

SHORT ANSWER QUESTIONS (3 MARKS)

8. ACCOUNTING FOR SHARE CAPITAL

Q. 1. Distinguish between Oversubscription and Undersubscription of Shares.

(CBSE 2001, 2001 C, 2004)

Ans.

Basis	Oversubscription of Shares	Undersubscription of Shares
1. Shares Applied	Number of shares applied is more than the shares offered for subscription.	Number of shares applied is less than the shares offered for subscription.
2. Acceptance	All the applications are not accepted. Some are rejected. Alternatively, shares are allotted on <i>pro rata</i> .	All the applications for shares are accepted, <i>i.e.</i> , full allotment is made.
3. Refund	Excess application money is to be refunded or adjusted towards allotment.	As all the applications are accepted, there is no excess money to be refunded.
4. Minimum Subscription	The company does not face such a problem.	The company may face the problem of 'Minimum Subscription'.

Q. 2. What is meant by 'over-subscription' of shares? With the help of an example, briefly explain the alternatives available for allotment of shares in case of over-subscription. (CBSE 2019)

Ans. When the number of shares applied is more than the number of shares issued for subscription by the company it is said to be case of oversubscription.

For Example: A company invited applications for 1,00,000 shares and received applications for 2,00,000 shares.

The alternatives available for allotment of shares are:

- To allot shares in full to selected applicants and reject the remaining applications.
- To make *pro rata* allotment to all applicants.
- Reject some applications, allot in full to some, and *pro rata* allotment to remaining.

Q. 3. State any three purposes other than 'Issue of bonus shares' for which securities premium can be utilised. (CBSE 2015)

Or

Securities Premium can be utilised for three purposes besides (i) 'Issuing fully paid bonus shares', and (ii) 'Buy back of shares'. State those purposes. (CBSE 2015)

Or

State any three purposes other than 'writing off the preliminary expenses of the company' for which Securities Premium can be utilised. (CBSE 2019, Modified)

Ans. According to Section 52(2) of the Companies Act, 2013, Securities Premium can be applied for the following purposes:

- Issuing fully paid bonus shares to the shareholders,
- Writing off preliminary expenses of the company,
- Writing off the expenses or the commission paid on any issue of shares or debentures or discount allowed on issue of debentures of the company,
- Providing for the premium payable on the redemption of redeemable preference shares or of debentures, and
- In purchasing (buy-back) its own shares and other securities.

Q. 4. What is meant by 'Forfeiture of Shares'? When does 'gain on forfeited shares' arise and when it is transferred to 'Capital Reserve'? (CBSE 2019)

Ans. Cancellation of shares for the non-payment of called-up amount is termed as *forfeiture of shares*.

Gain on forfeited shares arises on reissue (when reissue price is more than unpaid amount on these shares). It is transferred immediately on reissue of forfeited shares to Capital Reserve.

9. ISSUE OF DEBENTURES

Q. 1. Vashya Ltd. issued 30,000, 10% Debentures of ₹ 100 each as collateral security for a loan of ₹ 25,00,000 taken from Bank of India. Fill-in-the-blanks for the Journal entry for issue of debentures as a collateral security:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	... A/c To ... A/c (₹ 30,00,000; 10% Debentures issued as collateral security for a loan of ₹ 25,00,000)	...Dr.	?	?

(CBSE 2020)

Ans.

JOURNAL OF VASHYA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Debentures Suspense A/c To 10% Debentures A/c (₹ 30,00,000; 10% Debentures issued as collateral security for a loan of ₹ 25,00,000)	...Dr.	30,00,000	30,00,000

Q. 2. Give any three points of difference between Shareholders and Debentureholders.

Ans.

Basis	Shareholders	Debentureholders
1. Status	Shareholders are the owners of the company.	Debentureholders are the lenders of the company.
2. Return	Shareholders get dividend on investment. As a matter of fact, he/she cannot get dividend if the company suffers losses.	Debentureholders get interest at the stated rate whether the company earns profit or not.
3. Voting Right	Shareholders have the right to attend and vote in the General Meeting.	Debentureholders have no such right.