

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 04.08.2021

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Accounting for Share

Question 19:

Alfa Limited invited applications for 4,00,000 of its equity shares of Rs 10 each on the following terms :

Payable on application	Rs 5 per share
Payable on allotment	Rs 3 per share
Payable on first and final call	Rs 2 per share

Applications for 5,00,000 shares were received. It was decided :

- (a) to refuse allotment to the applicants for 20,000 shares;
- (b) to allot in full to applicants for 80,000 shares;
- (c) to allot the balance of the available shares' pro-rata among the other applicants; and
- (d) to utilise excess application money in part as payment of allotment money.

One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due on allotment and on the call, and his 400 shares were forfeited. The shares were reissued @ Rs 9 per share. Show the journal and prepare Cash book to record the above.

ANSWER:

In the books of Alfa Limited

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Application A/c To Share Capital A/c	Dr.	24,00,000	20,00,000

To Share Allotment A/c (Share Application money adjusted)			4,00,000
Share Allotment A/c To Share Capital A/c (Share Allotment money due)	Dr.	12,00,000	12,00,000
Share First and Final Call A/c To Share Capital A/c (Share First and Final Call due)	Dr.	8,00,000	8,00,000

Working Note:

2. Call in arrears by applicant on allotment

Money received on Application	(500·5) =	2,500
Less: Amount adjusted on Application	(400·5) =	2,000
Amount adjusted on Allotment		500

3.

Money due on Allotment	(400·3)	1,200
Less: Money adjusted		500
Balance due on Allotment		700

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Capital A/c To Share Allotment A/c To Share First & Final Call A/c To Share Forfeiture A/c (400 shares forfeited)	Dr.	4,000	700 800 2,500
	Share Forfeiture A/c	Dr.	400	

To Share Capital A/c (Share reissued and loss on issue charged from Share Forfeiture Account)			400
Share Forfeiture A/c To Capital Reserve A/c (Share Forfeiture Account transferred to Capital Reserve Account)	Dr.	2,100	2,100

Cash Book (Bank Column)

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Share Application		25,00,000		Share Application		1,00,000
	Share Allotment		7,99,300		Balance c/d		40,02,100
	Share First and Final Call		7,99,200				
	Share Capital		3,600				
			41,02,100				41,02,100

Question 20:

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

ANSWER:

Books of Ashoka Limited Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Share Capital A/c To Final Call A/c To Share Forfeiture A/c	Dr.	20,000	2,000 18,000

(1,000 Shares of 20 per share forfeited for nonpayment of Share Final Call money @ ₹2 per share)			
Bank A/c (400×14) Dr.		5,600	
Share Forfeiture A/c (400×6) Dr.		2,400	
To Share Capital A/c (400 shares @ ₹20 per share reissued for ₹14 per share fully paid-up)			8,000
Bank A/c Dr.		4,000	
To Share Capital A/c (200 shares @ ₹20 per share reissued for ₹20 per share fully paid-up)			4,000
Share Forfeiture A/c Dr.		8,400	
To Capital Reserve (Balance of 600 shares in Share Forfeiture Account transferred to Capital Reserve Account, after reissue)			8,400

Balance in Share Forfeiture Account (18,000 -- 10,800) = Rs 7,200

Working Notes:

For 400 Shares

Share Forfeiture Account credited	₹18 per share
Less: Share Forfeiture Account debited	₹6 per share
Amount transferred to Capital Reserve Account, after adjustment	₹12 per share

Amount of 400 shares transferred to Capital Reserve Account, after reissue
= 400 Shares @ ₹ 12 per share
= Rs 4,800

For 200 Shares

Share Forfeiture Account credited	₹18 per share
Less: Share Forfeiture Account debited	Nil
Amount transferred to Capital Reserve Account, after adjustment	₹18 per share

Amount of 200 shares transferred to Capital Reserve Account, after reissue
= 200 Shares @ Rs 18 per share
= ₹3,600

Total amount transferred to Capital Reserve Account for 600 shares = Capital Reserve for 400 shares + Capital Reserve for 200 shares
= 4,800 + 3,600
= ₹8,400

Note: As per the answer amount transferred to capital reserve is ₹6,800 however, it is not correct as the shares reissued at a discount will be provided through Share Forfeiture Account and the valance will be ₹8,400.
