

Forfeiture of Shares Issued at Par

Q1. X Ltd. was registered with an authorised capital of 2,00,000 shares of Rs.10 each. It purchased assets of Y Ltd. for Rs.3,00,000 and issued fully paid shares for purchase consideration. It also invited applications for 1,20,000 shares payable as under:

Rs.2.50 on application

Rs.2.50 on allotment

Rs.2 on first call and Rs.3 on final call.

Sarkar, who had been allotted 400 shares failed to pay the final call. His shares were forfeited and re-issued at Rs.8.50 per share as fully paid up. Pass entries in the Cash Book and Journal. Show the Share Capital in the Balance Sheet of the Company.

[Ans. Cash at Bank Rs. 12,02,200; Capital Reserve Rs.2,200.]

Q2. Dinesh Ltd. issued 5,000 shares of Rs. 100 each at par, payable as follows :

	Rs.
On Application	25
On Allotment	25
On First Call	20
On Final Call	30

Anil, holding 100 shares failed to pay the amount of allotment and first call and his shares were forfeited after the first call.

Sunil, holding 200 shares failed to pay the amount due on final call and his shares were also forfeited.

Show entries in the Cash Book and Journal of the Company.

[Ans. Cash at Bank Rs.4,86,500.]

Q3. Z Ltd. was registered with an authorised capital of Rs. 10,00,000 divided into 10,000 shares of Rs. 100 each. The Company offered 5,000 of these shares to the public, which were payable Rs.25 per share on application, Rs.50 per share on allotment and the balance three months later. Applications for 7,100 shares were received on which the directors allotted as follows :

Applications for 4,000 Shares	Full
Applications for 3,000 Shares	1,000
Applications for 100 Shares	Nil

Rs. 1,85,000 was realised on account of allotment money (excluding the amount carried from application money) and Rs. 1,15,000 on account of call. The Directors decided to forfeit those shares on which allotment money was overdue.

Show the entries in the company's books.

[Ans. Amount credited to Share Forfeiture Account Rs.7,500]

Q4. W Ltd. issued 10,000 shares of Rs. 100 each. During the year only Rs.80 were called payable as follows :

On Application	Rs.25
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On Allotment	Rs.20
On 1st Call	Rs.20
On 2nd Call	Rs. 15

Amounts were received as follows :

On 8,000 shares the full amount called
On 1,200 shares Rs.65 per share
On 500 shares Rs.45 per share
On 300 shares Rs.25 per share

The directors forfeited those shares on which less than Rs.65 per share were received. Show entries in the Cash Book and Journal and show the Share Capital in the Balance Sheet.

[Ans. Cash at Bank Rs.7,48,000; Amount received on Allotment Rs. 1,94,000; On First Call Rs. 1,84,000 and on Second Call Rs. 1,20,000; Balance of Share Forfeiture Account Rs.30,000; Calls in arrears Rs. 18,000.

Q5. On 1st April, 2014, Blue Heaven Ltd. was formed with an authorised capital of Rs.20,00,000 divided into 2,00,000 equity shares of Rs.10 each. The company issued prospectus inviting applications for 1,50,000 equity shares. The company received applications for 1,40,000 equity shares. During the first year, Rs.7 per share were called. Arun holding 4,000 shares and Varun holding 3,000 shares did not pay the first call of Rs.2 per share. Varun's shares were forfeited after the first call and later on 1,800 of the forfeited shares were re-issued at Rs.5 per share, Rs.7 called up.

Show the following :

- (a) Share Capital in the Balance Sheet of the company as per Schedule 111 Part I of the Companies Act, 2013.
- (b) Also prepare 'Notes to Accounts' for the same.

[Ans. Subscribed but not fully paid capital Rs.9,69,600.]

Q6 .A, who holds 200 shares of Rs.100 each, has paid only Rs.25 per share as application money.

B, who holds 300 shares of Rs.100 each, has paid Rs.25 per share on application and Rs.30 per share on allotment,

C, who holds 400 shares of Rs. 100 each, has paid Rs.25 per share on application, Rs.30 per share on allotment and Rs.20 per share on first call.

They failed to pay their arrears and the final call. Their shares were forfeited and re-issued at Rs.95 per share.

Prepare necessary journal entries.

[Ans. Capital Reserve Rs.47,000.]