Share Capital: It’s Meaning and Types

For:
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Meaning:

The Joint Stock Company is a big form of business organization. The amount required by the company for its business activities is raised by the issue of shares. The amount so raised is called ‘Share Capital’ (or capital) of the company. It may be noted that a company limited by shares will have share capital. A company limited by guarantee or an unlimited company may not have any share capital. The persons who buy the shares of company are called ‘Shareholders’.
Types of Share Capital:
(i) Authorized, registered or nominal capital
(ii) Issued capital
(iii) Subscribed capital
(iv) Called up capital
(v) Paid up capital
(i) **Authorized, registered or nominal capital:**

This is the amount of capital with which the company intends to get itself registered. This is the amount of share capital which a company is authorized to issue. Nominal capital is divided into shares of a fixed amount. It must be set out in the memorandum of association. It can be increased or decreased by following the prescribed procedure.

(ii) **Issued capital:**

It is that part of the nominal capital which is actually issued by the company for public subscription. A company need not issue the entire authorized capital at once. It goes on raising the capital as and when the need for additional funds is felt. The difference between the nominal and the issued capital is known as ‘unissued capital’, which can be issued to the public at a later date. Where the whole of authorized capital is offered to the public, the authorized and issued capital will be the same. Issued Capital cannot be more than the authorized capital. Issued capital includes the shares allotted to public, vendors, signatories to memorandum of association etc.
(iii) **Subscribed capital:**

It is that amount of the nominal value of shares which have actually been taken up by the public. It is that part of the nominal capital which has actually been taken up by shareholders who have agreed to give consideration in kind or in cash for shares issued to them.

Where shares issued for subscription are wholly subscribed for, issued capital would mean the same thing as ‘subscribed capital’. That part of issued capital which is not subscribed by the public is called ‘Unsubscribed Capital’. Subscribed capital cannot be more than issued capital.
(iv) **Called up capital:**

The amount due on the shares subscribed may be collected from the shareholders in installments at different intervals. Called up capital is that amount of the nominal value of shares subscribed for which the company has asked its shareholders to pay by means of calls or otherwise.

If 10,000 shares of Rs 100 each have been subscribed by the public, and the company has asked the shareholders to pay Rs 10 on application, Rs. 20 on allotment and Rs 30 on first call, then the called up capital of the company would be Rs. 6,00,000 (i.e. 10,000 x 60). The remaining amount i.e. Rs. 40 per share on 10,000 shares (i.e. Rs 4,00,000) would be the uncalled capital of the company.
(v) **Paid up capital:**

That part of the called up capital which is actually paid up by the members is known as the paid up capital. In other words, paid up capital represents the total payments made by the shareholders to the company in response to the calls made by the company. Paid up capital of the company is calculated by deducting the calls in arrears from the called up capital.

**Paid up capital = Called up capital Less Calls-in-arrears:**

For example, out of 10,000 shares of Rs 100 each, on which Rs 60 has been called by the company from the shareholders, one shareholder, holding 100 shares, fails to pay the first call of Rs 30 per share on his shares, the paid up capital of the company would be Rs 6,00,000—Rs 3,000 i.e. Rs 5,97,000.
Thank you