

**Illustration 1.**

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

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

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

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

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

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

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

**Solution:**

## ANALYSIS TABLE

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

## JOURNAL

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

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

**Working Notes:**

1. *Money due from Ram on Allotment:*

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

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

2. *Money Received on Allotment:*

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

### Illustration 2.

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

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

### Solution:

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

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

### Note to Accounts

Particulars	₹
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
10,00,000 Equity Shares of ₹ 100 each	10,00,00,000
<b>Issued Capital</b>	
1,00,000 Equity Shares of ₹ 100 each	1,00,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
1,00,000 Equity Shares of ₹ 100 each	1,00,00,000

### Illustration 3.

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

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

The amounts received on these shares were as follows:

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

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

**Solution:**

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

**JOURNAL**

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

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

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

All the shares were subscribed, amount due on all shares was received except from Asha, holding 100 shares who did not pay allotment and call money and Neeru holding 200 shares did not pay the first and final call money. These 300 shares were forfeited. Out of the shares forfeited, 150 shares (including all shares of Asha) were reissued to Raja @ ₹ 80 per share as fully paid-up. Pass Journal entries in the books of the company to record the forfeiture and reissue only. Also, show Shareholders' Funds in the Balance Sheet before and after forfeiture and reissue.

**Solution:**

JOURNAL OF X LTD.

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

BALANCE SHEET (EXTRACT) (BEFORE FORFEITURE OF SHARES)

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

**Notes to Accounts**

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

BALANCE SHEET (EXTRACT) (AFTER FORFEITURE OF SHARES)

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

**Notes to Accounts**

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

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

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

**Notes to Accounts**

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

**Working Notes:**

1. Calculation of Calls-in-Arrears:		₹	2. Calculation of Amount Forfeited:		₹
<b>Asha:</b> Allotment money not paid (100 × ₹ 50)		5,000	<b>Asha:</b> Application money paid (100 × ₹ 30)		3,000
Call money not paid (100 × ₹ 40)		4,000	<b>Neeru:</b> Application money paid (200 × ₹ 30)		6,000
<b>Neeru:</b> Call money not paid (200 × ₹ 40)		8,000	Allotment money paid (200 × ₹ 30)		6,000
			(Excluding Premium)		
		<u>17,000</u>			<u>15,000</u>

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

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

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

**Illustration 5.**

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

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

**Solution:****Welfare Limited**

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

**BALANCE SHEET**

as at...

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

## Notes to Accounts

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

### Working Notes:

1. Journal entries on forfeiture and reissue:

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

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

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

### Illustration 6.

Sudershan Ltd. invited applications for 1,00,000 Equity Shares of ₹ 10 each. The shares were issued at a premium of ₹ 5 per share. The amount was payable as follows:

On application and allotment ₹ 8 per share (including premium ₹ 3),  
the balance including premium on the first and the final call.

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

- (i) Applicants for 80,000 shares were allotted 60,000 shares and
- (ii) Applicants for 60,000 shares were allotted 40,000 shares.

Excess amount received on application and allotment is to be adjusted against amount due on call.



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

Prepare Cash Book and pass necessary Journal entries.

**Solution:**

**In the Books of Sudershan Ltd.**

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

**JOURNAL**

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

**Working Notes:**

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

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

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

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

**Illustration 7.**

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

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

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

Neeraj, to whom 600 shares were allotted from Category (a), failed to pay the allotment money.  
Pass necessary Journal entries up to allotment only. (Delhi, AI 2009 C)

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

## JOURNAL

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

**Working Notes:**

## 1. Amount due but not paid by Neeraj on Allotment:

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

## 2. Amount Received on Allotment:

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

**Illustration 8.**

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

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

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

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

## JOURNAL

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

**In the Books of Perfect Machines Ltd.**

## JOURNAL

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

### Illustration 9.

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

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

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

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

(Delhi 2016 C)

### Solution:

#### Samprag Ltd.

#### BALANCE SHEET (EXTRACT) as at ...

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

#### Note to Accounts

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

### Illustration 10.

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

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

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

On first and final call—Balance.

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

Pass necessary Journal entries for the above transactions in the books of the company. (OD 2016)

**Solution:**

JOURNAL OF SK LTD.

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

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

**Working Notes:**

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

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

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

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

	Share Capital ₹	Securities Premium ₹
	2,400	1,600
	300	...
	<u>2,100</u>	<u>1,600</u>

2. Calculation of Amount received on Allotment:

Total Allotment money due ₹ 16,00,000

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

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

4. Calculation of Amount transferred to Capital Reserve:

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

**Illustration 11.**

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

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

**Solution:**

## JOURNAL

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

**Working Notes:**

- Amount transferred to Forfeited Shares Account (5,000 × ₹ 4) ₹ 20,000  
Amount transferred to Capital Reserve ₹ 10,000  
Discount allowed on reissue ₹ 2 per share  
Amount received on reissued of 5,000 equity shares (5,000 equity shares × ₹ 5) ₹ 25,000
- Forfeited shares were reissued as ₹ 7 paid-up. Thus ₹ 3, being first and final call, is due and also called.

**Illustration 12.**

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

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

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

## JOURNAL

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

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

**Illustration 13.**

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

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

## JOURNAL

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