

PART - II
OF
ISSUE AND FORFEITURE OF SHARES
FORFEITURE
AND
REISSUE OF SHARES

Forfeiture of Shares - Forfeiture of shares means to forfeit that amount of shares which a company has already received from concerned ^{shareholders} who could not pay their amount on allotment or first call or second & final call / any installment on their's allotted shares. And company removes the name of those shareholders from the shareholders register whose shares were forfeited. **Accounting treatment -**

FORFEITURE:

(i) Forfeiture of shares after allotment and before first call -

Share Capital A/c	Dr (Forftd. Shares x Called up amt per sh.)
Security Premium A/c	Dr (If prem. not recd. on forftd. shares)
To Share Forfeiture A/c (Amt. recd. on forftd. sh.)	
To Share Allotment A/c (Amt. not recd. on allotment.)	

(Being ----- shares forfeited)

Note - Next entry of 'amt. due on first call' will be passed with number of issued (subscribed) shares less forfeited shares.

(ii) Forfeiture of Shares after first call and before second & final call —

Share Cap. A/c	Dr	-(Forftd. Sh. x called up amt per sh.)
Security Prem. A/c	Dr	-(Forftd sh. - If prem. not recd.)
	To	Share Forfeiture A/c (Amt. Recd on forftd. sh.)
	To	Share Allotment A/c
	To	Share I call A/c
		} Amt. not recd. on Forftd. sh.)

(Being ---- Shares forfeited)

Note - Next Entry of Second call amt due by shares less forftd. sh.

(iii) Forfeiture of Shares after Second & final call —

Share Cap. A/c	Dr	(Forftd. Sh. x called up amt per sh.)
Security Prem. A/c	Dr	(If prem. not recd on Forftd Shares)
	To	Share Forfeiture A/c (Amt. Recd. on Forftd. sh.)
	To	Share Allotment A/c
	To	Share I call A/c
	To	Share II & final call A/c
		} Amt. not recd. on Forftd. sh.)

(Being ---- shares forfeited)

Note - If shares have been issued at discount, 'Discount on issue of Shares A/c' will be credited in the entry of forfeiture. as:-

Share Capital A/c	Dr	(Forftd Sh. x called up value per sh.)
	To	Share Forfeiture A/c (Amt. recd. on forftd. sh.)
	To	Share Allotment A/c
	To	Share I call A/c
	To	Share II & Final call A/c
	To	Discount on issue of sh. A/c (Dist. of forftd. sh.)
		} (Amt. not recd. on Forftd. sh.)

(Being ---- Share Forfeited)

REISSUE OF FORFEITED SHARES

As per Articles of Association, directors have power to reissue forfeited shares. A resolution is passed for reissue of shares and it is on the basis of this resolution that shares are reissued: at par / at discount / at premium

I Reissue at par —

(1) Bank A/c Dr (Amt. Recd) ---

To Share Capital A/c (Paid/called up value) ---

(Being --- forfeited shares reissued)

(ii) Balance of share forfeiture A/c will be transferred to Capital Reserve A/c

Share Forfeiture A/c Dr ---

To Capital Reserve A/c ---

(Being bal. of forfeiture a/c related to reissued forfeited shares transferred to Cap. Reserve A/c)

II Reissue at premium —

(1) Bank A/c Dr (Amt. recd)

To Share Capital A/c (Paid/called-up value)

To Security Prem. A/c (Prem. amt.)

(Being --- forfeited shares reissued)

(ii) Share Forfeiture A/c balance of reissued shares transferred to capital Reserve A/c —

Share Forfeiture A/c Dr ---

To Capital Reserve A/c ---

(Being bal. of ~~forfe~~ reissued forfeited shares t/d. to Cap. Res. A/c)

+ Discount (Loss) :-

III. Reissue at discount (loss) -

(A) If share were originally issue at par or at premium:-

(i) Bank A/c Dr (Amt. recd.)
 Share forfeiture A/c Dr (loss/dist. covered)
 To Share Capital A/c (Paid/called up value)
 (Being ---- forfeited shares reissued)

(ii) Share forfeiture A/c Dr ---- (Bal.)
 To Capital Reserve A/c --- (Bal.)
 (Being bal. in forfeiture A/c of reissued forfeited shares t/d. to Cap. Res. A/c)

(B) If shares were originally issued at discount-

(i) Bank A/c Dr (Amt. Recd.)
 Discount on issue of Sh. Dr (loss/dist. covered)
 Share forfeiture A/c Dr
 To Share Capital A/c (Paid/called value)
 (Being ---- forfeited shares reissued)

(ii) Balance in forfeiture A/c of reissued forfeited shares will be transferred to Capital Reserve A/c -

Share forfeiture A/c Dr (Bal.)
 To Capital Reserve A/c (Bal.)
 (Being balance of forfeiture A/c t/d to Capital Reserve A/c)

Note -

- (i) If, after reissue of forfeited shares, some balance is left in forfeiture A/c, this balance is transferred to Capital Reserve A/c.
- (ii) However, those forfeited shares which are not reissued, the forfeited amount related to them are not transferred to Capital Reserve A/c. but are shown in Balance Sheet.

DISCLOSURE OF SHARE CAPITAL IN COMPANY'S BALANCE-SHEET

As per Schedule III of Companies Act 2013, Share Capital of a Company is shown under the heading 'Shareholders' Funds' at the side of 'Equity and Liabilities' in Vertical Balance-Sheet:

Balance Sheet of ----- Co. Ltd.

(as at ----- closing date of accounts)

I Particulars	Note No.	₹	₹
I EQUITY AND LIABILITIES			
(1) Shareholders' funds.		-----	
(a) Share Capital.		-----	
(b) Reserves and Surplus		-----	
(c) Money received against Share warrants.		-----	
(2) Share application money pending allotment.		-----	
(3) Non-current liabilities		-----	
(4) Current liabilities		-----	
Total:		-----	₹
II ASSETS			
(1) Non-current asset		-----	
(2) Current asset.		-----	
Total:		-----	

As per Schedule III, 'Share Capital' and 'Reserves and Surplus' are very important components of Shareholders' funds. Details of these components are given separately as 'Notes to Accounts' as shown below:

Notes to Accounts:

1. Share Capital:
 - (i) Authorised Share Capital
(----- Shares of ₹ ----- Each)
 - (ii) Issued Share Capital
(----- Shares of ₹ ----- Each)
 - (iii) Subscribed Share Capital
(----- Shares of ₹ ----- Each)

₹

(iv) Called-up Share Capital:
(----- Shares of ₹---each)

(v) Paid-up Share Capital:
(----- Shares of ₹-----each)

less- Calls-in-Arrears. (-----)

(i) By directors -----

(ii) By others. -----

2. Reserves and Surplus.

(a) Capital Reserves -----

(b) Capital Redemption Reserve. -----

(c) Security Premium Reserve -----

(d) Debenture Redemption Reserve -----

(e) Revaluation Reserve. -----

(f) Surplus: balance from statement
of Profit & Loss after appropriations
of profit. (Dr. balance shall be deducted)

SURRENDER OF SHARES AND FORFEITURE OF SHARES:

Surrender of Shares is the voluntary return of shares by the members to the Company for cancellation, whereas forfeiture of shares is the compulsory termination of the membership of the company as ~~penalty~~ penalty of non-payment of calls in arrears on shares.

Surrender of shares is at the instance of shareholders (members) whereas forfeiture of shares is at the instance of the Company.

— x —

Thank you