

CA FOUNDATION



CHANKYA
NITI

Subject : Accounts

Share Capital



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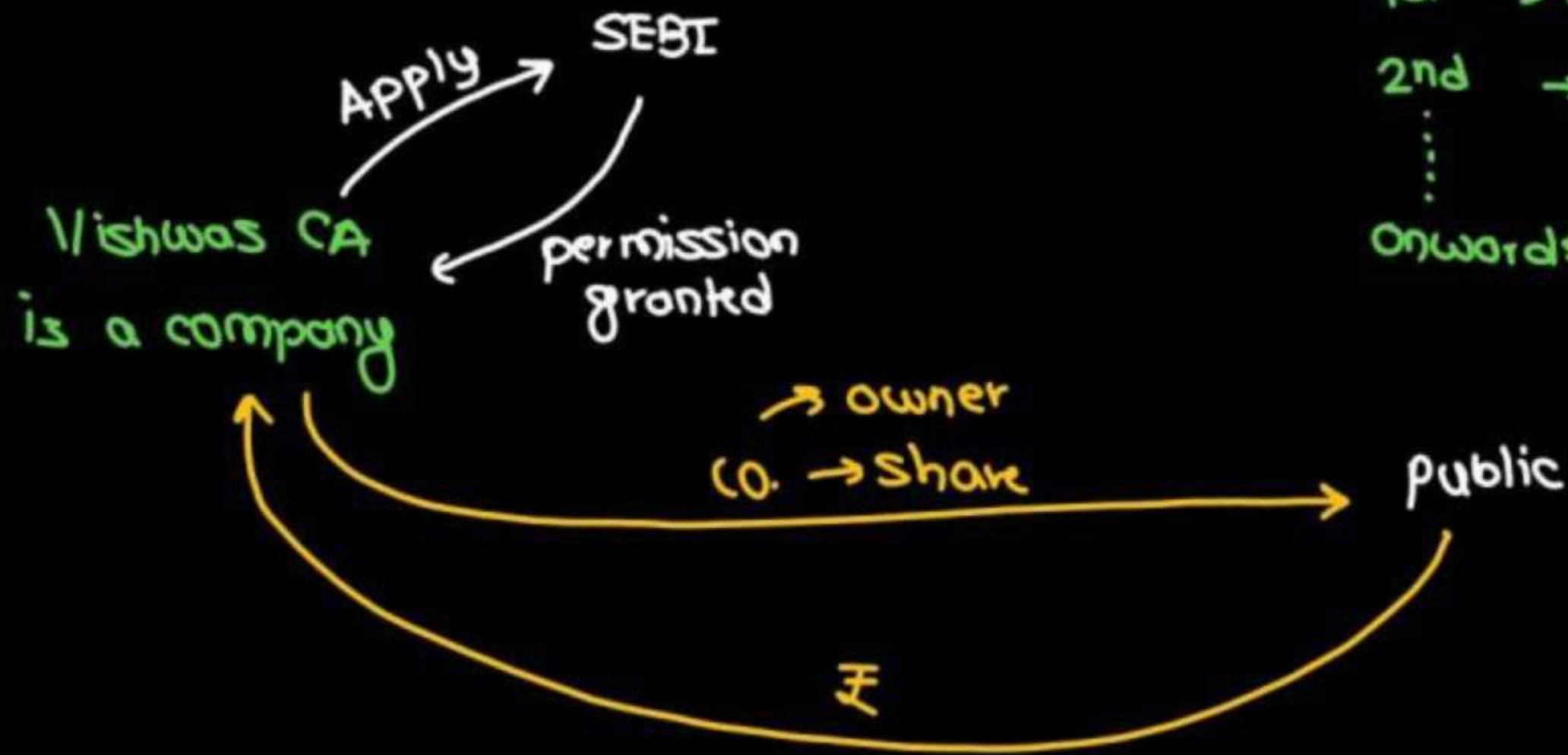
TOPICS COVERED

- ➔ **Share Capital**
- ➔ **Types of Shares**
- ➔ **Issue of Shares for Cash**
- ➔ **Subscription of Shares**
- ➔ **Shares Issued at Discount**
- ➔ **Shares Issued at Premium**
- ➔ **Over Subscription and Pro-rata Allotment**

Smallest portion of the total capital is known as share



Share → Owner



Ex:-
Yoda fone
Idea

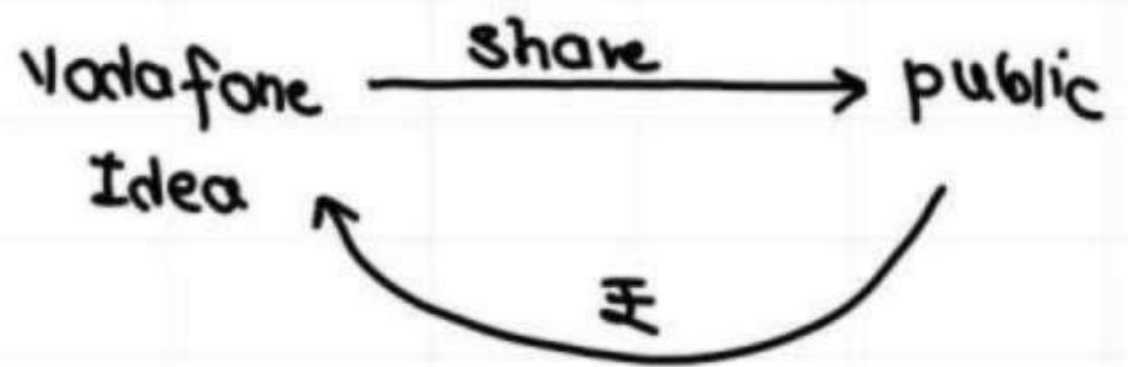


VODAFONE IDEA LTD, 1W, NSE 012.40 H14.75 L11.90 C13.45 -0.55 (-4.26%)

INR
19.00
18.00
17.00
16.00
15.00
14.00
13.00
12.00
11.00
10.00
9.00
8.00
7.00
6.00



IPO
↓
aa
chuko
hai



Vodafone Idea's Rs 18,000 crore FPO fully subscribed with strong global institutional investors' interest

TOI Business Desk / TIMESOFINDIA.COM / Apr 22, 2024, 15:55 IST



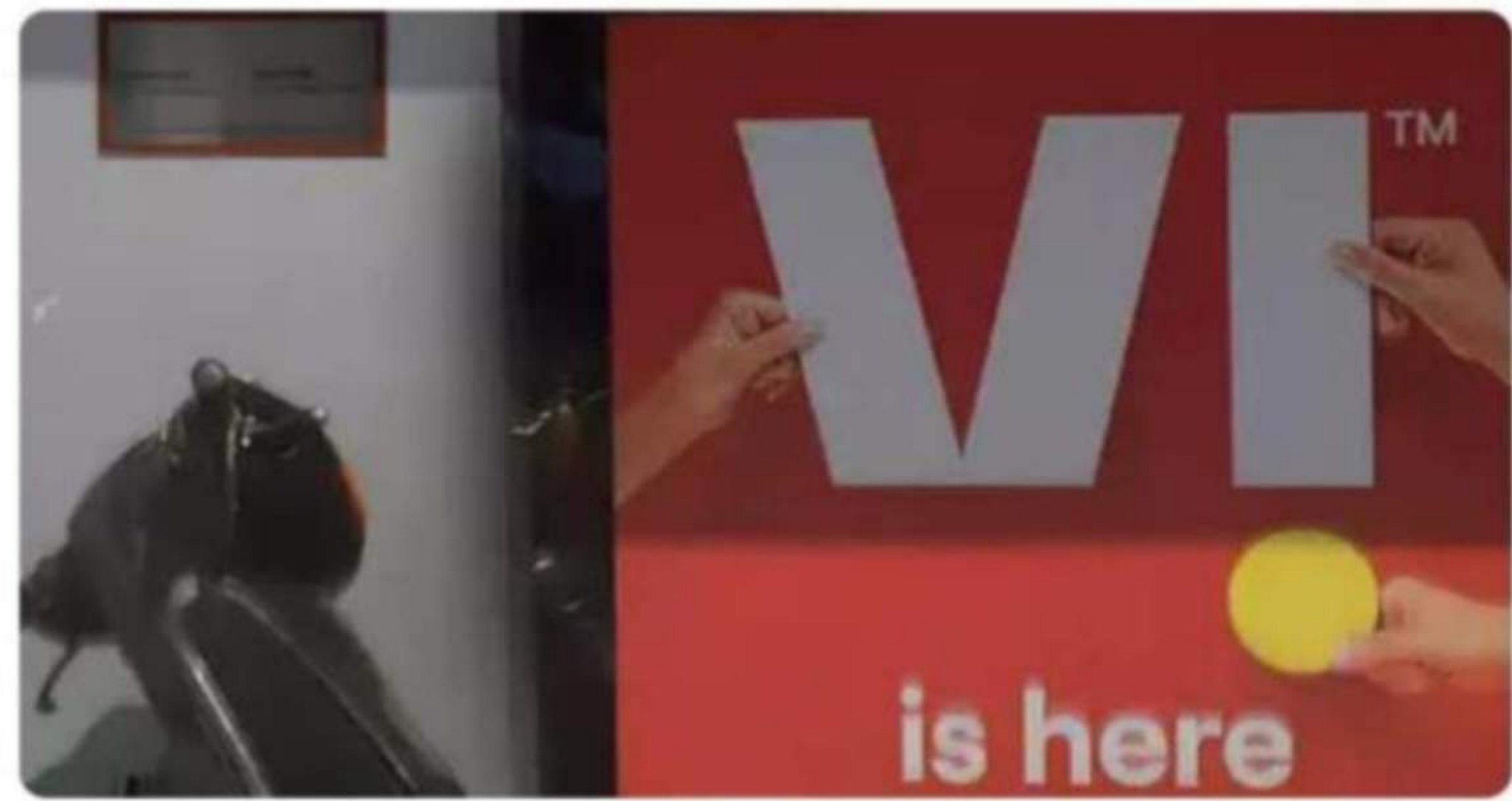
SHARE



AA

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Vodafone Idea's FPO, India's largest, fully subscribed. Global investors like GQG, Capital Group, Fidelity Investments participated. Strong demand from QIBs. Shares priced Rs 10-11. Share price doubled in a year.



Types of Share Capital



maximum amount Co.
can raise from public
in return of their shares

Authorised
share
capital

₹ 750
cr

₹ 750
cr.

Amt Co. is willing
raise in return of
their shares

Issued
Share
Capital

₹ 500
cr

₹ 750
cr.

Amt actually paid
by the public for
Co. shares

Subscribed
share
capital

₹ 500 cr.

₹ 450 cr

₹ 750 cr.

IPO → ₹ 500 cr.
FPO → ₹ 250 cr.

Under Subscription v/s Over Subscription



Shares
Issued

5cr. share
x 100 FY
= ₹500 cr.

ISSUE 5cr

Apply
5cr >
5cr <
5cr =

Apply → subscribe ✓

option 1 → 5cr x 100

Fully
Subscribed

option 2 → 8cr x 100

Over
Subscribed

option 3 → 4.5cr x 100

Under
Subscribed.



Face Value → 1 share
Face Value = ₹100

Issue price → 1 share = ₹100

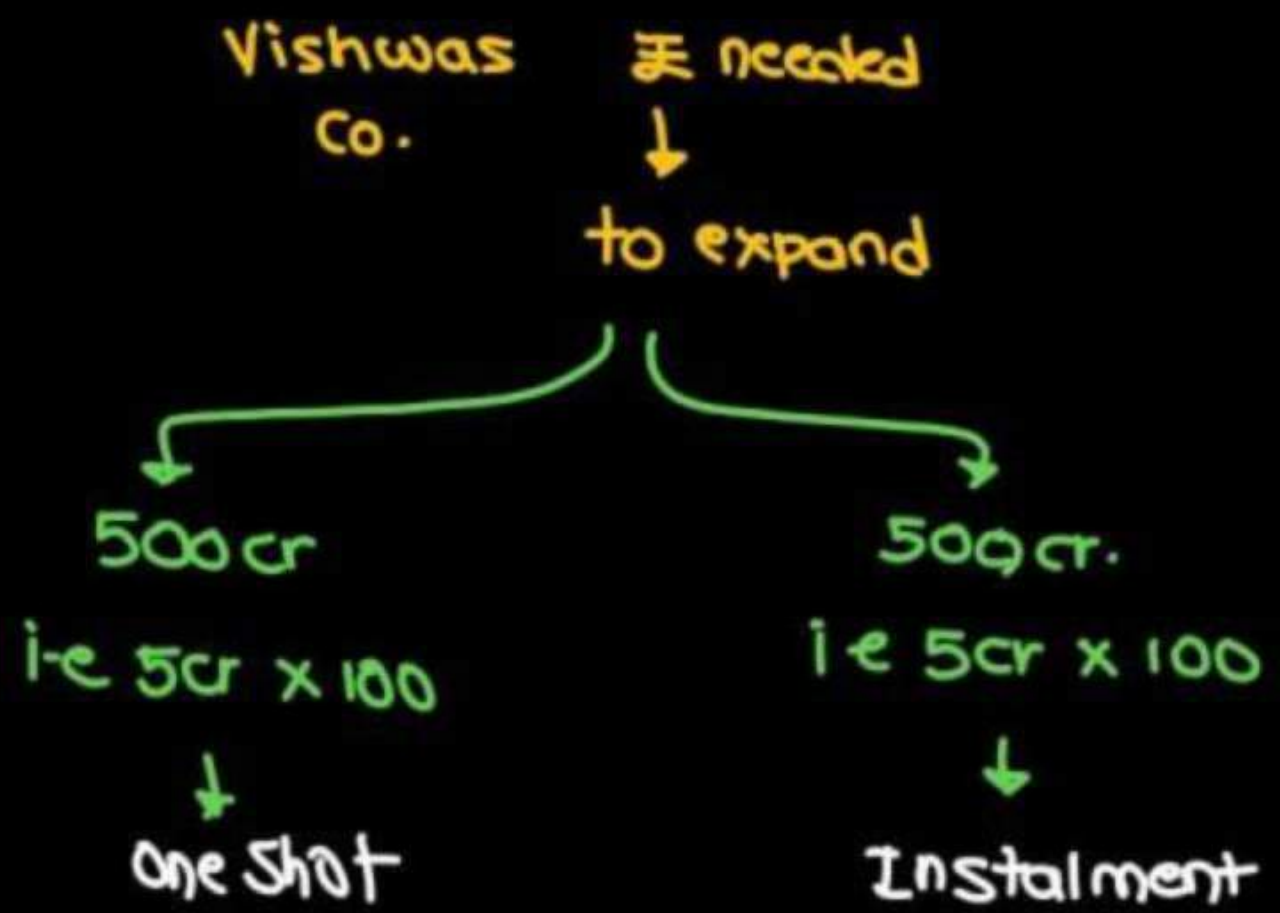
↓
is the amt printed on Share certificate which a company is liable to pay if they have sufficient fund.

Whenever a person become owner of a co., that person is given share certificate → proof of ownership

FV	IP
₹10	₹100
₹10	₹10
₹10	₹8

Share are issued
at premium
at par
at Discount

↓
as per co. Act 2013, Share cannot be issued at Discount except to the employees of the co. under ESOP Scheme



- 1st Instalment 50 → Application
- 2nd Instalment 30 → Allotment
- 3rd Instalment 20 → First & Final call
or
Final call

- 1st Instalment ₹ 25 → Application
- 2nd Instalment ₹ 30 → Allotment
- 3rd Instalment ₹ 20 → First call
- 4th Instalment ₹ 25 → Second & Final call
or
Final call



ABC Ltd	Issued	Applied		Alotted
Case 1	5,00,000	5,00,000	Fully subscribed	5,00,000
Case 2	5,00,000	6,00,000	over subscribed	5,00,000
Case 3	5,00,000	4,75,000	under-subscribe	4,75,000
Case 4	5,00,000	4,50,000	→ ←	4,50,000
Case 5	5,00,000	4,49,999	→ ←	4,49,889 X "0"
Case 6	5,00,000	4,20,000	→ ←	4,20,000 X "0"

Issue or applied
w.e.l lower subject to
90% of Issued.

→ minimum
90% Issued
i.e. $5L \times 90\%$
 $= 4,50,000$

Stages when amount is recd. In Instalment



Account Name	Formulae for Amount Calculation
Share Application A/c →	<u>Applied</u> x Issue Price
Share Allotment A/c →	Allotted x Issue Price
First Call A/c →	Allotted x Issue Price
Final Call A/c →	Allotted x Issue Price
Share Capital A/c →	Allotted x <u>Face Value</u>
Security Premium Reserve A/c →	Allotted x <u>Premium</u>



Application Stage

- 1st Bank Entry
- 2nd Share capital Entry

1st :- Bank A/c Dr.
 To Share Application A/c

2nd :- Share Application A/c Dr.
 To Share capital

Allotment Stage, call's

- 1st Share capital Entry
- 2nd Bank Entry

1st :- Share Allotment A/c Dr.
 To Share capital

2nd :- Bank A/c Dr.
 To Share Allotment A/c



Q. A company ^{ISSUED} invited applications for 10,000 equity shares of ₹ 50 each payable on application ^{1st} ₹ 15, on Allotment ^{2nd} ₹ 20, on first and final call ^{3rd} ₹15. Applications are received for 10,000 shares and all the applicants are allotted the number of shares they have applied for and instalment money was ^{timely} duly received by the company. Show Journal entries in the books of the company.

Face value	Issue price	Issued	Applied	Allotted
₹50	₹50	10,000	10,000	10,000

$$IP = FV + Prem$$

$$50 = 50 + 0$$

Appn
 $15 = 15 + 0$

Allotment
 $20 = 20 + 0$

f2f call
 $15 = 15 + 0$

Appn ₹15

Allotment ₹20

First 2 ₹15

final call
50



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
	Application stage				
(1)	Bank A/c	Dr.		1,50,000	
	To Equity Share Application A/c		(10,000 x 15)		1,50,000
(2)	Equity Share Application A/c	Dr.	(10,000 x 15)	1,50,000	
	To: Equity share capital A/c		(10,000 x 15)		1,50,000
	Allotment stage				
(3)	Equity Share Allotment A/c	Dr.	(10,000 x 20)	2,00,000	
Due	To Equity share capital A/c		(10,000 x 20)		2,00,000
(4)	Bank A/c	Dr.		2,00,000	
Recd.	To Equity Share Allotment A/c		(10,000 x 20)		2,00,000



$$43000 \times 90\% = 38,700$$

Q. On 1st April, 2021, A Ltd. issued 43,000 shares of ₹ 100 each payable as follows:

- ₹ 20 on application;
- ₹ 30 on allotment;
- ₹ 25 on 1st October, 2021; and
- ₹ 25 on 1st February, 2022.

	ISSUED 43,000	Applied 40,000	Allotted 40,000
	IP =	FV	+ Premium
App ⁿ	20 =	20	+ 0
Allotment	30 =	30	+ 0
First call	25 =	25	+ 0
Final call	25 =	25	+ 0

By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2022.



Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
20/05/21	Bank A/c Dr.		8,00,000	
	To Share Application A/c (40,000 x 20)			8,00,000
01/06/21	Share Application A/c (40,000 x 20) Dr.		8,00,000	
	To Share capital A/c (40,000 x 20)			8,00,000
01/06/21	Share Allotment A/c (40,000 x 30) Dr.		12,00,000	
	To Share capital A/c (40,000 x 30)			12,00,000
15/07/21	Bank A/c Dr.		12,00,000	
	To Share Allotment A/c (40,000 x 30)			12,00,000



Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
01/10/21	1st call A/c (40000×25) Dr.		10,00,000	
	To Share capital A/c (40000×25)			10,00,000
20/10/21	Bank A/c Dr.		10,00,000	
	To 1st call A/c			10,00,000
01/10/22	Final call A/c (40000×25) Dr.		10,00,000	
	To share capital A/c (40000×25)			10,00,000
31/10/22	Bank A/c Dr.		10,00,000	
	To final call A/c			10,00,000



What if Minimum 90% criteria is not fulfilled

Issued	Applied	Alloted
43,000	38,000	0

min. 90%
 $\therefore 43000 \times 90\%$
 $= 38,700$

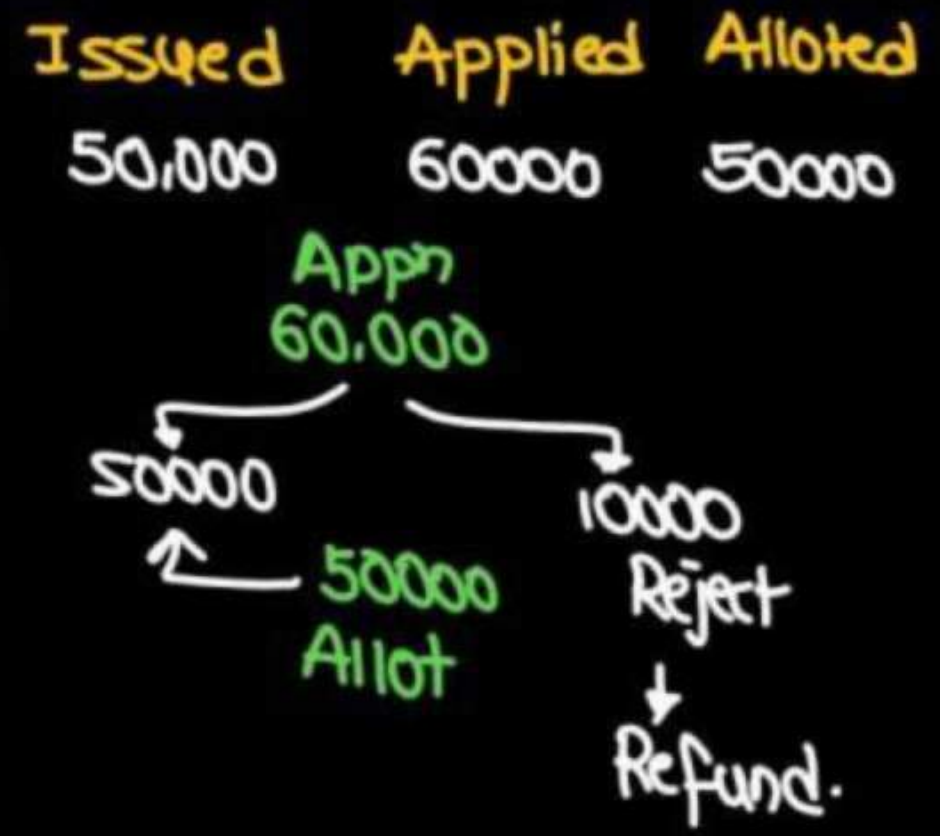
(1) Bank A/c Dr	7,60,000
To Share Application A/c	7,60,000
(38000 x 20)	
(2) Share Application A/c Dr	7,60,000
To Bank A/c	7,60,000



Q. Pant Ltd. invited applications for 50,000 equity shares at ₹ 50 each, which are payable as on application ₹ 20, on allotment ₹ 10 and on first and final call ₹ 20. The company received applications for 60,000 shares. The directors accepted application for 50,000 shares and rejected the rest. Show Journal entries if company refunded the application money to rejected applicants and allotment money was received for 45,000 shares.

$$\begin{array}{r}
 \text{IP} = \text{FV} + \text{Premium} \\
 \hline
 50 = 50 + 0 \\
 \hline
 \text{Appn} = 20 = 20 + 0 \\
 \text{Allotment} = 10 = 10 + 0 \\
 \text{First \& final call} = 20 = 20 + 0
 \end{array}$$

↓
First & Final call No Info





Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
(1)	Bank A/c Dr. To Equity share Application A/c (60000 x 20)		12,00,000	12,00,000
(2)	Equity share Application A/c Dr. To Equity share Capital A/c (50000 x 20) To Bank A/c (10000 x 20)		12,00,000	10,00,000 2,00,000
(3)	Equity share Allotment A/c Dr. (50000 x 10) To Equity share capital A/c (50000 x 10)		5,00,000	5,00,000



Shares Issued at Discount

Shares are regarded to be issued at a discount, if issue is at an amount less than the nominal or par value of shares. The excess of the nominal value over the issue price represents discount on the issue of shares. For example, when a share of the nominal value of ₹ 100 is issued at ₹ 98, it is said to have been issued at a discount of 2 per cent.

According to Section 53 of the Companies Act, 2013, a Company cannot issue shares at a discount except in the case of issue of sweat equity shares (issued to employees and directors). Thus, any issue of shares at discount shall be void.



Shares Issued at Premium

When a company issues its securities at a price more than the face value, it is said to be an issue at a premium. Premium is the excess of issue price over face value of the security. It is quite common for the financially strong, and well-managed companies to issue their shares at a premium, i.e. at an amount more than the nominal or par value of shares. Thus, where a share of the nominal value of ₹ 100 is issued at ₹ 105, it is said to have been issued at a premium of 5 per cent.

When the issue is at a premium, the amount of premium may technically be called at any stage of share capital transactions. However, premium is generally called with the amount due on allotment, sometimes with the application of money and rarely with the call money.



Prem always calculated on FY $\rightarrow 100 \times 25\% = 25$

Q. On 1st October, 2022 Pioneer Equipment Limited received applications for 2,50,000 Equity Shares of ₹ 100^{FY} each to be issued at a premium of 25 per cent payable as :

Issued	Applied	Allotted
250000	250000	250000

On Application ₹ 25
 On Allotment ₹ 75 (including premium)

Balance Amount on Shares As and when required \rightarrow No Entry

The shares were allotted by the Company on October 20, 2022 and the allotment money was duly received on October 31, 2022.

Record journal entries in the books of the company to record the transactions in connection with the issue of shares.

	IP	=	FY	+	Premium
	125	=	100	+	25
Appn	$\rightarrow 25$	=	25	+	0
Allotment	$\rightarrow 75$	=	50	+	25
Bal. as when Required	$\rightarrow 25$	=	25	+	0

No Entry \curvearrowright

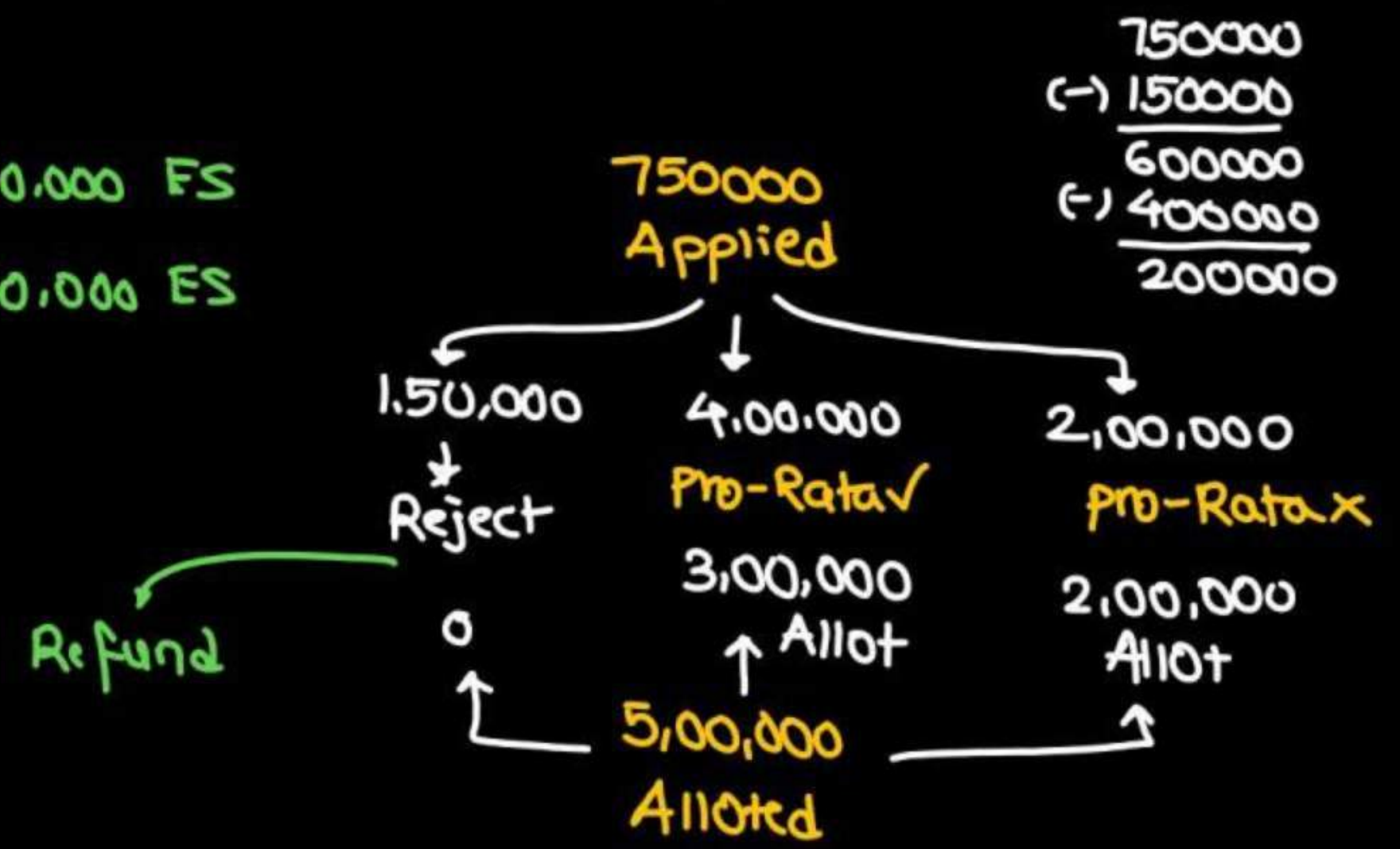


Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
01/10/22	Bank A/c Dr.		62,50,000	
	To Equity share Application A/c (250000 x 25)			62,50,000
20/10/22	Equity share Application A/c Dr.		62,50,000	
	To Equity share capital A/c (250000 x 25)			62,50,000
20/10/22	Equity share allotment A/c Dr.		1,87,50,000	
	To Equity share capital A/c (250000 x 50)			1,25,00,000
	To Security premium A/c (250000 x 25)			62,50,000
31/10/22	Bank A/c Dr.		1,87,50,000	
	To Equity share allotment A/c			1,87,50,000



Pro-Rata Allotment → Proportionate allotment [over-subscription]

ABC Ltd issue 5,00,000 FS
Apply 7,50,000 ES





Imp Question → Pro-Rata

BS making → use

Q. JHP Limited is a company with an authorised share capital of 10,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2021. The company proposed to make a further issue of 1,00,000 of these ₹ 10 shares at a price of ₹14 each, the arrangements for payment being:

Complete money is Recd.

FV ₹10
IP ₹14

- ₹ 2 per share payable on application, to be received by 1st July, 2021;
- Allotment to be made on 10th July, 2021 and a further ₹ 5 per share (including the premium) to be payable;
- The final call for the balance to be made, and the money received by 30th April, 2022.

Applications were received for 3,55,000 shares and were dealt with as follows:



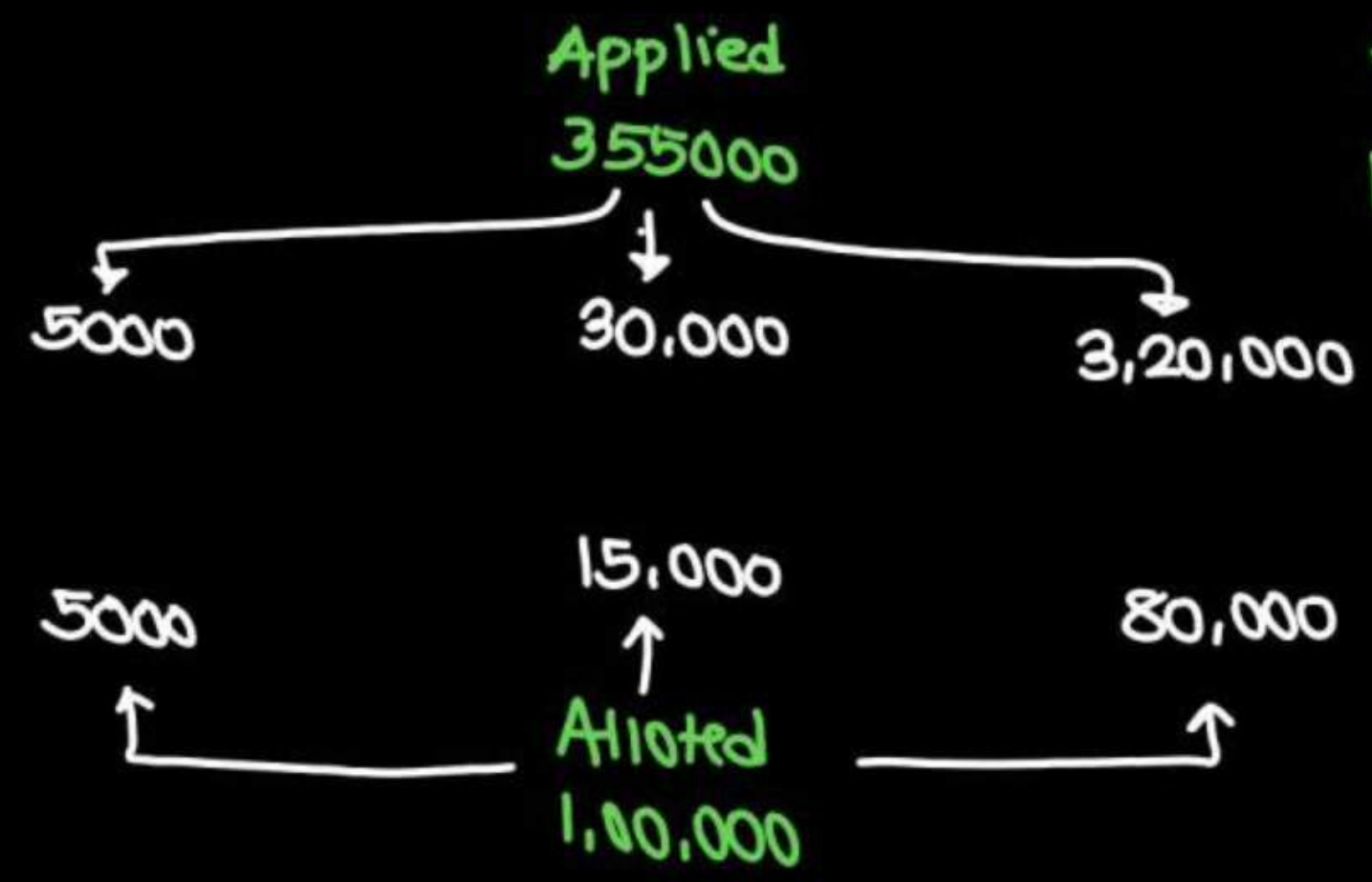
- (i) Applicants for 5,000 shares received allotment in full; 5000
- Category A (ii) Applicants for 30,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus £30,000 on application being used to reduce the amount due on allotment; Apply 2
Allot 1
- Category B (iii) Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and Apply 4 320000
Allot 1 2
- (iv) the money due on final call was received on the due date. ∴
80000
- You are required to record these transactions (including cash items) in the Journal of JHP Limited.



Issued 1,00,000
Applied 3,55,000
Alloted 1,00,000

$$\begin{array}{r} IP = FV + Prem \\ 14 = 10 + 4 \\ \hline \end{array}$$

Appn 2 = 2 + 0
Anotment 5 = 1 + 4
Final call 7 = 7 + 0





Particulars	Category A	Category B	
Applied	30,000	3,20,000	
Allotted	15,000	80,000	
<u>Application Stage</u>			
Applied x IP	30000×2 60,000	320000×2 6,40,000	
Less: Allotted x IP	15000×2 (30,000)	80000×2 (1,60,000)	
<u>Surplus</u>	30,000	4,80,000	
<u>Allotment Stage</u>			
Allotted x IP	15000×5 75,000	80000×5 4,00,000	
Less: Surplus (if any)	(30,000)	(4,00,000)	← Refund ₹80,000
Receivable or Refund	Receivable 45,000	0	



Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
01107121	Bank A/c Dr.		7,10,000	
	To Equity Share Application A/c (355000 x 2)			7,10,000
10107121	Equity share Application A/c Dr.		7,10,000	
	To Equity share capital A/c (100000 x 2)			2,00,000
	✓ To Equity share Allotment A/c			4,30,000
	To Bank A/c			80,000
10107121	Equity share Allotment A/c Dr. (100000 x 5)		5,00,000	
	To Equity share capital A/c (100000 x 1)			1,00,000
	To Security premium A/c (100000 x 4)			4,00,000





Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
	Bank A/c Dr.		70,000	
	To Equity share Allotment			70,000
	[(100000×5) (-) Entry 2 ka Amt]			
	i.e 500000 (-) 430000			
	Equity share final call A/c Dr. (100000×7)		7,00,000	
	To Equity share capital A/c (100000×7)			7,00,000
30/04/22	Bank A/c Dr.		7,00,000	
	To Equity share final call A/c			7,00,000
	[7,00,000 (-) 0]			

ABC Ltd



issue 1,00,000 ES FV ₹100 IP = ₹100

Mr. A 1000 shr

Mr. B 500 Share

Appn 40

✓

✓

Allotment 30

✓

✓

First call 20

X

✓

Final call 10

—



Called up

₹90

₹90

Recd.

₹70

₹100

∴ Call in Arrears

₹20

∴ Call in Adv

₹10

Bank Entry

↓
Call in Arrear Dr.

↓
Call in Adv Cr.



Calls-in-arrears And Calls-in-advance



At the time of receiving the value of shares in instalments (calls)

Share calls money received in full

"Bank A/c" is debited with full money received

Calls-in-arrears i.e. money received is less than due

"Calls-in-arrears A/c" is debited with the entry for Bank A/c

Calls-in-advance i.e. money of future instalments received before hand

"Calls-in-advance A/c" is credited with entry for "Bank A/c"



Calls-in-Arrears

Sometimes shareholders fail to pay the amount due on allotment or calls. The total unpaid amount on one or more instalments is known as Calls-in-Arrears or Unpaid Calls. Such amount represents the uncollected amount of capital from the shareholders; hence, it is shown by way of deduction from 'called-up capital' to arrive at paid-up value of the share capital.

For recording 'Calls-in-Arrears', the following journal entry is recorded :

Calls-in-Arrears A/c	Dr.	[Amount of Unpaid Calls]
Bank A/c	Dr.	[Amount received]
To Share Allotment A/c		[Total allotment money due]
To Share Calls A/c		[Total Call money due]

(Being call money/ allotment money received on shares at ₹__ per share.)



Calls-in-Advance

Some shareholders may sometimes pay a part, or whole, of the amount not yet called up, such amount is known as Calls-in-advance. According to Table F, interest at a rate not exceeding 12 per cent p.a. is to be paid on such advance call money. This amount is credited in Calls-in-Advance Account.

The following entry is recorded:

Bank A/c	Dr.	[Call amount received in advance]
To Call-in-Advance A/c		

When calls become actually due, calls-in-advance account is adjusted at the time of the call. For this the following journal entry is recorded:

Calls-in-Advance A/c	Dr.	[Call amount received in advance]
Bank A/c	Dr.	[Remaining call money received, if any]
To Particular Call A/c [Call money due]		

(Being call in advance adjusted and call money due received)



FY 1P

Q. Shreyas Ltd. did not receive the first call on 10,000 equity shares @ ₹ 3 per share which was due on 1.7.2021. ₹ 30,000 This amount was received on 1.4.2022. Open Calls in arrears account and journalise the entries in the books of the company on 1.7.2021 and 1.4.2022.

01/07/21 Equity share first call A/c Dr. 30,000 (10,000 × 3)
 To Equity share capital A/c 30,000 (10,000 × 3)

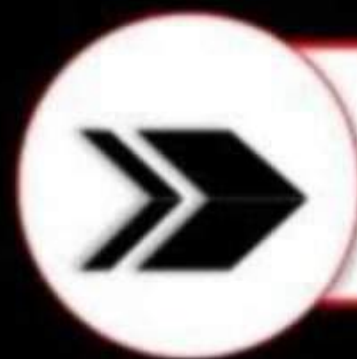
Call in Arrears A/c Dr. 30,000
 To Equity share first call A/c 30,000



01104122

Bank A/c Dr. 30,000

To call-in- Arrears A/c 30,000



Interest on calls-in- arrears and calls-in-advance

Interest on calls in arrears is recoverable and that in respect of calls in advance is payable, according to provisions in this regard in the articles of the company, at the rates mentioned therein or those to be fixed by the directors, within the limits prescribed by the Articles. Table F prescribes 10% and 12% p.a. as the maximum rates respectively for calls in arrears and those in advance. *↳ Call in Adv*

*Call in
Arrears*

Interest on Calls in Arrears	Interest on Calls in Advance
It is payable by shareholders to company on the calls due but remaining unpaid.	It is payable by the Company to Shareholders on the call money received in advance but not yet due.



Interest on Calls in Arrears	Interest on Calls in Advance
As per Table F maximum prescribed rate is 10%.	As per Table F maximum prescribed rate is 12%.
Period considered : From the date call money was due to the date money is finally received.	Period considered: From the date money was received to the day call was finally made due.
<u>Directors have a right to waive off such interest in individual cases at their own discretion.</u>	Shareholders are not entitled for any dividend on calls in advance.
It is a nominal account in nature and is credited to statement of profit and loss as an income.	It is a nominal account in nature with interest being an expense for the company.

Income

Expense

The book entries to be passed for the adjustment of such interest are much the same as those in case of temporary borrowings or loans raised, the only difference being that debits are raised and credits are given to Sundry Members Account (and not the individual accounts of shareholders)



in respect of interest recoverable on calls in arrear or that payable on call received in advance, the corresponding entries being made in the Interest Receivable on Calls in Arrears and Interest Payable on Calls in Advance, respectively.

The journal entries for calls-in-arrears are as follows :

(i) For interest receivable on calls-in-arrears

Due Shareholders' A/c Dr.
To Interest on calls-in-arrears A/c

(Being interest on calls in arrears at the rate of ...% made due)

(ii) For receipt of interest

Recd. Bank A/c Dr.
To Shareholders' A/c

(Being interest money received)



The accounting treatment of interest on Calls-in-Advance is as follows:

(i) Interest Due

Due Interest on Calls-in-Advance A/c Dr. [Amount of interest due for payment]

To Shareholder's A/c

(Being interest on calls in advance made due)

(ii) Payment of Interest

Paid Shareholder's A/c Dr. [Amount of interest paid]

To Bank A/c

(Being interest paid on calls-in-advance)



$IP = FV$

$FV = IP$

Q. Rashmi Limited issued at par 1,00,000 Equity shares of ₹ 10 each payable ₹ 2.50 on application; ₹ 3 on allotment; ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Nair who held 10,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 1000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Nair. Give journal entries to record these transactions.

	$IP = FV + Prem$	Issue	Applied	Allotted
App ⁿ	$2.5 = 2.5 + 0$	1,00,000	1,00,000	1,00,000
Allotment	$3 = 3 + 0$			
First call	$2 = 2 + 0$			
Final call	$2.5 = 2.5 + 0$			



Tot ES
1,00,000



Appⁿ 2
Allotment 3
First call 2
Final call 2.5
3m Difference

✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	x	✓

↓
paid after
2 months

$$\begin{aligned} \rightarrow & 1,00,000 \times 2 = 2L \\ & + 10,000 \times 2.5 = 0.25L \\ & \underline{\quad\quad\quad} \\ & 2.25L \end{aligned}$$



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
(1)	Bank A/c	Dr.		2,50,000	
	To Equity share application A/c	(100000 × 2.5)			2,50,000
(2)	Equity share application A/c	Dr.		2,50,000	
	To Equity share capital A/c	(100000 × 2.5)			2,50,000
(3)	Equity share Allotment A/c	Dr. (100000 × 3)		3,00,000	
	To Equity share capital A/c	(100000 × 3)			3,00,000
(4)	Bank A/c	Dr.		3,00,000	
	To Equity share allotment A/c	(3,00,000 (-) Entry 2)			3,00,000



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
(8)	Bank A/c	Dr.		2,22,500	
	Call in Arrears A/c (1000 x 2.5)	Dr.		2,500	
	Call in Advance A/c	Dr.		25,000	
	To Equity Share final call A/c				2,50,000
(9)	Int .on call-in-Adv A/c	Dr.		750	
	To Equity shareholder A/c				750
	(25000 x 12% x 3/12)				
(10)	Equity shareholder A/c	Dr.		750	
	To Bank A/c				750



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
(11)	Equity shareholder A/c	Dr.		42	
	To Int.on call-in-Arrears A/c				42
	(2500 × 10% × 2/12)				
(12)	Bank A/c	Dr.		2542	
	To Equity shareholder A/c				42
	To Call-in-Arrears A/c				2500



Share forfeiture \rightarrow Shares $\text{₹} \times$

i.e Call in Arrears \rightarrow Forfeit \checkmark

- \rightarrow Shareholder \times i.e ownership cancel
- \rightarrow Amt Recd. will not refund.

Share forfeiture \rightarrow assuming call-in-Arrears A/c is maintained.

Share capital A/c Dr.	[Share forfeit \times FV called up]
Security premium A/c Dr.	[If amt not recd.]
To call-in-Arrears A/c	[Tot. Amt not recd.]
To Share forfeiture A/c	(Bal-fig)



$$IP = FV + Prem$$

Appn

$$5 = 4 + 1$$

Allotment

$$4 = 3 + 1$$

First call

$$3 = 2 + 1$$

Final call

$$2 = 1 + 1$$

$$\begin{array}{r} \hline 14 \\ \hline \end{array} \quad \begin{array}{r} \hline 10 \\ \hline \end{array} \quad \begin{array}{r} \hline 4 \\ \hline \end{array}$$

Share forfeit after allotment → FV called up ₹7

Share forfeit after first call → FV called up ₹9

Share forfeit after final call → FV called up ₹10



Forfeiture of Shares

The term 'forfeit' actually means taking away of property on breach of a condition. It is very common that one or more shareholders fail to pay their allotment and/or calls on the due dates. Failure to pay call money results in forfeiture of shares. Forfeiture of shares is the action taken by a company to cancel the shares. The directors are usually empowered by the Articles of Association to forfeit those shares by serving proper notice to the defaulting shareholder(s). When shares are forfeited, the title of such shareholder is extinguished but the amount paid to date is not refunded to him. The shareholder then has no further claim on the company. The power of forfeiture must be exercised strictly having regard to the rules and regulations provided in the Articles of Association and it should be bonafide in the interests of the company.



Forfeiture of Shares which were issued at Par

In this case, Share Capital Account will be debited with the called-up value of shares forfeited. Allotment or Calls Account will be credited with the amount due but not paid by the shareholder(s). (Alternatively, Calls-in-Arrears Account can be credited for all amount due, if it was transferred to Calls-in-Arrears Account). Forfeited Shares Account or Shares Forfeiture Account will be credited with the amount already received in respect of those shares.

Share Capital Account	Dr.	[No. of shares x called-up value per share]
To Forfeited Shares Account		[Amount already received on forfeited shares]
To Share Allotment Account		[If amount due, but not paid]



To Share First Call Account [If amount due, but not paid]

To Share Final Call Account [If amount due, but not paid]

Where all amounts due on allotment, first call and final call have been transferred to Calls-in-Arrears Account, the entry will be :

Share Capital Account	Dr.	[No. of shares x called-up value per share]
To Calls-in-Arrears Account		[Total amount due, but not paid]
To Forfeited Shares Account		[Amount received]



Q. A Ltd forfeited 30,000 equity shares of ₹ 10 ^{₹10 FV ↓} fully called-up, held by Mr. X for non-payment of final call ^{₹4 CIA} @ ₹ 4 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 4 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture.

		FV = IP	Prem x
Equity Share Capital A/c Dr.	3,00,000	[30,000 × 10]	
To Call-in-Arrears A/c	1,20,000	[30,000 × 4]	
To Share Forfeiture A/c	1,80,000	[Bal-fig]	



Q. X Ltd forfeited 20,000 equity shares of ₹ 10 each, ₹ 8 called-up, for non-payment of first call money @ ₹ 2 each. Application money @ ₹ 2 per share and allotment money @ ₹ 4 per share have already been received by the company. Give Journal Entry for the forfeiture (assume that all money due is transferred to Calls-in-Arrears Account). → call-in-Arrears A/c maintained ✓

Equity share capital A/c	Dr.	1,60,000	[20000 × 8]	Called up ₹ 8
To call-in-Arrears A/c		40,000	[20000 × 2]	First call → ₹ 2 ×
To share forfeiture A/c		1,20,000	(Bal. fig)	Appn → 2 ✓ Allotment → 4 ✓ First call → 2 X Final call → 2 X → forfeit



Forfeiture of Shares which were issued at a Premium

In this case, Share Capital Account will be debited with the called-up value of shares forfeited. If the premium on such shares has not been paid by the shareholder, the Securities Premium Account will be debited to cancel it (if it was credited earlier). Allotment, Calls and Forfeited Accounts will be credited in the usual manner.

If the premium has already received by the company, it cannot be cancelled even if the shares are forfeited in the future.

If premium not received

Share Capital A/c Dr. [Called-up value]

Securities Premium A/c Dr. [Amount of Security premium not received]



To Share Allotment Account

[If amount due, but not paid]

To Share First Call Account

[If amount due, but not paid]

To Share Final Call Account

[If amount due, but not paid]

To Forfeited Shares Account

[Amount received on forfeited shares]

If premium received

Share Capital A/c Dr.

[Called-up value]

To Share Allotment Account

[If amount due, but not paid]

To Share First Call Account

[If amount due, but not paid]

To Share Final Call Account

[If amount due, but not paid]

To Forfeited Shares Account

[Amount received on forfeited shares]



Q. X Ltd. forfeited 5,000 equity shares of ₹100 each fully called-up which were issued at a premium of 20%. Amount payable on shares were: on application ₹ 20; on allotment ₹ 50 (including premium); on First and Final call ₹ 50. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture.

				$IP = FV + Prem$	
				$120 = 100 + 20$	
				<hr/>	
Equity share capital A/c	Dr.	5,00,000	$[5000 \times 100]$	Appn	20 = 20 + 0
Security premium A/c	Dr.	1,00,000	$[5000 \times 20]$	Allotment	50 = 30 + 20 X
To Call-in Arrears A/c		5,00,000	$[5000 \times 100]$	F2FC	50 = 50 + 0 X
To Share forfeiture A/c		1,00,000			<hr/> 120



Q. Mr. Shami has applied for 1,000 shares of Company XYZ Ltd. paying application money @ ₹ 2 per share but has been allotted only 600 shares. The shares have a face value of ₹ 10 and a premium of ₹ 2 per share, which are payable as: on Allotment- ₹ 5 (including premium) and on final call ₹ 5. Now in case Mr. Shami doesn't pay allotment money and final call and his shares are forfeited, then following entry will be passed on forfeiture:

Premium
or
CIA of that
particular
stage
w.e.L

Equity share capital A/c	Dr.	6,000	(600 × 10)	Applied	1,000 Share
Security premium A/c	Dr.	1,200	(600 × 2)	Allotted	600 Share
To call-in-Arrears A/c		6,000	[600 × 10]	IP = FV + Prem	
To share forfeiture A/c		1,200		2 = 2 + 0	
				5 = 3 + 2	
				5 = 5 + 0	
				12	10
					2

Appn
Allotment
Final call



Applied 1000
Alloted 600

Application Stage

Applied x IP $1000 \times 2 \rightarrow \text{₹} 2,000$
(-) Alloted x IP $600 \times 2 \rightarrow \text{₹} 1,200$
Surplus 800

Allotment stage

Alloted x IP $600 \times 5 \rightarrow \text{₹} 3,000$
(-) Surplus 800
₹ 2,200

Allotment stage

premium
 600×2
= ₹ 1200

CIA
₹ 2200

w.e.L i.e. ₹ 1200



Applied 1000
Alloted 600

If I say premium on Allotment stage is £4 share

Application Stage

Applied x IP $1000 \times 2 \rightarrow \text{£} 2,000$
(-) Alloted x IP $600 \times 2 \rightarrow \text{£} 1,200$
Surplus $\underline{800}$

Allotment stage

Alloted x IP $600 \times 5 \rightarrow \text{£} 3,000$
(-) Surplus $\underline{800}$
 $\text{£} 2,200$

Allotment stage

premium
 600×4
= $\text{£} 2,400$

CIA
 $\text{£} 2,200 \rightarrow \text{w.e.L}$

w.e.L i.e 2200

↳ SP A/c Dr. 2200
in Shr. forf. Entry

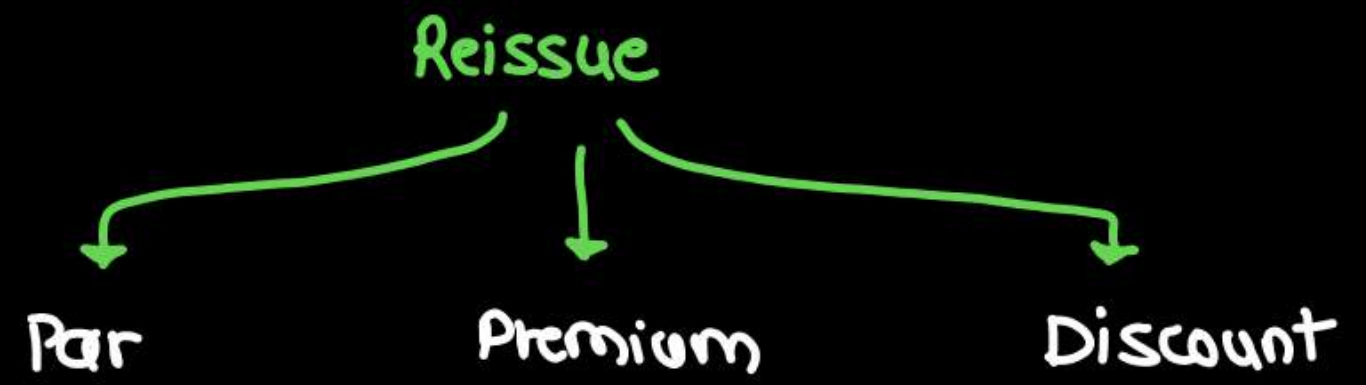


Forfeiture of Fully Paid-Up Shares

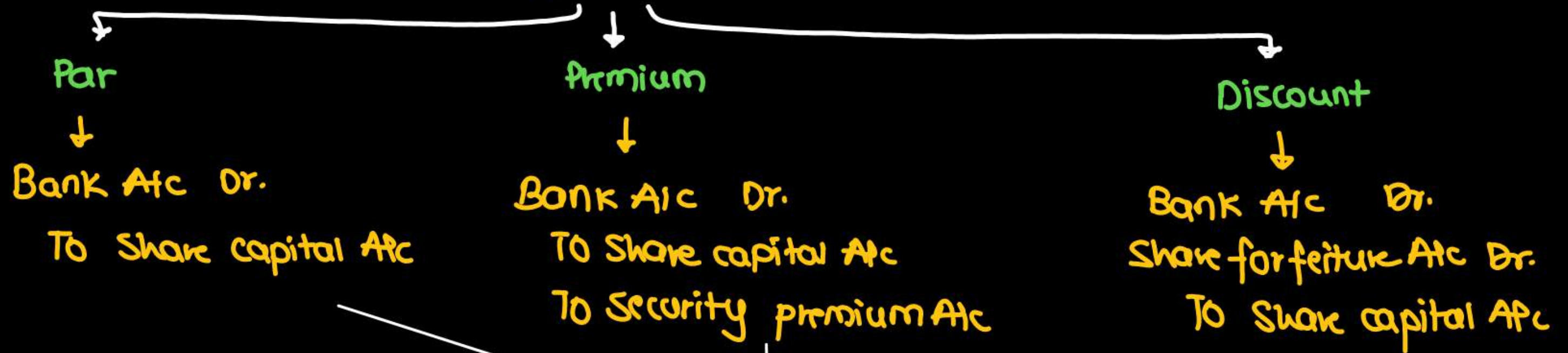
Forfeiture for non-payment of calls, premium, or the unpaid portion of the face value of the shares is one of the many causes for which a share may be forfeited. But fully paid-up shares may be forfeited for realization of debts of the shareholder if the Articles specifically provide it.



Share Forfeit → Reissue



Reissue JE



Share forfeiture A/c Dr.

- To Capital Reserve A/c

$$\left[\frac{\text{Tot. Amt in forfeiture A/c}}{\text{Tot. No. of shr forfeited}} \times \text{Tot. Share Reissued} \right] \rightarrow \text{Discount on Reissue}$$



Question → Share are Reissued @ ₹90 → compare FV called up

Share are Reissued @ ₹80 fully paid up → compare FV

Different cases	IP	FV	FV called up	Reissue Price	Par / Premium / Discount
Case 1	14	10	9	₹ 9	@ par
Case 2	12	10	8	₹ 9 fully paid	∴ ₹1 discount
Case 3	10	10	10	₹ 8	∴ ₹2 discount
Case 4	10	10	9	₹ 11	∴ ₹2 premium
Case 5	11	10	8	₹ 10 fully paid	∴ @ par
Case 6	13	10	10	₹ 11	∴ ₹1 premium



ABC Ltd 100000 ES Issued, Alloted.

IP = FV + Pkm

Appn	5	=	5	+	0
Allotment	4	=	3	+	1
First call	3	=	3	+	0
Final call	2	=	2	+	0
	<u>14</u>		<u>13</u>		<u>1</u>

Mr. A
 ✓
 X
 ↓
 After allotment his share were forfeited

Mr. B
 ✓
 X
 X
 → After first call his share were forfeited

Mr. A → Share forfeited → FV called = ₹8
 Entry up

Mr. B → Share forfeited → FV called = ₹11
 Entry up

Both A & B Share which were forfeited were Reissued after first call @ ₹10/share

Mr. A → ∴ ₹1 Discount

Mr. B → ∴ ₹1 Discount



Re-issue of forfeited shares

A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale.

The share, after forfeiture, in the hands of the company is subject to an obligation to dispose it off. In practice, forfeited shares are disposed off by auction. These shares can be re-issued at any price so long as the total amount received (from the original allottee and the second purchaser) for those shares is not less than the amount in arrear on those shares.

Accounting Entries :

(a)	Bank Account	Dr.	[Actual amount received]
	Forfeited Shares Account	Dr.	[Loss on re-issue]

To Share Capital Account

(Being the re-issue of....shares @ ₹ each as per Board's Resolution No.... dated.)



- (5) When the shares are re-issued at a loss, such loss is to be debited to “Forfeited Shares Account”.
- (6) If the shares are re-issued at a price which is more than the face value of the shares, the excess amount will be credited to Securities Premium Account.
- (7) If the re-issued amount and forfeited amount (taken together) exceeds the face value of the shares re-issued, it is not necessary to transfer such amount to Securities Premium Account.

Calculation of Profit on Re-Issue of Forfeited Shares

Students will appreciate that the credit balance of forfeited shares account cannot be considered a surplus until the shares forfeited have been re-issued, because the company may, on re-issue, allow the discount to the new purchaser equivalent to the amount held in credit in this regard in the forfeited shares Account.



Suppose 120 shares of a nominal value of ₹ 10 have been forfeited upon which ₹ 5 per share was paid up and transferred to Forfeited Share Account. Afterwards, 50 shares are re-issued, ₹ 6 per share being collected to make them fully paid up; ₹ 200 (50 shares x ₹ 10 - 50 shares x ₹ 6) out of shares forfeited will be credited to Share Capital Account to make up the deficiency on re-issued shares, and ₹ 50 (50 shares x ₹ 5 - ₹ 200) will be transferred to the Capital Reserve Account being the surplus on re-issue of the 50 shares. It would have in the Forfeited shares Account balance equivalent to the amount collected on the remaining 70 forfeited shares i.e. ₹ 350 which will be carried forward till these are re-issued.



In the above case, it has been assumed that the amount paid up on all the 120 forfeited shares was ₹ 5 per share. But in practice, shares may be forfeited on which varying amounts are outstanding. For instance, if in the above case 70 shares were forfeited with ₹ 5 paid up thereon and 50 shares with ₹ 7.50 was paid up thereon then:

$$\begin{aligned}\text{Share Forfeited Account Balance} &= (70 \times 5) + (50 \times 7.50) \\ &= ₹ 725\end{aligned}$$

Thus if 50 shares with ₹ 7.50 paid up are re-issued for ₹ 6 per share then Capital Reserve balance will be as follows:

$$₹ (7.50 + 6 - 10) \times 50 \text{ shares} = ₹ 175$$



Q. Mr. Long who was the holder of 2,000 preference shares of ₹ 100 each, on which ₹ 75 per share has been called up could not pay his dues on Allotment and First call each at ₹ 25 per share. The Directors forfeited the above shares and reissued 1500 of such shares to Mr. Short at ₹ 65 per share paid-up as ₹ 75 per share.

fully paid up X

FV called up ₹75

Give Journal Entries to record the above forfeiture and re-issue in the books of the company.

Forfeit 2000
Reissue 1500

Reissue → Par
Premium
Discount

IP = FV + Prem

75 {	Appn	25 = 25 + 0
	Allotment	25 = 25 + 0
	First call	25 = 25 + 0
	Final call	25 = 25 + 0
		<hr/>
		100 100 0



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
Forfeiture Entry	Preference Share capital A/c	Dr.	(2000 x 75)	1,50,000	
	To call in Arrears A/c		(2000 x 50)		1,00,000
	To Share forfeiture A/c		(Bal. fig)		50,000
Reissue	Bank A/c	Dr.	(1500 x 65)	97,500	
	Share forfeiture A/c	Dr.	(1500 x 10)	15,000	
	To Pref. Share capital A/c				1,12,500
	Share forfeiture A/c	Dr.		22,500	
	To Capital Reserve A/c				22,500
	$\left[\frac{\text{₹} 50,000}{2000} \times 1500 \right] \rightarrow \text{₹} 15,000$				



Q. Beautiful Co. Ltd issued 30,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All the shares were subscribed. Money due on all shares was fully received except from Ram, holding 500 shares, who failed to pay the Allotment and Call money and Shyam, holding 1,000 shares, who failed to pay the Call Money. All those 1,500 shares were forfeited. Of the shares forfeited, 1,250 shares (including whole of Ram's shares) were subsequently re-issued to Jadu as fully paid up at a discount of ₹ 2 per share.

Appⁿ 3
 Allotment 5
 3 FY
 2 Prem
 Final call → 4

1,500 shares forfeited (500 + 1000)
 Partial Reissue
 1,250 shares re-issued (500 to Ram, 750 to Shyam)
 FV = ₹10
 Dis 2 i.e ₹8 Reissue

after final call ∴ FV called up ₹10

Pass the necessary entries in the Journal of the company to record the forfeiture and re-issue of the share. Also prepare the Balance Sheet of the company.



	IP	=	FV	+	Premium
Appn	3	=	3	+	0
Allotment	5	=	3	+	2
Final call	4	=	<u>4</u>	+	<u>0</u>
	<u>12</u>		<u>6</u>		<u>2</u>

Issue	Applied	Alloted
30,000	30,000	30,000

Ram → 500 Share

Allotment x
Final call x

Shyam → 1000 Share

Final call x



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
	Bank A/c	Dr.		✓ 90,000	
	To Equity share Application A/c	(30000 × 3)			90,000
	Equity share Application A/c	Dr.		90,000	
	To Equity share capital A/c				90,000
	Equity share Allotment A/c	Dr.		1,50,000	
	To Equity share capital A/c	(30000 × 3)			90,000
	To security premium A/c	(30000 × 2)			✓ 60,000
	Bank A/c	Dr.		✓ 1,47,500	
	Call in Arrears A/c	(500 × 5)		✓ 2,500	
	To Equity share allotment A/c	(150000 (-) 0)			1,50,000



Partial Reissue → For every person, different forf. entry will be passed-

Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
	Equity share Final call A/c	Dr.	(30000 × 4)	1,20,000
	TO Equity share capital A/c		(30000 × 4)	1,20,000
	Bank A/c	Dr.	✓ 1,14,000	
	Call-in-Arrears A/c [500 × 4 1000 × 4]	Dr.	✓ 6,000	
	TO Equity share final call A/c (120000 (-) 10)			1,20,000
Ram →	Equity share capital A/c (500 × 10)	Dr.	5,000	
	Security premium A/c	Dr.	✓ 1,000	
	TO Call-in-Arrears A/c [500 × 5 + 500 × 4]			✓ 4,500
	TO Share forfeiture A/c (Bal-fig)			✓ 1,500
	Prem = 500 × 2 = ₹ 1000			
	Allotment → Ram CIA 2500			



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
Shyam	Equity share capital A/c	Dr.	(1000 x 10)	10,000	
	To call-in-Arrears A/c		(1000 x 4)		✓ 4,000
	To share forfeiture A/c				✓ 6,000
Reissue	Bank A/c	Dr.	(1250 x 8)	✓ 10,000	
	Share forfeiture A/c	Dr.	(1250 x 2)	✓ 2,500	
	To Equity share capital A/c				12,500
	Share forfeiture A/c	Dr.			
	To capital Reserve A/c			✓ 3,500	
	Ram = $\left[\frac{₹1500}{500} \times 500 \right] (-) 500 \times 2$				
	= ₹500 + 3000				
	Shyam = $\left[\frac{₹6000}{1000} \times 750 \right] (-) \frac{750}{2}$				
					✓ 3,500



		₹
C2CE	← Bank Alc →	3,61,500
RES +	← Security prem Alc →	59,000
sub 2 not fully paid (-)	← Call-in-Arrears →	0
	Share forfeiture →	1,500
sub 2 fully paid +	Capital Reserve →	3,500
	RES +	



Particulars	Note No.	Amt (₹)
(1) Equities and Liabilities		
(A) Shareholder's Fund		
(i) Share Capital		2,99,000
(ii) Reserves & surplus (59,000 + 35,000)		62,500
		3,61,500
(2) Asset		
(A) Non-current Asset		
(i) Property, Plant and Equipment		—
(B) Current Asset		
(i) cash & cash Equivalent		3,61,500
		3,61,500

(i) Share capital

→ Equity share capital

→ Preference share capital

(ii) Reserves & surplus

→ SPR

→ Capital Reserve



Note 1:- Share capital \rightarrow FV

Particulars	Amt (£)
(1) Authorised share capital No. of shr. Authorised \times FV	—
(2) Issued share capital No. of shares issued \times FV 30000×10	3,00,000
(3) Subscribed share capital	
(A) Subscribed and fully paid up — No. of shr \times FV 28750×10 + Share forfeiture (BAI)	2,87,500 1,500
(B) Subscribed but not fully paid up No. of share \times FV called up (-) Call-in-Amounts	
\rightarrow Question 0/1	
	2,99,000

Fully paid \rightarrow Complete FV called up & NO CIA

30,000
(-) 1,500
+ 1,250
29,750



Q. A holds 2,000 shares of ₹ 10 each on which he has paid ₹ 2 as application money. B holds 4,000 shares of ₹ 10 each on which he has paid ₹ 2 per share as application money and ₹ 3 per share as allotment money. C holds 3,000 shares of ₹ 10 each and has paid ₹ 2 on application, ₹ 3 on allotment and ₹ 3 for the first call. They all fail to pay their arrears on the second and final call and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for ₹ 12 per share fully paid-up. Journalise the transactions relating to the forfeiture and re-issue.

↓
Compare FV ₹10
Reissue ₹12 ∴ 2 premium



		A 2000 Share	B 4000 share	C 3000 share	9000 Forfeit → after final call
₹10	₹2 Appn	✓	✓	✓	↓
	₹3 Allotment	X	✓	✓	9000
	₹3 First call	X	X	✓	Reissue
	₹2 Second & Final call	X	X	X	
		<hr/> ₹8	<hr/> ₹5	<hr/> ₹2	
		X	X	X	



Sr.No	Particular	L/F	Dr. (Rs.)	Cr.(Rs)
	Equity Share capital A/c	Dr. (9000 x 10)	90,000	
	To call-in-Arrears A/c [2000 x 8 + 4000 x 5 + 3000 x 2]			42,000
	To Share forfeiture A/c			48,000
	Bank A/c	Dr. (9000 x 12)	1,08,000	
	To Equity Share capital A/c (9000 x 10)			90,000
	To security premium A/c (9000 x 2)			18,000
	Share forfeiture A/c	Dr.	48,000	
	To Capital Reserve A/c			48,000
	[$\frac{\text{₹}48000}{9000} \times 9000$] (-) 0			



Issue of shares for consideration other than cash



↓
For / Premium

Public limited companies, generally, issue their shares for cash and use such cash to buy the various types of assets needed in the business. Sometimes, however, a company may issue shares in a direct exchange for land, buildings or other assets. Shares may also be issued in payment for services rendered by promoters, lawyers in the formation of the company. These shares should be shown separately under the heading 'Share Capital'. Within specified time of allotment, the company must produce before the Registrar a written contract of sale of service in respect of which shares have been allotted.

Under accounting standards, if an asset is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued (which, in appropriate cases, may be indicated by the issue price as determined by statutory authorities).



The fair value may not necessarily be equal to the nominal or par value of the securities issued.

Accounting Entries

When assets are purchased in exchange of shares

Assets Account	Dr.
To Share Capital Account	



Share capital → Asset purchase
↳ shares

Issue of shares for consideration other than cash → No. of share issued = $\frac{\text{Tot. Amt for which share are given}}{\text{Issue price}}$

JE:- Asset A/c Dr.
 To Vendor A/c

Vendor A/c Dr
 To Share capital
 To security premium

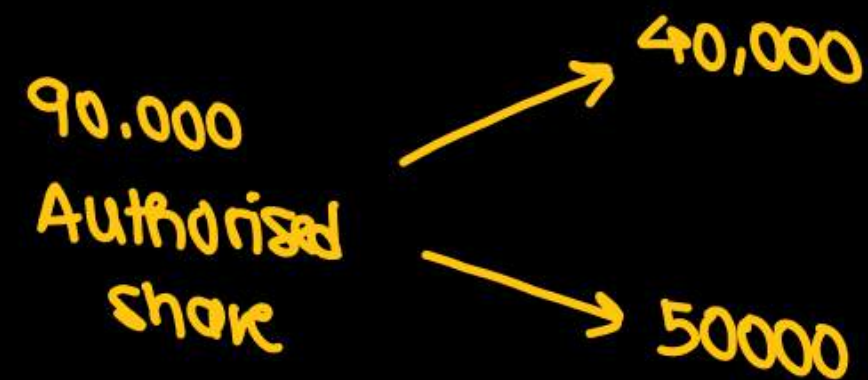


Q. X Co. Ltd. was incorporated with an authorized share capital of 90,000 equity shares of ₹ 10 each. The company purchased land and buildings from Y Co. Ltd for ₹ 4,00,000 payable in fully paid-up shares of the company. The balance of the shares were issued to the public, which were fully subscribed and paid for.

40,000

One shot

You are required to pass Journal Entries and to prepare the Balance Sheet.



$$\begin{aligned} \text{No. of share} &= \frac{4,00,000}{10} \\ &= \text{i.e } 40,000 \text{ ES} \end{aligned}$$



Sr.No	Particular		L/F	Dr. (Rs.)	Cr.(Rs)
40000 ES	Land & Building A/c	Dr.		4,00,000	
	To Y & Co. Ltd				4,00,000
	Y & Co. Ltd A/c	Dr.		4,00,000	
	To Equity share capital A/c	(40000 × 10)			4,00,000
50000 ES	Bank A/c	Dr.		5,00,000	
	To Eq. Share Appn & Allotment A/c				5,00,000
	Eq. Share Appn & Allotment A/c	Dr.		5,00,000	
	To Eq. Share capital A/c				5,00,000



Particulars	Note No.	Amt (₹)
(1) Equities and Liabilities		
(A) Shareholder's Fund		
(i) Share Capital		9,00,000
(ii) Reserves & Surplus		—
		9,00,000
(2) Asset		
(A) Non-current Asset		
(i) Property, Plant and Equipment		4,00,000
(B) Current Asset		
(i) Cash & cash Equivalent		5,00,000
		9,00,000

- (i) Share Capital
 - Equity Share Capital
 - Preference Share Capital
- (ii) Reserves & Surplus
 - SPR
 - Capital Reserve



Note 1:- Share capital \rightarrow FV

Particulars	Amount (£)
(1) Authorised share capital No. of shr. Authorised \times FV 90000 ES £10	9,00,000
(2) Issued share capital No. of shares issued \times FV 90000 ES £10	9,00,000
(3) Subscribed share capital	
(A) Subscribed and fully paid up - No. of shr \times FV + Share forfeiture (BAI)	9,00,000 0
(B) Subscribed but not fully paid up No. of share \times FV called up (-) Call-in-Amounts	
	9,00,000



Q. A company had an authorised capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. It decided to issue 60,000 shares for subscription and received applications for 70,000 shares. It allotted 60,000 shares and rejected remaining applications. Upto 31-3-2022, it has demanded or called ₹ 9 per share. All shareholders have duly paid the amount called, except one shareholder, holding 5,000 shares who has paid only ₹ 7 per share. Prepare a balance sheet assuming there are no other details.

FV ₹10
called ₹9
up

60000 Fully paid up x

Issue	Applied	Alloted
60000	70000	60000



Particulars	Note No.	Amt (₹)
(1) Equities and Liabilities		
(A) Shareholder's Fund		
(i) Share Capital		5,30,000
(ii) Reserves & surplus		-
		5,30,000
(2) Asset		
(A) Non-current Asset		
(i) Property, Plant and Equipment		
(B) Current Asset		
(i) Cash & cash Equivalent		5,30,000
		5,30,000

- (i) Share capital
 - Equity share capital
 - Preference share capital
- (ii) Reserves & surplus
 - SPR
 - Capital Reserve

$$\begin{array}{l} 60000 \rightarrow 55000 \times 9 = 4,95,000 \\ \quad \quad \quad \rightarrow 5000 \times 7 = \quad \quad 35,000 \\ \hline \quad \quad \quad \quad \quad \quad \quad \quad \underline{\underline{5,30,000}} \end{array}$$



Note 1:- Share capital \rightarrow FV

Particulars	Amount (₹)
(1) Authorised share capital No. of shr. Authorised \times FV 100000 ES @ ₹10	10,00,000
(2) Issued share capital No. of shares issued \times FV 60000 ES @ ₹10 each	6,00,000
(3) Subscribed share capital (A) Subscribed and fully paid up - No. of shr \times FV + share forfeiture (Bai)	-----
(B) Subscribed but not fully paid up 60000 \times 9 ₹ 5,40,000 (-) Call in Arrears 5000 \times 2 ₹ 10,000	5,30,000
	5,30,000



Q. The Delhi Artware Ltd. issued 50,000 equity shares of ₹ 100 each and 1,00,000 preference shares of ₹ 100 each. The Share Capital was to be collected as under:

	Equity Shares (₹)	Preference Shares (₹)
On Application	25	20
On Allotment	20	30
First Call	30	20
Final Call <i>50000 ES → 42000 ES</i>	25	<i>100000 PS</i> <i>↳ 88000 PS</i>

All these shares were subscribed. Final call was received on 42,000 equity shares and 88,000 preference shares. Prepare the cash book and journalise the remaining transactions in the books of the company.



(1) Bank A/c Dr. 32,50,000
 To Equity share Appⁿ A/c 12,50,000 (50000 × 25)
 To Pref. Share Appⁿ A/c 20,00,000 (100000 × 20)

(2) Equity share Appⁿ A/c Dr. 12,50,000
 Pref. Share Appⁿ A/c Dr. 20,00,000
 To Eq. Share capital A/c 12,50,000
 To Pref Share capital A/c 20,00,000

(3) Equity share Allotment A/c Dr. 10,00,000 (50000 × 20)
 Pref. Share Allotment A/c Dr. 30,00,000 (100000 × 30)
 To Eq. Share capital A/c 10,00,000
 To Pref Share capital A/c 30,00,000



(4) Bank A/c Dr. 40,00,000
 To Eq. share Allotment A/c 10,00,000
 To Pref. share Allotment A/c 30,00,000

(5) Eq. share First call A/c Dr. 15,00,000 (50000 x 30)
 Pref. share First call A/c Dr. 20,00,000 (100000 x 20)
 To Eq. share capital A/c 15,00,000
 To Pref. share capital A/c 20,00,000

(6) Bank A/c Dr. 35,00,000
 To Eq. share First call A/c 15,00,000
 To Pref. share First call A/c 20,00,000



(7) Eq. share call A/c Dr. 12,50,000 (50000 x 25)
Pref. share call A/c Dr. 30,00,000 (100000 x 30)

To Eq. share capital A/c 12,50,000
To Pref. share capital A/c 30,00,000

(8) Bank A/c Dr. 36,90,000 (42000 x 25 + 88000 x 30)
Call in Arrears A/c Dr. 5,60,000 (1050000 + 2640000)

To Eq. share final call A/c 12,50,000
To Pref. share final call A/c 30,00,000



What if Question says make CB

P.T.O



(1) Bank A/c Dr. 32,50,000
To Equity Share Appn A/c 12,50,000 (50000 x 25)
To Pref. Share Appn A/c 20,00,000 (100000 x 20)

(2) Equity share Appn A/c Dr. 12,50,000
Pref. Share Appn A/c Dr. 20,00,000
To Eq. Share capital A/c 12,50,000
To Pref Share capital A/c 20,00,000

(3) Equity share Allotment A/c Dr. 10,00,000 (50000 x 20)
Pref. Share Allotment A/c Dr. 30,00,000 (100000 x 30)
To Eq. Share capital A/c 10,00,000
To Pref Share capital A/c 30,00,000



(4) Bank A/c Dr. 40,00,000
 To Eq. share Allotment A/c 10,00,000
 To Pref. share Allotment A/c 30,00,000

(5) Eq. share First call A/c Dr. 15,00,000 (50000 x 30)
 Pref. share First call A/c Dr. 20,00,000 (100000 x 20)
 To Eq. share capital A/c 15,00,000
 To Pref. share capital A/c 20,00,000

(6) Bank A/c Dr. 35,00,000
 To Eq. share First call A/c 15,00,000
 To Pref. share First call A/c 20,00,000



(7) Eq. share call A/c Dr. 12,50,000 (50000 x 25)
Pref. share call A/c Dr. 30,00,000 (100000 x 30)

To Eq. share capital A/c 12,50,000
To Pref. share capital A/c 30,00,000

(8) Call in Arka's A/c Dr. 5,60,000 (42000 x 25 + 88000 x 30)
1050000 + 2640000
1050000 + 2640000

To Eq. share final call A/c 2,00,000 8000 x 25
To Pref. share final call A/c 3,60,000 12000 x 30



Cash Book

To Eq. shr. Appn A/c	12,50,000	By Balcd	1,44,40,000
To Pref. shr. Appn A/c	20,00,000		
To Eq. shr. Allotment A/c	10,00,000		
To Pref. shr. Allotment A/c	30,00,000		
To Eq. shr. first call A/c	15,00,000		
To Pref. shr. first call A/c	20,00,000		
To Eq. shr. final call A/c	10,50,000		
To Pref. shr. final call A/c	26,40,000		
	<u>1,44,40,000</u>		<u>1,44,40,000</u>



THANK

YOU

