

The background features a light cream-colored central area framed by a thin gold border. This is surrounded by abstract, organic shapes in shades of brown, teal, and orange. In the bottom right corner, there is a stylized floral illustration with a brown flower and teal leaves. Small red arrowheads are placed at the corners of the central frame: three pointing down at the top right and three pointing up at the bottom left.

# **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*
  - 11. in installment at different stages*



# Issue of shares and amount payable in lumpsum

## *ACCOUNTING ENTRIES*

**For receving 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 THE WHEN PREMIUM IS RECEIVED IT IS ASSUMED THE 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:

calla-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)