



Q19. Alfa Limited invited applications for 4,00,000 of its equity shares of Rs.10 each on the following terms :

	(₹)
Payable on Application	5 per share
Payable on Allotment	3 per share
Payable on First and Final Call	2 per share

Applications for 5,00,000 shares were received. It was decided :

- to refuse allotment to the applicants for 20,000 shares;
- to allot in full to applicants for 80,000 shares;
- to allot the balance of the available shares' pro-rata among the other applicants; and
- to utilise excess application money in part as payment of allotment money.

One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due on allotment and on the call, and his 400 shares were forfeited.

The shares were reissued @ Rs.9 per share. Show the journal and prepare Cash book to record the above .

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c (5,00,000 × 5) To Share Capital A/c (4,00,000 × 5) To Share Allotment A/c (Being share application money adjusted)	Dr	25,00,000	20,00,000 5,00,000
(ii)	Share Allotment A/c To Share Capital A/c (Being share allotment money due)	Dr	12,00,000	12,00,000
(iii)	Share First and Final Call A/c To Share Capital A/c (Being share first and final call due)	Dr	8,00,000	8,00,000
(iv)	Share Capital A/c To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Being 400 shares forfeited)	Dr	4,000	700 800 2,500
(v)	Share Forfeiture A/c To Share Capital A/c (Being share reissued and loss on issue charged from share forfeiture account)	Dr	400	400
(vi)	Share Forfeiture A/c (2,500 – 400) To Capital Reserve A/c (Being share forfeiture account transferred to capital reserve account)	Dr	2,100	2,100

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Share Application A/c (5,00,000 × 5) To Share Capital A/c (4,00,000 × 5) To Share Allotment A/c (Being share application money adjusted)	Dr	25,00,000	20,00,000 5,00,000
(ii)	Share Allotment A/c To Share Capital A/c (Being share allotment money due)	Dr	12,00,000	12,00,000
(iii)	Share First and Final Call A/c To Share Capital A/c (Being share first and final call due)	Dr	8,00,000	8,00,000
(iv)	Share Capital A/c To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Being 400 shares forfeited)	Dr	4,000	700 800 2,500
(v)	Share Forfeiture A/c To Share Capital A/c (Being share reissued and loss on issue charged from share forfeiture account)	Dr	400	400
(vi)	Share Forfeiture A/c (2,500 – 400) To Capital Reserve A/c (Being share forfeiture account transferred to capital reserve account)	Dr	2,100	2,100

Dr				Cr			
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)
	To Share Application (5,00,000 × 5)		25,00,000		By Shares Allotment		1,00,000
	To Share Allotment (Working note iii)		7,99,300		By Balance B/d		40,02,100
	To Share First and Final Call (Working note i)		7,99,200				
	To Share Capital (400 × 9)		3,600				
			41,02,100				41,02,100

Working Note**(i) Calculation of Amount Received on Allotment**

Money received on application (5,00,000 × 5)	= 25,00,000
(-) Money transferred to capital (4,00,000 × 5)	= (20,00,000)
	<u>5,00,000</u>
(-) Money refunded for shares rejected (20,000 × 5)	(1,00,000)
Amount to be taken as allotment advance	<u>4,00,000</u>

(ii) Amount of Arrear on Allotment for 400 Shares Unpaid

Shares applied = $\frac{4,00,000}{3,20,000} \times 400$	= 500 shares
Money received on application from applicant (500 × 5)	= 2,500
(-) Money transferred to share capital (400 × 5)	= (2,000)
Taken as allotment advance	<u>(500)</u>
Amount due on allotment for 400 shares (400 × 3)	= 1,200
(-) Money received on application as advance	= (500)
Arrear on 400 shares on allotment	<u>700</u>

(iii) Calculation for Money Received on Allotment

Money due on allotment (4,00,000 × 3)	= 12,00,000
(-) Received as advance on application	= (4,00,000)
Money to be received on allotment	<u>8,00,000</u>
(-) Arrear of 400 shares to be forfeited	(700)
Net amount received on allotment	<u>7,99,300</u>

(iv) Calculation of Money Received on First Call

Money due (4,00,000 × 2)	= 8,00,000
(-) Amount of arrear (400 × 2)	= (800)
Net amount received on final call	<u>7,99,200</u>

***** END *****