

Example: Issuing ordinary shares

Information:

According to the Memorandum of Incorporation (MOI) of Danjo Traders Ltd, they are authorised to issue 100 000 ordinary shares.

On 1 March 2018, Danjo Traders Ltd issued 60 000 shares to the public at R16,50 per share.

On 31 March 2018, applications for all 60 000 shares together with their payments were received.

Required:

1. Show the entries in the journals
2. Post to the General Ledger
3. Show the effect on the accounting equation and how it will be reflected in the notes to the financial statements.



Solution:

Entry in the Cash Receipts Journal:

Cash Receipts Journal of Danjo Traders Ltd for March 2018

CRJ

Doc no.	Day	Details	Fol.	Analysis of receipts		Bank		Sundry accounts		
								Amount	Details	
65	31	Shareholders	B1	990 000	00	990 000	00	990 000	00	Ordinary share capital



Example: Issuing ordinary shares (continued)



Posting to the General Ledger:

General Ledger of Danjo Traders Ltd

Balance Sheet accounts

Dr		Ordinary Share Capital						B1		Cr	
						2018 Mar	31	Bank	CRJ	990 000	00

Dr		Bank						B6		Cr	
2018 Mar	31	Ordinary share capital	CRJ	990 000	00						

The effect on the accounting equation:

$$A = O + L$$

Assets		Owner's equity		Liabilities	
Effect	Reason	Effect	Reason	Effect	Reason
+ 990 000	Cash increase	+ 990 000	Increase in ordinary share capital		

Example: Issuing ordinary shares (continued)

Notes to the financial statements:

Danjo Traders Ltd

NOTES TO THE FINANCIAL STATEMENTS

7. ORDINARY SHARE CAPITAL

AUTHORISED	
Number of ordinary authorised shares: 100 000 shares	
ISSUED	
60 000 ordinary shares in issue at 1 March 2018	
60 000 additional shares issued during the financial year at issue price R16,50 each	990 000
60 000 ordinary shares in issue at 31 March 2018	990 000



