

# Accounting for share Capital Class 12 Accountancy

## Important Questions **Answers at the Bottom**

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### Ch-7 Accounting for share Capital

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- Which of the following is not true about a private company?
  - Restriction on the right to transfer its shares
  - Private company ends with the words 'Private Limited'.
  - Minimum paid up share capital Rs.1,00,000
  - Minimum paid up capital is 5,00,000
- \_\_\_\_\_ Shares are not convertible.
  - Equity Shares
  - Convertible Preference Shares
  - Both Preference Shares and Convertible Preference Shares
  - Preference Shares
- In the situation of \_\_\_\_\_, a company do not reject any application
  - Oversubscription
  - Uncalled share capital
  - Under subscription
  - Both Oversubscription and Uncalled share capital
- What type of shares can be issued at discount?
  - Both Preference Shares and Equity Shares
  - Sweat Equity Shares
  - Equity Shares
  - Preference Shares
- What amount of profit on reissue will be transferred to Capital Reserve under the following situations?
  - Z Ltd. forfeited 800 equity shares of Rs. 10 each issued at a discount of 10% for the non-payment of first and final call of Rs. 3 per share. The forfeited shares were reissued at Rs. 12 per share as fully paid-up.
  - 3,000 shares of Rs. 10 each of Rakesh was forfeited by crediting Rs 5,000 to Forfeited Shares Account. Out of these, 1,800 shares were reissued to Mohan for Rs. 9 per share fully paid-up.
  - Z Ltd. forfeited 20 shares of Rs 100 each 60 called-up issued at par to Shiv on which he paid Rs. 20 per share. Out of these, 15 shares were reissued to Rajesh as Rs. 60 paid-up for Rs. 45 per share.
- What do you mean by Forfeiture of shares?
- What is Preferential Allotment?
- Give the definition of a company as contained in the companies act,1956.

9. Can a company issue share of discount? What conditions must a company comply with before the issue of such shares.
10. DN Ltd issued 50,000 shares of Rs. 10 each payable as Rs. 2 per share on application, Rs. 3 per share on allotment and Rs. 5 on first and final call. Applications were received for 70,000 shares. It was decided that

1. Refuse allotment to the applicants of 10,000 shares.
2. Allot 20,000 shares to Mohan who had applied for similar number.
3. Allot the remaining shares on pro-rata basis.

Mohan failed to pay the allotment money and Sohan who belonged to the category (iii) and was allotted 3,000 shares paid both the calls with allotment. Calculate the amount received on allotment.

11. The authorised capital of Suhani Ltd is Rs. 45,00,000 divided into 30,000 shares of Rs. 150 each. Out of these, company issued 15,000 shares of Rs. 150 each at a premium of Rs. 10 per share. The amount was payable as follows: Rs. 50 per share on application, Rs. 40 per share on allotment (including premium), Rs. 30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.

Prepare an extract of balance sheet of Suhani Ltd as per Revised Schedule III, Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'notes to accounts' for the same.

12. Y Ltd. forfeited 1,500 shares of Rs. 10 each (Rs. 7 called-up) for non-payment of the allot money of Rs. 4 per share including Rs. 1 as premium. Of these 1,000 shares were reissue M at per share as Rs. 7 called-up. Journalise the above transactions in the books of Y.
13. Kayafab Ltd. issued 1,00,000 equity shares of Rs. 10 each payable as Rs. 2 on application; Rs. 4 on allotment and Rs. 2 each on first and final call. Applications were received for 1,50,000 shares. Applicants of 50,000 shares were sent letters of regret and application money was refunded Madhur, a holder of 3,000 shares failed to pay allotment money which he paid along with the first call. Rohan, a shareholder holding 700 shares paid both the calls along with allotment. Sohan, a holder of 1,000 shares did not pay the first call and the final call. His shares were forfeited. The forfeited shares were reissued at Rs. 11 per share as fully paid-up.
- Pass necessary journal entries for the above transactions in the books of the company.

14. AB Ltd. invited applications for issuing 75,000 equity shares of Rs. 100 each at a premium of ₹ 30 per share. The amount was payable as follows

On application and allotment — Rs. 85 per share

On first and final call — The balance amount.

Applications for 1,27,500 shares were received. Applications for 27,500 shares were rejected and shares were allotted on pro-rata basis to the remaining applicants. Excess money received on application and allotment was adjusted towards sums due on first and final call. The calls were made. A shareholder, who applied for 1,000 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at Rs. 150 per share fully paid up.

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

## Ch-7 Accounting for share Capital

### Answer

1.

a. Bank A/c Dr.

Share Forfeiture A/c Dr.

To Share Capital A/c

**Explanation:** Bank account is debited with the amount received on reissue. Share capital is credited with face value of shares reissued and share forfeiture account is debited with the amount of loss on reissue.

d. Minimum paid up capital is 5,00,000

**Explanation:** Minimum paid up capital of a private company is 1,00,000. A private company cannot transfer its shares and all private companies' ends with the words 'Private Limited'.

a. Equity Shares, **Explanation:** Equity Shares are not convertible. Preference shares can be converted into equity shares depend upon the terms and conditions.

c. Under subscription, **Explanation:** Under subscription is a situation where number of shares applied are less than the shares offered for the subscription. In this case normally companies do not reject any application.

b. Sweat Equity Shares, **Explanation:** As per the Companies Act, 2013, A company cannot issue its shares at discount except sweat equity shares.

1. Amount to be transferred to share forfeiture A/c =  $7,200(800 \times 9) - 2,400(800 \times 3) = \text{Rs. } 4,800$

Amount to be transferred to Capital Reserve A/c =  $9,600(12 \times 800) - 4,800(\text{Amount of share forfeiture}) = \text{Rs. } 4,800$

2. Amount to be transferred to share forfeiture A/c =  $\text{Rs. } 3,000(5,000 \div 3,000 \times 1,800)$

Amount to be transferred to Capital Reserve A/c =  $16,200(1,800 \times 9) - 3,000(\text{Amount of share forfeiture}) = \text{Rs. } 13,200.$

3. Amount to be transferred to Capital Reserve A/c = 75

2. A forfeited share in a company that the owner loses (forfeits) by failing to meet the purchase requirements. Requirements may include paying an allotment or call money owed, or avoid selling or transferring shares during a restricted period.
3. Preferential allotment is a process in which shares are allotted to specific group of people or companies which are interested in it on preferential basis.
4. A company is a body corporate or an incorporated business organization registered under the company's act 1956. It can be limited or unlimited company, private or public company, company limited by guarantee or company having share capital, or a community interest company.
5. Section 79 of the Companies Act, 1956 permits a company to issue shares at a discount only if the following conditions are fulfilled :
  1. The shares are of a class already issued.
  2. Discount rate should not be more than 10%.
  3. At least one year must have been passed since the company become entitled to commence business.
  4. The issue of such shares must take place within two months after the date of court's sanction or within such extended time as the court may allow.
  5. The issue of shares at discount is authorised by a resolution passed by the company in its general meeting and sanctioned by the central Government. The resolution specifies the maximum rate of discount at which the shares are to be issued. The rate must not exceed 10% unless sanctioned by the Central Government.

## 6. Table Showing Allotment of Shares :

Shares Applied	Shares Allotted
(i) 10,000	Nil
(ii) 20,000	20,000
(iii) 40,000	30,000 (Pro-rata Allotment)
70,000	50,000

## Table Showing Amount Received on Allotment :

Calculation of Amount Received on Allotment	Amt (₹)
Total Allotment money due on 50,000 shares (50,000 × 3)	1,50,000
Less : Excess money received with application (40,000-30,000) × 2	( 20,000)
	<b>1,30,000</b>
Less : Money not paid by Mohan (20,000 × 3)	(60,000)
	<b>70,000</b>
(+) Calls-in-advance (Sohan) (3,000 × 5)	15,000
<b>Amount received on allotment</b>	<b>₹85,000</b>

## 7. In the books of Suhani Ltd. Balance Sheet

Particulars	Note No.	Rs.
<b>I. Equities &amp; Liabilities</b>		
1. Shareholder's Fund		
(a) Share Capital	1	21,00,000
(b) Reserve & Surplus	2	1,40,000

## Note to Account

8. In this question first shares are forfeited than reissued where Forfeiture of shares means the process where the company forfeits the shares of a member or shareholder who fails to pay the call on shares or installments of the issue price of his shares within a certain period of time after they fall due. **In the Books of Y Ltd.**

**Journal**

Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
	Share Capital A/c (1,500××7)	Dr.		10,500	
	Securities Premium Reserve A/c (1,500××1)	Dr.		1,500	
	To Forfeited Shares A/c (1,500××4)				6,000
	Bank A/c (1,000××6)	Dr.		6,000	
	Forfeited Shares A/c (1,000××1)	Dr.		1,000	
	Forfeited Shares A/c	Dr.		3,000	
	To Capital Reserve A/c (Note) (Being the transfer of gain (profit) on reissue)				3,000

## 9. JOURNAL

Date	Particulars	L.F	Amt (Dr)	Amt (Cr)
	Bank A/c (1,50,000 ×× 2) Dr.		3,00,000	...
	To Equity Share Application A/c		...	3,00,000
	(Being application money received)		...	...
	Equity Share Application A/c Dr.		3,00,000	...
	To Share Capital A/c (1,00,000 ×× 2)		...	2,00,000
	To Bank A/c (50,000 ×× 2)		...	1,00,000
	(Being application money transferred to share capital account)		...	...
	Equity Share Allotment A/c (1,00,000 ×× 4) Dr.		4,00,000	...
	To Share Capital A/c		...	4,00,000
	(Being allotment money due)		.....	...
	Bank A/c Dr.		3,90,800	...
	To Equity Share Allotment A/c (97,000 ×× 4)		...	3,88,000
	To Calls-in-advance A/c (700 ×× 2) + (700 ××2)		...	2,800
	(Being allotment money received)		...	...
	Equity Share First Call A/c (1,00,000 ×× 2) Dr.		2,00,000	...
	To Share Capital A/c		...	2,00,000
	(Being first call money due)		...	...
	Bank A/c Dr.		2,08,600	...
	Calls-in-advance A/c (700 ×× 2) Dr.		1,400	...
	To Equity Share First Call A/c (99,000 ×× 2)		...	1,98,000
	To Equity Share Allotment A/c (3,000 ×× 4)		...	12,000
	(Being first call money received)		...	...
	Equity Share Second and Final Call A/c (1,00,000 ×× 2) Dr.		2,00,000	...
	To Share Capital A/c		...	2,00,000
	(Being final call money due)		...	...
	Bank A/c (98,300 ×× 2) Dr.		1,96,600	...

Date	Particulars	L.F	Amt (Dr)	Amt (Cr)
	Call-in-advance (700 × 2) Dr.		1,400	...
	To Share Second and Final Call A/c		...	1,98,000
	(Being amount received on second and final call)		...	...
	Equity Share Capital A/c (1,000 × 10) Dr.		10,000	...
	To Share Forfeiture A/c (1,000 × 6)		...	6,000
	To Equity Share First Call A/c (1,000 × 2)		...	2,000
	To Equity Share Second Call A/c(1,000 × 2)		...	2,000
	(Being shares forfeited)		...	...
	Bank A/c (1,000 × 11) Dr.		11,000	...
	To Share Capital A/c (1,000 × 10)		...	10,000
	To Securities Premium Reserve (1,000 × 1)		...	1,000
	Share Forfeiture A/c Dr.		6,000	...
	To Capital Reserve A/c		...	6,000
	(Being gain on reissue transferred to capital reserve)		...	...

category	applied	allotted	share application	share capital	share allotment	bank
A	1,00,000	1,00,000	3,00,000	3,00,000	—————	
B	50,000	—————	1,00,000	—————		1,00,000
Total	1,50,000	1,00,000	4,00,000	3,00,000	—————	1,00,000

share/call	application	allotment	1st call	2nd call
Due	1,00,000 x 2=2,00,000	1,00,000 x 4=4,00,000	1,00,000 x 2=2,00,000	1,00,000 x 2=2,00,000
Received	1,50,000 x 2=3,00,000 -1,00,000(Rejected)	4,00,000- (3000 x 4)calls in arrears + (700 x 4) calls in advances =3,90,800	2,00,000-(1,000 x 2)calls in arrears +12000(3000 x 4)allotment arrear received with first call	2,00,000- (1,000 x 2)calls in arrears =1,98,000



### 10. Working Note 1.

Category	No of Shares Applied	No of shares Allotted	Excess amount received on Application	Amount to be received On First & Final Call	Amount to be adjusted on First & Final Call	Amount Refunded
I	1,00,000	75,000	25,000 Shares × ×85 =21,25,000	75,000 shares × ×45 =33,75,,000	21,25,000	–
II	27,500	Nil	–	–	–	27500 Share × ×Rs. 85 = 23,3,7500
Total	1,27,500	75,000			21,25,000	23,37,500

### Journal

Date	Particulars	L.F.	Debit ( Rs. )	Credit ( Rs. )
1.	Bank A/c	Dr.	1,08,37,500	
	To Equity Share Application A/c			1,08,37,500
2.	Equity Share Application A/c	Dr.	1,08,37,500	
	To Equity Share Capital A/c			41,25,000
	To Security Premium Reserve A/c			22,50,000
	To Equity shares First & Final A/c			21,25,000
	To Bank A/c			23,37,500
	<b>( Being amount transfer to capital a/c and adjustment of pro-rata made.)</b>			
3.	Equity Share First & Final call A/c	Dr.	33,75,000	
	To Equity share Capital A/c			33,75,000
	<b>( Being amount Due on 1st &amp; Final Call Recorded )</b>			
4.	Bank A/c	Dr.	12,50,000	
	To Equity Share First & Final call A/c ( <b>33,75,000 – 21,25,000</b> )			12,50,000

	<b>( Being Amount received on First and Final calls )</b>				
7.	Equity Share Capital A/c	Dr.	75,000		
	To Equity Share Forfeited A/c				62,500
	To Equity Share First & Final Call A/c				12,500
	<b>( Being shares forfeited on which amount of call not received )</b>				
8.	Bank A/c	Dr.	1,12,500		
	To Equity Share Capital A/c				75,000
	To Security Premium Reserve A/c				37500
	<b>( Being shares Forfeited on which amount of call not received )</b>				
10.	Equity Share Forfeited A/c	Dr.	62500		
	To Capital Reserve A/c				62500
	<b>( Being amount of share forfeited transfer to Capital Reserve transfer A/c )</b>				