

# Company Accounts - Issue of Shares

## Forfeiture of Shares:

When any shareholder fails to pay the amount due on allotment or any call within the specified period, the directors may cancel his shares. This is called Forfeiture of Shares. The shareholders are given a minimum of 14 days' notice to pay the unpaid amount within a certain period, if, in spite of this notice, shareholder fails to pay the amount, then, the Board of Directors has the right to remove his name from the 'Register of Members' and also forfeit the amount which has already been paid by him.

## Entries on Forfeiture of Shares:

### I Forfeiture of Shares which are issued at Par:

Share Capital A/c — Dr (No. of Shares forfeited)  
Called-up value per sh.)  
To Share Allotment A/c (No. of forfeited sh. x  
allotment money)  
To Share Call A/c (No. of forfeited sh. x  
call money)  
To Share Forfeiture A/c (Amount received on  
forfeited share)

### II Forfeiture of Shares which were issued at Premium:

This case has to be discussed under two heads:

(A) When forfeiture takes place after the premium is received:

Share Capital A/c — Dr (No. of forfeited sh. x called up amount including premium)  
To Share 1st Call A/c (No. of forfeited sh. x 1st call money)  
To Share Final Call A/c (No. of forfeited sh. x final call money)  
To Share Forfeiture A/c (Amount received on forfeited shares)

(B) When forfeiture takes place before the premium is received:

Share Capital A/c — Dr (Called-up amount without premium)

Securities Premium A/c — Dr (If the premium has not been received)

To Share Allotment A/c (Amount not received on allotment, including Premium)

To Share Call A/c (Amount not received on calls)

To Share Forfeiture A/c (Amount received on forfeited shares)

III Forfeiture of Shares which were issued at discount:

Share Capital A/c — Dr (Amount called up including discount)

To Share Discount A/c (Discount amount)

To Share Allotment A/c (Amount not received on allotment)

To Share Call A/c (Amount not received on call)

To Share Forfeiture A/c (Amount received)

## Re-Issue of Forfeited Shares

Directors have the authority to re-issue the forfeited shares at par, at premium or at discount.