

947

JHP Limited is a company with an authorised share capital of ₹10,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2020. The company proposed to make a further issue of 1,00,000 of these ₹10 shares at a price of ₹14 each, the arrangements for payment being:

- (a) ₹ 2 per share payable on application, to be received by 1st July, 2020;
- (b) Allotment to be made on 10th July, 2020 and a further ₹ 5 per share (including the premium) to be payable;
- (c) The final call for the balance to be made, and the money received by 30th April, 2021.

$$\begin{array}{r} 10+4 \\ \hline 14 \\ \hline 2 \quad 5 \quad 7 \\ (1+4) \end{array}$$

Applications were received for 3,55,000 shares and were dealt with as follows:

- (i) Applicants for 5,000 shares received allotment in full; 2:1
- (ii) Applicants for 30,000 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;
- (iii) Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (iv) 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 JHP Limited.

<u>WN1</u>	<u>Application</u>		<u>Allotment</u>	
	355000	-	100.000	AP AI 2:1 30.000 x 2
	5000	-	5000	
I	30.000	-	15000	2x = 30.000
II	320.000	-	<u>80.000</u>	x = 15000
				4:1 320.000 x 4x = 320000

WN

	I	II
1. Excess App Money	30,000 (15,000 x 2)	480,000 (240,000 x 2)
2. Allotment money due	75,000 (15,000 x 5)	400,000 (80,000 x 5)
3. Excess App Money	(30,000)	(400,000)
4. Allotment Money Rec.	45,000	—
5. Money Returned		80,000

Journal

July 1	Bank A/c Dr. (350,000 x 2)	710,000	
	To eq. sh. App A/c		710,000
July 10	Eq. sh. App A/c Dr. (100,000 x 2)	710,000	
	To eq. sh. cap		200,000
	To eq. sh. All. A/c		430,000
	To Bank A/c		80,000

July 10

	Eq. Share All A/c Dr	(100,000 x 5)	500.000
[100,000 x 1]	To eq. sh. cap A/c		100.000
[100,000 x 4]	To Security prem A/c		400.000

Bank A/c Dr	70.000
To Eq Share All A/c	70.000

Eq. share first & final call Dr	700.000
To Eq. share cap A/c	700.000

Apr 30

Bank A/c Dr	700.000
To eq. sh. first & final call	700.000

PRO-RATA + Calls in arrear

Eg:- DSHACK Ltd. issued 10,000 eq. shares of ₹ 10 each.

Public applied for 15000 eq. shares & all the shares were allotted on pro-rata basis.

Bhide applied for 600 shares, failed to pay allotment & call.

Ans:

$$15000 - 10,000 \rightarrow 3:2$$

$$\text{Allotted shares} = 600 \times \frac{2}{3} = \underline{400 \text{ shares}}$$

Bhide:

	Excess App Money (200x3)	600
(400x4)	Allotment money due	1600
	Excess App Mon. \downarrow adj	<u>(600)</u>
	Calls in Arrear - Allotment	1000
	Call Money due (400x3)	1200

Eg:- DSHACK 200,000 @ 10 → Public applied for 250,000 shares.
 $\frac{3}{4} \times 3$

	<u>Applied</u>		<u>Allotted</u>	
	80,000	-	80,000	
I	140,000	-	100,000	7:5
II	30,000	-	20,000	3:2

- a) Balraj, who belonged to category I, applied for 7000 shares, failed to pay allotment money.
- b) Palak, who belonged to category II, was allotted 5000 shares, failed to pay all. money.

Ans/De.: Shares allotted to Balraj = $7000 \times \frac{5}{7} = 5000$ shares
 Shares applied by palak = $5000 \times \frac{3}{2} = 7500$ shares.

	Balraj	Palak
Excess App Money	6000 (2000x3)	7500 (2500x3)
Allotment Money due	20,000	20,000
(-) Excess App Money adj	(6000)	(7500)
<u>Calls in Arrear</u>	14000	12500

CA Foundation - Accounts

X Ltd. issued to the public for subscription 40,000 shares of ₹ 10 each at par payable as ₹ 2 each on Application, Allotment and First Call and the balance on the Final Call. Applications were received for 60,000 Shares and allotment was made *pro rata* to 80% of applicants. R to whom 1,600 shares were allotted paid only the Application Money and S who had applied for 2,400 shares paid the entire call money due along with the allotment. Pass the necessary Journal entries to record the above transactions assuming that Calls-in-arrears Account is maintained.

1.

60000	-	40.000	
48000	-	40000	6:5
12000	-	NIL	$\begin{array}{r} 10 \\ 2 \overline{) 224} \\ \underline{2} \\ 2 \\ \underline{2} \\ 4 \\ \underline{6} \end{array}$

WN

R - Applied sh- $1600 \times \frac{6}{5} = 1920$ shares

Excess App Money	[1920 - 1600] x 2 =	640
Allotment money due	[1600 x 2]	3200
Excess App Money adj		<u>(640)</u>
Calls in Arrear		<u>2560</u>

WN

S : Allotted shares : $2400 \times \frac{5}{6} = 2000$ shares

Journal

1. Bank A/c Dr [60,000 x 2] 120,000
To Eq. sh. App A/c 120,000
2. Eq. sh. App A/c Dr 120,000
[40,000 x 2] To eq. sh. Cap A/c 80,000
[12,000 x 2] To Bank A/c 24,000
[8,000 x 2] To eq. sh. Allotment A/c 16,000
3. Eq. sh. Allotment [40,000 x 2] 80,000
To eq. sh. Cap 80,000
4. Bank Dr. 73,440
[80,000 - 16,000 - 2,560 + 12,000]
Calls in Arrear Dr. 2,560
To eq. sh. All A/c 64,000
To Calls in Adv. 12,000
5. Eq. sh. first Call Dr. [40,000 x 2] 80,000
To eq. sh. Cap 80,000
6. Bank A/c Dr. 72,800
[80,000 - 3,200 - 4,000]
Calls in Arrear Dr. 3,200
Calls in Adv. Dr. 4,000
To eq. sh. first Call 80,000

7. Eq. Share final call Dr. 160,000
 To Eq. Sh. Cap 160,000

8. Bank A/c Dr. 1,45,600
 [160,000 - 6,400 - 8,000]
 Calls in Arrear Dr 6,400
 Calls in Adv Dr 8,000
 To Eq. Sh. final call 1,60,000

→ Forfeiture of Shares

Aditi
 1000 shares

₹10
 / | \
 4 3 3
 ✓ X X

1. Bank A/c Dr. 4,000
 To eq. Sh. App A/c 4,000

2. Eq. Sh. App Dr. 4,000
 To eq. Sh. cap 4,000 ✓

3. Eq. Sh. All Dr 3,000
 To eq. Sh. cap 3,000 ✓ Called up

4. Calls in Arrear Dr 3,000
 To eq. Sh. All 3,000

5. Eq. sh. first & final call Dr 3000
 To Eq. sh. Cap 3000 ✓ Called up

6. Calls in Arrear Dr 3000
 To Eq. sh. first & final call 3000

FORFEITURE

	Eq. sh cap	Dr. [1000 x 10]	10,000
[1000 x 6]		To calls in Arrear	6000
		To share forfeiture A/c	4000

Called up
FV

→ Forfeiture means Cancellation of shares.

→ Directors are empowered by AOA to forfeit their shares by serving proper notice to the defaulting shareholders.

ILLUSTRATION 10

A Ltd forfeited 30,000 equity shares of ₹ 10, fully called-up, held by Mr. X for non-payment of final call @ ₹ 4 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 4 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture.

1.	Eq. share cap A/c Dr. (30,000 x 10)	300,000
	(30,000 x 4)	To Calls in Arrear 120,000
	(30,000 x 6)	To Share forf' A/c 180,000

In case - Calls in Arrear A/c is not maintained.

	Eq. share cap A/c Dr. (30,000 x 10)	300,000
	(30,000 x 4)	Eq. share final call A/c 120,000
	(30,000 x 6)	To Share forf' A/c 180,000

ILLUSTRATION 11

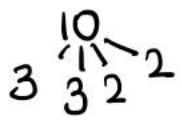
X Ltd forfeited 20,000 equity shares of ₹ 10 each, ₹ 8 called-up, for non-payment of first call money @ ₹ 2 each. Application money @ ₹ 2 per share and allotment money @ ₹ 4 per share have already been received by the company. Give Journal Entry for the forfeiture (assume that all money due is transferred to Calls-in-Arrears Account).

	Eq. Share Capital A/c Dr. (20,000 x 8)	160,000
[20,000 x 2]	To Calls in Arrear	40,000
[20,000 x 6]	To Share forf A/c	120,000

Question:

Lions Limited issued for public subscription 1,20,000 equity shares of Rs. 10 each per share payable as under:

- With Application - Rs. 3 per share,
- On allotment - Rs. 3 per share,
- On First call - Rs. 2 per share ✓
- On Second and Final call - Rs. 2 per share. ✓



Applications were received for 1,60,000 shares. Allotment was made on pro rata basis. Excess money on application were adjusted against the amount due on allotment. Rohan to whom 4,800 shares were allotted paid the application money only. These shares were subsequently forfeited after the second call was made. Record the necessary journal entries.

160000 - 120000

WN-1 Rohan: Applied = $4800 \times \frac{160,000}{20,000}$
 = 6400 Shares

Excess Application Money (1600 x 3)	= 4800
Allotment money due (4800 x 3)	= 14400
Excess App Money adj	<u>(4800)</u>
Calls in Arrear	9600

WN2 Allotment Money Received - Pro-rata

(40,000 x 3)	Total excess App Money received = 120,000 ✓	
(120,000 x 3)	Allotment Money due = 360,000	
	Excess App Money adj	<u>(120,000)</u>
	Calls in Arrear	(9600)
	Allotment Money Rec	<u>230400</u>

JOURNAL

1. Bank A/c Dr. 480.000
 To Eq. Share App A/c 480.000
2. Eq. Sh. App A/c Dr. 480.000
 [120,000 x 3] To Eq. Sh. Cap A/c 360.000
 To Eq. Sh. All. A/c 120.000
3. Eq. Sh. All. A/c Dr. 360.000
 To Eq. Sh. Cap 360.000
4. Bank A/c Dr. 230400
 Calls in Arrear Dr. 9600
 To Eq. Sh. All. 240.000
5. Eq. Sh. first Call Dr. 240.000
 To Eq. Sh. cap A/c 240.000
6. Bank A/c Dr. 230400
 Calls in Arrear Dr. 9600
 To Eq. Sh. first Call 240.000

7. Eq. sh. final call Dr. 240,000
 To Eq. sh. cap A/c 240,000
8. Bank A/c Dr. 23,040
 Calls in Arrear Dr. 9600
 To Eq. sh. final call 240,000
9. Eq. share cap A/c Dr. [4800 x 10] 48,000
 [9600 + 9600 + 9600] To Calls in Arrear A/c 28,800
 [4800 x 3 + 4800] To Share forfeiture A/c 19,200

↓
 Amt paid by Shareholder

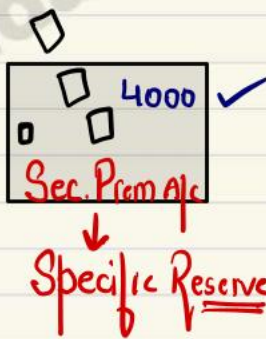
Rohan - $\frac{4800 \times 3}{4800}$ - App
 allotment

— Forfeiture of Shares, issued at premium.

□ Tina clothing 10,000 @ 10+2 → Fully Subscribed

4 6 2
[4+2]
✓ ✓ X

○ Kapil 2000 shares



5 uses of Security premium Reserve:

- (a) Towards issue of un-issued shares of the company to be issued to members of the company as fully paid bonus securities.
- (b) To write off preliminary expenses of the company.
- (c) To write off the expenses of, or commission paid, or discount allowed on any of the securities or debentures of the company.
- (d) To provide for premium on the redemption of redeemable preference shares or debentures of the company.
- (e) For the purchase of own shares or other securities.

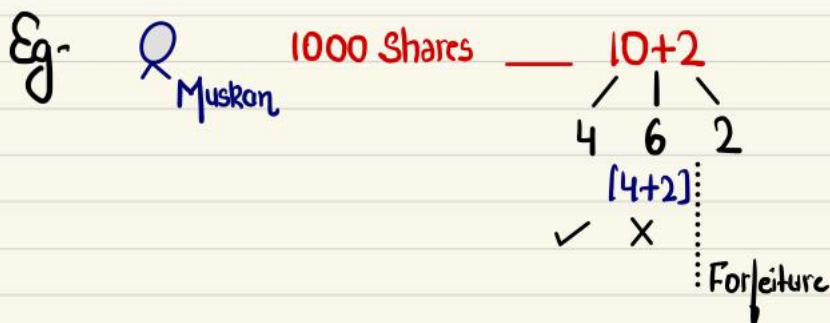
JOURNAL

1. Bank A/c Dr 8000
 To Eq. Sh. App A/c 8000
2. Eq. Sh. App A/c Dr 8000
 To Eq. Sh Cap 8000
3. Eq. Sh. All. A/c Dr (2000 x 6) 12000
 (2000 x 4) To Eq. Sh cap 8000
 (2000 x 2) To Sec. prem A/c 4000) Due
4. Bank A/c Dr 12000
 To Eq. Sh. All A/c 12000
5. Eq. Sh. first & final call Dr. 4000
 To Eq. Sh Cap 4000
6. Calls in Arrear Dr. 4000
 To Eq. Share first & final call 4000
7. Eq. Share Cap Dr (2000 x 10) 20,000
 ~~Sec. prem A/c Dr~~
 ↓
 (2000 x 8) To calls in Arrear 4000
 To share forf A/c 16000

SPR Received ignore

FV

Do not include Premium amount



1. Bank Dr. (1000 x 4) 4000
 To Eq. Sh. App 4000

2. Eq. Sh. App Dr 4000
 To Eq. Sh. Capital A/c 4000

3. Eq. share All Dr. 6000
 To eq. sh cap 4000
 To Sec. prem A/c 2000

4. Calls in Arrear Dr 6000
 To eq. Sh. All A/c 6000

5. Eq. sh cap Dr. (1000 x 8) 8000
 Sec. prem A/c Dr. 2000 - Amt Not Rec.
 To calls in Arrear 6000
 To sh. forf. 4000

Eg: $\text{Riya} \rightarrow \text{Applied} - 1000$
 $\text{Riya} \rightarrow \text{Allotted} - \underline{600}$

<u>10+2</u>		
4	5	3
[3+2]		
✓	X	X

WN Excess App Money [400x4] = ₹1600

Allotment Money due : $\frac{FV[3]}{1800}$ $\frac{SPR[2]}{1200}$

Excess App Money adj	(1600)	
Calls in Arrear	200	1200
	<u>1400</u>	

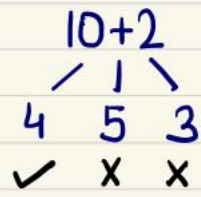
Forfeiture:

Eq. sh. cap Dr. [600x10] 6000
 Security prem Dr. [600x2] 1200

[1400 + 1800]	To calls in Arrear	3200
[600x4 + 1600]	To Share forfeiture A/c	4000

Eg-  Gopal

Applied - 1000
 Allotted - 500



Excess App Money (500x4) 2000

Allotment Money Due: Excess App Money adj Calls in Arrear	FV [3] 1500 <u>(1500) ✓</u> —	SPR [2] 1000 <u>(500) ✓</u> 500	Received
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Forfeiture

Eq. share cap Dr. (500x10) 5000 Not
 Security Prem A/c Dr 500 Received

[500 + 1500]
 [500x4 + 1500]

To Calls in Arrear 2000
 To share forfeiture A/c 3500

ILLUSTRATION 12

X Ltd. forfeited 5,000 equity shares of ₹100 each fully called-up which were issued at a premium of 20%. Amount payable on shares were: on application ₹ 20; on allotment ₹ 50 (including premium); on First and Final call ₹ 50. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture.

—	Eq. share cap Dr 5,00,000 Sec. prem A/c Dr. 1,00,000	$\begin{array}{r} 100 + 20 \\ \hline 20 \quad 50 \quad 50 \\ \hline (30+20) \end{array}$
	To Calls in Arrear A/c 5,00,000 To Share forf. 1,00,000	

ILLUSTRATION 13

Mr. Shami has applied for 1,000 shares of Company XYZ Ltd. paying application money @ ₹ 2 per share but has been allotted only 600 shares. The shares have a face value of ₹ 10 and a premium of ₹ 2 per share, which are payable as: on Allotment- ₹ 5 (including premium) and on final call ₹ 5. Now in case Mr. Shami doesn't pay allotment money and final call and his shares are forfeited, then following entry will be passed on forfeiture:

WN

Excess Application Money (400 x 2) - 800

Allotment amount due :	FV (3)	SPR (2)
	1800	1200
Excess App Money adj	(800) ✓	
Calls in Arrear.	1000	1200

Journal!

Eq. sh. Cap A/c	Dr. (600 x 10)	6000
Security Prem A/c	Dr.	1200

(2200 + 3000)
(600 x 2 + 800)

To Calls in Arrear	5200
To Share forf A/c	2000

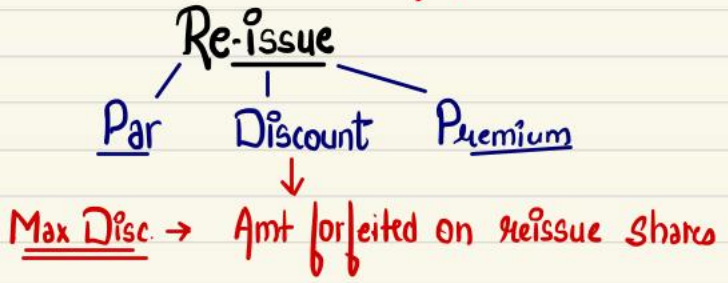
→ REISSUE OF SHARES

Sahil - 1000 Shares @ 10


3	4	3
✓	X	X

Forfeiture

Eq. sh. cap	Dr	10,000
To Calls in Arrear		1000
To Share forf A/c		3000



3. Share forf. Dr. 1000
 To Capital Reserve A/c 1000

Eg:  Keshav 1000 shares @ 10
 3 4 3
 ✓ ✓ X
 Amt forf = ₹1000

a) Reissued @ ₹4, fully paid up

(i) Bank (1000 x 4) 4000
 Share forfeiture Dr. 6000
 (1000 x 10) To eq. sh. cap 10,000

(ii) Sh. forf Dr. 1000
 To cap Res. A/c 1000

b) Reissued @ ₹11, fully paid up.

(i) Bank Dr. (1000 x 11) 11000
 To eq. sh. cap 10,000
 To sec. prem A/c 1000

(ii) Share forf Dr. 7000
 To cap Res. 7000

Eg.  Rishika

1000 shares @ 10

$$\begin{array}{r} \diagup \quad \diagdown \\ 3 \quad 4 \quad 3 \\ \hline \checkmark \quad \times \end{array}$$

Amt forf = 3000

Called up $\frac{7}{7}$ | Forfeit

a) Re-issued @ ₹6 per share, ₹7 paid up.

(i) Bank A/c Dr. 6000
 Share forf Dr. 1000
 To eq. sh. cap A/c 7000

(ii) Share forf Dr. 2000
 To Cap Res. 2000

b) Re-issued @ ₹9 per share

[If paid up value is not given, we will use called up value of forfeited shares]

(i) Bank Dr. 9000
 To eq. share cap 7000
 To Sec. prem A/c 2000

(ii) Sh. forf Dr. 3000
 To cap Res A/c 3000

c] Re-issued @ ₹9 per share, fully paid up.

(i) Bank A/c Dr 9000
 Share forf Dr 1000
 To eq. sh. cap 10,000 .. 10

Eg:-  Yashika 5000 shares @ 10
 Amt forf = 20,000
 4 3 3
 ✓ X X

Out of the forfeited shares, 4000 shares are reissued @ 8 per share.

(i) Bank A/c Dr 32000
 Share forf Dr 8000
 To eq. sh. cap 40000

(ii) Sh. forf Dr 8000
 To cap Res. 8000

→ Balance remaining in Share forfeiture (1000 shares) — ₹4000

Cap Gain : Amt forf. on Re-issued Shares — Disc on Re-issued Shares

$$= \frac{20,000}{5000} \times 4000 - 8000$$

$$= 16000 - 8000$$

$$= ₹8000$$

ILLUSTRATION 14

Mr. Long who was the holder of 2,000 preference shares of ₹ 100 each, on which ₹ 75 per share has been called up could not pay his dues on Allotment and First call each at ₹ 25 per share. The Directors forfeited the above shares and reissued 1500 of such shares to Mr. Short at ₹ 65 per share paid-up as ₹ 75 per share.

Give Journal Entries to record the above forfeiture and re-issue in the books of the company.

1. Pref share cap Dr. (2000 x 75) 150,000

(2000 x 50)

To Calls in Arrear 100,000
To Share forf A/c 50,000

2. Bank Dr. [1500 x 65] 97500

Share Forfeiture Dr. 15000

(1500 x 75)

To pref. sh. cap 112500

3. Sh. for ↓ To cap Reserve $\frac{22500}{22500}$

WN Cap Reserve:

$$\frac{50.000}{2000} \times 1500 = 15000$$

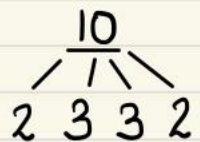
$$\Rightarrow 22500$$

CA Hardik Manchanda

ILLUSTRATION 16

A holds 2,000 shares of ₹ 10 each on which he has paid ₹ 2 as application money. B holds 4,000 shares of ₹ 10 each on which he has paid ₹ 2 per share as application money and ₹ 3 per share as allotment money. C holds 3,000 shares of ₹ 10 each and has paid ₹ 2 on application, ₹ 3 on allotment and ₹ 3 for the first call. They all fail to pay their arrears on the second and final call and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for ₹ 12 per share fully paid-up. Journalise the transactions relating to the forfeiture and re-issue.

WN



<u>Shareholders</u>	<u>Amnt Received</u>	<u>Amnt not Rec</u> <u>[Calls in Arrear]</u>
A	$2000 \times 2 = 4000$	$2000 \times 8 = 16000$
B	$4000 \times (2+3) = 20,000$	$4000 \times 5 = 20,000$
C	$3000 \times (2+3+3) = 24000$	$3000 \times 2 = 6000$
	<u>48000</u>	<u>42000</u>

Journal

1. Eq. sh. cap Dr. (4000 x 10) 90,000

To Calls in Arrear 42000
 To Share forf. A/c 48000

2. Bank A/c Dr (4000 x 12) 108000

To eq. sh cap 90000
 (4000 x 2) To Sec. prem A/c 18000

3. Sh. for/b Dr. 48000
To Cap Res A/c 48000

ILLUSTRATION 17

X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows:

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited.

WN

$$\begin{array}{r} 300,000 - 75,000 \\ 200,000 - \times \\ 100,000 - 75,000 \end{array}$$

$$\begin{array}{c} 10+5 \\ / \quad \backslash \\ 9 \quad 6 \\ (4+5) \end{array}$$

WN Raj

$$\begin{aligned} \text{Allotted Shares} &= 1500 \times \frac{75}{100} \\ &= \underline{1125} \text{ Shares} \end{aligned}$$

$$\text{Excess App Money} = 3375$$

$(1500 - 1125) \times 9$

$$\text{Share first \& final call due} = 6750$$

(1125×6)

$$\text{Excess App Money adj} = \underline{(3375)}$$

$$\text{Colls in Arrear} \rightarrow 3375$$

Journal

1. Bank Dr. $(300,000 \times 9)$ 2700,000
 To eq. sh. App & All A/c 2700,000

2. Eq. sh. App & All A/c Dr. 2700,000
 (75000×4) To eq. sh. cap A/c 300,000
 (75000×5) To Sec. prem A/c 375,000
 (200000×9) To Bank A/c 1800,000
 (25000×9) To eq. sh. first & final call 225,000

3. Eq. sh first & final call Dr. (75000×6) 450,000
 To Eq. sh. cap A/c 450,000

4. Bank Dr. 221625
 $(450000 - 225000 - 3375)$
 Calls in Arrear Dr. 3375
 To eq. sh. first & final call 225000

5. Eq. sh cap Dr. [1125 x 10] 11250

[1125 x 4 + 3375

To Calls in Arrear 3375
To Share forf A/c 7875

6. Bank Dr. [1125 x 6] 6750
Share forf Dr [1125 x 4] 4500

To eq sh cap 11250

7. Share forf A/c Dr. 3375
To cap Res A/c 3375

CA Hardik Manchanda