

Corporate Accounting

SELF STUDY APPROACH

For

B.Com. 2nd Semester (Regular)

B.Com. 2nd Year (Non Collegiate & S.O.L.)

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Price: Rs. 800.00

B.Com.**Corporate Accounting****Duration: 3 Hours****Maximum Marks: 75****Syllabus****Objective:-**

To make the student familiar with corporate accounting procedures.

Unit-I

- (i) Accounting for share capital – Issue, forfeiture and Reissue of forfeited shares.
- (ii) Redemption of preference shares including buy-back of equity shares.
- (iii) Issue and Redemption of Debentures

Unit- II

Final Accounts of Limited Liability Companies: Preparation of Statement of Profit & Loss and Balance Sheet in accordance with the provisions of the existing Companies Act (Excluding Managerial Remuneration).

Unit- III

- (i) Accounting for Amalgamation of Companies with reference to Accounting Standard-14 issued by the Institute of Chartered Accountant of India (excluding inter-company transactions and holdings).
- (ii) Accounting for Internal Reconstruction (excluding preparation of scheme for internal reconstruction).

Unit-IV

Cash Flow Statements: Meaning, Usefulness, Preparation of a cash flow statement in accordance with Accounting Standard 3(Revised) issued by the Institute of Chartered Accountants of India. (Only indirect method), Limitations of cash flow statement.

Unit-V

Financial Statements Analysis: Meaning and objectives, Techniques of Analysis, Ratio Analysis: Advantages, significance and limitations - Liquidity Ratios: Current Ratio, Acid Test Ratio. Solvency Ratios: Debt-equity Ratio, Capital gearing Ratio, Interest Coverage Ratio, proprietary ratio. Profitability Ratios related to sales: Gross profit Ratio, Net Profit Ratio, Operating profit ratio, Profitability Ratios related to investments: Return on total assets (ROTA), Return on investment (ROI), Return on equity (ROE), Return on equity share holders fund, EPS, DPS and Price – earnings ratio. Activity Ratios: Stock turnover Ratio and Debtors turnover Ratio.

- Unit 1** **Shares and Debentures**
Chapter 1 **Accounting for Share Capital**
Issue of Shares
Forfeiture of Shares
Re-issue of Forfeited Shares
Chapter 2 **Redemption of Preference Shares**
Buy-Back of Equity Shares
Chapter 3 **Debentures**
Issue of Debentures
Redemption of Debentures
- Unit 2** **Final Accounts of Companies**
[As Per Schedule III]
- Unit 3** **Accounting for Amalgamation as per AS- 14**
Amalgamation in Nature of Merger
Amalgamation in Nature of Purchase
Accounting for Internal Reconstruction
- Unit 4** **Cash Flow Statements [Indirect Method only] as per AS- 3**
Meaning
Usefulness
Limitation
- Unit 5** **Ratio Analysis**
Advantages, Significance and Limitations
Liquidity Ratios/ Short Term Solvency Ratio: -
Current Ratio and
Quick Ratio/ Liquid Ratio/ Acid Test Ratio
Solvency Ratios: -
Debt- Equity Ratio
Proprietary Ratio
Capital Gearing Ratio
Interest Coverage Ratio
Profitability Ratio: -
Gross Profit; Net Profit; Operating Profit Ratio
Return on Investment Ratio (ROI)
Return on Total Assets Ratio (ROTA)
Return on Equity (ROE)
Return on Equity Shareholder Fund
Earning Per Share (EPS)
Dividend Per Share (DPS)
Price Earnings Ratio (PE)
Activity Ratio / Turnover Ratio: -
Stock Turnover Ratio
Debtors Turnover Ratio
Financial Statements Analysis: -
Meaning and Objectives
Techniques of Analysis

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Issue, Forfeiture and Reissue of Forfeited Shares

Company: -

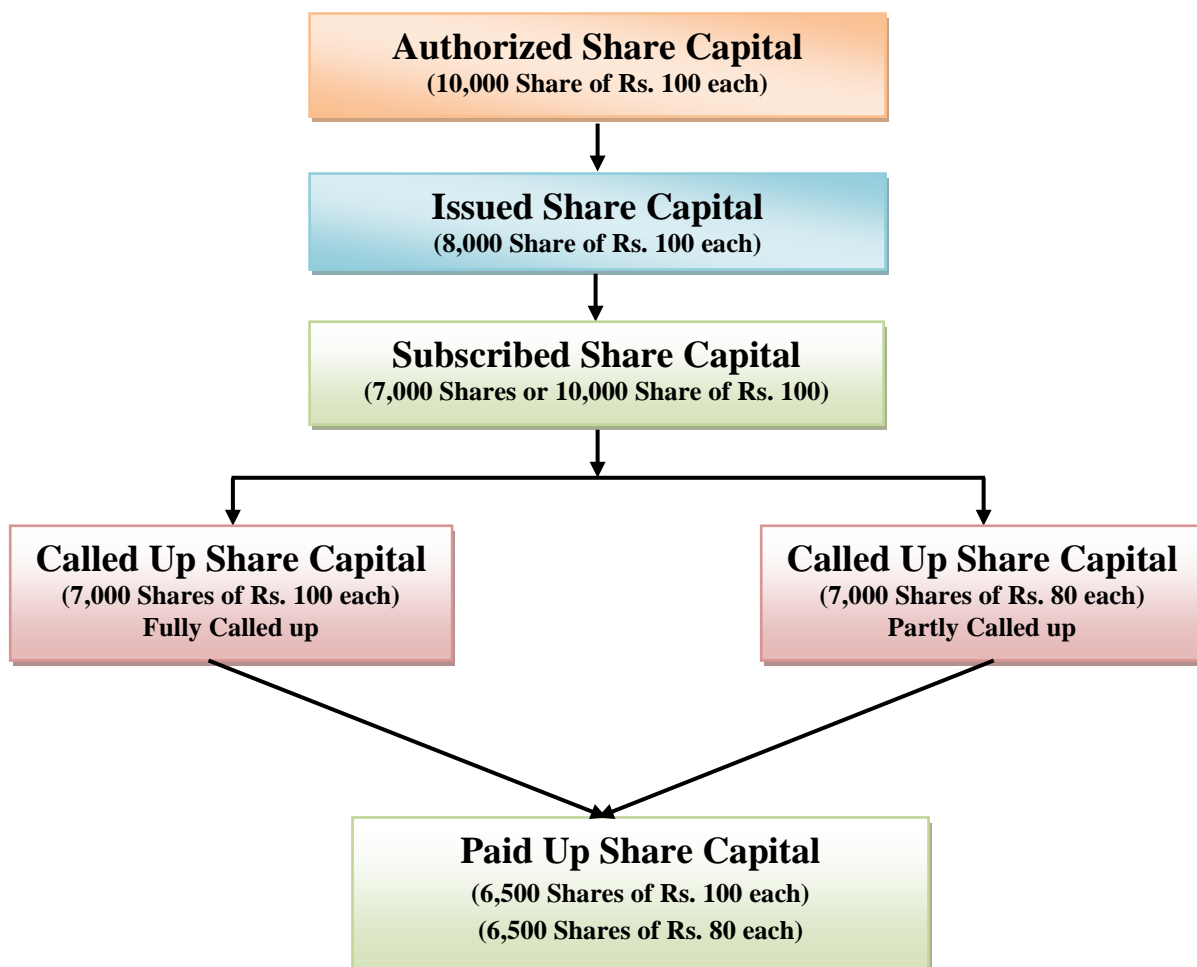
As per section 2 (20) of companies Act 2013 “company” means a company incorporated under this Act or under any previous company law. A company is an artificial person existing in the eyes of law and distinct from its members. It has a Share Capital divided into “shares”; the owner of this share is called member or Shareholder of the company.

Meaning of Share Capital: -

Share capital means the capital raised by a company by issue of Shares. The amounts invested by the shareholders towards the face value of shares are collectively known as Share Capital. The share capital of a company limited by shares shall be of two kinds, namely:-

- (a) Equity share capital
 - (i) With voting rights; or
 - (ii) With differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed; and
- (b) Preference share capital:

From accounting point of view, Share Capital can be classified as follows: -



1. Authorized Share Capital: –

As per section 2 (8) of companies Act 2013 “authorized capital” or “nominal capital” means such capital as is authorized by the memorandum of a company to be the maximum amount of share capital of the company. It means it is maximum capital of a company which may be raised by issue of shares.

2. Issued Share Capital: –

As per section 2 (50) of companies Act 2013 “issued capital” means such capital as the company issues from time to time for subscription. It is that part of authorized capital which is offered by the company for subscription of shares.

3. Subscribed Share Capital: –

As per section 2 (86) of companies Act 2013 “subscribed capital” means such part of the capital which is for the time being subscribed by the members of a company.

4. Called up Share Capital: –

As per section 2 (15) of companies Act 2013 “called-up capital” means such part of the capital, which has been called for payment.

5. Paid– up Share Capital: –

As per section 2 (64) of companies Act 2013 “paid-up share capital” or “share capital paid-up” means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid up in respect of shares issued.

Disclosure of Share Capital in Company’s Balance Sheet

Notes to Accounts

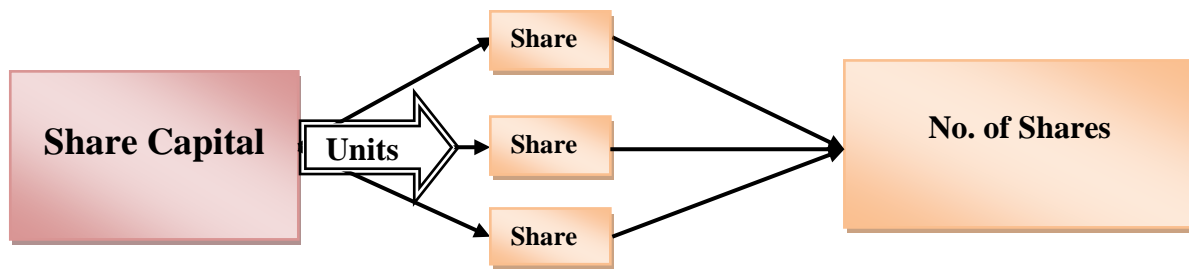
	Particulars	Figures for the Current Reporting Period	Figures for the Previous Reporting Period
1.	<p>Share Capital</p> <p>Equity Share Capital: Authorized share Capital Equity shares of Rs. each Issued, Subscribed and Fully Paid Equity shares of Rs. Each fully paid Issued, Subscribed and Partly Paid, if any Equity shares of Rs. each Rs. paid up Calls unpaid (Calls-in- arrear) Forfeited Shares</p> <p>Preference Share Capital: Authorized share Capital Preference shares of Rs. each Issued, Subscribed and Fully Paid Preference shares of Rs. Each fully paid up Issued, Subscribed and Partly Paid, if any Preference shares of Rs. each Rs. paid up Calls unpaid(Calls-in- arrear) Forfeited Shares</p> <p style="text-align: right;">Total</p>		

Note: - If Shares are forfeited than such No. of Share are deducted from Subscribed Capital

Forfeited shares Account is added to the paid up share capital under the head Share Capital of the head Shareholders’ fund in the Equity and Liability part of the Balance Sheet.

Meaning of Shares: -

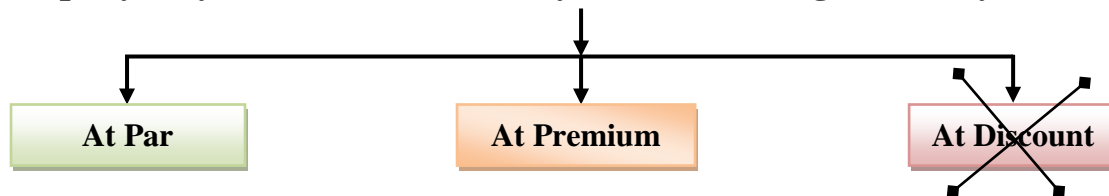
According to Section 2(84) of the Companies Act 2013, a Share means a share in the share capital and includes stocks. Total Capital of a company is divided into units of small denomination called a Share.



According to Section 43 of the Companies Act 2013 a company may issue following two types of Shares:

- (a) Equity Shares
 - (i) With voting rights; or
 - (ii) With differential rights as o dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed.
- (b) Preference Shares

A company may issue its Shares in any of the following three ways: -



Face Value/ Nominal Value of Shares: – Value which is written on the Face of Shares Certificates is called Face value of Shares.

Issue Price of Shares: – Price which Collect by the company from the public for its shares is called Issue price of Shares. It is the Consideration of issue of Shares

Issue of Shares at Par: – When shares are issued at its Face Value it is called Shares issued at Par. In this case Face Value of share is equal to its issue Price



Issue of Shares at Premium [Section 52]: – When shares are issued at more than its Face Value it is called issue of shares at Premium. A company can charge any amount as premium money. It depends on the goodwill of the company to charge the amount of premium.



Premium = [Issue Price – Face Value] = 15 – 10 = Rs. 5

Issue of Shares at Discount: – When shares are issued at less than its Face Value it is called issue of shares at Discount. Section 53 of the Companies Act 2013 prohibits the issue of shares other than sweat equity shares at discount. Any shares issued by the company at a discounted price shall be void except as provided in Section 54, for issue of Sweat Equity Shares.



Discount = [Face Value – Issue Price] = 10 – 9 = Rs.1

As per section 2 (88) of companies Act 2013 “sweat equity shares” means such equity shares as are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

Minimum Subscription

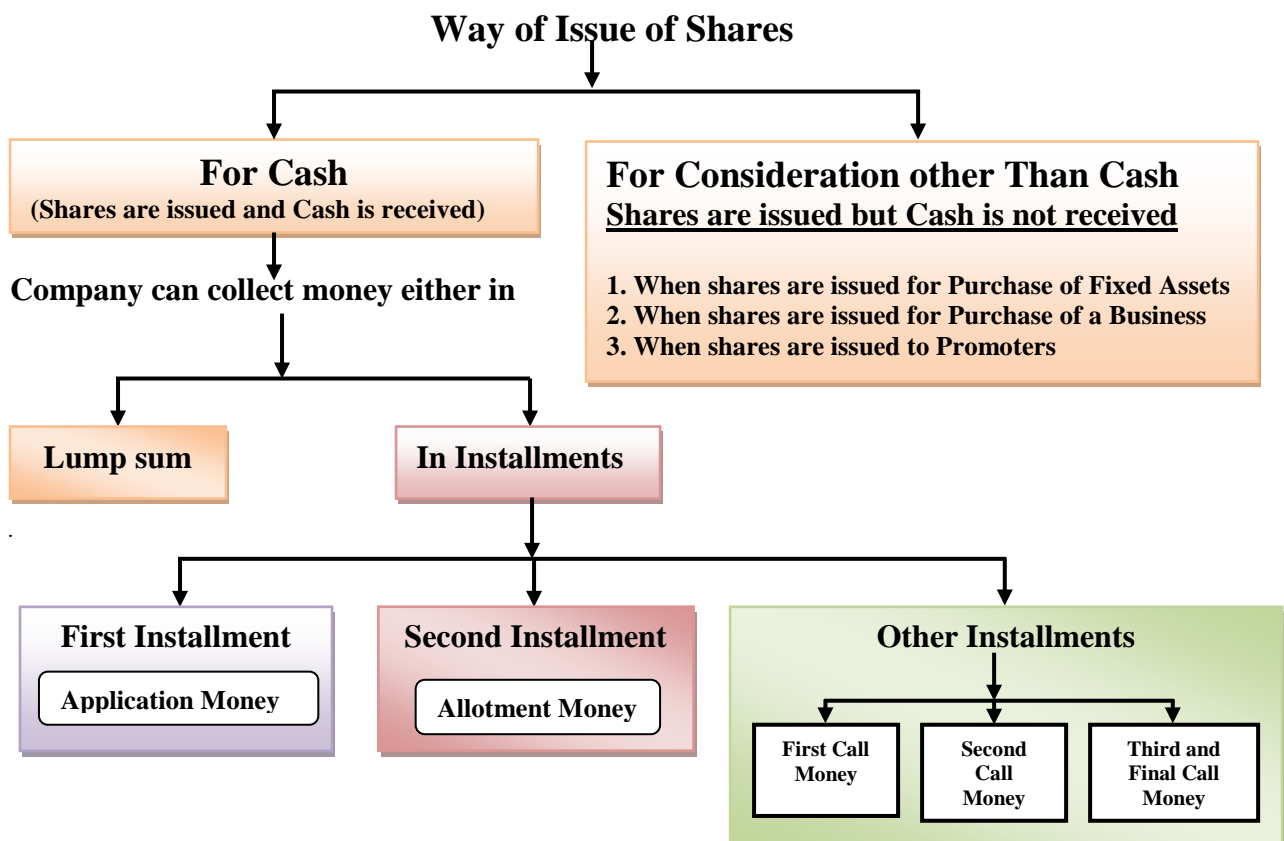
Section 39(1) of the Companies Act 2013 provides that a public limited company cannot make any allotment of shares unless the company receives minimum subscription which is stated in prospectus. The amount minimum subscription which is disclosed in the prospectus by the Board of Directors after taking effect of followings:-

1. Preliminary Expenses of the company
2. Commission Payable on issue of shares
3. Cost of Fixed Assets purchased or to be purchased
4. Working Capital Requirement of the company
5. Any other expenditure for the day to day operation of the business.

As per Securities Exchange Board of India (SEBI) a company must receive a minimum of 90 % subscription against the entire issue before making any allotment of Shares or Debentures to the public

If the company does not receive the minimum subscription the entire subscription will be refunded to the applicants.

A company can issue its Share for “Cash” or “For Consideration other than Cash”:



Journal Entry when a company collects money in Lump Sum:-

When Shares are issued “at Par”

- When Application Money Received: –

Bank A/c.....Dr.
To Share Application & Allotment A/c

$$\text{Total No. of Shares applied} \times \text{Issued Price per Share}$$

- When Shares are Allotted and application money transferred to Share Capital A/c

Share Application & Allotment A/c.....Dr.
To Share Capital A/c

$$\text{No. of Share issued} \times \text{Issued Price per Share}$$

When Shares are issued “at Premium”

- When Application Money Received: –

Bank A/c.....Dr.
To Share Application & Allotment A/c

$$\text{Total No. of Shares applied} \times \text{Issued Price per Share}$$

- When Shares are Allotted and application money transferred to Share Capital A/c

Share Application & Allotment A/c.....Dr.
To Share Capital A/c

$$\text{No. of Share issued} \times \text{Face value of each Share}$$

$$\text{To Securities Premium A/c} \quad \text{No. of Share issued} \times \text{Premium Value of each share}$$

When Shares are issued “at Discount”

- When Application Money Received: –

Bank A/c.....Dr.
To Share Application & Allotment A/c

$$\text{Total No. of Shares applied} \times \text{Issued Price per Share}$$

- When Shares are Allotted and application money transferred to Share Capital A/c

Share Application & Allotment A/c.....Dr.
Discount on Issue of Shares A/c.....Dr. (No of Shares issued × Rate of Discount per Share)

$$\text{To Share Capital A/c} \quad \text{No. of Share issued} \times \text{Face value of each Share}$$

Issued at Par	Issued at Premium	Issued at Discount
Bank A/c.....Dr. To Share Capital A/c	Bank A/c.....Dr. To Share Capital A/c To Security Premium Reserve A/c	Bank A/c.....Dr. Discount on Issue of Shares A/c.....Dr. To Share Capital A/c

<p>Journal Entry for “Expenses on Issue of Shares”</p> <p>Cost of Issue of Shares A/c..... Dr. To Bank A/c</p>	<p>Journal Entry for “Underwriting Commission”</p> <p>Case I:- If it is paid in Cash Underwriting Commission A/c..... Dr. To Bank A/c</p> <p>Case II:- If it is paid in terms of Shares Underwriting Commission A/c..... Dr. To Share Capital A/c</p>
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Underwriting Commission & Expenses on Issue of Shares are adjusted from Security Premium Reserve if there is a balance in Security Premium Reserve. And after adjustment of these expenses if there is still balance then the balance amount is shown under the sub heading Other Current Assets

Q.1
(a)

Innovative Ltd. issued 20,000 equity shares of Rs.10 each at par on 1st April 2014. The whole of the amount was payable on application. The public applied for all the shares by 31st July 2014 and shares were allotted on 20th August. The Cost of issue of Shares is Rs. 5,000. Pass the necessary journal entry in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 31 st July	Bank A/c To Share Application A/c	Dr.	2,00,000	2,00,000
20 th August	Share Application A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
20 th August	Cost of issue of Shares A/c To Bank A/c	Dr.	5,000	5,000

(ii)

Innovative Ltd. issued 20,000 equity shares of Rs.10 each at a premium of Rs. 5 per share on 1st April 2014. The whole of the amount was payable on application. The public applied for all the shares by 31st July 2014 and shares were allotted on 20th August. Pass the necessary journal entry in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 31 st July	Bank A/c To Share Application A/c	Dr.	3,00,000	3,00,000
20 th August	Share Application A/c To Share Capital A/c To Security Premium A/c	Dr.	3,00,000	2,00,000 1,00,000

(iii)

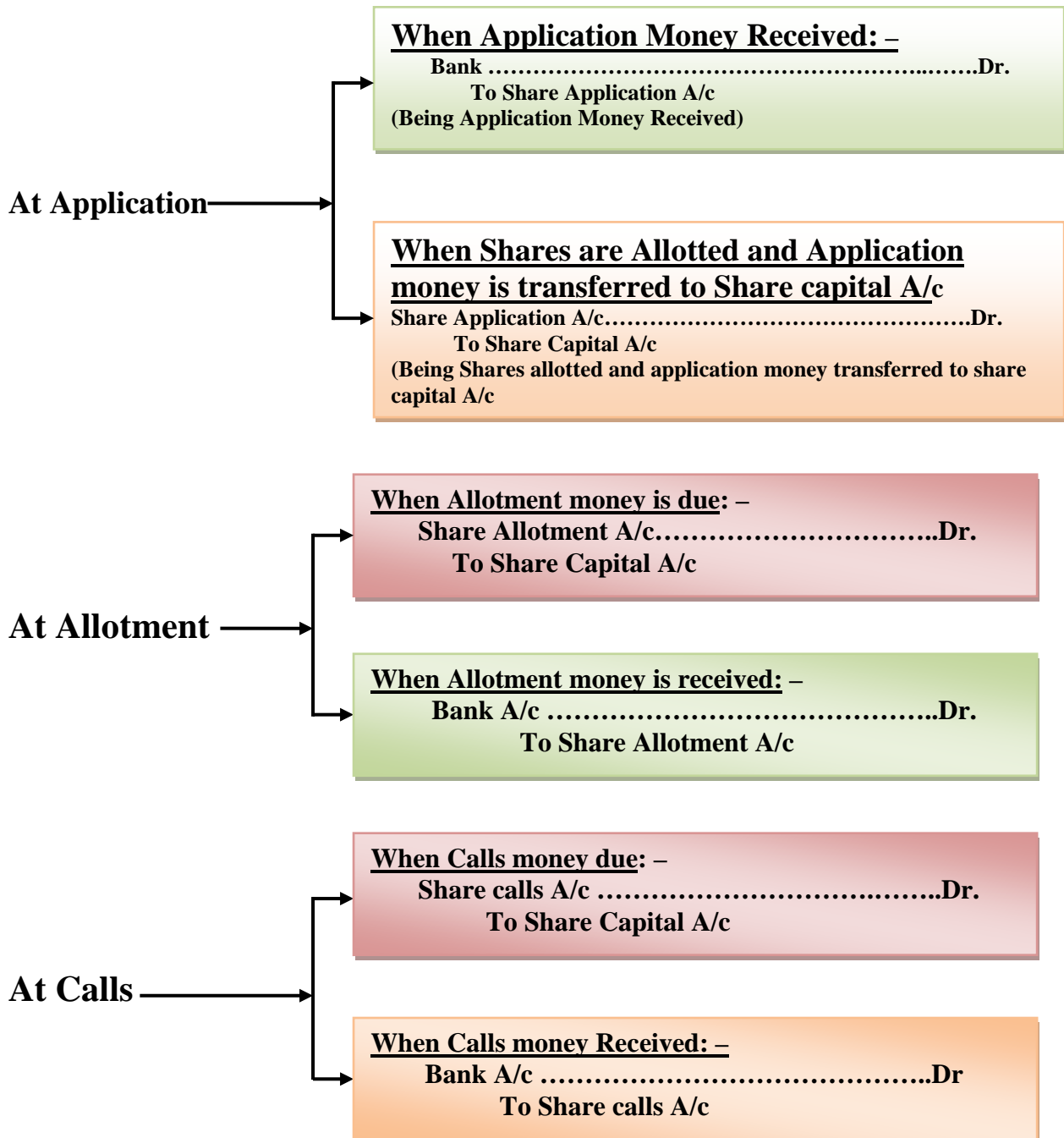
Innovative Ltd. issued 20,000 equity shares of Rs.10 each at a discount of 10% on 1st April 2014. The whole of the amount was payable on application. The public applied for the entire share by 31st July 2014 and shares were allotted on 20th August. Underwriting Commission amounted to Rs. 2,000 is paid by the company. Pass the necessary journal entry in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 31 st July	Bank A/c To Share Application A/c	Dr.	1,80,000	1,80,000
20 th August	Share Application A/c Discount on issue of Share A/c To Share Capital A/c	Dr. Dr.	1,80,000 20,000	2,00,000
20 th August	Underwriting Commission A/c To Bank A/c	Dr.	2,000	2,000

Journal Entry when a company collects money in Installments:-

WHEN SHARES ARE ISSUED “at Par”



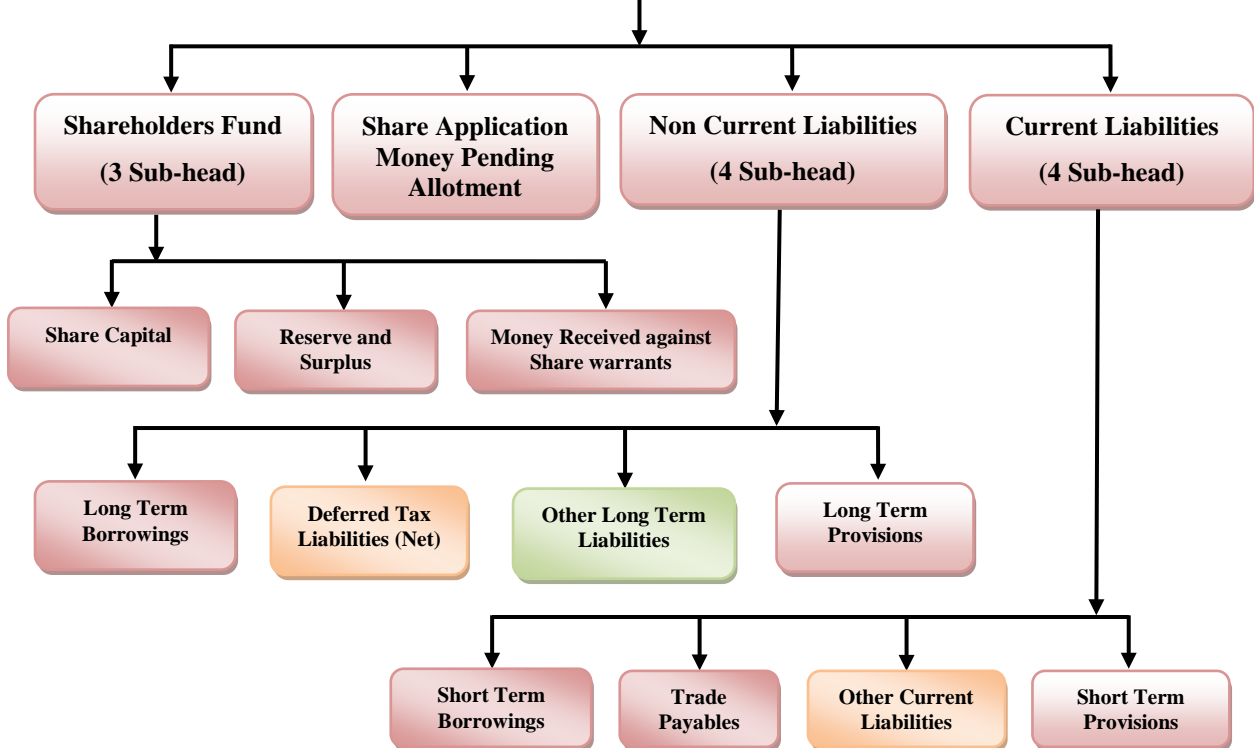
When in Question it is clearly given to make entries in Cash Book then “all entries related with Bank A/c will be shown separately in Bank Column of Cash Book” and not in Journal so in that case, Cash Book and Journal both are prepared.

Format of Cash Book (Bank Column only)

Date	Particulars	Rs.	Date	Particulars	Rs.
	To Share Application A/c (Application Money Received)	XXXX		By Share Application A/c (Application Money Refund in case of Oversubscription)	XXXX
	To Share Allotment A/c (Allotment Money Received)	XXXX		By Underwriting commission A/c (if any)	XXXX
	To Share First Call A/c (First Call Money Received)	XXXX		By Cost of issue of Share A/c (if any)	
	To Share Final Call A/c (Final Call Money Received)	XXXX		By Balance c/d	Balancing Figure
		Total			Total
	To Balance b/d	Balancing Figure			

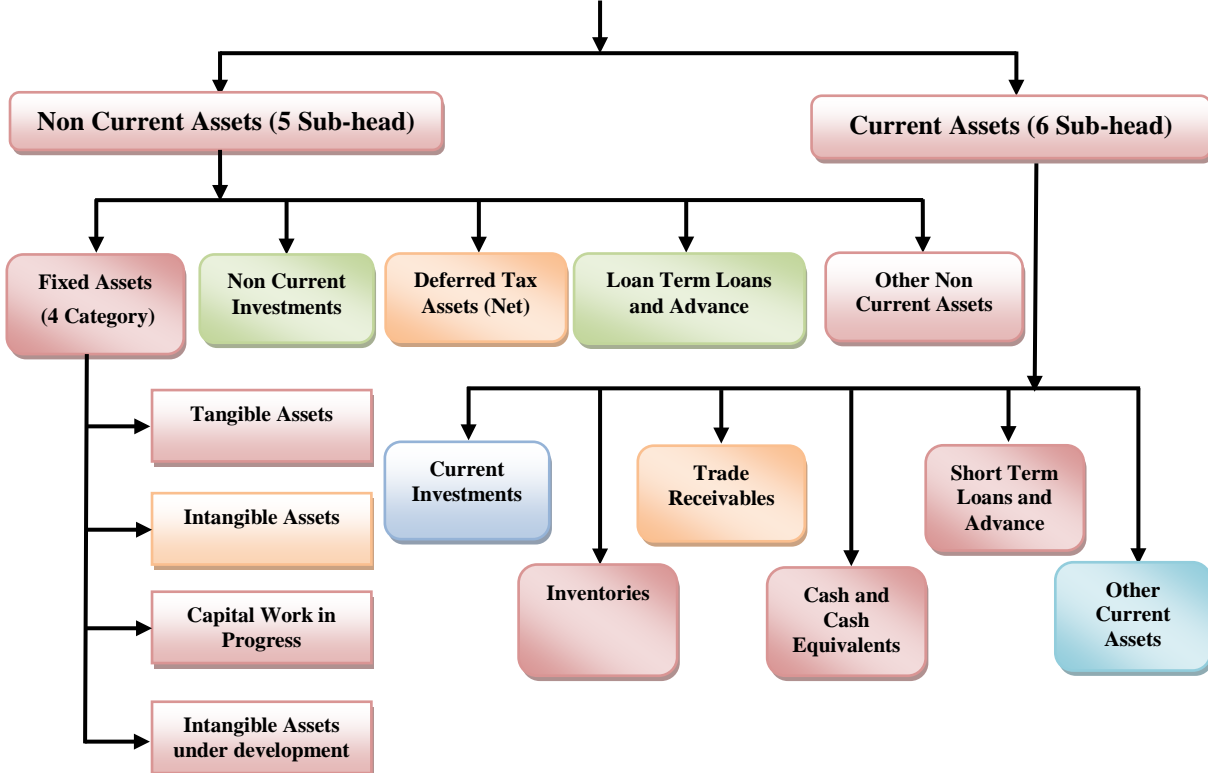
Equity and Liabilities are classified as **Per Schedule III of Companies Act 2013** in following types: –

Equity and Liabilities [4 Major head]



Assets are classified as **Per Schedule III of Companies Act 2013** in following types:-

Assets [2 Major head]



Non Current Assets: -

Non Current Assets are those assets which are held by a business from a long period of time for long point of view. They are not held for the purpose of resell but they are held either as investment or to facilitate in operating business.

Format of Balance Sheet

	Particulars	Notes	
I	<p>EQUITY AND LIABILITIES</p> <p>1. Shareholders' Fund: (a) Share capital (b) Reserves and surplus (c) Money received against share warrants</p> <p>2. Share application money pending allotment</p> <p>3. Non –current liability (a) Long-term borrowings (b) Deferred tax liability (Net) (c) Other Long term liabilities (d) Long-term provisions</p> <p>4. Current liability (a) Short-term borrowings (b) Trade payables (c) Other Current liabilities (d) Short –term Provision</p> <p style="text-align: right;">TOTAL</p>		
II	<p>ASSETS</p> <p>1. Non-current assets (a) Fixed assets (i) Tangible assets (ii) Intangible assets (iii) Capital work-in-progress (iv) Intangible assets under development (b) Non-current investments (c) Deferred tax assets (d) Loan Term Loan and Advances (e) Other non-current assets</p> <p>2. Current assets (a) Current investments (b) Inventories (c) Trade receivables (d) Cash and cash equivalents (e) Short –term loans and advances (f) Other current assets</p> <p style="text-align: right;">TOTAL</p>		

In lack of specific information investments means Non-current investments.

Q.2 (i)

Innovative Ltd. was formed with an authorized capital of 1,00,000 equity shares of Rs. 10 each. It issue 50,000 equity shares at par payable as; on Application Rs. 3, on Allotment Rs 3, on First call Rs. 2, and balance on Second & Final call. All the shares are subscribed and amounts duly received by the company. Pass the necessary Journal entries.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		1,50,000	1,50,000
	Share Application A/c Dr. To Share Capital A/c		1,50,000	1,50,000
	Share Allotment A/c Dr. To Share Capital A/c		1,50,000	1,50,000
	Bank A/c Dr. To Share Allotment A/c		1,50,000	1,50,000
	Share First Call A/c Dr. To Share Capital A/c		1,00,000	1,00,000
	Bank A/c Dr. To Share First Call A/c		1,00,000	1,00,000
	Share Second & Final Call A/c Dr. To Share Capital A/c		1,00,000	1,00,000
	Bank A/c Dr. To Share Second & Final Call A/c		1,00,000	1,00,000

(ii)

Innovative Ltd. was formed with an authorized capital of 1,00,000 equity shares of Rs. 10 each. It issued 50,000 equity shares at par payable as; on Application Rs. 3, on Allotment Rs. 3, on First call Rs. 2, and balance on Second & Final call. All the shares are subscribed and amounts duly received. **Give the necessary Entries in Cash Book and Journal to record the transactions and show the company's Balance Sheet with relevant information only.** The expenses on issue of shares are Rs. 5,000.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Application A/c Dr. To Share Capital A/c		1,50,000	1,50,000
	Share Allotment A/c Dr. To Share Capital A/c		1,50,000	1,50,000
	Share First Call A/c Dr. To Share Capital A/c		1,00,000	1,00,000
	Share Second & Final Call A/c Dr. To Share Capital A/c		1,00,000	1,00,000

Cash Book (Bank Column only)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	1,50,000	By Cost of issue of Share A/c	5,000
To Share Allotment A/c	1,50,000	By Balance c/d	4,95,000
To Share First Call A/c	1,00,000		
To Share Second & Final Call A/c	1,00,000		
	5,00,000		5,00,000

Innovative Ltd.
Balance Sheet as at

	Particulars	Note	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	5,00,000
	Total Equity & Liabilities		5,00,000
II	ASSETS		
	Current assets		
	(a) Cash and cash equivalents	2	4,95,000
	(b) Other current assets	3	5,000
	Total Assets		5,00,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	
1,00,000 Equity Shares of Rs. 10 each	10,00,000
Issued and Subscribed:	
50,000 Equity Shares of Rs. 10 each	5,00,000
2. Cash and Cash Equivalents	
Cash at Bank	4,95,000
3. Other current assets	
Cost of issue of share	5,000

Shares are issued "at Premium"

If Question is silent that when premium money is collected from the Shareholders, then it is assumed that it is collected at the time of Allotment of Shares

Premium on Issue of Shares is the Profit for the Company and so it is shown under the head Reserve and Surplus in the Equity & Liabilities side of the Balance Sheet

When Shares are issued at Premium:-

Face value of Shares is Rs. 10 and Issue Price is Rs. 15 it means Shares are issued at premium of Rs. 5 ; Company receive Rs. 3 on Application Rs. 8 on Allotment and Rs. 4 on First and Final Call

	Face Value	Issue Price or Price Received
→ Application	3	3
→ Allotment	3	8 (3 +5)
→ Final Call	↔ 4 / 10 ↔	↔ 4 / 15 ↔

When Premium Money is collected at the time of Allotment:-

- When Allotment Money is due along with premium money :-

Share Allotment A/c.....Dr. No. of shares Allotted × Price Received for Allotment of each Share

To Share Capital A/c No. of Share Allotted × Face value for Allotment of each Share

To Securities Premium A/c No. of Share Allotted × Premium Value of each share

- When Allotment Money is Received along with premium money: –

Bank A/c.....Dr.
To Share Allotment A/c

No. of shares on which allotted money received × Rate of Allotment including Premium if any

When Premium Money is collected at the time of Application:-

- When Application Money is Received along with premium money: –

Bank A/c.....Dr.
To Share Application A/c

Total No. of Shares Applied × Rate of Application including Premium if any

- When Shares are Allotted and Application money is transferred to Share Capital and securities premium A/c :-

Share Application A/c.....Dr.
To Share Capital A/c

No. of Share issued × Face value for Application of each Share

To Securities Premium A/c No. of Share issued × Premium Value of each share

According to Section 52 (2) of the companies Act, the amount of Securities Premium A/c can be used for the purpose of

- **In issuing fully paid Bonus Shares to members.**
- **In writing off the Preliminary Expenses of the Company**
- **In writing off the expenses of or the Commission paid or Discount allowed on, any issue of shares or Debentures of the Company.**
- **In providing for the Premium payable on the redemption of any redeemable Preference Shares or any Debentures of the Company**
- **To buy back own shares or other Securities as per Section 68 of the Companies Act 2013.**

Q.3 (i)

Innovative Ltd. issued 10,000 Shares of Rs. 10 each at a premium of Rs. 2 per Shares payable as; Rs. 3 on Application; Rs. 6 on Allotment, and Rs. 3 on First & Final Call. All Shares were applied for and duly allotted. All money due are fully received. Underwriting Commission amounted to Rs.10,000 paid in Cash. Pass necessary Journal Entries.

**In the books of Innovative Ltd.
Journal Entry**

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c To Share Application A/c	Dr.	30,000	30,000
	Share Application A/c To Share Capital A/c	Dr.	30,000	30,000
	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	60,000	40,000 20,000
	Bank A/c To Share Allotment A/c	Dr.	60,000	60,000
	Share First & Final Call A/c To Share Capital A/c	Dr.	30,000	30,000
	Bank A/c To Share First & Final Call A/c	Dr.	30,000	30,000
	Underwriting Commission A/c To Bank A/c	Dr.	10,000	10,000
	Security Premium A/c To Underwriting Commission A/c	Dr.	10,000	10,000

(ii)

Innovative Ltd. issued 10,000 Shares of Rs.10 each at a premium of Rs. 4 per Shares payable as Rs. 5 on Application (including premium of Rs. 2); Rs. 6 on Allotment (including premium of Rs. 2); and Rs.3 on First and Final Call. All Shares were applied for and duly allotted. All money due are fully received .Pass necessary Journal Entries.

**In the books of Innovative Ltd.
Journal Entry**

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c To Share Application A/c	Dr.	50,000	50,000
	Share Application A/c To Share Capital A/c To Security Premium A/c	Dr.	50,000	30,000 20,000
	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	60,000	40,000 20,000
	Bank A/c To Share Allotment A/c	Dr.	60,000	60,000
	Share First & Final Call A/c To Share Capital A/c	Dr.	30,000	30,000
	Bank A/c To Share First & Final Call A/c	Dr.	30,000	30,000

(iii)

Innovative Ltd. issued 10,000 Shares of Rs.10 each at a premium of Rs. 5 per Shares payable as; Rs. 5 on application (including premium of Rs. 2); Rs. 5 on Allotment (including premium of Rs. 1); and Rs.5 on First and Final Call (including premium of Rs. 2). All Shares were applied for and duly allotted. All money due are fully received. Pass necessary Journal Entries.

In the Books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c To Share Application A/c	Dr.	50,000	50,000
	Share Application A/c To Share Capital A/c To Security Premium A/c	Dr.	50,000	30,000 20,000
	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	50,000	40,000 10,000
	Bank A/c To Share Allotment A/c	Dr.	50,000	50,000
	Share First & Final Call A/c To Share Capital A/c To Security Premium A/c	Dr.	50,000	30,000 20,000
	Bank A/c To Share First & Final Call A/c	Dr.	50,000	50,000

Calls in Arrear: –

When some Shareholder did not paid or deposited his money due either on Allotment or on any calls, *this due amount which is not deposited by shareholders* is called Calls in Arrear.

Accounting Treatment of Calls – in – Arrear:–

- (i) Without opening Calls in Arrear A/c
- (ii) By opening Calls in Arrear A/c

For example :- A company issued 20,000 shares @ Rs.10 each , Rs.3 on Application Rs.2 on Allotment, Rs.3 on First Call and Rs.2 on Final Call. Mr. Shyam a shareholder of 500 shares did not pay allotment, first call and final call money Mr. Ram another shareholder of 1,000 shares did not pay final call money.

Application	Allotment	First Call	Final Call
Bank A/c...Dr. 60,000 To S P 60,000	SADr. 40,000 To SC 40,000	S First Call...Dr. 60,000 To S. capital 60,000 (Due entry will made for Total No. of Shares)	S Final Call...Dr. 40,000 To S. Capital 40,000 (Due entry will made for Total No. of Shares)
SPDr. 60,000 To SC 60,000	Bank.....Dr. 39,000 To SA 39,000 (40,000 –1,000) or Bank..... Dr. 39,000 Call in Arrear ..Dr.1,000 To SA 40,000	Bank.....Dr. 58,500 To S First Call 58,500 (60,000 –1,500) or Bank..... Dr. 58,500 Call in Arrear..Dr.1,500 To S First Call 60,000	Bank.....Dr. 37,000 To S Final Call 37,000 (40,000 –3,000) or Bank..... Dr. 37,000 Call in Arrear...Dr. 3,000 To S Final Call 40,000
		(Due entry will made for Total No. of Shares)	(Due entry will made for Total No. of Shares)

Note: – The Company is authorized to charge Interest on Calls –in – arrear from Due Date to Date of Payment of arrear. The Rate of Interest on Calls –in – Arrear is given in Article of Association of the company. But when Article of Association of the company is silent,

Interest on Calls in Arrear:-

Articles of Association generally specify the rate of interest, payable on calls-in arrears. In the absence of specific rate “Table F of schedule 1 of Companies Act 2013 applies which authorized the directors to charge interest not exceeding 10% p.a.”

Journal Entry in case of Calls in Arrear:-

When Calls in Arrear Received

Bank A/c.....Dr.
To Calls in Arrear A/c

When Interest on Calls in Arrear is due

Sundry Members A/cDr.
To Interest on Calls in Arrear A/c

When Interest on Calls in Arrear is received:-

Bank A/cDr.
To Sundry Members A/c

At the end of Accounting year “Interest on Calls in Arrear” is transferred to Profit and Loss A/c

Interest on Calls in Arrear A/c.....Dr.
To Profit and Loss A/c

Rules of Calculating Interest on Calls-in – Arrear:-

$$\text{Interest} = \boxed{\text{Amount of Arrear}} \times \boxed{\text{Rate of Interest}} \times \boxed{\text{Time}}$$

$$\text{Time for First call} = \boxed{\text{Due date of first Call}} \text{ to } \boxed{\text{Date of Payment of Arrear}}$$

$$\text{Time for Second call} = \boxed{\text{Due date of Second Call}} \text{ to } \boxed{\text{Date of Payment of Arrear}}$$

Q.4

Innovative Ltd. has authorised capital of 5,00,000 equity shares of Rs. 10 each invited application for 2,00,000 equity shares payable as : Rs. 3 on Application; Rs. 3 on Allotment; Rs. 4 on First & Final call. Application was received for 2,00,000 shares and all these were accepted. All Money dues were received except one shareholder who holds 1,000 shares failed to pay Allotment and First & Final call money other shareholder who holds 500 shares failed to pay First & Final call money. **Pass entries in the cash book and Journal for the company.** Also **prepare the balance sheet** of the company.

In the books of Innovative Ltd.
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Application A/c To Share Capital A/c	Dr.	6,00,000	6,00,000
	Share Allotment A/c To Share Capital A/c	Dr.	6,00,000	6,00,000
	Calls in Arrear A/c To Share Allotment A/c	Dr.	3,000	3,000
	Share First & Final Call A/c To Equity Share Capital A/c	Dr.	8,00,000	8,00,000
	Calls-in- arrear A/c To First & Final Call A/c	Dr.	6,000	6,000

Cash Book (Bank Column only)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	6,00,000	By Balance c/d	19,91,000
To Share Allotment A/c (6,00,000 – 3,000)	5,97,000		
To Share First & Final Call A/c (8,00,000 – 6,000)	7,94,000		
	19,91,000		19,91,000

Innovative Ltd.
Balance Sheet as at

	Particulars	Note	Figures as at end of Current Reporting Period
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	19,91,000
	Total Equity and Liabilities		19,91,000
II	ASSETS		
	Current assets		
	(a) Cash and cash equivalents	2	19,91,000
			19,91,000

Notes to Accounts

Particulars	Figures as at end of Current Reporting Period
1. Share Capital	
Equity Share Capital	
Authorised	
5,00,000 Equity Shares of Rs. 10 each	50,00,000
Issued and Subscribed:	
2,00,000 Equity Shares of Rs. 10 each	20,00,000
Calls unpaid	9,000
	19,91,000
2. Cash and Cash Equivalents	
Cash at Bank	19,91,000

Calls in Advance and Interest on Calls in Advance:–

When a company accepts money paid before due of by its shareholders its calls it is called Calls in Advance. It may be arise in case of Pro-rata Allotment or when some share holders paid its due money of calls either at application stage or Allotment stage

Interest on Calls in advance is calculated after Allotment of shares even if advance is received at the time of application *i.e.* after the date of allotment of shares

Note: – In case of Calls in Advance the company must pay interest at the rate stated in its Article of Association. But when the Articles of Association of the company is silent, “Table F of schedule 1 of Companies Act 2013 applies” which leaves the matter to the Board to a maximum rate of 12% p.a. It can be paid out of capital also.

Journal Entry in case of Calls in Advance:–

When Calls in Advance Received (at the time of Receive)

Bank A/c.....Dr.
To Calls-in-advance A/c

When Calls in Advance money adjusted towards respective calls A/c

Calls-in-advance A/cDr.
To Respective Calls A/c

When Interest on Calls in Advance is paid in cash:–

Interest on Calls in Advance A/c.....Dr.
To Bank A/c

When Interest on Calls in Advance is not yet paid or outstanding:–

Interest on Calls in Advance A/cDr.
To Outstanding Interest A/c

At the end of Accounting year “Interest on Calls in Advance” is transferred to Profit and Loss A/c

Profit and Loss A/c.....Dr.
To Interest on Calls in Advance A/c

Rules of Calculating Interest on Calls-in – Advance:–

Interest = Amount of Advance × Rate of Interest × Time

Time for First call = Date of Payment of Advance to Due Date of Payment

Time for Second call = Date of Payment of Advance to Due Date of Payment

Q.5

Innovative Ltd. issued 50,000 Equity shares of Rs.10 each at premium of Rs.2 per shares to the public and received the amount on 1st January 2014 with Application Rs.4; Rs.4 on Allotment on 1st March 2014; Rs. 2 on First call on 30th June 2014 and the balance amount on Second & Final call on 1st August 2014. Ramesh who had 1,000 shares **paid whole amount at the time of Allotment** Give Journal entries in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 January 1	Bank A/c To Share Application A/c	Dr.	2,00,000	2,00,000
March 1	Share Application A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
March 1	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	2,00,000	1,00,000 1,00,000
March 1	Bank A/c To Share Allotment A/c To Calls-in-advance A/c	Dr.	2,04,000	2,00,000 4,000
June 30	Share First Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
June 30	Bank A/c Calls-in-advance A/c To Share First Call A/c	Dr. Dr.	98,000 2,000	1,00,000
August 1	Share Second & Final Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
August 1	Bank A/c Calls-in-advance A/c To Share Second & Final Call A/c	Dr. Dr.	1,01,000 2,000	1,00,000

Q.6

Innovative Ltd. issued 50,000 Equity shares of Rs.10 each at premium of Rs.2 per shares to the public and received the amount on 1st January 2014 with Application Rs.4; Rs.4 on Allotment on 1st March 2014; Rs. 2 on First call on 30th June 2014 and the balance amount on Second & Final call on 1st August 2014. Ramesh who had 1,000 shares **paid whole amount at the time of Allotment**, and Karan who holds 500 share paid the amount of Second & Final call with First call. Give Journal entries in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 January 1	Bank A/c To Share Application A/c	Dr.	2,00,000	2,00,000
March 1	Share Application A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
March 1	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	2,00,000	1,00,000 1,00,000
March 1	Bank A/c To Share Allotment A/c To Calls-in-advance A/c	Dr.	2,04,000	2,00,000 4,000
June 30	Share First Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
June 30	Bank A/c Calls-in-advance A/c To Share First Call A/c To Calls-in-advance A/c	Dr. Dr.	99,000 2,000	1,00,000 1,000

August 1	Share Second & Final Call A/c To Share Capital A/c	Dr.		1,00,000	1,00,000
August 1	Bank A/c Call-in-advance A/c To Share Second & Final Call A/c	Dr. Dr.		97,000 3,000	1,00,000

Q.7

Innovative Ltd. issued 50,000 Equity shares of Rs.10 each at premium of Rs.2 per shares to the public and received the amount on 1st January 2014 with Application Rs.4; Rs.4 on Allotment on 1st March 2014; Rs. 2 on First call on 30th June 2014 and the balance amount on Second & Final call on 1st August 2014. Ramesh who had 1,000 shares **paid whole amount at the time of Allotment**, Somik another share holder holding 2,000 shares fail to pay First call money and Karan who holds 500 share paid the amount of Second & Final call with First call. Give Journal entries in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 January 1	Bank A/c To Share Application A/c	Dr.	2,00,000	2,00,000
March 1	Share Application A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
March 1	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	2,00,000	1,00,000 1,00,000
March 1	Bank A/c To Share Allotment A/c To Calls-in-advance A/c	Dr.	2,04,000	2,00,000 4,000
June 30	Share First Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
June 30	Bank A/c Calls- in- arrear A/c Calls-in-advance A/c To Share First Call A/c To Calls-in-advance A/c	Dr. Dr. Dr.	95,000 4,000 2,000	1,00,000 1,000
August 1	Share Second & Final Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
August 1	Bank A/c Call-in-advance A/c To Share Second & Final Call A/c	Dr. Dr.	97,000 3,000	1,00,000

Q.8

Innovative Ltd. issued 50,000 Equity shares of Rs.10 each at premium of Rs.2 per shares to the public and received the amount on 1st January 2014 with Application Rs.4 ; Rs.4 on Allotment on 1st March 2014; Rs. 2 on First call on 30th June 2014 and the balance amount on Second & Final call on 1st August 2014. Ramesh who had 1,000 shares **paid whole amount at the time of Allotment** , Somik another share holder holding 2,000 shares fail to pay First call money but paid entire due including interest on calls in arrear at the Second & Final Call and Karan who holds 500 share paid the amount of Second & Final call with First call. According to Article of Association interest on calls-in-advance is to be paid at 12% p.a. and interest on calls in arrear is charges @ 10 % p.a. The Interest was paid on 1st August 2014. Give Journal entries in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2014 January 1	Bank A/c To Share Application A/c	Dr.	2,00,000	2,00,000
March 1	Share Application A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
March 1	Share Allotment A/c	Dr.	2,00,000	

	To Share Capital A/c To Security Premium A/c			1,00,000 1,00,000
March 1	Bank A/c To Share Allotment A/c To Calls-in-advance A/c	Dr.	2,04,000	2,00,000 4,000
June 30	Share First Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
June 30	Bank A/c Calls- in- arrear A/c Calls-in-advance A/c To Share First Call A/c To Calls-in-advance A/c	Dr. Dr. Dr.	95,000 4,000 2,000	1,00,000 1,000
August 1	Share Second & Final Call A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
August 1	Bank A/c Call-in-advance A/c To Share Second & Final Call A/c To Calls- in- arrear A/c To Interest on Calls- in- arrear A/c	Dr. Dr.	1,01,033.33 3,000	1,00,000 4,000 33.33
August 1	Interest on Call-in-advance A/c To Bank A/c	Dr.	190	190
Dec. 31	Profit and Loss A/c To Interest on call-in-advance A/c	Dr.	190	190
Dec. 31	Interest on Calls- in- arrear A/c To Profit and Loss A/c	Dr.	33.33	33.33

Calculation of Interest on Calls in Arrear:-

On Rs. 4,000 @ 10% for 1 month (June 30 to August1) = Rs.33.33

Calculation of Interest on Calls in Advance:-

On Rs.2,000 @ 12% for 4 month (March1 to June 30) =Rs.80.00 ;On Rs. 2,000 @ 12% for 5 month (March1 to August 1) = Rs.100.00; On Rs. 1,000 @ 12% for 1 month (June 30 to August1) = Rs.Rs.10.00

Total Interest on Calls in Advance = 80 + 110= Rs. 190

Q.9 Revision

Innovative Ltd. issued 40,000 equity shares of Rs. 10 each at par to the public and received the amount on 1st July 2013 with Application Rs. 2.50 ; Rs. 2.50 on Allotment on 1st November 2013; Rs. 3 on First call on 1st April 2014 and the balance amount on Second & Final call on 1st July 2014. **Rakesh who had 500 shares paid the amount of First and Second & Final call money with Allotment and Karan who had 100 shares paid the amount of Final call with First call.** According to Article of Association **interest on call-in-advance is to be paid at 12 % p.a.** The Interest was paid on 1st July 2014. Give Journal entries and Cash Book in the books of the company.

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2013 Nov. 1	Share Application A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
Nov. 1	Share Allotment A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
2014 April 1	Share First Call A/c To Share Capital A/c	Dr.	1,20,000	1,20,000
April 1	Call-in-advance A/c To Share First Call A/c	Dr.	1,500	1,500
July 1	Share Second & Final Call A/c To Share Capital A/c	Dr.	80,000	80,000
July 1	Call-in-advance A/c To Share Second & Final Call A/c	Dr.	1,200	1,200
Dec. 31	Profit and Loss A/c To Interest on Call-in-advance A/c	Dr.	161	161

Cash Book (Bank Column)

Date	Particulars	Rs.	Date	Particulars	Rs.
2013			2014	By Interest on Call-in-advance A/c	161
July 1	To Share Application A/c	1,00,000	July 1	By Balance c/d	3,99,839
Nov.1	To Share Allotment A/c	1,00,000			
Nov.1	To Calls-in-advance A/c	2,500			
2014					
April 1	To Share First Call A/c	1,18,500			
April 1	To Call-in-advance A/c	200			
July 1	To Shares Second & Final Call A/c	78,800			
		4,00,000			4,00,000

Calculation of Interest on Calls in Advance:-

Date of Allotment is 1st November 2013; Date of First Call is 1st April 2014 and Date of Second & Final Call is 1st July 2014

For Rakesh of holding 500 shares

On Rs.1,500 @ 12% for 5 months (1st November 2013 to 1st April 2014) = Rs.75

On Rs.1,000 @ 12 % for 8 months (1st November 2013 to 1st July 2014) = Rs. 80

For Karan of holding 100 shares

On Rs.200@ 12% for 3 month (1st April 2014to 1st July 2014) = Rs. 6

Total Interest on Calls in Advance = 75 + 80 + 6 = Rs.161

Under Subscription of Shares

The Shares are said to be under Subscribed if No. of Shares applied for is less than No. of Shares offered to public for issue.

Accounting Treatment: – In Case of under Subscription All Accounting Entries are made on the basis of shares applied. In Case of Under Subscription allotment is made in full to all the applicants.

- No. of Shares offered by the company = 50,000
- No. of Shares Applied by the public = 45,000

In this Case All Entry in regard of
Application
Allotments and
Calls are made for 45,000 Shares.

Q.10

Innovative Ltd. invited applications for issuing 40,000 equity shares of Rs. 10 each at par. The amount was payable as; on Application Rs. 3 per shares; on Allotment Rs. 4 per shares and on First and Final call Rs. 3 per Shares. Applications were received for 35,000 shares and allotment was made to all applicants. Ashok to whom 1,000 shares were allotted failed to pay the allotment and final call money. Sohan who applied for 500 shares failed to pay the first call money. Pass the necessary Journal Entry to records the transactions.

In the books of Innovative Ltd.
Journal Entry

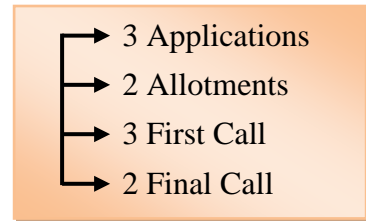
Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c To Share Application A/c	Dr.	1,05,000	1,05,000
	Share Application A/c To Share Capital A/c	Dr.	1,05,000	1,05,000
	Share Allotment A/c To Share Capital A/c	Dr.	1,40,000	1,40,000
	Bank A/c Calls-in-arrear A/c To Share Allotment A/c	Dr. Dr.	1,36,000 4,000	1,40,000
	Share First & Final Call A/c To Share Capital A/c	Dr.	1,05,000	1,05,000
	Bank A/c Calls in Arrear A/c To Share First & Final Call A/c	Dr. Dr.	1,00,500 4,500	1,05,000

Oversubscription of Shares

Meaning of Over-subscription:—Shares are said to be over-subscribed when number of shares “*applied for*” is more than the number of shares “*offered for subscription*”. *A company cannot allot Shares more than those offered for subscription.*

Example of Over-subscription:—

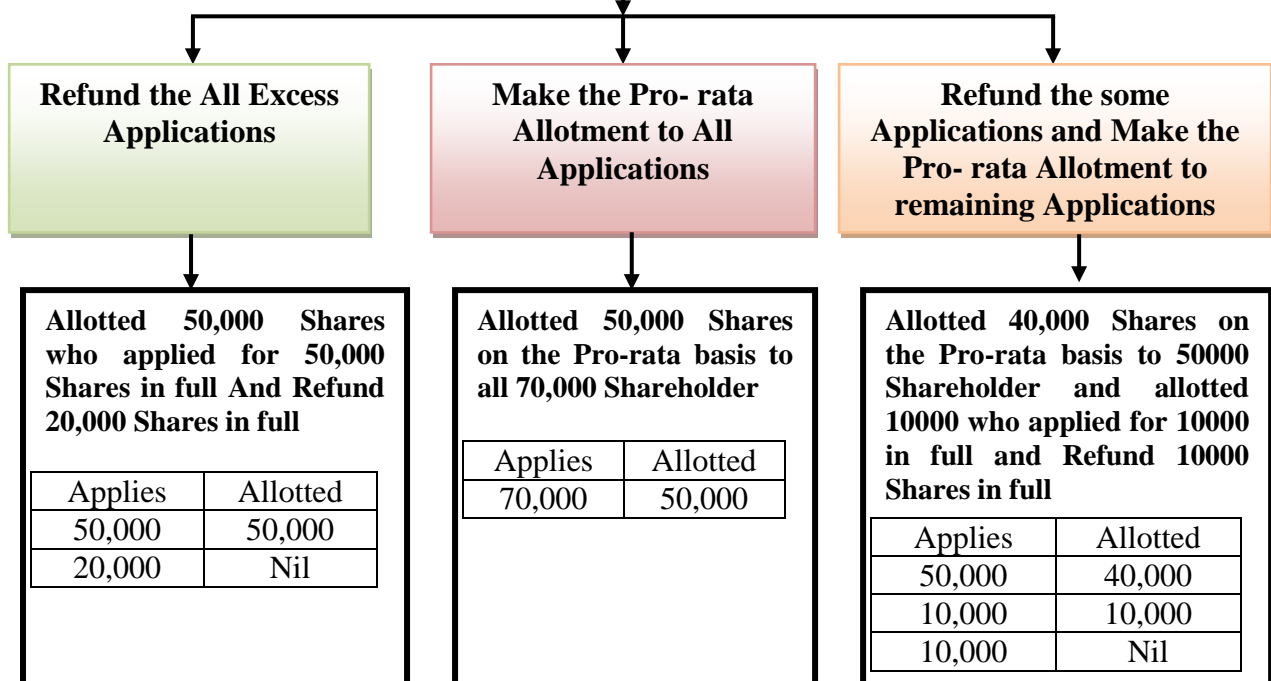
- No. of shares offered by the company =50,000
- No. of shares applied by the public= 70,000



Company cannot issue more than 50000 shares which it offered to the public

Alternative available to the company:—

Alternative available with the company



1	2	3	4	5	6	7	8
Shares Applied	Shares Allotted	Application Money Received	Shares Allotted and application money transferred to share capital A/c	Excess	Excess money Adjusted in Allotment A/c	If still excess money then adjusted in call (First Call Second call etc)	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application	(3) – (4)	Shares Allotted × Rate of Allotment	Shares Allotted × Rate of First call Shares Allotted × Rate of Second call	
50,000	40,000	1,50,000	1,20,000	30,000	30,000		
10000	10,000	30,000	30,000				
10000	Nil	30,000					30,000

Journal Entry In case of Over-subscription

<p><u>Application Money Received</u></p> <p>Bank A/cDr. To Share Application A/c (Total No. of Share Applied × Rate of Application</p> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <div style="border: 1px solid black; padding: 2px 5px; background-color: #f4a460;">Total No. of Shares Applied</div> × <div style="border: 1px solid black; padding: 2px 5px; background-color: #add8e6;">Rate of Application</div> </div>		
<p><u>Shares allotted and application money transferred to share capital A/c</u></p> <p>Share Application A/c.....Dr.</p> <p>To Share Capital A/c No. of Shares Allotted × Rate of Application</p> <p>To Share Allotment A/c Excess application money transferred to Allotment A/c</p> <p>To Calls in Advance A/c Excess application money transferred to Calls A/c</p> <p>To Bank A/c Money Refund</p>		
<p><u>Allotment Money Due</u></p> <p>Share Allotment A/cDr. To Share Capital A/c</p> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <div style="border: 1px solid black; padding: 2px 5px; background-color: #90ee90;">Total No. of Shares</div> × <div style="border: 1px solid black; padding: 2px 5px; background-color: #add8e6;">Rate of Allotment</div> </div>		
<p><u>Allotment Money Received</u></p> <p>Bank A/cDr. To Share Allotment A/c</p> <div style="border: 1px solid black; padding: 2px 5px; background-color: #f4a460; text-align: center; margin-top: 10px;"> Allotment Money Due – Money already received at the time of Application </div>		
<p><u>Share First Call Money Due</u></p> <p>Share First Call A/cDr. To Share Capital A/c</p> <div style="display: flex; justify-content: center; align-items: center; gap: 10px; margin-top: 10px;"> <div style="border: 1px solid black; padding: 2px 5px; background-color: #90ee90;">Total No. of Shares Allotted</div> × <div style="border: 1px solid black; padding: 2px 5px; background-color: #d2691e;">Rate of First Call</div> </div>		
<p><u>Share First call Money Received</u></p> <p>Bank A/cDr. To Share First A/c</p> <div style="border: 1px solid black; padding: 2px 5px; background-color: #f4a460; text-align: center; margin-top: 10px;"> First Call Money Due minus Money already received at the time of Application </div> <p style="text-align: center; margin: 5px 0;">Or</p> <p>Bank A/cDr. Calls in Advance A/c.....Dr. To Share First Call A/c</p>		
<p><u>Share Second & Final Call Money Due</u></p> <p>Share Second & Final Call A/c.....Dr. To Share Capital</p> <div style="display: flex; justify-content: center; align-items: center; gap: 10px; margin-top: 10px;"> <div style="border: 1px solid black; padding: 2px 5px; background-color: #f4a460;">Total No. of Shares Allotted</div> × <div style="border: 1px solid black; padding: 2px 5px; background-color: #add8e6;">Rate of First Call</div> </div>		

Share Second & Final Call Money Received		
Bank A/c.....Dr.		
To Share Second & Final Call A/c		
Second & Final Call Money Due minus Money already received at the time of Application		
Or		
Bank A/c.....Dr.		
Calls in Arrear A/c.....Dr.		
To Share Second & Final Call A/c		

In Case of oversubscription of Shares

1. Calculation of Amount due on Allotment

Total No. of Shares Applied	xxxx
Total Money Received on Application (Total No. of Shares Applied × Rate of Application)	xxxx [1]
Total Application Money Required (Total No. of shares Allotted × Rate of Applications)	xxxx [2]
Excess Application Money	xxxx [3] = [1] - [2]
Total Money due on Allotment (No. of Shares Allotted × Rate of Allotment)	xxxx [4]
Amount Due but not paid on Allotment	xxxx [4] - [3]

2. Calculation of Total No. of Shares Applied When Allotted No. of Shares are given

$$\frac{\text{Total No. of shares applied in that categories}}{\text{Total No. of shares Allotted in that categories}} \times \text{Shares applied to that particular Shareholder}$$

3. Calculation of Total No. of Shares Allotted When Applied No. of Shares are given

$$\frac{\text{Total No. of shares applied in that categories}}{\text{Total No. of shares Allotted in that categories}} \times \text{Shares applied to that particular Shareholder}$$

Easy Rules of Calculating No. of Shares Applied or Allotted

$$= \frac{\text{To be Find (Applied or Allotted)}}{\text{Another}} \times \text{Shares Applied or Shares Allotted}$$

Q.11 (i)

Innovative Ltd. invited applications for 50,000 equity shares of Rs. 10 each on the following terms:

- On Application 3
- On Allotment 3
- On First and Final Call 4

Applications were received for 1,10,000 shares. It was decided

- (i) To refuse allotment to the applicants for 10,000 shares
- (ii) To allot 50% to Mr. X who has applied for 20,000 shares
- (iii) To allot in full to Mr. Y who applied for 10,000 shares
- (iv) To allot balance of the available shares pro-rata among the other applicants,

Utilize excess application money in part payment of allotment and final call.

Give Journal entry **till the stage of allotment** assuming that the entire sum due on allotment is received in full.

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
10,000	Nil	30,000	–	–	–	–	30,000
20,000	10,000	60,000	30,000	30,000	30,000	–	–
10,000	10,000	30,000	30,000	–	–	–	–
70,000	30,000	2,10,000	90,000	1,20,000	90,000	30,000	–
1,10,000	50,000	3,30,000	1,50,000		1,20,000	30,000	30,000

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr.		3,30,000	
	To Share Application A/c			3,30,000
	Share Application A/c Dr.		3,30,000	
	To Share Capital A/c			1,50,000
	To Share Allotment A/c			1,20,000
	To Calls in Advance A/c			30,000
	To Bank A/c			30,000
	Share Allotment A/c Dr.		1,50,000	
	To Share Capital A/c			1,50,000
	Bank A/c Dr.		30,000	
	To Share Allotment A/c			30,000

(ii)

Innovative Ltd. made an issue of 30,000 shares of Rs. 10 each payable Rs. 3 on application, Rs. 5 on allotment and Rs. 2 on call. 93,200 shares were applied for and owing to this heavy over subscription, allotments were made as follows;

- (i) Applicants for 21,500 shares (in respect of applications for 2,000 or more) received 10,200 shares.
- (ii) Applicants for 50,600 (in respect of application for 1,000 or more but less than 2,000) received 12,600 shares.
- (iii) Applicants for 21,100 shares (in respect of application for less than 1,000) received 7,200 shares.

Cash received after satisfying amount due on application was applied towards allotment and call were realised. Give Journal entry

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
21,500	10,200	64,500	30,600	33,900	33,900	–	–
50,600	12,600	1,51,800	37,800	1,14,000	63,000	25,200	25,800
21,100	7,200	63,300	21,600	41,700	36,000	5,700	–
93,200	30,000	2,79,600	90,000		1,32,900	30,900	25,800

In the books of Innovative Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		2,79,600	2,79,600
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c To Bank A/c		2,79,600	90,000 1,32,900 30,900 25,800
	Share Allotment A/c Dr. To Share Capital A/c		1,50,000	1,50,000
	Bank A/c Dr. To Share Allotment A/c		17,100	17,100
	Share First & Final Call A/c Dr. To Share Capital A/c		60,000	60,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Share First & Final Call A/c		29,100 30,900	60,000

Q.12 (i)

Innovative Ltd. issued 30,000 Shares of Rs. 10 each, payable as under:
Rs. 3 on Application, Payable on 1st April, 2013; Rs. 2 on Allotment, payable on 1st June, 2013
Rs. 2.50 on First call, Payable on 1st September 2013; Rs. 2.50 on Final call, Payable on 1st February 2014
Applications were received for 50,000 shares and the allotments were made as under:

To Application for 24,000 sharesFull

To Application for 18,000 Shares6,000

To Application for 8,000 sharesNil

Excess money received on application was utilized towards allotment and subsequently calls. Interest on calls in advance paid @ 12% per annum.

Journalise the transactions, assuming all sums due was received and company closes books every year on 31st March.

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
24,000	24,000	72,000	72,000	–	–	–	–
18,000	6,000	54,000	18,000	36,000	12,000	24,000	
8,000	Nil	24,000	–	–	–	–	24,000
50,000	30,000	1,50,000	90,000		12,000	24,000	24,000

In the books of Innovative Ltd.
Journal entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
2013 April 1	Bank A/c To Share Application A/c	Dr.	1,50,000	1,50,000
June 1	Share Application A/c To Share Capital A/c To Share Allotment A/c To Calls-in- Advance A/c To Bank A/c	Dr.	1,50,000	90,000 12,000 24,000 24,000
June 1	Share Allotment A/c To Share Capital A/c	Dr.	60,000	60,000
June 1	Bank A/c To Share Allotment A/c	Dr.	48,000	48,000
Sep.1	Share First Call A/c To Share Capital A/c	Dr.	75,000	75,000
Sep. 1	Bank A/c Calls-in- Advance A/c To Share First Call A/c	Dr. Dr.	60,000 15,000	75,000
2014 Feb.1	Share Second & Final Call A/c To Share Capital A/c	Dr.	75,000	75,000
Feb. 1	Bank A/c Calls-in- Advance A/c To Share Second & Final Call A/c	Dr. Dr.	66,000 9,000	75,000
Feb.1	Interest on Calls in Advance A/c To Bank A/c	Dr.	1,170	1,170
Mar.31	Profit and Loss A/c To Interest on Calls in Advance A/c	Dr.	1,170	1,170

Working Note:-

Interest is allowed only on that amount which is transferred to Calls in Advance A/c. so interest is allowed only on Rs. 24,000 which is transferred to Calls in Advance A/c

Last Date of Allotment is 1st June 2013; and Last Date of First Call is 1st September 2013 and Last Date of Final call is 1st February 2014

For Advance Money of First Call

On Rs.15,000 @ 12 % for 3 month (1st June 2013 to 1st September 2013) = Rs. 450

For Advance Money of Second Call

On Rs. 9,000 @ 12 % for 8 month (1st June 2013 to 1st February 2014) = Rs. 720

Total Interest on Calls in Advance = 450 + 720 = Rs.1,170

(ii)

Innovative Ltd. offered 40,000 shares of Rs. 10 each to public payable Rs. 4 on application, Rs. 4 on allotment and the balance in first call only. The issue was **oversubscribed by 87,950 shares. One 600 shares had paid in full for the shares applied for.** Allotment was, made as under:

1. Applicants for 43,950 shares were allotted 21,500 shares (including the applicants for 600 shares who allotted 300 shares).
2. Applicants for 84,000 shares were allotted 18,500 shares.

The amount received on application were first utilized for application dues and then adjusted for other installment the provision for which existed in the prospectus as well as in articles. Any final surplus was refunded. Journalise the transaction, and prepare the **Cash Book.**

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
600	300	6,000	1,200	4,800	1,200	600	3,000
43,350	21,200	1,73,400	84,800	88,600	84,800	3,800	-
84,000	18,500	3,36,000	74,000	2,62,000	74,000	37,000	1,51,000
1,27,950	40,000	5,15,400	1,60,000		1,60,000	41,400	1,54,000

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Application Ac Dr. To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c		3,61,400	1,60,000 1,60,000 41,400
	Share Allotment A/c Dr. To Share Capital A/c		1,60,000	1,60,000
	Share First & Final Call A/c Dr. To Share Capital A/c		80,000	80,000
	Calls in Advance A/c Dr. To Share First & Final Call A/c		41,400	41,400

Cash Book (Bank Column only)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	5,15,400	By Share Application A/c	1,54,000
To Share First & Final Call A/c	38,600	By Balance c/d	4,00,000
	5,54,000		5,54,000

Q.13

Innovative Ltd. issued 1,00,000 equity Shares of Rs. 10 each payable as follows.
On Application Rs. 4(on 1st March 2014); on Allotment Rs. 1(1st April 2014); on First Call Rs. 3(on 1st August 2014) and on Final Call Rs. 2(1st October 2014);

Application was received for 2,60,000 shares

Of these Shares 10,000 shares were in disorder;

40,000 shares in lots of 100 shares;

1,20,000 Shares in lots of exceeding 100 but less than 500 shares ;

60,000 shares in lots of exceeding 500 but less than 1,000 shares and

The balance in lots of exceeding 1,000 Shares

Allotment was made as follows.

Applications for the 10,000 Shares in disorder were rejected.

Application for 100 in full i.e. 100% 40,000

Application for 100 Shares but not exceeding 500 shares 40% 48,000

Application over 500 Shares but not exceeding 1,000 shares – 15% 9,000

Application over 1,000 Shares –10%

Money received in excess on shares partially allotted was retained to the extent possible.
Show cash book and Journal entries assuming that all the instalments were duly received and interest was paid on calls in advance @ 12 % per annum on 1st October 2014

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
10,000	Nil	40,000	–	–	–	–	40,000
40,000	40,000	1,60,000	1,60,000	–	–	–	–
1,20,000	48,000	4,80,000	1,92,000	2,88,000	48,000	2,40,000	–
60,000	9,000	2,40,000	36,000	2,04,000	9,000	45,000	1,50,000
30,000	3,000	1,20,000	12,000	1,08,000	3,000	15,000	90,000
2,60,000	1,00,000	10,40,000	4,00,000		60,000	3,00,000	2,80,000

In the books of Innovative Ltd.
Journal entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
1-4-14	Share Application A/c To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c	Dr.	7,60,000	4,00,000 60,000 3,00,000
1-4-14	Share Allotment A/c To Share Capital A/c	Dr.	1,00,000	1,00,000
1-8-14	Share First Call A/c To Share Capital A/c	Dr.	3,00,000	3,00,000
1-8-14	Calls-in Advance A/c To Share First Call A/c	Dr.	1,80,000	180,000
1-10-14	Share Final Call A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
1-10-14	Calls in Advance A/c To Share Second & Final Call A/c	Dr.	1,20,000	1,20,000

Cash Book (Bank Column)

Date	Particulars	Rs.	Date	Particulars	Rs.
1-3-14	To Share Application A/c	10,40,000	1-4-14	By Share Application A/c	2,80,000
1-4-14	To Share Allotment A/c	40,000	1-10-14	By Interest on Call in Advance A/c	14,400
1-8-14	To Share First Call A/c	120,000	1-10-14	By Balance c/d	9,85,600
1-10-14	To Share Second Final call A/c	80,000			
		12,80,000			12,80,000

Working Note:-

Interest is allowed only on that amount which is transferred to Calls in Advance A/c. so interest is allowed only on Rs. 3,00,000 which is transferred to Calls in Advance A/c

Last Date of Allotment is 1st April 2014; and Last Date of First Call is 1st August 2014 and Last Date of Final call is 1st October 2014

For Advance Money of First Call

On Rs.1,80,000 @ 12% for 4 month (1st April 2014 to 1st August 2014) = Rs. 7,200

For Advance Money of Second Call

On Rs. 1,20,000 @ 12 % for 6 month (1st April 2014 to 1st October 2014) = Rs. 7,200

Total Interest on Calls in Advance = 7,200 + 7,200 = Rs.14,400

Q.14

The Director of Mamta Ltd. invited applications for 2,00,000 equity shares of Rs.10 each to be issued at 20% Premium. The mount payable per shares is as: on Application Rs. 5; on Allotment Rs.4 (Including premium of Rs.2); on First Call Rs.2 and **on Second Call the balance**. Applications were received for 2,40,000 shares and allotment was made as follows.

- (a) To Applicants for 1,00,000 shares = In Full
- (b) To Applicants for 80,000 shares = 60,000 Shares
- (c) To Applicants for 60,000 shares = 40,000 Shares

Applicants for 1,000 shares falling in category (a) and **applicants** for 1,200 shares falling in Category (b) failed to pay allotment money and subsequent calls money. **Holder**s of 1,200 shares falling in category (c) Failed to pay first and final call money. Journalize the transactions and Show Cash Book of the company.

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)
1	2	3	4	5 = 3-4	6
1,00,000	1,00,000	5,00,000	5,00,000	–	–
80,000	60,000	4,00,000	3,00,000	1,00,000	1,00,000
60,000	40,000	3,00,000	2,00,000	1,00,000	1,00,000
2,40,000	2,00,000	12,00,000	10,00,000		2,00,000

In the books Mamta Ltd.
Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Share Application A/c To Share Capital A/c To Share Allotment A/c	Dr.	12,00,000	10,00,000 2,00,000
	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	8,00,000	4,00,000 4,00,000
	Calls in Arrear A/c To Share Allotment A/c	Dr.	6,100	6,100
	Share First Call A/c To Share Capital A/c	Dr.	4,00,000	4,00,000
	Calls in Arrear A/c To Share First Call A/c	Dr.	6,200	6,200
	Share Second & Final Call A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
	Calls in Arrear A/c To Share Second & Final Call A/c	Dr.	3,100	3,100

Cash Book (Bank Column)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	12,00,000	By Balance c/d	23,84,600
To Share Allotment A/c (8,00,000 – 2,00,000 – 6,100)	5,93,900		
To Share First Call A/c [4,00,000 – (3,100 × 2)]	3,93,800		
To Share Second & Final Call A/c [2,00,000 – (3,100 × 1)]	1,96,900		
	23,84,600		23,84,600

Working Note:-

For Category A

No. of Shares Applied / Allotted = 1,000

Money due but not Received in Allotment = 1,000 × 4 = **Rs. 4,000**

For Category B

No. of Shares Applied = 1,200

No. of Shares Allotted = (60,000 /80,000) × 1,200 = 900

Application Money Received = 1,200 × 5 = Rs.6,000

Application Money Transferred to Share Capital A/c = 900 × 5 = Rs.4,500

Excess Application money received = Rs.6,000 – 4,500 = Rs.1,500

Money Due on Allotment = 900 × 4 = Rs.3,600

Money due but not Received in Allotment = 3,600 – 1,500 = **Rs.2,100**

Q.15

Ganesh Ltd. offered to the public 1,00,000 equity shares of Rs. 10 each at a Premium of Rs. 2 per shares , payable as follows:

On Application	Rs. 3
On Allotment	Rs. 4 (Including Premium)
On First Call	Rs. 3
On Second and Final Call	Rs. 2

Applications were received for 150,000 shares.

All application were placed under four Category and allotment was made as follows:

Category A: to Application of 40,000 shares.	In full.
Category B: to Application of 60,000 shares.	40,000 Shares
Category C: to Application of 30,000 shares.	20,000 Shares
Category D: to Application of 20,000 shares.	Nil

Arun an applicant’s under category B to whom 400 shares were allotted failed to pay the allotment money and subsequent calls money.

Bimal, applicants under category C to whom 300 shares were allotted failed to pay both of calls money. Show Cash book entries, Journal entries and also Prepare the Balance sheet of the company.

2011 S.O.L. (Modified)

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
40,000	40,000	1,20,000	1,20,000	–	–	–	–
60,000	40,000	1,80,000	1,20,000	60,000	60,000	–	–
30,000	20,000	90,000	60,000	30,000	30,000	–	–
20,000	Nil	60,000	–	–	–	–	60,000
1,50,000	1,00,000	4,50,000	3,00,000		90,000		60,000

In the books of Ganesh Ltd
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c		3,90,000	3,00,000 90,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		4,00,000	2,00,000 2,00,000
	Calls in Arrear A/c Dr. To Share Allotment A/c		1,000	1,000
	Share First Call A/c Dr. To Share Capital A/c		3,00,000	3,00,000
	Calls in Arrear A/c Dr. To Share First Call A/c		2,100	2,100
	Share Second & Final Call A/c Dr. To Share Capital A/c		2,00,000	2,00,000
	Calls in Arrear A/c Dr. To Share Second & Final Call A/c		1,400	1,400

Cash Book (Bank Column only)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	4,50,000	By Share Application A/c	60,000
To Share Allotment A/c	3,09,000	By Balance c/d	11,95,500
To Share First Call A/c	2,97,900		
To Share Second & Final Call A/c	1,98,600		
	12,55,500		12,55,500

Working Note:-

For Category B

No. of Shares Allotted = 400

No. of Shares Applied = $(60,000 / 40,000) \times 400 = 600$

Application Money Received = $600 \times 3 = \text{Rs.}1,800$

Application Money Transferred to Share Capital A/c = $400 \times 3 = \text{Rs.}1,200$

Excess Application money received = $\text{Rs.}1,800 - 1,200 = \text{Rs.} 600$

Money Due on Allotment = $400 \times 4 = \text{Rs.}1,600$

Money due but not Received in Allotment = $1,600 - 600 = \text{Rs.}1,000$

Q.16

The Director of X Ltd invited application for 5,00,000 equity Shares of Rs. 10 each issued at 20% Premium. The amount was payable as follows;

On Application Rs.5
On Allotment Rs.4 (Including Premium)
On Call Rs.3

Application were received for 6,25,000 shares. It was decided,

- (i) To refuse allotment to the applicants for Rs. 5,000 shares.
- (ii) To allot in full to the applicant for 20,000 shares.
- (iii) To allot the remaining shares on pro-rata basis to the applicant for 6,00,000 shares.
- (iv) To utilize the surplus application money as part payment of money due on allotment.

Sanjay, who was **allotted 1,000 shares** on pro-rata basis, failed to pay the allotment and call money. Journalise the above transaction.

2011 (Regular) (Modified)

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
5,000	Nil	25,000	–	–	–	–	25,000
20,000	20,000	1,00,000	1,00,000	–	–	–	–
6,00,000	4,80,000	30,00,000	24,00,000	6,00,000	6,00,000		
6,25,000	5,00,000	31,25,000	25,00,000		6,00,000		25,000

In the books of X Ltd.
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		31,25,000	31,25,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c		31,25,000	25,00,000 6,00,000 25,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		20,00,000	10,00,000 10,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Allotment A/c		13,97,250 2,750	14,00,000
	Share First & Final Call A/c Dr. To Share Capital A/c		15,00,000	15,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share First & Final Call A/c		14,97,000 3,000	15,00,000

Working Note:-

No. of Shares Allotted = 1,000
 No. of Shares Applied = $(6,00,000 / 4,80,000) \times 1,000 = 1,250$
 Application Money Received = $1,250 \times 5 = \text{Rs.}6,250$
 Application Money Transferred to Share Capital A/c = $1,000 \times 5 = \text{Rs.}5,000$
 Excess Application money received = $\text{Rs.}6,250 - 5,000 = \text{Rs.} 1,250$
 Money Due on Allotment = $1,000 \times 4 = \text{Rs.}4,000$
 Money due but not Received in Allotment = $4,000 - 1,250 = \text{Rs.}2,750$

Q.17

On 1st January 2014 Innovative Ltd. issued 1,00,000 equity shares of Rs. 10 each payable as follows:

- On Application Rs. 3
- On Allotment Rs. 2
- On 1st Call Rs. 2 (Payable after 2 month from the date of Allotment)
- On Final Call Rs. 3 (Payable after 2 month from the date of 1st Call)

Applications were received on 15th January 2014 for 1,20,000 shares and allotment was made on 1st February 2014. Applications for 50,000 shares were allotted in full those for 60,000 shares were allotted 50,000 shares and applicants for 10,000 shares were rejected:

Balance of amount due on allotment was received on 15th February

The calls were due on 1st March, 2014 and 1st April 2014 respectively. **One shareholder did not pay the 1st Call money on 3,000 shares which he paid with the final call together with interest at 10 % p.a.** Another shareholder holding 2,000 shares did not pay the final call money till end of the accounting year which ends on 30th June. Show the Cash Book and Journal entry.

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
50,000	50,000	1,50,000	1,50,000	–	–	–	–
60,000	50,000	1,80,000	1,50,000	30,000	30,000	–	–
10,000	Nil	30,000	–	–	–	–	30,000
1,20,000	1,00,000	3,60,000	3,00,000		30,000		30,000

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
1-2-14	Share Application A/c To Share Capital A/c To Share Allotment A/c	Dr.	3,30,000	3,00,000 30,000
1-2-14	Share Allotment A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
1-3-14	Share First Call A/c To Share Capital A/c	Dr.	2,00,000	2,00,000
1-4-14	Calls-in-Arrear A/c To Share First Call A/c	Dr.	6,000	6,000
1-4-14	Share Second & Final Call A/c To Share Capital A/c	Dr.	3,00,000	3,00,000
1-5-14	Calls-in-Arrear A/c To Share Second & Final Call A/c	Dr.	6,000	6,000
30-6-14	Sundry Shareholder A/c To Interest on Calls-in-Arrear A/c	Dr.	50	50

Cash Book (Bank Column)

Date	Particulars	Rs.	Date	Particulars	Rs.
15.1.14	To Share Application A/c	3,60,000	1.2.14	By Share Application A/c	30,000
15.2.14	To Share Allotment A/c	1,70,000	1.5.14	By Balance c/d	9,94,050
1.4.14	To Share First Call A/c	1,94,000			
1.5.14	To Share Final Call A/c	2,94,000			
1.5.14	To Calls in Arrear A/c	6,000			
1.5.14	To Interest on Calls in Arrear A/c	50			
		10,24,050			10,24,050

Working Note:-

Calculation of Interest on Calls in Arrear:-

Last Date of First Call is 1st April 2014 and Last Date of Final call is 1st May 2014

For 1st Share holder who did not pay First Call Money on 3,000 shares

On Rs.6,000 @ 10 % for 1 month (1st April 2014 to 1st May 2014) = Rs. 50

Modern Approach to record Application and Allotment Account (Joint)

When entries in respect to Share Application and Share Allotment are jointly opened then entry for Application money transferred (allotment of shares) and Allotment money due is combined made:-

When Application Money Received

Bank A/c.....Dr.
 To Share Application and Allotment A/c
 (Being Application money received on.....shares of Rs. Each)

When Shares are allotted and Application money transferred to share capital A/c and Allotment money due

Share Application and Allotment A/c.....Dr.
 To Share capital A/c
 (It is a combined Journal Entry for application money received and allotment money due)

When Allotment money is Received

Bank A/c.....Dr.
 To Share Application and Allotment A/c
 (Being Allotment money received on.....shares of Rs. Each)

In this method one entry will be save because two entries is combined done for Application money transferred and Allotment Money Due

Q.18

Innovative Ltd. issued 10,000 Shares of Rs. 10 each at a premium of Rs. 2 per Shares payable as Rs. 3 on Application; Rs. 6 on Allotment, and Rs. 3 on First and Final Call. All Shares were applied for and duly allotted. All money due are fully received. Pass necessary Journal Entries.

In the books of Innovative Ltd.
 Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application and Allotment A/c		30,000	30,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		90,000	70,000 20,000
	Bank A/c Dr. To Share Application and Allotment A/c		60,000	60,000
	Share First &Final Call A/c Dr. To Share Capital A/c		30,000	30,000
	Bank A/c Dr. To Share First &Final Call A/c		30,000	30,000

Issue of Shares for consideration other than Cash

1. Issue of Shares in case of Purchase of Fixed Assets:–

<u>When Fixed Assets are purchased:-</u>	
Sundry Fixed Assets A/c (Individually).....Dr. To Vender A/c	
<u>When Shares are issued:-</u>	
Issued at par	Issued at Premium
Vender A/c.....Dr. To Share Capital A/c	Vender A/c.....Dr. To Share Capital A/c To Securities Premium A/c

$$\text{No. of Shares to be issued} = \frac{\text{Amount Due to Vender}}{\text{Issue Price per share}}$$

Share Capital = No. of Shares issued × Face Value per Share

Securities Premium = No. of Shares issued × Premium Amount per Share

2. Issue of Shares in case of Purchase of Business:–

<u>When Business are purchased:-</u>	
When Purchased Consideration given is "more" than the "Net Assets taken". <i>Here Goodwill is Arise</i>	When Purchased Consideration given is "less" than the "Net Assets taken" <i>Here Capital Reserve is Arise</i>
Sundry Assets A.....Dr. Goodwill A/c..... Dr. (Balancing Figure) To Liabilities A/c To Vendor A/c	Sundry Assets A.....Dr. To Liabilities A/c To Vendor A/c To Capital Reserve A/c (Balancing Figure).
Issued at par	Issued at Premium
Vender A/c.....Dr. To Share Capital A/c	Vender A/c.....Dr. To Share Capital A/c To Securities Premium A/c

“Purchase Consideration” means Amount payable by Purchaser Company to Vendor Company for purchase of the Business.

3. Issues of Shares to Promoters:–

A company may also issue fully paid shares for consideration other than cash to the promoters for his past services. These expenses are incurred by promoters for incorporation of company. At the time of formation of company all initial expenses are paid by the promoter.

Journal Entry for Issue of Shares to Promoters:-

Goodwill / Cost of Incorporation A/c.....Dr.
 To Share Capital A/c

When shares are issued in both ways for cash or “Consideration other than cash” then these shares must be separately shown under the head Issued and Subscribed Capital in Balance Sheet

Q.19

(i)

Innovative Ltd. acquired a Building for its Class Room Costing Rs. 45,00,000 from Singh Builders. The Payment was made by issue of Equity Shares of Rs. 10 each. Pass the journal Entry in followings alternative cases:

- (i) When Shares are issued at Par.
- (ii) When Shares are issued at 50% Premium.

In the books of Innovative Ltd.
 Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Building A/c Dr. To Singh Builders A/c		45,00,000	45,00,000
Case –I	When Shares are issued at Pat			
	Singh Builders A/c Dr. To Share Capital A/c		45,00,000	45,00,000
Case-II	When Share are issued at 50% Premium.			
	Singh Builders A/c Dr. To Share Capital A/c To Security Premium A/c		45,00,000	30,00,000 15,00,000

Working Note:

Number of Shares to be issued = $\frac{\text{Amount due to Vendors}}{\text{Issue Price Per shares}}$

Case-I: - Number of shares = 45,00,000 / 10 = 4,50,000 Equity Shares.

Case-II: - Number of shares = 45,00,000 / 15 = 3,00,000 Equity Shares.

(ii)

Innovative Ltd. Purchases the business of Hi-Tec Ltd for Rs. 2,70,000 payable in fully paid shares. Innovative Ltd. allotted equity shares of Rs. 10 each fully paid in satisfaction of the claim by Hi-Tec Ltd. Show the necessary Journal entries in the books of Innovative Ltd. assuming that:

- 1. Such shares are issued at par and
- 2. Such shares are issued at premium of 20%

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Sundry Assets A/c To Hi-Tec Ltd.	Dr.	2,70,000	2,70,000
1.	If Shares are issued at Par. Hi-Tec Ltd. A/c To Share Capital A/c	Dr.	2,70,000	2,70,000
2.	If Shares are issued at Premium. Hi-Tec Ltd. To Share Capital A/c To Security Premium A/c	Dr.	2,70,000	2,25,000 45,000

Working Note:

Number of Shares to be issued = Amount due to Vendors / Issue Price Per shares.

Case-I: - Number of shares = 2,70,000 / 10 = 27,000 Equity Shares.

Case-II: - Number of shares = 2,70,000 / 12 = 22,500 Equity Shares.

(iii)

Innovative Ltd. issued 25,000 fully paid up Equity shares of Rs. 100 each for the purchase of the followings assets and liabilities from Singh Brothers.

Machinery	Rs. 6,00,000	Stock in Trade	Rs. 6,50,000
Land And Buildings	Rs. 9,00,000	Sundry Creditors	Rs. 1,00,000

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Machinery A/c Land and Building A/c Stock-in-Trade A/c Goodwill A/c (Bal. Fig) To Sundry Creditors To Singh Brothers	Dr. Dr. Dr. Dr.	6,00,000 9,00,000 6,50,000 4,50,000	1,00,000 25,00,000
	Singh Brothers To Share Capital A/c	Dr.	25,00,000	25,00,000

(iv)

Innovative Ltd. Purchases a running Business from M/s Suviksha for a sum of Rs. 2,50,000 payable as Rs. 1,80,000 in fully paid equity shares of Rs. 10 each and balance in cash. The assets and liabilities consisted of the followings.

Plant and Machinery	Rs. 60,000	Buildings	Rs. 1,40,000
Sundry Debtors	Rs. 15,000	Stock	Rs. 45,000
Cash	Rs. 25,000	Sundry Creditors	Rs. 20,000

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

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Plant and Machinery A/c Buildings A/c Sundry Debtors A/c Stock A/c Cash A/c	Dr. Dr. Dr. Dr. Dr.	60,000 1,40,000 15,000 45,000 25,000	

	To Sundry Creditors A/c To M/s Suviksha To Capital Reserve A/c (Bal. Fig)			20,000 2,50,000 15,000
	M/s Suviksha To Share Capital A/c To Bank A/c	Dr.	2,50,000	1,80,000 70,000

(v)

Innovative Ltd. Issued 30,000 Equity Shares of Rs. 10 each fully paid to Promoters. Pass Journal Entry.

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Goodwill A/c To Share Capital A/c	Dr.	3,00,000	3,00,000

(vi)

Innovative Ltd. Issued 10,000 Equity Shares of Rs. 10 each fully paid to Underwriters as Underwritings commission. Pass Journal Entry.

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Underwritings Commission A/c To Share Capital A/c	Dr.	1,00,000	1,00,000

(vii)

Bright Ltd was registered with a Shares capital of Rs. 10,00,000 in equity shares of Rs. 10 each. The company acquired factory building worth Rs. 1,00,000 and plant and machinery worth Rs. 80,000 from Delite Ltd and issue 18,000 equity shares of Rs. 10 each to the vendors as fully paid. The director also decided to allot 2,000 equity shares credited as fully paid to the promoters for their service. Further capital was issued to the public for cash to the extent of Rs. 3,00,000 payable in full with application. All the shares were taken up by the public and fully paid for. Show the necessary journal entries and the balance sheet.

In the books of Bright Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Factory Building A/c Plant and Machinery A/c To Delite Ltd.	Dr. Dr.	1,00,000 80,000	1,80,000
	Delite Ltd. To Share Capital A/c	Dr.	1,80,000	1,80,000
	Goodwill A/c To Share Capital A/c	Dr.	20,000	20,000
	Bank A/c To Share Application A/c	Dr.	3,00,000	3,00,000
	Share Application A/c To Share Capital A/c	Dr.	3,00,000	3,00,000

Balance Sheet of Bright Ltd.
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	5,00,000
	Total Equity and Liabilities		5,00,000
II	ASSETS		
	1. Non-current assets		
	(a) Fixed assets		
	(i) Tangible assets	2	20,000
	(ii) Intangible assets	3	1,80,000
			2,00,000
	2. Current assets		
	Cash and cash equivalents	4	3,00,000
	Total Assets		5,00,000

Notes to Accounts

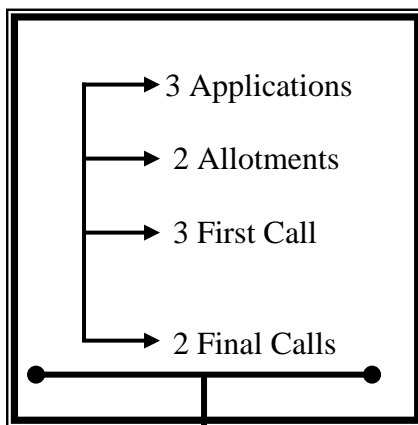
Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	10,00,000
1,00,000 Equity Shares of Rs. 10 each	
Issued and Subscribed:	5,00,000
50,000 Equity Shares of Rs. 10 each	
of the above share 20,000 shares have been issued to vendors and promoters for consideration other than cash)	
2. Tangible Assets	
Factory Building	1,00,000
Plant and Machinery	80,000
	1,80,000
3. Intangible Assets	
Goodwill	20,000
4. Cash and Cash Equivalents	
Cash at Bank	3,00,000

Forfeiture and Reissue of Forfeited Shares

Forfeiture of Shares means “Cancellation” of shares by the company due to nonpayment of either Allotment money or Calls money called by the company. When the company demands money from the shareholder and shareholder did not pay the money, company has right to forfeit these shares. But company can only exercise this right when it has authorized by his Articles of Association. After making due Notice Company forfeited these shares.

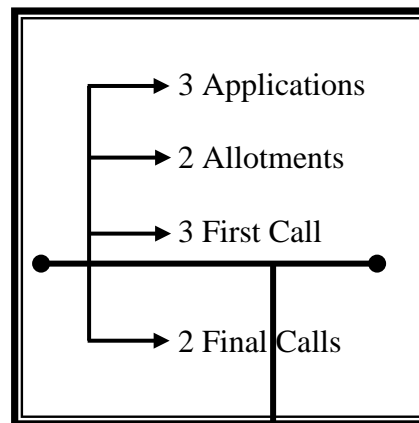
It may be happen some times that some share holder did not pay First call money. In this circumstances company has right to forfeit these Shares in following manners:-

- (1) Just after nonpayment of first call money or before making next Call, such as “Second and Final Call money and
- (2) May forfeit its shares after making Second and Final Call Money



Company forfeited shares after making Final Call Money or both call money (First and Final) has been called by Company

Here share capital is Rs. 10



Company forfeited shares after making first Call or Final Call Money is not yet called by Company

Here share capital is Rs. 8

On Forfeiture Share Capital Account is always debited with the called up amount of Share capital and not face value of Shares. When total face value is called up then is must be debited with total face value.

Shares forfeited becomes the property of the company and the Directors have the authority to *reissue them at Par, at Premium or at Discount*

Entry for Forfeiture of Shares				
When shares are originally issued at par and forfeited Share Capital A/c.....Dr. To Share Forfeiture A/c To Calls in Arrear A/c	When shares are originally issued at Premium and forfeited <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px; vertical-align: top;"> Premium Money is Receive by the Company Share Capital A/c.....Dr. To Share Forfeiture A/c To Calls in Arrear A/c </td> <td style="width: 50%; padding: 5px; vertical-align: top;"> Premium Money is not Received by the Company Share Capital A/c.....Dr. Security Premium Reserve A/c....Dr. To Share Forfeiture A/c To Calls in Arrear A/c </td> </tr> </table>		Premium Money is Receive by the Company Share Capital A/c.....Dr. To Share Forfeiture A/c To Calls in Arrear A/c	Premium Money is not Received by the Company Share Capital A/c.....Dr. Security Premium Reserve A/c....Dr. To Share Forfeiture A/c To Calls in Arrear A/c
Premium Money is Receive by the Company Share Capital A/c.....Dr. To Share Forfeiture A/c To Calls in Arrear A/c	Premium Money is not Received by the Company Share Capital A/c.....Dr. Security Premium Reserve A/c....Dr. To Share Forfeiture A/c To Calls in Arrear A/c			
Entry for Re-issue of Forfeiture of Shares				
<u>When Reissued at Par</u> Bank A/cDr. To Share Capital A/c				
<u>When Reissued at Discount</u> Bank A/cDr. Share Forfeiture A/c.....Dr. To Share Capital A/c				
<u>When Reissued at Premium</u> Bank A/cDr. To Share Capital A/c To Security Premium Reserve A/c				

There are two cases in Forfeiture of Shares

Case 1. When shares originally issued at Par

When shares are Forfeited:-

Share Capital A/c Dr. (With the Total Called up Amount by the company)
 To Share Forfeiture A/c (With the amount already received by the company)
 To Various unpaid Calls/ Calls in Arrear A/c (With the amount which becomes due but not paid by shareholder)

When Forfeited Shares are reissued:-

Type 1 When it is reissued at Par

Bank A/c.....Dr.
 To Share Capital A/c

Type 2 When it is reissued at Discount (But amount of discount cannot exceed from Share Forfeiture Amount)

Bank A/c.....Dr.
 Share Forfeiture A/cDr
 To Share Capital A/c

Type 3 When it is reissued at Premium

Bank A/c.....Dr.
 To Share Capital A/c
 To Securities Premium A/c

Transfer of Balance of Forfeited Share A/c:- When the shares are reissued the profit on reissue of share (if any) are transferred to Capital Reserve A/c

Share Forfeiture A/c.....Dr.
 To Capital Reserve A/c

Rules of Calculating Capital Reserve Amount:-

$\frac{\text{No. of Shares Reissue}}{\text{No. of Shares Forfeited}} \times \text{Original Balance of Forfeiture A/c}$	minus	Amount of forfeiture A/c which is debited at the time of reissue of Shares
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When Two Different Categories of Shares are Reissued then Capital Reserve are separately calculated of both Categories and then added together

Q.20

(i) Give Journal Entries relating to forfeiture and re-issue

400 shares of Rs. 10 each on which **Rs. 8 per shares has been called up** and Rs. 6 per shares has been paid were forfeited. Out of these 300 shares are re-issued for Rs. 7 each **as fully paid.**

2009 Regular (Adapted)

In the books of
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being 400 shares forfeited for non-payment of calls money)		3,200	2,400 800
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being issue of 300 forfeited shares as fully paid at Rs. 7 each)		2,100 900	3,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on re-issue of 100 shares transferred to Capital Reserve)		900	900

(ii)

Give Journal Entries relating to forfeiture and re-issue

400 shares of Rs. 10 each on which **Rs. 8 per shares has been called up** and Rs. 6 per shares has been paid were forfeited. Out of these 300 shares are re-issued for Rs. 7 each **as Rs. 8 paid up.**

In the books of
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Shares Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		3,200	2,400 800
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		2,100 300	2,400
	Share Forfeited A/c Dr. To Capital Reserve A/c		1,500	1,500

(iii)

Give Journal Entries relating to forfeiture and re-issue

400 shares of Rs. 10 each on which **Rs. 8 per shares has been called up** and Rs. 6 per shares has been paid were forfeited. Out of these 300 shares are re-issued for Rs. 10 each **as Rs. 8 paid up.**

In the books of
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		3,200	2,400 800
	Bank A/c Dr. To Share Capital A/c To Security Premium Reserve A/c		3,000	2,400 600
	Share Forfeited A/c Dr. To Capital Reserve A/c		1,800	1,800

(iv)

Give Journal Entries relating to forfeiture and re-issue

400 shares of Rs. 10 each **Fully Called up** and Rs. 6 per shares has been paid were forfeited. Out of these 300 shares are re-issued for Rs. 7 each **as fully paid**.

In the books of
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		4,000	2,400 1,600
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		2,100 900	3,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		900	900

Case 2 When shares originally issued at Premium

When shares are forfeited:-

When Premium Amount is received by the company

Share Capital A/c Dr. (With the Total Called up Amount by the company)

To Share Forfeiture A/c (With the amount already received by the company after deducting premium amount)

To Various unpaid Calls / Calls in Arrear A/c (With the amount which becomes due but not paid by shareholder)

If the premium has already been received by the company, it cannot be cancelled.

Q.21

(i) Give Journal Entries relating to forfeiture and re-issue

Innovative Ltd. issued 500 shares of Rs. 10 each **at a premium of Rs. 2** payable @ Rs. 3 on application, Rs. 5 on allotment (including premium) Rs. 2 on First call and Rs. 2 on Final Call to Mr. Harish. These shares were forfeited by the company for **non-payment of first and second call**. 300 of these shares were re-issued to Mr. Amar at Rs. 8 as fully paid.

2009 Regular (Adapted)

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being 500 Shares forfeited for non- payment of first and final call)		5,000	3,000 2,000
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being re-issue of 300 forfeited shares)		2,400 600	3,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on re-issue of 300 shares transferred to Capital Reserve)		1,200	1,200

(ii)

MN Ltd. invited application for 1,00,000 equity shares of R. 10 each issued at a premium of 20% payable as;- on application Rs.2;on allotment Rs.4 (including premium); on first call Rs.3; On final call Rs. 3. 400 shares allotted to Mr. Kishore were forfeited for non-payment of first call and final call. 300 of these shares were reissued at Rs. 8 per share as fully paid. Pass the **Journal Entry for forfeiture and re-issue of shares.**

2010 Regular (Adapted)

In the books of MN Ltd.
Journal Entries

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being 400 shares forfeited for non-payment of calls money)		4,000	1,600 2,400
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being issue of 300 forfeited shares as fully called up)		2,400 600	3,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on re-issue of 300 equity shares transferred to capital Reserve A/c)		600	600

When Premium Amount is due by the company but not received by the company

Share Capital A/c Dr. (With the Total Called up Amount by the company)

Securities Premium A/c.....Dr. (Premium amount originally due)

 To Share Forfeiture A/c (With the amount already received by the company)

 To Various unpaid Calls / Calls in Arrear A/c (With the amount which becomes due but not paid by shareholder)

Calls in Arrear includes the amount of Securities premium which is already debited above

Q.22

(i)ABC Ltd. forfeited 100 shares of Rs. 10 each **issued at 10% premium** on which allotment money of Rs. 3 per share (including premium) and first call of Rs. 3 per share were not received. The second and final call of R. 2 per shares was not vet called. 20 of these shares were re-issued **as Rs. 8 paid up for Rs. 9 per shares.** Give Journal entries regarding forfeiture and re-issue of shares.

2009 S.O.L. (Adapted)

In the Books of ABC Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Dr.(Rs.)
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Bing 100 Shares forfeited for non-payment of allotment and calls money)		800 100	300 600
	Bank A/c Dr. To Share Capital A/c To Security Premium A/c (Being 20 forfeited shares re-issued at Rs 8 Paid up for 9 per shares)		180	160 20
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on re-issue of 100 shares transferred to Capital Reserve)		60	60

(ii)

X Ltd. Forfeited 150 Equity Shares of Rs. 10 each issued at a premium of Rs. 5 per shares, held by Anshu on 15th December 2014, non-Payment of Allotment money of Rs. 8 per shares (including Security Premium Reserve of Rs. 5 per shares) the first call of Rs. 2 per Shares and the final call of Rs. 3 per shares. Out of these 100 Equity shares were re-issued to Bhavna at Rs. 15 per shares on 24th December, 2008. Give Journal entries for forfeited and Re-issues of the Shares.

2011-12 B.Com (H) Internal SRCC (Adapted)

**In the Books of X Ltd.
Journal Entry**

Date	Particulars	L.F	Dr.(Rs.)	Dr.(Rs.)
2014 15 th Dec.	Share Capital A/c Dr.		1,500	
	Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Bing 150 Shares forfeited for non-payment of allotment and calls money)		750	300 1,950
24 th Dec.	Bank A/c Dr.		1,500	
	To Share Capital A/c To Security Premium A/c (Being 100 forfeited shares re-issued at Rs 15 fully paid up)			1,000 500
24 th Dec.	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on re-issue of 100 shares transferred to Capital Reserve)		200	200

(iii)

Z Ltd. forfeited 50 shares of Rs. 10 each **issued at a premium of 20%** to Ankit, who had applied for 60 shares for non-payment of allotment money of Rs.6 per shares (including premium) and the first and final call of Rs.2 per shares. The amount overpaid on application was adjusted towards allotment. Give Journal Entries regarding forfeiture of Ankit's shares.

2009 S.O.L. (Adapted)

**In the Books of Z Ltd.
Journal Entry**

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr.		500	
	Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being 50 shares forfeited for non-payment of allotment and call money)		100	240 360

Q.23

Innovative Ltd. forfeited 500 equity shares of Rs. 100 each issued at 10% Premium (to be paid at the time of Allotment) on which first call of Rs. 30 per equity shares was not received the and final call of Rs. 20 per share was not yet called.

Give Journal entry were reissued of shares in cash in each of the following.

Case 1- If 200 of these shares were reissued as Rs. 80 paid up for Rs. 90 per shares

Case 2- If 200 of these shares were reissued as Rs. 80 paid up for Rs. 80 per shares

Case 3- If 200 of these shares were reissued as Rs. 80 paid up for Rs. 70 per shares

Case 4- If 200 of these shares were reissued as Rs. 80 paid up for Rs. 30 per shares

Case 5- If 200 of these shares were reissued as Rs. 80 paid up for Rs. 50 per shares

**In the books of Innovative Ltd.
Journal Entries**

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c Dr. To Calls in Arrear A/c To Share Forfeited A/c		40,000	15,000 25,000
Case-1	Bank A/c Dr. To Share Capital A/c To Security Premium A/c		18,000	16,000 2,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		10,000	10,000
Case-2	Bank A/c Dr. To Share Capital A/c		16,000	16,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		10,000	10,000
Case-3	Bank A/c Dr. Share Forfeited A/c Dr. To Share capital A/c		14,000 2,000	16,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		8,000	8,000
Case-4	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		6,000 10,000	16,000
Case-5	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		10,000 6,000	16,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		4,000	4,000

Q.24

Give Journal entry to record the forfeited for shares and their reissue:

- (i) The directors of a company forfeited 200 share of Rs.20 each, Rs.15 per shares called up, on which Rs.10 per shares had been paid by A, the amount of the first call of Rs.5 per shares being unpaid. Ten days letter, the director reissued the forfeited shares to B crediting as Rs.15 per shares paid up for a payment of Rs.10 per shares.
- (ii) A Company issued 1,00,000 shares of Rs.10 each Rs.1 payable on application, Rs.2 on allotment, Rs. 3 on first call and Rs.4 on final call. All the money payable on application and due on allotment and calls has been received with the following exceptions:
 Patel, who hold 1,000 shares, has not paid the money due on allotment and calls.
 Asha who hold 1,000 shares has not paid the money due on first and final Calls.
 Kumar, who hold 500 shares, has not paid the amount due on final call.
 The shares of Patel, Asha and Kumar were therefore, forfeited. These shares were subsequently re-issued for cash at a discount of 5%.

- (iii) The director of a company forfeited 500 shares of Rs.10 each, Rs.8 per shares called up on which Rs.5 per shares has been paid, out of 200 shares were reissued to a director crediting as Rs.8 per shares paid up, for a payment of Rs.6 per shares.
- (iv) A company forfeited 100 shares of Rs.10 each (issued at a premium of 10%) for non-payment of the first call of Rs.2 and the final call of Rs.2 of these 60 shares were reissued for Rs.9 per shares.

In the books of
Journal Entries

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
(i)	Share Capital A/c Dr.		3,000	
	To Calls in Arrear A/c			1,000
	To Share Forfeited A/c			2,000
	Bank A/c Dr.		2,000	
	Share Forfeited A/c Dr.		1,000	
	To Share Capital A/c			3,000
	Share Forfeited A/c Dr.		1,000	
	To Capital Reserve A/c			1,000
(ii)	Share Capital A/c Dr.		25,000	
	To Calls in Arrear A/c			18,000
	To Share Forfeited A/c			7,000
	Bank A/c Dr.		23,750	
	Share Forfeited A/c Dr.		1,250	
	To Share Capital A/c			25,000
	Share Forfeited A/c Dr.		5,750	
	To Capital Reserve A/c			5,750
(iii)	Share Capital A/c Dr.		4,000	
	To Calls in Arrear A/c			1,500
	To Share Forfeited A/c			2,500
	Bank A/c Dr.		1,200	
	Share Forfeited A/c Dr.		400	
	To Share Capital A/c			1,600
	Share Forfeited A/c Dr.		600	
	To Capital Reserve A/c			600
(iv)	Share Capital A/c Dr.		1,000	
	To Calls in Arrear A/c			400
	To Share Forfeited A/c			600
	Bank A/c Dr.		540	
	Share Forfeited A/c Dr.		60	
	To Share Capital A/c			600
	Share Forfeited A/c Dr.		300	
	To Capital Reserve A/c			300

Journal Entry in Case of Forfeiture and total Forfeited Shares are not reissued

<p>On Receipt of Application Money Bank A/c [Total no. of Application Received × Application Money per Share] Dr. To Share Application A/c</p> <p>On Acceptance of Applications Share Application A/c [Total no. of Shares Allotted × Application Money per Share]Dr. To Share Capital A/c</p>
<p>On Making Allotment Money due Share Allotment A/c [Total no. of Shares Allotted × Allotment Money per Share] To Share Capital A/c</p> <p>On Receipt of Allotment Money Bank A/c [Actual amount received after deducting unpaid allotment money] To Share Allotment A/c</p>
<p>On Making First Call Money due Share First Call A/c [(Total no. of Shares Allotted – Shares Forfeited if any + if any part of Forfeited Shares are reissued at partly paid up) × First Call Money Per Share... Dr. To Share Capital A/c</p> <p>On Receipt of First Call Money Bank A/c [Actual amount received after deducting unpaid Call money] To Share First Call A/c</p>
<p>On Making Second and Final Call Money due Share Second and Final Call A/c [(Total no. of Shares Allotted – Shares Forfeited if any + if any part of Forfeited Shares are reissued at partly paid up) × Second and Final Call Money Per Share...Dr. To Share Capital A/c</p> <p>On Receipt of Second and Final Call Money Bank A/c [Actual amount received after deducting unpaid Call money] To Share Second and Final Call A/c</p>

Q.25

On January 1, 2014, Innovative Ltd. make an issue of 3,00,000 equity shares of Rs. 10 each at a premium of Rs. 4 per shares payable as follows:

Rs. 4 on Application (including Rs. 1 premium)

Rs. 3 on Allotment (including Rs. 1 premium)

Rs. 4 on First Call (including Rs. 1 premium)

Rs. 3 on Second and Final Call (including Rs. 1 premium)

Application were received for 4, 00,000 shares of which application for 50,000 shares were rejected and their money was refunded. Rests of the applicants were issued shares on pro rata basis and their excess money was adjusted towards allotment.

Hari to whom 6,000 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment. **Mohan who applied for 10,500 shares** failed to pay the two calls and on his failure, his shares were forfeited. Shyam who allotted 3,000 shares did not pay final call.

12,000 forfeited shares were reissued as fully paid on receipt of Rs. 9 per shares, **the whole of Mohan's shares being included.**

Prepare the cash Book and pass necessary Journal entries. Also give the Balance sheet of the company.

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	
1	2	3	4	5 = 3-4	6	7
50,000	Nil	2,00,000	–	–	–	2,00,000
3,50,000	3,00,000	14,00,000	12,00,000	2,00,000	2,00,000	–
4,00,000	3,00,000	16,00,000	12,00,000	–	2,00,000	2,00,000

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Share Application A/c Dr. To Share Capital A/c To Security Premium A/c To Share Allotment A/c		14,00,000	9,00,000 3,00,000 2,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		9,00,000	6,00,000 3,00,000
	Calls in Arrear A/c Dr. To Share Allotment A/c		14,000	14,000
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being forfeiture of 6,000 shares for nonpayment of Allotment money)		30,000 6,000	22,000 14,000
	Share First Call A/c Dr. To Share Capital A/c To Security Premium A/c (Being First Call due on 2,94,000 shares @ 4 per share)		11,76,000	8,82,000 2,94,000
	Calls in Arrear A/c Dr. To Share First Call A/c		36,000	36,000
	Share Second & Final Call A/c Dr. To Share Capital A/c To Security Premium A/c (Being Second & Final Call due on 2,94,000 shares @ 3 per share)		8,82,000	5,88,000 2,94,000
	Calls in Arrear A/c Dr. To Share Second & Final Call A/c		36,000	36,000
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being forfeiture of 9,000 shares for nonpayment of First and Second & Final Call money)		90,000 18,000	45,000 63,000
	Share Forfeited A/c Dr. To Share Capital A/c		12,000	12,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		44,000	44,000

Working Note:-

For Hari's Shares

No. of Shares Allotted = 6,000

No. of Shares Applied = $(3,50,000 / 3,00,000) \times 6000 = 7,000$

Application Money Received = $7,000 \times 4 = \text{Rs.}28,000$

Application Money Transferred to Share Capital A/c = $6,000 \times 3 = \text{Rs. }18,000$

Application money transferred to Security Premium A/c = $6,000 \times 1 = \text{Rs. }6,000$

Excess Application money received = $\text{Rs.}28,000 - (18,000 + 6,000) = \text{Rs. }4,000$

Money Due on Allotment including premium = $6,000 \times 3 = \text{Rs. }18,000$

Money due but not Received in Allotment including premium = $18,000 - 4,000 = \text{Rs. }14,000$

For Mohan's Shares

No. of shares Applied = 10,500

No. of shares Allotted = $(3,00,000 / 3,50,000) \times 10,500 = 9,000$

Amount transferred to Capital Reserve A/c

For Hari's Share = $[(3,000/6,000) \times 22,000] - 3,000 \times 1 = \text{Rs.}8,000$

For Mohan's Share = $[(9,000/ 9,000) \times 45,000] - 9,000 \times 1= \text{Rs.} 36,000$

Total profit on reissue of 12,000 shares (including Mohan's total Share) = $8,000 + 36,000 = \text{Rs.} 44,000$

Cash Book

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	16,00,000	By Share Application A/c	2,00,000
To Share Allotment A/c	6,86,000	By Balance c/d	41,80,000
To Share First Call A/c	11,40,000		
To Share Second & Final Call A/c	8,46,000		
To Share Capital A/c	1,08,000		
	43,80,000		43,80,000

Balance Sheet of Innovative Ltd.

As at.....

S. No	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	29,72,000
	(b) Reserve and Surplus	2	12,08,000
	Total Equity and Liability		41,80,000
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	41,80,000
	Total Assets		41,80,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
2,97,000 shares of Rs. 10 each	29,70,000
Calls unpaid	9,000
	29,61,000
Add: Forfeited Shares	11,000
	29,72,000
2. Reserve and Surplus	
Security Premium Reserve	11,64,000
Capital Reserve	44,000
	12,08,000
3. Cash and Cash Equivalents	
Cash at Bank	41,80,000

Q.26 Revision

Innovative Ltd. makes an issue of 5,000 equity share of Rs. 100 each at a premium of Rs. 12.50 per share payable as follows. (i) Rs. 12.50 on application (ii) Rs. 25.00 on allotment (including premium) (iii) Rs. 50 on first call (iv) Rs. 15 on second call (v) Rs. 10 on final call. The application and allotment money are duly received and in addition holders of 2,500 shares pay in full on allotment. Holders of 100 shares failed to pay first call and after due notice their share are forfeited. The amount payable on second call (made after the forfeiture) is paid in full except that a holder of 50 shares failed to pay. **75 of 100 Share forfeited are re-issued credited with Rs. 90 paid for Rs. 65 per shares. The new holders pay for these shares in full. The balance of Rs. 10 per Share being treated as calls in advance.** The final call is met in full including the arrears of the second call. Show the necessary journal entry including cash in the books of Dynamic Ltd.

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		62,500	62,500
	Share Application A/c Dr. Share Allotment A/c Dr. To Share Capital A/c		62,500 62,500	1,25,000
	Bank A/c Dr. To Share Allotment A/c To Security Premium A/c To Calls-in-advance A/c		3,12,500	62,500 62,500 1,87,500
	Share First Call A/c Dr. To Share Capital A/c		2,50,000	2,50,000
	Bank A/c Dr. Calls-in-Advance A/c Dr. Calls-in-Arrears A/c Dr. To Share First Call A/c		1,20,000 1,25,000 5,000	2,50,000
	Share Capital A/c Dr. To Shares Forfeited A/c To Calls-in-Arrears A/c		7,500	2,500 5,000
	Share Second Call A/c Dr. To Share Capital A/c (Being Second call on 4,900 Shares made)		73,500	73,500
	Bank A/c Dr. Calls-in-Advance A/c Dr. Calls-in-arrears A/c Dr. To Share Second Call A/c (Being receipt of second call monies except on 50 shares)		35,250 37,500 750	73,250
	Bank A/c Dr. Forfeited Share A/c Dr. To Share Capital A/c (Being Reissue of 75 out of 100 share at Rs. 25 per shares)		4,875 1,875	6,750
	Bank A/c Dr. To Calls-in- Advance A/c (Being payment of Rs. 10 per shares on 75 shares by new allottee to be treated as calls in advance.)		750	750
	Share Third and Final Call A/c Dr. To Equity Share Capital A/c (Being call made on 4,975 shares (4,900 + 75 reissued shares))		49,750	49,750
	Bank A/c Dr. Calls-in Advance A/c Dr. To Share Third and Final Call A/c To Call-in- Arrears A/c (Being of final call money including arrears of second call and excluding calls-in-Advance on 2,575 Shares)		24,750 25,750	49,750 750

Q.27

Innovative Ltd. with a share capital of Rs.5,00,000 divided into 10,000 equity shares of Rs. 50 each offers the equity shares to the public as under:

Rs. 10 payable on application; Rs. 10 payable on allotment Rs. 15 payable on first call and Rs. 15 payable on second call.

Shareholder A who holds 30 equity Shares has paid only the application money.

Shareholder B who holds 20 equity Share has paid application money on 20 equity shares and allotment money on only 10 Equity shares. He has not paid any other calls.

Share holders C who holds 18 equity Share has paid only the applications and allotment money.

Shareholder D, who holds 5 equity Share had paid application, allotment and first call money.

Shareholder E, who holds 3 equity Share had paid application, allotment and first call money in full and second call money on only 2 equity Share.

The company forfeited the shares of the above share holder who not paid the arrears.

Journalise the above transactions including entries relating to Bank in the books of Innovative Ltd.

Name of Shareholder	No. of Shares	Application Money	Allotment Money not received	First Call Money not received	Second Call Money not received
A	30	ok	30	30	30
B	20	ok	10	20	20
C	18	ok	ok	18	18
D	5	ok	ok	ok	5
E	3	ok	ok	ok	1
Arrear Money			$40 \times 10 = 400$	$68 \times 15 = 1,020$	$74 \times 15 = 1,110$

**In the Books of Innovative Ltd.
Journal Entry**

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c To Share Application A/c	Dr.	20,000	20,000
	Share Application A/c To Shares Capital A/c	Dr.	20,000	20,000
	Share Allotment A/c To Share Allotment A/c	Dr.	20,000	20,000
	Bank A/c Calls in Arrear A/c To Share Capital A/c	Dr. Dr.	19,600 400	20,000
	Share First Call A/c To Share Capital A/c	Dr.	30,000	30,000
	Bank A/c Calls in Arrear A/c To Share First Call A/c	Dr. Dr.	28,980 1,020	30,000
	Share Second & Final Call A/c To Share Capital A/c	Dr.	30,000	30,000
	Bank A/c Calls in Arrear A/c To Share Second & Final Call A/c	Dr. Dr.	28,890 1,110	30,000
	Share Capital A/c To Share Forfeited A/c To Calls in Arrear A/c	Dr.	3,700	1,170 2,530

Q.28

Innovative Ltd. was registered with an authorized capital of 50,000 divided in Rs. 10 shares. During the year, 10,000 shares were issued to the Singh Builders (vender) for Purchase of Land & Buildings; 5,000 shares of Rs. 10 each fully paid up is issued to Promoters and **20,000 shares were offered to the public and Rs. 5 per cent shares were called up**: on application Rs. 2; on Allotment Rs. 1; 1st Call Rs. 1 and Rs. 1 on Second Call. The amounts received on these shares were as follows:

On 15,000 shares full amount called

On 3,500 shares Rs.4 per share

On 1,000 shares Rs.3 per share

On 500 shares Rs. 2 per share

The directors forfeited 1,500 shares on which less than Rs. 4 per shares were paid. Show Journal entry to record the above transactions.

No. of Shares	Application Money Received	Allotment Money Received	First Call Money Received	Second Call Money Received
	@ Rs. 2	@ Rs. 1	@ Rs. 1	@ Rs. 1
15,000	yes	yes	yes	yes
3,500	yes	yes	yes	No.
1,000	yes	yes	No.	No.
500	yes	No.	No.	No.

**In the books of Innovative Ltd.
Journal Entries**

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Land & Buildings A/c To Singh Builder's A/c	Dr.	1,00,000	1,00,000
	Singh Builder's A/c To Shares Capital A/c	Dr.	1,00,000	1,00,000
	Goodwill A/c To Share Capital A/c	Dr.	50,000	50,000
	Bank A/c To Share Application A/c	Dr.	40,000	40,000
	Share Application A/c To Share Capital A/c	Dr.	40,000	40,000
	Share Allotment A/c To Share Capital A/c	Dr.	20,000	20,000
	Bank A/c Calls in Arrear A/c To Share Allotment A/c	Dr. Dr.	19,500 500	20,000
	Share First Call A/c To Share Capital A/c	Dr.	20,000	20,000
	Bank A/c Calls in Arrear A/c To Share First Call A/c	Dr. Dr.	18,500 1,500	20,000
	Share Second & Final Call A/c To Share Capital A/c	Dr.	20,000	20,000
	Bank A/c Calls in Arrear A/c To Share Second & Final Call A/c	Dr. Dr.	15,000 5,000	20,000
	Share Capital A/c To Share Forfeited A/c (1,000 × 3) + (500 × 2) To Calls in Arrear A/c	Dr.	7,500	4,000 3,500

Q.26

Innovative Ltd. issued for public subscription 40,000 equity shares of Rs. 10 each at a premium of Rs. 2 per shares payable as under:

On application Rs. 2 per shares, on allotment Rs. 5 per shares, (including Premium) on first Call Rs. 2 per shares on second call Rs. 3 per shares

Application was received for 60,000 shares. Allotment was made pro-rata to the application for 48,000 shares the remaining application being refused. Money over paid on application was applied towards sum due on allotment.

Amit to whom 1,600 shares were allotted, failed to pay the allotment money and Bipul to whom 2,000 shares were allotted failed, to pay the two calls. These shares subsequently forfeited after the second call was made.

Pass Journal Entry in the books of Innovative Ltd. to record the above transaction including the bank entry:

**In the books of Innovative Ltd.
Journal Entry**

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		1,20,000	1,20,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c		1,20,000	80,000 16,000 24,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		2,00,000	1,20,000 80,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Allotment A/c		1,76,640 7,360	1,84,000
	Share First Call A/c Dr. To Share Capital A/c		80,000	80,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share First Call A/c		72,800 7,200	80,000
	Share Second & Final Call A/c Dr. To Share Capital A/c		1,20,000	1,20,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Second & Final Call A/c		1,09,200 10,800	1,20,000
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		36,000 3,200	13,840 25,360

Working Note:-

For Amit's Shares

No. of Shares Allotted = 1,600

No. of Shares Applied = $(48,000 / 40,000) \times 1,600 = 1,920$

Application Money Received = $1,920 \times 2 = \text{Rs. } 3,840$

Application Money Transferred to Share Capital A/c = $1,600 \times 2 = \text{Rs. } 3,200$

Excess Application money received = $\text{Rs. } 3,840 - 3,200 = \text{Rs. } 640$

Money Due on Allotment including premium = $1,600 \times 5 = \text{Rs. } 8,000$

Money due but not Received in Allotment including premium = $8,000 - 640 = \text{Rs. } 7,360$

Assignment

21

B.Com (P) Questions

Q.1

X Ltd. Invited application for 2,00,000 equity shares of Rs. 10 each **at par** payable as Rs. 4 on application; Rs. 2 on Allotment; Rs. 4 on first and final call Application was received for 1,80,000 share and all these were accepted. All calls due were received **except the final call on 4,000 shares which were forfeited. 2,000 of this share were reissued @ Rs. 8 per shares as fully paid up.**

Pass Entries in the Cash Book and Journal for the company. Also prepare the Balance Sheet of the company.

B.Com (P) 2008 Regular (Amended)

In the Books of X Ltd.
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Application A/c To Share Capital A/c	Dr.	7,20,000	7,20,000
	Share Allotment A/c To Share Capital A/c	Dr.	3,60,000	3,60,000
	Share First & Final Call A/c To Share Capital A/c	Dr.	7,20,000	7,20,000
	Calls in Arrear A/c To Share First & Final Call A/c	Dr.	16,000	16,000
	Share Capital A/c To Calls in Arrear A/c To Share Forfeited A/c	Dr.	40,000	16,000 24,000
	Share Forfeited A/c To Share Capital A/c	Dr.	4,000	4,000
	Share Forfeited A/c To Capital Reserve A/c	Dr.	8,000	8,000

Cash Book (Bank Column only)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c (1,80,000 × Rs.4)	7,20,000	By Balance c/d	18,00,000
To Share Allotment A/c (1,80,000 × Rs.2)	3,60,000		
To Share First & Final Call A/c (1,76,000×Rs.4)	7,04,000		
To Share Capital A/c (2,000× Rs.8)	16,000		
	18,00,000		18,00,000

Balance Sheet of X Ltd.
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	17,92,000
	(b) Reserve and Surplus	2	8,000
	Total Equity and Liability		18,00,000
II	ASSETS		
	1. Current assets		
	(a) Cash and cash equivalents	3	18,00,000
	Total Assets		18,00,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
1,78,000 shares of Rs. 10 each	17,80,000
Add: Forfeited Shares	12,000
	17,92,000
2. Reserve and Surplus	
Capital Reserve	8,000
3. Cash and Cash Equivalents	
Cash at Bank	18,00,000

Q.2

Z Ltd. issued of 5,00,000 Equity Shares of Rs. 10 each **at par** payable as to Rs. 3.50 per shares along with application Rs. 2.50 per share on allotment and the balance on the first and final call to be made six month after allotment. The issue was fully subscribed for. Call on 300 shares was not received. These shares were forfeited. Half of these shares were reissued as fully paid up @ Rs. 8 per shares. Two month later, the remaining forfeited shares were reissued as fully paid up @ Rs. 11 per shares. Pass Journal Entry for the mentioned transaction.

B.Com (P) 2008 S.O.L. (Adapted)

In the Books of Z Ltd.
Journal Entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c (Being application money Received on 5,00,000 shares @ Rs. 3.50 each)		17,50,000	17,50,000
	Share Application A/c Dr. To Share Capital A/c (Being application money transfer to Share Capital A/c)		17,50,000	17,50,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment money due on 5,00,000 shares)		12,50,000	12,50,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received on 5,00,000 shares)		12,50,000	12,50,000
	Share First & Final Call A/c Dr. To Share Capital A/c (Being First & Final call Due on 5,00,000 Equity Share)		20,00,000	20,00,000

Bank A/c Calls in Arrear A/c To Share First & Final Call A/c (Being first and final call money received)	Dr. Dr.	19,98,800 1,200	20,00,000
Share Capital A/c To Share Forfeited A/c (300× Rs.6) To Calls in Arrear A/c (Being the forfeitures of 300 shares for non-payment of first & final call)	Dr.	3,000	1,800 1,200
Bank A/c Share Forfeited A/c To Share Capital A/c (Being the re-issue of 150 shares of R. 10 each as fully paid –up at Rs. 8 per shares)	Dr. Dr.	1,200 300	1,500
Share Forfeited A/c To Capital Reserve A/c (Being the profit on re-issue transferred to capital Reserve)	Dr.	600	600
Bank A/c To Share Capital A/c To Security Premium A/c (Being the re-issue of balance 150 shares as fully paid up @ Rs. 11 per shares)	Dr.	1,650	1,500 150
Share Forfeited A/c To Capital Reserve A/c (Being the transfer of profit on re-issue of remaining 150 shares)	Dr.	750	750

Q.3

The Director of X Ltd. invited application for 5,00,000 equity Shares of Rs. 10 each issued at 20% Premium. The amount was payable as follows.

- On Application Rs.5
- On Allotment Rs.4 (Including Premium)
- On Call Rs.3

Application were received for 6,25,000 shares. It was decided,

- (i) To refuse allotment to the applicants for Rs. 5,000 shares.
- (ii) To allot in full to the applicant for 20,000 shares.
- (iii) To allot the remaining shares on pro-rata basis to the applicant for 6,00,000 shares.
- (iv) To utilize the surplus application money as part payment of money due on allotment.

Sanjay, who was allotted 1,000 shares on pro-rata basis, failed to pay the allotment and call money. His shares were forfeited. Out of these, 800 shares were reissued @ Rs. 9 per shares as fully paid up.

Journalise the above transaction. Show Cash Book and Prepare Balance Sheet.

B. Com (P) 2011 (Regular)/ 2011-12 Internal S.G.T.B Khalsa College

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
5,000	Nil	25,000	–	–	–	–	25,000
20,000	20,000	1,00,000	1,00,000	–	–	–	–
6,00,000	4,80,000	30,00,000	24,00,000	6,00,000	6,00,000		
6,25,000	5,00,000	31,25,000	25,00,000		6,00,000		25,000

In the books of X Ltd.
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c To Share Capital A/c	Dr.	31,25,000	31,25,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c	Dr.	31,25,000	25,00,000 6,00,000 25,000
	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	20,00,000	10,00,000 10,00,000
	Bank A/c Calls in Arrear A/c To Share Allotment A/c	Dr. Dr.	13,97,250 2,750	14,00,000
	Share First Call A/c To Share Capital A/c	Dr.	15,00,000	15,00,000
	Bank A/c Calls in Arrear A/c To Share First Call A/c	Dr. Dr.	14,97,000 3,000	15,00,000
	Share Capital A/c Security Premium A/c To Share Forfeited A/c To Calls in Arrear A/c	Dr. Dr.	10,000 2,000	6,250 5,750
	Bank A/c Share Forfeited A/c To Share Capital A/c	Dr. Dr.	7,200 800	8,000
	Share Forfeited A/c To Capital Reserve A/c	Dr.	4,200	4,200

Working Note:-

For Shares Allotted to Sanjay:-

No. of Shares Allotted = 1,000

No. of Shares Applied = $(6,00,000 / 4,80,000) \times 1,000 = 1,250$

Application Money Received = $1,250 \times 5 = \text{Rs.}6,250$

Application Money Transferred to Share Capital A/c = $1,000 \times 5 = \text{Rs.}5,000$

Excess Application money received = $\text{Rs.}6,250 - 5,000 = \text{Rs.} 1,250$

Money Due on Allotment = $1,000 \times 4 = \text{Rs.}4,000$

Money due but not Received in Allotment = $4,000 - 1,250 = \text{Rs.}2,750$

Cash Account (Bank Column only)

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Share Application A/c	31,25,000	By Share Application A/c	25,000
To Share Allotment A/c	13,97,250	By Balance c/d	60,04,150
To Share First Call A/c	14,97,000		
To Share Capital A/c	7,200		
	60,26,450		60,26,450

Balance Sheet of X Ltd.
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	49,99,250
	(b) Reserve and Surplus	2	10,02,200
	Total Equity and Liabilities		60,01,450
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	60,01,450
			60,01,450

Notes to Accounts

Particulars	Figures as at end of Current Reporting Period
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
4,99,800 shares of Rs. 10 each	49,98,000
Add: Forfeited Shares	1,250
	49,99,250
2. Reserve and Surplus	
Security Premium Reserve	9,98,000
Capital Reserve	4,200
	10,02,200
3. Cash and Cash Equivalents	
Cash at Bank	60,01,450

Q.4

Ganesh Ltd. offered to the public 1,00,000 equity shares of Rs. 10 each at a Premium of Rs. 2 per share, payable as follows:

On Application	Rs. 3
On Allotment	Rs. 4 (Including Premium)
On First Call	Rs. 3
On Second and Final Call	Rs. 2

Applications were received for 150,000 shares.

All application were placed under four Categories and allotment was made as follows:

Category A: to Application of 40,000 shares.	In full
Category B: to Application of 60,000 shares.	40,000 Shares
Category C: to Application of 30,000 shares.	20,000 Shares
Category D: to Application of 20,000 shares.	Nil

Arun an applicant's under category B to whom 400 shares were allotted failed to pay the allotment money and on his failure to pay the first call his shares were forfeited.

Bimal, applicants under category C to whom 300 shares were allotted failed to pay both of calls money and his shares were also forfeited after the second and final call.

All the forfeited shares were re-issued to Charan as fully paid for Rs. 8 per shares.

Show Cash book entries, Journal entries and also Prepare the Balance sheet of the company.

B.Com (P) 2011 S.O.L. (Adapted)

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
40,000	40,000	1,20,000	1,20,000	–	–	–	–
60,000	40,000	1,80,000	1,20,000	60,000	60,000	–	–
30,000	20,000	90,000	60,000	30,000	30,000	–	–
20,000	Nil	60,000	–	–	–	–	60,000
1,50,000	1,00,000	4,50,000	3,00,000		90,000		60,000

In the books of Ganesh Ltd.
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c		3,90,000	3,00,000 90,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		4,00,000	2,00,000 2,00,000
	Calls in Arrear A/c Dr. To Share Allotment A/c		1,000	1,000
	Share First Call A/c Dr. To Share Capital A/c		3,00,000	3,00,000
	Calls in Arrear A/c Dr. To Share First Call A/c		2,100	2,100
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		3,200 800	1,800 2,200
	Share Second & Final Call A/c Dr. To Share Capital A/c		1,99,200	1,99,200
	Calls in Arrear A/c Dr. To Share Second & Final Call A/c		600	600
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		3,000	1,500 1,500
	Share Forfeited A/c Dr. To Share Capital A/c		1,400	1,400
	Share Forfeited A/c Dr. To Capital Reserve A/c		1,900	1,900

Cash Book (Bank Column only)

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Share Application A/c	4,50,000	By Share Application A/c	60,000
To Share Allotment A/c	3,09,000	By Balance c/d	12,01,110
To Share First Call A/c	2,97,900		
To Share Second & Final Call A/c	1,98,600		
To Share Capital A/c	5,600		
	12,61,100		12,61,100

Working Note:-

For Category B

No. of Shares Allotted = 400

No. of Shares Applied = (60,000 /40,000) × 400 = 600

Application Money Received = $600 \times 3 = \text{Rs.}1,800$

Application Money Transferred to Share Capital A/c = $400 \times 3 = \text{Rs.}1,200$

Excess Application money received = $\text{Rs.}1,800 - 1,200 = \text{Rs.} 600$

Money Due on Allotment = $400 \times 4 = \text{Rs.}1,600$

Money due but not Received in Allotment = $1,600 - 600 = \text{Rs.}1,000$

Balance Sheet of Ganesh Ltd.
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	10,00,000
	(b) Reserve and Surplus	2	2,01,100
			12,01,100
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	12,01,100

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
1,00,000 shares of Rs. 10 each	10,00,000
2. Reserve and Surplus	
Security Premium	1,99,200
Capital Reserve	1,900
	2,01,100
3. Cash and Cash Equivalents	
Cash at Bank	12,01,100

Q.5 Revision

PQR Ltd. invited applications for the issue of 1,00,000 equity shares of Rs. 10 each payable Rs. 4 on application , Rs. 5 (including Rs. 3 security premium) on allotment , Rs. 2 on first call and Rs. 2 on second call and final call. The prospectus provided that in case of partial allotments money received in excess on application would be adjusted towards the amount due on allotment. The company received application for 2,50,000 shares. Out of which application for 50,000 shares were rejected out rightly and other application were allotted shares on pro-rata basis. Mr. Amar to whom 1,000 shares were allotted failed to pay the allotment money and **on his subsequent failure to pay the first call his shares were forfeited**. Mr. Akbar, the holder of 500 shares, failed to pay both the calls and his shares were forfeited after the second call. Of the shares forfeited, 1,200 shares were re-issued to Mr. Anthony, credit as fully paid up for Rs. 9 per shares, the whole of Mr. Amar's share being included. Pass the necessary Journal entry to give effect to above and prepare Bank A/c, Shares forfeited A/c, and Balance Sheet of the company.

B.Com (P) 2010 S.O.L. (Adapted)

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Excess money Adjusted in Calls in Advance A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment (including Premium if any)	Maximum Adjustment Shares Allotted × Rate of Call	
1	2	3	4	5 = 3-4	6	7	8
50,000	Nil	2,00,000	–	–	–	–	2,00,000
2,00,000	1,00,000	8,00,000	4,00,000	4,00,00	4,00,000	–	–
2,50,000	1,00,000	10,00,000	4,00,000		4,00,000		2,00,000

In the books of PQR Ltd.
Journal entry

Date	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c (Being Application money received on 250,000 shares)		10,00,000	10,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being the application money adjusted)		10,00,000	4,00,000 4,00,000 2,00,000
	Share Allotment A/c Dr. To Shares capital A/c To Security Premium A/c (Being allotment money Due)		5,00,000	2,00,000 3,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Allotment A/c (Being allotment money received with exception of 1,000 shares)		99,000 1,000	1,00,000
	Share First Call A/c Dr. To Shares Capital A/c (Being the first call money due on 1,00,000 shares @ Rs. 2 per share)		2,00,000	2,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share First Call A/c (Being first call money receive on 98,500 shares)		197,000 3,000	2,00,000
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c (Being 1,000 shares forfeited for non-payment of allotment and first call money)		8,000 3,000	8,000 3,000
	Share Second and Final Call A/c Dr. To Share Capital A/c (Being Second & Final call money Due on 99,000 Shares)		1,98,000	1,98,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Shares First & Final Call A/c (Being final call money received except on 500 shares)		1,97,000 1,000	1,98,000
	Share Capital A/c Dr. To Forfeited Share A/c To Calls in Arrear A/c (Being 500 shares forfeited for non-payment of call money)		5,000	3,000 2,000
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being out of forfeited shares 1,200 shares were re-issued for Rs. 9 pr shares)		10,800 1,200	12,000

	Share Forfeited A/c To Capital Reserve A/c (Being the profit on re-issue transferred to capital reserve)	Dr.		8,000	8,000
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Working Note:-

For Mr. Amar

No. of Shares Allotted = 1,000

No. of Shares Applied = $(2,00,000 / 1,00,000) \times 1,000 = 2,000$

Application Money Received = $2,000 \times 4 = \text{Rs.}8,000$

Application Money Transferred to Share Capital A/c = $1,000 \times 4 = \text{Rs.}4,000$

Excess Application money received = $\text{Rs.}8,000 - 4,000 = \text{Rs.} 4,000$

Money Due on Allotment = $1,000 \times 5 = \text{Rs.}5,000$

Money due but not Received in Allotment = $5,000 - 4,000 = \text{Rs.}1,000$

Amount transferred to Capital Reserve A/c

For Mr. Amar's Share = $[(1,000/1,000) \times 8,000] - 1,000 \times 1 = \text{Rs.}7,000$

For Mr. Akbar's Share = $[(200/500) \times 3,000] - 200 \times 1 = \text{Rs.} 1,000$

Total profit on reissue of 1,200 shares = $7,000 + 1,000 = \text{Rs.} 8,000$

Q.6

DEF Company Ltd. issued a prospectus inviting applications for 20,000 shares of Rs. 10 each at a premium of Rs. 2 per shares payable as follows.

- On Application Rs. 2
- On Allotment Rs. 5 (including premium)
- On First call Rs. 3
- On Second and Final call Rs. 2

Applications were received for 30,000 shares and pro-rata allotment made the application for 24,000 shares. Money overpaid on application was utilized towards allotment money. Mr. Bhat, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited. Mr. Lokesh the holder of 600 shares, failed to pay both the calls, and his shares were forfeited after the second call. Of the shares forfeited, 800 shares were sold to Mr. Seetharam, **credit as fully paid** for Rs. 9 per shares, the whole of Mr. Bhat's shares were included.

Pass the necessary journal entry and Prepare Bank A/c, Forfeited Share A/c and Balance sheet.

B.Com (P) 1997 (Adapted)

In the books of DEF Company Ltd.
Journal Entry

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Bank A/c To Share Application A/c	Dr.	60,000	60,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c	Dr.	60,000	40,000 8,000 12,000
	Share Allotment A/c To Share Capital A/c To Share Premium A/c	Dr.	1,00,000	60,000 40,000
	Bank A/c Calls in Arrear A/c To Share Allotment A/c	Dr. Dr.	90,160 1,840	92,000
	Share First Calls A/c To Share Capital A/c	Dr.	60,000	60,000
	Bank A/c	Dr.	57,000	

	Calls in Arrear A/c To Share First Call A/c	Dr.		3,000	60,000
	Share Capital A/c Share Premium A/c To Share Forfeited A/c To Calls in Arrear A/c	Dr. Dr.		3,200 800	960 3,040
	Share Second & Final Call A/c To Share Capital A/c	Dr.		39,200	39,200
	Bank A/c Calls in Arrear A/c To Share Second & Final call A/c	Dr. Dr.		38,000 1,200	39,200
	Share Capital A/c To Share Forfeited A/c To Calls in Arrear A/c	Dr.		6,000	3,000 3,000
	Bank A/c Share Forfeited A/c To Share Capital A/c	Dr. Dr.		7,200 800	8,000
	Share Forfeited A/c To Capital Reserve A/c (Profit on Reissue of forfeited shares are transferred to share capital A/c)	Dr.		2,160	2,160

Working Note:-

For Mr. Bhat's Share

No. of Shares Allotted = 400

No. of Shares Applied = $(24,000 / 20,000) \times 400 = 480$

Application Money Received = $480 \times 2 = \text{Rs. } 960$

Application Money Transferred to Share Capital A/c = $400 \times 2 = \text{Rs. } 800$

Excess Application money received = $\text{Rs. } 960 - 800 = \text{Rs. } 160$

Money Due on Allotment = $400 \times 5 = \text{Rs. } 2,000$

Money due but not Received in Allotment = $2,000 - 160 = \text{Rs. } 1,840$

Amount transferred to Capital Reserve A/c

For Mr. Bhat's Share = $[(400/400) \times 960] - 400 \times 1 = \text{Rs. } 560$

For Mr. Lokesh's Share = $[(400/600) \times 3,000] - 400 \times 1 = \text{Rs. } 1,600$

Total profit on reissue of 800 shares = $560 + 1,600 = \text{Rs. } 2,160$

Bank Account

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	60,000	By Share Application A/c	12,000
To Share Allotment A/c	90,160	By Balance c/d	2,40,360
To Share First Call A/c	57,000		
To Share Second & Final Call A/c	38,000		
To Share Capital A/c	7,200		
	2,52,360		2,52,360

Share Forfeited Account

Particulars	Rs.	Particulars	Rs.
To Share Capital A/c	800	By Share Capital A/c	960
To Capital Reserve A/c	2,160	By Share Capital A/c	3,000
To Balance c/d	1,000		
	3,960		3,960

Balance Sheet of DEF Company Ltd.
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	1,99,000
	(b) Reserve and Surplus	2	41,360
	Total Equity and Liabilities		2,40,360
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	2,40,360
	Total Assets		2,40,360

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
19,800 shares of Rs. 10 each	1,98,000
Add: Forfeited Shares	1,000
	1,99,000
2. Reserve and Surplus	
Security Premium	39,200
Capital Reserve	2,160
	41,360
3. Cash and Cash Equivalents	
Cash at Bank	2,40,360

Q.7

Poonam Ltd. Issue a prospectus inviting application for 6,000 shares of Rs. 10 each at a premium of Rs. 2 per shares, payable as follows.

On Application Rs. 2 per Shares
On allotment Rs. 5 per Share (Including premium)
On Second and final Call Rs. 2 per Share

Applications were received for 9,000 shares and allotment was made pro-rata to the applicant of 7,500 shares, the remaining applicant refused allotment. Money over paid on applications was applied towards sum on allotment.

A to whom 100 shares were allotted , failed to pay the allotment money and on his subsequent failure to pay the first call , and his shares were forfeited after the second and final call.

Of the shares forfeited, 200 shares were sold to C credited as fully paid up for Rs. 8.50 per shares the whole of A's Shares being included. Pass journal entry in the books of the company

B.com (P) 1996 (Adapted)

In the books of Poonam Ltd.
Journal Entry

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Share Application A/c To Share Capital A/c To Share Allotment A/c	Dr.	15,000	12,000 3,000
	Share Allotment A/c To Share Capital A/c To Security Premium A/c	Dr.	30,000	18,000 12,000
	Calls in Arrear A/c To Share Allotment A/c	Dr.	450	450
	Share First Call A/c To Share Capital A/c	Dr.	18,000	18,000
	Calls in Arrear A/c To Share First Call A/c	Dr.	900	900
	Share Capital A/c Security Premium A/c To Share Forfeited A/c To Calls in Arrear A/c	Dr. Dr.	800 200	250 750
	Share Second & Final Call A/c To Share Capital A/c (Being Second & Final Call money due on 5,900 shares)	Dr.	11,800	11,800
	Calls in Arrear A/c To Share Second & Final Call A/c	Dr.	400	400
	Share Capital A/c To Share Forfeited A/c To Calls in Arrear A/c	Dr.	2,000	1,000 1,000
	Share Forfeited A/c To Share Capital A/c	Dr.	300	300
	Share Forfeited A/c To Capital Reserve A/c (Profit on Reissue of forfeited shares are transferred to share capital A/c)	Dr.	450	450

Q.8

Y Ltd. invited the public to subscribe 10,000 Equity Shares Rs. 100 Each at a Premium of Rs. 10 Per Share. Payments was to be made as follows :

On Application	Rs. 20
On Allotment	Rs. 40
On First Call	Rs. 30
On Second Call	Rs. 20

Application totaled 13,000 shares: application for 2,000 shares was rejected and allotment was made proportionately to the remaining applicants. The Directors made both the calls and the moneys were received except the final call on 300 shares, which were forfeited after the required notices were served. Later, 200 of the forfeited shares were issued as fully paid @ Rs. 85 per Share.

Journalise these Transaction including bank transaction.

2013 Regular (Adapted) (11 Marks)

Q.9

Ansul limited issued for public subscription 40,000 equity 40,000 equity shares of Rs 10 each at a premium of Rs.2 per share payable as under:

On Application	Rs. 2 per share
On Allotment	Rs. 5 per share
On First Call	Rs. 2 per share
On Second Call	Rs. 3 per share

Applications were received for 70,000. Allotment was made pro rata to the application for 50,000 shares, the remaining application being refused. Money overpaid on application was applied towards the sum due on allotment. "A" to whom 1,500 shares were allotted, failed to pay the allotment and call money. "B" to whom 2,000 shares were allotted, failed to pay the two calls. The shares of "A" and "B" were subsequently forfeited after the second call was made. 3,000 of forfeited shares were reissued at Rs.8 per share fully paid.

The reissued shares included all of A's shares.

Pass Journal entries in the books of the company to record the above transaction.

2013 S.O.L. (Adapted) (11 Marks)

Q.10

The directors of Nivia Ltd. invited application for 20,00,000 equity shares of Rs. 10 each to be issued at a premium of Rs. 5. The amount payable per share is as under:

On Application	Rs. 5
On Allotment	Rs. 7(including premium)
On First Call	Rs.2
On Second Call	the balance

Application were received for 24,00,000 shares and allotment was made as follows:

- To application for 10,00,000 shares - in full.
- To application for 8,00,000 shares – 6,00,000 shares
- To application for 6,00,000 shares – 4,00,000 shares.

Application for 10,000 shares falling in category (a) and applicants for 12,000 shares falling in category (b) failed to pay allotment money. These shares were forfeited on failure to pay the first call.

Holders of 12,000 shares falling in category (c) failed to pay first call and final call and these shares were forfeited after final call.

13,000 shares [10,000 of category (a) and 3,000 of category (b)] were reissued at Rs. 8 per share as fully paid.

Journalise the above transactions, show Cash book and prepare Balance sheet.

2014 Regular (Adapted) (11 Marks)

B.Com (H) Questions

Q.11

Innovative Ltd. invited applications for 10,000 equity shares of Rs. 100 each at par payable as Rs. 25 on application, Rs. 40 on allotment and Rs. 35 on first and final call. Applications were received for 9,000 shares and all these were accepted. All monies due were received except the first and final call on 100 shares which forfeited in due course. Of these, 50 shares were reissued @ Rs. 90 as fully paid. Assuming that all requirements of the law were complied with, pass journal entry in the books of the company and prepare the balance sheet.

B.com (H) 2006 (Regular); C.S. (Inter) June 1998 (Amended)

In the books of Innovative Ltd.
Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
	Bank A/c Dr. To Share Application A/c		2,25,000	2,25,000
	Share Application A/c Dr. To Share Capital A/c		2,25,000	2,25,000
	Share Allotment A/c Dr. To Share Capital A/c		3,60,000	3,60,000
	Bank A/c Dr. To Share Allotment A/c		3,60,000	3,60,000
	Share First Call A/c Dr. To Shares Capital A/c		3,15,000	3,15,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share First Call A/c		3,11,500 3,500	3,15,000
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		10,000	6,500 3,500
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		4,500 500	5,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		2,750	2,750

Balance Sheet of Innovative Ltd.
As at.....

I	Particulars	Notes	Rs.
	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	8,98,250
	(b) Reserve and Surplus	2	2,750
	Total Equity and Liabilities		9,01,000
II	ASSETS		
	1. Current assets		
	(a) Cash and cash equivalents	3	9,01,000
	Total Assets		9,01,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
8,950 shares of Rs. 100 each	8,95,000
Add: Forfeited Shares	3,250
	8,98,250
2. Reserve and Surplus	
Capital Reserve	2,750
3. Cash and Cash Equivalents	
Cash at Bank	9,01,000

Q.12

A public limited company invited application for 2,00,000 shares of Rs. 100 each on the following terms.

Payable on application on June 1, 2006	Rs. 50 per shares
Payable on allotment on August 31, 2006	Rs. 30 per shares
Payable on first and final call on Sep. 30, 2006	Rs. 30 per shares

Application for 2,50,000 shares were received. It was decided,

- To refuse allotment to the applicant for 10,000 shares.
- To allot in full to application for 40,000 shares;
- To allot the balance of the available shares pro-rata among the other applicant, and;

To utilize excess application money in part payment of allotment money, one applicant to whom shares had been allotted on pro-rata basis did not pay the amount due on allotment and the call and as a result his 200 shares were forfeited. The shares were re-issued on Nov. 30, 2006, @ Rs. 92 per shares.

Make necessary Journal Entries.

B.com (H) 2007 (Regular) (Adapted)

In the books of
Journal Entry

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
June 1	Bank A/c To Equity Share Application A/c	Dr.	1,25,00,000	1,25,00,000
Aug.1	Equity Shares Application A/c To Bank A/c To Equity Shares Capital A/c To Security Premium A/c To Equity Share Allotment A/c	Dr.	1,25,00,000	5,00,000 80,00,000 20,00,000 20,00,000
Aug.31	Equity Shares Allotment A/c To Equity Shares Capital A/c	Dr.	60,00,000	60,00,000
Aug.31	Bank A/c To Equity Shares Application A/c	Dr.	39,96,500	39,96,500
Sep.30	Equity Shares First and Final Call A/c To Equity Shares Capital A/c	Dr.	60,00,000	60,00,000
Sep.30	Bank A/c To Equity Shares first and Final Call A/c	Dr.	59,94,000	59,94,000
Sep.30	Equity Shares Capital A/c To Equity Shares Allotment A/c To Shares First and Final Call A/c To Share Forfeited A/c	Dr.	20,000	3,500 6,000 10,500
Nov.30	Bank A/c Share Forfeited A/c To Equity Shares Capital A/c	Dr. Dr.	18,400 1,600	20,000
Nov.30	Shares Forfeited A/c To Capital Reserve A/c	Dr.	8,900	8,900

Q.13

Soumya Beauty Products Ltd. issued a prospectus inviting applications for 60,000 shares of Rs. 10 each at a premium of Rs. 3 per share payable Rs. 6 (including premium of Rs. 1) on Application, Rs. 2 (including premium of Rs. 1) Allotment Rs. 3 (including premium of Rs. 1) on First Call and Balance on Second & Final Call. Applications were received for 90,000 shares and Pro-rata allotment was made on the applicant for 72,000 Shares and the remaining applications were rejected. Money overpaid on application was adjusted on account of sums due on allotment. Akansha to whom 500 shares were allotted failed to pay allotment money and on her failure to pay first call, her Shares were forfeited. Arshin the holder of 600 Shares failed to pay the two calls and her shares were forfeited after the second call. Of the forfeited shares, 800 shares were sold to Sahil Credited as fully paid for Rs. 9 per shares (including all shares of Akanhsa).

Pass the necessary Entries and Prepare the Balance Sheet

B.com (H) 2010 (Regular) (Adapted)

In the book of Soumya Beauty Products Ltd.
Journal Entry

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		5,40,000	5,40,000
	Share Application A/c Dr. To Share Capital A/c To Security Premium A/c To Share Allotment A/c To Bank A/c		5,40,000	3,00,000 60,000 72,000 1,08,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		1,20,000	60,000 60,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Allotment A/c		47,600 400	48,000
	Share First Call A/c Dr. To Share Capital A/c To Security Premium A/c		1,80,000	1,20,000 60,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share First Call A/c		1,76,700 3,300	1,80,000
	Share Capital A/c Dr. Security Premium Reserve A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		4,000 900	3,000 1,900
	Share Second & Final Call A/c Dr. To Share Capital A/c (Being Second & Final call money due on 59,500 shares)		1,19,000	1,19,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Second & Final Call A/c		1,17,800 1,200	1,19,000
	Share Capital A/c Dr. Security Premium A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		6,000 600	3,600 3,000
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		7,200 800	8,000
	Share Forfeited A/c Dr. To Capital Reserve A/c		4,000	4,000

Balance Sheet of Soumya Beauty Products Ltd
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	5,98,800
	(b) Reserve and Surplus	2	1,82,500
	Total Equity and Liabilities		7,81,300
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	7,81,300
	Total Assets		7,81,300

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
59,700 shares of Rs. 10 each	5,97,000
Add: Forfeited Shares	1,800
	5,98,800
2. Reserve and Surplus	
Security Premium	1,78,500
Capital Reserve	4,000
	1,82,500
3. Cash and Cash Equivalents	
Cash at Bank	7,81,300

Q.14

Jyoti Ltd. invited application for the issue of 1,00,000 equity shares of Rs. 10 each Payable Rs. 4 on application ; Rs. 5 (including Rs.3 as a premium) on allotment and balance on first call. The prospectus provided that in case of partial allotment money received in excess on application would be adjusted towards the amount due on allotment and call. The company received application for 2,50,000 shares out of which application for 50,000 shares were rejected out rightly and other applicants were allotted shares on pro-rata basis. The company received all money due on allotment and call except from one shares holder (who applied for 2,000 shares) who failed to pay the allotment and call money. The Company forfeited his shares. Record the above transactions, prepare Shares forfeited A/c, Capital Reserve A/c, and Show the relevant items on the Balance Sheet.

B.Com (H) SRCC Home Exam 2003

In the books of Jyoti Ltd.
Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Bank A/c Dr.		10,00,000	
	To Shares Application A/c			10,00,00
	Shares Application A/c Dr.		10,00,000	
	To Equity Shares Capital A/c			4,00,000
	To Shares Allotment A/c			4,00,000
	To Bank A/c			2,00,000
	Shares Allotment A/c Dr.		5,00,000	
	To Equity Shares Capital A/c			2,00,000
	To Security Premium A/c			3,00,000
	Bank A/c Dr.		99,000	
	Calls in Arrears A/c Dr.		1,000	
	To Shares Allotment A/c			1,00,000
	Shares First and Final Call A/c Dr.		4,00,000	

	To Equity Shares Capital A/c			4,00,000
	Bank A/c	Dr.	3,96,000	
	Calls in Arrears A/c	Dr.	4,000	
	To Shares First and Final Call A/c			4,00,000
	Shares Capital A/c	Dr.	10,000	
	Security Premium A/c	Dr.	1,000	
	To Calls in Arrears A/c			5,000
	To Shares Forfeited A/c			6,000
	Bank A/c	Dr.	4800	
	Shares Forfeited A/c	Dr.	1,000	
	To Equity Shares Capital A/c			6,000
	Share Forfeited A/c	Dr.	2,400	
	To Capital Reserve A/c			2,400

Share Forfeited Account

Particulars	Rs.	Particulars	Rs.
To Share Capital A/c	1,200	By Share Capital A/c	6,000
To Capital Reserve A/c	2,400		
To Balance c/d	2,400		
	6,000		6,000

Capital Reserve A/c

Particulars	Rs.	Particulars	Rs.
To Balance c/d	2,400	By Share forfeited A/c	2,400
	2,400		2,400

Balance Sheet of Jyoti Ltd.

As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	9,98,400
	(b) Reserve and Surplus	2	3,01,400
	Total Equity and Liabilities		12,99,800
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	12,99,800
	Total Assets		12,99,800

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
99,600 shares of Rs. 10 each	9,96,000
Add: Forfeited Shares	2,400
	9,98,400
2. Reserve and Surplus	
Security Premium	2,99,000
Capital Reserve	2,400
	3,01,400
3. Cash and Cash Equivalents	
Cash at Bank	12,99,800

Q.15

Bhavna-Kareena Ltd. Offered 10,000 equity shares of Rs. 10 each for subscription at a premium of Rs. 20 per shares payable as follows.

- On Application Rs.10
- On Allotment Rs, 40 (Including premium)
- On First call Rs.20
- On Second Call Rs.30

And balance on Third & Final call.

The company received application for 12,000 shares and 10,000 shares were allotted pro-rata. Holders of 400 shares failed to pay the first call and after due notice their shares were forfeited. The amount payable on second call was paid in full except that a holder of 200 shares were failed to pay. 250 of the 400 shares forfeited were re-issued, credited Rs. 80 paid for Rs. 50 per share. The final call was met in full including the arrears of the second call.

Journalise the transaction including cash transaction in the books of the company

B.Com Mumbai (Adapted)

In the books of Bhavna-Kareena Ltd.
Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		1,20,000	1,20,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c		1,20,000	1,00,000 20,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		4,00,000	2,00,000 2,00,000
	Bank A/c Dr. To Share Allotment A/c		3,80,000	3,80,000
	Share First Call A/c Dr. To Share Capital A/c		2,00,000	2,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share First Call A/c		1,92,000 8,000	2,00,000
	Share Capital A/c Dr. To Calls in Arrear A/c To Share Forfeited A/c		20,000	8,000 12,000
	Share Second Call A/c Dr. To Share Capital A/c		2,88,000	2,88,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Share Second Call A/c		2,82,000 6,000	2,88,000
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		12,500 7,500	20,000
	Share Third & Final Call A/c Dr. To Share Capital A/c		1,97,000	1,97,000
	Bank A/c Dr. To Share Third and Final Call A/c To Calls in Arrears A/c		2,03,000	1,97,000 6,000

Q.16 Revision

Over confident Co. issued a Prospectus offering 2,00,000 equity Shares of Rs. 10 each of the following terms

On Application	Rs.1
On Allotment	Rs.3 (including premium)
On First Call (three month after allotment)	Rs.4
On Second Call (after three month on first call)	Rs.4

Subscriptions were received for 3,17,000 shares on 23 April 2010 and the Allotment made on 30 April was as under:

	Shares allotted
(i) Allotment in full (two applicant paid in full On allotment in respect of 4,000 shares each)	38,000
(ii) Allotment of two thirds of shares applied for	1,60,000
(iii) Allotment of one fourth of shares applied for	2,000

Cash amounting to Rs. 31,000 (being application money received with applicants for 31,000 shares upon which no allotment were made) was returned to the applicants on 5 May. The amounts due were received on the due dates with the exceptions of the final call on 100 shares. These share were forfeited on 15 November and Re-issue to vandna on the 16 November for payment of Rs.9 per shares. The company paid the interest due on calls in advance on 30 October in cash. Show the Journal and Cash book entries and Draw a Balance sheet the company giving effect to the above transaction.

B.com (H) Calcutta University (Adapted)

In the books of Over-confident Ltd.
Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
2010 April 30	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c		2,86,000	2,00,000 86,000
April 30	Share Allotment A/c Dr. To Share Capital A/c		2,00,000	2,00,000
July 31	Share First Call A/c Dr. To Share Capital A/c		8,00,000	8,00,000
July 31	Calls-in-Advance A/c Dr. To Share First Call A/c		32,000	32,000
Oct. 31	Share Second & Final Call A/c Dr. To Shares Capital A/c		8,00,000	8,00,000
	Calls-in-Advance A/c Dr. To Share First Call A/c		32,000	32,000
Nov. 15	Share Capital A/c Dr. To Share Forfeited A/c To Share Second & Final Call A/c		1,000	600 400
Nov.16	Share Forfeited A/c Dr. To Share Capital A/c		100	100
Nov.16	Share Forfeited A/c Dr. To Capital Reserve A/c		500	500

**Over-Confident Ltd.
Cash Books (Bank Column)**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 April 23	To Share Application A/c (Being application money received on 3,17,000 share at Rs.1 per shares)	3,17,000	2010 May 5	By Share Application A/c	31,000
April 30	To Share Allotment A/c	1,14,000	October 31	By Interest on Calls in advance A/c	1,440
	To Security Premium A/c	4,00,000	November 30	By Balance c/d	23,99,060
	To Calls –in-Advance A/c (Being Call Money received in advance at Rs.8 per share on 8,000 shares)	64,000			
July31	To Share First Call A/c	7,68,000			
October31	To Share Second Call A/c	7,67,600			
November16	To Share Capital A/c	900			
		24,31,500			24,31,500

**Balance Sheet of Over-confident Ltd.
As at.....**

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	20,00,000
	(b) Reserve and Surplus	2	4,00,000
	Total Equity and Liabilities		24,00,000
II	ASSETS		
	1. Current assets		
	(a) Cash and cash equivalents	3	23,99,060
	(b) Other Current Assets	4	940
	Total Assets		24,00,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up: 2,00,000 shares of Rs. 10 each	20,00,000
2. Reserve and Surplus	
Security Premium	4,00,000
Capital Reserve	500
Adjusted against Interest on calls in advance	500
	4,00,000
3. Cash and Cash Equivalents	
Cash at Bank	23,99,060
4. Other Current Assets	
Interest on Calls –in Advance	1,450
Less: Capital Reserve	500
	940

Q. 17

Zenith Ltd. issued for public subscription 50,000 equity shares of Rs. 10 each at a premium of Rs. 2 per shares payable as under:

Rs. 1 on application, Rs. 3 on allotment (including premium of Rs. 2) Rs. 4 on first call three months after allotment and Rs. 4 on final call three month after first call. Applications were received 79,250 shares and allotment as under:

	No. of Shares Allotted
(i) Allotment in full (Mr. Mohit paid in Full on allotment in respect of 2,000 shares)	9,500
(ii) Allotment of 2/3 of shares applied for	40,000
(iii) Allotment of 1/4 of shares applied for	500

Application for 7,750 shares did not have any allotment and their money returned. All amounts were received except amount due on final call on 50 shares, which were forfeited by company and re-issued later on at Rs. 9 per shares. Interest on call in advance was paid 12% p.a.

Show journal entry in the books of the company and prepare the Balance Sheet.

B.Com (H) M.D.U.2005

In the books of Zenith Ltd.
Journal Entries

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr. To Share Application A/c		79,250	79,250
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c		79,250	50,000 21,500 7,750
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		1,50,000	50,000 1,00,000
	Bank A/c Dr. To Share Allotment A/c To Calls in Advance A/c		1,44,500	1,28,500 16,000
	Share First Call A/c Dr. To Share Capital A/c		2,00,000	2,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Share Final Call A/c		1,92,000 8,000	2,00,000
	Shares Final Call A/c Dr. To Shares Capital A/c		2,00,000	2,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrear A/c Dr. To Share Final Call A/c		1,91,800 8,000 200	2,00,000
	Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrear A/c		500	300 200
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c		450 50	500
	Shares Forfeited A/c Dr. To Capital Reserve A/c		250	250
	Interest on Call in Advance A/c Dr. To Bank A/c		480	480

Balance Sheet of Zenith Ltd.
As at.....

S. No.	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	5,00,000
	(b) Reserve and Surplus	2	1,00,000
	Total Equity and Liabilities		6,00,000
II	ASSETS		
	1. Current assets		
	(a) Cash and cash equivalents	3	5,99,770
	(b) Other Current Assets	4	230
	Total Assets		6,00,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
50,000 shares of Rs. 10 each	5,00,000
2. Reserve and Surplus	
Security Premium	1,00,000
Capital Reserve	250
Adjusted against Interest on calls in advance	<u>250</u>
	1,00,000
3. Cash and Cash Equivalents	
Cash at Bank	5,99,770
4. Other Current Assets	
Interest on Calls –in Advance	480
Less: Capital Reserve	<u>250</u>
	230

Q.18

The Director of Mamta Ltd. Invited Application for 2,00,000 equity shares of Rs.10 each to be issued at 20% Premium. The mount payable per shares is as: On Application Rs. 5; On Allotment Rs.4 (Including premium of Rs.2); On First Call Rs.2 and on **Second Call the balance**. Applications were received for 2,40,000 shares and allotment was made as follows.

- (a) To Applicants for 1,00,000 shares = In Full
- (b) To Applicants for 80,000 shares = 60,000 Shares
- (c) To Applicants for 60,000 shares = 40,000 Shares

Applicants for 1,000 shares falling in category (a) and applicants for 1,200 shares falling in Category (b) failed to pay allotment money. These shares were forfeited on failure to pay first call.

Holder of 1,200 share falling in category (c) Failed to pay first call and final call and these shares were forfeited after final call. 1,300 shares 1,000 of category (a) and 300 of Category (b) Were re-issued at Rs. 8 per shares as fully paid. Journalize the transactions. Show Cash Book and Prepare the Balance sheet.

B.com (H) Calcutta University (Adapted)

Shares Applied	Shares Allotted	Application Money Received	Application Money Transferred to Share Capital A/c	Excess Application Money	Excess money Adjusted in Allotment A/c	Refund
		Shares Applied × Rate of Application	Shares Allotted × Rate of Application		Maximum Adjustment Shares Allotted × Rate of Allotment	
1	2	3	4	5 = 3-4	6	7
1,00,000	1,00,000	5,00,000	5,00,000	-	-	-
80,000	60,000	4,00,000	3,00,000	1,00,000	1,00,000	-
60,000	40,000	3,00,000	2,00,000	1,00,000	1,00,000	-
2,40,000	2,00,000	12,00,000	10,00,000		2,00,000	-

In the books of Mamta Ltd.

Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr.(Rs.)
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c		12,00,000	10,00,000 2,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Security Premium A/c		8,00,000	4,00,000 4,00,000
	Calls in Arrear A/c Dr. To Share Allotment A/c		6,100	6,100
	Share First Call A/c Dr. To Share Capital A/c		4,00,000	4,00,000
	Calls in Arrear A/c Dr. To Share First Call A/c		6,200	6,200
	Share Capital A/c Dr. Security Premium A/c Dr. To Shares Forfeited A/c To Calls in Arrear A/c		17,100 3,800	11,000 9,900
	Share Second & Final Call A/c Dr. To Share Capital A/c (Being Second & Final Call money due on 1,98,100 share @ Rs. 1 per share)		1,98,100	1,98,100
	Calls in Arrear A/c Dr. To Share First Call A/c		1,200	1,200
	Share Capital A/c Dr. To Shares Forfeited A/c To Calls in Arrear A/c		12,000	8,400 3,600
	Share Forfeited A/c Dr. To Share Capital A/c		2,600	2,600
	Share Forfeited A/c Dr. To Capital Reserve A/c		4,400	4,400

Cash Book (Bank Column)

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	12,00,000	By Balance c/d	23,95,000
To Share Allotment A/c	5,93,900		
To Share First Call A/c	3,93,800		
To Share Second & Final Call A/c	1,96,900		
To Share Capital A/c	10,400		
	23,95,000		23,95,000

Balance Sheet of Mamta Ltd.
As at.....

	Particulars	Notes	Rs.
I	EQUITY AND LIABILITIES		
	1. Shareholders' Fund:		
	(a) Share capital	1	19,94,400
	(b) Reserve and Surplus	2	4,00,600
	Total Equity and Liabilities		23,95,000
II	ASSETS		
	1. Current assets		
	Cash and cash equivalents	3	23,95,000
	Total Assets		23,95,000

Notes to Accounts

Particulars	Rs.
1. Share Capital	
Equity Share Capital	
Authorised	?
Issued and Subscribed and fully paid up:	
1,98,200 shares of Rs. 10 each	19,82,000
Add: Forfeited Shares	12,400
	19,94,400
2. Reserve and Surplus	
Security Premium	3,96,200
Capital Reserve	4,400
	4,00,600
3. Cash and Cash Equivalents	
Cash at Bank	23,95,000

Working Note:-

For Category "a"

No. of Shares Applied / Allotted = 1,000

Allotment Money due but not received = 1,000 × 4 = **Rs. 4,000**

For Category "b"

No. of Shares Applied = 1,200

No. of Shares Allotted = (60,000 / 80,000) × 1,200 = 900

Application Money Received = 1,200 × 5 = Rs. 6,000

Application Money Transferred to Share Capital A/c = 900 × 5 = Rs.4,500

Excess Application money received = Rs. 6,000 – 4,500 = Rs. 1,500

Money Due on Allotment = 900 × 4 = Rs.3,600

Money due but not Received in Allotment = 3,600 – 1,500 = **Rs. 2,100**