

Issue of Shares



15 Marks

→ PYQs

→ Pro-rata Table

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Oversubscription + Pro rata

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:

- (a) ₹2 per share payable on application, to be received by 1st July, 2021;
- (b) Allotment to be made on 10th July, 2021 and a further ₹5 per share (including the premium) to be payable;
- (c) 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; 2:1
- (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 on application being used to reduce the amount due on allotment; $320,000 \times \frac{1}{4}$ 4:1
- (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
- (iv) the money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the Journal of JHP Limited.

WN

	App	Allotment	
	355000	100.000	
	5000	5000	
I	30.000	15000	
II	320.000	80,000	
		240.000	

App All.

2 : 1

$30,000 \times \frac{1}{2}$

= 15000

WN2

1. Excess App Rec.

I
30.000
(15000 x 2)

II
480.000
(240.000 x 2)

2. Allotment Money Due

75000
(15000 x 5)

400.000
(80.000 x 5)

3. Excess App Money Adj

(30.000)

(400.000)

4. All Money Rec

45000

5. Amt Returned

80.000

Journal of

Date	Particulars	Dr.	Cr.
July 1	(355000×2) Bank A/c Dr To eq. sh. App A/c	710.000	710.000
July 10	Eq. sh. App Dr (100.000×2) To Eq. sh cap To Bank A/c To Eq. sh. All A/c	710.000	200.000 80.000 430.000
July 10	Eq. sh. All A/c Dr (100.000×1) To Eq. sh cap A/c (100.000×4) To Sec. Prem A/c Bank A/c Dr To Eq. sh. All A/c	500.000	100.000 400.000 70.000 70.000

Date	Particulars	Dr.	
	Eq. sh. first & final call Dr	700.000	
	To Eq. sh cap		700.000
Apr 30	Bank A/c Dr	700.000	
	To Eq. sh first & final		700.000

PYQ

A Ltd. issued 25,000 equity shares of ₹ 100 each at a premium of ₹ 25 per share payable as follows:

On Application ₹ 50
 On ~~Application~~ ^{Allotment} ₹ 50 including premium and
 On Final Call 25

125
 50 1 25
 50
 (25+25)

Application were received for 29,000 shares. Letter of regret were issued to applications for 4000 shares and shares were allotted to all other applicants.

Mr. A the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited.

Show the journal entries and cash book in the books of A Limited.

(15 Marks)

Cash Book

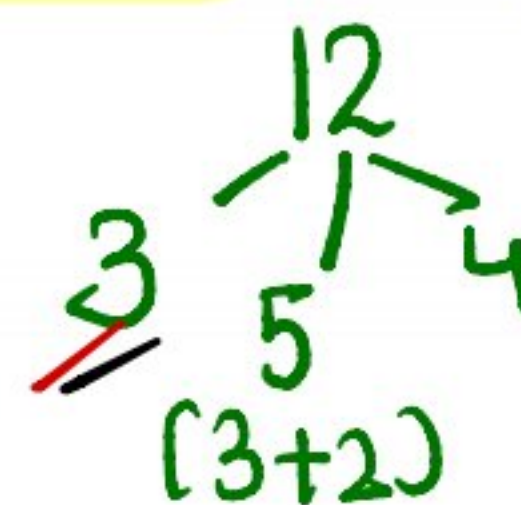
Dr

Date	Particulars	₹	Date	Part	₹
	To Eq. sh. App A/c (29000 x 50)	1450.000		By Eq. sh App (4000 x 50)	200.000
	To Eq. sh AU	1242500		by bal c/d	3113750
	To Eq. sh. 1/8 call (24850 x 25)	621250			
		<u>3313750</u>			<u>3313750</u>

Date	Particulars	Dr.	Cr.
1.	Eq. Sh App Dr To Eq. sh cap	1250.000	1250.000
2.	Eq. sh All. Dr (25000x50) (25000x25) To Eq. sh cap (25000x25) To Sec. prem Alc ↔	1250.000	625000 625000
3.	Calls in Arrear Dr To Eq. sh All	7500	7500
4.	Eq. sh first & final call Dr To Eq. sh cap	625000	625000
5.	Calls in Arrear Dr (150x25) To Eq. sh. first & final	3750	3750
6.	Eq. sh Cap Alc Dr. (150x100) Sec. Prem Alc Dr (150x25) (150x75) To Calls in Arrear (150x50) To Sh. forfeiture	15000 3750	11250 7500

BP Limited issued a prospectus inviting applications for 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On Application	-	₹ 3 per share
On Allotment	-	₹ 5 per share (including premium)
On First and Final Call	-	₹ 4 per share



Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I ✓	1,60,000 ✓	80,000 ✓
II	1,20,000 ✓	40,000

Excess money received with applications was adjusted towards sums due on Allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were forfeited. The forfeited shares were reissued at ₹ 13 per share fully paid-up. - Eq. Sh. Cap - FV

Pass necessary journal entries for the above transactions in the books of BP Ltd, Open call in arrears account whenever required. (15 Marks)

WN1

	App	All.
	360,000 ✓	120,000
	80,000	X
I	160,000	80,000 → 2:1 ✓
II	120,000	40,000 ✓

WN2 Shares Allotted to the Shareholder. $680 \times \frac{1}{2} = 340$ ✓

WN 3

	I	II
Excess App Money Rec	240,000 ✓ (80,000 × 3)	240,000 ✓ (80,000 × 3)
Allotment Money Due	400,000 ✓ (80,000 × 5)	200,000 ✓ (40,000 × 5)
Exc. App Money Adj	(240,000)	(200,000)
	<hr/> 160,000	<hr/> 40,000
Amt Returned		

WN 4 Cap Res

Amt forf on Reissued sh.

(-) Discount

Cap Res.

Amt forf. on Reissued sh. - 2040
Disc. —

2040

Date	Particulars	Dr.	Cr.
1.	Bank A/c Dr (360,000 x 3) To Eq. sh App A/c	10,80,000	10,80,000
2.	Eq. sh. App A/c Dr (120,000 x 3) To Eq. sh cap A/c	1080,000	360,000
	(80,000 x 3 + 40,000) To Bank A/c		280,000
	To Eq. sh. All A/c		440,000
3.	Eq. sh. All A/c Dr To Eq. sh cap To Sec. Prem A/c	600,000	360,000 240,000
4.	Bank A/c Dr To Eq. sh. All A/c	160,000	160,000
5.	Eq. sh. first & final call Dr To Eq. sh cap A/c	480,000	480,000
6.	Bank Dr. Calls in Arrear Dr (340 x 4) To Eq. sh. 1st & 2nd call	478640 1360	480,000

Date	Particulars	Dr.	Cr.
7.	Eq.sh cap A/c (340x10)	3400	
	(340x4) To call ⁿ in Arrear		1360
	[340x3] To sh. forf. A/c + 340x3 (Prem is excluded)		2040
8.	Bank A/c Dr (340x13)	4420	
	To Eq.sh. cap		3400
	(340x3) To Sec prem A/c		1020
9.	Sh. forf Dr	2040	
	To Cap Res.		2040

PYQ

3-10+2-4
5
(3+2)

PQR Limited issued 2,00,000 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 these shares were subscribed. Money due on all shares was fully received except from Mr. J, holding 5,000 shares who failed to pay the allotment and call money and Mr. K, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of J's shares) were subsequently re-issued to Mr. L as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of PQR Limited. Also prepare Balance Sheet and notes to accounts of the company. (15 Marks)

Date	Particulars	Dr.	Cr.
1.	Bank A/c Dr To Eq. Sh. App A/c	600000	600000
2.	Eq. Sh. App Dr To Eq. Sh cap	600.000	600.000
3.	Eq. sh All. A/c Dr (200,000 x 3) To Eq. Sh cap To Sec. Prem A/c	10,00,000	600,000 400,000
4.	Bank A/c Dr Calls In Arrear Dr To Eq. Sh. All A/c	975000 25000	10,00,000

Date	Particulars	Dr.	Cr.
5.	Eq. sh. first & final call Dr To Eq. sh cap.	800,000	800,000
6.	Bank Dr Calls in Arrear A/c Dr To Eq. sh. first & final call	740,000 60,000	800,000
7.	Eq. sh. Cap A/c Dr. (15000 x 10) Security Prem A/c Dr (5000 x 2) To calls in Arrear To sh. forf A/c [Mr. J - 5000 x 3 = 15000] [Mr. R - 10,000 x 6 = 60,000]	150,000 10,000	85000 15000
8.	Bank A/c Dr (10,000 x 9) Share forf Dr (10,000 x 1) To Eq. sh cap	90,000 10,000	100,000
9.	Eq. sh. forf Dr (WN) To Cap Res.	35000	35000

WN Capital Reserve [Gain on Re-issue shares]

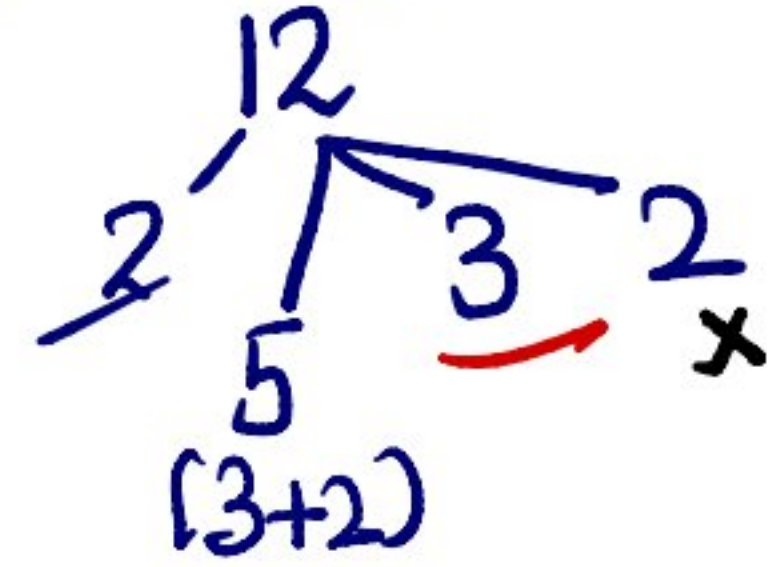
Mr. J (5000) Amt forf on 5000 shares - $5000 \times 3 = 15000$
Discount @ ₹1 per sh. = $\underline{(5000)}$
10,000

Mr. R - Amt forf on 5000 shares = 30,000
[$5000 \times (3+3)$]
10,000 → 5000 Reissue Disc. @ ₹1 per sh. $\underline{(5000)}$
25,000

RTP

Y. Ltd issued 20,000 shares of ₹ 10 each at premium of 20% per share. Payables as following:

On Application	₹ 2 Per share
On Allotment	₹ 5 per share (including premium)
On First Call	₹ 3 per share
On Final Call	₹ 2 per share ✓



Applications were received for 30,000 shares and pro-rata allotment was made to the application for 24,000 shares. Any excess money paid on application was employed on account of sum due on allotment.

Kamal, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Tamal, the holder of 600 shares, failed to pay the two calls, and his shares were forfeited after the final call. Out of the shares forfeited, 800 shares were issued to Ramesh. Credited as fully paid for ₹ 9 per share, the whole of Kamal's shares being included.

Pass the necessary journal entries to record the above transactions.

WN

App

All

30,000	20,000
✓ 24,000	20,000
4,000	400
6,000	X

WN2 Kamal - Applied shares - $400 \times \frac{24}{20} = 480$

Excess App Money $[80 \times 2] = 160$

Amt due on Allotment	₹3	₹2
	1200	800
Excess App Money adj	✓ (160)	✓
Calls in Arrear	1040	800
	1840	

WN3 Cap = Res

	<u>Kamal</u>	
800	Amt forf on 400 shares -	960
400	(→ Disc.)	(400)
400		<u>560</u>

Jamal

Amt forf on 400 shares	2000
$\left[\frac{3000}{600} \times 400 \right]$	
(→ Disc.)	(400)
	<u>1600</u>

Date	Particulars	Dr.	Cr.
1.	Bank A/c Dr To Eq. sh. App A/c	60,000	60,000
2.	Eq. sh. App A/c Dr (20,000 x 2) To Eq. sh. Cap A/c (6000 x 2) To Bank A/c (4000 x 2) To Eq. sh. All A/c	60,000	40,000 12,000 8,000
3.	Eq. sh. All A/c Dr To Eq. sh. cap A/c To Sec Prem A/c	100,000	60,000 40,000
4.	Bank A/c Dr Colls in Arrear Dr (WN) To Eq. sh. All A/c	90,160 1,840 -	92,000
5.	Eq. sh. first coll Dr To Eq. sh. cap	60,000	60,000

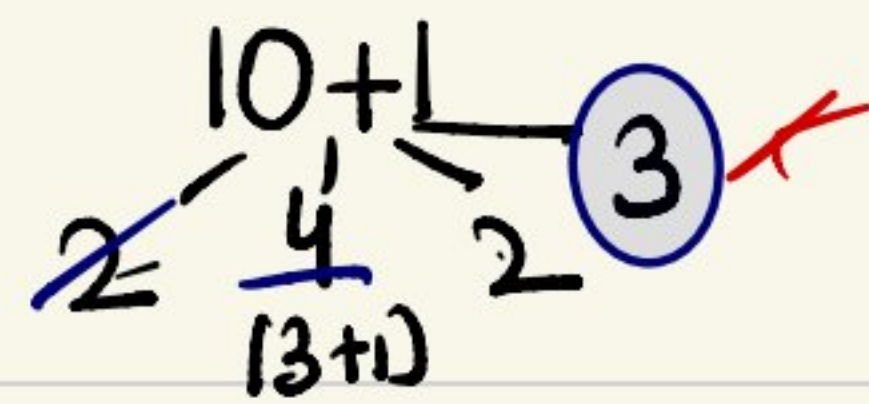
Date	Particulars	Dr.	Cr.
6.	Bank ^{Dr} Calls ^{In Arrear} ^{Dr} To Eq. sh. first call	57000 3000	60,000
7.	Eq. sh Cap A/c ^{Dr} (400 x 8) Sec prem A/c ^{Dr} [1840 + 1200] To calls ^{In Arrear} To sh. forf. [400 x 2 + 160]	3200 800	3040 960
8.	Eq. sh. final call ^{Dr} (19600 x 2) To Eq. sh cap	39200	39200
9.	Bank A/c ^{Dr} Calls ^{In Arrear} ^{Dr} To Eq. sh. final call	38000 1200	39200
10	Eq. sh cap ^{Dr} (600 x 10) To calls ^{In Arrear} (600 x 5) To sh. forf. [600 x 2 + 600 x 3]	6000	3000 3000

11. Bank A/c Dr (800 x 9) 7200
Eq. sh. for/b A/c 800

To Eq. sh cap 8000

12. Eq. sh. for/b To cap Res 2160 2160

PYQ



A Limited issued 20,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

Int on Calls in Arrear - 10% pa
Int on Calls in Adv - 12% pa

WN Int on Call in Advance - $6000 \times \frac{12}{100} \times \frac{4}{12}$
= ₹240

Int on Calls in Arrear:

1st Shareholder = $600 \times \frac{10}{100} \times \frac{3}{12} = ₹15$

2nd Shareh : $300 \times \frac{10}{100} \times \frac{4}{12} = ₹10$

Date	Particulars	Dr.	Cr.
1.	Bank A/c Dr To Eq. sh App	40,000	40,000
2.	Eq. sh App Dr To Eq. sh cap	40,000	40,000
3.	Eq. sh. All. Dr To Eq. sh cap To Sec Prem A/c	80,000	60,000 20,000
4.	Bank A/c Dr To Eq. sh All A/c	80,000	80,000
5.	Eq. sh. first call Dr To Eq. sh cap	40,000	40,000
6.	Bank A/c Dr To Eq. sh. first call (2000x3) To Calls in Adv.	46,000	40,000 6,000

Date	Particulars	Dr.	Cr.
7.	Eq. sh. final call Dr. To Eq. sh cap	60.000	60.000
8.	Bank A/c Dr. Calls in Adv Dr. Calls in Arrear Dr. To Eq. sh. f.c	531.00 6.000 9.00	60.000
9.	Int on Calls in Adv Dr. To Shareholder A/c	240	240
10.	Sh. holder Dr. To Bank	240	240
11.	Shareholder Dr. To Int on Calls in Adv	15	15
12.	Bank A/c Dr. To Calls in Arr. To Sh. holder	615	600 15
13.	Shareh. Dr. To Int on Call in Arr.	10	10

14.

Bank	Dr.	310	
To	Calls in	Arrear	300
To	Sh. A/c		10

Sunday - Self Study Chapter over :)

100% done ✓

CA Hardik Manchanda