

Issue; Forfeiture And Reissue Of Shares

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Fundamentals Of Accounting

Learning Objectives

After studying this unit you will be able to :

- Appreciate various types of shares and share capital
- Learn the accounting treatment if shares issued under different circumstances like at par, at discount and at premium.
- Differentiate the accounting treatment for under-subscription and over-subscription of shares.

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- Understand the concept and accounting treatment of call-in-arrears and call-in-advance.
 - Deal with the forfeiture of shares issued with different conditions.
 - Journalise the entry for re-issue of shares whether at discount or at premium.

SHARE CAPITAL

Total capital of the company is divided into a number of small indivisible units of a fixed amount and each such unit is called a **share**. The fixed value of a share, printed on the share certificate, is called nominal/ par / face value of a share. However, a company can issue shares at a price different from the face value of a share.

Categories

As per SEBI guidelines, a company is free to price its issue, if it has a three years track record of consistent profitability and in case of new company, if it is promoted by a company with a five years track record of consistent profitability.

- (i) Authorised Share Capital
- (ii) Issued Share Capital

(iii) Subscribed Share Capital

(iv) Called-up Share Capital

(v) Paid-up Share Capital

(vi) Reserve Share Capital

Reserve Capital is different from Capital reserve, Capital reserves are part of 'Reserves and Surplus' and refer to those reserves which are not available for declaration of dividend.

Types of Shares

Share issued by a company can be divided into following categories:

(i) Preference Shares

They enjoy preferential rights in the matter of:

(a) Payment of dividend, and

(b) Repayment of capital

Types of Preference Shares

Preference shares can be of various types, which are as follows :

- (a) Cumulative Preference Shares
- (b) Non-cumulative Preference Shares
- (c) Participating Preference Shares
- (d) Non-participating Preference Shares
- (e) Redeemable Preference Shares

- (f) Non-redeemable Preference Shares
- (g) Convertible Preference Shares
- (h) Non-convertible Preference Shares

(ii) Equity Shares

The shares can be issued by a company either

- (1) For cash or
- (2) For consideration other than cash.

NOTE

A public limited company cannot make any allotment of shares unless the amount of minimum subscription stated in the prospectus has been subscribed and the sum payable as application money for such shares has been paid to and received by the company.

As per guidelines of the Securities Exchange Board of India (SEBI), a company must receive a minimum of 90% subscription

Against the entire issue (including devolvement on underwriters in case of underwritten issue) before making any allotment of shares or debentures to the public.

The minimum application money to be paid by an applicant alongwith the application money shall not be less than 25% of the issue price. Companies (Amendment) Bill, 2003 require application money to be not less than

25% of the nominal value of security. Thus, the issue price of shares is generally received by the company in installments and these instalments are known as under:

First Instalment		Application Money
Second Instalment		Allotment Money
Third Instalment		First Call Money
Fourth Instalment		Second Call Money and so on.
Last Instalment		Final Call Money

JOURNAL ENTRIES FOR ISSUE OF SHARES FOR CASH

Upon the issue of share capital by a company, the undermentioned entries are made in the financial books:

(1) On receipt of the application money

Bank Account

Dr. (with the actual
amount received)

To Shares Application
Account

(2) On allotment of share
Share Allotment Account

Dr. (With the amount
due on allotment)

Share Application Account

Dr. (With the
application amount
received on allotted
shares.)

To Share Capital
Account

(With the amount due
on allotment and
application)

(3) On receipt of allotment money

Bank Account

Dr. (with the amount
actually received on
allotment.)

To Share Allotment
Account

Sometimes separate Application and Allotment Accounts are not prepared and entries relating to application and allotment monies are passed

through a combined Application and Allotment Account.

(4) On a call being made

Share Call Account

Dr. (with the amount
due on the call.)

To Share Capital
Account

(5) On receipt of call money

Bank Account

Dr. (with the due amount
actually received on call)

To Share Call Account

Illustration 1

The Delhi Artware Ltd. issued 500 equity shares of Rs. 100 each and 1,000 preference shares of Rs. 100 each. The Share Capital was to be collected as under:

	Equity Shares Rs.	Preference Shares Rs.
On Application	25	20
On Allotment	20	30

First Call	30	20
Final Call	25	30

All these shares were subscribed. Prepare the cash book and journalise the remaining transactions in the books of the company.

Solution

Delhi Artware Ltd. Cash Book

Dr.	Rs.		Cr. Rs.
To Equity Shares application & Allotment Account (application money on 500 shares at Rs. 25)	12,500	By Balance c/d	1,44,400

To Preference Share Application & Allotment A/c (application money on 1,000 shares at Rs. 20)	20,000		
To Equity Share Applications & Allotment A/c (allotment money on 1,000 shares at Rs. 20)	10,000		
To Preference Share Application & Allotment A/c (allotment money on 1,000 shares at Rs. 30)	30,000		

To Equity Shares First Call A/c (Rs. 30 on 500 shares)	15,000		
To Preference Share First Call A/c (Rs.20 on 1,000 shares)	20,000		
To Equity Shares Final Call A/c (Rs.25 on 420 shares)	10,500		
To Preference Share Final A/c (Rs. 30 on 880 shares)	26,400		
To Balance b/d	<u>1,44,400</u>		1,44,000
	<u>1,44,000</u>		

Journal

	Dr. Rs.	Cr. Rs.
Equity Share Application & Allotment A/c To Equity Share Capital A/c	Dr. 22,500	22,500
Preference Share Application & Allotment A/c To Preference Share Capital A/c	Dr. 50,000	50,000

Equity Share First Call A/c	Dr.	15,000	
To Equity Share Capital A/c			15,000
Preference Share First Call A/c	Dr.	20,000	
To Preference Share Capital A/c			20,000
Equity Share Final Call A/c	Dr.	12,500	
To Equity Share Capital A/c			12,500
Preference Share Final Call A/c	Dr.	30,000	
To Preference Share Capital A/c			30,000

Section 79

According to Section 79, a company is permitted to issue shares at a discount provided the following conditions are satisfied:

(a) The issue of shares at a discount is authorised by an ordinary resolution passed by the company at its general meeting and sanctioned by the Company Law Board.

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- (b) The resolution must specify the maximum rate of discount at which the shares are to be issued but the rate of discount must not exceed 10 per cent of the nominal value of shares.
 - (c) At least one year must have elapsed since the company was entitled to commence the business.

(d) The shares are of a class, which has already been issued.

(e) The shares are issued within two months from the date of receiving sanction for the same from the Government

Therefore, the journal entry to record discount on the issue of shares is as given below:

Entry for Discount

Share Allotment A/c Dr.

Discount on the issue of Shares A/c Dr.

To Share Capital A/c

(Amount due on allotment of _____ Shares
@ Rs. _____ per share and _____ discount on
issue brought into account)

Section 78

When shares are issued at a premium, the premium amount is credited to a separate account called “*Securities Premium Account*” because it is not a part of share capital.

According to Section 78 of the Companies Act, 1956, Securities Premium Account may be used by the company

- (a) In paying up un-issued securities of the company to be issued to members of the company as fully paid bonus securities.

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- (b) To write off preliminary expenses of the company.
 - (c) To write off the expenses of, or commission paid, or discount allowed on any of the securities or debentures of the company.
 - (d) To pay premium on the redemption of preference securities or debentures of the company. When shares are issued at a premium, the journal entries are as follows:

Entry for issue at premium

(a) Premium amount called with Application money.

(i) Bank A/c

Dr. [Total Application money
+Premium Amount]

To Share Application
A/c

[Amount Received]

[Money received on
applications for_____

Shares @ Rs. _____ per
Share including premium

(ii) Share Application A/c

Dr. [No. of Shares
Applied for x
Application Amount
per share]

To Securities Premium A/c

[No. of Shares
allotted x Premium
Amount per share]

To Share capital A/c

[No. of Shares
allotted x per share
for capital]

(b) Premium Amount called
with Allotment Money

(i) Share Allotment A/c Dr.

[No. of Shares
Allotted x Allotted and
Premium Money per
share]

To Share Capital A/c

[No. of Shares
Allotted x Allotment
Amount per share]

To Securities Premium A/c

[No. of Share
Allotted x Premium
Amount per share]

(Amount due on allotment of
Shares @ Rs._____per share
including premium)

(ii) Bank A/c Dr.

To Share Allotment A/c

(Money received including
premium consequent upon
allotment)

Illustration 2

JHP Limited is a company with an authorised share capital of Rs. 10,00,000 in equity shares of Rs. 10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2005. The company proposed to make a further issue of 1,00,000 of these Rs. 10 shares at a price of Rs. 14 each, the arrangements for payment being :

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- (a) Rs. 2 per share payable on application, to be received by 1st July, 2005;
 - (b) Allotment to be made on 10th July, 2005 and a further Rs. 5 per share (including the premium to be payable;
 - (c) The final call for the balance to be made, and the money received by 30th April, 2006.

Application were received for 3,55,000 shares and were dealt with as follows:

- (i) Applicants for 5,000 shares received allotment in full;
- (ii) Applicants for 30,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

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- (iii) Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
 - (iv) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the Journal of JHP Limited.

Solution

Journal of JHP Limited

Date 2005	Particulars		Dr. Rs.	Cr. Rs.
July 1	Bank A/c (Note 1-Column 3) To Equity Share Application A/c	Dr.	7,10,000	7,10,000
July 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c	Dr.	7,10,000	2,00,000 4,30,000

	(Note 1 Column 5) To Bank A/c (Note 1-Column 6)			80,000
	Equity Share Allotment A/c	Dr.	5,00,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium A/c			4,00,000
	Bank A/c (Note 1- Column 8)	Dr.	70,000	
	To Equity Share Allotment A/c			70,000

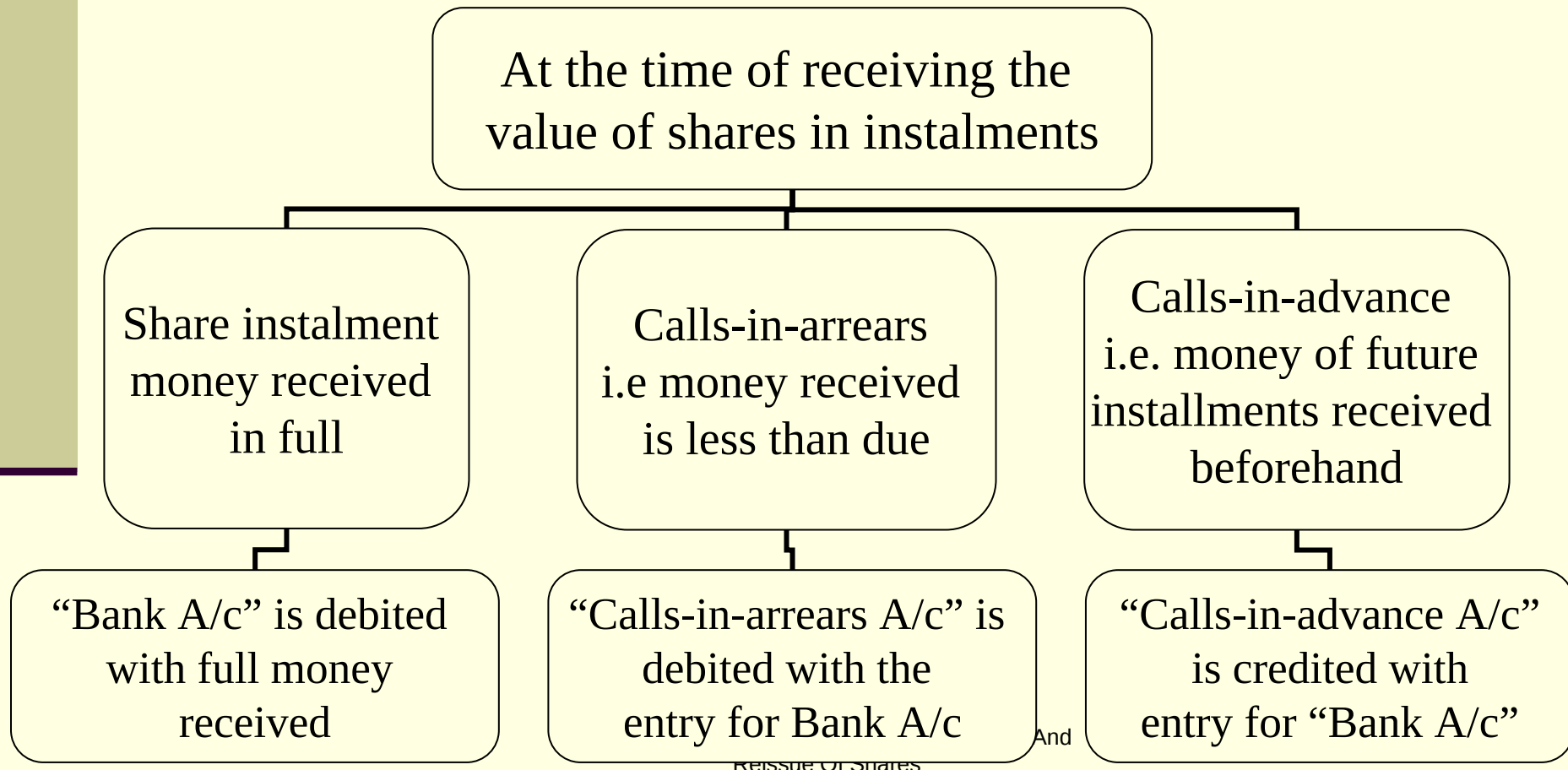
2006 ?	Equity Share Final Call A/c To Equity Share Capital A/c	Dr.	7,00,000	7,00,000
April 30	Bank A/c To Equity Share Final Call A/c	Dr.	7,00,000	7,00,000

Working Notes:

(1) Calculation for Adjust. and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount Adjusted on Allotment	Refund [3-4+5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	5,000	5,000	10,000	10,000	-	Nil	25,000	25,000
(ii)	30,000	15,000	60,000	30,000	30 k	Nil	75,000	45,000
(iii)	3,20,000	80,000	6,40,000	1.6 lacs	4 lacs	80,000	4 lacs	-
Total	3,55,000	1 lacs	7,10,000	2 lacs	4.3 lacs	80,000	5 lacs	70,000

Calls-In-Arrears and Calls-In Advance



CALLS-IN-ARREARS

Sometimes shareholders fail to pay the amount due on allotment or calls. The total unpaid amount on one or more instalments is known as *Calls-in-Arrears or Unpaid Calls*. Such amount represents the uncollected amount of capital from the shareholders; hence, it is shown by way of deduction from 'called-up capital' to arrive at paid up value of the share capital to be shown in the balance sheet.

Entry

For recording 'Calls-in-Arrears', the following journal entry is recorded :

Calls-in-Arrears A/c	Dr. [Amount of Unpaid Calls]
To Share Allotment A/c	
To Share Calls A/c	

The Articles of Association of a company usually empower the directors to charge interest at a stipulated rate on calls - in-arrears. According to

Table A interest at the rate of 5 per cent per annum is to be charged on unpaid calls for the period intervening between the due date of the call and the time of actual payment.

The Journal entries for calls-in-arrears are as follows:

(i) For interest receivable on calls-in-arrears

Shareholders' A/c	Dr.
To Interest on Calls-in-arrears A/c	

Calls in Advance

(ii) For receipt of interest

Bank A/c

Dr.

To Shareholders' A/c

CALLS-IN-ADVANCE

Some shareholders may sometimes pay a part, or whole of the amount not yet called up, such amount is known as Calls-in-advance. According to Table A, interest at the rate of 6 percent is to be paid on such advance call money.

Bank A/c

Dr.

To Call-in-Advance A/c

When calls become actually due, calls-in-advance account is adjusted at the time of the call. For this the following journal entry is recorded:

Calls-in-Advance A/c

Dr. [Call amount
due]

The balance in Calls-in-Advance account is shown as a separate item on the liabilities side of the company's balance sheet under the heading

‘Share Capital’ but is not added to the amount of paid-up capital.

The accounting treatment of interest on Calls-in-Advance is as follows:

(i) Interest Due

Interest on Calls-in

Advance A/c

Dr. [Amount of interest
due for payment

To Shareholder's A/c

(ii) Payment of Interest

Shareholder's A/c

Dr. [Amount of interest
paid

To Bank A/c

(Interest paid on calls-in-advance)

Forfeiture of shares which were issued at par

In this case, Share Capital Account will be debited with the called-up value of shares forfeited. Allotment or Calls Account will be credited with the amount due but not paid by the shareholder(s). (Alternatively, Calls-in-Arrears Account can be credited for all amount due, if it was transferred to Calls-in-Arrears Account). *Forfeited Shares Account or Shares Forfeiture*

Account will be credited with the amount already received in respect of those shares.

Share Capital Account Dr.	[No. of Shares X called-up value per share
To Forfeited Shares Account	[Amount already received on forfeited shares]

To Share Allotment Account	[If amount due, but not paid]
To Share First Call Account	[If amount due, but not paid]
To Share Final Call Account	[If amount due, but not paid]

Where all amounts due on allotment, first call and final call have been transferred to Calls-in-Arrears

Account, the entry will be :
Share Capital Account Dr.

[No. of Shares o
called-up value
per share

To Calls-in-Arrear
Account

[Total amount
due, but not paid

To Forfeited Shares
Account

[Amount received

Illustration

A Ltd forfeited 300 equity shares of Rs.10 fully called-up, held by Mr. X for non-payment of final call @ Rs. 4 each. However, he paid application money @ Rs. 2 per share and allotment money @ Rs. 4 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture.

Solution

In the books of A Ltd.

Date	Journal Particulars		Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c (300 x Rs.10)	Dr.	3,000	
	To Equity Share Final Call A/c (300 x Rs. 4)			1,200
	To Forfeited Shares A/c (300 x Rs. 6)			1,800
	(Being the forfeiture of 300 equity shares of Rs. 10 each fully called-up for non-payment of final call money @ Rs. 4 each as per Board's Resolution No.....dated.....)			

Illustration

X Ltd forfeited 200 equity shares of Rs. 10 each, Rs. 8 called-up for non-payment of first call money @ Rs. 2 each. Application money @ Rs. 2 per share and allotment money @ Rs. 4 per share have already been received by the company. Give Journal Entry for the forfeiture (assume that all money due is transferred to Calls-in-Arrears Account).

Solution

In the books of X Ltd.

Date	Journal Particulars		Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c (200 x Rs. 8) To Calls-in-Arrears A/c (200 x Rs. 2) To Forfeited Shares A/c (200 x Rs. 6) (Being the forfeiture of 200 equity shares of Rs. 10 each, Rs. 8 called-up for non- payment of first call money @ Rs. 2 each as per Board's Resolution No.....dated.....)	Dr.	1,600	400 1,200

Forfeiture of shares which were issued at a Discount

In this case also Share Capital Account will be debited with the called-up value of shares forfeited, Allotment or Calls Account will be credited with the amount due but not paid by the shareholder(s). (Alternatively, Calls-in-Arrears Account can be credited). Forfeited Shares Account will be credited with the amount already received in respect of those shares.

Entry

When shares are issued at a discount, the Discount Account is debited. Therefore, at the time of forfeiture of such share, Discount Account will be credited to cancel it.

Share Capital Account	Dr.	[No. of shares x called-up value per share]
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To Share Allotment
Account

[if amount due,
but not paid]

To Share First Call Account

[If amount due,
but not paid]

To Share Final Call Account

[If amount due,
but not paid]

To Forfeited Shares Account

[Amount
received on
forfeited shares]

To Discount on Issue of
Shares Account

[No. of shares x
discount per
share]

Illustration

H.P. Ltd. forfeited 200 equity shares of Rs. 10 each fully called-up for non-payment of final call @ Rs. 2 per share. These shares were originally issued at a discount of 10%. Application, allotment and first call money per share @ Rs. 2, Rs. 3 and Rs. 2 respectively were received in time. Give Journal Entry for the forfeiture.

Solution

In the books of H.P Ltd.

Date	Particulars		Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c (200 x Rs. 10) To Equity Share Final Call A/c (200 x Rs. 2)	Dr.	2,000	400
	Forfeited Shares A/c (200 x Rs. 7)	To		1,400
	Discount on Issue of Shares A/c (200 x Rs. 1)			200
	(Being the forfeiture of 200 equity shares of Rs. 10 each, Rs. 8 called-up for non-payment of first call money @ Rs. 2 each as per Board's Resolution No.....dated.....)			

Forfeiture of shares which were issued at a premium

In this case, Share Capital Account will be debited with the called-up value of shares forfeited. If the premium on such shares has not been paid by the shareholder, the Securities Premium Account will be debited to cancel it (if it was credited earlier). Allotment, Calls and Forfeited Accounts will be credited in the usual manner.

Note

If the premium has already received by the company, it cannot be cancelled even if the shares are forfeited in the future

Illustration

X Ltd. Forfeited 500 equity shares of Rs. 10 each fully called-up which were issued at a premium of 20%. Amount payable on shares were: on application Rs. 2; on allotment Rs. 5 (including premium) on First and Final call Rs. 5. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture.

Solution

In the books of X Ltd.

Date	Journal Particulars		Dr. Rs.	Cr. Rs.
	Equity Share Capital A/c (500 x Rs. 10)	Dr.	5,000	
	Securities Premium A/c (See Note)	Dr.	1,000	
	To Equity Share Allotment A/c (500 x Rs. 2)			2,500
	To Equity Share First and Final Call A/c (500 x Rs. 5)			2,500
	To forfeited Shares A/c (500 x Rs. 2)			1,000

Re-Issue of Forfeited Shares

A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but

Only a sale. When shares are re-issued, return of the forfeited shares need not be filed under Section 75(1) of the Companies Act, 1956.

The share, after forfeiture, in the hands of the company is subject to an obligation to dispose it of. In practice, forfeited shares are disposed off by auction. These shares can be re-issued at any price so long as the total amount received (from the original allottee and the second purchaser) for those shares is not less than the amount in arrear on those shares.

Accounting Entries

(a) Bank Account	Dr. [Actual amount received]
Forfeited Shares Account	Dr. [Loss on re-issue]
To Share Capital Account	

(Being the re-issue ofshares @ Rs..... Each as per Board's Resolution No.... Dated.)

(b) Forfeited Shares Account Dr.
 To Capital Reserve Account
(Being the profit on re-issue, transferred to
capital reserve).

Illustration

A holds 200 shares of Rs. 10 each on which he has paid Rs. 2 as application money. B holds 400 shares of Rs. 10 each on which he has paid Rs. 2 per share as application money and Rs. 3 per share as allotment money. C holds 300 shares of Rs. 10 each and has paid Rs. 2 on application, Rs. 3 on allotment and Rs. 3 for the first call. They all fail to pay

their arrears on the second and final call of Rs. 2 per share and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for Rs. 12 per share fully paid-up. Journalise the transactions relating to the forfeiture and re-issue.

Solution

Journal

Date	Journal Particulars		Dr. Rs.	Cr. Rs.
	Share Capital A/c (900 x Rs. 10)	Dr.	9,000	
	To Share Allotment A/c			600
	To Share First Call A/c			1,800
	To Share Final Call A/c			1,800
	To Forfeited Shares A/c			4,800
	(Being forfeiture of 900 shares of Rs. 10 each for non-payment of allotment, first and final call money as per Board's Resolution No.....dated.....)			

Bank A/c (900 x Rs. 12) To Share Capital A/c To Securities Premium A/c (Being the re-issue of 900 shares of Rs. 10 each @ Rs. 12 as per Board's Resolution No.....dated....)	Dr.	10,800	9,000 1,800
<u>Forfeited Shares A/c</u> To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve).	Dr.	4,800	4,800

Working Note

Shareholder	Money Received				Money Not Received on		
	Applicati on	Allotment	First Call	Final Call	Allotment	First Call	Final Call
A	200	-	-	-	200	200	200
B	400	400	-	-	-	400	400
C	300	300	300	-	-	-	300
TOTAL	900	700	300	-	200	600	900
Money Receivable	Rs.2	Rs.3	Rs.3	Rs. 2	Rs. 3	Rs.3	Rs.2
	Rs.1,800	Rs. 2,100	Rs. 900	-	Rs. 600	Rs. 1,800	Rs. 1,800

Issue of shares for consideration other than cash

Public limited companies, generally, issue their shares for cash and use such cash to buy the various types of assets needed in the business. Sometimes, however, a company may issue shares in a direct exchange for land, buildings or other assets. Shares may also be issued in payment for services rendered by promoters, lawyers in the formation of the

company. In the Balance Sheet, these shares should be shown separately.

Within one month of allotment, the company must produce before the Registrar a written contract of sale of service in respect of which shares have been allotted.

Accounting Entries

(a) When assets are purchased in exchange of shares

Assets Account Dr.

To Share Capital Account

(b) When shares are issued to promoters

Goodwill Account Dr.

To Share Capital Account

MCQ 1

1. The excess price received over the par value of shares, should be credited to _____.
(a) Calls-in-advance account
(b) Share capital account
(c) Reserve capital account
(d) Share premium account

MCQ 2

2. Which of the following statements is **false** ?

- (a) The forfeited shares should not be issued at a premium.
- (b) At the time of forfeiture of shares, share premium should not be debited with the amount of premium already received
- (c) Shares can be issued at a discount only after one year from the commencement of business
- (d) Share premium cannot be utilized to redeem preference shares

MCQ 3

3. When shares are issued to promoters for the services offered by them, the account that will be debited with the nominal value of shares is _____.

- (a) Preliminary expenses
- (b) Goodwill
- (c) Asset account
- (d) Share capital

MCQ 4

4. The directors of E Ltd. made the final call of Rs. 30 per share on May 15, 2004 indicating the last date of payment of call money to be May 31, 2004. Mr. F, holding 5,000 shares paid the call money on July 15, 2004.

if the company adopts Table A, the amount of interest on calls-in-arrear to be paid by Mr.F = ?

(a) Rs. 625.00

(b) Rs. 937.50

(c) Rs. 750.00

(d) Rs. 1,125.00

MCQ 5

5. How much is B Ltd.'s authorized share capital ?

- (a) Rs. 1,00,00,000
- (b) Rs. 90,00,000
- (c) Rs. 85,00,000
- (d) Rs. 68,00,000

MCQ 6

6. How much is B Ltd.'s Issued Capital ?

(a) Rs. 1,00,00,000

(b) Rs. 90,00,000

(c) Rs. 85,00,000

(d) Rs. 68,00,000

MCQ 7

7. How much is B Ltd.'s Subscribed Capital?

(a) Rs. 1,00,00,000

(b) Rs. 90,00,000

(c) Rs. 85,00,000

(d) Rs. 68,00,000

MCQ 8

8. How much is B Ltd.'s Called Up Capital ?

(a) Rs. 1,00,00,000

(b) Rs. 90,00,000

(c) Rs. 85,00,000

(d) Rs. 68,00,000

MCQ 9

9. How much is B Ltd.'s Paid Up Capital ?

- (a) Rs. 1,00,000
- (b) Rs. 90,00,000
- (c) Rs. 85,00,000
- (d) Rs. 67,50,000

MCQ 10

10. Which type of the following shares have the right to receive dividends unpaid in prior years, whenever earnings become adequate?

- (a) Cumulative preference shares
- (b) Participating preference shares
- (c) Convertible preference shares
- (d) Callable preference shares

MCQ 11

11. Which of the following statements is **false**?

- (a) Interest on calls-in-advance is paid from the date of receipt of advance to the date of relevant call
- (b) Interest on calls-in-advance is paid from the date of receipt of advance to the date of appropriation to the relevant call
- (c) Interest on calls-in-advance is paid at the rate of 6% p.a.
- (d) Payment of interest on calls-in-advance is at the discretion of the company

MCQ 12

12. T Ltd. proposed to issue 6,000 equity shares of Rs. 100 each at a premium of 40%. The minimum amount of application money to be collected per share = ?

(a) Rs. 5.00

(b) Rs. 6.00

(c) Rs. 7.00

(d) Rs. 8.40

MCQ 13

13. Dividends are usually paid as a percentage of _____.

- (a) Authorized share capital
- (b) Net profit
- (c) Paid-up capital
- (d) Called-up capital

MCQ 14

14. A company forfeited 2,000 shares of Rs.10 each (which were issued at par) held by Mr. John for non-payment of allotment money of Rs. 4 per share. The called-up value per share was Rs. 9. On forfeiture, the amount debited to share capital = ?

(a) Rs. 10,000

(b) Rs. 8,000

(c) Rs. 2,000

(d) Rs. 18,000

MCQ 15

15. If forfeited shares (which were originally issued at a discount) are reissued at a premium, the amount of such premium will be credited to _____.
- (a) Share forfeiture account
 - (b) Share premium account
 - (c) Capital reserve account
 - (d) Discount on issue of shares account

MCQ 16

16. The maximum amount beyond which a company is not allowed to raise funds, by issue of shares is its' _____.

- (a) Issued capital
- (b) Reserve capital
- (c) Nominal capital
- (d) Subscribed capital

MCQ 17

17. On issue of shares, the application money should not be less than

- (a) 2.5% of the nominal value of shares
- (b) 2.5% of the issue price of shares
- (c) 5.0% of the nominal value of shares
- (d) 5.0% of the issue price of shares

MCQ 18

18. Declared dividend should be classified in the Balance Sheet as a_____.

- (a) Provision
- (b) Current liability
- (c) Reserve
- (d) Current asset

MCQ 19

19. The interest on calls-in-advance is paid for the period from the _____.
- (a) Date of receipt of application money to the date of appropriation.
 - (b) Date of receipt of allotment money to the date of appropriation.
 - (c) Date of receipt of advance to the date of appropriation.
 - (d) Date of appropriation to the date of dividend payment.

MCQ 20

20. As per Schedule VI of the Companies Act, 1956, under which of the following heads is 'Premium on issue of Preference Shares' shown in the balance sheet of a company?
- (a) Miscellaneous expenditure
 - (b) Debentures
 - (c) Reserves and surplus
 - (d) Current liabilities and provisions

MCQ 21

21. Which of the following signifies the difference between par value and an issue price below par?
- (a) Securities premium
 - (b) Discount on issue of shares
 - (c) Calls in arrear
 - (d) Calls in advance

MCQ 22

22. The excess price received over the par value of shares, should be credited to

- (a) Calls-in-advance account
- (b) Share capital account
- (c) Reserve capital account
- (d) Securities premium account

MCQ 23

23. On approval from the Central Government, the rate of discount on issue of shares can be _____percent of the nominal value of the shares.

(a) 10

(b) 20

(c) 15

(d) 5

MCQ 24

24. This Share Premium Account should be shown under

- (a) Share Capital
- (b) Current Liabilities
- (c) Current Assets
- (d) Reserves and Surplus

MCQ 25-35

Use the following information for questions 25 to 35

D Ltd. issued 2,00,000 shares of Rs. 100 each at a premium of Rs. 20 per share payable as follows:

On application	Rs.20
On allotment	Rs. 50 (including premium)
On first call	Rs. 30
On Second and final call	Rs. 20

Applications were received for 3,00,000 shares and pro rata allotment was made to applicants of 2,40,000 shares. Money excess received on application was employed on account of sum due on allotment as part of share capital. E, to whom 4,000 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited and F, the holder of

6,000 shares failed to pay the two calls and his shares were forfeited after the second call. Of the forfeited shares, 8,000 shares were reissued to G at a discount of 10%, the whole of E's forfeited shares being reissues.

MCQ 25

25. Amount received on application = _____

- (a) Rs. 40,00,000
- (b) Rs. 60,00,000
- (c) Rs. 48,00,000
- (d) Rs. 2,40,00,000

MCQ 26

26. Application money adjusted against allotment = _____.

- (a) Rs. 20,00,000
- (b) Rs. 16,00,000
- (c) Rs. 12,00,000
- (d) Rs. 8,00,000

MCQ 27

27. Amount refunded to shareholders = _____.

(a) Rs. 20,00,000

(b) Rs. 16,00,000

(c) Rs. 12,00,000

(d) Rs. 8,00,000

MCQ 28

28. Total amount paid by E = _____.

- (a) Rs. 80,000
- (b) Rs. 3,00,000
- (c) Rs. 4,20,000
- (d) Rs. 1,44,000

MCQ 29

29. Total amount paid by F = _____.

- (a) Rs. 80,000
- (b) Rs. 3,00,000
- (c) Rs. 4,20,000
- (d) Rs. 1,44,000

MCQ 30

30. Total amount paid by G = _____.

(a) Rs. 7,20,000

(b) Rs. 8,00,000

(c) Rs. 8,80,000

(d) Rs. 8,64,000

MCQ 31

31. Amount transferred to Share forfeiture account at the time of forfeiting E's shares = _____.

- (a) Rs. 80,000
- (b) Rs. 1,00,000
- (c) Rs. 3,00,000
- (d) Rs. 96,000

MCQ 32

32. Amount transferred to Share forfeiture account at the time of forfeiting F's shares = _____.

- (a) Rs. 80,000
- (b) Rs. 3,00,000
- (c) Rs. 4,20,000
- (d) Rs. 1,44,000

MCQ 33

33. Net balance in Share Capital Account =

_____.

- (a) Rs. 2,00,00,000
- (b) Rs. 2,08,00,000
- (c) Rs. 2,04,00,000
- (d) Rs. 1,98,00,000

MCQ 34

34. Net balance in Securities Premium Account
= _____.

- (a) Rs. 39,20,000
- (b) Rs. 39,28,000
- (c) Rs. 39,36,000
- (d) Rs. 39,44,000

MCQ 35

35. Net balance in Share Forfeiture Account = _____.

- (a) Rs. 1,00,000
- (b) Rs. 3,00,000
- (c) Rs. 96,000
- (d) Rs. 3,96,000

THE END

*Issue; Forfeiture And
Reissue Of Shares*