

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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Teacher name – Ajay Kumar Sharma

Accounting for Share Capital

Q. 38. Pass journal entries for the forfeiture and re-issue in the following cases :

- (a) X Ltd. forfeited 700 shares of Ashok of ₹10 each ₹8 called-up, on which he had paid ₹5 per share. Out of these, 500 shares were re-issued for ₹9 per share as fully paid.
- (b) Y Ltd. forfeited 400 shares of ₹10 each, ₹6 called-up, for non-payment of first call of ₹2 per share. Out of these, 300 shares were immediately re-issued at ₹5 per share.
- (c) Z Ltd. forfeited 300 shares of ₹100 each on which first call of ₹20 per share was not received, the second and final call of ₹30 per share has not yet been called. Out of these, 200 shares were re-issued as ₹70 paid-up for ₹55 per share.

SOLUTION : 38.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Share Capital A/c (700 Shares × ₹8) Dr.		5,600	
	To Calls in Arrear A/c (700 × ₹3)			2,100
	To Share Forfeiture A/c (700 × ₹5) (Forfeiture of 700 shares of Ashok)			3,500
	Bank A/c Dr.		4,500	
	Share Forfeiture A/c Dr.		500	
	To Share Capital A/c (Re-issue of 500 shares @ ₹9 per share fully paid)			5,000
	Share Forfeiture A/c Dr.		2,000 ⁽¹⁾	
	To Capital Reserve A/c (Profit on 500 re-issued shares transferred to Capital Reserve)			2,000
(b)	Share Capital A/c (400 Shares × ₹6) Dr.		2,400	
	To Share First Call A/c (400 × ₹2)			800
	To Share Forfeiture A/c (400 × ₹4) (Forfeiture of 400 shares)			1,600
	Bank A/c Dr.		1,500	
	Share Forfeiture A/c Dr.		300	
To Share Capital A/c (Re-issue of 300 shares at ₹5 per share; Loss of ₹1 per share (i.e., ₹6 called up — ₹5) debited to Forfeiture A/c)				1,800

	Share Forfeiture A/c	Dr.	900 ⁽²⁾	
	To Capital Reserve A/c			900
	(Profit on 300 re-issued shares transferred to Capital Reserve A/c)			
(c)	Share Capital A/c (300 Shares × ₹70)	Dr.	21,000	
	To Share First Call A/c (300 Shares × ₹20)			6,000
	To Share Forfeiture A/c (300 Shares × ₹50)			15,000
	(Forfeiture of 300 shares)			
	Bank A/c	Dr.	11,000	
	Share Forfeiture A/c	Dr.	3,000	
	To Share Capital A/c			14,000
	(Re-issue of 200 shares at ₹55 per share, loss of ₹15 per share (i.e., ₹70 called up – ₹55) debited to Forfeiture A/c)			
	Share Forfeiture A/c	Dr.	7,000 ⁽³⁾	
	To Capital Reserve A/c			7,000
	(Profit on 200 re-issued shares transferred to Capital Reserve A/c)			

Notes :

(1) Profit on 700 shares	= ₹3,500		₹
Hence, Profit on 500 shares	= $\frac{3,500}{700} \times 500$	=	2,500
Less : Loss on Re-issue : 500 shares × ₹1		=	500
Transferred to Capital Reserve		=	<u>2,000</u>
(2) Profit on 400 shares	= ₹1,600		
Hence, Profit on 300 shares	= $\frac{1,600}{400} \times 300$	=	1,200
Less : Loss on Re-issue: 300 shares × ₹1		=	300
Transferred to Capital Reserve		=	<u>900</u>
(3) Profit on 300 shares	= ₹15,000		
Hence, profit on 200 shares	= $\frac{15,000}{300} \times 200$	=	10,000
Less : Loss on Re-issue : 200 shares × ₹15		=	3,000
Transferred to Capital Reserve		=	<u>7,000</u>

Q. 39. Journalise the following :

- A Ltd. forfeited 1,000 shares of ₹10 each, ₹8 paid, for non-payment of final call of ₹2 per share. Out of these, 400 shares were re-issued as fully paid-up in such a way that ₹2,000 should be transferred to Capital reserve.
- B Ltd. forfeited 1,000 shares of ₹10 each, ₹8 called-up, for non-payment of Allotment of ₹2.50 per share and first call of ₹3 per share. Out of these, 400 shares were re-issued for ₹7 per share as ₹8 paid-up.
- C Ltd. forfeited 300 shares of ₹10 each on which ₹7 has been called and ₹5 has been paid. Out of these, 100 shares are re-issued for ₹6 per share as ₹7 paid-up.

SOLUTION : 39.

JOURNAL

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
(i)	Share Capital A/c Dr.		10,000	
	To Share Final Call A/c			2,000
	To Share Forfeiture A/c (1,000 shares forfeited)			8,000
	Bank A/c (Note 1) Dr.		2,800	
(i)	Share Forfeiture A/c Dr.		1,200	
	To Share Capital A/c (400 shares reissued @ ₹7 per share fully paid)			4,000
	Share Forfeiture A/c Dr.		2,000	
(ii)	To Capital Reserve A/c (Profit on 400 shares transferred to Capital Reserve A/c)			2,000
	Share Capital A/c (1,000 × ₹8) Dr.		8,000	
	To Share Allotment A/c (1,000 × ₹2.50)			2,500
	To Share First Call A/c (1,000 × ₹3)			3,000
(ii)	To Share Forfeiture A/c (1,000 × ₹2.50) (Forfeiture of 1,000 shares)			2,500
	Bank A/c Dr.		2,800	
	Share Forfeiture A/c Dr.		400	
(iii)	To Share Capital A/c (Re-issue of 400 shares @ ₹7 as ₹8 paid up)			3,200
	Share Forfeiture A/c (2,500 × $\frac{400}{1,000}$) – 400 Dr.		600	
	To Capital Reserve A/c (Profit on 400 re-issued shares transferred to Capital Reserve A/c)			600
	Share Capital A/c Dr.		2,100	
(iii)	To Calls in Arrears A/c			600
	To Share Forfeiture A/c (Forfeiture of 300 shares)			1,500
	Bank A/c (100 × ₹6) Dr.		600	
(iii)	Share Forfeiture A/c (100 × ₹1) Dr.		100	
	To Share Capital A/c (Re-issue of 100 shares at ₹7 as fully paid)			700
(iii)	Share Forfeiture A/c (1,500 × $\frac{100}{300}$) – 100 Dr.		400	
	To Capital Reserve A/c (Profit on re-issue of 100 shares transferred to capital reserve)			400

Note :	(1)	Profit on 1,000 shares	=	₹8,000	₹
		Hence, Profit on 400 shares	=	$\frac{₹8,000}{1,000} \times 400 =$	3,200
		<i>Less :</i> Transferred to Capital Reserve			<u>2,000</u>
		Loss on Reissue			<u><u>1,200</u></u>
		Per Share Loss on Reissue	=	$\frac{₹1,200}{400} = ₹3$	
		Reissue Price	=	₹10 – ₹3 = ₹7 per share	