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92,000

### CHAPTER:-SHARE CAPITAL.

Q.1. Name different types of Share Capital. (1)

Ans. (i) Authorised Share Capital. (ii) Issued Share Capital.

(iii) Subscribed Share Capital. (iv) Called—up Share Capital.

(v) Paid-up Share Capital. (vi) Reserve Capital.

Q.2. What is meant by Authorised Capital of a company?	(1)
OR	92,000

Give the meaning of 'Registered Capital' of a company.

Ans. This is the amount stated in the capital clause of the memorandum of association with which the Company was registered. It is the maximum amount which a company can raise during its lifetime.

Q.3. What is meant by Initial Public Offer? (1)

Ans. Making an offer, inviting the public in general to subscribe for the shares is called as Initial Public Offer. .

Q.4. What is meant by 'Minimum Subscription'? (1)

Ans. 'Minimum subscription' refers to the minimum amount of capital that must be subscribed by the public before a company can proceed with allotment of shares. In general, it is 90% of the issue.

Q.5. At what rate interest on Calls-in-Advance may be paid by a Company according to Table F of Schedule I of the Companies Act, 2013? (1)

Ans. As per Table F of the Companies Act, 2013, Company is required to pay interest @12% p.a. from the date of receipt of Calls in advance to the due date of the Call.

Q.6. What is the maximum amount of discount at which forfeited shares can be re-issued? (1)

Ans. If the forfeited shares are issued at a discount, the amount of discount must not exceed the amount received on them on their original issue.

Q.7. On 1st April, 2012, Vishwas Ltd. was formed with an authorised capital of Rs.10,00,000 divided into 1,00,000 equity shares of Rs.10 each. The Company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, Rs.8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of Rs.2 per share; Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were re-issued at Rs.6 per share, Rs.8 called up.

Show the following:

(a) Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.

(b) Also prepare 'Notes to Accounts' for the same. (3)

Ans. Balance Sheet of Vishwas Ltd.

As at 31<sup>st</sup> March, 2013

Particulars	Note no.	Current year(Rs)	Previous Years(Rs)
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I. EQUITY AND LIABILITIES			
1. Share's holder Funds			
(a) Share Capital	1	6,77,000	

Notes to Accounts :

Particulars	
1. Share Capital:	
Authorised Share Capital: 1,00,000 equity shares of Rs.10 each	10,00,000
Issued Share Capital: 90,000 equity shares of Rs.10 each	9,00,000
Subscribed Capital: Subscribed but not fully paid capital 84,500 shares of Rs.10 each, Rs.8 called up Less: Calls-in—Arrears Add: Share Forfeited A/c	6,76,000 (2,000) 3000 6,77,000

Q.8. The authorised capital of Suhani Ltd. is Rs.45,00,000 divided into 30,000 shares of Rs.150 each. Out of these, company issued 15,000 shares of Rs.150 each at a premium of Rs.10 per share. The amount was payable as follows:

Rs.50 per share on application, ?40 per share on allotment (including premium), Rs. 30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.

Prepare an extract of Balance Sheet of Suhani Ltd. as per Schedule III Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to Accounts' for the same. (3)

ANS.

Particulars	Note No.	Current Year(Rs)	Previous Year(Rs)
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I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		21,00,000	
(b) Reserves and Surplus		1,40,000	
Total			
II. ASSETS			
1. Current Assets			
(a) Cash and Cash Equivalents		22,40,000	
Total		22,40,000	

## Notes to Accounts

Particulars	RS.
1. Share Capital	
Authorised Capital:	
30,000 shares of Rs.150 each	45,00,000
Issued Capital:	
15,000 shares of Rs.150 each	22,50,000
Subscribed Capital:	
Subscribed and fully paid up:	
14,000 shares of Rs.150 each	21,00,000
2. Reserves and Surplus	
Securities Premium Reserve (14,000 X Rs.10)	1,40,000
3. Cash and Cash Equivalents	
Cash at Bank (14,000 X Rs.160)	22,40,000

Q.9. 'Tractors India Ltd.' is registered with an authorized capital of Rs.10,00,000 divided into 1,00,000 equity shares of Rs.10 each. The company issued 50,000 equity shares at a premium of Rs.5 per share. Rs.2 per share were payable with application, Rs.8 per share including premium on allotment and the balance amount on the first and

final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balaram.

Present the 'Share Capital' in the Balance Sheet of 'Tractors India Ltd.' as per Schedule III Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same.

(3)

ANS.

Balance Sheet of Tractors India Ltd.

As at.....(As per Schedule III)

Particulars	Note No.	Current Year (Rs.)	Previous Year (Rs.)
<b>I.EQUITY AND LIABILITIES</b>			
1. Shareholder's Funds			
(a) Share Capital	1	4,97,500	

Notes to Accounts :

Particulars		Rs.	Rs.
<b>1. Share Capital</b>			
Authorised Capital:			
1,00,000 equity shares of Rs.10 each			10,00,000
Issued Capital:			
50,000 equity shares of Rs.10 each			5,00,000
Subscribed Capital:			
Subscribed and fully paid:			
49,500 shares of Rs.10 each		4,95,000	
Subscribed but not fully paid:			
500 shares of Rs.10 each	5,000		
Less: Calls-in-Arrears:(500 x Rs.5)	2,500	2,500	4,97,500

Q-10.What is meant by "Sweat Equity". What are the conditions that must be fulfilled for issuing sweat equity?

(3)

ANS. Employees Stock Option ( also known as ' Sweat Equity') means option granted by the company to its employee directors and employees to subscribe the shares at a price that is lower than the market price . It is an option or a right granted by the company but it is not an obligation on the employees to subscribe it. The employees may or may not exercise the option.

A company may issue stock ( shares ) options fulfilling the following conditions:

These shares are of the same class of shares already issued ;

It is authorised by a special resolution passed by the company ;

The resolution specifies the number of shares , the current market price , consideration , if any , and the class or classes of directors or employees to whom such equity shares are to be issued ;

Not less than one year has , at the date of issue , elapsed since the date on which the company had commenced business and;

These shares are issued in accordance with SEBI regulations, if the shares are listed.

Q-11. Shruti Ltd bought the business of Shinekey Ltd on 1-4-2007 consisting of sundry assets of Rs. 560000 and creditors of Rs. 100000 for a purchase consideration of Rs. 500000. Rs. 100000 was paid in cash and for the balance 6% Preference Shares were issued at a premium of 25%. Pass necessary journal entries to record the above transaction. (3)

ANS.

Sundry assets Dr.	560000	
Goodwill      Dr.	40000	
To creditors		100000
To Shinekey Ltd		400000
To Bank		100000
Shinekey Ltd.    Dr.	400000	
To    6% Pref Shares		320000

To Securities Premium

80000

Q.12. 'India Auto Ltd.' is registered with an authorised capital of Rs.7,00,00,000 divided into 7,00,000 shares of Rs.100 each. The company issued 50,000 shares to the vendor for building purchased and 2,00,000 shares were issued to the public. The amount was payable as follows: I

On application and allotment — Rs.20 per share

On first call — Rs.50 per share

On second and final call — The balance

All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 20 13. Also prepare 'Notes to Accounts'. (4)

Ans. Balance Sheet of India Auto Ltd.

as at.....(as per schedule III)

Particulars	Note NO.	Current Year(Rs.)	Previous Year(Rs.)
<b>EQUITY AND LIABILITIES</b>			
1. Shareholdr's Funds			
(a) Share Capital	1	24,97,000	

Notes to Accounts :

Particulars	Rs.
<b>1. Share Capital</b>	
Authorised Capital:	
7,00,000 equity shares of Rs.100 each	7,00,00,000
Issued Capital:	
50,000 equity shares of Rs.100 each	2,50,00,00
(issued to vendor)	0
2,00,000 equity shares of Rs.100 each	50,00,000
	2,00,00,000
Subscribed Capital:	
Subscribed and fully paid:	
50,000 equity shares of Rs.100 each	50,00,000

(issued to vendor)		
1,99,000 equity shres of Rs.100 each	1,99,90,000	
Add: Share forfeited A/c(100*70)	7,000	2,49,97,000

Q.13. Disco Ltd. granted options to subscribe its 5,000 Equity shares under Employees Stock Option Plan (ESOP) at Rs.40 each when the market price was Rs.100. Pass journal entries (Face value of page is Rs.10 each). The vesting period is 3 years.

(4)

**ANS. Journal of Disco Ltd. p**

Date	Particulars	L.F.	Dr.(Rs)	Cr.(Rs)
I Year	Employees Compensation Expense A/c Dr. To Employees Stock Option Outstanding A/c (Being the proportionate expenses, i.e., one third amount of difference between market price and exercise price recognised in respect of ESOP)		1,00,000	1,00,000
II Year	Employees Compensation Expense A/c Dr. To Employees Stock Option Outstanding A/c (Being the proportionate expenses, i.e., one third amount of difference between market price and exercise price recognised in respect of ESOP)		1,00,000	1,00,000
III Year	Employees Compensation Expense A/c Dr. To Employees Stock Option Outstanding A/c (Being the proportionate expenses, i.e., one third amount of difference between market price and exercise price recognised in respect of ESOP)		1,00,000	1,00,000
IV Year	Bank a/c (5,000 X 40) Dr. Employee Stock Option Outstanding A/c [5,000 X (100 — 40)] Dr.  To Equity Share Capital A/c (5,000 X 10) To Securities Premium Reserve No [5,000 x (100 — 10)] (Being 5,000 shares granted under ESOP at a price of Rs.40 each when market price is Rs.100)		2,00,000 3,00,000	50,000 4,50,000



Q.14. Events Ltd. has its share capital divided into shares of Rs.10 each. It granted 10,000 shares to its employees under Stock Options Plan at Rs.40, when the market price was Rs.130. The options were to be exercised within 150 days from the end of the vesting period of 3 years. The employees exercised their options for 9,500 shares only, the remaining options lapsed. Record the necessary journal entries in the books of accounts of the company. (4)

Ans. **In the Books of Events Ltd.**

Journal

Date	Particulars	L.F.	Dr.(Rs)	Cr.(Rs)
I Year	Employees Compensation Expense A/c Dr. To Employees Stock Option Outstanding A/c (Being proportionate expenses(one third) recognized in respect of ESOP)		3,00,000	3,00,000
II Year	Employees Compensation Expense A/c Dr. To Employees Stock Option Outstanding A/c (Being proportionate expenses(one third) recognized in respect of ESOP)		3,00,000	3,00,000
III Year	Employees Compensation Expense A/c Dr. To Employees Stock Option Outstanding A/c (Being proportionate expenses(one third) recognized in respect of ESOP)		3,00,000	3,00,000
IV Year	Bank A/C (9,500 x 40) Dr. Employees Stock Option Outstanding A/c (9,500 X 90) Dr. To Share Capital A/c (9,500 X 10) To Securities Premium Reserve A/c (9,500 X 120) (Being 9,500 shares allotted to employees who exercised their options and balance amount transferred to Securities Premium Reserve)		3,80,000 8,55,000	95,000 11,40,000
	Employees Stock Option Outstanding A/c Dr. To General Reserve No [500 X (130 — 40)] (Being entry for lapse of stock options for 500 shares)		45,000	45,000

In IV year comine Journal entry may be passed alternatively as follows :

Bank A/c	Dr.	3,80,000	
Employee Stock Option Outstanding A/c	Dr.	9,00,000	
To Share Capital A/c			95,000
To Securities Premium Reserve A/c			11,40,000
To General Reserve A/c			45,000
(Being 9 500 shares allotted to employees, who exercised options and related balance amount transferred to Securities Premium Reserve and that of 500 shares relating to options not exercised, transferred to general Reserve)			

Q.15. Pass Journal entries for the Forfeiture and Reissue in the following cases:(4)

(a) P Ltd. forfeited 200 shares of Rs.10 each Rs.8 called-up, on which he had paid application and allotment money of Rs.3 per share. Out of these, 100 shares were reissued as fully paid-up for Rs.8 per share.

(b) R Ltd. forfeited 600 shares of Rs.10 each, on which first call of Rs.3 per share was not received; the second and final call of Rs.2 per share has not yet been called. Out of these, 200 shares were reissued as Rs.8 paid-up for Rs.7 per share.

**Ans. Journal Entries**

Date	Particulars	Dr.(Rs)	Cr.(Rs)
(a)	Share Capital A/c (200 Shares X Rs.8) Dr	1,600	
	To Calls-in-Arrears A/c (200 x Rs.5)		1,000
	To Share Forfeited No (200 x Rs.3)		600
	(Being forfeiture of 200 shares of Ravi)		
	Bank A/c	800	
	Share Forfeited A/c Dr.	200	
	To Share Capital A/c Dr.		1,000
	(Being reissue of 100 shares @ Rs.8 per share fully paid)		
	Share Forfeited A/c (See W.N. 1) Dr.	100	
	To Capital Reserve A/c		100
	(Being profit on 100 reissued shares transferred to Capital Reserve)		
	Share Capital No (600 Shares x Rs.8) A Dr.	4,800	
	To Share First Call No (600 Shares x Rs.3)		1,800
			3,000

To Share Forfeited A/c (600 Shares X Rs.5) (Being forfeiture of 600 shares)	1,400	
Bank A/C Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being reissue of 200 shares at Rs.7 Per Share, loss of Rs.1 per share debited to Share Forfeited A/c) Dr.	200	1,600
	800	800
Share Forfeited A/C (see W.N.2) To Capital Reserve A/c (Being profit on 200 reissued shares transferred to Capital Reserve A/c)		

Working Notes:

(1) Profit on 200 shares = Rs.600

Hence, Profit on 100 shares =  $\frac{600}{200} \times 100 = 300$

Less: Discount on reissue = 100 shares x RS.2 = 200

Profit on reissue transferred to Capital Reserve = 100

(2) Profit on 600 shares = Rs.3,000

Hence, Profit on 200 shares =  $\frac{3000}{600} \times 200 = 1000$

Less: Discount on reissue = 200 shares x Rs.1 = 200

Profit on reissue transferred to Capital Reserve = 800

Q.16. Pass Journal Entries in the following cases: (4)

(i) S Limited forfeited 400 shares of Rs.10 each, Rs.6 called up, issued to Mahesh on which he paid Rs.4 per share. Out of these 240 shares were reissued at Rs.6 per share to Suresh, Rs.8 paid up.

(ii) S Limited purchased assets of Rs.7,60,000 from Pandey Traders. It issued shares of Rs.100 each fully paid in satisfaction of purchase consideration.

Ans. In the books of S Limited

### Journal Entries

Date	Particulars	Dr.(Rs)	Cr.(Rs)
(i)	Share Capitals a/c To Share forfeited A/c To Calls in arrears A/c (Being forfeiture of 400 shares of Rs.10 each Rs.6 called up, for non-payment of calls)	2,400	1,600 800
	Bank A/C Share Forfeited A/c Dr. To Share Capital A/c (Being reissue of 240 shares @Rs.6 per share, Rs.8 paid up)	1,480 480	1,920
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on reissue of 240 forfeited shares transferred to Capital Reserve A/C)	480	480
(ii)	Sundry Assets A/c Dr. To Pandey Traders (Being purchase of sundry assets from Pandey Traders)	7,60,000	7,60,000
	Pandey Traders Dr. To Share Capital A/c (Being issue of 7,600 shares of Rs.100 each in settlement of purchase consideration)	7,60,000	7,60,000

Q.17. VaibhaV Ltd. issued Rs.5,00,000 new capital divided into Rs.50 per share at a premium of Rs.10, payable as under: (6)

on Application - Rs.5 per share

On Allotment - Rs.20 per share (including premium of Rs.5 per share)

On First and Final Call - Rs.35 per share (including premium of Rs.5 per share)

Overpayments on application were to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full.

The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letters of regret. Shares were allotted in full to the remaining applicants. All the money due was duly received.

(i) Which value has been affected by rejecting the applications of the applicants who had applied for 3,000 shares?

(ii) Suggest a better alternative for the same.

(iii) Give journal entries to record the above transactions (including cash transactions) in the books of the company.

Ans. (i) Value of equality has been affected by rejecting the applications of the retail investors from getting shares of the company.

(ii) The better alternative could have been to allot the shares proportionately to all the applicants so that such applicants may not be demotivated from investing in the capital of big companies in future.

(iii) Journal

Date	Particulars	L.F.	Dr.(Rs)	Cr.(Rs)
	Bank a/c To share Application A/c (Being application money received on 23,000 shares @5 per share)		1,15,000	1,15,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Calls-in-Advance A/c To Bank A/c (Being application money adjusted and balance refunded)		1,15,000	50,000 40,000 10,000 15,000
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment due)		2,00,000	1,50,000 50,000
	Bank A/c To Share Allotment A/c (Being allotment money received)		1,60,000	1,60,000
	Share First and Final Call A/c		3,50,000	3,00,000

	To Share Capital A/c To Securities Premium Reserve A/C (Being call money due)		3,40,000	50,000
	Bank A/c Call-in-Advance A/c To Share FirSt and Final Call A/c		10,000	3,50,000

Working Notes :

1. Total amount received on application = Rs.5 X 23,000 = Rs.1,15,000

2. Pro-rata category = applied (12,000): Allotted (2,000) = 6 : 1

Money received on applications = 12,000 X Rs.5 = Rs.60,000

Money required on applications = 2,000 X Rs.5 = Rs.10,000

Excess money received on application Rs.50,000

Money required on allotment = 2,000 X Rs.20 = Rs.40,000

So, entire amount due on allotment is already received. Excess of Rs.10,000 is transferred to calls-in-advance.

Q.18. Boquet Limited issued a prospectus inviting application for 20,000 shares of Rs.20 each at a premium of Rs.4 per share payable as follows.

On application Rs.4; on allotment Rs.10 (including premium); on first call Rs.6; on second and final call Rs.4.

Applications were received for 30,000 shares and pro rata allotment was made on the , applications for 24,000 shares. Money overpaid on applications was employed on account of sum due on allotment.

Rohit to whom 400 Shares were allotted, failed to pay the allotment money and on his subsequence failure to pay first call his shares were forfeited. Mohit, the holder of 600 shares, failed to pay the two calls and his' shares were forfeited after the second call. Of the shares forfeited, 800 shares were sold to karan credited as fully paid for Rs.18 per share, the whole of Rohit's shares being included.

Show the Journal entries and the Balance Sheet.

(8)

Ans. In the books of Boquet Ltd.

Journal

Date	Particulars	L.F.	Dr.(Rs)	Cr.(Rs)
	Bank A/C Dr. To Share Application A/c (Being the application money received on 30,000 shares @Rs.4 per share)		1,20,000	1,20,000
	Share Application A/c (30,000 x Rs.4) Dr. To Share Capital A/c (20,000 X Rs.4) To Share Allotment A/c (4,000 X Rs.4) To Bank A/c (6,000 X 4) (Being the application money adjusted and surplus refunded)		1,20,000	80,000 16,000 24,000
	Share Allotment No (20,000 X Rs.10) Dr. To Share Capital No (20,000 X Rs.6) To Securities Premium Reserve No (20,000 X Rs.4) (Being the amount due on allotment @Rs.10 on 20,000 shares allotted)		2,00,000	1,20,000 80,000
	Bank A/c Dr. To Share Allotment A/c (W.N. 1 and 2) Being the receipt of allotment money less Rohit's shares)		1,80,320	1,80,320
	Share First Call A/c Dr. To Share Capital A/c (Being the first call due @Rs.6 on 20,000 shares)		1,20,000	1,20,000
	Bank A/c Dr. To Share First Call A/c (Being the receipt of first call money on 20,000 shares less shares of Rohit and Mohit)		1,14,000	1,14,000
	Share Capital A/c (400 X Rs.16) Dr. Securities Premium Reserve NC (400 X Rs.4) Dr To Share Allotment A/c (W.N. 1) To Share First Call A/c To Share Forfeited A/c (W.N. 3) (Being the forfeiture of 400 shares held by Rohit		6,400 1,600	3,680 2,400 1,920

for non-payment of allotment money and the first call)		78,400	78,400
Share Final Call A/c Dr. To Share Capital A/c (Being the amount due on final call @ 34 per share on 19,600 shares on 20,000 -400 forfeited)		76,000	76,000
Bank A/c . Dr. To Share Final Call A/c (Being the receipt of final call money on 19,600 shares, less Mohit's shares)		12,000	3,600
Share Capital A/c Dr. To Share First Call A/c To Share Final Call A/c To Share Forfeited A/c (Being the forfeiture of Mohit's 600 shares, for non-payment of calls)		14,400 1,600	2,400 6,000
Bank A/c (800 x 18) Dr. Share Forfeited NC (800 x 2) Dr. To Share Capital A/c (Being the reissue of 800 shares, discount allowed being Rs.1,600)		4,320	16,000 4,320
Share Forfeited A/c Dr. To Capital Reserve A/c (W.N. 4) (Being the profit on reissue of 800 shares transferred to capital reserve)			

## Working Notes:

Calculation of amount not paid by Rohit on allotment:

(a) Number of shares applied by Rohit:

400 shares allotted to applicants for  $24,000/20,000 \times 400 = 480$  shares (Rs)

(b) Rohit paid only application money @ Rs.4 on 480 shares 1,920

Less: Application money due on shares allotted (400 X Rs.4) 1,600



Excess application money adjusted	320
(c) Allotment money due on 400 shares @ Rs.10	4,000
Less: Excess money transferred from Share Application A/c (b)	320
Amount not paid by Rohit on allotment	

2. Allotment money received = Rs.2,00,000-26,000-3,680 = Rs. 1,80,320

3. It has been assumed that the entire excess of Rs.320 is exclusively for share capital and hence credited to share Forfeited Account.

4. The amount of Rs.4,320 transferred from Share Forfeited Account to Capital Reserve has been Calculated as :

Amount relating to shares of Rohit (480 X Rs.4)	1,920	
Less: Discount allowed on reissue (400 X Rs.2)	<u>800</u>	1,120
Amount relating to shares of Mohit (400 X Rs.10)	4,000	
Less: Discount allowed on reissue of 400 shares	<u>800</u>	<u>3,200</u>
		<u>4,320</u>

### Balance Sheet

As at....

Particulars	Note No.	Current Year(Rs)	Previous Year(Rs)
<b>I.EQUITY AND LIABILITIES</b>			
1. shareholder's Funds			
(a) Share Capital	1	3,98,000	
(b) reserves and Surplus	2	<u>82,720</u>	
Total		<u>4,80,720</u>	
<b>II.ASSETS</b>			
1. Current Assets			
(a) Cash and Cash Equivalents	3	<u>4,80,720</u>	
Total		4,80,720	

## Notes to Accounts :

Particulars	Rs.
1. Share Capital	
Authorised Share Capital: .....Shares of Rs.20 each	
Issued Share Capital: 20,000 Shares of Rs.20 each	<u>4,00,000</u>
Subscribed Share Capital: Subscribed and fully paid-up: 19,800 Shares of Rs.20 each	3,96,000
Add: Share Forfeited (Note)	<u>2,000</u>
	3,98,000
2. Reserves and Surplus	
Capital Reserve	4,320
Securities Premium Reserve (19,500 Shares @ Rs.4 Per Share)	<u>78,400</u>
	82,720
3. Cash and Cash Equivalents	
Cash at Bank	<u>4,80,720</u>