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CORPORATE ACCOUNTING

Forfeited shares are an important aspect of the stock market. When an investor fails to meet certain obligations, such as not paying for their purchased shares, those can be forfeited. This process, known as the forfeiture of shares, has implications for both the company and the investor.

It allows the company to recover funds, impacting the investor's ownership rights. Understanding the concept is essential for any individual in the stock market. So let's dive in!

What Is A Forfeited Share?

In investments, the concept of forfeited shares plays a significant role. When a company forfeits a share, the shareholder's ownership rights and privileges associated with that particular share are revoked. This typically occurs when the shareholder fails to fulfil their obligations, such as not paying for the stocks they have purchased within a specific timeframe.

Under these circumstances, the company has the authority to cancel the shares and reclaim them. The forfeiture of shares can happen for various reasons, including non-payment, violation of shareholder agreements, or non-compliance with regulatory requirements. It is important to note that this process is governed by the company's articles of