

CORPORATE ACCOUNT



Company

● Meaning of Company :-

“ A Company is an artificial person created by law, having separate entity with a perpetual succession and a common seal.”



Types of Company: -

1. **Public Company :-** A company means which is minimum numbers of members is 7 and there is no limit to maximum numbers and has a minimum paid-up share capital of Rs. 5,00,000. There is no restriction on the transfer of its share.
2. **A private company means** a company which a minimum numbers of number is 2 and the maximum number is 50 and has minimum paid-up share capital Rs. 1,00,000 and it restricts the right to transfer its share and the name of every private company must be and private limited.

Share

- Meaning of Share :- Total capital of the company is divided into units of small denominations. Each such unit is called share.



Types of Share



1. Equity Share :- Equity shares are those shares which are paid dividends only when profit are left after the preference share holders have been paid fixed rate of dividends. Equity shareholders have full right to participate in management of the company and have right the voting in company.
2. Preferences shares : - Preference shares are those share they have right to receive dividend at a fixed rate. When the company wound-up, they have right to the return of the capital before that of equity shares.

Share Capital

- Meaning of Share Capital :- Share capital means the capital raised by a company by the issue of share.

SHARE CAPITAL



Types of Share Capital

1. Authorized Share Capital
2. Issued Capital
3. Subscribed Capital
4. Called-up Capital
5. Paid-up Capital
6. Reserve Capital

Classification Of Share Capital



Issue Of Shares

Shares may be issued in any of the following ways :-

- (i) For cash : By public Placement of Shares
- (ii) For Cash : By Public Subscription of Shares
- (iii) For Consideration other than cash

**ISSUE OF
SHARES**



Public Subscription of Shares

Following steps are to be taken by a public company for the issue of shares to public:

1. To Issue Prospectus
2. To Receive Application
3. To Make Allotments
4. To Make Calls

Issue of shares at par :-

- ◉ When shares are issued at the face value means when the issue price is equal to the face value then it is called as the issued of shares at par.

Issue of shares at premium

- When a company issues a share at a price which is above its face value, it is said to be issued at premium.

Bank a/c	Dr	18,000	18,000
To share application a/c			
[6,000 x 3]			
[Being app. money received]			
Share application a/c	Dr	18,000	
To Sh. Capital a/c			15,000
To Sh. allotment a/c			2,400
To Bank a/c			600

Issue of shares at discount

- When a share is issued at a price which is less than its face value, it is said that it has been at a Discount.



Calls in arrears and rate of interest

- Calls in Arrears :- if any amount has been called by the company either as allotment or call money and a share holder has not paid the money such amount not received known as calls-in-arrears.



Calls-In-Arrears



- Methods of dealing with the calls –in Arrear

- 1 without opening the calls-in-arrear Account
2. by opening the calls-in –Arrear amount

Rate of Interest:- the company is authorized to charge in the interest on the Calls –in-Arrear, at a specify the article of associations

- Disclosure on Balance Sheet- the amount of the Calls –in-Arrear is shown by way of deduction from the called up capital in the balance sheet.

CALLS –IN-ADVANCE AND INTEREST THERE ON

- Calls –in-Advance:- Calls –in-Advance means the amount received by the company towards call money where it has not yet called to be paid by the share holders.
- Interest on calls-in – Advance:- interest may be paid on calls-in-Advance if Articles of Association specified.



**INTEREST
RATES**

UNDER-SUBSCRIPTION OF SHARES

Sometimes, number of shares applied for by the public is less than the number of shares offered by the company. Such an issue is said to be under-subscription.

Over-subscription of Shares

When a company receives applications for a larger numbers of shares than offered to public for subscription, it is said that the issue has been over-subscription.

FORFEITURE OF SHARES

If any shareholders fails to pay the amount due on allotment or on any call within the specified period, the directors may cancel his shares. This is called forfeiture of shares

Before such forfeiture the notice must provide The share holder with a minimum of 14 days to make the payment due , or his shares will be forfeited. Even after such notice if the share holder does not pay, then the shares will be cancelled.

Entries of forfeiture of share

forfeiture of shares issues at par

Share capital A/c Dr.

To share allotment A/c

To share call A/C

To share forfeiture A/c

FORFEITURE OF SHARES ISSUES AT PREMIUM

Share capital A/C Dr.

Share premium A/C Dr.

To share forfeiture A/C

To share allotment/ call A/C

(being shares being forfeited for non-payment)



FORFEITURE OF SHARES ISSUED AT DISCOUNT

Share capital A/C Dr.

To discount on share issue A/C

To share forfeiture A/C

To share allotment/call A/C

(being share being forfeited for non-payment)

(11) When Capital A/c is closed.

Capital a/c

Date	John	Jamal	Date	John	Jamal

Issue of Debentures

Debenture

Meaning of Debenture :- Debenture is an written acknowledgement of a dept taken by the company as these are issued under the seal of company.

Features of Debentures :-

- Form of a Certificate
- Written acknowledgement
- Issue under the seal of company
- Debt taken by the company
- Secured loans

TYPES OF DEBENTURES :-

- ◉ Secured Or Mortgage Debentures
- ◉ Unsecured Or Naked Debentures
- ◉ Registered Debentures
- ◉ Bearer Debentures
- ◉ Redeemable Debentures
- ◉ Convertible Debentures

Issue of Debenture

- Issue of Debenture at par :- Issue of Debenture either at par or at premium or at discount. Issue of Debenture at Par are also the same as in the case of issue of share as it usual.
- Issue of Debenture at Premium :- When the debenture are issued at more than the face value they are said to have been issued at Premium.
- The assess amount of face value of debenture is capital profit at is should be used in writing off the capital loss and amount of debenture premium should also be credited to security premium accounts and securities premium accounts is shown on the liabilities side on the balance sheet under the reserve and surplus.
- Issue of Debenture at Discount :- When the company issue debenture at a price which is less than face value the debenture are said debenture is to be discount. They are no restriction of in the company act regarding the discount at debenture.

Writing off Discount :-

- discount/Loss is a issue of debenture is a capital loss of a company it must be writing off before such debenture are redeem sec.-78 of the company Act 2013 allowance the utilization of security premium for writing off the discount or loss in issue writing off the discount or loss in issue of debenture until the discount is writing off it is requested to be shown on the assets side of the balance sheet.
- Following entry is passed to writing off the discount or debentures.
- Profit and Loss A/C Dr.
- To Discount on Issue of Debenture A/C

Methods:-

- Writing off equal amount each year
- Writing off Propositional amount each year

Consideration other than Cash

- Some times a company purchasing some assets from the vender and installing of the paying vender in cash company decide to issue debenture to the payment of vender consideration. It is called issue of debenture other than cash.
- These debenture are issued at Par, at Premium, and at discount.

Issue of Debenture as collateral security

- Some time ,when a company takes a loan from a bank or other some party, company may have to issue of debenture as a subsidiary or secondary security in addition to the security is called a collateral security.

Method :-

- First Method :- In this method , no entry need to be passed in the company as the debenture are not actually can be issued.
Bank A/c Dr.
To Bank Loan A/c
- Second Method :- In this method, the entry of issuing debenture collateral security is also recorded with the entry for taken the loan.
- On taking a loan :-
Bank A/c Dr.
To Bank Loan A/c
- On issuing the debenture at collateral security :-
Debenture suspense A/c Dr.
To Debenture A/c

Redemption of Debentures

- Meaning :- Redemption of Debenture is a process of re-payment of loan taken by issue of debenture. Redemption is made accordingly to the term of issue either in one lump-sum at the expiry of the specified period.
- Sources :-
 1. Redemption from the proceeds of fresh issue of shares and debentures.
 2. Redemption of Debentures out of capital.
 3. Redemption of Debentures out of profit



Redemption of Debentures out of profit

Redemption out of profit means that an amount equal to debenture redeem is transfer from profit and loss apparition a/c or either debenture redemption reserved a/c- According to SEBI Guideline. It is obligator all company issuing debt to create a debt redemption a/c up to at least 50% of the amount of debenture issuing before the commitment of redemption of debenture.



Method of Redemption of Debentures

Lump-sum payment at the end of fixed period :-

- Under those method the company redeem whole of its debentures in one lump sum at the expiry of specified period. Such type of redemption may be at Par, at Premium.

Redemption of Debentures in installment :-

According to this method the debenture are redeem in annual installment. Some time debenture which should be redeem this year are selected by lottery this procedure is known as drawing by lots.

By conversion into share :-

Some time at the time of issue of debenture. A company give the debenture holder a privilege that an get their debenture conversation into share after the expiry of its specified period. These facility to at least to more public to apply to its debenture at the time of issue.

By the purchased of own debentures in the open market :-

According to this method, debentures are purchased from the open market the company redeem of debenture may be use two potion.

- **Sinking Fund Method** :- Is an account that is issued to deposit and save money to repay a debenture in the future sinking fund account help build investor confidence that the company will not default at their obligation. The amount of sinking fund may either be invested on their own business or may be invested in outside security.

- **Cum-interest and Ex-interest**

Cum-interest :- Interest for the expired period must be calculated in the price of debenture it may be called Cum-interest.

Ex-interest :- If the contain is Ex-interest the price does not include for the expired period.

END