



SIDDHARTH EDUCATION SERVICES LTD.®

ICWA [Foundation, Inter, Final]

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Test No 1

Topics: 1. Issue of shares 2. Issue of debentures

Q1. SES Limited issued 60,000 equity shares of Rs 10 each a premium of Rs 2.50 per share payable on application. The amount payable on allotment was Fixed at Rs 4 per share & an equivalent sum was due on a call to be made.

Total applications received were for 110000 shares & after consulting the Stock Exchange, the following scheme of allotment was decided upon.

Category	A	B	C
Grouping so shares	1 – 100	101 – 500	Over 500
No. of applications received	1,200	175	5
No. of shares applied for	70,000	35,000	5,000
No. of shares allotted	42,000	14,000	4,000

It was decided that the excess amount received on applications would be utilized in payment of allotment money & surplus, if any, would be refunded to the applications.

Samuel, who was one of the applicants belonging to category A & had applied for 100 shares, defaulted in payment of allotment money. Theodore, who belonged to category C, & who had been allotted 800 shares failed to pay the call money. Their shares were forfeited, after the call was made & reissued as fully paid up for Rs 8 & Rs 6 share respectively.

Required:

Show the necessary journal entries in the books of the company to record the above transactions. (10)

Q2. Write short note on following:

(5 marks each)

1. Issue of shares at a premium.
2. Loss on issue of debentures.

Q3. Show by means of journal entries how you would record the following issues. Also show how they would appear in their respective Balance Sheets.

- (a) SES Ltd. issues at par 20,000 12% Debentures of Rs. 100 each repayable also at par.
- (b) SES Ltd. issues 30,000 12% Debentures of Rs. 100 each at a discount of 5% to be repaid at par at the end of 5 years.
- (c) SES Ltd. issues 12% Debentures of the total face value of Rs. 40,00,000 at a premium of 5% to be redeemed at par.
- (d) SES Ltd. issues Rs. 50,00,000 12% Debentures at par but redeemable at the end of 10 years at 105%.
- (e) SES Ltd. issues Rs. 60,00,000 12% Debentures at discount of 5% repayable at a premium of 10% at the end of 5 years.

(10 marks)

Q4. SES Ltd. issued 2,000 equity shares of Rs. 10 each payable as Rs 2 on application, Rs. 4 (including Rs. 1 share premium) on allotment and Rs. 3 on first call and the balance including premium on second and final call.

Applications were received for 3,000 shares, out of which letters of regret were issued for 600 shares. Full allotment was made to the applicants for 800 shares and prorate allotment was made on the balance.

Rahim, to whom full allotment was made, failed to pay allotment money on his share holding of 200 shares.

Karim, to whom prorate allotment was made, failed to pay allotment money on his share holding of 300 shares.

On their subsequent failure to pay the first call, their shares were forfeited. Salim to whom 200 shares were allotted failed to pay the two calls and on his such failure, his shares were forfeited. All the shares forfeited were reissued to Akbar credited as fully paid for Rs. 9 per share.

Required: Give Journal Entries recording the above transactions (including cash transactions) (15 marks)

Q5. SES Ltd issued debentures @ 94% for Rs.1,00,000 on 1st Jan 20X1, repayable by five equal annual drawings of Rs.20,000 each.

Required: Calculate the amount of discount to be written off each year assuming that the company closes its accounts on 31st March each year. Also show discount on issue of debentures account for all these years. (10 marks)