

According into
preference shares.
even the holders



According to the rights attached to them, preference shares can be classified into four types namely Cumulative and Non-cumulative preference shares, Convertible and Non-convertible preference shares, Redeemable and Irredeemable preference shares, and Participating and Non-participating preference shares. Classification of Preference Shares

1. Cumulative and non-cumulative preference shares: In case of cumulative preference shares, the shareholders possess the rights to receive dividends in the years when the company earns insufficient profits or zero profits. Dividends for the cumulative preference shareholders are fully paid and go on accumulating even before any dividends are paid to the equity shareholders. On the other hand in case of non-cumulative preference shares shareholders, no dividends are paid in cases when the company generates zero profit.

2. Convertible and non-convertible preference shares: In a number of companies the preference shareholders are given time to convert their preference shares into ordinary shares whereas there is no such facility available for the common shareholders where they can convert their shares into preference shares. Even the holders of non-convertible preference shares have no rights to convert their preference shares into ordinary shares.
3. Redeemable and irredeemable preference shares: In case of redeemable preference shares, the shareholders after a fixed period of time can redeem their shares and shares can also be redeemed if a notice is generated by the company. There are however certain restrictions by the Company's Act for the redemption of preference shares. Irredeemable preference shares, on the other hand are those which cannot be redeemed from the company at any point of time.

4. Participating and non-participating preference shares: Participating preference shares holders possess the right to participate in the company's surplus profits that are still remaining even after paying profits to themselves as well as the common shareholders. Some preference shareholders do not possess the right at all to participate in these surplus profits of the company and these shareholders possess non-participating preference shares.