

## ISSUE OF SHARES

### 27.1 INTRODUCTION

In the previous lesson, you have studied about the Joint Stock Company: its meaning, characteristics, and various types. You are also familiar with share capital, and its various kinds. Money, collected through issue of shares, is the major source of finance of a company. In this lesson, we shall study the procedure of issuing of shares and its accounting treatment in the books of company.

### 27.2 OBJECTIVES

After going through this lesson, you will be able to:

- explain the term face value of shares;
  - explain that share money may be demanded (i) in lump sum (ii) in two or more instalments;
  - explain the procedure of issuing of shares;
  - state that shares may be issued at Par, at Premium, and at Discount;
  - identify the purposes for which share premium can be utilised by the company;
  - state the conditions to be fulfilled by the company for issuing shares at discount under Section 79 of the Indian Companies Act;
  - pass journal entries and prepare accounting vouchers to record issue of shares;
  - explain the terms 'calls in Arrears' and 'Calls in Advance';
-

- prepare relevant accounts and Balance Sheet.

### 27.3 PROCEDURE OF ISSUE OF SHARES

**Face value of share** is the par value of the share. It is also known as 'Nominal Value' or 'denomination' of a share. We can find the face value of a share by dividing the Authorised capital by the total number of shares. For example, if Authorised Capital of the Company is Rs.10,00,000 divided into 10,000 shares, the face value of a share is Rs.100/-

We have already studied about the terms — share and share capital. Now, we will learn the procedure of issuing of shares. The procedure of issuing of shares is controlled and regulated by the Indian Companies Act. Shares may be issued:

- (I) For Consideration other than Cash.
- (II) For Cash and

The procedure is explained as under:

#### Issue of Prospectus

First step in the process of issue of shares is the issue of prospectus by the company. Prospectus is an invitation to the public to subscribe for its shares. Besides, general information about the company, the prospectus describes the number and types of shares offered to the public for subscription. It also states the manner in which the share money is payable to the company.

#### (I) Issue of shares for consideration other than Cash

In case, a company does not have sufficient funds for the purchase of fixed assets or for payment to creditors (short-term or long term) it may offer and allot its shares in place of cash payment. Any allotment of shares against which **cash is not to be received**, is called issue of shares for consideration other than cash. It may take any one of the following forms:-

#### (i) Purchase of Assets like Building, Machinery, Stock of materials, etc. There are two approaches:

##### (a) Journal entry approach

Assets A/c	Dr
To Share Capital at A/c	
(Being ..... purchased and allotted....	
shares of Rs.... each as fully paid)	

##### (b) Accounting Voucher Approach

For purchase of Assets by Alloting shares:

**Transfer Voucher**

<b>Company's Name</b>		<b>Date.....</b>
<b>Voucher No.</b>		<b>Amount Rs.</b>
<b>Debit</b>	Asset A/c	
<b>Credit</b>	Share Capital A/c (Being ..... fully Paid shares of Rs..... each allotted against purchase of assets)	
Sd/- Manager		Sd/- Accountant

**(ii) Issue of shares to creditors**

When the company decides to allot its shares to the creditors - for the amount due to them, there are two approaches:

**(a) Journal entry approach**

Creditors A/c Dr  
    To Share Capital A/c  
(Being the entry for allotment of .... fully paid shares of Rs....each to the creditors)

**(b) Accounting voucher approach**

**Transfer Voucher**

<b>Company's Name</b>		<b>Date.....</b>
<b>Voucher No.</b>		<b>Amount Rs.</b>
<b>Debit</b>	Creditors A/c	
<b>Credit</b>	Share Capital A/c (Being entry for Allotment of _____ fully paid shares of Rs _____ each against discharge of _____ (liability))	
Sd/- Manager		Sd/- Accountant

**(II) Issue of Shares for Cash**

The company may collect the share money either in lump sum or in two or more instalments:

**i) Receipt of share money in lump sum**

The company may receive the share money on the issued shares in lump sum along with application.

A company appoints Banks or brokers from whom application forms for the purchase of shares can be had by prospective share-holders. The interested persons fill in the the application forms and submit the same to the company's bankers along with Application money as prescribed in the prospectus. After a specified date the bankers send the application forms to the companies' office along with an advice note about the money received.

Following journal entries are passed in the Books of Company when amount in lump-sum is received on issued shares:

- i) Bank A/c Dr
- To Share Application A/c  
(Being Application money received  
on \_\_\_ shares of Rs. \_\_\_ each.)
- ii) For transfer of Application Money to Capital
- Share Application A/c Dr
- To Share Capital A/c  
(Being application money  
received on \_\_\_ shares transferred  
to share Capital A/c)

Following Accounting Vouchers are prepared on receipt of share application money and its transfer to share capital A/c

**(i) On receipt of shares Application Money**

<i>Voucher No.</i>	<i>Company's Name</i>	<i>Date.....</i>
		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	Share Application A/c  (Being share Application Money received on _____ shares at _____ per share)	
Sd/- Manager		Sd/- Accountant

(ii) For Transfer of share application money to Share capital A/c

**Transfer Voucher**

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Debit</i>	Share Application A/c	
<i>Credit</i>	Share Capital A/c (Being the entry for transferring share application money of Rs. _____ per share allotted, transferred to share capital A/c)	
Sd/- Manager		Sd/- Accountant

**INTEXT QUESTIONS : 27.1**

A. Complete the following sentences with suitable word or words.

- i) Nominal value of a share is called its \_\_\_\_\_ value.
- ii) The procedure of issue of shares is controlled and regulated by \_\_\_\_\_.
- iii) \_\_\_\_\_ is an invitation to the public to subscribe for its shares.
- iv) Share Application money is received by the company from share \_\_\_\_\_.
- v) Share money on issued shares can be demanded by the company in lump sum or in \_\_\_\_\_.

B. Name the accounting Voucher prepared (Debit Voucher, Credit Voucher or Transfer Voucher) in the following cases:

- i. For receipt of share Application Money.
- ii. For Allotment of shares in consideration for purchase of fixed Assets.
- iii. For Allotment of shares to the creditors on repayment of liability.
- iv. For transfer of Share Application Money to Share Capital.

## 27.4 SHARE MONEY RECEIVED IN TWO OR MORE INSTALMENTS

The company may collect share money in lump sum or in two or more instalments.

### (i) Share money received in two or more instalments

When the share money is to be paid in two or more instalments, the first instalment, which the applicants have to pay along with the applications for shares, is called Share Application money. When the shares are allotted, the allottees are required to pay the second instalment, which is termed as Share Allotment money. If the company decides to call the share money in more than two instalments the other instalment is/are termed as call money (first call, second call or final call). These shares may be issued at par, at premium, at discount (less than face value).

#### i. Recording the receipt of Application Money

##### a) Treatment through journal.

Following journal entry is passed for receipt of Share Application Money

Bank A/c \_\_\_\_\_ Dr  
     To Share Application A/c  
 (Being Share Application Money received  
 for \_\_\_\_\_ shares @ Rs. \_\_\_\_\_ per share)

##### b) Treatment through Accounting Voucher :

Following credit voucher is prepared to record the receipt of Application money :

#### Credit Voucher

Company's Name		Date.....
Voucher No.		Amount Rs.
<b>Credit</b>	Share Application A/c (Being application money received for _____ shares @ Rs _____ per share)	
Sd/- Manager		Sd/- Accountant

The Credit Vouchers are entered on the debit side (receipt side) of the Day Book in the Bank Column. It is shown below alongwith posting to the ledger Account.



At the time of allotment, three situations may emerge viz :-

1. Equal Subscription
2. Under subscription
3. Over subscription

**1. Equal Subscription**

When the company receives applications equal to the number of shares offered for subscription, it is a case of equal subscription. In such a case, the company proceeds on making allotment of shares to all the applicants.

**2. Under Subscription**

The issue is said to have been undersubscribed when the company receives applications for less number of shares than offered to the public for subscription. In this case also, company is not to face any problem regarding allotment since every applicant will be allotted all the shares applied for.

**3. Over Subscription**

Sometimes company receives application for more number of shares than the number of shares offered to the public for subscription. This is a case of over subscription. A company cannot allot more shares than what it has offered. In case of over subscription, company has the following options:-

**Situation I**

**Rejection of Applications**

The company may reject the applications and a letter of regret is sent to them for the excess number of shares altogether. In this situation, the application money received from such applicants is returned to them in full. The journal entry passed is as follows :-

Share Application A/c Dr  
  
To Bank A/c  
(Being Application Money on  
\_\_\_\_\_ Shares refunded to  
the applicants)

The following accounting voucher is prepared for refund of share Application money.





The following transfer Voucher is prepared to transfer Share Allotment A/c to Share Capital A/c or for making share allotment money due :-

Transfer Voucher

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Debit</i>	<u>Share Allotment A/c</u>	
<i>Credit</i>	<u>Share Capital A/c</u> (Being share Allotment money due on _____ shares at Rs _____ per share.)	
Sd/- Manager		Sd/- Accountant

On the receipt of share allotment money, the following journal entry is passed:

Bank A/c Dr

To share Allotment A/c  
(Being amount due on share allotment  
of \_\_\_\_\_ shares received)

The following credit voucher is prepared on receipt of share Allotment money:

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Credit</i>	<u>Share Allotment A/c</u> (For receipt of Share allotment Money in respect of _____ shares @ _____ per share)	
Sd/- Manager		Sd/- Accountant

**CALLS ON SHARES**

The company may demand share money in more than two instalments. The amount called after the second instalment is called call money. Depending on the cash requirements of the company, there may be one or more calls.

After the adjustment of Application and allotment money, the money that remains unpaid can be called up by the company at any time. Thus, a call is a demand made by the company asking the share-holders to remit the called-up amount on shares allotted to them. The following journal entry is passed for making call money due:

Share Call A/c                      Dr  
   To Share Capital A/c  
 (Being call money due on \_\_\_\_\_  
 shares @ Rs \_\_\_\_\_ per share)

The following transfer voucher is prepared for making call money due:

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Debit</i>	<u>Share Call A/c</u>	
<i>Credit</i>	<u>Share Capital A/c</u> (For share call money due in respect of _____, @ Rs _____ per share; Transferred to share capital A/c.	
Sd/- Manager		Sd/- Accountant

The following journal entry is passed for receipt of calls money:

Bank A/c                              Dr  
   To Share Call A/c  
 (Being the call money due on \_\_\_\_\_  
 shares @ Rs \_\_\_\_\_ per share received)

The following credit voucher is prepared for receipt of calls money:

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Credit</i>	<u>Share Capital A/c</u> (For receipt of call money in respect of _____ shares)	
Sd/- Manager		Sd/- Accountant

If the company makes more than one call the same accounting treatment is followed for making 2nd and 3rd call money due and its receipt.

So far we have studied about the accounting treatment of transactions relating to issue of shares. Let us now take an example to illustrate all the entries discussed above.

### Example 1

Atlas cycles issued 1,00,000 shares of Rs 10/- each on 1st April, 1996. The amount payable on these shares was as under:-

Rs. 2/- Per share on Application

Rs. 3/- Per share on Allotment

Rs. 3/- Per share on 1st Call

Rs 2/- Per share on 2nd and final call.

- i. Pass journal entries and
- ii. Prepare Accounting vouchers to record the above transactions, and
- iii. Prepare relevant Accounts.

### Solution

### Journal Entries

Particulars	LF	Amount Rs.	Amount Rs.
Bank A/c <span style="float: right;">Dr</span> To Share Application A/c (Being Application money received on 1,00,000 shares @ Rs.2/- each)		2,00,000	2,00,000
Share Application A/c <span style="float: right;">Dr</span> To Share Capital A/c (Being Share Application Money in respect of 1,00,000 shares transferred to share capital A/c)		2,00,000	2,00,000
Share Allotment A/c <span style="float: right;">Dr</span> To Share Capital A/c (Being amount due on allotment of 1,00,000 shares @ Rs 3/- Per share)		3,00,000	3,00,000
Bank A/c <span style="float: right;">Dr</span> To Share Allotment A/c (Being Allotment money on 1,00,000 shares @ 3/- per share received)		3,00,000	3,00,000

Share First Call A/c	Dr	3,00,000	
To Share Capital A/c (Being amount due on first call on 1,00,000 shares @ Rs 3/- per share)			3,00,000
Bank A/c	Dr	3,00,000	
To Share First Call A/c (Being amount received on First call money on 10000 shares @ Rs 3/-)			3,00,000
Share Second Call A/c	Dr	2,00,000	
To Share Capital A/c (Being second call money due on 100000 shares @ Rs 2/- per share)			2,00,000
Bank A/c	Dr	2,00,000	
To Share Second Call A/c (Being Share 2nd Call money received on 1,00,000 shares @ Rs 2/- Per share)			2,00,000

## (ii) Accounting Vouchers

Voucher 1 : Credit Voucher

Atlas Cycles		Date.....
Voucher No. 1		Amount Rs.
<i>Credit</i>	<u>Share Application A/c</u> (For share application money received on 1,00,000 shares @ Rs. 2/- per shares)	2,00,000
		2,00,000
Sd/- Manager		Sd/- Accountant

Voucher 2 : Transfer Voucher

Atlas Cycles		Date.....
Voucher No. 2		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u>	2,00,000
		2,00,000
<i>Credit</i>	<u>Share Capital A/c</u> (For transfer of share application money to share capital A/c in respect of 1,00,000 shares @ Rs 2/- per share on shares Allotted)	2,00,000
		2,00,000
Sd/- Manager		Sd/- Accountant

Voucher No. 3: Transfer Voucher

Atlas Cycles		Date.....
Voucher No. 3		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Allotment A/c</u>	3,00,000
		3,00,000
<i>Credit</i>	<u>Share Capital A/c</u> (For making share allotment money due in respect of 1,00,000 shares @ Rs 3/- per share)	3,00,000
		3,00,000
Sd/- Manager		Sd/- Accountant

Voucher No. 4: Credit Voucher

Atlas Cycles		Date.....
Voucher No. 4		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	<u>Share Allotment A/c</u> (For receipt of Allotment money in respect of 1,00,000 shares @ Rs 3/- per share)	3,00,000
		3,00,000
Sd/- Manager		Sd/- Accountant

**Voucher No. 5: Transfer Voucher**

Atlas Cycles		Date.....
<i>Voucher No. 5</i>		<i>Amount Rs.</i>
<b>Debit</b>	<u>Share First Call A/c</u>	3,00,000
		3,00,000
<b>Credit</b>	<u>Share Capital A/c</u> (For share first call money due in respect of 1,00,000 share @ Rs 3/- per share)	3,00,000
		3,00,000
Sd/- Manager		Sd/- Accountant

**Voucher No. 6: Credit Voucher**

Atlas Cycles		Date.....
<i>Voucher No. 6</i>		<i>Amount Rs.</i>
<b>Credit</b>	<u>Share First Call A/c</u> (For receipt of share 1st call money in respect of 1,00,000 shares @ Rs 3/- per share)	3,00,000
		3,00,000
Sd/- Manager		Sd/- Accountant

**Voucher No. 7: Transfer Voucher**

Atlas Cycles		Date.....
<i>Voucher No. 7</i>		<i>Amount Rs.</i>
<b>Debit</b>	<u>Share Second Call A/c</u>	2,00,000
		2,00,000
<b>Credit</b>	<u>Share Capital A/c</u> (For share second call money due in respect of 1,00,000 share @ Rs 2/- per share)	2,00,000
		2,00,000
Sd/- Manager		Sd/- Accountant

Voucher No. 8: Credit Voucher

Atlas Cycles		Date.....
Voucher No. 8		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	Share Second Call A/c (For receipt of share second call money in respect of 1,00,000 shares @ Rs 2/- per share)	2,00,000
		2,00,000
Sd/- Manager		Sd/- Accountant

(iii) Relevant Accounts

**Bank Account**

Particulars	Amount Rs.	Particulars	Amount Rs.
To Share Application A/c	2,00,000	By Balance C/d	/
To Share Allotment A/c	3,00,000		
To Share Ist Call A/c	3,00,000		
To Share 2nd Call A/c	2,00,000		
	10,00,000		
To Balance b/d	10,00,000		10,00,000

**Share Application A/c**

Particulars	Amount Rs.	Particulars	Amount Rs.
To Share Capital A/c	3,00,000	By Bank A/c	3,00,000

**Share Allotment A/c**

Particulars	Amount Rs.	Particulars	Amount Rs.
To Share Capital A/c	3,00,000	By Bank A/c	3,00,000

## Share First Call A/c

Particulars	Amount Rs.	Particulars	Amount Rs.
To Share Capital A/c	3,00,000	By Bank A/c	3,00,000

## Share Second Call A/c

Particulars	Amount Rs.	Particulars	Amount Rs.
To Share Capital A/c	2,00,000	By Bank	2,00,000

## Share Capital A/c

Particulars	Amount Rs.	Particulars	Amount Rs.
	/	By Share Application A/c	2,00,000
		By Share Allotment A/c	3,00,000
		By Share First Call A/c	3,00,000
To Balance C/d	10,00,000	By Share Second Call A/c	2,00,000
	10,00,000		10,00,000

## Example 2

Bharat Limited issued on 1-4-97, 50,000 Equity Shares of Rs. 10/- each. The amount was payable as follows:

- (i) Rs. 2/- on Application
- (ii) Rs. 3/- per share on Allotment
- (iv) Rs. 3/- per share on First call made on 1-10-97.

Applications were received for 75,000 shares. Application money on 15,000 shares were returned alongwith Letters of Regret. Allotment of 50,000 shares to applicants for 60,000 shares was made on 1-6-97.

Money receivable on allotment was duly received. Similarly Call money was also duly received. Pass journal entries and Prepare the accounting vouchers for recording above transactions and relevant accounts.

## Solution

## (i) Journal Entries

Particulars	LF	Amount Rs.	Amount Rs.
Bank A/c Dr To Share Application A/c (For receipt of share Application money on 75,000 shares @ Rs 2/- per share)		1,50,000	1,50,000
Share Application A/c Dr To Share Capital A/c To Bank A/c To Share Allotment A/c (For transfer of share application money to share Capital A/c in respect of 50,000 allotted shares; refund of Application money to the applicants of 15,000 shares @ Rs. 2/- each, adjustment of Application Money in respect of 10,000 shares @ Rs 2/- to allotment)		1,50,000	1,00,000 30,000 20,000
Share Allotment A/c Dr To Share Capital A/c (For Share Allotment money due in respect of 50,000 allotted share @ Rs 3/- per share)		1,50,000	1,50,000
Bank A/c Dr To Share Allotment A/c (Allotment money received on 50,000 shares @ Rs 3/- per share less excess money received on application)		1,30,000	1,30,000
Share First Call A/c Dr To Share Capital A/c (For Share First Call Money due on 50,000 shares @ Rs 3/- per share)		1,50,000	1,50,000
Bank A/c Dr To Share First Call A/c (For receipt of share First Call Money on 50,000 shares @ Rs 3/- per share)		1,50,000	1,50,000

## (ii) Accounting vouchers

BHARAT LIMITED		Date.....
<i>Voucher No. 1</i>		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	<u>Share Application A/c</u> (Being share application money received for 75,000 shares @ Rs 2/- per share)	1,50,000
		1,50,000
Sd/- Manager		Sd/- Accountant

(2)

BHARAT LIMITED		Date.....	
Received	<i>Voucher No. 2</i>	<i>Amount</i> <i>Rs.</i>	
	<i>Debit</i>	<u>Share Application-A/c</u> (Application money on 15,000 Shares @ Rs. 2 per share returned with Letters of Regret vide Board's Resolution dt ___)	30,000
			30,000
Sd/- Manager		Sd/- Accountant	

(3)

BHARAT LIMITED		Date.....
<i>Voucher No. 3</i>		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u> <u>Share Allotment A/c</u>	1,00,000 1,50,000
		2,50,000
<i>Credit</i>	<u>Share Capital A/c</u> (Being entry for transferring Application Money on 50,000 shares @ Rs. 2 per share to Share Capital A/c.	2,50,000
(i)		
(ii)	Making Allotment Due on 50,000 shares @ Rs.3 per share as per Board's Resolution dated 1.6.97)	2,50,000
Sd/- Manager		Sd/- Accountant

(4)

<b>BHARAT LIMITED</b>		Date.....
<i>Voucher No. 4</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u>	20,000
		20,000
<i>Credit</i>	<u>Share Allotment A/c</u> (Being the entry for transferring the excess application money due to pro-rata allotment of 50,000 shares against 60,000 applied for, to Share Allotment Account vide Board's resolution dated 1.6.97)	20,000
		20,000
Sd/- Manager		Sd/- Accountant

(5)

<b>BHARAT LIMITED</b>		Date.....
<i>Voucher No. 5</i>		<i>Amount Rs.</i>
<i>Credit</i>	<u>Share Allotment A/c</u> (Allotment money on 50,000 shares @ Rs. 3 per shares received less excess Rs. 20,000 already adjusted)	1,30,000
		1,30,000
Sd/- Manager		Sd/- Accountant

(6)

<b>BHARAT LIMITED</b>		Date.....
<i>Voucher No. 6</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share First Call A/c</u>	1,50,000
		1,50,000
<i>Credit</i>	<u>Share Capital A/c</u> (Being First Call Money on 50,000 Shares of Rs. 10/- each made due @ 3/- per share vide Board's resolution dated 1.10.97)	1,50,000
		1,50,000
Sd/- Manager		Sd/- Accountant

(7)

BHARAT LIMITED		Date.....
Voucher No. 7		Amount Rs.
<i>Credit</i> Share First Call A/c		1,50,000
Being First Call Money on 50,000 shares received @ Rs. 3/- per share		1,50,000
Sd/- Manager		Sd/- Accountant

(iii) Relevant Accounts

## Share Capital Account

<i>Dr.</i>					<i>Cr.</i>				
Date	V. N.	Particulars	F.	Amount Rs.	Date	V. N.	Particulars	F.	Amount Rs.
						3	By Share Application A/c		1,00,000
							By Share Allotment A/c		1,50,000
		To Balance c/d		4,00,000		6	By Share Ist Call A/c		1,50,000
				4,00,000					4,00,000

## Share Application Account

<i>Dr.</i>					<i>Cr.</i>				
Date	V. N.	Particulars	F.	Amount Rs.	Date	V. N.	Particulars	F.	Amount Rs.
	2	To Bank A/c		30,000		3	By Bank A/c		1,50,000
	3	To Share Capital A/c		1,00,000					
	4	To Share Allotment A/c		20,000					
				1,50,000					1,50,000

## Share Allotment A/c

Dr.

Cr.

Date	V. N.	Particulars	F.	Amount Rs.	Date	V. N.	Particulars	F.	Amount Rs.
	3	To Share Capital A/c		1,50,000	4	By Share Application A/c			20,000
					5	By Bank A/c			1,30,000
				1,50,000					1,50,000

## Share First Call A/c

Dr.

Cr.

Date	V. N.	Particulars	F.	Amount Rs. P.	Date	V. N.	Particulars	F.	Amount Rs. P.
	6	To Share Capital A/c		1,50,000	7	By Bank A/c			1,50,000
				1,50,000					1,50,000

BALANCE SHEET OF *Bharat Ltd.* As ON .....

Liabilities	Amount Rs.	Assets	Amount Rs.
Authorised Capital Rs. 5,00,000 50,000 Equity Shares of Rs. 10/- each		Bank	4,00,000
Issued & Subscribed : 50,000 Equity Shares of Rs. 10/- each, Rs. 8/- per share called up	4,00,000		
	4,00,000		4,00,000

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**INTEXT QUESTIONS 27.2**


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A. Match the document given in Column A with its use in Column B.

Column A		Column B	
i.	Letter of Regret	1.	Issued for inviting public for subscription of shares
ii.	Prospectus	2.	Given by Bank to company along with application forms
iii.	Letter of Allotment	3.	Sent to those applicants to whom shares have not been allotted.
iv.	Advice Note	4.	Sent to those applicants to whom shares have been allotted

B. Fill in the blanks with appropriate word or words given in the brackets.

- i. Share Application Money is received from Share \_\_\_\_\_ (applicants/holders)
- ii. A Company \_\_\_\_\_ allot more shares than it has issued. (Cannot/Can)
- iii. If the Company collects the share money in more than two instalments the third instalment is termed as \_\_\_\_\_. (Share Application/Share Allotment/Share Call A/c)
- iv. In pro-rata Allotment, the number of shares allotted are \_\_\_\_\_ than the shares applied for. (less/more)
- v. In case of \_\_\_\_\_, the applicants are allotted shares equal to the number applied for. (under-subscription/over-subscription)

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### 27.5 ISSUE OF SHARES AT PREMIUM, AT DISCOUNT, CALLS IN ADVANCE; ETC.

If a company issues shares at a price more than its face value, the shares are said to have been issued at 'Premium'. The difference between the issue price and face value is called 'Premium'. It is a capital gain to the company. A company issues its shares at premium only when it feels that its shares are in greater demand. If a share of Rs.10/- is issued at Rs.12/-, it is said to have been issued at a premium of Rs.2/- per share. The money received as premium is transferred to share Premium A/c.

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The company is not free to use the amount collected as premium in any manner it likes. The Indian Companies Act has laid down certain restrictions on the use of the amount of share Premium. According to Section 78 of the Indian Companies Act, the amount of share premium can only be utilised for :-

- i. Issuing fully paid bonus shares;
- ii. Writing off preliminary expenses, discount or commission or expenses on issue of shares and debentures;
- iii. Paying premium on redemption of Preference shares or Debentures.

The Share premium money may be demanded by the company alongwith share application application money, or with share allotment money or even with calls. This is specified in the prospectus itself. Further, the company may demand the total amount of premium in parts also. In case the company does not specify the particular call with which share Premium is to be paid, it is supposed to be called with the Allotment.

Let us learn accounting treatment of share premium :-

**a) Share premium collected alongwith share Application**

If the share premium is collected on application and the company has taken decision about the allotment of shares, the following journal entry is passed :-

Share Application A/c	Dr.	
		To Share Premium A/c
(The amount of share premium received on allotted shares on share Application transferred to share premium A/c)		

**b) Share Premium alongwith Allotment money or Calls**

If the Company decides to demand the share premium alongwith share Allotment or Share call money, the following journal entry is passed:

Share Allotment A/c Dr		
	or	
Share Call A/c Dr		
To Share Premium A/c		
(Being the amount of share premium due on _____ shares @ Rs. _____ per share)		

**Accounting Vouchers****(i) Share Premium along with Application Money**

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Debit</i>	<u>Share Application A/c</u>	
<i>Credit</i>	<u>Share Premium A/c</u> (Being the entry for transferring the share premium received on _____ shares @ Rs. _____ per share, to Share Premium Account after the decision of allotment vide Board's resolution dated __)	
Sd/- Manager		Sd/- Accountant

**(ii) Share Premium alongwith Share allotment money or Call Money**

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Debit</i>	<u>Share Allotment/Share Call A/c</u>	
<i>Credit</i>	<u>Share Premium A/c</u> (For Share Premium money due in respect of shares @ Rs. _____ per share for Share premium)	
Sd/- Manager		Sd/- Accountant

**Example 3**

Premier Motors Ltd. issued 10,000 shares of Rs. 10 each at a premium of Rs 3 per share payable as.

Rs. 4 on Application (including Rs. 2/- per share Premium)

Rs 5 on Allotment (including Rs 1/- per share Premium)

Rs 4 on first and final call.

Applications were received for 9,000 shares and allotment was made

- i. Pass journal entries
- ii. Prepare Accounting Vouchers

Solution :

## JOURNAL ENTRIES

Date	Particulars	LF	Dr Amount Rs.	Cr Amount Rs.
	Bank A/c Dr To Share Application A/c (Being amount on Share Application received on 9,000 shares @ Rs.4 per Share)		36,000	36,000
	Share Application A/c Dr To Share Capital A/c To Share Premium A/c (For Share Application money transfered to Share Capital A/c and Share Premium A/c)		36,000	18,000 18,000
	Share Allotment A/c Dr To Share Capital A/c To Share Premium A/c (Being share Allotment money on 9,000 shares transferred to share Capital A/c and share Premium A/c)		45,000	36,000 9,000
	Bank A/c Dr To Share Allotment A/c (Being Share Allotment Money on 9,000 shares @ Rs. 5/- Per share received)		45,000	45,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Being Share Call Money Due on 9,000 Shares @ Rs. 4/- Per Share)		36,000	36,000
	Bank A/c Dr. To Share First and Final Call A/c (Being Share Call Money received on 9,000 Shares @ 4/-Per share)		36,000	36,000

## b) Preparation of Accounting Vouchers

Credit Voucher

Premier Motors Ltd		Date.....
<i>Voucher No. 1</i>		<i>Amount Rs..</i>
<i>Credit</i>	<u>Share Application A/c</u> (For receipt of share application money in respect of 9000 shares @ Rs 4/- per share)	36,000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Premier Motors Ltd		Date.....
<i>Voucher No. 2</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u>	18,000
		18,000
<i>Credit</i>	<u>Share Capital A/c</u> (For transfer of share application money to share capital A/c in respect of 9,000 shares @ Rs 2/- per share)	18,000
		18,000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Premier Motors Ltd		Date.....
<i>Voucher No. 3</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u>	18,000
		18,000
<i>Credit</i>	<u>Share Premium A/c</u> (Being transfer of share application money to share Premium A/c in respect of 9,000 shares @ Rs 2/- per share)	18,000
		18,000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Premier Motors Ltd		Date.....
<i>Voucher No. 4</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Allotment A/c</u>	45,000
		45,000
<i>Credit</i>	<u>Share Capital A/c</u> <u>Share Premium A/c</u> (For share allotment money due in respect of 9,000 shares @ Rs 5/- per share)	36,000 9,000
		45,000
Sd/- Manager		Sd/- Accountant

Credit Voucher

Premier Motors Ltd		Date.....
<i>Voucher No. 5</i>		<i>Amount Rs.</i>
<i>Credit</i>	<u>Share Allotment A/c</u> (For receipt of share allotment in respect of 9,000 shares @ Rs 5/- per share)	45,000
		45,000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Premier Motors Ltd		Date.....
<i>Voucher No. 6</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share First &amp; Final Call A/c</u>	36,000
		36,000
<i>Credit</i>	<u>Share Capital A/c</u> (For share first & final call money due in respect of 9,000 shares @ Rs 4/- per share)	36,000
		36,000
Sd/- Manager		Sd/- Accountant

Premier Motors Ltd		Date.....
Voucher No. 7		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	<u>Share First &amp; Final Call A/c</u> (For transfer of share first and final call money in respect of 9,000 shares @ Rs 4/- per share)	36,000
		36,000
Sd/- Manager		Sd/- Accountant

### ISSUE OF SHARES AT DISCOUNT

When the issue price of a share is less than its face value, shares are said to have been issued at discount. The excess of face value of the share over its issue price is called **discount**. For example, if company issues its shares of Rs.100 each at Rs.95/- each, in this case Rs.5/- per share is discount. Discount on shares is a loss to the company.

A company can issue shares at discount subject to the following conditions as laid down under section 79 of the Indian Companies Act.

- i) At least one year must have elapsed from the date of commencement of business.
- ii) Such shares are of the same class as had already been issued.
- iii) The company has sanctioned (resolved in its General meeting) and the court has approved such issue.
- iv) The rate of discount does not exceed 10%. The company will have to seek the permission of the Central Government, if it intends to allow more than 10% Discount.
- v) The issue is to be made within two months of sanction of the court.

#### Accounting treatment

The amount of discount is generally adjusted towards share allotment money by passing the following entry :-

Share Allotment A/c	Dr
Share Discount A/c	Dr

To Share Capital A/c  
(For share Allotment Money due in respect of \_\_\_ shares after allowing discount of \_\_\_ per share).

likewise a Transfer Voucher is prepared to adjust share discount on share allotment :

Transfer Voucher

Company's Name		Date.....
Voucher No.....		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Discount Account</u>	
<i>Credit</i>	<u>Share Capital A/c</u> Being the entry for recording the discount allowed ( _____ Shares of Rs. _____ each, @ Rs. _____ per share)	
Sd/- Manager		.Sd/- Accountant

**Sample 4**

THAK Ltd. issued 5,000/- shares of Rs 10/- each at a price of Rs 9/- per share, payable as follows :

Rs 3/- on Application

Rs 4/- on Allotment (discount Rs.1)

Rs 2/- on first and final call

the shares were subscribed for and the shareholders paid the money due in

Pass journal entries

Prepare Accounting Vouchers to record the issue of shares.

**Solution :****(i) Journal entries**

Date	Particulars	LF	Dr Amount Rs.	Cr Amount Rs.
	Bank A/c <span style="float: right;">Dr</span>  To Share Application A/c (Being receipt of Application Money on 5,000 shares @ Rs 3/- per share)		15,000	15,000
	Share Application A/c <span style="float: right;">Dr</span>  To Share Capital A/c (Being Transfer of Share Application Money to share capital A/c on the 5,000 allotted shares @ Rs 3/- per share)		15,000	15,000
	Share Allotment A/c <span style="float: right;">Dr</span> Share Discount A/c <span style="float: right;">Dr</span>  To Share Capital A/c (Being share Allotment money due on 5,000 shares @ Rs. 4 per share, discount allowed Rs 1/- per share)		20,000 5,000	25,000
	Bank A/c <span style="float: right;">Dr</span>  To Share Allotment A/c (Being Share Allotment received on 5,000 share @ 4/- per share)		20,000	20,000
	Share First and Final Call A/c <span style="float: right;">Dr</span>  To Share Capital A/c (Being Share call money due on 5,000 shares at Rs 2/- per share)		10,000	10,000
	Bank A/c <span style="float: right;">Dr</span>  To Share First & Final Call (Being Share call money due on 5,000 shares at Rs 2/- per share)		10,000	10,000

## Accounting Vouchers

## Credit Voucher

PATHAK LIMITED		Date.....
Voucher No. 1		Amount Rs.
<b>Credit</b>	<u>Share Application A/c</u> (Being the application money received on 5,000 shares @ Rs 3/- per share)	15,000
		15,000
Sd/- Manager	Sd/- Accountant	

## Transfer Voucher

PATHAK LIMITED		Date.....
Voucher No. 2		Amount Rs.
<b>Debit</b>	<u>Share Application A/c</u>	15,000
	<u>Share Allotment A/c</u>	20,000
	<u>Share Discount A/c</u>	5,000
		40,000
<b>Credit</b>	<u>Share Capital A/c</u>	
(i)	(Being Share Application Money received on 5,000 shares @ Rs 3/- per Share transferred to Capital A/c)	
(ii)	Allotment Money made due on 5,000 shares @ Rs. 4/- per Share	
(iii)	Discount on 5,000 shares @ Rs. 1/- per share charged to Share Capital A/c)	
		40,000
Sd/- Manager	Sd/- Accountant	

PATHAK LIMITED		Date.....
Voucher No. 3		Amount Rs.
<b>Credit</b>	<u>Share Allotment A/c</u> (Being the Allotment Money on 5,000 Shares received @ Rs 4/- per share)	20,000
		20,000
Sd/- Manager	Sd/- Accountant	

<b>PATHAK LIMITED</b>		Date.....
<i>Voucher No. 4</i>		<i>Amount Rs.</i>
<b>Debit</b>	<b>Share First and Final Call A/c</b>	10,000
		10,000
<b>Credit</b>	<b>Share Capital A/c</b> (Being the First and Final Call money made due on 5,000 Shares @ Rs. 2/- per Share)	10,000
		10,000
Sd/- Manager		Sd/- Accountant

<b>PATHAK LIMITED</b>		Date.....
<i>Voucher No. 5</i>		<i>Amount Rs.</i>
<b>Credit</b>	<b>Share First &amp; Final Call A/c</b> (Being the Share first and Final Call Money received on 5,000 shares @ Rs 2/- per share)	10,000
		10,000
Sd/- Manager		Sd/- Accountant

### CALLS IN ADVANCE

If a shareholder pays any amount to company before it is demanded, it is called Calls-in-Advance. This amount is not shown as capital of the company, till such time the company makes a demand from all the shareholders. Calls-in-Advance A/c is shown on the liabilities side of the Balance Sheet. For example, if a company issued shares of Rs 10/-. If against the uncalled portion of Rs 5/- per share, the Company calls Rs 3/- per share, the call entry will be made only for Rs 3/- per share. On the other hand if a shareholder pays Rs 5/- per share including the entire uncalled balance, it means that he has paid Rs 2/- per share as Calls-in-Advance.

Following journal entry is passed for Calls in advance:

Bank A/c	Dr
To Calls-in-Advance A/c	
(Being calls in advance	
received on _____ shares @ Rs	
_____ per share)	

Following Accounting voucher is prepared for recording calls in Advance.

<b>Company's Name</b>		<b>Date.....</b>
<b>Voucher No.</b>		<b>Amount Rs.</b>
<b>Credit</b>	<b>Calls in Advance A/c</b> (Being Calls-in-Advance received on ___ Shares @ Rs. _____ per share)	
<b>Sd/- Manager</b>		<b>Sd/- Accountant</b>

**Example 5**

Jsha Ltd offered 2,000 shares Rs.10 each to the public payable as:

Rs.2 on application.

Rs.2 on allotment.

Rs.2 on First call and the balance when required.

All the shares were applied for duly allotted but Ramesh paid the entire balance of his holding of 100 shares on allotment.

Make necessary Journal Entries and prepare Accounting vouchers.

**Solution**

**JOURNAL ENTRIES**

Date	Particulars	LF	Dr Amount Rs.	Cr Amount Rs.
	Bank A/c <span style="float: right;">Dr</span>		4,000	
	To Share Application A/c (For Share Application money received on 2,000 shares @ Rs.2 per share)			4,000
	Share Application A/c <span style="float: right;">Dr.</span>		4,000	
	To Share Capital A/c (For share application money transferred to Share Capital A/c)			4,000

Date	Particulars	LF	Dr Amount Rs.	Cr Amount Rs.
	Share Allotment A/c <span style="float: right;">Dr.</span> To Share Capital A/c (For Share Allotment money due on 2,000 shares @ Rs. 2 per share)		4,000	4,000
	Bank A/c <span style="float: right;">Dr.</span> To Share Allotment A/c To Calls in Advance A/c (For amount received on allotment)		4,600	4,000 600
	Share First Call A/c <span style="float: right;">Dr.</span> To Share Capital A/c (For First Call money due on 2,000 shares @ Rs.2 per share)		4,000	4,000
	Calls in Advance A/c <span style="float: right;">Dr.</span> Bank A/c <span style="float: right;">Dr.</span> To Share First Call A/c (For share first Call money received and calls in advance adjusted)		200 3,800	4,000

Accounting Vouchers

USHA LIMITED		
Voucher No. 1	Date.....	
	Amount Rs.	
<i>Credit</i>	Share Application A/c (For receipt of Applicaiton money in respect of 2,000 shares @ Rs 2/- per share)	4,000
		4,000
Sd/- Manager	Sd/- Accountant	

Transfer Voucher

USHA LTD		Date.....
<i>Voucher No. 2</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u>	4,000
		4,000
<i>Credit</i>	<u>Share Capital A/c</u> (For transfer of share application A/c to share capital account Account on Allotment of shares)	4,000
		4,000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

USHA LTD		Date.....
<i>Voucher No. 3</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Allotment A/c</u>	4,000
		4,000
<i>Credit</i>	<u>Share Capital A/c</u> (For share allotment money due on 2,000 shares @ Rs.20 per share)	4,000
		4,000
Sd/- Manager		Sd/- Accountant

Credit Voucher

USHA LTD		Date.....
<i>Voucher No. 4</i>		<i>Amount Rs.</i>
<i>Credit</i>	<u>Share Allotment A/c</u>	4,000
	<u>Calls-in-Advance A/c</u>	600
i)	For receipt of share allotment money in respect of 2,000 shares and	
ii)	Call-in-Advance in respect of 100 shares at Rs 5/- per share	4,600
Sd/- Manager		Sd/- Accountant

Transfer Voucher

USHA LTD		Date.....
<i>Voucher No. 5</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share First Call A/c</u>	4,000
		4,000
<i>Credit</i>	<u>Share Capital A/c</u> (Being share Ist Call money due in respect of 2,000 shares @ Rs. 2/- per share)	4,000
		4,000
Sd/- Manager		Sd/- Accountant

Credit Voucher

USHA LTD		Date.....
<i>Voucher No. 6</i>		<i>Amount Rs.</i>
<i>Credit</i>	<u>Share First Call A/c</u> (Being receipt of Share Ist Call Money on 2,000 shares @ Rs 2/- per share less calls in adv.)	3,800
		3,800
Sd/- Manager		Sd/- Accountant

USHA LTD		Date.....
<i>Voucher No. 7</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Calls in Advance A/c</u>	200
		200
<i>Credit</i>	<u>Share First Call A/c</u> (For adjustment of calls in advance A/c to share first call A/c)	200
		200
Sd/- Manager		Sd/- Accountant

## CALLS IN ARREARS

When the company sends notices to the shareholders to pay allotment and call money, it is to be paid by them within the specified time. If it is not paid by the shareholder(s), the unpaid amount becomes arrears due from them. Such arrears are called **Calls-in Arrears**. The following journal entry is passed to record **Calls in Arrears**:

Calls-in Arrears A/c           Dr  
   To Share Allotment/Calls A/c  
 (Being Share Allotment/Call Money  
 not received on \_\_\_\_ shares)

When the unpaid balance is received later on, the following entry is passed -

Bank A/c Dr  
   To Calls in Arrears A/c  
 (Being amount due on share allotment call  
 remaining unpaid, now received for \_\_\_\_ shares)

## ACCOUNTING VOUCHERS

For the unpaid call, the following Transfer voucher is prepared

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Debit</i>	<u>Calls in Arrears A/c</u>	
<i>Credit</i>	<u>Share Allotment/Calls A/c</u> (For Allotment/Call money remaining unpaid for ____ shares)	
Sd/- Manager		Sd/- Accountant

On receipt of unpaid calls, the following Credit voucher is prepared.

Company's Name		Date.....
Voucher No.		Amount Rs.
<i>Credit</i>	<u>Calls in Arrears A/c</u> (For amount remaining unpaid on ____ shares on allotment now received)	
Sd/- Manager		Sd/- Accountant

**Example 6**

A public company issued 2,000 equity shares of Rs. 100 each payable as Rs.20 on application, Rs.40 (including premium Rs.10) on allotment and Rs.25 on First call and balance on Final Call.

All the moneys were received except the first call money on 100 shares. It was later received along with final call.

Pass journal entries and Prepare Accounting Vouchers.

**Solution :**

**Journal Entries**

Date	Particulars	LF	Dr Amount Rs.	Cr Amount Rs.
	Bank A/c <span style="float:right">Dr</span> To Share Application A/c (Being share Application money received on 2,000 shares @ Rs 20/- per share)		40,000	40,000
	Share Application A/c <span style="float:right">Dr</span> To share Capital A/c (Being share Application money transferred to share capital)		40,000	40,000
	Share Allotment A/c <span style="float:right">Dr</span> To Share Capital A/c To Share Premium A/c (Being share allotment money due on 2,000 shares @ Rs 40 per share (including Rs 10/- per share)		80,000	60,000 20,000
	Bank A/c <span style="float:right">Dr</span> To Share Allotment A/c (Being receipt of share allotment money on 2,000 shares @ Rs 4/- per share)		80,000	80,000
	Share First Call A/c <span style="float:right">Dr</span> To Share Capital A/c (Being share call money due on 2,000 shares @ Rs 25/- per share)		50,000	50,000

Bank A/c	Dr	47,500	
Calls-in-Arrears A/c	Dr	2,500	
To Share Ist Call A/c (Being share Ist call money received on 1,900 shares @ Rs 25/- per share call money on 100 shares remaining unpaid)			50,000
Share Final Call A/c Dr		50,000	
To Share Capital A/c (Being share final call money due on 2000 shares @ Rs 25/- per share)			50,000
Bank A/c	Dr	52,500	
To Share Final Call A/c To Calls in Arrears A/c (Being share final call money received on 2000 shares @ Rs 25/- per share along with the unpaid balance of share first call)			50,000 2,500

### Accounting Vouchers

#### Credit Voucher

<b>Voucher No. 1</b>		<b>Company's Name</b>	<b>Date.....</b>
		<b>Amount Rs.</b>	
<b>Credit</b>	<u>Share Application A/c</u> (For Share Application money received for 2,000 @ 20/- per share)	40,000	
		40,000	
<b>Sd/- Manager</b>			<b>Sd/- Accountant</b>

Transfer Voucher

Company's Name		Date.....
<i>Voucher No. 2</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Application A/c</u>	40,000
		40,000
<i>Credit</i>	<u>Share Capital A/c</u> (For Application Money received on 2,000 shares @ Rs 20/- transferred to share capital)	
		40,000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Company's Name		Date.....
<i>Voucher No. 3</i>		<i>Amount Rs.</i>
<i>Debit</i>	<u>Share Allotment A/c</u>	80,000
		80,000
<i>Credit</i>	i) <u>Share Capital A/c</u> (For allotment Money due in respect of 2,000 shares at Rs 30/- per share)	60,000
	ii) <u>Share Premium A/c</u> (For share premium due on 2,000 shares @ 10/- per share)	20,000
		80,000
Sd/- Manager		Sd/- Accountant

Credit Voucher

Company's Name		Date.....
<i>Voucher No. 4</i>		<i>Amount Rs.</i>
<i>Credit</i>	<u>Share Allotment A/c</u> (For allotment money received on 2,000/- share @ 40/- per share)	80000
		80000
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Company's Name		Date.....
<i>Voucher No. 5</i>		<i>Amount</i>
		<i>Rs.</i>
<i>Debit</i>	<u>Share First Call A/c</u>	50,000
		50,000
<i>Credit</i>	<u>Share Capital A/c</u> (Share First Call money due in respect of 2,000 shares at 25/- per share)	50,000
		50,000
Sd/- Manager		Sd/- Accountant

Credit Voucher

Company's Name		Date.....
<i>Voucher No. 6</i>		<i>Amount</i>
		<i>Rs.</i>
<i>Credit</i>	<u>Share First Call A/c</u> (For Share First call money due, received on 1,900 shares @ 25 per shares)	47,500
		47,500
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Company's Name		Date.....
<i>Voucher No. 7</i>		<i>Amount</i>
		<i>Rs.</i>
<i>Debit</i>	<u>Call in Arrears A/c</u>	2,500
		2,500
<i>Credit</i>	<u>Share First Call A/c</u> (For amount due on 100 shares @ Rs 25 not received)	2,500
		2,500
Sd/- Manager		Sd/- Accountant

Transfer Voucher

Company's Name		Date.....
Voucher No. 8		<i>Amount</i> <i>Rs.</i>
<i>Debit</i>	<u>Share Final Call A/c</u>	50,000
		50,000
<i>Credit</i>	<u>Share Capital A/c</u> (Share Final Call money due on 2,000 shares @ Rs 25/- per share)	50,000
		50,000
Sd/- Manager		Sd/- Accountant

Credit Voucher

Company's Name		Date.....
Voucher No. 9		<i>Amount</i> <i>Rs.</i>
<i>Credit</i>	i. <u>Share Final Call A/c</u> (For Share Final Call money received on 2,000 shares @ 25/- per share)	50,000
	ii. <u>Calls in Arrears A/c</u> (For the amount due in respect of 100 shares on first call, Now received)	2,500
		52,500
Sd/- Manager		Sd/- Accountant

**INTEXT QUESTIONS27.3**

- A. Fill in the blanks with suitable word or words and figure or figures :
- i) The maximum discount allowed on shares is \_\_\_\_\_ percent.
  - ii) Share Premium is a \_\_\_\_\_ to the company.
  - iii) \_\_\_\_\_ voucher is prepared for issue of shares for consideration other than cash.
  - iv) If the discount per share is Rs.5/- on shares of Rs.100 each, the Share Capital A/c will be credited with Rs \_\_\_\_\_ per share.

- v) If the Premium per share is Rs 20/- on shares of Rs. 100 each, the Share Capital A/c will be credited with Rs \_\_\_\_ per share.

B. Choose the correct answer :

- i) If a company issues 1,000 shares of Rs. 100 each at a discount of 5%, money receivable on each share is Rs \_\_\_\_\_. (100, 95, 110)
- ii) If a shareholder fails to pay share Allotment or share call on demand, the unpaid amount is \_\_\_\_\_. (Calls in Advance, Calls in Arrears)
- iii) Application money received on 3,000 shares was Rs.9,000 (including a Premium of Rs 1/- per share) then on allotment of 3,000 shares, the Application money transferred to Share Capital account shall be Rs \_\_\_\_\_. (Rs.9,000, 6,000, 3,000)

## 27.6 WHAT YOU HAVE LEARNT

1. Face Value of a share is its par value.
2. Shares can be issued for Cash and for consideration other than Cash.
3. Prospectus is an invitation to the public for subscription of its shares.
4. Shares can be issued for purchase of some Asset or Payment of Creditors.
5. When shares are issued for cash, company collects the share money through its Banks.
6. Share money can be collected in lump sum or in instalments.
7. The first instalments is termed as share Application Money and second instalment is termed as share Allotment Money.
8. If the instalments are more than two, the instalment after share Allotment is called Share Call Money.
9. Applications for shares may be received equal to the number of shares issued, less than the number of shares issued (under subscription); for more than the number of shares issued (over subscription)
10. In case of over-subscription, the company may :
  - i) refund the excess application money received;
  - ii) Adjust excess application money towards share Allotment;



- (a) A Limited Company whose share capital is divided into 10,000 equity shares of Rs.10 each, issued 8,000 shares to the public. The entire money is payable along with the applications. All sums due have been received.
- (b) A Limited Company issued 20,000 equity shares of Rs.20 each, payable Rs.2.50 per share on application, Rs.7.50 per share on allotment, and Rs.5 per share on each of the two subsequent calls. All the money was duly received.
- (c) A Limited Company with an authorised capital of Rs. 10,00,000 divided into Rs.10 equity shares, issued 50,000 shares at a premium of 10% payable in full. All these shares are duly subscribed and fully paid for.
- (d) X Ltd., issued 10,000 shares of Rs. 10 each at Rs. 12 payable Rs. 3 on application, Rs. 4 on allotment (including the premium of Rs.2) and Rs. 5 on call. All the shares are subscribed, allotted and paid for at due dates.
- (e) A Limited Company issued 10,000 shares of Rs. 10 each at a discount of 10%. The shares were payable as to 20% on application, 40% on allotment and the balance on first call. All the money was duly received.

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- (a) Akshay Ltd. made an issue of 20,000 shares of Rs. 10 each payable as follows :

Rs. 2.50 on application, Rs. 2.50 on allotment, Rs. 2.50 on first call and the balance on second call. The first call is made and all members pay, including a member holding 800 shares, who pays for the balance due in full. Later the final call is made and fully met.

Give journal entries.

- (b) Savitri Ltd. with an authorised capital of Rs. 10,00,000, in shares of Rs. 10 each, issued 50,000 of such shares, payable Rs.2 per share on application, Rs. 3 on allotment, Rs.2.50 per share three months later, and the balance as and when required. All moneys payable on allotment were duly received. But when the call of Rs.2.50 was made a shareholder holding 100 shares failed to pay, while another shareholder holding 200 shares paid the entire Balance.
- i. Pass Journal entries and prepare Accounting Vouchers
  - ii. Show the share capital as it would appear in the Balance Sheet

