

COURSE: II B.COM (CA)

SEMESTER: IV

SUBJECT: Corporate Accounting

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UNIT: 1

SYLLABUS: Issue of shares , forfeiture and reissue

Shares

In this sense, a share may be defined as one of the equal parts into which the capital of a company is divided, entitling the holder of the share to a proportion of the profit.

Kinds of shares

1. Preference shares
2. Equity shares

Type of share capital

1. Authorized/Nominal/Registered
2. Issued capital
3. Subscribed capital
4. Called up capital
5. Uncalled capital
6. Paid up capital
7. Reserve capital

Calls in advance and arrears

Calls in arrears is when the shareholders fail to pay the amount of share capital called up within the stipulated time. Calls in advance is when the shareholders pay the amount for the part of share capital that has not been called up yet.

Forfeited shares

A forfeited share is a 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 avoiding selling or transferring shares during a restricted period.

Meaning of Issue of Shares

A company can issue its shares either at par, at a premium or even at a discount. The shares will be at par is when the shares are sold at their nominal value. Shares sold at a premium cost, the amount in excess of the face value is the premium. Discount means the issue of the shares at a price less than the face value of the share.

Allotment of share

It commonly refers to the allocation of shares granted to a participating the firm. It's means creating and issuing of new shares.

Pro-rata allotment

It refers to the allotment of shares in proportion of the shares applied for. When a company makes pro-rata allotment it adjusts the excess money received at the time of application firstly, towards the allotment.

Over subscription

When a company receives applications for larger number of shares than those offered to the public. It is a situation of over subscription.

SUM NO 1:

A Limited Company Made An Issue Of 10000 Equity Shares Of Rs 100 Each Payable

Rs 20 On Application

Rs 40 On Allotment And

Rs 40 For Call Money

All The Shares Are Subscribed And The Amount Was Duly Received Pass Journal Entries

Cash Consideration

SUM NO 2:

A Company Issued 5000 Preference Shares Of Rs

10 Each At The Premium Of Rs 4 Per Share

Payable

Rs 1 Per Share On Application And Rs 6 Per Share On Allotment

(Including Premium) Rs 3 On First And The Balance On Final Call

The Shares Were Fully Subscribed And All The Money Was Received Pass Journal Entries

Issue Of Shares

SUM NO 3:

Ram Company Limited Issued 50000 Equity Shares Of Rs 10 Each To The Public On Condition That Full Amount Of Shares Will Be Paid In Lump Sum All These Shares Were Taken Up Paid By The Public Pass Entries

A) Shares Issued At Par

B) Shares Issued At Premium Of 10%

C) Shares Issued At Discount Of 10%

SUM NO 4:

Bahid Ltd Purchased The Business Of Raheem For Rs 20000 Payable On Fully Paid Shares Of Rs 100 Each What Entries Will Be Made In The Book If Issue Is

1) At Par

2) At Premium Of 10%

3) At Discount Of 10%

Issue For Consideration Other Than Cash

SUM NO 5:

Ram Ltd Purchased Asset For Rs 800000 It Issued Equity Shares Of Rs 100 Each Fully Paid Up In Satisfaction Of Their Client Make Journal Entries To Record These Transactions

Kailash Ltd Purchased A Business From Mani Bros For Rs 540000 Payable In Fully Paid Shares Of Rs 100 Each What Entries Will Be Made In The Books Of Kailash Ltd If It Is Issued At Par, At Premium 20%, At Discount 10%

Shares Issued For Cash And Non Cash Consideration

SUM NO 6:

Walter Ltd Purchased Land And Building Costing Rs 2000000 And In Payment Allotted 20000 Equity Shares Of Rs 100 Each As Fully Paid Further The Company Issued 40000 Equity Shares To The Public The Shares Were Payable As Follows Application 20, Allotment 40, Call Money 40

The Public Applied For All The Shares Which Were Allotted All Money Were Received Pass Journal Entries

SUM NO 7:

Find Ltd Acquired A Land Costing Rs 100000 And In Payment Allotted 1000 Equity Shares Of Rs 100 Each Further The Company Issued 4000 Equity Share To The Public Application 30

Allotment 30

Final Call 40

All Money Received Except 200 Shares On Final Call Give Journal Entries

SUM NO 8:

Gum Ltd Who Was Formed To Acquire The Property From The For Rs 500000 Payable Rs 250000 In Cash And Balance In Shares The Capital Of A Company Is Rs 1000000 Divided Into 100000 Shares Of Rs 10 Each It Issues For The Public 55000 Shares Of Rs 3 Payable On Application Rs 4 On Allotment And Balance On Final Call

The Purchase Consideration Was Fully Satisfied The Preliminary Expenses Of Rs 22000 That Payed By The Company Journalise The Transaction

Allotment Or Call Amount Those Not Received / Falls In Arrears

SUM NO 9:

A Company Was Followed With An Authorised Capital Of 20000 9% Preference Share Of Rs 100 Payable Rs 25 As Application Rs 25 On Allotment And Rs 50 For First And Final Call 30000 Equity Shares Of Rs 10 Each Payable Rs 2.50 Of Application And 2.50 On Allotment And 5.00 On First And Final Call. The Application Were Received In Full And Paid With Except With First And Final Call Of Rs 4000 Equity Shares Make Necessary Entries

Issue Of Share For Cash In Lump Sum

SUM NO 10:

Kanthan Ltd Issued 40000 Shares Of Rs 10 Each Payable In Full On Application As Per Private Placement Agreement The Company Received Applications For 40000 Shares Applications Were Accepted In Full Pass Journal Entries

Issue At Par Oversubscribed Rejecting Excess Application

SUM NO 11:

Mtl Ltd Invited Applications For 20000 Shares Of Rs 100 Each Payable Rs 25 On Application Rs 35 On Allotment Rs 40 On Call 25000 Shares Were Applied For The Directors Accepted Application For 20000 Shares And Rejected The Remaining Application All Money Were Received Pass Entries And Show Balance Sheet

SUM NO 12:

Ram Ltd Invited On Application For 140000 Shares Of Rs 10 Each Payable Rs 2 On Application Rs 2 On Allotment Rs 6 On First And Final Call. The Company Received Applications For 200000 Shares And Pro-Rata Allotment Was Made Pass Entries And Prepare Cash Book

Shares Issued At Par - Under Subscribed - Calls In Arrears

SUM NO 13:

James Co Ltd Offered 25000 Shares Of Rs 10 Each To The Public On The Following Terms Rs 250 On Application Rs 3 On Allotment Rs 2 On 1st Call And Rs 250 On Final Call The Public Applied For 22000 Shares Due On Allotment Was Received But A Share Holder Holding 500 Shares Failed To Pay The Cause Make Entries And Prepare Cash Book

Shares Issued At Premium At A Over Subscription Calls In Arrears

SUM NO 14:

X Ltd Issued 4000 Shares Of Rs 10 Each At A Premium Of Rs 2 Per Share The Amount Was Payable As Under Applications Rs 3 Allotment Rs 4 (Including Premium) On First Call 3 Per Share And On Second Call 2 Per Share The Company Received Applications For Rs 5000 Shares And The Allotment Was Made As Applicant For 200 Shares Nil 800 Shares Full And 4000 Shares 3200 All The Money Were Received Except 200 On First Call 300 On Final Call Prepare Journal Entries

Shares Issued At Discount

SUM NO 15:

In Jan 2008 Green Ltd Issued 2000 Shares Of Rs 100 Each At A Discount Of 5% The Issue Was Fully Subscribed By Paying Rs 20 On Application Rs 25 On Allotment (Discount) 20 On First Call 30 On Final Call All The Calls Were Made And Received With An Exception Of Final Call On 200 Shares By One Share Holder Pass Entries

Calls Paid In Advance

SUM NO 16:

The Evershine Co Ltd Offered 5000 Shares Of Rs 100 Each To The Public At Rs 95 Payable As Under

- Rs 15 On Application
- Rs 30 On Allotment
- Rs 25 On First Call
- Rs 25 On Final Call

All The Shares Were Applied And Allotted Anand To Whom 500 Shares Were Allotted Paid The Whole Sum Due Along With Allotment Pass Necessary Entries And Balance Sheet

Calls In Arrears And Calls In Advance

SUM NO 17:

Udhayam Ltd Issued 6000 Shares To The Public @ Rs 100 Each Payable As To Rs 12.50 On Application Rs 12.50 On Application Rs 25 Three Months After Allotment And The Balance To Be Called Up As And When Required. All Moneys Up To Allotment Were Duly Received But As Regards The Call Of Rs 25 As A Shareholder Holding 200 Shares Did Not Pay The Amount Due Another Shareholder Who Was Allotted 300 Shares Paid Them Up In Full Show The Necessary Journal Entries To Record The Above Transactions And Show How The Capital Should Appear On The Balance Sheet

Forfeiture Of Shares

SUM NO 18:

Mr Senthil Is A Shareholder In Kiran Ltd Holding 2000 Shares Of Rs 10 Each He Has Paid Rs 2 And Rs 3 Per Share On Application And Allotment Respectively, But Failed To Pay Rs 3 And Rs 2 Per Share For First And Second Calls Respectively Directors Forfeit His Shares Give Journal Entries

SUM NO 19:

Ambassadors Ltd Issued 2000 Shares Of Rs 100 Each At A Premium Of 10% Payable As Follows: Rs 25 On Application Rs 35 On Allotment (Including Premium) Rs 20 On First Call Rs 30 On Final Call

1800 Shares Were Applied For And Allotted. All The Money Received With The Exemption Of First And Final Calls On 200 Shares Held By Raghu. These Shares Were Forfeited Give Journal Entries And Prepare Balance Sheet

SUM NO 20:

A Company Issued 10000 Equity Shares Of Rs 10 Each At A Premium Of Rs 3 Per Share Payable Rs 5 On Application Rs 5 (Including Premium) On Allotment And The Balance On Call. All The Shares Offered Were Applied For And Allotted All The Moneys Due On Allotment Were Received Except On 200 Shares Call Was Made All The Amount Due Thereon Was Received Except On 300 Shares Directors Forfeited 200 Shares On Which Both Allotment And Call Money Was Not Received Pass The Necessary Entries And Prepare Balance Sheet

SUM NO 21:

Mohan Ltd Invited Applications For 2000 Shares Of Rs 100 Each At A Discount Of 10% Payable As Follows

On Application Rs 25

On Allotment Rs 30

On First And Final Call Rs 35

Whole Of The Issue Was Subscribed And Paid For Except The Final Call On 300 Shares Which Were Forfeited By The Company After Giving Due Notice Pass The Forfeiture Entry

Forfeiture And Reissue Of Shares

SUM NO 22:

The Directors Of Z Co Ltd Forfeit 10 Shares Of Rs 50 Each Belonging To Karthick Who Had Paid Rs 5 Per Share On Application Rs 10 On Allotment And Rs 15 On First Call But Failed To Pay The Final Call Of Rs 20 The Same Shares Are Then Reissued To Raj As Fully Paid On Receipt Of Rs 400 Pass Journal Entries With Narration To Record The Forfeiture And The Reissue Of Shares

When All Forfeited Shares Are Not Reissued

SUM NO 23:

Good Prospects Ltd Issued 40000 Shares Of Rs 10 Each At A Premium Of Rs 2 Per Share The

Shares Were Payable As Follows

Rs 2 On Application

Rs 5 On Allotment (Including Premium)

Rs 5 On First And Final Call

All The Shares Were Applied And Allotted. All Moneys Were Received With The Exemption Of The First And Final Call On 1000 Shares Which Were

Forfeited 400 Of These Were Reissued As Fully Paid At Rs 8 Per Share
Give The Necessary Journal Entries Prepare The Bank A/C And The
Balance Sheet Of The Company

SUM NO 24:

A Ltd Invited Applications For 10000 Shares Of Rs 100 Each At A Discount
Of 5% Payable As Follows

On Application Rs 25

On Allotment Rs 34

On First And Final Call Rs 36

Applications Were Received For 9000 Shares And All Of These Were
Accepted All Moneys Due Were Received Except The First And Final Call
On 100 Shares Which Were Forfeited Of The Shares 50 Shares Were
Reissued At The Rate Of Rest 90 As Fully Paid Prepare Journal Entries

**Books referred : Corporate Accounting by T.S.Reddy &
Moorthy**