

RULES FOR ISSUE OF SHARES

ACCOUNTING ENTRIES FOR

ISSUE OF SHARES

- A company raises its capital by issue of shares A public company can issue shares only after it has met the prescribed legal compliances

Issue of shares for cash

- *Issue of shares for cash means issued by a company against received by cheque or a banking instrument.*
- *Issue price may be payable by the subscriber by two ways ...*
 1. *in lump along with application*
 2. *in installment at different stages*

Issue of shares and amount payable in lumpsum

ACCOUNTING ENTRIES

For receiving shares application and allotment money

Bank A/c ..dr.

to shares application and allotment A/c

(being amount received with application)

share application and allotment A/c ..dr.

to share capital A/c

(being application money received)

Issue of share and amount payable in instalment

On receipt of application

Accounting entry:

Bank A/c ..dr.

to shares application and A/c

(being amount received with application)

share application and A/c ..dr.

to share capital A/c

(being application money received)

Amount due on Allotment of shares

Shares allotment A/c ..dr.

To share capital

(being money due in share allotted)

Bank A/c ..dr.

To share allotment A/c

(being money received on shares allotted)

ON first final call being due

Share first and final call A/c ..dr.

To share capital A/c

(being money payable on first call)

Bank A/c ..dr.

to share first and final call

(being amount received on first call)

NOTE :- IF THE QUESTION IS SILENT AS TO WHEN PREMIUM IS RECEIVED IT IS ASSUMED THAT SECURITY PREMIUM RESERVE IS COLLECTED ALONG WITH THE ALLOTMENT MONEY.

Share allotment A/c ..dr.

to shares capital A/c

to security premium reserve A/c

(being money payable on first call)

Bank A/c ..dr.

to share allotment A/c

(being total money received with premium)

ACCOUNTING ENTRIES FOR OVER SUBSCRIPTION OF SHARES

When the number of shares applied for exceed the number of share issued.

Usually the following procedure is adopted :

- Total rejection of some application**
- Acceptance of some application is full.**
- Allotment to the remaining applicants on a pro rata basis.**

Issue of shares is said to be over subscribed when the number of shares applied are more then the number of shares issues for subscription.

CALLS IN ARREARS

If a shareholder does not pay the call amount due in allotment or any calls according to the terms, the amount not so received is called Calls-in-arrears

Accounting Entries of CALLS-IN-ARREARS

ON non-receipt of call amount:

call-in-arrears A/c ..dr.

To relevant call A/c

(being relevant call amount not received)

ON receipt of call-in-arrears at a subsequent date:

Bank ..dr.

To calls-in-arrears A/c

(being calls-in-arrears amount received)

CALLS IN ADVANCE

A company may, if its AOA allows, accept the amount against the calls or calls not yet made. The amount so received in advance is credited to call-in-advance account.

Accounting Entries of CALLS-IN-Advance

It is adjusted when the respective call is made due:

calls-in-advance A/c ..dr.

To relevant call A/c

(being amount received in advance is adjusted)

ON receipt of calls in advance :

Bank ..dr.

To calls-in-advance A/c

(being relevant calls amount received in advance)

SHARES ISSUED FOR
CONSIDERATION
OTHER THAN CASH

I. (A) ON PURCHASE OF ASSETS

sundry assets A/cs (individually) ..dr.
To vendor's A/c

(being assets purchase from vendor)

(B) ON PURCHASE OF BUSINESS

sundry assets A/cs (individually) ..dr.

goodwill A/c ..dr.

to sundry liabilities A/cs (individually)

to vendor's A/c

to capital reserve A/c

(being business purchase form vendor)

II. on issue of shares

(a) if shares are issued to vendor to at par:

Vendor's A/c ..dr.

TO share capital A/c

(being shares issued at par)

(B) IF SHARES ARE ISSUED AT PREMIUM

Vendor's A/cs ..dr.

To share capital A/c

To securities premium reserve A/cs (individually)

(being shares issue at premium)