Class - B.Com Part - II

Subject : Corporate Accounting

paper : IV

Topic : Share Issued at Discount

Lecture sequence No : 6

unit : 1

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Share Issued at Discount
(Section 53)

Meaning:

When share are issued at a price less than face value (or nominal value) it is said that they have been at discount. For example If a share of Rs 10 is issued for Rs 9. Rs (10-9) 1/- will be treated at discount on issue of shares.

Prohibition on Issue of shares at Discount:

1) As per Sec 53 (1) of the Companies Act-2013 "Except as provided in Sec. 54 a company shall not issue share at discount.

2) As per Sec 53 (2) any share issued by a company at a discounted price shall be void

3) As per Sec 53 (3) where a company contravenes the provision of this section, the section 54 is related to issue of Sweat Equity Shares.

Discount on issue on share is a nominal account. Since it represents a capital loss it is prudent to write it off gradually out of profit over a resonable number of year.

Accounting Treatment and Presentation of Discount on Issue of Shares in Balance Sheet.

(1) Share Discount is treated as part of Unamortised Expense

(2) Discount on Issue of shares should be written off with the securities Premium a/c and balance, if any be charged to Statement of Profit & loss over a period of 3-5 years

(3) The unamortised balance of Discount on Issue of shares a/c is shown in the Asset side of the balance Sheet in the following manner.

(1) **Non-Current Assets.**

Other Non-Current Assets (unamortised portion likely to be written off over next 12 months.

(2) **Current Assets:**

(f) Other Current Assets: (unamortised portion likely to be written in next 12 months).

Journal Entries :

(1) At the Time of Allotment of Shares :

Share Allotment A/c Dr
Discount on Issue of Shares A/c Dr
To Share Capital a/c.
(Amount of Allotment due and discount allowed)

(2) On Receipt of Allotment Money

Bank a/c Dr
To Share Allotment a/c
(Allotment money excluding discount received)

(3) At the Time of Writing off Shares Discount :

Securities Premium a/c Dr
To Discount on Issue of Shares a/c
(Discount on issue of Shares written off).

Statement of Profit & loss a/c.
To Discount on Issue of Shares.
(Discount on shares written off)