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CORPORATE ACCOUNTING

EXAM REVISION NOTES

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MODULE I

ACCOUNTING OF SHARES AND DEBENTURES

Concept, Nature, and Classification of Share Capital: Under Section 2(84) of the Companies Act, 2013, a "share" is defined as a share in the share capital of a company and includes stock.

- **Subscribed and fully paid-up:** Entire face value called and received.
- **Subscribed but not fully paid-up:** Shares where company has called up part, or calls in arrears exist.
- **2. Issued Capital (Section 2(50)):** Such part of the authorized capital which is issued by the company from time to time for public subscription, private placement, or consideration other than cash.
- **3. Subscribed Capital (Section 2(86)):** Such part of the issued capital which is for the time being subscribed by the members.

Statutory Utilization of Securities Premium (Section 52): Securities premium does not represent revenue profit; it is a capital receipt. Under Section 52(2) of the Companies Act, 2013, the balance in the Securities Premium Account may be utilized only for the following statutory purposes:

- **Bonus Shares:** Towards the issue of unissued shares of the company to the members as fully paid bonus shares.
- **Preliminary Expenses:** In writing off the preliminary expenses of the company.
- **Expenses of Issue:** In writing off expenses of, or the commission paid or discount allowed on, any issue of shares or debentures.
- **Premium on Redemption:** In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company.
- **Buy-Back:** For the purchase of its own shares or other securities under Section 68 (Buy-back of shares).

Forfeiture of Shares: Legal Doctrine Accounting Treatment: Forfeiture of shares is the statutory cancellation of membership and seizure of shares of a defaulting shareholder due to non-payment of allotment money, call money, or interest.

- **1. Express Authority in Articles:** The power to forfeit shares must be expressly provided in the Articles of Association.
- **2. Mandatory 14 Days' Prior Notice:** Under Table F Clause 28, a notice must be served on the defaulting member requiring payment of the unpaid call together with any accrued interest.
- **3. Formal Board Resolution:** The forfeiture must be declared by a formal resolution passed at a meeting of the Board of Directors.
- **4. Bonafide Exercise of Power:** The power of forfeiture is a fiduciary power to be exercised solely in good faith for the benefit of the company.

Classification of Debentures: 1. Security Criterion: Secured / Mortgage Debentures: Secured by a fixed charge on specific identified immovable assets or a floating charge on circulating assets.

- **2. Tenure / Redemption Criterion:** Redeemable Debentures: Issued for a specified maturity tenure (normally maximum 10 years, or up to 30 years for infrastructure companies under Section 71), repayable in lump Sum of or instalments.
- **3. Convertibility Criterion:** Non-Convertible Debentures (NCDs): Cannot be converted into equity shares; repaid in cash upon maturity.
- **4. Registration Criterion:** Registered Debentures: Payable to the registered holder whose name, address, and holding details are entered in the Register of Debenture Holders.

Financial Statement Presentation under Schedule III of the Companies Act, 2013: Under Part I of Schedule III to the Companies Act, 2013, Share Capital and Debentures must be disclosed with strict adherence to statutory note requirements:

Empirical Comparative Framework: A structured comparative assessment clarifies operational distinctions across conventional and modern methodologies in Corporate Accounting:

- **Analytical Methodology:** ; Proactive bottleneck prevention and enhanced operational responsiveness.
- **Cross-Functional Alignment:** ; Reduced cycle latency and streamlined organizational communication.
- **Risk amp; Governance Architecture:** ; Comprehensive asset protection and long-term stakeholder trust preservation.
- **Resource Allocation Dynamic:** ; Optimized return on invested capital and enhanced strategic agility.

Empirical Corporate Case Analysis: Strategic Transformation in Practice: A rigorous examination of corporate turnarounds illustrates how structural and operational principles are synthesized in real-world commerce.

- **Data-Informed Strategic Agility:** Top management leverages centralized dashboard analytics to track operational throughput in real time, enabling immediate corrective intervention when variances exceed established tolerance limits.
- **Empowered Frontline Accountability:** By establishing transparent reporting lines and clear performance incentives, supervisory personnel are granted the autonomy to resolve localized bottlenecks without bureaucratic delays.
- **Institutionalized Ethical Stewardship:** Management integrates ethical checks and corporate social responsibility (CSR) directly into core workflows, ensuring that short-term commercial goals do not compromise enterprise integrity or long-term stakeholder trust.

Global Industry Benchmarks, Digital Architecture Future Horizons: The acceleration of global commerce and digital enterprise architectures demands that students and practitioners of Corporate Accounting look beyond regional conventions to adopt world-class benchmarks.

Institutional Governance, Statutory Precedents Standard Operating Protocols: To institutionalize sustainable excellence in Corporate Accounting, enterprises rely on codified Standard Operating Procedures (SOPs) and comprehensive internal control frameworks.

Strategic Value Modeling, Cost Optimization Capital Stewardship: The long-term value realization in Corporate Accounting relies on disciplined capital management, sensitivity analysis, and rigorous cost accounting models.

Longitudinal Industry Paradigm Shifts: The historical trajectory of Corporate Accounting reflects three distinct phases of evolutionary progress:

- **First Generation (Manual amp; Paper-Based Records):** First Generation (Manual amp; Paper-Based Records): Operations were characterized by physical ledgers, localized decision-making, and high latency in transaction clearing.
- **Second Generation (Relational Databases amp; Siloed Automation):** Second Generation (Relational Databases amp; Siloed Automation): Transitioned to desktop computing, functional ERP systems, and batch processing, though functional silos remained pervasive.
- **Third Generation (Cloud-Native, Real-Time Ecosystems):** Current state marked by microservices, algorithmic decision-making, open API connectivity, and continuous statutory telemetry.

International Commercial Protocols Matrix: By mastering cross-border governance mechanisms, professionals managing Corporate Accounting enable resilient international commercial expansion and protect enterprise solvency.

- **Settlement Rail Mechanism:** ; Hedging currency exposure through forward contracts and currency options.
- **Contractual Dispute Resolution:** ; Incorporation of standard institutional arbitration clauses.

- **Sanctions amp; AML Screening:** ; Real-time transaction filtering integrated with core banking/ERP interfaces.

MODULE II

ACCOUNTING OF BONUS, RIGHTS ISSUE, BUYBACK & REDEMPTION

Redemption of Preference Shares (Section 55 of Companies Act, 2013): Under Section 55 of the Companies Act, 2013, a company limited by shares may, if authorized by its Articles of Association, issue preference shares which are liable to be redeemed within a period not exceeding 20 years from the date of their issue (extended up to 30 years for specified infrastructure projects, subject to minimum 10% annual redemption from the 21st year).

- **Divisible Profits:** Profits of the company which would otherwise be available for dividend (Free Reserves); or
- **Fresh Issue Proceeds:** Proceeds of a fresh issue of shares (equity or preference) made for the purposes of such redemption.
- **1. Fully Paid Shares Prerequisite:** No preference shares can be redeemed unless they are fully paid-up.
- **2. Permitted Sources of Redemption:** Preference shares can be redeemed ONLY out of: Divisible Profits: Profits of the company which would otherwise be available for dividend (Free Reserves); or Fresh Issue Proceeds: Proceeds of a fresh issue of shares (equity or preference) made for the purposes of such redemption.

Minimum Fresh Issue of Shares for Redemption: When a company possesses limited divisible profits, it must issue fresh shares to cover the deficit. Calculating the Minimum Number of Fresh Shares to be issued depends on whether shares are issued at par, premium, or discount:

- **Case A: Fresh Issue at Par:** Minimum Face Value of Fresh Issue: Fresh Issue Required = Nominal Value of Preference Shares Redeemed minus; Available Divisible Profits.
- **Case B: Fresh Issue at Premium:** Because securities premium cannot be credited to share capital or utilized to reduce CRR, the nominal face value required remains identical to Case A.

Buy-Back of Shares (Sections 68, 69, 70 of Companies Act, 2013): Buy-back of shares is the purchase by a company of its own shares or other specified securities from existing shareholders.

- **Free Reserves:** Its ;
- **Securities Premium Account:** The ; or
- Proceeds of the issue of any shares or other specified securities (not from proceeds of an earlier issue of the same kind of shares).
- **25% Cap:** Buy-back cannot exceed 25% of aggregate paid-up capital and free reserves in any financial year.
- **Equity Share Cap:** Buy-back of equity shares in any financial year cannot exceed 25% of total paid-up equity capital.

Statutory Prohibitions on Buy-Back (Section 70 of Companies Act, 2013): Under Section 70, no company shall directly or indirectly purchase its own shares or other specified securities:

- **subsidiary company:** (a) Through any (including its own subsidiary companies);
- **investment company:** (b) Through any or group of investment companies;
- **deposits:** (c) If there is any subsisting default in payment of or interest thereon, redemption of debentures or preference shares, or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any financial institution or banking company (unless default was remedied and 3 years have elapsed since such remedy);
- (d) If the company has not complied with statutory provisions relating to: Filing of Annual Return (Section 92);
- Declaration and payment of Dividend (Section 123);

Contemporary Managerial Dilemmas Strategic Solutions: Organizations navigating Corporate Accounting must systematically manage complex organizational trade-offs:

- **Operational Efficiency versus Risk Mitigation:** Aggressive cost-cutting can increase vulnerabilities in quality control, statutory compliance, and workforce retention.
- **Centralized Standardization versus Decentralized Agility:** While corporate governance mandates uniform operating procedures, frontline managers need flexibility to respond rapidly to changing customer demands and local market shifts.
- **Digital Automation versus Human Capital Continuity:** Integrating automated analytics platforms requires strategic workforce upskilling to maintain institutional knowledge and morale.

Contemporary Risk Governance, Statutory Compliance Case Analysis: Corporate decision-makers must ensure that all initiatives within Corporate Accounting withstand rigorous scrutiny across legal, financial, and ethical dimensions.

Operational Performance Equations Diagnostics: Analytical rigor in Corporate Accounting is reinforced by continuous metric monitoring across operational throughput, variance thresholds, and resource efficiency.

- **Efficiency Variance Ratio:** Measures actual resource consumption against standard engineering benchmarks: Efficiency Variance = (Standard Quantity minus; Actual Quantity) × Standard Rate.
- **Operational Throughput Velocity:** Measures the speed with which inputs are converted into completed outputs across the workflow: Throughput Velocity = Total Processed Units / Total Cycle Time Hours.
- **Total Quality Conformance Index:** The proportion of delivered units meeting strict compliance criteria on initial inspection: Quality Conformance = (Total Conforming Units / Total Units Produced) × 100%.

Technological Infrastructure Modern Enterprise Stacks: Modern organizations execute functions related to Corporate Accounting through sophisticated multi-layered software architectures.

- **Unified Data Ingestion Layer:** Captures transactional data, customer interactions, and audit trails instantaneously from distributed touchpoints, ensuring data integrity at the source.
- **Automated Business Logic amp; Decision Engines:** Automated Business Logic amp; Decision Engines: Applies complex statutory rules, accounting standards, and risk formulas deterministically, reducing manual processing errors and turnaround t × .
- **Executive Visual Dashboards amp; Alert Telemetry:** Executive Visual Dashboards amp; Alert Telemetry: Surfaces actionable exceptions directly to department heads, highlighting anomalous transactions or operational bottlenecks before regulatory thresholds are breached.

Codified Standard Operating Procedure (SOP) Protocol: Professional practice in Corporate Accounting adheres to a structured operational protocol across five mandatory procedural checkpoints:

- **Verification of Statutory Eligibility amp; Onboarding:** Verification of Statutory Eligibility amp; Onboarding: Pre-transaction validation of counterparties, verifying GSTIN credentials, corporate filings on MCA21, and authorized signatory mandates.
- **Double-Signoff Thresholds:** Transactions or policy approvals exceeding predetermined monetary limits mandate joint executive authorization from operational and financial controllers.

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- **Real-Time Exception Journaling:** Any procedural deviation from approved standard workflows must be logged in an immutable electronic register with detailed justification within 24 hours.
- **Quarterly Ledger Reconciliations:** Systematic matching of physical inventories, contractual covenants, and accounting records to maintain total synchronization across the enterprise.
- **Annual Post-Audit Debriefing:** Synthesis of internal and external audit observations into operational policy upgrades, eliminating recurring procedural vulnerabilities.

Capital Allocation Sensitivity Modeling Framework: Deploying major initiatives under Corporate Accounting requires continuous modeling against volatile macroeconomic factors:

- **Discounted Cash Flow (DCF) Hurdle Rates:** Capital investment projects are benchmarked against the weighted average cost of capital (WACC) with an added risk premium for macroeconomic uncertainty.
- **Dynamic Break-Even Sensitivity Analysis:** Evaluating operating leverage under conservative, baseline, and optimistic scenarios to ensure solvency during market contractions.
- **Asset-Liability Duration Matching:** Aligning long-term project capital outlays with appropriate non-current funding lines to avert structural liquidity shortages.

Strategic Resilience Checklist for Enterprise Commerce: Senior management applies this diagnostic checklist to evaluate enterprise readiness in Corporate Accounting:

- **Data Integrity amp; Auditability:** ; Immediate deployment of automated database journaling and write-once storage.
- **Business Continuity amp; Disaster Recovery:** ; Multi-region cloud redundancy and automated failover database clustering.
- **Workforce Technical Fluency:** ; Mandatory annual continuing professional development (CPD) training modules.

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MODULE III

CONSOLIDATED FINANCIAL STATEMENTS (IND AS 110)

Group Companies and Corporate Group Structures: A corporate group arises when one company acquires a controlling financial or managerial interest in one or more other companies.

- **composition of the Board of Directors:** Controls the ; or
- **one-half of the total voting power:** Exercises or controls more than either at its own or together with one or more of its subsidiary companies.
- **Ind AS 110:** Unlike AS 21 which focused predominantly on majority legal shareholding (> 50%), adopts a comprehensive substance-based definition.
- **1. Power Over Investee:** The investor has existing substantive rights (voting rights, contractual rights) that give it the current practical ability to direct the relevant activities (activities that significantly affect the investee's financial returns, such as sales, capital allocation, and asset purchases).

Analysis of Profits: Pre-Acquisition vs. Post-Acquisition Profits: The date on which the parent company acquires a controlling stake in the subsidiary is termed the Date of Acquisition.

- **time basis:** , on October 1 in a financial year ending March 31), the profit earned by the subsidiary during that year must be apportioned on a (assuming profits accrued evenly over the year), unless the exact date-wise books indicate otherwise: bull; Profit from April 1 to September 30 (6 months) = Pre-Acquisition Profit (Capital).

Cost of Control: Goodwill vs. Capital Reserve: When a parent acquires shares in a subsidiary, it pays a purchase consideration (Cost of Investment). In consolidation, this investment asset is cancelled against the parent's proportional entitlement to the subsidiary's net worth at the acquisition date.

- **GOODWILL ON CONSOLIDATION (Cost of Control):** ; Disclosed under Non-Current Assets rarr; Intangible Assets.
- **CAPITAL RESERVE:** Cost of Investment The parent acquired the controlling stake at a bargain price (gain on bargain purchase).

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at March 31, 2026

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Comprehensive Enterprise Risk Management (ERM) Matrix: Management teams deploy structured risk matrices to categorize, evaluate, and mitigate vulnerabilities across four core exposure categories:

- **Strategic Risk:** ; Continuous scenario modeling, product portfolio diversification, and agile capital budgeting buffers.
- **Operational Risk:** ; Redundant vendor agreements, predictive maintenance algorithms, and rigorous workforce certification.
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MODULE IV

ACCOUNTING OF BANKING AND LIFE INSURANCE COMPANIES

Banking Business The Slip System of Ledger Posting: Under Section 5(b) of the Banking Regulation Act, 1949, "banking" is defined as:

- **Customer Slips (Originating Slips):** , Pay-in-slips, Cheques, Withdrawal slips).
- **Internal Dockets / Slips:** Prepared by bank staff for internal adjustments, interest charges, drafts, letters of credit, and commissions.
- **Immediate Posting:** Ledgers are updated instantly, allowing real-time balance verification before honouring cheques.
- **Division of Labour:** Multiple ledger clerks can work simultaneously with loose slips without waiting for a shared bound journal.
- **Authentic Primary Evidence:** Customer signatures on pay-in slips and cheques minimize clerical error and serve as direct judicial evidence.

Non-Performing Assets (NPAs): Classification Prudential Provisioning Norms: An asset (term loan, cash credit, overdraft, bill discounted) becomes an NPA if the interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan, or if the account remains "out of order" in respect of an overdraft / cash credit facility.

- **1. Standard Assets (Performing):** 75%
- **2. Sub-Standard Assets (NPA):** ; bull; Secured Portion: 15% bull; Unsecured Portion: 25% (20% for infrastructure loans)
- **3. Doubtful Assets (NPA > 12 Mos):** An asset which has remained in the sub-standard category for a period exceeding 12 months.
- **4. Loss Assets:** ; 100% of the outstanding balance must be provided for, or the entire asset written off.

Life Insurance Business: Nature, Principles Legal Framework: Life Insurance is a contract whereby the insurer, in consideration of a stipulated premium paid in a lump Sum of or periodically, promises to pay a designated Sum of of money upon the death of the insured or upon the attainment of a specified age (maturity).

- **Not a Contract of Indemnity:** Human life cannot be valued in monetary terms.
- **Insurable Interest:** Must exist at the time of entering the contract (unlike general insurance where it must exist at loss date).
- **Doctrine of Uberrimae Fidei:** Utmost good faith requires absolute disclosure of all material medical and health facts.
- **Dual Purpose:** Combines protection (financial security against premature death) with long-term capital investment.
- **Surrender Value:** The cash value an insurer pays to a policyholder who surrenders the policy before maturity after paying premiums for a minimum statutory period (usually 2 or 3 years).

Comprehensive Practical Problem: Valuation Balance Sheet True Surplus: Fact Situation: The Life Assurance Fund of Modern Life Insurance Co. Ltd.

Empirical Comparative Framework: A structured comparative assessment clarifies operational distinctions across conventional and modern methodologies in Corporate Accounting:

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Multi-Tier Governance and Audit Checkpoints: To ensure systemic consistency across decentralized units, enterprises deploy a multi-tier audit schedule designed to detect and remediate process deviations before customer impact occurs:

- **Tier 1: Supervisory Spot-Check:** ; Immediate corrective feedback and on-the-spot procedural adjustments.
- **Tier 2: Functional Process Review:** ; Standard operating procedure updates and targeted employee retraining programs.
- **Tier 3: Executive Governance Audit:** ; Formal board-level audit reports and capital reallocation directives.

Global Standards Matrix: Comparative International Analysis: The table below highlights how key functional dimensions of Corporate Accounting align across Indian domestic statutory mandates and leading international frameworks:

- **Financial amp; Operational Disclosure:** ; Dual-reporting systems with automated chart-of-accounts translation and real-time reconciliation.
- **Data Security amp; Privacy Compliance:** ; End-to-end data encryption, strict role-based access control (RBAC), and immutable audit logs.
- **Sustainability amp; ESG Reporting:** ; Integrated annual ESG metrics audited by independent certified environmental verifiers.
- **Supply Chain amp; Partner Governance:** ; Automated vendor onboarding, dynamic credit checks, and regular ethical third-party supplier audits.

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Cross-Functional Governance Executive Decision Matrix: The operational execution of Corporate Accounting intersects with multiple corporate domains as outlined below:

- **Corporate Treasury amp; Finance:** ; Joint weekly liquidity committees setting dynamic customer credit thresholds.
- **Legal, Secretarial amp; Compliance:** ; Standardized, pre-approved contractual templates for recurring business arrangements.
- **Information Technology amp; Systems:** ; Enterprise architecture review boards approving API-integrated microservices.

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