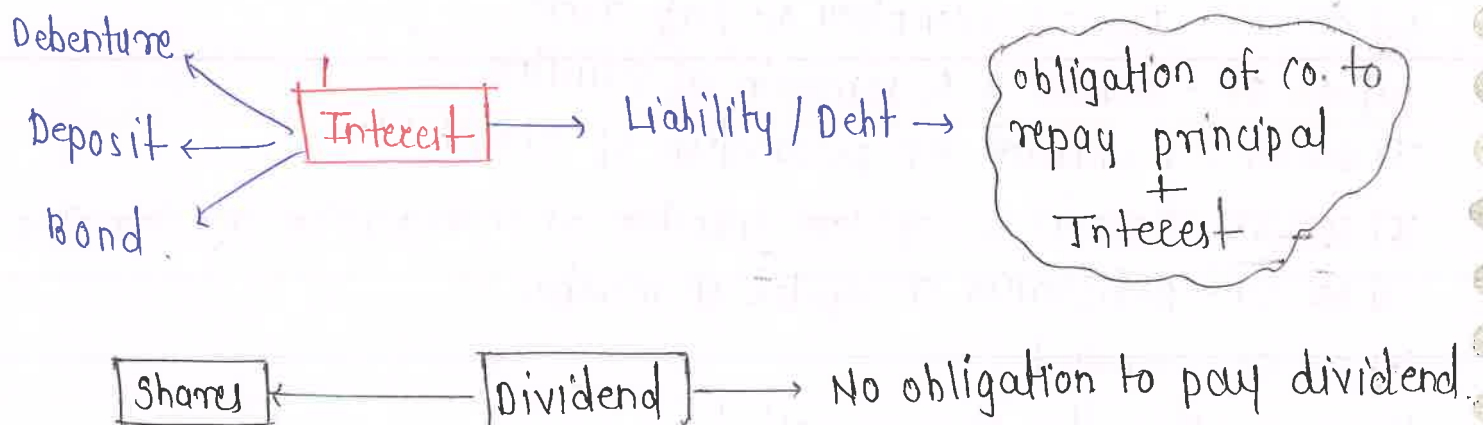
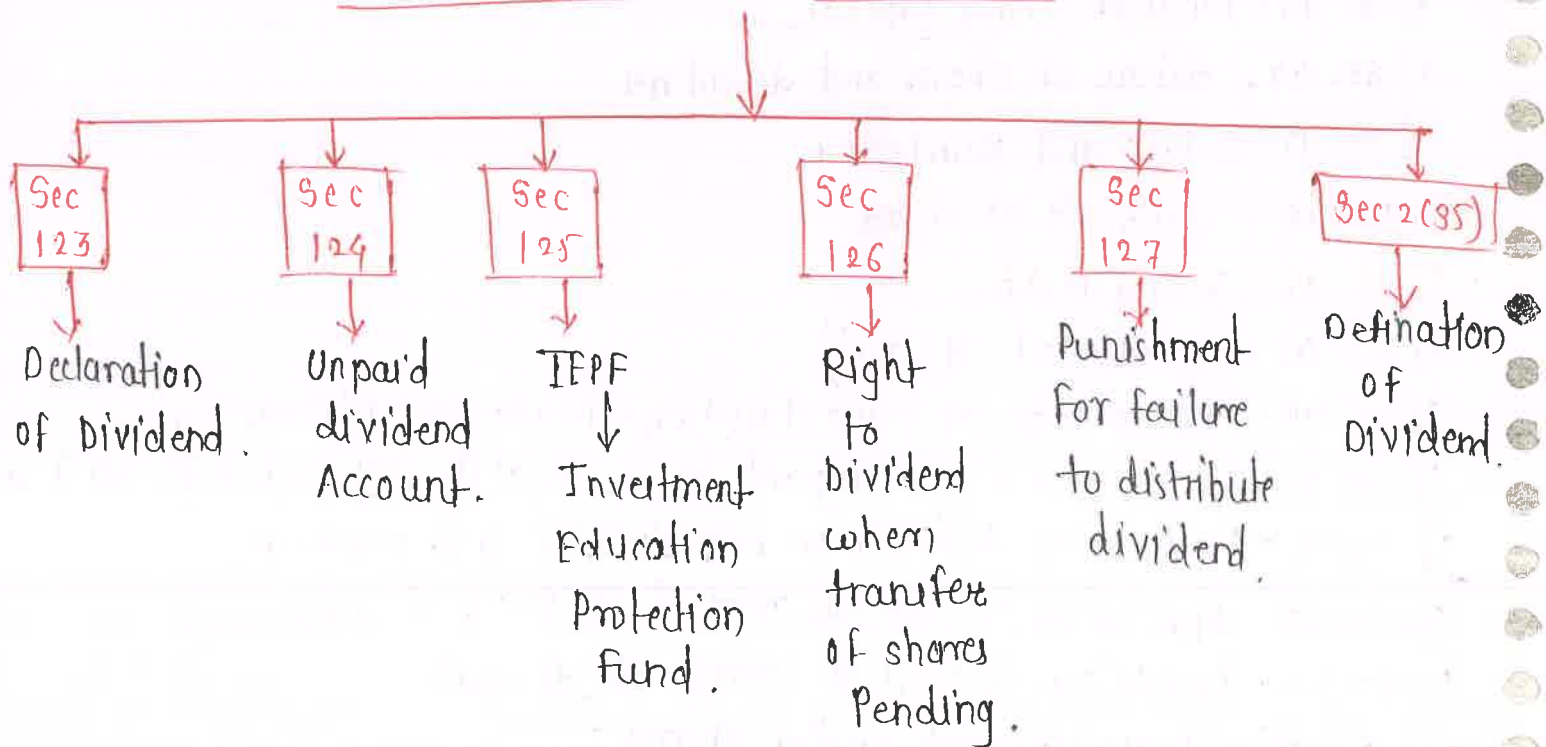


Chapter 8 - Declaration and Payment of Dividend

Section 123- 127 + Sec 2(35)



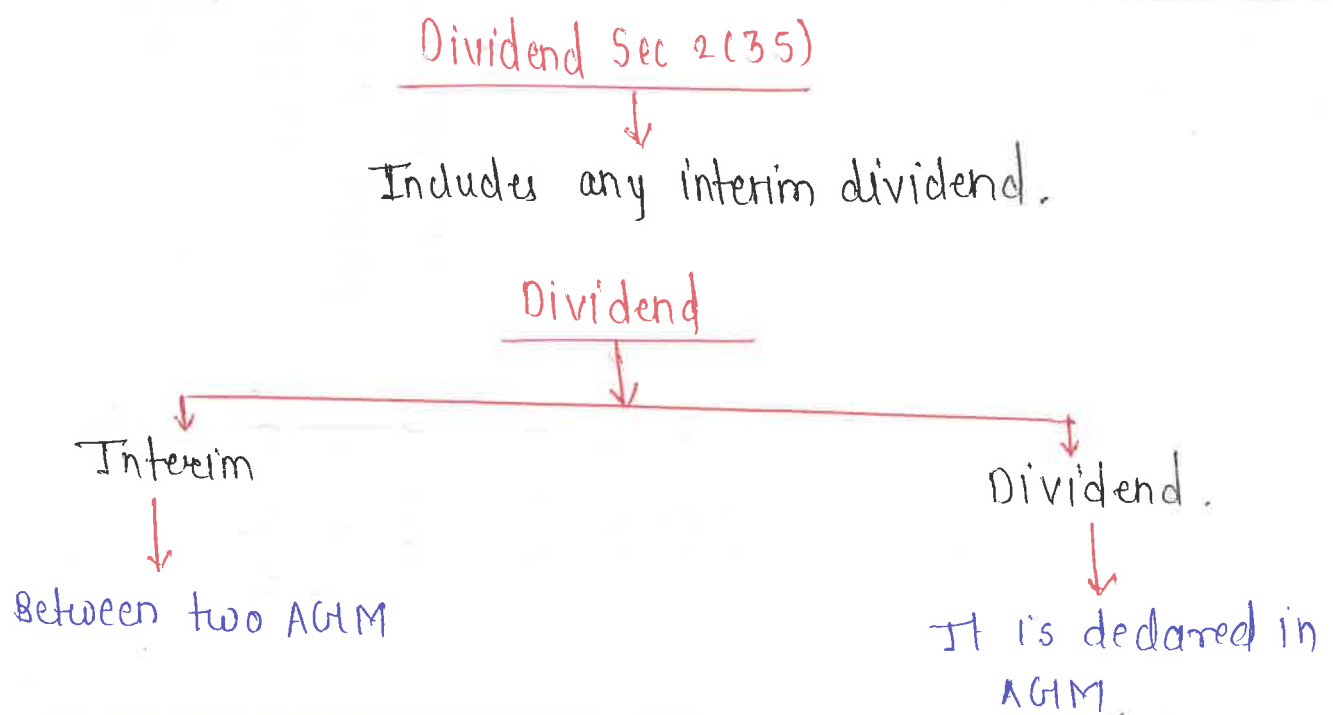
→ Dividend once declared becomes debt of company.

* General Points in relation to Declaration of Dividend.

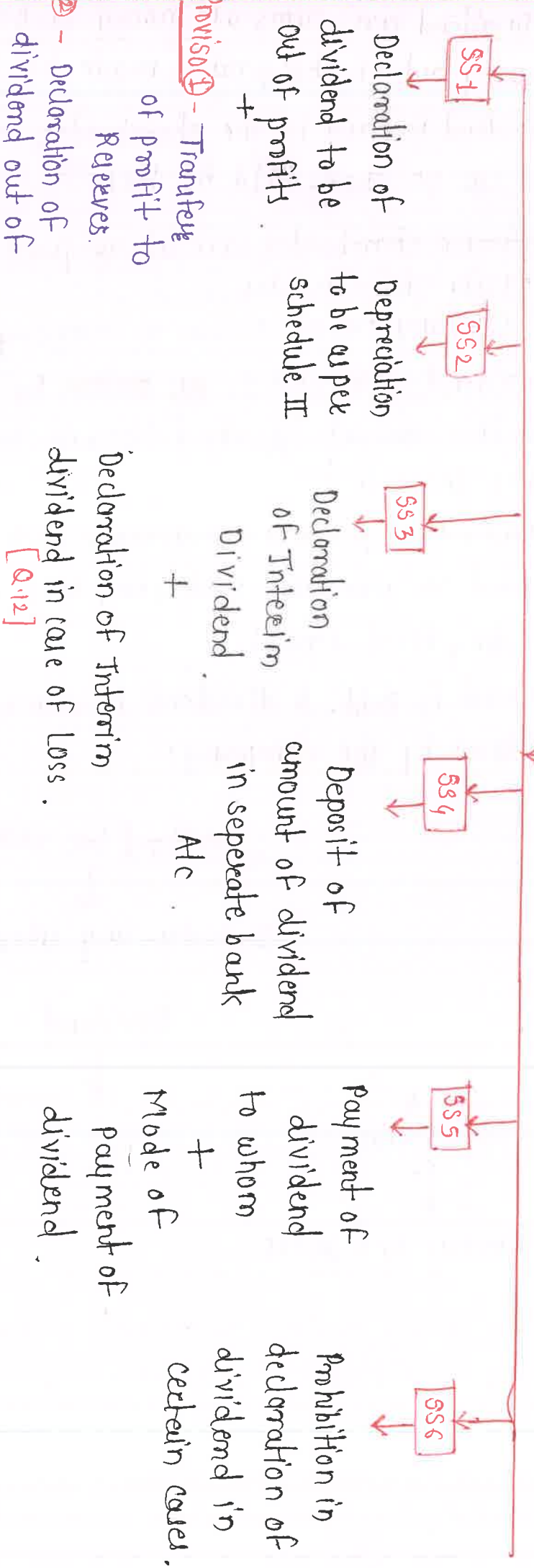
→ The power to pay dividend is inherent in a company and is not derived from Companies Act, 2013 or the MoA or AOA although the act and AOA regulate the manner in which dividends are to be declared.

→ Dividend can be defined to mean the share received by a shareholder of a company, profits legally available for distribution and divided amongst the shareholders.

- Dividend are sums of money to be paid to the members of the company out of the profits made by company.
- Dividend is paid to the shareholder on proportion to the amount paid up on shares held by them.
- Preference shareholder are always paid dividend in preference to equity share holder.
- All company except section 8 company can declare dividend.
- Dividend warrant is an order by the company to its bankers to pay the amount specified therein to shareholder whose name is written there in.
- Dividend is paid on preference and equity shares whereas interest is paid on debenture and long term and short term loan/borrowing including fixed deposit.
- Interest is Debt. A dividend however becomes debt only after it declared by the company.



Section 123 - Declaration of Dividend



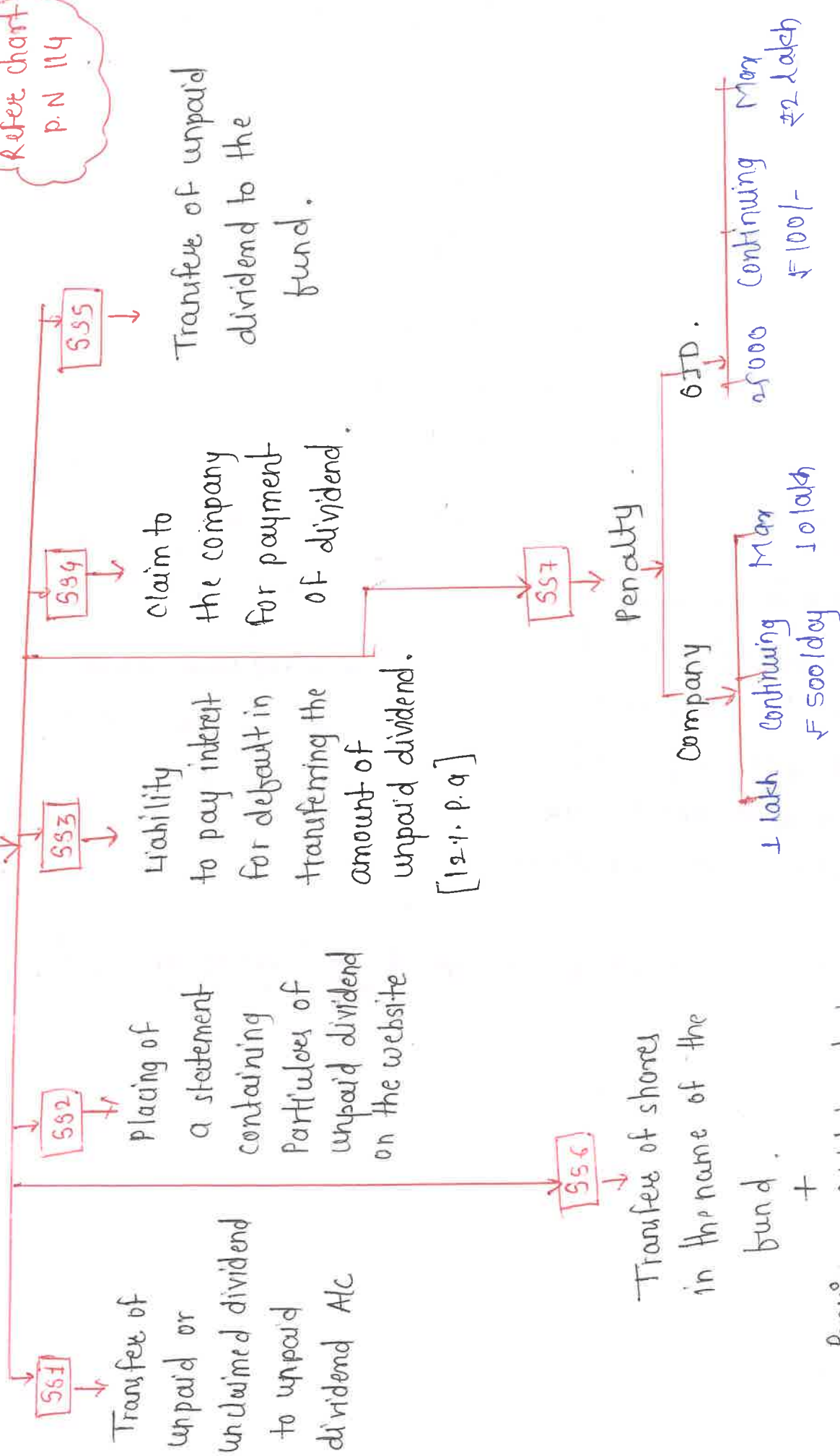
- ② - Declaration of dividend out of reserves + Rule 3
 ③ No declaration of dividend out of other reserves.
 ④ Set off of previous losses and depreciation.

Refer chart
PN 107

Sec 124 - Unpaid Dividend Account.

Refer chart
P.N 114

Sec 124



shares to be held in abeyance pending registration of transfer of shares

{ Temporary
suspend }

Registration of transfer of
shares is pending

Not with standing anything
contained in any other provision
of this Act

clause (a)

Transfer the dividend
amount to unpaid dividend
A/c unless the companies
authorised by the registered
shareholders in writing to pay
such dividend to the transferee.

clause (b)

keeping abeyance

- &
- ① Right issue offers
 - ② Bonus issue offers

Sec 127 - Punishment for failure to distribute dividend.

Refer chart
P.N 116

Sec 125 - Investment Education And Protection fund

Established by
Govt by notification
of official
Gazette.

Following Amt
to be credited
to IEPF

fund
utilization.

Unclaimed
redemption
amt. on
Preference
Share.

Unclaimed
dividend
↓
Interest

Unclaimed
refund
Amount

Unclaimed
Matured
deposit

Unclaimed
matured
deposits.

Other Amounts.

Other
income

Grants
and
Donation

Other
Prescribed

① Refund of
application
money and
interest.

② Investor
education &
awareness
Program

③ class Action
Suit by members
etc. by NCLT

④ Disbursed amt.
among applicants
for wrong action
of any person.