

## LESSON-29 REISSUE OF FORFETED SHARE

### SUMMARY

If shares are forfeited the membership of the shareholder stands cancelled and the shares become the property of the company. Thereafter, the company has an option of selling such forfeited shares. The sale of forfeited shares is called 'reissue of shares'.

### REISSUE OF SHARES: MEANING AND ISSUE PRICE

On forfeiture the membership of the original allottee is cancelled. He/she cannot be asked to make payment of the remaining amount. Such shares become the property of the company. Therefore company may sell these shares. Such sale of shares is called 'reissue of shares'. Thus reissue of shares means issue of forfeited shares.

The maximum permissible discount at the time of reissue of forfeited shares is ascertained in different situations in the following manner ↪

- Shares Originally Issued at Par
- Shares Originally Issued at Premium
- Shares Originally Issued at Discount

### RECORDING OF REISSUE OF SHARES

#### Reissue of Forfeited Shares at a Discount

When the shares forfeited are reissued at discount, Bank account is debited by the amount received and Share capital account is credited by the paid up amount. The amount of discount allowed is debited to Share Forfeited Account. This is for adjusting the amount of discount so allowed from the amount forfeited at the time of forfeiture.

### ACCOUNTING TREATMENT OF REISSUE OF FORFEITED SHARES

There can be four situations of reissue of forfeited shares. These are:

#### (i) Reissue of forfeited shares at discount originally issued at par ↪

In this case the maximum discount that can be given on reissue of forfeited shares is the amount that has been received on these shares and is debited to share forfeited account.

#### (ii) Reissue of shares at par or at premium, originally issued at par ↪

In this case the whole of the amount that has been credited to Shares Forfeited A/c is transferred to Capital Reserve A/c on the reissue of such shares.

**(iii) Reissue of forfeited shares at par, at discount and at premium originally issued at premium.** ↻

If the shares were originally issued at premium, it is not necessary that their reissue after forfeiture is to be at premium. Such shares can be reissued at par, at discount or at premium.

If such shares are reissued at premium the premium received should be credited to Securities Premium A/c.

**(iv) Reissue of forfeited shares at par, at discount and at premium, originally issued at discount.** ↻

When the forfeited shares originally issued at discount are reissued, the discount allowed at the time of original issue of such shares which was written back at the time of their forfeiture is again allowed. Thus on forfeiture shares Discount A/c is credited by the amount of discount allowed at the time of issue because its effect is to be cancelled out when shares were forfeited. When the same shares are reissued, discount on issue of shares A/c is

again debited by the original amount of discount.