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शक्तिउत्थानआश्रमलखीसरायबिहार

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Accounting for Share Capital

1.6.1 Calls in Arrears

It often happens that shareholders do not pay the call amount when it becomes due. When any shareholder fails to pay the amount due on allotment or on any of the calls, such amount is known as 'Calls-in-Arrears' / 'Unpaid Calls'. Calls-in-Arrears represent the debit balance of all the calls account and are shown as a deduction from the paid-up capital on the liabilities side of the balance sheet. However, where a company maintains 'Calls-in-Arrears' Account, it needs to pass the following additional journal entry. However, it is not necessary to do so.

Calls in Arrears A/c	Dr.
To Share I Call Account A/c	
To Share II and Final Call Account A/c	
(Calls in arrears brought into account)	

The Articles of Association of a company usually empower the directors to charge interest at a stipulated rate on calls in arrears. In case the articles are silent in this regard, the rule contained in Table A shall be applicable which states that the interest at a rate not exceeding 5% p.a. shall have to be paid on all unpaid amounts on shares for the period intervening between the day fixed for payment and the time of actual payment thereon.

On receipt of the call amount together with interest, the amount of interest shall be credited to interest account while call money shall be credited to the respective call account or to calls-in-arrears account. When the shareholder makes the payment of calls-in-arrears together with interest, the entry will be as follows:

Bank A/c	Dr.
To Calls-in-Arrears A/c	
To Interest A/c	

If nothing is specified, there is no need to take the interest on calls-in-arrears account and record the above entry

Illustration 3

Cronic Limited issued 10,000 equity shares of Rs. 10 each payable at Rs. 2.50 on application, Rs. 3 on allotment, Rs. 2 on first call, and the balance of Rs. 2.50 on the final call. All the shares were fully subscribed and paid except of a shareholder having 100 shares who could not pay for the final call. Give journal entries to record these transactions.

Solution

**Books of Cronic Limited
Journal**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c Dr. To Share Application A/c (Money received on applications for 10,000 shares @ Rs. 2.50 per share)		25,000	25,000
	Equity Share Application A/c Dr. To Share Capital A/c (Transfer of application money on 10,000 shares to share capital)		25,000	25,000
	Equity Share Allotment A/c Dr. To Share Capital A/c (Amount due on the allotment of 10,000 shares @ Rs. 3 per share)		30,000	30,000
	Bank A/c Dr. To Share Allotment A/c (Allotment money received)		30,000	30,000
	Share First Call A/c Dr. To Share Capital A/c (First call money due on 10,000 shares @ Rs. 2 per share)		20,000	20,000
	Bank A/c Dr. To Share First Call A/c (First call money received)		20,000	20,000
	Share Second and Final Call A/c Dr. To Share Capital A/c (Final call money due)		25,000	25,000
	Bank A/c Dr. Call-in-Arrears A/c Dr. To Share Second and Final Call A/c (Final call money received except that of 100 shares)		24,750 250	25,000