

PAPER – 10: Corporate Accounting and Auditing
Issue – Forfeiture and Reissue of Shares
Answer All Questions

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer

Working Notes should form part of the answer

Time Allowed – 1½ Hours

Maximum Marks - 50

Question – 1

Aarav Limited issued 50,000 Equity Shares of Rs. 100 each at a premium of Rs. 25 per share payable as follows: -

On Application – Rs. 50; On Allotment – Rs. 50 (including Premium); and On Final Call – Rs. 25;

Applications were received for 58,000 shares. Letter of regret were issued to applications for 8,000 shares and shares were allotted to all other applicants.

Mr. Ragu, the holder of 300 shares, failed to pay the allotment and call money, the shares were forfeited.

Show the journal entries and cash book in the books of Aarav Limited.

[10 Marks]

Question - 2

Raghav Limited issued 3,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share, payable as Rs. 3 on application, Rs. 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 8, 00,000 shares and pro rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Praveen to whom 1600 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of Raghav Limited and prepare Bank Account.

[10 Marks]

Question – 3

Preetham Ltd invited applications for issuing 2, 00,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share. The amounts were payable as follows: -

On Application and Allotment – Rs. 7 per share (including premium); Balance on the First and Final Call;

Applications were received for 5, 00,000 shares. Application for 2, 00,000 equity shares were rejected and pro rata allotment was made to the remaining applicants. The first and final call was made. The amount was duly received except 6,000 shares applied by Ms. Ramani. Her shares were forfeited.

The forfeited shares were reissued as fully paid up @ Rs. 8 per share.

Pass necessary journal entries with narration to record the above transactions in the books of Preetham Ltd.

[15 Marks]

Question – 4

Orbit Ltd., with an authorized capital of Rs. 10,00,000 divided into Equity shares of Rs. 10 each, on 1st June, 2024, invited applications for issuing 1,50,000 Equity Shares at a premium of Rs. 5 per share. The amount was payable as follows: -

On Application – Rs. 2 per share;

On Allotment (1st July, 2024) – Rs. 7 (including Premium) per share;

On First Call (1st November, 2024) – Rs. 3 per share;

On Final Call (1st January, 2025) – Rs. 3 per share;

All the shares were applied for and allotted, Mr. Ramesh who held 10,000 shares paid the whole of the amount due on calls along with allotment money.

The final call was fully paid except a shareholder having 2,500 shares who paid his due amount on 1st March, 2025 i.e. after 2 months along with interest on calls in arrears @ 10% p.a. Company also paid interest @ 12% p.a. on calls in advance to Mr. Ramesh on 1st January, 2025.
Give journal entries with narrations to record all these transactions in the books of Orbit Ltd.,

[15 Marks]