



परमाणु ऊर्जा शिक्षण संस्था

(परमाणु ऊर्जा विभाग का स्वायत्त निकाय, भारत सरकार)

ATOMIC ENERGY EDUCATION SOCIETY

(An autonomous body under Department of Atomic Energy, Govt. of India)

Handout

Subject – Accountancy

Class - XII

Accounting for share capital (Module 1/4)

This module covers the following topics-

Share: Fractional part of the capital, and forms the basis of ownership in a company. Shares are generally of two types, viz. equity shares and preference shares.

Share Capital of a company is collected by issuing shares to either a select group of persons through the route of private placements and/or offered to the public for subscription. Shares are issued either for cash or for consideration other than cash.

Stages of Share Issue: The issue of shares for cash is required to be made in strict conformity with the procedure laid down by law for the same. When shares are issued for cash, the amount on them can be collected at one or more of the following stages:

- (i) Application for shares
- (ii) Allotment of shares
- (iii) Call/Calls on shares.

Calls in Arrears: Sometimes, the full amount called on allotment and/or call (calls) is not received from the allottees/shareholders. The amount not so received are cumulatively called 'Unpaid calls' or 'Calls in Arrears'.

There are also instances where some shareholders consider it discreet to pay a part or whole of the amount not yet called-up on the shares allotted to them. Any amount paid by a shareholder in the excess of the amount due from him on allotment/call (calls) is known as '**Calls in Advance**' for which a separate account is maintained. A company has the power to charge interest on calls in arrears and is under an obligation to pay interest on calls-in-advance if it accepts them in accordance with the provisions of Articles of Association.

Over Subscription: It is possible for the shares of some companies to be oversubscribed which means that applications for more shares are received than the number offered for subscription. If the amount of minimum subscription is not received to the extent of 90%, the issue dissolves. In case the applications received are less than the number of shares offered to the public, the issue is termed as 'under subscribed'.

Issue of Shares at Premium: Irrespective of the fact that shares have been issued for consideration other than cash, they can be issued either at par or at premium.

The issue of shares at par implies that the shares have been issued for an amount exactly equal to their face or nominal value. i.e. at an amount more than the nominal or par value of shares, the amount of

premium is credited to a separate account called 'Securities Premium Reserve

Account', the use of which is strictly regulated by law.

Issue of Shares at Discount: Shares can as well be issued at a discount, i.e. for an amount less than the nominal or par value of shares provided the company fully complies with the provisions laid down by law with regard to the same. Apart from such compliance, shares of a company cannot ordinarily be issued at a discount.

Forfeiture of Shares: Sometimes, shareholders fail to pay one or more instalments on shares allotted to them. In such a case, the company has the authority to forfeit shares of the defaulters. This is called 'Forfeiture of Shares'. Forfeiture means the cancellation of allotment due to breach of contract and to treat the amount already received on such shares as forfeited to the company.

Reissue of Shares: The management of a company is vested with the power to reissue the shares once forfeited by it, subject of course, to the terms and conditions in the articles of association relating to the same. The shares can be reissued even at a discount provided the amount of discount allowed does not exceed the credit balance of Share forfeiture account relating to shares being reissued. Therefore, discount allowed on the reissue of forfeited shares is debited to Share forfeiture account.