

B. Issue of shares to

1. For receiving appln. money:-

Bank a/c Dr xxx
 To share appln a/c. xxx.

2. For transfer of appln money:-

Share appln a/c Dr xxx
 To sh cap a/c xxx

3. For transfer of excess appln money on
 refund. & adjustment with
 allot

Share appln a/c Dr xxx
 To Bank xxx
 To sh. allotment xxx.

4. For allotment due:-

sh. allot a/c Dr xxx
 To sh cap. xxx

5. For allotment money received:-

Bank a/c Dr xxx
 To sh. allot a/c xxx.

6. when share first call is made:-

Share I call a/c Dr xxx
 To sh cap a/c xxx

7. For receiving 1st call money:-

Bank a/c Dr xxx
 To share I call a/c xxx.

calls in advance when the company issues shares. The amount due from shareholders is called as calls in advance. It is charged to the P&L account as follows:

(i) calls in advance	Rs. 1000
to share holders	1000
to share holders	1000
to share holders	1000
(ii) Balance c/d	Rs. 1000
to P&L account	1000

The calls-in-advance are treated as deducted from share capital on the liability side of the Balance sheet.

calls-in-advance:

When a Co. accepts money from shareholders in advance towards calls not yet made by the Co. such amount is called as 'calls-in-advance'.

Balance c/d	Rs. 1000
to P&L account	1000

calls in advance	Rs. 1000
to share holders	1000
to share holders	1000

For forfeiture of shares

When a Co. forfeits shares of a shareholder and taking account of the shares of a shareholder because of default in payment of allotment and in call money.

Forfeiture and re-issue of shares:-

Accounting treatment:-

a. Forfeiture of shares issued at par:-

Share Capital Acc	Dr	xxx.	
TO Respective		unpaid call Acc	xxx
TO forfeited		Share Acc	xxx.

b. Issued at premium:- (When allotment money is not received).

Share Cap Acc	Dr	xxx	
Secur. Prem Acc	Dr	xxx	
TO Respective		unpaid call Acc	xxx
TO forfeited		Share Acc	xxx

(When allotment money is received).

Share Cap Acc	Dr	xxx	
TO Respective		unpaid call Acc	xxx
TO Forfeited		Share Acc	xxx.

c. Issued at discount:-

Sh. Cap Acc	Dr	xxx	
TO DIS-ON		issue of share Acc	xxx
TO Respective		unpaid call Acc	xxx
TO forfeited		Share Acc	xxx.

Re-issue of forfeited shares:-

A Company can re-issue the forfeited shares to the public either at par, premium or discount. Balance in forfeited shares should be transferred to capital Reserve.

Forfeiture and re-issue of shares

Accounting treatment

- a. Issued at par
- | | | | |
|------------------------|----|-----|-----|
| Share Capital A/c | Dr | xxx | |
| to discount | | | xxx |
| to forfeited share A/c | | | xxx |
- b. Issued at premium
- | | | | |
|-------------------------------|----|-----|-----|
| Share Capital A/c | Dr | xxx | |
| Secur. Prem A/c | Dr | xxx | |
| to respective unpaid call A/c | | | xxx |
| to forfeited share A/c | | | xxx |
- (cash allotment money is received)
- | | | | |
|-------------------------------|----|-----|-----|
| Share Cap A/c | Dr | xxx | |
| to respective unpaid call A/c | | | xxx |
| to forfeited share A/c | | | xxx |

c. Issued at discount

Sh. Cap A/c	Dr	xxx	
to Dis on issue fund A/c			xxx
to respective unpaid call A/c			xxx
to forfeited share A/c			xxx

Re-issue of forfeited shares -

A company can re-issue the forfeited shares to the public either at par, premium or discount.

Balance in forfeited shares should be transferred to capital Reserve.

Entries for re-issue of forfeited shares

a. Issued at par:

Bank acc	Dr	₹₹₹	
Forfeited share	Dr	₹₹₹	
			₹₹₹
To sh. cap acc			

b. Re-issue of forfeited shares originally

issued - at discount:

Bank acc	Dr	₹₹₹	
Dis. on issued share	Dr	₹₹₹	
Forfeited share acc	Dr	₹₹₹	
			₹₹₹
To sh. cap acc			

c. originally issued at premium:

Bank acc	Dr	₹₹₹	
Forfeited share	Dr	₹₹₹	
			₹₹₹
To sh. cap acc			
To sec. prem acc			₹₹₹

b. For transfer :-

Debenture Appln Acc Dr x x x
TO :- deb Acc x x x

c. For deb. appln money received :-

deb - appln Acc Dr x x x
TO Bank Acc x x x
TO Deb. Allotment Acc x x x

d. For allot. due :-

deb. allotment Acc Dr x x x
TO :- deb Acc x x x

e. Bank Acc Dr x x x

TO deb - allot Acc x x x

f. deb call Acc Dr x x x

TO :- deb Acc x x x

g. For deb. call. money received :-

Bank Acc Dr x x x
TO deb. call Acc x x x

ii. Issue of deb. other than cash:

For assets purchased :-

Sundry Assets Acc Dr x x x
TO vendors Acc x x x

For assets & real. acquired :-

Sundry Assets Acc Dr x x x
Cash Acc Dr x x x
TO Sundry real x x x
TO vendors Acc x x x

vendors Acc

Dr XXX

To % deb Acc

XXX.

iii

Issue of deb. as Collateral security:

In addition to main security when deb. are issued as secondary security for loan or mortgage of loan. It is called as "Issue of deb. as collateral security".

Deb. Suspense Acc Dr XXX

To % deb Acc

XXX.

of. deb Acc

Dr XXX

To Deb. Suspense

XXX.

Balance sheet.

Liab.

Assets.

% deb.

XXX

Deb. Suspense Acc

XXX

Bank loan

XXX.

Redemption of debentures:

It is the discharge of liability on account of debentures.

(i) Redemption without provision:-

a. Redemption out of profits:-

1. For transfer of profits:-

Profit Appn Acc

Dr XXX

To Deb. Red. Res Acc

XXX.

2. For repayment of debentures:-

% debentures Acc

Dr XXX

To Bank

XXX.

Deb. debtors A/c.
 Red. Reserve A/c or xxx
 To General Reserve A/c

b. Redemption out of capital: xxx.

1. deb A/c or xxx
 To Bank A/c xxx.

c. Redemption in instalments:

(i). Drawings by lot (ii). open market buying.

(iii) open market buying:-

It is to buy own debentures by a company in the open market and cancel, retain or reissue them.

Ex-interest:- If the co. buys and sells its own debentures in the open market, the price quoted ~~is~~ exclude interest till the due date it is ex-interest.

cum-interest:- If the co. buys and sells its own debentures in the open market, the price quotes includes interest till the due date it is cum interest.

d. Redemption by conversion:-

~~It is~~ It is possible only if the debentures were originally issued as 'convertible debentures.'

i. % debentures A/c or xxx
 Premium on red. of Deb A/c or xxx
 To deb. holders A/c xxx.

d. For conversion into shares:-
 Debenture holders A/c or
 To share capital A/c xxx
 To sec. premium A/c xxx.

B Redemption of debentures with provision:

1. sinking fund method:

a. For sale of investments:-
 Bank A/c or xxx
 To sinking fund invt A/c xxx.

b. For redemption of debentures:-
 % deb A/c or
 Deb interest A/c or
 To Bank A/c xxx
 To cap Res A/c xxx.

c. For transfer to general Reserve:-
sinking fund A/c or xx
 To gen. Res. xx

Part II.

Redemption of pref. shares:

Provisions of the co. to redeem the pref shares:-

1. ~~Such~~ Such shares cannot be redeemed unless they are fully paid up.
2. These shares can be redeemed either out of the profits of the co. which would be otherwise available for dividend.
3. If premium is payable on redemption of pref. shares such premium has to be provided out of the profits of the co. or out of the securities premium Account.
4. Capital redemption reserve can be utilised to issued fully paid bonus shares to the equity shareholders.
5. Redemption of pref. shares by a company shall not be taken as reduction of its share capital.

specimen entries:-

1. For making final call on partly paid pref share.

Redeemable pref. share final
 call acc or xxx
 to redeemable pref. share cap acc xxx.

2. For receiving final call amount:-

Bank acc or
 TO Redeemable pref share cap acc.

UNIT-III

FINANCIAL ACCOUNTS OF COMPANY.

80

FORM OF P&L : PART-II

	NOTE NO	RS.
Revenue from operation	1	₹₹₹
Other Income	2	₹₹₹
		<u>₹₹₹</u>
Expenses		
Cost of materials consumed	3	₹₹₹.
Employee benefit expenses	4	₹₹₹.
Finance costs	5	₹₹₹.
Depreciation and amortisation exps	6	₹₹₹.
Other expenses	7	₹₹₹
		<u>₹₹₹</u>
		<u>₹₹₹</u>
Profit before extra-ordinary items (A-B)		₹₹₹.
Taxes		₹₹₹
		<u>₹₹₹</u>
Profit or loss		<u>₹₹₹</u>

Amalgamation, Absorption and External Reconstruction.

Amalgamation:-

when two or more Co. combine together to form a new Co. it is amalgamation.

Absorption:-

when one existing Co. takes over the business of one or more existing companies it is absorption.

External Reconstruction:-

when an existing Co. is liquidated and a new Co. is formed with the same shareholders to take over the business it is external reconstruction.

Types of Amalgamation:-

1. Amalgamation in the nature of merger.
2. Amalgamation in the nature of purchase.

Purchase Consideration:-

It is consideration ~~for the~~ in aggregate of the shares and other securities issued and the payment made in the form of cash or other securities assets by the transferee to the Co. shareholders of the transferor

Company Methods of Purchase Consideration:-

1. Lumpsum method.
2. Net payment method.

net Asset Methods (d) Intrinsic value method,
computation of purchase consideration:-

Entries:

In the books of transferor Co.

Repayment at discount

Debtors A/c (face value)	Dr	xxx	
to Debenture holders A/c (actual amount payable)			xxx
to Realisation A/c (discount)			xxx

b) For payment to debenture holders

Debenture holders A/c	Dr	xxx	
to Bank A/c (if cash is paid)			xxx
to Debentures in purchasing Co.			
(if purchasing Co.'s debentures are given)			

9. For discharge of preference share capital

a) For repayment at premium

Preference share capital A/c (face value)	Dr	xxx	
Realisation A/c (premium)	Dr	xxx	
to preference shareholders			xxx

1. For Transferring Assets to Realisation A/c

Realisation A/c	Dr	xxx	
to sundry assets (individually, at book values)			xxx

2. For Transferring liabilities taken over
Liabilities A/c (individually)

	Dr	xxx	
to Realisation A/c			xxx

3. For purchase consideration receivable

Purchasing Co.'s A/c	Dr	xxx	
to Realisation A/c			xxx

4. For receiving the purchase consideration

Bank A/c

	Dr	xxx	
--	----	-----	--

 Shares in purchasing Co. A/c
(at agreed value)

	Dr	xxx	
--	----	-----	--

 Debentures in purchasing Co. A/c
(at agreed value)

	Dr	xxx	
--	----	-----	--

 to purchasing Co.'s A/c

			xxx
--	--	--	-----

5. For realising assets not taken over

Bank A/c

	Dr	xxx	
--	----	-----	--

 to Realisation A/c

			xxx
--	--	--	-----

6. For payment of liabilities not taken over

Liability A/c (book value)	Dr	xxx	
Realisation A/c (any premium on repayment)	Dr	xxx	
to Bank A/c (actual amount paid)			xxx
to Realisation A/c (any discount on repayment)			xxx

7. For payment of realisation expenses

a) If expenses are to be borne by selling company

Realisation A/c	Dr	xxx	
to Bank A/c			xxx

b) If expenses are to be borne by the purchasing company

Purchase Co.'s A/c	Dr	xxx	
to Bank A/c			xxx

c) when Liquidation expenses are reimbursed by the purchasing company:

Bank a/c	Dr	xxx	
to Purchasing Co.			xxx

8. For discharging the debentures

a) Repayable at a premium

Debentures A/c (Face value)

Realisation A/c (Premium)

 to Debenture holders

Dr	xxx	
Dr	xxx	

xxx

6. For payment of liabilities not taken over

Liability A/c (book value)

Dr xxx

Realisation A/c (any premium on repayment)

Dr xxx

TO Bank A/c (actual amount paid)

xxx

TO Realisation A/c (any discount on repayment)

xxx

7. For payment of realisation expenses

a) If expenses are to be borne by selling company

Realisation A/c

Dr xxx

TO Bank A/c

xxx

b) If expenses are to be borne by the purchasing company

Purchase CO.'S A/c

Dr xxx

TO Bank A/c

xxx

c) when Liquidation expenses are reimbursed by the purchasing company:

Bank a/c

Dr xxx

TO Purchasing co.

xxx

8. For discharging the debentures

a) repayable at a premium

Debentures A/c (face value)

Dr xxx

Realisation A/c (Premium)

Dr xxx

TO Debenture holders

xxx

xx

x

x

For repayment at discount

Preference share capital A/c (face value)	Dr	xxx	
To Preference shareholders (amount payable)			xxx
to Realisation A/c (discount)			xxx

b) For payment to preference shareholders

Preference shareholders A/c	Dr	xxx	
to Bank A/c (cash paid)			xxx
to Shares in purchasing co.			xxx
(cash in purchasing co. given)			

10. For transfer of equity share capital and accumulated profits.

Equity share capital A/c	Dr	xxx	
General reserve A/c	Dr	xxx	
Profit & Loss A/c	Dr	xxx	
Any other reserves A/c			xxx
to Equity shareholders A/c			

11. For transfer of accumulated losses

Equity shareholders A/c	Dr	xxx	
to Profit & Loss A/c			xxx
to Preliminary expenses			xxx
to Discount on issue of shares etc.			xxx

12. For Realisation Profit/Loss

a) If there is profit on realisation

Realisation A/c

Dr xxx

To Equity Shareholders A/c

xxx

b) If there is loss on realisation

Equity Shareholders A/c

Dr xxx

To Realisation A/c

xxx

13. For Final payment to the equity shareholders

Equity Shareholders A/c

Dr xxx

To Bank A/c (if cash is paid)

xxx

To Shares in purchasing co. (if shares in

purchasing co. are given).

xxx

Bank Accounts.

Legal Requirements:

1. Prescribed form.
2. Accounting year.
3. Prohibition of Trading.
4. non-banking Assets.
5. Share Capital.
6. Reserve fund.
7. Payment of dividend.
8. Payment of Commission.
9. Charge on uncalled Capital.
10. Cash reserves
11. Statutory Reserves.

Certain items to be adjusted.

1. Rebate on bills discounted! -
Int & Int. Received xxx

(+) ~~closing~~ opening Rebate xxx

(-) closing Rebate xxx

Entry!:-

For closing Rebate:-

Discount A/c or xxx
 TO Rebate on bills discounted xxx

For opening Rebate:-

Rebate on bill discounted A/c or
 TO Discount xxx

Provision for NPA:

Standard Assets : 0.25%

Sub-standard assets - 10%

Standard Doubtful Assets:-

- 1 year - 20%

1-3 yrs 30%

Above 3 yrs 50%

- 100%

Loss Assets

Insurance Co Accounts:

Calculation Life Assurance Fund:-
LAF given $\times \times \times$

(+) Incomes not taken $\frac{\times \times \times}{\times \times \times}$

(-) Expenses not taken $\frac{\times \times \times}{\times \times \times}$

true Life Ass. fund $\underline{\underline{\times \times \times}}$

Computation of profit in Life Insurance Business.

valuation B/Ls as on - - -

To net liab	$\times \times \times$	By Life Ass fund	$\times \times \times$
To surplus	$\times \times \times$	By deficiency	$\times \times \times$

①

HOLDING COMPANY ACCOUNTS

minority Interest:-

Holding Co. acquires majority equity shares in a sub-co..
 Remaining shares are in the hands of general public.

computation:-

Face value of minority share	xxx.
Minority share of cap. p/bt	xxx
Minority share of Rev. p/bt	xxx
Minority share of bonus shares	<u>xxx</u>
	xxx

(-)

Minority share of expenses	xxx
Minority share of Rev. loss	<u>xxx</u>
Total Minority Int	<u>xxx</u>

①

2. Computation of ulw/cap. Res: - ⁽²⁾

Amt paid for shares purchased	xxx	
<u>Add:-</u> Holding Co's share of cap loss	xxx	xxx.

(-) Face value of shares purchased xxx

Holding Co's share of cap pfts xxx

Holding Co's share of Bonus shares xxx

Holding Co's share of div. paid	xxx	xxx
cap res / ulw		<u>xxx</u>

step: 1.

calculation of Holding,
Minority Ratio.

③

step: 2.

calculation of capital pft or
pre-acquisition pfts.

step: 3.

calculation of post-acquisition
or Rev. pft.

step: 4:-

Computation of Minority Interest

step: 5:-

calculation of ulw / Cap-Res.

step: 6:-

calculation and Elimination
of unrealised pft included
in stock.

step: 7.

Elimination of Inter-co debts

step: 8

preparation of consolidated
Bls.

Consolidated B/s of H/Md and its 4
 sub. S/Md as on 31.12.2020

1. Equity & Liabilities :-

(i) Shareholders funds :-

Share Capital

1

xxx

Res & Sec -

2

xxx

(ii) Minority Interest

3

xxx

(iii) Current Liab :-

Trade payables

3

xxx

total

xxx
 =

Assets :-

(i) NCA :-

Tangible Assets

4

xxx

Intangible Assets.

4

(ii) Current Assets :-

Stock

5

xxx

Trade Receivables

6

xxx

total.

xxx
 =