



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 4 of 4)

REISSUE – MEANING AND ISSUE PRICE OF SHARES

Shares are forfeited because only a part of the due amount of such shares is received and the balance remains unpaid. 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.**

Meaning

- Forfeited shares can be reissued at
 - Par
 - Premium
 - Discount
- Maximum discount should not exceed amount available in share forfeiture account
- Loss on reissue of shares are debited to share forfeiture account

Re-issue of Forfeited Shares

The directors can either cancel or re-issue the forfeited shares. In most cases, they reissue such shares. Forfeited shares may be reissued at par, premium or discount.

Case A: Reissue at par/paid-up value

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c To Share Capital A/c (Being forfeited shares reissued at par)	Dr.		

Case B: Re-issue at premium (i.e. at a price more than paid-up value)

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c To Share Capital A/c To Securities Premium Reserve A/c (Being forfeited shares reissued at premium)	Dr.		

Case C: Reissue at Discount (i.e. at a price less than paid-up value)

In this context, it must be noted that the amount of discount allowed cannot exceed the amount that had been received on forfeited shares at the time of initial issue, and that the discount allowed on reissue of forfeited shares should be debited to the 'Share Forfeiture Account'.

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c (@ re-issued price) Shares Forfeited A/c (Discount on re-issue) To Share Capital A/c (@ paid-up value) (Being forfeited shares reissued at discount)	Dr. Dr.		

Concept – Capital Reserve

The balance, if any, left in the Share Forfeiture Account relating to reissued shares, should be treated as capital profit and transferred to Capital Reserve Account. The journal entry will be:

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Shares Forfeited A/c To Capital Reserve A/c (Being balance of shares forfeited account after re-issue transferred to capital reserve account)	Dr.		

Re-issue & Capital Reserve

Example: A company forfeited 200 shares of ₹10 each on which ₹600 had been received. The company can allow a maximum discount of ₹600 on their reissue. Assuming that the company reissues these shares for ₹1,800 as fully paid, the necessary journal entry will be:

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being reissue of 200 forfeited shares at ₹9 per share as fully paid)	Dr. Dr.	1,800 200	2,000

This shall leave a balance of ₹400 in share forfeited account (i.e. amount forfeited ₹600 – discount on reissue ₹200), which should be transferred to Capital Reserve Account by recording the following journal entry:

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share Forfeiture A/c To Capital Reserve A/c (Being profit on reissue of forfeited shares transferred to Capital Reserve A/c)	Dr.	400	400

Another important point to be noted in this context is that the capital profit arises only in respect of the forfeited shares reissued, and not on all forfeited shares. Hence, when a part of the forfeited shares are reissued, the whole balance of share forfeiture account cannot be transferred to the capital reserve account. In such a situation, it is only the proportionate amount of balance of share forfeiture account that relates to the forfeited shares reissued which should be transferred to capital reserve account. The remaining balance in share forfeiture account is the proportionate forfeited amount of shares not yet reissued, which will be added to the paid up share capital in the company's Balance Sheet.

Illustration : The Directors of Poly Plastic Limited resolved that 200 shares of ₹100 each be forfeited for non-payment of the second and final call of ₹30 per share. Out of these, 150 shares were re-issued at ₹60 per share to Mohit. Show the necessary journal entries for forfeiture and reissue of shares. Also prepare share forfeiture account.

Solution:

Books of Poly Plastic Limited
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share Capital A/c Dr. To Shares Forfeiture A/c To Share Second and Final Call/Calls-in-Arrears A/c (Being 200 shares forfeited for non-payment of final call at ₹30 per share)		20,000	14,000 6,000
	Bank A/c Dr. Shares Forfeiture A/c Dr. To Share Capital A/c (For reissue of 150 shares of ₹100 each, issued as fully paid for ₹60 each)		9,000 6,000	15,000
	Shares Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue of 150 forfeited shares transferred to capital reserve)		4,500	4,500

Working Notes: Total amount forfeited on 200 shares = ₹14,000

Therefore, amount forfeited on 150 shares = ₹14,000 × 150/200 = ₹10,500

Transfer to capital reserve = Amount forfeited on 150 shares – Discount on reissue = ₹10,500 – ₹6,000 = ₹4,500

Illustration : The Directors of a Company forfeited 200 shares of ₹10 each issued at a premium of ₹3 per share, for the non-payment of the First Call Money of ₹3 per share. The final call of ₹2 per share has not been made. Half the forfeited shares were reissued at ₹1,000 fully paid. Record the Journal Entries for the forfeiture and reissue of shares.

Solution:

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share Capital A/c Dr. To Share Forfeited A/c To Share first call A/c (Being shares forfeited)		1,600	1,000 600
	Bank A/c Dr. To Share Capital A/c (Being 100 forfeited shares reissued)		1,000	1,000
	Shares Forfeited A/c Dr. To Capital Reserve A/c (Being balance of forfeited A/c transferred to Capital Reserve)		500	500

Illustration : PS Ltd forfeited 500 equity shares of ₹100 each for the non-payment of first call of ₹30 per share. The final call of ₹10 per share was not yet made. The forfeited shares were re-issued for ₹65,000 fully paid up. Pass necessary journal entries in the books of the company.

Solution:

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share capital A/c Dr. To Forfeited Shares A/c To Share First Call A/c /Calls-in-Arrears A/c (500 share forfeited due to non-payment of first call)		45,000	30,000 15,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (500 shares reissued fully paid)		65,000	50,000 15,000
	Forfeited Shares A/c Dr. To Capital Reserve A/c (Share Forfeited A/c transferred to capital reserve A/c)		30,000	30,000