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SCHOOL: STRONG TOWER ACADEMY
SUBJECT: FINANCIAL ACCOUNTING

CLASS: SS2

TOPIC: ISSUE OF SHARES

MEANING OF SHARES

Share is a unit of investment in an organization. A person who buys a portion of a company's share becomes a shareholder in that company and as such receives a share of the company's profits in the form of an annual dividend.

CLASSES OF SHARES

1. ORDINARY SHARES: These are shareholders that are entitled to the totality of the profit after all other shareholders have been settled. They are the risk bearer and are not entitled to a fixed rate of interest. Ordinary shareholders can be divided to:-

(a) Preferred ordinary shares: - preferred ordinary shareholders are entitled to a fixed divided after divided has been paid to preference shareholders

(b) Deferred ordinary shares: - They are entitled to dividend after the preferred shareholders have been paid.

2. PREFERENCE SHARES: The preference shareholders have fixed rate of dividend and normally receive their dividend before any other shareholders. Preference shareholders have preference over other shareholders.