



Question 2. Explain in brief the main categories in which the share capital of a company is divided.

Answer: Share capital of a company can be divided into the following categories

- (i) **Authorised Capital** It refers to that amount which is laid down in clause of the memorandum of association of the company. This is maximum amount with which company is registered and to raise from the public by the issue of shares. Therefore, called the registered or nominal or authorised capital of company.
- (ii) **Issued Capital** The authorised capital which is offered to the public for subscription including shares offered to the vendors for subscription other than cash is called the issued capital.
- (iii) **Subscribed Capital** It is the portion of issued capital which has been subscribed to by the public i.e., applied for and allotted by the company. Thus, face value of allotted shares is known as subscribed capital.
- (iv) **Called-up Capital** The portion of the subscribed capital which the shareholders are called upon to pay is termed as called up capital of the company. The company usually does not require a shareholder to pay in one lot, the full value of the shares he has subscribed for. He is generally required to pay it by instalments. The balance of subscribed capital which has not been called-up represents uncalled capital.
- (v) **Paid-up Capital** The amount of called-up capital which has been actually paid by the shareholders is called as paid-up capital and the amounts yet due from the shareholders are called as calls-in-arrears.
- (vi) **Reserve Capital** Sometimes a company by means of special resolution decides that certain portion of its uncalled capital shall not be called-up during its existence and it would be available as an additional security to its creditors in the event of its liquidation. Such a portion of uncalled capital is termed as reserve capital.

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