

# FORMS AND KINDS OF SHARE CAPITAL

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# CAPITAL

- ~ **Capital of a company refers to that amount of money which a company uses to commence its business.**
- ~ **Capital is required to acquire movable and immovable properties for running the business.**
- ~ **The necessary description of the company's capital is given its memorandum of association and the means to acquire capital are contained in its articles of association.**



# **SHARE CAPITAL**

- ~ Share capital is the amount of money which a company receives by the sale of its shares.**
- ~ It is not mandatory for company.**
- ~ Though most of the companies have share capitals but a company can be incorporated without having any share capital.**



# **FORMS OF SHARE CAPITAL**

**The term share capital has been used in different forms in the companies act.**

## **1. AUTHORISED/NOMINAL/REGISTERED CAPITAL**

**The amount of capital with which a company is registered is called its authorised capital.**

**In simple words, It is the amount of the total value of shares that the company is authorised to offer to the public for subscription.**

## **2. ISSUED CAPITAL**

**~ Issued capital is that part of authorised capital which is actually issued to public for sale.**

**~ Generally a company does not issue the shares for its total authorised capital at one time. It invites offers from the public for a part of its capital and the subscription for the remaining called for as and when required.**

**e.g. Suppose the authorised capital of a co. is Rs.20 lakh and it is divided into 20,000 shares of Rs. 100. If the co. offers 10,000 shares to the public at Rs. 100 per share, the company`s issued capital would be Rs. 10 lakh.**

## **3.SUBSCRIBED CAPITAL**

~ Subscribed capital is that part of issued capital which is taken up and accepted by the public. If the public accepts the total issued capital then the issued capital shall be equal to subscribed capital.

## **4. ALLOTTED CAPITAL**

~ Allotted capital is that part of the issued capital for which the public has subscribed and which has been allotted to the public.

~ Any part of the issued capital that is not yet allotted to the applicants is called unallotted capital.

## **5. CALLED-UP CAPITAL**

**~The part of allotted capital that is called for by the directors of the company to run the company's business is referred to as the `called-up capital.'**

**~Normally, the company does not call for ,or demand , the total value of its shares at one time ; it demands part of the share value as and when the need arises. Such demands by the company are referred to as `calls'.**



## **6.UNCALLED-UP CAPITAL**

The part of the allotted share capital which has not been called up by the company is the uncalled-up capital.

## 7.PAID -UP CAPITAL

~Paid –up capital is the amount of money that is actually paid up by the subscribers , or credited to be so paid.

~The part of called-up capital that is yet to be paid up by the shareholders is referred to as ` call in arrears`.

~The part of the company's capital received in excess of its calls is referred to as `calls in advance`.

## **8. FIXED CAPITAL**

**Fixed capital are assets of a business that are permanent in nature and are not intended to be disposed of by a business. These assets include land, buildings, plant, machinery, fixed equipment, furniture, fixtures, vehicles, livestock, etc.**

## 9. Working Capital

Working capital refers to the amount which the company requires with the purpose of financing the day to day operation and example of which includes the **working capital of \$100,000 with a manufacturer which is calculated by subtracting current liabilities of \$200,000 from the current assets of \$300,000.**

# 10. Watered Capital

Watered capital arises when a **company pays higher price for the assets acquired from a going concern or when the promoters' services are highly valued.** It also arises when adequate consideration in the form of assets is not received for the issue of securities

# **11.Venture Capital (VC)**

**Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential.**

Venture capital generally comes from well-off investors, investment banks, and any other financial institutions.

# **KINDS OF SHARE CAPITAL**

**According to Section 43 of the Companies Act, 2013, the share capital of a company is of two types:**

- Preferential Share Capital.**
- Equity Share Capital.**

# 1. Preference share capital

Preference Share Capital is the **funds generated by a company through issuing preference shares** (also known as Preference stock). Preference Shareholders have the first right to receive dividends even before equity shareholders.



## **2. Equity Share Capital**

All share capital of a company which is not preference share capital is the company's equity share capital.

# HOME WORK

~ TO REVISE FORMS AND KINDS OF SHARE  
CAPITAL.

THANK  
YOU

