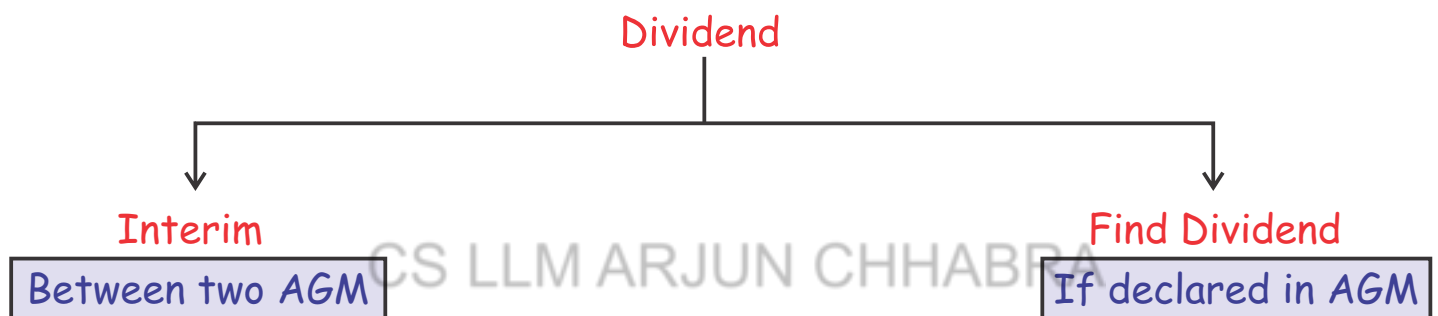


Chapter - VIII Declaration and payment of Dividend

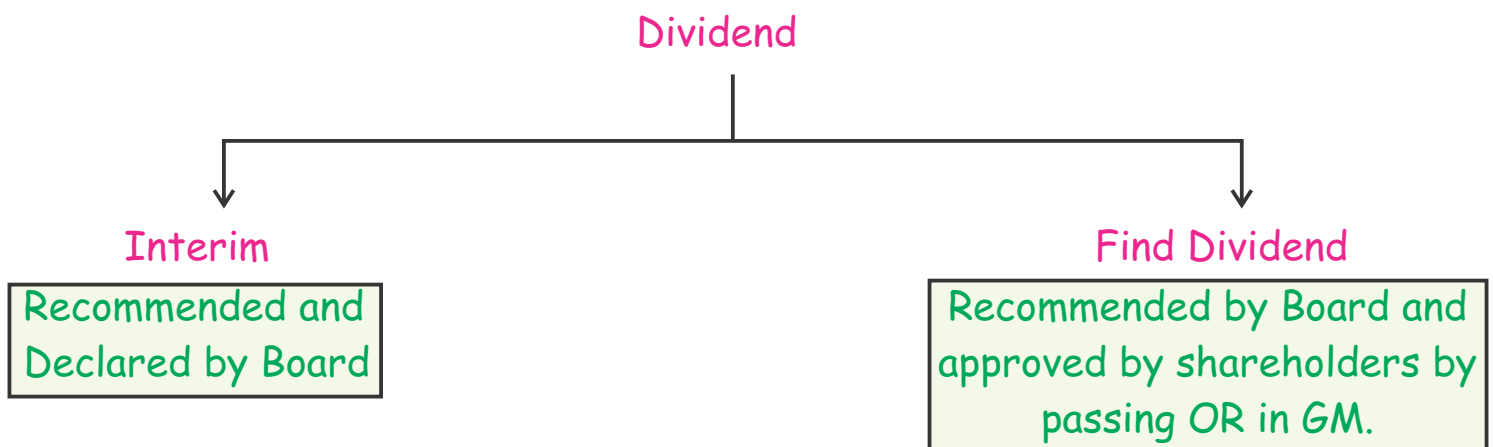
Section - 123 - 127 Profits legally available for distribution

Dividend [Section 2 (35)]

Includes interim Dividend

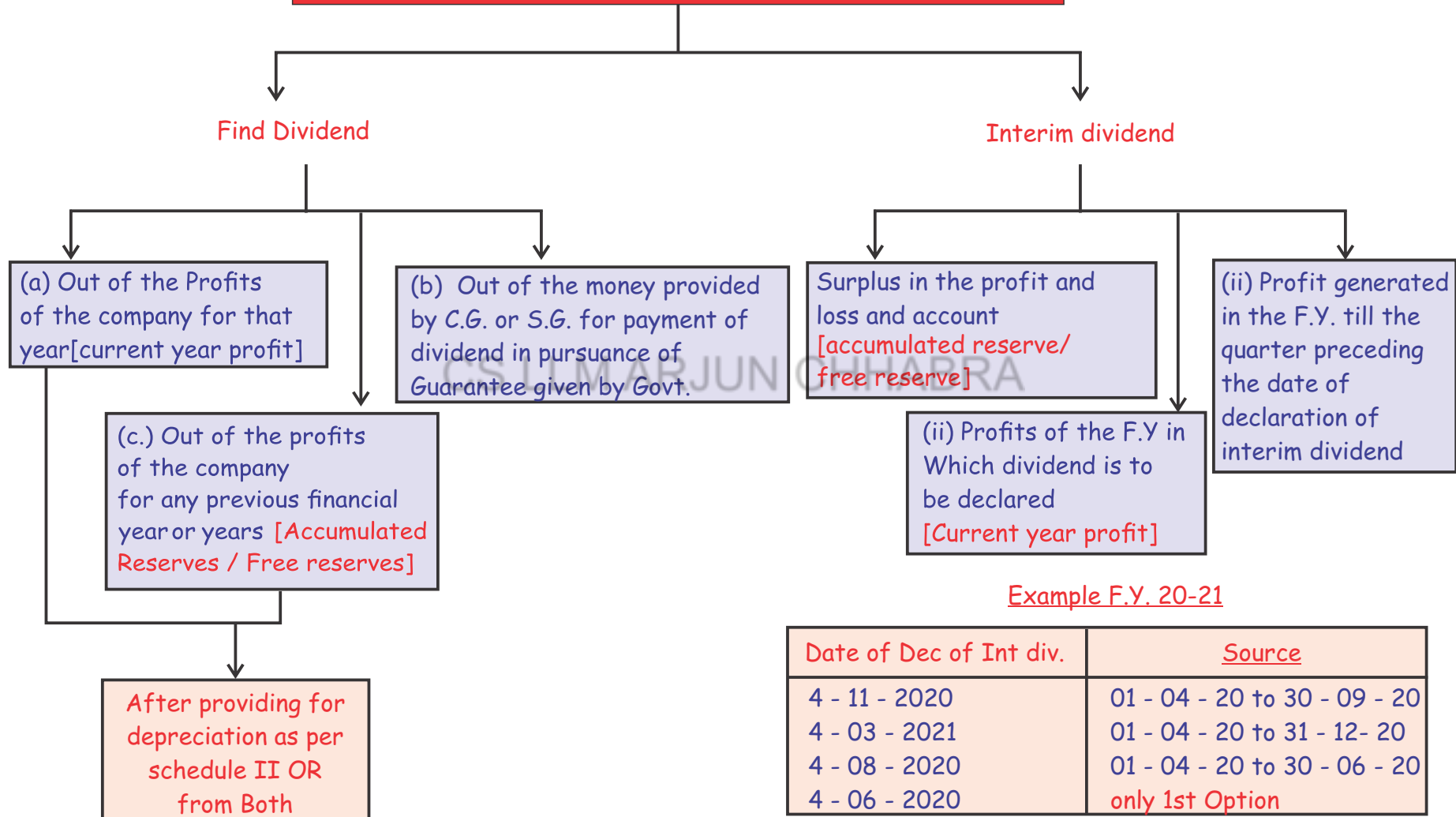


Points to be Noted : Power to pay dividend is inherent in a company and is not derived from companies Act MOA or AOA although Act and the articles regulate the manner in which dividends are to be declared



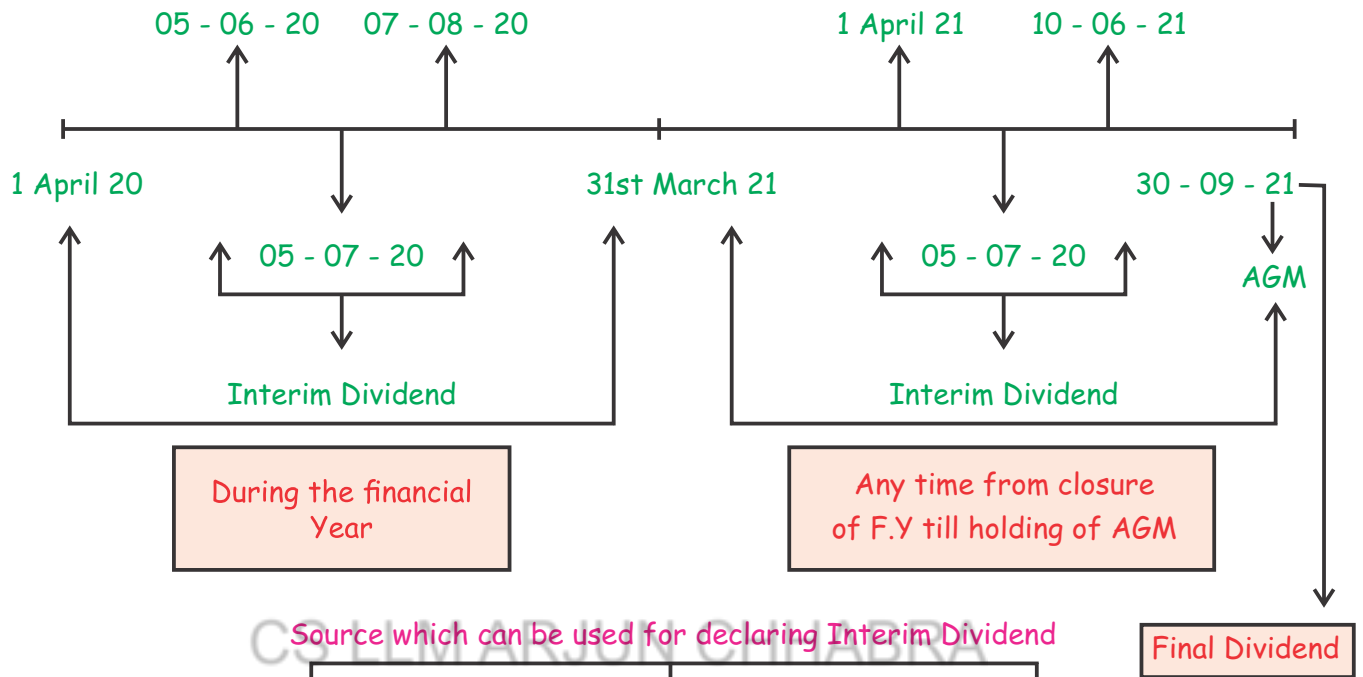
Declaration of Dividend - Section - 123

Source of Payment of Dividend



When Interim can be declared ?

FY = 20 - 21 → 1 April 20 - 31 March 2021



Source which can be used for declaring Interim Dividend

When declaring

During the Financial year

After FY before AGM

(i) Free Reserves

(ii) Profit generated in the F.Y. till the quarter immediately preceeding the date of declaration of Div

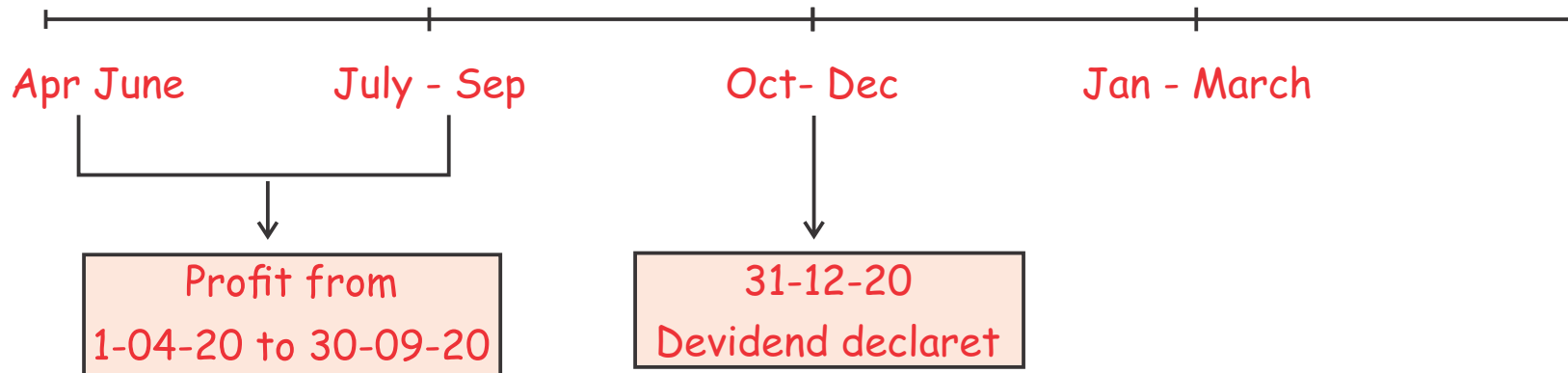
(i) Free Reserves
(ii) Current year profit

Example

Date of declaration of Dividend	01 - 06 - 2020	01-09-2020	31-12-20
Source	Only Free Reserves	Free Res + Profit from 1-4-20 to 30-06-20	Free Reserve + 1-4-20 to 30-09-20

CS LLM ARJUN CHHABRA

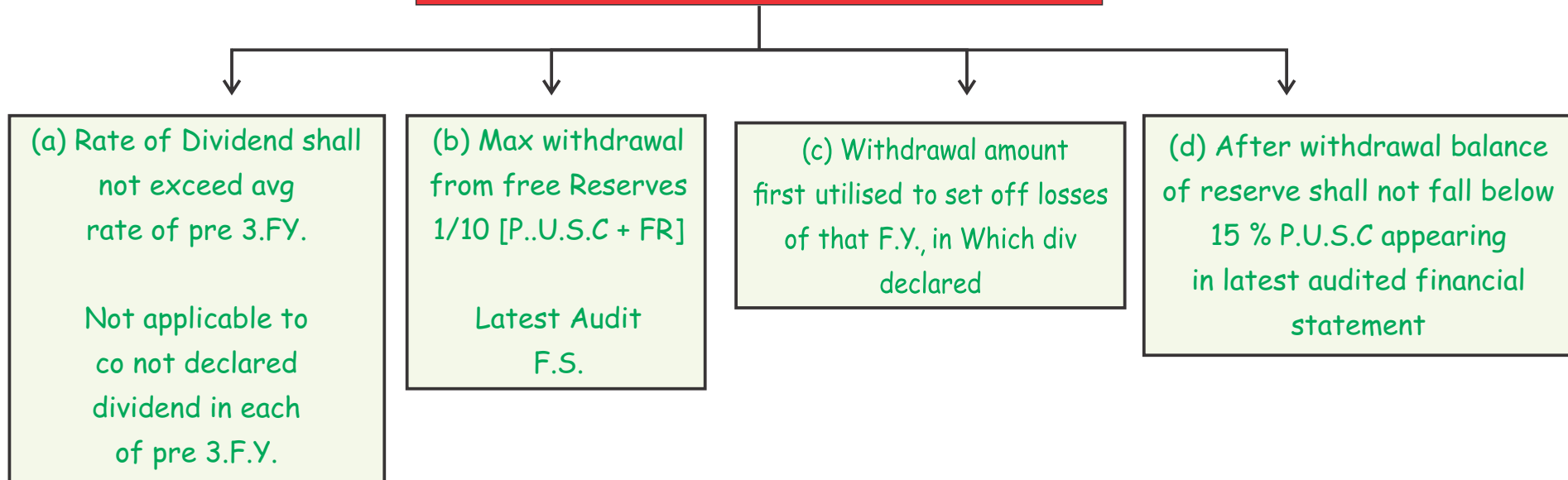
Practical



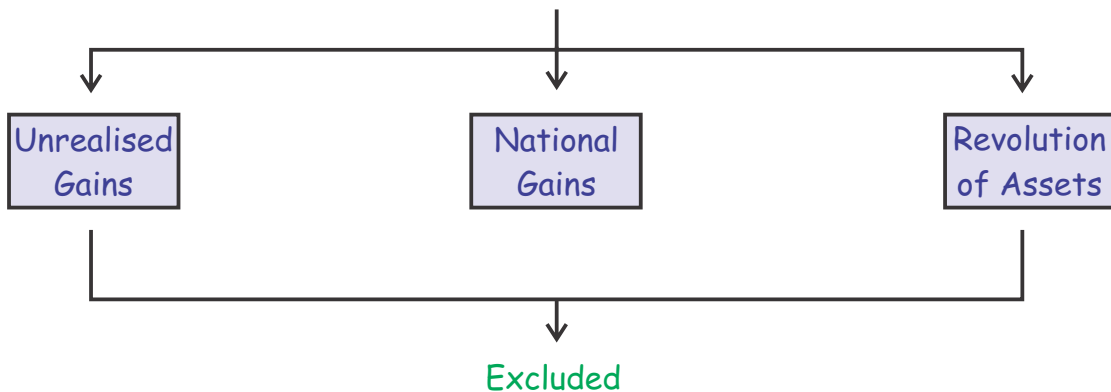
Source of payment of dividend in case of loss



Rule 3- Declaration of dividend out of reserves

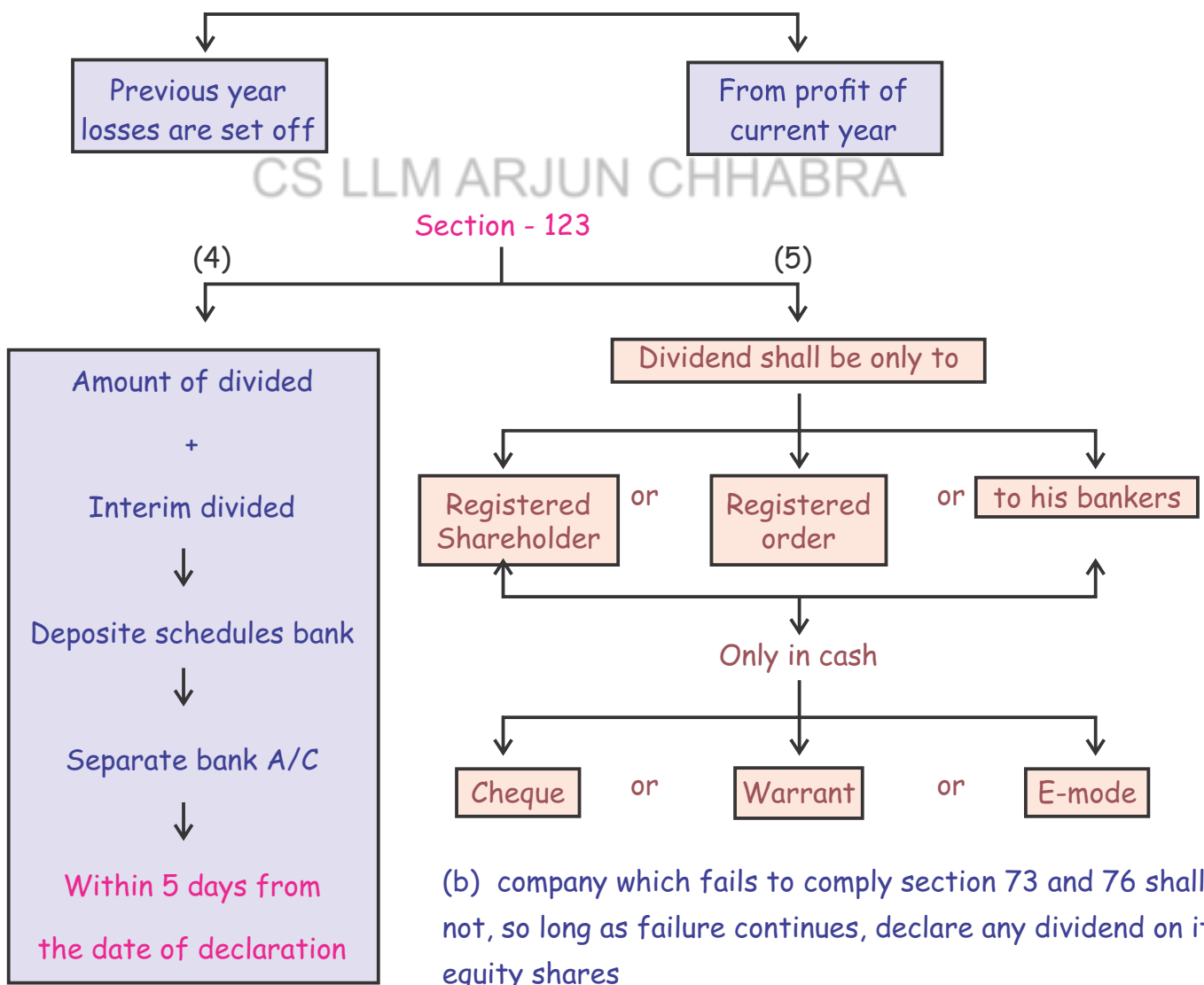


Note 1 : While calculating profit Amount of



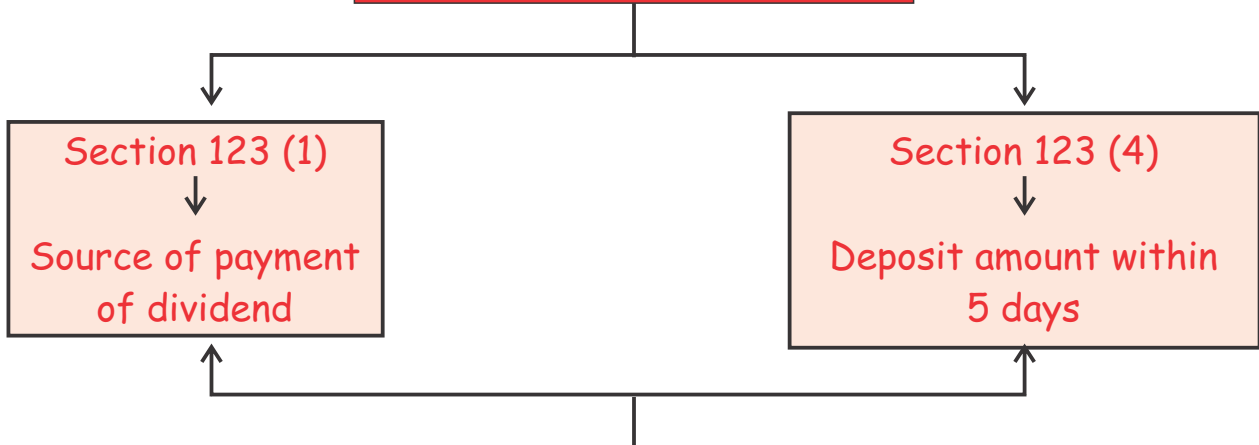
Note 2 : No other Reserve except free Reserve can be used to declare dividend

Note 3 : No company shall declared dividend unless



(b) company which fails to comply section 73 and 76 shall not, so long as failure continues, declare any dividend on its equity shares

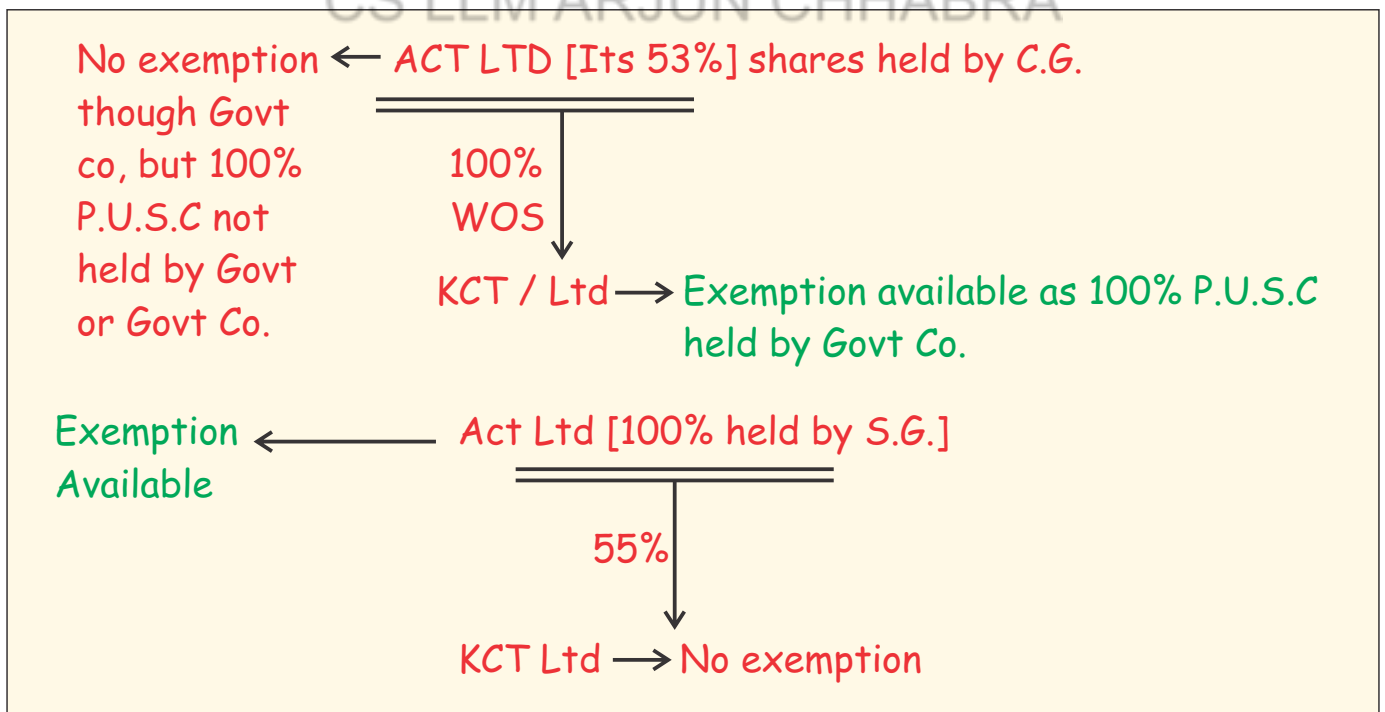
Exemption to Govt. Co. From



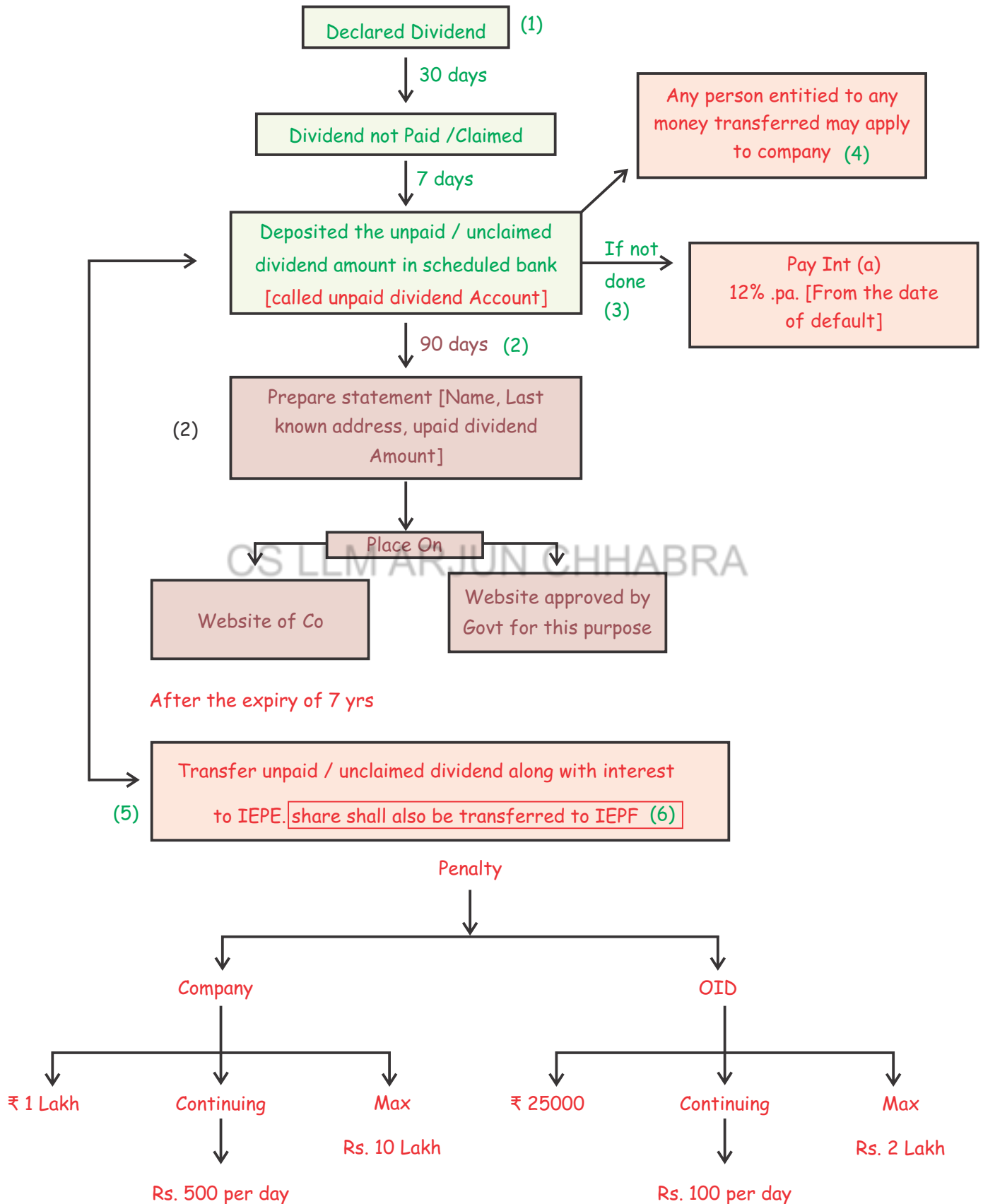
In which entire paid up share capital is held by C.G. by any S.G. or Governments or by C.G. and one or more state govt

or

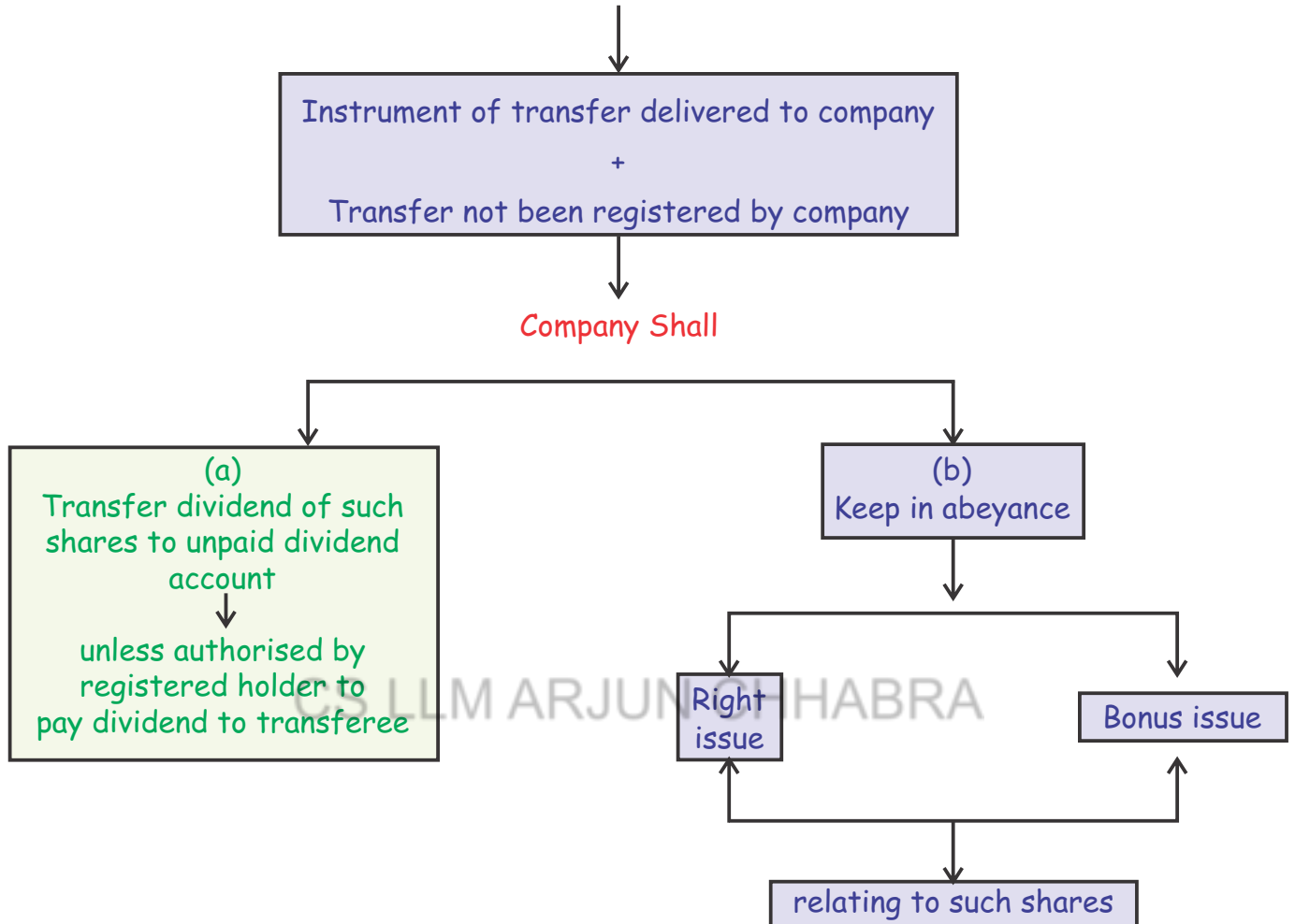
by one or more govt company



Unpaid Dividend Account - Section 124

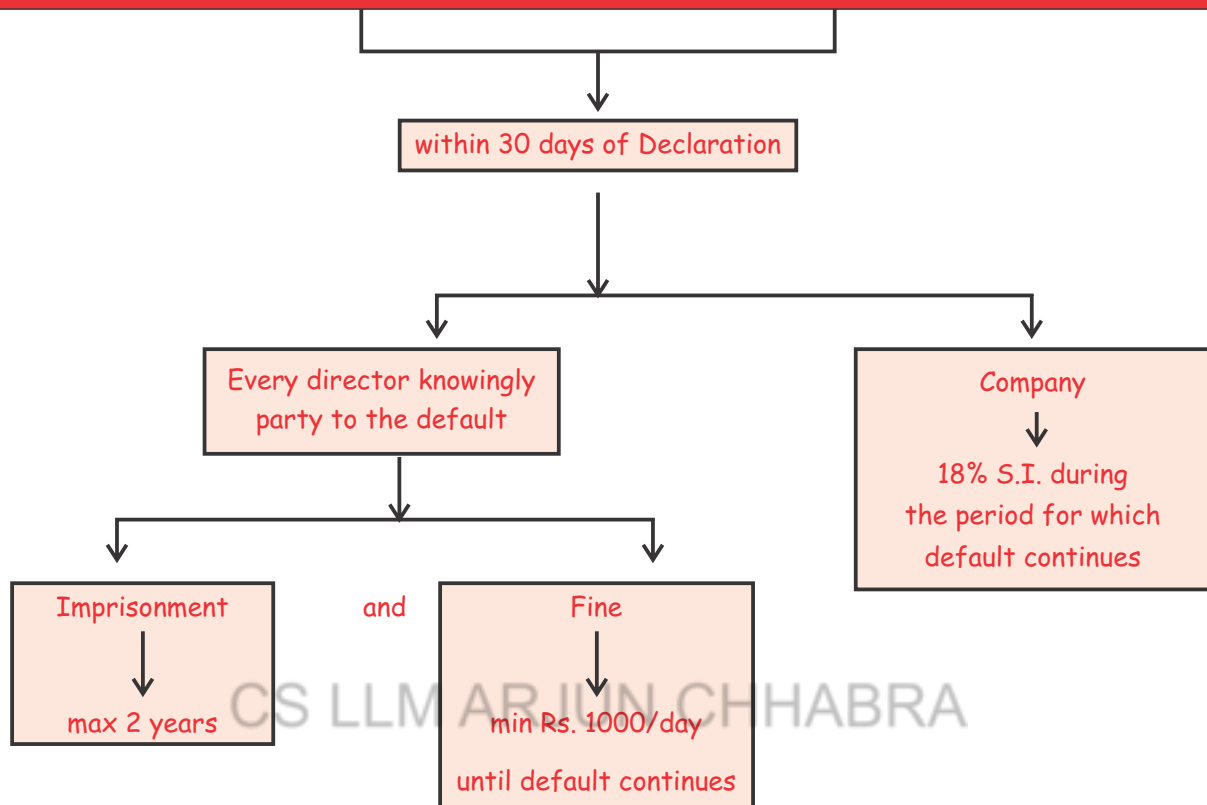


Section - 126 - Right relating to shares Held in Abeyance Pending Registration of Transfer of shares



Sec-127 - Punishment for failure to Distribute Dividends

Dividend declared + not paid + warrant not posted



Exceptions

