

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 17.9.2020

Teacher name – Ajay Kumar Sharma

## Accounting for Share Capital

### Illustration 16

High Light India Ltd. invited applications for 30,000 Shares of Rs. 100 each at a premium of Rs. 20 per share payable as follows :

On Application	Rs. 40 (including Rs.10 premium)
On Allotment	Rs. 30 (including Rs.10 premium)
On First Call	Rs. 30
On Second & Final Call	Rs. 20

Applications were received for 40,000 shares and pro-rata allotment was made on the application for 35,000 share. Excess application money is to be utilised towards allotment.

Rohan to whom 600 Shares allotted failed to pay the allotment money and his shares were forfeited after allotment.

Aman who applied for 1,050 shares failed to pay first call and his share were forfeited after I<sup>st</sup> Call.

Second and final call was made. All the money due on II<sup>nd</sup> call have been received.

Of the shares forfeited, 1,000 share were reissued as fully paid-up for Rs. 80 per share, which included the whole of Aman's shares.

Record necessary journal entries in the books of High Light India Ltd.

**Solution**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c <span style="float: right;">Dr.</span> To Share Application A/c (Application money received on 40,000 shares)		16,00,000	16,00,000
	Share Application A/c <span style="float: right;">Dr.</span> To Share Capital A/c To Securities Premium A/c To Share Allotment A/c (Application money transferred to share capital account, securities premium account and the excess money transferred to share allotment account)		14,00,000	9,00,000 3,00,000 2,00,000
	Share Allotment A/c <span style="float: right;">Dr.</span> To Share Capital A/c To Securities Premium A/c (Money due on allotment)		9,00,000	6,00,000 3,00,000
	Share Application A/c <span style="float: right;">Dr.</span> To Bank A/c (Amount returned on 500 shares)		2,00,000	2,00,000
	Bank A/c <span style="float: right;">Dr.</span> To Share Application A/c (Amount received in allotment)		6,86,000	6,86,000
	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 Forfeiture A/c (Forfeiture of 600 shares of Rohan for non-payment of allotment money)		30,000 12,000	14,000 28,000
	Share First Call A/c <span style="float: right;">Dr.</span> To Share Capital A/c (First Call money due on 29,400 shares)		8,82,000	8,82,000
	Bank A/c <span style="float: right;">Dr.</span> To Share First Call A/c (First call money received on 28,500 shares)		8,55,000	8,55,000

Share Capital A/c	Dr.	72,000	
To Share First Call A/c			27,000
To Share Forfeiture A/c			45,000
(Forfeiture of 900 Aman Shares)			
Share IInd & Final Call A/c	Dr.	5,70,000	
To Share Capital A/c			5,70,000
(IInd & Final Call money due on 28,500 shares)			
Bank A/c	Dr.	5,70,000	
To Share IInd & Final Call A/c			5,70,000
(Due money received)			
Bank A/c	Dr.	80,000	
Share Forfeiture A/c	Dr.	20,000	
To Share Capital A/c			1,00,000
(Reissue of 1,000 forfeited shares)			
Share Forfeiture A/c	Dr.	29,666	
To Capital Reserve		29,666	
(Profit on 1,000 reissued shares transferred to capital reserve)			

Working Notes :

(i) **Excess amount received on Rohan's application**

Rohan has been allotted = 600 Shares

He must have applied for  $\frac{\text{Rs. } 35,000}{\text{Rs. } 30,000} \times 600 = 700$  Shares

		Rs.
Amount received from Rohan	= 700 × Rs. 40	28,000
Amount Adjusted on Application	= 600 × Rs. 40	(24,000)
Amount Adjusted on Allotment		<u>4,000</u>
Money due on Allotment	= 600 × Rs. 30	18,000
Money Adjusted		(4,000)
Balance due on Allotment		<u>14,000</u>

(ii) **Amount received on Allotment**

Total Amount due on Allotment	= Rs. 30,000 × Rs. 30	= 9,00,000
Amount received on Application		(2,00,000)
		<u>7,00,000</u>

Amount not received on Rohan's Share			(14,000)
Money received on First Call			<u>6,86,000</u>
<b>(III) First Call money due on 29,400 shares</b>			
	29,400 × Rs. 30 =	8,82,000	
Application money not received on 900 Shares	900 × Rs. 30		<u>(27,000)</u>
			<u>8,55,000</u>
<b>(IV) 1000 shares have been reissued including 900 shares of Aman and Balance 100 shares of Rohan</b>			
Profit on 100 shares	$= \frac{28,000}{600} \times 100$		= 4,666
Profit in 900 shares			= <u>45,000</u>
			49,666
Less: Loss on issue of 1,000 shares			<u>(20,000)</u>
			<u>29,666</u>
<b>(V) Balance in Share forfeiture Account of 500 shares</b>			
	Rs. $\frac{28,000}{600} \times 500$		= Rs. 23,334

#### Do it Yourself

1. A company forfeited 100 equity shares of Rs.10 each issued at a premium of 20% for non-payment of final call of Rs.5 including the premium. Show the journal entry to be passed for forfeiture of shares.
2. A company forfeited 800 equity shares of Rs.10 each issued at a discount of 10% for non-payment of two calls of Rs.2 each. Calculate the amount forfeited by the company and pass the journal entry for forfeiture of the shares.