Question 6. Describe the provisions of law relating to 'Calls-in-Arrears' and 'Calls in Advance'

Answer: Calls-in-Arrears The portion of called up capital which is not paid by the shareholder within a specified time is known as calls-in-arrears. In other words, when a shareholder fails to pay the amount due on allotment or any subsequent calls, then it is termed as call-in-arrears.

The company is authorised by its Article of Association to charge interest at a specified rate on the amount of call-in-arrears from the due date till the date of payment. If the Article of Association is silent in this regard, then Table A shall be applicable that is interest at 5% pa is charged.

It is deducted from the called-up share capital on the liabilities side of the Company's Balance Sheet. The company can also forfeit the shares on account of non-payment of the calls money after giving proper notice to shareholders.

Calls in Advanqe It means calls not due but paid by the shareholder in advance. Thus, the amount of future calls is received in advance by the company.

In other words, when a shareholder pays the whole amount or a part of the amount in advance, i.e., before the company calls, then it is termed as calls in advance. The company is authorised by its Article of Association to pay interest at the specified rate on call in advance from the date of payment till the date of call made.

If the Article of Association is silent in this regard, then the Table A shall be applicable that is, interest at 6% pa is provided. It is shown under the heading of current liabilities on the liabilities side of the Company's Balance Sheet.

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