

# MGT211 Assignment 1 Solution 2023

## By ConceptsBuilder

### Case

Alpha and Gamma are friends since their childhood. They have got whole of their education in every school jointly. Recently, both of them have graduated from a local business school getting degrees in business management. After this graduation, they decided to start a business of online car rental. For that purpose, they got developed a mobile application named Carg that can be run on all Android and Apple smart phones. Further, they shared their business plan with a professional promotor to setup a new business entity. With all the necessary documentation, the new entity has been successfully registered on 5 th of January 2023 with the SECP as a limited liability company in the name of Alpha Limited. It was registered with the capital of Rs. 500,000 divided into 25,000 ordinary shares of Rs. 20 each. On 20th of January, the new company offered 15,000 shares at par to the general public. On 23rd of January, the company's bank informed it that application money on 14,500 shares has been received from the general public in the company's bank account. Alpha's management allotted shares to all the applicants on 31st of January, 2023. You are required to identify the kinds of share capital presented in this case describing briefly the each kind.

### Answer:

In the given case, the kinds of share capital are as follows:

#### Authorized Share Capital:

The authorized share capital refers to the maximum amount of capital that a company is allowed to raise by issuing shares. In this case, the authorized share capital is not explicitly mentioned, but it represents the maximum value of Rs. 500,000, divided into 25,000 ordinary shares of Rs. 20 each.

#### Issued Share Capital:

The issued share capital represents the portion of authorized share capital that has been offered to shareholders for subscription. In this case, the issued share capital consists of the 25,000 ordinary shares of Rs. 20 each, which were initially allocated to the founders of the company.

#### Subscribed Share Capital:

The subscribed share capital refers to the portion of the issued share capital that has been subscribed or taken up by shareholders. In this case, initially, the founders of the company subscribed to all the 25,000 ordinary shares.

#### Paid-up Share Capital:

The paid-up share capital represents the portion of the subscribed share capital that has been fully paid by the shareholders. In this case, since there is no information provided about the payment status of the founders' shares, we cannot determine the paid-up share capital at this point.

Share Premium:

Share premium is the amount received by a company in excess of the face value of shares issued. In this case, no information is given regarding any premium received on the initial issuance of shares.

Application Money:

Application money refers to the money received by the company from the general public who applied for the newly offered shares. In this case, the company received application money on 14,500 shares from the general public.

It's important to note that the case does not provide sufficient information to determine the exact amounts for all these kinds of share capital, such as the paid-up share capital or the share premium.

Aslam o Alaikum

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