Company Accounts - Issue of Shares

EXERCISE - 8 [PAGE 338]

Exercise - 8 | Q 1 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

The balance of Share Forfeiture A/c is transferred to__________________ account after re-issue of these share.

1. Reserve Capital
2. **Capital Reserve**
3. Profit & Loss
4. Share capital

Solution: The balance of Share Forfeiture A/c is transferred to **capital reserve** account after re-issue of these share.

Exercise - 8 | Q 2 | Page 338

Select he appropriate answer from the alternative given below and rewrite the sentence.

Premium received on issue of shares is shown to______________.

1. **Liability side of Balance Sheet**
2. Asset side of Balance Sheet
3. Profit & Loss Account debit side
4. Profit & Loss A/c credit side

Solution: Premium received on issue of shares is shown to **Liability side of Balance Sheet.**

Exercise - 8 | Q 3 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

Shareholders get_______________ on shares.

1. Interest
2. Commission

3. Rent
4. **Dividends**

Solution: Shareholders get **dividends** on shares.

Exercise - 8 | Q 4 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

The document inviting to subscribe to the shares of a company is______________

1. **Prospectus**
2. Memorandum of Association
3. Articles of Association
4. Share certificate

Solution: The document inviting to subscribe to the shares of a company is the **prospectus.**

Exercise - 8 | Q 5 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

As per SEBI guidelines minimum amount payable on share application should be_______________ of Nominal Value of shares.

1. 10%
2. 15%
3. 2%
4. **5%**

Solution: As per SEBI guidelines, minimum amount payable on share application should be **5%** of Nominal Value of shares.

Exercise - 8 | Q 6 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

When shares are forfeited the Share Capital Account is_____________.

1. credited
2. **debited**

3. Neither debited nor credit
4. None of the above

Solution: When shares are forfeited the Share Capital Account is **debited.**

Exercise - 8 | Q 7 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

The liability of shareholder in Joint Stock Company is___________

1. Joint and Sever
2. **Limited**
3. Unlimited
4. huge

Solution: The liability of a shareholder in Joint Stock Company is **limited.**

Exercise - 8 | Q 8 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

The Share Capital which a company is authorised to issue by its Memorandum of Association is__________.

1. **Nominal capital/Authorised capital**
2. Issued capital
3. Paid-up capital
4. Reserve capital

Solution: The Share Capital which a company is authorised to issue by its Memorandum of Association is **Nominal capital/Authorised capital.**

Exercise - 8 | Q 9 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

The unpaid amount on allotment and calls may be transferred to _____________ account.

1. calls in advance
2. calls

3. **calls in arrears**
4. allotment

Solution: The unpaid amount on allotment and calls may be transferred to **calls in arrears** account.

Exercise - 8 | Q 10 | Page 338

Select the appropriate answer from the alternative given below and rewrite the sentence.

There must be provision in ____________ for forfeiture of shares.

1. **Article of Association**
2. Memorandum of Association
3. Prospectus
4. Balance Sheet

Solution: There must be provision in **Articles of Association** for forfeiture of shares.

EXERCISE - 8 [PAGE 339]

Exercise - 8 | Q 1 | Page 339

Give one word/term/phrase for the following statement.

Amount called-up on shares by the company but not received.

Solution: Amount called-up on shares by the company but not received. **- Calls-in-Arrears.**

Exercise - 8 | Q 2 | Page 339

Give one word/term/phrase for the following statement.

Issue of share at its face value

Solution: Issue of share at its face value **- Issue at par.**

Exercise - 8 | Q 3 | Page 339

Give one word/term/phrase for the following statement.

The person who purchase the shares of a company.

Solution: The person who purchase the shares of a company. **- Shareholder.**

Exercise - 8 | Q 4 | Page 339

Give one word/term/phrase for the following statement.

The form of business organisation where huge amount of capital can be raised.

Solution: The form of business organisation where huge amount of capital can be raised. **- Joint-stock company.**

Exercise - 8 | Q 5 | Page 339

Give one word/term/phrase for the following statement.

The capital which is subscribed by the public.

Solution: The capital which is subscribed by the public. **- Subscribed capital.**

Exercise - 8 | Q 6 | Page 339

Give one word/term/phrase for the following statement.

The shares having preferential right at the time of winding up of the company.

Solution: The shares having preferential right at the time of winding up of the company. **- Preference shares.**

Exercise - 8 | Q 7 | Page 339

Give one word/term/phrase for the following statement.

The shares on which dividend is not fixed.

Solution: The shares on which dividend is not fixed. **- Equity shares.**

Exercise - 8 | Q 8 | Page 339

Give one word/term/phrase for the following statement.

The part of subscribed capital which is not called-up by the company.

Solution: The part of subscribed capital which is not called-up by the company. **- Uncalled capital.**

EXERCISE - 8 [PAGE 339]

Exercise - 8 | Q 1 | Page 339

State true or false with reason.

Directors can forfeit the shares for any reason.

1. True
2. **False**

Solution: This statement is False.

After paying money on share application, When share applicant fails to pay the call money or premium on shares inspite of repeated reminders and warnings directors/company can forfeit the shares.

Exercise - 8 | Q 2 | Page 339

State true or false with reason.

Once the application money is received, directors can immediately proceed for allotment of shares.

1. True
2. **False**

Solution: This statement is False.

Directors can proceed for allotment of shares only after receiving minimum subscription amount of the issued amount by cheque or other instrument complying all legal requirements.

Exercise - 8 | Q 3 | Page 339

State true or false with reason.

Joint-stock company form of the business organisation came into existence after industrial revolution.

1. **True**
2. False

Solution: This statement is True.

As the volume and scale of trade and industry expanded, specially after industrial revolution, a very large unit of commercial organisation requiring large capital and greater managerial skill, called Joint stock company came into existence.

Exercise - 8 | Q 4 | Page 339

State true or false with reason.

Equity shareholders get guaranteed rate of dividend every year.

1. True
2. **False**

Solution: This statement is False.

One of the features for equity shares is the rate of dividend payable on equity shares keeps on changing from one year to another. So, there is no question of guaranteed dividend every year for equity shareholders.

Exercise - 8 | Q 5 | Page 339

State true or false with reason.

Face value of shares and market value of shares is always same.

1. True
2. **False**

Solution: This statement is False.

Face value of shares means issue price of shares while market value of shares means trading price of shares at stock exchange. Face value of shares remains same and fixed. However, market price changes as per the performance of the company. Hence face value and market value of shares are not same.

Exercise - 8 | Q 6 | Page 339

State true or false with reason.

Sweat shares are issued to public.

1. True
2. **False**

Solution: This statement is False.

Sweat shares are issued by a company to its directors or employees at a discount or for consideration other than cash. Sweat shares are not issued to public.

EXERCISE - 8 [PAGE 340]

Exercise - 8 | Q 1 | Page 340

State whether you agree or disagree with following statement:

In case of Pro-rata allotment the excess application money received must be refunded.

1. Agree
2. **Disagree**

Solution: In case of Pro-rata allotment the excess application money received must be refunded. **- Disagree**

Exercise - 8 | Q 2 | Page 340

State whether you agree or disagree with following statement.

Calls in Advance account is shown on the Asset side of the Balance sheet.

1. Agree
2. **Disagree**

Solution: Calls in Advance account is shown on the Asset side of the Balance sheet. - **Disagree.**

Exercise - 8 | Q 3 | Page 340

State whether you agree or disagree with following statement:

The Authorised capital is also known as Nominal Capital.

1. **Agree**
2. Disagree

Solution: The Authorised capital is also known as Nominal Capital. - **Agree**

Exercise - 8 | Q 4 | Page 340

State whether you agree or disagree with following statement:

Paid-up capital can be more than Called up Capital.

1. Agree
2. **Disagree**

Solution: Paid-up capital can be more than Called up Capital. - **Disagree**

Exercise - 8 | Q 5 | Page 340

State whether you agree or disagree with following statement

Joint Stock company can raise huge amount of capital.

1. **Agree**
2. Disagree

Solution: Joint Stock company can raise huge amount of capital. - **Agree.**

Exercise - 8 | Q 6 | Page 340

State whether you agree or disagree with following statement:

When shares are forfeited Shares Capital Account is credited.

1. Agree
2. **Disagree**

Solution: When shares are forfeited Shares Capital Account is credited. **- Disagree**

Exercise - 8 | Q 7 | Page 340

State whether you agree or disagree with following statement:

Directors can re-issue forfeited shares.

1. **Agree**
2. Disagree

Solution: Directors can re-issue forfeited shares. **- Agree**

Exercise - 8 | Q 8 | Page 340

State whether you agree or disagree with following statement:

When the issued price of share is ₹ 12 and face value is ₹ 10, the share is said to be issued at premium.

1. **Agree**
2. Disagree

Solution: When the issued price of share is ₹ 12 and face value is ₹ 10, the share is said to be issued at premium. **- Agree**

Exercise - 8 | Q 9 | Page 340

State whether you agree or disagree with following statement:

Public limited company can issue its share without issuing its prospectus.

1. Agree
2. **Disagree**

Solution: Public limited company can issue its share without issuing its prospectus. **- Disagree**

Exercise - 8 | Q 10 | Page 340

State whether you agree or disagree with following statement:

Shares can be issued for consideration other than cash.

1. **Agree**
2. Disagree

Solution: Shares can be issued for consideration other than cash. **- Agree**

EXERCISE - 8 [PAGE 340]

Exercise - 8 | Q 1 | Page 340

Answer in one sentence only

What is Preference shares?

Solution: Preference Shares is a type of a share which enjoys priority or preference over equity share for the repayment of dividend at a predetermined fixed rate and for the repayment of capital.

Exercise - 8 | Q 2 | Page 340

Answer in one sentence only.

What is Registered Capital?

Solution: Registered Capital or Authorised Capital means maximum limit up to which a company is authorised to raise share capital.

Exercise - 8 | Q 3 | Page 340

Answer in one Sentence only :

What do you mean by reserve capital?

Solution 1: Reserve capital represents the portion of subscribed capital that remains uncalled except in case of winding up or at the time of liquidation. As per Section 99 of the Companies Act, 1956, a company can create reserve capital by passing a special resolution.

Solution 2: Reserve Capital is that part of the subscribed capital which is reserved to be called-up only at the time of winding up or liquidation of the company.

Exercise - 8 | Q 4 | Page 340

Answer in one sentence only.

What is Over subscription of shares?

Solution: When a company received more applications of shares than those actually offered or issued to the public, known as Over Subscription of Shares.

Exercise - 8 | Q 5 | Page 340

Answer in one sentence only.

Which account is debited when share first call money is received?

Solution: Bank account will be debited when share first call money is received.

Exercise - 8 | Q 6 | Page 340

Answer in one sentence only.

When are shares allotted on pro-rata basis?

Solution: Shares are said to allotted on pro-rata basis when the applications are received for more shares than the number of shares issued and shares are allotted in proportion of the number of shares applied for.

Exercise - 8 | Q 7 | Page 340

Answer in one sentence only.

What is Forfeiture of Shares?

Solution: When a shareholder fails to pay the call money or premium on the shares in spite of repeated reminders and warnings, the company forfeits the shares of such defaulters known as forfeiture of shares.

Exercise - 8 | Q 8 | Page 340

Answer in one sentence only.

What is Calls-in-Arrears?

Solution: Non-payment of allotment or call money by the applicants inspite of repeated reminders are called Calls-in-Arrears.

Exercise - 8 | Q 9 | Page 340

Answer in one sentence only.

What do you mean by Shares Issued at Premium?

Solution: When shareholders are supposed to pay a price higher than the face value of the shares, them shares are said to be issued at premium.

Exercise - 8 | Q 10 | Page 340

Answer in one sentence only.

What is Paid-up Capital?

Solution: Part of the called-up capital which is actually paid by the shareholders is called Paid-up Share Capital.

EXERCISE - 8 [PAGE 340]

Exercise - 8 | Q 1 | Page 340

Complete the following sentence.

When face value of the share is ₹ 100 and issued price is ₹ 120, then it is said that the shares are issued at______________.

Solution: When face value of the share is ₹ 100 and issued price is ₹ 120, then it is said that the shares are issued at **premium.**

Exercise - 8 | Q 2 | Page 340

Complete the following sentence.

______________ Capital is the Capital which a company is authorised to issue by its Memorandum of Association.

Solution: **Authorised** Capital is the Capital which a company is authorised to issue by its Memorandum of Association.

Exercise - 8 | Q 3 | Page 340

Complete the following sentence.

The difference between Called-up Capital and Paid-up Capital is known as_____________.

Solution: The difference between Called-up Capital and Paid-up Capital is known as **Calls-in-Arrears.**

Exercise - 8 | Q 4 | Page 340

Complete the following sentence.

______________share holders get fixed rate of dividend.

Solution: **Preference** shareholders get fixed rate of dividend.

Exercise - 8 | Q 5 | Page 340

Complete the following sentence.

____________ shareholders are the real owners of the company.

Solution: **Equity** shareholders are the real owners of the company.

Exercise - 8 | Q 6 | Page 340

Complete the following sentence.

_____________form of business organisation in which Capital is raised through the issue of shares.

Solution: **Joint-stock company** form of business organisation in which Capital is raised through the issue of shares.

Exercise - 8 | Q 7 | Page 340

Complete the following sentence.

________________ Capital is the part of issued capital which is subscribed by the public.

Solution: **Subscribed** Capital is the part of issued capital which is subscribed by the public.

Exercise - 8 | Q 8 | Page 340

Complete the following sentence.

The part of Authorised Capital which is not issued to the public is known as ___________ Capital.

Solution: The part of Authorised Capital which is not issued to the public is known as **Unissued** Capital.

EXERCISE - 8 [PAGES 340 - 341]

Exercise - 8 | Q 1 | Page 340

Calculate the following.

One shareholder holding 500 equity shares paid share application money @ ₹ 3 Allotment money @ ₹ 4 per share and failed to pay final call of ₹ 3 per share, his shares were forfeited. Calculate the amount of share forfeiture.

Solution:

Amount of forfeiture = Amount received by company (In case of non-payment of 'calls')

Here, shareholder paid ₹ 3 per share on application and ₹ 4 per share on allotment on 500 shares. So, total amount received by company.

= 500 × ₹ 3 + 500 × ₹ 4

= 1,500 + 2,000

= ₹ 3,500.

∴ Amount of share forfeiture = ₹ 3,500.

Exercise - 8 | Q 2 | Page 340

Calculate the following.

10000 equity shares of ₹ 10 each issued at 10% premium. Calculate the total amount of share premium.

Solution:

Equity shares = 10,000

Face value = ₹ 10 per share

Premium @ 10 % = 10,000 × 10 ×10/100 = ₹ 10,000

So, premium 10,000 shares of ₹ 10 each at 10 % = ₹ 10,000.

Exercise - 8 | Q 3 | Page 341

Calculate the following.

Company received excess application for 5000 shares @ ₹4 per share. Applications of 1000 shares were rejected and pro-rata allotment was made. Calculated the amount of application money adjusted with allotment.

Solution:

Excess application money received for 5000 shares @ ₹ 4 per share	= ₹ 20,000
Less: Application of 1000 shares rejected and money refunded	= ₹ 4,000
Excess money received to be adjusted with allotment	₹ 16,000

Exercise - 8 | Q 4 | Page 341

Calculate the following.

80000 Equity shares of ₹ 10 each issued and fully subscribed and called up at 20% premium. Calculate the amount of Equity share Capital.

Solution:

Equity Share capital = No. of equity shares × face value of each share

= 80,000 × ₹ 10

= ₹ 8,00,000

Note: Equity Share capital has no concern with premium or discount amount.

Exercise - 8 | Q 5 | Page 341

Calculate the following.

Directors issued 20000 equity shares of ₹ 100 each at par. These were fully subscribed and called up. All money were received except one shareholder holding 100 equity shares failed to pay final call of ₹ 20 per share. Calculate the amount of paid-up capital of the company

Solution:

Fully subscribed and called-up amount = 20,000 equity shares × ₹ 100 each share

= ₹ 20,00,000

But one share holder failed to pay final call of ₹ 20 per share of 100 equity shares means Non-payment of shares = 100 equity shares × ₹ 20 per share

= ₹ 2,000

∴ Total Paid-up capital amount = ₹ 20,00,000 – ₹ 2,000

= ₹ 19,98,000

Exercise - 8 | Q 6 | Page 341

Calculate the following.

Company sends Regret letter for 100 shares and Allotment letter to 25000 shareholders. Application money was ₹ 20 per share. Calculate the amount of application money which company is refunding.

Solution:

Company send Regret letter for 100 shares for ₹ 20 per share application money received

i.e. only that much amount company will refund.

Amount of refund = No. of shares × Value of per share

= 100 × ₹ 20

= ₹ 2,000

PRACTICAL PROBLEM [PAGES 341 - 342]

Practical problem | Q 1 | Page 341

Vijay Ltd. was registered with an authorised capital of ₹ 15,00,000 divided into 1,50,000 equity shares of ₹ 10 each. Company issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share.

Company received applications for 80,000 equity shares and were allotted the shares.

Company received application money ₹ 3 per share, allotment money ₹ 4 per share (Including premium), and first call money ₹ 3 per share.

The Directors have not made final call of ₹ 2 per share. All money were received except one shareholder holding 500 shares did not pay first call.

Show Authorised Capital, Issued Capital, Subscribed Capital, Called-up Capital, Paid-up Capital, Calls in Arrears, and Share Premium amount in company balance sheet.

Solution:

In the books of Vijay Ltd. Balance Sheet as on ----------------------				
Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Authorised Capital :			Cash at Bank	7,98,500
1,50,000 equity shares of ₹10 each		15,00,000		
Issued Capital :				
1,00,000 equity shares of ₹10 each		10,00,000		
Subscribed Capital :				
80,000 equity shares of ₹10 each		8,00,000		
Called-up Capital :				
80,000 equity shares of ₹ 8 each		6,40,000		
Paid-up Share Capital :				
(80,000 equity shares at 8 per shares)	6,40,000			
Less: Calls-in-Arrears (500 shares at ₹3 per share)	1,500	6,38,500		
Share Premium / Securities A/c (80,000 shares at ₹2 per share)		1,60,000		
		7,98,500		**7,98,500**

Working Notes :

(1) Bank balance at the end = Amount received on application + Amount received on allotment + Amount received on 1st call + Premium amount received

= 80,000 × 3 + 80,000 × 2 × 79,500 × 3 + 80,000 × 2

= 2,40,000 + 1,60,000 + 2,38,500 + 1,60,000

= ₹ 7,98,500

(2) Directors have not made final call of ₹ 2 per share means total called-up amount = ₹ 10 – ₹ 2 = ₹ 8

(3) Calls-in-Arrears → on 500 shares at ₹ 3 = ₹ 1,500 of first call

(4) Share premium on 80,000 shares @ ₹ 2 received at allotment stage i.e. share premium amount = 80,000 × ₹ 2 = ₹ 1,60,000

Practical problem | Q 2 | Page 341

Anand Company Limited issued 1,00,000 Preference shares of ? 10 each payable as -

On On Application ₹ 4

On Allotment ₹ 3

On First call ₹ 2

On Second & Final call ₹1

Company received application for all these share and received all money.

Pass Journal Entries in the books of Anand Company Ltd.

Solution:

Journal Entries in the books of Anand Company Limited				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
1	Bank A/c Dr.		4,00,000	
	To Preference Share Application A/c			4,00,000
	(Being application money on 1,00,000 preference shares @ ₹ 4 per share received)			
2	Preference Share Application A/c Dr.		4,00,000	
	To Preference Share Capital A/c			4,00,000
	(Being application money received on 1,00,000 preference share @ ₹ 4 per share transferred to Preference Share Capital Account)			
3	Preference Share Allotment A/c Dr		3,00,000	
	To Preference Share Capital A/c			3,00,000
	(Being allotment money on 1,00,000 preference shares @ ₹ 3 per share due)			
4	Bank A/c Dr.		3,00,000	
	To Preference Share Allotment A/c			3,00,000
	(Being allotment money on 1,00,000 preference share @ ₹ 3 per share received)			
5	Preference Share First Call A/c Dr.		2,00,000	
	To Preference Share Capital A/c			2,00,000
	(Being first call money on 1,00,000 preference shares @ ₹ 2 per share due)			

6	Bank A/c Dr		2,00,000	
	To Preference Share First Call A/c			2,00,000
	(Being first call money on 1,00,000 preference share @ ₹ 2 per share received)			
7	Preference Share Second & Final Call A/c Dr		1,00,000	
	To Preference Share Capital A/c			1,00,000
	(Being second & final call money on 1,00,000 Preference Shares @ ₹ 1 per share due)			
8	Bank A/c Dr.		1,00,000	
	To Preference Share Second & Final Call A/c			1,00,000
	(Being Second and final call money on 1,00,000 Preference Shares @ ₹ 1 per share received)			
			2000000	**2000000**

Practical problem | Q 3 | Page 341

Rohini Company Limited issued 25000 equity shares of ₹ 100 each payable as follows -

On Application ₹ 20

On Allotment ₹ 30

On First call ₹ 20

On Second & Final call ₹ 30

Applications were received for 22,000 equity shares and allotment of shares were made to them. All money was received by the company.

Pass Journal Entries in the books of Rohini Co. Ltd.

Solution:

Journal Entries in the books of Rohini Company Limited				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
1	Bank A/c Dr.		4,40,000	
	To Equity Share Application A/c			4,40,000

	(Being equity share application money on 22,000 shares @ ₹ 20 per share received)			
2	Equity Share Application A/c Dr		4,40,000	
	To Equity Share Capital A/c			4,40,000
	(Being equity share application money on 22,000 equity shares @ ₹ 20 per share transferred to Equity Share Capital Account)			
3	Equity Share Allotment A/c Dr.		6,60,000	
	To Equity Share Capital A/c			6,60,000
	(Being allotment money on 22,000 equity shares @ ₹ 30 per share due)			
4	Bank A/c Dr		6,60,000	
	To Equity Share Allotment A/c			6,60,000
	(Being equity share allotment money on 22,000 shares @ ₹ 30 per share received)			
5	Equity Share First Call A/c Dr.		4,40,000	
	To Equity Share Capital A/c			4,40,000
	(Being equity share first call money on 22,000 shares @ ₹ 20 due)			

6	Bank A/c Dr.		4,40,000	
	To Equity Share First Call A/c			4,40,000
	(Being equity share first call money on 22,000 shares @ ₹ 20 per share received)			
7	Equity Share Second & Final Call A/c Dr.		6,60,000	
	To Equity Share Capital A/c			6,60,000
	(Being equity share second & final call money on 22,000 shares @ ₹ 30 due)			
8	Bank A/c Dr		6,60,000	
	To Equity Share Second & Final Call A/c			6,60,000
	(Being equity share second & final call money on 22,000 shares @ ₹ 30 per share received)			
			4400000	**4400000**

Practical problem | Q 4 | Page 341

Deepak Manufacturing co. Ltd. issued a prospectus inviting applications for 1,00,000 equity shares of ₹ 10 each payable as follows

₹ 2 on Application

₹ 4 on Allotment

₹ 2 on first call

₹ 2 on final call

Application were received for 1,20,000 equity shares. The Directors decided to reject excess applications and refunded application money on that. Company received all money.

Pass Journal Entries in the books of a company.

Solution:

Journal Entries in the books of Deepak Manufacturing Co. Ltd.				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
1	Bank A/c Dr.		2,40,000	
	To Equity Share Application A/c			2,40,000
	(Being equity share application money on 1,20,000 shares @ ₹ 2 per share received)			
2	Equity Share Application A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being application money on 1,00,000 shares transferred to equity share capital account)			
3	Equity share Application A/c Dr.		40,000	
	To Bank A/c			40,000
	(Being application money on excess 20,000 shares @ ₹2 per share refunded)			
4	Equity Share Allotment A/c Dr		4,00,000	
	To Equity Share Capital A/c			4,00,000

	(Being equity share allotment money on 1,00,000 shares @ ₹4 per share due)			
5	Bank A/c Dr.		4,00,000	
	To Equity Share Allotment A/c			4,00,000
	(Being allotment money on 1,00,000 shares @ ₹4 per share received)			
6	Equity Share First Call A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being equity share first call money on 1,00,000 shares @ ₹2 per share due)			
7	Bank A/c Dr.		2,00,000	
	To Equity Share First Call A/c			2,00,000
	(Being equity first call money on 1,00,000 shares @ ₹2 per share received)			
8	Equity Share Final Call A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being equity share final call money on 1,00,000 shares @ ₹2 per share due)			
9	Bank A/c Dr.		2,00,000	
	To Equity Share Final Call A/c			2,00,000

	(Being equity share final call money on 1,00,000 shares @ ₹ 2 per share received)			
			2080000	**2080000**

Practical problem | Q 5 | Page 342

Sucheta Company Limited issued ₹ 20,00,000 new capital divided into ₹ 100 equity shares at a Premium of ₹ 20 per share payable as ₹ 10 on Application ₹ 40 on Allotment and ₹ 10 premium ₹ 50 on Final call and ₹ 10 premium.

The issue was oversubscribed to the extent of 26000 equity shares. The applicants on 2000 shares were sent letter of regret and their application money was refunded. Remaining applicants were alloted share on pro-rata basis. All the money due on Allotment and Final call was duly received.

Make necessary Journal entries in the books of Sucheta Company Ltd.

Solution:

Journal Entries in the books of Sucheta Company Limited				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
1	Bank A/c Dr.		2,60,000	
	To Equity Share Application A/c			2,60,000
	(Being application money on 26,000 equity shares @ ₹ 10 per share received)			
2	Equity Share Application A/c Dr.		20,000	
	To Bank A/c			20,000
	(Being application money on 2,000 equity shares @ ₹ 10 per share refunded)			
3	Equity Share Application A/c Dr.		2,40,000	
	To Equity Share Capital A/c			2,00,000
	To Equity Share Allotment A/c			40,000

	(Being application money on 20,000 equity shares transferred to equity share capital and application money on 2,000 equity shares adjusted against Share Allotment A/c)			
4	Equity Share Allotment A/c Dr.		10,00,000	
	To Equity Share Capital A/c			8,00,000
	To Share Premium A/c			2,00,000
	(Being allotment money (including premium) on 20,000 equity shares @ ₹ 50 per share due)			
5	Bank A/c Dr.		9,60,000	
	To Equity Share Allotment A/c			9,60,000
	(Being allotment money on 20,000 equity shares, after adjusting excess application money received)			
6	Equity Share Final Call A/c Dr.		12,00,000	
	To Equity Share Capital A/c			10,00,000
	To Share Premium A/c			2,00,000
	(Being share final call money (including premium) on 20,000 equity shares @ ₹ 60 per share due)			
7	Bank A/c Dr		12,00,000	
	To Equity Share Final Call A/c			12,00,000
	(Being share final call money on 20,000 equity shares @ ₹ 60 per share received)			
			4880000	**4880000**

Working Note :

Calculation of Application money transferred to Share Allotment :

Application money received (26,000 × 10) :	2,60,000
Less: Application money refunded (2,000 × 10) :	20,000
	2,40,000

Less: Application money transferred to Share Capital : (20,000 × 10)	2,00,000
Excess money received on application transferred to Share Allotment:	40,000

Bifurcation of calls amount :

Per-share value ₹ 100 Premium amount ₹ 20	On Application: ₹ 10 per share
	On Allotment: ₹ 40 per share for Capital + ₹ 10 per share for Premium
	On final call: ₹ 50 per share for Capital + ₹ 10 per share for Premium

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Suhas Limited issued 10000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance in two calls of equal amount. Applications were received for ll,000 equity shares and pro-rata allotment was made for all the applicants. The excess application money was adjusted towards allotment. Mrs. Shobha who were allotted 200 equity shares failed to pay F/F/C and her shares were forfeited after the final call

Show Journal entries in the books of Suhas Ltd. and also show its presentation in Balance sheet.

Solution:

Journal Entries in the books of Suhas Limited				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
1	Bank A/c Dr		33,000	
	To Equity Share Application A/c			33,000

	(Being application money on 11,000 equity shares @ ₹ 3 per share received)			
2	Equity Share Application A/c Dr.		33,000	
	To Equity Share Capital A/c			30,000
	To Equity Share Allotment A/c			3,000
	(Being application money on 10,000 shares transferred to Share Capital A/c and remaining amount adjusted against allotment)			
3	Equity Share Allotment A/c Dr		50,000	
	To Equity Share Capital A/c			30,000
	To Share Premium A/c			20,000
	(Being allotment money on 10,000 equity shares @ ₹ 5 per share, including premium of ₹ 2 per share, due)			
4	Bank A/c Dr		47,000	

	To Equity Share Allotment A/c			47,000
	(Being share allotment money received after adjusting excess application money received)			
5	Equity Share First Call A/c Dr		20,000	
	To Equity Share Capital A/c			20,000
	(Being equity share first call money on 10,000 shares @ ₹ 2 per share due)			
6	Bank A/c Dr.		19,600	
	To Equity Share First Call A/c			19,600
	(Being share first call money received @ ₹ 2 per share except 200 shares of Mrs Shobha)			
7	Equity Share Final Call A/c Dr.		20,000	
	To Equity Share Capital A/c			20,000

	(Being equity share final call money on 10,000 shares @ ₹ 2 per share due)			
8	Bank A/c Dr.		19,600	
	To Equity Share Final Call A/c			19,600
	(Being share final call money received @ ₹ 2 per share except 200 shares of Mrs. Shobha)			
9	Equity Share Capital A/c Dr		2,000	
	To Equity Share First Call A/c			400
	To Equity Share Final Call A/c			400
	To Equity Share Forfeiture A/c			1,200
	(Being 200 shares of Mrs. Shobha forfeited due to non-payment of first and final call @ ₹ 2 each i.e. paid amount ₹ 6 per share forfeited by company)			
			244200	**244200**

Balance Sheet of Suhas Limited

Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital	98,000	Bank	1,19,200
Share Premium	20,000		
Share forfeiture	1,200		
	1,19,200		**1,19,200**

Working Notes :

(1) Excess amount received at the time of application ₹ 3,000 adjusted at allotment stage, so allotment amount received in bank is ₹ 47,000.

(2) Amount called-up per share: ₹ 3 on application, ₹ 5 (including premium) on allotment i.e. ₹ 2 premium + ₹ 3 capital and balance amount ₹ 4 in two calls of equal amount i.e. ₹ 2 on first call and ₹ 2 on final call.

(3) Mrs Shobha was not able to pay F / F / C i.e. first and final call means 200 × ₹ 2 first call money = ₹ 400 and 200 × ₹ 2 final call money = ₹ 400. Mrs Shobha paid ₹ 6 per share towards capital which company received and company has right to forfeit only paid amount means company forfeited ₹ 1,200 of Mrs Shobha.

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Subhash Company Limited issues 2000 Equity shares of ₹100 each payable as ₹ 30 on application, ₹ 30 on allotment, ₹ 40 on first and final call. All the shares were subscribed and duly allotted. Company made all the calls. All cash was duly received except the first & final call on 100 equity shares. These shares were forfeited by company and were re-issued as fully paid for ₹75 per share.

Show the Journal entries in the books of Subhash Company Ltd.

Solution:

Journal Entries in the books of Anand Company Limited				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
1	Bank A/c Dr.		60,000	
	To Equity Share Application A/c			60,000
	(Being application money on 2,000 equity shares @ ₹ 30 per share received)			
2	Equity Share Application A/c Dr		60,000	
	To Equity Share Capital A/c			60,000

	(Being application money received on 2,000 equity shares transferred to equity share capital)			
3	Equity Share Allotment A/c Dr.		60,000	
	To Equity Share Capital A/c			60,000
	(Being equity share allotment money on 2,000 shares @ ₹ 30 per share due)			
4	Bank A/c Dr		60,000	
	To Equity Share Allotment A/c			60,000
	(Being equity share allotment money on 2,000 shares @ ₹ 30 per share received)			
5	Equity Share First and Final Calls A/c Dr.		80,000	
	To Equity Share Capital A/c			80,000
	(Being equity share first and final call money on 2,000 shares @ ₹ 40 per share due)			
6	Bank A/c Dr.		76,000	
	To Equity Share First and Final Call A/c			76,000
	(Being equity share first and final call money on 1900 shares @ ₹ 40 per share received)			
7	Equity Share Capital A/c Dr.		10,000	
	To Equity Share First and Final Call A/c			4,000
	To Equity Share Forfeiture A/c			6,000
	(Being forfeiture of 100 shares due to non-payment of first and final call)			
8	Bank A/c Dr		7,500	
	Equity Share Forfeiture A/c Dr		2,500	
	To Equity Share Capital A/c			10,000
	(Being re-issue of 100 forfeited shares @ ₹ 75 per share)			
9	Equity Share Forfeiture A/c Dr		3,500	
	To Capital Reserve A/c			3,500
	(Being balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			
			419500	**419500**

Working Notes :

(1) Amount forfeited by the company on 100 shares forfeited = 100 × (30 + 30) = 100 × 60 = ₹ 6,000

(2) Calls-in-Arrears = 100 × 40 = ₹ 4,000.

(3) Amount received on re-issue of 100 forfeited shares = 100 × 75 = ₹ 7,500. Balance of ₹ 2,500 (i.e. loss 25 × 100) is transferred to Share Forfeiture A/c.

(4) Amount transfer from Share Forfeiture A/c to Capital Reserve is ascertained by preparing Share Forfeiture A/c.

Share Forfeiture A/c

Date	Particulars	J.F	Amount (₹)	Date	Particulars	J.F	Amount (₹)
8	To Equity Share Capital A/c		2,500	7	By Equity Share Capital A/c		6,000
9	To Capital Reserve A/c (Balancing figure)		3,500				
			6,000				**6,000**

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Pass Journal entries for the forfeiture and re-issue of shares in the following cases.

A) Asha Ltd. forfeited 100 equity shares of ₹ 20 each fully called up for non-payment of first call of ₹ 3 per share and final call of ₹ 5 per share. 80 shares of these were reissued at ₹ 15 per share fully paid

B) Bhakti Ltd. forfeited 100 equity shares of ₹ 10 each, ₹ 6 called-up on which the shareholder paid application and allotment of ₹ 5 per share. Of these 80 shares were re-issued as fully paid-up for 16 per share.

C) Konark Ltd. forfeited 50 shares of ₹ 10 each, ₹ 8 called-up. The shareholder failed to pay first call of ₹ 3 per share. Later on 30 shares of these were re-issued at ₹ 7 per share.

Solution:

Journal Entries [For Asha Ltd.]				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
(A)(i)	Equity Share Capital A/c Dr.		2,000	
	To Equity Share First Call A/c			300
	To Equity Share Final Call A/c			500
	To Equity Share Forfeiture A/c			1,200
	(Being forfeiture of 100 equity shares due to non-payment of first call @ ₹3 and final call @ ₹5 per share)			
(ii)	Bank A/c Dr.		1,200	
	Equity Share Forfeiture A/c Dr		400	
	To Equity Share Capital A/c			1,600
	(Being re-issue of 80 forfeited shares @ ₹15 per share as fully paid-up)			
(iii)	Equity Share Forfeiture A/c Dr.		560	
	To Capital Reserve A/c			560
	(Being proportion balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			
			4160	**4160**

Working Notes: For A :

(1) Out of 100 forfeited shares, 80 shares were re-issued accordingly Equity Share Capital A/c is debited and credited.

(2) To find the proportionate amount for Forfeiture A/c:

For 100 shares – share forfeiture amount = ₹ 1,200

∴ 80 shares – share forfeiture amount =? = ₹ 960

Now, out of this ₹ 960 we used ₹ 400 from Share Forfeiture A/c at the time of re-issue of shares. So, balance of Share Forfeiture A/c = ₹ 960 – ₹ 400 = ₹ 560

Journal Entries [For Bhakti Ltd.]				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
(B)(i)	Equity Share Capital A/c (100 × ₹ 6) Dr		600	
	To Calls-in-Arrears A/c			100
	To Equity Share Forteifure A/c (100 × ₹ 5)			500
(ii)	Bank A/c (80 × ₹ 6) Dr.		480	
	To Equity Share Capital A/c			480
	(Being re-issue of 80 forfeited shares @ ₹ 6 per share as fully paidup)			
(iii)	Equity Share Forfeiture A/c Dr.		400	
	To Capital Reserve A/c			400
	(Being proportionate balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			
			1480	**1480**

Working Notes: For B :

(1) Out of 100 forfeited shares, 80 shares were re-issued accordingly Equity Share Capital A/c is debited for ₹ 600 and credited for ₹ 480.

(2) The proportionate amount debited to Forfeiture A/c :

For 100 shares – share forfeiture amount debited = ₹ 500	80/100×500/1 = ₹ 400
∴ 80 shares – share forfeiture amount =? = ₹ 400	

Now, shares were re-issued at L 6 per share which is the called-up amount.

∴ Proportionate amount for Forfeiture A/c ₹ 400 will be transferred to Capital Reserve A/c.

Journal Entries [For Konark Ltd.]				
Date	**Particulars**	**L.F**	**Debit Amount (₹)**	**Credit Amount (₹)**
(c)(i)	Equity Share Capital A/c (50 × ₹ 8) Dr		400	
	To Equity Share First Call A/c (50 × ₹ 3)			150
	To Equity Share Forteifure A/c			250
	(Being forfeiture of 50 equity shares due to non-payment of first call @ ₹ 3 per share)			
(ii)	Bank A/c (30 × ₹ 7) Dr.		210	
	Equity Share Forfeiture A/c Dr		30	
	To Equity Share Capital A/c (30 × ₹ 8)			240
	(Being re-issue of 30 forfeited shares @ ₹ 7 per share)			
(iii)	Equity Share Forfeiture A/c Dr.		120	
	To Capital Reserve A/c			120
	(Being proportionate balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			
			760	**760**

Working Note: For C :

The proportionate amount debited to Forfeiture A/c :

For 50 shares – share forfeiture amount debited is ₹ 250	30/50×250 = ₹ 150
∴30 shares – share forfeiture amount =? = ₹ 150	

Out of this ₹ 30 used for re-issue of forfeited shares.

∴ Balance of Share Forfeiture A/c = ₹ 150 – ₹ 30 = ₹ 120.