

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 16.9.2020

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Accounting for Share Capital

Illustration 14

Madan Limited invited application for 20,000 shares of Rs. 100 each at a discount of 10%, payable at Rs. 25 on application, Rs. 25 on allotment, Rs. 25 on first call and Rs. 15 on second and final call. Ritu who applied for 1,000 shares was allotted 600 shares and the excess application money adjusted against the allotment money on the shares allotted. These shares were forfeited after the first call. Journalise the transaction for forfeiture after she having failed to pay:

1. The allotment money and the first call, and
2. the first call only.

Solution

Books of Madam Limited Journal

1. When the Allotment and first call is not paid

| Date | Particulars | L.F. | Debit Amount (Rs.) | Credit Amount (Rs.) |
|------|---|------|--------------------|---------------------|
| | Share Capital A/c Dr. | | 51,000 | |
| | To Discount on Issue of Shares A/c | | | 6,000 |
| | To Share Allotment A/c | | | 5,000 |
| | To Share First Call A/c | | | 15,000 |
| | To Share Forfeiture A/c | | | 25,000 |
| | (600 shares forfeited after First Call for non-payment of allotment and First Call money) | | | |

Note: The amount due on allotment was Rs. 5,000 only as the excess application money of Rs. 10,000 had been adjusted against the allotment money of Rs. 15,000 due from her.

2. When only the first call is not paid

| Date | Particulars | L.F. | Debit Amount (Rs.) | Credit Amount (Rs.) |
|------|--|------|--------------------|---------------------|
| | Share Capital A/c Dr. | | 51,000 | |
| | To Discount on issue of shares A/c | | | 6,000 |
| | To Share First Call A/c | | | 15,000 |
| | To Share Forfeiture A/c | | | 30,000 |
| | (600 shares forfeited after First Call on non-payment of First Call money) | | | |

Illustration 15

Ashok Limited issued 3,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share, payable at Rs. 3 on application, Rs. 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 4,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Mukesh who was allotted 800 shares failed to pay both the calls and his shares were forfeited after the second call. Record necessary journal entries in the books of Ashok Limited and also show the balance sheet:

Solution

Books of Ashok Limited Journal

| Date | Particulars | L.F. | Debit Amount (Rs.) | Credit Amount (Rs.) |
|------|--|------|--------------------------|---------------------------|
| | Bank A/c Dr. To Equity Share Application A/c (Application money received on 4,00,000 shares) | | 12,00,000 | 12,00,000 |
| | Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Application money on 3,00,000 shares transferred to share capital account and the excess amount adjusted to share allotment account) | | 12,00,000 | 9,00,000 3,00,000 |
| | Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Allotment money due on 3,00,000 shares) | | 15,00,000 | 9,00,000 6,00,000 |
| | Bank A/c Dr. To Equity Share Allotment A/c (Allotment amount received after adjusting excess money received with application) | | 12,00,000 | 12,00,000 |
| | Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call amount due on 3,00,000 shares) | | 6,00,000 | 6,00,000 |
| | Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share First Call A/c (First Call amount received on 2,99,200 shares) | | 5,98,400 1,600 | 6,00,000 |
| | Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Second Call amount 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 (Amount on 2,99,200 shares received) | | 5,98,400 1,600 | 6,00,000 |

| | | | |
|----------------------------|-----|-------|-------|
| Equity Share Capital A/c | Dr. | 8,000 | |
| To Share Forfeited A/c | | | 4,800 |
| To Call in Arrears A/c | | | 3,200 |
| (Forfeiture of 800 shares) | | | |

Balance Sheet of Ashok Limited as on

| <i>Liability</i> | <i>Amount</i> | <i>Assets</i> | <i>Amount</i> |
|--------------------|------------------|---------------|------------------|
| Share Capital | 29,92,000 | Bank | 35,96,800 |
| Securities premium | 6,00,000 | | |
| Forfeited Share | 4,800 | | |
| | 35,96,800 | | 35,96,800 |
| | | | |