



Q7. Eastern Company Limited, having an authorised capital of Rs.10,00,000 in shares of Rs.10 each, issued 50,000 shares at a premium of Rs.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 and when required.	3 per share

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

- Applicants for 40,000 shares received shares, in full.
- Applicants for 15,000 shares received an allotment of 8,000 shares.
- Applicants for 500 shares received 200 shares on allotment, excess money being returned.

All amounts due on allotment were received. The first call was duly made and the money was received with the exception of the call due on 100 shares.

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

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c Dr To Share Capital A/c (50,000×3) To Share Allotment A/c (Working Note) (Being share application money for 50,000 shares transferred to share capital account and the excess money transferred to share allotment account)		1,80,000	1,50,000 30,000
(ii)	Share Allotment A/c (50,000×5) Dr To Share Capital A/c (50,000×2) To Share Premium A/c (50,000×3) (Being allotment money due on 50,000 share @ ₹ 5 per share including ₹ 3 security premium)		2,50,000	1,00,000 1,50,000
(iii)	Share First Call A/c Dr To Share Capital A/c (Being first call due on 50,000 share @ ₹ 3 per share)		1,50,000	1,50,000
(iv)	Arrear on First Call A/c (100 × 3) Dr To Share First Call A/c (Being call-in-arrears on 100 share @ ₹ 3 per share)		300	300

Dr

Cash Book (Bank Column)

Cr

Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)
	To Share Application (60,000×3)		1,80,000				
	To Share Allotment (Working Note)		2,20,000		By Balance c/d		5,49,700
	To Share First Call (49,900×3)		1,49,700				
			<u>5,49,700</u>				<u>5,49,700</u>

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Share Capital		Current Assets	
Authorised Capital		Cash at Bank	5,49,700
Issue and Subscribed Capital			
Called-up and Paid-up			
50,000 shares of ₹ 10 each			
₹ 8 Called-up	4,00,000		
(-) Share First Call (Calls-in-Arrears)	(300)		
	<u>3,99,700</u>		
Reserve and Surplus			
Securities Premium	1,50,000		
	<u>5,49,700</u>		<u>5,49,700</u>

Note In category C, 500 and 200 shares should be read as 5,000 and 2,000.

Working Note

(i) Amount Transferred to Share Capital on Application

Category A $40,000 \times 3 = 1,20,000$
 Category B $8,000 \times 3 = 24,000$
 Category C $2,000 \times 3 = 6,000$
₹ 1,50,000

(ii) Amount Transferred to Share Allotment on Application

Category B excess shares $7,000 \times 3 = 21,000$
 Category C excess shares $3,000 \times 3 = 9,000$
₹ 30,000

(iii) Amount Received on Allotment

	Due	Advance	Received
Category A	$40,000 \times 5$ ₹ 2,00,000	—	2,00,000
Category B	$8,000 \times 5$ ₹ 40,000	21,000	19,000
Category C	$2,000 \times 5$ ₹ 10,000	9,000	<u>1,000</u> <u>₹ 2,20,000</u>

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