

# +2 Accountancy Solution Book

## 6. Company Accounts

### TEXTBOOK SELF-EXAMINATION QUESTIONS SOLVED

#### I. Choose the correct answer.

1. A preference share is one

- (i) which carries preferential right with respect to payment of dividend at fixed rate
- (ii) which carries preferential right with respect to repayment of capital on winding up
- (a) Only (i) is correct
- (b) Only (ii) is correct
- (c) Both (i) and (ii) are correct
- (d) Both (i) and (ii) are incorrect

**Ans. (c) Both (i) and (ii) are correct**

2. That part of share capital which can be called up only on the winding up of a company is called .....

- (a) Authorised capital
- (b) Called up capital
- (c) Capital reserve
- (d) Reserve capital

**Ans. (d) Reserve capital**

---

3. At the time of forfeiture, share capital account is debited with .....

- (a) Face value (b) Nominal value  
(c) Paid up amount (d) Called up amount

**Ans. (d) Called up amount**

4. After the forfeited shares are reissued, the balance in the forfeited shares account should be transferred to .....

- (a) General reserve account (b) Capital reserve account  
(c) Securities premium account (d) Surplus account

**Ans. (b) Capital reserve account**

5. The amount received over and above the par value is credited to .....

- (a) Securities premium account (b) Calls in advance account  
(c) Share capital account (d) Forfeited shares account

**Ans. (a) Securities premium account**

6. Which of the following statement is false?

- (a) Issued capital can never be more than the authorised capital  
(b) In case of under subscription, issued capital will be less than the subscribed capital  
(c) Reserve capital can be called at the time of winding up  
(d) Paid up capital is part of called up capital

**Ans. (b) In case of under subscription, issued capital will be less than the subscribed capital**

7. When shares are issued for purchase of assets, the amount should be credited to .....

- (a) Vendor's A/c (b) Sundry assets A/c  
(c) Share capital A/c (d) Bank A/c

**Ans. (c) Share capital A/c**

8. Match the pair and identify the correct option:

- |                        |   |
|------------------------|---|
| (1) Under subscription | - (i) Amount prepaid for calls                |
| (2) Over subscription  | - (ii) Subscription above the offered shares  |
| (3) Calls in arrear    | - (iii) Subscription below the offered shares |
| (4) Calls in advance   | - (iv) Amount unpaid on calls                 |

- |     |       |       |       |      |
|-----|-------|-------|-------|------|
|     | (1)   | (2)   | (3)   | (4)  |
| (a) | (i)   | (ii)  | (iii) | (iv) |
| (b) | (iv)  | (iii) | (ii)  | (i)  |
| (c) | (iii) | (ii)  | (iv)  | (i)  |
| (d) | (iii) | (iv)  | (i)   | (ii) |

**Ans. (c) (iii) (ii) (iv) (i)**

9. If a share of ₹ 10 on which ₹ 8 has been paid up is forfeited. Minimum reissue price is .....

- (a) ₹ 10 per share (b) ₹ 8 per share  
(c) ₹ 5 per share (d) ₹ 2 per share

**Ans. (d) ₹ 2 per share**

10. Supreme Ltd. forfeited 100 shares of ₹ 10 each for non-payment of final call of ₹ 2 per share. All these shares were re-issued at ₹ 9 per share. What amount will be transferred to capital reserve account?

(a) ₹ 700                      (b) ₹ 800                      (c) ₹ 900                      (d) ₹ 1,000

Ans. (a) ₹ 700

## II Very short answer questions:

### 1. What is a share?

Ans. The capital of a company is divided into small units of fixed amount. These units are called shares. There are two types (i) preference shares and (ii) equity shares.

### 2. What is over-subscription?

Ans. When the number of shares applied for is more than the number of shares offered for subscription it is said to be over subscription.

### 3. What is meant by calls-in-arrear?

Ans. When a share holder fails to pay the amount due on allotment or on calls, the amount remaining unpaid is known as calls-in-arrears.

### 4. Write a short note on securities premium account.

Ans. When a company issues shares at a price more than face value, the shares are said to be issued at premium. The excess is called as premium amount and is transferred to securities premium account. It is shown under "reserves and surplus" as a separate head in the note to accounts to the balance sheet.

### 5. Why are the shares forfeited?

Ans. When a shareholder defaults in making payment of allotment/call money, the shares may be forfeited. On forfeiture the share allotment is cancelled and to that extent, paid up share capital reduced.

## III. Short answer questions:

### 1. State the different between preference shares and equity shares?

Ans.

S. No.	Points to Distinct	Preference Shares	Equity Shares
1.	Rate of Dividend	Rate of Dividend is fixed.	Ratio of Dividend varies from year to year depending upon profits available.
2.	Redemption	These are redeemed after stipulated period but within period of ten years from the date of issue.	These shares are not redeemed during the lifetime of the company. At the time of winding up
3.	Participation in management	They have no right to participate in management.	These shareholders have the right to participate in management.



**2. Write a brief note on calls-in-advance.**

**Ans.** The excess amount paid over the called up value of a share is known as calls-in-advance. It is the excess money paid on application or allotment or calls. Such excess amount can be returned or adjusted towards future payment. If the company decides to adjust such amount towards future payment, the excess amount is transferred to a separate account called calls-in advance account.

**3. What is reissue of forfeited shares?**

**Ans.** The directors of a company have an authority of reissue of shares once forfeited by them due to non-payment of calls. They can reissue the forfeited shares at par, at premium or at discount. When forfeited shares are reissued at a premium, the amount of such premium will be credited to securities premium.

If the reissue price is more than the amount unpaid of forfeited shares it results in profit and is transferred to capital reserve account

**4. Write a short note as (a) Authorised Capital (b) Reserve Capital**

**Ans. (a) Authorised Capital:** According Sec 2(8) of the Companies Act, "It means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company".

**(b) Reserve Capital:** Sec 65 of Companies Act 2013, only an unlimited company having share capital while converting into a limited company, may have a reserve capital. The company reserve a part of its subscribed capital to be called up only at the time of winding up. It is called reserve capital.

**5. What is meant by issue of shares for consideration other than cash?**

**Ans.** A company may issue shares for consideration other than cash when the company acquires fixed assets such as land, building and machinery, etc.

A company may also issue shares as consideration for the purchase of business, to promoters for their services and to brokers and underwriters for their commission.

**IV. Exercises:**

1. Progress Ltd. issued 50,000 ordinary shares of ₹ 10 each, payable ₹ 2 on application, ₹ 4 on allotment, ₹ 2 on first call and ₹ 2 on final call. All the shares are subscribed and amount was duly received. Pass journal entries.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Application Money received)		1,00,000	1,00,000
	Share Application A/c Dr. To Share Capital A/c (Appl money tr to capital)		1,00,000	1,00,000

	Share Allotment A/c To Share Capital A/c (Share Allotment due)	Dr.		2,00,000	2,00,000
	Bank A/c To Share Allotment A/c (Allotment money received)	Dr.		2,00,000	2,00,000
	Share 1 <sup>st</sup> Call A/c To Share Capital A/c (Share 1st call due)	Dr.		1,00,000	1,00,000
	Bank A/c To Share 1 <sup>st</sup> call A/c (Share First call money received)	Dr.		1,00,000	1,00,000
	Share Final call A/c To Share Capital A/c (Share Final call due)	Dr.		1,00,000	1,00,000
	Bank A/c To Share final call A/c (Share final call money received)	Dr.		1,00,000	1,00,000

2. Sampath company issued 25,000 shares at ₹ 10 per share payable ₹ 3 on application, ₹ 4 on allotment, ₹ 3 on first and final call. The public subscribed for 24,000 shares. The directors allotted all the 24,000 shares and received the money duly. Pass necessary journal entries.

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Application A/c (Share Application Money received)	Dr.	72,000	72,000
	Share Application A/c To Share Capital A/c (Share application tr to share capital)	Dr.	72,000	72,000
	Share Allotment A/c To Share Capital A/c (Share Allotment Due)	Dr.	96,000	96,000
	Bank A/c To Share Allotment A/c (Share Allotment money received)	Dr.	96,000	96,000
	Share 1 <sup>st</sup> Call A/c To Share Capital A/c (Share 1 <sup>st</sup> call due)	Dr.	72,000	72,000

Bank A/c Final To Share I <sup>st</sup> call A/c (Share I <sup>st</sup> call money received)	Dr.		72,000	72,000
--	-----	--	--------	--------

3. Saranya Ltd. issued 20,000 equity shares of ₹ 10 each to the public at par. The details of the amount payable on the shares are as follows:

On application ₹ 3 per share

On allotment ₹ 4 per share

On first and final call ₹ 3 per share

Application money was received on 30,000 shares. Excess application money was refunded immediately. Pass journal entries to record the above.

#### Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Application A/c (Share Application Money received)	Dr.	90,000	90,000
	Share Application A/c To Share Capital A/c (Share Application money tr to share capital)	Dr.	60,000	60,000
	Share Application A/c To Bank A/c (Excess Application money transferred)	Dr.	30,000	30,000
	Share Allotment A/c To Share Capital A/c (Share Allotment due)	Dr.	80,000	80,000
	Bank A/c To Share Allotment A/c (Share Allotment money received)	Dr.	80,000	80,000
	Share I <sup>st</sup> and final call A/c To share capital A/c (Share I <sup>st</sup> and final call due)	Dr.	60,000	60,000
	Bank A/c To Share I <sup>st</sup> and final call A/c (Share I <sup>st</sup> and final call money received)	Dr.	60,000	60,000

4. Gaja Ltd issued 40,000 shares of ₹ 10 each to the public payable ₹ 2 on application, ₹ 5 on allotment and ₹ 3 on first and final call. Applications were received for 50,000 shares. The Directors decided to allot 40,000 shares on pro rata basis and surplus of application money was utilised for allotment. Pass journal entries assuming that the amounts due were received.



**Journal Entries**

Date	Particulars	L.F.	Debit ( ₹ )	Credit ( ₹ )
	Bank A/c Dr. To Share Application A/c (Share Application money received)		1,00,000	1,00,000
	Share Application A/c Dr. To Share Allotment A/c (Share Application Excess money utilised)		20,000	20,000
	Share Application A/c Dr. To Share Capital A/c (Share Application money tr to share capital)		80,000	80,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Due)		2,00,000	2,00,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment money received)		2,00,000	2,00,000
	Share I <sup>st</sup> and final call A/c Dr. To Share Capital A/c (Share I <sup>st</sup> call and final call due)		1,20,000	1,20,000
	Bank A/c Dr. To Share I <sup>st</sup> and final call A/c (Share I <sup>st</sup> and final call money received)		1,20,000	1,20,000

5. Lalitha Ltd. offered 30,000 equity shares of ₹ 10 each to the public payable ₹ 2 per share on application, ₹ 3 on share allotment and the balance when required. Applications for 50,000 shares were received on which the directors allotted as:

Applicants for 10,000 shares - Full

Applicants for 35,000 shares - 20,000 shares (excess money will be utilised for allotment)

Applicants for 5,000 shares - Nil

All the money due was received. Pass journal entries upto the receipt of allotment.

**Journal Entries**

Date	Particulars	L.F.	Debit ( ₹ )	Credit ( ₹ )
	Bank A/c Dr. To Share Application A/c (Share Application money received)		1,00,000	1,00,000
	Share Application A/c Dr. To Bank A/c (Excess Application refunded)		10,000	10,000

Share Application A/c To Share Allotment A/c (Excess Application proportionately allotted for allotment)	Dr.	30,000	30,000
Share Application A/c To Share Capital A/c (Share application money tr to share cap)	Dr.	60,000	60,000
Share Allotment A/c To Share Capital A/c (Share Allotment Due)	Dr.	90,000	90,000
Bank A/c To Share Allotment A/c (Share Allotment money received)	Dr.	60,000	60,000

Working Notes:

Shares Applied	Shares Allotted	Appl Money Recd	Appl. Money	Appl. Allotted Money	Refund
10,000	10,000	20,000	20,000	-	-
35,000	20,000	70,000	40,000	30,000	-
5,000	-	10,000	-	-	10,000

**6. Das Ltd. offered 50,000 equity shares of ₹ 10 each to the public payable as follows:**

On application ₹ 4; on allotment ₹ 3; on first call ₹ 1 and on second and final call ₹ 2.

Applications were received for 1,00,000 shares. All the applicants were allotted 1 share for every two shares applied. Excess application money was used for amount due on allotment and call. Pass necessary journal entries.

**Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c To Equity Share Application A/c (Share Application money received)	Dr.	4,00,000	4,00,000
	Equity Share Application A/c To Equity Share Capital A/c (Share Application money tr to Equity Share Capital)	Dr.	2,00,000	2,00,000
	Equity Share Application A/c To Equity Share Allotment A/c To Calls in Advance A/c (Share application excess amount utilised for allotment)	Dr.	2,00,000	1,50,000 50,000



Equity Share Allotment A/c To Equity Share Capital A/c (Share Allotment Due)	Dr.		1,50,000	1,50,000
Share 1 <sup>st</sup> Call A/c To Equity Share Capital A/c (Share 1 <sup>st</sup> Call Due)	Dr.		50,000	50,000
Calls in Advance A/c To Equity Share 1 <sup>st</sup> Call A/c (Calls in Adv Adjusted)	Dr.		50,000	50,000
Equity Share Final Call A/c To Equity Share Capital A/c (Equity share final call Due)	Dr.		1,00,000	1,00,000
Bank A/c Equity Share Final Call A/c (Share final call money received)	Dr.		1,00,000	1,00,000

7. Anjali Flour Ltd. with a registered capital of ₹ 4,00,000 in equity shares of ₹ 10 each, issued 30,000 of such shares; payable ₹ 2 per share on application, ₹ 5 per share on allotment and ₹ 3 per share on first call. The issue was duly subscribed.

All the money payable was duly received but on allotment, one shareholder paid the entire balance on his holding of 500 shares. Give journal entries to record the transactions.

#### Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Equity Share Application A/c (Share Application money received)	Dr.	60,000	60,000
	Equity Share Application A/c To Equity Share Capital A/c (Share Application money tr to Capital)	Dr.	60,000	60,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Share Allotment Due)	Dr.	1,50,000	1,50,000
	Bank A/c To Equity Share Allotment A/c To Calls in Advance A/c (Share Allotment money received)	Dr.	1,51,500	1,50,000 1,500
	Equity Share First Call A/c To Equity Share Capital A/c (Share 1 <sup>st</sup> Call Due)	Dr.	90,000	90,000

Bank A/c	Dr.	88,500	
Calls in Advance A/c	Dr.	1,500	
To Share 1 <sup>st</sup> and final call A/c			90,000
(Share 1 <sup>st</sup> and final call money received)			

**8. Muthu Ltd. issued 50,000 shares of ₹ 10 each payable as follows:**

₹ 2 on application; ₹ 4 on allotment; ₹ 4 on first and final call.

All money were duly received except one shareholder holding 1,000 shares failed to pay the call money. Pass the necessary journal entries for calls by using calls in arrear account.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Shares 1 <sup>st</sup> and final call A/c Dr. To Share Capital (Share 1 <sup>st</sup> and final call Due)		2,00,000	2,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Share 1 <sup>st</sup> and final call A/c (Share 1 <sup>st</sup> and final call money received)		1,96,000 4,000	2,00,000

**9. Arjun was holding 1,000 shares of ₹ 10 each of Vanavil Electronics Ltd, issued at par. He paid ₹ 3 on application, ₹ 4 on allotment but could not pay the first and final call of ₹ 3. The directors forfeited the shares for non-payment of call money. Give Journal entry for forfeiture of shares.**

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr. To Share forfeited A/c To Share 1 <sup>st</sup> and final call A/c (1,000 Shares were forfeited)		1,000	7,000 3,000

**10. Lakshith was holding 50 shares of ₹ 10 each on which he paid ₹ 2 on application but could not pay ₹ 4 on allotment and ₹ 2 on first call. Directors forfeited the shares after the first call. Give journal entry for recording the forfeiture of shares.**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr. To Share forfeited A/c To Share Allotment A/c To Share 1 <sup>st</sup> and final call A/c (50 Shares were forfeited)		400	100 200 100

11. Goutham Ltd. forfeited 500 equity shares of ₹ 10 each issued at par held by Ragav for non-payment of the final call of ₹ 2 per share. The shares were forfeited and reissued to Madhan at ₹ 8 per share. Show the journal entries for forfeiture and reissue.

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Reissue of Shares			
	Share Capital A/c Dr.		5,000	
	To Share forfeited A/c			4,000
	To Share final call A/c			1,000
	(500 Shares were forfeited)			
	Bank A/c (500 x 8) Dr.		4,000	
	Share forfeited A/c (500 x 2)		1,000	
	To Share Capital A/c			5,000
	(500 shares were reissued)			
	Share forfeited A/c Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Profit on reissue tr to Capital Reserve)			

12. Nivetha Ltd. forfeited 1,000 equity shares of ₹ 10 each for non payment of call of ₹ 4 per share. Of these 800 shares were reissued @ ₹ 7 per share. Pass journal entries for forfeiture and reissue.

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr.		10,000	
	To Share forfeited A/c			6,000
	To Share call A/c			4,000
	(1,000 Shares were forfeited A/c)			
	Bank A/c (800 x 7) Dr.		5,600	
	Share forfeited A/c (800 x 3) Dr.		2,400	
	To Share Capital A/c			8,000
	(1,000 shares were reissued)			
	Share forfeited A/c Dr.		2,400	
	To Capital Reserve A/c			2,400
	(Profit on Share reissue transfer)			

13. Nathiya Textiles Ltd. forfeited 100 shares of ₹ 10 each, ₹ 8 called up, on which Mayuri had paid application and allotment money of ₹ 6 per share. Of these 75 shares were re-issued to Soundarya by receiving ₹ 7 per share. Pass journal entries for forfeiture and reissue.



## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr. To Share forfeited A/c To Share I <sup>st</sup> call A/c (100 Shares were forfeited)		800	600 200
	Bank A/c (75 x 7) Dr. Share forfeited A/c Dr. To Share Capital (75 shares were reissued)		525 225	750
	Share forfeited A/c Dr. To Capital Reserve A/c (Profit on reissue tr to capital reser)		375	375

14. Simon Ltd issued 50,000 equity shares of ₹ 10 each at par payable on application ₹ 1 per share, on allotment ₹ 5 per share, on first call ₹ 2 per share and on second and final call ₹ 2 per share. The issue was fully subscribed and all the amounts were duly received with the exception of 2,000 shares held by Chezhan, who failed to pay the second and final call. His shares were forfeited and reissued to Elango at ₹ 8 per share. Journalise the above transactions.

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Share Application money received)		50,000	50,000
	Share Application A/c Dr. To Share Capital A/c (Share Application money tr to Capital)		50,000	50,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Due)		2,50,000	2,50,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment money received)		2,50,000	2,50,000
	Share I <sup>st</sup> call A/c Dr. To Share Capital A/c (Share I <sup>st</sup> Call due)		1,00,000	1,00,000

Bank A/c To Share 1 <sup>st</sup> Call A/c (Share 1 <sup>st</sup> call money received)	Dr.		1,00,000	1,00,000
Share Final call A/c To Share Capital A/c (Share final call due)	Dr.		1,00,000	1,00,000
Bank A/c To Share final call A/c (Share final call received)	Dr.		96,000	96,000
Share Capital A/c To Share forfeiture A/c To Share final call A/c (2,000 shares were forfeited)	Dr.		20,000	16,000 4,000
Bank A/c Share forfeited A/c To Share Capital A/c (2,000 shares were reissued @ Rs of)	Dr. Dr.		16,000 4,000	20,000
Share forfeited A/c Capital Reserve A/c (Profit on reissue transfer)	Dr.		12,000	12,000

**15. Kanchana Ltd. issued 50,000 shares of ₹ 10 each payable as under.**

On application	₹ 1
On allotment	₹ 5
On first call	₹ 2
On final call	₹ 2

Applications were received for 70,000 shares. Applications for 8,000 shares were rejected and allotment was made proportionately towards remaining applications. The directors made both the calls and the all the amount were received except the final call on 1,500 shares which were subsequently forfeited. Later 1,200 forfeited shares were reissued by receiving ₹ 8 per share. Give journal entries.

**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Application A/c (Share Application money received)	Dr.	70,000	70,000
	Share Application A/c To Bank (Excess Share Application money rejected)	Dr.	8,000	8,000

Share Application A/c To Share Allotment A/c To Share Capital A/c (Share Application money tr to share capital)	Dr.		62,000	12,000 50,000
Share Allotment A/c Share Capital A/c (Share Allotment tr to Share Capital)	Dr.		2,50,000	2,50,000
Bank A/c To Share Allotment A/c (Share Allotment money received)	Dr.		2,38,000	2,38,000
Share I <sup>st</sup> Call A/c To Share Capital A/c (Share I <sup>st</sup> Call Due)	Dr.		1,00,000	1,00,000
Bank A/c To Share I <sup>st</sup> Call A/c (Share I <sup>st</sup> call money received)	Dr.		1,00,000	1,00,000
Share final call A/c To Share Capital A/c (Share final call due)	Dr.		1,00,000	1,00,000
Bank A/c To Share final call A/c (Share final call money received)	Dr.		97,000	97,000
Share Capital A/c To Share forfeited A/c To Share final call A/c (1,500 shares were forfeited)	Dr.		15,000	12,000 3,000
Bank A/c Share forfeited A/c To Share Capital A/c (1,200 shares were reissued @ ₹ 8% per share)	Dr. Dr.		9,600 2,400	12,000
Share forfeiture A/c To Capital Reserve A/c (Profit on reissue tr to capital reserve A/c)	Dr.		7,200	7,200

**16. Viswanath Furniture Ltd. invited applications for 20,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable.**

₹ 2 on application

₹ 5 (including premium) on allotment

₹ 5 on first and final call

There was over subscription and applications were received for 30,000 shares and the excess applications were rejected by the directors. Pass the journal entries.



## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application a/c (30,000 Shares Application money received)		60,000	60,000
	Share Application A/c To Share Capital A/c (Share Application money tr to capital)		40,000	40,000
	Share Application A/c Dr. To Bank A/c (Excess 10,000 Shares Application rejected)		20,000	20,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Share Allotment Due)		1,00,000	80,000 20,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment money received)		1,00,000	1,00,000
	Share I <sup>st</sup> and Final call A/c Dr. To Share Capital A/c (Share I <sup>st</sup> and Final Call Due)		1,00,000	1,00,000
	Bank A/c Dr. To Share I <sup>st</sup> and Final call A/c (Share I <sup>st</sup> and final call money received)		1,00,000	1,00,000

17. United Industries Ltd. issued shares of ₹ 10 each at 10% premium payable ₹ 3 on application, ₹ 4 on allotment (including premium), ₹ 2 on first call and ₹ 2 on final call.

Journalise the transactions relating to forfeiture of shares for the following situations:

Manoj who holds 250 shares failed to pay the second and final call and his shares were forfeited.

Manoj who holds 250 shares failed to pay the allotment money and first call and second and final call and his shares were forfeited.

Manoj who holds 250 shares failed to pay the allotment money and first call money and his shares were forfeited after the first call.

## Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	(i) Share Capital A/c Dr. To Share forfeiture A/c To Share final call A/c (250 shares forfeited failed to pay final call)		2,500	2,000 500

(ii) Share Capital A/c	Dr.	2,000	
Share Premium A/c	Dr.	250	
To Share Allotment A/c			1,000
To Share 1 <sup>st</sup> call A/c			500
To Share final call A/c			500
To Share forfeiture A/c			750
(150 shares were forfeited failed to pay allotment, 1 <sup>st</sup> call and final call)			
(iii) Share Capital A/c	Dr.	2,000	
Securities Premium A/c	Dr.	250	
To Share Allotment A/c			1,000
To Share 1 <sup>st</sup> call A/c			500
To Share forfeited A/c			750
(250 shares were forfeited failed to pay allotment and first call)			

18. Kasthuri Ltd. had allotted 20,000 shares to applicants of 30,000 shares on a pro-rata basis. The amount payable was ₹ 1 on application, ₹ 5 on allotment (including premium of ₹ 2 each), and ₹ 2 on first call and ₹ 2 on final calls. Subin, a shareholder failed to pay the first call and final call on his 500 shares. All the shares were forfeited and out of them 400 shares were re-issued @ ₹ 8 per share. Pass necessary journal entries.

#### Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Share Application money received)		30,000	30,000
	Share Application A/c Dr. To Share Capital A/c (Share Application money tr to capital)		20,000	20,000
	Share Application A/c Dr. To Share Allotment A/c (Share Application excess money used for share allotment)		10,000	10,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Share Allotment Due)		1,00,000	60,000 40,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment money received)		90,000	90,000

Share 1 <sup>st</sup> call A/c To Share Capital A/c (Share 1 <sup>st</sup> call money Due)	Dr.		40,000	40,000
Bank A/c To Share 1 <sup>st</sup> call A/c (Share 1 <sup>st</sup> call money received)	Dr.		39,000	39,000
Share Final call A/c To Share Capital A/c (Share final call money Due)	Dr.		40,000	40,000
Bank A/c To Share Final call A/c (Share final call money received)	Dr.		39,000	39,000
Share Capital A/c To Share forfeited A/c To Share 1 <sup>st</sup> call A/c To Share final call A/c (500 shares were forfeited)	Dr.		5,000	3,000 1,000 1,000
Bank A/c Share forfeited A/c To Share Capital A/c (400 shares were reissued)	Dr. Dr.		3,200 800	4,000
Share forfeited A/c To Capital Reserve A/c (Profit on reissue tr to reserve capital)	Dr.		1,600	1,600

19. Vairam Ltd. issued 60,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On application	₹ 6
On allotment	₹ 4 (including premium)
On first and final call	₹ 2

Issue was fully subscribed and the amounts due were received except Saritha to whom 1,000 shares were allotted who failed to pay the allotment money and first and final call money. Her shares were forfeited. All the forfeited shares were reissued to Parimala at ₹ 7 per share. Pass journal entries.

#### Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Application A/c (Share Application money received)	Dr.	3,60,000	3,60,000



Share Application A/c To Share Capital A/c (Share Application money tr to capital)	Dr.		3,60,000	3,60,000
Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Share Allotment money Due)	Dr.		2,40,000	1,20,000 1,20,000
Bank A/c To Share Allotment A/c (Share Allotment money received)	Dr.		2,36,000	2,36,000
Share 1 <sup>st</sup> call A/c To Share Capital A/c (Share 1 <sup>st</sup> call money Due)	Dr.		1,20,000	1,20,000
Bank A/c To Share 1 <sup>st</sup> call A/c (Share 1 <sup>st</sup> call money received)	Dr.		1,18,000	1,18,000
Share Capital A/c Securities Premium A/c To Share Allotment A/c To Share 1 <sup>st</sup> call A/c To Share final call A/c (1,000 shares were forfeited)	Dr. Dr.		10,000 2,000	4,000 2,000 6,000
Bank A/c Share forfeited A/c To Share Capital A/c (1,000 shares were reissued at ₹ 7)	Dr. Dr.		7,000 3,000	10,000
Share forfeited A/c To Capital Reserve A/c (Profit on sale of reissue tr to capital reserve)	Dr.		3,000	3,000

20. Abdul Ltd. issues 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share. Pass journal entry if the amount is fully received along with premium amount of ₹ 2 per share.

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Capital A/c To Securities Premium A/c (Share of 50,000 capital amount received)	Dr.	6,00,000	5,00,000 1,00,000

21. Paradise Ltd. purchased assets of ₹ 4,40,000 from Suguna Furniture Ltd. It issued equity shares of ₹ 10 each fully paid in satisfaction of their claim. What entries will be made if such issue is: (a) at par and (b) at premium of 10%.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(a)	Assets A/c Dr. To Suguna Furniture A/c (Assets purchased from Suguna furniture Co. Ltd on credit)		4,40,000	4,40,000
	Suguna Furniture Co A/c Dr. To Equity Share Capital A/c (Share issued to Suguna furniture)		4,40,000	4,40,000
(b)	Assets A/c Dr. To Equity share capital A/c To Securities Premium A/c (Shares issued @ premium of 10%)		4,40,000	4,00,000 40,000

Total Amount = ₹ 4,40,000 Face value of shares is 10.

Premium @ 10% = Premium amt Rs. 1.

Issue Price = Face Value + Securities Premium 10 + 1 = 11

No. of Equity Shares =  $\frac{\text{Total amount}}{\text{Issue price}} = \frac{440000}{11} = 40,000$  Shares

#### Students Activity: 7.4

7.4. Complete the following journal entries by filling the missing information.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	Bank A/c Dr. To Share Application A/c (Application money received @ 2)		2,00,000	2,00,000
(2)	Share Application A/c Dr. To Share Capital A/c (Share application money for 1,00,000 shares transferred to share capital A/c)		2,00,000	2,00,000