****

**Submitted By:** Mohammad Yousuf

**ID:** 15396

**Submitted To**: Mam Maryam Saleem

**Subject:** Introduction to financial accounting

**Semester:** 3rd

Q1. **ABC Ltd. Offered 60,000 ordinary shares of Rs. 20 each for public subscription as follows:**

Ordinary shares

Payable on application 6.00

Payable on allotment 4.00

Payable on first call 5.00

Payable on second call 5.00

Processing of application went as follows:

August 1 Applications were invited.

August 4 Applications are received for 70,000 ordinary shares.

August 6 Applications for 10,000 ordinary shares are rejected and their application money refunded.

August 13 Allotment letters are issued to $60,000 applicants for ordinary shares.

August 20 The allotment money due on ordinary shares are received in cash.

|  |  |  |  |
| --- | --- | --- | --- |
| 1 | Application money ordinary  Ordinary share capital  (Applications invited for 60,000 shares with 6/- application money per share) | Debit  360,000 | credit  360,000 |
| 2 | Cash at bank  Application money ordinary  (Applications money received for 70,000 ordinary shares) | 420,000 | 420,000 |
| 3 | Application money ordinary  Cash at bank  (10,000 applications for ordinary shares rejected money refunded) | 60,000 | 60,000 |
| 4 | Allotment money ordinary  Ordinary share capital  (allotted 60,000 ordinary shares, calling 4 allotment money per share) | 240,000 | 240,000 |
| 5 | Cash at bank  Allotment money ordinary  (Due all allotment money received on ordinary shares) | 240,000 | 240,000 |

Q2. **Hasan Ltd. was registered with 100,000 ordinary shares of Rs. 12 each. It later offered 50,000 shares for public subscription as follows:**

Rs. 4.00 on application

Rs. 3.00 on allotment

Rs. 3.00 on first call

Rs. 2.00 on second call

Applications were received for only 40,000 ordinary shares. By September 20, 2019 the company had issued all the shares applied for and received applications and allotment moneys. It had also received the first call on all the issued shares except 500 of them, but the second call had not yet been made.

**Answer:**

Authorized share capital= 100,000 ordinary shares of RS.12 each

= RS. 1,200,000

Subscribed share capital= 50,000 ordinary shares of RS.12 each

= RS. 600,000

Issued share capital= 40,000 ordinary shares of RS. 12 each

=Rs. 480,000

Unissued share capital= 60,000 ordinary share of RS. 12 each

=RS. 720,000

Called up share capital= RS.10 on 40,000 ordinary shares

= RS. 400,000

Uncalled share capital = RS.2 on 40,000 ordinary shares

= RS. 80,000

Calls in arrears = RS. 3 on 500 ordinary share

= RS. 1500

Paid up share capital= 400,000- 1500= RS. 398,500

**Q3. (a) Which kind of investors are interested in buying ordinary shares and why? (4 marks)**

**Answer:**

The other name of ordinary share is common stock. Both common individuals and institutions are interested in buying the ordinary shares because it has some advantages such as; voting rights, gains and limited liability.

**(b) Can a company change its authorized capital later on after incorporation? If yes then how? Explain briefly. (4 marks)**

**Answer:**

The authorised share capital can be increased even after its incorporation. This is because the company may need more funds for its business expansion or fulfilling the expenditure needs that a company could potentially face in the future thus in this case the business can increase the authorised share capital. A company does so by issuing while deciding on change of the authorised share capital the promoters have to see whether the clause IV of article of the association of the company authorise the company to amend the share capital or not.