



INSTITUTE OF LAW, JIWAJI UNIVERSITY, GWALIOR
COURSE - B.COM LL.B FIVE YEAR
SEMESTER – II
SUBJECT – ACCOUNTS AND FINANCE -II
UNIT – 1 – FORFEITURE OF SHARES PART - 2

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Forfeiture of Shares Issued at a Premium

Case 1: Where shares to be forfeited were issued at a premium and the premium money remained unpaid: In this case the credit already given to the 'Securities Premium A/c' will be cancelled at the time of forfeiture of the shares by debiting "Securities Premium A/c".

JOURNAL ENTRIES

Share Capital A/c

Dr. (with the amount of called up value of shares forfeited, i.e., no. of shares forfeited x called up value per share excluding premium).

Securities Premium A/c

Dr. (with the amount of premium money remaining unpaid on shares forfeited.)

To Shares Forfeited A/c

(with the amount already paid by the shareholders on the shares forfeited.)

To Calls-in-Arrear A/c

(with the amount unpaid on calls.)

Share Capital A/c

Dr. (with the amount of called up value of shares forfeited, i.e., no. of shares forfeited x called up value per share excluding premium.)

Securities Premium A/c

Dr. (with the amount of premium money remaining unpaid on shares forfeited.)

To Shares Forfeited A/c

(with the amount already paid by the shareholders on the shares forfeited.)

To Share Allotment A/c

(with the amount failed on allotment, if any.)

To Share First Call A/c

(with the amount failed on first call, if any.)

To Share Final Call A/c

(with the amount failed on final call, if any.)

Case 2: Where shares to be forfeited were issued at a premium and the premium money was duly received on the shares to be forfeited : In this case Securities Premium Account is already credited at the time of making call will not be cancelled at the time of forfeiture of the shares. In such a case, the accounting entry on forfeiture will be the same as the one passed in case of shares issued at par.

Example:

ICC Ltd. forfeited 500 equity shares of Rs.10 each fully called up which were issued at a premium 20%. Amount payable on shares were: on application Rs2; on allotment Rs.5; on first and final call Rs.5. Only application money was paid by the shareholders in respect of these shares. Pass journal entries for the forfeiture.

Solution:

| Particulars | | Dr. | Cr. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------|---------|
| | | (₹) | (₹) |
| Equity Share Capital Account | Dr. | ₹ (500x10) | ₹ 5,000 |
| Securities Premium Account | Dr. | ₹ (500x2) | ₹ 1,000 |
| To Equity Share Allotment ₹ (500 × 5) | | | ₹ 2,500 |
| To Equity Share Final Call Account ₹ (500 × 5) | | | ₹ 2,500 |
| To Forfeited Shares Account ₹ (500 × 2) | | | ₹ 1,000 |
| (Being the forfeiture of 500 equity shares of ₹10 each fully called up for nonpayment of allotment and final call money as per board resolution number. Dated.....) | | | |

Note: Securities premium @ ₹2 on 500 shares has not been received by the company. Therefore, at the time of forfeiture, securities premium account will be debited to cancel it because securities premium account was credited at the time of allotment.



THANK YOU!!