

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 14.9.2020

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Accounting for Share Capital

Forfeiture of Shares

It may happen that some shareholders fail to pay one or more instalments, viz. allotment money and/or call money. In such circumstances, the company can forfeit their shares, i.e. cancel their allotment and treat the amount already received thereon as forfeited to the company within the framework of the provisions in its articles. These provisions are usually based on Regulations 29 to 35 of the Table A which authorise, the directors to forfeit the shares for non-payment of calls made. For this purpose, they have to strictly follow the procedure laid down in this regard. When shares are forfeited all entries relating to the shares forfeited, except those relating to premium, already recorded in the accounting records, must be reversed. Accordingly, share capital account is debited with the amount called-up in respect of shares are forfeited and crediting (i) the respective unpaid calls account's or calls in arrears account, as the case may be will the unpaid amount, and (ii) share forfeited account with the amount already received. Thus, the journal entry will be as follows:

Share Capital A/c Dr.

To Share Forfeiture A/c

To Share Allotment A/c

To Share Calls A/c (individually)

(..... shares forfeited for non-payment of allotment money and calls made)

Note : In case 'Calls-in-Arrears' account is maintained by a company, 'Calls-in-Arrears' account would be credited in the above entry instead of 'Share Allotment' and/or 'Share Call or Calls' account. The balance of shares forfeited account is shown as an addition to the total paid-up capital of the company under the heading 'Share Capital' on the liabilities side of the balance sheet till the forfeited shares are reissued.

Illustration 11

Handa Limited issued 10,000 equity shares of 100 each payable at follows: Rs. 25 on application, Rs. 30 on allotment, Rs. 20 on first call and Rs. 30 on second and final call 10,000 shares were

applied for and allotment. All money due was received with the exception of both calls on 300 shares held by Supriya. These shares were forfeited. Give necessary journal entries.

Solution

**Books of Handa Limited
Journal**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c Dr. To Share Application A/c (Application money on 10,000 shares @Rs.25 per share received)		2,50,000	2,50,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to share capital)		2,50,000	2,50,000
	Share Allotment A/c Dr. To Share Capital A/c (Money due on allotment of 10,000 shares @Rs. 30 per share)		3,00,000	3,00,000
	Bank A/c Dr. To Share Allotment A/c (Money received on 10,000 shares @ Rs. 30 per share on allotment)		3,00,000	3,00,000
	Share First Call A/c Dr. To Share Capital A/c (Money due on 10,000 shares @ Rs. 20 per share on Ist Call)		2,00,000	2,00,000
	Bank A/c Dr. To Share First Call A/c (First call money received except for 300 shares)		1,94,000	1,94,000
	Share Second and Final Call A/c Dr. To Share Capital A/c (Money due on 10,000 shares @ Rs. 30 per share on Second and Final Call)		3,00,000	3,00,000
	Bank A/c Dr. To Share Second and Final Call A/c (Second and Final Call money received except for 300 shares)		2,91,000	2,91,000
	Share Capital A/c Dr. To Share First Call A/c To Share Second and Final Call A/c To Share Forfeiture A/c (Three hundred shares Forfeited)		30,000	6,000 9,000 15,000

