PRACTICAL QUESTIONS

(Question Nos. 1 to 70 are strictly in the serial order of Illustrations)

Q. 1. Vikash Ltd. has an authorised capital of ₹40,00,000 divided into 4,00,000 Equity Shares of ₹10 each. Out of these, the company invited applications for 3,00,000 equity shares.

The public applied for 2,80,000 shares and all the money was duly received.

Show how Share Capital will appear in the Balance Sheet of the Company. Also prepare notes to accounts.

[**Ans.** Subscribed and Fully Paid Capital ₹28,00,000.]

Q. 2. 'Tractors India Ltd.' is registered with an authorized capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. The company issued 50,000 equity shares at a premium of ₹5 per share. ₹2 per share were payable with application, ₹8 per share including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balram.

Present the 'Share Capital' in the Balance Sheet of 'Tractors India Ltd.' as per Schedule III Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same.

[**Ans.** Subscribed and Fully Paid Capital ₹4,95,000;
Subscribed but not Fully Paid Capital ₹2,500.]

Q. 3. Ashirwad Ltd. was formed on 1st December, 2023, with a capital of ₹20,00,000 divided into shares of ₹10 each. It offered 80% of the shares to the public.

The issue price was payable as follows:

30% of the face value per share was payable with application.

20% of the face value per share was payable with allotment.

The balance as and when required. The company did not call for the balance during the year.

All the shares offered by the company were subscribed for. Company received ₹3,14,000 on allotment.

You are required to:

(*i*) Show the Share Capital in the Balance Sheet of the Company (prepared as per Schedule III of Companies Act, 2013) at the end of the financial year.

(*ii*) Prepare Notes to Accounts.

[**Ans.** Subscribed but not fully paid capital ₹7,94,000.]

Issue of Shares at Par

Q. 4. ABC Ltd. issued 3,00,000 shares of ₹10 each, payable as follows :

₹4 on Application;	₹2 on Allotment
₹3 on First Call;	₹1 on Final Call.

All the shares were subscribed and allotted. Give Journal entries and show the Share Capital in the Balance Sheet assuming that all sums have been duly received. Expenses on issue of shares amounted to ₹40,000.

[**Ans.** Share Capital ₹30,00,000; Cash at Bank ₹29,60,000]

Issue of Shares at Premium

Q. 5. Mangal Ltd. was registered with an authorised capital of ₹70,00,000 divided in 70,000 equity shares of ₹100 each. Company issued 40,000 equity shares at a premium of ₹30 per share, payable as follows: ₹30 on Application; ₹40 on Allotment (including premium); ₹25 on first call and ₹35 on Second and Final Call.

All shares were subscribed and all the money was duly received. Share issue expenses amounted to ₹1,50,000 which were fully written off against Securities Premium.

Prepare necessary **Journal Entries** and **Bank Account** in the books of the Company.

[**Ans.** Share Capital ₹40,00,000; Reserve and Surplus ₹10,50,000; Balance at Bank ₹50,50,000.]

Q. 6. Pushkar Ltd. invited applications for issuing 5,00,000 equity shares of ₹10 each at a premium of ₹3 per share. The whole amount was payable on application. The issue was fully subscribed.

Pass necessary journal entries.

[**Ans.** Securities Premium Account will be credited by ₹15,00,000.]

Q. 7. Kiran Textiles Ltd. issued 50,000 Equity Shares of ₹10 each at a premium of ₹4 per share and 2,000, 6% Preference Shares of ₹100 each at par payable as follows :

	Equity Shares	*Pref. Shares*
	₹	₹
On Application	3.50	30
On Allotment	6.50 (including premium)	20
On First Call	2	25
On Final Call	2	25

All these shares were fully subscribed, called-up and paid. Record these transactions in Journal and Cash Book.

[**Ans.** Cash at Bank ₹9,00,000.]

Q. 8. Kanpur Gas Ltd. issued 40,000 equity shares of ₹10 each at a premium of ₹1 per share. Amounts were payable as follows :

₹2.50 on Application; ₹4.50 on Allotment (including premium); ₹2 on First Call and ₹2 on Final Call.

Applications were received for 37,000 shares.

Give Journal Entries assuming that all sums have been received on due dates.

[**Ans.** Share Capital ₹3,70,000; Cash at Bank ₹4,07,000.]

Shares Issued for Consideration other than Cash

Q. 9. Vimal Ltd. purchased machinery of ₹9,90,000 from Kamal Ltd. The payment to Kamal Ltd. was made by issuing equity shares of ₹100 each. Pass the necessary Journal entries in the books of Vimal Ltd. for purchase of machinery and the issue of shares when

(*i*) Shares were issued at par

(*ii*) Shares were issued at 25% premium.

[**Ans.** Face value of shares issued in Case (*i*) ₹9,90,000; Cash (*ii*) ₹7,92,000.]

Q. 10. Pass journal entries for the following :

(*i*) *X* Ltd. purchased Land and Building from R. Sundram for ₹5,00,000 payable in fully paid shares of ₹100 each at a premium of 25%.

(*ii*) *Y* Ltd. decided to issue 2,000 shares of ₹100 each to the Unit Trust of India as Underwriting commission.

[**Ans.** (*i*) 4,000 shares of ₹100 each issued at ₹25 per share premium.]

Q. 11. Tagore Ltd. purchased a running business from Tulsi Bros. for a sum of ₹60,00,000 payable by the issue of fully paid equity shares of ₹20 each at a premium of 50%. The assets and liabilities consisted of the following:

	Book Value	*Agreed Value*
	₹	₹
Plant and Machinery	40,00,000	30,00,000
Stock	15,00,000	19,70,000
Sundry Debtors	10,00,000	Subject to Provision for Doubtful Debts @ 5%
Sundry Creditors	3,00,000	3,00,000

Pass necessary journal entries in the books of Tagore Ltd.

[**Ans.** Goodwill ₹3,80,000; Number of shares issued 2,00,000. Premium on Issue of shares ₹20,00,000.]

Q. 12. *X* Ltd. took over the following assets and liabilities of *Y* Ltd. : Land & Building ₹20,00,000; Stock ₹5,00,000; Sundry Debtors ₹2,50,000 and Sundry Creditors ₹2,00,000.

X Ltd. paid purchase consideration by issuing Bank Draft of ₹16,00,000 and 50,000 Equity Shares of ₹20 each at 10% premium. Calculate purchase consideration and pass journal entries in the books of *X* Ltd.

[**Ans.** Purchase consideration ₹27,00,000; Goodwill ₹1,50,000.]

Q. 13. Madhur Ltd. took over the assets of ₹5,00,000 and Liabilities of ₹40,000 of Rasova Ltd. for a consideration of ₹4,00,000. 20% was paid by a cheque and the balance by issue of fully paid equity shares of ₹100 each at premium of 60%. Show necessary journal entries for these transactions in the books of Madhur Ltd.

[**Ans.** Capital Reserve ₹60,000; Number of shares issued 2,000.]

Calls in Arrear

Q. 14. *X* Ltd. issued 20,000, 7% Preference shares of ₹100 each at a premium of 6%. Payments were to be made as—₹25 on Application; ₹46 on Allotment; ₹10 on First call and ₹25 on Final Call.

The applications for 18,000 shares were received and all were accepted. All the money was duly received except the first and final call on 100 shares.

Give the necessary Journal Entries. Also show the Share Capital in the Balance Sheet of the Company.

[**Ans.** First Call in arrear ₹1,000; Final Call in arrear ₹2,500; Share Capital ₹17,96,500; Securities Premium ₹1,08,000.]

Hint : It will be assumed that premium is included in allotment.

Calls in Advance

Q. 15. Shipra Limited invited application for 80,000 shares of ₹10 each payable as follows:

₹2.50 on Application	(on 1st May, 2025);
₹2.50 on Allotment	(on 1st June, 2025);
₹2 on First Call	(on 1st Nov., 2025); and
₹3 on Second Call	(on 1st Feb., 2026);

All the shares were applied and allotted. Shankar, holding 600 shares paid the whole of the amount alongwith allotment.

Pass Cash Book and Journal entries assuming that books are closed on 31st March every year.

Q. 16. On 1st February 2025, Raj Ltd. received in advance the first call of ₹25 per share on 4,000 equity shares. The first call due on 31st March 2025. Journalise the above transactions.

Q. 17. A limited Company was registered with a capital of ₹5,00,000 in shares of ₹10 each and issued 20,000 such shares at a premium of ₹2 per share, payable as ₹3 per share on application, ₹4 per share on allotment (including premium) and ₹2 per share on first call made three months later.

All the money payable on application and allotment were duly received but when the first call was made, one shareholder paid the entire balance on his holdings of 300 shares, and another shareholder holding 1,000 shares failed to pay the first call money.

Give Journal entries to record the above transactions and show how share capital will be shown in the company's Balance Sheet.

[**Ans.** Cash at Bank ₹1,78,900; Amount received on first call ₹38,900 (₹40,000 – ₹2,000 + ₹900).]

Hint : Second Call has not been made in the question, as such, the entries are to be passed upto first call only.

Q. 18. On 28-2-2025 the first call of ₹2 per share became due on 50,000 equity shares allotted by Kumar Ltd. Komal, a holder of 1,000 shares, did not pay the first call money. Kovil, a holder of 750 shares, paid her second and final call of ₹4 per share alongwith the first call.

Pass necessary Journal entry for the amount received by opening Calls-in-arrear and Calls-in-advance Accounts in the books of the company.

[**Ans.** Amount received ₹1,01,000.]

Q. 19. Saraswati Ltd. has an authorised capital of ₹10,00,000 divided into equity shares of ₹10 each. Subscribed and fully paid up share capital of the company was ₹4,00,000. To meet its new financial requirements, the company issued 20,000 equity shares of ₹10 each which were payable as follows : ₹3 on application; ₹3 on allotment, ₹2 on first call and ₹2 on second and final call. The issue was fully subscribed.

X to whom 1,000 shares were allotted, did not pay the allotment and call money; *Y* an allottee of 600 shares, did not pay the two calls; and *Z* to whom 400 shares were allotted, did not pay the final call.

Present the share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same. *(C.B.S.E. 2023; Rajasthan, U.P.)*

[**Ans.** Subscribed and Fully Paid Capital ₹5,80,000; Subscribed but not Fully Paid capital ₹9,800.]

Over-Subscription

Q. 20. Jyoti Power Ltd. decided to issue 8,50,000 equity shares of ₹10 each at a premium of ₹3 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 3,00,000 shares were rejected and shares were allotted to the remaining applicants on pro-rata basis.

Pass necessary Journal entries for the above transactions in the books of the company.

[**Ans.** Amount returned ₹1,49,50,000.]

Q. 21. Govind Ltd., issued a prospectus inviting applications for 20,000 shares of ₹10 each at a premium of ₹3 per share, payable as to ₹4 on application; ₹5 on allotment (including premium); ₹2 on First call; and ₹2 on Final call.

Applications were received for 27,000 shares. Directors allotted the shares as follows:

To applicants of 16,000 shares .... full allotment

To applicants of 6,000 shares .... 4,000 shares

Give journal entries assuming that all amounts have been received and the company maintains a combined account for application and allotment.

Forfeiture of Shares Issued at Par

Q. 25. *X* Ltd. was registered with an authorised capital of 2,00,000 shares of ₹10 each. It purchased assets of *Y* Ltd. for ₹3,00,000 and issued fully paid shares for purchase consideration. It also invited applications for 1,20,000 shares payable as under :

₹2.50 on application

₹2.50 on allotment

₹2 on first call and ₹3 on final call.

Amount due on allotment and first call was duly received. However, a shareholder holding 400 shares did not pay the final call. Directors forfeited the shares of defaulting shareholder and reissued them at ₹8.50 per share as fully paid up.

Pass entries in the Cash Book and Journal. Show the Share Capital in the Balance Sheet of the Company.

[**Ans.** Cash at Bank ₹12,02,200; Capital Reserve ₹2,200.]

Q. 26. Alfa Ltd. issued 5,000 shares of ₹100 each at par. The amount payable was as under :

₹25 on application;
₹25 on allotment;
₹20 on first call; and
₹30 on final call.

The company did not make final call. *X*, a holder of 100 shares, failed to pay allotment and first call money. Directors forfeited his shares and immediately re-issued the forfeited shares at ₹6,500.

Pass Journal entries in the books of the company and show the Share Capital in the Balance Sheet.

[**Ans.** Cash at Bank ₹3,52,000; Share Capital ₹3,50,000; Capital Reserve ₹2,000.]

Q. 27. Dinesh Ltd. issued 5,000 shares of ₹100 each at par, payable as follows :

	₹
On Application	25
On Allotment	25
On First Call	20
On Final Call	30

Anil, holding 100 shares failed to pay the amount of allotment and first call and his shares were forfeited after the first call.

Sunil, holding 200 shares failed to pay the amount due on final call and his shares were also forfeited.

Show entries in the Cash Book and Journal of the Company.

[**Ans.** Cash at Bank ₹4,86,500.]

The company had ₹60,000 in its Securities Premium Account.

You are required to prepare Cash Book and pass Journal Entries to record the above transactions in the books of the company by opening "Calls in Arrears Account".

[Ans. Cash at Bank ₹17,44,500; Number of Shares forfeited 400; Out of which, 300 shares reissued @ ₹15 each. No amount will be transferred to Capital Reserve.]

Note: **Share Issue Exp. will be written off from Securities Premium and there will be no entry of balance of Securities Premium amounting to ₹10,000.**

Q. 31. *W* Ltd. issued 10,000 shares of ₹100 each. During the year only ₹80 were called, payable as follows :

On Application	₹25
On Allotment	₹20
On Ist Call	₹20
On IInd Call	₹15

Amounts were received as follows:

On 8,000 shares the full amount called

On 1,200 shares ₹65 per share

On 500 shares ₹45 per share

On 300 shares ₹25 per share

The directors forfeited those shares on which less than ₹65 per share were received.

Show entries in the Cash Book and Journal and show the Share Capital in the Balance Sheet.

[Ans. Cash at Bank ₹7,48,000; Amount received on Allotment ₹1,94,000; On First Call ₹1,84,000 and on Second Call ₹1,20,000; Balance of Share Forfeiture Account ₹30,000; Calls in arrears ₹18,000.]

Q. 32. 'Suvidha Ltd.' is registered with an authorized capital of ₹10,00,00,000 divided into 10,00,000 equity shares of ₹100 each. The company issued 1,00,000 shares for public subscription.

A shareholder holding 100 shares, failed to pay the final call of ₹20 per share. His shares were forfeited. The forfeited shares were re-issued at ₹90 per share as fully paid up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

[Ans. Subscribed and Fully Paid Capital ₹1,00,00,000.]

Q. 33. Xansa Ltd. offered 22,000 equity shares of ₹100 each to the public at a premium of ₹20 per share. The amount per share was payable as ₹30 on application; ₹50 (including premium) on allotment; and the balance on first and final call.

20,000 shares were subscribed by the public. All calls were made. A shareholder holding 1,000 shares failed to pay the first and final call money. His share were forfeited. Show 'Share Capital' in the Balance Sheet of Xansa Ltd. Also, prepare 'Notes to Accounts'.

(*C.B.S.E. 2017, Delhi*)

[**Ans.** Subscribed and Fully Paid Share Capital ₹19,00,000; Forfeited Shares A/c ₹60,000; Share Capital ₹19,60,000.]

Q. 34. David Ltd. issued ₹40,00,000 equity shares of ₹10 each out of its registered capital of ₹10,00,00,000. The amount payable on these shares was as follows :

On application	₹1 per share
On allotment	₹2 per share
On first Call	₹3 per share
On second and final Call	₹4 per share

All calls were made and were duly received, except the second and final call on 1,000 shares held by Vipul. These shares were forfeited.

Present the 'Share Capital' in the Balance sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'. (*C.B.S.E. 2015*)

[**Ans.** Subcribed and Fully Paid Capital ₹39,90,000; Forfeited Shares A/c ₹6,000; Share Capital ₹39,96,000.]

Q. 35. Girish Ltd. was registered with an authorised capital of ₹1,00,00,000 divided into equity shares of ₹20 each payable as follows :

₹5 on application

₹17 on allotment (including premium ₹10)

Balance on Call

The Company offered 2,00,000 shares for public subscription. Applications were received for 1,90,000 shares and allotment was duly made. All the money was called and received except the following :

(*i*) Allotment and Call money on 8,000 shares held by Abha, and

(*ii*) Call money on 6,000 shares held by Suchi.

Abha's shares were forfeited and out of these, 60% reissued at ₹18 per share as fully paid.

Show Share Capital in the books of the company alongwith notes to accounts.

[**Ans.** Subscribed and Fully Paid Capital	₹36,16,000;
Subscribed but not Fully Paid Capital	₹72,000;
Forfeited Shares Account	₹16,000]

Q. 36. On 1st April, 2026, Blue Heaven Ltd. was formed with an authorised capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 1,50,000 equity shares. The company received applications for 1,40,000 equity shares. During the first year, ₹7 per share were called.

Arun holding 4,000 shares and Varun holding 3,000 shares did not pay the first call of ₹2 per share. Varun's shares were forfeited after the first call and later on 1,800 of the forefeited shares were re-issued at ₹5 per share, ₹7 called up.

Show the following :

(*a*) Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.

(*b*) Also prepare 'Notes to Accounts' for the same.

[**Ans.** Subscribed but not fully paid capital ₹9,63,600; Forfeited Shares A/c ₹6,000; Share Capital ₹9,69,600.]

Q. 37. Star Ltd. was registered with an authorised Capital of ₹1,00,00,000 divided into 40,000 8% Preference Shares of ₹100 each and 3,00,000 Equity Shares of ₹20 each.

It issued a prospectus inviting applications for 2,00,000 equity shares at a premium of ₹30 each, payable ₹7 on application; ₹35 on allotment (including premium) and balance on Call. Public applied for 2,50,000 shares. Full allotment was made to applicants for 2,00,000 shares and excess application money was refunded.

Allotment was made and allotment money was duly received except on 2,000 shares held by Varsha, while another shareholder Kirpa holding 500 shares paid the Call money also on allotment.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

[**Ans.** Subscribed but not fully paid Capital ₹23,90,000.]

Q. 38. Surya Tubes Limited issued 20,000 shares of ₹100 each. The due amount was received except for 500 shares on which ₹75 per share was received. These 500 shares were forfeited and 300 shares were reissued for ₹60 each fully paid-up.

Prepare 'Forfeited Shares Account' and show the Share Capital in the Balance Sheet as at closing date.

[**Ans.** Capital Reserve ₹10,500; Balance of Forfeited Shares Account ₹15,000; Subscribed and Fully Paid Capital ₹19,80,000; Share Capital ₹19,95,000.]

Q. 39. *A*, who holds 200 shares of ₹100 each, has paid only ₹25 per share as application money.

B, who holds 300 shares of ₹100 each, has paid ₹25 per share on application and ₹30 per share on allotment.

C, who holds 400 shares of ₹100 each, has paid ₹25 per share on application, ₹30 per share on allotment and ₹20 per share on first call.

They failed to pay their arrears and the final call. Their shares were forfeited and re-issued at ₹95 per share.

Prepare necessary journal entries.

[**Ans.** Capital Reserve ₹47,000.]

Q. 40. Pass journal entries for the forfeiture and the re-issue in the following cases :

(*a*) *X* Ltd. forfeited 700 shares of Ashok of ₹10 each ₹8 called-up, on which he had paid ₹5 per share. Out of these, 500 shares were re-issued for ₹9 per share as fully paid.

(*b*) *Y* Ltd. forfeited 400 shares of ₹10 each, ₹6 called-up, for non-payment of first call of ₹2 per share. Out of these, 300 shares were immediately re-issued at ₹5 per share.

(*c*) *Z* Ltd. forfeited 300 shares of ₹100 each on which first call of ₹20 per share was not received, the second and final call of ₹30 per share has not yet been called. Out of these, 200 shares were re-issued as ₹70 paid-up for ₹55 per share.

[**Ans.** Capital Reserve (*a*) ₹2,000; (*b*) ₹900; (*c*) ₹7,000.]

Q. 41. Journalise the following :

(*i*) *A* Ltd. forfeited 1,000 shares of ₹10 each, ₹8 paid, for non-payment of final call of ₹2 per share. Out of these, 400 shares were re-issued as fully paid-up in such a way that ₹2,000 were transferred to capital reserve.

(*ii*) *B* Ltd. forfeited 1,000 shares of ₹10 each, ₹8 called-up, for non-payment of Allotment of ₹2.50 per share and first call of ₹3 per share. Out of these, 400 shares were re-issued for ₹7 per share as ₹8 paid-up.

(*iii*) *C* Ltd. forfeited 300 shares of ₹10 each on which ₹7 has been called and ₹5 has been paid. Out of these, 100 shares are re-issued for ₹6 per share as ₹7 paid up.

[**Ans.** (*i*) Re-issue price ₹7 per share; Capital Reserve (*ii*) ₹600; (*iii*) ₹400.]

Forfeiture of Shares Issued at Premium

Q. 42. Accountancy Publication Ltd. issued 50,000 equity shares of ₹10 each at a premium of 10% payable as under :

On Application ₹3; On Allotment ₹4 (including Premium ₹1); On First Call ₹2; and On Final Call ₹2.

The whole of the issue was called for by the company and all the money were duly received except the allotment and calls money on 500 shares. These shares were, therefore, forfeited and later on re-issued at ₹9 per share as fully paid. Pass the necessary journal entries to record the above transactions.

[**Ans.** Capital Reserve ₹1,000.]

Q. 43. *X* Ltd. issued a prospectus offering 2,00,000 shares of ₹10 each at ₹14 per share, payable as follows :

On Application	₹4
On Allotment	₹6 (including premium ₹4)
On First Call	₹3
On Final Call	Balance

Dinesh, the holder of 1,000 shares, did not pay the amount due on allotment and first call. His shares were forfeited and 400 of these shares were immediately re-issued credited ₹9 paid for ₹8.40 per share.

Final call was made afterwards and it was duly received.

Show entries in the Cash Book and the Journal of the company.

[**Ans.** Cash at Bank ₹27,93,760; Capital Reserve ₹1,360.]

Q. 44. Vikram Ltd. issued 50,000 shares of ₹10 each at a premium of ₹1 per share payable as follows :

₹3 on Application

₹4 on Allotment (including premium)

₹2 on Ist Call

Balance when required

Applications were received for 46,000 shares and all of these were accepted. Directors did not make the final call.

A shareholder holding 800 shares did not pay the amount due on first call. The shares were forfeited and re-issued at ₹7 per share, ₹8 per share paid.

Pass Cash Book and Journal Entries.

[**Ans.** Cash at Bank ₹4,18,000; Capital Reserve ₹4,000.]

Q. 45. Give journal entries for forfeiture and re-issue of shares :

(*a*) *X* Ltd. forfeited 500 shares of ₹100 each, ₹75 called-up, issued at 10% premium (to be paid at the time of allotment) for non-payment of a first call of ₹20 per share. Out of these, 200 shares were re-issued as ₹75 paid-up for ₹60 per share.

(*b*) *X* Ltd. forfeited 300 shares of ₹100 each, ₹75 called-up, issued at 10% premium (to be paid at the time of allotment) for non-payment of allotment money of ₹30 per share (including premium) and first call of ₹20 per share.

Out of these, 100 shares were re-issued as fully paid-up in such a way that ₹3,100 were transferred to capital reserve.

[**Ans.** (*a*) Capital Reserve ₹8,000; (*b*) Re-issue Price ₹96 per share.]

Q. 46. Journalise the following :

(*a*) *Y* Ltd. forfeited 400 shares of ₹100 each, issued at a premium of ₹5 per share (to be paid at the time of allotment) for non-payment of a first call of ₹20 per share. The second and final call of ₹20 has not yet been called. Out of these, 100 shares were re-issued as fully paid-up at the maximum rate of discount allowed by law.

shareholders paid the allotment money excepting Mr. Gopal who was allotted 500 shares. These shares were forfeited immediately. The first call was made thereafter. The forfeited shares were re-issued @ ₹78 per share ₹75 paid up. The final call was not made.

Pass necessary journal entries.

[Ans. Amount received on allotment ₹2,45,000; Capital Reserve ₹17,500.]

Q. 53. Jay Ltd. issued a prospectus inviting applications for 1,00,000 shares of ₹10 each. These shares were issued at par on the following terms :

On applications ₹2.50, on allotment ₹2.50, on first call ₹3 and on final call the balance.

Applications were received for 1,35,000 shares. Allotments were made on the following basis :

(*i*) To applicants for 25,000 shares — in full;

(*ii*) To applicants for 60,000 shares — 45,000 shares

(*iii*) To applicants for 50,000 shares — 30,000 shares

All excess amount paid on application is to be adjusted against amount due on allotment.

The shares were fully called and paid-up *except* the amount of allotment, first and final call not paid by those who *applied* for 4,000 shares of the group applying for 50,000 shares.

All the shares on which calls were not paid were forfeited by the Board of Directors. 1,800 forfeited shares were re-issued as fully paid on receipt of ₹9 per share.

Prepare Cash Book and Journal entries to record the above.

[Ans. Cash received on Allotment ₹1,60,500; Bank Balance ₹10,02,200; Capital Reserve ₹5,700.]

Over Subscription and Forfeiture of Shares Issued at Premium :

Q. 54. A company issued 10,000 shares of ₹10 each at a premium of ₹1 per share, payment to be made as follows :

	₹
On Application	3
On Allotment	4 (including premium)
On First call	2
On Second and final call	2

Applications were received for 20,000 shares and pro-rata allotment was made in the ratio of 3 : 2 and remaining applicants were sent letters of regret. The directors made both the calls and all the money were received, except the allotment, first call and final call on 400 shares, which were subsequently forfeited. Later, 300 of the forfeited shares were re-issued as fully paid @ ₹15 per share. Give journal entries to record the above.

[Ans. Amount received on allotment ₹24,000; Capital Reserve ₹1,350.]

Hint : (*i*) Pro-rata allotment was made in the ratio of 3 : 2. It means 10,000 shares allotted to the applicants of $10,000 \times \frac{3}{2} = 15,000$ shares. The remaining applications, of 5,000 shares, (*i.e.*, 20,000 – 15,000) were rejected.

(*ii*) Securities Premium Account has been debited in the entry of forfeiture because it is assumed that entire excess application money received on forfeited shares is utilised for share capital.

Q. 55. A company issued for public subscription 60,000 equity shares of ₹10 each at a premium of ₹4 per share, payable as under : ₹4 on Application; ₹5 on Allotment (including premium), ₹2.50 on First Call and ₹2.50 on Final Call.

Applications were received for 75,000 equity shares. The shares were allotted *pro-rata* to the applicants for 70,000 shares, the remaining applications being rejected. Money over-paid on applications was utilised towards sums due on allotment.

A, to whom 1,200 shares were allotted failed to pay allotment and calls money and *B*, to whom 1,800 shares were allotted failed to pay two calls. These shares were subsequently forfeited after the final call was made. All the forfeited shares were sold to Rajesh as fully paid-up at ₹11 per share.

Prepare Cash Book and journal entries required to record the above transactions.

[**Ans.** Amount received on Allotment ₹2,54,800; Capital Reserve ₹14,600. Bank Balance ₹8,52,800.]

Hint : Premium of ₹4,800 due on *A*'s shares will be debited in the entry of forfeiture.

Q. 56. Suzuki Limited issued a prospectus inviting applications for 60,000 shares of ₹10 each at a premium of 30% payable as follows: On Application ₹3.50; On Allotment ₹5.50 (including premium) : On First Call ₹2 and on Second Call ₹2.

Applications were received for 95,000 shares and allotment was made *pro-rata* to applicants of 80,000 shares. Money over-paid on applications were employed on account of sums due on allotment.

X, to whom 1,500 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the First Call his shares were forfeited. *Y*, the holder of 2,400 shares failed to pay the two calls and his shares were forfeited after the Second Call.

Of the shares forfeited, 3,000 shares were sold to *Z* as fully paid, *Z* paying ₹8.50 per share, the whole of *Y*'s share being included.

Give Journal entries and prepare Bank Account.

[**Ans.** Cash received on allotment ₹2,53,500; Capital Reserve ₹12,700; Cash at Bank ₹7,83,400.]

Hint : Securities Premium A/c will be debited at the time of forfeiture of *X*' shares.

Q. 57. A company issued for public subscription 40,000 equity shares of ₹10 each at a premium of ₹2 per share payable as under :

On Application	₹3 per share
On Allotment	₹4 per share (including premium)
On First Call	₹2 per share
On Second Call	₹3 per share

Applications were received for 70,000 shares. Allotment was made *pro-rata* to the applicants for 50,000 shares, the remaining applications being refused. Money overpaid on application was applied towards sum due on allotment.

A, to whom 1,600 shares were allotted failed to pay the allotment and calls money. *B*, to whom 2,000 shares were allotted failed to pay the two calls. The shares of *A* and *B* were subsequently forfeited after the second call was made. 3,000 of the forfeited shares were re-issued at ₹8 per share fully paid. The re-issued shares included all of *A*'s shares.

Pass journal entries in the books of the company to record the above transactions.

[**Ans.** Amount received on Allotment ₹1,24,800; Capital Reserve ₹7,000.]

Q. 58. Hindustan Steel Ltd. invited applications for 50,000 equity shares of ₹10 each at a premium of ₹4 per share. The amount was payable as follows:

On Application	₹4 (including premium ₹2)
On Allotment	₹6 (including premium ₹2)
On First and Final Call	Balance

Applications for 60,000 shares were received. Allotment was made to all the applicants on pro-rata basis. Excess application money was adjusted towards sums due on allotment.

Ram, to whom 500 shares were allotted, failed to pay allotment and call money. Shyam, to whom 1,000 shares were allotted, failed to pay the call money. These shares were forfeited. Out of the forfeited shares 1,200 shares (including all shares of Shyam) were re-issued at 10% discount as fully paid-up.

Pass the necessary journal entries in the books of the company by opening 'Calls in Arrears A/c' wherever necessary.

[**Ans.** Amount received on allotment ₹2,57,400; Balance of Share of Forfeiture A/c transferred to Capital Reserve ₹560 + ₹6,000 – ₹1,200 = ₹5,360.]

Hint : Entry for the forfeiture of shares :

Share Capital A/c	Dr.	15,000	
Securities Premium A/c	Dr.	1,000	
To Calls in Arrear A/c			8,600
To Share Forfeiture A/c			7,400

Q. 59. Modern Ltd. issued a prospectus inviting applications for 2,00,000 shares of ₹10 each at a premium of ₹6 per share, payable as follows:

On Application	₹5 (including premium ₹2)
On Allotment	₹5 (including premium ₹2)
On Ist Call	₹3 (including premium ₹1)
On IInd & Final Call	₹3 (including premium ₹1)

Applications were received for 2,60,000 shares and pro-rata allotment was made to the applicants for 2,50,000 shares. Excess money paid on applications for these shares was utilised towards allotment.

A, who *applied* for 1,000 shares, failed to pay the allotment money and his shares were forfeited after allotment.

B, who *applied* for 1,500 shares, failed to pay the two calls and his shares were also forfeited.

Of the shares forfeited, 1,800 shares were re-issued as fully paid up for ₹15 per share, the whole of *B*'s share being included.

Prepare Cash Book and Journal.

[**Ans.** Cash at Bank ₹32,12,000; Cash received on allotment ₹7,47,000; Capital Reserve ₹9,750.]

Hint : Securities Premium A/c will be debited with ₹1,600 at the time of forfeiture of *A*'s shares and with ₹2,400 at the time of forfeiture of *B*'s shares]

Q. 60. *X* Ltd. invited applications for issuing 75,000 equity shares of ₹10 each at a premium of ₹5 per share. The amount was payable as follows:

On application and allotment — ₹9 per share (including premium)

On First and Final Call — the balance amount.

Applications for 3,00,000 shares were received and pro-rata allotment was made in the ratio of 4 : 3. Remaining applications were rejected. The first and final call was made. The amount was duly received except on 1,500 shares *applied* by Ravi. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹4 per share.

Excess application and allotment money can be utilised for calls.

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

[**Ans.** Amount received on First and Final Call ₹2,21,625; Capital Reserve ₹3,375.]

Hint : (*i*) Pro-rata allotment was made in the ratio of 4 : 3. It means 75,000 shares were allotted to the applicants of $75,000 \times \frac{4}{3} = 1,00,000$ shares. The remaining applications, *i.e.*, 3,00,000 – 1,00,000 = 2,00,000 shares were rejected.

(*ii*) Securities Premium A/c will not be debited at the time of forfeiture of shares.

Q. 61. Ritu Fabrics Ltd. invited applications for issuing 5,00,000 shares of ₹10 each at a premium of ₹4 per share. The amounts were payable as follows:

On Application and Allotment — ₹8 per share.

On First & Final Call — Balance (including premium of ₹4)

Applications were received for 6,50,000 shares and allotment was made as follows:

(*i*) To applicants for 1,40,000 shares — 100% shares.

(*ii*) To applicants for 60,000 shares — Nil

(*iii*) Balance of the applicants were allotted shares on *pro-rata* basis.

Excess money received with applications was adjusted towards sums due on first and final call.

Arushi, who belonged to category (*i*) and was allotted 6,000 shares and Gunjan, who belonged to category (*iii*) and who has applied for 5,000 shares failed to pay the first and final call money. Their shares were forfeited. 60% of forfeited shares of Arushi and Gunjan were re-issued at a discount of ₹1 per share fully paid-up.

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

[**Ans.** Amount received on First and Final Call ₹22,28,000; Capital Reserve ₹46,800.]

Q. 62. A limited company forfeited 400 shares of Mr. *X*, who has applied for 600 shares on account of non-payment of allotment money ₹3 + ₹2.50 (premium) and first call ₹2. Only ₹4 per share was received with application. Out of these, 200 shares were re-issued to Mr. *Y* at ₹8 per share, ₹9 paid-up.

Give journal entries relating to forfeiture and re-issue.

[**Ans.** Capital Reserve ₹1,000.]

Q. 63. *X* Ltd. forfeited 1,500 shares of ₹10 each (originally issued at a premium of ₹3 per share which was payable along with application money) on which allotment money of ₹3 and first call money of ₹2 were not received; the final call money of ₹3 is not yet called. These shares were originally allotted on *pro-rata* basis in the ratio of 3 : 2.

These shares were subsequently reissued at a discount of ₹1 per share, credited as ₹7 paid up.

Pass necessary Journal entries for forfeiture and reissue of shares.

[**Ans.** Amount transferred to Capital Reserve ₹5,250.]

Q. 64. *X* Ltd. invited applications for 4,00,000 shares of ₹10 each. The shares were issued at a premium of ₹7 per share. The amount was payable as follows :

On Application & Allotment : ₹9 per share (including premium ₹4)

On First & Final Call : The balance amount (including premium)

Applications were received for 5,70,000 shares and the allotment was made as under:

(*i*) To applicants for 3,50,000 shares : 2,50,000 shares on pro-rata basis

(*ii*) To applicants for 2,00,000 shares : 1,50,000 shares on pro-rata basis

(*iii*) To applicants for 20,000 shares : NIL

Excess application and allotment money could be utilized for calls.

A, who belonged to the *first* category and was allotted 500 shares, failed to pay the first call money. *B*, who belonged to the second category and was allotted 300 shares also failed to pay the first call money. Their shares were forfeited and were re-issued @ ₹15 per share fully paid-up.

Pass necessary Cash-Book and Journal entries.

[**Ans.** Cash received on first call ₹18,46,300; Capital Reserve ₹6,700; Cash at Bank ₹68,08,300.]

Note: It has been assumed that the entire excess application and allotment money is exclusively for share capital and hence 'Securities Premium Account' has been debited in the entry for forfeiture.

Q. 65. Meena Ltd. issued 30,000 shares of ₹10 each at a premium of ₹2 per share payable as ₹3 on application, ₹5 (including premium) on allotment and the balance on first and final call. Applications were received for 52,000 shares. The directors resolved to allot as follows:

(A) Applicants of 20,000 shares	10,000 shares
(B) Applicants of 30,000 shares	20,000 shares
(C) Applicants of 2,000 shares	Nil

Balu who had *applied* for 4,000 shares in category A and Ganesh who was *allotted* 2,000 shares in category B failed to pay the allotment money. Calculate the amount received on Allotment.

[**Ans.** Amount received on Allotment ₹79,000.]

Q. 66. *X* Ltd. invited applications for 40,000 shares of ₹10 each at 5% premium, payable as ₹3 on application, ₹3.50 on allotment (including premium) and balance on first and final call. Applications were received for 90,000 shares and allotment was made on pro-rata basis. The excess money received on application was to be adjusted against allotment only.

A shareholder who applied for 4,500 shares, could not pay the call money and his shares were accordingly forfeited.

Pass necessary journal entries and show the items in company's Balance Sheet.

[**Ans.** Amount credited to share Forfeiture Account on forfeiture of shares ₹12,000.]

Utilisation of excess application money for Securities Premium

Q. 67. Khusboo Ltd. issued for Public subscription 50,000 equity shares of ₹10 each at a premium of 30% payable as under :

₹4 on application

₹5 on allotment (including premium)

₹4 on first & final call

Applications were received for 1,00,000 shares. Allotment was made *pro-rata* to the applicants for 80,000 shares, the remaining applications