

ISSUE OF SHARES-II

Unit Structure

- 2.1 Solved problems
- 2.2 Exercises

2.1 SOLVED PROBLEMS

Problem – 1

Ashok Ltd. invited application for 15,000 shares of Rs.100/- each. The share amount was payable as under –

- Rs.20/- on Application
- Rs.30/- on Allotment
- Rs.20/- on First Call &
- Rs.30/- on Final Call

Applications were received for 10,000 shares. An applications were accepted by the directors. All moneys were called and duly received. Pass necessary journal entries and prepare ledger account and Balance Sheet.

Solution:

In the books of Ashok Ltd., Journal

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received at Rs.20/- per share for 10,000 shares.)	2,00,000	2,00,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being 10,000 Equity Shares allotted to all applicants as per B D R no dated & application money received there on transferred to share capital.)	2,00,000	2,00,000

3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c (Being allotment money due on 10,000 shares at Rs.30/- per share.)	3,00,000	3,00,000
4	Bank A/c.....Dr. To Equity Share Allotment A/c (Being allotment money received)	3,00,000	3,00,000
5	Equity Share 1 st Call A/c.....Dr. To Equity Share Capital A/c (Being 1 st call made on 10,000 equity share at Rs.20/- per share vide B D R no. _____ dated _____)	2,00,000	2,00,000
6	Bank A/cDr. To Equity Share Call A/c (Being 1 st Call amount received.)	2,00,000	2,00,000
7	Equity Share 2 nd Call A/c.....Dr. To Equity Share Capital A/c (Being 2 nd Call made on 10,000 Equity share at Rs.30/- per share vide B D R no. _____ dated _____)	3,00,000	3,00,000
8	Bank A/cDr. To Equity Share 2 nd Call A/c (Being 2 nd Call amount received.)	3,00,000	3,00,000

Problem – 2

A Company issued Rs.5,00,000/- new capital divided into Rs.10/- shares at a premium of Rs.4/- per share payable as
 On Application Re.1/- per share
 On Allotment Rs.4/- per share & Rs.2/- premium
 On Final Payment Rs.5/- per share & Rs.2/- premium

Overpayments on application were to be applied towards sum due on allotment. Where no allotment was made money was to be returned in full. The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 1,000 shares and applicants for 2,000 were sent letters of regret. All money due on allotment and final call was duly received. Make the necessary entries in the company's book.

Solution:

Journal of a Company

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 63,000 shares at Re.1/- per share.)	63,000	63,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money on 50,000 shares transferred on Share Capital on allotment.)	50,000	50,000
3	Equity Share Application A/c.....Dr. To Bank A/c (Being application money refunded on 2,000 shares application since no share were allotted to them.)	2,000	2,000
4	Equity share allotment A/cDr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 50,000 shares at Rs.6/- per share including Rs.2/- premium.)	3,00,000	2,00,000 1,00,000
5	Equity Share Application A/c.....Dr. To Equity Share Allotment A/c (Being excess application money on 1,000 shares adjusted towards allotment money due.)	6,000	6,000
6	Bank A/cDr. To Equity Share Allotment A/c (Being allotment amount received.)	2,94,000	2,94,000
7	Equity Share 1 st & Final Call A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being call made on 50,000 shares at Rs.7/- per share including Rs.2/- on premium.)	3,50,000	2,50,000 1,00,000

8	Equity Share Application A/cDr. To Equity Share 1 st & Final Call A/c (Being excess application money adjusted towards 1 st call.)	5,000	5,000
9	Bank A/c Dr. To Equity Share 1 st & Final Call A/c (Being 1 st & Final Call amount received.)	3,45,000	3,45,000

Bank Account

Particulars	Amt.	Particulars	Amt.
To Equity Share Application	63,000	By Equity Share Application	2,000
To Equity Share Allotment	2,94,000	By Bal. C/d	7,00,000
To Equity Share 1 st & Final call	3,45,000		
	7,02,000		7,02,000

Balance sheet of the Company

Liabilities	Amt.	Assets	Amt.
Equity Share Capital	5,00,000	Bank	7,00,000
Securities Premium	2,00,000		
	7,00,000		7,00,000

Problem – 3

P & Co. Ltd. issued 5,000 shares of Rs.100/- each. The share amount was payable as follows –

On Application – Rs.30/-

On Allotment – Rs.30/-

On First Call – Rs.20/-

On Final Call – Rs.20/-

The public applied for 5,500 shares. Applications for 100 shares were immediately rejected. In respect of applicant for 5,400 shares, directors decided that 5,000 shares would be allotted on

Prorata basis and the application money received on 400 shares would be used towards payment of allotment money. You are asked to prepare Cash Book and Ledger accounts assuming that all calls were made and received.

Solution:

Journal of P & Co. Ltd.

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 10,500 shares at Rs.100/- per share.)	1,65,000	1,65,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money on 5,000 shares transferred on Share Capital on allotment.)	1,50,000	1,50,000
3	Equity Share Allotment A/cDr. To Equity Share Capital A/c (Being allotment money due on 5,000 shares at Rs.30/- per share)	1,50,000	1,50,000
4	Equity Share Application A/c.....Dr. To Bank A/c (Being application money refunded on 100 shares at Rs.30/-.)	3,000	3,000
5	Equity Share Application A/cDr. To Equity Share Allotment A/c (Being allotment amount due.)	12,000	12,000
6	Bank A/c.....Dr. To Equity Share Allotment A/c (Being allotment money received.)	1,38,000	1,38,000
7	Equity Share Call A/cDr. To Equity Share Capital A/c (Being call made on 5,000 shares at Rs.20/- per share.)	1,00,000	1,00,000
8	Bank A/c Dr.	1,00,000	

	To Equity Share 1 st Call A/c (Being 1 st Call amount received.)		1,00,000
9	Equity Share Final Call A/c.....Dr. To Equity Share Capital A/c (Being Final Call made on 5,000 shares at Rs.20/- per share.)	1,00,000	1,00,000
10	Bank A/c..... Dr. To Equity Share Final Call A/c (Being Final Call amount received.)	1,00,000	1,00,000

Problem – 4

Modi Ltd. issued 4,500 Equity shares of Rs.200/- each payable Rs.20/- per share on application, Rs.80/- per share on allotment, Rs.50/- per share on first call & the balance as & when required. The application list was closed on that date, the analysis of the application showed as under –

From Maharashtra 3,500 shares
From U.P. 2,000 shares
From M.P. 500 shares

The directors allotted all the Maharashtra applications & half of the UP applications. All the applications from MP were absolutely rejected and the application money was refunded. But excess application money on UP was not refunded and was appropriated towards the allotment money due on the shares allotted to them. The balance of allotment money was duly received. Show the journal entries in the books of the company.

Solution :**Journal of Modi Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 6,000 shares at Rs.20/- per shares.)	1,20,000	1,20,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money on 6,000 shares transferred on Share Capital.)	90,000	90,000
3	Equity Share Allotment A/c.....Dr.	3,60,000	

	To Equity Share Capital A/c (Being allotment money due on 4,500 shares at Rs.80/- per shares.)		3,60,000
4	Equity Share Application A/cDr. To Bank A/c (Being application money refunded on 500 shares at Rs.20/-.)	10,000	10,000
5	Equity Share Application A/c.....Dr. To Equity Share Allotment A/c (Being excess application money adjusted towards allotment.)	20,000	20,000
6	Bank A/cDr. To Equity Share Allotment A/c (Being allotment amount received.)	3,40,000	3,40,000
7	Equity Share 1 st Call A/c.....Dr. To Equity Share Capital A/c (Being call made on 4,500 shares at Rs.50/- per share.)	2,25,000	2,25,000
8	Bank A/cDr. To Equity Share 1 st Call A/c (Being 1 st call amount received.)	2,25,000	2,25,000
9	Equity Share 2 nd Call A/c Dr. To Equity Share Capital A/c (Being final call made on 4,500 shares at Rs.50/- per share.)	2,25,000	2,25,000
10	Bank A/c.....Dr. To Equity Share 2 nd Call A/c (Being Final call amount received.)	2,25,000	2,25,000

Working note :

Categories	Maharashtra	UP	MP	Total
No. of Applicants Received	3,500	2,000	500	6,000
Application money Received	70,000	40,000	10,000	1,20,00
No. of shares Allotted	3,500	1,000		4,500
Applicant money	70,000	20,000		90,000

transfer to share capital	2,80,000	80,000		3,60,000
Allotment money due	-	-	10,000	10,000
Excess Applicant money refunded	-	20,000		20,000
Excess Applicant money adjusted towards allotment	2,80,000	60,000		3,40,000
Allotment money received				

Problem – 5

Gujarat Production Ltd. issued 20,000 shares of Rs.100/- each at a premium of Rs.10/- per share. The share amount was payable as under –

On Application	Rs.20/-
On Allotment	Rs.40/- (including premium of Rs.10/-)
On First Call	Rs.30/-
On Final Call	Rs.20/-

Applications were received for 30,000 shares. The shares were allotted as under.

- To the applicants of 15,000 shares – full.
- To the applicants of 10,000 shares – 5,000 shares &
- To the applicants of 5,000 shares – nil.

The application money on the totally rejected applicants was refunded. The excess of application money received from applicants to whom partial allotments was made, was to be retained by the company for utilization against money due on allotment and the calls. The Director made all the calls except the final call. All the money was received except the first call on 1,000 shares.

Give Journal entries & the Balance Sheet of the company.

Solution:**Journal in the books of Gujarat Production Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 30,000 shares at Rs.20/- per shares.)	6,00,000	6,00,000
2	Equity Share Application A/cDr.	4,00,000	

	To Equity Share Capital A/c (Being application money on 20,000 shares transferred on Share Capital.)		4,00,000
3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 20,000 at Rs.30/- per share including Rs.10/- premium.)	8,00,000	6,00,000 2,00,000
4	Equity Share Application A/cDr. To Bank A/c (Being application money refunded on 5,000 shares at Rs.20/-.)	1,00,000	1,00,000
5	Equity Share Application A/c.....Dr. To Equity Share Allotment A/c (Being excess application money adjusted towards allotment.)	1,00,000	1,00,000
6	Bank A/cDr. To Equity Share Allotment A/c (Being allotment money due at Rs.40/- per share & premium at Rs.10/- each.)	7,00,000	7,00,000
7	Equity Share 1 st Call A/c.....Dr. To Equity Share Capital A/c (Being call made on 20,000 shares at Rs.30/- per share.)	6,00,000	6,00,000
8	Bank A/cDr. To Equity Share 1 st Call A/c (Being 1 st call amount received.)	5,70,000	5,70,000
9	Calls in Arrears A/c Dr. To Equity Share 1 st Call A/c (Being balance on call a/c transferred to call in arrears a/c.)	30,000	30,000

Working Note:

Categories	A	B	C	Total
No. of Applicants Received	15,000	10,000	5,000	30,000
Application money Received	3,00,000	2,00,000	1,00,000	6,00,000
No. of shares Allotted	15,000	5,000	-	20,000

Applicant money transfer to share capital	3,00,000	1,00,000	-	4,00,000
Allotment money due	6,00,000	2,00,000	-	8,00,000
Excess Applicant money refunded	-	-	1,00,000	1,00,000
Excess Applicant money adjusted towards allotment	-	1,00,000	-	1,00,000
Allotment money received	6,00,000	1,00,000	-	7,00,000

Problem – 6

Doli Ltd. invited application for 10,000 shares of Rs.100/- each at a premium of Rs.5/- per share and payable as follows –

On Application - Rs.25/-

On Allotment - Rs.35/-

On Final Call - Rs.45/-

Applications were received for 15,000 shares and the company made a pro-rata allotment. Miss Lata holding 500 shares failed to pay the share allotment money & share final call money. Her shares were Forfeited and reissued at Rs.85/- per share.

Show the entries in the books of the company.

Solution:**Journal of Doli Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Bank A/cDr. To Equity Share Application A/c (Being application money received on 15,000 shares at Rs.25/- per shares.)	3,75,000	3,75,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money on 10,000 shares transferred on Share Capital.)	2,50,000	2,50,000
3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 10,000 shares at Rs.35/- per share including Rs.5/- premium.)	3,50,000	3,00,000 50,000
4	Equity Share Application A/c.....Dr.	1,25,000	

	To Equity Share Allotment A/c (Being excess application money adjusted towards allotment.)		1,25,000
5	Bank A/cDr. To Equity Share Allotment A/c (Being allotment money received except on 500 shares held by Ms. Lata.)	2,13,750	2,13,750
6	Equity Share Call A/c.....Dr. To Equity Share Capital A/c (Being 1 st & final call made.)	4,50,000	4,50,000
7	Bank A/cDr. To Equity Share 1 st Call A/c (Being 1 st call amount received.)	4,27,500	4,27,500
8	Calls in Arrears A/c Dr. To Equity Share Allotment A/c To Equity Share 1 st Call A/c (Being allotment & call money due from Lata transferred to call in arrears A/c.)	33,750	11,250 22,500
9	Equity Share Capital A/c.....Dr. To Call in arrears A/c To Share Forfeited A/c (Being 500 shares allotted to Ms. Lata Forfeited for non payment of allotment & call money.)	50,000	33,750 16,250
10	Bank A/c..... Dr. Share Forfeited A/c..... Dr. To Equity Share Capital A/c (Being 500 Forfeited shares reissued at Rs.85/- for cash.)	42,500 7,500	50,000
11	Share Forfeited A/c.....Dr. To Capital Reserve A/c (Being Credit balance in share Forfeited A/c after reissue of Forfeited shares to cancel representing capital profit transferred to Capital Reserve.)	8,750	8,750

Working Note:

- 1) Default made by Lata in payment of allotment money
= Allotment money due (-) Excess application money adjusted towards allotment.
= (500 X 35) – (250 X 25)
= 17,500 (-) 6,250
= 11,250
- 2) Allotment money received

- = Allotment money due (-) Excess application money adjusted towards allotment (-) Default of Ms. Lata
- = 3, 50,000 (-) 1, 25,000 (-) 11,250
- = 2, 13,750

Problem – 7

Bajaj Ltd. invited application for 15,000 shares of Rs.10/- each. The share amount was payable as follows –
 On Application -Rs.4/-
 On Allotment - Rs.4/- &
 On First & Final Call - Rs.4/-

Application was received for 20,000 shares. Applications for 2,000 shares were rejected & allotment was made among the remaining applicants proportionately.

A person holding 200 shares did not pay the allotment & call moneys. The directors decided to forfeit these shares. They were reissued as fully paid at Rs.9/- per share. Give journal entries in the books of Bajaj Ltd.

Solution:

Journal of Bajaj Ltd.

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 20,000 shares at Rs.4/- per shares.)	80,000	80,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being 15,000 share allotted & application money transferred to Capital A/c.)	60,000	60,000
3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 13,000 shares at Rs.4/- per share.)	60,000	30,000 30,000
4	Equity Share Application A/c.....Dr. To Equity Share Allotment A/c (Being excess application money adjusted towards allotment.)	12,000	12,000

5	Equity Share Application A/cDr. To Bank A/c (Being application money refunded on 2,000 shares at Rs.4/- each.)	8,000	8,000
6	Bank A/cDr. To Equity Share Allotment A/c (Being allotment money received except on 200 shares.)	47,360	47,360
7	Calls in Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money due on 200 shares transferred to call in arrears)	640	640
8	Equity Share Call A/c.....Dr. To Equity Share Capital A/c (Being 1 st Call made.)	60,000	60,000
9	Bank A/c..... Dr. To Equity Share 1 st Call A/c (Being 1 st call amount received.)	59,200	59,200
10	Call in Arrears A/c..... Dr. To Equity Share 1 st Call A/c (Being allotment & call money due from transferred to call in arrears A/c.)	800	800
11	Equity Share Capital A/c.....Dr. To Call in arrears A/c To Share Forfeited A/c (Being 200 shares allotted, Forfeited for non payment of allotment & call money.)	2,000	1,440 560
12	Bank A/cDr. Share Forfeited A/c.....Dr. To Equity Share Capital A/c (Being 200 Forfeited Share reissued at Rs.9/- each.)	1,800 200	2,000
13	Share Forfeited A/c Dr. To Capital Reserve A/c (Being credit balance in share Forfeited are representing capital profit transferred to capital reserve.)	360	360

Working Note:

- 1) Default made by a person holding 200 shares
 - = $(200 \times 4) - (200 \times \frac{3}{5} \times 4)$
 - = 800 (-) 160
 - = 640
- 2) Allotment money received
 - = 60,000 (-) 12,000 (-) 640
 - = 47,360

Problem – 8

Alpa Company was newly formed with an authorized capital of Rs.5,00,000/- divided into 50,000/- shares of Rs.10/- each. On 1st Jan. 2008 the company issued 25,000 shares at a premium of Rs.2/- per share payable as under on Application Rs.2/-, Allotment Rs.5/- (including premium) on Call Rs.5/-. (one month after allotment)

The issue was over subscribed to the extent of 5,000 shares. The directors went on to allotment on 10th January & on the same date the excess money received on application was returned. All money due on allotment & on calls was received with the following exceptions.

- a) Shri Kulkarni who failed to pay the allotment & call money on 100 shares allotted to him, &
- b) Mr. Joshi who failed to pay the call money on 200 shares allotted to him.

On 31st March, 2008 the directors Forfeited the shares on which Rs.7/- or less than Rs.7/- (including premium) had been received. They re-issued the shares so Forfeited to Shri Kamat at Rs.10/- per share.

Pass the journal entries (including cash) to record the above in the books of Alpa Company Ltd.

Solution:**Journal of Alpa Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1 st Jan. 2008	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 30,000 shares at Rs.2/- per shares.)	60,000	60,000

1 st Jan. 2008	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money received transferred to Capital A/c.)	50,000	50,000
1 st Jan. 2008	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 25,000 shares at Rs.5/- per share including Rs.2/- as premium.)	1,25,000	75,000 50,000
10 th Jan. 2008	Equity Share Application A/c.....Dr. To Bank A/c (Being excess application money refunded on 50,000 shares at Rs.2/- each.)	10,000	10,000
10 th Jan. 2008	Bank A/cDr. To Equity Share Allotment A/c (Being allotment money received except on 100 shares of Mr. Kulkarni.)	1,24,500	1,24,500
10 th Jan. 2008	Calls in Arrears A/cDr. To Equity Share Allotment A/c (Being allotment money due from Mr. Kulkarni transferred to call in arrears A/c.)	500	500
10 th Feb. 2008	Equity Share 1 st Call A/c.....Dr. To Equity Share Capital A/c (Being 1 st Call made on 25,000 shares at Rs.5/- per share.)	1,25,000	1,25,000
10 th Feb. 2008	Bank A/c..... Dr. Call in Arrears Ac/.....Dr. To 1 st & final Call A/c (Being 1 st call amount received.)	1,23,500 1,500	1,25,000
31 st March, 2008	Equity Share Capital A/c..... Dr. Security Premium A/c..... Dr. To Call in Arrears A/c To Share Forfeited A/c (Being 300 shares cancelled.)	3,000 200	2,000 1,200
31 st March, 2008	Bank A/c.....Dr. To Equity Share Capital A/c (Being 300 Forfeited shares reissued.)	3,000	3,000
31 st March, 2008	Share Forfeited A/cDr. To Capital Reserve A/c (Being profit transferred to Capital Reserve.)	1,200	1,200

Working Note:

- 1) Allotment money received = due (-) default
 = 1,25,000 (-) 100 X 5
 = 1,24,500
- 2) Share Forfeited means amt., Forfeited which is paid towards.
- | | | |
|------------------|------------------------------|---------------|
| Kulkarni | Joshi | Share Capital |
| 100 X 2 | 200 X 2 + 3 | |
| = 200 | 2 = application, 3 = premium | |
| With application | 1,000 + 200 = 1,200 | |

Problem – 9

Emperor Ltd. invited application for 10,000 shares of Rs.10/- each at a premium of Rs.5/- per share payable as follows –

On application Rs.3/- per share, on allotment Rs.6/- per share including premium & the balance in two calls of equal amount.

Application was received for 18,000 shares & allotment was made on application of 15,000 shares at the rate of two shares for every three applied for G failed to pay the allotment money for the 40 shares allotted to him & these shares were Forfeited when he failed to pay the first call. L failed to pay the calls in respect of 120 shares allotted to him & these shares were Forfeited after the second call.

40 shares allotted to G originally & another 40 shares allotted to L were later issued to M as fully paid on payment of Rs.9/- per share.

Show the relevant entries in the Cash book & journal of Emperor Ltd.

Solution:**Journal of Emperor Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 18,000 shares at Rs.3/- per shares.)	54,000	54,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money received transferred to Capital A/c.)	30,000	30,000

3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 10,000 shares at Rs.6/- per share including Rs.5/- as premium.)	60,000	10,000 50,000
4	Equity Share Application A/c.....Dr. To Bank A/c (Being application on 30,000 shares refunded.)	9,000	9,000
5	Equity Share Application A/cDr. To Equity Share Allotment A/c (Being excess application money adjusted towards allotment.)	15,000	15,000
6	Bank A/cDr. To Equity Share Allotment A/c (Being allotment received except on 40 shares allotted to G.)	44,820	44,820
7	Call in Arrears A/c.....Dr. To Equity Share Allotment A/c (Being allotment money due from G transferred to call in arrears.)	180	180
8	Equity Share First Call A/c..... Dr. To Equity Share Capital A/c (Being 1 st call made on 10,000 shares at Rs.3/- per share.)	30,000	30,000
9	Bank A/c..... Dr. Calls in Arrears A/c..... Dr. To 1 st & Final Call A/c (Being call amount received.)	29,520 480	30,000
10	Equity Share Capital A/c.....Dr. Security Premium A/cDr. To Call in Arrears A/c To Share Forfeited A/c (Being 40 shares cancelled.)	280 140	300 120
11	Equity Share Final Call A/cDr. To Equity Share Capital A/c (Being Final Call made on 9,960 shares at Rs.3/- per share.)	29,880	29,880

12	Bank A/cDr. Calls in Arrears A/cDr. To Equity Share Final Call A/c (Being Final Call amount received.)	29,520 360	29,880
13	Equity Share Capital A/cDr. To Call in Arrears A/c To Share Forfeited A/c (Being 120 shares cancelled.)	1,200	720 480
14	Bank A/cDr. Share Forfeited A/cDr. To Equity Share Capital A/c (Being Forfeited 80 shares issued at Rs.9/- per share.)	720 80	800
15	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit transferred to Capital Reserve A/c.)	200	200

Working Note:

Total allotment money received $10,000 \times 6 = 60,000$

Amt. received of 15,000 shares $5,000 \times 3 = 15,000$

Therefore, $60,000 (-) 15,000 = 45,000$

Default made by G = $\frac{40 \times 6 - 40 \times 3/2}{180} = 60$

Allotment Due = $60,000 (-) 15,000 (-) 180$
= 44,820

W .N. for (9)

40 shares are allotted to G. He has paid only application 3:2 money.

i.e. $60 \text{ shares} \times 3 = 180$.

The shares are forfeited only after making 1st call.

Therefore, share capital already credited

= 3 on application + 1 on allotment + 3 on 1st call

= 7 per share

Therefore, share capital Dr. = $40 \times 7 = 280$

Security Premium due from him = $40 \times 5 = 200$

Excess application money received from him, adjusted towards allotment

= $(60 - 40) \times 3$

= 60

This 60 is treated as received against security premium.

Therefore, Security Premium not received
 = 200 (–) 60
 = 140

Amt. to be Forfeited
 = 40 shares X amt. received against share capital
 = 40 X 3 = 120

W.N. for (14)

Amount forfeited from G's salary = 120
 Discount given on reissue of these shares = 40 X 1 = 40
 Therefore Profit = 120 (–) 40 = 80

Profit on L's share
 Total shares allotted = 120
 Amount Forfeited from him = application 3 + 1 allotment = 4
 = 120 X 4
 = 480

Out of this 40 shares are reissued.
 Therefore, amount Forfeited on this 40 shares
 = 40 X 4 = 160 ----- (1)

These shares are re-issued at a discount of Re.1 per share.

Therefore, Discount to be adjusted towards Forfeiture
 = 40 X 1 = 40 ----- (2)

Therefore, profit on re-issue = (1) – (2)
 = 160 (–) 40 = 120 transferred to Capital Reserve.

Therefore, L + G
 120 + 80 = Total profit on re-issue of Forfeited shares.
 = 200

Problem – 10

Wampire Ltd. invited application for 15,000 of its equity shares of Rs.10/- each at a premium of Rs.5/- per share, payable Rs.3/- on application, Rs.6/- on allotment (including premium) Rs.3/- on 1st call & Rs.3/- on final call. Application was received for 20,000 shares & it was decided to deal with the same as follows in arrangement with the stock exchange authorities.

- To refuse allotment to applicants for 2,000 shares.
- To give full allotment to applicants for 5,000 shares.
- To allot the remaining shares pro-rata among other applicants.

- d) To utilize the surplus received on application in part payment of amount due on allotment.

Ramesh holder of 200 shares (to whom full allotment was made) & Rajesh, holder of 400 shares (to whom pro-rata allotment was made) failed to pay the allotment money. Jayesh holder of 100 shares failed to pay the first & final call.

All these shares were Forfeited & re-issued 300 shares (Full allotment of Ramesh & 100 of Rajesh) at Rs.8/- per share. Show the entries in the books of the company.

Solution:

Journal of Wimpier Ltd.

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 22,000 shares at Rs.3/- per shares.)	66,000	66,000
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money received transferred to Capital A/c.)	45,000	45,000
3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 15,000 shares at Rs.6/- per share including Rs.5/- as premium.)	90,000	15,000 75,000
4	Equity Share Application A/c.....Dr. To Bank A/c (Being money received on 2,000 shares refunded at Rs.3/- each.)	6,000	6,000
5	Equity Share Application A/cDr. To Equity Share Allotment A/c (Being excess amount received on 10,000 shares adjusted towards allotment A/c.)	15,000	15,000

6	Bank A/cDr. Calls in arrears A/cDr. To Equity Share Allotment A/c (Being allotment received except on 600 shares.)	72,000 3,000	75,000
7	1 st Call A/cDr. To Equity Share Capital A/c (Being 1 st call made on 15,000 shares at Rs.3/- per share.)	45,000	45,000
8	Bank A/c Dr. Calls in Arrears A/cDr. To Share 1 st Call A/c (Being 1 st call amount received except from Ramesh 200 shares Rajesh 400 shares, Jayesh 100 shares.)	42,900 2,100	45,000
9	2 nd Call A/c Dr. To Equity Share Capital A/c (Being 2 nd call made on 15,000 shares.)	45,000	45,000
10	Bank A/cDr. Calls in Arrears A/cDr. To 2 nd Call A/c (Being 2 nd call amount received except from Ramesh, Rajesh & Jayesh.)	42,900 2,100	45,000
11	Equity Share Capital A/cDr. To Call in Arrears A/c To Share Forfeited A/c (Being 700 shares cancelled.)	9,400	7,200 2,200
12	Bank A/cDr. Share Forfeiture A/cDr. To Equity Share Capital A/c (Being 300 Forfeited shares of Rs.10/- each re-issued at Rs.8/-.)	2,400 600	3,000
13	Share Forfeited A/cDr. To Capital Reserve A/c (Being profit on shares Forfeited transferred to share capital.)	300	300

Working Note:

W.N. for (11)

	Ramesh	Rajesh	Jayesh
Applied	200	600	100
Allotted	200	400	-
Security Premium	200 X 5	400 X 5	100 X 5
Due	1,000	2,000	500
		Excess app. money 200 X 3	
Security Premium Recd.	Nil	600	500
S.P. not received	1,000	1400	

Therefore, Dr. Total = 2,400

W.N. for (12) – Profit on re-issue of Forfeited shares.

Particulars	Ramesh	Rajesh
No. of shares Allotted	200	400
Amount paid (only application)	200 X 3 = 600	400 X 3 = 1,200

Therefore total amount forfeited = 300 + 600 = 900

Discount given on re-issue = 600

Therefore, 900 (–) 600 = 300 (profit)

Problem – 11

Body Builders Ltd. made an issue on 30,000 shares of Rs.10/- each payable Rs.3/- on application, Rs.5/- on allotment & Rs.2/- on call.

93,200 shares were applied for & owing to heavy over – subscription, allotment was made thus.

Applicants for 21,500 shares (in respect of application for 2,000 & more) received 10,200 shares.

Applicants for 50,600 shares (in respect of application for 1,000 or more but less than 2,000) received 12,600 shares.

Applicants for 21,100 shares (in respect of application for less than 1,000) received 7,200 shares.

Cash then received, after satisfying the amount due on application, was applied towards allotment & call money and any balance was then returned. All moneys due on allotment & call were realized.

Give journal entries including that of cash & write up the cash account & ledger account relating to this issue of shares in the books of the company.

Solution:

Journal of Body Builders Ltd.

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	(Receiving the application money) Bank A/cDr. To Equity Share Application A/c (Being application money received on 93,200 shares at Rs.3/- per shares.)	2,79,600	2,79,600
2	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application amount received transferred to Capital A/c.)	90,000	90,000
3	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c (Being allotment money due on 30,000 shares at Rs.5/- per share.)	1,50,000	1,50,000
4	Equity Share Application A/c.....Dr. To Equity Share Allotment A/c (Being excess application money adjusted towards allotment.)	1,32,900	1,32,900
5	Bank A/cDr. To Equity Share Allotment A/c (Being allotment received on 30,000 shares at Rs.5/- each.)	17,100	17,100
6	1 st Call A/cDr. To Equity Share Capital A/c (Being 1 st call made on 30,000 shares at Rs.2/- per share.)	60,000	60,000
7	Equity Share Application A/c Dr. To Equity Share 1 st Call A/c (Being excess share application money adjusted against 1 st call due.)	30,900	30,900

8	Bank A/c Dr. To Share 1 st Call A/c (Being 1 st Call money received on 30,000 shares at Rs.2/- each.)	29,100	29,100
9	Equity Share Application A/cDr. To Bank A/c (Being excess application money refunded.)	25,800	25,800

Working Note:

Particulars	Category I	Category II	Category III	Total
1) No. of Application Received	21,500	50,600	2,110	74,210
2) Application money Received	64,500	1,51,800	63,300	2,79,600
3) No. of shares Allotted	10,200	12,600	7,200	30,000
4) Applicant money transferred to share capital	30,600	37,800	21,600	90,000
5) Excess application money received (2 – 4)	33,900	1,14,000	41,700	1,89,600
6) Allotment money due (3 X 5 Rs.)	51,000	63,000	36,000	1,50,000
7) Excess Application amount adjusted towards allotment	33,900	63,000	36,000	1,32,900
8) Balance Allotment money received (2 – 4)	17,100	-	-	17,100
9) I – call	20,400	25,200	14,400	60,000
10) Excess application money adjusted towards call	-	25,200	5,700	30,900
11) Excess application money refunded	-	25,800	-	25,800
12) Call money received	2,04,001	-	8,700	29,100

Problem – 12

Yashwant Co. Ltd. issued 1, 20,000 Equity Shares of Rs.10/- each at a discount of 10%. It has complied with all the legal requirements for the issue of shares at discount. The share amount was payable along with the application. Applications were received for all the shares. You are asked to pass the journal entries & show the Balance sheet.

Solution :

Journal of Yashwant Co. Ltd.

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Bank A/cDr. To Equity Share Application A/c (Being share application money received.)	10,80,000	10,80,000
2	Equity Share Application A/cDr. Discount on issue of Shares A/c ...Dr. To Equity Share Capital A/c (Being application money received on 1,20,000 Equity shares of Rs.10/- each at Rs.9/- per share, Re.1/- share being discount allowed as sanctioned by the shareholder per General Meeting Resolution No. _____ Dated _____ & Co. Law Board Letter No. _____ Dated _____.)	10,80,000 1,20,000	1,20,000

Balance sheet as on _____

Liabilities	Amt.	Assets	Amt.
<u>Share Capital :</u> Authorized	?	<u>Current Assets :</u> Bank	10,80,000
Issued Subscribed, Called-up & Paid up 1,20,000 Equity shares of Rs.10/- each fully paid.	12,00,000	<u>Miscellaneous Expenditure :</u> Discount on issue of Shares	1,20,000
	12,00,000		12,00,000

Problem – 13

Amit Ltd. invited applications for 10,000 shares of Rs.100/- each at a discount of 6% payable as follows –

On Application	Rs. 25/-
On Allotment	Rs. 34/-
On First & Final Call	Rs. 35/-

The applications were received for 9,900 shares & all of these were accepted by the Directors. All money due were received except the first and final call on 10 shares which were Forfeited out of these 5 shares were issued at Rs.90/- as fully paid. Assuming that all the requirements of the law were complied with, pass entries in the Cash book & journal of the Co. Also prepare the Balance sheet of the Co.

Solution:**Journal of Amit Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Equity Share Application A/cDr. To Equity Share Capital A/c (Being application money on 9,900 shares at Rs.25/- per share transferred to Capital A/c on allotment.)	24,75,000	24,75,000
2	Equity Share Allotment A/c.....Dr. Discount on issue of Share A/c ... Dr. To Equity Share Capital A/c (Being allotment money due on 9,900 shares at Rs.40/- per share, including discount of Rs.6/- per share.)	3,36,600 59,400	3,96,000
3	Equity Share 1 st & Final Call A/c...Dr. To Equity Share Capital A/c (Being first & final call amount due on 9,900 Equity shares at Rs.35/- per share.)	3,46,500	3,46,500
4	Equity Share Capital A/cDr. To Equity Share 1 st & Final Call A/c To Discount on Equity Share A/c To Equity Share Forfeited A/c (Being Forfeiture of 100 Equity shares for non-payment of first & final call of Rs.35/- per share; the discount of Rs.6/- per share being written back & the amount of Rs.59/- actually paid being credited to Share Forfeited Account.)	1,000	350 60 590

5	Discount on issue of Shares A/c ...Dr. Share Forfeited A/cDr. To Equity Share Capital A/c (Being discount allowed on 5 Equity Shares reissued @ Rs.90/- as fully paid - the "Discount on issued of Shares" being Rs.6/- per share, the balance of Rs.5/- per share debited to Share Forfeited Accounts.)	30 20	50
6	Share Forfeited A/c Dr. To Capital Reserve A/c (Being Profit remained after reissue of 50 shares transferred to Capital Reserve Account.)	275	275

Cash Book

Dr.		Cr.	
Particulars	Amt.	Particulars	Amt.
To Equity Share Application Allotment A/c (Application money received on 9,900 Equity Shares @ Rs.25/-)	2,47,500	By Balance c/d	9,30,700
To Equity Share Application Allotment A/c (Allotment received on 9,900 Equity Share @ Rs.34/-.)	3,36,600		
To Equity Share first & Final Call A/c (First & Final Call received on 9890 Equity Share @ Rs.35/- per share.)	3,46,150		
To Equity Share Capital A/c (Reissue of 5 Equity Shares as fully paid up @ Rs.90/- per share.)	450		
	9,30,700		9,30,700
To Balance b/d	9,30,700		

Balance sheet of Amit Ltd. as on _____

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Share Capital :		Current Assets :	
Equity Share Capital (excluding the shares previously issued); 9,895 shares of Rs.100/- each fully paid up.	9,89,500	Cash at Bank	9,30,700
Shares Forfeited A/c	295	<u>Miscellaneous Expenditure :</u> Discount on issue of Shares @ Rs.6/- on 9,895 shares.)	59,370
<u>Reserves & Surplus:</u> Capital Reserves	275		
	9,90,070		9,90,070

Problem – 14

Mumbai Cycle Co. Ltd. invited application for 2,000 Equity Shares of Rs.10/- each at par, payable as under –

On Application	Rs.3/- per share
On Allotment	Rs.2/- per share
On First Call	Rs.3/- per share
On Final Call	Rs.2/- per share

All the shares were subscribed for by the public. An applicant for 200 shares failed to pay the first call money & his shares were Forfeited after giving due notice. These Forfeited shares were re-issued at Rs.6/- per share, credited as Rs.8/- paid up. Make journal entries & show the Balance Sheet. The company has not made 2nd call.

Solution:**Journal of Mumbai Cycle Co. Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Bank A/cDr. To Equity Share Application A/c (Being application money received on 2,000 shares at Rs.3/- per shares.)	6,000	6,000

2	Equity Share Application A/c.....Dr. To Equity Share Capital A/c (Being application amount received transferred to Capital A/c.)	6,000	6,000
3	Equity Share Allotment A/cDr. To Equity Share Capital A/c (Being allotment money due on 2,000 shares at Rs.2/- per share.)	4,000	4,000
4	Bank A/cDr. To Equity Share Allotment A/c (Being allotment received on 2,000 shares at Rs.2/- each.)	4,000	4,000
5	1 st Call A/cDr. To Equity Share Capital A/c (Being 1 st call made on 2,000 shares at Rs.3/- per share.)	6,000	6,000
6	Bank A/c Dr. Calls in Arrears A/cDr. To Equity Share 1 st Call A/c (Being call amount received on 1,800 shares at Rs.3/- per shares.)	5,400 600	6,000
7	Equity Shares Capital A/cDr. To Calls in Arrears A/c To Share Forfeiture A/c (Being 200 shares of Rs.10/- each Rs.8/- paid up forfeited for non-payment of 1 st call of Rs.2/- per share.)	1,600	600 1,000
8	Bank A/cDr. Share Forfeiture A/cDr. To Equity Share Capital A/c (Being 200 Forfeited Equity Shares re-issued at Rs.6/- per share Cr. as Rs.8/- paid up.)	1,200 400	1,600
9	Share Forfeiture A/cDr. To Capital Reserve A/c (Being profit on reissue of Forfeited shares, representing capital profit transferred to Capital Reserves.)	600	600

Balance Sheet of Mumbai Cycle Co. Ltd. as on

Liabilities	Amt.	Assets	Amt.
<u>Share Capital :</u> Authorized Capital	?	<u>Current Assets :</u> Cash at Bank	16,600
Issued & Subscribed 2,000 Equity Shares of Rs.10/- each.	20,000		
Called up and Paid up: 2,000 Equity Shares of Rs.10/- each Rs.8/- called up & paid up	16,000		
<u>Reserves & Surplus :</u> Capital Reserve	600		
	16,600		16,600

Problem – 15

Dinu Ltd. issued 2,000 Equity shares of Rs.50/- each, at a discount of Rs.2/- per share, payable as follows –

On Application	Rs.10/-
On Allotment	Rs.28/-
On First & Final Call	Rs.10/-

All the shares were duly subscribed for and the amounts were received except the first & final call on 100 shares. These shares were Forfeited & re-issued as fully paid. Pass journal entries of the Company.

Solution:**Journal of Dinu Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Bank A/cDr. To Equity Share Application A/c (Being application money received on 2,000 shares at Rs.10/- per shares.)	20,000	20,000
2	Equity Share Application A/c.....Dr. To Equity Share Capital A/c (Being application amount received transferred to Capital A/c.)	20,000	20,000
3	Equity Share Allotment A/cDr.	56,000	

	Discount on issue of Shares A/c... Dr. To Equity Share Capital A/c (Being allotment money due on 2,000 shares at Rs.30/- per share including discount Rs.2/- per share.)	4,000	60,000
4	Bank A/cDr. To Equity Share Allotment A/c (Being allotment received on 2,000 shares at Rs.28/- each.)	56,000	56,000
5	1 st Call A/cDr. To Equity Share Capital A/c (Being 1 st call made on 2,000 shares at Rs.10/- per share.)	20,000	20,000
6	Bank A/c Dr. Calls in Arrears A/cDr. To Equity Share 1 st Call A/c (Being call amount received on 1,900 shares at Rs.10/- per shares.)	19,000 1,000	20,000
7	Equity Shares Capital A/cDr. To Discount on issue of shares A/c To Calls in Arrears A/c To Share Forfeiture A/c (Being 100 shares of Rs.50/- each forfeited for non-payment of 1 st call of Rs.10/- per share.)	5,000	200 1,000 3,800
8	Bank A/cDr. Discount on issue of Shares A/c...Dr. Share Forfeiture A/cDr. To Equity Share Capital A/c (Being 100 Forfeited Equity Shares re-issued at Rs.45/- per share Cr. as fully paid.)	4,500 200 300	5,000
9	Share Forfeiture A/cDr. To Capital Reserve A/c (Being profit on reissue of Forfeited shares, representing capital profit transferred to Capital Reserves.)	3,500	3,500

D Ltd. issued 20,000 Equity Shares of Rs.10/- each at a premium of Rs.5/- per share payable as –

On Application Rs.6/- (including premium Rs.3)

On Allotment Rs.5/- (including premium Rs.2)

Balance in 2nd calls.

The applications were received for 35,000 shares. The allotment was made as follows –

Category A – Application 5,000 full allotment

Category B – Application 20,000 share allotted 15,000 shares on pro-rata basis

Category C – Application 10,000 share rejected

Excess amount received on application was adjusted against allotment money due. Both the calls made. One shareholder holding 500 shares failed to pay 2nd call. His shares were forfeited & reissued later at Rs.9/- per share. Give necessary journal entries & Balance Sheet.

Solution:

**In the books of D Ltd.
Journal**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Bank A/cDr. To Equity Share Application A/c (Being application money received for 35,000 shares at Rs.6/- per shares.)	2,10,000	2,10,000
2	Equity Share Allotment A/cDr. To Equity Share Capital A/c To Security Premium A/c (Being allotment money due on 20,000 shares at Rs.3/- per share for the capital & Rs.2/- per share for premium.)	1,00,000	60,000 40,000
3	Equity Share Application A/c.....Dr. To Equity Share Capital A/c To Security Premium A/c (Being Equity share application money on 20,000 shares transferred as Rs.3/- per share to capital & Rs.3/- per share to premium.)	1,20,000	60,000 60,000
4	Equity Share Application A/cDr.	30,000	

	To Equity Share Allotment A/c (Being excess application money on 5,000 shares towards allotment money due.)		30,000
5	Equity Share Application A/cDr. To Bank A/c (Being excess application money on 10,000 shares refunded.)	60,000	60,000
6	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received.)	70,000	70,000
7	Equity Shares 1 st Call A/cDr. To Equity Share Capital A/c (Being 1 st Call made on 20,000 shares @ Rs.2/- per share.)	40,000	40,000
8	Bank A/cDr. To Equity Share 1 st Call A/c (Being 1 st Call amount received.)	40,000	40,000
9	Equity Share 2 nd Call A/c Dr. To Equity Share Capital A/c (Being 2 nd call made on 20,000 shares at Rs.2/- per share.)	40,000	40,000
10	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share 2 nd Call A/c (Being 2 nd call received except on 500 shares.)	39,000 1,000	40,000
11	Equity Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being 500 Equity shares of Rs.10/- each fully called up, forfeited for non payment of call of Rs.2/- per share.)	5,000	1,000 4,000
12	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 500 forfeited Equity Share reissued at Rs.9/- per share.)	4,500 500	5,000
13	Share Forfeiture A/cDr.	3,500	

To Capital Reserve A/c (Being credit balance in Share Forfeiture A/c after re-issued of forfeited share representing capital profit transferred to Capital Reserve.)		3,500
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Working Note:

Category	A	B	C	Total
No. of application received	5,000	20,000	10,000	35,000
Application money received	30,000	1,20,000	60,000	2,10,000
No. of shares allotted	5,000	15,000	-	20,000
Allotment money due	25,000	75,000	-	1,00,000
Application money received transfer to share capital	30,000	90,000	-	1,20,000
Excess application money adjusted towards allotment	-	30,000	-	30,000
Excess application money refunded	-	-	60,000	60,000
Allotment money received	25,000	45,000	-	70,000

Balance Sheet as on _____

Liabilities	Amt.	Assets	Amt.
<u>Share Capital</u> Authorized	?	Bank balance	3,03,500
Issued, Subscribed, Called up & Paid up 20,000 Equity shares of Rs.10/- each fully paid	2,00,000		
<u>Reserves & Surplus</u> Security Premium Capital Reserve	1,00,000 3,500		
	3,03,500		3,03,500

Problem – 17

Anita Ltd. issued 30,000 Equity Shares of Rs.20/- each at a premium of Rs.4/-. The amount was payable as under –

On Application	Rs.6/-
On Allotment	Rs.8/-
On 1 st Call	Rs.5/-
On 2 nd Call	Rs.5/-

The applications were received for 80,000 shares. The allotment was made as under.

Category	Applied	Allotted
A	10,000	10,000
B	60,000	20,000
C	10,000	NIL

Mr. X belonging to Category A holding 200 shares failed to pay allotment & 1st call money. His shares were forfeited after 1st call was made.

Mr. Y belonging to Category B holding 200 shares failed to pay allotment & 1st call money. His shares were also forfeited after 1st call.

All other money was received properly. The forfeited share were reissued at Rs.18/-. Give necessary journal entries & prepare Balance sheet Excess application money to be adjusted against allotment & 1st call money.

Solution:

Date	Particulars	Debit (Rs.)	Credit (Rs.)
1.	Bank A/c Dr. To Equity Share Application A/c (Being application money received.)	4,80,000	4,80,000
2.	Equity share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium (Being allotment money due on 30,000 shares at Rs.4/- for the capital & Rs.4/- for premium.)	2,40,000	1,20,000 1,20,000
3.	Equity Share Application A/cDr.	1,80,000	1,80,000

	To Equity Share Capital A/c (Being Equity Share application money on 30,000 transferred to Share capital.)		
4.	Equity Share Application A/cDr. To Bank A/c	60,000	60,000
5.	Equity Share Application A/c.....Dr. To Equity Share Allotment A/c	1,60,000	1,60,000
6.	Bank A/c Dr. Securities Premium A/c..... Dr. Calls in Arrears A/c Dr. To Equity Share Allotment A/c	78,400 800 800	80,000
7.	Equity Share 1 st call A/c.....Dr. To Equity Share Capital Account (Being 1 st Call made.)	1,50,000	1,50,000
8.	Equity Share Application A/c Dr. To Equity Share 1 st Call A/c	80,000	80,000
9.	Bank A/c Dr. Calls in Arrears A/cDr. To Equity Share 1 st Call A/c	68,800 1,200	70,000
10.	Equity Share Capital A/cDr. To Calls in Arrears A/c To Share Forfeiture A/c (Being 400 Equity shares of Rs.20/- each, Rs.15/- called up, forfeited for non payment of call.)	6,000	2,000 4,000
11.	Equity Share 2 nd Call A/c Dr. To Equity Share Capital A/c	1,48,000	1,48,000
12.	Bank A/c Dr. To Equity Share 2 nd Call A/c	1,48,000	1,48,000
13.	Bank A/c Dr.	7,200 800	

	Share Forfeiture A/c Dr. To Equity Share Capital A/c		8,000
14.	Share Forfeiture A/c Dr. To Capital Reserve A/c	3,200	3,200

Working Note:**W.N.1:**

Category	A	B	C	Total
No. of application received	10,000	60,000	10,000	80,000
Application money received	60,000	3,60,000	60,000	4,80,000
No. of shares allotted	10,000	20,000	-	30,000
Allotment money due	80,000	1,60,000	-	2,40,000
Application money received transfer to share capital	60,000	1,20,000	-	1,80,000
Excess application money adjusted towards allotment	-	2,40,000	-	2,40,000
Excess application money refunded	-	-	60,000	60,000
Allotment money received	78,400	-	-	78,400

W.N.2:

Excess Application money to be adjusted against call money.

Category	Adjusted
A	-
B	80,000
C	-

W.N.3:

Call due	=	1, 50,000
(-) adj.	=	<u>80,000</u>
		70,000

2.2 EXERCISE

Problem – 1

Ambica Ltd. issued 10,000 Equity Shares of Rs.10/- each at par. The amount was payable as under –

On Application	Rs.2/- per share
On Allotment	Rs.3/- per share
On 1 st Call	Rs.3/- per share
On 2 nd Call	Rs.2/- per share

The applications were received for 10,000 shares. All the applicants were allotted the share. All money was duly received. Give necessary journal entries & also prepare Balance Sheet.

Problem – 2

Jindal Ltd. issued 50,000 Equity Shares of Rs.10/- each at a premium of Rs.2.50/- per share payable as follows –

On Application	Rs.7.50/- (including premium)
On Allotment	Rs.2/-
On 1 st & Final Call	Rs.3/-

Applications were received for 7,60,000 shares. The directors allotted 5,00,000 shares to the applicants of 5,10,000 shares on pro-rata basis & rejected applications for 2,50,000 shares. The excess application money on 10,000 shares was adjusted against allotment money due. The call was duly made & received on 20,000 shares. Prepare Cash book & Journal of Jindal Ltd. & Balance Sheet.

Problem – 3

N. Ltd. issued 50,000 shares of Rs.10/- each at a premium of Rs.6/- per share. The amount was payable as follows –

On Application	Rs.3/-
On Allotment	Rs.8/- (including premium)
On 1 st & Final Call	Rs.5/-

The applications were received for 80,000 shares. The allotment was made as follows –

Category A	10,000 – Full
Category B	55,000 – 40,000 shares allotted
Category C	15,000 – Nil

All excess money paid on application was to be adjusted against allotment money due. The shares were fully called up and

paid up except Mr. A who had applied for 1,100 shares failed to pay allotted money and call money. His shares were forfeited after the final call & reissued later at Rs.9/- per share.

Give necessary journal entries & prepare Balance sheet.

Working Note:

W.N. 1:

Category	A	B	C	Total
No. of application received	10,000	55,000	15,000	80,000
Application money received	30,000	1,65,000	45,000	2,40,000
No. of shares allotted	10,000	40,000	-	50,000
Allotment money due	80,000	3,20,000	-	4,00,000
Application money received transfer to share capital	30,000	1,20,000	-	1,50,000
Excess application money adjusted towards allotment	-	45,000	-	45,000
Excess application money refunded	-	-	45,000	45,000
Allotment money received	80,000	-	-	80,000

W.N. 2: Default of Mr. A

Applied	Allotted
1,100	800 (1,100 X 40,000 / 55,000)

Allotment money due.

800 X 8	6,400
(-) Excess application money adjusted [(1,100 – 800) X 3]	(900)
	5,500

W.N. 3: Allotment money received from Category B.

Allotment money due	3,20,000
(-) Excess application adjusted	(45,000)
	2,75,000
(-) Default of Mr. A	(5,500)
	2,69,500

Problem – 4

Granny Ltd. issued 30,000/- shares of Rs.10/- each at a premium of Rs.8/-. The amount was payable as under –

On Application	Rs.5/-
On Allotment	Rs.10/- (including premium Rs.8/-)
On 1 st & final call	Rs.3/-

Applications were received for 80,000/- shares. The allotment was made as follows.

Category	Application	Allotment
A	10,000	10,000
B	60,000	20,000
C	10,000	NIL

Mr. X holding 300 shares from Category B failed to pay allotment & call money. His shares were forfeited after 1st call. All the call money was received except Mr. X. Give journal entries and Balance Sheet of Granny Ltd.

Working Note:

Category	A	B	C	Total
No. of application received	10,000	60,000	10,000	80,000
Application money received	50,000	3,00,000	50,000	4,00,000
No. of shares allotted	10,000	20,000	-	30,000
Allotment money due	1,00,000	2,00,000	-	3,00,000
Application money received transfer to share capital	50,000	1,00,000	-	1,50,000
Excess application money adjusted towards allotment	-	2,00,000	-	2,00,000
Excess application money refunded	-	-	50,000	50,000
Allotment money received	1,00,000	-	-	1,00,000

Problem – 5

Ravi Ltd. issued 30,000 Equity shares of Rs.20/- each at a premium of Rs.5/-. The amount was payable as under –

On Application	Rs.7/-
On Allotment	Rs.12/- (including premium)
On 1 st Call	Rs.3/-
On 2 nd Call	Rs.3/-

Applications were received for 80,000 shares. Allotment was made as follows.

Category	Applied	Allotted
A	10,000	10,000
B	60,000	20,000
C	10,000	NIL

Mr. Ali holding 200 shares from Category B failed to pay allotment & 1st call money. His shares were forfeited after 1st call. Mr. Sunil

holding 400 shares category a failed to pay 1st & 2nd Call his shares was also forfeited. Excess money to be adjusted against allotment and call money. All the forfeited shares were reissued at Rs.18/- each.

Working Note:

W.N.1:

Category	A	B	C	Total
No. of application received	10,000	60,000	10,000	80,000
Application money received	70,000	4,20,000	70,000	5,60,000
No. of shares allotted	10,000	20,000	-	30,000
Allotment money due	1,20,000	2,40,000	-	3,60,000
Application money received transfer to share capital	70,000	1,40,000	-	2,10,000
Excess application money adjusted towards allotment	-	2,40,000	-	2,40,000
Excess application money refunded	-	-	70,000	70,000
Excess App. money adjusted towards 1 st call	-	40,000	-	40,000
Allotment money received	1,20,000	-	-	1,20,000

W.N. 2 :

Default of Mr. Anil
Call amount due = 600

Excess application money (400 X 7)	2,800
(-) Allotment money adjusted	2,400
	400

Default = 200

Mr. Sunil

Call amount due = 1,200
Default of Sunil = 1,200

W.N.: 3

1 st Call amount received due	90,000
(-) Excess Application Adjusted	(40,000)
	50,000
(-) Default of Anil & Sunil	(1,400)
	48,600

Problem – 6

Kumar Ltd. issued 40,000 Equity shares of Rs.15/- each at a premium of Rs.5/-. Amount was payable as follows.

On Application Rs.6/-
 On Allotment Rs.8/- (including premium)
 On 1st & Final Call Rs.6/-

Application were received for 60,000 shares, allotment was made as followed –

Category	Applied	Allotted
A	10,000	10,000
B	45,000	30,000
C	5,000	NIL

X from Category A did not pay allotment & call money holding for 200 shares. Y from Category B holding 300 shares did not pay allotment & call money.

All other money was received. The expenses for issue of share amounted to Rs.40, 000/-. All the shares of X & Y were forfeited & reissued at Rs.12/- per share.

Working Note:

W.N.1:

Category	A	B	C	Total
No. of application received	10,000	45,000	5,000	60,000
Application money received	60,000	2,70,000	30,000	3,60,000
No. of shares allotted	10,000	30,000	-	40,000
Allotment money due	80,000	2,40,000	-	3,20,000
Application money received transfer to share capital	60,000	1,80,000	-	2,40,000
Excess application money adjusted towards allotment	-	90,000	-	90,000
Excess application money refunded	-	-	30,000	30,000
Allotment money received	78,400	1,48,500	-	2,26,900

W.N.2:

Default of Mr. Y

Holding	450 shares
(-) Allotted	<u>300 shares</u>
Excess 150 shares	
Excess application received (150 X 6) = 900	

Allotment money due (300 X 8) = 2,400	
(-) Excess application	<u>(900)</u>
Actual default	1,500

W.N.3:

Allotment received

Due	2, 40,000
(-) Adjusted	<u>90,000</u>
	1, 50,000
(-) Default	<u>1,500</u>
	1, 48,500

W.N. 4:

Securities Premium

$$X = 200 \times 5 = 1,000$$

$$Y = 300 \times 5 = 1,500$$

	<u>2,500</u>
Default of Mr. Y	<u>(900)</u>
	1,600

Allotment

200 X 3 =	600
300 X 3 =	<u>900</u>
	1,500

