
Bonus shares (The issue of bonus shares implies the payment of dividend in the form of Shares instead of cash.)

Right shares (The shares which are meant for the existing shareholders are known as right Shares)

Preference share capital is the part of the capital of the company which—

- Carries a preferential right as to payment of dividend at a fixed rate during the life time of the company.
- Carries, on the winding up of the company, a preferential right to be repaid the amount of capital paid up.

Equity share capital with reference to a company, limited by shares, means a company which is not preference share capital

After satisfying the rights of preference shareholders, the equity shareholders shall be entitled to share in the residual (remaining) amount of distributable net profit of the company.

Equity share capital is the sum total of equity shares. The dividends on equity shares is not fixed It will be changing according to the magnitude of available profit for distribution in the form of Dividends.

Equity share capital of a company may consist of equity shares:

- With voting rights,
- With differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed.

Transfer and Transmission of shares

- AOA provides for the procedure of transfer of shares. It is a voluntary action of the shareholder.
- It can be made even by a blank transfer –In such cases the transferor only signs the transfer form without making any other entries.
- In case it is a forged transfer, the transferor's signature is forged on the share transfer instrument.
- Transmission of shares is by operation of law, e.g. by death, insolvency of the shareholder etc.

Buy-Back of Securities

- The company may purchase its securities back and it is popularly known as buy back of shares
- To do so, the company has to be authorized under the AOA.
- The company has to comply with the provisions of the Company law to buy back its securities. The listed company has to seek permission from the SEBI (SERA 1998). Specifically for the private company etc. the Buy Back Securities Rules 1999 will be applicable

Share Certificate and Share Warrant

Share certificate: Meaning and definition-

According to section 84- A share certificate is a certificate issued by the company under its common seal specifying the share held by any member. It is an evidence, of the title of the allottee or transferee of shares.

- **Share Certificate:** The Share Certificate is a document issued by the company and is prima facie evidence to show that the person named therein is the holder (title) of the specified number of shares stated therein.
- Share certificate is issued by the company to the (share holder) allottee of shares.

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- The company has to issue within 3 months from the date of allotment. In case of default the allottee may approach the central government.(sec.113)
 - A certificate may be renewed or a duplicate of a certificate may be issued if such certificate:- is proved to have been lost or destroyed, or having been defaced or mutilated or torn and the same is surrendered to the company (sec.84(2))

Contents o Share Certificate

- Name and address of the registered office of the company.
- Serial number of the share certificate.
- Day and date of issue of the share certificate.
- Name and address of the shareholder.
- Number of the shares held by the shareholder.
- Distinctive numbers of shares.
- Class of shares.
- Nominal value of each share.
- Amount paid on each share.
- Revenue stamp.
- Impression of the common seal of the company.
- Space for the signature of two directors and the secretary.

The share certificate form consists of the three parts:-

- The counterfoil for reference.
- The certificate proper, and
- The receipt to be signed by the shareholder on receiving the certificate.

The share certificate forms are consecutively numbered and invariably bound in a book form.

Every share certificate shall be issued under the common seal of the company to be affixed in the presence of at least two directors and the secretary of the company. Also, all these persons must sign the share certificate.

Share Warrant

- The share warrant is a bearer document issued by the company under the common seal of the company stating that the bearer is entitled to the shares mentioned therein.
- As share warrant is a negotiable instrument, it is transferred by endorsement and by mere delivery like any other negotiable instrument.
- A public company, limited by shares, may if so authorized by its Articles, with the previous approval of the central Government and in respect of fully paid-up shares, issue a share warrant under its common seal. A private company cannot issue share warrant. (Section 114).

Conditions for the issue of share warrants:--

- The shares must be fully paid up.
- The Articles of the company must authorized to do so.
- The company must obtain the permission of the central Government.
- The share Warrants must be issued under the common seal of the company.
- Only public companies limited by shares can issue share warrants and a private limited company cannot issue share warrants.

Contents of share warrants: - Share warrants consists of three parts:

Counterfoil, share warrant and dividend coupon.

- Name of the company.
- Address of the registered office of the company.
- Serial number of the share warrant.
- Number of the share held by the shareholder.
- Distinctive number of shares.
- Nominal value of each share.
- Day and date of issue of the share warrant.
- Space for the signature of two directors and the secretary.

Dividends

- The sharing of profits in the going concerns and the distribution of the assets after the winding up can be called as dividends
- It will be distributed among the shares holders
- The dividends can be declared and paid out of:

Current profits

Reserves

Monies provided by the government and the depreciation as provided by the companies. It can be paid after presenting the balance sheet and profit and loss account in the AGM

- Other than the equity shareholders, even the preferential shareholders can get the dividends. Rather they are the first ones to get the dividends.
- Dividends are to be only in cash, if otherwise specified in the AOA.
- In exceptional cases, even the central government may permit the payment of interest to shareholders, even though there is no profit.

Shareholder or member

Introduction:-

The term shareholder refers to a person who holds or owns share in a company while the term “member” on the other hand, refers to a person whose name appears on the register of members.

For all the purpose of the words shareholder and member are used interchangeably and synonymous because in normal course a shareholder will also be a member and a member will also be a shareholder.

However, there are a few exceptional cases where a person may become a member of a company without, being its shareholder and vice versa.

For example: Unlimited companies or companies limited by guarantee having no share capital will have only members but no shareholder. On the other hand, the holder of a share warrant is a shareholder but not a member as his name is removed from the register of members immediately after the issue of such share warrant. Similarly, a transfers or the legal representative of the deceased person may be a shareholder but he may not be a member until he gets his name entered in the register of the members.

Definition of member: - It is defined in section 41 of the Act as follows:

1. The subscribers of the MOA of a company shall be deemed to have agreed to become members of the company, and on the registration of the company, shall be entered as members in its register of members.
2. Every other person who agrees in writing to become a member of a company and whose name is entered in its Register of Member of the company.

Methods of acquiring membership of a company- -

- By subscribing to the MOA of the company before its registration.** (Statutory members) “Deemed to be members from the date of the incorporation of the company without any allotment of shares and without any entry in the register of members.” He acquires full status of a member on the registration of the company with all rights and liabilities. The subscriber to the Memorandum must take the agreed number of shares directly from the company and must make the payment in cash.
- By agreeing with the company to take shares and being placed on the register of members.** (**Two conditions must be fulfilled** – written agreement to take the shares and the person name to appear on the register of members)
- By acquiring qualification shares** (By the directors who have signed and delivered to the registrar a written undertaking to take qualification shares and to pay for them becomes members of the company and they are treated as if they are subscribers to the MOA.)
- By taking a transfer of shares and being placed on the register of members.** (This can be done by sending an instrument in writing to the company completed in all respect and when the name of the transferee is entered in the records of the company he becomes a member.)
- By transmission of shares** (In transmission of shares, the ownership of shares passes to the legal representative of the deceased member by operation of law. In the case of transmission there is no need of any instrument of transfer only the willingness to become member of the legal representative is required.)
- By registration on succession to a deceased or bankrupt member.**
- By allowing his name apart from an agreement to become member to be on the register of members.**

Termination or cessation of membership-

- When he transfer his shares.
- When his shares are validly forfeited by the company.
- When he makes a valid surrender of his shares to the company.
- When his shares are expropriated.
- When his shares are sold by the company under power in its Article to enforce a lien.
- When he is holding redeemable preference shares which are being redeemed. When he dies and his shares are passed on to his legal representative.
- When he is declared insolvent and his shares are passed on the Official Receiver.
- When ha has been issued share warrant in exchange of fully paid-up shares and Article of the company do not recognize the holders of share warrants as members.
- When the company is being wound up, but he remains liable as contributory and is also entitled to his share in the surplus assets, if any.