TOPIC 2 -: SHARES AND DIVIDENDS

INTRODUCTION -:

We know that a person or small group of person can start a business up to medium size. However when a big industry is to be launched, several person come together to raise required capital. These are called as promoters of the company

The capital is divided into small parts called shares.

The people who purchase shares are called shareholder of the company and in a way they are owners of the company. the company is managed by a body of person known as Board of Directors of the company.

KINDS OF SHARES

- 1. Preference shares
- 2. Cumulative preference shares
- 3. Non-cumulative preference shares
- 4. Equity shares

DIVIDEND

The net profit made by the company every year is ascertained from its profit and loss account prepared at the end of the year. Out of the net profits, dividend of the specific rate is paid on the preference shares. Arrears of dividend if any on cumulative preference shares are also paid, if amount of profit permits. The balance is then utilised for payment of dividend on equity shares . dividend may be declared as fixed amount per shares or as a percentage of the capital of the company.

DEBENTURES

A company may require additional long term capital for extension and development schemes. One of the methods of

raising such finance is by means of debentures. Debentures are long term loan taken by the company from public. The total amount to be borrowed is dividend like share capital in to small units of equal amount; and members of the public are invited to lend such amount to the company at a specified rate of interest.

BONUS SHARES

Sometimes a company rewards its share holder by issuing free shares to them in proportion of the shares held by them these free shares are called as BONUS SHARE.

FACE VALUE (F.V.) -

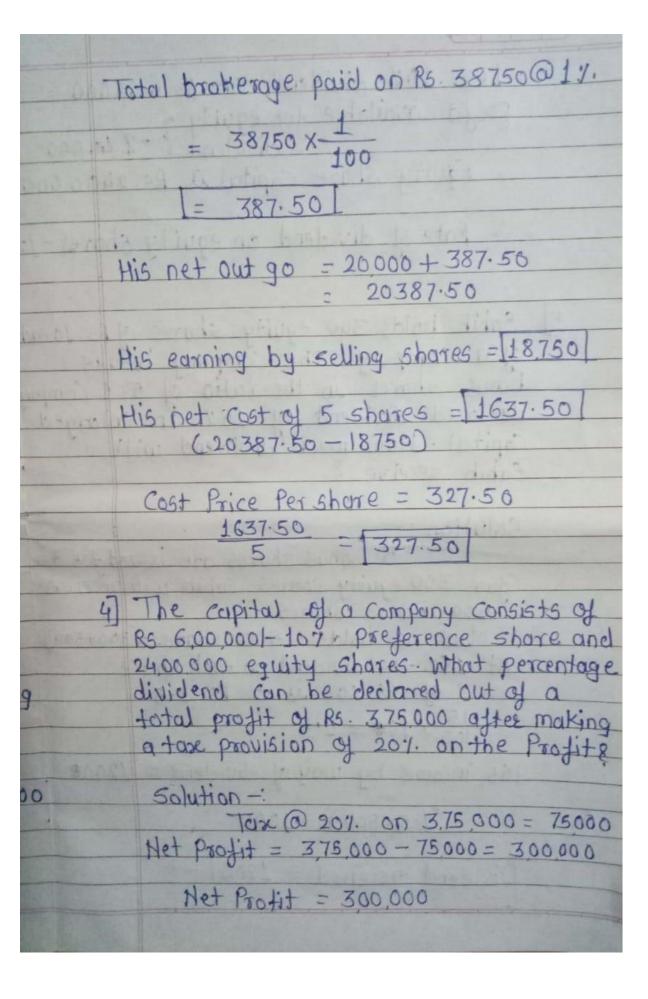
The price stated on the body of share or debenture is called its face value or nominal value.

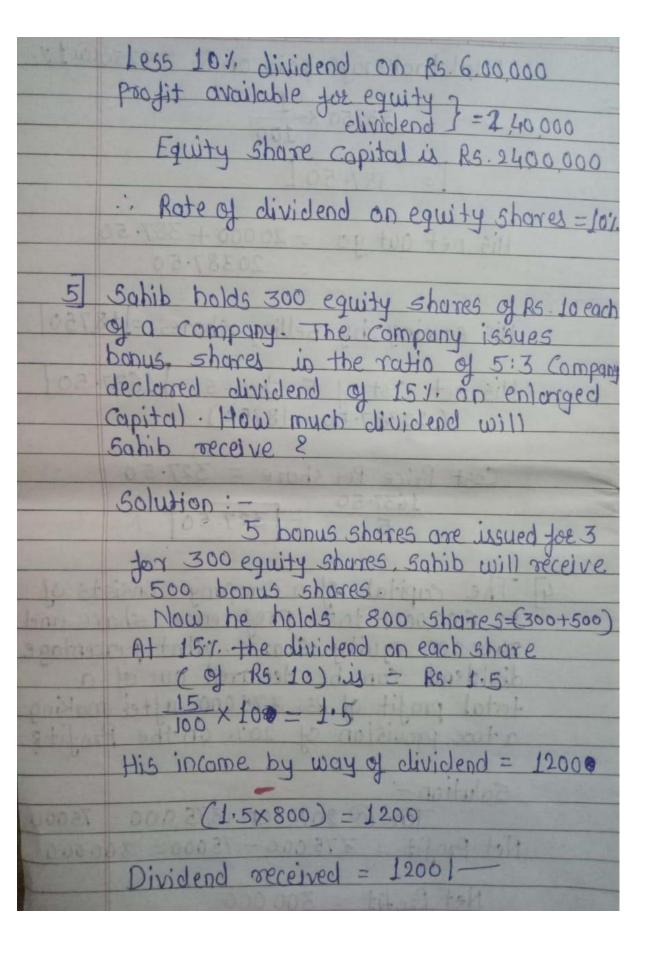
MARKET VALUE –

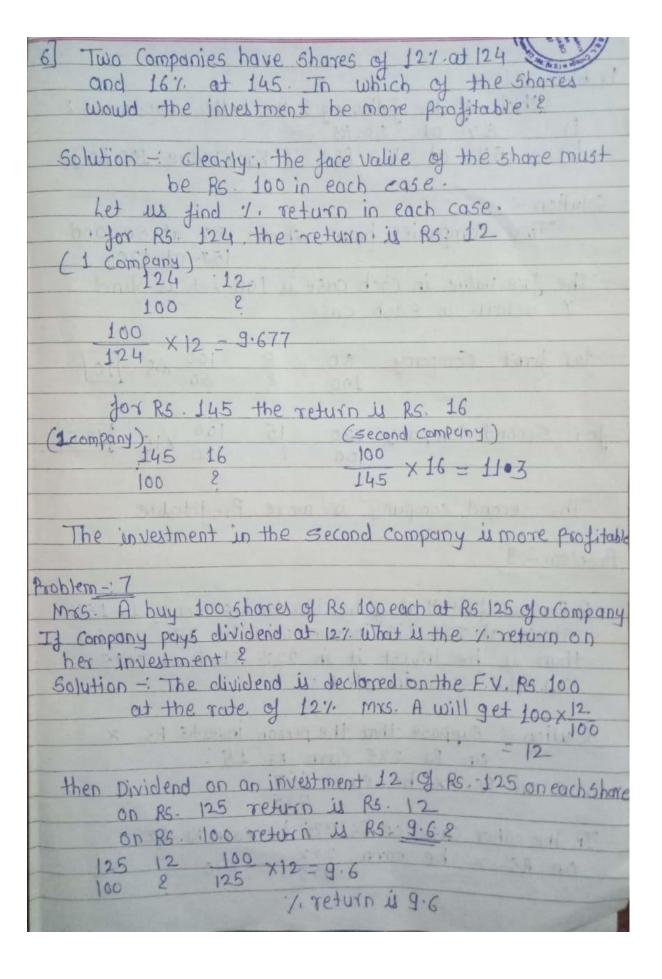
The price at which a debenture or share is actually bought or sold is called market value or cash value.

	Care I
1	Mr. A. invested Rs. 3100 in 6% Shares at
10	124. How much dividend will be get ?
	(Face Value - 100 Rs)
	Solution -:
al	Market Value of the share = Rs. 124 Amount invested = Rs. 3100
	Amount invested = Rs.3100
	Number of Character of 7100
	Number of Shores purchased = 3100
	1 28 = 128
apol	No of share purchased 25
	13081
	Face Value of each share = 100 Rs.
	Face Value of 25 shares = 25 × 100
L BUIL	= 2500
30	Mr. A received dividend at 6%.
and a	1: Lat 11 1221 22 to sound as
Report	Dividend received by him = 2500x 6
river.	The state of the s
	= 150
	:, 1.5
	- notivise

2 Progat invested Rs. 135681- in 74: Shares at 106 find his profit at the end of the year [Face value - 1007 solution -: Progat invested Rs. 13.568 in 7%. at 1061-Number of shares = 13568. 106 128 Profit on 128 shares = 128 x 7 (7.1. of 18.100) 3 Ashok Purchased to share of Injusys at 2000 Per share cum bonus. Bonus was declared at 1:1 Ashok sold 15 share ex-bonus at Rs. 1250. He had to pay 17. brokerage each time on the market value. What is the cost price of remaining 5 shares held by him 8 Solution -: Cost Price of 10 Shares 2000 = 20,000 Clox 2000) = [20,000] 5 elling Price of 15 shares @ R6 1250







Problem-8 Which of the following is the better investment? 8% at 80 Rs. 15% at 120 Rs. [Face value 100 Rs.] Solution -: Two companies have share's 8% at 80 and 15% at 120 The face value in each case is 100 Let us find 7. return in each case. for first Company 80 100 for Second Company 120 The second company is more Profitable Problem -: 9 A Persons find that if he invests his money in 15%. Stock at 225 his income will be 270 greater than if he invest it in 22% stock at 375 find the sum invested Solution - suppose that the person invests Rs. x on Rs. 225 earn Rs. 15 on Rs. x he earn 15x 225 In the other case on Rs. 375 he corn Rs. 22 on Rs. 2 he earn 22x = 270

then $\frac{15x}{225} - \frac{22x}{375} = 270$

| 2=33,750 | His investment is Rs. 33750

Problem-10 A person holds 400, 8% preference shares of R5 - 100 each R5. 50 paid-up and 300 equity share of R5. 10 each, 5 paid-up if the company declares a dividend of 20% on equity share, find the total dividend seceived by him.

Solution -: Since the company declares dividend on equity shares, it has to pay dividend on prefishare

Preference sh capital of the person = 400×100 = 40,000

But it is 50% paid up

Paid up preference capital = 20,000

Dividend on preference sharres = 20,000 × 8 - 1600

Equity Capital = 300 x 10 = 3000

It is also 50% faid up

Paid-up equity capital = 1500

Dividend @ 20% = 20 x 1500 = 300

Total Dividend received by him = 1600 + 300 = 1900