



# INDIAN SCHOOL AL WADI AL KABIR

|                   |                             |
|-------------------|-----------------------------|
| <b>Class: XII</b> | <b>Department: Commerce</b> |
|                   | <b>Topic: SHARE CAPITAL</b> |

## **I State which of the following statements are true:**

- (a) A company is an artificial person.
  - (b) Shareholders of a company are liable for the acts of the company.
  - (c) Every member of a company is entitled to take part in its management. (d) Company's shares are generally transferable
  - (e) Share application account is a personal account.
  - (f) The director of a company must be a shareholder.
  - (g) Paid up capital can exceed called up capital. (h) Capital reserves are created from capital profits.
  - (i) At the time of issue of shares, the maximum rate of securities premium is 10%.
  - (j) The part of capital which is called up only on winding up is called reserve capital.
- (a) True, (b) False, (c) False, (d) True, (e) True, (f) True, (g) False, (h) True, (i) False, (j) True

## **II Choose the correct answer.**

- (a) Equity shareholders are:
- (i) Creditors
  - (ii) Owners
  - (iii) Customers of the company
  - (iv) None of the above

(b) Nominal share capital is:

(i) That part of the authorised capital which is issued by the company.

(ii) The amount of capital which is actually applied for by the prospective shareholders.

(iii) The maximum amount of share capital which a company is authorised to issue.

(iv) The amount actually paid by the shareholders.

(c) Interest on calls in arrears is charged according to “Table F” at :

(i) 10%

(ii) 6%

(iii) 8%

(iv) 11%

(d) Money received in advance from shareholders before it is actually called-up by the directors is:

(i) debited to calls in advance account

(ii) credited to calls in advance account

(iii) Debited to calls account

(iv) None of the above

(e) Shares can be forfeited:

(i) for non-payment of call money

(ii) For failure to attend meetings

(iii) For failure to repay the loan to the bank

(iv) For which shares are pledged as a security

(f) The Profit on reissue of forfeited shares is transferred to :

(i) General reserve

(ii) Capital redemption reserve

(iii) Capital reserve

(iv) Revenue reserve

(g) Balance of share forfeiture account is shown in the balance sheet under the item:

(i) Current liabilities and provisions

(ii) Reserves and surpluses

(iii) Share capital

(iv) Unsecured loans

Ans. (a) (ii), (b) (iii), (c) (i), (d) (ii), (e) (i), (f) (iii), (g) (iii)

Qs. Bliss Products Ltd. registered with capital of ₹ 90,00,000 divided into 90,000 equity shares of ₹ 100 each. The company issued prospectus inviting applications for 50,000 equity shares of ₹ 100 each payable as ₹ 20 on application, ₹ 30 on allotment, ₹ 20 on first call and balance on second call. Applications were received for ₹40,000 shares. Raman to whom 1600 shares were allotted failed to pay final call money and these shares were forfeited. Of the forfeited shares, 600 shares were reissued to Sukhman, credited as fully paid for ₹ 90 per share. Present the Share Capital as per Schedule III of Companies Act, 2013

**Extract of Balance Sheet of Bliss Products Ltd.**  
**As at**

| Particulars                      | No<br>te<br>No | Amount<br>Current<br>Year | Amount<br>Previous<br>Year |
|----------------------------------|----------------|---------------------------|----------------------------|
| <b>I. EQUITY AND LIABILITIES</b> |                |                           |                            |
| <b>1. Shareholder's Fund</b>     |                |                           |                            |
| a. Share Capital                 | 1              | 39,70,000                 |                            |

Notes to Accounts:

| Note<br>No. | Particulars                                       | Amount (₹) |
|-------------|---------------------------------------------------|------------|
| 1           | <b>Share Capital</b>                              |            |
|             | <b>Authorized Capital</b>                         |            |
|             | 90,000 Equity shares of ₹ 100 each                | 90,00,000  |
|             | <b>Issued Capital</b>                             |            |
|             | 50,000 Equity shares of ₹ 100 each                | 50,00,000  |
|             | <b>Subscribed Capital</b>                         |            |
|             | <b>Subscribed and Fully Paid Capital</b>          |            |
|             | 39,000 Equity shares of ₹ 100 each                | 39,00,000  |
|             | <b>Add: Forfeited Shares (1,000 of ₹ 70 each)</b> | 70,000     |
|             |                                                   | 39,70,000  |

QS. Saregama Ltd invited applications for issuing 80,000 equity shares of ₹ 100 each at a premium of ₹ 10. The amount was payable as follows

On Application – ₹ 30

On allotment – ₹ 30 (including a premium of ₹ 10)

On 1st call – ₹ 30

On Final Call Balance

Applications of 1,20,000 shares were received. Allotment was made on pro rata basis to all applicants. Excess money received on application was adjusted on sums due on allotment. Dhvani, who was allotted 1,600 shares, failed to pay allotment money and Sargam who applied of 6,000 shares did not pay 1st call money. These shares were forfeited immediately after 1st call. 2,000 of these shares (including all shares of Dhvani) were issued to Tarang for ₹ 95 per share as 80 paid up. Pass necessary journal entries in books of Saregama Ltd. by opening call in arrear, call in advance account, if final call has not been made

| Date | Particulars                                                                                                                                                                   | L.F | Amount<br>(₹)                    | Amount<br>(₹)          |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------------------------------|------------------------|
|      | Bank A/c Dr<br>To Share Application A/c<br>(Being application money received)                                                                                                 |     | 36,00,000                        | 36,00,000              |
|      | Share Application A/c Dr<br>To Share Capital A/c<br>To Call in Advance A/c<br>(being application money transferred to<br>share capital, securities premium reserve,<br>calls) |     | 36,00,000                        | 24,00,000<br>12,00,000 |
|      | Share Allotment A/c Dr<br>To Share Capital A/c<br>To Security Premium Reserve A/c<br>(Being allotment money due)                                                              |     | 24,00,000                        | 16,00,000<br>8,00,000  |
|      | Bank A/c Dr<br>Call in Advance A/c Dr<br>Call in arrear A/c Dr<br>To Share Allotment A/c<br>(Being first call money received)                                                 |     | 11,76,000<br>12,00,000<br>24,000 | 24,00,000              |

|  |                                                                                                                                                                                                                      |  |                       |                      |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------|----------------------|
|  | Share First Call A/c DR<br>To Share Capital A/c<br>(Being first call money due)                                                                                                                                      |  | 24,00,000             | 24,00,000            |
|  | Bank A/c Dr<br>Call in Arrears A/c Dr<br>To Share First Call<br>(Being first call money received)                                                                                                                    |  | 22,32,000<br>1,68,000 | 24,00,000            |
|  | Share Capital A/c Dr<br>Security Premium Reserve A/c Dr<br>To Call in Arrear A/c DR<br>To Share Forfeited A/c<br>(Being Dhvani and Sargam's share's<br>forfeited for non- payment of allotment<br>and/or call money) |  | 4,48,000<br>16,000    | 2,72,000<br>1,92,000 |
|  | Bank A/c Dr<br>To Share Capital A/c                                                                                                                                                                                  |  | 19,00,000             | 1,60,000             |

|  |                                                                                                                                   |  |        |        |
|--|-----------------------------------------------------------------------------------------------------------------------------------|--|--------|--------|
|  | To Security Premium Reserve A/c<br>(Being forfeited share's reissued for 95<br>per share ₹ 80 paid up)                            |  |        | 30,000 |
|  | Share Forfeited A/c Dr<br>To Capital Reserve A/c<br>(Being balance in share forfeiture account<br>transferred to capital reserve) |  | 92,000 | 92,000 |

QS. a. X Ltd. forfeited 10 shares of ₹ 10 each, ₹ 7 called up on which the shareholder had paid application and allotment money of ₹ 5 per share. Out of these, 8 shares were re-issued to Y for ₹8 per share at ₹ 8 per paid up per share. Record the journal entries for forfeiture and reissue of shares by opening call in arrear, call in advance account.

b. L ltd forfeited Mr M's shares who has applied for 600 shares and was allotted 400 shares failed to pay allotment money of ₹ 4 per share including premium of ₹ 2 on which he had paid application money of ₹ 2 only. Pass necessary journal entries for forfeiture of shares by opening call in arrear, call in advance account.

c. Crown Ltd forfeited 50 shares of ₹ 10 each, for non- payment of final call money of ₹ 3 per share. Out of these 20 shares were reissued to Taj at ₹ 8 per share. Record the journal entries for forfeiture and reissue of shares assuming that the company maintains call in arrear, call in advance account.

a)

| Date | Particulars                                                                                                                            | L.F | Amount<br>(₹) | Amount<br>(₹) |
|------|----------------------------------------------------------------------------------------------------------------------------------------|-----|---------------|---------------|
|      | Equity Share Capital A/c Dr<br>To Equity Share Forfeited A/c<br>To Calls in Arrears A/c<br>( Being forfeiture of 10 shares executed)   |     | 70            | 50<br>20      |
|      | Bank A/c Dr<br>To Share Capital A/c<br>(Being eight shares reissued to Y as ₹ 8 per share paid up for ₹ 8 per share)                   |     | 64            | 64            |
|      | Equity Share Forfeited A/c Dr.<br>To Capital Reserve A/c<br>(Being gain on reissue of forfeited shares transferred to Capital Reserve) |     | 40            | 40            |

b)

| Date | Particulars                                                                                                                                             | L.F | Amount<br>(₹) | Amount<br>(₹)  |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------------|----------------|
|      | Equity Share Capital A/c Dr<br>Security Premium A/c Dr<br>To Equity Share Forfeited A/c<br>To Calls in Arrears A/c<br>( Being Mr. M's shares forfeited) |     | 1,600<br>800  | 1,200<br>1,200 |

c)

| Date | Particulars                                                                                                                               | L.F | Amount<br>(₹) | Amount<br>(₹) |
|------|-------------------------------------------------------------------------------------------------------------------------------------------|-----|---------------|---------------|
|      | Equity Share Capital A/c Dr<br>To Share Forfeited A/c<br>To Calls in Arrears A/c<br>( Being 50 shares forfeited for non-payment of calls) |     | 500           | 350<br>150    |
|      | Bank A/c Dr<br>Share Forfeited A/c Dr<br>To Share Capital A/c<br>(Being 20 shares reissued for ₹ 8 per share)                             |     | 160<br>40     | 200           |
|      | Share Forfeited A/c Dr.<br>To Capital Reserve A/c<br>(Being gain on reissue of forfeited shares transferred to Capital Reserve)           |     | 100           | 100           |

QS. Anshika Ltd. issued applications for 2,00,000 equity shares of ₹10 each, at a premium of ₹4 per share. The amount was payable as follows:

On application ₹ 6 (including ₹2 premium)

On allotment ₹ 7 (including ₹2 premium)

Balance on first and final call

Applications for 3,00,000 shares were received. Allotment was made to all the applicants

on pro-rata basis. Mehak to whom 400 shares were allotted, failed to pay allotment and

call money. Khushboo who had applied for 300 shares failed to pay call money. These shares were forfeited after Final call. 400 of the forfeited shares (including all shares of Khushboo) were reissued @ ₹8 per share as fully paid up. Pass necessary journal entries in the books of Anshika Ltd. for the above transactions by opening calls in arrears and calls in advance account wherever necessary.

| Date | Particulars                                                                                                                                                                                                      | L.F. | Amount<br>(₹)     | Amount<br>(₹)                    |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|----------------------------------|
|      | Bank A/c Dr<br>To Equity Share Application A/c<br>(Being application money received on 3,00,000 shares)                                                                                                          |      | 18,00,000         | 18,00,000                        |
|      | Equity Share Application A/c Dr<br>To Equity Share Capital A/c<br>To Securities Premium Reserve A/c<br>To Equity Share Allotment A/c<br>(Being 2,00,000 shares allotted, excess amount transferred to allotment) |      | 18,00,000         | 8,00,000<br>4,00,000<br>6,00,000 |
|      | Equity Share Allotment A/c Dr<br>To Equity Share Capital A/c<br>To Securities Premium Reserve A/c<br>(Being allotment due on 2,00,000 shares)                                                                    |      | 14,00,000         | 10,00,000<br>4,00,000            |
|      | Bank A/c Dr<br>Calls in Arrears A/c Dr<br>To Equity Share Allotment A/c<br>(Being allotment money received on 199,600 shares)                                                                                    |      | 7,98,400<br>1,600 | 8,00,000                         |
|      | Equity Share First and Final Call A/c Dr.<br>To Equity Share Capital A/c<br>(Being share 1 <sup>st</sup> call due on 2,00,000 shares)                                                                            |      | 2,00,000          | 2,00,000                         |
|      | Bank A/c Dr<br>Calls in Arrears A/c Dr<br>To Equity Share First and Final Call A/c<br>(Being first call received on 199,400 shares)                                                                              |      | 1,99,400<br>600   | 2,00,000                         |



|                                                                            |    |       |       |
|----------------------------------------------------------------------------|----|-------|-------|
| Equity Share Capital A/c                                                   | Dr | 6,000 |       |
| Securities Premium Reserve A/c                                             | Dr | 800   |       |
| To Calls in Arrears A/c                                                    |    |       | 2,200 |
| To Share Forfeited A/c                                                     |    |       | 4,600 |
| ( Being forfeiture of 600 shares executed)                                 |    |       |       |
| Bank A/c                                                                   | Dr | 3,200 |       |
| Equity Share Forfeited A/c                                                 | Dr | 800   |       |
| To Equity Share Capital A/c                                                |    |       | 4,000 |
| ( Being 400 shares reissued @ Rs 8, as fully called up)                    |    |       |       |
| Equity Share Forfeited A/c                                                 | Dr | 2,400 |       |
| To Capital Reserve A/c                                                     |    |       | 2,400 |
| (Being gain on reissue of forfeited shares transferred to Capital Reserve) |    |       |       |

Khyati Ltd. issued a prospectus inviting applications for 80,000 equity shares of ₹10

each payable as follows:

₹2 on application

₹3 on allotment

₹2 on first call

₹3 on final call

Applications were received for 1,20,000 equity shares. It was decided to adjust the excess amount received on account of over subscription till allotment only.

Hence allotment was made as under:

(i) To applicants for 20,000 shares – in full

(ii) To applicants for 40,000 shares – 10,000 shares

(iii) To applicants for 60,000 shares – 50,000 shares

Allotment was made and all shareholders except Tammana, who had applied for 2,400

shares out of the group (iii), could not pay allotment money. Her shares were forfeited

immediately, after allotment. Another shareholder Chaya ,who was allotted 500 shares

out of group (ii), failed to pay first call. 50% of Tamanna's shares were reissued to Satnaam as ₹ 7 paid up for payment of ₹ 9 per share.

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

opening calls in arrears and calls in advance account wherever necessary

| Date | Particulars                                                                                                                                                                                                    | L.F. | Amount<br>(₹)     | Amount<br>(₹)                |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|------------------------------|
|      | Bank A/c Dr<br>To Equity Share Application A/c<br>(Being application money received on 1,20,000 shares)                                                                                                        |      | 2,40,000          | 2,40,000                     |
|      | Equity Share Application A/c Dr<br>To Equity Share Capital A/c<br>To Equity Share Allotment A/c<br>To Bank A/c<br>(being 80,000 shares allotted and excess amount transferred to allotment and then refunded ) |      | 2,40,000          | 1,60,000<br>50,000<br>30,000 |
|      | Equity Share Allotment A/c Dr<br>To Equity Share Capital A/c<br>(Being share allotment due on 80,000 shares)                                                                                                   |      | 2,40,000          | 2,40,000                     |
|      | Bank A/c Dr<br>Calls in Arrears A/c Dr<br>To Share Allotment A/c<br>(Being allotment money received)                                                                                                           |      | 1,84,800<br>5,200 | 1,90,000                     |
|      | Equity Share Capital A/c Dr<br>To Equity Share Forfeited A/c<br>To Calls in Arrears A/c<br>( Being forfeiture of 2000 shares executed)                                                                         |      | 10,000            | 4,800<br>5,200               |
|      | Equity Share First Call A/c Dr<br>To Equity Share Capital A/c<br>(Being share first call due on 78,000 shares)                                                                                                 |      | 1,56,000          | 1,56,000                     |
|      | Bank A/c Dr<br>Call in arrear A/c Dr<br>To Equity Share First Call A/c<br>(Being first call received on 77,500 shares)                                                                                         |      | 1,55,000<br>1,000 | 1,56,000                     |
|      | Bank A/c Dr<br>To Equity Share Capital A/c<br>To Security Premium Reserve A/c<br>( Being 200 shares reissued @ Rs 7 paid up, for Rs 9 )                                                                        |      | 9,000             | 7,000<br>2,000               |
|      | Equity Share Forfeited A/c Dr.                                                                                                                                                                                 |      | 2,400             |                              |

|  |                                                                                                      |  |  |       |
|--|------------------------------------------------------------------------------------------------------|--|--|-------|
|  | To Capital Reserve A/c<br>(Being gain on reissue of forfeited shares transferred to Capital Reserve) |  |  | 2,400 |
|--|------------------------------------------------------------------------------------------------------|--|--|-------|

QS. (a) AX Limited forfeited 6,000 shares of Rs. 10 each for non-payment of First call of Rs. 2 per share. The Final call of Rs. 3 per share was yet to be made. The Final call was made after Forfeited of these shares. Of the forfeited shares, 4,000 shares were reissued at Rs. 9 per share as fully paid up. Assuming that the company maintains 'Calls in Advance Account' and 'Calls in Arrears Account', prepare "Share Forfeited Account" in the books of AX Limited.

(b) BG Limited issued 2,00,000 equity shares of Rs. 20 each at a premium of Rs. 5 per share. The shares were allotted in the proportion of 5 : 4 of shares applied and allotted to all the applicants. Deepak, who had applied for 900 shares, failed to pay Allotment money of Rs. 7 per share (including premium) and on his failure to pay 'First & Final Call' of Rs. 2 per share, his shares were forfeited. 400 of the forfeited shares were reissued at Rs. 15 per share as fully paid up. Showing your working clearly, pass necessary Journal entries for the Forfeited and reissue of Deepak's shares in the books of BG Limited. The company maintains 'Calls in Arrears' Account'.

(c) ML Limited forfeited 1,200 shares of Rs. 10 each allotted to Ravi for Non-payment of 'Second & Final Call' of Rs. 5 per share (including premium of Rs. 2 per share). The forfeited shares were reissued for Rs. 10,800 as fully paid up. Pass necessary Journal entries for reissue of shares in the books of ML Limited.

| (a) Share Forfeited Account |             |    |              |      |             |    |              |
|-----------------------------|-------------|----|--------------|------|-------------|----|--------------|
| Date                        | Particulars | JF | Amount (Rs.) | Date | Particulars | JF | Amount (Rs.) |

|  |                          |  |        |  |                      |  |        |
|--|--------------------------|--|--------|--|----------------------|--|--------|
|  | To Share Capital Account |  | 4,000  |  | By Share Capital A/C |  | 30,000 |
|  | To Capital Reserve A/C   |  | 16,000 |  |                      |  |        |
|  | To Balance c/d           |  | 10,000 |  |                      |  |        |
|  |                          |  | 30,000 |  |                      |  | 30,000 |

✓ x 4 = 7

(b) Journal

| Date | Particulars                                                                                                                                          | L F | Dr. Amount<br>(Rs.) | Cr. Amount<br>(Rs.) |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------------------|---------------------|
|      | Share Capital Account Dr.<br>Securities Premium Reserve Dr.<br>To Share Forfeited Account<br>To Calls in Arrears Account<br>( 720 Shares forfeited ) |     | 14,400<br>2,160     | 12,960<br>3,600     |
|      | Bank Account Dr.<br>Share Forfeited Account Dr.<br>To Share Capital Account<br>( 400 Shares re-issued @ Rs. 15 each)                                 |     | 6,000<br>2,000      | 8,000               |
|      | Share Forfeited Account Dr.<br>To Capital Reserve Account<br>(Gain on re-issue of forfeited shares transferred<br>to capital reserve account)        |     | 5,200               | 5,200               |

(i) Since the Shares are allotted in the proportion of 5 : 4, therefore for 900 applied shares, shares allotted are  $\frac{4}{5} \times 900 = 720$  Shares. (ii) Application Money Received on 900 Shares =  $900 \times 16 = 14,400$  Amount adjusted on Application =  $720 \times 16 = 11,520$  Amount to be adjusted on Allotment = 2,880 (iii) Allotment Money due on 720 Shares =  $720 \times 7 = 5,040$  Less: Already received = 2,880 Allotment Money not received = 2,160 (iv) Calls in Arrears: Allotment Money = 2,160 First & Final Call Money = 1,440 3,600

(c) Journal

| Date | Particulars                                                                                                                                   | L F | Dr. Amount<br>(Rs.) | Cr. Amount<br>(Rs.) |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----|---------------------|---------------------|
|      | Bank Account Dr.<br>Share Forfeited Account Dr.<br>To Share Capital Account<br>(1,200 Shares re-issued for Rs. 10,800 as fully<br>paid up)    |     | 10,800<br>1,200     | 12,000              |
|      | Share Forfeited Account Dr.<br>To Capital Reserve Account<br>(Gain on re-issue of forfeited shares transferred<br>to capital reserve account) |     | 7,200               | 7,200               |