

UNIT - 5

LONG TERM SOURCES OF FINANCE

Securities

According to the securities contract regulation Act 1956 Securities include shares, stocks, bonds, debentures or other marketable like securities of any incorporated company or other body corporate or Government.

Equity shares

Equity shares are commonly referred to common stock or ordinary shares.

Rights of Equity Share Holders:

1. Right to vote the general body meetings of the company
2. Right to control the management of the co.
3. Right to share in the profits in the form of dividends and bonus shares.
4. Right to claim on the residual after repayment of all claims in the case of winding up of the company.
5. Right of pre-emption in the matter of issue of new capital.
6. Right to apply to court if there is any discrepancy in the rights set aside
7. Right to receive a copy of the statutory report, copies of annual account along with audited report.
8. Right to apply the central govt. to call an annual general meeting when a co. falls to call such a meeting.
9. Right to apply the company law board for calling an extraordinary general meeting

Equity shares- Advantages

1. Capital Appreciation
2. Limited Liability

3. Free tradability
4. Tax advantages
5. Hedge against inflation

Preference Shares

The Characters of the preferred stock are hybrid in nature.

These shareholders do not enjoy any of the voting powers except when any resolution affects their rights.

Types:

- a) Cumulative preference shares
- b) Non- Cumulative preference shares
- c) Convertible preference shares
- d) Redeemable preference shares
- e) Irredeemable preference shares
- f) Cumulative convertible preference shares

Debenture

Debenture includes debenture stock, bonds and any other securities of company.

Debenture issued by private company. Bond is an alternative form of debenture in India.

Public sector companies and financial institutions issue bonds.

Types of Debentures

- a) Secured or Unsecured
- b) Fully Convertible debenture
- c) Partly convertible debenture
- d) Non-Convertible debenture