Division of share capital into fixed amounts

The share capital of a company may be divided into several different ‘classes’, or there may be just one class of shares.

Within each class of shares, all the shares must be of the same fixed amount.

For example
The ordinary shares in ABC Ltd may be divided into 100,000 shares, all of Rs.100 each. Then the capital of ABC Ltd will be Rs. 10,000,000. All the shares carry equal rights and privileges.
The nature of shares and share certificates

Characteristics of shares & share certificates.

• A share is a form of property with rights & obligations, and is transferable from one person to another subject to conditions of AoA.

• A share must be paid for and in full if allotted.

• Every share shall have distinct number.

• A certificate issued in physical form or book entry form (i.e. Electronic) shall be the main evidence such shares.
Authorized share capital

• The Act requires companies to have an authorised amount of share capital.

• Authorised share capital is the maximum amount of shares that the company may issue.

• The authorised share capital can be increased with the approval of the shareholders.
Issued and paid up share capital

Issued Capital

• The issued share capital, also called allotted share capital, is the nominal value of the shares that have been issued to shareholders.

• The issued share capital may be less than the authorised share capital, but cannot exceed it.

Paid up Capital

• Paid up capital is that part of issued capital which is paid up by the shareholders.

• As in Pakistan partly paid shares are not allowed and shareholder has to pay full amount of share at once therefore, paid up capital will always be equal to issued capital.
Kinds and classes of shares

A company may have different kinds of share capital and various classes under each kind. Common examples of kinds of shares are:

- Ordinary shares
- Preference shares

Ordinary shares
- The ordinary shareholders are the owners of their company & ordinary shares are also called ‘equity’ shares.

Preference shares
- A preference share normally carries a prior right.
Alteration in capital

The company, if permitted by its AoA through a special resolution can alter the capital clause of its MoA of association so as to;

• Increase the authorized capital;
• Cancel that part of its authorized capital which has not been paid up;
• Consolidate the share capital into shares of a larger amount; or
• Divide and subdivide the share capital into shares of an amount smaller than the one fixed by the MoA.
Restriction on purchase of own shares by a company

Exceptions

Purchasing own shares
- Listed Company is allowed to buy back its own shares

Purchasing shares of holding company
- If subsidiary company carries on a business of brokerage, on behalf of its clients
- Subsidiary company acting as a trustee or
- If shares are held by a company by operation of law.

Providing finance to buy back
- Private Co.
- Lending of bank in ordinary course of business
- Provision of money under a scheme
- Provision of advance to employee
Variation in the rights of the shareholders

- Variation in rights of the shareholders can be made only by an alteration of the AoA through a special resolution.

- By a special resolution, the company shall alter the conditions as to various classes of shareholders.

- If the variation affects the substantive rights of any particular class of members, it shall not have been carried out unless three fourth majority of that particular class agree to the alteration.