

QB365 Question Bank Software Study Materials

Company Accounts Important 2 Marks Questions With Answers (Book Back and Creative)

12th Standard

Accountancy

Total Marks : 30

2 Marks

15 x 2 = 30

- 1) Jeyam Tyres issued 15,000 ordinary shares of Rs.10 each payable as follows: Rs.3 on application; Rs.5 on allotment; Rs.2 on first and final call. All money were duly received except one shareholder holding 100 shares failed to pay the call money. Pass the necessary journal entries for call (using calls in arrear account).

Answer :

DATE	PARTICULARS	L.F.	DEBIT RS.	CREDIT RS.
	Equity share first and final call A/c (15,000 × 2)	Dr.	30,000	
	To Share capital A/c			30,000
	(Share first and final call money due)			
	Bank A/c (14,900 × 2)	Dr.	29,800	
	Calls in arrear A/c (100 × 2)	Dr.	200	
	To Equity share first and final call A/c			30,000
	(Amount received on calls and amount not received transferred to calls in arrear account)			

Journal entries

- 2) Anitha was holding 500 equity shares of Rs.10 each of Thanjavur Motors Ltd, issued at par. She paid Rs.3 on application, Rs.5 on allotment but could not pay the first and final call of Rs.2. The directors forfeited the shares for nonpayment of call money. Give Journal entry for forfeiture of shares.

Answer :

DATE	PARTICULARS	L.F.	DEBIT RS.	CREDIT RS.
	Equity share capital A/c (500 × 10)	Dr.	5,000	
	To Equity share call A/c (500 × 2)			1,000
	To Forfeited shares A/c (500 × 8)			4,000
	(500 shares forfeited for non payment of call money)			

- 3) Muthu was holding 20 equity shares of Rs.10 each on which he paid Rs.2 on application but could not pay Rs.3 on allotment and Rs.1 on first call. Directors forfeited the shares after the first call. Give journal entry for recording the forfeiture of shares.

Answer :

DATE	PARTICULARS	L.F.	DEBIT RS.	CREDIT RS.
	Equity share capital A/c (20 × 6)	Dr.	120	
	To Equity share allotment A/c (20 × 3)			60
	To Equity share first call A/c (20 × 1)			20
	To Forfeited shares A/c (20 × 2)			40
	(Shares forfeited)			

Journal entry

- 4) What is a share?

Answer : The capital of a company is divided into small units of fixed amount. These units are called shares. These are two types

(i) preference shares and

(ii) equity shares

(ii) equity shares

5) What is over-subscription?

Answer : When the number of shares applied for is more than the number of shares offered for subscription, it is said to be over subscription.

6) What is meant by calls in arrear?

Answer : When a shareholder fails to pay the amount due on allotment or on calls, the amount remaining unpaid is known as calls in arrears. In other words, the amount called up but not paid is calls in arrear.

7) Write a short note on securities premium account.

Answer : When a company issues shares at a price more than the face value (nominal value), the shares are said to be issued at premium. The excess is called as premium amount and is transferred to securities premium account. Securities premium account is shown under reserves and surplus as a separate head in the Note to Accounts to the balance sheet.

8) Why are the shares forfeited?

Answer : When a shareholder defaults in making payment of allotment and/or call money, the shares may be forfeited. On forfeiture, the share allotment is cancelled and to that extent paid up share capital is reduced. The person ceases to be a shareholder of the company after the shares are forfeited.

9) Definition of a Company.

Answer : According to Lord Justice Lindley, A company is an association of many persons who contribute money or money's worth to - a common stock and employ it in some trade or business and who share the profit and loss arising there from. The common stock so contributed is denoted in money and is the capital of the company. The persons who contributed in it or form it, or to whom it belongs, are members. The proportion of capital to which each member is entitled is his share.

10) What is allotment?

- Answer :** (i) Allotment means acceptance by a company of the offer made by an applicant to take shares.
(ii) It is done by Board of Directors.
(iii) On allotment, the applicant becomes the shareholder or member of the company.

11) What is prorata allotment?

- Answer :** (i) In the case of over subscription, the shares are allotted to the public with certain number lesser than the number of shares they applied for, in certain basis.
(ii) It is called pro - rata allotment.

12) What are the differences between over subscription and under subscription?

Answer :

Under subscription	Over subscription
1. In under subscription all the shares offered may not be taken up by the public.	In over subscription all the shares offered are taken up by the public
2. The shares cannot be allotted, if the minimum subscription is not received	Here all shares are subscribed, so there is no question of minimum subscription
3. Under subscription does not require any special treatment in journal entries.	In over subscription additional journal entries are required for rejection and adjustment of application money

13) Name different types of share capitals.

- Answer :** (i) Authorised share capital
(ii) Issued share capital
(iii) Subscribed share capital
(iv) Called-up share capital
(v) Paid-up share Capital
(vi) Reserve capital

14) What do you mean by Capital Reserve? .

Answer : It is that reserve which is created out of capital profits such as profit on sale of fixed assets, profit on revaluation of assets, premium on issue of shares & debentures, etc.

15) Sara Company issues 10,000 equity shares of Rs.10 at a premium of 2 each payable fully on application. Pass journal entries.

Answer : In the books of Sara Company Journal entries

DATE	PARTICULARS	L.F.	DEBIT (RS.)	CREDIT(RS.)
	Bank A/c (10,000 x 10) Dr.		1,00,000	
	To Equity share application A/c (Application money received)			1,00,000
	Equity share application A/c Dr.		1,00,000	
	To Equity share capital A/c (Application money transferred to share capital)			1,00,000

(i) Issued at a premium

DATE	PARTICULARS	L.F.	DEBIT (RS.)	CREDIT(RS.)
	Bank A/c (10,000 x 12). Dr.		1,20,000	
	To Equity share application A/c (Application money received)			1,20,000
	Equity share application A/c Dr.		1,20,000	
	To Equity share capital A/c (10,000 x 10)			1,00,000
	To Securities premium A/c (10,000 x 2) (Application money transferred to share capital)			20,000