

2. Complete the missing (?) figures in the following Extract of Balance Sheet:

BALANCE SHEET OF MORNING STORES LTD. (EXTRACT) as at..

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	?

**Note to Accounts**

Particulars	₹
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
4,00,000 Equity Shares of ₹ 10 each	?
10,000 Preference Shares of ₹ 100 each	?
	?
<b>Issued Capital</b>	
3,00,000 Equity Shares of ₹ 10 each	?
10,000; 10% Preference Shares of ₹ 100 each	?
	?
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
2,70,000 Equity Shares of ₹ 10 each	?
<b>Subscribed but not Fully Paid-up</b>	
10,000; 10% Preference Shares of ₹ 100 each; ₹ 80 called-up	?
	?

**Solution:**

BALANCE SHEET OF MORNING STORES LTD. (EXTRACT) as at..

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	35,00,000

**Note to Accounts**

Particulars	₹
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
4,00,000 Equity Shares of ₹ 10 each	40,00,000
10,000 Preference Shares of ₹ 100 each	10,00,000
	50,00,000
<b>Issued Capital</b>	
3,00,000 Equity Shares of ₹ 10 each	30,00,000
10,000; 10% Preference Shares of ₹ 100 each	10,00,000
	40,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
2,70,000 Equity Shares of ₹ 10 each	27,00,000
<b>Subscribed but not Fully Paid-up</b>	
10,000; 10% Preference Shares of ₹ 100 each; ₹ 80 called-up	8,00,000
	35,00,000

3. (Business Purchase and Issue of Shares to Vendor).

Complete the following Journal entries:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	...Dr.	4,00,000	
	Building A/c	...Dr.	4,00,000	
	Sundry Debtors A/c	...Dr.	3,00,000	
	Stock A/c	...Dr.	5,00,000	
	Bank A/c	...Dr.	2,00,000	
	To Sundry Creditors A/c			2,00,000
	To ?			13,00,000
	To ?			?
	(Assets and liabilities of M/s. Maheshwari Brothers taken over)			
	? ..Dr.		?	
	To ?			?
	To ?			?
	(Payment made by issue of 10,000, 10% Preference Shares of ₹ 100 each at a premium of 30%)			

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	...Dr.	4,00,000	
	Building A/c	...Dr.	4,00,000	
	Sundry Debtors A/c	...Dr.	3,00,000	
	Stock A/c	...Dr.	5,00,000	
	Bank A/c	...Dr.	2,00,000	
	To Sundry Creditors A/c			2,00,000
	To <b>M/s. Maheshwari Brothers</b>			13,00,000
	To <b>Capital Reserve A/c (Balancing Figure)</b>			<b>3,00,000</b>
	(Assets and liabilities of M/s. Maheshwari Brothers taken over)			
	<b>M/s. Maheshwari Brothers</b> ..Dr.		<b>13,00,000</b>	
	To <b>10% Preference Share Capital A/c</b>			<b>10,00,000</b>
	To <b>Securities Premium A/c</b>			<b>3,00,000</b>
	(Payment made by issue of 10,000, 10% Preference Shares of ₹ 100 each at a premium of 30%)			

4. Alankrit Ltd. purchased machinery of ₹ 10,00,000 from Grand Iron Works Ltd. and paid as follows:

- Issued 50,000 Equity Shares of ₹ 10 each at a premium of ₹ 2.
- Gave an acceptance of ₹ 3,00,000 payable after 3 months; and
- Balance by issuing post-dated cheque of two months of ₹ 1,00,000.

Pass the Journal entries in the books of Alankrit Ltd. and Grand Iron Works Ltd.

5. Bee Ltd. Company forfeited 100 Equity Shares of the face value of ₹ 10 each, ₹ 6 per share called-up, for non-payment of first call of ₹ 2 per share. The forfeited shares were subsequently reissued as fully paid-up @ ₹ 7 each.

Give necessary entries in the company's Journal.

[Ans.: Capital Reserve—₹ 100.]

6. New Company Ltd. has a nominal capital of ₹ 2,50,000 in shares of ₹ 10. Of these, 4,000 shares were issued as fully paid in payment of building purchased, 8,000 shares were subscribed by the public and during the first year ₹ 5 per share were called-up, payable ₹ 2 on application, ₹ 1 on allotment, ₹ 1 on first call and ₹ 1 on second call. The amounts received in respect of these shares were:

On 6,000 shares	Full amount called,
On 1,250 shares	₹ 4 per share,
On 500 shares	₹ 3 per share,
On 250 shares	₹ 2 per share.

The Directors forfeited the 750 shares on which less than ₹ 4 had been paid. The shares were subsequently reissued at ₹ 3 per share.

Pass Journal entries recording the above transactions and prepare the company's Balance Sheet.

[Ans.: Capital Reserve—₹ 500; Balance Sheet Total—₹ 79,250.]

7. Super Star Ltd. issued a prospectus inviting applications for 2,000 shares of ₹ 10 each at a premium of ₹ 2 per share, payable as:

On application	—	₹ 3 per share (including ₹ 1 premium),
On allotment	—	₹ 4 per share (including ₹ 1 premium),
On first call	—	₹ 3 per share,
On second and final call	—	₹ 2 per share.

Applications were received for 3,000 shares and *pro rata* allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment. Ramesh, to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Rajesh, who applied for 72 shares failed to pay the two calls and on such failure, his shares were forfeited.

Of the shares forfeited, 80 shares were sold to Krishan credited as fully paid-up for ₹ 9 per share, the whole of Ramesh's shares being included.

Give Journal entries to record the above transactions (including cash transactions).

[Ans.: Capital Reserve—₹ 224.]

8. Arti Ltd. offered for subscription 20,000 shares of ₹ 10 each payable ₹ 3 on application, ₹ 5 on allotment and balance on first and final call. Applications were received for 30,000 shares. Letters of regret were issued to applicants for 5,000 shares and their application money was refunded. Application money for other 5,000 shares was applied towards the payment for allotment money. The balance of allotment money was also received in due time. Company didn't make first and final call.

You are to prepare the Journal, Cash Book, Ledger Accounts and show 'Share Capital' in the Balance Sheet of the company.

[Ans.: Total of Cash Book—₹ 1,75,000; Subscribed Capital—₹ 1,60,000.]

9. U.P. Sugar Works Ltd. was registered on 1st January, 2019 with an authorised capital of ₹ 15,00,000 divided into 15,000 shares of ₹ 100 each. The company issued on 1st April, 2019, 5,000 shares of ₹ 100 each at a premium of ₹ 5 per share payable ₹ 25 per share on application, ₹ 30 (including premium) on allotment and the balance in two equal instalments of ₹ 25 each on 1st July and 1st October respectively. All the allotment and call moneys were paid when due, except in case of one shareholder who failed to pay the final call on 100 shares held by him. His shares were forfeited on 1st November after giving him a due notice. Show necessary entries in the books of the company to record these transactions.

[Ans.: Forfeited Shares A/c—₹ 7,500.]

10. Commerce Publications Ltd. issued 50,000 Equity Shares of ₹ 10 each at a premium of 10% payable as under:

On application	₹ 2,	On first call	₹ 2,
On allotment	₹ 5,	On final call	₹ 2.

The calls were made by the company and all the money was duly received except the allotment and call money on 500 shares. These shares were, therefore, forfeited and later reissued @ ₹ 9 per share as fully paid-up.

Pass necessary Journal entries to record the above transactions.

[Ans.: Capital Reserve—₹ 500.]

11. Power Ltd. with an authorised capital of ₹ 2,00,000 divided into 20,000 Equity Shares of ₹ 10 each, issued the entire amount of the shares payable as:

₹ 5 on application (including premium ₹ 2 per share),  
 ₹ 4 on allotment, and  
 ₹ 3 on call.

All share money is received in full with the exception of the allotment money on 200 shares and the call money on 500 shares (including the 200 shares on which the allotment money has not been paid).

The above 500 shares are duly forfeited and 400 of these (including the 200 shares on which allotment money has not been paid) are reissued at ₹ 7 per share payable by the purchaser as fully paid-up. Pass Journal entries (including cash transactions) and show the balances in the Balance Sheet giving effect to the above transactions. [Ans.: Capital Reserve—₹ 800; Balance Sheet Total—₹ 2,40,500.]

12. Amrit Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as ₹ 3 on application, ₹ 4 on allotment (including premium), ₹ 2 on first call and the remaining on second call.

Applications were received for 75,000 shares and *pro rata* allotment was made to all the applicants.

All moneys due were received except allotment and first call from Sonu who applied for 1,200 shares. All his shares were forfeited. The forfeited shares were reissued for ₹ 9,600. Final call was not made. Pass necessary Journal entries. (Sample Paper 2015)

[Ans.: Allotment money not paid by Sonu—₹ 2,000; First call not paid by Sonu—₹ 1,600; Capital Reserve—₹ 3,600.]

13. Dogra Ltd. had an authorised capital of ₹ 1,00,00,000 divided into Equity Shares of ₹ 100 each. The company offered 84,000 shares to the public at premium.

The amount was payable as follow:

On Application	—	₹ 30 per share,
On Allotment	—	₹ 40 per share (including premium),
On First and Final Call	—	₹ 50 per share.

Applications were received for 80,000 shares.

All sums were duly received except the following:

Lakhan, a holder of 200 shares did not pay allotment and call money.

Paras, a holder of 400 shares did not pay call money.

The company, forfeited the shares of Lakhan and Paras. Subsequently, the forfeited shares were reissued for ₹ 80 per share as fully paid-up. Show the entries for the above transactions in the Cash Book and Journal of the company. (OD 2015 C)

[Ans.: Capital Reserve—₹ 14,000; Balance of Cash Book—₹ 96,10,000.]

14. Prince Limited issued a prospectus inviting applications for 20,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable as follows:

On application	—	₹ 2,
On allotment (including premium)	—	₹ 5,
On first call	—	₹ 3,
On second call	—	₹ 3.

Applications were received for 30,000 shares and allotment was made on *pro rata* basis. Money overpaid on applications was adjusted to the amount due on allotment.

Mohit whom 400 shares were allotted, failed to pay the allotment money and the first call, and his shares were forfeited after the first call. Jolly, whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited.

Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for ₹ 9 per share, the whole of Mohit's shares being included.

Pass necessary Journal entries.

(NCERT, Modified)

[Ans.: Capital Reserve—₹ 2,000.]

15. Green Ltd. issued 8,000 Equity Shares of ₹ 10 each. ₹ 5 per share was called, payable ₹ 2 on application, ₹ 1 on allotment, ₹ 1 on first call and ₹ 1 on second call. All the money was duly received with the following exceptions:

A who holds 250 shares paid nothing after application.

B who holds 500 shares paid nothing after allotment.

C who holds 1,250 shares paid nothing after first call.

Prepare Journal and the Balance Sheet.

[Ans.: Balance Sheet Total—₹ 37,000.]

16. Better Prospect Ltd. acquired land costing ₹ 1,00,000 and in payment allotted 1,000 Equity Shares of ₹ 100 each as fully paid. Further, the company issued 4,000 Equity Shares for subscription payable as follows: ₹ 30 on application; ₹ 30 on allotment; ₹ 40 on first and final call.

Applications were received for all shares which were allotted. All the money was received except the call on 200 shares.

Pass Journal entries and prepare Balance Sheet of the company. [Ans.: Balance Sheet Total—₹ 4,92,000.]

17. Midee Ltd. invited applications for issuing 27,000 shares of ₹ 100 each payable as follows:

₹ 50—per share on application;

₹ 10—per share on allotment; and

Balance—on First and Final call.

Applications were received for 40,000 shares. Full allotment was made to the applicants of 7,000 shares. The remaining applicants were allotted 20,000 shares on *pro rata* basis. Excess money received on application was adjusted towards allotment and call.

Asha, holding 600 shares was belonged to the category of applicants to whom full allotment was made, paid the call money at the time of allotment. Ankur, who belonged to the category of applicants to whom shares were allotted on *pro rata* basis did not pay anything after application on his 200 shares. Ankur's shares were forfeited after the First and Final call. These shares were later reissued at ₹ 105 per share as fully paid-up.

Pass necessary Journal entries in the books of Midee Ltd. for the above transactions, by opening Calls-in-Arrears and Calls-in-Advance Accounts wherever necessary. (Delhi 2017 C)

[Ans.: Capital Reserve—₹ 16,500.]

18. Bharat Ltd. invited applications for issuing 2,00,000 Equity Shares of ₹ 10 each. The amount was payable as: On application ₹ 3 per share, on allotment ₹ 5 per share and on first and final call ₹ 2 per share. Applications for 3,00,000 shares were received and *pro rata* allotment was made to all the applicants on the following basis:

Applicants for 2,00,000 shares were allotted 1,50,000 shares on *pro rata* basis.

Applicants for 1,00,000 shares were allotted 50,000 shares on *pro rata* basis.

Bajaj, who was allotted 3,000 shares out of group applying for 2,00,000 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Sharma, who had applied for 2,000 shares out of the group applying for 1,00,000 shares failed to pay the first and final call. His shares were also forfeited.

Out of the forfeited shares 3,500 shares were reissued as fully paid-up @ ₹ 8 per share. The reissued shares included all the forfeited shares of Bajaj.

Give necessary Journal entries to record the above transactions. [Ans.: Capital Reserve—₹ 9,000.]

## EVALUATION QUESTIONS: QUESTIONS WITH MISSING VALUES

1. (Business Purchase and Issue of Shares to Vendor).

Complete the following Journal entries:

JOURNAL OF ASHISH & CO. LTD.

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
	Plant A/c ...Dr.		3,00,000	
	Land and Building A/c ...Dr.		5,00,000	
	Stock A/c ...Dr.		2,00,000	
	Goodwill A/c ...Dr.		80,000	
	To Creditors A/c			3,00,000
	To Bills Payable A/c			1,00,000
	To ?			?
	(Purchase consideration for acquiring the business from HT Impex)			
	? ...Dr.		?	
	To ?			?
	To ?			?
	To ?			?
	(Purchase consideration settled by issue of 40,000 Fully Paid-up Equity Shares of ₹ 10 each at a premium of 20% and payment of balance amount by cheque)			

**Solution:**

JOURNAL OF ASHISH & CO. LTD.

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
	Plant A/c ...Dr.		3,00,000	
	Land and Building A/c ...Dr.		5,00,000	
	Stock ...Dr.		2,00,000	
	Goodwill A/c ...Dr.		80,000	
	To Creditors A/c			3,00,000
	To Bills Payable A/c			1,00,000
	To <b>HT Impex (Balancing Figure)</b>			<b>6,80,000</b>
	(Purchase consideration for acquiring the business)			
	<b>HT Impex</b> ...Dr.		<b>6,80,000</b>	
	To <b>Equity Share Capital A/c</b>			<b>4,00,000</b>
	To <b>Securities Premium A/c</b>			<b>80,000</b>
	To <b>Bank A/c</b>			<b>2,00,000</b>
	(Purchase consideration settled by issue of 40,000 Fully Paid-up Equity Shares of ₹ 10 each at a premium of 20% and payment of balance amount by cheque)			

2. (Forfeiture and Reissue of Shares).

Complete the following Journal entries:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Share Capital A/c (100 × ₹ 9) ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)		900	? ?
	? ...Dr. ? ...Dr. To ? (Reissue of 100 shares fully paid-up at ₹ 8 per share)		800 200	1,000
(b)	Share Capital A/c (100 × ₹ 9) ...Dr. To Forfeited Shares A/c (100 × ₹ 2) To Calls-in-Arrears A/c (100 × ₹ 7) (Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)		900	200 700
	? ...Dr. To ? (Reissue of 100 forfeited shares, fully paid-up at par)		?	?
	? ...Dr. To ? (...?..)		?	?

**Solution:**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Share Capital A/c (100 × ₹ 9) ...Dr. To Forfeited Shares A/c (100 × ₹ 2) (Note a) To Calls-in-Arrears A/c (100 × ₹ 7) (Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)		900	<b>200</b> <b>700</b>
	Bank A/c (100 × ₹ 8) ...Dr. Forfeited Shares A/c (100 × ₹ 2) (Note a) ...Dr. To Share Capital A/c (100 × ₹ 10) (Reissue of 100 shares fully paid-up at ₹ 8 per share)		800 200	1,000
(b)	Share Capital A/c (100 × ₹ 9) ...Dr. To Forfeited Shares A/c (100 × ₹ 2) To Calls-in-Arrears A/c (100 × ₹ 7) (Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)		900	200 700
	Bank A/c (100 × ₹ 10) ...Dr. To Share Capital A/c (100 × ₹ 10) (Reissue of 100 forfeited shares, fully paid-up at par)		<b>1,000</b>	<b>1,000</b>
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Gain on reissue transferred to Capital Reserve) (Note b)		<b>200</b>	<b>200</b>

- Notes:** (a) As amount forfeited, ₹ 200 is equal to Discount on Reissue: ₹ 200, therefore gain on reissue is Nil.  
 (b) As shares have been reissued at par, discount on reissue is Nil. Therefore, entire amount of ₹ 200 credited to Forfeited Shares Account will be transferred to Capital Reserve Account.

3. (Forfeiture and Reissue of Shares).

Complete the following Journal entries:

JOURNAL OF L LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (470 × ₹ 10) ...Dr.		4,700	
	? ...Dr.		?	
	To Forfeited Shares A/c			940
	To Calls-in-Arrears A/c			6,110
	(470 shares forfeited for non-payment of allotment and call money)			
	Bank A/c ...Dr.		840	
	To ?			?
	To ?			?
	(60 Shares reissued at ₹ 14 per share)			
	? ...Dr.		?	
	To ?			?
	(...?..)			

**Solution:**

JOURNAL OF L LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (470 × ₹ 10) ...Dr.		4,700	
	<b>Securities Premium A/c (470 × ₹ 5)</b> ...Dr.		<b>2,350</b>	
	To Forfeited Shares A/c (470 × ₹ 2)			940
	To Calls-in-Arrears A/c			6,110
	(470 Shares forfeited due to non-payment of allotment and call money)			
	Bank A/c (60 × ₹ 14) ...Dr.		840	
	To <b>Equity Share Capital A/c (60 × ₹ 10)</b>			<b>600</b>
	To <b>Securities Premium A/c (60 × ₹ 4)</b>			<b>240</b>
	(60 Shares reissued at ₹ 14 per share)			
	<b>Forfeited Shares A/c</b> ...Dr.		<b>120</b>	
	To <b>Capital Reserve A/c</b>			<b>120</b>
	(Gain @ ₹ 2 on reissue of 60 shares transferred to Capital Reserve)			

4. Complete the following Journal entries:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		140	
	To ?			?
	To ?			?
	(20 Shares forfeited for non-payment of first call of ₹ 2)			
	? ...Dr.		?	
	To ?			?
	To ?			?
	(15 Forfeited shares reissued as ₹ 7 per share paid-up for ₹ 8 per share)			
	? ...Dr.		?	
	To ?			?
	(Transfer of gain on reissue to Capital Reserve Account)			

**Solution:**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		140	
	To Forfeited Shares A/c (20 × ₹ 5)			100
	To Share First Call A/c (20 × ₹ 2)			40
	(20 Shares forfeited for non-payment of first call of ₹ 2)			
	Bank A/c (15 × ₹ 8) ...Dr.		120	
	To Share Capital A/c (15 × ₹ 7)			105
	To Securities Premium A/c (15 × ₹ 1)			15
	(15 Forfeited shares reissued as ₹ 7 per share paid-up for ₹ 8 per share)			
	Forfeited Shares A/c ...Dr.		75	
	To Capital Reserve A/c			75
	(Transfer of gain on reissue to Capital Reserve Account)			

**Working Note:** Gain on 15 reissued shares = ₹ 100/20 × 15 = ₹ 75.

5. Willow Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered 80,000 shares for subscription to the public, out of which 75,000 shares were subscribed. All amounts were received except the final call of ₹ 2 per share on 3,000 shares. Fill in the missing figures in the Balance Sheet of Willow Ltd. as per the provisions of Schedule III, Part I of the Companies Act, 2013.

BALANCE SHEET as at 31st March, 2018 (An extract)

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' Funds</b>		
Share Capital	1	?

**Note to Accounts**

Particulars	₹
<b>1. Share Capital</b>	
<i>Authorised Capital</i>	
?	?
<i>Issued Capital</i>	
?	?
<i>Subscribed Capital</i>	
<b>Subscribed and Fully Paid-up</b>	
? shares of ₹ 10 each	?
<b>Subscribed but not Fully Paid-up</b>	
? shares of ₹ 10 each	?
Less: ?	?
	?

(CBSE 2019)

**Solution:**

**Willow Ltd.**

BALANCE SHEET as at 31st March, 2018 (An extract)

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	7,44,000

**Note to Accounts**

Particulars	₹
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
1,00,000 Equity Shares of ₹ 10 each	<b>10,00,000</b>
<b>Issued Capital</b>	
80,000 Equity Shares of ₹ 10 each	<b>8,00,000</b>
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid-up</b>	
72,000 Equity Shares of ₹ 10 each	<b>7,20,000</b>
<b>Subscribed but not Fully Paid-up</b>	
3,000 Equity Shares of ₹ 10 each	<b>30,000</b>
<b>Less: Calls-in-Arrears (3,000 × ₹ 2)</b>	<b>6,000</b>
	<b>24,000</b>
	<b>7,44,000</b>

6. From the following information, complete Journal entries:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		?	
	Securities Premium A/c ...Dr.		1,000	
	To Share Forfeiture A/c			?
	To Calls-in-Arrears A/c			3,500
	(...?.. shares forfeited for non-payment of ...?.. including premium of ₹ 2 per share)			
	Bank A/c ...Dr.		?	
	Share Forfeiture A/c ...Dr.		?	
	To Share Capital A/c			?
	(...?.. shares reissued at ₹ 9 per share as fully paid)			
	Share Forfeiture A/c ...Dr.		600	
	To Capital Reserve A/c			600
	(Forfeiture money transferred to capital reserve)			

Dr.		SHARE FORFEITURE ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Share Capital A/c	?	By Share Capital A/c	1,500	
To Capital Reserve A/c	600			
To Balance c/d	600			
	<b>1,500</b>			<b>1,500</b>

Face value of share is ₹ 10 each.

(CBSE Sample Paper 2020)

**Solution:**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		<b>4,000</b>	
	Securities Premium A/c ...Dr.		1,000	
	To Share Forfeited A/c			<b>1,500</b>
	To Calls-in-Arrears A/c			3,500
	(500 shares forfeited for non-payment of ₹ 7 including premium of ₹ 2 per share)			

Bank A/c	...Dr.	2,700	
Share Forfeiture A/c	...Dr.	300	
To Share Capital A/c (300 shares reissued at ₹ 9 per share as fully paid)			3,000
Share Forfeiture A/c	...Dr.	600	
To Capital Reserve A/c (Forfeiture money transferred to capital reserve)			600

Dr.		SHARE FORFEITURE ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Share Capital A/c	300	By Share Capital A/c			1,500
To Capital Reserve A/c	600				
To Balance c/d	600				
	1,500				1,500

**Working Notes:**

1. No. of Forfeited Shares = Securities Premium/Premium Per Share

$$= \frac{\text{₹ } 1,000}{\text{₹ } 2} = 500 \text{ shares.}$$

2. Amount Forfeited = ₹ 1,500 (Given in Share Forfeiture Account)

$$\text{Amount Forfeited per Share} = \frac{\text{₹ } 1,500}{500} = \text{₹ } 3 \text{ per share}$$

3. No. of Forfeited Shares not re-issued =  $\frac{\text{₹ } 600 \text{ (Balance of Share Forfeiture Account)}}{\text{₹ } 3 \text{ (Amount Forfeited per Share)}} = 200.$

4. No. of Re-issued Shares = 500 – 200 = 300 shares.

5. Re-issued Price of 300 shares = 300 × ₹ 9 = ₹ 2,700.

6. Discount Allowed on Re-Issue = ₹ 3,000 (300 × ₹ 10) – ₹ 2,700 = ₹ 300.

7. Gain on Re-issue = ₹ 900 (300 × ₹ 3) – ₹ 300 (Discount) = ₹ 600.

1. Complete the following Journal entries:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr.		25,00,000	
	? ...Dr.		2,00,000	
	To Sundry Liabilities A/c			5,00,000
	To ?			5,00,000
	To BSR Ltd.			?
	(Business of BSR Ltd. purchased and issued a cheque for ₹ 5,00,000)			
	? ...Dr.		?	
	To 9% Debentures A/c			?
	(?)			

**Solution:**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr.		25,00,000	
	<b>Goodwill A/c</b> ...Dr.		2,00,000	
	To Sundry Liabilities A/c			5,00,000
	To <b>Bank A/c</b>			5,00,000
	To BSR Ltd.			<b>17,00,000</b>
	(Business of BSR Ltd. purchased and issued a cheque for ₹ 5,00,000)			
	<b>BSR Ltd.</b> ...Dr.		<b>17,00,000</b>	
	To 9% Debentures A/c			<b>17,00,000</b>
	(Amount due to BSR Ltd. settled by issue of 9% Debentures)			

2. Perfect Barcode Ltd. purchased computers from M/s. Computer Mart and paid the consideration as follows:

- 1,000, 10% Debentures of ₹ 100 each at a discount of 10%; and
- Issued a cheque for ₹ 80,000 for the balance amount.

Pass the Journal entry in the books of Perfect Barcode Ltd.

[Ans.: Dr. Computers A/c—₹ 1,70,000 and Discount on Issue of Debentures A/c—₹ 10,000;  
Cr. 10% Debentures A/c—₹ 1,00,000 and Bank A/c—₹ 80,000.]

3. Lotus Ltd. took over assets of ₹ 2,50,000 and liabilities of ₹ 30,000 of Goneby Company for the purchase consideration of ₹ 3,30,000. Lotus Ltd. paid the purchase consideration by issuing debentures of ₹ 100 each at 10% premium.

Give Journal entries in the books of Lotus Ltd.

[Ans.: Goodwill—₹ 1,10,000.]

4. Pass Journal entries in the following cases:

- A Co. Ltd. issued ₹ 40,000; 12% Debentures at a premium of 5% redeemable at par.
- A Co. Ltd. issued ₹ 40,000; 12% Debentures at a discount of 10% redeemable at par.
- A Co. Ltd. issued ₹ 40,000; 12% Debentures at par redeemable at 10% premium.
- A Co. Ltd. issued ₹ 40,000; 12% Debentures at a discount of 5% and redeemable at 5% premium.
- A Co. Ltd. issued ₹ 40,000; 12% Debentures at a premium of 10% redeemable at 110%.

5. Pass necessary Journal entries and prepare 9% Debentures Account for the issue of 7,500, 9% Debentures of ₹ 50 each at a discount of 6%, redeemable at a premium of 10%. (CBSE 2019)

6. 'Sangam Woollens Ltd.', Ludhiana, are the manufacturers and exporters of woollen garments. The company decided to distribute free of cost woollen garments to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40,000 Equity Shares of ₹ 10 each and 1,000, 9% Debentures of ₹ 100 each to the vendor for the purchase of machinery of ₹ 5,00,000.

Pass necessary Journal entries.

(Delhi 2015, Modified)

[Ans.: (i) Dr. Machinery A/c and Cr. Vendor's A/c by ₹ 5,00,000.  
(ii) Dr. Vendor's A/c by ₹ 5,00,000; Cr. Equity Share Capital A/c by ₹ 4,00,000 and  
9% Debentures A/c by ₹ 1,00,000.]

7. Pass Journal entries in the following cases:
- Rohit Ltd. issued ₹ 40,000; 12% Debentures at a premium of 5% redeemable at par.
  - Virat Ltd. issued ₹ 40,000; 12% Debentures at a discount of 10% redeemable at par.
  - Rahul Ltd. issued ₹ 40,000; 12% Debentures at par redeemable at 10% premium.
  - Prithvi Ltd. issued ₹ 40,000; 12% Debentures at a discount of 5% and redeemable at 5% premium.
  - Shikhar Ltd. issued ₹ 40,000; 12% Debentures at a premium of 10% redeemable at 110%.
8. X Ltd. issued 1,000, 9% Debentures of ₹ 100 each at a discount of 6%. These Debentures were redeemable at a premium of 10% after five years.  
Pass necessary Journal entries for issue of debentures and prepare 9% Debentures Account. (CBSE 2019)
9. Pass necessary Journal entries for the issue of Debentures in the following cases:
- ₹ 40,000; 15% Debentures of ₹ 100 each issued at a discount of 10% redeemable at par.
  - ₹ 80,000; 15% Debentures of ₹ 100 each issued at a premium of 10% redeemable at a premium of 10%. (AI 2013)
10. XYZ Ltd. issued 5,000, 10% Debentures of ₹ 100 each on 1st April, 2022 at a discount of 10% redeemable at a premium of 10% after 4 years. Give Journal entries for the year ended 31st March, 2023, if interest was payable half-yearly on 30th September and 31st March. Tax is to be deducted @ 10%.
11. Office Products Ltd. issued on 1st April, 2019, 20,000, 9% Debentures of ₹ 100 each at a premium of 10% redeemable at a premium of 5% after 5 years. Issue price was payable along with application.  
Pass the necessary Journal entries.

## EVALUATION QUESTIONS: QUESTIONS WITH MISSING VALUES

1. Fill the missing values in the following:

### JOURNAL OF AB LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	?	...Dr.	?	
	To ?			?
	(Application money received on 2,000; 12% Debentures of ₹ 100 each issued at a premium of 10% and redeemable at a premium of 10%)			
	?	...Dr.	?	
	?	...Dr.	?	
	To ?			?
	To ?			?
	To ?			?
	(...?..)			

(OD 2016 C)

**Solution:**

## JOURNAL OF AB LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	<b>Bank A/c</b> ...Dr.		<b>2,20,000</b>	
	To <b>Debentures Application and Allotment A/c</b> (Application money received on 2,000; 12% Debentures of ₹ 100 each issued at a premium of 10% and redeemable at a premium of 10%)			<b>2,20,000</b>
	<b>Debentures Application and Allotment A/c</b> ...Dr.		<b>2,20,000</b>	
	<b>Loss on Issue of Debentures A/c</b> ...Dr.		<b>20,000</b>	
	To <b>12% Debentures A/c</b>			<b>2,00,000</b>
	To <b>Securities Premium A/c</b>			<b>20,000</b>
	To <b>Premium on Redemption of Debentures A/c</b> (Issue of 2,000; 12% Debentures of ₹ 100 each at a premium of 10% and redeemable at a premium of 10%)			<b>20,000</b>

**2. Complete the following Journal entries:**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2021 April 1	Sundry Assets A/c ...Dr. ? ...Dr.		25,00,000 ?	
	To Sundry Liabilities A/c To Shiv Shankar Ltd. (Shiv Shankar Ltd. taken over by Parvati Ltd. for a purchase consideration of ₹ 18,20,000)			7,80,000 18,20,000
April 1	Shiv Shankar Ltd. ...Dr. ? ...Dr.		18,20,000 ?	
	To ? To 8% Debentures A/c (Shiv Shankar Ltd. paid by issuing a bill of ₹ 20,000 and the balance paid by issue of 8% Debentures of ₹ 100 each at a discount of 10%)			20,000 ?

*(Sample Paper 2018–19)***Solution:**

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2021 April 1	Sundry Assets A/c ...Dr. <b>Goodwill A/c (Balancing Figure)</b> ...Dr.		25,00,000 <b>1,00,000</b>	
	To Sundry Liabilities A/c To Shiv Shankar Ltd. (Shiv Shankar Ltd. taken over by Parvati Ltd. for a purchase consideration of ₹ 18,20,000)			7,80,000 18,20,000
April 1	Shiv Shankar Ltd. ...Dr. <b>Discount on Issue of Debentures A/c</b> ...Dr.		18,20,000 <b>2,00,000</b>	
	To <b>Bills Payable A/c</b> To 8% Debentures A/c (Shiv Shankar Ltd. paid by issuing a bill of ₹ 20,000 and the balance paid by issue of 8% Debentures of ₹ 100 each at a discount of 10%)			20,000 <b>20,00,000</b>

**Working Note:**

No. of Debentures Issued = ₹ 18,00,000 ÷ ₹ 90 = 20,000.

1. On the basis of the following information, calculate Total Assets to Debt Ratio:

Particulars	₹	Particulars	₹
Capital Employed	50,00,000	Share Capital	35,00,000
Current Liabilities	20,00,000	10% Debentures	10,00,000
Land and Building	60,00,000	General Reserve	3,00,000
Trade Receivable	4,00,000	Surplus, i.e., Balance in Statement of Profit & Loss	2,00,000
Cash and Cash Equivalents	5,00,000		
Investment (Trade)	1,00,000		

[Ans.: Total Assets to Debt Ratio = 7 : 1.]

[Hint: Long-term Debts = Capital Employed – Shareholders' Funds.]

2. From the following information, calculate Proprietary Ratio:

BALANCE SHEET OF FORTUNE LTD. as at 31st March, 2022

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' Funds</b>		
(a) Share Capital		6,00,000
(b) Reserves and Surplus		1,50,000
<b>2. Current Liabilities</b>		
(a) Trade Payables		1,00,000
(b) Other Current Liabilities		50,000
(c) Short-term Provisions (Provision for Tax)		1,00,000
<b>Total</b>		<b>10,00,000</b>
<b>II. ASSETS</b>		
<b>1. Non-Current Assets</b>		
<i>Property, Plant and Equipment and Intangible Assets:</i>		
Property, Plant and Equipment		5,00,000
<b>2. Current Assets</b>		
(a) Current Investments		1,50,000
(b) Inventories		1,00,000
(c) Trade Receivables		1,50,000
(d) Cash and Cash Equivalents		1,00,000
<b>Total</b>		<b>10,00,000</b>

[Ans.: Proprietary Ratio = 0.75 : 1 or 75%.]

3. Calculate Current Ratio, Quick Ratio and Debt to Equity Ratio from the information given below:

Particulars	₹
Inventory	30,000
Prepaid Expenses	2,000
Other Current Assets	50,000
Current Liabilities	40,000
12% Debentures	30,000
Accumulated Profits	10,000
Equity Share Capital	1,00,000
Non-current Investments	15,000

[Ans.: Current Ratio = 2.05 : 1; Quick Ratio = 1.25 : 1; Debt to Equity Ratio = 0.27 : 1.]

4. Calculate Inventory Turnover Ratio from the data given below:

	₹		₹
Inventory in the beginning of the year	20,000	Carriage Inwards	5,000
Inventory at the end of the year	10,000	Revenue from Operations, i.e., Net Sales	1,00,000
Purchases	50,000		

State the significance of this ratio.

[Ans.: Inventory Turnover Ratio = 4.33 Times.]

5. From the following information, calculate **any two** of the following ratios:

(i) Current Ratio; (ii) Debt to Equity Ratio; and (iii) Operating Ratio.

Revenue from Operations (Net Sales) ₹ 1,00,000; Cost of Revenue from Operations (Cost of Goods Sold) was 80% of sales; Equity Share Capital ₹ 7,00,000; General Reserve ₹ 3,00,000; Operating Expenses ₹ 10,000; Quick Assets ₹ 6,00,000; 9% Debentures ₹ 5,00,000; Closing Inventory ₹ 50,000; Prepaid Expenses ₹ 10,000 and Current Liabilities ₹ 4,00,000. (Foreign 2008)

[Ans.: Current Ratio = 1.65 : 1; Debt to Equity Ratio = 0.5 : 1; Operating Ratio = 90%.]

6. State, giving reasons, which of the following transactions would *improve*, *reduce* or *not change* the Current Ratio, if Current Ratio of a company is (i) 1 : 1; or (ii) 0.8 : 1:

- Cash paid to Trade Payables.
- Purchase of Stock-in-Trade on credit.
- Purchase of Stock-in-Trade for cash.
- Payment of Dividend payable.
- Bills Payable discharged.
- Bills Receivable endorsed to a Creditor.
- Bills Receivable endorsed to a Creditor dishonoured.

[Ans.: (i) (a) No Change; (b) No Change; (c) No Change; (d) No Change; (e) No Change; (f) No Change; (g) No Change; (ii) (a) Reduce; (b) Improve; (c) No Change; (d) Reduce; (e) Reduce; (f) Reduce; (g) Improve.]

7. Calculate Inventory Turnover Ratio in each of the following alternative cases:

Case 1: Cash Sales 25% of Credit Sales; Credit Sales ₹ 3,00,000; Gross Profit 20% on Revenue from Operations, i.e., Net Sales; Closing Inventory ₹ 1,60,000; Opening Inventory ₹ 40,000.

Case 2: Cash Sales 20% of Total Sales; Credit Sales ₹ 4,50,000; Gross Profit 25% on Cost; Opening Inventory ₹ 37,500; Closing Inventory ₹ 1,12,500. [Ans.: Case (1) 3 Times; Case (2) 6 Times.]

[Hint: Profit 25% of Cost = Profit 20% on Sales. Profit on Cost =  $25/100$  or  $1/4$  or 25%.

Let the Cost = ₹ 100; Profit = ₹ 25; Revenue from Operations, i.e., Net Sales = ₹ 125.

Profit on Sales = ₹  $25/₹ 125$  =  $1/5$  or 20%.]