Chapter 1: Accounting for Share Capital

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Exercise 1.1 — Short & Long Answer Questions

Q1 What is public company?

A public company means a company which (a) is not a private company, and (b) is not a subsidiary of a private company. Its shares are freely transferable, and it can invite the general public to subscribe to its share capital or debentures. There is no restriction on the maximum number of its members.

Q2 What is a private company?

A private company is one which, by its articles of association: (a) restricts the right to transfer its shares; (b) must have at least 2 persons (except in the case of a one-person company); and (c) limits the number of its members to 200, excluding its employees. It cannot invite the general public to subscribe to its shares or debentures.

Q3 When can shares be Forfeited?

Shares can be forfeited when a shareholder fails to pay one or more instalments — such as allotment money and/or call money — due on the shares allotted to them. The company, acting within the framework of its articles of association (usually based on Table F), can cancel the allotment and treat the amount already received on such shares as forfeited to the company.

Q4 What is meant by Calls in Arrears?

Calls in Arrears refers to the amount that has been called up by the company on allotment or on calls but has not been received from the shareholders. Paid-up capital equals called-up capital minus calls in arrears. A company may, but is not required to, maintain a separate Calls-in-Arrears Account and may charge interest on such amounts in accordance with its articles of association.

Q5 What do you mean by a listed company?

A listed company is one whose shares are listed (admitted for trading) on a recognised stock exchange. Such a company must comply with the listing requirements of the stock exchange and SEBI regulations. Listing provides liquidity to shareholders since they can freely buy and sell shares on the stock exchange, and the company must adhere to higher standards of disclosure and corporate governance.

Q6 What are the uses of securities premium?

According to the Companies Act, 2013, the Securities Premium Reserve can be used only for the following five purposes: (a) to issue fully paid bonus shares to the extent not exceeding unissued share capital; (b) to write off preliminary expenses of the company; (c) to write off the expenses of, or commission paid or discount allowed on, any issue of securities; (d) to pay premium on the redemption of preference shares or debentures; and (e) for the purchase of its own shares (buy-back of shares).

Q7 What is meant by Calls in Advance?

Calls in Advance is the amount paid by a shareholder in excess of what has been called up on the shares allotted to them. Some shareholders may choose to pay a part or the whole of the amount not yet called up. A separate Calls-in-Advance Account is maintained to record such amounts, and the company is obligated to pay interest on calls in advance if it accepts them, as per the provisions of its articles of association.

Q8 Write a brief note on "Minimum Subscription".

Minimum subscription is the minimum amount that, in the opinion of the directors, must be raised to meet the company's essential needs — including purchase of assets, preliminary expenses, repayment of borrowed money, working capital, and other business expenditure. As per SEBI guidelines, minimum subscription cannot be less than 90% of the issued amount. If the company fails to receive minimum subscription, it must forthwith refund the entire subscription amount. If repayment is delayed beyond 8 days from the closure of the subscription list, the company must pay interest at 15% per annum [Section 73(2)].

Q9 What is meant by the word 'Company'? Describe its characteristics.

A company means a company incorporated or registered under the Companies Act, 2013 or any earlier Companies Act. According to Chief Justice Marshall, 'a company is a person, artificial, invisible, intangible and existing only in the eyes of law.' It is an artificial person having a corporate legal entity distinct from its members, with a common seal used as its official signature.

Key characteristics of a company:
• Body Corporate: Formed and registered according to law (in India, under the Companies Act, 2013).
• Separate Legal Entity: Has an existence distinct from its members; can hold property, enter into contracts, and open a bank account in its own name.
• Limited Liability: Members' liability is limited to the unpaid amount on their shares (or, in companies limited by guarantee, to the guaranteed amount on winding up).
• Perpetual Succession: A company continues to exist irrespective of changes in membership; it is terminated only through law.
• Common Seal: Acts as the official signature of the company; documents without the common seal are not binding on the company.
• Transferability of Shares: Shares of a public company are freely transferable, without requiring consent of other members.
• May Sue or be Sued: Being a legal person, a company can enforce contractual rights and can sue or be sued in its own name.

Q10 Explain in brief the main categories in which the share capital of a company is divided.

From the accounting point of view, share capital of a company is classified as follows:
• Authorised Capital: The maximum amount of share capital a company is authorised to issue by its Memorandum of Association; also called Nominal or Registered Capital. It can be increased or decreased as per the Companies Act.
• Issued Capital: The part of authorised capital actually offered for public subscription, including shares allotted to vendors and signatories to the Memorandum. The unissued portion may be offered later.
• Subscribed Capital: The part of issued capital actually subscribed (applied for and accepted) by the public. It cannot exceed issued capital.
• Called-up Capital: The portion of subscribed capital that the company has asked shareholders to pay. The remaining uncalled amount may be collected later.
• Paid-up Capital: The portion of called-up capital actually received from shareholders. Paid-up capital = Called-up capital − Calls in Arrears.
• Uncalled Capital: The subscribed capital not yet called up by the company.
• Reserve Capital: A portion of uncalled capital that the company resolves to call only in the event of winding up; available solely for creditors on winding up.

Q11 What do you mean by the term 'share'? Discuss the type of shares, which can be issued under the Companies Act, 2013 as amended to date.

A share is a fractional part of the share capital of a company and forms the basis of ownership interest in it. The persons who contribute money through shares are called shareholders. Under the Companies Act, 2013, a company can issue two types of shares:

1. Preference Shares: A preference share, as per Section 43, fulfils two conditions — (a) it carries a preferential right to dividend, either as a fixed amount or at a fixed rate, before any dividend is paid to equity shareholders; and (b) on winding up, it carries a preferential right to repayment of capital before equity shareholders. Preference shares can be:
• Cumulative or Non-cumulative (unpaid dividends accumulate or lapse)
• Participating or Non-participating (right to share in surplus profits)
• Redeemable or Irredeemable (repayable during the company's lifetime or not)
• Convertible or Non-convertible (convertible into equity shares)

2. Equity Shares: An equity share is one that is not a preference share. Equity shareholders are entitled to share distributable profits after satisfying preference dividend rights. The dividend on equity shares is not fixed and may vary from year to year. Equity share capital may carry full voting rights, or differential rights as to voting, dividend, or otherwise in accordance with the Articles of Association.

Q12 Discuss the process for the allotment of shares of a company in case of over subscription.

Over subscription occurs when applications for more shares are received than the number offered for public subscription. This typically happens with well-managed and financially strong companies. The directors have three alternatives to deal with over subscription:

1. Full Acceptance and Full Rejection: Some applications are accepted in full and the rest are wholly rejected; application money on rejected applications is fully refunded.

2. Pro-rata Allotment: Shares are allotted proportionately to all applicants. The excess application money received is normally adjusted towards the amount due on allotment. If the excess is more than the allotment due, the residual may be refunded or credited to Calls in Advance.

3. Combination of the Above (most common in practice): Some applications are rejected outright and their money refunded; pro-rata allotment is made among the remaining applicants, with excess application money adjusted against allotment dues.

In accounting terms, over subscription is resolved at the allotment stage, and the fact of over subscription is not reflected separately in the books — subscribed capital equals allotted shares, not applications received.

Q13 What is a 'Preference Share'? Describe the different types of preference shares.

According to Section 43 of the Companies Act, 2013, a preference share is one that fulfils two conditions: (a) it carries a preferential right to dividend — either as a fixed amount or at a fixed rate on nominal value — before any dividend is paid to equity shareholders; and (b) on winding up, it carries a preferential right to repayment of capital before equity shareholders.

Types of preference shares:
• Cumulative Preference Shares: Unpaid dividends accumulate and are carried forward to be paid in subsequent years before any equity dividend is declared.
• Non-cumulative Preference Shares: If no dividend is declared in a year, the right to that year's dividend lapses; it does not accumulate.
• Participating Preference Shares: Holders have the right, in addition to the fixed dividend, to participate in surplus profits remaining after payment of a stipulated equity dividend.
• Non-participating Preference Shares: Holders are entitled only to the fixed dividend and have no further claim on profits.
• Redeemable Preference Shares: These can be repaid by the company during its lifetime as per the terms of issue.
• Irredeemable Preference Shares: These cannot be redeemed except on winding up. (Note: the Companies Act, 2013 does not permit the issue of irredeemable preference shares; redemption must occur within 20 years of issue.)
• Convertible Preference Shares: Can be converted into equity shares after a specified period.
• Non-convertible Preference Shares: Cannot be converted into equity shares.

Q14 Describe the provisions of law relating to 'Calls in Arrears' and 'Calls in Advance'.

Calls in Arrears: When the full amount called on allotment and/or calls is not received from allottees/shareholders, the amount not received is cumulatively known as Calls in Arrears or Unpaid Calls. It is not mandatory for a company to maintain a separate Calls-in-Arrears Account. Paid-up capital = Called-up capital − Calls in Arrears. Under Table F (Schedule I to the Companies Act), interest on calls in arrears is chargeable at a prescribed rate (as stated in Table F, at 10% per annum); the company has the power to waive this interest.

Calls in Advance: When a shareholder pays, before it is called up, a part or the whole of the amount not yet due on shares allotted to them, such amount is known as Calls in Advance. A separate Calls-in-Advance Account is maintained for this. The company is under an obligation to pay interest on calls in advance (at the rate specified in the articles, which under Table F is 12% per annum) if it accepts them. The amount in Calls-in-Advance Account is not part of share capital until the call is actually made; it represents a liability of the company.

Q15 Explain the terms 'Over subscription' and 'Under subscription'. How are they dealt with in accounting records?

Over Subscription: It is a situation where applications for more shares are received than the number offered for public subscription. This occurs for shares of well-managed and financially strong companies.

Accounting treatment for over subscription: The directors choose one of three approaches — (i) fully accept some applications and reject others entirely (rejected applicants' money is refunded); (ii) make pro-rata allotment to all applicants (excess application money adjusted against allotment dues, or refunded/credited to Calls in Advance); or (iii) a combination of both. The fact of over subscription does not appear separately in the books; subscribed capital reflects only the shares actually allotted.

Under Subscription: It is a situation where applications received are less than the number of shares offered. The company allots only the number of shares actually applied for. However, the company must ensure that it has received the minimum subscription (at least 90% of the issued amount as per SEBI guidelines). If minimum subscription is not received, the company must refund the entire subscription amount.

Accounting treatment for under subscription: Entries are made only for the number of shares actually applied for and allotted. There is no accounting entry for the unsubscribed portion, as it remains part of unissued capital.

Q16 Describe the purposes for which a company can use the amount of Securities Premium.

When shares are issued at a premium, the excess amount over nominal value is credited to the 'Securities Premium Reserve Account'. Under the Companies Act, 2013, this account can be used only for the following five specified purposes:

(a) To issue fully paid bonus shares to members, to the extent not exceeding unissued share capital of the company.
(b) To write off preliminary expenses of the company.
(c) To write off the expenses of, or commission paid or discount allowed on, any issue of shares or debentures of the company.
(d) To pay premium on the redemption of preference shares or debentures of the company.
(e) For the purchase of its own shares, i.e., buy-back of shares.

The Securities Premium Reserve is shown under 'Reserves and Surpluses' in the 'Equity and Liabilities' section of the Balance Sheet. Its use is strictly regulated by law and it cannot be distributed as dividend or used for any purpose other than those listed above.

Q17 State clearly the conditions under which a company can issue shares at a discount.

As a general rule, a company cannot ordinarily issue shares at a discount — i.e., at an amount less than the nominal or par value of shares. Under the Companies Act, 2013, shares can be issued at a discount only in the following circumstances:

1. Reissue of Forfeited Shares: Forfeited shares may be reissued at a discount, provided the discount allowed does not exceed the credit balance in the Share Forfeiture Account relating to those shares. The discount is debited to the Share Forfeiture Account.

2. Sweat Equity Shares: The Companies Act, 2013 permits a company to issue sweat equity shares at a discount. Sweat equity shares are issued to employees or directors for providing know-how or making available intellectual property rights or value additions. The conditions for issuing sweat equity shares include: (a) shares are of the same class already issued; (b) authorised by a special resolution; (c) the company has been in existence for at least one year; and (d) SEBI regulations are complied with if the shares are listed. When shares are issued at a discount, the amount of discount is debited to 'Discount on Issue of Shares Account', which represents a capital loss.

Q18 Explain the term 'Forfeiture of Shares' and give the accounting treatment on forfeiture.

Forfeiture of Shares means the cancellation of allotment of shares due to a shareholder's failure to pay one or more instalments (allotment money and/or call money). The company, under the authority of its articles of association (based on Table F), cancels the allotted shares and treats the amount already received on them as forfeited to the company.

Accounting Treatment:
On forfeiture, all entries relating to the forfeited shares are reversed, except entries for premium already received. Share Capital Account is debited with the called-up amount and the unpaid calls/allotment accounts (or Calls-in-Arrears Account) are credited; the amount already received is credited to the Share Forfeiture Account.

(a) Shares issued at par:
Share Capital A/c (called-up amount) Dr.
  To Share Allotment/Call A/c (unpaid amount)
  To Share Forfeiture A/c (amount received)

(b) Shares issued at premium, premium not received:
Share Capital A/c Dr.
Securities Premium Reserve A/c Dr.
  To Share Allotment/Call A/c
  To Share Forfeiture A/c

(c) Shares issued at premium, premium already received:

Only Share Capital A/c is debited (Securities Premium Reserve is not disturbed).

The balance of the Share Forfeiture Account is shown as an addition to paid-up share capital under the head 'Share Capital' in the Balance Sheet until the forfeited shares are reissued. On reissue, any surplus in the Share Forfeiture Account is transferred to Capital Reserve.

Exercise 1.2 — Numerical Questions

Q1 Anish Limited issued 30,000 equity shares of Rs.100 each payable at Rs.30 on application, Rs.50 on allotment and Rs.20 on Ist and final call. All money was duly received. Record these transactions in the journal of the company.

SOLUTION

Shares issued: 30,000 | Face value: Rs.100 | Application: Rs.30 | Allotment: Rs.50 | Call: Rs.20

Journal Entries in the Books of Anish Limited

1. On receipt of application money (30,000 × Rs.30 = Rs.9,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	9,00,000	
To Share Application A/c		9,00,000

(Being application money received on 30,000 shares @ Rs.30 per share)

2. On allotment of shares — transfer of application money:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	9,00,000	
To Share Capital A/c		9,00,000

(Being application money transferred to Share Capital on allotment)

3. On making allotment due (30,000 × Rs.50 = Rs.15,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	15,00,000	
To Share Capital A/c		15,00,000

(Being allotment money due on 30,000 shares @ Rs.50 per share)

4. On receipt of allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	15,00,000	
To Share Allotment A/c		15,00,000

(Being allotment money received)

5. On making first and final call due (30,000 × Rs.20 = Rs.6,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First and Final Call A/c Dr	6,00,000	

Particulars	Dr (Rs.)	Cr (Rs.)
To Share Capital A/c		6,00,000

(Being first and final call due @ Rs.20 per share)

6. On receipt of call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	6,00,000	
To Share First and Final Call A/c		6,00,000

(Being call money received)

Total Share Capital raised = 30,000 × Rs.100 = Rs.30,00,000
Verification: Application Rs.9,00,000 + Allotment Rs.15,00,000 + Call Rs.6,00,000 = Rs.30,00,000 ✓

Q2 The Adarsh Control Device Ltd. was registered with the authorised capital of Rs.3,00,000 divided into 30,000 shares of Rs.10 each, which were offered to the public. Amount payable as Rs.3 per share on application, Rs.4 per share on allotment and Rs.3 per share on first and final call. These shares were fully subscribed and all money was dully received. Prepare journal and Cash Book.

SOLUTION

Authorised capital: Rs.3,00,000 | Shares: 30,000 × Rs.10 | Application: Rs.3 | Allotment: Rs.4 | Call: Rs.3
Total per share: Rs.3 + Rs.4 + Rs.3 = Rs.10 (full face value called)

Journal Entries in the Books of Adarsh Control Device Ltd.

1. On receipt of application money (30,000 × Rs.3 = Rs.90,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	90,000	
To Share Application A/c		90,000

(Being application money received on 30,000 shares @ Rs.3 per share)

2. On allotment — transfer of application money:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	90,000	
To Share Capital A/c		90,000

(Being application money transferred to Share Capital)

3. On making allotment due (30,000 × Rs.4 = Rs.1,20,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	1,20,000	
To Share Capital A/c		1,20,000

(Being allotment money due @ Rs.4 per share)

4. On receipt of allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	1,20,000	
To Share Allotment A/c		1,20,000

(Being allotment money received)

5. On making first and final call due (30,000 × Rs.3 = Rs.90,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First and Final Call A/c Dr	90,000	
To Share Capital A/c		90,000

(Being first and final call due @ Rs.3 per share)

6. On receipt of call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	90,000	
To Share First and Final Call A/c		90,000

(Being call money received)

Cash Book (Bank Column) — Summary:

Receipts	Rs.	Payments	Rs.
Share Application	90,000	Balance c/d	3,00,000
Share Allotment	1,20,000		
Share First & Final Call	90,000		
Total	3,00,000	Total	3,00,000

Verification: 30,000 × Rs.10 = Rs.3,00,000 ✓

Q3 Software Solution India Ltd. invited applications for 20,000 equity shares of Rs.100 each, payable Rs.40 on application, Rs.30 on allotment and Rs.30 on first and final call. The company received applications for 32,000 shares. Application for 2,000 shares were rejected and money returned to applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 shares allotted half of the number of shares applied and excess application money adjusted into allotment. All money due on allotment and call was received. Prepare journal and cash book.

SOLUTION

Shares offered: 20,000 | FV: Rs.100 | Application: Rs.40 | Allotment: Rs.30 | Call: Rs.30

Applications received: 32,000 shares
Group 1 — Rejected (2,000 shares): money returned = 2,000 × Rs.40 = Rs.80,000
Group 2 — Accepted in full (10,000 shares): no excess
Group 3 — Pro-rata (applied 20,000, allotted 10,000): ratio 20,000:10,000 = 2:1
Excess application money from Group 3 = (20,000 – 10,000) × Rs.40 = Rs.4,00,000 → adjusted to allotment

Total shares allotted = 10,000 + 10,000 = 20,000 ✓

Journal Entries in the Books of Software Solution India Ltd.

1. On receipt of application money (32,000 × Rs.40 = Rs.12,80,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	12,80,000	
To Share Application A/c		12,80,000

(Being application money received on 32,000 shares @ Rs.40 per share)

2. On allotment — transfer and adjustment:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	12,80,000	
To Share Capital A/c (20,000 × Rs.40)		8,00,000
To Share Allotment A/c (excess adj.)		4,00,000
To Bank A/c (2,000 shares rejected)		80,000

(Being application money transferred to capital, excess of Group 3 adjusted to allotment, rejected money returned)

3. On making allotment due (20,000 × Rs.30 = Rs.6,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	6,00,000	
To Share Capital A/c		6,00,000

(Being allotment money due @ Rs.30 per share on 20,000 shares)

4. On receipt of allotment money:
Allotment due = Rs.6,00,000
Less: excess application money adjusted (Group 3) = Rs.4,00,000
Cash received on allotment = Rs.6,00,000 – Rs.4,00,000 = Rs.2,00,000

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	2,00,000	
To Share Allotment A/c		2,00,000

(Being balance allotment money received after adjusting excess application money)

5. On making first and final call due (20,000 × Rs.30 = Rs.6,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First and Final Call A/c Dr	6,00,000	
To Share Capital A/c		6,00,000

(Being first and final call due @ Rs.30 per share)

6. On receipt of call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	6,00,000	
To Share First and Final Call A/c		6,00,000

(Being call money received)

Cash Book (Bank Column) — Summary:

Receipts	Rs.	Payments	Rs.
Share Application	12,80,000	Refund (rejected)	80,000
Share Allotment	2,00,000	Balance c/d	20,00,000
Share First & Final Call	6,00,000		
Total	20,80,000	Total	20,80,000

Verification: Net cash = Rs.12,80,000 – Rs.80,000 + Rs.2,00,000 + Rs.6,00,000 = Rs.20,00,000 = 20,000 × Rs.100 ✓

Q4 Rupak Ltd. issued 10,000 shares of Rs.100 each payable Rs.20 per share on application, Rs.30 per share on allotment and balance in two calls of Rs.25 per share. The application and allotment money were duly received. On first call, all members paid their dues except one member holding 200 shares, while another member holding 500 shares paid for the balance due in full. Final call was not made. Give journal entries and prepare cash book.

SOLUTION

Shares: 10,000 × Rs.100 | Application: Rs.20 | Allotment: Rs.30 | First Call: Rs.25 | Final Call: Rs.25
Application and allotment money fully received.
First call: 200 shares in arrears (Rs.200 × Rs.25 = Rs.5,000 not paid)
Calls-in-advance: 500 shares paid final call in advance (Rs.500 × Rs.25 = Rs.12,500)
Final call NOT made.

Journal Entries in the Books of Rupak Ltd.

1. On receipt of application money (10,000 × Rs.20 = Rs.2,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	2,00,000	
To Share Application A/c		2,00,000

2. On allotment — transfer of application money:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	2,00,000	
To Share Capital A/c		2,00,000

3. On making allotment due (10,000 × Rs.30 = Rs.3,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	3,00,000	
To Share Capital A/c		3,00,000

4. On receipt of allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	3,00,000	
To Share Allotment A/c		3,00,000

5. On making first call due (10,000 × Rs.25 = Rs.2,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First Call A/c Dr	2,50,000	
To Share Capital A/c		2,50,000

6. On receipt of first call money:
First call due = Rs.2,50,000
Less: arrears (200 shares × Rs.25) = Rs.5,000
Add: calls-in-advance (500 shares × Rs.25 final call paid early) = Rs.12,500
Cash received = Rs.2,50,000 – Rs.5,000 + Rs.12,500 = Rs.2,57,500

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	2,57,500	
To Share First Call A/c		2,45,000
To Calls-in-Advance A/c		12,500

(Being first call money received; 200 shares in arrears; 500 shares paid final call in advance)

Note on Calls-in-Arrears:

Particulars	Dr (Rs.)	Cr (Rs.)
Calls-in-Arrears A/c Dr	5,000	
To Share First Call A/c		5,000

(Being first call arrears on 200 shares recorded)

Cash Book (Bank Column) — Summary:

Receipts	Rs.	Payments	Rs.
Share Application	2,00,000	Balance c/d	7,57,500
Share Allotment	3,00,000		
Share First Call + Advance	2,57,500		
Total	7,57,500	Total	7,57,500

Share Capital Account called up = 10,000 × Rs.75 (App+Allot+FC) = Rs.7,50,000
Calls-in-Advance = Rs.12,500 | Calls-in-Arrears = Rs.5,000
Cash = Rs.7,50,000 – Rs.5,000 + Rs.12,500 = Rs.7,57,500 ✓

Q5 Mohit Glass Ltd. issued 20,000 shares of Rs.100 each at Rs.110 per share, payable Rs.30 on application, Rs.40 on allotment (including Premium), Rs.20 on first call and Rs.20 on final call. The applications were received for 24,000 shares and allotted 20,000 shares and rejected 4,000 shares and amount returned thereon. The money was duly received. Give journal entries.

SOLUTION

Shares issued: 20,000	FV: Rs.100	Premium: Rs.10	Issue price: Rs.110
Payment schedule: Application Rs.30	Allotment Rs.40 (incl. Rs.10 premium)	First Call Rs.20	Final Call Rs.20
Applied: 24,000	Allotted: 20,000	Rejected: 4,000	

Refund to rejected applicants = 4,000 × Rs.30 = Rs.1,20,000

Journal Entries in the Books of Mohit Glass Ltd.

1. On receipt of application money (24,000 × Rs.30 = Rs.7,20,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	7,20,000	
To Share Application A/c		7,20,000

2. On allotment of 20,000 shares — transfer and refund:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	7,20,000	
To Share Capital A/c (20,000 × Rs.30)		6,00,000
To Bank A/c (4,000 × Rs.30, rejected)		1,20,000

3. On making allotment due (20,000 × Rs.40 = Rs.8,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	8,00,000	
To Share Capital A/c (20,000 × Rs.30)		6,00,000
To Securities Premium Reserve A/c (20,000 × Rs.10)		2,00,000

(Being allotment due @ Rs.40 per share including Rs.10 premium)

4. On receipt of allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	8,00,000	
To Share Allotment A/c		8,00,000

5. On making first call due (20,000 × Rs.20 = Rs.4,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First Call A/c Dr	4,00,000	
To Share Capital A/c		4,00,000

6. On receipt of first call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	4,00,000	
To Share First Call A/c		4,00,000

7. On making final call due (20,000 × Rs.20 = Rs.4,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Final Call A/c Dr	4,00,000	
To Share Capital A/c		4,00,000

8. On receipt of final call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	4,00,000	
To Share Final Call A/c		4,00,000

Share Capital = 20,000 × Rs.100 = Rs.20,00,000
Securities Premium Reserve = 20,000 × Rs.10 = Rs.2,00,000
Total funds raised = Rs.20,00,000 + Rs.2,00,000 = Rs.22,00,000 (= 20,000 × Rs.110) ✓

Q6 A limited company offered for subscription of 1,00,000 equity shares of Rs.10 each at a premium of Rs.2 per share, 2,00,000 10% Preference shares of Rs.10 each at par. The amount on share was payable as under: Equity Shares — On Application Rs.3 per share, On Allotment Rs.5 per share (including premium), On First Call Rs.4 per share; Preference Shares — On Application Rs.3 per share, On Allotment Rs.4 per share, On First Call Rs.3 per share. All the shares were fully subscribed, called-up and paid. Record these transactions in the journal and cash book of the company.

SOLUTION

EQUITY SHARES: 1,00,000 shares × Rs.10 FV + Rs.2 premium = Rs.12 issue price
Application Rs.3 | Allotment Rs.5 (incl. Rs.2 premium) | First Call Rs.4
Check: Rs.3 + Rs.5 + Rs.4 = Rs.12 ✓

PREFERENCE SHARES: 2,00,000 shares × Rs.10 FV at par
Application Rs.3 | Allotment Rs.4 | First Call Rs.3
Check: Rs.3 + Rs.4 + Rs.3 = Rs.10 ✓

Journal Entries in the Books of the Company

--- EQUITY SHARES ---

1. On receipt of application money (1,00,000 × Rs.3 = Rs.3,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	3,00,000	
To Equity Share Application A/c		3,00,000

2. On allotment — transfer:

Particulars	Dr (Rs.)	Cr (Rs.)
Equity Share Application A/c Dr	3,00,000	
To Equity Share Capital A/c		3,00,000

3. On making allotment due (1,00,000 × Rs.5 = Rs.5,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Equity Share Allotment A/c Dr	5,00,000	
To Equity Share Capital A/c (1,00,000 × Rs.3)		3,00,000
To Securities Premium Reserve A/c (1,00,000 × Rs.2)		2,00,000

4. On receipt of equity allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	5,00,000	

Particulars	Dr (Rs.)	Cr (Rs.)
To Equity Share Allotment A/c		5,00,000

5. On making equity first call due (1,00,000 × Rs.4 = Rs.4,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Equity Share First Call A/c Dr	4,00,000	
To Equity Share Capital A/c		4,00,000

6. On receipt of equity first call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	4,00,000	
To Equity Share First Call A/c		4,00,000

--- PREFERENCE SHARES ---

7. On receipt of preference application money (2,00,000 × Rs.3 = Rs.6,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	6,00,000	
To Preference Share Application A/c		6,00,000

8. On preference allotment — transfer:

Particulars	Dr (Rs.)	Cr (Rs.)
Preference Share Application A/c Dr	6,00,000	
To 10% Preference Share Capital A/c		6,00,000

9. On making preference allotment due (2,00,000 × Rs.4 = Rs.8,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Preference Share Allotment A/c Dr	8,00,000	
To 10% Preference Share Capital A/c		8,00,000

10. On receipt of preference allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	8,00,000	
To Preference Share Allotment A/c		8,00,000

11. On making preference first call due (2,00,000 × Rs.3 = Rs.6,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Preference Share First Call A/c Dr	6,00,000	
To 10% Preference Share Capital A/c		6,00,000

12. On receipt of preference first call money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	6,00,000	
To Preference Share First Call A/c		6,00,000

Summary:
Equity Share Capital = 1,00,000 × Rs.10 = Rs.10,00,000
Securities Premium Reserve = 1,00,000 × Rs.2 = Rs.2,00,000
10% Preference Share Capital = 2,00,000 × Rs.10 = Rs.20,00,000
Total funds raised = Rs.10,00,000 + Rs.2,00,000 + Rs.20,00,000 = Rs.32,00,000 ✓

Q7 Eastern Company Limited, with an authorised capital of Rs.10,00,000 is divided into equity shares of Rs.10 each, issued 50,000 equity shares at a premium of Rs.3 per share payable as follows: On Application Rs.3 per share, On Allotment (including premium) Rs.5 per share, On first call (due three months after allotment) Rs.3 per share and the balance as and when required. Applications were received for 60,000 shares and the directors allotted the shares as follows: (a) Applicants for 40,000 shares received in full. (b) Applicants for 15,000 shares received an allotment of 8,000 shares. (c) Applicants for 5000 shares received on allotment of 2000 shares, excess money being returned. All amounts due on allotment were received. The first call was duly made and the money was received with the exception of the call due on 100 shares. Give journal and cash book entries to record these transactions of the company. Also prepare the Balance Sheet of the company.

SOLUTION

Shares issued: 50,000	FV: Rs.10	Premium: Rs.3	Issue price: Rs.13
Call schedule: Application Rs.3	Allotment Rs.5 (incl. Rs.3 premium, Rs.2 SC)	FC Rs.3	Balance Rs.2 (not yet called)

Application groups:
Group A: Applied 40,000 → Allotted 40,000 (in full)
Group B: Applied 15,000 → Allotted 8,000 (excess Rs.21,000 adjusted to allotment)
Excess from Group B = (15,000 – 8,000) × Rs.3 = Rs.21,000 adjusted to allotment

Group C: Applied 5,000 → Allotted 2,000 (excess Rs.9,000 returned)
Excess from Group C = (5,000 – 2,000) × Rs.3 = Rs.9,000 returned
Total allotted = 40,000 + 8,000 + 2,000 = 50,000 ✓

Journal Entries in the Books of Eastern Company Limited

1. On receipt of application money (60,000 × Rs.3 = Rs.1,80,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	1,80,000	
To Share Application A/c		1,80,000

2. On allotment — transfer, excess adjustment, refund:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	1,80,000	
To Share Capital A/c (50,000 × Rs.3)		1,50,000
To Share Allotment A/c (Group B excess adj.)		21,000
To Bank A/c (Group C refund: 3,000 × Rs.3)		9,000

3. On making allotment due (50,000 × Rs.5 = Rs.2,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	2,50,000	
To Share Capital A/c (50,000 × Rs.2)		1,00,000
To Securities Premium Reserve A/c (50,000 × Rs.3)		1,50,000

(Being allotment due @ Rs.5 per share: Rs.2 to Share Capital + Rs.3 premium)

4. On receipt of allotment money:
Allotment due = Rs.2,50,000
Less: Group B excess adjusted = Rs.21,000
Cash received on allotment = Rs.2,50,000 – Rs.21,000 = Rs.2,29,000

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	2,29,000	
To Share Allotment A/c		2,29,000

5. On making first call due (50,000 × Rs.3 = Rs.1,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First Call A/c Dr	1,50,000	

Particulars	Dr (Rs.)	Cr (Rs.)
To Share Capital A/c		1,50,000

6. On receipt of first call money (arrear on 100 shares = 100 × Rs.3 = Rs.300):
Cash received = Rs.1,50,000 – Rs.300 = Rs.1,49,700

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	1,49,700	
Calls-in-Arrears A/c Dr	300	
To Share First Call A/c		1,50,000

Cash Book (Bank Column) — Summary:

Receipts	Rs.	Payments	Rs.
Share Application	1,80,000	Group C refund	9,000
Share Allotment	2,29,000	Balance c/d	5,49,700
Share First Call	1,49,700		
Total	5,58,700	Total	5,58,700

Total cash in bank = Rs.5,49,700
Verification: 50,000 × Rs.11 – Rs.300 = Rs.5,50,000 – Rs.300 = Rs.5,49,700 ✓
(Rs.11 called up per share: App Rs.3 + Allot Rs.5 + FC Rs.3; balance Rs.2 not yet called)

Balance Sheet of Eastern Company Limited (Extract) — as at the date of First Call

EQUITY AND LIABILITIES

Particulars	Amount (Rs.)
Share Capital	
Authorised Capital: 1,00,000 shares × Rs.10	10,00,000
Issued Capital: 50,000 shares × Rs.10	5,00,000
Subscribed & Called-up: 50,000 × Rs.8 (FV portion called)	4,00,000
Less: Calls-in-Arrears	(300)
Net Called-up Capital	3,99,700
Securities Premium Reserve	1,50,000

ASSETS

Particulars	Amount (Rs.)
Cash and Bank	5,49,700

Note: Called up per share (FV portion): App Rs.3 + Allot Rs.2 + FC Rs.3 = Rs.8 (of Rs.10 FV). Balance Rs.2 per share not yet called.

Q8 Sumit Machine Ltd. issued 50,000 shares of Rs.100 each at premium of 5%. The shares were payable Rs.25 on application, Rs.50 on allotment and Rs.30 on first and final call. The issue was fully subscribed and money was duly received except the final call on 400 shares. The premium was adjusted on allotment. Give journal entries and prepare the balance sheet.

SOLUTION

Shares: 50,000 × Rs.100 FV	Premium: 5% = Rs.5	Issue price: Rs.105
Payment: Application Rs.25	Allotment Rs.50 (includes Rs.5 premium)	First & Final Call Rs.30

Check: Rs.25 + Rs.50 + Rs.30 = Rs.105 ✓
Final call arrear: 400 × Rs.30 = Rs.12,000

Journal Entries in the Books of Sumit Machine Ltd.

1. On receipt of application money (50,000 × Rs.25 = Rs.12,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	12,50,000	
To Share Application A/c		12,50,000

2. On allotment — transfer of application money:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	12,50,000	
To Share Capital A/c		12,50,000

3. On making allotment due (50,000 × Rs.50 = Rs.25,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	25,00,000	
To Share Capital A/c (50,000 × Rs.45)		22,50,000
To Securities Premium Reserve A/c (50,000 × Rs.5)		2,50,000

(Being allotment due @ Rs.50 per share; Rs.5 premium adjusted on allotment)

4. On receipt of allotment money:

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	25,00,000	
To Share Allotment A/c		25,00,000

5. On making first and final call due (50,000 × Rs.30 = Rs.15,00,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First and Final Call A/c Dr	15,00,000	
To Share Capital A/c		15,00,000

6. On receipt of first and final call money (arrear 400 × Rs.30 = Rs.12,000):
Cash received = Rs.15,00,000 – Rs.12,000 = Rs.14,88,000

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	14,88,000	
Calls-in-Arrears A/c Dr	12,000	
To Share First and Final Call A/c		15,00,000

Total cash received = Rs.12,50,000 + Rs.25,00,000 + Rs.14,88,000 = Rs.52,38,000
Verification: 50,000 × Rs.105 – Rs.12,000 = Rs.52,50,000 – Rs.12,000 = Rs.52,38,000 ✓

Balance Sheet of Sumit Machine Ltd. (Extract)

EQUITY AND LIABILITIES	Amount (Rs.)
Share Capital	
Issued: 50,000 shares × Rs.100	50,00,000
Subscribed & Called-up: 50,000 × Rs.100	50,00,000
Less: Calls-in-Arrears (400 × Rs.30)	(12,000)
Net Called-up and Paid-up	49,88,000
Securities Premium Reserve	2,50,000
ASSETS	Amount (Rs.)
Cash and Bank	52,38,000

Q9 Kumar Ltd. purchased assets of Rs.6,30,000 from Bhanu Oil Ltd. Kumar Ltd. issued equity share of Rs.100 each fully paid in consideration. What journal entries will be made, if the shares are issued, (a) at par, and (b) at premium of 20%. (Answer: Numbers of shares issued (a) 6,300 (b) 5,250)

SOLUTION

Assets purchased: Rs.6,30,000 | FV of shares: Rs.100 each | Fully paid

(a) Shares issued AT PAR (issue price = Rs.100):
Number of shares = Rs.6,30,000 ÷ Rs.100 = 6,300 shares

Journal Entries — Case (a): At Par

Particulars	Dr (Rs.)	Cr (Rs.)
Sundry Assets A/c Dr	6,30,000	
To Bhanu Oil Ltd. A/c		6,30,000

(Being assets purchased from Bhanu Oil Ltd.)

Particulars	Dr (Rs.)	Cr (Rs.)
Bhanu Oil Ltd. A/c Dr	6,30,000	
To Equity Share Capital A/c (6,300 × Rs.100)		6,30,000

(Being 6,300 fully paid equity shares of Rs.100 each issued at par as consideration)

(b) Shares issued AT PREMIUM OF 20% (issue price = Rs.100 + Rs.20 = Rs.120):
Number of shares = Rs.6,30,000 ÷ Rs.120 = 5,250 shares

Journal Entries — Case (b): At 20% Premium

Particulars	Dr (Rs.)	Cr (Rs.)
Sundry Assets A/c Dr	6,30,000	
To Bhanu Oil Ltd. A/c		6,30,000

(Being assets purchased from Bhanu Oil Ltd.)

Particulars	Dr (Rs.)	Cr (Rs.)
Bhanu Oil Ltd. A/c Dr	6,30,000	
To Equity Share Capital A/c (5,250 × Rs.100)		5,25,000
To Securities Premium Reserve A/c (5,250 × Rs.20)		1,05,000

(Being 5,250 fully paid equity shares of Rs.100 each issued at 20% premium as consideration)

Verification (a): 6,300 × Rs.100 = Rs.6,30,000 ✓
Verification (b): 5,250 × Rs.120 = Rs.6,30,000 ✓

Q10 Bansal Heavy Machine Ltd. purchased machine worth Rs.3,80,000 from Handa Trader. Payment was made as Rs.50,000 cash and remaining amount by issue of equity shares of the face value of Rs.100 each fully paid at an issue price of Rs.110 each. Give journal entries to record the above transaction. (Answer: Numbers of shares issued = 3,000 shares)

SOLUTION

Machine cost: Rs.3,80,000 | Cash paid: Rs.50,000
Balance by shares: Rs.3,80,000 – Rs.50,000 = Rs.3,30,000
Issue price per share: Rs.110 (FV Rs.100 + Rs.10 premium)
Shares issued = Rs.3,30,000 ÷ Rs.110 = 3,000 shares
Verification: 3,000 × Rs.110 = Rs.3,30,000 ✓

Journal Entries in the Books of Bansal Heavy Machine Ltd.

1. Purchase of machine:

Particulars	Dr (Rs.)	Cr (Rs.)
Machinery A/c Dr	3,80,000	
To Handa Trader A/c		3,80,000

(Being machine purchased from Handa Trader)

2. Settlement — cash payment:

Particulars	Dr (Rs.)	Cr (Rs.)
Handa Trader A/c Dr	50,000	
To Bank A/c		50,000

(Being Rs.50,000 paid in cash to Handa Trader)

3. Settlement — shares issued (3,000 shares @ Rs.110):

Particulars	Dr (Rs.)	Cr (Rs.)
Handa Trader A/c Dr	3,30,000	
To Equity Share Capital A/c (3,000 × Rs.100)		3,00,000
To Securities Premium Reserve A/c (3,000 × Rs.10)		30,000

(Being 3,000 fully paid equity shares of Rs.100 each issued at Rs.110 per share to Handa Trader)

Total settled: Rs.50,000 + Rs.3,30,000 = Rs.3,80,000 ✓

Q11 Naman Ltd. issued 20,000 shares of Rs.100 each, payable Rs.25 on application, Rs.30 on allotment, Rs.25 on first call and the balance on final call. All money duly received except Anubha, who holding 200 shares did not pay allotment and calls money and Kumkum, who holding 100 shares did not pay both the calls. The directors forfeited the shares of Anubha and Kumkum. Give journal entries.

SOLUTION

Shares: 20,000 × Rs.100 | Application: Rs.25 | Allotment: Rs.30 | First Call: Rs.25 | Final Call: Rs.20

Total calls: Rs.25 + Rs.30 + Rs.25 + Rs.20 = Rs.100 ✓ (all called up)

Defaulters:

Anubha: 200 shares — paid only application (Rs.25); did not pay allotment (Rs.30) + FC1 (Rs.25) + Final (Rs.20) = Rs.75

Amount received = 200 × Rs.25 = Rs.5,000

Amount not received = 200 × Rs.75 = Rs.15,000

Kumkum: 100 shares — paid application (Rs.25) + allotment (Rs.30) = Rs.55; did not pay FC1 (Rs.25) + Final (Rs.20) = Rs.45

Amount received = 100 × Rs.55 = Rs.5,500

Amount not received = 100 × Rs.45 = Rs.4,500

Journal Entries in the Books of Naman Ltd.

(Regular entries for application, allotment, first call and final call for 20,000 shares are standard — omitted for brevity. Entries below cover the forfeiture.)

Forfeiture of Anubha's 200 shares:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Capital A/c (200 × Rs.100) Dr	20,000	
To Share Allotment A/c (200 × Rs.30)		6,000
To Share First Call A/c (200 × Rs.25)		5,000
To Share Final Call A/c (200 × Rs.20)		4,000
To Share Forfeiture A/c (200 × Rs.25, app money received)		5,000

(Being 200 shares of Anubha forfeited for non-payment of allotment and calls; app money Rs.5,000 credited to Share Forfeiture)

Verification Anubha: Dr Rs.20,000 = Cr Rs.6,000 + Rs.5,000 + Rs.4,000 + Rs.5,000 = Rs.20,000 ✓

Forfeiture of Kumkum's 100 shares:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Capital A/c (100 × Rs.100) Dr	10,000	

Particulars	Dr (Rs.)	Cr (Rs.)
To Share First Call A/c (100 × Rs.25)		2,500
To Share Final Call A/c (100 × Rs.20)		2,000
To Share Forfeiture A/c (100 × Rs.55, amt received)		5,500

(Being 100 shares of Kumkum forfeited for non-payment of both calls; Rs.5,500 received credited to Share Forfeiture)

Verification Kumkum: Dr Rs.10,000 = Cr Rs.2,500 + Rs.2,000 + Rs.5,500 = Rs.10,000 ✓

Share Forfeiture Account Summary:

Particulars	Rs.
Anubha (200 × Rs.25 app money)	5,000
Kumkum (100 × Rs.55 paid)	5,500
Total Share Forfeiture balance	10,500

Q12 Kishna Ltd. issued 15,000 shares of Rs.100 each at a premium of Rs.10 per share, payable as follows: On application Rs.30; On allotment Rs.50 [including premium]; On first and final call Rs.30. All the shares subscribed and the company received all the money due, with the exception of the allotment and call money on 150 shares. These shares were forfeited and reissued to Neha as fully paid share at an issue price of Rs.12 each. Give journal entries in the books of the company. (Answer: Capital Reserve = Rs. 4,500)

SOLUTION

Shares: 15,000 × Rs.100 FV	Premium: Rs.10	Issue price: Rs.110
Payment: Application Rs.30	Allotment Rs.50 (incl. Rs.10 premium)	First & Final Call Rs.30

Check: Rs.30 + Rs.50 + Rs.30 = Rs.110 ✓

150 shares defaulted on allotment and call:
Paid: Rs.30 (application only) per share
Not paid: Rs.50 (allotment) + Rs.30 (call) = Rs.80 per share

Journal Entries in the Books of Kishna Ltd.

1. On receipt of application money (15,000 × Rs.30 = Rs.4,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	4,50,000	
To Share Application A/c		4,50,000

2. On allotment — transfer of application money:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Application A/c Dr	4,50,000	
To Share Capital A/c		4,50,000

3. On making allotment due (15,000 × Rs.50 = Rs.7,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share Allotment A/c Dr	7,50,000	
To Share Capital A/c (15,000 × Rs.40)		6,00,000
To Securities Premium Reserve A/c (15,000 × Rs.10)		1,50,000

4. On receipt of allotment money (150 shares defaulted):
Allotment due = Rs.7,50,000; Not received = 150 × Rs.50 = Rs.7,500
Cash received = Rs.7,50,000 – Rs.7,500 = Rs.7,42,500

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	7,42,500	
To Share Allotment A/c		7,42,500

5. On making first and final call due (15,000 × Rs.30 = Rs.4,50,000):

Particulars	Dr (Rs.)	Cr (Rs.)
Share First and Final Call A/c Dr	4,50,000	
To Share Capital A/c		4,50,000

6. On receipt of call money (150 shares defaulted):
Call due = Rs.4,50,000; Not received = 150 × Rs.30 = Rs.4,500
Cash received = Rs.4,50,000 – Rs.4,500 = Rs.4,45,500

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr	4,45,500	
To Share First and Final Call A/c		4,45,500

7. Forfeiture of 150 shares (defaulted on allotment and call):
Share Capital Dr = 150 × Rs.100 = Rs.15,000
Securities Premium Dr = 150 × Rs.10 = Rs.1,500 (premium called but not received)
Share Allotment Cr = 150 × Rs.50 = Rs.7,500 (allotment not received)
First & Final Call Cr = 150 × Rs.30 = Rs.4,500 (call not received)

Share Forfeiture Cr = 150 × Rs.30 = Rs.4,500 (application money received)

Particulars	Dr (Rs.)	Cr (Rs.)
Share Capital A/c Dr	15,000	
Securities Premium Reserve A/c Dr	1,500	
To Share Allotment A/c		7,500
To Share First and Final Call A/c		4,500
To Share Forfeiture A/c		4,500

(Being 150 shares forfeited; Rs.4,500 app money received credited to Share Forfeiture)
Verification: Dr Rs.15,000 + Rs.1,500 = Rs.16,500 = Cr Rs.7,500 + Rs.4,500 + Rs.4,500 = Rs.16,500 ✓

8. Reissue of 150 forfeited shares to Neha at Rs.112 per share as fully paid
(Note: 'Issue price of Rs.12 each' in the question gives CR = Rs.4,500 per NCERT answer, which is consistent only if the reissue price is Rs.112, i.e., at Rs.12 above par, since maximum discount cannot exceed Share Forfeiture balance of Rs.30 per share):

Particulars	Dr (Rs.)	Cr (Rs.)
Bank A/c Dr (150 × Rs.112)	16,800	
To Share Capital A/c (150 × Rs.100)		15,000
To Securities Premium Reserve A/c (150 × Rs.12)		1,800

(Being 150 forfeited shares reissued to Neha as fully paid at Rs.112 per share)

9. Transfer of Share Forfeiture balance to Capital Reserve:

Particulars	Dr (Rs.)	Cr (Rs.)
Share Forfeiture A/c Dr	4,500	
To Capital Reserve A/c		4,500

(Being entire Share Forfeiture balance transferred to Capital Reserve on reissue)

Capital Reserve = Rs.4,500 ✓ (matches NCERT answer)

Q13 Arushi Computers Ltd. issued 10,000 equity shares of Rs.100 each at 10% premium. The net amount payable as follows:
On application: Rs.20
On allotment: Rs.50 (Rs.40 + premium Rs.10)
On first call: Rs.30
On final call: Rs.10
A shareholder holding 200 shares did not pay final call. His shares were forfeited. Out of these 150 shares were reissued to Ms. Sonia at Rs.75 per share.
Give journal entries in the books of the company.

SOLUTION

Working Notes:
Called-up face per share = Rs.20 (app) + Rs.40 (allot face) + Rs.30 (1st call) + Rs.10 (final call) = Rs.100
Premium of Rs.10 per share was received with allotment — already credited to Securities Premium A/c.

Step 1 — Application (10,000 shares × Rs.20):

Bank A/c Dr	2,00,000	—
To Share Application A/c	—	2,00,000

Share Application A/c Dr	2,00,000	—
To Share Capital A/c	—	2,00,000

Step 2 — Allotment (10,000 × Rs.50 = Rs.5,00,000; of which Rs.4,00,000 face + Rs.1,00,000 premium):

Share Allotment A/c Dr	5,00,000	—
To Share Capital A/c	—	4,00,000
To Securities Premium A/c	—	1,00,000

Bank A/c Dr	5,00,000	—
To Share Allotment A/c	—	5,00,000

Step 3 — First Call (10,000 × Rs.30):

Share First Call A/c Dr	3,00,000	—
To Share Capital A/c	—	3,00,000

Bank A/c Dr	3,00,000	—
To Share First Call A/c	—	3,00,000

Step 4 — Final Call (10,000 × Rs.10):

Share Final Call A/c Dr	1,00,000	—
To Share Capital A/c	—	1,00,000

Bank A/c Dr | 99,800 | —
(9,800 shares × Rs.10)
Calls-in-Arrear A/c Dr | 200 | —
(200 shares × Rs.10 not paid)
To Share Final Call A/c | — | 1,00,000

Step 5 — Forfeiture of 200 shares (final call Rs.10 per share not paid):
Amount received on 200 shares = Rs.20 + Rs.40 + Rs.30 = Rs.90 per share (face portion only)
Share Capital A/c Dr | 20,000 | —
(200 × Rs.100)
To Calls-in-Arrear A/c | — | 2,000
(200 × Rs.10)
To Share Forfeiture A/c | — | 18,000
(200 × Rs.90 received on face)

Step 6 — Reissue of 150 shares at Rs.75 per share fully paid:
Bank A/c Dr | 11,250 | —
(150 × Rs.75)
Share Forfeiture A/c Dr | 3,750 | —
(150 × (Rs.100 − Rs.75) = 150 × Rs.25)
To Share Capital A/c | — | 15,000
(150 × Rs.100)

Step 7 — Transfer to Capital Reserve:
Share Forfeiture for 150 shares = 150 × Rs.90 = Rs.13,500
Less: Loss on reissue (discount) = 150 × Rs.25 = Rs.3,750
Capital Reserve = Rs.13,500 − Rs.3,750 = Rs.9,750

Share Forfeiture A/c Dr	9,750	—
To Capital Reserve A/c	—	9,750

Capital Reserve = Rs.9,750

Q14 Raunak Cotton Ltd. issued a prospectus inviting applications for 6,000 equity shares of Rs.100 each at a premium of Rs.20 per share, payable as follows:
On application: Rs.20
On allotment: Rs.50 (including premium)
On first call: Rs.30
On final call: Rs.20
Applications were received for 10,000 shares and allotment was made pro-rata to the applicants of 8,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted toward the amount due on allotment.
Rohit, to whom 300 shares were allotted failed to pay allotment and calls money, his shares were forfeited. Itika, who applied for 600 shares, failed to pay the two calls and her shares were also forfeited. All these shares were sold to Kartika as fully paid for Rs.80 per share.
Give journal entries in the books of the company.

SOLUTION

Working Notes:
Pro-rata ratio: 6,000 allotted : 8,000 applied = 3 : 4
Rohit allotted 300 shares → applied for 300 × 4/3 = 400 shares
Rohit excess app money = (400 − 300) × Rs.20 = Rs.2,000 (adjusted to allotment)
Rohit allotment due = 300 × Rs.50 = Rs.15,000; less Rs.2,000 = Rs.13,000 net unpaid
Rohit forfeited after allotment (allotment + calls not paid)
Share Forfeiture for Rohit = app received (400 × Rs.20 = Rs.8,000; excess Rs.2,000 credited to allot but allot defaulted → treated as received) = Rs.8,000

Itika applied 600, allotted = 600 × 6,000/8,000 = 450 shares
Itika excess app = (600 − 450) × Rs.20 = Rs.3,000 (adjusted to allotment)
Itika paid allotment fully; failed 1st call (Rs.30 × 450 = Rs.13,500) and final call (Rs.20 × 450 = Rs.9,000)
Share Forfeiture for Itika = app + allot received = 450 × (Rs.20 + Rs.30) = Rs.22,500 (face portion received)

Total forfeited shares = 300 (Rohit) + 450 (Itika) = 750 shares
All 750 sold to Kartika at Rs.80 per share fully paid

Step 1 — Application money (8,000 applicants):
Bank A/c Dr | 2,00,000 | —
(10,000 × Rs.20; returned 2,000 × Rs.20 = Rs.40,000)
To Share Application A/c | — | 2,00,000

Share Application A/c Dr	2,00,000	—
To Share Capital A/c	—	1,20,000

(6,000 × Rs.20)
To Share Allotment A/c | — | 40,000
(excess from pro-rata applicants adjusted to allotment)

To Bank A/c | — | 40,000
(2,000 rejected applicants' money refunded)

Step 2 — Allotment (6,000 × Rs.50 = Rs.3,00,000):

Share Allotment A/c Dr	3,00,000	—
To Share Capital A/c	—	1,80,000

(6,000 × Rs.30 face portion of allotment)
To Securities Premium A/c | — | 1,20,000
(6,000 × Rs.20 premium)

Bank A/c Dr | 2,60,000 | —
(Rs.3,00,000 − Rs.40,000 excess already adjusted)
To Share Allotment A/c | — | 2,60,000

Step 3 — First Call (6,000 × Rs.30):

Share First Call A/c Dr	1,80,000	—
To Share Capital A/c	—	1,80,000

Bank A/c Dr | 1,66,500 | —
(5,550 shares × Rs.30 received; Rohit's 300 + Itika's 450 = 750 in arrear; but Rohit forfeited before call)
[Itika's 1st call in arrear = 450 × Rs.30 = Rs.13,500]

Calls-in-Arrear A/c Dr	13,500	—
To Share First Call A/c	—	1,80,000

Step 4 — Final Call (6,000 × Rs.20):

Share Final Call A/c Dr	1,20,000	—
To Share Capital A/c	—	1,20,000

Bank A/c Dr | 1,11,000 | —
(5,550 shares × Rs.20)
Calls-in-Arrear A/c Dr | 9,000 | —
(Itika 450 × Rs.20)
To Share Final Call A/c | — | 1,20,000

Step 5 — Forfeiture of Rohit's 300 shares (after allotment):
Share Capital A/c Dr | 15,000 | —
(300 × Rs.50 face called up: app Rs.20 + allot-face Rs.30)
Securities Premium A/c Dr | 6,000 | —
(300 × Rs.20 premium called but not received)
To Calls-in-Arrear (Allotment) A/c | — | 13,000

(Rs.15,000 − Rs.2,000 excess adj)
To Share Forfeiture A/c | — | 8,000
(received: app 400 × Rs.20 = Rs.8,000; of which Rs.2,000 credited to defaulted allot)

Step 6 — Forfeiture of Itika's 450 shares (after final call):
Share Capital A/c Dr | 45,000 | —
(450 × Rs.100)
To Calls-in-Arrear A/c | — | 22,500
(450 × (Rs.30 + Rs.20) calls not paid)
To Share Forfeiture A/c | — | 22,500
(450 × Rs.50 face received: app + allot face)

Step 7 — Reissue of 750 shares to Kartika at Rs.80 per share fully paid:
Bank A/c Dr | 60,000 | —
(750 × Rs.80)
Share Forfeiture A/c Dr | 15,000 | —
(750 × Rs.20 discount)
To Share Capital A/c | — | 75,000
(750 × Rs.100)

Step 8 — Transfer to Capital Reserve:
Total Share Forfeiture credited = Rs.8,000 (Rohit) + Rs.22,500 (Itika) = Rs.30,500
Less: Share Forfeiture debited on reissue = Rs.15,000
Capital Reserve = Rs.30,500 − Rs.15,000 = Rs.15,500

Share Forfeiture A/c Dr	15,500	—
To Capital Reserve A/c	—	15,500

Capital Reserve = Rs.15,500

Q15 Himalaya Company Limited issued for public subscription of 1,20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under:
With Application: Rs.3 per share
On allotment (including premium): Rs.5 per share
On First call: Rs.2 per share
On Second and Final call: Rs.2 per share
Applications were received for 1,60,000 shares. Allotment was made on pro-rata basis. Excess money on application was adjusted against the amount due on allotment.
Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at Rs.7 per share.
Record journal entries and show the transactions relating to share capital in the company's balance sheet.

SOLUTION

Working Notes:

Pro-rata ratio: 1,20,000 allotted : 1,60,000 applied = 3 : 4

Rohan allotted 4,800 → applied for 4,800 × 4/3 = 6,400 shares

Rohan excess app money = (6,400 − 4,800) × Rs.3 = 1,600 × Rs.3 = Rs.4,800

Allotment due for Rohan = 4,800 × Rs.5 = Rs.24,000; less Rs.4,800 = Rs.19,200 (paid in cash)

Rohan paid allotment fully; failed 1st call (4,800 × Rs.2 = Rs.9,600) and 2nd call (4,800 × Rs.2 = Rs.9,600)

Total calls not paid = Rs.19,200

Face called up at forfeiture (full face = 3+3+2+2 = Rs.10 all called):

SC Dr = 4,800 × Rs.10 = Rs.48,000

Calls-in-Arrear = 4,800 × Rs.4 = Rs.19,200

Share Forfeiture = Rs.48,000 − Rs.19,200 = Rs.28,800

Step 1 — Application (1,60,000 × Rs.3):

Bank A/c Dr	4,80,000	—
To Share Application A/c	—	4,80,000

Share Application A/c Dr	4,80,000	—
To Share Capital A/c	—	3,60,000

(1,20,000 × Rs.3)

To Share Allotment A/c | — | 1,20,000

(excess 40,000 × Rs.3 adjusted to allotment)

Step 2 — Allotment (1,20,000 × Rs.5 = Rs.6,00,000):

Share Allotment A/c Dr	6,00,000	—
To Share Capital A/c	—	3,60,000

(1,20,000 × Rs.3 face)

To Securities Premium A/c | — | 2,40,000

(1,20,000 × Rs.2 premium)

Bank A/c Dr | 4,80,000 | —

(Rs.6,00,000 − Rs.1,20,000 excess adjusted)

To Share Allotment A/c | — | 4,80,000

Step 3 — First Call (1,20,000 × Rs.2):

Share First Call A/c Dr	2,40,000	—
To Share Capital A/c	—	2,40,000

Bank A/c Dr | 2,30,400 | —

(1,15,200 shares × Rs.2; Rohan's 4,800 in arrear)

Calls-in-Arrear A/c Dr	9,600	—
To Share First Call A/c	—	2,40,000

Step 4 — Second and Final Call (1,20,000 × Rs.2):

Share Final Call A/c Dr	2,40,000	—
To Share Capital A/c	—	2,40,000

Bank A/c Dr	2,30,400	—
Calls-in-Arrear A/c Dr	9,600	—
To Share Final Call A/c	—	2,40,000

Step 5 — Forfeiture of Rohan's 4,800 shares:
Share Capital A/c Dr | 48,000 | —
(4,800 × Rs.10)
To Calls-in-Arrear A/c | — | 19,200
(4,800 × Rs.4)
To Share Forfeiture A/c | — | 28,800
(4,800 × Rs.6 received on face: app Rs.3 + allot-face Rs.3)

Step 6 — Reissue of 4,800 shares to Teena at Rs.7 per share fully paid:
Bank A/c Dr | 33,600 | —
(4,800 × Rs.7)
Share Forfeiture A/c Dr | 14,400 | —
(4,800 × Rs.3 discount)
To Share Capital A/c | — | 48,000
(4,800 × Rs.10)

Step 7 — Transfer to Capital Reserve:
Share Forfeiture balance = Rs.28,800 − Rs.14,400 = Rs.14,400

Share Forfeiture A/c Dr	14,400	—
To Capital Reserve A/c	—	14,400

Balance Sheet (Extract) — Share Capital:
Authorised Capital: ...
Issued, Subscribed and Paid-up:
1,20,000 equity shares of Rs.10 each fully paid | — | 12,00,000
(Of the above, 4,800 shares were forfeited and reissued to Teena at Rs.7 per share)

Reserves and Surplus:

Securities Premium A/c	—	2,40,000
Capital Reserve	—	14,400

Capital Reserve = Rs.14,400

Q16 Prince Limited issued a prospectus inviting applications for 20,000 equity shares of Rs.10 each at a premium of Rs.3 per share payable as follows:
With Application: Rs.2
On Allotment (including premium): Rs.5
On First Call: Rs.3
On Second Call: Rs.3
Applications were received for 30,000 shares and allotment was made on pro-rata basis. Money overpaid on applications was adjusted to the amount due on allotment.
Mr. Mohit whom 400 shares were allotted, failed to pay the allotment money and the first call, and his shares were forfeited after the first call. Mr. Joly, whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited.
Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs.9 per share, the whole of Mr. Mohit's shares being included.
Record journal entries in the books of the Company and prepare the Balance Sheet.

SOLUTION

Working Notes:
Pro-rata ratio: 20,000 allotted : 30,000 applied = 2 : 3
Mohit allotted 400 → applied for 400 × 3/2 = 600 shares
Mohit excess app = (600 − 400) × Rs.2 = 200 × Rs.2 = Rs.400
Mohit allotment due = 400 × Rs.5 = Rs.2,000; less Rs.400 excess = Rs.1,600 net unpaid (defaulted)
Mohit 1st call = 400 × Rs.3 = Rs.1,200 unpaid
Mohit forfeited after 1st call; received only app money = 600 × Rs.2 = Rs.1,200; excess Rs.400 adj to defaulted allot
Share Forfeiture for Mohit = Rs.1,200 (received)

Joly allotted 600 → applied for 600 × 3/2 = 900 shares
Joly excess app = (900 − 600) × Rs.2 = 300 × Rs.2 = Rs.600 (adjusted to allotment)
Joly paid allotment (Rs.5 × 600 = Rs.3,000; less excess Rs.600 = Rs.2,400 cash)
Joly failed 1st call (600 × Rs.3 = Rs.1,800) and 2nd call (600 × Rs.3 = Rs.1,800)
Share Forfeiture for Joly (face called = full Rs.10):
SC Dr = 600 × Rs.10 = Rs.6,000; Calls-in-Arrear = 600 × Rs.6 = Rs.3,600
SF = Rs.6,000 − Rs.3,600 = Rs.2,400

Reissued: 800 shares to Supriya at Rs.9 (Mohit's 400 + 400 of Joly's)
SF for 400 of Joly's shares = 400 × (Rs.2,400 / 600) = 400 × Rs.4 = Rs.1,600

Step 1 — Application (30,000 × Rs.2):

Bank A/c Dr	60,000	—
To Share Application A/c	—	60,000

Share Application A/c Dr	60,000	—
To Share Capital A/c	—	40,000

(20,000 × Rs.2)
To Share Allotment A/c | — | 20,000
(10,000 excess shares × Rs.2 adjusted to allotment)

Step 2 — Allotment (20,000 × Rs.5 = Rs.1,00,000):

Share Allotment A/c Dr	1,00,000	—
To Share Capital A/c	—	40,000

(20,000 × Rs.2 face portion of allotment)
To Securities Premium A/c | — | 60,000
(20,000 × Rs.3 premium)

Bank A/c Dr | 80,000 | —
(Rs.1,00,000 − Rs.20,000 excess adjusted)
To Share Allotment A/c | — | 80,000

Step 3 — First Call (20,000 × Rs.3 = Rs.60,000):

Share First Call A/c Dr	60,000	—
To Share Capital A/c	—	60,000

Bank A/c Dr | 56,400 | —
(18,800 × Rs.3; Mohit 400 + Joly 600 = 1,000 arr; Mohit forfeited so only Joly 600 × Rs.3 = Rs.1,800 in arrear for first call after Mohit forfeiture)
Calls-in-Arrear A/c Dr | 1,800 | —
(Joly 600 × Rs.3)
To Share First Call A/c | — | 60,000

Note: Mohit is forfeited after first call; his arrears (allotment + 1st call) included in forfeiture entry.

Step 4 — Forfeiture of Mohit's 400 shares (after 1st call):
Share Capital A/c Dr | 2,800 | —
(400 × Rs.7 face called: app Rs.2 + allot-face Rs.2 + 1st-call Rs.3)
Securities Premium A/c Dr | 1,200 | —
(400 × Rs.3; premium called but excess Rs.400 only partially covers it)
To Calls-in-Arrear (Allotment) A/c | — | 1,600
(net allotment unpaid: Rs.2,000 − Rs.400 excess)

To Calls-in-Arrear (1st Call) A/c | — | 1,200
(400 × Rs.3)
To Share Forfeiture A/c | — | 1,200
(received: 600 × Rs.2 = Rs.1,200 app money)

Step 5 — Second Call (20,000 × Rs.3 = Rs.60,000) [issued shares now reduced by Mohit's 400]:

Share Second Call A/c Dr	60,000	—
To Share Capital A/c	—	60,000

Bank A/c Dr | 57,000 | —
(19,000 − 400 Mohit forfeited = 19,000 paid, minus Joly 600 in arrear = 18,400 × Rs.3 + already received 600 from arrear cancellation)
(19,600 shares outstanding × Rs.3 − Joly 600 × Rs.3 = 19,000 × Rs.3 = Rs.57,000)
Calls-in-Arrear A/c Dr | 1,800 | —
(Joly 600 × Rs.3)
To Share Second Call A/c | — | 60,000
(20,000 − 400 Mohit = 19,600 shares called; less Joly 600 paid; 18,400 paid + 600 in arrear + 400 already forfeited)

Note: The second call is made on 19,600 remaining shares (20,000 − 400 Mohit forfeited).
Bank received = 19,000 × Rs.3 = Rs.57,000; Calls-in-Arrear = 600 × Rs.3 = Rs.1,800

Step 6 — Forfeiture of Joly's 600 shares (after 2nd call):
Share Capital A/c Dr | 6,000 | —
(600 × Rs.10)
To Calls-in-Arrear A/c | — | 3,600
(600 × Rs.6 calls not paid: 1st Rs.3 + 2nd Rs.3)
To Share Forfeiture A/c | — | 2,400
(600 × Rs.4 received on face: app Rs.2 + allot-face Rs.2)

Step 7 — Reissue of 800 shares to Supriya at Rs.9 per share fully paid:
Bank A/c Dr | 7,200 | —
(800 × Rs.9)
Share Forfeiture A/c Dr | 800 | —
(800 × Rs.1 discount)
To Share Capital A/c | — | 8,000
(800 × Rs.10)

Step 8 — Transfer to Capital Reserve:
SF for Mohit's 400 shares = Rs.1,200
SF for 400 of Joly's shares = 400 × Rs.4 = Rs.1,600
Total SF for reissued 800 shares = Rs.1,200 + Rs.1,600 = Rs.2,800
Less: SF debited on reissue = Rs.800
Capital Reserve = Rs.2,800 − Rs.800 = Rs.2,000

Share Forfeiture A/c Dr	2,000	—
To Capital Reserve A/c	—	2,000

Balance Sheet (Extract):
Share Capital:
Issued: 20,000 shares × Rs.10 = Rs.2,00,000
Less forfeited 1,000 + reissued 800 = 19,800 shares outstanding
Subscribed and Paid-up: 19,800 × Rs.10 | — | 1,98,000
Reserves and Surplus:

Securities Premium (net after Mohit forfeiture debit Rs.1,200)	—	58,800
Capital Reserve	—	2,000

Share Forfeiture A/c (200 Joly shares not reissued): 200 × Rs.4 = Rs.800 (shown under Reserves)

Capital Reserve = Rs.2,000

Q17 Life Machine Tools Limited issued 50,000 equity shares of Rs.10 each at Rs.12 per share, payable at Rs.5 on application (including premium), Rs.4 on allotment and the balance on the first and final call.
Applications for 70,000 shares had been received. Of the cash received, Rs.40,000 was returned and Rs.60,000 was applied to the amount due on allotment. All shareholders paid the call due, with the exception of one shareholder of 500 shares. These shares were forfeited and reissued as fully paid at Rs.8 per share. Journalise the transactions.

SOLUTION

Working Notes:
Issue price = Rs.12 per share; face = Rs.10; premium = Rs.2
App Rs.5 (includes premium Rs.2; face portion Rs.3); Allot Rs.4 (face only); Call Rs.12−5−4 = Rs.3
Total app received = 70,000 × Rs.5 = Rs.3,50,000
Returned Rs.40,000 (=8,000 shares × Rs.5); Rs.60,000 excess adjusted to allotment
Allotment due = 50,000 × Rs.4 = Rs.2,00,000; less Rs.60,000 excess adjusted = Rs.1,40,000 cash

Forfeiture: 500 shares, call Rs.3 not paid
SC called (face) = app-face Rs.3 + allot Rs.4 + call Rs.3 = Rs.10 (full face called)
SC Dr = 500 × Rs.10 = Rs.5,000
Calls-in-Arrear = 500 × Rs.3 = Rs.1,500
Share Forfeiture = Rs.5,000 − Rs.1,500 = Rs.3,500

Step 1 — Application (70,000 × Rs.5):

Bank A/c Dr	3,50,000	—
To Share Application A/c	—	3,50,000

Share Application A/c Dr	3,50,000	—
To Share Capital A/c	—	1,50,000

(50,000 × Rs.3 face portion of app)
To Securities Premium A/c | — | 1,00,000
(50,000 × Rs.2 premium portion of app)
To Share Allotment A/c | — | 60,000
(excess from pro-rata adj to allotment)
To Bank A/c | — | 40,000
(returned to rejected applicants)

Step 2 — Allotment (50,000 × Rs.4 = Rs.2,00,000):

Share Allotment A/c Dr	2,00,000	—
To Share Capital A/c	—	2,00,000

Bank A/c Dr | 1,40,000 | —
(Rs.2,00,000 − Rs.60,000 already adjusted)
To Share Allotment A/c | — | 1,40,000

Step 3 — First and Final Call (50,000 × Rs.3 = Rs.1,50,000):

Share First & Final Call A/c Dr	1,50,000	—
To Share Capital A/c	—	1,50,000

Bank A/c Dr | 1,48,500 | —
(49,500 × Rs.3)
Calls-in-Arrear A/c Dr | 1,500 | —
(500 × Rs.3)
To Share First & Final Call A/c | — | 1,50,000

Step 4 — Forfeiture of 500 shares (call not paid):
Share Capital A/c Dr | 5,000 | —
(500 × Rs.10)
To Calls-in-Arrear A/c | — | 1,500
(500 × Rs.3)
To Share Forfeiture A/c | — | 3,500
(500 × Rs.7 received: app-face Rs.3 + allot Rs.4)

Step 5 — Reissue of 500 shares at Rs.8 per share fully paid:
Bank A/c Dr | 4,000 | —

(500 × Rs.8)
Share Forfeiture A/c Dr | 1,000 | —
(500 × Rs.2 discount)
To Share Capital A/c | — | 5,000
(500 × Rs.10)

Step 6 — Transfer to Capital Reserve:
Share Forfeiture balance = Rs.3,500 − Rs.1,000 = Rs.2,500

Share Forfeiture A/c Dr	2,500	—
To Capital Reserve A/c	—	2,500

Capital Reserve = Rs.2,500

Q18 The Orient Company Limited offered for public subscription 20,000 equity shares of Rs.10 each at a premium of 10% payable at Rs.2 on application; Rs.4 on allotment including premium; Rs.3 on First Call and Rs.2 on Second and Final call. Applications for 26,000 shares were received. Applications for 4,000 shares were rejected. Pro-rata allotment was made to the remaining applicants. Both the calls were made and all the money were received except the final call on 500 shares which were forfeited. 300 of the forfeited shares were later reissued as fully paid at Rs.9 per share. Give journal entries and prepare the balance sheet.

SOLUTION

Working Notes:
Face value = Rs.10; premium = 10% = Rs.1; issue price = Rs.11
App Rs.2; Allot Rs.4 (incl premium Rs.1; face Rs.3); 1st call Rs.3; 2nd&final call Rs.2
Total face calls = 2+3+3+2 = Rs.10 ✓; premium = Rs.1 (in allotment)
Applied 26,000; rejected 4,000; pro-rata to 22,000 applicants for 20,000 shares
Excess app from pro-rata: 2,000 shares × Rs.2 = Rs.4,000 adj to allotment

Forfeiture: 500 shares, final call Rs.2 not paid
SC called (full face = Rs.10): SC Dr = 500 × Rs.10 = Rs.5,000
Calls-in-Arrear = 500 × Rs.2 = Rs.1,000
Share Forfeiture = Rs.5,000 − Rs.1,000 = Rs.4,000 (= 500 × Rs.8 received)

Step 1 — Application (26,000 × Rs.2):

Bank A/c Dr	52,000	—
To Share Application A/c	—	52,000

Share Application A/c Dr	52,000	—
To Share Capital A/c	—	40,000

(20,000 × Rs.2)

To Share Allotment A/c | — | 4,000
(2,000 excess × Rs.2 adj to allotment)
To Bank A/c | — | 8,000
(4,000 rejected × Rs.2 refunded)

Step 2 — Allotment (20,000 × Rs.4 = Rs.80,000):

Share Allotment A/c Dr	80,000	—
To Share Capital A/c	—	60,000

(20,000 × Rs.3 face portion)
To Securities Premium A/c | — | 20,000
(20,000 × Rs.1 premium)

Bank A/c Dr | 76,000 | —
(Rs.80,000 − Rs.4,000 excess adjusted)
To Share Allotment A/c | — | 76,000

Step 3 — First Call (20,000 × Rs.3 = Rs.60,000):

Share First Call A/c Dr	60,000	—
To Share Capital A/c	—	60,000

Bank A/c Dr	60,000	—
To Share First Call A/c	—	60,000

Step 4 — Second and Final Call (20,000 × Rs.2 = Rs.40,000):

Share Final Call A/c Dr	40,000	—
To Share Capital A/c	—	40,000

Bank A/c Dr | 39,000 | —
(19,500 × Rs.2)
Calls-in-Arrear A/c Dr | 1,000 | —
(500 × Rs.2)
To Share Final Call A/c | — | 40,000

Step 5 — Forfeiture of 500 shares (final call not paid):
Share Capital A/c Dr | 5,000 | —
(500 × Rs.10)
To Calls-in-Arrear A/c | — | 1,000
(500 × Rs.2)
To Share Forfeiture A/c | — | 4,000
(500 × Rs.8 received on face: app Rs.2 + allot-face Rs.3 + 1st-call Rs.3)

Step 6 — Reissue of 300 shares at Rs.9 per share fully paid:

Bank A/c Dr | 2,700 | —
(300 × Rs.9)
Share Forfeiture A/c Dr | 300 | —
(300 × Rs.1 discount)
To Share Capital A/c | — | 3,000
(300 × Rs.10)

Step 7 — Transfer to Capital Reserve:
SF for 300 shares = 300 × Rs.8 = Rs.2,400
Less: SF debited on reissue = Rs.300
Capital Reserve = Rs.2,400 − Rs.300 = Rs.2,100

Share Forfeiture A/c Dr	2,100	—
To Capital Reserve A/c	—	2,100

Balance Sheet (Extract):
Share Capital:
Subscribed and Paid-up: 19,800 shares of Rs.10 each fully paid | — | 1,98,000
(20,000 issued − 500 forfeited + 300 reissued = 19,800)
Reserves and Surplus:

Securities Premium A/c	—	20,000
Capital Reserve	—	2,100
Share Forfeiture A/c (200 shares not reissued: 200 × Rs.8 − Rs.0)	—	1,600

Capital Reserve = Rs.2,100

Q19 Alfa Limited invited applications for 4,00,000 of its equity shares of Rs.10 each on the following terms:
Payable on application: Rs.5 per share
Payable on allotment: Rs.3 per share
Payable on first and final call: Rs.2 per share
Applications for 5,00,000 shares were received. It was decided:
(a) to refuse allotment to the applicants for 20,000 shares;
(b) to allot in full to applicants for 80,000 shares;
(c) to allot the balance of the available shares pro-rata among the other applicants; and
(d) to utilise excess application money in part as payment of allotment money.
One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due on allotment and on the call, and his 400 shares were forfeited. The shares were reissued @ Rs.9 per share. Show the journal and prepare Cash Book to record the above.

SOLUTION

Working Notes:

Total applied = 5,00,000; refused = 20,000; full allotment = 80,000
Remaining applied = 5,00,000 − 20,000 − 80,000 = 4,00,000 applicants for 4,00,000 − 80,000 = 3,20,000 shares
Pro-rata ratio = 3,20,000 : 4,00,000 = 4 : 5
Excess from pro-rata group = 4,00,000 − 3,20,000 = 80,000 shares × Rs.5 = Rs.4,00,000 excess

One pro-rata applicant with 400 shares allotted:
Applied for = 400 × 5/4 = 500 shares; excess app = 100 × Rs.5 = Rs.500
Allotment due = 400 × Rs.3 = Rs.1,200; less excess Rs.500 = Rs.700 net (NOT paid)
Call = 400 × Rs.2 = Rs.800 (NOT paid)
Calls-in-Arrear = Rs.700 + Rs.800 = Rs.1,500
SC Dr = 400 × Rs.10 = Rs.4,000 (full face called)
Share Forfeiture = Rs.4,000 − Rs.1,500 = Rs.2,500

Step 1 — Application (5,00,000 × Rs.5 = Rs.25,00,000):

Bank A/c Dr	25,00,000	—
To Share Application A/c	—	25,00,000

Share Application A/c Dr	25,00,000	—
To Share Capital A/c	—	20,00,000

(4,00,000 × Rs.5)
To Share Allotment A/c | — | 4,00,000
(80,000 excess shares × Rs.5 from pro-rata group adj to allotment)
To Bank A/c | — | 1,00,000
(20,000 refused × Rs.5 refunded)

Step 2 — Allotment (4,00,000 × Rs.3 = Rs.12,00,000):

Share Allotment A/c Dr	12,00,000	—
To Share Capital A/c	—	12,00,000

Bank A/c Dr | 8,00,000 | —
(Rs.12,00,000 − Rs.4,00,000 excess already adjusted)
To Share Allotment A/c | — | 8,00,000

Step 3 — First and Final Call (4,00,000 × Rs.2 = Rs.8,00,000):

Share First & Final Call A/c Dr	8,00,000	—
To Share Capital A/c	—	8,00,000

Bank A/c Dr | 7,99,200 | —
(3,99,600 × Rs.2; the defaulting applicant's 400 shares Rs.800 in arrear plus the

net-allotment-arrear from pro-rata defaults)
Calls-in-Arrear A/c Dr | 800 | —
(400 × Rs.2)
To Share First & Final Call A/c | — | 8,00,000

Step 4 — Forfeiture of 400 shares (allotment + call not paid):
Share Capital A/c Dr | 4,000 | —
(400 × Rs.10)
To Calls-in-Arrear A/c | — | 1,500
(net allotment Rs.700 + call Rs.800)
To Share Forfeiture A/c | — | 2,500
(received: app 500 × Rs.5 = Rs.2,500; excess Rs.500 credited to defaulted allotment)

Step 5 — Reissue of 400 shares at Rs.9 per share fully paid:
Bank A/c Dr | 3,600 | —
(400 × Rs.9)
Share Forfeiture A/c Dr | 400 | —
(400 × Rs.1 discount)
To Share Capital A/c | — | 4,000
(400 × Rs.10)

Step 6 — Transfer to Capital Reserve:
Share Forfeiture balance = Rs.2,500 − Rs.400 = Rs.2,100

Share Forfeiture A/c Dr	2,100	—
To Capital Reserve A/c	—	2,100

Capital Reserve = Rs.2,100

Q20 Ashoka Limited Company which had issued equity shares of Rs.20 each at a premium of Rs.4 per share, forfeited 1,000 shares for non-payment of final call of Rs.2 per share. 400 of the forfeited shares were reissued at Rs.14 per share out of the remaining shares of 200 shares reissued at Rs.20 per share. Give journal entries for the forfeiture and reissue of shares and show the amount transferred to capital reserve and the balance in Share Forfeiture Account.

SOLUTION

Working Notes:
Face value = Rs.20; premium = Rs.4; issue price = Rs.24
Final call = Rs.2 not paid; premium assumed already received with earlier calls
SC called = full face Rs.20 (all calls made including final); final call Rs.2 not paid
SC Dr = 1,000 × Rs.20 = Rs.20,000
Calls-in-Arrear (Final Call) = 1,000 × Rs.2 = Rs.2,000
Share Forfeiture = Rs.20,000 − Rs.2,000 = Rs.18,000 (= 1,000 × Rs.18 received on face)

Step 1 — Forfeiture of 1,000 shares:

Share Capital A/c Dr | 20,000 | —
(1,000 × Rs.20)
To Calls-in-Arrear (Final Call) A/c | — | 2,000
(1,000 × Rs.2)
To Share Forfeiture A/c | — | 18,000
(1,000 × Rs.18 received)

Step 2 — Reissue of 400 shares at Rs.14 per share (below face):
Bank A/c Dr | 5,600 | —
(400 × Rs.14)
Share Forfeiture A/c Dr | 2,400 | —
(400 × Rs.6 discount: Rs.20 − Rs.14)
To Share Capital A/c | — | 8,000
(400 × Rs.20)

Capital Reserve from 400 shares:
SF for 400 shares = 400 × Rs.18 = Rs.7,200
Less: SF debited (discount) = Rs.2,400
Capital Reserve (400 shares) = Rs.4,800

Share Forfeiture A/c Dr	4,800	—
To Capital Reserve A/c	—	4,800

Step 3 — Reissue of 200 shares at Rs.20 per share (at face value):
Bank A/c Dr | 4,000 | —
(200 × Rs.20)
To Share Capital A/c | — | 4,000
(200 × Rs.20)

Capital Reserve from 200 shares:
SF for 200 shares = 200 × Rs.18 = Rs.3,600
Less: SF debited on reissue = Rs.0 (no discount)
Capital Reserve (200 shares) = Rs.3,600

Share Forfeiture A/c Dr	3,600	—
To Capital Reserve A/c	—	3,600

Summary:
Total Capital Reserve = Rs.4,800 + Rs.3,600 = Rs.8,400
Balance in Share Forfeiture A/c:
Opened: Rs.18,000
Less debited on reissue (400 shares): Rs.2,400
Less transferred to CR (400): Rs.4,800
Less transferred to CR (200): Rs.3,600

Remaining SF (400 unreissued shares): 400 × Rs.18 = Rs.7,200

Capital Reserve = Rs.8,400; Balance in Share Forfeiture A/c = Rs.7,200

Q21 Amit holds 100 shares of Rs.10 each on which he has paid Re.1 per share as application money. Bimal holds 200 shares of Rs.10 each on which he has paid Re.1 and Rs.2 per share as application and allotment money, respectively. Chetan holds 300 shares of Rs.10 each and has paid Re.1 on application, Rs.2 on allotment and Rs.3 for the first call. They all failed to pay their arrears and the second call of Rs.2 per share and the directors, therefore, forfeited their shares. The shares are reissued subsequently for Rs.11 per share as fully paid. Journalise the transactions.

SOLUTION

Working Notes:

Payment schedule: Application Re.1, Allotment Rs.2, 1st Call Rs.3, 2nd Call Rs.2 (total Rs.8 called so far)

Face = Rs.10; total called up at forfeiture = Re.1 + Rs.2 + Rs.3 + Rs.2 = Rs.8 per share

Amit (100 shares): paid only app Re.1; arrears = allot Rs.2 + 1st call Rs.3 + 2nd call Rs.2 = Rs.7

SC Dr = 100 × Rs.8 = Rs.800; Calls-in-Arrear = 100 × Rs.7 = Rs.700; SF = Rs.100

Bimal (200 shares): paid app Re.1 + allot Rs.2; arrears = 1st call Rs.3 + 2nd call Rs.2 = Rs.5

SC Dr = 200 × Rs.8 = Rs.1,600; Calls-in-Arrear = 200 × Rs.5 = Rs.1,000; SF = Rs.600

Chetan (300 shares): paid app Re.1 + allot Rs.2 + 1st call Rs.3; arrear = 2nd call Rs.2

SC Dr = 300 × Rs.8 = Rs.2,400; Calls-in-Arrear = 300 × Rs.2 = Rs.600; SF = Rs.1,800

Total: SC Dr = Rs.4,800; Calls-in-Arrear = Rs.2,300; SF = Rs.2,500

Total shares = 100 + 200 + 300 = 600

Step 1 — Forfeiture of Amit's 100 shares:

Share Capital A/c Dr	800	—
(100 × Rs.8 called up)		
To Calls-in-Arrear A/c	—	700
(100 × Rs.7)		
To Share Forfeiture A/c	—	100
(100 × Re.1 received)		

Step 2 — Forfeiture of Bimal's 200 shares:

Share Capital A/c Dr	1,600	—
(200 × Rs.8)		
To Calls-in-Arrear A/c	—	1,000
(200 × Rs.5)		
To Share Forfeiture A/c	—	600
(200 × Rs.3 received)		

Step 3 — Forfeiture of Chetan's 300 shares:

Share Capital A/c Dr | 2,400 | —
(300 × Rs.8)
To Calls-in-Arrear A/c | — | 600
(300 × Rs.2)
To Share Forfeiture A/c | — | 1,800
(300 × Rs.6 received)

Total Share Forfeiture A/c = Rs.100 + Rs.600 + Rs.1,800 = Rs.2,500

Step 4 — Reissue of 600 shares at Rs.11 per share fully paid:
Issue price Rs.11 > face Rs.10 → no share forfeiture needed; excess Rs.1 per share to Securities Premium
Bank A/c Dr | 6,600 | —
(600 × Rs.11)
To Share Capital A/c | — | 6,000
(600 × Rs.10)
To Securities Premium A/c | — | 600
(600 × Rs.1 excess over face)

Step 5 — Transfer entire Share Forfeiture to Capital Reserve (all shares reissued):

Share Forfeiture A/c Dr	2,500	—
To Capital Reserve A/c	—	2,500

Capital Reserve = Rs.2,500

Q22 Ajanta Company Limited having a nominal capital of Rs.3,00,000, divided into shares of Rs.10 each offered for public subscription of 20,000 shares payable at Rs.2 on application; Rs.3 on allotment and the balance in two calls of Rs.2.50 each. Applications were received by the company for 24,000 shares. Applications for 20,000 shares were accepted in full and the shares allotted. Applications for the remaining shares were rejected and the application money was refunded. All moneys due were received with the exception of the final call on 600 shares which were forfeited after legal formalities were fulfilled. 400 shares of the forfeited shares were reissued at Rs.9 per share.
Record necessary journal entries and prepare the balance sheet showing the amount transferred to capital reserve and the balance in share forfeiture account.

SOLUTION

Working Notes:
Payment schedule: App Rs.2, Allot Rs.3, 1st call Rs.2.50, Final call Rs.2.50 (total Rs.10 = full face)
Applied 24,000; accepted 20,000; rejected 4,000 (refund)
Final call on 600 shares not paid → forfeited; 400 of those reissued at Rs.9

Forfeiture (600 shares, final call Rs.2.50 not paid):

SC Dr = 600 × Rs.10 = Rs.6,000 (all 4 calls made = full face)
Calls-in-Arrear = 600 × Rs.2.50 = Rs.1,500
Share Forfeiture = Rs.6,000 − Rs.1,500 = Rs.4,500 (= 600 × Rs.7.50 received)

Step 1 — Application (24,000 × Rs.2):

Bank A/c Dr	48,000	—
To Share Application A/c	—	48,000

Share Application A/c Dr	48,000	—
To Share Capital A/c	—	40,000

(20,000 × Rs.2)
To Bank A/c | — | 8,000
(4,000 rejected × Rs.2 refunded)

Step 2 — Allotment (20,000 × Rs.3 = Rs.60,000):

Share Allotment A/c Dr	60,000	—
To Share Capital A/c	—	60,000

Bank A/c Dr	60,000	—
To Share Allotment A/c	—	60,000

Step 3 — First Call (20,000 × Rs.2.50 = Rs.50,000):

Share First Call A/c Dr	50,000	—
To Share Capital A/c	—	50,000

Bank A/c Dr	50,000	—
To Share First Call A/c	—	50,000

Step 4 — Final Call (20,000 × Rs.2.50 = Rs.50,000):

Share Final Call A/c Dr	50,000	—
To Share Capital A/c	—	50,000

Bank A/c Dr | 48,500 | —
(19,400 × Rs.2.50)
Calls-in-Arrear A/c Dr | 1,500 | —
(600 × Rs.2.50)
To Share Final Call A/c | — | 50,000

Step 5 — Forfeiture of 600 shares:
Share Capital A/c Dr | 6,000 | —
(600 × Rs.10)
To Calls-in-Arrear A/c | — | 1,500
(600 × Rs.2.50)
To Share Forfeiture A/c | — | 4,500
(600 × Rs.7.50 received on face)

Step 6 — Reissue of 400 shares at Rs.9 per share fully paid:
Bank A/c Dr | 3,600 | —
(400 × Rs.9)
Share Forfeiture A/c Dr | 400 | —
(400 × Rs.1 discount)
To Share Capital A/c | — | 4,000
(400 × Rs.10)

Step 7 — Transfer to Capital Reserve:
SF for 400 shares = 400 × Rs.7.50 = Rs.3,000
Less: SF debited on reissue = Rs.400
Capital Reserve = Rs.3,000 − Rs.400 = Rs.2,600

Share Forfeiture A/c Dr	2,600	—
To Capital Reserve A/c	—	2,600

Balance Sheet (Extract):
Authorised Capital: 30,000 shares × Rs.10 = Rs.3,00,000
Issued and Subscribed: 20,000 shares × Rs.10 = Rs.2,00,000
Paid-up: 19,800 shares × Rs.10 | — | 1,98,000
(20,000 − 600 forfeited + 400 reissued = 19,800 shares)

Reserves and Surplus:

Capital Reserve	—	2,600
Share Forfeiture A/c (200 unreissued shares: 200 × Rs.7.50 − Rs.0)	—	1,500

Capital Reserve = Rs.2,600; Balance in Share Forfeiture A/c = Rs.1,500

Q23 Journalise the following transactions in the books Bhushan Oil Ltd.:
(a) 200 shares of Rs.100 each issued at a premium of Rs.10 were forfeited for the non-payment of allotment money of Rs.60 per share. The first and final call of Rs.20 per share on these shares were not made. The forfeited shares were reissued at Rs.70 per share as fully paid-up.
(b) 150 shares of Rs.10 each issued at a premium of Rs.4 per share payable with allotment were forfeited for non-payment of allotment money of Rs.8 per share including premium. The first and final calls of Rs.4 per share were not made. The forfeited shares were reissued at Rs.15 per share fully paid-up.
(c) 400 shares of Rs.50 each issued at par were forfeited for non-payment of final call of Rs.10 per share. These shares were reissued at Rs.45 per share fully paid-up.

SOLUTION

PART (a): 200 shares @Rs.100 + Rs.10 premium; allot Rs.60 not paid; call Rs.20 not made; reissued Rs.70

Working Notes:
Total issue price = Rs.110; allot = Rs.60 (incl premium Rs.10; face portion Rs.50); call = Rs.20 (not made)
App = Rs.110 − Rs.60 − Rs.20 = Rs.30 (face; no premium in app)
Called up at forfeiture (call not made): app Rs.30 + allot-face Rs.50 = Rs.80 per share (face)
SC Dr = 200 × Rs.80 = Rs.16,000
Securities Premium Dr = 200 × Rs.10 = Rs.2,000 (premium not received; allotment defaulted)
Calls-in-Arrear (Allotment) = 200 × Rs.60 = Rs.12,000 (net, no excess)
Share Forfeiture = Rs.16,000 + Rs.2,000 − Rs.12,000 = Rs.6,000 (= 200 × Rs.30 app received)

Forfeiture of 200 shares:

Share Capital A/c Dr	16,000	—
Securities Premium A/c Dr	2,000	—
To Calls-in-Arrear (Allotment) A/c	—	12,000
To Share Forfeiture A/c	—	6,000

Reissue at Rs.70 fully paid:
Bank A/c Dr | 14,000 | —
(200 × Rs.70)
Share Forfeiture A/c Dr | 6,000 | —
(200 × Rs.30 discount: Rs.100 − Rs.70)
To Share Capital A/c | — | 20,000
(200 × Rs.100)

Transfer to Capital Reserve:
SF for 200 shares = Rs.6,000; SF debited = Rs.6,000
Capital Reserve = Rs.6,000 − Rs.6,000 = NIL
Share Forfeiture A/c Dr | 0 | — (no balance to transfer)

Capital Reserve (a) = NIL

PART (b): 150 shares @Rs.10 + Rs.4 premium; allot Rs.8 (incl prem Rs.4) not paid; call Rs.4 not made; reissued Rs.15

Working Notes:
Issue price = Rs.14; allot = Rs.8 (face Rs.4 + prem Rs.4); call = Rs.4 (not made)
App = Rs.14 − Rs.8 − Rs.4 = Rs.2 (face only)
Called up at forfeiture (call not made): app Rs.2 + allot-face Rs.4 = Rs.6 per share (face)
SC Dr = 150 × Rs.6 = Rs.900
Securities Premium Dr = 150 × Rs.4 = Rs.600 (not received)
Calls-in-Arrear (Allotment) = 150 × Rs.8 = Rs.1,200
Share Forfeiture = Rs.900 + Rs.600 − Rs.1,200 = Rs.300 (= 150 × Rs.2 app received)

Forfeiture of 150 shares:

Share Capital A/c Dr	900	—
Securities Premium A/c Dr	600	—
To Calls-in-Arrear (Allotment) A/c	—	1,200
To Share Forfeiture A/c	—	300

Reissue at Rs.15 per share fully paid (above face Rs.10):
Bank A/c Dr | 2,250 | —
(150 × Rs.15)
To Share Capital A/c | — | 1,500
(150 × Rs.10)
To Securities Premium A/c | — | 750
(150 × Rs.5 excess over face)

Transfer Share Forfeiture to Capital Reserve (all reissued, no discount):

Share Forfeiture A/c Dr	300	—
To Capital Reserve A/c	—	300

Capital Reserve (b) = Rs.300

PART (c): 400 shares @Rs.50 at par; final call Rs.10 not paid; reissued Rs.45

Working Notes:
Face = Rs.50; no premium; final call Rs.10 not paid
Full face called at forfeiture: SC Dr = 400 × Rs.50 = Rs.20,000
Calls-in-Arrear (Final Call) = 400 × Rs.10 = Rs.4,000
Share Forfeiture = Rs.20,000 − Rs.4,000 = Rs.16,000 (= 400 × Rs.40 received)

Forfeiture of 400 shares:

Share Capital A/c Dr	20,000	—
To Calls-in-Arrear (Final Call) A/c	—	4,000
To Share Forfeiture A/c	—	16,000

Reissue at Rs.45 fully paid (below face):
Bank A/c Dr | 18,000 | —
(400 × Rs.45)
Share Forfeiture A/c Dr | 2,000 | —
(400 × Rs.5 discount)
To Share Capital A/c | — | 20,000
(400 × Rs.50)

Transfer to Capital Reserve:
SF balance = Rs.16,000 − Rs.2,000 = Rs.14,000

Share Forfeiture A/c Dr	14,000	—
To Capital Reserve A/c	—	14,000

Capital Reserve (c) = Rs.14,000

Summary: Capital Reserve = (a) NIL (b) Rs.300 (c) Rs.14,000

Q24 Amisha Ltd. invited applications for 40,000 shares of Rs.100 each at a premium of Rs.20 per share. Amount payable on application Rs.40; on allotment Rs.40 (Including premium); on first call Rs.25 and second and final call Rs.15.
Applications were received for 50,000 shares and allotment was made on pro-rata basis. Excess money on application was adjusted against the sums due on allotment.
Rohit to whom 600 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment. Ashmita, who applied for 1,000 shares failed to pay the two calls and her shares were forfeited after the second call. Of the shares forfeited, 1,200 shares were sold to Kapil for Rs.85 per share as fully paid, the whole of Rohit's shares being included.
Record necessary journal entries.

SOLUTION

Working Notes:
Face = Rs.100; premium = Rs.20; issue price = Rs.120
App Rs.40 (face only, no premium); Allot Rs.40 (incl premium Rs.20; face Rs.20); 1st call Rs.25; 2nd&final Rs.15
Face total = 40+20+25+15 = Rs.100 ✓

Pro-rata: 40,000 allotted / 50,000 applied = 4 : 5

Rohit: allotted 600 → applied for 600 × 5/4 = 750 shares
Excess app = (750 − 600) × Rs.40 = 150 × Rs.40 = Rs.6,000

Allotment due = 600 × Rs.40 = Rs.24,000; less excess Rs.6,000 = Rs.18,000 net (NOT paid)
Rohit forfeited after allotment
SC called at forfeiture (face): app Rs.40 + allot-face Rs.20 = Rs.60 per share
SC Dr = 600 × Rs.60 = Rs.36,000
Securities Premium Dr = 600 × Rs.20 = Rs.12,000 (premium not received)
Calls-in-Arrear (Allotment net) = Rs.18,000
Share Forfeiture (Rohit) = Rs.36,000 + Rs.12,000 − Rs.18,000 = Rs.30,000
(= total received: app 750 × Rs.40 = Rs.30,000; excess Rs.6,000 adj to defaulted allot)

Ashmita: applied 1,000 → allotted 1,000 × 4/5 = 800 shares
Excess app = (1,000 − 800) × Rs.40 = 200 × Rs.40 = Rs.8,000
Allotment due = 800 × Rs.40 = Rs.32,000; less excess Rs.8,000 = Rs.24,000 cash (PAID)
1st call = 800 × Rs.25 = Rs.20,000 NOT paid; 2nd call = 800 × Rs.15 = Rs.12,000 NOT paid
Ashmita forfeited after 2nd call; full face called
SC Dr = 800 × Rs.100 = Rs.80,000
Calls-in-Arrear = 800 × (Rs.25 + Rs.15) = 800 × Rs.40 = Rs.32,000
Share Forfeiture (Ashmita) = Rs.80,000 − Rs.32,000 = Rs.48,000
(= 800 × Rs.60 received on face: app Rs.40 + allot-face Rs.20)

Total forfeited = Rohit 600 + Ashmita 800 = 1,400 shares
Reissued to Kapil: 1,200 shares at Rs.85 (Rohit's 600 + 600 from Ashmita's 800)
SF for 600 Ashmita shares = 600 × (Rs.48,000 / 800) = 600 × Rs.60 = Rs.36,000

Step 1 — Application (50,000 × Rs.40 = Rs.20,00,000):

Bank A/c Dr	20,00,000	—
To Share Application A/c	—	20,00,000

Share Application A/c Dr	20,00,000	—
To Share Capital A/c	—	16,00,000

(40,000 × Rs.40)
To Share Allotment A/c | — | 4,00,000
(10,000 excess shares × Rs.40 adj to allotment)

Step 2 — Allotment (40,000 × Rs.40 = Rs.16,00,000):

Share Allotment A/c Dr	16,00,000	—
To Share Capital A/c	—	8,00,000

(40,000 × Rs.20 face portion of allotment)
To Securities Premium A/c | — | 8,00,000
(40,000 × Rs.20 premium)

Bank A/c Dr | 12,00,000 | —
(Rs.16,00,000 − Rs.4,00,000 excess already adjusted)

To Share Allotment A/c | — | 12,00,000

Step 3 — Forfeiture of Rohit's 600 shares (after allotment):
Share Capital A/c Dr | 36,000 | —
(600 × Rs.60 face called: app Rs.40 + allot-face Rs.20)
Securities Premium A/c Dr | 12,000 | —
(600 × Rs.20 premium not received)
To Calls-in-Arrear (Allotment) A/c | — | 18,000
(net allotment unpaid: Rs.24,000 − Rs.6,000 excess)
To Share Forfeiture A/c | — | 30,000
(total received: 750 × Rs.40 = Rs.30,000)

Step 4 — First Call (40,000 − 600 forfeited = 39,400 shares × Rs.25):

Share First Call A/c Dr	9,85,000	—
To Share Capital A/c	—	9,85,000

Bank A/c Dr | 9,65,000 | —
(38,600 shares × Rs.25; Ashmita 800 × Rs.25 = Rs.20,000 in arrear)
Calls-in-Arrear A/c Dr | 20,000 | —
(Ashmita 800 × Rs.25)
To Share First Call A/c | — | 9,85,000

Step 5 — Second and Final Call (39,400 shares × Rs.15):

Share Final Call A/c Dr	5,91,000	—
To Share Capital A/c	—	5,91,000

Bank A/c Dr | 5,79,000 | —
(38,600 × Rs.15)
Calls-in-Arrear A/c Dr | 12,000 | —
(Ashmita 800 × Rs.15)
To Share Final Call A/c | — | 5,91,000

Step 6 — Forfeiture of Ashmita's 800 shares (after 2nd call):
Share Capital A/c Dr | 80,000 | —
(800 × Rs.100)
To Calls-in-Arrear A/c | — | 32,000
(800 × Rs.40: 1st call + 2nd call)
To Share Forfeiture A/c | — | 48,000
(800 × Rs.60 received on face)

Step 7 — Reissue of 1,200 shares to Kapil at Rs.85 per share fully paid:
Bank A/c Dr | 1,02,000 | —
(1,200 × Rs.85)
Share Forfeiture A/c Dr | 18,000 | —

(1,200 × Rs.15 discount: Rs.100 − Rs.85)
To Share Capital A/c | — | 1,20,000
(1,200 × Rs.100)

Step 8 — Transfer to Capital Reserve:
SF for Rohit's 600 shares = Rs.30,000
SF for 600 of Ashmita's shares = 600 × Rs.60 = Rs.36,000
Total SF for 1,200 reissued shares = Rs.30,000 + Rs.36,000 = Rs.66,000
Less: SF debited on reissue (discount) = Rs.18,000
Capital Reserve = Rs.66,000 − Rs.18,000 = Rs.48,000

Share Forfeiture A/c Dr	48,000	—
To Capital Reserve A/c	—	48,000

Balance in Share Forfeiture A/c (200 Ashmita shares not reissued):
200 × Rs.60 = Rs.12,000

Capital Reserve = Rs.48,000; Balance in Share Forfeiture A/c = Rs.12,000