

## 1. Details of Module and its structure

Module Detail	
Subject Name	Accountancy
Course Name	Accountancy 04 (Class XII, Semester – 2)
Module Name/Title	Accounting for Share Capital – Procedure of Recording Issue of Share – Part 5
Module Id	leac_20105
Pre-requisites	Knowledge of Journal Entries of Issue of Shares & Ledger Posting from Journal.
Objectives	After going through this lesson, the learners will be able to: <ul style="list-style-type: none"><li>• Prepare Cash Book (Bank Column);</li><li>• Make Ledger Accounts;</li><li>• Disclose Share Capital in Balance Sheet of the Company;</li><li>• Compute Amount Realised on Allotment in Case of Pro-rata allotment &amp; default in allotment by two shareholders.</li></ul>
Keywords	Issue of Shares – Cash Book; Share Capital Account; Share Forfeiture A/c; Subscribed Capital; Subscribed & Paid Up Capital.

## 2. Development Team

Role	Name	Affiliation
National MOOC Coordinator	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
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Review Team	Ms. Deepti Madhura	Amity University, Noida
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**Table of Content:**

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4. Comprehensive Problem Covering Cash Book, Ledger & Balance Sheet
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JOURNAL			BALANCE SHEET
	CASH BOOK	LEDGER	

§ In second module (Leac\_20102), Journal Entries to record issue of shares were introduced under three sections, namely:

**APPLICATION SEGMENT; ALLOTMENT SEGMENT; CALL SEGMENT**

In each segment, there are two entries – **Due Entry** & **Payment Entry**.

✧ **Present module deals with preparation of Cash Book, Ledger and Balance Sheets.**

1. **Cash Book (Bank Column)** – Format & Rules of Cash Book required to be prepared to record issue of shares, are exactly same that have already been covered in class 11. The only difference is that here we will discuss only Bank Column of Cash Book.

⇒ When Cash Book is prepared,

- **Payment Entries** of all the three segments are recorded in Cash Book; and
- **Due Entries** are recorded in Journal Proper.

JOURNAL		L F	Dr. (₹)	Cr. (₹)
	Date	PARTICULARS		
Application Segment		Bank A/c	Dr.	
* Payment Entry		To Share Application A/c (Application money received for ..... shares @ ₹...)		
* Due Entry		<b>Application Money Transferred to Share Capital:</b> Share Application A/c	Dr.	
		To Equity Share Capital A/c		

	(Being application money on .shares transferred to Share Cap. A/c.)
<b>Allotment Segment</b>	<b>Allotment Money Due:</b> <b>Share Allotment A/c</b> <span style="float: right;"><b>Dr.</b></span>
<b>* Due Entry</b>	<b>To Equity Share Capital A/</b> (Being allotment money due on ..... shares @ Rs..... )
<b>* Payment Entry</b>	<b>Bank A/c</b> <span style="float: right;"><b>Dr.</b></span> <b>To Equity Share Allotment A/c</b> (Being amount received on allotment from all except ..... shares)
<b>Call Segment</b>	<b>First Call Money Due:</b> <b>Equity Share First Call A/c</b> <span style="float: right;"><b>Dr.</b></span>
<b>* Due Entry</b>	<b>To Equity Share Capital A/c</b> (Being _Call money due on .... shares @ Rs...)
<b>* Payment Entry</b>	<b>Bank A/c</b> <span style="float: right;"><b>Dr.</b></span> <b>To Equity Share First Call A/c</b> (Being amount received on First Call from all except ..... shares)

## 2. Ledger Accounts

**Ledger** – Format & rules of Ledger Accounts required to be prepared here, are exactly same that have already been covered in class 11.

Main ledger accounts to be prepared here are:

1. Share Application Account
2. Share Allotment Account
3. Share Call Account
4. Share Capital Account
5. Share Forfeiture Account

- Out of the above five accounts, first three are closed by transferring their balance to Share Capital Account.
- Fourth one i.e. Share Capital Account is personal in nature and it is balanced at the end of the year. It is shown in Equity & Liabilities side of the Balance Sheet under the head Shareholders Fund.
- Decision about the last one i.e. Share Forfeiture Account depends upon re-issue of forfeited shares. If all the forfeited shares are re-issued, then this account is closed otherwise it is balanced and shown under Subscribed & Paid up Capital in the Balance Sheet as an addition.
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Dr.		SHARE CAPITAL ACCOUNT				Cr.	
Date	Particulars	JF	Amt. (₹)	Date	Particulars	JF	Amt. (₹)

\* Format of all other ledger accounts is same.

### 3. Disclosure of Share Capital in the Balance Sheet of a Company

This section of the module i.e. disclosure of Share Capital in the Balance Sheet is new as it is different from the case of Sole Proprietorship and Partnership.

It has been covered in first module that Share Capital is broadly divided in three categories:

1. **Authorised Capital** (also known as Registered Capital or Nominal Capital)
2. **Issued Capital**
3. **Subscribed & Paid up Capital**

**Authorised & Issued Capital is disclosed only in “Notes to Accounts”.**

Whereas,

**Subscribed Capital** is shown both in Notes to Accounts as well as in Balance Sheet under:

- Main head ‘**Shareholders Fund; &**
- Sub head ‘**Share Capital**’.

\* Shares issued for Consideration Other Than Cash are also included in the above.

**Example 1:** Democrat VKS Ltd. had an authorised capital of ₹ 50,00,000 divided into equity shares of ₹ 10 each. The company offered for subscription 2,00,000 shares.

The issue was fully subscribed. Amount payable on application was ₹ 3 per share, ₹ 5 per share was payable on allotment and balance at the time of First & Final Call.

A share holder holding 10,000 shares failed to pay the allotment & call money.

**Show how the ‘Share Capital’ will be shown in the Company’s Balance Sheet (as per Schedule III) of Companies Act 2013. Also prepare Notes to Accounts for the same**

**Solution:** **Balance Sheet of Democrat VKS Ltd. (Disclosure of Share Capital only)**  
as at .....

	Particulars	Note No.	Amt. of Current Year (in ₹)	Amt. of Previous Year (in ₹)
I	<b>EQUITY &amp; LIABILITIES</b>			
	<b>Shareholders’ Fund:</b>			
	a. Share Capital	(i)	19,20,000	--

**Notes to Accounts:**

Note No.	Particulars		Amount (in ₹ )
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(i)	<b>Share Capital</b>			
	<b>Authorised Capital:</b> 5,00,000 Equity Shares of ₹10 each.			<u>50,00,000</u>
	<b>Issued Capital:</b> (For which Applications are Invited) 2,00,000 Equity Shares of ₹10 each			<u>20,00,000</u>
	<b>Subscribed Capital:</b> <b>Subscribed &amp; fully paid</b> 1,90,000 Equity Shares of ₹10 each		19,00,000	
	<b>Subscribed, but not fully paid</b> 10,000 Equity Shares of ₹10 each		30,000	
		1,00,000		19,30,000
	<b>Less: Calls-in-Arrears</b> (10,000 x 7)	<u>70,000</u>		<b>19,30,000</b>

#### 4. Comprehensive Problem Covering Cash Book, Ledger & Balance Sheet Illustration 1 (Comprehensive)

Unique Pictures Limited was registered with an authorised capital of ₹ 5,00,000 divided into 20,000, 5% preference shares of ₹ 10 each and 30,000 equity shares of ₹10 each.

The company issued 15,000 equity shares for public subscription. Calls on shares were made as under

**On Application ₹ 2;                      On Allotment ₹ 3**  
**On First Call ₹ 4                        On Second and Final Call 1**

**Issue was subscribed to the extent of 90%.** All the dues were received except the two calls on 400 shares and Second & Final call on 600 equity shares.

Record these transactions in the **Journal** & prepare a **Cash Book** to record flow of money. Also prepare relevant ledger accounts and disclose the Share Capital in the Balance Sheet.

**Solution:**

#### **Books of Mercury Ltd.** **JOURNAL**

Date	Particulars	LF	Debit (₹)	Credit (₹)
	<b>Receipt of Application Money.</b> (No JE, as it is recorded in the Bank Column of Cash Book)			
	<b>Application Money transferred to Share Capital Account</b>			
	<b>Equity Share Application A/c</b> <b>Dr.</b>			
	(13,500 x 2) <b>To Equity Share Capital A/c</b>		27,000	
	(Being application money on 13,500 shares transferred to Equity Share Capital Account.)			27,000
	<b>Allotment Money due</b>		40,500	
	<b>Equity Share Allotment A/c</b> (Total Due) <b>Dr.</b>			
	(13,500 x 3) <b>To Equity Share Capital A/c</b>			40,500
	(Being allotment money due on 13,500 shares @ ₹3 each.)			
	<b>Receipt of Allotment Money.</b> (No JE, as it is recorded in the Bank Column of Cash Book)			
	<b>Equity Share First Call A/c</b> <b>Dr.</b>			
			54,000	

(13,500 x 4) To Equity Share Capital A/c 54,000  
 (Being First Call money due on 13,500 shares @ ₹4.)

Receipt of First Call Money.

(No JE, as it is recorded in the Bank Column of Cash Book)

**Share Second & Final Call A/c** Dr. 13,500

(13,500 x 1) To Equity Share Capital A/c 13,500  
 (Being Second & Final Call due on 13,500 shares @ ₹1.)

Receipt of Second & Final Call Money.

(No JE, as it is recorded in the Bank Column of Cash Book)

Dr.				CASH BOOK (Bank Column)				Cr.	
Date	Particulars (+)	LF	Amt. (₹)	Date	Particulars (-)	LF	Amt. (₹)		
	To Equity Share Application A/c				By Balance C/d		1,32,400		
	To Equity Share Allotment A/c		27,000						
	To Equity Share First Call A/c		40,500						
	(54,000 – 400 x 4)		52,400						
	To Equity Share Second & Final Call A/c		12,500						
	(13,500 – 1,000 x 1)								
			1,32,400				1,32,400		
	To Balance B/d		1,32,400						

### LEDGER

Dr.				EQUITY SHARE APPLICATION ACCOUNT				Cr.	
Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)		
	To Share Capital Account		27,000		By Bank A/c		27,000		
			27,000				27,000		

Dr.				EQUITY SHARE ALLOTMENT ACCOUNT				Cr.	
Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)		
	To Share Capital Account		40,500		By Bank A/c		40,500		
			40,500				40,500		

Dr.				EQUITY SHARE FIRST CALL ACCOUNT				Cr.	
Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)		
	To Share Capital Account		54,000		By Bank A/c		52,400		
			54,000		By Calls-in-Arrears A/c		1,600		
							54,000		

Dr.				EQUITY SHARE SECOND & FINAL CALL ACCOUNT				Cr.	
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Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)
	To Share Capital Account		13,500		By Bank A/c		12,500
					By Calls-in-Arrears A/c		1,000
			<u>13,500</u>				<u>13,500</u>

Dr. EQUITY SHARE CAPITAL ACCOUNT				Cr.			
Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)
	To Balance C/d		1,35,000		By Share Application A/c		27,000
					By Share Allotment A/c		40,500
					By Share First Call A/c		54,000
					By Share Second & Final Call A/c		13,500
			<u>1,35,000</u>				<u>1,35,000</u>
					By Balance B/d		1,35,000

Dr. CALLS-IN-ARREARS ACCOUNT				Cr.			
Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)
	To Share First Call A/c		1,600		By Balance C/d		2,600
	To Share Second & Final Call A/c		1,000				
			<u>2,600</u>				<u>2,600</u>
	To Balance B/d		2,600				

**BALANCE SHEET of Unique Pictures Limited**

**(Disclosure of Share Capital only)**

as at .....

	Particulars	Note No.	Amt. of Current Year (in ₹)	Amt. of Previous Year (in ₹)
I	<b>EQUITY &amp; LIABILITIES</b>			
	<b>Shareholders' Fund:</b>			
	a. Share Capital	(i)	1,35,000	--

**NOTES TO ACCOUNTS:**

Note No.	Particulars	Details (in ₹)	Amount (in ₹)
(i)	<b>Share Capital</b>		
	<b>Authorised Capital:</b>		
	20,000 5% Preference Shares of ₹ 10 each.	2,00,000	
	30,000 Equity Shares of ₹10 each.	<u>3,00,000</u>	<u>5,00,000</u>
	<b>Issued Capital: (For which Applications are Invited)</b>		
	15,000 Equity Shares of ₹10 each		<u>1,50,000</u>





Equity Share Capital A/c	(800 x 10)	Dr.	8,000	
To Share Forfeiture A/c				4,800
To Calls-in-Arrears A/c	(800 x 4)			3,200
<i>(Being 800 shares of Mukesh forfeited due to non payment of call.)</i>				
<i>* Premium is already received along with Allotment. So, no need to cancel it.</i>				
Bank A/c		Dr.	3,600	
Share Forfeited A/c		Dr.	400	
To Share Capital A/c				4,000
<i>(Being 400 shares of Mukesh re-issued @ ₹9 each as fully paid.)</i>				
Share Forfeited A/c		Dr.	2,000	
To Capital Reserve A/c				2,000
<i>(Being gain on re-issue of 400 shares transferred to Capital Reserve A/c.)</i>				
<i>Capital Reserve = 4,800 x 400/800 - 400 or 2,400 - 400 or 2,000</i>				

Dr.		CASH BOOK (Bank Column)				Cr.	
Date	Particulars (+)	LF	Amt. (₹)	Date	Particulars (-)	LF	Amt. (₹)
	To Equity Share Application A/c		1,20,000		By Balance C/d		3,60,400
	To Equity Share Allotment A/c		1,20,000				
	<i>(Total Due – Surplus of Pro Rata)</i>						
	<i>(1,50,000 – 30,000)</i>		1,16,800				
	To Equity Share First & Final Call A/c						
	<i>(120,000 – 800 x 4 = 1,16,800)</i>		3,600				
	To Share Capital A/c (Re-issue)						
	<i>(400 x 9 = 3,600)</i>						
			<u>3,60,400</u>				<u>3,60,400</u>
	To Balance B/d		3,60,400				

### LEDGER

Dr.		EQUITY SHARE CAPITAL ACCOUNT				Cr.	
Date	PARTICULARS	LF	Amt. (₹)	Date	PARTICULARS	LF	Amt. (₹)
	To Balance C/d		3,04,000		By Share Application A/c		90,000
					By Share Allotment A/c		90,000
					By Share First & Final Call A/c		1,20,000
					By Bank A/c (400 x 9) (RI)		3,600
					By Share Forfeited A/c		400
			<u>3,04,000</u>				<u>3,04,000</u>
					By Balance B/d		3,04,000

Dr.				SHARE FORFEITURE ACCOUNT				Cr.	
Date	PARTICULARS	LF	Amt.(₹)	Date	PARTICULARS	LF	Amt. (₹)		
	To Share Capital A/c (Discount allowed on Re-issue)		400		By Share Capital A/c (800 x 6) <u>Duly Received</u>		4,800		
	To Capital Reserve A/c (Net Gain on Re-issue)		2,000						
	To Balance C/d		2,400						
			<u>4,800</u>						<u>4,800</u>
					By Balance B/d		2,400		<u>2,400</u>

# Sometimes only selected Ledger Accounts could be asked to prepare.

Balance Sheet of Ashok Ltd. (Disclosure of Share Capital only)  
as at .....

	Particulars	Note No.	Amt. of Current Year (in ₹)	Amt. of Previous Year (in ₹)
I	<b>EQUITY &amp; LIABILITIES</b> <b>Shareholders' Fund:</b> a. Share Capital	(i)	2,98,400	--

Notes to Accounts:

Note No.	Particulars		Amount (in ₹)
(i)	<b>Share Capital</b>		
	<b>Authorised Capital:</b> .....Equity Shares of ₹.... each.		XXXXXXXXXX
	<b>Issued Capital: (For which Applications are Invited)</b> .....Equity Shares of ₹.... each		XXXXXXXXXX
	<b>Subscribed Capital:</b> <b>Subscribed &amp; fully paid</b> 29,600 Equity Shares of ₹10 each (30,000 – 800 forfeited + 400 Re-issued)	2,96,000	
	<b>Subscribed, but not fully paid</b> <b>ADD: Share Forfeited A/c</b> (Proportionate amount on Non-Re-issued shares)	.....0 <u>...2,400</u>	
			2,98,400
			<b>2,98,400</b>

### 5. Pro rata Table & Computation of Amount Realised on Allotment.

**Illustration 3** - OK Ltd. issued 70,000 shares of ₹10 each at a premium of ₹3 per share payable as ₹3\* on application; ₹4 on allotment (including premium); ₹3 on First Call & balance on Second & Final call.

Applications were received for 92,000 shares and the allotment was made as under: (Surplus is to be adjusted only against allotment)

- Applicants of 40,000 shares were allotted 30,000 shares;
- Applicants of 50,000 shares were allotted 40,000 shares;

c) Applications of 2,000 shares were rejected and their money was refunded 'Mr. Asli' who belong to 'category a' holds 2,000 shares and 'Mr. Hira' who also belong to the 'category b' had applied for 3,000 shares. Both the shareholders failed to pay allotment. From the above information **calculate the net (total) amount realised** by the company on allotment.

# An important point to note is that in this question only amount realized from all the shareholders is to be computed and Journal Entries or Cash Book is not required.

Ans.

**PRO-RATA TABLE for Allocation of Application money:**

Category	Shares Applied for	Shares Allotted	Money Received with Application	Application money adjusted in Capital	[Total Surplus] / (Due on Allotment)	Surplus of Application Adjusted in Allotment	Calls-in-Advance	REFUND
	A	B	A*	B*	$[C = A^* - B^*] / (B\#)$	C	D	E
a. Pro 1	40,000 :	30,000	1,20,000 (40,000 x 3)	90,000 (30,000 x 3)	$\frac{\text{₹ } 30,000}{(30,000 \times 4)}$ Surplus / Scope of Adjustment in Allotment	30,000	-	0
b. Pro 2	50,000 :	40,000	1,50,000 (50,000 x 3)	1,20,000 (40,000 x 3)	$\frac{\text{₹ } 30,000}{(40,000 \times 4)}$	30,000	-	0
c. Nil	2,000	0	6,000 (2,000 x 3)	0	0	0	0	6,000
	<b>92,000</b>	<b>70,000</b>	<b>2,76,000</b>	<b>2,10,000</b>		<b>60,000</b>	<b>0</b>	<b>6,000</b>

**Please Note:**

# In Case there are two different categories of pro-rata allotment having different ratio, then it becomes compulsory to prepare a table showing allocation of amount received with Share Application.

# In this question, both Mr. Asli and Mr. Hira belong to Pro-rata category and both have made default in payment of Allotment money. So, some special workings are required which have been shown on the next page.

Working Notes to Compute Amount Not Received on Allotment from the two defaulters and finally to know the net amount realized on all the shares:

Asli (category a.)	Hira (category a.)																																
<b>Step 1. Calculation of No. of Shares APPLIED BY Asli</b>	<b>Step 1. Calculation of No. of Shares ALLOTTED TO Hira</b>																																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><b>Given</b></td> <td style="text-align: center;"><b>Required</b></td> </tr> <tr> <td style="text-align: center;">Shares Allotted <b>30,000</b></td> <td style="text-align: center;">Shares Applied <b>40,000</b></td> </tr> <tr> <td style="text-align: center;"><b>1</b></td> <td style="text-align: center;"><b>40,000 / 30,000</b></td> </tr> <tr> <td style="text-align: center;"><b>1,200</b></td> <td style="text-align: center;"><math>\frac{40,000}{30,000} \times 1,200</math> <b>= 1,600</b></td> </tr> </table>	<b>Given</b>	<b>Required</b>	Shares Allotted <b>30,000</b>	Shares Applied <b>40,000</b>	<b>1</b>	<b>40,000 / 30,000</b>	<b>1,200</b>	$\frac{40,000}{30,000} \times 1,200$ <b>= 1,600</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><b>Given</b></td> <td style="text-align: center;"><b>Required</b></td> </tr> <tr> <td style="text-align: center;">Shares Applied <b>50,000</b></td> <td style="text-align: center;">Shares Allotted <b>40,000</b></td> </tr> <tr> <td style="text-align: center;"><b>1</b></td> <td style="text-align: center;"><b>40,000 / 50,000</b></td> </tr> <tr> <td style="text-align: center;"><b>3,000</b></td> <td style="text-align: center;"><math>\frac{40,000}{50,000} \times 3,000</math> <b>= 2,400</b></td> </tr> </table>	<b>Given</b>	<b>Required</b>	Shares Applied <b>50,000</b>	Shares Allotted <b>40,000</b>	<b>1</b>	<b>40,000 / 50,000</b>	<b>3,000</b>	$\frac{40,000}{50,000} \times 3,000$ <b>= 2,400</b>																
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<b>3,000</b>	$\frac{40,000}{50,000} \times 3,000$ <b>= 2,400</b>																																
<b>So, Mr. Asli had applied for 1,600 shares.</b>	<b>So, Mr. Hira had applied for 2,400 shares.</b>																																
<b>Step 2. Calculation of Surplus received from Asli:</b> (Shares Applied – Shares Allotted) x Rate of Application	<b>Step 2. Calculation of Surplus received from Hira:</b> (Shares Applied – Shares Allotted) x Rate of Application																																
<b>His Surplus = (1,600 – 1,200) x 3 = ₹1,200.</b>	<b>His Surplus = (2,400 – 2,000) x 3 = ₹1,200.</b>																																
<b>Step 3. Calculation of amt. not received on allotment:</b>	<b>Step 3. Calculation of amt. not received on allotment:</b>																																
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<b>So, Amount not paid by Mr. Asli is ₹3,600</b>	<b>So, Amount not paid by Mr. Hira is ₹8,700</b>																																
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<b>So, Net Amount Realised on Allotment = ₹ 2,07,700</b>																																	