

**VIDYA BHAWAN BALIKA VIDYA PITH**

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 9.9.2020

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**Accounting for Share Capital**

### Illustration 7

Janta Papers Limited invited applications for 1,00,000 equity shares of Rs. 25 each payable as under:

On Application	Rs. 5.00 per share
On Allotment	Rs. 7.50 per share
On First Call (due two months after allotment)	Rs. 7.50 per share
On Second and Final Call (due two months after First Call)	Rs. 5.00 per share

Applications were received for 4,00,000 shares on January 01, 2006 and allotment was made on February 01, 2006.

Record journal entries in the books of the company to record these share capital transactions under each of the following circumstances:

- 1 The directors decide to allot 1,00,000 shares in full to selected applicants and the applications for the remaining 3,00,000 shares were rejected outright.
- 2 The directors decide to make a pro-rata allotment of 25 per cent of the shares applied for to every applicant; to apply the balance of application money towards amount due on allotment; and to refund the amount remaining thereafter.
- 3 The directors totally reject applications for 2,00,000 shares, accept full applications for 80,000 shares and make a pro-rata allotment of the 20,000 shares to remaining applicants the excess of application money is to be adjusted towards allotment and calls to be made.

### Solution

#### Books of Janta Papers Limited Journal

#### First Alternative

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2006 January 01	Bank A/c To Equity Share Application A/c (Money received on applications for 4,00,000 shares @ Rs. 5 per share)	Dr.	20,00,000	20,00,000

February 01	Equity Share Application A/c To Equity Share Capital A/c To Bank A/c (Transfer of application money on 1,00,000 shares to share capital and money refunded on rejected applications)	Dr.	20,00,000	5,00,000 15,00,000
February 01	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 1,00,000 shares @ Rs 7.50 per share)	Dr.	7,50,000	7,50,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	7,50,000	7,50,000
April 01	Equity Share First Call A/c To Equity Share Capital A/c (First call money due on 1,00,000 shares @ Rs. 7.50 per share)	Dr. Dr.	7,50,000	7,50,000
June 01	Equity Share Second and Final Call A/c To Equity Share Capital A/c (Final Call money due on 1,00,000 shares @ Rs. 5 per share)	Dr.	5,00,000	5,00,000
June 01	Bank A/c To Equity Share Second and Final Call A/c (Final call money received)	Dr.	5,00,000	5,00,000

*Second Alternative*

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2006				
January 01	Bank A/c To Equity Share Application A/c (Money received on applications for 4,00,000 shares @ Rs. 5 per share)	Dr.	20,00,000	20,00,000
February 01	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Transfer of application money on Shares allotted to share capital, excess application amount credited to allotment account and money refunded on rejected applications)	Dr.	20,00,000	5,00,000 7,50,000 7,50,000

February 01	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of Rs. 1,00,000 shares @ Rs 7.50 per share)	Dr.	7,50,000	7,50,000
February 01	Bank A/c To Equity Share Allotment A/c (Amount due on the allotment of Rs. 1,00,000 shares @ Rs 7.50 per share)	Dr.	7,50,000	7,50,000

Note : The entries regarding the two calls would be the same as under the preceding method.

### Third Alternative

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2006 January 01	Bank A/c To Equity Share Application A/c (Money received on applications for 4,00,000 shares @ Rs. 5 per share)	Dr.	20,00,000	20,00,000
February 01	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Calls-in-Advance A/c To Bank A/c (Amount on share application adjusted to share capital, share allotment and calls-in-advance and the balance refunded including the money on rejected applications)	Dr.	20,00,000	5,00,000 1,50,000 2,50,000 11,00,000
February 01	Equity Share Allotment A/c To Equity Share Capital A/c (Transfer of application money on shares allotted to share capital and amount due on the allotment of 1,00,000 shares @ Rs. 7.50 per share)	Dr.	7,50,000	7,50,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	6,00,000	6,00,000

April 01	Equity Share First Call A/c To Equity Share Capital A/c (First Call money due on 1,00,000 shares @ Rs. 7.50 per share)	Dr.	7,50,000	7,50,000
April 01	Bank A/c Calls-in-Advance A/c To Equity Share First Call A/c (Calls-in-advance adjusted against first call and the balance money on call received)	Dr. Dr.	6,00,000 1,50,000	7,50,000
June 01	Equity Share Second and Final Call A/c To Equity Share Capital A/c (Final Call money due on 1,00,000 shares @ Rs. 5 per share)	Dr.	5,00,000	5,00,000
June 01	Bank A/c Calls-in-Advance A/c To Equity Share Second and Final Call A/c (Calls-in-advance adjusted against final call and the balance money on call received)	Dr. Dr.	4,00,000 <sup>1</sup> 1,00,000	5,00,000

**Note:** The balance of excess application money as a result of pro-rata distribution in journal entry 3 above is large enough to meet the demands on allotted shares in respect of the allotment and the two call money, as well as to leave an amount to be refunded along with that on the rejected applications.

**Working Notes:**

Excess Application Money	(Rs.)	(Rs.)
		15,00,000
<b>Less Transfers :</b>		
Share Allotment –		
20,000 shares @ Rs. 7.50	1,50,000	
Share Calls –		
20,000 shares @ Rs. 12.50	<u>2,50,000</u>	<u>4,00,000<sup>1</sup></u>
Amount to be refunded (including that on the rejected applications)		11,00,000