

Unit 2: ISSUE, FORFEITURE & REISSUE OF SHARES

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*"Stop being afraid of what could go wrong and focus on what could go right"***SHARE**

Meaning	<p>Total capital of the company is divided into a number of small indivisible units of a fixed amount and each such unit is called a share.</p> <p>"Share" is the basic unit which the Capital of a Company is divided.</p> <p><u>Example:</u> A company with a total Capital of ₹ 1 crore is divided into 1 Lakh units of ₹ 100 each. Each unit of ₹ 100 is called a Share of the Company.</p>
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KINDS OF SHARES RECOGNISED IN THE COMPANIES ACT, 2013

The Share Capital of a Company limited by Shares can only be of two kinds-

1. **Equity Share Capital** – (a) with Voting rights, or (b) with differential rights as to dividend, voting or otherwise in accordance with the prescribed Rules
2. **Preference Share Capital**, i.e. Priority for Dividend at Fixed Rate + Priority for repayment of Capital.

DIFFERENT TYPES OF PREFERENCE SHARE CAPITAL**1. Cumulative and Non-Cumulative Preference Shares**

	Cumulative Preference Shares	Non-Cumulative Preference shares
a)	Dividend is at fixed rate/fixed amount, but keeps on accumulating until it is fully paid	Dividend is at a fixed rate/fixed amount, but does not accumulate for future years.
b)	Dividend is payable even out of future profits, if current year's profits are insufficient for that purpose.	If no dividend is declared in a year due to any reason, the right to receive such dividend for that year expires
c)	Arrears of fixed Cumulative dividend are shown in the Balance sheet as a Contingent Liability.	There is no contingent liability

Note: Cumulative Preference shareholders will get voting rights if dividend remains in arrear for not less than 2 years.

2. Redeemable and Irredeemable Preference Shares

	Redeemable Preference Shares	Irredeemable Preference Shares
a)	These are issued on the condition that the company will repay the same after a fixed period or even at company's discretion. This repayment is called Redemption.	These are Preference shares, which are redeemable only at the time of winding up of the company.
b)	Companies can issue only this category of preference shares. Also, the redemption period shall be a maximum of 20 years. <u>Exception:</u> Infrastructure Projects	No Company limited by shares shall issue <ul style="list-style-type: none"> • Irredeemable Preference Shares, or • Preference Shares redeemable after the expiry of 20 years from the date of issue

3. Participating and Non-Participating Preference Shares

	Participating Preference Shares	Non-Participating Preference Shares
a)	In addition to a fixed dividend, the holders of these Shares have the right to participate in the surplus profits, if any, after the Equity Shareholders have been dividend at a stipulated rate.	Here, only a fixed rate of dividend is paid every year, without any additional rights in surplus profits.
b)	In the event of winding-up of the Company, the holders have the right to receive a pre-determined proportion of surplus, after the Equity Shareholders have been paid off towards their Capital.	In case of winding-up of the Company, the holders of these Shares are not entitled to any additional rights in the surplus on winding-up.

4. Convertible and Non-Convertible Preference Shares

	Convertible Preference Shares	Non-Convertible Preference Shares
a)	These Shares give the right to the holder to get them converted into Equity Shares at their option, and according to the terms and conditions of their issue.	There is no right to the holder, to get his holding converted into Equity Shares.
Unless otherwise stated, Preference Share are – (a) Cumulative, (b) Redeemable, (c) Non-Participating, and (d) Non-Convertible.		

PREFERENCE SHARES AND EQUITY SHARES

BASIS	PREFERENCE SHARES	EQUITY SHARES
Definition	Shares that carry a Preferential Right as to payment of (a) Dividend, and (b) Repayment of Capital.	Shares that are not Preference Shares are called Equity Shares.
Return	Fixed Rate	Based on profits available for distribution.
Dividend	Priority over Equity Dividend, i.e. paid first.	After Payment of Preference Dividend.
Repayment of Capital	Paid before repayment of Equity Capital.	Paid after entire Preference Capital is repaid.
Arrears of Dividend	Generally accumulates unless specifically said to be non-cumulative.	No accumulation of Unpaid Dividend. No Profits means no Dividend.
Redemption	Redeemable as per terms of issue and provisions of Act.	Not Redeemable till winding-up. Even in winding-up, will be repaid after Preference Shares.
Voting Rights	Generally restricted. Carries right to vote on all matters if dividend remains unpaid for the prescribed period.	Unrestricted, i.e. Holders can vote at any matters at any Meeting, or the Shares may be issued with varying voting rights.
Control/ Management	No right to take part in Management.	Equity Shareholders are the real owners, hence have a right to control the Management of Company.

DIFFERENT TYPES OF SHARE CAPITAL

ITEM	EXPLANATION
Authorised Share Capital	<ul style="list-style-type: none"> It is the amount of Share Capital which can be raised by the Company. The Authorised Share Capital is also known as the "Registered Capital" or "Nominal Capital" and is given in the Memorandum of Association. Authorised Capital is shown in the Balance Sheet at Nominal Value (Face Value). Example: Authorised Capital=10,000 Shares of ₹ 100 each, Total=₹ 10,00,000
Issued Share Capital	<ul style="list-style-type: none"> It represents that part of Authorised Share Capital which has been given or issued or offered to Shareholders. Issued Capital includes Shares issued for- (i) Cash, and (ii) Consideration other than cash, to Promoters and Others. Issued Share Capital is shown in the Balance Sheet at Nominal Value (Face Value). Example: Issued Capital= 9,000 Shares of ₹ 100, each, Total= ₹ 9,00,000 . Note: The remaining portion of Authorised Capital, which is not issued for cash or other consideration is called as Unissued Capital. It is not shown in the Balance Sheet.
Subscribed Share Capital	<ul style="list-style-type: none"> Subscribed Capital is the part of Issued Capital which has been subscribed (i.e. applied for) by the public/ Shareholders, and allotted by the Company. Example: Out of 9,000 Shares issued; 8,500 Shares are subscribed by public. Note: The remaining portion of Issued Capital, which is not subscribed, is not shown in the Balance Sheet.
Called up Share capital	<ul style="list-style-type: none"> Companies generally receive the Issue Price of Shares in installments, e.g. Application stage, Allotment stage, First Call, Second Call, etc. The portion of the Face Value of Shares which a Company has demanded or called from Shareholders is known as "Called-Up Capital". The Balance portion which the Company has decided to call / demand in future is called as Uncalled Capital. Example: Out of ₹ 100 per Share, the Company has called up ₹ 70 per Share. In such case, the Uncalled Capital is ₹ 30 per Share.
Paid-Up Capital	<ul style="list-style-type: none"> It is that portion of called up capital which has been actually paid by shareholders. The unpaid portion is called "Unpaid Calls" or "Calls in Arrears". So, Paid Up Capital = Called Up Capital Less Call in Arrears. Example: If out of ₹ 70 per Share Called up, only ₹ 60 has been paid by some shareholders, remaining ₹ 10 per Share constitutes Calls in Arrears.
Reserve Capital	<ul style="list-style-type: none"> Company may decide by passing a resolution, that a certain portion of its Subscribed Uncalled Capital shall be called up only in the event of winding-up / liquidation of the Company. That portion is called Reserve Capital. It is not shown in the Balance Sheet. Reserve Capital is different from Capital reserve, Capital reserves (created out of capital profits) are part of 'Reserves and Surplus' and refer to those reserves which are not available for declaration of dividend.

DISCLOSURE REQUIREMENTS – SHARE CAPITAL OF A COMPANY

Share Capital should be disclosed in a Company's Balance Sheet as under:

Particulars	Amount
Authorised: Shares of ₹ ... each	
Issued: ... Shares of ₹ ... each	
Subscribed: Shares of ₹ .. each (Various classes of capital should be distinguished while stating the above particulars)	
Called up & Paid Up: ... Shares of ₹ ... each [of the above Shares Shares are allotted as fully paid up for consideration other than cash, Shares are allotted as fully paid up by way of Bonus Shares] Less: Call unpaid: Add: Forfeited Shares (amount originally paid up)	

PROCEDURE FOR ISSUE OF ISSUE OF SHARES FOR CASH

- (a) Public Company shall issue a Prospectus, i.e. invitation to general public, to subscribe for Shares.
 (b) Prospectus shall comply with the provisions of Companies Act, and SEBI Guidelines.
 (c) Private Companies do not issue Prospectus. They depend upon "Private Placement" of Shares.

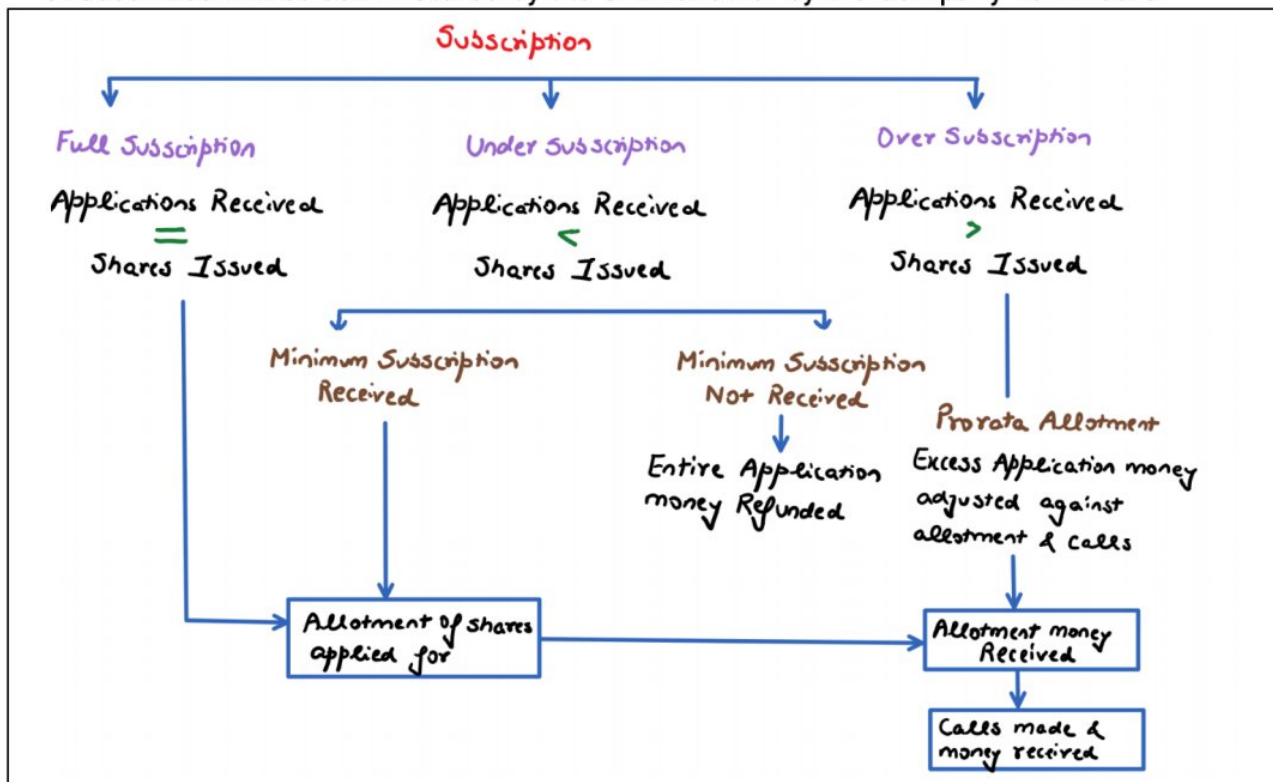
- (a) On the basis of Prospectus, Applications are deposited in a Scheduled Bank by the interested parties along with the amount payable at the time of application.
 (b) Minimum Application Money is as specified in the Companies Act and as per SEBI Guidelines.
 [Note: Companies Act is applicable for all Companies, while SEBI Guidelines is applicable only for Listed Companies.]

- (a) After the last date for filing applications (i.e. Closing Date), the Company decides about Allotment of Shares in consultation with SEBI and Stock Exchange concerned.
 (b) Allotment is the acceptance of a Company to give Shares to the Investor in response to an offer for purchase of Shares made by him for a consideration. Allotment can be done only when Minimum Subscription has been received by the Company.
 (c) Successful Applicants become Shareholders of the Company and are required to pay the next installment which is known as "Allotment Money". Unsuccessful Applicants get back their money.

- (a) In case of delay in refunding the excess money, the Company is liable to pay interest on the amount of refund. The Company calls up the balance amount from the Shareholders, called "Calls".
 (b) Call refers to the demand for Share Money other than those by way of application and allotment.
 (c) The issue price of shares is generally received by the company in instalments and these are known as:
 First instalment: - Application Money Second Instalment: - Allotment Money
 Third Instalment: - First Call Money Fourth Instalment: - Second Call Money and so on.
 Last Instalment: - Final Call Money

PROVISIONS RELATING TO MINIMUM SUBSCRIPTION

1. **Meaning:** Minimum Subscription is the minimum amount stated in the Prospectus, which must be raised by the issue of Share Capital to start with.
2. If the Company does not receive the Minimum Subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within prescribed time period (15 days of closure of issue in case of non-underwritten issue & 70 days in case of underwritten issue)
3. As per Section 39 of the Companies Act 2013, application money must be atleast **5% of the face value** of shares. However, as per SEBI Regulations, minimum application money shall not be less than **25% of the issue price**.
4. According to Section 24 of the Companies Act, 2013 matters related to issue and transfer of securities will be administered by the SEBI and not by the Company Law Board.



ISSUE OF SHARES AT PREMIUM (SEC. 52)

1. **Meaning:** Premium refers to the excess of the Share Issue Price over its Face Value / Par Value. A Company can issue Shares at a premium, i.e. at a price above its Face Value.
Example: If Share of Face Value ₹ 100 is issued at price of ₹ 120, there is premium of ₹ 20
2. **Cash or Kind:** Shares can be issued at a premium which may be received in Cash or in Kind. Sec.52 of the Act uses the words "at a premium, whether for cash or otherwise".
3. **Securities Premium Account:** The aggregate amount / value of the premiums received should be transferred to Securities Premium Account.
4. **Application of Securities Premium:** Securities Premium Account can be used only for —
 - (a) Issuing Fully Paid Bonus Shares to Members.
 - (b) Writing—off the Preliminary Expenses of the Company.
 - (c) Writing off the — (i) Expenses Incurred, or (ii) Commission Paid, or (iii) Discount Allowed, on the Issue of Securities or Debentures of the Company.
 - (d) Providing for the premium payable on redemption of Redeemable Preference Shares or Debentures of the Company.
 - (e) For the purchase of own shares or other securities.

Note: Certain class of Companies as prescribed u/s 133 of Companies Act, 2013, whose financial statements comply with Accounting Standards prescribed for them, can't apply for (b) and (d) above.

5. Accounting Treatment:

- (a) The amount of Premium is generally called with the amount due on allotment, sometimes with the Application Money and rarely with the Call Money.
- (b) The Premium Amount is credited to the "Securities Premium Account". This Account is shown on the Liabilities Side of the Company's Balance Sheet under the heading "Reserves and Surplus".

PROVISIONS REGARDING THE ISSUE OF SHARES AT DISCOUNT (SEC. 53)

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

JOURNAL ENTRIES RELATING TO ISSUE OF SHARES

	TRANSACTION	JOURNAL ENTRY
1.	Receipt of Application Money	Bank A/c (Amount actually received) Dr. To Share Application A/c (Amount actually received)
2a.	Full/Under Subscription	Share Application A/c Dr. To Share Capital A/c [Shares allotted x Application Money] To Securities Premium A/c* (Share allotted x Premium / share) *(If Premium Amount is collected at the time of Application itself)
2b.	Over subscription	Share Application A/c Dr. (Amount received) To Share Capital A/c [Shares allotted x Application Money] To Securities Premium A/c* (Share allotted x Premium /share) To Share Allotment A/c (Adjusted with Allotment) To Share Calls -in -Advance A/c (Adjusted with Calls) To Bank A/c (Refund) *(If Premium Amount is collected at the time of Application itself)
3.	Allotment money due	Share Allotment A/c Dr. To Share Capital A/c [Shares allotted x Allotment money due] To Securities Premium A/c* (Share allotted x Premium / share) *(If the Premium Amount is at the time of Allotment)
4.	Receipt of Allotment	Bank A/c (Amount received) Dr. To Share Allotment A/c
5.	Call Money due	Share ... (First or Second or Final)... Call A/c Dr. To Share Capital A/c [Shares allotted x Call Money due]
6.	Receipt of Call	Bank A/c (Amount received) Dr. To Share Call A/c

Note: If question specifically asks preparation of Cash Book, then all the entries relating to Cash/Bank Account are not passed in journal and to be shown in Cash Book only.

CALLS IN ARREARS

1. **Meaning:** Calls in Arrears is the money remaining unpaid by the shareholder on the calls raised by the Company in respect of the shares held by him.
2. **Disclosure:** Calls in Arrears always have a Debit Balance and are shown as a deduction from called up capital to arrive at paid up value of the Share Capital on Liabilities Side of the Balance Sheet.
3. **Interest:** The Company can recover interest on the amount of calls in arrears from the date it became due till the when the call is received at the rate of 10% p.a. (Table F).
4. **Waiver of Interest:** The Directors may also be empowered to waive the Interest on Calls in Arrears, subject to certain conditions laid down in the Articles.

CALLS IN ADVANCE

1. **Meaning:** Calls in Advance is the surplus money received by Company from the allottees, i.e. its Shareholders.
2. **Calls in Advance:** A Company, if permitted by its Articles, may accept from members either whole or part of amount remaining unpaid on any shares held by him as Calls in Advance.
3. **No Voting Rights:** The Member shall not be entitled to any voting rights on Calls in Advance, until the same becomes presently payable and duly appropriated. Shareholders are not entitled for any dividend on calls in advance.
4. **Disclosure:** Calls in Advance will always have Credit Balance and will be shown under the Liabilities Side (Other Current Liabilities). It is not added to the amount of Paid -Up Capital.
5. **Interest:** The Company is liable to pay interest on the amount of Calls in Advance from the date of receipt till the when the Call is due for payment, at the rate of 12% p.a. (Table F)

JOURNAL ENTRIES

CALLS IN ARREARS		
1.	Transfer of non - receipt of Share Allotment/ Call Money	Calls in Arrears A/c Dr. To Share Allotment / Share Call A/c (This Journal Entry is optional. The amount may also be left in the Share Allotment/ShareCalls A/c)
2.	Receipt of Calls in Arrears	Bank A/c Dr. To Calls in Arrears A/c (If this account was opened)
3.	Interest on Calls in Arrears	Shareholders' A/c Dr. To Interest on Calls in Arrears A/c
4.	Receipt of Interest on Calls in Arrears	Bank A/c Dr. To Shareholders' A/c
CALLS IN ADVANCE		
1.	Receipt of Calls in Advance	Bank A/c Dr. To Calls in Advance A/c
2.	Adjusting Calls in Advance	Calls in Advance A/c Dr. To Particular Call A/c
3.	Interest on Calls in Advance	Interest on Calls in Advance A/c Dr. To Shareholders' A/c
4.	Payment of Interest on Calls in Advance	Shareholders' A/c Dr. To Bank A/c

OVER SUBSCRIPTION & PRO RATA ALLOTMENT

Over subscription is the application money received for more than the number of shares offered to the public by a company. It usually occurs in the case of good issues and depends on many other factors like investors' confidence in the company, general economic conditions, pricing of the issue etc.

Under pro-rata allotment, the excess application money received is adjusted against the amount due on allotment or calls. Surplus money after making adjustment against future calls is returned to the applicants.

For example:

A company offers to the public 1,00,000 shares for subscription. The company receives applications for 1,20,000 shares. If the shares are to be allotted on pro-rata basis, applicants for 1,20,000 shares are to be allotted 1,00,000 shares, i.e., on the 1,20,000:1,00,000 or 6:5 ratio. Any applicant who has applied for 6 shares will be allotted 5 shares.

JOURNAL ENTRIES

	TRANSACTION	JOURNAL ENTRY
1.	Receipt of Application Money	Bank A/c (Amount actually received) Dr. To Share Application A/c (Amount actually received)
2	Oversubscription	Share Application A/c Dr. (Amount received) To Share Capital A/c [Shares allotted x Application Money] To Securities Premium A/c* (Share allotted x Premium /share) To Share Allotment A/c (Adjusted with Allotment) To Share Calls in Advance A/c (Adjusted with Calls) To Bank A/c (Refund) *(If Premium Amount is collected at time of Application itself)

FORFEITURE OF SHARES

- Meaning:** Forfeit = Taking away of property, on breach (non fulfilment) of a condition. Forfeiture of Shares refers to the action taken by the Company, to cancel the Shares.
- Situation:** When Shareholders fail to pay Allotment or Call Money due, the Directors may forfeit the Shares in the bonafide interests of Company & in accordance with the Articles of Association. Proper Notice should be sent to defaulting Shareholder before forfeiture.
- Effect:** When Shares are forfeited, the title of such Shareholder is extinguished, but amount paid by him till such forfeiture, is not refunded to him. The Shareholder has no further claim on the Company. The amount received is transferred to "Shares Forfeited A/c".
- Treatment:** Till Forfeited Shares are re -issued, the amount is shown as an addition to Share Capital, on the Liabilities Side of the Balance Sheet.

Note: - 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 specially provide it.

RE-ISSUE OF FORFEITED SHARES

Shares forfeited is reissued by the Company, subject to the following considerations -

- Sale, not Allotment:** Reissue of Forfeited Shares is not an allotment, it is only a Sale. So, the Company need not file a Return of Allotment with the Registrar of Companies.

2. **Auction Sale:** After forfeiture, the Forfeited Shares vest in the Company in the Company, for the purpose of sale. The Company is under an obligation to dispose it off, generally by auction.
3. **Price:** Forfeited Shares can be reissued at any price, such that the total amount received (from Original Allottee and Subsequent Purchaser) for these Shares is not less than the amount in arrears on those Shares.
4. **Loss on Reissue:** Loss on Reissue shall be debited to "Forfeited Shares" A/c. Condition for Reissue: Loss on Reissue of Forfeited Shares should not exceed the Forfeited Amount, i.e. amount paid by Original Allottee, excluding premium, if any.)
5. **Surplus:** Surplus arising on Reissue of Forfeited Shares (i.e. Forfeited Amount > Loss on Reissue), should be transferred to Capital Reserve A/c. In case only portion of Shares are reissue, amount of profit attributable to such Re-issued Shares should only be transferred to Capital Reserve A/c.
6. **Reissue at Premium:** When Forfeited Shares are reissued at a price higher than its Face Value, the excess amount should be credited to Securities Premium A/c.

JOURNAL ENTRIES

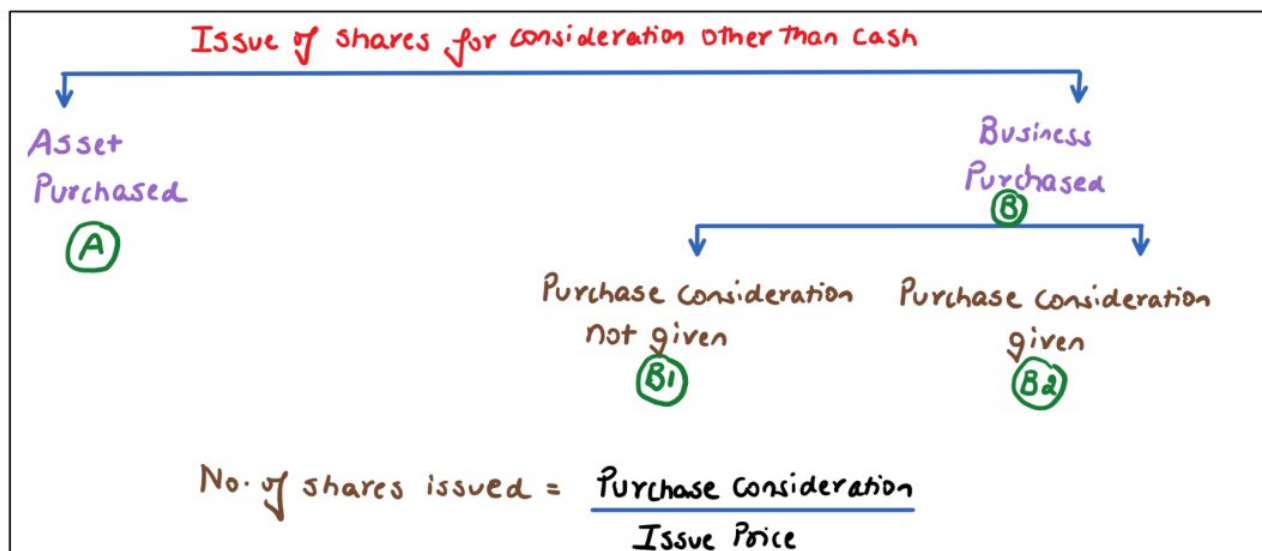
	TRANSACTION	JOURNAL ENTRY
FORFEITURE OF SHARES		
1.	Forfeiture of Shares Issued at Par	Share Capital A/c (to the extent called) Dr. To Shares Forfeited A/c (to the extent amount received) To Calls in Arrears (to the extent amount called up & unpaid) (or alternatively Share Allotment A/c or Share Call A/c)
2.	Forfeiture of Shares Issued at Premium - premium fully collected	Share Capital A/c (to the extent called - excluding Premium) Dr. To Shares Forfeited A/c (to the extent amount received) To Calls in Arrears (to the extent amount called up & unpaid) (or alternatively Share Allotment A/c or Share Call A/c)
3.	Forfeiture of Shares Issued at Premium - premium not fully collected	Share Capital A/c (to the extent called excluding Premium) Dr. Securities Premium A/c (Premium amount on Shares forfeited) Dr. To Shares Forfeited A/c (to the extent amount received) To Calls in Arrears (to the extent amount called up and unpaid) (or alternatively Share Allotment A/c or Share Call A/c)
Note: When Shares are originally issued at a Premium, and the Premium has been collected in full, the Securities Premium A/c should not be reversed.		
RE -ISSUE OF SHARES FORFEITED		
1.	Re -issue of Forfeited Shares	Bank A/c (Shares Reissued x Reissue Price) Dr. Shares Forfeited A/c (to the extent discount given) Dr. To Share Capital A/c (Shares Reissued x Paid up Value)
2.	Transfer of Share Forfeited A/c Balance on Reissued Shares	Shares Forfeited A/c Dr. To Capital Reserve A/c

SHARES ISSUED FOR CONSIDERATION OTHER THAN CASH

- Meaning:** A Company can issue shares for valuable Consideration other than Cash. Shares may be issued to (a) Vendors towards payment of Purchase Consideration, (b) Promoters towards reimbursement of Preliminary Expenses incurred by them for incorporation, (c) Underwriters towards payment of Underwriting Commission, etc.
- Disclosure:** Shares issued for Consideration other than Cash shall be separately disclosed in the Balance Sheet of Company, as required by Part I of Schedule III.
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.

JOURNAL ENTRIES

1.	Recording Purchase of Machinery, Assets etc.	Machinery / Assets A/c (in case of assets purchased) Dr. To Liabilities A/c To Vendor's A/c (Difference if any to be tfd. to Goodwill/Capital Reserve A/c)
2.	Allotment of Shares to the Vendor	Vendor's A/c Dr. To Share Capital (Nominal Value of Shares issued) To Securities Premium (if issued at Premium)



A.

Example:

X Ltd. purchased Machinery from Y Ltd. ₹ 2,20,000. Shares Issued (Face Value ₹10 each)

- At Par
- At 10% Premium

B1.

Example:

X Ltd. purchased business of Y Ltd. which includes Assets ₹ 5,00,000 & Liabilities ₹ 1,40,000.

Shares Issued (Face Value ₹10 each)

- a) At Par
- b) At 20% Premium

B2.

Example:

X Ltd. purchased business of Y Ltd. for ₹ 3,90,000 which includes Assets ₹ 5,00,000 & Liabilities ₹ 1,40,000.

Shares Issued (Face Value ₹10 each)

- a) At Par
- b) At 30% Premium

ASSIGNMENT QUESTIONS**Question 1** _____ Pg no. _____

A company invited applications for 20,000 equity shares of ₹50 each at 10 premium payable on application ₹20, on Allotment ₹ 30 (including 10 premium), on first and final call ₹ 10. Applications are received for 20,000 shares and all the applicants are allotted the number of shares they have applied for and installment money was duly received by the company.

Case 1: Show Journal entries in the books of the company.

Case 2: Prepare cash book & journalise remaining transactions in the books of the company.

Question 2 (RTP Nov 2018) / (RTP Nov 2019) / (RTP Nov 2021) (Similar) _____ Pg no. _____

On 1st April, 2020, Pehal Ltd. issued 64,500 shares of ₹ 100 each payable as follows:

₹ 30 on application, ₹ 30 on allotment, ₹ 20 on 1st October, 2020; & ₹ 20 on 1st February, 2021.

By 20th May, 60,000 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.

You are required to prepare the Journal entries to record the transactions when accounts were closed on 31st March, 2021.

Question 3 (ICAI Study Material) / (RTP May 2018) / (RTP May 2021) (Similar) _____ Pg no. _____

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 1,000 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.

Question 4 (RTP May 2019) / (RTP Nov 2020) / (RTP Nov 2023) (Similar) _____ Pg no. _____

Konica Limited registered with an authorised equity capital of ₹ 2,00,000 divided into 2,000 shares of ₹ 100 each, issued for subscription of 1,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call and the balance as and when required. Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call.

Give the necessary journal entries in the books of the company to record these transactions.

Question 5 (ICAI Study Material) _____ Pg no. _____

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.

Question 6 (ICAI Study Material) _____ Pg no. _____

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 31-3-2023, it has

demand 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.

Question 7 *(ICAI Study Material)*

Pg no. _____

JHP Limited is a company with an authorised share capital of ₹1,00,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2022. 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, 2022;
 - b) Allotment to be made on 10th July, 2022 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, 2023.
- Applications were received for 3,55,000 shares and were dealt with as follows:
- (i) Applicants for 5,000 shares received allotment in full;
 - (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;
 - (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 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.

Question 8

Pg no. _____

Pass Journal Entries in the following situations (each situation is independent of the other) –

1. 300 Equity Shares of ₹ 10 each, originally issued at par, fully called -up, forfeited for non-payment of Final Call of ₹ 4 each. These were re -issued as fully paid at ₹ 5 per Share.
2. 200 Equity Shares of ₹ 10 each, originally issued at par, ₹ 8 called up, forfeited for non-payment of First Call of ₹ 2 each. 150 shares were reissued at ₹ 5 per Share, ₹ 8 called up.
3. 300 Equity Shares of ₹ 10 each, originally issued at 30% premium. ₹ 8 called -up, forfeited for non-payment of First Call of ₹ 2 each. The Shareholder had already paid application and allotment money incl. premium. Subsequently 100 Shares out of these Forfeited Shares were re -issued at ₹ 6 per Share, as fully paid up.
4. 300 Equity Shares of ₹ 10 each, originally issued at 30% premium. ₹ 8 called up, forfeited for non-payment of 1st Call of ₹ 3 each and ₹ 5 on allotment (including premium). The Shareholder had paid application money ₹ 3 per Share. Later, 200 Shares out of these Forfeited Shares were re -issued at ₹ 12 per share, fully paid -up.
5. 360 shares forfeited of ₹ 10 each, ₹ 8 called-up, issued at a premium of ₹ 2 per share to Rakesh for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 320 shares were re-issued to Rohit at ₹ 8 for ₹ 10 per share fully paid up.

Question 9 *(RTP May 2022)*

Pg no. _____

Delta Ltd. forfeited 600 shares of ₹ 10 each issued at a premium of 10% to W for nonpayment of first and final call money of ₹ 3 (including ₹ 1 premium). At different intervals of time out of these 400 shares were re-issued to Z, credited as fully paid for ₹ 9 per share and 100 shares were re-issued to X as ₹ 10 paid up for ₹ 11 per share.

Record the journal entries for forfeiture and reissue of shares.

Question 10 (ICAI Study Material) Pg no. _____

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.

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.

Question 11 (ICAI Study Material) Pg no. _____

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.

Pass journal entry if Mr. Shami doesn't pay allotment money and final call and his shares are forfeited.

Question 12 (ICAI Study Material) Pg no. _____

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.

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

Question 13 Pg no. _____

Calculate the Dividend amount

Called up Capital ₹ 10,00,000

Calls in Advance ₹ 50,000

Calls in Arrears ₹ 10,000

Dividend rate 10%

PRACTICE QUESTIONS**MULTIPLE CHOICE QUESTIONS**

- 1) The excess price received over the par value of shares, should be credited to _____.
(a) Calls-in-advance account
(b) Share capital account
(c) Securities premium account
- 2) The Securities Premium amount may be utilized by a company for _____.
(a) Writing off any loss on sale of fixed asset
(b) Writing off any loss of revenue nature
(c) Writing off the expenses/discount on the issue of debentures
- 3) When shares are forfeited, the share capital account is debited with _____ and the share forfeiture account is credited with _____.
(a) Paid-up capital of shares forfeited; Called up capital of shares forfeited
(b) Called up capital of shares forfeited; Calls in arrear of shares forfeited
(c) Called up capital of shares forfeited; Amount received on shares forfeited
- 4) T Ltd. proposed to issue 6,000 equity shares of ₹100 each at a premium of 40%. The minimum amount of application money to be collected per share as per the Companies Act, 2013
(a) ₹5.00
(b) ₹6.00
(c) ₹7.00
- 5) Dividends are usually paid as a percentage of _____.
(a) Authorized share capital
(b) Net profit
(c) Paid-up capital
- 6) As per the SEBI guidelines, on issue of shares, the application money should not be less than
(a) 2.5% of the nominal value of shares
(b) 2.5% of the issue price of shares
(c) 25.0% of the issue price of shares
- 7) G Ltd. acquired assets worth ₹7,50,000 from H Ltd. by issue of shares of ₹100 at a premium of 25%. The number of shares to be issued by G Ltd. to settle purchase consideration = ?
(a) 6,000 shares
(b) 7,500 shares
(c) 9,375 shares
- 8) Securities Premium is presented as a part of
(a) Reserves & Surplus
(b) Share Capital
(c) Liabilities

- 9) Schedule III of Companies Act 2013 prescribes the format for
(a) Financial statements
(b) Directors' Report
(c) Auditors' Report
- 10) Dividend on _____ shares have to be paid before dividend on _____ shares.
(a) Equity, Preference
(b) Preference, Equity
(c) Convertible, Non-Cumulative
- 11) Preference shares are _____ unless expressly stated otherwise.
(a) Non-participating
(b) Convertible
(c) Interest-bearing

ANSWERS MCQs

- | | | | | | | |
|--------|--------|---------|---------|--------|--------|--------|
| 1. (c) | 2. (c) | 3. (c) | 4. (a) | 5. (c) | 6. (c) | 7. (a) |
| 8. (a) | 9. (a) | 10. (b) | 11. (a) | | | |

TRUE / FALSE

State with reasons whether the following statement is true or false:

- 1) Liability of a holder of shares is limited to the face value of shares acquired by them.
- 2) Authorised capital appears in the balance sheet at face value.
- 3) The rate of dividend on preference shares may vary from year to year.
- 4) A company may issue shares at a discount to the public in general.
- 5) Sweat equity shares are those which are issued to employees & directors at a discount.
- 6) As per Table F, rate of interest on calls in arrears is 12%.
- 7) As per Table F, rate of interest on calls in advance is 10%.
- 8) Non-participating preference shareholders enjoy voting rights. *(Dec 2021)*
- 9) Forfeited shares are available to the company for the purpose of resale.
- 10) Loss on reissue should exceed the forfeited amount.
- 11) When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.
- 12) The amount of calls in arrear is deducted from paid up capital to arrive at Called up capital.
- 13) Dividends are usually paid as a percentage of Authorized share capital.
- 14) A company cannot issue redeemable preference shares for a period exceeding 10 years
- 15) Re-issue of forfeited shares is allotment of shares but not a sale. *(May 2018)/(Jan 2021)*
- 16) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members. *(Nov 2019)*
- 17) In the balance sheet of X Limited, preliminary expenses amounting to ₹ 5 lakhs and securities premium account of ₹ 35 lakhs are appearing; The accountant can use the balance in securities premium account to write off preliminary expenses. *(Nov 2020)*
- 18) A Company is not allowed to issue shares at a discount to the public in general. *(July 2021)*
- 19) A person holding preference shares of a company cannot hold equity shares of the same company. *(July 2021)*
- 20) Interest on calls in arrears is payable by company to shareholders.

Solution

- 1) False: Liability of the holder of shares is limited to the issue price of shares acquired by them.
- 2) True: Authorised capital is the amount of capital mentioned in 'capital clause' of the 'Memorandum of Association'. Authorised capital is considered only as presentation and not considered in total of balance sheet.
- 3) False: Rate of preference dividend is always fixed.
- 4) False: 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.
- 5) True: 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).
- 6) False: As per table F, rate of interest on calls in arrears is 10%.
- 7) False: As per Table F, rate of interest on calls in advance is 12%.
- 8) False: A share on which only a fixed rate of dividend is paid every year, without any accompanying additional rights in profits and in the surplus on winding-up, is called 'Non-participating Preference Shares'. Non-participating preference shareholders do not enjoy voting rights.
- 9) True: Reissue of forfeited shares is not allotment of shares but only a sale.
- 10) False: Loss on re-issue should not exceed the forfeited amount.
- 11) False: When shares are forfeited, the share capital account is debited with called up capital of shares forfeited, and the share forfeiture account is credited with amount received towards nominal value on shares forfeited.
- 12) False: The amount of calls in arrear is deducted from Called up capital to arrive at Paid up capital.
- 13) False: Dividends are usually paid as a percentage of Paid up share capital
- 14) False: A company cannot issue redeemable preference shares for a period exceeding 20 years
- 15) False: 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 as they have already been allotted earlier.
- 16) True: Company has existence independent of its members. The Company goes on forever and continues to exist, till it is wound up and dissolved. As per Perpetual Existence company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.
- 17) True: According to Section 52 of the Companies Act, 2013, Securities Premium Account may be used by the company to write off preliminary expenses of the company. Thus, the accountant can use the balance in securities premium account to write off the preliminary expenses amounting ₹ 5 lakhs.
- 18) True: 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).
- 19) False: Preference share holder can hold both Equity shares and Preference shares of the company. Any person can hold both kinds of shares.
- 20) False: Interest on calls in arrears is payable by shareholders to company

Question 1 (ICAI Study Material)

A company invited applications for 10,000 equity shares of ₹50 each payable on application ₹15, on Allotment ₹ 20, on first and final call ₹15. Applications are received for 10,000 shares and all the applicants are allotted the number of shares they have applied for and installment money was duly received by the company. Show Journal entries in the books of the company.

Question 2 *(ICAI Study Material) / (RTP May 2022) (Similar)*

On 1st April, 2022, A Ltd. issued 43,000 shares of ₹ 100 each payable as follows:

₹ 20 on application; ₹ 30 on allotment;
₹ 25 on 1st October, 2022; and ₹ 25 on 1st February, 2023.

By 20th May, 40,000 shares were applied for & 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. Journalize transactions when accounts were closed on 31st Mar.2023

Question 3 (ICAI Study Material)

On 1st October, 2023 Pioneer Equipment Limited received applications for 2,50,000 Equity Shares of ₹ 100 each to be issued at a premium of 25 per cent payable as:

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

Balance Amount on Shares as and when required.

The shares were allotted by the Company on October 20, 2023 and the allotment money was duly received on October 31, 2023. Record journal entries in the books of the company to record the transactions in connection with the issue of shares.

Question 4 (ICAI Study Material)

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	25	30

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.

Question 5 *(ICAI Study Material)*

Shreyas Ltd. did not receive the first call on 10,000 equity shares @ ₹ 3 per share which was due on 1.7.2022. This amount was received on 1.4.2023. Open Calls in arrears account and journalise the entries in the books of the company on 1.7.2022 and 1.4.2023.

Question 6 (ICAI Study Material)

X Ltd. invited applications for 10 lakhs shares of ₹ 100 each payable as follows:

	₹
On Application	20
On Allotment (on 1st May, 2022)	30
On First Call (on 1st Oct., 2022)	30
On Final Call (on 1st Feb., 2023)	20

All the shares were applied for and allotted. A shareholder holding 20,000 shares paid the whole of the amount due along with allotment. Journalise the transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st February, 2023

Question 7 (ICAI Study Material) Pg no. _____

A limited Company, with an authorized capital of ₹ 20,00,000 divided into shares of ₹ 100 each, issued for subscription 10,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹20 per share on first call three months after allotment and the balance as and when required.

The subscription list closed on January 31, 2023 when application money on 10,000 shares was duly received and allotment was made on March 1, 2023. All amounts due were received within one month of the date they were called.

The allotment amount was received in full but, when the first call was made, one shareholder failed to pay the amount on 1,000 shares held by him and another shareholder with 500 shares paid the entire amount on his shares.

Give journal entries in the books of the Company to record these share capital transactions.

Question 8 (CA Foundation June 2022) (15 Marks) Pg no. _____

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).

Question 9 (CA Foundation May 2018) (10 Marks)/(RTP May 2020)/(May 2023)(Sim.) Pg no. _____

Piyush Limited is a company with an authorized share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2020. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being:

- (i) ₹ 2 per share payable on application, to be received by 1st July, 2020;
 - (ii) Allotment to be made on 10th July, 2020 and a further ₹ 5 per share (including the premium) to be payable;
 - (iii) The final call for the balance to be made, and the money received by 30th April, 2021.
- Applications were received for 4,20,000 shares and were dealt with as follows:
- (1) Applicants for 20,000 shares received allotment in full;
 - (2) Applicants for 1,00,000 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;
 - (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to applicants; and
 - (4) 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 Piyush limited.

Question 10 *(CA Foundation Jan 2021) (15 Marks)*

Pg no. _____

A Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being:

- (i) ₹ 2 per share payable on application, to be received by 31st May, 2020;
- (ii) Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);
- (iii) The final call for the balance to be made, and the money received by 31st December, 2020. Applications were received for 5,60,000 shares and dealt with as follows:
 - (1) Applicants for 10,000 shares received allotment in full;
 - (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
 - (3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
 - (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

Question 11 *(ICAI Study Material)*

Pg no. _____

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

Question 12 *(ICAI Study Material)*

Pg no. _____

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 A/c).

Question 13 *(ICAI Study Material)*

Pg no. _____

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.

Question 14 *(ICAI Study Material)*

Pg no. _____

A Ltd forfeited 100 equity shares of ₹10 fully called upon. The shareholder failed to pay the first call money of ₹4 per share and the second and final Call Money of ₹4 per share. Give journal entry to show the effect of this transaction.

Question 15 *(ICAI Study Mat.)/(RTP May 2018)/(May 2019)/(Nov 2019)/(May 2021) (Sim.)*

Pg no. _____

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 1,500 of such shares to Mr. Short at ₹ 65 per share paid-up as ₹75 per share. Give journal entries to record the above forfeiture and re-issue in the books of the company.

Question 16 *(RTP Nov 2018)*

Pg no. _____

Mr. P who was the holder of 2,500 preference shares of ₹ 100 each, on which ₹ 70 per share has been called up could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at ₹ 60 per share paid-up as ₹ 70 per share.

You are required to prepare the Journal Entries to record the above forfeiture and re-issue in the books of the company.

Question 17 *(CA Foundation Nov 2018) (10 Marks) / (RTP May 2023)*

Pg no. _____

Give necessary journal entries for the forfeiture & reissue of shares:

- (i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non payment of allotment money of ₹ 3 per share & final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were issued to Suresh for ₹ 8 per share.
- (ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these 150 shares were reissued to Mahesh as fully paid for ₹ 6 per share.

Question 18 *(RTP Nov 2021)*

Pg no. _____

Mr. Samphat who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 60 per share has been called up could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Sushil at ₹ 50 per share paid-up as ₹60 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

Question 19 *(ICAI Study Material)*

Pg no. _____

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.

Question 20 *(ICAI Study Material)*

Pg no. _____

B Ltd. issued 20,000 equity shares of ₹100 each at a premium of ₹20 per share payable as follows: on application ₹50; on allotment ₹50 (including premium); on final call ₹20. Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and shares were allotted to all the 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 B Ltd.

Question 21 *(CA Foundation Nov 2019) (15 Marks)*

Pg no. _____

B Limited issued 50,000 equity shares of ₹ 10 each payable as ₹ 3 per share on applications, ₹ 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 X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All

these 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share. Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company.

Question 22 (CA Foundation Dec 2021) (15 Marks)

Pg no. _____

Fashion Garments Ltd invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

- (i) On Application ₹ 1 per share
- (ii) On Allotment ₹ 2 per share
- (iii) On First call ₹ 3 per share
- (iv) On Second and final Call ₹ 4 per share

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Fashion Garments Ltd.

Question 23 (CA Foundation Dec 2022) (15 Marks)

Pg no. _____

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.

Question 24 (CA Foundation Nov 2020) (10 Marks)

Pg no. _____

ABC Limited issued 20,000 equity shares of ₹ 10 each payable as:

- ₹ 2 per share on application
- ₹ 3 per share on allotment
- ₹ 4 per share on first call
- ₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

Question 25 (CA Foundation May 2019) (10 Marks)/(RTP May 2020)/(RTP Nov 2022)

Pg no. _____

Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each. The amounts were payable as follows:

- On application - ₹ 3 per share
- On allotment - ₹ 5 per share
- On first and final call - ₹ 2 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ ₹ 6 per share. Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

Question 26 *(CA Foundation July 2021) (15 Marks)*

Pg no. _____

X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows: -

₹ 9 per share (including premium) on application and allotment

- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity 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 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

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

Question 27 *(MTP November 2021)/(June 2023)*

Pg no. _____

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

At the time of re-issue of forfeited shares of Mr. Hament, 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.

Question 28 *(CA Foundation June 2023) (15 Marks)*

Pg no. _____

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.

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

ISSUE OF SHARES

Solution 1

Books of Company

S.No.	Particulars	L.F.	Debit	Credit
1	Bank A/c Dr.		1,50,000	
	To Equity Share Application A/c			1,50,000
	(Being Application money on 10,000 shares at ₹ 15 per share received)			
2	Equity Share Application A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being amount transferred to Capital Account)			
3	Equity Share Allotment A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being allotment money due)			
4	Bank A/c Dr.		2,00,000	
	To Equity Share Allotment A/c			2,00,000
	(Being allotment money received)			
5	Equity Share First Call A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being first call money due)			
6	Bank A/c Dr.		1,50,000	
	To Equity Share First Call A/c			1,50,000
	(Being first call money received)			

Solution 2

Books of A Limited

Date	Particulars	L.F.	Debit	Credit
20.05.22	Bank A/c Dr.		8,00,000	
	To Share Application A/c			8,00,000
	(Being Application money on 40,000 shares at ₹20 per share received)			
01.06.22	Share Application A/c Dr.		8,00,000	
	To Share Capital A/c			8,00,000
	(Being amount transferred to Capital Account)			
01.06.22	Share Allotment A/c Dr.		12,00,000	
	To Share Capital A/c			12,00,000
	(Being allotment money due)			
15.07.22	Bank A/c Dr.		12,00,000	
	To Share Allotment A/c			12,00,000
	(Being allotment money received)			
01.10.22	Share First Call A/c Dr.		10,00,000	
	To Share Capital A/c			10,00,000
	(Being first call money due)			
20.10.22	Bank A/c Dr.		10,00,000	
	To Share First Call A/c			10,00,000
	(Being first call money received)			
01.02.22	Share Second & Final Call A/c Dr.		10,00,000	
	To Share Capital A/c			10,00,000
	(Being second & final call money due)			

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31.03.23	Bank A/c	Dr.	10,00,000	
	To Share Second & Final Call A/c			10,00,000
	(Being second & final call money received)			

Solution 3

Books of Pioneer Equipment Limited

Date	Particulars	L.F.	Debit	Credit
01.10.23	Bank A/c	Dr.	62,50,000	
	To Equity Share Application A/c			62,50,000
	(Being Application money on 2,50,000 shares at ₹25 per share received)			
20.10.23	Equity Share Application A/c	Dr.	62,50,000	
	To Equity Share Capital A/c			62,50,000
	(Being amount transferred to Capital Account)			
20.10.23	Equity Share Allotment A/c	Dr.	1,87,50,000	
	To Equity Share Capital A/c			1,25,00,000
	To Securities Premium A/c			62,50,000
	(Being allotment money due)			
31.10.23	Bank A/c	Dr.	1,87,50,000	
	To Equity Share Allotment A/c			1,87,50,000
	(Being allotment money received)			

Solution 4

Books of Delhi Artware Limited

Cash Book

To Equity Shares Applications Account (application money on 50,000 shares at ₹ 25)	12,50,000	By Balance c/d	1,44,40,000
To Preference Share Application A/c (application money on 1,00,000 sh. at ₹ 20)	20,00,000		
To Equity Share Allotment A/c (allotment money on 50,000 shares at ₹ 20)	10,00,000		
To Preference Share Allotment A/c (allotment money on 1,00,000 sh. at ₹ 30)	30,00,000		
To Equity Shares First Call A/c (₹ 30 on 50,000 shares)	15,00,000		
To Preference Share First Call A/c (₹20 on 1,00,000 shares)	20,00,000		
To Equity Shares Final Call A/c (₹ 25 on 42,000 shares)	10,50,000		
To Preference Share Final A/c (₹ 30 on 88,000 shares)	26,40,000		
	1,44,40,000		1,44,40,000

Journal

S.No.	Particulars	L.F.	Debit	Credit
1	Equity Share Application A/c	Dr.	12,50,000	
	Equity Share Allotment A/c	Dr.	10,00,000	
	To Equity Share Capital A/c			22,50,000
	[The Credit to share capital on allotment of 50,000 equity shares at ₹ 45/share (₹ 25 on application and ₹ 20 on allotment) allotted as per Directors resolution no.... dated.....]			

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2	Preference Share Application A/c	Dr.	20,00,000	
	Preference Share Allotment A/c	Dr.	30,00,000	
	To Preference Share Capital A/c			50,00,000
	[The credit to Preference Share Capital on allotment of 1,00,000 preference shares at ₹ 50 per share (₹ 20 on application and ₹30 on allotment), allotted as per Directors' resolution no... dated...]			
3	Equity Share First Call A/c	Dr.	15,00,000	
	To Equity Share Capital A/c			15,00,000
	(Amount due on 50,000 equity shares at ₹ 30 per share as per Directors' resolution no... dated...)			
4	Preference Share First Call A/c	Dr.	20,00,000	
	To Preference Share Capital A/c			20,00,000
	(Amount due on 1,00,000 preference shares at ₹20 per share, as per Directors' resolution no...dated...)			
5	Equity Share Final Call A/c	Dr.	12,50,000	
	To Equity Share Capital A/c			12,50,000
	(Amount due on final call on 50,000 equity shares at ₹ 25 per share, as per Directors' resolution no... dated...)			
6	Preference Share Final Call A/c	Dr.	30,00,000	
	To Preference Share Capital A/c			30,00,000
	(Amount due on final call on 1,00,000 preference shares at ₹ 30 per share, as per Directors' resolution no... dated...)			

Solution 5

Books of Shreyas Limited

Date	Particulars	L.F.	Debit	Credit
01.07.22	Calls in Arrears A/c	Dr.	30,000	
	To Equity Share First Call A/c			30,000
	(Being amount due on first call on 10,000 shares at ₹3 per share transferred to calls in arrears account)			
01.04.23	Bank A/c	Dr.	30,000	
	To Calls in Arrears A/c			30,000
	(Being calls in arrears received)			
01.04.23	Shareholder A/c	Dr.	2,250	
	To Interest on Calls in Arrears A/c			2,250
	(Being interest charged)			
01.04.23	Bank A/c	Dr.	2,250	
	To Shareholder A/c			2,250
	(Being interest on calls in arrears received)			

Interest = $30,000 \times 10\% \times 9/12 = 2,250$

Solution 6

Books of X Limited

Date	Particulars	L.F.	Debit (in Lakhs)	Credit (in Lakhs)
1.05.22	Bank A/c	Dr.	200	
	To Share Application A/c			200
	(Being Application money on 10 Lakh shares at ₹ 20 per share received)			

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01.05.22	Share Application A/c	Dr.		200	
	To Share Capital A/c				200
	(Being amount transferred to Capital Account)				
01.05.22	Share Allotment A/c	Dr.		300	
	To Share Capital A/c				300
	(Being allotment money due)				
01.05.22	Bank A/c	Dr.		310	
	To Share Allotment A/c				300
	To Calls in Advance				10
	(Being allotment money and also the two calls (₹ 30 and ₹20) on 20,000 share received)				
01.10.22	Share First Call A/c	Dr.		300	
	To Share Capital A/c				300
	(Being first call money due)				
01.10.22	Bank A/c	Dr.		294	
	Calls in Advance A/c	Dr.		6	
	To Share First Call A/c				300
	(Receipt of the first call on 9.80 lakh shares, the balance having been previously received and now debited to call in advance account.)				
01.02.23	Share Final Call A/c	Dr.		200	
	To Share Capital A/c				200
	(Being final call money due)				
01.02.23	Bank A/c	Dr.		196	
	Calls in Advance A/c	Dr.		4	
	To Share Final Call A/c				200
	(Receipt of the moneys due on final call on 9.80 lakhs shares, the balance having been previously received.)				
01.02.23	Interest on Calls in Advance A/c	Dr.		0.66	
	To Shareholder A/c				0.66
	(Being interest on call in advance made due)				
01.02.23	Shareholder A/c	Dr.		0.66	
	To Bank A/c				0.66
	(Being interest paid)				

Working Note:

The interest on calls in advance paid @ 12% on

a) 6,00,000 (first call) from 1st May to 1st Oct., 2022–5 months = $6,00,000 \times 12\% \times 5/12 = 30,000$

b) 4,00,000 (final call) from 1st May to 1st Feb., 2023–9 months = $4,00,000 \times 12\% \times 9/12 = 36,000$

Total Interest Amount Due=

66,000

Solution 7

Books of Company

Date	Particulars	L.F.	Debit	Credit
31.01.23	Bank A/c	Dr.	2,50,000	
	To Share Application A/c			2,50,000
	(Money received on applications for 10,000 shares @ ₹ 25 per share)			
01.03.23	Share Application A/c	Dr.	2,50,000	
	To Share Capital A/c			2,50,000
	(Being amount transferred to Capital Account)			

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01.03.23	Share Allotment A/c	Dr.	3,00,000	
	To Share Capital A/c			3,00,000
	(Being Amount due on the allotment of 10,000 shares @ ₹ 30 per share)			
01.04.23	Bank A/c	Dr.	3,00,000	
	To Share Allotment A/c			3,00,000
	(Being allotment money received)			
01.06.23	Share First Call A/c	Dr.	2,00,000	
	To Share Capital A/c			2,00,000
	(First call money due on 10,000 shares @ ₹ 20 per share)			
01.07.23	Bank A/c	Dr.	1,92,500	
	Calls in Arrears A/c	Dr.	20,000	
	To Share First Call A/c			2,00,000
	To Calls in Advance A/c			12,500
	(First call money received on 9000 shares and calls-in advance on 500 shares @ ₹ 25 per share.)			

Solution 8

Sr. No.	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1	Bank A/c	Dr.	40,000	
	To Equity Share Application A/c			40,000
	(Money received on applications for 20,000 shares @ ₹ 2 per share)			
2	Equity Share Application A/c	Dr.	40,000	
	To Equity Share Capital A/c			40,000
	(Transfer of application money on 20,000 shares to share capital)			
3	Equity Share Allotment A/c	Dr.	80,000	
	To Equity Share Capital A/c			60,000
	To Securities Premium A/c			20,000
	(Amount due on the allotment of 20,000 shares @ ₹ 3 per share and Securities Premium @ ₹1 per share)			
4	Bank A/c	Dr.	80,000	
	To Equity Share Allotment A/c			80,000
	(Allotment money received)			
5	Equity Share First Call A/c	Dr.	40,000	
	To Equity Share Capital A/c			40,000
	(Being first call made due on 20,000 shares at ₹ 2 per share)			
6	Bank A/c	Dr.	46,000	
	To Equity Share First Call A/c			40,000
	To Calls in Advance A/c			6,000
	(Being first call money received along with calls in advance on 2,000 shares at ₹ 3 per share)			
7	Equity Share Final Call A/c	Dr.	60,000	
	To Equity Share Capital A/c			60,000
	(Being final call made due on 20,000 shares at ₹ 3 each)			
8	Bank A/c	Dr.	53,100	
	Calls in Advance A/c	Dr.	6,000	

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	Calls in Arrears A/c	Dr.	900	
	To Equity Share Final Call A/c			60,000
	(Being final call received for 17,700 shares, calls in advance for 2,000 shares and calls in arrears on 300 shares adjusted)			
9	Interest on Calls in Advance A/c	Dr.	240	
	To Shareholders A/c			240
	(Being interest made due on calls in advance of ₹6,000 at the rate of 12% p.a.)			
10	Shareholders A/c	Dr.	240	
	To Bank A/c			240
	(Being payment of interest made to shareholder)			
11	Shareholders A/c	Dr.	15	
	To Interest on Calls in Arrears A/c			15
	(Being interest on calls in arrears made due at the rate of 10%)			
12	Bank A/c	Dr.	615	
	To Calls in Arrears A/c			600
	To Shareholders A/c			15
	(Being money received from shareholder having 200 shares for calls in arrears and interest thereupon)			
13	Shareholders A/c	Dr.	10	
	To Interest on Calls in Arrears A/c			10
	(Being interest on calls in arrears made due at the rate of 10%)			
14	Bank A/c	Dr.	310	
	To Calls in Arrears A/c			300
	To Shareholders A/c			10
	(Being money received from shareholder having 100 share for calls in arrears and interest thereupon)			

Calculation of Interest on Calls in Advance & Calls in Arrears:

Interest on Calls in Advance = ₹ 6,000 x 12% x 4 / 12 = ₹ 240

Interest on Calls in Arrears ₹ 600 x 10% x 3 / 12 = ₹ 15

Interest on Calls in Arrears ₹ 300 x 10% x 4 / 12 = ₹ 10

Table F of The Companies Act, 2013 prescribes 10% and 12% p.a. as the maximum rates respectively for calls in arrears and calls in advance. Accordingly these rates have been considered while passing the above entries,

Note: For entry no 9&10, 11&12, 13&14 combined entry can also be passed.

Solution 9

Books of X Limited

Date	Particulars	L.F.	Debit	Credit
01.07.20	Bank A/c	Dr.	8,40,000	
	To Equity Share Application A/c			8,40,000
	(Being Application money on 4,20,000 shares at ₹2 per share received)			
10.07.20	Equity Share Application A/c	Dr.	8,40,000	
	To Equity Share Capital A/c			2,60,000
	To Equity Share Allotment A/c			4,00,000
	To Bank A/c			1,80,000
	(Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with allotment and on 90,000 shares refunded)			

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10.07.20	Equity Share Allotment A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			3,90,000
	To Securities Premium A/c			2,60,000
	(Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each)			
	Bank A/c	Dr.	2,50,000	
	To Equity Share Allotment A/c			2,50,000
	(Being allotment money received)			
	Equity Share Final Call A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			6,50,000
	(Being final call money due on 1,30,000 shares @ ₹ 5 per share)			
30.04.21	Bank A/c	Dr.	6,50,000	
	To Equity Share Final Call A/c			6,50,000
	(Being final call money on 1,30,000 shares @ ₹ 5 each received)			

Working Note: Calculation for Adjustment & Refund:

Case	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	Amount adjusted on Allotment	Refund	Amount due on Allotment	Amount Received on Allotment
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
TOTAL	4,20,000	1,30,000	8,40,000	2,60,000	4,00,000	1,80,000	6,50,000	2,50,000

Solution 10

Journal of A Limited

Date	Particulars	Dr.	Cr.
2020		₹	₹
May 31	Bank A/c (Note 1 – Column 3) Dr.	11,20,000	
	To Equity Share Application A/c		11,20,000
	(Being application money received on 5,60,000 shares @ ₹ 2 per share)		
June 10	Equity Share Application A/c Dr.	11,20,000	
	To Equity Share Capital A/c		2,70,000
	To Equity Share Allotment A/c (Note 1 - Column 5)		5,50,000
	To Bank A/c (Note 1–Column 6)		3,00,000
	(Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares adjusted with allotment and on 1,50,000 shares refunded as per Board's Resolution No.....dated...)		
	Equity Share Allotment A/c Dr.	6,75,000	
	To Equity Share Capital A/c		1,35,000
	To Securities Premium a/c		5,40,000
	(Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution No.dated)		

	Bank A/c (Note 1 – Column 8)	Dr.	1,25,000	
	To Equity Share Allotment A/c			1,25,000
	(Being balance allotment money received)			
Dec. 31	Equity Share Final Call A/c	Dr.	9,45,000	
	To Equity Share Capital A/c			9,45,000
	(Being final call money due on 1,35,000 shares @ ₹ 7 per share as per Board's Resolution on.....dated....)			
	Bank A/c	Dr.	9,45,000	
	To Equity Share Final Call A/c			9,45,000
	(Being final call money on 1,35,000 shares @ 7 each received)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 – (4 + 5)]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
(ii)	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
(iii)	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
Total	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

Also,

- (i) Amount Received on Application (3) = No. of shares applied for (1) X ₹ 2
(ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

Solution 11

Books of A Limited

Date	Particulars	L.F.	Debit	Credit
	Equity Share Capital A/c Dr.		3,00,000	
	(30,000*4) To Equity Share Final Call A/c			1,20,000
	(30,000*6) To Share Forfeited A/c			1,80,000
-	(Being the forfeiture of 30,000 equity shares of ₹10 each fully called-up for non-payment of final call money @ ₹4 each as per Board's Resolution No.... dated....)			

Solution 12

Books of X Limited

Date	Particulars	L.F.	Debit	Credit
	Equity Share Capital A/c (20,000*8) Dr.		1,60,000	
	(20,000*2) To Calls in Arrears A/c			40,000
	(20,000*6) To Share Forfeited A/c			1,20,000
-	(Being the forfeiture of 20,000 equity shares of ₹10 each, ₹8 called-up for non-payment of first call money @ ₹2 each as per Board's Resolution No.....dated.....)			

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Solution 13**Books of X Limited**

Date	Particulars	L.F.	Debit	Credit
	Equity Share Capital A/c (5,000*100) Dr.		5,00,000	
	Securities Premium A/c Dr.		1,00,000	
	(5,000*50) To Equity Share Allotment A/c			2,50,000
	(5,000*50) To Equity Sh. First & Final Call A/c			2,50,000
-	(5,000*20) To Share Forfeited A/c			1,00,000
	(Being the forfeiture of 5,000 equity shares of ₹ 100 each fully called-up, issued at a premium of 20%, for nonpayment of allotment and call money as per Board's Resolution No.....dated....)			

Note: Share premium @ ₹ 20 on 5,000 shares has not been received by the company. Therefore, at the time of forfeiture, Securities Premium Account will be debited to cancel it (because Securities Premium Account was credited at the time of allotment).

Solution 14**Books of A Limited**

Date	Particulars	L.F.	Debit	Credit
	Equity Share Capital A/c (100*10) Dr.		1,000	
	(100*4) To Share First Call A/c			400
	(100*4) To Share Second & Final Call A/c			400
-	(100*2) To Share Forfeited A/c			200
	(Being the forfeiture of 100 equity shares of ₹10 each fully called-up for non-payment of first and second & final call money as per Board's Resolution No.... dated....)			

Solution 15**Books of Company**

Date	Particulars	L.F.	Debit	Credit
	Preference Share Capital A/c (2,000*75) Dr.		1,50,000	
	(2,000*25) To Preference Share Allotment A/c			50,000
	(2,000*25) To Preference Share First Call A/c			50,000
-	(2,000*25) To Share Forfeited A/c			50,000
	(Being the forfeiture of 2,000 preference shares ₹75 each being called up for non-payment of allotment and first call money)			
	Bank A/c (1,500*65) Dr.		97,500	
	Share Forfeited A/c (1,500*10) Dr.		15,000	
-	To Preference Share Capital A/c			1,12,500
	(Being re-issue of 1,500 shares at ₹ 65 per share paid-up as ₹ 75)			
	Share Forfeited A/c Dr.		22,500	
	To Capital Reserve A/c			22,500
	(Being profit on re-issue transferred to Capital Reserve)			

Working Note: Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 50,000/2000	25
Loss on re-issue = ₹ 75 - ₹ 65	(10)
Surplus per share re-issued	15
Transferred to capital Reserve ₹ 15 x 1,500	22,500

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Solution 16**Books of Company**

Date	Particulars	L.F.	Debit	Credit
	Preference Share Capital A/c (2,500*70) Dr.		1,75,000	
	(2,500*20) To Preference Share Allotment A/c			50,000
	(2,500*20) To Preference Share First Call A/c			50,000
-	(2,500*20) To Share Forfeited A/c			75,000
	(Being the forfeiture of 2,500 preference shares ₹70 each being called up for non-payment of allotment and first call money)			
	Bank A/c (2,000*60) Dr.		1,20,000	
	Share Forfeited A/c (2,000*10) Dr.		20,000	
-	To Preference Share Capital A/c			1,40,000
	(Being re-issue of 2,000 shares at ₹ 60 per share paid-up as ₹ 70)			
	Share Forfeited A/c Dr.		40,000	
	To Capital Reserve A/c			40,000
	(Being profit on re-issue tfd to Capital Reserve)			

Working Note: Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 75,000/3000	30
Loss on re-issue = ₹ 70 – ₹ 60	(10)
Surplus per share re-issued	20
Transferred to capital Reserve ₹ 20 x 2000	40,000

Solution 17**Journal Entries**

Case	Particulars	L.F.	Debit	Credit
	Share Capital A/c (300*10) Dr.		3,000	
(i)	(300*3) To Share Allotment A/c			900
	(300*4) To Share First Call A/c			1,200
	(300*3) To Share Forfeited A/c			900
	(Being the forfeiture of 300 shares)			
	Bank A/c (300*8) Dr.		2,400	
	Share Forfeited A/c (300*2) Dr.		600	
	To Share Capital A/c			3,000
	(Being re-issue of shares at ₹ 8 per share paid-up as ₹ 10)			
	Share Forfeited A/c Dr.		300	
	To Capital Reserve A/c			300
	(Being profit on re-issue tfd to Capital Reserve)			
(ii)	Share Capital A/c (200*7) Dr.		1,400	
	(200*2) To Share Call A/c			400
	(200*5) To Share Forfeited A/c			1,000
	(Being the forfeiture of 200 shares)			
	Bank A/c (150*6) Dr.		900	
	Share Forfeited A/c (150*4) Dr.		600	
	To Share Capital A/c			1,500
	(Being re-issue of 150 shares at ₹ 6 per share paid-up as ₹ 10)			
	Share Forfeited A/c Dr.		150	
	To Capital Reserve A/c			150
	(Being profit on re-issue tfd to Capital Reserve)			

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Working Note: Calculation of amount to be transferred to Capital Reserve

Case (ii)

Forfeited amount per share = ₹ 1,000/200	5
Loss on re-issue = ₹ 10 – ₹ 6	(4)
Surplus per share re-issued	1
Transferred to Capital Reserve ₹ 1 * 150	150

Solution 18**Books of Company**

Date	Particulars	L.F.	Debit	Credit
	Preference Share Capital A/c (12,000*60) Dr.		7,20,000	
	To Preference Share Allotment A/c			2,40,000
	To Preference Share First Call A/c			2,40,000
	To Share Forfeited A/c			2,40,000
	(Being the forfeiture of 12,000 preference shares ₹60 each being called up for non-payment of allotment and first call money)			
	Bank A/c (10,000*50) Dr.		5,00,000	
	Share Forfeited A/c (10,000*10) Dr.		1,00,000	
	To Preference Share Capital A/c			6,00,000
	(Being re-issue of 10,000 shares at ₹ 50 per share paid-up as ₹ 60)			
	Share Forfeited A/c Dr.		1,00,000	
	To Capital Reserve A/c			1,00,000
	(Being profit on re-issue transferred to Capital Reserve)			

Working Note: Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 2,40,000/1,20,000	20
Loss on re-issue = ₹ 60 – ₹ 50	(10)
Surplus per share re-issued	10
Transferred to capital Reserve ₹ 10 x 10000	1,00,000

Solution 19**Books of Company**

Date	Particulars	L.F.	Debit	Credit
	Share Capital A/c (9,000*10) Dr.		90,000	
	(2,000*3) To Share Allotment A/c			6,000
	(6,000*3) To Share First Call A/c			18,000
	(9,000*2) To Share Final Call A/c			18,000
	To Share Forfeited A/c			48,000
	(Being forfeiture of 9,000 shares of ₹10 each for non-payment of allotment, first and final call money as per Board's Resolution No....dated.....)			
	Bank A/c (9,000*12) Dr.		1,08,000	
	To Share Capital A/c			90,000
	To Securities Premium A/c			18,000
	(Being the re-issue of 9,000 shares of ₹10 each @ ₹12 as per Board's Resolution No.....dated...)			
	Share Forfeited A/c Dr.		48,000	
	To Capital Reserve A/c			48,000
	(Being profit on re-issue transferred to Capital Reserve)			

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Working Note:

Shareholder	Money Received				Not Received on		
	Application	Allotment	First Call	Final Call	Allotment	First Call	Final Call
A	2,000	-	-	-	2,000	2,000	2,000
B	4,000	4,000	-	-	-	4,000	4,000
C	3,000	3,000	3,000	-	-	-	3,000
Total	9,000	7,000	3,000	-	2,000	6,000	9,000
Money	2	3	3	2	3	3	2
Receivable	18,000	21,000	9,000	-	6,000	18,000	18,000

Solution 20**Books of B Limited****Cash Book**

To Equity Shares Applications Account (application money on 24,000 shares at ₹ 50)	12,00,000	By Equity Shares Applications Account (excess money refunded on 4,000 shares)	2,00,000
To Equity Share Allotment A/c (allotment money on 19,850 shares at ₹ 50)	9,92,500	By Balance c/d	23,89,500
To Equity Shares Final Call A/c (Being final call money received on 19,850 shares @ ₹ 20 each)	3,97,000		
	25,89,500		25,89,500

Journal

S.No.	Particulars	L.F.	Debit	Credit
1	Equity Share Application A/c Dr.		10,00,000	
	To Equity Share Capital A/c			10,00,000
	(Being application money on 20,000 shares @ 50 each transferred to Equity Share Capital Account)			
2	Equity Share Allotment A/c Dr.		10,00,000	
	To Equity Share Capital A/c			6,00,000
	To Securities Premium A/c			4,00,000
	(Being allotment money @ 50 per share including premium of 20 per share being made due)			
3	Equity Share Final Call A/c Dr.		4,00,000	
	To Equity Share Capital A/c			4,00,000
	(Amount due on final call on 20,000 equity shares at ₹ 20 per share)			
4	Equity Share Capital A/c (150*100) Dr.		15,000	
	Securities Premium A/c (150*20) Dr.		3,000	
	To Equity Share Allotment A/c			7,500
	To Equity Share Final Call A/c			3,000
	To Share Forfeited A/c			7,500
	(Being forfeiture of 150 shares for non-payment of allotment money and final call money as per Board's Resolution No.... dated...)			

Note:

Here, securities premium on forfeited shares has not been realised, so Securities Premium Account will be debited at the time of forfeiture of these shares.

Also, alternatively Calls in arrears A/c could have been used

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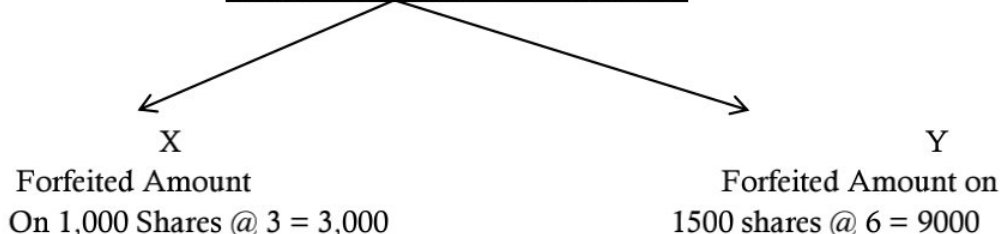


Solution 21**Journal of B Ltd.**

S. No.	Particulars	L.F	Debit	Credit
1	Bank A/c Dr.		1,50,000	
	To Equity Share Application A/c			1,50,000
	(Being application money received ₹3 per share on 50,000 shares)			
2	Equity Share Application A/c Dr.		1,50,000	
	To Equity share Capital A/c			1,50,000
	(Being Application money transferred)			
3	Equity Share Allotment A/c Dr.		2,50,000	
	To Equity share capital A/c			1,50,000
	To Securities Premium A/c			1,00,000
	(Being allotment money due on 50,000 shares @ 5 including ₹2 Premium)			
4	Bank A/c Dr.		2,45,000	
	To Equity Share Allotment A/c			2,45,000
	(Being Allotment received on 49,000 shares @ 5 each)			
5	Equity share call A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being Call money due on 50,000 shares @ 4 each)			
6	Bank A/c Dr.		1,88,000	
	To Equity share call A/c			1,88,000
	(Being call money received on 47000 shares @ 4 each)			
7	Equity share capital A/c Dr.		30,000	
	Securities Premium A/c Dr.		2,000	
	To Equity share Allotment A/c			5,000
	To Equity share Call A/c			12,000
	To Share forfeiture A/c			15,000
	(Being 3000 shares forfeited due to non payment or Allotment & Call)			
8	Bank A/c Dr.		20,000	
	Share Forfeiture A/c Dr.		5,000	
	To Equity share capital A/c			25,000
9	(Being Reissued 2,500 shares @ 8 per share)			
	Share forfeiture A/c Dr.		7,000	
	To Capital reserve A/c			7,000
	(Being excess forfeited amount on 2500 share transferred)			

W.N

(1) Calculation of Amount transferred to Capital Reserve :
Forfeited Amount on 2500 Shares.



Total Forfeited Amount = 12,000

Less: Reissued Discount = (5,000)

Transfer to Capital Res. = 7,000

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Balance Sheet as on _____

Particulars	Notes No.	Current Year	Previous Year
(I) Equity & Liabilities :			
(1) Shareholders funds :			
a) Share Capital	(1)	4,98,000	
b) Reserve & Surplus	(2)	1,05,000	
Total		6,03,000	
(II) Assets:			
(1) Current Assets			
a) Cash & Cash Equivalents		6,03,000	
Total		6,03,000	

Note to Accounts:

(1) Share Capital :

Particulars	Amount
Subscribed & Fully paid up capital	
49,500 equity shares @ 10 each	4,95,000
Add: Share Forfeiture amount on 500 shares	3,000
	4,98,000

(2) Reserve & Surplus:

Particulars	Amount
Securities Premium Reserve	1,00,000
Less: Arrear or not received	(2,000)
	98,000
Capital Reserve	7,000
	1,05,000

Solution 22

In the books of Fashion Garments Ltd. Journal Entries

Sr. No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Bank A/c Dr. To Equity Share Application A/c (Money received on applications for 10,000 shares @ ₹ 1 per share)		10,000	10,000
2.	Equity Share Application A/c Dr. To Equity Share Capital A/c (Transfer of application money on 10,000 shares to share capital)		10,000	10,000
3.	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on the allotment of 10,000 shares @ ₹ 2 per share)		20,000	20,000
4.	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received on 9,900 shares) OR Bank A/c Calls in arrears A/c To Equity Share Allotment A/c (Allotment Amount received except 100 shares)		19,800 19,800 200	19,800 20,000

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5.	Equity Share Capital A/c		300	
	To Share Forfeiture A/c			100
	To Equity Shares Allotment A/c			200
	(100 Shares of Ram forfeited) OR			
	Equity Share Capital A/c		300	
	To Shares Forfeiture A/c			100
	To Calls in arrears A/c			200
	(100 shares forfeited due to non-payment of allotment money)			
6.	Equity Share First Call A/c		29,700	
	To Equity Share Capital A/c			29,700
	First call made due on 9,900 shares at ₹ 3 per share			
7.	Bank A/c		29,250	
	To Equity Share First Call A/c			29,250
	(First call money received on 9,750 shares at ₹ 3 per share) OR			
	Bank A/c		29,250	
	Calls in arrears A/c		450	
	To Equity Share First Call A/c			29,700
	(First Call money received except 150 shares)			
8.	Equity Share Capital A/c		900	
	To Share Forfeiture A/c			450
	To Equity Share First Call A/c			450
	(150 Shares of Shyam forfeited) OR			
	Equity Share Capital A/c		900	
	To Share Forfeiture A/c			450
	To Calls in arrears A/c			450
	(150 shares forfeited due to non - payment of First call money)			
9.	Equity Share Second and Final Call A/c		39,000	
	To Equity Share Capital A/c			39,000
	(Second and Final call made due on 9,750 shares at ₹ 4 per share)			
10.	Bank A/c		38,800	
	To Equity Share Second and Final Call A/c			38,800
	(Second and Final call money received on 9,700 shares at ₹ 4 per share) OR			
	Bank A/c		38,800	
	Calls in arrears A/c		200	
	To Equity Shares Second and Final call A/c			39,000
	(Second and Final call money received except 50 shares)			
11.	Equity Share Capital A/c		500	
	To Share Forfeiture A/c			300
	To Equity Share Second and Final Call A/c			200
	(50 Shares of Mohan forfeited) OR.			
	Equity Share Capital A/c		500	
	To Shares Forfeiture A/c			300
	To Calls in arrears A/c			200
	(50 shares forfeited due to non-payment of Second and final call money)			

12.	Bank A/c		2,700	
	Share Forfeiture A/c		300	
	To Equity Share Capital A/c			3,000
	(300 shares reissued at ₹ 9 per share)			
13.	Share Forfeiture A/c		550	
	To Capital Reserve A/c (W.N.1)			550
	(Profit on re-issue transferred to Capital Reserve)			

Working Note-1:

Calculation of amount to be transferred to Capital Reserve:

Surplus out of 100 shares of Ram forfeited	₹ 100
Surplus out of 150 shares of Shyam forfeited	₹ 450
Surplus out of 50 shares of Mohan forfeited	₹ 300
	<u>₹ 850</u>

Less: Loss on re-issue of shares ₹ 300

Transferred to Capital Reserve ₹ 550

Solution 23

In the books of PQR. Ltd. Journal

S.N.	Particulars		₹	₹
1	Bank A/c	Dr	6,00,000	
	To Equity Share Application A/c			6,00,000
	(Being application money on 2,00,000 shares @ ₹ 3 per share received)			
2	Equity Share Application A/c	Dr	6,00,000	
	To Equity Share Capital A/c			6,00,000
	(Being transfer of application money to Equity Share Capital on 2,00,000 shares @ ₹ 3 per share as per Director's Resolution no... dated...)			
3	Equity Share Allotment A/c	Dr	10,00,000	
	To Equity Share Capital A/c			6,00,000
	To Securities Premium A/c			4,00,000
	(Being amount due from shareholders in respect of allotment on 2,00,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Director's Resolution no.....dated.....)			
4	Bank A/c	Dr	9,75,000	
	To Equity Share Allotment A/c			9,75,000
	(Being amount received against allotment on 1,95,000 shares @ ₹ 5 per share including premium @ ₹ 2 per share)			
	Or			
	Bank A/c	Dr	9,75,000	
	Calls in Arrears A/c	Dr	25,000	
	To Equity Share Allotment A/c			10,00,000
	(Being amount received against allotment on 2,00,000 share @ ₹ 5 per share including premium @ ₹ 2 per share, Mr. J holding 5,000 shares failed to pay allotment money)			
5	Equity Share Call A/c	Dr	8,00,000	
	To Equity Share Capital A/c			8,00,000
	(Being amount due from shareholders in respect of call			

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	on 2,00,000 shares @ ₹ 4 per share as per Director's resolution no.....dated.....)			
6	Bank A/c	Dr	7,40,000	
	To Equity Share Call A/c			7,40,000
	(Being amount received against the call on 1,85,000 shares @ ₹ 4 per share)			
	Or			
	Bank A/c	Dr	7,40,000	
	Calls in Arrears A/c	Dr	60,000	
	To Equity Share Call A/c			8,00,000
	(Being amount received against the call on 1,85,000 shares @ ₹ 4 per share, J holding 5,000 shares and K holding 10,000 shares failed to pay call money)			
7	Equity Share Capital A/c (15,000 x ₹ 10)	Dr	1,50,000	
	Securities Premium A/c (5000 x ₹ 2)	Dr	10,000	
	To Equity Share Allotment A/c (5000 x ₹ 5)			25,000
	To Equity Share Call A/c (15,000 x ₹ 4)			60,000
	To Forfeited Shares A/c			75,000
	(Being forfeiture of 15,000 equity shares for non-payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution No.....dated)			
	Or			
	Equity Share Capital A/c (15,000 x ₹ 10)	Dr	1,50,000	
	Securities Premium A/c (5000 x ₹ 2)	Dr	10,000	
	To Calls in Arrears A/c (₹ 25,000 + ₹ 60,000)			85,000
	To Forfeited Shares A/c			75,000
	(Being forfeiture of 15,000 equity shares for non-payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution No.....dated.....)			
8	Bank A/c	Dr	90,000	
	Forfeited Shares A/c	Dr	10,000	
	To Equity Share Capital A/c			1,00,000
	(Being re-issue of 10,000 shares @ ₹ 9 each as per Board's Resolution No.....dated)			
9	Forfeited Shares A/c	Dr	35,000	
	To Capital Reserve A/c			35,000
	(Being profit on re-issue transferred to Capital Reserve)			

Balance Sheet of PQR as at.....

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share Capital	1	19,80,000
Reserves and Surplus	2	<u>4,25,000</u>
Total		<u>24,05,000</u>
ASSETS		
Current assets		
Cash and Cash Equivalents	3	<u>24,05,000</u>
Total		<u>24,05,000</u>

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Notes to accounts

	₹	₹
1. Share Capital		
Equity share capital		
Issued share capital		
2,00,000 Equity shares of ₹ 10 each	20,00,000	
Subscribed, called up and paid up share capital		
1,95,000 Equity shares of ₹ 10 each	19,50,000	
Add: Forfeited shares	<u>30,000</u>	19,80,000
2. Reserves and Surplus:		
Securities Premium	3,90,000	
Capital Reserve	<u>35,000</u>	4,25,000
3. Cash and Cash Equivalents:		
Amount received on Share Application	6,00,000	
Amount Received on Share Allotment	9,75,000	
Amount Received on Share Call	7,40,000	
Amount Received on Re-issue of Shares	<u>90,000</u>	24,05,000

Working Note:

1. Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of J	₹ 3	Amount forfeited per share of K	₹ 6
Less: Loss on re-issue per share	(₹ 1)	Less: Loss on re-issue per share	(₹ 1)
Surplus	₹ 2	Surplus	₹ 5

Transferred to Capital Reserve: J's Share (5,000 x ₹ 2)	₹ 10,000
K's Share (5,000 x ₹ 5)	₹ 25,000
Total	₹ 35,000

2. Balance of Security Premium

Total Premium amount receivable on allotment	=	4,00,000
Less: Amount reversed on forfeiture	=	(10,000)
Balance remaining	=	<u>3,90,000</u>

Solution 24

1.	Bank A/c	Dr.	40,000	
	To Equity Share Application A/c			40,000
	(Being the application money received for 20,000 shares at ₹ 2 per share)			
2.	Equity Share Application A/c	Dr.	40,000	
	To Equity Share Capital A/c			40,000
	(Being share allotment made for 20,000 shares at ₹ 2 per share)			
3.	Equity Share Allotment A/c	Dr.	60,000	
	To Equity Share Capital A/c			60,000
	(Being allotment amount due on 20,000 equity shares at ₹ 3 per share as per Directors' resolution no... dated...)			
4.	Bank A/c	Dr.	60,000	
	To Equity Share Allotment A/c			60,000
	(Being allotment money received for 20,000 equity shares at ₹ 3 per share)			

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5.	Equity Share First Call Account	Dr.	80,000	
	To Equity Share Capital A/c			80,000
	(Being first call money due on 20,000 equity shares @ Rs. 4 per share)			
6.	Bank Account	Dr.	78,800	
	To Equity Share First Call Account			78,800
	(Being full amount of first call money received except on 300 shares)Or			
	Bank Account	Dr.	78,800	
	Calls in Arrear A/c	Dr.	1,200	
	To Equity Share First Call Account			80,000
	(Being full amount of first call money received except on 300 shares)			
7.	Equity Share Final Call Account	Dr.	20,000	
	To Equity Share Capital A/c			20,000
	(Being first call and final call money due)			
8.	Bank Account	Dr.	19,700	
	To Equity Share Final Call Account			19,700
	(Being full amount of final call money received except on 300 share)Or			
	Bank Account	Dr.	19,700	
	Calls in Arrear A/c	Dr.	300	
	To Equity Share Final Call Account			20,000
	(Being full amount of final call money received except on 300 shares)			
9.	Equity Share Capital A/c (300 x ₹ 10)	Dr.	3,000	
	To Equity Share First Call Account			1,200
	To Equity Share Final Call Account			300
	To Forfeited Shares A/c			1,500
	(Being forfeiture of 300 equity shares for non- payment of call money as per Board's Resolution No.....dated)			
	Equity Share Capital A/c	Dr.	3,000	
	To Forfeited Shares A/c			1,500
	To Calls in Arrears			1,500
	(Being 300 shares forfeited on which first call and final call money was unpaid.)			
10.	Bank A/c (300 x ₹ 8)	Dr.	2,400	
	Forfeited Shares A/c	Dr.	600	
	To Equity Share Capital A/c			3,000
	(Being re-issue of 300 shares @ ₹8 each as per Board's Resolution No.....dated....)			
11.	Forfeited Shares A/c	Dr.	900	
	To Capital Reserve A/c			900
	(Being profit on re-issue transferred to Capital Reserve)			

Solution 25

Journal Entries In the books of Bhagwati Ltd.

Particulars	Dr. ₹	Cr. ₹
Bank A/c	Dr.	9,00,000
To Equity Share Application A/c		9,00,000
(Being application money received for 3,00,000 shares at 3 per share)		
Equity Share Application A/c	Dr.	9,00,000
To Equity Share Capital A/c (2,00,000 x ₹ 3)		6,00,000

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To Share allotment A/c		3,00,000	
(Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)			
Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			10,00,000
(Being allotment amount due on 2,00,000 equity shares at ₹ 5 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	7,00,000	
To Equity Share Allotment A/c			7,00,000
(Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)			
Equity Share first and final call A/c	Dr.	4,00,000	
To Equity Share Capital A/c			4,00,000
(Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)			
Bank A/c	Dr.	3,94,000	
Calls in arrears A/c	Dr.	6,000	
To Equity Share first and final call A/c			4,00,000
(Being final call received on 1,97,000 shares)			
Share capital A/c (3,000 x ₹ 10)	Dr.	30,000	
To Forfeited share A/c (3,000 x ₹ 8)			24,000
To Calls in arrears A/c (3,000 x ₹ 2)			6,000
(Being forfeiture of 3,000 shares of ₹10 each fully called up for non payment of first and final call @ ₹ 2 as per resolution no... dated..)			
Bank A/c (2,500 x ₹ 6)	Dr.	15,000	
Forfeited share A/c (2,500 x ₹4)		10,000	
To Equity Share Capital A/c (2,500 x ₹10)			25,000
(Being re-issue of 2,500 shares @₹6)			
Forfeited share A/c (2,500 x ₹ 4)	Dr.	10,000	
To Capital reserve A/c (2,500 x ₹ 4)			10,000
(Being profit on re-issue transferred to capital reserve)			

Working Note:

Calculation of amount to be transferred to Capital reserve A/c

Forfeited amount per share = $24,000 / 3,000 =$

Loss on re issue (8-4)

Surplus per share

Transfer to capital reserve $4 \times 2,500 = ₹ 10,000$

8

4

4

Solution 26

		Dr. ₹	Cr. ₹
1	Bank Account	Dr.	27,00,000
	To Share Application & Allotment A/c		27,00,000
	(Being Application money on 3,00,000 shares at ₹ 9 per share received.)		
2	Share Application & Allotment A/c	Dr.	27,00,000
	To Share Capital A/c (75,000 x ₹ 4)		3,00,000
	To Securities premium A/c (75,000 x ₹ 5)		3,75,000
	To Bank A/c (2,00,000 x ₹ 9)		18,00,000
	To Share First & Final Call A/c		2,25,000
	(Being application money transferred)		

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3	Share First & Final Call A/c (75,000 x6) Dr.	4,50,000	
	To Share Capital Account		4,50,000
	(Amount First & Final Call A/c due from members as per Directors, resolution no..... dated)		
4	Bank Account A/c Dr.	2,21,625	
	Calls in arrear A/c Dr.	3,375	
	To Share First & Final Call Account		2,25,000
	(Being Receipt of the amounts due on first call.)		
5	Equity share capital A/c Dr.	11,250	
	To Share forfeiture A/c		7,875
	To Calls in arrear A/c		3,375
	(Being 1,125 shares forfeited for non payment of final call.)		
6	Bank Account A/c (1,125 x ₹ 6) Dr.	6,750	
	Share forfeiture A/c (1,125 x ₹ 4) Dr.	4,500	
	To Share Capital Account (1,125 x ₹ 10)		11,250
	(Being forfeited shares reissued at ₹ 4 discount)		
7	Share forfeiture A/c Dr.	3,375	
	To Capital reserve A/c		3,375
	(Being share forfeiture transferred to capital reserve*)		

Working notes:

1.

Shares Applied	Shares Allotted	Money Received on Application @ ₹ 9/-	Money Transferred to Share Capital @ ₹ 4/-	Money tfd to Security Premium @ ₹ 5/-	Excess Application on Money	Share First and Final Call @ ₹ 6/-	Amount received from Share First & Final Call after adjusting excess appl. money	Money Refunded
2,00,000	-	18,00,000	-	-	-	-	-	18,00,000
1,00,000	75,000	9,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,25,000	-
3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,21,625*	18,00,000

* ₹ 4,50,000 less ₹ 3,375.

2. Number of shares allotted to Mr. Raj = $1,500 \times 75,000 / 1,00,000 = 1,125$ shares

3. Calculation of calls in arrear

Application money received from Raj	(1,500 x9)	13,500
Less: actual application money	1,125 x9	10,125
Excess Application & Allotment Money Adjusted with first and final call		3,375
Final call due from Raj		6,750
Less: Adjusted with final call		(3,375)
Calls in arrear		3,375

Solution 27

Books of Company

Date	Particulars	L.F.	Debit	Credit
	Equity Share Capital A/c Dr.		7,000	
	Securities Premium A/c Dr.		1,500	
-	To Share Allotment A/c			1,500
	To Share First Call A/c			2,000
	To Share Forfeited A/c			5,000

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	(Being the forfeiture of 1,000 shares for non payment of allotment & first call)			
	Bank A/c Dr.		8,000	
	Share Forfeited A/c Dr.		2,000	
-	To Share Capital A/c			10,000
	(Being re-issue of 1,000 shares at ₹ 8 per share paid-up as ₹ 10)			
	Share Forfeited A/c Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Being profit on re-issue tfd to Capital Reserve)			

Working Note: Calculation of the amount due but not paid on allotment

(a) Total No. of Shares applied	2,000
(b) Total money paid of application (2,000x 3)	6,000
(c) Excess application money (₹ 6000-(1,000x3))	3,000
(d) Total amount due on allotment (1,000x 4.50)	4,500
(e) Amount due but not paid (₹4,500- Rs.3,000)	1,500

Out of ₹ 4,500, ₹ 2,000 are for Share Capital and ₹ 2,500 are for Securities Premium Reserve. Out of excess application money of ₹ 3,000, ₹2000 are adjusted towards allotment as share capital and ₹ 1,000 are adjusted towards allotment as securities premium reserve. Therefore, Securities Premium Reserve of ₹ 1,500 (i.e. ₹ 2,500- 1,000) is not received. Hence securities Premium Reserve is debited by ₹ 1,500.

Solution 28

Journal of BP Limited

Particulars		Dr. (₹)	Cr. (₹)
Bank A/c (Note 1 – Column 3)	Dr.	10,80,000	10,80,000
To Equity Share Application A/c			
(Being application money received on 3,60,000 shares @ ₹ 3 per share)			
Equity Share Application A/c	Dr.	10,80,000	
To Equity Share Capital A/c			3,60,000
To Equity Share Allotment A/c (Note 1 Column 5)			4,40,000
To Bank A/c (Note 1 – Column 6)			2,80,000
(Being application money on 2,80,000 shares transferred to Equity Share Capital Account; on 1,60,000 shares adjusted with allotment and on 80,000 shares refunded as per Board's Resolution No.....dated....)			
Equity Share Allotment A/c	Dr.	6,00,000	
To Equity Share Capital A/c			3,60,000
To Securities Premium a/c			2,40,000
(Being allotment money due on 1,20,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution No....dated....)			
Bank A/c (Note 1 – Column 8)	Dr.	1,60,000	
To Equity Share Allotment A/c			1,60,000
(Being balance allotment money received)			
Equity Share First and Final Call A/c	Dr.	4,80,000	
To Equity Share Capital A/c			4,80,000
(Being final call money due on 1,20,000 shares @ ₹ 4 per share as per Board's Resolution No.....dated....)			
Bank A/c	Dr.	4,78,640	
Calls in Arrears A/c	Dr.	1,360	
To Equity Share First and Final Call A/c			4,80,000

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(Being final call money on 1,19,660 shares @ ₹4 each received)			
Equity Share Capital A/c	Dr.	3,400	
To Calls in Arrears A/c			1,360
To Forfeited Shares A/c			2,040
Being forfeiture of 340 equity shares for non- payment of call money as per Board's Resolution No.....dated)			
Bank A/c	Dr.	4,420	
To Equity Shares Capital A/c			3,400
To Securities Premium A/c			1,020
Being re-issue of 340 shares @ ₹13 each as per Board's Resolution No.....dated....)			
Forfeited Shares A/c	Dr.	2,040	
To Capital Reserve A/c			2,040
(Being profit on re-issue transferred to Capital Reserve)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received On Application	Amount Required On Application	Amount adjusted On Allotment	Refund [3 - 4 + 5]	Amount due on Allotment	Amount received On Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Rejected	80,000	Nil	2,40,000	Nil	Nil	2,40,000	Nil	Nil
(i)	1,60,000	80,000	4,80,000	2,40,000	2,40,000	Nil	4,00,000	1,60,000
(ii)	1,20,000	40,000	3,60,000	1,20,000	2,00,000	40,000	2,00,000	Nil
TOTAL	3,60,000	1,20,000	10,80,000	3,60,000	4,40,000	2,80,000	6,00,000	1,60,000

Also,

- Amount Received on Application (3) = No. of shares applied for (1) x ₹ 3
- Amount Required on Application (4) = No. of shares allotted (2) x ₹ 3