

CHAPTER-: 7

Share and Share Capital

-: Share -:

2(84) A share is a share in the share capital of a company and includes stock

{ share is the basic unit in to which the capital of a company is divided }

-: Types Of Shares (Sec 43)

1 Preference Shares

2 Equity Shares

-: Preference Share Capital -:

- carries a preferential right as to payment of dividend during the lifetime of the company
- carries, on winding up, a preferential right to be repaid the amount of the capital paid up.

Conditions For Issue (55) -:

- AOA authorization -: can issue only if so authorised by it's articles

- Special Resolution -: by passing a special resolution in the general meeting.

Conditions For Redemption of Preference Shares (55) -:

- Fully paid up - not to be redeemed unless they are fully paid-up
- Sources -
 - profits available for dividend
 - out of the proceeds of a Fresh issue of shares made

Fresh issue of shares made for the purpose of redemption.

- **Redemption On Premium—**

If redeemed at a premium, the premium is to be provided out of –

- Profits

- Share Premium

- **Notice to ROC -: notice of redemption is to be sent to the Registrar Of Companies.**

-: Equity Shares -: they are shares which are not preference shares.

- Not Redeemable
- Payment of dividend -: after preference dividend is paid
- Payment of Capital -: after preference capital is repaid.

-: Issue At Premium (Sec 52) -:

Meaning -: issue at a premium means issue at price more than

the nominal value. When Rs 100 share is issued at a price of Rs.125, then the share is said to be issued at a premium of Rs.25

Rate -: the rate of premium on issue of securities is decided by the Board of Directors.

Cash/Kind -: the premium may be received in cash or in kind.

Utilization -: Securities

Premium can be utilised only for

- ° Issuing fully paid bonus shares to members
- ° writing of the balance of the preliminary expenses of the company
- ° for providing for the premium payable on redemption of any redeemable preference shares or debenture of the company
- ° for buy back of shares also
- ° writing off commission paid or discount allowed, or the expenses incurred on issue of

shares or debentures of the company.

Issue At Discount (Sec 53) -:

- Prohibition -: issue of shares at discount is prohibited.
- Void – any share issued by a company at a discount shall be void.

Underwriting (Sec 40) -: the term underwriting means a

commitment/assurance by a person to take shares or debentures in the event of a short fall in subscription from the public

Conditions-:

- the payment of commission should be authorized by the Articles.
- Disclosure -: the names and addresses of the underwriters and the number of shares or debentures underwritten by

each of them should be disclosed in the Prospectus

- Rate of Commission -: the amount of commission should not exceed,

✓ in the case of shares, 5% of the price or the amount or rate authorized by the Articles, whichever is less, and

✓ in the case of debentures it should not exceed 2.5% of issue price or rate authorized by AIS, whichever is less.

- Mode of Payment-: the commission may be paid in cash or in kind.
- Documents to ROC – a copy of the contract for the payment of commission is delivered to the ROC.

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