SmartKalike

CBSE Class 12 · Accountancy

Accounting for Share Capital

10 most probable questions for Boards 2027

Q1. 0.5 marks · Very short answer

On forfeiture of shares, are entries relating to share premium already received reversed?

Answer

No. Entries relating to share premium already received are not reversed; all other entries relating to the forfeited shares are reversed.

Q2. 1 mark · Multiple choice

Which term denotes the maximum share capital a company is authorised to issue under its Memorandum of Association? (a) Issued capital (b) Authorised capital (c) Subscribed capital (d) Reserve capital

Answer

(b) Authorised capital — it is the share capital a company is authorised to issue by its Memorandum of Association.

Q3. 2 marks · Short answer

(2 marks) Distinguish between issued capital and subscribed capital, and state how the unoffered portion of authorised capital is described.

Answer

1. Meaning — Issued capital: the part of authorised capital actually issued for subscription; Subscribed capital: the part of issued capital actually subscribed by the public.
2. Relationship — Issued capital may exceed subscribed capital when shares offered are not fully subscribed; subscribed capital cannot exceed the offer, and allotment is limited to the offer.
The authorised capital not offered for public subscription is called unissued capital and may be offered later.

Q4. 3 marks · Medium answer

Explain the treatment of securities premium when the premium due on forfeited shares has not been received wholly or partly.

Answer

1. When premium due on forfeited shares has not been received wholly or partly, Securities Premium Reserve Account is debited for the amount of premium not received, along with Share Capital Account for the called-up capital.
2. Share Forfeiture Account is credited with the amount received on the shares. Unpaid allotment or call amounts are credited to the relevant accounts, or to Calls in Arrears Account when that account is maintained.

Q5. 4 marks · Long answer

Explain the treatment of securities premium when shares issued at a premium are forfeited after the premium has been received. Clarify how the amount credited to Share Forfeiture is determined.

Answer

When premium on forfeited shares has been fully received, forfeiture follows the accounting pattern used for shares issued at par.
1. Securities Premium Account is not debited at forfeiture, because the premium due on the forfeited shares has already been realised.
2. Share Capital Account is debited with the called-up amount. Unpaid allotment or call amounts are credited to the respective unpaid accounts.
3. Share Forfeiture Account is credited with the capital amount already received on the shares; the premium amount is excluded from this credit.
Thus, the premium remains recorded, while forfeiture credit represents only capital received on the forfeited shares by the company.

Q6. 5 marks · Long answer

(5 marks) Explain called-up, paid-up and uncalled capital, and show how calls in arrears affect the relationship between called-up and paid-up capital.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-share-capital

Q7. 6 marks · Very long answer

Explain the accounting treatment for a company issuing both equity and preference shares through application, allotment, first call and second and final call. Include the transfer of application money to the appropriate share capital accounts, entries for amounts due on allotment and calls, and the treatment of any unpaid call. Also state where receipts are recorded in practice.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-share-capital

Q8. 9 marks · Very long answer

Explain the journal-entry treatment for forfeiture of shares when calls remain unpaid. Identify the accounts debited and credited, and explain how the amount received and unpaid calls are dealt with. No amounts are required.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-share-capital

Q9. 0.5 marks · Very short answer

What is an offer or invitation to subscribe for securities made to a select group of persons through a private placement offer letter called?

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-share-capital

Q10. 1 mark · Very short answer

(1 mark) What is reserve capital, and when may it be called up?

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-share-capital

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