Section B

Company Accounts

COMPANY ACCOUNTING

Meaning of the company: - Any institutions which are incorporated or registered U/S 2(20) of the company Act 2013 or under the any previous company law is called company.

Features/characters of the company (as per section 2(20)):-

i. A company is a separate legal entity, therefore its own member.
ii. A company has its own assets and liabilities by its own name.
iii. A company has own common seal i.e. it is official signature of the company.
iv. It have a perpetual succession i.e. members may come or may go out but company remains existing.
v. A company can sue against its own name.
vi. A creditor of the company cannot sue against the assets of the shareholder or vice-versa.

DEFINITION OF COMPANY (According to scholar/author)

According to Justice Marshall: - It is an artificial person, which are invisible or intangible or they have no physical existence is called company.

According to Justice James: - It is an association of person which has united for a common objective is called company.

According to Professor Honey: - It is an artificial person which is created by law having separate legal entity, common seal, and perpetual succession is called company.

TYPES OF COMPANY:-

i. Private Company
ii. Public Company
iii. Holding and subsidiary company
iv. Government Company
v. Sec - 8 or charitable company or religious company
vi. Limited Company
vii. Unlimited Company
viii. Foreign company
ix. Dormant company
x. OPC (One person company)

I. **Private Company:** - Any company which are articles with company act 2013 as per section 2(68) is called private company.

a. A company cannot transfer its share (except approval of the BOD)
b. The number of members cannot exceeds 200 (excluding employee and officer of the company)
c. A company cannot accept public deposits
d. A company cannot issue share or debenture (security) into the open market.

Other Features:-

- A private limited company can be formed by at least two members.
- A private limited company can be formed by at least two directors.
- A private limited company can be formed by Rs. 1, 00,000 paid up capital.
- A private limited company has to use the word "PVT.LTD" at the end of its name.
- It can commence business as soon as COI (Certificate of Incorporation) is received from MOC/MCA.

II. **Public Company:** - Any company which are articles with section 2(71) of the company act 2013 is called public company.

a. A company can transfer its share.
b. Member of the company can exceed 200.
c. A company can accept public deposit.
d. A company can issue share or debentures (security) into the open market.

Other Features:-

- A public limited can be formed by at least 7 members.
- A public limited company formed by at least 3 directors.
- A public limited company can be formed by at least 5 lakhs paid up capital.
- A public limited company has to use the word "LTD" at the end of its name.
- A public limited company can commence business as soon as COI and COB are received from ROC/ MCA.

III. **Holding and subsidiary company**:- It is a part of private or public company in which at least 51% or more paid up share capital held by the another company. Such company is called holding company or controlling company.
A company in which 49% or less than paid up share capital is held by the company is called subsidiary company.

IV. **Government Company:** - A company in which at least 51% or more than paid up share capital is held by central government or any state government or partially central government or partially state government, then such company is called government.

OR

A company which is a subsidiary of Government Company is also known as Government Company.

V. **Foreign Company:** - It is a company which is registered in accordance with the provision or any law of the foreign company but which has established the business unit in India, Such company is required to submit its memorandum, list of the directors and address of the place of the business unit in India with the ROC.
Example: - Microsoft, Samsung etc......

VI. **Section 8 or Charitable Company or religious company**: - This Company is formed for the purpose of social service or charitable or religious service.
In this case, such company is formed under license from the regional directorate of the specific area of MCA. After getting the license from the regional directors the prescribed documents **(MOA, AOA etc)** will be submitted with the ROC. Thereafter, the ROC will issue certificate of incorporation.
Example: - Unicef , Rotary Club etc....

VII. **Limited Company:** - It is a company in which the liability of the members is limited. Therefore they are not responsible for all the debts/ obligation of the company in the liquidation process.

OR

In the case of limited company the liability of the members are limited under guarantee or up to the shares.

VIII. **Unlimited Company**:-It is a company in which the liabilities of the members are unlimited. Therefore, they are responsible for all the debts/ obligation of the company in the liquidation process.

IX. **OPC (One Person Company)** :- It is the first time in the history of the company act 2013 as provides the new class of the company in the form of one person company.

According to provision of company Act 2013, one person company means a company which has only one person as a member. Such type of company may be formed for any lawful purpose by one person and it will be in the form of private company only. Such a company may be either a company limited by share or a company limited by guarantee or an unlimited company.

OTHER FEATURES OF ONE PERSON COMPANY:

- OPC can be formed by at least one member.
- OPC can be formed by at least one director.
- OPC can be formed by at least Rs. 1, 00,000 paid up capital.
- It has to use the word "PVT.LTD (OPC)" at the end of its name. Sec 12(3)
- A nominated person is required for the incorporation of the company.
- The turnover of the company should not exceed Rs 2, 00, 00,000.
- Paid up share capital should not exceed Rs 50, 00,000.
- Members and Director should be resident in India.

X. **Dormant Company/ Inactive Company**: - Any company formed and registered under this act for a future project or to hold an assets or intellectual properly and has no significant accounting transaction. Such company or an inactive company may make an application to the registrant of the ROC in such a manner as may be prescribed for obtaining the status of dormant company.

Legal Document of Company

1. Memorandum of Association (MOA)

It is a fundamental/legal/basic/primary document of the company. Such document determines the power and objectives of the company. Every company prepares MOA for the incorporation of the company.

Such legal document is also called public document. MOA of the company can be altered (change) from time to time under provision of this law.

Such contents are divided into following clauses...

i. Name clause
ii. Object clause
iii. Capital clause
iv. Subscription clause
v. Situation clause
vi. Liability clause

i. **Name clause**: - According to provision of company Act 2013, a company cannot register without any legal name, specified or approved by the central government or authority of the central government. Therefore, such clause determine original name of the company. The two companies are in same related business so that the public may be confused from the new name of the company. The clause also changes from time to time under provision of this act.

ii. **Object clause**: - Such clause determines objective of the company. Therefore, object clause may be divided into two parts i.e. main objects and subsidiary object or other object. Every business is carried by company in accordance with object clause. The company may change object clause from time to time under provision of this act.

iii. **Capital clause**: - Such clause determines total capital or maximum share capital of the company. Generally, the following matter or facts are specified under the capital clause.

   a. **The maximum share capital of the company.**
   b. **The no. of share.**
   c. **The nominal value/ face value/ par value of each share/ unit.**

   According to provision of this act, companies limited by guarantee having no share capital or unlimited company are not mandatory of the clause.

iv. **Subscription/ Association clause**: - Such clause determines the personal details of the members of the company. According to company Act 2013, every subscriber shall take at least one share of the company.

The following matters are specified regarding member details like - right of the member, name, address, occupation, signature, number of share to be subscribed by the member. According to this act, subscription clause may change from time to time under provision of law.

v. **Situation/ Place clause**: - This clause determines the main office/ registered office/ head office of the company. According to company Act 2013 it is mandatory to maintain the registered office within 30 days of incorporation or actual commencement of the business because it is mandatory to communicate from ROC within 30 days or as per the prescribed law of the company act.

vi. **Liability Clause**: - It is not mandatory for every company because a company in which the liability of the member is limited i.e. limited company must have a liability clause. Under this clause the liability of the member may be limited by share or limited by guarantee.

2. Articles of Association (AOA)

It is also a legal document of the company. Such contents determine internal rules and regulation for the internal management of the company. AOA are subordinate to the memorandum because articles are the rules for the management of internal affairs of the company.

AOA is also a public document therefore such document is kept by the company into the registered office with the ROC. According to provision of company Act, it is not mandatory for incorporation of the company.

If the company doesn't prepare AOA, then rules and regulation of the company Act 2013 as per "table F" is necessary to be applied.

- **The following contents may be included into the AOA :-**
  - i. The qualification of directors.
  - ii. The maximum number of directors into the company.
  - iii. The natures of books of A/c are maintained.
  - iv. The maximum number of the company.
  - v. Any internal rules and regulations are specified according to nature and size of the company.

Share: - The total capital of the company is divided into small fraction or small unit, every fraction/ unit is called share. And the entire capital of the company is called share capital. Every share of a company has definite number which makes it easy to count or identify them.
According to company act 2013 as per provision share means a part of share capital of a company and which includes in the term of inventory/stock.
There are 2 types of share.

1. Preference Share: - Those shares on which there is preferential right into the company is called preference share. The rights of the preference share according to provision of this act are as under:-

- Right to receive dividend/ before the equity shareholder of the company.
- Right to get capital back before the equity or ordinary shareholder in the case of liquidation of the company.

- Right to receive dividend at fixed rate.
- It is co- owner of the company.
- The holder of the preference share does not have the right to vote in the company meeting (except in the special cases or circumstances).
- Preference share holders have no right to participate in the management and controlling of the company affairs.

2. Equity share: - Those shares on which there is no perennial right into the company against payment of the dividend or return of capital amount at the time of liquidation is called equity share.

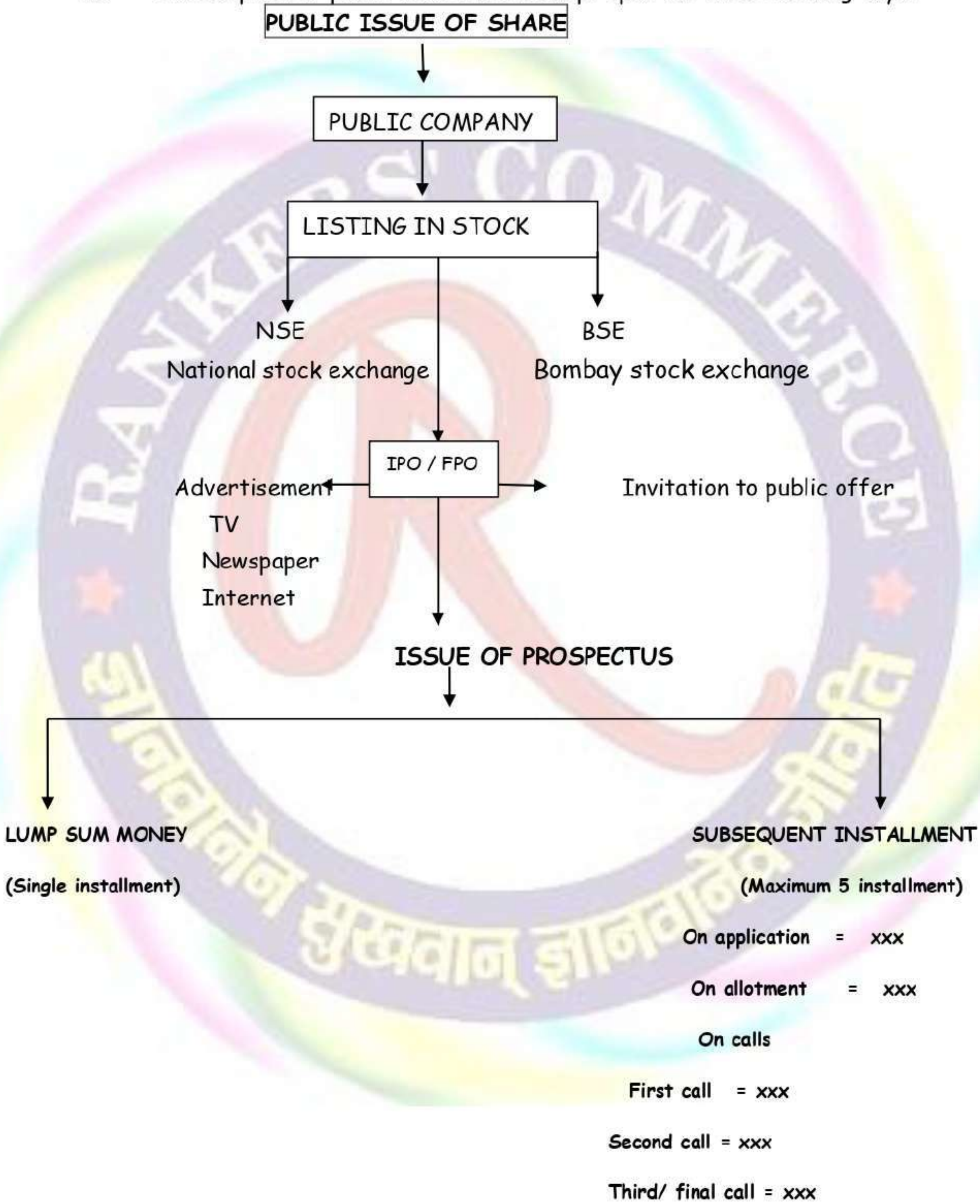
- The following right of equity shareholder (according to provision of this act).
- The dividend on these shares is given after the payment of preference share holder.
- The rate of dividend on these shares is not fixed.
- At the time of liquidation of the company the payment of these share or amount of the capital is made after the payment of the preference share.
- It is main owner of the company.
- There is fully voting rights of equity shareholder in the company meeting.
- Equity share holders have full right to participate in the management of controlling to company.

Provision of company act 2013 or SEBI guidelines for the issue of the share:-

i. A new company shall issue its share at par value / nominal value but a company existing since past 5 years earning profit shall be independent to decide the issue price of its share.
ii. The minimum amount of application must not be less than 5% of the nominal value of the share.
iii. Minimum amount of subscription shall be 90% of total issue capital. If the company falls to receive minimum subscription within 60 days of the opening of the share issued, then the company has to refund all the subscription money.
iv. In the case of public issue, exceeding capital 5, 00,000 then the amount of due allotment or application or call shall not be more than 25% of issue price. Subscription of public issue must be kept open for three working days.
v. If within 120 days of issue a company doesn't receive application from equal to minimum subscription that is 90% then it has to return the whole amount received within 8 days without it.
vi. The call money should be demanded at least once months between two different calls.
vii. The share holder should be given at least 14 days for the payment of a call.

viii. The entire dues amount should be asked or demanded within 12 months of the allotment of share.

ix. Subscription of public issue must be kept open for three working days.



Types of share capital:-

- **Authorized, Registered or Nominal Capital:** - Authorized capital is the capital stated in MOA. It is the maximum amount of capital which a company can raise during its life time.
- **Issued Capital:** - It is that part of authorized capital which is offered to the public for subscription.
- **Subscribed Capital**: - It is that part of issued capital which is actually subscribed by the public.
- **Called Up Capital:** - It is that part of subscribed capital which has been called for payment. The shareholder is generally required to pay it in two or three installments called calls.
- **Paid Up Capital**: - It is that part of called up capital which is actually received by shareholders.

  Paid up capital = Called up capital – Calls in Arrear

  Paid up capital is the real capital of company.
- **Uncalled Capital**:-It is that part of subscribed capital which has been not called up by the company for payment.

  Uncalled Capital = Subscribed Capital – Called Capital
- **Reserve Capital:** - A limited company may determine that any portion of the uncalled capital shall not be called up during the life time of the company. This is done by special resolution U/S 99 of the companies act.

  As per section 65 only an unlimited company having a share capital while converting into limited company may have reserve capital.

  In such a case, the company by a resolution may –
  - Increase the nominal amount of its share capital by increasing the amount of each of its share, and determine that no part of the increased capital shall be called up except at the event of winding up of the company.
  - Provided that specified portion of uncalled capital shall not be called up except in the event of winding up of the company.

    Reserve capital is not shown in B/S.

    It is not mandatory to have reserve capital.

- **Capital Reserve:** - Capital Reserve is those reserves which are created out of profits (capitals profits).

  Capital profits are those profits which are not earned in the normal course of business.

  It is not utilized for distribution of dividends.

  Used for writing off capital loss

  Items that give rise to capital reserves are:-
  - Profit earned by company prior to its incorporation.

- Profit on sale of fixed assets.
- Profit on revaluation of fixed assets.
- Premium on issue of share and debenture.
- Profit on purchase of business.
- Profit on for future and re issue of share.

  Capital Reserve is shown in the liability side of B/S under head reserves and surplus.

  If there are capital losses it has to be created.

TYPES OF PREFERENCE SHARES:

- **Cumulative Preference Shares:** - Cumulative Preference shares are those shares on which arrears of dividend accumulate. If in any year the company does not earn sufficient profit, dividend on preference share shall not be paid in that year. Such unpaid dividend is treated as arrear.
  - **Shown in B/S as a commitment under 'contingent liabilities and committees.**
  - **Cumulate preference share if nothing is stated in companies' article.**

- **Non- Cumulative Preference Share:** - Non – cumulative preference shares are those shares on which arrears of dividend do not accumulate according to AOA.

- **Convertible Preference Share:** - Those shares which can be converted into equity shares within a prescribed period are known as preference share.

- **Redeemable Preference Share:** - Redeemable Preference shares are those share which are payable (redeemable) after a fixed period. It is done in accordance with the terms of issue and the fulfillment of certain conditions laid down in section 55 of the company Act 2013

- **Irredeemable Preference Share:** - Irredeemable Preference shares are those shares which are not redeemed unless the company goes into liquidation.

The companies act does not permit limited company by shares to issue irredeemable preference (unless 20 yrs from the date of issue expires).

- **Participating Preference Share:** - Participating Preference Shares are those shares on which shareholders have right to participate in the surplus profit in addition to the fixed dividend share.

- **Non - Participating Share:** - Non - Participating shares are those shares on which only fixed rate of dividend are paid. They do not share in the surplus profit.

If the AOA is silent, then all preference shares are assumed to be to be cumulative and non- participating.

SWEAT EQUITY SHARE-

Sweat equity shares are those shares those shares which are issued by the company to its employees, directors in the recognition of their services to the corporate life of the company.

- Issue at discount.
- May be issued for a consideration other than cash.
- This share can be issued only when 1 year has elapsed since the commencement of business.
- These shares cannot be sold by shareholders within a period of 3 years.
- Sweat equity shares can be issued only if it is listed on a recognized stock exchange and issued under the guideline of SEBI.

PRIVATE PLACEMENT OF SHARES (PPS)-

An issue of share which is not a public issue but offered to a selected group of people is called private placement of shares.

- PPS is a preferential issue. It is governed by SEBI.
- Instead of issuing a prospectus, promoters are required to prepare a draft prospectus known as statement in lieu of prospectus.

Accounting treatment of the issue of share:

Generally, share to be issue by the company under following circumstance

- **Share issued for cash consideration.**-Any amount or sum of the amount is received by the company in cash against the issue of share such type of issue is called **share issued for cash consideration.**
- **Share issued for other than cash consideration.**-Any amount of the share issued by the company for acquisition of assets or services such types of issue is called **share issued for other than consideration.**

- **Accounting treatment of issue of share for cash consideration:** -
  There are two approaches for issue of share for the cash consideration.
  i. **Lump sum money required**
  ii. **Amount received in subsequent installment**

ISSUE OF SHARE FOR CASH CONSIDERATION

(Lump sum money received):-

When the company issue share to the public for raising the long term fund and the amount of share is received by the company in single installment as per terms and condition specified into the prospectus.
It is also called lump sum money received against the share.

JOURNAL ENTRY:-

I. **When all the money received by the company against issue of share to the public:-**

Bank A/C ……..Dr

To share application and allotment A/C.

(Being lump sum money received)

II. **When application and allotment money transfer into share capital A/C**

Share application and allotment A/C ……… Dr.

To share capital A/C

(Being application and allotment money transferred into share capital A/C)

- ## ASSIGNMENT NO 1:-

Harilal ltd. Invited application for issuing 20,000 equity share of Rs. 100 each. The whole amount was payable on application. The issue was fully subscribed pass the necessary journal entry in the books of company.

Amount received in subsequent installment

When the company issue share to the public for raising the long term fund and the amount of share is received by the company in subsequent installment as per terms and condition specified into the prospectus.
It is also called subsequent money received against the share.

Journal entry

a. **When application money received**

Bank A/C ……….. Dr

To share application A/C

(Being application money received)

b. When application money transferred into share capital A/C
   Share application A/C……… Dr.
   To share capital A/C
   (Being application money transferred into share capital A/C)

c. When allotment money due
   Share allotment A/C ……… Dr.
   To share capital A/C
   (Being allotment money due)

d. When allotment money received
   Bank A/C ………. Dr.
   To share allotment A/C
   (Being allotment money received)

e. When call money due
   Share call A/C ……….. Dr
   To share capital A/C
   (Being call money due)

f. When call money received
   Bank A/C ……… Dr.
   To share call A/C
   (Being call money received)

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➢ ASSIGNMENT NO -2:-

A ltd has issue of 20,000 share @ Rs. 20 each. The amount has payable as under

On application = Rs. 4

On allotment = Rs. 9

On first/ final call = Rs. 7

Assuming that all the application money where duly received and payment made pass the necessary journal entry in the books of company.

➢ ASSIGNMENT NO 3:-

Raman Ltd has issued 10%, 40,000 preference share @ Rs. 20 each. The amount was payable as under.

On application = Rs.5
On allotment = Rs. 11
On first / final call = Rs. 4

Assuming that all the application money was duly subscribed and payment made pass the necessary journal entry in the books of company.

➢ ASSIGNMENT NO 4:-

B Ltd was registered with a capital of Rs. 50, 00,000 divided into 30,000 equity share @ Rs. 100 and 20,000, 10% preference share @ Rs. 100 each. The company want to issue 20,000 equity share @ Rs 100 each and 5, 000, 10% preference shares @ Rs.100 each.

The amount payable:

On application = Rs. 30
On allotment = Rs. 50
On 1^{st} / final call = Rs. 20

Assuming that all the application money was duly subscribed and payment made pass the necessary journal entry.

Maintenance of cash book: - When the company has maintained double or triple cash book during every accounting year then all the amount of cash transaction are directly recorded into cash book and all the non cash transaction are recorded in the journal entry

Cash book (Bank column)

RECEIPTS	AMOUNT (Rs)	PAYMENTS	AMOUNT (Rs)
To share application A/C	XXX	By balance C/D	XXX
To share allotment A/C	XXX		
To share call A/C	XXX		

ISSUE OF SHARE

At Par	at Discount	at Premium
At nominal value	(10,000 share @ Rs.90)	(10,000 share @ Rs.120
At face value	"Loss of the company"	"Profit of the company"
(10,000 share @ Rs.100) company	Capital loss of the company	Capital profit of the
"No profit No loss"	(Discount on issue by share)	(Security premium or share premium)
Amount received	Amount received by company	Amount received by
10,000 × 100 = 10, 00,000 company	10,000 × 90 = 9, 00,000	10,000 × 120 = 12, 00,000
Transfer to share capital	Discount on issue of share	Transfer to share capital
10,000 × 100 = 10, 00,000	10,000 × 10 = 1, 00,000	10,000 × 100 = 10, 00,000
	Transfer to share capital	Security Premium
	10,000 × 100 = 10, 00,000	10, 000 × 20 = 2, 00 000

ISSUE OF SHARE

There are three approaches to issue of share to the public-

i. Issue of share at par value/ Nominal value/ Face value
ii. Issue of share at discount
iii. Issue of share at premium

Issue of share at discount:-If a company issues its share at a value less than the face value of the share is called issue of share at discount. Discount on issue of share is a capital loss. Therefore such amount is adjusted from the nominal value at discount on issue of share.

Generally discount on issue of share is to be adjusted on the allotment of the issue of share. Such amount is shown or adjusted from the **Reserve and surplus** of the balance sheet.

According to provision of company act 2013 a company shall not issue share at a discount except only sweat equity share can also be issued by the company at discount to its employee or directors of the company.

Journal Entry (Accounting treatment)

At the time of issue of share at discount, capital loss arises in the books of company i.e. discount on issue of share. Therefore such amount is necessary to be adjusted on the allotment dues entry on transaction.

- **When allotment money due with adjustment of discount on issue of share.**

  Share allotment A/C ……… Dr

  Discount on issue of share A/C ……… Dr

  To share capital A/C

  (Being allotment money due)

- **When allotment money received**

  Bank A/C …….. Dr

  To share allotment A/C

  (Being allotment money received)

ASSIGNMENT NO 5:-

An Ltd issued 30,000 shares @ Rs.100 each at 20 % discount. The amount is payable as under:

On application = Rs. 30

On allotment = Rs. 40

On first / final call = Rs. 10

Assuming that all the application money was duty subscribed and payment made. Pass the necessary journal entry in the books of company.

OR

An Ltd has issued 30,000 shares @ Rs. 100 each. The amount has payable as under:

On application = Rs. 30

On allotment = Rs. 40

On first/ final call = Rs. 10

Assuming that all the application money were duty subscribed and payment made pass the necessary journal entry in the books of company.

NOTE: - Discount entry always on allotment

SHARE ISSUED AT PREMIUM

Issue of share at premium: - If a company issues its share at a value more than the face value of the share to be called issue of share at premium. The difference between the issued value and face value of share is called premium. Issue of share at premium is a capital profit. It should be under securities premium / share premium.

Such amount is shown in balance sheet under the heading of Reserve and surplus in the liability side.

Journal Entry (Accounting Treatment)

- At a time of issue of share at premium capital profit arises in the books of company. Therefore the amount of premium which is received from the issue of share is transferred to securities premium A/C or share premium A/C. According to provision of this act, the amount of securities premium may be received by company on application, allotment or call money.

CASE – I

When premium money is received with application

i. When application money received including the premium money

Bank A/C ……… Dr

To share application A/C

(When application money received with premium)

ii. When application money transferred to share capital A/C and securities premium A/C.

Share application A/C …….. Dr.

To share capital A/C

To share premium A/C

Or Securities premium A/C

(Being application money transferred into share capital and securities premium A/C).

CASE – II

When amount of premium is due with allotment

i. When allotment money is due with premium.

Share allotment A/C ……. Dr.

To share capital A/C

To securities premium A/C

(Being allotment money due with premium)

ii. When allotment money received along with premium.

Bank A/C ……. Dr.

To share allotment A/C

(Being allotment money received)

CASE – III

When the amount of premium is due with any call money

i. When call money is due with premium

Share call A/C …… Dr

To share capital A/C

To securities premium A/C

(Being call money due along with premium)

ii. When call money received with premium

Bank A/C ……. Dr

To share call A/C

(Being call money received along with premium)

NOTE:- Premium entry is made on any installment

➢ ASSIGNMENT NO 6:-

X Ltd has issued 30,000 shares@ 20 each at 20% premium. The amount was payable as under.

On application = Rs 6 (including Rs 3 premium)

On allotment = Rs 12 (including Rs 1 premium)

On 1^{st} / final call = Rs 6

Assuming that all the application money was duly subscribed and payment made.

Pass the necessary journal entry in the books of company.

CALLS IN ARREAR:-

If any shareholder fails to pay the amount due on allotment or any call money during the specified period, such amount is called calls in arrears.

OR

If a shareholder makes a default in sending the call money due to allotment or any specified call according to the condition mentioned in the prospectus is called calls in arrears. Interest on calls in Arrear is to be charge by company under provision or rules specified in the AOA but articles of Association is to be silent against interest on calls in Arrear then

Interest on calls in arrear is to be charge @10%, according to table F of the company Act 2013

Accounting Treatment

i. Calls in arrear A/C .... Dr.
 To share allotment A/C
 To relevant call A/C
 (Being arrear on share allotment and call transferred)

ii. Bank A/C .... Dr.
 To calls in arrear A/C
 (Being amount of calls in arrear received)

iii. Sundry members A/C .... Dr
 To interest on calls in arrear A/C
 (Being interest on calls in arrear due)

iv. Bank A/C .... Dr
 To sundry member A/C
 (Being interest on calls in arrear received)

v. Interest on calls in arrear A/C .... Dr
 To P/L A/C
 (Being interest on calls in arrear transferred to P/L A/C)

- **Calls in arrear account are technically an asset account but it is shown as deduction from called up capital on liabilities side of B/S.**

- # ASSIGNMENT NO 7:-

A Ltd has issued 20,000 shares @ Rs 20 each. The amount was payable as under:

On application = Rs 4
On allotment = Rs 8
On 1^{st} / final call = Rs 8

Assuming that all the application money were duly subscribed and payment made except a shareholder having 500 share did not pay allotment money and another shareholder having 1000 share could not pay allotment and call money. Pass the necessary journal entry in the books of company.

➢ ASSIGNMENT NO 8:-

A Ltd has issued 40,000 shares @ Rs 20 each. The amount was payable as under:

On application = Rs 8
On allotment = Rs 6
On 1st / final call = Rs 6

Assuming that all the application money was duly subscribed and payments made except a shareholder having 800 shares could not pay allotment and call money and another shareholder having 200 shares could not pay call money. Pass the necessary journal entry in the books of company.

CALLS IN ADVANCE:-

It refers to such an amount paid by the shareholder not yet due.
Calls in advance are a liability of the company. Unadjusted portion of it is shown on the liabilities side of B/S.

➢ ASSIGNMENT NO 9:-

Moon Ltd has issued 30,000 shares @ Rs 10 each. The amount is payable as under:

On application = Rs 3
On allotment = Rs 5
On 1st / final call = Rs 2

All the application money were duly subscribed and payment made except the holder of 100 share paid all the amount on application and another shareholder who had 500 share paid all the amount on allotment. Pass the necessary journal entry in the books of company.

➢ ASSIGNMENT NO 10:-

D Ltd registered with a nominal capital of Rs 5, 00,000 in share of Rs 100 each 3000 share of which were issued payable as Rs 12.50 on application. Rs 12.50 on allotment Rs 25, 3 months after allotment and balance to be called up as and when required.
All the money up to allotment were duly recorded but as regard the call of Rs 25, a shareholder holding 100 share did not pay the amount due. Another shareholder who was allotted 150 shares paid them in full. Pass the necessary journal entry in the books of company.

SUBSCRIPTION

Fully Subscription	under Subscription	Over Subscription
Application money Received up to Issue of share	**Application money received less than issue of share**	**Application money received more than issue of share**
Allotment of share	Allotment of share	Allotment of share
Up to issue money	**up to application money**	**up to issued money**
Share issued = 10,000 share.	**Share issued = 10,000 share.**	**Issue of share= 10,000 share.**
Application for share Received = 10,000 Share.	Application Received = 9,500 Share.	Application Received = 15,000 Share.
Allotment of share= 10,000 share.	**Allotment of share= 9,500 share**	**Allotment of share= 10,000 shares.**

OVER SUBSCRIPTION

Excess application Money refund	Pro - Rata Allotment	Particular Ratio of BOD

Ratio between issues of Share and application money

ASSIGNMENT NO 11:-

X Ltd has issued share 50,000 @ Rs 20 each. The amount is payable as under:-

On application = Rs 6
On allotment = Rs 9
On 1st / final call = Rs 5

Application money received for 62,000 shares. The BOD of the company has decided to refund the application money of 2000 shares and the rest are allotted on the basis of pro - rata.
Pass the necessary journal entry in the books of company.

- **ASSIGNMENT NO 12:-**

X ltd has issued 30,000 share @ Rs 20 each at Rs 25. The amount is payable as under:

On application = Rs 6
On allotment = Rs 12
On 1st / final call = Rs 7

Application money received for 75,000 shares. The board of directors of the company has decided to allot share in the following way:

Applicant of 5000 - Nil
Applicant of 20,000 - 20,000
Applicant of 50,000 - 10,000

Assuming that all the money was duly received except Mr. Shyam to whom 3000 share were allotted (belonging from category c) failed to pay allotment and call money. Another shareholder, Mr. Mohan is an applicant of 40,000 shares could not pay allotment and call money. Pass the necessary journal entry in the books of company assuming that Mr. Mohan is belonging from category C.

ISSUE OF SHARE OTHER THAN CASH CONSIDERATION-

If the company has issued share to the vendor/creditor against the acquisition of assets is called issue of share other than cash consideration.
Example- If a company purchases assets or business and instead of paying cash to the vendor, the company may issue share to the vendor this is called issue of share for consideration other than cash. Similarly payment to promoter, commission of underwriter may be paid in the form of share is also called issue of share for consideration other than cash. Such share may be issued at par, at discount or at premium.

Accounting Treatment:-

Case 1:-

Issue of share to the vendor

i. When purchase of assets on credit

Assets A/C ………. Dr.

To vendor's A/C

(Being purchase of asset on credit)

ii. a) When payment made to vendor from issue of share at Par.

Vendor's A/C ……….. Dr

To share capital A/C

(Being payment to vendor by issue of share at Par)

b) When payment to vendor by issue of share at discount.

Vendor's A/C ………. Dr

Discount on issue of share A/C ………. Dr

To share capital A/C

(Being payment made to vendor by issue of share at discount)

c) When payment to vendor by issue of share at premium.

Vendor's A/C ………… Dr

To share capital A/c

To securities premium A/C

(Being payment made to vendor by issue of share at premium)

Case 2:-

When share issued to the service provider

i. When share issued to the promoter

Goodwill A/C ……… Dr

To share capital A/C

(Being share issued to the promoter)

ii. When share issued to the other service provider against past services.

Incorporation expenses A/C ………. Dr

To share capital A/C

(Being issue of share to service provider)