

Illustration 1.

X Ltd. issued 40,000 Equity Shares of ₹ 10 each at a premium of ₹ 2.50 per share. The amount was payable as follows:

- On application — ₹ 2 per share,
- On allotment — ₹ 4.50 per share (including premium), and
- On call — ₹ 6 per share.

Owing to heavy subscription the allotment was made on *pro rata* basis as follows:

- (i) Applicants for 20,000 shares were allotted 10,000 shares.
- (ii) Applicants for 56,000 shares were allotted 14,000 shares.
- (iii) Applicants for 48,000 shares were allotted 16,000 shares.

It was decided that excess amount received on applications would be utilised on allotment and the surplus would be refunded.

Ram, to whom 1,000 shares were allotted, who belongs to category (i), failed to pay allotment money. His shares were forfeited after the call.

Pass necessary Journal entries in the books of X Ltd. for the above transactions. (Delhi 2011)

Solution:

ANALYSIS TABLE

Shares Applied	Shares Allotted	Application Money Received ₹ 2 per Share ₹	Application Money Transferred to Share Capital A/c (₹)	Excess Application Money ₹	Shares Allotment Due ₹	Excess Application Money Adjusted ₹	Allotment Money to be Received ₹	Application Money to be Refunded ₹
(i) 20,000	10,000	40,000 (20,000 × ₹ 2)	20,000 (10,000 × ₹ 2)	20,000	45,000 (10,000 × ₹ 4.50)	20,000	25,000	...
(ii) 56,000	14,000	1,12,000 (56,000 × ₹ 2)	28,000 (14,000 × ₹ 2)	84,000	63,000 (14,000 × ₹ 4.50)	63,000	...	21,000
(iii) 48,000	16,000	96,000 (48,000 × ₹ 2)	32,000 (16,000 × ₹ 2)	64,000	72,000 (16,000 × ₹ 4.50)	64,000	8,000	...
1,24,000	40,000	2,48,000	80,000	1,68,000	1,80,000	1,47,000	33,000	21,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		2,48,000	
	To Equity Shares Application A/c (Application money received @ ₹ 2 per share on 1,24,000 shares)			2,48,000
	Equity Shares Application A/c ...Dr.		2,48,000	
	To Equity Share Capital A/c			80,000
	To Equity Shares Allotment A/c			1,47,000
	To Bank A/c			21,000
	(Application money adjusted)			

Equity Shares Allotment A/c	...Dr.	1,80,000	
To Equity Share Capital A/c			80,000
To Securities Premium A/c			1,00,000
(Allotment money due on 40,000 shares)			
Bank A/c (WN 1 and 2)	...Dr.	30,500	
To Equity Shares Allotment A/c			30,500
(Allotment money received except on 1,000 shares)			
Equity Shares First and Final Call A/c	...Dr.	2,40,000	
To Equity Share Capital A/c			2,40,000
(First and final call money due on 40,000 shares)			
Bank A/c	...Dr.	2,34,000	
To Equity Shares First and Final Call A/c			2,34,000
(First and final call money received except on 1,000 shares)			
Equity Share Capital A/c	...Dr.	10,000	
Securities Premium A/c	...Dr.	2,500	
To Forfeited Shares A/c			4,000
To Equity Shares Allotment A/c			2,500
To Equity Shares First and Final Call A/c			6,000
(1,000 shares forfeited)			

Working Notes:

1. *Money due from Ram on Allotment:*

Category (i) Applicants for 20,000 shares were allotted 10,000 shares. Ram was allotted 1,000 shares. He applied for: $20,000/10,000 \times 1,000 = 2,000$ Shares

	₹
Application money received on application (2,000 × ₹ 2)	4,000
Less: Amount adjusted on application (1,000 × ₹ 2)	2,000
Excess application money adjusted on allotment	<u>2,000</u>
Money due on allotment (1,000 × ₹ 4.50)	4,500
Less: Excess application money adjusted on allotment	2,000
Allotment money not paid by Ram	<u><u>2,500</u></u>

2. *Money Received on Allotment:*

Total amount due on allotment	1,80,000
Less: Excess application money adjusted	<u>1,47,000</u>
Allotment Money to be received	33,000
Less: Money not paid by Ram (WN 1)	2,500
Allotment money received	<u><u>30,500</u></u>

Illustration 2.

'Suvidha Ltd.' is registered with an authorised capital of ₹ 10,00,00,000 divided into 10,00,000 Equity Shares of ₹ 100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹ 20 per share. His shares were forfeited. The forfeited shares were reissued at ₹ 90 per share as fully paid-up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI, Part I of the Companies Act, 1956 (Now Schedule III, Part I of the Companies Act, 2013). Also prepare 'Note to Accounts'. (OD 2015)

Solution:

Suvidha Ltd.
BALANCE SHEET *as at ...*

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

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
5,00,000 Equity Shares of ₹ 10 each	10,00,00,000
Issued Capital	
2,00,000 Equity Shares of ₹ 10 each	1,00,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
2,00,000 Equity Shares of ₹ 10 each	1,00,00,000

Illustration 3.

'Blue Star Ltd.' was registered with an authorised capital of ₹ 2,00,000 divided into 20,000 shares of ₹ 10 each. 6,000 of these shares were issued to the vendor for building purchased. 8,000 shares were issued to the public and ₹ 5 per share were called-up as follows:

- On application—₹ 2 per share,
- On allotment—₹ 1 per share,
- On first call—Balance of the called-up amount.

The amounts received on these shares were as follows:

- On 6,000 shares—Full amount called,
- On 1,250 shares—₹ 3 per share,
- On 750 shares—₹ 2 per share.

The directors forfeited 750 shares on which ₹ 2 per share were received. Pass necessary Journal entries for the above transactions in the books of Blue Star Ltd. (OD 2015)

Solution:

**In the Books of Blue Star Ltd.
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c ...Dr. To Vendor's A/c (Building purchased from the Vendor)		60,000	60,000
	Vendor's A/c ...Dr. To Equity Share Capital A/c (6,000 shares of ₹ 10 each issued to the Vendor of the building against purchase consideration)		60,000	60,000
	Bank A/c (₹ 2 × 8,000) ...Dr. To Equity Shares Application A/c (Application money received on 8,000 shares @ ₹ 2 per share)		16,000	16,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (Application money transferred to Equity Share Capital Account)		16,000	16,000
	Equity Shares Allotment A/c (₹ 1 × 8,000) ...Dr. To Equity Share Capital A/c (Allotment money due on 8,000 shares)		8,000	8,000
	Bank A/c (₹ 1 × 7,250) ...Dr. To Equity Shares Allotment A/c <i>Or</i>		7,250	7,250
	Bank A/c (₹ 1 × 7,250) ...Dr.		7,250	
	Calls-in-Arrears A/c (₹ 1 × 750) ...Dr. To Equity Shares Allotment A/c (Allotment money received except on 750 shares)		750	8,000
	Equity Shares First Call A/c (₹ 2 × 8,000) ...Dr. To Equity Share Capital A/c (First call money due on 8,000 shares)		16,000	16,000
	Bank A/c (₹ 2 × 6,000) ...Dr. To Equity Shares First Call A/c <i>Or</i>		12,000	12,000
	Bank A/c (₹ 2 × 6,000)		12,000	
	Calls-in-Arrears A/c (₹ 2 × 2,000) To Equity Shares First Call A/c (First call money received except on 2,000 shares)		4,000	16,000
	Equity Share Capital A/c (₹ 5 × 750) ...Dr. To Forfeited Shares A/c (₹ 2 × 750) To Equity Shares Allotment A/c (₹ 1 × 750) To Equity Shares First Call A/c (₹ 2 × 750) <i>Or</i>		3,750	1,500 750 1,500
	Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (750 shares forfeited due to non-payment of allotment and first call money)		3,750	1,500 2,250

Illustration 4 (Forfeiture of Shares which were issued at Premium and reissued at Discount).

X Ltd. issued 10,000 Equity Shares of ₹ 100 each at a premium of ₹ 20 per share payable as: ₹ 30 on application, ₹ 50 on allotment including premium and ₹ 40 on first and final call.

All the shares were subscribed, amount due on all shares was received except from Asha, holding 100 shares who did not pay allotment and call money and Neeru holding 200 shares did not pay the first and final call money. These 300 shares were forfeited. Out of the shares forfeited, 150 shares (including all shares of Asha) were reissued to Raja @ ₹ 80 per share as fully paid-up.

Pass Journal entries in the books of the company to record the forfeiture and reissue only. Also, show Shareholders' Funds in the Balance Sheet before and after forfeiture and reissue.

Solution:

JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (300 × ₹ 100) ...Dr.		30,000	
	Securities Premium A/c (100 × ₹ 20) ...Dr.		2,000	
	To Calls-in-Arrears A/c (WN 1)			17,000
	To Forfeited Shares A/c (WN 2)			15,000
	(Forfeiture of 300 shares for non-payment of allotment and first and final call money on 100 shares and first and final call money on 200 shares)			
	Bank A/c (150 × ₹ 80) ...Dr.		12,000	
	Forfeited Shares A/c (150 × ₹ 20) ...Dr.		3,000	
	To Equity Share Capital A/c			15,000
	(Reissue of 150 forfeited shares @ ₹ 80 each as fully paid-up)			
	Forfeited Shares A/c ...Dr.		3,000	
	To Capital Reserve A/c (WN 3)			3,000
	(Gain on reissue transferred to Capital Reserve)			

BALANCE SHEET (EXTRACT) (BEFORE FORFEITURE OF SHARES)

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
(a) Share Capital	1	9,85,000
(b) Reserves and Surplus	2	1,98,000
Total		<u>11,83,000</u>

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
... Equity Shares of ₹ 100 each	...
Issued Capital	
10,000 Equity Shares of ₹ 100 each	10,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
9,700 Equity Shares of ₹ 100 each	9,70,000
Subscribed but not Fully Paid-up	
300 Equity Shares of ₹ 100 each	30,000
Less: Calls-in-Arrears	15,000
	<u>9,85,000</u>
2. Reserves and Surplus	
Securities Premium (₹ 2,00,000 – ₹ 2,000)	1,98,000

BALANCE SHEET (EXTRACT) (AFTER FORFEITURE OF SHARES)

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
(a) Share Capital	1	9,85,000
(b) Reserves and Surplus	2	1,98,000
Total		11,83,000

Notes to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
... Equity Shares of ₹ 100 each	...
Issued Capital	
10,000 Equity Shares of ₹ 100 each	10,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
9,700 Equity Shares of ₹ 100 each	9,70,000
Forfeited Shares A/c	15,000
	9,85,000
2. Reserves and Surplus	
Securities Premium	1,98,000

BALANCE SHEET (EXTRACT) (AFTER REISSUE OF FORFEITED SHARES)

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
(a) Share Capital	1	9,94,000
(b) Reserves and Surplus	2	2,01,000
Total		11,95,000

Notes to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
... Equity Shares of ₹ 100 each	...
Issued Capital	
10,000 Equity Shares of ₹ 100 each	10,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
9,850 Equity Shares of ₹ 100 each	9,85,000
Forfeited Shares A/c*	9,000
	9,94,000
*[₹ 15,000 (Amount Forfeited) – ₹ 3,000 (Reissued Discount) – ₹ 3,000 (Transferred to Capital Reserve)]	
2. Reserves and Surplus	
Capital Reserve	3,000
Securities Premium	1,98,000
	2,01,000

Working Notes:

1. Calculation of Calls-in-Arrears:			₹	2. Calculation of Amount Forfeited:			₹
Asha:	Allotment money not paid (100 × ₹ 50)	5,000		Asha:	Application money paid (100 × ₹ 30)	3,000	
	Call money not paid (100 × ₹ 40)	4,000		Neeru:	Application money paid (200 × ₹ 30)	6,000	
Neeru:	Call money not paid (200 × ₹ 40)	8,000			Allotment money paid (200 × ₹ 30)	6,000	
					(Excluding Premium)		
		17,000				17,000	

3. Calculation of Amount Transferred to Capital Reserve (Gain on Reissue):

Capital Reserve = No. of Shares Reissued × (Amount forfeited per share – Discount allowed on reissue per share)

On Asha's Shares [100 × (₹ 30 – ₹ 20)]	₹ 1,000
On Neeru's Shares [50 × (₹ 60 – ₹ 20)]	₹ 2,000
Amount transferred to Capital Reserve	<u>₹ 3,000</u>

Illustration 5.

Welfare Limited issued 1,000 shares of ₹ 100 each. The due amount was received except for 100 shares on which ₹ 90 was received per share. These 100 shares were forfeited and 50 shares were reissued for ₹ 80 each fully paid-up.

Show the Forfeited Shares Account and the Balance Sheet as at closing date.

Solution:**Welfare Limited**

FORFEITED SHARES ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Share Capital A/c (50 × ₹ 20)	1,000	By Share Capital A/c (100 × ₹ 90)	9,000
To Capital Reserve A/c (50 × ₹ 70)	3,500		
To Balance c/d	4,500		
	9,000		9,000

BALANCE SHEET

as at...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
(a) Share Capital	1	99,500
(b) Reserves and Surplus	2	3,500
Total		<u>1,03,000</u>
II. ASSETS		
Current Assets		
Cash and Cash Equivalents	3	1,03,000
Total		<u>1,03,000</u>

Notes to Accounts

1. Share Capital	₹
Authorised Capital	
... Equity Shares of ₹ 100 each	...
Issued Capital	
1,000 Equity Shares of ₹ 100 each	1,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
950 Equity Shares of ₹ 100 each	95,000
Forfeited Shares A/c	4,500
	<u>99,500</u>
2. Reserves and Surplus	
Capital Reserve	3500
3. Cash and Cash Equivalents	
Cash at Bank	<u>1,03,000</u>

Working Notes:

1. Journal entries on forfeiture and reissue:

		₹	₹
Share Capital A/c (100 × ₹ 100)	...Dr.	10,000	
To Calls-in-Arrears A/c (100 × ₹ 10)			1,000
To Forfeited Shares A/c (100 × ₹ 90)			9,000
<hr/>			
Bank A/c (50 × ₹ 80)	...Dr.	4,000	
Forfeited Shares A/c (50 × ₹ 20)	...Dr.	1,000	
To Share Capital A/c			5,000

2. Gain on reissue to be transferred to Capital Reserve:	₹
Amount forfeited on 50 shares reissued (50 × ₹ 90)	4,500
Less: Discount on reissue (50 × ₹ 20)	1,000
Gain on reissue transferred to Capital Reserve	<u>3,500</u>

3. The balance of ₹ 4,500 remaining in Forfeited Shares Account is in respect of the shares not yet reissued.

Illustration 6.

Sudershan Ltd. invited applications for 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),
the balance including premium on the first and the final call.

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 is to be adjusted against amount due on call.

X, who belonged to the first category and was allotted 300 shares, did not pay the first call money. Y who belonged to the second category and was allotted 200 shares also did not pay the first call money. Their shares were forfeited. The forfeited shares were reissued @ ₹ 12 per share as fully paid-up.

Prepare Cash Book and pass necessary Journal entries.

Solution:

In the Books of Sudershan Ltd.

Dr.		CASH BOOK		Cr.	
Particulars	₹	Particulars	₹		
To Shares Application and Allotment A/c (Application and allotment money on 1,50,000 shares)	12,00,000	By Shares Application and Allotment A/c (Refund of application money on 10,000 shares @ ₹ 8 per share)	80,000		
To Shares First and Final Call A/c (WN 3)	3,78,100	By Balance c/d	15,04,100		
To Share Capital A/c (Reissue of 500 shares)	5,000				
To Securities Premium A/c	1,000				
	15,84,100		15,84,100		
To Balance b/d	15,04,100				

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Shares Application and Allotment A/c ...Dr.		11,20,000	
	To Share Capital A/c (1,00,000 × ₹ 5)			5,00,000
	To Securities Premium A/c (1,00,000 × ₹ 3)			3,00,000
	To Calls-in-Advance A/c (40,000 × ₹ 8)			3,20,000
	(Application and Allotment money adjusted)			
	Shares First and Final Call A/c ...Dr.		7,00,000	
	To Share Capital A/c			5,00,000
	To Securities Premium A/c			2,00,000
	(First and final call due on 1,00,000 shares)			
	Calls-in-Advance A/c ...Dr.		3,20,000	
	To Shares First and Final Call A/c			3,20,000
	(Calls-in-Advance adjusted to Shares First and Final Call Account)			
	Share Capital A/c (500 × ₹ 10) ...Dr.		5,000	
	Securities Premium A/c (500 × ₹ 2) ...Dr.		1,000	
	To Forfeited Shares A/c			4,100
	To Shares First and Final Call A/c			1,900
	(300 shares of X and 200 shares of Y forfeited for non-payment of calls money)			
	Forfeited Shares A/c ...Dr.		4,100	
	To Capital Reserve A/c (WN 4)			4,100
	(Gain on reissue transferred to Capital Reserve)			

Working Notes:

- No. of shares applied by X = $80,000/60,000 \times 300 = 400$ Shares.
No. of shares applied by Y = $60,000/40,000 \times 200 = 300$ Shares.
- Surplus application and allotment money paid by X and Y adjusted on First and Final Call = $200 \times ₹ 8 = ₹ 1,600$.
- Calculation of first and final call money received:

	₹	
Amount due on first and final call ($1,00,000 \times ₹ 7$)	7,00,000	
Less: Calls-in-Advance	3,20,000	
	3,80,000	
Less: Not paid by X and Y ($500 \times ₹ 7 - ₹ 1,600$)	1,900	
	3,78,100	
- Calculation of amount forfeited on 500 shares:

	₹	₹
X applied for 400 shares and paid @ ₹ 8	3,200	
Less: Transferred to Securities Premium on 300 shares @ ₹ 3*	900	2,300
Y applied for 300 shares and paid @ ₹ 8	2,400	
Less: Transferred to Securities Premium on 200 shares allotted to him @ ₹ 3*	600	1,800
Amount to be forfeited and transferred to Capital Reserve	4,100	

*Securities Premium received on forfeited shares is not transferred to Forfeited Shares Account because of the restriction by Section 52(2) of the Companies Act, 2013.

Illustration 7.

MCS Ltd. issued 40,000 shares of ₹ 10 each payable as ₹ 2 per share on application, ₹ 4 per share on allotment and the balance in two equal instalments.

Applications were received for 80,000 shares and the allotment was made as follows:

- Applicants of 50,000 shares were allotted 30,000 shares.
- Applicants of 30,000 shares were allotted 10,000 shares.

Neeraj, to whom 600 shares were allotted from Category (a), failed to pay the allotment money.

Pass necessary Journal entries up to allotment only.

(Delhi, AI 2009 C)

Solution:**In the Books of MCS Ltd.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application A/c (Application money received on 80,000 shares)		1,60,000	1,60,000
	Shares Application A/c ...Dr. To Share Capital A/c To Shares Allotment A/c (Application money adjusted)		1,60,000	80,000 80,000
	Shares Allotment A/c ...Dr. To Share Capital A/c (Allotment money due on 40,000 shares @ ₹ 4 per share)		1,60,000	1,60,000
	Bank A/c ...Dr. To Shares Allotment A/c (Allotment money received except on 600 shares) (WN 2)		78,400	78,400

Working Notes:1. *Amount due but not paid by Neeraj on Allotment:*

- (a) Number of shares applied by Neeraj = $50,000/30,000 \times 600 = 1,000$.
 (b) Application money received from Neeraj = $1,000 \times ₹ 2 = ₹ 2,000$.
 (c) Application money required as per shares allotted to Neeraj = $600 \times ₹ 2 = ₹ 1,200$.
 (d) Surplus application money (₹ 2,000 – ₹ 1,200) to be adjusted on allotment = ₹ 800.
 (e) Allotment money due from Neeraj = $600 \times ₹ 4 = ₹ 2,400$.
 (f) Allotment money due but not paid by Neeraj = ₹ 2,400 – ₹ 800 = ₹ 1,600.

2. *Amount Received on Allotment:*

	₹
Total amount due to allotment	1,60,000
Less: Excess application money adjusted	80,000
	80,000
Less: Allotment Money due but not paid by Neeraj (WN 1)	1,600
Amount Received on Allotment	78,400

Illustration 8.

Akshit Ltd. purchased machinery of ₹ 4,30,000 from Perfect Machines Ltd. and paid as follows:

- (a) Issued 10,000 Equity shares of ₹ 10 each at a premium of ₹ 3;
 (b) Issued an acceptance of ₹ 1,00,000 payable after 3 months; and
 (c) Balance by issuing post-dated cheque of two months of ₹ 2,00,000.

Pass the Journal entries in the books of Akshit Ltd. and Perfect Machines Ltd.

Solution:**In the Books of Akshit Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c ...Dr. To Perfect Machines Ltd. (Purchase of machinery from Perfect Machines Ltd.)		4,30,000	4,30,000
	Perfect Machines Ltd. ...Dr. To Share Capital A/c To Securities Premium A/c To Bills Payable A/c To Bank A/c (Payment made to Perfect Machines Ltd. by issue of shares, Bill Payable and cheque)		4,30,000	1,00,000 30,000 1,00,000 2,00,000

In the Books of Perfect Machines Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Akshit Ltd. ...Dr. To Sales A/c (Sales made to Akshit Ltd.)		4,30,000	4,30,000
	Investment A/c ...Dr. Bills Receivable A/c ...Dr. Cheques-in-Hand A/c ...Dr. To Akshit Ltd. (Shares, acceptance and cheque received from Akshit Ltd.)		1,30,000 1,00,000 2,00,000	4,30,000

Illustration 9.

Samprag Ltd. has an authorised capital of ₹ 20,00,000 divided into equity shares of ₹ 10 each. The company invited applications for issuing 60,000 shares. Applications for 58,000 shares were received.

All calls were made and were duly received except the final call of ₹ 3 per share on 2,000 shares. These shares were forfeited.

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

(b) Also prepare 'Note to Accounts' for the same. (Delhi 2016 C)

Solution:

Samprag Ltd.

BALANCE SHEET (EXTRACT) as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	5,74,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
Issued Capital	
60,000 Equity Shares of ₹ 10 each	6,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
56,000 Equity Shares of ₹ 10 each	5,60,000
Forfeited Shares A/c (2,000 × ₹ 7)	14,000
	<u>5,74,000</u>

Illustration 10.

SK Ltd. invited applications for 3,20,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows:

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

On allotment—₹ 5 per share (including premium ₹ 2 per share),

On first and final call—Balance.

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were allotted on *pro rata* basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards, final call was made. Ganesh who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares, 1,500 shares were reissued at ₹ 8 per share fully paid-up. The reissued shares included all the forfeited shares of Jeevan. Pass necessary Journal entries for the above transactions in the books of the company. (OD 2016)

Solution:

JOURNAL OF SK LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 4,00,000 shares @ ₹ 3 per share)		12,00,000	12,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (3,20,000 × ₹ 2) To Securities Premium A/c (3,20,000 × ₹ 1) To Equity Shares Allotment A/c (40,000 × ₹ 3) To Bank A/c (40,000 × ₹ 3) (Application money adjusted and surplus refunded)		12,00,000	6,40,000 3,20,000 1,20,000 1,20,000
	Equity Shares Allotment A/c (3,20,000 × ₹ 5) ...Dr. To Equity Share Capital A/c (3,20,000 × ₹ 3) To Securities Premium A/c (3,20,000 × ₹ 2) (Allotment money due)		16,00,000	9,60,000 6,40,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c <i>Or</i>		14,76,300	14,76,300
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Allotment money received except on 800 shares) (WN 1 and 2)		14,76,300 3,700	14,80,000
	Equity Share Capital A/c (800 × ₹ 5) ...Dr. Securities Premium A/c (800 × ₹ 2) ...Dr. To Forfeited Shares A/c To Equity Shares Allotment A/c <i>Or</i>		4,000 1,600	1,900 3,700
	Equity Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (800 shares of Jeevan forfeited for non-payment of allotment)		4,000 1,600	1,900 3,700
	Equity Shares First and Final Call A/c (3,19,200 × ₹ 7) ...Dr. To Equity Share Capital A/c (3,19,200 × ₹ 5) To Securities Premium A/c (3,19,200 × ₹ 2) (First and final call due on 3,19,200 shares)		22,34,400	15,96,000 6,38,400
	Bank A/c (3,16,800 × ₹ 7) ...Dr. To Equity Shares First and Final Call A/c <i>Or</i>		22,17,600	22,17,600
	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 except on 2,400 shares) (WN 3)		22,17,600 16,800	22,34,400

Equity Share Capital A/c (2,400 × ₹ 10)	...Dr.	24,000	
Securities Premium A/c (2,400 × ₹ 2)	...Dr.	4,800	
To Forfeited Shares A/c (2,400 × ₹ 5)			12,000
To Equity Shares First and Final Call A/c (2,400 × ₹ 7)			16,800
Or			
Equity Share Capital A/c	...Dr.	24,000	
Securities Premium A/c	...Dr.	4,800	
To Forfeited Shares A/c			12,000
To Calls-in-Arrears A/c			16,800
(2,400 shares forfeited for non-payment of first and final call money)			
Bank A/c (1,500 × ₹ 8)	...Dr.	12,000	
Forfeited Shares A/c	...Dr.	3,000	
To Share Capital A/c (1,500 × ₹ 10)			15,000
(1,500 shares reissued @ ₹ 8 per share fully paid-up)			
Forfeited Shares A/c	...Dr.	2,400	
To Capital Reserve A/c			2,400
(Gain on reissue of 1,500 shares transferred to Capital Reserve)			

Working Notes:

1. Calculation of amount not received from Jeevan on Allotment:

(a) Shares applied by Jeevan = $\frac{3,60,000}{3,20,000} \times 800 = 900$ shares.

(b) Application money received on shares applied (900 × ₹ 3)	₹	2,700
Less: Application money due on shares allotted (800 × ₹ 3)		2,400
Excess Application money adjusted on allotment		<u>300</u>

	Share Capital ₹	Securities Premium ₹
(c) Allotment money due on shares allotted (800 × ₹ 3 Share Capital) and (800 × ₹ 2 Securities Premium)	2,400	1,600
Less: Excess Application money adjusted on allotment [WN 1(b)]	300	...
Allotment money due but not received	<u>2,100</u>	<u>1,600</u>

2. Calculation of Amount received on Allotment:

Total Allotment money due	₹	16,00,000
---------------------------	---	-----------

Less: Allotment money already received	₹	1,20,000
Allotment money due but not received [as per WN 1]		3,700
Amount received on Allotment		<u>14,76,300</u>

3. Number of Shares allotted to Ganesh = $\frac{3,20,000}{3,60,000} \times 2,700 = 2,400$ shares.

4. Calculation of Amount transferred to Capital Reserve:

Amount forfeited on reissued shares: Jeevan (800 shares) [₹ 2,700 – ₹ 800 (premium)]	₹	1,900
Ganesh (700 shares) [₹ 12,000 × 700/2,400]		<u>3,500</u>
Total forfeited amount on 1,500 shares		5,400
Less: Discount on reissue of 1,500 forfeited shares		<u>3,000</u>
Amount transferred to Capital Reserve		<u>2,400</u>

Illustration 11.

Nutritious Foods Ltd. incorporated with authorised capital of ₹ 10,00,000, 1,00,000 equity shares of ₹ 10 each, issued 75,000 equity shares for subscription at a premium of 20% payable ₹ 4 on application, ₹ 5 on allotment and balance as first and final call. The shares were subscribed, and due amounts were received except allotment money on 5,000 shares. These shares were forfeited. Later, these shares were reissued as ₹ 7 paid-up and ₹ 10,000 were transferred to Capital Reserve. First and final call was demanded from the shareholders and was received except on 5,000 shares which was transferred to Calls-in-Arrears Account.

Pass the Journal entries for forfeiture, reissue of forfeited shares and first and final call.

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (5,000 × ₹ 7) ...Dr.		35,000	
	Securities Premium A/c (5,000 × ₹ 2) ...Dr.		10,000	
	To Shares Allotment A/c (5,000 × ₹ 5)			25,000
	To Forfeited Shares A/c			20,000
	(5,000 equity shares forfeited for non-payment of allotment money of ₹ 5 per share)			
	Bank A/c (WN 1) ...Dr.		25,000	
	Forfeited Shares A/c ...Dr.		20,000	
	To Share Capital A/c (5,000 × ₹ 7)			35,000
	To Capital Reserve A/c			10,000
	(5,000 forfeited equity shares issued for ₹ 5 each as ₹ 7 paid-up)			
	Shares First and Final Call A/c (75,000 × ₹ 3) ...Dr.		2,25,000	
	To Share Capital A/c			2,25,000
	(First and final call of ₹ 3 per share demanded)			
	Bank A/c (70,000 × ₹ 3) ...Dr.		2,10,000	
	Calls-in-Arrears A/c ...Dr.		15,000	
	To Shares First and Final Call A/c			2,25,000
	(First and final call amount received except on 5,000 equity shares)			

Working Notes:

1. Amount transferred to Forfeited Shares Account (5,000 × ₹ 4) ₹ 20,000

 Amount transferred to Capital Reserve ₹ 10,000

 Discount allowed on reissue ₹ 2 per share

 Amount received on reissued of 5,000 equity shares (5,000 equity shares × ₹ 5) ₹ 25,000
2. Forfeited shares were reissued as ₹ 7 paid-up. Thus ₹ 3, being first and final call, is due and also called.

Illustration 12.

Jain Ltd. purchased machinery costing ₹ 10,00,000 from Ayer Ltd. 50% of the payment was made by cheque and for the remaining 50%, the company issued Equity Shares of ₹ 100 each at a premium of 25%.

Pass necessary Journal entries in the books of Jain Ltd. for the above transactions. (Foreign 2011)

Solution:**In the Books of Jain Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c ...Dr. To Ayer Ltd. (Machine purchased from Ayer Ltd.)		10,00,000	10,00,000
	Ayer Ltd. ...Dr. To Bank A/c (50% amount paid by cheque to vendor)		5,00,000	5,00,000
	Ayer Ltd. ...Dr. To Equity Share Capital A/c (WN) To Securities Premium A/c (4,000 Equity Shares of ₹ 100 each issued at premium of 25%)		5,00,000	4,00,000 1,00,000

Working Note: No. of Shares Issued = $\frac{₹ 5,00,000}{₹ 125} = 4,000$ Shares.

Illustration 13.

VT Ltd. forfeited 200 shares of ₹ 10 each, issued at a premium of ₹ 5 per share, held by Mohan for non-payment of the final call of ₹ 3 per share. 100 out of these shares were reissued to Narender at a discount of ₹ 4 per share. Journalise. (Foreign 2003)

Solution:**In the Books of VT Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (200 × ₹ 10) ...Dr. To Forfeited Shares A/c (200 × ₹ 7) To Shares Final Call A/c (200 × ₹ 3) (200 shares forfeited for non payment of final call)		2,000	1,400 600
	Bank A/c (100 × ₹ 6) ...Dr. Forfeited Shares A/c (100 × ₹ 4) ...Dr. To Share Capital A/c (100 × ₹ 10) (100 shares reissued @ ₹ 6 per share as fully paid-up)		600 400	1,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Gain (profit) on reissue transferred to Capital Reserve, i.e., $\frac{₹ 1,400}{200} \times 100 = ₹ 400$)		300	300

Illustration 14.

Pass necessary Journal entries for the following transactions in the books of Gopal Ltd.:

- (i) Purchased furniture for ₹ 2,50,000 from M/s. Furniture Mart. The payment to M/s. Furniture Mart was made by issuing equity shares of ₹ 10 each at a premium of 25%.
- (ii) Purchased a running business from Aman Ltd. for a sum of ₹ 15,00,000. The payment of ₹ 12,00,000 was made by issue of fully paid equity shares of ₹ 10 each and balance by a bank draft. The assets and liabilities consisted of the following:

Plant ₹ 3,50,000; Stock ₹ 4,50,000; Land and Building ₹ 6,00,000; Sundry Creditors ₹ 1,00,000. (OD 2014)

Solution:

JOURNAL OF GOPAL LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Furniture A/c ...Dr. To M/s. Furniture Mart (Furniture purchased from M/s. Furniture Mart)		2,50,000	2,50,000
	M/s. Furniture Mart ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Purchase consideration paid by issue of Equity Shares of ₹ 10 each at a premium of 25%, i.e., ₹ 2,50,000 ÷ ₹ 12.50 = 20,000 shares)		2,50,000	2,00,000 50,000
(ii)	Plant A/c ...Dr.		3,50,000	
	Stock A/c ...Dr.		4,50,000	
	Land and Building A/c ...Dr.		6,00,000	
	Goodwill A/c (Balancing Figure) ...Dr.		2,00,000	
	To Sundry Creditors A/c To Aman Ltd. (Business of Aman Ltd. purchased for ₹ 15,00,000)			1,00,000 15,00,000
Aman Ltd. ...Dr.		15,00,000		
	To Equity Share Capital A/c To Bank A/c (Purchase consideration paid by issue of fully paid ₹ 12,00,000 Equity Shares of ₹ 10 each and balance by bank draft)			12,00,000 3,00,000

Illustration 15.

Gel Ltd. invited applications for 1,00,000 Equity Shares of ₹ 10 each, payable as ₹ 3 on application, ₹ 4 on allotment and the balance on first and final call. Applications were received for 3,00,000 shares and the shares were allotted on a *pro rata* basis. Mohit, a shareholder, who had applied for 3,000 shares, did not pay the call money and his shares were forfeited and reissued @ ₹ 8 per share as fully paid-up.

You are required to pass necessary Journal entries.

Solution:

JOURNAL OF GEL LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received @ ₹ 3 per share on 3,00,000 shares)		9,00,000	9,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (1,00,000 × ₹ 3) To Equity Shares Allotment A/c (1,00,000 × ₹ 4) To Bank A/c (Application money adjusted and surplus refunded)		9,00,000	3,00,000 4,00,000 2,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due on 1,00,000 shares)		4,00,000	4,00,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (First and final call money due on 1,00,000 shares @ ₹ 3 per share)		3,00,000	3,00,000
	Bank A/c ...Dr. To Equity Shares First and Final Call A/c (First and final call money received except for 1,000 shares) (WN 1)		2,97,000	2,97,000
	Equity Share Capital A/c (1,000 × ₹ 10) ...Dr. To Forfeited Shares A/c (1,000 × ₹ 7) To Equity Shares First and Final Call A/c (1,000 × ₹ 3) (1,000 shares forfeited due to non-payment of call money)		10,000	7,000 3,000
	Bank A/c (1,000 × ₹ 8) ...Dr. Forfeited Shares A/c (1,000 × ₹ 2) ...Dr. To Equity Share Capital A/c (Reissue of 1,000 shares @ ₹ 8 per share as fully paid-up)		8,000 2,000	10,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Gain on reissue transferred to Capital Reserve) (WN 3)		5,000	5,000

Note: In the absence of instruction, excess application money is adjusted against Allotment money and balance excess amount is refunded.

Working Notes:

1. Number of shares allotted to Mohit = $\frac{1,00,000}{3,00,000} \times 3,000 = 1,000$ shares.

2. Shares Application Money received from Mohit (3,000 × ₹ 3)	₹ 9,000
Less: Adjusted	₹ 7,000
Refunded	<u>₹ 2,000</u>

3. Amount transferred to Capital Reserve = ₹ 7,000 – ₹ 2,000 = ₹ 5,000.

Illustration 16 (Comprehensive Illustration).

Shagoon Ltd. issued 40,000 Shares of ₹ 10 each, for ₹ 12 each payable as under:

On application ₹ 2 per share, on allotment ₹ 5 per share (including premium), on first call ₹ 2 per share and on second and final call ₹ 3 per share.

Applications were received for 60,000 shares. Allotment was made on *pro rata* basis to the applicants for 48,000 shares, remaining applications being refused. Money overpaid on application was applied towards amount due on allotment.

Amrit, to whom 1,600 shares were allotted, failed to pay the allotment money and Barun, to whom 2,000 shares were allotted, failed to pay two calls. These were subsequently forfeited after the second and final call.

Pass Journal entries in the books of Shagoon Ltd. to record the above transactions including the bank entries.

Solution:**In the Books of Shagoon Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application A/c (Application money received on 60,000 shares)		1,20,000	1,20,000
	Shares Application A/c ...Dr. To Share Capital A/c To Bank A/c To Shares Allotment A/c (Application money adjusted and surplus refunded)		1,20,000	80,000 24,000 16,000
	Shares Allotment A/c ...Dr. To Share Capital A/c To Securities Premium A/c (Allotment money due)		2,00,000	1,20,000 80,000
	Bank A/c ...Dr. To Shares Allotment A/c (Allotment money received on 38,400 shares) (WN 2)		1,76,640	1,76,640
	Shares First Call A/c ...Dr. To Share Capital A/c (First call money due on 40,000 shares)		80,000	80,000
	Bank A/c ...Dr. To Shares First Call A/c (First call money received on 36,400 shares @ ₹ 2 per share)		72,800	72,800
	Shares Second and Final Call A/c ...Dr. To Share Capital A/c (Second and final call money due)		1,20,000	1,20,000
	Bank A/c ...Dr. To Shares Second and Final Call A/c (Second and final call money received on 36,400 shares)		1,09,200	1,09,200
	Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Shares Allotment A/c To Shares First Call A/c To Shares Second and Final Call A/c To Forfeited Shares A/c (1,600 shares forfeited for non-payment of allotment and calls money and 2,000 shares for non-payment of two calls money) (WN 1)		36,000 3,200	7,360 7,200 10,800 13,840

Working Notes:

1. *Calculation of the amount due but not paid on allotment in case of Amrit:* ₹
- | | |
|--|-------|
| (a) Total number of shares applied by Amrit = $1,600 \times 48,000/40,000 = 1,920$ shares. | |
| (b) Total money received on application from Amrit ($1,920 \times ₹ 2$) | 3,840 |
| (c) Excess application money [₹ 3,840 – ($1,600 \times ₹ 2$)] | 640 |
| (d) Total amount due on allotment ($1,600 \times ₹ 5$) | 8,000 |
| (e) Amount due but not paid on allotment by Amrit [₹ 8,000 – ₹ 640 (WN 1(c))] | 7,360 |
2. *Calculation of allotment money received later:*
- | | | |
|---|--------|----------|
| (a) Total allotment money due ($40,000 \times ₹ 5$) | | 2,00,000 |
| (b) Less: (i) Already received (Excess Application Money) | 16,000 | |
| (ii) Amount due but not paid by Amrit (WN 1) | 7,360 | 23,360 |
| Allotment money received | 7,360 | 1,76,640 |
3. ₹ 640 (excess application money received from Amrit) is adjusted against Share Capital. Securities Premium Account is debited by ₹ 3,200 ($1,600 \times ₹ 2$) being the amount not received from Amrit.
4. Barun has paid the amount of Securities Premium, therefore, Securities Premium Account is not debited by amount of premium on Barun's shares on forfeiture of his shares.

Illustration 17.

'KLN Ltd.' invited applications for issuing 1,00,000 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—₹ 4 per share (including premium ₹ 1),
- On First Call—₹ 3 per share, and
- On Second and Final Call—Balance amount.

Applications for 1,90,000 shares were received. Allotment was made to the applicants as follows:

<i>Category</i>	<i>No. of Shares Applied</i>	<i>No. of Shares Allotted</i>
I	50,000	40,000
II	1,00,000	60,000

Remaining applications were rejected.

Rajat, a shareholder belonging to Category I who had applied for 2,500 shares, failed to pay the amount due on allotment and first call. His shares were immediately forfeited.

Reema, a shareholder belonging to Category II who was holding 3,000 shares failed to pay the first call and second call money. Her shares were also forfeited. Afterwards 4,000 shares were reissued @ ₹ 8 per share fully paid-up. These included all the forfeited shares of Reema. Pass necessary Journal entries for the above transactions in the books of 'KLN Ltd.'

(CBSE 2019)

Solution:

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

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received for 1,90,000 shares @ ₹ 3 per share)		5,70,000	5,70,000
	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 (40,000 × ₹ 3) (Application money transferred to Equity Share Capital, Equity Shares Allotment and the balance refunded)		5,70,000	2,00,000 1,00,000 1,50,000 1,20,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Allotment money due)		4,00,000	3,00,000 1,00,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c (Allotment money received except on 2,000 shares)		2,43,500	2,43,500
	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due)		3,00,000	3,00,000
	Bank A/c ...Dr. To Equity Shares First Call A/c (First call money received except on 5,000 shares)		2,85,000	2,85,000
	Equity Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Forfeited Shares A/c To Equity Shares Allotment A/c To Equity Shares First Call A/c (2,000 shares of Rajat forfeited for non-payment of allotment and first call money)		16,000 2,000	5,500 6,500 6,000
	Equity Shares Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Second and final call due on 98,000 shares)		1,96,000	1,96,000

Bank A/c	...Dr.	1,90,000	
To Equity Shares Second and Final Call A/c			1,90,000
(Second and final call money received except on 3,000 shares)			
Equity Share Capital A/c	...Dr.	30,000	
To Forfeited Shares A/c			15,000
To Equity Shares First Call A/c			9,000
To Equity Shares Second and Final Call A/c			6,000
(3,000 shares of Reema forfeited for non-payment of both the calls)			
Bank A/c	...Dr.	32,000	
Forfeited Shares A/c	...Dr.	8,000	
To Equity Share Capital A/c			40,000
(3,000 shares of Reema and 1,000 shares of Rajat reissued)			
Forfeited Shares A/c	...Dr.	9,750	
To Capital Reserve A/c (WN 2)			9,750
(Gain on reissue transferred to Capital Reserve) (WN 2)			

Working Notes:

1. *Calls-in-Arrears (Rajat):*

Category I

No. of shares applied = 50,000

No. of shares allotted = 40,000

Allotment Ratio (5 : 4)

No. of shares applied by Rajat = 2,500

No. of shares allotted to Rajat = 2,000

	₹
Application money paid by Rajat (2,500 × ₹ 3)	7,500
Less: Applied towards shares application (2,000 × ₹ 3)	6,000
Excess Application money adjusted against Shares Allotment	<u>1,500</u>
Amount due on allotment (2,000 × ₹ 4)	8,000
Less: Excess application money adjusted against Shares Allotment	<u>1,500</u>
Amount due but not received from Rajat on Shares Allotment	<u><u>6,500</u></u>

2. *Amount transferred to Capital Reserve:*

Amount forfeited on Reema's shares	15,000
Proportionate amount forfeited on Rajat's share $\left(₹ 5,500 \times \frac{1,000}{2,000} \right)$	<u>2,750</u>
	17,750
Less: Discount on reissue (4,000 × ₹ 2)	<u>8,000</u>
Gain on reissue to be transferred to Capital Reserve	<u><u>9,750</u></u>

Illustration 18.

V.D. Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount per share was payable as follows:

- On Application—₹ 3 (including premium ₹ 1),
- On Allotment—₹ 7 (including premium ₹ 5),
- On First and Final call—Balance amount

Applications were received for 2,50,000 shares. Applicants for 10,000 shares were sent letters of regret and application money returned to them. Shares were allotted to the remaining applicants on a pro-rata basis. Money overpaid on application was adjusted towards the sums due on allotment. The company received all the money due on allotment except from Agam, who was allotted 1,000 shares. Her shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Seema, the holder of 2,000 shares, did not pay the first and final call on her shares. Her shares were also forfeited. 50% of the forfeited shares, each of Agam and Seema, were reissued as fully paid-up @ ₹ 16 per share.

Pass the necessary Journal entries to record the above transactions in the books of V.D. Ltd.

(CBSE 2020)

Solution:**In the Books of V.D. Ltd.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 2,50,000 shares)		7,50,000	7,50,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (2,00,000 × ₹ 2) To Securities Premium A/c (2,00,000 × ₹ 1) To Equity Shares Allotment A/c (40,000 × ₹ 3) To Bank A/c (10,000 × ₹ 3) (Equity shares allotted and excess application money transferred to Equity Shares Allotment)		7,50,000	4,00,000 2,00,000 1,20,000 30,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (2,00,000 × ₹ 2) To Securities Premium A/c (2,00,000 × ₹ 5) (Allotment money due)		14,00,000	4,00,000 10,00,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c (Allotment money received) (WN 1, 2 and 3)		12,73,600	12,73,600
	Equity Share Capital A/c (1,000 × ₹ 4) ...Dr. Securities Premium A/c (1,000 × ₹ 5) ...Dr. To Forfeited Shares A/c To Equity Shares Allotment A/c (Agam's shares forfeited)		4,000 5,000	2,600 6,400
	Equity Shares First and Final Call A/c (1,99,000 × ₹ 6) ...Dr. To Equity Share Capital A/c (Equity Shares first and final call money due)		11,94,000	11,94,000
	Bank A/c (1,97,000 × ₹ 6) ...Dr. To Equity Shares First and Final Call A/c (First and final call money received)		11,82,000	11,82,000

Equity Share Capital A/c	...Dr.	20,000	
To Forfeited Shares A/c			8,000
To Equity Shares First and Final Call A/c			12,000
(Seema's shares forfeited)			
Bank A/c (1,500 × ₹ 16)	...Dr.	24,000	
To Equity Share Capital A/c (1,500 × ₹ 10)			15,000
To Securities Premium A/c (1,500 × ₹ 6)			9,000
(1,500 shares reissued for ₹ 16 per share)			
Forfeited Shares A/c	...Dr.	5,300	
To Capital Reserve A/c			5,300
(Gain on reissue of forfeited shares transferred to Capital Reserve) (WN 4)			

Working Notes:

1. Total No. of Shares Applied by Agam = $1,000 \times \frac{2,40,000}{2,00,000} = 1,200$ shares.

2. Amount due but not received from Agam:	₹
(a) Application money received on shares applied (1,200 × ₹ 3)	3,600
(b) Less: Application money due on shares allotted (1,000 × ₹ 3)	<u>3,000</u>
(c) Excess Application money adjusted on allotment (A – B)	600
(d) Allotment money due on shares allotted (1,000 × ₹ 7)	<u>7,000</u>
(e) Allotment money due but not received (₹ 7,000 – ₹ 600)	<u>6,400</u>

3. Allotment money received later:

Total allotment money due (2,00,000 × ₹ 7)		14,00,000
Less: Allotment money already received on application stage	1,20,000	
Allotment money not received (WN 2)	<u>6,400</u>	<u>1,26,400</u>
		<u><u>12,73,600</u></u>

4. In the given case, 1,500 shares are re-issued at premium. Thus, the total amount forfeited ₹ 5,300 (₹ 1,300 + ₹ 4,000) is a capital gain and is transferred to Capital Reserve.

Illustration 19.

Prem Industries Ltd. made the first call of ₹ 2 per share on its 1,00,000 Equity Shares on 1st March, 2026. Ashok, a shareholder, holding 800 shares paid the second and final call amount along with the first call money. The second and final call amount was ₹ 3 per share. Pass necessary Journal entries for recording the above using the Calls-in-Advance Account.

Solution:**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2026				
March 1	Equity Shares First Call A/c (1,00,000 × ₹ 2) ...Dr.		2,00,000	
	To Equity Share Capital A/c (First call money due)			2,00,000
	Bank A/c (₹ 2,00,000 + (800 × ₹ 3)) ...Dr.		2,02,400	
	To Equity Shares First Call A/c			2,00,000
	To Calls-in-Advance A/c (First call money received)			2,400

Illustration 20.

Sure Ltd. purchased a running business from M/s. Rai Brothers for a sum of ₹ 15,00,000 payable ₹ 12,00,000 in fully paid shares of ₹ 10 each and balance through cheque.

The assets and liabilities consisted of the following:

Plant and Machinery	₹ 4,00,000	Stock	₹ 4,00,000
Building	₹ 4,00,000	Cash	₹ 3,00,000
Sundry Debtors	₹ 3,00,000	Sundry Creditors	₹ 2,00,000

You are required to pass necessary Journal entries in the company's books.

Solution:**In the Books of Sure Ltd.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c ...Dr.		4,00,000	
	Stock A/c ...Dr.		4,00,000	
	Building A/c ...Dr.		4,00,000	
	Sundry Debtors A/c ...Dr.		3,00,000	
	Cash A/c ...Dr.		3,00,000	
	To Sundry Creditors A/c			2,00,000
	To M/s. Rai Brothers			15,00,000
	To Capital Reserve A/c (Bal. Fig.)			1,00,000
	(Business purchased from M/s. Rai Brothers)			
	M/s. Rai Brothers ...Dr.		15,00,000	
	To Share Capital A/c			12,00,000
	To Bank A/c (Bal. Fig.)			3,00,000
	(₹ 3,00,000 paid to vendor by cheque and balance by issue of 1,20,000 shares of ₹ 10 each fully paid as purchase consideration)			

Illustration 21.

Black Stone Ltd. issued 10,000 Equity Shares of ₹ 10 each at a premium of ₹ 3 per share payable ₹ 5 on application, ₹ 5 (including premium) on allotment and the balance on first call. All the shares offered were applied for and allotted. All the money due on allotment was received except on 200 shares. Call was made. All the amount due thereon was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money were not received.

Pass necessary Journal entries to record the above.

Solution:**In the Books of Black Stone Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (10,000 × ₹ 5) ...Dr. To Shares Application A/c (Application money received)		50,000	50,000
	Shares Application A/c ...Dr. To Share Capital A/c (Application money adjusted on allotment)		50,000	50,000
	Shares Allotment A/c (10,000 × ₹ 5) ...Dr. To Share Capital A/c (10,000 × ₹ 2) To Securities Premium A/c (Allotment money due)		50,000	20,000 30,000
	Bank A/c (9,800 × ₹ 5) ...Dr. To Shares Allotment A/c (Allotment money received)		49,000	49,000
	Shares First and Final Call A/c ...Dr. To Share Capital A/c (First and final call money due)		30,000	30,000
	Bank A/c ...Dr. To Shares First and Final Call A/c (First and final call money received on 9,700 shares)		29,100	29,100
	Share Capital A/c ...Dr. Securities Premium A/c ...Dr. To Shares Allotment A/c To Shares First and Final Call A/c To Forfeited Shares A/c (200 shares forfeited for non-payment of allotment and call)		2,000 600	1,000 600 1,000

Illustration 22.

Z. Ltd. issued 10,000 shares of the value of ₹ 10 each, payable ₹ 3 on application, ₹ 3 on allotment and ₹ 4 on the first and final call. All amounts are duly received except the call money on 100 shares. These shares are subsequently forfeited by Directors and are resold as fully paid-up for ₹ 500.

Give necessary Journal entries for the transactions.

Solution:**In the Books of Z Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application A/c (10,000 × ₹ 3) (Application money received on 10,000 Shares @ ₹ 3 per share)		30,000	30,000
	Shares Application A/c ...Dr. To Share Capital A/c (Application money adjusted on allotment)		30,000	30,000
	Shares Allotment A/c (10,000 × ₹ 3) ...Dr. To Share Capital A/c (Allotment money due)		30,000	30,000
	Bank A/c ...Dr. To Shares Allotment A/c (Allotment money received)		30,000	30,000
	Shares First and Final Call A/c (10,000 × ₹ 4) ...Dr. To Share Capital A/c (First and final call money due)		40,000	40,000
	Bank A/c (₹ 40,000 – 100 × ₹ 4) ...Dr. To Shares First and Final Call A/c (First and final call money received on 9,900 shares)		39,600	39,600
	Share Capital A/c (100 × ₹ 10) ...Dr. To Forfeited Shares A/c (100 × ₹ 6) To Shares First and Final Call A/c (100 × ₹ 4) (100 shares forfeited for non payment of call money)		1,000	600 400
	Bank A/c ...Dr. Forfeited Shares A/c ...Dr. To Share Capital A/c (100 forfeited shares reissued for ₹ 500)		500 500	1,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Profit on reissue of shares transferred to Capital Reserve, i.e., ₹ 600 – ₹ 500)		100	100

Illustration 23.

Super Star Ltd. makes an issue of 10,000 Equity Shares of ₹ 100 each, payable as:

On Application and Allotment	₹ 50 per share,
On First Call	₹ 25 per share,
On Second and Final Call	₹ 25 per share.

Members holding 400 shares did not pay the second and final call and the shares are duly forfeited, 200 of which are reissued as fully paid-up @ ₹ 50 per share. Pass Journal entries in the books of the company.

Solution:**In the Books of Super Star Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application and Allotment A/c (Application and Allotment money received)		5,00,000	5,00,000
	Shares Application and Allotment A/c ...Dr. To Share Capital A/c (Application money adjusted)		5,00,000	5,00,000
	Shares First Call A/c (10,000 × ₹ 25) ...Dr. To Share Capital A/c (First call money due)		2,50,000	2,50,000
	Bank A/c ...Dr. To Shares First Call A/c (First call money received)		2,50,000	2,50,000
	Shares Second and Final Call A/c ...Dr. To Share Capital A/c (Second and final call money due)		2,50,000	2,50,000
	Bank A/c ...Dr. To Shares Second and Final Call A/c (Second and final call money received except on 400 shares)		2,40,000	2,40,000
	Share Capital A/c (400 × ₹ 100) ...Dr. To Forfeited Shares A/c (400 × ₹ 75) To Shares Second and Final Call A/c (400 × ₹ 25) (400 shares forfeited due to non payment of second and final call)		40,000	30,000 10,000
	Bank A/c (200 × ₹ 50) ...Dr. Forfeited Shares A/c (200 × ₹ 50) ...Dr. To Share Capital A/c (200 forfeited shares reissued @ ₹ 50 per share)		10,000 10,000	20,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c* (Gain (Profit) on reissue of 200 forfeited shares transferred to Capital Reserve) *[(₹ 30,000/400 × 200) – ₹ 10,000]		5,000	5,000

Illustration 24.

Jeevan Dhara 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 — ₹ 2 per share,
- On Allotment — ₹ 5 per share (Including premium),
- On First and Final Call — Balance.

Applications for 1,50,000 shares were received. Shares were allotted to all the applicants on *pro rata* basis. Excess money received on applications was adjusted towards sums due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were reissued at ₹ 9 per share as fully paid-up.

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

(Delhi 2015)

Solution:**In the Books of Jeevan Dhara Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (1,50,000 × ₹ 2) ...Dr.		3,00,000	
	To Equity Shares Application A/c			3,00,000
	(Application money received on 1,50,000 shares @ ₹ 2 per share)			
	Equity Shares Application A/c ...Dr.		3,00,000	
	To Equity Share Capital A/c (1,20,000 × ₹ 2)			2,40,000
	To Equity Shares Allotment A/c			60,000
	(Equity share application money adjusted on allotment)			
	Equity Shares Allotment A/c ...Dr.		6,00,000	
	To Equity Share Capital A/c			3,60,000
	To Securities Premium A/c			2,40,000
	(Allotment money due on 1,20,000 shares @ ₹ 5 per share)			
	Bank A/c (WN 1) ...Dr.		5,29,200	
	To Equity Shares Allotment A/c			5,29,200
	Or			
	Bank A/c ...Dr.		5,29,200	
	Calls-in-Arrears A/c		10,800	
	To Equity Shares Allotment A/c			5,40,000
	(Allotment money received except on 2,400 shares and the advance adjusted)			

Equity Shares First and Final Call A/c	...Dr.	6,00,000	
To Equity Share Capital A/c			6,00,000
(First and final call money due on 1,20,000 shares @ ₹ 5 per share)			
Bank A/c	...Dr.	5,76,000	
To Equity Shares First and Final Call A/c			5,76,000
<i>Or</i>			
Bank A/c		5,76,000	
Calls-in-Arrears A/c		24,000	
To Equity Shares First and Final Call A/c			6,00,000
(First and final call money received except on 4,800 shares)			
Equity Share Capital A/c (4,800 × ₹ 10)	...Dr.	48,000	
Securities Premium A/c	...Dr.	4,800	
To Forfeited Shares A/c			18,000
To Equity Shares Allotment A/c			10,800
To Equity Shares First and Final Call A/c			24,000
<i>Or</i>			
Equity Share Capital A/c	...Dr.	48,000	
Securities Premium A/c	...Dr.	4,800	
To Forfeited Shares A/c			18,000
To Calls-in-Arrears A/c			34,800
(4,800 shares forfeited for non-payment of allotment and first and final call money)			
Bank A/c (4,800 × ₹ 9)	...Dr.	43,200	
Forfeited Shares A/c (4,800 × ₹ 1)	...Dr.	4,800	
To Equity Share Capital A/c			48,000
(4,800 forfeited shares reissued for ₹ 9 per share fully paid-up)			
Forfeited Shares A/c	...Dr.	13,200	
To Capital Reserve A/c			13,200
(Gain (profit) on reissue transferred to Capital Reserve)			

Working Notes:

- Number of shares allotted to Manu = $\frac{1,20,000}{1,50,000} \times 3,000 = 2,400$ shares.
 Excess Money received from Manu = $(3,000 - 2,400) \times ₹ 2 = ₹ 1,200$
 Amount due on allotment from Manu = $2,400 \times ₹ 5 = ₹ 12,000$
 Amount unpaid on allotment from Manu = $₹ (12,000 - 1,200) = ₹ 10,800$
 Total Amount received on allotment = $₹ (6,00,000 - 60,000 - 10,800) = ₹ 5,29,200$.
- Number of shares applied by Madhur = $\frac{1,50,000}{1,20,000} \times 2,400 = 3,000$ shares.

Illustration 25.

Sargam Ltd. invited applications for issuing 80,000 equity shares of ₹ 100 each at a premium. The amount was payable as follows:

- On Application — ₹ 20 per share;
- On Allotment — ₹ 60 (including premium) per share;
- On First and Final Call — ₹ 40 per share.

Applications for 1,20,000 shares were received. Allotment was made on *pro rata* basis to all the applicants. Excess money received on applications was adjusted on sums due on allotment. Sitaram, who had applied for 6,000 shares, failed to pay the allotment money and Harnam did not pay first and final call on 800 shares allotted to him. The shares of Sitaram and Harnam were forfeited. 4,200 of these shares were reissued for ₹ 100 per share as fully paid-up. The reissued shares included all the forfeited shares of Harnam.

Pass necessary Journal entries for the above transactions in the books of Sargam Ltd. (Delhi 2016 C)

Solution:
In the Books of Sargam Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 1,20,000 shares @ ₹ 20 per share)		24,00,000	24,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (80,000 × ₹ 20) To Equity Shares Allotment A/c (40,000 × ₹ 20) (Application money adjusted)		24,00,000	16,00,000 8,00,000
	Equity Shares Allotment A/c (80,000 × ₹ 60) ...Dr. To Equity Share Capital A/c (80,000 × ₹ 40) To Securities Premium A/c (80,000 × ₹ 20) (Allotment money due on 80,000 shares @ ₹ 60 per share)		48,00,000	32,00,000 16,00,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c (Allotment money received) (WN 1 and 2)		38,00,000	38,00,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 80,000 shares @ ₹ 40 per share)		32,00,000	32,00,000
	Bank A/c ...Dr. To Equity Shares First and Final Call A/c (First and final call money received except on 4,800 shares)		30,08,000	30,08,000
	Equity Share Capital A/c (4,800 × ₹ 100) ...Dr. Securities Premium A/c (4,000 × ₹ 20) ...Dr. To Forfeited Shares A/c [(6,000 × ₹ 20) + (800 × ₹ 60)] To Equity Shares Allotment A/c To Equity Shares First and Final Call A/c (4,800 shares forfeited for non-payment of allotment and call money)		4,80,000 80,000	1,68,000 2,00,000 1,92,000
	Bank A/c ...Dr. To Equity Share Capital A/c (4,200 forfeited shares are reissued for ₹ 100 per share)		4,20,000	4,20,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Gain on reissue of shares transferred to Capital Reserve) (WN 3)		1,50,000	1,50,000

Working Notes:

1. Calculation of allotment money not paid by Sitaram:

(a) Calculation of number of shares allotted to Sitaram = $\frac{80,000}{1,20,000} \times 6,000 = 4,000$ shares.

(b) Calculation of allotment money not paid by Sitaram:

	₹
Amount due on allotment (4,000 shares × ₹ 60 per share)	2,40,000
Less: Excess Application Money adjusted on allotment [(6,000 – 4,000) × ₹ 20]	40,000
Amount not paid on allotment	<u>2,00,000</u>

2. Calculation of total amount received on allotment:

	₹
Total allotment money due	48,00,000
Less: Excess application money adjusted on allotment	<u>8,00,000</u>
	40,00,000
Less: Allotment money not paid by Sitaram (WN 1)	<u>2,00,000</u>
Amount received on allotment	<u>38,00,000</u>

3. In the given case 4,200 shares (including all the forfeited shares of Harnam) are reissued at par. So, the entire amount forfeited on such shares, i.e., ₹ 1,50,000 [₹ 1,02,000 (i.e., ₹ 1,20,000 × 3,400/4,000) of Sitaram's shares + ₹ 48,000 Harnam's shares] will be transferred to Capital Reserve.

Illustration 26.

JJK Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each at par. The amount was payable as follows:

On Application — ₹ 2 per share;
 On Allotment — ₹ 4 per share; and
 On First and Final Call — Balance Amount.

The issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows:

Category	No. of Shares Applied	No. of Shares Allotted
I	80,000	40,000
II	25,000	10,000

Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment.

Deepak, a shareholder belonging to Category I, who had applied for 1,000 shares, failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The forfeited shares of Deepak and Raju were reissued at ₹ 11 per share fully paid-up.

Pass necessary Journal entries for the above transactions in the books of the company. (OD 2017)

Working Notes:1. *Adjustment of Surplus Application Money:*

Number of Applied Shares: $50,000 \times 3 = 1,50,000$ Shares	₹
Application Money Received on Shares Applied ($1,50,000 \times ₹ 2$)	3,00,000
Less: Application Money due on Shares Allotted ($50,000 \times ₹ 2$)	<u>1,00,000</u>
	2,00,000
Less: 30% Share Applications were Rejected and hence Refunded [(30% of 1,50,000) $\times ₹ 2$]	<u>90,000</u>
Excess Application Money after Refund	(A) <u><u>1,10,000*</u></u>

Category I—Shareholders

Application Money Received ($80,000 \times ₹ 2$)	1,60,000
Less: Application Money due on Shares Allotted ($40,000 \times ₹ 2$)	<u>80,000</u>
Surplus Application Money	80,000
Less: To be adjusted at the time of Allotment	(B) <u><u>80,000*</u></u>
	<u>NIL</u>

Category II—Shareholders

Application Money Received ($25,000 \times ₹ 2$)	50,000
Less: Application Money due on Shares Allotted ($10,000 \times ₹ 2$)	<u>20,000</u>
Surplus Application Money	30,000
Less: To be adjusted at the time of Allotment	(C) <u><u>30,000*</u></u>
	<u>NIL</u>

$$*A = B + C = ₹ 1,10,000 = ₹ 80,000 + ₹ 30,000.$$

2. • Number of Shares Allotted to Deepak [Category I] = $\frac{40,000}{80,000} \times 1,000 = 500$ shares

• Excess Application Money Received ($500 \times ₹ 2$) = ₹ 1,000	₹
• Allotment Money due on Shares Allotted	2,000
• Less: Excess Application Money to be adjusted	<u>1,000</u>
Allotment Money due but not Received from Deepak	<u>1,000</u>

3. Number of Shares Applied by Raju [Category II] = $\frac{25,000}{10,000} \times 100 = 250$ shares

• Excess Application Money ($150 \times ₹ 2$) = ₹ 300	₹
• Allotment Money due on Shares allotted ($100 \times ₹ 4$)	400
Less: Excess Application Money to be Adjusted	300
Allotment Money due but not paid by Raju	<u>100</u>

4. *Calculation of Allotment Money Received Later on:*

	₹
Total Allotment Money due ($50,000 \times ₹ 4$)	2,00,000
Less: Excess Application Money Adjusted (WN 1)	<u>1,10,000</u>
	90,000
Less: Allotment Money not paid by Deepak (WN 2)	1,000
Allotment Money not paid by Raju (WN 3)	100
Allotment Money Received	<u><u>88,900</u></u>

Illustration 27.

Competent Ltd. issued a prospectus inviting applications for 50,000 Equity Shares of ₹ 10 each, payable ₹ 5 as per application (including ₹ 2 as premium), ₹ 4 as per allotment and the balance towards first and final call.

Applications were received for 65,000 shares. Application money received on 5,000 shares was refunded with letter of regret and allotments were made on *pro rata* basis to the applicants of 60,000 shares.

Mr. Sharma to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the Directors on his subsequent failure to pay the call money.

All the forfeited shares were subsequently sold to Mr. Jain credited as fully paid-up for ₹ 9 per share.

You are required to set out the Journal entries and the relevant entries in the Cash Book.

Solution:

In the Books of Competent Ltd. CASH BOOK (BANK COLUMN ONLY)

Dr.	₹	Particulars	₹	Cr.
To Equity Shares Application A/c (65,000 × ₹ 5)	3,25,000	By Equity Shares Application A/c (5,000 × ₹ 5)	25,000	
To Equity Shares Allotment A/c (₹ 2,00,000 – ₹ 50,000 – ₹ 2,100)	1,47,900	By Balance <i>c/d</i>	6,02,100	
To Equity Shares First and Final Call A/c [(50,000 × ₹ 3) – (700 × ₹ 3)]	1,47,900			
To Equity Shares Capital A/c [700 × ₹ 9]	6,300			
	6,27,100			6,27,100

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Shares Application A/c ...Dr.		3,00,000	
	To Equity Share Capital A/c (50,000 × ₹ 3)			1,50,000
	To Securities Premium A/c (50,000 × ₹ 2)			1,00,000
	To Equity Shares Allotment A/c (10,000 × ₹ 5)			50,000
	(Application money adjusted)			
	Equity Shares Allotment A/c (50,000 × ₹ 4) ...Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Allotment money due)			
	Equity Shares First and Final Call A/c ...Dr.		1,50,000	
	To Equity Share Capital A/c (50,000 × ₹ 3)			1,50,000
	(First and final call money due)			
	Equity Share Capital A/c (700 × ₹ 10) ...Dr.		7,000	
	To Equity Shares Allotment A/c (WN 3)			2,100
	To Equity Shares First and Final Call A/c (700 × ₹ 3)			2,100
	To Forfeited Shares A/c (Balance)			2,100
	(700 shares forfeited for non payment of allotment and call money)			
	Forfeited Shares A/c ...Dr.		700	
	To Equity Share Capital A/c			700
	(Loss on reissue of 700 shares transferred)			
	Forfeited Shares A/c ...Dr.		2,100	
	To Capital Reserve A/c			2,100
	(Gain (profit) on reissue of forfeited shares transferred to Capital Reserve, <i>i.e.</i> , ₹ 2,800 – ₹ 700)			

Working Notes: Calculation of the amount due but not received on allotment from Jain:

1. No. of Shares Applied	= $700 \times 60,000 / 50,000 = 840$ Shares	₹
2. Application money received	= $840 \times ₹ 5$	4,200
Less : Application money required	= $700 \times ₹ 5$	3,500
Excess Adjusted towards Allotment		<u>700</u>
3. Allotment Money Required	= $700 \times ₹ 4$	2,800
Less : Adjusted from Application money		700
Amount not paid on Allotment		<u>2,100</u>

Illustration 28.

Raja Ltd. invited applications for issuing 50,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On Application	— ₹ 3 per share,
On Allotment	— ₹ 5 per share, and
On First and Final Call	— Balance.

Applications for 70,000 shares were received. Allotment was made to all applicants on *pro rata* basis. Excess money received on application was adjusted towards sums due on allotment. Ramesh, who had applied for 700 shares, did not pay the allotment money and on his failure to pay the allotment money his shares were forfeited. Afterwards, the first and final call was made. Adhar, who had been allotted 500 shares, did not pay the first and final call. His shares were also forfeited. Out of the forfeited shares 900 shares were reissued at ₹ 8 per share as fully paid-up. The reissued shares included all the shares of Ramesh.

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

(Delhi 2013 C)

Solution:

In the Books of Raja Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received on 70,000 shares)		2,10,000	2,10,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Equity Shares Allotment A/c (Application money adjusted)		2,10,000	1,50,000 60,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Allotment money due)		2,50,000	2,50,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c (WN 3) (Remaining allotment money received on 49,500 shares) (WN 1 & 2)		1,88,100	1,88,100
	Equity Share Capital A/c (500 × ₹ 8) ...Dr. To Forfeited Shares A/c To Equity Shares Allotment A/c (500 shares forfeited for non payment of allotment money)		4,000	2,100 1,900

Equity Shares First and Final Call A/c	...Dr.	99,000	
To Equity Share Capital A/c			99,000
(First and final call money due on 49,500 shares)			
Bank A/c	...Dr.	98,000	
To Equity Shares First and Final Call A/c			98,000
(First and final call received on 49,000 shares)			
Equity Share Capital A/c (500 × ₹ 10)	...Dr.	5,000	
To Forfeited Shares A/c (500 × ₹ 8)			4,000
To Equity Shares First and Final Call A/c			1,000
(500 shares forfeited for non payment of the first and final call)			
Bank A/c (900 × ₹ 8)	...Dr.	7,200	
Forfeited Shares A/c (900 × ₹ 2)	...Dr.	1,800	
To Equity Share Capital A/c			9,000
(Reissue of 900 shares @ ₹ 8 as fully paid-up)			
Forfeited Shares A/c	...Dr.	3,500	
To Capital Reserve A/c (WN 4)			3,500
(Gain (profit) on reissue transferred to Capital Reserve)			

Working Notes:

(1) Number of shares allotted to Ramesh = $700 \times \frac{50,000}{70,000} = 500$ Shares

(2) Calculation of the amount due but not received on allotment from Ramesh:

	₹
A. Application money received on shares applied (700 × ₹ 3)	2,100
B. Less: Application money due on shares allotted (500 × ₹ 3)	1,500
C. Excess Application money adjusted on allotment (A – B)	<u>600</u>
D. Allotment money due on shares allotted (500 × ₹ 5)	2,500
E. Allotment money due but not received (₹ 2,500 – ₹ 600)	<u>1,900</u>

(3) Calculation of Allotment money received later on:

	₹
Allotment money due (50,000 × ₹ 5)	2,50,000
Less: Allotment money received on application stage	<u>60,000</u>
	1,90,000
Less: Allotment money not received (WN 2)	1,900
	<u>1,88,100</u>

(4) Calculation of gain (profit) on reissue of 900 shares to be transferred to Capital Reserve:

	Ramesh 500 Shares ₹	Adhar 400 Shares ₹	
A. Amount forfeited on Reissued Shares	2,100	3,200	
B. Less: Reissue Discount	1,000	800	
C. Profit on Reissue to be transferred to Capital Reserve	<u>1,100</u>	<u>2,400</u>	= ₹ 3,500

Illustration 29.

AXN Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 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—₹ 4 per share (Including ₹ 2 premium); and
- On Second and Final Call—Balance Amount.

The issue was fully subscribed.

Kumar, the holder of 400 shares, did not pay the allotment money and Ravi, the holder of 1,000 shares, paid his total share money along with allotment money. Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta a holder of 300 shares, failed to pay the first call money and Gopal, a holder of 600 shares, paid the second call money also along with first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.

All the forfeited shares were reissued at ₹ 9 per share as fully paid-up.

Pass necessary Journal entries for the above transactions in the books of the company. (CBSE 2017)

Solution:

JOURNAL OF AXN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Application money received for 1,00,000 shares)		4,00,000	4,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Application money on allotted shares transferred to Equity Share Capital Account and Securities Premium)		4,00,000	2,00,000 2,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Allotment money due)		5,00,000	3,00,000 2,00,000
	Bank A/c (WN 1) ...Dr. Calls-in-Arrears A/c (400 × ₹ 5) ...Dr. To Equity Shares Allotment A/c To Calls-in-Advance A/c [1,000 × ₹ 7 (i.e., ₹ 4 + ₹ 3)]		5,05,000 2,000	5,00,000 7,000
	Or			
	Bank A/c ...Dr. To Equity Shares Allotment A/c To Calls-in-Advance A/c (Allotment money received except on 400 shares and calls-in-advance of ₹ 7 per share received on 1,000 shares)		5,05,000	4,98,000 7,000
	Equity Share Capital A/c (400 × ₹ 5) ...Dr. Securities Premium A/c (400 × ₹ 2) ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c		2,000 800	2,000 800
	Or			

Working Notes:

1. Calculation of Amount Received on Allotment:	₹
Total Allotment Money Due (1,00,000 × ₹ 5)	5,00,000
Less: Allotment money not paid by Kumar (400 × ₹ 5)	2,000
	<u>4,98,000</u>
Add: Advance received from Ravi as Calls-in-Advance (1,000 × ₹ 7)	7,000
	<u>5,05,000</u>
2. Calculation of Amount Received on First Call:	₹
Total First Call money due (99,600 × ₹ 4)	3,98,400
Less: First Call money not paid by Gupta (300 × ₹ 4)	1,200
	<u>3,97,200</u>
Less: Amount received with allotment as Calls-in Advance (1,000 × ₹ 4)	4,000
	<u>3,93,200</u>
Add: Calls-in-Advance from Gopal (600 × ₹ 3)	1,800
	<u>3,95,000</u>
3. Calculation of Gain on reissue to be transferred to Capital Reserve:	₹
Amount forfeited [₹ 800 (on 400 shares @ ₹ 2 each) + ₹ 1,500 (on 300 shares @ ₹ 5 each)]	2,300
Less: Reissue discount	700
	<u>1,600</u>
Gain on reissue to be transferred to Capital Reserve	<u>1,600</u>

Illustration 30.

Karur Ltd. invited applications for issuing 2,40,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as under:

- On application—₹ 4 per share (including premium ₹ 2),
- On allotment—₹ 4 per share,
- On first and final call—₹ 6 per share (including premium ₹ 2).

Applications for 3,00,000 shares were received and *pro-rata* allotment was made to all the applicants. Excess application money received on application was adjusted towards sums due on allotment. All calls were made and were duly received except from Rohini, who failed to pay allotment and first and final call on 7,500 shares applied by her. These shares were forfeited. Afterwards, 40% of the forfeited shares were reissued at ₹ 11 per share as fully paid-up.

Pass the necessary Journal entries in the books of Karur Ltd. Open Calls-in-Arrears and Calls-in-Advance Accounts, wherever necessary. (CBSE 2020)

Solution:**In the Books of Karur Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		12,00,000	
	To Equity Shares Application A/c (Application Money received on 3,00,000 shares @ ₹ 4 per share)			12,00,000
	Equity Shares Application A/c ...Dr.		12,00,000	
	To Equity Share Capital A/c (2,40,000 × ₹ 2)			4,80,000
	To Securities Premium A/c (2,40,000 × ₹ 2)			4,80,000
	To Equity Shares Allotment A/c (60,000 × ₹ 4)			2,40,000
	(Application money transferred to share capital, securities premium and share allotment)			

Equity Shares Allotment A/c	...Dr.	9,60,000	
To Equity Share Capital A/c			9,60,000
(Allotment money due on 2,40,000 equity shares @ ₹ 4 per share)			
Bank A/c	...Dr.	7,02,000	
Calls-in-Arrears A/c	...Dr.	18,000	
To Equity Shares Allotment A/c			7,20,000
(Allotment money received) (WN 1 and WN 2)			
Equity Shares First and Final Call A/c	...Dr.	14,40,000	
To Equity Share Capital A/c			9,60,000
To Securities Premium A/c			4,80,000
(First call money due on 2,40,000 shares @ ₹ 6 per share)			
Bank A/c	...Dr.	14,04,000	
Calls-in-Arrears A/c (6,000 × ₹ 6)	...Dr.	36,000	
To Equity Shares First and Final Call A/c			14,40,000
(First and Final call money received)			
Share Capital A/c (6,000 × ₹ 10)	...Dr.	60,000	
Securities Premium A/c (6,000 × ₹ 2)	...Dr.	12,000	
To Calls-in-Arrears A/c			54,000
To Forfeited Shares A/c			18,000
(6,000 shares forfeited for non-payment of allotment and first and final call)			
Bank A/c	...Dr.	26,400	
To Equity Share Capital A/c			24,000
To Securities Premium A/c			2,400
(2,400 shares reissued for ₹ 11 per share fully paid)			
Forfeited Shares A/c	...Dr.	7,200	
To Capital Reserve A/c			7,200
(Gain on reissue of forfeited shares transferred to Capital Reserve) (WN 3)			

Working Notes:

- No. of shares allotted to Rohini $\left(₹ 7,500 \times \frac{2,40,000}{3,00,000} \right) = 6,000$ shares.
- Calculation of the amount due but not received on allotment from Rohini:

	₹
A. Application money received on shares applied (7,500 × ₹ 4)	30,000
B. Money due on shares allotted (6,000 × ₹ 4)	24,000
C. Excess Application money adjusted on allotment (A – B)	6,000
D. Allotment money due on shares allotted (6,000 × ₹ 4)	24,000
E. Allotment money due but not received = ₹ 24,000 – ₹ 6,000 (C)	18,000
- Calculation of gain on Reissue to be transferred to Capital Reserve:

Amount Forfeited [₹ 30,000 – ₹ 12,000 (Securities Premium)]	18,000
Amount forfeited on Reissued Shares $\left(₹ 18,000 \times \frac{2,400}{6,000} \right)$	7,200
Less: Loss on reissue	Nil
Transferred to Capital Reserve	<u>7,200</u>

Illustration 31.

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. (CBSE 2018)

Solution:**In the Books of X Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c [(70,000 × ₹ 2) + (600 × ₹ 8)] ...Dr.		1,44,800	
	To Equity Shares Application A/c (Application money received on 70,000 shares @ ₹ 2 per share, one applicant paying the full amount on 600 shares)			1,44,800
	Equity Shares Application A/c ...Dr.		1,44,800	
	To Equity Shares Capital A/c (50,000 × ₹ 2)			1,00,000
	To Equity Shares Allotment A/c [(₹ 19,800 + (500 × ₹ 2))]			20,800
	To Bank A/c (₹ 20,000 + ₹ 1,000)			21,000
	To Calls-in-Advance A/c (500 × ₹ 6)			3,000
	(Application money adjusted and surplus refunded)			
	Equity Shares Allotment A/c (50,000 × ₹ 2) ...Dr.		1,00,000	
	To Equity Share Capital A/c (Allotment money due on 50,000 shares @ ₹ 2 per share)			1,00,000
	Bank A/c ...Dr.		71,200	
	Calls-in-Arrears A/c ...Dr.		8,000	
	To Equity Shares Allotment A/c (₹ 1,00,000 – ₹ 20,800) (Allotment money received except on 5,000 shares)			79,200
	Equity Share Capital A/c (5,000 × ₹ 4) ...Dr.		20,000	
	To Forfeited Share A/c (6,000 × ₹ 2)			12,000
	To Calls-in-Arrears A/c (5,000 shares, ₹ 4 paid forfeited for non-payment of allotment money)			8,000
	Bank A/c ...Dr.		20,000	
	To Equity Share Capital A/c (5,000 shares forfeited reissued for ₹ 20,000; ₹ 4 per share paid-up)			20,000

Forfeited Shares A/c	...Dr.	12,000	
To Capital Reserve A/c			12,000
(Gain on reissue transferred to Capital Reserve)			
Equity Shares First Call A/c (50,000 × ₹ 3)	...Dr.	1,50,000	
To Equity Share Capital A/c			1,50,000
(First call money due on 50,000 shares @ ₹ 3 per share)			
Bank A/c	...Dr.	1,48,500	
Calls-in-Advance A/c	...Dr.	1,500	
To Equity Shares First Call A/c			1,50,000
(First call money received, advance received earlier adjusted)			
Equity Shares Second and Final Call A/c	...Dr.	1,50,000	
To Equity Share Capital A/c			1,50,000
(Second and final call money due on 50,000 shares @ ₹ 3 per share)			
Bank A/c	...Dr.	1,48,500	
Calls-in-Advance A/c	...Dr.	1,500	
To Equity Shares Second and Final Call A/c			1,50,000
(Second and final call money received and advance received earlier adjusted)			

Working Notes:

1.

Analysis of Receipt of Application Money

Category	Shares Applied For	Shares Allotted	Excess Money	Adjusted on Allotment	First Call	Second and Final Call	Refund
1.	10,000	Nil	10,000 × ₹ 2 = ₹ 20,000	₹ 20,000
2.	59,400*	49,500	9,900 × ₹ 2 = ₹ 19,800	₹ 19,800
3.	600	500	100 × ₹ 10 = ₹ 1,000	500 × ₹ 2 = ₹ 1,000	500 × ₹ 3 = ₹ 1,500	500 × ₹ 3 = ₹ 1,500	₹ 1,000*
Total	70,000	50,000	...	₹ 20,800	₹ 3,000 (Calls-in-Advance)		₹ 21,000

* The applicant for 600 shares (who was allotted 500 shares) has been refunded application money (including Calls-in-Advance) for 100 shares, i.e., ₹ 6,000 – ₹ 5,000 = ₹ 1,000.

50,000 shares have been allotted to applicants for 60,000 shares. This includes an applicant for 600 shares who was allotted 500 shares. Hence, applicants for 59,400 (i.e., 60,000 – 600) shares were allotted 49,500 (i.e., 50,000 – 500) shares.

2. Calculation of allotment money not paid by Ghosh:

(a) No. of shares allotted to Ghosh = $50,000/60,000 \times 6,000 = 5,000$ shares.

	₹
(b) Application money received on shares applied (6,000 × ₹ 2)	12,000
Less: Application money due on shares allotted (5,000 × ₹ 2)	10,000
Excess application money adjusted on allotment	<u>2,000</u>
(c) Allotment money due on shares allotted (5,000 × 2)	10,000
Less: Excess application money adjusted (b)	2,000
Allotment money due on allotment but not paid by Ghosh	<u><u>8,000</u></u>

Solution:

(A) (b) ₹ 9,000.

Working Note:

Share Forfeiture A/c will be credited by ₹ 4,000 as is given in Share Forfeiture Account.

Share Capital Account will be debited by ₹ 9,000 calculated as follows:

₹ 11,000 (₹ 7,000 + ₹ 4,000) less ₹ 2,000.

Thus, number of shares forfeited are 1,000 calculated by dividing amount of Securities Premium A/c, i.e., ₹ 2,000 by ₹ 2, being premium per share.

(B) (d) ₹ 7 per share.

Working Note:

Amount not received on 1,000 shares is ₹ 7 per share (₹ 7,000 ÷ 1,000).

(C) (c) ₹ 2,100.

Working Note:

Bank Account will be debited by ₹ 8,400 (700 × ₹ 12) and Share Forfeiture Account by ₹ 700, as given in Share Forfeiture Account.

(D) (b) ₹ 7,000.

Working Note:

Share Capital Account will be credited by ₹ 7,000 (₹ 10 × 700).

(E) (c) Securities Premium A/c.

Working Note:

Account credited by ₹ 1,400 will be Securities Premium Account.

Illustration 33.

Xylo Ltd. was formed on 1st April, 2023, with an authorised capital of ₹ 12,00,000 divided into equity shares of ₹ 10 each.

It invited applications for 30,000 shares to be issued at par, in the year of its formation, all of which were subscribed for and the amount due on them fully received.

On 1st April, 2025, the company issued another 60,000 shares at a premium of ₹ 2 per share to be received with allotment. It received applications for 55,000 shares which were duly allotted.

All amounts due on the allotted shares was received except the final call of ₹ 2 per share on 1,000 shares. The company forfeited these shares and later reissued 800 of the forfeited shares @ ₹ 7 per share fully called-up.

The Balance Sheet of the company was prepared as at 31st March, 2026, as per Schedule III of the Companies Act, 2013.

(A) The issued capital of the company to be shown in Notes to Accounts as at 31st March, 2026, under 'Share Capital' will be

(a) ₹ 12,00,000.

(b) ₹ 9,00,000.

(c) ₹ 8,50,000.

(d) ₹ 8,49,600.

(B) The subscribed shares of the company at the end of the year 2025–26 will be

(a) 1,20,000.

(b) 90,000.

(c) 85,000.

(d) 84,800.

- (C) The amount of Share Capital to be shown in the Balance Sheet of the company as at 31st March, 2026, will be
- (a) ₹ 12,00,000. (b) ₹ 9,00,000.
(c) ₹ 8,50,000. (d) ₹ 8,49,600.
- (D) The net gain made by the company on reissue of the 800 shares will be transferred to
- (a) Reserve Capital Account.
(b) Capital Reserve Account.
(c) Securities Premium Reserve Account.
(d) Statement of Profit & Loss.

Solution:

- (A) (b) ₹ 9,00,000.
(B) (d) 84,800.
(C) (d) ₹ 8,49,600.

Working Note:

Subscribed and fully paid-up capital:	₹
84,800 equity shares of ₹ 10 each	8,48,000
Add: Forfeited shares (200 × ₹ 8)	1,600
	<u>8,49,600</u>

- (D) (b) Capital Reserve Account.

Illustration 34.

Hari Aggarbatti Ltd. was registered with capital of ₹ 50,00,000 divided into 5,00,000 Equity Shares of ₹ 10 each. It issued 1,00,000 Equity Shares to public for subscription. The shares were subscribed and calls made were received.

Prepare Balance Sheet of the company showing share capital.

Solution: AN EXTRACT OF BALANCE SHEET OF HARI AGARBATTI LTD. as at...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	10,00,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
Issued Capital	
1,00,000 Equity Shares of ₹ 10 each	10,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
1,00,000 Equity Shares of ₹ 10 each	10,00,000

Illustration 35.

Farm Products Ltd. has authorised share capital of ₹ 50,00,000 divided into 5,00,000 Equity Shares of ₹ 10 each. It has existing issued and paid-up capital of ₹ 5,00,000. It further issued to public 1,50,000 Equity Shares at par for subscription payable as under:

On Application	₹ 3,
On Allotment	₹ 4, and
On Call	Balance Amount.

The issue was fully subscribed and allotment was made to all the applicants. Call was made during the year and was duly received.

Show Share Capital in the Balance Sheet of the company.

Solution: AN EXTRACT OF BALANCE SHEET OF FARM PRODUCTS LTD. *as at...*

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	20,00,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
Issued Capital	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
2,00,000 Equity Shares of ₹ 10 each	20,00,000

Illustration 36.

VXN Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each at a premium of ₹ 8 per share. The amount was payable as follows:

On Application	— ₹ 4 per share (Including ₹ 2 premium);
On Allotment	— ₹ 6 per share (Including ₹ 3 premium);
On First Call	— ₹ 5 per share (Including ₹ 1 premium); and
On Second and Final Call	— Balance Amount.

The issue was fully subscribed. Gopal, a shareholder holding 200 shares, did not pay the allotment money and Madhav, a holder of 400 shares, paid his entire share money along with the allotment money. Gopal's shares were immediately forfeited after allotment. Afterwards, the first call was made. Krishna, a holder of 100 shares, failed to pay the first call money and Girdhar, a holder of 300 shares, paid the second call money also along with the first call. Krishna's shares were forfeited immediately after the first call. Second and final call was made afterwards and was duly received. All the forfeited shares were reissued at ₹ 9 per share fully paid-up.

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

(CBSE 2017)

Equity Share Capital A/c (100 × ₹ 9) ...Dr.	900	
Securities Premium A/c (100 × ₹ 1) ...Dr.	100	
To Calls-in-Arrears A/c/Equity Shares First Call A/c		500
To Forfeited Shares A/c		500
(100 shares forfeited for non-payment of first call money)		
Equity Shares Second and Final Call A/c ...Dr.	1,49,100	
To Equity Share Capital A/c (49,700 × ₹ 1)		49,700
To Securities Premium A/c (49,700 × ₹ 2)		99,400
(Second and final call money due on 49,700 shares @ ₹ 3 per share)		
Bank A/c (49,000 × ₹ 3) ...Dr.	1,47,000	
Calls-in-Advance A/c (700 × ₹ 3) ...Dr.	2,100	
To Equity Shares Second and Final Call A/c		1,49,100
(Second and final call and advance received earlier adjusted)		
Bank A/c (300 × ₹ 9) ...Dr.	2,700	
Forfeited Shares (300 × ₹ 1) ...Dr.	300	
To Equity Share Capital A/c		3,000
(300 forfeited shares reissued at ₹ 9 per share as fully paid-up)		
Forfeited Shares A/c ...Dr.	600	
To Capital Reserve A/c		600
(Gain on reissue of forfeited shares transferred to Capital Reserve)		

Working Notes:

1. Calculation of Allotment Money Received:	₹
Money due on allotment (50,000 × ₹ 6)	3,00,000
Less: Allotment money due but not received [200 (Gopal's Shares) × ₹ 6]	1,200
	<u>2,98,800</u>
Add: Calls-in-Advance [400 (Madhav's Shares) × ₹ 8]	3,200
Amount Received on Allotment	<u>3,02,000</u>
2. Calculation of Money Received on First Call:	₹
Money due on First Call (49,800 × ₹ 5)	2,49,000
Less: Call money not paid by Krishna (100 × ₹ 5)	500
	<u>2,48,500</u>
Less: Amount received with allotment (400 × ₹ 5) as Calls-in-Advance	2,000
	<u>2,46,500</u>
Add: Calls-in-Advance (Girdhar: 300 × ₹ 3)	900
Amount Received on First Call	<u>2,47,400</u>

Illustration 37.

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)

Solution:

In the Books of A Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c (1,60,000 × ₹ 3) ...Dr. To Equity Shares Application A/c (Application money received on 1,60,000 shares @ ₹ 3 per share)		4,80,000	4,80,000
(b)	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Equity Shares Allotment A/c To Calls-in-Advance A/c (Application money adjusted)		4,80,000	3,00,000 1,50,000 30,000
(c)	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium A/c (Share allotment money due)		3,00,000	2,00,000 1,00,000
(d)	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Amount received on allotment except on 1,200 shares)		1,47,300 2,700	1,50,000
(e)	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 1,00,000 shares @ ₹ 3 per share)		3,00,000	3,00,000
(f)	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First Call A/c (Money received on first call except on 2,000 shares and advance received earlier adjusted)		2,64,600 5,400 30,000	3,00,000

(g)	Equity Shares Second and Final Call A/c ...Dr.	2,00,000	
	To Equity Share Capital A/c		2,00,000
	(Second and final call money due on 1,00,000 shares @ ₹ 2 per share)		
(h)	Bank A/c ...Dr.	1,96,000	
	Calls-in-Arrears A/c ...Dr.	4,000	
	To Equity Shares Second Call and Final Call A/c		2,00,000
	(Second and final call money received except on 2,000 shares)		
(i)	Equity Share Capital A/c ...Dr.	12,000	
	Securities Premium A/c ...Dr.	1,200	
	To Forfeited Shares A/c		4,500
	To Calls-in-Arrears A/c		8,700
	(1,200 shares forfeited for non-payment of allotment and call money)		
(j)	Equity Share Capital A/c ...Dr.	8,000	
	To Forfeited Shares A/c		4,600
	To Calls-in-Arrears A/c		3,400
	(800 shares forfeited for non-payment of call money)		
(k)	Bank A/c ...Dr.	14,000	
	Forfeited Shares ...Dr.	6,000	
	To Equity Share Capital A/c		20,000
	(2,000 forfeited shares reissued @ ₹ 7 per share)		
	Forfeited Shares A/c ...Dr.	3,100	
	To Capital Reserve A/c		3,100
	(Gain on reissue of forfeited shares transferred to Capital Reserve)		

Working Notes:

1. Category I: To applicants for 90,000 shares: 40,000 shares allotted	₹
Application money received (90,000 × ₹ 3)	2,70,000
Less: Application money adjusted on allotted shares (40,000 × ₹ 3)	1,20,000
Excess application money	1,50,000
Less: Excess application money adjusted on allotment (40,000 × ₹ 3)	1,20,000
Adjusted on first call (Calls-in-Advance)	<u>30,000</u>

Category II: To applicants for 50,000 shares: 40,000 shares allotted	₹
Application money received (50,000 × ₹ 3)	1,50,000
Less: Application money received adjusted on allotment (40,000 × ₹ 3)	1,20,000
Surplus application money adjusted on allotment	<u>30,000</u>

Total surplus application money adjusted on allotment ₹ 1,20,000 (Category I) + ₹ 30,000 (Category II) = ₹ 1,50,000.

2. Calculation of money due but not paid by Rishabh:

$$(a) \text{ No. of shares allotted to Rishabh (Category II)} = \frac{40,000 \times 1,500}{50,000} = 1,200 \text{ shares}$$

(b) Application money received = 1,500 × ₹ 3	₹ 4,500
Less: Application money required on allotted shares (1,200 × ₹ 3)	3,600
Surplus application money adjusted on allotment	<u>900</u>

Solution:

(A) (d) ₹ 16,000.

Working Note:

<i>Allotment money due but not received from Sunil:</i>	₹
Application Money Received on shares applied (600 × ₹ 40)	24,000
Less: Application money due on shares allotted (400 × ₹ 40)	<u>16,000</u>
Excess Application money adjusted on allotment	<u>8,000</u>
Allotment money due on shares allotted (400 × ₹ 60)	24,000
Less: Excess Application money adjusted on allotment	<u>8,000</u>
Allotment money due but not received	<u><u>16,000</u></u>

(B) (d) ₹ 7,84,000.

Working Note:

<i>Allotment money received later on:</i>	₹
Total allotment money due (20,000 × ₹ 60)	12,00,000
Less: Excess application money adjusted on allotment (10,000 × ₹ 40)	<u>4,00,000</u>
Allotment money due	8,00,000
Less: Allotment money due but not received from Sunil	<u>16,000</u>
Allotment money received	<u><u>7,84,000</u></u>

(C) (d) ₹ 10,000.

Working Note:

<i>Calculation of Gain on reissue to be transferred to Capital Reserve:</i>	₹
Amount forfeited on reissued shares (200 shares)	12,000
Less: Discount on Re-issue	<u>2,000</u>
Gain on re-issue to be transferred to Capital Reserve	<u><u>10,000</u></u>

(D) (b) ₹ 12,000.

Working Note:

FORFEITED SHARES ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Share Capital A/c (Discount on Reissue)	2,000	By Share Capital A/c	24,000
To Capital Reserve A/c	10,000		
To Balance c/d	12,000		
	<u>24,000</u>		<u>24,000</u>

Illustration 39.

Tanmay Ltd. issued 3,000 equity shares of ₹ 10 each credited as fully paid to the promoters for their services and issued 1,000 shares of ₹ 10 each credited as fully paid to the underwriters for their underwriting services.

Journalise these transactions.

Solution:**JOURNAL OF TANMAY LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Incorporation Costs A/c ...Dr. To Promoter's A/c (₹ 30,000 due to promoters towards incorporation cost)		30,000	30,000
	Promoter's A/c ...Dr. To Equity Share Capital A/c (Issue of 3,000 equity shares of ₹ 10 each at par to promoters)		30,000	30,000
	Underwriting Commission A/c ...Dr. To Underwriter's A/c (Underwriting commission due on shares)		10,000	10,000
	Underwriter's A/c ...Dr. To Equity Share Capital A/c (Issue of 1,000 shares of ₹ 10 each to underwriters)		10,000	10,000

Illustration 40.

- (a) Climax Ltd. forfeited 200 shares of ₹ 10 each issued at a premium of 20% to Ramesh who had applied for 240 shares. Ramesh paid ₹ 2 per share on application and did not pay the allotment money ₹ 5 (including premium) per share and the first call of ₹ 3 per share. Out of these, 100 shares were reissued to Krishan credited as fully paid for ₹ 9 per share.

Pass Journal entries to record the forfeiture and reissue of shares.

- (b) Das Ltd. forfeited 250 shares of ₹ 100 each issued at 10% premium on which allotment money of ₹ 30 per share (including premium), and first call of ₹ 30 per share were not received, second & final call of ₹ 20 per share was not yet called. 100 of these shares were reissued as ₹ 80 paid-up for ₹ 90 per share.

Pass Journal entries regarding forfeiture and reissue of shares.

Solution: (a)**JOURNAL OF CLIMAX LTD.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	On Forfeiture of Shares:			
	Share Capital A/c (200 × ₹ 8) ...Dr.		1,600	
	Securities Premium A/c (200 × ₹ 2) ...Dr.		400	
	To Share Allotment A/c (WN 1 & 2)			920
	To Share First Call A/c (200 × ₹ 3)			600
	To Forfeited Shares A/c (240 × ₹ 2)			480
	(200 shares forfeited for non payment of allotment money and first call)			
	On Re-issue of Shares:			
	Bank A/c (100 × ₹ 9) ...Dr.		900	
	Forfeited Shares A/c (100 × ₹ 1) ...Dr.		100	
	To Share Capital A/c			1,000
	(100 forfeited shares re-issued as fully paid for ₹ 9 per share)			
	Forfeited Shares A/c (₹ 240 – ₹ 100) ...Dr.		140	
	To Capital Reserve A/c			140
	(Transfer of gain on re-issue to Capital Reserve)			

Working Notes:

1. No. of Shares allotted to Ramesh = 200 shares.	
2. Calculation of the amount due but not paid on allotment:	₹
A. Application money received on shares applied (240 × ₹ 2)	480
B. Less: Application money due on shares allotted (200 × ₹ 2)	400
C. Excess Application money adjusted on allotment	<u>80</u>
D. Allotment money due on shares allotted (200 × ₹ 5)	1,000
Less: Excess Application money adjusted (C)	<u>80</u>
Allotment money due but not received	<u>920</u>

(b)

JOURNAL OF DAS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	On Forfeiture of Shares			
	Share Capital A/c (250 × ₹ 80) ...Dr.		20,000	
	Securities Premium A/c (250 × ₹ 10) ...Dr.		2,500	
	To Shares Allotment A/c (250 × ₹ 30)			7,500
	To Shares First Call A/c (250 × ₹ 30)			7,500
	To Forfeited Shares A/c (250 × ₹ 30)			7,500
	(250 shares forfeited for non payment of allotment and first call money)			
	On Reissue of 100 Shares			
	Bank A/c (100 × ₹ 90) ...Dr.		9,000	
	To Share Capital A/c (100 × ₹ 80)			8,000
	To Securities Premium A/c (100 × ₹ 10)			1,000
	(100 shares reissued as ₹ 80 paid-up for ₹ 90 per share)			
	Forfeited Shares A/c (100 × ₹ 30) ...Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Transfer of gain on reissue to Capital Reserve)			