

Chapter 1 – Company Account – Accounting for Share Capital

Question 1.

Gopal Ltd. was registered with an authorised capital of Rs.50,00,000 divided into Equity Shares of Rs.10 each. The company offered for public subscription all the shares. Public applied for 4,50,000 shares and allotment was made to all the applicants. All the calls were made and were duly received except the final call of Rs.2 per share on 500 shares. Prepare the Balance Sheet of the company showing the different types of Share Capital

Solution:

Gopal Ltd
Balance Sheet

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	44,99,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		44,99,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	44,99,000
Total		44,99,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	5,00,000 equity Shares of ₹10 each	50,00,000
	Issued Share Capital	
	5,00,000 equity shares of ₹10 each	50,00,000
	Subscribed, Called -up and Paid up Share Capital	
	4,50,000 equity Share of ₹10 each	45,00,000
	Less : Calls in Arrears (500 Shares × ₹2)	(1,000)
		44,99,000
2.	Cash and Cash Equivalents	
	Cash at Bank	44,99,000

Question 2.

Himmat Ltd. has authorised share capital of ₹50,00,000 divided into ₹5,00,000 Equity Shares of ₹10 each it has existing issued and paid up capital of ₹5,00,000. It further issued to public ₹1,50,000 Equity Shares at par for subscription payable as under:

On Application: ₹3
On Allotment: ₹4: and
On Call: Balance Amount

The issue was fully subscribed and allotment was made to all the applicants. Call was made during the year and was duly received. Show share capital of the company in the Balance Sheet of the Company.

Solution:

Balance Sheet of Himmat Ltd

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	20,00,000
Total		20,00,000
II. Assets		
1. Current Assets		
Cash and Cash Equivalents	2	20,00,000
Total		20,00,000

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital		
	5,00,000 equity Shares of ₹10 each		50,00,000
	Issued Share Capital		
	50,000 equity shares of ₹10 each	5,00,000	
	1,50,000 Equity Shares of ₹10 Each	15,00,000	20,00,000
	Subscribed and Paid up Share Capital		
	50,000 equity Share of ₹10 each	5,00,000	
	1,50,000 Equity Shares of ₹10 each	15,00,000	20,00,000
2.	Cash and Cash Equivalents		
	Bank		20,00,000

Question 3.**Solution:**

Intex Ltd. has authorised share capital of ₹50,00,000 divided into 5,00,000 Equity Shares ₹10 each. It has existing issued and paid up capital of ₹5,00,000. It further issued to public ₹1,50,000 Equity Shares at par for subscription payable as under:

On Application 3
 On Allotment 4; and
 On Call Balance Amount

The issue was fully subscribed and allotment was made to all the applicants. The company did not make the call during the year. Show Share Capital of the company in the Balance Sheet of the Company.

Balance Sheet of Index Ltd

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	15,50,000
Total		15,50,000
II. Assets		
1. Current Assets		
Cash and Cash Equivalents	2	15,50,000
Total		15,50,000

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital		
	5,00,000 equity Shares of ₹10 each		50,00,000
	Issued Share Capital		
	50,000 equity shares of ₹10 each	5,00,000	
	1,50,000 Equity Shares of ₹10 Each	15,00,000	20,00,000
	Subscribed and Paid up Share Capital		
	Fully Called-up and Paid- up Capital		
	50,000 Equity Shares of ₹10 each		5,00,000
	Partially Called - up and Paid - up Capital		
	1,50,000 Equity Shares ₹10 each 7 Called up		10,50,000
2.	Cash and Cash Equivalents		
	Bank		15,50,000

Question 4.

Solution:

Lennova Ltd. has authorised share capital of ₹1,00,00,000 divided into 10,00,000 Equity Shares of ₹10 each. It has existing issued and paid up capital of ₹25,00,000. It further issued to public 2,50,000 Equity Shares at a premium of 20% for subscription payable as under:

On Application 3
On Allotment 6; and
On Call Balance Amount

The issue was fully subscribed and allotment was made to all the applicants. The company did not make the call during the year. Show Share Capital of the company in the Balance Sheet of the Company.

Note: Problems related to Disclosure of Share Capital in company's Balance Sheet are also given under the head issue of shares at par and at premium.

Balance Sheet of Lennova Ltd

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	42,50,000
b. Reserve and Surplus	2	5,00,000
Total		47,50,000
II. Assets		
1. Current Assets		
Cash and Cash Equivalents	3	47,50,000
Total		47,50,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital 10,00,000 equity Shares of ₹10 each	1,00,00,000
	Issued Share Capital	
	2,50,000 equity shares of ₹10 each	25,00,000
	2,50,000 Equity Shares of ₹10 Each	25,00,000
	Subscribed and Paid up Share Capital	
	Fully Called-up and Paid- up Capital 2,50,000 Equity Shares of ₹10 each	25,00,000
	Partially Called - up and Paid - up Capital 2,50,000 Equity Shares ₹10 each ₹7 Called up	17,50,000
2.	Reserves and Surplus	
	Securities Premium Reserve (2,50,000 shares @ ₹2 per share)	5,00,000
3.	Cash and Cash Equivalents	
	Bank	47,50,000

Question 5.

A company issued Rs.2,50,000 Equity Shares of Rs.10 each to public. All amounts have been received in lump sum. Pass necessary Journal entries in the books of the company.

Solution:

Authorised Capital 2,50,000 equity shares of ₹10 each
Issued and Subscribed Capital 2,50,000 shares

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 2,50,000 equity share of ₹10 each)		25,00,000	25,00,000
	Equity share Application A/c Dr. To Equity Share Capital A/c (Being share application of 2,50,000 equity shares of ₹10 each transferred to equity share capital account)		25,00,000	25,00,000

Question 6.

The authorised capital of Rs.16,00,000 of XYZ Ltd. is divided into 1,60,000 Equity Shares of Rs.10 each. Out of these shares, 80,000 Equity Shares were issued to the public. The full nominal value is payable on application. All the shares were subscribed by the public and total amount was paid for. Give necessary Journal entries in the books of the company.

Solution:

Authorised Capital 1,60,000 equity Shares of 10 each
 Issued and Subscribed Capital 80,000 equity shares

Books of XYZ Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 8,000 equity share of ₹10 each)		80,000	80,000
	Equity share Application A/c Dr. To Equity Share Capital A/c (Being share application of 80,000 equity shares of ₹10 each transferred to equity share capital account)		8,00,000	8,00,000

Question 7.

XYZ Ltd. invited applications for 10,000 shares of Rs.10 each payable as follows: Rs.2 on application, Rs.3 on allotment, Rs.2 on first call and the balance on final call.

All the shares were applied and allotted. All the money was duly received.

You are required to Journalise these transactions

Solution:

Issued and Subscribed Capital 10,000 shares of 10 each

Payable as

₹	2	on application
₹	3	on allotment
₹	2	on first call
₹	3	on final call
	<u>10</u>	

Books of XYZ Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Application A/c (Being share application money received for 10,000 shares at ₹2 per share)	Dr.	20,000	20,000
	Share Application A/c To Share Capital A/c (Being share application of 10,000 shares of ₹2 each transferred to share Capital)	Dr.	20,000	20,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 10,000 shares at ₹3 per share)	Dr.	30,000	30,000
	Bank A/c To Share Allotment A/c (Being share allotment money received for 10,000 Shares at ₹3 per share)	Dr.	30,000	30,000
	Share First Call A/c To Share Capital A/c (Being share first call due on 10,000 shares at ₹2 per share)	Dr.	20,000	20,000
	Bank A/c To Share First call A/c (Being share first call received on 10,000 shares at ₹2 per share)	Dr.	20,000	20,000
	Share Final Call A/c To Share Capital A/c (Being share Final call due on 10,000 shares at ₹3 per shares)	Dr.	30,000	30,000
	Bank A/c To Share Final Call A/c (Being share final call received on 10,000 shares of ₹3 per share)	Dr.	30,000	30,000

Question 8.

A Joint Stock Company was registered with a Nominal Capital of Rs.10,00,000 divided into 10,000 shares Rs.100 each payable Rs.10 per share on application, Rs.20 per share on allotment and balance on first and final call. All the shares were taken up and fully paid for by the public.

Pass Journal entries to record the issue of shares.

Solution:

Authorised Capital 10,000 shares of 10 each

Issued and Subscribed Capital 10,000 shares

Payable as

₹ 10 on application

₹ 20 on allotment

₹ 70 on first call and final call

₹ 100

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 10,000 shares at ₹10 per share)		1,00,000	1,00,000
	Share Application A/c Dr. To Share Capital A/c (Being share application of 10,000 shares of ₹10 each transferred to share Capital)		1,00,000	1,00,000
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 10,000 shares at ₹20 per share)		2,00,000	2,00,000
	Bank A/c Dr. To Share Allotment A/c (Being share allotment money received for 10,000 Shares at ₹20per share)		2,00,000	2,00,000
	Share Final Call and Final Call A/c Dr. To Share Capital A/c (Being share Final call due on 10,000 shares at ₹70 per shares)		7,00,000	7,00,000
	Bank A/c Dr. To Share Final Call A/c (Being share first and final call received on 10,000 shares of ₹70 per share)		7,00,000	7,00,000

Question 9.

A company was registered with an Authorised Capital of Rs.10,00,000 divided into 7,500 Equity Shares of Rs.100 each and Rs.2,500; 9% Preference Shares of Rs.100 each. 1,000 Equity and 500 Preference Shares were offered to public on the following terms- Equity Shares payable Rs.10 on application, Rs.40 on allotment and the balance in two calls of Rs.25 each. Preference Shares are payable Rs.25 on application, Rs.25 on allotment and Rs.50 on first and final call. All the shares were applied for and allotted. Amount due was duly received. Prepare Cash Book and pass necessary Journal entries to record the above issue of shares and show how the Share Capital Account will appear in the Balance Sheet.

Solution:

Authorised Capital:

Equity Shares 7,500 of ₹100 each

9% Preference Shares 2,500 of ₹100 each

Issued Capital:

Equity Shares 1,000 of ₹100 each

Payable as

₹10 on Application

₹40 on Allotment

₹25 on First Call

₹25 on Final Call

Preference Shares 500 of ₹100 each

Payable as

₹25 on application

₹25 on allotment

₹50 on first and final call

Cash Book

Dr.				Cr.			
Date	Particulars	L.F.	Bank ₹	Date	Particulars	L.F.	Bank ₹
	To Equity Share Application A/c		10,000				
	To Preference Share Application A/c		12,500				
	To Equity Share Allotment A/c		40,000				
	To Preference Share Allotment A/c		12,500				
	To Equity Share First Call A/c		25,000				
	To Preference share First and Final Call A/c		25,000				
	To Equity Share Final Call A/c		25,000		By Balance c/d		1,50,000
			1,50,0000				1,50,000

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being equity Share application of 1,000 shares of 10 each transferred to equity share capital account)		10,000	10,000
	Preference Share Application A/c Dr. To 9% Preference Share Capital A/c (Being preference share application of 500 shares ₹25 each transferred to 9 % preference share capital account)		12,500	12,500
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being equity share allotment due on 1,000 shares at ₹40 each)		40,000	40,000
	Preference Share Allotment A/c Dr. To 9% Preference Share Capital A/c (Being preference share allotment due on 500 shares at ₹25 each)		12,500	12,500
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being equity share first call due on 1,000 shares at ₹25 each)		25,000	25,000
	Preference Share First and Final Call A/c Dr. To 9% Preference Share Capital A/c (Being preference share first and final call due on 500 shares at ₹50 each)		25,000	25,000
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Being equity share final call due on 1,000 shares at ₹25 each)		25,000	25,000

Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		1,50,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	1,50,000
Total		1,50,000

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital		
	75,000 equity Shares of ₹100 each	7,50,000	
	25,000 9% Preference Shares of ₹100 each	2,50,000	10,00,000
	Issued Share Capital		
	1,000 Equity shares of 100 each	1,00,000	
	500 9 % Preference Shares of 100 each	50,000	1,50,000
	Subscribed Called-up and Paid up Share Capital		
	1,000 Equity Shares of ₹100 each	1,00,000	
	500 9% Preference Shares of ₹100 each	50,000	1,50,000
2.	Cash and Cash Equivalents		
	Bank		1,50,000

Question 10.

X Ltd. invited applications for 10,000 Equity Shares of Rs.10 each issued at par. The whole amount was payable on application. The issue was oversubscribed by 2,000 shares and allotment was made on pro rata basis. Pass necessary Journal entries.

Solution:

Issued Capital 10,000 Shares of ₹10 each
 Applied 12,000 shares
 Over-subscribed by 2,000 shares

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share Application received for 12,000 shares at ₹10 each)		1,20,000	1,20,000
	Share Application A/c Dr. To Share Capital A/c To Bank A/c (Being application of 10,000 Shares transferred to share Capital and of ₹2,000 hares returned)		1,20,000	1,00,000 20,000

Question 11.

Citizen Watches Ltd. invited applications for 50,000 shares of Rs.10 each payable Rs.3 on application, Rs.4 on allotment and balance on first and final call. Applications were received for 6,000 shares. Applications were accepted for 50,000 shares and remaining applications were rejected. All calls were made and received except First and Final call on 500 shares.

Pass the Journal entries in the books of Citizen Watches Ltd.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (60,000 × 3) Dr. To Share Application A/c (Being received application money on ₹60,000 shares)		1,80,000	1,80,000
	Share Application A/c Dr. To Share Capital A/c (50,000 × ₹3) To Bank A/c (10,000 × ₹3) (Being transfer of application money to Share Capital)		1,80,000	1,50,000 30,000
	Share Allotment A/c (50,000 × ₹4) Dr. To Share Capital A/c (Being allotment due on 50,000 shares)		2,00,000	2,00,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment received)		2,00,000	2,00,000
	Share First and Final Call A/c (50,000 × ₹3) Dr. To Share Capital A/c (Being call money due on 50,000 shares)		1,50,000	1,50,000
	Bank A/c (49,500 × 3) Dr. To Share First and Final A/c (Being received call money on 49,500 shares)		1,48,500	1,48,500

Question 12.

ABC Company Ltd. offered for subscription 20,000 shares of Rs.10 each payable Rs.2.50 on application and Rs.5.00 on allotment for each share. Applications were received for 30,000 shares. Letters of regret were issued to applicants for 5,000 shares and their application money was refunded. Application money for other 5,000 shares was applied towards the payment for allotment money and all the 20,000 shares were issued to the public. The balance of allotment money was also received in due time.

You are asked to give the Journal, Cash Book, Ledger Accounts and the Balance Sheet of the company.

Solution:

Issued Capital	20,000 shares at ₹10 each
Applied	30,000 share
Over - subscribed	10,000 shares

Applied	Alloted	Over-Subscribed
25,000	20,000	5,000
5,000	NIL	5,000
30,000	20,000	10,000

Payable as :

₹2.5 on application

₹5 on allotment

₹7.5 Called - up

Cash Book

Dr.				Cr.			
Date	Particulars	L.F.	Bank ₹	Date	Particulars	L.F.	Bank ₹
	To Share Application A/c		75,000		By Share Application A/c (5,000 shares × ₹2.5)		12,500
	(30,000 shares × ₹2.5)						
	To Share Allotment A/c		87,500		By Balance c/d		1,50,000
			1,62,500				1,62,500

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Being share application of 20,000 shares at ₹2.5 each transferred to Share Capital Account and excess money 12,500 transferred to allotment)		62,500	50,000 12,500
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 20,000 shares at ₹5 each)		1,00,000	1,00,000

ABC Company Ltd Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		1,50,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	1,50,000
Total		1,50,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital Shares of ₹10 each	-
	Issued Share Capital 20,000 Equity shares of 10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 20,000 Shares of ₹10 each, on which 7.5 called - up and paid up	1,50,000
2.	Cash and Cash Equivalents Bank	1,50,000

Question 13.

Eastern Star Cycle Ltd. was registered with a capital of Rs.5, 00,000 divided into 20,000 shares of Rs.25 each. The company offered to public for subscription 10,000 shares payable Rs.5 per share on application, Rs.5 per share on allotment and the balance in two calls of Rs.7.50 each. The company received application for 11,600 shares. Applications for 1,000 Shares were rejected and application money was refunded the applicants. A person who applied for 1,000 shares was allotted only 400 shares and excess of application money was carried forward towards the payment of allotment and calls. Give Journal entries to record the above issue of shares and show how it will be shown in the Balance Sheet.

Solution:

Authorised Capital 20,000 shares of 25 each

Issued Capital 10,000 shares

Applied 11,600 shares

Payable as :

₹	5	on application
₹	5	on allotment
₹	7.5	on first call
₹	7.5	on final call
	<u>25</u>	

Applied Shares	Issued Shares	Money received on Application @ ₹5	Money adjusted on Application ₹5	Excess	Allotment due @ 5	Excess money adjusted on Allotment	Excess money adjusted on First Call (Calls - in Advance)
1,000	-	5,000	-	5,000 (returned)			
1,000	400	5,000	2,000	3,000	2,000	2,000	1,000
9,600 (Balance)	9,600	48,000	48,000		48,000		
11,600	10,000	58,000	50,000		50,000	2,000	1,000

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 11,600 shares at ₹5 each)		58,000	58,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Calls - in Advance A/c To Bank A/c (Being share application money adjusted)		58,000	50,000 2,000 1,000 5,000
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 10,000 shares at ₹5 each)		50,000	50,000
	Bank A/c Dr. To Share Allotment A/c (Being share allotment received)		48,000	48,000
	Share First Call A/c Dr. To Share Capital A/c (Being share first call due on 10,000 shares at ₹7.5 each)		75,000	75,000
	Bank A/c Dr. Calls - in Advance A/c Dr. To Share First Call A/c (Being share first call received and calls - in - advance money adjusted)		74,000 1,000	75,000
	Share Final Call A/c Dr. To Share Capital A/c (Being share Final Call due on 10,000 shares at ₹7.5 each)		75,000	75,000
	Bank A/c Dr. To Shares Final Call A/c (Being share final call received)		75,000	75,000

As per the Schedule III of companies Act, 2013 the Company's Balance Sheet is presented as follows.

Eastern Star Cycle Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	2,50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		2,50,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	2,50,000
Total		2,50,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital 20,000 equity Shares of ₹25 each	5,00,000
	Issued Share Capital 10,000 Equity shares of ₹25 each	2,50,000
	Subscribed Called-up and Paid up Share Capital 10,000 Shares of ₹25 each	2,50,000
2.	Cash and Cash Equivalents Bank	2,50,000

Question 14.

Solution:

Sugandh Ltd. issued 60,000 shares of ₹10 each at a premium of ₹2 per share payable as ₹3 application, ₹5 (including premium) on allotment and the balance on first and final call. Applications (were received for 92,000 shares. The Directors resolved to allot as:

- (i) Applicants of 40,000 shares 30,000 shares
- (ii) Applicants of 50,000 shares 30,000 shares
- (iii) Applicants of 2,000 shares Nil

Mohan, who had applied for 800 shares in Category (i) and Sohan, who was allotted 600 shares,, Category (ii) failed to pay the allotment money. Calculate amount received on allotment.

Issued Shares	60,000
Less : Applied Shares	92,000
Over - subscribed Shares	32,000

Payable as :

₹ 3	on Application
₹ 5	on Allotment (Including 2 premium)
₹ 4	on First and Final Call
₹ 12	(10 + 2)

Applied	Allotted	Money Received on Application @ ₹3	Money adjusted on Application @ ₹3	Excess	Allotment due @ ₹5	Excess money adjusted on Allotment @ ₹5
40,000	30,000	1,20,000	90,000	30,000	1,50,000	30,000
50,000	30,000	1,50,000	90,000	60,000	1,50,000	60,000
2,000	NIL	6,000	-	6,000 (Bank)		
92,000	60,000	2,76,000	1,80,000		3,00,000	90,000

Mohan

$$\text{No. of Share allotted to Mohan} = \frac{30,000}{40,000} \times 800 = 600 \text{ Shares}$$

		₹
Money Received on Application 800 × ₹3	=	2,400
Application money adjusted to Share Capital	=	1,800
Excess Money on Application	=	<u>600</u>
Allotment due on 600 Shares × ₹5	=	3,000
Less : Adjustment of excess money on application	=	<u>600</u>
Calls - in - Arrears by Mohan		<u>2,400</u>

Sohan

$$\text{No. of Share applied by Sohan} = \frac{50,000}{30,000} \times 600 = 1,000 \text{ Share}$$

		₹
Money received on Application 1,000 × ₹3	=	3,000
Application money adjusted to Share Capital 600 × ₹3	=	<u>1,800</u>
Excess money on application	=	<u>1,200</u>
Allotment due on 600 Shares × ₹5	=	3,000
Less : Excess Application money adjusted on Allotment		<u>1,200</u>
Calls - in - Arrears by Sohan		<u>1,800</u>
Allotment due on 60,000 shares × ₹5	=	3,00,000
Less : Excess Application money adjusted on Allotment	=	<u>90,000</u>
		2,10,000
Less : Calls - in - Arrears by Mohan	=	2,400
Less : Calls - in Arrears by Sohan	=	<u>1,800</u>
Money Received on Allotment	=	<u>2,05,800</u>

Question 15.

Sony Media Ltd. issued 50,000 share of Rs.10 each payable Rs.3 on application, Rs.3 on allotment and balance on first and final call. Applications were received for 1, 00,000 shares and allotment was made as follow:

1. Applicants for 60,000 shares were allotted 30,000 shares.
2. Applicants for 40,000 shares were allotted 20,000 shares.

Anupam, to whom 1,000 shares were allotted from category (I), failed to pay the allotment money. Pass Journal entries up to allotment.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (1,00,000 × ₹3) Dr. To Share Application A/c (Being share application money on 1,00,000 shares)		3,00,000	3,00,000
	Share Application A/c Dr. To Share Capital A/c (50,000 × ₹3) To Share Allotment A/c (Being transfer of application money to Share Capital)		3,00,000	1,50,000 1,50,000
	Share Allotment A/c (50,000 × ₹3) Dr. To Share Capital A/c (Being share allotment due on 50,000 shares)		1,50,000	1,50,000

Note: No amount shall be received on allotment since all of the due amount is already adjusted from the excess money received at the time of application.

Working Notes :

Calculation of Amount not Received

Shares allotted to Anupam = 1,000

Shares applied by Anupam = $1,000 \times \frac{60,000}{30,000} = 2,000$

Excess money received on application = ₹3,000 (1,000 × ₹3)

Money due on allotment from Anupam = ₹3,000 (1,000 × ₹3)

All the money due from Anupam has already been received on application

Question 16.

The Kalyan Cotton Mills Ltd. was registered on 1st January, 2011 with a capital of Rs.10,00,000 divided into 1, 00,000 shares of Rs.10 each. The company issued 42,000 shares of which 40,000 shares were taken up the public and Rs.1 per share was received with application. On 1st February, these shares were allotment and Rs.2 per share was duly received on 28th February as allotment money. A first call of Rs.3 per share was made on 1st March and the call money on all shares with the exception of 100 shares was received. The final call of Rs.4 per share was made on 1st June and the amount due, with the exception of 400 shares, was received by 30th June. Pass necessary Journal and Cash Book entries and prepare the Balance Sheet as at 30th June, 2011.

Solution:

Authorised Capital 1,00,000 shares of ₹10 each

Issued Capital 42,000 shares of ₹10 each

Applied 40,000 shares

Payable as :

₹1 on application

₹2 on allotment

₹3 on first call

₹4 on final call

Books of Kalyan Cotton Mills Ltd**Cash Book**

Dr.				Cr.			
Date	Particulars	L.F.	Bank ₹	Date	Particulars	L.F.	Bank ₹
2011				2011			
Feb 01	To Share Application A/c		40,000				
Feb 28	To Share Allotment A/c		80,000				
May 01	To Share First Call A/c		1,19,700				
June 30	To Share Final Call A/c		1,58,400		By Balance c/d		3,98,100
			3,98,100				3,98,100

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2011 Feb 01	Share Application A/c Dr. To Share Capital A/c (Bring share application of 40,000 shares at ₹1 each transferred to share capital account)		40,000	40,000
Feb 01	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 40,000 shares at ₹2 each)		80,000	80,000
Mar 01	Share First Call A/c Dr. To Share Capital A/c (Being share first call due on 40,000 shares ₹3 each)		1,20,000	1,20,000
May 30	Calls-in-Arrears A/c Dr. To Share First Call A/c (Being share first call outstanding on 100 Shares ₹3 each)		300	300
June 01	Share Final Call A/c Dr. To Share Capital A/c (Being share first call due on 40,000 shares of ₹4 each)		1,60,000	1,60,000
June 30	Calls - in Arrears A/c Dr. To share Final Call A/c (Being share final Call outstanding on 400 shares at ₹4 each)		1,600	1,600

As per the Schedule III of Companies Act, 2013, the Company's Balance Sheet is presented as follows:

**Kalyan Cotton Mills Ltd
Balance Sheet**

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	3,98,100
2. Non - Current Liabilities		
3. Current Liabilities		
Total		3,98,100
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	3,98,100
Total		3,98,100

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital 1,00,000 Shares of ₹10 each		10,00,000
	Issued Share Capital 42,000 shares of 10 each		4,20,000
	Subscribed Called-up and Paid up Share Capital 40,000 shares of 10 each Less : Calls - in - Arrears	4,00,000 (1,900)	3,98,100
2.	Cash and Cash Equivalents Cash at Bank		3,98,100

Question 17.

Shiva Ltd. issued 1,00,000 Equity Shares of Rs.10 each at a premium of Rs.5 per share. The whole amount, was payable on application. The issue was fully subscribed. Pass necessary Journal entries.

Solution:

Issued 1,00,000 equity shares of ₹10 each at a premium of ₹5
Applied 1,00,000 shares

Books of Shiva Limited**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr To Equity Share Application and Allotment A/c (Being share application and allotment money received for 1,00,000 Shares at ₹15 each including 5 premium)		15,00,000	15,00,000
	Equity Share Application and Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Being application and allotment money of 1,00,000 shares transferred to equity Share capital account at ₹10 each and securities premium at ₹5 each)		15,00,000	10,00,000 5,00,000

Question 18.

X Ltd. invited applications for 11,000 Equity Shares of Rs.10 each issued at 20% premium. The whole, amount was payable on application. The issue was undersubscribed by 1,000 shares. Pass necessary Journal entries.

Solution:

Issued Capital 11,000 equity Shares of 10 each at 20% premium
Applied 10,000 equity shares

Books of X Limited**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr To Equity Share Application A/c (Being share application received for 10,000 shares)		1,20,000	1,20,000
	Equity Share Application A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Being share application money of 10,000 shares transferred to Equity Share capital at ₹10 each and to securities premium at ₹2 each)		1,20,000	1,00,000 20,000

Question 19.

A limited company offered for subscription 10,000 shares of Rs.25 each, payable Rs.5 per share on application, Rs.10 per share on allotment (including Rs.5 per share as premium), Rs.5 per share as first call on the shares and the balance in two equal amounts at intervals of three months. All the shares were applied for and allotted. All the money was received except the second call and final call moneys on 200 and 400 shares respectively.

You are asked to show the entries in the company's Journal, Cash Book and the Ledger. Also show the company's Balance Sheet on completion of the above transactions.

Solution:

Issued 10,000 shares of ₹25 each at premium of ₹5

Applied 10,000 shares

Payable as :

Application	₹	5	
Allotment	₹	10	(5 + 5)
First Call	₹	5	
Second Call	₹	5	
Final Call	₹	5	
	₹	<u>30</u>	(25 + 5)

Cash Book

Dr.				Cr.			
Date	Particulars	L.F	Bank ₹	Date	Particulars	L.F	Bank ₹
	To Share Application A/c		50,000				
	To Share Allotment A/c		1,00,000				
	To Share First Call		50,000				
	To Share Second Call A/c		49,000				
	To Share Final Call A/c		48,000		By Balance c/d		2,97,000
			<u>2,97,000</u>				<u>2,97,000</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Application A/c Dr To Share Capital A/c (Being application money of 10,000 shares of ₹5 each transferred to Share Capital)		50,000	50,000
	Share Allotment A/c Dr To Share Capital A/c To Securities Premium A/c (Being share allotment of 10,000 shares transferred to share capital at ₹5 each and securities premium at ₹5 each)		1,00,000	50,000 50,000
	Share First Call A/c Dr To Share Capital A/c (Being first call due on 10,000 shares at ₹5 each)		50,000	50,000
	Share Second Call A/c Dr To Share Capital A/c (Being second call due on 10,000 shares at ₹5 each)		50,000	50,000
	Call -in- Arrears A/c Dr To Share Second Call A/c (Being second call outstanding on 200 shares at ₹5 each)		1,000	1,000
	Share Final Call A/c Dr To Share Capital A/c (Being final Call due on 10,000 shares of ₹5 per shares)		50,000	50,000
	Calls - in - Arrears A/c Dr To Shares Final Call A/c (Being final call outstanding on 400 shares at ₹5 each)		2,000	2,000

Share Application Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Share Capital A/c		50,000		By Bank A/c		50,000
			50,000				50,000

Share Allotment Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Share Capital A/c		50,000		By Bank A/c		1,00,000
	To Securities Premium A/c		50,000				1,00,000
			1,00,000				

Share First Call Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Share Capital A/c		50,000		By Bank A/c		50,000
			50,000				50,000

Share Second Call Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Share Capital A/c		50,000		By Bank A/c		49,000
			50,000		By Calls - in - Arrears A/c		1,000
							50,000

Share Final Call Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Share Capital A/c		50,000		By Bank A/c		48,000
			50,000		By Calls - in - Arrears A/c		2,000
							50,000

Calls in Arrears Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Share Second Call A/c		1,000		By Balance c/d		3,000
	To Share Final Call A/c		2,000				3,000
			3,000				

Share Capital Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
					By Share Application A/c		50,000
					By Share Allotment A/c		50,000
					By Share First Call A/c		50,000
					By Share Second Call A/c		50,000
					By Share Final Call A/c		50,000
	To Balance c/d		2,50,000				
			2,50,000				2,50,000

Securities Premium Account

Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Balance c/d		50,000		By Share Allotment A/c		50,000
			50,000				50,000

As per the Schedule III of Companies Act, 2013 the Company's Balance Sheet is presented as follows.

Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	2,47,000
b. Reserve and Surplus	2	50,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		2,97,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,97,000
Total		2,97,000

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital		---
	Shares of ₹25 each		
	Issued Share Capital		2,50,000
	10,000 shares of ₹25 each		
	Subscribed Called-up and Paid up Share Capital		
	10,000 shares of ₹25 each	2,50,000	
	Less : Calls - in - Arrears	(3,000)	2,47,000
2.	Reserve and Surplus		
	Securities Premium		50,000
3.	Cash and Cash Equivalents		
	Cash at Bank		2,97,000

X Ltd. was incorporated with a capital of Rs.2,00,000 divided into shares of Rs.10 each. 2,000 shares were offered to the public and out of these, 1,800 shares were applied for and allotted. Rs.3 per share (including 1 premium) was payable on application, Rs.4 per share (including Rs.1 premium) on allotment, Rs.2 per share on first call and Rs.3 per share on final call. All the money was received. Give necessary Journal entries and the Balance Sheet.

Solution:

Authorised Capital 20,000 shares of ₹10 each

Issued Capital 2,000 shares

Applied 1,800 shares

Payable as

Application	₹	3 (2+1)
Allotment	₹	4 (3+1)
First Call	₹	2
Final Call	₹	3
		<u>12 (10+2)</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being application money received for 1,800 shares at ₹3 per shares)		5,400	5,400
	Share Application A/c Dr. To Share Capital A/c To Securities Premium A/c (Being application money of 1,800 share transferred to Share Capital at ₹2 per share and securities premium ₹1 per Share)		5,400	3,600 1,800
	Share Allotment A/c Dr. To share Capital A/c To Securities Premium A/c (Being share allotment due on 1,800 shares at ₹4 per share including 1 securities premium)		7,200	5,400 1,800
	Bank A/c Dr. To Share Allotment A/c (Being share allotment money received)		7,200	7,200
	Share First Call A/c Dr. To share Capital A/c (Being share first call due on 1,800 shares at ₹2 per shares)		3,600	3,600
	Bank A/c Dr. To Share First Call A/c (Being share first call money received)		3,600	3,600
	Share final Call A/c Dr. To Share Capital A/c (Being share final call due on 1,800 shares at ₹3 per share)		5,400	5,400
	Bank A/c Dr. To Share Final Call A/c (Being share final call money received)		5,400	5,400

As per the Schedule III of Companies Act, 2013, the Company's Balance Sheet is presented as follows.

X Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	18,000
b. Reserve and Surplus	2	3,600
2. Non - Current Liabilities		
3. Current Liabilities		
Total		21,600
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	21,600
Total		21,600

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	20,000 Shares of ₹10 each	2,00,000
	Issued Share Capital	
	2,000 shares of ₹10 each	20,000
	Subscribed Called-up and Paid up Share Capital	
	1,800 shares of ₹25 each	18,000
2.	Reserve and Surplus	
	Securities Premium	3,600
3.	Cash and Cash Equivalents	
	Cash at Bank	21,600

Question 21.

Authorised capital of Suhani Ltd. is Rs.45, 00,000 divided into 30,000 shares of Rs.150 each. Out of these company issued 15,000 shares of Rs.150 each at a premium of Rs.10 per share. The amount was payable as follows:

Rs.50 per share on application, Rs.40 per share on allotment (including premium), Rs.30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.

Prepare an extract of Balance Sheet of Suhani Ltd. as per Revised Schedule VI, Part-1 of the Companies Act, 1956 (Now Schedule III, Part I of the Companies Act, 2013) disclosing the above information. Also prepare 'Notes to Accounts' for the same.

Solution:

Suhani Ltd
Balance Sheet

Particulars	Note No	Amount ₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	21,00,000
b. Reserve and Surplus	2	1,40,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		22,40,600
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	22,40,600
Total		22,40,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	30,000 shares of ₹150 each	45,00,000
	Issued Share Capital	
	15,000 shares of ₹150 each	22,50,000
	Subscribed Called-up and Paid up Share Capital	
	14,000 shares of ₹150 each	21,00,000
2.	Reserve and Surplus	
	Securities Premium	1,40,000
3.	Cash and Cash Equivalents	
	Cash at Bank	22,40,000

Question 22.

ABC Ltd. was floated with a capital of Rs.3,00,000 divided into shares of Rs.10 each. It offered 4,000 shares at Rs.12 each, payable Rs.2 per share on application, Rs.5 per share (including premium) on allotment, Rs.3 per share on first call and Rs.2 per share on final call. Applications were received for 6,000 shares. Applicants for 2,000 shares were sent letters of regret and application money was refunded. All the money due on shares was received.

Give necessary Journal entries and the Balance Sheet.

Solution:

Authorised Capital 30,000 Shares of 10 each

Issued Shares	4,000
Less : Applied Shares	6,000
Over - Subscribed Shares	(2,000)

Payable as

Application	₹2
Allotment	₹5 (3+2)
First Call	₹3
Final Call	₹2
	<u>12 (10+ 2) per Share</u>

Books of ABC Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr To Share Application A/c (Being share application money received for 6,000 shares at ₹2 per shares)		12,000	12,000
	Share Application A/c Dr. To Share Capital A/c To Bank A/c (Being share application money of 4,000 share transferred to share capital and money of 2,000 over - subscribed shares refunded)		12,000	8,000 4,000
	Share Allotment A/c Dr To share Capital A/c To Securities Premium A/c (Being allotment due on 4,000 shares at ₹5 per share including ₹2 securities premium)		20,000	12,000 8,000
	Bank A/c Dr To Share Allotment A/c (Being share allotment money received)		20,000	20,000
	Share First Call A/c Dr To share Capital A/c (Being first call due on 4,000 shares at ₹3 per shares)		12,000	12,000
	Bank A/c Dr To Share First Call A/c (Being first call money received)		12,000	12,000
	Share final Call A/c Dr To Share Capital A/c (Being final call due on 4,000 shares at ₹2 per share)		8,000	8,000
	Bank A/c Dr To Share Final Call A/c (Being final Call money received)		8,000	8,000

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

ABC Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	40,000
b. Reserve and Surplus	2	8,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		48,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	48,000
Total		48,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	30,000 shares of 10 each	3,00,000
	Issued Share Capital	
	4,000 shares of 10 each	40,000
	Subscribed Called-up and Paid up Share Capital	
	4,000 shares of 10 each	40,000
2.	Reserve and Surplus	
	Securities Premium	8,000
3.	Cash and Cash Equivalents	
	Cash at Bank	48,000

Question 23.

X company issued Rs.10, 00,000 new capital divided into shares of Rs.100 each at a premium of Rs.20 per share payable as:

Rs.10 per share on application,

Rs.40 per share and Rs.10 premium on allotment and

Rs.50 per share and Rs.10 premium on final payment.

Over-payments on application were to be applied towards amount due on allotment and over-payments on application exceeding amount due on allotment was to be returned. Issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 1,000 shares and applicants for 2,000 shares were sent letters of regret. All the money due on allotment and final call was duly received.

Pass necessary entries in the company's books to record the above transactions.

Solution:

Amount Payable as :

Application	10
Allotment	50 (40 + 10)
First and Final Call	60 (50 + 10)
	<u>120 (100 + 20)</u>

Books of X Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr To Share Application A/c (Being share application money received for 23,000 shares at ₹10 per shares)		2,30,000	2,30,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application of 10,000 shares transferred to share Capital, 50,000 adjusted on allotment and remaining amount returned)		2,30,000	1,00,000 50,000 80,000
	Share Allotment A/c Dr To share Capital A/c To Securities Premium A/c (Being allotment due on 10,000 shares at ₹50 per share including ₹10 securities premium)		5,00,000	4,00,000 1,00,000
	Bank A/c Dr To Share Allotment A/c (Being share allotment money received)		4,50,000	4,50,000
	Share First and Final Call A/c Dr To share Capital A/c To Securities Premium A/c (Being first and final call due on 10,000 shares at 60 each including ₹10 premium)		6,00,000	5,00,000 1,00,000
	Bank A/c Dr To Share First and Final Call A/c (Being first call and final call money received)		6,00,000	6,00,000

Posting in the Company's Balance Sheet

X Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	10,00,000
b. Reserve and Surplus	2	2,00,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		12,00,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	12,00,000
Total		12,00,000

Applied Shares	Issued Shares	Money Received on Application @ ₹10 each	Money transferred to Share Capital @ ₹10 each	Excess	Allotment due @ 50 each	Excess money adjusted on Allotment @ ₹5	Excess money after Allotment
12,000	1,000	1,20,000	10,000	1,10,000	50,000	50,000	60,000 (return)
2,000	NIL	20,000	-	20,000 (return)			
9,000	9,000	90,000	90,000	-	4,50,000	-	-
23,000	10,000	2,30,000	1,00,000		5,00,000	50,000	60,000

Share Allotment due (10,000 share × ₹50)

5,00,000

Less : Excess application money adjusted on allotment

50,000

Money received on Allotment

4,50,000

Question 24.

Glenn Ltd. made the second and final call on its 50,000 Equity Shares @ Rs.2 per share on 1st January, 2016. The entire amount was received on 15th January, 2016 except on 100 shares allotted to Venkat. Pass necessary Journal entries for the call money due and received by opening Calls-in-Arrears Account.

Solution:

Books of X Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016 Jan 01	Share Second and Final Call A/c To Equity Share Capital A/c (Being share second and final call due on 50,000 shares at ₹2 per share)	Dr	1,00,000	1,00,000
Jan 15	Bank A/c Calls - in - Arrears A/c To Share Second and Final Call A/c (Being share second and final call received from 49,900 shares and 100 shares failed to pay the it)	Dr Dr	99,800 200	1,00,000

Question 25.

A Ltd. was registered with a capital of 5,00,000 in shares of Rs.10 each and issued 20,000 such shares at a premium of Rs.2 per share, payable as Rs.2 per share on application, Rs.5 per share on allotment (including premium) and Rs.2 per share on first call made three months later. All the money payable on application and allotment was duly received but when the first call was made, one shareholder paid the entire balance on his holding of 300 shares and another shareholder holding 1,000 shares failed to pay the first call money.

Give Journal entries to record the above transactions and show how they will appear in the company's Balance Sheet.

Solution:

Amount Payable on :

Application	₹2
Allotment	₹5 (3+ 2)
First Call	₹2
Called - up	<u>₹9 (7 + 2)</u>

Books of A Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 20,000 shares at ₹2 per shares)		40,000	40,000
	Share Application A/c Dr. To Share Capital A/c (Being share application of 20,000 shares at ₹2 per share transferred to share capital account)		40,000	40,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being allotment due on 20,000 shares at ₹5 per share including 2 securities premium)		1,00,000	60,000 40,000
	Bank A/c Dr. To Share Allotment A/c (Being share allotment received on 20,000 shares at ₹5 per share)		1,00,000	1,00,000
	Share First Call A/c Dr. To share Capital A/c (Being first and final call due on 20,000 shares at ₹2 per share)		40,000	40,000
	Bank A/c Dr. Calls - in - Arrears A/c To Share First Call A/c To Calls - in - Advance A/c (Being share first call received on 39,000 shares at ₹2 each 300 shares paid calls - in arrears ₹3 per share and 1,000 shares failed to pay first call money)		38,900 2,000	40,000 900

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

A Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,38,000
b. Reserve and Surplus	2	40,000
2. Non - Current Liabilities		
3. Current Liabilities		
a. Other Current Liabilities	3	900
Total		1,78,900
II. Assets		
1.Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	4	1,78,900
Total		1,78,900

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	50,000 shares of ₹10 each	5,00,000
	Issued Share Capital	
	20,000 shares of ₹10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital	
	20,000 shares of ₹10 each 7 Called up and Paid Up	1,40,000
	Less : Calls - in - Arrears	(2,000)
		1,38,000
2.	Reserve and Surplus	
	Securities Premium	40,000
3.	Other Current Liabilities	
	Calls - In Advance	900
4.	Cash and Cash Equivalents	
	Cash at Bank	1,78,900

Question 26.

XYZ Ltd. issued 8,000 Equity Shares of Rs.10 each. Rs.5 per share was called, payable Rs.2 on application, Rs.1 on allotment, Rs.1 on first call and Rs.1 on second call. All the money was duly received with the following exceptions:

A who holds 250 shares paid nothing after application.

B who holds 500 shares paid nothing after allotment.

C who holds 1,250 shares paid nothing after first call.

Prepare Journal and the Balance Sheet.

Solution:

Issued Capital 5,000 Shares of 10 each 5 called up

		Shares	A	B	C		
Application	₹2	(8,000				=	8,000)
Allotment	₹1	(8,000	- 250			=	7,750)
First Call	₹1	(8,000	- 250	- 500		=	7,250)
Second Call	₹1	(8,000	- 250	- 500	- 1,250	=	6,000)
Called - up	₹5					=	

Books of XYZ Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 8,000 shares at ₹2 per shares)		16,000	16,000
	Share Application A/c Dr. To Share Capital A/c (Being share application of 8,000 shares at ₹2 per share transferred to share capital account)		16,000	16,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment due on 8,000 shares at ₹1 each)		8,000	8,000
	Bank A/c Dr. Call - in - Arrears A/c Dr. To Share Allotment A/c (Being share allotment received on 7,750 shares and 250 shares failed to pay it)		7,750 250	8,000
	Share First Call A/c Dr. To Share Capital A/c (Being first call due on 8,000 shares at ₹1 each)		8,000	8,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share First Call A/c (Being share first call received money received on 7,250 shares and 750 shares failed to pay it)		7,250 750	8,000
	Share Second Call A/c Dr. To Share Capital A/c (Being share second call due on 8,000 shares at ₹1 each)		8,000	8,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share Second Call A/c (Being share second call money received on 6,000 shares and 2000 shares failed to pay it)		6,000 2,000	8,000

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

XYZ Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	37,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		37,000
II. Assets		
1.Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	2	37,000
Total		37,000

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital shares of 10 each		-
	Issued Share Capital 8,000 shares of ₹10 each		80,000
	Subscribed Called-up and Paid up Share Capital 8,000 shares of ₹10 each ₹5 Called up and Paid Up Less : Calls - in - Arrears	40,000 (3,000)	37,000
2.	Cash and Cash Equivalents Cash at Bank		37,000

Question 27.

Bharat Ltd. made the first call of Rs.2 per share on its 1,00,000 Equity Shares on 1st March, 2006. Ashok, shareholder, holding 800 shares paid the second and final call amount along with the first call money. The second and final call amount was Rs.3 per share. Pass necessary Journal entries for recording to above using the Calls-in-Advance Account.

Solution:

Books of Bharat Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2006 Mar 01	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being shares first call due on 1,00,000 shares at ₹2 per share)		2,00,000	2,00,000
Mar 01	Bank A/c Dr. To Equity Share First Call A/c To Call - in - Advance A/c (Being share first call received with call - in - advance of 800 shares at ₹3 per share)		2,02,400	2,00,000 2,400

Question 28.

2,000 Equity Shares of Rs.10 each were issued to X Limited from whom assets of Rs.25,000 were acquired Pass Journal entry.

Solution:

Books of Bharat Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c To X Ltd (Being assets bought from X Ltd)	Dr.	25,000	25,000
	X Ltd To Share Capital A/c To Securities Premium A/c (Being 2,000 shares of ₹10 each issued to X Ltd)	Dr.	25,000	20,000 5,000

Question 29.

A limited company issued 800 Equity Shares of Rs.100 each at a premium of 25% as fully paid-up consideration of the purchase of plant and machinery worth 1,00,000.

Pass entries in company's Journal.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Plant and Machinery A/c To vendor A/c (Being machinery purchased)	Dr.	1,00,000	1,00,000
	Vendor A/c To Equity Share Capital A/c (800 × ₹100) To Securities Premium A/c (800 × ₹25) (Being shares issued to vendor at a premium of ₹25 per share)	Dr.	1,00,000	80,000 20,000

Question 30.

Rajan Ltd. purchased assets from Geeta and Co. for Rs.5,00,000. A sum of Rs.1,00,000 was paid by means of a bank draft and for the balance due Rajan Ltd. issued Equity Shares of Rs.10 each at a premium of 25%.

Journalise the above transactions in the books of the company

Solution:**Books of Rajan Limited****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c Dr. To Geeta and Co. A/c (Being assets purchased from Geeta and Co.)		5,00,000	5,00,000
	Geeta and Co. A/c Dr. To Bank A/c (Being payment made to Geeta and Co.)		1,00,000	1,00,000
	Geeta and Co. A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being 32,000 equity Shares of ₹10 issued at 25 % premium)		4,00,000	3,20,000 80,000

Working Note -

$$\text{Number of shares issued} = \frac{4,00,000}{(10 + 2.5)} = 32,000 \text{ shares}$$

Question 31.

Z Ltd. purchased furniture costing Rs.2,20,000 from CD Ltd. The payment was to be made by issue of 9% Preference Shares of Rs.100 each at a premium of Rs.10 per share. Pass necessary Journal entries in the books of Z Ltd

Solution:**Books of Z Ltd****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c Dr. To C.D. Ltd A/c (Being assets purchased from C.D Ltd)		2,20,000	2,20,000
	C.D Ltd A/c Dr. To 9% Preference Share Capital A/c To Securities Premium A/c (Being 2,000 9% preference shares of 100 each issued at ₹10 % premium to C.D Ltd)		2,20,000	2,00,000 20,000

Working Note :

$$\text{Number of shares issued} = \frac{2,20,000}{(100 + 10)} = 2,000 \text{ shares}$$

Question 32.

Goodluck Ltd. purchased machinery costing Rs.10,00,000 from Fair Deals Ltd. The company paid the price by issue of Equity Shares of Rs.10 each at a premium of 25%. Pass necessary Journal entries for the above transactions in the books of Goodluck Ltd.

Solution:**Books of Goodluck Ltd****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c Dr. To Fair Deals Ltd A/c (Being machinery purchased from Fair Deals Ltd)		10,00,000	10,00,000
	Fair Deals Ltd A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being 80,000 equity shares of ₹10 each issued at 25% premium)		10,00,000	8,00,000 2,00,000

Working Note :

$$\text{Number of shares issued} = \frac{10,00,000}{(10 + 2.5)} = 80,000 \text{ shares}$$

Question 33.

Jain Ltd. purchased machinery costing Rs.10,00,000 from Ayer Ltd. 50% of the payment was made by cheque and for the remaining 50%, the company issued Equity Shares of Rs.100 each at a premium of 25%. Pass necessary Journal entries in the books of Jain Ltd. for the above transactions.

Solution:**Books of Jain Ltd****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c Dr. To Ayer's Ltd A/c (Being machinery purchased from Ayer Ltd)		10,00,000	10,00,000
	Ayer Ltd A/c Dr. To Bank A/c (Being payment made to Ayer Ltd)		5,00,000	5,00,000
	Ayer Ltd A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being 4,000 equity shares of ₹100 each issued at 25% premium)		5,00,000	4,00,000 1,00,000

Working Note :

$$\begin{aligned} 1. \text{ Amount paid through bank draft} &= 10,00,000 \times \frac{50}{100} \\ &= ₹5,00,000 \end{aligned}$$

$$\begin{aligned} 2. \text{ Number of share issued} &= \frac{5,00,000}{(100 + 25)} \\ &= 4,000 \text{ shares} \end{aligned}$$

Question 34.

Sona Ltd. purchased machinery costing Rs.17,00,000 from Mona Ltd. Sona Ltd. paid 20% of the amount by cheque and for the balance amount issued Equity Shares of Rs.100 each at a premium of 25%.

Pass necessary Journal entries for the above transactions in the books of Sona Ltd. Show your working notes clearly.

Solution:

Journal
In the books of Sona Ltd

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Machinery A/c Dr. To Mona Ltd A/c (Being machinery purchased on credit from Sona Ltd)		17,00,000	17,00,000
	Mona Ltd A/c Dr. To Bank A/c (Being 20 % amount paid through cheque)		3,40,000	3,40,000
	Mona Ltd A/c (17,00,000 - 3,40,000) Dr. To Equity Share Capital A/c To Securities Premium A/c (Being issued 10,880 shares of ₹100 each to Mona Ltd at 25 % premium)		13,60,000	10,88,000 2,72,000

Working Notes :

*

$$\text{No. of shares} = \frac{\text{Purchase consideration}}{\text{Face value of share} + \text{Premium}} = \frac{13,60,000}{100 + 25} = 10,880 \text{ shares}$$

Therefore, Amount of Share Capital Issued = $10,880 \times 100 = ₹10,88,000$

Amount of Securities Premium = $10,88,000 \times 25\% = ₹2,72,000$

Question 35.

Light Lamps Ltd. issued 50,000 shares of Rs.10 each as fully paid-up to the promoters for their services to set-up the company. It also issued 2,000 shares of Rs.10 each credited as fully paid-up to the underwriters of shares for their services. Journalise these transactions.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Incorporation Expenses A/c Dr. To Share Capital A/c (50,000 × ₹10) (Being shares issued to promoters)		5,00,000	5,00,000
	Underwriting Commission A/c Dr. To Underwriters A/c (Being underwriting commission due)		20,000	20,000
	Underwriters A/c Dr. To Share Capital A/c (2,000 × ₹10) (Being shares issued to underwriters)		20,000	20,000

Question 36.

Apollo Television Co. Ltd. issued 5,000 Equity shares of Rs.10 each credited as fully paid-up to the underwriters for their underwriting services. Pass necessary Journal entries in the books of the company.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Underwriting Commission A/c Dr. To Underwriters A/c (Being underwriting commission due)		50,000	50,000
	Underwriters A/c Dr. To Share Capital A/c (5,000 × 10) (Being shares issued to underwriters)		50,000	50,000

Question 37.

Better Prospect Ltd. acquired land costing 1,00,000 and in payment allotted 1,000 Equity Shares of Rs.100 each as fully paid. Further, the company issued 4,000 Equity Shares to public. The shares were payable as: Rs.30 on application; Rs.30 on allotment; Rs.40 on first and final call. Public applied for all shares which were allotted. All the money was received except the call on 200 shares.

Give Journal entries and the Balance Sheet of the company.

Solution:

Issued to Public payable as :

₹30	on application
₹30	on allotment
₹40	first and final call
₹100	Called - up

Books of Better Prospect Ltd**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Land A/c Dr. To vendor A/c (Being land purchased from the vendor)		1,00,000	1,00,000
	Vendor A/c Dr. To Equity Share Capital A/c (Being 1,000 equity of ₹100 each issued to Vendor)		1,00,000	1,00,000
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 4,000 equity shares at ₹30 per share)		1,20,000	1,20,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being share application money of 4,000 shares transferred to equity share capital account)		1,20,000	1,20,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment due 4,000 equity shares of ₹30 each)		1,20,000	1,20,000

Bank A/c To Share Allotment A/c (Being share allotment received for 4,000 shares at ₹30 per share)	Dr.		1,20,000	1,20,000
Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 4,000 equity shares at ₹40 per share)	Dr.		1,60,000	1,60,000
Bank A/c Calls -in -Arrears A/c To Share First and Final Call A/c (Being first and final call received from 3,800 shares and 200 share failed to pay it)	Dr. Dr.		1,52,000 8,000	1,60,000

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

Better Prospect Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	4,92,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		4,92,000
II. Assets		
1.Non - Current Assets		
a. Fixed Assets		
i. Tangible Assets	2	1,00,000
2. Current Assets		
a. Cash and Cash Equivalents	3	3,92,000
Total		4,92,000

NOTES TO ACCOUNTS

Note No	Particulars		₹
1.	Share Capital		
	Authorised Share Capital shares of ₹100 each		-
	Issued Share Capital 5,000 shares of 100 each		5,00,000
	Subscribed Called-up and Paid up Share Capital 1,000 shares of 100 each ₹5 (for consideration other than 4,000 shares of ₹100 each Less : Calls - in - Arrears	1,00,000 4,00,00 (3,000)	4,92,000
2.	Tangible Assets Land		1,00,000
2.	Cash and Cash Equivalents Cash at Bank		3,92,000

Question 38.

A company issued 30,000 fully paid-up shares of ₹100 each for purchase of the following assets and liabilities from Sharma and Co:

Plant	₹7,00,000	Stock-in-Trade	₹9,00,000
Land and Building	₹12,00,000	Sundry Creditors	₹2,00,000

You are required to pass necessary Journal entries.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Goodwill A/c Dr. Plant A/c Dr. Stock-in-Trade A/c Dr. Land and Building A/c Dr. To Sundry Creditors A/c To Sharma and Co. A/c (Being asset purchased and liabilities accepted from Sharma and Co.)		4,00,000 7,00,000 9,00,000 12,00,000	2,00,000 30,00,000
	Sharma and Co. A/c Dr. To Share Capital A/c (Being 30,000 shares of ₹100 each issued to Sharma and Co.)		30,00,000	30,00,000

Question 39.

A company purchased a running business from M/s. Rai Brothers for a sum of ₹15,00,000 payable ₹12,00,000 in fully paid shares of ₹10 each and balance through cheque.

The assets and liabilities consisted of the following:

Plant and Machinery	₹4,00,000	Stock	₹4,00,000
Building	₹4,00,000	Cash	₹3,00,000
Sundry Debtors	₹3,00,000	Sundry Creditors	₹2,00,000

You are required to pass necessary Journal entries in the company's books.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Plant and Machinery A/c Dr. Building A/c Dr. Sundry Debtors A/c Dr. Stock A/c Dr. Cash A/c Dr. To Sundry Creditors A/c To M/s Rai Brothers A/c To Capital Reserve A/c (Being business of M/s Rai brothers took over)		4,00,000 4,00,000 3,00,000 4,00,000 3,00,000	2,00,000 15,00,000 1,00,000
	M/s Rai Brothers A/c Dr. To Share Capital A/c (Being shares issued to M/s Rai brothers)		12,00,000	12,00,000
	M/S Rai Brothers A/c Dr. To Bank A/c (Being payment made to M/s Rai brothers through cheque)		3,00,000	3,00,000

Question 40.

Z Ltd. issued 20,000 Equity Shares of Rs.10 each at par payable: On application Rs.2 per share; on allotment Rs.3 per share; on first call Rs.3 per share; on second and final call Rs.2 per share.

Mr. Gupta was allotted 100 shares. Pass necessary Journal entry relating to the forfeiture of shares in each of the following alternative cases:

Case I If Mr. Gupta failed to pay the allotment money and his shares were forfeited.

Case II If Mr. Gupta failed to pay allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Case III If Mr. Gupta failed to pay the first call and on his subsequent failure to pay the second and final call, his shares were

forfeited.

Solution:

Application	₹2
Allotment	₹3
First Call	₹3
Final Call	₹2
	<u>10</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
Case I	Share Capital A/c (100 × ₹5) Dr. To Share Forfeiture A/c To Share Allotment A/c (Being 100 shares of ₹10 each, ₹5 called up, forfeited for the non - payment of allotment)		500	200 300
Case II	Share Capital A/c (100 × ₹8) Dr. To Share Forfeited A/c To Share Allotment A/c To Share First Call A/c (Being 100 shares of ₹10 each, ₹8 called - up forfeited for non - payment allotment and first - call)		800	200 300 300
Case III	Share Capital A/c Dr. To Share Forfeited A/c To Share First Call A/c To Share Final Call A/c (Being 100 shares of ₹10 each forfeited for the non - payment ₹5 each)		1,000	500 300 200

Question 41.

A Co. Ltd. was registered with a nominal capital of Rs.1,00,000 in Equity Shares of Rs.10 each. It offered to the public 6,000 shares for subscription, The applications were, however, received for 8,000 shares. The Directors had to reject the applications for 1,000 shares and to return the money received thereon. The application money received on the other 1,000 shares was adjusted to Allotment Account. The amount payable on shares was: Rs.2 per share on application, Rs.4 per share on allotment and the balance on first call. One shareholder holding 100 shares failed to pay the first call money and as a result his shares were forfeited,

Pass necessary Journal entries and prepare Cash Book to record the above transactions.

Solution:

Authorised Capital 10,000 equity Shares of 10 each
 Issued Capital 6,000 shares
 Applied Capital 8,000 Shares

Allotment made as :

Applied	Allotted
7,000	6,000
1,000	NIL
8,000	6,000

Payable as :

Application	2 per share
Allotment	4 per share
First and Final Call	4 per share
	<u>₹10 per share</u>

Cash Book

Dr.				Cr.			
Date	Particulars	L.F.	Bank ₹	Date	Particulars	L.F.	Bank ₹
	To Equity Share Application A/c		16,000		By Equity Share Application A/c		2,000
	To Equity Share Allotment A/c		22,000				
	To Equity Share First and Final Call A/c		23,600		By Balance c/d		59,600
			<u>61,600</u>				<u>61,600</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being share application money of 6,000 shares at ₹2 each transferred to share Capital and 2,000 adjusted towards allotment)		14,000	12,000 2,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment money due on 6,000 shares at ₹4 each)		24,000	24,000
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being share first and final call due on 6,000 shares at ₹4 each)		24,000	24,000
	Calls - in - Arrears A/c Dr. To Equity First and Final Call A/c (Being a holder of 100 shares failed to pay first and final Call money and amount due from him transferred to Calls -in Arrears Account)		400	400
	Equity Share Capital A/c Dr. To Share Forfeited a/c To Calls - in - Arrears A/c (Being 100 shares of ₹10 each forfeited for the non - payment of first and final call ₹4 per share)		1,000	600 400

Question 42.

Swaraj and Co. was registered with an authorised capital of ₹5,00,000 divided into 50,000 shares of ₹10 each. The company offered 30,000 of these shares to the public, which were payable ₹2 per share on application, ₹4 per share on allotment and the balance three months later. Applications for 46,000 shares were received on which the Directors allotted shares as:

Applications for 20,000 shares Full
 Applications for 25,000 shares 40 %
 Applications for 1,000 shares Nil

₹86,000 was realised on account of allotment money (excluding the amount carried from application money) and ₹1, 00,000 use account of call. The Directors decided to forfeit those shares on Which allotment money was overdue.

Show Journal entries in the company's books

Solution:

Authorised Capital 50,000 shares of ₹10 each

Issued 30,000 shares

Applied 46,000 shares

Payable as :

Application ₹2
 Allotment ₹4
 First and Final Call ₹4
₹10

Applied Shares	Issued Shares	Money Received on Application @ ₹2 each	Money transferred to Share Capital @ ₹2 each	Excess Application money	Allotment due @ ₹4 each	Excess money adjusted on Allotment
20,000	20,000	40,000	40,000	-	80,000	-
25,000	10,000	50,000	20,000	30,000	40,000	30,000
1,000	-	2,000	-	2,000 (return)	-	-
46,000	30,000	92,000	60,000		1,20,000	30,000

1. Calculation of Calls -In - Arrears on Allotment

Allotment due ₹1,20,000
 Less : Excess Application money adjusted on allotment ₹30,000
 Less : Money received on Allotment ₹86,000
Calls - in - Arrears on Allotment ₹4,000

Number of Shares default on allotment = $\frac{\text{Calls - in - Arrears}}{\text{Allotment (per share)}}$
 $= \frac{4,000}{4}$
 $= ₹1,000 \text{ shares}$

2. Calculation of Calls - in - Arrears on First and Final Call

First and Final Call due 30,000 × ₹4 per = ₹1,20,000
 Less : Money received on First and Final Call = ₹1,00,000
Calls in Arrears ₹20,000

Number of shares defaulted on First and Final Call =

$$\begin{aligned}
 & \frac{\text{Calls - in - Arrears}}{\text{First and Final Call (per Share)}} \\
 &= \frac{20,000}{4} \\
 &= ₹5,000 \text{ shares}
 \end{aligned}$$

Number of shares default:-

on allotment 1,000 shares

on call 5,000 shares (including 1,000 shares who failed to pay the allotment)

Books of Swaraj and Co.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 46,000 shares at 2 each)		92,000	92,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application money of 30,000 shares at ₹2 each transferred to share Capital, 30,000 adjusted towards allotment and 2,000 refunded)		92,000	60,000 30,000 2,000
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 30,000 at ₹4 each)		1,20,000	1,20,000
	Bank A/c Dr. Calls - in Arrears A/c Dr. To Share Allotment a/c (Being share allotment money received and arrears 1,000 shares transferred to Calls - in - arrears)		86,000 4,000	90,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Being share first and final call due on 30,000 shares at ₹4 each)		1,20,000	1,20,000
	Bank A/c Dr. Call - In - Arrears A/c Dr. To Share First and Final Call A/c (Being share first and final received on 25,000 shares and holders of 5,000 shares failed to pay it)		1,20,000 20,000	1,20,000
	Share Capital A/c (1,000 × ₹10) Dr. To Share Forfeiture A/c To Calls - In - Arrears A/c (Being 1,000 shares of ₹10 each forfeited for the non - payment allotment and call)		10,000	2,000 8,000

Question 43.

U.P. Sugar Works Ltd. was registered on 1st January, 2004 with an authorised capital of Rs.15,00,000 divided into 15,000 shares of Rs.100 each. The company went for allotment on 1st April, 2004, when 5,000 shares of Rs.100 each were allotted at a premium of Rs.5 per share payable Rs.25 per share on application, Rs.30 (including premium) on allotment and the balance in two equal Installments of Rs.25 each on 1st July and 1st October respectively. All the allotment and call moneys were paid when due, except in case of one shareholder who failed to pay the final call on 100 shares held by him. His shares

were forfeited on 1st November after giving him a due notice. Show necessary entries in the books of the company to record these transactions.

Solution:

Authorised capital 15,000 shares of 100 each

Issued and applied capital 5,000 shares of 100 each at a premium 5

Application	=	₹25
Allotment	=	₹30 (25 + 5)
First Call	=	₹25
Final Call	=	₹25
		<u>₹105 (100 + 5)</u>

Books of U.P. Sugar Works Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2004 Apr.01	Bank A/c Dr. To Share Application A/c (Being share application money received for 5,000 shares at ₹25 each)		1,25,000	1,25,000
Apr.01	Share Application A/c Dr. To Share Capital A/c (Being share application money transferred to share Capital.)		1,25,000	1,25,000
Apr.01	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being share allotment due on 5,000 shares at ₹30 each including ₹5 premium)		1,50,000	1,25,000 25,000
	Bank A/c Dr. To Share Allotment a/c (Being share allotment money received)		1,50,000	1,50,000
Jul.01	Share First Call A/c Dr. To Share Capital A/c (Being share first and final call due on 5,000 shares at ₹25 each)		1,25,000	1,25,000
	Bank A/c Dr. To Share First Call A/c (Being share First call money received)		1,25,000	1,25,000
Oct.01	Share Final Call A/c Dr. To Share Capital A/c (Being share final call due on 5,000 shares at ₹25 each)		1,25,000	1,25,000
	Bank A/c Dr. Calls - in - Arrears a/c Dr. To Share Final Call A/c (Being share final call ₹25 each received for 4,900 shares and a holder of 100 share failed to pay it)		1,22,500 2,500	1,25,000
Nov.01	Share Capital A/c (100× ₹100) Dr. To Share Forfeiture A/c (100 × ₹75) To Calls - in- Arrears A/c (100 × ₹25) (Being 100 shares forfeited for the non - payment of final call)		10,000	7,500 2,500

Question 44.

A company issued 10,000 Equity Shares of Rs.10 each at a premium of Rs.3 per share payable Rs.5 on application, Rs.5 (including premium) on allotment and the balance on first call. All the shares offered were applied for and allotted. All the money due on allotment was received except on 200 shares. Call was made. All the amount due thereon was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money were not received. Pass necessary Journal entries to record the above.

Solution:

Issued and Applied 10,000 Shares at ₹10 each at a premium of 3 per share

Application	₹ 5
Allotment	₹ 5 (2 + 3)
First and Final Call	₹ 3
	<u>₹ 13 (10 + 3) Called - up</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 10,000 shares at ₹5 each)		50,000	50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being share application money transferred to share Capital,)		50,000	50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being share allotment due on 10,000 shares at ₹5 each including ₹5 premium)		50,000	20,000 30,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share Allotment a/c (Being share allotment money received)		49,000 1,000	50,000
	Equity Share First Call and Final Call A/c Dr. To Share Capital A/c (Being share first and final call due on 10,000 shares at ₹3 each)		30,000	30,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share First Call A/c (Being share first and final call received on all shares except 300 shares)		29,100 900	30,000
	Equity Share Capital A/c Dr. Securities Premium A/c To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 200 shares forfeited for the non - payment of ₹8 per share including ₹3 premium)		2,000 600	1,000 1,600

Question 45.

A company issued 10,000 shares of the value of Rs.10 each, payable Rs.3 on application, Rs.3 on allotment and Rs.4 on the first and final call. All amounts are duly received except the call money on 100 shares. These shares are subsequently forfeited by Directors and are resold as fully paid-up for Rs.500.

Give necessary Journal entries for the transactions.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 10,000 shares at ₹3 each)		30,000	30,000
	Share Application A/c Dr. To Share Capital A/c (Being share application money transferred to share Capital,)		30,000	30,000
	Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment due on 10,000 shares at ₹3 per shares)		30,000	30,000
	Bank A/c Dr. To Equity Share Allotment a/c (Being share allotment money received)		30,000	30,000
	Equity Share First Call and Final Call A/c Dr. To Share Capital A/c (Being share first and final call due on 10,000 shares at ₹4 each)		40,000	40,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share First Call and Final A/c (Being share first and final call of 4 per share received on 9,900 share and 100 shares failed to pay it)		39,600 400	40,000
	Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in- Arrears A/c (Being 100 shares of ₹10 each forfeited for the non - payment of first an final call ₹4 per share)		1,000	600 400
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 100 shares of ₹10 each re-issued for the sum of 500)		500 500	1,000
	Share Forfeiture a/c Dr. To Capital Reserve A/c (Being balance in Share forfeiture account after re - issue of shares, transferred to capital reserve account)		100	100

Working Note

Share Forfeiture Account (debit)	₹600
Less : Share Forfeiture Account (credit)	(500)
Balance in Share Forfeiture after re-issue	<u>₹100</u>
Capital Reserve = Balance in Share Forfeiture Account after re-issue = 100	

Question 46.

X Ltd. forfeited 900 Equity Shares of Rs.100 each for the non-payment of allotment money of Rs.30 per share and the first call of Rs.20 per share. The second and final call of Rs.25 per share has not been made. The forfeited shares were reissued for Rs.90 per share, Rs.75 paid-up.

Journalise the above.

Solution:

Application	₹25 Balancing Figure
Allotment	₹30
First Call	₹20
Final Call	₹25 un - called
	<u>100</u>

Called - up ₹75 Per share

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Capital A/c (900 × ₹75) Dr. To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 900 shares of ₹100 each ₹75 called up, forfeited for the non - payment sum of allotment ₹30 an first call ₹20 per share)		67,500	22,500 45,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Being 900 shares of 100 each re - issued as ₹75 paid - up for ₹90 each)		81,000	67,500 13,500
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance of share forfeiture account after re - issue, transferred to capital reserve account)		22,500	22,500

Working Notes :

Share Forfeiture Account Credit = Share application money received for 900 shares
 = ₹25 × 900 shares
 = ₹22,500

Calculation of Capital Reserve

Share Forfeiture Account = ₹22,500

Share Forfeiture Account Debit = NIL

Capital Reserve = ₹22,500

Books of M Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2012 May 01	Equity Share Capital A/c To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 2,000 shares of ₹10 each forfeited for non - payment of final call ₹2.5 per share)	Dr.	20,000	15,000 5,000
June 10	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 1,800 shares of ₹10 each re - issued at ₹6 per share fully paid - up)	Dr. Dr.	10,800 7,200	18,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in shares forfeiture account of 1,800 re - issue, transferred to capital reserve account)	Dr.	6,300	6,300

Working Notes :

Share Forfeiture ₹7.5 Cr
 Share Forfeiture ₹4 Dr.
 Balance in Share Forfeiture Account after re - issue ₹3,5Cr Per Share
 Capital Reserve
 = No of Shares reissued × Balance in Share Forfeiture Account after reissue (per share)
 = 1,800 × ₹3.5 (per share)
 = ₹6,300

Question 47.

The Directors of M Ltd. resolved on 1st May, 2015 that 2,000 Equity Shares of Rs.10 each, Rs.7.50 paid be forfeited for non-payment of final call of Rs.2.50. On 10th June, 2015. 1,800 of these shares were reissued for Rs.6 per share. Give necessary Journal entries.

Solution:

Question 48.

Super Star Ltd. makes an issue of 10,000 Equity Shares of ₹100 each, payable as:

On application and allotment ₹50
 On first call ₹25
 On second and final call ₹25

Members holding 400 shares did not pay the second and final call and the shares are duly forfeited, 200 of which are reissued as fully paid - up @ ₹50 per share. Pass Journal entries in the books of the company

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being share application and allotment money received for 10,000 shares at ₹50 each)		5,00,000	5,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c (Being share application and allotment money transferred to Equity Share Capital Account)		5,00,000	5,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being share first call due on 10,000 shares of ₹25 each)		2,50,000	2,50,000
	Bank A/c Dr. To Equity Share First-Call A/c (Being first call money received)		2,50,000	2,50,000
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Being equity share final call due on 10,000 shares of ₹25 each)		2,50,000	2,50,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share Final Call A/c (Being share final call of ₹25 per share received on 9,600 shares and holders of 400 shares failed to pay it)		2,40,000 10,000	2,50,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in Arrears A/c (Being 400 Shares of 100 each forfeited for the non - payment final call ₹25 per share)		40,000	30,000 10,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 200 shares of ₹100 each re - issued at ₹50 per share fully paid up)		10,000 10,000	20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in Share Forfeiture of 200 shares of after re - issue transferred to Capital Reserve)		5,000	5,000

Working Note :

Share Forfeiture

₹75 Cr

Share Forfeiture

₹50 Dr.

Balance in Share Forfeiture Account for re - issued

₹25 Cr per share

Capital Reserve

= Balance in share forfeiture for re - issued shares × Number of share re issued

= ₹25 × 200

= 5,000

Question 49.

A company issued 20,000 shares of Rs.100 each payable Rs.25 per share on application, Rs.25 per share on allotment and the balance in two calls of Rs.25 each. The company did not make the final call of Rs.25 per share. All the money was duly

received with the exception of the amount due on the first call on 400 shares held by Mr. Modi. The Board of Directors forfeited these shares and subsequently reissued them @ Rs.75 per share paid-up for a sum of Rs.28,000. Journalise the above transactions and prepare Share Capital Account.

Solution:

Issued and applied capital 20,000 shares of 100 each

Payable as :

Application	₹25
Allotment	₹25
First Call	₹25
Called up	₹75 per share
Final Call	₹25
	<u>₹100 per share</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 20,000 shares at ₹25 each)		5,00,000	5,00,000
	Equity Share Application A/c Dr. To Share Capital A/c (Being application money transferred to share capital account)		5,00,000	5,00,000
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 20,000 shares at ₹25 each)		5,00,000	5,00,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received)		5,00,000	5,00,000
	Share First Call A/c Dr. To Share Capital A/c (Being share final call due on 20,000 shares of ₹25 each)		5,00,000	5,00,000

	Bank A/c	Dr.	4,90,000	
	Calls - in - Arrears A/c	Dr.	10,000	
	To Share First Call A/c			5,00,000
	(Being share First Call of ₹25 per share received on 19,600 shares and holders of 400 shares did not pay it)			
	Share Capital A/c	Dr.	30,000	
	To Share Forfeiture A/c			20,000
	To Calls - in Arrears A/c			10,000
	(Being 400 shares of ₹100 each, ₹75 called - up forfeited for the non - payment final call ₹25 per share)			
	Bank A/c	Dr.	28,000	
	Share Forfeiture A/c	Dr.	2,000	
	To Share Capital A/c			30,000
	(Being 400 shares of ₹100 each ₹75 paid up re-issued for the sum of 28,000)			
	Share Forfeiture A/c	Dr.	18,000	
	To Capital Reserve A/c			18,000
	(Being balance in share forfeiture after re - issue transferred to capital reserve)			

Share Capital Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Share Forfeiture A/c	20,000	By Share Application A/c	5,00,000
To Calls-in-Arrears	10,000	By Share Allotment A/c	5,00,000
		By Share First Call A/c	5,00,000
To Balance c/d	15,00,000	By Bank A/c	28,000
		By Share Forfeiture A/c	2,000
	15,30,000		15,30,000

Working Note:

Share Forfeiture Credit 20,000
 Less: Share Forfeiture Debit 2,000
 Balance in Share Forfeiture Account after re-issue 18,000
 Capital Reserve = Balance in Share Forfeiture Account after re-issue = ₹18,000

Question 50.

The Hindustan Manufacturing Ltd. had a total subscribed capital of Rs.10,00,000 in Equity Shares of Rs.10 each of which Rs.7.50 were called-up. A final call of Rs.2.50 was made and all amount paid except two calls of Rs.2.50 each in respect of 100 shares held by D. These shares were forfeited and reissued at Rs.8 per share. Pass necessary Journal entries (including that of cash) to record the transactions of final call, forfeiture of shares and reissue of forfeited shares. Also, prepare the Balance Sheet of the company.

Solution:

Books of Hindustan Manufacturing Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Being share final call due on 1,00,000 shares at ₹2.5 per share)		2,50,000	2,50,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share Final Call A/c (Being share final Call of ₹2.5 per share received from 99,900 shares and 100 shares did not pay it)		2,49,750 250	2,50,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 100 shares of ₹10 each forfeited for the not payment of two calls of ₹2.5 each)		1,000	500 500
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 100 shares of ₹10 each re issued at ₹8 per share fully paid up)		800 200	1,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account after reissue of shares, transferred to capital reserve)		300	300

As per the Schedule III of Companies Act, 2013, the Company's Balance Sheet is presented as follows

Hindustan Manufacturing Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	10,00,000
b. Reserve and Surplus	2	300
2. Non - Current Liabilities		
3. Current Liabilities		
Total		10,00,300
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	10,00,300
Total		10,00,300

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	1,00,000 shares of ₹10 each	10,00,000
	Issued Share Capital	
	1,00,000 shares of ₹10 each	10,00,000
	Subscribed Called-up and Paid up Share Capital	
	1,00,000 shares of ₹10 each	10,00,000
2.	Reserve and Surplus	
	Capital Reserve	300
2.	Cash and Cash Equivalents	
	Cash at Bank	10,00,300

Working Notes :

Share Forfeiture Credit (100 shares × ₹5 each)	500
Less : Share Forfeiture (100 share × ₹2 each)	200 Loss on re-issue
Balance in Share Forfeiture Account after re - issue	<u>300</u>
Capital Reserve = Balance in Share Forfeiture Account after re - issue = ₹300	

Question 51.

On 1st May, 2014, Directors of a Limited Company forfeited 200 shares of Rs.20 each, Rs.15 per share called-up. on which Rs.10 per share has been paid by A, the amount of the first call of Rs.5 per share being unpaid. Ten days later, the Directors reissued the forfeited shares to B credited as Rs.15 per share paid-up, for a payment of Rs.10 per share.

Give Journal entries in the company's books to record the forfeited shares and their reissue.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
2014 May 01	Share Capital A/c (₹15 × 200) To Share Forfeiture A/c (₹10 × 200) To Calls - in Arrears A/c (₹5 × 200) (Being 200 shares of ₹20 each ₹15 called up forfeited for the non - payment ₹5 per share)	Dr.	3,000	2,000 1,000
May 11	Bank A/c (₹10 × 200) Share forfeiture A/c (₹5 × 200) To Share Capital A/c (₹15 × 200) (Being 200 shares of ₹20 each re-issued at ₹10 each ₹15 paid up)	Dr. Dr.	2,000 1,000	3,000
May 11	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture after re - issue transferred to capital reserve)	Dr.	1,000	1,000

Working Notes :

Share Forfeiture Credit (at the time of forfeiture)	₹2000
Share Forfeiture Debit (at the time of re-issue)	₹1,000
Balance in Share Forfeiture Account after re - issue	<u>₹1,000</u>
Capital Reserve = Balance in Share Forfeiture Account after re - issue = ₹1,000	

Question 52.

X Ltd. forfeited 100 shares of Rs.10 each (Rs.8 called-up) Issued at a premium of Rs.2 per share to Mr. R, on which he had paid application money of Rs.5 per share, for non-payment of allotment money of Rs.5 per share (including premium). Out of these, 70 shares were reissued to Mr.Sanjay as Rs.8 called-up for Rs.7 per share. Give necessary Journal entries relating to forfeiture and reissue of shares

Solution:**Books of X Ltd.****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (100 × ₹8) Securities Premium A/c (100 × ₹2) To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 100 shares of ₹10 each, ₹8 called - up with premium ₹2 per share, forfeited for the non - payment of ₹5 each including ₹2 premium)	Dr. Dr.	800 200	500 500
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 70 shares of ₹10 each re issued at ₹7 per share ₹8 paid - up)	Dr. Dr.	490 70	560
	Share Forfeiture A/c To Capital Reserve A/c (Being balance of 70 shares re - issued shares in share forfeiture account transferred to capital reserve)	Dr.	280	280

Working Notes :

Share Forfeiture Credit	₹5 per share
Less : Share forfeiture Debit	₹1 per share
Balance in Share Forfeiture of re - issued shares	<u>₹4 per share</u>
Capital Reserve = Balance in Share Forfeiture Account of re - issued shares × No. of shares re - issued = 70 × ₹4 = 280	

Question 53.

A Limited Company forfeited 100 Equity Shares of the face value of Rs.10 each, Rs.6 per share called-up, for non-payment of first call of Rs.2 per share. The forfeited shares were subsequently reissued as fully paid – up Rs.7 each.

Give necessary entries in the company's Journal.

Solution:

Books of A Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Capital A/c To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 100 shares of 10 each 6 called up forfeited for the non - payment of first call 2 per share)	Dr.	600	400 200
	Bank A/c Share forfeiture A/c To Share Capital A/c (Being 100 shares of 10 each re - issued at 7 per share, fully paid - up)	Dr. Dr.	700 300	1,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture of re - issued shares transferred to capital reserve)	Dr.	100	100

Working Notes :

Share Forfeiture Credit	₹400
Share Forfeiture Debit	₹300
Balance in Share Forfeiture of re - issued shares	₹100
Capital Reserve = Balance in Share Forfeiture of re - issued shares = ₹100	

Question 54.

S Ltd. with a registered capital of ₹5,00,000 in shares of ₹10 each, invited applications for 20,000 shares payable as:

On application	₹2
On allotment	₹2
On first call	₹3
On final call	₹3

An applicant who had been allotted 250 shares failed to pay allotment and first call money due from him. His shares were forfeited. After this, the final call was made and the forfeited shares were reissued as fully paid-up @ ₹8.50 per share.

Pass Journal entries and show the company's Balance Sheet.

Solution:

Amount Payable as :

Application	₹2
Allotment	₹2
First Call	₹3
Final Call	₹3
	<u>₹10 per share</u>

Books of S Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 20,000 shares at ₹2 each)		40,000	40,000
	Share Application A/c Dr. To Share Capital A/c (Being application money transferred to Share capital account)		40,000	40,000
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 20,000 shares of ₹2 each)		40,000	40,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share Allotment A/c (Being share allotment of ₹2 per share received on 19,750 shares and holders 250 shares did not pay it)		39,500 500	40,000
	Share First Call A/c Dr. To Share Capital A/c (Being first call due 20,000 shares at ₹3 each)		60,000	60,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share First Call A/c (Being first Call of ₹3 per share received on 19,750 shares and holder of 250 shares were default)		59,250 750	60,000
	Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in Arrears A/c (Being 250 shares of ₹10 each ₹7 called up forfeited for the nonpayment of ₹5 per share)		1,750	500 1,250
	Share Final Call A/c Dr. To Share Capital (Being final call due on 19,750 shares at ₹3 each)		59,250	59,250
	Bank A/c Dr. To Share Final Call A/c (Being final call money received)		59,250	59,250
	Bank A/c Dr. Calls - in Arrears A/c Dr. To Share Capital A/c (Being 250 shares of ₹10 each re - issued at ₹8.5 fully paid up)		2,175 375	2,500
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account after re - issue transferred to capital reserve)		125	125

As per the Schedule III of Companies Act, 2013, the Company's Balance Sheet is presented as follows

S Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	2,00,000
b. Reserve and Surplus	2	125
2. Non - Current Liabilities		
3. Current Liabilities		
Total		2,00,125
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,00,125
Total		2,00,125

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	50,000 shares of 10 each	5,00,000
	Issued Share Capital	
	20,000 shares of 10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital	
	20,000 shares of 10 each	2,00,000
2.	Reserve and Surplus	
	Capital Reserve	125
3.	Cash and Cash Equivalents	
	Cash at Bank	2,00,125

Working Notes :

Share Forfeiture Credit (at the time of forfeiture)	₹500
Share forfeiture Debit (at the time of reissue)	₹375
Balance in Share Forfeiture Account of re - issued shares	₹125
Capital Reserve = Balance in Share forfeiture Account of re - issued shares = ₹125	

Question 55.

Give necessary Journal entries:

- The Directors of Devendra Ltd. resolved on 1st January, 2010 that 100 Equity Shares of Rs.10 each, Rs.8 paid-up be forfeited for non-payment of final call of Rs.2. On 1st February, 60 of these shares were reissued @ Rs.7 per share as fully paid-up.
- Virender Limited forfeited 20 shares of Rs.100 each (Rs.60 called-up) Issued at par to Mukesh on which he had paid Rs.20 per share. Out of these. 15 shares were reissued to Sanjeev as Rs.60 paid-up for Rs.45 per share

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2010 Jan 01	Equity Share Capital A/c To Share Forfeiture A/c To Calls - in - Arrears a/c (Being 100 shares of ₹10 each forfeited for the non - payment of ₹2 per share)	Dr.	1,000	800 200
Feb 01	Bank A/c Share forfeiture A/c To Equity Share Capital A/c (Being 60 shares of ₹10 each re-issued at ₹7 per share , fully paid up)	Dr. Dr.	420 180	600
Feb 01	Share Forfeiture A/c To Capital Reserve A/c (Being balance in Share forfeiture account of 60 shares after re - issue transferred to capital reserve)	Dr.	300	300

Working Notes :

Forfeiture of re - issued shares

Share forfeiture Credit

₹8 per share

Share forfeiture Debit

₹3 per share

Balance in share Forfeiture after re - issue

₹5 per share

General Reserve

= Balance in Share Forfeiture after re-issue (per share) × No.of Shares reissued

= ₹ 5 × 60

= ₹300

Books of Virender Ltd

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c To Share Forfeiture A/c To Calls - in - Arrears a/c (Being 20 shares of 100 each ₹60 called - up forfeited for the non - payment of ₹40 per share)	Dr.	1,200	400 800
	Bank A/c Share forfeiture A/c To Share Capital A/c (Being 15 shares of 100 each re-issued at ₹45 per share , ₹60 fully paid up)	Dr. Dr.	675 225	900
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 15 shares after re - issue transferred to capital reserve)	Dr.	75	75

Working Notes :

Forfeiture of reissued shares

Share Forfeiture Credit (at the time of forfeiture)

₹20 per share

Share Forfeiture Debit (at the time of re -issue)

₹15 per share

Balance in Share Forfeiture after re - issue

₹5 per share

Capital Reserve

= Balance in Share Forfeiture after re - issue (per share) × No. of Shares reissued

= ₹5 × 15

= ₹75

Question 56.

A holds 100 shares of Rs.10 each on which he has paid Rs.1 per share on application.

B holds 200 shares of Rs.10 each on which he has paid Rs.1 and Rs.2 per share on application and allotment respectively.

C holds 300 shares of Rs.10 each and has paid Rs.1 on application, Rs.2 on allotment and Rs.3 on first call. They all fail to

pay their arrears and the second call of 2 per share. Shares are forfeited and subsequently reissued Rs.11 per share as fully paid-up.

Journalise the above.

Solution:

Application	₹1
Allotment	₹2
First Call	₹3
Second Call	₹2
	<u>₹8 Called - up</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Forfeiture of Shares			
	<u>Shares of A</u>			
	Share Capital A/c Dr.		800	
	To Share Forfeiture A/c			100
	To Calls - In - Arrears A/c			700
	(Being 100 shares of ₹10 each, ₹8 called - up held by A forfeited for the non - payment of ₹7 per share)			
	<u>Shares of B</u>			
	Share Capital A/c Dr.		1,600	
	To Share Forfeiture A/c			600
	To Calls - in - Arrears A/c			1,000
	(Being 200 shares of ₹10 each, ₹8 called up held by B forfeited for non - payment of ₹5 per share)			
	<u>Share of C</u>			
	Share Capital A/c Dr.		2,400	
	To Share Forfeiture A/c			1,800
	To Calls - in - Arrears A/c			600
	(Being 300 shares of ₹10 each, ₹8 called up held by C forfeited for the non - payment of ₹2 per share)			
	Re - issue of Shares			
	Bank A/c Dr.		6,600	
	To Share Capital A/c			6,000
	To Securities Premium A/c			600
	(Being 600 shares of 10 each re - issued at 11 per share fully paid - up)			
	Share Forfeiture A/c Dr.		2,500	
	To Capital Reserve A/c			2,500
	(Being share forfeiture transferred to capital reserve)			

Working Notes :

Share Forfeiture of 100 shares held by A	₹100 Cr.
Share Forfeiture of 200 shares held by B	₹600 Cr.
Share Forfeiture of 300 shares held by C	₹1,800 Cr.
Total Share Forfeiture credit (at the time of cancellation of shares)	<u>₹2,500</u>

Calculation of Capital Reserve

Total Share Forfeiture (at the time of Cancellation of shares)	₹2,500 Cr.
Less : Total shares Forfeiture (at the time of re-issue of shares)	(NIL) Dr.
Capital Reserve	<u>= 2,500</u>

Question 57.

Wye Ltd. issued 20,000 shares of ₹20 each payable as:

On application	₹4
On allotment	₹4
on first call	₹6
on second and final call	₹6

All the amounts were received except the following;

A, 500 shares, has not paid allotment, first call and final call.

B, 300 shares, has not paid first call and final call.

C, 200 shares, has not paid final call.

All the above shares were forfeited and were reissued in the following manner:

Shares of A @ ₹18 per share, Shares of B @ ₹16 per share and Shares of C @ ₹15 per share.

Pass Journal entries regarding forfeiture and reissue of shares

Solution:**Book of Wye Limited****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Forfeiture of Shares			
	<u>Shares of A</u>			
	Share Capital A/c Dr.		10,000	
	To Share Forfeiture A/c			2,000
	To Calls - In - Arrears A/c			8,000
	(Being 500 shares of ₹20 each, held by A forfeited for the non - payment of ₹16 per share)			
	<u>Shares of B</u>			
	Share Capital A/c Dr.		6,000	
	To Share Forfeiture A/c			2,400
	To Calls - in - Arrears A/c			3,600
	(Being 300 shares of ₹20 each, ₹8 called up held by B forfeited for non - payment of ₹12 per share)			
	<u>Share of C</u>			
	Share Capital A/c Dr.		4,000	
	To Share Forfeiture A/c			2,800
	To Calls - in - Arrears A/c			1,200
	(Being 200 shares of ₹20 each, ₹8 called up held by C forfeited for the non - payment of ₹6 per share)			
	Re - issue of Shares			
	<u>Shares of A</u>			
	Bank A/c Dr.		9,000	
	Share Forfeiture A/c Dr.		1,000	
	To Share Capital A/c			10,000
	(Being 500 shares of ₹20 each had forfeited from A. re issued at ₹18 per share fully paid - up)			

	Share of B Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 300 shares of ₹20 each had forfeited from B. re issued at ₹16 per share)	Dr. Dr.	4,800 1,200	6,000
	Share of C Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 200 share ₹20 each had forfeited from C reissued at ₹5 per share full paid-up)	Dr. Dr.	3,000 1,000	4,000
	Capital Reserve Share forfeiture A/c To Capital Reserve (Being balance of share forfeiture account after re- issue transferred to capital reserve)	Dr.	4,000	4,000

Working Notes :

Share Forfeiture Credit(at the time of forfeiture)

= ₹2,000 + ₹2,400 + ₹2,800

= ₹7,200

Share Forfeiture Debit (at the time of re -issue)

= ₹1,000 + ₹1,200 + ₹1,000

= ₹3,200

Capital Reserve = Share Forfeiture Credit - Share Forfeiture Debit

= ₹7,200 - ₹3,200

= ₹4,000

Question 58.

A Ltd. company with registered capital of Rs.5,00,000 in shares of Rs.10 each issued 20,000 of such shares payable Rs.2 on application, Rs.4 on allotment, Rs.2 on first call and Rs.2 on final call. All the money payable on allotment was duly received but on the first call being made, one shareholder paid the entire balance on his holding of 300 shares and five shareholders with a total holding of 1,000 shares failed to pay their dues on the first call. These shares were forfeited for non-payment of first call money. Final call was made and all the money due was received. Later on, forfeited shares were reissued @Rs.6 per share as fully paid-up.

Record the above in the company's Journal and prepare the Balance Sheet.

Solution:

Amount payable as

Application	2
Allotment	4
First Call	2
Final Call	2
	<u>10</u>

Books of A Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Share Application A/c (Being share application money received for 20,000 shares of ₹2 each)	Dr.	40,000	40,000
	Share Application A/c To Share Capital A/c (Being share application money of 20,000 shares at ₹2 each transferred to share Capital)	Dr.	40,000	40,000
	Share Allotment A/c To Share Capital A/c (Being share allotment due on 20,000 shares at ₹4 each)	Dr.	80,000	80,000
	Bank A/c To Share Allotment A/c (Share allotment money received)	Dr.	80,000	80,000
	Share First Call A/c To Share Capital A/c (Being share first Call due on 20,000 shares at ₹2 each)	Dr.	40,000	40,000

	Bank A/c	Dr.		38,600	
	Call - in Arrears A/c	Dr.		2,000	
	To Share First Call A/c				40,000
	To Calls - in - Advance (300 × ₹2)				600
	(Being share first call of ₹2 per share received on 19,000 shares along with calls - in - advance of 300 shares at ₹2 each and holders of 1,000 shares failed to pay the first call)				
	Share Capital A/c	Dr.		8,000	
	To Share Forfeiture A/c (1,000 × ₹6)				6,000
	To Calls - in - Arrears A/c				2,000
	(Being 1,000 shares of ₹10 each on which 8 had called forfeited for the non- payment of first call ₹2 per share)				
	Share Final Call A/c	Dr.		38,000	
	To Share Capital A/c				38,000
	(Being share final call due on 19,000 shares at ₹2 each)				
	Bank A/c	Dr.		37,400	
	Calls - in Advance A/c	Dr.		600	
	To Share Final Call A/c				38,000
	(Being share final call received from 18,700 shares and calls-in advance of 300 shares adjusted)				
	Bank A/c	Dr.		6,000	
	Share forfeiture A/c	Dr.		4,000	
	To Share Capital A/c				10,000
	(Being 1,000 shares, re - issued at ₹6 per share as fully paid - up				
	Share Forfeiture A/c	Dr.		2,000	
	To Capital Reserve A/c				2,000
	(Being balance of share forfeiture account after re-issue transferred to capital reserve)				

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

S Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	2,00,000
b. Reserve and Surplus	2	2,000
2. Non - Current Liabilities		
3. Current Liabilities		
Total		2,02,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,02,000
Total		2,02,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital 50,000 shares of ₹10 each	5,00,000
	Issued Share Capital 20,000 shares of ₹10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 20,000 shares of ₹10 each	2,00,000
2.	Reserve and Surplus Capital Reserve	2,000
3.	Cash and Cash Equivalents Cash at Bank	2,02,000

Working Notes :

Share Forfeiture Credit (at the time of forfeiture of shares)	₹6,000
Less : Share Forfeiture Debit (at the time of re-issue)	₹4,000
Balance in Share Forfeiture Account re-issue of shares	<u>₹2,000</u>
Capital Reserve = Balance in Share Forfeiture Account of re-issued shares = ₹2,000	

Question 59.

New Company Ltd. has a nominal capital of ₹2,50,000 in shares of ₹10. Of these, 4,000 shares were issued as fully paid in payment of building purchased, 8,000 shares were subscribed by the public and during the first year ₹5 per share were called-up, payable ₹2 on application, ₹1 on allotment ₹1 on first call and ₹1 on second call. The amounts received in respect of these shares were:

On 6,000 shares the full amount called

On 1,250 shares	₹4 per share
On 500 shares	₹3 per share
On 250 shares	₹2 per share

The Directors forfeited the 750 shares on which less than ₹4 had been paid. The shares were subsequently reissued at ₹3 per share. Give Journal entries recording the above transactions and prepare the company's Balance Sheet

Solution:

Authorised Capital 25,000 shares of ₹10 each

Issued Capital

4,000 shares to the vendor of building

8,000 shares issued to public

Application	₹2 Per Share	(6,000 + 1,250 + 500 + 250)	=	8,000)
Allotment	₹1 Per Share	(6,000 + 1,250 + 500)	=	7,750)
First Call	₹1 Per Share	(6,000 + 1,250)	=	7,250)
Second Call	₹1 Per Share	(6,000 +	=	6,000)
	<u>₹5 Per Share</u>			

Shares to be forfeited (on which paid less than ₹4) are as :

Shares on which paid ₹3 per share	500
Shares on which paid ₹2 per share	250
Number of shares to be forfeited	<u>750</u>

Book of New Company Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Building A/c Dr. To Vendor A/c (Being building purchased)		40,000	40,000
	Vendor A/c Dr. To Share Capital A/c (Being 4,000 shares of ₹10 each issued to the vendor in consideration of building purchased)		40,000	40,000
	Bank A/c Dr. To Share Application A/c (Being share application money received for 8,000 shares at ₹2 each)		16,000	16,000
	Share Application A/c Dr. To Share Capital A/c (Being share application of 8,000 shares transferred to share Capital Account)		16,000	16,000
	Share Allotment A/c Dr. To Share Capital A/c (Being share allotment due on 8,000 shares at ₹1 each)		8,000	8,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share Allotment A/c (Being share allotment of ₹1 each received from 7,750 shares and holder of 250 shares failed to pay it)		7,750 250	8,000
	Share First Call A/c Dr. To Share Capital A/c (Being share first call due on 8,000 shares at ₹1 each)		8,000	8,000
	Bank A/c Dr. Calls - In - Arrears A/c Dr. To Share First-Call A/c (Being share first call ₹1 received 7,250 share and holders of 750 shares failed to pay it)		7,250 750	8,000

	Share Second Call A/c To Share Capital A/c (Being share final call due on 8,000 shares at ₹1 each)	Dr.		8,000	8,000
	Bank A/c Calls - In - Arrears A/c To Share Second Call A/c (Being share second call ₹ 1 received from 6,000 shares and holder of 2,000 share failed to pay it)	Dr. Dr.		6,000 2,000	8,000
	Share Capital A/c (750 × ₹5) Calls - In - Arrears A/c (500 × ₹3) + (250 × ₹2) To Calls in Arrears (500 × ₹2 + 250 × ₹3) (Being 750 shares of ₹10 each ₹5 called up on which less than ₹4 had received were forfeited)	Dr. Dr.		3,750	2,000 1,750
	Bank A/c Share Forfeiture A/c To Forfeiture A/c (Being 750 shares re-issued at ₹3 per share as ₹5 paid up)	Dr. Dr.		2,250 1,500	3,750
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account transferred to capital reserve)	Dr.		500	500

As per the Schedule III of Companies Act, 2013, the Company's Balance Sheet is presented as follows

New Company Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	78,750
b. Reserve and Surplus	2	500
2. Non - Current Liabilities		
3. Current Liabilities		
Total		79,250
II. Assets		
1. Non - Current Assets		
a. Fixed Assets		
i. Tangible Assets	3	40,000
2. Current Assets		
a. Cash and Cash Equivalents	4	39,250
Total		79,250

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	25,000 shares of ₹10 each	2,50,000
	Issued Share Capital	
	12,000 shares of ₹10 each	1,20,000
	Subscribed Called-up and Paid up Share Capital	
	4,000 shares of ₹10 each (for consideration other than cash) 40,000	
	8,000 shares of ₹10 each ₹5 called up 40,000	
	Less : Calls in Arrears (1,250 shares × ₹1) (1,250)	78,750
2.	Reserve and Surplus	
	Capital Reserve	500
3.	Tangible Assets	
	Building	40,000
4.	Cash and Cash Equivalents	
	Cash at Bank	39,250

Working Notes :

1.

Calls-in-Arrears on Allotment (250 shares × ₹1)	₹250
Calls-in-Arrears on First Call (750 shares × ₹1)	₹750
Calls -in-Arrears on Second Call (2,000 shares × ₹1)	₹2,000
Total Calls-in-Arrears Debit	₹3,000
Less : Calls-in-Arrears Credit (at the time of forfeiture)	(1,750)
Calls-in-Arrears to be shown in the Balance Sheet	₹1,250

2. Calculation of amount of share forfeiture credited on shares re-issued shares

Share Forfeiture of 250 shares (on which 2 per share paid)	₹500 Cr.
Share Forfeiture of 500 shares (on which 3 per share)	₹1,500 Cr.
Total Share Forfeiture credit (on 750 shares)	₹2,000

Calculation of Capital Reserve

Total Share Forfeiture (on 750 shares) = ₹2,000 credit

Less : Share Forfeiture (750 shares × ₹2 per share) = (1,500) debit

Capital Reserve = ₹500

Question 60.

X Ltd. issued 10,000 Equity Shares of Rs.10 each, payable Rs.3 on application, Rs.3 on allotment and the balance on two calls. All the calls were duly made and the amount so realised with the exception of the following:

Mr. A holding 100 shares did not pay the amount due on first and final call and

Mr. B holding 100 shares did not pay the amount due on final call.

All the shares were forfeited and reissued only 150 shares (all of A and balance of B) to Mr. D @Rs.8 per share. Show the forfeiture and reissue entries.

Solution:

Issued and Applied 10,000 shares of ₹10 each

Payable as :

Application	₹3
Allotment	₹3
First Call	₹2
Final Call	₹2
	<u>₹10</u>

Book of X Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 10,000 shares at ₹3 each)		30,000	30,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being equity share application of transferred to share capital)		30,000	30,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment due on 10,000 shares at ₹3 each)		30,000	30,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being share allotment money received)		30,000	30,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being share first call due on 10,000 shares at ₹2 each)		20,000	20,000
	Bank A/c Dr. Calls - In - Arrears A/c Dr. To Equity Share First-Call A/c (Being share First Call ₹2 received 9,800 share and holders of 100 shares failed to pay it)		19,800 200	20,000
	Equity Share Final Call A/c Dr. To Share Capital A/c (Being share final call due on 10,000 shares at ₹2 each)		20,000	20,000
	Bank A/c Dr. Calls - In - Arrears A/c Dr. To Equity Share Final Call A/c (Being share final call of ₹2 per share received on 9,600 shares and holders of 200 shares failed to pay it)		19,600 400	20,000
	Share Capital A/c Dr. To Share Forfeiture A/c Dr. To Calls in Arrears (Being 100 shares of ₹10 each held by B. forfeited for the non - payment of ₹2 per share)		1,000	800 200
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 150 shares of ₹10 each re-issued at ₹8 per share fully paid up)		1,200 300	1,500
	Share Forfeiture A/c Dr. To Capital Reserve (Being balance in share forfeiture account of 150 re-issued shares, transferred to capital reserve)		700	700

Working Notes :

Shares Forfeiture of re-issued Shares

A's Share

Share Forfeiture (at the time of share forfeiture)	Cr. ₹6 per share
Share Forfeiture (at the time of re-issue)	Dr. ₹2 per share
Balance in Share Forfeiture (after re-issue)	Cr. ₹4 per share

B's Shares

Share Forfeiture (at the time of Share Forfeiture)	Dr. ₹8 per share
Share Forfeiture (at the time of re-issue)	Dr. ₹2 Per share
Balance in Share forfeiture (after re-issue)	Cr. ₹6 Per share

Calculation of Capital Reserve

Capital Reserve = Balance in Share Forfeiture re-issue (per share) × No. of shares re-issued

On re-issue of A's Shares = ₹4 × 100 shares = ₹400

On re-issue of B's Shares = ₹6 × 50 shares = ₹300

Capital Reserve 150 shares = ₹400 + ₹300 = ₹700

Question 61.

X Ltd. invited applications for 10,000 Equity Shares of Rs.10 each for public subscription. The amount of these shares was payable as:

On application Rs.1 per share, on allotment Rs.2 per share, on first call Rs.3 per share and on second call Rs.4 per share.

All sums payable on application, allotment and calls were duly received with the following exceptions:

A, who held 200 shares, failed to pay the money on allotment and calls.

B, to whom 150 shares were allotted, failed to pay the money on first call and final call.

C, who held 50 shares, did not pay the amount of final call.

The shares of A, B and C were forfeited and were subsequently reissued for cash as fully paid-up at a discount of 5%.

Give necessary Journal entries to record these transactions in the books of X Ltd.

Solution:

Issued and Applied 10,000 Shares of 10 each

		A	B	C	=	Paid up Share
Application	₹1 (10,000 -				=	10,000)
Allotment	₹2 (10,000 -	200	- 150		=	9,800)
First Call	₹3 (10,000 -	200	- 150		=	9,650)
Second and Final Call	₹4 (10,000 -	200	- 150	- 50	=	9,600)
	<u>10</u>					

Book of X Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 10,000 shares at ₹1 each)		10,000	10,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being equity Share application of transferred to share capital)		10,000	10,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment due on 10,000 shares at ₹2 each)		20,000	20,000
	Bank A/c Dr. Calls -in - Arrears A/c Dr. To Equity Share Allotment A/c (Being share allotment of ₹2 per share received on 9,800 shares and holder of 200 failed to pay to it)		19,600 400	20,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being share first call due on 10,000 shares at ₹3 each)		30,000	30,000
	Bank A/c Dr. Calls - In - Arrears A/c Dr. To Equity Share First-Call A/c (Being share first call received on 9,650 shares and holders of 350 shares failed to pay it)		28,950 1,050	30,000
	Equity Share Final Call A/c Dr. To Share Capital A/c (Being share final call due on 10,000 shares at ₹4 each)		40,000	40,000

Equity Share Final Call A/c To Share Capital A/c (Being share final call due on 10,000 shares at ₹4 each)	Dr.		40,000	40,000
Bank A/c Calls - In - Arrears A/c To Equity Share Final Call A/c (Being holders of 9,600 shares paid final call and holders of 400 shares failed to pay it)	Dr. Dr.		38,400 1,600	40,000
Equity Share Capital A/c To Share Forfeiture A/c (200 × ₹1) To Calls in Arrears (200 × ₹9) (Being 200 shares held by A on which application money ₹1 was received forfeited)	Dr. Dr.		2,000	200 1,800
Equity Share Capital A/c To Share Forfeiture A/c (150 × ₹3) To Calls -in -Arrears A/c (150 × ₹7) (Being 150 shares of 10 each held by B forfeited for the non - payment of two calls ₹ each)	Dr.		1,500	450 1,050
Equity Share Capital A/c To Share Forfeiture A/c (50 × ₹6) To Calls -in - Arrears A/c (50 × ₹4) (Being 50 shares of ₹10 each held by C forfeited for the non - payment of final call ₹4 each)	Dr.		500	300 200
Bank A/c (400 × ₹9.5) Share Forfeiture A/c (400 × ₹5) To Equity Share Capital A/c (Being 400 shares of ₹10 each re-issued at ₹9.5 per share as fully paid - up)	Dr. Dr.		3,800 200	4,000
Share Forfeiture A/c To Capital Reserve (Being balance in share forfeiture account after re - issued shares, transferred to capital reserve)	Dr.		750	750

Working Notes :

Share Forfeiture of 100 shares held by A	₹200 Cr.
Share Forfeiture of 200 shares held by B	₹450 Cr.
Share Forfeiture of 300 shares held by C	₹300 Cr.
Total Share Forfeiture (at the time of cancellation of shares)	<u>₹950</u>

Calculation of Capital Reserve

Total Share Forfeiture (at the time of cancellation of shares)	₹950
Less : Total Share Forfeiture (at the time of re-issues of shares)	<u>(200)</u>
Capital Reserve	<u>₹750</u>

Question 62.

A share of Rs.100 issued at a premium of Rs.10 on which Rs.80 (including premium) was called and Rs.60 (including premium) was paid, has been forfeited. This share was afterwards reissued as fully paid-up for Rs.70. Give Journal entries to record the above.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (₹80 - ₹10 premium) Dr. To Share Forfeiture A/c (₹60 - ₹10 premium) To Calls - In- Arrears A/c (Being A share of ₹100 on which ₹70 called excluding the amount of securities premium ₹10, forfeited for non -payment of ₹20)		70	50 20
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being A share of ₹100 re - issued at ₹70 as fully paid - up)		70 30	100
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)		20	20

Question 63.

The Directors of a company forfeited 300 shares of Rs.10 each issued at a premium of 3 per share, for the non-payment of the first call money of Rs.2 per share. The final call of Rs.2 per share has not been made. Half the forfeited shares were reissued at Rs.1,500 as fully paid-up. Record the Journal entries for the forfeiture and reissue of shares.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (300 × ₹8) Dr. To Share Forfeiture A/c (300 × ₹6) To Calls - In- Arrears A/c (300 × ₹2) (Being 300 shares of ₹10 each on which ₹8 had called, forfeited for non -payment ₹2 per share)		2,400	1,800 600
	Bank A/c Dr. To Share Capital A/c (Being 150 shares of ₹10 each re-issued for the sum of 1,500)		1,500	1,500
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)		900	900

Working Notes :

Share Forfeiture of re-issued shares

Share Forfeiture (at the time of forfeiture)

Cr ₹6

Less : Share Forfeiture (at the time of re-issue)

Dr. NIL

Balance in Share forfeiture after re-issue

Cr ₹6

Capital Reserve = Balance in Share Forfeiture after re-issue (per share) × Number of shares re-issued

= ₹ 6 × 150

= ₹900

Question 64.

JCV Ltd. forfeited 200 shares of Rs.10 each issued at a premium of Rs.2 per share for the non-payment of allotment money of Rs.3 per share (including premium). The first and final call of Rs.4 per share has not been made as yet. 50% of the forfeited shares were reissued at Rs.8 per share as fully paid-up. Pass necessary Journal entries for the forfeiture and reissue of shares.

Solution:

Application	₹5
Allotment	₹3 (1+2)
First and Final Call	₹4
	<u>₹12 (10 + 2)</u>

Called -up = Application + Allotment
= ₹5 + ₹3 (Including premium ₹2)

Books of JCV Ltd.
Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (200 × ₹6) Dr.		1,200	
	Securities Premium A/c (200 × ₹2) Dr.		400	
	To Share Forfeiture A/c (20 × ₹5)			1,000
	To Calls - In- Arrears A/c (200 × ₹3)			600
	(Being 200 shares of ₹10 each on which ₹8 had called (including ₹2 premium), forfeited for the non -payment of allotment ₹3 (including ₹2 premium))			
	Bank A/c Dr.		800	
	Share forfeiture A/c Dr.		200	
	To Share Capital A/c			1,000
	(Being 100 shares of 10 each re-issued at ₹8 per share fully paid up)			
	Share Forfeiture A/c Dr.		300	
	To Capital Reserve A/c			300
	(Being balance in share forfeiture of 100 re-issue shares transferred to capital reserve)			

Working Notes :

Share Forfeiture of Re-issued shares

Share Forfeiture (at the time of forfeiture) Cr. ₹5

Share Forfeiture (at the time of re-issue) Dr. ₹2

Balance in Share (after re-issue) Cr. ₹3 per share

Capital Reserve = Balance in Share Forfeiture of re-issued (per share) × No. of shares re-issued

= ₹3 per share × ₹100

= ₹300

Question 65.

Pass necessary Journal entries in the books of the company for the following transactions:

Vishesh Ltd. forfeited 1,000 Equity Shares of Rs.10 each issued at a premium of Rs.2 per share for non-payment of allotment money of Rs.5 per share including premium. The final call of Rs.2 per share was not yet called on these shares. Of the forfeited shares 800 shares were reissued at Rs.12 per share as fully paid-up. The remaining shares were reissued at Rs.11 per share fully paid-up

Solution:

In the books of Vishesh Ltd.
Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (₹8 × 1,000) Dr. Securities Premium A/c (₹2 × 1,000) Dr. To Share Forfeiture A/c To Calls - In- Arrears A/c (Being 1,000 shares of ₹10 each issued at premium of ₹2 forfeited for non-payment of allotment money of ₹5 including premium final call of ₹2 not yet made)		8,000 2,000	5,000 5,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Being 800 shares reissued at ₹12 fully paid - up)		9,600	8,000 1,600
	Bank A/c (11 × 200) Dr. To Share Capital A/c To Securities Premium A/c (Being 200 shares reissued at ₹11 fully paid - up)		2,200	2,000 200
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on re-issue transferred to capital reserve)		5,000	5,000

Question 66.

A Ltd. has authorised capital of Rs.2,00,000. divided into shares of Rs.20 each, the whole of which is issued and subscribed at a premium of Rs.2 per share. The amount was payable as:

On application and allotment Rs.12 per share (Including premium) and on first call Rs.2 per share, the balance as and when required.

The application and allotment money (including premium) was duly received but a shareholder holding 500 shares failed to pay the first call and his shares were forfeited. They were later reissued for Rs.16 per Share as fully paid-up.

Give Journal entries for the above

Solution:

Issued and applied capital 10,000 shares of ₹20 each with ₹2 premium

Application and Allotment = ₹12 (10 + 2)

First Call = ₹2

₹14 (12 + 2) Called - up

**Books of A Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application and Allotment A/c (Being share application money received for 10,000 shares at ₹12 each)		1,20,000	1,20,000
	Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being equity share application and allotment transferred to share capital and securities premium at ₹10 and ₹2 each respectively)		1,20,000	1,00,000 20,000
	Share First Call A/c Dr. To Share Capital A/c (Being share first call due on 10,000 shares at ₹2 each)		20,000	20,000
	Bank A/c Dr. Calls - In - Arrears A/c Dr. To Share First-Call A/c (Being share first call received on 9,500 shares and holders of 500 shares failed to pay it)		19,000 1,000	20,000
	Share Capital A/c (500 × ₹12) Dr. To Share Forfeiture A/c (500 × ₹10) To Calls - in Arrears A/c (500 × ₹2) (Being 500 shares of ₹20 each on which ₹12 paid - up forfeited for the non - payment of ₹2 each)		6,000	5,000 1,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 500 shares of ₹20 each re-issued at ₹16 each fully paid - up)		8,000 2,000	10,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c Dr. (Being balance in share forfeiture after re-issued transferred to capital reserve)		3,000	3,000

Working Notes :

Capital Reserve = Share Forfeiture Cr. - Share Forfeiture Dr.
= 5000 - 2,000
= ₹3,000

Question 67.

Commerce Publications Ltd. issued 50000 Equity Shares of ₹10 each at a premium of 10% payable as under:

On application	2	On first call	2
On allotment	2	On final call	2

The whole of the issue was called for by the company and all the money was duly received except the allotment and call money on 500 shares. These shares were, therefore, forfeited and later on reissued @ ₹9 per share as fully paid-up.

Pass necessary Journal entries to record the above transactions.

Solution:

Issued and applied 50,000 equity shares at ₹10 each at a premium ₹1

Application	₹2
Allotment	₹5 (4+1)
First Call	₹2
Final Call	₹2
	<u>₹11 (10 + 1) called up</u>

Books of Commerce Publications Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application and Allotment A/c (Being share application money received for 50,000 shares at ₹2 each)		1,00,000	1,00,000
	Share Application A/c Dr. To Equity Share Capital A/c (Being equity share application money transferred to share capital)		1,00,000	1,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being share allotment due on 50,000 shares at ₹5 each including 1 premium)		2,50,000	2,00,000 50,000
	Bank A/c Dr. Calls - in -Arrears A/c Dr. To Equity Share Allotment A/c (Being share allotment of ₹5 each ,received on 49,500 shares and holders of 500 shares failed to pay it)		2,47,500 2,500	2,50,000
	Equity Share First Calls A/c Dr. To Equity Share Capital A/c (Being first call due on 50,000 shares at ₹2 each)		1,00,000	1,00,000

Bank A/c Calls - in - Arrears A/c To Equity Share First call A/c (Being first call received on 49,500 shares and 500 shares failed to pay it)	Dr. Dr.	99,000 1,000	1,00,000
Equity Share Capital A/c Securities Premium A/c To Share Forfeiture To Calls - in - Arrears A/c (Being 500 shares forfeited for the non - payment of ₹ 7 including ₹1 premium)	Dr. Dr.	4,000 500	1,000 3,500
Equity Share Final Call A/c To Equity Share Capital A/c (Being share final call due 49,500 share at ₹2 each)	Dr.	99,000	99,000
Bank A/c To Equity Share Final Call A/c (Being share final call money received)	Dr.	99,000	99,000
Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 500 shares of ₹10 each reissued for ₹9 per share as fully paid - up)	Dr. Dr.	4,500 500	5,000
Share Forfeiture A/c To Capital Reserve A/c (Being balance of share forfeiture after re-issue transferred to capital reserve)	Dr.	500	500

Working Notes :

Share Forfeiture Credit	₹1,000
Less : Share Forfeiture Debit	₹500
Balance in Share Forfeiture (after re-issue)	<u>₹500</u>
Capital Reserve = Balance in Share Forfeiture (after re-issue)	
= ₹500	

Question 68.

Jiyaji Ltd. has an authorised capital of Rs.4,00,000 divided into shares of Rs.20 each. The whole of which is issued and subscribed at a premium of Rs.2 per share. The amount was payable as:
on application and allotment Rs.10 per share, on first call Rs.4 per share (Including premium) and the balance as and when required.

The company made both the calls. The application and allotment money was duly received. But a shareholder holding 2,000 shares failed to pay both the calls and his shares were forfeited. They were later reissued @ Rs.14 per share as fully paid-up.

Give Journal entries regarding the above.

Solution:

Issued and applied 20,000 equity shares at ₹20 each at a premium ₹2	
Application and Allotment	₹10
First Call	₹4 (2+2)
Final Call	₹8
	<u>₹22 (20 + 2) called up</u>

Books of Jiyaji Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application and Allotment A/c (Being share application money received for 20,000 shares at ₹10 each)		2,00,000	2,00,000
	Share Application and Allotment A/c Dr. To Share Capital A/c (Being share application and allotment money transferred to share capital)		2,00,000	2,00,000
	Share First Calls A/c Dr. To Share Capital A/c To Securities Premium A/c (Being first call due on 20,000 shares at ₹4 per share including premium ₹2)		80,000	40,000 40,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share First call A/c (Being first call received on 18,000 shares and 2,000 shares failed to pay it)		72,000 8,000	80,000
	Share Final Call A/c Dr. To Equity Share Capital A/c (Being share final call due 20,000 share at ₹8 each)		1,60,000	1,60,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Share Final Call A/c (Being share final call received on 18,000 shares and a holder of 2,000 shares failed to pay it)		1,44,000 16,000	1,60,000
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 2,000 shares of ₹20 each forfeited for non - payment of ₹12 per share including ₹2 premium)		40,000 4,000	20,000 24,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 2,000 shares of ₹20 each reissued for ₹14 per share as fully paid - up)		28,000 12,000	40,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance of Share forfeiture after re-issue transferred to capital reserve)		8,000	8,000

Working Notes :

Share Forfeiture	Cr.	₹20,000
Share Forfeiture	Dr.	<u>₹12,000</u>
Balance in Share Forfeiture (after re-issue)		<u>₹8,000</u>

Capital Reserve = Balance in Share Forfeiture (after re-issue)
= ₹8,000

Question 69.

A Ltd. Issued 20,000 Equity Shares of Rs.10 each at a premium of Rs.5 per share, payable as Rs.7 (including premium) on application, Rs.5 on allotment and the balance after three months of allotment.

A shareholder to whom 200 shares were allotted failed to pay the allotment and call money and his shares were forfeited.

160 of the forfeited shares were reissued for Rs.1,600.

Give necessary entries in company's Journal and the Balance Sheet.

Solution:

Issued and Applied 20,000 equity shares of ₹10 each at premium of ₹5

Application ₹7 (2 + 5)

Allotment ₹5

First and Final Call ₹3

₹15 (10 + 5) per share

**Books of A Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 20,000 shares at ₹7 each)		1,40,000	1,40,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities premium A/c (Being share application money of 20,000 shares transferred share capital at ₹25 per share and securities premium at ₹5 per share)		1,40,000	40,000 1,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment due on 20,000 shares at ₹5 each)		1,00,000	1,00,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share Allotment A/c (Being share allotment received on 19,800 shares and a holder of 200 shares failed to pay it)		99,000 1,000	1,00,000
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being first and final call due on 20,000 shares at ₹3 each)		60,000	60,000
	Bank A/c Dr. Calls - in - Arrears A/c Dr. To Equity Share First and Final Call A/c (Being first and final call received on 19,800 shares and a holder of 200 shares failed to pay it)		59,400 600	60,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c (₹2 × 200 shares) To Calls - in - Arrears A/c (Being 200 shares of ₹10 each forfeited for the non - payment amount due on 8 per share)		2,000	400 1,600
	Bank A/c Dr. To Equity Share Capital A/c (Being 160 shares of ₹10 each re-issued for the sum of 1,600)		1,600	1,600
	Share Forfeiture A/c Dr. To Capita Reserve A/c (Being balance in share forfeiture of 160 re-issued shares transferred to capital reserve)		320	320

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

A Ltd.
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,99,680
b. Reserve and Surplus	2	1,00,320
2. Non - Current Liabilities		
3. Current Liabilities		
Total		3,00,000
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	3,00,000
Total		3,00,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital shares of 10 each	-
	Issued Share Capital 20,000 shares of 10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital 19,960 shares of 10 each	1,99,600
	Add : Shares Forfeited (40 shares × ₹2)	80
		1,99,680
2.	Reserve and Surplus	
	Securities Premium	1,00,000
	Capital Reserve	320
		1,00,320
3.	Cash and Cash Equivalents	
	Cash at Bank	3,00,000

Working Notes:

1. Share Forfeiture of Re-issued Shares

Share Forfeiture (at the time of forfeiture after deducting premium)	Cr.	2 (7-5)
Less : Share Forfeiture (at the time of re-issue)	Dr.	NIL
Balance in Share Forfeiture after re-issue	Cr.	<u>2 per share</u>

Capital Reserve = Balance share forfeiture after reissue(per share)× Numbers of Share reissued = ₹2 × 160 = ₹320

2. Calculation of balance remaining in Share forfeiture Account (to be shown in the Balance Sheet)

Share Forfeiture (at the time of forfeiture of 200 shares)	=	420 Debit
Less : Share forfeiture (at the time re-issue of 160 shares)	=	(320) Credit
Balance in Share Forfeiture Account (for 40 shares which are not re-issued)	=	<u>80 Debit</u>

Question 70.

Solution:

Kamal Ltd. was formed on 1st April, 2010 with an authorised capital of ₹2,00,000, divided into 2,000 Equity Shares of ₹100 each. 1,000 shares were issued as fully paid to the vendors of building for payment of the purchase consideration. The remaining 1,000 shares were offered for public subscription at premium of ₹5 per share payable as:

On Application	10 per share
On allotment	25 per share (including premium)
on first call	40 per share
on final call	30 per share

Applications were received for 900 shares which were duly allotted and the allotment money was received in full. At the time of the first call, a shareholder who held 100 shares failed to pay the first call money and his shares were forfeited. These shares were reissued ₹60 per share, ₹70 per share paid-up Final call has not been made.

You are required to (i) give necessary Journal entries to record the above transactions and (ii) show how share capital would appear in the Balance Sheet of the company.

Authorised Capital 2,000 equity Shares at 100 each
 Issued Capital
 1,000 Equity Shares at 100 each to the vendor of the building
 1,000 equity Shares at 100 each with a premium 5 to the public
 Applied by Public : 900 equity Shares
 Payable by public as :
 Application ₹10
 Allotment ₹25 (20 + 5)
 First Call ₹40
 Called - up ₹75 (70 + 5)
 Final Call ₹30
₹105 (100 + 5)

Books of Kamal Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Building A/c Dr. To vendor A/c (Being building purchased from the vendor)		1,00,000	1,00,000
	Vendor A/c Dr. To Equity Share Capital A/c (Being 1,000 equity shares of ₹100 each issued to the vendor of building)		1,00,000	1,00,000
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 900 shares at ₹10 each)		9,000	9,000
	Equity Share Application A/c Dr. To Equity Share Capital (Being share application money of 900 shares at ₹10 each transferred to share capital)		9,000	9,000

	Equity Share Allotment A/c To Securities Premium To Equity Share Capital A/c (Being share allotment due on 900 shares at ₹25 each including ₹5 premium)	Dr.	22,500	4,500 18,000
	Bank A/c To Equity Share Allotment A/c (Being share allotment money received on 900 shares at ₹25 each)	Dr.	22,500	22,500
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call due on 900 shares at ₹40 each)	Dr.	36,000	36,000
	Bank A/c Calls - in - Arrears A/c To Equity Share First-call A/c (Being first call received on 800 shares and a holder of 100 shares failed to pay it)	Dr. Dr.	32,000 4,000	36,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in - Arrears A/c (Being 100 shares of ₹100 each ₹70 called - up forfeited for the non - payment of ₹40)	Dr.	7,000	3,000 4,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 100 shares of ₹100 each, re-issued at ₹ 60 per share as ₹70 paid up)	Dr. Dr.	6,000 1,000	7,000
	Share forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture the account after re-issue transferred to capital reserve)	Dr.	2,000	2,000

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

Kamal Ltd
Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,63,000
b. Reserve and Surplus	2	6,500
2. Non - Current Liabilities		
3. Current Liabilities		
Total		1,69,500
II. Assets		
1.Non - Current Assets		
a. Fixed Assets		
i. Tangible Assets	3	1,00,000
2. Current Assets		
a. Cash and Cash Equivalents	4	69,500
Total		1,69,500

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital 2,000 Equity shares of 100 each	2,00,000
	Issued Share Capital 2,000 Equity shares of 100 each	2,00,000
	Subscribed, Called-up and Paid up Share Capital	
	1,000 Equity Share of 100 each for Consideration other than cash) 1,00,000	
	900 Equity Shares of 100 each 70 Called up 63,000	1,63,000
2.	Reserve and Surplus	
	Securities Premium 4,500	
	Capital Reserve 2,000	6,500
3.	Tangible Assets	
	Building	1,00,000
4.	Cash and Cash Equivalents	
	Cash at Bank	69,500

Working Notes :

Share Forfeiture (at the time of forfeiture)	3,000 Credit
Less : Share forfeiture (at the time of re-issue)	<u>1,000 Debit</u>
Balance in Share Forfeiture (after re-issue)	<u>2,000 Credit</u>

Capital Reserve = Balance in Share forfeiture (after re-issue) = ₹2,000

Question 71.

Krishna and Co. Ltd. with an authorised capital of Rs.2,00,000 divided into 20,000 Equity Shares of Rs.10 each, issues the entire amount of the shares payable as:

Rs.5 on application (including premium Rs.2 per share),

Rs.4 on allotment and Rs.3 on call.

All share money is received in full with the exception of the allotment on 200 shares and the call money on 500 shares (including the 200 shares on which the allotment money has not been paid).

The above 500 shares are duly forfeited and 400 of these (including the 200 shares on which allotment money has not been paid) are reissued at Rs.7 per share payable by the purchaser as fully paid-up. Pass Journal entries (including cash transactions) and show the balances in the Balance Sheet giving effect to the above transactions.

Solution:

Authorised Capital 20,000 shares of ₹10 each

Issued and applied 20,000 shares of ₹10 each at a premium ₹2

Payable as :

Application	=	₹5 (3 + 2)
Allotment	=	₹4
First and Final Call	=	₹3
		<u>₹12 (10+2)</u>

Books of Krishna and Co. Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c To Equity Share Application A/c (Being share application money received for 20,000 shares at ₹5 each)	Dr.	1,00,000	1,00,000
	Equity Share Application A/c To Equity Share Capital To Securities Premium A/c (Being share application money of 20,000 shares share at ₹10 each transferred to Share Capital at ₹3 per share and Securities Premium and ₹2 per share)	Dr.	1,00,000	60,000 40,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being share allotment due on 20,000 shares at ₹4 each including ₹5 premium)	Dr.	80,000	80,000
	Bank A/c Calls - In - Arrears A/c To Equity Share Allotment A/c (Being share allotment received on 19,800 shares and holders of 200 shares failed to pay it)	Dr. Dr.	79,200 800	80,000
	Equity Share First and final Call A/c To Equity Share Capital A/c (First call due on 20,000 shares at ₹3 each)	Dr.	60,000	60,000
	Bank A/c Calls - in - Arrears A/c To Equity Share First and Final call A/c (Being first and final call of ₹3 each received on 19,500 shares and holders of 500 shares failed pay it)	Dr. Dr.	58,500 1,500	60,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in - Arrears A/c (Being 200 shares of ₹10 each forfeited for the non - payment of allotment ₹4 and call ₹7 per share)	Dr.	2,000	600 1,400
	Equity Share Capital A/c To Share Forfeiture A/c To Calls-in - Arrears A/c (Being 300 shares of ₹10 each forfeited for the non - payment of call money ₹3 per share)	Dr.	3,000	2,100 900
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 400 shares of ₹10 each re-issued at ₹7 per share as fully paid - up)	Dr. Dr.	2,800 1,200	4,000
	Share forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture the account 400 shares transferred to capital reserve)	Dr.	800	800

As per the Schedule III of Companies Act,2013, the Company's Balance Sheet is presented as follows

Krishna and Co. Ltd.

Balance Sheet

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,99,700
b. Reserve and Surplus	2	40,800
2. Non - Current Liabilities		
3. Current Liabilities		
Total		2,40,500
II. Assets		
1.Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,40,500
Total		2,40,500

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	20,000 Equity shares of ₹10 each	2,00,000
	Issued Share Capital	
	20,000 Equity shares of ₹10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital	
	19,900 Equity Share of ₹100 each for Consideration other than cash) 1,99,000	
	Add : Shares forfeited (100 shares × ₹7) 700	1,99,700
2.	Reserve and Surplus	
	Securities Premium 40,000	
	Capital Reserve 800	40,800
3.	Cash and Cash Equivalents	
	Cash at Bank	2,40,500

Working Notes :

1. Capital Reserve of 200 shares on which only application received

Share Forfeiture Cr ₹3 per share (excluding premium)

Share Forfeiture Dr. ₹3 per Share

Balance of Share Forfeiture NIL

2. Capital Reserve of 200 shares on which only application and allotment received

Share Forfeiture Cr ₹7 per share (excluding premium)

Share Forfeiture Dr. ₹3 per Share

Balance of Share Forfeiture ₹4

Capital Reserve = 200 Shares × Balance of Share Forfeiture (per share)
 = 200 × ₹4
 = ₹800

Question 72.

Rolga Ltd. is having an authorised capital of Rs.50,00,000 divided into equity shares of Rs.100 each. The company offered 42,000 shares to the public. The amount payable was as follows:

——On Application – Rs.30 per share

——On Allotment – Rs.40 per share (including premium)

——On First and Final Call – Rs.50 per share

Applications were received for 40,000 shares.

All sums were duly received except the following:

Lal, a holder of 100 shares did not pay allotment and call money.

Pal, a holder of 200 shares did not pay call money.

The company forfeited the shares of Lal and Pal. Subsequently, the forfeited shares were reissued for Rs.70 per share as fully paid-up. Show the entries for the above transactions in the Cash Book and Journal of the company.

Solution:

**Books of Rolga Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being application money transferred to share capital)		12,00,000	12,00,000
	Equity Share Allotment (40,000 × 40) Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)		16,00,000	8,00,000 8,00,000
	Equity Share First and Final Call A/c (40,000 × 50) Dr. To Equity Share Capital A/c (Being first call money due)		20,00,000	20,00,000
	Equity Share Capital A/c (300 × 100) Dr. Securities Premium Reserve A/c (100 × 20) Dr. To Equity Share Allotment A/c (100 × 40) To Equity Share First and Final Call (300 × 50) To Equity Share Forfeiture A/c (Being 300 shares forfeited of nonpayment of allotment and call money)		30,000 2,000	4,000 15,000 13,000
	Equity Share Forfeiture A/c (300 × 30) Dr. To Equity Share Capital A/c (Being share reissued)		9,000	9,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)		4,000	4,000

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Equity Share Application A/c (40,000 × 30)		12,00,000		By Balance c/d		48,02,000
	To Equity Share Allotment A/c (39,900 × 40)		15,96,000				
	To Equity Share First and Final Call A/c (39,700 × 50)		19,85,000				
	To Equity Share Capital A/c (300 × 70)		21,000				
			48,02,000				48,02,000

Working Notes :

Calculation of Share Forfeiture Amount

Application money received from Lal = ₹3,000 (100 × ₹30)
Application and Allotment money received from Pal = ₹10,000 (200 × ₹50)

Question 73.

Gupta Ltd. invited applications for issuing 30,000 Equity Shares of Rs.10 each at a premium of Rs.30 per share. The amount was payable as follows:

- On Application Rs.10 per share (including Rs.8 Premium)
- On Allotment t 12 per share (including Rs.9 Premium)
- On First and Final Call – Balance

Applications for 27,000 shares were received. All the calls were made and were duly received except on 3,000 shares held by Shiva who failed to pay the Allotment and First and Final call money and on 2,000 shares of Girdhar who did not pay the First and Final call. Shares of Shiva and Girdhar were forfeited. Out of the forfeited shares, 4,000 shares were reissued, including all the shares of Girdhar at Rs.17 per share as fully paid-up.

Pass necessary Journal entries in the books of Gupta Ltd. for the above transactions

Solution:

In the Books of Gupta Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 27,000 shares at ₹10 each)		2,70,000	2,70,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (27,000 × ₹2) To Securities Premium A/c (27,000 × ₹8) (Being share application money adjusted)		2,70,000	54,000 2,16,000
	Equity Share Allotment A/c (27,000 × ₹12) Dr. To Equity Share Capital A/c (27,000 × ₹3) To Securities Premium A/c (27,000 × ₹9) (Being share allotment due on 27,000 shares at ₹12 each including ₹9 premium)		3,24,000	81,000 2,43,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being share allotment money received on 24,000 shares)		2,88,000	2,88,000
	Equity Share First and Final Call A/c (27,000 × ₹18) Dr. To Equity Share Capital A/c (27,000 × ₹5) To Securities Premium A/c (27,000 × ₹13) (Being First and Final Call money due)		4,86,000	1,35,000 3,51,000
	Bank A/c Dr. To Equity Share First and Final call A/c (Being final call money received on all shares except 5,000 shares)		3,96,000	3,96,000
	Equity Share Capital A/c (5,000 × ₹10) Dr. Securities Premium A/c (66,000 + 26,000) Dr. To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being 5,000 shares of ₹10 each forfeited for the non - payment of allotment on 3,000 shares and final call on 5,000 shares)		50,000 92,000	16,000 36,000 90,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being 4,000 shares re-issued at a premium of ₹17)		68,000	40,000 28,000
	Equity Share forfeiture A/c Dr. To Capital Reserve A/c (Being profits on re-issue transferred to capital reserve)		14,000	14,000

Working Notes :

1 Computation of Amount Unpaid on Shares

i) Shares of Shiva

Amount Unpaid = Allotment + First and Final Call
= (3,000 × ₹12) + (3,000 × ₹18)
= ₹90,000

ii) Shares of Girdhar

Amount Unpaid = First and Final Call
= (2,000 × ₹18)
= 36,000

2 Computation of Amount forfeited

i) Shiva

Amount Forfeited = Application
= 3,000 × ₹2 = 6,000

ii) Girdhar	
Amount Forfeited	= Application + Allotment
= (2,000 × ₹2) + (2,000 × ₹2)	= 10,000
Total Amount Forfeited	= 6,000 + 10,000 = 16,000

3 Computation of Capital Reserve

Shiva

Shares Re-issued	= 2,000
Amount forfeited	= ₹6,000

$$\begin{aligned}\text{Profit on 2,000 Shares} &= \frac{\text{Amount Forfeited}}{\text{Shares Forfeited}} \times \text{Shares Re-issued} \\ &= \frac{6,000}{3,000} \times 2,000 \\ &= ₹4,000\end{aligned}$$

Girdhar

Shares Re-issued = 2,000
Amount Forfeited = 10,000

$$\begin{aligned}\text{Profit on 2,000 Shares} &= \frac{\text{Amount Forfeited}}{\text{Shares Forfeited}} \times \text{Shares Re-issued} \\ &= \frac{10,000}{2,000} \times 2,000 \\ &= ₹10,000\end{aligned}$$

$$\therefore \text{Capital Reserve} = 4,000 + 10,000 = ₹14,000$$

Question 74.

Pass Journal entries in the following cases;

M Ltd. forfeited 200 Equity Shares of Rs.10 each, issued at a premium of Rs. 5 per share, held by Ram for non-payment of the final call of Rs.3 per share. Of these, 100 shares were reissued to Vishu at a discount of Rs.4 per share.

Solution:

Books of M Ltd. Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Capital A/c Dr. To Share Forfeiture A/c (2,000 × ₹7) To Calls - in - Arrears A/c (Being shares of ₹10 each forfeited for the non - payment of ₹3 per share)		20,000	14,000 6,000
	Bank A/c Dr. Share Forfeiture A/c (100 × ₹4) Dr. To Equity Share Capital A/c (Being 100 shares of ₹10 each re-issued at ₹6 per share as fully paid - up)		600 400	1,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture of 100 re-issued shares transferred to capital reserve)		300	300

Working Notes :

Shares Forfeiture of re-issued shares

Shares Forfeiture	Cr.	₹7 per share
Share Forfeiture	Dr.	₹4 per share
Balance in share forfeiture after re- issue	Cr.	₹3 per share

$$\begin{aligned}\text{Capital Reserve} &= \text{Balance in Share Forfeiture after re-issue} \times \text{No.of Shares re-issued} \\ &= ₹3 \times 100 \text{ shares} \\ &= ₹300\end{aligned}$$

Question 75.

Show the forfeiture and reissue entries under each of the following cases:

X Ltd. forfeited 300 shares of Rs.10 each, Rs.8 called-up held by Mr. A for non-payment of second call money of Rs.3 per share. These shares were reissued to Mr. Z for Rs.10 per share as fully paid-up.

Y Ltd. forfeited 400 shares of Rs.10 each, fully called-up, held by Mr. B for non-payment of final call money of Rs.4 per share. These shares were reissued to Mr. T at Rs.12 per share as fully paid-up,

Z Ltd. forfeited 250 shares of Rs.10 each, fully called-up, held by Mr. C for non-payment of allotment money of Rs.3 per share and first and final call money of Rs.4 per share. These shares were reissued @ Rs.8 per share to Mr. P

Solution:

Books of X Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 300 shares of ₹10 each on which had called ₹8, forfeited for non - payment of second call ₹3 per share)		2,400	1,500 900
	Bank A/c Dr. To Equity Share Capital A/c (Being 300 shares of ₹10 each re-issued)		3,000	3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account after re-issue transferred to capital reserve)		1,500	1,500

Working Notes :

Share Forfeiture Credit (at the time of forfeiture of shares)	1,500
Less : Share Forfeiture Debit (at the time of re-issue shares)	NIL
Balance in Share Forfeiture after re-issue of shares	<u>1,500</u>

Capital Reserve = Balance in Share forfeiture of re-issued shares = 1,500

Books of Y Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 400 shares of ₹10 forfeited for non - payment of final call ₹4 per share)		4,000	2,400 1,600
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Being 400 shares of ₹10 each re-issued at ₹12 per share as fully paid - up)		4,800	4,000 800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account after re-issue transferred to capital reserve)		2,400	2,400

Working Notes -

Share Forfeiture Credit (at the time of forfeiture of shares)	2,400
Less : Share Forfeiture Debit (at the time of re-issue shares)	NIL
Balance in Share Forfeiture after re-issue of shares	<u>2,400</u>

Capital Reserve = Balance in Share Forfeiture of re-issued shares = ₹2,400

Books of Z Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr. To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 250 shares of ₹10 forfeited for non - payment of ₹7 per share)		2,500	750 1,750
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 250 shares of ₹10 each re-issued at ₹8 per share as fully paid - up)		2,000 500	2,500
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account after re-issue transferred to capital reserve)		250	250

Working Notes :

Share Forfeiture Credit (at the time of forfeiture of shares)	750
Less : Share forfeiture Debit (at the time of re-issue shares)	500
Balance in Share forfeiture after re-issue of shares	<u>250</u>

Capital Reserve = Balance in Share forfeiture of re-issued shares = ₹250

Question 76.

a. X Ltd. forfeited 30 shares of Rs.10 each fully called-up, held by Karim for non-payment of allotment money of Rs.3 per share and final call of Rs.4 per share. He had paid the application money of Rs.3 per share. These shares were reissued to Salim for 8 per share.

b. X Ltd. forfeited 20 shares of Rs.10 each, Rs.7 called-up on which Mahesh had paid application and allotment money of Rs.5 per share. Of these. 15 shares were reissued to Naresh as fully paid-up for Rs.6 per share.

Solution:

a.

Books of X Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr. To Share Forfeiture A/c (30 × ₹3) To Calls - in - Arrears A/c (Being 30 shares of ₹10 each forfeited for the non - payment of ₹7 per share)		300	90 210
	Bank A/c Dr. Share Forfeiture A/c (30 × ₹2) Dr. To Share Capital A/c (Being 30 shares of ₹10 each re-issued at ₹8 per share as fully paid - up)		240 60	300
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account after re-issue transferred to capital reserve)		30	30

Working Notes :

Share Forfeiture Credit (at the time of forfeiture of shares)	90
Less : Share Forfeiture Debit (at the time of re-issue shares)	60
Balance in share forfeiture after re-issue of shares	<u>30</u>
Capital Reserve = Balance in Share Forfeiture of re-issues shares =	30

b.

**Books of X Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (20 × ₹7) Dr. To Share Forfeiture A/c (20 × ₹5) To Calls - in - Arrears A/c (Being 20 shares of ₹10 each, ₹7 called - up forfeited for non - payment of ₹2 per share)		140	100 40
	Bank A/c Dr. Share Forfeiture A/c (₹4 × 15) Dr. To Share Capital A/c (Being 15 shares of ₹10 each re-issued at ₹6 per share as fully paid - up)		90 60	150
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture of 15 shares after re-issue transferred to capital reserve)		15	15

Working Notes :

Share Forfeiture of re-issued shares

Share Forfeiture	Cr.	5 per share
Less : Share Forfeiture	Dr.	<u>4 per share</u>
Balance in Share Forfeiture after re-issue		<u>1 per share</u>

Capital Reserve = Balance in Share Forfeiture after re-issue × No. of shares
= ₹1 × 15
= ₹15

Question 77.

VT Ltd. forfeited 200 shares of Rs.10 each, issued at a premium of Rs.5 per share, held by Mohan for non-payment of the

final call of Rs.3 per share. 100 out of these shares were reissued to Narender at a discount of Rs.4 per share. Journalise

Solution:

Books of VT Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (200 × ₹10) Dr. To Share Forfeiture A/c (200 × ₹7) To Calls - in - Arrears A/c (Being 200 shares of ₹10 each, forfeited for non - payment of ₹3 per share)		2,000	1,400 600
	Bank A/c Dr. Share Forfeiture A/c (100 × ₹4) Dr. To Share Capital A/c (Being 15 shares of ₹10 each re-issued at ₹6 per share as fully paid - up)		600 400	1,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture of 100 shares after re-issue transferred to capital reserve)		300	300

Working Notes :

Share Forfeiture of re-issued shares

Share Forfeiture Cr	7 per share
Share Forfeiture Dr.	<u>4 per share</u>
Balance in Share Forfeiture after re-issue	<u>3 per share</u>

Capital Reserve = Balance in Share Forfeiture after re-issue (per share) × No. of share re-issued
= ₹3 × 100
= ₹300

Question 78.

XYZ Ltd. forfeited 200 Equity Shares of Rs.10 each Issued at a premium of Rs.5 per share, held by Shyam for non-payment of allotment money of Rs.8 per share (including share premium Rs.5 per share), first call of Rs.2 per share and final call of Rs.3 per share. Out of these, 125 Equity Shares were reissued to Bhajanlal Rs.9 per share as fully paid-up.

Give the Journal entries to record forfeiture and reissue of shares.

Solution:**Books of XYZ Ltd.****Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c (200 × ₹10) Dr. Securities Premium A/c (200 × ₹5) Dr. To Share Forfeiture A/c (200 × ₹2) To Calls - in - Arrears A/c (Being 200 shares of ₹10 each, forfeited for non - payment of ₹8 including premium ₹5 per share)		2,000 1,000	400 2,600
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 125 shares of ₹10 each re-issued at ₹9 per share fully paid up)		1,125 125	1,250
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture of 125 shares after re-issue transferred to capital reserve)		125	125

Working Notes :

Share Forfeiture of re-issued shares

Share Forfeiture Cr. ₹2 per share

Share Forfeiture Dr. ₹1 Per share

Balance after re-issue ₹1 per share

Capital Reserve = Balance in Share forfeiture after re-issue (per share) × No. of shares re-issued
= ₹1 × 125 shares
= ₹125

Question 79.

Record the Journal entries for forfeiture and reissue of shares in the following cases:

- X Ltd. forfeited 20 shares of Rs.10 each, Rs.7 called up on which the shareholder had paid application and allotment money of Rs. 5 per share. Out of these, 15 shares were reissued to Naresh as Rs.7 per share paid-up for Rs.8 per share.
- Y Ltd. forfeited 90 shares of Rs.10 each, Rs.8 called up issued at a premium of Rs.2 per share to "R" for non-payment of allotment money of Rs.5 per share (including premium). Out of these, 80 shares were reissued to Sanjay as Rs.8 called up for Rs.10 per share.

Solution:

Journal

S. No.	Particulars	L.F.	Debit ₹	Credit ₹
(i)	Share Capital A/c (20 shares × ₹7) Dr. To Share Forfeiture A/c (20 shares × ₹2) To Calls - in - Arrears A/c (Being 20 shares of ₹10 each ₹7 called - up forfeited for the non - payment of call)		140	100 40
	Bank A/c (15 shares × ₹8) Dr. To Share Capital A/c (15 shares × ₹7) To Securities Premium A/c (15 shares × ₹1) (Being 15 shares were re-issued as ₹7 paid up for ₹8 per share)		120	105 15
	Share Forfeiture A/c (15 shares × ₹5) Dr. To Capital Reserve A/c (Being transfer of profit on re-issue of 15 shares)		75	75
(ii)	Share Capital A/c (90 shares × ₹8) Dr. Securities Premium A/c (90 shares × ₹2) Dr. To Share Forfeiture A/c (90 shares × ₹5) To Share Allotment A/c (90 shares × ₹5) (Being share forfeited for non - payment on allotment)		720 180	450 450
	Bank A/c (80 shares × ₹10) Dr. To Share Capital A/c (80 shares × ₹8) To Securities Premium A/c (80 shares × ₹2) (Being 80 shares were re issued for ₹10 ₹8 called up)		800	640 160
	Shares Forfeiture A/c (80 shares × ₹5) Dr. To Capital Reserve A/c (Being transfer of profit on re-issue of 80 shares)		400	400

Working Notes :

1

Profit on Forfeiture of 20 shares = 100

Profit on Forfeiture of 15 shares = $\frac{100}{20} \times 15 = ₹75$

Share forfeiture (Cr.) = 75

Share Forfeiture (Dr.) = Nil

Capital Reserve = 75

2

Profit on forfeiture of 90 shares = 450

Profit on forfeiture of 80 shares = $\frac{450}{90} \times 80 = ₹400$

Share Forfeiture (Cr.) = 400

Share Forfeiture (Dr.) = Nil

Capital Reserve = ₹400

Question 80.

Alfa Ltd. invited applications for issuing 75,000 equity shares of Rs.10 each. The amount was payable as follows:

——On application and allotment – Rs.4 per share

——On first call – Rs.3 per share.

——On second and final call – balance.

Applications for 1,00,000 shares were received. Shares were allotted to all the applicants on pro rata basis and excess money received with applications was transferred towards sums due on first call. Vibha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1,000 shares, applied by Monika. Her shares were also forfeited. All the forfeited shares were reissued to Mohit for Rs.9,000 as fully paid – up. Pass necessary Journal entries in the Books of Alfa Ltd. for the above transactions

Solution:

Books of Alfa Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application money received on 1,00,000 shares)		4,00,000	4,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Equity Share First Call A/c (Being application money transferred to Share capital account and excess money is adjusted in first call account)		4,00,000	3,00,000 1,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on First call)		2,25,000	2,25,000
	Bank A/c (₹2,25,000 - ₹1,00,000 - ₹1,250) Dr. To Equity Share First Call A/c (Being amount received on first call)		1,23,750	1,23,750
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share First Call A/c (Being Vibha's shares were forfeited)		5,250	4,000 1,250
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being amount due on second and final call after forfeiting Vibha's Shares)		2,22,750	2,22,750
	Bank A/c (₹2,22,750 - ₹2,250) Dr. To Equity Share Second and Final Call A/c (Being amount received in second and final call)		2,20,500	2,20,500
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Second and Final Call A/c (Being Monika's shares were forfeited)		7,500	5,250 2,250
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital a/c (Being forfeited shares were reissued for 9,000 as fully paid - up)		9,000 6,000	15,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		3,250	3,250

Working Notes :

1 : Calculation of Amount not received on First Call

$$\text{Shares applied by Vibha} = \frac{1,00,000}{75,000} \times 750 = 1,000 \text{ Shares}$$

Amount received on 1,000 shares of ₹4 each = ₹4,000

Amount transferred to Share Capital A/c (750 × ₹4) = ₹3,000

Excess money received on application and allotment = ₹1,000

Amount due on First call @ 3 each = ₹2,250

Amount not received on first call = ₹1,250 (₹2,250 - ₹1,000)

2 : Calculation of Amount not received on Second Call

$$\text{Shares allotted to Monika} = \frac{75,000}{1,00,000} \times 1,000 = 750 \text{ Shares}$$

Amount not received on second call = ₹2,250 (750 × 3)

Question 81.

Tata Ltd. having an authorised capital of Rs.20,00,000 in shares of Rs.100 each Invited applications for 10,000 shares payable as:

- On application Rs.20
- On allotment Rs.30
- On first call Rs.25
- On second and final call Rs.25

The company received applications for 12,000 shares. Applications for 10,000 shares were accepted in full and the money on the applications rejected was returned.

All money due as stated above was received with the exception of the second and final call on 250 shares. These shares were forfeited and half of these shares were reissued as fully paid-up at Rs.90 per share.

Pass necessary Journal entries and show how the Share Capital Account will stand in the Balance Sheet.

Solution:

**Books of Tata Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (12,000 × ₹20) (Being application money received)		2,40,000	2,40,000
	Share Application A/c Dr. To Share Capital A/c (10,000 × ₹20) To Bank A/c (2,000 × ₹20) (Being application money transferred to Share Capital and balance refunded)		2,40,000	2,00,000 40,000
	Share Allotment A/c (10,000 × ₹30) Dr. To Share Capital A/c (Being allotment money due)		3,00,000	3,00,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received)		3,00,000	3,00,000
	Share First call A/c (10,000 × ₹25) Dr. To Share Capital A/c (Being first call money due)		2,50,000	2,50,000
	Bank A/c Dr. To Share First Call A/c (Being first call money received)		2,50,000	2,50,000
	Share Second and Final Call A/c (10,000 × ₹25) Dr. To Share Capital A/c (Being second and final call money due)		2,50,000	2,50,000
	Bank A/c (9,750 × ₹25) Dr. To Share Second and final call A/c (Being second and final call money received)		2,43,750	2,43,750

	Share Capital A/c (250 × ₹100) To Share Second and Final Call A/c To Share Forfeiture A/c (250 × ₹75) (Being 250 shares forfeited for non - payment of second call money)	Dr.	25,000	6,250 18,750
	Bank A/c (125 × 90) Share Forfeiture A/c To Share Capital A/c (Being 125 shares reissued @ ₹90 per share)	Dr. Dr.	11,250 1,250	12,500
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)	Dr.	8,125	8,125

Balance Sheet of Tata Ltd.

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	9,96,875
b. Reserve and Surplus	2	8,125
Total		10,05,000
II. Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	10,05,000
Total		10,05,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital Authorised Share Capital 20,000 Equity shares of ₹100 each Issued Share Capital 10,000 Equity shares of ₹100 each Subscribed Called-up and Paid up Share Capital 9,875 shares of ₹100 each Add : - Share Forfeited A/c (125 × 75)	20,00,000 10,00,000 9,98,500 9,375 9,96,875
2.	Reserve and Surplus Capital Reserve	8,125
3.	Cash and Cash Equivalents Bank	10,05,000

Working Note :

Calculation of share forfeiture transferred to Capital Reserve

Share Forfeiture of 250 shares = ₹18,750

Share Forfeiture of 125 shares = $\frac{18,750}{250} \times 125 = ₹9,375$

Share Forfeiture transferred to Capital reserve = 9,375 - 1,250 = ₹8,125

Question 82.

H Limited issued a prospectus inviting applications for 20,000 shares of Rs.10 each at a premium of Rs.2 per share payable as follows:

On application Rs.2; on allotment Rs.5 {including premium}; on first call Rs.3; on second and final call Rs.2.

Applications were received for 30,000 shares and pro rata allotment was made on the applications for 24,000 shares. Money overpaid on applications was adjusted against amount due on allotment.

Ramesh, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay first call his shares were forfeited. Mohan, the holder of 600 shares, failed to pay two calls and his shares were forfeited after the second call.

Of the shares forfeited, 800 shares were sold to Krishna credited as fully paid-up for Rs.9 per share, the whole of Ramesh's shares being included.

Pass Journal entries and prepare the Balance Sheet.

Solution:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (30,000 × ₹2) Dr. To Share Application A/c (Being application money received)		60,000	60,000
	Share Application A/c Dr. To Share Capital A/c (20,000 × ₹2) To Share Allotment A/c (4,000 × ₹2) To Bank A/c (6,000 × ₹2) (Being application money adjusted to Share Capital and balance refunded)		60,000	40,000 8,000 12,000
	Share Allotment A/c (20,000 × ₹5) Dr. To Share Capital A/c (20,000 × ₹3) To Securities Premium Reserve A/c (20,000 × ₹2) (Being allotment money due along with premium)		1,00,000	60,000 40,000
	Bank A/c Dr. To Share Allotment A/c (1,00,000 - 8,000 - 1,840) (Being allotment money received)		90,160	90,160
	Share First call A/c (20,000 × ₹3) Dr. To Share Capital A/c (Being first call money due)		60,000	60,000
	Bank A/c (19,000 × ₹3) Dr. To Share First Call A/c (Being first call money received)		57,000	57,000

	Share Capital A/c (400 × ₹8) Securities Premium Reserve A/c (400 × ₹2) To Share Allotment A/c To Share First Call A/c (400 × ₹3) To Share Forfeiture A/c (480 × ₹2) (Being 400 share forfeited for not - payment of allotment and first call money)	Dr. Dr.	3,200 800	1,840 1,200 960
	Share Second and Final Call A/c (19,600 × ₹2) To Share Capital A/c (Being second and final call money due)	Dr.	39,200	39,200
	Bank A/c To Share Second and final call A/c (19,000 × ₹2) (Being second and final call money received)	Dr.	38,000	38,000
	Share Capital A/c (600 × ₹100) To Share First Call A/c (600 × ₹3) To Share Second and Final Cal A/c (600 × ₹2) To Share Forfeiture A/c (250 × ₹75) (Being 600 shares forfeited for non - payment of first call and second call money)	Dr.	6,000	1,800 1,200 3,000
	Bank A/c (800 × ₹9) Share Forfeiture A/c (800 × ₹1) To Share Capital A/c (800 × ₹10) (Being 800 shares reissued @ ₹9 per share)	Dr. Dr.	7,200 800	8,000
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)	Dr.	2,160	2,160

Balance Sheet of H Ltd.

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,99,000
b. Reserve and Surplus	2	41,360
Total		2,40,360
II. Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,40,360
Total		2,40,360

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Issued Share Capital	
	20,000 Equity shares of 10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital	
	19,800 shares of 100 each	1,98,000
	Add : - Share Forfeited A/c (200 × ₹5)	1,000
		1,99,000
2.	Reserve and Surplus	
	Securities Premium Reserve (19,600 × ₹2)	39,200
	Capital Reserve	2,160
		41,360
3.	Cash and Cash Equivalents	
	Bank	2,40,360

Working Notes :**1 Calculation of Amount Received on Allotment**

Shares Allotted to Ramesh = 400

$$\text{Shares applied by Ramesh} = 400 \times \frac{24,000}{20,000} = 480$$

Excess money received on application = ₹160 (80 × ₹2)

Money due on allotment from Ramesh = ₹2,000 (400 × ₹5)

Amount not received from Ramesh = ₹1,840 (2,000 - 160)

2 Calculation of Share Forfeiture transferred to Capital Reserve

Share Forfeiture if 400 shares of Ramesh = ₹960

Share Forfeiture of 600 shares of Mohan = ₹3,000

$$\text{Share Forfeiture of 400 shares of Mohan} = \frac{3,000}{600} \times 400 = 2,000$$

Credit Balance in Share Forfeiture = ₹2,960

Debit balance in Share Forfeiture = ₹800

Share Forfeiture transferred to Capital Reserve = 2,960 - 800 = ₹2,160

Question 83.

The Dogra had an Authorised Capital of 10,00,000 divided into Equity Shares of Rs.100 each. The Company offered 84,000 shares to the public at premium

The amount was payable as follow;

——On Application – Rs.30 per share

——On Allotment – Rs.40 per share (Including premium)

——On First and Final Call – Rs.50 per share.

Applications were received for 80,000 shares.

All sums were duly received except the following:

——Lakhan, a holder of 200 shares did not pay allotment and call money.

——Paras, a holder of 400 shares did not pay call money.

The company, forfeited the shares of Lakhan and Paras. Subsequently, the forfeited shares were reissued for Rs.80 per share as fully paid.up. Show the entries for the above transactions in the Cash Book and Journal of the company.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c (80,000 × ₹30) Dr. To Equity Share Capital A/c (Being application money transferred to share capital)		24,00,000	24,00,000
	Equity Share Allotment A/c (80,000 × ₹40) Dr. To Equity Share Capital A/c (80,000 × ₹20) To Securities Premium Reserve A/c (80,000 × ₹20) (Being allotment money due)		32,00,000	16,00,000 16,00,000
	Equity Share First and Final Call A/c (80,000 × ₹50) Dr. To Equity Share Capital A/c (Being first call money due)		40,00,000	40,00,000
	Equity Share Capital A/c (600 × ₹100) Dr. Securities Premium Reserve A/c (200 × ₹20) Dr. To Equity Share Allotment A/c (200 × ₹40) To Equity Share First and Final Call (600 × ₹50) To Equity Share Forfeiture A/c (200 × 30 + 400 × ₹50) (Being 600 shares forfeited for non - payment of allotment and call money due)		60,000 4,000	8,000 30,000 26,000
	Equity Share Forfeiture A/c (600 × ₹20) Dr. To Equity Share Capital A/c (Being 600 shares reissued)		12,000	12,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue of transferred to capital reserve)		14,000	14,000

Cash Book							
Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
	To Equity Share Application A/c (80,000 × ₹30)		24,00,000		By Balance c/d		96,10,000
	To Equity Share Allotment A/c (79,900 × ₹40)		31,92,000				
	To Equity Share First Call A/c (79,400 × ₹50)		39,70,000				
	To Equity Share Capital A/c (600 × ₹80)		48,000				
			96,10,000				96,10,000

Question 84.

Jeevan Dhara Ltd. invited applications for issuing 1, 20,000 equity shares of Rs.10 each at a premium of Rs.2 per share. The amount was payable as follows:

- On application – Rs.2 per share.
- On allotment- Rs.5 per share (Including premium)
- On first And final – balance

Applications for 1, 50,000 shares were received. Shares were allotted to all the applicants on pro rata basis. Excess money received on applications was adjusted towards sums due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were reissued at Rs.9 per share as fully paid up. Pass necessary

Journal entries for the above transactions in the books of Jeevan Dhara Ltd.

Solution:

In the books of Jeevan Dhara Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. Equity Share Application A/c (Being application money received on 1,50,000 shares)		3,00,000	3,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being amount of application transferred to share capital and excess money adjusted towards allotment)		3,00,000	2,40,000 60,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being account due on allotment)		6,00,000	3,60,000 2,40,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		5,29,200	5,29,200
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being amount due on first and final call)		6,00,000	6,00,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (Being amount received on first and final call)		5,76,000	5,76,000
	Equity Share Capital A/c Dr. Securities Premium a/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being shares of Manu and Madhur were forfeited)		48,000 4,800	18,000 10,800 24,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares were reissued for ₹9 as fully paid - up)		43,200 4,800	48,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		13,200	13,200

Working Notes :

1 : Calculation of Amount not received on Allotment and First and Final Call

$$\text{Shares allotted to Manu} = \frac{1,20,000}{1,50,000} \times 3,000 = 2,400 \text{ shares}$$

Amount received on 3,000 shares of Rs 2 each = ₹6,000

Amount transferred to Share Capital A/c (2,400 × ₹2) = ₹4,800

Excess money received on application = ₹1,200

Amount due on Allotment @ Rs 5 each = ₹12,000 (7,200 + 4,800)

Amount not received on Securities Premium = 4,800

Amount not received on allotment = ₹6,000 (7,200 - 1,200)

Amount not received on first and final call = ₹12,000 (2,400 ₹5)

2: Calculation of amount not received from Madhur

Amount not received on first and final call = ₹12,000 (2,400 ₹5)

D Ltd. offered to the public 20,000 Equity Shares of Rs.10 each payable Rs.4 on application. Rs.2 on allotment, Rs.2 on first call and the balance on final call. Applications totalled for 35,000 shares. Applications for 10,000 shares were rejected. Those totaling 15,000 shares were allotted 10,000 shares and the remaining applications were accepted in full. Excess application money was utilised towards the money due on allotment. Both the calls were made. One shareholder holding 500 shares failed to pay the two calls and as a consequence his shares were forfeited. 200 of these shares were reissued as fully paid-up for as Rs.6 per share.

Record the above in the company's Journal and Cash Book and prepare the Balance Sheet.

Solution:

**Books of D Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr. To Equity Share Capital A/c (20,000 × ₹4) To Equity Share Allotment A/c (5,000 × ₹4) (Being application money adjusted to share capital)		1,00,000	80,000 20,000
	Equity Share Allotment A/c (20,000 × ₹2) Dr. To Equity Share Capital A/c (Being allotment money due)		40,000	40,000
	Equity Share First call A/c (20,000 × ₹2) Dr. To Equity Share Capital A/c (Being first call money due)		40,000	40,000
	Equity Share Final Call A/c (20,000 × ₹2) Dr. To Equity Share Capital A/c (Being second and final call money due)		40,000	40,000
	Equity Share Capital A/c (500 × ₹10) Dr. To Equity Share First Call A/c (500 × ₹2) To Equity Share Final Call (500 × ₹2) To Equity Share Forfeited A/c (500 × ₹6) (Being 500 shares forfeited for non - payment of first and final call)		5,000	1,000 1,000 3,000
	Equity Share forfeited A/c (200 × ₹4) Dr. To Equity Share Capital A/c (Being 200 shares reissued)		800	800
	Equity Share Forfeited A/c (200 × ₹6 - 200 × ₹4) Dr. To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)		400	400

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Equity Share Application A/c (35,000 × ₹4)		1,40,000		By Equity Share Application A/c (10,000 × ₹4)		40,000
	To Equity Share Allotment A/c (40,000 - 20,000)		20,000		By Balance c/d		1,99,200
	To Equity Share First Call A/c (19,500 × ₹2)		39,000				
	To Equity Share Final A/c (19,500 × ₹2)		39,000				
	To Equity Share Capital A/c (200 × ₹6)		1,200				
			2,39,200				2,39,200

Balance Sheet of D Ltd.

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,98,800
b. Reserve and Surplus	2	400
Total		1,99,200
II. Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	1,99,200
Total		1,99,200

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Issued Share Capital	
	20,000 Equity shares of ₹10 each	2,00,000
	Subscribed Called-up and Paid up Share Capital	
	19,700 shares of 10 each	1,97,000
	Add : - Share Forfeited A/c (300 × ₹6)	1,800
		1,98,800
2.	Reserve and Surplus	
	Capital Reserve	400
3.	Cash and Cash Equivalents	
	Bank	1,99,200

Question 86.

A Co. Ltd. offered to the public 20,000 Equity Shares of Rs.100 each at a premium of Rs.10 per share. The payment was to be as:

- On application Rs.20
- On allotment Rs.40 (including premium)
- On first call Rs.25
- On second and final call Rs.25

Applications were received for 35,000 shares. Applications for 10,000 shares were rejected. Applicants for 15,000 shares were allotted 10,000 shares and remaining applications were accepted in full. The Directors made both the calls. One shareholder holding 500 shares failed to pay the two calls and as a consequence his shares were forfeited. 200 of these

shares were reissued as fully paid-up at Rs.80 per share.

Prepare Cash Book, Journal and the Balance Sheet on the basis of information given above.

Solution:

**Books of A Co. Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr. To Equity Share Capital A/c (20,000 × ₹20) To Equity Share Allotment A/c (5,000 × ₹20) (Being application money adjusted to share capital)		5,00,000	4,00,000 1,00,000
	Equity Share Allotment A/c (20,000 × ₹40) Dr. To Equity Share Capital A/c (20,000 × ₹30) To Securities Premium Reserve A/c (20,000 × ₹10) (Being allotment money due)		8,00,000	6,00,000 2,00,000
	Equity Share First call A/c (20,000 × ₹25) Dr. To Equity Share Capital A/c (Being first call money due)		5,00,000	5,00,000
	Equity Share Second and Final Call A/c (20,000 × ₹25) Dr. To Equity Share Capital A/c (Being second and final call money due)		5,00,000	5,00,000
	Equity Share Capital A/c (500 × ₹100) Dr. To Equity Share First Call A/c (500 × ₹25) To Equity Share Final Call (500 × ₹25) To Equity Share Forfeited A/c (500 × ₹50) (Being 500 shares forfeited for non - payment of call money)		50,000	12,500 12,500 25,000
	Equity Share forfeited A/c (200 × ₹20) Dr. To Equity Share Capital A/c (Being 200 shares reissued)		4,000	4,000
	Equity Share Forfeited A/c (200 × ₹50 - 200 × ₹20) Dr. To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)		6,000	6,000

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
	To Equity Share Application A/c (35,000 × Rs.20)		7,00,000		By Equity Share Application A/c (10,000 × Rs.2)		2,00,000
	To Equity Share Allotment A/c (8,00,000 - 1,00,000)		7,00,000		By Balance c/d		21,91,000
	To Equity Share First Call A/c (19,500 × Rs.25)		4,87,500				
	To Equity Share Second and Final A/c (19,500 × Rs.25)		4,87,500				
	To Equity Share Capital A/c (200 × Rs.80)		16,000				
			<u>23,91,000</u>				<u>23,91,000</u>

Balance Sheet of A Co Ltd.

Particulars	Note No	Rs.
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	19,85,000
b. Reserve and Surplus	2	2,06,000
Total		21,91,000
II. Assets		
2. Current Assets		
Cash and Cash Equivalents	3	21,91,000
Total		21,91,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Issued Share Capital	
	20,000 Equity shares of ₹100 each	20,00,000
	Subscribed Called-up and Paid up Share Capital	
	19,700 shares of 10 each	19,97,000
	Add : - Share Forfeited A/c (300 × ₹50)	15,000
		19,85,000
2.	Reserve and Surplus	
	Securities Premium Reserve	2,00,000
	Capital Reserve	6,000
		2,06,000
3.	Cash and Cash Equivalents	
	Bank	21,91,000

Question 87.

Veer Ltd. invited applications for issuing 1,00,000 Equity Shares of Rs.500 each at a premium of Rs.100 per share. The amount was payable as:

- On application – Rs.200 per share
- On allotment – Rs.300 per share (Including premium)
- On first and final call- balance of the amount

Applications for 2,00,000 shares were received. Applications for 50,000 shares were rejected and the application money was refunded. Pro rata allotment was made to the remaining applicants. Amount overpaid with application was adjusted towards sums due on allotment. All calls were made and were duly received except the first and final call on 100 shares allotted to Vasu. These shares were forfeited. The forfeited shares were reissued to Ravi for Rs.60000 as fully paid-up.

Pass necessary Journal entries in the books of the company for the above transactions.

Solution:

Issued 1,00,000 Shares

Applied 2,00,000 Shares

Allotment made as :

Applied	Allotted
50,000	NIL
1,50,000	1,00,000
2,00,000	1,00,000

Payable as :

Application	200 per share
Allotment	300 (200 + 100) per share
Share First and Final Call	100 per share
	600 (500+100) per share

Books of Veer Ltd. Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being application money received for 2,00,000 shares at ₹200 each)		4,00,00,000	4,00,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Shares Allotment A/c To Bank A/c (Being application money of 1,00,000 shares transferred to shares capital 50,000 shares money refunded and remaining money adjusted on allotment)		4,00,00,000	2,00,00,000 1,00,00,000 1,00,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due on 1,00,000 shares at 300 each including 100 premium)		3,00,00,000	2,00,00,000 1,00,00,000

	Bank A/c To Equity Share Allotment A/c (Being share allotment received)	Dr.		2,00,00,000	2,00,00,000
	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 1,00,000 shares at ₹100 each)	Dr.		1,00,00,000	1,00,00,000
	Bank A/c Calls - in - Arrears A/c To Equity Share First and Final Call A/c (Being first and final call received on 99,900 shares at ₹100 each)	Dr. Dr.		99,90,000 10,000	1,00,00,000
	Equity Share Capital A/c To Share Forfeiture A/c To Calls - in - Arrears A/c (Being 100 shares of ₹500 each forfeited)	Dr.		50,000	40,000 10,000
	Bank A/c To Equity Share Capital A/c To Securities Premium A/c (Being 100 shares of ₹500 each re-issued for the sum of 60,000)	Dr.		60,000	50,000 10,000
	Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture 100 shares transferred to capital reserve)	Dr.		40,000	40,000

Working Notes :

Share Forfeiture of re-issued shares

Share Forfeiture Cr.	₹40,000
Share Forfeiture Dr..	NIL
Balance in Share Forfeiture after re-issue	<u>₹40,000</u>

Capital Reserve = Balance in Share Forfeiture after re-issue = ₹40,000

Question 88.

Raja Ltd. invited applications for issuing 50,000 Equity Shares of Rs.10 each. The amount was payable as follows:

- On application – Rs.3 per share
- On allotment – Rs.5 per share
- On first and final call – the balance

Applications for 70,000 shares were received. Allotment was made to all applicants on pro-rata basis. Excess money received on application was adjusted towards sums due on allotment. Ramesh, who had applied for 700 shares, did not pay the allotment money and on his failure to pay the allotment money his shares were forfeited. Afterwards, the first and final call was made Adhar, who had been allotted 500 shares, did not pay the first and final call. His shares were also forfeited. Out of the forfeited shares 900 shares were reissued at Rs.8 per share as fully paid-up. The reissued shares included all the shares of Ramesh.

Pass necessary Journal entries for the above transactions in the books of the company.

Solution:

**Books of Raja Ltd.
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being application money on 70,000 shares received)		2,10,000	2,10,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Shares Allotment A/c (Being application money of 50,000 shares transferred to share capital account and excess was utilised on allotment)		2,10,000	1,50,000 60,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due on allotment)		2,50,000	2,50,000
	Bank A/c (WN 2) Dr. To Equity Share Allotment A/c (Being share allotment received on 49,500 shares and Rs 60,000 excess money adjusted)		1,88,100	1,88,100
	Equity Share Capital A/c Dr. To Equity Share Allotment A/c (WN 1) To Equity Share Forfeiture A/c (WN 1) (Being 500 shares forfeited for non-payment of allotment money)		4,000	1,900 2,100
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being share Call money due)		99,000	99,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (Being call money received on 49,000 shares)		99,000	99,000
	Equity Share Capital A/c Dr. To Equity Share First and Final Call A/c To Equity Share Forfeiture A/c (₹8 × 500) (Being 500 shares forfeited for non - payment of call money)		5,000	1,000 4,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 900 shares reissued at ₹8 per share) (Being share call money received and Calls - in advance money adjusted)		7,200 1,800	9,000
	Share Forfeiture A/c (WN 3) Dr. To Capital Reserve A/c (Being profit on forfeiture of shares transferred)		3,500	3,500

Working Note :

1

Shares applied by Ramesh : 700 shares

Shares allotted : $700 \times \frac{50,000}{70,000} = 500$ shares

Application Money received from Ramesh	700 × ₹3 = 2,100
Less : Application money due on allotted shares	500 × ₹3 = (1,500)
Excess application money adjusted on allotment	600

Allotment money due on Share allotted	₹5 × 500 = 2,500
Less : Excess application money received	(600)
Allotment money due but not received	1,900

2

Allotment due (Gross) 50,000 × ₹5 =	2,50,000
Less : Adjusted	(60,000)
Less : Arrears	(1,900)
	<u>1,88,100</u>

3

Forfeiture of 500 shares issued to Adhar		
Amount due on First and Final Call	₹2 × 500 =	1,000
Total amount due on First and Final Call	₹2 × 49,500 =	99,000
less : Arrears		(1,000)
		<u>98,000</u>

Share Forfeiture on Ramesh's Share		2,100
Properties Share Forfeiture on Adhar's Shares	$4000 \times \frac{400}{500} =$	3,200
		<u>5,300</u>
Less : Loss on re-issue		(1,800)
Profit on re-issue transferred capital reserve		<u>3,500</u>

Question 89.

XYZ Ltd. has been registered with an authorised capital of Rs.2,00,000 divided into 2,000 shares of Rs.100 each of which, 1,000 shares were offered for public subscription at a premium of Rs.5 per share, payable as On application – Rs.10

——On allotment – Rs.25 (including premium)

——On first call – Rs.40

——On final call – Rs.30

Applications were received for 1,800 shares, of which applications for 300 shares were rejected outright: the rest of the applications were allotted 1,000 shares on pro rata basis. Excess application money was transferred to allotment.

All the money was duly received except from Sundae holder of 100 shares, who failed to pay allotment and first call money. His shares were later forfeited and reissued to Shyam at Rs.60 per share Rs.70 paid up. final call has not been made.

Pass necessary Journal entries and prepare Cash Book in the books of XYZ Limited.

Solution:

Authorised capital 2,000 shares of ₹100 each
 Issued 1,000 shares of ₹100 each at a premium of ₹5
 Applied 1,800 shares

Allotment made as :

Applied	Allotted
1,500	1,000
300	NIL
<u>1,800</u>	<u>1,000</u>

Amount payable per shares as :

Application	10
Allotment	25 (20 + 5)
First Call	40
	<u>75 Called - up</u>
Final Call	30
	<u>105</u>

Books of XYZ Limited

Journal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Application A/c Dr. To Share Capital A/c To Shares Allotment A/c (Being application money of 1,000 shares transferred to share capital 5,000 adjusted on allotment)		15,000	10,000 5,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due on 1,000 shares at ₹25 each including 5 premium)		25,000	20,000 5,000
	Share First Call A/c Dr. To Share Capital A/c (Being first call due on 1,000 shares at ₹40 each)		40,000	40,000
	Securities Premium A/c Dr. Share Capital A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (Being 100 shares of ₹100 each ₹70 called - up, forfeited for the non - payment of allotment and first call)		500 7,000	1,500 2,000 4,000
	Share Forfeiture A/c Dr. To Share Capital A/c (Being 100 shares of ₹100 each re-issued at ₹60 per share ₹70 paid up)		1,000	1,000
	Share forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)		500	500

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Share Application A/c		18,000		By Share Application A/c		3,000
	To Share Allotment A/c		18,000				
	To Share First Call A/c		36,000				
	To Share Capital A/c		6,000		By Balance c/d		75,000
			<u>78,000</u>				<u>78,000</u>

Working Notes :

Number of share applied by Sunder = $\frac{1,500}{1,000} \times 100 = 150$ shares

Sunder

Money received on application $150 \times ₹10$	=	1,500
Money transferred to Share Capital $100 \times ₹10$	=	<u>1,000</u>
Excess Money on application		<u>500</u>

Share allotment due $100 \times ₹25$	=	2,500
Less : Excess money on application	=	<u>500</u>
Calls - in - Arrears on Allotment		<u>2,000</u>

Allotment

Allotment due on all shares $1,000 \times ₹25$	=	25,000
Less : Adjustment of excess money on application	=	<u>5,000</u>
		20,000
Less : Calls in - Arrears By Sunder	=	<u>2,000</u>
Money received on allotment	=	<u>18,000</u>

Capital Reserve

Share Forfeiture	Cr.	1,500
Less : Share Forfeiture	Dr.	<u>1,000</u>
Balance in Share Forfeiture after re-issue		<u>500</u>
Capital Reserve = Balance in Share forfeiture after re-issue = 500		

Question 90.

Bhamashah company Limited made an issue of 1,00,000 Equity Share of Rs.10 each at a premium of 20% payable as follows:

- On application – Rs.2.50 per share,
- On allotment – Rs.4.50 per share, and
- On 1st and final call – balance.

Applications were received for 2,00,000 Equity Shares and the Directors made pro rota allotment. Ranu who had applied for 800 shares did not pay the allotment and final call money; as a result his shares were forfeited. Later on 80% of the forfeited shares were reissued at Rs.8 per Mare as fully paid – up.

Pass necessary Journal entries for the above mentioned transactions in the books of the company

Solution:

Issued Capital 1,00,000 equity Shares of ₹10 each at premium of ₹2

Applied 2,00,000 equity shares

Payable as : Application

₹2.5 per share

Allotment

₹4.5 (2.5 + 2) per share

First and Final Call

₹5 per share

₹12 (10 + 2) per share

Books of Bhamshah Company Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 2,00,000 shares at ₹2.5 each)		5,00,000	5,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being equity share application of 1,00,000 shares transferred to share capital and remaining money adjusted on allotment)		5,00,000	2,50,000 2,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being equity share allotment due on 1,00,000 shares at ₹4.5 each including an amount of ₹2 premium)		4,50,000	2,50,000 2,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being share allotment received in all the shares except for 400 shares)		1,99,200	1,99,200
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being first and final call due on 1,00,000 shares at ₹5 each)		5,00,000	5,00,000

	Bank A/c To Equity Share First and Final Call A/c (Being first and final call received on all shares except for 400 share)	Dr.		4,98,000	4,98,000
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being 400 equity share forfeited for the non - payment of amount due)	Dr. Dr.		4,000 800	2,000 800 2,000
	Bank A/c (320 × ₹8) Share Forfeiture A/c To Equity Share Capital A/c (Being 320 shares of ₹10 each re-issued at ₹8 per share as fully paid - up)	Dr. Dr.		2,560 640	3,200
	Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture of 320 re-issued shares transferred to capital reserve)	Dr.		960	960

Working Notes :

Number of shares allotted to Ranu = $\frac{1,00,000}{2,00,000} \times 800 = 400$ shares

Ranu

Money received on application (800 shares × ₹2.5) = 1,800

Less : Money transferred to Shares Capital (400 shares × ₹2.5) = 1,000

Excess money received on application = 1,000

Allotment due Share × ₹4.5 = 1,800

Less : Excess money received on application = 1,000

Calls - in - Arrears on allotment = 800

Share Allotment

Share allotment due on all shares = 4,50,000

Less: - Share application adjusted = 2,50,000

Less : Calls - in - Arrears = 800

Money received on allotment = 1,99,200

Number of shares re-issued = $400 \times \frac{80}{100} = 320$ shares

Capital Reserve on 320 shares

Share Forfeiture Cr = $\frac{2,000}{400} = 5$ per share

Share Forfeiture Cr. ₹5 per share

Share Forfeiture Dr. ₹2 per share

Balance in Share forfeiture after re-issue Cr. ₹3 per share

Capital Reserve = Balance in Share Forfeiture after re-issue(per share) × No. of shares re-issued

= ₹3 × 320 shares

= ₹960

Question 91.

A company issued for public subscription 50,000 Equity Shares of Rs.10 each at a premium of Rs.2 per share, payable as under.

——On application – Rs.2 per share

——On allotment – Rs.5 per share

——On first call – Rs.2 per share

——On final call – Rs.3 per share

Applications were received for 75,000 Equity Shares. The shares were allotted on pro rata basis to the applicants for 60,000 shares, the remaining applications being rejected. Money overpaid on applications was utilised towards sum due on allotment

A, to whom 2,000 shares were allotted, failed to pay allotment and calls money and B, to whom 2,500 shares were allotted, failed to pay the two calls. These shares were, subsequently, forfeited after the final call was made. All the forfeited shares were reissued to X as fully paid-up @Rs.8 per share.

Pass Journal entries to record the above transactions

Solution:

Issued Capital 50,000 shares at ₹10 each with a premium 2

Applied shares 75,000

Allotment made as :

Applied	Allotted
60,000	50,000
15,000	NIL
75,000	50,000

Payable as :

Application ₹2 per share

Allotment ₹5 (3 + 2) per share

First Call ₹2 per share

Final Call ₹3 per share

₹12 (10+2) per share

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 75,000 shares at ₹2 each)		1,50,000	1,50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Being equity share application of 50,000 shares transferred to share Capital, 20,000 adjusted on allotment and balance money 30,000 refunded)		1,50,000	1,00,000 20,000 30,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being equity share allotment due on 50,000 shares at ₹5 per share each including an amount of ₹2 premium)		2,50,000	1,50,000 1,00,000

	Bank A/c To Equity Share Allotment A/c (Being equity share allotment money received from 48,000 shares after adjusting excess money on Application)	Dr.		2,20,800	2,20,800
	Equity Share First A/c To Equity Share Capital A/c (Being first due on 50,000 shares at ₹2 each)	Dr.		1,00,000	1,00,000
	Bank A/c To Equity Share First Call A/c (Being first call received on all shares except for 45,500 share)	Dr.		91,000	91,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call due on 50,000 shares at ₹3 each)	Dr.		1,50,000	1,50,000
	Bank A/c To Equity Share Final Call A/c (Being final call received on 45,500 shares)	Dr.		1,36,500	1,36,500
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c To Equity Share Final Call A/c (Being 2,000 shares held by A. forfeited for the non - payment)	Dr. Dr.		20,000 4,000	4,800 9,200 4,000 6,000
	Equity Share Capital A/c To Share Forfeiture A/c To Equity Share First Call A/c To Equity Share Final Call A/c (Being 2,500 shares held by B forfeited for non - payment)	Dr.		25,000	12,500 5,000 7,500

Bank A/c	Dr.	36,000	
Share Forfeiture A/c	Dr.	9,000	
To Equity Share Capital A/c			45,000
(Being 4,500 shares of ₹10 each re-issued at ₹8 per share as fully paid - up)			
Share Forfeiture A/c	Dr.	8,300	
To Capital Reserve A/c			8,300
(Being share forfeiture after re-issued transferred to capital reserve)			

Working Note :

A's Share

$$\text{Number of shares applied} = \frac{60,000}{50,000} \times 2,000 = 2,400 \text{ shares}$$

Money received on application (2,400 shares × ₹2)	=	4,800
Less : Money transferred to Share Capital (2,000 × ₹2)	=	4,000
Excess money on application		<u>800</u>

Allotment due (2,000 shares × ₹5)	=	10,000
Less : Excess on money application	=	<u>800</u>
Calls - in - Arrears on Allotment		<u>9,200</u>

Share Allotment

Share Allotment due (50,000 shares × ₹5)	=	2,50,000
Less : Adjustment of excess application money	=	(20,000)
Less : Calls - in - Arrears		<u>(9,200)</u>
Money received on Allotment		<u>2,20,800</u>

Share First Call

Share First Call due (50,000 × ₹2)	=	1,00,000
Less : Calls in Arrears on Shares held by A (2,000 × ₹2)	=	4,000
Less : Calls - in - Arrears in Shares held by B (2,500 × ₹2)	=	<u>5,000</u>
Amount received on Share First Call		<u>91,000</u>

Share Final Call

Share Final Call due 50,000 Shares × ₹3	=	1,50,000
Less : Calls in Arrears on Shares held by A (2,000 × ₹3)	=	6,000
Less : Calls - in - Arrears on Shares held by S (2,500 × ₹3)	=	<u>7,500</u>
Money received on First Call		<u>1,36,500</u>

Capital Reserve		(received from A)
Share Forfeiture Credit on A's Shares	=	4,800
Share Forfeiture Credit on B's Share (2,500 × ₹5)	=	12,500 (received from B excluding premium)
Total Share Forfeiture Credit	=	<u>17,300</u>
Share Forfeiture Debit (4,500 shares × ₹2)		<u>9,000</u>
Balance in Share Forfeiture after re-issue		<u>8,300</u>
Capital Reserve = Balance in Share Forfeiture after re-issue		
= ₹8,300		

Question 92.

Applications were invited by the Directors of X Ltd. for 15,000 of its Equity Shares of Rs.100 and at Rs.115 per share payable as:

- On application on 1st April, 2013 (including premium of Rs.15 per share) Rs.75;
- On allotment on 30th April, 2013 Rs.20 and
- On first and final call on 31st May, 2013 Rs.20.

Applications were received for 18,000 shares and it was decided to deal with these as:

- to refuse allotment to applicants for 800 shares,
- to give full allotment to applicants for 2,200 shares,
- to allot the remainder of the available shares on pro rata basis among the other applicants and
- to utilise the surplus received on applications in part payment of amounts due on allotment.

An applicant, to whom 400 shares had been allotted, failed to pay the amount due on the first and final call and his shares were declared forfeited on 31st July. 2013. These shares were reissued on 3rd September, 2013, as fully paid-up @ Rs.90 per share. Pass Journal entries to record the above issue of shares.

Solution:

Issued capital 15,000 of 10 each at a premium of ₹15 per share

Applied Share 18,000

Allotment made as

Applied	Allotted
800	-
2,200	2,200
15,000	12,800
18,000	15,000

Payable as

Application	75 (60 + 15) per share
Allotment	20 per share
First and Final Call	20 per share
	<u>115 (100 + 15) per share</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2013	Bank A/c Dr. To Equity Share Application A/c (Being application money received for 18,000 shares at ₹75 per share including ₹15 premium)		13,50,000	13,50,000
Apr 01	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Shares Allotment A/c To Bank A/c (Being application money of 15,000 shares transferred to shares capital 1,65,000 shares adjusted on allotment and the remaining 60,000 refunded)		13,50,000	9,00,000 2,25,000 1,65,000 60,000
Apr 30	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due on 15,000 shares at ₹20 each)		3,00,000	3,00,000

	Bank A/c To Equity Share Allotment A/c (Being share allotment received)	Dr.		1,35,000	1,35,000
May 31	Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 15,000 shares at ₹20 each)	Dr.		3,00,000	3,00,000
	Bank A/c To Equity Share First and Final Call A/c (Being first and final call received on 14,600)	Dr.		2,92,000	2,92,000
July 31	Equity Share Capital A/c To Share Forfeiture A/c (400 shares × ₹80) To share first and final A/c (Being 400 shares of ₹100 each forfeited for the non - payment of ₹20 per share)	Dr.		40,000	32,000 8,000
Sep 03	Bank A/c Share forfeiture A/c (400 shares × ₹10) To Equity Share Capital A/c (Being 400 shares of ₹100 each re-issued at ₹90 per share fully paid up)	Dr. Dr.		36,000 4,000	40,000
	Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture transferred to capital reserve)	Dr.		28,000	28,000

Working Notes :

Share Forfeiture Credit (at the time of forfeiture of shares)	32,000
Less : Share Forfeiture Debit (at the time of re-issue shares)	4,000
Balance in share forfeiture after re-issue of shares	<u>28,000</u>

Capital Reserve = Balance in Share Forfeiture after re-issue = ₹28,000

Question 93.

XYZ Ltd. invited applications for issuing 50,000 Equity Shares of Rs.10 each. The amount was payable as:

- On application – Rs.3 per share
- On allotment – Rs.4 per share
- On first and final call – Rs.3 per share

Applications were received for 75,000 shares and pro rata allotment was made as:

Applicants for 40,000 shares were allotted 30,000 shares on pro rata basis.

Applicants for 35,000 shares were allotted 20,000 shares on pro rata basis.

Ramu, to whom 1,200 shares were allotted out of the group applying for 40,000 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment.

Shamu, who had applied for 700 shares out of the group applying for 35,000 shares, failed to pay the first and final call. HIS shares were also forfeited. Out of the forfeited shares, 1,000 shares were reissued @ Rs.8 per share as fully paidup. The reissued shares included all the forfeited shares of Shamu.

Pass necessary Journal entries to record the above transactions.

Solution:

Issued 1,000 equity Share of ₹10 each

Applied 1,800 shares

Allotment made as :

Applied	Allotted
40,000	30,000
35,000	20,000
1,800	1,000

Amount payable per shares as :

Application	3
Allotment	4
First Call	3
	<u>10</u>

Books of XYZ Ltd.

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 75,000 shares at ₹3 each)		2,25,000	2,25,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being equity share application of 50,000 shares transferred to share capital and the remaining amount adjusted on allotment)		2,25,000	1,50,000 75,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being equity share allotment due on 50,000 shares at ₹4 per share each)		2,00,000	2,00,000

Bank A/c To Equity Share Allotment A/c (Being equity share allotment money received from 48,800 shares after adjusting excess money on application)	Dr.		1,21,400	1,21,400
Equity Share Capital A/c (1,200 × ₹7) To Share Forfeiture A/c To Equity Share Allotment A/c (Being 1,200 shares of ₹10 each ₹7 called - up forfeited for the nonpayment of allotment)	Dr.		8,400	4,800 3,600
Equity Share First and Final Call A/c To Equity Share Capital A/c (Being first and final call due on 48,800 shares at ₹3 each)	Dr.		1,46,400	1,46,400
Bank A/c To Equity Share First and Final Call A/c (Being share first and call received 48,800 Shares at ₹3 each)	Dr.		1,45,200	1,45,200
Equity Share Capital A/c To Share Forfeiture A/c (400 × 7) To Equity Shares First and Final Call A/c (Being 400 shares forfeited for non - payment of first and final call)	Dr.		4,000	2,800 1,200
Bank A/c Share Forfeiture a/c To Equity Share Capital A/c (Being 1,000 shares of ₹10 each re-issued at ₹8 per share fully paid - up)	Dr. Dr.		8,000 2,000	10,000
Share Forfeiture A/c To Capital Reserve A/c (Being balance of 1,000 re-issued shares in share forfeiture account transferred to capital reserve account)	Dr.		3,200	3,200

Working Notes :

Rumu's Share

$$\text{Number of shares applied} = \frac{40,000}{30,000} \times 1,200 = 1,600 \text{ shares}$$

Money received on Application 1,600 shares × ₹3	=	4,800
Money adjusted on Application 1,200 Shares × ₹3	=	3,600
Excess on Application		<u>1,200</u>

Allotment due on 1,200 shares × ₹4	=	4,800
Less : Excess money on Application	=	1,200
Calls - in - Arrears on Allotment	=	<u>3,600</u>

Share Allotment

Share Allotment due 50,000 shares × ₹4	=	2,00,000
Less : Excess money on application	=	75,000
		<u>1,25,000</u>
Less : Calls - in - Arrears on Allotment	=	3,600
Money received on Allotment	=	<u>1,21,400</u>

Shamu's Shares

$$\text{Number of shares allotted to Shamu} = \frac{20,000}{35,000} \times 700 = 400 \text{ shares}$$

First and Final Call

First and Final Call due : 48,800 × ₹3	=	1,46,400
Less : Calls - in Arrears by Shamu; 400 shares × ₹3	=	1,200
Money received on of First and Final Call		<u>1,45,200</u>

Capital Reserve

Shares reissued out the shares forfeited from Ramu = 1,000 shares - Shamu's shares
= 1,000 - 400
= 600 shares on re-issue Ramu's shares
Capital Reserve on re-issue of 600 shares forfeited from Ramu

Share Forfeiture Cr.	<u>4800</u>	=	4
	1200		
Share forfeiture Dr. =		=	<u>2</u>
Share Forfeiture after re-issued			<u>2 per share</u>
Capital Reserve after re-issue of 600 shares			
= Share Forfeiture after re-issue (per share) × 600 shares			
= 2 × 600			
= ₹1,200			
On re-issue of Shamu's Shares			
Share Forfeiture Cr.	<u>₹7</u>		
Share Forfeiture Dr.	<u>₹2</u>		
Share Forfeiture after re-issue			<u>₹5 per share</u>

Capital Reserve after re-issue of 400 shares
= Share Forfeiture after re-issue (per share) × 600 shares
= 5 × 400
= ₹2,000

Total amount of Capital Reserve	=	Capital Reserve of 600 shares	+	Capital Reserve of 400 shares
Total amount of Capital Reserve	=	Capital Reserve of 600 Shares	+	Capital Reserve of 400 shares
	=	1,200	+	2,000
	=	₹3,200		

Question 94.

A company issued for public subscription 40,000 Equity Shares of Rs.10 each at a premium of Rs.2 per share payable as:

- On application – Rs.2 per share
- On allotment – Rs.5 per share (including premium)
- On first call – Rs.2 per share
- On second call – Rs.3 per share

Applications were received for 60,000 shares. Allotment was made on pro rata basis to the applicants for 48,000 shares, the remaining applications being refused. Money overpaid on application was utilised towards sums due on allotment. Ram to whom 1,600 shares were allotted failed to pay the allotment money and Shyam to whom 2,000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second call was made. All the forfeited shares were reissued as fully paid-up @ Rs.8 per share. Give necessary Journal entries for the above transactions.

Solution:

Issued capital 40,000 shares of ₹10 each at premium of ₹2

Applied 60,000 shares

Allotment made as :

Applied	Allotted
48,000	40,000
12,000	NIL
60,000	40,000

Payable as :

Application	₹2
Allotment	₹5 (3+2)
First Call	₹2
Second and Final Call	₹3
	<u>₹12 (10 +2) per share</u>

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 60,000 shares at ₹2 each)		1,20,000	1,20,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Being equity share application of 40,000 shares transferred to share capital 16,000 on adjusted and remaining 24,000 refunded)		1,20,000	80,000 16,000 24,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being equity share allotment due on 40,000 shares at ₹5 each including ₹2 premium)		2,00,000	1,20,000 80,000

Bank A/c To Equity Share Allotment A/c (Being share allotment money received on all shares except on 1,600 shares held by Ram)	Dr.		1,76,640	1,76,640
Equity Share First Call A/c To Equity Share Capital A/c (Being first call money due on 40,000 shares at ₹2 each)	Dr.		80,000	80,000
Bank A/c To Equity Share First A/c (Being first call received on 36,400 shares and holder of 3,600 failed to pay it)	Dr.		72,800	72,800
Equity Share second and Final Call A/c To Equity Share Capital A/c (Being second and final call due on 40,000 shares at ₹3 each)	Dr.		1,20,000	1,20,000
Bank A/c To Equity Share Second and Final Call A/c (Being second and final call received on 36,400 shares and holders of 3,600 shares failed to pay it)	Dr.		1,09,200	1,09,200
Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being 1600 shares held by Ram forfeited for non - payment amount due including premium)	Dr. Dr.		16,000 3,200	3,840 7,360 3,200 4,800
Equity Share Capital A/c To Equity Share Forfeiture A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being 2,000 shares held by Shyam forfeited for non - payment of amount due)	Dr.		20,000	10,000 4,000 6,000
Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 3,600 shares of ₹10 each re-issued at ₹8 per share fully paid - up)	Dr. Dr.		28,800 7,200	36,000
Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture transferred to capital reserve)	Dr.		6,640	6,640

Working Notes :

Ram's shares

$$\text{Number of shares applied by Ram} = \frac{48,000}{40,000} \times 1,600 = 1,920 \text{ Shares}$$

Money received on Application (1,920 shares × ₹2)	=	₹8,000
Less : Application money transferred to Share Capital (1,600 shares × ₹2)	=	₹3,200
Excess money on Application	=	<u>₹640</u>

Share Allotment due (1,600 shares × ₹5)	₹8,000
Less : Excess money on Application	<u>₹640</u>
Calls - in - Arrears on Allotment	<u>₹7,360</u>

Share Allotment	
Share Allotment due (40,000 shares × ₹5)	2,00,000
Less : Excess money on Application	<u>16,000</u>
	1,84,000
Less : Calls - in - Arrears by Ram	<u>7,360</u>
Money received on Allotment	<u>1,76,640</u>

Share First Call	
Share First Call due (40,000 shares × ₹2)	80,000
Less : Calls - in - Arrears by Ram and Shyam (3,600 shares × ₹2)	<u>7,200</u>
Money received on First Call	<u>72,800</u>

Share Final Call	
Share Final Call due 40,000 shares × ₹3	1,20,000
Less : Calls - in - Arrears by Ram and Shyam (3,600 shares × ₹3)	<u>10,800</u>
Money received on Second and Final Call	<u>1,09,200</u>

Capital Reserve	
Share Forfeiture on Ram's Shares (money received on application	3,840
Share Forfeiture on Shyam's Shares (2,000 shares × ₹5)	<u>10,000</u>
	13,840 Cr.
Less : Share Forfeiture	<u>7,200 Dr.</u>
Capital Reserve	<u>6,640</u>

Question 95.

X Ltd. issued a prospectus inviting applications for 50,000 Equity Shares of Rs.10 each. payable Rs.5 as per application (including Rs.2 as premium), Rs.4 as per allotment and the balance towards first and final call. Applications were received for 65,000 shares. Application money received on 5,000 shares was refunded with letter of regret and allotments were made on pro rata basis to the applicants of 60,000 shares. Money overpaid on applications including premium was adjusted on account of sums due on allotment. Mr. Sharma to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the Directors on his subsequent failure to pay the call money. All the forfeited shares were subsequently sold to Mr. Jain credited as fully paid-up for Rs.9 per share. You are required to set out the Journal entries and the relevant entries in the Cash Book.

Solution:

Issued Shares 50,000 of 10 each at premium of ₹2
Applied share 65,000

Allotment made as

Applied	Allotted
60,000	50,000
5,000	NIL
<u>65,000</u>	<u>50,000</u>

Payable as :

Application	₹5 (3+2)
Allotment	₹4
First and Final Call	₹3
	<u>₹12 (10 + 2) per share</u>

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Equity Share Application A/c		3,25,000		By Equity Share Application A/c		25,000
	To Equity Share Allotment A/c		1,47,900				
	To Equity Share First and Final Call A/c		1,47,900		By Balance c/d		6,02,100
	To Equity Share Capital A/c		6,300				
			<u>6,27,100</u>				<u>6,27,100</u>

Books of X Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium To Shares Allotment A/c (Being application money of 50,000 shares transferred to share capital at ₹3 each and to premium ₹2 each 50,000 adjusted on allotment)		3,00,000	1,50,000 1,00,000 50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due on 50,000 shares at ₹4 each)		2,00,000	2,00,000
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being first call due on 50,000 shares at ₹3 each)		1,50,000	1,50,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being 700 shares of ₹10 each forfeited for the non - payment of amount due)		7,000	2,800 2,100 2,100
	Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being loss on issue 1 on 700 shares charged from the share forfeiture account)		700	700
	Share forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture after re-issue transferred to capital reserve)		2,100	2,100

Working Notes :-

Mr. Sharma Share

$$\text{Number of shares applied by Mr Sharma} = \frac{60,000}{50,000} \times 700 = 840 \text{ shares}$$

Money received on Application 840 shares × ₹5	=	4,200
Less : Money transferred to Share Capital 700 shares × ₹3	=	2,100
Less : Securities Premium 700 shares × ₹2	=	1,400
Excess money on Application		<u>700</u>

Allotment due 700 shares × ₹4	=	2,800
Less : Excess money on Application		<u>700</u>
Calls - in - Arrears on Allotment		<u>2,100</u>

Share Allotment

Share Allotment due 50,000 × ₹4	=	2,00,000
Less : Excess money on Application	=	50,000
Less : Calls - in - Arrears	=	2,100
Money received on Application		<u>1,47,900</u>

Share First and Final Call

Share First and Final Call due 50,000 Shares × ₹3	=	1,50,000
Less : Calls in Arrears on 700 shares × ₹3	=	<u>2,100</u>
Money received on First and Final Call		<u>1,47,900</u>

Capital Reserve

Money received on Application from Mr. Sharma	=	4,200
Less : - Securities Premium 700 × ₹2	=	<u>1,400</u>
Share Forfeiture	Cr.	2,800
Share forfeiture 700 × ₹1	Dr.	<u>700</u>
Capital Reserve		<u>2,100</u>

Question 96.

Super Star Ltd. issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of Rs.2 per share, payable as:

- On application- Rs.3 (Including Rs.1 premium)
- On allotment Rs.4 (including Rs.1 premium)
- On first call Rs.3
- On second and final call – Rs.2

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment. Ramesh, to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Rajesh, who applied for 72 shares failed to pay the two calls and on such failure, his shares were forfeited. Of the shares forfeited, 80 shares were sold to Krishan credited as fully paid-up for Rs.9 per share, the whole of Ramesh's shares being included.

Give Journal entries to record the above transactions (including cash transactions)

Solution:

Issued Capital 2,000 shares of ₹10 each at premium of ₹2
Applied shares 3,000

Allotment made as

Applied	Allotted
2,400	2,000
600	NIL
3,000	2,000

Payable as :

Application	₹3 (2+1)
Allotment	₹4 (3+1)
First Call	₹3
Final Call	₹2
	<u>₹12 (10+2) per share</u>

Books of Super Star Ltd.**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Being share application money received for 3,000 shares at ₹3 per share including ₹1 premium)		9,000	9,000
	Share Application A/c Dr. To Share Capital A/c To Securities Premium A/c To Share Allotment A/c To Bank A/c (Being share application money of 2,000 shares transferred to Share Capital and securities premium at ₹2 and ₹1 each respectively, 1,800 adjusted on allotment and remaining 1,200 refunded)		9,000	4,000 2,000 1,200 1,800

	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being allotment due on 2,000 shares at ₹4 per share including 1 premium)	Dr.	8,000	6,000 2,000
	Bank A/c To Share Allotment A/c (Being allotment received for 1960 shares after adjusting of excess application money)	Dr.	6,664	6,664
	Share First Call A/c To Share Capital A/c (Being first call due on 2,000 shares of at ₹3 per share)	Dr.	6,000	6,000
	Bank A/c To Share First Call A/c (Being share first call received for 1,900 shares)	Dr.	5,700	5,700
	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c (144 - 40) To Share Allotment A/c To Share First Call A/c (Being 40 shares of ₹10 each , ₹8 called up for non - payment of money due on allotment and first including ₹1 premium)	Dr. Dr.	320 40	104 136 120
	Share Final Call A/c To Share Capital A/c (Being final call due on 1,960 shares at ₹2 each)	Dr.	3,920	3,920
	Bank A/c To Share Final Call A/c (Being final call received for 1,900 shares)	Dr.	3,800	3,800

	Share Capital A/c To Share Forfeiture A/c To Share First Call A/c To Share Final Call A/c (Being 60 shares forfeited for the non - payment of first call and final call money)	Dr.	600	300 180 120
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 80 shares of ₹10 each re-issued at ₹9 per share fully paid - up)	Dr. Dr.	720 80	800
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 80 re-issued shares transferred to capital reserve)	Dr.	224	224

Working notes -

Ramesh's Shares

$$\text{Number of shares applied} = \frac{2,400}{2,000} \times 40 = 48 \text{ Shares}$$

Money received on Application (48 shares × ₹3)	=	144
Less : Application money adjusted to Share Capital (40 shares × ₹2)	=	80
Less : Securities Premium (40 shares × ₹1)	=	40
Excess money Application		<u>24</u>

Allotment due (40 shares × ₹4)	=	160
Less : Excess money on Application	=	<u>24</u>
Calls - in - Arrears		<u>136</u>

Rajesh's Shares

$$\text{Number of shares allotted} = \frac{2,000}{2,400} \times 72 = 60 \text{ shares}$$

Share First Call

Money due on First Call (2,000 shares × ₹3)	6,000
Less : Calls -in - Arrears on Ramesh (40 shares × ₹3)	120
Less : Calls - in Arrears on Rajesh (60 shares × ₹3)	<u>180</u>
Money received on First Call	<u>5,700</u>

Share Final Call

Money due on Final Call (1,960 shares × ₹2)	3920
Less : Calls in Arrest on Rajesh (60 shares × ₹2)	<u>120</u>
Money received on Final Call	<u>3,800</u>

Capital Reserve

Ramesh

Money received from Ramesh	144
Less: Securities Premium (40 shares × ₹1)	<u>400</u>
Share Forfeiture	Cr. 104
Share Forfeiture 40 × ₹1	<u>Dr. 40</u>
Capital Reserve of Ramesh	<u>64</u>

Rajesh

Share Forfeiture	Cr.	5 per share
Share Forfeiture	Dr.	<u>1 per share</u>
Share Forfeiture after re-issue		<u>4 per share</u>

Capital Reserve on Rajesh's Shares
= Share Forfeiture after re-issue (per share) × No. of shares re-issued
= ₹4 × 40
= ₹160
Total Capital Reserve
= Capital Reserve of 40 shares of Ramesh + Capital Reserve of 40 shares of Rajesh
= ₹64 + 160
= ₹224

Question 97.

Bharat Ltd. invited applications for issuing 2,00,000 Equity Shares off Rs.10 each. The amount was payable as. On application Rs.3 per share. on allotment Rs.5 per share and on first and final call Rs.2 per share. Applications for 3,00,000 shares were received and promo allotment was made to all the applications on the following basis:

Applicants for 2,00,000 shares were allotted 1,50,000 shares on pro rota basis.

Applicants for 1,00,000 shares were allotted 50,000 shares on pro rota basis.

Bajaj, who was allotted 3,000 shares out of group applying for 2,00,000 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Sharma, who had applied for 2,000 shares out of the group applying for 1,00,000 shares failed to pay the first and final call. His shares werealso forfeited, Out of the forfeited shares 3,500 shares were reissued as fully paid-up @ Rs.8 per share. The reissued shares included all the forfeited shares of Bajaj.

Give necessary Journal entries to record the above transactions

Solution:

Issued Capital 2,00,000 shares of ₹10 each
Applied shares 3,00,000
Allotment made as :

Applied	Allotted
2,00,000	1,50,000
1,00,000	50,000
3,00,000	2,00,000

Payable as :

Application	₹3
Allotment	₹5
First and Final Call	₹2
	<u>₹10 per share</u>

Books of Bharat Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 3,00,000 shares at ₹3 each)		9,00,000	9,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being share application money of 2,00,000 shares at ₹3 each transferred to shares capital and excess money 3,00,000 adjusted on allotment)		9,00,000	6,00,000 3,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due on 2,000 shares at ₹4 per share)		10,00,000	10,00,000

	Bank A/c To Equity Share Allotment A/c (Being allotment received for 1,97,000 shares)	Dr.		6,88,000	6,88,000
	Equity Share Capital A/c To share Forfeiture A/c To Share Allotment A/c (Being 300 shares forfeited for the non - payment of money due on allotment)	Dr.		24,000	12,000 12,000
	Equity Share First and Call A/c To Equity Share Capital A/c (Being first and final call due on 1,97,000 shares at ₹2 per share)	Dr.		3,94,000	3,94,000
	Bank A/c To Equity Share First and Final Call A/c (Being share first and final call received for 1,97,000 shares)	Dr.		3,92,000	3,92,000
	Share Capital A/c To Share Forfeiture A/c To Equity Share First and Final Call A/c (Being 1,000 shares forfeited for the non - payment of first and final call)	Dr.		10,000	8,000 2,000
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 3,500 shares of ₹10 each re-issued at ₹8 per share fully paid - up)	Dr. Dr.		28,000 7,000	35,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account of 3,500 re-issued shares transferred to capital reserve)	Dr.		9,000	9,000

Working Note :

Bajaj's Share

$$\text{Number of shares applied} = \frac{2,00,000}{1,50,000} \times 3,000 = 4,000 \text{ shares}$$

Money received on Application (4,000 shares × ₹3)	=	12,000
Less : Money transferred to Share Capital (3,000 shares × ₹3)	=	9,000
Excess money on Application		<u>3,000</u>

Allotment due (3,000 shares × ₹5)	=	15,000
Less : Excess money on application	=	3,000
Calls - in - Arrears on Allotment		<u>12,000</u>

Share Allotment

Money due an allotment (2,00,000 shares × ₹5)	=	10,00,000
Less : Excess money on Application	=	3,00,000
Less : Calls - in - Arrears on Bajaj's Share	=	12,000
Money received on Allotment	=	<u>₹6,88,000</u>

Sharma's Shares

$$\text{Number of shares allotted} = \frac{50,000}{1,00,00} \times 2,000 = 1,000 \text{ shares}$$

Capital Reserve

Forfeiture of shares held by Bajaj

$$\text{Share Forfeiture Credit } \frac{12,000}{3,000} = ₹4 \text{ per shares}$$

$$\text{Share Forfeiture Debit on re-issue} = ₹2 \text{ per share}$$

$$\text{Share Forfeiture after re-issue} = \underline{₹2 \text{ per share}}$$

$$\text{Capital Reserve on re-issue of Bajaj's Shares} = 2 \times 3,000 \text{ (no of shares re-issued)}$$

$$= ₹6,000$$

Forfeiture of shares held by Sharma	
Share Forfeiture Credit	₹8 per share
Share Forfeiture Debit on re-issue	₹2 per share
	<u>₹6 per share</u>

Capital Reserve on re-issue of 500 Shares of Sharma = ₹6 × 500 (no. of shares re-issued) = ₹3,000
Total Capital Reserve on 3,500 shares = 6,000 (re-issue of Bajaj's) + 3,000 (re-issue of sharma's) = ₹9,000

Question 98.

Bharat Tyres Ltd. invited applications for 1,00,000 Equity Shares of Rs.10 each issued at a premium of Rs.4 per share. The amount was payable as:

- On application – Rs.6 (including premium Rs.2)
- On allotment – Rs.6 (including premium Rs.2)
- Balance on first and final call

Applications for 1,50,000 shares were received. Allotment was made to all the applicants on pro rata basis. Subodh, to whom 200 shares were allotted, failed to pay allotment and call money. Vikram, to whom 100 shares were allotted, failed to pay the call money. Their shares were forfeited and afterwards reissued @ Rs.8 per share as fully paid-up.

Pass necessary Journal entries

Solution:

Issued Capital 1,00,000 shares of ₹10 each at a premium of ₹4
Applied shares 1,50,000
Payable as :
Application 6 (4 + 2)
Allotment 6 (4 + 2)
First and Final Call 2
14 (10 + 4) per share

Books of Bhart Tyres Limited

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Equity Share Application A/c (Being share application money received for 1,50,000 shares at ₹6 each)		9,00,000	9,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c (Being share application money of 1,00,000 shares transferred to Shares Capital and Securities Premium of ₹4 and ₹2 each respectively and remaining 3,00,000 adjusted on allotment)		9,00,000	4,00,000 2,00,000 3,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due for 1,00,000 shares at ₹6 per share including ₹2 premium)		6,00,000	4,00,000 2,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received except 200 shares)		2,99,400	2,99,400

	Equity Share First and Final Call A/c To Equity Shares Capital A/c (Being first and final call due on 1,00,000 shares at ₹2 each)	Dr.		2,00,000	2,00,000
	Bank A/c To Equity Shares First and Final Call A/c (Being first and final call received shares except 300 shares)	Dr.		1,99,400	1,99,400
	Equity Share Capital A/c Securities Premium A/c (200 × ₹2) To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being 200 shares forfeited for the non - payment due amount)	Dr. Dr.		2,000 400	1,400 600 400
	Equity Share Capital A/c To Share Forfeiture A/c To Equity Share First and Final Call A/c (Being 100 shares forfeited for the non - payment of first and final call)	Dr.		1,000	800 200
	Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 300 shares of ₹10 each re-issued at ₹8 per share fully paid - up)	Dr. Dr.		2,400 600	3,000
	Share Forfeiture A/c To Capital Reserve A/c (Being balance in share forfeiture account after re-issue of shares, transferred to capital reserve)	Dr.		1,600	1,600

Working Notes :-

Subodh's Shares

$$\text{Number of share applied} = \frac{1,50,000}{1,00,000} \times 200 = 300 \text{ shares}$$

Money received on Application (300 shares × ₹6)	=	1,800
Less : Transferred to Shares Capital (200 shares × ₹4)	=	800
Less : Securities Premium (200 shares × ₹2)	=	400
Excess money on Application		<u>600</u>

Allotment due (200 shares × ₹6)	=	1,200
Less : Excess money on Application	=	600
Calls - In - Arrears on Allotment		<u>600</u>

Share Allotment

Money due on Allotment (1,00,000 shares × ₹6)	=	6,00,000
Less : Excess money on Application	=	3,00,000
Less : Calls in - Arrears on Allotment		600
Money received on Allotment		<u>2,99,400</u>

Capital Reserve

Money received on Application from Subodh (300 shares × ₹2)	1,800
Less : Securities Credit received (200 shares × ₹2)	<u>400</u>
Share Forfeiture Credit on Subodh's Share	1,400
Share Forfeiture Credit on Vikram's Share (100 × ₹8)	<u>800</u>
Total money credited to Share Forfeiture Account	2,200
Less : Share Forfeiture Account Debit (300 × ₹2)	<u>600</u>
Capital Reserve (balance in Share Forfeiture Account after re-issue)	<u>1,600</u>

Question 99.

Amrit Ltd. issued 50,000 shares of Rs.10 each at a premium of Rs.2 per share payable as Rs.3 on application, Rs.4 on allotment (including premium), Rs.2 on first call and the remaining on second call. Applications were received for 75,000 shares and a pro rata allotment was made to all the applicants. All moneys due were received except allotment and first call from Sonu who applied for 1,200 shares. All his shares were forfeited. The forfeited shares were reissued for 9,600. Final call was not made. Pass necessary journal entries.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (75,000 × ₹3) (Being share application money received)		2,25,000	2,25,000
	Share Application A/c Dr. To Share Capital A/c (50,000 × ₹3) To Share Allotment A/c (Being equity share application adjusted on allotment)		2,25,000	1,50,000 75,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being equity share allotment due on 50,000 shares)		2,00,000	1,00,000 1,00,000
	Bank A/c Dr. Calls - in - Arrears A/c To Share Allotment A/c (Being share allotment money received)		1,23,000 2,000	1,25,000
	Share First Call A/c (50,000 × ₹2) Dr. To Share Capital A/c (Being first call money due on 50,000 shares)		1,00,000	1,00,000
	Bank A/c Dr. Calls - in - Arrears A/c (800 × ₹2) Dr. To Share First and Final Call A/c (Being call money received)		98,400 1,600	1,00,000
	Share Capital A/c (800 × ₹7) Dr. Securities Premium A/c (800 × ₹2) To Calls - in - Arrears A/c To Share Forfeiture A/c (1,200 × ₹3) (Being 800 shares forfeited for non - payment of allotment and call money)		5,600 1,600	3,600 3,600

Bank A/c	Dr.	9,600	5,600
To Share Capital A/c			4,000
To Securities Premium A/c			
(Being 800 shares forfeited for nonpayment of allotment and call money)			
Share Forfeiture A/c	Dr.	3,600	3,600
To Capital Reserve A/c			
(Being profit on reissue transferred to capital reserve)			

Working Notes :

1 Calculation of No. of Shares Allotted to Sonu

Shares applied by Sonu = ₹1,200

Shares allotted to Sonu = $1,200 \times \frac{50,000}{75,000} = ₹800$

2 Calculation of Amount Received on Allotment

Total allotment due on Sonu's Shares = 3,200 (800 × ₹4)

Excess application money from Sonu adjusted towards allotment = (1,200 × ₹3) - (800 × ₹3) = 1,200

Amount not received from Sonu = 2,000

Total Amount due on Allotment @ 50,000 shares	=	2,00,000
Less : Excess application money adjusted	=	75,000
Balance amount due	=	1,25,000
Less : Amount not received from Sonu	=	2,000
Amount received on allotment	=	1,23,000

Question 100.

The Directors of Super Star Ltd. invited applications for 2,00,000 Equity Shares of Rs.10 each to be issued at 20% premium.

The money payable per shares was: on application Rs.5, on allotment Rs.4 (including premium of Rs.2), first call Rs.2 and final call Rs.1.

Applications were received for 2,40,000 shares and allotment was made as:

to applicants for 1,00,000 shares – in full,

to applicants for 80,000 shares-60,000 shares,

to applicants for 60,000 shares-40,000 shares.

Applicants of 1,000 shares falling in Category (i) and applicants of 1,200 shares falling in Category (ii) failed to pay allotment money. These shares were forfeited on failure to pay first call. Holders of 1,200 shares falling in Category (iii) failed to pay the first and final call and these shares were forfeited after final call.

1,300 shares 1,000 of Category (i) and 300 of Category (iii) were reissued at Rs.8 per share as fully paid-up. Journalise the above transactions. Prepare Cash Book and Balance Sheet.

Solution:

Applied Shares = 2,40,000

Allotment made as :

Applied	Allotted
1,00,000	1,00,000
80,000	60,000
60,000	40,000
<u>2,40,000</u>	<u>2,00,000</u>

Payable as :

Application	5
Allotment	4 (2+2)
First Call	2
Final Call	1
	<u>12 (10 + 2) per share</u>

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
	To Equity Share Application A/c (2,40,000 × 5)		12,00,000				
	To Equity Share Allotment A/c (Note - 2)		5,93,900				
	To Equity Share First Call A/c (Note 3)		3,93,800				
	To Equity Share First Call A/c (1,96,900 shares × 1)		1,96,900				
	To Equity Share Capital A/c (1,000 Share of category)		8,000				
	To Equity Share Capital A/c (300 shares of category ii)		2,400				
			<u>23,95,000</u>		By Balance c/d		23,95,000
							<u>23,95,000</u>

Journal

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Being share application money of 2,00,000 shares at Rs.5 each transferred to shares capital and 2,00,000 adjusted on allotment)		12,00,000	10,00,000 2,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due for 2,00,000 shares at Rs.4 per share including Rs.2 premium)		8,00,000	4,00,000 4,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call due on 2,00,000 shares at Rs.5 each)		4,00,000	4,00,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c (900 shares × Rs.5) To Equity Share Allotment A/c (900 shares × Rs.4) To Equity Share First Call A/c (900 shares × Rs.2) (Being 1,000 shares of category (i) Rs.10 each, on which Rs.8 had called - up, forfeited for the non - payment of amount due)		9,000 2,000	5,000 4,000 2,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 900 shares of category (ii) forfeited for the nonpayment of amount due)		8,100 1,800	6,000 2,100 1,800
	Equity Share Final Call A/c Dr. To Equity Shares Capital A/c (Being final call due on 1,98,100 shares at Rs.1 each)		1,98,100	1,98,100
	Equity Share Capital A/c Dr. To Share forfeiture A/c To Share First Call A/c To Share Final Call A/c (Being 1,200 shares of category (iii) forfeited for the non - payment amount due)		12,000	8,400 2,400 1,200
	Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being loss on re-issue of 1,000 shares of category (i) charged from share forfeiture account)		2,000	2,000
	Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being loss on re-issue of 300 of category (ii) charged from share forfeiture account)		600	600
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account of 1,300 re-issued shares transferred to capital reserve)		4,400	4,400

As per the Schedule III of Companies Act, 2013, the Company Balance Sheet is presented as follows.

**Balance Sheet
Super Star Ltd**

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	19,94,400
b. Reserve and Surplus	2	4,00,600
Total		23,95,000
II. Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	23,95,000
Total		23,95,000

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	Equity shares of ₹10 each	-
	Issued Share Capital	
	2,00,000 Equity Shares of ₹10 each	20,00,000
	Subscribed Called-up and Paid up Share Capital	
	1,98,200 Equity Shares of ₹10 each	19,82,000
	Add : Shares Forfeited (600 shares × ₹6.66)	4,000
	Add : Shares Forfeited (1,200 shares × ₹7)	8,400
		19,94,400
2.	Reserve and Surplus	
	Securities Premium Reserve	3,96,200
	Capital Reserve	4,400
		4,00,600
3.	Cash and Cash Equivalents	
	Bank	23,95,000

Working Notes :**1. 1,200 shares of Category (ii)**

$$\text{Number of share allotted} = \frac{60,000}{80,000} \times 1,200 = 900 \text{ shares}$$

Money received on application (1,200 shares × ₹5)	=	6,000
Less : Application money transferred to Share Capital (900 shares × ₹5)	=	4,500
Excess money received from 1,200 shares on Application	=	<u>1,500</u>

Money due on Allotment (900 shares × ₹4)	=	3,600
Less : Excess money on Application	=	<u>1,500</u>
Calls - in - Arrears on Allotment of category (ii)		<u>2,100</u>

2. Share Allotment

Money due on Allotment (2,00,000 shares × ₹4)	=	8,00,000
Less : Excess money on Application	=	2,00,00
Less : Calls - in - Arrears 1,000 shares of category (i) (1,000 × ₹4)	=	4,000
Less : Calls - in - Arrears 1,200 shares of category (ii)	=	<u>2,100</u>
Money received on Allotment	=	<u>5,93,900</u>

3. Share First Call

First Call due on 2,00,000 shares × ₹2	=	4,00,000
Less: Calls - in - Arrears on 3,100 shares × ₹2 (1,000 + 900 + 1,200 shares of category (i),(ii) and (iii) respectively.		<u>(6,200)</u>
Money received on First Call		<u>3,93,800</u>

4. Share Final Call

Money due on Share Final Call (2,00,000 - 1,900) × ₹1	=	1,98,100
Less : Calls - in - Arrears of 1,200 shares of category (iii)		<u>1,200</u>
Money received on Final Call		<u>1,96,900</u>

Capital Reserve

Calculation of Share Forfeiture of 1,000 shares of category (i)

Share Forfeiture	₹5,000 Cr.
Less: Share Forfeiture	<u>₹2,000 Dr.</u>
Capital Reserve of 1,000 shares (balance after re-issue)	<u>₹3,000 Cr.</u>

Calculation of Share Forfeiture of 300 shares of category (ii)

Share Forfeiture = $\frac{6,000}{9,000}$ Credit	=	₹6.67 per share
Less : Share forfeiture Debit	=	<u>₹2 per Share</u>
Capital Reserve of 1,000 shares (balance after re-issue)	=	<u>₹4.67 per share</u>

Capital Reserve of 300 shares = Capital Reserve (per share) × No. of Shares re-issued = 4.67 × 300 shares = ₹1,400

Total Capital Reserve of 1,300 shares = Capital Reserve of 1,000 shares of category (i) + Capital Reserve of 300 shares of Category (ii) = 3,000 + 1,400 = ₹4,400

Question 101.

XYZ Ltd. issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of Rs.4 per share, payable as:

- On application – Rs. 6 (including Rs.1 premium)
- On allotment – Rs.2 (including Rs.1 premium)
- On first call Rs.3 (including Rs.1 premium)
- On second and final call Rs.3 (including Rs.1 premium)

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment. X, to whom 40 shares were allotted, failed

to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Y, who applied for 72 shares failed to pay the two calls and on his such failure, his shares were forfeited.

Of the shares forfeited, 80 shares were sold to Z credited as fully paid-up for Rs.9 per share, the whole of Ys shares being included.

Prepare Journal. Cash Book and the Balance Sheet.

Solution:

Applied Shares 3,000

Allotment made as :

Applied	Allotted
2,400	2,000
600	NIL
3,000	2,000

Payable as :

Application	6 (5+1)
Allotment	2 (1+1)
First Call	3 (2+1)
Final Call	3 (2+1)
	<u>14 (10+4) per share</u>

Cash Book

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Share Application A/c (3,000 shares × ₹6)		18,000		By Share Application A/c (600 shares × ₹6)		3,600
	To Share Allotment A/c (Note -2)		1,568				
	To Share First Call A/c (Note - 4)		5,700				
	To Share Final Call A/c (Note -5)		5,700				
	To Share Capital A/c (80 shares × 9)		720				
					By Balance c/d		28,088
			31,688				31,688

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Application A/c Dr. To Share Capital A/c To Securities Premium A/c To Share Allotment A/c (Being share application money of 2,000 shares transferred to share capital and securities premium at ₹5 and ₹1 each respectively and 2,400 adjusted on allotment)		14,400	10,000 2,000 2,400
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being allotment due on 2,000 shares at ₹2 each including ₹1 premium)		4,000	2,000 2,000
	Share First Call A/c Dr. To Share Capital A/c To Securities Premium A/c (Being first call due on 2,000 shares at ₹3 each including ₹1 premium)		6,000	4,000 2,000
	Share Capital A/c (40 shares × ₹8) Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (Being 40 shares of ₹10 each ₹8 called with premium forfeited for non - payment of amount due)		320 72	240 32 120
	Share Final Call A/c Dr. To Shares Capital A/c To Securities Premium A/c (Being final call due on 1,960 shares at ₹3 each including ₹1 premium)		5,880	3,920 1,960

Share Capital A/c	Dr.	600	
Securities Premium A/c	Dr.	120	
To Share forfeiture A/c			360
To Share First Call A/c			360
(Being 60 shares forfeited for non - payment of amount due)			
Bank A/c	Dr.	720	
Share Forfeiture A/c	Dr.	80	
To Shares Capital A/c			800
(Being 80 shares of 10 each re-issued at ₹9 per share fully paid - up)			
Share Forfeiture A/c	Dr.	400	
To Capital Reserve A/c			400
(Being balance of 80 re-issued shares in Share forfeiture account transferred to capital reserve)			

As per the Schedule III of companies Act, 2013, the Company's Balance Sheet is presented as follows

Balance Sheet of XYZ Ltd

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	19,920
b. Reserve and Surplus	2	8,168
Total		28,088
II. Assets		
1. Non - Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	28,088
Total		28,088

NOTES TO ACCOUNTS

Note No	Particulars	₹
1.	Share Capital	
	Authorised Share Capital	
	shares of ₹10 each	-
	Issued Share Capital	
	2,000 Equity Shares of ₹10 each	20,000
	Subscribed Called-up and Paid up Share Capital	
	1,980 Shares of 10 each	19,800
	Add : Shares Forfeited (20 shares × ₹6)	120
		19,920
2.	Reserve and Surplus	
	Securities Premium	7,768
	Capital Reserve	400
		8,168
3.	Cash and Cash Equivalents	
	Bank	28,088

Working Notes :

1. X's Shares

Number of share applied by X = $\frac{2,400}{2,000} \times 40 = 48$ Shares

Money received on application (48 shares × ₹6)	=	288
Less : Money transferred to Shares Capital (40 shares × ₹5)	=	200
Less : Securities Premium (40 shares × ₹1)	=	40
Excess money on application from ×	=	<u>48</u>

Utilisation of excess application money received from ×		
Share Capital due on Allotment (40 shares × ₹1)	=	40
Less : Excess money on Application from X	=	48
Excess money after adjustment of Share Capital on Allotment	=	<u>8</u>

Securities Premium due on Allotment (40 shares × ₹1)	=	40
Less : Excess money after adjustment of Share Capital on Allotment	=	8
Calls - in - Arrears of Securities Premium on Allotment	=	<u>32</u>

2. Share Allotment

Money due on allotment (2,000 shares × ₹2)	=	4,000
Less : Excess money on Application	=	2,400
	=	1,600
Less : Calls - in - Arrears on X's Share (Securities Premium)	=	<u>32</u>
Money received on allotment	=	<u>1,568</u>

3. Y's Shares

$$\text{Number of shares allotted} = \frac{2,000}{2,400} \times 72 = 60 \text{ shares}$$

4. Share First Call

Money due on Share First Call (2,000 shares × ₹3)	=	6,000
Less : Calls - in - Arrears on X's Shares (40 shares × ₹3)	=	120
Less: Calls - in - Arrears on Y's Shares (60 shares × ₹3)	=	<u>180</u>
Money received on Share First Call	=	<u>5,700</u>

5. Share Final Call

Money due on share Final Call (1,960 shares × ₹3)	=	5,880
Less : Calls - in - Arrears on Y's Shares (60 shares × ₹3)	=	<u>180</u>
Money received on Share Final Call	=	<u>5,700</u>

Capital Reserve

X's Share

Money received from X for 40 shares	=	288
Less : Securities Premium adjusted on Application	=	40
Less : Securities Premium adjusted on Allotment	=	<u>8</u>
Balance in the Share forfeiture before re-issue of shares Cr.		<u>240</u>

Share Forfeiture Credit $\frac{240}{40}$	=	₹6 per share
Share forfeiture Debit	=	<u>₹1 per Share</u>
	=	<u>₹5 per share</u>

Capital Reserve on re-issue of 20 shares = ₹5 × 20 shares = 100

Y's Shares

Share Forfeiture on 60 shares of Y

Share Forfeiture Credit	₹6	per Share
Less : Share forfeiture Debit	<u>₹1</u>	<u>per Share</u>
	<u>₹5</u>	<u>per share</u>

Capital Reserve on re-issue of 60 shares of Y = ₹5 × 60 shares = ₹300

Total Capital Reserve on 80 shares = Capital Reserve on re-issue of 20 shares of X + Capital Reserve on reissue of 60 shares of Y = 100 + 300 = ₹400

Question 102.

ABC Ltd. has 100 employees. On 1st April, 2016, the company entered into an agreement with the employees whereby each employee was granted 100 options subject to their completing 3 years of continuous service. The fair value of the share as on 1st April, 2016 was Rs.100 and it was agreed that it shall be offered at Rs.70. It was also agreed that an employee could exercise the option within three months of meeting the terms of the agreement.

You are to determine the following:

Grant Date;

Vesting Period;

Vesting Date;

Exercise Period;

Exercise Date;
Exercise Price; and
Value of Option

Solution:

Details	Answer	Explanation
Grant Date	April 01,2016	Date at which company and employees agree to the terms of ESOP
Vesting Period	3 Years from April 01,2016	Period between grant date and the date on which all conditions of ESOP are to be satisfied
Vesting Date	March 31,2019	Date at which employees are eligible to exercise the options
Exercise Period	Three months From March 31, 2019	Period after vesting within which the employees should exercise the option
Exercise Date	June 30,2019	Date at which option to subscribe to the shares expire
Exercise Price	₹70	Price payable by the employee for exercising the option
Value of option	₹30	Difference between fair value of share and its exercise price

Question 103.

DEF Ltd has 200 employees. On 1st April, 2016 the company entered Into an agreement with employees and agreed to grant 50 options each on the condition that they complete 3 years of continuous service. Naresh joined the company on 1st July. 2016. Determine whether he will be eligible to exercise option on 31st March. 2019. Give reasons.

Solution:

The company entered into an agreement with its employees on April 01, 2016. The vesting period in this question is three years. Naresh who joined the company on July 01, 2016, will be eligible to exercise the option on June 30, 2019 (after three years of service from the date of joining). Therefore on March 31,2019, he is not eligible to exercise the options because he has not completed three years of service

Question 104.

XYZ Ltd. has 300 employees. The company entered Into an agreement with its employees on 1st April 2014 and granted options to subscribe Rs.75 options each on completion of 3 years of service. Ashish resigned from the company on 30th September, 2016. Will he be eligible to subscribe the options? Give reasons.

Solution:

The company entered into an agreement with its employees on April 01, 2014. The vesting period in this question is three years. Ashish, who resigned on September 30, 2016. Is not eligible to exercise the options because he did not complete three years of service.

Question 105.

Blue Lagoon Ltd. granted options to its 200 employees to subscribe 200 equity shares of Rs.10 each after 4 years from the grant date. Fair (Market) value of each share is Rs.110 whereas the offer price (exercise price) is Rs.80. All the 200 employees exercised the option paying Rs.80 per share by the exercise date. Pass necessary Journal entries.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
Year 1	Employees Compensation Expense A/c To Shares Options Outstanding A/c (Being one fourth compensation expenses recognised in respect of ESOP)	Dr.	3,00,000	3,00,000
Year 2	Employees Compensation Expense A/c To Shares Options Outstanding A/c (Being one fourth compensation expenses recognised in respect of ESOP)	Dr.	3,00,000	3,00,000
Year 3	Employees Compensation Expenses A/c To Shares Options Outstanding A/c (Being one fourth compensation expense recognised in respect of ESOP)	Dr.	3,00,000	3,00,000
Year 4	Employees Compensation Expenses A/c To Shares Options Outstanding A/c (Being one fourth compensation expenses recognised in respect of ESOP)	Dr.	3,00,000	3,00,000
Year 5	Bank A/c To Equity Share Application A/c (200 × 200 × 80) (Being application money received @ ₹80 per share)	Dr.	32,00,000	32,00,000
	Equity Share Application (200× 200 × 80)	Dr.	32,00,000	
	Shares Options Outstanding A/c To Equity Share Capital A/c (200 × 200 × 10) To Security Premium Reserve A/c (200 × 200 × 100) (Being options exercised by employees)	Dr. Dr.	12,00,000	4,00,000 40,00,000

Working Note :

WN Calculation of Yearly Compensation Expenses in respect of ESOP

$$\text{Expenses} = 200 \times 200 \times 30 \times \frac{1}{4} \text{ ₹} 3,00,000$$

Question 106.

Black Gold Ltd. granted options to its 300 employees to subscribe 300 equity shares of Rs.10 each after 3 years from the grant date. Fair (Market) value of each share is Rs.25 and the offer (exercise) price is Rs.15. All the employees except 50 exercised the option by the exercise date. Pass necessary Journal entries.

Solution:**Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
Year 1	Employees Compensation Expense A/c Dr. To Shares Options Outstanding A/c (Being one third compensation expenses recognised in respect of ESOP)		3,00,000	3,00,000
Year 2	Employees Compensation Expense A/c Dr. To Shares Options Outstanding A/c (Being One third compensation expenses recognised in respect of ESOP)		3,00,000	3,00,000
Year 3	Employees Compensation Expenses A/c Dr. To Shares Options Outstanding A/c (Being one third compensation expense reconised in respect of ESOP)		3,00,000	3,00,000
Year 5	Bank A/c To Equity Share Application A/c (250 × 300 × 15) Dr. (Being application money received @ 80 per share)		11,25,000	11,25,000
	Equity Share Application (250× 300 × 15) Dr. Shares Options Outstanding A/c Dr. To Equity Share Capital A/c (250 × 300 × 10) To Security Premium Reserve A/c (250 × 300 × 15) To General Reserve A/c (50 × 300 × 10) (Being options exercised by employees)		11,25,000 9,00,000	7,50,000 11,25,000 1,50,000

Working Notes :-

Calculation of Yearly Compansation Expenses in respect of ESOP

$$\text{Expenses} = 300 \times 300 \times 10 \times \frac{1}{3} = ₹3,00,000$$