Preference Shares:

Preferred Stocks also known as preference shares are those shares which are given preference as regards to payment of dividend and repayment of capital. The term "preferred share" refers to the fact that its holders receive preferential treatment over common stockholders in the event of liquidation and when dividends are paid but do not enjoy normal voting rights. Therefore, preference in terms of dividend they have been named as preference shares. As well as, in the case of winding up of the company or when the company went bankrupt, then payment of liabilities (like banks) are done first, then those with preferred shares & lastly equity shares. There are several points which create Difference between Preference shares and Equity shares. Therefore, the preference shares get precedence over equity shares on all the matters.

Mentioned below are the types of preference shares:

- Participating Preference Shares
- Non-Participating Preference Shares
- Convertible Preference Shares
- Non-Convertible Preference Shares
- Cumulative Preference Shares
- The Non-Cumulative Preference Share

Equity Shares:

Equity shares are also known as the "Ordinary Shares". These are the shares which do not enjoy any preference regarding payment of dividend and repayment of capital. However, they are given a dividend at a fluctuating rate. Decisions regarding dividend are taken by the company itself & there is no guarantee of a regular dividend. Therefore, some companies do not give a dividend even if they book huge profits. It is up to them whether to give dividend or not.

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The Equity shareholders have some privileges like they get voting rights at the general meeting. They can appoint or remove the directors and auditors of the company. Therefore, they have the right to get the profits of the company, i.e. the more the profit, the more is their dividend and vice versa. Therefore, the amount of dividends is not fixed. However, this does not mean that they will get the whole profit, but the residual profit, which remains after paying all expenses and liabilities on the company.

Mentioned below are the types of Equity shares:

- Sweat Equity Share
- Authorized Share Capital
- Issued Share Capital
- Subscribed Share Capital
- Paid up Capital
- Rights Share
- Bonus Share

Difference between Preference shares and Equity shares:

In the event of winding up of the company, preference shares are repaid before equity shares. Preference shareholders generally get the arrears of dividend along with the present year's dividend, if not paid in the last previous year, except in the case of non-cumulative preference shares.

Given below is the basic Difference between Preference shares and Equity shares showing a comparison on some basis.

BASIS FOR COMPARISON	EQUITY SHARES	PREFERENCE SHARES
Meaning	Equity shares are the ordinary shares of the company representing the part ownership of the shareholder in the company.	Preference shares are the shares that carry preferential rights on the matters of payment of dividend and repayment of capital.
Payment of dividend	The dividend is paid after the payment of all liabilities.	Priority in payment of dividend over equity shareholders.
Repayment of capital	In the event of winding up of the company, equity shares are repaid at the end.	
The rate of dividend	Fluctuating	Fixed
Redemption	No	Yes
Voting rights	Equity shares carry voting rights.	Normally, preference shares do not carry voting rights. However, under special circumstances, they get voting rights.
Convertibility	Equity shares can never be converted.	Preference shares can be converted into equity shares.
Arrears of Dividend	Equity shareholders have no rights to get arrears of the dividend for the previous years.	