



Q3. Software solution India Ltd inviting application for 20,000 equity share of Rs.100 each, payable Rs.40 on application, Rs.30 on allotment and Rs.30 on call. The company received applications for 32,000 shares.

Application for 2,000 shares were rejected and money returned to Applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 share allotted half of the number of share applied and excess application money adjusted into allotment. All money received due on allotment and call. Prepare journal and cash book.

Solution:

Journal Entries

| Date | Particulars | LF | Amt. (Dr) | Amt. (Cr) |
|-------|---|----|-----------|----------------------|
| (i) | Equity Share Application A/c Dr To Equity Share Capital A/c (20,000×40) To Equity Share Allotment A/c (10,000×30) (Being application money transferred to equity share capital for 20,000 shares @ ₹ 40 and ₹3,00,000 is adjusted towards allotment) | | 11,00,000 | 8,00,000 3,00,000 |
| (ii) | Equity Share Allotment A/c Dr To Equity Share Capital A/c (20,000×30) (Being equity share allotment money due on 20,000 @ ₹ 30 per share) | | 6,00,000 | 600,000 |
| (iii) | Equity Share First and Final Call A/c Dr To Equity Share Capital A/c (20,000×30) (Being equity share on first and final call due on 20,000 @ ₹ 30 per share) | | 6,00,000 | 600,000 |

| Dr | | Cash Book (Bank Column) | | | | Cr | |
|------|--------------------------------------|-------------------------|-----------|------|--|----|-----------|
| Date | Particulars | JF | Amt. (₹) | Date | Particulars | JF | Amt. (₹) |
| | To Equity Share Application | | 12,80,000 | | By Equity Share Application (80,000 + 1,00,000) | | 1,80,000 |
| | To Equity Share Allotment | | 3,00,000 | | By Balance c/d | | 20,00,000 |
| | To Equity Share First and Final Call | | 6,00,000 | | | | |
| | | | 21,80,000 | | | | 21,80,000 |

Note Entries related to money received against application, allotment and call are directly taken in cash book.

Working Note

| | |
|---|------------|
| Applications received for 32,000 shares @ 40 each | 12,80,000 |
| Application for 2,000 shares rejected and amount (2,000 × 40) refunded | (80,000) |
| | 12,00,000 |
| 10,000 shares allotted in full and amount transferred to share capital (10,000 × 40) | (4,00,000) |
| | 8,00,000 |
| 20 shares allotted 10 shares hence amount for 10,000 shares adjusted to share capital (10,000 × 40) and excess 10,000 shares @ ₹ 30 taken as allotment advance remaining ₹ 10 refunded for excess 10,000 shares | (4,00,000) |
| | (3,00,000) |
| | (1,00,000) |
| | × |
| Total refund (80,000 + 1,00,000) = ₹ 1,80,000 | |
| Total amount due on allotment (20,000 share @ 30) | 6,00,000 |
| (-) Amount received on application | (3,00,000) |
| Amount to be received on allotment | 3,00,000 |

Adjustment Table

| Categor-ies | Shares Applicat-ion | Stores Allotted | Application Money Received | Applica-tion Money due | Excess | Excess Adjusted in | | |
|-------------|---------------------|-----------------|----------------------------|------------------------|----------|--------------------|-------|----------|
| | | | | | | Allotment | Calls | Return |
| (i) | 2,000 | — | 80,000 | — | 80,000 | | | 80,000 |
| (ii) | 10,000 | 10,000 | 4,00,000 | 4,00,000 | — | — | — | |
| (iii) | 20,000 | 10,000 | 8,00,000 | 4,00,000 | 4,00,000 | 3,00,000 | | 1,00,000 |
| | 32,000 | 20,000 | 12,80,000 | 8,00,000 | 4,80,000 | 3,00,000 | | 1,80,000 |

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