

SPL ACCOUNTING

Forfeiture & Re-Issue of Share

- . It may happen that some shareholders fail to pay one or more instalments, viz. allotment money and/or call money. In such circumstances, the company can forfeit their shares, i.e. cancel their allotment and treat the amount already received thereon as forfeited to the company within the framework of the provisions in its articles. These provisions are usually based on Table A which authorise the directors to forfeit the shares for non-payment of calls made. For this purpose, they have to strictly follow the procedure laid down in this regard.

- Thus, the journal entry will be as follows: (a) Forfeiture of Shares issued at Par: Share Capital A/c.....(Called up amount) Dr. To Share Forfeiture A/c.....(Paid up amount) To Share Allotment A/c To Share Calls A/c (individually) (..... shares forfeited for non-payment of allotment money and calls made)

when the shares are forfeited, all entries relating to the forfeited shares must be reversed except the entry relating to share premium received, if any. Accordingly, the share capital is debited to the extent to called-up



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Contd.....

- capital and credited to (i) respective unpaid calls account i.e., calls in arrears and (ii) share forfeiture account with the amount already received on shares. The balance of shares forfeited account is shown as an addition to the total paid-up capital of the company under the head ‘Share Capital’ under title ‘Equity and Liabilities’ of the Balance Sheet till the forfeited shares are reissued.

- **Forfeiture of Shares issued at a Premium:** If shares were initially issued at a premium and the premium amount has been fully realised, but some of the shares are forfeited due to non-payment of call money, the accounting for treatment forfeiture shall be on the same pattern as in the case of shares issued at par. The important point to be noted in this context is that the securities premium account is not to be debited at the time of forfeiture if the premium has been received in respect of the forfeited shares and the amount of forfeiture shall be excluding premium amount.



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- In case, however, if the premium amount has not been received, either wholly or partially, in respect of the shares forfeited, the Securities Premium Account will also be debited with the amount of premium not received along with the Share Capital Account at the time forfeiture. This will usually be the case when even the amount due on allotment has not been received.
- Thus, the journal entry to record the forfeiture of shares issued at a premium on which premium has not been fully received, will be :
- Share Capital A/c Dr.
- Securities Premium A/c Dr.
- To Share Forfeiture A/c
- To Share Allotment A/c and/or To Share Calls A/c (individually)