

INSTITUTE OF LAW, JIWAJI UNIVERSITY, GWALIOR

COURSE - B.COM LL.B FIVE YEAR

SEMESTER – II

SUBJECT – ACCOUNTS AND FINANCE -II

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UNIT – 1

TOPIC - CALLS-IN-ADVANCE AND INTEREST ON CALLS-IN-ADVANCE

CALLS-IN-ADVANCE AND INTEREST ON CALLS-IN-ADVANCE

A company may receive from a shareholder the amount remaining unpaid on shares, even though the amount has not been called up. This is known as calls-in-advance. It is a debt of a company until the calls are made and the amount already paid is adjusted. Calls-in-advance may also arise when the number of shares allotted to a person is much smaller than the number applied for and the terms of issue permit the company to retain the amount received in excess of application and allotment money. Of course, the company can retain only so much as is required to make the allotted shares fully paid ultimately. The calls-in-advance account is ultimately closed by transfer to the relevant call accounts. It is noted that the money received on calls-in-advance does not become part of share capital. It is shown under a separate heading, namely 'calls-in-advance' on the liabilities side. No dividend is paid on calls-in-advance.

At the time of receiving the value of shares in instalments (calls)

Share calls money received in full

"Bank A/c" is debited with full money received

Calls-in-arrears i.e. money received is less than due

"Calls-in-arrears A/c" is debited with the entry for Bank A/c

Calls-in-advance i.e. money of future instalments received before hand

"Calls-in-advance A/c" is credited with entry for "Bank A/c"

Accounting Treatment

(i) On receipt of call money in advance:

Bank A/c	Dr.	(with the amount of call money received in advance)
To Call-in-Advance A/c		
(Being the calls received in advance)		

(ii) As and when calls are made:

Calls-in-Advance A/c	Dr.	(with the amount adjusted on relevant call becoming due)
To Relevant Call A/c		

INTEREST ON CALLS-IN-ADVANCE

The amount received as calls-in-advance is a debt of the company, the company is liable to pay interest on the amount of Calls-in-Advance from the date of receipt of the amount till the date when the call is due for payment. Generally the Articles of the company specify the rate at which interest is payable. If the articles do not contain such rate, Table F will be applicable & company liable to pay interest @ 12% p.a. It is to be noted that the interest payable on Calls-in- Advance is a charge against the profits of the company. As such, Interest on Calls-in-Advance must be paid even when no profit is earned by the company.

Accounting Treatment

(i) If Interest on Calls-in-Advance is paid in cash -

Interest on Calls-in-Advance A/c	Dr.	(with the amount of
To Bank A/c		interest paid)

(Interest on Calls-in-Advance paid @% p.a. on
₹..... for..... months)

(ii) If interest on Calls-in-Advance is not paid in cash -

Interest on Calls-in-Advance A/c	Dr.	(with the amount of
To Sundry Shareholders A/c		interest payable)

When payment is made,

Sundry shareholders A/c	Dr.
To Bank A/c	

(iii) At the end of the year, when interest on Calls-in-Advance is transferred to Profit and Loss A/c -

Profit and Loss A/c	Dr.	(with the amount of interest)
To Interest on Calls-in-Advance A/c		

THANK YOU

