

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.

Steps for issue of shares

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

Different kinds of Shares

- Preference Shares
- Equity Shares
- Stock
- Sweat Equity Shares

Preference Shares

- Preference Share 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.

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

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.

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.