



Question 4. Discuss the process for the allotment of shares of a company in case of over subscription.

Answer: When shares are issued to the public for subscription through the prospectus by well managed and financially strong companies, it may happen that the total number of applications received for shares exceeds the number of shares offered by the company to the public, such situation is called the situation of over-subscription. A company can opt for any of the three alternatives to allot shares in case of over-subscription of shares.

(i) Excess Applications are Refused and Money received on Excess Applications is Returned to the Applicants

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Bank A/c (Being excess share application money refunded)			

(ii) If the Applicant are made Partially Allotment (or Pro-rata Basis)

In case of over-subscription, when a company allots shares rateable to all the applicants, it is called as pro-rata allotment. In such a case, the main problem is what to do with the excess amount received on application. Practically, it will be quite irrational to refund the excess money first and then ask the allottee applicants to pay the allotment money.

In practice, generally excess application money receive on these shares is adjusted towards the amount due on allotment or call. For this purpose the entry is made as follows

Pro-rata and Refund of Money In case of over-subscription, the director can adopt a combination of the above two alternatives i.e., they can accept full allotment to some applications, a pro-rata allotment to others and no allotment to the rest.

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Allotment A/c (Being excess share application money transferred to share allotment account)			

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Allotment A/c To Bank A/c (Being application money transferred to share capital account and excess share application money transferred to share allotment account and rest money is refund)			

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