

Tutorial Notes

Class: B.Com (Prog.) Semester III (CC9)

Subject: Corporate Accounting.

Topic: Calls in arrear and Calls in advance and relevant JE.

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**Calls In arrears:**

1. It is the amount which defaulter shareholders have not paid on the amount called up by company
2. Calls in arrears may be recovered in future or in the event not received shares may be forfeited
3. Interest on calls in arrears is the income of company
4. It may lead to losing the membership if calls in arrears are not cleared
5. Maximum rate of interest is 5% p.a.

(i) For recording 'Calls-in-Arrears', the following journal entry is recorded:

Calls-in-Arrears A/c	Dr.
To Share Allotment A/c	
To Share Calls A/c	

(ii) For interest receivable on calls-in-arrears

Shareholders' A/c	Dr.
To Interest on calls-in-arrears A/c	

(iii) For receipt of interest

Bank A/c	Dr.
To Shareholders' A/c	

### **Calls in advance:**

1. It is the amount which is received in advance before the amount is due from shareholders.
2. Calls in advance is adjusted in future at the time of relevant call.
3. Interest on calls in advance is the expenses of company
4. There is no question of losing the membership
5. Maximum rate of interest is 6% p.a.

(i) For recording 'Calls-in-Advance', the following journal entry is recorded:

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

(ii) calls-in-advance account is adjusted at the time of the call.

Calls-in-Advance A/c	Dr.	[Call amount due]
To Particular Call A/c		

(iii) The accounting treatment of interest on Calls-in-Advance is as follows:

Interest on Calls-in-Advance A/c	Dr.	[Amount of interest due for payment]
To Shareholder's A/c		

(iv) Payment of Interest

Shareholder's A/c	Dr.	[Amount of interest paid]
To Bank A/c		