

## Quadrant II – Notes

**Paper Code : COC 110**

**Module Name : Problem 2- Part 1 Full Underwriting - Statement  
showing underwriter's Liability**

**Module No : 22**

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### Illustration on full underwriting:

Kotak Ltd. was incorporated on 1<sup>st</sup> January 2015 issued a prospectus inviting applications for 5,00,000 equity shares of ₹ 10 each at premium of 10%.

The whole issue was fully underwritten by Amit, Binny, Chandan and Deepak as follows:

Amit	: 2,00,000 Shares
Binny	: 1,50,000 Shares
Chandan	: 1,00,000 Shares
Deepak	: 50,000 Shares

Applications were received for 4,50,000 Shares of which marked applications were as follows:

Amit	: 2,20,000 shares
Binny	: 90,000 shares
Chandan	: 1,10,000 shares
Deepak	: 10,000 Shares

It was agreed that underwriters be paid commission at 5% on the issue price

You are required to

- 1) Find out liability of individual underwriter
- 2) Give necessary journal entries in the books of the company

**Solution :**

**In the books of Kotak Ltd**  
**Statement showing underwriters liability (Number of shares)**

<b>Particulars</b>	<b>Amit</b>	<b>Binny</b>	<b>Chandan</b>	<b>Deepak</b>	<b>Total</b>
Gross Liability	2,00,000	1,50,000	1,00,000	50,000	5,00,000
Less: Marked Applications	<u>(2,20,000)</u>	<u>(90,000)</u>	<u>(1,10,000)</u>	<u>(10,000)</u>	<u>(4,30,000)</u>
	<b>(20,000)</b>	<b>60,000</b>	<b>(10,000)</b>	<b>40,000</b>	<b>70,000</b>
Less: Unmarked Applications 20,000 shares in 4:3:2:1	(8,000)	(6,000)	(4,000)	(2,000)	(20,000)
<b>Balance remaining</b>	<b>(28,000)</b>	<b>54,000</b>	<b>(14,000)</b>	<b>38,000</b>	<b>50,000</b>
Credit for Amit and Chandan Surplus to Binny and Deepak in 3:1	28,000	(31,500)	14,000	(10,500)	-----
<b>Net liability</b>	<b>-----</b>	<b>22,500</b>	<b>-----</b>	<b>27,500</b>	<b>50,000</b>

Therefore the Net Liability computed represents, 22,500 shares to Binny  
and 27,500 shares to Deepak.

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