

Journal Entries on Re-Issue of Forfeited Shares :

I At Par :

Bank A/c — Dr
To Share Capital A/c

II At Premium :

Bank A/c — Dr
To Share Capital A/c
To Securities Premium A/c

III At Discount :

Bank A/c — Dr
Share Forfeiture A/c — Dr
To Share Capital A/c

After the re-issue of forfeited shares, the balance left in share-forfeiture A/c must be transferred to 'Capital Reserve A/c'. The entry for transfer is :-

Share forfeiture A/c — Dr
To Capital Reserve A/c

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: