Declaration & Payment of Dividend

[redacted]

Dividend Definition

↳ includes interim dividend i.e. all provisions of dividend apply to interim dividend.

Meaning of Dividend

↳ ROI of Shareholders

↳ Profit can be distributed as dividend

↳ Portion of profit distributed to Sh. holders → Divid.

~~Nomen~~ Nomenclature of Dividend

↳ Proposed dividend → Proposed by Board.

↳ Final Dividend → Proposed dividend consented by Sh. holders in AGM.

↳ Interim Dividend → Declared b/t two AGM.

Regulation 80, Table F, Schedule I

→ Dividend declared in GM, shall not exceed the amount recommended by the board.

→ Rate of dividend → Reduce the members but cannot increase.

→ any provision in Articles to provide dividend higher than proposed by Board is void.

A.J. @ aify

→ Dividend Declaration (AGM) | (EGM) ↳ if not declared in AGM, then declare in EGM.

(AGM) ↓ General business

(EGM) ↓ special business

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Dividend on Partly Paid Shares (Sec 51 & Regulation 83 of Table F)

↳ Possible? Yes in proportion to the amt paid up, if AOA authorises.

↳ Div of calls in advance? Not possible

Condition for declaration & payment of Dividend (Sec 123)

Source of dividend

↳ Only out of $\boxed{\text{Profits}}$

↳ Current FY (after providing for dep) (S-II)

↳ Previous FY (" " ")

↳ moneys payble by C.G or S.G, in pursuant to gurantee given.

→ Not applies to govt. co's (100% govt holding) → amendment

Transfer to reserve

↳ before declaration of dividend,

→ such percentage out of profits of that FY

→ it may consider appropriate.

A.J. @arif

Declaration of dividend out of Reserves

↳ In inadequacy or absence of profits, co. proposes to declare dividend out of accumulated profit t/f by co. to the reserve in FY, as per rules prescribed.

↳ Dividend is declared out of free reserve only.

→ Co. shall not declare dividend, if co. fails to comply with

↳ Sec 73 (Prohibition on acceptance of deposit from Public)

↳ Sec 74 (Repayment of deposit etc., before commencement of this act).

→ NOT applies to GOVT Company (100% govt holding) → amendment

Payment to whom & mode of payment

Cash (includes checks, online t/f etc.)

→ registered shareholder

→ order of registered shareholder

→ bankers " "

→ within 5 days of declaration dividend deposited in saperate bank a/c.

→ Bonus share cannot be issued in ~~lieu~~ lieu of dividend.

unpaid dividend & investor education & protection fund (sec 205A & 205C, co. act, 1956)

(a) dividend unpaid/unclaimed within 30 days from date of declaration
→ t/f to special A/c (unpaid dividend A/c) within 7 days.

(b) Int @ 12% paybl by co. for delayed t/f
→ dividend remain unpaid for 7 years from date of t/f
↳ t/f to Investors education & Protection fund (IEPF)
→ co discharged by all liablities co. w.r.t unpaid dividend.
→ No person can claim dividend after expiry of 7 years loose all right to recover it.

A.J. @ing

Meaning & Provision applicable to IEPF

established by C.G.

Credit to fund

↳ Sums remain unpaid for 7 years

↳ amount in

↳ unpaid dividend A/c

↳ Moneys received & due for refund.

↳ Deposits matured remain unpaid.

↳ Debentures " " "

→ Interest accrued on above 4.

↳ grant/donation by CG/SG.

↳ Interest or other income on investment.

furnishing of details of T/t by co.

↳ all sums

↳ Names & address of person entitled to receive sum.

↳ amount for which each person entitled

↳ other particulars as maybe prescribed

→ fund give acknowledgement receipt for amt T/t to fund by co.

A.J. @dinz

Utilization of fund

↳ Promotion of awareness among investors

↳ protection of interest of investors.

Dividend to be held in abeyance (sec 126)

↳ when duly signed t/f deed deposited but t/f of shares not registered by co., co. shall -

↳ t/f to unpaid div. a/c, unless registered shareholder has authorised the co. to pay such div. to transferee.

↳ keep in abeyance in relation to Bonus & right shares.

failure to distribute dividend within 30 days (sec 127)

↳ no default deemed to have been committed:

↳ not paid

↳ due to operation of law.

↳ shareholders given directions & direction is not complied with & same is communicated.

↳ dispute regarding right to receive div.

↳ not due to any default of co.

Penalty

↳ imprisonment upto 2 years, fine 1000 per day → directors

↳ simple int @ 18% → simple int.

A.J. @diy

Revocation of dividend

↳ Revocation of dividend not possible under Sec 127 of C. act, 2013.

↳ Once dividend declared, its become debt for the co., hence cannot be revocked.

Exceptions

↳ Dividend may be revocked in following cases:

↳ where dividend is ultra vires (i.e. dividend declared & co. does not have sufficient profit).

↳ If illegally declared div is paid, directors personaly liable to idemnify / to pay to the co.

↳ where co. ceases to be going concern, declared dividend may be revocked. Eg: Company declares dividend & before payment G.C. becomes invalid (Eg: loss of undertaking thro. by fire). dividend may be revocked.

Interim dividend

↳ Discussed earlier & apply same provision which applies to final dividend.

↳ in current year co. incurred losses upto the Qtr in which interim div ... declared, it cannot exceed div declared by co. during 3 preceding F.Y.

→ No specific powers in articles are required for interim dividend

Interim Dividend = final ~~divd~~ Dividend

↳ exception:

↳ Interim Dividend declared before determination of profit of current F.Y.

↳ ID declared by BOD in Board meeting & FD declared by members.

↳ ID requires members approval after declaration. FD once declared by members in GM, does not require any approval.

Consequence of payment of Dividend out of Capital

↳ Directors who knowingly paid, held personally liable.

↳ Directors right to indemnify (secure against future loss) against the members who received dividend knowingly that div. paid out of capital.

↳ Where dividend paid improperly out of capital & have made good out of subsequent profits liability ceases to attach the directors.

A.J. @dixit

Declaration of div out of accumulated profit/Reserve

↳ Possible, when current year profit not inadequate.

Conditions

↳ Rate of dividend not exceed the avg of div declared in preceding 3 f.y.

↳ The total amt drawn from accumulated profit shall not exceed 1/10th of of the paid up cap & free reserve, as per latest audited f.s.

↳ amt drawn, first utilised to set off F.year losses & than div is declared.

↳ balance of reserve shall not fall below 15% of paid up capital, as per latest audited F.S.

↳ previous year losses & dep not provided, first set off towards current year profit.

⇒ Q: P10c → Pg 1.11 of MB

whether the Board is empowered to exempt lien on shares → Pg 1.12 → read from MB book.

Conditions for payment out of interest paid out of capital (sec 208) → Pg 1.7 → read from MB book.