

PRACTICE QUESTIONS

MCQ

1. Own shares purchased by a company with a view to reduce its capital is called
 - (a) sale
 - (b) purchase
 - (c) buy-back
 - (d) private placement
2. Which kind of preference share entitles its holders to receive arrear of dividends of previous years?
 - (a) Cumulative preference share
 - (b) Non-cumulative preference share
 - (c) Convertible preference share
 - (d) Non-convertible dividend share
3. The balance of share forfeiture account can be used to
 - (a) provide for discount given at the time of reissue
 - (b) write-off preliminary expenses
 - (c) write-off bad debts
 - (d) None of the above
4. If company wants to calculate amount forfeited on reissued shares, then which amongst the given formula will be used?
 - (a) $\frac{\text{Total Amount Forfeited}}{\text{Number of Share Forfeited}}$
 - (b) $\frac{\text{Total Amount Forfeited}}{\text{Number of Shares}}$
 - (c) $\frac{\text{Total Amount Forfeited}}{\text{Number of Share Forfeited}} \times \text{Share Re - issues}$
 - (d) $\frac{\text{Total Amount Forfeited}}{\text{Number of Share Forfeited}} \times \text{Number of Share Re-issued}$
5. Singh who was allotted 200 equity share of ₹20 each by a company, failed to pay ₹8 each on final call. Shares were re-issued to Kumar at ₹ 20 each. What will be the journal entry on re-issue?
 - (a) Bank A/c Dr 4,000
To Equity Share Capital A/c 4,000
 - (b) Equity Share Capital A/c Dr 4,000
To Bank A/c 4,000
 - (c) Bank A/c Dr 4,000
To Share Forfeiture A/c 4,000
 - (d) Share Forfeiture A/c Dr 4,000
To Bank A/c 4,000
6. A company issued 25,000 shares and received applications for 35,000 shares. Company wants to allot shares to everyone who has applied. What will be the ratio for allotment?
 - (a) 6 : 7
 - (b) 7 : 5
 - (c) 5 : 7
 - (d) 7 : 6
7. A company issued 10,000 shares of ₹10 each. Amount is payable as ₹2 on application, ₹5 on allotment and ₹3 on first and final call. A shareholder who had 1,000 shares failed to pay allotment and first call amount on due date. After a month, he paid the due amount. What will be the amount received by company against issue of shares?
 - (a) ₹92,000
 - (b) ₹90,000
 - (c) ₹1,00,000
 - (d) ₹8,000
8. Nominal share capital is
 - (a) that part of the authorised capital which is issued by the company
 - (b) the amount of capital which is actually applied for by the prospective shareholders
 - (c) the maximum amount of share capital which a company is authorised to issue
 - (d) the amount actually paid by the shareholders
9. Money received in advance from shareholders before it is actually called-up by the directors is
 - (a) debited to calls-in-advance account
 - (b) credited to calls-in-advance account
 - (c) debited to calls account
 - (d) None of the above
10. Amox Ltd. is registered with a capital of 10,00,000 equity shares of ₹10 each. 6,00,000 equity shares were offered for subscription to public. Applications were received for 6,00,000 shares. All calls were made and amount was duly received except final call of ₹2 on 80,000 shares. What will be the amount of share capital shown in the balance sheet?
 - (a) ₹60,00,000
 - (b) ₹58,40,000
 - (c) ₹5,84,000
 - (d) ₹6,00,000
11. Which amongst the following have the voting rights in the company?
 - (a) Equity shares
 - (b) Redeemable preference shares
 - (c) Participatory preference shares
 - (d) None of the above
12. Total capital specified in capital clause is ₹50,00,000 which is divided in 35,000 equity shares of ₹ 100 each and 15,000, 10% preference shares of ₹100 each. The company issued 10,000 equity shares and 5,000 preference shares. The public subscribed for 9,000 equity shares and 4,500 preference shares out of the issued shares. What will be the subscribed capital amount?
 - (a) ₹50,00,000
 - (b) ₹50,000
 - (c) ₹9,00,000
 - (d) ₹13,50,000
13. Issued 10,000 shares of ₹ 100 each to the Narayan Ltd. @10% premium and paid ₹2,00,000 in cash for a consideration of running business purchased. Journalise this transaction.

(a) Narayan Ltd.	Dr 13,00,000
To Share Capital A/c	10,00,000
To Securities Premium Reserve A/c	1,00,000
To Cash A/c	2,00,000
(b) Narayan Ltd.	Dr 13,00,00
To Share Capital A/c	13,00,000

- | | | |
|--------------------|---------------|------------------------|
| (c) Narayan Ltd. | Dr 13,00,000 | (c) Single Company |
| To Cash A/c | 13,00,000 | (d) Individual Company |
| (d) Share Capital | Dr. 10,00,000 | |
| Securities Premium | Dr 1,00,000 | |
| Reserve A/c | | |
| Cash A/c | Dr 2,00,000 | |
| To Narayan Ltd. | 13,00,000 | |
14. Akash Ltd. registered capital is ₹50,00,000 in shares of ₹10 each. The company issued 2,00,000 of such shares, payable @ ₹ 3 per share on allotment. What will be the amount due on allotment, if shareholder holding 20,000 shares paid all call money at the time of allotment only?
- (a) ₹4,00,000 (b) ₹6,00,000
(c) ₹60,000 (d) ₹1,50,000
15. The subscribed share capital of XYZ Ltd. is ₹80,00,000 divided in shares of ₹ 100 each. There were no calls-in-arrears till the final call was made. The final call was paid on 77,500 shares. The calls-in-arrears amounted to ₹ 62,500. Calculate the final call per share.
- (a) ₹20 (b) ₹30
(c) ₹25 (d) ₹35
16. A company in which there is only one member is called
- (a) One Member Company
(b) One Person Company
17. Shares for consideration other than cash can be issued at
- (a) par (b) premium
(c) discount (d) Both (a) and (b)
18. Neton Ltd. has in its memorandum of association, capital clause stating that it is formed with 75,000 equity shares of ₹100 each. The company has issued the entire shares and the public has also subscribed and paid-up for the full amount on application itself. What will be the subscribed capital?
- (a) ₹75,00,000 (b) ₹10,00,000
(c) ₹1,00,000 (d) ₹7,50,000
19. Shareholders receive..... from the company as a benefit against their investment.
- (a) interest (b) commission
(c) profit (d) dividend
20. If the purchase consideration is more than net worth, then which account will be debited for the difference amount?
- (a) Capital Reserve A/c (b) Asset A/c
(c) Goodwill A/c (d) Vendor A/c

SUBJECTIVE QUESTIONS

- 'India Auto Ltd.' is registered with an authorised capital of ₹7,00,00,000 divided into 7,00,000 shares of ₹100 each. The company issued 50,000 shares to the vendor for building purchased and 2,00,000 shares were issued to the public. The amount was payable as follows:
On application and allotment — ₹20 per share
On first call — ₹50 per share
On second and final call — The balance
All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.
Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.
- On 1st April, 2016, Vishwas Ltd. was formed with an authorised capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, ₹8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of ₹2 per share. Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were re-issued at ₹6 per share, ₹8 called up.
Show the following:
 - Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.
 - Also prepare 'Notes to Accounts' for the same.
- The authorised capital of Suhani Ltd. is ₹45,00,000 divided into 30,000 shares of ₹150 each. Out of these, company issued 15,000 shares of ₹150 each at a premium of ₹10 per share. The amount was payable as follows:
₹50 per share on application, ₹40 per share on allotment (including premium), ₹30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.
Prepare an extract of Balance Sheet of Suhani Ltd. as per Schedule III Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to Accounts' for the same.
- Disha Ltd. purchased machinery from Nisha Ltd. and paid to Nisha Ltd. as follows:
 - By issuing 10,000, equity shares of ₹10 each at a premium of 10%.
 - By issuing 200, 9% debentures of ₹100 each at a discount of 10%.
 - Balance by accepting a bill of exchange of ₹50,000 payable after one month.

Pass necessary journal entries in the books of Disha Ltd. for the purchase of machinery and making payment to Nisha Ltd.

5. Rose Ltd. issued 25,000 shares of ₹10 each credited as fully paid to the promoters for their services. It also issued 15,000 shares of ₹10 each credited as fully paid to the underwriters for their commission. Give Journal entries.
6. K Ltd. took over the assets of ₹15,00,000 and liabilities of ₹5,00,000 of P Ltd. for a purchase consideration of ₹13,68,500. ₹25,500 were paid by issuing a promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹100 each at a premium of 25%.
Pass necessary journal entries for the above transactions in the books of K Ltd.
7. Pass necessary journal entries for the following transactions in the books of Gopal Ltd.:
 - (i) Purchased furniture for ₹2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of ₹10 each at a premium of 25%.
 - (ii) Purchased a running business from Annan Ltd. for a sum of ₹15,00,000. The payment of ₹12,00,000 was made by issue of fully paid equity shares of ₹10 each and balance by a bank draft. The assets and liabilities consisted of the following:

Plant ₹3,50,000; Stock ₹4,50,000; Land and Building ₹6,00,000; Sundry Creditors ₹1,00,000

8. MCS Ltd issued 40,000 shares of ₹10 each payable at ₹2 on application, ₹4 on allotment and balance in two equal instalments.
Applications were received for 80,000 shares and the allotment was made as follows:
 - (i) Applications of 50,000 shares were allotted 30,000 shares.
 - (ii) Applications of 30,000 shares were allotted 10,000 shares.
 Neeraj to whom 600 shares were allotted from category (i) failed to pay the allotment money.
Pass the necessary journal entries up to allotment only.
9. JCV Ltd. forfeited 200 shares of ₹10 each issued at a premium of ₹2 per share for the non-payment allotment of ₹3 per share (including premium). The first and final call of ₹4 per share has not been made yet. 50% of forfeited shares were reissued at ₹8 per share fully paid-up. Pass necessary journal entries for the forfeiture and reissue of shares.
10. The Directors of a Company forfeited 500 shares of ₹10 each issued at a premium of ₹3 per share, for the non-payment of the first call money of ₹3 per share. The final call of ₹2 per share has not been made. Half the forfeited shares were reissued at ₹2,500 fully paid. Record the journal entries for the forfeiture and reissue of shares.

HOMEWORK

MCQ

1. Reserve share capital means:
 - (a) Part of authorised capital to be called at the beginning
 - (b) Portion of uncalled capital to be called only at liquidation
 - (c) Over subscribed capital
 - (d) Under subscribed capital
2. Company can utilise securities premium for:
 - (a) Writing off loss incurred on revaluation of asset
 - (b) Issuing fully paid bonus shares
 - (c) Paying dividend
 - (d) Writing off trading loss
3. When a company issues fully paid shares to promoters for their services, the journal entry will be:

(a) Bank A/c	Dr.
To Share Capital A/c	
(b) Good will A/c	Dr.
To Share Capital A/c	
(c) Promoters Personal A/c	Dr.
To Share Capital A/c	
(d) Promotion Expenses A/c	Dr.
To Share Capital A/c	
4. Shares may be issued:

(a) At par value	(b) At Premium
(c) At Discount	(d) Both (a) & (b)
5. An issue of shares which is not a public issue but offered to a selected group of persons is called :
 - (a) Public offer
 - (b) Private placement of shares
 - (c) Initial public offer
 - (d) None of these
6. J. Ltd. re-issue 2,000 shares which were forfeited by crediting share forfeiture account by ₹3,000. These shares were re-issued at ₹9 per share. The amount transferred to capital reserve will be :

(a) ₹3,000	(b) ₹2,000
(c) ₹1000	(d) Nil
7. If a share of ₹10 on which ₹8 has been paid up is forfeited, it can be reissued at the minimum price of.....?

(a) ₹10 per share	(b) ₹8 per share
(c) ₹5 per share	(d) ₹2 per share
8. Right shares are the shares, which:
 - (a) Are issued to the Directors of the company
 - (b) Are issued to existing shareholders of the company
 - (c) Are issued to promoters in consideration of their services

- (d) Are issued to the vendors for purchasing assets
9. As per the Companies Act, only preference shares, which are redeemable within can be issued.
 (a) 25 years (b) 10 years
 (c) 30 years (d) 20 years
10. If vendors are issued fully paid shares of ₹1,00,000 in consideration of net assets of ₹1,20,000 the balance of ₹20,000 will be credited to :
 (a) Goodwill Account (b) Capital Reserve Account
 (c) Vendor's Account (d) Profit & Loss Account
11. A Ltd. purchased a machinery for ₹1,80,000 for which it is paying by issue of shares of ₹100 each at 20% premium. How many shares will be issued as consideration?
 (a) 2,500 (b) 2,000
 (c) 1,500 (d) 3,000
12. A company is registered with a share capital of ₹1,00,000 divided into ₹10,000 shares of ₹10 each. Of these shares 9,990 shares are held by Rajeev and 10 Shares are held by Sanjay. In the eye of law it is treated as:
 (a) Partnership (b) Private Company
 (c) Public Company (d) Government Company
13. A company issued 6,000 shares of ₹10 each money to be called up:- On application ₹3, on allotment ₹3, on first call ₹2 and remaining on second call. On allotment one shareholders having 100 shares paid full amount. What is the amount collected on allotment ?
 (a) ₹18,000 (b) ₹12,000
 (c) ₹18,400 (d) ₹18,600
14. Forfeiture of shares results in reduction of ____.
 (a) Authorised capital (b) Issued Capital
 (c) Paid up capital (d) None of these
15. On 1.1.2016 the first call of ₹3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan a holder of 500 shares did not pay the first call money. Arjun a shareholder holding 1000 shares paid the second and final call of ₹5 per share along with the first call. Find the amount which is received on First call ?
 (a) ₹3,00,000 (b) ₹3,05,000
 (c) ₹3,03,500 (d) ₹2,98,500
16. Ridhi Ltd. issued 1,00,000 equity shares of ₹10 each. The amount was payable as follows:
 On application - ₹3 per share.
 On allotment - ₹4 per share.
 On 1st and final call- balance.
 Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was:
 (a) ₹3,80,000 (b) ₹3,78,000
 (c) ₹3,80,250 (d) ₹4,00,250
17. Application money never is less than __ of face value.
 (a) 5% (b) 10%
 (c) 25% (d) 100%
18. Kailash Ltd. Purchased a running business from Rohan Ltd. for a sum of ₹4,00,000 payable by issue of 36,000 equity shares of ₹10 each at par and the balance by acceptance of a Bill payable. The assets and liabilities taken over were:
 Stock- ₹45,000 ; Machinery- ₹1,25,000 ; Furniture - ₹52,000 ; Building ₹2,00,000; Sundry Debtors ₹28,000 and Sundry Creditors ₹20,000. Find the amount to be transferred to Capital reserve.
 (a) ₹40,000 (b) ₹30,000
 (c) ₹50,000 (d) ₹25,000
19. Harshit Ltd. forfeited 3,000 equity shares of ₹100 each for non payment of first call of ₹20 and second and final call of ₹25 per share. These shares were issued at ₹50 per share full paid up. What amount will be transferred to capital reserve?
 (a) ₹20,000 (b) ₹15,000
 (c) ₹10,000 (d) ₹30,000
20. Gandhi Ltd invited applications for issuing 5,000 Equity shares of ₹100 each at a premium of ₹50 per share. The amount was payable as follows;
 On Application- ₹50
 On Allotment - ₹100(including premium)
 Applications were received for 6,000 shares. Applications for 500 shares were rejected and their money was returned and remaining shares were allotted on pro rata basis. One shares who had applied 1100 shares failed to pay allotment money and his shares were forfeited by company. Calculate the amount received by company on allotment.
 (a) ₹3,80,000 (b) ₹4,90,000
 (c) ₹4,10,000 (d) ₹4,00,000
21. Udit Ltd. issued 20,000 shares of ₹10 each at a premium of 5%. The amount was payable as follows:
 ₹2.50 per share on application
 ₹4.00 per share on allotment
 ₹4.00 per share on first and final call (including premium)
 Applications were received for 45,000 shares. Allotment was made as follows :
List A: Applications for 5,000 shares were allotted in full.
List B: Applications for 10,000 shares were allotted 5,000 shares on pro-rata basis.
List C: Applications for 30,000 shares were allotted 10,000 shares on pro-rata basis.
 Application money in excess of that required on allotment could be utilised for calls.
 All the shareholders paid the amounts due on allotment and first and final call, except Mr. N (who was allotted 300 shares under List-B) and Mr. K(who was allotted 300 shares under List-C). Both of these shareholders paid only the application money. Calculate the amount received on allotment.

- (a) ₹31,940 (b) ₹27,050
(c) ₹29,550 (d) ₹27,450

22. PQ Ltd. invited applications for 1,00,000 equity shares of ₹10 each. The amount was payable as follows:
On Application ₹3 per share.
On Allotment ₹4 per share.
On First and Final call ₹3 share.
Applications for 1,40,000 shares were received and pro-rata allotment was made as follows:
Applicants for 60,000 shares were allotted 30,000 shares on pro-rata basis.
Applicants for 80,000 shares were allotted 70,000 shares on pro-rata basis.
Raman to whom 1,000 shares were allotted out of group applying for 60,000 shares failed to pay allotment money. His shares were forfeited immediately after allotment. Teena who applied for 1,600 shares out of group applying for 80,000 shares failed to pay the first and final call. Her shares were also forfeited. Calculate the amount received on first and final call.
(a) ₹2,92,800 (b) ₹2,97,000
(c) ₹2,95,800 (d) ₹2,92,200
23. Akhil Ltd. forfeited the following shares of ₹10 face value after the final call was made:
100 shares held by Amit who paid ₹4 (Application and Allotment money).
300 shares held by Radha who paid ₹7 (Application, Allotment and First call).
200 shares were later reissued for ₹9 per share, including all shares of Amit.
Calculate the amount to be transferred to Capital reserve.
(a) ₹500 (b) ₹1,000
(c) ₹700 (d) ₹900
24. Varsha Ltd. forfeited 200 equity shares of ₹100 each ₹80 called up on which application and allotment money ₹50 per share were received from the shareholders. Out of these 100 shares were reissued as ₹80 per share paid up for ₹90 per share. Calculate the amount to be transferred to capital reserve.
(a) ₹10,000 (b) ₹8,000
(c) ₹4,000 (d) ₹9,000

Directions: (Q. No. 25 to 28) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:

- (a) Both Assertion (A) and Reason are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)

- (c) Assertion (A) is false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

25. **Assertion (A):** Equity shares are those shares which are not preference shares.
Reason (R): Equity shares are the least issued class of shares and carries the minimum risks and rewards of the business.
26. **Assertion (A):** Minimum subscription is the minimum amount which must be subscribed by the public.
Reason (R): Minimum subscription has been fixed at 80% of the issued amount.
27. **Assertion (A):** Preliminary expenses are not shown in balance sheet.
Reason (R): Preliminary expenses are written-off in the same year.
28. **Assertion (A):** Calls-in-arrear is the amount which has not been called by the company but has been paid by the shareholders.
Reason (R): Calls-in-arrear will be shown as a deduction from the subscribed but not fully paid up capital.
29. These shares which in addition to the fixed preference dividend, carry a right to participate in the surplus profits, if any, after dividend at a stipulated rate has been paid to the equity shareholders are called
(a) Participating preference shares
(b) Convertible preference shares
(c) Redeemable preference shares
(d) Cumulative preference shares
30. Match the following.

Column-I	Column-II
A. Actual number of shares offered to public	(i) Authorised Capital
B. Maximum number of shares above which company cannot issue shares to public	(ii) Issued Capital
C. Number of shares applied by public	(iii) Uncalled Capital
D. The amount which is called at the time of liquidation of company	(iv) Subscribed Capital

Find out the correct option

- A B C D
(a) (ii) (i) (iv) (iii)
(b) (i) (ii) (iii) (iv)
(c) (iv) (iii) (ii) (i)
(d) (iii) (iv) (i) (ii)

SUBJECTIVE QUESTIONS

1. P.S. Ltd. forfeited 500 shares of ₹100 each for the non-payment of first call of ₹30 per share. The final call of ₹10 per share was not yet made. The forfeited shares were

reissued for ₹65,000 fully paid-up. Pass necessary journal entries in the books of the company.

2. AB Ltd. invited applications for issuing 75,000 equity shares of ₹100 each at a premium of ₹30 per share. The amount was payable as follows:
On Application and Allotment – ₹85 per share (including premium)
On First and Final Call – the balance Amount
Applications for 1,27,500 shares were received. Applications for 27,500 shares were rejected and shares were allotted on pro-rata basis to the remaining applicants. Excess money received on applications and allotment was adjusted towards sums due on first and final call. The calls were made. A shareholder, who applied for 1,000 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at ₹150 per share fully paid-up.
Pass necessary journal entries for the above transactions in the books of AB Ltd.
3. Saral Ltd. invited applications for issuing 25,000 equity shares of ₹ 100 each at par. The amount per share was payable as follows :
On Application : ₹20 per share
On Allotment : ₹30 per share
On First Call : ₹25 per share
On Second and Final Call : ₹25 per share
Applications were received for 24,000 shares and the shares were allotted to all the applicants. All calls were made and were received as follows:
On 18,000 shares : Full amount
On 2,000 shares : ₹ 75 per share
On 2,500 shares : ₹ 50 per share
On 1,500 shares : ₹ 20 per share
The company forfeited those shares on which less than ₹ 75 per share were received. The forfeited shares were reissued at ₹ 95 per share fully paid up.
Pass necessary journal entries for the above transactions in the books of the company.
4. Dinesh Ltd. invited applications for issuing 10,000 Equity shares of ₹10 each. The amount was payable as follows:
On Application – ₹1
On Allotment – ₹2
On First Call – ₹3
On Second and Final Call -- Balance
The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted, failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹9 per share fully paid up. Pass necessary journal entries in the books of Dinesh Ltd.
5. KS Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹6 per Share. The amount was payable as follows:

On Application ₹4 per share (including premium ₹1 per share)

On Allotment ₹ 6 per share (including premium ₹3 per share)

On First and Final Call – Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 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. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1,200 shares failed to pay the final call. This shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at ₹8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary journal entries for the above transactions in the books of KS Ltd.

6. Record the Journal entries for forfeiture and reissue in the following cases:
(a) X Ltd. forfeited 200 shares of ₹ 100 each, ₹ 70 called up on which the shareholders had paid application and allotment money of ₹50 per share. Out of these, 150 shares were reissued to Naresh as ₹70 per share paid up for ₹80 per share.
(b) Y Ltd. forfeited 180 shares of ₹10 each, ₹8 called up, issued at a premium of ₹2 per share to 'R' for non-payment of allotment money of ₹5 per share (including premium). Out of these, 160 shares were reissued to Sanjay as ₹8 called up for ₹10 per share fully paid up.
7. JJK Ltd. invited applications for issuing 50,000 equity shares of ₹10 each at par. The amount was payable as follows:
On Application : ₹2 per share
On Allotment : ₹4 per share
On First and Final Call: Balance Amount
This issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows:

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

Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment. Deepak, a shareholder belonging to Category I, who had applied for 1,000 shares, failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The

forfeited shares of Deepak and Raju were reissued at ₹11 per share fully paid up.

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

8. Give Journal entries to record the following transactions on forfeiture and reissue of shares and open Share Forfeited Account in the books of the company:
L Ltd. forfeited 470 Equity Shares of ₹10 each issued at premium of ₹5 per share for non-payment of allotment money of ₹8 per share (including share premium ₹5 per share) and the first and final call of ₹5 per share. Out of these 60 Equity Shares were subsequently reissued at ₹14 per share.
9. Petromax Ltd. issued 50,000 shares of ₹10 each at a premium of ₹2 per share payable as ₹3 on a application, ₹5 including premium on allotment and the balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under:
 - (a) Applicants of 40,000 shares – Allotted 30,000 shares
 - (b) Applicants of 40,000 shares – Allotted 20,000 shares
 - (c) Applicants of 12,000 shares -- Nil

Suresh, who had applied for 2,000 shares (Category A) did not pay any money other than application money.

Chander, who was allotted 800 shares (Category B) paid the call money due along with allotment. All other allottees paid their dues as per schedule.

Pass necessary Journal entries in the books of Petromax Ltd. to record the above.

10. Hema Ltd. invited applications for issuing 30,000 Equity shares of ₹100 each at a premium of ₹20 each. The amount was payable as follows:
On Application and Allotment ₹40 (including premium ₹10) per share.
On First Call ₹50 (including premium ₹10) per share
On Second and Final Call — Balance
Applications for 75,000 shares were received. Applications for 15,000 shares were rejected and the money received from them was refunded. Shares were allotted on pro rata to the remaining applicants. All calls were made. A who had applied for 2,000 shares failed to pay the first call and second and final call on the shares allotted to him. B who was allotted 1,000 shares failed to pay the second and final call. The shares of both A and B were forfeited. The forfeited shares were reissued at ₹160 fully paid.
Pass necessary journal entries in the books of the company for the above transactions.

SOLUTION FOR PRACTICE QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (c) 2. (a) 3. (a)
4. (d) 5. (a) 6. (c)
7. (c) 8. (c) 9. (b)
10. (b): Total amount due $(6,00,000 \times 10) = ₹60,00,000$
Less: Calls in arrears $(80,000 \times 2) = ₹(1,60,000)$
Total amount shown in balance sheet = ₹58,40,000
11. (a)
12. (d): Subscribed capital amount will be the amount corresponding to shares which have been subscribed by the public i.e.
Equity shares $(9,000 \times 100) = ₹9,00,000$
Preference shares $(4,500 \times 100) = ₹4,50,000$
Total = $9,00,000 + 4,50,000 = ₹13,50,000$
13. (a)
14. (b): Amount due on allotment

= $2,00,000 \times 3 = ₹6,00,000$. It is to be remembered that calls-in-advance does not form a part of 'amount due' but it is a part of calls yet to be made.

15. (c): Total shares issued = $\frac{80,00,000}{100} = 80,000$ shares.
Final call received is received on 77,500 shares.
So final call not received on
= $80,000 - 77,500 = 2,500$ shares
Calls-in arrears at the time of final call = ₹62,500
Final call per share = $\frac{62,500}{2,500} = ₹25$
16. (b) 17. (d)
18. (a): Total authorized capital $(75,000 \times 100)$
= ₹75,00,000
Since, complete capital has been subscribed by the public, thus subscribed capital is equal to authorized capital.
19. (d) 20. (c)

SOLUTIONS FOR SUBJECTIVE QUESTIONS

1.

Balance Sheet of India Auto Ltd. as at..... (As per Schedule III)

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	2,49,97,000	

Notes to Accounts:

Particulars		(₹)
1. Share Capital		
<i>Authorised Capital:</i>		
7,00,000 equity shares of ₹ 100 each		<u>7,00,00,000</u>
<i>Issued Capital:</i>		
50,000 equity shares of ₹ 100 each (issued to vendor)	50,00,000	
2,00,000 equity shares of ₹ 100 each	<u>2,00,00,000</u>	<u>2,50,00,000</u>
<i>Subscribed Capital</i>		
<i>Subscribed and fully paid:</i>		
50,000 equity shares of ₹ 100 each (issued to vendor)	50,00,000	
1,99,900 equity shares of ₹ 100 each	1,99,90,000	
Add: Share forfeited A/c (100 × 70)	<u>7,000</u>	<u>2,49,97,000</u>

2.

Balance Sheet of Vishwas Ltd. As at 31st March, 2017

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	6,77,000	

Notes to Accounts:

Particulars		(₹)
1. Share Capital:		
<i>Authorised Share Capital:</i>		
1,00,000 equity shares of ₹10 each		<u>10,00,000</u>
<i>Issued Share Capital:</i>		
90,000 equity shares of ₹10 each		<u>9,00,000</u>
<i>Subscribed Capital:</i>		
<i>Subscribed but not fully paid capital</i>		
84,500 shares of ₹ 10 each, ₹8 called up	6,76,000	
Less: Calls-in-Arrears	(2,000)	
Add: Share Forfeited A/c	<u>3,000</u>	<u>6,77,000</u>

3.

Balance Sheet of Suhani Ltd.

as at.....

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	21,00,000	
(b) Reserves and Surplus	2	1,40,000	
Total		<u>22,40,000</u>	
II. ASSETS			
1. Current Assets			
(a) Cash and Cash Equivalents	3	22,40,000	
Total		<u>22,40,000</u>	

Notes to Accounts:

Particulars	(₹)
1. Share Capital	
<i>Authorised Capital:</i>	
30,000 shares of ₹ 150 each	<u>45,00,000</u>
<i>Issued Capital:</i>	
15,000 shares of ₹ 150 each	<u>22,50,000</u>
Subscribed Capital:	
<i>Subscribed and fully paid up:</i>	
14,000 shares of ₹ 150 each	<u>21,00,000</u>
2. Reserves and Surplus	
Securities Premium Reserve (14,000 × ₹ 10)	<u>1,40,000</u>
3. Cash and Cash Equivalents	
Cash at Bank (14,000 × ₹ 160)	<u>22,40,000</u>

4.

Disha Ltd. Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Machinery A/c Dr. To Nisha Ltd. (Being machinery purchased from Nisha Ltd.)		1,78,000	1,78,000
(ii)	Nisha Ltd. Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being 10,000 equity shares of ₹ 10 each issued at 10% premium)		1,10,000	1,00,000 10,000
(iii)	Nisha Ltd. Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Being 200, 9% debentures of ₹ 100 each issued at 10% discount)		18,000 2,000	20,000
(iv)	Nisha Ltd. Dr. To Bills Payable A/c (Being balance payment made by accepting one month bill of exchange)		50,000	50,000

5.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Incorporation Expenses A/c Dr. To Promoters (Being amount due to promoters)		2,50,000	2,50,000
	Promoters A/c Dr. To Share Capital A/c (Being issue of shares to promoters)		2,50,000	2,00,000
(ii)	Underwriting Commission A/c Dr. To Underwriters A/c (Being underwriters commission due)		1,50,000	1,50,000
	Underwriters A/c Dr. To Share Capital A/c (Being issue of shares to underwriters)		1,50,000	1,50,000

6.

**K Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Sundry Assets A/c Dr.		15,00,000	
	Goodwill A/c Dr.		3,68,500	
	To Sundry Liabilities A/c			5,00,000
	To P Ltd. (Being Assets and Liabilities acquired)			13,68,500
(ii)	P Ltd. Dr.		13,68,500	
	To Bills Payable A/c			25,500
	To Equity Share Capital A/c			10,74,400
	To Securities Premium Reserve A/c (Being promissory note accepted and 10,744 equity shares issued at a premium of 25%)			2,68,600

7.

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

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Furniture Dr. To M/S Furniture Mart (Being Furniture purchased)		2,50,000	2,50,000
	M/S Furniture Mart Dr. To Equity Share Capital A/c To Securities Premium A/c (Being issue of shares as purchase consideration)		2,50,000	2,00,000 50,000
(ii)	Plant A/c Dr.		3,50,000	
	Stock A/c Dr.		4,50,000	
	Land and Building A/c Dr.		6,00,000	
	Goodwill A/c Dr.		2,00,000	
	To Sundry Creditors A/c To Aman Ltd. (Being business purchased from Amit Ltd.)			1,00,000 15,00,000
	Aman A/c Dr. To Equity Share Capital A/c To Bank A/c (Being shares issued and balance paid by bank draft)		15,00,000	12,00,000 3,00,000

Working Note:

$$(i) \text{ No. of shares to be issued} = \frac{\text{Purchase Price}}{\text{Issued Price per share}} = \frac{2,50,000}{10+2.5} = 20,000 \text{ shares.}$$

8.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c (80,000 × 2) Dr. To Share Application A/c (Being application money received on 80,000 shares)		1,60,000	1,60,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Being application money transferred and adjusted)		1,60,000	80,000 80,000
	Share Allotment A/c (40,000 × 4) Dr. To Share Capital A/c (Being allotment money due on 40,000 shares)		1,60,000	1,60,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received)		78,400	78,400

Working Notes:

Shares Applied Shares Allotted

(i) 50,000 30,000 (Pro-rata allotment)

(ii) 30,000 10,000 (Pro-rata allotment)(iii) 80,000 40,000 (Pro-rata allotment)Shares applied by Neeraj = $600 \times \frac{50,000}{30,000} = 1,000$ Shares

Amount adjusted on Allotment on Neeraj's Shares

Application money received (1,000 × 2) 2,000

Less: Application money required (600 × 2) (1,200)Adjusted on allotment 800

Calculation of Amount Received on Allotment

Allotment money due (40,000 × 4) 1,60,000

Less: Excess received with application (40,000 × 2) (80,000)

Less: Calls-in arrears (Neeraj) 80,000

Due (600 × 4) 2,400

Less: Surplus on application (800) 1,600

Amount received on allotment ₹78,400

9.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (200 × 6) Dr.		1,200	
	Securities Premium Reserve A/c (200 × 2) Dr.		400	
	To Share Forfeited A/c (200 × 5)			1,000
	To Share Allotment A/c (200 × 3)			600
	(Being 200 shares forfeited for the non-payment of allotment)			
	Bank A/c (100 × 8) Dr.		800	
	Share Forfeited A/c (100 × 2) Dr.		200	
	To Share Capital A/c (100 × 10)			1,000
	(Being reissue of 100 forfeited shares)			
	Share Forfeited A/c Dr.		300	
	To Capital Reserve A/c			300
	(Being profit on reissue transferred to Capital Reserve A/c)			

Working Note:

Amount forfeited on 100 shares = $1,000 \times \frac{100}{200} = ₹500$

Profit on reissue transferred to capital reserve = $500 - 200 = ₹ 300$.

10. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (500 × 8) Dr.		4,000	
	To Share First Call A/c (500 × 3)			1,500
	To Share Forfeited A/c (500 × 5)			2,500
	(Being 500 shares forfeited for the non-payment of first call)			
	Bank A/c Dr.		2,500	
	To Equity Share Capital A/c (250 × 10)			2,500
	(Being reissue of forfeited shares at ₹2,500 as full paid up)			
	Share Forfeited A/c Dr.		1,250	
	To Capital Reserve A/c			1,250
	(Being profit on reissue transferred to Capital Reserve A/c)			

Working Note:

On 500 shares forfeited amount = 2,500

On 1 share forfeited amount = $\frac{2,500}{500}$

On 250 shares forfeited amount = $\frac{2,500}{500} \times 250 = ₹1,250$.

SOLUTION FOR HOMEWORK QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (b)
2. (b)
3. (b)
4. (d)
5. (b)
6. (c)
7. (d)
8. (b)
9. (d)
10. (b)
11. (c): No. of shares issued = $\frac{1,80,000}{(100+20)} = 1,500$
12. (b)
13. (c): Total amount received on allotment = $6,000 \times 3 + 100 \times 4 = ₹18,400$
14. (c)
15. (c): Amount received on first call = $1,00,000 \times 3 - 500 \times 3 + 1,000 \times 5 = ₹3,03,500$
16. (c): Amount received on allotment = $95,000 \times 4 - 500 \times 4 + 750 \times 3 = ₹3,80,250$
17. (a)
18. (b)

Stock A/c	Dr.	45,000
Machinery A/c	Dr.	1,25,000
Furniture A/c	Dr.	52,000
Debtors A/c	Dr.	28,000
	To Creditors A/c	20,000
	To Rohan Ltd.	4,00,000
	To Capital Reserve A/c	30,000
19. (b): Amount to be transferred to capital reserve = $3000 \times (55-50) = ₹15,000$
20. (a): Total amount due on allotment = $100 \times 5,000 = ₹5,00,000$

Less: Amount received in advance = $500 \times 50 = (25,000)$
 Less: Not received from a shareholder = $(95,000)$
 Working notes
 Total amount of money not received from shareholder, who had applied for 1,100 shares = $1,000 \times 100 - 100 \times 50 = ₹95,000$

21. (b): Total amount due on allotment = $20,000 \times 4 = ₹80,000$
 Less: Advance of 10,000 shares = $10,000 \times 4 = (40,000)$
 of Category C
 Less: Advance of 5,000 shares = $5,000 \times 2.5 = (12,500)$
 Less: Not received from Mr. K = $300 \times (4-2.5) = (450)$
 of Category B
 Amount received on allotment = ₹27,050
22. (a): Total amount due on first and final call = $(1,00,000 - 1,000) \times 3 = ₹2,97,000$
 Less: Not received from Teena = $1,400 \times 3 = (4,200)$
 Amount received in first and final call = ₹2,92,800
23. (d)
24. (c): Profit on forfeiture of 100 shares = $100/200 \times 10,000 = 5,000$
 Less: Loss on reissue of shares = $100 \times 10 = (1,000)$
 Amount to be transferred to capital reserve = ₹4,000
25. (d)
26. (d)
27. (a)
28. (c)
29. (a)
30. (a)

SOLUTION FOR SUBJECTIVE QUESTIONS

1.

Journal

Date	Particulars	L.f	Dr.	Cr.
	Equity Share Capital A/c (500 × 90) Dr.		45,000	
	To Share Forfeiture A/c (500 × 60)			30,000
	To Share First Call A/c (500 × 30)			15,000
	(Being shares forfeited for non-payment of first call)			
	Bank A/c Dr.		65,000	
	To Equity Share Capital A/c (500 × 100)			50,000
	To Securities Premium Reserve A/c			15,000
	(Being forfeited shares reissued)			
	Share Forfeiture A/c Dr.		30,000	
	To Capital Reserve A/c			30,000
	(Being amount transferred to capital reserve)			

2.

In the books of AB Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,08,37,500	
	To Share Application and Allotment A/c			1,08,37,500
	(Being application money received)			
	Share Application and Allotment A/c Dr.		1,08,37,500	
	To Share Capital A/c (75,000 × 55)			41,25,000
	To Securities Premium Reserve A/c (75,000 × 30)			22,50,000
	To Bank A/c (27,500 × 85)			23,37,500
	To Share First and Final Call A/c			21,25,000
	(Being application money transferred, excess adjusted and rejected and refunded)			
	Share First and Final Call A/c (75,000 × 45) Dr.		33,75,000	
	To Share Capital A/c			33,75,000
	(Being allotment money due)			
	Bank A/c (See W.N. 3) Dr.		12,37,500	
	To Share First and Final Call A/c			12,37,500
	(Being first and final call money received)			
	Share Capital (750 × 100) Dr.		75,000	
	To Share Forfeited A/c (750 × 55 + 21,250)			62,500
	To Share First and Final Call (750 × 45 – 21,250)			12,500
	(Being 750 shares forfeited)			
	Bank A/c (750 × 150) Dr.		1,12,500	
	To Share Capital A/c (750 × 100)			75,000
	To Securities Premium Reserve A/c (750 × 50)			37,500
	(Being 750 forfeited shares reissued at ₹150 per share)			
	Share Forfeited A/c Dr.		62,500	
	To Capital Reserve A/c			62,500
	(Being profit on reissue regarding 750 shares transferred to Capital Reserve A/c)			

Working Notes:

(1)

Shares Applied	Shares Allotted
27,500	Nil
1,00,000	75,000
1,27,500	75,000

If no. of shares applied is 1,000, then no. of shares allotted = $1,000 \times \frac{75,000}{1,00,000} = 750$

(2) Calculation of unpaid amount on First and Final Call on 750 shares	₹
Amount due (750×45)	33,750
Less: adjusted from application and allotment (250×85)	<u>21,250</u>
Amount unpaid	<u>12,500</u>
(3) Calculation of amount received on First and Final Call	
Total amount due ($75,000 \times 45$)	33,75,000
Less: adjusted from application and allotment ($25,000 \times 85$)	<u>(21,25,000)</u>
Less: Unpaid on 750 shares	(12,500)
Amount received on first and final call	<u>12,37,500</u>

3.

In the books of Saral Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being amount received on application)		4,80,000	4,80,000
	Equity Share Application A/c Dr. To Equity share capital A/c (Being amount transferred to share capital)		4,80,000	4,80,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment made due)		7,20,000	7,20,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being share allotment received)		6,75,000 45,000	7,20,000
	Equity share First call A/c Dr. To Equity Share Capital A/c (Being First call due)		6,00,000	6,00,000
	Bank A/c Dr. Calls-in-arrears A/c Dr. To Equity share First call A/c (Being share first call received)		5,00,000 1,00,000	6,00,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being second call due)		6,00,000	6,00,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Second and Final Call A/c (Being second call received)		4,50,000 1,50,000	6,00,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls-in-Arrears A/c (Being shares forfeited)		4,00,000	1,55,000 2,45,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued)		3,80,000 20,000	4,00,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being amount transferred to capital reserve)		1,35,000	1,35,000

Working Note:**Table Showing Amount received and Calls-in-Arrears**

Particulars	Application ₹20	Allotment ₹30	First Call ₹25	Second and Final call ₹25	Total
18,000 shares	3,60,000	5,40,000	4,50,000	4,50,000	—
2,000 shares	40,000	60,000	50,000	50,000*	—
2,500 shares]	50,000]	75,000]	62,500*	62,500*	—
1,500 shares]	30,000]	45,000*	37,500*	37,500*	—
Amount received on 4,000 shares	80,000	75,000	—	—	1,55,000
Amount not received on 4,000 shares		45,000*	1,00,000*	1,00,000*	2,45,000*

* Amount not received

According to the above statement we will forfeit those shares which have paid less than ₹ 75. Only 4,000 (2,500 + 1,500) shares have paid less than ₹75. It is clear from the above table that the total amount received on 4,000 shares is (80,000 + 75,000) = ₹ 1,55,000. This amount will be transferred to 'Share are forfeiture A/c'.

4.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received)		10,000	10,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being application money transferred to share capital)		10,000	10,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due)		20,000	20,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money received)		19,800 200	20,000
	Equity Share Capital A/c Dr. To Calls-in-Arrears A/c To Share Forfeited A/c (Being 100 shares forfeited for non-payment of allotment money)		300	200 100
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call due on 9,900 shares)		29,700	29,700
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First Call A/c (Being first call money received with exception of 150 shares)		29,250 450	29,700
	Equity Share Capital A/c Dr. To Calls-in-Appears A/c To Share Forfeited A/c (Being 150 shares forfeited)		900	450 450
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being second & final call money due on 9,750 shares)		39,000	39,000
	Bank A/c Dr. Calls-in-Arears A/c Dr. To Equity Share Second and Final Call A/c (Being Second and Final call money received with exception of 150 shares)		38,800 200	39,000
	Equity Share Capital A/c Dr. To Calls-in-Arrears A/c To Share Forfeited A/c		500	200 300

(Being 50 shares forfeited for non-payment of second and final call money)			
Bank A/c Dr.	2,700		
Share Forfeited A/c Dr.	300		3,000
To Equity Share Capital A/c (Being all 300 shares are reissued)			
Share Forfeited A/c Dr.	550		550
To Capital Reserve A/c (Being profit on reissue transferred to capital reserve)			

5.

**KS Ltd.
Journal**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr.		12,80,000	
	To Equity Share Application A/c (Being application money received on 3,20,000 shares)			12,80,000
	Equity Share Application A/c Dr.		12,80,000	
	To Equity Share Capital A/c			4,80,000
	To Securities Premium Reserve A/c			1,60,000
	To Bank A/c			3,20,000
	To Equity Share Allotment A/c (Being application money transferred to share capital account and securities premium reserve, and excess refunded and adjusted)			3,20,000
	Equity Share Allotment A/c Dr.		9,60,000	
	To Equity Share Capital A/c			4,80,000
	To Securities Premium Reserve A/c (Being share allotment made due)			4,80,000
	Bank A/c Dr.		6,36,800	
	To Equity Share Allotment A/c (Being allotment money received except on 800 shares and advance received on applications adjusted)			6,36,800
	OR			
	Bank A/c Dr.		6,36,800	
	Calls-in-Arrears A/c Dr.		3,200	
	To Equity Share Allotment A/c (Being allotment money received except on 800 shares)			6,40,000
	Equity Share Capital A/c Dr.		4,800	
	Securities Premium Reserve A/c Dr.		2,400	
	To Shares Forfeited A/c			4,000
	To Equity Share Allotment A/c/Calls-in-Arrears A/c (Being 800 shares of Jain forfeited after allotment)			3,200
	Equity Share First and Final Call A/c Dr.		9,55,200	
	To Equity Share Capital A/c			6,36,800
	To Securities Premium Reserve A/c (Being first and final call due on 1,59,200 shares)			3,18,400
	Bank A/c Dr.		9,50,400	
	To Equity Share First and Final call A/c (Being first and final call money received except on 800 shares)			9,50,400
	OR			
	Bank A/c Dr.		9,50,400	
	Calls-in-Arrears A/c Dr.		4,800	
	To Equity Share First and Final Call A/c (Being first and final call money received except on 800 shares)			9,55,200
	Equity Share Capital A/c (800 × 10) Dr.		8,000	

Securities Premium Reserve A/c (800 × 2) Dr.	1,600	
To Shares Forfeited A/c (800 × 6)		4,800
To Equity Share First and Final Call/Calls-in-Arrears A/c (800 × 6)		4,800
(Being 800 shares of Gupta forfeited)		
Bank A/c Dr.	8,000	
Share Forfeited A/c Dr.	2,000	
To Equity Share Capital A/c		10,000
(Being 1,000 shares reissued for ₹8 per share fully paid up)		
Share Forfeited A/c Dr.	3,200	
To Capital Reserve A/c		3,200
(Being gain on reissue on forfeited shares transferred to capital reserve account)		

Working Notes:

1. Amount due on allotment	9,60,000
Less: Excess Application money adjusted	<u>3,20,000</u>
	6,40,000
Less: Amount not received on 800 shares	3,200
Total amount received on allotment	6,36,800
2. Amount transferred to Capital Reserve:	
Amount forfeited on Jain's shares	4,000
Amount forfeited on Gupta's shares = $4,800 \times \frac{200}{800} =$	<u>1,200</u>
	5,200
Less: Discount on reissue of shares	<u>2,000</u>
Amount transferred to Capital Reserve	<u>3,200</u>

6.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a) (i)	Share Capital A/c (200 × 70) Dr. To Share Forfeited A/c (200 × 50) To Calls-in-Arrears A/c (200 × 20) (Being forfeiture of 200 shares for non-payment of money)		14,000	10,000 4,000
(ii)	Bank A/c (150 × 8) Dr. To Share Capital A/c (150 × 70) To Securities Premium Reserve A/c (150 × 10) (Being reissue of 150 equity shares of ₹70 each, at premium of ₹10 each)		12,000	10,500 1,500
(iii)	Share Forfeited A/c Dr. To Capital Reserve A/c (Being amount transferred to capital reserve)		7,500	7,500
(b) (i)	Share Capital A/c (180 × 8) Dr. Securities Premium Reserve A/c (180 × 2) Dr. To Share Forfeited A/c (180 × 5) To Calls-in-Arrears A/c (180 × 5) (Being forfeiture of 180 shares for non-payment of share allotment money)		1,440 360	900 900
(ii)	Bank A/c (160 × 10) Dr. To Share Capital A/c (160 × 8) To Securities Premium Reserve A/c (160 × 2) (Being reissue of 160 forfeited shares)		1,600	1,280 320
(iii)	Share Forfeited A/c (160 × 5) Dr. To Capital Reserve A/c (160 × 5) (Being amount of share forfeiture of 160 shares transferred to capital reserve)		800	800

7.

**Books of JJK Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,50,000 shares)		3,00,000	3,00,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c To Equity Share Allotment A/c (Being application money transferred)		3,00,000	1,00,000 90,000 1,10,000
(iii)	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment money due)		2,00,000	2,00,000
(iv)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being balance amount received on allotment)		88,900 1,100	90,000
	OR			
	Bank A/c Dr. To Equity Share Allotment A/c (Being Balance amount received on allotment)		88,900	88,900
(v)	Equity Share Capital A/c (600 × 6) Dr. To Shares Forfeited A/c To Calls-in-Arrears A/c (Being the shares forfeited on which allotment money was not received)		3,600	2,500 1,100
(vi)	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being first and final call money due on 49,400 shares)		1,97,600	1,97,600
(vii)	Bank A/c Dr. To Equity Share First and Final Call A/c (Being first and final call money received)		1,97,600	1,97,600
(viii)	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being forfeited shares reissued @ ₹11 per share fully paid-up)		6,600	6,000 600
(ix)	Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		2,500	2,500

8.

Date	Particulars	L.F.	Dr.	Cr.
	Equity Share Capital A/c (470 × 10) Dr. Securities Premium Reserve A/c (470 × 5) Dr. To Shares Forfeited A/c (470 × 2) To Equity Share Allotment A/c (470 × 8) To Equity Share First and Final Call A/c (470 × 7) (Being 470 shares forfeited)		4,700 2,350	940 3,760 2,350
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being 60 shares reissued @ ₹14 per share)		840	600 240
	Shares Forfeited A/c Dr. To Capital Reserve A/c		120	120

	(Being gain on reissue of forfeited shares transferred to capital reserve account)			
--	--	--	--	--

Dr.		Share Forfeited Account		Cr.
Particulars	(₹)	Particulars	(₹)	
To Capital Reserve A/c	120	By Share Capital A/c	940	
To balance c/d	820			
	940			940

Working Note:

Amount of profit on forfeited shares transferred to capital reserve = $940 \times 60/470 = ₹120$.

9.

In the books of Petromax Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Being the application money received on 92,000 shares @₹3 per shares)		2,76,000	2,76,000
	Share Application A/c Dr. To Share Capital A/c (50,000 × ₹3) To Bank A/c (12,000 × ₹3) To Share Allotment A/c (30,000 × ₹3) (Being the share application money transferred, adjusted and refunded)		2,76,000	1,50,000 36,000 90,000
	Share Allotment A/c (50,000 × ₹5) Dr. To Share Capital A/c (50,000 × ₹3) To Securities Premium Reserve A/c (50,000 × ₹2) (Being the allotment money due on 50,000 shares @ ₹5 each including premium)		2,50,000	1,50,000 1,00,000
	Bank A/c (WN 4) Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c To Calls-in-Advance A/c (Being the allotment money received except for 1,500 shares of Suresh and all money is also received in advance for 800 shares of Chander)		1,57,200 6,000	1,60,000 3,200
	Share First Call A/c (50,000 × ₹2) Dr. To Share Capital A/c (Being the first call money due on 50,000 shares @2 per share)		1,00,000	1,00,000
	Bank A/c Dr. Calls-in-Advance A/c (800 × ₹2) Dr. Calls-in-Arrears A/c (1,500 × ₹2) Dr. To Share First Call A/c (Being the first call money received except for 1,500 shares and calls-in-advance adjusted towards 800 shares on first call money)		95,400 1,600 3,000	1,00,000
	Share Final Call A/c Dr. To Share Capital A/c (Being the final call money due on 50,000 shares @ ₹2 per share)		1,00,000	1,00,000
	Bank A/c Dr. Calls-in-Advance A/c Dr. Calls-in-Arrears A/c Dr. To Share Final Call A/c (Being the final call money received except for 1,500 shares and calls-in-advance adjusted towards 800 shares)		95,400 1,600 3,000	1,00,000

Working Notes:

(1) Money not received from Suresh on Allotment:

(i) Number of shares allotted to Suresh = $30,000/40,000 \times 2,000 = 1,500$ Shares.

(ii) Application money paid by Suresh = $2,000 \times ₹3 = ₹6,000$.

(iii) Application money required = $1,500 \times ₹3 = ₹4,500$.

(iv) Excess application money adjusted on allotment

$$= [(ii) ₹6,000 - (iii) ₹4,500] = ₹1,500$$

₹

(v) Money due from Suresh on allotment = $1,500 \times ₹15$ 7,500

Less: Excess application money adjusted (iv) 1,500

Money due from Suresh on allotment 6,000

(2) Money received on Allotment:

Total amount due on allotment 2,50,000

Less: Excess application money adjusted 90,000

1,60,000

Less: Money not paid by Suresh 6,000

1,54,000

(3) Calls-in-Advance on 800 shares of Chander = $800 \times ₹4 = ₹3,200$.

(4) Total money received on Allotment:

$$= ₹1,54,000 + ₹3,200 = ₹1,57,200$$

10.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application and allotment money received for 75,000 shares @₹40 per share including premium of ₹ 10)		30,00,000	30,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share First Call A/c To Bank A/c (Being application and allotment money on 30,000 shares transferred to equity share capital account and excess applications for 15,000 shares refunded)		30,00,000	9,00,000 3,00,000 12,00,000 6,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first call money due on 30,000 shares @ ₹50 per share, including premium of ₹ 10)		15,00,000	12,00,000 3,00,000
	Bank A/c Dr. To Equity Share First Call A/c (Being share first call money received)		2,90,000	2,90,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being share second and final call money due)		9,00,000	9,00,000
	Bank A/c Dr. To Equity Share Second and Final Call A/c (Being share second and final call money received)		8,40,000	8,40,000
	Securities Premium Reserve A/c Dr. Equity Share Capital A/c Dr. To Share Forfeited A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being forfeiture of 2,000 shares for non-payment of first call and second and final call money)		10,000 2,00,000	1,40,000 10,000 60,000

Bank A/c	Dr.	3,20,000	
To Equity Share Capital A/c			2,00,000
To Securities Premium Reserve A/c			1,20,000
(Being reissue of 2,000 shares @ ₹160 per share)			
Share Forfeited A/c	Dr.	1,40,000	
To Capital Reserve A/c			1,40,000
(Being profit on reissue transferred to Capital Reserve A/c)			

Working Notes:

1. Calculation and adjustment of amount received on application:

Total Applications Received = 75,000 shares
Applications Rejected = 15,000 shares
Balance = 60,000 shares

Pro rata Allotment made on 60,000 shares

Excess money received on Application and Allotment

= 30,000 shares × 40 = ₹ 12,00,000

Money to be refunded = 15,000 Shares × 40 = ₹6,00,000

2. No. of Shares Allotted to A = $2,000 \times \frac{30,000}{60,000} = 1,000$ Shares

Application and Allotment money received from A = 2,000 shares × ₹40 = ₹ 80,000

Less: Amount utilised for application and allotment = ₹40,000

Excess money retained for first call (80,000 — 40,000) = ₹40,000

Amount of first call due from A = 1,000 shares × ₹50 = ₹50,000

Less: Amount received in advance for first call with application = ₹40,000

Amount not received of first call (50,000 — 40,000) = ₹10,000

3. Calculation of amount received on share first call:

Total amount due on First call = 30,000 shares × ₹50 = ₹15,00,000

Less: Amount adjusted on first call received in advance = ₹12,00,000 = ₹3,00,000

Less: Amount adjusted on first call not received from A = ₹10,000 = ₹2,90,000