



परमाणु ऊर्जा शिक्षण संस्था
(परमाणु ऊर्जा विभाग का स्वायत्त निकाय, भारत सरकार)
ATOMIC ENERGY EDUCATION SOCIETY
(An autonomous body under Department of Atomic Energy, Govt. of India)

Accounting for share capital (Module 3 of 4)

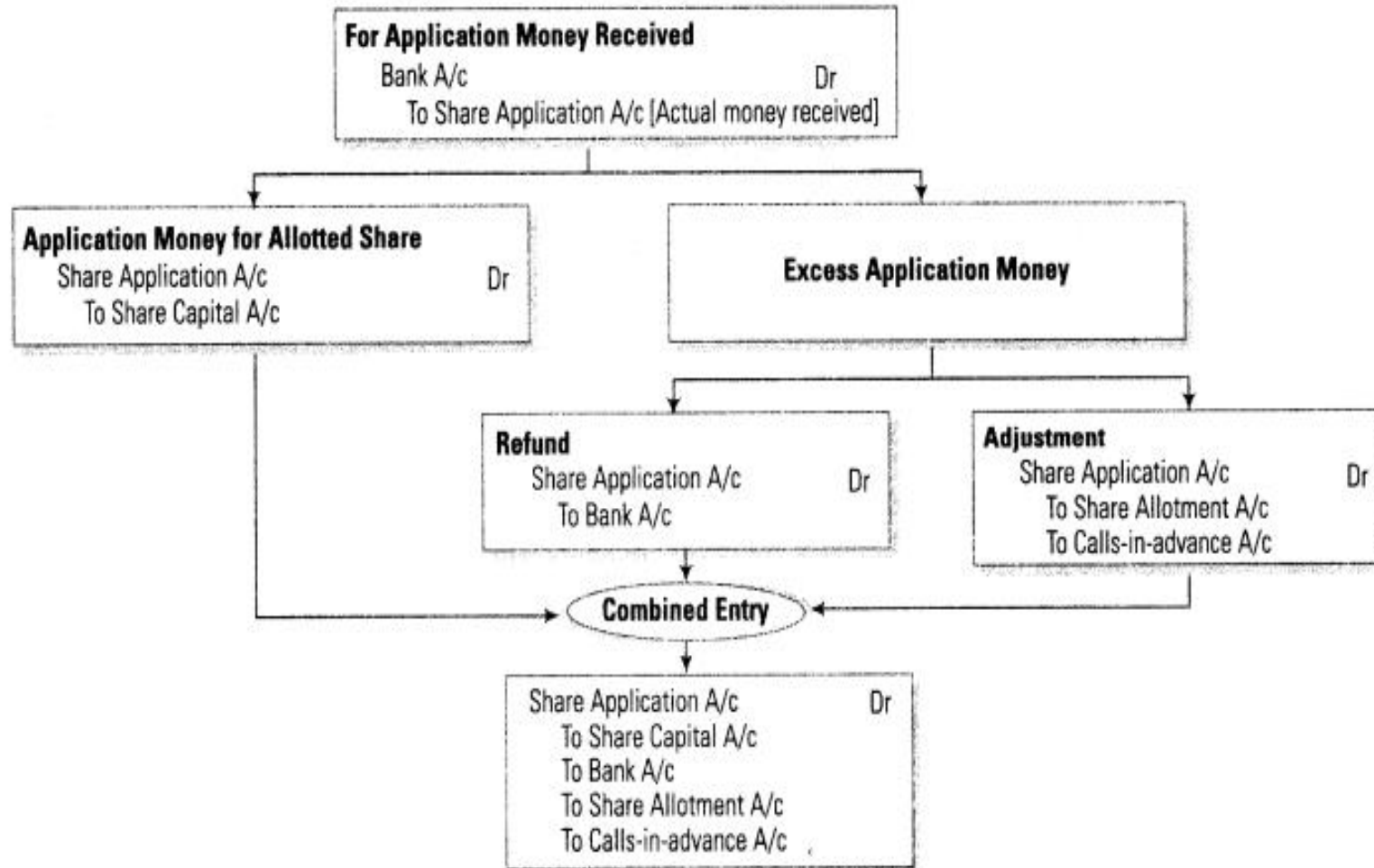
Over Subscription of shares

When the number of shares applied for exceed the number of shares issued.

Usually the following procedure is adopted:

- Total rejection of some application.
- Acceptance of some applications in full and
- Allotment to the remaining applicants on a pro rata basis.

Accounting for Share Capital



Accounting Entries in Case of Over Subscription

Accounting treatment (Oversubscription of shares)

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money transferred to share capital account and excess share application money transferred to share allotment account and rest money is refund)			

Ex-1 Oversubscription

(Excess application money refunded)

X Ltd. Issued 10000 shares of Rs. 10 each at par. Entire Rs. 10 is payable on application. Actual number of applications received were for 12000 shares. Company decided to reject 2000 applications and refund their application money straight away. Pass journal entries in the books of X Ltd.

Journal entries of X LTD

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c To Share Application A/c (Being share Application received for 12,000 shares at Rs.10 each)	Dr.	1,20,000	1,20,000
	Share Application A/c To Share Capital A/c To Bank A/c (Being application of 10,000 Shares Rs.10 each transferred to share Capital and of Rs.2,000 over-subscribed Shares returned)	Dr.	1,20,000	1,00,000 20,000

Ex-2 Oversubscription (Extra application money carried to allotment stage)

Khan Ltd invited application for 50000 shares of Rs.10 each payable as Rs.4 on application, Rs.4 on allotment and balance Rs.2 on call. Applications were received for 65000 shares.

Company decided to adjust excess application money on allotment.

All sums due were timely received by the company.

You are required to pass necessary journal entries in the books of Khan Ltd.

In the books of Khan Ltd.

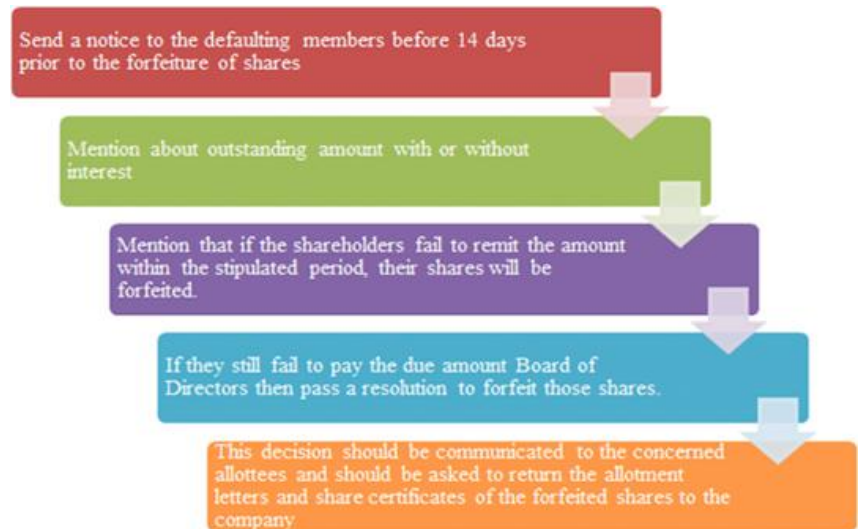
Journal entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c (65,000 × 4) To Equity share application A/c (Application money received)	Dr.	2,60,000	2,60,000
	Equity share application A/c (50,000 × 4) To Equity share capital A/c (Transfer of share application money to share capital)	Dr.	2,00,000	2,00,000
	Equity share application A/c (15,000 × 4) To Equity share allotment A/c (Excess share application money utilised for allotment)	Dr.	60,000	60,000
	Equity share allotment A/c To Equity share capital A/c (Share allotment money due)	Dr.	2,00,000	2,00,000
	Bank A/c (2,00,000 – 60,000) To Equity share allotment A/c (Allotment money received)	Dr.	1,40,000	1,40,000
	Equity share first and final call A/c (50,000 × 2) To Equity share capital A/c (Share first and final call money due)	Dr.	1,00,000	1,00,000
	Bank A/c To Equity share first and final call A/c (Share first and final call money received)	Dr.	1,00,000	1,00,000

Forfeiture of shares (Meaning and procedure)

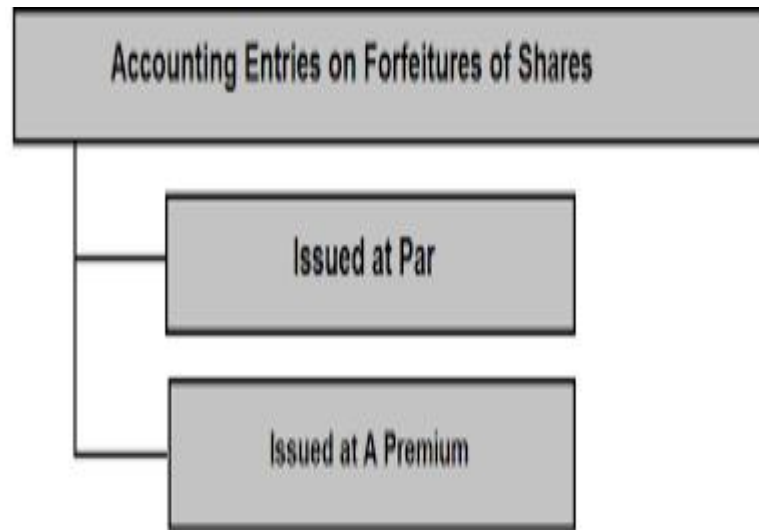
What is Forfeiture of Shares ?

- If a shareholder fails to pay instalments the shares held by him , his shares are compulsorily forfeited as penalty and his membership from the company is cancelled.
- After forfeiture of shares shareholder does not have any right on the money already paid by him on such shares.



Procedure for Forfeiture of Shares

Forfeiture of shares (Accounting possibilities)



Journal entry for forfeiture of shares (All possibilities)

Date	Particulars	L.F.	Debit ₹	Credit ₹
	(i) If premium is collected with application money			
	(a) For receiving application money (application money + premium)			
	Bank A/c Dr.		xxx	
	To Equity share application A/c			xxx
	(b) For transfer of application money			
	Equity share application A/c Dr.		xxx	
	To Equity share capital A/c			xxx
	To Securities premium A/c			xxx
	(ii) If premium is collected with allotment money/call money			
	(a) For allotment/ call money due (allotment/call money + premium)			
	Equity share allotment/call A/c Dr.		xxx	
	To Equity share capital A/c			xxx
	To Securities premium A/c			xxx
	(b) For receiving allotment/call money			
	Bank A/c Dr.		xxx	
	To Equity share allotment/call A/c			xxx
	(iii) When shares are forfeited (for which premium is not received)			
	Equity share capital A/c Dr.		xxx	
	Securities premium A/c Dr.		xxx	
	To Equity share allotment A/c			xxx
	To Equity share call A/c			xxx
	To Forfeited shares A/c			xxx

Forfeiture of shares (Which were originally issued at par)

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c Dr		(Amount Called-up)	
	To Share Allotment A/c (Not Received)			
	To Share Calls A/c (Not Received)			
	To Share Forfeiture A/c (Amount Received)			
	(Being shares forfeited on non-payment of allotment or call money)			

Ex-3 Forfeiture of shares (Which were originally issued at par)

Aggressive Ltd forfeited 100 shares of Rs.10 each issued at par for non payment of first & final call of Rs.5 per share. Give necessary journal entry for forfeiture of these shares in the books of the company.

Solution

AGGRESSIVE CO. LTD
Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Share capital a/c..... Dr.		1,000	
	To Calls in arrear a/c			500
	To Share forfeiture a/c			500
	(Being forfeiture of 100 shares of Rs.10 each due to non payment of first and final call money of Rs.5 per share)			

Forfeiture of shares issued at premium :

- ***There are 2 cases which might arise :***

1. When money for premium has already been received on forfeited shares.
2. When money for premium has not been received on forfeited shares.

Forfeiture of shares originally issued at premium (Premium amount remains unpaid)

Date	Particulars	LF	Amt. (Dr)	Amt. (Cr)
	Share Capital A/c Dr		(Total Amount Called-up)	
	Share Premium A/c Dr		(Premium Amount Called-up)	
	To Share Allotment A/c (Not Received)			
	To Share Calls A/c (Not Received)			
	To Share Forfeiture A/c (Amount Received)			
	(Being shares forfeited on non payment of allotment or call money)			

Ex-4 Forfeiture of shares originally issued at premium (Premium amount received by the company)

Super Ltd forfeited 500 shares of Rs.100 each issued at premium for the non payment of first call money of Rs.30 per share. Second and final call of Rs.20 per share has not yet been made by the company. Pass entry for forfeiture of these shares.

SUPER CO. LTD.
Journal entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Share capital a/c..... Dr.		40,000	
	To Calls in arrear a/c			15,000
	To Share forfeiture a/c			25,000
	(Being forfeiture of 500 shares of Rs.80 each called upon due to non-payment of first call money @ Rs.30 per share)			

Ex-5 Forfeiture of shares originally issued at premium (Premium amount remains unpaid)

X Ltd forfeited 100 shares of Rs.10 each issued at a premium of Rs.2 per share for the non-payment of allotment of Rs.5 per share (including premium). Final call of Rs.2 per share has not yet been made by the company. Pass journal entry related to forfeiture of these shares.

Books of X Limited

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Share Capital A/c (100 × 8) Dr.		800	
	Securities Premium A/c (100 × 2) Dr.		200	
	To Share Forfeiture A/c (100 × 5)			500
	To Calls-in-Arrears A/c (100 × 5)			500
	(100 shares of Rs 10 each, Rs 8 called-up with premium Rs 2 per share, forfeited for the non-payment of Rs 5 each including Rs 2 premium)			