

Chapter 8 Accounting for Share Capital

Question 1.

Gopal Ltd. was registered with an authorised capital of ₹ 50,00,000 divided into Equity Shares of ₹ 100 each. The company offered for public subscription all the shares. Public applied for 45,000 shares and allotment was made to all the applicants. All the calls were made and were duly received except the final call of ₹ 20 per share on 500 shares.

Prepare the Balance Sheet of the company showing the different types of share capital.

Solution:

**Gopal Ltd
Balance Sheet**

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	44,90,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		44,90,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	44,90,000
Total		44,90,000

NOTES TO ACCOUNTS

Note No.	Particulars	Rs.
1.	Share Capital Authorised Share Capital 50,000 equity Shares of Rs.100 each	50,00,000
	Issued Share Capital 50,000 equity shares of Rs.100 each	50,00,000
	Subscribed, Called -up and Paid up Share Capital 45,000 equity Share of Rs.100 each	45,00,000
	Less: Calls in Arrears (500 Shares × Rs.20)	(10,000)
		44,90,000
2.	Cash and Cash Equivalents Cash at Bank	44,90,000

Question 2.

Himmat Ltd has authorised share capital of ₹ 50,00,000 divided into 5,00,000 Equity Shares of ₹ 10 each. It has existing issued and paid up capital of ₹ 5,00,000. It further issued to public 1,50,000 Equity Shares at par for subscription payable as under:

On Application: ₹ 3
 On Allotment: ₹ 4 and
 On Call: Balance Amount.

The issue was fully subscribed and allotment was made to all the applicants. Call was made during the year and was duly received.

Show share capital of the company in the Balance Sheet of the Company.

Solution:

Balance Sheet of Himmat Ltd.

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholders' Funds		
Share Capital	1	20,00,000
Total		20,00,000
II. Assets		
2. Current Assets		
Cash and Cash Equivalents	2	20,00,000
Total		20,00,000

NOTES TO ACCOUNTS

Note No.	Particulars		Rs.
1.	Share Capital Authorised Share Capital 5,00,000 equity Shares of Rs.10 each		50,00,000
	Issued Share Capital 50,000 equity shares of Rs.10 each 1,50,000 Equity Shares of Rs.10 Each	5,00,000 15,00,000	20,00,000
	Subscribed and Paid up Share Capital 50,000 equity Share of Rs.10 each 1,50,000 Equity Shares of Rs.10 each	5,00,000 15,00,000	20,00,000
2.	Cash and Cash Equivalents Bank		20,00,000

Question 3.

Lennova Ltd. has authorised share capital of ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100 each. It has existing issued and paid up capital of ₹ 25,00,000. It further issued to public 25,000 Equity Shares at a premium of 20% for subscription payable as under:

On Application: ₹ 30

On Allotment: ₹ 60 and

On Call: Balance Amount.

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

Show share capital of the company in the Balance Sheet of the Company.

Solution:

Balance Sheet of Lennova Ltd

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	42,50,000
b. Reserve and Surplus	2	5,00,000
Total		47,50,000
II. Assets		
1. Current Assets		
Cash and Cash Equivalents	3	47,50,000
Total		47,50,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 1,00,000 equity Shares of Rs.100 each	1,00,00,000
	Issued Share Capital 25,000 equity shares of Rs.100 each	25,00,000
	25,000 Equity Shares of Rs.100 each	25,00,000
	Subscribed and Paid up Share Capital	
	Fully Called-up and Paid- up Capital 25,000 Equity Shares of Rs.100 each	25,00,000
	Partially Called - up andPaid - up Capital 25,000 Equity Shares Rs.100 each Rs.70 Called up	17,50,000
		42,50,000
2.	Reserves and Surplus Securities Premium Reserve (25,000 shares @ Rs.20 per share)	5,00,000
3.	Cash and Cash Equivalents Bank	47,50,000

Question 4.

A company issued 2,50,000 Equity Shares of ₹ 10 each to public. All amounts have been received in lump sum. Pass necessary journal entries in the books of the company.

Solution:

Authorised Capital: Rs.25,00,000 (2,50,000 Shares of Rs.10 each)

Issued and subscribed Capital: Rs.25,00,000 (2,50,000 Shares of Rs.10 each)

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 2,50,000 equity share of Rs.10 each)	Dr.	25,00,000	25,00,000
	Equity share Application A/c To Equity Share Capital A/c (Being share application of 2,50,000 equity shares of Rs.10 each transferred to equity share capital A/c)	Dr.	25,00,000	25,00,000

Question 5.

The authorised capital of ₹ 16,00,000 of XYZ Ltd. is divide into 1,60,000 Equity Shares of ₹ 10 each. Out of these shares 80,000 Equity Shares were issued at par to public for subscription. The full nominal value is payable on application. All the shares were subscribed by the public and total amount was paid for Pass necessary journal entries in the books of the company.

Solution:

Authorised Capital: Rs.16,00,000 (1,60,000 Shares of Rs.10 each)

Issued and subscribed Capital: Rs.8,00,000 (80,000 Shares of Rs.10 each)

Books of XYZ Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 80,000 equity share of Rs.10 each)	Dr.	8,00,000	8,00,000
	Equity share Application A/c To Equity Share Capital A/c (Being share application of 80,000 equity shares of Rs.10 each transferred to equity share capital A/c)	Dr.	8,00,000	8,00,000

Question 6.

XYZ Ltd. invited applications for 10,000 shares of ₹ 100 each payable as follows:

₹ 20 on application, ₹ 30 on allotment, ₹ 20 on first call and the balance on final call.

All the shares were applied and allotted. All the money was duly received.

You are required to journalise these transactions.

Solution:

Issued and Subscribed Capital 10,000 shares of Rs.100 each Payable as:

On Application	Rs.20
On Allotment	Rs.30
On First Call	Rs.20
On Final Call	Rs.30
Total	<u>Rs.100</u>

Books of XYZ Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 10,000 shares at Rs.20 per share)	Dr.	2,00,000	2,00,000
	Share Application A/c To Share Capital A/c (Being share application of 10,000 shares of Rs.20 each transferred to share Capital)	Dr.	2,00,000	2,00,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 10,000 shares at Rs.30 per share)	Dr.	3,00,000	3,00,000
	Bank A/c To Share Allotment A/c (Being share allotment money received for 10,000 Shares at Rs.30 per share)	Dr.	3,00,000	3,00,000
	Share First Call A/c To Share Capital A/c (Being share first call due on 10,000 shares at Rs.20 per share)	Dr.	2,00,000	2,00,000
	Bank A/c To Share First call A/c (Being share first call received on 10,000 shares at Rs.20 per share)	Dr.	2,00,000	2,00,000
	Share Final Call A/c To Share Capital A/c (Being share Final call due on 10,000 shares at Rs.30 per shares)	Dr.	3,00,000	3,00,000
	Bank A/c To Share Final Call A/c (Being share final call received on 10,000 shares of Rs.30 per share)	Dr.	3,00,000	3,00,000

Question 7.

Marigold Ltd. was registered with the authorized capital of ₹ 3,00,000 divided into 3,000 shares of ₹ 100 each, which were offered to the public Amount payable as ₹ 30 per share on application, ₹ 40 per share on allotment and ₹ 30 per share on first and final call. These shares were fully subscribed and all money was duly received. Prepare journal and Cash Book.

Solution:

Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Share Application A/c To Share Capital (Application money transferred to Capital A/c)	Dr.	90,000	90,000
	Share Allotment A/c To Share Capital A/c (Allotment money transferred to Capital A/c)	Dr.	1,20,000	1,20,000
	Share First and Final Call A/c To Share Capital A/c (Call money transferred to Capital A/c)	Dr.	90,000	90,000

Cash Book (Bank Column)

Dr.	Amount	Particulars	Amount
Particulars	Rs.	Particulars	Rs.
Share Application A/c	90,000	Balance c/d	3,00,000
Share Allotment A/c	1,20,000		
Share First and Final Call A/c	90,000		
	3,00,000		3,00,000

Question 8.

A company was registered with an authorised capital of ₹ 10,00,000 divided into 7,500 Equity Shares of ₹ 100 each and, 2,500 Preference Shares of ₹ 100 each. 1,000 Equity and 500; 9% Preference Shares were offered to public on the following terms-

Equity Shares payable

₹ 10 on application, ₹ 40 on allotment and the balance in two calls of ₹ 25 each. Preference Shares are payable ₹ 25 on application, ₹ 25 on allotment and ₹ 50 on first and final call. All the shares were applied for and allotted. Amount due was duly received. Prepare Cash Book and pass necessary journal entries to record the above issue of shares and show how the Share Capital will appear in the Balance Sheet.

Solution:

Cash Book

Dr.	Particulars	Bank Rs.	Date	Particulars	Bank Rs.
Date	Particulars			Particulars	
	To Equity Share Application A/c	10,000		By Balance c/d	1,50,000
	To Preference Share Application A/c	12,500			
	To Equity Share Allotment A/c	40,000			
	To Preference Share Allotment A/c	12,500			
	To Equity Share First Call A/c	25,000			
	To Preference share First and Final Call A/c	25,000			
	To Equity Share Final Call A/c	25,000			
		1,50,000			1,50,000

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Application A/c To Equity Share Capital A/c (Being equity Share application of 1,000 shares of 10 each transferred to equity share capital account)	Dr.	10,000	10,000
	Preference Share Application A/c To 9% Preference Share Capital A/c (Being preference share application of 500 shares Rs.25 each transferred to 9% preference share capital account)	Dr.	12,500	12,500
	Equity Share Allotment A/c To Equity Share Capital A/c (Being equity share allotment due on 1,000 shares at Rs.40 each)	Dr.	40,000	40,000
	Preference Share Allotment A/c To 9% Preference Share Capital A/c (Being preference share allotment due on 500 shares at Rs.25 each)	Dr.	12,500	12,500
	Equity Share First Call A/c To Equity Share Capital A/c (Being equity share first call due on 1,000 shares at Rs.25 each)	Dr.	25,000	25,000
	Preference Share First and Final Call A/c To 9% Preference Share Capital A/c (Being preference share first and final call due on 500 shares at Rs.50 each)	Dr.	25,000	25,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being equity share final call due on 1,000 shares at Rs.25 each)	Dr.	25,000	25,000

Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds a. Share Capital	1	1,50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		1,50,000
II. Assets		
1. Non - Current Assets		
2. Current Assets a. Cash and Cash Equivalents	2	1,50,000
Total		1,50,000

NOTES TO ACCOUNTS

Note No	Particulars		Rs.
1.	Share Capital Authorised Share Capital 75,000 equity Shares of Rs.100 each 25,000 9% Preference Shares of Rs.100 each	7,50,000 2,50,000	10,00,000
	Issued Share Capital 1,000 Equity shares of 100 each 500 9 % Preference Shares of 100 each	1,00,000 50,000	1,50,000
	Subscribed Called-up and Paid up Share Capital 1,000 Equity Shares of Rs.100 each 500 9% Preference Shares of Rs.100 each	1,00,000 50,000	1,50,000
2.	Cash and Cash Equivalents Bank		1,50,000

Question 9.

Shiva Ltd. issued 1,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 5 per share. The whole amount was payable on application. The issue was fully subscribed. Pass necessary Journal entries.

Solution:

Books of Shiva Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application and Allotment A/c (Being share application and allotment money received for 1,00,000 Shares at Rs.15 each including 5 premium)	Dr.	15,00,000	15,00,000
	Equity Share Application and Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being application and allotment money of 1,00,000 shares transferred to equity Share capital account at Rs.10 each and securities premium at Rs.5 each)	Dr.	15,00,000	10,00,000 5,00,000

Question 10.

A limited company offered for subscription 10,000 shares of ₹ 25 each, payable ₹ 5 per share on application, ₹ 10 per share on allotment (including ₹ 5 per share as premium), ₹ 5 per share as first call on the shares and the balance in two equal amounts at intervals of three months. All the shares were applied for and allotted. All the money was received except the second call and final call on 200 and 400 shares respectively.

You are asked to show the entries in the company's Journal, Cash Book and the ledger. Also show the company's Balance Sheet on completion of the above transaction.

Solution:

Issued 10,000 shares of Rs.25 each at premium of Rs.5 Applied 10,000 shares Payable as :

On Application	Rs.5
On Allotment (5 + 5)	Rs.10
On First Call	Rs.5
On Second Call	Rs.5
On Final Call	Rs.5
Total (25 + 5)	<u>Rs.30</u>

Cash Book

Dr.	Particulars	Bank Rs.	Date	Particulars	Cr.
	To Share Application A/c	50,000		By Balance c/d	2,97,000
	To Share Allotment A/c	1,00,000			
	To Share First Call A/c	50,000			
	To Share Second Call A/c	49,000			
	To Share Final Call A/c	48,000			
		2,97,000			2,97,000

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Application A/c To Share Capital A/c (Being application money of 10,000 shares of Rs.5 each transferred to Share Capital)	Dr.	50,000	50,000
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being share allotment of 10,000 shares transferred to share capital at Rs.5 each and securities premium at Rs.5 each)	Dr.	1,00,000	50,000 50,000
	Share First Call A/c To Share Capital A/c (Being first call due on 10,000 shares at Rs.5 each)	Dr.	50,000	50,000
	Share Second Call A/c To Share Capital A/c (Being second call due on 10,000 shares at Rs.5 each)	Dr.	50,000	50,000
	Calls-in-Arrears A/c To Share Second Call A/c (Being second call outstanding on 200 shares at Rs.5 each)	Dr.	1,000	1,000
	Share Final Call A/c To Share Capital A/c (Being final Call due on 10,000 shares of Rs.5 per shares)	Dr.	50,000	50,000
	Calls-in-Arrears A/c To Shares Final Call A/c (Being final call outstanding on 400 shares at Rs.5 each)	Dr.	2,000	2,000

Share Application Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Capital A/c	50,000		By Bank A/c	50,000
		50,000			50,000

Share Allotment Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Capital A/c	50,000		By Bank A/c	1,00,000
	To Securities Premium A/c	50,000			1,00,000
		1,00,000			1,00,000

Share First Call Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Capital A/c	50,000		By Bank A/c	50,000
		50,000			50,000

Share Second Call Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Capital A/c	50,000		By Bank A/c	49,000
				By Calls - in - Arrears A/c	1,000
		50,000			50,000

Share Final Call Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Capital A/C	50,000		By Bank A/c By Calls - in - Arrears A/c	48,000 2,000
		50,000			50,000

Calls in Arrears Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Second Call A/C	1,000		By Balance c/d	3,000
	To Share Final Call A/c	2,000			
		3,000			3,000

Share Capital Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Balance c/d	2,50,000		By Share Application A/c By Share Allotment A/c By Share First Call A/c By Share Second Call A/c By Share Final Call A/c	50,000 50,000 50,000 50,000 50,000
		2,50,000			2,50,000

Securities Premium Account

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Balance c/d	50,000		By Share Allotment A/c	50,000
		50,000			50,000

Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	2,47,000
b. Reserve and Surplus	2	50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		2,97,000
 II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,97,000
Total		2,97,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital Shares of Rs.25 each	
	Issued Share Capital 10,000 shares of Rs.25 each	2,50,000
	Subscribed Called-up and Paid up Share Capital 10,000 shares of Rs.25 each	2,50,000
	Less : Calls - in - Arrears	(3,000)
2.	Reserve and Surplus Securities Premium	2,47,000
3.	Cash and Cash Equivalents Cash at Bank	50,000
		2,97,000

Question 11.

X Ltd. was incorporated with a capital of ₹ 2,00,000 divided into shares of ₹ 10 each. 2,000 shares were offered to the public and out of these 1,800 shares were applied for and allotted ₹ 3 per share (including ₹ 1 premium) was payable on application, ₹ 4 per share (including ₹ 1 premium) on allotment, ₹ 2 per share on first call and ₹ 3 per share on final call. All the money was received. Give necessary journal entries and the Balance Sheet.

Solution:

Authorised Capital 20,000 shares of Rs.10 each	Issued Capital 2,000 shares	Applied 1,800 shares	Payable as :
On Application (2+1)	Rs.3		
On Allotment (3 + 1)	Rs.4		
On First Call	Rs.2		
On Final Call	Rs.3		
Total (10 + 2)	Rs.12		

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being application money received for 1,800 shares at Rs.3 per shares)	Dr.	5,400	5,400
	Share Application A/c To Share Capital A/c To Securities Premium A/c (Being application money of 1,800 share transferred to Share Capital at Rs.2 per share and securities premium Rs.1 per Share)	Dr.	5,400	3,600 1,800
	Share Allotment A/c To share Capital A/c To Securities Premium A/c (Being share allotment due on 1,800 shares at Rs.4 per share including 1 securities premium)	Dr.	7,200	5,400 1,800
	Bank A/c To Share Allotment A/c (Being share allotment money received)	Dr.	7,200	7,200
	Share First Call A/c To share Capital A/c (Being share first call due on 1,800 shares at Rs.2 per shares)	Dr.	3,600	3,600
	Bank A/c To Share First Call A/c (Being share first call money received)	Dr.	3,600	3,600
	Share final Call A/c To Share Capital A/c (Being share final call due on 1,800 shares at Rs.3 per share)	Dr.	5,400	5,400
	Bank A/c To Share Final Call A/c (Being share final call money received)	Dr.	5,400	5,400

**Balance Sheet
of X Ltd.**

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	18,000
b. Reserve and Surplus	2	3,600
2. Non - Current Liabilities		
3. Current Liabilities		
Total		21,600
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	21,600
Total		21,600

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 20,000 Shares of Rs.10 each	2,00,000
	Issued Share Capital 2,000 shares of Rs.10 each	20,000
	Subscribed Called-up and Paid up Share Capital 1,800 shares of Rs.10 each	18,000
2.	Reserve and Surplus Securities Premium	3,600
3.	Cash and Cash Equivalents Cash at Bank	21,600

Question 12.

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

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

Prepare an extract of Balance Sheet of Suhani Ltd . as per Schedule III, Part I of the companies Act, 2013 disclosing the above information. Also prepare Notes to Accounts for the same.

Solution:

Balance Sheet
Suhani Ltd.

Particulars	Note No	Amount Rs.
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	21,00,000
b. Reserve and Surplus	2	1,40,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		22,40,000
II. Assets		
1.Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	22,40,000
Total		22,40,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 30,000 shares of Rs.150 each	45,00,000
	Issued Share Capital 15,000 shares of Rs.150 each	22,50,000
	Subscribed Called-up and Paid up Share Capital 14,000 shares of Rs.150 each	21,00,000
2.	Reserve and Surplus Securities Premium	1,40,000
3.	Cash and Cash Equivalents Cash at Bank	22,40,000

Question 13.

SRCC Ltd. was registered with a capital of ₹ 25,00,000 in shares of ₹ 10 each. It issued a prospectus inviting applications for 25,000 shares at 40% premium payable as follows: On application ₹ 5 (including ₹ 1 premium), on Allotment ₹ 4 (including ₹ 1 premium), on first call ₹ 3 (including ₹ 1 premium), on second and final call ₹ 2 (including ₹ 1 premium). Applications were received for 25,000 shares. All money was duly received. Pass the necessary Journal entries.

Solution:

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bank A/c To Equity Share Application A/c (Being application money received)	Dr.	1,25,000	1,25,000
	Equity Share Application A/c To Equity Share Capital A/c To Security Premium Reserve A/c (Being application money adjusted towards Share capital)	Dr.	1,25,000	1,00,000 25,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Security Premium Reserve A/c (Being allotment money due)	Dr.	1,00,000	75,000 25,000
	Bank A/c To Equity Share Allotment A/c (Being allotment money received)	Dr.	1,00,000	1,00,000
	Equity Share First Call A/c To Equity Share Capital A/c To Security Premium Reserve A/c (Being first call money due)	Dr.	75,000	50,000 25,000
	Bank A/c To Equity Share First Call A/c (Being first call money received)	Dr.	75,000	75,000
	Equity Share Second Call A/c To Equity Share Capital A/c To Security Premium Reserve A/c (Being second call money due)	Dr.	50,000	25,000 25,000
	Bank A/c To Equity Share Second Call A/c (Being call money received)	Dr.	50,000	50,000

Question 14.

X Ltd. invited application for 10,000 Equity Shares of ₹ 10 each issued at par. The amount was payable on application. The issue was oversubscribed by 2,000 shares and allotment was made on pro rata basis. Pass necessary Journal entries.

Solution:

Issued Capital (Rs.10 each) = 10,000 Shares

Applied = 12,000 shares

Over-subscribed = 2,000 shares

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share Application received for 12,000 shares at Rs.10 each)	Dr.	1,20,000	1,20,000
	Share Application A/c To Share Capital A/c To Bank A/c (Being application of 10,000 Shares Rs.10 each transferred to share Capital and of Rs.2,000 Shares returned)	Dr.	1,20,000	1,00,000 20,000

Question 15.

Citizen Watches Ltd. invited applications for 50,000 shares of ₹ 10 each payable ₹ 3 on application, ₹ 4 on allotment and balance on first and final call . Applications were received for 60,000 shares. Applications were accepted for 50,000 shares and remaining applications were rejected. All calls were made and received except First and Final call on 500 shares.

Pass the journal entries in the books of Citizen Watches Ltd .

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (60,000 × 3) To Share Application A/c (60,000 × 3) (Being received application money on Rs.60,000 shares)	Dr.	1,80,000	1,80,000
	Share Application A/c (60,000 × 3) To Share Capital A/c (50,000 × Rs.3) To Bank A/c (10,000 × Rs.3) (Being transfer of application money to Share Capital)	Dr.	1,80,000	1,50,000 30,000
	Share Allotment A/c (50,000 × Rs.4) To Share Capital A/c (50,000 × Rs.4) (Being allotment due on 50,000 shares)	Dr.	2,00,000	2,00,000
	Bank A/c (50,000 × Rs.4) To Share Allotment A/c (50,000 × Rs.4) (Being allotment received)	Dr.	2,00,000	2,00,000
	Share First and Final Call A/c (50,000 × Rs.3) To Share Capital A/c (50,000 × Rs.3) (Being call money due on 50,000 shares)	Dr.	1,50,000	1,50,000
	Bank A/c (49,500×3) To Share First and Final A/c (49,500×3) (Being received call money on 49,500 shares)	Dr.	1,48,500	1,48,500

Question 16.

ABC Company Ltd. offered for subscription 20,000 shares of ₹ 10 each payable ₹ 3 on application and ₹ 5 on allotment for each share. Applications were received for 30,000 shares. Letters of regret were issued to applicants for 5,000 shares and their application money was refunded.

Application money for other 5,000 shares was applied towards the payment for allotment money.

The balance of allotment money was also received in due time.

You are to prepare the journal, Cash Book, Ledger Accounts and the Balance Sheet of the company.

Solution:

Issued Capital (Rs.10 each) = 20,000 Shares

Applied = 30,000 shares

Over-subscribed = 10,000 shares

Applied	25,000	5,000	30,000
Allotted	20,000	NIL	20,000
Over-subscribed	5,000	5,000	10,000

Payable as :

On Application	Rs.3
On Allotment	Rs.5
Total	Rs.8

Cash Book

Dr.				Cr.	
Date	Particulars	Rs.	Date	Particulars	Rs.
	To Share Application A/c To Share Allotment A/c	90,000 85,000		By Share Application A/c By Balance c/d	15,000 1,60,000
		1,75,000			1,75,000

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Being share application of 20,000 shares at Rs. 3 each transferred to Share Capital Account and excess money Rs.15,000 transferred to allotment)	Dr.	75,000	60,000 15,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 20,000 shares at Rs. 5 each)	Dr.	1,00,000	1,00,000

Balance Sheet of ABC Ltd.

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,60,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		1,60,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	1,60,000
Total		1,60,000

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital shares of Rs.10 each Issued Share Capital 20,000 equity shares of Rs.10 each Subscribed, Called -up and Paid up Share Capital 20,000 equity Share of Rs.10 each, on which Rs.8 called-up and paid-up	NIL 2,00,000 1,60,000
2.	Cash and Cash Equivalents Cash at Bank	1,60,000

Question 17.

Eastern Company Limited having an authorised capital of ₹ 10,00,000 divided into shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 3 per share payable as follows:

On Application	₹ 3 per share;
On Allotment (including premium)	₹ 5 per share;
On first call (due three months after allotment)and the balance as when required.	₹ 3 per share;

Applications were received for 60,000 shares and the directors allotted the shares as follows:

- (i) Applicants for 40,000 shares received in full.
 - (ii) Applicants for 15,000 shares received an allotment of 8,000 shares.
 - (iii) Applicants for 5,000 shares received 2,000 shares on allotment, excess money being returned.
All amounts due on allotment were received.

The first call was made and the money was received except on 100 shares

Give journal and cash book entries to record these transactions of the company. Also prepare the Balance Sheet of the company.

Solution:

**Books of Eastern Company Limited
Journal**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Being Share Application money for 50,000 shares transferred to Share Capital Account and the excess money transferred to Share Allotment Account)	Dr.	1,80,000	1,50,000 30,000
	Share Allotment A/c To Share Capital A/c To Share Premium A/c (Being allotment money due on 50,000 shares @ Rs.5 per share including Rs.3 Security premium)	Dr.	2,50,000	1,00,000 1,50,000
	Share First Call A/c To Share Capital A/c (Being first call due on 50,000 shares @ Rs.3 per share)	Dr.	1,50,000	1,50,000

Cash Book (Bank Column)

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
	To Share Application A/c		1,80,000				
	To Share Allotment A/c		2,20,000				
	To Share First Call A/c		1,49,700				
			5,49,700		By Balance c/d		5,49,700

**Eastern Company Limited
Balance Sheet**

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share capital	1	3,99,700
b. Reserve and Surplus	2	1,50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		5,49,700
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	5,49,700
Total		5,49,700

NOTES TO ACCOUNT

Note No.	Particulars	Rs.
1	Share Capital Authorized Share Capital 1,00,000 Share of Rs.10 each Issued share Capital 50,000 share of Rs.10 each Subscribed, Called-up and paid-up Share Capital 50,000 Share of Rs.10 each, Rs. 8 Called-up Less : Calls-in-Arrears	10,00,000 5,00,000 4,00,000 300 3,99,700
2	Reserve and Surplus Securities Premium	1,50,000
3	Cash and Cash Equivalents Cash at Bank	5,49,700

Question 18.

X company issued ₹ 10,00,000 shares for subscription of ₹ 100 each at a premium of ₹ 20 per share payable as:

₹ 10 per share on application,

₹ 40 per share and ₹ 10 premium on allotment, and

₹ 50 per share and ₹ 10 premium on final payment.

Over-payments on application were to be applied towards amount due on allotment and over-payments on application exceeding amount due on allotment was to be returned. Issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 1,000 shares and applicants for 2,000 shares were sent letters of regret. All the money due on allotment and final call was duly received.

Pass necessary entries in the company's books to record the above transactions. Also, prepare

company's Balance Sheet on completion of the above transactions.

Solution:

Shares Payable as :

On Application	Rs.10
On Allotment (40+10)	Rs.50
On First Call and Final Call (50+10)	Rs.60
Total Called up (100+20)	<u>Rs.120</u>

**Books of X company
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bank A/c To Share Application A/c (Being share application money received for 23,000 shares at Rs.10 each)	Dr.	2,30,000	2,30,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application of 10,000 shares transferred to Share Capital Rs.50,000 adjusted on allotment and remaining amount returned)	Dr.	2,30,000	1,00,000 50,000 80,000
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being share allotment due on 10,000 shares at Rs.50 each including Rs.10 premium)	Dr.	5,00,000	4,00,000 1,00,000
	Bank A/c To Share Allotment A/c (Being share allotment money received)	Dr.	4,50,000	4,50,000
	Share First and Final Call A/c To Share Capital A/c To Securities Premium A/c (Being first and final call due on 10,000 shares at Rs.60 each including Rs.10 premium)	Dr.	6,00,000	5,00,000 1,00,000
	Bank A/c To Share First and Final Call A/c (Being share first and final call money received)	Dr.	6,00,000	6,00,000

**Balance Sheet of
X Ltd.**

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	10,00,000
b. Reserve and Surplus	2	2,00,000
2. Non-Current Liabilities		
Total		12,00,000
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	12,00,000
Total		12,00,000

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital shares of Rs.100 each	NIL
	Issued Share Capital 10,000 shares of Rs.100 each	10,00,000
	Subscribed, Called-up and Paid up Share Capital 10,000 share of Rs.100 each	10,00,000
2.	Reserve and Surplus Securities Premium	2,00,000
3.	Cash and Cash Equivalents Cash at Bank	12,00,000

Working Notes:

Applied Shares	Issued Shares	Money received on Application @ Rs.10 each	Money transferred to Share Capital @ Rs.10 each	Excess	Allotment due @ Rs. 50 each	Excess money adjusted on Allotment	Excess money after Allotment
12,000	1,000	1,20,000	10,000	1,10,000	50,000	50,000	60,000 (return)
2,000		20,000		20,000 (return)			
9,000	9,000	90,000	90,000		4,50,000		
23,000	10,000	2,30,000	1,00,000		5,00,000	50,000	60,000

Share Allotment due (10,000 share×Rs. 50)	5,00,000
Less : Excess application money adjusted on allotment	<u>(50,000)</u>
Money received on Allotment	<u>4,50,000</u>

Question 19.

Sugandh Ltd. issued 60,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as ₹ 3 on application, ₹ 5(including premium) on allotment and the balance on first and final call. Applications were received for 92,000 shares. The Directors resolved to allot as:

- (i) Applicants of 40,000 shares 30,000 shares,
- (ii) Applicants of 50,000 shares 30,000 shares,
- (iii) Applicants of 2,000 shares Nil.

Mohan, who had applied for 800 shares in Category

(i) and Sohan, who was allotted 600 shares in Category

(ii) failed to pay the allotment money. Calculate amount received on allotment.

Solution:

Issued Shares	60,000
Less: Applied Shares	<u>(92,000)</u>
Over-subscribed Shares	<u>(32,000)</u>

Payable as :

On Application	Rs.3
On Allotment (3+2)	Rs.5
On First and Final Call	Rs.5
Total (10+2)	<u>Rs.12</u>

Applied	Allotted	Application Money Received @ Rs.3	Money adjusted on Application @ Rs. 3	Excess	Allotment due @ Rs.5	Excess money adjusted on Allotment @ Rs.5
40,000	30,000	1,20,000	90,000	30,000	1,50,000	30,000
50,000	30,000	1,50,000	90,000	60,000	1,50,000	60,000
2,000		6,000		6,000 (Bank)		
92,000	60,000	2,76,000	1,80,000		3,00,000	90,000

Rs.

Money Received on Application ($800 \times \text{Rs.3}$) = 2,400
Less : Application money adjusted to Share Capital = (1,800)
Excess Money on Application = **600**

Allotment due on 600 Shares ($600 \times \text{Rs.5}$) = 3,000
Less : Adjustment of excess money on application = (600)
Calls - in - Arrears by Mohan = **2,400**

Sohan

$$\text{No. of Share applied by Sohan} = \frac{50,000}{30,000} \times 600 = 1,000 \text{ Share}$$

Rs.

Money received on Application ($1,000 \times \text{Rs.3}$) = 3,000
Less: Application money adjusted to Share Capital ($600 \times \text{Rs.3}$) = (1,800)
Excess money on application = **1,200**

Allotment due on 600 Shares ($600 \times \text{Rs.5}$) = 3,000
Less : Excess Application money adjusted on Allotment = (1,200)
Calls-in-Arrears by Sohan = **1,800**

Allotment due on 60,000 shares ($60,000 \times \text{Rs.5}$) = 3,00,000
Less : Excess Application money adjusted on Allotment = (90,000)
= 2,10,000
Less : Calls - in - Arrears by Mohan = (2,400)
Less : Calls - in Arrears by Sohan = (1,800)
Money Received on Allotment = **2,05,800**

Question 20.

Sony Media Ltd. issued 50,000 shares of ₹ 10 each payable ₹ 3 on application, ₹ 4 on allotment and balance on first and final call. Applications were received for 1,00,000 shares and allotment was made as follows:

- (i) Applicants for 60,000 shares were allotted 30,000 shares,
- (ii) Applicants for 40,000 shares were allotted 20,000 shares,
- Anupam to whom 1,000 shares were allotted from category

(i) failed to pay the allotment money.

Pass journal entries up to allotment.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (1,00,000 × Rs.3) To Share Application A/c (1,00,000 × Rs.3) (Being share application money on 1,00,000 shares)	Dr.	3,00,000	3,00,000
	Share Application A/c (1,00,000 × Rs.3) To Share Capital A/c (50,000 × Rs.3) To Share Allotment A/c (50,000 × Rs.3) (Being transfer of application money to Share Capital)	Dr.	3,00,000	1,50,000 1,50,000
	Share Allotment A/c (50,000 × Rs.3) To Share Capital A/c (50,000 × Rs.3) (Being share allotment due on 50,000 shares Rs.3 each)	Dr.	1,50,000	1,50,000

Note: Full amount has already been adjusted from the excess money received at the time of application. Therefore, no amount shall be received on allotment.

Working Notes :

Calculation of Amount not Received

Shares allotted to Anupam = 1,000

$$\text{Shares applied by Anupam} = 1,000 \times \frac{60,000}{30,000} = 2,000$$

Excess money received on application ($1,000 \times \text{Rs.3}$) = Rs.3,000

Money due on allotment from Anupam ($1,000 \times \text{Rs.3}$) = Rs.3,000

Therefore, Anupam has already been paid the complete amount on application.

Note: As per this Question correct Allotment money is Rs.3.

While, according to the book Question is Allotment money is Rs.4.

Question 21.

The Kalyan Cotton Mills Ltd. was registered on 1st January, 2011 with a capital of ₹10,00,000 divided into 1,00,000 shares of ₹ 10 each. The company issued 42,000 shares of which 40,000 shares were taken up by the public and ₹ 1 per share was received with application. On 1st February, these shares were allotted and ₹ 2 per share was duly received on 28th February as allotment money. A first call of ₹ 3 per share was made on 1st March and the call money on all shares with the exception of 100 shares was received. The final call of ₹ 4 per share was made on 1st June and the amount due, with the exception of 400 shares was received by 30th June. Pass necessary journal and Cash Book entries and prepare the Balance Sheet as at 30th June, 2011.

Solution:

Authorised Capital 1,00,000 shares of Rs.10 each

Issued Capital 42,000 shares of Rs.10 each

40,000 shares applied and are payable as :

On Application	Rs.1
On Allotment	Rs.2
On First Call	Rs.3
On Final Call	Rs.4
Total	<u>Rs.10</u>

**Kalyan Cotton Mills Ltd
Cash Book**

Dr.					Cr.
Date	Particulars	Bank Rs.	Date	Particulars	Bank Rs.
2011			2011		
1 st Feb	To Share Application A/c	40,000	30 th June	By Balance c/d	3,98,100
28 th Feb	To Share Allotment A/c	80,000			
1 st May	To Share First Call A/c	1,19,700			
30 th June	To Share Final Call A/c	1,58,400			
		3,98,100			3,98,100

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2011 1 st Feb	Share Application A/c To Share Capital A/c (Share application of 40,000 shares at Rs.1 each transferred to share capital account)	Dr.	40,000	40,000
1 st Feb	Share Allotment A/c To Share Capital A/c (Being share allotment due on 40,000 shares at Rs.2 each)	Dr.	80,000	80,000
1 st Mar	Share First Call A/c To Share Capital A/c (Being share first call due on 40,000 shares Rs.3 each)	Dr.	1,20,000	1,20,000
30 th May	Calls-in-Arrears A/c To Share First Call A/c (Being share first call outstanding on 100 Shares Rs.3 each)	Dr.	300	300
1 st June	Share Final Call A/c To Share Capital A/c (Being share first call due on 40,000 shares of Rs.4 each)	Dr.	1,60,000	1,60,000
30 th June	Calls - in Arrears A/c To share Final Call A/c (Being share final Call outstanding on 400 shares at Rs.4 each)	Dr.	1,600	1,600

Kalyan Cotton Mills Ltd
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholders' Funds Share Capital	1	3,98,100
2. Non - Current Liabilities		
3. Current Liabilities		
Total		3,98,100
II. Assets		
1. Non - Current Assets		
2. Current Assets Cash and Cash Equivalents	2	3,98,100
Total		3,98,100

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 1,00,000 Shares of Rs.10 each	10,00,000
	Issued Share Capital 42,000 shares of 10 each	4,20,000
	Subscribed Called-up and Paid up Share Capital 40,000 shares of 10 each	4,00,000
	Less : Calls - in - Arrears	(1,900)
		3,98,100
2.	Cash and Cash Equivalents Cash at Bank	3,98,100

Question 22.

Ghosh Ltd. made the second and final call on its 50,000 Equity Shares @ ₹ 2 per share on 1st January, 2016. The entire amount was received on 15th January, 2016 except on 100 shares allotted to Venkat. Pass necessary journal entries for the call money due and received by opening Calls-in-Arrears Account.

Solution:

Books of X Ltd

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2016 1 st Jan	Share Second and Final Call A/c To Equity Share Capital A/c (Being share second and final call due on 50,000 shares at Rs.2 per share)	Dr.	1,00,000	1,00,000
15 th Jan	Bank A/c Calls - in - Arrears A/c To Share Second and Final Call A/c (Being share second and final call received only from 49,900 shares Rs.2 each)	Dr. Dr.	99,800 200	1,00,000

Question 23.

A Ltd was registered with a capital of ₹ 5,00,000 in shares of ₹ 10 each and issued 20,000 such shares at a premium of ₹ 2 per share payable as ₹ 2 per share on application, ₹ 5 per share on allotment (including premium) and ₹ 2 per share on first call made three months later. All the money payable on application and allotment was duly received but when the first call was made, one shareholder paid the entire balance on his holding of 300 shares and another shareholder holding 1,000 shares failed to pay the first call money.

Pass journal entries to record the above transactions and show how they will appear in the company's Balance Sheet.

Solution:

Payable as :

On Application	Rs.2
On Allotment (3+2)	Rs.5
On First Call	Rs.2
Total (7+2)	Rs.9

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 20,000 shares at Rs.2 per shares)	Dr.	40,000	40,000
	Share Application A/c To Share Capital A/c (Being share application of 20,000 shares at Rs.2 per share transferred to share capital account)	Dr.	40,000	40,000
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being allotment due on 20,000 shares at Rs.5 per share including 2 securities premium)	Dr.	1,00,000	60,000 40,000
	Bank A/c To Share Allotment A/c (Being share allotment received on 20,000 shares at Rs.5 per share)	Dr.	1,00,000	1,00,000
	Share First Call A/c To share Capital A/c (Being first and final call due on 20,000 shares at Rs.2 per share)	Dr.	40,000	40,000
	Bank A/c Calls - in - Arrears A/c To Share First Call A/c To Calls - in - Advance A/c (Being share first call received on 39,000 shares at Rs.2 each 300 shares paid calls - in arrears Rs.3 per share and 1,000 shares failed to pay first call money)	Dr.	38,900 2,000	40,000 900

A Ltd
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,38,000
b. Reserve and Surplus	2	40,000
2. Non - Current Liabilities		
3. Current Liabilities		
Other Current Liabilities	3	900
Total		1,78,900
II. Assets		
1. Non - Current Assets		
2. Current Assets		
Cash and Cash Equivalents	4	1,78,900
Total		1,78,900

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 50,000 shares of Rs.10 each	5,00,000
	Issued Share Capital 20,000 shares of Rs.10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 20,000 shares of Rs.10 each 7 Called up and Paid Up	1,40,000
	Less : Calls - in - Arrears	(2,000)
		1,38,000
2.	Reserve and Surplus Securities Premium	40,000
3.	Other Current Liabilities Calls - In Advance	900
4.	Cash and Cash Equivalents Cash at Bank	1,78,900

Question 24.

XYZ Ltd. issued 8,000 Equity Shares of ₹ 10 each. ₹ 5 per share was called, payable ₹ 2 on application, ₹ 1 on allotment, ₹ 1 on first call and ₹ 1 on second call. All the money was duly received with the following exceptions:

A who holds 250 shares paid nothing after application.

B who holds 500 shares paid nothing after allotment.

C who holds 1,250 shares paid nothing after first call.

Prepare journal and the Balance Sheet.

Solution:

Issued Capital 5,000 Shares of 10 each 5 called up

On Application = (8,000) **Rs.2 each**

On Allotment = (8,000 - 250 = 7,750) **Rs.1 each**

On First Call = (8,000 - 250 - 500 = 7,250) **Rs.1 each**

On Second Call = (8,000 - 250 - 500 - 1,250 = 6,000) **Rs.1 each**

Total Called-up = Rs.5 Per Share

Books of XYZ Ltd

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 8,000 shares at Rs.2 per shares)	Dr.	16,000	16,000
	Share Application A/c To Share Capital A/c (Being share application of 8,000 shares at Rs.2 per share transferred to share capital account)	Dr.	16,000	16,000
	Share Allotment A/c To Share Capital A/c (Being allotment due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000
	Bank A/c Call - in - Arrears A/c To Share Allotment A/c (Being share allotment received on 7,750 shares and 250 shares failed to pay it)	Dr. Dr.	7,750 250	8,000
	Share First Call A/c To Share Capital A/c (Being first call due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000
	Share First Call A/c To Share Capital A/c (Being first call due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000
	Bank A/c Calls - in - Arrears A/c To Share First Call A/c (Being share first call received money received on 7,250 shares and 750 shares failed to pay it)	Dr. Dr.	7,250 750	8,000
	Share Second Call A/c To Share Capital A/c (Being share second call due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000
	Bank A/c Calls - in - Arrears A/c To Share Second Call A/c (Being share second call money received on 6,000 shares and 2000 shares failed to pay it)	Dr. Dr.	6,000 2,000	8,000

XYZ Ltd
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
Share Capital	1	37,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		37,000
II. Assets		
1.Non - Current Assets		
2. Current Assets		
Cash and Cash Equivalents	2	37,000
Total		37,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital shares of 10 each Issued Share Capital 8,000 shares of Rs.10 each Subscribed Called-up and Paid up Share Capital 8,000 shares of Rs.10 each Rs.5 Called up and Paid Up Less : Calls - in - Arrears	<hr/> <hr/> <hr/> <hr/> <hr/>
		80,000 <hr/> 40,000 (3,000) 37,000
2.	Cash and Cash Equivalents Cash at Bank	<hr/> <hr/> <hr/> <hr/> <hr/>
		37,000

Question 25.

Bharat Ltd made the first call of ₹ 2 per share on its 1,00,000 Equity Shares on 1st March, 2006. Ashok, a shareholder, holding 800 shares paid the second and final call amount along with the first call money. The second and final call amount was ₹ 3 per share. Pass necessary journal entries for recording the above using the Calls-in Advance Account.

Solution:

Books of Bharat Ltd

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2006 1 st Mar	Equity Share First Call A/c To Equity Share Capital A/c (Being shares first call due on 1,00,000 shares at Rs.2 per share)	Dr.	2,00,000	2,00,000
1 st Mar	Bank A/c To Equity Share First Call A/c To Call - in - Advance A/c (Being share first call received with call-in-advance of 800 shares at Rs.3 per share)	Dr.	2,02,400	2,00,000 2,400

Question 26.

2,000 Equity Shares of ₹ 10 each were issued to Limited from whom assets of ₹ 25,000 were acquired. Pass Journal entry.

Solution:

Books of Bharat Ltd

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Assets A/c To X Ltd (Being assets bought from X Ltd)	Dr.	25,000	25,000
	X Ltd To Share Capital A/c To Securities Premium A/c (Being 2,000 shares of Rs.10 each issued to X Ltd)	Dr.	25,000	20,000 5,000

Question 27.

A limited company issued 800 Equity Shares of ₹ 100 each at a premium of 25% as fully paid-up in consideration of the purchase of plant and machinery of ₹ 1,00,000. Pass entries in company's journal.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Plant and Machinery A/c To vendor A/c (Being machinery purchased)	Dr.	1,00,000	1,00,000
	Vendor A/c To Equity Share Capital A/c (800 × Rs.100) To Securities Premium A/c (800 × Rs.25) (Being shares issued to vendor at a premium of Rs.25 per share)	Dr.	1,00,000	80,000 20,000

Question 28.

Rajan Ltd. purchased assets from Geeta & Co. for ₹ 5,00,000. A sum of ₹ 1,00,000 was paid by means of a bank draft and for the balance due Rajan Ltd. issued equity Shares of ₹ 10 each at a premium of 25%. journalise the above transactions in the books of the company.

Solution:

Books of Rajan Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Assets A/c To Geeta and Co. A/c (Being assets purchased from Geeta and Co.)	Dr.	5,00,000	5,00,000
	Geeta and Co. A/c To Bank A/c (Being payment made to Geeta and Co.)	Dr.	1,00,000	1,00,000
	Geeta and Co.A/c To Equity Share Capital A/c To Securities Premium A/c (Being 32,000 equity Shares of Rs.10 issued at 25 % premium)	Dr.	4,00,000	3,20,000 80,000

Working Note :

$$\text{Number of shares issued} = \frac{4,00,000}{(10 + 2.5)} = 32,000 \text{ shares}$$

Question 29.

Z Ltd. purchased furniture costing ₹ 2,20,000 from C.D Ltd. The payment was to be made by issue of 9% Preference Shares of ₹ 100 each at a premium of ₹ 10 per share. Pass necessary Journal entries in the books of Z Ltd.

Solution:

Books of Z Ltd

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Assets A/c To C.D. Ltd A/c (Being assets purchased from C.D Ltd)	Dr.	2,20,000	2,20,000
	C.D. Ltd A/c To 9% Preference Share Capital A/c To Securities Premium A/c (Being 2,000 9% preference shares of 100 each issued at Rs.10 % premium to C.D Ltd)	Dr.	2,20,000	2,00,000 20,000

Working Note :

$$\text{Number of shares issued} = \frac{2,20,000}{(100 + 10)} = 2,000 \text{ shares}$$

Question 30.

Goodluck Ltd purchased machinery costing ₹ 10,00,000 from Fair Deals Ltd. The company paid the price by issue of Equity Shares of ₹ 10 each at a premium of 25%. Pass necessary Journal entries for the above transactions in the books of Goodluck Ltd.

Solution:

Books of Goodluck Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Machinery A/c To Fail Deals Ltd A/c (Being machinery purchased from Fair Deals Ltd)	Dr.	10,00,000	10,00,000
	Fair Deals Ltd A/c To Equity Share Capital A/c To Securities Premium A/c (Being 80,000 equity shares of Rs.10 each issued at 25% premium)	Dr.	10,00,000 8,00,000 2,00,000	

Working Note :

$$\text{Number of shares issued} = \frac{10,00,000}{(10 + 2.5)} = 80,000 \text{ shares}$$

Question 31.

Jain Ltd purchased machinery costing ₹ 10,00,000 from Ayer Ltd. 50% of the payment was made by cheque and for the remaining 50%, the company issued Equity Shares of ₹ 100 each at a premium of 25%. Pass necessary Journal entries in the books of Jain Ltd. for the above transaction.

Solution:

Books of Jain Ltd

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Machinery A/c To Ayer's Ltd A/c (Being machinery purchased from Ayer Ltd)	Dr.	10,00,000	10,00,000
	Ayer's Ltd A/c To Bank A/c (Being payment made to Ayer Ltd)	Dr.	5,00,000	5,00,000
	Ayer's Ltd A/c To Equity Share Capital A/c To Securities Premium A/c (Being 4,000 equity shares of Rs.100 each issued at 25% premium)	Dr.	5,00,000 4,00,000 1,00,000	

Working Notes:

$$1. \text{Bank draft} = 10,00,000 \times \frac{50}{100} = 5,00,000$$

$$2. \text{Number of Equity shares issued} = \frac{5,00,000}{(100 + 25)} = 4,000 \text{ shares}$$

Question 32.

Sona Ltd. purchased machinery costing ₹ 17,00,000 from Mona Ltd. Sona Ltd. paid 20% of the amount by cheque and for the balance amount issued Equity Shares of ₹ 100 each at a premium of 25%. Pass necessary Journal entries for the above transactions in the books of Sona Ltd. Show your working notes clearly.

Solution:

Journal

In the books of Sona Ltd

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Machinery A/c To Mona Ltd A/c (Being machinery purchased on credit from Sona Ltd)	Dr.	17,00,000	17,00,000
	Mona Ltd A/c To Bank A/c (Being 20 % amount paid through cheque)	Dr.	3,40,000	3,40,000
	Mona Ltd A/c (17,00,000 - 3,40,000) To Equity Share Capital A/c To Securities Premium A/c (Being issued 10,880 shares of Rs.100 each to Mona Ltd at 25 % premium)	Dr.	13,60,000	10,88,000 2,72,000

Working Notes:

$$\text{No. of shares} = \frac{\text{Purchase consideration}}{\text{Face value of share + Premium}} = \frac{13,60,000}{100+25} = 10,880 \text{ shares}$$

$$\text{Share Capital Issued} = 10,880 \times 100 = ₹10,88,000$$

$$\text{Securities Premium} = 10,88,000 \times 25\% = ₹2,72,000$$

Question 33.

Light Lamps Ltd. issued 50,000 shares of ₹ 10 each as fully paid-up to the promoters for their services to set-up the company. It also issued 2,000 shares of ₹ 10 each credited as fully paid-up to the underwriters of shares for their services. journalise these transactions.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Incorporation Expenses A/c To Share Capital A/c (50,000 × Rs.10) (Being shares issued to promoters)	Dr.	5,00,000	5,00,000
	Underwriting Commission A/c To Underwriters A/c (Being underwriting commission due)	Dr.	20,000	20,000
	Underwriters A/c To Share Capital A/c (2,000 × Rs.10) (Being shares issued to underwriters)	Dr.	20,000	20,000

Question 34.

Better Prospect Ltd. acquired land costing ₹ 1,00,000 and in payment allotted 1,000 Equity Shares

of ₹ 100 each as fully paid. Further, the company issued 4,000 Equity Shares to public. The shares were payable as: ₹ 30 on application; ₹ 30 on allotment; ₹ 40 on first and final call.

Applications were received for all shares which were allotted. All the money was received except the call on 200 shares.

Pass journal entries and prepare Balance Sheet of the company.

Solution:

Payable as :

On Application	Rs.30
On Allotment	Rs.30
On First Call and Final Call	Rs.40
Total (Called-up)	Rs.100

Books of Better Prospects Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Land A/c To vendor A/c (Being land purchased from the vendor)	Dr.	1,00,000	1,00,000
	Vendor A/c To Equity Share Capital A/c (Being 1,000 equity of Rs.100 each issued to Vendor)	Dr.	1,00,000	1,00,000
	Bank A/c To Equity Share Application A/c (Being share application money received for 4,000 equity shares at Rs.30 per share)	Dr.	1,20,000	1,20,000
	Equity Share Application A/c To Equity Share Capital A/c (Being share application money on 4,000 shares transferred to equity share capital account)	Dr.	1,20,000	1,20,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being share allotment due on 4,000 equity shares of Rs.30 each)	Dr.	1,20,000	1,20,000
	Bank A/c To Share Allotment A/c (Being share allotment received for 4,000 shares at Rs.30 per share)	Dr.	1,20,000	1,20,000
	Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 4,000 equity shares at Rs.40 per share)	Dr.	1,60,000	1,60,000
	Bank A/c Calls -in -Arrears A/c To Share First and Final Call A/c (Being first and final call received from 3,800 shares and 200 share failed to pay it)	Dr. Dr.	1,52,000 8,000	1,60,000

Better Prospect Ltd.
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds Share Capital	1	4,92,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		4,92,000
II. Assets		
1.Non - Current Assets a. Fixed Assets i. Tangible Assets	2	1,00,000
2. Current Assets Cash and Cash Equivalents	3	3,92,000
Total		4,92,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital shares of Rs.100 each Issued Share Capital 5,000 shares of 100 each Subscribed Called-up and Paid up Share Capital 1,000 shares of 100 each Rs.5 (for consideration other than Cash) 4,000 shares of Rs.100 each Less : Calls - in - Arrears	5,00,000 1,00,000 4,00,000 (8,000) 4,92,000
2.	Tangible Assets Land	1,00,000
2.	Cash and Cash Equivalents Cash at Bank	3,92,000

Question 35.

A company issued 30,000 fully paid-up shares of ₹ 100 each for purchase of the following assets and liabilities from Sharma Co:

Plant ₹ 7,00,000 Stock-in-Trade ₹ 9,00,000

Land and Building ₹ 12,00,000 Sundry Creditors ₹ 2,00,000

You are required to pass necessary journal entries.

Solution:

Journal				
Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Goodwill A/c Plant A/c Stock-in-Trade A/c Land and Building A/c To Sundry Creditors A/c To Sharma and Co. A/c (Being asset purchased and liabilities accepted from Sharma and Co.)	Dr. Dr. Dr. Dr.	4,00,000 7,00,000 9,00,000 12,00,000	2,00,000 30,00,000
	Sharma and Co. A/c To Share Capital A/c (Being 30,000 shares of Rs.100 each issued to Sharma and Co.)	Dr.	30,00,000	30,00,000

Question 36.

A company purchased a running business from M/s. Rai Brothers for a sum of ₹ 15,00,000 payable ₹ 12,00,000 in fully paid shares of ₹ 10 each and balance through cheque.

The assets and liabilities consisted of the following:

Plant	₹ 4,00,000	Stock	₹ 4,00,000
Building	₹ 4,00,000	Cash	₹ 3,00,000
Sundry Debtors	₹ 3,00,000	Sundry Creditors	₹ 2,00,000

You are required to pass necessary journal entries in the company's books.

Solution:

Journal				
Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Plant and Machinery A/c Building A/c Sundry Debtors A/c Stock A/c Cash A/c To Sundry Creditors A/c To M/s Rai Brothers A/c To Capital Reserve A/c (Being business of M/s Rai brothers took over)	Dr. Dr. Dr. Dr. Dr.	4,00,000 4,00,000 3,00,000 4,00,000 3,00,000	2,00,000 15,00,000 1,00,000
	M/s Rai Brothers A/c To Share Capital A/c (Being shares issued to M/s Rai brothers)	Dr.	12,00,000	12,00,000
	M/S Rai Brothers A/c To Bank A/c (Being payment made to M/s Rai brothers through cheque)	Dr.	3,00,000	3,00,000

Question 37.

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.

Solution:

**Sandesh Ltd
Journal**

Sr. No.	Particulars	L.F.	Dr. Rs.	Cr. Rs.
a.	Sundry Assets A/c To Sundry Liabilities A/c To Sanchar Ltd. To Capital Reserve A/c (Being purchase of assets and liabilities of Sanchar Ltd.)	Dr.	7,00,000	2,00,000 4,59,500 40,500
b.	Sanchar Ltd. To Equity Share Capital A/c To Security Premium A/c To Bank A/c (Being 41,000 equity shares issued of Rs. 10 each at a premium of Rs. 1 per share and Rs. 8,500 paid by bank draft)	Dr.	4,59,500	4,10,000 41,000 8,500

Working Notes:

1. Calculation of No. of Equity Shares

$$\text{No. of Equity Shares Issued} = \frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{4,51,000}{11} = 41,000$$

Question 38.

Z Ltd. issued 20,000 Equity Shares of ₹ 10 each at par payable: On application ₹ 2 per share; on allotment ₹ 3 per share; on first call ₹ 3 per share; on second and final call ₹ 2 per share.

Mr Gupta was allotted 100 shares. Pass necessary journal entry relating to the forfeiture of shares in each of the following alternative cases:

Case I: If Mr Gupta failed to pay the allotment money and his shares were forfeited.

Case II: If Mr Gupta failed to pay allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Case III: If Mr Gupta failed to pay the first call and on his subsequent failure to pay the second and final call, his shares were forfeited.

Solution:

Amount is payable as :

On Application	Rs.2
On Allotment	Rs.3
On First Call	Rs.3
On Final Call	Rs.2
Total (Called-up)	Rs.10

Journal

Case No.	Particulars	L.F.	Debit Rs.	Credit Rs.
(I)	Share Capital A/c (100 × Rs.5) To Share Forfeiture A/c To Share Allotment A/c (Being 100 shares of Rs.10 each , Rs.5 called up, forfeited for the non-payment of allotment)	Dr.	500	200 300
(II)	Share Capital A/c (100 × Rs.8) To Share Forfeited A/c To Share Allotment A/c To Share First Call A/c (Being 100 shares of Rs.10 each, Rs.8 called-up forfeited for non-payment of allotment and first-call)	Dr.	800	200 300 300
(III)	Share Capital A/c To Share Forfeited A/c To Share First Call A/c To Share Final Call A/c (Being 100 shares of Rs.10 each forfeited for the non-payment Rs.5 each)	Dr.	1,000	500 300 200

Question 39.

A Co Ltd. was registered with a nominal capital of ₹ 1,00,000 in Equity Shares of ₹ 10 each. It offered to the public 6,000 shares for subscription. The applications were received for 8,000 shares. The Directors rejected applications for 1,000 shares and returned the money received thereon. The application money received on the other 1,000 shares was adjusted towards allotment money. The amount payable on shares was: ₹ 2 per share on application, ₹ 4 per share on allotment and the balance on first call. One shareholders holding 100 shares failed to pay the first call money and as a result his shares were forfeited.

Pass necessary journal entries and prepare Cash Book to record the above transactions.

Solution:

Authorised Capital 10,000 equity Shares of 10 each

Issued Capital 6,000 shares

Applied Capital 8,000 Shares

Allotment was as follows:

(i) 6,000 Shares allotted to 7,000 Applicants

(ii) 1,000 Applications rejected

Payable as :

On Application	Rs.2
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On Allotment	Rs.4
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On First Call and Final Call	Rs.4
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Total (Called-up)	<u>Rs.10</u>
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Cash Book

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Equity Share Application A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c	16,000 22,000 23,600 61,600		By Equity Share Application A/c By Balance c/d	2,000 59,600 61,600

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Being share application money on 6,000 shares @ Rs.2 each transferred to share Capital and 2,000 adjusted towards allotment)	Dr.	14,000	12,000 2,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being share allotment money due on 6,000 shares at Rs.4 each)	Dr.	24,000	24,000
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being share first and final call due on 6,000 shares at Rs.4 each)	Dr.	24,000	24,000
	Calls-in-Arrears A/c To Equity First and Final Call A/c (Being a holder of 100 shares failed to pay first and final Call money and amount due from him transferred to Calls-in-Arrears Account)	Dr.	400	400
	Equity Share Capital A/c To Share Forfeited a/c To Calls-in-Arrears A/c (Being 100 shares of Rs.10 each forfeited for the non-payment of first and final call Rs.4 per share)	Dr.	1,000	600 400

Question 40.

U.P. Sugar Works Ltd. was registered on 1st January, 2014 with an authorised capital of ₹ 15,00,000 divided into 15,000 shares of ₹ 100 each. The company issued on 1st April, 2014, 5,000 shares of ₹ 100 each at a premium of ₹ 5 per share payable ₹ 25 per share on application, ₹ 30(including premium) on allotment and the balance in two equal installments of ₹ 25 each on 1st July ad 1st October respectively. All the allotments and call moneys were paid when due except in case of one shareholder who failed to pay the final call on 100 shares held by him. His shares were forfeited on 1st November after giving him a due notice. Show necessary entries in the books of the company to record these transactions.

Solution:

Authorised Capital 15,000 shares of Rs.100 each Issued Capital 5,000 shares of Rs.100 each Payable as :	
On Application	Rs.25
On Allotment (25+5)	Rs.30
On First Call	Rs.25
On Final Call	Rs.25
Total (called-up) (100+5)	<u>Rs.105</u>

Books of U.P. Sugar Works Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2004 1 st April	Bank A/c To Share Application A/c (Being share application money received for 5,000 shares at Rs.25 each)	Dr.	1,25,000	1,25,000
1 st April	Share Application A/c To Share Capital A/c (Being share application money transferred to share Capital.)	Dr.	1,25,000	1,25,000
1 st April	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being share allotment due on 5,000 shares at Rs.30 each including Rs.5 premium)	Dr.	1,50,000	1,25,000 25,000
	Bank A/c To Share Allotment a/c (Being share allotment money received)	Dr.	1,50,000	1,50,000
1 st July	Share First Call A/c To Share Capital A/c (Being share first and final call due on 5,000 shares at Rs.25 each)	Dr.	1,25,000	1,25,000
	Bank A/c To Share First Call A/c (Being share First call money received)	Dr.	1,25,000	1,25,000
1 st Oct	Share Final Call A/c To Share Capital A/c (Being share final call due on 5,000 shares at Rs.25 each)	Dr.	1,25,000	1,25,000
	Bank A/c Calls-in-Arrears a/c To Share Final Call A/c (Being share final call Rs.25 each received for 4,900 shares and a holder of 100 share failed to pay it)	Dr. Dr.	1,22,500 2,500	1,25,000
1 st Nov	Share Capital A/c (100× Rs.100) To Share Forfeiture A/c (100 × Rs.75) To Calls-in-Arrears A/c (100 × Rs.25) (Being 100 shares forfeited for the non-payment of final call)	Dr.	10,000	7,500 2,500

Question 41.

A company issued 10,000 Equity Shares of ₹ 10 each at a premium of ₹ 3 per share payable ₹ 5 on application, ₹ 5 (including premium) on allotment and the balance on first call. All the shares offered were applied for and allotted. All the money due on allotment was received except on 200 shares. Call was made. All the amount due thereon was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money were not received.

Pass necessary journal entries to record the above.

Solution:

Issued Capital 10,000 shares of Rs.10 each

Applied Capital 10,000 Shares Rs.100 each

Payable as :

On Application	Rs.5
On Allotment (2+3)	Rs.5
On First Call and Final Call	Rs.3
Total (called-up) (10+3)	Rs.13

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 10,000 shares at Rs.5 each)	Dr.	50,000	50,000
	Equity Share Application A/c To Equity Share Capital A/c (Being share application money transferred to share Capital,)	Dr.	50,000	50,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being share allotment due on 10,000 shares at Rs.5 each including Rs.5 premium)	Dr.	50,000	20,000 30,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment a/c (Being share allotment money received)	Dr. Dr.	49,000 1,000	50,000
	Equity Share First Call and Final Call A/c To Equity Share Capital A/c (Being share first and final call due on 10,000 shares at Rs.3 each)	Dr.	30,000	30,000
	Bank A/c Calls-in-Arrears A/c To Equity Share First Call and Final Call A/c (Being share first and final call received on all shares except 300 shares)	Dr. Dr.	29,100 900	30,000
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 200 shares forfeited for the non-payment of Rs.8 per share including Rs.3 premium)	Dr. Dr.	2,000 600	1,000 1,600

Question 42.

A company issued 10,000 shares of the value of ₹ 10 each, payable ₹ 3 on application, ₹ 3 on allotment and ₹ 4 on the first and final call. All amounts are duly received except the call money on 100 shares. These shares are subsequently forfeited by Directors and are resold as fully paid-up for ₹ 500.

Give necessary journal entries for the transactions.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 10,000 shares at Rs.3 each)	Dr.	30,000	30,000
	Share Application A/c To Share Capital A/c (Being share application money transferred to share Capital,)	Dr.	30,000	30,000
	Share Allotment A/c To Equity Share Capital A/c (Being share allotment due on 10,000 shares at Rs.3 per shares)	Dr.	30,000	30,000
	Bank A/c To Equity Share Allotment a/c (Being share allotment money received)	Dr.	30,000	30,000
	Equity Share First Call and Final Call A/c To Share Capital A/c (Being share first and final call due on 10,000 shares at Rs.4 each)	Dr.	40,000	40,000
	Bank A/c Calls-in-Arrears A/c To Share First Call and Final A/c (Being share first and final call of 4 per share received on 9,900 share and 100 shares failed to pay it)	Dr. Dr.	39,600 400	40,000
	Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 100 shares of Rs.10 each forfeited for the non-payment of first and final call Rs.4 per share)	Dr.	1,000	600 400
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 100 shares of Rs.10 each re-issued for the sum of 500)	Dr. Dr.	500 500	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in Share forfeiture account after re-issue of shares, transferred to capital reserve account)	Dr.	100	100

Working Note

Share Forfeiture Account (debit)	Rs.600
<i>Less : Share Forfeiture Account (credit)</i>	<u>(500)</u>
Balance in Share Forfeiture after re-issue	<u>Rs.100</u>

Capital Reserve = Balance in Share Forfeiture A/c after re-issue = 100

Question 43.

X Ltd. forfeited 900 Equity Shares of ₹ 100 each for the non-payment of allotment money of ₹ 30 per share and the first call of ₹ 20 per share. The second and final call of ₹ 25 per share has not been made. The forfeited shares were reissued for ₹ 90 per share, ₹ 75 paid-up. Journalise the above.

Solution:

Payable as :

On Application (b/f)	Rs.25
On Allotment	Rs.30
On First Call	Rs.20
On Final Call(un-called)	<u>Rs.25</u>
Total	<u>Rs.100</u>

Called-up = Rs.75 Per

**In the Books of X Ltd.
Journal**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 900 shares of Rs.100 each Rs.75 called up, forfeited for the non-payment sum of allotment Rs.30 and first call Rs.20 per share)	Dr.	67,500	22,500 45,000
	Bank A/c To Share Capital A/c To Securitas Premium A/c (Being 900 shares of 100 each re-issued as Rs.75 paid-up for Rs.90 each)	Dr.	81,000	67,500 13,500
	Share Forfeiture A/c To Capital Reserve A/c (Being balance of share forfeiture account after re-issue, transferred to capital reserve account)	Dr.	22,500	22,500

Working Note :

Share Forfeiture A/c would be credited with $25 \times 900 = 22,500$

Calculation of Capital Reserve

Share Forfeiture A/c	= Rs.22,500
Share Forfeiture A/c (Dr.)	<u>= NIL</u>
Capital Reserve	<u>= Rs.22,500</u>

Question 44.

The Directors of M Ltd resolved on 1st May, 2015 that 2,000 Equity Shares of ₹ 10 each, ₹ 7.50 paid be forfeited for non-payment of final call of ₹ 2.50. On 10th June, 2015, ₹ 1,800 of these shares were reissued for ₹ 6 per share. Give necessary Journal entries.

Solution:

In the Books of M Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2012 May 01	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 2,000 shares of Rs.10 each forfeited for non- payment of final call Rs.2.5 per share)	Dr.	20,000	15,000 5,000
June 10	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 1,800 shares of Rs.10 each re-issued at Rs.6 per share fully paid-up)	Dr. Dr.	10,800 7,200	18,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in shares forfeiture account of 1,800 re-issue, transferred to capital reserve A/c)	Dr.	6,300	6,300

Working Notes :

Share Forfeiture (Cr.)	Rs.7.5
Share Forfeiture (Dr.)	Rs.4
Balance in Share Forfeiture A/c after re-issue (Per Share) (Cr.)	Rs.3.5

Calculation of Capital Reserve

$$\begin{aligned}
 &= \text{Number of Shares reissued} \times \text{Balance in Share Forfeiture A/c after reissue (per share)} \\
 &= 1,800 \times \text{Rs.3.5 (per share)}
 \end{aligned}$$

Capital Reserve = Rs.6,300

Question 45.

Super Star Ltd. makes an issue of 10,000 Equity Shares of ₹ 100 each, payable as:

On application and allotment ₹ 50 per share

On first call ₹ 25 per share

On second and final call ₹ 25 per share.

Members holding 400 shares did not pay the second and final call and the shares are duly forfeited, 200 of which are reissued as fully paid-up @ ₹ 50 per share. Pass journal entries in the books of the company.

Solution:

Books of Super Star Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application and Allotment A/c (Being share application and allotment money received for 10,000 shares at Rs.50 each)	Dr.	5,00,000	5,00,000
	Equity Share Application and Allotment A/c To Equity Share Capital A/c (Being share application and allotment money transferred to Equity Share Capital Account)	Dr.	5,00,000	5,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being share first call due on 10,000 shares of Rs.25 each)	Dr.	2,50,000	2,50,000
	Bank A/c To Equity Share First-Call A/c (Being first call money received)	Dr.	2,50,000	2,50,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being equity share final call due on 10,000 shares of Rs.25 each)	Dr.	2,50,000	2,50,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Final Call A/c (Being share final call of Rs.25 per share received on 9,600 shares and holders of 400 shares failed to pay it)	Dr. Dr.	2,40,000 10,000	2,50,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 400 Shares of 100 each forfeited for the non-payment final call Rs.25 per share)	Dr.	40,000	30,000 10,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 200 shares of Rs.100 each re-issued at Rs.50 per share fully paid up)	Dr. Dr.	10,000 10,000	20,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in Share Forfeiture of 200 shares of after re-issue transferred to Capital Reserve)	Dr.	5,000	5,000

Working Note :

Share Forfeiture (Cr.)	Rs.75
Share Forfeiture(Dr.)	Rs.50
Balance in Share Forfeiture A/c	<u>Rs.25</u>

Calculation of Capital Reserve

= Balance in share forfeiture A/c × No. of share re issued

= Rs.25 (Per Share) × 200

Capital Reserve = Rs.5,000

Question 46.

A company issued 20,000 shares of ₹ 100 each payable ₹ 25 per share on application, ₹ 25 per share on allotment and the balance in two calls of ₹ 25 each. The company did not make the final call of ₹ 25 per share. All the money was duly received with the exception of the amount due on the first call on 400 shares held by Mr. Modi. The Board of Directors forfeited these shares and subsequently reissued them @ ₹ 75 per share paid-up for a sum of ₹ 28,000. journalise the above transactions and prepare Share Capital Account.

Solution:

Issued Capital 20,000 shares of Rs.10 each Applied Capital 20,000 Shares Rs.100 each

Payable as :

On Application	Rs.25
On Allotment	Rs.25
On First Call	Rs.25
On Final Call(un-called)	<u>Rs.25</u>
Total	<u>Rs.100</u>

Called-up = Rs.75 Per

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 20,000 shares at Rs.25 each)	Dr.	5,00,000	5,00,000
	Equity Share Application A/c To Share Capital A/c (Being application money transferred to share capital account)	Dr.	5,00,000	5,00,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 20,000 shares at Rs.25 each)	Dr.	5,00,000	5,00,000
	Bank A/c To Share Allotment A/c (Being allotment money received)	Dr.	5,00,000	5,00,000
	Share First Call A/c To Share Capital A/c (Being share final call due on 20,000 shares of Rs.25 each)	Dr.	5,00,000	5,00,000
	Bank A/c Calls-in-Arrears A/c To Share First Call A/c (Being share First Call of Rs.25 per share received on 19,600 shares and holders of 400 shares did not pay it)	Dr. Dr.	4,90,000 10,000	5,00,000
	Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 400 shares of Rs.100 each, Rs.75 called-up forfeited for the non-payment final call Rs.25 per share)	Dr.	30,000	20,000 10,000
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 400 shares of Rs.100 each Rs.75 paid up re-issued for the sum of 28,000)	Dr. Dr.	28,000 2,000	30,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re- issue transferred to capital reserve)	Dr.	18,000	18,000

Share Capital A/c

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Share Forfeiture	20,000	By Share Application A/c	5,00,000
To Calls-in-Arrears A/c	10,000	By Share Allotment A/c	5,00,000
To Balance c/d	15,00,000	By Share First Call A/c	5,00,000
		By Bank A/c	28,000
		By Share Forfeiture A/c	2,000
	15,30,000		15,30,000

Working Note:

Calculation of Capital Reserve

Share Forfeiture (Cr.)	20,000
<i>Less:</i> Share Forfeiture Debit	<u>(2,000)</u>
Balance in Share Forfeiture A/c	<u>18,000</u>

Capital Reserve = Balance in Share Forfeiture A/c after re-issue = Rs.18,000

Question 47.

The Hindustan Manufacturing Ltd. had a total subscribed capital of ₹ 10,00,000 in Equity Shares of ₹ 10 each of which ₹ 7.50 were called-up. A final call of ₹ 2.50 was made and all amount paid except two calls of ₹ 2.50 each in respect of 100 shares held by D. These shares were forfeited and reissued at ₹ 8 per share.

Pass necessary journal entries (including that of cash) to record the transactions of final call forfeiture of shares and reissue of forfeited shares. Also, prepare the Balance Sheet of the company.
Solution:

Books of Hindustan Manufacturing Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Final Call A/c To Equity Share Capital A/c (Being share final call due on 1,00,000 shares at Rs.2.5 per share)	Dr.	2,50,000	2,50,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Final Call A/c (Being share final Call of Rs.2.5 per share received from 99,900 shares and 100 shares did not pay it)	Dr. Dr.	2,49,750 250	2,50,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 100 shares of Rs.10 each forfeited for the non payment of two calls of Rs.2.5 each)	Dr.	1,000	500 500
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 100 shares of Rs.10 each re issued at Rs.8 per share fully paid up)	Dr. Dr.	800 200	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account after reissue of shares, transferred to capital reserve)	Dr.	300	300

**Hindustan Manufacturing Ltd
Balance Sheet**

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	10,00,000
b. Reserve and Surplus	2	300
2. Non - Current Liabilities		
3. Current Liabilities		
Total		10,00,300
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents	3	10,00,300
Total		10,00,300

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 1,00,000 shares of Rs.10 each	10,00,000
	Issued Share Capital 1,00,000 shares of Rs.10 each	10,00,000
	Subscribed Called-up and Paid up Share Capital 1,000 shares of Rs.10 each	10,00,000
2.	Reserve and Surplus Capital Reserve	300
2.	Cash and Cash Equivalents Cash at Bank	10,00,300

Working Notes :

Calculation of Capital Reserve

Share Forfeiture Credit (100 shares × Rs.5 each)	500
<i>Less : Share Forfeiture (100 share × Rs.2 each) (Loss)</i>	<u>(200)</u>
Balance in Share Forfeiture Account after re-issue	300
Capital Reserve = Balance in Share Forfeiture Account after re-issue = Rs.300	

Question 48.

On 1st May, 2014, Directors of a Limited Company forfeited 200 shares of ₹ 20 each, ₹ 15 per share called-up, on which ₹ 10 per share has been paid by the amount of the first call of ₹ 5 per share being unpaid. Ten days Later, the Directors reissued the forfeited shares to B credited as ₹ 15 per share paid-up, for a payment of ₹ 10 per share.

Give journal entries in the company's books to record the forfeited shares and their reissue.

Solution:

Journal				
Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2014 1 st May	Share Capital A/c To Share Forfeiture A/c To Calls-in -Arrears A/c (Being 200 shares of Rs.20 each Rs.15 called up forfeited for the non-payment Rs.5 per share)	Dr.	3,000	2,000 1,000
11 st May	Bank A/c Share forfeiture A/c To Share Capital A/c (Being 200 shares of Rs.20 each re-issued at Rs.10 each Rs.15 paid up)	Dr. Dr.	2,000 1,000	3,000
11 st May	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re - issue transferred to capital reserve)	Dr.	1,000	1,000

Working Note :

Calculation of Capital Reserve

Share Forfeiture Credit (forfeiture)

Rs.2000

Less: Share Forfeiture Debit (re-issue)

(Rs.1,000)

Rs.1,000

Balance in Share Forfeiture Account after re-issue

Capital Reserve = Balance in Share Forfeiture Account after re-issue = Rs.1,000

Question 49.

X Ltd. forfeited 100 shares of ₹ 10 each (₹ 8 called-up) issued at a premium of ₹ 2 per share to Mr. R on which he had paid applications money of ₹ 5 per share, for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 70 shares were reissued to Mr . Sanjay as ₹ 8 called-up for ₹ 7 per share. Give necessary journal entries relating to forfeiture and reissue of shares.

Solution:

Books of X Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 100 shares of Rs.10 each, Rs.8 called-up with premium Rs.2 per share, forfeited for the non-payment of Rs.5 each including Rs.2 premium)	Dr. Dr.	800 200	500 500
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 70 shares of Rs.10 each re issued at Rs.7 per share Rs.8 paid - up)	Dr. Dr.	490 70	560
	Share Forfeiture A/c To Capital Reserve A/c (Being balance of 70 shares re-issued shares in share forfeiture account transferred to capital reserve)	Dr.	280	280

Working Note:

Calculation of Capital Reserve

Share Forfeiture Per Share (Cr.)	Rs.5
<i>Less : Share forfeiture Debit Per Share</i>	<u>Rs.1</u>
Balance in Share Forfeiture of re-issued shares Per Share	<u>Rs.4</u>

$$\text{Capital Reserve} = \text{Balance in Share Forfeiture Account of re-issued shares} \times \text{No. of shares re-issued}$$

$$= 70 \times \text{Rs.4} = \text{Rs.280}$$

Question 50.

A Limited Company forfeited 100 Equity Shares of the face value of ₹ 10 each, ₹ 6 per share called-up, for non-payment of first call of ₹ 2 per share. The forfeited shares were subsequently reissued as fully paid-up @ ₹ 7 each.

Give necessary entries in the company's journal.

Solution:

Books of A Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 100 shares of 10 each 6 called up forfeited for the non-payment of first call 2 per share)	Dr.	600	400 200
	Bank A/c Share forfeiture A/c To Share Capital A/c (Being 100 shares of 10 each re-issued at 7 per share, fully paid-up)	Dr. Dr.	700 300	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture of re-issued shares transferred to capital reserve)	Dr.	100	100

Working Note

Calculation of Capital Reserve

Share Forfeiture (Cr.)	Rs.400
Less: Share Forfeiture (Dr.)	(Rs.300)
Balance in Share Forfeiture of re-issued shares	<u>Rs.100</u>
Capital Reserve = Balance in Share Forfeiture of re-issued shares	= Rs.100

Question 51.

Give necessary journal entries:

- (i) The Directors of Devendra Ltd. resolved on 1st January, 2010 that Equity Shares of ₹ 10 each, ₹ 8 paid-up be forfeited for non-payment of final call of ₹ 2. On 1st February, 60 of these shares were reissued @ ₹ 7 per share as fully paid-up.
- (ii) Virender Limited forfeited 20 shares of ₹ 100 each (₹ 60 called-up) issued at par to Mukesh on which he had paid ₹ 20 per share. Out of these, 15 shares were reissued to Sanjeev as ₹ 60 paid-up for ₹ 45 per share.

Solution:

In the books of Devendra Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2010 1 st Jan	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears a/c (Being 100 shares of Rs.10 each forfeited for the non-payment of Rs.2 per share)	Dr.	1,000	800 200
1 st Feb	Bank A/c Share forfeiture A/c To Equity Share Capital A/c (Being 60 shares of Rs.10 each re-issued at Rs.7 per share , fully paid up)	Dr. Dr.	420 180	600
1 st Feb	Share Forfeiture A/c To Capital Reserve A/c (Being balance in Share forfeiture account of 60 shares after re-issue transferred to capital reserve)	Dr.	300	300

Working Note :

Capital Reserve

Forfeiture of re-issued shares

Share forfeiture per share (Cr.)	Rs.8
----------------------------------	------

Less: Share forfeiture per share (Dr.)	Rs.3
--	------

Balance in share Forfeiture after re-issue per share	Rs.5
--	------

Capital Reserve:

= Balance in Share Forfeiture after re-issue per share × Number of Shares reissued

= Rs.5 × 60 = Rs.300

In the books of Virender Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears a/c (Being 20 shares of 100 each Rs.60 called-up forfeited for the non-payment of Rs.40 per share)	Dr.	1,200	400 800
	Bank A/c Share forfeiture A/c To Share Capital A/c (Being 15 shares of 100 each re-issued at Rs.45 per share , Rs.60 fully paid up)	Dr. Dr.	675 225	900
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 15 shares after re-issue transferred to capital reserve)	Dr.	75	75

Working Note :

Capital Reserve

Forfeiture of reissued shares

Share Forfeiture per share Cr. (at the time of forfeiture)	Rs.20
<i>Less:</i> Share Forfeiture per share Dr. (at the time of re - issue)	Rs.15
Balance in Share Forfeiture after re - issue	<u>Rs.5</u>

Capital Reserve

$$\begin{aligned}
 &= \text{Balance in Share Forfeiture after re - issue (per share)} \times \text{Number of Shares reissued} \\
 &= \text{Rs.5} \times 15 = \text{Rs.75}
 \end{aligned}$$

Question 52.

Show the forfeiture and reissue entries under each of the following cases:

- (i) X Ltd. forfeited 300 shares of ₹ 10 each, ₹ 8 called-up held by Mr. A for non-payment of second call money of ₹ 3 per share. These shares were reissued to Mr. Z for ₹ 10 per share as fully paid-up.
- (ii) Y Ltd. forfeited 400 shares of ₹ 10 each, fully called-up, held by Mr. B for non-payment of final call money of ₹ 4 per share. These shares were reissued to Mr. T at ₹ 12 per share as fully paid-up.
- (iii) Z Ltd. forfeited 250 shares of ₹ 10 each, fully called-up held by Mr. C for non-payment of allotment @ ₹ 8 per share as fully paid-up to Mr. P.

Solution:

(a)

Books of X Ltd.
Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Shares Capital To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 300 shares of Rs. 10 each on which had called Rs. 8, forfeited for non-payment of second call Rs. 3 per share)	Dr.	2,400	1,500 900
	Bank A/c To Share Capital A/c (Being 300 of Rs. 10 each re-issued)	Dr.	3,000	3,000
	Share Forfeiture A/c To Capital reserve A/c (Being balance in Share Forfeiture Account after re-issue transferred to Capital Reserve)	Dr.	1,500	1,500

Working Notes

Calculation of Capital reserve

Capital Reserve = Share Forfeiture Cr. - Share Forfeiture Dr.

Capital Reserve = Rs.1,500 - NIL = Rs.1,500

(b)

Books of Y Ltd.
Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Shares Capital To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 400 shares of Rs. 10 forfeited for non-payment of final call Rs. 4 per share)	Dr.	4,000	2,400 1,600
	Bank A/c To Share Capital A/c To Securities Premium A/c (Being 400 of Rs. 10 each re-issued at Rs. 12 per share as fully paid-up)	Dr.	4,800	4,000 800
	Share Forfeiture A/c To Capital reserve A/c (Being balance in Share Forfeiture after re-issue transferred to Capital Reserve)	Dr.	2,400	2,400

Working Notes

Calculation of Capital reserve

Capital Reserve = Share Forfeiture Cr. - Share Forfeiture Dr.

Capital Reserve = Rs.2,400 - NIL = Rs.2,400

(c)

Books of Z Ltd.
Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Shares Capital To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 250 shares of Rs. 10 each forfeited for non-payment Rs. 7 per share)	Dr.	2,500	750 1,750
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 250 of Rs. 10 each re-issued at Rs. 8 per share as fully paid-up)	Dr. Dr.	2,000 500	2,500
	Share Forfeiture A/c To Capital reserve A/c (Being balance in Share Forfeiture after re-issue transferred to Capital Reserve)	Dr.	250	250

Working Notes

Calculation of Capital reserve

Capital Reserve = Share Forfeiture Cr. - Share Forfeiture Dr.

Capital Reserve = Rs.750 - Rs.500 = Rs.250

Question 53.

Record the journal entries for forfeiture and reissue of shares in the following cases:

(i) X Ltd. forfeited 20 shares of ₹ 10 each, ₹ 7 called-up on which the shareholder had paid application and allotment money of ₹ 5 per share. Out of these, 15 shares were reissued to Naresh as ₹ 7 per share paid-up for ₹ 8 per share.

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

Solution:

Journal

Sr. No.	Particulars	L.F.	Dr. Rs.	Cr. Rs.
a.	Shares Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 20 Shares of Rs. 10 each , Rs. 7 called-up forfeited for non-payment of call)	Dr.	140	100 40
	Bank A/c To Share Capital A/c To Securities Premium A/c (Being 15 shares were reissued as Rs. 7 paid-up for Rs. 8 per share)	Dr.	120	105 15
	Share Forfeiture A/c To Capital reserve A/c (Being transfer of profit on re-issue of 15 shares)	Dr.	75	75
b.	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Share Allotment A/c (Being share forfeited for non-payment of allotment)		720 180	450 450
	Bank A/c To Share Capital To Securities Premium A/c (Being 80 Shares were reissued for Rs. 10, Rs. 8 called-up)		800	640 160
	Shares Forfeiture A/c To Capital Reserve A/c (Being transfer of profit on re-issue of 80 shares)		400	400

Working Notes

1. Profit on forfeiture of 20 shares = 100

$$\text{Profit on forfeiture shares (15 shares)} = \frac{100}{20} \times 15 = ₹75$$

Capital Reserve = Share Forfeiture (Cr.) - Share Forfeiture (Dr.)

Capital Reserve = Rs.75 - NIL = Rs.75

2. Profit on forfeiture of 90 shares = 450

$$\text{Profit on forfeiture of Share (80 shares)} = \frac{450}{90} \times 80 = ₹400$$

Capital Reserve = Share Forfeiture (Cr.) - Share Forfeiture (Dr.)

Capital Reserve = Rs.400 - NIL = Rs.400

Question 54.

Star Ltd. forfeited 500 Equity Shares of ₹ 100 each for non-payment of first call of ₹ 30 per share. The final call of ₹ 10 per share was not yet made. Out of these, 60% shares were reissued for ₹ 39,000 fully paid. journalise the forfeiture and reissue of shares.

Solution:

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c To Equity Share First Call A/c To Share Forfeited A/c (Being 500 equity share forfeited for non-payment of final call)	Dr.	45,000	15,000 30,000
	Bank A/c To Equity Share Capital A/c To Security Premium Reserve A/c (Being 300 share are reissue @ 130 per share)	Dr.	39,000	30,000 9,000
	Share Forfeited A/c To Capital Reserve A/c (Being profit on reissue of 300 shares transferred to Capital Reserve)	Dr.	18,000	18,000

Working Note:

Amount transferred to Capital Reserve

Shares Re-issued = 300

Shares Forfeited = 500

$$\text{Amount forfeited share (300 shares)} = \text{Amount Forfeited} \times \frac{\text{Shares Re-issued}}{\text{Shares Forfeited}} = 30,000 \times \frac{300}{500} = ₹18,000$$

Question 55.

A holds 100 shares of ₹ 10 each on which he has paid ₹ 1 per share on application.

B holds 200 shares of ₹ 10 each on which he has paid ₹ 1 and ₹ 2 per share on application and allotment respectively.

C holds 300 shares of ₹ 10 each and has paid ₹ 1 on application, ₹ 2 on allotment and ₹ 3 on first call. They all fail to pay their arrears and the second call of ₹ 2 per share. Shares are forfeited and subsequently reissued @ ₹ 11 per share as fully paid-up.

journalise the above.

Solution:

Payable as :

On Application	Rs.1
On Allotment	Rs.2
On First Call	Rs.3
On Second Call	Rs.2
Total (Called - up)	<u>Rs.8</u>

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Forfeiture of Shares Shares of A Share Capital A/c Dr. To Share Forfeiture A/c 800 To Calls-In-Arrears A/c 100 (Being 100 shares of Rs.10 each, Rs.8 called-up held by A forfeited for the non-payment of Rs.7 per share) 700			
	Shares of B Share Capital A/c Dr. To Share Forfeiture A/c 1,600 To Calls-in-Arrears A/c 600 (Being 200 shares of Rs.10 each. Rs.8 called up held by B forfeited for non-payment of Rs.5 per share) 1,000			
	Shares of C Share Capital A/c Dr. To Share Forfeiture A/c 2,400 To Calls-in-Arrears A/c 1,800 (Being 300 shares of Rs.10 each, Rs. 8 called up held by C forfeited for the non-payment of Rs.2 per share) 600			
	Re-issue of Shares Bank A/c Dr. To Share Capital A/c 6,600 To Securities Premium A/c 6,000 (Being 600 shares of 10 each re-issued at 11 per share fully paid-up) 600			
	Share Forfeiture A/c Dr. To Capital Reserve A/c 2,500 (Being share forfeiture transferred to capital reserve) 2,500			

Working Note :

Calculation of Capital Reserve

Share Forfeiture of 100 shares held by A (Cr.)	Rs.100
Share Forfeiture of 200 shares held by B (Cr.)	Rs.600
Share Forfeiture of 300 shares held by C (Cr.)	Rs.1,800
Total Share Forfeiture cr. (at the time of cancellation of shares)	<u>Rs.2,500</u>
Total Share Forfeiture (Cr.)(at the time of Cancellation of shares)	Rs.2,500
<i>Less:</i> Total shares Forfeiture (Dr.)(at the time of re-issue of shares)	0
Capital Reserve	<u>2,500</u>

Question 56.

A Ltd. company with registered capital of ₹ 5,00,000 in shares of ₹ 10 each issued 20,000 of such

shares payable ₹ 2 on application, ₹ 4 on allotment, ₹ 2 on final call . All the money payable on allotment was duly received but on the first call being made, one shareholder paid the entire balance on his holding of 300 shares and five shareholders with a total holding of 1,000 shares failed to pay their dues on the first call. These shares were forfeited for non-payment of first call money. Final call was made and all the money due was received. Later on, forfeited shares were reissued @ ₹ 6 per share as fully paid-up.

Record the above in the company's journal and prepare the Balance Sheet.

Solution:

Payable as :

On Application	Rs.2
On Allotment	Rs.4
On First Call	Rs.2
On Final Call	Rs.2
Total	Rs.10

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 20,000 shares of Rs.2 each)	Dr.	40,000	40,000
	Share Application A/c To Share Capital A/c (Being share application money of 20,000 shares at Rs.2 each transferred to share Capital)	Dr.	40,000	40,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 20,000 shares at Rs.4 each)	Dr.	80,000	80,000
	Bank A/c To Share Allotment A/c (Share allotment money received)	Dr.	80,000	80,000
	Share First Call A/c To Share Capital A/c (Being share first Call due on 20,000 shares at Rs.2 each)	Dr.	40,000	40,000
	Bank A/c Call-in-Arrears A/c To Share First Call A/c To Calls-in-Advance A/c (Being share first call of Rs.2 per share received on 19,000 shares along with calls-in-advance of 300 shares at Rs.2 each and holders of 1,000 shares failed to pay the first call)	Dr. Dr.	38,600 2,000	40,000 600

	Share Capital A/c To Share Forfeiture A/c ($1,000 \times \text{Rs.6}$) To Calls-in-Arrears A/c (Being 1,000 shares of Rs.10 each on which 8 had called forfeited for the non-payment of first call Rs.2 per share)	Dr.	8,000	6,000 2,000
	Share Final Call A/c To Share Capital A/c (Being share final call due on 19,000 shares at Rs.2 each)	Dr.	38,000	38,000
	Bank A/c Calls-in-Advance A/c To Share Final Call A/c (Being share final call received from 18,700 shares and calls-in advance of 300 shares adjusted)	Dr. Dr.	37,400 600	38,000
	Bank A/c Share forfeiture A/c To Share Capital A/c (Being 1,000 shares, re-issued at Rs.6 per share as fully paid-up)	Dr. Dr.	6,000 4,000	10,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance of share forfeiture account after re-issue transferred to capital reserve)	Dr.	2,000	2,000

A. Ltd
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	2,00,000
b. Reserve and Surplus	2	2,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		2,02,000
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents	3	2,02,000
Total		2,02,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 50,000 shares of Rs.10 each	5,00,000
	Issued Share Capital 20,000 shares of Rs.10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 20,000 shares of Rs.10 each	2,00,000
2.	Reserve and Surplus Capital Reserve	2,000
2.	Cash and Cash Equivalents Cash at Bank	2,02,000

Working Notes :

Calculation of Capital Reserve

Share Forfeiture Cr. (at the time of forfeiture of shares)	Rs.6,000
Less : Share Forfeiture Dr. (at the time of re-issue)	(Rs.4,000)
Balance in Share Forfeiture Account re-issue of shares	Rs.2,000
Capital Reserve = Balance in Share Forfeiture Account of re-issued shares	= Rs.2,000

Question 57.

New Company Ltd. has a nominal capital of ₹ 2,50,000 in shares of ₹ 10. Of these, 4,000 shares were issued as fully paid in payment of building purchased, 8,000 shares were subscribed by the public and during the first year ₹ 5 per share were called-up, payable ₹ 2 on application, ₹ 1 on allotment, ₹ 1 on first call and ₹ 1 on second call. The amounts received in respect of these shares were:

On 6,000 shares	Full amount called,
On 1,250 shares	₹ 4 per share,
On 500 shares	₹ 3 per share,
On 250 shares	₹ 2 per share.

The Directors forfeited the 750 shares on which less than ₹ 4 had been paid. The shares were subsequently reissued at ₹ 3 per share.

Pass journal entries recording the above transactions and prepare the company's Balance Sheet.

Solution:

Authorised Capital 25,000 shares of Rs.10 each

Issued Capital 4,000 shares to the vendor

8,000 shares issued to public

On Application Share = Rs.2 each

On Allotment share = Rs.1 each

On First Call = Rs.1 each

On Second Call = Rs.1 each

Total Called-up = Rs.5 Per Share

Shares to be forfeited (on which paid amount is less than Rs.4):

Shares on which paid Rs.3 per share	500
Shares on which paid Rs.2 per share	250
Number of shares to be forfeited	<hr/> <hr/> 750

In the Book of New Company Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Building A/c To Vendor A/c (Being building purchased)	Dr.	40,000	40,000
	Vendor A/c To Share Capital A/c (Being 4,000 shares of Rs.10 each issued to the vendor in consideration of building purchased)	Dr.	40,000	40,000
	Bank A/c To Share Application A/c (Being share application money received for 8,000 shares at Rs.2 each)	Dr.	16,000	16,000
	Share Application A/c To Share Capital A/c (Being share application of 8,000 shares transferred to share Capital Account)	Dr.	16,000	16,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000
	Bank A/c Calls-in-Arrears A/c To Share Allotment A/c (Being share allotment of Rs.1 each received from 7,750 shares and holder of 250 shares failed to pay it)	Dr. Dr.	7,750 250	8,000
	Share First Call A/c To Share Capital A/c (Being share first call due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000

	Bank A/c Calls-In-Arrears A/c To Share First-Call A/c (Being share first call Rs.1 received 7,250 share and holders of 750 shares failed to pay it)	Dr. Dr.	7,250 750	8,000
	Share Second Call A/c To Share Capital A/c (Being share final call due on 8,000 shares at Rs.1 each)	Dr.	8,000	8,000
	Bank A/c Calls-In-Arrears A/c To Share Second Call A/c (Being share second call Rs. 1 received from 6,000 shares and holder of 2,000 share failed to pay it)	Dr. Dr.	6,000 2,000	8,000
	Share Capital A/c To Share Forfeiture A/c To Calls in Arrears (Being 750 shares of Rs.10 each Rs.5 called up on which less than Rs.4 had received were forfeited)	Dr.	3,750	2,000 1,750
	Bank A/c Share Forfeiture A/c To Forfeiture A/c (Being 750 shares re-issued at Rs.3 per share as Rs.5 paid up)	Dr. Dr.	2,250 1,500	3,750
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account transferred to capital reserve)	Dr.	500	500

New Company Ltd.
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	78,750
b. Reserve and Surplus	2	500
2. Non-Current Liabilities		
3. Current Liabilities		
Total		79,250
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	3	40,000
2. Current Assets		
Cash and Cash Equivalents	4	39,250
Total		79,250

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 25,000 shares of Rs.10 each	2,50,000
	Issued Share Capital 12,000 shares of Rs.10 each	1,20,000
	Subscribed Called-up and Paid up Share Capital 4,000 shares of Rs.10 each(for consideration other than cash)	40,000
	8,000 shares of Rs.10 each Rs.5 called up	40,000
	Less : Calls in Arrears (1,250 shares × Rs.1)	(1,250) 78,750
2.	Reserve and Surplus Capital Reserve	500
3.	Tangible Assets Building	40,000
4.	Cash and Cash Equivalents Cash at Bank	39,250

Working Notes :-

1.	Calls-in-Arrears on Allotment (250 shares × Rs.1)	Rs.250
	Calls-in-Arrears on First Call (750 shares × Rs.1)	Rs.750
	Calls-in-Arrears on Second Call (2,000 shares × Rs.1)	Rs.2,000
	Total Calls-in-Arrears Debit	Rs.3,000
	Less : Calls-in-Arrears Credit (at the time of forfeiture)	(Rs.1,750)
	Calls-in-Arrears to be shown in the Balance Sheet	Rs.1250
2. Calculation of amount of share forfeiture credited on shares re-issued shares		
Share Forfeiture of 250 shares Cr.(on which 2 per share paid)		Rs.500
Share Forfeiture of 500 shares Cr. (on which 3 per share)		Rs.1,500
Total Share Forfeiture credit Cr.(on 750 shares)		Rs.2,000

Calculation of Capital Reserve

$$\begin{aligned}
 &= \text{Total Share Forfeiture Cr.(on 750 shares)} - \text{Share Forfeiture Dr.(750 shares × Rs.2 per share)} \\
 &= \text{Rs.2,000} - \text{Rs.1,500} = \text{Rs.500}
 \end{aligned}$$

Question 58.

X Ltd. invited applications for 10,000 Equity Shares of ₹ 10 each for public subscription. The amount of these shares was payable as:

On application ₹ 1 per share, on allotment ₹ 2 per share, on first call ₹ 3 per share and on second and final call ₹ 4 per share.

All sums payable on application, allotment and calls were duly received with the following exceptions:

- (i) A, who held 200 shares, failed to pay the money on allotments and calls.
- (ii) B to whom 150 shares were allotted, failed to pay the money on first call and final call.
- (iii) C, who held 50 shares did not pay the amount of second and final call.

The shares of A, B and C were forfeited and were subsequently reissued for cash as fully paid-up at a discount of 5%.

Pass necessary journal entries to record these transactions in the books of X Ltd.

Solution:

Issued and Applied 10,000 Shares of 10 each

		A	B	C	Paid up Share
Application	Rs.1 (10,000	-			= 10,000)
Allotment	Rs.2 (10,000	- 200	- 150		= 9,800)
First Call	Rs.3 (10,000	- 200	- 150		= 9,650)
Second and Final Call	Rs.4 (10,000	- 200	- 150	- 50	= 9,600)
Called - up	<u>Rs.10</u>				

Book of X Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 10,000 shares at Rs.1 each)	Dr.	10,000	10,000
	Equity Share Application A/c To Equity Share Capital A/c (Being equity Share application of transferred to share capital)	Dr.	10,000	10,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being share allotment due on 10,000 shares at Rs.2 each)	Dr.	20,000	20,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being share allotment of Rs.2 per share received on 9,800 shares and holder of 200 failed to pay to it)	Dr. Dr.	19,600 400	20,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being share first call due on 10,000 shares at Rs.3 each)	Dr.	30,000	30,000
	Bank A/c Calls-In-Arrears A/c To Equity Share First-Call A/c (Being share first call received on 9,650 shares and holders of 350 shares failed to pay it)	Dr. Dr.	28,950 1,050	30,000
	Equity Share Final Call A/c To Share Capital A/c (Being share final call due on 10,000 shares at Rs.4 each)	Dr.	40,000	40,000
	Bank A/c Calls-In-Arrears A/c To Equity Share Final Call A/c (Being holders of 9,600 shares paid final call and holders of 400 shares failed to pay it)	Dr. Dr.	38,400 1,600	40,000

	Equity Share Capital A/c To Share Forfeiture A/c To Calls in Arrears (Being 200 shares held by A on which application money Rs.1 was received forfeited)	Dr. Dr.	2,000	200 1,800
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 150 shares of 10 each held by B forfeited for the non-payment of two calls)	Dr.	1,500	450 1,050
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 50 shares of Rs.10 each held by C forfeited for the non-payment of final call Rs.4 each)	Dr.	500	300 200
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 400 shares of Rs.10 each re-issued at Rs.9.5 per share as fully paid-up)	Dr. Dr.	3,800 200	4,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account after re-issued shares, transferred to capital reserve)	Dr.	750	750

Working Note :-

Share Forfeiture of 100 shares held by A Cr.	Rs.200
Share Forfeiture of 200 shares held by B Cr.	Rs.450
Share Forfeiture of 300 shares held by C Cr.	Rs.300
Total Share Forfeiture Cr. (at the time of cancellation of shares)	Rs.950

Calculation of Capital Reserve

= Total Share Forfeiture Cr.(at the time of cancellation of shares) -

Total Share Forfeiture Dr.(at the time of re-issues of shares)

= Rs.950 - Rs.200 = Rs.750

Question 59.

A share of ₹ 100 issued at a premium of ₹ 10 on which ₹ 80 (including premium) was called and ₹ 60 (including premium) was paid, has been forfeited. This share was afterwards reissued as fully paid-up for ₹ 70. Give Journal entries to record the above.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Capital A/c To Share Forfeiture A/c To Calls-In-Arrears A/c (Being A's share of Rs.100 on which Rs.70 called excluding the amount of securities premium Rs.10, forfeited for non-payment of Rs.20)	Dr.	70	50 20
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being A's share of Rs.100 re-issued at Rs.70 as fully paid-up)	Dr. Dr.	70 30	100
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)	Dr.	20	20

Question 60.

Pass journal entries in the following cases:

M Ltd. forfeited 200 Equity Shares of ₹10 each issued at a premium of ₹ 5 per share, held by Ram for non-payment of the final call of ₹ 3 per share. Of these, 100 shares were reissued to Vishu at a discount of ₹ 4 per share.

Solution:

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (2,000 shares of Rs. 10 each forfeited for the non-payment of Rs. 3 per share)	Dr.	20,000	14,000 6,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 100 shares of Rs. 10 each reissued at Rs. 6 per share as fully paid-up)	Dr. Dr	600 400	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture of 100 re-issued shares transferred to Capital Reserve)	Dr.	300	300

Working Note :

Calculation Balance of Forfeiture of reissued shares

Share Forfeiture per share Cr.

Rs.7

Less: Share Forfeiture per share Dr.

(Rs.4)

Balance of Share Forfeiture after re-issue cr. (per share)

Rs.3

Capital Reserve

= Balance in Share Forfeiture after re-issue per share × Number of Shares reissued

= Rs.3 × 100 = Rs.300

Question 61.

VT Ltd forfeited 200 shares of ₹ 10 each, issued at a premium of ₹ 5 per share, held by Mohan for non-payment of the final call of ₹ 3 per share. 100 out of these shares were reissued to Narendra at a discount of ₹ 4 per share. Journalise.

Solution:

**In the Books of VT Ltd.
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 200 shares of Rs. 10 each forfeited for the non-payment of Rs. 3 each)	Dr.	2,000	1,400 600
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 100 shares of Rs. 10 each re-issued at Rs. 6 per share as fully paid-up)	Dr. Dr	600 400	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture of 100 shares transferred to Capital Reserve)	Dr.	300	300

Working Note :

Calculation Balance of Forfeiture of reissued shares

Share Forfeiture per share Cr.	Rs. 7
<i>Less:</i> Share Forfeiture per share Dr.	<u>(Rs.4)</u>
Balance of Share Forfeiture after re-issue cr. (per share)	<u>Rs.3</u>

Capital Reserve

$$\begin{aligned}
 &= \text{Balance in Share Forfeiture after re-issue (Per Share)} \times \text{Number of Shares reissued} \\
 &= \text{Rs.3} \times 100 = \text{Rs.300}
 \end{aligned}$$

Question 62.

The Directors of a company forfeited 300 shares of ₹ 10 each issued at a premium of ₹ 3 per share, for the non-payment of the first call money of ₹ 2 per share. The final call of ₹ 2 per share has not been made. Half the forfeited shares were reissued at ₹ 1,500 as fully paid-up. Record the journal entries for the forfeiture and reissue of shares.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Capital A/c To Share Forfeiture A/c To Calls-In-Arrears A/c (Being 300 shares of Rs.10 each on which Rs.8 had called, forfeited for non-payment Rs.2 per share)	Dr.	2,400	1,800 600
	Bank A/c To Share Capital A/c (Being 150 shares of Rs.10 each re-issued for the sum of 1,500)	Dr.	1,500	1,500
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)	Dr.	900	900

Working Note:

Share Forfeiture Cr. (at the time of forfeiture)	Rs.6
<i>Less : Share Forfeiture Dr.(at the time of re-issue)</i>	NIL
Balance in Share Forfeiture after re-issue Cr.	<u>Rs.6</u>

Calculation Capital Reserve

$$\begin{aligned} \text{Capital Reserve} &= \text{Balance in Share Forfeiture after re-issue Cr. (per share)} \times \text{No. of shares re-issued} \\ &= \text{Rs. } 6 \times 150 \\ &= \text{Rs. } 900 \end{aligned}$$

Question 63.

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

Solution:

Payable as :

On Application	Rs.5
On Allotment (1+2)	Rs.3
On First Call and Final Call	Rs.4
Total (10 + 2)	<u>Rs.12</u>

$$\begin{aligned} \text{Called-up} &= \text{Application} + \text{Allotment} \\ &= \text{Rs. } 5 + \text{Rs. } 3 \text{ (Including premium Rs. } 2) \end{aligned}$$

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls-In-Arrears A/c (Being 200 shares of Rs.10 each on which Rs. 8 had called (including Rs.2 premium), forfeited for the non-payment of allotment Rs.3 (including Rs.2 premium))	Dr. Dr.	1,200 400	1,000 600
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 100 shares of 10 each re-issued at Rs.8 per share fully paid up)	Dr. Dr.	800 200	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture of 100 re-issue shares transferred to capital reserve)	Dr.	300	300

Working Note:

Share Forfeiture Cr. per share (at the time of forfeiture)	Rs.5
<i>Less:</i> Share Forfeiture Dr. per share (at the time of re-issue)	Rs.2
Balance in Share Cr. per share (after re-issue)	<u>Rs.3</u>

Calculation of Capital Reserve Capital Reserve = Balance in Share Forfeiture of re-issued (Cr. per share) × Number of shares re-issued
 $= \text{Rs.3} \times \text{Rs.100}$
 $= \text{Rs.300}$

Question 64.

Pass necessary journal entries in the books of the company for the following transactions:
Vishesh Ltd. forfeited 1,000 Equity Shares of ₹ 10 each issued at a premium of ₹ 2 per share for non-payment of allotment money of ₹ 5 per share including premium. The final call of ₹ 2 per share was not yet called on these shares. Of the forfeited shares 800 shares were reissued at ₹ 12 per share as fully paid-up.

The remaining shares were reissued at ₹ 11 per share fully paid-up.

Solution:

**Journal
In the books of Vishesh Ltd**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls-In-Arrears A/c (Being 1,000 shares of Rs.10 each issued at premium of Rs.2 forfeited for non-payment of allotment money of Rs.5 including premium final call of Rs.2 not yet made)	Dr. Dr.	8,000 2,000	5,000 5,000
	Bank A/c To Share Capital A/c To Securities Premium A/c (Being 800 shares reissued at Rs.12 fully paid-up)	Dr.	9,600	8,000 1,600
	Bank A/c To Share Capital A/c To Securities Premium A/c (Being 200 shares reissued at Rs.11 fully paid-up)	Dr.	2,200	2,000 200
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on re-issue transferred to capital reserve)	Dr.	5,000	5,000

Question 65.

150 shares of ₹ 10 each issued at a premium of ₹ 4 per share payable with allotment were forfeited for non-payment of allotment money of ₹ 8 per share including premium. The first and final call of ₹ 4 per Pass Journal entries in the books of X Ltd. for the above.

Solution:

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Capital A/c Securities Premium A/c To Share Allotment A/c To Share Forfeiture A/c (150 shares of Rs.10 each forfeited for non-payment of allotment money of Rs.8 per share including premium of Rs.4 per share)	Dr. Dr.	900 600	1,200 300
	Bank A/c To Share Capital A/c To Securities Premium A/c (150 shares of Rs.10 each reissued for Rs.15 per share fully paid-up)	Dr.	2,250	1,500 750
	Share Forfeiture A/c To Capital Reserve A/c (Balance of Share Forfeiture Account transferred to Capital Reserve Account)	Dr.	300	300

Question 66.

Commence Publications Ltd. issued 50,000 Equity Shares of ₹ 10 each at a premium of 10%

payable as under:

On application	₹ 2,	On first call	₹ 2,
On allotment	₹ 5,	On final call	₹ 2.

The calls were made by the company and all the money was duly received except the allotment and call money on 500 shares. These shares were, therefore, forfeited and later reissued @ ₹ 9 per share as fully paid-up.

Pass necessary journal entries to record the above transactions.

Solution:

Issued and applied 50,000 equity shares at Rs.10 each at a premium Rs.1

Payable as :

On Application	Rs.2
On Allotment (4+1)	Rs.5
On First Call	Rs.2
On Final Call	Rs.2
Total (10 + 1)	<u>Rs.11</u>

In the Books of Commerce Publications Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 50,000 shares at Rs.2 each)	Dr.	1,00,000	1,00,000
	Equity Share Application A/c To Equity Share Capital A/c (Being equity share application money transferred to share capital)	Dr.	1,00,000	1,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being share allotment due on 50,000 shares at Rs.5 each including 1 premium)	Dr.	2,50,000	2,00,000 50,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being share allotment of Rs.5 each received on 49,500 shares and holders of 500 shares failed to pay it)	Dr. Dr.	2,47,500 2,500	2,50,000
	Equity Share First Calls A/c To Equity Share Capital A/c (Being first call due on 50,000 shares at Rs.2 each)	Dr.	1,00,000	1,00,000

	Bank A/c Calls-in-Arrears A/c To Equity Share First call A/c (Being first call received on 49,500 shares and 500 shares failed to pay it)	Dr. Dr.	99,000 1,000	1,00,000
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 500 shares forfeited for the non-payment of Rs. 7 including Rs.1 premium)	Dr. Dr.	4,000 500	1,000 3,500
	Equity Share Final Call A/c To Equity Share Capital A/c (Being share final call due 49,500 share at Rs.2 each)	Dr.	99,000	99,000
	Bank A/c To Equity Share Final Call A/c (Being share final call money received)	Dr.	99,000	99,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 500 shares of Rs.10 each reissued for Rs.9 per share as fully paid-up)	Dr. Dr.	4,500 500	5,000

Share Forfeiture A/c To Capital Reserve A/c (Being balance of share forfeiture after re-issue transferred to capital reserve)	Dr.	500	500
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Working Note:

Share Forfeiture Cr.	Rs.1,000
Less : Share Forfeiture Dr.	(Rs.500)
Balance in Share Forfeiture Cr. (after re-issue)	<u>Rs.500</u>
Capital Reserve = Balance in Share Forfeiture Cr. = Rs.500	

Question 67.

Gaurav applied for 5,000 shares of ₹ 10 each at a premium of 2.50 per share. But he was allotted only 2,500 shares on pro rata basis. After having paid ₹ 3 per share on application, he did not pay allotment money of ₹ 4.50 per share (including premium) and on his subsequent failure to pay the first call of ₹ 2 per share, his shares were forfeited. These shares were reissued at the rate of ₹ 8 per share credited as fully paid.

Pass journal entries to record the forfeiture and reissue of shares.

Solution:

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c Securities Premium Reserve A/c To Equity Share Allotment A/c To Equity Share First Call A/c To Share Forfeited A/c (Being 2,500 shares forfeited)	Dr. Dr.	17,500 3,750 	3,750 5,000 12,500
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being share reissue @ Rs.8 per share fully paid-up)	Dr. Dr	20,000 5,000 	25,000
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue transferred to Capital Reserve)	Dr.	7,500	7,500

Working Notes:

1. Calculation of Amount unpaid on Allotment

Amount received on application ($5,000 \times 3$)	15,000
<i>Less:</i> Amount adjusted on application ($2,500 \times 3$)	(7,500)
Amount received on application	Rs.7,500

Amount due on allotment ($2,500 \times 4.5$)	11,250
<i>Less:</i> Amount received on application	(7,500)
Amount unpaid on allotment	Rs.3,750

Question 68.

A Ltd issued 20,000 Equity Shares of ₹ 10 each at a premium of ₹ 5 per share, payable as ₹ 7 (including premium) on application, ₹ 5 on allotment and the balance after three months of allotment.

A shareholder to whom 200 shares were allotted failed to pay the allotment and call money and his shares were forfeited. 160 of the forfeited shares were reissued for ₹ 1,600.

Give necessary entries in company's journal and the Balance Sheet.

Solution:

Issued and Applied 20,000 equity shares of Rs.10 each at premium of Rs.5

Payable as :

On Application ($2 + 5$)	Rs.7
On Allotment	Rs.5
On First Call and Final Call	Rs.3
Total (10 + 5)	Rs.15

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 20,000 shares at Rs.7 each)	Dr.	1,40,000	1,40,000
	Equity Share Application A/c To Equity Share Capital A/c To Securities premium A/c (Being share application money of 20,000 shares transferred share capital at Rs.25 per share and securities premium at Rs.5 per share)	Dr.	1,40,000 40,000 1,00,000	
	Equity Share Allotment A/c To Equity Share Capital A/c (Being share allotment due on 20,000 shares at Rs.5 each)	Dr.	1,00,000	1,00,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being share allotment received on 19,800 shares and a holder of 200 shares failed to pay it)	Dr. Dr.	99,000 1,000	1,00,000
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 20,000 shares at Rs.3 each)	Dr.	60,000	60,000
	Bank A/c Calls-in-Arrears A/c To Equity Share First and Final Call A/c (Being first and final call received on 19,800 shares and a holder of 200 shares failed to pay it)	Dr. Dr.	59,400 600	60,000
	Equity Share Capital A/c To Share Forfeiture A/c (Rs.2 × 200 shares) To Calls-in-Arrears A/c (Being 200 shares of Rs.10 each forfeited for the non-payment amount due on 8 per share)	Dr.	2,000 400 1600	
	Bank A/c To Equity Share Capital A/c (Being 160 shares of Rs.10 each re-issued for the sum of 1,600)	Dr.	1,600	1,600
	Share Forfeiture A/c To Capita Reserve A/c (Being balance in share forfeiture of 160 re-issued shares transferred to capital reserve)	Dr.	320	320

A Ltd
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,99,680
b. Reserve and Surplus	2	1,00,320
2. Non - Current Liabilities		
3. Current Liabilities		
Total		3,00,000
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents	3	3,00,000
Total		3,00,000

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital shares of 10 each Issued Share Capital 20,000 shares of 10 each Subscribed Called-up and Paid up Share Capital 19,960 shares of 10 each Add : Shares Forfeited (40 shares × Rs.2)	2,00,000 1,99,600 80 1,99,680
2.	Reserve and Surplus Securities Premium Capital Reserve	1,00,000 320 1,00,320
2.	Cash and Cash Equivalents Cash at Bank	3,00,000

Working Notes:**1.**

Share Forfeiture of Re-issued Shares

Share Forfeiture Cr. (at the time of forfeiture after deducting premium) (Rs.7 - Rs.5) Rs.2Less : Share Forfeiture Dr. (at the time of re-issue) NILBalance in Share Forfeiture after re-issue Cr. per share Rs.2**Calculation Of Capital Reserve**

Capital Reserve = Balance share forfeiture after reissue(per share) × Numbers of Share reissued

$$= \text{Rs.2} \times 160 = \text{Rs.320}$$

2.

Calculation of balance remaining in Share forfeiture A/c (to be shown in the Balance Sheet)

Share Forfeiture Dr.(at the time of forfeiture of 200 shares) = 420

Less : Share forfeiture Cr. (at the time re-issue of 160 shares) = (320)Balance in Share Forfeiture A/c Dr.(for 40 shares which are not re-issued) = 80

Question 69.

Kamal Ltd. was formed on 1st April, 2010 with an authorised capital of ₹ 2,00,000, divided into 2,000 Equity Shares of ₹ 100 each. 1,000 shares were issued as fully paid to the vendors of building for payment of the purchase consideration. The remaining 1,000 shares were offered or public subscription at a premium of ₹ 5 per share payable as:

On application	₹ 10 per share,
On allotment	₹ 25 per share(including premium),
On first call	₹ 40 per share,
On final call	₹ 30 per share.

Applications were received for 900 shares which were duly allotted and the allotment money was received in full. At the time of the first call, a shareholder who held 100 shares failed to pay the first call money and his shares were forfeited. These shares were reissued @ ₹ 60 per share, ₹ 70 per share paid-up.

Final call has not been made.

You are required to

- (i) give necessary journal entries to record the above transactions and
- (ii) show how share capital would appear in the Balance Sheet of the company.

Solution:

Authorised Capital 2,000 equity Shares at 100 each

Issued Capital

1,000 Equity Shares at 100 each to the vendor of the building

1,000 equity Shares at 100 each with a premium 5 to the public

Applied by Public : 900 equity Shares

Payable as :

On Application	Rs.10
On Allotment (20 + 5)	Rs.25
On First Call	Rs.40
On Called - up (70 + 5)	Rs.75
On Final Call	Rs.30
Called-up (Total) (100 + 5)	Rs.105

Books of Kamal Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Building A/c To vendor A/c (Being building purchased from the vendor)	Dr.	1,00,000	1,00,000
	Vendor A/c To Equity Share Capital A/c (Being 1,000 equity shares of Rs.100 each issued to the vendor of building)	Dr.	1,00,000	1,00,000
	Bank A/c To Equity Share Application A/c (Being share application money received for 900 shares at Rs.10 each)	Dr.	9,000	9,000
	Equity Share Application A/c To Equity Share Capital A/c (Being share application money of 900 shares at Rs.10 each transferred to share capital)	Dr.	9,000	9,000
	Equity Share Allotment A/c To Securities Premium To Equity Share Capital A/c (Being share allotment due on 900 shares at Rs.25 each including Rs.5 premium)	Dr.	22,500 4,500 18,000	
	Bank A/c To Equity Share Allotment A/c (Being share allotment money received on 900 shares at Rs.25 each)	Dr.	22,500	22,500
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call due on 900 shares at Rs.40 each)	Dr.	36,000	36,000

	Bank A/c Calls-in-Arrears A/c To Equity Share First-call A/c (Being first call received on 800 shares and a holder of 100 shares failed to pay it)	Dr. Dr.	32,000 4,000	36,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 100 shares of Rs.100 each Rs.70 called-up forfeited for the non-payment of Rs.40)	Dr.	7,000	3,000 4,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 100 shares of Rs.100 each, re-issued at Rs. 60 per share as Rs.70 paid up)	Dr. Dr.	6,000 1,000	7,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture the account after re-issue transferred to capital reserve)	Dr.	2,000	2,000

Kamal Ltd

Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,63,000
b. Reserve and Surplus	2	6,500
2. Non-Current Liabilities		
3. Current Liabilities		
Total		1,69,500
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	3	1,00,000
2. Current Assets		
Cash and Cash Equivalents	4	69,500
Total		1,69,500

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 2,000 Equity shares of 100 each	2,00,000
	Issued Share Capital 2,000 Equity shares of 100 each	2,00,000
	Subscribed, Called-up and Paid up Share Capital 1,000 Equity Share of 100 each for Consideration other than cash)	1,00,000
	900 Equity Shares of 100 each 70 Called up	63,000
		1,63,000
2.	Reserve and Surplus Securities Premium Capital Reserve	4,500 2,000 6,500
3.	Tangible Assets Building	1,00,000
4.	Cash and Cash Equivalents Cash at Bank	69,500

Working Note:

Calculation Capital Reserve

Capital Reserve

=Share Forfeiture Cr. (at the time of forfeiture) - Share forfeiture Dr. (at the time of re-issue)

$$= 3,000 - 1,000 = \text{Rs.} 2,000$$

Question 70.

Krishna & Co. Ltd. with an authorised capital of ₹ 2,00,000 divided into 20,000 Equity Shares of ₹ 10 each, issued the entire amount of the shares payable as:

₹ 5 on application (including premium ₹ 2 per share).

₹ 4 on allotment and

₹ 3 on call

All share money is received in full with the exception of the allotment money on 200 shares and the call money on 500 shares (including the 200 shares on which the allotment money has not been paid).

The above 500 shares are duly forfeited and 400 of these(including the 200 shares on which allotment money has not been paid) are reissued at ₹ 7 per share payable by the purchaser as fully paid-up. Pass journal entries(including cash transactions) and show the balances in the Balance Sheet giving effect to the above transactions

Solution:

Authorised Capital 20,000 shares of Rs.10 each

Issued and Applied 20,000 shares of Rs.10 each at a premium Rs.2

Payable as :

On Application (3 + 2) Rs 5

On Application (S. 2) Rs.5
On Allotment Rs.4

On First Call and Final Call Rs.3

In the Books of Krishna and Co. Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 20,000 shares at Rs.5 each)	Dr.	1,00,000	1,00,000
	Equity Share Application A/c To Equity Share Capital A/c To Securities Premium A/c (Being share application money of 20,000 shares share at Rs.10 each transferred to Share Capital at Rs.3 per share and Securities Premium and Rs.2 per share)	Dr.	1,00,000 	60,000 40,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being share allotment due on 20,000 shares at Rs.4 each including Rs.5 premium)	Dr.	80,000	80,000
	Bank A/c Calls-In-Arrears A/c To Equity Share Allotment A/c (Being share allotment received on 19,800 shares and holders of 200 shares failed to pay it)	Dr. Dr.	79,200 800	80,000
	Equity Share First and final Call A/c To Equity Share Capital A/c (First call due on 20,000 shares at Rs.3 each)	Dr.	60,000	60,000
	Bank A/c Calls-in-Arrears A/c To Equity Share First and Final call A/c (Being first and final call of Rs.3 each received on 19,500 shares and holders of 500 shares failed pay it)	Dr. Dr.	58,500 1,500	60,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 200 shares of Rs.10 each forfeited for the non-payment of allotment Rs.4 and call Rs.7 per share)	Dr.	2,000	600 1,400
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 300 shares of Rs.10 each forfeited for the non-payment of call money Rs.3 per share)	Dr.	3,000	2,100 900
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 400 shares of Rs.10 each re-issued at Rs.7 per share as fully paid-up)	Dr. Dr.	2,800 1,200	4,000
	Share forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture the account 400 shares transferred to capital reserve)	Dr.	800	800

Krishna and Co. Ltd
Balance Sheet

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,99,700
b. Reserve and Surplus	2	40,800
2. Non-Current Liabilities		
3. Current Liabilities		
Total		2,40,500
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents	3	2,40,500
Total		2,40,500

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital 20,000 Equity shares of Rs.10 each	2,00,000
	Issued Share Capital 20,000 Equity shares of Rs.10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 19,900 Equity Share of Rs.100 each for Consideration other than cash)	1,99,000
	Add : Shares forfeited (100 shares × Rs.7)	700
		1,99,700
2.	Reserve and Surplus Securities Premium Capital Reserve	40,000 800
		40,800
3.	Cash and Cash Equivalents Cash at Bank	2,40,500

Working Notes :

Calculation of Total Balance of Share Forfeiture

1. Capital Reserve of 200 shares on which only application received

Share Forfeiture Cr. per share (excluding premium) Rs.3

Less: Share Forfeiture Dr. per share Rs.3

Balance of Share Forfeiture NIL

2. Capital Reserve of 200 shares on which only application and allotment received

Share Forfeiture Cr per share (excluding premium) Rs.7

Less: Share Forfeiture Dr. per share Rs.3

Balance of Share Forfeiture Rs.4

$$\text{Capital Reserve} = 200 \text{ Shares} \times \text{Balance of Share Forfeiture Cr. per share}$$

$$\text{Capital Reserve} = 200 \times \text{Rs.4} = \text{Rs.800}$$

Question 71.

Midee Ltd. invited applications for issuing 27,000 shares of ₹ 100 each payable as follows:

₹ 50 per share on application;

₹ 10 per share on allotment; and

Balance on First and Final call.

Applications were received for 40,000 shares. Full allotment was made to the applicants of 7,000 shares. The remaining applicants were allotted 20,000 shares on pro rata basis. Excess money received on applications was adjusted towards allotment and call.

Asha, holding 600 shares was belonged to the category of applicants to whom full allotment was made, paid the call money at the time of allotment. Ankur, who belonged to the category of applicants to whom shares were allotted on pro rata basis did not pay anything after application on his 200 shares. Ankur's shares were forfeited after the First and Final call. These shares were later reissued at ₹ 105 per share as fully paid-up.

Pass necessary journal entries in the books of Midee Ltd. for the above transactions, by opening Calls-in-Arrears and Calls-in-Advance Accounts wherever necessary.

Solution:

Journal				
Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (40,000 × 50) To Equity Share Application A/c (Application money received on 40,000 shares)	Dr.	20,00,000	20,00,000
	Equity Share Application A/c To Equity Share Capital A/c (27,000 × 50) To Calls in Advance A/c (13,000 × 50) (Application money transferred to Share Capital)	Dr.	20,00,000 13,50,000 6,50,000	
	Equity Share Allotment A/c (27,000 × 10) To Equity Share Capital A/c (Allotment money due)	Dr.	2,70,000	2,70,000
	Bank A/c Calls in Advance A/c To Equity Share Allotment A/c To Calls-in-Advance A/c (Allotment money received)	Dr.	94,000 2,00,000 2,70,000 24,000	
	Equity Share First Call A/c (27,000 × 40) To Equity Share Capital A/c (Call money due)	Dr.	10,80,000	10,80,000
	Bank A/c Calls-in-Advance A/c Calls-in-Arrears A/c To Equity Share First Call A/c (Call money received)	Dr. Dr. Dr.	6,26,500 4,50,000 3,500	10,80,000
	Equity Share Capital A/c To Equity Share First Call A/c To Equity Share Forfeiture A/c (200 shares forfeited for non-payment of call money)	Dr.	20,000	3,500 16,500
	Bank A/c (200 × 105) To Equity Share Capital A/c To Securities Premium A/c (200 shares re-issued at Rs.105 per share)	Dr.	21,000	20,000 1,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve)	Dr.	16,500	16,500

Question 72.

VXN Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each at a premium of ₹ 8 per share. The amount was payable as follows:

On Application		₹ 4 per share (Including ₹ 2 premium);
On Allotment	—	₹ 6 per share (Including ₹ 3 premium);
On First Call	—	₹ 5 per share (Including ₹ 1 premium); and
On Second and Final Call	—	Balance Amount

The issue was fully subscribed. Gopal, a shareholder holding 200 shares, did not pay the allotment money and Madhav, a holder of 400 shares, paid his entire share money along with the allotment money. Gopal's shares were immediately forfeited after allotment. Afterwards, the first call was made. Krishna, a holder of 100 shares failed to pay the first call money and Girdhar, a holder of 300 shares, paid the second call money also along with the first call. Krishna's shares were forfeited immediately after the first call. Second and final call was made afterwards and was duly received. All the forfeited shares were reissued at ₹ 9 per share fully paid-up.

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

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (50,000 × 4) To Equity Share Application A/c (Application money received on 50,000 shares)	Dr.	2,00,000	2,00,000
	Equity Share Application A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Application money transferred to Share Capital)	Dr.	2,00,000	1,00,000 1,00,000
	Equity Share Allotment A/c (50,000 × 6) To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment money due on 50,000 shares)	Dr.	3,00,000	1,50,000 1,50,000
	Bank A/c (49,800 × 6) + (400 × 8) To Equity Share Allotment A/c (49,800 × 5) To Calls-in-Advance A/c (400 × 8)	Dr.	3,02,000	2,98,800 3,200

(Allotment money received)				
Equity Share Capital A/c (200×5)	Dr.	1,000		
Securities Premium Reserve A/c (200×3)	Dr.	600		
To Equity Share Allotment A/c (200×6)			1,200	
To Equity Share Forfeiture A/c (200×2)			400	
(200 shares forfeited for non-payment of allotment money including premium of Rs.3)				
Equity Share First Call A/c ($49,800 \times 5$)	Dr.	2,49,000		
To Equity Share Capital A/c			1,99,200	
To Securities Premium Reserve A/c			49,800	
(Call money due on 49,800 shares)				
Bank A/c ($49,700 \times 5$) - 2,000 + 900	Dr.	2,47,400		
Calls-in-Advance A/c (400×5)	Dr.	2,000		
To Calls-in-Advance A/c (300×3)			900	
To Equity Share First Call A/c			2,48,500	
(Call money received)				
Equity Share Capital A/c (100×9)	Dr.	900		
Securities Premium Reserve A/c (100×1)		100		
To Equity Share First Call A/c (100×5)			500	
To Equity Share Forfeiture A/c (100×5)			500	
(100 shares forfeited for non-payment of call money)				
Equity Share Second and Final Call A/c ($49,700 \times 3$)	Dr.	1,49,100		
To Equity Share Capital A/c			49,700	
To Securities Premium A/c			99,400	
(Call money due on 49,700 shares)				
Bank A/c	Dr.	1,47,000		
Calls-in-Advance A/c ($1,200 + 900$)		2,100		
To Equity Share Second and Final Call A/c			1,49,100	
(Call money received on shares)				
Bank A/c (300×9)	Dr.	2,700		
Equity Share Forfeiture A/c		300		
To Equity Share Capital A/c			3,000	
(300 shares re-issued at Rs.9 per share)				
Equity Share Forfeiture A/c ($400 + 500 - 300$)	Dr.	600		
To Capital Reserve A/c			600	
(Profit on re-issue transferred to Capital Reserve)				

Question 73.

Sukanya Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each. The shares were issued at a premium of ₹ 20 per share. The amount was payable as follows:

On Application and Allotment	—	₹ 14 per share (including premium of ₹ 10),
On First Call	—	₹ 8 per share (including premium of ₹ 5),
On Final Call	—	₹ 8 per share (including premium of ₹ 5).

Applications for 96,000 shares were received. Rohit, a shareholder holding 7,000 shares, failed to pay both the calls and Namit a holder of 5,000 shares, did not pay the final call.

Shares of Rohit and Namit were forfeited. Of the forfeited shares 8,000 shares including all the shares of Rohit were reissued to Reena at ₹ 8 per share fully paid-up.

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

Solution:

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bank A/c To Equity Share Application and Allotment A/c (Being application money received)	Dr.	13,44,000	13,44,000
	Equity Share Application and Allotment A/c To Equity Share Capital A/c To security Premium A/c (Being application money adjusted to Share Capital)	Dr.	13,44,000	3,84,000 9,60,000
	Equity Share First Call A/c To Equity Share Capital A/c To Security Premium Reserve A/c (Being first call money due)	Dr.	7,68,000	2,88,000 4,80,000
	Bank A/c To Equity Share First Call A/c (Being first call money received)	Dr.	7,12,000	7,12,000
	Equity Share second Call A/c (96,000×8) To Equity Share Capital A/c (96,000×3) To Security Premium Reserve A/c (Being call money due)	Dr.	7,68,000	2,88,000 4,80,000
	Bank A/c To Equity Share Second Call A/c (Being second call money received)	Dr.	6,72,000	6,72,000

Bank A/c	Dr.	6,72,000	6,72,000
To Equity Share Second Call A/c (Being second call money received)			
Equity Share Capital A/c	Dr.	1,20,000	
Security Premium Reserve A/c	Dr.	95,000	
To Equity Share First Call A/c			56,000
To Equity Share second Call A/c			96,000
To Shares Forfeited A/c (Being shares forfeited)			63,000
Bank A/c	Dr.	64,000	
Shares Forfeited A/c		16,000	
To Equity Share Capital A/c (Being shares Reissued)			80,000
Shares Forfeited A/c	Dr.	19,000	
To Capital Reserve A/c (Being profit on Reissue transferred to Capital Reserve A/c)			19,000

Working Notes:

Amount transferred to Capital Reserve

Amount forfeited on reissued shares of Rohit = Rs. 28,000

$$\text{Forfeited on re-issued shares of Namit's} = \text{Amount Forfeited} \times \frac{\text{Shares Re-issued}}{\text{Shares Forfeited}} = 35,000 \times \frac{1,000}{5,000} = ₹7,000$$

Total amount forfeited on reissued shares = 28,000 + 7,000 = Rs. 35,000

Amount transferred to Capital Reserve A/c = 35,000 - 16,000 = Rs. 19,000

Question 74.

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.

Applications 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 1,000 shares applied by Monika. Her shares were also forfeited. All the forfeited shares were reissued to Mohit for ₹9,000 as fully paid-up.

Pass necessary journal entries in the Books of Alfa Ltd. for the above transactions.

Solution:

Books of Alfa Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application and Allotment A/c (Being application money received on 1,00,000 shares)	Dr.	4,00,000	4,00,000
	Equity Share Application and Allotment A/c To Equity Share Capital A/c To Equity Share First Call A/c (Being application money transferred to Share capital account and excess money is adjusted in first call account)	Dr.	4,00,000 3,00,000 1,00,000	
	Equity Share First Call A/c To Equity Share Capital A/c (Being amount due on First call)	Dr.	2,25,000	2,25,000
	Bank A/c To Equity Share First Call A/c (Being amount received on first call)	Dr.	1,23,750	1,23,750
	Equity Share Capital A/c To Equity Share Forfeiture A/c To Equity Share First Call A/c (Being Vibha's shares were forfeited)	Dr.	5,250 4,000 1,250	
	Equity Share Second and Final Call A/c To Equity Share Capital A/c (Being amount due on second and final call after forfeiting Vibha's Shares)	Dr.	2,22,750	2,22,750
	Bank A/c To Equity Share Second and Final Call A/c (Being amount received in second and final call)	Dr.	2,20,500	2,20,500
	Equity Share Capital A/c To Equity Share Forfeiture A/c To Equity Share Second and Final Call A/c (Being Monika's shares were forfeited)	Dr.	7,500 5,250 2,250	
	Bank A/c Equity Share Forfeiture A/c To Equity Share Capital A/c (Being forfeited shares were reissued for 9,000 as fully paid-up)	Dr. Dr.	9,000 6,000	15,000

	Equity Share Forfeiture A/c To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)	Dr.	3,250	3,250
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Working Notes:

1. Calculation of not received (First Call Money)

$$\text{Shares applied by Vibha} = \frac{1,00,000}{75,000} \times 750 = 1,000 \text{ Shares}$$

Amount received on 1,000 shares of Rs.4 each = Rs.4,000

Amount transferred to Share Capital Account ($750 \times \text{Rs.4}$) = Rs.3,000

Excess money received on application and allotment = Rs.1,000

Amount due on First call @ Rs.3 each = Rs.2,250

Amount not received on first call money (Rs.2,250 - Rs.1,000) = Rs.1,250

2. Calculation of amount not received (Second Call Money)

$$\text{Shares allotted to Monika} = \frac{75,000}{1,00,000} \times 1,000 = 750 \text{ Shares}$$

Not received on second call Money (750×3) = ₹2,250

Question 75.

Himalaya Company Limited issued for public subscription 1,20,000 equity shares of ₹ 10 each at a premium for ₹ 2 per share payable as under:

With Application	—	₹ 3 per share,
On allotment (including premium)	—	₹ 5 per share,
On First call	—	₹ 2 per share
On Second and Final call	—	₹ 2 per share.

Applications were received for 1,60,000 shares. Allotment was made on pro rata basis. Excess money on application were adjusted against the amount due on allotment.

Rohan to whom 4,800 shares were allotted failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at ₹ 7 per share.

Record journal entries and show the transactions relating to share capital in the company's Balance Sheet.

Solution:

Books of Himalaya Company Ltd.
Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 1,60,000 shares @ Rs.3 per share)	Dr.	4,80,000	4,80,000
	Share Application A/c To Equity Share Capital A/c To Share Allotment A/c (Being share application for 1,20,000 shares @ Rs.3 per share transferred to Share Capital Account and remaining amount adjusted to allotment)	Dr.	4,80,000	3,60,000 1,20,000
	Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being share allotment money due on 1,20,000 shares @ Rs.5 per share including Rs.2 Securities Premium)	Dr.	6,00,000	3,60,000 2,40,000
	Bank A/c To Share Allotment A/c (Being share allotment for 1,20,000 shares @ Rs.5 per share received)	Dr	4,80,000	4,80,000
	Share First Call A/c To Equity Share Capital A/c (Being first call due on 1,20,000 shares @ Rs.2 per share)	Dr.	2,40,000	2,40,000
	Bank A/c To Share First call A/c (Being first call received on 1,15,200 shares @ Rs.2 per share and 4,800 share failed to pay)	Dr.	2,30,000	2,30,000
	Share Final Call A/c To Equity Share Capital A/c (Being share final call due 1,20,000 shares @ Rs.2 per share)	Dr.	2,40,000	2,40,000
	Bank A/c To Share Final call A/c (Being share final call received on 1,15,200 shares @ Rs.2 per share and 4,800 share failed to pay)	Dr.	2,30,400	2,30,400
	Equity Share Capital A/c (4,800× 10) To Share First call A/c (4,800× 2) To Share Final call A/c (4,800× 2) To Share Forfeiture A/c (4,800× 6) (Being 4,800 shares forfeited for the non- payment of first call and final call)	Dr.	48,000	9,600 9,600 28,800
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 4,800 shares reissued@ Rs.7 per share, fully paid up)	Dr. Dr.	33,600 14,400	48,000
	Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture balance of 4,800 shares transferred to capital reserve account)	Dr.	14,400	14,400

Himalaya Company Limited

Balance Sheet

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share capital	1	12,00,000
b. Reserve and Surplus	2	2,54,400
2. Non - Current Liabilities		
3. Current Liabilities		
Total		14,54,400
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	14,54,400
Total		14,54,400

NOTES TO ACCOUNT

Note No.	Particulars	Rs.
1	Share Capital Authorized Share Capital Share of Rs. 10 each Issued share Capital 1,20,000 share of Rs. 10 each Subscribed, Called-up and paid-up Share Capital 1,20,000 Share of Rs. 10 each,	12,00,000 12,00,000
2	Other Non-Current Assets Securities Premium Capital Reserve	2,40,000 14,400 2,54,400
3	Cash and Cash Equivalents Cash at Bank	14,54,400

Question 76.

H Limited issued a prospectus inviting applications for 20,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On application ₹ 2 ; on allotment ₹ 5 (including premium) ; on first call ₹ 3 ; on second and final call ₹ 2.

Applications were received for 30,000 shares and pro rata allotment was made on the applications for 24,000 shares. Money overpaid on applications was adjusted against amount due on allotment. Ramesh, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay first call his shares were forfeited. Mohan, the holder of 600 shares, failed to pay two calls and his shares were forfeited after the second call.

Of the shares forfeited, 800 shares were sold to Krishna credited as fully paid-up for ₹ 9 per share, the whole of Ramesh's shares being included.

Pass journal entries and prepare the Balance Sheet.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being application money received)	Dr.	60,000	60,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money adjusted to Share Capital and balance refunded)	Dr.	60,000 40,000 8,000 12,000	
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due along with premium)	Dr.	1,00,000	60,000 40,000
	Bank A/c To Share Allotment A/c (Being allotment money received)	Dr.	90,160	90,160
	Share First call A/c To Share Capital A/c (Being first call money due)	Dr.	60,000	60,000
	Bank A/c To Share First Call A/c (Being first call money received)	Dr.	57,000	57,000
	Share Capital A/c Securities Premium Reserve A/c To Share Allotment A/c	Dr. Dr.	3,200 800	1,840

	To Share First Call A/c To Share Forfeiture A/c (Being 400 share forfeited for not - payment of allotment and first call money)			1,200 960
	Share Second and Final Call A/c To Share Capital A/c (Being second and final call money due)	Dr.	39,200	39,200
	Bank A/c To Share Second and final call A/c (Being second and final call money received)	Dr.	38,000	38,000
	Share Capital A/c To Share First Call A/c To Share Second and Final Cal A/c To Share Forfeiture A/c (Being 600 shares forfeited for non - payment of first call and second call money)	Dr.	6,000 1,800 1,200 3,000	
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 800 shares reissued @ Rs.9 per share)	Dr. Dr.	7,200 800	8,000
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)	Dr.	2,160	2,160

**Balance Sheet of
H Ltd**

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,99,000
b. Reserve and Surplus	2	41,360
Total		2,40,360
II. Assets		
2. Current Assets		
Cash and Cash Equivalents	3	2,40,360
Total		2,40,360

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Issued Share Capital 20,000 Equity shares of 10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 19,800 shares of 100 each	1,98,000
	Add : - Share Forfeited A/c (200 × Rs.5)	1,000
		1,99,000
2.	Reserve and Surplus Securities Premium Reserve (19,600 × Rs.2)	39,200
	Capital Reserve	2,160
		41,360
3.	Cash and Cash Equivalents Bank	2,40,360

Working Notes:

1. Calculation of Allotment Money Received

Shares Alloted to Ramesh = 400

$$\text{Shares applied by Ramesh} = 400 \times \frac{24,000}{20,000} = 480$$

Excess application money received = Rs.160 (80 × Rs.2)

Allotment money due from Ramesh = Rs.2,000 (400 × Rs.5)

Amount not received from Ramesh (2,000 - 160) = Rs.1,840

2. Calculation of Capital Reserve

Share Forfeiture (400 shares of Ramesh) = Rs.960

Share Forfeiture (600 shares of Mohan) = Rs.3,000

$$\text{Share Forfeiture of 400 shares of Mohan} = \frac{3,000}{600} \times 400 = 2,000$$

Balance in Share Forfeiture Cr. = Rs.2,960

Balance in Share Forfeiture Dr. = Rs.800

Capital Reserve = Balance in Share Forfeiture Cr. - Balance in Share Forfeiture Dr.

$$= 2,960 - 800 = \text{Rs.2,160}$$

Question 77.

Dogra Ltd. had an authorised capital of ₹ 1,00,00,000 divided into Equity Shares of ₹ 100 each. The company offered 84,000 shares to the public at premium. The amount was payable as follow:

On Application	—	₹ 30 per share,
On Allotment	—	₹ 40 per share(including premium),
On First and Final call	—	₹ 50 per share.

Applications were received for 80,000 shares.

All sums were duly received except the following:

Lakhan, a holder of 200 shares did not pay allotment and call money.

Paras, a holder of 400 shares did not pay call money.

The company, forfeited the shares of Lakhan and Paras. Subsequently the forfeited shares were reissued for ₹ 80 per share as fully paid-up. Show the entries for the above transactions in the Cash Book and journal of the company.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Application A/c To Equity Share Capital A/c (Being application money transferred to share capital)	Dr.	24,00,000	24,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)	Dr.	32,00,000 16,00,000 16,00,000	
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first call money due)	Dr.	40,00,000	40,00,000
	Equity Share Capital A/c Securities Premium Reserve A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c To Equity Share Forfeiture A/c (Being 600 shares forfeited for non - payment of allotment and call money due)	Dr. Dr.	60,000 4,000 	8,000 30,000 26,000
	Equity Share Forfeiture A/c To Equity Share Capital A/c (Being 600 shares reissued)	Dr.	12,000	12,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue of transferred to capital reserve)	Dr.	14,000	14,000

Cash Book

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Equity Share Application A/c (80,000 × Rs.30)	24,00,000		By Balance c/d	96,10,000
	To Equity Share Allotment A/c (79,900 × Rs.40)	31,92,000			
	To Equity Share First Call A/c (79,400 × Rs.50)	39,70,000			
	To Equity Share Capital A/c (600 × Rs.80)	48,000			
		96,10,000			96,10,000

Question 78.

Jeevan Dhara Ltd. invited applications 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 share(including premium),
On first and final call	—	Balance.

Applications 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 calls 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 reissued at ₹ 9 per share as fully paid-up.

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

Solution:

Books of Jeevan Dhara Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being application money received on 1,50,000 shares)	Dr.	3,00,000	3,00,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Being amount of application transferred to share capital and excess money adjusted towards allotment)	Dr.	3,00,000	2,40,000 60,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being account due on allotment)	Dr.	6,00,000	3,60,000 2,40,000
	Bank A/c To Equity Share Allotment A/c (Being amount received on share allotment)	Dr.	5,29,200	5,29,200
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being amount due on first and final call)	Dr.	6,00,000	6,00,000

	Bank A/c To Equity Share First and Final Call A/c (Being amount received on first and final call)	Dr.		5,76,000	5,76,000
	Equity Share Capital A/c Securities Premium a/c To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being shares of Manu and Madhur were forfeited)	Dr. Dr.	48,000 4,800	18,000 10,800 24,000	
	Bank A/c Equity Share Forfeiture A/c To Equity Share Capital A/c (Being forfeited shares were reissued for Rs.9 as fully paid - up)	Dr. Dr.	43,200 4,800		48,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)	Dr.		13,200	13,200

Working Notes:

1. Calculation of amount not received on Allotment and First and Final Call money

$$\text{Shares Alloted to Manu} = \frac{1,20,000}{1,50,000} \times 3,000 = 2,400 \text{ shares}$$

Amount received on 3,000 shares of Rs.2 each ($3,000 \times 2$) = Rs.6,000

Amount transferred to Share Capital Account ($2,400 \times \text{Rs.2}$) = Rs.4,800

Excess application money received = Rs.1,200

Allotment money due @ Rs.5 each ($7,200 + 4,800$) = Rs.12,000

Not received on allotment ($7,200 - 1,200$) = Rs.6,000

Securities Premium not received = Rs.4,800

First and final call money not received = ($2,400 \times \text{Rs.5}$) = Rs.12,000

2. Calculation of amount not received from Madhur

First and final call money not received = ($2,400 \times \text{Rs.5}$) = Rs.12,000

Question 79.

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

On Application ₹ 2 per share,

On Allotment ₹ 4 per share; and

On First and Final call Balance Amount.

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

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

Excess money paid by the applicants who were allotted shares was adjusted towards sums due on allotment.

Deepak, a shareholder belonging to Category I , who had applied for 1,000 shares ,failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The forfeited shares of Deepak and Raju were reissued at ₹ 11 per share fully paid-up.

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

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (1,50,000 × 2) To Share Application A/c (Application money received on 1,50,000 shares)	Dr.	3,00,000	3,00,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Application money transferred to Share Capital)	Dr.	3,00,000 	1,00,000 1,10,000 90,000
	Share Allotment A/c (50,000 × 4) To Share Capital A/c (Allotment money due on 50,000 shares)		2,00,000	2,00,000
	Bank A/c To Share Allotment A/c (WN 2) (Allotment money received)	Dr.	88,900	88,900
	Share Capital A/c (600 × 6) To Share Allotment A/c (1,000 + 100) To Share Forfeiture A/c (2,000 + 500) (600 shares forfeited for non-payment of allotment money)	Dr.	3,600 	1,100 2,500
	Share First and Final Call A/c To Share Capital A/c (Call money due on 49,400 shares)	Dr.	1,97,600	1,97,600
	Bank A/c To Share First and Final Call A/c (Call money received)	Dr.	1,97,600	1,97,600
	Bank A/c (600 × 11) To Share Capital A/c To Security Premium Reserve A/c (600 shares re-issued at Rs.11 per share)	Dr.	6,600 	6,000 600
	Share Forfeiture A/c To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve)	Dr.	2,500	2,500

Working Notes:

WN1: Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ Rs.2 each	Money transferred to Share Capital @ Rs.2 each	Excess Application Money	Amount adjusted on Allotment	Money refunded
I	80,000	40,000	1,60,000	80,000	80,000	80,000	-
II	25,000	10,000	50,000	20,000	30,000	30,000	-
III	45,000	-	90,000	-	-	-	90,000
	1,50,000	50,000	3,00,000	1,00,000	1,10,000	1,10,000	90,000

WN2: Calculation of Amount Received on Allotment

Amount Due on Allotment	2,00,000
<i>Less: Excess Received</i>	1,10,000
Balance to be Received	90,000
<i>Less: Amount not paid by Deepak</i>	(1,000)
<i>Less: Amount not paid by Raju</i>	(100)
Amount received on Allotment	88,900

$$\text{Shares Allotted to Deepak} = \frac{40,000}{80,000} \times 1,000 = 500$$

WN3: Calculation of Shares Applied/Allotted

$$\text{Shares Applied by Raju} = \frac{25,000}{10,000} \times 100 = 250$$

Amount not paid by Deepak on Allotment

Amount received on Application	2,000
<i>Less: Transferred to Share Capital</i>	(1,000)
Excess received on Application	1,000
Amount due on allotment	2,000
<i>Less: Excess adjustment</i>	(1,000)
Amount unpaid by Deepak	1,000

Amount not paid by Raju on Allotment

Amount received on Application	500
<i>Less: Transferred to Share Capital</i>	(200)
Excess received on Application	300
Amount due on allotment	400
<i>Less: Excess adjustment</i>	(300)
Amount unpaid by Raju	100

Question 80.

Nitro Paints Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On application — ₹ 6 per share(including premium ₹1);
 On allotment — ₹ 3 per share(including premium ₹ 1);
 and
 The balance — on First and Final call.

Applications for 1,80,000 shares were received. Applications for 10,000 shares were rejected and pro rata allotment was made to the remaining applicants. Over payment received on application was adjusted towards sums due on allotment. All calls were made and were duly received except allotment and final call from Aditya who was allotted 3, 200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 43,000 as fully paid-up.

Pass necessary journal entries for the above transactions in the books of Nitro Paints Ltd.
 Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (1,80,000 × 6) To Equity Share Application A/c (Application money received on 1,80,000 shares)	Dr.	10,80,000	10,80,000
	Equity Share Application A/c To Equity Share Capital A/c (1,60,000 × 5) To Securities Premium Reserve A/c (1,60,000 × 1) To Share Allotment A/c (10,000 × 6) To Bank A/c (10,000 × 6) (Application money transferred to Share Capital)	Dr.	10,80,000	8,00,000 1,60,000 60,000 60,000
	Equity Share Allotment A/c (1,60,000 × 3) To Equity Share Capital A/c (1,60,000 × 2) To Securities Premium Reserve A/c (1,60,000 × 1) (Allotment money due on 1,60,000 shares)	Dr.	4,80,000	3,20,000 1,60,000
	Bank A/c (4,80,000 – 60,000 – 8,400) To Equity Share Allotment A/c (Allotment money received)	Dr.	4,11,600	4,11,600
	Equity Share First Call A/c (1,60,000 × 4) To Equity Share Capital A/c To Securities Premium Reserve A/c (Call money due)	Dr.	6,40,000	4,80,000 1,60,000
	Bank A/c To Equity Share First Call A/c (Call money received)	Dr.	6,27,200	6,27,200

Equity Share Capital A/c (3,200 × 10)	Dr.	32,000	
Securities Premium Reserve A/c (3,200 × 2)	Dr.	6,400	
To Equity Share Allotment A/c			8,400
To Equity Share First and Final Call A/c			12,800
To Equity Share Forfeiture A/c			17,200
(200 shares forfeited for non-payment of allotment money including premium of Rs.3)			
Bank A/c	Dr.	43,000	
To Equity Share Capital A/c			16,000
To Securities Premium A/c			27,000
(1,600 shares re-issued)			
Equity Share Forfeiture A/c	Dr.	8,600	
To Capital Reserve A/c			8,600
(Profit on re-issue transferred to Capital Reserve)			

Working Notes:

$$\text{Shares Applied by Aditya} = \frac{1,70,000}{1,60,000} \times 3,200 = 3,400$$

Amount not paid by Aditya on Allotment

Amount received on Application	20,400
<i>Less: Transferred to Share Capital</i>	(19,200)
Excess received on Application	1,200
Amount due on allotment	9,600
<i>Less: Excess adjustment</i>	(1,200)
Amount unpaid by Aditya	8,400

Question 81.

Raja Ltd. invited applications for issuing 50,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On application	—	₹ 3 per share,
On allotment	—	₹ 5 per share,
On first and final call	—	Balance.

Applications for 70,000 shares were received. Allotment was made to all applicants on pro rata basis. Excess money received on application was adjusted towards sums due on allotment. Ramesh, who had applied for 700 shares did not pay the allotment money and on his failure to pay the allotment money his shares were forfeited. Afterwards, the first and the final call was made. Adhar, who had been allotted 500 shares, did not pay the first and final call. His shares were also forfeited. Out of the forfeited shares 900 shares were reissued at ₹ 8 per share as fully paid-up. The reissued shares included all the shares of Ramesh.

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

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being application money on 70,000 shares received)	Dr.	2,10,000	2,10,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Shares Allotment A/c (Being application money of 50,000 shares transferred to share capital account and excess was utilised on allotment)	Dr.	2,10,000	1,50,000 60,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment due on allotment)	Dr.	2,50,000	2,50,000
	Bank A/c To Equity Share Allotment A/c (Being share allotment received on 49,500 shares and Rs 60,000 excess money adjusted)	Dr.	1,88,100	1,88,100
	Equity Share Capital A/c To Equity Share Allotment A/c To Equity Share Forfeiture A/c (Being 500 shares forfeited for non-payment of allotment money)	Dr.	4,000	1,900 2,100
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being share Call money due)	Dr.	99,000	99,000
	Bank A/c To Equity Share First and Final Call A/c (Being call money received on 49,000 shares)	Dr.	99,000	99,000
	Equity Share Capital A/c To Equity Share First and Final Call A/c To Equity Share Forfeiture A/c (Being 500 shares forfeited for non-payment of call money)	Dr.	5,000	1,000 4,000
	Bank A/c Equity Share Forfeiture A/c To Equity Share Capital A/c (Being 900 shares reissued at Rs.8 per share) (Being share call money received and Calls-in -advance money adjusted)	Dr. Dr.	7,200 1,800	9,000
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on forfeiture of shares transferred)	Dr.	3,500	3,500

Working Notes:**1.**

Shares applied by Ramesh : 700 shares

$$\text{Shares Allotted} : 700 \times \frac{50,000}{70,000} = 500 \text{ shares}$$

Application Money received from Ramesh ($700 \times \text{Rs.3}$)	2,100
<i>Less: Application money due on allotted shares ($500 \times \text{Rs.3}$)</i>	<u>(1,500)</u>
Excess application money adjusted on allotment	<u>600</u>

Allotment money due on Share allotted ($\text{Rs.5} \times 500$)	2,500
<i>Less : Excess application money received</i>	<u>(600)</u>
Allotment money due but not received	<u>1,900</u>

2	
Allotment due (Gross) ($50,000 \times \text{Rs.5}$)	2,50,000
<i>Less : Adjusted</i>	<u>(60,000)</u>
<i>Less : Calls-in-Arrears</i>	<u>(1,900)</u>
	<u>1,88,100</u>

3	
Forfeiture of 500 shares issued to Adhar	
Amount due on First and Final Call ($\text{Rs.2} \times 500$) = 1,000	
Total amount due on First and Final Call ($\text{Rs.2} \times 49,500$)	99,000
<i>Less : Calls-in-Arrears</i>	<u>(1,000)</u>
	<u>98,000</u>

Share Forfeiture on Ramesh's	2,100
	$\left(4000 \times \frac{400}{500}\right)$
Properties Share Forfeiture on Adhar's Shares	<u>3,200</u>
	5,300
<i>Less: Loss on re-issue</i>	<u>(1,800)</u>
Profit on re-issue transferred capital reserve	<u>3,500</u>

Question 82.

XYZ Ltd. is registered with an authorised capital of ₹ 2,00,000 divided into 2,000 shares of ₹ 100 each of which 1,000 shares were offered for public subscription at a premium of ₹ 5 per share, payable as:

- On application — ₹ 10 per share,
- On allotment — ₹ 25 per share (including premium),
- On first call — ₹ 40 per share
- On final call — ₹ 30 per share

Applications were received for 1,800 shares, of which applications for 300 shares were rejected outright; the rest of the application were allotted 1,000 shares on pro rata basis. Excess application money was transferred to allotment.

All the money was duly received except from Sundar, holder of 100 shares, who failed to pay allotment and first call money. His shares were later forfeited and reissued to Shyam at ₹ 60 per share ₹ 70 paid-up. Final call has not been made.

Pass necessary Journal entries and prepare Cash Book in the books of XYZ Limited.

Solution:

Authorised capital 2,000 shares of Rs.100 each

Issued 1,000 shares of Rs.100 each at a premium of Rs.5

Applied 1,800 shares

Allotment made as :

Applied	Allotted	
1,500		1,000
300		NIL
1,800		1,000

Payable as :

On Application	Rs.10
On Allotment (20+5)	Rs.25
On First Call	Rs.40
On Final (un Called)	Rs.30
Total	Rs.105
Called-up	Rs.75

Books of XYZ Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Application A/c To Share Capital A/c To Shares Allotment A/c (Being application money of 1,000 shares transferred to share capital 5,000 adjusted on allotment)	Dr.	15,000	10,000 5,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment due on 1,000 shares at Rs.25 each including 5 premium)	Dr.	25,000	20,000 5,000
	Share First Call A/c To Share Capital A/c (Being first call due on 1,000 shares at Rs.40 each)	Dr.	40,000	40,000
	Securities Premium A/c Share Capital A/c To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (Being 100 shares of Rs.100 each Rs.70 called-up, forfeited for the non-payment of allotment and first call)	Dr. Dr.	500 7,000	1,500 2,000 4,000
	Share Forfeiture A/c To Share Capital A/c (Being 100 shares of Rs.100 each re-issued at Rs.60 per share Rs.70 paid up)	Dr.	1,000	1,000
	Share forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)	Dr.	500	500

Cash Book

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Application A/c To Share Allotment A/c To Share First Call A/c To Share Capital A/c	18,000 18,000 36,000 6,000		By Share Application A/c By Balance c/d	3,000 75,000
		78,000			78,000

Working Notes :-

$$\text{Number of share applied by Sunder} = \frac{1,500}{1,000} \times 100 = 150 \text{ shares}$$

On Account of Sunder

Money received on application ($150 \times \text{Rs.10}$)	=	1,500
<i>Less:</i> Money transferred to Share Capital ($100 \times \text{Rs.10}$)	=	(1,000)
Excess Money on application		<u><u>500</u></u>

Share allotment due $100 \times \text{Rs.25}$	=	2,500
<i>Less:</i> Excess money on application	=	(500)
Calls-in-Arrears on Allotment		<u><u>2,000</u></u>

Allotment

Allotment due on all shares $1,000 \times \text{Rs.25}$	=	25,000
<i>Less:</i> Adjustment of excess money on application	=	(5,000)
<i>Less:</i> Calls-in-Arrears By Sunder	=	(2,000)
Money received on allotment	=	<u><u>18,000</u></u>

Capital Reserve

$$\begin{aligned}\text{Capital Reserve} &= \text{Share Forfeiture (Cr.)} - \text{Share Forfeiture (Dr.)} \\ &= 1,500 - 1,000 = \text{Rs.500}\end{aligned}$$

Question 83.

Prince Limited issued a prospectus inviting applications for 20,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable as follows:

With application	—	₹2,
On allotment (including premium)	—	₹5,
On first call	—	₹3,
On second call	—	₹3.

Applications were received for 30,000 shares and allotment was made on pro rata basis. Money overpaid on application s was adjusted to the amount due on allotment.

Mr. Mohit whom 400 shares were allotted, failed to pay the allotment money and the first call and his shares were forfeited after the first call. Mr. Joly, whom 600 shares were allotted failed to pay for the two calls and hence, his shares were forfeited.

Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for ₹ 9 per share, the whole of Mr Mohit's shares being included.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c <u>(Application money received on 30,000 shares @ Rs.2 per share)</u>	Dr.	60,000	60,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c <u>(Application money received transferred to Share Capital and adjusted on allotment)</u>	Dr.	60,000	40,000 20,000
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c <u>(Allotment money due on 20,000 shares @ Rs.5 per share including premium of Rs.3 per share)</u>	Dr.	1,00,000	40,000 60,000
	Bank A/c (1,00,000 - 20,000 - 1,600) To Share Allotment A/c <u>(Allotment money received)</u>	Dr.	78,400	78,400
	Share First Call A/c To Share Capital A/c <u>(Share First Call due on 20,000 shares @ Rs.3 per share)</u>	Dr.	60,000	60,000
	Bank A/c (60,000 - 1,200 - 1,800) To Share First Call A/c <u>(First call money received)</u>	Dr.	57,000	57,000
	Share Capital A/c Share Premium A/c To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c <u>(400 shares forfeited)</u>	Dr. Dr.	2,800 1,200	1,200 1,600 1,200
	Share Second Call A/c To Share Capital A/c <u>(Final Call money due on 19,600 shares @ 3 per share)</u>	Dr.	58,800	58,800
	Bank A/c (58,800 - 1,800) To Share Second Call A/c	Dr.	57,000	57,000

(Second Call money received)			
Share Capital A/c	Dr.	6,000	
To Share Forfeiture A/c		2,400	
To Share First Call A/c		1,800	
To Share Second Call A/c		1,800	
(600 shares forfeited)			
Bank A/c	Dr.	7,200	
Share Forfeiture A/c	Dr.	800	
To Share Capital A/c		8,000	
(800 shares reissued @ Rs.9 each)			
Share Forfeiture A/c	Dr.	2,000	
To Capital Reserve			2,000
(Profit on re-issue transferred to Capital Reserve)			

Balance Sheet

Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share Capital	1	1,98,800
b. Reserves and Surplus	2	60,800
2. Non-Current Liabilities		
3. Current Liabilities		
Total		2,59,600
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,59,600
Total		2,59,600

NOTES TO ACCOUNTS

Note No.	Particulars	Rs.
1	Share Capital Authorised Share Capital shares of Rs.10 each	-
	Issued Share Capital 20,000 shares of Rs.10 each	2,00,000
	Subscribed, Called-up and Paid-up Share Capital 19,800 shares of Rs.10 each	1,98,000
	Add: Share Forfeiture (200 × 4)	800
2	Reserves and Surplus Securities Premium	58,800
	Capital Reserve	2,000
3	Cash and Cash Equivalents Cash at Bank	60,800
		2,59,600

Working Notes:

WN1: Calculation of unpaid amount on allotment by Mohit

$$\text{Shares Applied by Mohit} = \frac{30,000}{20,000} \times 400 = 600$$

Money received on Application	(600×2)	1,200
<i>Less: Adjusted on application</i>	(400×2)	(800)
Excess amount received		400

Amount due on Allotment	(400×5)	2,000
<i>Less: Excess amount received</i>		(400)
Amount unpaid on allotment		1,600

WN2: Calculation of Amount to be transferred to Capital Reserve

Amount forfeited on Mohit's 400 shares (600 × 2)	1,200
Amount forfeited on Joly's 400 shares (400 × 4)	1,600
Total Credit Balance in Share Forfeiture	2,800
<i>Less: Discount allowed on 800 shares reissued</i>	(800)
Amount to be transferred to Capital Reserve	2,000

Question 84.

XYZ Ltd. invited applications for issuing 50,000 Equity Shares of ₹10 each. The amount was payable as:

- | | | |
|-------------------------|---|----------------|
| On application | — | ₹ 3 per share, |
| On allotment | — | ₹ 4 per share, |
| On first and final call | — | ₹ 3 per share. |

Applications were received for 75,000 shares and pro rata allotment was made as:

Applicants for 40,000 shares were allotted 30,000 shares on pro rata basis.

Applicants for 35,000 shares were allotted 30,000 shares on pro rata basis.

Ramu, to whom 1,200 shares were allotted out of the group applying for 40,000 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment.

Shamu, who had applied for 700 shares out of the group applying for 35,000 shares, failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares, 1,000 shares were reissued @ 8 per share as fully paid-up. The reissued shares included all the forfeited shares of Shamu.

Pass necessary Journal entries to record the above transactions.

Solution:

Issued 1,000 equity Share of Rs.10 each

Applied 1,800 shares

Allotment made as :

Applied	Allotted
40,000	30,000
35,000	20,000
1,800	1,000

Payable as :

On Application Rs.3

On Allotment Rs.4

On First Call and Final Call Rs.3

Total called-up **Rs.10**

Books of XYZ Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 75,000 shares at Rs.3 each)	Dr.	2,25,000	2,25,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Being equity share application of 50,000 shares transferred to share capital and the remaining amount adjusted on allotment)	Dr.	2,25,000 1,50,000 75,000	
	Equity Share Allotment A/c To Equity Share Capital A/c (Being equity share allotment due on 50,000 shares at Rs.4 per share each)	Dr.	2,00,000	2,00,000
	Bank A/c To Equity Share Allotment A/c (Being equity share allotment money received from 48,800 shares after adjusting excess money on application)	Dr.	1,21,400	1,21,400
	Equity Share Capital A/c ($1,200 \times \text{Rs.7}$) To Share Forfeiture A/c To Equity Share Allotment A/c (Being 1,200 shares of Rs.10 each Rs.7 called-up forfeited for the nonpayment of allotment)	Dr.	8,400 4,800 3,600	
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 48,800 shares at Rs.3 each)	Dr.	1,46,400	1,46,400
	Bank A/c To Equity Share First and Final Call A/c (Being share first and call received 48,800 Shares at Rs.3 each)	Dr.	1,45,200	1,45,200
	Equity Share Capital A/c To Share Forfeiture A/c (400×7) To Equity Shares First and Final Call A/c (Being 400 shares forfeited for non-payment of first and final call)	Dr.	4,000 2,800 1,200	
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 1,000 shares of Rs.10 each re-issued at Rs.8 per share fully paid-up)	Dr. Dr.	8,000 2,000	10,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance of 1,000 re-issued shares in share forfeiture account transferred to capital reserve account)	Dr.	3,200	3,200

Working Notes:

1.

Rumu's Share

$$\text{No. of shares applied} = \frac{\text{Application}}{\text{Allotment}} \times \text{Ramu Allotted} = \frac{40,000}{30,000} \times 1,200 = 1,600 \text{ shares}$$

Money received on Application (1,600 shares × Rs.3)	=	4,800
Money adjusted on Application (1,200 Shares × Rs.3)	=	3,600
Excess on Application	=	<u>1,200</u>

Allotment due on (1,200 × Rs.4)	=	4,800
<i>Less:</i> Excess money on Application	=	<u>(1,200)</u>
Calls-in-Arrears on Allotment	=	<u>3,600</u>

Share Allotment

Share Allotment due 50,000 shares × Rs.4	=	2,00,000
<i>Less:</i> Excess money on application	=	(75,000)
<i>Less:</i> Calls-in-Arrears on Allotment	=	(3,600)
Money received on Allotment	=	<u>1,21,400</u>

2.

Shamu's Shares

$$\text{No. of shares allotted to} = \frac{\text{Allotment}}{\text{Application}} \times \text{Shamu Allotted} = \frac{20,000}{35,000} \times 700 = 400 \text{ shares}$$

First and Final Call

First and Final Call due (48,800 × Rs.3)	=	1,46,400
<i>Less:</i> Calls-in-Arrears by Shamu (400 shares × Rs.3)	=	<u>1,200</u>
Money received on of First and Final Call	=	<u>1,45,200</u>

3. Calculation Capital Reserve

Capital Reserve

Shares reissued out the shares forfeited from Ramu = 1,000 shares - Shamu's shares
= 1,000 - 400
= 600 shares on re-issue Ramu's shares

Capital Reserve on re-issue of 600 shares forfeited from Ramu

$\left(\frac{4800}{1200} \right)$	
Share Forfeiture Cr.	4
Less: Share forfeiture Dr.	(2)
Share Forfeiture after re-issued	<u>2</u>

Capital Reserve after re-issue of 600 shares

$$= \text{Share Forfeiture after re-issue (per share)} \times 600 \text{ shares}$$
$$= \text{Rs.2} \times 600 = \text{Rs.1,200}$$

On re-issue of Shamu's Shares

Share Forfeiture Cr.	Rs.7
Less: Share Forfeiture Dr.	Rs.2
Share Forfeiture after re-issue	<u>Rs.5</u>

Capital Reserve after re-issue of 400 shares

$$= \text{Share Forfeiture after re-issue (per share)} \times 600 \text{ shares}$$
$$= \text{Rs.5} \times 400 = \text{Rs.2,000}$$

Total amount of Capital Reserve = Capital Reserve of 600 Shares + Capital Reserve of 400 shares

$$= \text{Rs.1,200} + \text{Rs.2,000} = \text{Rs.3,200}$$

Question 85.

A company issued for public subscription 40,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share payable as:

On application	—	₹ 2 per share,
On allotment	—	₹ 2 per share,
On second and final call	—	₹ 3 per share.

Applications were received for 60,000 shares. Allotment was made on pro rata basis to the applicants for 48,000 shares, the remaining applications being refused. Money overpaid on application was utilised towards sums due on allotment. Ram to whom 1,600 shares were allotted failed to pay the allotment money and Shyam to whom 2,000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second and final call was made. All the forfeited shares were reissued as fully paid-up @ ₹ 8 per share.

Give necessary Journal entries for the above transactions.

Solution:

Issued capital 40,000 shares of Rs.10 each at premium of Rs.2

Applied 60,000 shares

Allotment made as :

Applied	Allotted
48,000	40,000
12,000	NIL
60,000	40,000

Payable as :

On Application	Rs.5
On Allotment (3 + 2)	Rs.5
On First Call	Rs.7.5
On Second and Final Call	Rs.7.5
Total Called-up(10 +2)	<u>Rs.25</u>

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 60,000 shares at Rs.2 each)	Dr.	1,20,000	1,20,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Being equity share application of 40,000 shares transferred to share capital 16,000 on adjusted and remaining 24,000 refunded)	Dr.	1,20,000 80,000 16,000 24,000	80,000 16,000 24,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being equity share allotment due on 40,000 shares at Rs.5 each including Rs.2 premium)	Dr.	2,00,000	1,20,000 80,000
	Bank A/c To Equity Share Allotment A/c (Being share allotment money received on all shares except on 1,600 shares held by Ram)	Dr.	1,76,640	1,76,640
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call money due on 40,000 shares at Rs.2 each)	Dr.	80,000	80,000

	Bank A/c To Equity Share First Call A/c (Being first call received on 36,400 shares and holder of 3,600 failed to pay it)	Dr.	72,800	72,800
	Equity Share second and Final Call A/c To Equity Share Capital A/c (Being second and final call due on 40,000 shares at Rs.3 each)	Dr.	1,20,000	1,20,000
	Bank A/c To Equity Share Second and Final Call A/c (Being second and final call received on 36,400 shares and holders of 3,600 shares failed to pay it)	Dr.	1,09,200	1,09,200
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being 1600 shares held by Ram forfeited for non-payment amount due including premium)	Dr. Dr.	16,000 3,200	3,840 7,360 3,200 4,800
	Equity Share Capital A/c To Equity Share Forfeiture A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being 2,000 shares held by Shyam forfeited for non-payment of amount due)	Dr.	20,000	10,000 4,000 6,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 3,600 shares of Rs.10 each re-issued at Rs.8 per share fully paid-up)	Dr. Dr.	28,800 7,200	36,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture transferred to capital reserve)	Dr.	6,640	6,640

Working Notes:

1.

Ram's shares

$$\text{No. of shares applied} = \frac{\text{Application}}{\text{Allotment}} \times \text{Ram Allotted} = \frac{48,000}{40,000} \times 1,600 = 1,920 \text{ Shares}$$

Money received on Application ($1,920 \times \text{Rs.2}$)	=	8,000
<i>Less: Application money transferred to Share Capital ($1,600 \times \text{Rs.2}$)</i>	=	3,200
Excess money on Application	=	<u>Rs.640</u>

Calls-in-Arrears on Allotment

$$= \text{Share Allotment due} (1,600 \text{ shares} \times \text{Rs.5}) - \text{Excess money on Application}$$

$$= 8,000 - 640 = \text{Rs.7,360}$$

Share Allotment

Share Allotment due ($40,000 \times \text{Rs.5}$)	2,00,000
<i>Less : Excess money on Application</i>	(16,000)
<i>Less : Calls-in-Arrears by Ram</i>	(7,360)
Money received on Allotment	<u>Rs.1,76,640</u>

Share First Call

Share First Call due ($40,000 \times \text{Rs.2}$)	80,000
<i>Less : Calls-in-Arrears by Ram and Shyam ($3,600 \times \text{Rs.2}$)</i>	(7,200)
Money received on First Call	<u>Rs.72,800</u>

Share Final Call

Share Final Call due ($40,000 \times \text{Rs.3}$)	1,20,000
<i>Less: Calls-in-Arrears by Ram and Shyam ($3,600 \times \text{Rs.3}$)</i>	10,800
Money received on Second and Final Call	<u>Rs.1,09,200</u>

2. Calculation of Capital Reserve

Capital Reserve

Share Forfeiture on Ram's Shares Cr.(money received on application)	3,840
<i>Less: Share Forfeiture on Shyam's Shares ($2,000 \times \text{Rs.5}$)</i>	(10,000)
<i>Less: Share Forfeiture Dr.</i>	(7,200)
Capital Reserve	<u>6,640</u>

Question 86.

X Ltd. issued a prospectus inviting applications for 50,000 Equity Shares of ₹ 10 each, payable ₹ 5 as per application (including ₹ 2 as premium), ₹ 4 as per allotment and the balance towards first and final call.

Applications were received for 65,000 shares. Application money received on 5,000 shares was refunded with letter of regret and allotments were made on pro rata basis to the applicants of

60,000 shares. Money overpaid on applications including premium was adjusted on account of sums due on allotment.

Mr Sharma to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the Directors on his subsequently failure to pay the call money.

All the forfeited shares were subsequently sold to Mr.Jain credited as fully paid-up for ₹ 9 per share.

You are required to set out the journal entries and the relevant entries in the Cash Book.

Solution:

Issued Shares 50,000 of 10 each at premium of Rs.2

Applied share 65,000

Allotment made as

Applied	Allotted
60,000	50,000
5,000	NIL
65,000	50,000

Payable as :

On Application (3+2)	Rs.5
On Allotment	Rs.4
On First Call and Final Call	Rs.3
Total Called-up (10 + 2)	Rs.12

Cash Book

Dr.	Particulars	Rs.	Date	Particulars	Cr.
Date	Particulars	Rs.			
	To Equity Share Application A/c	3,25,000		By Equity Share Application A/c	25,000
	To Equity Share Allotment A/c	1,47,900		By Balance c/d	6,02,100
	To Equity Share First and Final Call A/c	1,47,900			
	To Equity Share Capital A/c	6,300			
		6,27,100			6,27,100

In the books of X Ltd.

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Application A/c To Equity Share Capital A/c To Securities Premium A/c To Shares Allotment A/c (Being application money of 50,000 shares transferred to share capital at Rs.3 each and to premium Rs.2 each 50,000 adjusted on allotment)	Dr.	3,00,000	1,50,000 1,00,000 50,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment due on 50,000 shares at Rs.4 each)	Dr.	2,00,000	2,00,000
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first call due on 50,000 shares at Rs.3 each)	Dr.	1,50,000	1,50,000
	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 (Being 700 shares of Rs.10 each forfeited for the non-payment of amount due)	Dr.	7,000	2,800 2,100 2,100
	Share Forfeiture A/c To Equity Share Capital A/c (Being loss on issue 1 on 700 shares charged from the share forfeiture account)	Dr.	700	700
	Share forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)	Dr.	2,100	2,100

Working Note:

Sharma Share

$$\text{No. of shares applied} = \frac{\text{Application}}{\text{Allotment}} \times \text{Sharma Allotted} = \frac{60,000}{50,000} \times 700 = 840 \text{ shares}$$

Money received on Application ($840 \times \text{Rs.5}$)	= 4,200
Less : Money transferred to Share Capital ($700 \times \text{Rs.3}$)	= <u>(2,100)</u>
	2,100
Less : Securities Premium ($700 \times \text{Rs.2}$)	= <u>(1,400)</u>
Excess money on Application	700

Allotment due ($700 \times \text{Rs.4}$)	= 2,800
Less : Excess money on Application	= <u>(700)</u>
Calls - in - Arrears on Allotment	2,100

Share Allotment

Share Allotment due ($50,000 \times \text{Rs.}4$)	=	2,00,000
Less : Excess money on Application	=	(50,000)
		1,50,000
Less : Calls - in - Arrears	=	(2,100)
Money received on Application		<u>1,47,900</u>

Share First and Final Call

Share First and Final Call due ($50,000 \times \text{Rs.}3$)	=	1,50,000
Less : Calls in Arrears on ($700 \times \text{Rs.}3$)	=	(2,100)
Money received on First and Final Call		<u>1,47,900</u>

Capital Reserve

Money received on Application from Mr. Sharma Cr.	=	4,200
Less : Securities Premium ($700 \times \text{Rs.}2$)	=	(1,400)
Less: Share forfeiture Dr. ($700 \times \text{Rs.}1$)	=	(700)
Capital Reserve		<u>2,100</u>

Question 87.

Super Star Ltd. issued a prospectus inviting applications for 2,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as:

On application	—	₹ 3 per share (including ₹ 1 premium),
On allotment	—	₹ 4 per share (including ₹ 1 premium),
On first call	—	₹ 3 per share
On second and final call	—	₹ 2 per share.

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.

Ramesh, to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Rajesh, who applied for 72 shares failed to pay the two calls and on such failure, his shares were forfeited.

Of the shares forfeited, 80 shares were sold to Krishan credited as fully paid-up for ₹ 9 per share, the whole of Ramesh's shares being included.

Give journal entries to record the above transactions (including cash transactions).

Solution:

Issued Capital 2,000 shares of Rs.10 each at premium of Rs.2
 Applied shares 3,000

Allotment as:

Applied	Allotted
2,400	2,000
600	NIL
3,000	2,000

Payable as :

On Application (2+1)	Rs.3
On Allotment (3+1)	Rs.4
On First Call	Rs.3
On Final Call	Rs.2
Total Called - up (10+2)	<u>Rs.10</u>

In the books of Super Star Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share application money received for 3,000 shares at Rs.3 per share including Rs.1 premium)	Dr.	9,000	9,000
	Share Application A/c To Share Capital A/c To Securities Premium A/c To Share Allotment A/c To Bank A/c (Being share application money of 2,000 shares transferred to Share Capital and securities premium at Rs.2 and Rs.1 each respectively, 1,800 adjusted on allotment and remaining 1,200 refunded)	Dr.	9,000	4,000 2,000 1,200 1,800
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being allotment due on 2,000 shares at Rs.4 per share including 1 premium)	Dr.	8,000	6,000 2,000
	Bank A/c To Share Allotment A/c (Being allotment received for 1960 shares after adjusting of excess application money)	Dr.	6,664	6,664

	Share First Call A/c To Share Capital A/c (Being first call due on 2,000 shares of at Rs.3 per share)	Dr.	6,000	6,000
	Bank A/c To Share First Call A/c (Being share first call received for 1,900 shares)	Dr.	5,700	5,700
	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c (144-40) To Share Allotment A/c To Share First Call A/c (Being 40 shares of Rs.10 each , Rs.8 called up for non-payment of money due on allotment and first including Rs.1 premium)	Dr. Dr.	320 40 104 136 120	
	Share Final Call A/c To Share Capital A/c (Being final call due on 1,960 shares at Rs.2 each)	Dr.	3,920	3,920
	Bank A/c To Share Final Call A/c (Being final call received for 1,900 shares)	Dr.	3,800	3,800
	Share Capital A/c To Share Forfeiture A/c To Share First Call A/c To Share Final Call A/c (Being 60 shares forfeited for the non-payment of first call and final call money)	Dr.	600 300 180 120	
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 80 shares of Rs.10 each re-issued at Rs.9 per share fully paid-up)	Dr. Dr.	720 80 800	
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 80 re-issued shares transferred to capital reserve)	Dr.	224	224

Working Notes:

1.

Ramesh's Shares

$$\text{No. of shares applied} = \frac{\text{Application}}{\text{Allotment}} \times \text{Ramesh Allotted} = \frac{2,400}{2,000} \times 40 = 48 \text{ Shares}$$

Money received on Application (48 × Rs.3)	=	144
<i>Less: Application money adjusted to Share Capital (40 × Rs.2)</i>	=	<u>(80)</u>
		64
<i>Less: Securities Premium (40 × Rs.1)</i>	=	<u>(40)</u>
Excess money Application		<u>Rs.24</u>

Allotment due (40 × Rs.4)	=	160
<i>Less: Excess money on Application</i>	=	<u>(24)</u>
Calls-in-Arrears		<u>Rs.136</u>

Rajesh's Shares

$$\text{No. of shares allotted to} = \frac{\text{Allotment}}{\text{Application}} \times \text{Rajesh Allotted} = \frac{2,000}{2,400} \times 72 = 60 \text{ shares}$$

Share Allotment

Money due on Allotment (2,000 × Rs.4)	8,000
<i>Less: Excess application money adjusted</i>	<u>(1,200)</u>
	6,800
<i>Less: Calls-in-Arrears</i>	<u>(136)</u>
Money received on Allotment	<u>Rs.6,664</u>

Share First Call

Money due on First Call (2,000 × Rs.3)	6,000
<i>Less: Calls-in-Arrears for Ramesh (40 × Rs.3)</i>	<u>(120)</u>
	5,880
<i>Less: Calls-in-Arrears on Rajesh (60 × Rs.3)</i>	<u>(180)</u>
Money received on First Call	<u>Rs.5,700</u>

Share Final Call	
Money due on Final Call ($1,960 \times \text{Rs.}2$)	3920
<i>Less: Calls in Arrest on Rajesh ($60 \times \text{Rs.}2$)</i>	(120)
Money received on Final Call	Rs.3,800

2. Calculation of Capital Reserve

Capital Reserve	
On Ramesh's Shares	
Money received from Ramesh	144
<i>Less: Securities Premium ($40 \text{ shares} \times \text{Rs.}1$)</i>	400
<i>Less: Share Forfeiture Dr. ($40 \times \text{Rs.}1$)</i>	(40)
Capital Reserve of Ramesh	Rs.64

On Rajesh's Share	
Share Forfeiture Cr.	Rs.5
Share Forfeiture Dr.	(Rs.1)
Share Forfeiture after re-issue	<u>Rs.4</u>

Capital Reserve on Rajesh's Shares
 $= \text{Share Forfeiture after re-issue} \times \text{No. of shares re-issued}$
 $= \text{Rs.}4 \times 40 = \text{Rs.}160$

3. Calculation of Total on Capital Reserve

Total Capital Reserve
 $= \text{Capital Reserve of } 40 \text{ shares of Ramesh} + \text{Capital Reserve of } 40 \text{ shares of Rajesh}$
 $= \text{Rs.}64 + 160 = \text{Rs.}224$

Question 88.

Bharat Ltd. invited applications for issuing 2,00,000 Equity Shares of ₹ 10 each. The amount was payable as:

On application ₹ 3 per share, on allotment ₹ 5 per share and on first and final call ₹ 2 per share.

Applications for 3,00,000 shares were received and pro rata allotment was made to all the applicants on the following basis:

Applicants for 2,00,000 shares were allotted 1,50,000 shares on pro rata basis.

Applicants for 1,00,000 shares were allotted 50,000 shares on pro rata basis.

Bajaj, who was allotted 3,000 shares out of group applying for 2,00,000 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Sharma, who had applied for 2,000 shares out of the group applying for 1,00,000 shares failed to pay the first and final call. His shares were also forfeited.

Out of the forfeited shares 3,500 shares were reissued as fully paid-up @ ₹ 8 per share. The reissued shares included all the forfeited shares of Bajaj.

Give necessary journal entries to record the above transactions.

Solution:

Issued Capital 2,00,000 shares of Rs.10 each

Applied shares 3,00,000

Allotment made as :

Applied	Allotted
2,00,000	1,50,000
1,00,000	50,000
3,00,000	2,00,000

Payable as :

On Application	Rs.3
On Allotment	Rs.5
On First Call and Final Call	Rs.2
Total called - up	Rs.10

In the books of Bharat Limited

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Equity Share Application A/c (Being share application money received for 3,00,000 shares at Rs.3 each)	Dr.	9,00,000	9,00,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Being share application money of 2,00,000 shares at Rs.3 each transferred to shares capital and excess money 3,00,000 adjusted on allotment)	Dr.	9,00,000 6,00,000 3,00,000	
	Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment due on 2,000 shares at Rs.4 per share)	Dr.	10,00,000	10,00,000
	Bank A/c To Equity Share Allotment A/c (Being allotment received for 1,97,000 shares)	Dr.	6,88,000	6,88,000
	Equity Share Capital A/c To share Forfeiture A/c To Share Allotment A/c (Being 300 shares forfeited for the non-payment of money due on allotment)	Dr.	24,000 12,000 12,000	

	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 1,97,000 shares at Rs.2 per share)	Dr.	3,94,000	3,94,000
	Bank A/c To Equity Share First and Final Call A/c (Being share first and final call received for 1,97,000 shares)	Dr.	3,92,000	3,92,000
	Share Capital A/c To Share Forfeiture A/c To Equity Share First and Final Call A/c (Being 1,000 shares forfeited for the non-payment of first and final call)	Dr.	10,000	8,000 2,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 3,500 shares of Rs.10 each re-issued at Rs.8 per share fully paid-up)	Dr. Dr.	28,000 7,000	35,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 3,500 re-issued shares transferred to capital reserve)	Dr.	9,000	9,000

Working Notes:

1.

Bajaj Share

$$\text{No. of shares applied} = \frac{\text{Application}}{\text{Allotment}} \times \text{Bajaj Allotted} = \frac{2,00,000}{1,50,000} \times 3,000 = 4,000 \text{ shares}$$

Money received on Application (4,000 × Rs.3)	= 12,000
Less: Money transferred to Share Capital (3,000 × Rs.3)	<u>(9,000)</u>
Excess money on Application	<u><u>3,000</u></u>

Allotment due (3,000 × Rs.5)	= 15,000
Less: Excess money on application	<u>(3,000)</u>
Calls-in-Arrears on Allotment	<u><u>12,000</u></u>

Share Allotment

Money due an allotment (2,00,000 × Rs.5)	= 10,00,000
Less: Excess money on Application	<u>(3,00,000)</u>
	7,00,000
Less: Calls-in-Arrears on Bajaj's Share	<u>(12,000)</u>
Money received on Allotment	<u><u>Rs.6,88,000</u></u>

Sharma Shares

$$\text{No. of shares allotted} = \frac{\text{Allotment}}{\text{Application}} \times \text{Sharma Allotted} = \frac{50,000}{1,00,00} \times 2,000 = 1,000 \text{ shares}$$

2. Calculation Of Capital Reserve

Capital Reserve

Forfeiture of shares held by Bajaj

12,000

Share Forfeiture Cr. 3,000

= 4

Less: Share Forfeiture Dr. on re-issue

= (2)

Share Forfeiture after re-issue Cr.

Rs.2

Capital Reserve on re-issue of Bajaj's Shares (no re-issued) = $Rs.2 \times 3,000 = Rs.6,000$

Forfeiture of shares held by Sharma

Share Forfeiture Cr. Rs.8

Less: Share Forfeiture Dr. on re-issue

Rs.2

Share Forfeiture after re-issue Cr.

Rs.6

Capital Reserve on re-issue of 500 Shares of Sharma (re-issued shares) = $Rs.6 \times 500 = Rs.3,000$

Total Capital Reserve on 3,500 shares = Re-issued shares of Bajaj's + Re-issued shares of Sharma's

= 6,000 + 3,000 = Rs.9,000

Question 89.

Amrit Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as ₹ 3 on application, ₹ 4 on allotment (including premium), ₹ 2 on first call and the remaining on second call. Applications were received for 75,000 shares and pro rata allotment was made to all the applicants. All moneys due were received except allotment and first call from Sonu who applied for 1,200 shares. All his shares were forfeited. The forfeited shares were reissued for ₹ 9,600. Final call was not made. Pass necessary Journal entries.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being 75,000 share Rs.3 each received on application money)	Dr.	2,25,000	2,25,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Being equity 50,000 share Rs.3 each application adjusted on allotment)	Dr.	2,25,000	1,50,000 75,000
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being equity share allotment due on 50,000 shares)	Dr.	2,00,000	1,00,000 1,00,000
	Bank A/c Calls-in-Arrears A/c To Share Allotment A/c (Being share allotment money received)	Dr.	1,23,000 2,000	1,25,000
	Share First Call A/c To Share Capital A/c (Being first call money due on 50,000 shares Rs.2 each)	Dr.	1,00,000	1,00,000
	Bank A/c Calls-in-Arrears A/c To Share First A/c (Being 800 shares Rs.2 each call money received)	Dr. Dr.	98,400 1,600	1,00,000
	Share Capital A/c Securities Premium A/c To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 800 shares forfeited for non-payment of allotment and call money)	Dr.	5,600 1,600	3,600 3,600
	Bank A/c To Share Capital A/c To Securities Premium A/c (Being 800 shares forfeited for non-payment of allotment and call money)	Dr.	9,600	5,600 4,000
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)	Dr.	3,600	3,600

Working Notes:

1.

Calculation of Number of Shares Allotted to Sonu

Shares applied by Sonu = ₹1,200

$$\text{Shares allotted to Sonu} = \frac{50,000}{75,000} \times 1,200 = ₹800$$

2. Calculation of Amount Received on AllotmentTotal allotment due on Sonu's Shares ($800 \times$ Rs.4) = 3,200

$$[(1,200 \times ₹3) - (800 \times ₹3)]$$

Excess application money from Sonu adjusted towards allotment = 1,200

Amount not received from Sonu = 2,000

Total Amount due on Allotment @ 50,000 shares	=	2,00,000
Less: Excess application money adjusted	=	(75,000)
Less: Amount not received from Sonu	=	<u>(2,000)</u>
Amount received on allotment	=	<u><u>1,23,000</u></u>

Question 90.

The Directors of Super Star Ltd. invited applications for 2,00,000 Equity Shares of ₹ 10 each to be issued at 20% premium. The money payable per shares was: on application ₹ 5, O allotment ₹ 4 (including premium of ₹ 2), first call ₹ 2 and final call ₹ 1.

Applications were received for 2,40,000 shares and allotment was made as:

- (i) to applicants for 1,00,000 shares in – full,
- (ii) to applicants for 80,000 shares – 60,000 shares,
- (iii) to applicants for 60,000 shares – 40,000 shares.

Applicants of 1,000 shares falling in Category

- (i) and applicants of 1,200 shares falling in Category
- (ii) failed to pay allotment money. These shares were forfeited on failure to pay first call. Holders of 1,200 shares falling in Category
- (iii) failed to pay the first and final call and these shares were forfeited after final call.

1,300 shares [1,000 of Category(i) and 300 of Category (ii)] were reissued at ₹ 8 per share as fully paid-up.

Journalise the above transactions. Prepare Cash book and Balance Sheet.

Solution:

Applied Shares 2,40,000

Allotment as :

Applied	Allotted
1,00,000	1,00,000
80,000	60,000
60,000	40,000
2,40,000	2,00,000

Payable as :

On Application	Rs.5
On Allotment (2+2)	Rs.4
On First Call	Rs.2
On Final Call	Rs.1
Total called-up (10 + 2)	Rs.12

Cash Book

Dr.	Particulars	L.F.	Rs.	Date	Particulars	L.F.	Rs.
Date							
	To Equity Share Application A/c (2,40,000 × 5)		12,00,000		By Balance c/d		23,95,000
	To Equity Share Allotment A/c (Note - 2)		5,93,900				
	To Equity Share First Call A/c (Note 3)		3,93,800				
	To Equity Share First Call A/c (1,96,900 shares × 1)		1,96,900				
	To Equity Share Capital A/c (1,000 Share of category)		8,000				
	To Equity Share Capital A/c (300 shares of category ii)		2,400				
			23,95,000				23,95,000

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Application A/c To Share Capital A/c To Share Allotment A/c (Being share application money of 2,00,000 shares at Rs.5 each transferred to shares capital and 2,00,000 adjusted on allotment)	Dr.	12,00,000	10,00,000 2,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment due for 2,00,000 shares at Rs.4 per share including Rs.2 premium)	Dr.	8,00,000	4,00,000 4,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call due on 2,00,000 shares at Rs.5 each)	Dr.	4,00,000	4,00,000
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c (900 shares × Rs.5) To Equity Share Allotment A/c (900 shares × Rs.4) To Equity Share First Call A/c (900 shares × Rs.2) (Being 1,000 shares of category (i) Rs.10 each, on which Rs.8 had called-up, forfeited for the non-payment of amount due)	Dr. Dr.	9,000 2,000	5,000 4,000 2,000
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 900 shares of category (ii) forfeited for the nonpayment of amount due)	Dr. Dr.	8,100 1,800	6,000 2,100 1,800
	Equity Share Final Call A/c To Equity Shares Capital A/c (Being final call due on 1,98,100 shares at Rs.1 each)	Dr.	1,98,100	1,98,100
	Equity Share Capital A/c To Share Forfeiture A/c To Share First Call A/c To Share Final Call A/c (Being 1,200 shares of category (iii) forfeited for the non-payment amount due)	Dr.	12,000	8,400 2,400 1,200
	Share Forfeiture A/c To Equity Share Capital A/c (Being loss on re-issue of 1,000 shares of category (i) charged from share forfeiture account)	Dr.	2,000	2,000
	Share Forfeiture A/c To Equity Share Capital A/c (Being loss on re-issue of 300 of category (ii) charged from share forfeiture account)	Dr.	600	600
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 1,300 re-issued shares transferred to capital reserve)	Dr.	4,400	4,400

Balance Sheet

Super Star Ltd.

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	19,94,400
b. Reserve and Surplus	2	4,00,600
Total		23,95,000
II. Assets		
1. Current Assets		
Cash and Cash Equivalents	3	23,95,000
Total		23,95,000

NOTES TO ACCOUNTS

NOTES TO ACCOUNTS		
Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital Equity shares of Rs.10 each Issued Share Capital 2,00,000 Equity Shares of Rs.10 each Subscribed Called-up and Paid up Share Capital 1,98,200 Equity Shares of Rs.10 each <i>Add:</i> Shares Forfeited (600 shares × Rs.6.66) <i>Add:</i> Shares Forfeited (1,200 shares × Rs.7)	20,00,000 19,82,000 4,000 8,400 19,94,400
2.	Reserve and Surplus Securities Premium Reserve Capital Reserve	3,96,200 4,400 4,00,600
3.	Cash and Cash Equivalents Bank	23,95,000

Working Notes:**1.**

1,200 shares of Category (ii)

$$\text{No. of share allotted} = 1,200 \times \frac{60,000}{80,000} = 900 \text{ shares}$$

Money received on application ($1,200 \times \text{Rs.5}$)	=	6,000
<i>Less: Application money transferred to Share Capital ($900 \times \text{Rs.5}$)</i>	=	(4,500)
Excess money received from 1,200 shares on Application	=	<u>Rs.1,500</u>

Money due on Allotment ($900 \times \text{Rs.4}$)	=	3,600
<i>Less: Excess money on Application</i>	=	(1,500)
Calls-in-Arrears on Allotment of category (ii)	=	<u>Rs.2,100</u>

2. Share Allotment

Money due on Allotment ($2,00,000 \times \text{Rs.4}$)	=	8,00,000
<i>Less: Excess money on Application</i>	=	(2,00,00)
<i>Less: Calls-in-Arrears 1,000 shares of category (i) ($1,000 \times \text{Rs.4}$)</i>	=	(4,000)
<i>Less: Calls-in-Arrears 1,200 shares of category (ii)</i>	=	(2,100)
Money received on Allotment	=	<u>5,93,900</u>

3. Share First Call

First Call due on $2,00,000 \times \text{Rs.2}$	=	4,00,000
<i>Less: Calls-in-Arrears on ($1,000 + 900 + 1,200$) 3,100 $\times \text{Rs.2}$ shares of category (i), (ii) and (iii) respectively.</i>	=	(6,200)
Money received on First Call	=	<u>3,93,800</u>

4.**Share Final Call**

Money due on Share Final Call ($2,00,000 - 1,900 \times \text{Rs.1}$)	=	1,98,100
<i>Less: Calls-in-Arrears of 1,200 shares of category (iii)</i>	=	(1,200)
Money received on Final Call	=	<u>1,96,900</u>

5. Capital Reserve

Calculation of Share Forfeiture of 1,000 shares of category (i)

Share Forfeiture Cr.	Rs.5,000
<i>Less:</i> Share Forfeiture Dr.	<u>Rs.2,000</u>
Capital Reserve of 1,000 shares Cr. (balance after re-issue)	<u>Rs.3,000</u>

Calculation of Share Forfeiture of 300 shares of category (ii)

6,000	
<u>9,000</u>	
Share Forfeiture Cr. =	= Rs.6.67
<i>Less:</i> Share forfeiture Dr.	<u>= Rs.2</u>
Capital Reserve of 1,000 shares (balance after re-issue)	<u>Rs.4.67</u>

$$\begin{aligned}\text{Capital Reserve of 300 shares} &= \text{Capital Reserve (per share)} \times \text{Number of Shares re-issued} \\ &= \text{Rs.4.67} \times 300 = \text{Rs.1,400}\end{aligned}$$

Capital Reserve of 1,000 shares of category (i)	3,000
<i>Add:</i> Capital Reserve of 300 shares of Category (ii)	<u>1,400</u>
Total Capital Reserve of 1,300 shares	<u>Rs.4,400</u>

Question 91.

XYZ Ltd. issued a prospectus inviting applications for 2,000 shares of ₹ 10 each at a premium of ₹ 4 per share payable as:

On application – ₹ 6 (including ₹ 1 premium)

On allotment – ₹ 2 (including ₹ 1 premium)

On first call – ₹ 3 (including ₹ 1 premium)

On second and final call – ₹ 3 (including ₹ 1 premium)

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.

X, to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Y, who applied for 72 shares failed to pay the two calls and on his such failure his shares were forfeited.

Of the shares forfeited 80 shares were sold to Z credited as fully paid-up for ₹ 9 per share the whole of Y's shares being included. Prepare Journal, Cash Book and the Balance Sheet.

Solution:

Applied Shares 3,000

Allotment made as :

Applied	Allotted
2,400	2,000
600	NIL
3,000	2,000

Payable as :

On Application (5+1)	Rs.6
On Allotment (1+1)	Rs.2
On First Call (2+1)	Rs.3
On Final Call (2+1)	Rs.3
Total called-up (10 + 4)	<u>Rs.12</u>

Cash Book

Dr.	Particulars	Rs.	Date	Particulars	Cr.
	To Share Application A/c To Share Allotment A/c To Share First Call A/c To Share Final Call A/c To Share Capital A/c	18,000 1,568 5,700 5,700 720		By Share Application A/c By Balance c/d	3,600 28,088

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Share Application A/c To Share Capital A/c To Securities Premium A/c To Share Allotment A/c (Being share application money of 2,000 shares transferred to share capital and securities premium at Rs.5 and Rs.1 each respectively and 2,400 adjusted on allotment)	Dr.	14,400	10,000 2,000 2,400
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being allotment due on 2,000 shares at Rs.2 each including Rs.1 premium)	Dr.	4,000	2,000 2,000
	Share First Call A/c To Share Capital A/c To Securities Premium A/c (Being first call due on 2,000 shares at Rs.3 each including Rs.1 premium)	Dr.	6,000	4,000 2,000
	Share Capital A/c (40 shares × Rs.8) Securities Premium A/c To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (Being 40 shares of Rs.10 each Rs.8 called with premium forfeited for non - payment of amount due)	Dr. Dr.	320 72	240 32 120
	Share Final Call A/c To Shares Capital A/c To Securities Premium A/c (Being final call due on 1,960 shares at Rs.3 each including Rs.1 premium)	Dr.	5,880	3,920 1,960
	Share Capital A/c Securities Premium A/c To Share forfeiture A/c To Share First Call A/c (Being 60 shares forfeited for non-payment of amount due)	Dr. Dr.	600 120	360 360
	Bank A/c Share Forfeiture A/c To Shares Capital A/c (Being 80 shares of 10 each re-issued at Rs.9 per share fully paid-up)	Dr. Dr.	720 80	800
	Share Forfeiture A/c To Capital Reserve A/c (Being balance of 80 re-issued shares in Share forfeiture account transferred to capital reserve)	Dr.	400	400

Balance Sheet of XYZ Ltd

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	19,920
b. Reserve and Surplus	2	8,168
Total		28,088
II. Assets		
1. Non - Current Assets		
2. Current Assets		
Cash and Cash Equivalents	3	28,088
Total		28,088

NOTES TO ACCOUNTS

Note No	Particulars	Rs.
1.	Share Capital Authorised Share Capital shares of Rs.10 each Issued Share Capital 2,000 Equity Shares of Rs.10 each Subscribed Called-up and Paid up Share Capital 1,980 Shares of 10 each Add : Shares Forfeited ($20 \times \text{Rs.}6$)	20,000 19,800 120 <hr/> 19,920
2.	Reserve and Surplus Securities Premium Capital Reserve	7,768 400 <hr/> 8,168
3.	Cash and Cash Equivalents Bank	<hr/> 28,088

Working Notes:**1**

X's Shares

$$\text{Number of share applied} = 40 \times \frac{2,400}{2,000} = 48 \text{ Shares}$$

Money received on application (48 shares \times Rs.6)	=	288
<i>Less:</i> Money transferred to Shares Capital (40 shares \times Rs.5)	=	<u>(200)</u>
		88
<i>Less:</i> Securities Premium (40 shares \times Rs.1)	=	<u>(40)</u>
Excess money on application	=	<u><u>Rs.48</u></u>

Utilisation of excess application money received from X's Share

Share Capital due on Allotment (40 \times Rs.1)	=	40
<i>Less:</i> Excess money on Application from X	=	<u>(48)</u>
Excess money after adjustment of Share Capital on Allotment	=	<u><u>(Rs.8)</u></u>

Securities Premium due on Allotment (40 \times Rs.1)	=	40
<i>Less:</i> Excess money after adjustment of Share Capital on Allotment	=	<u>(8)</u>
Calls-in-Arrears of Securities Premium on Allotment	=	<u><u>Rs.32</u></u>

2.

Share Allotment

Money due on allotment (2,000 shares × Rs.2)	=	4,000
<i>Less:</i> Excess money on Application	=	(2,400)
	=	(1,600)
<i>Less:</i> Calls-in-Arrears on X's Share (Securities Premium)	=	(32)
Money received on allotment	=	<u>Rs.1,568</u>

3.

Y's Share

$$\text{No. of shares allotted} = 72 \times \frac{2,000}{2,400} = 60 \text{ shares}$$

4.

Share First Call

Money due on Share First Call (2,000 × Rs.3)	=	6,000
<i>Less:</i> Calls-in-Arrears on X's Shares (40 × Rs.3)	=	(120)
		5,880
<i>Less:</i> Calls-in-Arrears on Y's Shares (60 × Rs.3)	=	(180)
Money received on Share First Call	=	<u>Rs.5,700</u>

5.

Share Final Call

Money due on share Final Call (1,960 × Rs.3)	=	5,880
<i>Less:</i> Calls-in-Arrears on Y's Shares (60 × Rs.3)	=	(180)
Money received on Share Final Call	=	<u>5,700</u>

Capital Reserve**X's Share**

Money received from X for 40 shares	=	288
<i>Less:</i> Securities Premium adjusted on Application	=	(40)
		248
<i>Less:</i> Securities Premium adjusted on Allotment	=	(8)
Balance in the Share forfeiture before re-issue of shares Cr.		<u>240</u>

240		
40		
Share Forfeiture Cr.	6	
<i>Less:</i> Share forfeiture Dr.	(1)	
Balance in the Share forfeiture Cr. (Per Share)	<u>Rs.5</u>	

Capital Reserve on re-issue of 20 shares = $(\text{Rs.}5 \times 20) = 100$

Y's Shares

Share Forfeiture on 60 shares of Y

Share Forfeiture Cr.	6	
<i>Less:</i> Share forfeiture Dr.	(1)	
Balance in the Share forfeiture Cr. (Per Share)	<u>5</u>	

Capital Reserve on re-issue of 60 shares of Y ($\text{Rs.}5 \times 60$)= Rs.300

Capital Reserve on re-issue of 20 shares of X	100	
<i>Add:</i> Capital Reserve on reissue of 60 shares of Y	300	
Total Capital Reserve on 80 shares	<u>Rs.400</u>	