

Corporate accounting

Unit I

Buy back of shares

- Buy back of shares means repurchase by a company of its own shares or other specified securities.
- To eliminating any threats by stakeholders who may looking for a controlling stake.

Bonus shares

- Bonus Shares are shares distributed by a company to its current shareholders as fully paid shares free of charge. to capitalize a part of the company's retained earnings for conversion of its share premium account, or distribution of treasury shares.

Right issue of shares

- A rights issue or rights offer is a dividend of subscription rights to buy additional securities in a company made to the company's existing security holders. When the rights are for equity securities, such as shares, in a public company, it is a non-dilutive pro rata way to raise capital.

Employee stock option plan

- These **plans** are contracts between a company and its **employees** that give **employees** the right to buy a specific number of the company's **shares** at a fixed price within a certain period of time. The fixed price is often called the grant or exercise price.

Sweat shares

- (Section 2(88)): **Sweat Equity shares** means such **equity shares** as are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value

Private placements

- Private placement is a funding round of securities which are sold not through a public offering, but rather through a private offering, mostly to a small number of chosen investors. Generally, these investors include friends and family, accredited investors, and institutional investors.

Forfeiture of shares

- **Forfeiture of shares** is a process where the company forfeits the **shares** of a member or shareholder who fails to pay the call on **shares** or instalments of the issue price of his **shares** within a certain period of time after they fall due.

Forfeiture might be

- At par
- At premium
- At discount

3. FORFEITURE OF SHARES ISSUED AT PREMIUM AND AT DISCOUNT

Forfeiture of shares issued at premium

- ☐ In case shares are issued at premium and thereafter forfeited there can be two situations :
 - Premium on shares has been received prior to the forfeiture.
 - Amount of premium on shares has not been received and it still stands credited to the Securities Premium A/c.
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Forfeiture of shares issued at discount

Share Capital A/c

Dr.

To Share Forfeited A/c

To Discount on Issue of Shares A/c

To Unpaid call A/c

(Forfeiture of shares originally issued at discount for non payment of dues).
