

Pass journal entries for the Forfeiture and Re-issue in the following cases :—

- (a) X Ltd. forfeited 200 shares of Ravi of ₹10 each ₹8 called up, on which he had paid application and allotment money of ₹3 per share. Out of these, 100 shares were re-issued as fully paid up for ₹8 per share.
- (b) Y Ltd. forfeited 300 shares of ₹10 each, ₹7 called up, for non-payment of First Call of ₹2 per share. Out of these, 100 shares were immediately re-issued at ₹6 per share.
- (c) Z Ltd. forfeited 600 shares of ₹10 each on which first call of ₹3 per share was not received; the second and final call of ₹2 per share has not yet been called. Out of these, 200 shares were re-issued as ₹8 paid-up for ₹7 per share.

SOLUTION:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
A	Share Capital A/c (200 Shares × ₹8) Dr.		1,600	
	To Calls in Arrear A/c (200 × ₹5)			1,000
	To Share Forfeiture A/c (200 × ₹3) (Forfeiture of 200 shares of Ravi)			600

Bank A/c	Dr.	800	
Share Forfeiture A/c	Dr.	200	
To Share Capital A/c			1,000
(Re-issue of 100 shares @ ₹8 per share fully paid)			
Share Forfeiture A/c	Dr.	100 ⁽¹⁾	
To Capital Reserve A/c			100
(Profit on 100 re-issued shares transferred to capital reserve)			
B Share Capital A/c (300 Shares × ₹7)	Dr.	2,100	
To Share First Call A/c (300 × ₹2)			600
To Share Forfeiture A/c (300 × ₹5)			1,500
(Forfeiture of 300 shares)			
Bank A/c	Dr.	600	
Share Forfeiture A/c	Dr.	100	
To Share Capital A/c			700
(Re-issue of 100 shares at ₹6 per share; Loss of ₹1 per share (i.e., ₹7 called up — ₹6) debited to Forfeiture A/c)			
Share Forfeiture A/c	Dr.	400 ⁽²⁾	
To Capital Reserve A/c			400
(Profit on 100 re-issued shares transferred to Capital Reserve A/c)			

RESERVE A/c)				
C	Share Capital A/c (600 Shares × ₹8)	Dr.	4,800	
	To Share First Call A/c (600 Shares × ₹3)			1,800
	To Share Forfeiture A/c (600 Shares × ₹5) (Forfeiture of 600 shares)			3,000
Bank A/c	Dr.	1,400		
Share Forfeiture A/c	Dr.	200		
To Share Capital A/c (Re-issue of 200 shares at ₹7 per share; Loss of ₹1 per share (i.e., ₹8 called up — ₹7) debited to Forfeiture A/c)				1,600
Share Forfeiture A/c	Dr.		800 ⁽³⁾	
To Capital Reserve A/c (Profit on 200 re-issued shares transferred to Capital Reserve A/c)				800

Notes : 1. Profit on 200 shares = ₹600

$$\text{Hence, Profit on 100 shares} = \frac{600}{200} \times 100 = 300$$

$$\text{Less: Loss on Re-issue : 100 shares} \times ₹2 = \frac{200}{100}$$

$$\text{Transferred to Capital Reserve} = ₹ \underline{100}$$

2. Profit on 300 shares = ₹1,500

$$\text{Hence, Profit on 100 shares} = \frac{1,500}{300} \times 100 = 500$$

$$\text{Less: Loss on Re-issue: 100 shares} \times ₹1 = \frac{100}{400}$$

$$\text{Transferred to Capital Reserve} = ₹ \underline{400}$$

3. Profit on 600 shares = ₹3,000

$$\text{Hence, Profit on 200 shares} = \frac{3,000}{600} \times 200 = 1,000$$

$$\text{Less: Loss on Re-issue : 200 shares} \times ₹1 = \frac{200}{800}$$

$$\text{Transferred to Capital Reserve} = ₹ \underline{800}$$