



परमाणु ऊर्जा शिक्षण संस्था

(परमाणु ऊर्जा विभाग का स्वायत्त निकाय, भारत सरकार)

ATOMIC ENERGY EDUCATION SOCIETY

(An autonomous body under Department of Atomic Energy, Govt. of India)

Accounting for share capital (Module 1 of 4)

WHAT IS A SHARE?

A share is defined as, “a share in the share capital of the company and includes stock”

- ❖ Share capital of the company is collected by issue of shares.
- ❖ Share is one of the units into which total capital is divided.
- ❖ The person who owns the share is called shareholder.

MEANING OF SHARES & SHARE CAPITAL

A share is one unit into which the total share capital is divided. Share capital of the company can be explained as a fund or sum with which a company is formed to carry on the business and which is raised by the issue of shares.

Shares are the marketable instruments issued by the companies in order to raise the required capital.

These are very popular investments which are traded every day in the stock market and the value of the share at the end of the day decides the value of the firm.

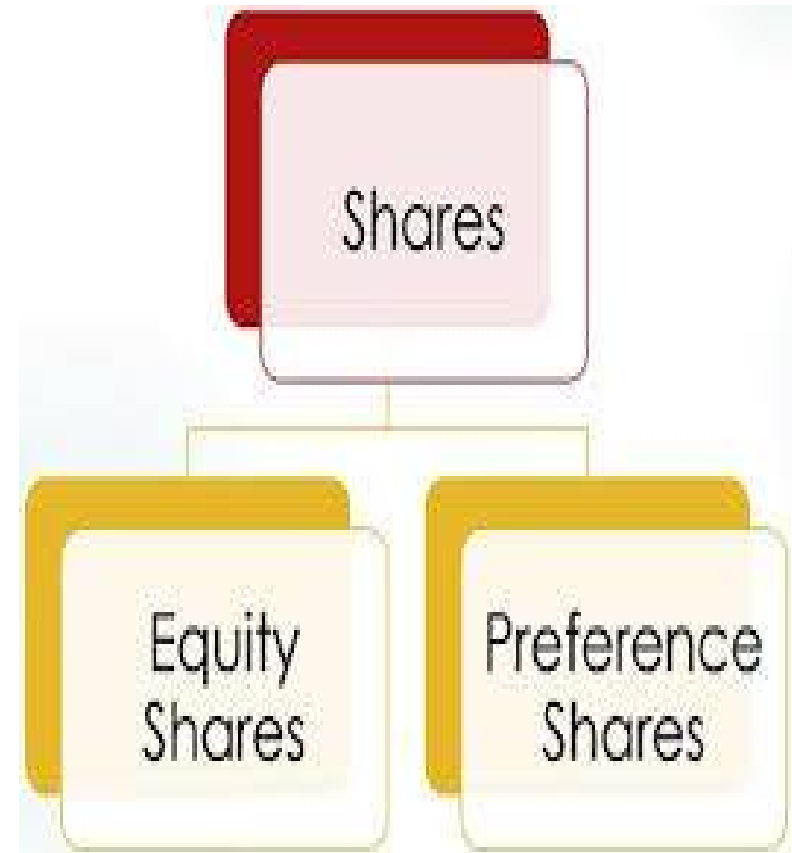
CLASSES OF SHARES

❖ **Preference Shares**

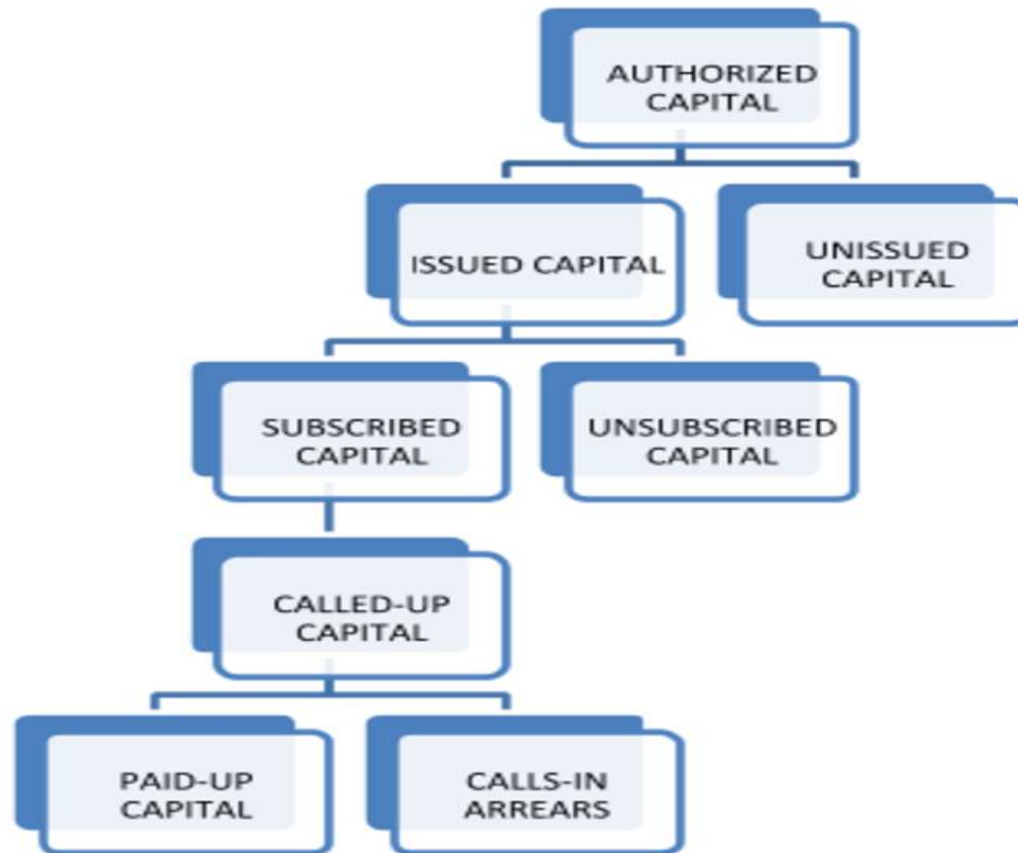
1. It offers a fixed rate of dividend.
2. Right to get capital on winding up, before anything is paid to equity shareholders.

❖ **Equity or Ordinary Share**

1. These shares have voting rights.
2. It doesn't offer a fixed rate of return.
3. They are not entitled to get capital on winding up, before paying to preference shareholders.



Types of share capital



Issue of shares at par, premium & discount

- **Issue of shares at Par**- It means the shares are issued at a price equal to the face value of share.
- **Issue of shares at Premium**- It means the shares are issued at a price higher than the face value of shares.
- **Issue of shares at Discount**- It means the shares are issued at a price lower than the face value of shares.

Under subscription and over subscription of shares

Under subscription – If the application money of shares are received for less number of shares from the public is called under subscription.

Oversubscription– If the application money of shares are received for more number of shares from the public is called over subscription.

What is Forfeiture of Share?

Forfeiture of share means the cancellation of the shares for non-payment of calls due. But, the company can forfeit shares only if the Article of Association of the company allow forfeiture.

If any shareholder is not able to pay the amount of call, the company may exercise the power to forfeit his shares on which he is unable to pay the amount of call.

REISSUE – MEANING AND ISSUE PRICE OF SHARES

Shares are forfeited because only a part of the due amount of such shares is received and the balance remains unpaid. On forfeiture the membership of the original allottee is cancelled. He/she cannot be asked to make payment of the remaining amount. Such shares become the property of the company. Therefore company may sell these shares. Such sale of shares is called 'reissue of shares'. **Thus reissue of shares means issue of forfeited shares.**