Corporate accounting – I

UNIT – I

Equity Shares: Meaning-definition- Features- Issue at Par, at Premium and at Discount - Under Subscription, Over Subscription- call in arrears, call in advance-Forfeiture and Re-issue.

UNIT-II

Preference shares: Issue of preference shares - kinds of preference shares- advantages & disadvantages of preference shares, provisions relating to redemption of preference shares, capital profits and revenue profits. Redemption out of Revenue Reserves and Fresh issue of Bonus shares.

UNIT - III

Debentures: Meaning- definition-classification- difference between shares and Debentures- Factors to be considered in relation to redemption of debentures- Various Methods of Redemption, Writing off discount on Redemption of debentures.

UNIT - IV

Underwriting of Shares: Marked, Unmarked & Firm underwriting, Complete underwriting, partial underwriting.

Valuation of Goodwill and shares- meaning, Need for valuation-methods of valuation of shares. Net assets method- yield method- fair value method.

UNIT - V

Profits prior to Incorporation: Apportionment of expenses-various types-Pre - incorporation, Post- incorporation - Preparation of Final accounts of companies. Company Balance Sheet - Computation of Managerial Remuneration.

Note: Distribution of marks: Problems 80% and Theory 20%

Environment of Finance

- The financial decisions of a firm are influenced by the legal form of its organization, the regulatory framework governing it, the tax laws applicable to it, and the features of the financial system in which it operates. Examples:
- A private limited company cannot raise equity capital by issuing shares to the general public.
- A company in which foreign shareholding is 100% may not be allowed to undertake certain activities.
- Tax rate for a cooperative society is lower than that of a public limited company
- Financial institutions go by a debt-equity norm of 1:1

Forms of business organisation

1. **Sole proprietorship** – is a business owned by a single person. Legally, the owner and company have same status. Owner realizes all the profits, bears all the losses and incurs all the liabilities of the business.

Advantages:

1. Can be set up easily (no formal requirement of incorporation)
2. Subject to few government regulations.
3. No firm tax rate.

Limitations:

1. Life is limited to life of the owner.
2. Personal liability is unlimited.
3. Ability to raise funds is severally constrained.

Forms of business organization

2. **Partnership –** business owned by 2 or more persons. Partners bear the risks and reap the rewards of the business. Comes into existence with the execution of a partnership deed. Governed by the Indian Partnership Act of 1932.

Advantages:

1. Can be set up with relative ease.
2. Can benefit from expertise and experience of partners.
3. Relatively free from government regulations.

Limitations:

1. Life is limited to death or withdrawal of any of the partners.
2. Personal conflict among the partners is a potential threat.
3. Personal liability of the partners is unlimited.
4. Ability to raise funds is limited.

Forms of business organization

3. **Cooperative Society** – a society which has as its objective the promotion of economic interests of its members in accordance with cooperative principles.

Features:

1. No limit on maximum members, but a minimum of 10 members are required.
2. Registered under the Registrar of Cooperative Societies.
3. Management is vested in the managing committee elected by members on the principle of “one member, one vote”.
4. Dividend paid is subject to a ceiling of 9%. Surplus left after the dividend payment is distributed in the form of bonus.

Forms of business organization

- 3. **Cooperative Society**

Advantages:

1. Can be formed easily.
2. Liability of members is limited.
3. Grants and financial assistance is provided by the government.

Disadvantages:

1. Members have no incentive to provide capital.
2. Often, influential members exploit the cooperative society for personal gains.

TABLE 1.1

Strengths and Weaknesses of the Common Legal Forms of Business Organization

	Sole proprietorship	Partnership	Corporation
Strengths	• Owner receives all profits (and sustains all losses) • Low organizational costs • Income included and taxed on proprietor's personal tax return • Independence • Secrecy • Ease of dissolution	• Can raise more funds than sole proprietorships • Borrowing power enhanced by more owners • More available brain power and managerial skill • Income included and taxed on partner's personal tax return	• Owners have *limited liability,* which guarantees that they cannot lose more than they invested • Can achieve large size via sale of ownership (stock) • Ownership (stock) is readily transferable • Long life of firm • Can hire professional managers • Has better access to financing • Can offer attractive retirement plans
Weaknesses	• Owner has *unlimited liability*—total wealth can be taken to satisfy debts • Limited fund-raising power tends to inhibit growth • Proprietor must be jack-of-all-trades • Difficult to give employees long-run career opportunities • Lacks continuity when proprietor dies	• Owners have *unlimited liability* and may have to cover debts of other partners • Partnership is dissolved when a partner dies • Difficult to liquidate or transfer partnership	• Taxes generally higher, because corporate income is taxed, and dividends paid to owners are also taxed at a maximum 15% rate • More expensive to organize than other business forms • Subject to greater government regulation • Lacks secrecy, because stockholders must receive financial reports

stockholders

The owners of a corporation are its **stockholders,** whose ownership, or

Joint Stock Company – Private and Public Company

Joint stock company is a form of organization which is capable of mobilizing larger amount of capital with provision of limited liability for owners and affording professional management to conduct its business.

Nature of a Company

- Company means a voluntary association of persons united for a common objective.

Important facts:

- ❑ Association has too many members that it is not to be called partnership firm.
- ❑ Every member of the association has the right to transfer his interest with the consent of the other members.
- ❑ It has separate legal entity.
- ❑ The company is manage by a board of directors elected by the shareholders.
- ❑ Governed by Indian Companies Act, 1956.
- ❑ Law creates it and law alone can dissolve it.

Definition of a company

"A company is an artificial person, created by law having a separate entity with a perpetual succession & a common seal."

Characteristics of a company

- Artificial person
- Voluntary associations of persons
- Separate legal entity
- Has perpetual succession
- Every shareholder has limited liability
- It acts through its agents called Directors
- Common seal acts as the official signature of the company.

Private Company - Features

- Can be formed by two persons subscribing to its share capital
- Number of shareholders cannot exceed 50
- Public cannot subscribe to its capital

Procedure of registration of Joint stock company

- Promoter is a person who conceives & develops an idea of starting a company
- Application is filed with the Registrar of the companies.

Documents accompanying the application

1. **<u>Memorandum of association</u>**

   It lays down:

- **Name of the company**
- **Name of the state in which its registered office is situated**
- **The objective of the company**
- **A statement whether the liability of its shareholder is limited**
- **The amount of capital with which the company is registered together with its division into shares.**
- **Subscription clause: MoA must be signed by 7 members in case of public limited company and by 2 members in case of private company.**

Documents accompanying the application

2. Articles of association: bye-laws or regulations to govern the internal affairs of the company, for eg., transfer of shares, forfeiture of shares, qualification, powers and duties of directors, etc.
3. **Consent of directors**
4. **Statutory declarations: by an advocate/company secretary/CA that all requirements of the Companies Act have been fulfilled.**

If the Registrar is satisfied with the documents, he issues a certificate called the *certificate of incorporation*. Upon its issue the company is born.

Prospectus

- A private company can commences business immediately after obtaining the certificate of incorporation but for a public company to commence business, it is necessary to receive certificate to begin business from the registrar of companies. For this purpose, it is necessary for the company to issue prospectus or statement in lieu of prospectus.(Schedule III)
- According to Sec 2(36) of the Act “prospectus means an invitation to the public for the subscription of its shares or debentures.” it must be dated and signed by all the directors and a copy must be filed with the Registrar on or before the date of publication thereof.

Consolidated Balance Sheet (in million $)

December 31	1997	1996
ASSETS		
Current Assets		
Cash and Marketable Securities	$ 147.3	$ 93.6
Accounts Receivable	713.4	632.7
Inventories	550.2	531.1
Other Current Assets	173.0	208.4
Total Current Assets	$ 1,583.9	$ 1,465.8
Investments and Other Assets	2,392.6	1,789.6
Net Plant and Equipment	7,750.6	7,208.2
Total Assets	$11,727.1	$10,463.6
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	$ 791.8	$ 726.8
Accrued Salaries, Wages, and Benefits	224.3	227.6
Accrued Taxes	183.9	233.0
Other Current Liabilities	300.7	243.5
Total Current Liabilities	$ 1,500.7	$ 1,430.9
Postretirement Benefits	525.4	524.6
Long-Term Debt	4,365.6	3,270.9
Deferred Income Taxes	1,293.6	1,208.1
Shareholders' Equity	4,041.8	4,029.1
Total Liabilities and Equity	$11,727.1	$10,463.6

Source: Anheuser-Busch Companies, Inc., *1997 Annual Report*, p. 50.

Types of capital

- Each company has 2 types of capital

1. Share capital
2. Loan capital

Meaning of Share

The capital of a company is divided into a number of equal parts. Each part is called a Share.

The Companies Act of 1956 defines a share as “a share in the share capital of the company”

The persons who contribute money through shares are known as ‘shareholders’.

The certificate stating the number of shares a shareholder holds is called a share certificate.

Types of Shares

- <u>Preference Share</u>

1. Cumulative Preference Share
2. Non-cumulative Preference Share
3. Participating Preference Share – in this case surplus profits are also distributed amongst the preference shareholders.
4. Non-participating Preference Share
5. Redeemable Preference Share
6. Convertible and non-convertible preference shares – a convertible preference share can be converted into equity shares.

- <u>Equity Share</u>

Share capital

The memorandum of associations must state the amount of capital with which the company is desired to be registered & the number of shares into which it is to be divided.

Total capital of company is divided into shares, therefore, it is called share capital.

Kinds of Share Capital

- **Authorized Capital – given in the MoA, this is the maximum amount with which the company is registered and which it is authorized to raise from the public by issue of shares. Also called *registered or nominal or authorized* capital.**
- **Issued Capital – the portion of authorized capital which is offered to the public for subscription is called issued capital and the remaining portion not yet offered to the public for subscription is called unissued capital.**
- **Subscribed Capital – the portion of issued capital which has been subscribed for by the public, I.e., applied for and allotted by the company. The balance os issued capital not subscribed for by the public is called the unsubscribed capital.**

Kinds of Share Capital

- **Called up Capital – the portion of the subscribed capital which the shareholders are called upon to pay is termed as called up capital of the company. The balance of subscribed capital which has not been called up represents uncalled capital.**
- **Paid up Capital – the amount of called up capital which has been actually paid by the shareholders is called as paid up capital and the amounts yet due from the shareholders are called *calls in arrears.***
- **Reserve Capital – sometimes a company by means off special resolution decides that certain its existence and it would be available as an additional security to its creditors in the event of liquidation. Such a portion of uncalled capital is termed as "reserve capital".**

Liabilities	Rs.	Assets	Rs.
Share capital:			
<u>Authorised capital:</u>			
2,00,000 equity shares of Rs. 10 each	20,00,000		
<u>Issued capital:</u>			
1,00,000 equity shares of Rs. 10 each			
<u>Subscribed capital:</u>	10,00,000		
80,000 equity shares of Rs. 10 each			
<u>Called up and paid up capital:</u>			
80,000 equity shares of Rs. 8 per share			
	8,00,000		
	6,40,000		

Principal sources of Capital Reserve

1. Profit on sale of fixed asset
2. Profit on revaluation of assets & liabilities
3. Profit on forfeiture & re-issue of forfeited shares
4. Profit on redemption of debentures at a discount
5. Profit earned by a company prior to its incorporation

Capital reserve is shown in the liabilities side of balance sheet under the head “reserves and surplus”

Procedure for issue of Shares

1. Issue of prospectus – to attract the public for investment.
2. To receive Applications – name of the schedule bank, dates of opening and closing, application form, etc.
3. Allotment of Shares – only when minimum subscription is received (90% of the issued amount)
4. To make Calls on Shares – the first and second installments are for application and allotment

Utilization of Securities Premium Amount

The premium amount of the shares issued is credited to a separate account called 'Securities Premium Account'

It can be used for:

- **To issue fully paid up bonus shares to the shareholders**
- **To write off preliminary expenses of the company**
- **To write off the expenses or commission paid, or discount allowed on issue of the shares or debentures of the company**
- **To pay premium on the redemption of preference shares or debentures of the company.**

Issue of Shares at Discount

Shares issued at an amount less than the face value of the share.

Conditions for Issue of Shares at Discount:

- **The articles of association of the company must provide for the issue of shares at a discount.**
- **The shares are of a class which has already been issued.**
- **The issue of shares at a discount is authorized by an ordinary resolution passed by the company at its general meeting & sanctioned by the Company law board.**
- **The rate of discount must not exceed 10% of the nominal value of share. If its >10%, its compulsory to get permission from Company Law Board.**
- **At least 1 year must have elapsed since the company was entitled to commence the business.**
- **The shares are issued within 2 months from the date of receiving sanction for the same from Company Law Board.**

Calls in Arrears

Sometimes, some of the shareholders may fail to pay the amount due from them on allotment or on call. The amount remaining unpaid on allotment or on calls is called calls-in-arrears.

or

Any installment amount whether allotment money or call money, called but the company, but not paid by the shareholder.

Forfeiture of Shares

If a shareholder fails to pay the allotment money or/and call money on his shares as called upon by the directors, his shares may be forfeited by the directors, if they are so authorized by the Articles of Association.

Over-subscription of shares

When application for more shares are received then the number of shares offered to the public is said to be the case of Over-Subscription.

Alternatives to deal with such situation are:

- Full allotment to some applicants while rejecting the others.
- To make pro-rata allotment.
- Combination of the above two.

Regulatory framework

- **Industrial policy** – Industrial Development (and Regulation) Act, FEMA, Incentives for export oriented units, incentives for small sector, incentives for high priority industries.
- **Companies Act 1956**
- **SEBI Act 1992** – after repeal of Capital Issues Control Act.
- **Taxes –** corporate income tax (30% for domestic, 48% for foreign companies), depreciation, interest expense versus dividend payment,unabsorbed business loss (can be claimed over next 8 years' income), exemptions and deductions, minimum alternate tax (7.5% of book profit), advance tax, capital gains, indirect taxes (excise duties, sales tax, customs duty)

Financial system

- Financial institutions
- Supplier of funds – individuals, businesses, governments
- Demanders of funds – same
- Financial markets (money markets and capital markets)

To convert savings into investments.

Forms of Balance sheet

- Vertical
- Horizontal

The Sarbanes – Oxley Act of 2002 (SOX)

An act aimed at eliminating corporate disclosure and conflict of interest problems. Contains provisions about corporate financial disclosures and the relationships among corporations, analysts, auditors, attorneys, directors, officers and shareholders.

SOX did the following:

- **Established an oversight board to monitor the accounting industry;**
- **Tightened audit regulations and controls;**
- **Toughened penalties against executives who commit corporate fraud;**
- **Strengthened accounting disclosure requirements and ethical guidelines for corporate officers;**
- **Established corporate board structure and membership guidelines;**
- **Established guidelines with regard to analyst conflicts of interest;**
- **Mandated instant disclosure of stock sales by corporate executives; and**
- **Increased securities regulation authority and budgets for auditors and investigators.**

m. K. Vanitha.

(1)

Advanced corporate Accounting

Basic entries :-

Date	Particulars	L.F	Debit (Rs)	Credit (Rs)
1.	For Application money received :-			
	Bank a/c Dr		xxx	
	To share application a/c			xxx
	(Being application money received)			
2.	For transfer of share Application money to equity share capital :-			
	Share application a/c Dr		xxx	
	To equity share capital a/c			xxx
	(Being share application money transfer to share capital a/c)			
3.	For share allotment due :-			
	Share allotment a/c		xxx	
	To equity share capital a/c			xxx
	(Being allotment money due)			
4.	For Excess money on Application adjusted towards allotment :-			
	Share Application a/c Dr		xxx	
	To Share allotment a/c			xxx

(Being Excess money paid on Application adjusted towards allotment)

5. For allotment money received:-

Bank a/c Dr xxx

To share allotment a/c xxx

(Being allotment money received)

6. For share first call money due:-

Share first call a/c Dr xxx

To share capital a/c xxx

(Being share first call money due)

7. For share first call money received:-

Bank a/c Dr xxx

To share first call a/c xxx

(Being share first call money received)

8. For share second call money due:-

Share second call a/c Dr xxx

To share capital a/c xxx

(Being share second call money due)

9	For share second call money received :-			
	Bank a/c	Dr	xxx	
	To share second call a/c			xxx
	(Being share second call money received)			
10.	For refund of share Application money :-			
	Share application a/c	Dr	xxx	xxx
	To Bank a/c			
	(Being refund of share Application money)			

Problems :-

1. P Ltd Issued a prospects Inviting application for 1,00,000 equity shares of Rs. 10 each. Payable as to Rs. 2.50 P with application, Rs. 3.50 P on allotment and the balance on the first & the final call. Applications were received for 99,000 shares only.

All the applications were accepted in full. The call was also made in due course of time, All moneys were duely received.

Journal entry

Date	Particulars	Debit	Credit
1.	For Application money received:-		
(99,000 × 2.50)	Bank a/c Dr	2,47,500	
	To share application a/c		2,47,500
	(Being Application money of Rs. 2.50 for 99,000 shares were received)		
2.	For transfer of share application money to share capital a/c :-		
	Share application a/c Dr	2,47,500	
	To equity share capital a/c		2,47,500
	(Being share application money transfered to share capital a/c)		
3.	For share allotment due :-		
(99,000 × 3.50)	Share allotment a/c Dr	3,46,500	
	To equity share capital a/c		3,46,500
	(Being share allotment of Rs. 3.50 for 99,000 shares were due)		
4.	For allotment money received:-		
	Bank a/c Dr	3,46,500	
	To share allotment a/c		3,46,500
	(Being share allotment money received)		

5.	For first and final call due:-		
(3) (99,000 × 4)	Share first & final call 9/c Dr	3,96,000	
	To equity share capital 9/c		3,96,000
	(Being share first & final call of Rs. 4 for 99,000 shares were due)		
6.	For first & final call money received:-		
	Bank 9/c Dr	3,96,000	
	To share first & final call 9/c		3,96,000
	(Being share first & final call money received)		

2. A Ltd issue 10,000 equity shares Rs. 10 each payable has follow on application Rs. 2, on allotment Rs. 5, on first call Rs. 2, on final call Re. 1. A company receives 15,000 Applications. The Company rejects 5,000 Share Application and alloted the remaining. all money ~~wer~~ duely received Pass ~~necessa~~ necessary Journal entries.

Date	Particulars	L.F.	Debit	Credit
(i)	For application money received:-			
(Working)	Bank A/c Dr		30,000	
	To share application A/c			30,000
	(Being application money of Rs.3/- for 10,000 shares were received)			
(ii)	For transfer of share application money to share capital A/c :-			
(Working)	Share application A/c Dr		30,000	
	To equity share capital A/c			30,000
	(Being share application money of Rs.3/- for 10,000 transferred to share capital A/c)			
(iii)	For share allotment due:-			
(Working)	Share allotment A/c Dr		50,000	
	To equity share capital A/c			50,000
	(Being share allotment of Rs.5 for 10,000 shares were due)			
(iv)	For share allotment received:-			
	Bank A/c Dr		50,000	
	To share allotment A/c			50,000
	(Being share allotment money received)			

(1)	(v)	For share first call money due:-		
(10,000×2)		Share first call a/c Dr	20,000	
		To share capital a/c		20,000
		(Being share first call money of Rs. 2 for 10,000 shares were due)		
	(vi)	For share first call money received:-		
		Bank a/c Dr	20,000	
		To share first call a/c		20,000
		(Being share first call money received)		
	(vii)	For share final call money due:-		
(10,000×1)		Share final call a/c Dr	10,000	
		To share capital a/c		10,000
		(Being share final call money of Re. 1 for 10,000 shares were due)		
	(viii)	For share final call money received:-		
		Bank a/c Dr	10,000	
		To share final call a/c		10,000
		(Being share final call money received)		
	(ix)	For refund of share application money:-		
(5000×2)		Share application a/c Dr	10,000	
		To Bank a/c		10,000
		(Being refund of share application money of Rs. 2 for 5,000 shares)		

2. B Ltd issue 20,000 equity shares of Rs. 10 each, payable as follows Rs. 3 on application, Rs. 2 on allotment, Rs. 3 on first call & Rs. 2 on second call. The company receives 20,000 applications. The directors alloted all the applications all money were duely received. Pass Journal entries:-

(8)

(i)	For application money received:-		
(20,000×3)	Bank a/c Dr	60,000	
	To share application a/c		60,000
	(Being application money of Rs. 3 for 20,000 shares were received)		
(ii)	For transfer of share application money to share capital a/c :-		
	Share application a/c Dr	60,000	
	To equity share capital a/c		60,000
	(Being share application money transferred to share capital a/c)		
(iii)	For share allotment due :-		
(20,000×2)	Share allotment a/c Dr	40,000	
	To equity share capital a/c		40,000
	(Being share allotment of Rs. 2 for 20,000 shares were due)		

(iv)	For allotment money received :-		
(9)	Bank a/c Dr	40,000	
	To share allotment a/c		40,000
	(Being share allotment money received)		
(v)	For share first call money due :-		
(20,000×3)	Share ~~sho~~ first call a/c Dr	60,000	
	To share capital a/c		60,000
	(Being share first call money of Rs. 3 for 20,000 shares were due)		
vi)	For share first call money received :-		
	Bank a/c Dr	60,000	
	To share first call a/c		60,000
	(Being share first call money received)		
(vii)	For share second call money due :-		
(20000×2)	Share second call a/c Dr	40,000	
	To share second call a/c		40,000
	(Being share second call money of Rs. 2 for 20,000 shares were due)		
(viii)	For share second call money received :-		
	Bank a/c Dr	40,000	
	To share second call a/c		40,000
	(Being share second call money received)		

4. A Ltd Issues 25,000 equity shares of Rs. 10 each payable has on application Rs. 2, on allotment Rs. 5, on first call Rs. 2, on final call Re. 1. The company receives 1,00,000 Applications. The board of Directors reject 50,000 applications and alloted the remaining allotted on pro-rata basis excess money on applications adjusted on allotment all money were duely received Pass Journal entry & prepare Ledger a/c and Balance sheet :-

(i)	For application money received:-			
(1,00,000 × 2)	Bank a/c	Dr	2,00,000	
	To share application a/c			2,00,000
	(Being share application money of Rs. 2 for 1,00,000 shares were received)			
(ii)	For transfer of share application money to share capital a/c :-			
(25,000 × 2)	Share application a/c	Dr	50,000	
	To equity share capital a/c			50,000
	(Being transfer of share application money of Rs. 2 for 25,000 to share capital a/c)			

(iii)	For share allotment due :-			
	Share allotment a/c	Dr	1,25,000	
	To equity share capital a/c			1,25,000
	(Being share allotment money of Rs. 5 for 25,000 shares were due)			
(iv)	For adjusting Excess money on application towards share allotment :-			
(1,00,000 − 50,000 = 50,000; 50,000 − 25,000 = 25,000; 25,000 × 2)	Share application a/c	Dr	50,000	
	To share allotment a/c			50,000
	(Being Excess money paid on Rs. 2 for 25,000 application adjusted towards allotment).			
(v)	For share allotment money received :-			
(1,25,000 − 50,000 = 75,000)	Bank a/c	Dr	75,000	
	To share allotment a/c			75,000
	(Being share allotment money received)			
(vi)	For first call money due :-			
(25,000 × 2)	Share first call a/c	Dr	50,000	
	To equity share capital a/c			50,000
	(Being share first call money were due)			

(vii)	For share first call money received :-			
	Bank a/c	Dr	50,000	
	To share first call a/c			50,000
	(Being share first call money received)			
(viii)	For share second call money due :-			
(25,000×1)	Share second call a/c	Dr	25,000	
	To equity share capital a/c			25,000
	(Being share second call money of Re. 1 for 25,000 shares were due)			
(ix)	For share second call money received :-			
	Bank a/c	Dr	25,000	
	To share second call a/c			25,000
	(Being share second call money received)			
(x)	For refund of share application money :-			
(50,000×2)	Share application a/c	Dr	1,00,000	
	To Bank a/c			1,00,000
	(Being refund of share application money)			

LEDGER A/c

Bank A/c

Date	Particulars	Debit
	To share application a/c	2,00,000
	To share allotment a/c	75,000
	To share first call a/c	50,000
	To share second call a/c	25,000
		3,50,000
	To Balance b/d	2,50,000

Date	Particulars	Credit
	By share application a/c	1,00,000
	By balance c/d	2,50,000
		3,50,000

Share application a/c

Date	Particulars	Debit
	To equity share capital a/c	50,000
	To share allotment a/c	50,000
	To Bank a/c	1,00,000
		2,00,000

Date	Particulars	Credit
	By Bank a/c	2,00,000
		2,00,000

share allotment a/c

Date	Particulars	Debit
	To equity share capital a/c	1,25,000
		1,25,000

Date	Particulars	Credit
	By share allotment a/c	50,000
	By Bank a/c	75,000
		1,25,000

(15) (16)

Share capital a/c

Date	Particulars	Debit	Date	Particulars	Credit
				By Share application a/c	50,000
	To Balance c/d	2,50,000		By Share allotment a/c	125,000
				By share first call a/c	50,000
				By share second call a/c	25,000
		2,50,000			2,50,000
				By Balance b/d	2,50,000

Share first call a/c

Date	Particulars	Debit	Date	Particulars	Credit
	To equity share capital a/c	50,000		By Bank a/c	50,000
		50,000			50,000

Share second call a/c

Date	Particulars	Debit	Date	Particulars	Credit
	To equity share capital	25,000		By Bank a/c	25,000
		25,000			25,000

Balance sheet as on 31st March

Date	Liabilities	Amount		Assets	Amount
	Share capital: authorised share capital:-				
	25,000 equity shares of Rs. 10 each	2,50,000		Bank	2,50,000
	Issued and paid up share capital:-				
	25,000 equity shares of Rs. 10 each	2,50,000			
		2,50,000			2,50,000

5. Sun Ltd issued 20,000 equity shares of Rs.100 payable as Rs. 2 on application, Rs. 3 on allotment Rs. 3 on first call, Rs. 2 on final call. The Company receives 40,000 shares. The Directors rejects 10,000 application and allotted the remaining under pro-rata basis. all money were duely received. pass Journal entry & Ledger a/c and Balance sheet.

Journal entry

Date	Particulars	L.F	Debit	Credit
(i)	For application money received:-			
(40,000×2)	Bank a/c Dr		80,000	
	To share application a/c			80,000
	(Being application money of Rs.2 for 40,000 shares were received)			
(ii)	For transfer of share application money to share capital a/c:-			
(20000×2)	Share application a/c Dr		40,000 ~~50,000~~	
	To equity share capital a/c			40,000 ~~50,000~~
	(Being share application money of Rs. 2 for 25,000 shares transferred to share capital a/c)			
(iii)	For share allotment due:-			
(20,000×3)	Share allotment a/c		60,000 ~~75,000~~	
	To equity share capital a/c			60,000 ~~75,000~~
	(Being share allotment money of Rs. 3 for 25,000 shares were due)			

(iv)	For adjusting Excess money on application towards share allotment:-			
(40,000 - 10,000 = 30,000 - 20,000 = 10,000 × 2)	Share application a/c	Dr	20,000 ~~10,000~~	20,000 ~~10,000~~
	To share allotment a/c			
	(Being Excess money on application of Rs. 2 for 5,000 shares adjusted)			
(v)	For share allotment money received:-			
60,000 - 20,000 = 40,000	Bank a/c	Dr	40,000 ~~65,000~~	40,000 ~~65,000~~
	To share allotment a/c			
	(Being share allotment money were received)			
(vi)	For share first call money due:-			
(20,000×3)	Share first call a/c	Dr	60,000 ~~75,000~~	60,000 ~~75,000~~
	To equity share capital a/c			
	(Being share first call money of Rs. 3 for 20,000 shares were due)			
(vii)	For share first call money received:-			
	Bank a/c	Dr	60,000 ~~75,000~~	60,000 ~~75,000~~
	To share first call a/c			
	(Being share first call money received)			
(viii)	For share second call money due:-			
(20,000 × 2)	Share second call a/c		40,000 ~~50,000~~	40,000 ~~50,000~~
	To equity share capital a/c			
	(Being share second call money of Rs. 2 for 25,000 shares were due)			

(19)	(ix)	For share second call money received :-		
		Bank a/c Dr	40,000 ~~50,000~~	40,000 ~~50,000~~
		To share second call a/c		
		(Being share second call money received)		
	(x)	For refund of share application money :-		
	(10,000×2)	Share application a/c Dr	20,000	20,000
		To Bank a/c		
		(Being refund of share application money)		

Ledger a/c

Bank a/c

Particulars	Debit	Particulars	Credit
To share capital a/c	80,000	By share application	20,000
To share allotment a/c	40,000 ~~65,000~~		
To share first call a/c	60,000 ~~75,000~~		
To share second call a/c	40,000 ~~50,000~~	By balance c/d	2,00,000 ~~2,50,000~~
	2,20,000 ~~2,70,000~~		2,20,000 ~~2,70,000~~
To balance b/d	2,00,000 ~~2,50,000~~		

Equity share capital a/c

		By share application a/c	40,000 ~~50,000~~
		By share allotment a/c	60,000 ~~75,000~~
~~To balance c/d~~	2,00,000 ~~2,50,000~~	By share first call a/c	60,000 ~~75,000~~
		By share second call a/c	40,000 ~~50,000~~
	2,00,000 ~~2,50,000~~		2,00,000 ~~2,50,000~~
		~~By Balance b/d~~	~~2,50,000~~

Share application a/c

To equity share capital	40,000 ~~50,000~~	By Bank a/c	80,000
To share allotment a/c	20,000 ~~10,000~~		
To Bank a/c	20,000		
	80,000		80,000

Share allotment a/c

To equity share capital	60,000 ~~75,000~~	By share application a/c	20,000 ~~10,000~~
		By Bank a/c	40,000 ~~65,000~~
	60,000 ~~75,000~~		60,000 ~~75,000~~

Share first call a/c

To equity share capital	60,000 ~~75,000~~	By Bank a/c	60,000 ~~75,000~~
	60,000 ~~75,000~~		60,000 ~~75,000~~

Share second call a/c

To equity share capital	40,000 ~~50,000~~	By Bank a/c	40,000 ~~50,000~~
	40,000 ~~50,000~~		40,000 ~~50,000~~

Balance sheet as on 31st march

Liabilities	Rs	assets	Rs
Share capital :-		Bank	2,00,000 ~~2,50,000~~
authorised share capital :-			
20,000 ~~25,000~~ equity shares of Rs. 10 each	2,00,000 ~~2,50,000~~		
Issued & paidup share capital :-			
20,000 ~~25,000~~ equity shares of Rs. 10 each	2,00,000 ~~2,50,000~~		
	2,00,000 ~~2,50,000~~		2,00,000 ~~2,50,000~~

(6) Star Ltd issued 10,000 equity shares of Rs. 10 each at premium of Rs. 2 per share. Payable as follows on application Rs. 2, on allotment Rs. 5 (including premium) on first call Rs. 3, on final call Rs. 2. The company receives 25,000 application. The company rejects 10,000 application and alloted the remaining under pro-rata basis all money were duely received. Pass Journal entry & prepare Ledger a/c & Balance sheet.

Journal entry

Date	Particulars	L.F.	Debit	credit
(i)	For application money received:-			
(25,000 × 2)	Bank a/c Dr		50,000	
	To share application a/c			50,000
	(Being application money of Rs. 2 for 25,000 shares were received)			
(ii)	For transfer of share application money to share capital a/c :-			
(10,000 × 2)	Share application a/c Dr		20,000	
	To equity share capital a/c			20,000
(iii)	For share allotment due :-			
(10,000 × 5)	Share allotment a/c Dr		50,000	
(10,000 × 3)	To equity share capital a/c			30,000
(10,000 × 2)	To securities premium a/c			20,000
	(Being share allotment of Rs. 3 & securities premium of Rs. 2 per shares were due)			

93	(x)	For refund of share application money :		
		Share application a/c Dr	20,000	
		To Bank a/c		20,000
		(Being refund of share application money)		

LEDGER A/c

Bank a/c

Particulars	Debit (Rs)	Particulars	Credit (Rs)
To share application	50,000	By share application	20,000
To share allotment	40,000		
To share first call	30,000		
To share second call	20,000	By Balance c/d	1,20,000
	1,40,000		1,40,000
To balance b/d	1,20,000		

Equity share capital a/c

		By share application	20,000
To balance c/d	1,00,000	By share allotment	30,000
		By share first call	30,000
		By share second call	20,000
	1,00,000		1,00,000
		By balance b/d	1,00,000

Securities premium a/c

To balance c/d	20,000	By share allotment	20,000
	20,000		20,000
		By balance b/d	20,000

Share application a/c

To equity share capital	20,000	By bank	50,000
To share allotment	10,000		
To Bank	20,000		
	50,000		50,000

Share allotment a/c

~~To equity share capital~~		By share application	10,000
To Sundries	50,000	By Bank	40,000
	50,000		50,000

Share first call

To equity share capital	30,000	By Bank	30,000
	30,000		30,000

Share second call

To equity share capital	20,000	By Bank	20,000
	20,000		20,000

Balance sheet

authorised share capital			
10,000 Share of Rs. 10 each	1,00,000	Bank	1,20,000
paid-up capital			
10,000 Share of Rs. 10 each	1,00,000		
reserves & surplus			
Securities premium	20,000		
	1,20,000		1,20,000

(i) For share Forfeiture :-

Share capital a/c	Dr	xxx	
Securities premium a/c	Dr	xxx	
To share allotment a/c			xxx
To share first call a/c			xxx
To share final call a/c			xxx
To share forfeiture a/c			xxx

(Being Defalut in payment those Shares were forfeited)

(ii) For reissued of shares :-

Bank a/c	Dr	xxx	
Share forfeiture a/c	Dr	xxx	
To share capital a/c			xxx

(Being forfeited shares were reissued)

(iii) profit on for Forfeiture of shares transfer to capital reserve a/c :-

Share forfeiture a/c	Dr	xxx	
To capital reserve a/c			xxx

(Being profit on forfeiture transfer to capital reserve a/c)

(7) A Ltd issued 20,000 shares of Rs. 10 each at the premium of Rs. 2 per share. payable as under. On application Rs. 2, on allotment Rs. 5 (shares premium), on first call Rs. 2, on final call Rs. 3. Applications for 30,000 shares were received. Allotment was made pro-rata to the applicants for ~~20~~ 24,000 shares. The remaining applications Being rejected (6,000 shares). Money over paid on application was utilized towards on allotment. Mr. Ramu to whom 800 shares were allotted faild to pay the allotment money. first & final call money. Mr. mogan to whom 1,000 shares were allotted faild to pay the last two calls. these shares were subsequently forfeited after the second call. all the forfeited shares were reissued to Mr. kumar at Rs. 8 per share. pass Journal entry, Prepare Ledger a/c & Balance sheet.

(i) Calculation of Excess application:-

Total application received	30,000
Application rejected	6,000
	24,000
Less: Issued shares	20,000
Excess shares	4,000

Excess application money adjusted to allotment } 4,000 × 2 = 8,000/

(ii) Calculation of allotment money received :-

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Allotment due 20,000×5		1,00,000
Less: Excess money paid on allotment		8,000
		92,000

Calculation of allotment due :-
by mr. Ramu :-

Allotment due 800×5	4,000	
Shares applied by Ramu		
$\frac{24,000}{20,000} \times 800$ 960		
allotted 800		
Excess application 160×2	320	
Allotment due by Ramu	3680	3680
Allotment money received		88,320

Journal Entry

Date	Particulars	L.F.	Debit	Credit
(i)	For application money received :-			
(30,000×2)	Bank a/c Dr		60,000	
	To share application a/c			60,000
	(Being share application money of Rs. 2 for 30,000 shares were received)			

(ii)	For transfer of share application money equity share capital a/c:-			
20,000×2	Share application a/c	Dr	40,000 ~~20,000~~	
	To equity share capital a/c			40,000 ~~20,000~~
	(Being share application money of Rs. 2 for 20,000 shares transferred to equity share capital a/c)			
(iii)	For share allotment due:-			
20000×5	Share allotment a/c	Dr	1,00,000	
	To equity share capital			60,000
20000×3	To security premium			40,000
20,000×2	(Being share allotment of Rs. 3 & securities premium of Rs. 2 per shares were due)			
(iv)	For Excess money adjusted towards allotment:-			
	Share application a/c	Dr	8,000	
	To share allotment			8000
	(Being Excess money adjusted towards allotment)			
(v)	For allotment money received:-			
	Bank a/c	Dr	88,320	
	To share allotment a/c			88,320
	(Being share allotment money received)			

	(vi)	For share first call due :-		40,000
20,000×2		Share first call a/c Dr	60,000	40,000 60,000
		To share capital a/c		
		(Being share first call of Rs. 2 for 20000 shares were due)		
	(vii)	For share first call money received :-		
20,000 800		Bank a/c Dr	36,400	
19,200 1,000 18,200×2		To share first call a/c		36,400
		(Being share first call money of 2 for 18,200 shares were received)		
	(viii)	For share second call due :-		
20,000×3		Share second call a/c Dr	60,000	
		To share capital a/c		60,000
		(Being share second call of Rs. 3 for 20,000 shares were due)		
	ix)	For share second call money received :-		
20,000 800		Bank a/c Dr	54,600	
19,200 1,000 18,200×3		share second call a/c		54,600
		(Being share second call money of Rs. 3 for 18,200 shares received)		
	(x)	For forfeiture :-		
800×10		Shares capital a/c Dr	8,000	
800×2		securities premium a/c Dr	1,600	
		To share allotment a/c		3680
		To share first call a/c		1600
800×2				

800×3	To share second call a/c			2,400
960×2	To share forfeiture a/c			1920
	(Being Non payment of allotment money, first call money & final call money those shares were forfeited)			
(xi)	For share forfeiture :-			
1000×10	Share capital a/c	Dr	10,000	
	~~To~~			
1,000×2	To share first call a/c			2000
1,000×3	To share second call a/c			3,000
1,000×5	To share forfeiture a/c			5,000
	(Being Non payment of first call & final call those shares were forfeited)			
(xii)	For reissue of shares :-			
1800×8	Bank a/c	Dr	14,400	
1800×2	Share forfeiture a/c	Dr	3,600	
1800×10	To share capital a/c			18,000
	(Being 1,800 shares were at Rs.8 per share reissue)			
(xiii)	For profit on reissue of shares transfer to capital a/c :-			
1920 + 5000 = 6920 − 3600 = 3320	Share forfeiture a/c	Dr	3,320	
	To capital reserve a/c			3,320

31	(xiv)	For refund of share application money :-		
	6000×2	Share application a/c Dr	12000	
		To Bank a/c		12000
		(Being refund of share application money)		

Bank a/c

To share application	60,000	By share application	12,000
To share allotment	88,320		
To share first call	36,400	By Balance c/d	2,41,720
To share second call	24,600		
To share capital	14,400		
	2,53,720		2,53,720
To Balance b/d	2,41,720		

Share capital a/c

		By share application	40,000
To sundries	8,000	By share allotment	60,000
To sundries	10,000	By share first call	40,000 ~~60,000~~
To Balance c/d	2,00,000	By share second call	60,000
		By sundries	18,000
	2,18,000		2,18,000
		By Balance b/d	2,00,000

Securities premium

To sundries	1,600	By share allotment	40,000
To Balance c/d	38,400		
	40,000		40,000
		By Balance b/d	38,400

Capital reserve

To Balance c/d	3320	By share forfeiture	3320
	3320		3320
		By Balance b/d	3,320

Balance sheet

Liabilities	Rs	Assets	Rs.
Authorised capital:-			
20,000 shares of Rs. 10 each	2,00,000	Bank	2,41,720
Paid-up capital:-			
20,000 shares of Rs. 10 each	200,000		
Reserves & surplus:-			
Securities premium	38,400		
Capital reserve	3,320		
	2,41,720		2,41,720

(2) Sun Ltd Issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. Payable as 2 on application, 5 on allotment (Including premium) Rs. 3 on first call, Rs. 2 on final call.

The company receives 20,000 share application the company rejects 5000 share application and alloted the remaining under pro-rata basis all the money were received Except a Share holder Mr. RAVI holding 500 shares failed to pay allotment money, first call money and final call money, another share holder mr. Mahesh holding 200 shares failed to pay the second call money all the shares were forfeited after second call and reissue at Rs. 9 per shares pass Journal entries & prepare Ledger a/c & Balance sheet :-

(i) Calculation of Excess money on Application :-

Total Application	20,000
rejected	5,000
	15,000
less: Issue shares	10,000
Excess shares	5,000

Excess application money adjusted to allotment } 5,000 × 2

= 10,000

ii) Calculation of allotment money received :-

allotment due 10,000 x 5		50,000
less: Excess money paid on allotment		10,000
		40,000
calculation of allotment due by Mr. Ravi		
allotment due 500 x 5	2500	
Shares applied by Ravi		
$\frac{15,000}{10,000} \times 500$ 750		
alloted 500		
Excess application 250 x 2	500	
Allotment due by Ravi	2000	2000
Allotment money received		38,000

Journal entry

(i)	For application money received :-		
20,000 x 2	Bank a/c Dr	40,000	
	To share application a/c		40,000
	(Being Application money of Rs 2 for 20,000 shares were received)		
(ii)	For transfer of share application money equity share capital a/c :-		
10,000 x 2	Share application a/c Dr	20,000	
	To equity share capital a/c		20,000

	(iii)	For share allotment due:-		
3	10,000×5	Share allotment a/c Dr	50,000	
		To equity share capital a/c		30,000
	10,000×3	To security premium a/c		20,000
	10,000×2	(Being share allotment of Rs. 3/- securities premium of Rs. 2/- per shares were due)		
	(iv)	For Excess money adjusted towards allotment:-		
		Share application a/c Dr	10,000	
		To share allotment a/c		10,000
		(Being Excess money adjusted towards allotment)		
	(v)	For allotment money received:-		
		Bank a/c Dr	38,000	
		To share allotment a/c		38,000
		(Being allotment money received)		
	(vi)	For share first call due:-		
	10,000×3	Share first call a/c Dr	30,000	
		To equity share capital a/c		30,000
		(Being share first call money of Rs. 3 for 10,000 shares were due)		
	(vii)	For share first call money received:-		
	10,000 − 500 = 9,500 − 200 = 9,300×3	Bank a/c Dr	27,900 ~~28,500~~	
		To share first call a/c		27,900 ~~28,500~~
		(Being share first call money received)		

	(viii)	For share second call due :-		
10,000×2		Share second call a/c Dr		
		To equity share capital a/c	20,000	
		(Being share second call money of Rs 2 for 10,000 shares issued)		20,000
	(ix)	For share second call money received :-		
10,000 − 500 = 9500 − 200 = 9300 × 2		Bank a/c Dr		
		To share second call a/c	18,600	
		(Being share second call money received)		18,600
	(x)	For forfeiture		
500×10		Share capital a/c Dr	5000	
500×2		Securities premium a/c Dr	1000	
		To share allotment a/c		2000
500×3		To share first call a/c		1500
500×2		To share final call a/c		1000
750×2		To share forfeiture a/c		1500
		(Being Non payment of allotment money		
	(xi)	For share forfeiture :-		
200×10		Share capital a/c Dr	2000	
200×3		To share first call a/c		600
200×2		To share second call a/c		400
200×5		To share forfeiture a/c		1000

	(xii)	For reissue :-		
700×9		Bank a/c Dr	6,300	
700×1		Share forfeiture a/c Dr	700	
700×10		To share capital a/c		7,000
	(xiii)	For profit on reissue of shares transfer to capital reserve a/c :-		
1500 + 1000 = 2500 − 700 = 1800		Share forfeiture a/c Dr	1800	
		To Capital reserve a/c		1800
	(xiv)	For refund of share application money :-		
5000×2		Share application a/c Dr	10,000	
		To Bank a/c		10,000

Bank a/c

To share application	40,000	By share application	10,000
To share allotment	~~38,000~~ 27,900		
To share first call	~~28,500~~	By Balance c/d	1,20,800
To share second call	18,600		
To share capital a/c	6,300		
	1,30,800		1,30,800
To Balance b/d	1,20,800		

Share capital a/c

To sundries	5000	By share application	20,000
To sundries	2000	By share allotment	30,000
To Balance c/d	1,00,000	By share first call	30,000
		By share second call	20,000
		By sundries	7,000
	1,07,000		1,07,000
		By Balance b/d	1,00,000

Securities premium a/c

To sundries	1,000	By share allotment	20,000
To Balance c/d	19,000		
	20,000		20,000
		By Balance b/d	19,000

Capital reserve a/c

To Balance c/d	1800	By share forfeiture	1800
	1,800		1,800
		By Balance b/d	1800

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Balance Sheet

Liabilities	Rs	Assets	Rs
Authorised capital		Bank	1,20,800
10,000 equity shares of Rs. 10 each	1,00,000		
Paid-up capital			
10,000 equity shares of Rs. 10 each	1,00,000		
reserves & surplus:-			
securities premium	19,000		
Capital reserve	1,800		
	1,20,800		1,20,800

9. A Ltd issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share issued as follows:-

1804

on application Rs. 2
on allotment Rs. 5 (Including premium)
on first call Rs. 3
on final call Rs. 2

Application the received for 20,000 shares. the Company rejected 5,000 shares and issue the remaining and the company all money ~~rere~~ were received. Except a share holder mr. Ravi holding 300 shares failed to pay allotment money first call money. Immadiately shares

were forfeited after first call. A share holder Mr. mohan holding 100 shares failed to pay first call second call. after second call is shares were forfeited. All the forfeited shares were re-issue to mr. kumar for Rs. 9. Pass Journal entry, Ledger a/c and Balance sheet.

Journal entry

1)	For share application money received :-		
(20000×2)	Bank a/c Dr	40,000	
	To share application a/c		40,000
	(Being Application money of Rs. 2 for 20,000 shares were received)		
2)	For transfer of share application money equity share capital a/c :-		
10,000×2	Share application a/c Dr	20,000	
	To equity share capital a/c		20,000
	(Being share application money of Rs. 2 for 10,000 shares transfered to equity share capital a/c)		
3)	For share allotment due :-		
10,000×5	Share allotment a/c Dr	50,000	
10,000×3	To equity share capital a/c		30,000
10,000×2	To security premium a/c		20,000
	(Being share allotment Rs. 3 & securities premium of Rs. 2 per shares were due)		

4)	For Excess money adjusted towards allotment :-		
	Share application a/c Dr	10,000	
	To share allotment a/c		10,000
	(Being Excess money adjusted towards allotment)		
5)	For allotment money received :-		
	Bank a/c Dr	38,800	
	To allotment a/c		38,800
	(Being allotment money received)		
6)	For share first call due :-		
10,000×3	Share first call a/c Dr	30,000	
	To share capital a/c		30,000
	(Being share first call of Rs 3 for 10,000 shares were due)		
7)	For share first call received :-		
(200+100) = 400 × 3	Bank a/c Dr	28,800	
30,000 − 1200 = 28,800	To share first call a/c		28,800
	(Being share first call money received)		
9)	For share final call ~~%~~ due ~~Rs~~		
10,000 − 300 = 9,700 × 2	share final call a/c Dr	19,400	
	To share Capital a/c		19,400
	(Being share final call of Rs. 2 for 9,700 shares were due)		

10)	For share final call received :-			
	Bank a/c	Dr	19,200	
	To share final call a/c			19,200
	(Being share final call money received)			
8)	For share forfeiture :-			
300×8	Share capital a/c	Dr	2400	
300×2	security premium a/c	Dr	600	
	To allotment a/c			1200
300×3	To first call a/c			900
150×2	To final call a/c			900
	(Being non-payment of allotment money first call & second call money those shares were forfeited)			
11)	For share forfeiture :-			
100×10	Share capital a/c	Dr	1000	
100×3	To share first call a/c			300
100×2	To share final call a/c			200
100×5	To share forfeiture a/c			500
	(Being non-payment of first call & final call money those shares were forfeited)			
12)	For re-issue :-			
400×9	Bank a/c	Dr	3600	
400×1	Share forfeiture a/c	Dr	400	
	To share capital a/c			4000
	(Being 400 shares were at Rs.9 per share reissued)			
13)	For profit on re-issue transfer to ~~equity~~ capital reserve a/c :-			
900+300 = 1,200				
400	Share forfeiture a/c	Dr	1,000	
1000	To capital reserve a/c			1,000

43	14) For refund of share application money:-		
	Share application a/c Dr	10,000	
5,000×2	To Bank a/c		10,000
	(Being refund of share application money)		

i) Calculation of Excess money on application:-

Total application	20,000
Less: rejected	5,000
	15,000
Less: Issued shares	10,000
	5,000

Excess application money adjusted to allotment } 5,000 × 2 = 10,000

ii) Calculation of allotment money receiv

allotment due 10,000 ~~300~~ × 5	50,000
Less: Excess money paid on allotment	10,000
	40,000

Calculation of allotment due by mr. Ravi

allotment due 300 × 5	1,500
shares applied by Ravi $\frac{15,000}{10,000} \times 300$	450

allotted	300		
Excess application	150×2	300	
allotment due by Ravi		1200	1,200
allotment money received			38,800

Ledger a/c

Bank a/c

To share application	40,000	By share application	10,000
To allotment a/c	38,800		
To share first call	28,800		
To share final call	19,200		
To share capital	3,600	By Balance c/d	1,20,400
	1,30,400		1,30,400
To Balance b/d	1,20,400		

Equity share capital a/c

		By share allotment	30,000
~~To share allotment~~	~~30,000~~	By share application	20,000
To sundries	2,400	By share first call	30,000
To sundries	1,000	By share final call	19,400
		By sundries	4,000 ~~40,000~~
To Balance c/d	1,00,000		
	1,03,400		1,03,400
		By Balance b/d	1,00,000

Securities premium a/c

To sundries	600	By share allotment	20,000
To Balance c/d	19,400		
	20,000		20,000
		By Balance b/d	19,400

Capital reserve a/c

		By share forfeiture a/c	1,000
To Balance c/d	1,000		
	1,000		1,000
		By Balance b/d	1,000

Balance sheet

Liabilities	Rs	Assets	Rs
Authorised capital		Bank	1,20,400
10,000 equity shares of Rs. 10 each	1,00,000		
Paid up - capital			
10,000 equity shares of Rs. 10 each	1,00,000		
reserves & surplus :-			
securities premium	19,400		
Capital reserve	1,000		
	1,20,400		1,20,400

10. A Ltd issued 2,000 equity shares of Rs. 10 each
46 at a premium of Rs. 2 per share payable as follows :- on application Rs. 2, on allotment Rs. 5 (Including premium), on first call Rs. 3, on final call Rs. 2. The Company receives 3,000 share applications. The Directors rejects 600 shares and alloted the remaining under pro-rata basis. All money were duely received except a share holder mr. x holding 200 shares failed to pay allotment money and first call money. If shares were Immediately forfeited after first call Another share holder mr. y holding 100 shares failed to pay Both the calls. ~~All~~ ~~nw~~ if shares were forfeited after second call. All the forfeited shares were re-issued to mr. Raja at Rs. 9 per share. pass Journal entry, Ledger a/c and Balance Sheet.

Journal entry

1.	For Application money received:-		
3,000×2	Bank a/c Dr	6000	
	To share application a/c		6000
2.	For transfer of share application money to equity share capital a/c:-		
2000×2	Share application a/c Dr	4,000	
	To equity share capital a/c		4,000

11th 3.	For share allotment due :-			
200×5	Share allotment a/c	Dr	10,000	
200×3	To equity share capital a/c			6000
200×2	To securities premium a/c			4000
4.	For Excess money adjusted towards allotment :-			
	share application a/c	Dr	800	
	To share allotment a/c			800
5.	For allotment money received :-			
	Bank a/c	Dr	8280	
	To share allotment a/c			8280
6.	For share first call due :-			
200×3	share first call a/c	Dr	6000	
	To equity share capital a/c			6000
7.	For share first call received :-			
2000 − 200 = 1800 − 100 = 1700×3	Bank a/c	Dr	5,100	
	To share first call a/c			5100
8.	For share forfeiture :-			
200×8	equity share capital a/c	Dr	1600	
200×2	securities premium a/c	Dr	400	
	To share allotment a/c			920
	To share first call a/c			600
200×3	To share forfeiture a/c			480
240×2				
9.	For share final call due :-			
2000 − 200 = 1800×2	share final call a/c	Dr	3,600 ~~4,000~~	
	To equity share capital a/c			3,600 ~~4,000~~

28 10.	For final call money received :-			
1800 − 100 = 1700 × 2	Bank	a/c Dr	3,400	
	To share final call	a/c		3,400
11.	For share forfeiture :-			
100 × 10	Equity share capital	a/c Dr	1,000	
100 × 3	To share first call	a/c		300
100 × 2	To share final call	a/c		200
100 × 5	To share forfeiture	a/c		500
12.	For share re-issue :-			
300 × 9	Bank	a/c Dr	2,700	
300 × 1	Share forfeiture	a/c Dr	300	
	To equity share capital	a/c		3,000
13.	For profit on re-issue transfer to capital reserve a/c :-			
(500 + 480) 980 − 300 = 680	Share forfeiture	a/c Dr	680	
	To capital reserve	a/c		680
14.	For refund of share application money :-			
600 × 2	Share application	a/c Dr	1,200	
	To Bank	a/c		1,200

i) Calculation of Excess money on application:-

Total application	3,000
rejected	600
	2,400
Less: Issued shares	2,000
	400
Excess application money adjusted towards allotment	400 × 2 = 800

ii) Calculation of allotment money received:-

allotment due (2000 × 5)	10,000
Less: Excess money paid on allotment	800
	9,200

Calculation of allotment due by mr. X

allotment due (200×5)		1,000	
shares applied by mr. x			
$\frac{2400}{2000} \times 200$	240		
allotted	200		
Excess application	40×2	80	
allotment due by mr. x		920	920
Allotment money received			8280

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Bank a/c

To share application	6,000	By share application	1,200
To share allotment	8,280		
To share first call	5,100		
To share final call	3,400	By Balance c/d	24,280
To equity share capital	2,700		
	25,480		25,480
To Balance b/d	24,280		

Equity share capital a/c

To sundries	1,600	By share application	4,000
To sundries	1,000	By share allotment	6,000
		By share first call	6,000
		By share final call	3,600
To Balance c/d	20000	By sundries	3,000
	22,600		22,600
		By Balance b/d	20,000

Securities premium a/c

		By share allotment	4,000
To sundries	400		
To Balance c/d	3600		
	4,000		4,000
		By Balance b/d	3,600

5)

Capital reserve a/c

To Balance c/d	680	By share forfeiture	680
	680		680
		By Balance b/d	680

Balance sheet

Authorised capital :-		Bank	24,280
2000 shares of Rs. 10 each	20,000		
Paid-up capital :-			
2000 shares of Rs. 10 each	20,000		
reserves & surplus :-			
securities premium	3,600		
Capital reserve	680		
	24,280		24,280

Balance sheet

Particulars	Amount
Liabilities :-	
Share capital :-	
Authorised capital	
2,000 shares of Rs. 10 each	20,000
Subscribed & paid up capital :-	
2,000 shares of Rs. 10 each	20,000

Reserves & surplus :-	
securities premium	3600
capital reserve	680
	24,280
Assets :-	
Fixed assets	—
current assets	
Bank	24,280
	24,280

Discount :-

11. A Ltd issued applications for 10,000 shares of Rs. 100 each at a discount of 6% payable as follows : on application 25, on allotment 34, on first & final call 35 The application received were for 9,000 shares and all of these shares were accepted. all money due were received except the first & final call on 100 shares which were forfeited 50 shares were reissued at Rs. 90 has fully paid pass Journal entry prepare cash book & Balance sheet.

Journal entry

	Particulars	Debit	Credit
1.	For application money received:-		
9000×25	Cash a/c Dr	2,25,000	
	To share application a/c		2,25,000
	(Being share application money of Rs. 25 on 9000 shares were received)		
2.	For transfer of share application money to equity share capital a/c:-		
	Share application a/c Dr	2,25,000	
	To equity share capital a/c		2,25,000
	(Being share application money transferred to equity share capital a/c)		
3.	For share allotment due:-		
9000×34	Share allotment a/c Dr	3,06,000	
9000×6	Discount on issue of shares a/c Dr	54,000	
	To share capital a/c		3,60,000
	(Being share allotment money due on 9000 shares at Rs. 34 per share and discount at Rs. 6 per share)		
4.	For allotment money received:-		
	Cash a/c Dr	3,06,000	
	To share allotment		3,06,000
	(Being allotment money received)		

5th 5.	For first & final call due :-		
9000×35	share first & final call a/c Dr	3,15,000	
	To share capital		3,15,000
	(Being share first & final call Rs. 35 for 9000 shares were due)		
6.	For first & final call received :-		
9000 − 100 = 8900×35	Cash a/c Dr	3,11,500	
	To first & final call a/c		3,11,500
	(Being share first & final call of Rs. 35 for 8900 shares were received)		
7.	For share forfeiture :-		
100×100	Share capital a/c Dr	10,000	
100×6	To Discount on issue of shares a/c		600
100×35	To share first & final call a/c		3500
100×59 (25+34)	To share forfeiture a/c		5,900
	(Being forfeiture of 100 shares for non-payment of first & final call)		
8.	For re-issue :-		
50×90	Cash a/c Dr	4,500	
50×6	Discount on ~~re~~-issue of shares a/c Dr	300	
50×4	share forfeiture a/c Dr	200	
	To share capital a/c		5,000
	(Being 50 shares were re-issued at Rs. 90)		

9.	For profit on re-issue shares transfer to capital reserve a/c :-		
5900 / 400 / 5500 / 2	Share forfeiture a/c Dr	2750	
	To capital reserve a/c		2750
	(Being profit on re-issue shares transfer to capital reserve a/c)		

LEDGER A/c

Dr. Bank a/c : Cash a/c Cr

Particulars	Rs	Particulars	Rs
To share application	2,25,000	By Balance c/d	8,47,000
To share allotment	3,06,000		
To first & final call	3,11,500		
To share capital	4,500		
	8,47,000		8,47,000
To Balance b/d	8,47,000		

Share capital a/c

To sundries	10,000	By share application	2,25,000
		By sundries	3,60,000
		By first & final call	3,15,000
To Balance c/d	8,95,000	By sundries	5,000
	905000		905000
		By Balance b/d	8,95,000

Discount on issue of shares a/c

To share capital	54,000	By share capital	600
To share capital	300	By Balance c/d	53,700
	54,300		54,300
To Balance b/d	53,700		

Share application a/c

To equity share capital	2,25,000	By cash	2,25,000
	2,25,000		2,25,000

Share allotment a/c

To share capital	3,06,000	By cash	3,06,000
	3,06,000		3,06,000

First & final call a/c

To equity share capital	3,15,000	By cash	3,11,500
		By share capital	3,500
	3,15,000		3,15,000

Share forfeiture a/c

To share capital	200	By share capital	5,900
To capital reserve	2750		
To Balance c/d	2950		

5*

	5,900		5,900
		By Balance b/d	2950

Capital reserve a/c

To Balance c/d	2750	By share forfeiture	2750
	2750		2750
		By Balance b/d	2750

Balance sheet

Liabilities	Rs	Assets	Rs
Authorised Capital :-		Cash	8,47,00
10,000 equity shares of Rs. 100 each	10,00,000	Discount on issue of shares	53,70
Issued capital			
	8,95,000		
Share forfeiture	2950		
Capital reserve	2750		
	900700		900700

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12. Sun Ltd Issued 50,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. payable as follows :-

On application Rs. 2
On allotment Rs. 5 (Including premium)
On first call Rs. 3
On final call Rs. 2

The application and allotment were as follows :-

category A = To applicants 10,000 shares is full.

category B = To applications 20,000 shares ~~50,000~~ 15,000 shares alloted.

category C = 30,000 shares applied alloted the remaining.

Bellow that, Excess application money received adjusted towards allotment. all money were duely received. Except a share holder holding 100 shares failed to pay the final call money. those 100 shares were forfeited and re-issued at Rs. 9 per share. Pass Journal entries.

Calculation of Excess money on application:-

Catagory	shares applied	shares allotted	Excess share application
A	10000	10,000	–
B	20,000	15,000	5000
C	30,000	25,000	5000
Total shares	60,000	50,000	10,000

Excess share application money } 10,000 × 2
= 20,000

Journal entry

Date	Particulars	L/F	Debit	Credit
1.	For application money received :-		1,20,000	
60,000×2	Bank a/c Dr		~~60,000~~	1,20,000 ~~60,0~~
	To share application a/c			
	(Being share application of Rs. 2 for 60,000 shares were received)			
2.	For transfer of share application money to equity share capital a/c			
50,000×2	Share application a/c Dr		1,00,000	
	To equity share capital a/c			100,000
	(Being transfer of share application transferred to share capital a/c)			
3.	For allotment money due:-			
50,000×5	Share allotment a/c Dr		2,50,000	
50,000×3	To equity share capital a/c			1,50,000
50,000×2	To securities premium a/c			1,00,000

60 4.	For excess money adjusted towards allotment :-		
10,000×2	Share application a/c Dr	20,000	
	To share allotment a/c		20,000
	(Being Excess money adjusted towards allotment)		
5.	For share allotment money received :-		
2,50,000 20,000 2,30,000	Bank a/c Dr	2,30,000	
	To share allotment a/c		2,30,000
	(Being share allotment received)		
6.	For share first call due :-		
50000×3	Share first call a/c Dr	1,50,000	
	To equity share capital a/c		1,50,000
	(Being share first call of Rs. 3 for 50,000 shares were due)		
7.	For share first call received :-		
	Bank a/c Dr	1,50,000	
	To share first call a/c		1,50,000
	(Being share first call money received)		
8.	For share share final call due :-		
50,000×2	Share final call a/c Dr	1,00,000	
	To share capital a/c		1,00,000
	(Being share final call of Rs. 2 for 50,000 shares were due)		
9.	For share final call money received :-		
49900×2	Bank a/c Dr	99,800	
	To share final call a/c		99,800
	(Being share final call of Rs. 2 for 49900 shares were received)		

b) 10.	For share forfeiture :-			
100×10	Share capital a/c	Dr	1000	
	To share final call a/c			200
100×2	To share forfeiture a/c			800
100×8	(Being forfeiture of 100 shares for non-payment of final call money)			
11.	For re-issue :-			
100×9	Bank a/c	Dr	900	
100×1	Share forfeiture a/c	Dr	100	
	To share capital a/c			1000
	(Being 100 shares were reissued at Rs. 9)			
12.	For profit on re-issue shares transfer to capital reserve a/c			
800 − 100 = 700	Share forfeiture a/c	Dr	700	
	To Capital reserve a/c			700
	(Being profit on re-issue shares transfer to capital reserve a/c)			

Dr

Share application a/c

Particulars	Amount	Particulars	Amount
To equity share capital	1,00,000	By Bank	1,20,000
To share allotment	20,000		
	1,20,000		1,20,000

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LEDGER A/c

Bank a/c

Dr Particulars	Rs	Particulars	Cr Rs
To share application	1,20,000		
To share allotment	2,30,000		
To share first call	1,50,000		
To share final call	99,800	By Balance c/d	6,00,700
To share capital	900		
	6,00,700		6,00,700
To Balance b/d	600700		

Share capital a/c

To sundries	1000	By share application	1,00,000
		By share allotment	1,50,000
		By share first call	1,50,000
To Balance c/d	500,000	By share final call	1,00,000
		By sundries	1000
	501000		5,01000
		By Balance b/d	5,00,000

securities premium a/c

		By share allotment	1,00,000
To Balance c/d	1,00,000		
	1,00,000		1,00,000
		By Balance b/d	1,00,000

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Capital reserve a/c

To Balance c/d	700	By share forfeiture	700
	700		700
		By Balance b/d	700

Share allotment a/c

To sundrios	2,50,000	By share application	20,000
		By Bank	230,000
	2,50,000		2,50,000

Share first call a/c

To equity share capital	1,50,000	By Bank	1,50,000
	1,50,000		1,50,000

Share final call a/c

To equity share capital	1,00,000	By Bank	99,800
		By share capital	200
	1,00,000		1,00,000

Share forfeiture a/c

To share capital	100	By share capital	800
To capital reserve	700		
	800		800

Balance Sheet

Liabilities	Amount	Assets	Amount
Authorised capital :-		Bank	600700
50,000 shares of Rs. 10 each	5,00,000		
paid-up capital :-			
50,000 shares of Rs. 10 each	5,00,000		
reserves & surplus :-			
securities premium	1,00,000		
capital reserve	700		
	600700		600700

12. Gujarat production Ltd. Issued 20,000 shares of Rs. 100 each at a premium of Rs. 10 per share. the share amount was payable as

On Application Rs. 20
On allotment Rs. 40 (Including premium of Rs. 10)
On first call Rs. 30
On final call Rs. 20

Applications were received for ~~30000~~ 35,000 shares.
the shares were alloted asunder
to the application of ~~15,000~~ 20,000 shares - ~~full~~ 15,000
to the application of 10,000 shares - 5000 shares
to 5000 shares - NIL

b) The application on the tottally rejected applications refunded. the excess of application money received from applicants to whom partial allotments was made. was to be retained by the company for utilization against money due on allotment and the calls. the Director made all the calls except the final call. all the money was received except the first call on 1,000 shares. Give Journal entries & the Balance sheet of the company.

(13)

Application received	application money	allotment	Excess application	Excess application money	allotment due	Excess money adjusted on allotment	first call due	adjusted on call	refund
A) 20,000	(20,000 × 20) 4,00,000	15,000	5000	(5000 × 20) 1,00,000	(15000 × 40) 6,00,000	1,00,000	–	–	–
B) 10,000	(10,000 × 20) 2,00,000	5000	5000	(5000 × 20) 1,00,000	(5000 × 40) 2,00,000	1,00,000	–	–	–
c) 5000	(5000 × 20) 1,00,000	–	–	–	–	–	–	–	1,00,000

(14)

Application received	Application money	Allotment	Excess Application	Excess application money	allotment due	Excess money adjusted on allotment	first call due	adjusted on first call	final call due	adjusted on final call	refund
a) 25,000	(25,000 × 21) 50,000	15,000	10,000	(10,000 × 21) 20,000	(15,000 × 5) ~~75,000~~	20,000	–	–	–	–	–
b) 10,000	(10,000 × 21) 20,000	1000	9,000	(9,000 × 21) 18,000	(1000 × 5) 5000	~~15,000~~ 5000	(1000 × 3) 3000	3000	(1000 × 2) 2000	2000	2000
c) 70,000	(70,000 × 21) 1,40,000	44000	26,000	(26000 × 21) 52000	(44000 × 5) 2,20,000	52,000	–	–	–	–	–
1,05,000	2,10,000	60,000	45,000	90,000	3,00,000	~~85000~~ 77,000	3000	3000	2000	2000	2000

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Journal entry

Date	Particulars	L.F.	Debit	Credit
1.	For application money received :-			
35,000×20	Bank a/c Dr		7,00,000	
	To share application a/c			7,00,000
2.	For trasfer of share application money equity share capital a/c :-			
20,000×20	Share application a/c Dr		4,00,000	
	To equity share capital a/c			4,00,000
3.	For allotment due :-			
20,000×40	Share allotment a/c Dr		8,00,000	
20,000×30	To equity share capital a/c			6,00,000
20,000×10	To securities premium a/c			2,00,000
4.	For excess money adjusted towards allotment :-			
	Share application a/c Dr		2,00,000	
	To share allotment a/c			2,00,000

6.	For share allotment received Bank a/c Dr To share allotment a/c	6,00,000	6,00,000
6.	For share first call due:- Share first call a/c Dr To equity share capital a/c	6,00,000	600,000
7.	For share first call received:- Bank a/c Dr To share first call a/c	5,70,000	5,70,000

4. A Ltd issued 60,000 shares of Rs. 10 each at a premium of Rs. 2 per share. payable as follows. Rs. 2 on application, Rs. 5 on allotment, Rs. 3 on first call Rs. 2 on final call. the allotment was made as follows.

Category A = 25,000 shares applied 15,000 shares allotted.

category B = 10,000 shares applied 1,000 shares allotted

Category C = 70,000 shares applied 44,000 share allotted

all money were duly received. & Excess money on application adjusted towards allotment & calls. Any excess available will be refunded. pass Journal entries.

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Journal entry

Date	Particulars	L.F	Debit	Credit
1.	For application money received:-			
1,05,000×2	Bank a/c Dr		2,10,000	
	To share application a/c			2,10,000
2.	For transfer of share application money to equity share capital a/c:-			
60,000×2	Share application a/c Dr		1,20,000	
	To equity share capital a/c			1,20,000
3.	For allotment money due:-			
60,000×5	Share allotment a/c Dr		3,00,000	
60,000×3	To equity share capital a/c			1,80,000
60,000×2	To securities premium a/c			1,20,000
4.	For Excess money adjusted towards allotment:-			
	Share application a/c Dr		~~77,000~~ ~~85,000~~	
	To share allotment a/c			~~77,000~~ ~~85,000~~
5.	For allotment money received:-			
3,00,000 ~~77,000~~ ~~223,000~~	Bank a/c Dr		2,23,000 ~~2,15,000~~	
	To share allotment a/c			2,23,000 ~~2,15,000~~

6.	For share first call money due :-		
60,000×3	Share first call a/c Dr	1,80,000	
	To equity share capital a/c		1,80,000
7.	For Excess money adjusted towards first call :-		
	Share application a/c Dr	3000	
	To share first call a/c		3000
8.	For share first call received :-		
180000 3000 177000	Bank a/c Dr	1,77,000	
	To share first call a/c		1,77,000
9.	For share final call money due :-		
60,000×2	Share final call a/c Dr	1,20,000	
	To equity share capital a/c		1,20,000
10.	For Excess money adjusted towards share final call :-		
	Share application a/c Dr	2,000	
	To share final call a/c		2,000
11.	For share final call received :-		
1,20,000 2,000 1,18,000	Bank a/c Dr	1,18,000	
	To share final call a/c		1,18000

12.	For refund of share application money:-			
	Share application a/c	Dr	8000	
	To Bank a/c			8000

LEDGER A/c

Dr

Bank a/c

Cr

Particulars	Amount	Particulars	Amount
To share application	2,10,000	By share application	8000
To share allotment	2,23,000 ~~2,15,000~~		
To share first call	1,77,000	By Balance c/d	7,20,000 ~~7,12,000~~
To share final call	1,18,000		
	7,28,000		7,28,000
To Balance b/d	7,20,000 ~~7,12,000~~		

Equity share capital a/c

		By share application	1,20,000
		By share allotment	1,80,000
		By share first call	1,80,000
To Balance c/d	6,00,000	By share final call	120,000
	6,00,000		6,00,000
		By Balance b/d	6,00,000

Securities premium a/c

To Balance c/d	1,20,000	By share allotment	1,20,000
	1,20,000		1,20,000
		By Balance b/d	1,20,000

Share application a/c

To equity share capital	1,20,000	By Bank	2,10,000
To share allotment	77,000 ~~85,000~~		
To share first call	3,000		
To share final call	2,000		
To Bank	8000	~~By Balance c/d~~	~~8,000~~
	~~2,10,000~~ ~~2,18,000~~		~~2,10,000~~ ~~2,18,000~~
~~To Balance b/d~~	~~8000~~		

Share allotment a/c

To sundries	3,00,000	By share application	85,000
		By Bank	2,15,000
	3,00,000		3,00,000

Share first call a/c

To equity share capital	1,80,000	By share application	3,000
		By Bank	1,77,000
	1,80,000		1,80,000

Share final call a/c

To equity share capital	1,20,000	By share application	2000
		By Bank	1,18,000
	1,20,000		1,20,000

+3

Balance sheet

Liabilities	Amount	Assets	Amount
Authorised capital:-		Bank	~~7,20,000~~ ~~7,12,000~~
60,000 shares of Rs. 10 each	6,00,000		~~8,000~~
Paid-up capital:-			
60,000 shares of Rs. 10 each	600,000		
reserves & surplus			
securities premium	1,20,000		
	7,20,000		7,20,000