SHARE CAPITAL AND DEBENTURES (edited)

1. Equity share holders are:
   a) Creditors   b) Owners
   c) SEBI officials
d) Employees of the company.  

2. Money received in advance from shareholders before it is actually called-up by the directors is:
   a) Debited to call – in advance account
   b) Credited to calls - in - advance account
   c) Debited to calls account
d) Transferred to P/L account.  

3. The portion of the capital which can be called – up only on the winding up of the company is called:
   a) Authorised capital
   b) Uncalled capital
   c) Reserved capital
   d) Issued capital

4. Security Premium Reserve can be used for:
   a) Paying interest on debentures
   b) Meeting the cost of issues of shares
c) Paying tax liability
d) Paying dividend on shares
5) Maximum discount that can be allowed on reissue of forfeited shares should not exceed 1
a) 10%  b) Balance in the share forfeiture account
c) Balance of calls-in arrear account.
d) The amount as determined by the directors

6. Premium payable on the redemption of debentures is in the nature of: 1
a) Personal account  b) real account  c) nominal account  d) none of the above
7) What percent of DRR should be invested in specified securities for the purpose redemption of dentures? 1
8) Mention 2 types of companies exempted from creation of DRR.
9) Smile Ltd. forfeited 100 equity shares of Rs.10 each originally issued at par due to non payment of allotment amount of Rs.3 per share. First and final call of Rs.2 per share was not yet made. Out of the forfeited shares 75 shares were reissued at Rs.9 per share, Rs.8 called up. Pass necessary Journal entries. 3
10) Explain the following:
a) Employees stock Option Plan
b) Right Issue
c) Preferential allotment of shares. 3
11) Pass the necessary journal entries for the issue of dentures from redemption point of view in the following cases:

a) Rs 80,000, 10% Debentures of Rs 100 each issued at a discount of 105 redeemable at par.
b) Rs 1,60,000, 14% Debentures of Rs.100 each issued at a premium of 10% redeemable at a premium of 15%.

12. Srinivas Ltd. issued 2,00,000 ;10 % Debentures of Rs.50 each at a premium of 10% on 30th Jun ,2013 redeemable on 31st march ,2015. The issue was fully subscribed. The company decided to create DRR on 31st March 2014 and also decided to invest in 10% govt Securities to meet the legal requirement.
Pass journal entries for issue and redemption of debentures.

13. The authorised capital of Jagannath Ltd is Rs.1,00,00,000 divided into 50,000 shares of Rs.200 each. Out of these, the company issued 24,000 shares of Rs.200 each at a premium of 10% .The amount per share was payable as follows:
Rs.60 on application
Rs.60 on allotment (including premium)
Rs.30 on first call and
Balance on second and final call.
Public applied for 24,000 shares. The directors made allotment of shares and the money was duly received except the second and final call on 500 shares.
Show share capital in the Balance sheet of the company as per Schedule III part 1 of the companies Act 2013.

14. Prithiv Ltd purchased a running business from M/s. Rajni Ltd. for a sum of rs.15,00,000 payable Rs.12,00,000 in fully paid shares of Rs.10 each issued at a premium of 20% and the balance by way accepting a bill for 2 months.

The assets and liabilities consisted of the following:

- Plant and machinery: Rs.4,00,000
- Building: Rs.3,50,000
- Sundry debtors: Rs.3,50,000
- Stock: Rs.1,99,500
- Cash: Rs.5,00,500
- Sundry creditors: Rs.2,00,000

15. Champia Ltd with a nominal capital of Rs.50,00,000 in Equity shares of Rs.10 each issued 2,00,000 shares payable Rs.2.50 per share on application, Rs.2.50 per share on allotment and Rs.5 per share on first and final call three months later. All moneys due on allotment were duly received but one shareholder failed to pay the amount due on his 2,500 shares and another shareholder who held 2,000 shares paid for the shares first and final call also.

Find out the amount received by the company from the shareholders and prepare Balance Sheet of the company as per the Indian Companies Act 2013.
16. Jay Ltd has an Equity share capital of Rs. 10,00,000. The company earns a return on investment of 15% on its capital. The company needed funds for its diversification. The finance manager had the following options:
A) Borrow Rs. 5,00,000 @ p.a. from a bank payable in four quarterly instalments starting from the end of fifth year; or
B) Issue Rs. 5, 00,000, 9% Debentures of Rs 100 each redeemable at a premium of 10% after 5 years.
As a finance manager which of the given two options will you accept in the interest of the share holders? What are the entries to be passed if option B is accepted?

17. Anurag Limited issued 9%, 20,000 Debentures of Rs. 100 each at par redeemable at 5% premium. As per the term of issue, the Debentures holders had an option to convert their holding into equity shares of 100 is at any time after 5 years. The company decided to write off the loss on issue of Debentures in 5 years. At the end of 6th year a holder of 500 Debentures gave a notice of exercising the option. Interest on Debentures for 1 year had accrued for 1 year and was on paid till the end of 6th year. Interest for the past five years had been paid. Pass necessary general entries.

18. Sachan Industries Limited has an authorised capital of Rs. 50,00,000 divided into 5,00,000 equity shares of Rs. 10 each. It invited application for 1, 00,000 shares.
of Rs.10 each at a premium of Rs. 3 each, and payable as under:

Rs. 2 on application
Rs. 5 on allotment (including premium)
Rs. 4 on first call and
Rs. 2 on final call

Applications were received for 1, 50,000 shares. The application money on 30,000 shares was refunded. Whole of the shares were allotted to the remaining applicants. Excess application money was to be utilised towards allotment. Rahul the holder 200 shares failed to pay the first call money and his shares were forfeited. Mehul, the holder of 300 shares failed to pay both the calls and his shares were forfeited after the final call was made.

All the forfeited shares were reissued to Sahil as fully paid for Rs.9 per share. You are required to find

a) The values missing in the above case
b) Pass necessary journal entries in the books of the company

19. Abhijeet Limited issued a prospectus inviting application for 1, 00,000 shares of Rs.10 are at par on the following terms.

On application Rs.3
On allotment Rs.4
On first call Rs.2 and the balance on second and final call.
Application were received for 1,20,000 shares and allotment was made in the following manner.
I) to applicants for 20,000 shares-in full,
II) to applicants for 40,000 shares-30,000 shares,
III) to applicants for 60,000 shares-50,000 shares.
All excess amounts paid on application each to be adjusted against the amount due on allotment.
The shares were fully called and paid off except the amount of allotment, first and final call not paid by those who applied for 4000 shares out of the group applying for 40,000 shares.
All the shares on which call were due but not paid were forfeited. Out of the forfeited shares 2000 shares were reissued to Sanjay on receipt of Rs.8 per share fully paid up.
Show the missing values in the above case at the time of issue and forfeiture of shares and pass journal entries.
20. Mr. Mukesh and Mahesh motivated their friends to take the advantage of” Make in India “campaign and to start a public limited company for the production of anti-tank missiles in the country to meet the defence requirement. They formed a company by name Bhramastra Limited and invited applications for the issue of 5,00,000 shares of Rs.100 each at per share though they were registered with a nominal capital of Rs.10,00,00,000.
The amount payable was Rs.25 on application, 40 on allotment and the balance on first and final call. Application were received for 7, 50,000 shares and pro-rata allotment was made to all the applicants. All moneys were received in response to company’s call up to the final call except from Heralal who could not pay allotment money and the final call money on his 5,000 shares. The Directors decided to forfeit his shares and to reissue those shares for Rs.4, 00,000 to Motilal.

Mention the values you find in the above case and pass necessary journal entries and prepare the balance sheet of the company.

21. Singh Bros.Ltd was registered with a capital of Rs.2, 50,000 divided into equity shares of rs each issued at a premium of Rs.20 payable as under:
On application-------------Rs.20
On allotment-------------Rs.40(including premium of Rs.10)
On first call------------Rs.40(including premium of Rs.10)
On final call------------Rs.20
Applications were received for 3,000 shares out of which 300 were rejected and pro rata allotment was made to the rest of the applicants. All money due was received except the following:
i) Satu, holder of 50 shares failed to pay allotment and call money
ii) Mitu, holder of 40 shares, failed to pay call money.  
iii) Jeethu, holder of 30 shares, failed to pay final call.  
These shares were forfeited and issued at Rs.90 fully paid up.

Pass necessary journal entries in the books of the company and show cash book.

22. The Directors of Pride India Ltd invited applications for the issue of 2,00,000 equity shares of Rs 10 each to be issued at 20% premium. The money payable on shares is

On application ..........................Rs.5 per share
On allotment ..............................Rs.4 (including premium of Rs 2 per share)
On first call..................................Rs.2 per share
On 2\textsuperscript{nd} and final call..............Re. 1 per share

Applications were received for 2,40,000 shares and allotment was made as under:

i) To applicants for 1,00,000 shares -----in full
ii) To applicants for 80,000 shares------60,000 shares
iii) To applicants for 60,000 shares ----40,000 shares.

Applicants for 1,000 shares falling in Category (i) and applicants of 1,200 shares falling in Category (ii) failed to pay allotment money. These shares were forfeited on failure to pay first call. Holders of 1,200 shares falling in category (iii) failed to pay the first and final call money and these shares were forfeited after final call.
1,300 shares (1,000 of category (i) and 300 of category (iii) were reissued at Rs.8 per share as fully paid. Journalise the above transactions. Prepare cash Book and Balance sheet.

OR

22. Record the Journal entries for forfeiture and reissue in the following cases:
a) Dadsana Ltd forfeited 300 shares of Rs 100 each, Rs70 called up, on which the shareholders had paid application and allotment money of Rs.50 per share. Out of these, 150 shares were re-issued to Vinod as 70 paid up for Rs.80 per share.
b) Yamini Ltd forfeited 380 shares of Rs.10 each, Rs.8 called up, issued at a premium of Rs.2 per share to Rohit for non-payment of allotment money of Rs 5 per share (including premium). Out of these, 190 shares were re-issued to Nerved as Rs8 called up for Rs.10 per share fully paid up.
c) Srikanth Ltd forfeited 60 shares of Rs 100 each issued at a premium of 10% due to non-payment of allotment money of Rs.55 per share (including premium). First and final call money of Rs 20 per share was not yet made. The forfeited shares were reissued at Rs. 90 per share Rs.80 paid up.

23. Navodaya Ltd issued 6,000 Equity shares of Rs.100 each at a premium of Rs.100 per share payable as follows
   Rs.30 on application
Rs.50 on allotment including premium of Rs 5 per share
Rs.20 on first call including premium of Rs 5 per share and Rs10 on final call.
All the shares were subscribed by the public and money received except the following:
From Bhole –holding 300 shares, allotment and calls were in arrear
From Yogesh-holding 200 shares, calls were in arrears
From Tushar-holding 100 shares, final call was in arrears.
The Directors decided to forfeit the above shares and reissued them in cash as follows 200 share of Bhole were reissued at Rs.85 per share
150 shares of yogesh at Rs.60 per share. 100 shares of Tushar at Rs.55 per share
Give necessary journal entries, Cash Book and The Balance Sheet in the books of the company.

OR

23.a) A Ltd issued 5,000;9 % debentures of Rs.100 at par and also raised a loan of Rs.80,000 from bank, collaterally secured by Rs.1,00,000;9%Debentures.How will be the Debentures shown in the Balance sheet of the company assuming that the company has passed journal entry for issue of debentures as collateral security in the books ?
b)X Ltd. has a balance of Rs 4,00,000 in the statement of Profit and Loss .The company decided to forego the payment of dividend and instead redeem Rs 3,50,000
12% debentures on 30th September 2015 at a premium of 10% in accordance with the terms of issue. Debentures ’interest is payable annually on 31st March every year when the accounts are closed. The company also has a balance of Rs 2,00,000 in the Debentures Redemption Reserve. Tax was deducted @10 % on interest on debentures and deposit in Govt. Account.

The required investment was made by the company in Govt securities on 30th April 2015. Journalise the transactions.