

Chapter 8- Accounting for Share Capital

Question 1

What is the meaning of a company?

Answer: A company (joint-stock company) is an entity that is incorporated by a group of people via the process of law for undertaking business. A company is an artificial person as is certainly separate from its shareholders.

Question 2

Mention the kinds of companies.

Answer: There exist three kinds of companies. Namely,

- One person company
- Private company
- Public company

Question 3

Explain the Incorporation of a company.

Answer: The procedure for incorporating a company can be classified into four chief stages. Namely,

- Promotion
- Incorporation or Registration of a company
- Capital Subscription
- Commencement of Business

Question 4

What is share capital of a company?

Answer: Share capital is the amount that an enterprise receives towards the share capital from the issue of shares, both Equity and Preference shares.

Question 5

Mention the kinds or classes of shares.

Answer: Section 43 of the Companies Act, 2013 prescribes that the share capital of an enterprise broadly can be two types or classes. Namely,

- Preference shares

[illegible]

II. ASSETS	•	–	–
		–	–
• Non – Current Assets		–	–
• Fixed Assets		–	–
• Tangible Assets		–	–
• Intangible Assets		–	–
• Capital Work-in-Progress		–	–
• Intangible assets under development		–	–
• Non – Current Assets		–	–
• Deferred Tax Assets (Net)		–	–
• Long – Term Loans and Advances		–	–
• Other Non – Current Assets		–	–
• Current Assets		–	–
• Current Investments			
• Inventories			
• Trade receivables			
• Cash and Cash Equivalents			
• Short terms loans and advances			
• Other current assets			
TOTAL		–	–

Question 7

What is the Issue of shares?

Answer: An enterprise raises its capital by issue of shares. However, a public company can issue the shares only after it has met the prescribed legal compliance's.

Question 8

Define the oversubscription of shares.

Answer: Shares are said to be oversubscribed when the number of shares that is applied for is more than the number of shares that are proffered for the subscription. In the case of oversubscription, shares can be allocated by the enterprise.

Question 9

Define the under-subscription of shares.

Answer: Under subscription refers to the number of shares subscribed by the public is lower than the number of shares proffered by the company.

Question 10

What are calls in advance?

Answer: An enterprise may, if its Articles of Association allows, accept the amount against the call or calls that are not yet made. The amount received in advance is known as Calls in Advance.

Question 11

What is the Forfeiture of Shares?

Answer: Forfeiture of shares refers to cancelling the shares for non-payment of calls that are due. However, these shares can be forfeited only if the Articles of Association of the company permits forfeiture.

Question 12

Shares allotment account is,

- Expense a/c
- Liability a/c
- Asset a/c
- Income a/c

Answer: Asset a/c

Question 13

Balance in forfeited shares a/c is depicted in the balance sheet under the head of,

- Other current liabilities
- Reserves and surplus
- Share capital
- Long term borrowings

Answer: Share capital

Question 14

Premium received on the issue of shares is shown on,

- Equity and liabilities part of the balance sheet
- Assets part of the balance sheet
- Credit side of the statement of profit and loss
- Debit side of the statement of profit and loss

Answer: Equity and liabilities part of the balance sheet

Question 15

Mention one characteristic feature of a company.

Answer: Incorporation