

ISSUE, FORFEITURE AND RE-ISSUE OF SHARES

SHARE CAPITAL

• small indivisible units of a fixed amount and each such unit is called a share.

• any company can issue share difference in price face value of a share

→ The liability of holder of share [] is limited to the issue price of share acquired by them

(i) Authorised share capital (or) nominal capital

- This amount of capital is mentioned in 'capital clause' of the "Memorandum of Association"
- it puts a limit on the amount of capital
- company is authorised to rise during its lifetime and it called 'Authorised capital'

Issued share capital

• A company is not issue total authorised capital

• whatever portion of the share capital is issued by the company, is called 'ISSUED share'

• And the not issued either in cash or consideration may be termed 'Un-issued capital'

ii) **Subscribed share capital**

- It is that part of the issued share capital.
- which is subscribed by the public. applied by the public and allotted by the company

iv) **Called up share capital**

- generally receive the issue price by the of share in instalments
- The portion of the issue price of share which a company has demanded
- Shareholder is known as "**capital up capital**"

v) **paid-up share capital**

It is the portion of called up capital which is paid by the shareholders.

Whenever a particular amount is called by the company and the shareholder fails to pay the amount fully (or) partially it is known as calls in arrears

vi) **Reserve share capital:-**

- A company may decide by passing a resolution that a certain portion of its **subscribed uncalled capital**
- Shall not be called up except in **the event of winding up of the company.**

Types of shares

(i) Preference share

Person holding preference share, called preference ~~holding~~ share holder.

- They also carry a preferential right over other shareholder to be paid first in case of winding up of the company

Types of preference shares

(a) Cumulative preference share:-

The cumulative preference share is one that carries the right to a fixed amount of dividend (or) dividend at fixed rate.

- This means that dividend on these share accumulates unless it is paid in full and, therefore the share are called "Cumulative Preference Share".

(b) Non-cumulative Preference share:-

- Fixed amount of dividend.
- No dividend is declared in a year due to any reason the right to receive such dividend for that year expires.

(c) Participating Preference share:-

- The holder the right to participate in the ~~multiple~~ profits

60 30 24
4
→ winding up of the company, this types of share carries the right to receive a pre-determined

(d) Non-participating preference share

• A share on which only a fixed rate of dividend is paid every year.
→ without any accompanying additional right in profit and in the surplus on winding-up is called
Non-participating Preference share

(e) Redeemable Preference share :-

• A company may issue of share for the condition that the company will repay after the fixed period

(f) Non-redeemable Preference share :-

which do not carry with them the arrangement regarding redemption, are called Non-redeemable preference share.

According to Sec 53, No company limited by share shall issue irredeemable preference share (20 year)

(g) Convertible preference share

• These share give the right to the holder to get them converted into equity share at

(h) Non-convertible preference share :-

when the holder of a preference share has not been conferred the right to get his holding converted into equity share.

4 2^u ← →

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Equity shares:-

- which are not preference shares.

→ it means that they do not enjoy any preferential right in the matter of payment of dividend or repayment of capital.

Minimum Subscription:-

The minimum subscription to be received in an issue shall not be less than 90% of the offer.

→ if the company does not receive the minimum subscription of 90%.

→ all application money received shall be refunded to the

(a) 15 days of the closure of the issue

First instalment
Second instalment
Third instalment
Fourth Instalment
Last Instalment

Application
Allotment
First call
Second call Money
Final call Money

Call in Arrears

→ the fail to pay the amount due on allotment (or) calls
 → the total unpaid amount on one (or) more instalments is known as

calls in arrears

(or)

Unpaid call

• Such amount represents the uncollected amount of capital from the Shareholder

it is shown by way of deduction from

"Called-up capital"

Ex :-

calls + in-Arrears	DR xxx	
Bank A/c	DR xxx.	
To Allotment calls		xxx

Call-in-Advance

→ sometimes pay a part (or) whole, of the amount not yet called up

→ such amount is known as call-in-advance.

it is a liability for company

Ex:-

Bank A/c	DR xxx	
To call in Adv		xxx
Calls-in Adv	DR xxx	
Bank A/c	DR xxx	
To Particular call A/c		xxx

Interest on Call-in-Arrears & Call-in-Advance

→ interest on call-in-Arrears & call in Advance

→ call-in-Arrears is recoverable

→ call-in-advance is payable

In case articles of the company

→ at the rate mentioned therein (or) these to be fixed by the directors

In case Table F

→ call-in-Arrears 12% (Income)

→ call-in-Advance 10% (Expense)

~~Forfeiture~~ Forfeiture of share

↳ forfeiture of share is the action taken by a company to cancel the shares.

• the title of such shareholder is extinguished but the amount paid is not refunded to him.

Ex:-

Forfeiture of share which were issued at a premium

↳ if the premium has already received by the company, it cannot be cancelled even if the share are forfeited in the future.

[Received]

→ Ignore S.P

[not-received]

→ S.P → Debit

[Amount of S.P not received]

Re-issue of forfeited share

↳ A forfeited share is merely a share available to the company for sale

• Re issue of forfeited share is not allotment of share but only a sale

(2nd hand sale of share)

Issue of shares for consideration other than cash

Issues their share for cash and use such cash to buy the various types of assets needed in the business.