



Subject: Year 13 Accounting Worksheet 17 Name: _____

Strand 3	Company Accounting
Sub strand 3.2	Formation of companies
Content Learning Outcome	Discuss the accounting for formation of Companies

FORMATION OF COMPANIES

Share issues

It is the company directors who decide the number of shares to be issued and the conditions of the issue. This is done at a directors meeting and the decision is recorded in the company's minute book.

Share capital

Share capital consists of all funds raised by a company in exchange for shares of either common or preferred shares of stock.

Terms used in accounting for the issue of shares in a company

Authorised capital – The total value of the shares that a company is entitled to sell to the public.

Issued capital – it is the total value of the shares that a company has issued to shareholders.

Unissued capital – value of the shares that has not yet been issued to the public.

Uncalled capital (Equity receivable) - the proportion of the issue price of the shares that shareholders have not been requested to pay to the company.

Application – the proportion of the issue price of the shares that shareholders are requested to send with their applications to buy the shares.

Allotment – the installment that is required to be paid when the shareholder receives notification of the allotment of the shares.

Calls – all installments of the issue price requested after the shares have been allotted.

Calls in arrears – calls that shareholders have not yet paid upon request by the company. Also known as unpaid calls.

Calls in advance - money received in advance from shareholders for calls not yet made

General Journal Entries

Step 1 Record the Authorized Capital

Date	Particulars	Debit \$	Credit \$
	Unissued Capital Authorised Capital	x	x

Step 2 Record the value of shares to be issued

Date	Particulars	Debit \$	Credit \$
	Uncalled Capital / Equity Receivable Unissued Capital	x	x

Step 3 Record the money received on application

Date	Particulars	Debit \$	Credit \$
July 16	Cash at Bank – Share Trust Application	x	x

Step 4 Record the amount due on application

Date	Particulars	Debit \$	Credit \$
July 16	Application Uncalled Capital	x	x

Step 5 Record the amount due on allotment

Date	Particulars	Debit \$	Credit \$
Aug 23	Allotment Uncalled Capital	x	x

Step 6 Transfer the balance of Cash at Bank-Share Trust to Cash at Bank-General

Date	Particulars	Debit \$	Credit \$
Aug 23	Cash at bank-general Cash at bank-share trust	x	x

Step 7 To record money received on allotment

Date	Particulars	Debit \$	Credit \$
	Cash at bank-general Allotment	x	x

Step 8 Record the amount due on call

Date	Particulars	Debit \$	Credit \$
	Call No. 1 Uncalled Capital	x	x

Step 9 To record the amount received on call

Date	Particulars	Debit \$	Credit \$
	Cash at bank-general Call	x	x

Question 1 Formation of Companies

Sampo Limited was incorporated on 1 February, 2019 with an authorized capital of \$2 000 000 comprising of 2 000 000 Ordinary Shares at \$1 each.

On 2 February, 2019 the directors decided to issue 1200 000 ordinary shares at \$1 each on the following terms:

\$0.50 per share on Application

\$0.25 per share on Allotment

\$0.20 per share on Call No. 1

\$0.05 per share on Call No. 2

By 15 March, 2019 application had been received for 1200 000 ordinary shares.

On 16 March, 2019 the directors allotted the shares as follows

By 30 April all allotment monies were received.

On 25 May, 2019 the directors made for Call No. 1 and all monies were received by 30th June, 2019.

Required: Prepare the general journal entries for formation of companies from the information given above.