O. P. JINDAL SCHOOL, RAIGARH (CG) 496 001, INDIA

Phone: 07762-227042, 227293, (Extn. 227001 - 49801, 02, 04, 06, 09); Fax: 07762-262613; website: www.opjsrgh.in; e-mail: opjsraigarh@jspl.com

CLASS: XII- ACCOUNTANCY

Issue of Shares

Q. 1 What do you mean by Joint Stock Company? What are its special features?

Q. 2 What do you mean by 'Certificate of Incorporation'?

Q. 3 What is an Escrow Account?

Q. 4 What is sweat equity?

Q. 5 What do you mean by listed company?

Q. 6 Discuss the legal provisions regarding issue of shares at discount. How is it recorded in the books of accounts?

Q. 7 What is Authorized Capital? What is its significance?

Q. 8Explain the relationship between calls in arrears, forfeited shares A/c and capital reserve.

Q. 9What do you mean by surrender of shares?

Q.10What are preliminary expenses?

Q.11.A holds 100 shares of Rs10 each on which he has paid Rs1 per share on application.

B holds 200 shares Rs 10 each on which he has paid Rs 1 and Rs 2 per share on application and allotment respectively.

C holds 300 shares of Rs10 each and has paid Rs1 on application Rs 2 on allotment and Rs 3 on first call.

They all fail to pay their arrears and the second call of Rs2 per share. Shares are forfeited and subsequently reissued at Rs11 per share as fully paid.

Journalize the above.

NOTES

.A Company cannot commence its business unless:

(i)A declaration is filed , with the Registrar of Companies by a director to the

effect that:

(a) Every subscriber to the Memorandum has paid the value of the shares agreed to be taken by him.
(b) The paid -up share capital of the company is not less than as prescribed in Companies Act.

(ii)A verification of its registered office ifs filed with the Registrar by the Company.

NATURE OF SHARES

.As per Section 44 of the Companies Act,2013,shares or debentures or other interest of any member in a company shall be movable property, transferable in the manner provided by the Articles of the Company.

.According to Sale of Goods Act,1930,"Goods mean any kind of movable property other than actionable claims and money ,and stock and shares".

So, on the basis of above two definitions, it can be concluded that shares are basically goods which can be bought ,sold or gifted.

CLASSIFICATION OF EQUITY SHARES

Equity shares can further be classified as:

(i)Equity shares with voting rights-These shares give their holders the right to vote on matters of corporate policy making, as well as, on who will compose the members of the Board of Directors.

(ii)Equity shares with differential rights-These shares confer upon its holders differential rights as to dividend ,voting or otherwise as per rule 4 of the Companies Act.

RULES REGARDING FORFEITURE OF SHARES-

As per the provisions of Companies Act:

(i)Articles of Association must empower the Company to forfeit the shares.

(ii)The company must give clear 14 days notice to the defaulting shareholder that unless he pays the amount together with interest, if any ,by the specified date, the shares shall be forfeited .If the shareholder still not pay ,the

company may forfeit the shares by passing an appropriate resolution.

(iii)On forfeiture, the shares are cancelled and to the extent ,share capital is reduced .The amount paid up to that date is not refunded to him, it is forfeited and the unpaid call shown as calls-in-arrears, is also cancelled by passing a reverse entry.

-A portfolio investment is a grouping of assets such as stocks, bonds, and cash equivalents. Portfolio investments are held directly by an investor or managed by financial professionals.
In economics, **foreign portfolio investment** is the entry of funds into a country where foreigners deposit money in a country's bank or make purchases in the country's stock and bond markets, sometimes for speculation.[1][2]

Portfolio investments typically involve transactions in securities that are highly liquid, i.e. they can be bought and sold very quickly. A portfolio investment is an investment made by an investor who is not involved in the management of a company. This is in contrast to direct investment, which allows an investor to exercise a certain degree of managerial control over a company. Equity investments where the owner holds less than 10% of a company's shares are classified as portfolio investment.[3] These transactions are also referred to as "portfolio flows" and are recorded in the financial account of a country's balance of payments. According to the Institute of International Finance, portfolio flows arise through the transfer of ownership of securities from one country to another.[4]

Foreign portfolio investment is positively influenced by high rates of return and reduction of risk through geographic diversification. The return on foreign portfolio investment is normally in the form of interest payments or non-voting dividends.