

03/12/2019

Final Account

Div % is applied on the latest balance Lecture #1

(FAR 2)

Pg #3

1. Dividend

Time classification

Nature classification

Final

Interim

Cash

Bonus

→ Dividend announcement based on final (full year) profits of a year.

→ Dividend announced based on less than 1 year, profits of a year.

→ Cash is distributed to share holder

→ No cash is distributed rather shares are issued to shareholder

→ Example: Dividend for Y.E 31-Dec-18 is announced on 12-Mar-19.

→ Example: Dividend for year 2014 is announced in 2014 (say on 31 July 2014)

→ Journal entry:
P.E. (Dividend) xx

→ Journal entry:
R.E. (Dividend) xx
Share capital xx

Dividend Payable xx

This payable will reduce as and when share holder will come and receive money

2. Right shares: It is issue of new share capital. Cash is received from previous shareholders.
Journal entry: Cash x
share capital x
share premium x

→ Dividend Percentage always applied on latest share capital.