

Chapter - 1 Issue of Shares

Q. 1. Vikas Ltd. has an authorised capital of ₹40,00,000 divided into 4,00,000 equity Shares of ₹10 each. Out of these, the company invited applications for 3,00,000 equity shares. The public applied for 2,80,000 shares and all the money was duly received.

Show how Share Capital will appear in the Balance Sheet to the Company. Also prepare notes to accounts.

SOLUTION:

EXTRACT OF BALANCE SHEET OF VIKAS LTD.

As at.....

Particulars	Note No.	Amount current year	Amount previous year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	28,00,000	

Notes to Accounts :

Particulars	₹
(1) Share Capital:	
Authorised Capital:	
4,00,000 Equity Shares of ₹ 10 each	40,00,000
Issued Capital:	
3,00,000 Equity Shares of ₹ 10 each	30,00,000
Subscribed & Fully Paid :	
2,80,000 Equity Shares of ₹ 10 each	28,00,000

Q. 2. 'Tractors India Ltd.' is registered with an authorized capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. The company issued 50,000 equity shares at a premium of ₹5 per share. ₹2 per share were payable with application, ₹8 per share including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balram.

Present the 'Share Capital' in the Balance Sheet of 'Tractors India Ltd.' as per Schedule III Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same.

(C.B.S.E. 2015, Set I)

SOLUTION:

Tractors India Ltd.

EXTRACT OF BALANCE SHEET as at

Particulars	Note No.	Current year	Previous year
I. EQUITY & LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital	1	4,97,500	

Notes to Accounts:

Company Accounts — Issue of Shares

	Particulars	₹
(1)	Share Capital:	
	Authorised Capital :	
	1,00,000 Equity Shares of ₹10 each	10,00,000
	Issued Capital :	
	50,000 Equity Shares of ₹ 10 each	5,00,000
	Subscribed and Fully Paid Capital :	
	49,500 Equity Shares of ₹10 each fully called up	4,95,000
	Subscribed but not Fully Paid Capital :	
	500 Equity Shares of ₹10 each fully Called up	5,000
	Less : Calls in Arrears (500 Shares x ₹5)	2,500
		4,97,500

Q. 3. Nupur Ltd. was registered with an Authorised Capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The Company offered 1,50,000 equity shares for subscription to public and applications were received for 1,40,000 equity shares. The directors called ₹7 per share upto 31st March and the money called was duly received.

Show the Share Capital in the Balance Sheet of the Company together with notes to accounts.

SOLUTION:

EXTRACT OF BALANCE SHEET OF NUPUR LTD.

As at.....

Particulars	Note No.	Amount current year	Amount previous year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital	1	9,80,000	

Notes to Accounts:

Particulars	₹
(1) Share Capital:	
Authorised Capital:	
2,00,000 Equity Shares of ₹10 each	20,00,000
Issued Capital:	
1,50,000 Equity Shares of ₹10 each	15,00,000
Subscribed but not Fully Paid Capital	
1,40,000 Equity Shares of ₹10 each; ₹7 Called up	9,80,000

Q. 4. On 1st April, 2012, Shakti Ltd. was formed with an authorized capital of ₹60,00,000 divided into 3,00,000 equity shares of ₹20 each. Out of these, 50,000 shares were issued to the vendors as fully paid up for purchase of office premises. The directors offered 1,20,000 shares to the public and called up ₹10 per share and received the entire called up amount on these shares.

Company Accounts — Issue of Shares

Show the share capital in the Balance Sheet of the company as per Schedule-III and also prepare 'notes to accounts'.

SOLUTION:

EXTRACT OF BALANCE SHEET OF SHAKTI LTD.
As at 31st March, 2013

Particulars	Note No.	31.03.2013	31.03.2012
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital	1	22,00,000	
TOTAL		22,00,000	

Notes to Accounts :

Particulars	31.03.2013
(1) Share Capital:	₹
Authorised Capital:	
3,00,000 Equity Shares of ₹20 each	60,00,000
Issued Capital:	
1,70,000 Equity Shares of ₹20 each Fully Paid up	34,00,000
Subscribed Capital:	
Subscribed and Fully Paid Capital:	
Equity Shares of ₹20 each fully Paid up Subscribed but not Fully	
Paid Capital:	10,00,000
Equity Shares of ₹20 each issued to public, ₹10 called up	12,00,000
TOTAL	22,00,000

Note: 50,000 Equity Shares of ₹20 each are allotted to vendors as fully paid-up pursuant to a contract without payment being received in cash.

Q. 5. Rama Co. issued 50,000 shares of ₹10 each payable as follows:

₹3 on Application; ₹3 on Allotment;

₹2 on First Call; ₹2 on Final Call.

All the shares were subscribed and allotted. Give Journal entries and show the Share Capital in the Balance Sheet assuming that all sums have been duly received. Expenses on issue of shares amounted to ₹ 10,000.

SOLUTION:

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.	Cr.
	Bank A/c To Equity Share Application A/c (Money received on application for 50,000 shares @ ₹3 per share)	Dr.	₹ 1,50,000	₹ 1,50,000

Company Accounts — Issue of Shares

Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money to Share Capital A/c)	Dr.		1,50,000	1,50,000
Equity Share Allotment A/c To Equity Share Capital A/c (Allotment money due on 50,000 shares @ ₹3 per share)	Dr.		1,50,000	1,50,000
Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.		1,50,000	1,50,000
Equity Share First Call A/c To Equity Share Capital A/c (First call due on 50,000 shares @ ₹2 per share)	Dr.		1,00,000	1,00,000
Bank A/c To Equity Share First Call A/c (First call received on 50,000 shares @ ₹2 per share)	Dr.		1,00,000	1,00,000
Equity Share Final Call A/c To Equity Share Capital A/c (Final call due on 50,000 shares @ ₹2 per share)	Dr.		1,00,000	1,00,000
Bank A/c To Equity Share Final Call A/c (Final Call Money received)	Dr.		1,00,000	1,00,000
Share Issue Expenses A/c To Bank A/c (Expenses incurred on issue of shares)	Dr.		10,000	10,000

EXTRACT OF BALANCE SHEET OF RAMA CO.

As at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	5,00,000	

Notes to Accounts:

Particulars	₹
(1) Share Capital:	
Authorised Capital:	
..... Shares of ₹..... each
Issued Capital, Subscribed & Fully Paid-up:	
50,000 Equity Shares of ₹10 each	5,00,000
	5,00,000



Company Accounts — Issue of Shares

(2) In case nothing is mentioned regarding the class of shares issued, they are always taken to be equity shares.

Issue of Shares at Premium

Q. 6. Z Ltd. was registered with an authorised capital of ₹60,00,000 divided in 60,000 equity shares of ₹ 100 each. Company issued 25,000 equity shares at a premium of ₹20 per share, payable as follows : ₹30 on Application; ₹45 on Allotment (including premium); ₹20 on first call and ₹25 on Second and Final Call.

All shares were subscribed and all the money was duly received. Share issue expenses amounted to ₹40,000 which were fully written off against Securities Premium. Prepare necessary Journal Entries and Bank Account in the books of the Company.

SOLUTION:

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Money received on application @ ₹30 per share for 25,000 shares)	Dr.	7,50,000	7,50,000
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money to Share Capital A/c)	Dr.	7,50,000	7,50,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment, including premium due)	Dr.	11,25,000	6,25,000 5,00,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received including premium)	Dr.	11,25,000	11,25,000
	Equity Share First Call A/c To Equity Share Capital A/c (Money due on First Call)	Dr.	5,00,000	5,00,000
	Bank A/c To Equity Share First Call A/c (Money received on First Call)	Dr.	5,00,000	5,00,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Money due on Final Call)	Dr.	6,25,000	6,25,000
	Bank A/c To Equity Share Final Call A/c (Money received on Final Call @ ₹25 per share on 25,000 shares)	Dr.	6,25,000	6,25,000
	Share Issue Expenses A/c To Bank A/c (Expenses incurred on issue of shares)	Dr.	40,000	40,000

Company Accounts — Issue of Shares

Securities Premium Reserve A/c Dr. To Share Issue Expenses A/c (Share issue expenses written off against securities premium Reserve A/c)		40,000	
			40,000

Dr.	BANK ACCOUNT	Cr.																																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Particulars</th> <th style="width: 5%;">L.F.</th> <th style="width: 10%;">₹</th> <th style="width: 30%;">Particulars</th> <th style="width: 5%;">L.F.</th> <th style="width: 10%;">₹</th> </tr> </thead> <tbody> <tr> <td>To Equity Share Application A/c</td> <td></td> <td style="text-align: right;">7,50,000</td> <td>By Share Issue Expenses A/c</td> <td></td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>To Equity Share Allotment A/c</td> <td></td> <td style="text-align: right;">11,25,000</td> <td>By Bal. c/d</td> <td></td> <td style="text-align: right;">29,60,000</td> </tr> <tr> <td>To Equity Share First Call A/c</td> <td></td> <td style="text-align: right;">5,00,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>To Equity Share Final Call A/c</td> <td></td> <td style="text-align: right;">6,25,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">30,00,000</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">30,00,000</td> </tr> </tbody> </table>	Particulars	L.F.	₹	Particulars	L.F.	₹	To Equity Share Application A/c		7,50,000	By Share Issue Expenses A/c		40,000	To Equity Share Allotment A/c		11,25,000	By Bal. c/d		29,60,000	To Equity Share First Call A/c		5,00,000				To Equity Share Final Call A/c		6,25,000						30,00,000			30,00,000		
Particulars	L.F.	₹	Particulars	L.F.	₹																																	
To Equity Share Application A/c		7,50,000	By Share Issue Expenses A/c		40,000																																	
To Equity Share Allotment A/c		11,25,000	By Bal. c/d		29,60,000																																	
To Equity Share First Call A/c		5,00,000																																				
To Equity Share Final Call A/c		6,25,000																																				
		30,00,000			30,00,000																																	

Q. 7. Pushkar Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at a premium of ₹3 per share. The whole amount was payable on application. The issue was fully subscribed.

Pass necessary journal entries.

SOLUTION:

Pushkar Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application & Allotment A/c (Share application money received)		65,00,000	65,00,000
	Equity Share Application & Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Transfer of application money to share capital and securities premium account)		65,00,000	50,00,000 15,00,000

Q. 8. Kiran Textiles Ltd. issued 50,000 Equity Shares of ₹ 10 each at a premium of ₹4 per share and 2,000, 6% Preference Shares of ₹ 100 each at par payable as follows:

	Equity Shares	Pref. Shares
	₹	₹
On Application	3.50	30
On Allotment	6.50 <i>(including premium)</i>	20
On First Call	2	25
On Final Call	2	25

All these shares were fully subscribed, called-up and paid. Record these transactions in journal and cash book.

SOLUTION:

Books of Kiran Textiles Ltd

Company Accounts — Issue of Shares

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Application A/c	Dr.	1,75,000	
	6% Preference Share Application A/c	Dr.	60,000	
	To Equity Share Capital A/c			1,75,000
	To 6% Preference Share Capital A/c			60,000
	(Transfer of application money)			
	Equity Share Allotment A/c	Dr.	3,25,000	
	6% Preference Share Allotment A/c	Dr.	40,000	
	To Equity Share Capital A/c			1,25,000
	To Securities Premium Reserve A/c			2,00,000
	To 6% Preference Share Capital A/c			40,000
	(Amount due on allotment)			
	Equity Share First Call A/c	Dr.	1,00,000	
	6% Preference Share First Call A/c	Dr.	50,000	
	To Equity Share Capital A/c			1,00,000
	To 6% Preference Share Capital A/c			50,000
	(Amount due on first call)			
	Equity Share Second & Final Call A/c	Dr.	1,00,000	
	6% Preference Share Second & Final Call A/c	Dr.	50,000	
	To Equity Share Capital A/c			1,00,000
	To 6% Preference Share Capital A/c			50,000
	(Amount due on second and final call)			

Dr.		CASH BOOK (Bank Column)			Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹	
To Equity Share Application A/c		1,75,000	By Balance c/d		9,00,000	
To 6% Preference Share Application A/c		60,000				
To Equity Share Allotment A/c		3,25,000				
To 6% Preference Share Allotment A/c		40,000				
To Equity Share First Call A/c		1,00,000				
To 6% Preference Share First Call A/c		50,000				
To Equity Share Second & Final Call A/c		1,00,000				
To 6% Preference Share Second & Final Call A/c		50,000				
		9,00,000			9,00,000	

Q.9. Kanpur Gas Ltd. issued 40,000 equity shares of ₹10 each at a premium of ₹1 per share. Amounts were payable as follows:

₹2.50 on Application;

₹4.50 on Allotment (including premium);

₹2 on First Call and ₹2 on Final Call.

Applications were received for 37,000 shares.

Give Journal Entries assuming that all sums have been received on due dates.

Company Accounts — Issue of Shares

SOLUTION:

JOURNAL ENTRIES

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c To Equity Share Application A/c (Amount received on application @ ₹2.50 on 37,000 equity shares)	Dr.	92,500	92,500
Equity Share Application A/c To Equity Share Capital A/c (Amount received on application transferred to Capital A/c)	Dr.	92,500	92,500
Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Amount due on allotment @ ₹4.50 including premium)	Dr.	1,66,500	1,29,500 37,000
Bank A/c To Equity Share Allotment A/c (Amount received on allotment)	Dr.	1,66,500	1,66,500
Equity Share First Call A/c To Equity Share Capital A/c (Amount due on First Call)	Dr.	74,000	74,000
Bank A/c To Equity Share First Call A/c (Amount received on First Call)	Dr.	74,000	74,000
Equity Share Final Call A/c To Equity Share Capital A/c (Amount due on Final Call)	Dr.	74,000	74,000
Bank A/c To Equity Share Final Call A/c (Amount received on Final Call)	Dr.	74,000	74,000

BALANCE SHEET OF KANPUR GAS LTD.			
as at.....			
Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	3,70,000	
(h) Reserve and Surplus	2	37,000	
II. ASSETS :		4,07,000	

Company Accounts — Issue of Shares

Current Assets :		
Cash and Cash Equivalents	3	4,07,000

Notes to Accounts :

Particulars	₹
(1) Share Capital:	
Authorised Capital:	
.....Shares of ₹10 each	
Issued Capital:	
equity shares of ₹10 each	4,00,000
Issued, Subscribed and fully paid-up :	
equity shares of ₹10 each fully paid-up	3,70,000
(2) Reserve and Surplus :	
Securities Premium Reserve	37,000
(3) Cash and Cash Equivalents :	
Cash at Bank	4,07,000

Shares Issued for Consideration other than Cash

Q. 10. Vimal Ltd. purchased machinery of ₹9,90,000 from Kamal Ltd. The payment to Kamal Ltd. was made by issuing equity shares of ₹100 each. Pass the necessary Journal entries in the books of Vimal Ltd. for purchase of machinery and the issue of shares when

- (i) Shares were issued at par.
(ii) Shares were issued at 25% premium.

SOLUTION:

Vimal Ltd. JOURNAL

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
	Machinery A/c To Kamal Ltd. (Machinery purchased)	Dr.	9,90,000	9,90,000
(i)	Kamal Ltd. To Equity Share Capital A/c (Issue of 9,900 shares at par)	Dr.	9,90,000	9,90,000
(ii)	Kamal Ltd. To Equity Share Capital A/c To Securities Premium Reserve A/c (Issue of shares at a premium of 25% calculated as follows : ₹9,90,000 ÷ 125 = 7,920 shares)	Dr.	9,90,000	7,92,000 1,98,000

Company Accounts — Issue of Shares

Q. 11. Pass journal entries for the following:

(i) X Ltd. purchased Land and Building from R. Sundram for ₹5,00,000 payable in fully paid shares of ₹100 each at a premium of 25%.

(ii) Y Ltd. decided to issue 2,000 shares of ₹100 each to the Unit Trust of India as underwriting commission.

SOLUTION:

(i) Books of X Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Building A/c To R. Sundram (Purchase of Land and Building)	Dr.	5,00,000	5,00,000
	R. Sundram To Share Capital A/c To Securities Premium Reserve A/c (Issue of 4,000 shares of ₹100 each at a premium of ₹25 per share in satisfaction of purchase consideration)	Dr.	5,00,000	4,00,000 1,00,000

(ii) Books of Y Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Underwriting Commission A/c To Unit Trust of India (Underwriting Commission due)	Dr.	2,00,000	2,00,000
	Unit Trust of India To Share Capital A/c (Issue of 2,000 shares of ₹100 each to underwriters)	Dr.	2,00,000	2,00,000

Q. 12. Tagore Ltd. purchased a running business from Tulsi Bros, for a sum of ₹48,00,000 payable by the issue of fully paid equity shares of ₹20 each at a premium of 20%. The assets and liabilities consisted of the following:

₹

Plant and Machinery 25,00,000

Stock 15,00,000

Sundry Debtors 8,60,000

Sundry Creditors 3,00,000

Pass the necessary journal entries in the books of Tagore Ltd.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	Dr.	25,00,000	
	Stock A/c	Dr.	15,00,000	
	Sundry Debtors A/c	Dr.	8,60,000	
	Goodwill A/c (Balancing Figure)	Dr.	2,40,000	

Company Accounts — Issue of Shares

To Sundry Creditors A/c			3,00,000
To Tulsi Bros.			48,00,000
(Purchase of business from Tulsi Bros.)			
Tulsi Bros.	Dr.	48,00,000	
To Equity Share Capital A/c			40,00,000
To Securities Premium Reserve			8,00,000
(Payment made by issue of 2,00,000 equity shares of ₹20 each at 20% premium)			

Working Note:

Number of Equity Shares to be issued: ₹48,00,000 ÷ 24 = 2,00,000 Shares

Q. 13. X Ltd. took over the following assets and liabilities of T Ltd.:

Land & Building ₹20,00,000; Stock ₹5,00,000; Sundry Debtors ₹2,50,000 and Sundry Creditors ₹2,00,000. X Ltd. paid purchase consideration by issuing Bank Draft of ₹16,00,000 and 50,000 Equity Shares of ₹20 each at 10% premium.

Calculate purchase consideration and pass journal entries in the books of X Ltd.

SOLUTION:

Calculation of Purchase Consideration:

	₹
Bank Draft	16,00,000
Nominal Value of Shares issued : 50,000 x ₹20	10,00,000
Securities Premium Reserve 50,000 x ₹2	1,00,000
Purchase Consideration	27,00,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land & Building A/c	Dr.	20,00,000	
	Stock A/c	Dr.	5,00,000	
	Sundry Debtors A/c	Dr.	2,50,000	
	Goodwill A/c (Balancing figure)	Dr.	1,50,000	
	To Sundry Creditors A/c			2,00,000
	To Y Ltd.			27,00,000
	(Purchase of assets and liabilities of Y Ltd.)			
	Y Ltd.	Dr.	27,00,000	
	To Bank A/c			16,00,000
	To Equity Share Capital A/c			10,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Issue of Bank draft of ₹16,00,000 and 50,000 equity shares of ₹20 each at a premium of ₹2)			

Q. 14. R Ltd. purchased the running business of M/s Mukerjee Bros, for a sum of ₹60,00,000 payable by the issue of equity shares of ₹10 each at ₹40. The assets and liabilities consisted of the following:

	₹		₹
Land and Building	32,00,000	Sundry Debtors	6,00,000
Plant and Machinery	16,00,000	Sundry Creditors	4,00,000
Stock	15,00,000		

Company Accounts — Issue of Shares

Pass the necessary journal entries in the books of R Ltd.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Building A/c	Dr.	32,00,000	
	Plant and Machinery A/c	Dr.	16,00,000	
	Stock A/c	Dr.	15,00,000	
	Sundry Debtors A/c	Dr.	6,00,000	
	To Sundry Creditors A/c			4,00,000
	To Mukerjee Bros			60,00,000
	To Capital Reserve A/c (Balancing figure)			5,00,000
	(Purchase of business from Mukerjee Bros.)			
	Mukerjee Bros.	Dr.	60,00,000	
	To Equity Share Capital A/c			15,00,000
	To Securities Premium Reserve A/c			45,00,000
	(Payment made by issue of 1.50,000 equity shares of ₹10 each at a premium of ₹30 each)			

Working Note:

Number of Equity Shares to be issued: ₹60,00,000 ÷ 40 = 1,50,000 Shares

Q. 15. K Ltd. took over the assets of ₹15,00,000 and liabilities of ₹5,00,000 of P Ltd. for a purchase consideration of ₹13,68,500. ₹25,500 were paid by issuing promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹100 each at a premium of 25%. Pass necessary Journal entries for the above transactions in the books of K Ltd. *(C.B.S.E. 2016. All India)*

SOLUTION :

Journal of K Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Sundry Assets A/c Dr. Goodwill A/c (Balancing Figure) Dr. To Sundry Liabilities A/c To P Ltd.		15,00,000 3,68,500	 5,00,000 13,68,500
	(Assets and liabilities acquired)			
2.	P Ltd. Dr. To Bills Payable A/c To Equity Share Capital A/c To Securities Premium Reserve A/c		13,68,500	 25,500 10,74,400 2,68,600
	(Promissory note issued for ₹25,500 and 10,744 equity shares of ₹ 100 each issued at a premium of 25%)			

Working Note:

Number of Shares to be issued: ₹13,43,000 ÷ 125 = 10,744 Shares

Calls in Arrears

Q. 16. X Ltd. issued 20,000, 7% Preference shares of ₹100 each at a premium of 6%. Payments were to be made as — ₹25 on Application; ₹46 on Allotment, ₹10 on First call and ₹25 on Final Call.

The applications for 18,000 shares were received and all were accepted. All the money was duly received except the first and final call on 100 shares.

Give the necessary Journal Entries and prepare Cash Book of the Company. Also show the Share Capital in the Balance Sheet of the Company.

SOLUTION:

Dr.		CASH BOOK			Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹	
To 7% Preference Share			By Balance c/d		19,04,500	
Application A/c (18,000x25)		4,50,000				
To 7% Preference Share Allotment A/c		8,28,000				
To 7% Preference Share First Call A/c		1,79,000				
To 7% Preference Share Final Call A/c		4,47,500				
		19,04,500			19,04,500	

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	7% Preference Share Application A/c	Dr.	4,50,000	
	To 7% Preference Share Capital A/c			4,50,000
	(Application money transferred to Share Capital A/c)			
	7% Preference Share Allotment A/c	Dr.	8,28,000	
	To 7% Preference Share Capital A/c			7,20,000
	To Securities Premium Reserve			1,08,000
	(Amount due on allotment at a premium)			
	7% Preference Share First Call A/c	Dr.	1,80,000	
	To 7% Preference Share Capital A/c			1,80,000
	(Amount due on first call)			
	7% Preference Share Final Call A/c	Dr.	4,50,000	
	To 7% Preference Share Capital A/c			4,50,000
	(Amount due on Final Call)			
	Calls-in-Arrears A/c	Dr.	3,500	
	To 7% Preference Share First Call A/c			1,000
	To 7% Preference Share Final Call A/c			2,500
	(Final call in arrears on 100 shares)			

Calls in Advance

Q. 17. Shipra Limited invited applications for 80,000 shares of ₹10 each payable as follows:
 (on 1st May, 2015); ₹2.50 on Application
 (on 1st June, 2015); ₹2.50 on Allotment
 (on 1st Nov., 2015); ₹2 on First Call
 and (on 1st Feb., 2016) ₹3 on Second Call

All the shares were applied and allotted. Shankar, holding 600 shares paid the whole of the amount alongwith allotment.

Pass Cash Book and Journal entries assuming that books are closed on 31st March every year.

SOLUTION:

Dr.				CASH BOOK				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹				
2015				2016							
May 1	To Share Application A/c (2.50 x 80,000)		2,00,000	Feb. 1	By Balance c/d		8,00,000				
June 1	To Share Allotment A/c		2,00,000								
June 1	To Calls in Advance A/c		3,000								
Nov. 1	To Share First Call A/c		1,58,800								
2016											
Feb. 1	To Share Second & Final Call A/c		2,38,200								
			8,00,000				8,00,000				

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 June 1 (Note 1)	Share Application A/c Dr. To Share Capital A/c (Application money transferred to Share Capital A/c)	Dr.	2,00,000	2,00,000
June 1	Share Allotment A/c Dr. To Share Capital A/c (Money due on share allotment transferred to Share Capital A/c)	Dr.	2,00,000	2,00,000
Nov. 1	Share First Call A/c Dr. To Share Capital A/c (Money due on Share First call transferred)	Dr.	1,60,000	1,60,000

Company Accounts — Issue of Shares

Nov. 1	Calls in advance A/c Dr. To Share First Call A/c (Calls in advance on 600 shares adjusted)	1,200		1,200
2016 Feb. 1	Share Second & Final Call A/c Dr. To Share Capital A/c (Money due on Share Second Call transferred)	2,40,000	2,40,000	
Feb. 1	Calls in advance A/c Dr. To Share Second Call A/c (Calls in advance on 600 shares adjusted)	1,800		1,800

Working Notes:

(1) Share Application A/c will be transferred to the Share Capital A/c on the date of allotment.

Q. 18. On 1st February 2016, Raj Ltd. received in advance the first call of ₹25 per share on 400 equity shares. The first call was due on 31st March 2016. Journalise the above transactions.

SOLUTION:

Raj Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 Feb. 1	Bank A/c Dr. To Calls-in-Advance A/c (First call money received in advance on 400 equity shares)		10,000	10,000
March 31	Call-in-Advance A/c Dr. To Equity Share 1st Call A/c (Amount transferred from calls-in-Advance account)		10,000	10,000

Q. 19. A limited Company was registered with a capital of ₹5,00,000 in shares of ₹10 each and issued 20,000 such shares at a premium of ₹2 per share, payable as ₹3 per share on application, ₹4 per share on allotment (including premium) and ₹2 per share on first call made three months later. All the money payable on application and allotment were duly received but when the first call was made, one shareholder paid the entire balance on his holdings 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:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application money received)		60,000	60,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to Share Capital A/c)		60,000	60,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Allotment due)		80,000	40,000 40,000
	Bank A/c Dr. To Share Allotment A c (Allotment money including premium received)		80,000	80,000
	Share First Call A/c Dr. To Share Capital A/c (First call due on 20,000 shares @ ₹2 per share)		40,000	40,000
	Bank A/c Dr. To Share First Call A/c To Calls in Advance A/c (First call received on 19,000 shares @ ₹2 per share; plus second call received in advance on 300 shares @ ₹3 per share)		38,900	38,000 900
	Calls-in-Arrears A/c Dr. To Share First Call A/c (Calls-in-arrears brought into account)		2,000	2,000

EXTRACT OF BALANCE SHEET OF.....

as at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	1,38,000	

Notes to Accounts :

Particulars	₹
(1) Share Capital :	
Authorised :	
50,000 shares of ₹ 10 each	5,00,000
Issued :	
20,000 shares of @ ₹10 each	2,00,000

Company Accounts — Issue of Shares

Subscribed but not fully paid capital:		
20,000 shares of @ ₹10 each @ ₹7 called up	1,40,000	
Less : Calls in Arrear	2,000	1,38,000

Q. 20. Chandra Ltd. issued 40,000 equity shares of ₹10 each at par payable as to: ₹2.50 on application; ₹2.00 on allotment; ₹2.50 on first call and ₹3.00 on final call.

All the shares were allotted and amount received except Mohan holding 800 shares paid the final call money alongwith first call and Naresh holding 300 shares did not pay the first call money in time. He paid the first call money alongwith final call.

Make journal entries for first call and final call in the books of company.

SOLUTION:

X Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share First Calls A/c To Equity Share Capital A/c (First call due on 40,000 shares (@ ₹2.50 per share))	Dr.	1,00,000	1,00,000
	Bank A/c Calls in Arrears A/c (300 x ₹2.50) To Equity Share First Calls A/c To Calls in Advance A/c (800 x ₹3)	Dr. Dr.	1,01,650 750	1,00,000 2,400
	Alternatively : Bank A/c To Equity Share First Call A/c To Calls in Advance A/c (First call money received except on 300 shares a/c final call received in advance on 800 shares)	Dr.	1,01,650	99,250 2,400
	Equity Share Final Call A/c To Equity Share Capital A/c (Final Call due on 40,000 shares @ ₹3 per share)	Dr.	1,20,000	1,20,000
	Bank A/c Calls in Advance A/c To Equity Share Final Call A/c (Final Call money received after adjusting calls in advance)	Dr. Dr.	1,17,600 2,400	1,20,000
	Bank A/c To Calls in Arrears A/c (or Equity Share First Call A/c) (Calls in arrears received)	Dr.	750	750

Over-Subscription

Q. 21. To provide employment to the youth and to develop Baramula district of Jammu and Kashmir, Jyoti Power Ltd. decided to setup a power plant. For raising funds the company decided to issue 8,50,000 equity shares of ₹ 10 each at a premium of ₹3 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 3,00,000 shares were rejected and shares were allotted to the remaining applicants on pro-rata basis.

Company Accounts — Issue of Shares

Pass necessary Journal entries for the above transactions in the books of the company and identify any two values which the company wants to propagate.

(C.B.S.E. 2016, All India)

SOLUTION:

Jyoti Power Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Application and Allotment A/c (Application & allotment money received for 20.00,000 shares)	Dr.	2,60,00,000	2,60,00,000
	Equity Share Application & Allotment A/c Dr. To Equity Share Capital A/c (8,50,000 x ₹10) To Securities Premium Reserve A/c (8,50,000 x ₹3) To Bank A/c (11,50,000 x ₹13) (Share application and allotment money adjusted)		2,60,00,000	85,00,000 25,50,000 1,49,50,000

Values (any two):

- ☞ Providing employment opportunities.
- ☞ Development of backward areas.
- ☞ Helping the young people to undertake development activities.
- ☞ Promoting peace and harmony in the society.

Q. 22. Govind Ltd., issued a prospectus inviting applications for 20,000 shares of ₹ 10 each at a premium of ₹3 per share, payable as to ₹4 on application; ₹5 on allotment (including premium); ₹2 on First call; and ₹2 on Final call.

Applications were received for 27,000 shares. Directors allotted the shares as follows:

To applicants of 16,000 shares full allotment

To applicants of 6,000 shares 4,000 shares

To applicants of 5,000 shares Nil

Give entries in the Cash Book and Journal, assuming that all sums due on allotment and calls have been received.

SOLUTION:

Dr.		CASH BOOK		Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c		1,08,000	By Share Application A/c		20,000
To Share Allotment A/c		92,000	By Balance c/d		2,60,000
To Share First Call A/c		40,000			
To Share Final Call A/c		40,000			
		2,80,000			2,80,000

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr. To Share Capital A/c (20,000 shares x ₹4) To Share Allotment A/c (2,000 shares x ₹4) (Application money transferred)		88,000	80,000 8,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 20,000 shares)		1,00,000	40,000 60,000
	Share First Call A/c Dr. To Share Capital A/c (Amount due on first call)		40,000	40,000
	Share Final Call A/c Dr. To Share Capital A/c (Amount due on final call)		40,000	40,000

Q. 23. V Ltd., issued 50,000 shares of ₹10 each at a premium of 10% payable as ₹2 per share on application, ₹3 on allotment (including premium) and ₹3 each on first and final call. Applications were received for 70,000 shares. It was decided that:

- refuse allotment to the applicants of 10,000 shares
- allot 15,000 shares to Anil who had applied for similar number and
- allot the remaining shares on pro-rata basis.

Anil failed to pay the allotment money and Sunil who belonged to the category 'C' and was allotted 3,500 shares paid both the calls with allotment. Calculate the amount received on allotment. **(C.B.S.E. 2010. Set III)**

SOLUTION:

Scheme of Allotment:

	Applied	Allotted
Anil	10,000 Shares	Nil
Remaining	15,000 Shares	15,000
	45,000 Shares	35,000 (Pro-rata)
Total	70,000	50,000
		₹
Allotment Money due : 50,000 Shares x ₹3		1,50,000
Less : Received in advance on application (pro-rata issue) 10,000 Shares x ₹2		20,000
		1,30,000
Less : Amount not received from Anil on allotment: 15,000 Shares x ₹3		45,000
		85,000
Add: Calls in Advance from Sunil : 3,500 Shares x ₹6		21,000
Amount received on allotment		1,06,000

Company Accounts — Issue of Shares

Q. 24. A Ltd. issued shares for ₹20,00,000 divided into shares of ₹10 each at a premium of ₹5 per share, payable as under :

On Application	₹4 per share
On Allotment	₹6 (including premium of ₹3)
On First and Final Call	Balance

Excess application money was to be adjusted against allotment and first and final call and the money on rejected applications was to be returned.

The issue was oversubscribed to the extent of 80,000 shares and the allotment was made as follows:

(i) Applicants of 1,00,000 shares were allotted 30% shares, applicants for 10,000 shares were rejected and the remaining applicants were given full allotment. All the money was duly received. Give journal entries.

SOLUTION:

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c	Dr.	11,20,000	
To Share Application A/c			11,20,000
(Application money received for 2,80,000 shares @ ₹4 per share)			
Share Application A/c	Dr.	11,20,000	
To Share Capital A/c (2,00,000 x ₹4)			8,00,000
To Share Allotment A/c (30,000 x ₹6)			1,80,000
To Calls in Advance A/c (₹2,80,000- ₹1,80,000)			1,00,000
To Bank A/c (10,000 x ₹4)			40,000
(Application money adjusted)			
Share Allotment A/c	Dr.	12,00,000	
To Share Capital A/c			6,00,000
To Securities Premium Reserve A/c			6,00,000
(Allotment money due on 2,00,000 shares)			
Bank A/c	Dr.	10,20,000	
To Share Allotment A/c			10,20,000
(Allotment money received)			
Share First and Final Call A/c	Dr.	10,00,000	
To Share Capital A/c			6,00,000
To Securities Premium Reserve A/c			4,00,000
(First and final call due on 2,00,000 shares including premium of ₹2)			
Bank A/c	Dr.	9,00,000	
Calls in Advance A/c	Dr.	1,00,000	
To Share First and Final Call A/c			10,00,000
(Call money received)			

Company Accounts — Issue of Shares

Working Note:

Applicants for 1,00,000 shares have been allotted 30% i.e., 30,000 shares. Hence, excess application money received on these shares

	=	₹
Shares @ ₹4 per share	=	2,80,000
Less : Amount adjusted on allotment on 30,000 shares @ ₹6 per share	=	<u>1,80,000</u>
Amount transferred to Calls in Advance	=	<u>1,00,000</u>

Q. 25. A Company invited applications for 5,000 shares of ₹100 each. The amount is payable as follows:

On Application	:	₹20 per share
On Allotment	:	₹30 per share
On First Call	:	₹20 per share
On Second and Final Call	:	₹30 per share

Applications were received for 8,000 shares. Applications for 1,000 shares were rejected and pro-rata allotment was made to the remaining applicants.

All calls were made and duly paid except:

- (i) Ganesh, the holder of 200 shares paid the two calls with allotment.
- (ii) Shiva, the holder of 300 shares failed to pay the first and second call money.

Pass necessary journal entries to record the above transactions.

SOLUTION:

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c	Dr.	1,60,000	
To Share Application A/c			1,60,000
(Application money received on 8,000 shares @ ₹20 each)			
Share Application A/c	Dr.	1,60,000	
To Share Capital A/c			1,00,000
To Share Allotment A/c			40,000
To Bank A/c			20,000
(Application money adjusted)			
Share Allotment A/c	Dr.	1,50,000	
To Share Capital A/c			1,50,000
(Allotment due on 5,000 shares @ ₹30 each)			
Bank A/c	Dr.	1,20,000	
To Share Allotment A/c (₹ 1,50,000 - ₹40,000)			1,10,000
To Calls in Advance A/c (200 shares x ₹50)			10,000
(Allotment money received)			
Share First Call A/c	Dr.	1,00,000	
To Share Capital A/c			1,00,000
(First Call due on 5,000 shares @ ₹20 each)			
Bank A/c	Dr.	90,000	
Calls in Arrears A/c (300 x ₹20)	Dr.	6,000	
Calls in Advance A/c (200 x ₹20)	Dr.	4,000	
To Share First Call A/c			1,00,000

Company Accounts — Issue of Shares

Alternatively :				
Bank A/c	Dr.	90,000		
Calls in Advance A/c	Dr.	4,000		
To Share First Call A/c				94,000
(First call money received except on 300 shares)				
Share Second & Final Call A/c	Dr.	1,50,000		
To Share Capital A/c				1,50,000
(Second Call due on 5,000 shares @ ₹30 each)				
Bank A/c	Dr.	1,35,000		
Calls in Arrears A/c (300 x ₹30)	Dr.	9,000		
Calls in Advance A/c (200 x ₹30)	Dr.	6,000		
To Share Second and Final Call A/c				1,50,000
Alternatively :				
Bank A/c	Dr.	1,35,000		
Calls in Advance A/c	Dr.	6,000		
To Share Second & Final Call A/c				1,41,000
(Second & Final Call received except on 300 shares)				

Q. 26. On October 1, 2016 A' Ltd. offered 1,00,000 shares of ₹10 each payable as follows :

On Application ₹3 per share

On Allotment (November 1, 2016) ₹2 per share

On First Call (December 1, 2016) ₹3 per share

On Second and Final Call (One month after first call) ₹2 per share

Applications were received for 1,25,000 shares on October 15, 2016. Applications for shares were allotted 1,00,000 shares and the remaining applications were rejected.

Give journal entries assuming that all amounts have been received and the company maintains a combined account for application and allotment.

SOLUTION :

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 Oct. 15	Bank A/c To Share Application and Allotment A/c (Application money received on 1,25,000 shares @ ₹3 per share)	Dr.	3,75,000	3,75,000
Nov. 1	Share Application and Allotment A/c To Share Capital A/c (Transfer of application money @ ₹3 and allotment money due @ ₹2 on 1,00,000 shares)	Dr.	5,00,000	5,00,000
Nov. 1	Share Application and Allotment A/c To Bank A/c (Application money refunded on rejected applications : 5,000 shares @ ₹3)	Dr.	15,000	15,000

Company Accounts — Issue of Shares

Nov. 1	Bank A/c To Share Application and Allotment A/c (Balance of allotment money received)	Dr.	1,40,000(1)	1,40,000
Dec. 1	Share First Call A/c To Share Capital A/c (First call due on 1,00,000 shares @ ₹3 each)	Dr.	3,00,000	3,00,000
Dec. 1	Bank A/c To Share First Call A/c (Amount received on first call)		3,00,000	3,00,000
2017 Jan. 1	Share Second and Final Call A/c Dr. To Share Capital A/c (Second and final call due on 1,00,000 shares @ ₹2 each)		2,00,000	2,00,000
Jan. 1	Bank A/c To Share Second and Final Call A/c (Amount received on second and final call)		2,00,000	2,00,000

Note

(1) Amount due on Allotment: 1,00,000 Shares @ ₹2	=	2,00,000
Less: Excess received on Application : 20,000 shares @ ₹3	=	<u>60,000</u>
		<u>1,40,000</u>

Forfeiture of Shares Issued at Par

Q. 27. X Ltd. Was registered with an authorised capital of 2,00,000 shares of ₹10 each. It purchased assets of Y Ltd. For ₹3,00,000 and issued fully paid shares for purchase consideration. It also invited applications for 1,20,000 shares payable as under :

₹2.50 on application ₹2.50 on allotment
₹2 on first call and ₹3 on final call.

Sarkar, who had been allotted 400 shares failed to pay the final call. His shares were forfeited and re-issued at ₹8.50 per share as fully paid up. Pass entries in the Cash Book and Journal. Show the Share Capital in the Balance Sheet of the Company.

SOLUTION :

CASH BOOK					
Dr.			Cr.		
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c		3,00,000	By Balance c/d		12,02,200
To Share Allotment A/c		3,00,000			
To Share First Call A/c		2,40,000			
To Share Final Call A/c		3,58,800			
To Share Capital A/c		3,400			
		12,02,200			12,02,200

Company Accounts — Issue of Shares

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Buildings A/c To Vendors (T) (Assets purchased)	Dr.	3,00,000	3,00,000
	Vendors (T) To Share Capital A/c (Purchase consideration discharged by shares)	Dr.	3,00,000	3,00,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to Share Capital A/c)	Dr.	3,00,000	3,00,000
	Share Allotment A/c To Share Capital A/c (Amount due on Allotment)	Dr.	3,00,000	3,00,000
	Share First Call A/c To Share Capital A/c (Amount due on first Call)	Dr.	2,40,000	2,40,000
	Share Final Call A/c To Share Capital A/c (Amount due on final call)	Dr.	3,60,000	3,60,000
	Share Capital A/c To Share Final Call A/c To Share Forfeiture A/c (400 shares forfeited for non-payment of Final Call)	Dr.	4,000	1,200 2,800
	Share Forfeiture A/c To Share Capital A/c (Loss on re-issue on 400 shares @ ₹1.50 each)	Dr.	600	600
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance of Share Forfeiture A/c transferred to Capital Reserve A/c)	Dr.	2,200	2,200

EXTRACT OF BALANCE SHEET OF X LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	15,00,000	

Company Accounts — Issue of Shares

Notes to Accounts :

	₹
(1) Share Capital:	3,00,000
Authorised, Issued, Subscribed and Fully paid Capital:	12,00,000
Shares of ₹10 each allotted as fully paid for a consideration other than cash	
Shares of ₹10 each fully called up	

Q. 28. Alfa Ltd. issued 5,000 shares of ₹100 each at par. The amount payable was as under:
 ₹25 on application;
 ₹25 on allotment;
 ₹20 on first call; and ₹30 on final call.

The company did not make final call. X, a holder of 100 shares, failed to pay allotment and first call money. Directors forfeited his shares and immediately re-issued the forfeited shares at ₹6,500.

Pass Journal entries in the books of the company and show the Share Capital in the Balance Sheet.

SOLUTION :

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c To Share Application A/c (Amount received on application)	Dr.	1,25,000	1,25,000
Share Application A/c To Share Capital A/c (Amount of Share application transferred to Share Capital A/c)	Dr.	1,25,000	1,25,000
Share Allotment A/c To Share Capital A/c (Allotment due)	Dr.	1,25,000	1,25,000
Bank A/c To Share Allotment A/c (Amount received on allotment on 4,900 shares @ ₹25 per share)	Dr.	1,22,500	1,22,500
Share First Call A/c To Share Capital A/c (First call due)	Dr.	1,00,000	1,00,000
Bank A/c To Share First Call A/c (First call received on 4,900 shares @ ₹20 per share)	Dr.	98,000	98,000
Share Capital A/c To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (100 shares forfeited for non-payment of allotment & first call)	Dr.	7,000(2)	2,500 2,000 2,500
Bank A/c	Dr.	6,500	

Company Accounts — Issue of Shares

Share Forfeiture A/c	Dr.		500	
To Share Capital A/c				7,000
(Re-issue of 100 forfeited shares @ ₹65 per share)				
Share Forfeiture A/c	Dr.		2,000	
To Capital Reserve A/c				2,000
(Transfer of Share Forfeiture A/c to Capital Reserve A/c)				

EXTRACT OF BALANCE SHEET OF ALFA LTD. as at.

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	3,50,000	
Notes to Accounts :			₹
(1) Share Capital:			
Issued Capital:			
5,000 Shares of ₹ 100 each			5,00,000
Subscribed but not fully paid Capital:			
5,000 Shares of ₹ 100 each, ₹70 per share called up			3,50,000
(2) Final Call of ₹30 per share has not been made in the question; as such only ₹70 have been called up. Therefore, Share Capital A/c will be debited only by ₹70 per share at the time of forfeiture of shares.			

Q. 29. Dinesh Ltd. issued 5,000 shares of ₹100 each at par, payable as follows :

	₹
On Application	25
On Allotment	25
On First Call	20
On Final Call	30

Anil, holding 100 shares failed to pay the amount of allotment and first call and his shares were forfeited after the first call. Sunil, holding 200 shares failed to pay the amount due on final call and his shares were also forfeited.

Show entries in the Cash Book and Journal of the Company.

SOLUTION:

CASH BOOK					
Dr.					Cr.
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c		1,25,000	By Balance c/d		4,86,500
To Share Allotment A/c		1,22,500			
To Share First Call A/c		98,000			

Company Accounts — Issue of Shares

To Share Final Call A/c (₹ 1,47,000 - ₹6,000)			
	1,41,000		
	4,86,500		4,86,500

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c To Share Capital A/c (Application money transferred to Share Capital A/c)	Dr.	1,25,000	1,25,000
	Share Allotment A/c To Share Capital A/c (Amount due on Allotment)	Dr.	1,25,000	1,25,000
	Share First Call A/c To Share Capital A/c (Amount due on first Call)	Dr.	1,00,000	1,00,000
	Share Capital A/c To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (100 shares forfeited for non-payment of Allotment and First call)	Dr.	7,000	2,500 2,000 2,500
	Share Final Call A/c To Share Capital A/c (Final call due on 4,900 shares @ ₹30 per share)	Dr.	1,47,000	1,47,000
	Share Capital A/c To Share Final Call A/c To Share Forfeiture A/c (200 shares forfeited for non-payment of Final Call)	Dr.	20,000	6,000 14,000

(1) When Cash Book Entries are asked in the question, all cash transactions are to be recorded in Cash Book, other non-cash transactions should be entered in the journal.

Q. 30. Fast Food Ltd. issued a prospectus offering 10,000 equity shares of ₹50 each at par payable as follows:

	₹
On Application	15
On Allotment	10
On First Call	15
On Final Call	10

Ram, the holder of 500 equity shares did not pay the amount due on both the calls. These 500 shares were forfeited by the Board of Directors and 300 of these shares were subsequently re-issued at ₹55 per share. Show the entries in the Cash Book and Journal of the Company.

SOLUTION :

Company Accounts — Issue of Shares

Dr.		CASH BOOK			Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹	
To Equity Share Application A/c		1,50,000	By Balance c/d		5,04,000	
To Equity Share Allotment A/c		1,00,000				
To Equity Share First Call A/c		1,42,500				
To Equity Share Final Call A/c		95,000				
To Equity Share Capital A/c		15,000				
To Securities Premium Reserve		1,500				
		5,04,000			5,04,000	

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Application A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Application money transferred)			
	Equity Share Allotment A/c Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Allotment money due)			
	Equity Share First Call A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(First call money due)			
	Equity Share Final Call A/c Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Final call money due)			
	Equity Share Capital A/c Dr.		25,000	
	To Equity Share First Call A/c			7,500
	To Equity Share Final Call A/c			5,000
	To Share Forfeiture A/c			12,500
	(Forfeiture of 500 shares)			
	Shares Forfeiture A/c Dr.		7,500(3)	
	To Capital Reserve A/c			7,500
	(Profit on reissue of 300 shares transferred to Capital Reserve)			

BALANCE SHEET OF FAST FOOD LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES : Shareholder's Funds		₹	₹
(a) Share Capital	1	4,95,000	

Company Accounts — Issue of Shares

(b) Reserves and Surplus	2	9,000	
		<u>5,04,000</u>	
II. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	5,04,000	

Notes to Accounts:

(1) Share Capital:		
Issued Share Capital:		
10,000 Equity Shares of ₹50 each		5,00,000
Subscribed and Fully Paid Capital:		
9,800 Equity Shares of ₹50 each fully paid		4,90,000
Add: Share Forfeiture A/c		5,000
		<u>4,95,000</u>
(2) Reserves and Surplus :		
Securities Premium Reserve A/c		1,500
Capital Reserve A/c		<u>7,500</u>
		<u>9,000</u>
(3) Cash and Cash Equivalents :		
Cash at Bank		<u>5,04,000</u>

(4) Only that amount of profit is transferred from Share Forfeiture A/c to Capital Reserve A/c which belongs to the re-issued shares. In this question, only 300 shares have been re-issued, as such, the profit on only 300 shares will be transferred to Capital Reserve Account. This has been calculated as under:

As Profit on forfeiture of 500 shares = ₹ 12,500

Therefore, Profit on the forfeiture of 300 shares = $(₹ 12,500 \div 500) \times 300$
= ₹7,500

Transfer to Capital Reserve = ₹7,500

Q. 31. X Ltd. made an issue of 20,000 Equity Shares of ₹100 each, payable as follows:

	₹
On Application	25
On Allotment	25
On First Call	30
On Final Call	20

Shareholders holding 300 Equity Shares did not pay calls money and the shares were forfeited. 200 of the forfeited shares were reissued as fully paid at ₹60 per share.

Prepare journal entries, share capital account and forfeited shares account in the books of X Ltd.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Application A/c (Application money received)	Dr.	5,00,000	5,00,000
	Equity Share Application A/c To Equity Share Capital A/c (Application money transferred)	Dr.	5,00,000	5,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Allotment money due)	Dr.	5,00,000	5,00,000
	Bank A/c To Equity Share Allotment A/c (Amount received on allotment)	Dr.	5,00,000	5,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Amount due on first call on 20,000 shares)	Dr.	6,00,000	6,00,000
	Bank A/c To Equity Share First Call A/c (Amount received on first call on 19,700 shares @ ₹3 per share)	Dr.	5,91,000	5,91,000
	Equity Share Second & Final Call A/c To Equity Share Capital A/c (Amount due on Final call on 20,000 Shares)	Dr.	4,00,000	4,00,000
	Bank A/c To Equity Share Second & Final Call A/c (Amount received on final call on 19,700 shares @ ₹20 per share)	Dr.	3,94,000	3,94,000
	Equity Share Capital A/c To Equity Share First Call A/c To Equity Share Second & Final Call A/c To Forfeited Shares A/c (300 shares forfeited for non-payment of First Call and Final Call)	Dr.	30,000	15,000
	Bank A/c Forfeited Shares A/c To Equity Share Capital A/c (Re-issue of 200 shares @ ₹60 per share)	Dr. Dr.	12,000 8,000	20,000
	Forfeited Shares A/c To Capital Reserve A/c (Amount transferred to Capital Reserve A/c)		2,000	2,000

Dr.		EQUITY SHARE CAPITAL ACCOUNT				Cr.
Particulars	L.F.	₹	Particulars	L.F.	₹	
To Equity Share First Call A/c		9,000	By Equity Share Application A/c		5,00,000	
To Equity Share Second			By Equity Share			

Company Accounts — Issue of Shares

and Final Call A/c	6,000	Allotment A/c	5,00,000
To Forfeited Shares A/c	15,000	By Equity Share First Call	
To Balance c/d	19,90,000	A/c	6,00,000
		By Equity Share Second and Final Call A/c	4,00,000
		By Bank A/c	12,000
		By Forfeited Shares A/c	8,000
	20,20,000		20,20,000

Dr.		FORFEITED SHARES ACCOUNT				Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹		
To Equity Share Capital A/c		8,000	By Equity Share Capital A/c		15,000		
To Capital Reserve A/c		2,000					
To Balance c/d		5,000					
		15,000			15,000		

Working Notes:

Calculation of amount transferred to Capital Reserve:

As Profit on the forfeiture of 300 shares = ₹15,000

Therefore, Profit on 200 shares = $(₹15,000 \div 300) \times 200 = ₹10,000$

Less: Loss on the re-issue (200 x ₹40) = ₹ 8,000

Transfer to Capital Reserve ₹ 2,000

Balance left in Forfeited Shares Account:

As Profit on 300 forfeited shares = ₹ 15,000

Therefore, Profit on 100 unissued shares = $(₹15,000 \div 300) \times 100 = ₹5,000$

Q. 32. Z Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 10,000 shares of ₹ 100 each. The Company offered 5,000 of these shares to the public, which were payable ₹25 per share on application, ₹50 per share on allotment and the balance three months later. Applications for 7,100 shares were received on which the directors allotted as follows:

Applications for 4,000	Shares	Full
Applications for 3,000	Shares	1,000
Applications for 100	Shares	Nil

₹1,85,000 was realised on account of allotment money (excluding the amount carried from application money) and ₹1,15,000 on account of call. The Directors decided to forfeit those shares on which allotment money was overdue.

Show the entries in the company's books.

SOLUTION:

Company Accounts — Issue of Shares

Books of Z Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application money received on 7,100 @ ₹25 per share)		1,77,500	1,77,500
	Share Application A/c Dr. Dr. To Share Capital A/c To Share Allotment A/c (2,000 Shares x ₹25) To Bank A/c (100 Shares x ₹25) (Application money adjusted and surplus refunded)		1,77,500	1,25,000 50,000 2,500
	Share Allotment A/c Dr. Dr. To Share Capital A/c (Allotment money due on 5,000 shares @ ₹50 per share)		2,50,000	2,50,000
	Bank A/c Dr. To Share Allotment A/c (Allotment money received)		1,85,000	1,85,000
	Share First and Final Call A/c Dr. To Share Capital A/c (First and Final Call due on 5,000 shares @ ₹25 per share)		1,25,000	1,25,000
	Bank A/c Dr. To Share First and Final Call A/c (Money received on First and Final Call)		1,15,000	1,15,000
	Share Capital A/c Dr. To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Forfeiture of 300 shares for non-payment of allotment and first and final call)		30,000	15,000 7,500 7,500

Working Note: (1)

Calculation of number of shares on which allotment money is not received :

Total amount due on allotment: 5,000 Shares x ₹50	= 2,50,000
Less: Excess received on application (3,000 shares - 1,000 Shares) x ₹25	= 50,000
	2,00,000
Less: Allotment money received	1,85,000
Amount not received on allotment	15,000

Hence, number of shares on which allotment is not received = $15,000 \div ₹50 = 300$ shares

Company Accounts — Issue of Shares

Q. 33. W Ltd. issued 10,000 shares of ₹100 each. During the year only ₹80 were called payable as follows:

On Application	₹25
On Allotment	₹20
On 1st Call	₹20
On IInd Call	₹15
Amounts were received as follows :	
On 8,000 shares the full amount called	
On 1,200 shares ₹65 per share	
On 500 shares ₹45 per share	
On 300 shares ₹25 per share	

The directors forfeited those shares on which less than ₹65 per share were received. Show entries in the Cash Book and show the Share Capital in the Balance Sheet.

SOLUTION:

Dr.		CASH BOOK				Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹		
To Equity Share Application A/c (10,000x25)		2,50,000	By Balance c/d		7,48,000		
To Equity Share Allotment A/c (9,700 x 20)		1,94,000					
To Equity Share First Call A/c (9,200 x 20)		1,84,000					
To Equity Share Second & Final Call A/c (8,000 x 15)		1,20,000					
		7,48,000			7,48,000		

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Equity Share Application A/c	Dr.	2,50,000	
To Equity Share Capital A/c			2,50,000
(Amount received on Application transferred to Capital A/c)			
Equity Share Allotment A/c	Dr.	2,00,000	
To Equity Share Capital A/c			2,00,000
(Amount due on allotment)			
Equity Share first Call A/c »	Dr.	2,00,000	
To Equity Share Capital A/c			2,00,000
(Amount due on First Call)			
Equity Share Second & Final Call A/c	Dr.	1,50,000	
To Equity Share Capital A/c			1,50,000
(Amount due on Second Call)			
Equity Share Capital A/c (800 x 80)	Dr.	64,000	
To Equity Share Allotment A/c (300 x 20)			6,000
To Equity Share First Call A/c (800 x 20)			16,000

Company Accounts — Issue of Shares

To Equity Share Second & Final Call A/c (800 x 15)		12,000
To Share Forfeiture A/c		30,000
(Forfeiture of 800 shares on which less than ₹65 are received)		

EXTRACT OF BALANCE SHEET OF W LTD.

as at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	7,48,000	

Notes to Accounts:

	₹
(1) Share Capital:	
Authorised Capital:	
.... Equity Shares of ₹100 each	
Issued Capital:	
10,000 Equity Shares of ₹100 each	10,00,000
Subscribed but not fully paid Capital:	
9,200 Equity Shares of ₹100 each ₹80 Called up	7,36,000
Less : Calls in Arrears (2)	18,000
	7,18,000
Add: Share Forfeiture A/c	30,000
	7,48,000

(2) Calls in Arrears = ₹15 per share on 1,200 unforfeited shares.

Q. 34. 'Suvidha Ltd.' is registered with an authorized capital of ₹10,00,00,000 divided into 10,00,000 equity shares of ₹100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹20 per share. His shares were forfeited. The forfeited shares were re-issued at ₹90 per share as fully paid up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

(C.B.S.E. 2015, All India, Set I)

SOLUTION:

EXTRACT OF BALANCE SHEET OF SUVIDHA LTD.

as at.....

Particulars	Note No.	Current year	Previous year
I. EQUITY & LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital	1	1,00,00,000	

Company Accounts — Issue of Shares

Notes to Accounts:

	Particulars	₹
(1) Share Capital:	Authorised Capital: 10,00,000 Equity Shares of ₹ 100 each	10,00,00,000
	Issued Capital : 1,00,000 Equity Shares of ₹ 100 each	1,00,00,000
	Subscribed and Fully Paid Capital: 1,00,000 Equity shares of ₹ 100 each	1,00,00,000

Q. 35. David Ltd. issued ₹40,00,000 equity shares of ₹10 each out of its registered capital of ₹10,00,00,000. The amount payable on these shares was as follows:

On application ₹1 per share
On allotment ₹2 per share
On first call ₹3 per share

On second and final call ₹4 per share All calls were made and were duly received, except the second and final call on 1,000 shares held by Vipul. These shares were forfeited.

Present the 'Share Capital' in the Balance sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

(CBSE 2015, All India Set III)

SOLUTION:

EXTRACT OF BALANCE SHEET OF DAVID LTD.

as at.....

Particulars	Note No.	Current year	Previous year
EQUITY & LIABILITIES :		₹	₹
Shareholder's Funds :			
(1) Share Capital	1	39,96,000	

Notes to Accounts:

	Particulars	₹
(1) Share Capital:	Authorised Capital: 1,00,00,000 equity shares of ₹10 each	10,00,00,000
	Issued Capital 4,00,000 equity shares of ₹ 10 each	40,00,000
	Subscribed and Fully Paid Capital: 3,99,000 equity shares of ₹ 10 each 39,90,000	
	Add: Share Forfeited A/c 6,000	39,96,000

Q. 36. On 1st April, 2014, Blue Heaven Ltd. was formed with an authorised capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 1,50,000 equity shares. The company received applications for 1,40,000 equity shares. During the first year, ₹7 per share were called. Arun holding 4,000 shares and Varun holding 3,000 shares did not pay the first call of ₹2 per share. Varun's

Company Accounts — Issue of Shares

shares were forfeited after the first call and later on 1,800 of the forfeited shares were re-issued at ₹5 per share, ₹7 called up.

Show the following:

Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same.

SOLUTION:

EXTRACT OF BALANCE SHEET OF BLUE HEAVEN LTD. as at 31st March, 2015

Particulars	Note No.	31.3.2015	31.3.2014
I. EQUITY AND LIABILITIES :			
Shareholder's Funds			
(a) Share Capital	1	₹ 9,69,600	₹

Notes to Accounts :

Particulars	₹
(1) Share Capital:	
Authorised Capital:	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
Issued Capital:	
1,50,000 Equity Shares of ₹ 10 each	15,00,000
Subscribed but not fully paid Capital:	
1,38,800 Shares of ₹10 each, ₹7 Called up	9,71,600
Less : Calls in Arrears (4,000 x ₹2)	8,000
	9,63,600
Add: Share Forfeiture A/c	6,000
	9,69,600

Q. 37.

A, who holds 200 shares of ₹100 each, has paid only ₹25 per share as application money.

B, who holds 300 shares of ₹ 100 each, has paid ₹25 per share on application and 30 per share on allotment.

C, who holds 400 shares of ₹ 100 each, has paid ₹25 per share on application, 30 per share on allotment and ₹20 per share on first call.

They failed to pay their arrears and the final call. Their shares were forfeited and re-issued at ₹95 per share. Prepare necessary journal entries.

SOLUTION:

CALCULATION TABLE

	Application ₹25	Allotment ₹30	First Call ₹20	Final Call ₹25
A 200 Shares	5,000	*6,000	*4,000	*5,000
B 300 Shares	7,500	9,000	*6,000	*7,500
C 400 Shares	10,000	12,000	8,000	*10,000

Amount Received	22,500	21,000	8,000	—
Amount not Received	—	*6,000	*10,000	*22,500

*Calls not paid.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		90,000	
	To Share Allotment A/c			6,000
	To Share First Call A/c			10,000
	To Share Final Call A/c			22,500
	To Share Forfeiture A/c			51,500
	(900 shares forfeited)			
	Bank A/c Dr.		85,500	
	Share forfeiture A/c Dr.		4,500	
	To Share Capital A/c			90,000
	(Reissue of 900 shares @ ₹95 per share)			
	Share Forfeiture A/c Dr.		47,000	
	To Capital Reserve A/c			47,000
	(Transfer of the balance of Forfeiture A/c to Capital Reserve A/c)			

Q. 38. Pass journal entries for the forfeiture and re-issue in the following cases:

(i) A Ltd. forfeited 100 shares of ₹10 each fully called-up for non-payment of first call of ₹3 per share and final call of ₹3 per share. All of these shares were re-issued as fully paid for ₹10 per share.

(ii) B Ltd. forfeited 400 shares of ₹10 each fully called-up for non-payment of final call of ₹3 per share. 300 of these shares were re-issued as fully paid for ₹8 per share.

(iii) C Ltd. forfeited 700 shares of ₹10 each fully called-up on which the holder has paid application money @ ₹3 and allotment money @ ₹2 per share. Out of these, 300 shares were re-issued as fully paid @ ₹7 per share.

(iv) D Ltd. forfeited 1,000 shares of ₹10 each fully called-up on which the holder has paid only the application money @ ₹3 per share. Out of these, 600 shares were re-issued at ₹10.50 per share, fully paid up.

SOLUTION :

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Case				
(i)	Share Capital A/c Dr.		1,000	
	To Share First Call A/c			300
	To Share Final Call A/c			300
	To Share Forfeiture A/c			400
	(Forfeiture of 100 shares for non payment of calls)			
	Bank A/c Dr.		1,000	
	To Share Capital A/c			1,000
	(Re-issue of 100 shares @ ₹ 10 per share)			

Company Accounts — Issue of Shares

Case (i)	Share Forfeiture A/c	Dr.	400	
	To Capital Reserve A/c			400
	(Profit on forfeiture transferred to Capital Reserve A/c)			
	<hr/>			
Case (ii)	Share Capital A/c	Dr.	4,000	
	To Share Final Call A/c			1,200
	To Share Forfeiture A/c			2,800
	(Forfeiture of 400 shares)			
Case (ii)	Bank A/c	Dr.	2,400	
	Share Forfeiture A/c	Dr.	600	
	To Share Capital A/c			3,000
	(Re-issue of 300 shares @ ₹8 per share)			
Case (ii)	Share Forfeiture A/c	Dr.	1,500(1)	
	To Capital Reserve A/c			1,500
	(Amount transferred to Capital Reserve A/c)			
	<hr/>			
Case (iii)	Share Capital A/c	Dr.	7,000	
	To Calls in Arrears A/c			3,500
	To Share Forfeiture A/c			3,500
	(Forfeiture of 700 shares)			
Case (iii)	Bank A/c	Dr.	2,100	
	Share Forfeiture A/c	Dr.	900	
	To Share Capital A/c			3,000
	(Re-issue of 300 shares @ ₹7 per share)			
Case (iii)	Share Forfeiture A/c	Dr.	600(2)	
	To Capital Reserve A/c			600
	(Amount of profit transferred to Capital Reserve A/c)			
	<hr/>			
Case (iv)	Share Capital A/c	Dr.	10,000	
	To Calls in Arrears A/c			7,000
	To Share Forfeiture A/c			3,000
	(Forfeiture of 1,000 shares)			
Case (iv)	Bank A/c	Dr.	6,300	
	To Share Capital A/c			6,000
	To Securities Premium Reserve A/c			300
	(600 shares reissue @ ₹ 10.50)			
Case (iv)	Share forfeiture A/c (3,000 × 600 ÷ 1000)	Dr.	1,800	
	To Capital Reserve A/c			1,800
	(Amount transferred to Capital Reserve A/c)			
	<hr/>			

Note: (1)

$$₹2,800 \times (300 \div 400) = ₹2,100$$

$$₹2,100 - ₹600 = ₹1,500$$

Company Accounts — Issue of Shares

$$(2) ₹3,500 \times (300 \div 700) = ₹1,500$$

$$₹1,500 - ₹900 = ₹600$$

Q. 39. Pass journal entries for the forfeiture and re-issue in the following cases:

X Ltd. forfeited 700 shares of Ashok of ₹ 10 each ₹8 called-up, on which he had paid ₹5 per share. Out of these, 500 shares were re-issued for ₹9 per share as fully paid.

T Ltd. forfeited 400 shares of ₹10 each, ₹6 called-up, for non-payment of first call of per share. Out of these, 300 shares were immediately re-issued at ₹5 per share.

Z Ltd. forfeited 300 shares of ₹100 each on which first call of ₹20 per share was not received, the second and final call of ₹30 per share has not yet been called. Out of these, 200 shares were re-issued as ₹70 paid-up for ₹55 per share.

SOLUTION:

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Share Capital A/c (700 Shares x ₹8) Dr.		5,600	
To Calls in Arrear A/c (700 x ₹3)			2,100
To Share Forfeiture A/c (700 x ₹5)			3,500
(Forfeiture of 700 shares of Ashok)			
Bank A/c Dr.		4,500	
Share Forfeiture A/c Dr.		500	
To Share Capital A/c			5,000
(Re-issue of 500 shares @ ₹9 per share fully paid)			
Share Forfeiture A/c Dr.		2,000(1)	
To Capital Reserve A/c			2,000
(Profit on 500 re-issued shares transferred to Capital Reserve)			
Share Capital A/c (400 Shares x ₹6) Dr.		2,400	
To Share First Call A/c (400 x ₹2)			800
To Share Forfeiture A/c (400 x ₹4)			1,600
(Forfeiture of 400 shares)			
Bank A/c Dr.		1,500	
Share Forfeiture A/c Dr.		300	
To Share Capital A/c			1,800
(Re-issue of 300 shares at ₹5 per share; Loss of ₹1 Per share (i.e., ₹6 called up - ₹5) debited to Forfeiture A/c)			
Share Forfeiture A/c Dr.		900(2)	
To Capital Reserve A/c			900
(Profit on 300 re-issued shares transferred to Capital Reserve A/c)			
Share Capital A/c (300 Shares x ₹70) Dr.		21,000	
To Share First Call A/c (300 Shares x ₹20)			6,000
To Share Forfeiture A/c (300 Shares x ₹50)			15,000
(Forfeiture of 300 shares)			

Company Accounts — Issue of Shares

Bank A/c Dr. Share Forfeiture A/c To Share Capital A/c (Re-issue of 200 shares at ₹55 per share, loss of ₹15 per share (i.e., ₹70 called up - ₹55) debited to Forfeiture A/c)	Dr.		11,000 3,000		14,000
Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on 200 re-issued shares transferred to Capital Reserve A/c)	Dr.		7,000(3)		7,000

Notes :

(1) Profit on 700 shares = ₹3,500	₹
Hence, Profit on 500 shares = $(3,500 \div 700) \times 500 = 2,500$	
Less : Loss on Re-issue : 500 shares x ₹ 1	= 500
Transferred to Capital Reserve	<u>= 2,000</u>
(2) Profit on 400 shares = ₹ 1,600	
Hence, Profit on 300 shares = $(1,600 \div 400) \times 300 =$	
400	1,200
Less : Loss on Re-issue: 300 shares x ₹ 1	= 300
Transferred to Capital Reserve	<u>= 900</u>
(3) Profit on 300 shares = ₹ 15,000	
Hence, profit on 200 shares = $(15,000 \div 300) \times 200 = 10,000$	
Less : Loss on Re-issue : 200 shares x ₹ 15	= 3,000
Transferred to Capital Reserve	<u>= 7,000</u>

Q. 40. Journalise the following:

- (i) A Ltd. forfeited 1,000 shares of ₹10 each, ₹8 paid, for non-payment of final call of ₹2 per share. Out of these, 400 shares were re-issued as fully paid-up in such a way that ₹2,000 should be transferred to Capital reserve.
- (ii) B Ltd. forfeited 1,000 shares of ₹10 each, ₹8 called-up, for non-payment of Allotment of ₹2.50 per share and first call of ₹3 per share. Out of these, 400 shares were re-issued for ₹7 per share as ₹8 paid-up.
- (iii) C Ltd. forfeited 300 shares of ₹10 each on which ₹7 has been called and ₹5 has been paid. Out of these, 100 shares are re-issued for ₹6 per share as ₹7 paid-up.

SOLUTION:

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Share Capital A/c	Dr.		10,000	
	To Share Final Call A/c				2,000
	To Share Forfeiture A/c (1,000 shares forfeited)				8,000
	Bank A/c (Note 1)	Dr.		2,800	
	Share Forfeiture A/c			1,200	
	To Share Capital A c				4,000
	(400 shares reissued @ ₹7 per share fully paid)				

Company Accounts — Issue of Shares

The company forfeits the shares of the above shareholders who have not paid the arrears and re-issued 600 of these shares at a discount of 20%. Journalise the above transactions including entries relating to Bank in the books of Paliwal Exports Ltd.

SOLUTION:

CALCULATION TABLE

	Application ₹15	Allotment ₹15	First Call ₹10	Second Call ₹10
A 200 Shares	3,000	*3,000	*2,000	*2,000
B 300 Shares	4,500	4,500	*3,000	*3,000
C 400 Shares	6,000	6,000	4,000	*4,000
Amount not Received on 900 Shares	—	3,000	5,000	9,000
Amount Received on 900 Shares	13,500	10,500	4,000	—

* Calls not paid.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Application A/c (Amount received on Application)	Dr.	3,00,000	3,00,000
	Share Application A/c To Share Capital A/c (Amount received on Application transferred to Share Capital A/c)	Dr.	3,00,000	3,00,000
	Share Allotment A/c To Share Capital A/c (Money due on allotment)	Dr.	3,00,000	3,00,000
	Bank A/c To Share Allotment A/c (Money received on allotment)	Dr.	2,97,000	2,97,000
	Share First Call A/c To Share Capital A/c (Money due on First Call)	Dr.	2,00,000	2,00,000
	Bank A/c To Share First Call A/c (Money received on First Call)	Dr.	1,95,000	1,95,000
	Share Second Call A/c To Share Capital A/c (Money due on Second Call)	Dr.	2,00,000	2,00,000
	Bank A/c To Share Second Call A/c (Money received on Second Call)	Dr.	1,91,000	1,91,000
	Share Capital A/c To Share Allotment A/c To Share First Call A/c To Share Second Call A/c To Share Forfeiture A/c (900 shares forfeited)	Dr.	45,000	3,000 5,000 9,000 28,000

Company Accounts — Issue of Shares

Bank A/c ' Dr.	24,000		
Share Forfeiture A/c	6,000		30,000
To Share Capital A/c			
(600 shares re-issued at 20% discount)			

Forfeiture of Shares Issued at Premium

Q. 42. Accountancy Publication Ltd. issued 50,000 equity shares of ₹10 each at a premium of 10% payable as under:

- On Application ₹3;
- On Allotment ₹4 (Premium ₹1);
- On First Call ₹2;
- And On Final Call ₹2.

The whole of the issue was called for by the company and all the money were duly received except the allotment and calls money on 500 shares. These shares were, therefore, forfeited and later on re-issued at ₹9 per share as fully paid. Pass the necessary journal entries to record the above transactions.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,50,000	
	To Share Application A/c			1,50,000
	(Application money received)			
	Share Application A/c Dr.		1,50,000	
	To Share Capital A/c			1,50,000
	(Transfer of Application money to Share Capital A/c)			
	Share Allotment A/c Dr.		2,00,000	
	To Share Capital A/c			1,50,000
	To Securities Premium Reserve A/c			50,000
	(Allotment due)			
	Bank A/c Dr.		1,98,000	
	To Share Allotment A/c			1,98,000
	(Amount received on Allotment on 49,500 shares)			
	Share First Call A/c Dr.		1,00,000	
	To Share Capital A/c			1,00,000
	(First Call due)			
	Bank A/c Dr.		99,000	
	To Share First Call A/c			99,000
	(Amount received on First Call on 49,500 shares)			
	Share Final Call A/c Dr.		1,00,000	
	To Share Capital A/c			1,00,000
	(Final Call due)			

Company Accounts — Issue of Shares

Bank A/c	Dr.	99,000	
To Share Final Call A/c			99,000
(Amount received on Final Call on 49,500 shares)			
Share Capital A/c	Dr.	5,000	
Securities Premium Reserve A/c	Dr.	500	
To Share Allotment A/c			2,000
To Share First Call A/c			1,000
To Share Final Call A/c			1,000
To Share Forfeiture A/c			1,500
(500 shares forfeited for non-payment of Allotment and First & Final Call money)			
Bank A/c	Dr.	4,500	
Share Forfeiture A/c	Dr.	500	
To Share Capital A/c			5,000
(500 shares re-issued @ ₹9 per share)			
Share Forfeiture A/c	Dr.	1,000	
To Capital Reserve A/c			1,000
(Balance of Forfeiture A/c. transferred to Capital Reserve A/c)			

Hint: (1) Allotment money on 500 forfeited shares has not been received and as the premium was also due on allotment, therefore, premium also has not been received. As such, Securities Premium Account has been debited in the entry for forfeiture of shares.

Q. 43. X Ltd. issued a prospectus offering 2,00,000 shares of ₹10 each at ₹14 per share, payable as follows :

On Application	₹4
On Allotment	₹6 (including premium ₹4)
On First Call	₹3
On Final Call	Balance

Dinesh, the holder of 1,000 shares, did not pay the amount due on allotment and first call. His shares were forfeited and 400 of these shares were immediately re-issued credited ₹9 paid for ₹8.40 per share.

Final call was made afterwards and it was duly received.

Show entries in the Cash Book and the Journal of the company.

SOLUTION:

Dr.		CASH BOOK			Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹	
To Share Application A/c		8,00,000	By Balance c/d		27,93,760	
To Share Allotment A/c (1,99,000 shares @ ₹6)		11,94,000				
To Share First Call A/c (1,99,000 shares @ ₹3)		5,97,000				
To Share Capital A/c						

Company Accounts — Issue of Shares

(400 shares @ ₹8.40)	3,360		
To Share Final Call A/c			
(1,99,400 shares x ₹ 1)	1,99,400		
	27,93,760		27,93,760

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c To Share Capital A/c (Money transferred to Share Capital A/c)	Dr.	8,00,000	8,00,000
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Money due on Share Allotment)	Dr.	12,00,000	4,00,000 8,00,000
	Share First Call A/c To Share Capital A/c (Money due on First Call)	Dr.	6,00,000	6,00,000
	Share Capital A/c (1,000 Shares x ₹9 Called up) Securities Premium Reserve A/c (1,000 x ₹4) To Share Allotment A/c (1,000 x ₹6) To Share First Call A/c (1,000 x ₹3) To Share Forfeiture A/c (1,000 x ₹4) (1,000 shares of Dinesh forfeited for non-payment of allotment money and calls)	Dr. Dr.	9,000 4,000	6,000 3,000 4,000
	Share Forfeiture A/c To Share Capital A c (Loss of ₹0.60 on the reissue of 400 shares)	Dr.	240	240
	Share Forfeiture A c To Capital Reserve A c (Transfer of profit on re-issue of 400 shares)	Dr.	1,360	1,360
	Share Final Call A/c To Share Capital A/c (Final call due on 1,99,400 shares)	Dr.	1,99,400	1,99,400

BALANCE SHEET OF X LTD.

as at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	19,96,400	
(b) Reserves and Surplus	2	7,97,360	
		27,93,760	
II. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	27,93,760	

Company Accounts — Issue of Shares

Notes to Accounts :

	₹
(1) Share Capital:	
Issued :	
2,00,000 shares of ₹10 each	20,00,000
Subscribed and Fully paid up:	
1,99,400 shares of ₹ 10 each	19,94,000
Add: Share Forfeiture A/c	2,400
	19,96,400
(2) Reserves & Surplus :	
Capital Reserve Securities Premium Reserve	1,360
	7,96,000
	7,97,360
(3) Cash and Cash Equivalents :	
Cash at Bank	27,93,760

Q. 44. Vikram Ltd. issued 50,000 shares of ₹10 each at a premium of ₹1 per share payable as follows:

₹3 on Application

₹4 on Allotment (including premium)

₹2 on 1st Call Balance when required

Applications were received for 46,000 shares and all of these were accepted. Directors did not make the final call. A shareholder holding 800 shares did not pay the amount due on first call. The shares were forfeited and re-issued at ₹7 per share, ₹8 per share paid.

Pass Cash Book and Journal Entries.

SOLUTION :

Dr.		CASH BOOK				Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹		
To Share Application A/c		1,38,000	By Balance c/d		4,18,000		
To Share Allotment A/c		1,84,000					
To Share First Call A/c		90,400					
To Share Capital A/c		5,600					
		4,18,000			4,18,000		

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c	Dr.	1,38,000	
	To Share Capital A/c			1,38,000
	(Money transferred to Share Capital A/c)			
	Share Allotment A/c	Dr.	1,84,000	
	To Share Capital A/c			1,38,000
	To Securities Premium Reserve A/c			46,000
	(Money due on Share Allotment)			
	Share First Call A/c	Dr.	92,000	
	To Share Capital A/c			92,000
	(Money due on First Call)			

Company Accounts — Issue of Shares

Share Capital A/c (800 x ₹8) Dr.	6,400	
To Share First Call A/c		1,600
To Share Forfeiture A/c		4,800
(800 Shares Forfeited)		
Share Forfeited A/c Dr.	800	
To Share Capital A/c		800
(800 Shares re-issued at ₹1 per Share, ₹8 per share paid)		
Share Forfeiture A/c Dr.	4,000	
To Capital Reserve A/c		4,000
(Profit relating to 800 Shares transferred to Capital Reserve A/c)		

Q. 45. Give journal entries for forfeiture and re-issue of shares:

(a) X Ltd. forfeited 500 shares of ₹100 each, ₹75 called-up, issued at 10% premium (to be paid at the time of allotment) for non-payment of a first call of ₹20 per share. Out of these, 200 shares were re-issued as ₹75 paid-up for ₹60 per share.

(b) X Ltd. forfeited 300 shares of ₹ 100 each, ₹75 called-up, issued at 10% premium (to be paid at the time of allotment) for non-payment of allotment money of ₹30 per share (including premium) and first call of ₹20 per share. Out of these, 100 shares were re-issued as fully paid-up in such a way that ₹3,100 were transferred to Capital reserve.

SOLUTION:

(a)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		37,500	
	To Share First Call A/c			10,000
	To Share Forfeiture A/c			27,500
	(Forfeiture of 500 shares)			
	Bank A/c Dr. Dr.		12,000	
	Share Forfeiture A/c Dr. Dr.		3,000	
	To Share Capital A/c			15,000
	(Re-issue of 200 shares @ ₹60 each at ₹75 paid up)			
	Share Forfeiture A/c Dr. Dr.		8,000(1)	
	To Capital Reserve A/c			8,000
	(Profit on 200 re-issued shares transferred to Capital Reserve)			

Note (1): As Profit on 500 shares = ₹27,500 ₹

Therefore, profit on 200 shares
 = (₹27,500 ÷ 500) × 200 = 11,000
Less: Loss on re-issue = 3,000
 Transferred to Capital Reserve 8,000

Company Accounts — Issue of Shares

(b)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		22,500	
	Securities Premium Reserve A/c Dr.		3,000	
	To Share Allotment A/c			9,000
	To Share First Call A/c			6,000
	To Share Forfeiture A/c			10,500
	(Forfeiture of 300 shares)			
	Bank A/c(2) Dr.		9,600	
	Share Forfeiture A/c Dr.		400	
	To Share Capital A/c			10,000
	(Re-issue of 100 shares @ ₹96 each)			
	Share Forfeiture A/c Dr.		3,100	
	To Capital Reserve A/c			3,100
	(Profit on 100 re-issued shares transferred to Capital Reserve)			

Note	As Profit on 300 shares =	₹ 10,500		₹
(2):	Therefore, profit on 100 shares =	$(₹ 10,500 \div 300) \times 100$	= 3,500	
	Less : Transferred to Capital Reserve Loss on Re-issue		= 3,100	
				<u>400</u>
	Per Share Loss on Re-issue =	$(₹400 \div 100) = ₹4$		
	Re-issue Price = ₹100 - ₹4 = ₹96			

Q. 46. Journalise the following:

(a) Y Ltd. forfeited 400 shares of ₹100 each, issued at a premium of ₹5 per share (to be paid at the time of allotment) for non-payment of a first call of ₹20 per share. The second and final call of ₹20 has not yet been called. Out of these, 100 shares were re-issued on fully paid-up for ₹110 per share.

(b) Y Ltd. forfeited 700 shares of ₹100 each, issued at a premium of ₹5 per share for non-payment of allotment money of ₹35 per share (including premium) and first call of ₹20 per share. The second and final call of ₹20 has not yet been called. 500 of these shares were re-issued as ₹80 paid-up for ₹92 per share.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Share Capital A/c (400 x ₹80) Dr.		32,000	
	To Share First Call A/c (400 x ₹20)			8,000
	To Share Forfeiture A/c (400 x ₹60)			24,000
	(Forfeiture of 400 shares)			
	Bank A/c Dr.		11,000	
	To Share Capital A/c			10,000
	To Securities Premium Reserve A/c			1,000
	(Re-issue of 100 shares @ ₹110 per share)			

Company Accounts — Issue of Shares

	Share Forfeiture A/c	Dr.	6,000	
	To Capital Reserve A/c			6,000
	(Profit on 100 re-issued shares transferred to the Capital Reserve)			
(b)	Share Capital A/c	Dr.	56,000	
	Securities Premium Reserve A/c	Dr.	3,500	
	To Share Allotment A/c			24,500
	To Share First Call A/c			14,000
	To Share Forfeiture A/c			21,000
	(Forfeiture of 700 shares)			
	Bank A/c	Dr.	46,000	
	To Share Capital A/c			40,000
	To Securities Premium Reserve A/c			6,000
	(Re-issue of 500 shares as ₹80 paid up for ₹92 per share)			
	Share Forfeiture A/c	Dr.	15,000	
	To Capital Reserve A/c			15,000
	(Profit on 500 re-issued shares transferred to the Capital Reserve)			

Q. 47. Luxury Cars Ltd. invited applications for issuing 10,000 equity shares of ₹50 each at a premium of ₹100 per share. The amount was payable as follows:

On application — ₹75 per share (including ₹50 premium)

On allotment — The balance

The issue was fully subscribed. A shareholder holding 400 shares paid his entire share money at the time of application. Another shareholder holding 300 shares did not pay the allotment money. His shares were forfeited. The forfeited shares were later on re-issued for ₹90 per share as fully paid up.

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

(CBSE 2015, All India)

SOLUTION:

Books of Luxury Cars Ltd.

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Bank A/c Dr.		7,80,000	
To Equity Share Application A/c			7,80,000
(Application money received with premium from applicants of 10,000 shares)			
Equity Share Application A/c Dr.		7,80,000	
To Equity Share Capital A/c			2,50,000
To Equity Share Allotment A/c			30,000
To Securities Premium Reserve A/c			5,00,000
(Application money transferred to share capital and surplus adjusted on allotment)			
Equity Share Allotment A/c Dr.		7,50,000	
To Equity Share Capital A/c			2,50,000
To Securities Premium Reserve A/c			5,00,000

Company Accounts — Issue of Shares

(Allotment money due with premium)		
Bank A/c [^] Dr.	6,97,500	
To Equity Share Allotment A/c		6,97,500
(Allotment money received)		
Equity Share Capital A/c Dr.	15,000	
Securities Premium Reserve A/c Dr.	15,000	
To Equity Share Allotment A/c		22,500
To Share Forfeiture A/c		7,500
(300 shares forfeited due to non-payment of allotment money)		
Bank A/c Dr.	27,000	
To Equity Share Capital A/c		15,000
To Securities Premium Reserve A/c		12,000
(300 shares reissued for ₹90 per share fully paid up)		
Share Forfeiture A/c Dr.	7,500	
To Capital Reserve A/c		7,500
(Profit on reissue transferred to capital reserve)		

Working Notes:

(1) Net Amount received on Allotment:

	₹	
	7,50,000	
Less: Excess received alongwith application	30,000	
	7,20,000	
Less: Calls in Arrears	22,500	
	6,97,500	

Q. 48. A Co. Ltd. offered to the public 20,000 equity shares of ₹100 each at a premium of ₹10 per share. The payment was to be as follows:

On Application	₹30 per share
On Allotment	₹30 per share (including premium)
On First Call	₹25 per share
On Second & Final Call	₹25 per share

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 re-issued as fully paid at ₹80 per share.

Expenses of issue came to ₹10,000.

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

SOLUTION:

CASH BOOK					
Dr.				Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c		10,50,000	By Share Application A/c		3,00,000
To Share Allotment A/c		4,50,000	By Share Issue Expenses		
To Share First Call A/c		4,87,500	A/c		10,000

Company Accounts — Issue of Shares

To Share Second and Final Call A/c	4,87,500	By Balance c/d	21,81,000
To Share Capital A/c (200 shares x ₹80)	16,000		
	24,91,000		24,91,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		7,50,000	
	To Share Capital A/c			6,00,000
	To Share Allotment A/c			1,50,000
	(Application money transferred)			
	Share Allotment A/c Dr.		6,00,000	
	To Share Capital A/c			4,00,000
	To Securities Premium Reserve A/c			2,00,000
	(Money due on Allotment)			
	Share First Call A/c		5,00,000	
	To Share Capital A/c			5,00,000
	(Money due on First Call)			
	Share Second and Final Call A/c		5,00,000	
	To Share Capital A/c			5,00,000
	(Money due on Second Call)			
	Share Capital A/c		50,000	
	To Share First Call A/c			12,500
	To Share Second & Final Call A/c			25,000
	To Share Forfeiture A/c			
	(Forfeiture of 500 shares)			
	Share Forfeiture A/c (200 shares x ₹20)		4,000	
	To Share Capital A/c			4,000
	(Re-issue of 200 shares)			
	Share Forfeiture A/c [(25,000 × (200 ÷ 500)) - 4,000]		6,000	
	To Capital Reserve A/c			6,000
	(Profit on 200 shares reissued transferred to Capital Reserve A/c)			

BALANCE SHEET OF A CO. LTD.			
as at.....			
Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	19,85,000	

Company Accounts — Issue of Shares

(b) Reserves and Surplus	2	1,96,000	
II. ASSETS :		21,81,000	
Current Assets :			
Cash and Cash Equivalents	3	21,81,000	

Notes to Accounts :	
(1) Share Capital:	
Authorised :	
Issued :	
20,000 shares of ₹ 100 each fully paid	20,00,000
Subscribed & Fully Paid Capital	
19,700 Shares of ₹ 100 each fully paid 19,70,000	
Add: Share Forfeiture A/c 15,000	19,85,000
(2) Reserves & Surplus :	
Capital Reserve A/c	6,000
Securities Premium Reserve A/c	1,90,000
	1,96,000
(3) Cash and Cash Equivalents :	
Cash at Bank	21,81,000

Q. 49. On March 1, 2016, the Directors of Sahara Ltd. issued 10,000 Equity Shares of ₹100 each at ₹125 per share, payable ₹50 on application (including premium), ₹45 on allotment and the balance on 1st June, 2016.

The lists closed on March 10, 2016 by which date applications for 16,000 shares were received. Of the cash received, ₹50,000 was returned and ₹2,50,000 was applied to the amount due on allotment, the balance of which was paid on March 16, 2016.

Call money was received on 1st June, 2016 with the exception of one allotted of 200 shares. These shares were forfeited on October 15, 2016 and reissued as fully paid at ₹110 per share on December 3, 2016.

Record necessary journal entries in the books of Sahara Ltd. using a joint account of application and allotment.

SOLUTION:

Books of Sahara Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016	Bank A/c	Dr.	8,00,000	
March 10	To Equity Share Application and Allotment A/c (Amount received on application for 16,000 shares @ ₹50 per share including premium)			8,00,000

Company Accounts — Issue of Shares

March 16	Equity Share Application and Allotment A/c Dr. (10,000 x ₹95) To Equity Share Capital A/c (10,000 x ₹70) To Securities Premium Reserve A/c (10,000 x ₹25) (Transfer of application and allotment amount to share capital and securities premium account)	Dr.	9,50,000	
				7,00,000
				2,50,000
March 16	Equity Share Application and Allotment A/c Dr. To Bank A/c (Application money refunded on 1,000 shares @ ₹50 per share)	Dr.	50,000	50,000
March 16	Bank A/c Dr. To Equity Share Application and Allotment A/c (Amount received on allotment on 10,000 shares @ ₹45 = ₹4,50,000 less ₹2,50,000 received in excess on applications)	Dr.	2,00,000	2,00,000
June 1	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First Call money due on 10,000 shares @ ₹30 per share)	Dr.	3,00,000	3,00,000
June 1	Bank A/c Dr. To Equity Share First and Final Call A/c (Money received on first call)	Dr.	2,94,000	2,94,000
Oct. 15	Equity Share Capital A/c Dr. To Equity Share First and Final Call A/c To Share Forfeited A/c (Forfeiture of 200 shares for non-payment of call)	Dr.	20,000	6,000 14,000
Dec. 3	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Re-issue of 200 forfeited shares @ ₹110 per share)	Dr.	22,000	20,000 2,000
Dec. 3	Share Forfeited A/c Dr. To Capital Reserve A/c (Balance of share forfeiture account transferred to Capital Reserve)	Dr.	14,000	14,000

Q. 50. Elite Ltd. invited applications from public for 5,00,000 equity shares of ₹10 each issued at ₹11 per share. The payment was to be made as follows:

₹3 on Application;

₹4 on Allotment (including premium); and ₹4 on call.

Applications for 6,50,000 shares were received. Allotment of shares was made as follows:

(i) 100% shares to applicants of 4,00,000 shares;

(ii) 50% shares to applicants of 2,00,000 shares;

(iii) No allotment to applicants of 50,000 shares.

A shareholder to whom 500 shares were allotted under category (i) paid full amount due on shares along with allotment money. Another shareholder holding 1,000 shares failed to pay

Company Accounts — Issue of Shares

the amount due on call. His shares were forfeited and 800 of these shares were subsequently re-issued as fully paid-up @ ₹8 per share.

Pass the journal entries and give Balance Sheet of the company.

SOLUTION :

Books of Elite Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 6,50,000 shares)		19,50,000	19,50,000
	Equity Share Application A/c To Equity Share Dr. Capital A/c To Equity Share Allotment A/c To Bank A/c (Application money transferred)		19,50,000	15,00,000 3,00,000(4) 1,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 5,00,000 shares @ ₹4 including premium @ ₹ 1 per share)		20,00,000	15,00,000 5,00,000
	Bank A/c Dr. To Equity Share Allotment A/c To Calls in Advance A/c (Allotment money received: 20,00,000 Less: Already received 3,00,000 17,00,000 Add: Received in advance 2,000 17,02,000)		17,02,000	17,00,000 2,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Call due on 5,00,000 shares @ ₹4 per share)		20,00,000	20,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (First Call money received)		19,94,000 2,000	19,96,000
	Equity Share Capital A/c Dr. To Equity Share Call A/c To Share Forfeiture A/c (Forfeiture of 1,000 shares for non-payment of call)		10,000	4,000 6,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (800 shares re-issued at ₹8 per share fully paid)		6,400 1,600	8,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Transfer of profit on re-issue)		3,200	3,200

Company Accounts — Issue of Shares

BALANCE SHEET OF ELITE LTD. as at.....			
Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	49,99,200	
(b) Reserves and Surplus	2	5,03,200	
		55,02,400	
II. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	55,02,400	

Notes to Accounts :

	₹
(1) Share Capital:	
Issued Capital:	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
Subscribed and Fully Paid Capital:	
4,99,800 Equity Shares of ₹ 10 each	49,98,000
Add: Share Forfeiture A/c	1,200
	49,99,200
(2) Reserves & Surplus :	
Capital Reserve A/c	3,200
Securities Premium Reserve A/c	5,00,000
	5,03,200
(3) Cash and Cash Equivalentents :	
Cash at Bank	55,02,400

(4) Allotment was made as follows:		Shares Allotted
(i) To the Applicants of	4,00,000 shares	4,00,000
(ii) To the Applicants of	2,00,000 shares	1,00,000
(iii) To the Applicants of	50,000 shares	NIL
	6,50,000	5,00,000
Excess money received from the applicants of 2,00,000 shares = 1,00,000x ₹3		Total Amount Adjusted on Allotment
		3,00,000

Q. 51. R.K. Ltd. invited applications for issuing 70,000 Equity Shares of ₹10 each at a premium of ₹35 per share. The amount was payable as follows:

On Application	₹15 (including ₹12 premium)
On Allotment	₹10 (including ₹8 premium)
On First and Final Call	Balance

Company Accounts — Issue of Shares

Applications for 65,000 shares were received and allotment was made to all the applicants. A shareholder, Ram, who was allotted 2,000 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Sohan, who had 3,000 shares, failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares, 4,000 shares were re-issued at ₹50 per share fully paid up. The re-issued shares included all the shares of Ram.

Pass necessary journal entries for the above transactions in the books of R.K. Ltd.

(C.B.S.E. 2012, Outside Delhi)

SOLUTION :

In the Books of R.K. Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 65,000 Shares @ ₹15 per Share)		9,75,000	9,75,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Transfer of application money)		9,75,000	1,95,000 7,80,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment money due on 65,000 shares @ ₹ 10 per share)		6,50,000	1,30,000 5,20,000
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received on 63,000 shares)		6,30,000	6,30,000
	Equity Share Capital A/c (2,000 x ₹5) Dr. Securities Premium A/c (2,000 x ₹8) Dr. To Equity Share Allotment A/c (2,000 x ₹10) To Forfeited Shares A/c (2,000 x ₹3) (2,000 shares forfeited due to non-payment of allotment money)		10,000 16,000	20,000 6,000
	Equity Share First & Final Call A/c (63,000 x ₹20) Dr. To Equity Share Capital A/c (63,000 x ₹5) To Securities Premium Reserve A/c (63,000 x ₹15) (Amount due on first and final call)		12,60,000	3,15,000 9,45,000
	Bank A/c Dr. To Equity Share First & Final Call A/c (First and Final Call received on 60,000 shares)		12,00,000	12,00,000

Company Accounts — Issue of Shares

Equity Share Capital A/c	Dr.		30,000	
Securities Premium Reserve A/c	Dr.		45,000	
To Equity Share First & Final Call A/c				
To Forfeited Shares A/c				60,000
(3,000 shares forfeited)				15,000
Bank A/c	Dr.		2,00,000	
To Equity Share Capital A/c				40,000
To Securities Premium Reserve A/c				1,60,000
(4,000 forfeited shares re-issued)				
Forfeited Shares A/c	Dr.		16,000	
To Capital Reserve A/c(1)				16,000
(Profit on re-issued shares transferred to Capital Reserve)				

Note : (1): Calculation of Capital Reserve :

Amount forfeited on Ram's Shares	6,000
Amount forfeited on Sohan s Shares =	
(₹15,000 x 2,000) ÷ 3,000	10,000
Profit on re-issue transferred to Capital Reserve	16,000

Q. 52. Journalise the following transactions in the books of Poonam Ltd.:

200 shares of ₹10 each issued at a premium of ₹5 each payable with allotment were forfeited for the non payment of allotment money of ₹8 per share including premium. The first and final call on these shares at ₹3 per share was not made. The forfeited shares were re-issued @ ₹2 per share fully paid up.

SOLUTION:

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Share Capital A/c (200 x ₹7)	Dr.	1,400	
Securities Premium Reserve A/c (200 x ₹5) Dr.	Dr.	1,000	
To Share Allotment A/c (200 x ₹8)			1,600
To Share Forfeiture A/c (200 x ₹4)			800
(200 share forfeited for non payment of allotment money)			
Bank A/c (200 x ₹ 12) Dr.	Dr.	2,400	
To Share Capital A/c (200 x ₹10)			2,000
To Securities Premium Reserve A/c (200 x ₹2)			400
(200 forfeited shares reissued @ ₹ 12 per share fully paid up)			
Share Forfeiture A/c Dr.	Dr.	800	
To Capital Reserve A/c			800
(Profit on 200 re-issued shares transferred to Capital Reserve A/c)			

Company Accounts — Issue of Shares

Bank A/c	Dr.	3,300	
To Share Capital A/c			3,000
To Securities Premium Reserve A/c			300
(300 shares re-issued, after sometime)			
Share Forfeiture A/c	Dr.	900(3)	
To Capital Reserve A/c			900
(Profit on 200 shares transferred)			

400 shares and 300 shares have been re-issued at different intervals of time. Therefore, entry for their re-issue have been made separately.

Note : (2)	Profit on 1,000 shares = ₹3,000	₹
	Profit on 400 shares = ₹3,000 x (400 ÷ 1,000)	1,200
	Less : Loss on Re-issue	800
	Transferred to Capital Reserve :	400

Note : (3)	Profit on 1,000 shares = ₹3,000	
	Profit on 300 shares = ₹3000 x (300 ÷ 1,000)	₹900

Q. 54. (a) X Ltd. forfeited 1,000 Equity shares of ₹10 each issued at a premium of ₹3 per share for the non-payment of final call of ₹6 (including premium) per share. The forfeited shares were re-issued as fully paid up for ₹1 per share.

Pass necessary journal entries in the books of the company.

(b) Z Ltd. issued Equity shares of ₹ 100 each at a premium of ₹10 per share for the purchase of furniture of ₹99,000.

Pass necessary journal entry for issue of shares.

SOLUTION:

(a)

X Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c	Dr.	10,000	
	Securities Premium Reserve A/c	Dr.	3,000	
	To Equity Share Final Call A/c			
	To Share Forfeiture A/c			6,000
	(Forfeiture of 1,000 shares)			7,000
	Bank A/c	Dr.	7,000	
	Share Forfeiture A/c	Dr.	3,000	
	To Equity Share Capital A/c			
	(Reissue of 1,000 shares for ₹7 per share)			10,000
	Share Forfeiture A/c	Dr.	4,000	
	To Capital Reserve A/c			4,000
	(Transfer of profit on reissue)			

Company Accounts — Issue of Shares

(b)

Z Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c Dr. Dr.		99,000	
	To Vendor (Purchase of furniture)			99,000
	Vendor Dr.		99,000	90,000
	To Equity Share Capital A/c			9,000
	To Securities Premium Reserve A/c (Issue of 900 shares of ₹100 each at a premium of ₹10 per share calculated as : 99,000 ÷ 110 = 900 shares)			

Q. 55. Vaibhav Ltd. issued 20,000 equity shares of ₹100 each at ₹250 payable as follows :

On Application	₹	(including premium ₹60)
	100	
On Allotment	50	(including premium ₹30)
On First Call	70	(including premium ₹40)
On Second & Final Call	30	(including premium ₹20)

All amounts were received except first and second & final call on 750 shares held by Mr. Akash. His shares were forfeited and 2/3 rd of these shares were reissued to Mr. Dinesh at ₹200 per share. Pass entries for forfeiture and reissue.

SOLUTION:

Journal of Vaibhav Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		75,000	
	Securities Premium Reserve A/c Dr.		45,000	
	To Share First Call A/c			52,500
	To Share Second and Final Call A/c			22,500
	To Share Forfeiture A/c (Forfeiture of 750 shares)			45,000
	Bank A/c Dr.		1,00,000	
	To Share Capital A/c			50,000
	To Securities Premium Reserve A/c (Re-issue of 500 shares @ ₹200 each)			50,000
	Share Forfeiture A/c(1) Dr.		30,000	
	To Capital Reserve A/c (Profit on 500 re-issued shares transferred to Capital Reserve)			30,000

Note (1): As Profit on 750 shares ₹45,000
Therefore, profit on 500 shares = (₹45,000 ÷ 750) × 500 = ₹30,000

Since there is no loss on re-issue, the full amount of ₹30,000 will be transferred To Capital Reserve.

Over-Subscription and Forfeiture of Shares

Q. 56. X Ltd. offered 25,000 shares of ₹100 each payable as ₹25 on application, ₹20 on allotment, ₹30 on first call and the balance on final call.

Applications were received for 40,000 shares out of which shares were allotted to the applicants for 35,000 shares on a pro-rata basis. All shareholders paid the allotment money excepting Mr. Gopal who was allotted 500 shares. These shares were forfeited immediately. The first call was made thereafter. The forfeited shares were re-issued @ ₹78 per share ₹75 paid up. The final call was not made.

Prepare Cash Book and pass journal entries.

SOLUTION:

Dr.		CASH BOOK		Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (40,000 x ₹25)			By Share Application A/c		1,25,000
To Share Allotment A/c (1)			(5,000 x ₹25)		18,94,000
To Share First Call A/c		10,00,000	By Balance c/d		
To Share Capital A/c		2,45,000			
To Securities Premium Reserve A/c		37,500			
		1,500			
		20,19,000			20,19,000

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c	Dr.	8,75,000	
	To Share Capital A/c			6,25,000
	To Share Allotment A/c			2,50,000
	(Application money adjusted)			
	Share Allotment A/c	Dr.	5,00,000	
	To Share Capital A/c			5,00,000
	(Amount due on Allotment)			
	Share Capital A/c (500 shares x ₹45 called up)	Dr.	22,500	
	To Share Allotment A/c			5,000
	To Share Forfeiture A/c			17,500
	(500 shares forfeited for non payment of allotment money)			
	Share First Call A/c	Dr.	7,35,000	
	To Share Capital A/c			7,35,000
	(First call money due on 24,500 shares @ ₹30)			
	Share Forfeiture A/c	Dr.	17,500	
	To Capital Reserve A/c			17,500
	(Amount of Share Forfeiture A/c transferred to Capital Reserve A/c)			

Company Accounts — Issue of Shares

Working Notes :

(A) If shares allotted were 25,000, shares applied for were = 35,000

If shares allotted were 500, shares applied for were

= $(35,000 \div 25,000) \times 500$

700 Shares

Excess application money received from Gopal :

$(700 \text{ shares} - 500 \text{ shares}) \times ₹25 = ₹5,000$

₹

(B) Amount due on allotment on these shares = 500 shares x ₹20

10,000

Less : Excess received on these shares on application

5,000

Amount not received on allotment

5,000

(C) **Amount received on allotment:**

Total amount due on allotment (25,000 shares x ₹20)

5,00,000

Less : Excess amount received on applications (10,000 shares x ₹25)

2,50,000

Less : Amount not received on allotment

5,000

Net Amount received on allotment in Cash

2,45,000

Q. 57. A Limited company invites applications for 50,000 equity shares of ₹10 each payable as follows:

On Application	₹3
On Allotment	₹4
On First Call	₹2
On Final Call	Balance

Applications were received for 70,000 shares. Allotments were made on the following basis:

(i) To applicants for 10,000 shares — in full.

(ii) To applicants for 60,000 shares — 40,000 shares

Excess money paid on application was utilised towards allotment money.

A shareholder who was allotted 1,000 shares out of the group applying for 60,000 shares failed to pay allotment money and money due on calls. These shares were forfeited. 600 forfeited shares were re-issued as fully paid on receipt of ₹8 per share.

Prepare Cash Book and journal entries in the books of company.

SOLUTION:

CASH BOOK					
Dr.			Cr.		
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (70,000 x ₹3)		2,10,000	By Balance c/d		4,99,300
To Share Allotment A/c		1,37,500(1)			
To Share First Call A/c (49,000 x ₹2)		98,000			
To Share Final Call A/c (49,000 x ₹1)		49,000			
To Share Capital A/c (600 x ₹8)		4,800			
		4,99,300			4,99,300

JOURNAL

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Share Application A/c	Dr.	2,10,000	
To Share Capital A/c			1,50,000
To Share Allotment A/c			60,000
(Transfer of application money to Share Capital			

Company Accounts — Issue of Shares

A/c on 50,000 Shares @ ₹3 and to Share Allotment A/c on 20,000 Shares @ ₹3)		
Share Allotment A/c (50,000 x ₹4) Dr.	2,00,000	
To Share Capital A/c		2,00,000
(Amount due on allotment)		
Share First Call A/c (50,000 x ₹2) Dr.	1,00,000	
To Share Capital A/c		1,00,000
(Amount due on First Call)		
Share Final Call A/c (50,000 x ₹1) Dr.	50,000	
To Share Capital A/c		50,000
(Amount due on Final Call)		
Share Capital A/c Dr.	10,000	
To Share Allotment A/c		2,500
To Share First Call A/c		2,000
To Share final Call A/c		1,000
To Share Forfeiture A/c		4,500
(1,000 shares forfeited for non-payment of allotment and calls)		
Share Forfeiture A/c Dr.	1,200	
To Share Capital A/c		1,200
(600 of the forfeited shares reissued as fully paid on receipt of ₹8 per share)		
Share Forfeiture A/c Dr.	1,500(2)	
To Capital Reserve A/c		1,500
(Profit on 600 reissued shares transferred to Capital Reserve A/c)		

Working Notes :

(1) (A) Shareholder holding 1,000 shares must have applied for
 $1,000 \times (60,000 \div 40,000) = 1,500$ shares

Excess application money received from him : ₹
 $1,500 \text{ shares} - 1,000 \text{ shares} = 500 \text{ shares} \times ₹3 = 1,500$

(B) Amount due on allotment on these shares $1,000 \text{ shares} \times ₹4 = 4,000$

Less : Excess received on these shares on application 1,500
Amount not received on allotment 2,500

(C) ₹
 Total amount due on allotment: $50,000 \text{ shares} \times ₹4$ 2,00,000
Less : Excess received on application 60,000
Balance due 1,40,000
Less : Amount not received on allotment 2,500
Net amount received on allotment in Cash 1,37,500
(2) Profit on 600 re-issued shares = $(4,500 \div 1,000) \times 600 = ₹ 2,700$

Less : Loss on Re-issue 1,200
Profit transferred to Capital Reserve 1,500

Company Accounts — Issue of Shares

Q. 58. Jay Ltd. issued a prospectus inviting applications for 1,00,000 shares of ₹10 each. These shares were issued at par on the following terms:

On application ₹2.50, on allotment ₹2.50, on first call ₹3 and on final call the balance.

Applications were received for 1,35,000 shares. Allotments were made on the following basis:

- (i) To applicants for 25,000 shares — in full
- (ii) To applicants for 60,000 shares — 45,000 shares
- (iii) To applicants for 50,000 shares — 30,000 shares

All excess amount paid on application is to be adjusted against amount due on allotment.

The shares were fully called and paid-up except the amount of allotment, first and final call not paid by those who applied for 4,000 shares of the group applying for 50,000 shares.

All the shares on which calls were not paid were forfeited by the Board of Directors. 1,800 forfeited shares were re-issued as fully paid on receipt of ₹9 per share.

Prepare Cash Book and Journal entries to record the above.

SOLUTION:

Dr.	CASH BOOK			Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (1,35,000 shares x ₹2.50)		3,37,500	By Balance c/d		10,02,200
To Share Allotment A/c(1)		1,60,500			
To Share First Call A/c (1,00,000-2,400) x ₹3)		2,92,800			
To Share Final Call A/c (1,00,000-2,400) x ₹2)		1,95,200			
To Share Capital A/c		16,200			
		10,02,200			10,02,200

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Particulars	L.F.	Dr. (₹)	Cr. (₹)
Share Application A/c Dr.		3,37,500	
To Share Capital A/c			2,50,000
To Share Allotment A/c			87,500
(Application money transferred to share capital account and the excess money to share allotment account)			
Share Allotment A/c Dr.		2,50,000	
To Share Capital A/c			2,50,000
(Allotment money due on 1,00,000 shares @ ₹2.50 per share)			
Share First Call A/c Dr.		3,00,000	
To Share Capital A/c			3,00,000
(First call due on 1,00,000 shares @ ₹3 per share)			

Company Accounts — Issue of Shares

Share Final Call A/c Dr.	2,00,000	
To Share Capital A/c		2,00,000
(Final call due on 1,00,000 shares @ ₹2 per share)		
Share Capital A/c Dr.	24,000	
To Share Allotment A/c		2,000
To Share First Call A/c		7,200
To Share Final Call A/c		4,800
To Share Forfeiture A/c		10,000
(Forfeiture of 2,400 shares)		
Share Forfeiture A/c Dr.	1,800	
To Share Capital A/c		1,800
(Loss on re-issue of 1,800 shares at ₹1 per share)		
Share Forfeiture A/c Dr.	5,700(2)	
To Capital Reserve A/c		5,700
(Profit on 1,800 forfeited shares transferred to Capital Reserve A/c)		

Working Notes :

(1) (A) As Applicants for 50,000 shares were allotted = 30,000 shares
 Applicants for 4,000 shares were allotted $(30,000 \div 50,000) \times 4,000$ = 2,400 shares

Excess application money received on these :

(4,000 shares - 2,400 shares) x ₹2.50 = ₹4,000

(B) Amount due on allotment on these shares = 2,400 shares x ₹2.50 = ₹6,000

Less : Excess received on application from these shares = ₹4,000

Amount not received on allotment = ₹2,000

(C) Amount received on allotment:

Total amount due on allotment 1,00,000 shares x ₹2.50 2,50,000

Less : Excess amount received on applications 35,000 Shares x ₹2.50 87,500

Balance Due 1,62,500

Less : Amount not received on allotment 2,000

Net Amount received on allotment in Cash = 1,60,500

(2) Since only 1,800 shares have been re-issued, therefore the profit on 1,800 shares will be transferred to Capital Reserve.

Profit on 2,400 shares = ₹ 10,000

Profit on 1,800 shares = $(₹10,000 \div 2,400) \times 1,800$ = ₹7,500

Less : Loss on re-issue of 1,800 shares @ ₹1 per share = ₹ 1,800

Amount transferred to Capital Reserve = ₹5,700

Q. 59. 'Amrit Dhara Ltd.' invited applications for issuing 80,000 equity shares of ₹10 each. The amount was payable as follows:

On Application and Allotment ₹2 per share.

On first call ₹4 per share.

Company Accounts — Issue of Shares

On second and final call the balance.

Applications for 1,00,000 shares were received. Shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on first call. Manohar who had applied for 2,000 shares failed to pay the first call and his shares were immediately forfeited. Afterwards second and final call was made. Mohan who was allotted 2,400 shares failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹9 per share as fully paid up.

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

(CBSE 2015, Set II)

SOLUTION:

Amrit Dhara Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application & Allotment A/c (Application money received on 1,00,000 shares @ ₹2 per share)		2,00,000	2,00,000
	Share Application & Allotment A/c Dr. To Share Capital A/c To Calls in Advance A/c (Application money transferred to Share Capital A/c for 80,000 shares and to Calls in Advance A/c for 20,000 shares)		2,00,000	1,60,000 40,000
	Share First Call A/c Dr. To Share Capital A/c (First call due on 80,000 shares at ₹4 per share)		3,20,000	3,20,000

Bank A/e(,)	Dr.	2,74,400	
Calls in Advance A/c	Dr.	40,000	
To Share First Call A/c (First call money received, except on 1,600 shares of Manohar)			3,14,400
Share Capital A/c	Dr.	9,600	
To Share First Call A/c			5,600
To Share Forfeiture A/c (The forfeiture of 1,600 shares of Manohar)			4,000
Share Second & Final Call A/c	Dr.	3,13,600	
To Share Capital A/c (Second call money due on 78,400 shares at ₹4 per share)			3,13,600
Bank A/c	Dr.	3,04,000	
To Share Second & Final Call A/c (Second call money received on 76,000 shares)			3,04,000
Share Capital A/c	Dr.	24,000	
To Share Second & Final Call A/c			9,600
To Share Forfeiture A/c (The forfeiture of 2,400 shares of Mohan)			14,400
Bank A/c	Dr.	36,000	

Company Accounts — Issue of Shares

Share Forfeiture A/c To Share Capital A/c (4,000 shares re-issued at ₹9 per share)	Dr.	4,000	40,000
Share Forfeiture A/c To Capital Reserve A/c (Profit on forfeiture transferred to Capital Reserve A/c)	Dr.	14,400	14,400

Working Notes :

(1) (A) Excess amount received from Manohar on application :

Manohar has applied for 2,000 shares

Shares allotted to Manohar : $(80,000 \div 1,00,000) \times 2,000 = 1,600$

Excess Application money received from Manohar:

2,000 Shares - 1,600 Shares = 400 Shares \times ₹2 = ₹800

(B) Amount due from Manohar on 1st Call :	₹
1,600 Shares \times ₹4	= 6,400
Less : Excess received from Manohar on application	= 800
Net amount due from Manohar on 1st Call, which has not been received=	<u>5,600</u>
(C) Total amount due on 1st Call 80,000 Shares \times ₹4 =	3,20,000
Less : Excess amount received on applications =	40,000
Balance Due =	<u>2,80,000</u>
Less : Amount not received from Manohar =	5,600
Net amount received on 1st Call in Cash	<u>2,74,400</u>

	₹
(2) Profit on 1,600 shares of Manohar	4,000
Profit on 2,400 shares of Mohan	14,400
	<u>18,400</u>
Less : Loss on re-issue @ ₹1 each	4,000
	<u>14,400</u>

Q. 60. XY Ltd. invited applications for 5,00,000 Equity shares of ₹ 10 each, payable as on application. ₹4 on allotment and the balance on first and final call. Applications were received for 12,00,000 shares and the shares were allotted on a pro rata basis. The excess application money was to be adjusted against allotment only. R, a shareholder, who had applied for 6,000 shares, failed to pay the call money and his shares were accordingly forfeited and reissued at ₹9 per share as fully paid. Pass necessary journal entries.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Application A/c (Application money received on 12,00,000 shares @ ₹3 per share)	Dr.	36,00,000	36,00,000

Company Accounts — Issue of Shares

Equity Share Application A/c	Dr.	36,00,000	
To Equity Share Capital A/c (5,00,000 x ₹3)			15,00,000
To Equity Share Allotment A/c (5,00,000 x ₹4)			20,00,000
To Bank A/c			1,00,000
(Application money adjusted to Share Capital A/c and Share Allotment A/c and balance refunded to applicants)			
Equity Share Allotment A/c	Dr.	20,00,000	
To Equity Share Capital A/c			20,00,000
(Allotment due on 5,00,000 shares @ ₹4 per share)			
Equity Share First & Final Call A/c	Dr.	15,00,000	
To Equity Share Capital A/c			15,00,000
(First & Final Call due on 5,00,000 shares @ ₹3 per share)			
Bank A/c	Dr.	14,92,500	
To Equity Share First & Final Call A/c			14,92,500
(Call money received, except on 2,500 shares ₹3 per share)			
Equity Share Capital A/c	Dr.	25,000	
To Equity Share First & Final Call A/c			7,500
To Share forfeiture A/c			17,500
(Forfeiture of 2,500 shares)			
Bank A/c	Dr.	22,500	
Share Forfeiture A/c	Dr.	2,500	
To Equity Share Capital A/c			25,000
(Reissue of 2,500 shares @ ₹9 per share)			
Share Forfeiture A/c	Dr.	15,000	
To Capital Reserve A/c			15,000
(Transfer of profit on reissue)			

Working Notes :

- (i) Applicants for 12,00,000 shares have been allotted 5,00,000 shares Hence, R who has applied for 6,000 shares must have been allotted
 $= (5,00,000 \div 12,00,000) \times 6,000 = 2,500$ shares.
- (ii) Since all amounts due on allotment has already been received on application, there would be no entry for receipt of allotment money.

Over Subscription and Forfeiture of Shares Issued at Premium

Q. 61. A company issued 10,000 shares of ₹10 each at a premium of ₹1 per share, payment to be made as follows:

	₹
On Application	3
On Allotment	4 (including premium)
On First call	2
On Second and final call	2

Company Accounts — Issue of Shares

Applications were received for 20,000 shares. Applications for 5,000 shares were rejected and allotment was made proportionately to the remaining applicants. The directors made both the calls and all the money were received, except the allotment, first call and final call on 400 shares, which were subsequently forfeited. Later, 300 of the forfeited shares were re-issued as fully paid @ ₹15 per share. Give journal entries to record the above. Also prepare the Balance Sheet.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Share Application money received on 20,000 shares @ ₹3 per share)		60,000	60,000
	Share Application A/c (20,000 x ₹3) Dr. To Share Capital A/c (10,000 x ₹3) To Share Allotment A/c (5,000 x ₹3) To Bank A/c (5,000 x ₹3) (Application money transferred to Share Capital A/c; excess money adjusted on Allotment A/c and refunded)		60,000	30,000 15,000 15,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Amount due on Allotment including Premium)		40,000	30,000 10,000
	Bank A/c Dr. To Share Allotment A/c (Amount received on 9,600 shares)		24,000(4)	24,000
	Share First Call A/c Dr. To Share Capital A c (First Call due on 10,000 shares)		20,000	20,000
	Bank A/c Dr. To Share First Call A/c (Amount received on 9,600 shares)		19,200	19,200
	Share Second and Final Call A c Dr. To Share Capital A/c (Second and Final Call due on in 20,000 shares)		20,000	20,000
	Bank A/c Dr. To Share Second and Final Call A c (Amount received on 9,600 shares)		19,200	19,200
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Allotment A/c To Share First Call A/c (400 x ₹2) To Share Second and Final Call A/c (400 x ₹2) To Share Forfeiture A/c (400 shares forfeited for non-payment of allotment, first call and second call)		4,000 400	1,000 800 800 1,800

Company Accounts — Issue of Shares

Bank A/c	Dr.	4,500	
To Share Capital A/c			3,000
To Securities Premium Reserve A/c			1,500
(300 forfeited shares reissued as fully paid @ ₹15 per share)			
Share Forfeiture A/c	Dr.	1,350 (5)	
To Capital Reserve A/c			1,350
(Profit on re-issue of 300 shares transferred to Capital Reserve A/c)			

BALANCE SHEET OF			
as at.....			
Particulars	Note No.	Current Year	Previous Year
		₹	₹
I. EQUITY AND LIABILITIES :			
Shareholder's Funds:			
(a) Share Capital	1	99,450	
(b) Reserves and Surplus	2	12,450	
		1,11,900	
II. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	1,11,900	

Notes to Accounts :		₹
(1) Share Capital:		
Issued Share Capital:		
10,000 Shares of ₹10 each		1,00,000
Subscribed & Fully Paid Capital:		
9,900 Shares of ₹10 each	99,000	
Add: Share Forfeiture A/c	450 (6)	99,450
(2) Reserve and Surplus :		
Securities Premium Reserve A/c		11,100
Capital Reserve A/c		1,350
		12,450
(3) Cash and Cash Equivalents :		
Cash at Bank		1,11,900

Company Accounts — Issue of Shares

(4) (A) Excess amount received on application :

If shares allotted are 10,000, shares applied for

Therefore, If shares allotted are 400, shares applied for = 15,000

$$= (15,000 \div 10,000) \times 400$$

600 Shares

Excess application money received :

600 Shares - 400 Shares = 200 Shares x ₹3 = ₹600

(B) Amount due on allotment of these shares = 400 Shares x ₹4

₹1,600

Less : Excess received on application

₹600

Net amount due on allotment, which has not been received

₹1,000

(C) Total amount due on Allotment 10,000 Shares x ₹4

₹40,000

Less : Excess amount received on applications

₹15,000

Balance Due

₹25,000

Less : Amount not received on allotment

₹1,000

Net amount received on allotment in Cash

₹24,000

5) Amount transferred to Capital Reserve :

Profit on 400 forfeited shares

Hence, Profit on 300 re-issued shares $(1,800 \div 400) \times 300$

₹1,800

₹1,350

(6) Balance in Share forfeiture Account $(1,800 \div 400) \times 100$

₹450

Q. 62. A company issued for public subscription 60,000 equity shares of ₹10 each at a premium of ₹4 per share, payable as under : ₹4 on Application; ₹5 on Allotment (including premium). ₹2.50 on First Call and ₹2.50 on Final Call.

Applications were received for 75,000 equity shares. The shares were allotted pro-rata to the applicants for 70,000 shares, the remaining applications being rejected. Money over-paid on applications was utilised towards sums due on allotment.

A, to whom 1,200 shares were allotted failed to pay allotment and calls money and B, to whom 1,800 shares were allotted failed to pay two calls. These shares were subsequently forfeited after the final call was made. All the forfeited shares were sold to Rajesh as fully paid-up at ₹11 per share.

Prepare Cash Book and journal entries required to record the above transactions.

SOLUTION:

Dr.		CASH BOOK			Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹	
To Share Application A/c (75,000 shares x ₹4)		3,00,000	By Share Application A/c		20,000	
To Share Allotment A/c(1)		2,54,800	By Balance c/d		8,52,800	
To Share First Call A/c (57,000 shares x ₹2.50)		1,42,500				
To Share Final Call A/c (57,000 shares x ₹2.50)		1,42,500				
To Share Capital A/c		30,000				
To Securities Premium Reserve A/c		3,000				
		8,72,800			8,72,800	

Company Accounts — Issue of Shares

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c (70,000 x ₹4) To Share Capital A/c (60,000 x ₹4) To Share Allotment A/c (10,000 x ₹4) (Application money transferred to Share Capital A/c for 60,000 shares and to Allotment A/c for 10,000 shares)	Dr.	2,80,000	2,40,000 40,000
	Share Allotment A/c (60,000 x ₹5) To Share Capital A/c (60,000 x ₹1) To Securities Premium Reserve A/c (60,000 x ₹4) (Allotment due on 60,000 shares)	Dr.	3,00,000	60,000 2,40,000
	Share First Call A/c To Share Capital A/c (First Call due on 60,000 shares at ₹2.50 per share)	Dr.	1,50,000	1,50,000
	Share Final Call A/c To Share Capital A/c (Second Call due on 60,000 shares at ₹2.50 per share)	Dr.	1,50,000	1,50,000
	Share Capital A/c (3,000 x ₹10) Securities Premium Reserve A/c (1,200 x ₹4) To Share Allotment A/c To Share First Call A/c (3,000 x ₹2.50) To Share Final Call A/c (3,000 x ₹2.50) To Share Forfeiture A/c (Forfeiture of 1,200 shares of A and 1,800 shares of B)	Dr. Dr.	30,000 4,800	5,200 7,500 7,500 14,600
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on 3,000 forfeited shares transferred to Capital Reserve A/c)	Dr.	14,600	14,600

Working Notes : (1) (A) Excess amount received from A on application

A has been allotted 1,200 shares. He must have applied for more shares.

If shares allotted were 60,000, shares applied for were = 70,000

If shares allotted were 1,200 shares
applied for were $(70,000 \div 60,000) \times 1,200$
= 1,400 shares.

Excess application money received from A = 1,400 shares - 1,200 shares
= 200 shares x 4 = ₹800

(B) Amount due from A on allotment:

1,200 shares x ₹5 =
₹6,000

Less : Excess received from A on application = ₹800

Net amount due from A on allotment,

Company Accounts — Issue of Shares

which has not been received	= ₹5,200	
(C) Total amount due on allotment 60,000 x ₹5		₹ 3,00,000
Less : Excess amount received on applications	=	40,000
Balance Due	=	2,60,000
Less : Amount not received from A on allotment	=	5,200
Net amount received on allotment in cash	=	2,54,800

Q. 63. Suzuki Limited issued a prospectus inviting applications for 60,000 shares of ₹10 each at a premium of 30% payable as follows: On Application ₹3.50; On Allotment ₹5.50 (including premium): On First Call ₹2 and on Second Call ₹2.

Applications were received for 95,000 shares and allotment was made pro-rata to applicants of 80,000 shares. Money over-paid on applications was employed on account of sums due on allotment.

X, to whom 1,500 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the First Call his shares were forfeited. Y, the holder of 2,400 shares failed to pay the two calls and his shares were forfeited after the Second Call. Of the shares forfeited, 3,000 shares were sold to Z as fully paid, Z paying ₹8.50 per share, the whole of Y's share being included.

Give journal entries; prepare Bank Account and Balance Sheet.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Application A/c (Application money received on 95,000 shares @ ₹3.50 per share)	Dr.	3,32,500	3,32,500
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Application money transferred to Share Capital A/c for 60,000 shares @ ₹3.50 per share; to Allotment A/c for 20,000 shares @ ₹3.50 per share; and amount returned on 15,000 shares @ ₹3.50 per share)	Dr.	3,32,500	2,10,000 70,000 52,500
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 60,000 shares)	Dr.	3,30,000	1,50,000 1,80,000
	Bank A/c To Share Allotment A/c (Allotment money received except on 1,500 shares of X)	Dr.	2,53,500(4)	2,53,500
	Share First Call A/c To Share Capital A/c	Dr.	1,20,000	1,20,000

Company Accounts — Issue of Shares

(First call due on 60,000 shares at ₹2 per share)	Dr.			
Bank A/c To Share First Call A/c (First call money received, except on 1,500 shares of X and 2,400 shares of Y)	Dr.	1,12,200		1,12,200
Share Capital A/c Securities Premium Reserve A/c Dr. To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (Forfeiture of 1,500 shares of A'; Share Capital A/c debited @ ₹8 per share called up)	Dr. Dr.	12,000 4,500(5)		6,500 3,000 7,000
Share Second Call A/c To Share Capital A/c (Second call money due on 58,500 shares at ₹2 per share)	Dr.	1,17,000		1,17,000
Bank A/c To Share Second Call A/c (Second call money received on 56,100 shares)	Dr.	1,12,200		1,12,200
Share Capital A/c To Share First Call A/c To Share Second Call A/c To Share Forfeiture A/c (Forfeiture of 2,400 shares of Y)	Dr.	24,000 (6)		4,800 4,800 14,400
Bank A/c Share Forfeiture A/c To Share Capital A/c (3,000 shares re-issued at ₹8.50 per share)	Dr.	25,500 4,500		30,000
Share Forfeiture A/c To Capital Reserve A/c (Profit on 3,000 forfeited shares transferred to Capital Reserve A/c)	Dr.	12,700(7)		12,700

Dr.		BANK ACCOUNT		Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c		3,32,500	By Share Application A/c		52,500
To Share Allotment A/c		2,53,500	By Balance c/d		7,83,400
To Share First Call A/c		1,12,200			
To Share Second Call A/c		1,12,200			
To Share Capital A/c		25,500			
		8,35,900			8,35,900

Note: In the above question a Cash Book is not required. However, if a Cash Book is asked, the Bank A/c as prepared above will become a Cash Book and Cash transactions will not be recorded in journal.

BALANCE SHEET OF SUZUKI

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds:			
(a) Share Capital	1	5,95,200	
(b) Reserves and Surplus	2	1,88,200	
		7,83,400	
II. ASSETS			
Current Assets :			
Cash and Cash Equivalents	3	7,83,400	

Notes to Accounts :	₹
(1) Share Capital:	?
Authorised Capital:	
Issued :	
60,000 shares of ₹10 each fully paid	6,00,000
Subscribed & Fully Paid Capital:	
59,100 Shares of ₹ 10 each	5,91,000
Add: Share Forfeiture A/c	4,200(8)
	5,95,200
(2) Reserve and Surplus :	
Capital Reserve A/c	12,700
Securities Premium Reserve A/c	<u>1,75,500</u>
	1,88,200
(3) Cash and Cash Equivalents :	
Cash at Bank	7,83,400

(4) (A) Excess amount received from X on application :	
X has been allotted 1,500 shares. He must have applied for more shares. If shares allotted were 60,000, shares applied for were = 80,000	
Therefore, If shares allotted were 1,500, shares applied for were $(80,000 \div 60,000) \times 1,500$	= 2,000 shares.
Excess application money received from X = 2,000 shares - 1,500 shares = 500 shares x ₹3.50	= ₹1,750
(B) Amount due from X on allotment: 1,500 shares x ₹5.50	= ₹8,250
Less : Excess received from X on application	= ₹1,750
Net amount due from X on allotment, which has not been received	₹6,500

Company Accounts — Issue of Shares

(C) Total amount due on allotment 60,000 shares x ₹5.50 Less : Excess amount received on application (20,000 shares x ₹3.50) <p style="text-align: center;">Balance Due</p> Less : Amount not received from X on allotment Net amount received on allotment	= ₹3,30,000 = ₹70,000 = ₹2,60,000 = ₹6,500 = ₹2,53,500
<p>(5) Premium is due with allotment. X has not paid the amount of allotment. Therefore, Securities Premium Reserve A/c will be debited by 1,500 shares x ₹3 = ₹4,500.</p> <p>(6) Y has paid the amount of allotment. Therefore, he has paid premium also. Premium once collected cannot be cancelled. As such 'Securities Premium A/c' will not be debited when his shares are forfeited.</p> <p>(7) 3,000 Re-issued shares include whole of the shares of Y and the balance of X. Hence, 3,000 shares include 2,400 shares of Y and 600 of X.</p>	
Profit on 600 shares of X = ₹7,000 x (600 ÷ 1,500) Profit on 2,400 shares of Y Less : Loss on re-issue of 3,000 shares @ ₹1.50 each	₹2,800 ₹14,400 ₹17,200 ₹4,500 ₹12,700

(8) Profit on 1,500 shares of X was ₹7,000, out of which 600 shares have been re-issued. Therefore, the balance of profit remaining in Share Forfeiture A/c for 900 shares = $(900 \div 1,500) \times 7,000 = ₹4,200$. This balance of ₹4,200 will be shown on the liabilities side of the Balance Sheet under the head 'Share Capital'.

Q. 64. Hindustan Steel Ltd. invited applications for 50,000 equity shares of ₹10 each at a premium of ₹4 per share. The amount was payable as follows:

On Application ₹4 (including premium ₹2)

On Allotment ₹6 (including premium ₹2)

On First and Final Call Balance

Applications for 60,000 shares were received. Allotment was made to all the applicants on pro-rata basis. Excess application money was adjusted towards sums due on allotment. Ram, to whom 500 shares were allotted, failed to pay allotment and call money. Shyam, to whom 1,000 shares were allotted, failed to pay the call money. These shares were forfeited. The forfeited shares were re-issued @ ₹8 per share fully paid-up.

Pass the necessary journal entries in the books of the company.

SOLUTION:

BOOKS OF HINDUSTAN STEEL LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	2,40,000	
	To Equity Share Application A/c			2,40,000
	(Application money received for 60,000 shares @ ₹4 each including ₹2 as premium)			

Company Accounts — Issue of Shares

Equity Share Application A/c	Dr.		2,40,000
To Equity Share Capital A/c			
To Securities Premium Reserve A/c			1,00,000
To Equity Share Allotment A/c			1,00,000
(Application money on 50,000 shares transferred to Share Capital A/c @ ₹2 and to Securities Premium Reserve A/c @ ₹2 and excess amount credited to Share Allotment A/c)			
Equity Share Allotment A/c	Dr.		3,00,000
To Equity Share Capital A/c			
To Securities Premium Reserve A/c			2,00,000
(Allotment money due on 50,000 shares @ ₹6 including premium @ ₹2 per share)			
Bank A/c	Dr.		2,57,400
To Equity Share Allotment A/c			2,57,400(1)
(Allotment money received on 49,500 Shares)			
Equity Share First & Final Call A/c	Dr.		2,00,000
To Equity Share Capital A/c			2,00,000
(Call money due on 50,000 shares @ ₹4 per share)			
Bank A/c	Dr.		1,94,000
To Equity Share First & Final Call A/c			1,94,000
(Call money received on 48,500 shares)			
Equity Share Capital A/c	Dr.		15,000
Securities Premium Reserve A/c	Dr.		1,000
To Equity Share Allotment A/c			2,600
To Equity Share First & Final Call A/c			6,000
To Share Forfeiture A/c			7,400
(Forfeiture of 1,500 shares)			
Bank A/c	Dr.		12,000
Share Forfeiture A/c	Dr.		3,000
To Equity Share Capital A/c			15,000
(Re-issue of 1,500 shares @ ₹8 per share)			
Share Forfeiture A/c	Dr.		4,400
To Capital Reserve A/c			4,400
(Balance of Share Forfeiture Account transferred to Capital Reserve Account)			

Working Notes : (1)

(A) Excess amount received from Ram on application:

Ram has been allotted 500 shares.

He must have applied for $(60,000 \div 50,000) \times 500 = 600$ Shares.

Excess application money received from Ram =

$$\begin{aligned}
 & 600 \text{ Shares} - 500 \\
 & \text{Shares} \\
 & = 100 \text{ Shares} \times ₹4 = ₹400
 \end{aligned}$$

(B) Amount due from Ram on Allotment:

500 Shares x ₹6

$$= ₹3,000$$

Company Accounts — Issue of Shares

Less : excess received from Ram on application	₹400
Allotment money not received from Ram	2,600
(C) Total amount due on allotment:	₹
50,000 shares x ₹6	= 3,00,000
Less : Excess amount received on application	40,000
Balance Due	2,60,000
Less : Amount not received from Ram on Allotment	2,600
Net amount received on allotment in Cash	2,57,400

Q. 65. SK Ltd. invited applications for issuing 3,20,000 equity shares of ₹10 each at a premium of ₹5 per share. The amount was payable as follows:

On application — ₹3 per share (including premium ₹ 1 per share)

On allotment — ₹5 per share (including premium ₹2 per share)

On first and final call — Balance.

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards Mims due on allotments. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made. Ganesh who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were re-issued at ₹8 per share fully paid up. The re-issued shares included all the forfeited shares of Jeevan.

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

(C.B.S.E. 2016, All India)

SOLUTION:

Journal of SK Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		12,00,000	
	To Equity Share Application A/c (Application money @ ₹3 received on 4,00,000 Shares)			12,00,000
	Equity Share Application A/c Dr.		12,00,000	
	To Equity Share Capital A/c (3,20,000 x ₹2)			6,40,000
	To Securities Premium Reserve A/c (3,20,000 x ₹1)			3,20,000
	To Equity Share Allotment A/c (40,000 x ₹3)			1,20,000
	To Bank A/c (40,000 x ₹3) (Application money adjusted & surplus refunded)			1,20,000
	Equity Share Allotment A/c Dr.		16,00,000	
	To Equity Share Capital A/c			9,60,000
	To Securities Premium Reserve A/c (Share allotment money due on 3,20,000 Shares)			6,40,000
	Bank A/c Dr.		14,76,300	
	To Equity Share Allotment A/c (Allotment money received except on 800 Shares)			14,76,300

Company Accounts — Issue of Shares

Equity Share Capital A/c (800 x ₹5)	Dr.	4,000	
Securities Premium Reserve A/c (800 x ₹2)	Dr.	1,600	
To Equity Share Allotment A/c			3,700
To Forfeited Shares A/c			1,900
(800 Shares of Jeevan forfeited after allotment)			
Equity Share First & Final Call A/c (3,19,200 x ₹7)	Dr.	22,34,400	
To Equity Share Capital A/c (3,19,200 x ₹5)			15,96,000
To Securities Premium Reserve A/c (3,19,200 x ₹2)			6,38,400
(First and final call due on 3,19,200 Shares)			
Bank A/c (3,16,800 x ₹7)	Dr.	22,17,600	
To Equity Shares First & Final Call A/c			22,17,600
(First and final call money received except on 2,400 Shares)			
<hr/>			
Equity Share Capital A/c (2,400 x ₹ 10)	Dr.	24,000	
Securities Premium Reserve A/c (2,400 x ₹2)	Dr.	4,800	
To Equity Share First & Final Call A/c (2,400 x ₹7)			16,800
To Forfeited Shares A/c			12,000
(2,400 Shares of Ganesh forfeited)			
Bank A/c (1,500 x ₹8)	Dr.	12,000	
Forfeited Shares A/c	Dr.	3,000	
To Equity Share Capital A/c (1,500 x ₹10)			15,000
(1,500 Shares reissued @ per share fully paid up)			
Forfeited Shares A/c	Dr.	2,400	
To Capital Reserve A/c (3)			2,400
(Gain on re-issue of forfeited shares transferred to Capital Reserve)			

Working Notes :

1. (a) Shares applied by Jeevan - $800 \times (3,60,000 \div 3,20,000) = 900$ Shares

(b) Excess application money received = 900 Shares - 800 Shares
= 100 Shares x ₹3 = ₹300

	₹
Allotment money due from Jeevan = $800 \times ₹5$	4,000
Less : Excess received on application stage	300
Allotment money not received	3,700

(c)	₹
Total amount due on allotment: $3,20,000$ shares x ₹5	= 16,00,000
Less: Excess received on application	1,20,000
	14,80,000
Less : Amount not received on allotment from Jeevan	3,700
Net amount received on allotment	14,76,300

2. Ganesh was allotted = $2,700 \times (3,20,000 \div 3,60,000) = 2,400$ Shares

Company Accounts — Issue of Shares

3. Calculation of Profit on Re-issue to be transferred to Capital Reserve	₹
Amount forfeited on Re-issued Shares	
Jeevan (800 Shares)	1,900
Ganesh (700 Shares) ₹ 12,000 x (700 ÷ 2,400)	3,500
Total Forfeited amount on 1,500 Shares	5,400
Less : Discount on Re-issue	3,000
Profit on Re-issue to be transferred to Capital Reserve	2,400

Q. 66. Modem Ltd. issued a prospectus inviting applications for 2,00,000 shares of ₹10 each at a premium of ₹6 per share, payable as follows :

On Application	₹5 (including premium ₹2)
On Allotment	₹5 (including premium ₹2)
On 1st Call	₹3 (including premium ₹1)
On IInd & Final Call	₹3 (including premium ₹1)

Applications were received for 2,60,000 shares and pro-rata allotment was made to the applicants for 2,50,000 shares. Excess money paid on applications for these shares was utilised towards allotment.

A, who applied for 1,000 shares, failed to pay the allotment money and his shares were forfeited after allotment.

B, who applied for 1,500 shares, failed to pay the two calls and his shares were also forfeited.

Of the shares forfeited, 1,800 shares were re-issued as fully paid up for ₹15 per share, the whole of B's share being included. Prepare Cash Book, Journal and Balance Sheet.

SOLUTION:

Dr.	CASH BOOK		Cr.		
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (2,60,000 shares x ₹5)		13,00,000	By Share Application A/c (10,000 Shares x ₹5)		50,000
To Share Allotment A/c		7,47,000(4)	By Balance c/d		32,12,000
To Share First Call A/c (1,98,000 Shares x ₹3)		5,94,000			
To Share Second & Final Call A/c		5,94,000			
To Share Capital A/c		18,000			
To Securities Premium Reserve A/c		9,000			
		32,62,000			32,62,000

Company Accounts — Issue of Shares

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c (2,50,000 x ₹5) Dr.		12,50,000	
	To Share Capital A/c (2,00,000 x ₹3)			6,00,000
	To Securities Premium Reserve A/c (2,00,000 x ₹2)			4,00,000
	To Share Allotment A/c (50,000 x ₹5)			2,50,000
	(Application money transferred)			
	Share Allotment A/c (2,00,000 x ₹5) Dr.	Dr.	10,00,000	
	To Share Capital A/c (2,00,000 x ₹3)			6,00,000
	To Securities Premium Reserve A/c (2,00,000 x ₹2)			4,00,000
	(Allotment due on 2,00,000 shares)			

	Share Capital A/c (800 x ₹6) Dr.		4,800	
	Securities Premium Reserve A/c (800 x ₹2) Dr.		1,600	
	To Share Allotment A/c			3,000
	To Share Forfeiture A/c			3,400
	(Forfeiture of 800 shares of A for non payment of allotment money)			
	Share First Call A/c (1,99,200 x ₹3) Dr.		5,97,600	
	To Share Capital A/c (1,99,200 x ₹2)			3,98,400
	To Securities Premium Reserve A/c (1,99,200 x ₹1)			1,99,200
	(First call due on 1,99,200 shares)			
	Share Second & Final Call A/c (1,99,200 x ₹3) Dr.		5,97,600	
	To Share Capital A/c (1,99,200 x ₹2)			3,98,400
	To Securities Premium Reserve A/c (1,99,200 x ₹1)			1,99,200
	(Second & final call due on 1,99,200 shares)			
	Share Capital A/c Dr.		12,000	
	Securities Premium Reserve A/c Dr.		2,400	
	To Share First Call A/c			3,600
	To Share Second & Final Call A/c			3,600
	To Share Forfeiture A/c			7,200
	(Forfeiture of 1,200 shares of B for non-payment of calls)			
	Share Forfeiture A/c Dr.		9,750(5)	
	To Capital Reserve A/c			9,750
	(Profit on 1,800 re-issued shares transferred to Capital Reserve A/c)			

BALANCE SHEET OF MODERN LTD.

as at.....

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	19,98,850	

Company Accounts — Issue of Shares

(b) Reserves and Surplus	2	12,13,150
		32,12,000
II. ASSETS :		
Current Assets :		
Cash and Cash Equivalents	3	32,12,000

Notes to Accounts :	
Share Capital:	
Authorised :	
... Shares of ₹10 each	-----
Issued:	
2,00,000 Shares of ₹10 each	20,00,000
Subscribed & Fully Paid Capital :	
1,99,800 Shares of ₹10 each	19,98,000
Add: Share Forfeiture A/c	850(6)
	19,98,850
Reserve and Surplus :	
Capital Reserve A/c	9,750
Securities Premium Reserve A/c	12,03,400
	12,13,150
Cash and Cash Equivalents :	
Cash at Bank	32,12,000

(4) (A) Excess amount received from A on application :

A has applied for 1,000 shares
therefore, he must have been allotted $(2,00,000 \div 2,50,000) \times 1,000 = 800$ shares
Excess application money received from A = 1,000 shares - 800 shares
= 200 shares x ₹5 = ₹1,000

(B) Amount due from A on Allotment:	₹
800 Shares x ₹5	4,000
Less : Excess received from A on Application	1,000
Allotment money not received from A	3,000

	₹
(C) Total amount due on Allotment: 2,00,000 x ₹5	10,00,000
Less : Excess amount received on Application	2,50,000
Balance Due	7,50,000
Less : Amount not received from A on Allotment	3,000
Net amount received on Allotment in Cash	7,47,000

(5) 1,800 shares have been re-issued which include
1,200 shares of B and the balance 600 shares of A.
Profit on 1,200 shares of B =

₹7,200

Profit on 600 shares of A = $(600 \div 800) \times 3,400$

₹2,550

₹9,750

Company Accounts — Issue of Shares

(6) Balance in Share Forfeiture A/c :

Profit on 800 shares of A = 3,400

Therefore, the balance of Share Forfeiture A/c on 200 un-issued

Shares of A = $(3400 \div 800) \times 200 = ₹850$

Q. 67. Tushar Ltd. invited applications for issuing 3,00,000 equity shares of ₹10 each at a premium of ₹4 per share. The amount was payable as follows:

On Application (including premium) and balance on Allotment.

Applications for 4,00,000 shares were received. Pro-rata allotment was made to all applicants. Excess money received on application was adjusted towards sums due on allotment.

A shareholder to whom 1,800 shares were allotted failed to pay the allotment money and therefore, his share was forfeited. Later on the forfeited shares were re-issued for ₹15,000 as fully paid up.

Pass necessary journal entries in the books of Tushar Ltd.

SOLUTION:

Tushar Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		32,00,000	
	To Equity Share Application A/c			32,00,000
	(Application money received on 4,00,000 shares @ ₹8 per share)			
	Equity Share Application A/c Dr.		32,00,000	
	To Equity Share Capital A/c			12,00,000
	To Securities Premium Reserve A/c			12,00,000
	To Equity Share Allotment A/c			8,00,000
	(Application money of 3,00,000 shares transferred to share capital account and securities premium reserve account and balance transferred to share allotment account)			
	Equity Share Allotment A/c Dr.		18,00,000	
	To Equity Share Capital A/c			18,00,000
	(Amount due on allotment @ ₹6 on 3,00,000 shares)			
	Bank A/c Dr.		9,94,000	
	To Equity Share Allotment A/c			9,94,000
	(Allotment money received)			
	Equity Share Capital A/c Dr.		18,000	
	To Share Forfeiture A/c			12,000
	To Equity Share Allotment A/c			6,000
	(1,800 equity shares forfeited for non-payment of allotment money)			
	Bank A/c Dr.		15,000	
	Share Forfeiture A/c Dr.		3,000	
	To Equity Share Capital A/c			18,000

Company Accounts — Issue of Shares

(Re issue of forfeited shares)			
Share Forfeiture A/c	Dr.	9,000	
To Capital Reserve A/c			9,000
(Transfer of balance of share forfeiture a/c to capital reserve)			

Working Notes (1):

<p>(A) Defaulting shareholder must have applied for $(4,00,000 \div 3,00,000) \times 1,800 = 2,400$ shares Excess amount received from him on application $= 2,400 \text{ shares} - 1,800 \text{ shares} = 600 \text{ shares} \times ₹8 =$</p>	₹4,800
<p>(B) Amount due from defaulting shareholder on allotment =</p> <p>Less : Excess received from him on application =</p> <p>Amount not paid on allotment</p>	₹ 10,800 4,800 6,000
<p>(C) Total amount due on allotment: $3,00,000 \text{ shares} \times ₹6 =$</p> <p>Less : Excess received on application</p> <p>Less : Not received from defaulting shareholder</p> <p>Net Amount received on allotment in cash</p>	18,00,000 8,00,000 10,00,000 6,000 9,94,000

Q. 68. X Ltd. invited applications for issuing 75,000 equity shares of ₹10 each at a premium of ₹5 per share. The amount was payable as follows:
 On application and allotment — ₹9 per share (including premium)
 On first and final call — the balance amount.

Applications for 3,00,000 shares were received. Applications for 2,00,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on shares applied by Ravi. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹4 per share. Excess application and allotment money can be utilised for calls.

Pass necessary journal entries for the above transactions in the books of X Ltd.

(C.B.S.E. 2014. Outside Delhi)

SOLUTION:

In the books of X Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (3,00,000 x ₹9) Dr.		27,00,000	
	To Share Application and Allotment A/c			27,00,000
	(Application money received)			
	Share Application and Allotment A/c Dr.		27,00,000	
	To Share Capital A/c (75,000 x ₹4)			3,00,000
	To Securities Premium Reserve A/c (75,000 x ₹5)			3,75,000
	To Share First and Final Call A/c			2,25,000
	To Bank A/c			18,00,000
	(Application money adjusted)			

Company Accounts — Issue of Shares

Share First and Final Call A/c (75,000 x ₹6) Dr.	4,50,000	
To Share Capital A/c		4,50,000
(Share first and final call due)		
Bank A/c(3) Dr.	2,21,625	
To Share First and Final Call A/c		2,21,625
(First and final call money received)		
Share Capital A/c (1,125 x ₹ 10) Dr.	11,250	
To Share First and Final Call A/c		3,375
To Forfeited Shares A/c		7,875
(1,125 shares forfeited)		
Bank A/c (1,125 x ₹6) Dr.	6,750	
Forfeited Shares A/c (1,125 x ₹4) Dr.	4,500	
To Share Capital A/c		11,250
(Forfeited shares reissued)		
Forfeited Shares A/c Dr.	3,375	
To Capital Reserve A/c		3,375
(Transfer of forfeited shares account to capital reserve A/c)		

Working Notes :

(1) If no. of shares applied is 1,500 then no. of shares allotted
 $= (75,000 \div 1,00,000) \times 1,500 = 1,125$

Excess application and allotment money received on these shares
 $= (1,500 \text{ shares} - 1,125 \text{ shares}) \times ₹9 = ₹3,375$

(2) **Calculation of amount unpaid on 1,125 shares.**

	₹
Amount due on First and Final Call (1,125 x 6)	6,750
Less : Adjusted from application	3,375
Amount unpaid on First and Final Call	3,375

(3) **Calculation of amount received on First and Final Call**

Total amount due (75,000 x 6)	4,50,000
Less : Excess received on Application & Allotment (25,000 x 9)	2,25,000
	2,25,000
Less : Amount unpaid on 1,125 shares	3,375
	2,21,625

Q. 69. A limited company forfeited 400 shares of Mr. X, who had applied for 600 shares on account of non-payment of allotment money ₹3 + ₹2.50 (premium) and first call ₹2. Only ₹4 per share was received with application. Out of these, 200 shares were re-issued to Mr. Y at ₹8 per share, ₹9 paid-up.

Give journal entries relating to forfeiture and re-issue.

SOLUTION :

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (400 x ₹9 called up)	Dr.	3,600	
	Securities Premium Reserve A/c	Dr.	1,000	
	To Share Allotment A/c			1,400
	To Share First Call A/c			(1) 800
	To Share Forfeiture A/c			2,400
	(Forfeiture of 400 shares of Mr. X for non payment of allotment and call money)			
	Bank A/c (200 x ₹8)	Dr.	1,600	
	Share Forfeiture A/c (200 x ₹1)	Dr.	200	
	To Share Capital A/c (200 x ₹9)			1,800
	(Re-issue of 200 shares of Mr. X @ ₹8 per share, ₹9 paid-up)			
	Share Forfeiture A/c	Dr.	1,000	
	To Capital Reserve A/c			1,000
	(Profit on 200 reissued shares transferred to Capital Reserve A/c)			

Working Notes:

(1) Excess received from X on Application =

600 shares - 400 shares = 200 x ₹4 = ₹800

Amount due from .Von allotment = 400 x ₹5.50 = ₹2,200

Less : Excess received on application = ₹ 800

Amount not received from X on allotment = ₹1,400

Q. 70. AB Ltd. invited applications for issuing 1,00,000 equity shares of ₹10 each. The amount was payable as follows:

On Application ₹3 per share

On Allotment ₹3 per share

On First and Final Call ₹4 per share

Applications for 1,50,000 shares were received and pro-rata allotment was made to all applicants as follows :

Applicants for 80,000 shares were allotted 60,000 shares on pro-rata basis.

Applicants for 70,000 shares were allotted 40,000 shares on pro-rata basis.

Sudha, to whom 600 shares were allotted out of the group applying for 80,000 shares failed to pay the allotment money. Her shares were forfeited immediately after allotment.

Asha, who had applied for 1,400 shares out of the group applying for 70,000 shares failed to pay the first and final call. Her shares were also forfeited.

Out of the forfeited shares 1,000 were re-issued @ ₹8 per share fully paid-up. The re-issued shares included all the forfeited shares of Sudha.

Pass necessary journal entries to record the above transactions.

SOLUTION:

Company Accounts — Issue of Shares

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Application A/c (Application money received on 1,50,000 shares)	Dr.	4,50,000	4,50,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Application money adjusted)	Dr.	4,50,000	3,00,000 1,50,000
	Share Allotment A/c To Share Capital A/c (Allotment money due)	Dr.	3,00,000	3,00,000
	Bank A/c To Share Allotment A/c (Allotment money received on 99,400 shares)	Dr.	1,48,800 (1)	1,48,800
	Share Capital A/c (600 x ₹6) To Share Allotment A/c To Share Forfeiture A/c (600 shares forfeited for non-payment of allotment money)	Dr.	3,600	1,200 2,400
	Share First and Final Call A/c To Share Capital A/c (First and Final call due on 99,400 shares)	Dr.	3,97,600	3,97,600
	Bank A/c To Share First and Final Call A/c (First and final call money received on 98,600 shares)	Dr.	3,94,400 (2)	3,94,400
	Share Capital A/c To Share First and Final Call A/c To Share Forfeiture A/c (800 shares forfeited for non-payment of first and final call)	Dr.	8,000	3,200 4,800
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Re-issue of 1,000 shares @ ₹8 per share as fully paid-up)	Dr. Dr.	8,000 2,000	10,000
	Share Forfeiture A/c To Capital Reserve A/c (Transfer of profit on re-issue)	Dr.	2,800 (3)	2,800

Working Notes:

(1) (A) Sudha must have applied for $(80,000 \div 60,000) \times 600 = 800$ Shares
 Excess amount received from Sudha on application = 800 shares - 600 shares
 = 200 shares x ₹3 - ₹600

Company Accounts — Issue of Shares

	₹
(B) Amount due from Sudha on allotment (600 x ₹3)	1,800
Less : Excess received from Sudha on application	600
	<u>1,200</u>
(C) Total amount due on allotment: 1,00,000 shares x ₹3	3,00,000
Less : Excess received on application 1,50,000	1,50,000
Less : Not received from Sudha on allotment	1,200
	<u>1,48,800</u>

(2) Calculation of No. of shares allotted to Asha :

$$40,000 \div 70,000 \times 1,400 = 800 \text{ shares}$$

It means Asha has not paid first and final call money on 800 shares.

(3) Calculation of amount to be transferred to Capital Reserve :

Only 1,000 shares have been re-issued which include all the shares of Sudha. Hence all the 600 shares of Sudha and only 400 shares of Asha have been re-issued.

	₹
Profit on 600 shares of Sudha	2,400
Profit on 400 shares of Asha = (₹4,800 ÷ 800 shares) x 400 shares	2,400
	4,800
Less : Loss on re-issue of 1,000 shares @ ₹2 each	2,000
	2,800

Q. 71. A¹ Ltd. invited applications for 4,00,000 shares of ₹10 each. The shares were issued at a premium of ₹7 per share. The amount was payable as follows:

On Application & Allotment : ₹9 per share (including premium ₹4)

On First & Final Call : The balance amount (including premium)

Applications were received for 5,70,000 shares and the allotment was made as under :

(i) To applicants for 3,50,000 shares :	2,50,000 shares on pro-rata basis
(ii) To applicants for 2,00,000 shares :	1,50,000 shares on pro-rata basis
(iii) To applicants for 20,000 shares :	NIL

A, who belonged to the first category and was allotted 500 shares, failed to pay the first call money. B, who belonged to the second category and was allotted 300 shares also failed to pay the first call money. Their shares were forfeited and were re-issued @ ₹15 per share fully paid-up.

Pass necessary Cash-Book and Journal entries.

SOLUTION:

Dr.	CASH BOOK				Cr.
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application and Allotment A/c (5,70,000 x ₹9)		51,30,000	By Share Application and Allotment A/c (20,000 x ₹9)		1,80,000
To Share First and Final Call A/c		18,46,300(1)	By Balance c/d		68,08,300
To Share Capital A/c		8,000			
To Securities Premium Reserve A/c		4,000			
		69,88,300			69,88,300

Company Accounts — Issue of Shares

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr (₹)
	Share Application and Allotment A/c (5,50,000 x ₹9) Dr.		49,50,000	
	To Share Capital A/c (4,00,000 x ₹5)			20,00,000
	To Securities Premium Reserve A/c (4,00,000 x ₹4)			16,00,000
	To Calls in Advance A/c (1,50,000 x ₹9)			13,50,000
	(Amount received on application and allotment transferred to Share Capital A/c @ ₹5 per share, to Securities Premium A/c @ ₹4 per share and amount on 1,50,000 shares @ ₹9 per share transferred to Calls in Advance A/c)			
	Share First & Final Call A/c Dr.		32,00,000	
	To Share Capital A/c			20,00,000
	To Securities Premium Reserve A/c			12,00,000
	(Amount due on 4,00,000 Shares ₹8 including ₹3 Premium)			
	Calls in Advance A/c Dr.		13,50,000	
	To Share First & Final Call A/c			13,50,000
	(Calls in Advance adjusted on First & Final Call)			
	Share Capital A/c Dr.	Dr.	8,000	
	Securities Premium Reserve A/c (800 Shares x ₹3) Dr.	Dr.	2,400	
	To Share First & Final Call A/c			3,700
	To Share Forfeiture A/c			6,700
	(500 Shares of A and 300 Shares of B forfeited for non payment of First and Final Call)			
	Share Forfeiture A/c Dr.	Dr.	6,700	
	To Capital Reserve A/c			6,700
	(Profit on reissue transferred to Capital Reserve A/c)			

Working Notes :

(1) (A) No. of shares applied by A = $(3,50,000 \div 2,50,000) \times 500 = 700$

No. of shares applied by B = $(2,00,000 \div 1,50,000) \times 300 = 400$

Excess amount received from A = $700 \text{ Shares} - 500 \text{ Shares} = 200 \text{ Shares} \times ₹9 = ₹1800$

Excess amount received from B = $400 \text{ Shares} - 300 \text{ Shares} = 100 \text{ Shares} \times ₹9 = ₹900$

(B) Amount due from A and B on First & Final Call : ₹

A 500 Shares @ ₹8 = 4,000

B 300 Shares @ ₹8 = 2,400

6,400

Less : Excess received from A and B on application and allotment (₹1,800 + ₹900)

2,700

Amount due but not paid on First & Final Call

3,700

(C) Total amount due on First & Final Call

(4,00,000 Shares x ₹8)

32,00,000

Company Accounts — Issue of Shares

Less : Excess received on Application & Allotment (Calls in Advance)	13,50,000
	18,50,000
Less : Not received from A and B on First & Final Call =	3,700
	<u>18,46,300</u>

Q. 72. Meena Ltd. issued 30,000 shares of ₹10 each at a premium of ₹2 per share payable as on application, ₹5 (including premium) on allotment and the balance on first and final call. Applications were received for 52,000 shares. The directors resolved to allot as follows:

(A) Applicants of 20,000 shares	10,000 shares
(B) Applicants of 30,000 shares	20,000 shares
(C) Applicants of 2,000 shares	Nil

Balu who had applied for 4,000 shares in category A and Ganesh who was allotted 2,000 shares in category B failed to pay the allotment money. Calculate the amount received on allotment. **(C.B.S.E. 2009, Outside Delhi, Set III) 3 Marks**

SOLUTION:

	₹
Total amount due on Allotment (including premium): 30,000 x ₹5	1,50,000

Less : (i) Excess money received on Application in Category A :

20,000 Shares - 10,000 Shares = 10,000 Shares x ₹3	30,000
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(ii) Excess money received on Application in Category B :

30,000 Shares - 20,000 Shares = 10,000 Shares x ₹3	30,000
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(iii) Balu who applied for 4,000 shares must have been allotted

(10,000 ÷ 20,000) x 4,000 = 2,000 shares

Excess received from Balu on Application =

4,000 shares - 2,000 shares = 2,000 shares x ₹3 = ₹6,000

Amount due from him on Allotment = 2,000 shares x ₹5 = ₹10,000

Less : Excess received from him on Application	6,000	4,000
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(iv) Ganesh who was allotted 2,000 shares must have applied for

(30,000 ÷ 20,000) x 2,000 = 3,000 shares.

Excess received from Ganesh on Application =

3,000 shares - 2,000 shares = 1,000 shares x ₹3 = ₹3,000

Amount due from him on Allotment: 2,000 shares x ₹5 = ₹10,000

Less : Excess received from him on Application	3,000	7,000
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Net amount received on Allotment

79,000

Q. 73. X Ltd. invited applications for 40,000 shares of ₹10 each at 5% premium, payable as ₹3 on application, ₹3.50 on allotment (including premium) and balance on first and final call. Applications were received for 90,000 shares and allotment was made on pro-rata basis. The excess money received on application was to be adjusted against allotment only. A shareholder, who applied for 4,500 shares, could not pay the call money and his shares were accordingly forfeited.

Pass necessary journal entries and show the items in company's Balance Sheet.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Application A/c (Application money received on 90,000 shares @ ₹3 per share)	Dr.	2,70,000	2,70,000
	Share Application A/c To Share Capital A/c (40,000 x ₹3) To Share Allotment A/c (40,000 x ₹3.50) To Bank A/c (Application money adjusted)	Dr.	2,70,000	1,20,000 1,40,000 10,000
	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Allotment due on 40,000 shares @ ₹3.50 per share)	Dr.	1,40,000	1,20,000 20,000
	Share First & Final Call A/c To Share Capital A/c (First & Final Call due on 40,000 shares @ ₹4 per share)	Dr.	1,60,000	1,60,000
	Bank A/c To Share First & Final Call A/c (Call money received, except on 2,000 shares @ ₹4 per share)	Dr.	1,52,000	1,52,000
	Share Capital A/c To Share First & Final Call A/c To Share Forfeiture A/c (Forfeiture of 2,000 shares)	Dr.	20,000	8,000 12,000

Working Notes:

(i) Applicants for 90,000 shares have been allotted 40,000 shares. Hence, applicant for 4,500 shares must have been allotted = $(40,000 \div 60,000) \times 4,500 = 2,000$ shares.

(ii) Since all amounts due on allotment has already been received on application, there would be no entry for receipt of allotment money.

Utilisation of excess application money for Securities Premium

Q. 74. Khushboo Ltd. issued for Public subscription 50,000 equity shares of ₹10 each at a premium of 30% payable as under:

₹4 on application

₹5 on allotment (including premium)

₹4 on first & final call

Applications were received for 1,00,000 shares. Allotment was made pro-rata to the applicants for 80,000 shares, the remaining applications being refused. Money overpaid on application was utilised towards sums due on allotment.

Chatterjee, to whom 1,000 shares were allotted, failed to pay the allotment and call money and the shares were subsequently forfeited. Half of the forfeited shares were reissued as fully paid at a discount of 10%. Show the journal entries to record the above transactions.

Company Accounts — Issue of Shares

SOLUTION:

Khushboo Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 1,00,000 shares @ ₹4 per share)		4,00,000	4,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Transfer of application money)		4,00,000	2,00,000 1,20,000 80,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 50,000 shares @ ₹5 per share)		2,50,000	1,00,000 1,50,000
	Bank A/c (1) Dr. To Equity Share Allotment A/c (Allotment money received except on 1,000 shares)		1,27,400	1,27,400
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First & Final call due on 50,000 shares @ ₹4 per share)		2,00,000	2,00,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (First & Final call received except on 1,000 shares @ ₹4 per share)		1,96,000	1,96,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c (2) Dr. To Equity Share Allotment A/c To Equity Share First and Final Call A/c To Share Forfeiture A/c (The forfeiture of 1,000 shares)		10,000 2,600	2,600 4,000 6,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (The re-issue of 500 shares at ₹9 per share)		4,500 500	5,000
	Share Forfeiture A/c(3) Dr. To Capital Reserve A/c (Gain on reissue transferred to Capital Reserve A/c)		2,500	2,500

Company Accounts — Issue of Shares

(1) Excess amount received from Chatterjee on application:	
(A) Chatterjee has been allotted 1,000 shares.	
He must have applied for $(80,000 \div 50,000) \times 1,000$	= 1,600 shares.
Excess application money received from Chatterjee = 1,600 shares – 1,000	
= 600 shares x ₹4	= ₹2,400
(B) Amount due from Chatterjee on allotment:	
1,000 shares x ₹5	₹5,000
Less : Excess received from Chatterjee on application	₹2,400
(Out of this amount, 1,000 x ₹2 = ₹2,000 is part of share capital and balance of ₹400 is a part of securities premium)	
Amount not paid on allotment	₹2,600
(C) Total amount due on allotment: 50,000 shares x ₹5	2,50,000
Less : Excess amount received on application	1,20,000
	1,30,000
Less : Amount not paid by Chatterjee	2,600
	1,27,400

(2) Securities Premium Reserve related to Chatterjee's shares is 1,000 shares x ₹3 = ₹3,000. Out of this amount ₹400 is already received as surplus application money. Hence, balance of ₹2,600 not received will be debited in the entry for forfeiture of shares.

(3) Amount transferred to Capital Reserve:

Forfeited amount of 1,000 shares	= ₹6,000
Hence, Forfeited amount on 500 shares	$(6,000 \div 1,000) \times 500 = 3,000$
Less : Loss on Reissue : 500 shares @ ₹ 1	500
	2,500

Q. 75. Kochi Silk Ltd. issued a prospectus inviting applications for 40,000 shares of ₹ 10 each at a premium of ₹8 per share, payable as follows:

On Application	₹6 (including premium)
On Allotment	₹6 (including ₹2 premium)
On First Call	₹3 (including ₹2 premium)
On Second & Final Call	₹3 (including ₹2 premium)

Applications were received for 80,000 shares and pro-rata allotment was made on the applications for 70,000 shares. It was decided to utilise excess application money towards the sums due on allotment.

X, to whom 1,200 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 3,500 shares failed to pay the two calls and on his such failure, his shares were also forfeited.

Of the shares forfeited, 2,500 shares were reissued as fully paid up for ₹9 per share, the whole of Ys shares being included. Prepare Cash Book and Journal entries.

SOLUTION:

Company Accounts — Issue of Shares

Kochi Silk Ltd.

Dr.	₹	Cr.	₹
Particulars		Particulars	
To Share Application A/c (80,000 shares x ₹6)	4,80,000	By Share Application A/c (10,000 Shares x ₹6)	60,000
To Share Allotment A/c(1)	58,200	By Balance c/d	7,21,500
To Share First Call A/c (36,800 Shares x ₹3)(2)	1,10,400		
To Share Second & Final Call A/c (36,800 Shares x ₹3)	1,10,400		
To Share Capital A/c	22,500		
	7,81,500		7,81,500

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		4,20,000	
	To Share Capital A/c (40,000 shares x ₹4)			1,60,000
	To Securities Premium Reserve A/c (40,000 shares x ₹2)			80,000
	To Share Allotment A/c (30,000 shares x ₹6) (Application money transferred)			1,80,000
	Share Allotment A/c Dr.		2,40,000	
	To Share Capital A/c			1,60,000
	To Securities Premium Reserve A/c (Allotment due on 40,000 shares)			80,000
	Share First Call A/c Dr.		1,20,000	
	To Share Capital A/c			40,000
	To Securities Premium Reserve A/c (First call due on 40,000 shares)			80,000
	Share Capital A/c (1,200 shares x ₹9) Dr.		10,800	
	Securities Premium Reserve A/c(3) (1,200 shares x ₹4 = ₹4,800 - ₹600) Dr.		4,200	
	To Share Allotment A/c			1,800
	To Share First Call A/c			3,600
	To Share Forfeiture A/c (Forfeiture of 1,200 shares of X)			9,600
	Share Second & Final Call A/c Dr.		1,16,400	
	To Share Capital A/c			38,800
	To Securities Premium Reserve A/c (Second & Final call due on 38,800 shares)			77,600
	Share Capital A/c Dr.		20,000	
	Securities Premium Reserve A/c Dr.		8,000	
	To Share First Call A/c			6,000

Company Accounts — Issue of Shares

To Share Second & Final Call A/c			
To Share Forfeiture A/c			6,000
(Forfeiture of 2,000 shares of Y for non payment of calls)			16,000
Share Forfeiture A/c	2,500		2,500
To Share Capital A/c			2,500
(Loss of ₹1 per share on the re-issue of 2,500 shares)			
Share Forfeiture A/c (4)	17,500		17,500
To Capital Reserve A/c			17,500
(Gain on 2,500 re-issued shares transferred to capital reserve)			

Working Notes :

(1) (A) Excess amount received from X on application :

X has been allotted 1,200 shares

Therefore, he must have applied for $(70,000 \div 40,000) \times 1,200 = 2,100$ shares.

Excess application money received from X:

2,100 Shares — 1,200 Shares = 900 Shares x ₹6 = ₹5,400.

(B) Amount due from X on Allotment:

1,200 Shares x ₹6

₹

7,200

Less : Excess received from X on Application

5,400

(Out of this amount, 1,200 x ₹4 = ₹4,800 is part of share capital and balance of ₹600 is a part of securities premium)

Allotment money not received from X

1,800

(C) Total amount due on Allotment: 40,000 Shares x ₹6

2,40,000

Less : Excess amount received on Application

1,80,000

Balance Due

60,000

Less : Amount not received from X on Allotment

1,800

Net amount received on Allotment in Cash

58,200

(2) Y has applied for 3,500 shares.

Therefore, he must have been allotted $(40,000 \div 70,000) \times 3,500 = 2,000$ Shares.

He has not paid first and second call money.

As such, First Call money will be received on 40,000 shares — 1,200 shares of X and 2,000 shares of Y = 36,800 shares

Second call money will also be received on 36,800 shares.

(3) Securities Premium Reserve related to shares of X is :

1,200 shares x ₹2 on allotment

2,400

Add: 1,200 shares x ₹2 on first call

2,400

4,800

Out of this amount, ₹600 is already received as excess application money. As such, the balance of ₹4,200 has been debited in the entry for forfeiture of shares.

(4) 2,500 shares have been reissued which include 2,000 shares of Y and balance 500 of X:

Company Accounts — Issue of Shares

Forfeited amount on 500 shares of = $(9,600 \div 1,200) \times 500$	4,000
Forfeited amount on 2,000 shares of Y	16,000
	20,000
Less: Loss on reissue of 2,500 shares @ ₹1 each	2,500
Transferred to Capital Reserve	17,500

Additional Questions (For Practice)

SOLUTION: 76.

Samprag Ltd.
BALANCE SHEET (EXTRACT) as at

Particulars	Note No.	₹
I. EQUITY & LIABILITIES :		
Shareholders' Funds :		
(a) Share Capital	1	5,74,000

Notes to Accounts:

Particulars	₹
(1) Share Capital:	
Authorised Capital: 2,00,000 Equity Shares of ₹10 each	20,00,000
Issued Capital] : 60,000 Equity Shares of ₹10 each	6,00,000
Subscribed Capital Subscribed and Fully Paid-up 56,000 Equity Shares of ₹ 10 each	5,60,000
Add: Forfeited Shares	14,000
	5,74,000

SOLUTION : 77.

EXTRACT OF BALANCE SHEET OF SUN PHARMA LTD.
as at

Particulars	Note No.	Current year ₹	Previous year ₹
EQUITY & LIABILITIES :			
Shareholders' Funds :			
(a) Share Capital	1	49,90,000	

Notes to Accounts :

Particulars	₹
(1) Share Capital:	
Authorised Capital: 1,00,000 Equity Shares of ₹ 100 each	1,00,00,000
Issued Capital: 50,000 Equity Shares of ₹100 each	50,00,000
Subscribed and Fully Paid : 49,500 Equity Shares of ₹100 each	49,50,000
Add: Share Forfeiture Account	40,000
	49,90,000

Company Accounts — Issue of Shares

SOLUTION: 78.

Journal of Akshra Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Building A/c Dr. To Vendors A/c (Purchase of Land and Building from)		50,00,000	50,00,000
	Vendors A/c Dr. To Share Capital A/c (Issue of 50,000 shares of ₹100 each fully paid to Vendors)		50,00,000	50,00,000
	Bank A/c Dr. To Share Application and Allotment A/c (Application money received for 75,000 shares @ ₹100 per share)		75,00,000	75,00,000
	Share Application and Allotment A/c Dr. To Share Capital A/c (Transfer of application money on allotment of shares)		75,00,000	75,00,000

BALANCE SHEET OF AKSHRA LTD

as at

Particulars	Note No.	Current year	Previous year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds :			
(a) Share Capital	1	000 000	
II. ASSETS :			
(1) Non-Current Assets :			
Fixed Assets :			
(i) Tangible Assets	2	50,00,000	
(2) Current Assets :			
Cash and Cash Equivalents	3	75,00,000	
		1,25,00,000	

Notes to Accounts:

Particulars	₹
(1) Share Capital	
Authorised Capital:	2,00,00,000
2,00,000 Shares of ₹100 each	
Issued, Subscribed and fully paid Capital:	
1,25,000 Shares of ₹100 each fully paid (Out of these 50,000 shares have been allotted as fully paid up for consideration other than cash)	1,25,00,000
(2) Fixed Assets:	
(i) Tangible Assets Land and Buildings	50,00,000

Company Accounts — Issue of Shares

(3) Cash and Cash Equivalents :	75,00,000
Cash at Bank	

SOLUTION: 79.

Extract of Balance Sheet of Vivek Ltd.

As at 31st March, 2013

Particulars	Note No.	31.3.2013	31.3.2012
		₹	
I. EQUITY & LIABILITIES :			
(1) Shareholders Funds :			
(a) Share Capital	1	62,00,000	

Notes to Accounts :

Particulars	₹
(1) Shareholder's Funds :	
Authorised Capital:	
2,00,000 equity shares of ₹50 each	1,00,00,000
Issued Capital:	
1,80,000 Equity Shares of ₹50 each	90,00,000
Subscribed but not fully paid Capital:	
1,80,000 Shares of ₹50 each ₹35 called up	63,00,000
Less : Calls in Arrears (5,000 Shares @ ₹20 each)	1,00,000
	62,00,000

SOLUTION: 80.

Sona Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c To Mona Ltd. (Furniture purchased from Mona Ltd.)	Dr.	17,00,000	17,00,000
	Mona Ltd. To Bank A/c (Part payment made by issue of cheque)	Dr.	3,40,000	3,40,000
	Mona Ltd. To Equity Share Capital A/c To Securities Premium Reserve A/c (Issue of 10,880 Equity Shares of ₹100 each at a premium of ₹25 per share)	Dr.	13,60,000	10,88,000 2,72,000

Working Note: Number of Equity Shares to be issued = $13,60,000/125 = 10,880$ shares.

Company Accounts — Issue of Shares

SOLUTION: 81.

ZLtd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c Dr. To C.D. Ltd. (Furniture purchased from C.D. Ltd.)		2,20,000	2,20,000
	C.D. Ltd. Dr. To 9% Preference Share Capital A/c To Securities Premium Reserve A/c (Issue of 2,000, 9% Preference Shares of ₹100 each at a premium of ₹10)		2,20,000	2,00,000 20,000

Working Note: Number of Preference Shares to be issued = 2,20,000/110 = 2,000 shares.

SOLUTION : 82.

JOURNAL OF NIKHIL LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. Debtors A/c Dr. Stock A/c Dr. Building A/c Dr.		7,00,000 2,50,000 5,00,000 11,50,000	
	To Bills Payable A/c To Sonia Ltd. To Capital Reserve A/c (Balancing figure) (Purchase of business from Sonia Ltd.)			2,50,000 22,00,000 1,50,000
	Sonia Ltd. Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Issue of 20,000 fully paid equity Shares of ₹100 each at a Premium of 10%)		22,00,000	20,00,000 2,00,000

SOLUTION : 83.

In the Books of Gopal Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Furniture A/c Dr. To M/s Furniture Mart (Furniture purchased from M/s Furniture Mart)		2,50,000	2,50,000
	M/s Furniture Mart Dr. To Equity Share Capital A/c(1) To Securities Premium Reserve A/c (20,000 Equity Shares of ₹10 each issued at a premium of ₹2.50 per share as purchase consideration)		2,50,000	2,00,000 50,000

Company Accounts — Issue of Shares

(ii)	Plant A/c	Dr.	3,50,000	
	Stock A/c	Dr.	4,50,000	
	Land & Building A/c	Dr.	6,00,000	
	Goodwill A/c (Balancing figure)	Dr.	2,00,000	
	To Sundry Creditors A/c			1,00,000
	To Aman Ltd.			15,00,000
	(Business purchased from Aman Ltd.)			
	Aman Ltd.	Dr.	15,00,000	
	To Equity Share Capital A/c			12,00,000
	To Bank A/c			3,00,000
	(Shares issued and balance paid by bank draft)			

Working Note (1): Number of shares issued = 2,50,000/12.50 = 20,000 shares.

SOLUTION : 84.

X Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	5,00,000	
	To Equity Share Application A/c			5,00,000
	(Application money received on 2,00,000 equity shares)			
	Equity Share Application A/c Dr.		5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Application money transferred to share capital account)			
	Equity Share Allotment A/c	Dr.	5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Allotment money due on 2,00,000 equity shares)			
	Bank A/c Dr.		5,03,750	
	Calls-In-Arrears A/c Dr.		6,250	
	To Equity Share Allotment A/c			5,00,000
	To Calls-in-Advance A/c			10,000
	(Allotment money received on 1,97,500 shares with Calls-in-Advance money on 2,000 shares)			

BALANCE SHEET OF X LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :			
Shareholder's Funds			
Share Capital	1	₹ 9,93,750	₹
Current Liabilities			
Calls in Advance		10,000	
		10,03,750	

Company Accounts — Issue of Shares

II. ASSETS :		
Current Assets :		
Cash and Cash Equivalents	2	10,03,750

Notes to Accounts:

		₹
(1) Share Capital:		
Authorised Capital:		
5,00,000 Equity Shares of ₹10 each		50,00,000
Issued Capital:		
2,00,000 Equity Shares of ₹10 each		20,00,000
Subscribed but not Fully Paid Capital:		
2,00,000 Equity Shares of ₹10 each, ₹5 Called up	10,00,000	
Less: Calls-in-Arrears	6,250	9,93,750
(2) Cash and Cash Equivalents :		
Cash at Bank		10,03,750

SOLUTION : 85.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (46,400 x ₹7.50) Dr.		3,48,000	
	To Share Application A/c (Amount received on application)			3,48,000
	Share Application A/c Dr.		3,48,000	
	To Share Capital A/c (40,000 x ₹7.50)			3,00,000
	To Share Allotment A/c			12,000
	To Calls in Advance A/c			6,000
	To Bank A/c (4,000 x ₹7.50)			30,000
	(Transfer of application money on 40,000 shares @ ₹7.50 to Share Capital A/c; On 1,600 shares @ ₹7.50 to Share Allotment A/c; and the excess amount to Calls in Advance A/c and amount returned on 4,000 Shares)			
	Share Allotment A/c (40,000 x ₹7.50) Dr.		3,00,000	
	To Share Capital A/c (Amount due on allotment)			3,00,000
	Bank A/c Dr.		2,88,000	
	To Share Allotment A/c (Amount received on allotment)			2,88,000
	Share First Call A/c (40,000 x ₹5) Dr.		2,00,000	
	To Share Capital A/c (Amount due on First Call)			2,00,000
	Bank A/c Dr.		1,94,000	
	Calls in Advance A/c Dr.		6,000	
	To Share First Call A/c			2,00,000

Company Accounts — Issue of Shares

(Amount received on First Call)			
Share Final Call A/c (40,000 x ₹5) Dr.		2,00,000	
To Share Capital A/c			2,00,000
(Amount due on Final Call)			
Bank A/c Dr.		2,00,000	
To Share Final Call A/c			2,00,000
(Amount received on Final Call)			

Working Note :

(i) Scheme of Allotment:

Applicants for 4,000	shares were allotted	Nil shares	
Applicants for 4,000	shares were allotted	1,600 shares	
Applicants for <u>38,400</u>	shares were allotted	<u>38,400 shares</u>	
<u>46,400</u>		<u>40,000</u>	

(ii) Excess received on 4,000 shares on application : ₹

4,000 - 1,600 = 2,400 x ₹7.50 = 18,000

Less: Adjusted on Allotment (1,600 x ₹7.50) = 12,000

Transferred to Calls in Advance A/c 6,000

SOLUTION : 86.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank Me (1,10,000 x ₹3) Dr.		3,30,000	
	To Equity Share Application A/c			3,30,000
	(Amount received on Application)			
	Equity Share Application A/c Dr.		3,30,000	1,50,000
	To Equity Share Capital A/c (50,000 x ₹3)			80,000
	To Equity Share Allotment A/c			70,000(2)
	To Calls in Advance A/c			30,000
	To Bank A/c			
	(Amount received on application transferred; 50,000 shares @ ₹3 to Share Capital A/c; ₹20,000 + ₹60,000 = ₹80,000 to Share Allotment A/c; ₹60,000 + ₹10,000 = ₹70,000 to Calls in Advance A/c and ₹30,000 are refunded)			
	Equity Share Allotment A/c (50,000 x ₹2) Dr.		1,00,000	
	To Equity Share Capital A/c (50,000 x ₹2)			1,00,000
	(Amount due on allotment)			
	Bank A/c Dr.		20,000	
	To Equity Share Allotment A/c			20,000
	(Amount received and excess received on application adjusted)			
	Equity Share 1st and Final Call A/c (50,000 x ₹5) Dr.		2,50,000	
	To Equity Share Capital A/c			2,50,000
	(Amount due on 1st and Final Call)			

Company Accounts — Issue of Shares

Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share 1st and Final Call A/c (Amount received on 1st and Final Call and Calls in Advance adjusted)	1,80,000 70,000	2,50,000
Interest A/c Dr. To Bank A/c (Interest paid on Calls in Advance @ 6% p.a. as per Table A)	700	700

Working Notes :

(1) Scheme of Allotment:		
	Shares Applied	Shares Allotted
Group (i)	10,000	Nil
Group (ii) Mr. X	20,000	10,000
Group (iii) Mr. Y	10,000	10,000
Group (iv) Balance	70,000	30,000
	1,10,000	50,000
(2) Excess received on application from Group (iv) applicants :		
	70,000 shares - 30,000 = 40,000 shares x ₹3 =	1,20,000
	Less : Adjusted on allotment: 30,000 shares x ₹2 =	60,000
	Transferred to Calls in Advance	60,000
	Excess received from X on application :	
	20,000 shares - 10,000 shares = 10,000 shares x ₹3 =	30,000
	Less: Adjusted on allotment: 10,000 shares x ₹2 =	20,000
	Transferred to Calls in Advance	10,000

(3) Calculation of Interest on ₹70,000 for 2 months = ₹70,000 x 6/100 x 2/12 = ₹700

Forfeiture of Shares Issued at Par

SOLUTION : 87.

In the Books of Narmada Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Vendor's A/c (Purchase of an asset)		2,00,000	2,00,000
	Vendor's A/c Dr. To Share Capital A/c (Issue of 20,000 shares @ ₹10 each)		2,00,000	2,00,000
	Bank A/c (30,000 x ₹3) Dr. To Share Application & Allotment A/c (Amount received on application and allotment)		90,000	90,000

Company Accounts — Issue of Shares

Share Application & Allotment A/c Dr. To Share Capital A/c (Amount received on application and allotment transferred to Share Capital A/c)	90,000	90,000
Share First Call A/c Dr. To Share Capital A/c (Amount due on First Call)	1,20,000	1,20,000
Bank A/c Dr. To Share First Call A/c (Amount received on 29,900 shares @ ₹4 per share)	1,19,600	1,19,600
Share Capital A/c (100 x ₹7) Dr. To Share First Call A/c (100 x ₹4) To Share Forfeiture A/c (100 shares of Govind forfeited for non payment of First Call)	700	400 300
Share Second & Final Call A/c Dr. To Share Capital A/c (Amount due on Second Call on 29,900 shares)	89,700	89,700
Bank A/c Dr. To Share Second & Final Call A/c (Amount received on 29,700 shares @ ₹3 per share)	89,100	89,100
Share Capital A/c (200 x ₹10) Dr. To Share Second & Final Call A/c (200 x ₹3) To Share Forfeiture A/c (200 x ₹7) (200 shares of Gopal forfeited for non payment of second call)	2,000	600 1,400

SOLUTION : 88.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,000 x ₹10) Dr. To Calls in Arrears To Share Forfeiture A/c (1,000 shares forfeited for non payment of calls)		10,000	6,000 4,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (400 shares reissued upon payment of ₹3,000)		3,000 1,000	4,000
	Share Forfeiture A/c (4,000 x (400 ÷ 1,000)) - 1,000 Dr. To Capital Reserve A/c (Profit on reissue of shares transferred to Capital Reserve A/c)		600	600

Company Accounts — Issue of Shares

SOLUTION : 89.

JOURNAL OF VIRENDER LIMITED

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(A)	Share Capital A/c (400 x ₹60) Dr.		24,000	
	To Calls in Arrears A/c			14,000
	To Share Forfeiture A/c (400 x ₹25) (400 shares of Mukesh forfeited for non payment of calls)			10,000
(A)	Bank A/c Dr.		13,500	
	Share Forfeiture A/c Dr.		4,500	
	To Share Capital A/c (300 x ₹60) (300 shares reissued to Sanjeev as ₹60 paid-up for ₹45 per share)			18,000
(A)	Share Forfeiture A/c Dr.		3,000	
	To Capital Reserve A/c (Profit on reissue of 300 shares transferred to Capital Reserve)			3,000

JOURNAL OF DEVENDRA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(B) 2016 April 1	Share Capital A/c (1,000 x ₹8) Dr.		8,000	
	To Share First Call A/c			2,000
	To Share Forfeiture A/c (1,000 shares, ₹8 per share called-up forfeited for non-payment of first call of ₹2 per share)			6,000
(B) May 1	Bank A/c (600 x ₹7) Dr.		4,200	
	Share Forfeiture A/c Dr.		1,800	
	To Share Capital A/c (600 x ₹10) (600 shares re-issued at ₹7 per share fully paid-up)			6,000
(B) May 1	Share Forfeiture A/c Dr.		1,800	
	To Capital Reserve A/c (Profit on reissue of 600 shares transferred to Capital Reserve)			1,800

SOLUTION : 90.

Books of Y Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		30,000	
	To Equity Share Application A/c (Application money received for 15,000 shares @ ₹2 each)			30,000
	Equity Share Application A/c Dr.		30,000	
	To Equity Share Capital A/c (Application money transferred to Share Capital Account)			30,000

Company Accounts — Issue of Shares

Equity Share Allotment A/c Dr.	15,000		
To Equity Share Capital A/c (Allotment money due at ₹1 per share)		15,000	
Bank A/c Dr.	13,000		
To Equity Share Allotment A/c (Allotment money received except on 2,000 shares)		13,000	
Equity Share First Call A/c Dr.	45,000		
To Equity Share Capital A/c First call money due at ₹3 per share)		45,000	
Bank A/c Dr.	30,000		
To Equity Share First Call A/c (First call money received except on 5,000 shares)		30,000	
Equity Share Capital A/c (5,000 x ₹6) Dr.	30,000		
To Equity Share Allotment A/c		2,000	
To Equity Share First Call A/c		15,000	
To Share Forfeiture A/c (5,000 shares forfeited due to non-payment of allotment and call money)		13,000	
Bank A/c Dr.	45,000		
To Equity Share Capital A/c		30,000	
To Securities Premium Reserve A/c (Reissue of 5,000 shares @ ₹9 per share, ₹6 per share paid-up)		15,000	
Share Forfeiture A/c Dr.	13,000		
To Capital Reserve A/c (Transfer of profit on reissue)		13,000	

Forfeiture of Shares Issued at Premium

SOLUTION : 91.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (20,000 x ₹10) Dr.		2,00,000	
	To Share Application and Allotment A/c (Amount received for application and allotment on 20,000 shares)			2,00,000
	Share Application and Allotment A/c Dr.		2,00,000	
	To Share Capital A/c (Amount received on application and allotment transferred to Share Capital A/c)			2,00,000
	Share First Call A/c (20,000 x ₹4) Dr.		80,000	
	To Share Capital A/c (20,000 x ₹2)			40,000
	To Securities Premium Reserve A/c (20,000 x ₹2) (Amount due on First Call @ ₹4 per share including premium of ₹2)			40,000

Company Accounts — Issue of Shares

Bank A/c Dr.	72,000		
To Share First Call A/c (Amount received on 18,000 shares)			72,000
Share Second & Final Call A/c (20,000 x ₹8) Dr.	1,60,000		
To Share Capital A/c (20,000 x ₹8) (Amount due on Second Call @ ₹8 per share)			1,60,000
Bank A/c Dr.	1,44,000		
To Share Second & Final Call A/c (Amount received on 18,000 shares)			1,44,000
Share Capital A/c Dr.	40,000		
Securities Premium Reserve A/c Dr.	4,000		
To Share First Call A/c (2,000 x ₹4)			8,000
To Share Second & Final Call A/c (2,000 x ₹8)			16,000
To Share Forfeiture A/c (2,000 shares forfeited for non payment of calls)			20,000
Bank A/c (2,000 x ₹14) Dr.	28,000		
Share Forfeiture A/c (2,000 x ₹6) Dr.	12,000		
To Share Capital A/c (2,000 x ₹20) (2,000 forfeited shares reissued at ₹14 per share as fully paid)			40,000
Share Forfeiture A/c Dr.	8,000		
To Capital Reserve A/c (Profit on 2,000 reissued shares transferred to Capital Reserve)			8,000

SOLUTION : 92.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,35,000	
	To Share Application A/c (Amount received on 45,000 shares @ ₹3 per share)			1,35,000
	Share Application A/c Dr.		1,35,000	
	To Share Capital A/c (30,000 x ₹3)			90,000
	To Share Allotment A/c (10,000 x ₹3)			30,000
	To Bank A/c (5,000 x ₹3) (Application money transferred to Share Capital A/c for 30,000 shares; to Allotment A/c for 10,000 shares and amount returned on 5,000 shares @ ₹3 per share)			15,000
	Share Allotment A/c (30,000 x ₹5) Dr.		1,50,000	
	To Share Capital A/c (30,000 x ₹3)			90,000
	To Securities Premium Reserve A/c (30,000 x ₹2) (Allotment due on 30,000 shares @ ₹5 per share)			60,000
	Bank A/c Dr.		1,20,000	
	To Share Allotment A/c (Allotment money received; excess received along with application adjusted)			1,20,000

Company Accounts — Issue of Shares

Share First Call A/c Dr. To Share Capital A/c (First Call due on 30,000 shares @ ₹2 per share)	60,000	
Bank A/c Dr. To Share First Call A/c (First Call received on 29,700 shares @ ₹2 per share)	59,400	60,000
Share Second and Final Call A/c Dr. To Share Capital A/c (Final Call due on 30,000 shares @ ₹2 per share)	60,000	59,400
Bank A/c Dr. To Share Second and Final Call A/c (Second and Final Call received except on 29,700 shares @ ₹2 per share)	59,400	60,000
Share Capital A/c (300 x ₹10) Dr. To Share First Call A/c To Share Second and Final Call A/c To Share Forfeiture A/c (300 shares forfeited for non-payment of First Call and Second and Final Call)	3,000	600 600 1,800
Bank A/c (300 x ₹9) Dr. Share Forfeiture A/c (300 x ₹1) Dr. To Share Capital A/c (300 x ₹10) (300 shares reissued at ₹9 fully paid)	2,700 300	3,000
Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on 300 reissued shares transferred to Capital Reserve)	1,500	1,500

BALANCE SHEET OF THE MOHAN LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	3,00,000	
(b) Reserves and Surplus	2	61,500	
		3,61,500	
II. ASSETS			
Current Assets :			
Cash and Cash Equivalents	3	3,61,500	

Notes to Accounts :

	₹
(1) Share Capital:	
Authorised Capital:	

Company Accounts — Issue of Shares

Issued, Subscribed and Fully Paid Capital:	
30,000 Equity Shares of ₹10 each	3,00,000
(2) Reserves and Surplus :	
Capital Reserve	1,500
Securities Premium Reserve A/c	<u>60,000</u>
	61,500
(3) Cash and Cash Equivalents :	
Cash at Bank	3,61,500

SOLUTION : 93.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (800 x ₹10) Dr.		8,000	
	To Share First Call A/c (800 x ₹2)			1,600
	To Share Forfeiture A/c (800 x ₹8)			6,400
	(Forfeiture of 800 shares for the non-payment of Final Call of ₹2 per share)			
	Bank A/c Dr.		7,800	
	To Share Capital A/c			6,000
	To Securities Premium Reserve A/c			1,800
	(Reissue of 600 shares as fully paid-up for ₹13 per share)			
	Share Forfeiture A/c (6,400 x 600 ÷ 800) Dr.		4,800	
	To Capital Reserve A/c			4,800
	(Profit on reissue of shares transferred to Capital Reserve)			

SOLUTION : 94.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (500 x ₹10) Dr.		5,000	
	To Share First Call A/c (500 x ₹3)			1,500
	To Share Final Call A/c (500 x ₹2)			1,000
	To Share Forfeiture A/c			2,500
	(Forfeiture of 500 shares for non payment of First Call and Final Call)			
	Bank A/c Dr.		3,000	
	To Share Capital A/c			3,000
	(Reissue of 300 shares as fully paid-up for ₹10 per share)			
	Share Forfeiture A/c (2,500 x) Dr.		1,500	
	To Capital Reserve A/c			1,500
	(Transfer of profit on 300 reissued shares to Capital Reserve)			

Company Accounts — Issue of Shares

SOLUTION : 95.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (300 x ₹10) Dr. Securities Premium Reserve A/c (300 x ₹2) Dr.		3,000 600	
	To Share Allotment A/c (300 x ₹4)			1,200
	To Share First Call A/c (300 x ₹3)			900
	To Share Final Call A/c (300 x ₹2)			600
	To Share Forfeiture A/c (300 x ₹3)			900
	(Forfeiture of 300 shares for non-payment of allotment and calls)			
	Bank A/c (200 x ₹7) Dr. Share Forfeiture A/c (200 x ₹3) Dr.		1,400 600	
	To Share Capital A/c (200 x ₹10)			2,000
	(Reissue of 200 shares as fully paid-up at a discount of ₹3 per share)			

SOLUTION: 96.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (800 x ₹18) Dr. To Share First Call A/c (800 x ₹4)		14,400	3,200
	To Share Forfeiture A/c (800 x ₹14)			11,200
	(800 shares forfeited for non payment of First Call)			
	Bank A/c (300 x ₹15) Dr. Share Forfeiture A/c (300 x ₹3)		4,500 900	
	To Share Capital A/c (300 x ₹18)			5,400
	(300 shares reissued @ ₹15 per share as ₹18 paid-up)			
	Share Forfeiture A/c (11,200 x 300/800) - 900 Dr. To Capital Reserve A/c		3,300	3,300
	(Profit on reissue of 300 shares transferred to Capital Reserve)			

SOLUTION : 97.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,000 x ₹18) Dr. Securities Premium Reserve A/c (1,000 x ₹2) Dr.		18,000 2,000	
	To Share Allotment A/c (1,000 x ₹6)			6,000
	To Share First Call A/c (1,000 x ₹4)			4,000
	To Share Forfeiture A/c (1,000 x ₹10)			10,000
	(Forfeiture of 1,000 shares for non payment of allotment and 1st Call)			

Company Accounts — Issue of Shares

(i)	Bank A/c (600 x ₹14) Dr. Share Forfeiture A/c (600 x ₹4) Dr. To Share Capital A/c (600 x ₹18) (600 shares re-issued to Mohan at ₹14 per share as ₹18 paid up)	8,400 2,400	10,800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Transfer of profit on 600 reissued shares to Capital Reserve)	3,600	3,600
(ii)	Bank A/c (200 x ₹24) Dr. To Share Capital A/c (200 x ₹20) To Securities Premium Reserve A/c (200 x ₹4) (200 shares reissued as fully paid-up for ₹24 per share)	4,800	4,000 800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Transfer of profit on 200 reissued shares to Capital Reserve)	2,000	2,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (200 shares reissued to Suresh as fully paid-up for ₹10 per share)	2,000 2,000	4,000

SOLUTION : 98.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,000 x ₹8) Dr.		8,000	
	Securities Premium Reserve A/c (1,000 x ₹2) Dr.		2,000	
	To Share Allotment A/c (1,000 x ₹5)			5,000
	To Share Forfeiture A/c			5,000
	(1,000 shares forfeited for non-payment of allotment money of ₹5 per share [including premium of ₹2])			
	Bank A/c Dr.		5,600	
	Share Forfeiture A/c Dr.		800	
	To Share Capital A/c			6,400
	(Reissue of 800 shares to Mr. Sanjay for ₹7 per share as ₹8 called up)			
	Share Forfeiture A/c Dr.		3,200	
	To Capital Reserve A/c			3,200
	(Transfer of profit on reissue of 800 shares to Capital Reserve A/c)			

Company Accounts — Issue of Shares

SOLUTION : 99.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (100 x ₹8) Dr. To Share First Call A/c (100 x ₹3) To Share Forfeiture A/c (100 x ₹5) (100 shares of ₹10 each forfeited for non payment of first call money of ₹3)		800	300 500
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (100 forfeited shares re-issued at ₹7 per share as ₹8 paid-up)		700 100	800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on reissue of 100 shares transferred to Capital Reserve)		400	400

SOLUTION : 100.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (2,000 x ₹8) Dr. Securities Premium Reserve A/c (2,000 x ₹2) Dr. To Share Allotment A/c (2,000 x ₹4) To Share First Call A/c (2,000 x ₹3) To Share Forfeiture A/c (2,000 x ₹3) (2,000 shares of ₹10 each issued at 20% premium forfeited for non-payment of allotment and first call)		16,000 4,000	8,000 6,000 6,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (1,500 of the forfeited shares re-issued as fully paid for ₹7 per share)		10,500 4,500	15,000

SOLUTION : 101.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,200 x ₹80) Dr. To Share First Call A/c (1,200 x ₹10) To Share Forfeiture A/c (1,200 x ₹70) (1,200 shares of ₹100 each, issued at a premium of 30% to Dinesh forfeited for non-payment of first call of ₹10)		96,000	12,000 84,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (500 of the forfeited shares re-issued as fully paid for ₹105 per		52,500	50,000 2,500

Company Accounts — Issue of Shares

share)			
Share Forfeiture A/c Dr.		35,000	
To Capital Reserve A/c			35,000
(Profit on 500 forfeited shares transferred to Capital Reserve)			

SOLUTION : 102.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (700 x ₹70) Dr.		49,000	
	Securities Premium Reserve A/c (700 x ₹30) Dr.		21,000	
	To Share Allotment A/c (700 x ₹50)			35,000
	To Share First Call A/c (700 x ₹15)			10,500
	To Share Forfeiture A/c (700 x ₹35)			
	(Forfeiture of 700 shares for non-payment of allotment and first call)			
	Bank A/c Dr.		26,000	
	Share Forfeiture A/c Dr.		2,000	
	To Share Capital A/c			24,500
	(Reissue of 400 shares as ₹70 paid-up for ₹65 per share)			
	Share Forfeiture A/c Dr.		12,000	
	To Capital Reserve A/c			12,000
	(Profit on 400 reissued shares transferred to Capital Reserve)			

SOLUTION : 103.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (500 x ₹7) Dr.		3,500	
	To Calls in Arrears A/c (500 x ₹2)			1,000
	To Share Forfeiture A/c (500 x ₹5)			2,500
	(500 shares forfeited for non payment of calls)			
	Bank A/c Dr.		2,800	
	Share Forfeiture A/c Dr.		1,200	
	To Share Capital A/c			4,000
	(400 of the forfeited shares re-issued as fully paid for ₹7)			
	Share Forfeiture A/c Dr.		800	
	To Capital Reserve A/c			800
	(Profit on reissue of 400 shares transferred to Capital Reserve)			

Note:

Profit on 500 Shares =	₹2,500	₹
Hence, Profit on 400 Shares =	$\frac{₹2,500}{500} \times 400 = 2,000$	
Less : Transfer to Capital Reserve		800
Loss on Re-issue		1,200

Company Accounts — Issue of Shares

Per Share Loss on Re-issue = ₹1,200 ÷ 400 = ₹3

Re-issue Price = ₹10 - ₹3 = ₹7 per share.

SOLUTION : 104.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		8,000	
	Securities Premium Reserve A/c Dr.		2,000	
	To Share Allotment A/c			4,000
	To Share First Call A/c			2,400
	To Share Forfeited A/c			3,600
	(Forfeiture of 400 shares for non-payment of allotment and first call money)			
	Bank A/c Dr.		4,800	
	Share Forfeited A/c Dr.		1,200	6,000
	To Share Capital A/c			
	(300 shares re-issued at ₹16 per share ₹20 called up)			
	Share Forfeited A/c Dr.		1,500	
	To Capital Reserve A/c			1,500
	(Profit on reissue transferred to capital reserve)			

Note: Profit on 400 shares = ₹3,600

₹

Profit on 300 shares = 3,600 ÷ 400 × 300 = 2,700

Less : Loss on Reissue (300 × ₹4) = 1,200

1,500

SOLUTION : 105.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012	Bank A/c Dr.		4,00,000	
Aug. 10	To Share Application A/c			4,00,000
	(Applications received for 80,000 shares)			
April 10	Share Application A/c (80,000 × ₹5) Dr.		4,00,000	
	To Share Capital A/c (60,000 × ₹3)			1,80,000
	To Securities Premium Reserve A/c (60,000 × ₹2)			1,20,000
	To Share Allotment A/c (12,000 × ₹5)			60,000
	To Bank A/c (8,000 × ₹5)			40,000
	(Amount received on application transferred to Capital A/c, Securities Premium A/c, Share Allotment A/c and excess refunded)			
April 30	Share Allotment A/c (60,000 × ₹4) Dr.		2,40,000	
	To Share Capital A/c			2,40,000
	(Amount due on allotment)			

Company Accounts — Issue of Shares

April 30	Bank A/c Dr. To Share Allotment A/c (Amount received after adjustment of ₹60,000 revised along with application)	1,80,000	1,80,000
July 15	Share First & Final Call A/c (60,000 x ₹3) Dr. To Share Capital A/c (Amount due on Call)	1,80,000	1,80,000
July 15	Bank A/c (59,500 x ₹3) . Dr. To Share First & Final Call A/c (Amount received on 59,500 shares)	1,78,500	1,78,500
Aug. 31	Share Capital A/c Dr. To Share First & Final Call A/c To Share Forfeiture A/c (500 shares forfeited for non payment of Call)	5,000	1,500 3,500

BALANCE SHEET OF ASHOKA METALS LTD. as at August 31, 2012

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	5,98,500	
(b) Reserves and Surplus	2	1,20,000	
		7,18,500	
II. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	7,18,500	

Notes to Accounts :

	₹
(1) Share Capital:	
Issued Share Capital:	
60,000 Equity Shares of ₹ 10 each	6,00,000
Subscribed and Fully Paid Capital:	
59,500 Equity Shares of ₹ 10 each fully paid	5,95,000
Add: Share Forfeiture A/c	3,500
	5,98,500
(2) Reserve and Surplus :	
Securities Premium Reserve	1,20,000
(3) Cash and Cash Equivalents :	
Cash at Bank	7,18,500

SOLUTION : 106.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Amount received on share application (@₹5 per share))		2,50,000	2,50,000
	Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Amount received on Share Application transferred to Capital A/c @ ₹2 per share and to Securities Premium Reserve A/c @ ₹3 per share)		2,50,000	1,00,000 1,50,000
	Share Allotment A/c Dr. To Share Capital A/c (Amount due on allotment @ ₹4 per share)		2,00,000	2,00,000
	Bank A/c Dr. To Share Allotment A/c (Amount received on allotment on 49,800 shares @ ₹4 per share)		1,99,200	1,99,200
	Share First & Final Call A/c Dr. To Share Capital A/c (Amount due on Call @ ₹4 per share)		2,00,000	2,00,000
	Bank A/c Dr. To Share First & Final Call A/c (Amount received on Call on 49,500 shares @ ₹4 per share)		1,98,000	1,98,000
	Share Capital A/c (500 x ₹10) Dr. To Share Allotment A/c (200 x ₹4) To Share First & Final Call A/c (500 x ₹4) To Share Forfeiture A/c (200 shares forfeited for non-payment of allotment and call money and 300 shares forfeited for non-payment of call money)		5,000	800 2,000 2,200
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (400 of the forfeited shares reissued at ₹8 per share as fully paid up)		3,200 800	4,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on 400 reissued shares transferred to Capital Reserve A/c)		800(4)	800

Company Accounts — Issue of Shares

BALANCE SHEET OF MAHADEV LTD. as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	4,99,600	
(b) Reserves and Surplus	2	1,50,800	
		<u>6,50,400</u>	
II. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	6,50,400	

Notes to Accounts:

	₹
(1) Share Capital:	5,00,000
Authorised Share Capital: 50,000 Shares of ₹10 each	
Issued Capital: 50,000 Shares of ₹10 each	5,00,000
Subscribed and Fully Paid Capital: 4,99,000 49,900 Shares of ₹10 each	
Add: Share Forfeiture A/c 600	4,99,600
(2) Reserves & Surplus :	800
Capital Reserve	
Securities Premium Reserve	1,50,000
	1,50,800
(3) Cash and Cash Equivalents :	
Cash at Bank	6,50,400

(4) Calculation of the amount transferred to Capital Reserve:	₹
Amount credited to the Forfeiture A/c on 200 shares = 200 x ₹2	= 400
Amount credited to the Forfeiture A/c on 200 shares out of 300 shares	
= 1,800 x 200/300 = 1,200	
	<u>1,600</u>
Less : Amount debited to the Forfeiture A/c on reissue of 400 shares =	800
Amount transferred to Capital Reserve	<u>800</u>

Over-Subscription and Forfeiture of Shares

SOLUTION : 107.

**X Ltd.
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application & Allotment A/c (Application and allotment money received on 15,00,000 shares @ ₹3 per share)		45,00,000	45,00,000
	Equity Share Application & Allotment A/c Dr. To Equity Share Capital A/c To Calls in Advance A/c (Application & Allotment money on 10,00,000 shares transferred to Share Capital A/c and the balance to Calls in Advance A/c)		45,00,000	30,00,000 15,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call due on 10,00,000 shares @ ₹4 per share)		40,00,000	40,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (First Call received on 9,90,000 shares)		24,75,000 15,00,000	39,75,000

Working Notes:

(A) As Applicants for 15,00,000 shares were allotted = 10,00,000 shares
 Applicant for 15,00,000 shares was allotted = $10,00,000 / 15,00,000 \times 15,00,000 = 10,00,000$ shares
 Excess application and allotment money received on these shares =
 (15,00,000 shares - 10,00,000 shares) x 3 = ₹15,00,000

(B) Amount due on 1st Call on these shares = 10,00,000 shares x ₹4 = ₹40,00,000
Less: Excess received on application and allotment from these shares = ₹15,00,000
 Amount not received on 1st Call = ₹25,00,000

(C) Amount received on 1st Call:

Total amount due on 1st Call: 10,00,000 shares x ₹4 = 40,00,000

Less: Excess received on application and allotment:
 5,00,000 shares x ₹3 = 15,00,000
Balance Due = 25,00,000
Less: Amount not received on 1st Call = 25,00,000
Net amount received on 1st Call in Cash = 24,75,000

Company Accounts — Issue of Shares

SOLUTION : 108.

**Amrit Ltd.
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 75,000 shares @ ₹3 per share)		2,25,000	2,25,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Application money adjusted.)		2,25,000	1,50,000 75,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 50,000 shares @ ₹4 per share)		2,00,000	1,00,000 1,00,000
	BankA/c(1) Dr. To Equity Share Allotment A/c (Allotment money received except on 800 shares allotted to Sonu)		1,23,000	1,23,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call due on 50,000 shares ₹2 per share)		1,00,000	1,00,000
	Bank A/c Dr. To Equity Share First Call A/c (First call received except on 800 shares @ ₹2 per share)		98,400	98,400
	Equity Share Capital A/c (800 x ₹7) Dr. Securities Premium Reserve A/c Dr. To Equity Share Allotment A/c To Equity Share First Call A/c To Share Forfeiture A/c (The forfeiture of 800 shares for non-payment of allotment and First call money)		5,600 1,600	2,000 1,600 3,600
	Bank A/c Dr. To Equity Share Capital A/c (800 x ₹7) To Securities Premium Reserve A/c (The re-issue of 800 shares as ₹7 paid up)		9,600	5,600 4,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (The balance of Share Forfeiture A/c transferred to Capital Reserve A/c)		3,600	3,600

Company Accounts — Issue of Shares

Working Note :

- (1) (A) As Sonu has applied for 1,200 shares,
he must have been allotted $1,200 \times 50,000/75,000 = 800$ share

Excess application money received from Sonu =
1,200 shares - 800 shares = 400 shares $\times ₹3 = ₹1,200$

- (B) Amount due from Sonu on allotment: 800 shares \times
₹4 = ₹3,200
Less : Excess received from Sonu on application = ₹ 1,200
Amount not received from Sonu = ₹ 2,000

- ₹
- (C) Total amount due on allotment 50,000 shares \times = 2,00,000
Less : Excess amount received on applications = 75,000
Balance Due = **1,25,000**
Less : Amount not received from Sonu on
allotment = 2,000
Net amount received on allotment in cash = **1,23,000**

SOLUTION : 109.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,27,500	
	To Share Application A/c (Money received on application for 65,000 shares @ ₹3.50)			2,27,500
	Share Application A/c Dr.		2,27,500	1,75,000
	To Share Capital A/c			35,000
	To Share Allotment A/c			17,500
	To Bank A/c (Transfer of application money to Share Capital A/c for 50,000 shares @ ₹3.50 to Share Allotment A/c; on 10,000 shares @ ₹3.50 and money refunded on 5,000 shares @ ₹3.50)			
	Share Allotment A/c Dr.		2,50,000	
	To Share Capital A/c			1,25,000
	To Securities Premium Reserve A/c (Amount due on Allotment @ ₹5 including premium of ₹2.50)			1,25,000
	Bank A/c Dr.		2,13,850(2)	
	To Share Allotment A/c (Allotment money received on 49,700 shares)			2,13,850
	Share First and Final Call A/c Dr.		2,00,000	
	To Share Capital A/c (Amount due on First and Final Call)			2,00,000
	Bank A/c Dr.		1,98,800	
	To Share First and Final Call A/c (Amount received on 49,700 shares)			1,98,800

Company Accounts — Issue of Shares

Share Capital A/c (300 x ₹10) Dr.	3,000		
Securities Premium Reserve A/c (300 x ₹2.50) Dr.	750		
To Share Allotment A/c To Share First & Final Call A/c			1,150
To Share Forfeiture A/c			1,200
(300 shares forfeited for repayment of allotment money and call money)			1,400
<hr/>			
Bank A/c Dr.	2,700		
Share Forfeiture A/c Dr.	300		
To Share Capital A/c			3,000
(300 shares re-issued at ₹9 as fully paid)			
<hr/>			
Share Forfeiture A/c Dr.	1,100		
To Capital Reserve A/c			1,100
(Profit on 300 reissued shares transferred to Capital Reserve A/c)			

Working Notes:

(1) Scheme of Allotment:

Shares Applied	Shares Allotted
5,000	Nil
20,000	20,000
40,000	30,000
65,000	50,000

(2)(A) Shareholder holding 300 shares must have applied

$40,000 \div 30,000 \times 300 = 400$ Shares

Excess Application money received from him : 400 shares - 300 shares
= 100 shares x ₹3.50

₹350

₹

(B) Amount due on allotment on these shares = 300 shares x ₹5

= 1,500

Less : Excess received on these shares on application

350

Amount not received on allotment

1,150

₹

(C) Total amount due on allotment 50,000 shares x ₹5

= 2,50,000

Less : Excess received on applications

= 35,000

Balance due

2,15,000

Less : Amount not received on allotment

1,150

Net amount received on allotment in Cash

2,13,850

Company Accounts — Issue of Shares

SOLUTION : 110.

Dr.		CASH BOOK		Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (1,25,000 x 4.50)		5,62,500	By Share Application A/c (5,000 x 4.50)		22,500
To Share Allotment A/c		6,46,800(1)	By Balance c/d		15,11,800
To Share First Call A/c (95,000 x 2)		1,90,000			
To Share Final Call A/c (95,000 x 1)		95,000			
To Share Capital A/c (5,000 x 8)		40,000			
		15,34,300			15,34,300

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		5,40,000	
	To Share Capital A/c			4,50,000
	To Share Allotment A/c			90,000
	(Amount received on application transferred to Share Capital A/c on 1,00,000 shares @ ₹4.50 each and to Share Allotment A/c on 20,000 shares @ ₹4.50 each)			
	Share Allotment A/c Dr.		7,50,000	
	To Share Capital A/c			2,50,000
	To Securities Premium Reserve A/c			5,00,000
	(Amount due on allotment @ ₹7.50 including premium ₹5)			
	Share First Call A/c Dr.		2,00,000	
	To Share Capital A/c			2,00,000
	(Amount due on First Call @ ₹2 per share)			
	Share Capital A/c (2,000 x ₹9) Dr.		18,000	
	Securities Premium Reserve A/c (2,000 x ₹5) Dr.		10,000	
	To Share Allotment A/c			13,200
	To Share First Call A/c (2,000 x ₹2)			4,000
	To Share Forfeiture A/c			10,800
	(2,000 shares of D forfeited for non payment o Allotment and First Call)			
	Share Final Call A/c Dr.		98,000	
	To Share Capital A/c			98,000
	(Final Call due on 98,000 shares)			
	Share Capital A/c Dr.		30,000	
	To Share First Call A/c			6,000
	To Share Final Call A/c			3,000
	To Share Forfeiture A/c			21,000
	(3,000 shares of A/ forfeited for non payment of Final Call)			

Company Accounts — Issue of Shares

Share Forfeiture A/c Dr. To Share Capital A/c (Loss on re-issue of 5,000 shares)	10,000	10,000
Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve A/c)	21,800	21,800

Working Notes :

(1) (A) D must have applied for

$$1,20,000/1,00,000 \times 2,000 = 2,400 \text{ shares}$$

Excess Application money received from D :

$$2,400 \text{ shares} - 2,000 \text{ shares}$$

$$= 400 \text{ shares} \times ₹4.50 \quad ₹ 1,800$$

(B) Amount due from D on allotment : 2,000 shares $\times ₹7.50 = ₹ 15,000$

Less : Excess received from D on application 1,800

Amount not received from D on allotment **13,200**

(C) Total amount due on allotment: $1,00,000 \text{ shares} \times ₹7.50 = ₹ 7,50,000$

Less : Excess received on applications 90,000

Balance due 6,60,000

Less : Amount not received from D on allotment 13,200

Net amount received on allotment in Cash 6,46,800

SOLUTION : 111.

Dr.		CASH BOOK				Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹		
To Share Application A/c (15,000 Shares $\times ₹3$)		45,000	By Share Application A/c (2,000 Shares $\times ₹3$)		6,000		
To Share Allotment A/c		30,000	By Balance c/d		1,19,500		
To Share first Call A/c (9,300 Shares $\times ₹3$)		27,900					
To Share Second & final Call A/c (9,300 Shares $\times ₹2$)		18,600					
To Share Capital A/c (500 Shares $\times ₹8$)		4,000					
		1,25,500			1,25,500		

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr. To Share Capital A/c (10,000 $\times ₹3$) To Share Allotment A/c (3,000 $\times ₹3$) (Application money transferred to Share Capital A/c and Share		39,000	30,000 9,000

Company Accounts — Issue of Shares

Allotment A/c			
Share Allotment A/c (10,000 x ₹4) Dr.		40,000	
To Share Capital A/c (10,000 x ₹2)			20,000
To Securities Premium Reserve A/c (10,000 x ₹2)			20,000
(Allotment money due including premium)			
Share First Call A/c (10,000 x ₹3) Dr.		30,000	
To Share Capital A/c			30,000
(Amount due on First Call)			
Share Capital A/c (400 x ₹8 Called up) Dr.		3,200	
Securities Premium Reserve A/c (400 x ₹2) Dr.		800	
To Share Allotment A/c			1,000
To Share First Call A/c (400 x ₹3)			1,200
To Share Forfeiture A/c			1,800
(400 shares forfeited for non payment of Allotment and first call)			
Share Second and Final Call A/c (9,600 x ₹2) Dr.		19,200	
To Share Allotment A/c			19,200
(Amount due on Second and Final Call)			
Share Capital A/c (300 x ₹10) Dr.		3,000	
To Share First Call A/c (300 x ₹3)			900
To Share Second and Final Call A/c (300 x ₹2)			600
To Share Forfeiture A/c			1,500
(300 shares forfeited for non payment of calls)			
Share Forfeiture A/c Dr.		1,000	
To Share Capital A/c			1,000
(Loss on reissue of 500 shares)			
Share Forfeiture A/c Dr.		1,300(5)	
To Capital Reserve A/c			1,300
(Profit on 400 of A and 100 of IPs forfeited shares transferred to Capital Reserve on reissue)			

BALANCE SHEET OF X LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :			
Shareholder's Funds			
Share Capital	1	99,000	
Reserves and Surplus	2	20,500	
		1,19,500	
II. ASSETS:			
Current Assets :			
Cash and Cash Equivalents	3	1,19,500	

Company Accounts — Issue of Shares

Notes to Accounts:

	₹
(1) Share Capital:	
Authorised.....Shares of ₹ each
Issued Capital:	
10,000 Shares of ₹ 10 each	1,00,000
Subscribed and Fully Paid-up Capital:	
9,800 Shares of ₹10 each fully paid up	98,000
Add: Share Forfeiture A/c	<u>1,000(6)</u>
	99,000
(2) Reserves & Surplus :	
Securities Premium Reserve	19,200
Capital Reserve	1,300
	<u>267500</u>
(3) Cash and Cash Equivalents :	
Cash at Bank	1,19,500

- (4) (A)** A must have applied for $6,000/4,000 \times 400 = 600$ Shares
 Excess Application money received from A :
 $600 \text{ shares} - 400 \text{ shares} = 200 \text{ shares} \times ₹3 = 600$

	₹
(B) Amount due from A on allotment: $400 \text{ shares} \times ₹4$	= 1,600
Less : Excess received from A on application	600
Amount not received from A on allotment	1,000

	₹
(C) Total amount due on allotment = $10,000 \text{ shares} \times ₹4$	40,000
Less : Excess received on applications	9,000
Balance due	31,000
Less : Amount not received from A on allotment	1,000
Net amount received on allotment in Cash	30,000

	₹
(5) Profit on 400 shares of A	1,800
(+) Profit on 100 shares of B :	
$₹1,500/300 \text{ Shares} \times 100 \text{ Shares}$	500
	2,300
(-) Loss on re-issue of 500 shares @ ₹2 each	1,000
Transfer to Capital Reserve	1,300

(6) Balance in Share Forfeiture Account to be shown on the Liabilities side of the Balance Sheet:

Profit on 200 shares of B: $₹1,500/300 \text{ Shares} \times 200 \text{ Shares} = ₹1,000$

Company Accounts — Issue of Shares

SOLUTION : 112.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Amount received on application on 30,000 shares @ ₹5 per share including premium of ₹2)		1,50,000	1,50,000
	Share Application A/c (30,000 x ₹5) Dr. To Share Capital A/c (20,000 x ₹3) To Securities Premium Reserve A/c (20,000 x ₹2) To Share Allotment A/c (4,000 x ₹5) To Bank A/c (6,000 x ₹5) (Amount received on application transferred to Share Capital A/c, Securities Premium Reserve A/c, Share Allotment A/c and excess amount refunded)		1,50,000	60,000 40,000 30,000
	Share Allotment A/c (20,000 x ₹4) Dr. To Share Capital A/c (Amount due on allotment)		80,000	80,000
	Bank A/c Dr. To Share Allotment A/c (Amount received on 19,500 shares and excess received alongwith application adjusted)		58,500(1)	58,500
	Share First & Final Call A/c (20,000 x ₹3) Dr. To Share Capital A/c (Amount due on Call @ ₹3 per share)		60,000	60,000
	Bank A/c (19,500 x ₹3) Dr. To Share First and Final Call A/c (Amount received on 19,500 shares)		58,500	58,500
	Share Capital A/c (500 x ₹10) Dr. To Share Allotment A/c To Share First & Final Call A/c To Share Forfeiture A/c (500 shares of Atul forfeited for non payment of Allotment money and First & Final Call money)		5,000	1,500 1,500 2,000

Working Notes :

(1) (A)	Atul has applied for 600 shares. He must have been allotted 20,000 / 24,000 x 600 = 500 Shares	
	Excess Application money received from Atul: 600 shares - 500 shares = 100 shares x ₹5	₹ 500
(B)	Amount due from Atul on allotment: 500 shares x ₹4 =	2,000
	Less : Excess received from Atul on application	500
	Amount not received from Atul on allotment	1,500
(C)	Total amount due on allotment = 20,000 shares x ₹4 =	80,000

Company Accounts — Issue of Shares

Less : Excess received on applications =	20,000
Balance due	60,000
Less : Amount not received from Atul on allotment	1,500
Net amount received on allotment in Cash	58,500

SOLUTION: 113.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		5,40,000	
	To Share Application A/c (Amount received on application on 90,000 shares @ ₹6 per share including premium of ₹2)			5,40,000
	Share Application A/c (90,000 x ₹6) Dr.		5,40,000	
	To Share Capital A/c (80,000 x ₹4)			3,20,000
	To Securities Premium Reserve A/c (80,000 x ₹2)			1,60,000
	To Share Allotment A/c (5,000 x ₹6)			30,000
	To Bank A/c (5,000 x ₹6)			30,000
	(Amount received on application transferred to Share Capital A/c, Securities Premium Reserve A/c, Share Allotment A/c and excess amount refunded)			
	Share Allotment A/c (80,000 x ₹3) Dr.		2,40,000	
	To Share Capital A/c (Amount due on allotment)			2,40,000
	Bank A/c Dr.		2,05,800	
	To Share Allotment A/c (Amount received on 78,400 shares and excess received alongwith application adjusted)			2,05,800
	Share First & Final Call A/c (80,000 x ₹3) Dr.		2,40,000	
	To Share Capital A/c (Amount due on Call @ ₹3 per share)			2,40,000
	Bank A/c (78,400 x ₹3) Dr.		2,35,200	
	To Share First and Final Call A/c (Amount received on 78,400 shares)			2,35,200
	Share Capital A/c (1,600 x ₹10) Dr.		16,000	
	To Share Allotment A/c			4,200
	To Share First and Final Call A/c			4,800
	To Share Forfeiture A/c (1,600 shares of Vijay forfeited for non payment of Allotment money and First and Final Call money)			7,000
	Bank A/c Dr.		18,400	
	To Share Capital A/c			16,000
	To Securities Premium Reserve A/c (1,600 shares reissued as fully paid up for ₹18,400)			2,400
	Share Forfeiture A/c Dr.		7,000	
	To Capital Reserve A/c (Transfer of profit on reissue)			7,000

Company Accounts — Issue of Shares

Working Notes:

(1) (A) Vijay has been allotted 1,600 shares. He must have applied for:		
85,000/80,000 x 600 = 1,700 Shares		
Excess Application money received from Vijay :		
1,700 shares - 1,600 shares = 100 shares x ₹6		600
Amount due from Vijay on allotment:		₹
(B) 1,600 shares x ₹3 =		4,800
Less: Excess received from Vijay on application		600
Amount not received from Vijay on allotment		4,200
		₹
(C) Total amount due on allotment = 80,000 shares x ₹3 =		2,40,000
Less : Excess received on applications =		30,000
Balance due		2,10,000
Less : Amount not received from Vijay on allotment		4,200
Net amount received on allotment in Cash		2,05,800

SOLUTION: 114.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (400 x ₹10) Dr.		4,000	
	Securities Premium Reserve A/c (400 x ₹2) Dr.		800	
	To Share Allotment A/c (400 x ₹5) - ₹600			1,400
	To Share First Call A/c (400 x ₹2)			800
	To Share Second & Final Call A/c (400 x ₹2)			800
	To Share Forfeiture A/c (600 x ₹3)			1,800
	(400 shares of X forfeited for non payment of allotment, first call and second call)			
	Bank A/c Dr.		3,600	
	To Share Capital A/c (300 x ₹10)			3,000
	To Securities Premium Reserve A/c (300 x ₹2)			600
	(300 of the forfeited shares reissued to Y @ ₹12 per share as fully paid)			
	Share Forfeiture A/c Dr.		1,350	
	To Capital Reserve A/c			1,350
	(Profit on 300 reissued shares transferred to Capital Reserve A/c)			

Working Note:

Profit on 400 shares = ₹1,800

Therefore, Profit on 300 shares = $1,800 \div 400 \times 300 = ₹1,350$

Company Accounts — Issue of Shares

SOLUTION: 115.

Dr.		CASH BOOK		Cr.	
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (18,000 x ₹30)		5,40,000	By Share Application A/c (3,000 x ₹30)		90,000
To Share Allotment A/c		98,000(1)	By Balance c/d		7,56,000
To Share First Call A/c (9,800 x ₹20)		1,96,000			
To Share Capital A/c (200 x ₹60)		12,000			
		8,46,000			8,46,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		4,50,000	
	To Share Capital A/c			3,00,000
	To Share Allotment A/c			1,50,000
	(Amount received on application transferred to Share Capital A/c and Share Allotment A/c)			
	Share Allotment A/c Dr.		2,50,000	
	To Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			50,000
	(Money due on Allotment @ ₹25 including Premium of ₹5 per share)			
	Share First Call A/c (1,000 x ₹20) Dr.		2,00,000	
	To Share Capital A/c			2,00,000
	(Money due on first call)			
	Share Capital A/c (200 x ₹70 Called Up) Dr.		14,000	
	Securities Premium Reserve A/c (200 x ₹5) Dr.		1,000	
	To Share Allotment A/c			2,000
	To Share First Call A/c (200 x ₹20)			4,000
	To Share Forfeiture A/c			9,000
	(200 shares of Sundar forfeited for non payment of allotment and first call)			
	Share Forfeiture A/c (200 x ₹10) Dr.		2,000	
	To Share Capital A/c (200 x ₹10)			2,000
	(200 forfeited shares reissued to Shy am at ₹60 per share, ₹70 paid up)			
	Share Forfeiture A/c Dr.		7,000	
	To Capital Reserve A/c			7,000
	(Profit on 200 reissued shares transferred to Capital Reserve A/c)			

Company Accounts — Issue of Shares

Securities Premium Reserve A/c(2)	Dr.		4,800
To Equity Share Allotment A/c			10,800
To Equity Share First and Final Call A/c			24,000
To Share Forfeiture A/c			18,000
(The forfeiture of 4,800 shares)			
Bank A/c	Dr.	43,200	
Share Forfeiture A/c	Dr.	4,800	
To Equity Share Capital A/c			48,000
(The re-issue of 4,800 shares at per share fully paid)			
Share Forfeiture A/c	Dr.	13,200	
To Capital Reserve A/c			13,200
(Balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			

(1) (A) Excess amount received from Manu on application :

Shares allotted to Manu = $1,20,000 / 1,50,000 \times 3,000 = 2,400$ shares.

Excess application money received from Manu
 = 3,000 shares - 2,400 shares
 = 600 shares $\times ₹2 = ₹1,200$

(B) Amount due from Manu on allotment:

2,400 shares $\times ₹5 =$	₹12,000
Less: Excess received from Manu on application	₹1,200
Net amount due from Manu on allotment, which has not been received	₹10,800

(C) Total amount due on allotment 1,20,000 shares $\times ₹5$	= 6,00,000
Less : Excess amount received on applications	60,000
Balance Due	5,40,000
Less : Amount not received from Manu on allotment	10,800
Net amount received on allotment in cash	5,29,200

(2) Premium is due with allotment and only Manu has not paid the amount of allotment. Therefore, Securities Premium Reserve account has been debited from the amount of premium due from Manu only i.e., 2,400 shares $\times ₹2 = ₹4,800$.

Company Accounts — Issue of Shares

SOLUTION: 117.

CASHBOOK					
Dr.					Cr.
Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c (30,000 x ₹4)		1,20,000	By Share Application A/c (6,000 x ₹4)		24,000
To Share Allotment A/c		42,900(4)	By Balance c/d		2,78,500
To Share First Call A/c (18,000 x ₹3)		54,000			
To Share Second & Final Call A/c (18,000 x ₹4)		72,000			
To Share Capital A/c (1,700x₹8)		13,600			
		3,02,500			3,02,500
To Balance b/d		2,78,500			

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c (24,000 x ₹4) Dr.		96,000	
	To Share Capital A/c (20,000 x ₹3)			60,000
	To Securities Premium Reserve A/c (20,000 x ₹1)			20,000
	To Share Allotment A/c (4,000 x ₹4)			16,000
	(Amount received, on application transferred to Share Capital A/c, Securities Premium Reserve A/c, Share Allotment A/c and excess refunded)			
	Share Allotment A/c (20,000 x ₹3) Dr.		60,000	
	To Share Capital A/c (20,000 x ₹2)			40,000
	To Securities Premium Reserve A/c (20,000 x ₹1)			20,000
	(Amount due on Allotment)			
	Share First Call A/c (20,000 x ₹3) Dr.		60,000	
	To Share Capital A/c (20,000 x ₹2)			40,000
	To Securities Premium Reserve A/c (20,000 x ₹1)			20,000
	(Amount due on First Call)			
	Share Capital A/c (500 x ₹7 Called up) Dr.		3,500	
	Securities Premium Reserve A/c (500 x ₹2) Dr.		1,000	
	To Share Allotment A/c			1,100
	To Share First Call A/c (500 x ₹3)			1,500
	To Share Forfeiture A/c			1,900
	(500 shares of X forfeited for non payment of Allotment and First Call)			
	Share Second and Final Call A/c Dr.		78,000	
	To Share Capital A/c			58,500
	To Securities Premium Reserve A/c			19,500
	(Amount due on Second and Final Call on 19,500 shares)			

Company Accounts — Issue of Shares

Share Capital A/c (1,500 x ₹10)	Dr.		15,000
Securities Premium Reserve A/c (1,500 x ₹2)	Dr.		3,000
To Share First Call A/c (1,500 x ₹3)			4,500
To Share Second & Final Call A/c (1,500 x ₹4)			6,000
To Share Forfeiture A/c			7,500
(1,500 shares of Y forfeited for non-payment of First and Second Call)			
Share Forfeiture A/c (1,700 x ₹2)	Dr.		3,400
To Share Capital A/c			3,400
(Loss on re-issue of 1,700 shares)			
Share Forfeiture A/c	Dr.		4,860(5)
To Capital Reserve A/c			4,860
(Transfer of profit on 700 re-issued shares transferred to Capital Reserve A/c)			

BALANCE SHEET OF GANESH LTD. as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	1,98,140	
(b) Reserves and Surplus	2	80,360	
II. ASSETS:		2,78,500	
Current Assets:			
Cash and Cash Equivalents	3	2,78,500	

Notes to Accounts:

(1) Share Capital:	₹
Authorised:
Issued:	
20,000 Shares of X10 each fully paid	2,00,000
Subscribed & Fully Paid Capital:	
19,700 Shares of ₹10 each	1,97,000
Add: Share Forfeiture A/c	1,140(6)
	1,98,140
(2) Reserves and Surplus:	
Capital Reserve A/c	4,860
Securities Premium Reserve A/c	75,500
	80,360
(3) Cash and Cash Equivalents	
Cash at Bank	2,78,500

(4) (A)X must have applied for $24,000/20,000 \times 500 = 600$ Shares

Excess Application money received from X:

Company Accounts — Issue of Shares

600 shares - 500 shares = 100 shares x ₹4	400
(B) Amount due from X on allotment:	
500 shares x ₹3 =	1,500
Less: Excess received from X on application	400
Amount not received from X on allotment	1,100
(C) Total amount due on allotment = 20,000 shares x ₹3	
Less : Excess received on applications	=16,000
Balance due	44,000
Less : Amount not received from X on allotment	1,100
Net amount received on allotment in Cash	42,900
(5) 1,700 Re-issued shares include 1,500 shares of Y and the balance 200 shares of X.	
Profit on 200 shares of X = $1,900/500 \times 200$	= 760
Profit on 1,500 shares of Y	= 7,500
	8,260
Less : Loss on Re-issue of 1,700 shares @ ₹2	3,400
Amount transferred to Capital Reserve	4,860
(6) Profit on 300 unissued shares of X to be shown on the liabilities side of the Balance Sheet: $1900/500 \times 300 = ₹1,140$	

SOLUTION: 118.

Dr.						CASH BOOK						Cr.					
Particulars			L.F.	₹	Particulars			L.F.	₹								
To Share Application A/c (1,30,000 x ₹4)					By Balance c/d				13,97,600								
To Share Allotment A/c																	
To Share First & Final Call A/c (98,300 x ₹6)				5,20,000													
To Share Capital A/c (1,400x₹9)				2,75,200(4)													
				5,89,800													
				12,600													
				13,97,600					13,97,600								
To Balance b/d				13,97,600													

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c (1,30,000 x ₹4) Dr.		5,20,000	
	To Share Capital A/c (1,00,000 x ₹2)			2,00,000
	To Securities Premium Reserve A/c (1,00,000x₹2)			2,00,000
	To Share Allotment A/c (30,000 x ₹4)			1,20,000
	(Amount received on Share Application transferred to Share Capital A/c, Securities Premium Reserve A/c and Share Allotment A/c)			

Company Accounts — Issue of Shares

Share Allotment A/c (1,00,000 x ₹4) Dr.	4,00,000	
To Share Capital A/c (1,00,000 x ₹2)		2,00,000
To Securities Premium Reserve A/c (1,00,000 x ₹2)		2,00,000
(Amount due on allotment)		
Share First & Final Call A/c (1,00,000 x ₹6) Dr.	6,00,000	
To Share Capital A/c		6,00,000
(Amount due on First & Final Call)		
Share Capital A/c (1,700 x ₹10) Dr.	17,000	
Securities Premium Reserve A/c (1,700 x ₹2) Dr.	3,400	
To Share Allotment A/c		
To Share First and Final Call A/c (1,700 x ₹6)		
To Share Forfeiture A/c		4,800
(900 shares of X and 800 shares of Y forfeited for non payment of Allotment & First and Final Calls)		10,200
		5,400
Share Forfeiture A/c (1,400 x ₹1) Dr.	1,400	
To Share Capital A/c (1,400 x ₹1)		1,400
(1,400 of the forfeited shares reissued @ per share as fully paid.)		
Share Forfeiture A/c Dr.	3,000(5)	
To Capital Reserve A/c		
(Profit on reissue of 1,400 shares transferred to Capital Reserve A/c)		3,000

BALANCE SHEET OF VINOD PAPERS LTD.

as at

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds			
(a) Share Capital	1	9,98,000	
(b) Reserves and Surplus	2	3,99,600	
II. ASSETS :		13,97,600	
Current Assets:			
Cash and Cash Equivalents	3	13,97,600	

Notes to Accounts:

(1) Share Capital:	
Authorised:	
1,00,000 Shares of ₹10 each	10,00,000
Issued Capital:	
1,00,000 Shares of ₹10 each	10,00,000
Subscribed and Fully Paid Capital:	
99,700 shares of ₹10 each	9,97,000
Add: Share Forfeiture A/c	1,0005 (6) 9,98,000

Company Accounts — Issue of Shares

(2) Reserves & Surplus:	
Securities Premium Reserve A/c	3,96,600
Capital Reserve A/c	3,000
	3,99,600
(3) Cash and Cash Equivalents :	
Cash at Bank	13,97,600

(4) Calculation of amount received on allotment:

(a) X is allotted 900 shares which means he must have applied for 900 x 80,000/60,000 = 1,200 shares

	₹
Excess received from X on Application (1,200 - 900) x ₹4	1,200
Amount due from X on Allotment = 900 x ₹4	3,600
Less : Excess received from him on Application	1,200
Amount not received from X on allotment	2,400

(b) Y has applied for 1,000 shares hence he is allotted 1,000 x 40,000/50,000 = 800 shares

	₹
Excess received from Y on Application (1,000 - 800) x ₹4 = 800	= 3,200
Amount due from Y on Allotment = 800 x ₹4	800
Less : Excess received from him on Application	2,400

	₹
(c) Total amount due on allotment on 1,00,000 shares @ ₹4 each	4,00,000
Less : Excess received on applications	1,20,000
Balance due	2,80,000
Less : Amount not received from X on allotment 2,400	
Amount not received from Y on allotment 2,400	4,800
Net Amount received on allotment in cash	2,75,200

(5) 1,400 re-issued shares include 800 shares of Y and the balance 600 share of X.

X has applied for 1200 shares. He has paid application money of ₹4 per share = 4,800

Less : Adjusted for premium due on application on 900 shares allotted to him	
= 900 shares x ₹2 =	1,800
Profit on forfeiture of 900 shares of X	3,000

Profit on 600 reissued shares of X = 3,000/900 x 600 = 2,000

Y has applied for 1,000 shares. He has paid application money of ₹4 per share = 4,000

Less : Adjusted for premium due on application of 800 shares allotted to him	
= 800 shares x ₹2 =	1,600

Profit on forfeiture of 800 shares of Y **2,400**

Total Profit on forfeiture of 600 shares of X and 800 shares of Y = 2,000 + 2,400 4,400

Less : Loss on Reissue of 1,400 shares @ ₹1 each 1,400

Amount transferred to Capital Reserve **3,000**

Company Accounts — Issue of Shares

(6) Balance in Share Forfeiture A/c :

Profit on 300 un-issued shares of X = $3,000/900 \times 300 = ₹1,000$

SOLUTION : 119.

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Amount received on applications)		2,10,000	2,10,000
	Share Application A/c (70,000 x ₹3) Dr. To Share Capital A/c (40,000 x ₹3) To Share Allotment A/c (10,000 x ₹3) To Bank A/c (20,000 x ₹3) (Amount received on application transferred to Share Capital A/c, Share Allotment A/c and excess refunded)		2,10,000	1,20,000 30,000 60,000
	Share Allotment A/c (40,000 x ₹4) Dr. To Share Capital A/c (40,000 x ₹2) To Securities Premium Reserve A/c (40,000 x ₹2) (Amount due on allotment including securities premium)		1,60,000	80,000 80,000
	Bank A/c Dr. To Share Allotment A/c (Amount received on 38,400 shares and excess received alongwith application adjusted)		1,24,800(1)	1,24,800
	Share First Call A/c Dr. To Share Capital A/c (Amount due on First Call on 40,000 shares @ ₹2)		80,000	80,000
	Bank A/c Dr. To Share First Call A/c (Amount received on 36,400 shares @ ₹2)		72,800	72,800
	Share Second Call A/c Dr. To Share Capital A/c (Amount due on Second Call on 40,000 shares @ ₹3)		1,20,000	1,20,000
	Bank A/c Dr. To Share Second Call A/c (Amount received on Second Call on 36,400 shares @ ₹3)		1,09,200	1,09,200
	Share Capital A/c (3,600 x ₹10) Dr. Securities Premium Reserve A/c (1,600 x ₹2) Dr. To Share Allotment A/c To Share First Call A/c (3,600 x ₹2) To Share Second Call A/c (3,600 x ₹3) To Share Forfeiture A/c (1,600 shares of A forfeited for non payment of Allotment and Calls money and 2,000 shares of B forfeited for non payment of calls money)		36,000 3,200	5,200 7,200 10,800 16,000

Company Accounts — Issue of Shares

Bank A/c Dr.	24,000	
Share Forfeiture A/c Dr.	6,000	
To Share Capital A/c (3,000 of forfeited shares reissued at ₹8 per share fully paid).		30,000
Share Forfeiture A/c Dr.	7,000(2)	
To Capital Reserve A/c (Profit on 3,000 reissued shares transferred to Capital Reserve)		7,000

Working Notes:

(1) (A) A must have applied for $50,000/40,000 \times 1,600 = 2,000$ Shares

Excess Application money received from A :

$2,000 \text{ shares} - 1,600 \text{ shares} = 400 \text{ shares} \times ₹3 = 1,200$

(B) Amount due from A on allotment: $1,600 \text{ shares} \times ₹4 = 6,400$

Less: Excess received from A on application 1,200

Amount not received from A on allotment 5,200

(C) Total amount due on allotment = $40,000 \text{ shares} \times ₹4 = 1,60,000$

Less: Excess received on applications = 30,000

Balance due 1,30,000

Less : Amount not received from A on allotment 5,200

Net amount received on allotment in Cash 1,24,800

(2) 3,000 Re-issued shares include 1,600 shares of A and the balance ₹
1,400 shares of B.

Profit on forfeiture of 1,600 shares of A 6,000

(Since he has applied for 2,000 shares and has paid application money of ₹3 per share, profit on forfeiture will be $2,000 \times ₹3 = ₹6,000$)

Profit on forfeiture of 1,400 shares of B. B has paid application @ ₹3 and allotment @ ₹2 (excluding premium). Hence, profit on 1,400 shares of B = $1,400 \times ₹5$ 7,000

13,000

Less : Loss on Re-issue : 3,000 shares @ ₹2 6,000

Amount transferred to Capital Reserve 7,000

SOLUTION 120 (A).

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (500 x ₹90) Dr.		45,000	
	To Share First Call A/c			15,000
	To Share Forfeiture A/c			30,000
	(Forfeiture of 500 shares due to non payment of first call)			
	Bank A/c Dr.		65,000	
	To Share Capital A/c			50,000
	To Securities Premium Reserve A/c			15,000
	(500 shares re-issued as fully paid for ₹65,000)			

Company Accounts — Issue of Shares

Share Forfeiture A/c	Dr.	30,000	
To Capital Reserve A/c			30,000
(Amount transferred to Capital Reserve A/c)			

(B)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (800 x ₹80) Dr.		64,000	
	To Share First Call A/c (800 x ₹30)			24,000
	To Share Forfeiture A/c			40,000
	(Forfeiture of 800 shares for non payment of first call)			
	Bank A/c (400 x ₹105) Dr.		42,000	
	To Share Capital A/c (400 x ₹100)			40,000
	To Securities Premium Reserve A/c (400 x ₹5)			2,000
	(Re-issue of 400 shares)			
	Share Forfeiture A/c Dr.		20,000	
	To Capital Reserve A/c			20,000
	(Amount transferred to Capital Reserve A/c)			

SOLUTION : 121.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c		1,600	
	To Share First Call A/c			600
	To Share Forfeiture A/c			1,000
	(Forfeiture of 200 shares)			
	Bank A/c		1,000	
	To Share Capital A/c			1,000
	(100 shares reissued as fully paid up)			
	Share Forfeiture A/c (₹1,000 x 100/200)		500	
	To Capital Reserve A/c			500
	(Proportionate amount transferred from Shares Forfeited Account to Capital Reserve Account)			

SOLUTION: 122.

Total amount due on Allotment (including premium): 60,000 x ₹5	3,00,000
Less: (i) Excess money received on Application in Category A : 30,000 Shares - 20,000 Shares = 10,000 Shares x ₹3	30,000
(ii) Excess money received on Application in Category B : 50,000 Shares - 40,000 Shares = 10,000 Shares x ₹3	30,000
(iii) Ramesh who applied for 900 shares must have been allotted 20,000/30,000 x 900 = 600 Shares	
Excess received from Ramesh on Application = 900 shares - 600 shares = 300 shares x ₹3 = ₹900	
Amount due from him on Allotment: 600 shares x ₹5 =	3,000
Less : Excess received from him on Application	900 2,100

Company Accounts — Issue of Shares

(The balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			
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Working Notes:

(1) (A)	Excess amount received from Ram on application : Ram has applied for 1,200 shares He must have been allotted $30,000/40,000 \times 1,200 = 900$ Shares. Excess application money received from Ram = 1,200 Shares - 900 Shares = 300 Shares x ₹3 = ₹900	
(B)	Amount due from Ram on Allotment: $900 \text{ Shares} \times ₹6 =$	5,400
	Less : Excess received from Ram on application =	900
	Net amount due from Ram on allotment, which has not been received	4,500
(C)	Total amount due on allotment: 50,000 shares x ₹6	3,00,000
	Less : Excess amount received on application (25,000 Shares x ₹3)	75,000
	Balance due	2,25,000
	Less : Amount not received from Ram on Allotment	4,500
	Allotment money received	2,20,500

SOLUTION: 124.

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 1,90,000 shares @ ₹30 each)		57,00,000	57,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Transfer of application money to share capital account)		57,00,000	38,00,000 19,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 1,90,000 shares @ ₹70 each)		1,33,00,000	38,00,000 95,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received on 1,89,000 shares)		1,32,30,000	1,32,30,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Allotment A/c To Share Forfeiture A/c (Forfeiture of 1,000 shares of non-payment of allotment)		40,000 50,000	70,000 20,000

Company Accounts — Issue of Shares

money)			
Equity Share First and Final Call A/c	Dr.	1,13,40,000	
To Equity Share Capital A/c			1,13,40,000
(First & Final Call due on 1,89,000 shares @ ₹60 each)			
Bank A/c	Dr.	1,12,20,000	
To Equity Share First and Final Call A/c			1,12,20,000
(First & Final Call received on 1,87,000 shares)			
Equity Share Capital A/c	Dr.	2,00,000	
To Equity Share First and Final Call A/c			1,20,000
To Share Forfeiture A/c			80,000
(Forfeiture of 2,000 shares for non-payment of first & final call)			
Bank A/c	Dr.	1,35,000	
Share Forfeiture A/c	Dr.	15,000	
To Equity Share Capital A/c			1,50,000
(Re-issue of 1,500 shares @ ₹90 each)			
Share Forfeiture A/c	Dr.	35,000	
To Capital Reserve A/c			35,000
(Profit on re-issue of 1,500 shares transferred to capital reserve)			

	₹
Note (1) Profit on forfeiture of 1,000 shares of Jain	20,000
+ Profit on forfeiture of 2,000 shares of Gupta	80,000
Total Profit on 3,000 shares	1,00,000
Profit on 1,500 (50% of 3,000) shares	
= 1,00,000 x 50/100 =	50,000
Less : Loss on Re-issue	15,000
Transferred to Capital Reserve	35,000

SOLUTION: 125.

ANALYSIS TABLE

Shares Applied	Shares Allotted	Application money Received ₹2 per share (₹)	Application money transferred to Share Capital A/c (₹)	Excess Application money (₹)	Share Allotments Due (₹)	Excess Application money adjusted on Allotment (₹)	Net amount receivable on Allotment (₹)
(a) 20,000	10,000	40,000 (20,000 x ₹2)	20,000 (10,000 x ₹2)	20,000	45,000 (10,000 x ₹4.50)	20,000	25,000

Company Accounts — Issue of Shares

(b)	14,000	1,12,000	28,000	84,000	63,000	63,000*	
56,000		(56,000 x ₹2)	(14,000 x ₹2)		(14,000 x ₹4.50)		
(c)	16,000	96,000	32,000	64,000	72,000	64,000	8,000
48,000		(48,000 x ₹2)	(16,000 x ₹2)		(16,000 x ₹4.50)		
1,24,000	40,000	2,48,000	80,000	1,68,000	1,80,000	1,47,000	33,000

* After adjustment of excess application money on allotment, there is still balance in case of category (b), ₹21,000 (i.e., ₹84,000 - ₹63,000). This balance will be refunded to the shareholders.

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received @ ₹2 per share on 1,24,000 shares)		2,48,000	2,48,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Application money adjusted)		2,48,000	80,000 1,47,000 21,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment money due)		1,80,000	80,000 1,00,000
	Bank A/c (1&2) Dr. To Equity Share Allotment A/c (Allotment money received except on 1,000 shares)		30,500	30,500
	Equity Share First & Final Call A/c Dr. To Equity Share Capital A/c (First & Final Call money due)		2,40,000	2,40,000
	Bank A/c Dr. To Equity Share First & Final Call A/c (First & Final call money received except on 1,000 shares)		2,34,000	2,34,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Forfeited Shares A/c To Equity Share Allotment A/c To Equity Share First & Final Call A/c (1,000 shares forfeited)		10,000 2,500	4,000 2,500 6,000

Company Accounts — Issue of Shares

Notes:

1. Money due from Ram on Allotment

Ram, who belonged to category (a) must have applied for
 $20,000/10,000 \times 10,00 = 2,000$ shares

Excess application money received from Ram

= 2,000 Shares - 1,000 Shares = 1,000 Shares x ₹2 = ₹2,000

Money due from Ram on allotment

= 1,000 x ₹4.50 4,500

Less : Excess received on application 2,000

Allotment money not paid by Ram **2,500**

2. Money Received on Allotment **₹**

Total amount due on allotment:

40,000 Shares x ₹4.50 1,80,000

Less : Excess application money adjusted 1,47,000

33,000

Less : Money not paid by Ram on allotment 2,500

30,500

SOLUTION : 126. (I)

Vishesh Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		8,000	
	Securities Premium Reserve A/c Dr.		2,000	
	To Share Allotment A/c			5,000
	To Share Forfeiture A/c			5,000
	(Forfeiture of 1,000 shares)			
	Bank A/c Dr.		11,800	
	To Share Capital A/c			10,000
	To Securities Premium Reserve A/c			1,800
	(Re-issue of 800 shares @ ₹12 each and 200 shares @ ₹11 each)			
	Share Forfeiture A/c Dr.		5,000	
	To Capital Reserve A/c			5,000
	(Profit on 1,000 re-issued shares transferred to Capital Reserve)			

Note: It is assumed that all the shares are re-issued at the same time

(II)

G. Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		5,60,000	
	To Share First Call A/c			2,10,000
	To Share Forfeiture A/c			3,50,000

Company Accounts — Issue of Shares

(Forfeiture of 7,000 shares)				
Bank A/c	Dr.		5,60,000	
Share Forfeiture A/c	Dr.		1,40,000	7,00,000
To Share Capital A/c				
(Re-issue of 7,000 shares @ ₹80 each)				
Share Forfeiture A/c			2,10,000	
To Capital Reserve A/c				2,10,000
(Profit on 7,000 re-issued shares transferred to Capital Reserve)				

SOLUTION : 127.

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c A Dr.		6,00,000	
	To Equity Share Application A/c			6,00,000
	(Application money received on 75,000 shares @ ₹8 per share)			
	Equity Share Application A/c Dr.		6,00,000	
	To Equity Share Capital A/c (75,000 x ₹3)			2,25,000
	To Securities Premium Reserve A/c (75,000 x ₹5)			3,75,000
	(Transfer of application money)			
	Equity Share Allotment A/c (75,000 x ₹12) Dr.		9,00,000	
	To Equity Share Capital (75,000 x ₹2)			1,50,000
	To Securities Premium Reserve (75,000 x ₹10)			7,50,000
	(Allotment money due)			
	Bank A/c (72,000 x ₹12) Dr.		8,64,000	
	To Equity Share Allotment A/c			8,64,000
	(Allotment money received except on 3,000 shares)			
	Equity Share Capital A/c (3,000 x ₹5) Dr.		15,000	
	Securities Premium Reserve A/c (3,000 x ₹10) Dr.		30,000	
	To Forfeited Shares A/c (3,000 x ₹3)			9,000
	To Equity Share Allotment A/c (3,000 x ₹12)			36,000
	(3,000 shares of Rahim forfeited for non-payment of allotment money)			
	Equity Share First and Final Call A/c Dr.		18,00,000	
	To Equity Share Capital A/c			3,60,000
	To Securities Premium Reserve A/c			14,40,000
	(First and final call due on 72,000 shares @ ₹25 per share)			
	Bank A/c Dr.		17,25,000	
	To Equity Share First and Final Call A/c			17,25,000
	(Call money received on 69,000 shares)			

Company Accounts — Issue of Shares

Equity Share Capital A/c (3,000 x ₹ 10) Dr.	30,000	
Securities Premium Reserve A/c (3,000 x ₹20) Dr.	60,000	15,000
To Forfeited Shares A/c (3,000 x ₹5)		75,000
To Equity Share First and Final Call A/c (3,000 x ₹25)		
(3,000 shares forfeited for non-payment of call money)		
Bank A/c Dr.	62,000	
To Equity Share Capital A/c (6,000 x ₹10)		60,000
To Securities Premium Reserve A/c		2,000
(6,000 forfeited shares reissued)		
Forfeited Shares A/c Dr.	24,000	
To Capital Reserve A/c		24,000
(Gain on reissue of forfeited shares transferred to Capital Reserve)		