



Q15. Himalaya Company Limited issued for public subscription of 1,20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under :

	(₹)
With Application	3 per share
On Allotment (including premium)	5 per share
On First Call	2 per share
On Second and Final Call	2 per share

Applications were received for 1,60,000 shares. Allotment was made on pro-rata basis. Excess money on application was adjusted against the amount due on allotment.

Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at Rs 7 per share.

Record journal entries in the books of the company to record these transactions relating to share capital. Also show the company's balance sheet.

Answer

Journal Entries

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(i)	Bank A/c (1,60,00 × 3) Dr To Share Application A/c (Being share application money received for 1,60,000 shares @ ₹ 3 per share)		4,80,000	4,80,000
(ii)	Share Application A/c Dr To Equity Share Capital A/c (1,20,000 × 3) To Share Allotment A/c (40,000 × 3) (Being share application for 1,20,000 shares @ ₹ 3 per share transferred to share capital account and remaining amount adjusted to allotment)		4,80,000	3,60,000 1,20,000
(iii)	Share Allotment A/c Dr To Equity Share Capital A/c (1,20,000 × 3) To Securities Premium A/c (1,20,000 × 2) (Being share allotment due on 1,20,000 shares @ ₹ 5 per share including ₹ 2 securities premium)		6,00,000	3,60,000 2,40,000
(iv)	Bank A/c (Working Note i) Dr To Share Allotment A/c (Being share allotment for 1,20,000 shares @ ₹ 5 per share received)		4,80,000	4,80,000
(v)	Share First Call A/c Dr To Equity Share Capital A/c (1,20,000 × 2) (Being share first call due on 1,20,000 share @ ₹ 2 per share)		2,40,000	2,40,000

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
(vi)	Bank A/c (1,15,200 × 2) Dr To Share First Call A/c (Being share first call received on 1,15,200 shares @ ₹ 2 per share and 4,800 shares failed to pay)		2,30,400	2,30,400
(vii)	Share Final Call A/c Dr To Equity Share Capital A/c (1,20,000 × 2) (Being share final call due on 1,20,000 shares @ ₹ 2 per share)		2,40,000	2,40,000
(viii)	Bank A/c (1,15,200 × 2) Dr To Share Final Call A/c (Being share final call received on 1,15,200 shares @ ₹ 2 per share and 4,800 shares failed to pay)		2,30,400	2,30,400
(ix)	Equity Share Capital A/c (4,800 × 10) Dr To Share First Call A/c (4,800 × 2) To Share Final Call A/c (4,800 × 2) To Share Forfeiture A/c (4,800 × 6) (Working Note ii) (Being 4,800 shares forfeited for the non-payment of first call and final call)		48,000	9,600 9,600 28,800
(x)	Bank A/c (4,800 × 7) Dr Share Forfeiture A/c (4,800 × 3) Dr To Equity Share Capital A/c (Being 4,800 share reissued @ ₹ 7 per share, fully paid-up)		33,600 14,400	48,000
(xi)	Share Forfeiture A/c Dr To Capital Reserve A/c (Working Note iii) (Being share forfeiture balance of 4,800 shares transferred to capital reserve account)		14,400	14,400

Working Note (i) On Allotment Money Due

(₹)

$$1,20,000 \times 5 = 6,00,000$$

(-) Money advanced on application = (1,20,000)

$$\text{Money received on allotment} = 4,80,000$$

(ii) Amount of Share Forfeiture includes ₹ 3 of Application and ₹ 3 of

$$\text{Allotment on 4800 shares i.e., } 4800 \times 6 = ₹ 28,800$$

Amount of premium received is never taken to forfeiture account.

(iii) Capital Reserve

(₹)

Amount transferred to share forfeiture 28,800

(-) Amount adjusted on reissue of share forfeited

transferred to capital reserve 14,400

14,400

***** END *****