

## 8. ACCOUNTING FOR SHARE CAPITAL

### MULTIPLE CHOICE QUESTIONS (MCQs)

- Q. 1.** Holt Ltd. forfeited 200 shares of ₹ 100 each, ₹ 60 per share called-up, held by Charles. He had paid ₹ 20 per share. Out of these, 150 shares were reissued to Andrew as ₹ 60 paid-up, for ₹ 50 per share. Amount transferred to Capital Reserve Account will be
- (a) ₹ 2,500. (b) ₹ 4,000.  
(c) ₹ 1,500. (d) ₹ 3,000. (CBSE 2022)
- Q. 2.** Money received in advance from shareholders before it is actually called-up by the directors is
- (a) Debited to Calls in Advance Account. (b) Credited to Calls-in-Advance Account.  
(c) Debited to Share Capital Account. (d) Credited to Share Capital Account. (CBSE 2024)
- Q. 3.** At the time of forfeiture of shares, Share Capital Account is debited with
- (a) Uncalled amount of shares. (b) Paid-up amount on shares.  
(c) Called-up amount on shares. (d) Unpaid amount on shares. (CBSE 2023)
- Q. 4.** That part of called-up capital which has been actually received from his shareholders is known as
- (a) Nominal Capital. (b) Issued Capital.  
(c) Paid-up Capital. (d) Reserve Capital. (CBSE 2022, 2023)
- Q. 5.** Boyle Ltd. issued 40,000 shares of ₹ 10 each. Applications for 2,00,000 shares were received. Amount per share was payable as follows:
- |                         |   |         |
|-------------------------|---|---------|
| On application          | — | ₹ 4     |
| On allotment            | — | ₹ 4     |
| On first and final call | — | Balance |
- Shares were allotted on *pro rata* basis to all the applicants. Excess money received with applications was refunded after adjustment in allotment and first and final call. For refunding the excess amount, the Bank Account will be credited by
- (a) ₹ 4,80,000. (b) ₹ 4,00,000.  
(c) ₹ 80,000. (d) Nil. (CBSE 2022)
- Q. 6.** Ambrish Ltd. offered 2,00,000 Equity Shares of ₹ 10 each, of these 1,98,000 shares were subscribed. The amount was payable as ₹ 3 on application, ₹ 4 an allotment and balance on first call. If a shareholder holding 3,000 shares has defaulted on first call, what is the amount of money received on first call?
- (a) ₹ 9,000. (b) ₹ 5,85,000.  
(c) ₹ 5,91,000. (d) ₹ 6,09,000. (CBSE Sample Question Paper 2022)
- Q. 7.** A share of ₹ 10 issued at a premium of ₹ 2 per share on which ₹ 8 per share (including premium) have been called and ₹ 6 per share (including premium) is received, is forfeited. Share Capital Account will be debited by
- (a) ₹ 10. (b) ₹ 8.  
(c) ₹ 12. (d) ₹ 6. (CBSE 2023)
- Q. 8.** A share of ₹ 100 on which ₹ 70 has been received is forfeited for non-payment of final call of ₹ 30. The minimum price at which this share can be reissued is
- (a) ₹ 70. (b) ₹ 30.  
(c) ₹ 100. (d) ₹ 130. (CBSE 2023)

- Q. 9.** A portion of uncalled capital to be called only in the event of winding-up of the company is termed as
- (a) Reserve Capital. (b) Capital Reserve.  
(c) Uncalled Capital. (d) Unpaid Capital. (CBSE 2023)
- Q. 10.** Jeevan Ltd. forfeited 50 shares of ₹ 100 each on which allotment money of ₹ 30 per share (including premium of ₹ 10 per share) and first call of ₹ 30 per share was not received. The second and final call of ₹ 20 per share was not yet made. The amount credited to share Forfeiture Account on forfeiture of these share will be
- (a) ₹ 2,500. (b) ₹ 2,000.  
(c) ₹ 5,000. (d) ₹ 1,500. (CBSE 2023)
- Q. 11.** Manmohan Ltd. invited applications for issuing 50,000 Equity Shares of ₹ 10 each at par. The amount payable per share was as follows:  
On application ₹ 3; on allotment ₹ 4 and on first and final call ₹ 3.  
Applications were received for 1,45,000 Equity Shares. Applications for 20,000 Equity Shares were rejected and remaining applicants were allotted shares on a *pro rata* basis. Excess application money received with applications was adjusted towards sums due on allotment and first and final call. Amount credited to Calls-in-Advance Account was
- (a) ₹ 2,25,000. (b) ₹ 25,000.  
(c) ₹ 1,75,000. (d) Nil. (CBSE 2023)
- Q. 12.** Chavi Ltd. forfeited 5,000 Equity Shares of ₹ 10 each issued at a premium of ₹ 5 per share for non-payment of first and final call of ₹ 4 per share. On forfeiture, '**Share Forfeiture Account**' will be credited by
- (a) ₹ 20,000. (b) ₹ 30,000.  
(c) ₹ 50,000. (d) ₹ 55,000. (CBSE 2023)
- [Ans.: 1. (c); 2. (b); 3. (c); 4. (c); 5. (b); 6. (b); 7. (d); 8. (b); 9. (a); 10. (d); 11. (b); 12. (b).]

**Working Notes:**

1. Amount forfeited on 150 shares =  $150 \times ₹ 20$  ₹ 3,000  
Less: Loss on reissue =  $150 \times ₹ 10$  ₹ 1,500  
Amount transferred to Capital Reserve ₹ 1,500
5. (a) Excess Application Money =  $(2,00,000 - 40,000) \times ₹ 4$  ₹ 6,40,000  
(b) Excess Application Money adjusted on:  
Allotment  $(40,000 \times ₹ 4)$  ₹ 1,60,000  
First and Final Call  $(40,000 \times ₹ 2)$  ₹ 80,000  
₹ 2,40,000
- (c) Excess Application Money refunded and credited to Bank Account = ₹ 6,40,000 – ₹ 2,40,000 = ₹ 4,00,000.
6. Amount due on First Call is ₹ 3 per share ( $₹ 10 - ₹ 3 - ₹ 4 = ₹ 3$ ).  
Amount Due on First Call  $(1,98,000 \times ₹ 3)$  ₹ 5,94,000  
Amount not received  $(3,000 \times ₹ 3)$  ₹ 9,000  
Amount received on First Call ₹ 5,85,000
11. **Note:** Excess Application Money after rejection is ₹ 2,25,000 [ $₹ 3 \times (1,45,000 - 50,000 - 20,000)$ ], out of which ₹ 2,00,000  $(50,000 \times ₹ 4)$  will be adjusted on allotment and therefore, remaining ₹ 25,000,  $(₹ 2,25,000 - ₹ 2,00,000)$  will be adjusted on first and final call and thus credited to Calls-in-Advance Account.
12. 'Share Forfeiture A/c' will be credited by ₹ 30,000 (*i.e.*,  $5,000 \times ₹ 6$ ).

## PRACTICAL PROBLEMS

**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 <b>Capital Reserve A/c (Balancing Figure)</b>			<b>10,000</b>
	(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	
	<b>Goodwill A/c (Balancing Figure)</b> ...Dr.		<b>5,00,000</b>	
	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 shares to be issued = ₹ 18,00,000/₹ 120 = 15,000 shares.

**Q. 6.** On 1st April, 2024 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, 2025 and also show Note to Accounts. (AI 2013 C, Modified)

Ans.

BALANCE SHEET OF ARADHANA LTD. (An Extract)  
as at 31st March, 2025

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

**Note to Accounts**

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

**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:

- (i) Can these shares be reissued?
- (ii) If yes, state the minimum amount at which these shares can be reissued.
- (iii) 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.

(ii) 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	5,000

**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.		16,000	
	Securities Premium A/c (2,000 × ₹ 2) ...Dr.		4,000	
	To Shares Forfeited A/c			6,000
	To Shares Allotment A/c (2,000 × ₹ 5)			10,000
	To Shares First Call A/c (2,000 × ₹ 2)			4,000
	(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 (1,400 × ₹ 10)			14,000
	To Securities Premium A/c (1,400 × ₹ 4)			5,600
	(1,400 shares reissued for ₹ 19,600 as fully paid-up)			
	Shares Forfeited A/c (1,400 × ₹ 3) ...Dr.		4,200	
	To Capital Reserve A/c			4,200
	(Gain (profit) on reissue of forfeited shares transferred to Capital Reserve)			

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

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) Money due from Giri on Allotment:	₹
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) Money Received on Allotment:	
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. Calculation of amount transferred to Capital Reserve:	₹
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		11,880 36,000	47,880
	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)		11,880 120 36,000	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		35,640	35,640
	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)		35,640 360	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		1,200	720 120 360
	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	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



Ans.

## JOURNAL OF GG LTD.

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

**Q. 15.** On 1st April, 2024, Kamy 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, Modified)

**Ans.** BALANCE SHEET OF KAMYA LTD. (An Extract) as at 31st March, 2025

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

**Note to Accounts**

<b>1. Share Capital</b>	₹
<b>Authorised Capital</b>	
4,00,000 Equity Shares of ₹ 10 each	40,00,000
<b>Issued Capital</b>	
3,80,000 Equity Shares of ₹ 10 each	38,00,000
<b>Subscribed Capital</b>	
<b>Subscribed but not Fully Paid-up</b>	
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
<b>Forfeited Shares A/c (1,000 × ₹ 6)</b>	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 <i>Or</i> 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 <i>Or</i> 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 (2,500 forfeited shares shares reissued as fully paid-up @ ₹ 8 per share)			25,000
Forfeited Shares A/c	...Dr.	15,000	
To Capital Reserve A/c (WN) (Gain (profit) on reissue transferred to Capital Reserve)			15,000

**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 (Application money received on 1,00,000 shares @ ₹ 2 each)			2,00,000
	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 (Equity shares allotment made)			40,000
	Equity Shares First Call A/c	...Dr.	3,20,000	
	To Equity Share Capital A/c (First call money due)			3,20,000

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:**

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

- (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) To Equity Share Capital A/c (Allotment money due on 1,20,000 shares)	...Dr.	3,60,000	3,60,000
Bank A/c (WN 2) To Equity Shares Allotment A/c Or Bank A/c Calls-in-Arrears A/c (WN 1) To Equity Shares Allotment A/c (Allotment money received except on 6,000 shares)	...Dr. ...Dr. ...Dr.	3,13,500 3,13,500 16,500	3,13,500 3,30,000
Equity Shares First and Final Call A/c (1,20,000 × ₹ 6) To Equity Share Capital A/c (1,20,000 × ₹ 5) To Securities Premium A/c (1,20,000 × ₹ 1) (First and final call money due on 1,20,000 shares)	...Dr.	7,20,000	6,00,000 1,20,000
Bank A/c (₹ 7,20,000 – ₹ 36,000) To Equity Shares First and Final Call A/c Or Bank A/c (1,14,000 × ₹ 6) Calls-in-Arrears A/c (6,000 × ₹ 6) To Equity Shares First and Final Call A/c (First and final call money received except on 6,000 shares)	...Dr. ...Dr. ...Dr.	6,84,000 6,84,000 36,000	6,84,000 7,20,000
Equity Share Capital A/c Securities Premium A/c To Forfeited Shares A/c To Equity Shares Allotment A/c To Equity Shares First and Final Call A/c Or Equity Share Capital A/c (6,000 × ₹ 10) Securities Premium A/c (6,000 × ₹ 1) To Forfeited Shares A/c To Calls-in-Arrears A/c (₹ 16,500 + ₹ 36,000) (6,000 shares of Sharvi forfeited for non-payment of allotment and call money)	...Dr. ...Dr. ...Dr. ...Dr.	60,000 6,000 60,000 6,000	13,500 16,500 36,000 13,500 52,500
Bank A/c To Equity Share Capital A/c (3,000 × ₹ 10) To Securities Premium A/c (Half of the forfeited shares reissued for ₹ 33,000 as fully paid)	...Dr.	33,000	30,000 3,000
Forfeited Shares A/c To Capital Reserve A/c (Gain on reissued shares transferred to Capital Reserve)	...Dr.	6,750	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>
<i>Pro rata Ratio</i>	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.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
(a) Share Capital	1	21,00,000
(b) Reserves and Surplus	2	1,40,000
<b>Total</b>		<u>22,40,000</u>
<b>II. ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	3	22,40,000
<b>Total</b>		<u>22,40,000</u>

Notes to Accounts

	₹
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
30,000 Equity Shares of ₹ 150 each	45,00,000
<b>Issued Capital</b>	
15,000 Equity Shares of ₹ 150 each	22,50,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
14,000 Equity Shares of ₹ 150 each	21,00,000
<b>2. Reserves and Surplus</b>	
Securities Premium (₹ 10 each on 14,000 shares)	1,40,000
<b>3. Cash and Cash Equivalents</b>	
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.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	63,00,000

**Note to Accounts**

<b>1. Share Capital</b>		₹
<b>Authorised Capital</b>		
2,00,000 Equity Shares of ₹ 50 each		1,00,00,000
<b>Issued Capital</b>		
1,80,000 Equity Shares of ₹ 50 each		90,00,000
<b>Subscribed Capital</b>		
<b>Subscribed but not Fully Paid-up</b>		
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.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	49,90,000

**Note to Accounts**

<b>1. Share Capital</b>		₹
<b>Authorised Capital</b>		
1,00,000 Equity Shares of ₹ 100 each		1,00,00,000
<b>Issued Capital</b>		
50,000 Equity Shares of ₹ 100 each		50,00,000
<b>Subscribed Capital</b>		
<b>Subscribed and Fully Paid-up</b>		
49,500 Equity Shares of ₹ 100 each		49,50,000
<b>Forfeited Shares Account (500 × ₹ 80)</b>		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 <b>Equity Share Capital A/c</b> (First call due on 4,00,000 shares @ ₹ 2 per share)		8,00,000	8,00,000
	Bank A/c ...Dr. <b>Calls-in-Arrears A/c (700 × ₹ 2)</b> ...Dr. To Equity Share First Call A/c To <b>Calls-in-Advance A/c (6,000 × ₹ 3)</b> <b>(First call money ₹ 2 per share received except on 700 shares and calls-in-advance of ₹ 3 per share received on 6,000 shares)</b>		<b>8,16,600</b> <b>1,400</b>	<b>8,00,000</b> <b>18,000</b>
	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)		<b>12,00,000</b>	<b>12,00,000</b>
	Bank A/c ...Dr. <b>Calls-in-Advance A/c</b> ...Dr. To Equity Share Second and Final Call A/c To <b>Calls-in-Arrears A/c</b> <b>(Final call money and calls-in-arrears received and calls-in-advance adjusted)</b>		<b>11,83,400</b> <b>18,000</b>	<b>12,00,000</b> <b>1,400</b>

**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  <i>Or</i>		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  <i>Or</i>		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  <i>Or</i>		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:**

1. 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

2. 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	
	<u>2,08,000</u>	<u>7,92,000</u>

3. 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	<u>16,000</u>

**Q. 26.** 20,000 shares of ₹ 10 each were issued for public subscription at a premium of 10%. Full amount was payable on application. Applications were received for 30,000 shares and the Board decided to allot the shares on a *pro rata* basis. Pass Journal entries.

(Sample Paper I, 2009)

**Ans.**

**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.	3,30,000	
	To Shares Application and Allotment A/c			3,30,000
	(Application money received on 30,000 shares @ ₹ 11 each)			
	Shares Application and Allotment A/c	...Dr.	3,30,000	
	To Share Capital A/c ( $20,000 \times ₹ 10$ )			2,00,000
	To Securities Premium A/c ( $20,000 \times ₹ 1$ )			20,000
	To Bank A/c ( $10,000 \times ₹ 11$ )			1,10,000
	(Shares application money adjusted and surplus refunded)			

**Q. 27.** Akash Ltd. is registered with an authorised capital of ₹ 8,00,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid-up share capital of the company was ₹ 4,00,00,000. For providing employment to the local youth and for the development of the rural areas of the Jammu and Kashmir State, the company decided to set up a food processing unit in Anantnag district. The company also decided to open skill development centres in Ladakh, Srinagar and Punch. To meet its new financial requirements, the company decided to issue 1,00,000 equity shares of ₹ 10 each and 10,000, 9% Debentures of ₹ 100 each. The debentures were redeemable after five years. The issue of equity shares and debentures was fully subscribed. A shareholder holding 1,000 shares failed to pay the final call of ₹ 2 per share.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. (Delhi 2017, Modified)

**Ans.**

BALANCE SHEET OF AKASH LTD.  
as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	4,09,98,000

**Note to Accounts**

1. Share Capital		₹
<b>Authorised Capital</b>		
80,00,000 Equity Shares of ₹ 10 each		8,00,00,000
<b>Issued Capital</b>		
41,00,000 Equity Shares of ₹ 10 each		4,10,00,000
<b>Subscribed Capital</b>		
<b>Subscribed and Fully Paid-up</b>		
40,99,000 Equity Shares of ₹ 10 each		4,09,90,000
<b>Subscribed but not Fully Paid-up</b>		
1,000 Equity Shares of ₹ 10 each	10,000	
Less: Calls-in-Arrears (1,000 × ₹ 2)	2,000	8,000
		4,09,98,000

**Q. 28.** NK Ltd., a truck manufacturing company, is registered with an authorised capital of ₹ 1,00,00,000 divided into equity shares of ₹ 100 each. The subscribed and paid-up capital of the company is ₹ 50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. (Delhi and AI 2018, Modified)

Ans.

**NK Ltd.**

BALANCE SHEET *as at ...* (as per Schedule III)

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	70,00,000

**Note to Accounts**

1. Share Capital	₹
<b>Authorised Capital</b>	
1,00,000 Equity Shares of ₹ 100 each	1,00,00,000
<b>Issued Capital</b>	
70,000 Equity Shares of ₹ 100 each	70,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
70,000 Equity Shares of ₹ 100 each	70,00,000

**Q. 29.** Sajag Ltd. has an authorised capital of ₹ 30,00,000 divided into equity shares of ₹ 30 each. The company invited applications for issuing 70,000 shares.

Applications for 68,000 shares were received.

All calls were made and were duly received except the final call of ₹ 10 per share on 5,000 shares. These shares were forfeited.

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

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

(AI 2016 C)

Ans.

BALANCE SHEET OF SAJAG LTD. *as at ...* (as per Schedule III)

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	19,90,000

**Note to Accounts**

1. Share Capital	₹	₹
<b>Authorised Capital</b>		
1,00,000 Equity Shares of ₹ 30 each		30,00,000
<b>Issued Capital</b>		
70,000 Equity Shares of ₹ 30 each		21,00,000
<b>Subscribed Capital</b>		
<b>Subscribed and Fully Paid-up</b>		
63,000 Equity Shares of ₹ 30 each		18,90,000
<b>Forfeited Shares A/c (5,000 × ₹ 20)</b>		1,00,000
		19,90,000

**Q. 30.** A company forfeited 200 shares of ₹ 20 each, ₹ 15 per share called-up on which ₹ 10 per share had been paid. Directors reissued all the forfeited shares to B as ₹ 15 per share paid-up for a payment of ₹ 10 each.

Give Journal entries in the books of the company for forfeiture and reissue of shares.

(AI 2014 C)

**Ans.**

**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (200 × ₹ 15) ...Dr.		3,000	
	To Forfeited Shares A/c			2,000
	To Calls-in-Arrears A/c			1,000
	(200 shares forfeited due to non-payment of call money)			
	Bank A/c (200 × ₹ 10) ...Dr.		2,000	
	Forfeited Shares A/c (200 × ₹ 5) ...Dr.		1,000	
	To Share Capital A/c			3,000
	(Reissue of forfeited shares as ₹ 15 per share paid-up for payment of ₹ 10 each)			
	Forfeited Shares A/c ...Dr.		1,000	
	To Capital Reserve A/c			1,000
	(Gain (profit) on reissue transferred to Capital Reserve)			

**Q. 31.** AB Ltd. issued 30,000 shares of ₹ 10 each at par, payable as follows:

₹ 3 per share : on application  
 ₹ 3 per share : on allotment  
 Balance : on first and final call

Applications were received for 50,000 shares. Applications for 10,000 shares were rejected and allotment was made on *pro rata* basis to the remaining applicants. Excess money received on application was adjusted towards sums due on allotment. Natasha, who had applied for 1,600 shares, failed to pay the amount due on allotment and call. The company forfeited her shares. Later on, these forfeited shares were reissued at ₹ 10 per share as fully paid-up.

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

(CBSE 2020 C)

**Ans.** Application money adjusted against allotment: ₹ 30,000; Amount received on allotment: ₹ 57,600; Amount forfeited: ₹ 4,800; Amount transferred to Capital Reserve: ₹ 4,800.

**Q. 32.** S Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each. The shares were issued at a premium of ₹ 5 per share. The amount was payable as follows:

On Application and Allotment : ₹ 8 per share (including premium ₹ 3)  
 On the First and Final call : Balance including premium

Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and *pro rata* allotment was made to the remaining applicants on the following basis:

- I. Applicants for 80,000 shares were allotted 60,000 shares, and
- II. Applicants for 60,000 shares were allotted 40,000 shares.

Excess amount received on application and allotment was to be adjusted against sums due on call. X, who belonged to the first category and was allotted 300 shares, failed to pay the first and final call money. Y, who belonged to the second category and was allotted 200 shares, also failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were reissued @ ₹ 12 per share as fully paid-up.

Pass necessary Cash Book and Journal entries for the above transactions in the books of the company. (CBSE 2019)

**Ans.** Capital Reserve = ₹ 4,100.

[Hints:

1. Calculation of Calls-in-Arrears (First and Final Call not paid by X and Y):

**Step 1:** Calculation of Number of Shares Applied by:

$$X = \frac{80,000}{60,000} \times 300 = 400 \text{ Shares}; Y = \frac{60,000}{40,000} \times 200 = 300 \text{ Shares.}$$

	₹
<b>Step 2:</b> (a) Application money received from X (400 × ₹ 8)	3,200
Less: Application and Allotment money required (300 × ₹ 8)	2,400
Excess Application and Allotment money adjusted on First and Final Call	800
(b) Application money received from Y (300 × ₹ 8)	2,400
Less: Application and Allotment money required (200 × ₹ 8)	1,600
Excess Application and Allotment money adjusted on First and Final Call	800
<b>Step 3:</b> First and Final call money due on X's and Y's Shares [(300 × ₹ 7) + (200 × ₹ 7)]	3,500
Less: Excess Application and Allotment Money adjusted on First and Final Call ( <b>Step 2:</b> (a) + (b))	1,600
<b>Calls-in-Arrears</b>	<b>1,900</b>

2. Accounting Entry for Forfeiture of 500 shares (Shares of X and Y):

Dr. Share Capital A/c—₹ 5,000 and Securities Premium A/c—₹ 1,000;

Cr. Forfeited Shares A/c—₹ 4,100 and Calls-in-Arrears A/c or Shares First and Final Call A/c—₹ 1,900.]

**Q. 33.** Royal Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of 25% payable with application. Applications for 4,50,000 shares were received. Applications for 1,00,000 shares were rejected and money refunded. *Pro rata* allotment was made to the remaining applicants. The amount per share was payable as follows:

On Application	:	₹ 4 per share including premium
On Allotment	:	₹ 3.50 per share

Balance on First and Final Call.

Excess application money received with applications was adjusted with sums due on allotment.

Application money in excess of sums due on allotment, if any, was refunded. Raghu, who had applied for 7,000 shares failed to pay allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made.

Nandan, who had applied for 10,500 shares, failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹ 11.50 fully paid-up, to Meeta.

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

(CBSE 2019)

**Ans.** Total amount received on allotment = ₹ 98,000; Capital Reserve = ₹ 48,000.

[Hints:

1. (i) **For Forfeiture of Raghu's 4,000 Shares\***

Dr. Share Capital A/c (4,000 × ₹ 5) — ₹ 20,000;

Cr. Forfeited Shares A/c — ₹ 18,000 and Shares Allotment A/c/Calls-in-Arrears A/c — ₹ 2,000.

(ii) **For Forfeiture of Nandan's 6,000 Shares\*\***

Dr. Share Capital A/c — ₹ 60,000;

Cr. Forfeited Shares A/c — ₹ 30,000 and Shares First and Final Call/Calls-in-Arrears A/c — ₹ 30,000.

\*Shares allotted to Raghu =  $\frac{2,00,000}{3,50,000} \times 7,000 = 4,000$  shares.

\*\*Shares allotted to Nandan =  $\frac{2,00,000}{3,50,000} \times 10,500 = 6,000$  shares.

2. *Calculation of Allotment money not paid by Raghu:*

(a) Amount received on application from Raghu = 7,000 × ₹ 4 = ₹ 28,000.

(b) Amount adjusted on application = 4,000 × ₹ 4 = ₹ 16,000

(c) Surplus application money (a – b) adjusted on allotment = ₹ 12,000

(d) Allotment money due but not paid by Raghu [(4,000 × ₹ 3.50) – ₹ 12,000 (c)] = ₹ 2,000.]

**Q. 34.** Megha Ltd. invited applications for issuing 90,000 equity shares of ₹ 100 each at a premium of ₹ 60 per share. The amount was payable as follows:

On Application	:	₹ 30 per share (including premium ₹ 10)
On Allotment	:	₹ 70 per share (including premium ₹ 50)
On First and Final Call	:	Balance amount

Applications for 1,00,000 shares were received. Shares were allotted on *pro rata* basis to all the applicants. Excess money received with application was adjusted towards sums due on allotment. Sudha, a shareholder holding 4,500 shares, failed to pay the allotment money. Her shares were forfeited immediately after allotment. Afterwards the first and final call was made. Rajat, a holder of 3,600 shares, failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued for ₹ 90 per share fully paid-up. Pass necessary Journal entries and prepare Cash Book for the above transactions in the books of Megha Ltd. (CBSE 2019)

**Ans.** Amount transferred to Capital Reserve = ₹ 1,68,000. Total of Cash Book = ₹ 1,43,43,000.

**[Hint: For Forfeiture of Sudha's 4,500 shares**

Dr. Equity Share Capital A/c—₹ 1,80,000 and Securities Premium A/c—₹ 2,25,000;

Cr. Forfeited Shares A/c—₹ 1,05,000 and Equity Shares Allotment/Calls-in-Arrears A/c—₹ 3,00,000.

**For Forfeiture of Rajat's 3,600 shares**

Dr. Equity Share Capital A/c—₹ 3,60,000;

Cr. Forfeited Shares A/c—₹ 1,44,000 and Equity Shares First and Final Call/Calls-in-Arrears A/c—₹ 2,16,000.]

**Q. 35.** X Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each. The amount was payable as follows:

On Application	—	₹ 2 per share;
On Allotment	—	₹ 2 per share;
On First Call	—	₹ 3 per share;
On Second and Final Call	—	Balance amount.

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a *pro rata* basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Gopal, who applied for 600 shares, paid his entire share money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were reissued to Sultan for ₹ 20,000; ₹ 4 per share paid-up. The first call money and the second and final call money was called and duly received.

Pass necessary Journal entries for the above transactions in the books of X Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary.

(Delhi and AI 2018)

**Ans.** [Hint: Allotment money due but not paid by Ghosh = ₹ 8,000.

Gain on reissue of forfeited shares transferred to Capital Reserve = ₹ 12,000.

*Journal Entry For Adjustment of Application Money:*

Dr. Equity Shares Application A/c—₹ 1,44,800;

Cr. Equity Share Capital A/c (50,000 × ₹ 2)—₹ 1,00,000;

Equity Shares Allotment A/c [₹ 19,800 + (500 × ₹ 2)]—₹ 20,800;

Bank A/c—₹ 21,000 and Calls-in-Advance A/c—₹ 3,000.]

**Q. 36.** Manvet Ltd. invited applications for issuing 10,00,000 equity shares of ₹ 10 each payable as follows:

On application and allotment — ₹ 4 per share (including premium ₹ 1),

On first call — ₹ 4 per share,

On second and final call — ₹ 3 per share.

Applications for 15,00,000 shares were received and *pro rata* allotment was made to all the applicants. Excess application money was adjusted on the sums due on calls. A shareholder who had applied for 6,000 shares did not pay the first, and the second and final call. His shares were forfeited. 90% of the forfeited shares were reissued at ₹ 8 per share fully paid-up.

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

(Delhi and AI 2018 C)

**Ans.** Capital Reserve = ₹ 10,800.

**Q. 37.** Rathee Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each. The shares were issued at a premium of 60%. The amount was payable as follows:

On Application and Allotment — ₹ 6 per share (including premium ₹ 4)

On First and Final Call — Balance including premium

Applications for 1,90,000 shares were received. The allotment was made as follows:

Category A — Applications for 10,000 shares were rejected.

Category B — Applications for 1,00,000 shares were allotted 50,000 shares.

Category C — Applications for 80,000 shares were allotted 50,000 shares.

Excess money received on application and allotment was adjusted towards sums due on first and final call.

Ali, who belonged to Category B, and had applied for 1,000 shares, paid the entire amount of his share money with application.

Bali, who belonged to Category C, was allotted 1,000 shares, failed to pay the first and final call money. His shares were forfeited and reissued at ₹ 15 per share fully paid-up.

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

(CBSE 2019 C)

Ans.

JOURNAL OF RATHEE LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (1,89,000 × ₹ 6) + (1,000 × ₹ 16) ...Dr. To Equity Shares Application and Allotment A/c (Application money received)		11,50,000	11,50,000
	Equity Shares Application and Allotment A/c ...Dr. To Equity Share Capital A/c (1,00,000 × ₹ 2) To Securities Premium A/c (1,00,000 × ₹ 4) To Calls-in-Advance A/c (WN 1) To Bank A/c (WN 2) (Application money transferred to Equity Share Capital, Securities Premium Reserve, Calls-in-Advance and the balance refunded)		11,50,000	2,00,000 4,00,000 4,82,000 68,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (First call money due)		10,00,000	8,00,000 2,00,000
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First and Final Call A/c Or Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First and Final Call A/c (First and final call money received except on 1,000 shares)		5,11,600 6,400 4,82,000	10,00,000 9,93,600
	Equity Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c/Equity Shares First and Final Call A/c (Bali's shares forfeited for non-payment of first and final call)		10,000 2,000	5,600 6,400
	Bank A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Bali's shares reissued for ₹ 15 per share fully paid)		15,000	10,000 5,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Balance in Forfeited Shares Account transferred to Capital Reserve)		5,600	5,600

**Working Notes:**

1. Calculation of Calls-in-Advance:	₹	
Category B—99,000 (Except Shares of Ali) × ₹ 6	5,94,000	
Less: Required on application (49,500 × ₹ 6)	2,97,000	
Calls-in-Advance	2,97,000	(i)
Category C—80,000 × ₹ 6	4,80,000	
Less: Required on application (50,000 × ₹ 6)	3,00,000	
Calls-in-Advance	1,80,000	(ii)
From Ali: Application money received (1,000 × ₹ 16)	16,000	
Less: Application money required (500 × ₹ 6)	3,000	
	13,000	
Less: Calls-in-Advance (500 × ₹ 10)	5,000	(iii)
Refund of surplus application money	8,000	

Total Calls-in-Advance [(i) + (ii) + (iii)] = ₹ 2,97,000 + ₹ 1,80,000 + ₹ 5,000 = ₹ 4,82,000.

2. Excess application money refunded = ₹ 60,000 (i.e., 10,000 × ₹ 6) + ₹ 8,000 (WN 1) = ₹ 68,000.
3. As shares have been reissued at a premium, loss on reissue is Nil. Therefore, the total amount forfeited on these shares, i.e., ₹ 5,600 is a capital gain and is transferred to Capital Reserve Account.

**Q. 38.** Joy Ltd. invited applications for issuing 20,000 equity shares of ₹ 10 each at par. The amount was payable as follows:

On Application	—	₹ 3 per share
On Allotment	—	₹ 4 per share
On First Call and Final Call	—	Balance amount

The issue was oversubscribed by three times. Applications for 20% shares were rejected and the money was refunded. Allotment was made to the remaining applicants as follows:

Category	No. of Shares Applied	No. of Shares Allotted
I	30,000	15,000
II	18,000	5,000

Excess money received with applications was adjusted towards sums due on allotment. Money in excess to sums due on allotment was adjusted towards sums due on first and final call and any money in excess to sums due on first and final call was refunded. Kavi, a shareholder who had applied for 600 shares, failed to pay the remaining allotment money and his shares were immediately forfeited. Kavi belonged to Category I.

Afterwards the first and final call was made. Gupta, who had applied for 400 shares, failed to pay the first and final call. Gupta also belonged to Category I.

Shares of Gupta were also forfeited after the first and final call. The forfeited shares were reissued at ₹ 12 per share fully paid-up.

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

(Foreign 2017)

Ans.

**In the Books of Joy Ltd.**  
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (WN 1) (Application money received on 60,000 shares)		1,80,000	1,80,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Equity Shares Allotment A/c To Calls-in-Advance A/c To Bank A/c (WN 2) (Application money adjusted and surplus refunded)		1,80,000	60,000 65,000 15,000 40,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due on 60,000 shares)		80,000	80,000
	Bank A/c (WN 4) ...Dr. Calls-in-Arrears A/c (WN 3) ...Dr. To Equity Shares Allotment A/c Or		14,700 300	15,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c (Amount received on allotment)		14,700	14,700
	Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c/Equity Shares Allotment A/c (300 shares forfeited on which allotment money was not received)		2,100	1,800 300
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (First and final call money due on 19,700 shares)		59,100	59,100
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First and Final Call A/c Or		43,500 600 15,000	59,100
	Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First and Final Call A/c (First and final call money received except on 200 shares)		43,500 15,000	58,500
	Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c/Equity Shares First and Final Call A/c (200 shares forfeited on which first and final call money was not received)		2,000	1,400 600
	Bank A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Forfeited shares reissued)		6,000	5,000 1,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Gain on reissue on forfeited shares transferred to Capital Reserve)		3,200	3,200

**Working Notes:**

1. Number of Shares applied for by the public and *pro rata* allotment made  
 $= 30,000 + 18,000 = 48,000$

Therefore, Total Number of Shares applied for by the public

$$= 48,000 \times \frac{100}{100 - 20} = 60,000 \text{ shares.}$$

**2. Table Showing Adjustment of Excess Application Money**

Particulars	Category I ₹	Category II ₹	Category III* ₹	Total ₹
Application money received	90,000 (30,000 × ₹ 3)	54,000 (18,000 × ₹ 3)	36,000 (12,000 × ₹ 3)	1,80,000 ...
Less: Application money utilised	45,000 (15,000 × ₹ 3)	15,000 (5,000 × ₹ 3)	...	60,000
Surplus Application Money	45,000	39,000	36,000	1,20,000
Less: Adjusted on Allotment	45,000	20,000	...	65,000
Still Surplus	...	19,000	36,000	55,000
Less: Adjusted on Call	...	15,000 (5,000 × ₹ 3)	...	15,000
Money to be refunded	...	4,000	36,000	40,000

\*Category III → For No Allotment = 60,000 (Shares Applied) – 48,000 (Shares Allotted) = 12,000 shares.

3. *Calculation of allotment money due but not paid by Kavi:*

Number of shares applied in Category I = 30,000

Number of shares allotted in Category I = 15,000

Ratio of shares applied and allotted = 30,000 : 15,000 = 2 : 1

Shares allotted to Kavi = 600 × 1/2 = 300 shares

Excess application money paid by Kavi towards shares allotment = (600 × ₹ 3) – (300 × ₹ 3) = ₹ 900

₹

Allotment money due from Kavi (300 × ₹ 4)

1,200

Less: Excess application money adjusted towards allotment:

900

300

4. *Calculation of allotment money received later:*

₹

Shares Allotment money due (20,000 × ₹ 4)

80,000

Less: Excess application money adjusted on allotment (WN 2)

65,000

15,000

Less: Allotment money not paid by Kavi

300

14,700

5. Shares allotted to Gupta = 400 × 1/2 = 200 shares

Amount not paid by Gupta on call = 200 × ₹ 3 = ₹ 600.

**Q. 39.** Alpha India Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription 80,000 equity shares payable per share as: ₹ 3 on application, ₹ 2 on allotment, ₹ 3 on first call and the balance on second and final call. The issue was fully subscribed and all amounts due were received except the first and final call money on 2,000 shares allotted to Chhavi. Her 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 'Notes to Accounts'. (CBSE 2020 C)

**Ans.** BALANCE SHEET OF ALPHA INDIA LTD. (An Extract) as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	7,90,000

**Note to Accounts**

<b>1. Share Capital</b>	₹
<b>Authorised Capital</b>	
1,00,000 Equity Shares of ₹ 10 each	10,00,000
<b>Issued Capital</b>	
80,000 Equity Shares of ₹ 10 each	8,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
78,000 Equity Shares of ₹ 10 each	7,80,000
Forfeited Shares A/c (2,000 × ₹ 5)	10,000
	<u>7,90,000</u>

**Q. 40.** Xansa Ltd. offered 22,000 equity shares of ₹ 100 each to the public at a premium of ₹ 20 per share. The amount per share was payable as ₹ 30 on application; ₹ 50 (including premium) on allotment; and the balance on first and final call. 20,000 shares were subscribed by the public. All calls were made. A shareholder holding 1,000 shares failed to pay the first and final call money. His shares were forfeited. Show 'Share Capital' in the Balance Sheet of Xansa Ltd. Also, prepare 'Note to Accounts'. (CBSE 2017 C)

**Ans.** **Xansa Ltd.**  
BALANCE SHEET as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	19,60,000

**Note to Accounts**

<b>1. Share Capital</b>	₹
<b>Authorised Capital</b>	
... Equity Shares of ₹ 100 each	...
<b>Issued Capital</b>	
22,000 Equity Shares of ₹ 100 each	22,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
19,000 Equity Shares of ₹ 100 each	19,00,000
Forfeited Shares A/c (1,000 × ₹ 60)	60,000
	<u>19,60,000</u>

**Q. 41.** BBG Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 10 per share. The amount was payable as follows:

On Application	—	₹ 4 per share (including ₹ 2 premium)
On Allotment	—	₹ 5 per share (including ₹ 2 premium)
On First Call	—	₹ 5 per share (including ₹ 3 premium)
On Second and Final Call	—	Balance amount

The issue was fully subscribed, Raghu, a shareholder holding 1,000 shares, failed to pay the allotment money and Rahim, another shareholder holding 1,500 shares, paid his entire share money along with allotment. Raghu's shares were forfeited immediately after allotment. Afterwards, the first call was made, Deenanath, a shareholder holding 500 shares, failed to pay the first call money and Dayal, a shareholder holding 600 shares, paid his second call money along with the first call. Deenanath's shares were forfeited immediately after the first call. Later on the second call was made which was duly received.

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

(CBSE 2017)

**Ans.**

**In the Books of BBG Ltd.**

**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 2,00,000 shares)		8,00,000	8,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Application money transferred to Share Capital Account on allotment)		8,00,000	4,00,000 4,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Shares allotment money due on 2,00,000 shares)		10,00,000	6,00,000 4,00,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (1,000 × ₹ 5) ...Dr. To Equity Shares Allotment A/c To Calls-in-Advance A/c (1,500 × ₹ 11) Or Bank A/c ...Dr. To Equity Shares Allotment A/c To Calls-in-Advance A/c (1,500 × ₹ 11) (Allotment money received except on 1,000 shares and Calls-in-Advance received)		10,11,500 5,000	10,00,000 16,500
	Equity Share Capital A/c (1,000 × ₹ 5) ...Dr. Securities Premium A/c (1,000 × ₹ 2) ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c/Equity Shares Allotment A/c (1,000 shares forfeited after allotment)		5,000 2,000	2,000 5,000

Equity Shares First Call A/c	...Dr.	9,95,000	
To Equity Share Capital A/c			3,98,000
To Securities Premium A/c			5,97,000
(First call money due on 1,99,000 shares)			
Bank A/c	...Dr.	9,88,600	
Calls-in-Arrears A/c (500 × ₹ 5)	...Dr.	2,500	
Calls-in-Advance A/c (1,500 × ₹ 5)	...Dr.	7,500	
To Equity Shares First Call A/c			9,95,000
To Calls-in-Advance A/c (600 × ₹ 6)			3,600
Or			
Bank A/c	...Dr.	9,88,600	
Calls-in-Advance A/c (1,500 × ₹ 5)	...Dr.	7,500	
To Equity Shares First Call A/c			9,92,500
To Calls-in-Advance A/c (600 × ₹ 6)			3,600
(First call money received except on 500 shares and calls-in-advance received, advance received earlier adjusted)			
Equity Share Capital A/c (500 × ₹ 7)	...Dr.	3,500	
Securities Premium A/c (500 × ₹ 3)	...Dr.	1,500	
To Forfeited Shares A/c			2,500
To Calls-in-Arrears A/c/Equity Shares First Call A/c			2,500
(500 shares forfeited after the first call)			
Equity Shares Second and Final Call A/c	...Dr.	11,91,000	
To Equity Share Capital A/c			5,95,500
To Securities Premium A/c			5,95,500
(Second and final call money due on 1,98,500 shares)			
Bank A/c	...Dr.	11,78,400	
Calls-in-Advance A/c [(1,500 × ₹ 6) + (600 × ₹ 6)]	...Dr.	12,600	
To Equity Shares Second and Final Call A/c			11,91,000
(Second and final call money received)			

**Q. 42.** *DF Ltd.* invited applications for issuing 50,000 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 (including premium ₹ 1)
On First call	:	₹ 3 per share
On Second and Final Call	:	Balance amount

Applications for 70,000 shares were received. Allotment was made on the following basis:

Applications for 5,000 shares—Full; Applications for 50,000 shares—90%

Balance of the applications were rejected. ₹ 1,20,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were allotted on *pro rata* basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. ₹ 1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were reissued @ ₹ 8 per share fully paid-up. Final call was not made.

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

(CBSE 2019)

Ans.

JOURNAL OF DF LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received for 70,000 shares)		2,10,000	2,10,000
(ii)	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Shares Allotment A/c To Bank A/c (Application money transferred to Equity Share Capital, Securities Premium Reserve, Equity Shares Allotment and the balance refunded)			1,00,000 50,000 15,000 45,000
(iii)	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Allotment money due on 50,000 shares)		1,50,000	1,00,000 50,000
(iv)	Bank A/c ...Dr. To Equity Shares Allotment A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Allotment money received except on 5,000 shares) (WN 1)		1,20,000 1,20,000 15,000	1,20,000 1,35,000
(v)	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 50,000 shares)		1,50,000	1,50,000
(vi)	Bank A/c ...Dr. To Equity Shares First Call A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares First Call A/c (First call money received except on 10,000 shares)		1,20,000 1,20,000 30,000	1,20,000 1,50,000
(vii)	Equity Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Equity Shares Allotment A/c To Equity Shares First Call A/c To Forfeited Shares A/c Or Equity Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Shares forfeited)		35,000 5,000 35,000 5,000	15,000 15,000 10,000 30,000 10,000
(viii)	Bank A/c ...Dr. Forfeited Shares A/c ...Dr. To Equity Share Capital A/c (Shares reissued @ ₹ 8 per share as fully paid)		20,000 5,000	25,000

**Working Notes:**

1. Amount due on 5,000 equity shares on allotment ( $5,000 \times ₹ 3$ ) not received ₹ 15,000.
2. Out of the above, ₹ 1 is towards Securities Premium.
3. As per the statement "The amount of allotment due from shareholders to whom shares were allotted on *pro rata* basis was fully received." It means company must have received minimum ₹ 1,20,000 [ $(45,000 \times ₹ 3) - ₹ 15,000$  (Excess Application Money)] on allotment.
4. Since half of the amount of Forfeited Shares Account, *i.e.*, ₹ 5,000 has been fully utilised at the time of reissue of shares, so, there is no gain on reissue of forfeited shares.

**Q. 43.** Bayson Ltd. invited applications for issuing 54,000 shares of ` 100 each payable as follows:

- ₹ 50 per share on application;
- ₹ 10 per share on allotment; and
- Balance on first and final call.

Applications were received for 80,000 shares.

Full allotment was made to the applicants of 14,000 shares. The remaining applicants were allotted 40,000 shares on *pro rata* basis. Excess money received with application was adjusted towards sums due on allotment and call.

Vibhor, holding 1,200 shares, who belonged to the category of applicants to whom full allotment was made, paid the call money at the time of allotment. Vidur, who belonged to the category of applicants to whom shares were allotted on *pro rata* basis did not pay anything after application on his 400 shares. Vidur's shares were forfeited after the first and final call. All the forfeited shares were later on reissued at ₹ 110 per share as fully paid-up.

Pass the necessary Journal entries in the books of Bayson Ltd. for the above transactions by opening Calls-in-Arrears and Calls-in-Advance Account wherever necessary.

(CBSE 2017 C)

**Ans.**

**JOURNAL OF BAYSON LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received for 80,000 shares @ ₹ 50 per share)		40,00,000	40,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c ( $54,000 \times ₹ 50$ ) To Equity Shares Allotment A/c ( $40,000 \times ₹ 10$ ) To Calls-in-Advance A/c ₹ ( $40,00,000 - 27,00,000 - 4,00,000$ ) (Application money adjusted)		40,00,000	27,00,000 4,00,000 9,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due on 54,000 shares @ ₹ 10 per share)		5,40,000	5,40,000
	Bank A/c (WN 3) ...Dr. To Equity Shares Allotment A/c To Calls-in-Advance A/c ( $1,200 \times ₹ 40$ ) (Allotment money received and advance of call money on 1,200 shares)		1,88,000	1,40,000 48,000

Equity Shares First and Final Call A/c (54,000 × ₹ 40) ...Dr.	21,60,000	
To Equity Share Capital A/c (First and final call money due)		21,60,000
Bank A/c ...Dr.	12,05,000	
Calls-in-Advance A/c (₹ 9,00,000 + ₹ 48,000) ...Dr.	9,48,000	
Calls-in-Arrears A/c (WN 4) ...Dr.	7,000	
To Equity Shares First and Final Call A/c (First and final call money received) (WN 4)		21,60,000
Equity Share Capital A/c (400 × ₹ 100) ...Dr.	40,000	
To Forfeited Shares A/c (660 × ₹ 50)		33,000
To Calls-in-Arrears A/c (400 shares of Vidur forfeited)		7,000
Bank A/c (400 × ₹ 110) ...Dr.	44,000	
To Equity Share Capital A/c (400 × ₹ 100)		40,000
To Securities Premium A/c (400 × ₹ 10)		4,000
(400 shares reissued for ₹ 110 per share as fully paid-up)		
Forfeited Shares A/c ...Dr.	33,000	
To Capital Reserve A/c (Gain on reissue transferred to Capital Reserve)		33,000

**Working Notes:**

1. Adjustment of Excess of Application Money:

	Number of Applied Shares	Number of Allotted Shares
Total Shares	80,000	54,000
Full Allotment	14,000	14,000
Pro rata Allotment	<u>66,000</u>	<u>40,000</u>

Pro rata Allotment: Excess Application Money = (66,000 – 40,000) × ₹ 50 = ₹ 13,00,000;

Adjusted on Allotment = 40,000 × ₹ 10 = ₹ 4,00,000;

Adjusted on Call = ₹ 13,00,000 – ₹ 4,00,000 = ₹ 9,00,000.

2. Calculation of Allotment money not paid by Vidur:

(a) Total Number of Shares applied by Vidur = $\frac{66,000}{40,000} \times 400 = 660$ shares.	₹
(b) Application money received on shares allotted to Vidur (660 × ₹ 50)	33,000
(c) Less: Application money due on shares allotted to Vidur (400 × ₹ 50)	<u>20,000</u>
(d) Excess application money to be adjusted on allotment and call	<u>13,000</u>
(e) Allotment money due on shares allotted to Vidur (400 × ₹ 10)	4,000
Less: Excess application money adjusted on allotment	<u>4,000</u>
Amount not paid by Vidur on Allotment	<u>NIL</u>
Still excess application money ₹ 9,000 (i.e., ₹ 13,000 – ₹ 4,000) to be adjusted on call.	

3. Calculation of allotment money received later on:	₹
Total allotment money due (54,000 × ₹ 10)	5,40,000
Less: Excess application money adjusted on allotment	4,00,000
	<u>1,40,000</u>
Add: Calls-in-Advance (1,200 × ₹ 40)	48,000
Allotment Money Received	<u>1,88,000</u>
4. Calculation of first and final call money not paid by Vidur:	₹
Total first and final call money due (400 × ₹ 40)	16,000
Less: Excess application money to be adjusted on call (WN 2)	9,000
Call money not paid by Vidur	<u>7,000</u>

**Q. 44.** Ronit Ltd. was registered with an authorised capital of ₹ 75,00,000 divided into 75,000 Equity Shares of ₹ 100 each. The company invited applications for issuing 45,000 shares. The amount was payable as follows: ₹ 30 per share on application, ₹ 30 per share on allotment, ₹ 25 per share on first call and balance on final call. Applications were received for 42,000 shares and allotment was made to all the applicants. Charvi, to whom 3,300 shares were allotted, failed to pay both the calls. Her 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 notes to accounts. (CBSE 2024)

**Ans.** BALANCE SHEET OF RONIT LTD. (An Extract)  
as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	40,68,000

**Note to Accounts**

<b>1. Share Capital</b>	₹
<b>Authorised Capital</b>	
75,000 Equity Shares of ₹ 100 each	75,00,000
<b>Issued Capital</b>	
45,000 Equity Shares of ₹ 100 each	45,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
38,700 Equity Shares of ₹ 100 each	38,70,000
<b>Forfeited Shares A/c (3,300 × ₹ 60)</b>	1,98,000
	<u>40,68,000</u>

- Q. 45.** Janta Ltd. had an authorised capital of 2,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription 1,00,000 shares. Applications were received for 97,000 shares. The amount was payable as follows: on application ₹ 2 per share, ₹ 4 payable each on allotment and first and final call. A shareholder holding 600 shares failed to pay the allotment money. His shares were forfeited. The company did not make the first and final call. Present the share capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013. Also prepare Notes to Accounts. (CBSE 2018 C)

**Ans.** BALANCE SHEET OF JANTA LTD. *as at ...*

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	5,79,600

**Note to Accounts**

1. Share Capital	₹
<b>Authorised Capital</b>	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
<b>Issued Capital</b>	
1,00,000 Equity Shares of ₹ 10 each	10,00,000
<b>Subscribed Capital</b>	
<b>Subscribed but not Fully Paid-up</b>	
96,400 Equity Shares of ₹ 10 each; ₹ 6 called-up	5,78,400
<b>Forfeited Shares A/c</b>	1,200
	5,79,600

- Q. 46.** Saraswati Ltd. has an authorised capital of ₹ 10,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid-up share capital of the company was ₹ 4,00,000. To meet its new financial requirements, the company issued 20,000 Equity Shares of ₹ 10 each which were payable as follows: ₹ 3 on application; ₹ 3 on allotment, ₹ 2 on first call and ₹ 2 on second and final call. The issue was fully subscribed. The allotment money was payable on 1st May, 2021, first call money on 1st August, 2021 and final call on 1st October, 2021. X, to whom 1,000 shares were allotted, did not pay the allotment and call money; Y an allottee of 600 shares, did not pay the two calls; and Z whom 400 shares were allotted, did not pay the final call. Present the share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same. (CBSE 2023)

**Ans.** AN EXTRACT OF BALANCE SHEET OF SARASWATI LTD. *as at ...*

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	5,89,800

**Note to Accounts**

1. Share Capital		₹
<b>Authorised Capital</b>		
1,00,000 Equity Shares of ₹ 10 each		10,00,000
<b>Issued Capital</b>		
60,000 (i.e., 40,000 + 20,000) Equity Shares of ₹ 10 each		6,00,000
<b>Subscribed Capital</b>		
<b>Subscribed and Fully Paid-up</b>		
58,000 Equity Shares of ₹ 10 each		5,80,000
<b>Subscribed but not Fully Paid-up</b>		
2,000 Equity Shares of ₹ 10 each		20,000
<i>Less: Calls-in-Arrears:</i>		
X: 1,000 × ₹ 7	₹ 7,000	
Y: 600 × ₹ 4	₹ 2,400	
Z: 400 × ₹ 2	₹ 800	
	10,200	9,800
		5,89,800

**Q. 47.** Ganga Ltd. invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount per share was payable as follows:

On Application	—	₹ 2
On Allotment	—	₹ 3
On First Call	—	₹ 3
On Second and Final Call	—	₹ 2

Applications were received for 15,000 shares. The applications for 3,000 shares were rejected and application money refunded. The shares were allotted on *pro rata* basis to the applicants of 12,000 shares. Excess money received with applications was adjusted towards sums due on allotment. All shareholders paid the allotment money except one shareholder who was allotted 200 shares. These shares were forfeited. The first call was made thereafter and duly received. The second and final call was not yet made.

Pass Journal entries for the above transactions in the books of Ganga Ltd. Open Calls-in-Arrears Account wherever required. (CBSE 2023)

**Ans.**

**JOURNAL OF GANGA LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		30,000	
	To Equity Shares Application A/c (Application money received for 15,000 shares @ ₹ 2 each)			30,000
	Equity Shares Application A/c ...Dr.		30,000	
	To Equity Share Capital A/c (10,000 × ₹ 2)			20,000
	To Equity Shares Allotment A/c (2,000 × ₹ 2)			4,000
	To Bank A/c (3,000 × ₹ 2)			6,000
	(Application money adjusted and surplus refunded)			

Equity Shares Allotment A/c (10,000 × ₹ 3) To Equity Share Capital A/c (Allotment money due)	...Dr.	30,000	30,000
Bank A/c Calls-in-Arrears A/c (WN) To Equity Shares Allotment A/c (Allotment money received except on 200 shares)	...Dr. ...Dr.	25,480 520	26,000
Equity Share Capital A/c (200 × ₹ 5) To Calls-in-Arrears A/c To Forfeited Shares A/c (240 × ₹ 2) (200 shares forfeited for non-payment of allotment money)	...Dr.	1,000	520 480
Equity Shares First Call A/c (9,800 × ₹ 3) To Equity Share Capital A/c (First call money due)	...Dr.	29,400	29,400
Bank A/c (9,800 × ₹ 3) To Equity Shares First Call A/c (First call money received)	...Dr.	29,400	29,400

- Notes:** 1. The question specifies that the amount not received is to be transferred to Calls-in-Arrears Account. Thus, amounts not received are transferred to Calls-in-Arrears Account.  
2. On forfeiture of shares, Calls-in-Arrears Account will be credited if amounts not received were transferred to Calls-in-Arrears Account.

**Working Notes:**

- No. of shares applied by defaulting shareholder =  $\frac{12,000}{10,000} \times 200 = 240$  shares.
- Excess application money received adjusted on allotment =  $(240 - 200) \times ₹ 2 = ₹ 80$ .
- Calculation of allotment money not paid by defaulting shareholder:

	₹
Allotment money due (200 × ₹ 3)	600
Less: Excess application money adjusted on allotment	<u>80</u>
Allotment money not received on allotment	<u>520</u>

**Q. 48.** EF Ltd. invited applications for issuing 80,000 equity shares of ₹ 50 each at a premium of 20%. The amount was payable as follows:

On Application	: ₹ 20 per share (including premium ₹ 5)
On Allotment	: ₹ 15 per share (including premium ₹ 5)
On First Call	: ₹ 15 per share
On Second and Final call	: Balance amount

Applications for 1,20,000 shares were received. Applications for 20,000 shares were rejected and *pro rata* allotment was made to the remaining applicants.

Seema, holding 4,000 shares failed to pay the allotment money. Afterwards the first call was made. Seema paid allotment money along with the first call. Sahaj who had applied for 2,500 shares failed to pay the first call money. Sahaj's shares were forfeited and subsequently reissued to Geeta for ₹ 60 per share, ₹ 50 per share paid-up.

Final call was not made.

Pass necessary Journal entries for the above transactions in the books of EF Ltd. by opening Calls-in-Arrears Account. (CBSE 2019)

Ans.

JOURNAL OF EF LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received for 1,20,000 shares)		24,00,000	24,00,000
(ii)	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Shares Allotment A/c To Bank A/c (Application money transferred to Equity Share Capital, Securities Premium Reserve, Equity Shares Allotment and the balance refunded)		24,00,000	12,00,000 4,00,000 4,00,000 4,00,000
(iii)	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Allotment money due on 80,000 shares)		12,00,000	8,00,000 4,00,000
(iv)	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c Allotment money received) (WN 2)		7,60,000 40,000	8,00,000
(v)	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 80,000 shares)		12,00,000	12,00,000
(vi)	Bank A/c (WN 4) ...Dr. Calls-in-Arrears A/c (First call) ...Dr. To Equity Shares First Call A/c To Calls-in-Arrears A/c (Allotment) (First call money received except on 2,000 shares and allotment money on 4,000 shares received) (WN 4)		12,10,000 30,000	12,00,000 40,000
(vii)	Equity Share Capital A/c (2,000 × ₹ 40) ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (Sahaj's shares forfeited for non-payment of first call)		80,000	50,000 30,000
(viii)	Bank A/c ...Dr. To Share Capital A/c (2,000 × ₹ 50) To Securities Premium A/c (2,000 × ₹ 10) (Sahaj's shares reissued for ₹ 60 per share, ₹ 50 paid-up)		1,20,000	1,00,000 20,000
(ix)	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Balance in Forfeited Shares Account transferred to Capital Reserve)		50,000	50,000

**Working Notes:**1. *Allotment Ratio:*

Shares Applied	1,00,000
Shares Allotted	80,000
∴ Allotment Ratio	10 : 8

2. *Shares Applied by Seema:*

Shares Allotted	4,000
Shares Applied (4,000 × 10/8)	5,000
∴ Excess of Shares Application Money = (5,000 – 4,000) × ₹ 20 = ₹ 20,000	₹
Amount due on Allotment (4,000 × ₹ 15)	60,000
Less: Amount Adjusted	20,000
Amount not received on allotment	<u>40,000</u>

3. *Shares Allotted to Sahaj:*

Shares Applied	2,500
Shares Allotted (2,500 × 8/10)	2,000

4. *Amount Received on First Call:*

	₹
Total Amount Due on First Call (80,000 × ₹ 15)	12,00,000
Less: Amount not received from Sahaj (2,000 × ₹ 15)	30,000
	<u>11,70,000</u>
Add: Amount due on allotment but received on First Call	40,000
Amount received on first call	<u>12,10,000</u>

**Q. 49.** Premier Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On application	:	₹ 5 per share (including premium)
On allotment	:	₹ 3 per share
On first and final call	:	Balance

Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and *pro rata* allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment.

All calls were made and duly received except allotment and first and final call from Naveen who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid.

Pass the necessary Journal entries for the above transactions in the books of Premier Tools Ltd. Open Calls-in-Arrears Account wherever required. (CBSE 2020)

Ans.

JOURNAL OF PREMIER TOOLS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 2,50,000 shares)		12,50,000	12,50,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Shares Allotment A/c To Bank A/c (10,000 × ₹ 5) (Application money adjusted and surplus refunded)		12,50,000	6,00,000 4,00,000 2,00,000 50,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due)		6,00,000	6,00,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (WN) ...Dr. To Equity Shares Allotment A/c (Allotment money received)		3,88,000 12,000	4,00,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (First and final call money due)		8,00,000	8,00,000
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares First and Final Call A/c (First and final call money received)		7,76,000 24,000	8,00,000
	Equity Share Capital A/c ...Dr. To Share Forfeiture A/c To Calls-in-Arrears A/c (6,000 shares forfeited for non-payment of allotment and call money)		60,000	24,000 36,000
	Bank A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (3,000 shares reissued)		48,000	30,000 18,000
	Share Forfeiture A/c ...Dr. To Capital Reserve A/c (Gain on reissue of shares transferred to capital reserve)		12,000	12,000

**Working Note:**

Calculation of Calls-in-Arrears (Allotment money not paid by Naveen:

(i) Number of shares allotted to Naveen = $7,200 \times 2,00,000 / 2,40,000 = 6,000$ shares.	
(ii) Excess application money adjusted on allotment $[(7,200 - 6,000) \times ₹ 5]$	₹ 6,000
(iii) Allotment money due $(6,000 \times ₹ 3)$	₹ 18,000
Less: Excess application money adjusted on allotment (ii)	₹ 6,000
Amount Not Received from Naveen on Allotment	<u>₹ 12,000</u>

**Q. 50.** A Ltd. invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 1 per share.

The amount was payable as follows:

On Application	— ₹ 3 per share;
On Allotment	— ₹ 3 per share (including premium);
On First Call	— ₹ 3 per share;
On Second and Final Call	— Balance amount.

Applications for 1,60,000 shares were received. Allotment was made on the following basis:

- (i) To applicants for 90,000 shares : 40,000 shares;
- (ii) To applicants for 50,000 shares : 40,000 shares;
- (iii) To applicants for 20,000 shares : Full shares.

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to Category (ii), did not pay allotment, first and second and final call money.

Another shareholder, Sudha, who applied for 1,800 shares and belonged to Category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently reissued at ₹ 7 per share fully paid.

Pass the necessary Journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required. (CBSE 2018)

**Ans.** Capital Reserve = ₹ 3,100.

**Q. 51.** Concept Stationery Ltd. invited applications for issuing 3,00,000 shares of ₹ 10 each at a premium of ₹ 3 per share. The amounts were payable as follows:

On application and allotment	— ₹ 7 per share
On first and final call	— Balance (including premium of ₹ 3)

Applications were received for 4,00,000 shares and allotment was made as follows:

- (i) To applicants for 80,000 shares—80,000 shares.
- (ii) To applicants for 40,000 shares—Nil.
- (iii) Balance of the applicants were allotted shares on *pro rata* basis.

Excess money received with applications was adjusted towards sums due on first and final call.

Amit, who belonged to category (i) and was allotted 4,000 shares and Veni, who belonged to category (iii) and was allotted 4,400 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were reissued at ₹ 7 per share fully paid-up.

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

(CBSE 2020)

Ans.

JOURNAL OF CONCEPT STATIONERY LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application and Allotment A/c (Application and allotment money received on 4,00,000 shares)		28,00,000	28,00,000
	Shares Application and Allotment A/c ...Dr. To Share Capital A/c (3,00,000 × ₹ 7) To Calls-in-Advance A/c To Bank A/c (40,000 × ₹ 7) (Application and allotment money transferred to share capital, Calls-in-Advance and the balance refunded)		28,00,000	21,00,000 4,20,000 2,80,000
	Shares First and Final Call A/c ...Dr. To Share Capital A/c To Securities Premium A/c (First and final call due including premium)		18,00,000	9,00,000 9,00,000
	Bank A/c (WN 2) ...Dr. Calls-in-Arrears A/c (WN 2) ...Dr. Calls-in-Advance A/c ...Dr. To Shares First and Final Call A/c (First and final call money received) Or Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Shares First and Final Call A/c (First and final call money received)		13,38,000 42,000 4,20,000	18,00,000 17,58,000
	Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Forfeited Shares A/c To Shares First and Final Call A/c (4,000 shares forfeited) Or Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (4,000 shares forfeited)		40,000 12,000	28,000 24,000 28,000 24,000

Share Capital A/c	...Dr.	44,000	
Securities Premium A/c	...Dr.	13,200	
To Forfeited Shares A/c			39,200
To Shares First and Final Call A/c			18,000
Or			
Share Capital A/c	...Dr.	44,000	
Securities Premium A/c	...Dr.	13,200	
To Forfeited Shares A/c			39,200
To Calls-in-Arrears A/c			18,000
(4,400 shares forfeited)			
<i>Alternatively, the forfeiture entries can be combined as follows:</i>			
Share Capital A/c	...Dr.	84,000	
Securities Premium A/c	...Dr.	25,200	
To Forfeited Shares A/c			67,200
To Calls-in-Arrears/Shares First and Final Call A/c			42,000
(8,400 shares forfeited)			
Bank A/c (8,400 × ₹ 7)	...Dr.	58,800	
Forfeited Shares A/c (8,400 × ₹ 3)	...Dr.	25,200	
To Share Capital A/c (8,400 × ₹ 10)			84,000
(8,400 shares reissued for ₹ 7 per share fully paid-up)			
Forfeited Shares A/c (₹ 28,000 + ₹ 39,200 – ₹ 25,200)	...Dr.	42,000	
To Capital Reserve A/c			42,000
(Gain on reissue of shares transferred to capital reserve)			

**Working Notes:**

1. Calculation of First and Final Call Money not paid by Veni:

(i) Number of shares applied by Veni = $4,400 \times \frac{2,80,000}{2,20,000}$	= 5,600 shares	
(ii) Excess application and allotment money adjusted on first and final call [(5,600 – 4,400) × ₹ 7]		₹ 8,400
(iii) Amount due on first and final call (4,400 × ₹ 6)		₹ 26,400
Less: Excess application and allotment money adjusted on first and final call (ii)		₹ 8,400
Money not paid by Veni		<u>₹ 18,000</u>

2. Calculation of First and Final Call Money received:

Amount due on first and final call (3,00,000 × ₹ 6)		₹ 18,00,000
Less: Excess application and allotment money (Calls-in-Advance) adjusted		₹ 4,20,000
		<u>₹ 13,80,000</u>
Less: Money not paid by Amit (4,000 × ₹ 6)		₹ 24,000
Money not paid by Veni		₹ 18,000
First and Final Call Money Received		<u>₹ 13,38,000</u>

## 9. ISSUE OF DEBENTURES

### MULTIPLE CHOICE QUESTIONS (MCQs)

Q. 1. While issuing \_\_\_\_\_ type of Debentures, company doesn't give any undertaking for the repayment of money borrowed by issuing such debentures.

- (a) Zero Coupon Rate Debentures                      (b) Non-convertible Debentures  
(c) Secured Debentures                                      (d) Non-redeemable Debentures

(CBSE Sample Question Paper 2023)

Q. 2. Diksha Ltd. issued 4,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium. 'Discount on Issue of Debentures' and 'Premium on Redemption of Debentures' were accounted for through 'Loss on Issue of Debentures Account'. If the amount of 'Loss on Issue of Debentures Account' was ₹ 60,000, then the amount of premium on redemption was

- (a) ₹ 60,000.    (b) ₹ 40,000.  
(c) ₹ 20,000.    (d) ₹ 80,000.    (CBSE 2023)

Q. 3. On 1st May, 2023, Amrit Ltd. issued 10,000, 10% Debentures of ₹ 100 each at a premium of 10% redeemable at a premium of 10%. Loss on issue of debentures will be

- (a) ₹ 2,00,000.    (b) ₹ 1,30,000.  
(c) ₹ 1,00,000.    (d) ₹ 80,000.    (CBSE 2024)

[Ans.: 1. (d); 2. (c); 3. (c).]

#### Working Notes:

2. Premium on Redemption = ₹ 60,000 – (4,000 × ₹ 10) = ₹ 20,000.

3. Loss on Issue of Debentures = Premium on Redemption of Debentures.

## PRACTICAL PROBLEMS

**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.**

<b>Basis</b>	<b>Share</b>	<b>Debenture</b>
1. <b>Ownership</b>	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. <b>Return</b>	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. <b>Convertibility</b>	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 <span style="float: right;">...Dr.</span> To K Ltd. (WN) (Purchase of machinery from K Ltd.)		2,03,000	2,03,000
(i)	K Ltd. <span style="float: right;">...Dr.</span> 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) <span style="float: right;">...Dr.</span> Discount on Issue of Debentures A/c (1,000 × ₹ 10) <span style="float: right;">...Dr.</span> 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. <span style="float: right;">...Dr.</span> To Bills Payable A/c (Balance payment made by giving 2 months' promissory note)		48,000	48,000
	Securities Premium A/c <span style="float: right;">...Dr.</span> 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. (₹)
	? <span style="float: right;">...Dr.</span> 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%)		?	?
	? <span style="float: right;">...Dr.</span> ? <span style="float: right;">...Dr.</span> To ? To ? To ? (...?...)		? ?	? ? ?

(Delhi 2016 C)

Ans.

JOURNAL of GG Ltd.

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

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

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

**Q. 11.** On 1st April, 2019, Bright Ltd. issued 4,00,000, 6% Debentures of ₹ 100 each at a discount of 5%, redeemable after three years. The amount per debenture was payable as follows:

On Application — ₹ 80 per debenture

On Allotment — Balance

The debentures were fully subscribed and all money was duly received. Pass necessary Journal entries for issue of debentures.

(CBSE 2020)

Ans.

JOURNAL OF BRIGHT LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Bank A/c ...Dr. To Debentures Application A/c (Application money received on 4,00,000, 6% Debentures)		3,20,00,000	3,20,00,000
	Debentures Application A/c ...Dr. To 6% Debentures A/c (Application money adjusted)		3,20,00,000	3,20,00,000
	Debentures Allotment A/c (4,00,000 × ₹ 15) ...Dr.		60,00,000	
	Discount on Issue of Debenture A/c (4,00,000 × ₹ 5) ...Dr. To 6% Debentures A/c (Allotment money due @ ₹ 15 each)		20,00,000	80,00,000
	Bank A/c ...Dr. To Debentures Allotment A/c (Allotment money received)		60,00,000	60,00,000

**Q. 12.** Fena Ltd. issued ₹ 7,00,000; 12% Debentures of ₹ 100 each at a premium of 5% redeemable at a premium of 20%.

Pass necessary Journal entries at the time of issue of debentures. (AI 2014 C)

**Ans.** (i) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 7,35,000.

(ii) Dr. Debentures Application and Allotment A/c—₹ 7,35,000 and  
Loss on Issue of Debentures A/c—₹ 1,40,000;

Cr. 12% Debentures A/c—₹ 7,00,000; Securities Premium A/c—₹ 35,000 and  
Premium on Redemption of Debentures A/c—₹ 1,40,000.

**Q. 13.** Hina Ltd. purchased assets of Harish Ltd. for ₹ 8,40,000 and took over the liabilities (creditors) of ₹ 80,000 for an agreed purchase consideration of ₹ 8,00,000. Hina Ltd. issued 12% Debentures of ₹ 100 each at 25% premium for purchase consideration.

Pass necessary Journal entries in the books of Hina Ltd. (Delhi 2012 C)

Ans.

JOURNAL OF HINA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr. <b>Goodwill A/c (Balancing Figure)</b> ...Dr.		8,40,000 <b>40,000</b>	
	To Creditors A/c To Harish Ltd. (Purchase of business of Harish Ltd.)			80,000 8,00,000
	Harish Ltd. ...Dr. To 12% Debentures A/c To Securities Premium A/c (Issue of 6,400; 12% Debentures of ₹ 100 each at 25% premium)		8,00,000	6,40,000 1,60,000

**Note:** No. of Debentures to be issued =  $\frac{\text{Purchase Consideration}}{\text{Issue Price of Debenture}} = \frac{₹ 8,00,000}{₹ 125} = 6,400$  Debentures.

**Q. 14.** Nano Ltd. purchased assets of Dow Ltd. for ₹ 3,00,000. It also agreed to take over the liabilities of Dow Ltd. amounting to ₹ 50,000 for a purchase consideration of ₹ 2,75,000. The payment to Dow Ltd. was made by issue of 8% Debentures of ₹ 50 each at a premium of 10%.

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

(CBSE 2019)

**Ans.** (i) Dr. Sundry Assets A/c—₹ 3,00,000 and Goodwill A/c (*Balancing Figure*)—₹ 25,000;  
Cr. Sundry Liabilities A/c—₹ 50,000 and Dow Ltd.—₹ 2,75,000.

(ii) Dr. Dow Ltd.—₹ 2,75,000;

Cr. 8% Debentures A/c—₹ 2,50,000 and Securities Premium A/c—₹ 25,000.

**Note:** No. of Debentures Issued =  $\frac{₹ 2,75,000}{₹ 50} = 5,500$  Debentures.

**Q. 15.** 'ZK Ltd.' issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%.

Pass necessary Journal entries for the above transactions in the books of ZK Ltd. (CBSE 2019)

**Ans.** **In the Books of ZK Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		3,80,000	3,80,000
(ii)	Debentures Application and Allotment A/c		3,80,000	
	Discount on Issue of Debentures A/c ...Dr.		20,000	
	Loss on Issue of Debentures A/c ...Dr.		40,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(9% Debentures issued at 5% discount redeemable at 10% premium)			
	<b>Alternative for entry (ii)</b>			
	Debentures Application and Allotment A/c ...Dr.		3,80,000	
	Loss on Issue of Debentures A/c ...Dr.		60,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(9% Debentures issued at 5% discount redeemable at 10% premium)			

**Q. 16.** LT Ltd. purchased land from JSS Ltd. The payment was made by issuing a cheque for ₹ 10,00,000 and by accepting a bill of exchange for 6 months for ₹ 5,00,000. The balance amount was paid by issuing 5,000, 10% Debentures of ₹ 100 each at par redeemable at 10% premium after 3 years.

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

(CBSE 2020 C)

Ans.

JOURNAL OF LT LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land A/c ...Dr. To JSS Ltd. (Land purchased from JSS Ltd.)		20,00,000	20,00,000
	JSS Ltd. ...Dr. To Bank A/c To Bills Payable A/c (Cheque issued and bill accepted)		15,00,000	10,00,000 5,00,000
	JSS Ltd. ...Dr. Loss on Issue of Debentures A/c ...Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c (5,000; 10% Debentures redeemable at a premium issued for the balance purchase consideration)		5,00,000 50,000	5,00,000 50,000

**Q. 17.** Sargam Ltd. issued ₹ 1,00,000, 6% Debentures of ₹ 10 each at a premium of ₹ 2 per debenture on 1st April, 2012. The issue was fully subscribed. Interest will be paid at the end of each financial year.

Pass necessary Journal entries for the year 2012–13.

(CBSE 2014 C)

**Ans. 2012, April 1:** For Issue of Debentures:

- (i) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 1,20,000.
- (ii) Dr. Debentures Application and Allotment A/c—₹ 1,20,000;  
Cr. 6% Debentures A/c—₹ 1,00,000 and Securities Premium A/c—₹ 20,000.

**2013, March 31:** For Interest on Debentures:

- (iii) Dr. Debentures' Interest A/c and Cr. Debentureholders' A/c by ₹ 6,000.
- (iv) Dr. Debentureholders' A/c and Cr. Bank A/c by ₹ 6,000.
- (v) Dr. Statement of Profit & Loss and Cr. Debentures' Interest A/c by ₹ 6,000.

**Q. 18.** 'UZ Ltd.' purchased Plant and Machinery from Elk Machine Ltd. for ₹ 6,90,000. Elk Ltd. was paid by accepting a draft of ₹ 90,000 payable after three months and the balance by issue of 6% Debentures of ₹ 100 each at a discount of 20%.

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

(CBSE 2019)

- Ans.**
- (i) Dr. Plant and Machinery A/c and Cr. Elk Machine Ltd. by ₹ 6,90,000.
  - (ii) Dr. Elk Machine Ltd. and Cr. Bills Payable A/c by ₹ 90,000.
  - (iii) Dr. Elk Machine Ltd.—₹ 6,00,000 and Discount on Issue of Debentures A/c—₹ 1,50,000;  
Cr. 6% Debentures A/c—₹ 7,50,000.

**Alternatively for entries (ii) and (iii)**

Dr. Elk Machine Ltd.—₹ 6,90,000 and Discount on Issue of Debentures A/c—₹ 1,50,000;  
Cr. Bills Payable A/c—₹ 90,000 and 6% Debentures A/c—₹ 7,50,000.

**Note:** No. of Debentures Issued =  $\frac{₹ 6,00,000}{₹ 80} = 7,500$  Debentures.

**Q. 19.** Pass the necessary Journal entries for the issue of debentures for the following transactions:

- (i) Anand Ltd. issued 800, 9% Debentures of ₹ 500 each at a premium of 20%, to the vendors for machinery purchased from them costing ₹ 4,80,000.
- (ii) Dawar Ltd. issued 5,000, 7% Debentures of ₹ 200 each at a premium of 5%, redeemable at a premium of 10%.
- (iii) Novelty Ltd. issued 1,000, 8% Debentures of ₹ 100 each at a discount of 5%, redeemable at a premium of 10%. (CBSE 2020)

**Ans.** (i) Dr. Vendor—₹ 4,80,000;

Cr. 9% Debentures A/c—₹ 4,00,000 and Securities Premium A/c—₹ 80,000.

(ii) (a) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 10,50,000.

(b) Dr. Debentures Application and Allotment A/c—₹ 10,50,000 and

Loss on Issue of Debentures A/c—₹ 1,00,000;

Cr. 7% Debentures A/c—₹ 10,00,000;

Securities Premium A/c—₹ 50,000 and Premium on Redemption of Debentures A/c—₹ 1,00,000.

(iii) (a) Dr. Bank A/c and Cr. Debentures Application and Allotment A/c by ₹ 95,000;

(b) Dr. Debentures Application and Allotment A/c—₹ 95,000 and

Loss on Issue of Debentures A/c—₹ 15,000(₹ 5,000 + ₹ 10,000);

Cr. 8% Debentures A/c—₹ 1,00,000 and Premium on Redemption of Debentures A/c—₹ 10,000.

**Q. 20.** Pass necessary Journal entries for the following transactions relating to issue of debentures:

- (a) Gagan Limited issued ₹ 10,00,000, 9% Debentures of ₹ 100 each at a premium of 5%, redeemable at par after four years.
- (b) KS Limited issued ₹ 10,00,000, 10% Debentures of ₹ 100 each at par, redeemable at 10% premium after four years.
- (c) QR Limited issued ₹ 10,00,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5% after five years. (CBSE 2023)

**Ans.**

**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c (10,000 × ₹ 105) <span style="float: right;">...Dr.</span>		10,50,000	
	To Debentures Application and Allotment A/c (Debenture application money received)			10,50,000
(a)	Debentures Application and Allotment A/c <span style="float: right;">...Dr.</span>		10,50,000	
	To 9% Debentures A/c (10,000 × ₹ 100)			10,00,000
	To Securities Premium A/c (10,000 × ₹ 5)			50,000
(Debentures issued at a premium and redeemable at par)				
(b)	Bank A/c (10,000 × ₹ 100) <span style="float: right;">...Dr.</span>		10,00,000	
	To Debentures Application and Allotment A/c (Debenture application money received)			10,00,000

(c)	Debtures Application and Allotment A/c	...Dr.	10,00,000	
	Loss on Issue of Debtures A/c (10,000 × ₹ 10)	...Dr.	1,00,000	
	To 10% Debtures A/c (10,000 × ₹ 100)			10,00,000
	To Premium on Redemption of Debtures A/c (10,000 × ₹ 10)			1,00,000
	(Debtures issued at par to be redeemed at premium)			
	Bank A/c (10,000 × ₹ 90)	...Dr.	9,00,000	
	To Debtures Application and Allotment A/c			9,00,000
	(Application money received on 10,000 Debtures @ ₹ 90 each)			
	Debtures Application and Allotment A/c	...Dr.	9,00,000	
	Loss on Issue of Debtures A/c (₹ 1,00,000 + ₹ 50,000)	...Dr.	1,50,000	
To 9% Debtures A/c			10,00,000	
To Premium on Redemption of Debtures A/c (10,000 × ₹ 5)			50,000	
(10,000 Debtures issued at a discount of 10% and redeemable at a premium of 5%)				

**Q. 21.** Venus Ltd., is a real estate company. To discharge its Corporate Social Responsibility, it decided to construct a night shelter for the homeless. The company took over assets of ₹ 10,00,000 and liabilities of ₹ 1,80,000 of Cayns Ltd. for ₹ 7,60,000. Venus Ltd., issued 9% Debtures of ₹ 100 each at a discount of 5% in full satisfaction of the purchase consideration in favour of Cayns Ltd.

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

(CBSE 2018 C)

**Ans.**

JOURNAL OF VENUS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.	10,00,000	
	To Sundry Liabilities A/c			1,80,000
	To Cayns Ltd.			7,60,000
	To <b>Capital Reserve A/c (Balancing Figure)</b>			<b>60,000</b>
	(Business purchased from Cayns Ltd.)			
	Cayns Ltd.	...Dr.	7,60,000	
	Discount on Issue of Debtures A/c (8,000 × ₹ 5)	...Dr.	40,000	
	To 9% Debtures A/c (8,000 × ₹ 100) (WN)			8,00,000
	(8,000, 9% Debtures of ₹ 100 each issued at a discount of 5%)			

**Working Note:** No. of Debtures to be issued = ₹ 7,60,000/₹ 95 = 8,000 debtures.

**Q. 22.** ABC Ltd. purchased assets of ₹ 4,20,000 and took over liabilities of ₹ 40,000 of XYZ Ltd. at a value of ₹ 3,60,000. ABC Ltd. issued 10% Debtures of ₹ 100 each at a discount of 10% in full settlement of the purchase consideration.

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

(CBSE 2020 C)

**Ans.** JOURNAL OF ABC LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Assets A/c ...Dr.		4,20,000	
	To Liabilities A/c			40,000
	To <b>Capital Reserve A/c</b> (Balancing Figure)			<b>20,000</b>
	To XYZ Ltd.			3,60,000
	(Assets purchased and liabilities taken over of XYZ Ltd.)			
	XYZ Ltd. ...Dr.		3,60,000	
	Discount on Issue of Debentures A/c (4,000 × ₹ 10) ...Dr.		40,000	
	To 10% Debentures A/c (4,000 × ₹ 100) (WN)			4,00,000
	(4,000; 10% Debentures issued at a discount in settlement of purchase consideration)			

**Working Note:** No. of Debentures Issued =  $\frac{₹ 3,60,000}{₹ 90} = 4,000$  Debentures.

**Q. 23.** On 1st April, 2022, Smith Ltd. acquired assets of ₹ 80,00,000 from Bharat Ltd. and took over its liabilities of ₹ 10,00,000 for a purchase consideration of ₹ 72,00,000. ₹ 10,00,000 was paid by issuing a bank draft in favour of Bharat Ltd., ₹ 8,00,000 by accepting a Bill of Exchange drawn upon them by Bharat Ltd. payable after four months and the balance by issuing 11% Debentures at a discount of 10%.

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

(CBSE 2023)

**Ans.** JOURNAL OF SMITH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
April 1	Sundry Assets A/c ...Dr.		80,00,000	
	<b>Goodwill A/c</b> (Balancing Figure) ...Dr.		<b>2,00,000</b>	
	To Sundry Liabilities A/c			10,00,000
	To Bharat Ltd.			72,00,000
	(Purchase of business from Bharat Ltd.)			
	Bharat Ltd. ...Dr.		72,00,000	
	Discount on Issue of Debenture A/c (60,000 × ₹ 10) ...Dr.		6,00,000	
	To Bank A/c			10,00,000
	To Bills Payable A/c			8,00,000
	To 11% Debentures A/c (60,000 × ₹ 100) (WN)			60,00,000
	(Purchase consideration settled by bank draft ₹ 10,00,000; bills payable ₹ 8,00,000 and 60,000*, 11% Debentures)			

**Working Note:**

No. of Debentures to be issued = (Purchase consideration – Bank Draft – Bills Payable) ÷ Issue Price  
 = (₹ 72,00,000 – ₹ 10,00,000 – ₹ 8,00,000) ÷ ₹ 90 = 60,000 Debentures.

**Q. 24.** Vedesh Ltd. purchased a running business of Vibhu Enterprises for a sum of ₹ 12,00,000. Vedesh Ltd. paid ₹ 60,000 by drawing a promissory note in favour of Vibhu Enterprises, ₹ 1,90,000 through bank draft and balance by issue of 8% Debentures of ₹ 100 each at a discount of 5%. The assets and liabilities of Vibhu Enterprises consisted of Fixed Assets valued at ₹ 17,30,000 and Trade Payables at ₹ 3,20,000.

You are required to pass necessary Journal entries in the books of Vedesh Ltd.

(CBSE Sample Question Paper 2022 (Term II))

**Ans.**

JOURNAL OF VEDESH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Fixed Assets A/c ...Dr.		17,30,000	
	To Trade Payables A/c			3,20,000
	To Vibhu Enterprises			12,00,000
	To <b>Capital Reserve A/c</b> (Balancing Figure)			<b>2,10,000</b>
	(Assets purchased and liabilities taken over of Vibhu Enterprises)			
	Vibhu Enterprises ...Dr.		12,00,000	
	Discount on Issue of Debentures A/c (10,000 × ₹ 5) ...Dr.		50,000	
	To Bills Payable A/c			60,000
	To Bank A/c			1,90,000
	To 8% Debentures A/c (10,000 × ₹ 100) (WN)			10,00,000
	(Issue of bank draft, acceptance of bill and issue of 8% Debentures in settlement of purchase consideration)			

**Working Note:** Number of Debentures Issued =  $\frac{₹ 9,50,000}{₹ 95} = 10,000$ .

**Q. 25.** On 1st April, 2022, J.K. Ltd. issued 8,000, 9% Debentures of ₹ 1,000 each at a discount of 6%, redeemable at a premium of 5% after three years. The company closes its books on 31st March every year. Interest on 9% Debentures is payable on 30th September and 31st March every year.

Pass necessary Journal entries for the issue of debentures and debenture interest for the year ended 31st March, 2023.

(CBSE 2017, Modified)

**Ans.**

JOURNAL OF J.K. LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
April 1	Bank A/c ...Dr.		75,20,000	
	To Debentures Application and Allotment A/c			75,20,000
	(Application money on 8,000 debentures @ ₹ 940 each received)			
April 1	Debentures Application and Allotment A/c ...Dr.		75,20,000	
	Loss on Issue of Debentures A/c (8,000 × ₹ 110) ...Dr.		8,80,000	
	To 9% Debentures A/c			80,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(8,000; 9% Debentures of ₹ 1,000 each allotted at a discount of 6%, redeemable at a premium of 5%)			

Sept.	30	Debentures' Interest A/c ( $\text{₹ } 80,00,000 \times 9\% \times 6/12$ ) To Debentureholders' A/c (Interest payable on 9% Debentures for 6 months)	...Dr.	3,60,000	3,60,000
Sept.	30	Debentureholders' A/c To Bank A/c (Interest paid to debentureholders)	...Dr.	3,60,000	3,60,000
2023					
March	31	Debentures' Interest A/c To Debentureholders' A/c (Interest payable on 9% Debentures for 6 months)	...Dr.	3,60,000	3,60,000
March	31	Debentureholders' A/c To Bank A/c (Interest paid to debentureholders)	...Dr.	3,60,000	3,60,000
March	31	Statement of Profit & Loss (Finance Cost) To Debentures' Interest A/c (Interest on debentures transferred to Statement of Profit & Loss)	...Dr.	7,20,000	7,20,000
March	31	Statement of Profit & Loss (Finance Cost) To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off)	...Dr.	8,80,000	8,80,000