

## ISSUE OF SHARES

The total capital of a co. is divided into a no. of small indivisible units of a fixed amount and each such unit is called a share. This fixed value is called the nominal / par / face value of a share. As per the limited liability clause, the liability of a shareholder is limited to the issue price of the shares acquired by him.

The total capital of the co. is called the “share capital” of the co. which can further be classified as under :

**Authorised share capital :** It is contained in the ‘capital clause’ of ‘memorandum of association’ of the co. It is the total capital which a co. is authorised to raise during its lifetime. It is also called “nominal capital” or “registered capital”. It is always shown in the Balance Sheet as face value.

**Issued share capital :** It is the capital issued by the co. i.e., offered to the public for subscription for cash or consideration other than cash. It is shown in the balance sheet at face value.

**Un-issued share capital :** Capital which is not issued either for cash or other consideration is called un-issued share capital. It is not shown in the Balance Sheet.

**Subscribed share capital :** It is that part of the issued capital which is subscribed by the public i.e. applied by the public and allotted by the co. for cash or other consideration.

**Called-up share capital :** It is that part of the issue price of the share which is demanded by the co. from the shareholder.

**Uncalled share capital :** It is that part of the issue price of the share which the co. has decided to demand in future.

**Paid-up share capital :** It is that portion of the called-up share capital which is paid by the shareholder i.e., **Called up capital – calls-in-arrears (calls unpaid) = paid-up share capital**

**Reserve share capital :** It is that portion of the subscribed capital that shall not be called except in the event of winding up of the co. However, a special resolution is required to be passed under section 99 of the Companies Act, 1956 for the same. It is also called “Reserve Liability”.

**Journal Entries :**

Points	Journal entry												
1. Application money received	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Bank A/c</td> <td style="width: 20%; text-align: right;">Dr.</td> <td style="width: 20%; text-align: right;">XX</td> </tr> <tr> <td style="padding-left: 20px;">To Share Application A/c</td> <td></td> <td style="text-align: right;">XX</td> </tr> </table>	Bank A/c	Dr.	XX	To Share Application A/c		XX						
Bank A/c	Dr.	XX											
To Share Application A/c		XX											
2. Application money transferred to share capital Account	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Share Application A/c</td> <td style="width: 20%; text-align: right;">Dr.</td> <td style="width: 20%; text-align: right;">XX</td> </tr> <tr> <td style="padding-left: 20px;">To Share Capital A/c</td> <td></td> <td style="text-align: right;">XX</td> </tr> <tr> <td style="padding-left: 20px;">To Securities Premium A/c</td> <td></td> <td style="text-align: right;">XX</td> </tr> <tr> <td style="padding-left: 20px;">To Share Allotment A/c</td> <td></td> <td style="text-align: right;">XX</td> </tr> </table>	Share Application A/c	Dr.	XX	To Share Capital A/c		XX	To Securities Premium A/c		XX	To Share Allotment A/c		XX
Share Application A/c	Dr.	XX											
To Share Capital A/c		XX											
To Securities Premium A/c		XX											
To Share Allotment A/c		XX											

**ISSUE OF SHARES**

**CALIBRE COACHING CLASSES**

	To Calls in Advance A/c To Bank A/c	XX XX
3. Allotment money due	Share Allotment A/c Discount on issue of shares A/c To --- Share capital A/c To Securities Premium A/c	Dr. XX Dr. XX XX XX
4. Allotment money received	Bank A/c Calls in arrears A/c To Share Allotment A/c	Dr. XX Dr. XX XX
5. Call money due	Share --- call A/c To Share Capital A/c To Securities Premium A/c	Dr. XX XX XX
6. Call money received	Bank A/c Calls in arrears A/c Calls in advance A/c To Share --- call A/c	Dr. XX Dr. XX Dr. XX XX
7. Interest on calls in arrears	Bank / Sundry Shareholder's A/c To Interest on calls in arrears A/c	Dr. XX XX
8. Interest on calls in advance	Interest on calls in advance A/c To Bank / sundry shareholder's A/c	Dr. XX XX
9. Interest on calls in arrears transferred to P and L A/c	Interest on calls in arrears A/c To Profit and Loss A/c	Dr. XX XX
10. Interest on calls in advance transferred to P and L A/c	Profit and Loss A/c To Interest on calls in advance A/c	Dr. XX XX
11. Issue of shares for consideration other than cash	Assets A/c To Liabilities A/c To Purchase consideration A/c	Dr. XX XX XX
12. Issue of shares to promoters	Goodwill A/c To Equity share capital A/c	Dr. XX XX
13. Forfeiture of shares	Equity Share capital A/c Securities premium A/c To Share Forfeiture A/c To Calls in arrears A/c	Dr. XX Dr. XX XX XX
14. Reissue of shares	Bank A/c	Dr. XX

	Share Forfeiture A/c	Dr. XX
	Discount on issue of shares A/c	Dr. XX
	To Equity Share Capital A/c	XX
	To Securities Premium A/c	XX
15. Balance in share forfeiture A/c transferred to Capital Reserve	Share forfeiture A/c	Dr. XX
	To Capital Reserve A/c	XX

Important points :

1. Amount received upon reissue **Plus** amount received from defaulting member can not be less than amount credited to capital as paid up.
2. In other words, amount of fresh discount upon reissue can not exceed the amount received from defaulting member.
3. However, if the shares were previously issued at a discount, the original discount will be recorded at the time of reissue. Discount over and above the original discount will be taken out of **share forfeiture account** which, again, can not exceed the amount received from the defaulting member.
4. It is not mandatory to reissue the shares at a premium which were originally issued at a premium.
5. If the forfeited shares are partially reissued, then –

$$\text{Amount available for discount} = \frac{\text{Balance in Share Forfeiture A/c}}{\text{No. of shares forfeited}} \times \text{No. of shares reissued}$$

$$\text{Balance to be transferred to Capital Reserve} = \left( \frac{\text{Balance in Share Forfeiture A/c}}{\text{No. of shares forfeited}} \times \text{No. of shares reissued} \right) - \text{Amount of discount upon reissue}$$

$$\begin{aligned} \text{Amount to be shown in Balance Sheet as addition to Share Capital} &= \text{Balance in Share forfeiture a/c} \\ &(-) \text{Amount available for reissue} \\ \text{(i.e. NET Balance in Share Forfeiture A/c)} & \end{aligned}$$

6. If all the forfeited shares are reissued then total balance available in share forfeiture account will be available for the purpose of reissue. After reissue of the shares, balance available in share forfeiture account will be transferred to Capital Reserve.
7. Interest on Calls in arrears is to be charged @ **5%** p.a. from the due date to the date of actual payment as required by Table A.
8. Interest on Calls in advance is to be paid @ **6%** p.a. from the date of receipt to the date of appropriation as required by Table A.

**ISSUE OF SHARES**

**CALIBRE COACHING CLASSES**