

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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Teacher name – Ajay Kumar Sharma

Accounting for Share Capital

Illustration 1

Mona Earth Mover Ltd. decided to issue 12,000 shares of Rs.100 each payable at Rs.30 on application, Rs.40 on allotment, Rs.20 on first call and balance on second and final call. Applications are received for 13,000 shares. The directors decided to reject application of 1,000 shares and their application money being refunded in full. The allotment money is duly received on all the shares, and all sums due on calls are received except on 100 shares.

Record the transactions in the books of Mona Earth Movers Ltd.

Solution

Books of Mona Earth Movers Limited Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c Dr. To Share Application A/c (Application money on 13,000 shares @ Rs.30 per share received)		3,90,000	3,90,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to share capital)		3,60,000	3,60,000

Share Allotment A/c To Share Capital A/c (Money due on allotment of 12,000 shares @ Rs. 40 per share)	Dr.	4,80,000	4,80,000
Share Application A/c To Bank A/c (Application money on 1,000 shares returned]	Dr.	30,000	30,000
Bank A/c To Share Allotment A/c (Money received on 12,000 shares @ Rs. 40 per share on allotment)	Dr.	4,80,000	4,80,000
Share First Call A/c To Share Capital A/c (Money due on 12,000 shares @ Rs. 20 per share on first Call)	Dr.	2,40,000	2,40,000
Bank A/c To Share First Call A/c (First Call money received except for 100 shares)	Dr.	2,38,000	2,38,000
Share Second and Final Call A/c To Share Capital A/c (Money due on 12,000 shares @ Rs. 10 per share on Second and final Call)	Dr.	1,20,000	1,20,000
Bank A/c To Share Second and Final Call A/c (Second and final call money received except for 100 shares)	Dr.	1,19,000	1,19,000

Illustration 2

Eastern Company Ltd. issued 40,000 shares of Rs. 10 each to the public for the subscription of its share capital, payable at Rs. 4 on application, Rs. 3 on allotment and the balance on Ist and final call. Applications were received for 40,000 shares. The company made the allotment to the applicants in full. All the amounts due on allotment and first and final call were duly received.

Give the journal entries in the books of the company.

Solution

**Books of Eastern Company Limited
Journal**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c Dr. To Share Application A/c (Application money on 40,000 shares @ Rs.4 per share received)		1,60,000	1,60,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to share capital)		1,60,000	1,60,000
	Share Allotment A/c Dr. To Share Capital A/c (Money due on allotment of 40,000 shares @ Rs. 3 per share)		1,20,000	1,20,000
	Bank A/c Dr. To Share allotment A/c (Money received on 40,000 shares @ Rs. 3 per share on allotment)		1,20,000	1,20,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Money due on 40,000 shares @ Rs. 3 per share on First and final call)		1,20,000	1,20,000
	Bank A/c Dr. To Share Ist and Final Call A/c (First and final call money received)		1,20,000	1,20,000

Do it Yourself

On January 01, 2006, a limited company was incorporated with an authorised capital of Rs. 40,000 divided into shares of Rs. 10 each. It offered to the public for subscription of 3,000 shares payable as follows:

On Application	Rs. 3 per share
On Allotment	Rs. 2 per share
On First Call (One month after allotment)	Rs. 2.50 per share
On Second and Final Call	Rs. 2.50 per share

The shares were fully subscribed for by the public and application money duly received on January 15, 2006. The directors made the allotment on February 1, 2006.

How will you record the share capital transactions in the books of a company if the amounts due has been duly received, and the company maintains the combined account for application and allotment.