

Issue of Share

Hindustan Machine Ltd was formed with an Authorized Capital of Rs 5,00,000 divided into 50,000 shares of Rs 10 each. It decided to issue 40,000 shares at a premium of Rs 2 per share payable as Rs 4 on application, Rs 5 (including premium) on allotment and the balance on first and final call.

Applications were received for 50,000 shares. The Directors allotted 40,000 <sup>shares</sup> applications rejected were returned. All the money due as stated above were received.

Pass the necessary journal entries and prepare the Balance Sheet of the company.

Applications were received for 50,000 shares. The Directors allotted 40,000 shares, rejecting out eight applications for 10,000 shares. The money on the applications rejected were returned. All the money due as stated above were received.

Pass the necessary Journal entries and prepare the Balance Sheet of the company.

Solution

Journal Entries

Date	Particulars	Dr Cr	
		₹ Amount	₹ Amount
	Bank A/c ————— Dr	2,00,000	
	To Share Application A/c		2,00,000
	(Application money received on 50,000 shares @ Rs 4 for share)		
	Share Application A/c ————— Dr	200,000	
	To Share Capital A/c		1,60,000
	To Bank A/c		40,000
	(Application money on 40,000 shares transferred to share capital A/c and money returned on the rejected applications)		
	Share Allotment A/c ————— Dr	200,000	120,000
	To Share Capital A/c		
	To Security Premium A/c		80,000
	Allotment money due together with premium on 40,000 shares @ 5 per share		
	Bank A/c ————— Dr	200,000	
	To Share Allotment A/c		200,000
	(Allotment money received with)		

Dr Cr

Date	Particulars	Dr	Amount	Cr	Amount
	Share First and Final Call A/L — Dr		120,000		
	To Share Capital A/L				120,000
	(First and final call money received on 40,000 shares @ Rs 3 for share)				
	Bank A/L — Dr		120,000		
	To Share First and Final Call A/L				120,000
	(First and final call money received)				

Working Note:

(1) Application Money received (50,000 x Rs 4)	2,00,000
Issued and Allotted (40,000 x Rs 4)	1,60,000
Excess Money to be refunded	40,000

Balance Sheet of Hindustan Machines Ltd.

Liabilities	Amount	Assets	Amount
Share Capital:		Cash at Bank	4,80,000
Authorised Capital:			
50,000 Shares of Rs 10 each	5,00,000		
Issued & Subscribed Capital			
40,000 shares of Rs 10 each	4,00,000		
Paid-up Capital:			
40,000 shares of Rs 10 each			
fully called and paid up	4,00,000		
Securities Premium	80,000		
	4,80,000		4,80,000

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