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Share Capital

Funds raised by company by issue of shares.

Two types:

Equity Share

A share that provides voting rights to its holders, belong to owners of the company, carries maximum risk and return, in which dividend is not fixed and on winding up of the company the holders of these shares receive only what is left after paying off all the liabilities and obligations of the company including Preference Shareholder repayment.

Preference Share

A share which carries a preferential right to get fixed dividend over equity shares to its holders and repayment of capital before holders of equity share capital. It does not carry voting right.

Classification of Share Capital

Authorised or Nominal Capital

Maximum amount of share capital that a company can raise as per Memorandum of Association.

Issued Capital

That part of authorised capital .which has been issued by company to raise funds from time to time.

Subscribed capital

That part of issued capital which has been subscribed by public.

Called Up capital

That part of Subscribed capital which has been called up by company to be paid by subscribers.

Paid up capital

That part of Subscribed capital which has been paid by subscribers.

Note: Minimum 90 % subscription of issued capital is required as per Indian Companies Act, 2013. Otherwise, Company has to take back its issue.

Disclosure of Share Capital in Company's Position Statement / Balance Sheet

Extract of <u>Position Statement</u> / Balance Sheet as on ...	
I. Equity & Liabilities Shareholders' Funds A. Share capital B. Reserve & Surplus C. Money received against Share Warrants II. Current Liability Other Current Liability	
Current Asset Cash & Cash Equivalent	

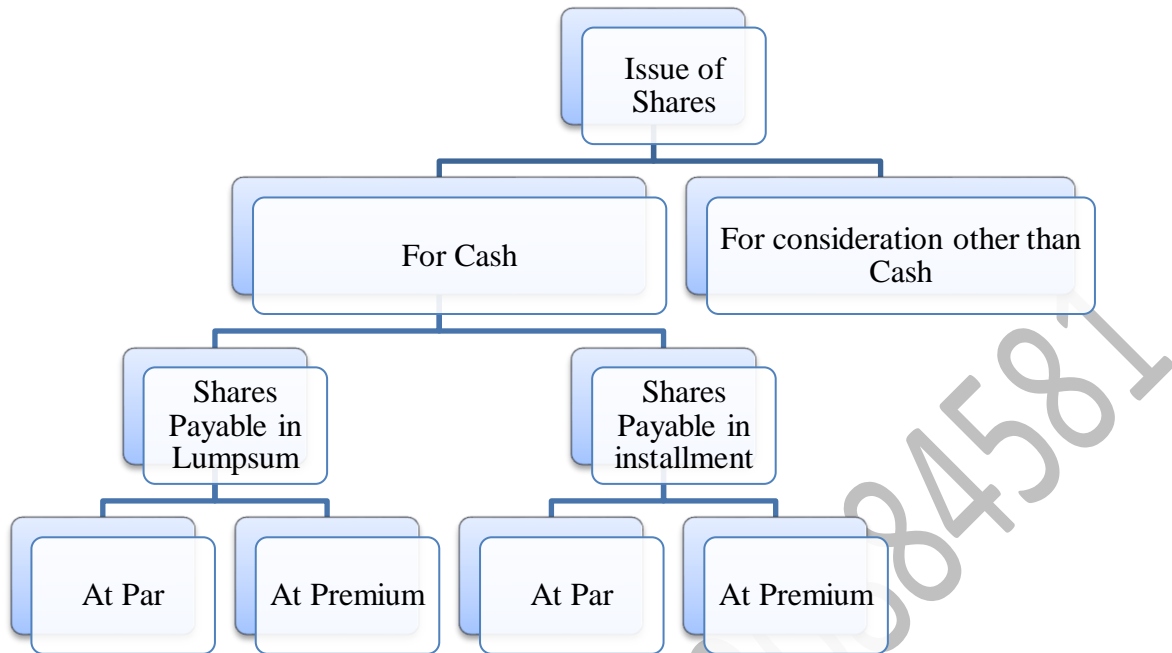
Notes to Accounts:

A. Share Capital Authorised capital ...Equity Shares of Rs....eachpreference shares of Rs.....each Issued Capital ...Equity Shares of Rs....eachpreference shares of Rs.....each Subscribed Capital	
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Subscribed & Fully Paid up	<p style="text-align: center; color: red;">Balance of all these items will appear in Share capital column of Balance Sheet.</p>	
...Equity Shares of Rs....each		
...preference shares of Rs.....each		
Subscribed but not Fully Paid up		
...Equity Shares of Rs....each		
Less: Calls in Arrears		
...preference shares of Rs.....each		
Less: Calls in Arrears		
Add: Forfeited Equity Shares		
Add: Forfeited Preference Share		
B. Other Current Liability		
Calls in Advance		
C. Reserve & Surplus		
Security Premium Reserve		
Capital Reserve		
D. Cash & Cash Equivalent		
Cash in hand & Bank		

Accounting of Share Capital

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Shares can be issued **either for cash** or **for consideration other than cash**.

Issue of Shares for cash:

Two methods

Shares Payable in Lump sum

It means when payment of shares is received in one installment.

Shares Payable in Installments:

Payment of shares is received in installments.

First installment comes with application known as application money, Second- allotment, third - First call, fourth - Second call and so on. Last installment is also called as Final call.

Accounting Entries for issue of Shares Payable in Lump sum issued at Par

1. On receipt of application money

Bank A/cDr
 To Share Application A/c

2. on allotment of Shares

Share Application A/c.....Dr

To Share Capital A/c

Accounting Entries for issue of Shares Payable in Lump sum issued at Premium

1. On receipt of application money

Bank A/cDr (Total Application money including Premium)

To Share Application A/c

2. on allotment of Shares

Share Application A/c.....Dr (Total Application money including Premium)

To Share Capital A/c (with Nominal/ Face value)

To Security Premium Reserve A/c (with Premium amount)

Accounting Entries for issue of Shares Payable in Installments Issued at Par

1. On receipt of application money

Bank A/cDr

To Share Application A/c

2. on allotment of Shares

Share Application A/c.....Dr

To Share Capital A/c (with nominal/ face value)

3. Amount due on allotment

Share allotment A/c.....Dr

To Share Capital A/c

<p>4. On receipt of allotment money Bank A/c.....Dr To Share Allotment A/c</p> <p>5. On First call being Due First Call A/c.....Dr To Share Capital A/c</p> <p>6. On receipt of First Call Bank A/cDr To First Call A/c</p> <p>7. On Second & Final Call being Due Second & Final Call A/c.....Dr To Share Capital A/c</p> <p>8. On receipt of Second & Final Call Bank A/cDr To Second & Final Call A/c</p>	
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<p><u>Accounting Entries for issue of Shares Payable in Installments</u></p> <p><u>Issued at Premium:</u></p> <p>Case I. When premium is received at the time of application along with application money:</p> <p>1. On receipt of <u>application money</u> Bank A/cDr (Total Application money including Premium) To Share Application A/c</p> <p>2. on allotment of Shares Share Application A/c.....Dr (Total Application money including Premium) To Share Capital A/c (with nominal/ face value)</p>	
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To Security Premium Reserve A/c (with Premium amount)

Note:

All other Entries for allotment, First call and final call will remain similar as to the case of Shares issued at Par.

Case II. When premium is receivable at the time of Allotment:

1. On receipt of application money

Bank A/cDr

To Share Application A/c

2. on allotment of Shares

Share Application A/c.....Dr

To Share Capital A/c (with nominal/ face value)

3. Amount due on allotment including Security Premium

Share allotment A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

4. On receipt of allotment money including Security Premium

Bank A/c.....Dr

To Share Allotment A/c

Note:

If question is silent with regard to receipt of Security Premium, it is assumed that it is due with allotment money.

All other Entries for First call and final call will remain similar as to the case of Shares issued at Par.

Case III. When premium is receivable at the time of Application, Allotment and all Calls:

1. On receipt of application money

Bank A/cDr (Total Application money including Premium)

To Share Application A/c

2. on allotment of Shares

Share Application A/c.....Dr (Total Application money including Premium)

To Share Capital A/c (with nominal/ face value)

To Security Premium Reserve A/c (with Premium amount)

3. Amount due on allotment including Security Premium

Share allotment A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

4. On receipt of allotment money including Security Premium

Bank A/c.....Dr

To Share Allotment A/c

5. On First call being Due including Security Premium

First Call A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

6. On receipt of First Call including Security Premium

Bank A/cDr

To First Call A/c

7. On Second & Final Call being Due including Security Premium

Second & Final Call A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

8. On receipt of Second & Final Call including Security Premium

Bank A/cDr

To Second & Final Call A/c

Over Subscription of Shares

In case of Over Subscription of Shares, Company can allot shares under three alternatives:

I. Rejection of excess applications:

Excess applications are rejected in full and their application along with Security Premium if

received is refunded.

II. Partial or Pro rata Allotment

All applicants are allotted shares in proportion.

III. Combination of Above two alternatives:

In this case, some applicants got full allotment, some get partial and some get nothing.

I. Rejection of excess applications:

Journal Entries related to rejection of Excess applications received:

1. On receipt of Application money

Bank A/cDr (Total Application money including Premium if any)

To Share Application A/c

2. on Allotment of Shares

Share Application A/c.....Dr (Total Application money including Premium if any)

To Share Capital A/c (with nominal/ face value)

To Security Premium Reserve A/c (with Premium amount if any)

To Bank A/c (Excess application money with Security Premium received on it, if any refunded)

Note:

All other Entries for allotment, First call and final call will remain similar as to the case of Shares issued at Par.

II. Partial or Pro rata Allotment

All applicants are allotted shares in proportion.

Treatment of Surplus Application Money received on Pro rata Allotment

Case I: If question is silent or states that excess application money received is to be adjusted against allotment:

In this case, Surplus Application money is adjusted against allotment money due and after that if still surplus application money is left, then remaining excess application after adjustment of allotment money due left will be refunded.

Journal Entries related to this case:

1. On receipt of Application money

Bank A/cDr (Total Application money including Premium if any)

To Share Application A/c

2. on Allotment of Shares

Share Application A/c.....Dr (Total Application money including Premium if any)

To Share Capital A/c (with nominal/ face value)

To Security Premium Reserve A/c (with Premium amount if any)

To Share Allotment A/c (Excess application money adjusted towards allotment)

To Bank A/c (Excess application money after adjustment towards allotment if left is refunded)

Note:

All other Entries for allotment, First call and final call will remain similar as to the case of Shares issued at Par.

At the time of allotment; allotment due entry will include total allotment due amount but at the time of receipt of allotment due money, Bank A/c will be debited with =>

Allotment Due – Excess application money adjusted for allotment.

In case whole of due amount of allotment has been adjusted through excess application money then there will be no entry for allotment due money received, which means following entry will not be passed:

Bank A/c.....Dr

To Share Allotment A/c

Calculation of Number of Shares allotted If number of Shares applied in the question is given and Issue has been done on Pro Rata Basis.

Example: A Company Issued 10000 Shares. Application received for 15000 Shares.

Mr. X applied 3000 Shares.

Ratio of number of Shares Applied to Shares Allotted = 15000 : 10000 or 3 : 2.

It means For 3 Shares applied, 2 Shares have been allotted

So. For 1 Share applied, $2 \div 3$ Shares have been allotted

So, For 1500 Shares applied, $(2 \div 3) \times 1500 = 1000$ shares allotted.

In the same way if number of Shares allotted has been given, we can calculate number of Shares Applied:

Example: A Company Issued 10000 Shares. Application received for 15000 Shares.

Mr. X has been allotted 3000 Shares.

Ratio of number of Shares Allotted to Shares Applied = 10000: 15000 or 2 : 3.

It means For 2 Shares allotted , 3 Shares have been applied

So. For 1 Share allotted , $3 \div 2$ Shares have been applied

So, For 3000 Shares allotted, $(3 \div 2) \times 3000 = 4500$ shares applied.

Treatment of Surplus Application Money received on Pro rata Allotment

Case II: If question specifically requires that surplus application money is to be refunded after adjustment of Allotment and Call money:

In this case, Excess application money is transferred to Share Allotment A/c and Calls in Advance A/c. The balance, if still left will be refunded.

Journal Entries related to this case:

1. On receipt of Application money

Bank A/cDr (Total Application money including Premium if any)

To Share Application A/c

2. on Allotment of Shares

Share Application A/c.....Dr (Total Application money including Premium if any)

To Share Capital A/c (with nominal/ face value)

To Security Premium Reserve A/c (with Premium amount if any)

To Share Allotment A/c (Excess application money adjusted towards allotment)

To Calls in Advance A/c

To Bank A/c (Excess application money after adjustment towards allotment and calls if left is refunded)

3. Amount due on allotment including Security Premium

Share allotment A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

4. On receipt of allotment money including Security Premium

Note 1:

At the time of allotment; allotment due entry will include total allotment due amount but at the time of receipt of allotment due money, Bank A/c will be debited with =>

=>Allotment Due – Excess application money adjusted for allotment.

Note 2 :

In case whole of due amount of allotment has been adjusted through excess application money then there will be no entry for allotment due money received, which means following entry that is entry no. 4 will not be passed:

Bank A/c.....Dr

To Share Allotment A/c

5. On First call being Due including Security Premium

First Call A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

6. On receipt of First Call including Security Premium

Calls in Advance A/c (Excess Application Money adjusted toward First Call).....Dr

Bank A/cDr

To First Call A/c

To **Note:**

In case whole of First Call Due amount has been adjusted through Excess Application money that is through Calls in advance A/c, then Journal entry passed will be:

Calls in Advance A/c (Excess Application Money adjusted toward First Call).....Dr
To First Call A/c

7. On Second & Final Call being Due including Security Premium

Second & Final Call A/c.....Dr

To Share Capital A/c

To Security Premium Reserve A/c

8. On receipt of Second & Final Call including Security Premium

Calls in Advance A/c (Excess Application Money adjusted toward First Call).....Dr

Bank A/cDr

To Second & Final Call A/c

Note: In case whole of Second Call Due amount has been adjusted through Excess Application money that is through Calls in advance A/c, then Journal entry passed will be:

Calls in Advance A/c (Excess Application Money adjusted toward First Call).....Dr

To Second & Final Call A/c

Precautionary Note:

In Pro rata allotment when shares are issued at premium, excess application money received is adjusted towards allotment money but it is first adjusted towards share capital allotment due excluding security premium. Any excess thereon is adjusted towards Security Premium Reserve.

III. Combination of Above two alternatives:

In this case, some applicants got full allotment, some get partial and some get nothing.

Excess Application money is refunded to applicants who have not been allotted any shares.

Journal Entries in this case will be same as we did in first method

Surplus application money on partially allotted shares is retained to be utilised against allotment and future calls. Journal Entries in this case will be same as we did in second method. Same rule will apply as in case of second method.

Note: If question is silent or states that excess application money received is to be adjusted against allotment; In this case, Surplus Application money is adjusted against allotment money due and after that if still surplus application money is left, then remaining excess application after adjustment of allot money due left will be refunded.

Under Subscription of Shares

It means number of shares applied is less than number of shares issued by the company. In case, Subscription is less than 90 % of Issued Share Capital, then the company has to reverse its issue and return all money received towards application. However, from question point of view, we do not consider this point and write journal entries for the same. All entries remain same as we did in case of Shares issued at Par or Premium.

Preparation of Cash Book

In this case, we record cash transactions entries in Cash Book and non cash transactions entries in Journal.

Cash Book (Bank Column Only)

Date	Particulars	Rs.	Date	Particulars	Rs.
	To Share Application			By Share Application	
	To Share Allotment			A/c (Refund on excess	
	To Share First Call To			or rejected	
	Share Second & Final Call			applications)	
	To Calls in advance (if			By Balance C/D	
	any)				
	To Calls in Arrear (if any)				

Calls in Arrear A/c

Default in payment due on allotment or on any call by Shareholders. It is unpaid amount by shareholders due on allotment and/ or Calls.

Two methods of Accounting of Calls in Arrear

1. Without Opening Calls in Arrear A/C:

In this case, we do not write entry for Calls in Arrear A/C and amount unpaid on allotment or any call will not be recorded.

For example, Rs. 5 is called on 100 shares as allotment, but money is received only on 80 shares, then in this case Journal entry will be:

On allotment Due:

Share allotment A/C...Dr	500	
To Share Capital A/C		500
On receipt of Allotment		
Bank A/CDr (95 ×5)	475	
To Share Allotment A/C		475

2. By Opening Calls in Arrear A/C

In this case, we record entries for Calls in Arrear A/C. Taking above example, Journal entry passed will be

On allotment Due:

Share allotment A/C...Dr	500	
To Share Capital A/C		500
On receipt of Allotment		
Bank A/CDr (95 ×5)	475	
Calls in Arrear A/C.....Dr (5×5)	25	
To Share Allotment A/C		500

If Calls in arrear is received on subsequent date, entry passed will be:

Bank A/C.....Dr	
To Calls in Arrear A/C	

Calls in Advance A/C

Amount received for Calls yet not made is known as Calls in Advance.

Journal entry passed in this case:

1. On receipt of Advance call money

Bank A/C.....Dr

To Calls in Advance A/C

On adjustment of Calls in advance money with respected Calls:

Calls in Advance A/C.....Dr

To Respective Call A/c

Note:

See Journal entries discussed in case of Pro Rata Allotment for better understanding; Case II: If question specifically requires that surplus application money is to be refunded after adjustment of Allotment and Call money.

Issue of Shares for Consideration Other than Cash

Case I: Issue of Shares to Vendors for Purchase of Fixed Asset or Business

On Purchase of Assets:

Sundry Asset A/C.....Dr

To Vendor's A/C

On Purchase of Business:

Sundry Assets A/C.....Dr (Agreed Value of Assets)

Goodwill A/CDr*

To Sundry liabilities A/C (Agreed Value of Liabilities)

To Vendor A/C (With Purchase Consideration)

To Capital Reserve A/C**

*If Purchase Consideration > Net Asset Value, then difference is debited to Goodwill A/C.

**If Purchase Consideration < Net Asset Value, then difference is credited to Capital Reserve

A/C.

Either Goodwill A/C or Capital Reserve A/C will be written at a time. Both cannot come together.

On issue of Shares:

Vendor A/C.....Dr (With Purchase Price)

To Share Cap A/C (With Nominal or Face Value of Shares)

To Security Premium Reserve A/C (if shares have been issued at Premium)

Calculation of **Number of Shares to be issued** = Purchase Consideration ÷ Issue Price of Share.

Note:

Issue price of Share means Nominal value of One Share + Security Premium Reserve of One Share (If Shares issued at Premium) or simply Nominal Value of One Share, if not issued at Premium.

Case II: Issue of Shares to Promoters

Journal Entry for Issue of Shares to Promoters:

Incorporation Expenses A/C.....Dr

To Share Capital A/C

(Being issue of.....Shares of Rs.....each as fully paid to Promoters)

Case III: Issue of Shares to Underwriters:

Underwriting Commission is paid to Underwriters for taking the shares not subscribed by Public.

The company may issue Shares instead of Paying Commission to Underwriters.

On Underwriting Commission Due:

Underwriting Commission A/CDr

To Underwriters' A/C

On issue of Shares to Underwriters for Underwriting Commission:

Underwriters' A/C.....Dr

To Share Capital A/C

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Forfeiture of Shares

It means cancellation of Shares for non payment of money due on those Shares.

Case I: Forfeiture of Shares issued at Par:

When Calls in Arrear A/C is not Maintained:

Share Capital A/C.....Dr (Number of Shares Forfeited × Called up Value per Share)

To forfeited Shares A/C (With Amount received on Forfeited Shares)

To Share Allotment A/C (Amount unpaid on Allotment)

To Share Call A/C (Amount unpaid on Calls)

When Calls in Arrear A/C is Maintained:

Equity Share Capital A/C.....Dr (Number of Shares Forfeited × Called up Value per Share)

To Forfeited Shares A/C (With Amount received on Forfeited Shares)

To Calls in Arrear A/C (Amount unpaid on Allotment and Calls)

Note of Precaution: Always remember, On Forfeiture, Share Capital A/C is debited with amount that has been Called Up on Forfeited Shares until and unless shares have been forfeited after making all Calls.

For example:

Shares have been forfeited after allotment due to non Payment, then in this case **Share Capital A/c will be debited with => Share Application + Share Allotment** and not by Face Value of the Share.

If Shares have been forfeited after First Call due to non Payment, then in this case **Share Capital A/c will be debited with => Share Application + Share Allotment + First Call;** and not by Face Value of the Share.

If Shares have been forfeited after making all Calls, then in that case, Share Capital will be debited with Face value.

Case II Forfeiture Of Shares which were issued at Premium

Three Cases can exist:

Case I: Security Premium amount has been received

Security premium amount is not cancelled that is it is not debited with the amount relating to forfeited Shares.

Journal Entry passed in this case:

Share Capital A/C.....Dr (With amount Called up – Security Premium)
To Forfeited Shares A/C (Total Amount received on forfeited Shares - Security Premium)
To Calls in Arrear A/C (Amount unpaid on Forfeited Shares)

Case II: Security Premium amount has not been received

The amount of Security Premium not received will be debited in respect of Forfeited Shares.

Journal Entry passed in this case:

Share Capital A/C.....Dr (With amount Called up – Security Premium)
Security Premium Reserve A/CDr (Security Premium amount not received)
To Forfeited Shares A/C (Total Amount received on forfeited Shares)
To Calls in Arrear A/C (Amount unpaid on Forfeited Shares including Premium)

Case III: Security Premium has been received Partially:

It is a combination of above two cases. In this case, Part of Security Premium amount received will not be recorded and Part of Security premium amount received will be recorded.

Journal Entry in this case:

Share Capital A/C.....Dr (With amount Called up – Security Premium)
Security Premium Reserve A/C.....Dr (Security Premium amount not received)
To Forfeited Shares A/C (Total Amount received on forfeited Shares)
To Calls in Arrear A/C(Amount unpaid on Forfeited Shares including Unpaid Security Premium)

For Example:

Shares having Face Value of Rs. 10 were issued at premium of Rs. 2. Money to be received Rs. 4 on Application, Rs. 3 on Allotment including Premium and rest on Final call. Mr. X applied for 1000 shares but he has been allotted 700 shares. He failed to pay allotment money. His Shares Forfeited on failure of payment of allotment money.

In this case

Amount Paid by Mr. X on Application is Rs. $4 \times 1000 =$ Rs. 4000

Amount required to be paid by Mr. X on Application Rs. $4 \times 700 =$ Rs. 2800.

Excess Application Money of Rs. 1200 (Rs. 4000 – Rs. 2800) will be adjusted towards allotment

as follows:

Amount due on Allotment including Premium:

Rs. $1 \times 700 = \text{Rs. } 700 + \text{Rs. } 2 \times 700$ (For Security Premium) = Rs. 2100

In this case, Excess Application Money will be first adjusted to Share Capital, which out of Rs. 1200; First Rs. 700 will be adjusted towards payment of Share Capital Amount. Remaining Rs. 500 will be adjusted towards Security Premium Reserve (Due Amount Rs. 1400).

So, in this case, Security premium reserve of Rs. 500 will not be recorded and Security Premium Reserve unpaid of Rs. 900 will be recorded.

Journal Entry passé will be:

Share Capital A/C.....Dr	(700 × 5)	3500	
Security Premium Reserve A/CDr	(700 × 2 - 500)	900	
To Forfeited Shares A/C	(700 × 4 (application) + 700 × 1 (allotment))		3500
To Calls in Arrear A/C	(Amount unpaid on Forfeited Shares)		900

Note of Precaution:

In case of Pro Rata Allotment, when Shares are issued at a Premium, Excess Application Money received is first adjusted towards Share Capital. Balance Excess Application money after adjustment towards Share Capital, if any, left will be adjusted towards Security Premium Reserve. Kindly see the above mentioned Example.

Reissue of Forfeited Shares:

Forfeited Shares can be reissued at Par, Premium and Discount.

Maximum possible Discount can not exceed amount forfeited on Reissued Shares.

Forfeited Shares Reissued at Par:

Bank A/CDr (With amount received on Reissue)

To Share Capital A/c (With amount credited as Paid up)

Forfeited Shares reissued at Discount:

Bank A/C.....Dr (With amount received on Reissue)

Forfeited Shares A/CDr (With Discount amount allowed on Reissue)

To Share Capital A/C (With amount credited as Paid up).

Calculation of Amount Debited to Forfeited Shares A/C:

= Number of Shares Reissued × (Paid Up Value – Reissue Price)

Forfeited Shares Reissued at Premium:

Bank A/CDr (With amount received on Reissue)

To Share Capital A/c (With amount credited as Paid up)

To Security Premium Reserve A/C (With Excess amount received on Reissue over credited to Paid up Share Capital A/C)

Transfer of Balance Of Forfeited Shares A/C to Capital Reserve A/C:

Two Cases Exist:

Case I: When all Forfeited Shares have been Reissued:

In case of Forfeited Shares reissued at Par or Premium, whole amount of Forfeited Share A/C will transferred to Capital Reserve A/C.

In case of Forfeited Shares Reissued at Discount, amount adjusted for Discount from Forfeited Shares A/C will be Deducted from Total amount of Forfeited Shares A/C and Remaining Balance will be transferred to Capital Reserve A/c.

Amount to be transferred to Capital Reserve A/C in case of Reissue of Shares at Discount

= Total balance in Forfeited Shares A/c – Amount adjusted towards Discount from Forfeited Shares A/c.

Journal Entry for Transfer Of Forfeited Shares A/C to Capital Reserve A/C in all three cases that is Shares Reissued at Par, Premium or Discount:

Forfeited Shares A/C.....Dr

To Capital Reserve A/C.

Case II: When all Forfeited Shares have not been Reissued:

In this Case, Forfeiture A/C Balance is divided into two parts:

1. Balance of Forfeited Shares which has not been reissued.
2. Balance of Forfeited Shares which has been reissued.

While doing Calculation and writing Journal Entry, We do not touch First Part amount that is Balance of Forfeited Shares which has not been reissued.

We make calculation and write Journal entry for Second part that is Balance of Forfeited Shares which has been reissued assuming First part does not exist.

Rules remain same as we did in First Case.

For Example:

X Ltd. Forfeited 500 Shares of Rs. 10 each issued at a Premium of Rs. 2 for non Payment of Allotment money of Rs. 6 (including Premium), First Call of Rs. 2 and Final Call of Re 1. Later 200 Shares have been reissued at a discount of Rs. 2 .

In this Case Journal Entry passed will be:

Share Capital A/C.....Dr (500 × Rs. 10)	5000
Security Premium Reserve A/C.....Dr (500 × Rs. 2)	1000
To Share Forfeiture A/C (500 × Rs. 3)	1500
To Calls in Arrear A/C (500 × Rs.6 + 500 × Rs.2 + 500 × Re 1)	4500

Total Amount in Share Forfeiture A/c = Rs. 1500

This Rs. 1500 is for 500 shares forfeited. But only 200 shares are being reissued. So we will break this amount in two parts:

1. Forfeiture Amount for 300 Shares (This amount will remain untouched, so there is no need to calculate it).
2. Forfeiture Amount for 200 Shares.

Calculation of Forfeiture Amount balance for 200 Shares using Unitary method:

For 500 Shares Forfeiture amount is Rs. 1500

So, For 1 Share Forfeiture Amount will be Rs. $1500 \div 500 = \text{Rs.}3$.

So, For 200 Shares balance in Forfeiture Amount will be $\text{Rs. } 3 \times 200 = \text{Rs. } 600$.

Now, Since Shares have been reissued at Discount of Rs. 2 each;

$\text{Rs. } 2 \times 200 = \text{Rs. } 400$, out of Rs. 600 will be adjusted toward Reissue.

Balance $\text{Rs. } 600 - \text{Rs. } 400 = \text{Rs. } 200$ will be transferred to Capital Reserve.

Journal Entry For Reissue of 200 Shares at a Discount of Rs. 2:

Bank A/C.....Dr (With amount received on Reissue: 200×8)	1600
Forfeited Shares A/C ...Dr (With Discount amount allowed on Reissue 200×2)	400
To Share Capital A/C (With amount credited as Paid up $200 \times \text{Rs. } 10$).	2000

For Transfer to capital Reserve:

Forfeited Shares A/C.....Dr (With Balance amount left in Forfeiture of 200 Shares)	200
To Capital Reserve A/C	200



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