

**21 Faber Ltd. invited applications for 70,000 equity shares of ₹ 100 each. The application money received @ 30 per shares was ₹ 27,000. Name the kind of subscription. List the three alternatives for allotting these shares.**

**Solution:**

As actual money of the application is  $(70,000 \times 3) ₹ 21,00,000$  and on Application, three are ₹ 27,00,000 is received. Thus it is the case of over-subscription.

1. The excess money over application ₹ 6,00,000 can be returned
2. The excess money over application ₹ 6,00,000 can be adjusted on allotment.
3. A part of the excess money over application can be returned and rest can be adjusted in allotment money.

**22. Sangam Marbles Ltd. invited applications for 20,000 Equity shares of ₹ 100 each issued at par payable on application. The issue was oversubscribed by 5,000 shares and allotment was made on pro rata basis. Pass necessary journal entries.**

**Solution:**

**Journal**

Date	Particular	I.f	Dr.	Cr.
1.	Bank A/c (25,000 x 100) Dr. To share application & allotment A/c (Share Application Received)		2,50,000	2,50,000
2.	Share application & allotment A/c Dr.		25,00,000	

	To share capital A/c (20,000 x 100)			2,50,000
	To Bank A/c (5,000 x 100)			50,000
	(Share application transferred to share capital & excess returned)			

**23. Citizen watches Ltd. invited applications for 50,000 shares of ₹ 10 each payable ₹ 3 on application, ₹ 4 on allotment and balance on first and final call. Applications were received for 60,000 shares. Applications were accepted for 50,000 shares and remaining applications were rejected. All calls were made and received except first and final call on 500 shares.**

**pass the journal entries in the books of citizen watches Ltd.**

**Solution:                      journal of citizen watches Ltd**

Date	Particular	I.f	Dr.	Cr.
1.	Bank A/c (60,000 x 3) <span style="float: right;">Dr.</span> To share application A/c (Share Application Received)		1,80,000	1,80,000
2.	Share application A/c <span style="float: right;">Dr.</span> To share capital A/c (50,000 x 3) To Bank A/c (10,000 x 3) (Share application transferred to share capital)		1,80,000	1,50,000 30,000

	<p>Shree allotment A/c (50,000 x 4) Dr.</p> <p>3. To share capital A/c</p> <p>(Share allotment due)</p>		<p>2,00,000</p>	<p>2,00,000</p>
	<p>Bank A/c Dr.</p> <p>4. To share allotment A/c</p> <p>(Share allotment received)</p>		<p>2,00,000</p>	<p>2,00,000</p>
	<p>Share first &amp; final call A/c Dr.</p> <p>5. To share capital A/c (50,000 x 3)</p> <p>(Share first &amp; final call due)</p>		<p>1,50,000</p>	<p>1,50,000</p>
	<p>Bank A/c Dr.</p> <p>6. Calls in arrear A/c</p> <p>To share first &amp; final call A/c</p> <p>(Share first &amp; final call received)</p>		<p>1,48,500</p> <p>1,500</p>	<p>1,50,000</p>

**24. Tiny Toys Ltd. issued 10,00,000 shares of 100 each at a premium of 20 for subscription payables as:**

**10 per share on application,  
40 per share and 10 premium on allotment, and  
50 per share and 10 premium on final payment.**

**Issue was oversubscribed receiving applications for 13,000 shares. Application for 11,000 shares were allotted 10,000 shares and applications for 2,000 shares were sent letters of regret. All the money due on allotment and final call was duly received. Pass necessary entries in the company's books to record the above transactions. Also prepare company's Balance Sheet on completion of the above transactions.**

**Solution:**

Date	Particular	L.f	Dr.	Cr.
1.	Bank A/c (13,000 X 10) Dr. To share application A/c (Share application received)		1,30,000	1,30,000
2.	Share application A/c Dr. To share capital A/c (10,000 X 10) To share allotment A/c (1,000 x 10) To Bank A/c (2,000 x 10) (Share application transferred to share capital & excess adjusted to allotment & returned)		1,30,000	1,00,000 10,000 20,000
3.	Share allotment A/c (10,000 x 50) Dr. To share capital A/c (10,000 x 40)		5,00,000	4,00,000

	To security premium reserve A/c (10,000 X 10) (Share Allotment due)			1,00,000
4.	Bank A/c (5,00,000-10,000) Dr.		4,90,000	
	To share allotment A/c (Share allotment received)			4,90,000
5.	Share first & final call A/c (10,000 X 60) Dr.		6,00,000	
	To share capital A/c (10,000 x 50)			5,00,000
	To security premium reserve A/c (10000 x 10) (Share first & final call due)			1,00,000
6.	Bank A/c Dr.		6,00,000	
	To share first & final call A/c (Share first & final call received)			6,00,000

#### Tiny Toys Ltd. Balance Sheet

	Particular	Note NO.	₹
I	<b>Equity and Liabilities</b>		
	Share holders Funds		
	Share capital	1	10,00,000
	Reserve & surplus	2	<u>2,00,000</u>
	Total		<u>12,00,000</u>
II	<b>Assets</b>		
	1) Current Assets		
	a) Cash & Cash Equivalent	3	<u>12,00,000</u>
	Total		<u>12,00,000</u>

### Note to Accounts

Particular	₹
<b>1. Share Capital</b>	
Authorized capital	
Share @ 100 each	-
Issued capital	
10,000 shares @ 100 each	<u>10,00,000</u>
Subscribed capital	
subscribed & fully paid up	<u>10,00,000</u>
10,000 share @ 100 each	
<b>2. Reserve &amp; surplus</b>	
Securities premium Reserve (10,000 X 20)	<u>2,00,000</u>
<b>3. Cash &amp; Cash Equivalents</b>	
Cash at Bank	<u>12,00,000</u>

**25.Sugandh Ltd. issued 60,00 shares of ₹ 10 each at a premium of ₹ 2 per share payable as ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance on first and final call. Application money received was ₹ 2,76,000. It was resolved to allot as follows:**

I. Applications of 40,000 shares shares,	30,000
II. Applications of 50,000 shares shares,	30,000
III. Applications of 2,000 shares	Nil.

Mohan, who had applied for 800 shares in category (i) and sohan, who was allotted 600 shares in category (ii) failed to pay the allotment money. Calculate amount received on allotment.

**Solution:** Calculation of Allotment Money Received

Application Received (92,000 x 3)	₹ 2,76,000
Application money Returned (2,000 x 3)	₹ 6,000
	₹ 2,70,000
Actual Application Money (60,000 x 3)	₹ 1,80,000
Excess App Money to be used on Allotment	90,000
Actual Allotment money (60,000 x 5)	30,00,000
Allotment money to be received	2,10,000
Less Allotment not paid mohan 2400 <sup>(1)</sup>	
Allotment not paid sohan 1800	(4200)
Allotment money Received	2,05,800

**Working Note – 1**

**Calculation of Allotment not paid by Mohan**

$$\text{Allotment share of Mohan} = \frac{30,000}{40,000} \times 800 = 600$$

Application money Received (800 x 3) = ₹ 2,400

Actual App money (600 x 3) = ₹ 1,800

Excess App money to be used on Allotment 600

Actual Allotment money (600 x 5) 3,000

Allotment money not paid by mohan 2400

Calculation of Allotment Money Not Paid by Sohan

Applied share of Sohan =  $\frac{50,000}{30,000} \times 600 = 1,000$

Application money Received (1,000 x 3) = ₹ 3,000

Actual App money (600 x 3) = ₹ 1,800

Excess App money to be used on Allotment 1,200

Actual Allotment money (600 x 5) 3,000

Allotment money not paid by Sohan 1,800

**26 Sony Media Ltd. issued 50,000 shares of 10 each payable 3 on application, 4 on allotment and balance on first and final call. application were received for 1,00,000 shares and allotment was made as follows:**



- I. Application for 60,000 shares were allotted 30,000 shares,
- II. Application for 40,000 shares were allotted 20,000 shares.

**Anupam to whom 1,000 shares were allotted from category**

**1) failed to pay the allotment money.**

**Pass journal entries up to allotment.**

**solution:**

**Journal**

Date	Particular	L.F	Dr.	Cr.
1.	Bank A/c To share application A/c (Share application received)		3,00,000	3,00,00
2.	Share Application A/c To share capital A/c(50,000 X 3) To share allotment A/c (Share application to share capital & rest to share allotment)		3,00,000	3,00,000
3.	Share allotment A/c (50,000 X 4) To share capital A/c (Share allotment due)		2,00,000	2,00,000

4.	Bank A/c [2,00,000 - 1,50,000 - 1,000]		49,000	
	Call in arrear A/c		1,000	
	To share allotment A/c			50,000
	(Share allotment received)			

**Working Note:-**

**Category - I**

Application Received (60,000 X 3) = 1,80,000

Actual Application Money (30,000 x 3) = 90,000

Money to be used on allotment 90,000

Allotment money (30,000 x 4) 1,20,000

Allotment money to be called 30,000

**Category - II**

Application Received (40,000 X 3) = 1,20,000

Actual Application Money (20,000 x 3) = 60,000

Money to be used on allotment 60,000

Allotment money (20,000 x 4) 80,000

Allotment money to be called 20,000

### Calculation of Anupam due on Allotment

$$\text{Applied share} = \frac{60,000}{30,000} \times 100 = 2,000$$

Application Received (2,000 X 3) = 60,000

Actual Application (1,000 x 3) = 3,000

Money to be used on allotment 3,000

Allotment money (1,000 x 4) 4,000

Allotment amount not paid by Anupam 1,000

### undersubscription

**27. Quality stationery Ltd. registered with authorized capital of 20,00,000 divided into 1,00,000 equity shares of 20 each, 50,000 Equity share were issued for subscription at par, issue price being payable along with application. it received application money of 4,40,000.**

**You are required to pass the necessary journal entries.**

**Solution: Books of Quality stationery Journal**

Date	Particular	L.f	Dr.	Cr.
1.	Bank A/c (2,000 X 20)  To equity share application & allotment A/c  (Share app received on 22,000 equity share)		4,40,000	4,40,000

2.	Equity share application & allotment A/c  To Bank A/c  (Equity share app on 22,000 share refunded)		4,40,000	4,40,000
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$$\begin{aligned}\text{Number of Share} &= \frac{\text{Money Received on Application}}{\text{Application Money}} \\ &= \frac{4,40,00}{20} = 22,000\end{aligned}$$

28.A-one product Ltd. is registered with authorized capital of 10,00,000 divided into 50,000 equity share of 20 each. it issued 25,000 equity share for subscription at premium of 2 per share, issue price being payable along with application, it received 4,62,000 towards application money.

You are required to pass the necessary journal entries.

Solution: Books of A-one production Ltd.

#### Journal

Date	Particular	L.f	Dr.	Cr.
1.	Bank A/c (21,000 X 22) Dr.  To equity share application & allotment A/c  (Share app received on 22,000 equity share)		4,62,000	4,62,000

2.	Equity share application & allotment A/c Dr. To Bank A/c (Equity share app on 21,000 share refunded)			
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$$\text{Number of Share} = \frac{\text{Money Received on Application}}{\text{Application Money}}$$

$$= \frac{4,62,000}{22} = 21,000$$

29. Home products Ltd. is registered with authorized capital of 10,00,000 divided into 1,00,000 equity shares of 10 each. It issued 70,000 equity shares for subscription at premium of 2 per share, payable 3 on application, 5 on allotment and balance on first and final call, it received subscription for 62,500 shares.

You are required to pass the necessary journal entries.

Solution:

Journal

Date	Particular	L.f	Dr.	Cr.
1.	Bank A/c (62,500 X 3) Dr. To equity share application A/c (Share app received on 62,500 equity share @ 3 per share)		1,87,500	1,87,500

2.	Equity share application A/c	Dr.	1,87,500	
	To Bank A/c			1,87,500
	(Equity share app on 62,500 share refunded)			

30. Pure products Ltd. is registered with authorized capital of 10,00,000 divided into 1,00,000 equity shares of 10 each. It issued 70,000 equity shares for subscription at premium of 2 per share, payable 3 on application, 5 on allotment and balance on first and final call. It received application money amounting to 1,89,000.

You are required to:

- I. Determine whether the company should allot shares; and
- II. If yes, pass the necessary journal entries assuming that the company has received due amount on allotment and call.

Solution:

- I. Minimum subscription is  $70,000 \times 90\% = 63,000$  Shares. The application is received 1,89,000 thus number of shares on which application is received is  $1,89,000/3 = 63,000$  shares.  
Thus the company should allot the share to the subscribers.

II. Books of pure-products Ltd.  
Journal

Date	Particular	L.F.	Dr.	Cr.
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1.	Bank A/c (63,000 X 3) To equity share application A/c (equity share app received 68,000 share @ ₹ 3)	Dr.	1,89,000	1,89,000
2.	Equity share application A/c To equity share capital A/c (equity share app. Transferred to share capital)	Dr.	1,89,000	1,89,000
3.	Equity share allotment A/c ( 63,000 X 3) To equity share capital A/c (63,000 x 3) To securities premium reserve A/c (63,000 x 2) (equity share allotment due)	Dr.	3,15,000	1,89,000 1,26,000
4.	Bank A/c To equity share allotment A/c (equity share allotment received)	Dr.	3,15,000	3,15,000
5.	Equity share first & final call A/c To equity share capital A/c (63,000 x 4) (equity share first & final call due)	Dr.	2,52,000	2,52,000
6.	Bank A/c To equity share first & final call A/c (equity share first & final call received)	Dr.	2,52,000	2,52,000

$$\text{Number of share} = \frac{\text{Money Received on Application}}{\text{Application Money}}$$

$$= \frac{1,89,000}{3} = 63,000$$

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