



Q14. Raunak Cotton Ltd. issued a prospectus inviting applications for 6,000 equity shares of Rs.100 each at a premium of Rs.20 per shares, payable as follows:

	(₹)
On Application	20
On Allotment	50 (including premium)
On First Call	30
On Final Call	20

Applications were received for 10,000 shares and allotment was made Pro-rata to the applicants of 8,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted toward the amount due on allotment. Rohit, to whom 300 shares were allotted failed to pay allotment and calls money, his shares were forfeited. Itika, who applied for 600 shares, failed to pay the two calls and her share were also forfeited. All these shares were sold to Kartika as fully paid for Rs.80 per shares. Give journal entries in the books of the company

**Answer**

#### Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (10,000 × 20) To Share Application A/c (Being shares application money received on 10,000 shares)	Dr	2,00,000	2,00,000
(ii)	Share Application A/c To Share Capital A/c (6,000 × 20) To Share Allotment A/c (2,000 × 20) To Bank A/c (2,000 × 20) (Being share application money adjusted)	Dr	2,00,000	1,20,000 40,000 40,000
(iii)	Share Allotment A/c To Share Capital A/c (6,000 × 30) To Share Premium A/c (6,000 × 20) (Being share allotment money due)	Dr	3,00,000	1,80,000 1,20,000
(iv)	Calls-in-Arrears A/c (Working Note) Bank A/c To Share Allotment A/c (Being share allotment money received except 300 shares)	Dr Dr	13,000 2,47,000	2,60,000
(v)	Share First Call A/c To Share Capital A/c (6,000 × 30) (Being share first call money due)	Dr	1,80,000	1,80,000
(vi)	Bank A/c Calls-in-Arrears A/c (750 × 30) To Share First Call A/c (Being share first call money received except 750 (300 + 450 shares))	Dr Dr	1,57,500 22,500	1,80,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(vii)	Share Final Call A/c To Share Capital A/c (6,000×20) (Being share final call money is due )	Dr	1,20,000	1,20,000
(viii)	Call-in-Arrear A/c (750×20) Bank A/c (5,250×20) To Share Final Call A/c (Being share final call money received except 750 shares)	Dr Dr	15,000 1,05,000	1,20,000
(ix)	Share Capital A/c (750 × 100) Share Premium A/c (300 × 20) To Calls-in-Arrears A/c (Working note) To Share Forfeiture A/c (Being 750 shares were forfeited)	Dr Dr	75,000 6,000	50,500 30,500
(x)	Bank A/c (750×80) Share Forfeiture A/c (750×20) To Share Capital A/c (Being forfeited shares reissued @ 80 per share )	Dr Dr	60,000 15,000	75,000
(xi)	Share Forfeiture A/c To Capital Reserve A/c (working Note) (Being share forfeiture account transferred capital reserve)	Dr	15,500	15,500

### Working Note

Calculation of shares applied by Rohit

$$= \frac{\text{Total number of shares applied}}{\text{Total number of shares allotted}} \times \text{Shares allotted to applicant}$$

$$= \frac{8,000}{6,000} \times 300 = 400 \text{ shares applied}$$

Calculation of shares allotted to Itika

$$= \frac{\text{Total number of shares allotted}}{\text{Total number of shares applied}} \times \text{Shares applied by applicant}$$

$$= \frac{6,000}{8,000} \times 600 = 450 \text{ shares allotted}$$

Treatment of Amount Received from Rohit and his Arrears	Amt. (₹)
Amount received on application (400 × 20)	8,000
(-) Adjusted to share capital (300 × 20)	
Advance for allotment	6,000
	2,000

Amount due on Allotment (300 × 50)	15,000
(-) Advance received Arrear on Allotment	2,000
	<u>13,000</u>
Amount due on First Call (300 × 30)	
full amounts becomes Arrear on First Call	9,000
	<u>9,000</u>
Amount due on Final Call (300 × 20) full amount becomes Arrear on Final Call	6,000
	<u>6,000</u>

**Treatment of Amount as Arrear from Itika**

Amount due on First Call (450 × 30)	
full amount becomes Arrear on First Call	13,500
	<u>13,500</u>
Amount due on Final Call (450 × 20)	
full amount becomes Arrear on Final Call	9,000
	<u>9,000</u>

Arrears	Allotment	First Call	Final Call	
Rohit	13,000	9,000	6,000	
Itika	-	13,500	9,000	
<b>Total</b>	13,000 (+)	22,500 (+)	15,000	<u>= 50,500</u>

**Capital Reserve**

Amount transferred to forfeiture for 750 Shares	30,500
(-) Amount adjusted on reissue of 750 Shares	<u>(15,000)</u>
Amount transferred to Capital Reserve	<u>15,500</u>

**Amount Transferred to Forfeiture Account**

	(₹)
Rohit	8,000
Itika (12,000 + 10,500)	<u>22,500</u>
	<u>30,500</u>

**Note** Amount received as premium is not taken.

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