



Q16. Prince Limited issued a prospectus inviting applications for 2,00,000 equity shares of Rs.10 each at a premium of Rs.3 per share payable as follows :

	(₹)
With Application	2
On Allotment (including premium)	5
On First Call	3
On Second Call	3

Applications were received for 30,000 shares and allotment was made on prorata basis. Money overpaid on applications was adjusted to the amount due on allotment.

Mr. 'Mohit' whom 400 shares were allotted, failed to pay the allotment money and the first call, and her shares were forfeited after the first call. Mr. 'Joly', whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited. Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs.9 per share, the whole of Mr. Mohit's shares being included. Record journal entries in the books of the Company and prepare the Balance Sheet.

#### Answer

##### Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (3,00,000 × 2) Dr To Share Application A/c (Being share application money received for 3,00,000 shares @ ₹ 2 per share)		6,00,000	6,00,000
(ii)	Share Application A/c Dr To Share Capital A/c (2,00,000 × 2) To Share Allotment A/c (1,00,000 × 2) (Being application money of 2,00,000 shares @ ₹ 2 per share transferred to share capital and the balance adjusted on allotment)		6,00,000	4,00,000 2,00,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(iii)	Share Allotment A/c Dr To Share Capital A/c (2,00,000 × 2) To Securities Premium A/c (2,00,000 × 3) (Being allotment money due on 2,00,000 shares @ ₹ 5 per share including ₹ 3 securities premium)		10,00,000	4,00,000 6,00,000
(iv)	Bank A/c (Working Note i) Dr To Share Allotment A/c (Being allotment money received on 2,99,600 shares and 400 shares failed to pay)		7,98,400	7,98,400
(v)	Share First Call A/c Dr To Share Capital A/c (2,00,000 × 3) (Being share first call due on 2,00,000 share @ ₹ 3 per share)		6,00,000	6,00,000
(vi)	Bank A/c (1,99,000 × 3) Dr To Share First Call A/c (Being first call money received except 1,000 (400 + 600) shares of Mohit and Joly respectively)		5,97,000	5,97,000
(vii)	Share Capital A/c (7 × 400) Dr Share Premium A/c (3 × 400) Dr To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (Working Note ii) (Being 400 shares forfeited after first call)		2,800 1,200	1,600 1,200 1,200
(viii)	Share Final Call A/c Dr To Share Capital A/c (1,99,600 × 3) (Being final call money due on 1,99,600 shares @ ₹ 3 per share)		5,98,800	5,98,800
(ix)	Bank A/c (1,99,000 × 3) Dr To Share Second and Final Call A/c (Being second and final call money received except 600 shares)		5,97,000	5,97,000
(x)	Share Capital A/c (600 × 10) Dr To Share First Call A/c (600 × 3) To Share Second and Final Call A/c (600 × 3) To Share Forfeiture A/c (600 × 4) (Being 600 share forfeited)		6,000	1,800 1,800 2,400

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(xi)	Bank A/c (800 × 9) Dr Share Forfeiture A/c (800 × 1) Dr To Share Capital A/c (Being share reissued))		7,200 800	8,000
(xii)	Share Forfeiture A/c Dr To Capital Reserve A/c (Working Note iii) (Being balance of share forfeiture account transfered to capital reserve account)		2,000	2,000

**Working Note****(i) Mohits Arrear on Allotment**

Shares applied by Mohit = $\frac{3,00,000}{2,00,000} \times 400$	= 600 shares
Amount received on application $600 \times 2$	= ₹ 1,200
(-) Amount transferred to capital on application $400 \times 2$	= ( 800)
Advance of allotment received on applicaiton	= ₹ 400
Mohit's money due on allotment $400 \times 5$	= 2,000
(-) Amount advance on application for allotment = 400	
Mohit's arrear on allotment	= 1,600
Total amount due on allotment	= 10,00,000
(-) Received on application as advance	= (2,00,000)
	8,00,000
(-) Mohit' arrear	(1,600)
Money received on allotment	<u>₹ 7,98,400</u>

**Working Note****(i) Mohits Arrear on Allotment**

Shares applied by Mohit = $\frac{3,00,000}{2,00,000} \times 400$	= 600 shares
Amount received on application $600 \times 2$	= ₹ 1,200
(-) Amount transferred to capital on application $400 \times 2$	= ( 800)
Advance of allotment received on applicaiton	= ₹ 400
Mohit's money due on allotment $400 \times 5$	= 2,000
(-) Amount advance on application for allotment = 400	
Mohit's arrear on allotment	= 1,600
Total amount due on allotment	= 10,00,000
(-) Received on application as advance	= (2,00,000)
	8,00,000
(-) Mohit' arrear	(1,600)
Money received on allotment	<u>₹ 7,98,400</u>

**(ii) Amount Transferred to Share Forfeiture Account on Forfeiture of Mohit's Shares**

Money received on 600 shares @ 2/- on application ₹ 1,200

**(iii) Calculation of Capital Reserve**

- Money transferred to share forfeiture on 400 shares of Mohit forfeited ₹ 1,200
- (-) Money used on reissue (400 × 1) of all 400 share of Mohit 400
- Mohit's amount transferred to capital reserve 800
- Money transferred to share forfeiture on balance 400 shares from Joly (400 × 4) 1,600
- (-) Money used on reissue (400 × 1) of balance 400 shares from Joly (400)
- Joly's Amount transferred to capital reserve 1,200
- Total Capital Reserve = 800 + 1200 = ₹ 2,000

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\*\*\*\*\* END \*\*\*\*\*