

Key Terms

Share Capital

Capital raised through the sale of shares is called share capital. Share is the unit of capital of a company, the acquisition of which is the condition for the ownership of the company

Authorised share capital

Capital which is a company is authorized by the registrar of companies to raise by selling shares

Issued share capital

Issued capital is the part of the authorized capital issued to the shareholders. A company can issue its shares to the public at large or it can issue to small group friends and relatives.

Subscribed share capital

Subscribed share capital is the part of the issued share capital subscribed by the public.

Paid-up share capital

Issued share capital can be collected in installment or in several installments. So if the capital is collected in installments, the money actually received from the shareholders will be called paid-up capital and the balance will be called un-paid capital.

Private Placement

Private placement is the process of issuing shares to a select group of investors. Such investors may include high net worth individuals, pension funds, banks, insurance companies etc.

Dematerialisation of shares.

The process of converting shares in physical form to electronic form is called dematerialization of shares.

Preference Shares :

Preference shares are share which have preference over the equity shares with respect to the return on capital and return of capital. The preference shareholders receive the dividend before the equity shareholders.

Equity Share (Common Shares/ Ordinary Shares)

Equity shares are shares without any preference with respect to the return of capital or the return on capital.

Face Value or Par Value

Value written on the face of the share. It is also called the nominal value of the shares. Generally dividend is declared as percentage of face value

Convertible debentures or bonds

After a specified period the bonds/debentures are converted into equity shares.

Issue at premium

Share premium has not been defined in the Companies Act. If the shares are issued at price higher than the face value, they are said to be issued at a premium

Issue at discount:

If the shares are issued at price lesser than the face value, they are said to be issued at a discount.

Book Building

Book building is the process undertaken by which a demand for the securities proposed to be issued by a body corporate is elicited and built-up and the price for such securities is assessed for the determination of the quantum of such securities to be issued by means of a notice, circular, advertisement, document or information memoranda or offer document.

Listing

Listing is the process of admission of securities of an issuer to trading privileges on a stock exchange through a formal agreement. Listing provides the necessary liquidation to the shares. It enables investors to enter and exit the market as and when they like.

Dividends

Dividend is the profit distributed among the shareholders. However, the management of the company may decide not to distribute the profit. Profit not distributed will remain in the business.

Stock Dividends (Bonus Shares)

Stock dividend is the distribution of dividend in the form of shares. It is also called capitalization of profits.

Stock Splits

Stock split is the process of reducing the face value of shares. When the face value of the share reduces the number of shares increase. Stock split also does not change the net-worth and cash.

Buy back of Shares

Buy back of shares is the process of reducing capital with a corresponding reduction in cash.

Alteration Of Capital

A company limited by shares can alter the capital clause of its Memorandum in any of the following ways provided that such alteration is authorized by the articles of association of the company: increase in share capital by such amount by issuing new shares; split of shares ; consolidate shares (Reverse Split); and cancel shares which have been not been taken or agreed to be taken by any person and diminish the amount of share capital by the amount of the shares so cancelled.

Earning Per Share

Profit available per share. It is determined by dividing profit after tax (PAT) with the number of outstanding shares.