



ACCOUNTS

NCERT - NCERT ACCOUNTS(HINGLISH)

ACCOUNTING FOR SHARE CAPITAL

Illustration Solution

1. Mona Earth Mover Limited decided to issue 12,000 shares of Rs. 100 each payable at Rs.30 on application, Rs.40 on allotment, Rs.20 on first call and balance on second and final call. Applications were received for 13,000 shares. The directors decided to reject application of 1,000 shares and their application money being refunded in full. The

allotment money was duly received on all the shares, and all sums due on calls are received except on 100 shares.

Record the transactions in the books of Mona Earth Moves Limited

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2. Eastern Company Limited issued 40,000 shares of Rs. 10 each to the public for the subscription out of its share capital, payable as Rs. 4 on application, Rs.3 on allotment and the balance on 1st and final call. Applications were received for 40,000 shares. The company made the allotment to applicants in full. All the amounts due on allotment and first and final call were duly received.

Give the journal entries in the books of the company.

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3. Cronic Limited issued 10,000 equity shares of Rs. 10 each payable at Rs. 2.50 on application, Rs. 3 on allotment, Rs.2 on first call, and the balance of Rs. 2.50 on second and final call. All the shares were fully subscribed and paid except of a shareholder having 100 shares who could not pay for second and final call. Give journal entries to record these transactions.



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4. Konica Limited registered with an authorised equity capital of Rs. 2,00,000 divided into 2,000 shares of Rs. 100 each, issued for subscription of 1,000 shares payable at Rs.

25 per share on application, Rs. 30 per share on allotment, Rs. 20 per share on first call and the balance as and when required.

Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call.

Give the necessary journal entries in the books of the company to record these share capital transactions.



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5. Unique Pictures Limited was registered with an authorised capital of Rs. 5,00,000 divided into 20,000 5% preference shares of Rs. 10 each and 30,000 equity shares of

Rs. 10 each. The company issued 10,000 preference and 15,000 equity shares for public subscription. Calls on shares were made as under

	Equity Shares (Rs.)	Preference Shares (Rs.)
Application	2	2
Allotment	3	3
First Call	2.50	2.50
second and Final Call	2.50	2.50

All these shares were fully subscribed. All the dues were received except the second and final call on 100 equity shares and on 200 preference shares. Record these transactions in the journal. You are also required to prepare the cash book and balance sheet.



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6. Rohit & Company issued 30,000 shares of Rs.10 each payable Rs.3 on application, Rs.3 on allotment and Rs.2 on first call after two months. All money due on allotment was received, but when the first call was made a shareholder having 400 shares did not pay the first call and a shareholder of 300 shares paid the money for the second and final call of Rs.2 which had not been made as yet.

Give the necessary journal entries in the books of the company.

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7. Janta Papers Limited invited applications for 1,00,000 equity shares of Rs.25 each payable as under:

On Application	<i>Rs.</i> 5.00 per share
On Allotment	<i>Rs.</i> 7.50 per share
On First Call (due two months after allotment)	<i>Rs.</i> 7.50 per share
On second and Final Call (due two months after First Call)	<i>Rs.</i> 5.00 per share

Applications were received for 4,00,000 shares on January 01, 2017 and allotment was made on February 01, 2017.

Record journal entries in the books of the company to record these share capital transactions under each of the following circumstances:

1 The directors decide to allot 1,00,000 shares in full to selected applicants and the applications for the remaining 3,00,000 shares were rejected outright.

2.The directors decide to make a pro-rata allotment of 25 per cent of the shares applied for to every applicant, to apply the balance of application money towards amount due on allotment, and to refund the amount remaining

thereafter.

3. The directors totally reject applications for 2,00,000 shares, accept full application for 80,000 shares and make a pro-rata allotment of the 20,000 shares to remaining applicants and the excess application money is to be adjusted towards allotment and calls to be made.

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Test Your Understanding I

1. A company is an artificial person.

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2. Shareholders of a company are liable for the acts of the company.

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3. Every member of a company is entitled to take part in its management.

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4. Company's shares are generally transferable.

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5. Share application account is a personal account.

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6. The director of a company must be a shareholder.

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7. Paid up capital can exceed called up capital.

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8. Capital reserves are created from capital profits.

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9. At the time of issue of shares, the maximum rate of securities premium is 10%.

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10. The part of capital which is called up only on winding up is called reserve capital.

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11. The shares originally issued at discount may be re-issued at a premium.

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