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B.Com Honours | Semester III | Calicut University

Corporate Accounting

Course Code: COM3CJ202 • Module 1 Notes

Module I: Accounting of Shares and Debentures

Corporate Accounting governs the financial accounting and reporting for joint-stock companies under the Companies Act, 2013. This module covers Unit 1 (Shares, Equity & Preference Shares, Issue at Par/Premium/Discount), Unit 2 (Calls in Arrears/Advance & Forfeiture with Solved Problems), and Unit 3 (Debentures & Issue Types with Solved Problems).

Unit 1: Shares – Introduction, Issue of Shares, Equity Shares, Preference Shares, & Issue at Par, Premium, and Discount

1. Share Capital Categories: Authorized Capital (MOA maximum), Issued Capital, Subscribed Capital, Called-Up Capital, Paid-Up Capital ((Paid Up = Called Up - Calls in Arrears)).
2. Equity vs Preference Shares: Equity shares carry voting rights and variable dividends. Preference shares carry fixed dividends and preferential capital repayment (Types: Cumulative/Non-Cumulative, Redeemable/Irredeemable, Convertible/Non-Convertible, Participating/Non-Participating).
3. Issue Conditions: At Par (Face Value), At Premium under Section 52 (Credited to Securities Premium A/c; used for bonus shares, preliminary expenses, redemption premium), At Discount under Section 53 (Prohibited/Void, except Sec 54 Sweat Equity).

Practical Problem 1 (Issue of Shares at Premium): Apex Ltd. issued 10,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share, payable: Rs. 3 on Application, Rs. 5 on Allotment (including premium), and Rs. 4 on Final Call. All shares were subscribed and payments received. Pass Journal Entries.

Working Note & Solution: Total issue price = Rs. 12 per share.

- *Bank A/c Dr. 30,000* to *Equity Share Application A/c 30,000* (Application money received).
- *Equity Share Allotment A/c Dr. 50,000* to *Equity Share Capital A/c 30,000* & to *Securities Premium A/c 20,000* (Allotment due with premium).
- *Bank A/c Dr. 50,000* to *Equity Share Allotment A/c 50,000* (Allotment money received).
- *Bank A/c Dr. 40,000* to *Equity Share Final Call A/c 40,000* (Call money received).

Unit 2: Calls in Arrears - Calls in Advance – Forfeiture (Theory & Solved Problems)

1. Calls Rules: Calls in Arrears (unpaid calls; Table F interest 10% p.a.). Calls in Advance (advance payment; Table F interest 12% p.a.).
2. Forfeiture & Reissue Rules: Cancellation of shares after 14 days' notice. Max discount on reissue = Amount previously forfeited. Net profit transferred to Capital Reserve.

Practical Problem 2 (Share Forfeiture & Reissue - Issued at Par): BETA Ltd. forfeited 500 Equity Shares of Rs. 10 each fully called up, held by Rahul for non-payment of final call of Rs. 3 per share. These shares were later re-issued to Shyam as fully paid up for Rs. 8 per share. Calculate the amount to be transferred to Capital Reserve and pass forfeiture entries.

Step-by-Step Solution:

- Amount Called-Up = (500 imes 10 = ext{Rs. 5,000}). Unpaid Call = (500 imes 3 = ext{Rs. 1,500}). Amount Received = (500 imes 7 = ext{Rs. 3,500}).
- **Forfeiture Entry:** Debit Equity Share Capital A/c Rs. 5,000 | Credit Calls in Arrears A/c Rs. 1,500 | Credit Share Forfeiture A/c Rs. 3,500.
- **Reissue Entry:** Debit Bank A/c ((500 imes 8)) Rs. 4,000 | Debit Share Forfeiture A/c ((500 imes 2)) Rs. 1,000 | Credit Share Capital A/c Rs. 5,000.
- **Capital Reserve Calculation:**

  > **Capital Reserve = Total Forfeited Amount (Rs. 3,500) - Discount on Reissue (Rs. 1,000) = Rs. 2,500**

Unit 3: Debentures – Introduction - Types - Issue of Debentures

Debentures are debt certificates issued under common seal. Types: Secured/Unsecured, Redeemable/Irredeemable, Convertible/Non-Convertible, Registered/Bearer.

Practical Problem 3 (Issue of Debentures as Collateral Security): GAMMA Ltd. took a bank loan of Rs. 5,00,000 from SBI and issued 6,000 10% Debentures of Rs. 100 each as Collateral Security. Show journal entries under Method 2 (passing journal entry).

Solution:

- *Bank A/c Dr. 5,00,000* to *Bank Loan A/c 5,00,000* (Bank loan recorded).
- *Debenture Suspense A/c Dr. 6,00,000* to *10% Debentures A/c 6,00,000* (Collateral issue recorded).
- **Balance Sheet Presentation:** Debenture Suspense A/c is shown as a deduction from 10% Debentures A/c under Non-Current Liabilities (Net = Nil). Bank Loan shown under Long-Term Borrowings (Rs. 5,00,000).