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-arrearA/c. Dr

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

<u>Calls-in-Advance</u>: 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

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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 oncompletion of the above transaction.



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II. Discount on issue of shares and call -in-advance

New Adventure Co. Ltd issued a prospectus inviting applications for 50000 equity shares of Rs.100 each at a discount of 10% (allowed at the time of allotment).

The amount is payable as follows:

On Application Rs.25 per share

On Allotment Rs.30 per share

On first call Rs.15 per Share

On final call Rs.20 per share

Applications were duly received for 50000 shares and allotment was made. The entire amount was duly received. Mr. Sagar holding 500 shares paid the entire amount on his shares along with the allotment money.

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