1) Prospectus issued by company → NO ENTRY

2) Application by prospective shareholders → Application money to be paid alongwith application form.

Face Value / Nominal Value = 100
↳ ₹ 80 will be taken later on.

Application = 20/sh
Number = 5000 sh
Bank a/c Dr. 5000 × 20
To Bagga bhau a/c 5000 × 20 → LIABILITY → PERSONAL (REPRESENTATIVE) → Share Application a/c

Allotment of Shares

Shares are issued to Applicants
Bagga bhau Dr. 5000 × 20
To Share Capital 5000 × 20 → PERSONAL (REPRESENTATIVE) → Share Application a/c

On allotment company asks for additional money

Money due = 30/sh
Bagga Bhau Dr. 5000 × 30
To Share Capital 5000 × 30 → PERSONAL (REPRESENTATIVE) → Share Allotment a/c

Money is paid by Shareholder
Bank Dr. 5000 × 30
To Bagga bhau 5000 × 30 → PERSONAL (REPRESENTATIVE) → Share Allotment a/c

On need of more money, the company will call for remaining ₹ 50.

Money due = ₹ 50/sh
Bagga bhau Dr. 5000 × 50
To Share Capital 5000 × 50 → PERSONAL (REPRESENTATIVE) → Share Call a/c

Money is paid by shareholder
Bank Dr. 5000 × 50
To Bagga bhau 5000 × 50 → PERSONAL (REPRESENTATIVE) → Share call a/c

---

TREATMENT OF ISSUE OF SHARES AT :-

PAR
FV = 100   IP = 100

Bank a/c Dr. 100
To Share Application 100

Share Application Dr. 100
To Share Capital 100

PREMIUM
FV = 100   IP = 120

Bank a/c Dr. 120
To Share Application 120

Share Application Dr. 120
To Share capital 100
To Securities Premium 20

DISCOUNT ---→ Sweat Equity Shares can be issued at Discount.
FV = 100   IP = 90

Bank a/c Dr. 90
To share Application 90

Share Application Dr. 90
Discount on Issue Dr. 10
To Share Capital 100

FV = 100
App = 20
Allot = 30
1st call = 25   } Share Capital = 75
✗ 2nd call = 25 ✗   Called up = 75
                    Paidup = 75

FV = 100   IP = 120   P = 20
App = 20
Allot = 30 + P = 20
1st call = 25   } Share Capital = 75
✗ 2nd call = 25 ✗   Sec. Prem = 20
                    Called up capital = 75
                    paid up capital = 75

FV = 100   IP = 120   P = 20
App = 20
Allot = 30 + P = 20
1st call = 25 → Called but not yet paid
✗ 2nd call = 25 ✗

Share Capital Cr. = 75
Called up = 75
Paid up = 50
Call in arrears = 25

SUBSCRIPTION OF SHARES

Under Subscription
Issued shares = 100000
Application recd = 80000

Bank a/c Dr. 80000 × 100
To Share Application 80000 × 100

Share Application Dr. 80000 × 100
To share capital 80000 × 100

Full Subscription
Issued Shares = 100000
Application recd = 100000

Bank a/c Dr. 100000 × 100
To Share Application 100000 × 100

Share Application Dr. 100000 × 100
To Share Capital 100000 × 100

Over Subscription
Issued Shares = 100,000
Application recd = 500,000

Excess applications

Rejected → Money refunded

Pro-rata allotment → Money partly adjusted & partly refunded

Bank a/c Dr. 500000 × 100
To Share Application 500000 × 100

Share Application Dr. 100000 × 100
To Share capital 100000 × 100

Share Application Cr. 400000 × 100
To Bank 400000 × 100

FORFEITURE OF SHARES

Issued at PAR

Share Capital Dr. 10 → Amount called up
To Share forfeiture 6 → Amount received
To Calls in arrears 4 → Amount not yet received

Example :- FV = 10
Called up = 10
Application = 3 ⎱ → received
Allotment = 3 ⎰
1st call = 4 → not yet received.

Shares Issued at PREMIUM

Premium money received

* Ignore premium amount during forfeiture.

Share Capital Dr. 10 → Amount called up
To Share forfeiture 6 → Amount received
To Calls in arrears 4 → Amount not yet received

Example : FV = 10
Premium = 2
fully called up.
Application = 3 → Received
Allotment = 5 (incl. prem.) → Received
1st call = 4 → Not received.

* This is because the premium is already credited (as profit) during Share Issue entry, hence no need to credited it again

Premium money not received

* Effect of premium amount will be shown

Share Capital Dr. 10 → Amount called up
Securities Premium Dr. 2 → Premium money
To Share forfeiture 3 → Amount received
To Calls in Arrears 9 → Amount not recd.

Example :- FV = 10
Premium = 2
fully called up
Application = 3 → Received
Allotment = 5 (including premium)
1st call = 4 ← Not received

Adjustment of Excess amount received during Application

* Such amount is first adjusted against CAPITAL amount due and only then adjusted against premium amount.

Example :- Application = 2000
Shares alloted = 600

Application = 3
Allotment = 5 (including prem = 2)
1st call = 4

Total application money = 2000 × 3 = 6000
Total shares alloted = 600 × 3 = 1800
Excess money = 4200

Application = 3 → received
Allotment = 5 (including premium) → not received
1st call = 4 → not received.

Adjustment :- Excess money :- 4200

	Capital	Premium
Share Allotment :- 600×3 = 1800		600×2 = 1200
Excess money adjusted = 1800		-
(Bal: 4200-1800 = 2400)		1200
Share 1st call :- 600×4 = 2400		-
Excess money adjusted = 2400		1200
(Bal : 2400-2400 = 0)		-

Hence, premium money is not received.

Share Capital Dr. 600 × 10
Securities Premium Dr. 1200
To Share forfeiture 6000
To Calls in arrears 1200
(Share Allotment)

RE - ISSUE OF FORFEITED SHARES

Points to Remember

1. Reissue price + forfeited amount ≥ Calls in arrears from original allottee

2. Balance of Share Forfeiture > Loss on reissue ; excess amount transferred to Capital Reserve.

3. Loss on reissue debited to shares forfeiture a/c.

4. Reissue price > Face Value ; excess amount transferred to Securities Premium a/c.

5. When only part of forfeited shares are reissued, then profit (share forfeiture a/c) proportionate to only such part is transferred to Capital Reserve a/c.

6. The balance of share forfeiture a/c relating to the shares not reissued will continue to be visible in shares forfeiture a/c. Balance of shares forfeiture a/c is shown as a part of Share Capital.

Reissue ────────────────
f = 300 × 6 = 1800   500 × 6
RI = 300 × 2 = 600   Not reissued
FNP   NRI = 200
    1200   RI = x
    ↓
    CR   ↓
                      CR x

500 ──→ 3000
300 ──→ x
       = 1800

    1800
  − 600
    1200 S.F.

Share Capital	Dr.	10 → Called up	
To. Share forfeiture		6 → Amount received	
To. Share 1st call		4 → Amount not yet received	

Share Capital	Dr.	500 × 10
To. Share forfeiture		500 × 6
To. Share 1st call		500 × 4

Bank	Dr.	8 → Amount received	
Share forfeiture	Dr.	2 → Discount on reissue	
To. Share Capital		10 → Face Value	

Bank	Dr.	300 × 8
Share forfeiture	Dr.	300 × 2
To. Equity Share Capital		300 × 10

Share forfeiture	Dr.	4	} Final Profit transferred
To. Capital Reserve		4	} to Capital Reserve.

Share forfeiture	Dr.	1200
To. Capital Reserve		1200
[1800 − 600]		

Example :-

Face Value = 10
Application = 3 } amount received
Allotment = 3
1st call = 4 → not received

Share forfeited and reissued @ 8/share fully paid up.

Example :-

Face Value = 10
Application = 3 } amount received
Allotment = 3
1st call = 4 → not received

500 Shares forfeited for non-payment of 1st call.
300 of these were reissued @ 8/share fully paid up.

1st Issue
─────────
Received = ₹6

Reissue
─────────
Received = ₹8   min = 4

                ₹14
        FV = ─────
                10

1. Debentures Issued at PAR redeemable at PAR

IP = 100   FV = 100   RV = 100

```
Bank a/c        Dr.   100          GAIN → X
   To. % Debentures    100          LOSS → X
```

2. Debentures Issued at PAR redeemable at PREMIUM

IP = 100   FV = 100   RV = 105

```
Bank a/c     Dr.   100       Loss on Issue of Debentures  Dr. 5
   To. % Debentures   100          To. Debenture Redemption Prem    5
                              [Premium payable on red]
```

3. Debentures Issued at PAR redeemable at DISCOUNT

IP = 100   FV = 100   RV = 95

```
Bank a/c      Dr.   100      Gain will not
   To. % Debentures   100     be recognised
                             at the time of
                             ISSUE .
                                ↓
                             CONSERVATISM
```

```
Bank        a/c       Dr.   100
Loss on   redemption  Dr.     5
   To. % Debentures          100
   To. Deb. Redem Prem         5
```

4. Debentures Issued at DISCOUNT redeemable at PAR

IP = 95   FV = 100   RV = 100

```
Bank a/c  Dr.    95          Gain → X
Discount on Issue Dr.  5      Loss → X
   To. % Debentures    100
```

5. Debentures Issued at DISCOUNT redeemable at PREMIUM

IP = 95   FV = 100   Loss = 5   RV = 105

```
Bank    a/c    Dr.   95       Loss on Issue of Debentures Dr. 5
Discount a/c   Dr.    5          To. Debenture Redemption Prem 5
   To. % Debentures   100
```

6. Debentures Issued at DISCOUNT redeemable at DISCOUNT

IP = 95   FV = 100   RV = 98

```
Bank a/c  Dr.      95        GAIN — Not Recognised
Discount on Issue of Deb Dr. 5         ↓
   To. % Debentures   100      CONSERVATISM
```

```
Bank              Dr.   95
Discount on Issue  Dr.    5
Loss   on  Issue   Dr.    5
   To. % Debentures          100
   To. Deben. Red. Prem        5
```

7. Debentures Issued at PREMIUM redeemable at PAR

IP = 105   FV = 100   RV = 100

```
Bank a/c   Dr.    105        Gain → X
   To. % Debentures   100     Loss → X
   To. Securities Premium 5
```

8. Debentures Issued at PREMIUM redeemable at DISCNT

IP = 105   FV = 100   RV = 95

```
Bank   a/c   Dr.   105       GAIN - NOT RECOGNISED
   To. % Debentures   100
   To. Securities Premium  5     CONSERVATISM
```

9. Debentures Issued at PREMIUM redeemable at PREMIUM

IP = 105   FV = 100   Loss = 8   RV = 108

```
Bank  a/c    Dr. 105       Loss on Issue of Debentures Dr. 8
   To. % Debentures    100       To. Debentures Redemption Prem 8
   To. Securities Premium   5
```

```
Bank             Dr.   105
Loss on  Issue    Dr.     8
   To. % Debentures          100
   To. Securities Premium       5
   To. Debenture Red. Prem       8
```