

28

FORFEITURE OF SHARES



Notes

In the previous lesson you have learnt about the shares and their issue by a Joint Stock Company. You have also learnt that generally the issue price of shares is payable in instalments i.e. on application, on allotment and on calls made from time to time by the Board of Directors of the Company. Sometimes some shareholders fail to pay the called up amount in full i.e., they do not pay on one or more instalments after the allotment of the shares to them. In such a case either the company can go to the court and file a suit against the defaulting shareholders for recovery of the due amount or can cancel the membership of the defaulting shareholders. In case the membership is cancelled, the amount paid by the defaulting members towards share capital stands forfeited. It is called 'Forfeiture of Shares.'

In this lesson you will learn about different situations in which shares can be forfeited and accounting treatment thereof.



OBJECTIVES

After studying this lesson you will be able to:

- explain the meaning of forfeiture of Shares:
- explain the situations in which shares can be forfeited;
- explain accounting treatment for forfeiture of shares issued at par, at discount and at premium and
- prepare relevant accounts.

28.1 MEANING AND PROCEDURE*Notes*

If a shareholder fails to pay the due amount of allotment or any call on shares issued by the company, the Board of directors may decide to cancel his/her membership of the company. With the cancellation, the defaulting shareholder also loses the amount paid by him/her on such shares. Thus, when a shareholder is deprived of his/her membership due to non payment of calls, it is known as forfeiture of shares. The result of forfeiture of shares is :

Cancellation of membership of the shareholder.

Reduction of issued share Capital of the company.

Let us take an example to make it more clear. S.K. Ltd. issued 100000 shares of ₹ 10 each payable as ₹ 2 on application, ₹ 2 on allotment, ₹ 3 on first call and ₹ 3 on second and final call. Mr. Harish, the allottee of 100 shares, fails to pay the second and final call money made by the company. In this case if the Board of Directors decide to forfeit his shares, his membership will be cancelled and the amount of ₹ 700 paid by him (on 100 shares ₹ 2 on application, ₹ 2 on allotment and ₹ 3 on first call per share) will be forfeited. Now Mr. Harish will no longer be the member of the company and the issued capital of the company will be reduced by ₹ 1000.

Procedure of forfeiture of shares

The authority to forfeit shares is given to the Board of Directors in Articles of Association of the company. The Board of Directors has to give at least fourteen days notice to the defaulting members calling upon them to pay outstanding amount with or without interest as the case may be before the specified date. The notice must also state that if the shareholders fail to remit the amount mentioned therein within the stipulated period, their shares will be forfeited. If they still fail to pay the amount within the specified period of time, the Board of Directors of the company may decide to forfeit such shares by passing a resolution. The decision regarding the forfeiture of shares should be communicated to the concerned allottees and should be asked to return the allotment letters and share certificates of the forfeited shares to the company.



INTEXT QUESTIONS 28.1

Fill in the blanks with an appropriate word/ words :

- (i) If a shareholder fails to pay the due amount on shares, the board of directors may decide to shares.
- (ii) Forfeiture of shares means
 - (a)
 - (b)
- (iii) The authority to forfeit shares is given by company's
- (iv) The Board of Directors has to give at least days notice to the defaulting members.



Notes

28.2 ACCOUNTING TREATMENT

You have learnt that shares can be issued at par, at discount and at premium. Accounting treatment for forfeiture of shares in these three situations can be explained as under :

1. Forfeiture of Shares Issued at Par

When shares issued at par are forfeited the accounting treatment will be as follows:

- (i) Debit Share Capital Account with amount called up (whether received or not) per share up to the time of forfeiture.
- (ii) Credit Share Forfeited A/c. with the amount received up to the time of forfeiture.
- (iii) Credit 'Unpaid Calls A/c' with the amount due on forfeited shares. This cancels the effect of debit to such calls which take place when the amount is made due.

The journal entry is :

Share capital A/c	Dr.
(Amount called up)	
To share forfeited A/c	
(Amount paid)	
To unpaid calls A/c	
(Amount called but not paid)	



Notes

- Note :**
- (i) Amount called up = No. of shares × called up per share
 - (ii) Amount paid = No. of shares × Amount paid per share
 - (iii) Amount called but not paid =
No. of shares × Amount called but not paid per share

Illustration 1

X, a shareholder, holding 100 shares of ₹ 10 each has paid application money of ₹ 2 per share and allotment money of ₹ 3 per share, but has failed to pay the first call of ₹ 2 per share and second call of ₹ 3 per share. His shares were forfeited. Make the journal entry to record the forfeiture of shares.

Solution :

Journal Entry

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr.</i> ₹	<i>Cr.</i> ₹
	Share Capital A/c (100 × ₹ 10) Dr.		1,000	
	To Share forfeited A/c (100 × ₹ 5)			500
	To Share First Call A/c (100 × ₹ 2)			200
	To Share Second and Final Call A/c (100 × ₹ 3) (forfeiture of 100 shares)			300

Illustration 2

Alpha Ltd. issued 10000 shares of ₹ 100 each payable as :

- ₹ 25 on application.
- ₹ 25 on allotment
- ₹ 20 on First call and
- ₹ 30 on second and final call.

9000 shares were applied for and allotted. All the payments were received with the exception of allotment money, first call and second and final call money on 300 shares allotted to Ganesh. The Board of Directors decided to forfeit these shares. Make journal entry to record transaction relating to forfeiture of shares.

Solution :

Journal Entry

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr.</i> ₹	<i>Cr.</i> ₹
	Share Capital A/c (300 × ₹ 100) Dr.		30,000	
	To Share forfeited A/c (300 × ₹ 25)			7,500
	To Share allotment A/c (300 × ₹ 25)			7,500
	To Share first call A/c (300 × ₹ 20)			6,000
	To Share second call A/c (300 × ₹ 30)			9,000
	(300 shares of ₹ 100 each forfeited due to non payment of allotment money and calls money)			



Notes

Forfeiture of Shares Allotted on Pro-rata Basis

In case the shares being over subscribed one of the scheme of allotment of shares to applicants is to allot in the ratio of shares for which applications are entertained by the company for allotment and the number of shares company has offered for subscription. This is called allotment of shares on pro-rata basis. In case of pro-rata allotment the excess money received on applications is transferred to Share Allotment A/c from Share Application A/c. In case a shareholder fails to make payment on allotment and call money of shares held by him/her, the unpaid amount will be calculated as under:

(i) Number of shares applied for allotment

$$= \frac{\text{Total No. of Shares Applied} \times \text{Shares Allotted to Defaulter}}{\text{Total Share Allotted}}$$

(ii) Excess Applications Received =

$$\text{Number of shares applied for (as per step) – number of shares allotted}$$

(iii) Excess application money received = Excess number of applied shares × money called per share on application.

(iv) Amount unpaid on allotment = Amount due on allotment – Excess application money adjusted towards allotment

Illustration 3

A company has offered for subscription to the public 10000 shares of ₹ 10 each. It has received applications for 15000 shares. Company has decided to allot shares



Notes

on prorata basis. Gunakshi holding 200 shares failed to pay allotment money and first call money. Her shares were forfeited :

Amount payable was as under :

₹ 2 per share on application.

₹ 3 per share on allotment.

₹ 5 per share on call.

Make journal entries and prepare relevant account in the books of the company.

Solution :

Working Notes

$$\text{Number of Shares Applied by Gunakshi} = \frac{15,000}{10,000} \times 200$$

$$= 300$$

$$\text{Excess Applications Received} = 300 - 200 = 100$$

$$\text{Excess Applications Amount Received} = 100 \times 2 = ₹ 200$$

$$\text{Amount Due on Allotment} = 200 \times 3 = ₹ 600$$

$$\text{Excess Application Money Adjusted} = ₹ 200$$

$$\text{Net Unpaid Amount on Allotment} = ₹ 600 - ₹ 200 = ₹ 400$$

Journal Entries

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr.</i> ₹	<i>Cr.</i> ₹
1.	Bank A/c Dr. To Share Application A/c (Share application money received for 15000 shares @ ₹ 2 per share)		30,000	30,000
2.	Share Application A/c Dr. To Share capital A/c To Share Allotment A/c. (Share application money for 10000 shares transferred to share capital A/c on their allotment and application money for 500 shares transferred to share allotment A/c.)		30,000	20,000 10,000

Forfeiture of Shares

3.	Share Allotment A/c To Share Capital A/c (Allotment money due on 10000 Shares @ ₹ 3 per share)	Dr	30,000	30,000
4.	Bank A/c To Share Allotment A/c (Allotment money received on 9800 shares)	Dr	19,600	19,600
5.	Share First & Final call A/c To Share Capital A/c. (Call money made due on 10000 Shares @ ₹ 5 per share)	Dr	50,000	50,000
6.	Bank A/c To Share First & Final Call A/c (Call Money received on 9800 shares @ ₹ 5 per share)	Dr	49,000	49,000
7.	Share capital A/c To Share forfeited A/c To Share Allotment A/c To Share First & Final call A/c (200 shares forfeited for non payment of allotment & call money)	Dr	2,000	600 400 1,000

MODULE - 5

Company Accounts



Notes

Working Note

$$\frac{15,000}{10,000} \times 200 = 300 \text{ Shares were applied.}$$

300 x 2	=	₹ 600
200 x 2	=	- ₹ 400
Advance	=	<u>₹ 200</u>

Adjusted on Allotment

Total Requirement	₹ 30,000
(-) Advance	<u>₹ 10,000</u>
	₹ 20,000
(-) Arrear	<u>₹ 400</u>
	<u>₹ 19,600</u>

$$(200 \times 3 = 600 - 200 \text{ adv}) = ₹ 400$$

MODULE - 5

Company Accounts



Notes

Forfeiture of Shares

Ledger Bank A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Share Application A/c		30,000		Balance c/d		98,600
	Share Allotment A/c		19,600				
	Share First and Final call A/c		49,000				
			98,600				98,600
	Balance b/d		98,600				

Share Application A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Share Capital A/c		20,000		Bank A/c		30,000
	Share Allotment A/c		10,000				
			30,000				30,000

Share Capital A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Share Forfeited A/c		600		Share Application A/c		20,000
	Share Allotment A/c		400		Share Allotment A/c		30,000
	Share First and Final call A/c		1,000		Share First and Final call A/c		50,000
	Balance c/d		98,000				
			1,00,000				1,00,000
					Balance b/d		98,000

Share Allotment A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Share Capital A/c		30,000		Bank A/c		19,600
					Share Application Ac		10,000
					Share Capital A/c		400
			30,000				30,000

Share First and Final Call A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Share Capital A/c		50,000		Bank A/c		49,000
					Share Capital A/c		1,000
			50,000				50,000



Notes

Share Forfeited A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Balance cld		600		Share Capital A/c		600
			600				600
					Balance b/d		600

Balance Sheet of Co. Ltd.

As at

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	98,600

Note 1 :

Share Capital

Authorised Capital

..... Equity Share of ₹ 10 each

Issued Capital

10,000 Equity Shares of ₹ 10 each 1,00,000

Subscribed

Subscribed & Fully Paid up

9,800 Equity shares of ₹ 10 each 98,000

Add : Share Forfeiture A/c 600

98,600



Notes



INTEXT QUESTIONS 28.2

- i. 200 shares of ₹ 100 each were forfeited for non payment of first call of ₹20 per share and find call of ₹30 per share. Write the amount against each account in the journal entry for forfeiture of shares :

	₹	₹
Share Capital A/c	Dr. (a)	
To Share Forfeited A/c		(b)
To Share First Call A/c		(b)
To Share Final Call A/c		(d)

(Forfeitures of 200 shares of ₹ 100 each for non payment of first call and final call)

- ii. A Joint Stock Company has offered for subscription 50000 shares of ₹ 100 each on which it has demanded ₹ 30 on application, ₹ 40 on allotment and balance as and when required. Applications were received for 60000 shares. Allotment to the applicants was made on prorata basis. Rakesh who was allotted 200 shares did not pay the allotment money. Ascertain the following amounts of Rakesh’s shares.
- (a) Excess application amount received ₹
- (b) Amount due on allotment ₹
- (c) Net unpaid amount on allotment ₹

28.3 FORFEITURE OF SHARES ISSUED AT PREMIUM AND AT DISCOUNT

Forfeiture of Shares Issued at Premium

In case shares are issued at premium and thereafter forfeited there can be two situations :

- Premium on shares has been received prior to the forfeiture.
- Amount of premium on shares has not been received and it still stands credited to the Securities Premium A/c.

1. Premium Money has been Received Prior to the Forfeiture : If the amount

of premium on shares forfeited has been received by the company prior to the forfeiture, securities Premium A/c will not get affected. In this case the journal entry of forfeiture of shares will be similar to the entry made as if the shares had been issued at par.

The journal entry will be :

Share Capital A/c	Dr.	
To Share forfeited A/c		
To Unpaid Calls A/c./Calls in arrears A/c		
(forfeiture of share issued at premium)		



Notes

Illustration 4

M.B. Software Ltd. issued ₹ 500000 capital divided into equity shares of ₹ 10 each. The shares were issued at a premium of ₹ 4 per share and were payable as : ₹ 3 per share on application, ₹ 7 (including premium) per share on allotment and the balance on call.

All the shares applied for and were duly allotted. All the money was duly received except on 500 shares on which the call money was not received. Company decided to forfeit these shares. Make journal entry to record the forfeiture of 500 shares.

Solution :

Journal Entry

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Share Capital A/c Dr.		5,000	
	To Share Forfeited A/c			3,000
	To Share First & Final Call A/c			2,000
	(Forfeiture of 500 shares of ₹ 10 each due to on non payment of call money of ₹ 4 per share)			

2. Premium on shares has not been received and stands credited to Securities Premium A/c as due but not paid : When a share is forfeited on which the amount of premium has been made due but has not been received, either wholly or partially, the Securities Premium A/c will be cancelled. At the time of making due, Securities Premium A/c will be credited. The journal entry will be as follows:



Notes

Share Capital A/c Dr
 Securities Premium A/c Dr
 To Share Forfeited A/c
 To Unpaid call A/c.
 (Forfeiture of shares originally issued at
 premium due to non payment of dues)

Illustration 5

The Latest Technology Company Ltd. offered to public for subscription of 50,000 shares of ₹ 20 each at a premium of ₹ 5 per share. The amount was payable as under :

On application ₹ 5 per share
 On allotment ₹ 12 per share (Including premium of ₹ 5 per share)
 On first call ₹ 4 per share
 On Second and Final call ₹ 4 per share

Applications were received for all the shares. Allotment was made to all the applicants in full. Ashima failed to pay allotment and call money on 200 shares held by her. Reshma was allotted 300 shares. She did not pay the call money. Their shares were forfeited. Make necessary journal entry for the forfeiture only.

Solution :

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
(i)	Share Capital A/c (₹200 × 20) Dr.		4,000	
	Securities Premium A/c (₹200 × 5) Dr.		1,000	
	To Share Forfeited A/c (₹200 × 5)			1,000
	To Share Allotment A/c (₹200 × 12)			2,400
	To Share First Call A/c (₹200 × 4)			800
	To Share Second and Final call A/c (₹200 × 4)			800
	(Forfeiture of 200 shares held by Ashima who did not pay allotment and call money)			



Forfeiture of Shares

(ii)	Share Capital A/c (₹300 × 20)	Dr.	6,000	
	To Shares forfeited A/c ₹(300 × 12)			3,600
	To Share First Call A/c (₹300 × 4)			1,200
	To Share Second Call A/c (₹300 × 4)		1,200	
	(Forfeiture of 300 shares held by Reshma)			

Combined entry of the above will be as :

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Share Capital A/c	Dr.	10,000	
	Securities premium A/c	Dr.	1,000	
	To Share forfeited A/c			4,600
	To Share Allotment A/c			2,400
	To Share First Call A/c			2,000
	To Share Second and Final Call A/c			2,000
	(Forfeiture of 200 shares held by Ashima, who did not pay allotment and call and 300 share of Reshma who did not pay call money)			

Forfeiture of Shares Issued at Discount

Discount on issue of shares is a loss to the company. When shares issued at a discount are forfeited for non payment of dues, the discount allowed on such shares is written back. At the time of issue of shares, Discount on issue of Shares A/c is debited and when forfeited, this account is credited to cancel the discount allowed on such shares. In this case the following journal entry is made :

Share Capital A/c	Dr.
To Share Forfeited A/c	
To Discount on Issue of Shares A/c	
To Unpaid call A/c	
(Forfeiture of shares originally issued at discount for non payment of dues).	

Illustration 6

The Evergrowing Ltd. invited applications for 20000 shares of ₹ 50 each at a discount of 10% payable as follows:

On application	₹ 10 per share
On allotment	₹ 20 per share
On call	₹ 15 per share



Notes

Whole of the issue was subscribed and paid for except the calls money on 200 shares which were forfeited by the company.

Make journal entry for forfeiture of shares.

Solution :

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Share Capital A/c (₹200 × 50) Dr.		10,000	
	To Share forfeited A/c (₹200 × 30)			6,000
	To Discount on Issue of Shares A/c (₹200 × 5)			1,000
	To Share First and Final call A/c (₹200 × 15)			3,000
	(Forfeiture of 200 shares of ₹ 50 each issued at discount of 10% on non payment of call money)			

Illustration 7

M/s Herbal Tea Plantations Ltd. was registered with a capital of ₹ 1 crore divided into equity shares of ₹ 100 each. The company offered to public 50000 shares at a premium of ₹ 20 per share. The amount on shares was payable as :

- ₹ 25 on application
- ₹ 50 (including ₹ 20 premium) on allotment
- ₹ 20 on first call and
- ₹ 25 on final call.

Applications were received for 75000 shares. Shares were allotted to the applicants on prorata basis. Kanti Bhai who was allotted 500 shares did not pay the allotment money. He also failed to pay the first call. His shares were forfeited. Sheetal was holding 200 shares did not pay the first call. Final call was not made.

Make journal entries in the books of the company.

Solution :

**M/s Herbal Tea Plantations Ltd
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Bank A/c Dr. To Share Application A/c (Application money received)		18,75,000	18,75,000

Forfeiture of Shares

2.	Share Application A/c	Dr.	18,75,000	
	To Equity Share Capital A/c			12,50,000
	To Share Allotment A/c			6,25,000
	(Application money of 50000 share transferred to share Capital A/c on their allotment and remaining adjusted towards shares allotment)			
3.	Share Allotment A/c	Dr.	25,00,000	
	To Equity Share Capital A/c			15,00,000
	To Securities Premium A/c			10,00,000
	(Allotment money due including premium)			
4.	Bank A/c	Dr.	18,56,250	
	To Share Allotment A/c			18,56,250
	(Allotment money received)			
5.	Share First Call A/c	Dr.	10,00,000	
	To Equity Share Capital A/c			10,00,000
	(First call money due)			
6.	Bank A/c	Dr.	9,86,000	
	Call-in-arrears A/c	Dr.	4000	
	To Share First Call A/c			9,90,000
	(First call money received of 49300 shares of 200 share debited to calls-in-arrears A/c)			
7.	Share Capital A/c	Dr.	37,500	
	Securities Premium A/c	Dr.	10,000	
	To Share Forfeited A/c			18,750
	To Share Allotment A/c			18,750
	To share First Call A/c			10,000
	(Forfeiture of 500 shares on non payment of allotment and call money)			

Working Notes :

Shares applied for 75,000

MODULE - 5

Company Accounts



Notes



Notes

Share Allotted 50000

Ratio = 3 : 2

Number of shares held by Kanti Bhai = 500

Number of shares applied $500 \times \frac{3}{2} = 750$

Excess application money received = $250 \times 25 = ₹ 6250$

Share allotment money due = $500 \times ₹ 50 = ₹ 25000$

Net Amount due after adjustment of excess applicaiton money

$$= ₹ 25000 - ₹ 6250 = ₹ 18750$$

Total allotment money due = ₹ 2500000

Less excess application money adjusted ₹ 625000

Less Kanti Bhai's amount due on allotment ₹ 18750

Net Amount Received ₹ 1856250



INTEXT QUESTIONS 28.3

In the following cases write whether the account given is to be debited or credited and the amount by which it is debited or credited.

- (i) Forfeiture of 100 shares of ₹ 10 each fully paid issued at par on which final call of ₹ 3 per share is not received.

Shares forfeited A/c.

- (ii) 250 shares of ₹ 10 each issued at a premium of ₹ 4 per share forfeited for non payment of call money, of ₹ 2 per share premium as called with allotment is paid.

Shares forfeited A/c

- (iii) 100 shares of ₹ 10 each issued as fully paid at a premium of ₹ 2 per share forfeited on which only application money @ ₹ 2 per share is received.

Securities Premium A/c

- (iv) 200 shares of ₹ 20 each issued at a discount of ₹ 2, ₹ 15 called are forfeited for non payment of final call of ₹ 5 per share.

Discount on issue of shares A/c



WHAT YOU HAVE LEARNT

- Forfeiture of shares means cancellation of membership of a shareholder due to non payment of calls made by the company. Forfeiture of shares amount to
 - ▶▶ Cancellation of the membership of the defaulting shareholder and
 - ▶▶ Reduction of share capital of the company.
- Power to forfeit shares is given in the Articles of Association of the company. The Board of Directors have to give a fourteen days notice to the defaulting shareholder
- There are three situations when shares can be forfeited:
 - (i) Shares issued at par
 - (ii) Shares issued at premium
 - (a) Premium received in full
 - (b) Premium due but not yet received
 - (iii) Shares issued at discount
- In all cases share capital is debited by the called up amount on forfeited shares
- Shares forfeited A/c is credited by the amount received (excluding the amount of premium) on forfeited shares.
- Securities premium A/c will not get affected if premium on forfeited shares has been received but it will be debited if it is due but not received.
- Shares issued at a discount when forfeited discount on issue of shares will always be credited by the amount of discount allowed on forfeited shares:



Notes



TERMINAL EXERCISE

1. State the meaning of forfeiture of shares. When can shares be forfeited?
2. What accounting treatment is given to Securities Premium A/c on forfeiture of shares when:
 - (i) Amount of premium has been received
 - (ii) Amount of premium has not been received on such forfeited shares.



Notes

3. X Ltd. forfeited 500 shares of ₹ 100 each on which final call of ₹ 30 per share has not been received. Other calls have been duly received. Make journal entry to record the forfeiture of shares.

5. All Time Entertainment Ltd. issued 50000 shares of ₹ 10 each at a premium of ₹ 4 per share payable as ₹. 3 per share on application ₹ 7 (including premium) on allotment and the balance on call. Akbar who was allotted 300 shares failed to pay the allotment amount and on his subsequent failure to pay the call money his shares were forfeited. Make the journal entry for the forfeiture of 300 shares.

6. Exe Ltd issued 10000 shares of ₹ 50 each at a discount of ₹ 5 per share payable as ₹10 per share on application, ₹ 20 per share on allotment and the balance on call. All money was duly received except of 400 shares on which allotment and call money was not received. These shares were forfeited. Make journal entries in the books of the company and prepare ledger accounts also.

7. The Multi Media Ltd. invited applications for issuing 50000 shares of ₹ 100 each at a premium of ₹ 20 per share. The amount was payable as follows:

On Application	₹ 30 per share
On Allotment	₹ 60 per share (including premium)
On First and Final call	₹ 30 per share

Applications were received for 1 lakh shares. Applications for 20000 shares were totally rejected and money was returned. Remaining applicants were allotted on prorata basis. Sukhbhinder who was allotted 400 shares did not pay the allotment money. On his subsequent failure to pay the call money, his shares were forfeited. Rajender who had applied for 400 shares failed to pay the call money. His shares were also forfeited after final call. Make journal entries in the books of the company and prepare necessary ledger accounts.

8. Aggarwal constructions Ltd. offered to public for subscription 40000 shares of ₹ 50 each at a premium of ₹ 10 per share. The amount of these shares is payable as :

₹ 20 per share on application
₹ 30 per share on allotment (including ₹ 10 of premium)
and the balance of First and Final call

Forfeiture of Shares

Applications were received for 75000 shares. Applicants of 15000 were sent letters of regret and their application money was returned. Remaining applicants were allotted shares on prorata basis. Sudhir holding 400 shares did not pay the allotment money. His shares were forfeited and call was made. Make journal entries.



ANSWERS TO INTEXT QUESTIONS

- 28.1**
- (i) forfeit
 - (ii) (a) cancellation of membership of the company
(b) reduction of issued capital
 - (iii) Articles of Association
 - (iv) Fourteen
- 28.2**
- i. (a) ₹ 20000 (b) ₹ 10000 (c) ₹ 4000 (d) ₹ 6000
 - ii. (a) $40 \times 30 = ₹ 120$ (b) $200 \times 40 = ₹ 800$
(c) $₹ 800 - ₹ 120 = ₹ 680$
- 28.3**
- (i) Credited by ₹ 700 (ii) Credited by ₹ 2000
 - (iii) Debited by ₹ 200 (iv) Credited by ₹ 400

MODULE - 5

Company Accounts



Notes