

REISSUE OF FORFEITED SHARES

29.1 INTRODUCTION

In previous lesson, you have read that if any of the shareholder does not pay the called money, his shares are forfeited and his membership in the company is cancelled. Now, these shares become the property of the company. Company may deal with them in any way it likes. It may either cancel them and reduce the amount of called-up capital; or it may reissue these shares. Such a sale of forfeited shares is called 'reissue of shares'.

As you know, at the time of forfeiture of shares, share capital is reduced. By reissue of shares, the share capital is increased (credited) by the amount called up on such shares reissued. The amount received on reissue of shares is the reissue price. The Directors can decide to sell these shares at the best price available which may be at par, or at premium, or at discount.

29.2 OBJECTIVES

After studying this lesson, you will be able to:

- state the meaning of reissue of shares;
- outline the procedure for reissue of shares;
- state the minimum price at which a company can reissue its forfeited shares;
- identify the supporting vouchers required for recording reissue of shares;
- prepare the accounting vouchers and make journal entries recording the reissue of shares

29.3 REISSUE OF SHARES - MEANING

Reissue of shares means issuing shares that were once issued earlier. As per the law, a company cannot cancel the issued shares except by forfeiture due to non-payment of called-up money. So, reissue of shares means reissue of forfeited shares.

The forfeited shares remain in the custody of the company. The amount received on these shares is credited to a separate account called 'Shares forfeited A/c'. Since the company holding forfeited shares possesses only a part of the called-up amount on forfeited shares, it is keen to receive the unpaid amount on these shares. So, the law gives the companies a right to reissue such forfeited shares. A company holding forfeited shares will sell these forfeited shares to any person who is ready to contribute the amount outstanding on such shares. Such a sale of forfeited shares is called 'reissue of shares'.

The Directors of the company reissuing the shares decide the price at which they are to be reissued. These shares may be reissued at par, premium or discount and at the same pattern of inviting applications, allotting the shares and making calls etc., as in the case of original issue of shares. But generally, these shares are issued to the person who offers the entire payment to the company in single instalment. These shares can be issued at any price. But this value alongwith the earlier received money should not be less than the par value of shares. Generally while re-issuing the shares these shares are issued at discount. But, you should remember that the amount of such discount cannot be more than the amount received upto the time of forfeiture and credited to Share Forfeited Account.

At the time of forfeiture of shares, the Share Capital is reduced by the called-up amount on shares forfeited. On reissue, the share capital is increased by the called-up amount of shares reissued. On reissue of shares, the person purchasing the shares becomes the shareholder.

Generally, these shares are reissued at discount provided the amount of discount so allowed does not exceed the amount forfeited on these Shares. If the shares were originally issued at par, then there is no problem of calculating the forfeited amount. But if shares were originally issued either on premium or on discount then one has to ascertain the forfeited amount. Maximum permissible discount at the time of reissue differs in all these cases. Let us discuss about them:

(i) Shares originally issued at par

When the shares are originally issued at par, the maximum permissible discount for reissue of shares is equal to the amount forfeited on such shares.

(ii) Shares originally issued at premium

You have read in the previous lesson that when shares issued at premium are forfeited then Share Capital Account and Share Premium Account are debited with the respective amounts and the money received is transferred to Shares Forfeited account. If the premium money has already been received, then for reissuing the shares the maximum permissible discount will include the whole forfeited amount including premium.

(iii) Shares originally issued at discount

In this case the actual amount received will become the forfeited amount. The maximum permissible discount, therefore, on re-issue of shares will be equal to the amount forfeited plus the amount of original discount allowed on such shares at the time of first issue.

Let us summarise it with the help of the following Table;

Maximum Permissible Discount at the Time of Reissue

Shares Originally issued at	Maximum Permissible Discount
1. Par/Premium	Total amount forfeited including the amount of premium (if it has been already received)
2. Discount	Total amount forfeited plus the amount of original discount

INTEXT QUESTIONS 29.1

A. Complete the following:

(i) Reissue of shares means _____

(ii) Maximum permissible discount at the time of reissue when shares are originally issued at par/premium is

(iii) Maximum permissible discount at the time of reissue when shares are originally issued at discount is

(iv) Reissuing of shares is decided by

(v) Price of reissued shares is _____

B. Ascertain the maximum permissible discount for reissuing the following shares and write in Amount column.

Details	Amount (Rs)
(i) Sanjay Ltd has issued 150 shares of Rs.50 each to Abhay. Abhay paid Rs.30/- only. So his shares are forfeited.	
(ii) Girish has not paid Rs.35 including a premium of Rs.5/- to Brij Ltd. So Brij Ltd. has forfeited his 500 shares of Rs.50 each.	
(iii) Johar Ltd. has issued 100 shares of Rs.20 to Vineet at a discount of Rs.1. Vineet has not paid the calls money of Rs.6/-.	

29.4 RECORDING OF REISSUE OF SHARES

A company is free to reissue the forfeited share to anyone. The Directors decide about the reissue of shares keeping in view the best interest of the company. For reissue of forfeited shares, no prospectus is issued. They are not offered to the public at large. The Directors need not reissue all the forfeited shares at one time. They may decide to reissue such shares in different time stages.

After the Directors have forfeited the shares, the old shareholder is asked to return the share certificate. After cancellation, the Board is empowered to decide on reissue of forfeited shares. The decision of reissue takes the form of a resolution allotting the forfeited shares to the purchaser(s) of those shares. The resolution may be as follows:

<p>“Resolved that _____ Equity Shares of the company of Rs. _____ each, Rs. _____ paid up numbered _____ to _____ inclusive, which were forfeited by Board Resolution dated _____ are hereby sold to Mr. _____ of _____ for the sum of Rs. _____ per share payable on or before _____ 19 _____ and that upon payment of the _____</p> <p style="text-align: center;">(Date)</p> <p>said sum, a share certificate for _____ shares be duly issued to the purchaser and the said shares be credited as paid up to the extent of Rs. _____ per share.”</p>

The Journal entry for the above will be as follows:

Bank A/c Dr (By the amount received on re-issue)
 Share forfeited A/c Dr (By the amount allowed as discount)
 To Share Capital A/c (By the amount assumed as paid up)
 (Being the forfeited _____ shares re-issued @
 Rs. _____ per share)

This resolution becomes a supporting voucher for recording the reissue of forfeited shares.

Based on the above supporting voucher, the following accounting vouchers will be prepared at the time of reissue of forfeited shares:

(i) Recording the amount received

First a credit voucher is prepared to record the amount received on reissue of shares. The amount will be equal to:

Price per share charged * No. of shares reissued

The credit voucher for recording the amount received will be as follows:

Company's Name		Date.....
Voucher No.....		Amount
		Rs.
Credit	Share Capital A/c (Being the entry for re-issue of _____ shares of Rs. _____ each and called up Rs. _____ per share, for a price of Rs. _____ per share, received in cash)	
Sd/- Manager		Sd/- Accountant

The price charged on reissue forms the part of Share Capital. Hence, the amount is credited as paid up amount on the reissued shares.

It is important to remember that all forfeited shares need not be reissued at a time. Hence, the credit voucher will be only for the price received for reissued shares.

(ii) **Recording the discount allowed on reissue**

You know that shares can be reissued at a discount. The discount cannot, however, be more than the forfeited amount on these shares at the time of forfeiture. The following transfer voucher is prepared to record the discount allowed on reissued shares.

Company's Name		Date.....
<i>Voucher No.....</i>		Amount
		Rs.
Debit	Share Forfeited A/c	
Credit	Share Capital A/c (Being the amount of discount allowed on _____ reissued shares.)	
Sd/- Manager		Sd/- Accountant

The discount, thus, allowed on reissued shares is debited to Share Forfeited Account which will reduce the benefit accrued due to forfeiting the earlier amount. The same amount (i.e. discount amount) is credited to Share Capital account, as paid up on shares reissued. The **Discount on Reissue** is calculated as follows:

$$\text{Discount on Reissue} = (\text{No. of Reissued Shares}) \times (\text{Called-up amount per share} - \text{Price per share})$$

- Note:** (i) The discount allowed on reissue of shares can never be more than the amount forfeited.
- (ii) Any excess of forfeited amount over discount on reissue is a profit for the company. It shows the excess amount received by the Company on shares forfeited and reissued. This profit is a capital profit and is transferred to Capital Reserve Account. Journal entry will be as follows:

Share Forfeited A/c Dr

To Capital Reserve A/c
(Being the excess money in share forfeited A/c of the reissued shares transferred to Capital Reserve A/c)

A transfer voucher is prepared for closing Share Forfeited A/c and transferring to Capital Reserve A/c. The transfer voucher is given below

Company's Name	
<i>Voucher No.....</i>	<i>Date.....</i>
	<i>Amount</i>
	<i>Rs.</i>
<i>Debit</i> <u>Share Forfeited A/c</u>	
<i>Credit</i> <u>Share Capital A/c</u> (Being the amount of profit on reissue of forfeited shares transferred to Capital Reserve A/c.)	
Sd/- Manager	Sd/- Accountant

You must note that after the profit on reissued shares has been transferred to Capital Reserve Account, share forfeited account will show a nil balance only with respect to shares reissued. If any forfeited share remains to be reissued, the amount forfeited on those shares will remain in the Shares Forfeited Account. Mathematically,

$$\text{Amount transferred to 'Capital Reserve A/c'} = (\text{Amount forfeited on reissued shares} - \text{the amount allowed as discount on reissue})$$

INTEXT QUESTIONS 29.2

Given below are certain statements some of these statements are correct and some are incorrect. Write (C) against the correct statements and (I) against incorrect statements:

- (i) Directors decide about the reissue of shares.
 - (ii) Shares are reissued only after issuing a prospectus to public.
 - (iii) Resolution of the Directors, mentioning the details of reissue of shares, is the supporting voucher for recording the reissue in books of accounts.
 - (iv) All the forfeited shares are always reissued together.
 - (v) A credit voucher is prepared for recording the price amount received for reissued shares.
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29.5 ACCOUNTING FOR REISSUE OF SHARES

On the basis of information gathered in the last two sections of this lesson, we can now proceed to preparation of accounting vouchers journal entries by taking up a few examples. For a clear understanding, let us take examples on following cases of reissue:

- (i) Reissue of forfeited shares at Discount (Originally issued at par)
- (ii) Reissue of forfeited shares at premium and at par (Originally issued at par)
- (iii) Reissue of forfeited shares (Originally issued at premium) at par, discount and premium.
- (iv) Reissue of forfeited shares (Originally issued at discount) at par, discount and premium

Each one of the above alternatives is now illustrated one by one:

1. Reissue of Forfeited Shares at Discount (Originally Issued at Par)

In case of shares issued at par and forfeited, the amount received on such shares stands credited to Shares Forfeited account. At the time of their reissue, the maximum discount that can be given is the amount received earlier in respect of the forfeited shares. Let us take an example.

Example 1

Rakesh Ltd forfeited 100 shares of Rs. 10 each, fully called-up, on which Rs. 7 per share was in arrears. Later on the Company decided to reissue these shares for Rs. 9 per share, as fully paid up. Give the accounting voucher and Journal entries for recording the reissue of shares.

Solution:

Journal entries

- | | | | |
|------|---|---------|-------------|
| (i) | Share capital A/c (100×10) | Dr. | 1,000 |
| | To share forfeited A/c (100×3) | | 300 |
| | To Unpaid Calls A/c (100×7) | | 700 |
| | (Being 100 shares forfeited on which Rs. 3 per share were paid) | | |
| (ii) | Bank A/c | Dr. | (100×9) 900 |
| | Share forfeited A/c Dr | (100×1) | 100 |
| | To Share Capital A/c(100×10) | | 1,000 |
| | (Being 100 shares reissued @ Rs.9 each) | | |

Rakesh Ltd.		Date.....
Voucher No.....		Amount Rs.
Debit	<u>Share Forfeited A/c</u>	200
		200
Credit	<u>Capital Reserve A/c</u> Being the remaining amount in the shares forfeited A/c transferred to 'Capital Reserve A/c'	200
		200
Sd/- Manager		Sd/- Accountant

Here, Share forfeited Account is debited with Rs.200/- (The maximum discount i.e. Rs.300/- less discount at the time of reissue i.e. Rs.100/-). (Maximum permissible discount is the amount received on forfeited shares i.e. $100 \times 3 = \text{Rs.}300/-$)

You have seen in the above example that all the forfeited shares have been reissued. In case only a part of the forfeited shares had been reissued, the proportionate profit on reissue of forfeited shares would have been transferred to 'Capital Reserve A/c'. Mathematically,

Amount transferred to 'Capital Reserve A/c' = Amount forfeited on reissued shares - Amount allowed as discount on reissue of these shares.

If in the same example only 60 shares are reissued at Rs.9 per share, the Journal Entry will be as follows:

- (i) Bank A/c Dr. (60×9) 540
Share forfeited A/c Dr. (60×1) 60
To Share Capital A/c (60×10) 600
(Being 60 shares reissued @ Rs.9 each)
- (ii) Share forfeited A/c Dr. 120
To Capital Reserve 120

(Excess money in Share forfeited A/c of reissued 60 shares transferred to Capital Reserve A/c).

Accounting vouchers will be prepared as follows:

Rakesh Ltd.		Date.....
Voucher No.....		<i>Amount</i> Rs.
<i>Debit</i>	<u>Share Forfeited A/c</u>	60
		60
<i>Credit</i>	<u>Share Capital A/c</u> Being the amount of discount allowed on re-issue of 60 forfeited shares	60
		60
Sd/- Manager		Sd/- Accountant

Rakesh Ltd.		Date.....
Voucher No.....		<i>Amount</i> Rs.
<i>Credit</i>	<u>Share Capital A/c</u> (Being the amount received on re-issue of 60 forfeited shares)	540
		540
Sd/- Manager		Sd/- Accountant

For transferring the balance amount of 'Share Forfeited A/c' to 'capital Reserve A/c', the following accounting voucher will be prepared:

Rakesh Ltd.		Date.....
Voucher No.....		<i>Amount</i> Rs.
<i>Debit</i>	<u>Share Forfeited A/c</u>	120
		120
<i>Credit</i>	<u>Capital Reserve A/c</u> (Being the proportionate balance of the share Forfeited account transferred to 'Capital Reserve A/c')	120
		120
Sd/- Manager		Sd/- Accountant

Amount transferred to Capital Reserve A/c is calculated as follows:

(i)	Amount forfeited on 60 reissued shares (60×3)	Rs.180/-
(ii)	Less amount allowed as discount on reissue of these shares (60×1)	Rs. 60/-
		Rs. 120/-

2. Reissue of Forfeited Shares At Premium and at Par (Originally Issued at Par)

Let us take another case through an example:

Example 2

Moonstar Ltd. forfeits 100 shares of Rs.10/- each on which the call of Rs.5/- was in arrears. The company decided to reissue these shares :

- (i) at the rate of Rs.12/- each (at premium)
- (ii) at the rate of Rs.10/- each (at par)

Show the accounting treatment in both cases:

Solution

Journal Entries : (Case i)

(i)	Bank A/c Dr. (100×12)	1,200
	To Share Capital A/c (100×10)	1,000
	To Share Premium A/c (100×2)	200
(ii)	Share forfeited A/c Dr. 500	
	To Capital Reserve A/c	500

ACCOUNTING VOUCHERS

Case (i)

Moon-Star Ltd.		Date.....
Voucher No.....		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	<u>Share Capital A/c</u> <u>Share Premium A/c</u> Being the amount received on reissue of 100 forfeited shares at premium	1,000 200 <hr style="border: none; border-top: 1px solid black;"/> 1,200
Sd/- Manager		Sd/- Accountant

Moon-Star Ltd.		Date.....
Voucher No.	Amount Rs.	
<i>Debit</i>	<u>Share Forfeited A/c</u>	500
		500
<i>Credit</i>	<u>Capital Reserve A/c</u> Being the total amount remaining after reissue of forfeited shares transferred to Capital Reserve A/c	500
		500
Sd/- Manager		Sd/- Accountant

When the shares forfeited originally issued at par are reissued at premium, the total amount in the Shares forfeited A/c (at the time of forfeiture) will be transferred to 'Capital Reserve A/c'.

In case (ii) of the example, the following journal entries and accounting vouchers will be passed or prepared:

Journal Entries:

- (i) Bank A/c Dr. (100×10) 1,000
 To Share Capital A/c (100×10) 1,000
- (ii) Share forfeited A/c Dr. (100×5) 500
 To Capital Reserve A/c (100×5) 500

Moon-Star Ltd.		Date.....
Voucher No.....	Amount Rs.	
<i>Credit</i>	<u>Share Capital A/c</u> Being the amount received on reissue of 100 forfeited shares at par	1,000
		1,000
Sd/- Manager		Sd/- Accountant

Moon-Star Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Debit</i>	<u>Share Forfeited A/c</u>	500
		500
<i>Credit</i>	<u>Capital reserve A/c</u> Being the total amount forfeited on shares reissued transferred to Capital Reserve A/c	500
		500
Sd/- Manager		Sd/- Accountant

It is to be noted that when the shares forfeited at par are reissued at par the total amount forfeited on shares reissued is transferred to Capital Reserve A/c.

(3) Reissue of Forfeited Shares (Originally Issued at Premium) at Par, Discount and Premium

If the shares were originally issued at premium, it is not necessary that their reissue after forfeiture should also be at premium or the premium should be at the same rate. However, if any premium is received (i.e. over and above the amount taken as paid up on account of Share Capital), the amount should be credited to 'Share Premium A/c'.

Now let us take an example :

Example 3

A company forfeits 100 shares of Rs.10 each, originally issued at a premium of Rs.2 per share. The shareholder paid Rs.4 per share on application but did not pay the allotment money of Rs. 4 per share (including premium) and call of Rs.4 per share. Prepare the necessary accounting Vouchers or pass Journal entries if the forfeited shares are issued at :

- (i) Rs. 10 per share (at Par)
- (ii) Rs. 6 per Share (at discount)
- (iii) Rs.11 per Share (at Premium)

Solution**Journal Entry (for forfeiture of Shares)**

Share Capital A/c	Dr. (100×10)	1,000
Share Premium A/c	Dr. (100×2)	200
	To share forfeited A/c (100×4)	400
	To Share Allotment A/c (100×4)	400
	To Share first & Final Call A/c (100×4)	400
(Being 100 shares of Rs. 10 each, issued at a premium of Rs. 2 each forfeited due to the non-payment of allotment @ Rs.4/- & Call money @ Rs.4 each share)		

To record the transaction of forfeiture, the following accounting voucher will be prepared

Company's Name		
Voucher No.....		Date.....
		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Capital A/c (100×10)</u>	1,000
	<u>Share Premium A/c (100×2)</u>	200
		1,200
<i>Credit</i>	<u>Call-in-Arrears A/c</u>	800
	i) Share Allotment (100×4) 400	
	ii) Share First & Final Call (100×4) 400	
	<u>Shares Forfeited A/c (100×4)</u>	400
	(Being 100 shares issued at a premium of Rs.2 each forfeited due to non-payment of allotment and call money)	
		1,200
Sd/- Manager		Sd/- Accountant

When these forfeited shares are reissued, the following Journal entries and accounting vouchers will be passed or prepared in the different cases:

Journal Entries (w.r.t case (i))

(1)	Bank A/c	Dr (100×10)	1,000
		To Share Capital A/c (100×10)	1,000

(ii)	Share Forfeited A/c Dr.	400
	To Capital Reserve A/c	400

Case (i) when the reissue is at Par

Company's Name		Date.....
Voucher No.....		
		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	<u>Share Capital A/c</u> Being the amount received on reissue of 100 forfeited shares at Par	1,000
		1,000
Sd/- Manager		Sd/- Accountant

Company's Name		Date.....
Voucher No.....		
		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Forfeited A/c</u>	400
		400
<i>Credit</i>	<u>Capital Reserve A/c</u> Being the total amount forfeited on shares reissued transferred to Capital Reserve A/c	400
		400
Sd/- Manager		Sd/- Accountant

Case (ii) when the reissue is at discount

Journal Entry

Bank A/c Dr. (100×6)	600
Share forfeited A/c Dr. (100×4)	400
To Share Capital A/c	1,000

Note : In this case the maximum permissible discount is Rs.400 and the Company reissued the shares at a discount of Rs.4 per share i.e. Rs.400. Hence, there is no balance in the Share Forfeited A/c to transfer in the Capital Reserve Account. So no transfer voucher will be prepared.

The following Accounting vouchers will be prepared : (w.r.t case (ii))

Credit Voucher

Company's Name		
Voucher No.....		Date.....
		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	<u>Share Capital A/c</u> (Being the amount received on reissue of 100 forfeited shares @ Rs.6 per share)	600
		600
Sd/- Manager		Sd/- Accountant

Company's Name		
Voucher No.....		Date.....
		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Forfeited A/c</u>	400
		400
<i>Credit</i>	<u>Share Capital A/c</u> (Being the amount of discount allowed at the time of reissue of 100 forfeited shares)	400
		400
Sd/- Manager		Sd/- Accountant

Case (iii) when the reissue is at premium

Journal Entries

- (1) Bank A/c Dr. (100×11) 1,100
- To Share capital A/c 1,000
- To Share Premium A/c 100
- (ii) Share forfeited A/c Dr. 400
- To Capital Reserve A/c 400

The following accounting vouchers will be prepared (w.r.t case iii)

Company's Name		Date.....
Voucher No.....		<i>Amount Rs.</i>
Credit	<u>Share Capital A/c</u>	1,000
	<u>Share Premium A/c</u>	100
	(Being the 100 forfeited Shares are reissued at Rs.11 per share including premium)	
		1,100
Sd/- Manager		Sd/- Accountant

Company's Name		Date.....
Voucher No.....		<i>Amount Rs.</i>
Debit	<u>Share Forfeited A/c</u>	400
		400
Credit	<u>Capital Reserve A/c</u>	400
	Being the amount of profit on Shares forfeited transferred to Capital Reserve A/c	
		400
Sd/- Manager		Sd/- Accountant

In this case, the forfeited shares are reissued at premium. Hence, the total amount in the Shares Forfeited A/c at the time of forfeiture of shares is transferred to Capital Reserve A/c.

4. Reissue of Forfeited Shares (Originally Issued at Discount) at Par, Premium and Discount

The discount allowed at the time of issue of shares, is written back (i.e. cancelled) at the time of forfeiture. It is cancelled, because the loss shown by debiting the discount A/c at the issue of shares could not be given, effect to, as some shares have been forfeited. Again, when those forfeited shares are reissued, the discount originally allowed is debited to Share Discount account. Examine the following example:

Example 4

Modi Ltd. issued 150 shares of Rs. 25 each to Naresh at a discount of Rs.2 per share. He failed to pay the final call of Rs.10 and his shares were forfeited. Later on, the company had the option to reissue 100 shares at a price of (i) Rs.20 (ii) Rs. 25 (iii) Rs.30.

How will you record the forfeiture and reissue of shares in the books of the company in each of the above cases?

Solution

For recording the forfeiture of shares, the following Journal entry and transfer voucher will be prepared:

Journal Entry

Share Capital A/c Dr. (150×25)	3,750
To share forfeited A/c (150×13)	1,950
To discount on issue of shares A/c (150×12)	300
To unpaid calls A/c (150×10)	1,500

(Being 150 shares forfeited issued at a discount of Rs.2 per share and received thereon Rs.13 per share)

Modi Ltd.		Date.....
Voucher No.....	Amount Rs.	
<i>Debit</i>	<u>Share Capital A/c</u> (150× 25)	3,750
		3,750
<i>Credit</i>	<u>Call-in-Arrears A/c</u> (150×10) <u>Shares Forfeited A/c</u> (150×13) <u>Discount on Issue of Shares A/c</u> (150×2) (Being 150 shares forfeited issued at a discount of Rs.2 per share and received thereon Rs.13 per share)	1,500 1,950 300
		3,750
Sd/- Manager		Sd/- Accountant

When the forfeited shares are reissued, the following Journal entries and accounting vouchers will be prepared in different cases:

(i) Reissue at Rs.20/- each

Journal Entries

(1)	Bank A/c Dr. (100×20)	2,000	
	Discount on re-issue of shares A/c Dr. (100×2)	200	
	Share forfeited A/c Dr. (100×3)	300	
	To Share Capital A/c (100×25)		2,500
(ii)	Share forfeited A/c Dr.	1,000	
	To Capital Reserve A/c (100×10)		1,000

To following accounting vouchers will be prepared (case (i))

Modi Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Credit</i>	<u>Share Capital A/c</u> (Being the money received on reissue of 100 forfeited shares @ Rs.20/- per share)	2,000
		2,000
Sd/- Manager		Sd/- Accountant

Modi Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Debit</i>	<u>Discount on Issue of Shares A/c (100×2)</u>	200*
	<u>Share Forfeited A/c (100×3)</u>	300
		500
<i>Credit</i>	<u>Share Capital A/c (100×5)</u>	500
		500
Sd/- Manager		Sd/- Accountant

Note: *For 150 shares discount is Rs. 300

For 100 shares discount is Rs. $\frac{300}{150} \times 100 = \text{Rs. } 200$

Modi Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Debit</i>	<u>Share Forfeited A/c</u> (100×10)	1,000
		1,000
<i>Credit</i>	<u>Capital Reserve A/c</u> (100×10) Being the proportionate amount in the Shares Forfeited A/c transferred to Capital Reserve A/c (Amount received on 100 forfeited shares @ Rs. 13/- each= 1,300) Less : Amount allowed as discount on reissue of 100 forfeited shares @ Rs.3/- -300 1,300-300=1,000	1,000
		1,000
Sd/- Manager		Sd/- Accountant

(ii) Re-issued @ Rs.25/- each 100 shares

Journal Entries

- (i) Bank A/c Dr. (100×25) 2,500
 To Share capital A/c (100×25) 2,500
- (ii) Share forfeited A/c Dr. (100×13) 1,300
 To Capital Reserve A/c (100×13) 1,300

The following accounting vouchers will be prepared :

Modi Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Credit</i>	<u>Share Capital A/c</u> (100×25) Being the amount received on reissue of 100 forfeited shares @ Rs.25/- per share	2,500
		2,500
Sd/- Manager		Sd/- Accountant

Modi Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Debit</i>	<u>Share Forfeited A/c (100×13)</u>	1,300
		1,300
<i>Credit</i>	<u>Capital Reserve A/c (100×13)</u> (Being the total amount of 100 forfeited shares in the shares forfeited A/c transferred to Capital Reserve A/c)	1,300
		1,300
Sd/- Manager		Sd/- Accountant

(iii) Reissue at Rs.30/- each

Journal Entries

- (i) Bank A/c Dr. (100×30) 3,000
 To Share Capital A/c (100×25) 2,500
 To Share Premium A/c (100×5) 500
- (ii) Share forfeited A/c Dr. (100×13) 1,300
 To Capital Reserve A/c (100×13) 1,300

The following accounting vouchers will be prepared:

Modi Ltd.		Date.....
Voucher No.....		Amount Rs.
<i>Credit</i>	<u>Share Capital A/c</u> <u>Share Premium A/c</u> Being the amount received on reissue of 100 forfeited shares at premium	2,500 500
		3,000
Sd/- Manager		Sd/- Accountant

Modi Ltd.		
Voucher No.....		Date.....
		<i>Amount</i>
		<i>Rs.</i>
<i>Debit</i>	<u>Share Forfeited A/c</u>	1,300
		1,300
<i>Credit</i>	<u>Capital Reserve A/c</u> Being the total amount of 100 forfeited shares in the Share forfeited A/c transferred to 'Capital Reserve A/c'	1,300
		1,300
Sd/- Manager		Sd/- Accountant

INTEXT QUESTIONS 29.3

A. Write the different cases when the total amount in the 'Shares Forfeited A/c' is transferred to Capital Reserve A/c.

(i) Reissue of forfeited shares (Originally issued at par) at

(ii) Reissue of forfeited shares (Originally issued at premium) at

B. X Ltd. forfeited 20 shares of Rs. 10 each on which Rs.6 per share were paid. What amount will be transferred to capital reserve if out of these shares 8 shares were re-issued to Hari as fully paid up on payment of Rs.5.50 per share.

C. In the above case what amount will stand to the credit of Share Forfeited A/c.

29.6 WHAT YOU HAVE LEARNT

- | | |
|---|--|
| i) Meaning of Reissue of Forfeited Shares | Sale of Forfeited Shares at Company's own will : |
| ii) Important Considerations to be considered | <ul style="list-style-type: none"> (i) The amount at which the shares are made 'called up' while reissuing. (ii) The price at which they are reissued. (iii) The amount that had already been received on the Shares forfeited. (iv) The amount allowed as discount. |
| iii) Maximum permissible discount at the time of reissue | <ul style="list-style-type: none"> (i) When the forfeited shares are originally issued at Par/Premium amount forfeited on such shares in respect of Capital. (ii) When the forfeited shares are originally issued at discount, amount forfeited on such shares in respect of Capital + Amount of original discount allowed on such shares. |
| iv) Accounting Treatment | Supporting Voucher for recording the reissue of forfeited shares is the resolution passed by the Board of Directors. |
| v) When all forfeited Shares are not reissued only the proportionate amount in share forfeited A/c is transferred to Capital Reserve A/c. | |

29.7 TERMINAL QUESTIONS

1. Give the meaning of Forfeiture of Shares.
2. Under what circumstances will the directors be justified in forfeiting the shares?
3. What is the maximum permissible discount at the time of re-issue of forfeited shares when — (a) the forfeited shares are originally issued at par, (b) at premium, (c) at discount.

4. Pass journal entries and Prepare the relevant accounting vouchers in the following cases:
- (a) X Ltd. forfeited 30 shares of Rs.10 each fully called-up, held by Karim for non-payment of allotment money of Rs.3 per share and final call of Rs. 4 per share. He had paid the application money of Rs.3 per share. These shares were reissued to Salim for Rs.8 per share.
 - (b) X Ltd. forfeited 20 shares of Rs.10 each, Rs.7 called up on which Mahesh had paid application and allotment money of Rs. 5 per share. Out of these 15 shares were reissued to Naresh as fully paid up for Rs.6 per share.
 - (c) X Ltd. forfeited 10 shares of Rs.10 each, Rs. 6 called-up issued at a discount 10% to Neeta on which she had paid Rs. 2 per share. Out of these, 8 shares were reissued to Meeta as Rs.8 called-up for Rs.6 per share.
5. Pass journal entries and Prepare the accounting vouchers for the following cases of forfeiture as well as of reissue.
- (i) Lovely Ltd. issued 250 shares of Rs.10 each to Madan on which he had paid Rs.2 on application but failed to pay allotment money of Rs. 3 and the first call money of Rs.4. Before the second call of Rs.1 was made, his shares were forfeited. The company decides to reissue all the 250 shares @ Rs.8 fully paid-up.
 - (ii) A company issued 10,000 shares of Rs.10 each at premium of Rs.2 payable @ Rs.2 on application, Rs.3 on allotment (including premium), Rs.4 on First Call and Rs.3 on Final Call. 250 shares allotted to Jagdish were forfeited by the Company on account of non-payment of First and Second Calls. 200 of these shares were reissued @ Rs.11.

29.8 ANSWERS TO INTEXT QUESTIONS

- 29.1A. (i) The issuing shares that were once issued earlier and then forfeited.
- (ii) Amount forfeited on such shares in respect of called-up Capital.
 - (iii) Amount forfeited and the amount of original Discount allowed on such shares.
 - (iv) Directors of the Company.
 - (v) The amount received from the purchaser of reissued shares.

- B. (i) Rs.4,500 (150 × Rs.30/-)
(ii) Rs.10,000 (500×Rs.20/-)
(iii) Rs.1,400 (13×100+1×100)
- 29.2 (i) C (ii) I (iii) C (iv) I (v) C
- 29.3 A. (i) Par, Premium (ii) Par, Premium
B. Rs. 12
C. Rs.72

29.9 ANSWERS OF TERMINAL EXERCISE

4. (a) Amount Transferred to Capital Reserve A/c Rs.30/-
(b) Amount Transferred to Capital Reserve A/c Rs.15/-
(c) Amount Transferred to Capital Reserve A/c Rs.9/-
5. (i) Amount Transferred to Capital Reserve A/c NIL
(ii) Amount Transferred to Capital Reserve A/c Rs.800/-