

Receipt of application money

Bank A/c ... Dr.

To S. Application A/c ... Cr.

(1) S. Application A/c ... Dr.

To S. Capital A/c ... Cr.

(3) S. Application A/c ... Dr.

To Bank A/c ... Cr.

To S. Allotment A/c ... Cr.

To Calls-in-advance ... Cr.

For allotment of shares

(4) S. Allotment A/c ... Dr.

To S. Capital A/c ... Cr.

To S. Premium (if any) ... Cr.

(5) Bank A/c ... Dr.

To S. Allotment A/c ... Cr.

For calls on shares

(6) Share 1st call A/c ... Dr.

To S. Capital A/c ... Cr.

(7) Bank A/c ... Dr.

To Calls in arrears ... Cr.

To Calls in advance ... Cr.

To S. 1st Call A/c ... Cr.

Note: The above 2 entries are to be repeated for share 2nd call, share 3rd call and so on.

For interest chargeable on calls-in-arrears

(8) Bank A/c ... Dr.

To Shareholders A/c ... Dr.

To Interest on calls in arrears ... Cr.

(9) Interest on calls in arrears ... Dr.

To P & L A/c ... Cr.

For interest payable on calls-in-advance

(10) Interest on calls-in-advance A/c ... Dr.

To Bank A/c ... Cr.

To Shareholders A/c ... Cr.

(11) P & L A/c ... Dr.

To Interest on calls in advance A/c ... Cr.

ACCOUNTING TREATMENT OF FORFEITED SHARES

(1) Forfeiture of shares originally issued at par

(i) Where unpaid instalments have not been transferred to Calls-in-arrears A/c:

S. Capital A/c ... Dr.

To S. Allotment ... Cr.

To S. 1st Call ... Cr.

To S. Final call ... Cr.

To S. Forfeited A/c ... Cr.

(ii) Where unpaid instalments have been transferred to calls-in-arrears A/c

S. Capital A/c ... Dr.

To Calls in arrears ... Cr.

To S. Forfeited A/c ... Cr.

(2) Forfeiture of shares originally issued at premium

(i) Where premium is already received on forfeited shares:

— Same entries as given above in case (1).

(ii) Where premium money has not been received on forfeited shares:

S. Capital A/c ... Dr.

S. Premium A/c ... Dr.

To S. Allotment A/c ... Cr.

To S. 1st Call A/c ... Cr.

To S. Final Call A/c ... Cr.

To S. Forfeited A/c ... Cr.

OR S. Capital A/c ... Dr.

S. Premium A/c ... Dr.

To Calls-in-arrears ... Cr.

To S. Forfeited A/c ... Cr.

(3) Forfeiture of shares originally issued at discount

- (i) $\text{S. Capital A/c} \dots \text{Dr.}$
 To Discount on issue of shares $\dots \text{Cr.}$
 To $\text{S. Allotment A/c} \dots \text{Cr.}$
 To $\text{S. 1st Call A/c} \dots \text{Cr.}$
 To $\text{S. Final Call A/c} \dots \text{Cr.}$
 To $\text{S. Forfeited A/c} \dots \text{Cr.}$

OR

- (ii) $\text{S. Capital A/c} \dots \text{Dr.}$
 To Discount on issue of shares $\dots \text{Cr.}$
 To Calls in arrears $\dots \text{Cr.}$
 To $\text{S. Forfeited A/c} \dots \text{Cr.}$

REISSUE OF FORFEITED SHARES

(1) When the forfeited shares (originally issued at par or premium) are reissued at par

- (i) $\text{Bank A/c} \dots \text{Dr.}$
 To $\text{S. Capital A/c} \dots \text{Cr.}$
 (ii) $\text{S. Forfeited A/c} \dots \text{Dr.}$
 To $\text{Capital Reserve} \dots \text{Cr.}$
 (with the entire forfeited amount)

(2) When the forfeited shares (originally issued at par or premium) are reissued at premium

- (i) $\text{Bank A/c} \dots \text{Dr.}$
 To $\text{S. Capital A/c} \dots \text{Cr.}$
 To $\text{S. Premium A/c} \dots \text{Cr.}$
 (ii) $\text{S. Forfeited A/c} \dots \text{Dr.}$
 To $\text{C. Reserve A/c} \dots \text{Cr.}$
 (with the entire forfeited amount)

(3) When the forfeited shares (originally issued at par or premium) are reissued at discount

- (i) $\text{Bank A/c} \dots \text{Dr.}$ (with the discount allowed)
 To $\text{S. Forfeited A/c} \dots \text{Dr.}$

- To $\text{S. Capital A/c} \dots \text{Cr.}$
 (ii) $\text{S. Forfeited A/c} \dots \text{Dr.}$
 To $\text{C. Reserve A/c} \dots \text{Cr.}$
 (with the remaining balance of S. Forfeited A/c)

(4) When the forfeited shares (originally issued at discount) are reissued at loss

- (i) $\text{Bank A/c} \dots \text{Dr.}$
 Discount on the issue of shares $\dots \text{Dr.}$ (with the amount of discount allowed)

- To $\text{S. Forfeited A/c} \dots \text{Dr.}$ (with the amount of discount allowed on reissue)
 To $\text{S. Capital A/c} \dots \text{Cr.}$

- (ii) $\text{S. Forfeited A/c} \dots \text{Dr.}$
 To $\text{C. Reserve A/c} \dots \text{Cr.}$
 (with the remaining balance of S. Forfeited A/c)

Note

When only a part of the forfeited shares are reissued, then only the net gain on reissue of forfeited shares should be transferred to Capital Reserve A/c. In other words, the forfeited amount in respect of shares not yet reissued must be kept intact in the S. Forfeited A/c .

Illustration 21 (Forfeiture and Reissue of Forfeited Shares Only)

Give journal entries to record the forfeiture of shares and their reissue :

1. The directors of A Ltd. forfeited 500 shares of ₹ 50 each, ₹ 40 being called up, on which Radha, a shareholder paid application and allotment moneys of ₹ 25 per share but did not pay first call money of ₹ 15 per share. Of these forfeited shares, the company subsequently reissued 350 shares as fully paid up for ₹ 40 per share.
2. B Ltd. forfeited 100 shares of ₹ 50 each, ₹ 35 per share called up, on which ₹ 25 per share has been paid by Rakesh; the amount of first call of ₹ 10 per share being unpaid. The directors reissued the forfeited shares to Baldeo crediting ₹ 35 per share paid for a payment of ₹ 25 per share.

3. The directors of C Ltd. forfeited 100 shares of ₹ 100 each, ₹ 50 called up issued at 5% discount on which ₹ 3,000 has been paid. These shares were reissued to one of the directors upon payment of ₹ 7,000 credited as fully paid.
4. The directors of D Ltd. forfeited 100 shares of ₹ 100 each called up for non-payment of final call money of ₹ 50 per share. Half of these shares were subsequently reissued at ₹ 120 per share as fully paid.
5. E Ltd. forfeited 200 shares of ₹ 100 each (issued at a premium of 10%) for non-payment of first call of ₹ 25 and final call of ₹ 15. Of these 150 shares were reissued for ₹ 90 per share.

Illustration 24 (Different Bases of Allotment and Interest On Calls-in Advance)

Over-Confident Co. Ltd. issued a prospectus offering 2,00,000 Equity Shares of ₹ 10 each on the following terms :

On Application :	₹ 1
On Allotment :	₹ 3 (including premium of ₹ 2)
On First Call (three months after allotment) :	₹ 4
On Second Call (three months after first call) :	₹ 4

Subscriptions were received for 3,17,000 shares on 23 April 2012 and the allotment made on 30 April was as under :

Shares Allotted

(i) Allotment in full (two applicants paid in full on allotment in respect of 4,000 shares each)	(38,000)	38,000
(ii) Allotment of two-thirds of shares applied for	(2,40,000)	1,60,000
(iii) Allotment of one-fourth of shares applied for	(8,000)	2,000
Cash amounting to ₹ 31,000 (being application moneys received with		
	(31,000)	

Issue, Forfeiture and Reissue of Forfeited Shares Etc.

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applications for 31,000 shares upon which no allotments were made) was returned to the applicants on 5 May. The amounts due were received on the due dates with the exception of the final call on 100 shares. These shares were forfeited on 15 November and reissued to Vandna on the 16 November for payment of ₹ 9 per share. The company paid the interest due on calls-in-advance on 30 October in cash. Show the journal and cash book entries and draw a balance sheet of the company giving effect to the above transactions.

[B.Com. (Hons)]