

# **Shares & Stocks**

**Dr Ashok Khurana  
Associate Professor  
Department of Commerce  
Guru Nanak Khalsa College  
Yamuna Nagar**

# Shares

- According to Section 2(84) of the Companies Act, 2013 'share' means share in the share capital of a company and includes stock.
- By acquiring the shares of a company, any individual can become the company's shareholder.

# Characteristics or Nature of Shares

1. Movable Property
2. Number
3. Share Certificate
4. Registration of Shares
5. Right and Interest
6. Passive Property

# Kinds/Types of Shares

1. Equity Shares, and
2. Preference Shares.

# Kinds or Types of Preferential Shares

1. Simple or Non-cumulative Preference Shares
2. Cumulative Preference Shares
3. Convertible Preference Shares
4. Non-Convertible Preference Shares
5. Redeemable Preference Shares
6. Irredeemable Preference Shares
7. Participating Preference Shares
8. Non-participating Preference Shares
9. Guaranteed Preference Shares

# Distinction between Equity share and preference share

Equity shares represent the ownership of the company.

Preference shares are considered as lenders of capital rather than owners.

## Voting Rights

Equity shares carry voting rights.

Preference shares do not carry voting rights.

## Settlement in liquidation

Equity shareholders will be settled last in the event of liquidation.

Preference shareholders will be settled prior to equity shareholders.

## Conversion Rights

STOCK

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# Characteristics of Stock

- A company cannot invite the public to buy its stock.
- Only fully paid shares of a company can be converted into its stock.
- The company's articles must have a provision to convert shares into stock.
- The stock of a company, like its shares, is a part of the company's capital.
- The stock-holder of a company is paid a dividend by the company.
- The stock has no definite number.

# Conversion of Shares into Stock

- (i) A company may, by ordinary resolution - (a) convert any paid-up shares into stock; and (b) reconvert any stock into paid-up shares of any denomination'
- (ii) The holders of stock may transfer the same, or any part thereof, in the same manner as, and subject to the same regulations under which, the shares from which the stock arose before the conversion have been transferred. But the Board of Directors may, from time to time, fix the minimum amount of stock transferable. Such minimum amount of stock shall not exceed the nominal amount of shares from which the stock arose'
- (iii) The holders of stock have the same rights, privileges and advantages as regards dividends, voting at the company's meetings and other matters as if they held the shares from which the stock arose.
- (iv) Such regulations of the company as are applicable to fully paid-up shares shall apply to its stock.
- (v) A company cannot offer its stock to the public; it can only convert its paid-up shares into stock.

# Procedure of Conversion of Shares into Stock

1. Passing an Ordinary Resolution in the Meeting of Shareholders
2. Closing the Transfer Books and Informing the Shareholders
3. Issuing the Stock Certificate and Opening the Register
4. Informing the Registrar of the Conversion

# Difference between Share and Stock

<b>BASIS FOR COMPARISON</b>	<b>SHARE</b>	<b>STOCK</b>
Meaning	The capital of a company, is divided into small units, which are commonly known as shares.	The conversion of the fully paid up shares of a member into a single fund is known as stock.
Is it possible for a company to make original issue?	Yes	No
Paid up value	Shares can be partly or fully paid up.	Stock can only be fully paid up.
Definite number	A share have a definite number known as distinctive number.	A stock does not have such number.
Fractional transfer	Not possible.	Possible
Nominal value	Yes	No
Denomination	Equal amounts	Unequal amounts

# Voting Rights of Shareholders

- **Voting Rights of Preference Shareholders:**
  - Issue Related to Their Interest
  - Non-payment of Dividend
- **Voting Rights of Equity Shareholders:** Every equity shareholder has the right to vote on every resolution placed before the company at any meeting. Also the voting right of every equity shareholder is proportionate to his contribution to the paid-up capital of the company.

# Reference Book

1. Company Law by Ashok Sharma, V.K. Publications, New Delhi