

BHARATIYA VIDYA BHAVAN'S V M PUBLIC SCHOOL, VADODARA
QUESTION BANK

Question for Practice

Short Answer Questions

1. What is public company?
2. What is a private company.
3. When can shares be Forfeited?
4. What is meant by Calls in Arrears?
5. What do you mean by a listed company?
6. What are the uses of securities premium?
7. What is meant by Calls in Advance? 8. Write a brief note on "Minimum Subscription".

Long Answer Questions 1. What is meant by the word „Company“?

Describe its characteristics.

2. Explain in brief the main categories in which the share capital of a company is divided.
3. What do you mean by the term „share“? Discuss the type of shares, which can be issued under the Companies Act, 1956 as amended to date.
4. Discuss the process for the allotment of shares of a company in case of oversubscription.
5. What is a „Preference Share“? Describe the different types of preference shares.
6. Describe the provisions of law relating to „Calls in Arrears“ and „Calls in Advance“.
7. Explain the terms „Over subscription“ and „Under subscription“. How are they dealt with in accounting records?
8. Describe the purposes for which a company can use the amount of Securities Premium.
9. State clearly the conditions under which a company can issue shares at a discount.
10. Explain the term „Forfeiture of Shares“ and give the accounting treatment on forfeiture.

Numerical Questions

1. Anish Limited issued 30,000 equity shares of Rs.100 each payable at Rs.30 on application, Rs.50 on allotment and Rs.20 on Ist and final call. All money was duly received. Record these transactions in the journal of the company.
2. The Adarsh Control Device Ltd. was registered with the authorised capital of Rs.3,00,000 divided into 30,000 shares of Rs.10 each, which were offered to the public. Amount payable as Rs.3 per share on application, Rs.4 per share on allotment and Rs.3 per share on first and final call. These shares were fully subscribed and all money was duly received. Prepare journal and Cash Book.
3. Software Solution India Ltd. invited applications for 20,000 equity shares of Rs.100 each, payable Rs.40 on application, Rs.30 on allotment and Rs.30 on call. The company received applications for 32,000 shares. Application for 2,000 shares were rejected and money returned to applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 shares allotted half of the number of shares applied and excess application money adjusted into allotment. All money due on allotment and call was received.
Prepare journal and cash book.
4. Rupak Ltd. issued 10,000 shares of Rs.100 each payable Rs.20 per share on application, Rs.30 per share on allotment and balance in two calls of Rs.25 per share. The application and allotment money were duly received. On first call, all members paid their dues except one member holding 200 shares, while another member holding 500 shares paid for the balance due in full. Final call was not made. Give journal entries and prepare cash book.
5. Mohit Glass Ltd. issued 20,000 shares of Rs.100 each at Rs.110 per share, payable Rs.30 on application, Rs.40 on allotment (including Premium), Rs.20 on first call and Rs.20 on final call. The applications were received for 24,000 shares

and allotted 20,000 shares and rejected 4,000 shares and amount returned thereon. The money was duly received. Give journal entries.

6. A limited company offered for subscription of 1,00,000 equity shares of Rs.10 each at a premium of Rs.2 per share, 2,00,000 10% Preference shares of Rs.10 each at par. The amount on share was payable as under :

	<i>Equity Shares</i>	<i>Preference Shares</i>
On Application	Rs.3 per share	Rs.3 per share
On Allotment (including premium)	Rs.5 per share	Rs.4 per share
On First Call	Rs.4 per share	Rs.3 per share

All the shares were fully subscribed, called-up and paid.

Record these transactions in the journal and cash book of the company:

7. Eastern Company Limited, with an authorised capital of Rs.10,00,000 is divided into shares of Rs.10 each, issued 50,000 shares at a premium of Rs.3 per share payable as follows:

On Application Rs.3 per share

On Allotment (including premium) Rs.5 per share

On first call (due three months after allotment) Rs.3 per share and the balance as and when required. Applications were received for 60,000 shares and the directors allotted the shares as follows :

(a) Applicants for 40,000 shares received in full.

(b) Applicants for 15,000 shares received an allotment of 8,000 shares.

(c) Applicants for 500 shares received 200 shares on allotment, excess money being returned.

All amounts due on allotment were received.

The first call was duly made and the money was received with the exception of the call due on 100 shares.

Give journal and cash book entries to record these transactions of the company. Also prepare the Balance Sheet of the company.

8. Sumit Machine Ltd. issued 50,000 shares of Rs.100 each at discount of 5%. The shares were payable Rs.25 on application, Rs. 40 on allotment and Rs.30 on first and final call. The issue was fully subscribed and money was duly received except the final call on 400 shares. The discount was adjusted on allotment. Give journal entries and prepare the balance sheet.

9. Kumar Ltd. purchased assets of Rs.6,30,000 from Bhanu Oil Ltd. Kumar Ltd. issued equity share of Rs.100 each fully paid in consideration. What journal entries will be made, if the shares are issued, (a) at par, (b) at discount of 10%, and (c) at premium of 20%. (Answer: Numbers of shares issued (a) 6,300 (b) 7,000 (c) 5,250)

10. Bansal Heavy Machine Ltd. purchased machine worth Rs.3,20,000 from Handa Trader. Payment was made as Rs.50,000 cash and remaining amount by issue of equity shares of the face value of Rs. 100 each fully paid at an issue price of Rs.90 each. Give journal entries to record the above transaction.

11. Naman Ltd. issued 20,000 shares of Rs.100 each, payable Rs.25 on application, Rs.30 on allotment, Rs.25 on first call and the balance on final call. All money duly received except Anubha, who holding 200 shares did not pay allotment. and calls money and Kumkum, who holding 100 shares did not pay both the calls. The directors forfeited the shares of Anubha and Kumkum. Give journal entries.

12. Kishna Ltd. issued 15,000 shares of Rs.100 each at a premium of Rs.10 per share, payable as follows: On application Rs.30

On allotment Rs.50 [including premium] On first and final call Rs.30

All the shares subscribed and the company received all the money due, with the exception of the allotment and call money on 150 shares. These shares were forfeited and reissued to Neha as fully paid share of Rs.12 each. Give journal entries in the books of the company.

13. Arushi Computers Ltd. issued 10,000 equity shares of Rs.100 each at 10% discount. The net amount payable as follows:

On application Rs.20

On allotment Rs.30 (Rs.40 – discount Rs.10)

On first call Rs.30

On final call Rs.10

A shareholder holding 200 shares did not pay final call. His shares were forfeited. Out of these 150 shares were reissued to Ms.Sonia at Rs.75 per share.Give journal entries in the books of the company.

14. Raunak Cotton Ltd. issued a prospectus inviting applications for 6,000 equity shares of Rs.100 each at a premium of Rs.20 per shares, payable as follows: On application Rs.20

On allotment Rs.50 [including premium]

On first call Rs.30

On final call Rs.20

Applications were received for 10,000 shares and allotment was made pro-rata to the applicants of 8,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted toward the amount due on allotment.Rohit, to whom 300 shares were allotted failed to pay allotment and calls money,his shares were forfeited. Itika, who applied for 600 shares, failed to pay thetwo calls and her shares were also forfeited. All these shares were sold to Kartikaas fully paid for Rs.80 per share. Give journal entries in the books of the company.

15. Himalaya Company Limited issued for public subscription of 1,20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under :

With Application Rs. 3 per share

On allotment (including premium) Rs. 5 per share

On First call Rs. 2 per share

On Second and Final call Rs. 2 per share

Applications were received for 1,60,000 shares. Allotment was made on prorata basis. Excess money on application was adjusted against the amount due on allotment. Rohan, whom 4,800 shares were allotted, failed to pay for the two calls. Theshares were subsequently forfeited after the second call was made. All the shares forfeited were reissued to Teena as fully paid at Rs. 7 per share.Record journal entries and show the transactions relating to share capital in the company's balance sheet

16. Prince Limited issued a prospectus inviting applications for 20,000 equity shares of Rs.10 each at a premium of Rs.3 per share payable as follows:

With Application Rs.2

On Allotment (including premium) Rs.5

On First Call Rs.3

On Second Call Rs.3

Applications were received for 30,000 shares and allotment was made on prorata basis. Money overpaid on applications was adjusted to the amount due on allotment. Mr. Mohit whom 400 shares were allotted, failed to pay the allotment money and the first call, and his shares were forfeited after the first call. Mr. Joly, whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited.

Of the shares forfeited, 800 shares were reissued to Supriya as fully paid for Rs.9 per share, the whole of Mr. Mohit's shares being included .Record journal entries in the books of the Company and prepare the Balance Sheet.

17. Life Machine Tools Limited issued 50,000 equity shares of Rs.10 each at Rs.12 per share, payable at to Rs.5 on application (including premium), Rs.4 on allotment and the balance on the first and final call.

Applications for 70,000 shares had been received. Of the cash received, Rs.40,000 was returned and Rs.60,000 was applied to the amount due on allotment. All shareholders paid the call due, with the exception of one

shareholder of 500 shares. These shares were forfeited and reissued as fully paid at Rs.8 per share. Journalise the transactions.

18. The Orient Company Limited offered for public subscription 20,000 equity shares of Rs.10 each at a premium of 10% payable at Rs.2 on application; Rs.4 on allotment including premium; Rs.3 on First Call and Rs.2 on Second and Final call. Applications for 26,000 shares were received. Applications for 4,000 shares were rejected. Pro-rata allotment was made to the remaining applicants. Both the calls were made and all the money were received except the final call on 500 shares which were forfeited. 300 of the forfeited shares were later reissued as fully paid at Rs.9 per share. Give journal entries and prepare the balance sheet

19. Alfa Limited invited applications for 4,00,000 of its equity shares of Rs.10 each on the following terms : Payable on application Rs.5 per share

Payable on allotment Rs.3 per share

Payable on first and final call Rs.2 per share

Applications for 5,00,000 shares were received. It was decided :

(a) to refuse allotment to the applicants for 20,000 shares;

(b) to allot in full to applicants for 80,000 shares;

(c) to allot the balance of the available shares“ pro-rata among the other applicants; and (d) to utilise excess application money in part as payment of allotment money.

One applicant, whom shares had been allotted on pro-rata basis, did not pay the amount due on allotment and on the call, and his 400 shares were forfeited. The shares were reissued @ Rs.9 per share. Show the journal and prepare Cash book to record the above.

20. Ashoka Limited Company which had issued equity shares of Rs.20 each at a discount of Rs. 4 per share, forfeited 1,000 shares for non-payment of final call of Rs.2 per share. 400 of the forfeited shares were reissued at Rs.14 per share out of the remaining shares of 200 shares reissued at Rs.20 per share. Give journal entries for the forfeiture and reissue of shares and show the amount transferred to capital reserve and the balance in Share Forfeiture Account.

21. Amit holds 100 shares of Rs.10 each on which he has paid Re.1 per share as application money. Bimal holds 200 shares of Rs.10 each on which he has paid Re.1 and Rs.2 per share as application and allotment money, respectively. Chetan holds 300 shares of Rs.10 each and has paid Re.1 on application, Rs.2 on allotment and Rs.3 for the first call. They all failed to pay their arrears and the second call of Rs.2 per share and the directors, therefore, forfeited their shares. The shares are reissued subsequently for Rs.11 per share as fully paid. Journalise the transactions.

22. Ajanta Company Limited having a normal capital of Rs.3,00,000, divided into shares of Rs.10 each offered for public subscription of 20,000 shares payable at Rs.2 on application; Rs.3 on allotment and the balance in two calls of Rs.2.50 each. Applications were received by the company for 24,000 shares. Applications for 20,000 shares were accepted in full and the shares allotted. Applications for the remaining shares were rejected and the application money was refunded. All moneys due were received with the exception of the final call on 600 shares which were forfeited after legal formalities were fulfilled. 400 shares of the forfeited shares were reissued at Rs.9 per share.

Record necessary journal entries and prepare the balance sheet showing the amount transferred to capital reserve and the balance in share forfeiture account.

23. Journalise the following transactions in the books Bhushan Oil Ltd.:

(a) 200 shares of Rs.100 each issued at a discount of Rs.10 were forfeited for the non-payment of allotment money of Rs.50 per share. The first and final call of Rs.20 per share on these shares were not made. The forfeited shares were reissued at Rs.70 per share as fully paid-up.

(b) 150 shares of Rs.10 each issued at a premium of Rs.4 per share payable with allotment were forfeited for non-payment of allotment money of Rs.8 per share including premium. The first and final calls of Rs.4 per share were not made. The forfeited shares were reissued at Rs.15 per share fully paid-up.

(c) 400 shares of Rs.50 each issued at par were forfeited for non-payment of final call of Rs.10 per share. These shares were reissued at Rs.45 per share fully paid-up.

24. Amisha Ltd. invited applications for 40,000 shares of Rs.100 each at a premium of Rs.20 per share payable on application Rs.40 ; on allotment Rs.40 (Including premium): on first call Rs.25 and second and final call Rs.15.

Applications were received for 50,000 shares and allotment was made on prorata basis. Excess money on application was adjusted against the sums due on allotment. Rohit to whom 600 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment. Ashmita, who applied for 1,000 shares failed to pay the two calls and her shares were forfeited after the second call. Of the shares forfeited, 1,200 shares were sold to Kapil for Rs.85 per share as fully paid, the whole of Rohit's shares being included. Record necessary journal entries.