

## 2. SHARES – ISSUE, FORFEITURE AND RE-ISSUE

### 2.1 Share

<b>Meaning</b>	"Share" is the basic unit into which the Capital of a Company is divided. It is an interest measured by a sum of money. <b>Example:</b> A Company with a Total Capital of ₹ 1 Crore is divided into 1 Lakh Units of ₹ 100 each. Each unit of ₹ 100 is called a Share of the Company.
<b>Sec.2(84)</b>	A Share is a Share in the Share Capital of the Company, and includes Stock.

The Share Capital of a Company limited by Shares can only be of two kinds –

1. **Equity Share Capital** – (a) with Voting Rights, or (b) with differential rights as to dividend, voting or otherwise in accordance with the prescribed Rules i.e. Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001
2. **Preference Share Capital**, i.e. Priority for Dividend at Fixed Rate + Priority for repayment of Capital.

## 2.2 Preference Share Capital and Equity Share Capital

<b>Nature</b>	<b>Description</b>
<b>Preference Share Capital [PSC]</b>	<p>Carries a Preferential Right as to –</p> <ul style="list-style-type: none"> <li>(a) <b>Dividend:</b> Either a Fixed Amount or at a Fixed Rate, free or subject to Income Tax, and</li> <li>(b) <b>Capital:</b> Upon a winding up or repayment of Capital, preference as to repayment of amount of Paid-Up Capital, whether or not there is a preferential right to payment of – <ul style="list-style-type: none"> <li>• Dividends remaining unpaid upto date of winding up or repayment of Capital, and</li> <li>• Fixed Premium specified in the MOA or AOA of the Company.</li> </ul> </li> </ul>
<b>Deemed Preference Capital</b>	<p>Capital is <b>deemed</b> to be Preference Capital, if they fulfil the above conditions, irrespective of whether it is entitled to any of the following additional rights –</p> <ul style="list-style-type: none"> <li>• <b>Dividend:</b> Participation, with Equity Shares in profits (fully or to limited extent) of the Company after payment of Dividends to Equity Shares. <b>Example:</b> After payment of dividend of 25% to Equity Shares, balance surplus will be shared equally by Preference and Equity Shareholders.</li> <li>• <b>Capital:</b> Participation (fully or to limited extent) with Ordinary Capital in any surplus remaining after repayment of entire capital. They are <b>entitled to surplus assets</b> of the Company after repayment of Equity Capital.</li> </ul>
<b>Equity Share Capital</b>	<ul style="list-style-type: none"> <li>(a) <b>Meaning:</b> All such Share Capital that is <b>not</b> Preference Share Capital is called Equity Share Capital.</li> <li>(b) <b>Features:</b> It may be with – (i) Voting Rights, or (ii) Differential Rights as to Dividend, Voting or otherwise in accordance with rules and subject to prescribed conditions.</li> </ul>

## 2.3 Preference Shares vs Equity Shares

<b>Basis</b>	<b>Preference Shares</b>	<b>Equity Shares</b>
<b>Definition</b>	Shares that carry a Preferential Right as to payment of – (a) Dividend, and (b) Repayment of Capital.	Shares that <b>are not Preference Shares</b> are called Equity Shares.
<b>Return</b>	<b>Fixed</b> Rate or Fixed Amount.	<b>Based on profits</b> available for distribution.
<b>Dividend</b>	<b>Priority</b> over Equity Dividend, i.e. paid first.	<b>After payment of Preference Dividend.</b>
<b>Repayment of Capital</b>	Paid <b>before repayment of Equity Capital.</b>	Paid <b>after entire Preference Capital</b> is repaid.
<b>Arrears of Dividend</b>	<b>Generally accumulates</b> unless specifically said to be non-cumulative.	<b>No accumulation</b> of Unpaid Dividend. No Profits means no Dividend.
<b>Redemption</b>	Redeemable <b>as per terms of issue</b> and provisions of Act.	<b>Not Redeemable</b> till winding-up. Even in winding-up, will be repaid after Pref.Shares.
<b>Voting Rights</b>	Generally <b>restricted</b> . Carries right to vote on all matters if dividend remains unpaid for the prescribed period.	<b>Unrestricted</b> , i.e. Holder can vote at any matter at any Meeting, or the Shares may be issued with varying voting rights.
<b>Further Issue of Shares</b>	Principles relating to Rights or Bonus Issue is <b>Not Applicable</b> .	Fresh Issue to be <b>offered first to existing holders</b> , i.e. Rights Issue and fully paid Bonus Shares offered to all members.
<b>Control / Management</b>	<b>No right</b> to take part in Management.	Equity Shareholders are the <b>real owners</b> , hence have a <b>right to control the Management</b> of Company.

## 2.4 Different types of Share Capital

<b>Item</b>	<b>Explanation</b>
<b>1. Authorised Share Capital [Sec.2(8)]</b>	<ul style="list-style-type: none"> <li>(a) It is the maximum amount of Share Capital which can be raised by the Company.</li> <li>(b) The Authorised Share Capital is also known as the "<b>Registered Capital</b>" or "<b>Nominal Capital</b>" and is authorised by Memorandum of Association of Company.</li> <li>(c) Authorised Capital is shown in the Balance Sheet at <b>Nominal Value</b> (Face Value).</li> <li>(d) <b>Example:</b> Authorised Capital = 10,000 Shares of ₹ 100 each, Total= ₹ 10,00,000.</li> </ul>

Item	Explanation
2. <b>Issued Share Capital [Sec.2(50)]</b>	<p>(a) It represents that part of Authorised Share Capital which has been given or issued or offered to Shareholders.</p> <p>(b) Issued Capital includes Shares issued for – (i) Cash, and (ii) Consideration other than cash, to Promoters and Others.</p> <p>(c) Issued Share Capital is shown in the Balance Sheet at Nominal Value (Face Value).</p> <p>(d) <b>Example:</b> Issued Capital = 9,000 Shares of ₹ 100 each, Total= ₹ 9,00,000.</p> <p><b>Note:</b> The remaining portion of Authorised Capital, which is not issued for cash or other consideration, is called as <b>Unissued Capital</b>. It is <b>not shown</b> in the Balance Sheet.</p>
3. <b>Subscribed Share Capital [Sec 2(86)]</b>	<p>(a) Subscribed Capital is the part of Issued Share Capital which has been subscribed (i.e. applied for) by the Public / Shareholders, and allotted by the Company.</p> <p>(b) <b>Example:</b> Out of 9,000 Shares issued 8,000 Shares are subscribed by public.</p> <p><b>Note:</b> The remaining portion of Issued Capital, which is not subscribed, is <b>not shown</b> in the Balance Sheet.</p>
4. <b>Called Up Share Capital [Sec.2(15)]</b>	<p>(a) Companies generally receive the Issue Price of Shares in instalments, e.g. application stage, allotment stage, First Call, Second Call, etc.</p> <p>(b) The portion of the Face Value of Shares which a Company has demanded or called from Shareholders is known as "Called-Up Capital".</p> <p>(c) The balance portion which the Company has decided to call / demand in future is called as <b>Uncalled Capital</b>.</p> <p>(d) <b>Example:</b> Out of ₹ 100 per Share, the Company has called up ₹ 70 per Share. In such case, the Uncalled Capital is ₹ 30 per Share.</p>
5. <b>Paid-Up Capital [Sec. 2(64)]</b>	<p>(a) It is that portion of Called Capital which has been actually paid by the Shareholders.</p> <p>(b) The unpaid portion is called "<b>Unpaid Calls</b>" or "<b>Calls in Arrears</b>".</p> <p>(c) So, Paid Up Capital = Called up Capital <b>Less</b> Calls in Arrears.</p> <p>(d) <b>Example:</b> If out of ₹ 70 per Share called up, only ₹ 60 has been paid by Shareholders, the remaining ₹ 10 per Share constitutes Calls in Arrears.</p>
6. <b>Reserve Capital [Sec. 65]</b>	<p>(a) a Company may decide by passing a special resolution, that a certain portion of Subscribed Uncalled Capital shall be called up only in the event of winding-up / liquidation.</p> <p>(b) That portion is called <b>Reserve Capital</b>. It is <b>not shown</b> in the Balance Sheet.</p>

## 2.5 Procedure for Issue of Shares for Cash

- 1. (a) Public Company shall issue a **Prospectus**, i.e. invitation to general public, to subscribe for Shares.  
 (b) Prospectus shall comply with the provisions of Companies Act, and SEBI Guidelines.  
 (c) Private Companies do not issue Prospectus. They depend upon "Private Placement" of Shares.
  
- 2. (a) On the basis of Prospectus, **Applications** are deposited in a Scheduled Bank by the interested parties along with the amount payable at the time of application.  
 (b) Minimum Application Money is as specified in the Companies Act and as per SEBI Guidelines. [**Note:** Companies Act is applicable for all Companies, while SEBI Guidelines is applicable only for Listed Companies.]
  
- 3. (a) After the last date for filing applications (i.e. Closing Date), the Company decides about Allotment of Shares in consultation with SEBI and Stock Exchange concerned.  
 (b) Allotment is the **acceptance of a Company to give Shares to the Investor** in response to an offer for purchase of Shares made by him for a consideration.  
 (c) Allotment can be done only when Minimum Subscription has been received by the Company.
  
- 4. (a) Successful Applicants become Shareholders of the Company and are required to pay the next instalment which is known as "**Allotment Money**". Unsuccessful Applicants get back their money.  
 (b) In case of delay in refunding the excess money, the Company is liable to pay interest at 15 % p.a. on the amount of refund.  
 (c) Retention of Over-Subscription is **not allowed** under any circumstances except to the extent necessary because of proportional allotment, but not exceeding 10% of Issue Size.

- 5.
- (a) The Company calls up the balance amount from the Shareholders, called "**Calls**". Call refers to the **demand** for Share Money other than those by way of application and allotment.
  - (b) Call may be made at any time – (i) during the lifetime of the Company, or (ii) during its winding up.
  - (c) When Issue Size exceeds ₹ 500 Crores, amount to be called up on application, allotment and on various calls **should not exceed 25%** of the Total Quantum of Issue in each case.
  - (d) Generally, the following conditions in Table A of Companies Act, 1956 will apply –
    - A period of **1 month** must elapse between two calls.
    - A notice of 14 days period should be given to the Shareholders to pay the amount.
    - Calls should be on uniform basis, within Shares of the same class.
    - The amount of one call should not be more than 25% of the Face Value of the Share.

## 2.6 Minimum Subscription

1. **Meaning:** Minimum Subscription is the **minimum** amount stated in the Prospectus, which in the opinion of Directors, must be raised by the issue of Share Capital to start with.
2. **Requirement under Companies Act and SEBI Guidelines:**

	<b>Companies Act [Sec.39]</b>	<b>SEBI Guidelines</b>
<b>Minimum Subscription</b>	<ul style="list-style-type: none"> <li>• <b>Condition:</b> Allotment of Securities can be made only if the amount stated in the prospectus as minimum subscription is received.</li> <li>• <b>Quantum:</b> Amount stated in Prospectus</li> <li>• <b>Time Limit:</b> 30 days from date of issue (or) Time limit given under SEBI Guidelines</li> <li>• <b>Effect of Non-Receipt:</b> Application Money shall be refunded within 15 days from the date of closure.</li> </ul>	<ul style="list-style-type: none"> <li>(a) <b>Quantum : 90% of Total issue size</b></li> <li>(b) <b>If Issue underwritten:</b> <ul style="list-style-type: none"> <li>• <b>Time Limit:</b> Date of Closure (i.e. Closing of Subscription List)</li> <li>• <b>Effect of Non-Receipt:</b> Application Money shall be refunded within 15 days from the date of closure.</li> </ul> </li> <li>(c) <b>If Issue is not underwritten:</b> <ul style="list-style-type: none"> <li>• <b>Time Limit:</b> within 60 days from the date of closure</li> <li>• <b>Effect of Non-Receipt:</b> Application Money shall be refunded within 10 days. Any refund after 70 days it shall be made with interest @ 15% P.A.</li> </ul> </li> </ul>
<b>Appn Money</b>	<p><b>Quantum:</b> Minimum Amount Payable on application of any security shall be</p> <ul style="list-style-type: none"> <li>• Not less than 5% of Nominal Amount of Security, or</li> <li>• % or Amount specified by SEBI</li> </ul>	<p><b>Quantum:</b></p> <ul style="list-style-type: none"> <li>• Minimum Amount payable on Application shall be <b>25% of Nominal Value of Security.</b></li> <li>• Minimum Amount for Subscription shall be <b>₹10,000.</b></li> </ul>

**Note:** Any Default in repayment of Minimum Subscription, all Directors of Company who are Officers in default will be jointly & severally liable with interest. Note: Penalty for default [Sec.39(5)]: ₹ 1000 per day of default up to maximum of ₹ 1 lakh.

3. **Application of Minimum Subscription:** Amount should be utilised to meet the following expenditure –
  - (a) Purchase Price of Property bought or to be bought,
  - (b) Any Preliminary Expenses,
  - (c) Underwriting Commission,
  - (d) Repayment of money borrowed by the Company for the above purposes,
  - (e) Working Capital, and
  - (f) Any other expenditure stating the nature and purpose with estimated amount in each case.

## 2.7 Issue of Shares at Premium [Sec.52]

1. **Meaning:** Premium refers to the **excess** of the Share Issue Price over its Face Value / Par Value. A Company can issue Shares at a premium, i.e. at a price above its Face Value. **Example:** If a Share of Face Value ₹ 10 is issued at a price of ₹ 120, there is a premium of ₹ 110 per Share.
2. **Cash or Kind:** Shares can be issued at a Premium which may be received in Cash or in Kind. Sec.52 of the Act uses the words "at a premium, whether for cash or otherwise". [**Head Henry & Co. Ltd. vs. Ropner Holding Ltd**]

3. **Rate of Premium:** Rate or Amount of Premium is decided by the Board of Directors. Under SEBI Guidelines, justification for the premium should be disclosed in the **Offer Document**.
4. **Securities Premium Account:** The aggregate amount / value of the Premiums received should be transferred to Securities Premium Account. The provisions of the Act relating to reduction of Share Capital shall apply, as if the Securities Premium were Paid-Up Share Capital of the Company.
5. **Application of Securities Premium:** Securities Premium Account can be used **only** for –
  - (a) Issuing **Fully Paid Bonus Shares** to Members.
  - (b) Writing-off the **Preliminary Expenses** of the Company.
  - (c) Writing off the – (i) Expenses Incurred, or (ii) Commission Paid, or (iii) Discount Allowed, on the Issue of Shares or Debentures of the Company.
  - (d) Providing for **premium payable** on redemption of any Redeemable Preference Shares or Debentures of the Company.
  - (e) **Buy-back** of own Shares or Other Securities u/s 68.

**Note:** For **specified class of Companies** whose Financial Statements comply with the Accounting Standards prescribed u/s 133, Securities Premium can be used **only** for –

- (a) Issuing **Fully Paid Bonus Shares** to Members.
- (b) Writing off the – (i) Expenses Incurred, or (ii) Commission Paid, or (iii) Discount Allowed, on the Issue of **Equity** Shares of the Company.
- (c) **Buy-back** of own Shares or Other Securities u/s 68.

## 2.8 Prohibition on Issue of Shares at a Discount [Sec.53]

Aspect	Description
Prohibition	A Company <b>shall not</b> issue shares at a Discount except as Sweat Equity shares U/s 54.
Void	Any Share issued by a Company at a discounted price shall be <b>void</b> . (except for Sweat Equity)
Effect of Default	(a) Company is punishable with fine of Minimum ₹ 1,00,000 and Maximum ₹ 5,00,000 (b) Every officer in default is Punishable with – <ul style="list-style-type: none"> <li>• Imprisonment of maximum 6 months or</li> <li>• Fine of Minimum ₹ 1,00,000 and Maximum ₹ 5,00,000 or</li> <li>• both</li> </ul>

## 2.9 Calls in Advance [Sec.50]

1. **Meaning:** Calls in Advance is the surplus money received by the Company from the allottees, i.e. its Shareholders.
2. **Calls in Advance:** A Company, if permitted by its Articles, may accept from members either the whole or part of the amount remaining unpaid on any shares held by him as Calls in Advance.
3. **No Voting Rights:** The Member shall not be entitled to any voting rights on Calls in Advance, until the same becomes presently payable and duly appropriated.
4. **Disclosure:** Calls in Advance will always have a Credit Balance and will be shown under the Liabilities Side. It is **not added** to the amount of Paid-Up Capital.
5. **Interest:** The Company is liable to pay interest on the amount of Calls in Advance from the date of receipt till the date when the Call is due for payment, at maximum rate of 12% p.a. The amount received in advance of calls is not refundable.
6. **Dividend [Sec. 51]:** A Company, if so authorised by its Articles, it can pay dividends on advance money received on calls
7. **Priority:** In the event of winding up the shareholder ranks after the creditors but calls in advance must be paid along with the interest if any before the other shareholders are paid off.

## 2.10 Calls in Arrears

1. **Meaning:** Calls in Arrears is the money remaining unpaid by the shareholder on the calls raised by the Company in respect of the shares held by him.

2. **Disclosure:** Calls in Arrears always have a Debit Balance and are shown as a deduction from Share Capital in the Liabilities Side of the Balance Sheet.
3. **Interest:** The Company can recover interest on the amount of calls in arrears from the date it became due till the date when the call is received at the rate not exceeding 10% p.a. (if Table F is adopted as Articles of Association).
4. **Waiver of Interest:** The Directors may also be empowered to waive the Interest on Calls in Arrears, subject to certain conditions laid down in the Articles.

## 2.11 Shares issued for Consideration other than Cash

1. **Meaning:** A Company can issue shares for valuable Consideration other than Cash. For example, Shares may be issued to – (a) Vendors towards payment of Purchase Consideration, (b) Promoters towards reimbursement of Preliminary Expenses incurred by them for incorporation, (c) Underwriters towards payment of Underwriting Commission, etc.
2. **Disclosure:** Shares issued for Consideration other than Cash shall be separately disclosed in the Balance Sheet of the Company, as required by Part I of Schedule III.
3. **Deemed Cash Receipt:** Where allotment is made in adjustment of a bona fide debt payable in money at once, the allotment should be considered as against cash. **[Spargo's Case]**
4. **Subsequent Cash Receipt:** Where Shares are allotted on cash basis, it will constitute a issue for cash, even if the amount is received by the later, in the normal course of its activity.

## 2.12 Forfeiture of Shares

1. **Meaning:** Forfeit = Taking away of property, on breach (non-fulfilment) of a condition. In the context of Shares, Forfeiture of Shares refers to the action taken by the Company, to cancel the Shares.
2. **Situation:** When Shareholders fail to pay Allotment or Call Money due, the Directors may forfeit the Shares in the bona fide interests of the Company, and in accordance with the Articles of Association. Proper Notice should be served to the defaulting Shareholder, before forfeiture.
3. **Effect:** When Shares are forfeited, the title of such Shareholder is extinguished, but the amount paid by him till such forfeiture, is not refunded to him. The Shareholder has no further claim on the Company. The amount actually received from the Shareholder is transferred to "Shares Forfeited A/c".
4. **Treatment:** Till Forfeited Shares are re-issued, the amount is shown as an addition to Share Capital, on the Liabilities Side of the Balance Sheet.

## 2.13 Re-issue of Forfeited Shares

Shares forfeited is re-issued by the Company, subject to the following considerations –

1. **Sale, not Allotment:** Re-issue of Forfeited Shares is **not an allotment**, it is only a Sale. So, the Company need not file a Return of Allotment, with the Registrar of Companies.
2. **Auction Sale:** After forfeiture, the Forfeited Shares vest in the Company in the Company, for the purpose of sale. The Company is under an obligation to dispose it off, generally by auction.
3. **Minimum Re-Issue Price:** Forfeited Shares may be re-issued at any price, but the Total sum paid by Former Shareholder + Amount paid by Acquirer on Re-Issue + Amount remaining unpaid on the shares should **not** be less than face value of the shares. It is less than Face Value , it would amount to issue at a discount and discount on Re-issue should not exceed the amount forfeited on those shares.
4. **Loss on Re-issue:** Loss on Re-issue shall be debited to "Forfeited Shares" A/c.
5. **Condition for Re-issue:** Loss on Re-issue of Forfeited Shares should **not** exceed the Forfeited Amount, i.e. amount paid by Original Allottee, excluding premium, if any.)
6. **Surplus:** Surplus arising on the Re-issue of Forfeited Shares (i.e. Forfeited Amount > Loss on Re-issue), should be transferred to **Capital Reserve A/c**. In case only a portion of Shares are re-issue, the amount of profit attributable to such Re-issued Shares should only be transferred to Capital Reserve Account.

- 7. Re-issue at Premium:** When Forfeited Shares are re-issued at a **price higher than its Face Value**, the excess amount should be credited to **Securities Premium A/c**. However, if the Re-issued Amount + Forfeited Amount exceeds the Face Value, it is not necessary to transfer such amount to Securities Premium Account.

## 2.14 Journal Entries relating to Issue of Shares

	<b>Transaction</b>	<b>Journal Entry</b>	
	<b>General Situation</b>		
1.	Receipt of Application Money on Shares issued	Bank A/c (amount actually received) To Share Application A/c (amount actually received)	Dr. Dr.
2.	Allotment of Shares to Applicants, and transfer of Application Money	Share Application A/c To Share Capital A/c [Shares allotted × Appln Money Due] To Securities Premium A/c [Shares allotted × Premium per Share] (if Premium Amt is collected at the time of Application itself)	Dr. Dr.
3.	Adjustment of excess money received for Allotment Stage	Share Application A/c To Share Allotment A/c	Dr. [Amount adjusted for Allotment]
4.	Refund of excess money received / refund to unsuccessful applicants	Share Application A/c To Bank A/c	Dr. [Amount of refund money paid]
5.	Allotment money due	Share Allotment A/c Discount on Issue of Shares A/c(if any) To Share Capital A/c [Shares allotted × Allotment money due] To Securities Premium A/c [Shares allotted × Premium per Share] (if the Premium Amt is collected at the time of Allotment only)	Dr. Dr. Dr.
6.	Receipt of Share Allotment Money	Bank A/c (Amt actually recd on allotment) Dr. To Share Allotment A/c (Amt actually recd on allotment)	Dr. Dr.
7.	Making Calls, i.e. Call Money due	Share ... (First or Second or Final)... Call A/c Dr. To Share Capital A/c	Dr. [Shares allotted × Call Money due]
8.	Receipt of Share ... Call Money	Bank A/c To Share ... Call A/c	Dr. (Amt actually recd on Calls) (Amt actually recd on Calls)
	<b>Oversubscription</b>		
9.	Part Allotment and carry forward of Application Money to Allotment and Call Stage	Share Application A/c To Share Allotment A/c To Share Calls-in-Advance A/c To Bank A/c	Dr. (Amt recd in advance) (Allotment Amt due) (Calls Amt due) (Balance excess refunded)
	<b>Calls-in-Arrears</b>		
10.	Transfer of non-receipt of Share .... Call Money to Calls in Arrears A/c	Calls in Arrears A/c To Share Allotment / Share .... Call A/c (This Journal Entry is optional. The amount may also be left in the Share ..... Call A/c itself.)	Dr. Dr.
11.	Interest Receivable on Calls-in-Arrears (10% p.a.)	Sundry Members / Shareholders' A/c To Interest on Calls-in-Arrears A/c	Dr. Dr.
12.	Receipt of Interest on Calls-in-Arrears	Bank A/c To Sundry Members / Shareholders' A/c	Dr. Dr.
	<b>Calls-in-Advance</b>		
13.	Receipt of Calls-in-Advance	Bank A/c To Calls-in-Advance A/c	Dr. Dr.

	<b>Transaction</b>	<b>Journal Entry</b>
14.	Adjusting Calls-in-Advance against Call Moneys Due	Calls-in-Advance A/c Dr. To Particular Call A/c
15.	Interest Payable on Calls-in-Advance (Max 12% p.a.)	Interest on Calls-in-Advance A/c Dr. To Sundry Members / Shareholders' A/c
16.	Interest on Calls-in-Advance paid by the Company	Sundry Members / Shareholders' A/c Dr. To Bank A/c
	<b>Forfeiture of Shares</b>	
17.	Forfeiture of Shares Issued at Par	Share Capital A/c (to the extent called) Dr. To Shares Forfeited A/c (to the extent amount received) To Calls in Arrears (to the extent amt called up & unpaid) (or alternatively Share Allotment A/c or Share ..... Call A/c)
18.	Forfeiture of Shares Issued at Premium – premium fully collected	Share Capital A/c (to the extent called – excluding Premium) Dr. To Shares Forfeited A/c (to the extent amount received) To Calls in Arrears (to the extent amount called up and unpaid) (or alternatively Share ..... Call A/c)
19.	Forfeiture of Shares Issued at Premium – Premium not fully collected	Share Capital A/c (to the extent called – excluding Premium) Dr. Securities Premium A/c (Premium amount on Shares forfeited)Dr. To Shares Forfeited A/c (to the extent amount received) To Calls in Arrears (to the extent amount called up and unpaid) (or alternatively Share ..... Call A/c)
	<b>Re-issue of Shares forfeited earlier</b>	
20.	Re-issue of Forfeited Shares at Par	Bank A/c (Shares Reissued × Reissue Price) Dr. Shares Forfeited A/c (to the extent re-issued) Dr. To Share Capital A/c (Shares Reissued × Paid up Value) To Capital Reserve A/c (Balancing Figure i.e. Surplus on Reissue)
21.	Re-issue of Forfeited Shares at Premium	Bank A/c (Shares Reissued × Reissue Price) Dr. Shares Forfeited A/c (to the extent re-issued) Dr. To Share Capital A/c (Shares Reissued × Paid up Value) To Securities Premium A/c (Shares Reissued × Premium per Share) To Capital Reserve A/c (Balancing Figure)
	<b>Shares Issued for non-cash consideration</b>	
22.	Recording Company's Liability, e.g. Purchase of Machinery, etc.	Machinery / Asset A/c (in case of assets purchased) Dr. Preliminary Expenses A/c (for Formation Exps met by Promoters) Dr. Underwriting Commission A/c Dr. To Vendor's / Parties Account
23.	Allotment of Shares to the Vendor / Promoter / Underwriter	Vendor's / Parties Account Dr. Discount on Issue of Shares (if issued at discount) Dr. To Share Capital (Nominal Value of Shares issued) To Securities Premium (if issued at Premium)

**Illustration 1: Issue of Shares – Par and Premium – Calls in Arrears and Calls in Advance**

On 1<sup>st</sup> April, Abhinav Ltd issued 80,000 Equity Shares of ₹ 25 each at par and 1,20,000 12% Preference Shares of ₹ 15 each at 12% premium. The amounts payable in respect of the Shares were as under –

- Equity Shares – ₹ 5 on Application, ₹ 10 on Allotment, ₹ 5 each on two calls to be made on 1<sup>st</sup> Sept & 1<sup>st</sup> Dec.
- Preference Shares – entire amount payable on Application.

The entire issue was duly subscribed and the Company allotted the shares and made the calls on Equity Shares as planned. An applicant for 1,000 Equity Shares paid the entire amount due from him at the allotment stage itself. The other amounts due on calls was received promptly except from holders of 1,500 Shares in respect of 1<sup>st</sup> Call and from holders of 3,500 Shares in respect of the 2<sup>nd</sup> Call.

Journalise all the above transactions in the books of the Company. Ignore Interest on Calls in Arrears and on Calls in Advance.

**Solution:**

**Journal Entries in the books of Abhinav Ltd**

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Bank A/c To Equity Share Application A/c ( $80,000 \times ₹ 5$ ) To Preference Share Application & Allotment A/c ( $1,20,000 \times ₹ 16.80$ ) (Being application money received on 80,000 Equity Shares at ₹ 5 each and on 1,20,000 Preference Shares at ₹ 15 each, at 12% Premium i.e. ₹ 16.80 each)	Dr. 24,16,000   	24,16,000 4,00,000 20,16,000
2.	Equity Share Application A/c Preference Share Application & Allotment A/c To Equity Share Capital A/c ( $80,000 \times ₹ 5$ ) To 12% Preference Share Capital A/c ( $1,20,000 \times ₹ 15$ ) To Securities Premium A/c ( $1,20,000 \times ₹ 1.80$ ) (Being the allotment of 80,000 Equity Shares and 1,20,000 Preference Shares, by transferring Application Moneys received, to Share Capital & Premium A/c)	Dr. 4,00,000 Dr. 20,16,000   	4,00,000 18,00,000 2,16,000
3.	Equity Share Allotment A/c ( $80,000 \times ₹ 10$ ) To Equity Share Capital A/c ( $80,000 \times ₹ 10$ ) (Being allotment money due on 80,000 Equity Shares at ₹ 10 each)	Dr. 8,00,000  	8,00,000
4.	Bank A/c [ $(79,000 \times ₹ 10) + (1,000 \times ₹ 20)$ ] To Equity Share Allotment A/c ( $80,000 \times ₹ 10$ ) To Calls in Advance A/c (1,000 Shares $\times ₹ 5+5$ ) (Being allotment moneys received, from one shareholder for 1,000 Shares at ₹ 10 + ₹ 5 + ₹ 5, balance 79,000 Shares at ₹ 10 being allotment money due)	Dr. 8,10,000  	8,00,000 10,000
5.	Equity Share First Call A/c To Equity Share Capital A/c ( $80,000 \times ₹ 5$ ) (Being First Call money due on 80,000 Equity Shares at ₹ 5 each)	Dr. 4,00,000  	4,00,000
6.	Bank A/c (balancing figure) Calls in Advance A/c (1,000 Shares $\times ₹ 5$ ) Calls in Arrears A/c (1,500 Shares $\times ₹ 5$ ) To Equity Share First Call A/c ( $80,000 \times ₹ 5$ ) (Being First Call money received from 80,000 – 1,000 Advance – 1,500 Arrears = 77,500 Shares at ₹ 5 each, Calls in Advance adjusted, Calls in Arrears from 1,500 Shares brought into account)	Dr. 3,87,500 Dr. 5,000 Dr. 7,500  	4,00,000
7.	Equity Share Second and Final Call A/c To Equity Share Capital A/c ( $80,000 \times ₹ 5$ ) (Being Second and Final Call money due on 80,000 Equity Shares at ₹ 5 each)	Dr. 4,00,000  	4,00,000
8.	Bank A/c (balancing figure) Calls in Advance A/c (1,000 Shares $\times ₹ 5$ ) Calls in Arrears A/c (3,500 Shares $\times ₹ 5$ ) To Equity Share First Call A/c ( $80,000 \times ₹ 5$ ) (Being Second and Final Call money received from 80,000 – 1,000 Advance – 3,500 Arrears = 75,500 Shares at ₹ 5 each, Calls in Advance adjusted, Calls in Arrears from 3,500 Shares brought into account)	Dr. 3,77,500 Dr. 5,000 Dr. 17,500  	4,00,000

**Illustration 2: Issue of Shares – Non–Cash Consideration**

Chidambaram Ltd allotted certain Shares for non–cash consideration as under. You are required to pass the Journal Entries in respect of allotment only, in the following situations (each situation is independent of the other).

- 750 Equity Shares of ₹ 100 each at par and 500 Preference Shares of ₹ 200 each at a premium of 8% to the Promoters towards moneys advanced by them for purchase of Land and Buildings (₹ 1,60,000) and amounts incurred by them towards Company Formation Expenses.
- 1,000 Equity Shares of ₹ 100 each issued at a discount of 5% issued to Vendor of Equipment, in full settlement of the moneys due to him.
- 500 Sweat Equity Shares of ₹ 100 allotted to Directors at a discount of 6%, balance amount was duly received.
- 800 Sweat Equity Shares of ₹ 100 allotted to Employees at par, in consideration of Technical Knowhow.
- 1,000 Equity Shares of ₹ 100 each issued at premium of 20%, allotted to 8% Debentureholders towards amount due in respect of Fully Convertible Debentures.

**Solution:****Journal Entries in the books of Chidambaram Ltd**

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Land and Buildings A/c (given) Company Formation Expenses (Preliminary Exps.) A/c (bal. figure) To Equity Share Capital A/c ( $750 \times ₹ 100$ ) To Preference Share Capital A/c ( $500 \times ₹ 200$ ) To Securities premium ( $500 \times ₹ 16$ )  (Being allotment of 750 Equity Shares of ₹ 100 each at par and 500 Preference Shares of ₹ 200 each at a Premium of 8% to the Promoters towards moneys advanced by them for purchase of Land and Buildings (₹ 1,60,000) and balance amounts incurred by them towards Company Formation Expenses)	Dr. 1,60,000 Dr. 23,000 Dr. 75,000 Dr. 1,00,000 Dr. 8,000	
2.	Equipment Vendor A/c ( $1,000 \times ₹ 105$ ) To Equity Share Capital ( $1,000 \times ₹ 100$ ) To Securities Premium ( $1,000 \times ₹ 5$ )  (Being allotment of 1,000 Equity Shares of ₹ 100 each issued at a Premium of 5%, to Vendor of Equipment, in full settlement of the moneys due to him.)	Dr. 1,05,000	1,00,000 5,000
3.	Bank A/c Discount on Issue of Shares A/c (Sweat Equity) To Equity Share Capital (Sweat Equity) ( $500 \times ₹ 100$ )  (Being allotment of 500 Shares of ₹ 100 each to Directors at a discount of 6%, balance amount of ₹ 94 per share duly received.)	Dr. 47,000 Dr. 3,000	50,000
4.	Technical Knowhow A/c To Equity Share Capital (Sweat Equity) ( $800 \times ₹ 100$ )  (Being allotment of 800 Shares of ₹ 100 each to Employees at par, in consideration of Technical Knowhow)	Dr. 80,000	80,000
5.	Debentureholders (8% FCD's) A/c To Equity Share Capital A/c ( $1,000 \times ₹ 100$ ) To Securities Premium ( $1,000 \times ₹ 20$ )  (Being allotment of 1,000 Equity Shares of ₹ 100 each at premium of 20%, allotted to 8% Debentureholders towards amt due in respect of Fully Convertible Debentures.)	Dr. 1,20,000	1,00,000 20,000

**Illustration 3: Forfeiture & Reissue of Shares issued at Par**

Dhandeeswar Ltd had issued 50,000 Equity Shares of ₹ 50 each at par, the amount payable as ₹ 25 on Application, ₹ 10 on Allotment, ₹ 10 on First Call and ₹ 5 on Second Call. Applications were received for all the Shares. The Company had made the allotment to all applicants and calls made on the due dates. The Company received all amounts except the following –

- First Call – On 1,200 Shares,
- Second Call – On 2,000 Shares (including the 1,200 Shares on which First Call was not received)

The Company forfeited the above Shares after passing a resolution for the same. All the Forfeited Shares were reissued at ₹ 12 per Share. You are required to pass Journal Entries in the Company's books, for the above.

**Solution:**

**Journal Entries in the books of Dhandeeswar Ltd**

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Bank A/c ( $50,000 \times ₹ 25$ ) To Equity Share Application A/c (Being application moneys received from applicants of 50,000 Shares at ₹ 25)	Dr. 12,50,000	12,50,000
2.	Equity Share Application A/c ( $50,000 \times ₹ 25$ ) Equity Share Allotment A/c ( $50,000 \times ₹ 10$ ) To Equity Share Capital A/c (Being allotment of 50,000 Shares and transfer of application moneys, recording allotment moneys due at ₹ 10 per share)	Dr. 12,50,000 Dr. 5,00,000	17,50,000
3.	Bank A/c To Equity Share Allotment A/c (Being amounts received towards allotment from all allottees)	Dr. 5,00,000	5,00,000
4.	Equity Share First Call A/c ( $50,000 \times ₹ 10$ ) To Equity Share Capital A/c (Being Call Money on 50,000 Shares due at ₹ 10 per share)	Dr. 5,00,000	5,00,000
5.	Bank A/c To Equity Share First Call A/c (Being amount received on first call of ₹ 10 on 50,000 Shares except allottees for 1,200 Shares i.e. 48,800 Shares at ₹ 10)	Dr. 4,88,000	4,88,000
6.	Equity Share Second & Final Call A/c ( $50,000 \times ₹ 5$ ) To Equity Share Capital A/c (Being Final Call Money on 50,000 Shares due at ₹ 5 per share)	Dr. 2,50,000	2,50,000
7.	Bank A/c To Equity Share Second and Final Call A/c (Being amount received on Final Call of ₹ 5 on 50,000 Shares except allottees for 2,000 Shares i.e. 48,000 Shares at ₹ 5)	Dr. 2,40,000	2,40,000
8.	Equity Share Capital ( $2,000 \times ₹ 50$ ) To Equity Share First Call A/c ( $1,200 \text{ Shares} \times ₹ 10$ ) To Equity Share Second and Final A/c ( $2,000 \text{ Shares} \times ₹ 5$ ) To Shares Forfeited A/c [ $(1,200 \times ₹ 35) + (800 \times ₹ 45)$ ] (Being forfeiture of 2,000 Shares on which 1,200 Shares both calls due and 800 Shares final call due, as per Resolution No..... dated.....)	Dr. 1,00,000 12,000 10,000 78,000	
9.	Bank A/c ( $2,000 \text{ Shares} \times ₹ 12$ ) Shares Forfeited A/c ( $2,000 \text{ Shares} \times (50-12)$ ) To Equity Share Capital ( $2,000 \text{ Shares} \times ₹ 50$ ) (Being re-issue of 2,000 Forfeited Shares at ₹ 12 per Share)	Dr. 24,000 Dr. 76,000	1,00,000
10.	Shares Forfeited A/c ( $78,000 - 76,000$ ) To Capital Reserve A/c (Being Profit on Forfeiture of Equity Shares transferred to Capital Reserve)	Dr. 2,000	2,000

**Illustration 4: Multi-stage Forfeiture of Shares issued at Discount – Reissue of Part Shares**

Ekamranath Ltd had issued 50,000 Equity Shares of ₹ 50 each at a discount of ₹ 4 per share, the amount payable as ₹ 25 on Application, ₹ 6 on Allotment, ₹ 10 on First Call and ₹ 5 on Second Call. Applications were received for all the Shares. The Company had made the allotment to all applicants and calls made on the due dates.

The Company received all amounts except the following –

- First Call – On 1,200 Shares. (These were forfeited before making the Second Call)
- Second Call – On 2,000 Shares. (These were forfeited after making the Second Call)

3,000 of the Forfeited Shares (including the 1,200 Shares forfeited at First Call Stage) were re-issued at ₹ 15 per Share. You are required to pass Journal Entries in the Company's books, for the above, and prepare necessary Ledger Accounts.

**Note:** Assume that Shares were issued at a Discount before the commencement of Companies Act, 2013 and was in compliance of the law, prevalent at that time. [Alternatively, assume that the Shares are in the nature of Sweat Equity Shares.]

**Solution:****1. Journal Entries in the books of Ekamranath Ltd**

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Bank A/c (50,000 × ₹ 25) To Equity Share Application A/c (Being application moneys received from applicants of 50,000 Shares at ₹ 25)	Dr. 12,50,000	12,50,000
2.	Equity Share Application A/c (50,000 × ₹ 25) Equity Share Allotment A/c (50,000 × ₹ 6) Discount on Issue of Shares A/c (50,000 × ₹ 4) To Equity Share Capital A/c (Being allotment of 50,000 Shares and transfer of application moneys, recording allotment moneys due at ₹ 6 per share, balance transferred to Discount A/c)	Dr. 12,50,000 Dr. 3,00,000 Dr. 2,00,000	17,50,000
3.	Bank A/c To Equity Share Allotment A/c (Being amounts received towards allotment from all allottees)	Dr. 3,00,000	3,00,000
4.	Equity Share First Call A/c (50,000 × ₹ 10) To Equity Share Capital A/c (Being Call Money on 50,000 Shares due at ₹ 10 per share)	Dr. 5,00,000	5,00,000
5.	Bank A/c To Equity Share First Call A/c (Being First Call moneys received except on 1,200 Shares at ₹ 10)	Dr. 4,88,000	4,88,000
6.	Equity Share Capital (1,200 × ₹ 45 called up) To Discount on Issue of Shares (1,200 Shares × ₹ 4) To Equity Share First Call A/c (1,200 Shares × ₹ 10) To Shares Forfeited A/c (1,200 × ₹ 31 paid so far) (Being forfeiture of 1,200 Shares for non-payment of First Call of ₹ 10, as per Resolution No..... dated..... Discount on Issue now reversed.)	Dr. 54,000 4,800 12,000 37,200	
7.	Equity Share Second & Final Call A/c (48,800 × ₹ 5) To Equity Share Capital A/c (Being Final Call Money on 48,800 Shares due at ₹ 5 per share) (1,200 Shares already forfeited at 1st Call Stage, not yet re-issued, hence call money not raised)	Dr. 2,44,000	2,44,000
8.	Bank A/c To Equity Share Second and Final Call A/c (Being amount received on Final Call of ₹ 5 on 48,800 Shares except allottees for 2,000 Shares, i.e. 46,800 Shares at ₹ 5)	Dr. 2,34,000	2,34,000
9.	Equity Share Capital (2,000 × ₹ 50 fully called up) To Discount on Issue of Shares (2,000 Shares × ₹ 4) To Equity Share Second and Final A/c (2,000 Shares × ₹ 5) To Shares Forfeited A/c (2,000 × ₹ 41 paid so far) (Being forfeiture of 2,000 Shares on which Final Call due, as per Resolution No..... dated..... Discount on Issue of Shares now reversed.)	Dr. 1,00,000 8,000 10,000 82,000	
10.	Bank A/c (3,000 Shares × ₹ 15 received now) Discount on Issue of Shares (3,000 Shares × ₹ 4) Shares Forfeited A/c [3,000 Shares × (₹ 50 (FV) – ₹ 4 (Disc) – ₹ 15(Recd now))] To Equity Share Capital (3,000 Shares × ₹ 50) (Being re-issue of 3,000 Shares at ₹ 14 per Share)	Dr. 45,000 Dr. 12,000 Dr. 93,000	1,50,000
11.	Equity Shares Forfeited A/c ( <b>WN 5</b> ) To Capital Reserve A/c (Being balance in Shares Forfeited A/c transferred to Capital Reserve A/c)	Dr. 18,000	18,000

## 2. Equity Share Capital A/c

Particulars	₹	Particulars	₹
To Sundries A/c (Forfeiture after 1 <sup>st</sup> Call)	54,000	By Equity Share Application A/c	12,50,000
To Sundries A/c (Forfeiture after 2 <sup>nd</sup> Call)	1,00,000	By Equity Share Allotment A/c	3,00,000
To balance c/d ( <b>balancing figure</b> )	<b>24,90,000</b>	By Discount on Issue of Shares A/c	2,00,000
		By Equity Share First Call A/c	5,00,000
		By Equity Share 2 <sup>nd</sup> & Final Call A/c	2,44,000
		By Sundries A/c (Re-issue of 3,000 Shares)	1,50,000
<b>Total</b>	<b>26,44,000</b>	<b>Total</b>	<b>26,44,000</b>

**Verification of Closing Balance:** (Shares Issued – Forfeited + Reissued) = (50,000 – 1,200 – 2,000 + 3,000) = 49,800  
 Shares × Nominal Value ₹ 50 per Share = ₹ 24,90,000

## 3. Discount on Issue of Shares A/c

Particulars	₹	Particulars	₹
To Equity Share Capital (50,000 Shares)	2,00,000	By Equity Share Capital (1,200 Shares forfeited after 1 <sup>st</sup> Call) (Discount reversed)	4,800
To Equity Share Capital & Sundries (3,000 Shares re-issued, Discount reinstated)	12,000	By Equity Share Capital (2,000 Shares forfeited after 2 <sup>nd</sup> Call) (Discount reversed)	8,000
<b>Total</b>	<b>2,12,000</b>	<b>By balance c/d (<b>balancing figure</b>)</b>	<b>1,99,200</b>
		<b>Total</b>	<b>2,12,000</b>

**Verification of Closing Balance:** (Shares Issued – Forfeited + Re-issued) = (50,000 – 1,200 – 2,000 + 3,000) = 49,800  
 Shares × Discount ₹ 4 per Share = ₹ 1,99,200

## 4. Shares Forfeited A/c

Particulars	₹	Particulars	₹
To Sundries (Re-issue of 3,000 Shares) (proportionate amount)	93,000	By Equity Share Capital (1,200 Shares forfeited after 1 <sup>st</sup> Call)	37,200
To Capital Reserve (Profit transfer)	18,000	By Equity Share Capital (2,000 Shares forfeited after 2 <sup>nd</sup> Call)	82,000
<b>To balance c/d (<b>balancing figure</b>)</b>	<b>8,200</b>	<b>Total</b>	<b>1,19,200</b>
<b>Total</b>	<b>1,19,200</b>		

**Verification of Closing Balance:** Balance Shares forfeited = 3,200 Forfeited – 3,000 Re-issued = 200 Shares all forfeited at 2<sup>nd</sup> Call Stage × ₹ 41 paid up = ₹ 8,200.

## 5. Verification of Capital Reserve on Re-issue

Stage (1)	Amt paid up before forfeiture (2)	Amt recd upon re-issue (3)	Nominal Value Less: Discount (4)	Surplus / (loss) = (5) = (2)+(3)-(4)
1 <sup>st</sup> Call – 1,200 Shares	₹ 31 = ₹ 37,200	₹ 15 = ₹ 18,000	₹ 46 = ₹ (55,200)	Nil
2 <sup>nd</sup> Call – 1,800 Shares	₹ 41 = ₹ 73,800	₹ 15 = ₹ 27,000	₹ 46 = ₹ (82,800)	₹ 18,000
<b>Total</b>	<b>₹ 1,11,000</b>	<b>₹ 45,000</b>	<b>₹ 1,38,000</b>	<b>₹ 18,000</b>

**Note:** In case of issue at Premium, Nominal Value **only** should be shown in Amount Col.(3). Premium should be ignored in the above calculation.

### Illustration 5: Issue of Shares at Premium – Pro-rata allotment – Forfeiture and Reissue

Janakivallabh Co Limited issued 60,000 Equity Shares of ₹ 10 each at a premium of ₹ 2.50 per share payable on application. The amount payable on allotment was fixed at ₹ 4 per share and an equivalent sum of due on a call to be made.

Total applications received were for 1,10,000 Shares and after consulting the Stock Exchange, the following scheme of allotment was decided upon –

Category	A	B	C	Total
Grouping of shares	1 – 100	101 – 500	Above 500	
No. of applications received	1,200	175	5	1,380
No. of shares applied for	70,000	35,000	5,000	1,10,000
No. of shares allotted	42,000	14,000	4,000	60,000

It was decided that the excess amount received on applications would be utilized in payment of allotment money and surplus, if any, would be refunded to the applicants.

Hanuman, who was one of the applicants belonging to Category A and had applied for 100 shares, defaulted in payment of allotment money. Angadh, who belonged to Category C, and who had been allotted 800 shares failed to pay the call money. Their shares were forfeited after the respective calls were made, and re-issued as fully paid up for ₹ 8 and ₹ 6 per Share respectively.

Show the necessary Journal Entries in the books of the Company to record the transactions, with all necessary workings.

**Solution:**

#### 1. Analysis of Application Money received

(Total Amount Receivable per Share = Face Value + Premium = ₹ 10 + ₹ 2.50 = ₹ 12.50, Amount due on Allotment and Call = ₹ 4 + ₹ 4 = ₹ 8.00, Hence, amount due at Application Stage = ₹ 12.50 – ₹ 8.00 = ₹ 4.50. This includes ₹ 2.50 towards Premium, and the balance of ₹ 2.00 is taken towards Share Capital).

Category	Shares Applied (Nos)	Application money recd at ₹ 4.50 per Share	Shares Allotted (Nos)	Amt trfd to Share Cap. and Premium at ₹ 4.50 per Share	Excess Amt Received	Allotment Money due ₹ 4 per Share	Excess or (Shortage) on allotment
(1)	(2)	(3) = (2) × 4.50	(4)	(5) = (4) × 4.50	(6) = (3–5)	(7) = (4) × 4	(8) = (6) – (7)
A	70,000	3,15,000	42,000	1,89,000	1,26,000	1,68,000	(42,000)
B	35,000	1,57,500	14,000	63,000	94,500	56,000	38,500
C	5,000	22,500	4,000	18,000	4,500	16,000	(11,500)
<b>Total</b>	<b>1,10,000</b>	<b>4,95,000</b>	<b>60,000</b>	<b>2,70,000</b>	<b>2,25,000</b>	<b>2,40,000</b>	<b>NA</b>

**Note:** The excess on appropriating application money to allotment is assumed to be repaid.

#### 2. Analysis of Category A Shares Forfeited

Particulars	₹ / Nos.
(a) Number of Shares Applied by Hanuman (in Nos.)	100
(b) Number of Shares Allotted to Hanuman (Applied 100 × $\frac{\text{Total Allotment } 42,000}{\text{Total Applied } 70,000}$ )	60
(c) Excess amount received on application [(Applied 100 – Allotted 60) × Application Money ₹ 4.50)]	₹ 180
(d) Amount due on allotment [Allotment 60 Shares × Allotment Money ₹ 4]	₹ 240
(e) Amount due but not received [Excess Received ₹ 180 – Amount Due ₹ 240]	₹ 60

#### 3. Amount received at Allotment Stage

Particulars	₹
Amount receivable on Allotment = Category A ₹ 42,000 + Category C ₹ 11,500	53,500
<b>Less:</b> Amount not received from Hanuman in Category A (as per WN 2)	60
Balance amount received at Allotment Stage	53,440

#### 4. Analysis of Category C Shares Forfeited

Particulars	₹ / Nos.
Number of Shares allotted to Angadh – (given)	800
Amount due but not received on Call at ₹ 4 for 800 Shares (800 Shares × ₹ 4)	₹ 3,200

#### 5. Amount received at Call Stage

Particulars	₹
Call Money Due at ₹ 4 for 60,000 Shares	2,40,000
<b>Less:</b> Amount not received (Hanuman 60 Shares & Angadh 800 Shares) = 860 Shares × ₹ 4	3,440
Balance amount received at Call Stage	2,36,560

### 6. Total Amount Received from defaulting Shareholders

Particulars	₹
<b>Category A – Hanuman:</b>	
Amount received on Shares Allotted = 60 Shares at ₹ 2 (Application Money excluding Premium)	120
Amount received on Excess Shares Applied = 40 Shares (Not Allotted) at ₹ 4.50	180
	* 300
<b>Category C – Angadh:</b>	
Amount received on Shares Allotted = 800 Shares at ₹ 6 (₹ 2 on Application and ₹ 4 on Allotment)	4,800
<b>Total</b>	<b>5,100</b>

\* This amount of ₹ 300 can also be calculated as: [100 Shares applied × ₹ 4.50 on application = ₹ 450 Less Amount appropriated towards Securities Premium 60 Shares Allotted × ₹ 2.50 = ₹ 150, Net = ₹ 300]

### 7. Journal Entries

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Bank A/c To Equity Share Application A/c (Being Application Money received on 1,10,000 Shares at 4.50 per Share including ₹ 2.50 per Share on account of Securities Premium)	Dr. 4,95,000	4,95,000
2.	Equity Share Application A/c To Equity Share Capital A/c (60,000 × ₹ 2) To Securities Premium A/c (60,000 × ₹ 2.50) To Bank A/c (Refund as per WN 1) (Being application money on 60,000 Shares transferred to Share Capital A/c at ₹ 2 per share, to Securities Premium A/c at ₹ 2.50 per Share, Excess application money over and above due on allotment in Category B refunded to Sundry Shareholders vide Board's resolution No. .... dated ....)	Dr. 3,08,500	1,20,000 1,50,000 38,500
3.	Equity Share Allotment A/c To Equity Share Capital A/c (Being amount due on 60,000 Shares on allotment at ₹ 4 per Share, vide Board's Resolution No. .... dated ....)	Dr. 2,40,000	2,40,000
4.	Bank A/c (refer WN 4) Equity Share Application A/c (bal. in this a/c) Dr. (4,95,000 – 3,08,500) To Equity Share Allotment A/c (Amount received against allotment money due and adjustment of excess application money retained from allottees.)	Dr. 53,440 1,86,500	2,39,940
5.	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being Call Money made due on 60,000 Shares at ₹ 4 per Share)	Dr. 2,40,000	2,40,000
6.	Bank A/c (refer WN 5) To Equity Share First and Final Call A/c (Being Call Money received on 59,140 (i.e. 60,000–60–800) Shares at ₹ 4 per Share.)	Dr. 2,36,560	2,36,560
7.	Equity Share Capital A/c (860 × ₹ 10) To Equity Share Allotment A/c ( <b>WN 2</b> ) (Hanuman) To Equity Share First and Final Call A/c [(Hanuman 60 + Angadh 800) × ₹ 4] To Equity Shares Forfeited A/c ( <b>WN 6</b> ) (Amount received) (Being 60 Equity Shares allotted to Hanuman forfeited for non payment of allotment and Call Money, 800 Shares allotted to Angadh forfeited for non-payment of first and final call money vide Board's Resolution No..... dtd.....)	Dr. 8,600	60 3,440 5,100
8.	Bank A/c [(60 × ₹ 8) + (800 × ₹ 6)] Shares Forfeited A/c [(60 × ₹ 10–8) + 800 × ₹ (10–6)] To Equity Share Capital A/c (860 Shares × ₹ 10) (Being Forfeited Shares re-issued at ₹ 8 per Share on 60 Shares and ₹ 6 per Share on 800 Shares, loss of ₹ 3,320 (8,600 – 5,280) adjusted in Share Forfeited A/c)	Dr. 5,280 Dr. 3,320	8,600

S.No.	Particulars	Dr.(₹)	Cr.(₹)
9.	Share Forfeited A/c (5,100–3,320) To Capital Reserve A/c (Being balance in Equity Share Forfeited A/c, transferred to Capital Reserve)	Dr. 1,780	1,780

**8. Equity Share Application A/c**

Particulars	₹	Particulars	₹
To Equity Share Capital A/c (Capital transfer)	1,20,000	By Bank (Amounts received on Application)	4,95,000
To Securities Premium A/c (Transfer)	1,50,000		
To Bank A/c (Refund in Category B)	38,500		
To Equity Share Allotment (Surplus transfer)	<b>1,86,500</b>		
<b>Total</b>	<b>4,95,000</b>	<b>Total</b>	<b>4,95,000</b>

**9. Equity Share Allotment A/c**

Particulars	₹	Particulars	₹
To Equity Share Capital A/c (amount due on allotment)	2,40,000	By Equity Share Application (Surplus tfr recd)	1,86,500
		By Bank (Amount received on allotment)	53,440
		By Equity Share Capital (on Forfeiture)	60
<b>Total</b>	<b>2,40,000</b>	<b>Total</b>	<b>2,40,000</b>

**10. Equity Share First and Final Call A/c**

Particulars	₹	Particulars	₹
To Equity Share Capital A/c (Amount due on First and Final Call)	2,40,000	By Bank (Amount received)	2,36,560
		By Equity Share Capital (on Forfeiture)	3,440
<b>Total</b>	<b>2,40,000</b>	<b>Total</b>	<b>2,40,000</b>

**11. Equity Share Capital A/c**

Particulars	₹	Particulars	₹
To Sundries A/c (Forfeiture of 860 Shares)	8,600	By Equity Share Application A/c	1,20,000
		By Equity Share Allotment A/c	2,40,000
To balance c/d (balancing figure)	<b>6,00,000</b>	By Equity Share 1 <sup>st</sup> & Final Call A/c	2,40,000
		By Sundries A/c (Re-issue of 860 Shares)	8,600
<b>Total</b>	<b>6,08,600</b>	<b>Total</b>	<b>6,08,600</b>

**Verification of Closing Balance:** (Shares Issued – Forfeited + Reissued) = (60,000 – 860 + 860) = 60,000 Shares × ₹ 10 per Share Nominal Value = ₹ 6,00,000.

**12. Shares Forfeited A/c**

Particulars	₹	Particulars	₹
To Sundries A/c (Re-issue entry)	3,320	By Equity Share Capital – forfeiture entry	5,100
To Capital Reserve A/c	1,780		
<b>Total</b>	<b>5,100</b>	<b>Total</b>	<b>5,100</b>

**Note:** The above accounts are not required to be prepared in the question. They are listed here only for the purpose of clarification for the Journal Entries.

**Illustration 6: Accounting for Companies - Shares**

M 19

Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each.

The amount were payable as follows:

On application – ₹ 3 per share

On allotment – ₹ 5 per share

On first and final call – ₹ 2 per share.

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ ₹ 6 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

**Solution:****Journal Entries in the books of Bhagawati Ltd**

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Bank A/c ( $3,00,000 \times ₹ 3$ ) To Equity Share Application A/c (Being application moneys received from applicants of 3,00,000 Shares at ₹ 3)	Dr. 9,00,000	9,00,000
2.	Equity Share Application A/c ( $3,00,000 \times ₹ 3$ ) To Equity Share Capital A/c ( $2,00,000 \times ₹ 3$ ) To Equity Share Allotment A/c (Being application money pro rata transferred to Share Capital A/c for 2,00,000 shares at ₹ 3 per share. Excess application money over adjusted from allotment money due from Sundry Shareholders vide Board's resolution No. .... dated ....)	Dr. 9,00,000	6,00,000 3,00,000
3.	Equity Share Allotment A/c ( $2,00,000 \times ₹ 5$ ) To Equity Share Capital A/c (Being Call Money on 2,00,000 Shares due at ₹ 5 per share)	Dr. 10,00,000	10,00,000
4.	Bank A/c ( $₹ 10,00,000 - ₹ 3,00,000$ ) To Equity Share Allotment A/c (Being amounts received towards allotment from all allottees)	Dr. 7,00,000	7,00,000
5.	Equity Share First and Final Call A/c ( $2,00,000 \times ₹ 2$ ) To Equity Share Capital A/c (Being Call Money on 2,00,000 Shares due at ₹ 2 per share)	Dr. 4,00,000	4,00,000
6.	Bank A/c To Equity Share First and Final Call A/c (Being amount received on first call of ₹ 2 on 2,00,000 Shares except Mr.B for 3,000 Shares i.e. 1,97,000 Shares at ₹ 2)	Dr. 3,94,000	3,94,000
7.	Equity Share Capital ( $3,000 \times ₹ 10$ ) To Equity Share First and Final A/c (3,000 Shares $\times ₹ 2$ ) To Shares Forfeited A/c (3,000 Shares $\times ₹ 8$ ) (Being forfeiture of 2,000 Shares on which 1,200 Shares both calls due and 800 Shares final call due, as per Resolution No..... dated.....)	Dr. 30,000	6,000 24,000
8.	Bank A/c (2,500 Shares $\times ₹ 6$ ) Shares Forfeited A/c (2,500 Shares $\times (10-6)$ ) To Equity Share Capital (2,500 Shares $\times ₹ 10$ ) (Being re-issue of 2,500 Forfeited Shares at ₹ 6 per Share)	Dr. 15,000 Dr. 10,000	25,000
9.	Shares Forfeited A/c ( $2,500 \times (8-4) - ₹ 10,000$ ) To Capital Reserve A/c (Being Profit on Forfeiture of Equity Shares transferred to Capital Reserve)	Dr. 10,000	10,000

**Illustration 7: Multi-stage Forfeiture of Shares issued at Discount – Reissue of Part Shares**

N19

B Limited issued 50,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company.

**Solution:****Similar to Illustration 4, Page 11.14****1. Journal Entries in the books of B Ltd**

S.No.	Particulars	Dr.(₹)	Cr.(₹)
1.	Bank A/c ( $50,000 \times ₹ 3$ ) To Equity Share Application A/c (Being application moneys received from applicants of 50,000 Shares at ₹ 3)	Dr. 1,50,000	1,50,000

S.No.	Particulars	Dr.(₹)	Cr.(₹)
2.	Equity Share Application A/c ( $50,000 \times ₹ 3$ ) Equity Share Allotment A/c ( $50,000 \times ₹ 5$ ) To Securities Premium ( $50,000 \times 2$ ) To Equity Share Capital A/c (Being allotment of 50,000 Shares and transfer of application moneys, recording allotment moneys due at ₹ 5 per share including Securities Premium ₹ 2)	Dr. Dr.	1,50,000 2,50,000  1,00,000 3,00,000
3.	Bank A/c ( $49,000 \times 5$ ) To Equity Share Allotment A/c (Being amounts received towards allotment from all allottees except 1000 shares of X)	Dr.	2,45,000  2,45,000
4.	Equity Share Call A/c ( $50,000 \times ₹ 4$ ) To Equity Share Capital A/c (Being Call Money on 50,000 Shares due at ₹ 4 per share)	Dr.	2,00,000  2,00,000
5.	Bank A/c To Equity Share Call A/c (Being First Call moneys received except on 3,000 Shares at ₹ 4)	Dr.	1,88,000  1,88,000
6.	Equity Share Capital ( $3,000 \times ₹ 10$ called up) Securities Premium (Unpaid by Mr.X = $1,000 \times 2$ ) To Equity Share Allotment A/c To Equity Share Call A/c (1,200 Shares $\times ₹ 10$ ) To Shares Forfeited A/c ( $1,000 \times ₹ 3 + 2,000 \times (3+3)$ ) (Being forfeiture of 1,000 Shares for non-payment of Allotment of ₹ 5 and Call of ₹ 4 and Forfeiture of 2,000 shares for non-payment of Call of ₹ 4, as per Resolution No..... dated..... Securities Premium to the extent unpaid now reversed.)	Dr.	30,000 2,000  5,000 12,000 15,000
7	Bank A/c (2,500 Shares $\times ₹ 8$ received now) Shares Forfeited A/c [2,500 Shares $\times (₹ 10 (FV) - ₹ 8)$ (Recd now)] To Equity Share Capital (3,000 Shares $\times ₹ 10$ ) (Being re-issue of 3,000 Shares at ₹ 8 per Share)	Dr. Dr.	20,000 5,000  25,000
8.	Equity Shares Forfeited A/c (WN) To Capital Reserve A/c (Being balance in Shares Forfeited A/c transferred to Capital Reserve A/c)	Dr.	7,000  7,000

**Balance Sheet of B Limited as on 31<sup>st</sup> March**

Particulars as at 31 <sup>st</sup> March		Note	This Year	Prev. Yr
<b>I (1) EQUITY AND LIABILITIES:</b>				
<b>Shareholders' Funds:</b>				
(a) Share Capital	1	4,98,000		
(b) Reserves and Surplus	2	1,05,000		
<b>Total</b>			<b>6,03,000</b>	
<b>II (2) ASSETS</b>				
<b>Current Assets:</b>				
(a) Cash and Cash Equivalents	8	2,77,000		
<b>Total</b>			<b>18,94,700</b>	

**Note 1: Share Capital**

Particulars		This Year	Prev. Yr
<b>Authorised:</b>	.....Equity Shares of ..... each .....Preference Shares of ..... each		
<b>Issued :</b>	50,000 Equity Shares of ₹ 10 each	5,00,000	
<b>Subscribed &amp; Paid up:</b>	49,500 Equity Shares of ₹ 10 each	4,95,000	
<b>Add:</b>	Shares Forfeited ( 500 shares of ₹ 6 each)	3,000	
	<b>Total</b>	<b>4,98,000</b>	

(a) Reconciliation of No. of Shares Outstanding at the Beginning and at the end of the Reporting Period,

Particulars for the year ending	No. of Shares	Amount (₹)
Opening Balance (at beginning)	Nil	Nil
Add: Fresh Issue	50,000	5,00,000
Less: Shares Forfeited	(3,000)	(30,000)
Add: Shares Reissued	2,500	25,000
Closing balance (at end)	49,500	4,95,000

#### Note 2: Reserves and Surplus (showing appropriations and transfers) (all figures for this year)

Particulars	Opg. Bal.	Additions	Deductions	Ctg. Bal
Securities Premium	Nil	1,00,000	(2,000)	98,000
Surplus (P & L A/c)	Nil	7,000	Nil	7,000
<b>Total</b>	<b>Nil</b>	<b>1,07,000</b>	<b>(2,000)</b>	<b>1,05,000</b>

#### Note 3: Cash and Cash Equivalents

Particulars	This Year
Balances with Banks	
– Scheduled Banks (1,50,000+2,45,000+1,88,000+20,000)	6,03,000
<b>Total</b>	<b>6,03,000</b>

#### Working Notes:

##### 1. Verification of Capital Reserve on Re-issue

Stage (1)	Amt paid up before forfeiture (2)	Amt recd upon re-issue (3)	Nominal Value (4)	Surplus / (loss) = (5) = (2)+(3)-(4)
Allotment (X) – 1,000 Shares	₹ 3 = ₹ 3,000	₹ 8 = ₹ 8,000	₹ 10 = ₹ (10,000)	₹ 1,000
Call (Y) – 1,500 Shares	₹ 6 = ₹ 9,000	₹ 8 = ₹ 12,000	₹ 10 = ₹ (15,000)	₹ 6,000
<b>Total</b>	<b>₹ 12,000</b>	<b>₹ 20,000</b>	<b>(₹ 25,000)</b>	<b>₹ 7,000</b>

**Note:** In case of issue at Premium, Nominal Value **only** should be shown in Amount Col.(3). Premium should be ignored in the above calculation.

#### Illustration 8: Forfeiture and Reissue of Shares – various situations

Pass the Journal Entries in the following situations (each situation is independent of the other) –

- 300 Equity Shares of ₹ 10 each, originally issued at par, fully called-up, forfeited for non-payment of Final Call of ₹ 4 each. These were re-issued as fully paid at ₹ 5 per Share.
- 200 Equity Shares of ₹ 10 each, originally issued at par, ₹ 8 called-up, forfeited for non-payment of First Call of ₹ 2 each. These were re-issued at ₹ 5 per Share, ₹ 8 called-up.
- 300 Equity Shares of ₹ 10 each, originally issued at 30% premium, ₹ 8 called-up, forfeited for non-payment of First Call of ₹ 2 each. The Shareholder had already paid application and allotment money incl. premium. Subsequently, 100 Shares out of these Forfeited Shares were re-issued at ₹ 6 per Share, as fully paid-up.
- 300 Equity Shares of ₹ 10 each, originally issued at 30% premium, ₹ 8 called-up, forfeited for non-payment of 1<sup>st</sup> Call of ₹ 3 each and ₹ 5 on allotment (including premium). The Shareholder had paid application money ₹ 3 per Share. Later, 200 Shares out of these Forfeited Shares were re-issued at ₹ 12 per share, fully paid-up.

#### Solution:

##### Journal Entries

	Particulars	Dr.	Cr.
1. (a) Forfeiture:	Equity Share Capital A/c (300 Shares × ₹ 10) Dr. To Equity Share Final Call A/c (300 Shares × ₹ 4) To Equity Shares Forfeited A/c (Amount received at ₹ 6 per Share) (Being 300 Shares of ₹ 10 each, originally issued at par, fully called-up, forfeited for non-payment of Final Call of ₹ 4 vide Board's Resolution No..... dtd.....)	3,000	1,200 1,800

	Particulars	Dr.	Cr.
	<b>(b) Re-Issue:</b> Bank A/c (300 Shares × ₹ 5) Dr. Equity Shares Forfeited A/c (bal.fig. ₹ 5 per Share) Dr. To Equity Share Capital A/c (300 Shares × ₹ 10) (Being re-issue of 300 Shares at ₹ 5 per share, as ₹ 10 paid-up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No..... dtd.....)	1,500 1,500	3,000
	<b>(c) Gain Transfer to Capital Reserve:</b> Equity Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 1,800, less Loss on Re-issue ₹ 1,500 = Net Gain ₹ 300)	300	300
2.	<b>(a) Forfeiture:</b> Equity Share Capital A/c (200 Shares × ₹ 8) Dr. To Equity Share First Call A/c (200 Shares × ₹ 2) To Equity Shares Forfeited A/c (Amount received at ₹ 6 per Share) (Being 200 Shares of ₹ 10 each, originally issued at par, ₹ 8 called-up, forfeited for non-payment of First Call of ₹ 2 vide Board's Resolution No..... dtd.....)	1,600	400 1,200
	<b>(b) Re-Issue:</b> Bank A/c (200 Shares × ₹ 5) Dr. Equity Shares Forfeited A/c (bal.fig. ₹ 3 per Share) Dr. To Equity Share Capital A/c (200 Shares × ₹ 8) (Being re-issue of 200 Shares at ₹ 5 per share, as ₹ 8 paid-up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No..... dtd.....)	1,000 600	1,600
	<b>(c) Gain Transfer to Capital Reserve:</b> Equity Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 1,200, less Loss on Re-issue ₹ 600 = Net Gain ₹ 600)	600	600
3.	<b>(a) Forfeiture:</b> Equity Share Capital A/c (300 Shares × ₹ 8) Dr. To Equity Share First Call A/c (300 Shares × ₹ 2) To Equity Shares Forfeited A/c (Amount recd excl premium 8–2 = 6 per Share) (Being 300 Shares of ₹ 10 each, issued at 30% premium, ₹ 8 called-up, forfeited for non-payment of First Call of ₹ 2 vide Board's Resln No..... dt....)	2,400	600 1,800
	<b>(b) Re-Issue:</b> Bank A/c (100 Shares × ₹ 6) Dr. Equity Shares Forfeited A/c (bal.fig. ₹ 4 per Share) Dr. To Equity Share Capital A/c (100 Shares × ₹ 10) (Being re-issue of 100 Shares at ₹ 6 each, as ₹ 10 paid-up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No..... dtd.....)	600 400	1,000
	<b>(c) Gain Transfer to Capital Reserve:</b> Equity Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 1,800 × 100/300 = ₹ 600, less Loss on Re-issue ₹ 400 = Net Gain ₹ 200) <b>Note:</b> In this case, the balance amount in Shares Forfeited A/c = 1800 – 600 = ₹ 1,200.	200	200
4.	<b>(a) Forfeiture:</b> Equity Share Capital A/c (300 Shares × ₹ 8) Dr. Securities Premium A/c (300 Shares × ₹ 3) Dr. To Equity Share Allotment A/c (300 Shares × ₹ 5)	2,400 900	1,500

	<b>Particulars</b>	<b>Dr.</b>	<b>Cr.</b>
	To Equity Share First Call A/c (300 Shares × ₹ 3) To Equity Shares Forfeited A/c (Amount recd on appln = ₹ 3 per Share) (Being 300 Shares of ₹ 10 each, issued at 30% premium, ₹ 8 called-up, forfeited for non-payment of Allotment and First Call vide Board's Resln No..... dt....)		900 900
<b>(b) Re-Issue:</b>			
	Bank A/c (200 Shares × ₹ 12) Dr. To Equity Share Capital A/c (200 Shares × ₹ 10) To Securities Premium A/c (200 Shares × ₹ 2, new premium) (Being re-issue of 200 Shares at ₹ 12 each, as ₹ 10 fully paid-up, excess amount over Face Value transferred to Securities Premium A/c vide Board's Resolution No..... dtd....)	2,400	2,000 400
<b>(c) Gain Transfer to Capital Reserve:</b>			
	Equity Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 900 × 200/300 = ₹ 600, less Loss on Re-issue Nil = Net Gain ₹ 600) <b>Note:</b> In this case, the balance amount in Shares Forfeited A/c = 900 – 600 = ₹ 300.	600	600

#### Illustration 9: Company Accounts – Accounting for Forfeiture of Shares

N 18

Give necessary Journal Entries for the Forfeiture and Re-Issue of Shares:

1. X Ltd forfeited 300 Shares of ₹ 10 each fully called-up, held by Ramesh for non-payment of Allotment Money of ₹ 3 per Share and final call of ₹ 4 per Share. He paid the Application Money of ₹ 3 per Share. These Shares were re-issued to Suresh for ₹ 8 per Share.
2. X Ltd forfeited 200 Shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid Application and Allotment Money of ₹ 5 per Share. Out of these, 150 Shares are re-issued to Mahesh as fully paid up for ₹ 6 per Share.
3. X Ltd forfeited 100 Shares of ₹ 10 each (₹ 6 called up) issued at a Discount of 10% to Dimple on which she paid ₹ 2 per Share. Out of these, 80 Shares were re-issued to Simple at ₹ 8 per Share and called up for ₹ 6 per Share.

**Solution:**

	<b>Particulars</b>	<b>Dr.</b>	<b>Cr.</b>
<b>1. (a) Forfeiture:</b>			
	Equity Share Capital A/c (300 Shares × ₹ 10) Dr. To Equity Share Final Call A/c (300 Shares × ₹ 4) To Equity Share Allotment A/c (300 Shares × ₹ 3) To Equity Shares Forfeited A/c (Amount received at ₹ 3 per Share) (Being 300 Shares of ₹ 10 each, originally issued at par, fully called-up, forfeited for non-payment of Allotment Money of ₹ 3 and Final Call of ₹ 4 vide Board's Resolution No..... dtd....)	3,000 1,200 900 900	
<b>(b) Re-Issue:</b>			
	Bank A/c (300 Shares × ₹ 8) Dr. Equity Shares Forfeited A/c (bal.fig. ₹ 2 per Share) Dr. To Equity Share Capital A/c (300 Shares × ₹ 10) (Being re-issue of 300 Shares at ₹ 8 per share, as ₹ 10 paid-up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No..... dtd....)	2,400 600 3,000	
<b>(c) Gain Transfer to Capital Reserve:</b>			
	Equity Shares Forfeited A/c Dr. To Capital Reserve A/c (Being Gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 900 Less Loss on Re-issue ₹ 600 = Net Gain ₹ 300)	300	300

	Particulars	Dr.	Cr.
<b>2.</b>	<b>(a) Forfeiture:</b> Equity Share Capital A/c (200 Shares × ₹ 7) Dr. To Equity Share First Call A/c (200 Shares × ₹ 2) To Equity Shares Forfeited A/c (Amount received at ₹ 5 per Share) (Being 200 Shares of ₹ 10 each, originally issued at par, ₹ 7 called-up, forfeited for non-payment of First Call of ₹ 2 vide Board's Resolution No..... dtd.....)	1,400    	400    1,000
	<b>(b) Re-Issue:</b> Bank A/c (150 Shares × ₹ 6) Dr. Equity Shares Forfeited A/c (bal.fig. ₹ 4 per Share) Dr. To Equity Share Capital A/c (150 Shares × ₹ 10) (Being re-issue of 150 Shares at ₹ 6 per share, as fully paid-up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No..... dtd.....)	900    	600    1,500
	<b>(c) Gain Transfer to Capital Reserve:</b> Equity Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 4 per Share, less Loss on Re-issue ₹ 5 per Share = Net Gain ₹ 1 per Share × 150 Shares = ₹ 150) <b>Note:</b> In this case, the balance amount in Shares Forfeited A/c = 600 – 150 = ₹ 450.	150    	150    
<b>3.</b>	<b>(a) Forfeiture:</b> Equity Share Capital A/c (100 Shares × ₹ 6) Dr. To Discount on Issue of Shares A/c (100 Shares × ₹ 1) To Equity Share First Call A/c (100 Shares × ₹ 3) To Equity Shares Forfeited A/c (Amount recd ₹ 2 per Share) (Being 100 Shares of ₹ 10 each, issued at 10% Discount, ₹ 6 called-up, forfeited for non-payment of First Call of ₹ 4 vide Board's Resln No..... dt....)	600     	100     300    200
	<b>(b) Re-Issue:</b> Bank A/c (80 Shares × ₹ 8) Dr. To Equity Share Capital A/c (80 Shares × ₹ 6) To Securities Premium A/c (80 Shares × ₹ 2) (Being re-issue of 80 Shares at ₹ 8 each, as ₹ 6 paid-up, balance transferred to Securities Premium A/c, vide Board's Resolution No..... dtd.....)	640     	480     160
	<b>(c) Gain Transfer to Capital Reserve:</b> Equity Shares Forfeited A/c (80 Shares × ₹ 2) Dr. To Capital Reserve A/c (Being gain on re-issue transferred to Capital Reserve, Amt forfeited ₹ 2 per Share × 80 = ₹ 160) <b>Note:</b> In this case, the balance amount in Shares Forfeited A/c = 200 – 160 = ₹ 40.	160     	160     

State with reasons, whether the following Statements are True or False:

Statements	T/F	Reasoning
Since company had existence independent of its members, it continues to be in existence despite the death, insolvency or change of members. [N19]	True	A Company is a separate legal entity which has perpetual existence irrespective of death, insolvency or change in members