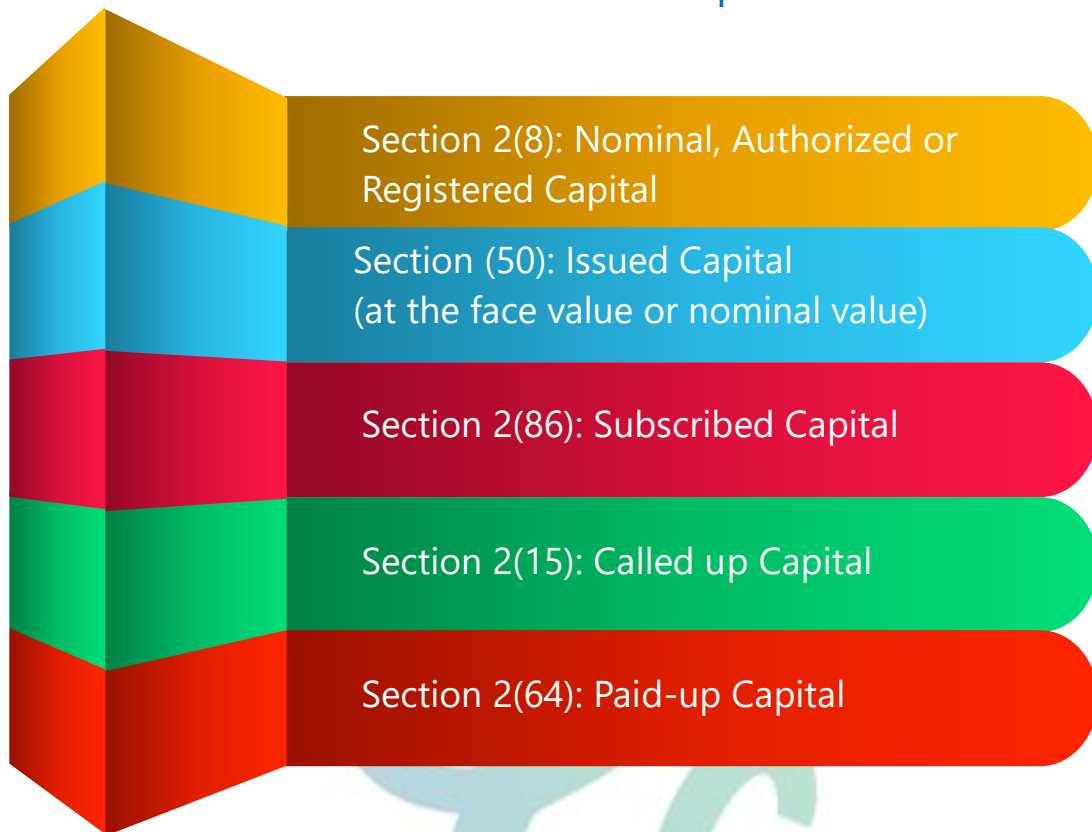


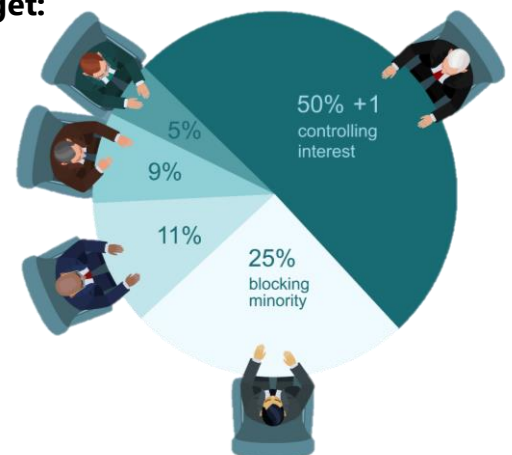
Shares and Share Capital



Authorized Capital is the total capital mentioned in the Memorandum of Association including issued Capital and unissued Capital.

When the capital is issued for subscription, it may get:

- Fully Subscribed or
- Over Subscribed or
- Under Subscribed





When subscribed shares are Called up Capital it may result in:

- Paid-up Capital
- Calls in arrears if any
- Calls in advance if any

Publication of Capital

Section 60

- ❖ Wherever company mentions Authorised capital, it shall also mention subscribed and Paid-up capital.
- ❖ Else, Company is liable to pay penalty of INR 10,000 and each officer in default to pay INR 5,000 for each default.

Section 60

Where any notice, advertisement or other official publication, or any business letter, billhead of a company contains a statement of the amount of the Authorized Capital of the Company,

- such notice, advertisement or other official publication, or such letter, billhead or letter paper
- shall also contain a statement, in an equally prominent position and in equally conspicuous characters
- of the amount of the capital which has been subscribed and the amount paid-up.



Issue of Shares

Shares may be issued:

- ❖ at **Par** or
- ❖ at a **Premium** or
- ❖ at a **Discount**
- ❖ for **Cash** or
- ❖ for consideration **Other than cash**

Premium

Shares can be issued for a price higher than nominal value

Issued Value	INR 50
<u>(-) face value</u>	<u>INR 10</u>
Premium	INR 40

Premium could be in cash or kind

Premium is not **"Profit."** Therefore it cannot be distributed as **"Dividend."**

Premium in Balance Sheet

The Securities Premium Account must be shown as:

- ❖ **"Securities premium reserves"** separately in the **liabilities side** of the balance sheet under the head **"Reserves & Surplus."**
- ❖ Utilization of the premium is regulated by **Section 52.**



Utilization of Premium

Section. 52 (1)

- Premium to be transferred to the "**Securities Premium Account**"
- Certain provisions relating to the reduction of share capital are also applicable for this account.

Section. 52 (2)

Application of the credited amount shall be limited to:

- a) towards the **issue of unissued shares** of the company to the members of the company as fully paid up bonus shares;
- b) in **writing off the preliminary expenses** of the company;
- c) in writing off the **expenses** of, or the **commission** paid or **discount** allowed on, any issue of shares or debentures of the company;
- d) in providing for the **premium payable on the redemption** of any redeemable preference shares or of any debentures of the company; or
- e) for the **purchase of its own shares** or other securities under **Section 68**.

Limited Application

Section 52(3)

Companies as may be prescribed, may also apply the premium:

- a) in paying up unissued equity shares of the company to be issued to members of the company as fully paid up **Bonus shares**; or
- b) in **writing off the expenses of or the commission paid or discount** allowed on any issue of equity shares of the company; or
- c) for the **purchase of its own shares** or other securities under **Section 68**.