

2(35)

Lecture-7 (8m)

123

Chapter-2

124

Declaration and Payment of Dividend

125

126

(i)

Dividend

Section 2(35)

127

51

Div. is

Paid on FY at nominal value of shares

Final

Interim

Proposed / recommended by - BOD
Declared by - Members

Proposed by - BOD
Declared by - BOD

at annual general meeting (AGM)

at Board meeting (BM)

Audinary resolution

Board resolution

(ii) Sources:- Section 193

1) free reserves

2) Cy's Profit / Past year / accumulated Profit
* Depreciation * losses - set off

3) money given by $\begin{matrix} \swarrow \text{CR} \\ \searrow \text{SR} \end{matrix}$ if payment of dividend =
guaranteed $\begin{matrix} \swarrow \text{CR} \\ \searrow \text{SR} \end{matrix}$

Interim dividend sources-

1) Cy's profit

2) surplus in P/L A/c

(iii) Transfer to reserves - voluntary / optional.

Lecture-8

(iv) Time limit : Section 127

Dividend → Declared → AGM → Paid within 30 days of declaration

10000
10000

30 D - failed (S.127 Contumacious)

Co. = Simple interest @ 18% p.a.

D/R = 1000/day + max 2 yrs Imprisonment

Penalty X

DDJIA ✓

(Penalty will not be levied in following cases)

D - No default of Co.

D - Direction given by SH could not be complied
And

Same has been communicated to SH.

L - operation of Law. Eg. order of court

J - (Dhagda) Dispute to receive dividend /

A - amt is lawfully adjusted against any limit due by SH

(v) Revocation (cancel)

Div → Once declared : cannot be revoked

Revocation

Ultra vires

(beyond powers)

Sufficient profit X
yet Div. declare ✓

Revoke ✓

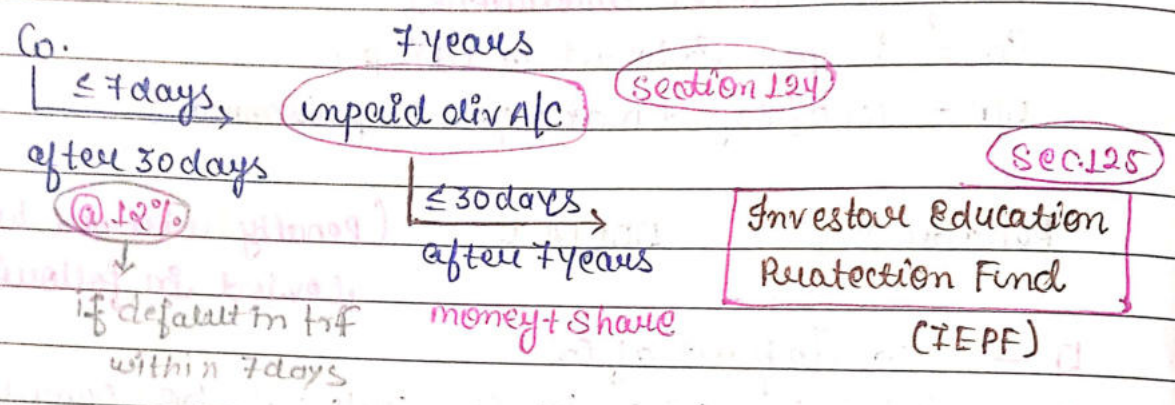
Wrong concern affect

Ex: Loss by fire/
natural calamity.

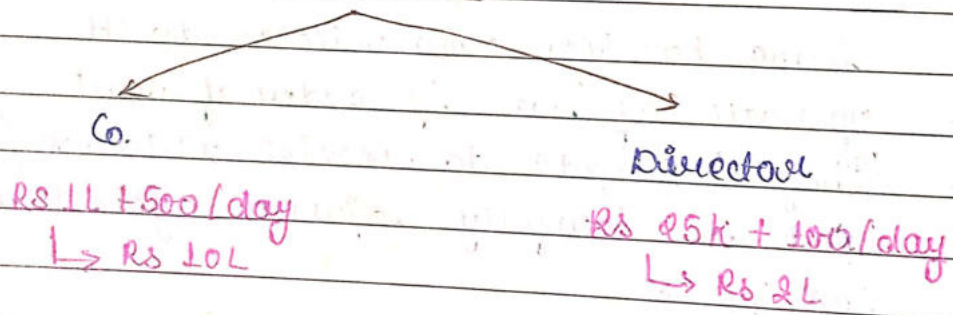
Date 07/03/24

Lecture - 11

(vi) Div → declared at AGM
 ↳ claimed ≤ 30 days
 30 days = Passed
 SH ≠ claimed



If Sec 124 = Contravened.



7] Dividend Declared ≤ Proposed.

8] Interim dividend.

(i) Interim dividend is recommended and declared by BOB at board meeting by passing board resolution out of current years profit and surplus in P&L A/C

(ii) In case company has losses in the current FY upto the end of quarter immediately preceeding the date of declaration of interim dividend then,

Rate of interim dividend \leq Average rate of last 3 years.

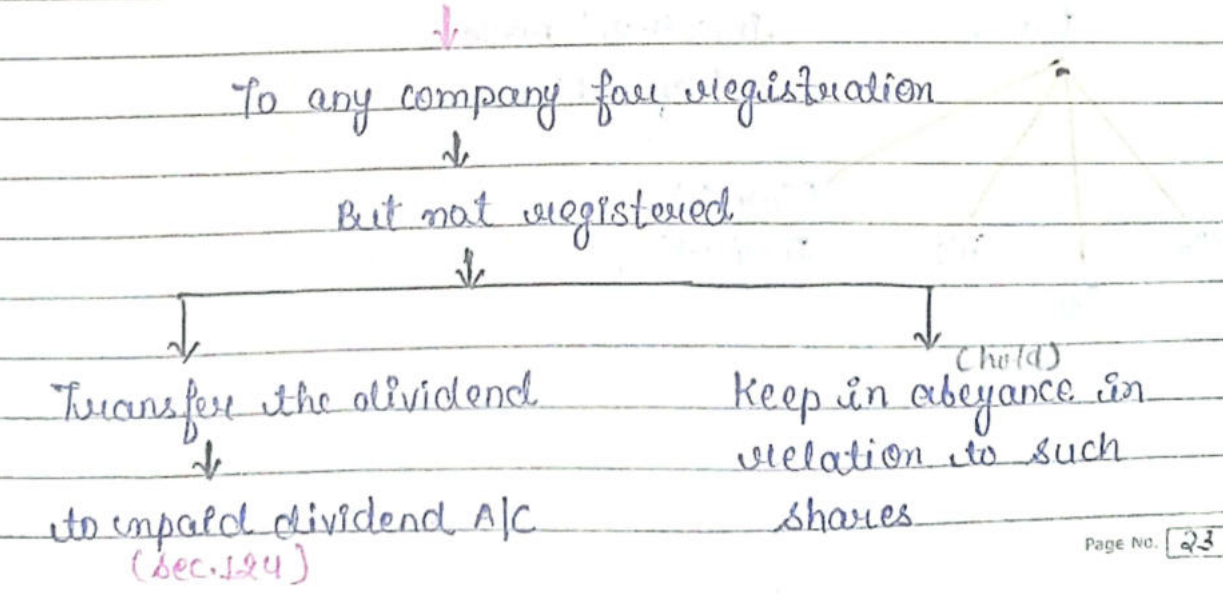
(iii) The amount of dividend including interim dividend should be deposited in a scheduled bank within 5 days of declaration.

This rule of 5 days is not applicable to a wholly owned government company.

(iv) Interim dividend should be paid within 30 days of board resolution else there is penalty + Exemption (DDIT)

9) Abeyance - Section 126

where any instrument of transfer of shares has been delivered



Date 10 03 24

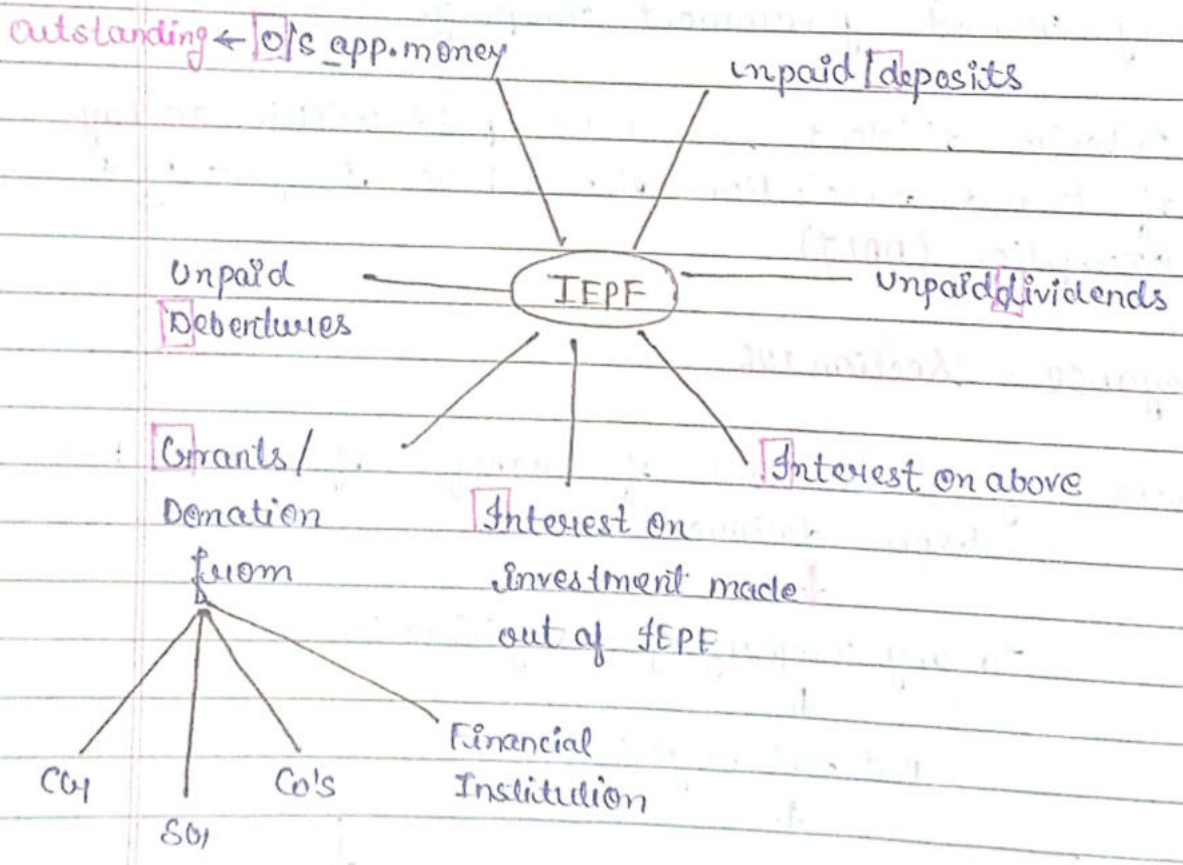
↓
Unless authorised by registered holder in writing to transfer to transferee

↓
any offer of right shares + any issue of fully paid up bonus shares.

Lecture-13

10) Sources of IEPF - Section 125 BY credited to IEPF

<< DADI IS GREAT >>



III Utilization of IEPF

- (i) Refund of unclaimed dividends, matured deposits, matured debentures, application money due for refund.
- (ii) Promotions of investors education, awareness and protection.
- (iii) Distribution of any disgorged amount (compensation) to eligible applicants for shares or debentures.
- (iv) Reimbursement of legal expenses incurred as per Sec 37 and 245 of Companies Act, 2013.
- (v) Any other purpose which is incidental.

If any person wants to claim the refund of dividend and shares shall apply to investors education & protection fund authority (IEPFA)

12) Condition for paying dividend out of past profits which are transferred to reserves.

In respect of inadequate profit or absence of profit, company may declare dividend out of past profits which are transferred to reserve by complying with Rule 3 of Companies (Declaration and payment of dividend) rule, 2014.

Date _____

(i) $ROD \leq$ Average rate of last three years
The above rule shall not apply to a company which has not declared dividend in each of preceding 1 last 3 years.

AND

(ii) Amount withdrawn from reserve $\leq 10\%$ of (paid up share capital + free reserve).
The amount should be first used to set off losses of current years.

AND

(iii) Balance of reserves after withdrawal $\geq 15\%$ of (paid up share capital)

NOTE -

(i) If the Co has declared dividend out of the profit which is not transferred to reserves, then company can declare dividend without any restriction.

(ii) Rule 3 is not applicable to wholly owned govt company i.e. they can declare dividend out of past profits which are transferred to reserve without any restriction.

13] Important Points -

(i) Dividend may be paid in cash / cheque / warrant / electronic mode not in kind

(ii) If a company fails to comply with Sec 73 and 74 i.e. prohibition on acceptance.

Date / /

& repayment of public deposits) shall not declare dividend so long as the failure continues.

* Refer Nidhi Company rule from book Page No. 179 and Telegraph photo

refer QB Q 2(b), 4, 10, 14, 15, 21, 24, 26