

Shares issued premium- Over Subscription – Calls in arrears

Share premium

A company issues shares at a price higher than their face value , the excess amount is called ‘share premium’.

| | |
|--------------------------------------|------------|
| Share allotment Account | Dr. |
| To Share capital Account | |
| To Securities premium Account | |

OVER SUBSCRIPTION

A company receives applications for a larger number of shares than those offered to the public.

CALLS IN ARREARS

One or more shareholders fail to pay the amount due from them towards allotment or calls, such dues are called 'calls in arrears'

X co ltd issued 4,000 shares of Rs. 10 each at a premium of Rs.2 per share. The amount was payable as under:

| | |
|----------------|------------------------------------|
| On application | Rs. 3 Per share |
| On allotment | Rs.4 Per share (Including Premium) |
| On First call | Rs.3 Per share |
| On Final Call | Rs. 2 Per share |

The company received applications for 5,000 Shares and the allotment was made under:

- a) Applicants for 200 shares – Nil
- b) Applicants for 800 shares – Full
- c) Applicants for 4,000 shares – 3,200 shares

All the money were duly received except the first call on 200 shares and final call on 300 shares. Pass the journal entries and prepare balance sheet of X Co Ltd.

In the books of X Co ltd Journal entries

| Date | Particulars | Dr | Cr |
|------|--|-------|-------|
| | Bank A/c Dr To Share application A/c (Being Share Application money received for 5000 shares) | 15000 | |
| | Share Applications Dr To Bank (Being share application money rejected) | 600 | 600 |
| | Share application A/c To Share Allotment A/c (Being Excess share application money was return to share holder) | 2,400 | 2,400 |

In the books of X Co ltd Journal entries

| Date | Particulars | Dr | Cr |
|------|--|--------|--------------|
| | Share Application A/c Dr To Share Capital A/C (Being Share Application money transfer to share capital account) | 12000 | 12000 |
| | Share Allotment A/c Dr To Share capital A/c To Securities Premium A/c (Being share Allotment Money received | 16000 | 8000 8000 |
| | Bank A/c Dr To Share Allotment A/c (Being Share Allotment Money transferred to share capital Account) | 13,600 | 13,600 |

In the books of X Co ltd Journal entries

| Date | Particulars | Dr | Cr |
|------|--|--------|--------|
| | Share first call A/c Dr To Share Capital A/c (Being Share first money were received) | 12,000 | 12,000 |
| | Bank A/c Dr To Share First call A/c (Being 200 Shares not paid in first call installment) | 11,400 | 11,400 |
| | Share final call A/c Dr To Share Capital A/c (Being Share final money were received) | 8000 | 8000 |
| | Bank A/c Dr To Share Final call A/c (Being 200 Shares not paid in first call installment) | 7,400 | 7,400 |