

Notes BY: Dr. Ram Lochan Mishra

DEPARTMENT OF COMMERCE

JANTA KOSHI COLLEGE BIRAUL, DARBHANGA

**For – LNMU B. Com part -2 PAPER -IV CORPORATE
ACCOUNTING (Hons.)**

Unit -1

Accounting for Share capital

Issue and Forfeiture of Shares

Q.1 Give the definition of A Company?

**Ans.: A company is an association of persons who agree to contribute money to
The equity shares for the purpose of employing it in a business. A
Company is a creation of law and is called an artificial person, having a
Corporate legal entity and a common seal.**

Q.2 What is a Share? Explain the types of Shares.

Ans. Share: The capital of a company is divided into units of small Denominations; each such unit is called a share.

Types of Shares : A public company can issue only two types of shares :-

- (1) Preference shares**
- (2) Equity Shares**

(1) Preference Share: Preference share is one which carries the

Following two preferential rights:-

- (a) In respect of payment of dividends.**
- (b) In return of capital if the company being wound up.**

Types of Preference Shares:

- (i) Cumulative Preference Shares: These are those shares on Which arrears of dividend accumulate which could not be Paid due to insufficient profits in any year.**
- (ii) Non-Cumulative Preference Shares: These shares do not Have the privilege of accumulation of the unpaid or arrears of dividends.**
- (iii) Participating Preference Shares: Shares, which carry the Right left after paying preference and equity dividends.**

- (iv) Convertible Preference Shares: Shares, which can be Converted into equity shares after a particular period.**
 - (v) Non-Convertible Preference Shares: Shares, which don't Carry the right of conversion into equity shares.**
 - (vi) Redeemable Preference Shares: Shares, the capital of which Is refunded by the company after a specified duration.**
 - (vii) Irredeemable Preference Shares: The capital of which can Not be refunded before winding up of the company.**
 - (viii) Non-Participating Preference Shares: Shares which do not Carry the right of sharing in the surplus left after paying Equity dividend.**
 - (ix) Cumulative Convertible Preference Shares: Which are Cumulative as well as convertible having both the rights.**
- (3) Equity shares: They are such shares which carry no special rights As regards receipt of dividends and return of capital at the time of Liquidation. According to sec. 5(2) of companies Act, 1956, equity Shares are those which are not preference shares.**