

Chapter 8- Accounting for Share Capital

Question 1

On the 1st of April 2018, A Ltd. was formed with an authorised capital of ₹.1,00,00,000/- divided into 2,00,000 equity shares of ₹. 50/- each. The firm issued a prospectus inviting applications for 1,80,000 shares. The issue price was payable as under:

On application: ₹. 15/-

On allotment: ₹.20/-

On call: Balance amount

The issue was fully subscribed and the company allotted shares to all the applicants. The company did not make the call during the year.

Show the following:

- Share capital in the balance sheet of the company as per Schedule III, Part I of the Companies Act, 2013
- Also, prepare 'Note to Accounts' for the same.

Solution:

Balance sheet of A Ltd. (Extract) as at...

Particulars	Note No.	₹
EQUITY AND LIABILITIES		
Shareholder's Funds		
Share Capital	1	63,00,000

Note to Accounts

Share capital	
Authorised capital	
2,00,000 Equity Shares of ₹. 50/- each	1,00,00,000
Issued capital	
1,80,000 Equity Shares of ₹. 50/- each	90,00,000
Subscribed capital	
Subscribed but not Fully Paid-up	
1,80,000 Equity shares of ₹. 50/- each; ₹. 35/- called-up	63,00,000

Question 2

V Ltd. offered to the public on 1st April 2018, 1,00,000 equity shares ₹. 10/- each at par payable along with the application. Applications were received for all the shares 30th April 2018 and the shares were allotted on 15th May 2018.

Pass the necessary Journal entries in the books of the company.

Solution:

In the Books of A Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 April 30	Bank A/c	Dr.		10,00,000	
	To Equity Shares Application A/c				10,00,000
	(Being the application money received on 1,00,000 Equity Shares @ ₹. 10/- each)				
May 15	Equity Shares Application A/c	Dr.		10,00,000	
	To Equity Share Capital				10,00,000
	(Being the shares allotted and application money transferred to Equity Share Capital Account)				

Question 3

Y Co. Ltd. invited applications for 10,000 shares ₹. 10/- each. The amount is payable as ₹. 3/- on the application, ₹. 4/- on the allotment and balance ₹. 3/- on first and final call. The issue was fully subscribed and the amount was fully subscribed and the amount was duly received. Pass journal entries for the above transactions.

Solution:

In the Books of Y Co. Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
Date of Receipt	Bank A/c	Dr.		30,000	
	To Shares Application A/c				30,000
	(Being the application money received on 10,000 shares @ ₹. 3/- share)				
	Shares Application A/c	Dr.		30,000	
Date of Allotment	To Share Capital A/c				30,000
	(Being the transfer of application money on 10,000 shares to Share Capital a/c on allotment)				
Date of Allotment	Share Allotment A/c	Dr.		40,000	
	To Share Capital A/c				40,000

	(Being the allotment money due on 10,000 shares @ ₹. 4/- share)				
Date of Receipt	Bank A/c	Dr.		40,000	
	To Shares Allotment A/c				40,000
	(Being the receipt of ₹. 4/- share on 10,000 shares)				
Date of Call	Shares First and Final call A/c	Dr.		30,000	
	To Share Capital A/c				30,000
	(Being the first and final call due on 10,000 shares @ ₹. 3/- share)				
Date of Receipt	Bank A/c	Dr.		30,000	
	To Shares First and Final call A/c				30,000
	(Being the receipt of ₹. 3/- share on 10,000 shares)				

Question 4

Share Allotment Account is a,

- Expense a/c
- Liability a/c
- Asset a/c
- Income a/c

Answer: Expense a/c

Question 5

P Ltd. issued 50,000 equity shares of ₹. 10/- each at a premium of ₹. 2/- per share payable as follows:

₹. 3/- on application

₹. 6/- on the allotment

₹. 3/- on the first and final call

All the shares were applied for and duly allotted. Pass necessary journal entries.

Solution:

In the Books of P Co. Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,50,000	
	To Equity shares application A/c				1,50,000
	(Being the application money received on 50,000				

	equity shares at ₹.3/- share)				
	Equity shares application A/c	Dr.		1,50,000	
	To Equity share capital A/c				1,50,000
	(Being the transfer of application money to the equity share capital a/c on allotment)				
	Equity shares allotment A/c (50,000 X 6)	Dr.		3,00,000	
	To Equity share capital A/c (50,000 X 4)				2,00,000
	To Securities premium reserve A/c (50,000 X 2)				1,00,000
	(Being the allotment money due)				
	Bank A/c	Dr.		3,00,000	
	To Equity shares allotment A/c				3,00,000
	Being the receipt of ₹. 6/- share on 50,000 equity shares)				
	Equity shares first and final call A/c	Dr.		1,50,000	
	To Equity share capital A/c				1,50,000
	(Being the amount due on 50,000 equity shares @ ₹. 3/- share)				
	Bank A/c	Dr.		1,50,000	
	To Equity shares first and final call A/c				1,50,000
	(Being the receipt of ₹.3/- share on 50,000 equity shares)				

Question 6

When shares are forfeited, share capital a/c is debited with,

- Nominal value of shares
- Called-up value of shares
- Paid-up value of shares
- Market value of shares

Answer: Called-up value of shares

Question 7

An Ltd. issued 20,000 shares of ₹.10/- each, payable ₹. 4/- on the application, ₹. 3/- on allotment and ₹. 3/- on the first and final call. Applications were received for 25,000 shares. The company ascertained to allot 20,000 shares on the pro rata basis and surplus of application money was utilised the allotment money due.

Pass the necessary journal entries presuming that the amounts due were received.

Solution:

In the Books of A Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,00,000	
	To Share application A/c				1,00,000
	(Being the application money received on 25,000 shares @ ₹. 4/- share)				
	Shares Application A/c	Dr.		1,00,000	
	To Share capital A/c				80,000
	To Shares allotment A/c				20,000
	(Being the application money transferred to share capital A/c on 20,000 shares and excess money to allotment of adjustment)				
	Share Allotment A/c	Dr.		60,000	
	To Share capital A/c				60,000
	(Being the amount due on the allotment on 20,000 shares @ ₹. 3/- share)				
	Bank A/c	Dr.		40,000	
	To Share Allotment A/c				40,000
	(Being the amount received for allotment)				
	Share first and last call A/c	Dr.		60,000	
	To Share capital A/c				60,000
	(Being the first and final money due on 20,000 shares @ ₹. 3/- share)				
	Bank A/c	Dr.		60,000	
	To Share first and last call A/c				60,000
	(Being the amount received on first and the last call a/c)				