



Forfeiture of Shares

Numerical Questions

VERY SHORT ANSWER QUESTIONS

VQ-1. ____ A Ltd. Company forfeited 200 shares of Rs. 10 each for non-payment of final call money of Rs. 3 per share.

Required: Journal entries for Forfeiture of share.

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Forfeiture of 200 shares			
	Share capital a/c (200 × 10) Dr.		2,000	-
	To Share forfeiture a/c (200 × 7)			1,400
	To Calls in arrear a/c (200 × 3)			600
	(Being forfeiture of 200 shares for non-payment of final call money)			

VQ-2. ____ P. Ltd. forfeited 1,500 shares of Rs. 10 each issued at 10% premium due to non-payment of Rs. 2 per share on first call and Rs. 3 per share on final call.

Required: Journal entries for Shares forfeiture

Ans.: Forfeiture Rs.7,500

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Share capital A/c (1,500 × 10) Dr.		15,000	
	To share forfeiture A/c (1,500 × 5)			7,500
	To calls in arrear A/c (1,500 × 5)			7,500
	(Being 1,500 shares of Rs. 10 each forfeited due to non-payment of calls money)			

VQ-3. ____ Z. Ltd. forfeited 1,000 shares of Rs. 10 each issued at 10% discount due to nonpayment of Rs. 2 per share on first call and Rs. 3 per share on final call.

Required: Journal entries for Shares forfeiture

Ans.: Forfeiture Rs.4,000,

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Share capital A/c (1000 × 10) Dr.		10,000	
	To share forfeiture A/c (1000 × 4)			4,000
	To discount on share A/c (1000 × 1)			1,000
	To calls in arrear A/c (1000 × 5)			5,000
	(Being 1,000 shares of Rs. 10 each issued at 10% discount forfeited due to non-payment of calls money)			

VQ-4. ____ B. Company Ltd. forfeited 100 shares of Rs. 100 each for non-payment of final call money of Rs. 30 each by a shareholder. Subsequently these shares were re-issued at Rs. 80 per share as fully paid up.

Required: Journal entries for Re-issue of share.

Ans: Loss on forfeiture Rs.2000

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a	Forfeiture of shares			
	Share capital a/c (100 × 100) Dr.		10,000	-
	To Share forfeiture a/c (100 × 70)			7,000
	To Calls in arrears a/c (100 × 30)			3,000
	(Being forfeiture of 100 shares for non-payment of final call money.)			
b.	Re-issue of shares			
	Bank a/c (100 × 80) Dr.		8,000	
	Share forfeiture a/c (100 × 20) Dr.		2,000	
	To Share capital (100 × 100) a/c			10,000
	(Being re-issue of 100 shares of Rs. 100 each at Rs. 80 per share as fully paid up)			

34 Principles of Accounting-II

VQ-5. _____ E. company Ltd. forfeited 100 shares of Rs. 100 each for non-payment of allotment money @ Rs. 50 and first and final call @ Rs. 30 per share. These shares were reissued @ Rs. 90 per share as fully paid.

Required: Journal entry for transfer.

Ans.: Capital reserve Rs. 1,000

Solution,

A Company Limited Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Forfeiture of 100 shares:			
	Share capital a/c (100 × 100).....Dr.		10,000	-
	To Share forfeiture a/c (100 × 20)			2,000
	To Calls-in-arrear a/c (100 × 80)			8,000
	(Being forfeiture of 100 shares of Rs. 100 each for non- payment of allotment and first and final call money of Rs. 80 each)			
	Re-issue of 100 shares:			
	Bank a/c (100 × 90).....Dr.		9,000	
	Share forfeiture a/c (100 × 10).....Dr.		1,000	
	To Share capital a/c (100 × 100)			10,000
	(Being re-issue of 100 shares of Rs. 100 each at Rs. 90 each)			
	Transfer of capital reserve:			
	Share forfeiture a/c (2,000 – 1,000).....Dr.		1,000	
	To Capital reserve a/c			1,000
	(Being surplus amount of forfeited shares transferred to capital reserve account)			

■ SHORT ANSWER QUESTIONS

■ Forfeiture and Re-issue of Shares Initially Issued at Par

SQ-1. _____ A Ltd. issued 10,000 shares of Rs. 10 each, payable Rs. 4 on application, Rs. 2 allotment and Rs. 4 on first and final call. All shares were subscribed and allotted all money was duly received except the call money on 500 shares. These shares were subsequently forfeited and were reissued as fully paid @ Rs. 8 each.

Required: Journal entries for a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans: Forfeiture Rs. 3,000, reissue Rs. 4,000, transfer Rs. 2,000

Solution,

Journal entries

Particulars	L.F.	Debit Rs.	Credit Rs.
Forfeiture			
Share capital A/c (500 × 10).....Dr.		5,000	
To Share forfeiture A/c (500 × 6)			3,000
To calls in arrear A/c (500 × 4)			2,000
(Being forfeited 500 shares by non-payment call money @ 4 each)			
Reissue			
Bank A/c (500 × 8)Dr.		4,000	
Share forfeiture A/c (500 × 2).....Dr.		1,000	
To Share capital A/c (500 × 10)			5,000
(Being 500 shares re-issued @ 8 each)			
Transfer			
Share forfeiture A/c 500 × (6 – 2).....Dr.		2000	
To capital reserve A/c			2,000
(Being profit transfer to capital reserve)			

SQ-2. _____ A Ltd. issued 10,000 shares of Rs. 10 each, payable Rs. 4 on application, Rs. 2 allotment and Rs. 4 on first and final call. All shares were subscribed and allotted and all call money was duly received except the call money on 500 shares. These shares were subsequently forfeited and were reissued as fully paid for Rs. 4800.

Required: Journal entries for a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs. 3,000, reissue, Rs. 4,800, transfer Rs. 2,800

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Share capital A/cDr.		5,000	
	To Share forfeiture A/c (500 × 6)			3,000
	To Calls in arrear A/c (500 × 4)			2,000
	(Being 500 shares of Rs. 10 each forfeited due to nonpayment of call money Rs. 4 each)			
2.	Bank A/cDr.		4,800	
	Share forfeiture A/cDr.		200	
	To share capital A/c (500 × 10)			5,000
	(Being 500 forfeited shares reissued at Rs. 4,800 as fully paid up)			

3.	Transfer Entry : Share forfeiture A/c (3,000 - 200) Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)	2,800	2,800
----	--	-------	-------

SQ-3. _____ Himalayan Dairy Ltd. has authorized Capital Rs. 50,00,000 divided into 50,000 shares of Rs. 100 each. It invited application for 30,000 shares, payable as Rs. 20 on application, Rs. 30 on allotment, Rs. 20 on first call and balance when required.

All application money was received except from a shareholder who had allotted 100 shares failed to pay the allotment and first call money. His shares were forfeited and re-issued at Rs. 60 per shares, credited as Rs. 70 paid up.

Required: Journal entries for: a. Shares forfeiture b. Shares re-issue c. Transfer entry
Ans.: Forfeiture Rs. 2,000, reissue, Rs. 6,000, transfer Rs. 1,000

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Share capital A/c (100 × 70) Dr. To share forfeiture A/c (100 × 20) To calls in arrear A/c (100 × 50) (Being 100 shares of Rs. 100 each Rs. 70 called up forfeited due to nonpayment of first call money Rs. 20 each)		7,000	2,000 5,000
2.	Bank A/c (100 × 60) Dr. Share forfeiture A/c (100 × 10) Dr. To share capital A/c (100 × 70) (Being 100 forfeited shares reissued at Rs. 60 each as Rs. 70 paid up)		6,000 1,000	7,000
3.	Share forfeiture A/c (2,000 - 1,000) Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		1,000	1,000

SQ-4. _____ X Ltd. forfeited 200 shares of Rs. 100 each issued at par due to non-payment of Rs 30 per share on first call. The final call of Rs.20 per share was not yet called up. Out of 200 forfeited shares 100 shares were re-issued at Rs.50 per share the paid up value of which was Rs.80.

Required: Journal entries for: a. Shares forfeiture b. Shares re-issue c. Transfer entry
Ans.: Forfeiture Rs.10,000, reissue, Rs.5,000, transfer Rs. 2,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Share capital A/c (200 × 80) Dr. To share forfeiture A/c (200 × 50) To calls in arrear A/c (200 × 30) (Being 200 shares of Rs. 100 each Rs. 80 called up forfeited due to non-payment of first call money Rs. 30 per share)		16,000	10,000 6,000
2.	Bank A/c (100 × 50) Dr. Share forfeiture A/c (100 × 30) Dr. To share capital A/c (100 × 80) (Being 100 forfeited shares of Rs. 100 each reissued at Rs. 50 each paid up value of which was Rs. 80)		5,000 3,000	8,000
3.	Share forfeiture A/c [100 (50 - 30)] Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		2,000	2,000

■ Forfeiture and Re-issue of Shares Initially Issued at Premium

SQ - 5. _____ Hima Engineering Ltd. issued 10,000 shares of Rs. 100 each at a premium of Rs. 20 per share, payable as Rs. 50 (including premium) on application, Rs. 30 on allotment and balance on first and final call. All money was called up and due money was received except from Mr. Suresh to whom 250 shares were allotted failed to pay the allotment and call money and his share were forfeited on the decision of Board. The forfeited shares were subsequently re-issued as fully paid for Rs. 18,000.

Required: Journal entries for: a. Shares forfeiture b. Shares re-issue c. Transfer entry
Ans.: Forfeiture Rs.7,500, reissue, Rs. 18,000, transfer Rs. 500

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Share capital A/c (250 × 100) Dr. To share forfeiture A/c (250 × 30) To calls in arrear A/c (250 × 70) (Being 250 shares of Rs. 100 each forfeited due to non-payment of allotment and call money)		25,000	7,500 17,500
b.	Bank A/c Dr. Share forfeiture A/c Dr. To share capital A/c (250 × 100) (Being reissue of 250 forfeited share at Rs. 18,000 as fully paid up)		18,000 7,000	25,000
c.	Share forfeiture A/c (7,500 - 7,000) Dr. To capital reserve A/c		500	500

36 Principles of Accounting-II

(Being surplus amount of forfeited shares transferred to capital reserve)

SQ - 6. Lumbini Sugar Mill Ltd. issued 20,000 shares of 100 each at a premium of Rs. 20, payable as Rs. 30 on application, Rs. 50 (including premium) on allotment and the balance on final call, which was duly made. All money was duly received except from a shareholder to whom 200 shares were allotted failed to pay the money due on allotment and call. And his shares were forfeited and forfeited shares were re-issued at Rs. 95 per share as fully paid including premium.

Required: Journal entries for: a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs.6,000, reissue, Rs. 19,000, transfer Rs. 1,000

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Share capital A/c (200 × 100)Dr. Share premium A/c (200 × 20)Dr. To share forfeiture A/c (200×30) To calls in arrear A/c (200 × 90) (Being 200 share of Rs. 100 each issued at 20% premium forfeited due to non-payment of allotment and calls money)		20,000 4,000	6,000 18,000
b.	Bank A/c (200 × 95)Dr. Share forfeiture (200 × 25)Dr. To share capital A/c (200 × 100) To share premium A/c (200 × 20) (Being 200 forfeited share reissued at Rs. 95 each as fully paid up including premium)		19,000 5,000	20,000 4,000
c.	Share forfeiture A/c (6,000 – 5,000)Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		1,000	1,000

SQ-7. X. Ltd. forfeited 250 shares of 10 each issued at a premium of Rs. 5 per share held by Mr. Ram for non-payment of allotment money of Rs. 7 per share (including Rs. 5 per share premium). The first call of Rs. 2, and final call of Rs. 3 per share. Out of forfeited shares 100 shares were re-issued to Mr. Bhagwan at Rs. 13 per share including premium.

Required: Journal entries for: a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs.750, reissue, Rs.1,300, transfer Rs. 100

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Share capital A/c (250 × 10)Dr. Share premium A/c (250 × 5)Dr. To Share forfeiture A/c 250 × 3) To Calls in arrear A/c(250 × 12) (Being 250 share of Rs. 10 each issued at Rs. 5 premium forfeited due to not payment of allotment and calls money)		2,500 1,250	750 3,000
b.	Bank A/c (100 × 13)Dr. Share forfeiture A/c (100 × 2)Dr. To share capital A/c (100 × 10) To share premium A/c (100 × 5) (Being 100 forfeited shares of Rs. 10 each reissued at Rs.13 each including premium)		1,300 200	1,000 500
c.	Share forfeiture A/c 100(3 – 2)Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		100	100

SQ -8. Y. Ltd. forfeited 500 shares of Rs. 100 each issued at 10% premium due to non-payment of Rs 40 per share (including premium) on allotment and Rs. 20 per share on first call. The final call of Rs.20 per share was not yet called up. Out of forfeited shares 250 shares were re-issued at Rs.75 per share including premium the paid up value of which was Rs.80.

Required: Journal entries for:

a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs.15,000, reissue, Rs.18,750, transfer Rs. 3,750

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Share capital A/c (500 × 80)Dr. Share premium A/c (500 × 10)Dr. To share forfeiture A/c (500 × 30) To calls in arrear A/c (500 × 60) (Being 500 shares of Rs. 100 each issued at 10% premium forfeited due to non-payment of allotment and first call money)		40,000 5,000	15,000 30,000
b.	Bank A/c (250 × 75)Dr. Share forfeiture (250 × 15)Dr. To share capital A/c (250 × 80)		18,750 3,750	20,000

-9. ____ B. Ltd. forfeited 600 shares of Rs. 10 each issued at 10% premium under the pro-rata using the ratio of 2:1 for non-payment of allotment of Rs. 5 (including premium) and call money of Rs. 2 per share. Out of forfeited shares 400 shares were re-issued at Rs.9 per share including premium as fully paid up.

Ans.: Forfeiture Rs.4,800, reissue, Rs.3,600, transfer Rs.2,400

Journal Entries

■ Forfeiture and Re-issue of Shares Initially Issued at Discount

Ans.: Forfeiture Rs.22,500, reissue, Rs. 35,000, transfer Rs. 12,500

Journal Entries

Ans.: Forfeiture Rs.2,500, reissue, Rs.2,000, transfer Rs. 1,000

Journal Entries

Journal Entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Equity shares capital A/c (500 × 10) Dr.		5,000	

38 Principles of Accounting-II

	To share forfeiture A/c (500 × 5)		2,500
	To Discount on share A/c (500 × 1)		500
	To calls in arrear A/c (500 × 4)		2,000
	(Being 500 shares of Rs. 10 each issued at 10% discount forfeited due to non-payment of call money)		
b.	Bank A/c (250 × 8).....Dr.	2,000	
	Discount on share A/c (250 × 1)Dr.	250	
	Share forfeiture A/c (250 × 1).....Dr.	250	
	To equity share capital A/c (250 × 10)		2,500
	(Being 250 forfeited share of Rs. 10 each issued at Rs. 8 per share)		
c.	Share forfeiture A/c 250 (5 – 1).....Dr.	1,000	
	To capital reserve A/c		1,000
	(Being surplus amount of forfeited shares transferred to capital reserve)		

SQ-12. ____ A Co. Ltd. forfeited 1000 shares of Rs. 100 each at 10% discount (called up Rs. 80), due to non-payment of first calls Rs. 20 out of these only 800 share were reissued at Rs. 80 per share as fully paid.

Required: Journal entries for forfeiture, Reissue and transfer.

Solution,

Journal entries in the book of A Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Share capital A/c (1,000×80)Dr.		80,000	
	To Share discount (1,000×10)			10,000
	To Share arrear (1,000×20)			20,000
	To Share forfeiture (1,000×50)			50,000
	(Being share forfeited due to non-payment of first call)			
	Bank A/c (800×80)Dr.		64,000	
	Share discount A/c (800×10)Dr.		8,000	
	Share forfeiture A/c (800×10)Dr.		8,000	
	To Share Capital A/c (800×100)			80,000
	(Being share re-issued)			
	Share forfeiture A/c (800×40)Dr.		32,000	
	To Capital reserve A/c			32,000
	(Being share forfeiture amount transferred to capital reserve)			

SQ-13. ____ X. Co. Ltd. forfeited 500 shares of Rs. 100 each issued at 10% discount, due to non-payment of allotment Rs. 40 and calls Rs. 20. Out of these forfeited shares, only 300 shares were reissued at Rs. 70 per share without discount.

Required: Journal entries for forfeited, Reissued and transfer.

Ans: Share forfeiture Rs. 15,000; Capital reserve Nil

Solution,

Journal entries in the book of X Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Share capital A/c (500×100)Dr.		50,000	
	To Share discount A/c (500×10)			5,000
	To Calls in arrears (500×60)			30,000
	To Share forfeiture A/c (500×30)			15,000
	(Being share forfeited due to non-payment of allotment call money)			
	Bank A/c (300×70)Dr.		21,000	
	Share forfeiture A/c (300×30)Dr.		9,000	
	To Share capital A/c (300×100)			30,000
	(Being forfeited share re-issued)			
	Share forfeiture A/c.....Dr.		Nil	
	To Capital reserve			Nil
	(Being share forfeiture amount transferred to capital reserve)			

LONG ANSWER QUESTIONS

LQ-1. ____ A Company limited issued 25,000 equity shares of Rs.100 each at a premium of 10% payable as follows:

On application Rs.25

On allotment Rs.60 (including premium)

On first and final calls Rs.25

Applications were received for 41,000 shares. These shares were allotted on pro-rata basis to the applicants for 30,000 and applications for 11,000 shares were rejected and refunded. Money excess paid on applications were utilized towards the sum due on allotment. Sujit to whom 100 shares were allotted, failed to pay allotment and first and final calls money and his shares were forfeited. Later on forfeited shares were reissued at Rs. 90 each.

Required: Journal entries for: application, allotment, calls and forfeiture.

Ans.: Calls in arrear Rs. 5,500 and Rs. 2,500; Share forfeiture Rs. 3,000, Capital Reserve Rs. 2,000 or Rs. 1,000

Solution, Working note

Group	Share applied	shares allotted
-------	---------------	-----------------

A	30,000	25,000
B	11,000	0(rejected)
Total	41,000	25,000

Group	Share application money received (Rs.)	Share capital amount accepted (Rs.)	Amount transferred to allotment (Rs.)	Amt. refunded (Rs.)
A.	30,000x25= 7,50,000	25,000x25= 6,25,000	1,25,000	--
B.	11,000x25= 2,75,000	-	--	2,75,000
Total	41,000x25=10,25,000	25,000x25= 6,25,000	1,25,000	2,75,000

Bhirkuti Paper Ltd.
Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1	Bank A/c..... Dr. To equity share application A/c (Being equity share application money received on 41,000 shares @Rs. 25 each.)		10,25,000	10,25,000
2	Equity share application A/c Dr. To equity share capital A/c To equity share allotment A/c To bank A/c (Being equity share application money transferred to equity share capital, equity shares allotment and balance is refunded.)		10,25,000	6,25,000 1,25,000 2,75,000
3	Equity share allotment A/c Dr. To Equity share capital A/c To Share premium A/c (Being equity share allotment money due on 25,000 shares @Rs. 40 each at a premium of Rs. 10 per share)		15,00,000	12,50,000 2,50,000
4	Bank A/c..... Dr. Calls in arrear A/c..... Dr. To Equity share allotment A/c (Being equity share allotment money received after adjusting excess money transferred from share application and calls in arrears.)		13,69,500 5,500**	13,75,000
5	Equity share first and final call A/c..... Dr. To equity share capital A/c (Being equity share first and final call money due on 25,000 shares @Rs. 25 each)		6,25,000	6,25,000
6	Bank A/c..... Dr. Calls in arrear A/c..... Dr. To equity share first and final call A/c (Being equity share first and final calls money received on 24,900 shares @Rs. 25 each after adjusting calls in arrears.)		6,22,500 2,500	6,25,000
7.	Equity share capital A/c (100x100)..... Dr. Share premium A/c (100x10)..... Dr. To share forfeiture A/c To calls in arrear A/c (Being forfeiture of 100 equity shares of Rs.100 each due to non-payment of share allotment and share first and final calls money.)		10,000 1,000	3,000 8,000
8.	Bank A/c (100x90) Dr. Share forfeiture A/c(100x10)..... Dr. To equity share capital A/c (100x100) (Being reissue of 100 forfeited shares of Rs.100 each at Rs.90 as fully paid up.)		9,000 1,000	10,000
9.	Share forfeiture A/c (3,000 –1000) Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		2,000	2,000

Working Note

Calculation of calls in arrear amount in allotment

- a. Ratio of share allotment of group B (30,000:25,000) = 6:5
- b. Allotted shares to Mr. Sujit = 100
- c. He applied for shares (100x 6/5) = 120
- d. He paid share application money (120x25) = Rs. 3,000
- e. He had allotted share capital money (100x25) = Rs. 2,500
- f. His excess payment in share application (3,000- 2,500) = Rs. 500
- g. His due on share allotment (100x60) = Rs. 6,000
- h. His calls in arrears on share allotment (6,000 – 500) = **Rs. 5,500****

LQ-2. ____ A Co. Ltd. issued 4,000 equity shares of Rs. 100 each at a premium of Rs.10 per share payable as follows:

On application Rs.20 per share

On allotment Rs.50 per share (including premium)

On first and final call Rs.40 per share

Applications were received for 6,000 shares. These shares were allotted on pro-rata basis to the applicants of 4,800 shares and applications for 1,200 shares were rejected. Money overpaid on applications were utilized towards sum due on

allotment. Rajesh to whom 200 shares were allotted failed to pay allotment and first and final call money, hence his shares were forfeited.

b. First and final call.

c. Forfeiture

Solution.

Journal entries in the book of A Co. Ltd.

Date	Particulars	L/F	Debit Rs.	Credit Rs.
a.	Share allotment A/c (4,000×50)..... Dr.		2,00,000	
	To Share premium A/c (4,000×10)			40,000
	To Share capital A/c (4,000×40)			160,000
	(Being share allotment money due)			
	Bank A/c (200,000 – 16,000 – 9,200)..... Dr.		174,800	
	Calls in arrears A/c..... Dr.		9,200	
	To Share allotment A/c			184,000
	(Being share allotment money received)			
b.	Share first and final call A/c (4,000×40)..... Dr.		160,000	
	To Share capital A/c			160,000
	(Being share first and final call money due)			
	Bank A/c (160,000 – 8,000)..... Dr.		152,000	
	Calls in arrear A/c..... Dr.		8,000	
	To Share first and final calls A/c			160,000
	(Being share first and final call money received)			
c.	Share capital A/c (200×100)..... Dr.		20,000	
	Share premium a/c (200×10)..... Dr.		2,000	
	To Calls in arrears A/c			17,200
	To Share forfeiture A/c			4,800
	(Being share forfeited due to non-payment of allotment and call money)			

Applied	Allotted
1200	NILL
4800	4000 pro-rata
<u>6000</u>	<u>4000</u>

$$\therefore \text{Pro-rata} = \frac{4000}{4800} = \frac{5}{6}$$

$$\text{No. of share applied} = 200 \times \frac{6}{5} = 240 \text{ shares}$$

Amount paid in application = $(240 \times 20) = \text{Rs. } 4800$

Amount utilized in application $(200 \times 20) = \underline{4000}$

Amount transferred to allotment	800
---------------------------------	-----

Amount to be paid in allotment $(200 \times 50) = \underline{10,000}$

∴ Calls in arrear in allotment (10,000 – 800) 9200

Again, Calls in arrear in first and final call = $(200 \times 40) = 8000$

LQ-3. ____ P Ltd. issued 25,000 equity shares of Rs. 100 each at Rs. 90 payable as follows:

Rs. 20 on application

Rs. 30 on allotment (Adjusted discount)

Rs. 40 on first and final call

Applications were received on 50,000 shares. Board of Directors decided to accept the applications for 15,000 shares in full, 10,000 shares were rejected, and remaining 25,000 shares were allotted on pro-rata basis. All payments were duly received except first and final call on 500 shares allotted on pro-rata basis. These shares were forfeited and later on reissued at Rs.75 as fully paid.

Required: Journal entries for: application, allotment, calls and forfeiture.

Ans.: Calls in arrear Rs. 20,000; Share forfeiture Rs. 25,000, Capital Reserve Rs. 17,500

Solution:

Working note

Group	Share applied	shares allotted
A	15,000	15,000(full)
B	10,000	0 (rejected)
C	25,000(remaining)	10,000(pro-rata)
Total	50,000	25,000

Group	Share application money received (Rs.)	Share capital amount accepted (Rs.)	Amount transferred to allotment (Rs.)	Amt. refunded (Rs.)
a.	15,000x20= 3,00,000	15,000x20=3,00,000	--	--
b.	10,000x20= 2,00,000	--	--	2,00,000

c.	25,000x20= 5,00,000	10,000x20=2,00,000	15,000x20=3,00,000	--
Total	50,000x20=10,00,000	25,000x20=5,00,000	15,000x20=3,00,000	2,00,000

Bhaktapur Craft Ltd.
Journal Entries

Date	Particulars	L/F	Debit Rs.	Credit Rs.
i.	Bank A/cDr. To equity share application A/c (Being equity share application money received on 50,000 shares @Rs. 20 each.)		10,00,000	10,00,000
ii.	Equity share application A/cDr. To equity share capital A/c To equity share allotment A/c To bank A/c (Being equity share application money transferred to equity share capital, equity share allotment and balance is refunded.)		10,00,000	5,00,000 3,00,000 2,00,000
iii.	Equity share allotment A/cDr. Discount on share A/cDr. To equity share capital A/c (Being equity share allotment money due on 25,000 shares @Rs. 30 each at a discount of Rs.10.)		7,50,000 2,50,000	10,00,000
iv.	Bank A/cDr. To equity share allotment A/c (Being equity share allotment money received after adjusting excess money transferred from share application.)		4,50,000	4,50,000
v.	Equity share first and final call A/cDr. To equity share capital A/c (Being equity share first and final call money due on 25,000 shares @Rs. 40 each)		10,00,000	10,00,000
vi.	Bank A/cDr. Calls in arrear A/cDr. To equity share first and final call A/c (Being equity share first and final calls money received on 24,500 shares @Rs. 40 each after adjusting calls in arrear.)		9,80,000 20,000	10,00,000
vii.	Equity share capital A/c (500x100)Dr. To share forfeiture A/c (500x50) To discount on shares A/c (500x10) To calls in arrear A/c (500x40) (Being forfeiture of 500 equity shares of Rs.100 each, initially issued at 10% discount, due to non-payment of first and final calls money.)		50,000	25,000 5,000 20,000
viii.	Bank A/c (500x75)Dr. Discount on shares A/c (500x10)Dr. Share forfeiture A/c (500x15)Dr. To equity share capital A/c (500x100) (Being reissue of 500 forfeited shares of Rs.100 each, initially issued at 10% discount, at Rs.75 as fully paid up)		37,500 5,000 7,500	50,000
ix.	Share forfeiture A/c (25,000 – 7,500)Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		17,500	17,500

LQ -4. ___ B. Ltd. registered with an authorized capital of 1,00,000 equity shares of Rs.100 each. It invited applications for 50,000 equity shares of Rs. 100 each payable as under:

On application Rs.20

On allotment Rs. 40

On first and final call Rs. 40

Applications were received for 100,000 shares. The allotment was made as follows:

To the applicants of 20,000 shares Nil

To the applicants of 20,000 shares Full

To the applicant of remaining shares..... 50%

It was decided to utilize excess application money in part payment of allotment. All money was duly received except a holder who applied for 1000 shares and was given 500 shares failed to pay the allotment and call money. The Board of Directors decided to forfeit these shares. Later on forfeited shares were reissued at Rs.90 as fully paid.

Required: Journal entries for: application, allotment, calls and forfeiture.

Ans.: Calls in arrear Rs. 10,000 and Rs. 20,000; Share forfeiture Rs. 20,000, Capital Reserve Rs. 15,000

Solution,

Working note

Group	Share applied	shares allotted
A	20,000	0(nil)
B	20,000	20,000 (full)
C	60,000 (remaining)	30,000(50%)
Total	100,000	50,000

Group	Share application money	Share capital amount	Amount transferred to	Amt.
-------	-------------------------	----------------------	-----------------------	------

42 Principles of Accounting-II

	received (Rs.)	accepted (Rs.)	allotment (Rs.)	refunded (Rs.)
A.	20,000x20= 4,00,000	--	--	4,00,000
B.	20,000x20= 4,00,000	20,000x20= 4,00,000	--	--
C.	60,000x20= 12,00,000	30,000x20=6,00,000	30,000x20=6,00,000	--
Total	100,000x20=20,00,000	50,000x20=10,00,000	30,000x20=6,00,000	4,00,000

Bhirkuti Paper Ltd. Journal Entries

Date	Particulars	L/F	Debit Rs.	Credit Rs.
i.	Bank A/c Dr. To equity share application A/c (Being equity share application money received on 100,000 shares @Rs. 20 each.)		20,00,000	20,00,000
ii.	Equity share application A/c Dr. To equity share capital A/c To equity share allotment A/c To bank A/c (Being equity share application money transferred to equity share capital, equity shares allotment and balance is refunded.)		20,00,000	10,00,000 6,00,000 4,00,000
iii.	Equity share allotment A/c Dr. To equity share capital A/c (Being equity share allotment money due on 50,000 shares @Rs. 40 each)		20,00,000	20,00,000
iv.	Bank A/c Dr. Calls in arrear A/c Dr. To equity share allotment A/c (Being equity share allotment money received after adjusting excess money transferred from share application and calls in arrear.)		13,90,000 10,000**	14,00,000
v.	Equity share first and final call A/c Dr. To equity share capital A/c (Being equity share first and final call money due on 50,000 shares @Rs. 40 each)		20,00,000	20,00,000
vi.	Bank A/c Dr. Calls in arrear A/c Dr. To equity share first and final call A/c (Being equity share first and final calls money received on 49,500 shares @Rs. 40 each after adjusting calls in arrear.)		19,80,000 20,000	20,00,000
vii.	Equity share capital A/c (500x100) Dr. To share forfeiture A/c To calls in arrear A/c (Being forfeiture of 500 equity shares of Rs.100 each due to non-payment of share allotment and share first and final calls money.)		50,000	20,000 30,000
viii.	Bank A/c (500x90) Dr. Share forfeiture A/c (500x10) Dr. To equity share capital A/c (500x100) (Being reissue of 500 forfeited shares of Rs.100 each at Rs.90 as fully paid up)		45,000 5,000	50,000
ix.	Share forfeiture A/c (20,000 –5000) Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)		15,000	15,000

Working Note

Calculation of calls in arrear amount in allotment

- Ratio of share allotment of group B (12,000:6,000) = 2:1
- Allotted shares to Mr. Shrestha = 500
- He applied for shares (500x 2/1) = 1000
- He paid share application money (1000x20) = **Rs.20,000**
- He had allotted share capital money (500x20) = Rs. 10,000
- His excess payment in share application (20,000- 10,000) = Rs. 10,000
- His due on share allotment (500x40) = Rs. 20,000
- His calls in arrears on share allotment (20,000 – 10,000) = **Rs. 10,000****

LQ-5. ____ A company limited issued 10,000 shares of Rs. 100 each payable as under:

On application Rs. 40

On allotment Rs. 30

On first and final calls Rs. 30

Applications were received for 16,000 shares and allotment was made on the following basis:

To applicants for 6,000 shares full

To applicants for 8,000 shares4,000 shares

To applicants for 2,000 shares Nil

All excess amount paid on application is to be adjusted against amount due on allotment and subsequent calls. The shares were fully called and paid up except one shareholder to whom 200 shares were allotted failed to pay first and final calls and his shares were forfeited.

Required: Journal entries for: a. Allotment

b. First and final calls

c. Forfeiture

Ans.: Calls in arrear Rs. 4,000, share forfeiture Rs. 16,000

Solution,

Journal entries in the book of A Company Limited

Date	Particulars	L/F	Debit Rs.	Credit Rs.
a.	Share allotment A/c (10,000×30)..... Dr. To Share capital A/c (Being share allotment money due)		300,000	300,000
	Bank A/c (300,000 – 120,000) Dr. To Share allotment A/c (Being share allotment money received)		180,000	180,000
b.	Share first and final call A/c (10,000×30) Dr. To Share capital A/c (Being share first and final call money due)		300,000	300,000
	Bank A/c (300,000–40,000 – 4,000) Dr. Calls in arrears A/c Dr. To Share first and final call A/c (Being share first and final call money received)		2,56,000 4,000	260,000
c.	Share capital A/c (200×100) Dr. To Calls in arrears A/c To Share forfeiture A/c (Being share forfeiture)		20,000	4,000 16,000

Working Notes:

No. of share applied = $200 \times \frac{2}{1} = 400$ share

Amount transferred in first and final call (200×10) = 2,000

Amount to be paid in first and final call (200×30) = 6,000

∴ Calls in arrears = Rs. 4,000

Excess appⁿ rate = $\frac{\text{Share applied} - \text{allotted}}{\text{allotted}} \times \text{App}^n \text{ rate} = \frac{8000 - 4000}{4000} \times 40 = \text{Rs. } 40$

LQ-6. A Ltd. company issued 100,000 equity shares of Rs. 100 each payable as follows:

On application Rs. 30

On allotment Rs. 30

On first and final call Rs. 40

Applications were received for 160,000 shares. Allotment was made as follows:

To Applicants for..... 80,000 shares: Full

To Applicants for..... 40,000 shares : Refunded

To Applicants for 40,000 shares : pro-rata

The excess money received on application was utilized toward the sum due on allotment. All the calls money were duly received, except a shareholder to whom 1000 shares were allotted from pro-rata basis failed to pay first and final call money, therefore, his share were forfeited. Later on his forfeited shares were reissued at Rs.90 each.

Required: Journal entries for: application, allotment, calls and forfeiture.

Ans.: Transferred to allotment Rs. 6,00,000, Share forfeiture Rs. 60,000, Capital reserve Rs.50,000

Solution,

Working note

Group	Share application money received (Rs.)	Share capital amount accepted (Rs.)	Amount transferred to allotment (Rs.)	Amt. refunded (Rs.)
A.	80,000×30= 24,00,000	80,000×30= 24,00,000	--	--
B.	40,000×30= 12,00,000	--	--	40,000×30= 12,00,000
C	40,000×30= 12,00,000	20,000×30= 6,00,000	20,000×30= 6,00,000	--
Total	160,000×30= 48,00,000	100,000×30= 30,00,000	6,00,000	12,00,000

Bhirkuti Paper Ltd.

Journal Entries

Date	Particulars	L/F	Debit Rs.	Credit Rs.
1	Bank A/c Dr. To equity share application A/c (Being equity share application money received on 160,000 shares @Rs. 30 each.)		48,00,000	48,00,000
2	Equity share application A/c Dr. To equity share capital A/c To equity share allotment A/c		48,00,000	30,00,000 6,00,000

44 Principles of Accounting-II

	To bank A/c (Being equity share application money transferred to equity share capital, equity shares allotment and balance is refunded.)		12,00,000
3	Equity share allotment A/cDr. To equity share capital A/c (Being equity share allotment money due on 100,000 shares @Rs. 30 each)	30,00,000	30,00,000
4	Bank A/cDr. To equity share allotment A/c (Being equity share allotment money received on 80,000 shares @ Rs 30 each after adjusting excess money transferred from share application and calls in arrear.)	24,00,000	24,00,000
5	Equity share first and final call A/cDr. To equity share capital A/c (Being equity share first and final call money due on 1,00,000 shares @Rs. 40 each)	40,00,000	40,00,000
6	Bank A/cDr. Calls in arrear A/c (1000x40)Dr. To equity share first and final call A/c (Being equity share first and final calls money received on 99,000 shares @Rs. 40 each after adjusting calls in arrear.)	39,60,000 40,000	40,00,000
7	Equity share capital A/c (1000x100)Dr. To share forfeiture A/c To calls in arrear A/c (Being forfeiture of 100 equity shares of Rs.100 each due to non-payment of share allotment and share first and final calls money.)	100,000	60,000 40,000
8	Bank A/c (1000x90)Dr. Share forfeiture A/c (1000x10)Dr. To equity share capital A/c (1000x100) (Being reissue of 1000 forfeited shares of Rs.100 each at Rs.90 as fully paid up)	90,000 10,000	100,000
9	Share forfeiture A/c (60,000 –10000)Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)	50,000	50,000

Working Note

Calculation of calls in arrear amount in allotment

- Ratio of share allotment of group B (40,000:20,000) = 2:1
- Allotted shares to shareholder = 1000
- He applied for shares (1000x 2/1) = 2000
- He paid share application money (2,000x30) = **Rs. 60,000**
- He had allotted share capital money (1000x30) = Rs. 30,000
- His excess payment in share application (60,000- 30,000) = Rs. 30,000
- His due on share allotment (1000x30) = Rs. 30,000
- His calls in arrears on share allotment (30,000 – 30,000) = **Rs. 00**

LQ-7. Himal Ltd. registered with an authorized capital of 100,000 shares of Rs.100. It invited application on 40,000 shares at 10% premium payable as follows:

- On Application Rs 30
- On allotment Rs. 50 (including premium)
- On first and final call Rs. 30

Applications were received for 80,000 shares. The directors decided the following pattern of allotment:

Applicant groups	Share Applied	Shares Allotted
A	10,000	10,000
B	20,000	10,000
C	20,000	Nil
D	30,000	Pro-rata

The company can utilize the excess application money on allotment and calls. All amount due on allotment and call was received. But Mr. Shrestha who had allotted 500 shares of group B failed to pay allotment and calls money.

Required: Journal entries for: application, allotment, calls and forfeiture.

Ans.: Calls in arrear Rs. 10,000 and Rs. 15,000; Share forfeiture Rs. 30,000, Capital Reserve Rs. 20,000

Solution,

Working note

Group	Share application money received (Rs.)	Share capital amount accepted (Rs.)	Amount transferred to allotment (Rs.)	Am. refunded (Rs.)
A.	10,000x30= 300,000	10,000x30= 300,000	--	--
B.	20,000x30= 6,00,000	10,000x30=300,000	10,000x30=300,000	--
C.	20,000x30= 6,00,000	--	--	600,000
D.	30,000x30=9,00,000	20,000x30=6,00,000	10,000x30=3,00,000	--
Total	80,000x30=24,00,000	40,000x30=12,00,000	6,00,000	600,000

Bhirkuti Paper Ltd.

Journal Entries

Date	Particulars	L/F	Debit Rs.	Credit
------	-------------	-----	-----------	--------

			Rs.
1	Bank A/c Dr. To share application A/c (Being share application money received on 80,000 shares @Rs. 30 each.)	24,00,000	24,00,000
2	Share application A/c Dr. To share capital A/c To share allotment A/c To bank A/c (Being share application money transferred to share capital, shares allotment, share first and final call and balance is refunded.)	24,00,000	12,00,000 6,00,000 6,00,000
3	Share allotment A/c Dr. To share capital A/c To share premium A/c (Being share allotment money due on 40,000 shares @Rs. 40 each at a premium of Rs.10)	20,00,000	16,00,000 4,00,000
4	Bank A/c Dr. Calls in arrear A/c Dr. To share allotment A/c (Being share allotment money received after adjusting excess money transferred from share application.)	11,90,000 10,000**	12,00,000
5	Share first and final call A/c Dr. To share capital A/c (Being share first and final call money due on 40,000 shares @Rs. 30 each)	12,00,000	12,00,000
6	Bank A/c Dr. Calls in arrear A/c Dr. To share first and final call A/c (Being share first and final calls money received on 39,500 shares @ Rs 30 each.)	11,85,000 15,000	12,00,000
7.	Share capital A/c (500x100) Dr. Share premium A/c (500x10) Dr. To share forfeiture A/c To calls in arrear A/c (Being forfeiture of 500 equity shares of Rs.100 each due to non-payment of share allotment and share first and final calls money.)	50,000 5,000	30,000 25,000
8.	Bank A/c (500x90) Dr. Share forfeiture A/c Dr. To share capital A/c (500x100) To share premium A/c (500x10) (Being reissue of 500 forfeited shares of Rs.100 each at Rs.90 as fully paid up including share premium of Rs.10 per share)	45,000 10,000	50,000 5,000
9.	Share forfeiture A/c (30,000- 10,000) Dr. To capital reserve A/c (Being surplus amount of forfeited shares transferred to capital reserve)	20,000	20,000

Working Note

Calculation of calls in arrear amount in allotment

- Ratio of share allotment of group B (20,000:10,000) = 2:1
- Allotted shares to Mr. Shrestha = 500
- He applied for shares (500x 2/1) = 1000
- He paid share application money (1000x30) = **Rs.30,000**
- He had allotted share capital money (500x30) = Rs. 15,000
- His excess payment in share application (30,000- 15,000) = Rs. 15,000
- His due on share allotment (500x50) = Rs. 25,000
- His calls in arrears on share allotment (25,000 – 15,000) = **Rs. 10,000****

■ ASSIGNMENT QUESTIONS FOR INTERNAL EVALUATION

- Butwal Sugar Mill Ltd. issued 40,000 shares of 100 each at a premium of Rs. 20, payable as Rs. 30 on application, Rs. 50 (including premium) on allotment and the balance on final call, which was duly made. All money was duly received except from a shareholder to whom 400 shares were allotted failed to pay the money due on allotment and call. And his shares were forfeited and forfeited shares were re-issued at Rs. 95 per share as fully paid including premium.

Required: Journal entries for: a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs.12,000, transfer Rs. 2,000

Solution,

Journal entries in the book of Butwal Sugar Mill Ltd.

Date	Particulars	L/F	Debit Rs.	Credit Rs.
	Share Capital A/c (400x100) Dr.		40,000	
	Share premium A/c (400x20) Dr.		8,000	
	To Calls in arrears A/c (400x90)			36,000
	To Share forfeiture A/c (400x30)			12,000
	(Being share forfeited due to non-payment of allotment and call money)			
	Bank A/c (400x95)		38,000	
	Share forfeiture A/c (400x25) Dr.		10,000	

46 Principles of Accounting-II

To Share capital A/c (400×100)		40,000
To Share premium A/c (400×20)		8,000
(Being re-issue of 400 share at Rs. 95 per share fully paid including premium)		
Share forfeiture A/c (400×5) Dr.	2,000	
To capital reserve a/c		2,000
(Being gain on forfeiture transfer to capital reserve account)		

2. Z. Ltd. forfeited 500 shares of 10 each issued at a premium of Rs. 5 per share held by Mr. Ram for non-payment of allotment money of Rs. 7 per share (including Rs. 5 per share premium). The first call of Rs. 2, and final call of Rs. 3 per share. Out of forfeited shares 300 shares were re-issued to Mr. Rajesh at Rs. 13 per share including premium.

Required: Journal entries for: a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs. 1,500; transfer Rs. 300

Solution,

Journal entries in the book of Z Ltd.

Date	Particulars	L/F	Debit Rs.	Credit Rs.
	Share capital A/c (500×10) Dr.		5,000	
	Share premium A/c (500×5) Dr.		2,500	
	To Calls in arrear A/c (500×12)			6,000
	To Share forfeiture A/c (500×3)			1,500
	(Being share forfeited due to non-payment of allotment and calls)			
	Bank A/c (300×13) Dr.		3,900	
	Share forfeiture A/c (300×2) Dr.		600	
	To Share capital A/c (300×10)			3,000
	To Share premium A/c (300×5)			1,500
	(Being share re-issued)			
	Share forfeiture A/c (300×1) Dr.		300	
	To Capital reserve			300
	(Being share forfeiture amount transferred to capital reserve)			

3. H. Ltd. forfeited 1000 shares of Rs. 100 each issued at 10% premium due to non-payment of Rs 40 per share (including premium) on allotment and Rs. 20 per share on first call. The final call of Rs.20 per share was not yet called up. Out of forfeited shares 500 shares were re-issued at Rs.75 per share including premium the paid up value of which was Rs.80.

Required: Journal entries for: a. Shares forfeiture

b. Shares re-issue

c. Transfer entry

Ans.: Forfeiture Rs. 30,000; transfer Rs. 7,500

Solution,

Journal entries in the book of H. Ltd.

Date	Particulars	L/F	Debit Rs.	Credit Rs.
	Share capital A/c (1000×80) Dr.		80,000	
	Share premium a/c (1000×10) Dr.		10,000	
	To Calls in arrears (1000×60)			60,000
	To Share forfeiture A/c (1000×30)			30,000
	(Being share forfeited due to non-payment of allotment call)			
	Bank A/c (500×75) Dr.		37,500	
	Share forfeiture A/c (500×15) Dr.		7,500	
	To Share capital A/c (500×80)			40,000
	To Share premium (500×10)			5,000
	(Being share re-issued)			
	Share forfeiture A/c (500×15) Dr.		7,500	
	To Capital reserve A/c			7,500
	(Being share forfeiture amount transferred)			

4. C. Ltd. company issued 20,000 shares of Rs. 100 each at a discount of Rs. 5 per share at allotment call payable as follows.
On application Rs. 30 On allotment Rs. 35 On first and final call Rs. 30
Applications were receive for 10,000 shares and allotment were also completed. All the due money was collected with the exception of on 800 shares due on first and final call. Subsequently these 800 shares were forfeited. Out of forfeited share only 500 shares were re-issued at Rs. 80 per share as fully paid without discount.

Required: Entries for: a. Forfeiture

b. Re-issue

c. Transfer

Ans.: Share forfeiture Rs. 52,000

Solution,

Journal entries in the book of C. Ltd.

Date	Particulars	L/F	Debit Rs.	Credit Rs.
	Share capital A/c (800×100) Dr.		80,000	
	To Share discount A/c (800×5)			4,000
	To Calls in arrear A/c (800×30)			24,000
	To Share forfeiture A/c (800×65)			52,000
	(Being share forfeited due to non-payment of call money)			
	Bank A/c (500×80) Dr.		40,000	
	Discount A/c (500×5) Dr.		2,500	

Share forfeiture A/c (500×15)..... Dr.	7,500	50,000
To Share capital A/c (500 × 100) (Being share re-issued)		
Share forfeiture A/c (500×50)..... Dr.	25,000	25,000
To Capital reserve A/c (Being share forfeiture amount transferred to capital reserve)		

5. A Company limited issued 1,00,000 equity shares of Rs.100 each at a premium of 10% payable as follows:

On application Rs.25
On allotment Rs.60 (including premium)
On first and final calls Rs.25

Applications were received for 1,50,000 shares. These shares were allotted on pro-rata basis to the applicants for 1,20,000 and applications for 30,000 shares were rejected and refunded. Money excess paid on applications were utilized towards the sum due on allotment. Suman to whom 1000 shares were allotted, failed to pay allotment and first and final calls money and his shares were forfeited.

Required: Journal entries for: a. allotment b. first and final calls c. forfeiture

Ans: Calls in arrear Rs. 55,000, 25,000; Share forfeiture Rs. 30,000

Solution,

Journal entries in the book of A Company Limited

Date	Particulars	L/F	Debit Rs.	Credit Rs.
	Share allotment A/c (100,000×60) Dr.		60,00,000	
	To Share premium A/c (100,000×10)			10,00,000
	To Share capital A/c (100,000×50) (Being share allotment money due)			50,00,000
	Bank A/c (60,00,000–50,000 – 55,000) Dr.		54,45,000	
	Calls in arrears A/c Dr.		55,000	
	To Share allotment (Being share allotment money received)			55,00,000
	Share first and final call A/c (100,000×25) Dr.		25,00,000	
	To Share capital A/c (Being share call money due)			25,00,000
	Bank A/c (25,00,000–25,000) Dr.		24,75,000	
	Calls in arrears A/c Dr.		25,000	
	To Share first and final call A/c (Being share first and final call money receive)			25,00,000
	Share capital A/c (1000×100) Dr.		1,00,000	
	Share premium A/c (1000×10) Dr.		10,000	
	To Calls in arrears A/c			80,000
	To Share forfeiture A/c (Being forfeiture of 1000 share due to non-payment of calls money)			30,000

Working Notes:

No. of share applied $1000 \times \frac{6}{5} = 1200$ share

Amount paid in application (1200×25) = 30,000

Amount utilized in appⁿ = (1000×25) = 25,000

Amount transferred in allotment 5,000

Amount of be paid in allotment (1000×60) 60,000

∴ Calls in arrears 55,000

Again, Calls in arrears in first and final call (1000×25) = 25,000

6. A company Ltd. issued 20,000 shares of Rs. 100 each payable as under:

On application Rs. 20 On allotment Rs. 30 On Firsts and final call Rs. 50

Applications were received for 40,000 shares. Allotment was made on the following basis.

To applicants for 10,000 shares full

To applicants for 20,000 shares 10,000 shares

To applicants for 10,000 shares Nil

Excess money received on applications were utilized towards the sum due on allotment. Shares wired fully called and paid up, except one shareholder to whom 500 shares were allotted on pro-rata basis, filed to pay on first and final call and his shares were forfeited.

Required: Journal entries for:

a. Allotment b. First and final call c. Forfeiture

Ans.: Share forfeiture Rs. 25,000

Solution,

Journal entries in the book of A company Ltd.

Date	Particulars	L/F	Debit Rs.	Credit Rs.
	Share allotment A/c (20,000×30)..... Dr.		6,00,000	
	To Share capital A/c (Being allotment money due)			6,00,000

48 Principles of Accounting-II

Bank A/c (600,000–200,000) Dr.	400,000	400,000
To Share allotment A/c (Being allotment money received)		
Share first and final call A/c (20,000×50) Dr.	10,00,000	10,00,000
To Share capital A/c (Being call money due)		
Bank A/c (10,00,000–25,000) Dr.	9,75,000	
Calls in arrears A/c (500×50) Dr.	25,000	
To Share first and final call A/c (Being call money received)		10,00,000
Share capital A/c (500×100) Dr.	50,000	
To Calls in arrears A/c		25,000
To Share forfeiture A/c		25,000
(Being share forfeited due to non-payment of call money)		

7. X. Ltd. registered with nominal capital of 50,000 shares of Rs. 100 each. It issued 5,000 such shares at 10% premium payable as follows:

Rs. 20 on Application Rs. 50 on Allotment (including premium) Rs. 40 on first and final call

Applications were received 10,000 shares. Allotment was made to all applicants on pro-rata basis and excess money paid on applications was transferred to allotment. All money due on allotment and call was received except from Mr. Rai who had allotted 500 shares failed to pay allotment and call money. His shares were forfeited and reissued at Rs. 95 per share as fully paid up including premium.

Required: a. Journal entries

b. Opening balance sheet

Ans.: Calls in arrear Rs. 15,000, Rs 20,000, Share forfeiture Rs. 20,000 Capital reserve Rs. 12,500, B/S Rs. 5,62,500

Solution

a. Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
i.	Bank A/c Dr. To share application A/c (Being share application money received on 10,000 shares @ Rs.20 each)		2,00,000	2,00,000
ii.	Share application A/c Dr. To share capital A/c (5,000 × 20) To share allotment A/c (5,000 × 20) (Being share application money transferred to share capital and share allotment)		2,00,000	1,00,000 1,00,000
iii.	Share allotment A/c (5,000 × 50) Dr. To share capital A/c (5,000 × 40) To share premium A/c (5,000 × 10) (Being share allotment money due on 5,000 shares @ Rs.40 each at a premium of Rs.10 per share)		2,50,000	2,00,000 50,000
iv.	Bank A/c Dr. Calls in arrear A/c Dr. To share allotment A/c (Being share allotment received after adjusting excess money transferred from share application and calls in arrear)		1,35,000 15,000**	1,50,000
v.	Share first and final call A/c Dr. To Share capital A/c To share capital A/c (Being share first and final call money due on 5,000 shares @ Rs.40 each)		2,00,000	2,00,000
vi.	Bank A/c (200000 – 500 × 40) Dr. Calls in arrear A/c (500 × 40) Dr. To share first and final call A/c (Being share first and final call money received on 4,500 shares @ Rs.40 each after adjusting calls in arrear)		1,80,000 20,000	2,00,000
vii.	Share Capital A/c (500×100) Dr. Share premium A/c (500×10) Dr. To Share forfeiture A/c To Calls in arrear A/c (Being 500 shares of Mr. Rai of Rs. 100 each issued at 10% premium forfeited due to non payment of allotment and calls money)		50,000 5,000	20,000 35,000
viii.	Bank A/c (500×95) Dr. Share forfeiture A/c (500×15) Dr. To Share Capital A/c (500×100) To Share Premium A/c (500×10) (Being 500 forfeited shares were reissued @Rs. 90 as fully paid up including premium)		47,500 7,500	50,000 5,000
ix.	Share forfeiture A/c (20,000–7,500) Dr. To Capital reserve A/c (Being surplus amount of forfeited share are transferred to capital reserve)		12,500	12,500

b. Opening Balance sheet

Capital & liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Authorize share capital		Bank A/c Dr.	5,62,500
50,000 shares@ Rs.100 each	50,00,000		
Share capital	4,65,000		
5,000 shares of Rs. 100	5,00,000		

Share premium.....	50,000		
Capital reserve	12,500		
Total	5,62,500	Total	5,62,500

Working Notes

- a. Ratio of share allotment: (10,000: 5,000) = 2:1
- b. Allotted share to share holder = 500
- c. He applied for the share (500 × 2:1) = 1,000
- d. He paid share application money (1,000 × 20) = **20,000**
- e. He had allotted share capital money (500 × 20) = 10,000
- f. He excess payment in share application (20,000 – 10,000) = 10,000
- g. His due in share allotment (500 × 50) = 25,000
- h. His calls in arrears (25,000 – 10,000) = 15,000