

101. XYZ, Ltd. is registered with an authorized capital of 2,00,000 dividend into 2,000 shares of 100 each of which, 1,000 shares were offered for public subscription at a premium of 5 per share, payable as:

On Application	-	10 per share
On Allotment	-	25 per share (including premium)
On First call	-	40
On Final call	-	30 per share.

Applications were received for 1,800 shares, of which applications for 300 shares were rejected outright; the rest of the applications were allotted 1,000 shares on pro rata basis. Excess application money was transferred to allotment.

All the money was duly received except form sunder, holder of 100 shares, who failed to pay allotment and first call money. His share were later forfeited and reissued to shyam at 60 per share 70 paid-up. Final call has not been made.

Pass necessary journal entries and prepare cash book in the books of XYZ Limited.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Share application A/c		15,000	
	To share capital A/c (1000 x 10)			1,000

	To share allotment A/c (500 x 10) (Share application transferred to share capital)			5,000
2.	Share allotment A/c (1000 x 25) To share capital A/c (1000 x 20) To securities premium reserve A/c (1000 x 5) (Share allotment due)		25,000	20,000 5,000
3.	Share first call A/c (1000 x 40) To share capital A/c (Share first call A/c)		40,000	40,000
4.	Share capital A/c (100 x 70) Securities premium reserve A/c (100 x 5) To forfeited share A/c To share allotment A/c To share first call A/c (100 x 40) (100 shares forfeited)		7,000 500	1500 2,000 4,000
5.	Forfeited share A/c To share capital A/c		1,000	1,000

6.	(100 forfeited share reissued)			
	Forfeited share A/c		500	
	To capital reserve A/c			500
	(Capital gain on reissue of forfeited shares transferred to capital reserve)			

Dr.

Cash Book (Bank column only)

Cr.

Particular		Particular	
To share application A/c (1800 x 10)	18,000	By share Application A/c	3,000
	18,000		
To share allotment A/c (25000 - 5000 - 2000)			75,000
	36,000	By Balance C/D	
To share first call A/c (40000 - 100 x 40)	6,000		
To share capital A/c	78,000		78,000

Working Notes:-

Calculation of forfeited amount of Sundar

$$\text{Applied shares of sundar} = \frac{1500}{1000} \times 100 = 150$$

$$\text{Application received on 150 shares (150 x 100 = 1,500}$$

$$\text{Actual Application money (100 x 10) = } \underline{1,000}$$

$$\text{Excess Application to be used on Allotment } 500$$

$$\text{Actual Allotment money to be received (100 x 25) } \underline{2,500}$$

$$\text{Allotment amount not paid by sundar } 2,000$$

$$\text{Forfeited amount of sundar } = 1,500$$

102.A Ltd. invited applications for issuing 1,00,000 shares of 10 each at a premium of 1 per share. The amount was payable as follows:

On Application	3 per share
On Allotment	30 per share (including premium)
On First call	3 per share
On Second & Final call	Balance amount.

Applications for 1,60,000 shares were received. Allotment was made on the following basis:

- I. To application for 90,000 shares - 40,000 shares;
- II. To application for 50,000 shares - 40,000 shares;
- III. To application for 20,000 shares - Full shares.

Excess money paid on application is to be adjusted against the amount due on allotment and calls. Rishabh, a shareholder, who applied for 1,500 shares and belong to category (ii), did not pay allotment, first and second and final call money.

Another shareholder, sudha, who applied for 1,800 shares and belong to category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently reissued at 7 per share fully paid. Pass the necessary journal entries in the books of A Ltd. open calls-in-arrears Account and call-in-advance Account wherever required.

Solution: Journal

Date	Particular	L.F	Dr.	Cr.
1	Bank A/c (1,60,000 x 3) To share Application A/c (1,60,000 shares application received)		4,80,000	4,80,000
2.	Share Application A/c To share capital A/c (1,00,000 x 3) To calls in Advance A/c		4,80,000	3,00,000 1,80,000

	(Share application transferred to share capital)			
3.			3,00,000	
	Share Allotment A/c (1,00,000 x 3)			2,00,000
	To share capital A/c (1,00,000 x 2)			1,00,000
	To securities premium reserve A/c			
	(Share allotment due on 1,00,000 shares)			
4.			14,7,300	
			1,50,000	
	Bank A/c (3,00,000 - 1,50,000 - 2,700)		2,700	
	Calls in Advance A/c			3,00,000
	Calls in arrear A/c (Rishabh)			
	To share Allotment A/c			
5.	(Share allotment received)		3,00,000	
				3,00,000
	Share first call A/c (1,00,000 x 3)			
	To Share capital A/c			
6.	(1,00,000 share first call due)		2,64,600	
			30,000	
	Bank A/c (3,00,000 - 1800 - 1200 x 3)		5,400	
				3,00,000

	Calls in Advance A/c			
7.	Calls in arrear A/c (1800 + 1200 x 3)		2,00,000	
	To share first call A/c			2,00,000
	(Share first call received)			
	Share second & final call A/c			
	(1,00,000 x 2)			
8.	To share capital A/c		1,96,000	
	(Share second & final call due)		4,000	
				2,00,000
	Bank A/c (2,00,000 - 2,000 x 2)			
	Call in arrear A/c			
9.	To Share second & final call A/C		20,000	
	(Share second & final call received)		1200	
				9,100
	Share capital A/c (2000 x 10)			12,100
	Securities premium reserve A/c			
	(1200 x 1)			
	To forfeited shares A/c (4600 + 4500)			
10.	To calls in arrear A/c (2700 + 5400 + 4000)		14,000	
			6,000	
	(2000 shares forfeited)			20,000

11.	Bank A/c (2000 x 7)			
	Forfeited shares A/c (2000 x 3)			
	To share capital A/c (2000 x 10)		3,100	
	(2000 shares reissued @ 7 per share fully paidup)			3,100
	Forfeited shares A/c (9,100 – 6,000)			
	To capital reserve A/c			
	(Capital gain on reissues of forfeited shares transferred to capital reserve)			

Working Note:

Calculation of Excess amount of Application to be used on Allotment

Category – I

Application received on 90,000 shares (90,000 x 3)

2,70,000

Actual Application on 40,000 shares (40,000 x 3)

1,20,000

Amount to be used on Allotment

1,50,000

Actual amount on Allotment (40,000 x 3)

1,20,000

Amount to be used on first call	30,000
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Category – II

Application received on 90,000 shares (50,000 x 3)	
1,50,000	

Actual Application on 40,000 shares (40,000 x 3)	
<u>1,20,000</u>	

Amount to be used on Allotment	30,000
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Actual amount on Allotment (40,000 x 3)	
<u>1,20,000</u>	

Amount to be called on Allotment	
<u>90,000</u>	

Calculation of forfeited shares of sudha

Allotted shares of sudha = $\frac{40,000}{90,000} \times 1800 = 800$

Application money on 1800 shares (1800 x 30)	5,400
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Actual Application money on 1800 shares (1800 x 3)	<u>2,400</u>
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Amount to be used on Allotment	3,000
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Actual to be used on Allotment (800 x 3)	<u>2,400</u>
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Amount to be used on first call	600
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Actual amount on first call (800 x 3)	<u>2,400</u>
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Amount not paid on first call	<u>1,800</u>
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Forfeited amount of sudha = (5400 – 800 x 1)

= 4,600

Calculation of forfeited shares of Risabh

$$\text{Allotted shares of Risabh} = \frac{40,000}{50,000} \times 1500 = 1,200$$

Application money on 4050 shares (1500 x 3) 4,500

Actual Application money on 1200 shares (1200 x 3) 3,600

Amount to be used on Allotment 900

Actual Amount on Allotment (1,200 x 3) 3,600

Amount not paid on Allotment 2,700

Forfeited Amount of Rishabh = 4,500

103. Ruchi Ltd. issued for public subscription 40,000 equity shares of 10 each at a premium of 2 per share payable as:

On Application 2 per share

On Allotment 5 per share (including premium)

On First call 2 per share

On Second & Final call 3 per share.

Application were received for 60,000 shares. Allotment was made on pro rata basis to the application for 48,000 shares, the remaining application being refused. Money overpaid on application was utilized towards sums due on allotment. Ram to whom 1,600 shares were allotted failed to pay the allotment money and shyam to whom 2,00 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second and final call was

made. All the forfeited shares were reissued as fully paid-up @ 8 per share.

Give necessary journal entries for the above transactions.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (60,000 x 2) To equity share application A/c (Equity share application received)		1,20,000	1,20,000
2.	Equity share Application A/c To Equity share capital A/c (40,000 x 2) To Equity share Allotment A/c (8,000 x 2) To bank A/c (12,000 x 2) (Equity share App. Transferred to share capital)		1,20,000	80,000 16,000 24,000
3.	Equity share Allotment A/c (40,000 x 5) To Equity share capital A/c (40,000 x 3) To securities premium reserve A/c (40,000 x 2) (Equity share allotment due)		2,00,000	1,20,000 80,000

	Bank A/c (2,00,000 – 16,000 – 7,360)			
4.	To equity share allotment A/c (Equity share allotment received)		1,76,640	1,76,640
	Equity share first call A/c (40,000 x 2)			
5.	To equity share capital A/c (Equity share first call A/c due)		80,000	80,000
	Bank A/c (80,000 – 3,600 x 2)			
6.	To equity share first call A/c (Equity share first call received)		72,800	72,800
	Equity share second & final call A/c			
7.	To equity share capital A/c (Equity share second & final call due)		1,20,000	1,20,000
	Bank A/c (1,20,000 – 3600 x 3)			
8.	To equity share second & final call A/c (Equity share second & final call received)		1,09,200	1,09,200
	Equity share capital A/c (3,600 x 10)			

9.	Securities premium reserve A/c (1600 x 2)		36,000	
	To forfeited shares A/c (3840 + 10000)		3,200	
	To equity share Allotment A/c			13,840
	To equity share first call A/c (3600 x 2)			7,360
	To equity share second & final call A/c (3600 x 3)			7,200
	(3600 shares forfeited)			1,08,00
	Bank A/c (3,600 x 8)			
10.	Forfeited shares A/c		28,800	
	To equity shares capital A/c (3600 x 10)		7,200	
	(3600 forfeited shares reissued)			36,000
	Forfeited shares A/c			
11.	To capital reserve A/c		6,640	
	(Capital on reissued of forfeited shares transferred to capital reserve)			6,640

Working Notes:

Calculation of forfeited shares of Ram

$$\text{Allotted shares of Ram} = \frac{48,000}{40,000} \times 1600 = 1,920$$

Application Received on 1920 shares ($1,920 \times 2$)	3,840
Actual Application money (1600×2)	<u>3,200</u>
Amount to be used on Allotment	640
Actual Amount of Allotment ($1,600 \times 5$)	<u>8,000</u>
Amount not paid by Ram	7,360
Forfeited amount of Ram =	3,840
Forfeited amount of shyam ($2,000 \times 5$) =	10,000

104. Janta Ltd. issued applications for 5,00,000 equity shares of 10 each, at a premium of 4 per share. The amount was payable as follows:

On application 6 (including 2 premium), on Allotment 6 (including 2 premium) and Balance on first and final call.

Application for 7,50,000 shares were received. Allotment was made to all the applicants on pro rata basis. Mohan to whom 1,000 shares were allotted did not pay allotment and call money. Vikram to whom 500 shares were allotted, did not pay the call money. These shares were forfeited and afterwards reissued @ 8 per share fully paid-up. Pass the necessary journal entries.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (75,00,000 x 6) To equity share Application A/c (Equity share Application received)		45,00,000	45,000
2.	Equity share Application A/c To equity share capital A/c (5,00,000 x 4) To securities premium reserve A/c (5,00,000 x 2) To equity share Allotment A/c (2,50,000 x 6) (Equity share App transferred to capital reserve)		45,00,000	20,00,000 10,00,000 15,00,000
3.	Equity share Allotment A/c (5,00,000 x 6) To equity share capital A/c (5,00,000 x 4) To securities premium reserve A/c (5,00,000 x 2) (Equity share Allotment received) Bank A/c (30,00,000 – 15,00,000 – 3,000)		30,00,000	20,00,000 10,00,000

4.	To equity share Allotment A/c (Equity share Allotment received)		14,97,000	14,97,000
	Equity share first call A/c (5,00,000 x 2)			
5.	To equity share capital A/c (Equity share first call due)		10,00,000	10,00,000
	Bank A/c [10,00,000 – 1500 x 2]			
6.	To equity share first call A/c (Equity share first call received)		9,97,000	9,97,000
	Equity share capital A/c (1500 x 10)			
7.	Securities premium reserve A/c (1000 x 2)		15,000	
	To forfeited share A/c (7000 + 4000)		2,000	
	To equity share Allotment A/c			11,000
	To equity share first & final call A/c (1500 x 2)			3,000
	(1500 shares forfeited)			3,000
	Bank A/c (1500 x 8)			
8.	Forfeited share A/c		12,000	

9.	To equity share capital A/c (1500 x 10)		3,000	
	(1500 forfeited share reissued)			15,000
	Forfeited share A/c			
	To capital reserve/c		8,000	
	(Capital gain on reissue of forfeited shares transferred to capital reserve)			8,000

Working Notes:

Calculation of forfeited shares of Ram

$$\text{Applied shares to Mohan} = \frac{7,50,000}{50,000} \times 1000 = 1,500$$

Application Received on 1500 shares (1500 x 6) 9,000

Actual amount of Application (1000 x 6) 6,000

Amount to be used on Allotment 3000

Actual Amount to be received on Allotment (1,000 x 6) 6,000

Allotment amount not paid by Mohan 3,000

Forfeited amount of Moham = 9,000 – (1,000 x 2)

$$= 7,000$$

Forfeited amount of vikram (500 x 8) = 4,000

When all the forfeited shares are not Reissued

105. Nitro paints Ltd. invited applications for issuing 1,60,000 equity shares of 10 each at a premium of 3 per share. The amount was payable as follows:

On Application	6 per share (including premium 1);
On Allotment	3 per share (including premium 1);
The balance	On First and Final call.

Application for 1,80,000 shares were received. Applications for 10,000 shares were rejected and pro rata allotment was made to the remaining applicants. Over payment received on application was adjusted towards sums due on allotment. All calls were and were duly received except allotment and final call from Aditya who was allotted 3,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for 43,000 as fully paid-up.

Pass necessary journal entries for the above transactions in the books of Nitro paints Ltd.

Solution: Journal

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (1,80,000 x 6) To equity share application A/c (Equity share app. received)		10,80,000	10,80,000
2.	Equity share application A/c To equity share capital A/c (1,60,000 x 5)		10,80,000	8,00,000

	To equity share premium reserve (1,60,000 x 1)			1,60,000
	To equity share allotment A/c (10,000 x 6)			60,000
	To bank A/c (10,000 x 6)			60,000
3.	(Share app. transferred to share capital A/c)			
	Equity share allotment A/c (1,60,000 x 3)		4,80,000	
	To equity share capital A/c (1,60,000 x 2)			3,20,000
	To securities premium reserve A/c (1,60,000 x 1)			1,60,000
	(Equity share allotment due on 1,60,000 shares)			
4.	Bank A/c [4,80,000 - 60,000 - 8,400]			
	To equity share allotment A/c (Equity Share allotment received)		4,11,600	4,11,600
5.	Equity share first & final call A/c (1,60,000 x 4)		6,40,000	
	To equity share capital A/c (1,60,000 x 3)			4,80,000
	To security premium reserve A/c (1,60,000 x 1)			1,60,000

	(Equity share first & final call due)			
	Bank A/c [6,40,000 - 3,200 x 4]			
	To equity share first & final call A/c			
6.	(Equity share first & final call received)		6,27,200	
				6,27,200
	Equity share capital A/c (3,200 x 10)			
	Securities premium reserve A/c (3,200 x 2)			
7.	To forfeited share A/c		32000	
	To equity share allotment A/c		6,400	
	To equity share first & final call (3200 x 2)			17,200
	(3200 shares forfeited)			8,400
				12,800
	Bank A/c			
	To equity share capital A/c (1600 x 10)			
8.	To securities premium reserve A/c		43,000	
	(1,600 forfeited shares reissued)			16,000
				27,000
	Forfeited shares A/c			
	To capital reserve A/c			
9.			8,600	

	(Capital gain on reissue of forfeited shares transferred to capital reserve)			8,600
	$\left[\frac{17,200}{3,200} \times 1600 = 8,600 \right]$			

Working Note:

Calculation of forfeited Amount of Aditya

$$\text{Applied share} = \frac{1,70,000}{1,60,000} \times 3200 = 3,400$$

Application amount on 3,400 share (3400 x 6) 20,400

Actual application money on 3,200 share (3200 x 6) 19,200

Excess amount to be used on Allotment 1,200

Actual amount on Allotment (3200 x 3) 9,600

Allotment not paid by Aditya 8,400

$$\begin{aligned} \text{Forfeited amount of Aditya} &= 20,400 - (3,200 \times 1) \\ &= 17,200 \end{aligned}$$

106.XYZ Ltd. invited applications for issuing 50,000 equity of 10 each. The amount was payable as:

On Application 3 per share

On Allotment 4 per share

On First & Final call 3 per share

Application were received for 75,000 shares and pro rata allotment was made as:

Application for 40,000 shares were allotted 30,000 shares on pro rata basis.

Application for 35,000 shares were allotted 20,000 shares on pro rata basis.

Ramu, to whom 1,200 shares were allotted out of the group applying for 40,000 shares, failed to pay the allotment money. his shares were forfeited immediately after allotment.

Shamu, who had applied for 700 shares out of the group for 35,000 shares, failed to pay the first and final call. His shares were also forfeited shares, 1,000 were reissued @ 8 per share as fully paid-up. The reissued shares included all the forfeited shares of shamu. Pass necessary journal entries to record the above transactions.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (7,50,000 x 3) To equity share application A/c (Equity share app. received on 75,000 shares) Equity share application A/c		2,25,000	2,25,000
2.	To equity share capital A/c (50,000 x 3) To equity share allotment A/c (25,000 x 3) To bank A/c (10,000 x 6) (Share app. transferred to share capital)		2,25,000	1,50,000 75,000

3.	Equity share allotment A/c (50,000 x 4) To equity share capital A/c (Equity share allotment due)	2,00,000	2,00,000
4.	Bank A/c [2,00,000 - 75,000 - 3,600] To equity share allotment A/c (allotment amount received)	1,21,400	1,21,400
5.	Equity share capital A/c (1200 x 3) To forfeited share A/c To equity share Allotment A/c (1200 shares forfeited)	8,400	8,400 3,600
6.	Equity share first & final call A/c (48,800 x 3) To equity share capital A/c (Equity share first & final call due)	1,46,400	1,46,400
7.	Bank A/c [1,46,400 - 400 x 3] To equity share first & final call A/c (Equity share first & final call received)	1,45,200	1,45,200

8.	Equity share capital A/c (400 x 10) To forfeited share A/c (400 x 7) To Equity share first & final call A/c (400 x 3) (400 shares forfeited)		4,000	
				2,800
				1,200
9.	Bank A/c (1,000 x 8) Forfeited share A/c (1,000 x 2) To equity share capital A/c (1000 x 10) (1000 forfeited shares forfeited)		8,000 2,000	10,000
10.	Forfeited shares A/c To capital reserve A/c (Capital gain on reissue of forfeited shares transferred to capital reserve) $\left[2,800 \frac{4,800}{1,200} \times 600 - 2,000 = 3,200 \right]$		3,200	3,200

Working Note:

Calculation of forfeited Amount of Ramu

$$\text{Applied share} = \frac{40,000}{30,000} \times 1200 = 1,600$$

Application amount on 1,600 share (1600 x 3)

4,800

Actual application on 1,200 share (1200 x 3)	<u>3,600</u>
Excess Application amount to be used on Allotment	1,200
Allotment amount of Ramu (1200 x 4)	<u>4,800</u>
Allotment amount not paid by Ramu	3,600
Forfeited amount of Ramu =	4,800

107. Konark Ltd. invited application for issuing 3,00,000 shares of 10 each. The amount per share was payable as follows: 3 on application, 3 on allotment, and 4 on first and final call.

The company received application for 4,00,000 shares. Allotment was done as follows:

- I. Application of 2,40,000 shares were allotted 2,00,000 shares.
- II. Application of 1,20,000 shares were allotted 80,000 shares.
- III. Remaining applicants were allotted 20,000 shares.

Money overpaid on application was adjusted towards sums due on allotment. Divij, a shareholder, belonging to group (ii), who had applied for 6,000 shares, failed to pay allotment and call money. Faisal, another shareholder, who was allotted 10,000 shares, paid the call money along with allotment. Faisal belonged to group (i).

Divij's shares were forfeited after the first and final call. Half of the forfeited shares were reissued @ 10 per share fully paid.

Pass the necessary journal entries to record the above transactions in the books of the company.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c (4,00,000 x 3) To share application A/c (Equity share app. received on 4,00,000 shares)		12,00,000	12,00,000
2.	Share application A/c To share capital A/c (3,00,000 x 3) To equity share allotment A/c (Share app. transferred to share capital)		12,00,000	9,00,000 3,00,000
3.	Share allotment A/c (3,00,000 x 3) To share capital A/c (Equity allotment due on 3,00,000 shares)		9,00,000	9,00,000
4.	Bank A/c [6,00,000 - 6,000 + (10,000 x 4) To share allotment A/c To calls in Advance A/c (10,000 x 4) (Share allotment received)		6,34,000	5,54,000 40,000
5.	Share first & final call A/c (3,00,000 x 4)		12,00,000	

	To share capital A/c (Share first & final call due)			12,00,000
6.	Bank A/c [12,00,000 - 4,000 x 4 - 40,000]		11,44,000	
	Calls in advance A/c		40,000	
	To share first & final call A/c (Share first & final call received)			11,84,000
7.	Share capital A/c (4,000 x 10)		40,000	
	Forfeited share A/c			18,000
	To share Allotment A/c			6,000
	To share first & final call A/c (4,000 x 4) (4,000 share forfeited)			16,000
8.	Bank A/c (2,000 x 10)		20,000	
	To share capital A/c (2,000 share of Diviji reissued)			20,000
9.	Forfeited shares A/c		9,000	
	To capital reserve A/c			9,000

	(Capital gain on reissue of forfeited shares transferred to capital reserve)			
	$\left[\frac{1,800}{4,000} \times 2,000 - 0 = 9,000 \right]$			

Working Note:

Calculation of forfeited Amount of Diviji

$$\text{Allotment share of Diviji} = \frac{80,000}{1,20,000} \times 6,000 = 4,000 \text{ share}$$

Application amount on 6,000 share (6,000 x 3) 18,000

Actual application received (4,000 x 3) 12,000

Excess Application money to be used on Allotment 6,000

Actual Allotment of Diviji (4,000 x 3) 12,000

Allotment amount not paid by Diviji 6,000

Forfeited share of Diviji = 18,000

108. Max Ltd. invited applications for 2,00,000 equity shares of 10 each to be issued at 20% premium. The money payable per share was: on application 5, on allotment 4 (including premium of 2), first call 2 and final call 1.

Application were received for 2,40,000 shares and allotment was made as:

- I. To applicants for 1,00,000 shares - in full,
- II. To applicants for 80,000 shares - 60,000 shares,
- III. To applicants for 60,000 shares - 40,000 shares.

Applicants of 1,000 shares falling in category (i) and application of 1,200 shares falling in category (ii) failed to pay allotment money. These share were forfeited on failure to pay first call. Holders of 1,200 shares failing in category (iii) failed to pay the first and final call and these shares forfeited after final call.

1,300 shares [1,000 of category (i) and 300 of category (ii)] were reissued at 8 per share as fully paid-up. Journalize the above transactions. Prepare cash book and balance sheet.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Equity share Application A/c To equity share capital A/c (2,00,000 x 5) To equity share allotment A/c (40,000 x 5) (Equity share App transferred to share capital)		12,00,000	10,00,000 2,00,000
2.	Equity share first call A/c (2,00,000 x 4) To equity share capital A/c (Equity share first call due)		8,00,000	4,00,000 4,00,000
3.	Equity share first call A/c (2,00,000 x 2) To equity share capital A/c		4,00,000	4,00,000

	(Equity share first call due)			
4.	Equity share capital A/c (1900 x 9)		17,100	
	Security premium reserve A/c (1900 x 2)		3,800	
	To forfeited share A/c			11,000
	To equity share Allotment A/c			6,100
	To equity share first call A/c (1900 x 2)			3,800
	(1900 shares forfeited)			
5.	Equity share first call A/c (1,98,100 x 1)		1,98,100	
	To equity share capital A/c			1,98,100
	(Equity share final call due)			
6.	Equity share capital A/c (1,200 x 10)		12,000	
	To forfeited share A/c (1200 x 7)			8,400
	To equity share first call A/c (1200 x 2)			2,400
	To equity share final call A/c (1200 x 1)			1,200
	(1200 shares forfeited)			
7.	Forfeited share A/c		2,600	
	To equity share capital A/c			2,600

	(1300 forfeited shares reissued)			
8.	Forfeited share A/c to capital reserve A/c (Excess forfeited amount transferred to capital reserve) $[5,000 + \frac{6,000}{900} \times 300 - 2600 = 4,400$		4,400	4,400

Dr.

Cash Book (Bank column only)

Cr.

Particular	₹	Particular	₹
To share Application A/c (2,40,000 x 5)	1,20,000		
To share Allotment A/c (8,00,000 - 2,00,000 - 4,000 - 2,100)	5,93,900		
To share first call A/c (4,00,000 - 1,900 x 2 - 1200 x 2)	3,93,800		
To share final call A/c		By Balance C/d	23,95,000

(1,98,100 - 1,200 x 1)	1,96,900		
To share capital A/c			
(1,300 x 8)	10,400		
	23,95,000		23,95,000

Balance Sheet of Max Ltd.

	Particular	Note no.	₹
I	Equity and Liability		
	1. Shareholder's Funds		
	a) Share Capital	1	19,94,400
	b) Reserve & Surplus	2	40,06,00
	Total		23,95,000
II	Assets	3	
	1. Current Assets		
	a) Cash & Cash Equivalents		23,95,000

	Total		23,95,000
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Date	Particular		
1.	Share Capital		
	(i) Authorized Capital		
	share of 10 each		-
	(ii) Issued capital		
	2,00,000 equity shares @ 10 each		<u>20,00,000</u>
	(iii) Subscribed Capital		
	Subscribed & fully paid-up		19,82,000
	1,98,200 share of 10 each		12,400
	Add share forfeited		
	$\left[\frac{6,000 \times 600}{900} + 1200 \times 7 \right]$		<u>19,94,400</u>
2.	Reserve & surplus		
	i) Securities premium reserve		4,96,200
	(4,00,000 - 3,800)		
	ii) Capital Reserve		4,400
			<u>400600</u>

3.	Cash & Cash Equivalents		
	i) Cash of Bank		<u>23,95,000</u>

Working Notes:

Calculation of Forfeited amount in Category – I

Forfeited Amount = $1000 \times 5 = ₹ 5,000$

Amount of Allotment not paid ($1,000 \times 4$) = 4,000

Calculation of forfeited Amount in Category – II

Allotted shares = $\frac{60,000}{80,000} \times 1200 = 900$ shares

Application received on 1200 share (1200×5) 6,000

Actual Application received on 800 shares (900×5) 4,500

Excess Application money to be used on Allotment 1,500

Actual Allotment on 900 shares (900×4) 3,600

Allotment not paid in Category II 2,100

Forfeited Amount of Category II 6,000

109.XYZ Ltd. issued a prospectus inviting applications for 2,000 shares of 10 each at a premium of 4 per share, payable as:

On Application	6 (including 1 premium),
On Allotment	2 (including 1 premium),
On First call	3 (including 1 premium),
On Second & Final call	3 (including 1 premium).

Applications were received for 3,000 shares and pro rata allotment was made on the Applications for 2,400 shares. It was decided to utilize excess application money towards the amount due on allotment.

X, to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his share were forfeited.

Y, who applied for 72 shares failed to pay the two calls and on his such failure, his shares were forfeited.

Of the shares forfeited, 80 shares were sold to Z credited as fully paid-up for 9 per share, the whole of Y's shares being included, prepare journal, cash book and the balance sheet.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Share application A/c		14,400	
	To share capital A/c (2000 x 5)			10,000
	To share allotment A/c (400 x 6)			2,400

	To security premium reserve A/c (2000 x 1) (Share application transferred to share capital)			2,000
2.	Share allotment A/c (2000 x 2) To share capital A/c (2000 x 1) To securities premium reserve A/c (2000 x 1) (Share allotment due on 2,000 shares)		4,000	2,000 2,000
3.	Share first call A/c (2000 x 3) To share capital A/c (2000 x 2) To securities premium reserve A/c (2000 x 1) (Share first call due on 2000 shares)		6,000	4,000 2,000
4.	Share capital A/c (400 x 8) Securities premium reserve A/c (32 + 40 x 1) To forfeited share A/c To share allotment A/c To share first call A/c (40 x 3) (40 shares forfeited)		320 72	240 32 120
5.	Share second & final call A/c (1960 x 3)		5,880	

	To share capital A/c (1960 x 2)		3,920
	To securities premium reserve A/c (1960 x 1)		1,960
	(Share second & final call A/c)		
6.	Share capital A/c (60 x 10)	600	
	Securities premium reserve A/c (60 x 2)	120	
	To forfeited share A/c (60 x 6)		360
	To share first call A/c (60 x 3)		180
	To share final call A/c (60 x 3)		180
	(60 share forfeited)		
7.	Forfeited share A/c (80 x 1)	80	
	To share capital A/c		80
	(Forfeited share reissued @ 8 per share fully paid up)		
8.	Forfeited share A/c	400	
	To capital reserve A/c		400
	(excess forfeited amount transferred to capital reserve)		
	$\left[\frac{240}{40} \times 20 + 360 - 80 = 400 \right]$		

Dr.

Cash Book (Bank column only)

Cr.

Particular	₹	Particular	₹
To share Application A/c (3,000 x 6)	18,000	By share Application A/c (600 x 6)	3,600
To share Allotment A/c (4,000 – 2,400 - 32)	1,568		
		By Balance C/d	28,088
To share first call A/c (6,000 - 40 x 3 - 60 x 3)	5,700		
To share final call A/c (5,880 – 60 x 3)	5,700		
To share capital A/c (80 x 9)	720		
	31,688		31,688

Balance Sheet of Max Ltd.

	Particular	Note no.	₹
I	Equity and Liability		

II	1. Shareholder's Funds		
	a) Share Capital	1	19,920
	b) Reserve & Surplus	2	<u>8,168</u>
	Total		<u>28,088</u>
	Assets		
	1. Current Assets		
	a) Cash & Cash Equivalents	3	<u>28,088</u>
	Total		<u>28,088</u>

Note No.	Particular	₹
1.	Share Capital	
	(i) Authorized Capital	-
	(ii) Issued capital	<u>20,000</u>
	2,000 shares @ 10 each	
	(iii) Subscribed Capital	
	Subscribed & fully paid-up	

	1,980 share of 10 each	19,800	
	Add Balance of share forfeited	<u>120</u>	<u>19,920</u>
2.	Reserve & surplus		
	i) Securities premium reserve		<u>7,768</u>
	(2000 + 2000 + 2000 + 1960 - 72 120)		
	ii) Capital Reserve		400
	$(\frac{240}{40} \times 20 + 360 - 80 = 400)$		
			<u>8,168</u>
3.	Cash & Cash Equivalents		
	i) Cash of Bank		<u>28,088</u>

Working Notes:

Calculation of Forfeited amount of X

$$\text{Applied share} = \frac{2,400}{2,000} \times 40 = 48 \text{ Shares}$$

$$\text{Application received 40 share (40x60)} = 288$$

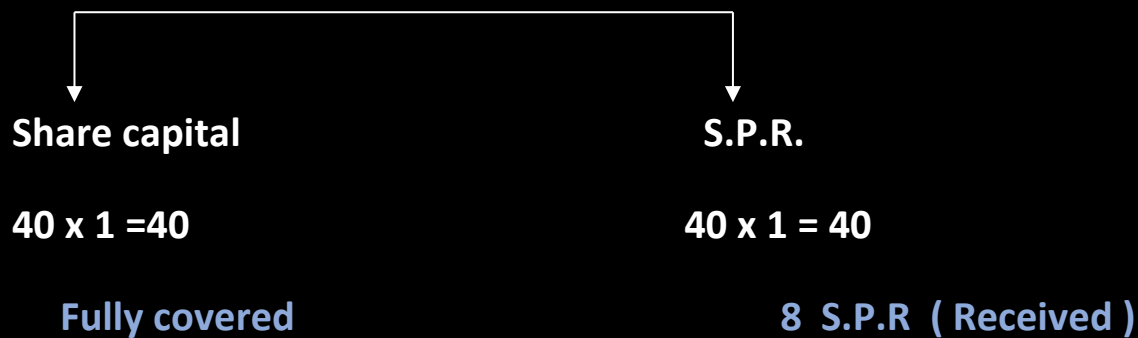
$$\text{Actual Application on 40 share (40 x 6)} = \underline{240}$$

$$\text{Excess Application to be used on allotment} = 48$$

$$\text{Actual allotment on 40 share (40x2)} = \underline{80}$$

Allotment amount on paid by x

32



Forfeited amount of x = 288 – S.P.R Received

$$288 - (40+8) = 240$$

Note:- First share capital is covered out of excess application money then S.P.R is supposed to be received with rest

They in above problem 8 S.P.R of allotment is assumed to be received

110.Easteren India Company Limited, having an authorized capital of 10,00,000 divided into share of 10 each, issued 50,000 shares at a premium of 3 per share payable as follows:

On Application 3 per share

On Allotment (including premium), 5 per share

On First call (due three months after 3 per share

allotment) and the balance as and when required.

Applications were received for 60,000 shares and the direction allotted the share as follows:

- I. To applicants for 40,000 shares received in full,**
- II. To applicants for 15,000 shares received an allotment of 8,000 shares,**

III. To applicants for 5,000 shares received 2,000 shares on allotment, excess money being returned.

All amounts due on allotment were received.

The first call was made and the money was received except on 100 shares.

Give journal and cash book entries to record these transactions of the company. Also prepare the balance sheet of the company.

Books of Eastern company Ltd.

Date	Particular	L.F	Amount	Amount
	Share Application A/c Dr.		1,80,000	
	To share capital A/c			1,50,000
	To share allotment A/c			30,000
	(Share application money for 50,000 shares transferred to share capital A/c and tax excess money transferred to share allotment A/c)			
	Share Allotment A/c Dr.			
	To share capital A/c		2,50,000	
	To share premium A/c			1,00,000
				1,50,000

	(Allotment money due on 50,000 share @Rs. 5 per share including Rs.3 security premium)			
	Share first call A/c	Dr.		
	To share capital A/c		1,50,000	
	(First call due on 50,000 share @ Rs. 3 per share)			1,50,000

Cash Book (Bank Column)

Particular	Amt	Particular	Amt
Share application	1,80,000		
Share Allotment	2,20,000	Balance C/d	5,49,700
Share first call	1,49,700		
	5,49,700		5,49,700

Eastern company Ltd.

Balance Sheet

Particular	Note no.	Amount
I. Equity and liabilities		
1. Shareholder's Funds		
a. Share capital	1	3,00,700

b. Reserves and Surplus	2	1,50,000
2. Non-current liabilities		
3. Current liabilities		
Total		5,49,700
II. Assets		
1. Non-current Assets		
2. Current Assets		
a. Cash and cash Equivalents	3	5,49,700
Total		5,49,700

Note to Accounts

Note No.	Particular	Amount
1.	Share capital	
	Authorized share capital	
	1,00,000 shares of Rs 10 each	<u>10,00,000</u>
	Issued share capital	
	50,000 shares of Rs 10 each	<u>5,00,000</u>

	Subscribed, called up and paid up share capital 50,000	
	4,00,000	
	Share of Rs 10 each, Rs 8 called up	
		<u>3,99,700</u>
	Less	
	(300)	
2.	Calls in Arrears	
	Reserves and Surplus	1,50,000
	Securities premium	
3.	Cash and Cash Equivalents	5,49,700
	Cash at Bank	

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