

1.ACCOUNTING FOR SHARE CAPITAL

(TOTAL MARKS ALLOTTED=1+2+12=15)

Section A One Mark Questions

I Fill in the blanks

- 1.A company is an Person.
- 2..... Is the part of the issued capital.
- 3.If call money received in advance is called
- 3..... is minimum paid up capital of public company.
4. months must elapse between two calls.
- 5..... is minimum number of public company.
- 6..... is minimum number of private company.
- 7.The amount of buy back of shares in any financial year should not exceed % of the paid up capital
- 8.Minimum paid up capital of a private company is
9. Profit on forfeiture shares is transferred to account

II Multiple Choice Question;-

- 1.Equity share holders are,
[a] creditors [b] owners [c] customers of the company [d] None of the above
2. Interest on calls in arrears is charged according to table 'A'
[a] 5% [b] 6% [c] 8% [d] 11%
3. Shares can be forfeited,
[1] For non payment of call money [2] For failure to attend meeting
[3] For failure to repay the loan to the bank. [4] For which shares are pledged
As a security
4. Balance of share forfeiture account is shown in the balance sheet under the item
[1] Current liabilities and provisions [2] Reserves and Surplus
[3] Share capital [4] Unsecured loans

5. Issued capital is part of

[1] Reserve capital [2] Unissued capital [3] Authorised capital [4] None of the above

6. Maximum number of members in private companies is

[1] 40 [2] 50 [3] 70 [4] No limits

7. If more applications are received than offered to public

[1] less offers [2] under subscription [3] over subscription [4] more offers

8. Paid up capital is part of

[1] Authorised capital [2] Reserve capital [3] Called up capital [4] Subscribed capital

9. If a share holder fails to pay call money is called

[1] calls unpaid [2] calls in advance [3] calls in arrears [4] None of the above

10. Minimum number of a public company is.

[1] 20 [2] 50 [3] no limit [4] 7

III True or False

1. A company is an artificial person

2. Companies shares are generally transferable.

3. Share application account is personal account.

4. Paid up capital can exceed called up capital.

5. Capital Reserve are created out of capital profits.

6. The part of capital which is called up only on winding up is called reserve capital

7. Private companies invite the public to subscribe in shares

8. Forfeiture of shares is cancellation of the rights of share holders

9. All the shares of buy – back should be fully paid-up

10. The articles of the association must authorize the company for the buy-back of shares.

IV Very Short Answer Questions

1. State any one kind of company.

2. What is issued capital?

3. What is Buy-back of shares?

4. What is minimum paid capital of private company?
5. When the Reserve capital is used ?
- 6.State the meaning of over subscription
- 7.State the meaning of under subscription
8. What is issue of shares at par?
9. What is issue of shares at premium?
10. What is issue of shares at discount?

Section B Short Answer Questions for Two marks

- 1.What is company?
- 2.State any two features of the company.
- 3.What is 'Prospectus'?
- 4.What do you mean by Over subscription?
- 5.Give the meaning of calls in arrears.
- 6.State any two types of issue of shares.
- 7.What is issue of shares of consideration other than cash?
- 8.What is forfeiture of shares?
9. Give the journal entry for transfer of profit on reissue of forfeited shares.
- 10.State any two difference between public and private company
- 11.State any two categories of share capital.

12 MARKS PROBLEMS

1. ABC Company Ltd., issued 20,000 Equity shares of Rs. 10 each. The amount payable is as follows.

On application	Rs. 2
On allotment	Rs. 3
On first and on final call	Rs. 5

All shares were subscribed. Akash holding 500 shares did not pay first and final call money. The directors forfeited his shares . These

shares were Re-issued to Sagar at Rs. 7 per share. full paid up **Give the necessary journal entries.**

2. 'X' Company limited issued 10,000 shares of Rs. 100 each. The amount was payable Rs. 10 on application Rs. 40 on allotment and Rs. 20 on first call and final call Rs 50. All the shares were subscribed and the money was duly received except the first call and final call on 2,000 shares. The directors forfeited these shares and reissued at Rs. 80 per share as fully paid up. **Pass the journal entries.**

3. A company limited has a Registered capital of Rs. 5,00,000 divided into equity shares of Rs. 10 each. Of these, 40,000 shares were issued to the public. The amount was payable as follows :

Rs. 2 on application

Rs. 5 on allotment

Rs. 3 on first call and final call.

All the shares were subscribed and the money duly received except the first and final call on 2,000 shares. These shares were forfeited and re-issued at Rs. 8 per share fully paid up. **Pass the journal entries. in the books of the company**

4. Excellent Company Ltd., issued 10,000 Equity shares of Rs. 10 each. The amount payable is as follows.

On application Rs. 2
On allotment Rs. 3 and,

On first and final call Rs. 5

Applications received for 12,000 Equity shares. The directors refunded excess application money on 2,000 Shares. All shares were subscribed. Niraj holding 1,000 shares did not pay first and final call money. His shares were forfeited by the directors of the company . These shares were Re-issued to Prakash at Rs. 8 per share full paid up .

Give the necessary journal entries.

5. A Company Limited issued 20,000 shares of Rs. 10 each payable as Rs. 2 on applications Rs. 3 on allotment Rs. 5 on first and final call.

Applications were received for 25,000 shares. The directors decided to allot the shares on pro-rata basis as follows. To the applications for 10,000 shares full. to the applications for 8,000 shares 5,000 shares To the applications for 2,000 shares Nil. All money due on shares were duly received except the first and final call on 1,000 shares. The directors forfeited these shares and re-issued at Rs. 8 fully paid up.

Pass the journal entries in the books of the company.

6. Bharat Company Ltd. issued 10,000 Shares of Rs. 100 each, the share amount being payable as under.

On Application	Rs. 20
On Allotment	Rs. 40
On First call and final call	RS 40

Applications were received for 15,000 shares of which applications for 3,000 shares were rejected and their applications money refunded and the remaining 2,000 share application money adjusted towards allotment. All the calls were made and all the moneys were duly received except the first and final call on 500 shares.

Pass the necessary journal entries in the books of the company.

7. XYZ Co. Ltd. issued 30,000 equity shares of Rs. 10 each at a premium of Rs. 1 per share to the public, payable as follows :

Rs. 2 on application
Rs. 5 on allotment (including premium)
Rs. 4 on first call and final call

All the shares subscribed and the money duly received except the first and final call on 2000 shares. The directors forfeited these shares and re-issued them as fully paid up at Rs. 8 per share.

Pass the necessary Journal entries related to the above information.

8. Sun India Ltd. issued 20,000 Equity Shares of Rs. 100 each at premium of Rs. 10 each. The amount payable as follows :

Rs. 20 on application
Rs. 50 on allotment (including premium)
Rs. 40 on first call and final call

Pass the Journal entries related to issued shares, forfeited and re-issued.

- 12.** The Rajesh Trading Company Ltd issued 10,000 shares of Rs. 10 each at a discount of Rs. 2 per share payable as follows.

On application	Rs. 1
On allotment	Rs. 4
On first and final call	Rs. 3

All these shares were subscribed and the money duly received except the first and final call on 1000 shares. These shares were forfeited and re-issued at Rs. 80 fully paid-up.

Pass the journal entries. of the above related informations.

- 13.** A Mining Company limited, invited applications for Rs. 50,000 equity shares of Rs. 100 each at a discount Rs. 10 per share. The amount was to be paid as follows.

On application	Rs. 10
On allotment	Rs. 50
On first and final call	Rs. 30

The public applied for 40,000 shares and these were allotted. All moneys due were collected with the exception of the first and final call on 5,000 shares and the directors forfeited these shares and re-issued as fully paid at Rs. 70 per share. **Pass the journal entries.**

- 14.** 'A' Company issued 5,000 Equity shares of Rs. 100 each at a discount of Rs. 10% . The net amount payable is as follows.

On application	Rs. 20
On allotment	Rs. 30
On first call and final call	Rs. 40

All shares were subscribed. Dinesh holding 200 shares did not pay the first and final call money. His shares were forfeited. These shares

were Re-issued to Mahesh at Rs. 80 per share fully paid up.

Pass the journal entries in the books of the company.

- 15.** The Gama Company limited issued 60,000 Equity shares of Rs.10 each at a premium of Rs. 2 per share payable as follows :

On application Rs. 3

On allotment Rs. 5 (including premium)

On first and final call Rs. 4

All shares were subscribed and allotment made. All moneys were received except Mr. Suresh failed to pay the first and final call money on 1,500 shares. Subsequently, all these shares were forfeited and re-issued to Mr. Naresh at the rate of Rs. 8 per share as fully paid.

Pass the necessary journal entries.

Accounting for share capital

Answers for the questions of one marks ,fill in the blanks ,Multiple choice and True/False

I Fill in the blanks

- [1] Artificial
- [2] Subscribed Capital
- [3] Calls in advance
- [4] 5 Lakhs rupees
- [5] One
- [6] 7 members
- [7] 2 members
- [8] 25 %
- [9] 1 Lakh rupees
- [10] Capital Reserve

II Multiple choice questions

1.[b] owners 2. [a] 5% 3. [a] for non payment of call money 4. [c] share capital 5. [c] authorised capital 6. [b] 50 7. [c] over subscription 8. [c] called up capital 9. [c] calls in arrears 10. [d] 7 15.

III True / False

[1] True [2] True [3] True [4] False [5] True [6] True [7] False [8] True
[9] True
[10] True