Class - B.Com Part - II

Subject : Corporate Accounting

paper : IV

Topic : Kinds of Shares

Lecture sequence No : 2

unit : 1

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Equity Shares: [Sec 43(1) of Companies Act 201

Equity shares are those shares which are not Preference shares. Stating differently shares which do not enjoy preferential right of receiving dividend or repayment of capital are equity shares. Equity Shares are the most commonly issued class of shares and carry the maximum risk and rewards of the business; the risk being losing part or all of the value of shares if the business incurs losses the reward being payment of higher dividends and appreciation in the market value.

Equity shares are those shares which are not preference shares. The holders of the company and have right to all the profits after the preference dividend has been paid. Equity is the risk capital of a company. Normally the equity shareholder control the affairs of the company and have right to all the profits after the preference dividend has been paid. Hence, there will be no fixed rate of dividend to be paid to the equity shareholders. This may vary from year to year. Such shareholders may go without any dividend if no profit is made. Equity shares have the voting right and this voting right will be proportionate to one's share ~~capital~~ of the paid up equity capital.

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Difference between Preference Shares and Equity shares:

Preference Shares	Equity Shares.
① Dividend is paid on Preference shares before it is paid on Equity shares.	Dividend is paid on Equity shares after it is paid on Preference Shares
② Preference share may be converted to Equity Shares if the terms of issue so provide.	Equity Shares are Not convertible.
③ Preference shareholders having voting rights only in special circum-stances.	Equity shareholders having voting rights in all the circumstances.
④ If Preference Shares are Cumulative Preference shares arrers of dividend, is paid before dividend is paid on Equity Shares.	Dividend is declared every year. In case dividend is not declared during the year. It is not accumulated to be paid in the coming year.
⑤ Rate of Dividend is fixed.	Rate of Dividend is proposed by the Board of Director every year
⑥ Preference shareholders do not have a right to participate in the mana-gement of the company	Equity shareholder have a right to participate in the management of the company.

GST

	Preference Shares	Equity Shares.
(7)	On winding up the Preference Share capital is repaid before the Equity Share capital is paid.	On winding up, Equity share capital is repaid after the Preference Share Capital is paid.
(8)	Preference shares are refeemed on the due date.	A company may buy-back its Equity shares.
(9)	In case of redeemable preference shares, redemption may be effected at a premium.	If equity shares are bought back by the company they do not get the benefit of any premium.
(10)	If preference shares are cumulative arrears of dividend accumulated and remain so as a contingent liability to be paid away by the company as and when company becomes financially capable.	In case of an equity share, arrears of dividend cannot accumulate in any case. If no dividend is declared equity shares do not get anything.