Shares:

The total capital of the company is divided into smaller units, each unit is called 'Share'. For eg: If the total capital of the company is ₹10,00,000, divided into 1,00,000 units of ₹10 each. Each such unit is called share whose nominal value is ₹10. These shares are identified by their number.

Types of Shares:

Under the companies Act, 1956 a company may issue two types of shares:

1) Preference Shares
2) Equity Shares

Preference Shares:

Preference shares are those shares which has the following two rights:

(i) a right to receive dividend at a fixed rate before any dividend is paid to the equity shareholders and

ii) At the time of liquidation preference share-holders have the right to the return of capital before that of equity shareholders.

Equity Shares:

Unlike preference shareholders equity shareholders ~~get~~ receive the dividend from the left out profit. In other words, that there is no fixed rate of dividend on equity shares. If the profit is insufficient in any year the equity shareholders will receive nothing. In case, when company earns more profits, they get higher rate of dividend. Regarding Capital, they have the right to return of capital only when preference shareholders are returned in full.

Besides, equity shareholders have voting rights and control the affairs of the company.

Share - Capital

The capital raised by a company by the issue of shares is known as Share - Capital.

Kinds of Share - Capital :

1) Authorised, Registered or Nominal Capital:

The maximum amount of capital which a company is authorised to issue during its life-time is known as authorised capital. The amount of authorised capital has to be mentioned in the Memorandum of Association.

2) Issued Capital :

The part of authorised capital which company offers to the public for subscription is 'Issued Capital'. The remaining part is 'Unissued ~~Capf~~ Capital'.

Subscribed Capital :

The part of issued capital which has been subscribed by the public is known as 'Subscribed Capital'.

For eg: If a company offers 15,000 Shares of ₹ 10 each to the public and the public applies for 12,000 shares, the subscribed capital will be ₹ 1,20,000.

Subscribed Capital is classified under two heads : a) Subscribed and fully paid-up and b) Subscribed but not fully paid-up.

a) Subscribed and fully paid-up :

When the full face value of share is called up and paid up by the shareholder it is known as subscribed and fully paid up.

b) Subscribed and not fully paid-up :

The shares can be said not fully paid up if:

a) co. does not call-up the full nominal value

or; b) the ~~share~~ shareholders do not pay the full nominal value of shares.

Student's Assignment :

8) Differentiate between Preference share and Equity Share.

9) What do you mean by 'Company'? What are the different kinds of a Company.