

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 15.9.2020

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## Accounting for Share Capital

Forfeiture of Shares issued at a Premium: Where shares were originally issued at a premium and the premium amount has been fully realised, and later on some share are forfeited due to non-payment of call money, the accounting treatment of forfeiture would be on the same pattern as in the case of shares issued at par. The important point to be noted in this context is that the share premium account is not to be debited at the time of forfeiture if the premium has been received in respect of the forefeited share.

In case, however, if the premium amount has not been received, either wholly or partially, in respect of the shares forfeited, the Share Premium Account will also be debited with the amount of premium not received along-with the Share Capital Account at the time forfeiture. This will usually be the case when even the amount due on allotment has not been received. Thus, the journal entry to record the forfeiture of shares issued at a premium on which premium has not been fully received, will be :

Share Capital A/c Dr.

Securities Premium A/c Dr.

To Share Forfeiture A/c

To Share Allotment A/c and/or

To Share Calls A/c (individually)

(..... shares forefeited for non-payment of allotment money and calls made)

Note: Where Calls-in-Arrears Account is maintained, Calls-in-Arrears Account is credited and not Share Allotment and/or Share Call/Calls Accounts.

### Illustration 12

Sahil, a share holder, failed to pay the share second and final call of Rs. 20 on 1,000 shares issued to him at Rs. 120 (face value of Rs. 100 per share). His shares were forfeited after the second and final call. Give the necessary journal entry for forefeiture of the shares.

**Solution**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Share Capital A/c <span style="float: right;">Dr.</span> To Share IInd and Final Call A/c To Share Forfeiture A/c (Forfeiture of 300 shares for non-payment of the final call)		1,00,000	20,000 80,000

**Illustration 13**

Sunena, a shareholder holding 500 shares of Rs.10 each, did not pay the allotment money of Rs. 4 per share (including a premium of Rs. 2) and the first and final call of Rs. 3. Her shares were forfeited after the first and final call. Give journal entry for forfeiture of the shares.

**Solution**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Share Capital A/c <span style="float: right;">Dr.</span> Securities Premium A/c <span style="float: right;">Dr.</span> To Share Allotment A/c To Share Ist and Final Call A/c To Share Forfeiture A/c (Forfeiture of 500 shares for non-payment of Ist and final call)		5,000 1,000	2,000 1,500 2,500

*Forfeiture of Shares Issued at a Discount:* Where shares forfeited were originally issued at a discount, the discount applicable to such shares must be cancelled or written back. Hence the Discount on Issue of Shares Account should be credited at the time of forfeitures. So, that the balance on 'Discount on Issue of Shares Account' relates only to the remaining shares forming part of Share Capital Account. Thus, the journal entry to record the forfeiture will be :

Share Capital A/c	Dr.
To Share Forfeiture A/c	
To Discount on Issue of Shares	
To Share Allotment A/c	
To Share Calls A/c	
or	
To Calls-in-Arrears A/c	

(Forefeiture of ..... shares for non-payment of allotment money and the calls made) .