

Issue of Equity and Preference Shares

Problem:- Mithila Spinning Mills Ltd was registered with a capital of Rs 15,00,000 divided into 1,00,000 Equity shares of Rs 10 each and 5000 8% Preference shares of Rs 100 each. 80,000 Equity shares and 2000 Preference shares were offered for public subscription. Equity shares were payable as Rs 5 per share on application, Rs 3 per share on allotment and the balance on a call, whereas the preference shares were payable at a time. All the shares were subscribed. All money due on all instalments were received except Chandan holding 600 Equity shares failed to pay the call. Pass necessary journal entries to record the above transactions and prepare the Balance Sheet.

Dr Cr

| Date | Particulars   | L.F. | Amount   | Amount   |
|------|---|------|----------|----------|
|      | Bank A/c ————— Dr   |      | 4,00,000 |          |
|      | To Equity share Application A/c                                       |      |          | 4,00,000 |
|      | (Application money received on 80,000 Equity shares @ Rs 5 per share) |      |          |          |
|      | Equity share Application A/c ———— Dr                                  |      | 4,00,000 |          |
|      | To Equity share Capital A/c   |      |          | 4,00,000 |
|      | (Transfer of application money to share Capital A/c)                  |      |          |          |
|      | Bank A/c ————— Dr   |      | 2,00,000 |          |
|      | To 8% Pref share Application A/c                                      |      |          | 2,00,000 |
|      | (Entire amount received on 2000, 8% preference shares @ Rs 100 each)  |      |          |          |
|      | 8% Preference Share Application A/c Dr                                |      | 2,00,000 |          |
|      | To 8% Pref Share Capital A/c  |      |          | 2,00,000 |
|      | (Transfer of Application money to Pref Shares Capital A/c)            |      |          |          |
|      | Equity share Allotment A/c ———— Dr                                    |      | 2,40,000 |          |
|      | To Equity share Capital A/c   |      |          | 2,40,000 |
|      | Allotment money due on 80,000 shares @ Rs 3 per share                 |      |          |          |



Officer



Dr Cr

| Date | Particulars   | L. F. | Amount   | Amount   |
|------|---|-------|----------|----------|
|      | Bank A/c<br>To Equity Share Allotment A/c<br>Allotment money received.                                  | Dr    | 2,40,000 |          |
|      |   |       |          | 2,40,000 |
|      | Equity share call A/c<br>To Equity share Capital A/c<br>(Call money due on 80,000 share @ 2 each share) | Dr    | 1,60,000 |          |
|      |   |       |          | 1,60,000 |
|      | Bank A/c<br>To Equity share call A/c<br>(Call money received on 79,400 Equity shares @ 2 each share)    | Dr    | 1,58,800 |          |
|      |   |       |          | 1,58,800 |

## Balance sheet of Mittala Spinning Mills Ltd.

| Liabilities   | Amount    | Assets               | Amount   |
|---|-----------|----------------------|----------|
| Authorised Capital:<br>100,000 Equity shares of Rs 10 each<br>10,00,000           |           |                      |          |
| 500,000 Preference shares of Rs 100 each<br>50,00,000                             | 15,00,000 | Cash at Bank<br>Cash | 9,98,800 |
| Issued & Subscribed Capital:<br>80,000 Equity shares of Rs 10 each - 8,00,000     |           |                      |          |
| 200,000 Pref shares of Rs 100 each - 20,00,000                                    | 10,00,000 |                      |          |
| Paid-up Capital:<br>80,000 Equity shares of Rs 10 each fully called up - 8,00,000 |           |                      |          |
| Less call in arrears - 1,200  | 7,98,800  |                      |          |
| 200,000 Pref shares of Rs 100 each, fully called & paid-up - 20,00,000            | 9,98,800  |                      |          |
|   | 9,98,800  |                      | 9,98,800 |

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