Chart module 1

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Equity shares. [1.1]

A Application

1] Bank A/C Dr
To. Equity share application
[if] To. Calls in Advance

2] Equity share application A/C Dr
To. Equity share Capital
[if] To. Bank
[pro-rata] To. Equity share allotment
[pro-rata] To. Equity share calls

3] Equity share allotment A/C Dr
To. Equity share Capital A/C
[if] To. Security premium A/C

4] Bank A/C Dr
[if] Calls in arrears A/C Dr
To. Equity share allotment
[if] To. Calls in Advance

5] Equity share calls A/C Dr
To. Equity share Capital A/C

6] Bank A/C Dr
[if] calls in arrears A/C Dr
To. Equity share calls A/C.
[if] To. Calls in Advance

⇒ When share forfieted by Company

⇒ Equity share Capital A/C Dr
Security premium A/C Dr
To. Equity share allotment A/C
To. Equity share calls A/C
To. Equity share forfieture A/C

⇒ When shares are Re issued by Company

Bank A/C Dr.
Equity share forfieture A/C Dr
To. Equity share Capital A/C
To. Security premium A/C

⇒ Equity share forfieture A/C transfer to Capital Reserve A/C.

Equity share forfieture A/C Dr
To Capital Reserves

Note: A When all shares are re-issued

Calⁿ of C/R

+ Equity share forfieture (Cr)
− Equity share forfieture (Dr)

Amount transfer to C/R.

B When all shares are Not Reissued

$$\text{Amount of forfieture} = \frac{\text{Equity share forfieture}}{\text{No of shares forfieted}} \times \text{No of shares Reissued}$$

⇒ Amount forfieture calculated Above
Less: forfieture of Re issue

Amount transfer to C/R.

Buy Back of shares [1.1]

1 [Due] Equity share Capital A/C Dr
Premium on B.B. A/C Dr
To. gain on issue of B.D
To. Equity share holder

2 [payment] Equity share holder A/C Dr
To. Bank.

3 Provision for Capital

Free Reserve A/C Dr
Security premium A/C Dr
To. C.R.R.

4 Provision for B.B. Premium

Security premium A/C Dr
Free Reserves A/C Dr
To. Premium on B.B.

5 Gain on B.B Transfer to C/R

Gain on B.B. A/C Dr
To. Capital Reserve.

6 any EXP on Buy Back

(i) EXP on B.B. A/C Dr
To. Bank. A/C

(ii) P&L A/C Dr
To. EXP. on. B.B. A/C

⇒ Note: ⇒ If shares are Partly paid up then make it fully Paid up
⇓
Bank A/C Dr
To. Equity share Capital A/C

Right share [1.1]

1 Bank A/C Dr
To. Equity share application

2 Equity share application A/C Dr
To Equity share Capital A/C
To. Security premium

Calculation

⇒ Theortical m.p after right issue

	shares held × m.p	=	✓
Add:	Right shares × Right price =		✓
	Total price		
	÷ Total shares (held + Rights)		

⇒ value of Rights

	Market Price	✓
Less:	T.m.p	✓
	value of Right	

⇒ % increase in share Capital

$$\frac{\text{Right}}{\text{held}} \times 100$$

Bonus shares. [1.1]

A Partly paid up

1 Free Reserves A/C Dr
To BTSH

2 Eq. sh. Final call A/C Dr
To. Eq. sh. Cap.

3 BTSH A/C Dr
To. Eq. sh. final call A/C

B fully paid up Bonus

1 Free Reserve A/C Dr
To. BTSH

2 BTSH
To. Eq. sh. Capital A/C
To. Security premium.

Sweat Equity [1.1]

issued for cash at Discount

1 Bank A/C Dr
Intellectual property A/C Dr
To. Equity share Capital

Consideration other than Cash

1 Intellectual Property A/C Dr
To. Equity share Capital A/C.

ESOP [1.1]

1 Employee Compensation EXP A/C Dr
To ESOP o/s

2 Profit and Loss A/C Dr
To. Emp. Comp. EXP

3 Cash A/C Dr [Ex. Price]
[Single Entry when ESPP plan] ⇒ ESOP o/s A/C Dr [Value of option]
To. Equity share Capital A/C [F.V]
To. Security premium A/C [diff.]

4 ESOP o/s A/C Dr [when option lapsed]
To. General Reserve

[1.3] Underwriting of shares and debentures

Commission : Shares ⇒ $\boxed{5\% \text{ of issue Price.}}$

Debentures ⇒ $\boxed{2.5\%}$

1 Underwriters. A/C Dr
To. Equity share Capital A/C
To. Security premium A/C

2 Underwriting Commission A/C Dr
To. Underwriters A/C

3 Bank A/C Dr
To. Underwriters A/C.
[final settlement]
Underwriters A/C Dr
To, Bank

Redemption of Pref. sh. Capital [1.2]

1 if Partly Paid up.

(Final call) Bank A/C Dr
To. Pref. Sh. Capital.

2 Pref. sh. Capital A/C Dr.
(if) Redemption prem. A/C Dr
To. P.S.H.

3 P.S.H A/C Dr
To Bank.

4 Free Reserves A/C Dr
To. C.R.R

5 Sec. Premium A/C Dr
P&L A/C Dr
To. Red. Prem.

6 New share issued

Bank A/C Dr
To. Equity share Capital
(if) To. Sec. premium.

7 if Investment sold

Bank A/C Dr
P&L A/C Dr
To. Investment A/C
To P&L A/C

[1.2] issue and Redemption of Debentures

Refer Debenture charts