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INSTITUTE OF COMMERCE AND MANAGEMENT

## CA FOUNDATION

### 2-[RTP May 2018 & Similar in RTP May 2021 - Issue of Shares]

Pihu Limited issued at par 2,00,000 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. Pal who held 20,000 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 2,000 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. Pal. You are required to prepare journal entries to record these transactions

### 3-[RTP Nov. 2018 & Nov. 2019 - Issue of Shares]

On 1st April, 2017, Pehal Ltd. issued 64,500 shares of ₹ 100 each payable as follows: ₹ 30 on application, ₹ 30 on allotment, ₹ 20 on 1st October, 2017; and ₹ 20 on 1st February, 2018. 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, 2018.

### 4-[RTP May 2018, Nov. 2019, May 2019 & Similar in Nov. 2018 & May 2021 - Forfeiture of Shares]

Mr. Hello who was the holder of 4,000 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 3,000 of such shares to Mr. X at ₹ 65 per share paid-up as ₹75 per share. You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company

### 5-[RTP May 2019 - Issue of Shares]

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



#### 6-[RTP May 2020, May 2018 Examination & Similar in Jan. 2021 - Issue of Shares]

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, 2018. 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:

- a. ₹ 2 per share payable on application, to be received by 1st July, 2018;
- b. Allotment to be made on 10th July, 2018 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, 2019.

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 the 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

#### 7-[RTP June 2022]

Delta Ltd. forfeited 600 shares of ₹ 10 each issued at a premium of 10% to W for non-payment 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.

#### 8-[RTP May 2020 & Examination May 2019 - Forfeiture of Shares]

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



## ANSWER KEY

1-

Book of Pihu Limited

Journal

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Bank A/c To Equity Share Application A/c (Money received on applications for 2,00,000 shares @ ₹ 2.50 per share)	Dr.		5,00,000	5,00,000
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 2,00,000 shares to share capital)	Dr.		5,00,000	5,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 2,00,000 shares @ ₹ 3 per share)	Dr.		6,00,000	6,00,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.		6,00,000	6,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call made due on 2,00,000 shares at ₹.2 per share))	Dr.		4,00,000	4,00,000
	Bank A/c To Equity Share First Call A/c To Calls in Advance A/c  (Being first call money received along with calls in advance on 20,000 shares at ₹2.50 per share)	Dr.		4,50,000	4,00,000 50,000
	Equity Share Final Call A/c To Equity Share capital A/c (Being final call made due on 2,00,000 shares at ₹2.50 each)	Dr.		5,00,000	5,00,000
	Bank A/c Calls in Advance /C Calls in Arrears A/c (Being final call received for 1,78,000 shares and calls in advance for 20,000 shares adjusted)	Dr. Dr. Dr.		4,45,000 50,000 5,000	5,00,000



Interest on Calls in Advance A/c To shareholders A/c Being interest made due on calls in advance of ₹50,000 at the rate of 12% p.a.)	Dr.	1,500	1,500
Shareholders A/c To bank A/c (Being payment of Interest made to shareholders)	Dr.	1,500	1,500
Shareholders A/c To Interest on Calls in Arrears A/c (Being interest on calls in arrears made due at the rate of 10%)	Dr.	83.34	83.34
Bank A/c To Calls in Arrears A/c To Shareholders A/c (Being money received from shareholder for calls in arrears and interest thereupon)	Dr.	5,083.34	5,000 83.34

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### Pehal Ltd. Journal

2017			Dr. ₹	Cr. ₹
May 20	Bank Account To Share Application A/c (Application money on 60,000 shares at ₹ 30 per share received.)	Dr.	18,00,000	18,00,000
June 1	Share Application A/c To Share Capital A/c (The amount transferred to Capital Account on 60,000 shares ₹ 30 on application. Directors' resolution no..... dated )	Dr.	18,00,000	18,00,000
	Share Allotment A/c To Share Capital A/c (Being share allotment made due at ₹ 30 per share. Directors' resolution no. dated.....)	Dr.	18,00,000	18,00,000
July 15	Bank Account To Share Application and Allotment A/c (The sums due on allotment received.)	Dr.	18,00,000	18,00,000
Oct. 1	Share First Call Account To Share Capital Account	Dr.	12,00,000	12,00,000



	(Amount due from members in respect of first call-on 60,000 shares at ₹ 20 as per Directors, resolution no... dated...)			
Oct. 20	Bank Account To Share First Call Account (Receipt of the amounts due on first call.)	Dr.	12,00,000	12,00,000
2018				
Feb. 1	Share Second and Final Call A/c To Share Capital A/c (Amount due on 60,000 share at ₹ 20 per share on second and final call, as per Directors resolution no... dated...)	Dr.	12,00,000	12,00,000
Mar. 31	Bank Account To Share Second & Final Call A/c (Amount received against the final call on 60,000 shares at ₹20 per share.)	Dr.	12,00,000	12,00,000

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In the books of Company

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Journal

Particulars		Dr. ₹	Cr. ₹
Preference Share Capital A/c (4,000 × ₹75) To Preference Share Allotment A/c To Preference Share First Call A/c To Forfeited Share A/c (Being the forfeiture of 4,000 preference shares ₹ 75 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)	Dr.	3,00,000	1,00,000 1,00,000 1,00,000
Bank A/c (3,000 × ₹65) Forfeited Shares A/c (3,000 × ₹10) To Preference Share Capital A/c (Being re-issue of 3,000 shares at ₹ 65 per share paid-up as ₹ 75 as per Board's Resolution No.....dated.....)	Dr. Dr.	1,95,000 30,000	2,25,000
Forfeited Shares A/c To Capital Reserve A/c (Note 1) (Being profit on re-issue transferred to Capital/Reserve)	Dr.	45,000	45,000





### Working Note:

Calculation of amount to be transferred to Capital Reserve Forfeited

amount per share = ₹ 1,00,000/4,000 = ₹ 25

Loss on re-issue = ₹ 75 - ₹ 65 = ₹ 10

Surplus per share re-issued ₹ 15

Transferred to capital Reserve ₹ 15 × 3,000 = ₹ 45,000.

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Bank A/c To Equity Share Application A/c (Money received on application for 1,000 shares @ ₹ 25 per share)	Dr.	25,000	25,000
Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 1,000 shares to share capital)	Dr.	25,000	25,000
Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 1,000 shares @ ₹ 30 per share)	Dr.	30,000	30,000
Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	30,000	30,000
Equity Share First Call A/c To Equity Share Capital A/c (First call money due on 1,000 shares @ ₹ 20 per share)	Dr.	20,000	20,000
Bank A/c Calls-in-Arrears A/c To Equity Share First Call A/c To Calls-in-Advance A/c (First call money received on 900 shares and calls-in- advance on 50 shares @ ₹ 25 per share)	Dr. Dr.	19,250 2,000	20,000 1,250



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### Journal of Piyush Limited

Date 2018	Particulars		Dr. ₹	Cr. ₹
July 1	Bank A/c (Note 1 - Column 3) To Equity Share Application A/c	Dr.	8,40,000	8,40,000

July 10	(Being application money received on 4,20,000 shares @ ₹ 2 per share)			
	Equity Share Application A/c	Dr.	8,40,000	
	To Equity Share Capital A/c			2,60,000
	To Equity Share Allotment A/c (Note 1 - Column 5)			4,00,000
	To Bank A/c (Note 1-Column 6)			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 as per Board's Resolution No.....dated....)			
	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 as per Board's Resolution No.....dated....)			
	Bank A/c (Note 1 - Column 8)	Dr.	2,50,000	
	To Equity Share Allotment A/c (Being balance allotment money received)			2,50,000
	Equity Share Final Call A/c	Dr.	6,50,000	
	To Equity Share Capital A/c (Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No.....dated....)			6,50,000
2019 April 30	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,30,000 shares @ ₹ 5 each received)	Dr.	6,50,000	6,50,000



**Working Note : Calculation for Adjustment and Refund**

Category	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 [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(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
<b>TOTAL</b>	<b>4,20,000</b>	<b>1,30,000</b>	<b>8,40,000</b>	<b>2,60,000</b>	<b>4,00,000</b>	<b>1,80,000</b>	<b>6,50,000</b>	<b>2,50,000</b>

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**In the Books of Delta Ltd.**

**Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Share capital A/c (600 × ₹ 10) Dr. Securities Premium A/c (600 × ₹ 1) Dr. To Calls-in-arrears A/c (600 × ₹ 3) To forfeited Shares A/c (600 × ₹ 8) (Being 600 shares forfeited for non-payment of call money)		6,000 600	1,800 4,800
2.	Bank A/c (400 × ₹ 9) Dr. Forfeited Shares A/c (400 × ₹ 1) Dr. To Share Capital A/c (400 × ₹ 10) (Being 400 shares re-issued as fully paid-up for ₹ 9 per share)		3,600 400	4,000
3.	Forfeited Shares A/c Dr. To Capital Reserve A/c (Being the transfer of profit on re-issue of 400 shares to Z)		2,800	2,800
4.	Bank A/c (100 × ₹ 11) Dr. To Share Capital A/c (100 × ₹ 10) To Securities Premium A/c (100 × ₹ 1) (Being 100 shares re-issued to X as fully paid-up for ₹ 11 per share)		1,100	1,000 100
5.	Forfeited Shares A/c (₹ 4,800 × 100/600) Dr. To Capital Reserve A/c (Being the transfer of profit on re-issue of 100 shares to X)		800	800





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In the books of Bhagwati Ltd. Journal Entries

		Dr. ₹	Cr. ₹
Bank A/c To Equity Share Application A/c (Being the application money received for 3,00,000 shares at ₹ 3 per share)	Dr.	9,00,000	9,00,000
Equity Share Application A/c To Equity Share Capital A/c (2,00,000 × ₹ 3) To Share allotment A/c (Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)	Dr.	9,00,000	6,00,000 3,00,000
Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment amount due on 2,00,000 equity shares at ₹ 5 per share as per Directors' resolution no... dated...)	Dr.	10,00,000	10,00,000
Bank A/c To Equity Share Allotment A/c (Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)	Dr.	7,00,000	7,00,000
Equity Share first and final call A/c To Equity Share Capital A/c (Being first and final call amount due on 2,00,000 equity shares at ₹ 2 per share as per Directors' resolution no... dated...)	Dr.	4,00,000	4,00,000
Bank A/c Calls in arrears A/c To Equity Share first and final call A/c (Being final call received on 1,97,000 shares)	Dr.	3,94,000 6,000	4,00,000
Share capital A/c (3,000 × ₹ 10) To Forfeited share A/c (3,000 × ₹ 8) To Calls in arrears A/c (3,000 × ₹ 2) (Being forfeiture of 3,000 shares of ₹ 10 each fully called-up for non payment of first and final call @ ₹ 2 as per Directors' resolution no... dated...)	Dr.	30,000	24,000 6,000



Bank A/c (2,500 × ₹6)	Dr.	15,000	
Forfeited share A/c (2,500 × ₹4)		10,000	
To Equity Share Capital A/c (2,500 × ₹ 10)			25,000
(Being re-issue of 2,500 shares @ ₹ 6)			
Forfeited share A/c (2,500 × ₹ 4)		10,000	
To capital reserve A/c (2,500 × ₹ 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                      =	8
Loss on re issue (8-4)	4
Surplus per share	4

Transfer to capital reserve                      ₹ 4 × 2,500                      ₹ 10,000



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