divided into a number of equal units. Each unit is called a share. The Companies Act 2013, defines a share as "a share in the share capital of the company. The person who contributes money through shares is called Shareholders."

The company issues a certificate to every shareholder stating the number of shares he holds. The certificate is called a Share Certificate.

Classes of Shares:

According to the Indian Companies Act, 2013 a company can issue two types of shares:

1. Preference Share
2. Equity Share (formerly known as ordinary share)

1. **Preference Share:** According to Companies Act, 2013 a preference share is one, which fulfills the following conditions:
   (a) That it carries a preferential right to the dividend to be paid either as a fixed amount or an amount calculated by a fixed rate which may be either free of or subject to income tax; and
   (b) That with respect to the capital it carries or will carry, on .the winding-up of the company, the right to the repayment of capital before anything is paid to equity shareholders.

Types of Preference Shares

(i) Cumulative Preference Shares- Cumulative preference shares are those preference shares, the holders of which are entitled to recover the arrears of preference dividend, before any dividend is paid to equity shares. This means, if in any year, the profits of the company are insufficient to pay dividend on these shares, the dividend keeps on accumulating until it is fully paid.

(ii) Non- Cumulative Preference Shares- The holders of such shares get a fixed amount of dividend out of profits of each year. If no dividend is declared in any year due to any reason, such shareholders get nothing, not they can claim unpaid dividend of any year in any subsequent year.

(iii) Participating Preference Shares- Such shares, in addition, to the fixed preference dividend, carry a right to participate in surplus profits, if any, after dividend at a stipulated rate has been paid to equity shareholder. Similarly, in the event of winding up, if after paying back both the preference and equity shareholders there is still some surplus left, such shareholders are entitled to receive a pre-determined proportion of surplus.

(iv) Non-Participating Preference Shares- Such shares only get a fixed rate of dividend every year and do not carry a right to participate in the surplus profits or in any surplus or winding up. Unless, expressly provided, the preference shares are usually non-participating.

(v) Redeemable Preference Shares- Such shares are those which will be repaid by the company within a stipulated period in accordance with the terms of issue and fulfilment of certain conditions.

(vi) Irredeemable Preference Shares- Irredeemable Preference Shares are those, the capital of which cannot be refunded before winding up. According to Companies Act,2013, no company limited by shares, shall issue any preference share, which is redeemable, or is irredeemable after the expiry of 20 years from the date of issue.

(vii) Convertible Preference Shares- Holders of these shares have a right to get their preference shares converted into equity shares at their option according to terms of issue.

(viii) Non- Convertible Preference Shares- When the holders of preference shares have not been conferred the right of getting their preference shares converted into equity shares, such shares are called non-convertible preference shares.

2. **Equity Share:** According to Section 85 of the Companies Act, 2013, an equity share is a share that is not a preference share.
   This share does not carry any preferential right or in other words, equity share is one that is entitled to dividend and repayment of capital after the claims of preference share are satisfied.

   According to Section 86 (a), equity share capital may be:
   1. With voting right or
   2. With differential rights as to voting, dividend, or otherwise in accordance with such rules and subject to such condition as may be prescribed.

Basis of Distinction	Preference Shares	Equity Shares
Rate of Dividend	Preference shares are paid at dividend at fixed rate.	The rate of dividend on equity shares is not fixed.
Arrears of Dividend	If dividend is not paid on these shares in any year, the arrears of dividend may accumulate.	In case of equity shares, dividend cannot accumulate.
Preferential right as to payment of dividend	They have a right to receive dividend before any dividend is paid on equity shares.	Payment of dividend on equity shares is made after the payment of preference dividend.
Voting Rights	Preference shareholders do not have any voting rights.	Equity shareholders enjoy voting rights.
Right to Participate in management	They do not have a right to participate in the management of the company.	They shall full right to participate in management of the company.
Preferential right as to the payment of capital	They have a right to return of capital in the case of winding up, before any capital is returned to equity shareholders.	Equity share capital is paid only when preference share capital is paid out fully.

Issue of Share:

The shares of a company in any of the following ways:

1. **For Cash** : **By Private Placement of shares-** As per Section 42 of the Companies Act, 2013 a company may issue shares on private placement basis also. Sometimes, the promoters of a public company are confidential of raising capital through private sources and contacts. In such a case the company does not invite the public to subscribe for its shares, but make private placement of shares to promoters, their friends, relatives, shareholders of group companies, Mutual Funds, NRIs, LIC, UTI etc. When the shares are not offered to the public, the company need not issue a prospectus. Instead of using a prospectus, the promoter are required to prepare a draft prospectus known as a 'Statement of Lieu of Prospectus' and must file it with the registrar at least 3 days before the first allotment of shares or debentures.

   Sweat Equity Shares:
   A company may issue sweat equity shares as per Sec-54 of Companies Act,2013. Sweat Equity shares means equity shares issued by the company to its employees or directors at a discount for consideration other than cash

for providing know-how or making intellectual property rights. Such shares cannot be resold by their holders within a period of 3 years called lock-in-period. It is to be noted that a company may issue sweat equity shares at a price lower than the nominal value of equity shares.

Employees Stock Option Plan(ESOP)
Under Companies Act,2013 a company may offer shares to its employees under a scheme of 'Employees Stock Option Plan' by passing a special resolution at the general meeting of the company. Employees stock option means the option given to whole time directors, officers and employees right to purchase or subscribe at a future date, the securities offered by the company at a pre-determined price, which usually is lower than the market price. The employees may or may not exercise the option. This is a voluntary scheme on the part of the company to give its sense of belonging. Shares allotted under this scheme shall be locked in for a minimum period of one year of allotment. In other words, shares issued under ESOP cannot be disposed off within one year from the date of allotment.

Conditions for Issue of ESOP:
A company may offer the shares under this scheme after fulfilling the following conditions:
(i) These shares are of the same class of shares already issued by him.
(ii) A special resolution is passed by the company to this effect.
(iii) The resolution must specify the number of shares, the current market price, the exercise price and the class of directors or employees to whom equity shares are offered.
(iv) At the date of such offer, not less than one year must have elapsed since the company had commenced business.
(v) The shares must be issued in accordance with SEBI guidelines.

Objectives or Importance of ESOP
(i) Its main objective is to inspire the employees to have a higher participation in the company.
(ii) Its another objective is to create long-term wealth in the hands of the employees.
(iii) It is a measure to attract, retain and motivate the good and efficient employees for the company.

2. **For Cash : Issue of Share for cash**
Steps for the issue of share for cash:
1. **Issue of Prospectus:** The company first issues the prospectus to the public. It contains complete information about the company and the manner in which share capital is to be collected from the prospective investors.

2. **Receipt of Application:** When a prospectus is issued to the public, prospective investors intending to subscribe to the share capital of the company would make an application along with the application money and deposit the same with schedule bank as specified in the prospectus.

3. **Receipt of Minimum Subscription:** The company has to get a minimum subscription. It is to be noted that the minimum subscription of the capital cannot be less than 90% of the issued amount. The directors of the company cannot proceed to allot shares unless Minimum Subscription mentioned in the prospectus has been received by the company

4. **Allotment of Shares:** When a minimum subscription has been received, the company may proceed with the allotment of shares. When allotment is made, it results in a valid contract between the company and the applicants who now became the shareholders of the company.

5. **To Make Calls**
If the whole of the amount of share is not paid on application and allotment, the unpaid amount may be called by directors in one or more instalments. Each instalment is named as First Call, Second Call etc.
Preliminary Expenses: Expenses incurred on the formation of the company are termed as 'Preliminary Expenses'. These include the following :
(a) Expenses incurred on the preparation and printing of various documents needed for registration of a company.
(b) Stamp duty and registration fees on these documents.
(c) Duty payable on Authorised capital.
(d) Cost of preliminary books.
(e) In case the company has been formed to purchase a running business, the fees charged by Accountant or Valuer valuing the assets and liabilities of that company.

As per AS-26 Preliminary Expenses are to written off in the year in which they are incurred. They should be written off from Securities Premium Reserve Account and in its absence from Statement of Profits and Loss in the same year.

Issue of Shares at Par:
When shares are issued for an amount equal to the face value of a share, they are said to be issued at par. The issue price of a share may be payable either in lump sum along with the application or in instalments. The amount of application money is fixed by the directors but, according to legal provisions, it can in no case be less than 25% of the face value of shares.

Accounting Treatment:
1. When Share Application money received:
Bank A/c Dr.
To Share Application A/c [Total Amount received on, application]
(Amount received on the application for -Share ₹-Per Share)

2. **Transfer of Application money**
Share Application A/c Dr.
To Share Capital A/c(No. of shares allotted × Application money per share)
(Application money on-Share allotted /transferred to Share Cap.)

3. **Money refunded on rejected application**
Share Application A/c Dr.
To Bank A/c(No. of shares rejected × Application money per share)
(Application money returned on rejected applications for-share)

4. **Amount Due on Allotment**
Share Allotment A/c Dr.
To Share Capital A/c(No. of shares allotted × Allotment money per share)
(Allotment money on-Share allotted /transferred to Share Cap.)

5. **Adjustment of Excess Application money**
Share Application A/c Dr.
To Share Allotment A/c(Application Amount received – Application money transferred to Share Capital – Money Refunded)
(Application Amount on -Shares ₹ -per shares adjusted to the amount due on allotment.)

6. **Receipt of Allotment Account**
Bank A/c Dr.
To Share Allotment A/c
(Allotment money received on -Share @ ₹.-Per share)

Combined Account:
Sometimes a combined account for share application and share allotment is kept in the books of a company under the name Share Application and Allotment Account.

1. **For Receipt of Application and Allotment**
Bank A/c Dr.
To Share Application and Allotment A/c [Total Amount Received on Application]
(Money received on applications for shares @ ₹-per share)

2. **Transfer of Application money and Allotment Amount Due**
Share App. and Allotment A/c Dr.
To Share Capital [No. of share Allotted × (Application money per share + Allotment Amount per share)]
(Transfer of application money to share capital for the amount due on allotment of shares @ ₹ – per share)

3. **Money Refunded on Rejected Applications**
Share App. and Allotment A/c Dr.
To Bank A/c [No. of share Rejected × App. money per share]
(Application money returned on the rejected application for….share)

4. **Receipt of Balance Allotment money**
Bank A/c Dr.
To Share Application and Allotment A/c
(Balance of Allotment money received)

Calls on Share: Two points are important regarding the Calls on shares.

1. The call amount should not exceed 25% of the face value of shares.
2. There must be an internal dynamics of keeping at least some months between the making of two calls unless otherwise provided by the Articles of Association of the company.

Accounting Treatment:

1. Call Amount Due
Share Call A/c Dr.
To Share Capital A/c (No. of shares × Call Amount per share)
(Call money due on – Shares @ ₹ – per share)

2. **Receipt of Call Amount**
Bank A/c Dr.
To Share Call A/c
(Call money received)
Note: The name of the call viz. First, the second and final call is added between the words 'share' and 'call' in the entry depending upon the identity of the call made.

Issue of Shares at Premium
When a company issues a share at a price which is above the face value, it is said to be shares issue at premium. For example, if a share of the face value of ₹10 is issued at ₹12, ₹ 2 will be premium on share. The premium on issue of shares is a capital profit and not a revenue profit and as such, must be credited to a separate account called 'Securities Premium Reserve Account'. It must be shown separately in the Balance Sheet on the Equity and Liabilities side under the head 'Reserves and Surplus'.
Under Companies Act,2013 the amount of the securities premium reserve may be used only for the following purposes:
(a) In writing off the preliminary expenses of the company.
(b) For issuing fully paid bonus shares to the shareholder of the company.
(c) For buy-back of its own shares and other securities
(d) For writing off the expenses, commission or discount allowed on issue of shares or debentures of the company.
(e) For providing the premium payable on redemption of redeemable preference shares or debentures of the company.

Accounting Entries for the amount of securities Securities premium:
The amount of securities premium may be charged by the company on application nor on allotment or even with the

calls. Following entries will be passed, if the amount of premium is received alongwith application money:

(1) Bank A/c Dr.
To Share Application A/c
(Application Money received including premium)

(2) Share Application A/c Dr.
To Share Capital A/c
To Securities Premium Reserve A/c

(Application money transferred to Share Capital Account and Securities Premium A/c)

If the amount of securities premium is received alongwith allotment money, the following entries will be passed:

(1) Share Allotment A/c Dr.
To Share Capital A/c
To Securities Premium A/c
(Allotment money due, including securities premium)

(2) When allotment is received:
Bank A/c Dr.
To Share Allotment A/c
(Allotment Money received, including securities premium)

Note:

When nothing is mentioned in the question regarding when is securities premium received, it is assumed that the securities premium is due along with allotment money.

Issue of Shares at Discount

When a share is issued at a price that is less than its face value, it is said that it has been issued at a discount. As per Section 53 of the Companies Act, 2013, Companies would no longer be permitted to issue shares at a discount. The only shares that could be issued at discount are sweat equity shares wherein shares are issued to employees or directors in lieu of their services under Section 54 of 2013 Act.

Calls-in-Arrears: When any shareholder fails to pay the amount due on allotment or on any of the calls, such amount is known as 'Calls- in-Arrears / Unpaid Calls'.

Call in Arrears amount shows the debit balance and the same is shown as a deduction from the paid-up capital on the liabilities side of the Balance sheet.

Accounting Treatment:

Calls-in-Arrears A/c Dr.
To Share Allotment A/c
To Share Call/Calls A/c
(Calls in Arrears brought into account)

The Articles of Association of a company usually empower the directors to charge interest at a stipulated rate on calls in arrears. In case the Articles are silent in this regard, the rule contained in Table A shall be applicable, which states that the interest at a rate not exceeding 10% p.a. shall have to be paid on all unpaid amounts on shares for the period intervening between the day fixed for payment and the time of actual payment thereon. On receipt of the call amount together with interest.

Bank A/c Dr.
To Calls-in-Arrears A/c
To Interest A/c

Calls-in- Advance:

Sometimes some shareholders pay a part or whole of the amount on the calls not yet made. Such amount received in advance from the shareholders is known as "Calls in Advance". It may also happen in the case of partial allotment of shares when the full amount of application money paid is not adjusted to the allotment. The amount received will be adjusted towards the payment of calls as and when it becomes due. The amount received as calls in advance is a debt of the company. It is liable to pay interest on calls in advance from the date of receipt till the date when the call is due for payment. Generally, the articles of the company specify the rate at which interest is payable on calls in advance. However, if the articles do not contain such rate, Companies Act,2013 shall be applicable which leaves the matter to the Board of Directors subject to a maximum rate of 12%p.a. It is to be noted as interest on calls in advance is a charge against profits of the company, so interest on calls in advance is payable even if there are no profits. No dividend is payable on calls in advance since the amount of calls in advance is not a part of share capital.

Accounting Treatment:

A separate call in advance A/c is opened for its accounting treatment and the following entry will pass:

Bank A/c Dr.
To Call-in-Advance A/c
(Amount received on Call-in-Advance)

When call becomes actually due requiring adjustment of Call-in-Advance A/c:

Calls-in-Advance A/c Dr.
To Particular Call A/c [Call Amount due]
(Calls-in-advance adjusted with the call money due)

The credit balance of Calls-in-Advance A/c is shown separately on the liabilities side of the balance sheet under the heading 'Share Capital' but is not added to the amount of Paid Up Capital.

As calls in advance are a liability to the company and it is under an obligation if provided by the Articles of Association, to pay interest on such amount. In case, the articles are silent then Table 'F' shall be applicable, which leaves the matter to the Board of Directors subject to maximum rate of 12% p.a..

Oversubscription:

When Shares are issued to the public for subscription through the prospectus by well-managed and financially strong companies, it may happen that applications for more shares are received than the number of shares offered to the public, such a situation is said to be a case of oversubscription.

Alternative:

1. They can accept some applications in full and totally reject the others.
2. They can make a pro-rata distribution.

3. They can adopt a combination of the above two alternatives.

Accounting Treatment:

1. If the excess applicants are totally refused for allotment, the application money received on these share's refunded.

(i) Bank A/c Dr.
To Share Application A/c (No. of Application Received × Application money per share
(Money received on application for __ shares @ ₹ – per share)

(ii) Share Application A/c Dr. (Number of Applications received × Application money per share)
To Share Capital A/c (Number of shares allotted × Application money per share)
To Bank A/c (Number of shares rejected × Application money per share)
(Transfer of money on the application for Share allotted and money refunded on the application for Share rejected)

2. If the applicants are made partial allotment (or pro-rata allotment):
The directors can as well opt to make a proportionate distribution of shares available for allotment among the applicants of shares. The proportion is determined by the ratio which the number of shares to be allotted to bear to the number of shares applied for. This is called 'pro-rata allotment'.
Generally, excess application money received on these shares is adjusted towards the amount due on allotment or call.

(i) Bank A/c Dr.
To Share Application A/c (No. of Application Received × Application money per share
(Money received on application for __ shares @ ₹ – per share)

(ii) Share Application A/c Dr. (Application money received)
To Share Capital A/c (Number of shares allotted × Application money per share)
To Share Allotment A/c (Excess Application Money)
(Transfer of application money to share capital and excess application money credited to share allotment.)

(iii) Share Allotment A/c Dr.
To Share Capital A/c (Number of shares allotted × Allotment money per share)
(Amount due on the Allotment of – Share @ ₹– Per Share)

(iv) Bank A/c Dr.
To Share Allotment A/c (Amount per share due – Excess Application Money)
(Allotment money received after adjusting the amount already received as excess application money)

Under Subscription:
In case applications for a lesser number of Shares have been received than that for which they have been invited by the company, it is called Under Subscription of shares. When an issue of shares is undersubscribed, the company can proceed with the allotment of shares, provided a minimum subscription is raised.

Issue of Shares for Consideration other than cash:

(1) Issue of Shares to Promoters : Promoters of the company may be issued shares in the company for services rendered by them. The entry will be :
Incorporation Costs or Formation Exp. A/c Dr.
To Share Capital A/c
(Share issue to Promoters)

(2) Issue of Shares for Purchase of Assets :
If a company purchases some assets from vendors, in exchange it can issue fully paid shares to them whereby the latter agrees to accepts it. Thus, no cash is received for the issue of shares. These shares can also be issued either at par, at a premium. The number of shares to be issued will depend on the price at which shares are issued and the amount payable to the vendor. To find out the number of shares to be issued to the vendor will be calculated as follows:

No. of Shares to be issued = $\frac{Amount\ payable}{Issue\ price}$

(a) On purchase of assets:
Assets A/c Dr.
To Vendor's A/c
(Assets Purchased)

(b) Shares can be issued to vendors in any manner out of the following:

1. **At Par:**
Vendor's A/c Dr.
To Share Capital A/c
2. **At Premium:**
Vendor's A/c Dr.
To Share Capital A/c
To Securities Premium A/c

Forfeiture of Shares:
If a shareholder fails to pay allotment money or call money on his share as called upon by the company, his shares may be forfeited by giving due notice and following the procedure specified in the Articles of Association in this behalf. This is known as forfeiture of shares.
To forfeit a share means to cancel the allotment to the defaulting shareholders and to treat the amount already received thereon as forfeited to the company.

Accounting Treatment:

1. **Forfeiture of Shares issued at par**
Share Capital A/c Dr. (Amount called up)
To Share Forfeiture A/c (Amount paid)
To Share Allotment A/c
and/or To Share Calls A/c (Amount unpaid)
Note: In case 'Calls-in-Arrears' A /c is maintained by a company, 'Call-in-Arrears' A/c would be credited in the

above instead of 'Share Allotment' and/or 'Share Call or Calls' A/c.

The balance on the Share Forfeited A/c is shown in addition to the total paid capital of the company under the heading 'Share Capital' on the liabilities side of the Balance Sheet till the forfeited shares are reissued.

2. Forfeiture of Shares issued at a Premium:

(a) If Premium has not been paid by the Shareholders:
Share Capital A/c Dr. (Amount Called up Premium)
Securities Premium A/c Dr. (Premium amount)
To Share Allotment A/c (Amount unpaid)
To Share Call/Calls A/c (Amount unpaid)
To Share Forfeiture A/c (Amount paid)
(For Share forfeited)

(b) If Premium has been paid by the shareholder:
Share Capital A/c Dr. (Amount Called up Premium)
To Share Allotment A/c Dr. (Premium amount)
To Share Call/Calls A/c (Amount unpaid)
To Share Forfeiture A/c (Amount paid)
(For Share forfeited)

Re-Tissue of Forfeited Share:

The director of a company has the authority to re-issue the shares once forfeited. These forfeited shares are reissued at par, at a premium, or at a discount, the amount of the discount does not exceed the amount paid on such shares by the original shareholder but in case of shares originally issued at discount, the maximum permissible discount will be the amount paid on such shares by the original shareholder plus the amount of original discount.

Accounting Treatment:

1. For Forfeited Shares reissued at Par:
Bank A/c Dr.
To Share Capital A/c

2. For Forfeited Shares reissued at Premium:
Bank A/c Dr.
To Share Capital A/c
To Securities Premium A/c

3. For forfeited shares issued at discount
Bank A/c Dr.
Share Forfeiture A/c Dr.
To Share Capital A/c

Transfer:
When all forfeited shares have been reissued, the credit balance left on the Share Forfeiture A/c is transferred to Capital Reserve A/c
Share Forfeiture A/c Dr.
To Capital Reserve A/c

Note: It should be clearly understood that of all the forfeited shares are not re-issued, only that proportion of share forfeiture account which belongs to the re-issued shares should only be transferred to Capital Reserve Account.

Buy-Back of Shares:

A company may buy its own shares from the market. This is called 'buyback of shares'. Section 68(i) of the Companies Act, 2013 provides such a facility to the companies and can buy its own shares from either of the following:

1. Existing equity shareholders on a proportionate basis
2. Open Market
3. Odd lot shareholders
4. Employees of the company.

Buyback of its own shares may be made out of:

1. Free reserve of the company
2. From the proceeds of all earlier issues.
3. From Securities Premium A/c.

Solved Examples

Q1. Radha Ltd. invited applications for 30,000 shares of ₹ 10 each. Payments were to be made as follows –– ₹3 on Application; ₹3 on Allotment; ₹2 on First call and ₹2 on Final call.
All the shares were applied. You are required to prepare Journal Entries and assuming that all sums due on Allotment and Calls have been received. Share Issue expenses amounted to ₹8,000. 4,000 fully paid shares were also issued to promoters for their services.

Solution: **JOURNAL ENTRIES**

Date	*Particulars*		*L.F.*	*Dr. (₹)*	*Cr. (₹)*
	Bank A/c	Dr.		90,000	
	To Equity Share Application A/c				90,000
	(Money received on application for 30,000 shares @ ₹3 per share)				
	Equity Share Application A/c	Dr.		90,000	
	To Equity Share Capital A/c				90,000
	(Transfer of application money to Share Capital A/c)				
	Equity Share Allotment A/c	Dr.		90,000	
	To Equity Share Capital A/c				90,000
	(Allotment money due on 30,000 shares @ ₹3 per share)				
	Bank A/c	Dr.		90,000	
	To Equity Share Allotment A/c				90,000

	(Allotment money received)			
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call due on 30,000 shares @ ₹2 per share))		60,000	 60,000
	Bank A/c Dr. To Equity Share First Call A/c (Amount received on first call)		60,000	 60,000
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final call due on 30,000 Shares @ ₹2 per share)		60,000	 60,000
	Bank A/c Dr. To Equity Share Final Call A/c (Amount received on final call)		60,000	 60,000
	Share Issue Expenses A/c Dr. To Bank A/c (Expenses incurred on issue of shares)		8,000	 8,000
	Incorporation Costs A/c Dr. To Equity Share Capital A/c (Full paid shares issued to promoters for their services)		40,000	 40,000

Q2. Gandhi Textiles Ltd. was registered with an authorised capital of ₹50,00,000 divided in 5,00,000 equity shares of ₹ 10 each. Company issued 2,00,000 equity shares at a premium of ₹3 per share, payable as follows: ₹4 on Application; ₹5 on Allotment (including premium); ₹2 on First Call and ₹2 on Second and Final call.

All shares were subscribed and all the money was duly received. Share issue expenses amounted to ₹75,000 which were fully written off against Securities Premium.

Prepare necessary Journal Entries.

Solution:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Money received on application)		8,00,000	 8,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application money transferred to Share Capital A/c)		8,00,000	 8,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment, including premium due)		10,00,000	 4,00,000 6,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received including premium)		10,00,000	 10,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Money due on first call)		4,00,000	 4,00,000
	Bank A/c Dr. To Equity Share First Call A/c (Money due on second & final call)		4,00,000	 4,00,000
	Bank A/c Dr. To Equity Share Second & Final Call A/c (Money received on second & final call)		4,00,000	 4,00,000
	Share Issue Expenses A/c Dr. To Bank A/c (Expenses incurred on issue of shares)		75,000	 75,000
	Securities Premium Reserve A/c Dr. To Share Issue Expenses A/c		75,000	 75,000

	(Share issue expenses written off against Securities Premium Reserve A/c)			

Q3. X Ltd. purchased the business *Y* Ltd. for ₹9,00,000 payable in fully paid shares of ₹10 each. What entries will be made in the books of *X* Ltd. if such issue is : (*i*) at par, and (*ii*) at a premium of 25%.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		9,00,000	
	To *Y* Ltd.			9,00,000
	(Purchase of business of *Y* Ltd.)			
(i)	***When shares are issued at par:***			
	Y Ltd. Dr.		9,00,00	
	To Share Capital A/c			9,00,000
	(Issue of 90,000 fully paid shares of ₹10 each to the Vendors)			
(ii)	***When shares are issued at premium:***			
	Y Ltd. Dr.		9,00,000	
	To Share Capital A/c			7,20,000
	To Securities Premium Reserve A/c			1,80,000
	(Issue of 72,000 fully paid shares of ₹10 each at a Premium of 25% calculated as follows: $\frac{9,00,000}{12.50}$ = 72,000 Shares			

Q4. A company issued 50,000 equity shares of ₹ 10 each at par payable as under:
On application ₹2; on allotment ₹1; on first call ₹3 and on final call ₹4 per share (four months after first call).
Amount due on application and allotment was duly received. One shareholder holding 1,000 shares could not pay the first call money in time. Another shareholder holding 2,000 shares paid the final call money alongwith the first call money.
Final call was made. All the shareholders paid in full. First call arrear on 1,000 shares were also received at the time of final call.
Make entries in the company's journal for transactions relating to first call and final call.

Solutions:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share First Call A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(First call due on 50,000 shares @ ₹3 per share)			
	Bank A/c Dr.		1,55,000	
	To Equity Share First Call A/c			1,47,000
	To Calls in Advance A/c (2,000 × ₹4)			8,000
	Alternatively:			
	Bank A/c Dr.		1,55,000	
	Calls-in-Arrears A/c (1,000 × ₹3) Dr.		3,000	
	To Equity Share First Call A/c			1,50,000
	To Calls in Advance A/c (2,000 × ₹4)			8,000
	(First call money received except on 1,000 shares and final call received in advance on 2,000 shares)			
	Equity Share Final Call A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Final call due on 50,000 shares @ ₹4 per share)			
	Bank A/c Dr.		1,92,000	
	Calls in Advance A/c Dr.		8,000	
	To Equity Share Final Call A/c			2,00,000
	(Final Call money received after adjusting calls in advance)			
	Bank A/c Dr.		3,000	
	To Calls-in-Arrears A/c (or Equity Share First Call A/c)			3,000
	(Calls in arrears received)			

Q5. Lakhan Ltd. issued ₹ 10,00,000 new capital divided into ₹ 100 shares at a premium of ₹ 20 per share, payable as under:

On Application -₹10 per share

On Allotment -₹40 per share (including premium of ₹10 per share)

On First and Final Call Balance

Over-payments on application were to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full.

The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letters of regret and application money was returned to them.

All the money due was duly received.

Give Journal Entries to record the above transactions (including cash transactions) in the books of the company.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (23,000 × ₹10) (Application money received for 10,000 + 13,000 = 23,000 shares @ ₹10 per shares)		2,30,000	 2,30,000
	Share Application A/c Dr. To Share Capital A/c (10,000 × ₹10) To Share Allotment A/c (2,000 × ₹40) To Calls in Advance A/c (₹1,00,000 – ₹80,000)(1) To Bank A/c (3,000 × ₹10) (Application money adjusted)		2,30,000	 1,00,000 80,000 20,000 30,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment money due on 10,000 shares)		4,00,000	 3,00,000 1,00,000
	Bank A/c Dr. To Share Allotment A/c (Allotment money received)		3,20,000	 3,20,000
	Share First and Final Call A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c(2) (First and final call due on 10,000 shares including the remaining premium of ₹10)		7,00,000	 6,00,000 1,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Share First and Final Call A/c (Call money received)		6,80,000 20,000	 7,00,000

Working Notes:

(1) Applicants for 12,000 shares have been allotted 2,000 shares.

	₹
Hence excess application money received on 10,000 shares @ ₹10 per share	1,00,000
Less: Amount adjusted on Allotment on 2,000 shares @ ₹40 per share	80,000
Balance	20,000

This amount of ₹20,000 will be transferred to Calls in Advance A/c, as it will be adjusted on future calls.

(2) Out of premium of ₹ 20, ₹10 are due on allotment.
Remaining ₹10 will be assumed to be due on first and final call.

Q6. A company offered 1,00,000 shares of ₹10 each payable as ₹3 on application, ₹2.50 on allotment, ₹2.50 on 1st call and ₹2 on the final call.

The public applied for 1,52,000 shares. The shares were allotted on a pro-rata basis to the applicants of 1,50,000 shares. All shareholders paid the allotment money excepting one shareholder who was allotted 200 shares. These shares were forfeited. The first call was made thereafter. The forfeited shares were re-issued @ ₹9 per share ₹8 paid up. The final call was not yet made.

You are required to pass journal entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		4,56,000	

		To Share Application A/c (Application money received on 1,52,000 shares @ ₹3 per share)			4,56,000
		Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Application money adjusted)		4,56,000	 3,00,000 1,50,000 6,000
		Share Allotment A/c Dr. To Share Capital A/c (Allotment money due on 1,00,000 shares @ ₹2.50)		2,50,000	 2,50,000
		Bank A/c Dr. To Share Allotment A/c (Allotment money received on 99,800 shares)		99,800	 99,800
		Share Capital A/c (200 × ₹ 5.50) Dr. To Share Allotment A/c To Share Forfeiture A/c (Forfeiture of 200 shares for non-payment of allotment money)		1,100	 200 900
		Share First Call A/c Dr. To Share Capital A/c (First call money due on 99,800 shares @ ₹2.50)		2,49,500	 2,49,500
		Bank A/c Dr. To Share First Call A/c (First call money received on 99,800 shares @₹2.50)		2,49,500	 2,49,500
		Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Re-issue of 200 shares @₹9 per share; ₹8 paid up)		1,800	 1,600 200
		Share Forfeiture A/c Dr. To Capital Reserve A/c (Transfer of profit on reissue)		900	 900

Working Notes:

(i) Excess amount received from the holder of 200 shares on application:

The shareholder who has been allotted 200 shares must have applied for more shares.

If shares allotted were 1,00,000, shares applied for were = 1,50,000

∴ If shares allotted were 200, shares applied for were = $\frac{1,50,000}{1,00,000} \times 200 = 300$ Shares

Excess application money received from him:

300 shares – 200 shares = 100 shares × ₹3 = ₹300

	₹
(ii) Amount due on allotment on these shares = 200 shares × ₹ 2.50	= 500
Less: Excess received on these shares on application	= 300
Amount not received on allotment	200

(iii) Amount received on allotment:

Total amount due on allotment = 1,00,000 shares × ₹2.50	= 2,50,000
Les: Excess received on application	= 1,50,000
	1,00,000
Less: Amount not received on allotment	200
Net amount received on allotment in cash	99,800

QUESTIONS FOR PRACTICE

MCQ

1. Own shares purchased by a company with a view to reduce its capital is called
(a) sale (b) purchase
(c) buy-back (d) private placement

2. Which kind of preference share entitles its holders to receive arrear of dividends of previous years?
(a) Cumulative preference share
(b) Non-cumulative preference share
(c) Convertible preference share
(d) Non-convertible dividend share

3. The balance of share forfeiture account can be used to
(a) provide for discount given at the time of reissue
(b) write-off preliminary expenses
(c) write-off bad debts
(d) None of the above

4. If company wants to calculate amount forfeited on reissued shares, then which amongst the given formula will be used?
(a) $\frac{\text{Total Amount Forfeited}}{\text{Number of Share Forfeited}}$
(b) $\frac{\text{Total Amount Forfeited}}{\text{Number of Shares}}$
(c) $\frac{\text{Number of Share Forfeited}}{\text{Total Amount Forfeited}} \times \text{Share Re} - \text{issues}$
(d) $\frac{\text{Total Amount Forfeited}}{\text{Number of Share Forfeited}} \times \text{Number of Share Re-issued}$

5. Singh who was allotted 200 equity share of ₹20 each by a company, failed to pay ₹8 each on final call. Shares were re-issued to Kumar at ₹ 20 each. What will be the journal entry on re-issue?

(a)	Bank A/c Dr	4,000
	To Equity Share Capital A/c	4,000
(b)	Equity Share Capital A/c Dr	4,000
	To Bank A/c	4,000
(c)	Bank A/c Dr	4,000
	To Share Forfeiture A/c	4,000
(d)	Share Forfeiture A/c Dr	4,000
	To Bank A/c	4,000

6. A company issued 25,000 shares and received applications for 35,000 shares. Company wants to allot shares to everyone who has applied. What will be the ratio for allotment?
(a) 6 : 7 (b) 7 : 5
(c) 5 : 7 (d) 7 : 6

7. A company issued 10,000 shares of ₹10 each. Amount is payable as ₹2 on application, ₹5 on allotment and ₹3 on first and final call. A shareholder who had 1,000 shares failed to pay allotment and first call amount on due date. After a month, he paid the due amount. What will be the amount received by company against issue of shares?
(a) ₹92,000 (b) ₹90,000
(c) ₹1,00,000 (d) ₹8,000

8. Nominal share capital is
(a) that part of the authorised capital which is issued by the company
(b) the amount of capital which is actually applied for by the prospective shareholders
(c) the maximum amount of share capital which a company is authorised to issue
(d) the amount actually paid by the shareholders

9. Money received in advance from shareholders before it is actually called-up by the directors is
(a) debited to calls-in-advance account
(b) credited to calls-in-advance account
(c) debited to calls account
(d) None of the above

10. Amox Ltd. is registered with a capital of 10,00,000 equity shares of ₹10 each. 6,00,000 equity shares were offered for subscription to public. Applications were received for 6,00,000 shares. All calls were made and amount was duly received except final call of ₹2 on 80,000 shares. What will be the amount of share capital shown in the balance sheet?
(a) ₹60,00,000 (b) ₹58,40,000
(c) ₹5,84,000 (d) ₹6,00,000

11. Which amongst the following have the voting rights in the company?
(a) Equity shares
(b) Redeemable preference shares
(c) Participatory preference shares
(d) None of the above

12. Total capital specified in capital clause is ₹50,00,000 which is divided in 35,000 equity shares of ₹ 100 each and 15,000, 10% preference shares of ₹100 each. The company issued 10,000 equity shares and 5,000 preference shares. The public subscribed for 9,000 equity shares and 4,500 preference shares out of the issued shares. What will be the subscribed capital amount?
(a) ₹50,00,000 (b) ₹50,000
(c) ₹9,00,000 (d) ₹13,50,000

13. Issued 10,000 shares of ₹ 100 each to the Narayan Ltd. @10% premium and paid ₹2,00,000 in cash for a consideration of running business purchased. Journalise this transaction.

(a)	Narayan Ltd.	Dr 13,00,000
	To Share Capital A/c	10,00,000
	To Securities Premium Reserve A/c	1,00,000
	To Cash A/c	2,00,000
(b)	Narayan Ltd.	Dr 13,00,00
	To Share Capital A/c	13,00,000

(c) Narayan Ltd. Dr 13,00,000
To Cash A/c 13,00,000
(d) Share Capital Dr. 10,00,000
Securities Premium Reserve A/c Dr 1,00,000
Cash A/c Dr 2,00,000
To Narayan Ltd. 13,00,000

14. Akash Ltd. registered capital is ₹50,00,000 in shares of ₹10 each. The company issued 2,00,000 of such shares, payable @ ₹ 3 per share on allotment. What will be the amount due on allotment, if shareholder holding 20,000 shares paid all call money at the time of allotment only?
(a) ₹4,00,000 (b) ₹6,00,000
(c) ₹60,000 (d) ₹1,50,000

15. The subscribed share capital of XYZ Ltd. is ₹80,00,000 divided in shares of ₹ 100 each. There were no calls-in-arrears till the final call was made. The final call was paid on 77,500 shares. The calls-in-arrears amounted to ₹ 62,500. Calculate the final call per share.
(a) ₹20 (b) ₹30
(c) ₹25 (d) ₹35

16. A company in which there is only one member is called
(a) One Member Company
(b) One Person Company
(c) Single Company
(d) Individual Company

17. Shares for consideration other than cash can be issued at
(a) par (b) premium
(c) discount (d) Both (a) and (b)

18. Neton Ltd. has in its memorandum of association, capital clause stating that it is formed with 75,000 equity shares of ₹100 each. The company has issued the entire shares and the public has also subscribed and paid-up for the full amount on application itself. What will be the subscribed capital?
(a) ₹75,00,000 (b) ₹10,00,000
(c) ₹1,00,000 (d) ₹7,50,000

19. Shareholders receive....... from the company as a benefit against their investment.
(a) interest (b) commission
(c) profit (d) dividend

20. If the purchase consideration is more than net worth, then which account will be debited for the difference amount?
(a) Capital Reserve A/c (b) Asset A/c
(c) Goodwill A/c (d) Vendor A/c

SUBJECTIVE QUESTIONS

1. 'India Auto Ltd.' is registered with an authorised capital of ₹7,00,00,000 divided into 7,00,000 shares of ₹100 each. The company issued 50,000 shares to the vendor for building purchased and 2,00,000 shares were issued to the public. The amount was payable as follows:
On application and allotment — ₹20 per share
On first call — ₹50 per share
On second and final call — The balance
All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.
Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

2. On 1st April, 2016, Vishwas Ltd. was formed with an authorised capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹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, ₹8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of ₹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 ₹6 per share, ₹8 called up.
Show the following:
(a) Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.
(b) Also prepare 'Notes to Accounts' for the same.

3. 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 Schedule III Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to Accounts' for the same.

4. Disha Ltd. purchased machinery from Nisha Ltd. and paid to Nisha Ltd. as follows:
(i) By issuing 10,000, equity shares of ₹10 each at a premium of 10%.
(ii) By issuing 200, 9% debentures of ₹100 each at a discount of 10%.
(iii) Balance by accepting a bill of exchange of ₹50,000 payable after one month.

Pass necessary journal entries in the books of Disha Ltd. for the purchase of machinery and making payment to Nisha Ltd.

5. Rose Ltd. issued 25,000 shares of ₹10 each credited as fully paid to the promoters for their services. It also issued 15,000 shares of ₹10 each credited as fully paid to the underwriters for their commission. Give Journal entries.

6. K Ltd. took over the assets of ₹15,00,000 and liabilities of ₹5,00,000 of P Ltd. for a purchase consideration of ₹ 13,68,500. ₹25,500 were paid by issuing a promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹100 each at a premium of 25%.
Pass necessary journal entries for the above transactions in the books of K Ltd.

7. Pass necessary journal entries for the following transactions in the books of Gopal Ltd.:
(i) Purchased furniture for ₹2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of ₹ 10 each at a premium of 25%.
(ii) Purchased a running business from Annan Ltd. for a sum of ₹15,00,000. The payment of ₹12,00,000 was made by issue of fully paid equity shares of ₹10 each and balance by a bank draft. The assets and liabilities consisted of the following:
Plant ₹3,50,000; Stock ₹4,50,000; Land and Building ₹6,00,000; Sundry Creditors ₹1,00,000

8. MCS Ltd issued 40,000 shares of ₹ 10 each payable at ₹2 on application, ₹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 up to allotment only.

9. JCV Ltd. forfeited 200 shares of ₹10 each issued at a premium of ₹2 per share for the non-payment allotment of ₹3 per share (including premium). The first and final call of ₹4 per share has not been made yet. 50% of forfeited shares were reissued at ₹8 per share fully paid-up. Pass necessary journal entries for the forfeiture and reissue of shares.

10. The Directors of a Company forfeited 500 shares of ₹10 each issued at a premium of ₹3 per share, for the non-payment of the first call money of ₹3 per share. The final call of ₹2 per share has not been made. Half the forfeited shares were reissued at ₹2,500 fully paid. Record the journal entries for the forfeiture and reissue of shares.

HOMEWORK

MCQ

1. Reserve share capital means:
(a) Part of authorised capital to be called at the beginning
(b) Portion of uncalled capital to be called only at liquidation
(c) Over subscribed capital
(d) Under subscribed capital

2. Company can utilise securities premium for:
(a) Writing off loss incurred on revaluation of asset
(b) Issuing fully paid bonus shares
(c) Paying dividend
(d) Writing off trading loss

3. When a company issues fully paid shares to promoters for their services, the journal entry will be:
(a) Bank A/c Dr.
To Share Capital A/c
(b) Good will A/c Dr.
To Share Capital A/c
(c) Promoters Personal A/c Dr.
To Share Capital A/c
(d) Promotion Expenses A/c Dr.
To Share Capital A/c

4. Shares may be issued:
(a) At par value (b) At Premium
(c) At Discount (d) Both (a) & (b)

5. An issue of shares which is not a public issue but offered to a selected group of persons is called :
(a) Public offer
(b) Private placement of shares
(c) Initial public offer
(d) None of these

6. J. Ltd. re-issue 2,000 shares which where forfeited by crediting share forfeiture account by ₹3,000. These shares were re-issued at ₹9 per share. The amount transferred to capital reserve will be :
(a) ₹3,000 (b) ₹2,000
(c) ₹1000 (d) Nil

7. If a share of ₹10 on which ₹8 has been paid up is forfeited, it can be reissued at the minimum price of.......?
(a) ₹10 per share (b) ₹8 per share
(c) ₹5 per share (d) ₹2 per share

8. Right shares are the shares, which:
(a) Are issued to the Directors of the company
(b) Are issued to existing shareholders of the company
(c) Are issued to promoters in consideration of their services

(d) Are issued to the vendors for purchasing assets

9. As per the Companies Act, only preference shares, which are redeemable within ………… can be issued.
(a) 25 years (b) 10 years
(c) 30 years (d) 20 years

10. If vendors are issued fully paid shares of ₹1,00,000 in consideration of net assets of ₹1,20,000 the balance of ₹ 20,000 will be credited to :
(a) Goodwill Account (b) Capital Reserve Account
(c) Vendor's Account (d) Profit & Loss Account

11. A Ltd. purchased a machinery for ₹1,80,000 for which it is paying by issue of shares of ₹100 each at 20% premium. How many shares will be issued as consideration?
(a) 2,500 (b) 2,000
(c) 1,500 (d) 3,000

12. A company is registered with a share capital of ₹1,00,000 divided into ₹10,000 shares of ₹ 10 each. Of these shares 9,990 shares are held by Rajeev and 10 Shares are held by Sanjay. In the eye of law it is treated as:
(a) Partnership (b) Private Company
(c) Public Company (d) Government Company

13. A company issued 6,000 shares of ₹10 each money to be called up:-On application ₹3, on allotment ₹3, on first call ₹2 and remaining on second call. On allotment one shareholders having 100 shares paid full amount . What is the amount collected on allotment ?
(a) ₹18,000 (b) ₹12,000
(c) ₹18,400 (d) ₹18,600

14. Forfeiture of shares results in reduction of ____.
(a) Authorised capital (b) Issued Capital
(c) Paid up capital (d) None of these

15. On 1.1.2016 the first call of ₹3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan a holder of 500 shares did not pay the first call money. Arjun a shareholder holding 1000 shares paid the second and final call of ₹ 5 per share along with the first call. Find the amount which is received on First call ?
(a) ₹3,00,000 (b) ₹3,05,000
(c) ₹3,03,500 (d) ₹2,98,500

16. Ridhi Ltd. issued 1,00,000 equity shares of ₹10 each. The amount was payable as follows:
On application -₹ 3 per share.
On allotment -₹ 4 per share.
On 1st and final call- balance.
Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was:
(a) ₹ 3,80,000 (b) ₹ 3,78,000
(c) ₹ 3,80,250 (d) ₹ 4,00,250

17. Application money never is less than __ of face value.
(a) 5% (b) 10%
(c) 25% (d) 100%

18. Kailash Ltd. Purchased a running business from Rohan Ltd. for a sum of ₹ 4,00,000 payable by issue of 36,000 equity shares of ₹10 each at par and the balance by acceptance of a Bill payable . The assets and liabilities taken over were:
Stock- ₹45,000 ; Machinery- ₹1,25,000 ; Furniture - ₹52,000 ; Building ₹2,00,000; Sundry Debtors ₹28,000 and Sundry Creditors ₹20,000.Find the amount to be transferred to Capital reserve.
(a) ₹40,000 (b) ₹30,000
(c) ₹50,000 (d) ₹25,000

19. Harshit Ltd. forfeited 3,000 equity shares of ₹100 each for non payment of first call of ₹20 and second and final call of ₹25 per share. These shares were issued at ₹50 per share full paid up . What amount will be transferred to capital reserve?
(a) ₹20,000 (b) ₹15,000
(c) ₹10,000 (d) ₹30,000

20. Gandhi Ltd invited applications for issuing 5,000 Equity shares of ₹ 100 each at a premium of ₹50 per share. The amount was payable as follows;
On Application- ₹50
On Allotment -₹100(including premium)
Applications were received for 6,000 shares. Applications for 500 shares were rejected and their money was returned and remaining shares were allotted on pro rata basis. One shares who had applied 1100 shares failed to pay allotment money and his shares were forfeited by company. Calculate the amount received by company on allotment.
(a) ₹3,80,000 (b) ₹4,90,000
(c) ₹4,10,000 (d) ₹4,00,000

21. Udit Ltd. issued 20,000 shares of ₹10 each at a premium of 5%. The amount was payable as follows:
₹2.50 per share on application
₹4.00 per share on allotment
₹4.00 per share on first and final call (including premium)
Applications were received for 45,000 shares. Allotment was made as follows :
List A: Applications for 5,000 shares were allotted in full.
List B: Applications for 10,000 shares were allotted 5,000 shares on pro-rata basis.
List C: Applications for 30,000 shares were allotted 10,000 shares on pro-rata basis.
Application money in excess of that required on allotment could be utilised for calls.
All the shareholders paid the amounts due on allotment and first and final call, except Mr. N (who was allotted 300 shares under List-B) and Mr. K(who was allotted 300 shares under List-C). Both of these shareholders paid only the application money. Calculate the amount received on allotment.

(a) ₹31,940 (b) ₹27,050
(c) ₹29,550 (d) ₹27,450

22. PQ Ltd. invited applications for 1,00,000 equity shares of ₹10 each . The amount was payable as follows:
On Application ₹3 per share.
On Allotment ₹4 per share.
On First and Final call ₹3 share.
Applications for 1,40,000 shares were received and pro-rata allotment was made as follows:
Applicants for 60,000 shares were allotted 30,000 shares on pro-rata basis.
Applicants for 80,000 shares were allotted 70,000 shares on pro-rata basis.
Raman to whom 1,000 shares were allotted out of group applying for 60,000 shares failed to pay allotment money. His shares were forfeited immediately after allotment. Teena who applied for 1,600 shares out of group applying for 80,000 shares failed to pay the first and final call. Her shares were also forfeited. Calculate the amount received on first and final call.
(a) ₹2,92,800 (b) ₹2,97,000
(c) ₹2,95,800 (d) ₹2,92,200

23. Akhil Ltd. forfeited the following shares of ₹10 face value after the final call was made:
100 shares held by Amit who paid ₹4(Application and Allotment money).
300 shares held by Radha who paid ₹7(Application, Allotment and First call).
200 shares were later reissued for ₹9 per share, including all shares of Amit.
Calculate the amount to be transferred to Capital reserve.
(a) ₹500 (b) ₹1,000
(c) ₹700 (d) ₹900

24. Varsha Ltd. forfeited 200 equity shares of ₹100 each ₹80 called up on which application and allotment money ₹50 per share were received from the shareholders. Out of these 100 shares were reissued as ₹80 per share paid up for ₹90 per share. Calculate the amount to be transferred to capital reserve.
(a) ₹10,000 (b) ₹8,000
(c) ₹4,000 (d) ₹9,000

Directions: (Q. No. 25 to 28) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:
(a) Both Assertion (A) and Reason are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R)are true, but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

25. Assertion (A): Equity shares are those shares which are not preference shares.
Reason (R): Equity shares are the least issued class of shares and carries the minimum risks and rewards of the business.

26. Assertion (A): Minimum subscription is the minimum amount which must be subscribed by the public.
Reason (R): Minimum subscription has been fixed at 80% of the issued amount.

27. Assertion (A) Preliminary expenses are not shown in balance sheet.
Reason (R): Preliminary expenses are written-off in the same year.

28. Assertion (A): Calls-in-arrear is the amount which has not been called by the company but has been paid by the shareholders.
Reason (R): Calls-in-arrear will be shown as a deduction from the subscribed but not fully paid up capital.

29. These shares which in addition to the fixed preference dividend, carry a right to participate in the surplus profits, if any, after dividend at a stipulated rate has been paid to the equity shareholders are called
(a) Participating preference shares
(b) Convertible preference shares
(c) Redeemable preference shares
(d) Cumulative preference shares

30. Match the following.

Column-I	**Column-II**
A. Actual number of shares offered to public	(i) Authorised Capital
B. Maximum number of shares above which company cannot issue shares to public	(ii) Issued Capital
C. Number of shares applied by public	(iii) Uncalled Capital
D. The amount which is called at the time of liquidation of company	(iv) Subscribed Capital

Find out the correct option
A B C D
(a) (ii) (i) (iv) (iii)
(b) (i) (ii) (iii) (iv)
(c) (iv)(iii) (ii) (i)
(d) (iii)(iv) (i) (ii)

SUBJECTIVE QUESTIONS

1. P.S. Ltd. forfeited 500 shares of ₹100 each for the non-payment of first call of ₹30 per share. The final call of ₹10 per share was not yet made. The forfeited shares were reissued for ₹65,000 fully paid-up. Pass necessary journal entries in the books of the company.

2. AB Ltd. invited applications for issuing 75,000 equity shares of ₹100 each at a premium of ₹30 per share. The amount was payable as follows:

On Application and Allotment – ₹85 per share (including premium)

On First and Final Call – the balance Amount

Applications for 1,27,500 shares were received. Applications for 27,500 shares were rejected and shares were allotted on pro-rata basis to the remaining applicants. Excess money received on applications and allotment was adjusted towards sums due on first and final call. The calls were made. A shareholder, who applied for 1,000 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at ₹150 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of AB Ltd.

3. Saral Ltd. invited applications for issuing 25,000 equity shares of ₹ 100 each at par. The amount per share was payable as follows :

On Application	:	₹20 per share
On Allotment	:	₹30 per share
On First Call	:	₹25 per share
On Second and Final Call	:	₹25 per share

Applications were received for 24,000 shares and the shares were allotted to all the applicants. All calls were made and were received as follows:

On 18,000 shares	:	Full amount
On 2,000 shares	:	₹ 75 per share
On 2,500 shares	:	₹ 50 per share
On 1,500 shares	:	₹ 20 per share

The company forfeited those shares on which less than ₹ 75 per share were received. The forfeited shares were reissued at ₹ 95 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of the company.

4. Dinesh Ltd. invited applications for issuing 10,000 Equity shares of ₹10 each. The amount was payable as follows:

On Application – ₹1

On Allotment – ₹2

On First Call – ₹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 reissued at ₹9 per share fully paid up. Pass necessary journal entries in the books of Dinesh Ltd.

5. KS Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹6 per Share. The amount was payable as follows:

On Application ₹4 per share (including premium ₹1 per share)

On Allotment ₹ 6 per share (including premium ₹3 per share)

On First and Final Call – Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1,200 shares failed to pay the final call. This shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at ₹8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary journal entries for the above transactions in the books of KS Ltd.

6. Record the Journal entries for forfeiture and reissue in the following cases:

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

(b) Y Ltd. forfeited 180 shares of ₹10 each, ₹8 called up, issued at a premium of ₹2 per share to 'R' for non-payment of allotment money of ₹5 per share (including premium). Out of these, 160 shares were reissued to Sanjay as ₹8 called up for ₹10 per share fully paid up.

7. JJK Ltd. invited applications for issuing 50,000 equity shares of ₹10 each at par. The amount was payable as follows:

On Application	:	₹2 per share
On Allotment	:	₹4 per share

On First and Final Call: Balance Amount

This issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows:

Category	No. of Shares Applied	No. of Shares Allotted
I	80,000	40,000
II	25,000	10,000

Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment. Deepak, a shareholder belonging to Category I, who had applied for 1,000 shares, failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The

forfeited shares of Deepak and Raju were reissued at ₹11 per share fully paid up.
Pass necessary journal entries for the above transactions in the books of the company.

8. Give Journal entries to record the following transactions on forfeiture and reissue of shares and open Share Forfeited Account in the books of the company:
L Ltd. forfeited 470 Equity Shares of ₹10 each issued at premium of ₹5 per share for non-payment of allotment money of ₹8 per share (including share premium ₹5 per share) and the first and final call of ₹5 per share. Out of these 60 Equity Shares were subsequently reissued at ₹14 per share.

9. Petromax Ltd. issued 50,000 shares of ₹10 each at a premium of ₹2 per share payable as ₹3 on a application, ₹5 including premium on allotment and the balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under:
(a) Applicants of 40,000 shares – Allotted 30,000 shares
(b) Applicants of 40,000 shares – Allotted 20,000 shares
(c) Applicants of 12,000 shares –– Nil
Suresh, who had applied for 2,000 shares (Category A) did not pay any money other than application money. Chander, who was allotted 800 shares (Category B) 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. to record the above.

10. Hema Ltd. invited applications for issuing 30,000 Equity shares of ₹100 each at a premium of ₹20 each. The amount was payable as follows:
On Application and Allotment ₹40 (including premium ₹10) per share.
On First Call ₹50 (including premium ₹10) per share
On Second and Final Call — Balance
Applications for 75,000 shares were received. Applications for 15,000 shares were rejected and the money received from them was refunded. Shares were allotted on pro rata to the remaining applicants. All calls were made. A who had applied for 2,000 shares failed to pay the first call and second and final call on the shares allotted to him. B who was allotted 1,000 shares failed to pay the second and final call. The shares of both A and B were forfeited. The forfeited shares were reissued at ₹160 fully paid.
Pass necessary journal entries in the books of the company for the above transactions.

SOLUTION FOR PRACTICE QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (c) **2. (a)** **3. (a)**
4. (d) **5. (a)** **6. (c)**
7. (c) **8. (c)** **9. (b)**

10. (b): Total amount due (6,00,000 × 10) = ₹60,00,000
Less: Calls in arrears (80,000 × 2) = ₹ (1,60,000)
Total amount shown in balance sheet = ₹58,40,000

11. (a)

12. (d): Subscribed capital amount will be the amount corresponding to shares which have been subscribed by the public i.e.
Equity shares (9,000 × 100) = ₹9,00,000
Preference shares (4,500 × 100) = ₹4,50,000
Total = 9,00,000 + 4,50,000 = ₹13,50,000

13. (a)

14. (b): Amount due on allotment
= 2,00,000 × 3 = ₹6,00,000. It is to be remembered that calls-in-advance does not form a part of 'amount due' but it is a part of calls yet to be made.

15. (c): Total shares issued = $\frac{80,00,000}{100}$ = 80,000 shares.
Final call received is received on 77,500 shares.
So final call not received on
= 80,000 – 77,500 = 2,500 shares
Calls-in arrears at the time of final call = ₹62,500
Final call per share = $\frac{62,500}{2,500}$ = ₹25

16. (b) **17. (d)**

18. (a): Total authorized capital (75,000 × 100)
= ₹75,00,000
Since, complete capital has been subscribed by the public, thus subscribed capital is equal to authorized capital.

19. (d) **20. (c)**

SOLUTIONS FOR SUBJECTIVE QUESTIONS

1. **Balance Sheet of India Auto Ltd.**

as at…… (As per Schedule III)

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	2,49,97,000	

Notes to Accounts:

Particulars		(₹)
1. Share Capital		
***Authorised Capital*:**		
7,00,000 equity shares of ₹100 each		7,00,00,000
***Issued Capital*:**		
50,000 equity shares of ₹100 each (issued to vendor)	50,00,000	
2,00,000 equity shares of ₹100 each	2,00,00,000	2,50,00,000
Subscribed Capital		
***Subscribed and fully paid*:**		
50,000 equity shares of ₹100 each (issued to vendor)	50,00,000	
1,99,900 equity shares of ₹100 each	1,99,90,000	
Add: Share forfeited A/c (100 × 70)	7,000	2,49,97,000

2. **Balance Sheet of Vishwas Ltd.**

As at 31st March, 2017

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	6,77,000	

Notes to Accounts:

Particulars		(₹)
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 capital		
84,500 shares of ₹10 each, ₹8 called up	6,76,000	
Less: Calls-in-Arrears	(2,000)	
Add: Share Forfeited A/c	3,000	6,77,000

3.

Balance Sheet of Suhani Ltd.

as at.....

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	21,00,000	
(b) Reserves and Surplus	2	1,40,000	
Total		22,40,000	
II. ASSETS			
1. Current Assets			
(a) Cash and Cash Equivalents	3	22,40,000	
Total		22,40,000	

Notes to Accounts:

Particulars	(₹)
1. 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
2. Reserves and Surplus	
Securities Premium Reserve (14,000 × ₹10)	1,40,000
3. Cash and Cash Equivalents	
Cash at Bank (14,000 × ₹160)	22,40,000

4.

Disha Ltd.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Machinery A/c	Dr.		1,78,000	
	To Nisha Ltd.				1,78,000
	(Being machinery purchased from Nisha Ltd.)				
(ii)	Nisha Ltd.	Dr.		1,10,000	
	To Equity Share Capital A/c				1,00,000
	To Securities Premium Reserve A/c				10,000
	(Being 10,000 equity shares of ₹10 each issued at 10% premium)				
(iii)	Nisha Ltd.	Dr.		18,000	
	Discount on Issue of Debentures A/c	Dr.		2,000	
	To 9% Debentures A/c				20,000
	(Being 200, 9% debentures of ₹100 each issued at 10% discount)				
(iv)	Nisha Ltd.	Dr.		50,000	
	To Bills Payable A/c				50,000
	(Being balance payment made by accepting one month bill of exchange)				

5.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Incorporation Expenses A/c	Dr.		2,50,000	
	To Promoters				2,50,000
	(Being amount due to promoters)				
	Promoters A/c	Dr.		2,50,000	
	To Share Capital A/c				2,00,000
	(Being issue of shares to promoters)				
(ii)	Underwriting Commission A/c	Dr.		1,50,000	
	To Underwriters A/c				1,50,000
	(Being underwriters commission due)				
	Underwriters A/c	Dr.		1,50,000	
	To Share Capital A/c				1,50,000
	(Being issue of shares to underwriters)				

6.

K Ltd.
Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Sundry Assets A/c	Dr.		15,00,000	
	Goodwill A/c	Dr.		3,68,500	
	To Sundry Liabilities A/c				5,00,000
	To P Ltd.				13,68,500
	(Being Assets and Liabilities acquired)				
(ii)	P Ltd.	Dr.		13,68,500	
	To Bills Payable A/c				25,500
	To Equity Share Capital A/c				10,74,400
	To Securities Premium Reserve A/c				2,68,600
	(Being promissory note accepted and 10,744 equity shares issued at a premium of 25%)				

7.

In the books of Gopal Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Furniture	Dr.		2,50,000	
	To M/S Furniture Mart				2,50,000
	(Being Furniture purchased)				
	M/S Furniture Mart	Dr.		2,50,000	
	To Equity Share Capital A/c				2,00,000
	To Securities Premium A/c				50,000
	(Being issue of shares as purchase consideration)				
(ii)	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	Dr.		2,00,000	
	To Sundry Creditors A/c				1,00,000
	To Aman Ltd.				15,00,000
	(Being business purchased from Amit Ltd.)				
	Aman A/c	Dr.		15,00,000	
	To Equity Share Capital A/c				12,00,000
	To Bank A/c				3,00,000
	(Being shares issued and balance paid by bank draft)				

Working Note:

(i) No. of shares to be issued = $\frac{\text{Purchase Price}}{\text{Issued Price per share}} = \frac{2,50,000}{10+2.5} = 20,000$ shares.

8.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (80,000 × 2)	Dr.		1,60,000	
	To Share Application A/c				1,60,000
	(Being application money received on 80,000 shares)				
(i)	Share Application A/c	Dr.		1,60,000	
	To Share Capital A/c				80,000
	To Share Allotment A/c				80,000
	(Being application money transferred and adjusted)				
	Share Allotment A/c (40,000 × 4)	Dr.		1,60,000	
	To Share Capital A/c				1,60,000
	(Being allotment money due on 40,000 shares)				
	Bank A/c	Dr.		78,400	
	To Share Allotment A/c				78,400
	(Being allotment money received)				

Working Notes:

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

Shares applied by Neeraj = $600 \times \frac{50,000}{30,000}$ = 1,000 Shares

Amount adjusted on Allotment on Neeraj's Shares

Application money received (1,000 × 2)	2,000
Less: Application money required (600 × 2)	(1,200)
Adjusted on allotment	800

Calculation of Amount Received on Allotment

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

9.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (200 × 6)	Dr.		1,200	
	Securities Premium Reserve A/c (200 × 2)	Dr.		400	
	To Share Forfeited A/c (200 × 5)				1,000
	To Share Allotment A/c (200 × 3)				600
	(Being 200 shares forfeited for the non-payment of allotment)				
	Bank A/c (100 × 8)	Dr.		800	
	Share Forfeited A/c (100 × 2)	Dr.		200	
	To Share Capital A/c (100 × 10)				1,000
	(Being reissue of 100 forfeited shares)				
	Share Forfeited A/c	Dr.		300	
	To Capital Reserve A/c				300
	(Being profit on reissue transferred to Capital Reserve A/c)				

Working Note:

Amount forfeited on 100 shares = $1,000 \times \frac{100}{200}$ = ₹500

Profit on reissue transferred to capital reserve = 500 – 200 = ₹ 300.

10. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (500 × 8) Dr.		4,000	
	To Share First Call A/c (500 × 3)			1,500
	To Share Forfeited A/c (500 × 5)			2,500
	(Being 500 shares forfeited for the non-payment of first call)			
	Bank A/c Dr.		2,500	
	To Equity Share Capital A/c (250 × 10)			2,500
	(Being reissue of forfeited shares at ₹2,500 as full paid up)			
	Share Forfeited A/c Dr.		1,250	
	To Capital Reserve A/c			1,250
	(Being profit on reissue transferred to Capital Reserve A/c			

Working Note:

On 500 shares forfeited amount = 2,500

On 1 share forfeited amount $= \frac{2,500}{500}$

On 250 shares forfeited amount $= \frac{2,500}{500} \times 250 =$ ₹1,250.

SOLUTION FOR HOMEWORK QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (b) **2. (b)** **3. (b)**

4. (d) **5. (b)** **6. (c)**

7. (d) **8. (b)** **9. (d)**

10. (b)

11. (c): No. of shares issued $= \frac{1,80,000}{(100+20)} = 1,500$

12. (b)

13. (c): Total amount received on allotment = 6,000 × 3 + 100 × 4 =₹18,400

14. (c)

15. (c): Amount received on first call = 1,00,000 × 3 - 500 × 3 + 1,000 × 5 = ₹3,03,500

16. (c): Amount received on allotment = 95,000 × 4 – 500 × 4 + 750 × 3 = ₹3,80,250

17. (a)

18. (b)

Stock A/c	Dr.	45,000	
Machinery A/c	Dr.	1,25,000	
Furniture A/c	Dr.	52,000	
Debtors A/c	Dr.	28,000	
To Creditors A/c			20,000
To Rohan Ltd.			4,00,000
To Capital Reserve A/c			30,000

19. (b): Amount to be transferred to capital reserve = 3000 × (55-50) = ₹15,000

20. (a): Total amount due on allotment = 100 × 5,000= ₹5,00,000

Less: Amount received in advance= 500 × 50 = (25,000)

Less: Not received from a shareholder = (95,000)

Working notes

Total amount of money not received from shareholder, who had applied for 1,100 shares = 1,000 × 100 – 100 × 50 = ₹95,000

21. (b): Total amount due on allotment = 20,000 × 4 = ₹80,000

Less: Advance of 10,000 shares = 10,000 × 4 = (40,000)

of Category C

Less: Advance of 5,000 shares = 5,000 × 2.5 = (12,500)

Less: Not received from Mr. K = 300 ×(4-2.5)= (450)

of Category B

Amount received on allotment = ₹27,050

22. (a): Total amount due on first and final call= (1,00,000-1,000) × 3 = ₹2,97,000

Less: Not received from Teena = 1,400 × 3 = (4,200)

Amount received in first and final call = ₹2,92,800

23. (d)

24. (c): Profit on forfeiture of 100 shares = 100/200×10,000=5,000

Less: Loss on reissue of shares= 100 × 10 = (1,000)

Amount to be transferred to capital reserve =₹4,000

25. (d) **26. (d)** **27. (a)**

28. (c) **29. (a)** **30. (a)**

SOLUTION FOR SUBJECTIVE QUESTIONS

1. **Journal**

Date	Particulars		L.f	Dr.	Cr.
	Equity Share Capital A/c (500 × 90)	Dr.		45,000	
	To Share Forfeiture A/c (500 × 60)				30,000
	To Share First Call A/c (500 × 30)				15,000
	(Being shares forfeited for non-payment of first call)				
	Bank A/c	Dr.		65,000	
	To Equity Share Capital A/c (500 × 100)				50,000
	To Securities Premium Reserve A/c				15,000
	(Being forfeited shares reissued)				
	Share Forfeiture A/c	Dr.		30,000	
	To Capital Reserve A/c				30,000
	(Being amount transferred to capital reserve)				

2. **In the books of AB Ltd.**

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,08,37,500	
	To Share Application and Allotment A/c				1,08,37,500
	(Being application money received)				
	Share Application and Allotment A/c	Dr.		1,08,37,500	
	To Share Capital A/c (75,000 × 55)				41,25,000
	To Securities Premium Reserve A/c (75,000 × 30)				22,50,000
	To Bank A/c (27,500 × 85)				23,37,500
	To Share First and Final Call A/c				21,25,000
	(Being application money transferred, excess adjusted and rejected and refunded)				
	Share First and Final Call A/c (75,000 × 45)	Dr.		33,75,000	
	To Share Capital A/c				33,75,000
	(Being allotment money due)				
	Bank A/c (See W.N. 3)	Dr.		12,37,500	
	To Share First and Final Call A/c				12,37,500
	(Being first and final call money received)				
	Share Capital (750 × 100)	Dr.		75,000	
	To Share Forfeited A/c (750 × 55 + 21,250)				62,500
	To Share First and Final Call (750 × 45 − 21,250)				12,500
	(Being 750 shares forfeited)				
	Bank A/c (750 × 150)	Dr.		1,12,500	
	To Share Capital A/c (750 × 100)				75,000
	To Securities Premium Reserve A/c (750 × 50)				37,500
	(Being 750 forfeited shares reissued at ₹150 per share)				
	Share Forfeited A/c	Dr.		62,500	
	To Capital Reserve A/c				62,500
	(Being profit on reissue regarding 750 shares transferred to Capital Reserve A/c)				

Working Notes:

(1)

Shares Applied	Shares Allotted
27,500	Nil
1,00,000	75,000
1,27,500	75,000

If no. of shares applied is 1,000, then no. of shares allotted $= 1{,}000 \times \frac{75{,}000}{1{,}00{,}000} = 750$

(2)	Calculation of unpaid amount on First and Final Call on 750 shares	₹
	Amount due (750 × 45)	33,750
	Less: adjusted from application and allotment (250 × 85)	21,250
	Amount unpaid	12,500
(3)	Calculation of amount received on First and Final Call	
	Total amount due (75,000 × 45)	33,75,000
	Less: adjusted from application and allotment (25,000 × 85)	(21,25,000)
	Less: Unpaid on 750 shares	(12,500)
	Amount received on first and final call	12,37,500

3.

In the books of Saral Ltd.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		4,80,000	
	To Equity Share Application A/c				4,80,000
	(Being amount received on application)				
	Equity Share Application A/c	Dr.		4,80,000	
	To Equity share capital A/c				4,80,000
	(Being amount transferred to share capital)				
	Equity Share Allotment A/c	Dr.		7,20,000	
	To Equity Share Capital A/c				7,20,000
	(Being share allotment made due)				
	Bank A/c	Dr.		6,75,000	
	Calls-in-Arrears A/c	Dr.		45,000	
	To Equity Share Allotment A/c				7,20,000
	(Being share allotment received)				
	Equity share First call A/c	Dr.		6,00,000	
	To Equity Share Capital A/c				6,00,000
	(Being First call due)				
	Bank A/c	Dr.		5,00,000	
	Calls-in-arrears A/c	Dr.		1,00,000	
	To Equity share First call A/c				6,00,000
	(Being share first call received)				
	Equity Share Second and Final Call A/c	Dr.		6,00,000	
	To Equity Share Capital A/c				6,00,000
	(Being second call due)				
	Bank A/c	Dr.		4,50,000	
	Calls-in-Arrears A/c	Dr.		1,50,000	
	To Equity Share Second and Final Call A/c				6,00,000
	(Being second call received)				
	Equity Share Capital A/c	Dr.		4,00,000	
	To Share Forfeiture A/c				1,55,000
	To Calls-in-Arrears A/c				2,45,000
	(Being shares forfeited)				
	Bank A/c	Dr.		3,80,000	
	Share Forfeiture A/c	Dr.		20,000	
	To Equity Share Capital A/c				4,00,000
	(Being forfeited shares reissued)				
	Share Forfeiture A/c	Dr.		1,35,000	
	To Capital Reserve A/c				1,35,000
	(Being amount transferred to capital reserve)				

Working Note:

Table Showing Amount received and Calls-in-Arrears

Particulars	Application ₹20	Allotment ₹30	First Call ₹25	Second and Final call ₹25	Total
18,000 shares	3,60,000	5,40,000	4,50,000	4,50,000	—
2,000 shares	40,000	60,000	50,000	50,000*	—
2,500 shares	50,000	75,000]	62,500*	62,500*	—
1,500 shares	30,000	45,000*	37,500*	37,500*	—
Amount received on 4,000 shares	80,000	75,000	—	—	1,55,000
Amount not received on 4,000 shares		45,000*	1,00,000*	1,00,000*	2,45,000*

* *Amount not received*

According to the above statement we will forfeit those shares which have paid less than ₹ 75. Only 4,000 (2,500 + 1,500) shares have paid less than ₹75. It is clear from the above table that the total amount received on 4,000 shares is (80,000 + 75,000) = ₹ 1,55,000. This amount will be transferred to 'Share are forfeiture A/c'.

4. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		10,000	
	To Equity Share Application A/c			10,000
	(Being application money received)			
	Equity Share Application A/c Dr.		10,000	
	To Equity Share Capital A/c			10,000
	(Being application money transferred to share capital)			
	Equity Share Allotment A/c Dr.		20,000	
	To Equity Share Capital A/c			20,000
	(Being allotment due)			
	Bank A/c Dr.		19,800	
	Calls-in-Arrears A/c Dr.		200	
	To Equity Share Allotment A/c			20,000
	(Being allotment money received)			
	Equity Share Capital A/c Dr.		300	
	To Calls-in-Arrears A/c			200
	To Share Forfeited A/c			100
	(Being 100 shares forfeited for non-payment of allotment money)			
	Equity Share First Call A/c Dr.		29,700	
	To Equity Share Capital A/c			29,700
	(Being first call due on 9,900 shares)			
	Bank A/c Dr.		29,250	
	Calls-in-Arrears A/c Dr.		450	
	To Equity Share First Call A/c			29,700
	(Being first call money received with exception of 150 shares)			
	Equity Share Capital A/c Dr.		900	
	To Calls-in-Appears A/c			450
	To Share Forfeited A/c			450
	(Being 150 shares forfeited)			
	Equity Share Second and Final Call A/c Dr.		39,000	
	To Equity Share Capital A/c			39,000
	(Being second & final call money due on 9,750 shares)			
	Bank A/c Dr.		38,800	
	Calls-in-Arears A/c Dr.		200	
	To Equity Share Second and Final Call A/c			39,000
	(Being Second and Final call money received with exception of 150 shares)			
	Equity Share Capital A/c Dr.		500	
	To Calls-in-Arrears A/c			200
	To Share Forfeited A/c			300

	(Being 50 shares forfeited for non-payment of second and final call money)			
	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being all 300 shares are reissued)		2,700 300	 3,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)		550	 550

5.

KS Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 3,20,000 shares)		12,80,000	 12,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bank A/c To Equity Share Allotment A/c (Being application money transferred to share capital account and securities premium reserve, and excess refunded and adjusted)		12,80,000	 4,80,000 1,60,000 3,20,000 3,20,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment made due)		9,60,000	 4,80,000 4,80,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received except on 800 shares and advance received on applications adjusted)		6,36,800	 6,36,800
	OR Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money received except on 800 shares)		 6,36,800 3,200	 6,40,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Shares Forfeited A/c To Equity Share Allotment A/c/Calls-in-Arrears A/c (Being 800 shares of Jain forfeited after allotment)		4,800 2,400	 4,000 3,200
	Equity Share Frist and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first and final call due on 1,59,200 shares)		9,55,200	 6,36,800 3,18,400
	Bank A/c Dr. To Equity Share First and Final call A/c (Being first and final call money received except on 800 shares		9,50,400	 9,50,400
	OR Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First and Final Call A/c (Being first and final call money received except on 800 shares)		 9,50,400 4,800	 9,55,200
	Equity Share Capital A/c (800 × 10) Dr.		8,000	

	Securities Premium Reserve A/c (800 × 2) Dr. To Shares Forfeited A/c (800 × 6) To Equity Share First and Final Call/Calls-in-Arrears A/c (800 × 6) (Being 800 shares of Gupta forfeited)		1,600	 4,800 4,800
	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being 1,000 shares reissued for ₹8 per share fully paid up)		8,000 2,000	 10,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue on forfeited shares transferred to capital reserve account)		3,200	 3,200

Working Notes:

1. Amount due on allotment 9,60,000

Less: Excess Application money adjusted 3,20,000

6,40,000

Less: Amount not received on 800 shares 3,200

Total amount received on allotment 6,36,800

2. Amount transferred to Capital Reserve:

Amount forfeited on Jain's shares 4,000

Amount forfeited on Gupta's shares = $4,800 \times \frac{200}{800} =$ 1,200

5,200

Less: Discount on reissue of shares 2,000

Amount transferred to Capital Reserve 3,200

6.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a) (i)	Share Capital A/c (200 × 70) Dr. To Share Forfeited A/c (200 × 50) To Calls-in-Arrears A/c (200 × 20) (Being forfeiture of 200 shares for non-payment of money)		14,000	 10,000 4,000
(ii)	Bank A/c (150 × 8) Dr. To Share Capital A/c (150 × 70) To Securities Premium Reserve A/c (150 × 10) (Being reissue of 150 equity shares of ₹70 each, at premium of ₹10 each)		12,000	 10,500 1,500
(iii)	Share Forfeited A/c Dr. To Capital Reserve A/c (Being amount transferred to capital reserve)		7,500	 7,500
(b) (i)	Share Capital A/c (180 × 8) Dr. Securities Premium Reserve A/c (180 × 2) Dr. To Share Forfeited A/c (180 × 5) To Calls-in-Arrears A/c (180 × 5) (Being forfeiture of 180 shares for non-payment of share allotment money)		1,440 360	 900 900
(ii)	Bank A/c (160 × 10) Dr. To Share Capital A/c (160 × 8) To Securities Premium Reserve A/c (160 × 2) (Being reissue of 160 forfeited shares)		1,600	 1,280 320
(iii)	Share Forfeited A/c (160 × 5) Dr. To Capital Reserve A/c (160 × 5) (Being amount of share forfeiture of 160 shares transferred to capital reserve)		800	 800

7. **Books of JJK Ltd.**

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c	Dr.		3,00,000	
	To Equity Share Application A/c				3,00,000
	(Being application money received on 1,50,000 shares)				
(ii)	Equity Share Application A/c	Dr.		3,00,000	
	To Equity Share Capital A/c				1,00,000
	To Bank A/c				90,000
	To Equity Share Allotment A/c				1,10,000
	(Being application money transferred)				
(iii)	Equity Share Allotment A/c	Dr.		2,00,000	
	To Equity Share Capital A/c				2,00,000
	(Being share allotment money due)				
(iv)	Bank A/c	Dr.		88,900	
	Calls-in-Arrears A/c	Dr.		1,100	
	To Equity Share Allotment A/c				90,000
	(Being balance amount received on allotment)				
	OR				
	Bank A/c	Dr.		88,900	
	To Equity Share Allotment A/c				88,900
	(Being Balance amount received on allotment)				
(v)	Equity Share Capital A/c (600 × 6)	Dr.		3,600	
	To Shares Forfeited A/c				2,500
	To Calls-in-Arrears A/c				1,100
	(Being the shares forfeited on which allotment money was not received)				
(vi)	Equity Share First and Final Call A/c	Dr.		1,97,600	
	To Equity Share Capital A/c				1,97,600
	(Being first and final call money due on 49,400 shares)				
(vii)	Bank A/c	Dr.		1,97,600	
	To Equity Share First and Final Call A/c				1,97,600
	(Being first and final call money received)				
(viii)	Bank A/c	Dr.		6,600	
	To Equity Share Capital A/c				6,000
	To Securities Premium Reserve A/c				600
	(Being forfeited shares reissued @ ₹11 per share fully paid-up)				
(ix)	Shares Forfeited A/c	Dr.		2,500	
	To Capital Reserve A/c				2,500
	(Being gain on reissue of forfeited shares transferred to capital reserve account)				

8.

Date	Particulars		L.F.	Dr.	Cr.
	Equity Share Capital A/c (470 × 10)	Dr.		4,700	
	Securities Premium Reserve A/c(470 × 5)	Dr.		2,350	
	To Shares Forfeited 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 × 7)				2,350
	(Being 470 shares forfeited)				
	Bank A/c	Dr.		840	
	To Equity Share Capital A/c				600
	To Securities Premium Reserve A/c				240
	(Being 60 shares reissued @ ₹14 per share)				
	Shares Forfeited A/c	Dr.		120	
	To Capital Reserve A/c				120

	(Being gain on reissue of forfeited shares transferred to capital reserve account)			

Dr. **Share Forfeited Account** **Cr.**

Particulars	(₹)	Particulars		(₹)
To Capital Reserve A/c To balance c/d	120 820	By Share Capital A/c		940
	940			940

Working Note:

Amount of profit on forfeited shares transferred to capital reserve = $940 \times 60/470 = ₹120$.

9. **In the books of Petromax Ltd.**

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		2,76,000	
	To Share Application A/c				2,76,000
	(Being the application money received on 92,000 shares @₹3 per shares)				2,76,000
	Share Application A/c	Dr.		2,76,000	
	To Share Capital A/c (50,000 × ₹3)				1,50,000
	To Bank A/c (12,000 × ₹3)				36,000
	To Share Allotment A/c (30,000 × ₹3)				90,000
	(Being the share application money transferred, adjusted and refunded)				
	Share Allotment A/c (50,000 × ₹5)	Dr.		2,50,000	
	To Share Capital A/c (50,000 × ₹3)				1,50,000
	To Securities Premium Reserve A/c (50,000 × ₹2)				1,00,000
	(Being the allotment money due on 50,000 shares @ ₹5 each including premium)				
	Bank A/c (WN 4)	Dr.		1,57,200	
	Calls-in-Arrears A/c	Dr.		6,000	
	To Share Allotment A/c				1,60,000
	To Calls-in-Advance A/c				3,200
	(Being the allotment money received except for 1,500 shares of Suresh and all money is also received in advance for 800 shares of Chander)				
	Share First Call A/c (50,000 × ₹2)	Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Being the first call money due on 50,000 shares @2 per share)				
	Bank A/c	Dr.		95,400	
	Calls-in-Advance A/c (800 × ₹2)	Dr.		1,600	
	Calls-in-Arrears A/c (1,500 × ₹2)	Dr.		3,000	
	To Share First Call A/c				1,00,000
	(Being the first call money received except for 1,500 shares and calls-in-advance adjusted towards 800 shares on first call money)				
	Share Final Call A/c	Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Being the final call money due on 50,000 shares @ ₹2 per share)				
	Bank A/c	Dr.		95,400	
	Calls-in-Advance A/c	Dr.		1,600	
	Calls-in-Arrears A/c	Dr.		3,000	
	To Share Final Call A/c				1,00,000
	(Being the final call money received except for 1,500 shares and calls-in-advance adjusted towards 800 shares)				

Working Notes:

(1) Money not received from Suresh on Allotment:

(i) Number of shares allotted to 5uresh = $30,000/40,000 \times 2,000 = 1,500$ Shares.

(ii) Application money paid by Suresh = $2,000 \times ₹3 = ₹6,000$.

(iii) Application money required = $1,500 \times ₹3 = ₹4,500$.

(iv) Excess application money adjusted on allotment

$= [(ii)\ ₹6,000 - (iii)\ ₹4,500] = ₹\ 1,500$

		₹
(v)	Money due from 5uresh on allotment = $1,500 \times ₹15$	7,500
	Less: Excess application money adjusted (iv)	1,500
	Money due from Suresh on allotment	6,000
(2)	Money received on Allotment:	
	Total amount due on allotment	2,50,000
	Less: Excess application money adjusted	90,000
		1,60,000
	Less: Money not paid by Suresh	6,000
		1,54,000

(3) Calls-in-Advance on 800 shares of Chander = $800 \times ₹4 = ₹\ 3,200$.

(4) Total money received on Allotment:

$= ₹\ 1,54,000 + ₹\ 3,200 = ₹\ 1,57,200$

10. **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		30,00,000	
	To Equity Share Application and Allotment A/c			30,00,000
	(Being application and allotment money received for 75,000 shares @₹40 per share including premium of ₹ 10)			
	Equity Share Application and Allotment A/c Dr.		30,00,000	
	To Equity Share Capital A/c			9,00,000
	To Securities Premium Reserve A/c			3,00,000
	To Equity Share First Call A/c			12,00,000
	To Bank A/c			6,00,000
	(Being application and allotment money on 30,000 shares transferred to equity share capital account and excess applications for 15,000 shares refunded)			
	Equity Share First Call A/c Dr.		15,00,000	
	To Equity Share Capital A/c			12,00,000
	To Securities Premium Reserve A/c			3,00,000
	(Being first call money due on 30,000 shares @ ₹50 per share, including premium of ₹ 10)			
	Bank A/c Dr.		2,90,000	
	To Equity Share First Call A/c			2,90,000
	(Being share first call money received)			
	Equity Share Second and Final Call A/c Dr.		9,00,000	
	To Equity Share Capital A/c			9,00,000
	(Being share second and final call money due)			
	Bank A/c Dr.		8,40,000	
	To Equity Share Second and Final Call A/c			8,40,000
	(Being share second and final call money received)			
	Securities Premium Reserve A/c Dr.		10,000	
	Equity Share Capital A/c Dr.		2,00,000	
	To Share Forfeited A/c			1,40,000
	To Equity Share First Call A/c			10,000
	To Equity Share Second and Final Call A/c			60,000
	(Being forfeiture of 2,000 shares for non-payment of first call and second and final call money)			

	Bank A/c Dr.		3,20,000	
	To Equity Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			1,20,000
	(Being reissue of 2,000 shares @ ₹160 per share)			
	Share Forfeited A/c Dr.		1,40,000	
	To Capital Reserve A/c			1,40,000
	(Being profit on reissue transferred to Capital Reserve A/c)			

Working Notes:

1. Calculation and adjustment of amount received on application:

Total Applications Received = 75,000 shares
Applications Rejected = 15,000 shares
Balance = 60,000 shares
Pro rata Allotment made on 60,000 shares
Excess money received on Application and Allotment
$= 30{,}000\ shares \times 40 = ₹\ 12{,}00{,}000$
Money to be refunded $= 15{,}000$ Shares $\times\ 40 = ₹6{,}00{,}000$

2. No. of Shares Allotted to A $= 2{,}000 \times \frac{30{,}000}{60{,}000} = 1{,}000$ Shares

Application and Allotment money received from A $= 2{,}000$ shares $\times$ ₹40 = ₹ 80,000
Less: Amount utilised for application and allotment = ₹40,000
Excess money retained for first call (80,000 — 40,000) = ₹40,000
Amount of first call due from A = 1,000 shares × ₹50 = ₹50,000
Less: Amount received in advance for first call with application = ₹40,000
Amount not received of first call (50,000 — 40,000) = ₹10,000

3. Calculation of amount received on share first call:

Total amount due on First call $= 30{,}000$ shares × ₹50 = ₹15,00,000
Less: Amount adjusted on first call received in advance = ₹12,00,000 = ₹3,00,000
Less: Amount adjusted on first call not received from A = ₹10,000 = ₹2,90,000