

**Accounting & Financial Management - II**

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**2 Marks Q/A****ISSUE AND FORFEITURE OF SHARES****Share**

- A share in a company is one of the units into which the total share capital of a company is divided.
- A share is an indivisible unit of capital, expressing the ownership and relationship between the company and the shareholder.

**Share Capital**

- It is the portion of the capital of a company that comes from the issue of shares.

**Share Holder**

- A Shareholder is an (individual or a company) who legally owns one or more shares in the public or private corporation and he becomes the shareholder of the that company.

**Dividend**

- A dividend is a payment made by a (corporation or a company) to its shareholders, usually as a distribution of profits.

**AGM (Annual General Meeting)**

- AGM is an yearly gathering or (Meeting) of a company's directors and associated shareholders.
- At AGM the directors of the company will present the annual report containing the information for shareholders about the company's performance and strategy.

**Interim Dividend**

- The dividend which is declared by the directors during the continuance of the financial year or before the AGM is known as interim dividend.

**Types of Shares**

- Preference Shares
- Equity Shares

**Preference Shares**

- Preference Shares are the shares which have preference over the equity of shares in respect of
  - \* Payment of dividend at fixed rate, and
  - \* Repayment of capital in the event of liquidation of the company.

**Equity Shares**

- Equity Shares are those shares which are not the preference shares.
- Equity Shareholders do not enjoy any preferential rights with regard to the repayment of capital and income or dividend.

**Issue of Shares on Par**

- The shares which are issued at a price equal to the nominal or face value of the Share is called Issue of Share on Par.

### **Issue of Shares at Discount**

- If a company issues Shares for a price lesser than the face value of the Shares , then it is called as issue of Shares at Discount
- However, such discounts should not be more than 10%.

### **Issue of Shares at Premium**

- When the company issues Shares at a price higher than the face value of the Shares, then it is called Issue of shares at premium.
- For ex: if the shares of the face value of Rs.100 are issued to public at Rs.150 it is called issue of shares at premium.

### **Steps for issue of shares**

- Issue of prospectus
- To receive application
- To make allotment of shares
- To make calls on shares

### **Calls-In-Arrears**

- Whenever a call is made, call letters are sent to the shareholders asking them to pay the call money within a specified period. If some shareholders fail to pay the allotment money or call money within the specified date, it is called calls in arrears or unpaid capital.

### **Calls-In-Advance**

- If shareholders pay the amount on Shares held by them without receiving any call letter by them from the company on such shares, are called calls-in-advance.

### **Under subscription of Shares**

- Under Subscription means the applications received for shares are less than the number of the shares issued or offered to the public.
- In such case, the allotments will be equal to the number of shares subscribed by the applicants.

### **Over subscription of Shares**

- If a company receives applications for a larger number of shares than offered by it to the public for subscription, then it is known as over subscription of shares.
- However, allotment can be made only to the equal number of shares issued.

### **Debentures**

- Debenture means a certificate issued by a company under its seal, acknowledging a debt due by it to its holder.

### **Mortgaged Debentures**

- Debentures which are secured by a charge on the immovable assets of the company are called Mortgaged Debentures.

### **Characteristics of Debentures**

- Written promise
- Company Seal
- Borrowed Funds
- Maturity Period
- Claim in Income
- Priority Claim on Assets
- No Controlling Power
- Fixed Rate of Interest
- Appointment of Trustee

### **Forfeiture of shares**

- Forfeiture means to take away a thing from someone as a penalty for default in making payment.
- If a shareholder fails to pay any call money on shares made by the company, then the shareholder's shares are taken away (confiscated) or his membership is cancelled. & as a penalty the amount already paid on such shares is not refunded.