

Company Accounts

With

- i. Increasing scale of operations
- ii. Increasing capital requirements
- iii. Need to reduce risks for non-corporate forms of organisations (sole proprietor, partnership or HUF),

A relatively new form of business organisation was formed called Joint Stock Company or simply company.

DEFINITIONS:

According to Companies Act 2013: A company is defined as a company which is incorporated under Companies Act, 2013 or any other previous company law that was applicable at the time of incorporation.

According to Justice Marshall: A corporation is an artificial being, invisible, intangible and existing only in the contemplation of law.

According to Justice Hanay: A company is an artificial person created by law with _____ and **common seal**.

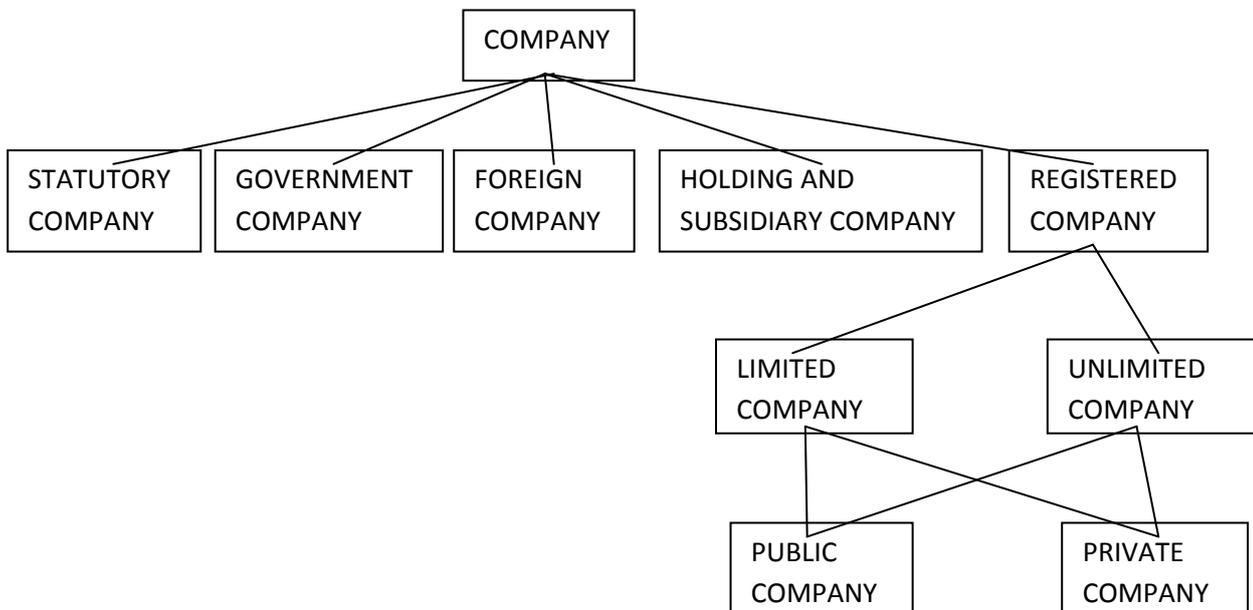
Word Company is derived from Latin words "com" i.e. _____ and "panis" i.e. _____. Company owes its origin to the law.

The shareholders, owners of the company elect the Board of Directors, the managers of the company.

FEATURES OF A COMPANY

- i. **Incorporated association:** company comes into existence through operation of law. Hence incorporation and registration is a must for existence and recognition as a company.
- ii. **Separate legal entity:** A company is a legal artificial person, being formed by law and can enter into contracts, sue and be sued in its name and capacity.
- iii. **Perpetual succession:** Company has existence independent of its members and it continues despite death, insolvency and change of members.
- iv. **Common seal:** Company is not a natural person who can sign documents. To enable the company to sign, it has been provided with a legal tool called "common seal" to be used on behalf of the company.
- v. **Limited liability:** the liability of every shareholder is limited to the amount he has agreed to pay (**issue price**) on the shares allotted to him. If the shares are fully paid, he is not liable any further.
- vi. **Distinction between ownership and management:** The number of shareholders is very large and may be distributed geographically and hence it becomes difficult to manage the operations. This gives rise to need for separation between management and ownership.
- vii. **Not a citizen:** A company is not a citizen in the same sense as a natural person. It has legal existence but does not enjoy the rights and duties enjoyed by a citizen.
- viii. **Transferability of shares:** The capital is contributed by the members through shares and such shares are transferable by its members except in the case of a private company. Private company may impose certain restrictions on transferability of shares.
- ix. **Maintenance of books:** A limited company is required to maintain prescribed set of books and failure in this regard will attract penalties.
- x. **Periodic audit:** A company has to get its accounts audited regularly through a CA appointed by shareholders on the recommendation of the board of directors.
- xi. **Right of access to information:** the shareholders have the right to inspect the books of account as governed in the Articles of Association. They can seek information by participating in meetings and through periodic reports.

CLASSIFICATION OF COMPANIES:



TYPES OF COMPANIES:

1. Government Company

According to sec 2(45) of Companies Act, 2013, a Co. in which _____ of the **paid up share capital** is held by Central Govt. OR State Govt. OR both. It includes Co. which is a subsidiary of such Govt. Co.

2. Foreign Company

According to sec 2(42) of Companies Act, 2013, a Co. or body corporate **incorporated** _____ **India** which -

- (a) Has a place of business in India by itself or through an agent physically or through _____ mode; and
- (b) Conducts any business activity in India in any other manner.

3. Private Company

According to Sec 2(68) of Companies Act, 2013, a Co. having a minimum paid up share capital of _____ or such higher paid up share capital as may be prescribed, and which by its articles, -

- (a) _____ the right to transfer its shares;
- (b) Limits the number of members to _____ (except in case of One Person Co.).

Provided that where 2 or more persons hold one or more shares jointly, they shall, for the purpose of this sub-clause, be treated as a single member.

Provided that further that-

- (1) Persons who are in the employment of the Co.; and
- (2) Persons who, having been formerly in the employment of the company, were members of the Co. while in employment and have continued to be members after employment ceased

shall not be included in the number of members

- (c) prohibits any _____ to subscribe for any securities of the Co. Shares of a pvt Co. are not listed in stock exchange.

4. Public Company

According to Sec 2(71) of Companies Act, 2013, a Co. which-

- (a) is not a _____ - Co.
- (b) has a minimum paid up share capital of _____ or such higher paid up capital as may be prescribed.

A Co. which is subsidiary of a public Co. is deemed to be a public Co. for the purposes of this Act though the subsidiary Co. continues to be a pvt Co. in its articles.

5. One Person Company

As per Sec 2(85) of Companies Act, 2013, Co. which has only 1 person as member.

It is considered as a _____ co.

Only a natural person who is a _____ is eligible to incorporate OPC.

It has been granted many relaxations in compliance and procedural aspects.

It cannot be incorporated or converted into a Sec 8 Co.

6. Small Company

As per Sec 2(85) of Companies Act, 2013, a Co., other than a public Co. –

(a) paid up share capital does not exceed _____ or any such higher amt as may be prescribed BUT not more than _____ or; OR

(b) turnover of which as per last profit and loss account does not _____ or such higher amt as may be prescribed which shall not be more than _____

7. Listed Company

As per Sec 2(52) of companies Act, 2013, a Co. which has its shares listed in any _____.

The Co. whose shares are not listed any Recognized stock exchange is called _____.

8. _____ Company

As per Sec 2(92) of Companies Act, a Co. not having any limit on the liability of its members.

9. Company Limited _____

As per Sec 2(22) of Companies Act, 2013 a Co. having the liability of its members limited by the memorandum to the amt, if any, unpaid on shares respectively held by them.

10. Company Limited By _____

As per Sec 2(21), a Co. having the liability of its members limited by the memorandum to such amt as the members may respectively undertake to contribute to the assets of the Co. in the event of winding up.

11. _____ Company

As per Sec 2(46) in relation to 1 or more other companies, means a co of which such cos are subsidiary companies.

12. Subsidiary Company

SEC 2(87). A Co. in which the holding co:

(a) controls the composition of _____ (power to appoint or remove all or majority of directors) OR

(b) exercises or controls more than one half of the _____ (paid up equity+ convertible preference share capital)

either at its own or together with one or more of its subsidiary companies.

Subsidiary of a subsidiary is also subsidiary of holding company

DIFFERENCE BETWEEN PRIVATE AND PUBLIC COMPANY:

S.no	Basis	Private	Public
1	Meaning	A private company means a company which has a minimum paid up capital of _____ or such higher paid up capital as may be prescribed.	A public company means a company which is either – (a) not a private company and has a minimum paid up capital of Rs. _____ or such; (b) is a private company which is _____ of a public company.
2	Minimum no. of Members	2 members. In respect of One Person Company (OPC) , no. of members is _____	Minimum no. of members required is _____
3	Minimum no. of Directors	In case of a private company, minimum no. of director required is _____.	In case of a public company, minimum no. of director required is _____.
4	Maximum no. of Members	_____	_____
5	Listed Company	_____	_____

6	Offer the public to subscribe its securities	Private company _____ - to issue shares or securities to Public.	Public company _____ to issue shares and securities to the public.
7	Words to be used at the end of name	Every private company has to include the words " _____ " to their name.	Every private company has to include the word " _____ " to their name.

OTHER POINTS:

- _____ of the company is set out in Part I of Schedule III and _____ in Part II of Schedule III of Companies Act, 2013.
- In AGM (annual General meeting) of the company, the following are laid down:
 - i. _____ at the end of that period
 - ii. _____ for that period.

FORMAT

PART I – BALANCE SHEET

Name of the Company.....

Balance Sheet as at

(Rupees in.....)

Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
1	2	3	4

I. EQUITY AND LIABILITIES

(1) Shareholders' funds

- (a) Share capital
- (b) Reserves and surplus
- (c) Money received against share warrants

(2) Share application money pending allotment

(3) Non-current liabilities

- (a) Long-term borrowings
- (b) Deferred tax liabilities (Net)
- (c) Other Long term liabilities
- (d) Long-term provisions

(4) Current liabilities

- (a) Short-term borrowings
- (b) Trade payables
- (c) Other current liabilities
- (d) Short-term provisions

TOTAL

II. ASSETS

Non-current assets

- (1) (a) Fixed assets
 - (i) Tangible assets
 - (ii) Intangible assets
 - (iii) Capital work-in-progress
 - (iv) Intangible assets under development
- (b) Non-current investments
- (c) Deferred tax assets (net)
- (d) Long-term loans and advances
- (e) Other non-current assets

(2) Current assets

- (a) Current investments
- (b) Inventories
- (c) Trade receivables
- (d) Cash and cash equivalents
- (e) Short-term loans and advances
- (f) Other current assets

TOTAL

PART II - STATEMENT OF PROFIT AND LOSS

Name of the Company.....

Profit and loss statement for the year ended

(Rupees in.....)

	Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
	1	2	3	4
I	Revenue from operations		xxx	Xxx
II	Other income		xxx	Xxx
III	Total Revenue (I + II)		xxx	Xxx
IV	Expenses:			
	*Cost of materials consumed		Xxx	Xxx
	*Purchases of Stock-in-Trade			
	*Changes in inventories of finished goods work-in-progress and Stock-in-Trade		Xxx	Xxx

	*Employee benefits expense Finance costs		Xxx	Xxx
	*Depreciation and amortization expense			
	*Finance costs			
	*Other expenses			
	Total expenses		xxx	Xxx
V	Profit before exceptional and extraordinary items and tax (III - IV)		xxx	Xxx
VI	Exceptional items		xxx	Xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	Xxx
VIII	Extraordinary items		xxx	Xxx
IX	Profit before tax (VII- VIII)		xxx	Xxx
X	Tax expense: (1) Current tax (2) Deferred tax		Xxx Xxx	Xxx Xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	Xxx
XII	Profit/(loss) from discontinuing operations		xxx	Xxx
XIII	Tax expense of discontinuing operations		xxx	Xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	Xxx
XV	Profit (Loss) for the period (XI + XIV)		xxx	Xxx
XVI	Earnings per equity share:			

SHARES AND SHARE CAPITAL:

- *Shares:* Total share capital of the company is divided into a number of small _____ units of a _____ amount called share.
- *Nominal value/ par value/face value:* _____ value of a share printed on the share certificate is called as nominal value.

CATEGORIES OF SHARE CAPITAL:

1. Authorised Or Nominal Capital

A co estimates its max requirements of capital. This amt is mentioned in the 'Capital clause' of MOA. It is shown in the balance sheet at face value. EX: 6000 shares of Rs.10each = Rs.60000

2. Issued Share Capital

The portion which is _____ by the company. It is shown in balance sheet at face value.

EX: 4000 shares of rs.10 each = Rs.40000.

The unissued portion of authorized capital is called _____. It is _____ in balance sheet. 2000 shares of Rs.10 each = Rs.20000

3. Subscribed Share Capital

Part of issued share capital which is _____ by the public and _____ by the company.

It includes face value of share issued for consideration other than cash. EX: 3750 shares of Rs.10 each = Rs.37500.

4. Called Up Share Capital

The portion of _____ which has been demanded or called from shareholders.

EX: the company called up Rs.7 per share

The balance which the company has decided to demand in the future is called _____. EX: the uncalled portion is Rs.3 per share

5. Paid Up Share Capital

Portion of called up capital which is paid by shareholders.

When they fail to pay it is called as _____

_____ capital = called up capital - calls in arrears

6. Reserve Capital

A company may by passing a _____ resolution decide that certain portion of its subscribed uncalled share capital shall not be called up except in the event of winding up of the company.

7. Capital Reserve

Created out of _____ only.

Part of reserves and surplus

Not available for _____

May be used to write off _____ losses, issue of _____, provided it is realized in _____.

DIFFERENCE BETWEEN RESERVE CAPITAL & CAPITAL RESERVE

S.no.	Basis	Reserve Capital	Capital Reserve
1	Meaning	It refers to those portion of uncalled share capital which shall not be capable of being called up except in the case of the company being _____	It refers to those amounts which are not regarded as free for distribution by way of divided through Profit and Loss Account.
2	Consideration of future requirements	It is _____ to create Reserve Capital.	It is _____ to create Capital Reserve in case of profit on forfeited shares.
3	Disclosure in Balance Sheet	It is _____ in the company's Balance Sheet.	It is required to be _____ as the 1st item under the head "Reserves and Surplus" on the liabilities side of the Balance Sheet.

4	Time when it can be used	It can be used during only at the time of _____.	It can be used _____ the company.
5	Realised vs Unrealised	It refers to the amount which has neither been _____ nor been _____.	It (excluding items like revaluation profit) refers to that amount which has already been realised.
6	Can it be used to write off capital losses?	It _____ to write off capital losses.	It _____ to write off capital losses.
7	Can it be used to declare share bonus?	It _____ to declare a share bonus.	It (excluding items like revaluation profit) _____ to declare a share bonus.

TYPES OF SHARES:

a) Preference shares:

Persons holding preference shares are called preference shareholders. They are assured a _____ divided at a _____ rate during the life of the company. They also carry a preferential right over other share holders for _____ of capital in case of winding up of the company. They don't carry any _____ rights

Types of preference shares:

1. Cumulative Preference Shares

Dividend on these shares accumulates unless it is paid in full. Arrears of dividend are shown in balance sheet as a _____.

If the dividends are in arrear for not less than _____ the resp. shareholders will be entitled to take part and vote in General Meetings every year

2. Non Cumulative

In case no dividend is declared in any year, the right to receive such dividend for that year _____.

If dividends are in arrear for a period of not less than 2yrs OR for an aggregate period of 3yrs in the past 6yrs the holders will get right to vote in shareholders meeting.

3. Participating Preference Shares

They have right to participate in _____ over and above their right to fixed dividend.

4. Non Participating Preference Shares

They only have right to _____.

5. Redeemable Preference Shares

These shares are repaid after _____ or even earlier.

In India only such preference shares can be issued.

6. Irredeemable Preference Shares

These shares cannot be issued any more.

Maximum redemption period is _____

7. Convertible Preference Shares

These shares have right to get converted into _____

8. Non Convertible Preference Shares

These shares are _____ into equity shares.

Important point to note:

Unless otherwise stated, preference shares are _____, _____, _____.

b) Equity shares

These are shares which are not preference shares. Hence they don't enjoy any preferential position in payment of dividend or repayment of capital. Also their rate of dividends vary from year to year. Companies act allows issue of equity shares with differential rights as to _____, _____ or otherwise.

DIFFERENCE BETWEEN PREFERENCE AND EQUITY SHARE CAPITAL:

S.no	Basis	Equity Share	Preference Share
1	Preferential right as to the payment of dividend	Payment of equity dividend is made _____ the payment of preference dividend.	Payment of preference dividend is made _____ the payment of equity dividend.
2	Preferential right as to the repayment of capital	Repayment of Equity share capital is made _____ the repayment of preference share capital.	Repayment of preference share capital is made _____ the repayment of equity share capital.
3	Fluctuations in the rate of dividend	The rate of equity dividend _____ from year to year depending upon the decision of directors and members.	The rate of preference dividend if _____
4	Arrears of Dividend	In case of an equity share, arrears of dividend _____ in any case.	In case of preference share, arrears of dividend may _____.
5	Convertibility	It _____ be convertible.	It _____ convertible.
6	Voting Rights	Equity shareholders generally _____.	Preference shareholders _____ any voting rights except at their _____.
7	Redeemability	It is _____ during the life time of the company unless the company decides to _____ the shares.	It is _____ during the life time of the company.

ISSUE OF SHARES

As per SEBI guidelines,

A company is free to price its issue if it has a _____ years track record of consistent profitability.

A new company is free to price its issue if it has been promoted by a company having _____ years track record of consistent profitability.

To issue shares, private company depends on " _____ " and public company issues prospectus inviting public to subscribe for shares.

Applications are deposited in scheduled banks by interested parties. Multiple application by the same person cannot be accepted

First instalment paid along with application is called _____. Application money should be at least **__ of the face value** of shares as per **Companies Act**.

The minimum application money to be paid by an applicant shall not be less than **25% of the _____** as per **SEBI guidelines**

As per SEBI guidelines, a company must receive a minimum subscription of _____ of subscription against entire issue.

A company cannot proceed for allotment until it has received the minimum subscription within _____ **from issue of prospectus.**

If the company does not receive the minimum subscription, it has to refund the entire subscription within _____ **from the date of closure of issue.** In case of delay in refunding, the interest amount @ _____. shall be charged on the refund amount.

Second instalment is called as _____ and subsequent instalments are _____.

A period of at least _____ should elapse between 2 calls.

SEBI requires the shares issued be fully paid up within _____ from the date of allotment if the size is **upto 500crores.**

DURING subscription, 2 conditions may arise

- i. Under subscription: when shares issued _____ are more than _____. That is public doesn't respond well to the issue.
- ii. Over subscription: when _____ is more than the _____

ISSUE OF SHARES AT PREMIUM AND DISCOUNT:

Issue at discount: Section 53 of the Companies Act,2013 _____ the company from issuing shares at discount except in case of sweat equity shares. Any shares issued at discounted price is _____

Issue price= _____ + _____

Issue at premium: financially strong and well managed companies issue their shares at a premium. Premium is the amount in excess of the face value in an issue price. For eg, FV of shares is Rs.10. the company issues it for Rs. 12. This Rs.2 is called the premium. Premium is generally paid along with allotment money, rarely with calls.

According to sec 52 of the act, Securities premium amount shall be utilised only for the following purposes:

- i. Issuing _____ securities
- ii. Write off _____ expenses of the company
- iii. Write off expenses on _____, _____, _____ on securities
- iv. Pay _____ on redemption of preference shares/ debentures
- v. _____ its securities.

Issue price= _____ - _____

CALLS IN ARREARS AND CALLS IN ADVANCE:

Calls in arrears: when the company makes a call and the person fails to pay the amount, that amount is called calls in arrears. According to Table F_____. interest is charged between due date for payment and actual payment. Directors have discretion to reduce, increase or waive this interest.

Disclosure in balance sheet: it is shown as a _____ in notes to accounts. The net amount is shown in balance sheet as Share capital

Calls in advance: sometimes shareholder may pay full or part of the amount that has not yet been called. This is calls in advance. For eg, company calls only Rs.8 and FV is 10. A share holder pays full amount, Rs 10. This Rs.2 is calls in advance. Calls in advance are not entitled to dividends. Table F prescribes interest @_____. to be paid on calls in advance.

Disclosure in balance sheet: it is shown under current liabilities till the calls are made.

REDEMPTION OF PREFERENCE SHARES:

Redemption is the process of repaying an obligation at pre-arranged amounts and timings

Only _____ preference shares can be redeemed.

As per the Act, a company cannot issue _____ preference shares or redeemable after the expiry of a period of _____ from its issue.

When shares are redeemed out of divisible profits, a sum equal to the _____ value of the preference shares must be transferred out of profits to _____ account.

CRR cannot be used for any purpose except issuing _____

The nominal amount can be replaced (CRR) through

1. _____
2. _____.
3. _____

Proceeds from issue of _____ cannot be used for the purpose of redemption of preference shares.

Securities premium can be used only to repay the _____ on redemption and not the entire redemption.

Also company may sell its _____ to fund the redemption. This does not amount to replacement of capital.

Divisible and non divisible profits:

Following are the Divisible Profits that can be used to transfer to the C.R.R A/c:-

1. General Reserve
2. Profit and Loss Account
3. Dividend Equilization Reserve
4. Reserve Fund
5. Debenture Redemption Fund – **to the extent it is not mandatory**
6. Insurance Fund
7. Workmen 's Compensation Fund
8. Workmen's Accident Fund
9. Any other Reserve

Following are Non - Divisible Profits, hence C.R.R should not be created out of them:-

1. Capital Reserve
2. Revaluation Reserve
3. Share or Securities Premium Account
4. Share forfeited Account
5. Profit Prior to Incorporation
6. Investment Allowance Reserve
7. Development Reserve
8. Export Profit Reserve
9. Profit Export Reserve

NOTE: 7, 8, 9 - Before the expiry of the Statutory Period (that is, they can be used for the creation of C.R.R. after the expiry of the Statutory Period).

Logic for CRR:

The _____ is maintained intact and the _____ of the company are safeguarded as by transferring the amount to CRR, divisible profits come down and company may not be able to distribute them.

FORFEITURE AND REISSUE OF SHARES

'Forfeit' means taking away of property on breach of condition. Failure to pay call money results in forfeiture of shares. It is the action taken by company to cancel the shares. It is simply cancellation of shares. These cancelled shares can be reissued. Forfeiture should be done 'bonafide' in the interest of company.

In case of forfeiture, the amount so far paid will _____. It becomes a _____ profit for the company.

If Member fails to pay any call on due date, BOD may serve a notice requiring payment of call together with interest, if any. Notice shall state further period of ____ days from the date of service of notice. If the amount is not paid even then, such shares shall be liable to be forfeited by passing board resolution.

If the _____ has already been received by the company, it cannot be cancelled even if the shares are forfeited in future.

Shares may be forfeited for non-payment of _____, _____ or the _____ value of shares.

Fully paid up shares may be forfeited for _____ of shareholders if articles so provide

Re-issue of forfeited shares is not allotment of shares but only a '_____'.

In practice, forfeited shares are disposed of any auction. (Shares can be reissued at any price, so long as the total amount received for those shares is not less than the amount in arrear in those shares.)

Point for consideration:

- a. Loss on re-issue should not exceed the _____ amount.
- b. If the loss on re-issue is less than the amount forfeited, the surplus shall be transferred to _____.
- c. The forfeited amount on shares not yet reissued should be shown in the _____ as an addition to the share capital.
- d. When the shares are re-issued at a loss, such loss is to be debited to '_____'.
- e. If the shares are re-issued at a price which is more than the face value of the shares, the excess amount will be credited to _____.
- f. If the re-issued amount and forfeited amount (taken together) exceeds the face value of the shares re-issued, it is not necessary to transfer such amount to Securities Premium Account.
- g. Even though original shares cannot be issued at a discount, but _____ shares can be issued at a discount.

DEBENTURES:

A debenture is a bond issued by a company under its seal acknowledging a _____ and containing provisions regarding its _____.

It is most commonly used instrument for debt financing. It helps in reducing the _____ of the company.

FEATURES OF DEBENTURES

1. A document which evidences a loan made to a company.
2. A _____ interest-bearing security where interest falls due on specific dates.
3. Interest is a _____ against profit.
4. The original sum is repaid at a specified future date or is converted into _____.
5. It may or may not create a charge on the assets of a company as security. (if created, the nature of the charge and the assets charged should be described. This charge should be registered with the Registrar.)
6. It can generally be bought or sold through the _____ at a price above or below its face value.

TYPES OF DEBENTURES

1. On the basis of security:-

a. Secured Debentures:

These are secured by a _____ (which is, fixed or floating) upon any assets.

b. _____ or _____:

These are not secured by any charge upon any assets. These are very risky from the viewpoint of investors.

2. On the basis of Convertibility:-

a. _____:

The holders of these debentures have a right to convert their debentures into equity shares (either at par or premium or discount) after a certain period of time from the date of its issue. (May be partly or fully convertible).

b. _____:

These debentures cannot be converted into shares in future.

3. On the basis of Performance:-

a. _____:

These debentures are repayable as per the terms of issue.

b. _____:

These debentures are not repayable during the lifetime of the company (that is, repaid only at the liquidation of the company). Also called Perpetual Debentures.

4. On the basis of Negotiability:-

a. _____:

These debentures are payable to a registered holder whose name, address and particulars of holding are recorded in the Register of Debenture-holders. (Provisions of Companies Act, 2013 are to be complied with for effecting transfer of these debentures).

b. _____:

These debentures are transferable by delivery. No record is kept by the company of the holders of bearer debentures.

5. On the basis of priority:-

a. _____:

These debentures are payable first out of the property charged.

b. _____:

These debentures are payable after satisfying the first mortgage debentures.

DIFFERENCE BETWEEN SHARE AND DEBENTURE:

<u>S. NO</u>	<u>DEBENTURES</u>	<u>SHARES</u>
1	Debenture holders are the _____ of the company	Shareholders are the _____ of the company
2	Debenture holders have _____ rights and consequently do not pose any threat to the existing control of the company	Shareholders have _____ and consequently control the total affairs of the company
3	Debenture interest is paid at a pre- determined _____ rate. It is payable, whether there is any profit or not. Debentures rank ahead of all types of shares for payment of the interest due on them.	Dividend on equity shares is paid at a _____ rate which is vastly affected by the profits of the company (however dividend on preference shares is paid at a fixed rate.)
4	Interest on debentures are the _____ against profits and they are deductible as an expense in determining taxable profit of the company .	Dividends are _____ of profits and these are not deductible in determining taxable profit of the company .
5	There are different kinds of debentures, such as secured / unsecured; redeemable/irredeemable ; registered/ bearer ; convertible / non-convertible, etc.	There are only two kinds of shares - _____ shares and _____ shares .
6	In the company's balance sheet debentures are	In the company's balance sheet , shares are shown under

	shown under " _____ " .	" _____ " ,
7	Debentures can be <u>converted</u> into shares as per the terms of issue of debentures.	Shares <u>cannot be converted</u> into debentures under any circumstances.
8	Debentures cannot be _____ for non-payment of Call moneys.	Shares can be _____ for non-payment of allotment and call moneys.
9	At maturity, debenture holders get back their money as per the terms and conditions of redemption.	Equity shareholders cannot get back their money before the _____ of the company (however preference shareholders can get back their money before liquidation.)
10	At the time of liquidation debenture holders are paid off _____ the shareholders	At the time of liquidation shareholders are paid at last , _____ paying debenture holders , trade payables , Etc.

POINTS TO REMEMBER:

- Debentures are rarely issued at _____.
- They are issued at a premium when the market rate of interest \leq debenture interest
- Debentures are issued at discount when the market rate of interest \geq debenture interest
- Discount on issue of debentures are disclosed in the _____ side of balance sheet under _____
- Discount on issue, if treated as _____ expense, is charged to P&L a/c in the subsequent years, proportionately.
- Discount on issue of debentures is considered as _____ expense.
- The net borrowing cost for a particular accounting period = _____ payment + _____ written off
- Debentures issued as collateral security: It is an additional security for a loan
- No interest is payable on debentures issued as _____.
- If the loan and interest is not paid on the due date then the lender becomes the _____
- Interest will be payable on such debentures only when there is a _____ in payment of principal or interest.

DEFINITIONS:

1. perpetual succession
2. with or together, bread

TYPES OF COMPANIES:

1. Not less than 51%
 2. Outside
 - (a) electronic
 3. one lakhs
 - (a) Restricts
 - (b) 200 members
 - (c) invitation to the public
 4. (a) Private
 - (b) 5 lakhs
 5. Private
Resident indain citizen
 6. (a) 50 lakhs rupees, 5 crores
 - (b) exceed 2 crores , 20 crores
 7. Recognized stock exchange
- UNLIMITED COMPANY
8. UNLIMITED
 9. By Shares
 10. Guarantee
 11. Holding
 12. (a) Board of directors
 - (b) Total share capital
- Difference between private and public company
1. Rs 100000, (a) Rs 500000 (b) subsidiary
 2. 1, 7
 3. 2, 3
 4. 200, unlimited
 5. No, yes
 6. Has no right, has every right
 7. PRIVATE LIMITED, LIMITED

OTHER POINTS:

- **balance sheet , profit and loss account**
- **balance sheet, profit and loss account**

SHARES AND SHARE CAPITAL:

- indivisible, fixed
- fixed

CATEGORIES OF SHARE CAPITAL:

2. Issued
Unissued capital , Not shown
3. subscribed, allotted
4. issue price
Uncalled capital
5. calls in arrears
Paid up
6. Special

7. Profits
Declaration
Capital , bonus shares, cash

RESERVE CAPITAL AND CAPITAL RESERVE

1. Wound up
2. not mandatory, mandatory
3. not disclosed, disclosed
4. winding up, during the life of
5. called up, received
6. cannot be used, can be used
7. cannot be used, can be used

TYPES OF SHARES

TYPES OF PREFERENCE SHARES

1. Contingent liability , 2 years
2. expires
3. surplus profits
4. Fixed dividend
5. Fixed period of time
6. 20yrs
7. equity shares
8. Not convertible

IMPORTANT POINT TO NOTE

Cumulative, non participating, non-convertible.

- b) Dividend, voting

PREFERENCE EQUITY SHARE

1. after, before
2. after, before
3. may vary, fixed
4. cannot accumulate, accumulate
5. cannot, may be
6. enjoy voting rights, do not have , class meetings
7. not redeemable buy back, redeemable

ISSUE OF SHARES

Three

Five

Private placement of shares

Application money, 5%

Issue price

90%

30 days

15 days, 15%

Allotment money, calls

1 month

12 months

(i) Issued by the company to the public, number of shares subscribed by the public

(ii) Shares subscribed by the public number of shares issued to the public

ISSUE OF SHARES AT PREMIUM AND DISCOUNT:

Prohibits , void

CALLS IN ARREARS AND CALLS IN ADVANCE:

10%

Reduction in paid up capital

12%

REDEMPTION OF PREFERENCE SHARES:

Fully paid up

Irredeemable, 20 years

Nominal, capital redemption reserve (CRR)

Fully paid bonus shares

1. Proceeds of fresh issue of shares
2. Capitalising undistributed profits.
3. Both 1 &2

Debentures

Premium

Investments

Capital, creditors

FORFEITURE AND REISSUE OF SHARES

not be refunded, capital

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Premium

calls, premium, unpaid portion of face

realization of debts

'Sale'

Forfeited

Capital Reserve.

Balance Sheet

Forfeited Shares Account'.

Securities Premium Account.

Forfeited

DEBENTURES:

Debt, repayment of principal and interest.

cost of capital

FEATURES OF DEBENTURES

2. fixed

4. shares .

6. stock exchange

TYPES OF DEBENTURES

1.

a. Charge

b. **Unsecured** or "**Naked**" Debentures:

2. a. convertible debentures:

b. non convertible debentures:

3. a. redeemable debentures:

b. irredeemable debentures:

4. a. registered debentures:

b. bearer debentures:

5. first mortgage debentures
Second mortgage debentures

DIFFERENCE BETWEEN SHARE AND DEBENTURE:

1. creditors, owners
2. no voting, voting rights
3. fixed , variable
4. charges, appropriation
5. equity, preference
6. long term borrowings , shareholders funds
7. converted, cannot be converted
8. forfeited , forfeited
9. liquidation
10. before, after

POINTS TO REMEMBER:

Premium

Asset ,non current assets other non current

Deffered

Incremental

Interest, discount

Collateral security

Debenture holder

Default