



THIRUTHANGAL NADAR COLLEGE

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Selavayal, Chennai-51.

A Self-Financing Co-educational College of Arts & Science

Affiliated to the University of Madras

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An ISO 9001: 2015 Certified Institution

NAME OF THE DEPARTMENT: B.Com (Computer Applications)

SUBJECT : Corporate Accounting

TOPIC : Issue of Shares

STAFF NAME : C.Kandasamy

Issue of shares

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the page, creating a modern, layered effect. The text 'Issue of shares' is centered in a green serif font.

Definition of A Company

A company is an association of persons who agree to contribute money to the equity shares for the purpose of employing it in a business. A company is a creation of law and is called an artificial person, having a corporate legal entity and a common seal.

Meaning of Share: The capital of a company is divided into units of small denominations; each such unit is called a share.

Types of Shares : A public company can issue only two types of shares

- (1) Preference shares
- (2) Equity Shares

- ▶ (1) **Preference Share:** Preference share is one which carries the following two preferential rights:-
 - (a) In respect of payment of dividends.
 - (b) In return of capital if the company being wound up.

- ▶ (2) **Equity shares:** They are such shares which carry no special rights as regards receipt of dividends and return of capital at the time of liquidation. According to sec. 5(2) of companies Act, 1956, equity shares are those which are not preference shares.

► **Types of Preference Shares:**

(i) **Cumulative Preference Shares:** These are those shares on which arrears of dividend accumulate which could not be paid due to insufficient profits in any year.

(ii) **Non-Cumulative Preference Shares:** These shares do not have the privilege of accumulation of the unpaid or arrears of dividends. **Corporate Accounting 15** For free study notes log on www.gurukpo.com

(iii) **Participating Preference Shares:** Shares, which carry the right left after paying preference and equity dividends.

(iv) **Convertible Preference Shares:** Shares, which can be converted into equity shares after a particular period.

(v) **Non-Convertible Preference Shares:** Shares, which don't carry the right of conversion into equity shares.

(vi) **Redeemable Preference Shares:** Shares, the capital of which is refunded by the company after a specified duration.

(vii) **Irredeemable Preference Shares:** The capital of which can not be refunded before winding up of the company.

(viii) **Non-Participating Preference Shares:** Shares which do not carry the right of sharing in the surplus left after paying equity dividend.

(ix) **Cumulative Convertible Preference Shares:** Which are cumulative as well as convertible having both the rights.

Meaning of Share Capital and Its Categories.

- ▶ **Share Capital:** Capital raised by the company from issue of shares.
- ▶ (1) **Authorized Capital:** This is the maximum limit of capital which is authorized to raise.
- ▶ (2) **Issued Capital:** It is that part of authorized capital which the company has issued to the public.
- ▶ (3) **Subscribed Capital :** It is that part of the issued capital which is actually subscribed by the public.
- ▶ (4) **Called Up Capital:** It is that amount on the shares subscribed, demanded from the public by the company.
- ▶ (5) **Paid-Up Capital:** The part of called-up capital which is actually paid by shareholders.
- ▶ (6) **Reserve Capital:** The company may decide by passing a special resolution that a portion of the uncalled amount shall not be called up by the company except in case of winding up or liquidation. This is called reserve capital

Types of Issue of shares

1. Issue of shares for immediate, full consideration
2. Issue of shares for consideration receivable in instalments termed as calls
3. Issue of shares without any consideration
 - Issue of Bonus shares
4. Issue of shares through other Methods:
 - (a) Right issue
 - (b) Employee Stock option schemes
 - (c) Sweat equity
 - (d) Private placement etc.,

Over Subscription of shares: Shares are said to be over-subscribed when the number of shares applied for is more than the shares offered for the issue. Board of directors may make the allotment of shares as under in case of over-subscription:-

(i) Pro-rata or proportional allotment to all the applications. Excess money received is not refunded but retained and of adjusted towards sums due for allotment.

(ii) Some of the applicants may be rejected fully while remaining applicants be allotted shares in full. In such a case, the application money to non allottees is refunded along with a letter of regret.

Under Subscription:- Share are said to be under-subscribed when the number of share applied for is less than the number of shares offered.

1. Issue of shares for immediate full consideration:

Consideration receivable can be either of the following:

(a) Non cash consideration and (b) Cash consideration

(a) Non cash consideration

A Company may issue shares for consideration other than cash in three different situations.

(1) Issue of shares for acquisition of assets:			
Date	Particulars	Debit	Credit
	Asset A/c (Dr)	XXX	
	To Share Capital A/c		XXX
	[Being allotment of shares in consideration of the purchase of fixed assets]		

(2) Issue of shares to vendors of business			
Date	Particulars	Debit	Credit
	Assets A/C (Dr)	XXX	
	Goodwill A/C (Dr)	XXX	
	To Liabilities A/c		XXX
	To Vendors A/c		XXX
	To Capital Reserve A/c		XXX
	[Being assets and liabilities taken over and goodwill/capital reserve thereon]		
	Vendors A/c (Dr)	XXX	
	To Share capital A/c		XXX
	[Being shares issued to compensate promoters, as per resolution nodated		
(3) Issue of shares to promoters etc., for services rendered by them			
	Goodwill A/c (Dr)	XXX	
	To Share capital A/c		XXX
	[Being shares issued to compensate promoters, as per resolution nodated		

(b) Cash consideration

Companies may issue shares and receive the full amount of the issue in one lump sum. The issue may be at par or at a premium or at a discount.

DATE	PARTICULAR	DEBIT	Credit
(A)	When the issue is at par		
	Bank A/c (Dr)	XXX	
	To Share Capital A/c		XXX
	[Being issue of shares for cash, at par]		
(B)	When the issue is at premium		
	Bank A/c (Dr)	XXX	
	To Share Capital A/c		XXX
	To Securities Premium A/c		XXX
	[Being issue of shares at premium]		
(C)	When the issue is at discount		
	Bank A/c Dr	XXX	
	Discount on Issue of Shares A/c Dr		XXX
	To Share Capital A/c		XXX
	[Being issue of ... shares at discount of as per resolution dated ...]		

Issue of shares for consideration receivable instalments termed as call.

DATE	PARTICULAR	DEBIT	CREDIT
1	For receiving share application money Bank A/c Dr To Share Application A/c [Being the application money received on applications at Rs each]	XXX	XXX
2	At the time of share allotment Share Application A/c Dr To Share Capital A/c [Being transfer of application money of allotted shares]	XXX	XXX
3	For return of rejected application money Share Application A/c Dr To Bank A/c [Being return of the application money of rejected applicants]	XXX	XXX
4	For transfer of excess application money of pro-rata applicants Share Application A/c Dr To Share Allotment A/c [Being excess application money of pro-rata allottees transferred]	XXX	XXX

Issue of shares for consideration receivable instalments termed as call.

DATE	PARTICULAR	DEBIT	CREDIT
5	For allotment amount receivable Share Allotment A/c Dr To Share Capital A/c [Being allotment money receivable]	XXX	XXX
6	When cash is received for allotment Bank A/c Dr To Share Allotment A/c [Being the amount received towards allotment]	XXX	XXX
7	When share first call is made For first call amount receivable Share First Call A/c Dr To Share Capital A/c [Being share first call amount receivable]	XXX	XXX
8	When cash is received for First Call: Bank A/c Dr To Share First Call A/c [Being the amount received towards Share First Call]	XXX	XXX