

UNIT – V

(ISSUE & FORFEITURE OF SHARES)

Carrying 1 Marks

Objectives Types Questions.

Q1. Answer as True/False

- A Joint stock company registered under the Act. 1956
True/False
- B A Company is an artificial persons.
True/False
- C A Company is created by general law.
True/False
- D Shareholders get commission.
True/False
- E Equity shareholders are creditors of the company.
True/False
- F Interest on calls in arrear according to Table 'A' will be 6%
True/False
- G Liabilities of every shareholder is unlimited.
True/False
- H Over subscription & under subscription are the same.
True/False
- I A private company can issue prospectus to the public.
True/False
- J A Company can issue shares at premium.

Q.2 Select the best alternatives :-

- 1 Shareholders get :-
a) Interest b) Dividend c) Commission d) Profit
- 2 Equity shareholders are :-
a) Owners b) Directors c) Creditors d) None of these
- 3 Interest on calls in arrear according to Table 'A' will be :-
a) 5% b) 10% c) 6% d) 12%
- 4 After re-issue of forfeited share, the balance of share forfeited A/C is transferred to :-
a) Capital Reserve A/C b) Share Capital A/C
c) Reserve Capital A/C d) General Reserve A/C
- 5 A Company issues its shares at a premium under the following section of the Indian companies Act. 1956
a) 77 b) 78 c) 79 d) 80
- 6 Money received in advance from shareholders before it is actually called by the company is :-
a) Debited to calls in arrear b) Credited to calls in advance
c) Debited to calls in advance d) None of these.
- 7 Under the provision of companies Act. a company can issue :-
a) Only Equity share b) Only preference share
c) Preference share and equity share d) None of these
- 8 Discount on issue of shares should be shown on the :-
a) Debit side of P & I A/C b) Credit side of P & I A/C
c) Assets side of the Balance sheet d) Laib side of Balance sheet

- 9 Discount allowed on the re-issue of forfeited shares can not exceed :-
 a) 10% of the paid up Capital b) 10% of the Capital reissued
 c) The amount received on forfeited shares d) The amount not received on forfeited shares.
- 10 The portion of the Capital which can be called up only on the winding up of the company is called :-
 a) Authorised Capital b) Issued Capital
 c) Uncalled Capital d) Reserve Capital

4 Marks

1. What is shares ? State its kinds.
2. Distinguish between Reserve Capital and Capital Reserve.
3. Describe characteristics/features of a Co.
4. Name difference Kinds of share Capital
5. Make Journal entry on issue of shares to promoters.
6. Make Journal entry on issue of share to vendor at par.
7. What is forfeiture of Shares ?
8. The Director of a company forfeited 1000 shares of Rs. 10 each for non Payment of final call of Rs. 2 per share. Subsequently, these shares were reissued at Rs. 10. Pass entries.
9. JSPL was registered with a Nominal Capital of Rs. 1,00,000 divided into shares of Rs. 10 each. The Company purchased plant for Rs. 50000 from H.E.C. Ranchi. Company issued fully paid equity shares of Rs. 10 each in satisfaction of the claim at par. Pass Journal Entries.
10. Jharkhand sponge & Iron Ltd. issued 4000, 10% preference shares of Rs. 100 each, Payable Rs. 60 on application and allotment and balance on first and final call. Shares are fully subscribed and all amounts received.
Pass Journal entries.
11. Honda Co. Ltd. offers 10000 shares of Rs. 10 each to the public, payable Rs. 3 on Application, Rs.3 on Allotment and Rs. 4 on first & final call.
All the money was duly received except a holder of 200 shares who failed to pay the call.
Pass Journal Entries and show how the share Capital will appear in Co'S Balance-Sheet.
12. Alfa Ltd. forfeited 800 shares of Rs. 10 each issued at 30% premium (to be paid at the time of allotment) for non payment of a first call of Rs. 2 per shares. The second and final call of Rs.2 has not yet been called. Out of these, 200 shares were re-issued as Rs. 8 paid up for Rs. 8 per shares.
Give Journal entries for forfeiture & re-issue of shares.

8 Marks

1. a The Directors forfeited 200 shares issued to A on account of non payment of the final call of Rs. 20. These shares of Rs. 100 each were issued to B at a premium of Rs. 10 each share.
b) B's 100 shares forfeited of Rs. 100 each for non-payment of first and final call of Rs. 50 are re-issued to C for Rs. 70 per shares fully paid-up. Pass Journal entries.
2. Ram & Co. purchased machinery from Mona & Co for Rs. 4,00,000. A sum of Rs. 1,75,000 was paid by the mean of a Bank draft and the balance due to Ram & Co. issued Equity shares of Rs. 10 each at a discount of 10%.
Journalise the above transaction in the book of the company & show the items in the balance sheet of the company.
- 3 X Ltd. incited application for 20,000 shares of Rs. 10 each payable as follows : 3 on application Rs. 2 on allotment Rs. 2.50 on first call and Rs. 2.50 on Second call.
Public applied for 30,000 shares and the allotments were made as under :

To Applications for 8000 shares ----- full
To Application of 16000 shares ----- 12000 shares
To Application for 6000 shares ----- Nil

All money were duly received. Pass Journal.

4. Ding Dong Limited was registered with a Capital of Rs. 4,00,000 in shares of Rs. 100 each. It issued 2000 of such shares payable Rs. 25 per share on application; Rs. 25 on allotment. Rs. 20 on first call and the balance as and when required.

All money payable on application and allotments were duly received; but when the first call of Rs. 20 per share was made, one shareholder holding 100 shares failed to pay the amount due and another shareholder holding 200 shares paid then in full.

Record these transaction in the Journal and also prepare the opening Balance sheet of the Company.

5. X Ltd. purchased the business of Y Ltd. for 2,90,000 payable in fully paid shares of Rs. 10 each. What entries will be made in the books of X Ltd. if such issue is (i) at par (ii) at a premium of 25% and (iii) at a discount of 10%.

Show working clearly.

6. Rishab Industries Limited application for 10,000 shares of Rs. 10 each at a premium of Rs. 2 per share, Payable Rs. 3 on application Rs. 5 on allotment (Including Premium) and Rs. 4 on first & Final call.

Application were received for 15,000 shares. Allotment was made on the pro-rata basis to all the applications. All the money was duly received.

Expenses incurred on issue of Rs. 10,000. Pass Journal entries in the books of the Company.

7. Bhawna Ltd. was registered with a nominal Capital of Rs. 1,00,000 divided into shares of Rs. 10 each. The Company purchased machinery for Rs. 27000 from Singhal Bhatia. The Company issued fully paid equity share of Rs. 10 each in satisfaction of the claim. Shares of Rs. 10,000 were issued at par to the promoters for their services.

Give Journal entries of the above transaction if Bhawna Ltd. issued shares (i) at par (ii) at 20% premium (iii) at 10% discount.

8. A Company forfeits 200 shares of Rs. 10 each originally issued at a premium of Rs. 2 per share. The shareholders paid Rs. 4 per Share on application but did not pay the allotment Money of Rs. 4 per Share (Including Premium) and call of Rs. 4 per share. The shares are subsequently re-issued at Rs. 11 per share fully paid up.

Pass Journal entries for forfeiture and re-issue of forfeited Shares.

9. Pass Necessary Journal Entries for forfeiture and re-issue :-

(a) Firewell Company Ltd. forfeited 100 shares of Rs. 100 each Rs. 80 Paid for non-payment of final call of Rs. 20 per-share out of these 30 shares were re-issued for Rs. 75 per Share.

(b) A Share of Rs. 100 each. On which Rs. 80 has been called up Rs. 60 has been paid is forfeited. This share is re-issued to B @ Rs. 70 as fully paid up.

10. Give Journal entries for forfeiture and re-issue of share :

(a) X Ltd forfeited 30 shares of Rs. 10 each Rs. 7 called up on which Mahesh has paid application and allotment money of Rs. 5 per Share. Of these, 25 shares were issued to Naresh as fully paid up for Rs. 6 per Share.

(b) Y Ltd. forfeited 20 shares of Rs. 10 each (Rs. 6 called up) issued at a discount of 10% to Ram on which he has paid Rs.2 per Share. Out of there 16 Shares were-re-issued to Z as Rs. 8 called up for Rs. 6 per Share.

11. A holds 100 Shares of Rs. 10 each on which he has paid only Rs. 2.50 per shares as application money.

B who holds 200 shares of Rs 10 each, has paid Rs. 2.50 and Rs 2 per share as application and allotment money, respectively.

C. holds 300 Shares of Rs. 10 each and has paid Rs. 2.50 per Share on application, Rs. 2 per Share on allotment and Rs. 3 per Share on first call.

They failed to pay their arrears and the final call. Therefore the Directors forfeited their Shares.

These Share were subsequently re-issued for cash at a discount of 10 percent.

Record Journal entries in the books of the company to give effect to the above.

12. Pass Journal entries for the forfeiture and re-issue in the following cases :
- (i) A Ltd forfeited 400 Shares to Anil of Rs. 10 each fully called up for non-payment of final call of Rs. 2 per Share and re-issued to Sunil as fully paid for Rs. 10 Share.
 - (ii) C Ltd. forfeited 600 Shares of Rs. 10 each fully called up for non-payment of allotment money of Rs. 3 per Share. First call of Rs. 2 per Share and final call of Rs. 2 per Share. 400 of these shares were re-issued at Rs. 9 per Share, fully paid.
13. Bharat Ltd. was formed on 01.04.2014 with an authorised Capital of Rs. 40,00,000 divided into equity shares of Rs. 10 each.
- (1) The Company issued 5000 shares to its promoters on the remuneration of the services rendered by them at par.
 - (2) Company also issued shares at 10% premium to Mr. Manoj for the purchase of assets of Rs. 5,50,000 from him. Pass the Journal entries for the purchase of Assets & Share issued to promoters & Mr. Manoj.
- Also Show the items at Balance Sheet of the Bharat Ltd.
14. Pass Journal entries in the following circumstances :-
- (a) 10,000 shares of Rs. 10 each issued to the promoters at a premium of 10 % for the services rendered by them.
 - (b) A running business is purchased by the company for Rs. 4,50,000 and issued Rs. 10 fully paid shares is payment at 10% discount.
 - (c) Furniture worth Rs. 10,000 purchased by this company any from X Co Ltd. and in payment Rs. 10 equity shares of equal amount issued.

Show Working clearly.