

Q. Cronic Limited issued 10000 equity shares of £10 each payable £2.50 on application, £3 on allotment; £2 on first call and the balance of £2.50 on final call. All the shares were duly fully subscribed & paid except of a shareholder having 100 shares who could not pay for the final call. Give journal entries to record these transactions.

Soln.

In the Books of Cronic Limited  
Journal entries.

Date	Particulars	(Dr) Amt.	Cr. Amount
17 Sunday	Bank A/c — Dr To Eq. sh. application A/c (Being money received on application for 10000 shares @ £2.50 per share)	25,000	25,000
	Eq. sh. Application A/c — Dr To Eq. sh. capital A/c (Being transfer of application money on 10,000 shares to share capital A/c)	25,000	25,000
	Eq. sh. Allotment A/c — Dr To Share Cap. A/c (Being amount due on allot. of 10,000 shares @ £3 per share)	30,000	30,000

June	2018
Mon	4 11 18 25
Tue	5 12 19 26
Wed	6 13 20 27
Thu	7 14 21 28
Fri	1 8 15 22 29
Sat	2 9 16 23 30
Sun	3 10 17 24

Date			
	Bank A/c — Dr To Eq. sh. Allot. A/c (Being allotment money received)	30,000	30,000
	Eq. sh. 1st call A/c — Dr To Share cap. A/c (Being 1st call money due on 10000 shares @ ₹ 2 per share)	20,000	20,000
	Bank A/c — Dr To Eq. sh. 1st call A/c (Being 1st call money received)	20,000	20,000
	Eq. sh. final call A/c — Dr To E. Sh. Cap. A/c (Being final call money due)	25,000	25,000
	Bank A/c — Dr Calls in Arrear A/c — Dr To Eq. sh. Final call A/c (Being final call money received except that of 100 shares)	24750 250	25000

calls in Advance

Entries for calls in advance :-

① For amount received on calls in advance -

Bank A/c ———— Dr  
To calls in Advance A/c

(Being calls paid in advance received)

② ~~When~~ Adjustment of calls in advance towards call.

calls in Advance A/c ———— Dr  
To respective calls A/c

(Being calls in advance adjusted)

## Difference between Calls-in-arrears and Calls-in-advance

The following are the main points of differences between Calls-in-arrears and Calls-in-advance :

Basis of Difference	<i>Calls-in-arrears</i>	<i>Calls-in-advance</i>
<i>Meaning</i>	The amounts which are <i>not</i> received by a company on allotment or calls are termed as calls-in-arrears.	Calls in advance is the amount not called by the company, but paid by the shareholders in excess of what they are asked to pay.
<i>Nature of Balance</i>	Calls-in-arrears show a <i>debit</i> balance.	Calls-in-advance show a <i>credit</i> balance.
<i>Interest</i>	Interest is charged on calls-in-arrears. It is an income for the company.	Interest is paid on calls-in-advance by the company. It is an expense for the company.
<i>Rate of Interest</i>	In the absence of any rate given in Articles, the rate of 5% p.a. as per Table A will be charged on calls-in-arrears.	If no rate of interest is mentioned in the Articles of Associations, then the rate of 6% p.a. as per Table A will apply on calls-in-advance .
<i>Disclosure in Balance Sheet</i>	Call-in-arrear is deducted from called-up capital to arrive at paid-up capital.	Balance of calls-in-advance, if any, is shown on the liabilities side of the Balance Sheet as a liability.