

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 31.07.2021

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Accounting for Share

Question 15:

Himalaya Company Limited issued for public subscription of 1,20,000 equity shares of Rs 10 each at a premium of Rs 2 per share payable as under :

With Application	Rs 3 per share
On allotment (including premium)	Rs 5 per share
On First call	Rs 2 per share
On Second and Final call	Rs 2 per share

Applications were received for 1,60,000 shares. Allotment was made on pro-rata basis. Excess money on application was adjusted against the amount due on allotment.

Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at Rs 7 per share.

Record journal entries in the books of the company to record these transactions relating to share capital. Also show the company's balance sheet.

ANSWER:

Books of Himalaya Company Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bank A/c Dr. To Share Application A/c (Share Application money received for 1,60,000 shares @ Rs 3 per share)		4,80,000	4,80,000
	Share Application A/c Dr. To Equity Share Capital A/c To Share Allotment A/c (Share Application for 1,20,000 shares @ Rs 3 per share transferred to Share Capital Account and remaining amount adjusted to Allotment)		4,80,000	3,60,000 1,20,000

Share Allotment A/c To Equity Share Capital A/c To Securities Premium (Share Allotment due on 1,20,000 shares @ Rs 5 per share including Rs 2 Securities Premium)	Dr.	6,00,000	3,60,000 2,40,000
Bank A/c To Share Allotment A/c (Share allotment for 1,20,000 shares @ Rs 5 per share received)	Dr.	4,80,000	4,80,000
Share First Call A/c To Equity Share Capital A/c (Share First Call due on 1,20,000 shares @ Rs 2 per share)	Dr.	2,40,000	2,40,000
Bank A/c To Share First Call A/c (Share First Call received on 1,15,200 shares @ Rs 2 per share and 4,800 shares failed to pay)	Dr.	2,30,400	2,30,400
Share Final Call A/c To Equity Share Capital A/c (Share Final call due on 1,20,000 shares @ Rs 2 per share)	Dr.	2,40,000	2,40,000
Bank A/c To Share Final Call A/c (Share Final Call received on 1,15,200 shares @ Rs 2 per share and 4,800 shares failed to pay)	Dr.	2,30,400	2,30,400
Equity Share Capital A/c (4,800·10) To Share First Call A/c (4,800·2) To Share Final Call A/c (4,800·2) To Share Forfeiture A/c (4,800·6) (4,800 shares forfeited for the non-payment of First Call and Final Call)	Dr.	48,000	9,600 9,600 28,800
Bank A/c Share Forfeiture A/c To Equity Share Capital (4,800 shares reissued @ Rs 7 per share, fully paid-up)	Dr. Dr.	33,600 14,400	48,000

Share Forfeiture A/c Dr. To Capital Reserve A/c (Share forfeiture balance of 4,800 shares transferred to Capital Reserve Account)		14,400	14,400
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Himalaya Company Limited
Balance Sheet

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	12,00,000
b. Reserves and Surplus	2	2,54,400
2. Non-Current Liabilities		
3. Current Liabilities		
Total		14,54,400
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	14,54,400
Total		14,54,400

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Share Capital	
	Authorised Share Capital shares of Rs 10 each	-
	Issued Share Capital 1,20,000 shares of Rs 10 each	12,00,000
	Subscribed, Called-up and Paid-up Share Capital 1,20,000 shares of Rs 10 each	12,00,000
2	Reserves and Surplus	
	Securities Premium	2,40,000
	Capital Reserve	14,400
		2,54,400

3	Cash and Cash Equivalents Cash at Bank	14,54,400
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Question 16:

Prince Limited issued a prospectus inviting applications for 20,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable as follows:

With Application	Rs. 2
On Allotment (including premium)	Rs. 5
On First Call	Rs. 3
On Second Call	Rs. 3

Applications were received for 30,000 shares and allotment was made on pro-rata basis. Money overpaid on applications was adjusted to the amount due on allotment.

Mr. Mohit whom 400 shares were allotted, failed to pay the allotment money and the first call, and his shares were forfeited after the first call. Mr. Joly, whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited.

Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs. 9 per share, the whole of Mr. Mohit's shares being included.

Record journal entries in the books of the Company and prepare the Balance Sheet.

ANSWER:

**Books of Prince Limited
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Share Application A/c (Share Application money received on 30,000 shares @₹ 2 per share)		60,000	60,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c		60,000	40,000 20,000

(Application money on 20,000 shares transferred to Share Capital Account and the balance adjusted on allotment)			
Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Allotment money due on 20,000 shares @ ₹5 per share including premium of Rs 3 per share)	Dr.	1,00,000	40,000 60,000
Bank A/c (1,00,000 – 20,000 – 1,600) To Share Allotment A/c (Allotment money received)	Dr.	78,400	78,400
Share First Call A/c To Share Capital A/c (Share First Call due on 20,000 shares @ ₹3 per share)	Dr.	60,000	60,000
Bank A/c (60,000 – 1,200 – 1,800) To Share First Call A/c (First call money received)	Dr.	57,000	57,000
Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (400 shares forfeited after first call)	Dr. Dr.	2,800 1,200	1,200 1,600 1,200
Share Second Call A/c To Share Capital A/c (Final Call money due on 19,600 shares @ ₹3 per share)	Dr.	58,800	58,800
Bank A/c (58,800 – 1,800) To Share Second Call A/c (Second Call money received except on 600 shares)	Dr.	57,000	57,000
Share Capital A/c To Share Forfeiture A/c To Share First Call A/c	Dr.	6,000	2,400 1,800

To Share Second Call A/c (600 shares forfeited)			1,800
Bank A/c	Dr.	7,200	
Share Forfeiture A/c	Dr.	800	
To Share Capital A/c (800 Shares reissued @ Rs 9 each)			8,000
Share Forfeiture A/c	Dr.	2,000	
To Capital Reserve			2,000

As per the Revised Schedule VI, the Balance Sheet of Prince Limited is as follows:

**Prince Limited
Balance Sheet**

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Fund		
a. Share Capital	1	1,98,000
b. Reserves and Surplus	2	61,600
2. Non-Current Liabilities		
3. Current Liabilities		
Total		2,59,600
II. Assets		
1. Non-Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	2,59,600
Total		2,59,600

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (₹)
1	Share Capital Authorised Share Capital shares of ₹10 each	-

	Issued Share Capital 20,000 shares of ₹10 each		2,00,000
	Subscribed, Called-up and Paid-up Share Capital 19,800 shares of ₹10 each		1,98,000
2	Reserves and Surplus		
	Securities Premium	58,800	
	Capital Reserve	2,800	61,600
3	Cash and Cash Equivalents		
	Cash at Bank		2,59,600

Working Notes:

1. Number of Shares applied by Mohit

$$= \frac{\text{Total number of applied shares}}{\text{Total number of allotted shares}} \times \text{No. of shares allotted}$$

$$= \frac{3,00,000}{2,00,000} \times 400 = 600 \text{ shares}$$

Money received on Application	(600×2)	1,200
Less: Utilised on application	(400×2)	(800)
Excess amount received		400

Amount due on Allotment	(400×5)	2,000
Less: Excess amount received		(400)
Amount due on allotment		1,600

2. Amount to be transferred to Capital Reserve

Amount forfeited on Mohit's 400 shares		1,200
Amount forfeited on Joly's 600 shares	2,400	
Amount forfeited on Joly's 400 shares	$\left(\frac{2,400}{600} \times 400\right)$	1,600
		2,800
Less: Discount allowed on 800 shares reissued		(800)
Amount to be transferred to Capital Reserve		2,000