Chapter 8 - Declaration and Payment of Dividend

Section 123 - 127 + Sec 2(35)

- Sec 123 → Declaration of Dividend.
- Sec 124 → Unpaid dividend Account.
- Sec 125 → IEPF → Investment Education Protection Fund.
- Sec 126 → Right to Dividend when transfer of shares Pending.
- Sec 127 → Punishment for failure to distribute dividend.
- Sec 2(35) → Defination of Dividend.

Debenture / Deposit / Bond ← Interest → Liability / Debt → obligation of co. to repay principal + Interest

Shares ← Dividend → No obligation to pay dividend.

→ Dividend once declared becomes Debt of company.

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* General Points in relation to Declaration of Dividend.

→ The power to pay dividend is inherit 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 amongs the share holder.

→ Dividend are sums of money to be paid to the member 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.

→ Preferance shareholder are always paid dividend in preferance to equity share holder.

→ All company except section 8 company can declare dividend.

→ Dividend warrant is an order by the company to its banker to pay the amount specified therein to shareholder whose name is written there in.

→ Dividend is paid on preferance 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.

Dividend Sec 2(35)

↓

Includes any interim dividend.

Dividend

- Interim ↓ Between two AGM
- Dividend. ↓ It is declared in AGM.

Section 123 - Declaration of Dividend

SS 1

Declaration of dividend to be out of profits.
+
Proviso ① - Transfer of profit to Reserves.
② - Declaration of dividend out of reserves + Rule 3
③ No declaration of dividend out of other reserves.
④ Set off of privious losses and depreciation.

SS 2

Depreciation to be as per schedule II

SS 3

Declaration of Interim Dividend.
+
Declaration of Interim dividend in case of Loss.
[Q.12]

SS 4

Deposit of amount of dividend in seperate bank A/c.

SS 5

Payment of dividend to whom
+
Mode of Payment of dividend.

SS 6

Prohibition in declaration of dividend in certain cases.

Refer chart P.N 107

Sec 124 - Unpaid Dividend Account

Refer chart P.N 114

Sec 124

- **SS1** → Transfer of unpaid or unclaimed dividend to unpaid dividend A/c
- **SS2** → Placing of a statement containing Particulars of unpaid dividend on the website
- **SS3** → Liability to pay interest for default in transferring the amount of unpaid dividend. [12%. p.a]
- **SS4** → Claim to the company for payment of dividend.
- **SS5** → Transfer of unpaid dividend to the fund.
- **SS6** → Transfer of shares in the name of the fund.
  +
  Proviso - Right to claim the transferred shares. + Explanation → Shares not to be transferred, if dividend is paid for any year.
- **SS7** → Penalty.
  - Company
    - 1 lakh
    - Continuing ₹ 500/day
    - Max 10 lakh
  - OID.
    - 25000
    - Continuing ₹ 100/-
    - Max ₹2 lakh

Section No - 126 Right to dividend, rights shares and bonus shares to be held in abeyance pending registeration of transfer of shares

{Temporary suspend}

Refer chart P.N 115

Registeration of transfer of shares is pending

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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 shareholder in writing to pay such dividend to the transferee.

&

Clause (b)

keeping abeyance

1. Right issue offer
2. Bonus issue offer.

Sec 127 - Punishment for failure to distribute dividend.

Refer chart P.N 116

Sec 125 - Investment Education And Protection fund

- Established by CG by notification of official Gazzate.
- Following Amt to be credited to IEPF
  - Unclaimed redemption amt. on Preferance share.
  - Unclaimed matured debenture.
  - Unclaimed dividend
    - Interest
  - Unclaimed refund Amount.
  - other Amounts.
    - other income
    - Grants and Donation
    - other Prescribed
  - Unclaimed Matured deposit
- Fund Utilization.
  1. Refund of application money and interest.
  2. Investor education & awareness Program
  3. class Action suit by members etc. by NCLT
  4. Disgorged amt. among applicants for wrong action of any person.