

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 13.10.2020

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Accounting for Share Capital

Q. 34. On 1st April, 2014, Blue Heaven Ltd. was formed with an authorised capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 1,50,000 equity shares. The company received applications for 1,40,000 equity shares. During the first year, ₹7 per share were called. Arun holding 4,000 shares and Varun holding 3,000 shares did not pay the first call of ₹2 per share. Varun's shares were forfeited after the first call and later on 1,800 of the forfeited shares were re-issued at ₹5 per share, ₹7 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.

SOLUTION : 34.

EXTRACT OF BALANCE SHEET OF BLUE HEAVEN LTD.
as at 31st March, 2015

<i>Particulars</i>	<i>Note No.</i>	<i>31.3.2015</i>	<i>31.3.2014</i>
I. EQUITY AND LIABILITIES :		₹	₹

Shareholder's Funds

(a) Share Capital

1

9,69,600

Notes to Accounts :

		₹
(1) Share Capital :		
Authorised Capital :		
2,00,000 Equity Shares of ₹10 each		<u>20,00,000</u>
Issued Capital :		
1,50,000 Equity Shares of ₹10 each		<u>15,00,000</u>
Subscribed but not fully paid Capital:		
1,38,800 Shares of ₹10 each, ₹7 Called up	9,71,600	
Less : Calls in Arrears (4,000 × ₹2)	<u>8,000</u>	
	9,63,600	
Add : Share Forfeiture A/c	<u>6,000</u>	<u>9,69,600</u>

Q. 35. Surya Tubes Limited issued 20,000 shares of ₹100 each. The due amount was received except for 500 shares on which ₹75 per share was received. These 500 shares were forfeited and 300 shares were reissued for ₹60 each fully paid-up.

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

SOLUTION : 35.

Surya Tubes Limited

Dr.

FORFEITED SHARES ACCOUNT

Cr.

Particulars	₹	Particulars	₹
To Share Capital A/c (300 × ₹40)	12,000	By Share Capital A/c (500 × ₹75)	37,500
To Capital Reserve A/c (Note 2)	10,500		
To Balance c/d	<u>15,000</u>		
	<u>37,500</u>		<u>37,500</u>

BALANCE SHEET

as at

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES :		
Shareholder's Funds		
(a) Share Capital	1	19,95,000
(b) Reserves and Surplus	2	<u>10,500</u>
		<u>20,05,500</u>
II. ASSETS :		
Current Assets :		
Cash and Cash Equivalents	3	20,05,500
Total		<u>20,05,500</u>

Notes to Accounts :

		₹
(1) Share Capital :		
Authorised Capital :		
..... Equity Shares of ₹100 each	
Issued Capital :		
20,000 Equity Shares of ₹100 each		<u>20,00,000</u>
Subscribed Capital:		
Subscribed and Fully paid-up		
19,800 Equity Shares of ₹100 each	19,80,000	
Add : Forfeited Shares A/c	<u>15,000</u>	<u>19,95,000</u>
(2) Reserves and Surplus		
Capital Reserve		<u>10,500</u>
(3) Cash and Cash Equivalents		
Cash at Bank		<u>20,05,500</u>

Working Notes :

- Journal entries on forfeiture and reissue :

		₹	₹
Share Capital A/c	(500 × ₹100)	Dr.	50,000
To Calls-in-Arrears A/c	(500 × ₹25)		12,500
To Forfeited Shares A/c	(500 × ₹75)		37,500
<hr/>			
Bank A/c	(300 × ₹60)	Dr.	18,000
Forfeited Shares A/c	(300 × ₹40)	Dr.	12,000
To Share Capital A/c			30,000
- Gain on reissue to be transferred to Capital Reserve :

		₹
Amount forfeited on 300 reissued shares (300 × ₹75)		22,500
Less : Discount on reissue (300 × ₹40)		<u>12,000</u>
Gain on reissue transferred to Capital Reserve		<u>10,500</u>
- The balance of ₹15,000 remaining in Forfeited Shares Account is in respect of 200 shares not yet reissued.

Q. 36. A, who holds 200 shares of ₹100 each, has paid only ₹25 per share as application money.

B, who holds 300 shares of ₹100 each, has paid ₹25 per share on application and ₹30 per share on allotment.

C, who holds 400 shares of ₹100 each, has paid ₹25 per share on application, ₹30 per share on allotment and ₹20 per share on first call.

They failed to pay their arrears and the final call. Their shares were forfeited and re-issued at ₹95 per share.

Prepare necessary journal entries.

SOLUTION : 36.
CALCULATION TABLE

	Application ₹25	Allotment ₹30	First Call ₹20	Final Call ₹25
A 200 Shares	5,000	*6,000	*4,000	*5,000
B 300 Shares	7,500	9,000	*6,000	*7,500
C 400 Shares	10,000	12,000	8,000	*10,000
Amount Received	22,500	21,000	8,000	—
Amount not Received	—	*6,000	*10,000	*22,500

*Calls not paid.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		90,000	
	To Share Allotment A/c			6,000
	To Share First Call A/c			10,000
	To Share Final Call A/c			22,500
	To Share Forfeiture A/c (900 shares forfeited)			51,500
	Bank A/c Dr.		85,500	
	Share Forfeiture A/c Dr.		4,500	
	To Share Capital A/c (Reissue of 900 shares @ ₹95 per share)			90,000
	Share Forfeiture A/c Dr.		47,000	
	To Capital Reserve A/c (Transfer of the balance of Forfeiture A/c to Capital Reserve A/c)			47,000

Q. 37. Pass journal entries for the forfeiture and re-issue in the following cases :

- (i) A Ltd. forfeited 100 shares of ₹10 each fully called-up for non-payment of first call of ₹3 per share and final call of ₹3 per share. All of these shares were re-issued as fully paid for ₹10 per share.
- (ii) B Ltd. forfeited 400 shares of ₹10 each fully called-up for non-payment of final call of ₹3 per share. 300 of these shares were re-issued as fully paid for ₹8 per share.
- (iii) C Ltd. forfeited 700 shares of ₹10 each fully called-up on which the holder has paid application money @ ₹3 and allotment money @ ₹2 per share. Out of these, 300 shares were re-issued as fully paid @ ₹7 per share.
- (iv) D Ltd. forfeited 1,000 shares of ₹10 each fully called-up on which the holder has paid only the application money @ ₹3 per share. Out of these, 600 shares were re-issued at ₹10.50 per share, fully paid up.

SOLUTION : 37.

JOURNAL ENTRIES

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
Case (i)	Share Capital A/c Dr. To Share First Call A/c To Share Final Call A/c To Share Forfeiture A/c (Forfeiture of 100 shares for non payment of calls)		1,000	300 300 400
	Bank A/c Dr. To Share Capital A/c (Re-issue of 100 shares @ ₹10 per share)		1,000	1,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on forfeiture transferred to Capital Reserve A/c)		400	400
Case (ii)	Share Capital A/c Dr. To Share Final Call A/c To Share Forfeiture A/c (Forfeiture of 400 shares)		4,000	1,200 2,800
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Re-issue of 300 shares @ ₹8 per share)		2,400 600	3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Amount transferred to Capital Reserve A/c)		1,500 ⁽¹⁾	1,500
Case (iii)	Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Forfeiture of 700 shares)		7,000	3,500 3,500
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Re-issue of 300 shares @ ₹7 per share)		2,100 900	3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Amount of profit transferred to Capital Reserve A/c)		600 ⁽²⁾	600
Case (iv)	Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Forfeiture of 1,000 shares)		10,000	7,000 3,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (600 shares reissue @ ₹10.50)		6,300	6,000 300

Share Forfeiture A/c ($3,000 \times \frac{600}{1,000}$)	Dr.	1,800	
To Capital Reserve A/c (Amount transferred to Capital Reserve A/c)			1,800

- Note :**
- (1) $\text{₹}2,800 \times \frac{300}{400} = \text{₹}2,100$
 $\text{₹}2,100 - \text{₹}600 = \text{₹}1,500$
- (2) $\text{₹}3,500 \times \frac{300}{700} = \text{₹}1,500$
 $\text{₹}1,500 - \text{₹}900 = \text{₹}600$