

Chapter - Issue Of Shares

1. S Ltd. offers 1,00,000 equity shares of Rs.10 each payable Rs.3 on application, Rs.3 on allotment(including premium Rs.2), Rs.4 on first call three months after allotment and Rs.2 on final call three months after first call. Applications were received for 1,58,500 shares and allotment was made as under:

	Shares Allotted
Allotment in full (Mr. D paid in full on allotment in respect of 4,000 shares)	19,000
Allotment of 2/3 of shares applied for	80,000
Allotment of 1/2 of shares applied for	1,000

Application money of Rs.52,500 in respect of 17,500 shares upon which no allotment was made was returned to applicants. All amounts were received except final call on 100 shares which were forfeited and reissued later on Rs.9 each. Interest on call in advance is paid @ 12% p.a.(capital reserve Rs.700)

2. Rajesh Ltd. issued a prospectus inviting applications for 3,00,000 shares of Rs.10 each at a premium of Rs.4 per share, payable as follows:

On Application	Rs.4(including Rs.1 premium)
On Allotment	Rs.3(including Rs.1 premium)
On First Call	Rs.4(including Rs.1 premium)
On Second and Final call	Rs.3(including Rs.1 premium)

Applications were received for 3,80,000 shares and pro-rata allotment was made on the applications for 3,50,000 shares. It was decided to utilise excess application money towards the sums due on allotment.

X, to whom 6,000 shares were allotted, failed to pay the allotment money and his shares were forfeited after allotment.

Y, who applied for 10,500 shares failed to pay the two calls and on his such failure, his shares were forfeited.

Z, who was allotted 3,000 shares did not pay the final call.

Of the shares forfeited, 11,000 shares were reissued as fully paid up for Rs.9 per share, the whole of Y's share being included. Prepare Cash Book, Journal and show the Share Capital in the Balance Sheet.(capital reserve Rs.41,333)

3. Journalise the following(only forfeiture and reissue):

(A) A limited company for forfeited 300 shares of Mr.X who had applied for 500 shares on account of non-payment of allotment money Rs.3+2(premium) and first call Rs.2. Only Rs.3 per share was received with application. Out of these, 200 shares were reissued to Mr. Y as fully paid shares for Rs.8 per share.(capital reserve Rs.600)

(B) A company forfeited 200 shares of Rs.10 each fully called up issued at 10% discount on which Rs.3 per share was received with application. Amount required to be paid was Rs.2 on allotment, Rs.2 on First call and Rs.2 on final call. Out of these, 100 shares were reissued to Mr. M as fully paid shares at Rs.8 per share.(capital reserve Rs.200)

4. Jain Ltd. invited applications for issuing 35,000 shares of Rs.10 each at a discount of 10%. The amount was payable as follows:

On application - Rs.5 per share; On allotment - Rs.3 per share; On First and Final call-Balance Applications for 50,000 shares were received. Applications for 8,000 shares were rejected and the money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants and the excess money received with applications from these applicants was adjusted towards sums due on allotment. Jeevan, who had applied for 600 shares failed to pay allotment and first and final call money. Naveen, the holder of 400 shares failed to pay first and final call money. Shares of Jeevan and Naveen, were forfeited. Out of these forfeited shares, 800 shares were reissued @Rs.15 per share fully paid up. The reissued shares included all the shares of Naveen.

Pass the necessary journal entries for the above transactions in the books of Jain Ltd.(capital reserve Rs.5,600)

5. Sonam Ltd. issued 20,000 shares of Rs.10 each at a discount of rs.1 per share(to be adjusted on allotment) payable as follows:

Rs.2.50 per share on Application

Rs.4 on per share on Allotment

Rs.2.50 per share on Ist and final call

Subscription list was closed on 1st January, 2012 by which applications for 45,000 shares had been received. Allotment was made as follows:

List A - Applicants for 5,000 shares were allotted in full

List B - Applicants for 10,000 shares were allotted 5,000 shares on pro-rata basis

List C - Applicants for 30,000 shares were allotted 10,000 shares on pro-rata basis.

Application money in excess of that required on allotment could be utilised for calls.

All the shareholders paid the amounts due on allotment and call except Y (who was allotted 400 shares under List B) and Z(who was allotted 200 shares under List C). Both of these shareholders paid only the application money.

Their shares were duly forfeited and were reissued @Rs.7 per share full paid up.

Pass necessary journal entries to record the above transactions.(capital reserve Rs.2,300)

6. Sudarshan Ltd. invited applications for 1,00,000 equity shares of Rs.10 each. The shares were issued at a premium of Rs.5 per share. The amount was payable as follows:

On Application and allotment Rs.8 per share(including premium Rs.3)

Balance including premium on the first and final call.

Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis:

(1) Applicants for 80,000 shares were allotted 60,000 shares; and

(2) Applicants for 60,000 shares were allotted 40,000 shares.

Excess application and allotment money could be utilized for calls.

X, who belonged to the first category and was allotted 300 shares, failed to pay the first call money. Y, who belonged to the second category and was allotted 200 shares also failed to pay the first call money. These shares were forfeited. the forfeited shares were reissued @ Rs.12 per share fully paid-up.

Pass the necessary journal entries and prepare Cash Book.(capital reserve Rs.4,100).

7. Fresco Ltd. invited applications for issuing 3,00,000 Equity shares of Rs.10 each at a discount of 3%. The amount was payable as follows:

On Application - Rs.2 per share

On Allotment - Rs.4 per share

On First and Final call - the balance amount

The issue was fully subscribed. Shares were allotted to all the applicants. 'A' to whom 4,000 shares were allotted paid the entire amount of his share money at the time of allotment. 'B' to whom 1,800 shares were allotted failed to pay the allotment money and his shares were immediately forfeited. Afterwards the first and final call was made. 'C' did not pay the first and final call on his 750 shares and his shares were also forfeited. All the forfeited shares of 'B' and 500 shares of 'C' were reissued for Rs.8 per share fully paid up.

Pass necessary journal entries in the books of Fresco Ltd. for the above transactions. (C/R Rs.2,690)

VALUE BASED QUESTIONS

8. Green Valley Ltd. offered 5,00,000 shares to public for subscription. Applications were received for 7,50,000 shares and pro-rata allotment was made to the applicants of 6,00,000 shares. Arushi applied for 4,800 shares and Navya was allotted 3,000 shares.

(A) How many applications have been rejected altogether?

(B) What is the pro-rata ratio?

(C) Which value has been affected by rejecting the applications. Suggest a better alternative for the same.

9. Chirag Ltd. forfeited 3,000 shares of Rs.10 each, Rs.7 called up, issued at a premium of 20% (to be paid at the time of allotment) for non-payment of a first call of Rs.2 per share. Out of these 1,800 shares were reissued @Rs.7 paid up for Rs.4 per share. Which value has been affected by forfeiting above mentioned 3,000 shares just after first call. Suggest a better alternative.

10.(A) Amrit Ltd. has a paid up share capital of Rs.10 Crore and a balance of Rs.2 Crore in securities premium account. The company management do not want to carry over this balance. State the purposes for which this balance can be utilized.

(B) Amrit Ltd. made a provision of 2% of its profits or Rs.20 Lac, whichever is higher, for the medical care, social security and recreation of its employees. State the values served by this decision.