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शक्तिउत्थानआश्रमलखीसरायबिहार

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Accounting for Share Capital

1.6.2 Calls in Advance

Sometimes some shareholders pay a part or the whole of the amount of the calls not yet made. The amount so received from the shareholders is known as "Calls in Advance". The amount received in advance is a liability of the company and should be credited to 'Call-in-Advance Account.' The amount received will be adjusted towards the payment of calls as and when they become due. Table A of the Companies Act provides for the payment of interest on calls in advance at a rate not exceeding 6% per annum.

The following journal entry is recorded for the amount of calls received in advance.

Bank A/c	Dr.
To Calls-in-Advance A/c	
(Amount received on call-in-advance)	

When calls become actually due requiring adjustment of 'Call-in-Advance' Account, the journal entry will be :

Calls-in-Advance A/c	Dr.
To Particular Call A/c	
(Calls-in-advance adjusted with the call money due)	

The balance in 'Calls-in-Advance' account is shown as a separate item on the liabilities side of company's balance sheet under the heading 'Share Capital' but is not added to the amount of paid-up capital.

As Calls-in-Advance is a liability of the company, it is under obligation if provided by the Articles, to pay interest on such amount from the date of its receipt up to the date when appropriate call is due for payment. A stipulation is generally made in the Articles regarding the rate at which interest is payable. However, if Articles are silent on this account, Table A is applicable which provides for interest on calls in advance at a rate not exceeding 6% p.a.

The accounting treatment of interest on calls in advance is as follows:

- For Payment of Interest

Interest on Calls in Advance A/c	Dr.
To Bank A/c	
(Interest paid on Calls-in-Advance)	
- For Interest due

Interest on Calls-in-Advance A/c	Dr.
To Sundry Shareholder's A/c	

Illustration 4

Konica Limited registered with an authorised equity capital of Rs. 2,00,000 divided into 2,000 shares of Rs. 100 each, issued for subscription of 1,000

shares payable at Rs. 25 per share on application, Rs. 30 per share on allotment, Rs. 20 per share on first call and the balance as and when required.

Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call.

Give the necessary journal entries in the books of the company to record these share capital transactions.

Solution

**Books of Konica
Journal**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c Dr. To Equity Share Application A/c (Money received on application for 1,000 shares @ Rs. 25 per share)		25,000	25,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Transfer of application money on 1,000 shares to share capital)		25,000	25,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on the allotment of 1,000 shares @ Rs. 30 per share)		30,000	30,000
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received)		30,000	30,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call money due on 1,000 shares @ Rs. 20 per share)		20,000	20,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (First call money received on 900 shares and calls-in-advance on 50 shares @ Rs. 25 per share)		19,250 2,000	20,000 1,250