

**CORPORATION-ISSUANCE OF SHARES**

Siddiqui Company Ltd is registered with an authorized capital of Rs.1, 000,000 divided into 100,000 ordinary shares of Rs.10 each. On January 1, 2014, the company issued (offered) 10,000 shares. Company's banker reported the receipts of applications on 25 Jan , 2014. Directors of the company finalized the allotment of shares on Feb 10 , 2014.

**Required:**

Pass necessary journal entries under each of the following cases:

**Case no 1**

Company received:

- a) 10,000 applications along with money.
- b) 12,000 applications along with money.
- c) 8,000 applications along with money.

**Case no 2(Market value is Rs.12)**

Company received:

- a) 10,000 applications along with money.
- b) 12,000 applications along with money.
- c) 8,000 applications along with money.

**Case no 3(Market Value is Rs.9)**

Company received:

- a) 10,000 applications along with money.
- b) 12,000 applications along with money.
- c) 8,000 applications along with money.

### **Issuance of shares in consideration of cash without application and plant assets**

Allahwalay Co Ltd is registered with an authorized capital of Rs.5,000,000 divided into 500,000 ord.shares of Rs.10 each.The selected transactions relating to issuance of shares during the year are following:

1. Allotted 1,000 shares of Rs.10 each at Rs.10 each in consideration of cash.
2. Allotted 2,000 shares of Rs.10 each at Rs.12 each in consideration of cash(at Rs.2 above par / at 20% premium/ at Rs.2 premium each).
3. Allotted 1,000 shares of Rs.10 each at Rs.9 each in consideration of cash(at Re.1 below par/at 10% discount/ at Re.1 discount).
4. Allotted 1,000 shares of Rs.10 each in consideration of furniture Rs.10,000.
5. Allotted 3,000 shares of Rs.10 each in consideration of equipment Rs.35,000.
6. Allotted 5,000 shares of Rs.10 each in consideration of building Rs.45,000.
7. Allotted 3,000 shares of Rs.10 each at Rs.10 each in consideration of computer.
8. Allotted 2,500 shares of Rs.10 each at Rs.12 each in consideration of vacuum cleaner.
9. Allotted 4,000 shares of Rs.10 each at Rs.9 each in consideration of motorcycle.
10. Allotted suitable no of shares of Rs.10 each at Rs.10 each in consideration of Land Rs.100,000.
11. Allotted suitable no of shares of Rs.10 each at Rs.12 each in consideration of equipment Rs.50,000.
12. Allotted suitable no of shares of Rs.10 each at Rs.9 each in consideration of furniture Rs.40,000.

### **Issuance of shares in consideration of running business**

#### **Problem no 1:**

**Eastern company Ltd** was incorporated with a capital of Rs.2,000,000 divided into 2,00,000 ordinary shares of Rs.10 each. The company took over the running business of Danish Brothers. The balance sheet items of the business of Danish Brothers as of the date of purchase were as under:

Account Titles	Amount
Cash	Rs.20,000
Accounts Receivable	56,000
Allowance for Bad Debts	6,000
Merchandise Inventory	80,000
Office Supplies	4,000
Machinery	200,000
Allowance for depreciation	120,000
Accounts Payable	120,000

The company took over the business assets and assumed the liabilities.

#### **Required:**

Pass necessary Journal entries and prepare balance sheet under each case:

**Case no 1:** In exchange, company issued 12,000 shares.

**Case no 2:** In exchange company issued 13,000 shares

**Case no 3:** In exchange, company issued 11,000 shares.

**Problem no 2:**

Hassan Company Ltd is authorized with Rs.300,000 shares of Rs 10 each. On Jan 1 2008, it took over the running business of Shahbaz whose balance sheet items are given below:

Account Titles	Amount
Cash	Rs.200,000
Notes Receivable	50,000
Accounts Receivable	100,000
Allowance for doubtful debts	1,000
Merchandise	300,000
Land	500,000
Equipment	150,000
Accumulated Depreciation-Equipment	50,000
Notes Payable	30,000
Accounts Payable	40,000

All the assets other than cash and notes receivable were taken over and only accounts payable was assumed. In exchange, company issued 96,000 shares. The company also made an additional issue of 40,000 shares of Rs.10 each at Rs.12 each.

**Required:**

Pass necessary Journal entries and prepare balance

**Problem no 3:**

Hero Pakwan Ltd was incorporated with 200,000 shares of Rs.10 each. The company took over the running business of Hi Hi Enterprises. The balance sheet items of Hi Hi Enterprises are given below:

Account Titles	Amount
Cash	Rs.300,000
Bank	100,000
Accounts Receivable	200,000
Allowance for Uncollectible	10,000
Merchandise Inventory	500,000
Supplies	20,000
Land	200,000
Building	150,000
Accumulated Depreciation-Building	25,000
Machine	50,000
Accumulated Depreciation-Machine	10,000
Accounts Payable	30,000
Salary Payable	5,000

Company took over all assets except cash and supplies and did not assume salary payable. The agreed values of merchandise and building are Rs.450,000 and 140,000. In exchange the company issued 109,000 shares of Rs.10 at par.

**Required:**

Pass necessary Journal entries and prepare balance.

**Financial Statements and Closing Entries**

Following is the pre-closing trial balance of Universal Co Ltd on Dec 31, 2008 whose authorized capital is 5,000,000 ordinary shares of Rs.10 each:

s.no	Titles of Accounts	Debit	Credit
1	Cash	Rs.300,000	
2	Bank	200,000	
3	Accounts Receivable	300,000	
4	Supplies	50,000	
5	Prepaid Rent	100,000	
6	Furniture	300,000	
7	Automobiles	400,000	
8	Preliminary Expense	110,000	
9	Accounts Payable		Rs.200,000
10	Ordinary share capital		1,000,000
11	Ordinary share premium		200,000
12	Commission revenue		250,000
13	Fee Income		310,000
14	Salaries expense	150,000	
15	Advertising expense	50,000	
	<b>Total</b>	<b>Rs.1,960,000</b>	<b>Rs.1,960,000</b>

**Data for adjustment for the year:**

- i. Depreciation is estimated on furniture by straight line method and on automobiles by diminishing balance method with 10% annual rate. The life in years of furniture is 10 years with scrap value of Rs.10,000.
- ii. Prepaid rent expired Rs.60, 000.
- iii. Bad debts are estimated to be 10% of accounts receivable.
- iv. Amortization of preliminary expense is 10%.

**Decisions at the Annual General Meetings:**

- i. To appropriate Rs.10,000 for contingencies.
- ii. To appropriate Rs.30,000 for plant asset expansion.
- iii. To declare and pay cash dividend of Rs.60,000.
- iv. To declare and pay stock dividend of Rs.40,000.

**Required:**

Prepare Income statement, closing entries and balance sheet.