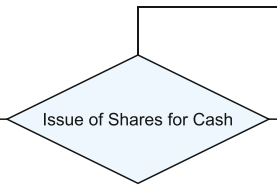


ACCOUNTING FOR SHARE CAPITAL (EQUITY AND PREFERENCE SHARE CAPITAL)

Authorised Capital or Nominal Capital
It is the maximum capital that a company can issue as share capital. It is stated in the Memorandum of Association.

Issued Capital
It is that part of authorised capital which is issued by the company for subscription. It can be equal to or less than Authorised Capital or Nominal Capital.

Subscribed Capital
It is that part of Issued capital which has been issued for cash or for consideration other than cash. It can be equal to or less than Issued Capital.



Applications received against issue of Shares

In Lump sum

In Instalments

Bank A/c ...Dr.
To Shares Application and Allotment A/c ...Cr.

Bank A/c ...Dr.
To Shares Application A/c ...Cr.

Oversubscribed

No

Yes

Minimum subscription
(at least 90% of issued share capital) received

No

Refund Application Money

Shares Application A/c ...Dr.
To Bank A/c ...Cr.
or
Shares Application and Allotment A/c ...Dr.
To Bank A/c ...Cr.

Issued at Par

Issued at Premium

Vendor's A/c ...Dr.
To Share Capital A/c ...Cr.

Vendor's A/c ...Dr.
To Share Capital A/c ...Cr.
To Securities Premium A/c ...Cr.

Issue of shares to Promoters:
Incorporation Expenses or Preliminary Expenses A/c ...Dr.
To Promoters' A/c ...Cr.
Promoters' A/c ...Dr.
To Share Capital A/c ...Cr.
To Securities Premium A/c*** ...Cr.

Issue of Shares to Underwriters:
Underwriting Commission A/c ...Dr.
To Underwriters' A/c ...Cr.
Underwriters' A/c ...Dr.
To Share Capital A/c ...Cr.
To Securities Premium A/c*** ...Cr.

For consideration other than cash:
On Purchase of Assets
Sundry Assets A/c ...Dr.
To Vendor's A/c ...Cr.
or
On Purchase of Business
Sundry Assets A/c ...Dr.
Goodwill* A/c ...Dr.
To Sundry Liabilities A/c ...Cr.
To Vendor's A/c ...Cr.
To Capital Reserve** A/c ...Cr.

* If purchase consideration given is more than net assets, then difference is debited to Goodwill A/c.
** If purchase consideration given is less than net assets, then difference is credited to Capital Reserve A/c.
*** If shares are issued at premium.

Allot Shares
1. Reject Excess Applications and Full Allotment to rest
or
2. Pro rata Allotment to All Applicants
or
3. Reject Some Applications, Pro rata Allotment to some and Full Allotment to rest.

Allotment of shares to all applicants

