18. Declaration & payment of Dividend.

Types of dividend (Based on nature of shares)

Equity dividend

- ✓ optional
- ✓ variable
- ✓ out of profits only

Preference dividend

- Cummulative → ✓ unpaid div - Accumulated
- non cummulative → unpaid div - lapsed

(Both preference dividends:)

- ✓ mandatory
- ✓ fixed
- ✓ irrespective of profits

Types of dividend (Based on Timing)

- Interium dividend
- final dividend

Point of Difference	Interium	Final
• Meaning	Declared in b/w two AGM's	Declared during AGM.
• Declared by	BOD	SH (member)
• Sources	✓ Relavent FY profits ✓ Prev FY profits ✓ Current FY profits (Till last quater)	✓ Relavent FY profits ✓ Prev. FY profits ✓ Both ✓ Amt given by govt
• when profits are adequate	No conditions	No conditions.
• when profits are inadequate (or) when loss is incurred	1 condition	4 conditions

I condition : current dividend rate ≤ Avg dividend rate during last 3 F.Y.

II condition

1. current dividend rate ≤ Avg dividend rate during last 3 FY
2. Amount withdrawl from reserves ≤ 10% × [PUC + FR]
3. Adjust the withdrawl Amount with current fy losses
4. Balance of reserves ≥ 15% × [PUC]
   paid up capital

Payment of Dividend

1) Paid to - Reg'd SH / order / Banker
2) Paid in - cash / ~~kind~~
3) Prohibited - non compliance of provisions Regarding
   - Acceptance of deposits from public
   - non payment of deposits
4) Deposit of dividend in separate bank A/c → 5d from declaration date
5) payment of dividend - 30 d from declaration date
6) Transfer of unpaid / unclaimed dividend to UDA - 7d from the expiry 30d
7) Publish the details of unpaid / unclaimed dividend - 90d from the transfer date.
8) Transfer to IEPF - 7 yrs from the transfer date. (TO UDA)

Punishment for non payment of dividend

Dividend

- cash
  - ↓ Pay within 30d from declaration
- Dividend warrant
  - ↓ post within 30d from declaration

consequences for failure

- company
  - ↓ intrest @ 18% PA.
- Defaulting officer
  - ↓
  - ✓ upto 2 yrs imprisonment &
  - ✓ 1000/Day fine.

Implications when transfer of shares is pending with company

Instructions from Transferor

- Yes
  - ↓ Dividend, Bonus shares, Right shares
  - ↓ issued as per instructions.
- No
  - ⇓ Dividend → transfer to UDA
  - Bonus shares, Right shares } Hold

Credits to IEPF

1) Amount not claimed for 7 yrs : a) Dividend
   b) Deposits
   c) Debentures
   d) Preference share capital
   e) Application money
   f) Purchase consideration in Amalgamation
2) Grants by CG
3) Donations by SH / Govt entities / others.
4) Balance Amount of General Revenue A/C
5) Balance Amount of IEPF under CA 1956
6) Recovery from a person convicted from personation (disgorged Amt)
7) other amounts as may be prescribed

Debits to IEPF.

1) When unclaimed amt is claimed
2) For investors education, awareness and protection.
3) Payment of disgorged amount to effected person
4) Reimbursement of legal expenses.
5) Other Amounts as may be prescribed.