Class - B.Com Part - II

Subject : Corporate Accounting

paper : IV

Topic : Call - in Arrears

Lecture sequence No : 7

unit : 1

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Call-in-arrears:

When any shareholder does not pay the amount of call demanded by the company, without prescribed time such unpaid amount of call is known as Call-in-Arrears.

Entries Regarding Call-in Arrears.

(1) (i) When Call-in-Arrear Account is Not Opened:

Generally companies do not open Call-in-Arrears account in their books because no provision has been given in the Companies Act, in relation to this. In case, when Call-in-Arrears a/c is Not opened. Bank Account debited (Bank a/c Dr) with the actual money received and related call account is credited, balance money of call is received at any future date, again Bank A/c is debited and related call account is credited. At the end of the year, amt of Call-in-Arrear is deducted from Called-up-Capital and shown on the liability side of Balance sheet.

(2) When Call-in-Arrear A/c is Opened:

Following entries are recorded when separate Call-in-Arrears Account is opened in the books.

(a) On opening of Call-in-Arrears A/c.

Call-in-Arrears A/c
To Share Call A/c

(b) On receipt of money of Call-in-Arrears.

Bank A/c Dr
To Call-in-Arrears.

At the end of the year balance in Call-in-Arrears A/c is shown under the heading share capital on the liability side of Balance sheet after deducting it from Called up Capital.

Interest on Calls-in-Arrears:

If shareholders does not pay the amt of call till due date, he is liable to pay interest for the period from due date of payment at the rate prescribed in Articles or rate given in the term of conditions of issue (whichever is less). If rate of interest is Not given in Articles at 10% p.a as per clause 16(i) of Table F of the Companies Act 2013 or at such lower rate, if any as the Board may determine.

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Accounting Entries :

Following entries are recorded in relation to interest

(1) When interest on Call-in-Arrear becomes due and is not received till the end of year.

Sundry Shareholder's Dr
OR.
Outstanding Interest a/c
To Interest on Calls-in-Arrear a/c
(Being interest due on call-in-arrears)

(2) When money for interest is received in next year.

Bank a/c Dr
To Sundry Shareholders a/c
OR
To Outstanding Interest a/c
(Being the receipt of Interest on Call-in-arrears)

(3) When money for interest is received in current year.

Bank a/c Dr
To Interest on Call-in-Arrears a/c

(4) When amt of interest received is transferred to Statement of Profit & loss at the end of year.

Interest on Call-in-Arrears A/c
To Statement of Profit & loss A/c.