

Accounting for Share Capital

1. Alfa Ltd. invited applications for 50,000 equity shares of ₹ 10 each at a premium of 30 %. The whole amount was payable on application. Applications were received for 2,50,000 shares. The company decided to allot the shares on a pro-rata basis to all the applicants. The amount refunded by the company was :

(2024)

(A) ₹ 32,50,000

(B) ₹ 15,60,000

(C) ₹ 39,00,000

(D) ₹ 26,00,000

Ans. (D) ₹ 26,00,000

2. Reserve capital is that part of _____ capital which cannot be called except at the time of winding up of the company. (2024)

(A) Issued

(B) Called up

(C) Uncalled

(D) Nominal

Ans. (C) Uncalled

3. Xeno Ltd. issued 25,000 equity shares of ₹ 10 each. The amount was payable as follows : (2024)

On Application - ₹ 4 per share

On Allotment - ₹ 5 per share

On First and Final call - Balance

All the shares offered were applied for and allotted. All the money due on allotment was received except on 1,500 shares. These shares were forfeited immediately after allotment. First and final call was not yet made. At the time of forfeiture, Share Capital Account will be debited by :

(A) ₹ 15,000

(B) ₹ 24,000

(C) ₹ 13,500

(D) ₹ 18,000

Ans. (C) ₹ 13,500



4. Money received in advance from shareholders before it is actually called up by the directors is : (2024)

- (A) debited to calls in advance account
- (B) credited to calls in advance account
- (C) debited to share capital account
- (D) credited to share capital account

Ans. (B) credited to calls in advance account

5. An offer of securities or invitation to subscribe securities to a select group of persons is termed as : (2024)

- (A) Buy back of shares
- (B) Employee stock option plan
- (C) Private placement of shares
- (D) Sweat Equity

Ans. (C) Private placement of shares

6. A share of ₹ 100 on which ₹ 80 is received is forfeited for non-payment of final call of ₹ 20. The minimum price at which this share can be reissued is : (2024)

- (A) ₹ 120
- (B) ₹ 100
- (C) ₹ 80
- (D) ₹ 20

Ans. (D) ₹ 20

7. Shiv Ltd. forfeited 500 shares of ₹ 10 each on which ₹ 7 per share was paid. These shares were reissued for ₹ 9 per share fully paid. Amount transferred to Capital Reserve Account will be : (2024)

- (A) ₹ 3,000
- (B) ₹ 5,000
- (C) ₹ 4,500
- (D) ₹ 3,500

Ans. (A) ₹ 3,000

8. Dan, Elf and Furhan were partners in a firm sharing profits in the ratio of 5 : 3 : 2. With effect from 1st April, 2023, they decided to change their profit sharing ratio to 2 : 3 : 5. There existed a General Reserve of ₹ 90,000 on the date of change in profit sharing ratio. The partners decided not to distribute General Reserve.

The necessary adjustment entry to show the effect of the above will be :

(2024)

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)		Dan's Capital A/c Dr. To Furhan's Capital A/c	27,000	27,000
(B)		Dan's Capital A/c Dr. To Furhan's Capital A/c	90,000	90,000
(C)		Furhan's Capital A/c Dr. To Dan's Capital A/c	27,000	27,000
(D)		Furhan's Capital A/c Dr. To Dan's Capital A/c	90,000	90,000

Ans.

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(C)		Furhan's Capital A/c Dr. To Dan's Capital A/c	27,000	27,000

9. Sia, Tom and Vidhi were partners in a firm sharing profits in the ratio of 3 : 2 : 1. With effect from 1st April, 2023, they decided to share profits and losses in the future in the ratio of 1 : 2 : 3. There existed a Debit Balance of ₹ 60,000 in Profit and Loss Account on that date.

The necessary journal entry for distribution of the balance in the Profit and Loss Account will be :

(2024)

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)		Sia's Capital A/c Dr. Tom's Capital A/c Dr. Vidhi's Capital A/c Dr. To Profit and Loss A/c	30,000 20,000 10,000	60,000
(B)		Sia's Capital A/c Dr. Tom's Capital A/c Dr. Vidhi's Capital A/c Dr. To Profit and Loss A/c	10,000 20,000 30,000	60,000
(C)		Sia's Capital A/c Dr. To Vidhi's Capital A/c	20,000	20,000
(D)		Vidhi's Capital A/c Dr. To Sia's Capital A/c	20,000	20,000

Ans.

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)		Sia's Capital A/c Dr. Tom's Capital A/c Dr. Vidhi's Capital A/c Dr. To Profit & Loss A/c	30,000 20,000 10,000	60,000

10. Anju, Divya and Bobby were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Bobby retired. The new profit sharing ratio between Anju and Divya after Bobby's retirement was 5 : 3.

The gaining ratio of remaining partners will be : (2024)

- (A) 3 : 2
- (B) 5 : 3
- (C) 3 : 1
- (D) 2 : 3

Ans. (C) 3 : 1

11. Mita, Veena and Atul were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Atul retired and his share was taken over by Mita and Veena in the ratio of 1 : 4. The new profit sharing ratio between Mita and Veena after Atul's retirement will be: (2024)

- (A) 3 : 2
- (B) 8 : 7
- (C) 7 : 3
- (D) 2 : 3

Ans. (B) 8 : 7

12. Mohan, Suhaan and Adit were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their fixed capitals were : ₹ 2,00,000, ₹ 1,00,000 and ₹ 1,00,000 respectively. For the year ended 31st March, 2023, interest on capital was credited to their accounts @ 8% p.a. instead of 5% p.a.

Pass necessary adjusting journal entry. Show your workings clearly. (2024)

Ans. Solution:

In the Books of Mohan, Suhaan and Adit
JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Adit's Current A/c Dr. To Suhaan's Current A/c (Adjustment entry for Interest on Capital credited at a higher rate)		1,000	1,000

Working Notes:

Particulars	Mohan ₹	Suhaan ₹	Adit ₹
Interest on capital to be debited	(6,000)	(3,000)	(3,000)
Profit to be credited now (₹12,000 in 3:2:1)	6,000	4,000	2,000
Adjustment	-	1,000 Cr.	(1,000) Dr.

13. Manoj and Nitin were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 31st March, 2023, the balances in their capital accounts after making adjustments for profits and drawings were ₹ 90,000 and ₹ 80,000 respectively.

The net profit for the year ended 31st March, 2023 amounted to ₹ 30,000. During the year Manoj withdrew ₹ 40,000 and Nitin withdrew ₹ 20,000. Subsequently, it was noticed that Interest on Capital @ 10% p.a. was not provided to the partners. Also Interest on Drawings to Manoj ₹ 3,000 and to Nitin ₹ 2,000 was not charged.

Pass necessary adjusting journal entry. Show your workings clearly. (2024)

Ans.

In the Books of Manoj and Nitin

JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Manoj's Capital A/c Dr. To Nitin's Capital A/c (Adjustment entry for omission of Interest on Capital and Interest on Drawings)		2,000	2,000

Working Notes:

Calculation of Opening Capital

Particulars	Manoj ₹	Nitin ₹
Closing Capital	90,000	80,000
Add: Drawings	40,000	20,000
Less: Profit (₹30,000 in 2:1)	(20,000)	(10,000)
Opening Capital	<u>1,10,000</u>	<u>90,000</u>

Statement of Adjustment

Particulars	Manoj ₹	Nitin ₹
Amount to be credited		
Interest on Capital	11,000	9,000
Less: Interest on Drawings	(3,000)	(2,000)
	8,000	7,000
Amount to be debited now (₹15,000 in 2:1)	(10,000)	(5,000)
Adjustment	(2,000)	2,000
	Dr	Cr

14. Shubhi and Revanshi were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2023 was as follows : (2024)

Balance Sheet of Shubhi and Revanshi as at 31st March, 2023

Liabilities	Amount ₹	Assets	Amount ₹
Capitals :		Fixed Assets	90,000
Shubhi 60,000		Stock	38,000
Revanshi <u>32,000</u>	92,000	Debtors	30,000
General Reserve	30,000	Cash	52,000
Bank Loan	18,000		
Creditors	70,000		
	<u>2,10,000</u>		<u>2,10,000</u>

On 1st April, 2023 they admitted Pari into the partnership on the following terms:

(i) Pari will bring ₹ 50,000 as her capital and ₹ 50,000 for her share of premium for goodwill for 1/4th share in the profits of the firm.

(ii) Fixed assets were depreciated @ 30%.

(iii) Stock was valued at < 45,000.

(iv) Bank loan was paid off.

(v) After all adjustments capitals of Shubhi and Revanshi were to be adjusted taking Pari's capital as the base. Actual cash was to be paid off or brought in by the old partners as the case may be.

Prepare Revaluation Account and Partners' Capital Accounts.

Ans.

Dr.		REVALUATION A/c		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹		
To Fixed Assets A/c	27,000	By Stock A/c	7,000		
		By Loss transferred to Partners Capital A/c:			
		Shubhi- 12,000			20,000
		Revanshi- <u>8,000</u>			
	<u>27,000</u>				<u>27,000</u>

Dr.				Cr.			
PARTNERS' CAPITAL A/c							
Particulars	Shubhi ₹	Revanshi ₹	Pari ₹	Particulars	Shubhi ₹	Revanshi ₹	Pari ₹
To Revaluation A/c $\frac{1}{4}$	12,000	8,000		By Bal b/d $\frac{1}{2}$	60,000	32,000	
To Cash A/c $\frac{1}{2}$	6,000			By General Reserve A/c $\frac{1}{2}$	18,000	12,000	
To Bal c/d $\frac{1}{1}$	90,000	60,000	50,000	By Cash A/c $\frac{1}{2}$			50,000
				By Premium for Goodwill A/c $\frac{1}{2}$	30,000	20,000	
				By Cash A/c $\frac{1}{2}$		4,000	
	1,08,000	68,000	50,000		1,08,000	68,000	50,000

15. Rishi, Shashi and Trishi were partners in a firm sharing profits and losses in proportion of $\frac{1}{2}$, $\frac{1}{6}$ and $\frac{1}{3}$ respectively. Their Balance Sheet as at 31st March, 2023 was as follows : (2024)

Balance Sheet of Rishi, Shashi and Trishi as at 31st March, 2023

Liabilities	Amount ₹	Assets	Amount ₹
Capitals :		Fixed Assets	80,000
Rishi	36,000	Stock	20,000
Shashi	30,000	Debtors	30,000
Trishi	<u>20,000</u>	Cash	40,000
General Reserve	30,000		
Creditors	54,000		
	<u>1,70,000</u>		<u>1,70,000</u>

Shashi retired from the firm on 1st April, 2023 on the following terms :

- Fixed Assets were valued at ₹ 56,000.
- Stock was taken over by Shashi at ₹ 26,000.
- Goodwill of the firm was valued at ₹ 18,000 on Shashi's retirement
- Balance in Shashi's Capital Account was transferred to her loan account.

Prepare Revaluation Account and Partners' Capital Accounts.

Ans.

Dr.		REVALUATION A/c		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹		
To Fixed Assets A/c $\frac{1}{2}$	24,000	By Stock A/c $\frac{1}{2}$	6,000		
		By Loss transferred to Partners Capital A/c: $\frac{1}{2}$			
		Rishi- 9,000			
		Shashi- 3,000			
		Trishi- <u>6,000</u>			
	24,000		18,000		
			24,000		

Dr.		PARTNERS' CAPITAL A/c			Cr.		
Particulars	Rishi ₹	Shashi ₹	Trishi ₹	Particulars	Rishi ₹	Shashi ₹	Trishi ₹
To Revaluation A/c $\frac{1}{2}$	9,000	3,000	6,000	By Bal b/d $\frac{1}{2}$	36,000	30,000	20,000
To Stock A/c $\frac{1}{2}$		26,000		By General Reserve A/c $\frac{1}{2}$	15,000	5,000	10,000
To Shashi's Capital A/c $\frac{1}{2}$	1,800		1,200	By Rishi's Capital A/c $\frac{1}{2}$		1,800	
To Shashi's Loan A/c $\frac{1}{2}$		9,000		By Trishi's Capital A/c $\frac{1}{2}$			1,200
To Bal c/d $\frac{1}{2}$	40,200		22,800				
	51,000	38,000	30,000		51,000	38,000	30,000

16. The Quick Ratio of a company is 1 : 2. Which of the following transactions will result in an increase in this ratio ? (2024)

- (A) Cash received from debtors
- (B) Sold goods on credit
- (C) Purchased goods on credit
- (D) Purchased goods on cash

Ans. (B) Sold goods on credit

17. Identify which of the following transactions will result in 'Cash Inflow From Operating Activities': (2024)

- (A) Payment to creditors
- (B) Interest received by a non-finance company
- (C) Dividend received by a non-finance company
- (D) Amount received from debtors

Ans. (D) Amount received from debtors

Previous Years' CBSE Board Questions

1.3 Share Capital of a Company

MCQ

- Nominal share capital is :
 - That part of authorised capital which is issued by the company.
 - The amount of capital which is actually applied for by the prospective shareholders.
 - The maximum amount of share capital which a company is authorised to issue.
 - The amount actually paid by the shareholders.

(Term-I, 2021-22)
- Sushila Ltd. has an 'Authorised Capital', of ₹ 10,00,000 divided into equity shares of ₹10 each. Subscribed and fully paid up share capital of the company was ₹4,00,000. To meet its new financial requirement, the company issued 20,000 equity shares of ₹10 each. Amount per share was payable as ₹3 on application, ₹3 on allotment; ₹2 on first call and ₹2 on second and the final call. The issue was fully subscribed. The allotment money was payable on or before May 1, 2020; first call money was due on August 1, 2020 and final call money was due on October 1, 2020. X whom 1000 shares were allotted did not pay the allotment and both calls; Y an allottee of 600 shares; did not pay the two calls; and Z whom 300 shares were allotted did not pay the final call. Subscribed capital presented in the Balance sheet of the Company as per schedule III Part I of the Companies Act, 2013 will be :
 - ₹ 9,800
 - ₹ 5,90,000
 - ₹ 10,00,000
 - ₹ 6,00,000

(Term-I, 2021-22)
- Uncalled Capital is that portion of the which has not yet been called up and the portion of such uncalled capital to be called only in the event of winding up of the company is called _____
 - Subscribed Capital; Reserve Capital
 - Issued Capital; Reserve Capital
 - Authorised Capital; Capital Reserve
 - Registered Capital; Capital Reserve

(Term-I, 2021-22) (R)

VSA (1 mark)

- The portion of uncalled capital to be called only in the event of winding up of the company is called _____

(Term-I, 2021-22, 2020 C)
- What is meant by 'Issued Capital'?

(Term-I, 2021-22, 2019)
- What is meant by 'Subscribed Capital'? (2020) (R)

- What is meant by 'Authorised Capital'? (2020) (R)
- Is 'Reserve Capital' a part of 'Unsubscribed Capital' or 'Uncalled Capital'? (2018)

1.4 Nature and Classes of Shares

SA II (3/4 marks)

- What is meant by a 'Share'? Give any two differences between 'Preference Shares' and 'Equity Shares'.

(NCERT, Foreign 2018)

1.5 Issue of Shares

MCQ

- What will be the impact of issuing ₹5,00,000 equity shares to vendors for building purchased on the debt and equity of X Ltd.?
 - Debt will increase and equity will decrease.
 - Debt will remain same and equity will increase.
 - Debt will decrease and equity will increase.
 - Debt will remain same and equity will decrease.

(Term-I, 2021-22)
- The company has to get minimum subscription within _____ from the date of issue of the prospectus. When minimum subscription has been received, the directors of the company proceed to make _____ which implies a valid contract between the company and the applicants who now become the allottees and assume the status of shareholders or members.
 - 120 days, allotment of shares.
 - 130 days, application of shares.
 - 14 days, allotment of shares.
 - 15 days, allotment of shares.

(Term-I, 2021-22)
- Given below are two statements, one labelled as Assertion (A) and the other as Reason (R).

Assertion (A) : In case, the company fails to receive minimum subscription, it cannot proceed for the allotment of shares.

Reason (R) : When the company fails to receive minimum subscription it has to return the application money within 120 days from the date of issue of prospectus.

In the context to the above two statements which of the following is correct:
 - Both A and R are correct.
 - A is correct but R is incorrect.
 - Both A and R are incorrect.
 - A is incorrect but R is correct.

(Term-I, 2021-22) (U)

VSA (1 mark)

13. _____ means any offer of securities to a selected group of persons by a company other than by way of public offer. (2020)

1.6 Accounting Treatment**MCQ**

14. Net Assets minus Capital Reserve is :
 (a) Purchase Consideration
 (b) Goodwill
 (c) Total Assets
 (d) Liquid Assets. (2023) **R**
15. When a company issues shares at a premium, the company can collect securities premium along with the following:
 (a) Application money (b) Allotment money
 (c) Call money (d) Any of the above. (2023)
16. Jupiter Ltd. invited applications for issuing 25,000 equity shares of ₹10 each and received applications for 30,000 shares along with the application money of ₹2 per share. Which of the following alternative can be followed for the allotment of shares?
 (i) Refund the excess application money and allot full shares to rest of the applicants.
 (ii) Not to allot any share to some applicants, allot full to some applicants and allot remaining on prorata basis.
 (iii) Not to allot any share and refund the total application money to the applicants.
 (a) Only (i) (b) Only (ii)
 (c) Only (iii) (d) Any one of (i) and (ii) (Term-I, 2021-22)
17. Vandana Ltd. issued 6,000 equity shares of ₹10 each at 10% premium. The issue was fully subscribed. Amount per share was payable as follows :
 On application ₹3, On allotment ₹3 (including premium),
 On first call ₹3 and remaining balance on final call.
 A holder of 200 shares paid the entire money along with allotment. The amount received on allotment will be _____.
 (a) ₹ 18,000 (b) ₹ 19,000
 (c) ₹ 25,000 (d) ₹ 21,000 (Term-I, 2021-22)
18. 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) credited to calls account. (Term-I, 2021-22)
19. When a combined 'Share Application and Allotment Account' is opened in the books of the company,

which of the following accounts will be debited for money refunded on rejected application:

- (a) Share Application Account
 (b) Share Application and Allotment Account
 (c) Share Allotment Account
 (d) Bank Account. (Term-I, 2021-22)
20. Shubham Ltd. purchased a machinery of ₹ 3,80,000 from Ganpati Ltd. The payment was made by issue of 3,000 equity shares of ₹ 100 each at a premium of 10% and the balance by issuing a cheque. The amount of cheque issued in favour of Ganpati Ltd. was :
 (a) ₹ 80,000 (b) ₹ 3,80,000
 (c) ₹ 30,000 (d) ₹ 50,000 (Term-I, 2021-22)
21. Y Ltd. invited applications for issuing 1,00,000 equity shares of ₹10 each at a premium of ₹8 per share. The amount per share was payable as follows:
 On Application - ₹8 per share (including ₹5 premium)
 On Allotment - ₹8 per share (including ₹3 premium)
 On first and final call - Balance.
 Applications for 1,50,000 shares were received. Mohan who had applied for 4,000 shares paid the entire share money on shares applied with application. The application money received was :
 (a) ₹12,00,000 (b) ₹8,00,000
 (c) ₹12,40,000 (d) ₹10,00,000 (Term-I, 2021-22) **An**
22. X Ltd. invited applications for issuing 10,00,000 equity shares of ₹ 10 each at a premium of ₹ 9 per share. The amount was payable as follows :
 On Application - ₹ 6 per share (including premium ₹ 3)
 On Allotment - ₹8 per share (including premium ₹4)
 On first and final call - Balance
 Applications for 15,00,000 shares were received. Shares were allotted on pro-rata basis to all applicants. Excess application money received with applications was adjusted towards sums. due on allotment. Dharam to whom 600 shares were allotted failed to pay the allotment money. Allotment amount that was not paid by Dharam was :
 (a) ₹4,800 (b) ₹600
 (c) ₹3,000 (d) ₹2,400 (Term-I, 2021-22)
23. Raman Ltd. was registered with an authorised capital of ₹5,00,00,000 divided into shares of ₹10 each. The company offered for subscription 4,00,000 shares. Application were received for 4,50,000 shares. Applications for 50,000 shares were rejected. A shareholder holding 10,000 shares failed to pay the first and final call of ₹2 per share. The subscribed capital of the company is :
 (a) ₹5,00,00,000 (b) ₹40,00,000
 (c) ₹45,00,000 (d) ₹39,80,000 (Term-I, 2021-22)

24. Sun India Ltd. invited applications for issuing equity shares of ₹10 each at a premium of 10%. The premium was payable on allotment, Because of over-subscription all the applicants were divided into three categories for the purpose of allotment :
- Category I : Applications for 1,00,000 shares were allotted shares in full.
- Category II : 3,00,000 shares were allotted to the application of this category. For every 5 shares applied, 3 shares were allotted.
- Category III : 8,00,000 shares were allotted to the applicants of 12,00,000 shares.
- Amount payable per share was as follow :
- On Application- ₹2 per share
On Allotment- ₹5 per share (including premium)
On First and Final call- Balance
- Excess money received with applications was adjustment towards sums due on allotment.
- How many shares were offered to the public for subscription?
- (a) 12,00,000 (b) 24,00,000
(c) 14,00,000 (d) 30,00,000
- (Term-I, 2021-22) (Ev)

25. Sun India Ltd. invited applications for issuing equity shares of ₹ 10 each at a premium of 10%. The premium was payable on allotment, Because of over-subscription all the applicants were divided into three categories for the purpose of allotment :
- Category I : Applications for 1,00,000 shares were allotted shares in full.
- Category II : 3,00,000 shares were allotted to the application of this category. For every 5 shares applied, 3 shares were allotted.
- Category III : 8,00,000 shares were allotted to the applicants of 12,00,000 shares.
- Amount payable per share was as follow :
- On Application - ₹2 per share
On Allotment - ₹5 per share (including premium)
On First and Final call-Balance
- Excess money received with applications was adjustment towards sums due on allotment.
- What was the amount of money received on allotment?
- (a) ₹60,00,000 (b) ₹12,00,000
(c) ₹6,00,00,000 (d) ₹48,00,000
- (Term-I, 2021-22)

26. Kiran Limited purchased machinery for ₹12,00,000 from Rohan Limited. The company paid the amount by issue of equity shares of ₹10 each at a premium of 20%. The number of shares to be issued to Rohan Limited will be :
- (a) 1,80,000 shares (b) 1,50,000 shares
(c) 1,20,000 shares (d) 1,00,000 shares.
- (2021 C)

27. Joy 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 first and final call - balance money
- 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
- (Delhi 2015)

28. Nirman Ltd. issued 50,000 equity shares of ₹10 each. The amount was payable as follows :
- On application - ₹3 per share
On allotment - ₹2 per share
On first and final call - The balance
- Applications for 45,000 shares were received and shares were allotted to all the applicants Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was :
- (a) ₹2,25,000 (b) ₹2,20,000
(c) ₹2,21,000 (d) ₹2,19,500. (AI 2015)

VSA (1 mark)

29. Give the meaning of 'Calls-in-Advance'. (2020) (R)
30. On 28-2-2016, the first call of ₹2 per share became due on 50,000 equity shares allotted by Kumar Ltd. Komal a holder of 1,000 shares did not pay the first call money. Kovil a holder of 750 shares paid the second and final call of ₹4 per share along with the first call.
- Pass necessary journal entry for the amount received by opening call-in-arrears and call-in-advance account in the books of the company.
- (AI 2016)
31. D Ltd. invited application for issuing 10,00,000 equity shares of ₹10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? Give reason in support of your answer.
- (AI 2014) (Ad)

SA II (3/4 marks)

32. On 1st April, 2019, Chetan Ltd. was formed with an authorised capital of ₹22,50,000 divided into 22,500 equity shares of ₹100 each. The company invited applications for 18,750 equity shares. The amount was payable as follows:

- On application - ₹30 per share
- On allotment - ₹40 per share
- On first and final call - ₹30 per share

The issue was fully subscribed and the company allotted shares to all applicants. All money was received except the first and final call on 3,500 shares.

- (i) Present the share capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.
- (ii) Also prepare 'Notes to Accounts' for the same. (2021 C)

33. State any three purposes other than 'writing off the preliminary expenses of the company' for which Securities Premium Reserve can be utilised. (AI 2019)

34. Sandesh Ltd. took over the assets of ₹7,00,000 and liabilities of ₹ 2,00,000 from Sanchar Ltd. for a purchase consideration of ₹ 4,59,500. ₹ 8,500 were paid by accepting a draft in favour of Sanchar Ltd. Payable after three months and the balance was paid by issue of equity shares of ₹ 10 each at a premium of 10% in favour of Sanchar Ltd.

Pass necessary Journal entries for the above transactions in the books of Sandesh Ltd. (Delhi 2016)

35. 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 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. (AI 2016) (Ap)

36. To provide employment to the youth and to develop Baramula district of Jammu and Kashmir, Jyoti Power Ltd. decided to setup a power plant. For raising funds the company decided to issue 8,50,000 equity shares of ₹10 each at a premium of ₹3 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Application for 3,00,000 shares were rejected and shares were allotted to the remaining application on pro-rata basis. Pass necessary journal entries for the above transactions in the books of the company and identify any two values which the company wants to propagate. (AI 2016) (R)

37. State any three purposes other than 'issue of bonus shares' for which securities premium can be utilised. (Delhi 2015)

38. 'Good Blankets Ltd.' are the manufacturers of woolen blankets. Blankets of the company are exported to many countries. The company decided to distribute blankets free of cost to five villages of Kashmir Valley destroyed by the recent floods. It also decided to employ 100 young persons from these villages in

their newly established factory at Solan in Himachal Pradesh. To meet the requirements of funds for starting its new factory the company issued 50,000 equity shares of ₹10 each and 2,000, 8% debentures of ₹ 100 each to the vendors of machinery purchased for ₹7,00,000.

Pass necessary journal entries for the above transactions in the books of the company. Also identify any one value which the company wants to communicate to the society. (AI 2015)

39. Guru Ltd. invited applications for issuing 5,00,000 equity shares of ₹10 each at a premium of ₹5 per share. Because of favourable market conditions the issue was over-subscribed an applications for 15,00,000 shares were received.

Suggest the alternatives available to the Board of Directors for the allotment of shares. (AI 2015) (Cr)

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

(i) Purchased furniture ₹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 Aman 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. (AI 2014)

1.7 Forfeiture of Shares

MCQ

41. At the time of forfeiture of shares, share capital account is debited with:
 (a) Uncalled amount on shares
 (b) Paid up amount on shares
 (c) Called up amount on shares
 (d) Unpaid amount on shares. (2023) (R)

42. Radhe Ltd. forfeited 500 shares of ₹10 each fully called up for non-payment of final call of ₹3 per share. 300 of these shares were reissued at ₹8 per share as fully paid-up. The amount credited to Capital Reserve Account:
 (a) ₹1500 (b) ₹2100
 (c) ₹3200 (d) ₹1800 (2023) (Ev)

43. A company forfeited 1000 shares of ₹10 each, ₹7 called up for non-payment of first call of ₹2 per share. All of these shares were reissued at ₹5 per share, ₹7 paid up. The amount transferred to Capital Reserve Account was:

- (a) ₹2000 (b) ₹3000
(c) ₹4000 (d) ₹5000. (2023)

44. A Ltd. forfeited a share of ₹100 issued at a premium of 20% for non payment of first call of ₹30 per share and final call of ₹10 per share. The minimum price at which this share can be reissued is _____.

- (a) ₹40 per share (b) ₹60 per share
(c) ₹100 per share (d) ₹80 per share

(Term-I, 2021-22)

45. Lata Ltd. forfeited Maya's shares. Maya who had applied for 600 shares of ₹10 each and was allotted 400 shares failed to pay allotment money of ₹4 per share including premium of ₹2. She had paid only the application money of ₹2 per share. The first and final call was not yet called. The Journal entry for forfeiture of shares by opening calls in arrears account will be:

		(₹)	(₹)
(a)	Share Capital A/c Dr.	90,000	
	To Share forfeited A/c	11,250	
			1,01,250
(b)	Share Capital A/c Dr.	1,600	
	Securities Premium Reserve A/c	800	
	To Share forfeited A/c		1,200
	To Calls in Arrears A/c		1,200
(c)	Share Capital A/c Dr.	1,600	
	Securities Premium Reserve A/c	800	
	To Share forfeited A/c		1,800
	To Calls in Arrears A/c		800
(d)	Share Capital A/c Dr.	2,000	
	To Shares forfeited A/c Dr.		1,800
	To Calls in Arrears A/c		800

(Term-I, 2021-22)

46. Vinod Ltd. having authorised Capital ₹1,00,00,000 divided into equity shares of ₹100 each, invited applications for issuing 25,000 equity shares 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 and 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. How much total amount was credited to share forfeiture account on forfeiture of shares?

- (a) ₹3,80,000 (b) ₹1,35,000
(c) ₹1,55,000 (d) ₹2,45,000

(Term-I, 2021-22) (Ev)

47. Z Ltd. forfeited 800 shares of ₹10 each on which ₹8 per share was called and ₹6 per share was paid. The amount with which share capital account debited on the forfeiture of these shares was :

- (a) ₹8,000 (b) ₹6,400 (c) ₹4,800 (d) ₹3,200
(Term-I, 2021-22)

48. A situation where number of shares offered to the public for subscription are less than the number of shares for which applications have been received is called :

- (a) Under subscription (b) Fully subscribed
(c) Over subscription (d) Both (b) and (c)
(Term-I, 2021-22)

49. Vinod Ltd. having authorised Capital ₹1,00,00,000 divided into equity shares of ₹100 each, invited applications for issuing 25,000 equity shares 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 and 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.

How much amount was received on allotment?

- (a) ₹6,75,000 (b) ₹7,20,000
(c) ₹6,00,000 (d) ₹4,80,000

(Term-I, 2021-22)

50. Vamini Ltd. forfeited 3,000 shares of ₹10 each, ₹8 called up for non-payment of allotment money of ₹5 per share. All the forfeited shares were reissued to Atul at ₹8 per share fully paid. The amount debited to share forfeiture Account at the time of reissue will be :

- (a) ₹9,000 (b) ₹6,000 (c) ₹3,000 (d) ₹15,000
(Term-I, 2021-22)

51. Pooja Ltd. issued 50,00,000 equity share of ₹ 100 each at a premium of ₹ 30 per share. Half of the premium amount was payable on allotment and the remaining half was payable on first call. Raja to whom 500 shares were allotted failed to pay the first call and second and final call. His shares were forfeited. On forfeiture of shares the amount debited to 'securities premium reserve account' was :

- (a) ₹ 7,500 (b) ₹ 15,000
(c) Nil (d) ₹ 50,000

(Term-I, 2021-22) (An)

52. PP Ltd. invited applications for issuing 10,000 equity shares of ₹ 10 each. Applications for 9,500 shares were received and allotment was made to all the applicants. Ravia shareholder holding 200 shares failed to pay allotment money and his shares were forfeited. Mohan to whom 100 shares were allotted failed to pay the first call and his shares were forfeited immediately after the first call was made. Afterwards the second and final call was made. The second and final call will be due on how many shares?

- (a) 9,500 (b) 9,300
(c) 9,200 (d) 10,000

(Term-I, 2021-22) (Ap)

53. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R) :

Assertion (A) : Maximum amount of discount allowed at the time of reissue of forfeited shares not exceed the forfeited amount.

Reason (R) : The excess amount of forfeited shares account is transferred to capital reserve account.

In the context of the above statements, identify the correct option.

- (a) A is correct, but R is incorrect.
(b) Both A and R are correct.
(c) A is incorrect, but R is correct.
(d) Both A and R are incorrect.

(Term-I, 2021-22) (U)

54. Vanya Ltd. forfeited 20,000 equity shares of ₹100 each for non-payment of first and final call of ₹40 per share. The maximum amount of discount at which these shares can be re-issued will be :

- (a) ₹8,00,000 (b) ₹12,00,000
(c) ₹20,00,000 (d) ₹20,000 (2020)

55. A forfeited share can :

- (a) not be re-issued at discount.
(b) be re-issued at a maximum discount of 10% only.
(c) be re-issued at a maximum discount equal to the amount forfeited on the share.
(d) none of the above. (AI 2015)

VSA (1 mark)

56. What is meant by 'Employees Stock Option Plan'? (Delhi 2019)

57. Y Ltd. forfeited 100 equity shares of ₹10 each for the non-payment of first call of ₹2 per share. The final call of ₹2 per share was yet to be made.

Calculate the maximum amount of discount at which these share can be re-issued. (Delhi 2017) (U)

58. Give the meaning of forfeiture of shares. (Delhi 2015, AI 2015)

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

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

SA II (3/4 marks)

61. NK Ltd., a truck manufacturing company, is registered with an authorised capital of ₹1,00,00,000 divided into equity shares of ₹100 each. The subscribed and paid up capital of the company is ₹50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013.

Also Identify any two values that the company wants to communicate. (2018)

62. Akash Ltd. is registered with an authorised Capital of ₹8,00,00,000 divided into equity share of ₹10 each. Subscribed and fully paid up share capital of the company was ₹4,00,00,000. For providing employment to the local youth and for the development of the rural areas of the Jammu and Kashmir State the company decided to set up a food processing unit in Anantnag district. The Company also decided to open skill development centres in Ladakh, Srinagar and Poonch. To meet its new financial requirements the company decided to issue 1,00,000 equity share of ₹ 10 each and 10,000, 9% debentures of ₹ 100 each. The debentures were redeemable after five years. The issue of equity shares and debentures was fully subscribed. A shareholder holding 1,000 shares failed to pay the final call of ₹ 2 per share.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also, identify any two values that the company wishes to propagate.

(Foreign 2017) (Ap)

63. Tractors India Ltd. is registered with an authorised capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. The Company issued 50,000 equity shares at a premium of ₹5 per share. ₹2 per share were payable with application, ₹8 per share

including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balaram.

Present the 'Share Capital' in the Balance Sheet of "Tractors India Ltd." as per Scheduled VI Part-I of the Companies Act, 1956. Also prepare Notes to Accounts for the same. (Delhi 2015)

64. 'Suvidha Ltd.' is registered with an authorised capital of ₹10,00,00,000 divided into 10,00,000 equity shares of ₹100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹20 per share. His shares were forfeited. The forfeited shares were reissued at ₹90 per share as fully paid up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. (AI 2015)

65. On 1st April, 2012 Vivek Ltd. was formed with an authorised capital of ₹1,00,00,000 divided into 2,00,000 equity shares of ₹50 each. The company issued prospectus inviting applications for 1,80,000 shares. The issue price was payable as under :

On Application : ₹15

On Allotment : ₹20

On Call : Balance amount

The issue was fully subscribed and the company allotted shares to all the applicants. The company did not make the call during the year.

Show the following :

- (a) Share capital in the Balance Sheet of the company as per revised Schedule-VI, Part-I of the Companies, Act, 1956.
(b) Also prepare 'Notes to Account' for the same. (Delhi 2014)

LA II (8 marks)

66. Premier Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹10 each at a premium of ₹2 per share. The amount was payable as follows:
On application - ₹5 per share (including premium)
On allotment - ₹3 per share
On first & final call - Balance
Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment. All calls were made and duly received except allotment and first and final call from Naveen who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹48,000 as fully paid.

Pass the necessary journal entries for the above transactions in the books of Premier Tools Ltd. Open calls-in-arrears account wherever required. (2020)

67. Concept Stationary Ltd. invited applications for issuing 3,00,000 shares of ₹10 each at a premium of ₹3 per share. The amounts were payable as follows:
On application and allotment - ₹7 per share.
On first & final call - balance (including premium of ₹3)

Applications were received for 4,00,000 shares & allotment was made as follows:

- (i) To applicants for 80,000 shares - 80,000 shares.
(ii) To applicants for 40,000 shares - nil
(iii) Balance of the applicants were allotted shares on pro-rata basis.

Excess money received with applications was adjusted towards sums due on first and final call.

Amit, who belonged to category (i) and was allotted 4,000 shares and Veni, who belonged to category (iii) and was allotted 4,400 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were re-issued at ₹7 per share fully paid-up.

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

(2020) (Ev)

68. DF Ltd. invited applications for issuing 50,000 shares of ₹10 each at a premium of ₹2 per share. The amount was payable as follows :

On Application; ₹3 per share (including premium ₹1)

On Allotment : ₹3 per share (including premium ₹1)

On First call : ₹3 per share

On Second and Final call : Balance amount
Applications for 70,000 shares were received. Allotment was made on the following basis.

Applications for 5,000 shares - Full

Application for 50,000 shares - 90%

Balance of the applications were rejected. ₹1,11,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were allotted on pro-rata basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. ₹1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were re-issued @ ₹8 per share fully paid up. Final call was not made.

Pass the necessary journal entries for the above transactions in the book of DF Ltd. (Delhi 2019) (Ap)

69. Royal Ltd. invited applications for issuing 2,00,000 equity shares of ₹10 each at a premium of 25% payable with application. Applications for 4,50,000

shares were received. Applications for 1,00,000 shares were rejected and money refunded. Pro-rata allotment was made to the remaining applicants. The amount per share was payable as follows :

On Application : ₹ 4 per share including premium

On Allotment : ₹ 3.50 per share

Balance on 1st and Final Call.

Excess application money received with applications was adjusted with sums due on allotment.

Application money in excess of sums due on allotment, if any, was refunded. Raghu, who had applied for 7,000 shares failed to pay allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made.

Nandan, who had applied for 10,500 shares, failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹11.50 fully paid up, to Meeta.

Pass necessary journal entries for the above transactions in the books of Royal Ltd. (AI 2019)

70. 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. (AI 2019)

71. X Ltd. invited applications for issuing 50,000 equity shares of ₹10 each. The amount was payable as follows :

On Application : ₹ 2 per share

On Allotment : ₹ 2 per share

On First Call : ₹ 3 per share

On Second and First Call : Balance Amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the applications money was refunded.

Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Gopal, who applied for 600 shares, paid his entire shared money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for ₹20,000; ₹4 per share paid up. The first call money and the second and final call money was called and duly received.

Pass necessary journal entries for the above transaction in the books of X Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary. (Delhi 2018)

72. A Ltd. invited application for issuing 1,00,000 shares of ₹10 each at a premium of ₹1 per share. The amount was payable as follows :

On Application : ₹ 3 per share

On Allotment : ₹ 3 per share

(including premium)

On First Call : ₹ 3 per share

On Second and First Call : Balance Amount

Application for 1,60,000 shares were received. Allotment was made on the following basis :

(i) To applicants for 90,000 shares : 40,000 shares

(ii) To applicants for 50,000 shares : 40,000 shares

(iii) To applicants for 20,000 shares : full shares

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to category (ii), did not pay allotment, first and second and final call money. Another shareholder, Sudha, who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at ₹7 per share fully paid.

Pass the necessary journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required. (2018) (Ap)

73. AXN Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹6 per share. The amount was payable as follows :

On Application ₹ 4 per share (including ₹ 2 premium)

On Allotment ₹ 5 per share (including ₹ 2 premium)

On First Call ₹ 4 per share (including ₹ 2 premium)

On Second and Final Call, Balance Amount.

The issue was fully subscribed.

Kumar the holder of 400 shares did not pay the allotment money and Ravi the holder of 1,000 shares paid his entire share money alongwith allotment money. Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta a holder of 300 shares failed to pay the first

call money and Gopal a holder of 600 shares paid and second call money also alongwith first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.

All the forfeited share were re-issued at ₹9 per share fully paid up.

Pass necessary Journal Entries for the above transactions in the book of the company.

(Delhi 2017) (EV)

74. XL Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at par. The amount was payable as follows :

On Application ₹ 3 per share

On Allotment ₹ 4 per share

On First and Final Call ₹ 3 per share

The issue was over-subscribed by three times. Applications for 20% shares were rejected and the money refunded. Allotment was made to the remaining applicants as follows :

Category	No. of Shares Applied	No. of Shares Allotted
I	1,60,000	80,000
II	80,000	20,000

Excess money received with applications was adjusted towards sums due on allotment and first and final call. All calls were made and were duly received except the final call by a shareholder belonging to Category I who has applied for 320 shares. His shares were forfeited. the forfeited shared were re-issued at ₹ 15 per share fully paid up.

Pass necessary Journal entries for the above transactions in the book of XL Ltd., open calls in arrears and calls in advance account whenever required. (Delhi 2017)

75. 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)

One First and Final Call - Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 share 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 1000 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. (Delhi 2016)

76. SK Ltd. invited application for issuing 3,20,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :

On application - ₹3 per share (including premium ₹ 1 per share)

On allotment - ₹ 5 per share (including premium ₹ 2 per share)

On first and Final Call - Balance.

Application for 4,00,000 shares were received. Application for 40,000 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. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made, Ganesh who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were reissued at ₹ 8 per share fully paid up. The reissued shares included all the forfeited shares of Jeevan.

Pass necessary Journal entries for the above transactions in the books of the company. (AI 2016)

77. BBG Ltd. had issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹3 per share payable with application money. While passing the journal entries related to the issue, some blanks are left. you are required to complete these blanks.

**Books of BBG Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Jan. 05	..... To	Dr.	.....	.....
	(Amount money received for 1,40,000 shares @ ₹ 6 per share including premium)			

Jan. 17	Equity Share Application A/c Dr. To To To To (Application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on pro-rata basis).		.....	.....
Jan. 17	..... Dr. To (Allotment money due @ ₹ 4 per share)		.....	.....
Feb. 20	..... Dr. To (Balance allotment amount received)		.....	.....

(AI 2016)

78. Alfa Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each. The amount was payable as follows :
On application and allotment - ₹ 4 per share.
On first call - ₹ 3 per share
On second and final call - balance
Application for 1,00,000 shares were received. Shares were allotted to all the applicants on pro-rata basis and excess money received with applications was transferred towards sums due on first call. Vibha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1000 shares, applied by Monika. Her shares were also forfeited. All the forfeited shares were re-issued to Mohit for ₹ 9,000 as fully paid up.
Pass necessary journal entries in the books of Alfa Ltd. for the above transactions. (Delhi 2015)
79. Jeevan Dhara Ltd. invited application for issuing 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :
On application - ₹ 2 per share.
On allotment - ₹ 5 per shares (including premium)
On first and final call - balance
Application for 1,50,000 shares were received. Shares were allotted to all the applicants on pro-rata basis. Excess money received on applications was adjusted towards sums due on allotment. All call were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were re-issued at ₹ 9 per share as fully paid up. Pass necessary journal entries for the above transactions in the books of Jeevan Dhara Ltd. (Delhi 2015)
80. 'Blue Star Ltd.' was registered with an authorised capital of ₹ 2,00,000 divided into 20,000 shares of ₹ 10 each. 6,000 out of these shares were issued to the vendor for building purchased. 8,000 shares were issued to the public and ₹ 5 per share were called up as follows :
On application - ₹ 2 per share
On allotment - 1 per share
On first call - Balance of the called up amount
The amounts received on these shares were as follows :
On 6,000 shares - full amount called
On 1,250 shares - ₹ 3 per share
On 750 shares - ₹ 2 per share
The directors forfeited 750 shares on which ₹ 2 per share were received.
Pass necessary journal entries for the above transactions in the books of Blue Star Ltd. (AI 2015) (Ap)
81. 'BMY Ltd.' invited application for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 10 per share. The amount was payable as follows :
On application - ₹ 10 per share (including ₹ 5 premium)
On allotment - The balance
The issue was fully subscribed. A shareholder holding 300 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on these shares were re-issued for ₹ 4,000 as fully paid up.
Pass necessary journal entries for the above transactions in the books of BMY Ltd. (AI 2015) (Ap)
82. 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.

Application 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 application and allotment was refunded in cash to rejected applicants and as well as pro-rata allottees. 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 share were reissued at ₹ 150 per share fully paid up. Pass necessary Journal entries for the above transaction in the books of AB Ltd. (Delhi 2014)

83. X Ltd. invited applications for issuing 75,000 equity shares of ₹10 each at a premium of ₹5 per share. The amount was payable as follows :

On application and allotment - ₹9 per share (including premium)

On first and final call - the balance amount.

Application for 3,00,000 shares were received. Application for 2,00,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received excepts on 1,500 shares applied by Ravi.

His shares were forfeited. The forfeited shares were re-issued at a discount of ₹4 per share.

Pass necessary journal entries for the above transactions in the books of X Ltd. (AI 2014) (Ap)

CBSE Sample Questions

1.5 Issue of Shares

MCQ

- In which of the following situation Companies Act 2013 allows for issue of shares at discount?
 - Issued to vendors
 - Issued to public
 - Issued as sweat equity
 - None of the above (Term-I, 2021-22)
- Net Assets minus Capital Reserve is:
 - Purchase consideration
 - Goodwill
 - Total assets
 - Liquid assets. (Term-I, 2021-22)
- Which of the following statement is/are true?
 - Authorised Capital < Issued Capital
 - Authorised Capital ≥ Issued Capital
 - Subscribed Capital ≤ Issued Capital
 - Subscribed Capital > Issued Capital
 - (i) only
 - (i) and (iv) both
 - (ii) and (iii) both
 - (ii) only (Term-I, 2021-22)
- Newfound Ltd took over business of Old land ltd and paid for it by issue of 30,000, Equity Shares of ₹100 each at a par along with 6% Preference Shares of ₹1,00,00,000 at a premium of 5% and a cheque of ₹8,00,000. What was the total agreed purchase consideration payable to Old Land Ltd.
 - ₹1,05,00,000.
 - ₹1,43,00,000.
 - ₹1,40,00,000.
 - ₹1,35,00,000. (Term-I, 2021-22)
- Reserve Capital is not a part of:
 - Authorised Capital
 - Subscribed capital
 - Unsubscribed capital
 - Issued Share Capital. (Term-I, 2021-22)

1.6 Accounting Treatment

MCQ

- Attire Ltd, issued a prospectus inviting applications for 12,000 shares of ₹10 each payable ₹3 on application, ₹ 5 on allotment and balance on call. Public had applied for certain number of shares and application money was received. Which of the following application money, if received restricts the company to proceed with the allotment of shares, as per SEBI guidelines?
 - ₹ 36,000
 - ₹ 45,000
 - ₹ 30,000
 - ₹ 32,400 (2022-23)
- Calculate the amount of second & final call when Abhijit Ltd, issues Equity shares of ₹10 each at a premium of 40% payable on Application ₹3, On Allotment ₹5, On First Call ₹2.
 - Second & final call ₹3.
 - Second & final call ₹4.
 - Second & final call ₹1.
 - Second & final call ₹14. (Term-I, 2021-22)
- Anish Ltd, issued a prospectus inviting applications for 2,000 shares. Applications were received for 3,000 shares and pro-rata allotment was made to the applicants of 2,400 shares. If Dhruv has been allotted 40 shares, how many shares he must have applied for?
 - 40
 - 44
 - 48
 - 52 (Term-I, 2021-22) (U)
- Ambrish Ltd offered 2,00,000 Equity Shares of ₹10 each, of these 1,98,000 shares were subscribed. The amount was payable as ₹3 on application, ₹4 an allotment and balance on first call. If a shareholder holding 3,000 shares has defaulted on first call, what is the amount of money received on first call?

- (a) ₹9,000. (b) ₹5,85,000.
 (c) ₹5,91,000. (d) ₹6,09,000.
 (Term-I, 2021-22)

10. As per Section 52 of Companies Act 2013, Securities Premium Reserve cannot be utilised for:
 (a) Writing off capital losses.
 (b) Issue of fully paid bonus shares.
 (c) Writing off discount on issue of securities.
 (d) Writing off preliminary expenses.
 (Term-I, 2021-22) (R)

11. Mohit had been allotted for 600 shares by a Govinda Ltd on pro rata basis which had issued two shares for every three applied. He had paid application money of ₹3 per share and could not pay allotment money of ₹5 per share. First and final call of ₹2 per share was not yet made by the company. His shares were forfeited. The following entry will be passed:

Equity Share Capital A/c	Dr.	₹X
To Share Forfeited A/c		₹Y
To Equity Share Allotment A/c		₹Z

- Here X, Y and Z are:
 (a) ₹6,000; ₹2,700; ₹3,000 respectively.
 (b) ₹9,000; ₹2,700; ₹4,500 respectively.
 (c) ₹4,800; ₹2,700; ₹2,100 respectively.
 (d) ₹7,200; ₹2,700; ₹4,500 respectively.
 (Term-I, 2021-22)

12. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A) : In case of shares issued on Pro-rata basis, excess money received at the time of application can be utilised till allotment only.
Reason (R) : Company has to pay interest on calls in advance @12% p.a. for amount adjusted towards calls (if any).

In the context of the above two statements, which of the following is correct?

- (a) Both A and R are true, but R is not the explanation of A.
 (b) Both A and R are true and R is the correct explanation of A.
 (c) Both A and R are false.
 (d) A is false, but R is true.
 (Term-I, 2021-22)

13. Krishan Ltd has Issued Capital of 20, 00,000 Equity shares of ₹10 each. Till Date ₹8 per share have been called up and the entire amount received except calls of ₹4 per share on 800 shares and ₹3 per share from another holder who held 500 shares. What will be amount appearing as 'Subscribed but not fully paid capital' in the balance sheet of the company?

- (a) ₹2,00,00,000 (b) ₹1,95,99,000
 (c) ₹1,59,95,300 (d) ₹1,99,95,300
 (Term-I, 2021-22) (Ap)

Question no. 14 and 15 are based on the hypothetical situation given below.

Bright Star Limited is engaged in manufacture of high-end medical equipment. Considering the prospects of

high growth in this segment the company has decided to expand and for this purpose additional investment of ₹50,00,00,000 is required. Directors have decided that 20% of this requirement would be financed by raising long term debts and balance by issue of Equity shares. As per memorandum of association of the company the face value of Equity shares is ₹100 each. Also, considering the market standing of the company these shares would be issued at a premium of 25%.

Directors decided to issue sufficient shares to collect the desired amount (including premium).

The prospectus was issued to public, and the issue was oversubscribed by 2,00,000 shares which were issued letters of regret. Answer the below mentioned questions considering that the entire amount was payable on application. (Term-I, 2021-22)

14. What is the total amount collected on application?
 (a) ₹42,50,00,000 (b) ₹40,00,00,000
 (c) ₹32,00,00,000 (d) None of the above
15. How many Equity shares were offered for issue by Bright Star Ltd?
 (a) 40,00,000 shares. (b) 50,00,000 shares.
 (c) 35,00,000 shares. (d) 32,00,000 shares.

SA II (3/4 marks)

16. Random Ltd. took over running business of Mature Ltd. comprising of Assets of ₹ 45,00,000 and Liabilities of ₹ 6,40,000 for a purchase consideration of ₹ 36,00,000. The amount was settled by bank draft of ₹ 1,50,000 and balance by issuing 12% preference shares of ₹ 100 each at 15% premium. Pass entries in the books of Random Ltd. (2022-23)

17. Altaur Ltd. was registered with an authorised capital of ₹ 4,00,00,000 divided in 25,00,000 Equity Shares of ₹ 10 each and 1,50,000, 9% Preference Shares of ₹ 100 each. The company issued 8,00,000 Equity Shares for public subscription at 20% premium, payable ₹ 3 on application; ₹ 7 on allotment (including premium) and balance on call. Public had applied for 10,00,000 shares. Excess Applications were sent letters of regret.

All the dues on allotment received except on 15,000 shares held by Sanju. Another shareholder Rocky paid his call dues along with allotment on his holding of 25,000 shares. You are required to prepare the Balance Sheet of the company as per Schedule III of Companies Act, 2013, showing Share Capital balance and also prepare Notes to Accounts. (2022-23)

1.7 Forfeiture of Shares

MCQ

18. If 10,000 shares of ₹10 each were forfeited for non-payment of final call money of ₹ 3 per share and only 7,000 shares were re-issued @ ₹ 11 per share as fully paid up, then what is the amount of maximum possible discount that company can allow at the time of re-issue of the remaining 3,000 shares?

- (a) ₹ 28,000 (b) ₹ 21,000
(c) ₹ 9,000 (d) ₹ 16,000 (2022-23)

19. What will be the correct sequence of events?

- (i) Forfeiture of shares.
(ii) Default on Calls.
(iii) Re-issue of shares.
(iv) Amount transferred to capital reserve.
(a) (i), (iv), (ii), (iii) (b) (ii), (iv), (i), (iii)
(c) (ii), (i), (iii), (iv) (d) (iii), (iv), (i) (ii)

(Term-I, 2021-22) (U)

20. Apaar Ltd forfeited 4,000 shares of ₹20 each, fully called up, on which only application money of ₹6 has been paid. Out of these 2,000 shares were reissued and ₹8,000 has been transferred to capital reserve. Calculate the rate at which these shares were reissued.

- (a) ₹20 Per share (b) ₹18 Per share
(c) ₹22 Per share (d) ₹8 Per share

(Term-I, 2021-22)

21. Vishnu Ltd. forfeited 20 shares of ₹10 each, ₹8 called up, on which John had paid application and allotment money of ₹5 per share, of these, 15 shares were reissued to Parker as fully paid up for ₹6 per share. What is the balance in the share Forfeiture Account after the relevant amount has been transferred to Capital Reserve Account?

- (a) ₹0 (b) ₹5
(c) ₹25 (d) ₹100

(Term-I, 2021-22) (Ev)

22. A company forfeited 4,000 shares of ₹10 each on which application money of ₹3 has been paid. Out of these 2,000 shares were reissued as fully paid up and ₹4,000 has been transferred to capital reserve. Calculate the rate at which these shares were reissued.

- (a) ₹10 Per share (b) ₹9 Per share
(c) ₹11 Per share (d) ₹8 Per share

(Term-I, 2021-22)

SA II (3/4 marks)

23. From the following information complete Journal entries.

Books of BGG Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 2 shares forfeited for non-payment of ₹ 2 including premium of ₹2 per share)		? 1000	? 3,500
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 2 shares reissued at ₹9 per share as fully paid)		? ?	?
	Share forfeiture A/c Dr. To Capital Reserve A/c (Being forfeiture money transferred to capital reserve)		600	600

Dr. **Share forfeiture A/c** Cr.

Date	Particulars	Amount	Date	Particulars	Amount
	To Share Capital A/c To Capital reserve A/c To Balance c/d	? 600 600		By Share Capital A/c	1500
		1500			1500

(Face value of share is ₹10 each)

(2020-21)

24. OTUA Ltd. was registered with an authorised capital of 2,00,000 equity shares of ₹ 100 each. The company offered 60,000 shares for public subscription at 25% premium. The share was payable as ₹ 40 on application and balance on allotment, with premium. Public had applied for 85,000 shares. Pro-rata allotment was made in the ratio of 5:4 and remaining applications were sent letters of regret. Mr. Anand holding 4,000 shares failed to pay

allotment money and his shares were forfeited. Out of these 3,000 shares were re-issued at a discount of ₹ 20 per share. Pass necessary entries in the books of the OTUA Ltd. (2022-23)

25. Pass entries for forfeiture and re-issue in both the following cases.

- (a) Vikram Ltd. forfeited 5,000 shares of Rahul, who had applied for 6,000 shares for non-payment of allotment money of ₹ 5 per share and first and

final call of ₹ 2 per share. Only application money of ₹ 3 was paid by him. Out of these 3,000 shares were re-issued @ ₹ 12 per share as fully paid.

- (b) Ratan Ltd. forfeited 3,000 shares of ₹ 10 each (issued at ₹ 2 premium) for non-payment of first call of ₹ 2 per share. Final call of ₹ 3 per share was not yet made. Out of these 2,000 shares were re-issued at ₹ 10 per share as fully paid.
(2022-23)

LA II (8 marks)

26. Zocon Ltd. issued a prospectus inviting applications for 5,00,000 equity shares of ₹10 each issued at a premium of 10% payable as: ₹3 on Application ₹5 on Allotment (including premium) and ₹3 on call. Applications were received for 6, 60,000 shares. Allotment was made as follows:
- Applicants of 4, 00,000 shares were allotted in full.
 - Applicants of 2, 00,000 shares were allotted 50% on pro rata basis.
 - Applicants of 60,000 shares were issued letters of regret.

A shareholder to whom 500 shares were allotted under category (a) paid full amount on shares allotted to him along with allotment money. Another shareholder to whom 1,000 shares were allotted under category (b) failed to pay the amount due on allotment. His shares were immediately forfeited. These shares were then reissued at ₹14 per share as ₹7 paid up. Call has not yet been made.
Journalise. (2020-21)

27. X Ltd. has offered 50000 equity shares of ₹100 each at a premium of ₹20, payable as follows:
Application ₹50
Allotment ₹40 (including premium)
and balance on first and final call.
The bank account of the company has received ₹35,00,000 on account of share application money. X Ltd. decided to allot shares to all the applicants on Pro Rata basis. The balance in calls in arrears account at the time of allotment and first and final call amounted to ₹1,00,000 and ₹1,50,000 respectively. These shares were forfeited and re-issued at ₹90 per share as fully paid up. Journalise. (2020-21)

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

1. (c) : The maximum amount of share capital which a company is authorised to issue.

2. (b) :

Subscribed & Fully Paid up Capital	₹ 4,00,000
Subscribed & not fully paid up Capital : 20,000 equally shares of ₹10 each	
2,00,000	1,90,000
Less = Calls in arrear	10,000
Total subscribed Capital	5,90,000

Working Notes :

Calls-in-arrears :

X - 1000 shares × ₹ (3 + 2 + 2) =	₹ 7,000
Y - 600 shares × ₹ (2 + 2) =	₹ 2,400
Z - 300 shares × ₹ 2 =	₹ 600
	₹ 10,000

9. Total capital of the company is divided into units of small denominations. Each such unit is called 'share'.

	Basis of difference	Preference Shares	Equity Shares
(i)	Rate of Dividend	Preference shares received dividend at a fixed rate.	Rate of dividend on equity shares is not fixed. It may vary from year to year depending upon the availability of profits.
(ii)	Preferential rights to the payment of dividend	They have a right to receive dividend before any dividend is paid to equity shares.	Payment of dividend on equity shares is made after the payment of preference dividend.

- (a) : Subscribed Capital, Reserve Capital
- Reserve Capital.
- Issued Capital is that part of the Authorised Capital which is offered to the public for subscription.
- As per Section 2(86) of Companies Act, 2013, "subscribed capital" means such part of the capital which is for the time being subscribed by the members of a company. It is that part of issued capital that is actually subscribed by the general public.
- Authorised Share Capital is maximum amount of capital that a company can raise as share capital. It is stated in the Memorandum of Association. This is sub categorised into Equity shares and Preference shares. Issued capital is a part of authorised capital that is issued for subscription, shares allotted for consideration other than cash, shares subscribed by signatories to Memorandum of Association and shares taken by Directors as qualifying shares.
- Reserve Capital is a part of uncalled capital.

10. (b): Debt will remain the same and equity will increase.

11. (a): 120 days, allotment of shares.

12. (a): In case the company fails to receive minimum subscription i.e. 90% of the issued shares, it cannot proceed for the allotment of shares. The company will have to return the application money within 120 days from the date of issue of prospectus.

13. Private Placement means any offer of securities to selected group of persons by a company other than by way of public offer.

14. (a): Purchase Consideration

15. (d): Any of the above

16. (d): Jupiter Ltd. has two alternatives available, (i) it can either refund the excess application money and allot full shares to rest of the applicants; (ii) or not to allot any share to some applicants, allot full to some applicants and allot remaining on pro-rata basis. Thus, any one of (i) and (ii) can be adopted.

17. (b): Amount due on allotment = ₹ 18,000
(6,000 × 3)

Add: Calls-in-Advance = ₹ 1,000
(200 × 5)

Amount received at the time of allotment = ₹ 19,000

18. (b): Credited to the calls-in-advance account.

19. (b): Journal entry for Refund on Rejection of application money will be as follows:

Share Application & Allotment A/c Dr.
 To Bank A/c

20. (d):

Equity share issued 3,000@ ₹100	₹ 3,00,000
Add: Security Premium 3,000@ ₹10	₹ 30,000

25. (d): Computation Table

Category	Share applied	Share allotted	Application Money	Share capital	Excess	Adjusted for allotment
I	1,00,000	1,00,000	2,00,000	2,00,000	-	-
II	5,00,000	3,00,000	10,00,000	6,00,000	4,00,000	4,00,000
III	12,00,000	8,00,000	24,00,000	16,00,000	8,00,000	8,00,000
	18,00,000	12,00,000	36,00,000	24,00,000	12,00,000	12,00,000

Allotment money due = 12,00,000 × 5 = 60,00,000

Less: excess received (12,00,000)
₹48,00,000

26. (d): 1,00,000 shares

27. (c): ₹ 3,80,250 28. (c): ₹ 2,21,000

30. Journal of Kumar Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
28.2.16	Share First Call A/c To Share Capital A/c (First Call money due on 50,000 share of ₹ 2 each)	Dr.	1,00,000	1,00,000

Purchase consideration paid by issue of shares	₹ 3,30,000
--	------------

The amount of cheque issued:

Cost of Machinery	3,80,000
(-) Purchase consideration paid by issue of shares	3,30,000
Amount paid by cheque	50,000

21. (c): Application money = 1,50,000 × ₹8 = ₹12,00,000
Calls-in-advance = 4,000 × 10(8 Allotment + 2 First and Final Call) = ₹40,000

Total application money = ₹(12,00,000 + 40,000) = ₹12,40,000

22. (c): (i) Ratio of Applied: Allotted shares
15,00,000: 10,00,000
3: 2

(ii) Dharam's allotted shares = 600 shares

Dharam's applied shares = $\frac{600}{2} \times 3 = 900$ shares

(iii) Excess money received on application from Dharam = 900 shares - 600 shares = 300 shares
Excess money = 300 shares × ₹6 = ₹1800

(iv) Calls in Arrears (Dharam)

600 shares × ₹8 = ₹4,800

(-) Excess money = ₹1,800
₹3,000

23. (d): Total shares subscribed:

Subscribed shares (4,00,000 × ₹10) = 40,00,000

Less: Calls-in-arrears (10,000 × ₹2) = 20,000 = ₹39,80,000

24. (a): Category I : 1,00,000
Category II : 3,00,000
Category III : 8,00,000
Issued capital : 12,00,000

29. Calls-in-advance is the amount not called up by the company but being paid by the shareholder in advance.

Bank A/c	Dr.	1,01,000	
Calls-in-Arrears A/c	Dr.	2,000	
To Share First Call A/c			1,00,000
To Calls-in-Advance A/c			3,000
<i>(Being amount received on first call except 1,000 shares and call-in-Advance for 750 shares for second and final call)</i>			

Answer Tips

- In accounting, writing Cr. and Dr. is compulsory especially for debit and credit amount. Remember to mention Date, Indian rupee symbol, particulars and amount etc.

31. The company cannot proceed for allotment of shares. Allotment of shares can only take place, if the company receives 90% of subscription that is 9,00,000 ₹. In this, case shares are subscribed for less.

32. **Balance Sheet as per Schedule III of Companies Act, 2013**

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. Equity & Liabilities			
Shareholders' Funds			
(a) Share Capital	1	17,70,000	

Notes to Accounts:

Note No.	Particulars	Amount (₹)
1	SHARE CAPITAL	
	Authorised Capital	
	22,500 equity shares of ₹10 each	22,50,000
	Issued Capital	
	18,750 equity share of ₹100 each	18,75,000
	Subscribed Capital	
	Subscribed and Fully paid	
	15,250 equity share of ₹100 each	15,25,000
	Subscribed but not Fully paid	
	3,500 equity shares of ₹100 each	3,50,000
	Less: Calls in arrears	(1,05,000)
		2,45,000
		17,70,000

33. (i) In purchasing its own shares (buy-back)
(ii) Issuing fully paid bonus shares to the members.
(iii) Providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company.

34. **Journal of Sandesh Ltd.**

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Sundry Assets A/c	Dr.	7,00,000	
To Sundry Liabilities A/c			2,00,000
To Sanchar Ltd. A/c			4,59,500
To Capital Reserve A/c			40,500
<i>(Purchase of Assets and Liabilities)</i>			
Sanchar Ltd. A/c	Dr.	4,59,500	
To Bank A/c			8,500
To Share Capital A/c			4,10,000
To Securities Premium Reserve A/c			41,000
<i>(Issue of 41,000 equity shares at premium 10% and balance by Bank draft)</i>			

Working Note : $4,51,000/11 = 41,000$ equity Shares.

35.

Journal of K Ltd.

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Sundry Assets A/c Dr.		15,00,000	
Goodwill A/c Dr.		3,68,500	
To Sundry Liabilities			5,00,000
To P Ltd.			13,68,500
(Being purchase of assets and liabilities of P. Ltd.)			
P Ltd. A/c 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
(Issued 10,744 equity shares of ₹ 100 each at a premium of ₹ 25 and balance paid through B/P of ₹ 25,500)			

Working Note : No. of Equity Shares $\frac{13,43,000}{125}$ (Face value 100 + 25 Premium)

36.

Journal

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c Dr.		2,60,00,000	
To Share Application and Allotment A/c			2,60,00,000
(Being application money Received)			
Share Application and Allotment A/c Dr.		2,60,00,000	
To Share Capital A/c			85,00,000
To Securities Premium Reserve A/c			25,50,000
To Bank A/c (3,00,000 × 13)			39,00,000
To Share Allotment A/c			1,10,50,000
(Being application money transferred to share capital and securities premium reserve and balance refunded)			

Values :

- Providing employment.
- Value of Equality by providing pro-rata basis.

37. According to Section 52 (2) of the companies Act, 2013, Securities Premium can be used other than 'issue of bonus shares' for the following purposes :

- For writing off the expenses, commission or discount allowed on issue of shares of debentures of the company.
- For providing the premium payable on redemption of redeemable preference shares or debentures of the company.
- For buy back of its own shares.

38. (a)

Journal of Good Blankets Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr.		7,00,000	
	To Vendors' A/c			7,00,000
	(Being purchase of machinery from Vendors)			
	Vendors' A/c Dr.		7,00,000	
	To Equity Share Capital A/c			5,00,000
	To 9% Debenture A/c			2,00,000
	(Being issue of equity shares and debentures at par to vendors)			
	OR			
	Vendors' A/c Dr.		5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Being issue of equity shares)			
	Vendors' A/c Dr.		2,00,000	
	To 9% Debentures A/c			2,00,000
	(Being issue of Debenture at par)			

(b) Values which the company wants to communicate to the society : (Any one)

- Social responsibility.
- Generation of employment opportunities in rural areas.



39. Alternatives available to the board of directors are :

- (i) Excess applications may be rejected and shares may be allotted to the remaining applicants as full.
- (ii) Share may be allotted to all the applicants on pro-rata basis.
- (iii) Some of the application may be rejected and shares may be allotted to the remaining applicants on pro-rata basis.

40. **Journal of Gopal Ltd.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Furniture A/c Dr. To M/S Furniture Mart <i>(Being purchase of furniture from furniture Mart.)</i>		2,50,000	2,50,000
	Furniture Mart A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c <i>(Being issue of 20,000 equity shares of ₹ 10 each at a premium of 10%.)</i>		2,50,000	2,00,000 50,000
(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 (Balancing figure) Dr. To Sundry Creditors A/c To Aman Ltd. <i>(Being business of Aman Ltd purchased and Purchased consideration is due)</i>		2,00,000	1,00,000 15,00,000
(iii)	Aman Ltd. A/c Dr. To Bank A/c To Equity Share Capital A/c <i>(Being purchase consideration discharged by issuing fully paid equity shares 1,20,000 of ₹ 10 each and Bank.)</i>		15,00,000	3,00,000 12,00,000

Commonly Made Mistake

☞ Sometimes, students do not separate premium amount properly, which leads to error in calculation of per share amount and it should be keep in mind whether amount received in advance or not.

41. (c) : Called up amount on shares

42. (b) : 2100

43. (a) : 2000

44. (a) : A Ltd. can give a maximum permissible discount of ₹60 (100 - 40) as ₹60 has been received at the time of application and allotment. Thus, minimum price at which shares can be reissued ₹40 (₹100 - ₹60).

45. (b) : **Journal entry**

Particulars	Dr. (₹)	Cr. (₹)
Share Capital A/c (400 × 4) Dr.	1,600	
Securities Premium Reserve A/c (400 × 2) Dr. To Share Forfeited A/c (600 × 2) To Calls-in-Arrears A/c <i>(For shares forfeited)</i>	800	1,200 1,200

Money received on application (600 × 2)	₹ 1,200
(-) Share capital transfer (400 × 2)	₹ 800
Excess adjusted in allotment	₹ 400

Allotment money due (400 × 4)	₹ 1,600
(-) Excess	₹ 400
Calls-in-arrears	₹ 1,200

46. (c) : Amount credited to share forfeiture A/c = Amount received against 2,500 shares + Amount received against 1,500 shares
 $= ₹[(2,500 \times 50) + (1,500 \times 20)]$
 $= ₹(1,25,000 + 30,000) = ₹1,55,000$

47. (b) : Share capital will be debited with the called up value, i.e., ₹8.

The amount to be debited to share capital while forfeiture of 800 shares = $800 \times ₹8 = ₹6,400$.

48. (c) : When a company receives applications for shares more than the number of shares it has offered to the public, it is known as over-subscription of shares. Sometimes student may get confused between the meaning of over subscription and under subscription.

49. (a) :

Amount due on allotment (24,000 × 30)	= ₹ 7,20,000
Less : calls-in-Arrears (1500 × 30)	= ₹ 45,000
Amount Received on Allotment	= ₹ 6,75,000

50. (b) : ₹6,000

51. (a) : Security premium amount unpaid at the time of first call = $500 \text{ shares} \times ₹5 = ₹7500$

Since, the entire amount of Security premium was not received : at the time of first call, it will be debited at the time of forfeiture.

52. (c) : Ravi and Mohan did not pay certain amount on shares prior to second and final call so their shares were forfeited Therefore, second and final call will be due on the shares excluding Ravi and Mohan i.e., 9,200 shares (9,500 - 300).

53. (b) : Maximum amount of discount allowed at the time of reissue of forfeited shares should not exceed the forfeited amount. The excess amount of forfeited shares account left after re-issue of shares is transferred to capital reserve account.

54. (b) : Amount standing in the share forfeiture A/c is ₹12,00,000; 20,000 equity shares at ₹60 (₹100 - ₹40) which is the maximum permissible discount on re-issue of the forfeited equity shares. So, the maximum amount of discount at which these shares can be re-issued will be ₹12,00,000.

55. (c) : Can be re-issued at a maximum discount equal to the amount forfeited on the share.

56. Employees Stock Option Plan means option granted by the company to its employees and directors to subscribe to the shares of the company at a price that is lower than the market price.

57. The maximum amount of discount is ₹600 because we cannot exceed the total amount forfeited.

58. Forfeiture of shares means cancellation of shares allotted, for non payment of amount due till that date and treating actually received amount as forfeited.

59. Discount allowed on the issue of shares must not exceed the amount received on the shares till the time of forfeiture i.e., amount credited to forfeited shares account at that time.

60. The amount credited to Forfeited Shares Account i.e., $100 \times ₹7 = ₹700$. These shares can be re-issued upto a discount of ₹7 per share or ₹700.

61. Extract of Balance Sheet of NK Ltd.
As at

	Particulars	Note No.	Amount Current Year (₹)	Amount Previous Year (₹)
(a)	I - Equity and Liabilities : Shareholder's Funds : Share Capital		70,00,000	50,00,000
(i)	Notes to Accounts : Share Capital Authorised Capital : 1,00,000 equity shares of ₹ 100 each			1,00,00,000
	Issued Capital : 70,000 equity shares of ₹ 100 each			70,00,000
	Subscribed & Fully Paid : 70,000 equity shares of ₹ 100 each			70,00,000

Values : Fulfilling social responsibility respect towards specially abled children.

62. Two values which company propagate are :

- (i) Providing Employment to youth.
- (ii) Improving quality of life of society.

Akash Ltd. Balance-Sheet
as on....

Particulars	Note	Figure as at the end of the current reporting period
I. Equality and Liabilities (a) Shareholder's Funds Share Capital	1	4,09,98,000

Notes of Accounts :

	Particulars	(₹)
I.	Share Capital Authorised : 8,000,000 Equity shares of ₹10 each	8,00,00,000
	Issued, subscribed, called-up and paid-up capital 41,00,000 Equity shares of ₹10 each fully called-up	₹ 4,10,00,000
	Less : Calls-in-Arrears (1000 × 2)	₹ 2,000
	10,000, 9% Debentures of ₹100 each	10,00,000

63. Balance Sheet of Tractors India Ltd.
As at (As per revised Schedule III)

Particulars	Note No.	Amount (₹) Current Year	Amount (₹) Previous Year
Equity and Liabilities			
I. Shareholder's Funds :	1	4,97,500	
(a) Share Capital			

Notes to Accounts :

Particulars	Amount (₹) Current Year	Amount (₹) Previous Year
(i) Share Capital		
Authorised Capital :		
1,00,000 equity shares of ₹ 10 each	10,00,000	
Issued Capital :		
50,000 equity shares of ₹ 10 each	5,00,000	
Subscribed and fully paid :		
49,500 shares of ₹ 10 each	4,95,000	
Subscribed but not fully paid :		
500 shares of ₹ 10 each	5,000	
Less : Calls-in-arrear (500 × ₹ 5)	(2,500)	
	2,500	4,97,500

Very Important Note : The Companies Act, 2013 has replaced the companies Act, 1956. Further, please note that schedule VI of the companies Act, 1956 is now schedule III of the companies Act, 2013.

64. Balance Sheet of Suvidha Ltd.
As at (As per revised Schedule III)

Particulars	Note No.	Amount (₹) Current Year	Amount (₹) Previous Year
Equity and Liabilities			
I. Shareholder's Funds :	1	1,00,07,000	
(a) Share Capital			

Notes to Accounts :

Particulars	₹
(i) Share Capital	
Authorised Capital :	
1,00,00,00 equity shares of ₹ 100 each	10,00,00,000
Issued Capital	
1,00,000 equity shares of ₹ 100 each	1,00,00,000
Subscribed and fully paid	
1,00,000 shares of ₹ 100 each	100,00,000
Add-Share forfeited A/c	7000
	1,00,07,000

65. Balance Sheet of Vivek Ltd.
As (As per Revised Schedule VI)

Particulars	Note No.	Amount (₹) Current Year	Amount (₹) Previous Year
Equity and Liabilities			
I. Shareholder's Funds :	1	63,00,000	
(a) Share Capital			

Notes to Accounts :

Particulars	Amount (₹) Previous Year
(i) Share Capital	
Authorised Capital : 2,00,000 equity shares of ₹ 50 each	<u>1,00,00,000</u>
Issued Capital : 1,80,000 equity shares of ₹ 50 each	<u>90,00,000</u>
Subscribed Capital : Subscribed but not fully paid : 1,80,000 shares of ₹ 50 each ₹ 35 called up	<u>63,00,000</u>

66.

In the Books of Premier Tools Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Bank A/c Dr. To Share Application A/c (Received application money on 2,50,000 shares)		12,50,000	12,50,000
(ii)	Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Transfer of application money to Share Capital)		12,50,000	6,00,000 4,00,000 2,00,000 50,000
(iii)	Share Allotment A/c Dr. To Share Capital A/c (Allotment due on 2,00,000 shares)		6,00,000	6,00,000
(iv)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Allotment money received)		3,88,000 12,000	4,00,000
(v)	Share First and Final Call A/c Dr. To Share Capital A/c (Call money due on 2,00,000 shares)		8,00,000	8,00,000
(vi)	Bank A/c Dr. Calls-in-Arrears A/c (6000 × 4) Dr. To Share First and Final Call A/c (Received call money)		7,76,000 24,000	8,00,000
(vii)	Share Capital A/c (6000 × 10) Dr. To Calls-in-Arrears A/c (12,000 + 24,000) To Share Forfeiture A/c (Forfeiture of 6000 shares for non-payment of allotment and call money)		60,000	36,000 24,000
(viii)	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Reissue of 3,000 shares at ₹16 per share)		48,000	30,000 18,000
(ix)	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve Account)		12,000	12,000



Working Notes :

(i) **Computation Table**

Categories	Shares Applied	Shares Allotted	Money received Application & Allotment @ ₹7 each	Money transferred to Share Capital @ ₹7 each	Excess Application & Allotment money	Amount adjusted on First call	Amount to be refunded
I	80,000	80,000	5,60,000	5,60,000	-	-	-
II	40,000	Nil	2,80,000	-	-	-	2,80,000
III	2,80,000	2,20,000	19,60,000	15,40,000	4,20,000	4,20,000	-
Total	4,00,000	3,00,000	28,00,000	21,00,000	4,20,000	4,20,000	2,80,000

(ii) **Calculation of Shares applied to Amit : 4000 shares**

$$\text{Calls-in-arrears} = 4,000 \times ₹6 = ₹24,000$$

(iii) **Calculation of Shares applied to Veni:**

$$\text{Shares applied by Veni} = \frac{2,80,000}{2,20,000} \times 4400 = 5600 \text{ shares}$$

Amount unpaid by Veni		₹
Amount received on application (5600 × 7)		39,200
Less: actual transferred to share capital (4400 × 7)		(30,800)
Excess		8,400
Amount due on first call (4400 × 6)		26,400
Less: excess adjusted		(8,400)
Calls-in-arrears		18,000

Answer Tips 

- Students should show proper working notes of all calculations uses in answer, it will help in better presentation and scoring.

68.

Journal of DF Ltd.

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 70,000 shares)	2,10,000	2,10,000
	Equity share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c To Bank A/c (Being application money transferred to share capital, securities premium reserve, share allotment and the balance refunded)	2,10,000	1,00,000 50,000 15,000 45,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being Allotment money due on 50,000 shares)	1,50,000	1,00,000 50,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money received)	1,11,000 24,000	1,35,000
	Share First Call A/c (3 × 50,000) Dr. To Share Capital A/c (3 × 50,000) (Being first call due on 50,000 shares)	1,50,000	1,50,000

Bank A/c	Dr.	1,20,000	
Calls-in-Arrears A/c (3 × 10,000)	Dr.	30,000	
To Share First Call A/c			1,50,000
<i>(Being allotment money received with the exception of 8,000 shares)</i>			
Shares Capital A/c (7 × 8,000)	Dr.	56,000	
Securities Premium Reserve A/c (1 × 8,000)	Dr.	8,000	
To Forfeited Shares A/c (2 × 8,000)			16,000
To Calls-in-Arrears A/c (24,000 + 24,000)			48,000
<i>(Being 8,000 shares for non-payment of allotment and first call and 2,000 shares for non-payment of first call forfeited)</i>			
Bank A/c (8 × 4,000)	Dr.	32,000	
Forfeited Shares A/c	Dr.	8,000	
To Share Capital A/c			40,000
<i>(Being 50% of forfeited shares reissued as fully)</i>			

69.

Journal of Royal Ltd.

Particulars		Dr. (₹)	Cr. (₹)
Bank A/c	Dr.	18,00,000	
To Share Application A/c			18,00,000
<i>(Being Application Money received)</i>			
Share Application A/c	Dr.	18,00,000	
To Share Capital A/c			3,00,000
To Share Allotment A/c			6,00,000
To Securities Premium reserve A/c			5,00,000
To Bank A/c			4,00,000
<i>(Being Application Money due)</i>			
Share Allotment A/c	Dr.	7,00,000	
To Share Capital A/c			7,00,000
<i>(Being Allotment Money received)</i>			
Bank A/c	Dr.	98,000	
Calls-in-Arrears A/c	Dr.	2,000	
To Share Allotment A/c			1,00,000
<i>(Being Allotment Money received)</i>			
Share Capital A/c	Dr.	20,000	
To Share Forfeiture A/c			18,000
To Calls-in-Arrears A/c			2,000
<i>(Being shares forfeited)</i>			
Share 1 st and Final call A/c	Dr.	9,80,000	
To Share Capital A/c			9,80,000
<i>(Being Final Call due)</i>			
Bank A/c	Dr.	9,50,000	
Calls-in-Arrears A/c	Dr.	30,000	
To Share First and Final call A/c			9,80,000
<i>(Being final call money received)</i>			
Share Capital A/c	Dr.	60,000	
To Share Forfeiture A/c			30,000
To Share Calls-in-Arrears A/c			30,000
<i>(Being shares forfeited)</i>			
Bank A/c	Dr.	1,15,000	
To Share Capital A/c			1,00,000
To Securities Premium Reserve A/c			15,000
<i>(Being shares reissued)</i>			
Share Forfeited A/c	Dr.	48,000	
To Capital Reserve A/c			48,000
<i>(Being forfeiture transfer to capital reserve)</i>			



70.

Journal of Saral Ltd.

Particulars	Dr. (₹)	Cr. (₹)
Bank A/c Dr. To Share Application A/c (Being Application Money received)	4,80,000	4,80,000
Share Application A/c Dr. To Share Capital A/c (Being Application Money received)	4,80,000	4,80,000
Share Allotment A/c To Share Capital A/c (Being Allotment Money due)	7,20,000	7,20,000
Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being Allotment Money received)	6,75,000 45,000	7,20,000
Share First Call A/c Dr. To Share Capital A/c (Being first Call due)	6,00,000	6,00,000
Bank A/c Dr. Calls-in-Arrear A/c Dr. To Share First Call A/c (Being first call money received)	5,00,000 1,00,000	6,00,000
Share Second Call A/c Dr. To Equity Share Capital A/c (Being second call money due)	6,00,000	6,00,000
Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Second Call A/c (Being call money received)	4,50,000 1,50,000	6,00,000
Share Capital A/c Dr. To Share Forfeited A/c To Calls-in-Arrear A/c (Being shares forfeited)	4,00,000	1,55,000 2,45,000
Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being shares reissued)	3,80,000 20,000	4,00,000
Share Forfeited A/c Dr. To Capital Reserve A/c (Being forfeiture transfer to capital reserve)	1,35,000	1,35,000

71.

In the Books of X Ltd

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received @ 2/- on 70,000 Shares)	1,44,800	1,44,800
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c To Calls-in-Advance A/c (Being money received on application adjusted toward capital and exam money adjusted in allotment or refunded)	1,44,800	1,00,000 20,800 21,000 3,000



Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment money due @ 2/- on 50,000 shares)	Dr.	1,00,000	1,00,000
Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being allotment money received expect from Ghosh)	Dr. Dr.	71,200 8,000	79,200
Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being Ghosh shares forfeited for non payment)	Dr.	20,000	12,000 8,000
Bank A/c To Equity Share Capital A/c (500 forfeited shares received to sultan @ 4/- per share)	Dr.	20,000	20,000
Share First Call A/c To Equity Share Capital A/c (Being first call due @3/- on 50,000 shares)	Dr.	1,50,000	1,50,000
Bank A/c Calls-in-Advance A/c To Equity Share First Call A/c (Being money received and call in advance adjusted.)	Dr. Dr.	1,48,500 1,500	1,50,000
Equity Share 2 nd and Final Call A/c To Equity Share Capital A/c (Being 2nd call due @3/- on 50,000 shares)	Dr.	1,50,000	1,50,000
Bank A/c Calls-in-Advance A/c To Equity Share 2 nd Call A/c (Being 2nd call money received)	Dr. Dr.	1,48,500 1,500	1,50,000

Working Notes :

Money sent by Ghosh on application	=	₹ 12,000
Money adjusted for Ghosh on application	=	(10,000)
excess	=	<u>2,000</u>
Money expected on allotment	=	10,000
Excess adjusted	=	<u>(2,000)</u>
default	=	8,000
Money received on allotment :		
Due on allotment	=	1,00,000
Already received	=	20,800
Default by Ghosh	=	8,000
		<u>71,200</u>

Table showing money received and adjusted on various calls.

Shares applied	Shares allotted	Money Received on application	Money adjusted on application	on allotment	on first call	on 2nd call	refunded
(i) 10,000	×	20,000	×	×	×	×	20,000
(ii) 600	500	6000	1,000	1,000	1,500	1,500	1,000
(iii) 59,400	49,500	1,18,800	99,000	19,800			
<u>70,000</u>	<u>50,000</u>	<u>1,44,800</u>	<u>1,00,000</u>	<u>20,800</u>	<u>1,500</u>	<u>1,500</u>	<u>21,000</u>

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Application A/c (Being application money received on 1,60,000 shares @ 3/-)	Dr. 4,80,000	4,80,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being application money adjusted on application, allotment and first call)	Dr. 4,80,800	3,00,000 1,50,000 30,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Being allotment due on 1,00,000 shares @ 3/- including premium)	Dr. 3,00,000	2,00,000 1,00,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being allotment money received expect on 1200 shares allotted to Rishabh)	Dr. 1,47,300 Dr. 2,700	1,50,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call money due on 1,00,000 shares @ 3/-)	Dr. 3,00,000	3,00,000
	Bank A/c Calls-in-Arrears A/c To Equity Share First Call A/c (Being first call money received except on 1200 shares of Rishabh and 800 shares of Sudha)	Dr. 2,94,600 Dr. 5,400	3,00,000

Table showing receipt and adjustment of money

applied	allotted	Money received	Money adjusted on		
			Application	Allotment	First call
90,000	40,000	2,70,000	1,20,000	1,20,000	30,000
50,000	40,000	1,50,000	1,20,000	30,000	-
20,000	20,000	60,000	60,000	-	-
<u>1,60,000</u>	<u>1,00,000</u>	<u>4,80,000</u>	<u>3,00,000</u>	<u>1,50,000</u>	<u>30,000</u>

Money received on allotment :

Due on allotment = 3,00,000

already received = 1,50,000

Default by Rishabh = 2700

1,47,300

Money received from Rishabh

on application = 4500

Money adjusted on application

$\left(\frac{40,000 \times 1500}{50,000}\right) = 3600$

Excess on application = 900

Due on allotment (1200 × 3) = 3600

Excess adjusted = (900)

Default = 2700

Money received from Sudha

on application = 5400

Money adjusted on application

$\left(\frac{40,000 \times 1800}{90,000} = 800\right) = (2400)$

Excess on application = 3000

Due on allotment (800 × 3) = 2400

Excess adjusted = 3000

Excess to be adjusted on 1st call = 600

Due on first call (800 × 3) = 2400

Excess adjusted = 600

Default = 1800

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
(i)	Equity Share Second & Final Call A/c To Equity Share Capital A/c (Being 2nd call money due on 1,00,000 shares @ 2/-)	Dr.	2,00,000	2,00,000
(ii)	Bank A/c Calls-in-Arrears A/c To Equity Share Second & Final Call A/c (Being 2nd call money received except on 1200 and 800 shares)	Dr. Dr.	1,97,600 2,400	2,00,000
(iii)	Equity Share Capital A/c Securities Premium Reserve A/c To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 1200 shares of Rishabh forfeited for non-payment of allotment, first & 2nd call)	Dr. Dr.	12,000 1,200	4,500 8,700
(iv)	Equity Share Capital A/c To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 800 shares of Sudha forfeited for non payment of first & 2nd call)	Dr.	8,000	4,600 3,400
(v)	Bank A/c Share Forfeited A/c To Equity Share Capital A/c (Being 2000 shares received @ 7/-)	Dr. Dr.	14,000 6,000	20,000
(vi)	Share Forfeiture A/c To Capital Reserve A/c (Being remaining share forfeiture balance transferred to capital Reserve)	Dr.	3,100	3,100

73.

Journal of AXN Ltd.

Date	Particulars	Dr. (₹)	Cr. (₹)	
(i)	Bank A/c To Share Application A/c (Application money received on 1,00,000 shares with premium of ₹2 @ 4 per share)	Dr.	4,00,000	4,00,000
(ii)	Share Application A/c To Share Capital A/c To Securities Premium Reserve A/c (Transfer of application money on Allotted Shares to share Capital Account)	Dr.	4,00,000	2,00,000 2,00,000
(iii)	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Amount due on allotted shares for 1,00,000 shares @ ₹ 5 per share)	Dr.	5,00,000	3,00,000 2,00,000
(iv)	Bank A/c Calls-in-Arrears A/c To Share Allotment A/c To Calls-in-Advance A/c (Allotment received on Allotted Shares with call's in arrear on 400 shares and call's in advance on 1,000 shares)	Dr. Dr.	5,05,000 2,000	5,00,000 7,000
(v)	Share First Call A/c (99,600 × 4) To Share Capital A/c (99,600 × 2) To Securities Premium Reserve A/c (99,600 × 2) (Being amount due on 99,600 shares @ ₹ 4 per share)	Dr.	3,98,400	1,99,200 1,99,200

(vi)	Bank A/c	Dr.	3,95,000	
	Calls-in-Advance A/c	Dr.	4,000	
	Calls-in-Arrears A/c	Dr.	1,200	
	To Share First Call A/c			3,98,400
	To Calls-in-Advance A/c			1,800
	<i>(Being amount received with first call including second call money on 600 shares except calls-in-arrear on 300 and already received on 1000 shares)</i>			
(vii)	Share Second and Final Call A/c (99,300 × 3)	Dr.	2,97,900	
	To Share Capital A/c			2,97,900
	<i>(Amount due for second and final call on 97,700 share @ ₹ 3 per share)</i>			
(viii)	Bank A/c	Dr.	2,93,100	
	To Calls-in-Advance A/c			4,800
	To Share Second and Final Call A/c			2,97,900
	<i>(Being amount received for second call with call in advance on 600 shares)</i>			

**Journal Entries for Forfeiture
Forfeiture of Kumar's Shares**

Date	Particulars	Dr. (₹)	Cr. (₹)	
(i)	Share Capital A/c (400 × 5)	Dr.	2,000	
	Securities Premium Reserve A/c (400 × 2)	Dr.	800	
	To Share Allotment A/c (400 × 5)		2,000	
	To Share Forfeiture A/c		800	
	<i>(Forfeited of kumar's share for non-payment of allotment money)</i>			
(ii)	Share Capital A/c	Dr.	2,100	
	Securities Premium Reserve A/c	Dr.	600	
	To Share First Call A/c		1,200	
	To Share Forfeiture A/c		1,500	
	<i>(Forfeiture of 300 shares for non-payment of call money)</i>			
(iii)	Bank A/c (400 × 9)	Dr.	3,600	
	Share Forfeiture A/c	Dr.	400	
	To Share Capital A/c (400 × 10)		4,000	
	<i>(Reissue of forfeited shares @ ₹ 9 per share)</i>			
(iv)	Share Forfeiture A/c	Dr.	400	
	To Capital Reserve A/c		400	
	<i>(Being profit on reissue transferred to capital Reserve A/c)</i>			

**Reissue of Gupta's Shares
Journal Entries**

Date	Particulars	Dr. (₹)	Cr. (₹)	
(i)	Bank A/c (300 × 9)	Dr.	2,700	
	Share Forfeiture A/c	Dr.	300	
	To Share Capital A/c (300 × 10)		3,000	
	<i>(Forfeited shares reissued @ ₹ 9 per share as fully paid)</i>			
(ii)	Share forfeiture A/c	Dr.	1,200	
	To Capital Reserve A/c		1,200	
	<i>(Profit on reissue of forfeited shares transferred to capital reserve A/c)</i>			

Commonly Made Mistake 

- Students correctly calculate the amount of over subscription to be adjusted on allotment but missed out to deduct the same amount from allotment money.

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Share Application A/c (Application money received on 3,00,000 shares @ ₹ 3 per share)	Dr. 9,00,000	9,00,000
(ii)	Share Application A/c To Share Capital A/c To Share Allotment A/c To Share First and Final Call A/c To Bank A/c (Being application money adjusted towards allotment and first and final call and money returned on II category and rejected applications)	Dr. 9,00,000	3,00,000 3,20,000 60,000 2,20,000
(iii)	Share Allotment A/c To Share Capital A/c (Allotment due on Allotted shares)	Dr. 4,00,000	4,00,000
(iv)	Bank A/c To Share allotment A/c (Being allotment money received on category I)	Dr. 80,000	80,000
(v)	Share First and Final Call A/c To Share Capital A/c (First and final call due on 1,00,000 shares @ ₹ 3 per share)	Dr. 3,00,000	3,00,000
(vi)	Bank A/c Calls-in-Arrears A/c Calls-in-Advance To Share first and final call A/c (Being first call money received on category I no. of shares except on 160 shares.)	Dr. Dr. Dr. 2,39,520 480 60,000	3,00,000

**Forfeiture of Shares
Journal Entries**

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	Share Capital A/c (160 × 10) To Share First and Final call A/c To Share Forfeiture A/c (160 Shares were forfeited for the non-payment of first and final call)	Dr. 1,600	480 1,120
(ii)	Reissue of forfeited shares : Bank A/c (160 × 15) To Share Capital A/c To Securities Premium Reserve A/c (160 shares were reissued @ ₹ 9 per share fully paid amount received)	Dr. 2,400	1,600 800
(iii)	Share Forfeiture A/c To Capital Reserve A/c (Profit on reissue transferred to Capital Reserve A/c)	Dr. 1,120	1,120

Working Note :**Calculation of Pro-rata ratio**

Applied Allotted
1,60,000 80,000

$$\text{Pro-rata ratio} = \frac{\text{Applied}}{\text{Allotted}} = \frac{1,60,000}{80,000} = \frac{2}{1}; \text{ Allotted shares} = 320 \times \frac{1}{2} = 160 \text{ shares}$$

75.

Journal of KS Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c To Share Application A/c (Being Application money received)	Dr.	12,80,000	12,80,000
	Share Application A/c To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Being Application excess money transferred to allotment and balance refunded)	Dr.	12,80,000	4,80,000 1,60,000 3,20,000 3,20,000
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)	Dr.	9,60,000	4,80,000 4,80,000
	Bank A/c To Share Allotment A/c (Being allotment money received excess on 800 shares)	Dr.	6,36,800	6,36,800
	Share Capital A/c Securities Premium Reserve A/c To Share Forfeiture A/c To Share Allotment A/c (Being 800 shares of jain forfeited)	Dr. Dr.	4,800 2,400	4,000 3,200
	Share First and Final Call A/c To Share Capital A/c To Securities Premium Reserve A/c (Being First and Final Call due on 1,59,200 shares)	Dr.	9,55,200	6,36,800 3,18,400
	Bank A/c To Share First and Final Call A/c (Being first and final call received)	Dr.	9,50,400	9,50,400
	Share Capital A/c Securities Premium Reserve A/c To Share Forfeited A/c To Share First and Final call A/c (Being Gupta shares forfeited)	Dr. Dr.	8,000 1,600	4,800 4,800
	Bank A/c Share Forfeited A/c To Share Capital A/c (Being 1,000 shares reissued at ₹ 8 per share fully price)	Dr. Dr.	8,000 2,000	10,000
	Share Forfeited A/c To Capital Reserve A/c (Being amount transferred to Capital Reserve)	Dr.	3,200	3,200

Working Notes : Application = 3 + 1

Allotment = 3 + 3

First and Final call = 4 + 2
10 + 6

Shares Application	Shares Allotment	Application Money Received	Application Money Required	Allotment Adjusted	Call Money Adjusted	Money Refunded
80,000	-	3,20,000	-	-	-	3,20,000
2,40,000	1,60,000	9,60,000	6,40,000	3,20,000	-	-
3,20,000	1,60,000	12,80,000	6,40,000	3,20,000	-	3,20,000



Jain :

$$\text{No. of Shares Applied} \rightarrow \frac{2,40,000}{1,60,000} \times 800 = 1,200 \text{ shares}$$

Application Money Received	1200 × 4 =	4,800
Application Money Required	800 × 4 =	3,200
Surplus		<u>1,600</u>
Allotment Money Due	(800 × 6) =	4,800
Less : Surplus	=	1,600
Money not received on allotment	=	<u>3,200</u>
Allotment Money Due	=	9,60,000
Less Adjusted From	=	3,20,000
Less Not Received from Jain	=	3,200
		<u>6,36,800</u>

$$\text{Gupta : No. of shares Allotted} \left(\frac{1,60,000}{2,40,000} \times 12,000 \right) = 800 \text{ shares}$$

First and Final Call Due	9,55,200
Less : Not Received From Gupta	<u>4,800</u> (800 × 6)
	<u>9,50,400</u>

Calculation of Capital Reserve :

	Jain	Gupta
1,600 Shares Forfeited (Amount)	800 (4,000)	800 (4,800)
1000 Shares Reissued (Reissue)	800 Shares (4,000)	200 Shares (Reissue) $\frac{4,800}{800} \times 200 = 1,200$
Capital Reserve = ₹ 4,000 + ₹ 1,200 - ₹ 2,000		
	= ₹ 3,200	

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Journal of SK Ltd.

	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Share Application A/c (Being Application money received)		12,00,000	12,00,000
	Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Being Application money transferred to share capital securities premium reserve, share allotment and refund)		12,00,000	6,40,000 3,20,000 1,20,000 1,20,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)		16,00,000	9,60,000 6,40,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received except on 800 shares) [16,00,000 - 1,20,000 - 3,700]		14,76,300	14,76,300

Share Capital A/c	Dr.	4,000	
Securities Premium Reserve A/c	Dr.	1,600	
To Share Forfeited A/c			1,900
To Share Allotment A/c			3,700
<i>(Being Jeevan shares forfeited)</i>			
Share First and Final Call A/c	Dr.	22,34,400	
To Share Capital A/c			15,96,000
To Securities Premium Reserve A/c			6,38,400
<i>(Being First and final call due on 3,19,200 share)</i>			
Bank A/c	Dr.	22,17,600	
To Share first and Final Call A/c			22,17,600
<i>(Being amount received on Final call 22,34,400 - 16,400 × 7)</i>			
Share Capital A/c	Dr.	24,000	
Securities Premium Reserve A/c	Dr.	4,800	
To Share Forfeited A/c			12,000
To Share First and Final Call A/c			16,800
Bank A/c	Dr.	12,000	
Share Forfeited A/c	Dr.	3,000	
To Share Capital A/c			15,000
<i>(Being 1,500 share reissued at ₹ 8 per share fully paid)</i>			
Share Forfeited A/c	Dr.	2,400	
To Capital Reserve A/c			2,400
<i>(Being amount transferred to capital Reserve)</i>			

Working Notes :

Application = 2 + 1

Allotment = 3 + 2

First and Final Call = 5 + 2 and 10 + 5

Shares Application	Shares Allotment	Application Money Received	Application Money Required	Allotment Money Adjusted	Money Refunded
4,000	-	1,20,000	-	-	1,20,000
3,60,000	3,20,000	10,80,000	9,60,000	1,20,000	
4,00,000	3,20,000	12,00,000	9,60,000	1,20,000	1,20,000

Working Notes :

Share Applied by Jeevan = $\frac{3,60,000}{3,20,000} \times 800 = 900$

Application Money Received $900 \times 3 = 2,700$

Application Money Required $800 \times 3 = 2,400$

Surplus 300

Allotment Money Due $800 \times 5 = 4,000$

Less : Surplus 300

Money not received on allotment 3,700

Ganesh allotted shares = $\frac{3,20,000}{3,60,000} \times 2,700 = 2,400$

	Jeevan	Ganesh
Share Forfeited (Amount)	800 (1,900)	2,400 (12,000)
Share Reissue	800	700
		$\frac{12,000}{2,400} \times 700 = 3,500$

Capital Reserve = ₹ 1,900 + ₹ 3,500 - ₹ 3,000 = ₹ 2,400

Commonly Made Mistake

⚠ Sometimes, students make mistake in calculating balance premium price and in calculations of concept of pro-rata.

77.

Journal of BBG Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Jan. 05	Bank A/c Dr. To Share Application A/c (Amount money received for 1,40,000 shares @ ₹ 6 per share including premium)		8,40,000	8,40,000
Jan. 17	Equity Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on pro-rata basis).		8,40,000	3,00,000 3,00,000 1,20,000 1,20,000
Jan. 17	Share Allotment A/c Dr. To Share Capital A/c (Allotment money due @ ₹ 4 per share)		4,00,000	4,00,000
Jan. 17	Bank A/c Dr. To Share Allotment A/c (Balance allotment amount received)		2,80,000	2,80,000
Feb. 20	Share First and Final Call A/c Dr. To Share Capital A/c (First and Final Call money due)		3,00,000	3,00,000
April 1	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (First and Final Call money received)		2,97,000 3,000	3,00,000
April 20	Share Capital A/c Dr. To Share Forfeited A/c To Calls-in-Arrears A/c (Forfeited the Shares on which first and Final Call was not received)		10,000	7,000 3,000
May 20	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Forfeited shares reissued)		7,000 3,000	10,000
June 15	Share Forfeited A/c Dr. To Capital Reserve A/c (Being amount transferred to capital reserve)		4,000	4,000

78.

Books of Alfa Ltd. Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application money received on 1,00,000 shares)		4,00,000	4,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c (75,000 × ₹ 4) To Calls-in-Advance A/c (Being the application money on allotted shares transferred to share capital account and surplus money transferred to call in advance account).		4,00,000	3,00,000 1,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being the first call money due on 75,000 equity shares at the rate of ₹ 3 per shares)		2,25,000	2,25,000



Bank A/c	Dr.	1,23,750	
Calls-in-Advance A/c	Dr.	1,00,000	
To Equity Share Capital A/c			2,23,750
<i>(Being first call money received except on 750 shares)</i>			
OR			
Bank A/c	Dr.	1,23,750	
Calls-in-Arrears A/c	Dr.	1,250	
Calls-in-Advance A/c	Dr.	1,00,000	
To Equity Share First Call A/c			2,25,000
<i>(Being first call money received except on 750 shares and the advance adjusted)</i>			
Equity Share Capital A/c	Dr.	5,250	
To Share Forfeiture A/c			4,000
To Equity Share First Call/Calls-in-Arrears A/c			1,250
<i>(Being 750 shares forfeited due to non-payment of call money)</i>			
Equity Share Second and Final Call A/c	Dr.	2,22,750	
To Equity Share Capital A/c			2,22,750
<i>(Being second and final call money due on 74,250 shares)</i>			
Bank A/c	Dr.	2,20,500	
To Equity Share Second and Final Call A/c			2,20,500
<i>(Being second and final call money received except on 750 shares)</i>			
OR			
Bank A/c	Dr.	2,20,500	
Calls-in-Arrears A/c	Dr.	2,250	
To Equity Share Second and Final Call A/c			2,22,750
<i>(Being second and final call money received except on 750 shares)</i>			
Equity Share Capital A/c	Dr.	7,500	
To Share forfeiture A/c			5,250
To Equity Share Second and Final Call A/c/Calls in Arrears A/c			2,250
<i>(Being 750 shares forfeited due to non-payment of final call)</i>			
Bank A/c	Dr.	9,000	
Share Forfeiture A/c	Dr.	6,000	
To Equity Share Capital A/c			15,000
<i>(Being Share re-issued for ₹ 9 per share fully paid up)</i>			
Share Forfeiture A/c	Dr.	3,250	
To Capital Reserve A/c			3,250
<i>(Being profit on re-issue transferred to Capital Reserve)</i>			

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**Books of Jeevan Dhara Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	3,00,000	
	To Equity Share Application A/c			3,00,000
	<i>(Being application money received 1,50,000 shares)</i>			
	Equity Share Application A/c	Dr.	3,00,000	
	To Equity Share Capital A/c			2,40,000
	To Equity Share Allotment A/c			60,000
	<i>(Being the application money transferred to share capital account and excess money adjusted towards allotment).</i>			
	Equity Share Allotment A/c	Dr.	6,00,000	
	To Equity Share Capital A/c			3,60,000
	To Sec. Premium Reserve A/c			2,40,000
	<i>(Being allotment money due)</i>			



Bank A/c To Equity share Allotment A/c (Being allotment money received except on 2,400 shares)	Dr.	5,29,200	5,29,200
OR			
Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being allotment money received except on 2,400 shares and the advance adjusted)	Dr. Dr.	5,29,200 10,800	5,40,000
Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call money due on 1,20,000 shares)	Dr.	6,00,000	6,00,000
Bank A/c To Equity Share First and Final Call A/c (Being first and final call money received except on 4,800 shares)	Dr.	5,76,000	5,76,000
OR			
Bank A/c Calls-in-Arrears A/c To Equity Share First and Final Call A/c (Being first and final call money received except on 4,800 shares)	Dr. Dr.	5,76,000 24,000	6,00,000
Equity Share Capital A/c Securities Premium Reserve A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being 4,800 shares forfeited due to non-payment of allotment and call money)	Dr. Dr.	48,000 4,800	18,000 10,800 24,000
OR			
Equity Share Capital A/c Securities Premium Reserve A/c To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 4,800 shares forfeited due to non-payment of allotment and call money)	Dr. Dr.	48,000 4,800	18,000 34,800
Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 4,800 shares reissued at ₹ 9 per share as fully paid up)	Dr. Dr.	43,200 4,800	48,000
Share Forfeiture A/c To Capital Reserve A/c (Being the profit on reissue transferred to capital reserve)	Dr.	13,200	13,200

80.

**Books of Blue Star Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c To Vendor's A/c (Being building purchased from vendor)	Dr.	60,000	60,000
	Vendor's A/c To Equity Share Capital A/c (Being Share issued to vendor).	Dr.	60,000	60,000
	Bank A/c To Equity Share Application A/c (Being application money received from 8,000 applicants)	Dr.	16,000	16,000
	Equity Share Application A/c To Equity share Capital A/c (Being the application money transferred to share capital account)	Dr.	16,000	16,000

Equity Share Allotment A/c To Equity Share Capital A/c <i>(Being allotment money due at the rate of ₹ 1 per share)</i>	Dr.		8,000	8,000
Bank A/c To Equity Share Allotment A/c <i>(Being allotment money received except on 750)</i>	Dr.		7,250	7,250
OR				
Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c <i>(Being allotment money received except on 750)</i>	Dr. Dr.		7,250 750	8,000
Equity Share First Call A/c To Equity Share Capital A/c <i>(Being first call money due)</i>	Dr.		16,000	16,000
Bank A/c To Equity Share First Call A/c <i>(Being first call money received)</i>	Dr.		12,000	12,000
OR				
Bank A/c Calls-in-Arrears A/c To Equity Share First and Final Call A/c <i>(Being first and final call money received excepts on 2,000 shares)</i>	Dr. Dr.		12,000 4,000	16,000
Equity Share Capital A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c <i>(Being 750 shares forfeited due to non-payment of allotment and call money)</i>	Dr.		3,750	1,500 750 1,500
OR				
Equity Share Capital A/c To Equity Share Forfeiture A/c To Calls-in-Arrears A/c <i>(Being 750 shares forfeited due to non-payment of allotment and call money)</i>	Dr.		3,750	1,500 2,250

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**Books of BMY Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Application A/c <i>(Being application money received with premium from 10,000 applicants)</i>	Dr.	10,03,000	10,03,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Securities Premium Reserve A/c <i>(Being application money transferred to share capital and surplus adjusted on allotment)</i>	Dr.	10,03,000	5,00,000 3,000 5,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c <i>(Being Allotment money due with premium)</i>	Dr.	10,00,000	5,00,000 5,00,000
	Bank A/c To Equity Share Allotment A/c <i>(Being allotment money received)</i>	Dr.	9,95,000	9,95,000

OR				
Bank A/c	Dr.	9,95,000		
Calls-in-Arrears A/c	Dr.	2,000		
To Equity Share Allotment A/c				9,97,000
(Being allotment money received except on 200 shares and the advance adjusted)				
Equity Share Capital A/c	Dr.	2,000		
Securities Premium Reserve A/c	Dr.	1,000		
To Share Forfeiture A/c				1,000
To Equity Share Allotment/Call in Arrears A/c				2,000
(Being 200 Share forfeited due to non-payment of allotment money)				
Bank A/c	Dr.	4,000		
To Equity Share Capital A/c				2,000
To Securities Premium Reserve A/c				2,000
(Being 200 Shares reissued for ₹ 20 per share fully paid up)				
Share Forfeiture A/c	Dr.	1,000		
To Capital Reserve A/c				1,000
(Being profit on reissue transferred to capital reserve)				

82. Journal of AB Ltd.

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 for 1,27,500 Shares)			
	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			44,62,500
	(Being the application money transferred to share capital, Securities Premium Reserve and surplus money refunded)			
	Share First and Final Call A/c	Dr.	33,75,000	
	To Share Capital A/c (75,000 × ₹ 45)			33,75,000
	(Being the call money due)			
	Bank A/c	Dr.	33,41,250	
	To Share First and Final Call A/c			33,41,250
	(Being the call money recovered expect on 750 shares)			
	Share Capital A/c (750 × ₹ 100)	Dr.	75,000	
	To Forfeited Shares A/c (750 × ₹ 55)			41,250
	To Share First and Final Call A/c (750 × ₹ 45) (Note)			33,750
	(Being 750 shares forfeited for non-payment of call money)			
	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 the re-issue of forfeited shares)			
	Forfeited Shares A/c	Dr.	41,250	
	To Capital Reserve A/c			41,250
	(Being the transfer of profit on re-issue)			

Note : Number of shares allotted to defaulter = $75,000/1,00,000 \times 1,000 = 750$ shares.

Related Theory 

- ⇒ The minimum subscription of capital cannot be less than 90% of the issued amount according to SEBI guidelines, 2000. If this condition is not satisfied, the company shall forthwith refund the entire subscription amount received.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (3,00,000 × ₹ 9) To Share Application and Allotment A/c (Being Application money received)	Dr.	27,00,000	27,00,000
	Shares Application and Allotment A/c To Share Capital A/c (75,000 × ₹ 4) To Securities Premium Reserve A/c (75,000 × ₹ 5) To Bank A/c (Being Application money adjustment)	Dr.	27,00,000	3,00,000 3,75,000 20,25,000
	Share First and Final Call A/c To Share Capital A/c (Being the call money due)	Dr.	4,50,000	4,50,000
	Bank A/c To Share First and Final Call A/c (Being the call money received except on 1,125 shares)	Dr.	4,43,250	4,43,250
	Share Capital A/c (1,125 × ₹ 10) To Forfeited shares A/c (1,125 × ₹ 4) To share First and Final call A/c (Being 1,125 shares forfeited for non-payment of call money)	Dr.	11,250	4,500 6,750
	Bank A/c (1,125 × ₹ 6) Forfeited Shares A/c (1,125 × ₹ 4) To Share Capital A/c (Being the re-issue of 1,125 shares at discount of ₹ 4 per share)	Dr. Dr.	6,750 4,500	11,250

Notes : (i) Number of shares allotted to defaulter = $75,000/1,00,000 \times 1,500 = 1,125$ shares

(ii) There is no profit on reissue of forfeited shares.

CBSE Sample Questions

- | | | | |
|---------------------------------|--------|---|--------|
| 1. (c) : Issued as sweat equity | (0.80) | 8. (c) : 48 | (0.80) |
| 2. (a) : Purchase consideration | (0.80) | 9. (b) : ₹5,85,000 | (0.80) |
| 3. (c) : (ii) and (iii) Both | (0.80) | 10. (a) : Writing off capital losses | (0.80) |
| 4. (b) : ₹1,43,00,000 | (0.80) | 11. (c) : ₹4,800; ₹2,700; ₹2,100 respectively | (0.80) |
| 5. (c) : Unsubscribed capital | (0.80) | 12. (d) : A is false, but R is true | (0.80) |
| 6. (c) : ₹ 30,000 | (1) | 13. (c) : ₹1,59,95,300 | (0.80) |
| 7. (b) : Second & final call ₹4 | (0.80) | 14. (a) : ₹42,50,00,000 | (0.80) |
| | | 15. (d) : 32,00,000 shares | (0.80) |

Books of Random Ltd. Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(i)	Assets A/c To Liabilities A/c To Mature Ltd. A/c To Capital Reserve A/c (Business purchased of Mithoo Ltd. comprising of Assets and Liabilities)	Dr.	45,00,000	6,40,000 36,00,000 2,60,000
(ii)	Mature Ltd. A/c To Bank A/c To 12% Preference Share Capital A/c To Securities Premium Reserve A/c (Debentures issued to Mithoo Ltd. at Discount, redeemable at Premium)	Dr.	36,00,000	1,50,000 30,00,000 4,50,000
No. of Shares = $34,50,000/115 = 30,000$ shares @ 100 + 15 each				

(3)



17. Books of Altaur Ltd.
Balance Sheet (Extract)
as at

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	63,25,000	Nil

Notes to Accounts

1. Share Capital	Amount (₹)
Authorised Share Capital	
25,00,000 Equity Shares @ ₹ 10 each	2,50,00,000
1,50,000 9% Preference Shares @ ₹ 100 each	1,50,00,000
	4,00,00,000
Issued Share Capital	
8,00,000 Equity Shares @ ₹ 10 each	80,00,000
Subscribed Share Capital	
(i) Subscribed and Fully Paid up	
(ii) Subscribed but not Fully Paid up	
8,00,000 Equity Shares @ ₹ 8 each	64,00,000
(-) Calls in Arrears**	(75,000)
	63,25,000

18. (b): ₹ 21,000

19. (c): (ii), (i), (iii), (iv)

20. (b): ₹ 18 Per share

21. (c): ₹ 25

22. (b): ₹ 9 Per share

23. Books of BGG Ltd.
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	Dr.	4,000	
	Securities Premium Reserve A/c	Dr.	1,000	
	To Share Forfeiture A/c			1,500
	To Calls-in-Arrears A/c			3,500
	(Being 500 shares forfeited for non-payment of ₹ 7 per share including premium of ₹ 2 per share)			
	Bank A/c	Dr.	2,700	3000
	Share Forfeiture A/c	Dr.	300	
	To Share Capital A/c			
	(Being 300 shares reissued at ₹ 9 per share as fully paid).			
	Share Forfeiture A/c	Dr.	600	
	To Capital Reserve A/c			600
	(Being forfeiture money transferred to capital reserve)			

Dr. Share Forfeiture A/c Cr.

Date	Particulars	Amount	Date	Particulars	Amount
	To Share Capital A/c	300		By Share Capital A/c	1500
	To Capital Reserve A/c	600			
	To Balance c/d	600			
		1500			1500

(1/2 × 8)

24.

**Books of OTUA Ltd.
Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(i)	Bank A/c Dr. To Equity Share Application A/c (Application money received on 85,000 shares)		34,00,000	34,00,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Application money transferred to share capital, share allotment and refunded)		34,00,000	24,00,000 6,00,000 4,00,000
(iii)	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 60,000 shares with Premium)		51,00,000	36,00,000 15,00,000
(iv)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Allotment received on 56,000 shares)		42,00,000 3,00,000	45,00,000
(v)	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeited A/c To Calls in Arrears A/c (4,000 shares forfeited for non-payment of allotment money)		4,00,000 1,00,000	2,00,000 3,00,000
(vi)	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (3,000 shares re-issued @ ₹ 80 per share)		2,40,000 60,000	3,00,000
(vii)	Share Forfeited A/c Dr. To Capital Reserve A/c (Gain on re-issue of forfeited shares transferred to capital reserve)		90,000	90,000

(6)

25. (a)

**Books of Vikram Ltd.
Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(i)	Share Capital A/c Dr. To Share Forfeited A/c To Calls-in-Arrears A/c (5,000 shares forfeited for non payment of allotment and call money)		50,000	18,000 32,000
(ii)	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (3,000 shares re-issued @ ₹ 12 per share)		36,000	30,000 6,000
(iii)	Share Forfeited A/c Dr. To Capital Reserve A/c (Gain on re-issue of forfeited shares transferred to capital reserve)		10,800	10,800

(b)

**Books of Ratan Ltd.
Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls-in-Arrears A/c (3,000 shares forfeited for non-payment of first call money)		21,000	15,000 6,000

Bank A/c To Share Capital A/c (2,000 shares re-issued @ ₹ 10 per share)	Dr.	20,000	20,000
Share Forfeited A/c To Capital Reserve A/c (Gain on re-issue of forfeited shares transferred to capital reserve)	Dr.	10,000	10,000

(6)

26. Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Equity Share Application A/c (Being application money received)	Dr.	19,80,000	19,80,000
(ii)	Equity Share Application A/c To Equity Share capital A/c To Equity Share Allotment A/c To Bank A/c (Being Shares allotted and balance refunded)	Dr.	19,80,000	15,00,000 3,00,000 1,80,000
(iii)	Equity Share Allotment A/c To Equity Share capital A/c To Securities Premium Reserve A/c (Being Share allotment money including premium due)	Dr.	25,00,000	20,00,000 5,00,000
(iv)	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c To Calls-in-Advance A/c (Being allotment money received)	Dr. Dr.	21,99,500 2,000	22,00,000 1,500
(v)	Equity Share Capital A/c Securities Premium Reserve A/c To Shares Forfeited A/c To Calls-in-Arrears A/c (Being 1000 shares forfeited for non-payment of allotment including premium)	Dr. Dr.	7,000 1,000	6,000 2,000
(vi)	Bank A/c To Share Capital A/c To Securities Premium Reserve A/c (Being forfeited shares reissued at ₹ 14 per share)	Dr.	14,000	7,000 7,000
(vii)	Shares Forfeited A/c To Capital Reserve A/c (Being share forfeited money transferred to Capital Reserve account)	Dr.	6,000	6,000

(0.5+1+1+2+1.5+1+1 = 8)

27.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Equity Share Application A/c (Being application money received)	Dr.	35,00,000	35,00,000
(ii)	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Being Shares allotted on proportionate basis and excess amount received on application adjusted towards allotment)	Dr.	35,00,000	25,00,000 10,00,000
(iii)	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Being Share allotment money including premium due)	Dr.	20,00,000	10,00,000 10,00,000

(iv)	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being allotment money received ,except for 5,000 shares)	Dr. Dr.	9,00,000 1,00,000	10,00,000
(v)	Equity Share First and Final call A/c To Equity Share Capital A/c (Being share first and final call money due)	Dr.	15,00,000	15,00,000
(vi)	Bank A/c Calls-in-Arrears A/c To Equity Share First and Final call A/c (Being first and final call money received ,except for 5,000 shares)	Dr. Dr.	13,50,000 1,50,000	15,00,000
(vii)	Equity Share Capital A/c Securities Premium Reserve A/c To Shares Forfeited A/c To Calls-In-Arrears A/c (Being 5000 shares forfeited for non-payment of allotment money and first and final call money)	Dr. Dr.	5,00,000 1,00,000	3,50,000 2,50,000
(viii)	Bank A/c Shares Forfeited A/c To Share Capital A/c (Being forfeited shares reissued at ₹ 90 per share, as fully paid up)	Dr. Dr.	4,50,000 50,000	5,00,000
(ix)	Shares Forfeited A/c To Capital Reserve A/c (Being share forfeited money transferred to Capital Reserve)	Dr.	3,00,000	3,00,000

(0.5+1+1+1+1+1+1+1+0.5 = 8)