

ISSUE OF SHARE

NUMERICAL QUESTIONS

VERY SHORT ANSWER QUESTIONS

Lump Sum Method

VQ-1. ___ (Issue of shares at par), Zonal Ltd. issued 10,000 equity shares of Rs. 100 each at par payable in lump-sum basis. Applications for all the shares were received and allotted to all the shareholders.

Required: Journal entries for share application and transfer.

Solution,

Journal entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c.....Dr. To Share Application A/c (Being share application money received on 10,000 share @ Rs. 100 each)		10,00,000	10,00,000
2	Share application A/c.....Dr. To Share capital A/c (Being share application amount transferred to share capital account)		10,00,000	10,00,000

VQ-2. ___ (Issue of shares at premium), Yak Ltd. issued 10,000 equity shares of Rs. 100 each at 10% premium payable in lump-sum basis. Applications for all the shares were received and allotted to all the shareholders.

Required: Journal entries for share application and transfer.

Solution,

Journal entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c.....Dr. To Share Application A/c (Being share application money received on 10,000 share @ Rs. 100 each at 10% premium)		11,00,000	11,00,000
2	Share application A/c.....Dr. To share capital A/c To Share premium A/c (Being share application amount transferred to share capital and share premium account)		11,00,000	10,00,000 1,00,000

VQ-3. ___ (Issue of shares at discount), Zone Ltd. issued 10,000 equity shares of Rs. 100 each at 10% discount payable in lump-sum basis. Applications for all the shares were received and allotted to all the shareholders.

Required: Journal entries for share application and transfer

Solution,

Journal entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c.....Dr. To Share Application A/c (Being share application money received on 10,000 share @ Rs. 100 each at 10% discount)		9,00,000	9,00,000
2	Share application A/c.....Dr. Discount on share A/c.....Dr. To Share capital A/c (Being share application amount and discount on share transferred to share capital A/c)		9,00,000 1,00,000	10,00,000

SHORT ANSWER QUESTIONS

Installment Method

Issue of Shares at Par

SQ- 1. ___ Development Bank Ltd. was registered with an authorized capital of Rs. 10,00,000 divided into 10,000 shares of Rs. 100 each, payable as Rs. 20 per share on application, Rs. 30 on allotment, Rs. 25 on first call and Rs. 25 on final call. It invited applications for 5,000 shares. All the shares were subscribed and fully paid for by the public.

Required: Journal entries for:

- | | |
|----------------------|---------------------|
| a. Share application | b. Share allotment |
| c. Share first call | d. Share final call |

Solution,

Journal entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.

1.	Bank A/c (5,000 × 20)..... Dr. To Share application A/c (Being share application money received on 5,000 shares @ Rs. 20 each)	1,00,000	1,00,000
2.	Share application A/c..... Dr. To Share capital A/c (Being share application money transferred to share capital)	1,00,000	1,00,000
3.	Share allotment A/c (5,000 × 30)..... Dr. To share capital A/c (Being share allotment money due on 5,000 shares @ Rs. 30 each)	1,50,000	1,50,000
4.	Bank A/c..... Dr. To Share allotment A/c (Being share allotment money received on 5,000 shares @ Rs. 30 each)	1,50,000	1,50,000
5.	Share 1 st call A/c (5000 × 25)..... Dr. To Share capital A/c (Being share 1 st call money due on 5,000 shares @ Rs. 25 each)	1,25,000	1,25,000
6.	Bank A/c..... Dr. To Share 1 st call A/c (Being share 1 st call money received on 5,000 shares @ Rs. 25 each)	1,25,000	1,25,000
7.	Share final call A/c (5000 × 25)..... Dr. To Share capital A/c (Being share final call money due on 5,000 shares @ Rs. 25 each)	1,25,000	1,25,000
8.	Bank A/c..... Dr. To Share final call A/c (Being share final call money received on 5,000 shares @ Rs. 25 each)	1,25,000	1,25,000

Issue of Shares at Premium

SQ-2. _____ Himalayan Company Ltd. issued, 50,000 equity shares of Rs. 100 each at a premium of Rs. 20, payable as Rs. 20 on application, Rs. 50 on allotment (including premium) and Rs. 50 on first and final call. All the shares were subscribed and fully paid up.

Required: Journal entries:

- a. Share application b. Share allotment c. Share first and final calls

Ans: Share premium Rs. 10,00,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (50,000 × 20)..... Dr. To Equity share application A/c (Being share application money received on 50,000 shares @ Rs. 20 each)		10,00,000	10,00,000
2.	Equity share application A/c..... Dr. To equity share capital A/c (Being equity share application money transferred to share capital)		10,00,000	10,00,000
3.	Equity share allotment A/c (50,000 × 50)..... Dr. To Equity share capital A/c (50,000 × 30) To Share premium A/c (50,000 × 20) (Being equity share allotment money due on 50,000 shares @ Rs. 30 each at a premium Rs. 20 each)		25,00,000	15,00,000 10,00,000
4.	Bank A/c..... Dr. To Equity share allotment A/c (Being share allotment money received on 50,000 shares @ Rs. 30 each at a premium Rs. 20 each)		25,00,000	25,00,000
5.	Equity share 1st & final call A/c (50,000 × 50)..... Dr. To Equity share capital A/c (Being share 1st & final call money due on 50,000 shares @ Rs. 50 each)		25,00,000	25,00,000
6.	Bank A/c..... Dr. To Equity share 1st & final A/c (Being share 1st & final call money received on 50,000 shares @ Rs. 50 each)		25,00,000	25,00,000

SQ-3. _____ Narayani Co. Ltd. issued to public for subscription 10,000 shares of Rs.100 each at a premium of 20% and payable as follows:

On application Rs. 40 (including premium Rs. 20) On allotment Rs. 40

On first call Rs. 20 On final call Rs. 20

All the shares were subscribed, called was made and amount due was received in due time.

Required: Journal entries for:

- a. Share application, b. Share allotment
c. Share first call d. Share final call

Ans.: Share premium Rs.2,00,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (10,000 × 40)..... Dr. To Share application A/c		4,00,000	4,00,000

	(Being share application money received on 10,000 share @ Rs. 40 each including premium)			
2.	Share application A/c..... Dr. To Share capital A/c (10,000 × 20) To Share premium A/c (10,000 × 20) (Being share application money transferred to share capital and share premium)	4,00,000	2,00,000	2,00,000
3	Share allotment A/c (10,000 × 40)..... Dr. To Share capital A/c (Being share allotment money due on 10,000 shares @ Rs. 40 each)	4,00,000		4,00,000
4.	Bank A/c..... Dr. To Share allotment A/c (Being share allotment money received on 10,000 shares @ Rs. 40 each)	4,00,000		4,00,000
5.	Share 1 st call A/c (10,000 × 20)..... Dr. To Share capital A/c (Being share 1 st call money due on 10,000 share @ Rs. 20 each)	2,00,000		2,00,000
6.	Bank A/c..... Dr. To Share 1 st call A/c (Being share 1 st call money received on 10,000 share @ Rs. 20 each)	2,00,000		2,00,000
7.	Share final call A/c (10000 × 20)..... Dr. To Share capital A/c (Being share final call money due on 10,000 shares @ Rs. 20 each)	2,00,000		2,00,000

Issue of Shares at Discount

SQ- 4. Manakamana Co. Ltd. invited application for 20,000 shares of Rs. 100 each at a discount of 10% payable as follows:

On application Rs. 20 On allotment Rs. 30 (adjusted discount)

On first call Rs. 20 On final call Rs. 20

All the shares were subscribed and money due was received.

Required: Journal entries for:

- | | |
|----------------------|---------------------|
| a. Share application | b. Share allotment |
| c. Share first call | d. Share final call |

Ans.: Discount on share Rs.2,00,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (20,000 × 20)..... Dr. To Share application A/c (Being share application money received on 20,000 shares @Rs.20 each)		4,00,000	4,00,000
2.	Share application A/c..... Dr. To Share capital A/c (Being share application money transferred to share capital)		4,00,000	4,00,000
3.	Share allotment A/c (20,000 × 30)..... Dr. Discount on shares A/c (20,000 × 10) Dr. To Share capital A/c (Being share allotment money due on 20,000 shares @ Rs. 30 each at a discount of Rs. 10 each.)		6,00,000 2,00,000	8,00,000
4.	Bank A/c.....Dr. To share allotment A/c (Being share allotment money received on 20,000 shares @ Rs. 30 each at a discount of Rs. 10 each.)		6,00,000	6,00,000
5.	Share 1 st call A/c (20,000 × 20)..... Dr. To Share capital A/c (Being share 1 st call money due on 20,000 shares @ Rs. 20 each)		4,00,000	4,00,000
6.	Bank A/c..... Dr. To Share 1 st call A/c (Being share 1 st call money received on 20,000 shares @ Rs. 20 each)		4,00,000	4,00,000
7.	Share final call A/c(20,000 × 20) Dr To Share capital A/c (Being share final call money due on 20,000 shares @ Rs. 20 each)		4,00,000	4,00,000
8.	Bank A/c.....Dr. To share final call A/c (Being share final call money received on 20,000 shares @ Rs. 20 each)		4,00,000	4,00,000

SQ-5. Sagarmatha Ltd. issued 10,000 equity shares of Rs. 100 each at 5% discount payable as follows:

On application Rs. 25 On allotment Rs. 20 (After discount)

On first call Rs. 20 on final call Rs. 30

Application amount was received on all shares and also received all due money.

Required: Journal entries for:

- | | |
|----------------------|---------------------|
| a. Share application | b. Share allotment |
| c. Share first call | d. Share final call |

Ans.: Discount on shares Rs. 50,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (10,000 × 25)Dr. To Equity share application A/c (Being share application money received on 10,000 shares @ Rs. 25 each)		2,50,000	2,50,000
2.	Equity share application A/cDr. To Equity share capital A/c (Being share application money transferred to share capital)		2,50,000	2,50,000
3.	Equity Share allotment A/c (10,000 × 20)Dr. Discount on issue of shares A/c (10,000 × 5)Dr. To Equity share capital A/c (Being share allotment money due on 10,000 shares @ Rs. 20 each at a discount of Rs.5 each.)		2,00,000 50,000	2,50,000
4.	Bank A/c (10,000 × 20) Dr. To Equity share allotment A/c (Being share allotment money received on 10,000 shares @ Rs. 20 each)		2,00,000	2,00,000
5.	Equity share 1 st call A/c (10,000 × 20)Dr. To Equity share capital A/c (Being share 1 st call money due on 10,000 shares @ Rs. 20 each)		2,00,000	2,00,000
6.	Bank A/cDr. To equity share 1 st call A/c (Being share 1 st call money received on 10,000 shares @ Rs. 20 each)		2,00,000	2,00,000
7.	Equity share final call A/c (10,000 × 30)Dr. To Equity share capital A/c (Being share final call money due on 10,000 shares @ Rs.30 each.)		3,00,000	3,00,000
8.	Bank A/cDr. To Equity share final call A/c (Being share final call money received on 10,000 shares @ Rs.30 each.)		3,00,000	3,00,000

Issue of Equity and Preference Shares

SQ-6. ____ **Pragya** Ltd. issued 15,000 equity shares of Rs. 100 each at 10 % discount and 10,000 preference shares of Rs. 100 each at 10 % premium , payable as follows.

	Equity Shares	Preference Share
On Application	30	20
On Allotment	20	40
On first call	25	25
On final Call	15	25

All the shares were subscribed and called was made and money due was received in due time.

Required: Journal entries for:

- Share application
- Share allotment
- Share first call
- Share final call

Solution,

Journal entry

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/cDr. To Equity share application A/c (30 × 15,000) To Preference share application A/c (20 × 10,000) (Being equity share application and preference share application money received 15,000 shares and 10,000 shares @ Rs. 30 and Rs.20 respectively)		6,50,000	4,50,000 2,00,000
2.	Equity share application A/cDr. Preference share application A/cDr. To Equity share capital A/c To Preference share capital A/c (Being equity and preference share application money transferred to respective share capital A/c)		4,50,000 2,00,000	4,50,000 2,00,000
3.	Equity share allotment A/c (20 × 15,000)Dr. Preference share allotment A/c (40 × 10,000)Dr. Discount on equity share A/cDr. To Equity share capital A/c To Preference share capital A/c To, Premium on preference share A/c (Being equity share allotment money due on 15,000 share @ Rs.20 each and preference share allotment money due on 10,000 share @Rs. 40 each)		3,00,000 4,00,000 150,000	450,000 3,00,000 100,000
4.	Bank A/c Dr. To Equity share allotment A/c To Preference share allotment A/c (Being equity share allotment money received on 15,000 share @ Rs.20 each and preference share allotment money received on 10,000 share @Rs. 40 each)		7,00,000	3,00,000 4,00,000
5.	Equity shares 1 st call A/c (25 × 15000)Dr. Preference shares 1 st call A/c (25 × 10,000)Dr. To Equity share capital A/c To Preference share capital A/c (Being equity share first call money due on 15,000 share @ Rs.25 each and preference share first call money due on 10,000 share @Rs. 25 each)		3,75,000 2,50,000	3,75,000 2,50,000
6.	Bank A/cDr. To Equity share 1 st call A/c To Preference share 1 st call A/c		6,25,000	3,75,000 2,50,000

	(Being equity share first call money received on 15,000 share @ Rs.25 each and preference share first call money received on 10,000 share @Rs. 25 each)			
7.	Equity share final call A/c (15 × 15,000) Dr. Preference share final call A/c (25 × 10,000) Dr. To Equity share capital A/c To Preference share capital A/c (Being equity share final call money due on 15,000 share @ Rs.15 each and preference share final call money due on 10,000 share @Rs. 25 each)		225,000 2,50,000	2,25,000 2,50,000
8.	Bank A/c Dr. To Equity share final call A/c To Preference share final call A/c (Being equity share final call money received on 15,000 share @ Rs.15 each and preference share final call money received on 10,000 share @Rs. 25 each)		4,75,000	2,25,000 2,50,000

■ Calls in Arrear

SQ-7. ____ X Ltd. issued 50,000 shares 10 each payable as Rs. 3 on application, Rs. 2 on allotment and Rs. 5 on first and final call. All the amounts were received except from Mr. Prakash, who holds 100 shares failed to pay allotment and call money.

Required: Journal entries for:

- Share application
- Share allotment
- Share first and final call

Ans.: Calls in arrear Rs. 200 and Rs. 500

Solution,

a. Journal entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (50,000 × 3) Dr. To Share application A/c (Being share application received on 50,000 shares @ Rs. 3 each)		1,50,000	1,50,000
2.	Share application A/c Dr. To Share capital A/c (Being share application money transferred to share capital)		1,50,000	1,50,000
3.	Share allotment A/c (50,000 × 2) Dr. To Share capital A/c (Being share allotment money due on 50,000 shares @ Rs.2 each)		1,00,000	1,00,000
4.	Bank A/c (49,900 × 2) Dr. Call in arrear A/c (100 × 2) Dr. To Share allotment A/c (Being share allotment money received on 49,900 shares @ Rs.2 each)		99,800 200	1,00,000
5.	Share 1 st & final call A/c (50,000 × 5) Dr. To Share capital A/c (Being share 1 st & final call money due 50,000 shares @ Rs. 5 each)		2,50,000	2,50,000
6.	Bank A/c (49,850 × 5) Dr. Calls in arrear A/c (150 × 5) Dr. To Share 1 st & final call A/c (Being share 1 st & final call money received on 49,850 shares @ Rs. 5 each)		2,49,250 750	2,50,000

SQ-8. ____ Gorkha Handicraft Ltd. issued 10,000 shares of Rs. 100 each to the public payable as Rs. 30 on application, Rs. 20 on allotment, Rs. 30 on first call and Rs. 20 on final call.

All the shares were subscribed and allotted. All due money was received except first call money on 500 shares and final call money on 1,000 shares.

Required: Journal entries for:

- Share application,
- Share allotment
- Share first call
- Share final call

Solution,

Journal entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1	Bank A/c (10,000 × 30) Dr. To Share application A/c (Being share application received on 10,000 shares @ Rs. 30 each)		3,00,000	3,00,000
2	Share application A/c Dr. To Share capital A/c (Being share application money transferred to share capital)		3,00,000	3,00,000
3	Share allotment A/c (10,000 × 20) Dr. To Share capital A/c (Being share allotment money due on 10,000 shares @ Rs. 20 each)		2,00,000	2,00,000
4	Bank A/c Dr. To Share allotment A/c (Being share allotment money received on 10,000 shares @ Rs. 20 each.)		2,00,000	2,00,000
5	Share 1 st call A/c (10,000 × 30) Dr.		3,00,000	

6

	To Share capital A/c (Being share 1 st call money due on 10,000 shares @ Rs. 30 each)		3,00,000
6	Bank A/c ((10,000 – 500)×30) Dr. Calls in arrear A/c (500 × 30) Dr. To Share 1 st call A/c (Being share 1 st call received on 9,500 shares @ Rs. 30 each)	2,85,000 15,000	3,00,000
7	Share final call A/c (10,000×20) Dr. To Share capital A/c (Being share final call money due on 10,000 shares @ Rs. 20 each.)	2,00,000	2,00,000
8	Bank A/c ((10,000-1,000)×20) Dr. Calls in arrear A/c (1,000 × 20) Dr. To Share final call A/c (Being share final call money received on 9,000 shares @ Rs.20 each)	1,80,000 20,000	2,00,000

Ans.: Calls in arrear Rs. 15,000 and Rs. 20,000

SQ-9. ___ Kumari Bank Ltd. issued 1,000 shares @ 100 at 10% premium, payable as follows.

On application Rs. 30

On allotment Rs. 40 (including premium)

On first call Rs. 25

On final call Rs. 15

All the amounts were received. But Mr. Share holder who holds 200 shares failed to pay in allotment and calls money.

Required: Journal entries for:

a. Share application

b. Share allotment

c. Share first call

d. Share final call

Ans.: Calls in arrears Rs. 8,000, Rs. 5,000, 3,000

Solution,**Journal entries**

Date	Particulars	L.F	Debit Rs.	Credit Rs.
1.	Bank A/c (1000×30) Dr. To Share application A/c (Being share application money received on 1000 shares @ Rs.30each)		30,000	30,000
2.	Share application A/c (1000×30) Dr. To share capital A/c (Being share application money transferred to share capital)		30,000	30,000
3.	Share allotment A/c (1000 × 40) Dr. To share capital A/c (1000 × 30) To share premium (1000 × 10) (Being share allotment money due on 1000 share @ 40 including premium)		40,000	30,000 10,000
4.	Bank A/c (40000 – 8000) Dr. Call in arrears (40 × 200) Dr. To Share allotment(40 × 1000) (Being share allotment money received except 200 shares @ 40 each)		32,000 8,000	40,000
5.	Share first call A/c(1000 × 25) Dr. To share capital (25 × 1000) (Being amount due on first calls for money made due on 1000 share @ 25 each)		25000	25000
6.	Bank A/c (25000 – 5000) Dr. Call in arrears(200 × 25) Dr. To first call A/c (Being first call money received on 1000 shares with including call in arrears)		20,000 5,000	25000
7.	Share final call A/c (1000 ×15) Dr. To share capital A/c (15 × 1000) (Being share final call amount due on 1,000 shares @ 15 each)		15,000	15,000
8.	Bank A/c (15000 – 3000) Dr. Call in arrears (200 × 15) Dr. To share final call (1000 × 15) (Being share final call amount received on 1,000 shares with including call in arrears)		12,000 3,000	15,000

SQ-10. ___ ABC Co. Ltd issued 50,000 equity shares of Rs. 100 each at 10% discount, payable as follows:

on application Rs. 30

on allotment Rs. 30 (adjusted discount)

on first and final calls Rs. 30

All money were duly received.

Except: i. Mr. A who holds 1,000 shares failed to pay allotment and calls money

ii. Mr. B who holds 2,000 shares failed to pay calls money.

Required: Entries for application, allotment and calls

Ans: CIA = allotment Rs. 30,000; first and final call Rs. 90,000

Solution,**Journal entries in the book of ABC Co. Ltd.**

Date	Particulars	LF	Debit Rs.	Credit Rs.
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c. Share first call

d. Share final call

Ans.: Calls in advance Rs. 500

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (1,00,000 × 3) Dr. To Share application A/c (Being share application received on 1,00,000 shares @ Rs. 3 each)		3,00,000	3,00,000
2.	Share application A/c Dr. To Share capital A/c (Being share application money transferred to share capital)		3,00,000	3,00,000
3.	Share allotment A/c (1,00,000 × 4) Dr. To Share capital A/c To Share premium a/c (Being share allotment money due 1,00,000 shares @ Rs. 2 each.)		4,00,000	200,000 200,000
4.	Bank A/c Dr. To Share allotment A/c To Calls in advance A/c (100 × 5) (Being share allotment money received on 1,00,000 shares @ Rs. 2 each and call in advance received on 100 shares @ Rs.5 each)		4,00,500	400,000 500
5.	Share first call A/c (1,00,000 × 3) Dr. To Share capital A/c (Being share first call money due 1,00,000 shares @ Rs.3 each.)		3,00,000	3,00,000
6.	Bank A/c Dr. Calls in advance A/c (100 × 3) Dr. To Share first call A/c (Being share first call money received on 99,900 shares @ Rs. 3 after adjusting call in advance amount)		2,99,700 300	3,00,000
7.	Share final call A/c (1,00,000 × 2) Dr. To Share capital A/c (Being share final call money due 1,00,000 shares @ Rs 2 each.)		2,00,000	2,00,000
8.	Bank A/c Dr. Calls in advance A/c (100 × 2) Dr. To Share final call A/c (Being share final call money received on 99,900 shares @ Rs. 2 after adjusting call in advance amount)		1,99,800 200	2,00,000

SQ-15. ABC Co. Ltd. issued 50,000 shares of Rs. 100 each 10% discount to the public the amount is payable as follows:

- on application Rs. 40
- on allotment Rs. 30 (after discount)
- on first and final call Rs. 20

Allotment was made to the applicants in full. A shareholder holding 1000 shares paid entire amount along with allotment money.

Required: Journal entries.

Ans: Bank in advance Rs. 20,000

Solution,

Journal entries in the book of ABC Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank (50,000 × 40) A/c Dr. To Share application A/c (Being application money received)		2000,000	2000,000
b.	Share application A/c Dr. To Share capital A/c (Being application money transferred to capital)		2000,000	2000,000
c.	Share allotment (50,000 × 30) A/c Dr. Discount on issue of share (50,000 × 10) A/c Dr. To Share capital A/c (Being allotment money due)		1500,000 500,000	20,00,000
d.	Bank (15,00,000 + 20,000) A/c Dr. To Calls in advance (1,000 × 20) A/c To Share allotment (*50,000 × 30) A/c (Being allotment money received)		15,20,000	20,000 15,00,000
e.	Share first and final call (50,000 × 20) A/c Dr. To Share capital A/c (Being first and final call money due)		1000,000	1000,000
f.	Bank A/c Dr. Calls in advance A/c Dr. To Share first and final calls A/c (Being first and final call money received)		980,000 20,000	1000,000

SQ-16. Hima Co. Ltd. issued 40,000 equity shares of Rs. 100 each at 20% premium to the public. The amount is payable as follows:

- on application Rs. 30
- on first call Rs. 30
- on allotment Rs. 50 (including premium)
- on final call Rs. 10

The money was collected as below.

- The holder of 1000 share paid the first and final call money at the time of paying allotment money.
- Another shareholder who holds 500 shares paid the final call money at the time of paying first call money.

Required: Journal entries for application, allotment, first call and final call

Ans: calls in advance Rs. 40,000, on first call Rs. 5000

Solution,

Journal Entries in the book of Himal Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/c (40,000×30).....Dr. To Share application A/c (Being application money received)		1200,000	1200,000
b.	Share application A/c.....Dr. To Share capital A/c (Being application money transfer to capital)		1200,000	1200,000
c.	Share allotment A/cDr. To Share premium (40,000 × 20) A/c To Share capital A/c (40,000×30) (Being allotment money due)		20,00,000	8,00,000 1200,000
d.	Bank A/cDr. To Calls in advance A/c To Share allotment A/c (Being allotment money received)		20,40,000	40,000 2000,000
e.	First call A/c.....Dr. To Share capital A/c (Being first call money due)		1200,000	1200,000
f.	Bank A/c.....Dr. To Calls in advance A/c To Share first call (1200,000 – 30,000) A/c (Being first call money received)		11,75,000	5,000 11,70,000
g.	Share final call A/c.....Dr. To Share capital (Being final call money received)		400,000	400,000
h.	Bank A/c.....Dr. To Share final call (400,000 – 10,000 – 5,000) A/c (Being final call money received)		385,000	385,000

SQ-17. ___ Sunrise Co. Ltd. issued 10,000, 10% preference share of Rs. 50 each at 10% premium, payable as follows:
on application Rs. 15 (Including premium) on allotment Rs. 20
on first call Rs. 10 and balance on final call

All money were dully received but a shareholder holding 600 share paid whole money with the first call.

Required: Journal entries.

Ans: Calls in advance on first call Rs. 6000

Solution,

Journal Entries in the book of Sunrise Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/cDr. To 10% preference share A/c (Being application money received)		150,000	150,000
b.	10% preference share A/c.....Dr. To Share premium A/c To Share capital A/c (Being application money transferred)		150,000	50,000 100,000
c.	Share allotment A/cDr. To Preference share capital A/c (Being share allotment money due)		200,000	200,000
d.	Bank A/cDr. To share allotment A/c (Being allotment money received)		200,000	200,000
e.	Preference share first call A/cDr. To, Preference share capital A/c (Being first call money due)		100,000	100,000
f.	Bank A/cDr. To Calls in advance A/c To Share first call A/c (Being first call money received)		1,06,000	6,000 100,000
g.	Share final call A/cDr. To Share capital A/c (Being final call money due)		100,000	100,000
h.	Bank A/cDr. Calls in advance A/c.....Dr. To Share final call A/c (Being final call money received)		94,000 6,000	100,000

LONG ANSWER QUESTIONS

Calls in arrear and calls in advance

LQ-1. ___ Z Ltd. issued 10,000 shares of Rs.100 each payable as Rs. 30 on application, Rs. 20 on allotment and Rs. 25 on first and Rs.25 on final call. All the amount due was received except from Mr. Santosh, who held 100 shares failed to pay allotment and calls money, however Mr. Umesh who held 150 shares paid entire money along with allotment and board of directors decided to accept the payment.

Required: Journal entries for:

- a. Share application
b. Share allotment
c. Share first call
d. Share final call

Ans.: Calls in arrear Rs.2,000, Rs.2,500 Rs.2,500 calls in advance Rs. 7,500

Solution,

a.

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (10,000 × 30)Dr. To Share application A/c (Being share application received on 10,000 shares @ Rs. 30 each)		3,00,000	3,00,000
2.	Share application A/cDr. To Share capital A/c (Being share application money transferred to share capital)		3,00,000	3,00,000
3.	Share allotment A/c (10,000 × 20)Dr. To Share capital A/c (Being share allotment money due on 10,000 shares @ Rs. 20 each)		2,00,000	2,00,000
4.	Bank A/cDr. Calls in arrear A/c (100 × 20)Dr. To Share allotment A/c To Calls in advance A/c (150 × 50) (Being share allotment received on 9,900 shares @ Rs. 20 each and calls in advance received on 150 shares @ Rs. 50 each)		2,05,500 2,000	2,00,000 7,500
5.	Share 1 st call A/c (10,000 × 25)Dr. To share capital A/c (Being share 1 st call money due on 10,000 shares @ Rs. 25 each)		2,50,000	2,50,000
6.	Bank A/c (9,750 × 25)Dr. Calls in arrear A/c (100 × 25)Dr. Calls in advance (150 × 25)Dr. To Share first call A/c (Being share 1 st call received on 9,750 shares @ Rs. 25 each after adjusting calls in arrear and calls in advance)		2,43,750 2,500 3,750	2,50,000
7.	Share final call A/c (10,000 × 25)Dr. To Share capital A/c (Being share final call money due on 10,000 shares @ Rs. 25 each)		2,50,000	2,50,000
8.	Bank A/c (9,750 × 25)Dr. Calls in arrear A/c (100 × 25)Dr. Calls in advance A/c (150 × 25)Dr. To Share final call A/c (Being share final call money received on 9,750 shares @ Rs. 25 each after adjusting calls in arrear and calls in advance)		2,43,750 2,500 3,750	2,50,000

LQ-2. ___ Kathmandu Tile Ltd. issued 50,000 shares. 10 each at 10% discount payable as to on Rs. 3 on application, Rs. 2 on allotment and Rs. 4 on first and final call. The entire amount was received except from Shrestha who held 100 shares failed to pay allotment and calls money and Rajesh who held 150 shares paid entire amount of shares along with allotment.

Required: Journal entries for:

- a. Share application
b. Share allotment
c. Share first and final call

Ans.: Calls in arrear Rs. 200 and Rs. Rs.400, calls in advance Rs. 600

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (50,000 × 3)Dr. To Share application A/c (Being share application money received on 50,000 shares @ Rs. 3 each)		1,50,000	1,50,000
2.	Share application A/cDr. To Share capital A/c (Being share application amount transferred to share capital)		1,50,000	1,50,000
3.	Share allotment A/c (50,000 × 2)Dr. Discount on share A/c (50,000 × 1)Dr. To Share capital A/c (50,000 × 3) (Being share allotment money due on 50,000 shares @ Rs. 2 each at a discount of		1,00,000 50,000	1,50,000

	Rs.1 each)			
4.	Bank A/c Dr.	1,00,400		
	Calls in arrear A/c (100 × 2)..... Dr.	200		
	To Share allotment A/c		1,00,000	
	To Calls in advance A/c (150 × 4)		600	
	(Being share allotment money received on 49,900 shares @ Rs. 2 each along with calls in advance on 150 shares @ Rs.4 each)			
5.	Share 1st & final call A/c (50,000 × 4)..... Dr.	2,00,000		
	To Share capital A/c		2,00,000	
	(Being share 1st & final call money due on 50,000 shares @Rs.4 each)			
6.	Bank A/c (49,750 × 4) Dr.	1,99,000		
	Calls in arrear A/c (100 × 4)..... Dr.	400		
	Calls in advance A/c (150 × 4)..... Dr.	600		
	To Share 1st & final A/c		2,00,000	
	(Being share 1st & final call money received on 49,750 shares @ Rs.4 each after adjusting calls in arrear and calls in advance)			

LQ-3. ___ Eastern Ltd. issued 10,000 equity shares of Rs. 100 each at 10% premium payable as follows:

On application Rs. 25 On allotmentRs. 35 (including premium)

On first call Rs. 20 On final call Rs. 30

All money due was received except in case of Mr. X holding 250 shares failed to pay allotment and first call money but he paid calls arrear money along with final call in accordance of consent of board of directors. Mr. Y is another shareholder holding 200 shares paid entire money along with allotment. All other due money was received in due time.

Required: Journal entries for:

a. Share application

b. Share allotment

c. Share first call

d. Share final call

Ans.: Calls in advance Rs. 10,000, calls in arrear Rs.8,750 and Rs. 5,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (10,000 × 25)..... Dr.		2,50,000	
	To Equity share application A/c			2,50,000
	(Being share application received money received on 10,000 shares @ Rs. 25 each)			
2.	Equity share application A/c Dr.		2,50,000	
	To Equity share capital A/c			2,50,000
	(Being share application money transferred to share capital)			
3.	Equity share allotment A/c (10,000 × 35) Dr.		3,50,000	
	To Equity share capital A/c (10,000 × 25)			2,50,000
	To Share premium A/c (10,000 × 10)			1,00,000
	(Being share allotment money due on 10,000 shares @ Rs. 25 each at a premium of Rs.10 each)			
4.	Bank A/c (9,750×35+10,000) Dr.		3,51,250	
	Calls in arrear A/c (250 × 35)..... Dr.		8,750	
	To Equity share allotment A/c			3,50,000
	To Calls in advance A/c (200 × 50)			10,000
	(Being share allotment received on 9,750 shares @ Rs. 35 each and calls in advanced on 200 shares @ Rs. 50 each)			
5.	Equity shares 1st call A/c (10000 × 20)..... Dr.		2,00,000	
	To Equity share capital A/c			2,00,000
	(Being share 1st call money due)			
6.	Bank A/c (9,550 × 20)..... Dr.		1,91,000	
	Calls in arrear A/c (250 × 20)..... Dr.		5,000	
	Calls in advance A/c (200 × 20)..... Dr.		4,000	
	To Equity shares 1st calls A/c			2,00,000
	(Being share 1st call money received on 9,550 shares @ Rs.20 each after adjusting calls in arrear and calls in advance.)			
7.	Equity share final call A/c (10,000 ×30)..... Dr.		3,00,000	
	To Equity share capital A/c			3,00,000
	(Being share final call money due on 10,000 shares @ Rs. 30 each)			
8.	Bank A/c Dr.		3,07,750	
	Calls in advance (200 × 30)..... Dr.		6,000	
	To Share final call A/c			3,00,000
	To Calls in arrear			13,750
	(Being share final call received on 9,800 shares @ Rs. 30 each along with calls in arrear of Mr.X for Rs.13,750)			

LQ-4. ___ Beta Co. Ltd. issued 30,000 shares of Rs. 10 each at a discount of Rs. 1 per share, payable as follows:

Rs. 4 on application

Rs. 3 on allotment

Rs. 2 on first and final call

All money was dully received except allotment and calls money from shareholder to whom 1000 share were allotted failed to pay allotment and calls money and another shareholder who holds 800 share paid entire money due along with allotment money.

Required: Journal entries

Ans: Calls in arrear: allotment Rs. 3,000, on first and final call Rs. 2,000; calls in advance Rs. 1,600

Solution,

Journal Entries in the book of Beta Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/cDr. To Share application A/c (Being application money received)		120,000	120,000
b.	Share application A/cDr. To Share capital A/c (Being application money transferred)		120,000	120,000
c.	Share allotment A/cDr. Discount on issue of shareDr. To Share capital (Being allotment money due)		90,000 30,000	120,000
d.	Bank A/cDr. Calls in arrear A/cDr. To Share allotment A/c To Calls in advance A/c (Being allotment money received)		88,600 3,000	90,000 1,600
e.	Share first and final call A/cDr. To Share capital A/c (Being first and final call money due)		60,000	60,000
f.	Bank A/cDr. Calls in arrear A/cDr. Calls in advance A/cDr. To Share first and final call A/c (Being first and final call money received)		56,400 2,000 1,600	60,000

LQ-5. Premium Insurance Co. Ltd. issued 100,000 equity share of Rs. 100 each at Rs. 20 premium per share payable as follows:

Rs. 30 on application

Rs. 40 on allotment (Including premium)

Rs. 30 on first call

Rs. 20 on final call

All the share were applied and allotted. All calls were duly made and received except.

- Mr. Hari a shareholder who holds 2000 shares paid entire money along with allotment.
- Mr. Rajan a shareholder holding 1000 shares did not paid allotment and first call money.
- Mr. Gopal a shareholder holding 500 shares failed to pay first and final call money.

Required: Journal entries

Ans: calls in arrear: on allotment Rs. 40,000; on first call Rs. 45,000; on final calls Rs. 30,000; calls in advance Rs. 100,000

Solution,

Journal Entries in the book of Premium insurance Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/cDr. To Share application A/c (Being application money received)		3000,000	3000,000
b.	Share application A/cDr. To Share capital A/c (Being application money transfer to capital)		3000,000	3000,000
c.	Share allotment A/cDr. To Share premium A/c To Share capital A/c (Being allotment money due)		4000,000	2000,000 2000,000
d.	Bank A/cDr. Calls in arrear A/cDr. To Calls in advance A/c To Share allotment A/c (Being allotment money received)		4060,000 40,000	100,000 4000,000
e.	Share first call A/cDr. To Share capital A/c (Being first call money due)		3000,000	3000,000
f.	Bank A/cDr. Calls in arrear A/cDr. To Share first call (3000,000 – 60,000) A/c (Being first call money received)		28,95,000 45,000	2940,000
g.	Share final call A/cDr. To Share capital (Being final call money due)		2000,000	2000,000
h.	Bank A/cDr. Calls in arrearDr. To Share final call (2000,000 – 40,000) (Being final call money received)		1930,000 30,000	1960,000

■ Under Subscription

15

and balance on first and final call money

However, applications were received for 30,000 shares only. All money were dully received. A shareholder holding 500 share paid entire money along with allotment money.

Required: Journal entries

Ans: Calls in advance Rs. 25,000

Solution,

Journal Entries in the book of TATA Co. Ltd.

Date	Particulars	L.F	Debit Rs.	Credit Rs.
a.	Bank A/c Dr. To Share application (30,000×25) (Being application money received)		750,000	750,000
b.	Share application A/c Dr. To Share capital A/c (Being application money transferred to capital)		750,000	750,000
c.	Share allotment A/c Dr. To Share premium A/c To Share capital A/c (Being allotment money due)		9,00,000	1,50,000 750,000
d.	Bank A/c Dr. To Calls in advance A/c To Share allotment A/c (Being allotment money received)		925,000	25,000 900,000
e.	Share first and final call :A/c Dr. To Share capital A/c (Being first and final call money due)		1500,000	1500,000
f.	Bank A/c Dr. Calls in advance A/c Dr. To Share first and final call A/c (Being first and final call money received)		1475,000 25,000	1500,000

Over Subscription and Pro-Rata Allotment

LQ-9. Nepal smart co. issued 7000 shares @ 100 at 5% discount to the public payable as under Rs. 30 on application Rs. 35 on allotment & 30 on 1st & final call. Application received for 10,000 shares. Excess number of shares was rejected.

Required: Journal entries for:

- a. Share application
- b. Share allotment
- c. Share first and final call

Solution,

Journal entries

Date	Particulars	L.F	Debit Rs.	Credit Rs.
1.	Bank A/c (10000 × 30) Dr. To share application A/c (Being share application money received on 10000 shares @ Rs.30 each)		3,00,000	3,00,000
2.	Share application A/c (10000×30) Dr. To share capital A/c To bank A/ c(3000×30) (Being share application money transferred to share capital and excess money refund)		3,00,000	210,000 90,000
3.	Share allotment A/c(7000×35) Dr. Discount on issued of share(7000×5) Dr. To share capital A/c(7000×40) (Being share allotment money due on 7000 shares@ Rs. 40 including discount)		2,45,000 35,000	2,80,000
4.	Bank A/C (7000 × 35) Dr. To Share allotment (being share allotment money received)		2,45,000	2,45,000
5.	Share first and final call A/c (7000×30) Dr. To share capital (Being share first and final call money made due)		210,000	210,000
6.	Bank A/c (7000 × 30) Dr. To Share first and final call A/c (Being first and final call money received)		2,10,000	2,10,000

LQ-10. Annapurna Ltd. was registered with an authorized capital of 1,00,000 shares of Rs. 10 each. It issued 20,000 such shares to public at 10% premium payable as follows:

- Rs. 3 on Application
- Rs. 4 on Allotment (including premium)
- Rs. 2 on First call
- Rs. 2 on Final call

Applications were received 30,000 shares. Allotment was made to all applicants on pro-rata basis and retained excess paid money on allotment and call.

Required: Journal entries for:

- a. Share application
- b. Share allotment
- c. Share first call
- d. Share final call

Ans.: Transferred to allotment Rs. 30,000

Solution,

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (30,000 × 3)Dr. To Share application A/c (Being share application money received on 30,000 shares @ Rs.3 each)		90,000	90,000
2.	Share application A/cDr. To Share capital A/c (2,0000 × 3) To Share allotment A/c (10,000 × 3) (Being share application transferred to share capital and share allotment)		90,000	60,000 30,000
3.	Share allotment A/c (20,000 × 4)Dr. To Share capital A/c (20,000 × 3) To Share premium A/c (20,000 × 1) (Being share allotment money due on 20,000 shares @ Rs. 3 each at a premium of Rs.1 each)		80,000	60,000 20,000
4.	Bank A/c (80,000– 30,000).....Dr. To Share allotment A/c (Being share allotment money received after adjusting excess money transferred from share application)		50,000	50,000
5.	Share 1 st call A/c (20,000 × 2)Dr. To Share capital A/c (Being share 1 st call money due on 20,000 share @ Rs. 2 each)		40,000	40,000
6.	Bank A/cDr. To Share 1 st call A/c (Being share 1 st call money received on 20,000 share @ Rs. 2 each)		40,000	40,000
7.	Share final call A/c (20,000 × 2).....Dr. To Share capital A/c (Being share final call money due on 20,000 shares @ Rs.2 each)		40,000	40,000
8.	Bank A/cDr. To Share final call A/c (Being share final call money received on 20,000 shares @ Rs.2 each)		40,000	40,000

LQ-11. ___ Butwal Spinning Ltd. was registered with an authorized capital of 50,000 shares of Rs. 100 each. It invited applications for 10,000 shares payable as follows:

Rs. 25 on application

Rs. 30 on allotment

Rs. 45 on first and final call

Applications were received on 15,000 shares. The company accepted 10,000 shares in full and remaining 5,000 shares were rejected and money was refunded in due time. All money due on allotment and call were received on time.

Required: Journal entries for:

- Share application
- Share allotment
- Share first and final call

Ans: Bank refund Rs. 1,25,000

Solution,

a.

Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (15000 × 25) Dr. To Share application A/c (Being share application money received on 15,000 shares @ Rs. 25 each.)		3,75,000	3,75,000
2.	Share application A/c Dr. To Share capital A/c (10,000 × 25) To Bank A/c (5,000 × 25) (Being share application money transferred to share capital and balance refunded.)		3,75,000	2,50,000 1,25,000
3.	Share allotment A/c (10000 × 30) Dr. To Share capital A/c (Being share allotment money due on 10,000 shares @ Rs. 30 each)		3,00,000	3,00,000
4.	Bank A/c Dr. To Share allotment A/c (Being share allotment money received on 10,000 shares @ Rs. 30 each)		3,00,000	3,00,000
5.	Share 1 st & final call A/c Dr. (10000 × 45) To Share capital A/c (Being share 1 st & final call money due on 10,000 shares @ Rs.45 each)		4,50,000	4,50,000
6.	Bank A/c Dr. To Share 1 st & final call A/c (Being share 1 st & final call money received on 10,000 shares @ Rs.45 each)		4,50,000	4,50,000

LQ-12. ___ A. Ltd. registered with nominal capital of 25,000 shares of Rs. 100 each. It issued 20,000 such shares at 10% premium payable as follows:

Rs. 30 on application

	(Being share application money transferred to share allotment , share capital and balance refunded)		
3.	Share allotment A/c (50,000 × 25).....Dr. To Share capital A/c (Being share allotment money due on 50,000 shares @ Rs.25 each)	12,50,000	12,50,000
4.	Bank A/c (12,50,000–6,25,000)Dr. To Share allotment A/c (Being share allotment money received after adjusting excess amount transferred from share application)	6,25,000	6,25,000
5.	Share 1 st call A/c (50,000 × 20).....Dr. To Share capital A/c (Being share 1 st call money due on 50,000 shares @ Rs. 20 each)	10,00,000	10,00,000
6.	Bank A/c.....Dr. To Share 1 st call A/c (Being share 1 st call money received on 50,000 shares @ Rs. 20 each)	10,00,000	10,00,000
7.	Share final call A/c (50,000 × 30)Dr. To Share capital A/c (Being share final call money due on 50,000 shares @ Rs. 30 each)	15,00,000	15,00,000
8.	Bank A/c.....Dr. To Share final call A/c (Being share final call money received on 50,000 shares @ Rs. 30 each)	15,00,000	15,00,000

LQ- 15. ___ Kumari Bank Ltd. registered with an authorized capital of 100,000 shares of Rs. 100 each. It offered 40,000 such shares to public at 10% premium payable as follows:

Rs. 20 on application

Rs. 30 on allotment (excluding premium)

Rs. 20 on first call

Rs. 30 on final call

Applications were received for 75,000 shares and allotted on the following way:

Groups	Share Applied	Share Allotted
A	10,000	10,000
B	50,000	pro-rata
C	15,000	Nil

Article of association of the company authorized to transfer excess money on application to allotment and subsequent calls. Allotment and calls were made and all due money was received. However, Mr. Bashu who had allotted 500 shares under group B failed to pay calls money.

Required: Journal entries for:

- Share application
- Share allotment
- Share first call
- Share final call

Ans.: Call in arrear Rs. 10,000, Rs.15,000

Solution,

Journal entries

Date	Particulars	L.F	Debit Rs.	Credit Rs.
1.	Bank A/c (75000×20)Dr. To Share application A/c (Being share application money received on 75000 shares @ Rs.20each)		15,00,000	15,00,000
2.	Share application A/c (75000×20)Dr. To share capital A/c (40000×20) To share allotment (20000×20) To bank a/c (15000×20) (Being share application money transferred to share capital)		15,00,000	8,00,000 4,00,000 3,00,000
3.	Share allotment A/c (40000 × 40).....Dr. To share capital A/c (40000 × 30) To share premium (40000 × 10) (Being share allotment money due on 4000 share @ 40 including premium)		1600000	12,00,000 4,00,000
4.	Bank A/c (1600000 – 400000).....Dr. To Share allotment (Being share allotment money received)		12,00,000	12,00,000
5.	Share first call A/c(40000 × 20)Dr. To share capital (Being amount due on first calls for money due)		8,00,000	8,00,000
6.	Bank A/c (800000 – 10000).....Dr. Call in arrears(500× 20)Dr. To first call A/c (Being first call money received except 500 shares)		7,90,000 10,000	8,00,000
7.	Share final call A/c (40000 ×30)Dr. To share capital A/c (15 × 1000) (Being share final call amount due on 40,000 shares @ 30each)		12,00,000	12,00,000
8.	Bank A/c (1200000– 15000).....Dr. Call in arrears (500 × 30)Dr. To share final call (40,000 × 30) (Being share final call money received except 500 shares)		11,85,000 15,000	12,00,000

LQ-16. ___ A Ltd. Company issued 70,000 shares of Rs. 100 each at 10% discount payable as follows:

on application Rs. 30

on allotment Rs. 40 (without discount),

on first and final calls Rs. 30

Application were received for 1,00,000 share. Allotment was made as under

To applicant applying for 50,000 share – Full

To applicants applying for 50,000 share – pro-rata

The excess money on application were utilized towards the sum due on allotment. A shareholder to whom 1000 share were allotted from pro-rata basis failed to pay the first and final call money

Required: Journal entries for

- a. Application b. Allotment
c. first and final call

Ans: Transferred to allotment Rs. 600,000, Transferred to first call Rs. 3,00,000; calls in arrear: allotment–Nil, first & final Rs. 15000

Solution,

Journal entries in the book of A Ltd.

Date	Particulars	L.F	Debit Rs.	Credit Rs.
a.	Bank A/c..... Dr. To Share application A/c (Being application money received)		3000,000	3000,000
b.	Share application A/c..... Dr. To Share capital To Share allotment To Share first and Final call (Being application money transferred to capital and calls)		3000,000	2100,000 600,000 300,000
c.	Share allotment A/c Dr. Discount on issue of share Dr. To Share capital A/c (Being share allotment money due)		2100,000 700,000	2800,000
d.	Bank A/c..... Dr. Calls in advance A/c Dr. To Share allotment A/c (Being allotment money received)		1500,000 600,000	2100,000
e.	Share first and final call A/c..... Dr. To Share capital A/c (Being first and final call money due)		2100,000	2100,000
f.	Bank A/c..... Dr. Calls in arrear A/c Dr. Calls in advance A/c Dr. To Share first and final call A/c (Being first and final call money received)		1785,000 15,000 300,000	2100,000

Working Note:

Applied	Allotted	
50,000	50,000 = x	
<u>50,000</u>	<u>20,000</u> = 30,000 × 30 = 900,000	600,000 (allotment)
100,000	70,000	300,000 first and final

$$\text{Calls in arrear first and final call} = 1000 \times 30 - \frac{300,000}{20,000} \times 1000 = 15,000$$

LQ-17. ___ Civil Co. Ltd. was registered with 15,000 share of subscription at the premium of Rs. 5 per share. The money was payable as follows:

- on application Rs. 30 on allotment Rs. 40
on first call Rs. 20 on final call balance

Application were received for 25,000 shares. No allotment was made to the applicants for 5000 share. Rest was allotted on pro-rata basis. All calls were dully made and received except.

- i. A shareholder holding 1000 share paid the full value of share on allotment.
ii. A shareholder who applied for 2000 share failed to pay allotment and calls money.

Required: Journal entries for application, allotment and calls.

Ans: Transfer to allotment Rs. 1,50,000; calls in arrear: allotment 45000; first call Rs. 30,000; final call Rs. 22500

Solution,

Journal entries in the book of Civil Co. Ltd.

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/c..... Dr. To Share application A/c (Being application money received)		750,000	750,000
b.	Share application A/c..... Dr. To Share capital A/c To Share allotment A/c To Bank A/c (Being application money transferred)		750,000	450,000 150,000 150,000
c.	Share allotment A/c Dr.		600,000	

	To Share premium		75,000	
	To Share capital A/c (Being allotment money made due)		5,25,000	
d.	Bank A/c..... Dr.	440,000		
	Calls in arrear A/c Dr.	45,000		
	Calls in advance A/c Dr.	150,000		
	To Calls in advance A/c		35,000	
	To Share allotment A/c		600,000	
	(Being allotment money received)			
e.	Share first call A/c..... Dr.	300,000		
	To Share capital A/c		300,000	
	(Being first call money made due)			
f.	Bank A/c..... Dr.	250,000		
	Calls in arrear A/c Dr.	30,000		
	Calls in advance A/c Dr.	20,000		
	To Share first call		300,000	
	(Being first call money received)			
g.	Share final call A/c..... Dr.	2,25,000		
	To Share capital		2,25,000	
	(Being final call money made due)			
h.	Bank A/c..... Dr.	1,87,500		
	Calls in arrear Dr.	22,500		
	Calls in advance Dr.	15,000		
	To Share final call		2,25,000	
	(Being final call money received)			

Working Notes:

Applied allotment
 5,000 Nil = 5000×30 = 150,000 (Bank)
 20,000 15,000 = 5,000×30 = 150,000 allotment
 Calls in arrear = Allotment = 1500×40 - $\frac{150000}{15000} \times 1500 = 45,000$

LQ-18. ___ Everest Co. Ltd. issued 10,000 equity shares of Rs. 10 each, payable as under
 on application Rs. 4 on allotment Rs. 3 on first and final calls Rs. 3

Application were received for 18000 share and allotment were made as the following basis.

- To applicants applying for 6000 shares — full
- To applicants applying for 8,000 shares — 50%
- To applicants applying for 4,000 shares — rejected

All excess amount paid on application is to be adjusted amount due on allotment and subsequent call. The share were fully called and paid up except on shareholder who applied 500 share failed to pay allotment and calls from full allotment group.

Required: Journal entries for share application, allotment and share first and final calls.

Ans: calls in arrear: allotment Rs. 1500; first and final call Rs. 1500; Transferred to allotment Rs. 12,000; first and Transferred to first and final call Rs. 4,000

Solution,**Journal entries in the book of Everest Co. Ltd.**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/c..... Dr.		72,000	
	To Share application A/c (Being application money received)			72,000
b.	Share application A/c..... Dr.		72,000	
	To Share capital A/c			40,000
	To Share allotment A/c			12,000
	To Share first and final call A/c			4,000
	To Bank A/c			16,000
	(Being application money transferred)			
c.	Share allotment A/c Dr.		30,000	
	To Share capital A/c			30,000
	(Being allotment money due)			
d.	Bank A/c..... Dr.		16,500	
	Calls in arrear A/c Dr.		1,500	
	Calls in advance A/c Dr.		12,000	
	To Share allotment A/c			30,000
	(Being allotment money received)			
e.	Share first and final call A/c..... Dr.		30,000	
	To Share capital A/c			30,000
	(Being first and final call money due)			
f.	Bank A/c..... Dr.		24,500	
	Calls in arrear A/c Dr.		1,500	
	Calls in advance A/c Dr.		4,000	
	To Share first and final call			30,000
	(Being first and final call money received)			

25

4.	Bank A/c Dr. Calls in arrear A/c (500 × 35)..... Dr. To Equity share allotment A/c To Calls in advance A/c (400 × 50) (Being share allotment received on 19,500 shares @ Rs. 35 each and calls in advanced on 400 shares @ Rs. 50 each)	7,02,500 17,500	7,00,000 20,000
5.	Equity shares 1st call A/c (20000 × 20)..... Dr. To Equity share capital A/c (Being share 1st call money due)	4,00,000	4,00,000
6.	Bank A/c Dr. Calls in arrear A/c (500 × 20)..... Dr. Calls in advance A/c (400 × 20)..... Dr. To Equity shares 1st calls A/c (Being share 1st call money received on 19,100 shares @ Rs.20 each after adjusting calls in arrear and calls in advance.)	3,82,000 10,000 8,000	4,00,000
7.	Equity share final call A/c (20,000 × 30)..... Dr. To Equity share capital A/c (Being share final call money due on 20,000 shares @ Rs. 30 each)	6,00,000	6,00,000
8.	Bank A/c Dr. Calls in advance (400 × 30)..... Dr. To Share final call A/c To Calls in arrear (Being share final call received on 19,600 shares @ Rs. 30 each along with calls in arrear of Mr X for Rs. 27,500)	3,15,500 12,000	3,00,000 27,500

4. Mechi Tile Ltd. was registered with an authorized capital of 2,00,000 shares of Rs. 10 each. It issued 50,000 such shares to public at 10% premium payable as follows:

Rs. 2 on Application

Rs. 4 on Allotment (including premium)

Rs. 3 on First call

Rs. 2 on Final call

Applications were received 75,000 shares. Allotment was made to all applicants on pro-rata basis and retained excess paid money on allotment and calls.

Required: Journal entries for:

a. Share application

b. Share allotment

c. Share first call

d. Share final call

Ans.: Transferred to allotment Rs. 50,000, share premium Rs. 50,000

Solution,

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c..... Dr. To share application A/c (Being share application money received on 75,000 shares @ Rs. 2 each)		1,50,000	1,50,000
2.	Share application A/c..... Dr. To share capital A/c (50000 × 2) To share allotment A/c (25000 × 2) (Being share application money transferred to share capital and share allotment)		1,50,000	1,00,000 50,000
3.	Share allotment A/c Dr. To share capital A/c To share premium A/c (Being share allotment money due on 50,000 shares @ Rs. 3 each at a premium of Rs. 1 per share)		2,00,000	1,50,000 50,000
4.	Bank A/c(200000 – 50000) Dr. To share allotment A/c (Being share allotment money received after adjusting excess money transferred from share application)		1,50,000	1,50,000
5.	Shares first call A/c..... Dr. To share capital A/c (Being share first call money due on 50,000 shares @ Rs.3 each)		1,50,000	1,50,000
6.	Bank A/c..... Dr. To share first call A/c (Being share first call money received on 50,000 shares @ Rs.3 each)		1,50,000	1,50,000
7.	Share final call A/c..... Dr. To share capital A/c (Being share final call money due on 50,000 shares @ Rs.2 each)		1,00,000	1,00,000
8.	Bank A/c..... Dr. To share final call A/c (Being share final call money received on 50,000 shares @ Rs.2 each)		1,00,000	1,00,000

5. 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.

Required: Journal entries for:

- a. Share application
- b. Share allotment
- c. Share first and final call

Ans.: Calls in arrear Rs.15,000, Rs. 20,000

Solution,

Journal Entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	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
2.	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
3.	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
4.	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
5.	Share first and final call A/c..... Dr. 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
6.	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

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**

6. Vegetable product Ltd. invited applications for 20,000 shares of Rs. 100 each at 20% premium payable as follows:

- | | |
|-----------------------|---|
| Rs. 20 on Application | Rs. 40 on Allotment (including premium) |
| Rs. 30 on first call | Rs. 30 on final call |

Applications were received for 40,000 shares. Applications for 10,000 shares were accepted in full, 10,000 shares were refunded and remaining shares were allotted on pro-rata basis. Mr. P who had allotted 750 shares under pro-rata basis failed to pay allotment and call money and Mr. S who had allotted 500 shares under the same group failed to pay call money.

Required: Journal entries for:

- a. Share application
- b. Share allotment
- c. Share first call
- d. Share final call

Ans.: Calls in arrear Rs. 15,000, Rs. 37,500

Solution,

Journal Entries				
Date	Particulars	LF	Debit Rs.	Credit Rs.
1.	Bank A/c (40,000 × 20) Dr. To share application A/c (Being share application money received on 40,000 shares @ Rs.20 each)		8,00,000	8,00,000
2.	Share Application A/c Dr. To share capital A/c (20,000 × 20) To Share allotment A/c (10,000 × 20) To Bank A/c (10,000 × 20) (Being share application money transferred to share capital, share allotment, and excess money was refunded.)		8,00,000	4,00,000 2,00,000 2,00,000
3.	Share allotment A/c (20,000 × 40)..... Dr. To share capital A/c (20,000 × 20) To share premium A/c (20,000 × 20) (Being share allotment money due on 20,000 shares @ Rs. 20 each at a premium of Rs.20 per share)		8,00,000	4,00,000 4,00,000

4.	Bank A/c (8,00,000 – 2,00,000 – 15,000) 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 and calls in arrear)	5,85,000 15,000**	6,00,000
5.	Shares first call A/c Dr. To share capital A/c (Being share first call money due on 20,000 shares @ Rs.30 each)	6,00,000	6,00,000
6.	Bank A/c Dr. Calls in arrear A/c (1250 × 30) Dr. To share first call A/c (Being share 1st call money received on 18,750 shares @ Rs.30 each after adjusting calls in arrear)	5,62,500 37,500	6,00,000
7.	Share final call A/c Dr. To share capital A/c (Being share final call money due on 20,000 shares @Rs. 30 each)	6,00,000	6,00,000
8.	Bank A/c (600000 – 750 × 30 – 500 × 30) Dr. Calls in arrear A/c (1250 × 30) Dr. To share final call A/c (Being share final call money received on 18,750 shares @ Rs. 30 each after adjusting calls in arrears.)	5,62,500 37,500	6,00,000

Working Notes

- Ratio of share allotment:(20, 00: 10,000) = 2:1
- Allotted share to share holder = 750
- He applied for the share (750 × 2:1) = 1500
- He paid share application money (1500 × 20) = 30,000
- He had allotted share capital money (750 × 20) = 15,000
- He excess payment in share application (30,000 – 15,000) = 15,000
- His due in share allotment (750 × 40) = 30,000
- His calls in arrears (30,000 – 15,000) = 15,000**

7. B Ltd. Company issued 80,000 shares of Rs. 100 each at 10% discount payable as follows:
on application Rs. 30 on allotment Rs. 30 on first and final calls Rs. 30

Application were received for 1,10,000 share. Allotment was made as under

To applicant applying for 50,000 share – Full

To applicants applying for 60,000 share – pro-rata

The excess money on application were utilized towards the sum due on allotment. A shareholder to whom 500 share were allotted from pro-rata basis failed to pay the first and final call money

Required: Journal entries for

- Application
- Allotment
- first and final call

Ans: Transferred to allotment Rs. 9,00,000; Transferred to first call Rs. Nil; calls in arrear: allotment–Nil, first & final Rs. 15,000

Solution,**Journal entries in the book of B Ltd. Company**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Bank A/c (110,000×30) Dr. To Share application A/c (Being share application money received)		3300,000	3300,000
	Share application A/c Dr. To share capital A/c (80,000×30) To Share allotment A/c (30,000×30) (Being share application money transferred to share (capital)		3300,000	2400,000 900,000
b.	Share allotment A/c (80,000×30) Dr. Discount on issue of share A/c (80,000×10) To Share capital A/c (80,000×40) (Being share allotment money due)		2400,000 800,000	3200,000
	Bank A/c (2400,000 – 900,000)..... Dr. To Share allotment A/c (Being share allotment money received)		1500,000	1500,000
c.	Share first and final call A/c (80,000×30) Dr. To Share capital A/c (Being share allotment money due)		2400,000	2400,000
	Bank A/c (2400,000 – 15,000) Dr. Calls in arrears A/c (500×30) To share first and final call (Being first and final call money received after deducting calls in arrears)		2385,000 15,000	2400,000

8. Himalayan Co. Ltd. issued 15,000 equity shares of Rs. 10 each, payable as under

2.	Share application A/c..... Dr. To share capital A/c To share allotment A/c To share first call A/c To share final call A/c To Bank A/c (Being share application money transferred to share capital, share first call, share final call and balance refunded.)	19,50,000	6,00,000 5,00,000 100,000 1,00,000 6,50,000
3.	Share allotment A/c (20,000 × 40)..... Dr. To share capital A/c (20,000 × 30) To share premium A/c (20,000 × 10) (Being share allotment money due on 20,000 shares @ Rs. 30 each at a premium of Rs. 10 per share)	8,00,000	6,00,000 2,00,000
4.	Bank A/c..... Dr. Calls in arrear A/c Dr. To share allotment A/c (Being share allotment money received after adjusting excess amount transferred from share application and calls in arrear)	2,95,000 5,000**	3,00,000
5.	Shares 1st call A/c (20000 × 20) Dr. To share capital A/c (Being share 1st call money due on 20,000 shares @ Rs. 20 each)	4,00,000	4,00,000
6.	Bank A/c..... Dr. Calls in arrear A/c (500 × 20) Dr. To share 1st call A/c (Being share 1st call money received after adjusting excess money transferred from share application and calls in arrear)	2,90,000 10,000	3,00,000
7.	Share final call A/c (20,000 × 20) Dr. To share capital A/c (Being share final call money due on 20,000 shares @ Rs.20 each)	4,00,000	4,00,000
8.	Bank A/c (3,00,000 – 500 × 20)..... Dr. Calls in arrear A/c (500 × 20) Dr. To share final call A/c (Being share final call money received after adjusting excess money transferred from share application and calls in arrear)	2,90,000 10,000	3,00,000

b. Opening Balance sheet			
Capital & liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Authorize share capital 100,000 shares@ Rs.100 each....	1,00,00,000	Bank	21,75,000
Share capital			
20,000 shares of Rs. 100.....	20,00,000		
Less: Calls in arrear:.....	<u>25,000</u>		
Share premium.....	2,00,000		
Total	21,75,000	Total	21,75,000

Working Note

- a. Ratio of share allotment (20,000:10,000) = 2:1
 b. Allotted shares to Mr. Joshi = 500
 c. He applied for shares (500x 2/1) = 1,000
 d. He paid share application money (1000x30) = Rs. 30,000
 e. He had allotted share capital money (500x30) = Rs. 15,000
 f. His excess payment in share application (30,000- 15,000) = Rs. 15,000
 g. His due on share allotment (500x40) = Rs. 20,000
 h. His calls in arrears on allotment (20,000 – 15,000)= **Rs. 5,000****

