

ADVANCED CORPORATE ACCOUNTING

UNIT -I

Issue, Forfeiture and Re-Issue of Shares – Issue and Redemption of Debentures – Preference Shares – IFRS – Disclosure Norms – Segment reporting.

UNIT –II

Final Accounts of Joint - Stock Companies

UNIT –III

Absorption, Amalgamation and Reconstruction (Internal and external).

UNIT –IV

Liquidator's Final Statement of Accounts – Holding Companies.

UNIT –V

Final Accounts of Banking, and Insurance companies (New Format)

Note: Question Paper shall cover 20% Theory and 80% Problems.

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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Owners have <i>limited liability</i>, 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	<ul style="list-style-type: none"> • Owner has <i>unlimited liability</i>—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 	<ul style="list-style-type: none"> • Owners have <i>unlimited liability</i> and may have to cover debts of other partners • Partnership is dissolved when a partner dies • Difficult to liquidate or transfer partnership 	<ul style="list-style-type: none"> • 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

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 managed 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. Memorandum of association

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 commence 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.

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

- Preference Share
 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.
- Equity Share

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 of 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 of 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 than 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.**

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)		xxx	xxx
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)		xxx	xxx
3.	For share allotment due :- Share allotment a/c xxx To equity share capital a/c xxx (Being allotment money due)		xxx	xxx
4.	For Excess money on Application adjusted towards allotment :- Share application a/c Dr xxx To Share allotment a/c xxx		xxx	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)

(3)

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	
To Bank a/c			xxx
(Being refund of share Application money)			

Problems :-

1. P Ltd issued a prospectus 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 duly received.

17

Journal entry

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

5.	For first and final call due:-		
④	(99,000 × 4) Share first & final call 9% Dr	3,96,000	
	To equity share capital 9%		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% Dr	3,96,000	
	To share first & final call 9%		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 allotted the remaining. all money wer duly received Pass ~~nessa~~ necessary Journal entries.

10

Date	Particulars	₹	Debit	Credit
	(i) For application money received: (Being Bank 9% share application 1%	30,000		30,000
	(Being application money of Rs. 31 for 1000 shares were received)			
	(ii) For transfer of share application money to share capital 9% :- (Being share application 9% Dr ... equity share capital 9%	28,000		28,000
	(Being share application money of Rs. 28 for 1000 transferred to share capital 9%)			
	(iii) For share allotment due :- (Being share allotment 9% Dr ... equity share capital 9%	50,000		50,000
	(Being share allotment of Rs. 5 for 10,000 shares were due)			
	(iv) For share allotment received: Bank 9% Dr ... share allotment 9% (Being share allotment money received)	50,000		50,000

<p>(v) (10000x1)</p>	<p>For share first call money due - Share first call a/c Dr To share capital a/c (Being share first call money of Rs. 2 for 10,000 shares were due)</p>	<p>20,000</p>	<p>20,000</p>
<p>(vi)</p>	<p>For share first call money received :- Bank a/c Dr To share first call a/c (Being share first call money received)</p>	<p>20,000</p>	<p>20,000</p>
<p>(vii) (10000x1)</p>	<p>For share final call money due :- Share final call a/c Dr To share capital a/c (Being share final call money of Re. 1 for 10,000 shares were due)</p>	<p>10,000</p>	<p>10,000</p>
<p>(viii)</p>	<p>For share final call money received :- Bank a/c Dr To share final call a/c (Being share final call money received)</p>	<p>10,000</p>	<p>10,000</p>
<p>(ix) (5000x2)</p>	<p>For refund of share application money :- Share application a/c Dr To Bank a/c of (Being refund of shares Rs. 2 for 5,000 share application money)</p>	<p>10,000</p>	<p>10,000</p>

3. 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 allotted all the applications all money were duly received Pass Journal entries:-

(i)	For application money received:- (20,000 x 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 x 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)			

9

(iv) For allotment money received :-

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 x 3) Share 1st 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 :-

(20,000 x 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 allotted the remaining allotted on pro-rata basis excess money on applications adjusted on allotment all money were duly received Pass Journal entry & prepare Ledger 9/c and Balance sheet :-

(i)	For application money received:-		
(1,00,000 x 2)	Bank 9/c	Dr	2,00,000
2)	To share application 9/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 9/c :-		
(25,000 x 2)	Share application 9/c	Dr	50,000
	To equity share capital 9/c		50,000
	(Being transfer of share application money of Rs. 2 for 25,000 to share capital 9/c)		

(iii) For share allotment due :-

Share allotment a/c	Dr	1,25,000	
			1,25,000
to equity share capital a/c			

(Being share allotment money of Rs. 5 for 25,000 shares were due)

(iv) For adjusting Excess money on application towards share allotment :-

Share application a/c	Dr	50,000	
			50,000
to share allotment a/c			

(1,00,000 - 50,000)
50,000
25,000 x 2)

(Being Excess money paid on Rs. 2 for 25,000 application adjusted towards allotment)

(v) For share allotment money received :-

Bank a/c	Dr	75,000	
			75,000
to share allotment a/c			

(1,25,000 - 50,000)
75,000

(Being share allotment money received)

(vi) For first call money due :-

Share first call a/c	Dr	50,000	
			50,000
to equity share capital a/c			

(25,000 x 2)

(Being share first call money were due)

12

(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 :-

(25,000x1) Share second call a/c	Dr	25,000	
to equity share capital a/c			25,000

(Being share second call money of Rs. 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 :-

(50,000x2) Share application a/c	Dr	1,00,000	
to Bank a/c			1,00,000

(Being refund of share application money)

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
		<hr/> 3,50,000
	To Balance b/d	2,50,000

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
		<hr/> 2,00,000

share allotment a/c

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

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

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

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

(15)

Date	Particulars	Debit
	To Balance b/d	2,50,000
		<u>2,50,000</u>

(16)

Date	Particulars	Credit
	By Share application %	50,000
	By Share allotment %	125,000
	By share first call %	50,000
	By share second call %	25,000
		<u>2,50,000</u>
	By Balance b/d	2,50,000

Share first call %

Date	Particulars	Debit
	To equity share capital %	50,000
		<u>50,000</u>

Share first call %

Date	Particulars	Credit
	By Bank %	50,000
		<u>50,000</u>

Share second call %

Date	Particulars	Debit
	To equity share capital	25,000
		<u>25,000</u>

Share second call %

Date	Particulars	Credit
	By Bank %	25,000
		<u>25,000</u>

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		
	Issued and paid up share capital :-			
	25,000 equity shares of Rs. 10 each	2,50,000	Bank	2,50,000
		<u>2,50,000</u>		<u>2,50,000</u>

5. Sun Ltd issued 20,000 equity shares of Rs.10.0 payable as Rs.2.^m 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 duly 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 x 2) Bank a/c Dr to share application a/c		80,000	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:- (20,000 x 2) Share application a/c Dr to equity share capital a/c		40,000 50,000	40,000 50,000
	(Being share application money of Rs.2 for 20,000 shares transferred to share capital a/c)			
(iii)	For share allotment due:- (20,000 x 3) Share allotment a/c to equity share capital a/c		60,000 75,000	60,000 75,000
	(Being share allotment money of Rs.3 for 20,000 shares were due)			

12

(iv) For adjusting Excess money on application towards share allotment:-

(40,000 -
 10,000
 30,000 -
 20,000
 10,000 x
 2)

Share application a/c Dr

To share allotment a/c

(Being Excess money on application of Rs. 2 for 5,000 shares adjusted)

20,000
~~10,000~~ 20,000
~~10,000~~

(v) For share allotment money received:-

Bank a/c Dr

To share allotment a/c

(Being share allotment money were received)

60,000 -
 20,000
 40,000

40,000
~~65,000~~ 40,000
~~65,000~~

(vi) For share first call money due:-

(20,000 x 3) Share first call a/c Dr

To equity share capital a/c

(Being share first call money of Rs. 3 for 20,000 shares were due)

60,000
~~75,000~~ 60,000
~~75,000~~

(vii) For share first call money received:-

Bank a/c Dr

To share first call a/c

(Being share first call money received)

60,000
~~75,000~~ 60,000
~~75,000~~

(viii) For share second call money due:-

(20,000 x 2) Share second call a/c Dr

To equity share capital a/c

(Being share second call money of Rs. 2 for 20,000 shares were due)

40,000
~~50,000~~ 40,000
~~50,000~~

(19)

(ix) For share second call money received :-
 Bank a/c Dr
 To share second call a/c
 (Being share second call money received)

40,000
~~50,000~~

40,000
~~50,000~~

(x) For refund of share application money :-

(10,000 x 2) Share application a/c Dr
 To Bank a/c
 (Being refund of share application money)

20,000

20,000

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	By balance b/d	2,00,000
	50,000		2,50,000
	2,20,000		2,20,000
	2,70,000		2,70,000
To balance b/d	2,00,000		
	2,50,000		

Equity share capital a/c

To balance b/d

2,00,000
~~2,50,000~~
 2,00,000
~~2,50,000~~

40,000
~~50,000~~
 60,000
~~75,000~~
 60,000
~~75,000~~
 40,000
~~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	By Bank a/c	80,000
To share allotment a/c	50,000		
To Bank a/c	20,000		
	80,000		80,000

Share allotment a/c

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

Share first call a/c

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

Share second call a/c

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

Balance sheet as on 31st march

Liabilities	Rs	assets	Rs
Share capital :-		Bank	2,00,000
authorized share capital :-			2,50,000
20,000 equity shares	2,00,000		
of Rs. 10 each	<u>2,00,000</u>		
Issued & paid up share capital :-			
20,000 equity shares	2,00,000		
of Rs. 10 each	<u>2,00,000</u>		
	<u>2,00,000</u>		<u>2,00,000</u>
	<u>2,50,000</u>		<u>2,50,000</u>

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 allotted the remaining under pro-rata basis all money were duly received. Pass Journal entry & prepare Ledger a/c & Balance sheet.

Journal entry

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

93 (x) For refund of share application money :-
 (00000) Share application a/c Dr 20,000
 To Bank a/c Cr 20,000
 (Being refund of share application money)

LEDGER A/c
Bank a/c

Particulars	Debit (₹)	Particulars	Credit (₹)
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 b/d	1,20,000
			<u>1,40,000</u>
	<u>1,40,000</u>		
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
	<u>1,00,000</u>		<u>1,00,000</u>
		By balance b/d	1,00,000

Securities premium a/c

To balance c/d	20,000	By share allotment	20,000
	<u>20,000</u>		<u>20,000</u>
		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	50,000	By share application	10,000
To Sundries		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

25
(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 default 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)

26
 ④ 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. Money over paid on application was utilized towards on allotment. Mr. Ramu to whom 800 shares were allotted failed to pay the allotment money first & final call money. Mr. Mogan to whom 1,000 shares were allotted failed 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
	<hr/>
	24,000
	<hr/>
less: Issued shares	20,000
Excess shares	<hr/>
	4,000
Excess application money } adjusted to allotment }	4,000 × 2 = 8,000/-

(ii) Calculation of allotment money received;

27	Allotment due 20000×5	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	Dr	Debit	Credit
(i)	For application money received :-			
(30000x2)	Bank a/c	Dr	60,000	
	to share application %			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:-

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:-

Share allotment a/c	Dr	1,00,000	
			60,000
To equity share capital			40,000
To security premium			

(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	
			8,000
To share allotment			

(Being Excess money adjusted towards allotment)

(v) For allotment money received:-

Bank a/c	Dr	88,320	
			88,320
To share allotment a/c			

(Being share allotment money received)

(vi) For share first call due :-
 Share first call a/c Dr 10,000
 10,000
 To share capital a/c 60,000
 (Being share first call of Rs. 2/-
 for 20,000 shares were due) 40,000

(vii) For share first call money received :-
 20,000
 800 - Bank a/c Dr 36,400
 19,200
 1,000
 18,200
 To share first call a/c 36,400
 (Being share first call money of Rs. 2/-
 for 18,200 shares were received) 36,400

(viii) For share second call due :-
 20,000 x 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 57,600
 19,200
 1,000
 18,200 x 3 Share second call a/c 57,600
 (Being share second call money of Rs. 3/- for 18,200 shares received) 57,600

(x) For forfeiture :-
 800 x 10 Shares capital a/c Dr 8,000
 800 x 25 securities premium a/c Dr 1,600
 To share allotment a/c 3680
 To share first call a/c 1600

800 x 3
960 x 2

To share second call a/c 2,400
To share forfeiture a/c 1,920

(Being Non payment of allotment money, first call money & final call money those shares were forfeited)

(xi) For share forfeiture :-

1000 x 10 Share capital a/c Dr 10,000

To share first call a/c 2000
To share second call a/c 3000
To share forfeiture a/c 5000

(Being non payment of first call & final call those shares were forfeited)

(xii) For reissue of shares :-

1800 x 8 Bank a/c Dr 14,400
1800 x 2 Share forfeiture a/c Dr 3,600
1800 x 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 :-

Share forfeiture a/c Dr 3,320
To capital reserve a/c 3,320

1920 + 5000
6920 - 3600
3320

31

(xiv) For refund of share application money :-

60000 x 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 b/d	2,41,720
To share second call	57,600		
To share capital	14,400		
	<u>2,53,720</u>		<u>2,53,720</u>

To Balance b/d 2,41,720

Share capital a/c

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

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
			38,400
<u>Capital reserve</u>			
To Balance c/d	3,320	By share forfeiture	3,320
	3,320		3,320
		By Balance b/d	3,320
			3,320

Balance sheet

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

④ 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 (excluding 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 allotted the remaining under pro-rata basis all the money were received Except a Share holder Mr. RAVI holding 1500 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 Ledgers a/c & Balance sheet:-

(i) Calculation of Excess money on Application:-

Total Application	20,000
Rejected	5,000
	15,000
<u>Iss:</u> Issue shares	10,000
Excess shares	5,000

Excess application money }
adjusted to allotment } $5,000 \times 2$

$= 10,000$

ii) Calculation of allotment money received:-

allotment due $10,000 \times 5$		50,000
less: Excess money paid on allotment		10,000
		<hr/> 40,000
Calculation of allotment due by Mr. Ravi		
allotment due 500×5	2500	
Shares applied by Ravi		
$\frac{15,000}{10,000} \times 500$	750	
allotted	500	
Excess application 250×2	500	
	<hr/> 2000	2000
Allotment due by Ravi		
		<hr/> 38,000

Journal entry

(i)	For application money received:-		
$20,000 \times 2$	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 :-		
$20,000 \times 2$	Share application a/c	Dr	20,000
	to equity share capital a/c		20,000

(iii) For share allotment due:-
 30,000 x 5 Share allotment a/c Dr 50,000
 10,000 x 3 To equity share capital a/c 30,000
 20,000 x 2 To security premium a/c 20,000
 (Being share allotment of Rs. 3 & security 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 x 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 - Bank a/c Dr 27,900
 300 To share first call a/c 28,500
 9,500 -
 200
 9,300 x 3 (Being share first call money received) 27,900
 28,500

(viii)
10,000

For share second call due:-

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

Bank a/c Dr

9,500

To share second call a/c

18,600

200

(Being share second call money received)

18,600

(x)

For forfeiture

500 x 10

Share capital a/c Dr

5000

500 x 2

Securities premium a/c Dr

1000

To share allotment a/c

2000

500 x 3

To share first call a/c

1500

500 x 2

To share final call a/c

1000

750 x 2

To share forfeiture a/c

1500

(Being Non Payment of allotment money)

(xi)

For share forfeiture:-

200 x 10

Share capital a/c Dr

2000

200 x 3

To share first call a/c

600

200 x 2

To share second call a/c

400

200 x 5

To share forfeiture a/c

1000

(xii) For reissue :-
 700 x 9 Bank a/c Dr 6,300
 700 x 1 Share forfeiture a/c Dr 700
 700 x 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 x 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		
To share first call	27,900		
To share second call	28,500	By Balance c/d	1,20,800
To share Capital a/c	18,600		
	6,300		
	<u>1,30,800</u>		<u>1,30,800</u>
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

Balance Sheet

Liabilities	Rs	Assets	Rs
Authorised capital 10,000 equity shares of Rs. 10 each	1,00,000	Bank	1,20,800
Paid-up capital 10,000 equity shares of Rs. 10 each	1,00,000		
reserves & surplus:-			
securities premium	9,000		
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:-

- 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 were received. Except a share holder mr. Ravi holding 300 shares failed to pay allotment money first call money. Immediately 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:-			
(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)			
2)	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
	(Being share application money of Rs. 2 for 10,000 shares transferred to equity share capital a/c)			
3)	For share allotment due:-			
10,000 x 5	Share allotment a/c	Dr	50,000	
10,000 x 3	To equity share capital a/c			30,000
10,000 x 2	To security premium a/c			20,000
	(Being share allotment Rs. 3 & securities premium of Rs. 2 per shares were due)			

<p>4)</p>	<p>For Excess money adjusted towards allotment :-</p> <p>Share application a/c</p> <p>To share allotment a/c (Being Excess money adjusted towards allotment)</p>	<p>Dr</p>	<p>10,000</p>	<p>10,000</p>
<p>5)</p>	<p>For allotment money received :-</p> <p>Bank a/c</p> <p>To allotment a/c (Being allotment money received)</p>	<p>Dr</p>	<p>38,800</p>	<p>38,800</p>
<p>6)</p>	<p>For share first call due :-</p> <p>Share first call a/c</p> <p>To share capital a/c (Being share first call of Rs 3 for 10,000 shares were due)</p>	<p>Dr</p>	<p>30,000</p>	<p>30,000</p>
<p>7)</p> <p>(30,000 - 1200) = 28,800</p>	<p>For share first call received :-</p> <p>Bank a/c</p> <p>To share first call a/c (Being share first call money received)</p>	<p>Dr</p>	<p>28,800</p>	<p>28,800</p>
<p>8.9)</p> <p>10,000 - 300 = 9,700 x 2</p>	<p>For share final call due :-</p> <p>Share final call a/c</p> <p>To share Capital a/c (Being share final call of Rs. 2 for 9,700 shares were due)</p>	<p>Dr</p>	<p>19,400</p>	<p>19,400</p>

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) 10) For share forfeiture :-
 300 x 2 Share capital a/c Dr 2400
 300 x 2 security premium a/c Dr 600
 To allotment a/c 1200
 To first call a/c 900
 To final call a/c 900
 (Being non-payment of allotment money first call & second call money these shares were forfeited)

11) For share forfeiture :-
 1000 x 10 Share capital a/c Dr 10000
 100 x 3 To share first call a/c 300
 100 x 2 To share final call a/c 200
 100 x 5 To share forfeiture a/c 500
 (Being non-payment of first call & final call money these shares were forfeited)

12) For re-issue :-
 1000 x 9 Bank a/c Dr 3600
 400 x 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 + 500 = 1,400
 - 400
 1,000
 Share forfeiture a/c Dr 1,000
 To capital reserve a/c 1,000

13

14)

For refund of share application money:-

5,000 x 2

Share application a/c

Dr

10,000

To Bank a/c

(Being refund of share application money)

10,000

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 } $5,000 \times 2 = 10,000$

ii) Calculation of allotment money received

allotment due $\frac{10,000}{200} \times 5$

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 150x2 300
 allotment due by Rawi 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 old	1,20,400
	1,30,400		
			1,30,400
To Balance b/d	1,20,400		

Equity share Capital a/c

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

25

Securities premium a/c

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

Capital reserve a/c

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

Balance sheet

Liabilities	Rs	Assets	Rs
Authorized capital 10,000 equity shares of Rs. 10 each	1,00,000	Bank	1,20,400
Paid up - capital 10,000 equity shares of Rs. 10 each	1,00,000		
reserves & surplus :-			
Securities premium	19,400		
Capital reserve	1,000		
	<u>1,20,400</u>		<u>1,20,400</u>

10. A Ltd issued 2,000 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 Company receives 3,000 share applications. The Directors reject 600 shares and allotted the remaining under pro-rata basis. All money were duly 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. 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 x 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:- 2,000 x 2 Share application a/c Dr	4,000	
	To equity share capital a/c		4,000

11/2	For share allotment due :-		10,000	
2000x5	Share allotment	9/c Cr		6000
2000x3	To equity share capital	9/c		4000
2000x5	To securities premium	9/c		
4.	For Excess money adjusted towards allotment :-		800	
	Share application	9/c Dr		800
	To share allotment	9/c		
5.	For allotment money received :-		8280	
	Bank	9/c Dr		8280
	To share allotment	9/c		
6.	For share first call due :-		6000	
2000x3	Share first call	9/c Dr		6000
	To equity share capital	9/c		
7.	For share first call received :-		5,100	
2000 - 200 1800 - 100 1700 x 3	Bank	9/c Dr		5100
	To share first call	9/c		
8.	For share forfeiture :-		1600	
200x8	equity share capital	9/c Dr		1600
200x2	securities premium	9/c Dr		400
	To share allotment	9/c		920
	To share first call	9/c		600
200x3	To share forfeiture	9/c		180
240x2				
9.	For share final call due :-		3,600	
2000 - 200 1800 x 2	share final call	9/c Dr		3,600
	To equity share capital	9/c		3,600

10. For final call money received :-
 1800 -
 100
 1700 x 21
 Bank a/c Dr 3400
 to share final call a/c 3400

11. For share forfeiture :-
 100 x 10 Equity share capital a/c Dr 1000
 100 x 3 To share first call a/c 300
 100 x 2 To share final call a/c 200
 100 x 5 to share forfeiture a/c 500

12. For share re-issue :-
 300 x 9 Bank a/c Dr 2700
 300 x 1 Share forfeiture a/c Dr 300
 To equity share capital a/c 3000

13. For profit on re-issue
 (500 + 480) transfer to capital reserve a/c :-
 980 -
 300
 680
 Share forfeiture a/c Dr 680
 to capital reserve a/c 680

14. For refund of share application
 money :-
 600 x 2 Share application a/c Dr 1200
 To Bank a/c 1200

19
 i) Calculation of Excess money on application:-

Total application	3,000
rejected	600
	2,400
<u>less: Issued shares</u>	<u>2,000</u>
	<u>400</u>

Excess application money } 400 x 2
 adjusted towards allotment } = 800

ii) Calculation of allotment money received:-

allotment due (2000 x 5)	10,000
<u>less: Excess money paid on } allotment</u>	<u>800</u>
	9,200

Calculation of allotment due by Mr. X

allotment due (200 x 5)	1,000
shares applied by Mr. X	
$\frac{2400}{2000} \times 200$	240
allotted	200
Excess application	<u>40 x 2</u> 80

allotment due: by Mr. X 920

Allotment money received 920

50

	Bank	%	
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		
To equity share capital	2,700		By Balance c/d 24,280
	25,480		25,480
To Balance b/d	24,280		

Equity share capital %

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	20,000	By sundries	3,000
	22,600		22,600

By Balance b/d 20,000

Securities premium %

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

51

		Capital reserve a/c	
To Balance old	680	By share forfeiture	680
	680		680
		By Balance b/d	680

Balance sheet

Authorized capital :- 2000 shares of Rs. 10 each	20,000	Bank	24,280
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
<u>Liabilities :-</u>	
<u>Share capital :-</u>	
Authorized capital	20,000
2,000 shares of Rs. 10 each	
<u>Subscribed & paid up capital :-</u>	
2,000 shares of Rs. 10 each	20,000

Reserves & surplus:-

securities premium
capital reserve

3600
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 applications received were for 9,000 shares and all of these shares were accepted. All money due was 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:- 9000x25 Cash 9/2 Dr	2,25,000	
	To share application 9/2 Cr (Being share application money of Rs. 25 for 9000 shares were received)		2,25,000
2.	For transfer of share application money to equity share capital:- Share application 9/2 Dr	2,25,000	
	To equity share capital 9/2 Cr (Being share application money transferred to equity share capital)		2,25,000
3.	For share allotment due:- 9000x34 Share allotment 9/2 Dr	3,06,000	
	9000x6 Discount on issue of } 9/2 Dr } shares	54,000	
	To share capital 9/2 Cr (Being share allotment money due on 9000 shares at Rs. 34 per share and discount at Rs. 6 per share)		3,60,000
4.	For allotment money received:- Cash 9/2 Dr	3,06,000	
	To share allotment 9/2 Cr (Being allotment money received)		3,06,000

5. For first & final call due:-
 9000 x 35 Share first & final call 9/c Dr 3,15,000
 To share capital 3,15,000
 (Being share first & final call of Rs. 35 for 9000 shares were due)

6. For first & final call received:-
 9000 - 100
 8900 x 35 Cash 9/c Dr 3,11,500
 To first & final call 9/c 3,11,500
 (Being share first & final call of Rs. 35 for 8900 shares were received)

7. For share forfeiture:-
 100 x 100 Share capital 9/c Dr 10,000
 100 x 6 To Discount on issue of shares 9/c 600
 100 x 35 To share first & final call 9/c 3,500
 100 x 59 To share forfeiture 9/c 5,900
 (25 + 34)
 (Being forfeiture of 100 shares for non-payment of first & final call)

8. For re-issue:-
 50 x 90 Cash 9/c Dr 4,500
 50 x 6 Discount on re-issue of shares 9/c Dr 300
 50 x 4 share forfeiture 9/c Dr 200
 To share capital 9/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	Share forfeiture a/c Dr	2750	
100			2750
<u>5700</u>	To capital reserve a/c		
2	(Being profit on re-issue shares transfer to capital reserve a/c)		

LEDGER A/c

Dr		Cr	
Particulars	Rs	Particulars	Rs
To share application	2,25,000	By Balance cld	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 bld	8,47,000		
<u>Share capital a/c</u>			
To sundries	10,000	By share application	2,25,000
		By sundries	3,60,000
		By first & final call	3,15,000
To Balance cld	8,95,000	By sundries	5,000
	905000		905000
		By Balance bld	8,95,000

56

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	2,750		
To Balance c/d	2,950		

57

	5,900		5,900
		By Balance b/d	2,950
		Capital reserve 1/2	
To Balance c/d	2,750	By share forfeiture	2,750
	2,750		2,750
		By Balance b/d	2,750

Balance sheet

Liabilities	Rs	Assets	Rs
Authorized Capital :- 10,000 equity shares of Rs. 100 each	10,00,000	Cash	8,47,000
Issued capital	8,95,000	Discount on issue of shares	53,700
Share forfeiture	2,950		
Capital reserve	2,750		
	9,00,700		9,00,700

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 = 10 applicants 10,000 shares is full.

Category B = 20 applications 20,000 shares
15,000 shares allotted.

Category C = 30,000 shares applied allotted the remaining.

Bellow that, Excess application money received adjusted towards allotment. all money were duly 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.

59 Calculation of Excess money on application:-

Category	shares applied	shares allotted	Excess share application
A	10,000	10,000	-
B	20,000	15,000	5,000
C	30,000	25,000	5,000
Total shares	60,000	50,000	10,000

$$\left. \begin{array}{l} \text{Excess share application} \\ \text{money} \end{array} \right\} 10,000 \times 2 \\ = 20,000$$

Journal entry

Date	Particulars	L/F	Debit	Credit
1.	For application money received :-		1,20,000	
60,000 x 2	Bank	9/c Dr	60,000	1,20,000
	To share application 9/c			60,000
	(Being share application of Rs. 2 for 60,000 shares were received)			
2.	For transfer of share application money to equity share capital 9/c		1,00,000	
50,000 x 2	Share application	9/c Dr		1,00,000
	To equity share capital 9/c			
	(Being transfer of share application transferred to share capital 9/c)			
3.	For allotment money due :-		2,50,000	
50,000 x 5	Share allotment	9/c Dr		2,50,000
50,000 x 3	To equity share capital 9/c			1,50,000
50,000 x 2	To securities premium 9/c			1,00,000

6^o 4. For excess money adjusted towards allotment :-

10,000 x 2	Share application	9/c	Dr	20,000	
	To share allotment 9/c				20,000
	(Being Excess money adjusted towards allotment)				

5. For share allotment money received :-

2,50,000	Bank	9/c	Dr	2,30,000	
20,000	To share allotment 9/c				2,30,000
2,30,000	(Being share allotment received)				

6. For share first call due :-

50,000 x 3	Share first call	9/c	Dr	1,50,000	
	To equity share capital 9/c				1,50,000
	(Being share first call of Rs. 3 for 50,000 shares were due)				

7. For share first call received :-

	Bank	9/c	Dr	1,50,000	
	To share first call 9/c				1,50,000
	(Being share first call money received)				

8. For share share final call due :-

50,000 x 2	Share final call	9/c	Dr	1,00,000	
	To share capital 9/c				1,00,000
	(Being share final call of Rs 2 for 50,000 shares were due)				

9. For share final call money received :-

49,900 x 2	Bank	9/c	Dr	99,800	
	To share final call 9/c				99,800
	(Being share final call of Rs. 2 for 49,900 shares were received)				

b) 10.

For share forfeiture :-
 100 x 10 Share capital 9% Dr 1000
 100 x 9 To share final call 9%
 100 x 8 To share forfeiture 9%

(Being forfeiture of 100 shares for non-payment of final call money)

800
200

11.

For re-issue :-
 100 x 9 Bank 9% Dr 900
 100 x 1 Share forfeiture 9% Dr 100
 To share capital 9%

(Being 100 shares were reissued at Rs. 9)

1000

12.

For profit on re-issue shares transfer to capital reserve 9%
 Share forfeiture 9% Dr 700
 To Capital reserve 9%

800 -
100
700

(Being profit on re-issue shares transfer to capital reserve 9%)

700

Dr

Share application 9%

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

LEADER A/c

Bank a/c

Particulars	Rs	Particulars	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	6,00,700		

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	5,00,000	By share final call	1,00,000
		By sundries	1000
	5,01,000		5,01,000
		By Balance b/d	5,00,000

Securities premium a/c

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

Capital reserve a/c

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

Share allotment a/c

To sundries	2,50,000	By share application	20,000
		By Bank	2,30,000
	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
Authorized capital:- 50,000 shares of Rs. 10 each	5,00,000	Bank	600700
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 ^{35,000} 30,000 shares. the shares were allotted as under

to the application of ^{20,000} 15,000 shares - full	^{15,000}
to the application of 10,000 shares - 5000 shares	
to 5000 shares - NIL	

b5

The application on the totally 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.

1,000,000
1,000,000

1,000,000

1,000,000

Journal entries and Balance sheet of the company.

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 x 20) 4,00,000	15,000	5000	(5000 x 20) 1,00,000	(15000 x 40) 6,00,000	1,00,000	-	-	-
B) 10,000	(10,000 x 20) 2,00,000	5000	5000	(5000 x 20) 1,00,000	(5000 x 40) 2,00,000	1,00,000	-	-	-
c) 5000	(5000 x 20) 1,00,000	-	-	-	-	-	-	-	1,00,000

(14)

Application received	Application money	allotment	Excess Application	Excess application money	allotment due	Excess money adjusted by allotment	First call due	adjusted on first call	Final call due	adjusted on final call	refund
a) 25,000	(25,000 x 21) 50,000	15,000	10,000	(10,000 x 21) 20,000	(15,000 x 5) 75,000	20,000	-	-	-	-	-
b) 10,000	(10,000 x 21) 20,000	1000	9000	(9,000 x 21) 18,000	(1000 x 5) 5000	5000 + 15,000	(1000 x 3) 3000	3000	(1000 x 2) 2000	2000	8000
c) 70,000	(70,000 x 21) 1,40,000	44,000	26,000	(26,000 x 21) 52,000	(44,000 x 5) 2,20,000	52,000	-	-	-	-	-
1,05,000	2,10,000	60,000	45,000	90,000	3,00,000	25,000 77,000	3000	3000	2000	2000	8000

Journal entry

Date	Particulars	L	F	Debit	Credit
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1.	For application money received:- 30,000 x 20 Bank Dr a/c TO share application a/c			700,000	
					700,000

2.	For transfer of share application money equity share capital a/c:- 20,000 x 20 Share application Dr a/c TO equity share capital a/c			400,000	
					4,00,000

3.	For allotment due:- 20,000 x 40 20,000 x 30 20,000 x 10 Share allotment Dr a/c TO equity share capital a/c TO securities premium a/c			8,00,000	
					6,00,000
					2,00,000

4.	For excess money adjusted towards allotment:- Share application Dr a/c TO share allotment a/c			2,00,000	
					2,00,000

6. For share allotment received: Bank	9/c Dr	6,00,000	6,00,000
	To share allotment 9/c		
6. For share first call due:- Share first call	9/c Dr	6,00,000	6,00,000
	To equity share capital 9/c		
7. For share first call received:- Bank	9/c Dr	5,70,000	5,70,000
	To share first call 9/c		

14. 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 shares allotted

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

Journal entry

Date	Particulars	L F	Debit	Credit
1.	For application money received :- 1,05,000 x 21 Bank 9/c Dr		2,10,000	
	To share application 9/c			2,10,000
2.	For transfer of share application money to equity share capital 9/c :- 60,000 x 21 Share application 9/c Dr		1,20,000	
	To equity share capital 9/c			1,20,000
3.	For allotment money due :- 60,000 x 5 Share allotment 9/c Dr		3,00,000	
260000 x 3	To equity share capital 9/c			1,80,000
260000 x 2	To securities premium 9/c			1,20,000
4.	For Excess money adjusted towards allotment :- Share application 9/c Dr		77000 85000	
	To share allotment 9/c			77000 85000
5.	For allotment money received :- 300,000 77000 <u>223,000</u> Bank 9/c Dr		2,23,000 2,15,000	
	To share allotment 9/c			2,23,000 2,15,000

6. For share first call money due :-
 60,000 x 3 Share first call 9/c Dr 1,80,000
 To equity share capital 9/c 1,80,000

7. For Excess money adjusted towards first call :-
 Share application 9/c Dr 3,000
 To share first call 9/c 3,000

8. For share first call received :-
 1,80,000
 3,000
1,77,000
 Bank 9/c Dr 1,77,000
 To share first call 9/c 1,77,000

9. For share final call money due :-
 60,000 x 2 Share final call 9/c Dr 1,20,000
 To equity share capital 9/c 1,20,000

10. For Excess money adjusted towards share final call :-
 Share application 9/c Dr 2,000
 To share final call 9/c 2,000

11. For share final call received :-
 1,20,000
 2,000
1,18,000
 Bank 9/c Dr 1,18,000
 To share final call 9/c 1,18,000

12.
41

For refund of share application money :-

Share application

a/c Dr

8000

To Bank

a/c

8000

LEDGER A/c

Dr

Bank a/c

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		
	<u>7,28,000</u>		<u>7,28,000</u>
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
		By share final call	1,20,000
	<u>6,00,000</u>		<u>6,00,000</u>
To Balance c/d	6,00,000	By Balance b/d	6,00,000

Securities premium a/c

to Balance old	1,20,000	By share allotment	1,20,000
	1,20,000		1,20,000
		By Balance bld	1,20,000

Share application a/c

to equity share capital	1,20,000	By Bank	2,10,000
to share allotment	71,000		
	85,000		
to share first call	3,000		
to share final call	2,000	By Balance old	8,000
to Bank	8,000		
	2,10,000		2,10,000
	2,18,000		2,18,000

to Balance bld

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	2,000
		By Bank	1,18,000
	1,20,000		1,20,000

#3

Balance sheet

Liabilities	Amount	Assets	Amount
<u>Authorized capital</u> :- 60,000 shares of Rs. 10 each	6,00,000	Bank	7,20,000 7,12,000 8,000
<u>Paid-up capital</u> :- 60,000 shares of Rs. 10 each	6,00,000		
<u>reserves & surplus</u> Securities Premium	1,20,000		
	<u>7,20,000</u>		<u>7,20,000</u>