

CH- 11

ACCOUNTING FOR SHARE CAPITAL



DANGAL QUESTIONS

ICAI RTP QUESTIONS

ICAI PAST QUESTIONS

TOTAL QUESTIONS

10

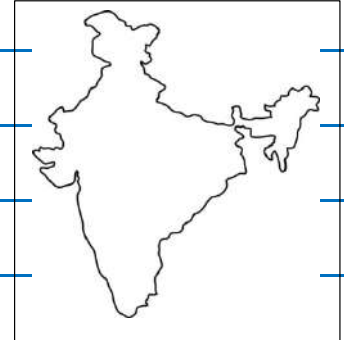
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BASIC CONCEPTS

CONCEPT NO 1 : ACCOUNTING ENTRIES

IN LUMP SUM



IN INSTALMENT

JOURNAL ENTRY

Bank A/c	Dr	xxx	
To Share Application A/c			xxx
Share Application A/c	Dr	xxx	
To Share Capital A/c			xxx
Share Allotment A/c	Dr	xxx	
To Share Capital A/c			xxx
Bank A/c	Dr	xxx	
To Share Allotment A/c			xxx
Share Calls A/c	Dr	xxx	
To Share Capital A/c			xxx
Bank A/c	Dr	xxx	
To Share Calls A/c			xxx

CONCEPT NO 2 : FORFEITURE OF SHARES

CONCEPT NO 3 : REISSUES OF SHARES

CONCEPT NO 4 : PRO-RATA ALLOTMENT OF SHARES

CONCEPT NO 4 : INTEREST ON CALLS IN ARREARS

CONCEPT NO 6 : INTEREST ON CALLS IN ADVANCES

CONCEPT NO 7 : ISSUES OF SHARES FOR CONSIDERATION OTHER THAN CASH

Lets DANGAL with ICAI RTP QUESTIONS

QUESTION 1**MAY 2018**

Pihu Limited issued at par 2,00,000 Equity shares of Rs. 10 each payable Rs. 2.50 on application; Rs. 3 on allotment; Rs. 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Pal who held 20,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 2,000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Pal.

You are required to prepare journal entries to record these transactions.

SOL:

Book of Pihu Limited
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c To Equity Share Application A/c (Money received on applications for 2,00,000 shares @ ₹ 2.50 per share)	Dr.		5,00,000	5,00,000
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 2,00,000 shares to share capital)	Dr.		5,00,000	5,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 2,00,000 shares @ ₹ 3 per share)	Dr.		6,00,000	6,00,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.		6,00,000	6,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call made due on 2,00,000	Dr.		4,00,000	4,00,000
	Bank A/c To Equity Share First Call A/c To Calls in Advance A/c (Being first call money received along with calls in advance on 20,000 shares at ₹2.50 per share)	Dr.		4,50,000	4,00,000 50,000
	Equity Share Final Call A/c To Equity Share capital A/c (Being final call made due on 2,00,000 shares at ₹2.50 each)	Dr.		5,00,000	5,00,000

Bank A/c	Dr.	4,45,000	
Calls in Advance /C	Dr.	50,000	
Calls in Arrears A/c	Dr.	5,000	
(Being final call received for 1,78,000 shares and calls in advance for 20,000 shares adjusted)			5,00,000
Interest on Calls in Advance A/c To shareholders A/c	Dr.	1,500	
Being interest made due on calls in advance of ₹50,000 at the rate of 12% p.a.)			1,500
Shareholders A/c To bank A/c	Dr.	1,500	
(Being payment of Interest made to shareholders)			1,500
Shareholders A/c To Interest on Calls in Arrears A/c	Dr.	83.34	
(Being interest on calls in arrears made due at the rate of 10%)			83.34
Bank A/c To Calls in Arrears A/c To Shareholders A/c	Dr.	5,083.34	
(Being money received from shareholder for calls in arrears and interest thereupon)			5,000 83.34

QUESTION 2

MAY 2018 \ NOV 2018 \ MAY 2019

Mr. Hello who was the holder of 4,000 preference shares of Rs. 100 each, on which Rs. 75 per share has been called up could not pay his dues on Allotment and First call each at Rs. 25 per share. The Directors forfeited the above shares and reissued 3,000 of such shares to Mr. X at Rs. 65 per share paid-up as Rs. 75 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

SOL:

In the books of Company

Journal

Particulars		Dr. Rs.	Cr. Rs.
Preference Share Capital A/c (4,000 x Rs.75)	Dr.	3,00,000	
To Preference Share Allotment A/c			1,00,000
To Preference Share First Call A/c			1,00,000
To Forfeited Share A/c			1,00,000
(Being the forfeiture of 4,000 preference shares Rs. 75 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)			
Bank A/c (3,000 x Rs. 65)	Dr.	1,95,000	
Forfeited Shares A/c (3,000 x Rs.10)	Dr.	30,000	
To Preference Share Capital A/c			2,25,000

(Being re-issue of 3,000 shares at Rs. 65 per share paid-up as Rs. 75 as per Board's Resolution No.....dated....)			
Forfeited Shares A/c To Capital Reserve A/c (Note 1) (Being profit on re-issue transferred to Capital/Reserve)	Dr.	45,000	45,000

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = Rs.1,00,000/4,000 = Rs. 25

Loss on re-issue = Rs. 75 –Rs. 65 = Rs.10

Surplus pershare re-issued = Rs. 15

Transferred to capital Reserve Rs. 15 x 3,000 = Rs.45,000.

QUESTION 3**NOV 2018 / NOV 2019**

On 1st April, 2017, Pehal Ltd. issued 64,500 shares of Rs. 100 each payable as follows:

Rs. 30 on application, Rs. 30 on allotment,

Rs. 20 on 1st October, 2017; and Rs. 20 on 1st February, 2018.

By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. You are required to prepare the Journal entries to record the transactions when accounts were closed on 31st March, 2018.

SOL:**Journal**

2017			Dr. ₹	Cr. ₹
May 20	Bank Account To Share Application A/c (Application money on 60,000 shares at ₹ 30 per share received.)	Dr.	18,00,000	18,00,000
June 1	Share Application A/c To Share Capital A/c (The amount transferred to Capital Account on 60,000 shares ₹ 30 on application. Directors' resolution no..... dated)	Dr.	18,00,000	18,00,000
	Share Allotment A/c To Share Capital A/c (Being share allotment made due at ₹ 30 per share. Directors' resolution no..... dated)	Dr.	18,00,000	18,00,000
July 15	Bank Account To Share Application and Allotment A/c (The sums due on allotment received.)	Dr.	18,00,000	18,00,000
Oct. 1	Share First Call Account To Share Capital Account (Amount due from members in respect of first call-on 60,000 shares at ₹ 20 as per Directors, resolution no... dated...)	Dr.	12,00,000	12,00,000
Oct. 20	Bank Account To Share First Call Account (Receipt of the amounts due on first call.)	Dr.	12,00,000	12,00,000
2018 Feb. 1	Share Second and Final Call A/c To Share Capital A/c	Dr.	12,00,000	12,00,000

Mar. 31	(Amount due on 60,000 share at ₹ 20 per share on second and final call, as per Directors resolution no... dated...)	Dr.	12,00,000	12,00,000
	Bank Account To Share Second & Final Call A/c (Amount received against the final call on 60,000 shares at ₹20 per share.)			

QUESTION 4**MAY 2019**

Konica Limited registered with an authorised equity capital of Rs. 2,00,000 divided into 2,000 shares of Rs. 100 each, issued for subscription of 1,000 shares payable at Rs. 25 per share on application, Rs. 30 per share on allotment, Rs. 20 per share on first call and the balance as and when required. Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions.

SOL:**JOURNAL ENTRIES**

Bank A/c To Equity Share Application A/c (Money received on application for 1,000 shares @ ₹ 25 per share)	Dr.	25,000	25,000
Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 1,000 shares to share capital)	Dr.	25,000	25,000
Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 1,000 shares @ ₹ 30 per share)	Dr.	30,000	30,000
Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	30,000	30,000
Equity Share First Call A/c To Equity Share Capital A/c (First call money due on 1,000 shares @ ₹ 20 per share)	Dr.	20,000	20,000
Bank A/c Calls-in-Arrears A/c To Equity Share First Call A/c To Calls-in-Advance A/c (First call money received on 900 shares and calls-in-advance on 50 shares @ ₹ 25 per share)	Dr. Dr.	19,250 2,000	20,000 1,250

QUESTION 5

MAY 2020

Piyush Limited is a company with an authorized share capital of Rs. 2,00,00,000 in equity shares of Rs. 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2018. The company proposed to make a further issue of 1,30,000 shares of Rs. 10 each at a price of Rs. 12 each, the arrangements for payment being:

- (i) Rs. 2 per share payable on application, to be received by 1st July, 2018;
 (ii) Allotment to be made on 10th July, 2018 and a further Rs. 5 per share (including the premium) to be payable;

(iii) The final call for the balance to be made, and the money received by 30th April, 2019.

Applications were received for 4,20,000 shares and were dealt with as follows:

- (1) Applicants for 20,000 shares received allotment in full;
 (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
 (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
 (4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited.

Sol :

Journal of Piyush Limited

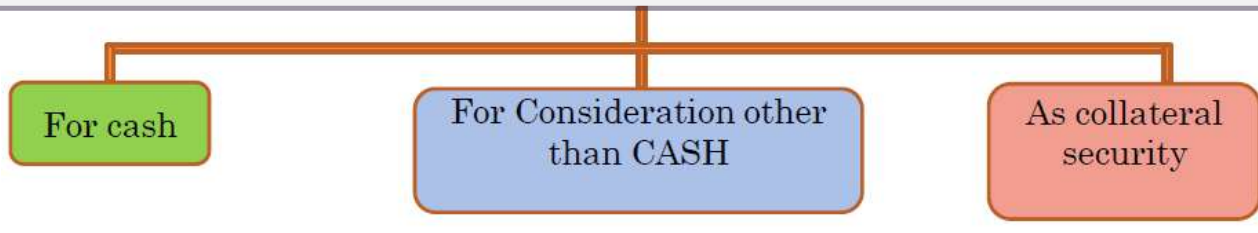
Date 2018	Particulars		Dr. ₹	Cr. ₹
July 1	Bank A/c (Note 1 – Column 3) To Equity Share Application A/c (Being application money received on 4,20,000 shares @ ₹ 2 per share)	Dr.	8,40,000	8,40,000
July 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5) To Bank A/c (Note 1–Column 6) (Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with allotment and on 90,000 shares refunded as per Board's Resolution No.....dated...)	Dr.	8,40,000	2,60,000 4,00,000 1,80,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium a/c (Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No....dated....)	Dr.	6,50,000	3,90,000 2,60,000
	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	2,50,000	2,50,000
	Equity Share Final Call A/c	Dr.	6,50,000	

2019 April 30	To Equity Share Capital A/c (Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No.....dated....)			6,50,000
	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,30,000 shares @ ₹ 5 each received)	Dr.	6,50,000	6,50,000

Working Note:**Calculation for Adjustment and Refund**

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	Amount adjusted on Allotment	Refund [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
TOTAL	4,20,000	1,30,000	8,40,000	2,60,000	4,00,000	1,80,000	6,50,000	2,50,000

CONCEPT NO 8 : ISSUE OF DEBENTURES



CONCEPT NO 9 : LOSS ON ISSUES OF DEBENTURES

CONCEPT NO 10 : INTEREST ACCRUED ON DEBENTURES

Lets DANGAL with ICAI RTP QUESTIONS

QUESTION 6**MAY 2018**

Riya Limited issued 20,000 14% Debentures of the nominal value of Rs. 1,00,00,000 as follows:

- (a) To sundry persons for cash at 90% of nominal value of Rs. 50,00,000.
- (b) To a vendor for purchase of fixed assets worth Rs. 20,00,000 – Rs. 25,00,000 nominal value.
- (c) To the banker as collateral security for a loan of Rs. 20,00,000 – Rs. 25,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

SOL: **In the books of Riya Company Ltd.**

Journal Entries

Date	Particulars		Dr. Rs.	Cr. Rs.
(a)	Bank A/c	Dr.	45,00,000	45,00,000
	To Debentures Application A/c (Being the application money received on 10,000 debentures @ Rs. 450 each)			
	Debentures Application A/c	Dr.	45,00,000	50,00,000
	Discount on issue of Debentures A/c To 14% Debentures A/c (Being the issue of 10,000 14% Debentures @ 90% as per Board's Resolution No....dated....)	Dr.	5,00,000	
(b)	Fixed Assets A/c	Dr.	20,00,000	20,00,000
	To Vendor A/c (Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	20,00,000	25,00,000
	Discount on Issue of Debentures A/c To 14% Debentures A/c (Being the issue of debentures of Rs. 25,00,000 to vendor to satisfy his claim)	Dr.	5,00,000	
(c)	Bank A/c	Dr.	20,00,000	20,00,000
	To Bank Loan A/c (See Note) (Being a loan of Rs. 20,00,000 taken from bank by issuing debentures of Rs. 25,00,000 as collateral security)			

Note: No entry is made in the books of account of the company at the time of making issue of such debentures. In the "Notes to Accounts" of Balance Sheet, the fact that the debentures being issued as collateral security and outstanding are shown by a note under the liability secured.

QUESTION 7**NOV 2018**

A Ltd. issued 3,50,000, 12% Debentures of Rs.100 each at par payable in full on application by 1st April, Application were received for 3,85,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date.

You are required to prepare necessary Journal Entries (including cash transactions) in the books of the company.

SOL: In the books of A Limited

Date	Particulars		Rs. '000	Rs. '000
April 1	Bank A/c To 12% Debentures Application A/c (Being money received on 3,85,000 debentures)	Dr.	38,500	38,500
April 7	12% Debentures Application A/c To Bank A/c (Being money on 35,000 debentures refunded as per Board's Resolution No.....dated...)	Dr.	3,500	3,500
April 7	12% Debentures Application A/c To 12% Debentures A/c (Being the allotment of 3,50,000 debentures of Rs. 100 each at par, as per Board's Resolution No....dated...)	Dr.	35,000	35,000

QUESTION 8**MAY 2019**

Suvidha Ltd. purchased machinery worth Rs 1,98,000 from Hemant Ltd. The payment was made by issue of 12% debentures of Rs.100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when: (i) Debentures are issued at par; (ii) Debentures are issued at 10% discount; and (iii) Debentures are issued at 10% premium.

SOL: Books of Suvidha Ltd.
Journal Entries

MachineryA/c To Hemant Ltd. (Machinery purchased)	Dr.	1,98,000	1,98,000
Case(i) When debentures are issued at par: HemantLtd. To 12% Debentures A/c (12% Debentures issued to Hemant Ltd.)	Dr.	1,98,000	1,98,000
Case(ii) When debentures are issued at 10% discount: HemantLtd. Discount on IssueofDebenturesA/c To 12% Debentures A/c (12% Debentures issued to Hemant Ltd. at 10% discount)	Dr. Dr.	1,98,000 22,000	2,20,000
Case(iii) When debentures are issued at 10% premium: Hemant Ltd. To 12% Debentures A/c To Premium on Issue of Debentures A/c (12% Debentures issued to Hemant Ltd. at 10% premium)	Dr.	1,98,000	1,80,000 18,000

Workings:**(a) Number of debentures issued in case of 10% discount:**

Rs.	
Face value	100
Less: Discount 10%	<u>10</u>
Value at which issued	<u>90</u>
Rs 1,98,000/90	= 2,200 Debentures

(b) Number of debentures issued in case of 10% premium:

Rs.	
Face value	100
Add: Premium 10%	<u>10</u>
Value at which issued	<u>110</u>
Rs. 1,98,000/ 110	= 1,800 Debentures

QUESTION 9**NOV 2019**

Pihu Ltd. issued 50,00,000, 9% debentures of Rs 100 each at a discount of 10% redeemable at par at the end of 10th year. Money was payable as follows:

Rs 40 on application & Rs 50 on allotment

You are required to give necessary journal entries regarding issue of debenture.

SOL:**Books of Pihu Ltd.****Journal**

Particulars	L.F.	Debit (rs)	Credit (Rs.rs)
Bank A/c To Debenture Application A/c (Debenture application money received)	Dr.	20,00,00,000	20,00,00,000
Debenture Application A/c To 9% Debentures A/c (Application money transferred to 9% debentures account consequent upon allotment)	Dr.	20,00,00,000	20,00,00,000
Debenture allotment A/c	Dr.	25,00,00,000	
Discount on issue of debentures A/c	Dr.	5,00,00,000	
To 9% Debentures A/c (Amount due on allotment)			30,00,00,000
Bank A/c To Debenture Allotment A/c (Money received consequent upon allotment)	Dr.	25,00,00,000	25,00,00,000

QUESTION 10**MAY 2020**

Pure Ltd. issues 1,00,000 12% Debentures of Rs. 10 each at Rs. 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue.

Calculate the amount of discount to be written-off in each of the 5 years.

Sol : Total amount of discount comes to Rs. 60,000 (Rs. 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures	Ratio in which discount	Amount of discount to be
Outstanding		to be written-off	written-off
1st	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
2nd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
3rd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
4th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
5th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

Let's DANGAL with ICAI PAST EXAMS QUESTIONS

Q1> Piyush Limited is a company with an authorized share capital of Rs. 2,00,00,000 in equity shares of Rs. 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of Rs. 10 each at a price of Rs. 12 each, the arrangements for payment being:

- (i) Rs. 2 per share payable on application, to be received by 1st July, 2017;
- (ii) Allotment to be made on 10th July, 2017 and a further Rs. 5 per share (including the premium) to be payable;
- (iii) The final call for the balance to be made, and the money received by 30th April, 2018.

Applications were received for 4,20,000 shares and were dealt with as follows:

- (1) Applicants for 20,000 shares received allotment in full;
- (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited

(May 2018)

Sol:

Journal of Piyush Limited

Date 2017	Particulars		Dr. ₹	Cr. ₹
July 1	Bank A/c (Note 1 – Column 3) To Equity Share Application A/c (Being application money received on 4,20,000 shares @ ₹ 2 per share)	Dr.	8,40,000	8,40,000
July 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5) To Bank A/c (Note 1–Column 6) (Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with	Dr.	8,40,000	2,60,000 4,00,000 1,80,000
	allotment and on 90,000 shares refunded as per Board's Resolution No.....dated...)			
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium a/c (Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No....dated....)	Dr.	6,50,000	3,90,000 2,60,000
	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	2,50,000	2,50,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No.....dated....)	Dr.	6,50,000	6,50,000
April 30	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,30,000 shares @ ₹ 5 each received)	Dr.	6,50,000	6,50,000

Working Note:**Calculation for Adjustment and Refund**

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	Amount adjusted on Allotment	Refund [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
TOTAL	4,20,000	1,30,000	8,40,000	2,60,000	4,00,000	1,80,000	6,50,000	2,50,000

Q2> Give necessary journal entries for the forfeiture and re-issue of shares:

(i) X Ltd. forfeited 300 shares of Rs. 10 each fully called up, held by Ramesh for non-payment of allotment money of Rs. 3 per share and final call of Rs. 4 per share. He paid the application money of Rs. 3 per share. These shares were re-issued to Suresh for Rs. 8 per share.

(ii) X Ltd. forfeited 200 shares of Rs. 10 each (Rs. 7 called up) on which Naresh had paid application and allotment money of Rs. 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for Rs. 6 per share.

(iii) X Ltd. forfeited 100 shares of Rs. 10 each (Rs. 6 called up) issued at a discount of 10% to Dimple on which she paid Rs. 2 per share. Out of these, 80 shares were re-issued to Simple at Rs. 8 per share and called up for Rs. 6 share.

(Nov 2018)

(Teacher Note : Company cannot issue shares at discount except in case of sweat equity shares)

Sol:

(i) Journal Entries in the books of X Ltd.

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c To Equity Share Allotment money A/c (300 x ₹ 3) To Equity Share Final Call A/c (300 x ₹ 4) To Forfeited Shares A/c (300 x ₹ 3) (Being the forfeiture of 300 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolution No.....dated.....)	Dr.	3,000	900 1,200 900
(b)	Bank Account (300 x 8) Forfeited Shares Account (300x 2) To Equity Share Capital Account (Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Suresh as per	Dr. Dr.	2,400 600	3,000
(c)	Board's resolution No.....dated.....) Forfeited Shares Account To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	Dr.	300	300

(ii)

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c (200 x ₹ 7) To Equity Share First Call A/c (200 x ₹ 2) To Forfeited Shares A/c (200 x ₹ 5) (Being the forfeiture of 200 equity shares of ₹ 10/- (₹7 called up) for non-payment of first call @ ₹ 2/- per share as per Board Resolution No..... dated.....)	Dr.	1,400	400 1,000
(b)	Bank Account Forfeited Shares Account To Equity Share Capital Account (Being the re-issue of 150 forfeited shares as fully paid up as per Board's resolution No..... dated.....)	Dr. Dr.	900 600	1,500
(c)	Forfeited Shares Account To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	Dr.	150	150

Working Note:

Balance in forfeited shares account on forfeiture of 150 shares (150 x 5) Rs.750

Less: Forfeiture of 150 shares (Rs.600)

Profit on re-issue of shares Rs.150

(iii)

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c (100 x ₹ 6)	Dr.	600	
	To Equity Share Final Call A/c (100 x ₹ 3)			300
	To Discount on issue of shares (100 x ₹ 1)			100
	To Forfeited Shares A/c (100 x ₹ 2)			200
	(Being the forfeiture of 100 equity shares issued at a discount as per Board's resolution No.....dated.....)			
(b)	Bank Account (80 x ₹ 6)	Dr.	480	
	Discount on issue of shares (80 x ₹ 1)	Dr.	80	
	Forfeited Shares A/c (80 x ₹ 1)	Dr.	80	
	To Equity Share Capital Account (80 x ₹ 8)			640
	(Being the re-issue of 80 shares fully paid up as per Board's Resolution No.....dated.....)			
(c)	Forfeited Shares Account		80	
	To Capital Reserve Account			80
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 100 shares (100 x 2) Rs. 200.00

Forfeited shares balance for 80 shares Rs. 160

Less: Forfeiture of 80 shares (Rs. 80.00)

Profit on re-issue of shares Rs. 80.00

Note: It may be noted that the facts given in the question are not in compliance with Companies Act,

2013. As per Section 53 of Companies Act, 2013 a company cannot issue shares at discount except for in

case of sweat equity shares and therefore any issue on discount by the company is void. However, the above answer has been given strictly based on the information provided in the question

Q3> Pure Ltd. issues 1,00,000 12% Debentures of Rs. 10 each at Rs. 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue. Calculate the amount of discount to be written-off in each of the 5 years. (Nov 2018)

Sol: Total amount of discount comes to Rs. 60,000 (Rs. 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end Outstanding	Debentures	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
2nd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
3rd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
4th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
5th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

Q4> Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of Rs 10 each. (May 2019)

The amounts were payable as follows:

On application - Rs 3 per share

On allotment - Rs 5 per share

On first and final call - Rs 2 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants.

Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ Rs 6 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

Sol: *In the books of Bhagwati Ltd. Journal Entries*

		Dr. ₹	Cr. ₹
Bank A/c	Dr.	9,00,000	
To Equity Share Application A/c			9,00,000
(Being the application money received for 3,00,000 shares at ₹ 3 per share)			
Equity Share Application A/c	Dr.	9,00,000	
To Equity Share Capital A/c (2,00,000 x ₹ 3)			6,00,000
To Share allotment A/c			3,00,000
(Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)			
Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			10,00,000
(Being allotment amount due on 2,00,000 equity shares at ₹ 5 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	7,00,000	
To Equity Share Allotment A/c			7,00,000
(Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)			
Equity Share first and final call A/c	Dr.	4,00,000	
To Equity Share Capital A/c			4,00,000
(Being first and final call amount due on 2,00,000 equity shares at ₹ 2 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	3,94,000	
Calls in arrears A/c		6,000	
To Equity Share first and final call A/c			4,00,000
(Being final call received on 1,97,000 shares)			
Share capital A/c (3,000 x ₹ 10)	Dr.	30,000	
To Forfeited share A/c (3,000 x ₹ 8)			24,000
To Calls in arrears A/c (3,000 x ₹ 2)			6,000
(Being forfeiture of 3,000 shares of ₹ 10 each fully called-up for non payment of first and final call @ ₹ 2 as per Directors' resolution no... dated..)			
Bank A/c (2,500 x ₹ 6)	Dr.	15,000	
Forfeited share A/c (2,500 x ₹ 4)		10,000	
To Equity Share Capital A/c (2,500 x ₹ 10)			25,000
(Being re-issue of 2,500 shares @ ₹ 6)			
Forfeited share A/c (2,500 x ₹ 4)		10,000	
To capital reserve A/c (2,500 x ₹ 4)			10,000
(Being profit on re-issue transferred to capital reserve)			

Working Note:**Calculation of amount to be transferred to Capital reserve A/c Rs**

Forfeited amount per share	= 24,000/3,000	=	8
Loss on re issue (8-4)			4
Surplus per share			4
Transfer to capital reserve	4 x 2,500		Rs 10,000

Q5> On 1st January 2018 Ankit Ltd. issued 10% debentures of the face value of Rs 20,00,000 at 10% discount.

Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December

every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

(May 2019)

Sol:

Journal Entries

			Dr. (₹)	Cr. (₹)
1-1-2018	Bank A/c	Dr.	18,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	3,00,000	
	To 10% Debentures A/c			20,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(For issue of debentures at discount redeemable at premium)			
30-6-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and TDS)			
31-12-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and tax)			
	Profit and Loss A/c	Dr.	2,00,000	
	To Debenture Interest A/c			2,00,000

	(For transfer of debenture interest to profit and loss account at the end of the year) Profit and Loss A/c To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., $3,00,000 \times 1/5$)	Dr.	60,000	60,000
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Q6> B Limited issued 50,000 equity shares of Rs 10 each payable as Rs 3 per share on application, Rs 5 per share (including Rs 2 as premium) on allotment and Rs 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of Rs 2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company. (Nov 2019)

Sol.:

*In the books of B Ltd.**Journal Entries*

Date	Particulars		Dr. ₹	Cr. ₹
	Bank A/c To Equity Share Application A/c (Application money on 50,000 shares @ ₹ 3 per	Dr.	1,50,000	1,50,000

share received.)			
Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money to Equity Share Capital on 50,000 shares @ ₹ 3 per share as per Directors resolution no... dated...)	Dr.	1,50,000	1,50,000
Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Amount due from members in respect of allotment on 50,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Directors resolution no... dated...)	Dr.	2,50,000	1,50,000 1,00,000
Bank A/c To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share.) ‘OR’ Bank A/c Calls in Arrear A/c To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share. X, holding 1,000 shares failed to pay allotment money.)	Dr. Dr. Dr.	2,45,000 2,45,000 5,000	2,45,000 2,50,000
Equity Share Call A/c To Equity Share Capital A/c (Amount due from members in respect of call on 50,000 shares @ ₹ 4 per share as per Directors resolution no... dated...)	Dr.	2,00,000	2,00,000
Bank A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share.) ‘OR’ Bank A/c	Dr. Dr.	1,88,000 1,88,000	1,88,000

Calls in Arrear A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share. X, holding 1,000 shares and Y, holding 2,000 shares failed to pay call money.)	Dr.	12,000	2,00,000
Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Equity Share Allotment A/c (1,000 X ₹ 5) To Equity Share Call A/c (3,000 X ₹ 4) To Forfeited Shares A/c (Being forfeiture of 3,000 equity shares for non-payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board's Resolution No.....dated)	Dr. Dr.	30,000 2,000	5,000 12,000 15,000
‘OR’ Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Calls in Arrear A/c (₹ 5,000 + ₹ 12,000) To Forfeited Shares A/c (Being forfeiture of 3,000 equity shares for non-payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board's Resolution No... dated...)	Dr. Dr.	30,000 2,000	17,000 15,000
Bank A/c Forfeited Shares A/c To Equity Share Capital A/c (Being re-issue of 2,500 shares @ ₹8 each as per Board's Resolution No.....dated....)	Dr. Dr.	20,000 5,000	25,000
Forfeited Shares A/c To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)	Dr.	7,000	7,000

Balance Sheet of B Limited as at.....

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1	4,98,000
Reserves and Surplus	2	1,05,000
Total		6,03,000
ASSETS		
Current assets		
Cash and cash equivalents (bank)		6,03,000*
Total		6,03,000

*(5,83,000 + 20,000)

Notes to accounts

		₹	₹
1. Share Capital			
Equity share capital			
Issued share capital			
50,000 Equity shares of ₹ 10 each		5,00,000	
Subscribed, called up and paid up share capital			
49,500 Equity shares of ₹ 10 each		4,95,000	
Add: Forfeited shares		3,000	4,98,000
2. Reserves and Surplus			
Securities Premium		98,000	
Capital Reserve		7,000	1,05,000

*Working Notes:**(1) Calculation of Amount to be Transferred to Capital Reserve*

Amount forfeited per share of X ₹ 3 Amount forfeited per share of Y ₹ 6

Less: Loss on re-issue per share (₹ 2) Less: Loss on re-issue per share (₹ 2)Surplus ₹ 1 Surplus ₹ 4

Transferred to Capital Reserve: X share (1,000 x ₹ 1) ₹ 1,000

Y's Share (1,500 x ₹ 4) ₹ 6,000Total ₹ 7,000

(2) Balance of Security Premium

Total Premium amount receivable on allotment = 1,00,000

less: Amount reversed on forfeiture = (2,000)

Balance remaining = 98,000