

# [Corporate accounting assesment](https://assignbuster.com/corporate-accounting-assesment/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

a) Accounting Journal Entries Xenon Ltd Particulars L. F DR Amount CR Amount 31-8 Bank A/c Dr
To Share application A/c
(Application money received @ $0. 50 per share)
70, 00, 000
70, 00, 000
31-8-2011
Share application A/c Dr
To Share capital A/c
To Share allotment A/c
(Application money of10, 000, 000 shares transferred to share capital A/c. Excess application money of 40, 00, 000 shares adjusted towards sum due on allotment)
70, 00, 000
50, 00, 000
20, 00, 000
Nil
Share allotment A/c Dr
To Share capital A/c
(Allotment money due on 10, 000, 000 shares @$0. 40 per share)
40, 00, 000
40, 00, 000

Nil
Bank A/c Dr
To Share allotment A/c
(Allotment money received)
20, 00, 000
20, 00, 000
30-11-2011
Share first & final call A/c Dr
To Share capital A/c
(Share first & final call money due)
10, 00, 000
10, 00, 000
31-12-2011
Bank A/c Dr
To Share first & final call A/c
(Call money received @ $0. 50 per share)
8, 00, 000
8, 00, 000
15-1-2012
Share capital A/c Dr
To share call
To share forfeiture
(forfeiture of shares )
20, 00, 000
2, 00, 000
18, 00, 000
b) In order to raise capital, a company mainly issues two types of shares; equity shares and preference shares. Equity share is an ordinary share that offers the holder voting rights in the company and it also entitles him to receive all dividend distributions as a part-owner of the company. In contrast, a preference share holder does not have voting rights in the company even though he is entitled to get a fixed rate of dividend. However, preference shareholder may also attain the voting right when his fixed dividend falls into arrears. In the case of ordinary shares, the dividend is uncertain and variable as it depends on company performance. In the event of a company winding up, preference share holders get greater priority than ordinary share holders; in addition, preference shares are usually repayable at par value. It is also possible to issue preference shares with the right of conversion into ordinary shares and these are called convertibles. It seems that ordinary shares are better than preference shares for those who are willing to take risks. However, the preference shares would be safer for a shareholder as it bears fixed return for him regardless of the business performance. Choudhry holds the view that preference shares are equity but not debt (418). In other words, preference shares are fixed income bearing securities with equity ownership.
Work Cited
Choudhry, Moorad. The bond and Money Markets: Strategy, Trading, Analysis. Oxford: Butterworth-Heinemann, 2001. Print.