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CORPORATE ACCOUNTING

Introduction

“It is special branch of accounting which deals with the accounting for companies’ preparation of their final accounts and cash flow statements, analysis and interpretation of companies’ financial results and accounting for specific events like amalgamation, absorption, preparation of consolidated”.

UNIT-1

Company Accounts- Introduction- legal provisions regarding issue of shares, application, allotment, calls, calls-in-arrears, calls-in-advance, issue of shares at premium-issue of shares at discount-forfeiture of shares-re-issue-accounting entries



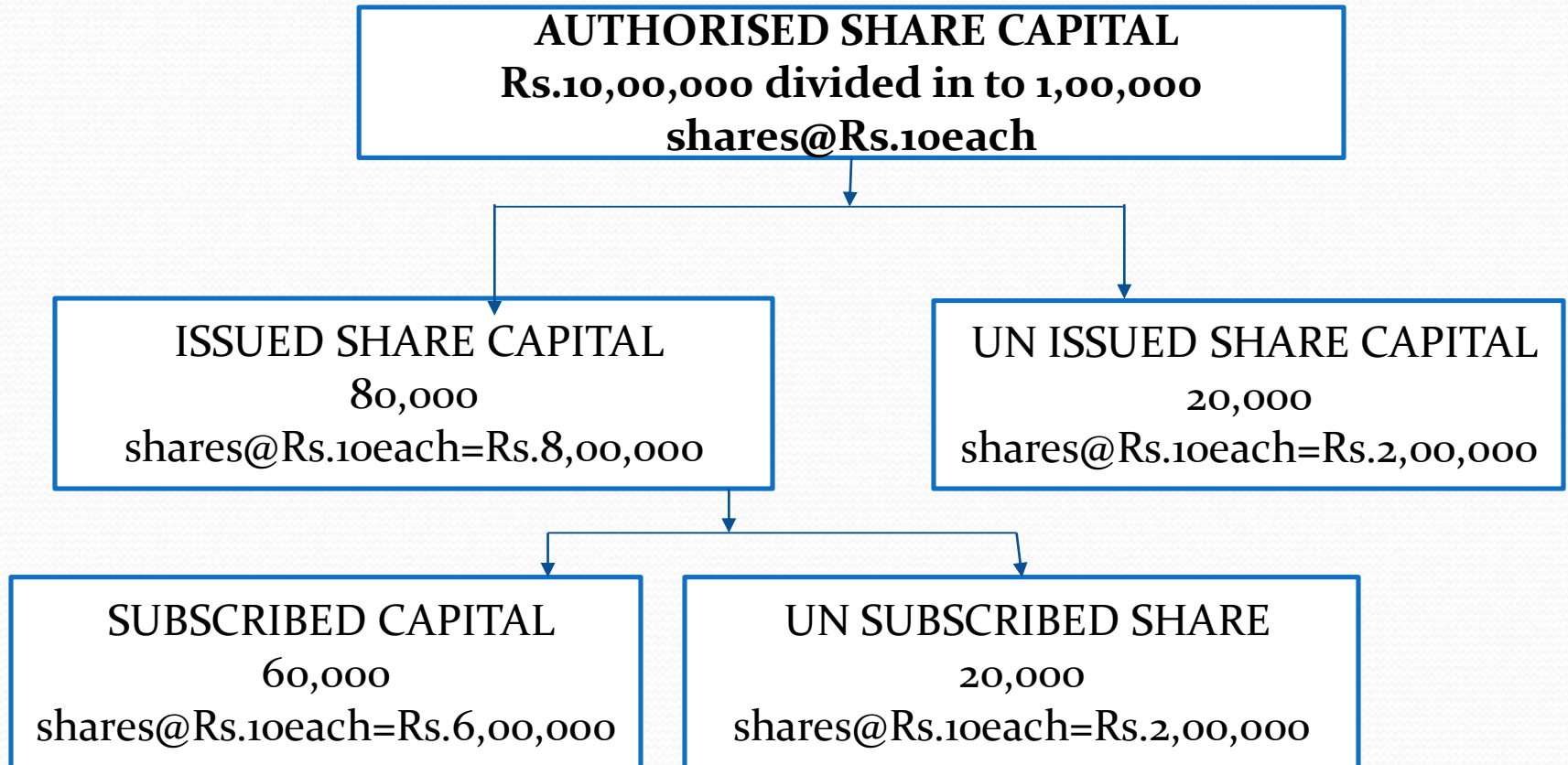
COMPANY

IT MAY ALSO BE DESCRIBED AS “AN ARTIFICIAL PERSON CREATED BY LAW, HAVING PERPETUAL SUCCESSION AND A COMMON SEAL”

ACCOUNTING

IT IS THE PROCESS OF RECORDING FINANCIAL TRANSACTIONS PERTAINING TO A BUSINESS.

Introduction to Company Accounts



SUBSCRIBED CAPITAL
60,000
shares@Rs.10each=Rs.6,00,000

CALLEDUP CAPITAL
60,000 shares@Rs.7
each=Rs.4,20,000

UNCALLED CAPITAL
60,000
shares@Rs.3each=Rs.1,80,000

PAIDUP CAPITAL
Rs.4,19,000

CALLS-IN-ARREARS
500 shares@Rs.2
each=Rs.1,000

RESERVE CAPITAL

ISSUE OF SHARES

- **FOR CONSIDERATION OTHER THAN CASH**
- **FOR CASH (ON APPLICATION, ON ALLOTMENT, FIRST, SECOND AND FINAL CALL)**

SHARES

CAPITAL OF THE COMPANY IS DIVIDED IN UNITS OR PARTS OF EQUAL AMOUNT. EVERY UNIT OR PART IS CALLED A SHARE.

XYZ Ltd. purchased assets of Rs. 8,00,000 from Sunil Bros. It issued equity shares of Rs. 100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions.

XYZ Ltd. Journal entries

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
	Assets A/c Dr		8,00,000	
	To Sunil Bros. A/c			8,00,000
	[Being assets purchased from Sunil Bros.]			
	Sunil Bros. A/c Dr		8,00,000	
	To Equity Share Capital A/c			8,00,000
	[Being issue of 8,000 shares of Rs. 100 each fully			
	paid up]			

MODEL

JOURNAL ENTRIES FOR ISSUE OF SHARES

Serial No.	Particulars	Dr. Balance	Cr. Balance
		Rs.	Rs.
	Bank A/c To Share Application A/c (Being application money received)	Dr.	
	Share Application A/c To Share Capital A/c (Being application money transferred)	Dr.	
	Share Allotment A/c To Share Capital A/c (Being share allotment money due)	Dr.	
	Bank A/c To Share Allotment A/c (Being allotment money received)	Dr.	

MODEL

Serial No.	Particulars	Dr. Balance	Cr. Balance
		Rs.	Rs.
	Share 1 st Call A/c To Share Capital A/c (Being 1 st call due)	Dr.	
	Bank A/c To Share 1 st Call A/c (Being 1 st call money received)	Dr.	
	Share Final Call A/c To Share Capital A/c (Being share final call money due)	Dr.	
	Bank A/c To Share Final Call A/c (Being final call money received)	Dr.	

TERMS OF ISSUE OF SHARES

- **ISSUE OF SHARES AT PAR**
ISSUE PRICE = FACEVALUE
- **ISSUE OF SHARES AT PREMIUM**
ISSUE PRICE \geq FACEVALUE
- **ISSUE OF SHARES AT DISCOUNT**
ISSUE PRICE \leq FACEVALUE

EXAMPLE-1

ABC Co. Ltd., issued 50,000 equity shares of Rs. 10 each to the public on condition that full amount of shares will be paid in a lump sum. All these shares were taken up and paid by the public. Pass journal entries in the books of company when

- (a) Shares are issued at par
- (b) Shares are issued at a premium of 10% and
- (c) Shares are issued at a discount of 10%.

- **Solution: Books of ABC Co. Ltd.**

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
	(a) Bank A/c Dr		5,00,000	
	To Equity share capital A/c			5,00,000
	[Being 50,000 shares issued at Rs. 10 each]			
	(b) Bank A/c (50,000 x 11) Dr		5,50,000	
	To Equity share capital A/c (50,000 x 10)			5,00,000
	To Securities premium A/c (50,000 x 1)			50,000
	[Being 50,000 shares of Rs. 10 each issued at a premium of Re. 1 each]			
	(c) Bank A/c (50,000 x 9) Dr		4,50,000	
	Discount on issue of shares A/c (50,000 x 1) Dr		50,000	
	To Equity share capital A/c (50,000 x 10)			5,00,000
	[Being 50,000 shares of Rs. 10 each issued at a discount of Re. 1 per share]			

EXAMPLE 2

ABC Ltd. invited applications for 1000 shares of Rs.10 each at a premium of Rs.2 on 1st January, 2002. The payments to be made as follows:

Rs.3 on application; Rs.5 on allotment (including premium); Rs.4 on 1st call

The issue was fully subscribed and the amounts due on allotments and first call have been received. Pass necessary Journal Entries.

ANSWER:

Particulars		Dr.	Cr
1.	<i>Bank Account</i> <i>Dr.</i> <i>To Share Application Account</i> <i>(Application money on 1000 shares</i> <i>@Rs. 2 per share)</i>	3,000	3,000
2.	<i>Share Application Account</i> <i>Dr</i> <i>To Share Capital</i> <i>(Application money credited to capital</i> <i>Account)</i>	3,000	3,000
3.	<i>Share Allotment Account</i> <i>Dr.</i> <i>To Share Capital</i> <i>To Securities Premium</i> <i>(Share Allotment and securities</i> <i>premium credited to respective</i> <i>accounts)</i>	5,000	3,000 2,000

4.	<i>Bank Account</i> <i>Dr.</i> <i>To Share Allotment</i> <i>(Share allotment money collected)</i>	5000	5,000
5.	<i>Share 1st Call Account</i> <i>Dr.</i> <i>To Share Capital</i> <i>(Share 1st call amount @Rs.5 per share credited to capital)</i>	4,000	4,000
6.	<i>Bank Account</i> <i>Dr.</i> <i>To Share 1st Call</i> <i>(Share 1st call amount received)</i>	4,000	4,000

When issue is oversubscribed

If the Number of shares applied for is more than the number of shares offered to the public. Excess applications are out rightly rejected and their application money is rejected

SHARE APPLICATION A/C	dr	XXX	
TO BANK A/C			XXX
(Being excess application returned on rejected applications)			

EXAMPLE-3

Sai Ltd. invited applications for **20,000** shares of Rs. 100 each payable:

Rs. 25 on application

Rs. 35 on allotment

Rs. 40 on first call

25,000 shares were applied for. The directors accepted applications for 20,000 shares and rejected the remaining applications. All moneys due were fully received.

Give journal entries

Solution: Books of Sai Ltd. Journal Entries

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1	Bank A/c Dr		6,25,000	
	To Share Application A/c			6,25,000
	[Being application money received on 25,000			
	shares at Rs. 25 per share]			
	Share Application A/c Dr		5,00,000	
	To Share Capital A/c			5,00,000
	[Being allotment of 20,000 shares and their			
	application money transferred to share capital A/c]			
	Share Application A/c Dr		1,25,000	
	To Bank A/c			1,25,000
	[Being application money on 5,000 shares refunded]			

2	Share allotment A/c	Dr	7,00,000	
	To Share Capital A/c			7,00,000
	[Being amount due on 20,000 shares at Rs.35 per share]			
	Bank A/c	Dr	7,00,000	
	To Share Allotment A/c			7,00,000
	[Being amount received on allotment]			
3	Share first Call A/c	Dr	8,00,000	
	To Share capital A/c			8,00,000
	[Being first call money due on 20,000 shares at Rs. 40 per share]			
	Bank A/c	Dr	8.00,000	
	To Share first Call A/c			8.00,000
	[Being first call money received]			

UNDER SUBSCRIPTION

Ram Ltd. invited applications for **20,000** shares of Rs. 10 each at discount of 10%. The shares were payable as under

Rs. 2 on application

Rs. 4 on allotment (discount)

Rs. 3 on call

18000 shares were public applied for. and the shares have been duly allotted. All moneys due were fully received. Give journal entries

Solution: Books of Ram Ltd. Journal Entries

Date	Particulars	Dr	Cr
2.	Share Allotment A/c (18000x4) Dr	72,000	
	Discount on Issue of shares (18000x1)	18,000	
	To Share Capital A/c (18000x5)		90,000
	(Being Allotment money due)		
	Bank A/c Dr	72,000	
	To Share Allotment A/c		72,000
	(Being Allotment money received)		

Date	Particulars	Dr	Cr
3.	Share First Call A/c (18000x3) Dr	54,000	
	To Share Capital A/c		54,000
	(Being Share First Call due)		
	Bank A/c Dr	54,000	
	To Share First call A/c		54,000
	(Being First call money received)		

ALLOTMENT SHARES - PRORATA BASIC

Question

- Ram and company was floated with an authorised capital consisting of 10,000 shares of ₹10 each. The amount is payable as ₹4 on application, ₹3 on allotment, ₹2 on first call and ₹1 on final call. All shares were offered to the public for subscription. Applications were received for 15,000 shares. Application for 2000 shares were rejected, applicants for 10000 shares were allotted 7000 and applicants for 3000 were allotted in full.
- We shall:
 - Pass journal entries
 - Prepare bank account
 - Prepare balance sheet

Adjustment of Shares in Tabular form

CASE	Subscribed	Allotted
1	2000	0
2	10000	7000
3	3000	3000
Total	15000	10000

Money Adjustment

Case	Application Money Received (A)	Application money adjusted towards application account (B)	Excess (A-B)
1	8,000 (2000X4)	0 (0X4)	8,000
2	40,000(10000X4)	28,000(7000X4)	12,000 (40,000-28,000)
3	12,000(3000X4)	12,000(3000X4)	0
Total	60,000	40,000	

Adjustment of Excess Money

Case	Excess (A-B) (C)	Allotment Money due (D)	Adjustment toward allotment (Compare C and D, which ever is less)	Bank
1	8,000	0 (0X3)	0	8,000
2	12,000 (40,000- 28,000)	21,000(7000X3)	12,000 (7000X4)	0
3	0	9,000(3000X3)	0	0
Total		30,000	12,000	8,000



JOURNAL ENTRIES

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (15000x4) Dr		60,000	
	To Share Application A/c			60,000
	[Being application money received for 15,000 shares at Rs. 4 per share]			
	Share Application A/c (10000x4) Dr		40,000	
	To Share Capital A/c			40,000
	[Being application money on 10,000 shares transferred to share capital A/c]			
	Share Application A/c (2000x4) Dr		8,000	
	To Bank A/c			8,000
	[Being application money on 2,000 shares refunded]			
	Share Application A/c (3000X4) Dr		12,000	
	To Share allotment A/c			12,000
	[Being the surplus application money on 3,000 shares]			

Allotment

Date	Particulars	L.F	Dr	Cr
	Equity Share Allotment A/c Dr (10,000 X 3) To Equity Share Capital (Being share allotment money due on 10,000 shares for ₹3 per share)	.	30,000	30,000
	Bank A/c Dr To Equity Share Allotment A/c (Being share allotment money received) [30,000-12,000=18,000 (Excess money of application adjusted)]		18,000	18,000

First Call

Date	Particulars	L.F	Dr	Cr
	Equity Share First call A/c Dr (10,000 X 2) To Equity Share Capital (Being share first call money due on 10,000 shares for ₹2 per share)	.	20,000	20,000
	Bank A/c Dr To Equity Share First call A/c (Being share first call money received)		20,000	20,000

Final Call

Date	Particulars	L.F	Dr	Cr
	Equity Share Final call A/c Dr (10,000 X 1) To Equity Share Capital (Being share final call money due on 10,000 shares for ₹1 per share)	.	10,000	10,000
	Bank A/c Dr To Equity Share Final call A/c (Being share final call received)		10,000	10,000

Bank Account

Date	Particular	Amount	Date	Particular	Amount
	To Equity Share Application A/c	60,000		To Equity Share Application A/c	8,000
	To Equity Share Allotment A/c	18,000		By Balance c/d	1,00,000
	To Equity Share First Call A/c	20,000			
	To Equity Share Final Call A/c	10,000			
		1,08,000			1,08,000

Balance Sheet

Particulars	Note No.	Current Year	Previous Year
I. Equity And Liability			
1. Shareholder's Funds			
(a) Share Capital	1	1,00,000	
Total		1,00,000	
II. ASSETS			
1. Current Assets			
(a) Cash and Cash Equivalentents	2	1,00,000	
Total		1,00,000	

Rani & Co. Ltd. was registered with an authorised capital of Rs. 20,00,000 divided into 20,000 shares of Rs. 100 each. The company offered **12,000** shares to the public which were payable: Rs. 20 per share on application, Rs. 40 per share on allotment and Rs. 40 on call. Applications for **18,000** shares were received on which the directors allotted as follows:

Applicants for **10,000** shares - **full**

Applicants for **5,000** shares - **2,000** shares

Applicants for **3,000** shares - **Nil**

The excess application money was adjusted towards **allotment**. All the money due on allotment and call was fully received. Make the necessary entries in the company's books.

Solution: Rani & Co., Ltd. Journal Entries

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (18000x20) Dr		3,60,000	
	To Share Application A/c			3,60,000
	[Being application money received for 18,000 shares at Rs. 20 per share]			
	Share Application A/c (12000x20) Dr		2,40,000	
	To Share Capital A/c			2,40,000
	[Being application money on 12,000 shares transferred to share capital A/c]			
	Share Application A/c (3000x20) Dr		60,000	
	To Bank A/c			60,000
	[Being application money on 3,000 shares refunded]			
	Share Application A/c (3000X20) Dr		60,000	
	To Share allotment A/c			60,000
	[Being the surplus application money on 3,000 shares]			

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
2.	Share Allotment A/c (12000x40) Dr		4,80,000	
	To Share capital A/c			4,80,000
	[Being the allotment amount due on 12,000 shares @ Rs. 40 per share]			
	Bank A/C (4,80,000 – 60,000) Dr		4,20,000	
	To Share Allotment A/c			4,20,000
	[Being the amount received on allotment]			
3.	Share First Call A/c (12000x40) Dr		4,80,000	
	To Share capital A/c			4,80,000
	Being the call amount due on 12,000 shares @ Rs. 40 per share]			
	Bank A/c (12000x40) Dr		4,80,000	
	To Share First Call A/c			4,80,000
	[Being the call money received]			

OTHER THAN CASH

Raju Ltd. purchased the business of mani Bros, for Rs. 54,00,000 payable in fully paid shares of Rs. 100 each. What entries will be made in the books of Raju Ltd., if such issue is

- (a) at par**
- (b) (b).at a premium of 20% and (c)**
- (c) at a discount of 10% ?**

Solution Raju Ltd. Journal entries

WORKING NOTES

- When shares issued at a premium of 20%

$$\text{No. of shares to be issued} = \frac{\text{Purchase price}}{\text{Issue price}} = \frac{\text{Rs. } 54,00,000}{120} = 45,000 \text{ shares}$$

When shares are issued at a discount of 10%

$$\text{No. of shares to be issued} = \frac{\text{Purchase price}}{\text{Issue price}} = \frac{\text{Rs. } 54,00,000}{90} = 60,000 \text{ shares}$$

			Rs.	Rs.
			54,00,000	
1.	Sundry Assets A/c	Dr		
	To Mani Bros. A/c			54,00,000
	[Being purchase of business]			
(II)	(a) When shares are issued at par:			
	Mani Bros. A/c	Dr	54,00,000	
	To Share Capital A/c			54,00,000
	[Being issue of fully paid shares of Rs. 100 each to the vendors]			
	(b) When shares are issued at premium:			
	Mani Bros. A/c	Dr	54,00,000	
	To Share Capital A/c (45,000 x 100)			45,00,000
	To Securities Premium A/c (45,000x 20)			9,00,000
	[Being issue of 45,000 fully paid shares of Rs. 100 each at a premium of 20%]			
	(c) When shares are issued at discount: *			
	Mani Bros. A/c	Dr	54,00,000	
	Discount on issue of Shares A/c	Dr	60,000	
	To Share Capital A/c			60,00,000
	[Issue of 60,000 fully paid shares of Rs. 100 each at a discount of 100%]			

UNDER SUBSCRIPTION -CALLS-IN-ARREARS

Raja Co. Ltd. issued 4,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as under:

On application Rs. 3 per share

On allotment Rs. 4 per share (including premium)

On first call Rs. 3 per share

On second call Rs. 2 per share

The company received applications for 3,000 shares and the allotment was made. All moneys were duly received except the first call on 200 shares and second call on 300 shares. Pass journal entries of Raja Co. Ltd.

Date	Particulars	Dr Rs.	Cr Rs.
1.	Bank A/c (3000X 3) Dr	9,000	
	To Share application A/c		9,000
	(Being application money received on 3000 shares at Rs.3		
	Share application A/c Dr	9,000	
	To Share capital A/c		9,000
	(Being application money transfer to share capital)		

Date	Particulars	Dr Rs.	Cr Rs.
2.	Share Allotment A/c (3000x4) Dr	12,000	
	To Share Capital A/c (3000x2)		6,000
	To Share Premium A/c (3000x2)		6,000
	(Being Allotment money due including premium)		
	Bank A/c (3000x4) Dr	12,000	
	To Share Allotment A/c		12,000
	(Being Allotment money received)		

Date	Particulars	Dr Rs.	Cr Rs.
3.	Share First Call A/c (3000x3) Dr	9,000	
	To Share Capital A/c		9,000
	(Being Share First Call due)		
	Bank A/c (3000 -200=2800x3) Dr	8,400	
	To Share First call A/c		8,400
	(Being First call money duly received except on 200 shares)		

Date	Particulars	Dr Rs.	Cr Rs.
4.	Share Second Call A/c (3000x2) Dr	6,000	
	To Share Capital A/c		6,000
	(Being Share Second Call due)		
	Bank A/c (3000-300=2700x2) Dr	5,400	
	To Share Second call A/c		5,400
	(Being Second call money duly received except on 300 shares)		

X Co. Ltd. issued 4,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as under: (OVER SUBSCRIPTION-CALLS-IN-ARREARS)

On application Rs. 3 per share

On allotment Rs. 4 per share (including premium)

On first call Rs. 3 per share

On second call Rs. 2 per share

The company received applications for 5,000 shares and the allotment was made as under:

(i) Applicants for 200 shares - Nil

(ii) Applicants for 800 shares - Full

(iii) Applicants for 4,000 shares - 3,200 shares /

All moneys were duly received except the first call on 200 shares and final call on 300 shares.

Pass journal entries and prepare balance sheet of X Co. Ltd.

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (5000x3) Dr		15,000	
	To Share Application A/c			15,000
	[Being application money received for 5,000 shares at Rs. 3 per share]			
	Share Application A/c (4000x3) Dr		12,000	
	To Share Capital A/c			12,000
	[Being application money on 12,000 shares transferred to share capital A/c]			
	Share Application A/c (200x3) Dr		600	
	To Bank A/c			600
	[Being application money on 200 shares refunded]			
	Share Application A/c (800x3) Dr		2,400	
	To Share allotment A/c			2,400
	[Being the surplus application money on 800 shares]			

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
2.	Share Allotment A/c (4000 x 4) Dr		16,000	
	To Share capital A/c(4000 x 2)			8,000
	To Share Premium A/c(4000 x 2)			8,000
	[Being allotment money @ Rs. 4 per share on 4,000 shares (including premium @ Rs. 2 per share) credited to capital A/c and premium A/c respectively			
	Bank A/c (16,000 - 2400) Dr		13,600	
	To Share AllotmentA/c			13,600
	[Being share allotment money (including premium money @ Rs.4 per share) on 4,000 shares = 16,000 less Rs.2,400 (already received and adjusted) now received]			

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
3.	Share First Call A/c(4000 x 3) Dr		12,000	
	To Share Capital A/c			12,000
	[Being share first call money at Rs. 3 per share due on 4,000 shares]			
	Bank A/c (4000-200=3800 x3)		11,400	
	To Share First call A/c			11,400
	[Being share first call money duly received except on 200 shares]			
4.	Share Second Call A/c(4000 x 2) Dr		8,000	
	To Share Capital A/c			8,000
	[Being share second call money at Rs. 2 per share due on 4,000 shares]			
	Bank A/c (4000-300=3700 x 2)		7,400	
	To Share Second call A/c			7,400
	[Being share second call money duly received except on 300 shares]			

FORFEITURE OF SHARES

It is the **termination of membership** and taking away of the shares of a shareholder because of **default in the payment** of allotment and or call money.

when shares are forfeited,

- A shareholder ceases to be a member
- His/her name is removed from the register of members of the company
- The forfeited shares become the party of the company. The amount already collected on them is a **gain to the company**.

Forfeiture of shares-issued at par

Mr. Ram is a shareholder in kumar Ltd. holding 1000 shares of Rs.10 each. He has paid Rs.2 on application and Rs.3 per share allotment respectively, but failed to pay Rs.3 and Rs.2 per share for first and second calls respectively.

Directors forfeit his shares. Give journal entry.

Kumar Ltd Journal Entry

Date	Particulars	L.F	Dr Rs.	Cr Rs.
1.	Share Capital A/c(1000x10) (calledup) Dr		10,000	
	To Share FirstCalla/c(1000x3) (unpaid)			3000
	To Share FinalCall A/c(1000x2) unpaid			2000
	To Forfeited Shares A/c(1000x5) recd (application 2 + allotment 3)			5000
	(Being Forfeiture of 1000 shares of Rs.10each on account of non-payment of two calls.			

Forfeiture of shares-issued at premium due call money

Mr. Ram is a shareholder in kumar Ltd. holding 1000 shares of Rs.10 each. He has paid Rs.2 on application and Rs.5 per share allotment(including premium Rs.2) respectively, but failed to pay Rs.3 and Rs.2 per share for first and second calls respectively. Directors forfeit his shares. Give journal entry.

Kumar Ltd Journal Entry

Date	Particulars	L.F	Dr Rs.	Cr Rs.
1.	Share Capital A/c(1000x10) (calledup) Dr		10,000	
	To Share FirstCalla/c(1000x3) (unpaid)			3000
	To Share FinalCall A/c(1000x2) unpaid			2000
	To Forfeited Shares A/c(1000x5) received (application 2 + allotment 3)			5000
	(Being Forfeiture of 1000 shares of Rs.10each on account of non-payment of two calls.			

Forfeiture of shares-issued at premium due allotment money and call money

Mr. Ram is a shareholder in kumar Ltd. holding 1000 shares of Rs.10 each. He has paid Rs.2 on application and but failed to pay Rs.5 per share allotment(including premium Rs.2) , Rs.3 on first call and Rs.2 on second calls respectively.

Directors forfeit his shares. Give journal entry.

Kumar Ltd Journal Entry

Date	Particulars	L.F	Dr Rs.	Cr Rs.
1.	Share Capital A/c(1000x10) (called up) Dr		10,000	
	Share premium(1000x2)		2000	
	To Share Allotment A/c(1000x5) (unpaid)			5000
	To Share First Call a/c(1000x3) (unpaid)			3000
	To Share Final Call A/c(1000x2) unpaid			2000
	To Forfeited Shares A/c(1000x2) received (application 2)			2000
	(Being Forfeiture of 1000 shares of Rs.10each on account of non-payment of allotment and two calls).			

Forfeiture of shares-issued at discount

Mr. Ram is a shareholder in kumar Ltd. holding 1000 shares of Rs.10 each. He has paid Rs.2 on application and Rs.2 per share allotment(including discount) respectively, but failed to pay Rs.3 and Rs.2 per share for first and second calls respectively. Directors forfeit his shares. Give journal entry.

Kumar Ltd Journal Entry

Date	Particulars	L.F	Dr Rs.	Cr Rs.
1.	Share Capital A/c(1000x10) (calledup) Dr		10,000	
	To Share First Call a/c(1000x3) (unpaid)			3000
	To Share Final Call A/c(1000x2) unpaid			2000
	To discount on share(1000x1) (cancel)			1000
	To Forfeited Shares A/c(1000x4) recd (application 2 + allotment 2)			4000
	(Being Forfeiture of 1000 shares of Rs.10each on account of non-payment of two calls.			

FORFEITURE OF SHARES ISSUED AT A PREMIUM DUE FIRST AND SECOND CALL

Shine Ltd. issued 2,000 shares of Rs. 100 each at a premium of 10% payable as follows:

Rs. 25 on application, Rs. 35 on allotment (including premium), Rs. 20 on first call, Rs. 30 on final call

1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Raghu. These shares were forfeited. Give journal entries and prepare balance sheet.

Shine Ltd Journal Entry

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (1800x25) Dr		45,000	
	To Share Application A/c			45,000
	[Application money @ Rs. 25 per share on 1,800 shares received]			
	Share Application A/c Dr		45,000	
	To Share Capital A/c			45,000
	[Application money transferred to share capital A/c]			
2.	Share Allotment A/c (1800X35) Dr		63,000	
	To Share Capital A/c (1800x25)			45,000
	To Share Premium A/c (1800x10)			18,000
	(Being Allotment money due (including premium))		63,000	
	Bank A/c Dr			63,000
	To Share Allotment A/c			
	(Being Allotment money received)			

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
3.	Share First Call A/c(1800 x 20) Dr		36,000	
	To Share Capital A/c			12,000
	[Being share first call money at Rs. 2 per share due on 1,800 shares]			
	Bank A/c (1800-200=1600 x20)		32,000	
	To Share First call A/c			32,000
	[Being share first call money duly received except on 200 shares]			
4.	Share Second Call A/c(1800 x 30) Dr		54,000	
	To Share Capital A/c			54,000
	[Being share second call money at Rs. 30 per share due on 1,800 shares]			
	Bank A/c (1800-200=1600 x 30)		48,000	
	To Share Second call A/c			48,000
	[Being share second call money duly received except on 200 shares]			

Date	Particulars	L.F	Dr Rs.	Cr Rs.
5.	Share Capital A/c(200x100) Dr		20,000	
	To Share First Call A/c(200x20)unpaid			4000
	To Share Final CallA/c(200x30)unpaid			6000
	To Forfeited Shares A/c(200x50)recd (application 25 + allotment 25)			10,000
	(Being Forfeiture of 200 shares of Rs.100 each forfeited on account of non-payment of two calls.			
	(Share premium received, the company to be maintained separate account transferred to reserve and surplus account)			

BALANCE SHEET OF SHINE&CO AS ON

Liabilities		Rs.	Assets		Rs.
Issued capital		2,00,000	Cash at bank		1,88,000
2,000 shares of Rs. 100 each					
Subscribed capital:		1,80,000			
1,800 shares of Rs. 100 each					
Called up and paid up capital:					
1,600 shares of Rs. 100 each					
fully called up	1,60,000				
Less: Calls-in-arrears	-				
	<u>1,60,000</u>				
		1,70,000			
Add: Forfeited shares A/c	10,000				
(200x50)	<u>10,000</u>				
Share premium		18,000			
		1,88,000			1,88,000

FORFEITURE OF SHARES ISSUED AT A PREMIUM DUE ALLOTMENT, FIRST AND SECOND CALL

XY Ltd., company issued 10,000 shares of Rs.10 each at a premium of Rs.3 per share payable Rs.5 on application, Rs.5 (including premium) on allotment and the balance Rs.3 on call. All the shares offered were applied for and allotted. All the moneys **due on allotment were received except on **200** shares. Call was made. All the amount due on **call money** was received except on **300** shares. Directors **forfeited 200** shares on which both allotment and call money was not received. pass the journal entries.**

XY Ltd Journal Entry

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (10000x5) Dr		50,000	
	To Share Application A/c			50,000
	[Application money @ Rs. 5 per share on 10,000 shares received]			
	Share Application A/c Dr		50,000	
	To Share Capital A/c			50,000
	[Application money transferred to share capital A/c]			

Date	Particulars	L.F	Dr (Rs.)	Cr (Rs.)
2.	Share Allotment A/c (10000X5) Dr		50,000	
	To Share Capital A/c (10000x2)			20,000
	To Share Premium A/c (10000x3)			30,000
	(Being Allotment money due (including premium))			
	Bank A/c (10,000-200=9800X 5) Dr		49,000	
	To Share Allotment A/c			49,000
	(Being Allotment money duly received except 200 shares)			
	Calls-in-Arrears A/c (200x5) Dr		1,000	
	To Share Allotment A/c			1,000
	(Being Allotment money arrears)			

Date	Particulars	L.F	Dr (Rs.)	Cr (Rs.)
3.	Share First Call A/c(10000 x 3) Dr		30,000	
	To Share Capital A/c			30,000
	[Being share first call money at Rs. 3 per share due on 10,000 shares]			
	Bank A/c (10,000-300=9700 x3)		29,100	
	To Share First call A/c			29,100
	[Being share first call money duly received except on 300 shares]			
	Calls-in-Arrears A/c (300x3)		900	
	To Share First call A/c			900
	(Being Arrears on first call transferred)			

Date	Particulars	L.F	Dr Rs.	Cr Rs.
5.	Share Capital A/c(200x10) calledup Dr		2,000	
	Share Premium A/c(200x3) calledup Dr		600	
	To Share allotment A/c(200x5) unpaid			1,000
	To Share First Call A/c (200x3) unpaid			600
	To Forfeited Shares A/c(200x5) (application Rs.5)			1,000
	(Being Forfeiture of 200 shares of Rs.10 each forfeited on account of non-payment of allotment and first calls money)			

Reissue of Forfeited Shares

Forfeited shares can be reissued at discount, but the amount of discount allowed on the reissue of forfeited shares must not exceed the amount forfeited on reissued shares.

Reissue at par:

Bank A/c Dr. (amount received on reissue)
 To Share Capital A/c

Reissue at discount:

Bank A/c Dr. (amount received on reissue)
Forfeited Shares A/c Dr. (discount allowed on reissue)
 To Share Capital (amount credited as paid-up)³¹

Note: If Shares are reissued then profit on reissued shares must be transferred to capital reserve

Forfeiture Shares A/c Dr.

To Capital Reserve a/c

(Being profit on reissue shares transferred to capital Reserve)

WHEN ALL FORFEITED SHARES ARE REISSUED

MM Ltd. issued 40,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The shares were payable as follows:

Rs. 2 on application

Rs. 5 on allotment (including premium)

Rs. 5 on first & final call.

38000 shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 1000 of these were reissued as fully paid at Rs. 8 per share.

Give the necessary journal entries.

MM Ltd. Journal Entry

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (38,000x2) Dr		76,000	
	To Share Application A/c			76,000
	[Application money @ Rs. 2 per share on 38,000 shares received]			
	Share Application A/c Dr		76,000	
	To Share Capital A/c			76,000
	[Application money transferred to share capital A/c]			
2.	Share Allotment A/c (38,000X5) Dr		1,90,000	
	To Share Capital A/c (38,000x3)			1,14,000
	To Share Premium A/c (38,000x2)			76,000
	(Being Allotment money due (including premium))			
	Bank A/c Dr		1,90,000	
	To Share Allotment A/c			1,90,000
	(Being Allotment money received)			

Date	Particulars	L.F	Dr (Rs.)	Cr (Rs.)
3.	Share First & II Call A/c(38000 x 5) Dr		1,90,000	
	To Share Capital A/c			1,90,000
	[Being share first call money at Rs. 5 per share due on 38,000 shares]			
	Bank A/c (38,000-1000=37000 x5)		1,85,000	
	To Share First & II call A/c			1,85,000
	[Being share first call money duly received except on 1000 shares]			
	Calls-in-Arrears A/c (1000x5)		5000	
	To Share First & II call A/c			5000
	(Being Arrears on first call transferred)			

Date	Particulars	L.F	Dr Rs.	Cr Rs.
5.	Share Capital A/c(1000x10) called up Dr		10,000	
	To Share First Call A/c (1000x5) unpaid			5000
	To Forfeited Shares A/c(1000x5) (application 2 + allotment 3)			5000
	(Being Forfeiture of 1000 shares of Rs.10 each forfeited on account of non-payment of first & second calls money)			
6.	Bank A/c (1000x8) Dr		8,000	
	Forfeited Shares A/c (1000 x2) Dr		2000	
	To Share Capital A/c (1000 x 10)			10,000
	[Being 400 forfeited snares reissued for Rs. 8 per share]			

WHEN ALL FORFEITED SHARES ARE NOT REISSUED

GG Ltd. issued 40,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The shares were payable as follows:

Rs. 2 on application

Rs. 5 on allotment (including premium)

Rs. 5 on first & final call.

All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs. 8 per share.

Give the necessary journal entries, prepare the bank A/c and the balance sheet of the company.

Date	Particulars	L.F.	Dr	Cr
			Rs.	Rs.
1.	Bank A/c (40,000x2) Dr		80,000	
	To Share Application A/c			80,000
	[Application money @ Rs. 2 per share on 40,000 shares received]			
	Share Application A/c Dr		80,000	
	To Share Capital A/c			80,000
	[Application money transferred to share capital A/c]			
2.	Share Allotment A/c (40,000X5) Dr		2,00,000	
	To Share Capital A/c (40,000x3)			1,20,000
	To Share Premium A/c (40,000x2)			80,000
	(Being Allotment money due (including premium))			
	Bank A/c Dr		2,00,000	
	To Share Allotment A/c			2,00,000
	(Being Allotment money received)			

Date	Particulars	L.F	Dr (Rs.)	Cr (Rs.)
3.	Share First & II Call A/c(40000 x 5) Dr		2,00,000	
	To Share Capital A/c			2,00,000
	[Being share first call money at Rs. 5 per share due on 40,000 shares]			
	Bank A/c (40,000-1000=39000 x5)		1,95,000	
	To Share First &II call A/c			1,95,000
	[Being share first call money duly received except on 1000 shares]			
	Calls-in-Arrears A/c (1000x5)		5000	
	To Share First & II call A/c			5000
	(Being Arrears on first call transferred)			

Date	Particulars	L.F	Dr Rs.	Cr Rs.
5.	Share Capital A/c(1000x10) calledup Dr		10,000	
	To Share First Call A/c (1000x5) unpaid			5000
	To Forfeited Shares A/c(1000x5) (application 2 + allotment 3)			5000
	(Being Forfeiture of 1000 shares of Rs.10 each forfeited on account of non-payment of first & second calls money)			
6.	Bank A/c (400x8) Dr		3,200	
	Forfeited Shares A/c (400 x2) Dr		800	
	To Share Capital A/c (400 x 10)			4,000
	[Being 400 forfeited snares reissued for Rs. 8 per share]			

Date	Particulars	L.F	Dr Rs.	Cr Rs.
7.	Forfeited Shares A/c Dr		1,200	
	To Capital Reserve A/c			1.200
	[Being proportional amount of share forfeiture A/c transferred to capital reserve A/c]			

Working note:

Calculation of amount transferred to capital reserve A/c

	Rs.	Rs.
Amount credited to forfeited shares A/c in respect of 1,000 shares forfeited Proportionate amount for 400 shares reissued		5,000
$\frac{\text{Rs. 5000}}{1000} \times 400$	2,000	2,000
Less: Discount on reissued shares (400x 2)	800	
Transferred to capital reserve	1,200	
Amount relating to 600 shares not reissued to be shown in balance sheet		3,000

BANK A/C

	Rs.		Rs.
To Share Application A/c	80,000		
To Share Allotment A/c	2,00,000		
To Share first & final call A/c	1,95,000	By Balance c/d	4,78,200
To Share Capital A/c	3,200		
	4,78,200		4,78,200
To Balance b/d	4,78,200		

Balance sheet of GG Ltd. as on

Liabilities	Rs.	Assets	Rs.
Share Capital A/c (40000-600)		Bank A/c	4,78,200
39.400 shares of Rs. 10 each	3,94,000		
Forfeited Shares	3,000		
Securities Premium	80,000		
Capital Reserve	1,200		
	4,78,200		4,78,200

CALLS-IN ARREARS AND CALLS-IN ADVANCE

Ratna Ltd. issued 6000 shares to the public at Rs.100 each, payable as to Rs.12.50 on application Rs.12.50 on allotment, **Rs.25 three months after allotment and the balance to be called up as and when required. All moneys up to allotment were duly received, but as regards the call of Rs.25, a shareholder holding 200 shares did not pay the amount due. Another shareholder who was allotted 300 shares paid them in full (**up to second call**). You required to pass journal entries and show the balance sheet.**

DATE	PARTICULARS	LF	DR (RS.)	CR (RS.)
1.	Bank A/c (6000X12.50) Dr		75,000	
	To Share Application A/c			75,000
	(Being Application money received for 6000 shares at Rs.12.50 per share)			
	Share Application A/c Dr		75,000	
	To Share capital A/c			75,000
	(Being transfer of application money to share capital A/c)			
2.	Share Allotment A/c (6000X12.50) Dr		75,000	
	To Share capital A/c			75,000
	(Being Allotment money due)			
	Bank A/c Dr		75,000	
	To Share Allotment A/c			75,000
	(Being Allotment money received on 6000 shares at Rs.12.50 per share)			

DATE	PARTICULARS	LF	DR (RS.)	CR (RS.)
3.	Share First Call A/c Dr		1,50,000	
	To Share Capital A/c			1,50,000
	(Being First call money due on 6000 shares at Rs.25 per share)			
	Bank A/c (6000-200)X25Dr		1,60,000	
	To Share First call A/c (5800x25)			1,45,000
	To Calls-in -advanceA/c(300x50)			15,000
	(Being First call money received on 5800 shares at Rs.25 per share and Calls –in-advance received on 300 shares at Rs.50 per share).			
	Calls-in-arrears A/c (200X25) Dr		5000	
	To Share First call A/c			5000
	(Being Arrears on I call transferred)			

Date	Particulars	L.F	Dr Rs.	Cr Rs.
	Share Second call A/c (300x25) Dr		7,500	
	To Calls-in Advance A/c			7,500
	[Being advance transferred to second call A/c]			

Balance sheet of RATNA Ltd. as on

Liabilities	Rs.	Rs.	Assets	Rs.
Share Capital A/c				
6000 shares of Rs. 100 each Rs.50 per share calledup	3,00,000			
(less) Calls-in-arrears	5,000	2,95,000		
Calls-in advance		15,000		

FORFEITED SHARES ARE REISSUED

Mr. Ram is a shareholder in Kumar Ltd. holding 1000 shares of Rs.10 each. He has paid Rs.2 on application and Rs.5 on share allotment(including premium Rs.2) , but failed to pay Rs.3 on first call and Rs.2 on second calls respectively. Directors forfeit 1000 shares.1000 of these were reissued as fully paid at Rs.9 per share Give journal entry.

Date	Particulars	L.F	Dr Rs.	Cr Rs.
1.	Share Capital A/c(1000x10) called up Dr		10,000	
	To Share First&II Call A/c (1000x5) unpaid			5000
	To Forfeited Shares A/c(1000x5) (application 2 + allotment 3)			5000
	(Being Forfeiture of 1000 shares of Rs.10 each forfeited on account of non-payment of first & second calls money)			
2.	Bank A/c (1000x9) Dr		9,000	
	Forfeited Shares A/c (1000 x1) Dr		1000	
	To Share Capital A/c (1000 x 10)			10,000
	[Being 1000 forfeited snares reissued for Rs. 9 per share]			

FORFEITED SHARES ARE NOT REISSUED

Mr. Ram is a shareholder in Kumar Ltd. holding 1000 shares of Rs.10 each. He has paid Rs.2 on application and Rs.5 on share allotment(including premium Rs.2) , but failed to pay Rs.3 on first call and Rs.2 on second calls respectively. Directors forfeit 1000 shares.800 of these were reissued as fully paid at Rs.9 per share Give journal entry.

Date	Particulars	L.F	Dr Rs.	Cr Rs.
1.	Share Capital A/c(1000x10) called up Dr		10,000	
	To Share First&II Call A/c (1000x5) unpaid			5000
	To Forfeited Shares A/c(1000x5) (application 2 + allotment 3)			5000
	(Being Forfeiture of 1000 shares of Rs.10 each forfeited on account of non-payment of first & second calls money)			
2.	Bank A/c (800x9) Dr		7,200	
	Forfeited Shares A/c (800x1) Dr		800	
	To Share Capital A/c (800 x 10)			8,000
	[Being 800 forfeited snares reissued for Rs. 9 per share]			

Thank you