

Chapter 9 Accounting for share capital

Common Errors.:

1. Passing entries with issued shares instead of applied shares in case of under subscription.
2. Not able to differentiate between applied shares and allotted shares.
3. Wrong calculation of calls in arrear due to ignorance of information regarding applied shares.
4. Not able to differentiate between number of shares and value of shares.
5. Not preparing category wise chart before doing questions of pro rata.
6. Calculating applied shares or allotted shares with wrong category.
7. At the time of forfeiture debiting share capital with face value instead of called up value.
8. Ignoring securities premium at the time of forfeiture.
9. Wrong calculation of Capital Reserve especially when all the forfeited shares are not reissued.
10. Not doing the entry of Capital Reserve when there is no loss on reissue of shares.
11. Wrong calculation of purchase consideration and number of shares (in case of shares issued for consideration other than cash).
12. Crediting the entire excess application money to share allotment account.
13. Not cancelling calls in advance account when the respective call is received.
14. Wrong calculation of subscribed shares when balance sheet is made.
15. Recording bank entries also in journal, when Cash Book is to be made.

Theoretical questions (1 mark each)

1. When the shares are payable in lump sum, then which option is possible with excess money in case of over subscription ?
2. Axe Ltd. want to utilise Securities Premium to maximize return to its shareholders State that use of securities premium which will achieve this objective.
3. How is surrender of shares different from forfeiture of shares?
4. Neel Ltd. has adopted Table F of Companies Act, 2013. It has issued Rs.50,00,000 shares of Rs.100 each. It want to make first call of Rs.30 per share. Can it go ahead with this proposal? Give reason.
5. What is the nature of Share Application Account ?
6. How many days of notice need to be given by the company to the defaulting shareholder before forfeiture of shares? Under which head in balance sheet does Forfeited Shares Account appear ?
7. Name the account to be credited if the shares are reissued at a price which is more than the amount credited to share capital account.

8. Why would an investor prefer to invest in shares of a company rather than in its debentures?
9. What is the maximum limit on the paid up share capital of an OPC?
10. If a company does not have clause regarding when to make calls in its Articles of Association then which table of Companies Act, 2013 will apply?
11. A company made first call of Rs.2 per share on 2nd September 2018, it again wants to make another call on 5th October 2018. Can the company go ahead assuming that there is no provision regarding calls in the Articles of Association of the company?
12. Which section does not allow issue of shares at discount and which section allow issue of shares at discount?
13. A company has a credit balance of Rs.1 crore in its security premium reserve account. It could not earn profit in the current year and therefore was unable to declare dividend. The accountant of the company suggested to utilise securities premium reserve for this purpose. Is he right? Give reason.
14. If the articles of association of the company is silent then at what rate interest on calls in arrear is charged by the company?
15. What is the treatment of calls in advance while preparing the balance sheet of the company?
16. What is the maximum permissible discount on reissue of forfeited shares?
17. How many days notice need to be given before a company can forfeit the shares?
18. What is the minimum price at which forfeited shares can be re-issued?
19. Name any two conditions which need to be satisfied to issue shares under ESOP.
20. A company issued 100000 shares and the issue is oversubscribed by 4 times. State the various alternatives available for allotment of shares.

Practical questions (1mark each)

21. A company forfeited 600 shares of Rs.100 each (Rs.80 called up) for not paying allotment of Rs.40 per share and first call of Rs.20 per share. At what minimum price can the shares be re-issued, if they are re-issued as fully paid-up?
22. Determine the maximum permissible discount per share which a company can allow at the time of reissue of forfeited shares in the following cases:
 - a) 20 shares of Rs.50 each originally issued at 10% premium on which application and allotment money (including premium) of Rs.35 per share is received.
 - b) 35 shares of Rs.10 each issued at 50% premium on which application money of Rs.2.50 per share is received.

23. X limited purchased furniture from Y Limited for Rs.5 lakh and paid 20% in cash. For the balance 3,200 shares of Rs.100 each were issued at premium. What is the premium per share on issue of shares?
24. A company issued 9,00,000 shares of Rs.10 each but 60,000 less applications have come and allotment is made to all the applications. Rs.6 per share is called. Rs.6,000 is not yet received. These shares are forfeited and then reissued. What is the subscribed capital to be shown in the balance sheet of the company?
25. A shareholder holding 10,000 shares of Rs.10 each is given pro rata allotment in the ratio of 6: 5. He failed to pay allotment money of Rs.4 per share. First and final call of Rs.4 per share is not yet due. If his shares are forfeited, what is his forfeited money?
26. A company is yet to make first, second and third call of Rs.2 each. Ravi a shareholder holding 3,900 shares paid Rs.11,700 in advance along with allotment money of Rs.1 per share. Later on first call is made and duly received. How much calls in advance of Ravi be shown in the balance sheet of the company?

3/4 MARK QUESTIONS

27. Madhab limited issued 50,000 equity shares of Rs.50 each, Rs.30 paid up for purchase of a running business from Gupta Bros. for a particular amount of purchase consideration. The assets and liabilities consisted of the following : Plant Rs.5,00,000; Trucks- Rs.7,00,000; Stock- Rs.3,00,000; Sundry creditors – Rs.5,00,000; Machinery – Rs.6,00,000. Record necessary journal entries .

28. A company purchased a running business from Aero Limited for a sum of Rs.60,00,000 payable, Rs.20,00,000 by issuing debentures of Rs.100 each at 20% discount, redeemable after a year at a premium of 10% and for the balance it issued equity shares of Rs.10 each at 25% premium.

The assets and liabilities consisted of the following:

Plant and machinery Rs.28,00,000;

Building , Rs.20,00,000

Stock Rs.80,00,000

Debtors Rs.8,00,000

Creditors Rs.6,50,000

Provision for doubtful debts Rs.10,000 .

Record necessary journal entries for these transactions

29. Nikhil Ltd. Purchased a running business from Sonia Ltd. for a sum of Rs.22,00,000 . The assets and liabilities consisted of the following :

Machinery- Rs.7,00,000

Debtors- Rs.2,50,000

Stock- Rs.5,00,000 ,

Building-Rs.11,50,000

Bills Payable Rs.2,50,000.

Pass journal entries in the books of Nikhil Ltd. if the shares of Rs.100 each are issued at a premium of 10%.

30. JP Ltd. took over business of RP Ltd. for a purchase consideration of Rs.20,50,000 paid by cheque and Rs.90,00,000 paid by issuing shares.

The assets and liabilities consisted of the following :

Building- Rs.20,00,000 ,Bills Receivable - Rs.13,50,000 , Furniture- Rs.1,00,000

Machinery-Rs.51,50,000 , Bills Payable Rs.7,50,000.

Pass journal entries in the books of JP Ltd. if the shares of Rs.50 each are issued at a premium of 20%.

31. A limited company has been incorporated with an authorized capital of Rs.10,00,000 divided into 1,00,000 shares of Rs.10 each. It offered 90,000 shares for subscription by the public and out of these 85,000 shares were subscribed for. The director called for an amount of Rs.6 per share and received the entire amount except a call for Rs.2 per share on 500 shares. Calculate the amount of different categories of share capital and show it in the balance sheet of the company.

32. Apex co. ltd. is registered with an authorized capital of Rs.5,00,000 divided into shares of Rs.10 each . The company purchased various assets of Kailash for Rs.2,00,000 & payment is made by the issue of 15,000 shares at a premium of 10% & the balance in cash. 20,000 shares were issued to the public at premium of 20% & full amount is received on application. The company issued 400 shares to its promoters against their services. Record Journal entries for the above transactions.

33. Aptech Ltd. forfeited 300 shares of Rs.10 each , on which first call of Rs.3 per share was not received, the second and final call of Rs.2 per share has not yet been called. Immediately out of these 75 shares were reissued to G for Rs.600. Journalize.

34. The directors of M Ltd. resolved that 2,000 equity shares of Rs.10 each issued at a premium of 10% be forfeited for non- payment of final call of Rs.2.50 per share(including premium). Of these 1800 shares were reissued as fully paid at the minimum price of reissue as per Companies Act,2013. Journalize.

35. Abhinav who applied for 4500 shares of Rs.100 each issued at par and paid application money of Rs.25 per share. He is allotted 1500 shares on pro-rata basis. Allotment money is Rs.25 per share, first call is Rs.20 per share and final call-balance. Abhinav's excess money is adjusted in allotment and calls. He didn't pay final call and his shares are forfeited. Later on 1000 shares are re-issued at 5% discount. Journalize.

36. Ricky, a shareholder in Goody company ltd. who is allotted 1700 shares of Rs.50 each paid Rs.10 per share of first call and Rs.20 per share of second call along with allotment money of Rs.5 per share. Goody company ltd. had issued 10000 shares at a premium of Rs.10 per share paid along with application.

Pass journal entries related to both the calls assuming all money due is received.

37. Y Ltd. forfeited 100 shares of Rs.100 each issued at 20% premium payable equally in application, allotment and two calls, for non- payment of first call of Rs.30 per share (including premium)& second call of Rs.20 per share(including premium). Out of these 40 shares were reissued for Rs.90 per share. Journalize.

38 HI Ltd. Forfeited a share of Rs.100 each (Rs.60 called up) issued at a premium of 10% on which application money of Rs.20 (including premium) is received. Later on the share is reissued to Z as Rs.80 called up for Rs.90. Journalize.

39.X Ltd. with a nominal capital of Rs.50,00,000 in equity shares of Rs.10 each, issued 2,00,000 shares payable Rs.2.50 per share on application, Rs.2.50 per share on allotment and Rs.5 per share on first and final call. All money payable on allotment was duly received but one shareholder didn't pay allotment on 6,000 shares while another shareholder having 2,000 shares paid for first call also.

Show the company's balance sheet after allotment of shares.

40.S Ltd. Issued shares of Rs.10 each at Rs.14 per share payable as follows:

Application- Rs.5

Allotment - Rs.6 (including premium)

First & final call- Rs.3

Sanvi, who applied for 3,000 shares and to whom 2,000 shares were allotted on pro rata basis, did not pay allotment and her shares were immediately forfeited. Later on 1,500 shares were then reissued for Rs.17,000.

Pass entries for forfeiture and reissue of shares.

41. Kevin limited forfeited 2,000 shares of Rs.10 each at a premium of Rs.2 per share of Mr.Varun who had applied for 3,200 shares on account of non-payment of allotment money. Shares were allotted on pro rata basis.

Application money payable is Rs.5 (including premium) and allotment money is Rs.7.

Out of these, 400 shares were reissued as fully paid at the minimum price as per Companies Act. Pass entries for forfeiture and reissue of shares.

42. Complete the following **Share Forfeited Account** assuming that shares of Rs.10 each were fully called up at the time of forfeiture:

Particulars.	Amount(Rs.)	Particulars.	Amount(Rs.)
To Share Capital A/c (reissued ____ shares)	6,000	By Share Capital A/c (forfeited 4,000 shares)	10,000
To Capital reserve A/c	?		
To Balance c/d (for 1,000 shares)	?		
	10,000		10,000

43. Aana Jana Limited took over the business of Aye Gaye Limited for Rs.1,20,000. The sundry assets are 600% of its liabilities. Fill in the blanks given below:

Particulars.	L.F.	Debit (Rs.)	Credit (Rs.)
Sundry Assets A/c -Dr.		?	
To Sundry Liabilities A/c			30,000
To _____			1,20,000
To Capital Reserve A/c			?
(Being assets and liabilities taken over for a purchase consideration of _____)			
_____ -Dr.		?	

To Share Capital A/c To Securities Premium Reserve A/c (Being _____ Shares of Rs.100 each, Rs.60 paid-up(including premium) issued at a premium of Rs.20 per share)			? 40,000
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44. Bahubali limited company issued a certain number of shares of Rs.10 each at par. The issue was oversubscribed and pro rata allotment was done to all the applicants. You are required to calculate:

- Applied no. of shares
- Allotted no. of shares
- Adjustment of excess money
- Fill in the blanks given below.

Date	Particulars.	L.F.	Debit (Rs.)	Credit(Rs.)
	Bank A/c -Dr. (_____x_____) To Share Application a/c		_____	_____
	Share Application a/c -Dr. To Share Capital A/c(_____x3) To Share Allotment A/c (50,000 x_____) To Calls in Advance A/c		_____	1,50,000 50,000 _____
	Share Allotment A/c –dr. (50,000x1) To Share Capital A/c		50,000	_____
	Bank A/c -Dr. To Share allotment a/c		_____	_____
	Share first and final call A/c -Dr. To Share Capital A/c		_____	_____
	Bank A/c -Dr. Call in Advance A/c -Dr. To Share first and final call A/c		1,00,000	_____

8 MARKS QUESTIONS

45. Richi Ltd. issued a prospectus offering 2,00,000 equity shares of Rs.10 each at a premium of Rs.2 per share on the following terms :

On application –Rs.4 per share

On allotment- Rs.3 per share (including premium of Rs.2 per share)

On first call – Rs.4 per share

On final call- Balance

Subscriptions were received for 3,17,000 shares and allotment made as follows :

	Shares Allotted
i) Allotment in full	38,000
ii) Allotment of two-thirds of shares applied for	1,60,000
iii) Allotment of one-fourth of shares applied for	2,000

Excess application money is to be adjusted in allotment and calls. Cash amounting to Rs.1,24,000 (being application money received with applications for 31,000 shares upon which no allotment was made) was refunded.

The amounts due were received on due dates except the final call on 100 shares. These shares were forfeited and later on reissued to Vandana @ Rs.9 per share. Prepare cash book and pass journal entries.

46. D Ltd. was registered with a capital of Rs.20,00,000 in equity shares of Rs.100 each. Rs.5,00,000 of these shares were issued to the vendor at a premium of 10% for purchase of Land. Rs.10,00,000 of these shares were issued to the public at 20% premium payable as follows :

On application –Rs.20 per share
 On allotment- Rs.45 per share (including premium)
 On first call –Rs.25 per share
 On final call- Balance

Issue was oversubscribed by 3,000 shares. Allotment was made pro-rata to the applicants of 12,000 shares, remaining applications being rejected. Excess money was adjusted in allotment. Prakash who applied for 240 shares paid the whole amount due on first call along with allotment but failed to pay the final call. Ali holding 300 shares failed to pay allotment and first call after which his shares are forfeited and immediately reissued at Rs.60 per share as Rs.70 paid up to Abhinav. Afterwards final call was made and John who applied for 480 shares failed to pay final call. Shares of John are forfeited and later on reissued 100 of these shares @ Rs.110 per share.

Journalize the transactions in the books of D Ltd.

47. Bhavna Ltd. issued a prospectus offering 20,000 equity shares of Rs.10 each on the following terms:

On application –Rs.4 per share
 On allotment- Rs.5 per share
 On first call – Balance.

Issue was oversubscribed by 67,650 shares. One applicant for 600 shares paid in full for the shares applied for. Allotment was made as under:

Applicants for 23,650 shares were allotted 11,500 shares (including the applicant for 600 shares who was allotted 300 shares).

Applicants for 64,000 shares were allotted 8,500 shares

Excess money is adjusted in allotment and calls and surplus refunded.

Prepare cash book and pass journal entries.

48. Neerja Ltd. Issued 60,000 equity shares of Rs.10 each at a premium of Rs.2.50 per share payable on application. The amount payable on allotment was Rs.4 per share and an equivalent sum was payable on first & final call. Total applications received were for 1,10,000 shares and the following scheme of allotment was decided :

Grouping of Shares	1-100	101-500	Over 500
No. of applications received	1200	175	5
No. of Shares applied for	70,000	35,000	5,000
No. of shares allotted	42,000	14,000	4,000

Category is A ,B ,C respectively.

Excess money is adjusted only in allotment and balance refunded. Sony, belonging to Category A who had applied for 100 shares, defaulted in payment of allotment money and his shares are forfeited. Later on first call is made and Trehan who is allotted 800 shares from Category C failed to pay first call money and his shares are forfeited. Half of Sony's shares and all of Trehan's shares are reissued for Rs.9,130.

Prepare Forfeited Share Account, Capital Reserve Account and pass Journal entries.

49 .Give journal entries at the time of forfeiture and reissue of shares:

a)The directors of A Ltd. forfeited 500 shares of Rs.50 each, Rs.40 being called up , on which Radha, a shareholder paid application and allotment money of Rs.25 per share and didn't pay first call of Rs. 15 per share. Later on reissued 350 shares as fully paid up at a discount of Rs.10 per share.

b) New India Ltd. forfeited 100 shares of Rs.10 each issued at 20% premium to Ranjit. He had applied for 120 shares. He didn't pay allotment of Rs.7 per share (including premium) and final call of Rs.3 per share. 40 shares were later on reissued for Rs.320.

c) Sun Ltd. forfeited 100 shares of Rs.10 each (Rs.7 called up) issued to Reet on which he had paid only application money of Rs.3 per share and allotment money of Rs.2. Of these 80 shares were later on reissued to Seema as Rs.8 paid up for 5 per share.

d) P Ltd. forfeited 600, 8% preference shares of Rs.100 each issued at Rs.106 for non - payment of final call of Rs.30 per share. 350 shares are re-issued for Rs.33,250.

50. Sita Ltd. had authorized capital of 20,000 shares of Rs.100 each. It issued 8,000 shares as fully paid up to the vendor, Akhilesh for purchasing machinery along with accepting a bill of exchange for Rs.2,00,000. It issued 10,000 shares to the public which were fully subscribed . During the year only Rs.60 were called up payable Rs.20 on application , Rs.20 on allotment, Rs.10 on first call and Rs.10 on second call. In respect of these shares the amount were received as follows :

a) On 8,000 shares full money called

b) On 1,200 shares Rs.50 per share

c) On 500 shares Rs.40 per share

d) On 300 shares Rs.20 per share

It was decided to forfeit those shares on which less than Rs.50 were received. Out of these forfeited shares 600 shares were reissued including all shares of category (d) at Rs.40 per share as Rs.60 paid up.

Give Journal entries in the books of the company and prepare Balance Sheet.

51. Delta Ltd. Issued 10,000 shares of Rs.10 each at a premium of Rs.5 per share payable as follows:

On application and allotment –Rs.8 per share (including premium of Rs.3 per share)

On first call –Rs.5 per share (including premium of Rs.2 per share)

On final call- Balance

In all 15,000 applications were received and allotment made as follows:

Category	Applied	Allotted
A	5,000	4,000
B	6,000	5,000
C	4,000	1,000

Excess money is adjusted in calls and surplus refunded. Ravi from *Category B* didn't pay both the calls on his 200 shares. Satish who applied for 1000 shares from *Category A* didn't pay final call. All the shares of Ravi and half of the shares of Satish are forfeited and later on reissued all the shares at a premium of Rs.4 per share as fully paid up. Give Journal entries in the books of the company.

52. Ganesh Ltd. issued a prospectus offering 20,000 equity shares of Rs.10 each at a premium of Rs.4 per share on the following terms

On application –Rs.4 per share (including premium of Rs.1 per share)

On allotment- Rs.3per share (including premium of Rs.1 per share)

On first call –Rs.3 per share (including premium of Rs.1 per share)

On final call- Rs.4 per share (including premium of Rs.1 per share)

Applications were received for 30,000 shares and pro-rata allotment was made on the applications for 24,000 shares. Excess money is adjusted in allotment.

Manav, who was allotted 500 shares, failed to pay allotment and first call after which his shares are forfeited.

Rajat, who applied for 1,800 shares failed to pay the two calls and his shares are forfeited after second call.

Of the forfeited share 1,700 shares were reissued as fully paid up for Rs.8 per share, the whole of Rajat's share being included.

Prepare Cash Book and Journal.

53. Gupta Ltd. Issued 10,000 shares of Rs.10 each at a premium of Rs.1 per share payable as follows:

On application –Rs.2.50 per share

On allotment- Rs.4per share

On first call – Balance

Issue was over subscribed by 13,000 shares and allotment made as follows:

List	Applied	Allotted
I	2,000	Full
II	6,000	50%
III	15,000	5,000

Excess money is adjusted in allotment and calls and surplus refunded.

All the shareholders paid the amount due on allotment and call except A (who applied for 600 shares from List II) and B (who applied for 1,500 shares from List III) . Both A and B paid only application money.

The shares are forfeited and later on reissued A's shares at Rs.9.50 per share and B's share at Rs.7.50 per share. Pass journal entries.

54.. Gautam plastics Ltd had an authorized capital of Rs.5,00,000 divided into shares of Rs.20 each.

16000 shares were issued and subscribed for by the public & during the year Rs.10 per share was called up, payable Rs.4 on application, Rs.2 on allotment, Rs.2 on first call & Rs.2 on second call.

Shareholder A, who holds 250 shares, has paid application, allotment and first call.

Shareholder B, who holds 400 shares, has paid application and allotment.

Shareholder C, who holds 1000 shares, has paid application money on all the shares and allotment money on 600 shares and nothing on first call and second call.

Shareholder D, who applied for 350 shares, paid only application money.

Shares of B, C and D were forfeited and later on reissued half of B's shares @ Rs.9 per share as Rs.10 paid up and all the shares of C @ Rs.21 as fully paid up. Pass journal entries.

55. On February 1 2012, directors of Alpha Limited issued 5,00,000 equity shares of Rs.10 each at Rs.12 per share payable Rs.5 on application (including premium), Rs.4 on allotment, balance on first call made on 1st May 2012

The list closed on February 10 2012, by which date applications for 7,00,000 shares were received. Of the cash received, Rs.4,00,000 was returned and Rs.6,00,000 was applied to the amount due on allotment.

Out of the amount due on allotment Rs.11,20,000 was received and Ranjan, a shareholder holding some shares did not pay allotment.

Ranjan paid his due amount of allotment along with first call. First call is fully received with the exception of one allottee of 500 shares. These shares were forfeited on September 29 2012 and re-issued for Rs.5,800 on November 1, 2012.

Record necessary journal entries in the books of Alpha Limited.

56. S Limited offers 1,00,000 equity shares of Rs.10 each payable Rs.3 on application, Rs.3 on allotment (including premium Rs.2), Rs.4 on first call and Rs.2 on final call. Applications were received for 1,58,500 shares and allotment was made as under:

	Shares allotted
Allotment in full	19,000
Allotment of 2/3rd of shares applied for	80,000
Allotment of 1/2 of shares applied for.	1,000
Application money of Rs.52,500 in respect of 17,500 Shares upon which no allotment was made was returned to applicants. All amounts were received except allotment and calls on 800 shares from second category which were forfeited and reissued later on @ Rs.9 each. Give journal entries to record the above transactions.	

57. Vijay limited with a registered capital of 20,00,000 shares of Rs.10 each, issued 5,00,000 such shares at a premium of 10%, payable as follows:

Rs.3 on application; Rs.2 on allotment; Rs.2 on first call and balance on final call.

The company received applications for 7,00,000 shares and pro rata allotment was made to applicants of 6,00,000 shares, rest being rejected.

The amount due on allotment was duly received except Mr. Kapil holding 3500 shares. His shares were immediately forfeited. Ms. Parul who applied for 4200 shares, paid the entire balance on her holding along with allotment money. 3,000 of Kapil's shares were

immediately reissued for Rs.9 per share. Afterwards first call is made and duly received. The final call is not yet made.

Prepare Cash Book and pass necessary journal entries.

58. A company invited applications for issuing 2,00,000 shares of Rs.10 each at a premium of Rs.10 per share payable as:

Application –Rs.4 (including Rs.2 Premium)

Allotment –Rs.4 (including Rs.2 Premium.)

First call-Rs.4 (including Rs.2 Premium)

Second & final call balance.

Issue is fully subscribed. Raj with 1,000 shares didn't pay allotment. But Ram with 1,500 shares paid entire money with allotment. Raj's shares were forfeited. Afterwards first call was made and Shyam with 500 shares didn't pay first call. His shares were immediately forfeited. Later on second call was made and received. All share of Raj and 60% shares of Shyam were reissued at a discount of 5%. Prepare Cash book, Securities Premium A/c.

59. Money plus limited issued for public subscription 75,000 shares of Rs.10 each at a premium of 25% payable as:

On application – Rs.2 per share

On allotment – Rs.3.50 per share (including Rs.1.50 premium)

On first call – balance with premium

The company received applications for 1,50,000 shares and allotment was made as follows :

a) Applicants of 15,000 shares were allotted 5,000 shares.

b) Applicants of 70,000 shares were allotted 40,000 shares.

c) Remaining Applicants were allotted 30,000 shares.

Money in excess of allotment was returned. Hari, a shareholder who had applied for 3,500 shares out of group (b) failed to pay allotment and call money. Rohan, a shareholder who applied for 6,500 shares from group(c) paid the call money along with allotment.

Hari's shares were forfeited and later on 1,500 shares were re-issued for Rs.18,000.

Pass necessary journal entries. What will be the balance in securities premium reserve account after reissue of shares?

60. Mira limited issued 50,000 shares of Rs.10 each at a premium of Rs.6 per share payable as follows:

Application- Rs.5 (including Rs.2 premium)

Allotment - Rs.5 (including Rs.2 premium)

First call- Rs.3 (including Rs.1 premium)

Final call- Rs.3 (including Rs.1 premium)

a) Aditya holding 2,000 shares did not pay allotment and his shares were forfeited after allotment.

b) Abhinav , holding 1,000 shares did not pay first call and his shares were forfeited after first call.

c) Anju , holding 500 shares did not pay final call and her shares were forfeited after final call.

Pass entries for forfeiture of shares and show the share capital (along with notes to accounts) in the balance sheet of the company after final call is made.

Hint to answers:

1. Excess applications are rejected.
2. Issuing fully paid up bonus shares.
4. Yes as first call is more than 25% of face value of share.
5. Personal
6. 14 days notice.
7. Securities premium reserve account.
8. If he wants to enjoy higher return on his investment, he wants to have voting rights in the company.
9. Rs.50 lakhs.
10. Table F.
11. Yes as one month has elapsed.
12. Section 53 and Section 54 respectively.
13. Accountant is wrong as securities premium cannot be used for declaring dividend.
14. 10% per annum.
15. Current liabilities under the sub heading other current liabilities.
16. Amount already received from defaulting shareholder.
17. 14 days notice.
18. Price not recovered from defaulting shareholder.

Practical questions

21. Rs.80 per share.
- 22a) Rs.30 per share.
b) Rs.2.50 per share.
23. Rs.25 per share.
24. 840000 shares @Rs.6 =Rs.50,40,000
25. Rs.24,000.
26. Rs.3,900.
27. Purchase consideration Rs.15,00,000
Capital Reserve = Rs.1,00,000.
28. Number of debentures = 25,000
Number of shares = 3,20,000
Capital Reserve -Rs.69,40,000.
29. Number of shares = 20,000
Capital Reserve -Rs.1,50,000.
30. Goodwill =Rs.32,00,000
Number of shares = 1,50,000.
31. Subscribed capital = Rs.5,09,000.

33. Capital Reserve - Rs.375.

34. Minimum price per share on re-issue =Rs.1.50.

35. Capital Reserve -Rs.70,000.

36. First call received in advance =Rs.17,00

Second Call received in advance =Rs.34,000.

37. Share forfeited money =Rs.6,000

Capital Reserve -Rs.2,000

38.Capital Reserve -Rs.10

39. Total of subscribed capital -Rs.9,85,000

Call received in advance Rs.10,000

Balance sheet total -Rs.9,95,000

40. Forfeited money on 2000 shares=Rs.14,000

Securities premium to be Dr. on forfeiture -Rs.7,000

Capital Reserve -Rs.10,500

41.Forfeited money on 2000 shares=Rs.12,000

400 shares reissued for Rs.1,600 (Rs.4 per share)

42.

Particulars.	Amount(Rs.)	Particulars.	Amount(Rs.)
To Share Capital A/c (reissued 3,000 shares)	6,000	By Share Capital A/c (forfeited 4,000 shares)	10,000
To Capital reserve A/c	1,500		
To Balance c/d (for 1,000 shares)	2,500		
	10,000		10,000

43.

Particulars.	L.F.	Debit (Rs.)	Credit (Rs.)
Sundry Assets A/c -Dr.		1,80,000	
To Sundry Liabilities A/c			30,000
To Aye Gaye Limited			1,20,000
To Capital Reserve A/c			30,000
(Being assets and liabilities taken over for a purchase consideration of Rs.1,20,000)			
Aye Gaye Limited -Dr.		1,20,000	
To Share Capital A/c			80,000

To Securities Premium Reserve A/c (Being 2,000 Shares of Rs.100 each, Rs.60 paid-up(including premium) issued at a premium of Rs.20 per share)			40,000
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44.a) 1,00,000

b) 50,000

c) Share allotment adjusted –Rs.50,000

Calls in advance Rs.1,00,000

Date	Particulars.	L.F	Debit (Rs.)	Credit(Rs.)
	Bank A/c -Dr. (1,00,000x3) To Share Application a/c		3,00,000	3,00,000
	Share Application a/c -Dr. To Share Capital A/c(50,000 x3) To Share Allotment A/c (50,000 x 1) To Calls in Advance A/c		3,00,000	1,50,000 50,000 1,00,000
	Share Allotment A/c –dr. (50,000x1) To Share Capital A/c		50,000	50,000
	Bank A/c -Dr. To Share allotment a/c		-	-
	Share first and final call A/c -Dr. To Share Capital A/c		3,00,000	3,00,000
	Bank A/c -Dr. Call in Advance A/c -Dr. To Share first and final call A/c		2,00,000 1,00,000	3,00,000

45. Total application money =Rs.12,68,000

Total refund =Rs.1,32,000

Cash book balance -Rs.24,00,800

Capital Reserve -Rs.800

46. Allotment in arrear -Rs.12,300

Arrear on final call=Rs.18,000

Calls in advance Rs. 5,000

Capital Reserve Ali's shares=Rs.4,200

John's forfeited money =Rs. 28,000

Capital Reserve -Rs.7,000

47. Application money received =Rs.3,54,200

Adjusted in allotment =Rs.91,400

Calls in advance =Rs.8,800

Refund =Rs.1,74,000

Cash book balance =Rs.2,00,000

48. Balance of forfeited share account =Rs.150

Balance of capital reserve account =Rs.4,950.

49a) capital Reserve =Rs.5,250

b) capital Reserve =Rs.16

c)capital Reserve =Rs.160

d)capital Reserve =Rs.22, 750

50. Subscribed capital for issue of shares in cash =Rs.5,84,000

Capital Reserve =Rs.6,000

Balance sheet total =Rs.15,90,000

51. Ravi's forfeited money =Rs.1,320

Satish's forfeited money =Rs.3,200

Capital reserve =Rs.4,520

52. Allotment money received = Rs.42,900

First call money received =Rs.54,000

Cash book balance=Rs.2,78,500

Capital reserve -Rs.4,860.

53. Forfeited money on A's shares=Rs.1,500

Forfeited money on B's shares=Rs.3,250

Capital Reserve -Rs.3,850

54.Forfeited money on D's shares=Rs.1,400

Capital Reserve -Rs.6,200

55. Allotted shares of Ranjan - 1,00,000

Capital Reserve -Rs.3,500

56.Forfeited money=Rs.3,200

Premium Not received -Rs.1,200

Capital Reserve -Rs.2,400

57. Cash book balance -Rs.35,36,100

58. Cash book balance -Rs.39,90,350

Balance of securities premium account -Rs.19,89,000

59. Capital Reserve -Rs.5,250

Balance of securities premium account -Rs.1,85,500.

60. Forfeited money of Aditya -Rs.6,000

Forfeited money of abhinav -Rs.6,000

Forfeited money of anju-Rs.4,000

Subscribed share capital -Rs.4,81,000.
