

## Chapter- 6

# Accounting for Share Capital

## Short Answers Type Questions

Q1: What is public company?

Q2: What is meant by the word 'Company'? Describe its characteristics.

Q3: What is private limited company?

Q4: Explain in brief the main categories in which the share capital of a company is divided.

Q5: Define Government Company?

Q6: What do you mean by the term 'share'? Discuss the type of shares, which can be issued under the Companies Act, 1956 as amended to date.

Q7: What do you mean by a listed company?

Q8: Discuss the process for the allotment of shares of a company in case of over subscription.

Q9: What are the uses of securities premium?

Q10: What is a 'Preference Share'? Describe the different types of preference shares.

Q11: What is buy-back of shares?

Q12: Describe the provision of law relating to 'Calls-in-Arrears' and 'Calls-in-Advance'.

Q13: Write a brief note on 'Minimum Subscription'.

Q14: Explain the terms 'Over-subscription' and 'Under-subscription'. How are they dealt with in accounting records?

Q15: Describe the purposes for which a company can use 'Securities Premium Account'.

Q16: State clearly the conditions under which a company can issue shares at a discount.

Q17: Explain the term 'Forfeiture of Shares' and give the accounting treatment on forfeiture.

**Numerical questions**

**Q1 :** Anish Limited issued 30,000 equity shares of Rs 100 each payable at Rs 30 on application, Rs 50 on allotment and Rs 20 on first and final call. All money was duly received.

Record these transactions in the journal of the company.

**Q2: The** Adarsh Control Device Ltd was registered with the authorised capital of Rs. 3,00,000 divided into 30,000 shares of Rs. 10 each, which were offered to the public. Amount payable as Rs 3 per share on application, Rs 4 per share on allotment and Rs 3 per share on first and final call. These shares were fully subscribed and all money was dully received. Prepare journal and Cash Book.

**Q3: Software** solution India Ltd inviting application for 20,000 equity share of Rs.100 each, payable Rs 40 on application, Rs 30 on allotment and Rs.30 on call. The company received applications for Rs.32,000 shares. Application for 2,000 shares were rejected and money returned to Applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 shares allotted half of the number of share applied and excess application money adjusted into allotment. All money received due on allotment and call. Prepare journal and cash book.

**Q4 :** Rupak Ltd. issued 10,000 shares of Rs 100 each payable Rs 20 per share on application, Rs 30 per share on allotment and balance in two calls of Rs 25 per share. The application and allotment money were duly received. On first call all member pays their dues except one member holding 200 shares, while another member holding 500 shares paid for the balance due in full. Final call was not made.

Give journal entries and prepare cash book.

**Q5 :** Mohit Glass Ltd. issued 20,000 shares of Rs 100 each at Rs 110 per share, payable Rs 30 on application, Rs 40 on allotment (including Premium), Rs 20 on first call and Rs 20 on final call. The applications were received for 24,000 shares and allotted 20,000 shares and reject 4,000 shares and amount returned thereon. The money was duly received.

Give journal entries

**Q6: A** limited company offered for subscription of 1,00,000 equity shares of Rs 10 each at a premium of Rs 2 per share. 2,00,000 10% Preference shares of Rs 10 each at par.

The amount on share was payable as under:

	Equity Shares	Preference Shares
On Application	Rs 3 per share	Rs 3 per share
On Allotment	Rs 5 per share (including a premium)	Rs 4 per share
On First Call	Rs 4 per share	Rs 3 per share

All the shares were fully subscribed, called-up and paid.



**Q-12 :**Arushi Computers Ltd issued 10,000 equity shares of Rs 100 each at 10% premium The net amount payable as follows:

On application	Rs 20
On allotment	Rs 30 (Rs 40 - premium Rs 10 )
On first call	Rs 30
On final call	Rs 10

A shareholder holding 200 shares did not pay final call. His shares were forfeited. Out of these 150 shares were reissued to Ms. Sonia at Rs 75 per shares. Give Journal entries in the books of the company.

**Q-13 :**Raunak Cotton Ltd. issued a prospectus inviting applications for 6,000 equity shares of Rs 100 each at a premium of Rs 20 per shares, payable as follows:

On application	Rs 20
On allotment	Rs 50 (including premium)
On first call	Rs 30
On final call	Rs 20

Applications were received for 10,000 shares and allotment was made Pro-rata to the applicants of 8,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted toward the amount due on allotment.

Rohit, to whom 300 shares were allotted failed to pay allotment and calls money, his shares were forfeited. Itika, who applied for 600 shares, failed to pay the two calls and her share were also forfeited. All these shares were sold to Kartika as fully paid for Rs 80 per shares.

**Give journal entries in the books of the company.**

**Q-14 :** Himalaya Company Limited issued for public subscription of 1,20,000 equity shares of Rs 10 each at a premium of Rs 2 per share payable as under :

With Application	Rs 3 per share
On allotment (including premium)	Rs 5 per share
On First call	Rs 2 per share
On Second and Final call	Rs 2 per share

Applications were received for 1,60,000 shares. Allotment was made on pro-rata basis. Excess money on application was adjusted against the amount due on allotment. Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at Rs 7 per share.

Record journal entries in the books of the company to record these transactions relating to

share capital. Also show the company's balance sheet.

**Q-15** :Prince Limited issued a prospectus inviting applications for 2,00,000 equity shares of Rs 10 each at a premium of Rs 3 per share payable as follows :

With Application	Rs 2
On Allotment (including premium)	Rs 5
On First Call	Rs 3
On Second Call	Rs 3

Applications were received for 30,000 shares and allotment was made on pro-rata basis. Money overpaid on applications was adjusted to the amount due on allotment. Mr. 'Mohit' whom 400 shares were allotted, failed to pay the allotment money and the first call, and her shares were forfeited after the first call. Mr. 'Joly', whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited.

Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs 9 per share, the whole of Mr. Mohit's shares being included. Record journal entries in the books of the Company and prepare the Balance Sheet.

**Q-16** :The Orient Company Limited offered for public subscription 20,000 equity shares of Rs 10 each at a premium of 10% payable at Rs 2 on application; Rs 4 on allotment including premium; Rs 3 on First Call and Rs 2 on Second and Final call. Applications for 26,000 shares were received. Applications for 4,000 shares were rejected. Pro-rata allotment was made to the remaining applicants. Both the calls were made and all the money were received except the final call on 500 shares which were forfeited. 300 of the forfeited shares were later on issued as fully paid at Rs 9 per share. Give journal entries and prepare the balance sheet.

**Q-17**: Alfa Limited invited applications for 4,00,000 of its equity shares of Rs 10 each on the following terms :

Payable on application	Rs. 5 per share
Payable on allotment	Rs. 3 per share
Payable on first and final call	Rs. 2 per share

Applications for Rs.5,00,000 shares were received. It was decided:

To refuse allotment to the applicants for 20,000 shares;

To allot in full to applicants for 80,000 shares;

To allot the balance of the available shares' pro-rata among the other applicants;

To utilise excess application money in part as payment of allotment money.

One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due

on allotment and on the call, and his 400 shares were forfeited. The shares were reissued @ Rs 9 per share. Show the journal and prepare Cash book to record the above.

**Q-18 :** Ashoka Limited Company which had issued equity shares of Rs 20 each at a discount of Rs 4 per share, forfeited 1,000 shares for non-payment of final call of Rs 4 per share. 400 of the forfeited shares are reissued at Rs 14 per share out of the remaining shares of 200 shares reissued at Rs 20 per share. Give journal entries for the forfeiture and reissue of shares and show the amount transferred to capital reserve and the balance in Share Forfeiture Account.

**Q-19 :** Amit holds 100 shares of Rs 10 each on which he has paid Re.1 per share as application money. Bimal holds 200 shares of Rs 10 each on which he has paid Re.1 and Rs 2 per share as application and allotment money, respectively. Chetan holds 300 shares of Rs 10 each and has paid Re.1 on application, Rs 2 on allotment and Rs 3 for the first call. They all fail to pay their arrears and the second call of Rs 2 per share and the directors, therefore, forfeited their shares. The shares are reissued subsequently for Rs 11 per share as fully paid. Journalise the transactions.

**Q-20 :** Ajanta Company Limited having a normal capital of Rs 3,00,000, divided into shares of Rs 10 each offered for public subscription of 20,000 shares payable at Rs 2 on application; Rs 3 on allotment and the balance in two calls of Rs 2.50 each. Applications were received by the company for 24,000 shares. Applications for 20,000 shares were accepted in full and the shares allotted. Applications for the remaining shares were rejected and the application money was refunded.

All moneys due were received with the exception of the final call on 600 shares which were forfeited after legal formalities were fulfilled. 400 shares of the forfeited shares were reissued at Rs 9 per share.

Record necessary journal entries and prepare the balance Sheet showing the amount transferred to capital reserve and the balance in Share forfeiture account.

**Q21 :** Amisha Ltd inviting application for 40,000 shares of Rs 100 each at a premium of Rs 20 per share payable; on application Rs 40 ; on allotment Rs 40 (Including premium): on first call Rs 25 and Second and final call Rs 15. Application were received for Rs.50,000 shares and allotment was made on pro-rata basis. Excess money on application was adjusted on sums due on allotment.

Rohit to whom 600 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment. Ashmita, who applied for Rs.1,000 shares failed to pay the Two calls and his shares were forfeited after the second call. Of the shares forfeited, 1,200 shares were sold to Kapil for Rs 85 per share as fully paid, the whole of Rohit's shares being included. Record necessary journal entries.

**Q-22.** AOP Ltd. invited applications for issuing 50,000 equity shares of Rs. 10 each. The amount was payable as follows:

On Application	: Rs. 2 per share;
On Allotment	: Rs.2 per share;



On First Call : Rs.3 per share;

On Second and Final Call : Balance amount.

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a pro rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Ram who applied for 600 shares, paid his entire share money with application. Shyam , who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were reissued to Riya for Rs.20,000; Rs.4 per share paid-up. The first call money and the second and final call money was called and duly received.

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

