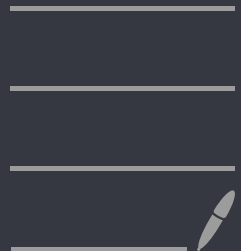


Issue of Shares



Types of Business Org.

Sole proprietor

- Limited cap
- Unlimited liab

Partnership

- Max 50 partners
- Unlimited liab

Company

↓
Separate legal entity.

○○○○○
D S H C K
Promoters/
Members

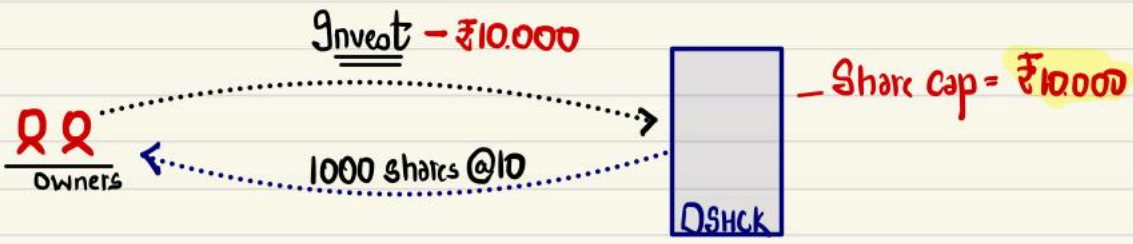
ROC
Registrar of company

MOA → Authorised Share Cap ^{→ Max cap}



Artificial person, created by law.

D S H C K pvt Ltd.

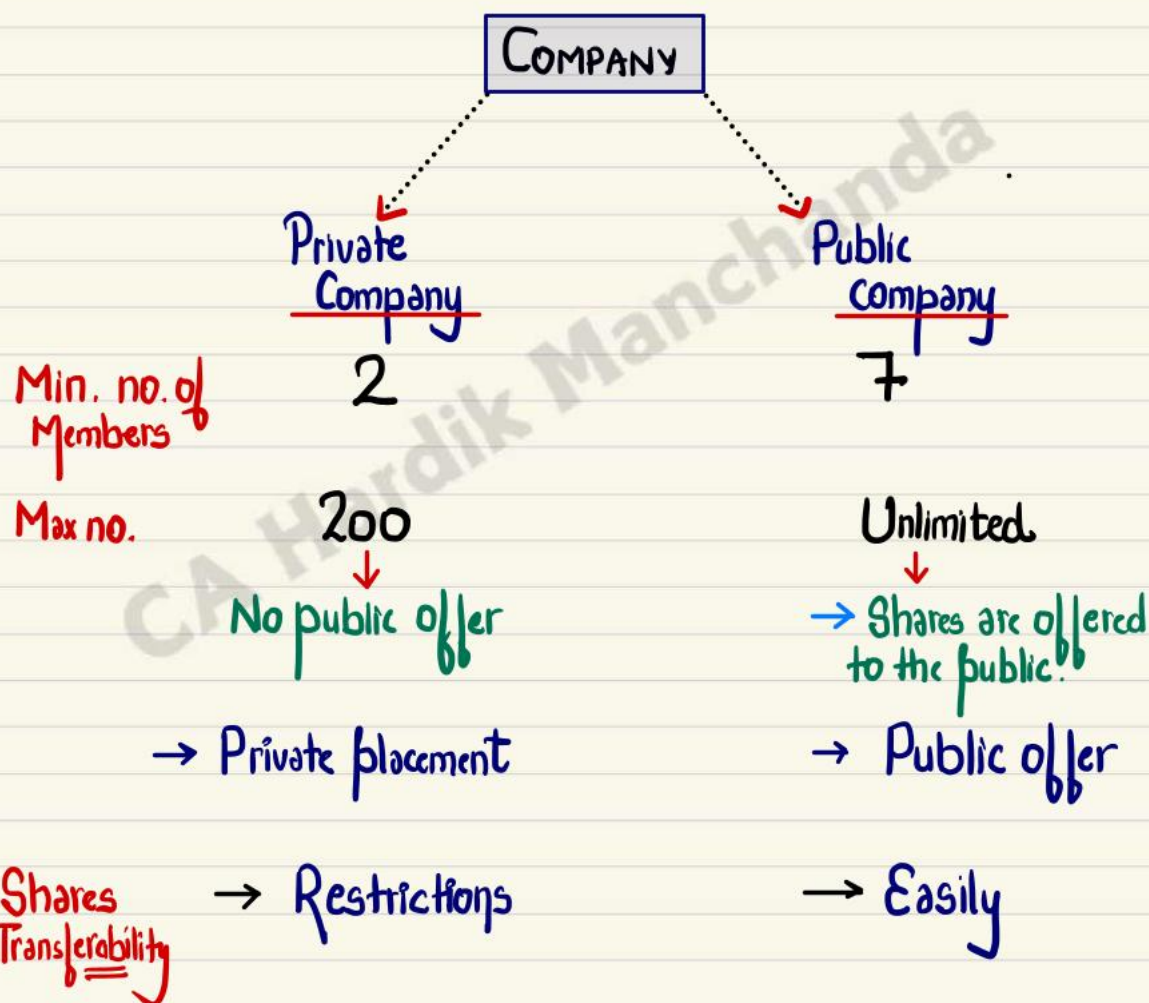


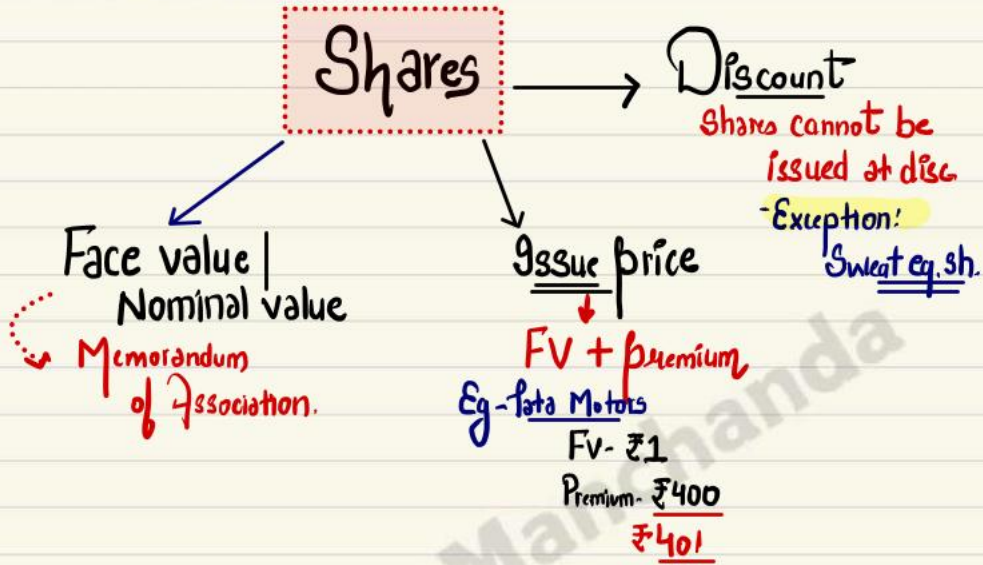
MoA - ₹10,00,000
□□ - Shares
↳ ₹10

= 100,000 Shares @ ₹10 each

↓ Face value /
Nominal value

Share Capital — Ownership
└ unit of ownership — Shares

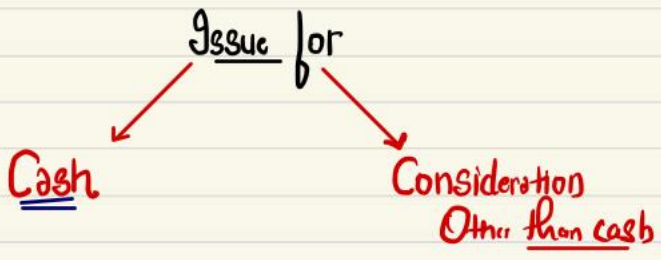




1) Authorised Share Capital: Max amt of capital which a company is authorised to raise during lifetime of the company.
 - Mentioned in M.O.A.

2) Issued share capital: Portion of auth cap. offered for subscription.

IPO → share price is decided through Book building process Range 102-108



Minimum Subscription

Min. 90% of the issued shares should be subscribed.

Eg- Applied - 89000 shares
Co. will refund the Money

4) Called up Capital :

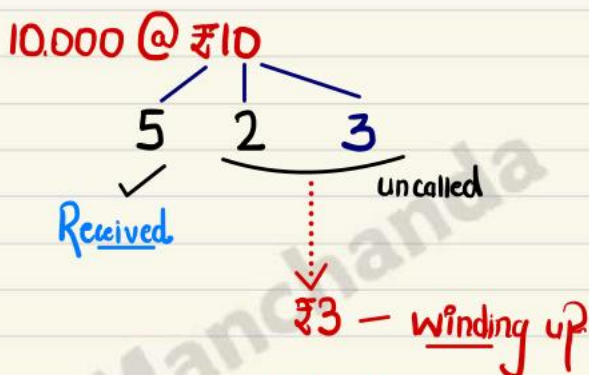
Issue price - ₹100
 30 ✓ 40 ✓ 30
 ↳ Uncalled capital

- Portion of issue price which company has demanded or called from shareholders.

5) Paid up Capital : Portion of called capital, paid by shareholder.

₹70 called up : } ₹40 - not paid, unpaid
 ₹30 paid up } - Calls in Arrear.

6. Reserve capital [Different from Capital Reserve]



— uncalled cap to be called up at the time of winding up of the company.

On the date of Allotment → Eq. sh. App Dr 30,000
 To eq. sh cap A/c 30,000

"
 Allotment Money Due → Eq. Share Allotment Dr 40,000 ^{Receivable}
 To Eq. sh cap A/c 40,000

Allotment Money Rec → Bank Dr. 40,000
 To Eq. sh. Allotment 40,000

Call Money Due → Eq. share first & final call A/c Dr. 30,000
 To Eq. sh. cap A/c 30,000

Call Money Rec → Bank A/c Dr 30,000
 To Eq. share first & final call 30,000



- Public applied for 8500 shares.

↓
Undersubscription

1. Sumit - 1000 Shares
 ↳ full amount is paid along with allotment

Shantam - 500 Shares
 App ✓
 Allotment ✗
 Call → ✓✓

JOURNAL

1. Bank A/c Dr. [8500 x 3] 25500
 To eq. share App 25500
2. Eq. share App Dr. 25500
 To Eq. sh. cap A/c 25500
3. Eq. sh. Allotment Dr. [8500 x 4] 34000
 To eq. sh. cap A/c 34000

4. Bank A/c Dr. 35000
 [34000 - 2000 + 3000]
 Calls in Arrear Dr. 2000 [500x4] Receivable

To Eq. Sh. Allotment A/c 34000

[1000 x 3] To Calls in Adv. A/c 3000

5. Eq. share first & final coll Dr. [8500x3] 25500

To Eq. share Cap A/c 25500

6. Bank A/c Dr. 24500

[25500 + 2000 - 3000]

Calls in Adv. Dr 3000

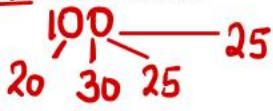
To Eq. share first & final coll 25500

To Calls in Arrear A/c 2000

ILLUSTRATION 3

On 1st April, 2021, A Ltd. issued 43,000 shares of ₹ 100 each payable as follows:

- ₹ 20 on application;
- ₹ 30 on allotment;
- ₹ 25 on 1st October, 2021; and
- ₹ 25 on 1st February, 2022.



By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2022.

JOURNAL

Date	Particulars	Dr.	Cr.
20th May	Bank A/c To Eq. share App A/c	800,000	800,000
1st June	Eq. sh. App Dr. To Eq. sh. cap	800,000	800,000
1st June	Eq. share Allotment Dr. To Eq. share Cap A/c	1,200,000	1,200,000
15th July	Bank Dr To Eq. sh. All. A/c	1,200,000	1,200,000

ILLUSTRATION 5

The Delhi Artware Ltd. issued 50,000 equity shares of ₹ 100 each and 1,00,000 preference shares of ₹ 100 each. The Share Capital was to be collected as under:

	Equity Shares (₹)	Preference Shares (₹)
On Application	25	20
On Allotment	20	30
First Call	30 ✓	20
Final Call	25 ✓	30 ✓

All these shares were subscribed. Final call was received on 42,000 equity shares and 88,000 preference shares. Prepare the cash book and journalise the remaining transactions in the books of the company.

Cash Book

Dr.

Date	Particulars	₹	Date	Particulars	₹
	To eq. share App A/c	1250.000			
	To pref share App A/c	20.00.000			
	To Eq. Share Allot A/c	10.00.000			
	To Pref. sh. Allot A/c	30.00.000			
	To Eq. sh. first call	1500.000			
	To pref. sh. first call	20.00.000			
	To eq. sh. final call	1050.000		by bal cld	1.44.00.000
	To pref sh. final call	<u>2640.000</u>			<u>1.44.00.000</u>

JOURNAL

1.

Eq. share App	Dr	1250.000		
Pref share App	Dr	20.00000		
			To Eq. sh cap	1250.000
			To Pref sh. cap	20.00000

2.

Eq. sh. Allotment A/c	Dr	10.00.000		
Pref sh. Allotment	Dr	30.00.000		
			To Eq. sh. Cap A/c	10.00.000
			To pref sh. cap A/c	30.00.000

3.

Eq. sh. first call	Dr	1500.000		
Pref sh. first call	Dr	20.00.000		
			To Eq. share cap	1500.000
			To pref sh. cap	20.00.000

4.

Eq. sh. Second & final call	Dr	1250.000		
Pref sh. Second & final call	Dr	30.00.000		
			To Eq. share cap A/c	1250.000
			To pref share cap A/c	30.00.000

5.

Calls in Arrear	Dr	(8000x25)		200.000
			To Eq. share final call	200.000

6. Calls in Arrear Dr. (12000 x 30) 360,000
 To Pref. sh. final call 360,000

Calls in Arrear

When Calls in Arrear A/c is opened

Without opening Calls in Arrear A/c → Receivable

Due- Eq. sh. final call Dr 1250,000
 To Eq. sh cap 1250,000

Amt Rec- Bank Dr 1050,000
 To Eq. sh. final call 1050,000

Eq. sh. final call A/c : Dr 1250,000
 Cr. 1050,000

Calls in Arrear Dr.
 - 200,000

Dr. balance 200,000
 ↓
Receivable

Amt Rec- Bank Dr
 To calls in Arrear

Bank Dr
 To Eq. sh. Final call

ILLUSTRATION 6

On 1st October, 2022 Pioneer Equipment Limited received applications for 2,50,000 Equity Shares of ₹ 100 each to be issued at a premium of 25 per cent payable as :

On Application ₹ 25 ✓ LFV = 25

On Allotment ₹ 75 (including premium) - 50 + 25

Balance Amount on Shares As and when required

The shares were allotted by the Company on October 20, 2022 and the allotment money was duly received on October 31, 2022.

Record journal entries in the books of the company to record the transactions in connection with the issue of shares. ✓

2022JOURNAL

Oct 1, Bank A/c Dr. (250,000 x 25) 62,50,000
 To Eq. Sh. App A/c 62,50,000

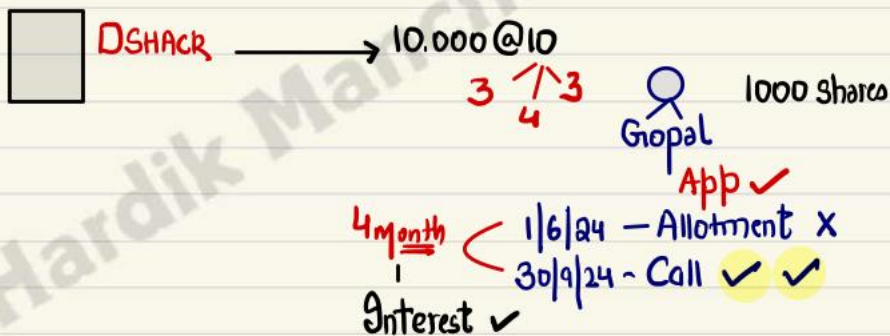
Oct 20 Eq. Sh. App A/c Dr. 62,50,000
 To Eq. Sh. cap 62,50,000

Oct 20 Eq. Sh. All. A/c Dr. [250,000 x 75] 1,87,50,000
 [250,000 x 50] To Eq. Sh. cap A/c 1,25,00,000
 [250,000 x 25] To Security Prem A/c 62,50,000

Oct 31 Bank Dr. 1,87,50,000
 To Eq. sh. All A/c 1,87,50,000

→ INTEREST ON CALLS IN ARREAR & ADVANCE

1. Int on Calls in Arrear



→ Int rate on calls in Arrear is generally mentioned in AOA.

→ In case nothing is mentioned, then rate prescribed by

Table F is applied.

10-10 p.a. from the date installment was due till the date amt is received

$$\text{Int on Calls in Arrear} : (1000 \times 4) \times \frac{10}{100} \times \frac{4}{12}$$

$$= \underline{\underline{₹133}}$$

Journal 1. Shareholder A/c Dr. 133

To Int on calls in Arrear 133

2. Bank A/c 4133
(133 + 4000)

To Shareholder A/c 133
To Calls in Arrear 4000

2. Int on Calls in Advance.

→ As per Table F, Int @ 12% p.a. is allowed, from the date money is received, till the date installment is due.

Eg:-  Komal

1000 @ 10%
3 4 3

1/4/2024 Application - 3000

30/6/24 Allotment - $1000 \times 4 + 1000 \times 3$
= 7000 Advance

30/9/24 - Call = Int = $3000 \times \frac{12}{100} \times \frac{3}{12}$
= ₹90

JOURNAL

1. Bank A/c Dr. 250,000
To Eq. sh. App A/c 250,000
2. Eq. sh. App Dr. 250,000
To Eq. sh cap 250,000
3. Eq. sh. All A/c Dr. 300,000
To Eq. sh. cap 300,000
4. Bank A/c Dr. 300,000
To Eq. sh. All A/c 300,000
5. Eq. sh. first call Dr. 200,000
To Eq. sh. cap A/c 200,000
6. Bank A/c Dr. 225,000
[200,000 + 25,000]
To eq. sh. first call A/c 200,000
To calls in Advance 25,000
7. Eq. share Second & final call Dr. 250,000
To eq. sh cap 250,000

8. Bank A/c Dr. 2,22,500

[250,000 - 25,000 - 2,500]

Calls in Adv. Dr. 25,000

Calls in Arrear Dr. 2,500 ✓

To Eq. Sh. final call 250,000

9. Int on Calls ^Pin Adv. A/c Dr. 750

To Shareholder A/c 750

10. Shareholder Dr. 750

To Bank 750

11. Shareholder Dr. 42

To Int on Calls in Arrear 42

12. Bank [42 + 2500] 2542

To Shareholder A/c 42

To Calls in Arrear 2500

Journal

1. Eq. Share first call A/c Dr. 40,000
 To Eq. Share cap A/c 40,000

2. Bank A/c [40,000 + 6,000] 46,000
 To eq. sh. first call 40,000
 To Calls in Advance 6,000

3. Eq. Share final call A/c Dr. 60,000
 To Eq. Sh. Cap A/c 60,000

4. Bank A/c Dr. [60,000 - 6,000 - 900] 53,100
 Calls in Adv. Dr. 6,000
 Calls in Arrear Dr. 900 [100 x 3 + 200 x 3]
 To Eq. Sh. final call 60,000

5. Int on calls in Adv Dr. 240
 To Shareholder A/c 240

6. Shareholder A/c Dr. 240
 To Bank 240

7. [200 shares] Shareholders A/c Dr. 15
 To Int on calls in Arrear 15

8. Bank Dr [200 x 3 + 15] 615
 To Shareholder A/c 15
 To Calls in Arrear 600

9. [100 shares] Shareholders A/c Dr 10
 To Int on Calls in Arrear 10

10. Bank Dr [100 x 3 + 10] 310
 To Shareholder A/c 10
 To Calls in Arrear 300

Oversubscription

↓
 Applied Shares > Issued shares

Issued 50,000 shares @ 10 $\begin{matrix} 3 \\ 4 \\ 3 \end{matrix}$
 Applied 60,000 shares



Excess Application = 10,000 shares

Reject / Refund

10,000 x 3 = 30,000



Pro-Rata



1. Bank A/c Dr. (60,000 x 3) 180,000
 To Eq. Sh. App A/c 180,000
2. Eq. Sh. App A/c Dr 180,000
 (50,000 x 3) To Eq. Sh Cap A/c 150,000
 To Bank A/c 30,000

ILLUSTRATION 4

Pant Ltd. invited applications for 50,000 equity shares at ₹ 50 each, which are payable as on application ₹ 20, on allotment ₹ 10 and on first and final call ₹ 20. The company received applications for 60,000 shares. The directors accepted application for 50,000 shares and rejected the rest. Show Journal entries if company refunded the application money to rejected applicants and allotment money was received for 45,000 shares.

1. Bank A/c Dr. (60,000 x 20) 1200,000
 To Eq. Share App A/c 1200,000
2. Eq. Sh. App Dr. 1200,000
 (50,000 x 20) To Eq. Sh. cap 10,00,000
 (10,000 x 20) To Bank A/c 200,000

Due - Receivable

3. Eq. Share Allotment $(50,000 \times 10)$ 500,000

To Eq. sh. Cap 500,000

4. Bank A/c Dr. $(45,000 \times 10)$ 450,000

Calls In Arrear Dr. $(5,000 \times 10)$ 50,000

To eq. sh. All A/c 500,000

CA Hardik Manchanda

* PRO-RATA

$$60,000 - 50,000$$

6:5

$$10 \begin{matrix} 3 \\ -4 \\ 3 \end{matrix}$$

$$\text{App Money} = \text{Received} - 60,000 \times 3 = ₹180,000$$

$$\text{Eq. sh cap} \rightarrow 50,000 \times 3 = ₹150,000$$

$$\rightarrow \text{Excess App Money} = 30,000 [10,000 \times 3]$$

↓
If nothing is mentioned,
↓
It will be adjusted on allotment

Journal.

1. Bank A/c Dr. 180,000 [60,000 x 3]
To eq. sh. App A/c 180,000

2. Eq. sh App A/c Dr 180,000
[50,000 x 3] To eq. share cap A/c 150,000

Advansu To Eq. sh. Allotment A/c 30,000

Receivable →

3. Eq. sh. Allotment A/c Dr. (50,000 x 4) 200,000
 To Eq. sh. Cap A/c 200,000

4. Bank A/c Dr. 170,000 -
 To eq. sh. Allotment A/c 170,000

EQ:

Tina Ltd. invited 40,000 shares @ ₹10 each payable as:

- ₹4 on Application
- ₹2 on Allotment
- ₹3 on First Call
- ₹1 on Second & Final Call

The company received applications for 70,000 shares, and a pro-rata allotment was made to all the applications. The excess money left after adjusting on allotment is refunded. All the money was duly received. Pass the necessary Journal Entries in the books of Tina Ltd.



70,000 - 40,000 Pro-rata

WN1 Excess App Money (30,000 x 4) = 120,000

Allotment money due (40,000 x 2) = 80,000

Excess App Money adj (80,000)

Allotment Rec NIL

Amount Refunded = 40,000
 (120,000 - 80,000)

JOURNAL

1. Bank A/c Dr. [70,000 x 4] 280,000
 To Eq. Share App A/c 280,000

2. Eq. Sh. App A/c Dr. 280,000

[40,000 x 4] To Eq. Sh Cap A/c 160,000

To Eq. Sh. All. A/c 80,000
 To Bank A/c 40,000

3. Eq. Sh. All. A/c Dr. [40,000 x 2] 80,000
 To Eq. Sh. Cap 80,000

4. No Allotment money Received.

EQ.

Shakti Ltd. invited applications for issuing 1,00,000 Equity shares of ₹ 10 each. The amount was payable as follows:

$$\begin{array}{c} 10 \\ 3 \quad 2 \quad 5 \\ \hline \end{array}$$

- (i) On Application ₹ 3 per share
- (ii) On Allotment ₹ 2 per share
- (iii) On First and Final Call ₹ 5 per share

Applications were received for 2,20,000 shares. Applications for 20,000 shares were rejected and their application money was refunded. Shares were allotted to the remaining applicants as follows:

- I Allotted 50% shares to Raman who had applied for 40,000 shares.
- II Allotted in full to Akbar who had applied for 20,000 shares.
- III Allotted balance of the shares on *pro rata* basis to the other application.

Excess application money was utilised in payment of allotment and final call. All calls were made and were duly received. Pass the necessary Journal entries in the books of Shakti Ltd.

WNI

	Application	-	Allotment
	220,000	-	100,000
	20,000	-	X
I	40,000	-	20,000
	20,000	-	20,000
II	140,000	-	60,000

WN

	I	II
1. Excess App Money	20,000 x 3 = ₹ 60,000	80,000 x 3 = ₹ 240,000
2. Allotment amt due	40,000 (20,000 x 2)	120,000 (60,000 x 2)
3. Excess App Money adj	(40,000)	(120,000)
4. Amt Rec on All	-	-
5. Call Money due	100,000 (20,000 x 5)	300,000 (60,000 x 5)
6. Excess App Money adj	(20,000)	(120,000)
Call Money Rec	80,000	180,000

JOURNAL

- Bank A/c Dr. [220,000 x 3] 660,000
 To Eq. Sh. App A/c 660,000
- Eq. Sh. App A/c Dr. 660,000
 [100,000 x 3] To eq. sh. Cap 300,000
 Excess App Money adj. (To eq. sh. All. 160,000
 To eq. sh. final Call A/c 140,000
 To Bank 60,000)

3. Eq. Sh. All. A/c Dr. (100,000 x 2) 200,000
To eq. sh. cap A/c 200,000

4. Bank Dr [20,000 x 2] 40,000
To eq. sh. Allotment 40,000

5. Eq. Sh. first & final call Dr 500,000
To eq. sh. cap A/c 500,000

6. Bank A/c Dr 360,000
To eq. share first & final call 360,000
