

# Accounting For Share Capital

**Que 1: A company forfeited 100 shares of Rs.100 each issued at a discount of 10% for nonpayment of allotment money of Rs.50 per share. The first and final call on these shares of Rs.20 per share was not made. Marks : (2)**

**The following journal entry was made in the books of accounts of the company to the above effect. You are required to verify the same and make corrections if necessary.**

**Share Capital a/c Dr 10,000**

**To Discount on issue of shares a/c 1,000**

To Share Allotment	5,000
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**To Share I Call** **2,000**

**To Share Forfeited 2,000**

**(share forfeited)**

**Ans:** Share Capital a/c Dr 8,000

To Discount on issue of shares a/c 1,000

To Share Allotment	5,000
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To Share Forfeited	2,000
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(share forfeited)

**Que 2: A company has passed the following Journal entries:**

**(a). Bank a/c Dr 1,50,000**

**To Share application 1,50,000**

**(Share application Received)**

**(b). Share Application a/c Dr 1,50,000**

**To Share Capital                      90,000**

**To Share Allotment      24,000**

**To Calls in advance      12,000**

To Bank	24,000
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**(Application money adjusted)**

**If Share application money is Rs.3, Share allotment Rs.2, first call Rs.2.50 and second call Rs.2.50, You are required to:**

**a. Ascertain the total number of share application received by the company?**

**b. Determine the number of shares offered to the public for subscription.**

**c. How would you explain the second journal entry? Marks :(5)**

**Ans:** a. 50, 000 applications      b. 30, 000 Shares

c. Excess amount received were adjusted to the subsequent installments and the balance refunded.

**Que 3: Ultratech Ltd decides to buy back its shares from the market.**

**a. Identify the sources of funds from where the company can raise funds for the above?**

**b. Explain the procedure to be followed for this buyback. Marks :(4)**

**Ans:** a. Free resources b. Proceeds of shares and securities c. Securities premium etc

b. Articles of Association should permit, special resolution in the general meeting, should not exceed 25% of total paid up capital and free resources of company.

**Que 4: A company issued 50, 000 equity shares of Rs.10 each payable as Rs.2 on application, Rs.3 on allotment and Rs.5 on first and final call. Company received application for 80, 000 shares.**

**i. Refuse allotment to the applicants of 20, 000 shares**

**ii. Allot 20, 000 shares to Madhu who had applied for similar number**

**ii. Allot the balance on prorata basis.**

**Thomas to whom 3, 000 shares was allotted paid both the calls with allotment.**

**a. Ascertain the amount that will be debited in the bank towards allotment?**

**b. Pass journal entries**

**Ans:** a. Rs.1,65,000 (including calls in advance Rs.15,000)

b. for correct journalising give ½ score each

c. Interest @6% p.a.

**Que 5: Zam Zam Ltd purchased furniture costing Rs.2, 20, 000 from Nest Ltd and issued equity shares of Rs.100 each at a premium of Rs.10 issued as purchase consideration**

**a. Calculate the number of shares to be issued to Nest Ltd.**

**b. Give journal entries for the transaction. Marks :(4)**

**Ans:** a) Number of shares – 2000

b) i) Furniture a/c Dr 2, 20, 000

To Nest Ltd a/c                      2,20, 000

(Bought furniture for on credit)

ii) Nest Ltd a/c Dr                      2, 20, 000  
       To Equity shares [2000 x 100]        2, 00, 000  
       To Securities Premium [2000 x 10]    20, 000

(Payment made Nest Ltd. through the issue of shares)

**Que 6: A company issued 50,000 equity shares to the public and received 75,000 applications. Company makes pro-rata allotment and the ratio will be: Marks :(1)**

a. 3:2            b. 2:3            c. 5:7            d. 7:5

**Ans:** a. 3:2

**Que 7: Share premium amount collected by the company, is credited to a separate account.**

**a. Identify the account mentioned above?**

**b. Describe how this amount is utilised by the company? Marks :(2)**

**Ans:** a. Securities Premium account

b. Utilised towards the Issue of bonus shares, buy back of shares, writing off preliminary expenses or other expenses like commission paid, discount allowed etc

**Que 8: Ajanta Company Limited having a normal capital of Rs. 3,00,000, divided into shares of**

**Rs. 10 each offered for public subscription of 20,000 shares payable at Rs. 2 on application;**

**Rs. 3 on allotment and the balance in two calls of Rs. 2.50 each. Applications were received**

**by the company for 24,000 shares. Applications for 20,000 shares were accepted in full and**

**the shares allotted. Applications for the remaining shares were rejected and the application**

**money was refunded.**

**All moneys due were received with the exception of the final call on 600 shares which**

**were forfeited after legal formalities were fulfilled. 400 shares of the forfeited shares were**

**reissued at Rs. 9 per share.**

**Record necessary journal entries for these share capital transactions. Marks :(8)**

**Ans:** (a) Bank A/c                      Dr. 48,000  
       To Share Application A/c                      48,000

(b) Share Application A/c	Dr. 48,000	
To Share Capital A/c		40,000
To Bank A/c		8,000
(c) Share Allotment A/c	Dr. 60,000	
To Share Capital A/c		60,000
(d) Bank A/c	Dr. 60,000	
To Share Allotment A/c		60,000
(e) Share First Call A/c	Dr. 50,000	
To Share Capital A/c		50,000
(f) Bank A/c	Dr. 50,000	
To Share First Call A/c		50,000
(g) Share Final Call A/c	Dr. 50,000	
To Share Capital A/c		50,000
(h) Bank A/c	Dr. 48,500	
Calls in Arrears A/c	Dr. 1,500	
To Share Final Call A/c		50,000
(i) Share Capital A/c	Dr. 6,000	
To Calls in Arrears A/c		1,500
To Share Forfeiture A/c		4,500
(j) Bank A/c	Dr. 3,600	
Share Forfeiture A/c	Dr. 400	
To Share Capital A/c		4,000

**Que 9: Tally Ltd. has been incorporated with registered capital of Rs.10,00,000 divided into 10,000 shares of Rs.100 each. It offered 9,000 shares to the public, but only 8,000 shares were subscribed for. The directors called for an amount of Rs.80 per share. All the amounts were duly received From the above details, calculate the amounts of:   Marks :(4)**

- (a) Authorised capital   (b) Issued capital**  
**(c) Subscribed capital   (d) Called up and Paid up capital.**

**Ans:** (a) Authorised capital =  $10000 \times 100 = 10,00,000$

(b) Issued capital =  $9000 \times 100 = 9,00,000$

(c) Subscribed capital =  $8000 \times 100 = 8,00,000$

(d) Called up and Paid-up capital =  $8000 \times 80 = 6,40,000$

**Que 10: Karuna Ltd. Issued 20,000 equity shares of Rs. 10 each as fully paid-up in consideration of the purchase of plant and machinery worth Rs. 2,00,000 from Kavya Prasad Ltd. What entry will be recorded in company's journal ? Marks :(2)**

**Ans:** Kavya prasad Ltd.      Dr. 200000

        To Share Capital                      200000

**Que 11: If a share of Rs. 10 on which Rs. 7 has been paid is forfeited, at what minimum price it can be reissued.**

**Marks :(1)**

**Ans:** Rs. 3/-

**Que 12: If a share of Rs. 10 on which Rs. 7 is called-up and Rs. 5 is paid as forfeited. State with what amount the Share Capital account will be debited.**

**Marks :(1)**

**Ans:** Rs.7/-

**Que 13: The discount allowed on reissue of forfeited shares should be debited to the .....Account. Marks :(1)**

- a. Discount on issue of shares      b. Forfeited shares  
c. Securities premium                  d. Calls in arrears

**Ans:** b. Forfeited shares

**Que 14: How will you show the share forfeited account in the balance sheet of a company?**

**Marks :(2)**

**Ans:** The balance of shares forfeited account is shown as an addition to the total paid-up capital of the company under the head 'Share Capital' under title 'Equity and Liabilities' of the Balance Sheet till the forfeited shares are reissued.

**Que 15: Lal Ltd purchased a machine from Lavin Machine Limited for Rs.8,00,000. As per purchase agreement, Rs. 30,000 were paid in cash and balance by issue of shares of Rs.100 each. What will be the entries passed if the shares are issued at 10% premium. Marks :(4)**

**Ans:** (a) Machine A/c                      Dr. 800000

        To Bank A/c                              30000

        To Lavin Machine Ltd A/c              770000

(b) Lavin Machine Ltd A/c      Dr. 770000

        To Share capital A/c                      700000

To Securities Premium A/c

70000

**Que 16: Identify the situation in which shares can be issued at discount.**

**Marks :(1)**

- a. Issue for purchase of assets      b. Sweat equity issue
- c. Reissue of forfeited shares      d. All of these

**Ans:** d. All of these

**Que 17: List out any five purposes for which the amount of Securities premium can be used by the company.**

**Marks :(5)**

**Ans:** (a) to issue fully paid bonus shares to the extent not exceeding unissued share capital of the company;

(b) to write-off preliminary expenses of the company;

(c) to write-off the expenses of, or commission paid, or discount allowed on any securities of the company

(d) to pay premium on the redemption of preference shares or debentures of the company.

(e) Purchase of its own shares (i.e., buy back of shares).

**Que 18: Securities premium account is shown under the title 'Equity and Liabilities' of the company's balance sheet under ..... head.**

**Marks :(1)**

- a. Reserves and Surpluses      b. Non current liabilities
- c. Current liabilities      d. none of these

**Ans:** a. Reserves and Surpluses

**Que 19: Mahima Oils Ltd issued 10,000 equity shares of Rs.10/- each at a premium of Rs.2/ per share. The premium amount will credited to ..... account of the company.**

**Marks :(1)**

- a. Share capital      b. Reserve
- c. Securities premium      d. Asset

**Ans:** c. Securities premium

**Que 20: The situation where number of shares applied for is less**

**than the number for which applications have been invited for subscription is:**

**Marks :(1)**

- a. Under subscription      b. Over subscription

**c. Full subscription                      d. None of these**

**Ans:** a. Under subscription

**Que 21: List out the alternatives available to the directors of a company to deal with the situation of over subscription of shares.                      Marks :(3)**

**Ans:** 1) they can accept some applications in full and totally reject the others;

(2) they can make a pro-rata allotment to all; and

(3) they can adopt a combination of the above two alternatives

**Que 22: Identify the situation when applications for more shares of a company are received than the number offered to the public for subscription. Marks :(1)**

**a. Under subscription              b. Over subscription**

**c. Full subscription              d. None of these**

**Ans:** b. Over subscription

**Que 23: Table F of the Companies Act provides for the payment of interest on calls in advance at a rate not exceeding..... p.a.                      Marks :(1)**

**a. 10%                      b. 15%**

**c. 6%                      d. 12%**

**Ans:** d. 12%

**Que 24: Sometimes shareholders pay a part or the whole of the amount of the calls not yet made. The amount so received from the shareholders is known as ..... Marks :(1)**

**a. Calls in Arrears                      b. Calls in advance**

**c. Reserve capital                      d. Under subscription**

**Ans:** b. Calls in advance

**Que 25: When any shareholder fails to pay the amount due on allotment or on any of the calls, such amount is known as ..... Marks :(1)**

**a. Calls in Arrears                      b. Calls in advance**

**c. Reserve capital                      d. Forfeited shares**

**Ans:** a. Calls in Arrears

**Que 26: If a delay occurs beyond 8 days from the date of closure of subscription list, the company shall be liable to pay the amount with interest at the rate of : Marks :(1)**

**a. 10%                      b. 15%**

c. 6%              d. 8%

**Ans:** b. 15%

**Que 27:** If minimum subscription is not received, the application money received shall be refunded within ..... days from date of closure of subscription list.

**Marks : (1)**

a. 10              b. 30

c. 8                d. 45

**Ans:** c. 8

**Que 28:** Distinguish between equity shares and preference shares. **Marks : (4)**

**Ans:** Equity shares Vs. Preference Shares

(any four differences)

**Que 29:** State the preferences enjoyed by preference shareholders as per the Companies Act 2013? **Marks : (2)**

**Ans:** (a) That it carries a preferential right to dividend to be paid either as a fixed amount payable to preference shareholders or an amount

calculated by a fixed rate of the nominal value of each share before any dividend is paid to the equity shareholders.

(b) That with respect to capital it carries or will carry, on the winding up of the company, the preferential right to the repayment of capital before

anything is paid to equity shareholders.

**Que 30:** A company may reserve a portion of its uncalled capital

to be called only in the event of winding up of the company is known as :

**Marks : (1)**

a. Authorised capital              b. Issued capital

c. Reserve Capital                d. Calls in arrear

**Ans:** c. Reserve Capital

**Que 31:** List out the rules for the formation of one person company as per the Companies Act 2013. **Marks : (4)**

**Ans:** Rule 3 of the Companies (Incorporation) Rules, 2014 provides that:

(a) Only a natural person being an Indian citizen and resident in India can form one person company,

(b) It cannot carry out non-banking financial investment activities.

(c) Its paid up share capital is not more than Rs. 50 Lakhs



(d) Its average annual turnover of three years does not exceed Rs. 2 Crores.

**Que 32: Anil, a holder of 3,000 shares @ Rs.10/each of Amala Foods Products Ltd. His maximum amount of liability to this company will be Rs.30,000/-. Identify the type of company in which he holds shares. Marks :(1)**

- a. company limited by shares
- b. company limited by guarantee
- c. unlimited company
- d. none of these

**Ans:** a. company limited by shares

**Que 33: "The fact of over subscription will not finally reflected in the balance sheet." Substantiate your views about this statement. Marks :(2)**

**Ans:** A company can allot shares only up to the maximum number of shares issued. Thus, the excess application money received by the company is refunded to applicants or adjusted to subsequent calls. So, this excess money received on oversubscription will not be reflected in the balance sheet.

**Que 34: Issued capital of a company includes: Marks :(1)**

- a. Shares issued to public
- b. shares allotted to vendors
- c. Shares allotted to signatories to memorandum
- d. all of these

**Ans:** d. all of these

**Que 35: The maximum amount of capital which a company is permitted to issue as per its Memorandum of Association is called ..... Marks :(1)**

**Ans:** Authorised Capital/Nominal capital

**Que 36: Maximum number of members in a private company as per Companies Act 2013 will be ..... Marks :(1)**

**Ans:** 200

**Que 37: Mr. Ashiq holds fully paid 100 shares @ Rs.100 each of Moon Paints Ltd. having 1 lakh shares. The company went to liquidation and to pay off Rs.20 lakhs external debts. The amount of liability to be paid by Mr. Ashiq will be: Marks :(1)**

- a. Rs.1,00,000
- b. Zero
- c. Rs.20 lakhs
- d. Rs. 10,000

**Ans:** b. Zero

**Que 38: A company has certain special features which distinguish it from other forms of business organisations. List out and explain any five such features.**

**Marks :(5)**

**Ans:** Explain the features of Joint Stock Companies like Body corporate, Separate Legal Entity, Limited liability, Perpetual succession, common seal, transferability of shares, may sue or be sued.

**Que 39: In a registered company ..... is used as its official signature. Marks :(1)**

**Ans:** Common Seal

**Que 40: State the other names of Authorised capital. Marks :(1)**

**Ans:** Registered capital and nominal capital