

Bhagya Achievers Test Series

CA Foundation

Paper 1: Accounting

Chapter 11: Company Accounts

Total Marks: 20

Time: 40 min.

Question1. (10 Marks)

Ashish applies for 2,000 shares of Rs 10 each at a premium of Rs 2.50 per share. He was allotted 1,000 shares. After having paid Rs 3 per share on application, he did not pay the allotment money of Rs 4.50 per share (including premium) and on his subsequent failure to pay the first call of Rs 2 per share, his share were forfeited. These share were reissued at Rs 8 per share, his shares were forfeited.

At the time of re-issue of forfeited shares of Mr. Ashish, final call money amount all other shareholders were duly called up.

You are required to pass journal entries to record forfeiture and reissue of shares.

Answer: 1. (10 Marks)

Journal

		Dr.	Cr.
Share Capital A/c	Dr.	7,000	
Securities Premium Reserve A/c	Dr.	1,500	
To Forfeited Share A/c			5,000
To Share Allotment A/c			1,500
To Share First Call A/c			2,000
(Being 1000 shares forfeited for non-payment of allotment money and first call)			
Bank A/c	Dr.	8,000	

Forfeited Shares A/c To Share Capital A/c (Being 1000 forfeited shares reissued as fully paid up for Rs 8 per share)	Dr.	2,000	10,000
Forfeited Shares A/c To Capital Reserve A/c (Being the transfer of gain on reissue)	Dr.	3,000	3,000

Working Note:

Calculation of the amount due but not paid on allotment	Rs
(a) Total No. of Shares applied	2,000
(b) Total money paid of application (2,000x 3)	6,000
(c) Excess application money (Rs 6000-(1,000x3))	3,000
(d) Total amount due on allotment (1,000x 4.50)	4,500
(e) Amount due but not paid (Rs4,500- Rs3,000)	1,500
<p>Out of the allotment amount of Rs 4,500, Rs 2,000 are for Share Capital and Rs 2,500 are for Securities Premium Reserve. Out of excess application money of Rs3,000, Rs2000 are adjusted towards allotment as share capital and Rs 1,000 are adjusted towards allotment as securities premium reserve. Therefore, Securities Premium Reserve of Rs 1,500 (i.e. Rs 2,500- 1,000) is not received. Hence securities Premium Reserve is debited by Rs 1,500.</p>	

Question2. (5 Marks)

Suman Limited issued 40,000 14% Debentures of the nominal value of Rs 2,00,00,000 as follows:

- To sundry persons for cash at 90% of nominal value of Rs 100,00,000.
- To the banker as collateral security for a loan of Rs 40,00,000 – Rs 50,00,000 nominal value.
- To a vendor for purchase of fixed assets worth Rs 40,00,000 – Rs

50,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

Answer: 2. (5 Marks)

In the books of Suman Company Ltd. Journal Entries

Date	Particulars		Dr. Rs	Cr. Rs
(a)	Bank A/c To Debentures Application A/c (Being the application money received on 20,000 debentures @ Rs 450 each)	Dr.	90,00,000	90,00,000
	Debentures Application A/c Discount on issue of Debentures A/c To 14% Debentures A/c (Being the issue of 20,000 14% Debentures @ 90% as per Board's Resolution No....dated....)	Dr. Dr.	90,00,000 10,00,000	1,00,00,000
(b)	Bank A/c To Bank Loan A/c (See Note) (Being a loan of Rs 40,00,000 taken from bank by issuing debentures of Rs50,00,000 as collateral security)	Dr.	40,00,000	40,00,000
(c)	Fixed Assets A/c To Vendor A/c (Being the purchase of fixed assets from vendor)	Dr.	40,00,000	40,00,000
	Vendor A/c Discount on Issue of Debentures A/c To 14% Debentures A/c (Being the issue of debentures of Rs 50,00,000 to vendor to satisfy his claim)	Dr. Dr.	40,00,000 10,00,000	50,00,000

Note: No entry is made in the books of account of the company at the time of making issue of such debentures. In the “Notes to Accounts” of Balance Sheet, the fact that the debentures being issued as collateral security and outstanding are shown by a note under the liability secured.

Question3. (5 Marks)

Following notes pertain to the Balance Sheet of Mars Company Limited as at 31st March 2022:

	Rs
Authorised capital:	
50,000 12% Preference shares of Rs 10 each	5,00,000
5,00,000 Equity shares of Rs 10 each	50,00,000
	55,00,000
Issued and Subscribed capital:	
50,000 12% Preference shares of Rs 10 each fully paid	5,00,000
4,00,000 Equity shares of Rs 10 each, Rs 8 paid up	32,00,000
Reserves and surplus:	
General Reserve	1,60,000
Capital Redemption Reserve	2,40,000
Securities premium (collected in cash)	2,75,000
Revaluation Reserve	1,00,000
Profit and Loss Account	16,00,000

On 1st April, 2022, the Company has made final call @ Rs 2 each on 4,00,000 equity shares. The call money was received by 25th April, 2022. Thereafter, on 1st May 2022 the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held, it decided that there should be minimum reduction in free reserves.

On 1st June 2022, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of Rs 12 per share. All the

rights shares were accepted by the existing shareholders and the money was duly received by 20th June 2022.

Show necessary journal entries in the books of the company for bonus issue and rights issue.

Answer: 3. (5 Marks)

Journal Entries in the books of Mars Ltd.

2022		Dr. Rs	Cr. Rs
April 1	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final call of Rs 2 per share on 4,00,000 equity shares made due)	8,00,000	8,00,000
April 25	Bank A/c Dr. To Equity Share Final Call A/c (Final call money on equity shares received)	8,00,000	8,00,000
May 1	Capital Redemption Reserve A/c Dr. Securities Premium A/c Dr. General Reserve A/c Dr. Profit and Loss A/c (b.f.) Dr.	2,40,000 2,75,000 1,60,000 3,25,000	
	To Bonus to Shareholders A/c (Bonus issue of one shares for every four shares held, by utilising various reserves as per Board's resolution dated.....)		10,00,000
	Bonus to Shareholders A/c Dr. To Equity Share Capital A/c (Capitalisation of profit)	10,00,000	10,00,000
June 20	Bank A/c Dr.	24,00,000	

	<p>To Securities Premium A/c</p> <p>To Equity Share Capital A/c</p> <p>(Being Rights issue of 2 shares for every 5 shares held as per board resolution dated</p>		<p>4,00,000</p> <p>20,00,000</p>
--	--	--	----------------------------------

