



Q3. Software solution India Ltd inviting application for 20,000 equity share of Rs.100 each, payable Rs.40 on application, Rs.30 on allotment and Rs.30 on call. The company received applications for 32,000 shares.

Application for 2,000 shares were rejected and money returned to Applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 share allotted half of the number of share applied and excess application money adjusted into allotment. All money received due on allotment and call. Prepare journal and cash book.

Solution:

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Equity Share Application A/c Dr To Equity Share Capital A/c (20,000×40) To Equity Share Allotment A/c (10,000×30) (Being application money transferred to equity share capital for 20,000 shares @ ₹ 40 and ₹3,00,000 is adjusted towards allotment)		11,00,000	8,00,000 3,00,000
(ii)	Equity Share Allotment A/c Dr To Equity Share Capital A/c (20,000×30) (Being equity share allotment money due on 20,000 @ ₹ 30 per share)		6,00,000	600,000
(iii)	Equity Share First and Final Call A/c Dr To Equity Share Capital A/c (20,000×30) (Being equity share on first and final call due on 20,000 @ ₹ 30 per share)		6,00,000	600,000

Dr		Cash Book (Bank Column)				Cr	
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)
	To Equity Share Application		12,80,000		By Equity Share Application (80,000 + 1,00,000)		1,80,000
	To Equity Share Allotment		3,00,000		By Balance c/d		20,00,000
	To Equity Share First and Final Call		6,00,000				
			21,80,000				21,80,000

Note Entries related to money received against application, allotment and call are directly taken in cash book.

Working Note

Applications received for 32,000 shares @ 40 each	12,80,000
Application for 2,000 shares rejected and amount (2,000 × 40) refunded	(80,000)
	12,00,000
10,000 shares allotted in full and amount transferred to share capital (10,000 × 40)	(4,00,000)
	8,00,000
20 shares allotted 10 shares hence amount for 10,000 shares adjusted to share capital (10,000 × 40) and excess 10,000 shares @ ₹ 30 taken as allotment advance remaining ₹ 10 refunded for excess 10,000 shares	(4,00,000)
	(3,00,000)
	(1,00,000)
	×
Total refund (80,000 + 1,00,000) = ₹ 1,80,000	
Total amount due on allotment (20,000 share @ 30)	6,00,000
(-) Amount received on application	(3,00,000)
Amount to be received on allotment	3,00,000

Adjustment Table

Categor-ies	Shares Applicat-ion	Stores Allotted	Application Money Received	Applica-tion Money due	Excess	Excess Adjusted in		
						Allotment	Calls	Return
(i)	2,000	—	80,000	—	80,000			80,000
(ii)	10,000	10,000	4,00,000	4,00,000	—	—	—	
(iii)	20,000	10,000	8,00,000	4,00,000	4,00,000	3,00,000		1,00,000
	32,000	20,000	12,80,000	8,00,000	4,80,000	3,00,000		1,80,000

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