

Company share issued at Premium and Discount and deal with call-in -arrear & Call -in-advance

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 not authorised in the Articles of Association then the company may charge interest at 10% p.a. according to Table F of the Companies Act, 2013.

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.

Journal entries of call- in-arrear at the time of allotment (or) share firstcall (or) share final call

Bank A/c Dr

Call-in-arrear A/c. Dr

To share allotment A/c (or) share firstcall A/c (or) Share final call A/c

Calls-in-Advance : 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 calls-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 F of Companies Act, 2013 shall be applicable that is, interest at 12% p.a. is provided.

It is shown under the heading of current liabilities on the liabilities side of the Company's Balance Sheet.

Journal entries of call- in-advance at the time of allotment (or) share firstcall A/c

Bank A/c Dr

To Share allotment A/c (or) share firstcall

To Call-in-advance A/c.

I.Issue at premium and call - in -arrear

A limited company offered for subscription 10,000 shares of ₹ 25 each, payable ₹ 5 per share on application, ₹ 10 per share on allotment (including ₹ 5 per share as premium), ₹ 5 per share as first call on the shares and the balance in two equal amounts at intervals of three months. All the shares were applied for and allotted. All the money was received except the second call and final call on 200 and 400 shares respectively. You are asked to show the entries in the company's Journal, Cash Book and the ledger. Also show the company's Balance Sheet on completion of the above transaction.



Sol:
 Issued 10000 shares of Rs 25 each at premium
 Rs. 5 - called 10000 shares payable as:

on application	= 25	
on allotment (Rs. 5)	= 50	allot - 50 - 10
on first call	= 25	premium - 50
on second call	= 25	
on third call	= 25	
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A Ltd Company - Journal Entries

Date	Particulars	L F	Debit ₹	Credit ₹
1	Bank a/c (1) Dr To Share application a/c (2) [Being share application money received 10000 shares @ 5 p.p.] (10000 x 5 = 50000)	Dr	50000	50000
2	Share application a/c Dr To Share Capital a/c (3) [Being share application money to share capital a/c]	Dr	50000	50000
(X) 3	Share Allotment a/c (10000 x 10) Dr (4) To Share Capital a/c (10000 x 5) (5) To Share Premium a/c (10000 x 5) (6) [Being share allotment money due on 10000 shares @ 10 including premium]	Dr	100000	50000 50000
4	Bank a/c Dr To Share Allotment a/c [Being share allotment money received]	Dr	100000	100000

Sl. No.	Particulars	Dr	Debit	Credit
5	Share first call a/c (6) Dr To Share Capital a/c [Being first call money due on 10000 shares @ Rs 5 each] (10000x5)	Dr	50000	50000
6	Bank a/c Dr To Share first call a/c [Being first call money received]	Dr	50000	50000
7	Share second call a/c (7) Dr To Share Capital a/c [Being second call money due on 10000 shares @ Rs 5] (10000x5)	Dr	50000	50000
(*) 8	Bank a/c (9000x5) Dr Call-in-amount a/c (200x5) Dr To Share second call a/c [Being share second call money received except 200 shares]	Dr	49000 1000	50000
9	Share final call a/c (9) Dr To Share Capital a/c [Being share final call due on 10000 share @ Rs 5 each]	Dr	50000	50000
(*) 10	Bank a/c (9800x5) Dr Call-in-amount a/c (200x5) Dr To Share final call a/c [Being share final call money received except 200 shares]	Dr	48000 2000	50000

Ledger A/c		Journal in the books of P Ltd Company	
Particulars	Dr	Particulars	Cr
	Dr	By Balance c/d	247000
To Share Application A/c	50000		
To Share Allotment A/c	100000		
To Share First Call A/c	50000		
To Share Second Call A/c	50000		
	247000		247000
To Balance b/d	247000		
To Share Capital A/c	50000	By Bank A/c	50000
	50000		50000
To Balance c/d	200000	By Share Application A/c	50000
	200000	By Share Allotment A/c	100000
		By Share First Call A/c	50000
		By Share Second Call A/c	50000
		By Share First Call A/c	50000
	200000		200000
To Share Capital A/c	50000	By Bank A/c	100000
To Share Premium A/c	50000		
	100000		100000
To Balance c/d	50000	By Share Allotment A/c	50000
	50000		50000
	50000		50000



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DATE: / /

Journal Entries in the books of M/s. Adventure Co. Ltd

Date	Particulars	Dr	Cr
1.	Bank A/c To Share application a/c [Being application money received]	Dr 125,000	Cr 125,000
2.	Share application a/c To Share Capital a/c [Being share application money transferred to share capital a/c]	Dr 12,500	Cr 12,500
3.	Share allotment a/c Discount on issue of shares a/c To Share Capital a/c [Being share allotment money due on 50,000 shares @ 30 p.s. and discount on issue of shares of ₹10]	Dr 150,000 50,000	Cr 200,000
4.	Bank a/c To Share allotment a/c To Call-in-advance a/c [Being allotment money received and I & II call money received in advance on 500 shares held by Jagan (500 @ 35)]	Dr 15,175	Cr 150,000 175
	$ \begin{array}{r} 500 \times 15 = 7500 \\ 500 \times 20 = 10000 \\ \hline 35 \quad 17500 \end{array} $		
5.	Share first call a/c To Share Capital a/c [Being first call money due on 5000 shares @ 15]	Dr 75,000	Cr 75,000

Date	Particulars	L F	Debit ₹	Credit ₹
6.	Bank A/c Dr Call-in-Advance A/c Dr To Share first Call A/c		7,42,500 7,500	7,50,000
	[Being first call money received on 4,950 shares @ 15 p. shares and Call-in-Advance]			
7.	Share Second Call A/c Dr To Share Capital A/c		10,00,000	10,00,000
	[Being share second call money due on 5000 shares @ 20 p.s.]			
8.	Bank A/c Dr Call-in-Advance A/c Dr To Share second Call A/c		9,90,000 10,000	10,00,000
	[Being share second call money received on 4,950 shares @ 20 p.s. and Call-in-Advance]			