

4 Share and Share Capital. (P-1)

Discuss the various kinds of share capital. Difference between equity and pref. share

→ Capital can be defined as the significant element for initiating and running the business for its day to day.

→ Share capital means as per 2(84) section share in the share capital of a company and includes stock.

→ Types of share capital under companies Act -

a) Nominal or authorised or Registered capital :- Registered capital means such capital as authorised by the memorandum of a company.

b) Issued capital :- Part of the authorised capital which the company issues for the first time for public subscription and allotment.

c) Subscribed capital :- Portion of the issued capital which has been subscribed by the subscribers.

d) Called up capital :- Portion of the subscribed capital which has been demanded by the company for payment of remaining portion.

e) Paid up capital :- such amount of money credited as paid up.

β) Equity share capital:- it means all share capital which is not preference share capital.

Equity share capital - which is -
(i) with voting rights or
(ii) with differential rights as to dividend voting or otherwise in accordance with such rules may be prescribed.

Preferential share capital :- it means that part of the issued share capital of the company which carries or would carry a preferential right with respect to -
a) Payment of dividend
b) repayment in the case of repayment of capital.

Q. What is share? what are the different classes of shares the company can issue.

→ under section 2(84) of the companies act, 2013 "share means share in the share capital of company and include stock"

→ classes of equity shares are:-
i) with voting rights -
ii) with differential classes as to dividend.

→ classes of pref shares are:-
1. Redeemable and irredeemable preference share
2. cumulative and non cumulative preference share
3. convertible and non convertible preference share
4. Participating and non participating preference share.

Q. What are the various modes through which a Public and Private company may issue securities and the governing law for issue of securities.

→ issue of securities in case of Public company :-

- a) Public offer
- b) Private Placement
- c) right issue and bonus issue.

→ issue of securities in case of Private company

- a) Private Placement
- b) Right issue or bonus issue.

→ issues of securities law are :-

- a) Companies Act 2013
- b) Securities Contract (Regulation) Act
- c) The SEBI Act
- d) The SEBI (ICDR) Regulations

Q. Define prospectus and its types what is offer for sale.

→ Prospectus means any document described or issued as prospectus include red herring prospectus and shelf prospectus or any notice, circular, advertisement or other document inviting offers from the public for purchase of securities.

→ Types of prospectus :-

- 1) Red herring prospectus
- 2) Shelf prospectus
- 3) Abridged prospectus
- 4) Any document described or issued as a prospectus
- 5) Any notice, circular, advertisement or other document in offer.

→ offer for sale:- if a company allots or agrees to allot any securities of the company with a view to all or any these securities being offered for sale to the public any document by which the offer for sale to the public is made shall for all purpose be deemed to be a prospectus.

The document offer for sale is an invitation to the general public to purchase the shares of a company through the intermediary such as an issuing house or a merchant bank.

Q What is share certificate? when can company issue duplicate share certificate.

→ share certificate is a prima facie evidence of the title of the persons to such share.

→ each share of the share capital of company shall be distinguished with a distinct number of its individual identification.

→ sec 46(2) states that a duplicate certificate of shares may be issued if such certificate-

a) lost or destroyed.

b) defaced, mutilated, or torn.

Q state the provision regarding issue of shares at premium and discount.

→ issue of shares at Premium:-

Premium means amount collected by the company from its shareholders over the face value of securities. Company may issue securities at a premium when it is able to sell them at price above par or above nominal value.

Companies Act, 2013 does not impose any conditions regarding this issue of securities by a company at a premium.

- sum equal to the aggregate amount of the premium received on those shares shall be transferred to a "securities premium account".

→ issue of shares at discount:-

When a company issues its shares at a price less than face value of shares is known as shares issued at a discount.

As per provisions of sec. 53 of the Companies Act 2013, no company can issue shares at a discount except issue of sweat equity shares.

→ discuss the procedure for issue of further shares to existing shareholders u/s. 62(D) of the Act.

→ Rights issue is an issue of right to a company's existing shareholders to entitle them to buy additional shares directly from the company.

→ objective is to raise fund and to ensure equal distribution of rights.

→ shall offer the shares to the persons who at the date of the offer, are holders of equity shares of the company.

→ The offer shall be made by notice specifying the number of shares offered.

→ The offer shall not be open not less than 15 days before and not exceeding 30 days from the date of the offer.

Q ... Jacob, who ... if not why

→ The Jacob cannot transfer half of the shares issued to his brother

→ The reason for this is the sweat equity shares issued to directors or employees shall be locked for a period of three years from the date of allotment and the fact that the share certificates are under lock-in and the period of expiry of lock-in shall be stamped in bold or mentioned in any other prominent manner on the share certificate.

→ However if Jacob wants to transfer share he can transfer it after a period of 3 years

Q Describe the process of alteration capital clause

→ check authorisation in Articles of Association is a Pre-condition

→ if no such provision then take steps for alteration of Article of its association

→ call board meeting for

a) To get in-principal approval of director

b) Fix date, time and place for EGM to get the

✓ approval of shareholder in EGM

c) approve notice of EGM

d) issue notice

→ Hold the EGM Pass the necessary ordinary resolution

→ File SH-7 within 7 days of passing OK with concerned ROC

→ company shall file notice with ROC within 7 days from alteration with a copy of altered memorandum.