

Accounting for share capital.

① Definition

② features

Paid

③ Unpaid (liable to pay)

③

Types of Co.

Joint stock Co.

limited liability

Limited by Guarantee

Limited by Shares

Private Co.

Public Co.

One Person Co. (OPC)

Guarantee given by them in the winding up

①

Non-transferability of shares

②

Max - 200

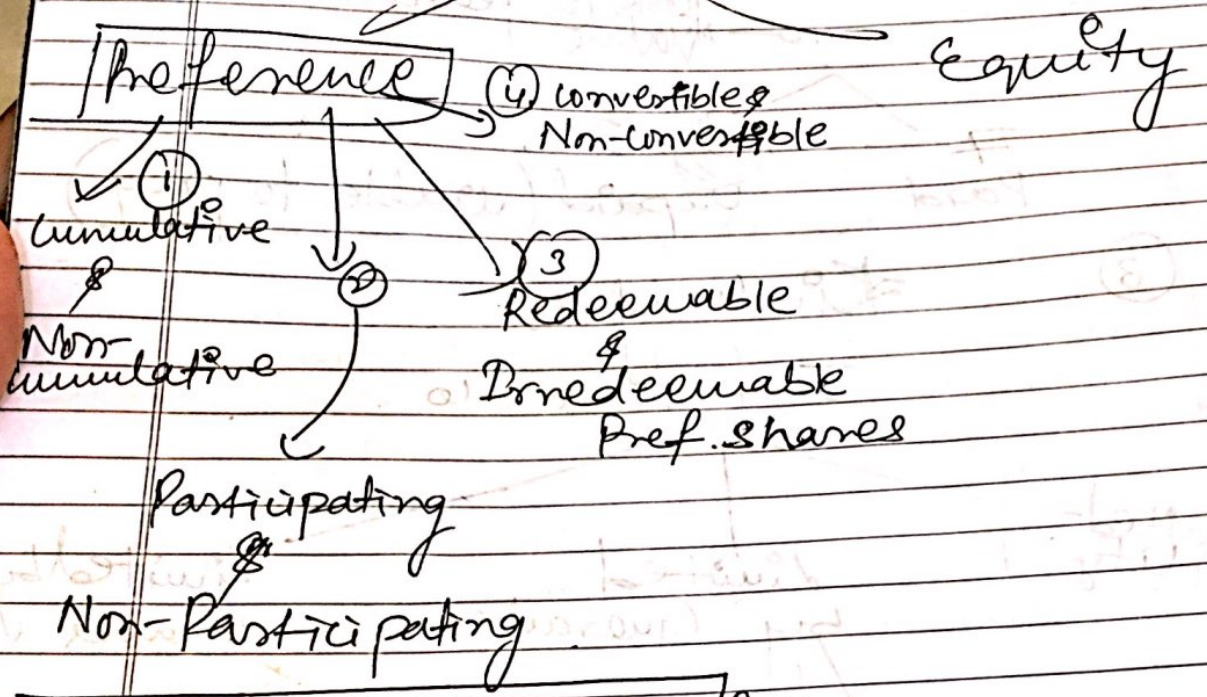
③

No public offer

④

end with Pvt Ltd

Types of shares



Preference shares :-

Are those which carry the following three two rights:-

- ① Right to receive dividend at a fixed rate before dividend paid on equity shares.
- ② When the co. is winding up, they have the right to the return of capital before that of equity shares.

They have a preferential right which can be utilised only when it affects their share.

Cumulative Preference Shares:-

The holders of such shares are entitled to recover the arrears of preference dividend before any dividend is paid off on equity shares, it means if the co. have ~~some~~ insufficient funds to pay dividend on these share. The dividend keeps on accumulating until it is fully paid.

Non-cumulative Preference Share:-

The holders of such share get fixed amt. of dividend out of profits of each year. If no dividend is declared in any year due to any reason, such shareholder get nothing nor they can claim un-paid dividend of any year in any subsequent year.

Participating Preference Shares

They receive a fixed preference dividend and carry a right to participate in surplus profits after dividend at a specified rate has been paid to equity shareholders.

Non-participating P.S

They get only a fixed rate of dividend every year and do not carry a vote and do not participate in the surplus profit or in any surplus in winding up.

Redeemable P.S

Such shares are those which will be re-paid by the co. within a specified time.

Irredeemable P.S

They are those whose capital can't be refunded before winding up.

Convertible P.S

In this the P.S can be converted

Equity Shares

DATE: ___/___/___

Share which are paid dividends only when profits are left after preference shareholders have been paid fixed rate of dividend. They carry voting right of dividend and control the affairs of the company.

Share Capital \Rightarrow Capital raised by the company by the issue of shares.

(1) Authorized Registered or Nominal Capital.

Amount which is stated in MOA. This is the maximum amount which co. can issue during its lifetime.

(2) Issued Capital
It is a part of authorized cap. It is being issued to the public for subscription.

(3) Subscribed Capital

It is a part of Issued Capital which is being subscribed for by the public.

fully paid up

Not fully paid up



Be Positive.....

Presentation
of Share Capital in Bal. sheet

Bal. sheet
as at

(d of)

Particulars		Note No.	Amnt. cur. year	Amnt. Prev. year
1.	(a) 200 <u>Equity & Liab:-</u> Shareholder funds			
	(a) Share Capital	(1)	X X X	X X X
	(b) Res. & surplus			
	(c) Money recd. against Share warrant			

W. Notes

	Amnt.
(1) Share Capital	
<u>Authorised Capital</u> <u>shares of _____ each</u>	X X X
<u>Issued Capital</u> <u>shares of _____ each</u>	X X X
<u>Subscribed Capital</u> <u>shares of _____ each</u>	X X X

Bal. sheet

Pasticulars

1. EQUITY AND LIABILITIES

Shareholders fund

① Share Capital

Called-up Capital

That part of ^{subscribed} capital which has been called upon by the director from SHD.

Ex:- Face value of 1 share = ₹ 100
Total no. of shares = 12000 shares

Called up value = ₹ 60

Called up Capital = 60×12000
= ₹ 7,20,000.

Paid-up Capital

It is a part of called-up capital. The money which has been actually paid by the shareholders.

Any unpaid amount is called 'Calls in arrears'.

Capital Reserve:

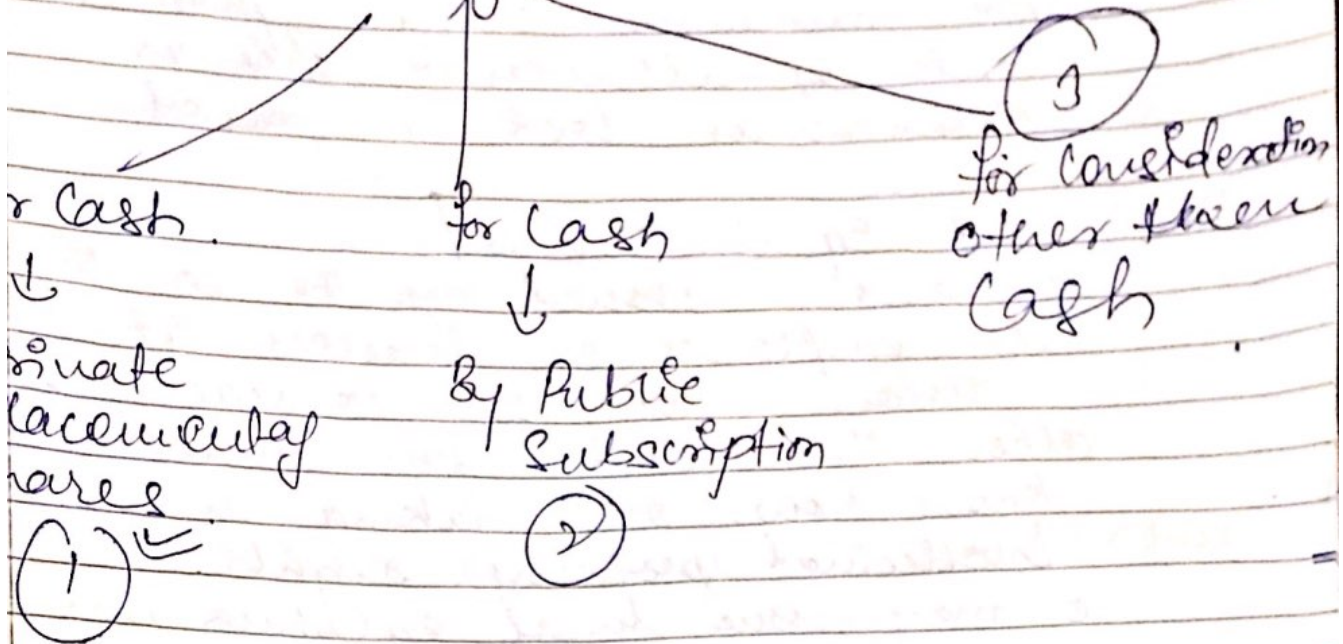
Capital Reserves are those reserves which are created out of cap. profits. They can't be utilised for the distribution of dividend. They are not earned in the normal course of business.

Ex Profit on sale of fixed assets, premium on issue of shares and debentures, profit on revaluation of fixed assets.

Reserved Capital

It refers to that portion of ~~in~~ used nominal cap. or uncalled cap, which shall not be called up except in the event of winding ~~or~~ up of the company. (only an unlimited co. have a share cap, while converting into a limited co. may have reserved cap).

Issue of shares.



Private Placement of Shares

A co. may issue share on private placement basis also. When the promoters of the a co. are confident of raising cap through private sources or contacts. These is known as private placement of shares. In this case the co. does not invite public for subscription of shares instead they sell their shares to friends, relatives, LIC, financial institutions, NRIs, mutual funds etc.

The promoter are req. to prepare a draft prospectus known as statement in lieu of prospectus and must file it with registrar at least 3 days before the 1st allotment of shares or debentures.

The allottees can't sell their shares for minimum of 3yrs from the date of allotment. This is known as lock-in-period.

Sweat Equity Shares

Eq. Shares issued by the co. to its employees or directors at a discount or for considerations other than cash for providing know how, or making available intellectual property rights.

Co. may issue sweat eq. Shares based on call class of eq. shares already issued, if the following conditions are fulfilled:-

- i) Special Resolution must be passed for the issue of these shares in general meeting.
- ii) Resolution specifies to whom such shares are issued, the no. of share, the current market price, the consideration.

DATE: ___/___/___

The sweat eq. shares of co. whose eq. shares are listed on stock exchange must be issued in considering the provisions made by SEBI.

Holder's can't sold these shares within a period of 3 yrs.

Employees Stock Option Plan (ESOP)

A special resolution must have been passed by a co. in order to issue share under ESOP scheme.

ESOP means the option, which is a right and not an obligation given by the co. to its whole time director, officer & employees to purchase or subscribe at a future date the securities offered by the co. at a pre determined price which is lower than the market price. It is a voluntary scheme on the part of the co. to give its KEs a sense of belonging. Shares allotted under this scheme shall be locked-in for a period of 1^{1/2} yrs from the date of allotment.

Objectives / Importance

- 1) To inspire the PEEs to have higher participation in the co.
- 2) To create long term wealth in the hands of the PEEs
- 3) It is a means to attract, ~~retain~~ ^{retain} and motivate the good & efficient PEEs for the co.

② Public Subscription Of shares

Four steps are taken by co. to issue shares to the public:-

- i) Issue of prospectus
- ii) To receive application
- iii) To make allotments
- iv) To make calls

→ # Minimum Subscription:-

The ^{min} amt to be ~~raise~~ raised by the issue of share by the company. A co. can't allot any securities to public, unless the ^{min} amt. has been subscribed and the sums payable on app on the amt so stated have

DATE: / /

been recd by the co. by cheque or other instruments which have been paid.

Acc. to SEBI minimum subscription has been fixed at 90% of the issued amt. Min. sub. should be recd within 30 days ~~at~~ from the date of issue of the prospectus. In case if the co. fails to receive the min. sub. within the specified period, the co. has to return the entire application money must be returned within next fifteen days. If there is a delay in refund of such amt by more than 15 days, co. shall be liable to repay it with interest @ 15% p.a for the delayed period.

Preliminary Expenses

Expenses incurred on the formation of a co. are termed as preliminary expenses. As per AS 26 preliminary Exp must be written off against

App. (Allot / grant) ^⑤ rec DATE . . .
Entries on issue of shares.

① cr
② xlf

① On Receiving Application Money

Bank A/c Dr.

→ Particulars
To Share Application A/c ^②
(App. money recd on Share at price)

② HF to Share Cap. A/c.

Share Application A/c Dr. ✓
To Share Capital A/c.
(Sh. App. money HF to sh. cap. A/c)

③ Rejections / Refund / Returned

Share Application A/c Dr. ✓
To Bank A/c.

④ Allotment

~~due~~
Share Allotment A/c Dr.
To Share Capital A/c.



Be Positive.....

1 Second call

Share Second call All Cr -

To Share cap All -

Bank All Cr -

To Share and call All -

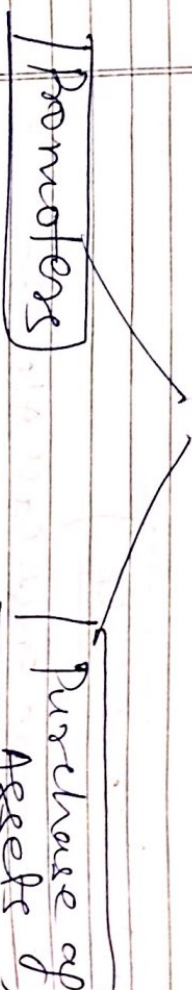
Share ~~at~~ ^{at} Regural expenses entry

Share ^{Dr.} Regural Exp. All Cr.
To Bank All Cr.

Get Positive.....

ce has a n
tailing is
ores the
ybernet
ernet
ust
Net

Issue of Shares for consideration other than cash.



Incorporation cost etc Dr.

or formation exp etc

To Share Capital etc

(Being shares issued to Promoters)

(1) Asset purchased

Guarantee Assets etc Dr.

To Vendors etc

(2) Shares issued to Vendors at Par

Vendors etc Dr.

To Share Capital etc

(3) At Premium

Vendors etc Dr

To Security Premium

Issue of Shares

At Par

At Premium

At Discount

Price of Shares

Price = face value

Price > face value

Price < face value

12 > 10

8 < 10

10 = 10

If premium received along with application.
 Not a question whether premium is received or not.
 assume that it is done along with allotment.
 Issue of Shares at Premium.

illus =

Same (1) Bank A/c Dr.
 To Share Application

Rec (2) Share Application A/c Dr.
 To Share Capital A/c
 To See. Premium A/c

If in case premium is received along with allotment.

Change due Share Allotment A/c Dr.
 To Share Capital A/c
 To See. Premium A/c

Rec came Bank A/c Dr.
 To Share Allotment A/c



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Issue of shares at discount.

Co. no longer issue shares at a discount. It is prohibited. Only Sweat Equity Shares can be issued at a discount.

Under Subscription of shares

No. of shares applied by the public is less than the no. of shares offered by the company

Illustration:
W. Note.

Rs 900000 of 90000 shares of 10 each

$$\frac{90000 \times 25}{125}$$

Pre. 18000 x 10

Capital 72000 x 10

(100725)

it becomes due.

1

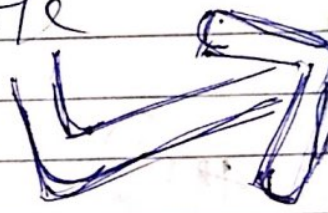
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without opening
Calls fu Arrear A/c

By opening
Calls fu Arrear
A/c

Ex: -
 share
 Ex = 10000
 PAs 2 each
 2nd 3
 SHD - 5000
 di not paid
 first call

first call due 20,000
 Receipt first call 2 x 9500 = 19,000
 final call due -
 Receipt of final call -



amt
not paid
of first
call
Recd
on sec.
call



Be Positive.....

Bank A/c Dr. 21,000
 To 2nd & final 30,000
 To share first 1000
 call

Ex

opening Calls in Arrear
10000 Shares A/c DATE: / /

1st Call 2nd Call
2 3

Not recd for
500 Shares
&
recd during 2nd call

entries

Share first call A/c Dr 20000
To Share Capital 20000

Rec

Bank A/c Dr. 19000
Calls in Arrear A/c Dr 1000
To Share first call A/c 20000

Basic

due

Share final call A/c Dr. 30000
To Share Capital A/c 30000

Rec

Bank A/c Dr. 31000
To Share final call A/c 30000
To Calls in Arrear A/c 1000



Be Positive.....

~~///~~

Put on Calls in Arrear

Acc. to Table F Sch. D of Co. Act 2013

Put \Rightarrow should not be more than 10%.

entries

Put due

①

Sundry Members A/c Dr.

To Put on Calls in Arrear A/c

②

Put Rec

Bank A/c Dr.

To Sundry Members A/c

③

Transfer of

Put on Calls in Arrear A/c Dr.

To Statement of Profit & Loss A/c

Illus - 7

DATE: / /

Pref Shares - 15000 of 100 each at 5% prem

App-25 [All - 45] ^{Premium} 1st call - 35

Issued Share - 1400
200 share not money on 1st call not recd.

Bank A/c Dr. 3,50,000
 To Pref share App A/c 3,50,000

Pref share App A/c Dr. 3,500
 To Pref share Cap A/c 3,500

Pref share All A/c Dr. 6,300
 To Pref Share Cap A/c
 To Securities Prem A/c

Call paid by advance

Amt paid by advance on ^{future} calls by the shareholder.

① [Rec] amt

Bank A/c Dr.
 To Call by Advance A/c

② Call is made by the directors:-
 (call due)

Share Call A/c Dr.
 To Share Cap. A/c



Be Positive.....

~~Rec~~ Bank A/c Dr.
 Calls in Advance A/c Dr.
 To Share Call A/c.
 (Calls in Advance Adjusted)

~~///~~ Put on Calls in Advance
 max rate:- 12% p.a.

(1) Record of Put / Put due
 Put on Calls in Adv. A/c Dr.
 To Sundry Members

(2) Payment of Put.
 Sundry Members A/c Dr.
 To Bank A/c

DATE: ___/___/___

Q7 Put on calls in Advance to Stat. of P/L.

Statement of Profit & Loss A/c.
To Put on calls Per Advance A/c.

40000 shares of 10 each.

App	Allot	1st call	2nd call
1 May 2015	1 July 2015	1 Oct 2015	1 Feb 2016
2.50	2.50	2	3

Mohan = 800 shares paid calls money on Allotment.

216

Over-Subscription

No. of shares applied for is more than
No. of shares offered.

App. Money Recd

Share App A/c Dr.
To Bank A/c

Excess Application money utilised
Allotment.

Share App. A/c, Dr. ()
To Share Allot A/c

Be Positive.....

~~To call in Adm~~