

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 8.10.2020

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## Accounting for Share Capital

### Forfeiture of Shares Issued at Par

Q. 25. X Ltd. was registered with an authorised capital of 2,00,000 shares of ₹10 each. It purchased assets of Y Ltd. for ₹3,00,000 and issued fully paid shares for purchase consideration. It also invited applications for 1,20,000 shares payable as under :

₹2.50 on application

₹2.50 on allotment

₹2 on first call and ₹3 on final call.

Sarkar, who had been allotted 400 shares failed to pay the final call. His shares were forfeited and re-issued at ₹8.50 per share as fully paid up. Pass entries in the Cash Book and Journal. Show the Share Capital in the Balance Sheet of the Company.

**SOLUTION : 25.**

Dr.

### CASH BOOK

Cr.

Particulars	L.F.	₹	Particulars	L.F.	₹
To Share Application A/c		3,00,000	By Balance c/d		12,02,200
To Share Allotment A/c		3,00,000			
To Share First Call A/c		2,40,000			
To Share Final Call A/c		3,58,800			
To Share Capital A/c		3,400			
		<u>12,02,200</u>			<u>12,02,200</u>

### JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Buildings A/c Dr. To Vendors (Y) (Assets purchased)		3,00,000	3,00,000
	Vendors (Y) Dr. To Share Capital A/c (Purchase consideration discharged by shares)		3,00,000	3,00,000

Share Application A/c To Share Capital A/c (Application money transferred to Share Capital A/c)	Dr.	3,00,000	3,00,000
Share Allotment A/c To Share Capital A/c (Amount due on Allotment)	Dr.	3,00,000	3,00,000
Share First Call A/c To Share Capital A/c (Amount due on first Call)	Dr.	2,40,000	2,40,000
Share Final Call A/c To Share Capital A/c (Amount due on final call)	Dr.	3,60,000	3,60,000
Share Capital A/c To Share Final Call A/c To Share Forfeiture A/c (400 shares forfeited for non-payment of Final Call)	Dr.	4,000	1,200 2,800
Share Forfeiture A/c To Share Capital A/c (Loss on re-issue on 400 shares @ ₹1.50 each)	Dr.	600	600
Share Forfeiture A/c To Capital Reserve A/c (Balance of Share Forfeiture A/c transferred to Capital Reserve A/c)	Dr.	2,200	2,200

**EXTRACT OF BALANCE SHEET OF X LTD.**

*as at .....*

<i>Particulars</i>	<i>Note No.</i>	<i>Current Year</i>	<i>Previous Year</i>
<b>I. EQUITY AND LIABILITIES :</b>		₹	₹
<b>Shareholder's Funds</b>			
(a) Share Capital	1	15,00,000	

**Notes to Accounts :**

	₹
<b>(1) Share Capital :</b>	
<b>Authorised, Issued, Subscribed and Fully paid Capital :</b>	
30,000 Shares of ₹10 each allotted as fully paid for a consideration other than cash	3,00,000
1,20,000 Shares of ₹10 each fully called up	12,00,000

**Q. 26.** Alfa Ltd. issued 5,000 shares of ₹100 each at par. The amount payable was as under :

- ₹25 on application;
- ₹25 on allotment;
- ₹20 on first call; and
- ₹30 on final call.

The company did not make final call. X, a holder of 100 shares, failed to pay allotment and first call money. Directors forfeited his shares and immediately re-issued the forfeited shares at ₹6,500.

Pass Journal entries in the books of the company and show the Share Capital in the Balance Sheet.

**SOLUTION : 26.**

**JOURNAL**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
	Bank A/c <span style="float: right;">Dr.</span> To Share Application A/c (Amount received on application)		1,25,000	1,25,000
	Share Application A/c <span style="float: right;">Dr.</span> To Share Capital A/c (Amount of Share application transferred to Share Capital A/c)		1,25,000	1,25,000
	Share Allotment A/c <span style="float: right;">Dr.</span> To Share Capital A/c (Allotment due)		1,25,000	1,25,000
	Bank A/c <span style="float: right;">Dr.</span> To Share Allotment A/c (Amount received on allotment on 4,900 shares @ ₹25 per share)		1,22,500	1,22,500
	Share First Call A/c <span style="float: right;">Dr.</span> To Share Capital A/c (First call due)		1,00,000	1,00,000
	Bank A/c <span style="float: right;">Dr.</span> To Share First Call A/c (First call received on 4,900 shares @ ₹20 per share)		98,000	98,000
	Share Capital A/c <span style="float: right;">Dr.</span> To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (100 shares forfeited for non-payment of allotment & first call)		7,000 <sup>(2)</sup>	2,500 2,000 2,500
	Bank A/c <span style="float: right;">Dr.</span> Share Forfeiture A/c <span style="float: right;">Dr.</span> To Share Capital A/c (Re-issue of 100 forfeited shares @ ₹65 per share)		6,500 500	7,000
	Share Forfeiture A/c <span style="float: right;">Dr.</span> To Capital Reserve A/c (Transfer of Share Forfeiture A/c to Capital Reserve A/c)		2,000	2,000

## EXTRACT OF BALANCE SHEET OF ALFA LTD. as at.....

<i>Particulars</i>	<i>Note No.</i>	<i>Current Year</i>	<i>Previous Year</i>
<b>I. EQUITY AND LIABILITIES :</b>		₹	₹
<b>Shareholder's Funds</b>			
(a) Share Capital	1	3,50,000	

**Notes to Accounts :**

	₹
<b>(1) Share Capital :</b>	
<b>Issued Capital :</b>	
5,000 Shares of ₹100 each	<u>5,00,000</u>
<b>Subscribed but not fully paid Capital :</b>	
5,000 Shares of ₹100 each, ₹70 per share called up	3,50,000

- (2) Final Call of ₹30 per share has not been made in the question, as such only ₹70 have been called up. Therefore, Share Capital A/c will be debited only by ₹70 per share at the time of forfeiture of shares.