

Forfeiture of share which were issued at premium

51 Ratan Ltd. forfeited 3,000 shares of 10 each (issued at 2 premium) for non-payment of first call of 2 per share. Final call of 3 per share was not yet made. Out of these, 2,000 shares were re-issued at 10 per shares as fully paid. pass entries for forfeiture and reissued of shares.

Solution:

Journal

Date	Particular	L.F	Dr.	Cr.
1.	Share capital A/c (3,000 x 7) Dr. To forfeited share A/c (3,000 x 5) To share first call A/c (3,000 x 2) (3,000 shares forfeited)		21,000	15,000 6,000
2.	Bank A/c (2,000 x 10) Dr. To share capital A/c (2,000 shares issued @ 10 per share fully paid-up)		20,000	20,000
3.	Forfeited shares A/c ⁽¹⁾ Dr. To capital reserve A/c (Excess forfeited amount of 2,00 shares transferred to capital reserve)		10,000	10,000

	$\left[\frac{15,000}{3,000} \times 2,000 - 0 = 10,000 \right]$			
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q-52

Ajanta Ltd. issued a prospectus inviting applications for issuing 5,00,000 equity share of 10 each issued at a premium of 10%. The amount was payable as follows:

On Application	3 per share
On Allotment (including premium)	5 per share
first and final call	3 per share

Applications were received for 6,00,000 share and pro rata allotment was made to all applications. Excess money received on application was adjusted towards sums due on allotment. All amounts were duly received except from sumit, who was the holder of 1,000 shares, and failed to pay the allotments and first and final call. His share were forfeited.

pass journal entries for the above transactions in the books of Ajanta Ltd. Open calls-in-Arrears Account wherever necessary.

Solution:

BOOKS OF AJANTA LIMITED

JOURNAL

Date	Particular	L.F	
	Bank A/c	Dr.	18,00,000
	To Equity share application A/c		18,00,000
	(Application money received on 6,00,000 shares)		
	Equity share application A/c	Dr.	To
			Equi

ty share capital A/c	18,00,000	
To Equity share allotment A/c		15,00,000
(Application money transferred to		3,00,000

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share capital A/c, excess money
received adjusted towards allotment)

Equity share Allotment A/c	Dr.	25,00,000	
To Equity share capital			20,00,000
To securities premium / Securities			5,00,000

premium reserve A/c
(Allotment due on allotment)

Bank A/c	Dr.	21,95,600	
Calls in arrears All. A/c	Dr.	4,400	
To Equity share allotment A/c			22,00,000

(Allotment money received, except on
1,000 shares)

Equity share first and final call A/c	Dr.	15,00,000	
To equity share capital A/c			15,00,000

(Amount due on first and final call)

Bank A/c	Dr.	14,97,000	
Calls in arrears A/c	Dr.	3,000	
To Equity share first and final call			15,00,000

(Final call money received, except on
1,000 shares)

Equity share capital	Dr.	10,000	
Securities pre./Sec. pre. Reserve A/c		1,000	
To share forfeiture A/c			3,600

To Calls in Arrears A/c
(1000 shares forfeited for non-
payment of allotment and first call)

7,400

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53. Ankit Ltd. issued 20,000 equity shares of 10 each at a premium of 2 per share, payable as:

On application	:	3
On allotment	:	5 (including premium)
On first call	:	2
On second and final call	:	2

Vijay was allotted 500 shares. Pass the necessary journal entries relating to the forfeiture of shares in following cases.

Case - 1. Vijay did not pay allotment money and his shares were immediately forfeited.

Case - 2. Vijay did not pay allotment first call, his shares were forfeited after first call.

Case -3. Vijay did not pay first call and his shares were forfeited immediately.

Case - 4. Vijay failed to pay both the calls and his shares were forfeited.

Solution: Journal

Date	Particular	L.F.	Dr.	Cr.
Case 1	Security capital A/c (500 x 6) Dr.		3,000	
	Securities premium reserve A/c (500 x 2)		1,000	
	To share forfeited A/c			1,500

	To share allotment A/c (500 share forfeited)			2,500
Case 2	Share capital A/c (500 x 8) Dr.		4,000	
	Securities premium reserve A/c (500 x 2)		1,000	
	To share forfeited A/c (500 x 3)			1,500
	To share allotment A/c (500 x 3)			2,500
	To share first call A/c (500 x 2) (500 share forfeited)			1,000
Case 3	Share capital A/c (500 x 6) Dr.		4,000	
	To capital forfeited A/c (500 x 6)			
	To share first call A/c (500 x 2) (500 shares forfeited)			3,000
				1,000
Case 4	Share capital A/c (500 x 10) Dr.		5,000	
	To share forfeited A/c (500 x 6)			3,000
	To share first call A/c (500 x 2)			1,000
	To share second & final call A/c (500 share forfeited)			1,000

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54.Vani Limited invited application for issuing 1,00,000 equity shares of 10 each at a premium of 10%. The amounts were payable as under:

On Application and Allotment 4 per share (including premium 1)

On first call 4 per share

On second and final call 3 per share.

Application for 1,50,000 shares were received and pro rata allotment was made to all the applications.

Excess application money was adjusted towards sums due on calls. Parth, a shareholder who had applied for 600 shares did not pay the first call. His shares were forfeited. The second and final call was not yet made. Half of the forfeited shares were reissued at 8 per share fully paid-up.

Journalise the above transactions in the books of vani limited by opening calls-in-arrears and calls-in-advance account wherever necessary.

Solution:

Journal

In the Books of Vani Ltd. Journal

Date	Particular	L.F	Amount	Amount
1.	Bank A/c (1,50,000 x 4) Dr.		6,00,000	
	To Equity share app. & All. A/c			6,00,000

2.	<p>(Being app. and all. money received for 1,50,000 shares)</p> <p>Equity share app. & All. A/c Dr.</p> <p> To equity share capital A/c</p> <p>(1,00,000 x 3)</p> <p> To premium reserve A/c (1,00,000 x 1)</p> <p> To equity share first call A/c</p> <p>(Being 1,00,000 equity share allotted and excess amount credited to share first call account)</p>		6,00,000	3,00,000
3.	<p>Equity share first call A/c Dr.</p> <p> To equity share capital A/c</p> <p>(Being first call money due on 1,00,000 shares)</p>		4,00,000	4,00,000
4.	<p>Bank A/c Dr.</p> <p> Calls in Arrears A/c Dr.</p> <p> To equity share first call A/c</p> <p>(Being first call money received on 99,600 shares)</p>		1,99,200	2,00,000
			800	

5.	Equity share capital A/c (400 x 7) Dr.			
	To calls in Arrears A/c (400x2)		2,800	
	To Share forfeiture A/c (400x5)			800
	(Being 400 shares of parth forfeited for non-payment of first call money)			2,000
6.	Bank A/c (200 x 8) Dr.			
	Share forfeiture A/c (200 x 2)		1,600	
	To equity share capital A/c (200 x 10)		400	
	(Being reissue of 200 shares 8 per share fully paid-up)			2,000
7.	Share forfeiture A/c Dr.			
	To capital reserve A/c		600	
	(Being profit on reissue of 200 forfeited shares transferred to capital reserve A/c)			600

Working Note:

(i) Calculation of excess amount received from parth on application & allotment

Shares applied by parth = 600 share

Share Allotted to parth =

$$\frac{1,00,000}{1,50,000} \times 600 = 400 \text{ shares}$$

Excess Application & Allotment money received from parth

$$= (600 \text{ shares} - 400 \text{ shares}) \times 4$$

$$200 \text{ shares} \times 4 = 800$$

(ii) Calculation of Amount Not received from parth in first call:

Amount due on first call (400 shares x 4)	1,600
Less: Excess money received from parth on App. & All.	800
First call money not received from parth	800

(iii) Calculation of Amount Received on First call:

Total Amount Due to first call (1,00,000 shares x 4)	4,00,000
Less: Excess Amount received on Application and Allotment	2,00,000
Balance due	2,00,000
Less: First call money not received from parth	800
Amount received on First call	1,99,200

(iv) Calculation of Amount to be transferred to capital Reserve:

$$\text{profit on 400 shares} = 2,000$$

$$\text{profit on 200 shares} = 2,000 \times \frac{200}{400} = 1,000$$

$$\text{Loss on reissue of 200 shares} = 200 \times 2 = 400$$

$$\text{profit on reissue transferred to capital reserve } 1,000 - 400 = 600$$

Maximum permissible discount and minimum reissue price at the time of reissue

55. Determine the maximum permissible discount and minimum reissue price that a company can allow at the time of reissue of forfeited shares in the following cases;

- I. A share of 10 originally issued at par on which application and allotment money of 5 was received.**
- II. A share of 20 originally issued at a premium of 1 on which application and allotment money (including premium) of 5 was received.**
- III. A share of 10 originally issued at a premium of 1 on which application and allotment money (excluding premium) of 5 was received.**

Solution:

- I. Maximum permissible discount is equal to the amount before. In this case, 5 has already been received out of 10. Thus, this share can be reissued at a minimum of 5 with a 5 discount per share.**
- II. Maximum permissible discount is equal to the amount received before reissue. In this case, 4 has already been received out of 10. Thus, such a share can be reissued at a minimum of 6 with a maximum 4 discount per share.**

- III. Maximum permissible discount is equal to the amount received before reissue. in this case, 5 has already been received out of 10. Thus, such a share can be reissued at a minimum of 5 with a maximum 5 discount per share.

56. Star Ltd issued 10,000 shares of 10 each, payable as 4 on application, 3 on allotment 2 on first call and balance on second and final call.

500 shares were forfeited. Calculate the 'maximum permissible discount' and minimum reissue price' on reissue in each of the following case, if the reissued shares are fully paid-up:

Case 1. If shares were forfeited for non-payment of second and final call.

Case 2. If shares were forfeited for non-payment of second and final call.

Case 3. If shares were forfeited for non-payment of allotment, first call and second and final call.

Case 4. If Shares were forfeited for non-payment of allotment and first call. Second and final call is not yet made.

Solution:

Case 1: Maximum Permissible Discount- ₹ 9 and Minimum Reissue Price 1;

Case 2: Maximum Permissible Discount- ₹ 7 and Minimum Reissue Price 3;

Case 3: Maximum Permissible Discount- ₹ 4 and Minimum Reissue Price 6;

Case 4: Maximum Permissible Discount- ₹ 4 and Minimum Reissue Price 6;

57. computer mart ltd. forfeited 1,000 equity shares of 50 each issued at 10% premium on which allotment money of 15 per equity share (including premium) and first call of 15 per share were not received, the second and final call of 10 per equity share was not yet called.

Calculate 'Discount allowed or premium received' and 'Amount transferred to capital reserve' on reissue of shares as fully paid-up in each of the following cases:

Case 1. If these shares were reissued as 40 paid-up for 45 per share.

Case 2. If these shares were reissued as 40 paid-up for 45 per share.

Case 3. If these shares were reissued as 40 paid-up for 35 per share.

Case 4. If these shares were reissued as 40 paid-up for 25 per share.

Solution:

Case 1. Premium received – 5,000 and amount transferred to capital Reserve – 15,000;

Case 2. Discount or premium – Nil and amount transferred to capital

Reserve – 15,000;

Case 3. Discount Allowed – 5,000 and Amount transferred to Capital

Reserve – 10,000;

Case 4. Discount Allowed – 15,000 and Amount transferred to capital

Reserve – Nil;

Case 5. Discount Allowed – 15,000 and Amount transferred to capital

Reserve – Nil;

58. Dell Ltd. forfeited 2,000 Equity shares of 50 each issued at 10% premium on which allotment money of 15 per equity share (including premium) and first call of 15 per share were not received, the second and final call of 10 per equity share was not yet called.

Calculate 'Discount Allowed or premium Received' and 'Amount transferred to capital Reserve' on reissue of shares as fully paid-up in each of the following cases:

Case 1. If 200 of these shares were reissued as 40 paid-up for 45 per Share.

Case 2. If 200 of these shares were reissued as 40 paid-up for 45 per Share.

Case 3. If 200 of these shares were reissued as 40 paid-up for 45 per Share.

Case 4. If 200 of these shares were reissued as 40 paid-up for 45 per Share.

Case 5. If 200 of these shares were reissued as 35 per Share as fully Paid-up.

Solution:

Case 1. Premium received – 1,000 and amount transferred to capital Reserve – 3,000;

Case 2. Discount or premium – Nil and amount transferred to capital Reserve – 3,000;

Case 3. Discount Allowed – 1,000 and Amount transferred to Capital Reserve – 2,000;

Case 4. Discount Allowed – 3,000 and Amount transferred to capital Reserve – Nil;

Case 5. Discount Allowed – 3,000 and Amount transferred to capital Reserve – Nil;

Treatment of gain of reissue

59.What amount of gain on reissue will be transferred to capital reserve under following situations?

- I. 3,000 shares of 10 each of Rakesh were forfeited by crediting 5,000 to Forfeited shares account. Out of these, 1,800 shares were reissued to Mohan for 9 per share as fully paid-up.**

- II. Z Ltd. forfeited 20 shares of 100 each (60 called-up) issued at par to Shiv on which he paid 20 per share. Out of these, 15 shares were reissued to Rajesh as 60 paid-up for 45 per share.

Solution:

Case -1

$$\text{Forfeited amount of 1800 share} = \frac{5,000}{3,000} \times 1800 = 3,000$$

$$\text{Amount received on 1800 shares on} = 1800 \times 9 \quad 16,200$$

Calculation of Amount of capital reserve

$$\text{total amount received on 1800 shares} \quad 19,200$$

$$\begin{array}{r} \text{Amount to be transferred to share capital} \\ (1800 \times 10) \end{array} \quad \underline{18,000}$$

$$\text{Amount to be transferred to capital reserve} \quad \underline{1200}$$

Case- 2

$$\text{Forfeited amount of 15 share} = \frac{400}{20} \times 15 = 300$$

$$\text{Amount received on 15 shares on reissue} = 15 \times 45 \quad 675$$

Calculation of Amount of capital reserve

$$\text{total amount received on 15 shares (300 + 675)} \quad 975$$

$$\text{Amount to be transferred to share capital} \quad \underline{900}$$

Forfeiture and reissue of share which were issued at par

Q- 60. A company forfeited 4,000 shares of 10 each fully called-up, on which applications money of 3 each has been paid. Out of these, 2,000 shares was reissued as fully paid-up for 18,000.

Pass necessary Journal entries for above transactions.

Solution:

		Journal	
Date	Particular	L.F	
1.	Share Capital A/c	Dr.	40,000
	To calls in arrear A/c		28,000
	To share forfeiture A/c		12,000
	Bank A/c	Dr.	18,000
	Share forfeiture A/c		2,000
	To share capital A/c		20,000
	Share forfeiture A/c	Dr.	4,000
	To Capital A/c		4,000

Working Note:

Share forfeited (related to reissue)

$$= 12,000 \times 2,000 / 4,000 = 6,000$$

Now, amount transferred to capital reserve = 400

$$\text{Therefore, discount allowed on reissue} = 6,000 - 4,000 = 2,000$$

$$\text{Thus, share reissued at} = (20,000 - 2000) / 2,000 = 9$$

Share reissued at Rs. 9 per share

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