



Q18. The Orient Company Limited offered for public subscription 20,000 equity shares of Rs.10 each at a premium of 10% payable at Rs.2 on application; Rs.4 on allotment including premium; Rs.3 on First Call and Rs.2 on Second and Final call. Applications for 26,000 shares were received. Applications for 4,000 shares were rejected. Pro-rata allotment was made to the remaining applicants. Both the calls were made and all the money were received except the final call on 500 shares which were forfeited. 300 of the forfeited shares were later on issued as fully paid at Rs.9 per share. Give journal entries and prepare the balance sheet

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (26,000 × 2) Dr To Share Application A/c (Being share application money received for 26,000 shares @ ₹ 2 per share)		52,000	52,000
(ii)	Share Application A/c Dr To Share Capital A/c (20,000 × 2) To Share Allotment A/c (2,000 × 2) To Bank A/c (4,000 × 2) (Being application money @ ₹ 2 per share of 20,000 shares transferred to share capital account and money of 4,000 shares returned, remaining to share allotment)		52,000	40,000 4,000 8,000
(iii)	Share Allotment A/c Dr To Share Capital A/c (20,000 × 3) To Share Premium A/c (20,000 × 1) (Being share allotment money due on 20,000 shares @ ₹ 4 per share including ₹ 1 securities premium)		80,000	60,000 20,000
(iv)	Bank A/c (80,000 – 4,000) Dr To Share Allotment A/c (Being share allotment money received for all the shares after adjustment of money transferred from share application)		76,000	76,000
(v)	Share First Call A/c Dr To Share Capital A/c (20,000 × 3) (Being share first call money due on 20,000 share @ ₹ 2 per share)		60,000	60,000
(vi)	Bank A/c (20,000 × 3) Dr To Share First Call A/c (Being share first call received for 20,000 shares @ ₹ 2 per share)		60,000	60,000
(vii)	Share Second and Final Call A/c Dr To Share Capital A/c (20,000 × 2) (Being share second and final call money due on 20,000 shares @ ₹ 2 per share)		40,000	40,000

Date	Particulars	LF	Amt.s (Dr)	Amt. (Cr)
(viii)	Bank A/c (19,500 × 2) Dr To Share Second and Final Call A/c (Being share second and final call money received for 19,500 shares @ ₹ per share and 500 shares failed to pay)		39,000	39,000
(ix)	Share Capital A/c (500 × 10) Dr To Share Second and Final Call A/c (500 × 2) To Share Forfeiture A/c (500 × 8) (Being 500 shares of ₹ 10 per share fully called-up forfeited for non-payment of second and final call Rs. 2 per share)		5,000	1,000 4,000
(x)	Bank A/c (300 × 9) Dr Share Forfeiture A/c (300 × 1) Dr To Share Capital A/c (300 × 10) (Being 300 shares @ ₹ 10 each reissued for ₹ 9 per share fully paid-up)		2,700 300	3,000
(xi)	Share Forfeiture A/c (Working Note) Dr To Capital Reserve A/c (Being balance of 300 shares in share forfeiture account transferred to capital reserve account, after adjustment)		2,100	2,100

Working Note

Calculation of Capital Reserve

Money transferred to share forfeiture against forfeiture of 300 shares (300 × 8)	2,400
(–) Money adjusted on reissue of 300 shares from forfeiture account (300 × 1)	300
Amount transferred to Capital Reserve	<u>₹ 2,100</u>

***** END *****