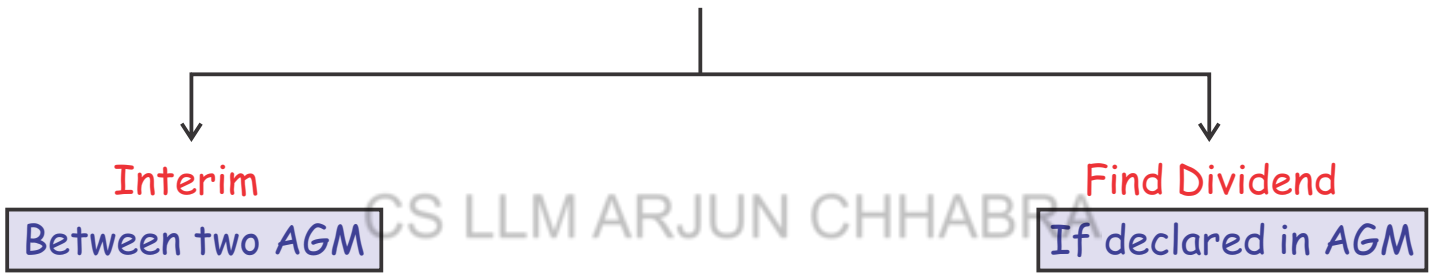


**Chapter - VIII Declaration and payment of Dividend**  
**Section - 123 - 127 Profits legally available for distribution**

**Dividend [Section 2 (35)]**

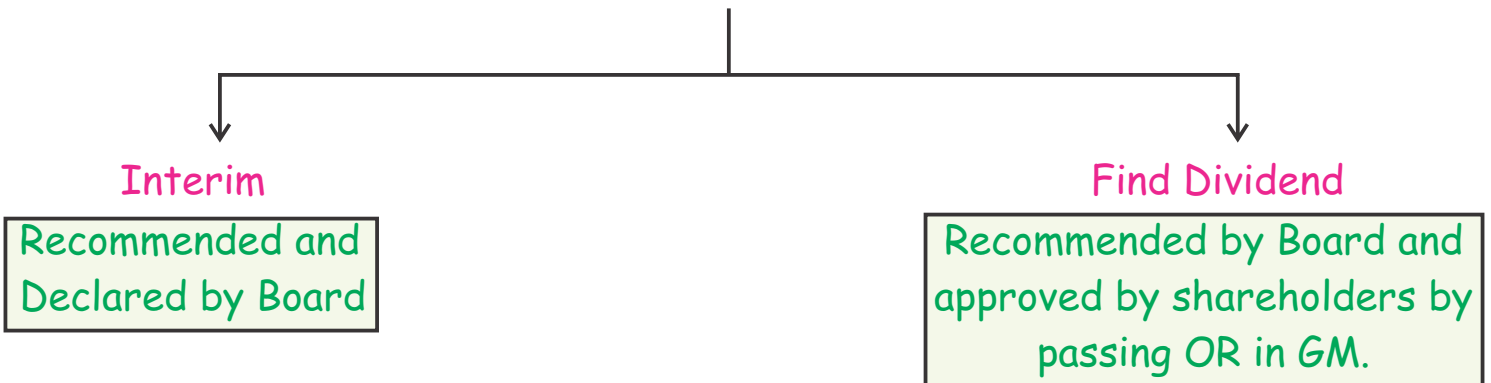
Includes interim Dividend

**Dividend**

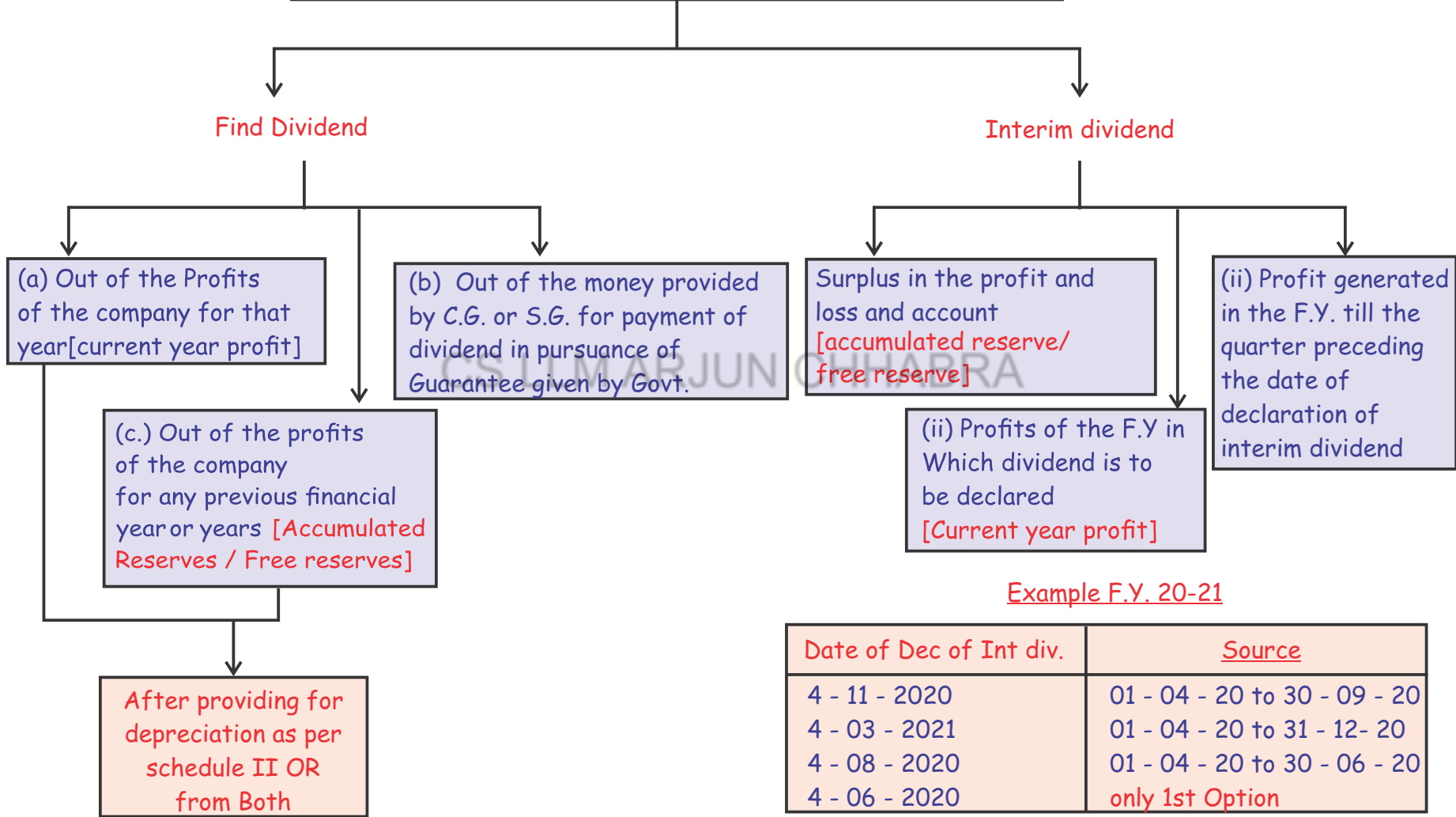


**Points to be Noted :** Power to pay dividend is inherent in a company and is not derived from companies Act MOA or AOA although Act and the articles regulate the manner in which dividends are to be declared

**Dividend**

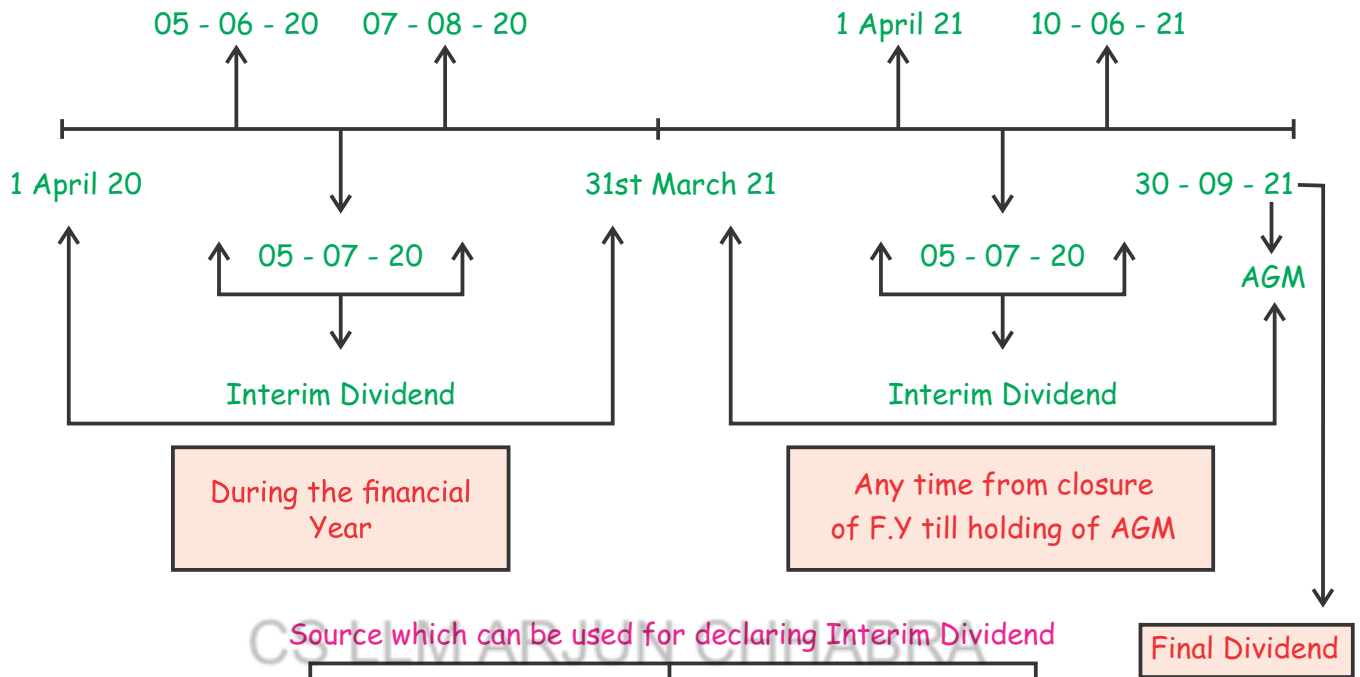


# Declaration of Dividend - Section - 123 Source of Payment of Dividend

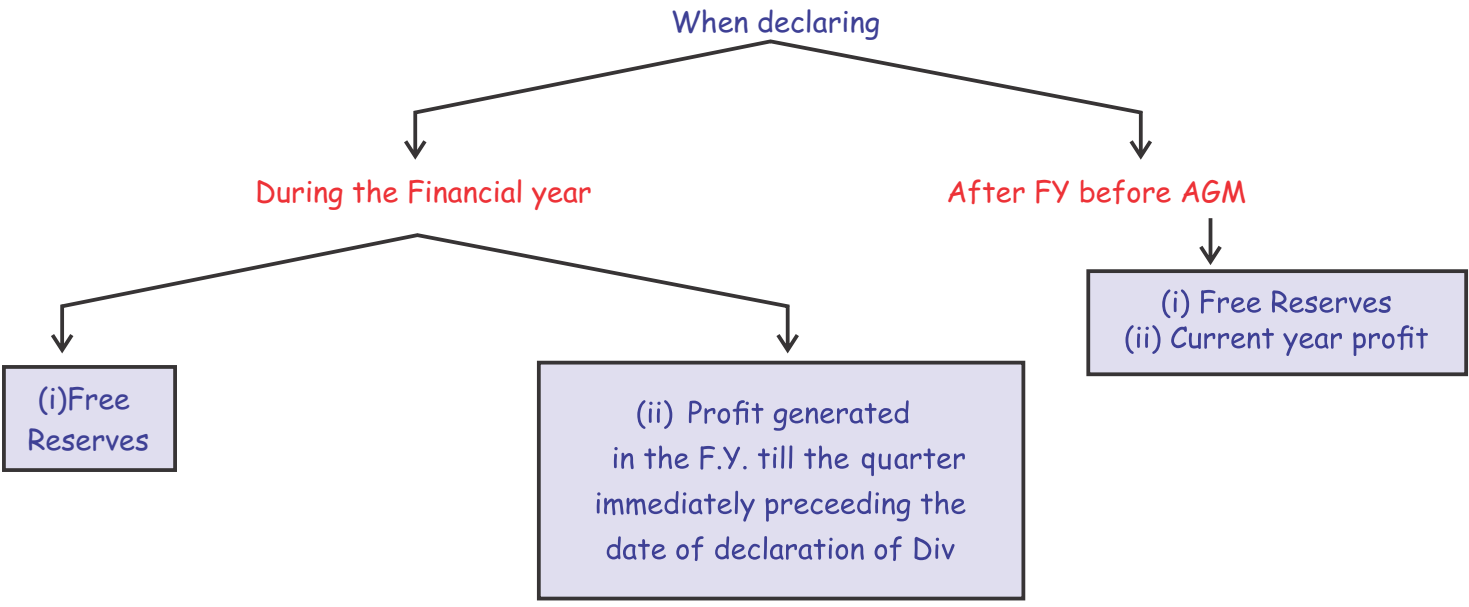


## When Interim can be declared ?

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



### Source which can be used for declaring Interim Dividend

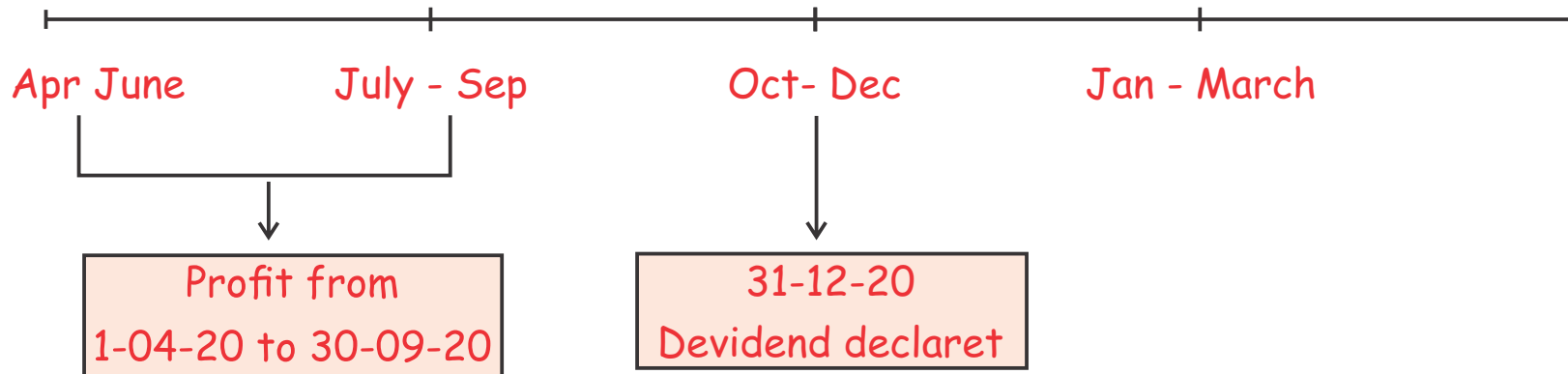


Example

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

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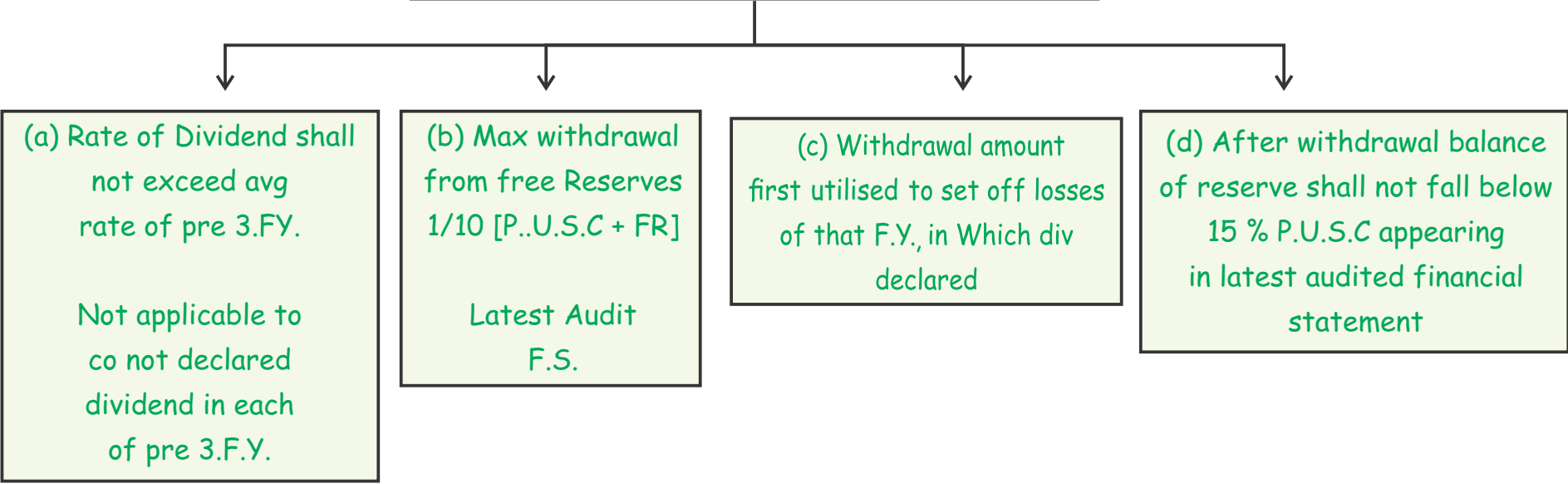
Practical



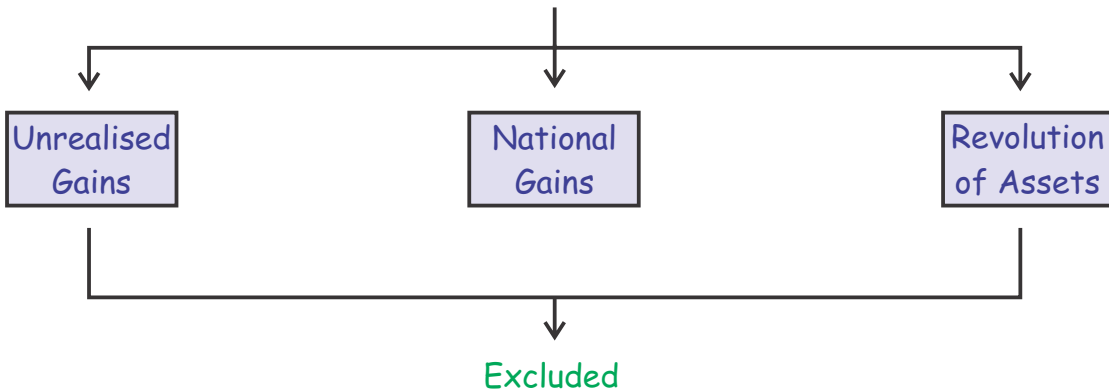
**Source of payment of dividend in case of loss**



**Rule 3- Declaration of dividend out of reserves**



Note 1 : While calculating profit Amount of



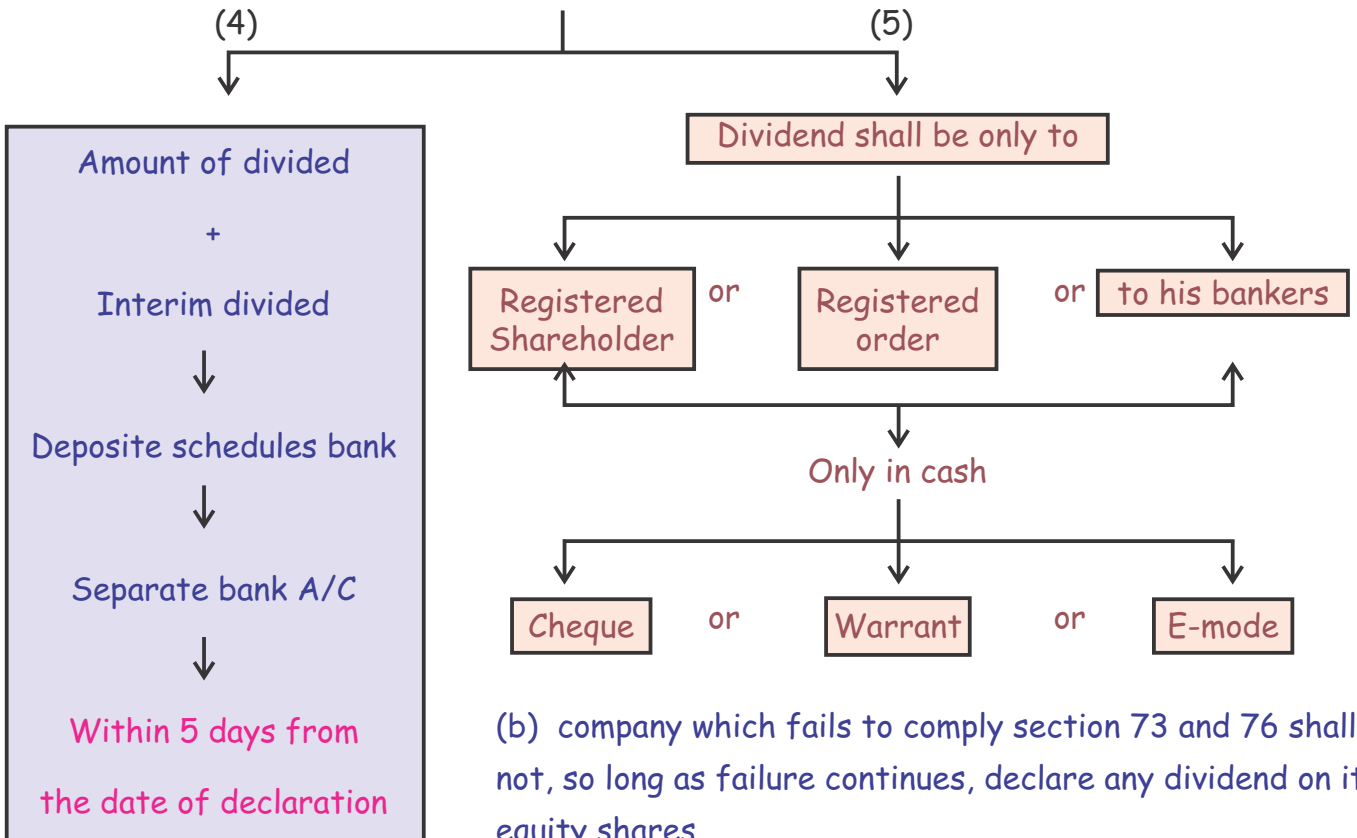
Note 2 : No other Reserve except free Reserve can be used to declare dividend

Note 3 : No company shall declared dividend unless



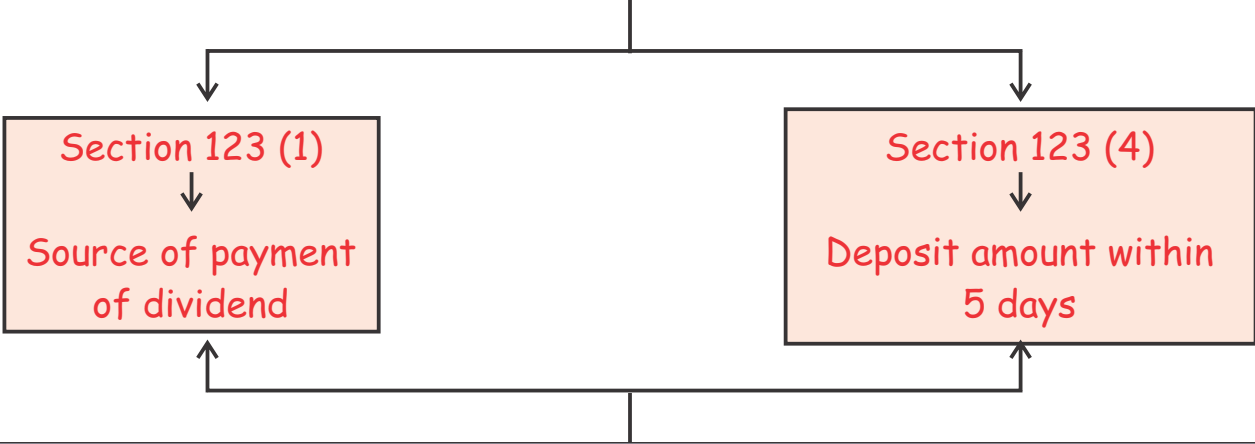
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Section - 123



(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**

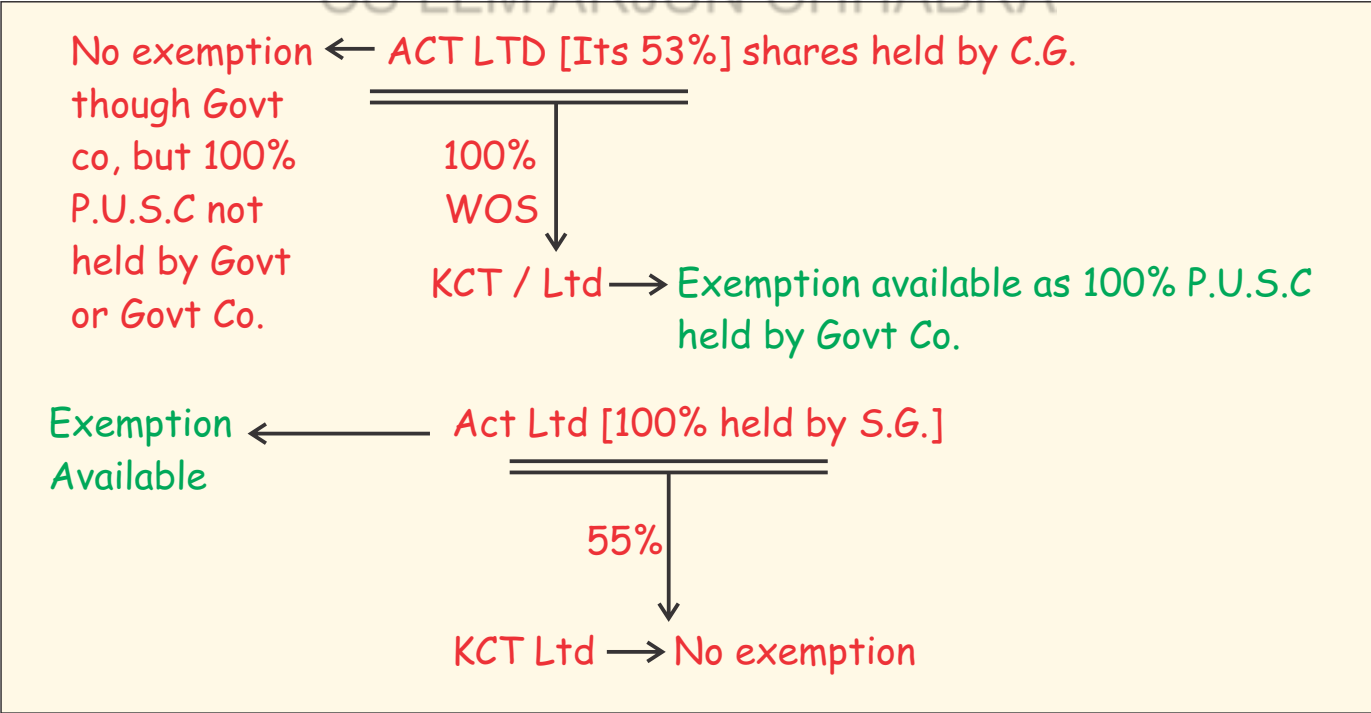


In which entire paid up share capital is held by C.G. by any S.G. or Governments or by C.G. and one or more state govt

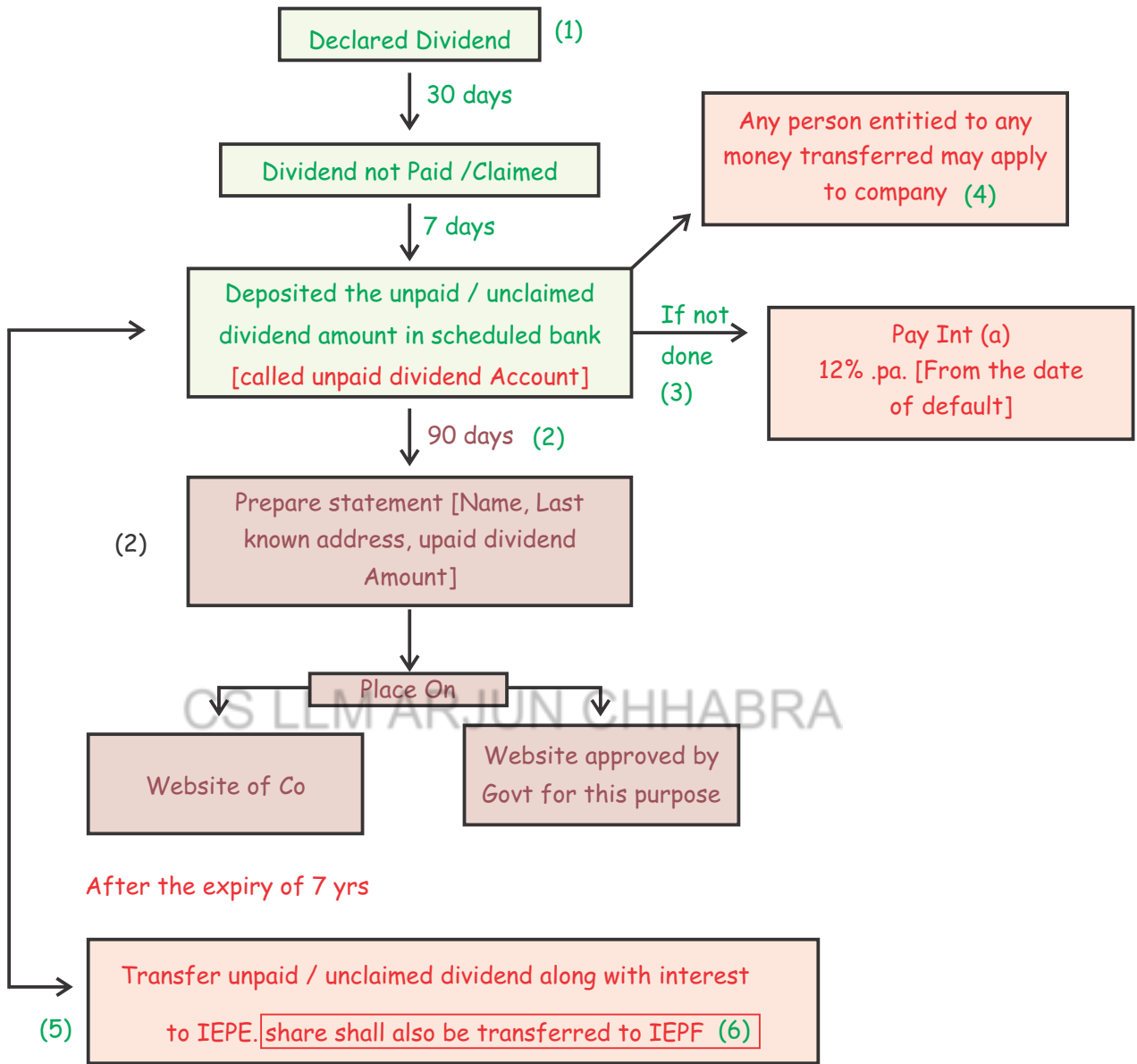
or

by one or more govt company

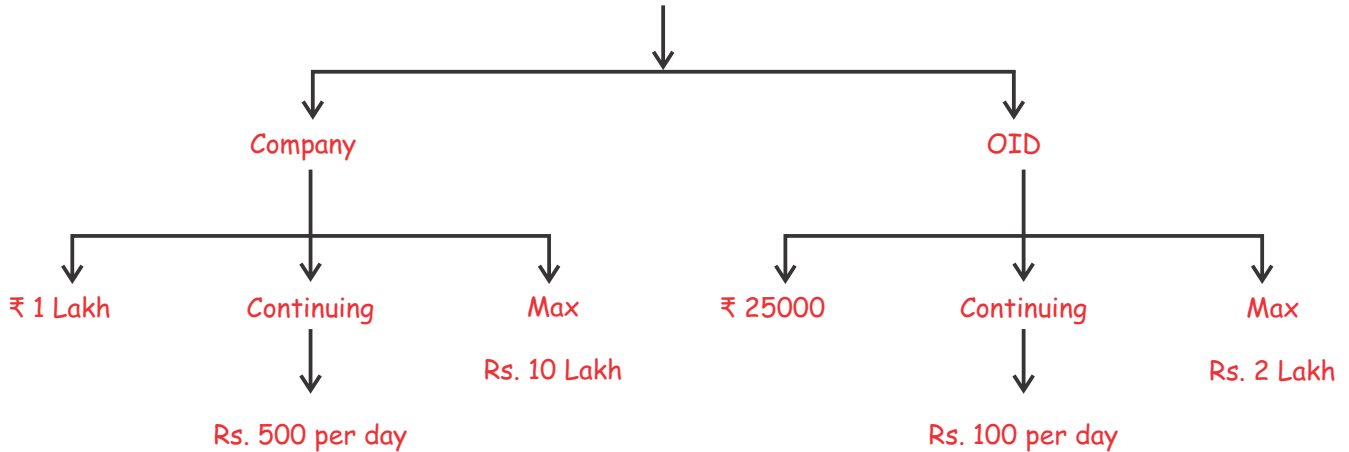
CS LLM ARJUN CHHABRA



# Unpaid Dividend Account - Section 124

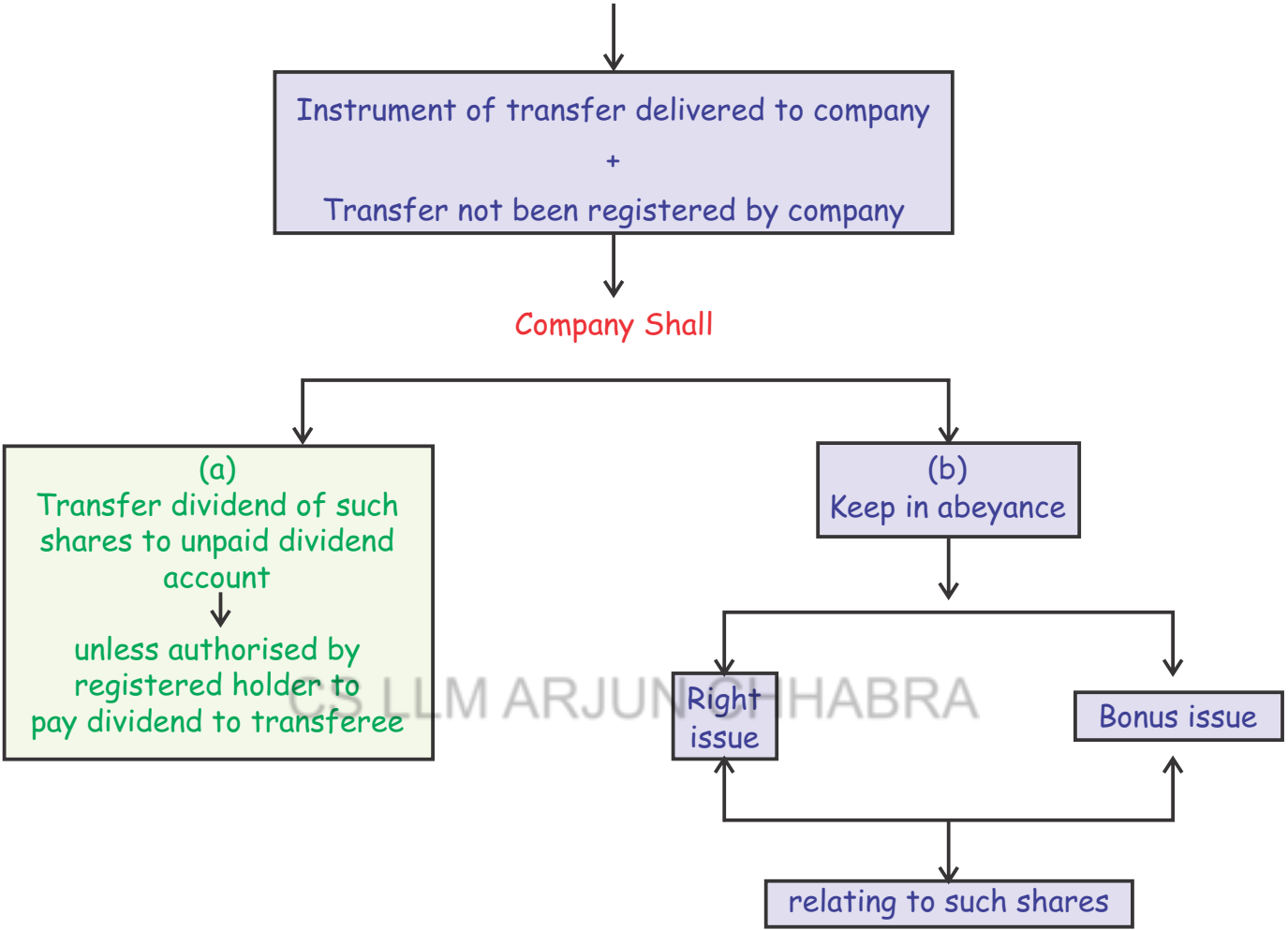


### Penalty



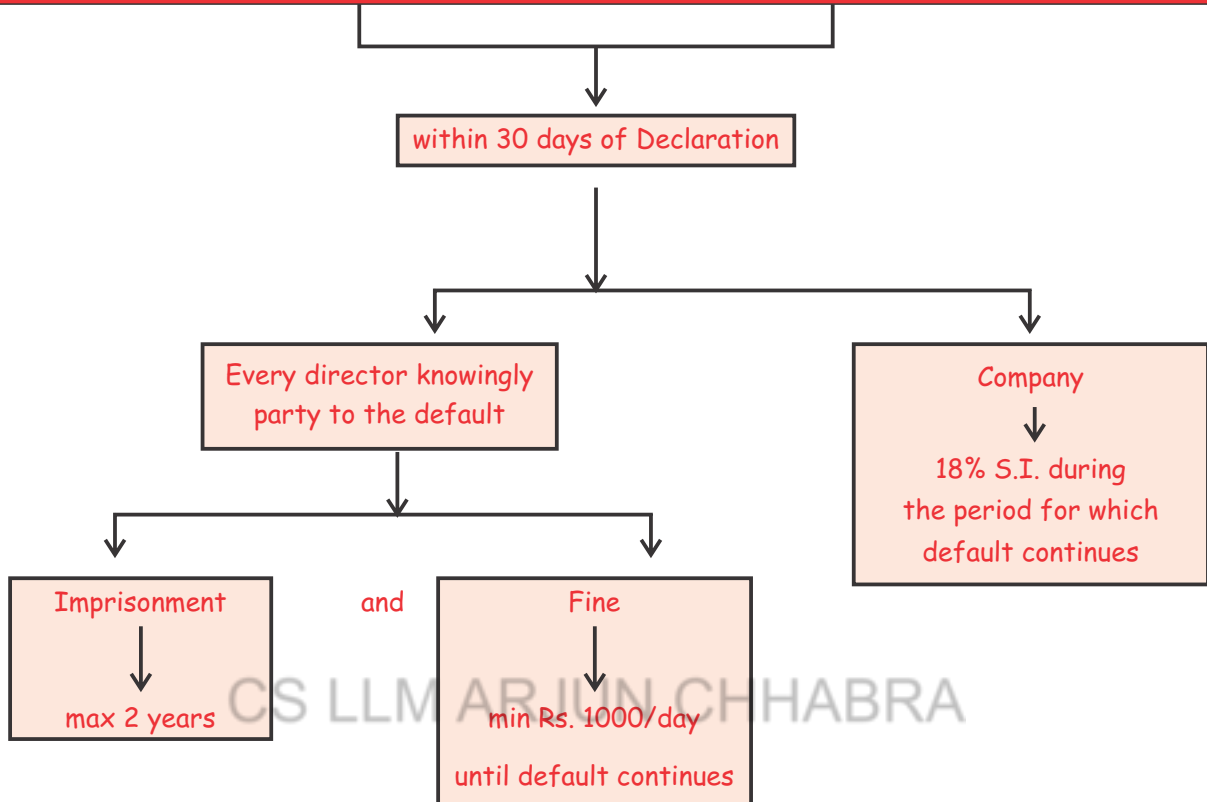


**Section - 126 - Right relating to shares Held in Abeyance Pending Registration of Transfer of shares**



# Sec-127 - Punishment for failure to Distribute Dividends

## Dividend declared + not paid + warrant not posted



### Exceptions

