COMPANY LAW

SHARE CAPITAL AND DEBENTURE

SEMESTER-II, SECTION- 2A

VOLUME-1

ANNU OJHA(AO)

SYLLABUS

- SHARE CAPITAL-TYPES AND DEFINATION
- ALLOTMENT AND FORFEITURES, CALLS ON SHARE, ESOP, BUYBACK, SWEET EQUITY, BONUS, RIGHTS, CAPITAL REDUCTION, SHARE CERTIFICATE, D-MAT SYSTEM, TRANSFER AND TRANSMISSION, REDEMPTION OF PREFERENCE SHARE
- DEBENTURE- DEFINATION, TYPES, RULES REGARDING ISSUE OF DEBENTURE.

SHARE

- DEFINATION : Capital of the company is termed as share capital which is divided in units. Each unit is called share.
- Section 2(84) of the indian companies act defines a share as “a share in the share capital of a company, and includes stock……”
- Suppose a co. needed rs. 1,00,000 for there co. operation. So, first they will decide that what price they may fixed for each unit of there share. If they decided to fix the price per share is rs. 10, then the co. will issue 10,000 share (1,00,000/10). This 10,000 share represent 10,000 units.

TYPES OF SHARE CAPITAL

share capital as per companies act., 2013 are of two types-

- EQUITY SHARE CAPITAL
- “Equity share capital”, with reference to any company limited by shares, means all share capital which is not preference share capital.

- PREFERENCE SHARE CAPITAL
- “Preference share capital”, with reference to any company limited by share, means that part of issued share capital of the company which carries or would carry a preferential right with respect to-
- Payment of dividend, either fixed amount or fixed rate and
- Repayment, in case of a winding up or repayment of capital.

TYPES OF EQUITY SHARE

- As per section 43(a) equity share capital may be divided on the basis of voting rights and differential rights(DVR) as to dividend, voting rights or otherwise according to rules.
- (i) equity share capital with voting rights: it means the owners of the equity shares have the voting rights in the annual general meeting of the company.
- (ii) equity share capital with differential voting rights: concept of share with differential rights was introduced by the companies(Amendment) act 2000. A DVR is like an ordinary equity share, but it provides fewer voting rights to shareholder.

TYPES OF PREFERENCE SHARE CAPITAL

- Cumulative preference share
- Non-cumulative preference share
- Redeemable preference share
- Irredeemable preference share
- Convertible preference share
- Non-convertible preference share
- Participating preference share
- Non-participating preference share

ALLOTMENT OF SHARE

- Offer of shares is made on application forms supplied by the company.
- When an application money is accepted, it amounts to an allotment. This constitutes a binding contract to make that number according to the offer and acceptance.
- So, an allotment of shares is an acceptance by the company of the offer to take shares.
- The communication of acceptance of this offer by an allotment letter or notice gives rise to a valid contract between the company and the shareholder.

CALLS ON SHARE

- A call may be defined as a demand made by the company on its shareholders to pay a part or the whole of the unpaid balance within a specified time. As soon as a call is made, the call amount shall become a debt due from the shareholders to the company.
- Lord lindley says that the expression “call” denotes both the demand for the money and also the sum demanded.

FORFEITURE OF SHARES

- When a company issues shares, normally the shareholders are not required to pay the amount at once. Some part of the money is paid to the company initially on application of shares, another part on being allotted the shares and remaining amount in one or more instalment called as “calls”. The company makes these calls as and when it requires capital. If a shareholder fails to pay the called up capital then his/her shares may be taken back from him/her by the company as a penalty. This is known as forfeiture of shares. Shares of a member cannot be forfeited unless articles confer such a power on the directors.

EMPLOYEES STOCK OPTION PLAN(ESOP)

- As per section 2(37) of the companies act, 2013, “employees stock option” means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future data at a pre-determined price.

BUYBACK OF SHARES

- Buyback of shares means the purchase by the company of its own shares.
- Buyback of equity shares is an imperative mode of capital restructuring. It is a corporate financial strategy which involves capital restructuring and is prevalent globally with the underlying objectives of increasing earning per share, averting hostile takeover, improving return to the stakeholders and realigning the capital structure.

SWEAT EQUITY SHARES

- As per section 2(88) of the companies act, 2013, “Sweat equity shares” are such equity shares, which are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

BONUS SHARE AND RIGHTS SHARE

- Bonus shares are additional shares given to the current shareholders without an additional cost, based upon the number of shares that a shareholder ons. These are company’s accumulated earnings which are not given out in the form of dividends, but are converted into free shares.
- Rights issue means offering shares to existing members in proportion to their existing share holding. The object is, of course, to ensure equitable distribution of shares and the proportion of voting rights is not affected by issue of fresh shares.

SHARE CERTIFICATE

- As per section 46 of the companies act, 2013, certificate of shares means a certificate issued under the seal, if any, of the company, specifying the shares held by any person, shall be prima facie evidence of the title of the person to such shares.

DEMAT SYSTEM

- Demat is nothing but a dematerialized account. If one has to save money or make cheque payment, then he/she needs to open a bank account. Similarly, one needs to open a Demat account if he/she wants to buy or sell stocks. Thus Demat account is similar to a bank account where in the actual money is being replaced by share. In order to open a demat account, one needs to approach the depository participants (DPs).

Thank you