

Read the following statements and choose the correct alternatives.

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 - b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
 - c) Assertion (A) is false, but Reason (R) is true
 - d) Assertion (A) is true, but Reason (R) is false
6. **Assertion (A)** : A share is a fractional part of the share capital and forms the basis of ownership interest in a company.
- Reason (R)** : Shares refer to the units into which the total share capital of company is divided. 1

Read the following hypothetical situation. Answer question No. 7 and 8.

Nidiya Limited was incorporated on 1st April 2017 with registered office in Mumbai. The capital clause of memorandum of Association reflected a registered capital of 8,00,000 equity shares of ₹ 10 each and 1,00,000 preference shares of ₹ 50 each.

Since some large investments were required for building and machinery the company in consultation with vendors, M/s VPS Enterprises, issued 1,00,000 equity shares and 20,000 preference shares at par to them in full consideration of assets acquired. Besides this the company issued 2,00,000 equity shares for cash at par payable as ₹ 3 on application, 2 on allotment, 3 on first call and 2 on second call.

Till date second call has not yet been made and all the shareholders have paid except Mr. Ajay who did not pay allotment and calls on his 300 shares and Mr. Vipul who did not pay first call on his 200 shares. Shares of Mr. Ajay were then forfeited and out of them 100 shares were reissued at ₹ 12 per share.

7. How many equity shares of the company have been subscribed?
a) 3,00,000 b) 2,99,500 c) 2,99,800 d) None of the above 1
8. What is the amount of security premium reflected in the balance sheet at the end of the year?
a) ₹ 200 b) ₹ 600 c) ₹ 400 d) ₹ 1,000 1
9. Sundram Ltd purchased furniture for ₹ 3,00,000 from Ravindram Ltd., ₹ 1,00,000 were paid by drawing a promissory note in favour of Ravindram Ltd. The balance was paid by issue of equity shares of ₹ 10 each at a premium of 25%. Pass journal entries in the books of Sundram Ltd. 3
10. Sajag Ltd has an authorised capital of ₹ 30,00,000 divided into equity shares of ₹ 30 each. The company invited applications for issuing 70,000 shares. Applications for 68,000 shares were received.
- All calls were made and were duly received except the final call of ₹ 10 per share on 5,000 shares. These shares were forfeited.
- i) Present the share capital in the balance sheet of the company as per Schedule III of the Companies Act, 2013.
 - ii) Also prepare 'Notes to accounts' for the same. 3

OR

Samprag Ltd has an authorised capital of ₹ 20,00,000 divided into equity shares of ₹ 10 each. The company invited applications for issuing 60,000 shares. Applications for 58,000 shares were received.

All calls were made and were duly received except the final call of ₹ 3 per share on 2,000 shares. These shares were forfeited.

- i) Present the share capital in the balance sheet of the company as per Schedule III of the companies Act, 2013.
- ii) Also prepare 'Notes to accounts' for the same.

11. Janata Ltd had an authorised capital of 2,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription 1,00,000 shares. Applications were received for 97,000 shares. The amount was payable as follows on application was ₹ 2 per share, ₹ 4 was payable each on allotment and first and final call. A shareholder holding 600 shares failed to pay the allotment money. His shares were forfeited. The company did not make the first and final call.

Present the share capital in the balance sheet of the company as per Schedule III of the Companies Act, 2013. Also prepare notes to accounts. **3**

12. Give journal entries to record the following transaction of forfeiture and re-issue of shares and open share forfeiture account.

L Ltd forfeited 470 equity shares of ₹ 10 each issued at premium of ₹ 5 per share for non-payment of allotment money ₹ 8 per share (including share premium ₹ 5 per share) and the first and final call of ₹ 5 per share. Out of these, 60 equity shares were subsequently re-issued @ ₹ 14 per share. **3**

13. Pass necessary journal entries for the following transactions in the books of Gopal Ltd.

- i) Purchased furniture for ₹ 2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of ₹ 10 each at a premium of 25%.
- ii) Purchased a running business from Aman Ltd for a sum of ₹ 15,00,000. The payment of ₹ 12,00,000 was made by issue of fully paid equity shares of ₹ 10 each and balance by a bank draft. The assets and liabilities consisted of the following : plant ₹ 3,50,000; stock ₹ 4,50,000; land and building ₹ 6,00,000; sundry creditors ₹ 1,00,000. **4**

14. L Ltd forfeited 470 equity shares of ₹ 20 each issued at a premium of ₹ 3 per share for the non-payment of allotment money of ₹ 8 (including premium ₹ 3) and first call of ₹ 5 per share. Final call of ₹ 5 per share was not made. Out of these 235 shares were re-issued at ₹ 19 each fully paid. Pass necessary journal entries for the above transactions in the books of L Ltd. **4**

OR

Sandesh Ltd took over the assets of ₹ 7,00,000 and liabilities of ₹ 2,00,000 from Sanchar Ltd for a purchase consideration of ₹ 4,59,500, ₹ 8,500 were paid by accepting a draft in favour of Sanchar Ltd payable after three months and the balance was paid by issue of equity shares of ₹ 10 each at a premium of 10% in favour of Sanchar Ltd. Pass necessary journal entries for the above transactions in the books of Sandesh Ltd.

15. KS Ltd invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows.

- On application - ₹ 4 per share (including premium ₹ 1 per share)
- On allotment - ₹ 6 per share (including premium ₹ 3 per share)
- On first and final call - Balance amount

Applications for 3,20,000 shares were received. Applications for 80,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sum due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1,200 shares failed to pay the final call. These shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at ₹ 8 per share fully paid-up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary journal entries for the above transactions in the books of KS Ltd. **6**

16. XL Ltd invited applications for issuing 1,00,000 equity shares of ₹ 10 each at par. The amount was payable as follows.

- On application - ₹ 3 per share
- On allotment - ₹ 4 per share
- On first and final call - ₹ 3 per share

The issue was over-subscribed by three times. Applications for 20% shares were rejected and the money refunded. Allotment was made to the remaining applications as follows.

Category	Number of shares applied	Number of shares allotted
I	1,60,000	80,000
II	80,000	20,000

Excess money received with applications was adjusted towards sums due on allotment and first and final call. All calls were made and were duly received except the final call by a shareholder belonging to Category I who has applied for 320 shares. His shares were forfeited. The forfeited shares were re-issued at ₹ 15 per share fully paid-up.

Pass necessary journal entries for the above transactions in the book of XI Ltd. Open calls in-arrears and calls-in-advance account whenever required. **6**

OR

Manvet Ltd invited applications for issuing 10,00,000 equity shares of ₹ 10 each payable as follows.

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

Applications for 15,00,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money was adjusted on the sums due on calls. A shareholder, who had applied for 6,000 shares did not pay the first, and second and final call. His shares were forfeited. 90% of the forfeited shares were re-issued at ₹ 8 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of the company.

UNIT TEST - 4

Class XII

ACCOUNTANCY

Time : 1½ hrs

SET - B

Marks : 40

PART - A

- Vanya Ltd., forfeited 20,000 equity shares of ₹ 100 each for non-payment of first and final call of ₹ 40 per share. The maximum amount of discount at which these share can be re-issued will be :
a) ₹ 8,00,000 b) ₹ 12,00,000 c) ₹ 20,00,000 d) ₹ 20,000 1
- Gama Chemicals Ltd. is a newly formed company. How much discount per share can it allow for issuing its shares to the public?
a) 6% b) 10% c) 5% d) None of these 1
- Identify the Journal Entry for the issue of forfeited shares at par.

Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
a) Bank A/c Dr.			
To Share Capital A/c			
b) Bank A/c Dr.			
Share Forfeiture A/c Dr.			
To Share Capital A/c			
c) Share forfeiture A/c Dr.			
To Share Capital A/c			
d) None of these			

- What interest rate is applicable on calls-in-advance amount as per Company Act, 2013?
a) 10% b) 12% c) 15% d) 7% 1
- Subscription of shares should not be less than % of the issued shares.
a) 85% b) 90% c) 95% d) 100% 1

OR

HR Limited issued 10,000 equity shares @ ₹ 10 each at 10% premium. All shares were subscribed and amount was received. Identify the amount to be transferred to Securities Premium Reserve A/c.

- a) ₹ 10,000 b) ₹ 1,000 c) ₹ 1,00,000 d) ₹ 9,000

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c) Assertion (A) is false, but Reason (R) is true
d) Assertion (A) is true, but Reason (R) is false
6. **Assertion (A)** : The equity shareholders are paid dividend on the shares held by them. 1
Reason (R) : As the equity shareholders are the owners and dividend form their earning.

Read the following hypothetical situation. Answer question No. 7 and 8.

The directors of Bhagat and Company Ltd. issued 50,000 equity shares of ₹ 10 each at ₹12 per share, payable as ₹ 5 on application including the premium, ₹ 4 on allotment and the balance on final call. Applications were received for 70,000 shares out of which applications for 8,000 shares were rejected and their money was refunded. Money overpaid on application was applied towards sums due on allotment. All the money were duly received except from one shareholder holding 500 shares who failed to pay the final call money.

7. What is the amount that will be transferred to the securities premium account?
a) ₹ 1,50,000 b) ₹ 100,000 c) ₹ 60,000 d) ₹ 40,000 **1**
8. What is the amount to be received on the Allotment of share?
a) ₹ 2,00,000 b) ₹ 1,40,000 c) ₹ 1,50,000 d) ₹ 1,00,000 **1**
9. Z Ltd purchased furniture costing ₹ 2,20,000 from CD Ltd. The payment was to be made by issuing of 9% preference share of ₹ 100 each at a premium of ₹ 10 per share. Pass necessary journal entries in the books of Z Ltd. **3**
10. 'India Auto Ltd' is registered with an authorised capital of ₹ 7,00,00,000 divided into 7,00,000 shares of ₹ 100 each. The company issued 50,000 shares to the vendor for building purchased and 2,00,000 shares were issued to the public. The amount was payable as follows.

On application and allotment	:	₹ 20 per share
On first call	:	₹ 50 per share
On second and final call	:	Balance

All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.

Present the 'share capital' in the balance sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare 'notes to accounts'. **3**

OR

B Ltd was registered with an authorised capital of ₹ 20,00,000 divided into equity shares of ₹ 10 each. The company invited applications for the issue of 1,00,000 shares. Applications for 96,000 shares were received. All calls were made and were duly received except the final call of ₹ 2 per share on 2,000 shares. All these shares were forfeited and later on re-issued at ₹ 18,000 as fully paid,

- i) Show how 'share capital' will appear in the balance sheet of B Ltd. as per Schedule III of the Companies Act, 2013.
- ii) Also prepare 'Notes to Accounts' for the same.
11. 'Suvidha Ltd' is registered with an authorised capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹ 20 per share. His shares were forfeited. The forfeited shares were re-issued at ₹ 90 per share as fully paid-up.

Present the share capital in the balance sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare notes to accounts. **3**

12. K Ltd took over the assets of ₹ 15,00,000 and liabilities of ₹ 5,00,000 of P Ltd for a purchase consideration of ₹ 13,68,500. ₹ 25,500 were paid by issuing a promissory

note in favour of P Ltd payable after two months and the balance was paid by issue of equity shares of ₹ 100 each at a premium of 25%. Pass necessary journal entries for the above transactions in the books of K Ltd. **3**

13. The authorised capital of Suhas Ltd is ₹ 50,00,000 divided into 25,000 shares of ₹ 200 each. Out of these, the company issued 12,000 shares of ₹ 200 each at a premium of 10%. The amount per share was payable as follows.

₹ 60 on application. ₹ 60 on allotment (including premium)
₹ 30 on first call and balance on final call.

Public applied for 11,000 shares. All the money was duly received.

Prepare an extract of balance sheet of Suhas Ltd as per Revised Schedule III, Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to accounts' for the same. **4**

14. Jain Ltd invited applications for issuing 1,12,000 equity shares of ₹ 10 each at par. The amount per share was payable as follows.

On application	- ₹ 1	On allotment	- ₹ 2
On first call	- ₹ 3	On second and final call	- ₹ 4

Applications for 1,00,000 shares were received. Shares were fully allotted to all the applicants. Ramesh failed to pay his allotment money which was ₹ 2,000. His shares were forfeited immediately. Suresh did not pay the first call on 500 shares applied by him. His shares were forfeited after the first call. The forfeited shares of Ramesh and Suresh were re-issued at ₹ 9 per share fully paid-up. Afterwards the second and final call was made and was duly received.

Pass necessary journal entries for the above transactions in the books of Jain. **4**

OR

'Tractors India Ltd' is registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company issued 50,000 equity shares at a premium of ₹ 5 per share. ₹ 2 per share were payable with application, ₹ 8 per share including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balaram.

Present the 'share capital' in the balance sheet of 'Tractors India Ltd' as per Schedule III, Part I of the Companies Act, 2013. Also prepare notes to accounts for the same.

15. Radha Mohan Ltd invited applications for issuing 4,00,000 equity shares of ₹ 50 each. The amount was payable as follows.

On application	- ₹ 15 per share
On allotment	- ₹ 25 per share
On first and final call	- ₹ 10 per share

Applications for 6,00,000 shares were received and pro-rata allotment was made to all the applicants on following basis.

Applicants for 4,00,000 shares were allotted 3,00,000 shares.

Applicants for 2,00,000 shares were allotted 1,00,000 shares.

It was decided that excess amount received on applications will be adjusted towards sums due on allotment and surplus if any, will be refunded. Vibhuti, who was allotted 6,000 shares out of the group applying for 4,00,000 shares did not pay the allotment money and his shares were forfeited immediately. Afterwards, these forfeited shares were re-issued at ₹ 30 per share fully paid-up. Later on, first and final call was made. Shahid, who had applied for 2,000 shares out of the group applying for 2,00,000 shares failed to pay first and final call and his shares were also forfeited. These shares were afterwards re-issued at ₹ 60 per share fully paid-up. **6**

Pass necessary journal entries in the books of Radha Mohan Ltd for the above transactions.

16. VXN Ltd invited application for issuing 50,000 equity shares of ₹ 10 each at a premium of ₹ 8 per share. The amount was payable as follows:

On application	:	₹ 4 per share (including ₹ 2 premium)
On allotment	:	₹ 6 per share (including ₹ 3 premium)
On first call	:	₹ 5 per share (including ₹ 1 premium)
On second and final call	:	Balance amount

The issue was fully subscribed. Gopal, a shareholder holding 200 shares, did not pay the allotment money and Madhav, a holder of 400 shares, paid his entire share money along with the allotment money. Gopal's shares were immediately forfeited after allotment.

Afterwards, the first call was made, Krishna, a holder of 100 shares, failed to pay the first call money and Girdhar, a holder of 300 shares, paid the second call money also along with the first call. Krishna's shares were forfeited immediately after the first call. Second and final call was made afterwards and was duly received. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up. **6**

Pass necessary journal entries for the above transactions in the books of the company.

OR

AXN Ltd invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On application	-	₹ 4 per share (including ₹ 2 premium)
On allotment	-	₹ 5 per share (including ₹ 2 premium)
On first call	-	₹ 4 per share (including ₹ 2 premium)
On second and final call	-	Balance amount

The issue was fully subscribed.

Kumar, the holder of 400 shares did not pay the allotment money and Ravi, the holder of 1,000 shares paid his entire share money along with allotment money.

Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta, a holder of 300 shares failed to pay the first call money and Gopal, a holder of 600 shares paid the second call money also along with first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.

All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of the company.