

8. COMPANY ACCOUNTS—ACCOUNTING FOR SHARE CAPITAL

Q. 1. Guru Ltd. invited applications for 5,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. Because of favourable market conditions, the issue was oversubscribed. Suggest the alternatives available to the Board of Directors for the allotment of shares. (AI 2015)

Ans. The following alternatives are available to the Board of Directors for the allotment of shares:

- (i) *First Alternative—Rejection of Excess Applications:* The company can make full allotment to some applicants and can reject the excess applications and return their application money.
- (ii) *Second Alternative—Pro rata Allotment:* In this case, all the applicants are allotted shares on proportionate basis.
- (iii) *Third Alternative—Rejection and Pro rata Allotment:* In this case, combination of the above two alternatives is adopted.

Q. 2. (*Calls-in-Arrears Account*). Ghosh Ltd. made the second and final call on its 50,000 Equity Shares @ ₹ 2 per share on 1st January, 2022. The whole amount was received on 15th January, 2022 except on 100 shares allotted to Venkat. Pass necessary Journal entry for the call money due and received by opening Calls-in-Arrears Account. (AI 2006 C, Modified)

Ans. JOURNAL OF GHOSH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 Jan. 1	Shares Second and Final Call A/c ...Dr. To Share Capital A/c (Second and final call money due on 50,000 shares)		1,00,000	1,00,000
Jan. 15	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Shares Second and Final Call A/c (Second and final call money received except on 100 shares)		99,800 200	1,00,000

Q. 3. Shubh Limited has the following balances appearing in its Balance Sheet:

Securities Premium	₹ 22,00,000
9% Debentures	₹ 1,20,00,000
Underwriting Commission	₹ 10,00,000

The company decided to redeem its 9% Debentures at a premium of 10%. You are required to suggest the ways in which the company can utilise the securities premium amount.

(Sample Paper I, 2009, Modified)

- Ans.** (i) Utilise ₹ 10,00,000 to write off Underwriting Commission.
(ii) Utilise balance ₹ 12,00,000 to write off Premium on Redemption of 9% Debentures.

Q. 4. Pass necessary Journal entries for the following transactions in the books of Rajan Ltd:

Rajan Ltd. purchased a running business from Vikas Ltd. for a sum of ₹ 2,50,000 payable as ₹ 2,20,000 in fully paid equity shares of ₹ 10 each and balance by a bank draft. The assets and liabilities consisted of the following: Plant and Machinery ₹ 90,000; Building ₹ 90,000; Sundry Debtors ₹ 30,000; Stock ₹ 50,000; Cash ₹ 20,000; Sundry Creditors ₹ 20,000. (Delhi 2014)

Ans.**JOURNAL OF RAJAN LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c ...Dr.		90,000	
	Building A/c ...Dr.		90,000	
	Sundry Debtors A/c ...Dr.		30,000	
	Stock A/c ...Dr.		50,000	
	Cash A/c ...Dr.		20,000	
	To Sundry Creditors A/c			20,000
	To Vikas Ltd.			2,50,000
	To Capital Reserve A/c (Balancing Figure)			10,000
	(Purchase of business from Vikas Ltd.)			
	Vikas Ltd. ...Dr.		2,50,000	
	To Equity Share Capital A/c			2,20,000
	To Bank A/c			30,000
	(Payment made by way of shares and bank draft)			

Note: Number of Equity Shares to be Issued = (Purchase Price – Cash Payment) ÷ Issue Price
= ₹ 2,20,000 ÷ ₹ 10 = 22,000 shares.

Q. 5. X Ltd. purchased a running business from G Ltd. for a sum of ₹ 18,00,000 payable by issue of equity shares of ₹ 100 each at a premium of ₹ 20 per share. The assets and liabilities consisted of the following:

Plant—₹ 3,50,000; Land—₹ 6,00,000; Stock—₹ 4,50,000 and Creditors—₹ 1,00,000.

Pass necessary Journal entries in the books of X Ltd. for the above transactions. (AI 2014 C)

Ans.**JOURNAL OF X LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant A/c ...Dr.		3,50,000	
	Land A/c ...Dr.		6,00,000	
	Stock A/c ...Dr.		4,50,000	
	Goodwill A/c (Balancing Figure) ...Dr.		5,00,000	
	To Creditors A/c			1,00,000
	To G Ltd.			18,00,000
	(Purchase of business from G Ltd.)			
	G Ltd. ...Dr.		18,00,000	
	To Equity Share Capital A/c (15,000 × ₹ 100)			15,00,000
	To Securities Premium A/c (15,000 × ₹ 20)			3,00,000
	(Issue of 15,000 equity shares)			

Note: No. of Equity Shares to be issued = ₹ 18,00,000/₹ 120 = 15,000 shares.

Q. 6. On 1st April, 2021 Aradhana Ltd. was formed with an authorised capital of ₹ 90,00,000 divided into 90,000 shares of ₹ 100 each. The company invited applications for issuing 75,000 equity shares.

The amount was payable as follows:

On application	—	₹ 20 per share,
On allotment	—	₹ 50 per share,
On first and final call	—	balance amount.

The issue was fully subscribed and the company allotted shares to all the applicants. All money was received except the first and final call on 5,000 shares.

Show the 'Share Capital' in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013 as at 31st March, 2022 and also show Note to Accounts. (AI 2013 C, Modified)

Ans.

BALANCE SHEET OF ARADHANA LTD. (An Extract)
as at 31st March, 2022

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	73,50,000

Note to Accounts

1. Share Capital		₹
Authorised Capital		
90,000 Equity Shares of ₹ 100 each		90,00,000
Issued Capital		
75,000 Equity Share of ₹ 100 each		75,00,000
Subscribed Capital		
Subscribed and Fully Paid-up		
70,000 Equity Shares of ₹ 100 each		70,00,000
Subscribed but Not Fully Paid-up		
5,000 Equity Shares of ₹ 100 each	5,00,000	
Less: Calls-in-Arrears (5,000 × ₹ 30)	1,50,000	3,50,000
		<u>73,50,000</u>

Q. 7. SSS Ltd. forfeited 1,000 Equity Shares of ₹ 100 each for the non-payment of first call ₹ 20 per share and second and final call of ₹ 25 per share. State:

- Can these shares be reissued?
- If yes, state the minimum amount at which these shares can be reissued.
- If these shares were reissued at ₹ 50 per share fully paid-up, what will be the amount of Capital Reserve? (Delhi 2010)

Ans. (i) Yes, these shares can be reissued. Forfeited shares can be issued by the Board of Directors as and when it so decides. Such shares can be reissued at par, at premium or at discount.

- These shares can be reissued allowing discount not exceeding the amount forfeited on such shares. In the given question, forfeited shares can be reissued @ ₹ 45 (i.e., ₹ 100 – ₹ 55) per share.

(iii) Calculation of Amount transferred to Capital Reserve:	₹
Amount forfeited (1,000 × ₹ 55)	55,000
Less: Discount on Reissue (1,000 × ₹ 50)	50,000
Gain (Profit) on reissue to be transferred to Capital Reserve	<u>5,000</u>

Q. 8. Dinesh Ltd. invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On Application	—	₹ 1,
On Allotment	—	₹ 2,
On First Call	—	₹ 3,
On Second and Final Call	—	Balance.

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 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 reissued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Dinesh Ltd.

(AI 2011)

Ans.

JOURNAL OF DINESH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 10,000 shares @ ₹ 1 each)		10,000	10,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (Application money transferred to Equity Share Capital Account)		10,000	10,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due on 10,000 shares)		20,000	20,000
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Allotment money received except on 100 shares)		19,800 200	20,000
	Equity Share Capital A/c (100 × ₹ 3) ...Dr. To Forfeited Shares A/c (100 × ₹ 1) To Calls-in-Arrears A/c (100 × ₹ 2) (Shares forfeited for non-payment of allotment money)		300	100 200
	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 9,900 shares)		29,700	29,700
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares First Call A/c (First call money received except on 150 shares)		29,250 450	29,700
	Equity Share Capital A/c (150 × ₹ 6) ...Dr. To Forfeited Shares A/c (150 × ₹ 3) To Calls-in-Arrears A/c (150 shares forfeited due to non-payment of first call money)		900	450 450
	Equity Shares Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Second and final call money due on 9,750 shares)		39,000	39,000
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Second and Final Call A/c (Final call money received except on 50 shares)		38,800 200	39,000

Equity Share Capital A/c	...Dr.	500	200
To Calls-in-Arrears A/c			300
To Forfeited Shares A/c			
(50 shares forfeited due to non-payment of second call money)			
Bank A/c (300 × ₹ 9)	...Dr.	2,700	
Forfeited Shares A/c (300 × ₹ 1)	...Dr.	300	
To Equity Share Capital A/c			3,000
(300 shares reissued at ₹ 9 per share fully paid-up)			
Forfeited Shares A/c	...Dr.	550	
To Capital Reserve A/c			550
(Gain (profit) on reissue transferred to Capital Reserve) (Note)			

Note:

FORFEITED SHARES ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Equity Share Capital A/c	300	By Equity Share Capital A/c	100
To Capital Reserve A/c (Balancing Figure)	550	By Equity Share Capital A/c	450
		By Equity Share Capital A/c	300
	850		850

Q. 9. 'Y Ltd.' invited applications for issuing 15,000 Equity Shares of ₹ 10 each on which ₹ 6 per share were called-up, which were payable as follows:

- On application — ₹ 2 per share,
- On allotment — ₹ 1 per share,
- On first call — ₹ 3 per share.

The issue was fully subscribed and the amount was received as follows:

- On 10,000 shares — ₹ 6 per share,
- On 3,000 shares — ₹ 3 per share,
- On 2,000 shares — ₹ 2 per share.

The directors forfeited those shares on which less than ₹ 6 per share were received. The forfeited shares were reissued at ₹ 9 per share, as ₹ 6 per share paid-up.

Pass necessary Journal entries for the above transactions in the books of the company. (AI 2015)

Ans. Amount transferred to Capital Reserve ₹ 13,000.

Q. 10. Fill in the blank spaces in the Journal entries given below:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	...Dr.	?	
	?	...Dr.	?	
	To Shares Forfeited A/c			6,000
	To Shares Allotment A/c			?
	To Shares First Call A/c			?
	(2,000 shares of ₹ 10 each, ₹ 8 called-up issued at a premium of ₹ 2 per share forfeited for non-payment of allotment of ₹ 5 per share including premium and first call of ₹ 2 per share)			
	Bank A/c	...Dr.	19,600	
	To Share Capital A/c			?
	To ?			?
	(1,400 shares reissued for ₹ 19,600 as fully paid-up)			
	Shares Forfeited A/c	...Dr.	?	
	To Capital Reserve A/c			?
	(Gain (profit) on reissue of forfeited shares transferred to Capital Reserve)			

Ans.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (2,000 × ₹ 8) ...Dr. Securities Premium A/c (2,000 × ₹ 2) ...Dr. To Shares Forfeited A/c To Shares Allotment A/c (2,000 × ₹ 5) To Shares First Call A/c (2,000 × ₹ 2) (2,000 shares of ₹ 10 each, ₹ 8 called-up issued at a premium of ₹ 2 per share forfeited for non-payment of allotment of ₹ 5 per share including premium and first call of ₹ 2 per share)		16,000 4,000	6,000 10,000 4,000
	Bank A/c ...Dr. To Share Capital A/c (1,400 × ₹ 10) To Securities Premium A/c (1,400 × ₹ 4) (1,400 shares reissued for ₹ 19,600 as fully paid-up)		19,600	14,000 5,600
	Shares Forfeited A/c (1,400 × ₹ 3) ...Dr. To Capital Reserve A/c (Gain (profit) on reissue of forfeited shares transferred to Capital Reserve)		4,200	4,200

Pro rata Allotment, Forfeiture and Reissue of Shares

Q. 11. Moti Ltd. invited applications for issuing 10,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On Application	—	₹ 5 (including premium),
On Allotment	—	₹ 4,
On First and Final call	—	₹ 3.

Applications for 15,00,000 shares were received. Applications for 3,00,000 shares were rejected and *pro rata* Allotment was made to the remaining applicants. Excess application money was utilised towards sum due on allotment. Giri who had applied for 24,000 shares failed to pay the allotment and call money. His shares were forfeited. Out of the forfeited shares, 10,000 shares were reissued for ₹ 8 per share fully paid-up.

Pass necessary Journal entries in the books of Moti Ltd.

(AI 2011)

Ans.

JOURNAL OF MOTI LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 15,00,000 shares)		75,00,000	75,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (10,00,000 × ₹ 3) To Securities Premium A/c (10,00,000 × ₹ 2) To Bank A/c (3,00,000 × ₹ 5) To Equity Shares Allotment A/c (2,00,000 × ₹ 5) (Application money adjusted)		75,00,000	30,00,000 20,00,000 15,00,000 10,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due)		40,00,000	40,00,000

Bank A/c	...Dr.	29,40,000	
To Equity Shares Allotment A/c			29,40,000
<i>Or</i>			
Bank A/c	...Dr.	29,40,000	
Calls-in-Arrears A/c	...Dr.	60,000	
To Equity Shares Allotment A/c			30,00,000
(Allotment money received except on 20,000 shares) (WN 1)			
Equity Shares First and Final Call A/c	...Dr.	30,00,000	
To Equity Share Capital A/c			30,00,000
(First and final call money due)			
Bank A/c	...Dr.	29,40,000	
To Equity Shares First and Final Call A/c			29,40,000
<i>Or</i>			
Bank A/c	...Dr.	29,40,000	
Calls-in-Arrears A/c	...Dr.	60,000	
To Equity Shares First and Final Call A/c			30,00,000
(Call money received except on 20,000 shares)			
Equity Share Capital A/c	...Dr.	2,00,000	
To Forfeited Shares A/c			80,000
To Equity Shares Allotment A/c			60,000
To Equity Shares First and Final Call A/c			60,000
<i>Or</i>			
Equity Share Capital A/c	...Dr.	2,00,000	
To Calls-in-Arrears A/c (₹ 60,000 + ₹ 60,000)			1,20,000
To Forfeited Shares A/c			80,000
(20,000 shares forfeited due to non-payment of allotment and call money)			
Bank A/c (10,000 × ₹ 8)	...Dr.	80,000	
Forfeited Shares A/c (10,000 × ₹ 2)	...Dr.	20,000	
To Equity Share Capital A/c			1,00,000
(10,000 forfeited shares reissued for ₹ 8 per share fully paid-up)			
Forfeited Shares A/c	...Dr.	20,000	
To Capital Reserve A/c			20,000
(Gain (profit) on reissue transferred to Capital Reserve Account) (WN 2)			

Working Notes:

1. Calculation of Money Received on Allotment:

(i) Pro rata allotment = 12,00,000 : 10,00,000 or 12 : 10	
(ii) Number of shares allotted to Giri = $10/12 \times 24,000 = 20,000$ shares	₹
(iii) Money received on application from Giri (24,000 shares × ₹ 5)	1,20,000
Less: Amount adjusted on application (20,000 × ₹ 5)	1,00,000
Excess application money adjusted on allotment	<u>20,000</u>

(iv) <i>Money due from Giri on Allotment:</i>	₹
Money due on allotment (20,000 × ₹ 4)	80,000
Less: Excess application money adjusted [as per (iii)]	20,000
Money not paid by Giri	<u>60,000</u>
(v) <i>Money Received on Allotment:</i>	
Total amount due on allotment	40,00,000
Less: Excess application money adjusted	10,00,000
	<u>30,00,000</u>
Less: Money not paid by Giri [as per (iv)]	60,000
Money Received on Allotment	<u>29,40,000</u>
2. <i>Calculation of amount transferred to Capital Reserve:</i>	₹
Amount forfeited on 10,000 shares (₹ 80,000 × 1/2)	40,000
Less: Discount on reissue	20,000
Gain (Profit) on reissue transferred to Capital Reserve	<u>20,000</u>

Q. 12. R.K. Ltd. invited applications for issuing 70,000 Equity Shares of ₹ 10 each at a premium of ₹ 35 per share. The amount was payable as follows:

On Application	—	₹ 15 (including ₹ 12 premium),
On Allotment	—	₹ 10 (including ₹ 8 premium),
On First and Final call	—	Balance.

Applications for 65,000 shares were received and allotment was made to all the applicants. A shareholder, Ram, who was allotted 2,000 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Sohan, who had 3,000 shares, failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares, 4,000 shares were reissued at ₹ 50 per share fully paid-up. The reissued shares included all the shares of Ram.

Pass necessary Journal entries for the above transactions in the books of R.K. Ltd.

(AI 2012)

Ans. Amount transferred to Capital Reserve—₹ 16,000, i.e., ₹ 6,000 (Ram's Shares) + ₹ 10,000 (Sohan's Shares). Amount forfeited on Ram's Shares—₹ 6,000 and Sohan's Shares—₹ 15,000.

Q. 13. 'Subham Ltd.' invited applications for issuing 12,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On application and allotment	—	₹ 6 per share (Including Premium),
On first call	—	₹ 4 per share,
On second and final call	—	the balance.

Applications for 18,000 shares were received and *pro rata* allotment was made to all the applicants.

Excess money received with applications was adjusted towards sums due on first call. All calls were made and were duly received except the first call and second and final call on 120 shares allotted to Vibhu. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount as per the provisions of the Companies Act, 2013.

Pass necessary Journal entries for the above transactions in the books of the company.

(Delhi 2015)

Ans.

In the Books of Subham Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application and Allotment A/c (Application money received)		1,08,000	1,08,000
	Equity Shares Application and Allotment A/c ...Dr. To Equity Share Capital A/c (12,000 × ₹ 3) To Calls-in-Advance A/c (6,000 × ₹ 6) To Securities Premium A/c (12,000 × ₹ 3) (Application money adjusted on allotment)		1,08,000	36,000 36,000 36,000
	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 12,000 shares)		48,000	48,000
	Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First Call A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c (WN 1) ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First Call A/c (First call money received except on 120 shares and the advance adjusted)		11,880 36,000 11,880 120 36,000	47,880 48,000
	Equity Shares Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Second and final call money due)		36,000	36,000
	Bank A/c ...Dr. To Equity Shares Second and Final Call A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Second and Final Call A/c (Second and final call money received except on 120 shares)		35,640 35,640 360	35,640 36,000
	Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Equity Shares First Call A/c To Equity Shares Second and Final Call A/c Or Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (120 shares forfeited for non-payment of call money)		1,200 1,200	720 120 360 720 480
	Bank A/c ...Dr. Forfeited Shares A/c (WN 2) ...Dr. To Share Capital A/c (120 forfeited shares reissued for ₹ 4 per share as fully paid-up)		480 720	1,200

1. Number of Shares applied by Vibhu = $\frac{18,000}{12,000} \times 120 = 180$ shares.

(b) Application and allotment money Required = $120 \times ₹ 6 = ₹ 720$.

(d) First call money required from Vibhu ($120 \times ₹ 4$) ₹ 480

2. **Maximum Permissible Discount on Reissue** is equal to the amount credited to Forfeited Shares Account, i.e., ₹ 720.

JOURNAL OF GG LTD.

(Delhi 2016)

Ans.

JOURNAL OF GG LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015				
Jan. 10	Bank A/c ...Dr. To Equity Shares Application A/c (Amount received on application for 70,000 shares @ ₹ 5 per share including premium)		3,50,000	3,50,000
Jan. 16	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (50,000 × ₹ 3) To Securities Premium A/c (50,000 × ₹ 2) To Equity Shares Allotment A/c To Bank A/c (8,000 × ₹ 5) (Transfer of application money to Share Capital, Securities Premium, money refunded for 8,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on <i>pro rata</i> basis)		3,50,000	1,50,000 1,00,000 60,000 40,000
Jan. 31	Equity Shares Allotment A/c (50,000 × ₹ 4) ...Dr. To Equity Share Capital A/c (Amount due on allotment @ ₹ 4 per share)		2,00,000	2,00,000
Feb. 20	Bank A/c ...Dr. To Equity Shares Allotment A/c (Balance amount received on allotment)		1,40,000	1,40,000
April 1	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (First and final call money due)		1,50,000	1,50,000
April 20	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares First and Final Call A/c (Money received on first and final call)		1,48,500 1,500	1,50,000
Aug. 27	Equity Share Capital A/c (500 × ₹ 10) ...Dr. To Forfeited Shares A/c (500 × ₹ 7) To Calls-in-Arrears A/c (Forfeited the shares on which call money was not received)		5,000	3,500 1,500
Oct. 3	Bank A/c (500 × ₹ 8) ...Dr. Forfeited Shares A/c (500 × ₹ 2) ...Dr. To Equity Share Capital A/c (Reissued the forfeited shares @ ₹ 8 per share fully paid-up)		4,000 1,000	5,000
Oct. 3	Forfeited Shares A/c (500 × ₹ 5) ...Dr. To Capital Reserve A/c (Being the gain (profit) on reissued shares transferred to Capital Reserve)		2,500	2,500

Q. 15. On 1st April, 2012, Kamya Ltd. was formed with an authorised capital of ₹ 40,00,000 divided into 4,00,000 equity shares of ₹ 10 each. The company issued prospectus inviting applications for 3,80,000 equity shares. The company received applications for 3,60,000 equity shares. During the first year, ₹ 8 per share were called. Deepti holding 3,000 shares and Divya holding 6,000 shares did not pay the first call of ₹ 2 per share. Divya's shares were forfeited after the first call and later on 5,000 of the forfeited shares were reissued at ₹ 6 per share, ₹ 8 called-up.

Show the following:

(i) 'Share Capital' in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

(ii) Also prepare 'Note to Accounts'. (Foreign 2014)

Ans. BALANCE SHEET OF KAMYA LTD. (An Extract) as at 31st March, 2013

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	28,72,000

Note to Accounts

1. Share Capital	₹
Authorised Capital	
4,00,000 Equity Shares of ₹ 10 each	40,00,000
Issued Capital	
3,80,000 Equity Shares of ₹ 10 each	38,00,000
Subscribed Capital	
Subscribed but not Fully Paid-up	
3,59,000 Equity Shares of ₹ 10 each, ₹ 8 called-up	28,72,000
Less: Calls-in-Arrears (3,000 × ₹ 2)	6,000
	28,66,000
Add: Forfeited Shares A/c (1,000 × ₹ 6)	6,000
	28,72,000

Q. 16. Cemto Ltd. forfeited 6,000 shares of ₹ 10 each issued at a premium of ₹ 2 per share for the non-payment of final call of ₹ 3 per share. 300 of the forfeited shares were reissued for ₹ 8 per share as fully paid-up.

Pass necessary Journal entries for the forfeiture and reissue of shares. Also prepare Shares Forfeited Account. (AI 2017 C)

Ans. Gain on Reissue of shares to be transferred to Capital Reserve = ₹ 1,500;

Balance of Shares Forfeited Account = ₹ 39,900.

Q. 17. 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 @ ₹ 8 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd. (AI 2014 C)

Ans. JOURNAL OF BHAGWATI LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application A/c (Application money received for 3,00,000 shares)		9,00,000	9,00,000
	Shares Application A/c ...Dr. To Share Capital A/c To Shares Allotment A/c (Application money adjusted)		9,00,000	6,00,000 3,00,000
	Shares Allotment A/c ...Dr. To Shares Capital A/c (Allotment money due)		10,00,000	10,00,000
	Bank A/c ...Dr. To Shares Allotment A/c (Allotment money received)		7,00,000	7,00,000
	Shares First and Final Call A/c ...Dr. To Share Capital A/c (First and final call money due)		4,00,000	4,00,000
	Bank A/c ...Dr. To Shares First and Final Call A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Shares First and Final Call A/c (Call money received except on 3,000 shares)		3,94,000 3,94,000 6,000	3,94,000 4,00,000
	Share Capital A/c ...Dr. To Forfeited Shares A/c To Shares First and Final Call A/c Or Share Capital A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (3,000 shares forfeited due to non-payment of call money)		30,000 30,000	24,000 6,000 24,000

Bank A/c (2,500 × ₹ 8)	...Dr.	20,000	
Forfeited Shares A/c (2,500 × ₹ 2)	...Dr.	5,000	
To Share Capital A/c			25,000
(2,500 forfeited shares shares reissued as fully paid-up @ ₹ 8 per share)			
Forfeited Shares A/c	...Dr.	15,000	
To Capital Reserve A/c (WN)			15,000
(Gain (profit) on reissue transferred to Capital Reserve)			

Working Note: Calculation of Amount transferred to Capital Reserve:

Amount forfeited on 2,500 shares (₹ 24,000 × 2,500/3,000)	₹ 20,000
Less: Discount allowed on reissue	5,000
Amount transferred to Capital Reserve	<u>15,000</u>

Q. 18. 'Amrit Dhara Ltd.' invited applications for issuing 80,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On application and allotment	—	₹ 2 per share,
On first call	—	₹ 4 per share,
On second and final call	—	the balance.

Applications for 1,00,000 shares were received. Shares were allotted on *pro rata* basis to all the applicants. Excess money received with applications was adjusted towards sums due on first call. Manohar who had applied for 2,000 shares failed to pay the first call and his shares were immediately forfeited. Afterwards second and final call was made. Mohan who was allotted 2,400 shares failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹ 9 per share as fully paid-up.

Pass necessary Journal entries in the books of the company for the above transactions.

(Delhi 2015)

Ans.

In the Books of Amrit Dhara Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.	2,00,000	
	To Equity Shares Application and Allotment A/c			2,00,000
	(Application money received on 1,00,000 shares @ ₹ 2 each)			
	Equity Shares Application and Allotment A/c	...Dr.	2,00,000	
	To Equity Share Capital A/c (80,000 × ₹ 2)			1,60,000
	To Calls-in-Advance A/c			40,000
	(Equity shares allotment made)			
	Equity Shares First Call A/c	...Dr.	3,20,000	
	To Equity Share Capital A/c			3,20,000
	(First call money due)			

Bank A/c	...Dr.	2,74,400	
Calls-in-Advance A/c	...Dr.	40,000	
To Equity Shares First Call A/c			3,14,400
Or			
Bank A/c	...Dr.	2,74,400	
Calls-in-Arrears A/c (WN)	...Dr.	5,600	
Calls-in-Advance A/c	...Dr.	40,000	
To Equity Shares First Call A/c			3,20,000
(First call money received except on 1,600 shares and the advance adjusted)			
Equity Share Capital A/c (1,600 × ₹ 6)	...Dr.	9,600	
To Forfeited Shares A/c			4,000
To Equity Shares First Call/Calls-in-Arrears A/c			5,600
(1,600 shares forfeited due to non-payment of first call)			
Equity Shares Second and Final Call A/c	...Dr.	3,13,600	
To Equity Share Capital A/c			3,13,600
(Second and final call money due on 78,400 shares)			
Bank A/c	...Dr.	3,04,000	
To Equity Shares Second and Final Call A/c			3,04,000
Or			
Bank A/c	...Dr.	3,04,000	
Calls-in-Arrears A/c	...Dr.	9,600	
To Equity Shares Second and Final Call A/c			3,13,600
(Second and final call money received except on 2,400 shares)			
Equity Share Capital A/c (2,400 × ₹ 10)	...Dr.	24,000	
To Forfeited Shares A/c (2,400 × ₹ 6)			14,400
To Equity Shares Second and Final Call A/c/Calls-in-Arrears A/c			9,600
(2,400 shares forfeited due to non-payment of second call)			
Bank A/c	...Dr.	36,000	
Forfeited Shares A/c	...Dr.	4,000	
To Equity Share Capital A/c			40,000
(4,000 forfeited shares reissued for ₹ 9 per share fully paid-up)			
Forfeited Shares A/c	...Dr.	14,400	
To Capital Reserve A/c			14,400
(Gain (profit) on reissue transferred to Capital Reserve)			

Working Note:

Number of Shares allotted to Manohar = $\frac{80,000}{1,00,000} \times 2,000 = 1,600$ shares.

- (a) Application and Allotment Money paid by Manohar = $2,000 \times ₹ 2 = ₹ 4,000$.
- (b) Application and Allotment Money required = $1,600 \times ₹ 2 = ₹ 3,200$.
- (c) Surplus application and allotment money [(a) – (b)] = $₹ 4,000 - ₹ 3,200 = ₹ 800$.
- (d) First call money due on 1,600 shares = $1,600 \times ₹ 4 = ₹ 6,400$.
- (e) Calls-in-Arrears [(d) – (c)] = $₹ 6,400 - ₹ 800 = ₹ 5,600$.

Q. 19. R.K. Ltd., invited applications for issuing 80,000 equity shares of ₹ 10 each at a premium of ₹ 35 per share. The amount was payable as follows:

On Application—₹ 8 (including ₹ 5 premium) per share;

On Allotment—₹ 12 (including ₹ 10 premium) per share;

On First and Final Call—Balance.

Applications for 75,000 shares were received and allotment was made to all the applicants. Rahim, a shareholder who was allotted 3,000 shares failed to pay allotment money and his shares were immediately forfeited. Afterwards, the first and final call was made. Suhani, who held 3,000 shares failed to pay final call. Her Shares were also forfeited. All the forfeited shares were reissued for a sum of ₹ 62,000 as fully paid-up.

Pass necessary Journal entries for the above transactions in the books of R.K. Ltd.

(Delhi 2016 C)

Ans. Gain on reissue of forfeited shares transferred to Capital Reserve = ₹ 24,000.

Q. 20. Benolac Paints Ltd. invited applications for issuing 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On application — ₹ 3 per share (including premium ₹ 1);

On allotment — ₹ 3 per share; and

On first and final call — ₹ 6 per share (including premium ₹ 1).

Applications for 1,40,000 shares were received. Applications for 10,000 shares were rejected and pro rata allotment was made to the remaining applicants. Over payments on application were adjusted towards sums due on allotment. All calls were made and were duly received except allotment and final call on 6,000 shares allotted to Sharvi. These shares were forfeited. Afterwards, half of the forfeited shares were reissued for ₹ 33,000 as fully paid-up.

Pass necessary Journal entries for the above transactions in the books of Benolac Paints Ltd

(AI 2017 C)

Ans.

JOURNAL OF BENOLAC PAINTS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received for 1,40,000 shares @ ₹ 3 per share)		4,20,000	4,20,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (1,20,000 × ₹ 2) To Securities Premium A/c (1,20,000 × ₹ 1) To Equity Shares Allotment A/c To Bank A/c (10,000 × ₹ 3) (Application money adjusted and surplus refunded)		4,20,000	2,40,000 1,20,000 30,000 30,000

Equity Shares Allotment A/c (1,20,000 × ₹ 3) ...Dr.	3,60,000	3,60,000
To Equity Share Capital A/c (Allotment money due on 1,20,000 shares)		
Bank A/c (WN 2) ...Dr.	3,13,500	3,13,500
To Equity Shares Allotment A/c Or		
Bank A/c ...Dr.	3,13,500	
Calls-in-Arrears A/c (WN 1) ...Dr.	16,500	3,30,000
To Equity Shares Allotment A/c (Allotment money received except on 6,000 shares)		
Equity Shares First and Final Call A/c (1,20,000 × ₹ 6) ...Dr.	7,20,000	
To Equity Share Capital A/c (1,20,000 × ₹ 5)		6,00,000
To Securities Premium A/c (1,20,000 × ₹ 1)		1,20,000
(First and final call money due on 1,20,000 shares)		
Bank A/c (₹ 7,20,000 – ₹ 36,000) ...Dr.	6,84,000	6,84,000
To Equity Shares First and Final Call A/c Or		
Bank A/c (1,14,000 × ₹ 6) ...Dr.	6,84,000	
Calls-in-Arrears A/c (6,000 × ₹ 6) ...Dr.	36,000	7,20,000
To Equity Shares First and Final Call A/c (First and final call money received except on 6,000 shares)		
Equity Share Capital A/c ...Dr.	60,000	
Securities Premium A/c ...Dr.	6,000	
To Forfeited Shares A/c		13,500
To Equity Shares Allotment A/c		16,500
To Equity Shares First and Final Call A/c Or		36,000
Equity Share Capital A/c (6,000 × ₹ 10) ...Dr.	60,000	
Securities Premium A/c (6,000 × ₹ 1) ...Dr.	6,000	
To Forfeited Shares A/c		13,500
To Calls-in-Arrears A/c (₹ 16,500 + ₹ 36,000)		52,500
(6,000 shares of Sharvi forfeited for non-payment of allotment and call money)		
Bank A/c ...Dr.	33,000	
To Equity Share Capital A/c (3,000 × ₹ 10)		30,000
To Securities Premium A/c		3,000
(Half of the forfeited shares reissued for ₹ 33,000 as fully paid)		
Forfeited Shares A/c ...Dr.	6,750	
To Capital Reserve A/c (Gain on reissued shares transferred to Capital Reserve)		6,750

Working Notes:

1. Calculation of Allotment money not paid by Sharvi:

	Number of Applied Shares	Number of Allotted Shares
	<u>1,40,000</u>	<u>1,20,000</u>
Applications Rejected	10,000	NIL
Allotment	<u>1,30,000</u>	<u>1,20,000</u>
Pro rata Ratio	13	12
(a) Total Number of Shares applied by Sharvi = $\frac{13}{12} \times 6,000 = 6,500$ shares.		₹
(b) Application money received on applied shares (6,500 × ₹ 3)		19,500
Less: Application money due on shares allotted (6,000 × ₹ 3)		18,000
(c) Excess Application money to be adjusted on allotment		<u>1,500</u>
(d) Allotment money due on shares allotted (6,000 × ₹ 3)		18,000
Less: Excess application money to be adjusted [WN 1(c)]		1,500
Allotment money due but not received		<u>16,500</u>

2. Calculation of allotment money received later:

Total allotment money due (1,20,000 × ₹ 3)	3,60,000
Less: Allotment money already received on application stage	<u>30,000</u>
	3,30,000
Less: Allotment money due but not received (WN 1)	<u>16,500</u>
	<u>3,13,500</u>

3. Calculation of gain on reissue of forfeited shares to be transferred to Capital Reserve:

$$\text{Amount forfeited on Reissued Shares of Sharvi} = ₹ 13,500 \times \frac{3,000}{6,000} = ₹ 6,750.$$

Since shares were reissued at premium, therefore, full amount of ₹ 6,750 is to be transferred to Capital Reserve.

- Q. 21.** The authorised capital of Suhani Ltd. is ₹ 45,00,000 divided into 30,000 shares of ₹ 150 each. Out of these, company issued 15,000 shares of ₹ 150 each at a premium of ₹ 10 per share. The amount was payable as follows:
- ₹ 50 per share on application, ₹ 40 per share on allotment (including premium), ₹ 30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.

Prepare an extract of Balance Sheet of Suhani Ltd. as per Schedule III of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to Accounts' for the same.

(Delhi 2013)

Ans.

AN EXTRACT OF BALANCE SHEET OF SUHANI LTD.

as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
(a) Share Capital	1	21,00,000
(b) Reserves and Surplus	2	1,40,000
Total		<u>22,40,000</u>
II. ASSETS		
Current Assets		
Cash and Cash Equivalents	3	22,40,000
Total		<u>22,40,000</u>

Notes to Accounts

1. Share Capital	₹
Authorised Capital	
30,000 Equity Shares of ₹ 150 each	45,00,000
Issued Capital	
15,000 Equity Shares of ₹ 150 each	22,50,000
Subscribed Capital	
Subscribed and Fully Paid-up	
14,000 Equity Shares of ₹ 150 each	21,00,000
2. Reserves and Surplus	
Securities Premium (₹ 10 each on 14,000 shares)	1,40,000
3. Cash and Cash Equivalents	
Cash at Bank	22,40,000

Q. 22. On 1st April, 2012, Vivek Ltd. was formed with an authorised capital of ₹ 1,00,00,000 divided into 2,00,000 equity shares of ₹ 50 each. The company issued prospectus inviting applications for 1,80,000 shares. The issue price was payable as under:

On Application ₹ 15; On Allotment ₹ 20; On Call Balance amount.

The issue was fully subscribed and the company allotted shares to all the applicants. The company did not make the call during the year.

Show the following:

(i) Share capital in the Balance Sheet of the company as per Schedule III—Part I of the Companies Act, 2013.

(ii) Also prepare 'Note to Accounts' for the same.

(Delhi 2014)

Ans.

BALANCE SHEET OF VIVEK LTD. (An Extract)

as at 31st March, 2013

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	63,00,000

Note to Accounts

1. Share Capital	₹
Authorised Capital	
2,00,000 Equity Shares of ₹ 50 each	1,00,00,000
Issued Capital	
1,80,000 Equity Shares of ₹ 50 each	90,00,000
Subscribed Capital	
Subscribed but not Fully Paid-up	
1,80,000 Equity Shares of ₹ 50 each, ₹ 35 called-up	63,00,000

Q. 23. Sun Pharma Ltd. is registered with an authorised capital of ₹ 1,00,00,000 divided into 1,00,000 equity shares of ₹ 100 each. The company issued 50,000 shares at a premium of ₹ 40 per share. A shareholder holding 500 shares did not pay the final call of ₹ 20 per share. His shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company as per Schedule III, Part I of the Companies Act, 2013. Also prepare Note to Accounts. (Delhi 2015, Modified)

Ans.

BALANCE SHEET OF SUN PHARMA LTD. (An Extract) as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	49,90,000

Note to Accounts

1. Share Capital	₹
Authorised Capital	
1,00,000 Equity Shares of ₹ 100 each	1,00,00,000
Issued Capital	
50,000 Equity Shares of ₹ 100 each	50,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
49,500 Equity Shares of ₹ 100 each	49,50,000
Add: Forfeited Shares Account (500 × ₹ 80)	40,000
	49,90,000

Q. 24. Navnirman Ltd. issued 4,00,000 equity shares of ₹ 10 each at par. The amount per share was payable as follows:

₹ 3 on application; ₹ 2 on allotment; ₹ 2 on first call and ₹ 3 on final call.

The issue was fully subscribed and the shares were allotted fully to all the applicants. All calls were made. Mahi, a shareholder holding 6,000 shares paid the final call money along with the first call. Shrey holding 700 shares did not pay the first call on the due date. Shrey paid the first call along with the final call. The accountant of the company had correctly passed the entries till receipt of allotment money. After that the following entries were left incomplete by him. Complete these entries.

JOURNAL OF NAVNIRMAN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share First Call A/c ...Dr. To ? (First call due on 4,00,000 shares @ ₹ 2 per share)		8,00,000	8,00,000
	Bank A/c ...Dr. ? ...Dr. To Equity Share First Call A/c To ? (...?...)		? ?	? ?
	Equity Share Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Final call due on 4,00,000 shares @ ₹ 3 per share)		?	?
	Bank A/c ...Dr. ? ...Dr. To Equity Share Second and Final Call A/c To ? (...?...)		? ?	? ?

(Delhi and AI 2018 C)

Ans.

JOURNAL OF NAVNIRMAN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share First Call A/c ...Dr. To Equity Share Capital A/c (First call due on 4,00,000 shares @ ₹ 2 per share)		8,00,000	8,00,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (700 × ₹ 2) ...Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (6,000 × ₹ 3) (First call money ₹ 2 per share received except on 700 shares and calls-in-advance of ₹ 3 per share received on 6,000 shares)		8,16,600 1,400	8,00,000 18,000
	Equity Share Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Final call due on 4,00,000 shares @ ₹ 3 per share)		12,00,000	12,00,000
	Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Share Second and Final Call A/c To Calls-in-Arrears A/c (Final call money and calls-in-arrears received and calls-in-advance adjusted)		11,83,400 18,000	12,00,000 1,400

Q. 25. X Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at par. The amount per share was payable as follows:

- On Application — ₹ 1 per share;
- On Allotment — ₹ 2 per share;
- On First call — ₹ 3 per share;
- On Second and Final call — Balance.

Applications for 8,00,000 shares were received. Applications for 1,00,000 shares were rejected and *pro rata* allotment was made to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. All calls were made. Ashok, a shareholder holding 5,000 shares, failed to pay the allotment and the call money. Mohan,

a shareholder who had applied for 7,000 shares, failed to pay the first and second and final call. Shares of Ashok and Mohan were forfeited after the second and final call. Of the forfeited shares 8,000 shares were reissued at ₹ 12 per share fully paid-up. The reissued shares included all the forfeited shares of Ashok.

Pass necessary Journal entries for the above transactions in the books of X Ltd.

(Delhi and AI 2018 C)

Ans.

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received @ ₹ 1 per share for 8,00,000 shares)		8,00,000	8,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (5,00,000 × ₹ 1) To Equity Shares Allotment A/c To Bank A/c (1,00,000 × ₹ 1) (Application money adjusted and Surplus refunded)		8,00,000	5,00,000 2,00,000 1,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due on 5,00,000 equity shares @ ₹ 2 each)		10,00,000	10,00,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c Or		7,92,000	7,92,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (WN 1) ...Dr. To Equity Shares Allotment A/c (Allotment money received on 4,95,000 shares)		7,92,000 8,000	8,00,000
	Equity Shares First Call A/c ...Dr. To Equity Shares Capital A/c (First call money due on 5,00,000 equity shares)		15,00,000	15,00,000
	Bank A/c ...Dr. To Equity Shares First Call A/c Or		14,70,000	14,70,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (10,000 × ₹ 3) ...Dr. To Equity Shares First Call A/c (First call money received on 4,90,000 shares)		14,70,000 30,000	15,00,000
	Equity Shares Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Second and final call money due on 5,00,000 shares)		20,00,000	20,00,000
	Bank A/c ...Dr. To Equity Shares Second and Final Call A/c Or		19,60,000	19,60,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (10,000 × ₹ 4) ...Dr. To Equity Shares Second and Final Call A/c (Second and final call money received on 4,90,000 shares)		19,60,000 40,000	20,00,000
	Equity Share Capital A/c (10,000 × ₹ 10) ...Dr. To Equity Shares Allotment A/c To Equity Shares First Call A/c To Equity Shares Second and Final Call A/c To Forfeited Shares A/c (₹ 7,000 + ₹ 15,000)		1,00,000	8,000 30,000 40,000 22,000

Or		
Equity Share Capital A/c (10,000 × ₹ 10) ...Dr.	1,00,000	
To Forfeited Shares A/c (₹ 15,000 + ₹ 7,000)		22,000
To Calls-in-Arrears A/c (₹ 8,000 + ₹ 30,000 + ₹ 40,000)		78,000
(10,000 shares forfeited for non-payment of allotment, first call and second and final call)		
Bank A/c (8,000 × ₹ 12) ...Dr.	96,000	
To Equity Share Capital A/c (8,000 × ₹ 10)		80,000
To Securities Premium A/c (8,000 × ₹ 2)		16,000
(8,000 forfeited shares reissued at ₹ 12 per share fully paid-up)		
Forfeited Shares A/c ...Dr.	16,000	
To Capital Reserve A/c		16,000
(Gain on reissued shares transferred to Capital Reserve)		

Working Notes:

- Calculation of allotment money not paid by Ashok:

(i) Total No. of shares applied by Ashok = $7,00,000 / 5,00,000 \times 5,000 = 7,000$ shares.	₹
(ii) Application money received on shares applied ($7,000 \times ₹ 1$)	7,000
(iii) Excess Application money adjusted on allotment [$₹ 7,000 - (5,000 \times ₹ 1)$]	2,000
(iv) Allotment money due on shares allotted ($5,000 \times ₹ 2$)	10,000
(v) Allotment money due but not paid by Ashok ($₹ 10,000 - ₹ 2,000$)	8,000
- Calculation of allotment money received later:

	₹	₹
Total allotment money due ($5,00,000 \times ₹ 2$)		10,00,000
Less: (a) Excess application money to be adjusted on allotment	2,00,000	
(b) Not received from Ashok (WN 1)	8,000	
		7,92,000
- Calculation of Gain (Profit) on reissue to be transferred to Capital Reserve:

	₹
Amount forfeited on Ashok's 5,000 shares	7,000
Amount forfeited on Mohan's 3,000 shares ($₹ 15,000 \times 3,000 / 5,000$)	9,000
Gain (Profit) on reissue to be transferred to Capital Reserve	16,000

9. COMPANY ACCOUNTS—ISSUE OF DEBENTURES

Q. 1. What is meant by Unsecured Debentures? (Foreign 2004)

Ans. Unsecured Debentures are those debentures that are secured by neither a fixed charge nor a floating charge.

Q. 2. State the meaning of Non-convertible Debentures. (AI 2004)

Ans. Non-convertible Debentures are those debentures which are not convertible into shares.

Q. 3. List any three differences between a Share and a Debenture. (AI 2001, 2004, 2005)

Ans.

Basis	Share	Debenture
1. Ownership	A share represents share capital. Hence, a shareholder is the owner.	A debenture represents a debt taken by the company. Therefore, a debentureholder is a lender. Debenture is a written acknowledgement of debt.
2. Return	Return on shares is called <i>dividend</i> , which is paid by the company if the company earns profits and Directors decide to declare dividend.	Return on debentures is called <i>interest</i> , which is paid by the company whether the company earns profit or not.
3. Convertibility	Equity Shares cannot be convertible.	Debentures can be convertible.

Q. 4. Pass necessary Journal entries for issue of 1,000, 7% Debentures of ₹ 100 each in the following cases:

(a) Issued at 5% premium, redeemable at a premium of 10%.

(b) Issued at a discount of 5%, redeemable at par.

(Delhi 2013)

Ans. (a) (i) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 1,05,000.

(ii) Dr. Debentures Application and Allotment A/c—₹ 1,05,000 and Loss on Issue of Debentures A/c—₹ 10,000;

Cr. 7% Debentures A/c—₹ 1,00,000; Securities Premium A/c—₹ 5,000 and Premium on Redemption of Debentures A/c—₹ 10,000.

(b) (i) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 95,000.

(ii) Dr. Debentures Application and Allotment A/c—₹ 95,000 and Discount on Issue of Debentures A/c—₹ 5,000;

Cr. 7% Debentures A/c—₹ 1,00,000.

Q. 5. Sunrise Company Ltd. has an equity share capital of ₹ 10,00,000. The company earns a return on investment of 15% on its capital. The company needed funds for diversification. The finance manager had the following options: (i) Borrow ₹ 5,00,000 @ 15% p.a. from a bank payable in four equal quarterly instalments starting from the end of the fifth year; or (ii) Issue ₹ 5,00,000, 9% Debentures of ₹ 100 each redeemable at a premium of 10% after five years. To increase the return to the shareholders, the company opted for option (ii). Pass necessary Journal entries for issue of debentures.

(Sample Paper 2015)

Ans.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		5,00,000	5,00,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of 9% Debentures at par, redeemable at 10% premium)		5,00,000 50,000	5,00,000 50,000

Q. 6. VKR Ltd. issued 975; 9% Debentures of ₹ 500 each on 4th March, 2016. Pass necessary Journal entries for the issue of debentures under the following situations:

(a) When debentures were issued at a premium of 10% redeemable at a premium of 6%.

(b) When debentures were issued at par redeemable at 9% premium.

(Delhi 2016)

Ans. (a) (i) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 5,36,250.

(ii) Dr. Debentures Applications and Allotment A/c—₹ 5,36,250 and Loss on Issue of Debentures A/c—₹ 29,250;

Cr. 9% Debentures A/c—₹ 4,87,500; Securities Premium A/c—₹ 48,750; and Premium on Redemption of Debentures A/c—₹ 29,250.

- (b) (i) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 4,87,500.
(ii) Dr. Debentures Application and Allotment A/c—₹ 4,87,500 and Loss on Issue of Debentures A/c—₹ 43,875;
Cr. 9% Debentures A/c: ₹ 4,87,500—and Premium on Redemption of Debentures A/c—₹ 43,875.

Q. 7. 'Sangam Woollens Ltd.', Ludhiana, are the manufacturers and exporters of woollen garments. The company decided to distribute woollen garments free of cost to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40,000 Equity Shares of ₹ 10 each and 1,000, 9% Debentures of ₹ 100 each to the vendors for the purchase of machinery of ₹ 5,00,000. Pass necessary Journal entries. (Delhi 2015)

Ans. JOURNAL OF SANGAM WOOLLENS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c ...Dr. To Vendor's A/c (Purchase of machinery)		5,00,000	5,00,000
	Vendor's A/c ...Dr. To Equity Share Capital A/c To 9% Debentures A/c (Issue of 40,000 Equity Shares of ₹ 10 each and 1,000; 9% Debentures of ₹ 100 each to Vendor)		5,00,000	4,00,000 1,00,000

Q. 8. Z Ltd. purchased machinery from K Ltd. Z Ltd. paid K Ltd. as follows:

- (i) By issuing 5,000 equity shares of ₹ 10 each at a premium of 30%.
(ii) By issuing 1,000, 8% Debentures of ₹ 100 each at a discount of 10%.
(iii) Balance by giving a promissory note of ₹ 48,000 payable after two months.

Pass necessary Journal entries for the purchase of machinery and payment to K Ltd. in the books of Z Ltd. (Delhi 2017)

Ans. JOURNAL OF Z LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c ...Dr. To K Ltd. (WN) (Purchase of machinery from K Ltd.)		2,03,000	2,03,000
(i)	K Ltd. ...Dr. To Equity Share Capital A/c (5,000 × ₹ 10) To Securities Premium A/c (5,000 × ₹ 3) (Issue of 5,000 equity shares of ₹ 10 each at 30% premium)		65,000	50,000 15,000
(ii)	K Ltd. (1,000 × ₹ 90) ...Dr. Discount on Issue of Debentures A/c (1,000 × ₹ 10) ...Dr. To 8% Debentures A/c (1,000, 8% Debentures of ₹ 100 each issued at 10% discount)		90,000 10,000	1,00,000
(iii)	K Ltd. ...Dr. To Bills Payable A/c (Balance payment made by giving 2 months' promissory note)		48,000	48,000
	Securities Premium A/c ...Dr. To Discount on Issue of Debentures A/c (Discount on Issue of Debentures written off)		10,000	10,000

Working Note:

Purchase Consideration = ₹ 65,000 + ₹ 90,000 + ₹ 48,000 = ₹ 2,03,000.

Q. 9. Fill-in-the blanks in the following entries:

JOURNAL of GG Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	? ...Dr. To ? (Application and allotment money received on 2,000, 12% Debentures of ₹ 100 each issued at a premium of 5% and redeemable at a premium of 10%)		?	?
	? ...Dr. ? ...Dr. To ? To ? To ? (...?...)		? ? 	? ?

(Delhi 2016 C)

Ans.

JOURNAL of GG Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Application and allotment money received on 2,000, 12% Debentures of ₹ 100 each issued at a premium of 5% and redeemable at a premium of 10%)		2,10,000	2,10,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 12% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (2,000, 12% Debentures issued at a premium of 5% and redeemable at a premium of 10%)		2,10,000 20,000 	 2,00,000 10,000 20,000

Q. 10. Disha Ltd. took over assets of ₹ 8,00,000 and liabilities of ₹ 3,00,000 from Kriti Ltd. for a purchase consideration of ₹ 6,00,000. The payment was made by issue of 9% Debentures of ₹ 100 each at 20% premium.

Pass the necessary Journal entries for the above transactions in the books of Disha Ltd.

Ans.

JOURNAL OF DISHA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr. Goodwill A/c (Balancing Figure) ...Dr. To Sundry Liabilities A/c To Kriti Ltd. (Assets and liabilities taken over from Kriti Ltd.)		8,00,000 1,00,000	3,00,000 6,00,000
	Kriti Ltd. ...Dr. To 9% Debentures A/c (5,000 × ₹ 100) To Securities Premium A/c (5,000 × ₹ 20) (Purchase consideration discharged by issuing 9% Debentures at a premium)		6,00,000	5,00,000 1,00,000

Note: No. of Debentures to be issued = ₹ 6,00,000/₹ 120 = 5,000 Debentures.