

CHAPTER 1 - SECRETARY**Q.1. TRUE OR FALSE**

(1) A Secretary statement must be an individual.

Ans. This Statement is true.

Reasons :

- (i) A Secretary is an individual who is appointed by a busy person or organization to perform routine administrative work.
- (ii) A firm (of partners) or body corporate or any institution cannot be appointed as a secretary.
- (iii) As per the Companies Act, a company secretary must be a person who is a company secretary.
- (iv) Secretary has to perform various functions like executing decisions, coordinating the activities of other employees, maintaining , records, etc.

(2) A secretary is an employee of an organisation.

Ans. This statement is true.

Reasons :

- (i) A secretary is appointed by an individual or organisation to perform various administrative and managerial functions,
- (ii) He is an employee and has to work as per the instructions of his employer. He has to perform all such activities as are demanded by his employer,
- (iii) He often acts as a link between the employer or management and the other staff. He executes their decisions and reports to them,
- (iv) Thus a secretary occupies an important position in the organisation,
- (v) However, a secretary is only an employee and hence cannot take decisions on his own.

(3) The word 'secretary' is derived from Latin word 'scribae'.

Ans. This statement is false.

Reasons :

- (i) The word secretary is derived from the Latin word 'secretaries*.
- (ii) It means confidential writer who handles certain secrets and confidential matters entrusted by his master,
- (iii) The word 'scribae' was used in the Roman Empire,
- (iv) Scribae referred to a person who was a professional letter writer and maintained confidential records.

(4) A secretary must have the knowledge of modern techniques and methods.

Ans. This statement is true.

Reasons :

- (i) A secretary is the executive officer as well as the administrator of an organisation,
- (ii) He is responsible to execute the decisions and policies framed by his boss or the management,
- (iii) He acts as link between the management or employer and the other staff,
- (iv) He has to use all the best available techniques and methods of management to achieve the objectives of the organisation,
- (v) Hence a secretary must have knowledge of modern techniques and methods.

(5) A secretary is not responsible for compliance with legal requirements on behalf of his organisation.

Ans. This statement is false.

Reasons:

- (i) A secretary is responsible for compliance with legal requirements on behalf of his organisation,
- (ii) He is supposed to have full knowledge of the various laws related to his organisation and has to see whether the organisation has complied with the applicable laws,
- (iii) As a company secretary', he has to ensure that the statutory books are properly maintained and also file various returns, reports and statements with the concerned authorities,
- (iv) Thus he acts as the compliance officer and ensures that the organisation fulfills all legal requirements.

(6) A secretary is appointed only by an organisation.

Ans. This statement is false.

Reasons:

- (i) A secretary is a person appointed to perform routine administrative and managerial functions,
- (ii) Secretary can be appointed; by busy individuals like professionals, ministers, government officials, business executives, etc.
- (iii) If a person appoints a secretary, he is called as a personal or private secretary and he performs all such activities as desired by his employer,
- (iv) He takes care of routine administrative and clerical work on behalf of his employer,
- (v) When institutions like Joint stock company, societies, clubs, etc too appoint secretary, they are called as 'Institutional secretaries.'
- (vi) Such secretaries perform various administrative and managerial , functions.

CHAPTER 2 – TYPES OF SECRETARY

Q.1. DISTINCTION BETWEEN

(1) Personal Secretary' and Company Secretary:

Points	Personal Secretary'	Company Secretary'
1. Meaning	Personal Secretary' is an individual appointed by the busy persons to do their personal work.	According to Companies Act, 'Any person possessing the prescribed qualification, appointed to perform the duties which may be performed by a secretary' under this Act and other ministerial or administrative duties'
2. Qualification	There is no prescribed qualification for appointment of personal secretary'.	He must be an 'Associate member of the ICSP i.e. Institute of Company Secretaries of India.
3. Appointment	He is appointed by the busy persons like doctors, lawyers, actors, businessmen, political leaders, ministers, etc. as personal secretary'.	Company secretary is appointed by the Board of Directors of Company.
4. Legal Status	Personal secretary has no legal status.	Company secretary' possesses legal status.
5. Position	He is the personal assistant of his boss.	Company secretary' is the chief executive officer of the company.
6. Powers	Personal secretary' is given limited powers by his boss.	Company secretary has statutory and managerial powers.

2) Secretary of a Co-operative Society and Secretary of a Non-profit Association:

Points	Secretary' of a Co-operative Society	Secretary of a Non-profit Association
1. Appointment	He is appointed by managing committee of co-operative society.	He is appointed by managing committee of Association.
2. Qualification	He possesses a Diploma/Degree like GDC&A.	There is no prescribed qualification for him
3. Duties	His rights and duties are laid down in Co-operative Societies Act.	His rights and duties are governed by Managing Committee of Association.
4. Object	The main object of a Co-operative society is to protect and safeguard the common interest of the members and the public. It works on the basic principle of 'self-help through mutual help'.	Its object is not to earn profit by making any activities. It is engaged in promoting social, educational, cultural, sports activities without profit motive.
5. Status	He has a legal status.	He has no legal status.
6. Position	He is an employee of the society.	Usually, he is a member of managing committee.

3) Company Secretary and Secretary of Government Department :

Points	Secretary' of a Co-operative Society	Secretary' of (Government Department
1. Appointment	Company secretary is appointed by the Board of Directors of Company.	He is appointed by the State or the Central Government.
2. Qualification	He must be an 'Associate member " of the ICSI\ i.e. Institute of	He must pass 'Indian Administrative Service (IAS) Examination.
3. Status	He is the chief executive officer of the company. He assists the Board of Directors.	He is the administrative and executive officer of the Government department. He assist the minister of a particular ministry.
4. Compulsion to appoint	Every company having a paid-up share capital of ₹ 5 crore or more must appoint whole time secretary'. It is compulsory' under the Companies Act, 1956.	Appointment of secretary' for every Government department is compulsory.
5. Transfer	He cannot be transferred from one company to another.	He can be transferred from one to another Department as per the government policy.

Q.2. TRUE OR FALSE

(1) Personal secretary must be an individual.

Ans. This statement is true.

Reasons:

- (i) A personal Secretary is an individual appointed by a busy person or a professional to do routine office work,
- (ii) Busy individuals like ministers, managing directors, executives and professionals like lawyers, doctors etc need to spend enough time on matter requiring their attention and hence they appoint a secretary to look after the routine administrative work,
- (iii) Hence a personal secretary has to be an individual as he has to handle the correspondence, maintain the office and look after the day-to-day affairs of his employer,
- (iv) A company or a firm cannot be appointed as personal secretary.

(2) Institutional secretary means a secretary appointed by an individual.

Ans. This statement is false.

Reasons:

- (i) An institutional secretary means a secretary appointed by an institution e.g. a joint stock company or a co-operative society.
- (ii) Under the Companies Act, every company having a paid up share capital of Rs. 2 crores and above must appoint a secretary.
- (iii) Similarly institutions like charitable trust, non-profit association, co-operative societies, too appoint secretary to help in the smooth functioning,
- (iv) A secretary appointed by an individual is called as personal secretary,
- (v) The qualifications and duties of an institutional secretary is different from that of a personal secretary.

(3) Non-profit association means an institution formed for making reasonable profit.

Ans. This statement is false.

Reasons:

- (i) Non-profit association means a voluntary association of persons formed for promoting activities like sports, culture, arts, science etc.
- (ii) It is formed by the members to promote activities of common interest and not for earning profit,
- (iii) Such associations do not undertake any commercial transactions,
- (iv) Co-operative society is an organisation which is formed to protect the interest of its members and promote their welfare. Such society may, while conducting its business, earn reasonable profit though profit making is not their main objective.

(4) A sports club is a co-operative society.

Ans. This statement is false.

Reasons:

- (i) A sports club is non-profit association,
- (ii) It is formed to promote sports amongst its members,
- (iii) A co-operative is a voluntary association of at least 10 members who have come together to protect and promote their interests,
- (iv) While doing its business, a co-operative society may earn reasonable profits and this profit is reinvested in the business and a small part is distributed amongst the members.

(5) A company whose capital is more than Rs. Five crores must appoint fulltime secretary.

Ans. This statement is true.

Reasons:

- (i) As per the Companies Act, 1956 every company having paid up capital of Rs. Five crores or more, must appoint a full time secretary called as company secretary,
- (ii) A company secretary should be a member of Institute of Company Secretaries of India,
- (iii) A company secretary is a statutory officer and hence has to perform various statutory duties.
- (iv) A company secretary is an employee of the company but occupies an important position in the company,
- (v) He acts as the chief executive of the company and guides the Board of Directors.

(6) A company secretary has statutory status as per Companies Act.

Ans. This statement is true.

Reasons:

- (i) Companies Act has prescribed that every company having a paid up share capital of Rs. 2 crores and above, must have a qualified secretary,
- (ii) It further states that the secretary must be a member of Institute of Company Secretaries of India.
- (iii) The Act has prescribed the statutory duties a company secretary must perform like maintaining statutory books, registers, etc. (iv) Though company secretary is an employee of the company, he enjoys considerable importance and status in the company.

(7) Government department is a commercial organisation.

Ans. This statement is false.

Reasons :

- i) A government department is a unit or department created by the central and state government to look after a particular activity. For e.g. the education department looks after-the education policies and running of schools,
- (ii) This department is headed by a minister. The Prime Minister or Chief Minister appoints a secretary for each department,
- (iii) This secretary helps the minister in looking after the administration of the department.
- (iv) He helps in framing policies, provides relevant information and executes the decisions of the minister,
- (V) Government department do not undertake any activity to earn profit. It is not a commercial organisation.

(8) A good secretary must possess some qualities.

Ans. This statement is true.

Reasons:

- (i) A good secretary must possess certain qualities of head as well as heart to perform his duties effectively,
- (ii) Qualities of head are tact, accuracy, memory, concentration etc.
- (iii) Qualities of head helps a secretary to perform his duties perfectly and efficiently,
- (iv) Qualities of heart are pleasing personality, courtesy, loyalty, etc.
- (V) These qualities enhances the character of a secretary and creates a good impression about him.

CHAPTER 3 – JOINT STOCK COMPANY**Q.1. TRUE OR FALSE**

(1) A Joint Stock Company is a voluntary association of individuals.

Ans. This statement is true.

Reasons :

- (i) A company comes into existence when a group of people voluntarily comes together and registers it as per the law.
- (ii) This group of people have voluntarily come together and collect the necessary capital by selling shares so as to do a business and share its profits,
- (iii) Any body who is capable of entering into contract, can buy the shares of a company and become its member. Thus, membership is open to all without any discrimination,
- (iv) Similarly a shareholder can at any time transfer (sell) his shares and terminate his membership.

Thus, Joint Stock Company is a voluntary association of individuals.

(2) Registration of Joint Stock Company is optional.

Ans. This statement is false.

Reasons :

- (i) A Joint Stock Company is a business organisation which comes into existence only after its incorporation (registration) as per the law.
- (ii) In India, it is compulsory for every company whether public or private, has to be registered with the Registrar of Companies as per the provisions of the Companies Act, 1956.
- (iii) On incorporation, the Registrar issues 'Certificate of Incorporation' in the name of the company and a company is said to have come into existence from that date,
- (iv) On registration a company gets a separate legal status apart from its members. Thus, registration of Joint Stock Company is compulsory.

(3) Registration of a Joint Stock Company is compulsory. **Ans.** This statement is true.

Reasons: Same as Q. 4. sub question (2) above.

(4) A Joint Stock Company is an artificial person.

Ans. This statement is true.

Reasons :

- (i) Legally a company comes into existence when it is registered and incorporated as per the Companies Act, 1956 and gets a Certificate of Incorporation,
- (ii) On registration the company acquires an independent legal status from that of its owners] i.e. in the eyes of the law, company is independent though an artificial person with its own identity and name,
- (iii) Company being an artificial person enjoys many rights and] has duties and liabilities like any other human being,
- (iv) It can enter into contract, possess properties in its own name, can sue and be sued by others etc.
- (v) Unlike a natural person who dies due to old age, ill health or accidents, a company ceases to exist only when it winds up its business and its name is removed from the records of the Registrar of Companies.

Thus, a company is an artificial person created by law and not a natural person.

(5) A Joint Stock Company is a natural person.

Ans. This statement is false.

A Joint Stock Company is an artificial person created by law.

Reasons : Same as given in Q.4. (4) above.

(6) A Joint Stock Company enjoys independent legal status.

Ans. This statement is true.

Reasons:

- (i) On incorporation, a Joint Stock Company becomes an artificial person in the eyes of the law.
- (ii) It enjoys a separate identity/status and existence apart from its members,
- (iii) Being a separate legal entity, the company cannot bind the owners (shareholders) through its actions nor can the actions of members bind the company,
- (iv) Moreover, death, insolvency and insanity of its owners does not affect the life of the company as the company has its own legal identity,
- (v) Similarly, being an artificial person the property of the company is not considered as the property of the individual owner! of the company.

Thus, a company enjoys independent legal status distinct from its owners.

(7) A Joint Stock Company has long and stable life.

Ans. This statement is true

Reasons :

- (i) A company is an artificial person created by law and has its own independent identity separate from that of its owners,
- (ii) It comes into existence by the process of law/ and also comes to an end by process of law.
- (iii) Thus, the life of the company does not depend upon the life of its members. Death, insolvency and insanity :tho members does not affect the company s existence,
- (iv) Moreover, members can sell transfer their shares to others anytime they want,
- (v) Members may come and go, but company can go on for ever.

Thus, a company has long and stable life unlike the Sole Trading Concern and Partnership

(8) The liability of the shareholder (members) of a company is unlimited.

Ans. This statement is false.

The liability of the shareholder of a company is limited to extent of the unpaid part face value of shares held by him.

Reasons :

- (i) Company legally is a separate person and is the owner of its assets and bound by its liabilities. The shareholders are neither the true owners of the company s assets nor are they liable for its debts,
- (ii) The shareholders have limited liability i.e. they bound to pay only the unpaid value of shares held by them,
- (iii) Once a shareholder paid the full amount of shares that he has bought, he is no more liable to pay any amount, even if the company is declared insolvent and needs funds to pay off creditors.
- (iv) The personal property of the shareholder cannot be claimed by the company or its creditors to pay off the company's debts,
- (v) As a company has got a separate identity from that of its members, the members have limited liability.

Thus, unlike the Sole Trader or partners a member of a company has limited liability.

(9) A Joint Stock Company collects huge capital from public. OR A company can raise huge capital.

Ans. This statement is true.

Reasons:

- (i) A company collects its capital mainly by selling different types of shares. : can sell these as and when it needs funds,
- (ii) 1 However, it can also sell debentures and bonds to raise borrowed capital. It can also raise funds by accepting public deposits and loans.
- (iii) Also there is no restriction on the number of members in case of a public company while private company can have maximum 50. (iv) However, a company can after seeking proper legal approval, increase its share capital thereby increasing its capital base.
- (v) Thus, unlike Sole Trading Concern or Private Firm, a Joint Stock Company can raise huge capital from public. -

(10) There is no government control and supervision over the working of Joint stock Company.

Ans. This statement is false. There is excessive government control and supervision for the working of a company.

Reasons :

- (i) Every company must follow the provisions of the Companies Act, 1956 and also all rules and regulations brought out from time to time by the government, SEBI etc.
- (ii) Company and its officers have to face punishment and pay penalty for non-compliance of the provisions of rules,
- (iii) If certain statutory provisions are not folio we by the company, the court can even ask the company to wind up its business or debar " from undertaking certain activities,
- (iv) Moreover, a company has to periodically sub various documents, reports etc. to various authorities and also publish its annual account and annual reports etc.

Thus, there is excessive government control and supervision over the working of company.

(11) The property of the company is the property of the shareholder.

Ans. This statement is false.

The property of the company is not the property of the shareholder.

Reasons:

- (i) A company is being an independent legal person, is the owner of all its property and can use*and dispose it off as and when needed,
- (ii) Though a shareholder i the owner of the company, the company's property cannot be treated as his property,
- (iii) Legally, a shareholder is said to have merely an interest in the company to the extent of hi investment and has a right to claim a share in the profit,
- (iv) Thus, if a shareholder or director uses the company s property for his personal gains, it is treated as criminal offence

Thus, unlike in Sole Trading Concern or Partnership firm, the assets of u company cannot be said to be the assets of the owners of the company.

(12) A Joint Stock Company conducts small scale business, OR
A Joint Stock Company operates in local markets.

Ans. This statement is False.

A Joint Stock Company conducts business on a large scale. OR

A Joint Stock Company operates in regional, national and even international markets.

Reasons:

- (i) A Company can collect huge capital by soiling different types of share and debentures,
- (ii) Moreover, it can also raise funds through public deposits, loans etc.
- (iii) Thus, it has huge capital and so does business on a large scale,
- (iv) Moreover, due to its financial strength, it can appoint professional managers to manage the company,
- (v) Hence a company can operate not only in regional or national markets but even in international markets.

Thus, a company conducts business on a large scale or operates in regional, national and even in international markets.

(13) A Joint Stock Company is a superior form of business organisation.

Ans. This statement is true.

Reasons:

- (i) A Joint Stock Company has a legal status i.e. it has its own legal identity separate from that of its owners / members whereas Sole Trading Concern and Private firm does not enjoy this feature,
- (ii) Company is an artificial person and as such can own property, enter into contracts, incur debts, can sue and can be sued etc. It has its own assets and is bound by its liabilities. On the other hand, in Private Firm and Sole Trading Concern the assets and liabilities of the business is treated as that of the owners and vice-versa.
- (iii) The members of a company enjoy limited liability i.e. they are not bound to pay from their personal assets to clear the company's debts whereas, the Sole Trader or partners have unlimited liability.
- (iv) Unlike a Sole Trading Concern and Partnership Firm company enjoys perpetual succession i.e. it continues to live longer than natural persons as it comes only if it is wound up as per the law.
- (v) Moreover, a member of a company can transfer his shares in favour of another person as and when he wants.

Thus, a Joint Stock Company is a superior form of business organisation as compared Trading Concern and Partnership Firm.

Q.2. DISTINGUISH BETWEEN

1. Sole Trading Concern, Partnership Firm, Joint Stock Company

Points	Sole Trading Concern	Partnership Firm	Joint Stock Company
{1) Meaning	A business concern owned and managed by one individual only.	A business concern owned and managed by two or more persons jointly	An incorporated association which is an artificial person created by law having a common seal and perpetual Succession.
(2) Formation	Very easy as no legal formalities are needed.	Formation is easy as registration is optional	Formation is difficult as various legal formalities are to be completed for registration.
(3) Number of members	Only one owner	Minimum 2 partners and Maximum: 10 for banking, 20 (or other business).	Private Company : Minimum is 2 and maximum is 50. Public Company: Minimum is 7 and Maximum is unlimited.

(4) Legal status	No separate legal status for the business, owner and business is one and the same.	No separate legal status for The Business, owners and business is one and the same.	Company has distinct legal status apart from its members.
(5) Capital	Limited due to contribution by only one person.	Slightly larger as 4 is contributed by all partners	Huge capital due "to Contribution by large number of shareholders.
(6) Liability of owners	Unlimited	Unlimited	Limited to the extent of unpaid part of face value of shares held.
(7) Ownership and Management	Both lie in the hands of a single person.	It is shared amongst all partners.	Separation of ownership from members. Owners are the members and directors are the managers
(8) Business Secrets	Utmost secrecy as no information is to be shared with outsiders.	Lesser secrecy as information is to be shared amongst partners.	No secrecy at all. Vital information is shared with public.
(9) Business Stability	There is no stability as it depends on the life of owner. Stability is there, as Company is not affected by death, insolvency and insanity of members.	There is no stability as it depends on the life of partners	Stability is there, as Company is not affected by death, insolvency and insanity of members.
(10) Transfer of interest (Shares)	Cannot transfer his Interest in business to anybody.	Interest cannot be transferred without the consent of all other partners.	In public company, it is freely transferable but in private company, it is restricted.

CHAPTER 4 – FORMATION OF JOINT STOCK COMPANY

Q.1. DISTINCTION BETWEEN

Points	Certificate of Incorporation	Certificate of Commencement of Business
1. Meaning	It is a certificate issued after the Incorporation of company. It is birth certificate of the company.	It is a certificate issued to public company after completion of formation procedure. It is signal to start business.
2. Need	Public company as well as Private company needs this certificate.	Only public companies need this certificate.
3. Purpose	It is a proof that company is Incorporated. It Gives legal status to the company.	It enables public company to start business immediately on receipt of this certificate.
4. Documents Required	a) To obtain this certificate, following documents are needed- b) Memorandum of Association c) Articles of Association d) List of Directors e) Notice of address of Registered Office of the company. f) Consent of Directors to act as director.	a) To obtain this certificate, following documents are needed – b) Filing of prospectus/ statements in lieu of prospectus c) Declaration of collection of 'minimum subscription' d) Completion of all legal formalities.
5. Order of Issue	It is collected first, i.e. before Trading Certificate is obtained.	It is collected after collection of 'Certificate of incorporation'

Q.2. TRUE OR FALSE

(1) Formation of a company is simple and easy.

Ans. This statement is false.

Formation of a company is lengthy and complicated.

Reasons:

- (i) The Companies Act, 1956 states that it is compulsory for all kinds companies to be registered,
- (ii) Every company, public or private has to be registered as p* the provisions of the Act with the Registrar of Companies,
- (iii) A private company has to go through two stages viz. (a) promotion and (b) incorporation while a public company has go through four stages viz. (a) promotion, (b) incorporation, (c) capital raising, (d) commencement of business,
- (iv) The promoters of the company have to prepare and file with the Registrar various documents like Memorandum of Association, Articles of Association prospectus, statutory declaration, etc. at various stages of the formation of a company,
- (v) Every company has to first obtain Certificate of Incorporation from the Registrar at the end of second stage and a public company has to also obtain a Certificate of Commencement Business.

Thus formation of a company is a lengthy and complicated process.

(2) Company promoters play a significant role in company formation.

Ans This statement is true.

Reasons:

- (i) Promoters are the people who conceive the idea of forming, a company.
- (ii) They undertake all the necessary legal steps to establish a company,
- (iii) They prepare file various important documents like Memorandum of Association, Articles of Association Prospectus etc with the Registrar of Companies,
- (iv) They also-may appoint underwrite brokers, bankers, etc. on behalf of the company,
- (v) After Incorporation, they undertake the task of collecting the required capital for the company.

Thus, promoters play a significant role in formation of a company.

(3) Shareholders take the initiative to form a company.

Ans. This statement is false.

Reasons:

- (i) Promoters are the people who conceive the idea of forming a company,
- (ii) They undertake all the necessary legal steps to establish a company,
- (iii) They prepare and, various important documents like Memorandum of Association, Articles of Association. Prospectus etc with the Registrar of Companies,
- (iv) They also may appoint underwriters, brokers, bankers etc. on behalf of the company,
- (v) After Incorporation, they undertake the task of collecting the required capital for the company,
- (vi) Shareholders are the ones who re bought the shares of the company and contributed towards the capital of the company, ice they are not concerned with formation of a company.

(4) Registration of company is a time consuming procedure.

Ans. This statement is true.

Reasons:

- (i) Registration of a company means getting the company registered with the registrar of Companies by fulfilling the provisions as laid down by the Act.
- (ii) Promoters re to first get the name of the company approved from the Registrar. Also they try to get required numbers of promoters i.e. minimum 2 for a private company and minimum 7 &a public company,
- (iii) Promoters have to prepare and file with the Registrar important documents like Memorandum of Association, Articles of Association, details'of Directors, etc.
- (iv) They also have to pay the necessary filing and registration fees to the Registrar,
- (v) It is only after these steps, the Registrar, if satisfied with the documents submitted by promoters, issue the Certificate of Incorporation.

Thus, registration of a company is a time consuming procedure.

(5) Private company can start its business after getting the Certificate of corporation.

Ans. This statement is true.

Reasons:

- (i) Certificate of Incorporation is a certificate issued by the Registrar of companies, when he registers a company in his records.
- (ii) This certificate shows that the company has now legally come into existence. It acts as the birth certificate of the company.
- (iii) On getting this certificate, company gets its own legal identity distinct from its members.
- (iv) A private company can start its business after getting this certificate as officially it can collect capital from its promoters, their friends and relatives. Usually Private companies need capital and so after collecting the required capital, it can start its business,
- (v) On the other hand, a public company has to go through two more stages as it has to collect the capital from the public by inviting them to buy its shares.

Hence only a private company can start its business after getting the Certificate of incorporation.

(6) A private company needs trading certificate to commence its business.

Ans. This statement is false.

Reasons :

- (i) Trading certificate is a certificate issued by the Registrar only after he is satisfied that the public company has completed the formalities needed to collect its capital.
- (ii) After getting the Certificate of Incorporation, a public company has to collect its capital by issuing a prospectus i.e. an invitation to the public to buy its shares,
- (iii) The company also to ensure that it is able to get the minimum subscription amount or else take the help of underwriters to collect its minimum subscription,
- (iv) Directors of the public company have submit details of shares issued, money collected etc. to the Registrar," ,
- (v) Registrar issues Trading Certificate' only after he has verified the claims of the company regarding collection of capital. A public company now can commence its business,
- (vi) A private company can commence its business immediately after getting Certificate of Incorporation, while a public company needs Trading Certificate to commence its business.

(7) After promotion, a private company can start its business.

Ans. This statement is false.

A private company can start its business only after registration.

Reasons: Please refer answer to subquestion (5) above. A private company can immediately start its business after getting the Certificate of corporation as it collects its capital from the promoters or their friends and relatives.

(8) A public company cannot commence business after getting Certificate of Incorporation.

Ans. This statement is true.

Reasons: Please refer answer to subquestion (5) above.

(9) All companies can start business after Incorporation.

Ans. This statement is false.

Only private companies can start business after Incorporation.

Reasons: Please refer answer to subquestion (5) above.

(10) Prospectus is issued by a private company.

Ans. This statement is false. Prospectus is issued by a public company.

Reasons:

- (i) Prospectus is to be issued by only a public company that too if it is collecting its capital by issuing shares to the general public at large,
- (ii) Prospectus is an invitation to the public to subscribe (buy) for the shares of the company. It contains details of the company, its directors etc.
- (iii) As per the Act, copy of prospectus is first filed with the Registrar and then issued to the public along with the share application form,
- (iv) In case a public company wants to collect capital from private sources, (i.e. the promoters themselves contribute) then they don't invite the public through prospectus. However, they have to file with the Registrar a 'statement in lieu of prospectus' at least 3 days before allotment of shares,
- (v) In case of private company, the promoters contribute the capital and hence they do not issue prospectus.

(11) Underwriter purchases unsold shares of a company.

Ans. This statement is true.

Reasons :

- (i) Underwriters promise to provide the company with the minimum] subscription,
- (ii) Under the Act, every public company, to allot shares, has to collect the minimum subscription within 120 days of issue of prospectus. If minimum subscription is not collected, the company has to return the application money collected to the public.
- (iii) To avoid this, the company enters into an agreement with the underwriters called as Underwriting Agreement The underwriter agrees to buy the unsold shares so that the company is able to collect its minimum subscription. For this guarantee, the company has to pay commission to the underwriters,
- (iv) The prospectus must mention the fact that company has entered into Underwriting Agreement,
- (v) Underwriters usually are financial institutions, bankers etc. who have large financial resources to buy the unsold shares of a company.

(12) The Board of Directors give guarantee of minimum subscription.

Ans. This statement is false.

Reasons:

- (i) Underwriters promise to provide the company with the minimum subscription,
- (ii) Under the Act. every public company, to allot shares, has to collect the minimum subscription within 120 days of issue of prospectus. If minimum subscription is not collected, the company has to return the application money collected to the public,
- (iii) To avoid this, the company enters into an agreement with the underwriters called as underwriting Agreement. The underwriter agrees to buy the unsold shares so that the company is able to collect its minimum subscription. For this guarantee, the company has to pay commission to the underwriters,
- (iv) The prospectus must mention the fact that company has entered into Underwriting Agreement,
- (v) Board of Directors are the representatives of shareholders who manage the affairs of the company.

Hence it is the underwriters who guarantee the minimum subscription.

(13) A public company can start its business after getting Trading Certificate.

Ans. This statement is true. **Reasons :** Please refer answer to sub question (6) above.

**CHAPTER 5 – DOCUMENTS RELATED TO THE
FORMATION OF JOINT STOCK COMPANY**

Q.1. DISTINCTION BETWEEN

1. Memorandum of Association and Articles of Association:

Points	Memorandum of Association	Articles of Association
1. Meaning	It is a charter of the company.	It is a document containing rules and regulation for the internal management of the company.
2. Status	It defines the aims and objects for which company is formed.	It is secondary document.
3. Objectives	It is primary and supreme document of company. It is life giving document	It is subordinate to Memorandum.
4. Relationship with Company	It defines relation between the company and outsiders e.g. sellers, buyers, debtors creditors etc.	It defines the relation between the company and members. It has nothing to do with outsiders.
5. Preparation	Every company must prepare and file its OWTI memorandum for the purpose of registration. It is compulsory for all types companies.	Every company must prepare and file it's own Articles. But a public company can adopt Table A as it's Articles.
6. Alterations	The process of alteration of Memorandum is complicated. It is possible only if members agree and sanction of Central Government, Court or Company Law Board is obtained.	The process of alteration of Articles is simple. It must be subject to provisions of Companies Act and Memorandum.

2. Prospectus and Statement in Lieu of Prospectus:

Points	Prospectus	Statement in Lieu of Prospectus
1. Meaning	Prospectus contains an invitation to the public to subscribe for shares and debentures of company.	It is similar to prospectus, but does not invite public to subscribe for capital. It is prepared to comply with the provisions of Companies Act 1956.
2. Status	It is used for publicity as well as filing with the Registrar.	It is used only for the filing with the Registrar.
3. Objective	It is required when company raises capital from public.	It is required when capital is raised privately. It is needed only for the filing purpose.
4. Relationship with Company	large public limited companies issue prospectus to collect huge capital.	Small public companies can raise capital privately. They prepare this statement for filing with the registrar.
5. Publicity	It gives wide publicity to the company.	It is filed with the registrar and it is not advertised.
6. Filling with registrar	90 days prior to issue to public.	3 days prior to allotment of shares.

Q.2. TRUE OR FALSE

(1) Memorandum of Association is called as the life giving document of a company.

Ans. This statement is true.

Reasons :

- (i) Memorandum of Association is the fundamental or primary document which states the aims and objectives of the company.
- (ii) It defines the scope of activities of a company, its address, the liability of its members, its capital structure, etc
- (iii) At the time of incorporation, every company, public or private has to prepare its own Memorandum of Association and submit it to the Registrar of Companies.. Without this document, no company can be registered. Hence, this is called as life giving document,
- (iv) As this document define company's relationship with outsiders, public is supposed to see and read it before entering into a contract with a company,
- (v) As it is a fundamental document, it is an almost unalterable document.

(2) Company can be registered without Memorandum of Association.

Ans. This statement is false.

Every company has to prepare and file its own Memorandum of Association with the Registrar of Companies at the time of incorporation.

Reasons : for answer refer to Q. 4. (1) above.

(3) Any clause of Memorandum of Association can be altered easily.

Ans. This statement is false.

Reasons :

- (i) Memorandum of Association is a fundamental document of a company which describes the company's scope of operations, its aims and objectives. It also defines the relationship of the company with outsiders,
- (ii) All outsiders like its shareholders, client auditors, etc. are supposed to have full knowledge of its contents before entering into and kind of contract with the company i.e. to know whether the company is fit to enter into sue contracts with them,
- (iii) Hence the clauses of Memorandum of Association cannot be easily altered often as it affects the outsiders and their rights,
- (iv) Memorandum of Association can altered by passing a special resolution a meeting of the shareholders. At times it may need Central Government approval. The special resolution should be filed with the Registered Companies within 30 days of its passing.

Thus, Memorandum of Association cannot be easily altered and is often known as semi-lanent or almost unalterable document.

(4) Every company has its own Articles of Association.

Ans. This statement is false.

A Public company limited by shares may adopt Table A instead of preparing its own articles of Association.

Reasons:

- (i) Articles of Association contains details of rules and regulations pertaining le company's internal management,
- (ii) As per Companies Act 1956, a private company, company limited by guarantee and an unlimited company has to prepare its own Articles of association and file it with the Registrar of Companies,
- (iii) However, as per the Act, a public company limited by shares may adopt Table A given by the Act. Table A is a set of 99 tides / bye-laws given in Schedule I of the Companies Act.

- (iv) Companies Act states that even if a company has its own Articles of Association and if on some aspect it is silent, then provisions regarding that aspect given in Table A are applicable.

Thus, every company has to prepare and file its own Articles of Association except in case of a public company limited by share.

- (5)** Articles of Association is subordinate to Memorandum of Association.

Ans. This statement is true.

Reasons:

- (i) Memorandum of Association is the fundamental/primary document which lays down the aims and objects of the company,
- (ii) While Articles of Association is a document which contains the rules and regulations regarding internal working of a company,
- (iii) Articles Association cannot contain any provisions which goes beyond the Memorandum of association as then it will be considered as ultra vires i.e. void,
- (iv) Memorandum of association states the aims and objectives of the company while Article of Association states how these will be achieved,
- (v) Memorandum of Association describes the scope or range of activities beyond which a company cannot go while Articles of Association describe regulations to be followed by a company within this area to achieve its goals.

Thus. Articles of Association is subordinate to Memorandum of Association as it is governed by the Memorandum of Association.

- (6)** Memorandum of Association is subordinate document.

Ans. This statement is false. Articles of Association is subordinate document.

Reasons: Please refer answer to Q.4. (5) above.

- (7)** Articles of Association acts as the charter of the company.

Ans. This statement is false.

Memorandum of Association is the charter of the company.

Reason : Please refer points (i) to (iv) of Q.4. (1) above.

- (8)** Prospectus acts as a silent salesman of a company.

Ans. This statement is true.

Reasons:

- (i) Prospectus is an invitation by a company to the public to subscribe (buy) its shares or debentures,
- (ii) It contains all essential information about various aspects of the company like its capital structure, nature of business, details of directors, managing director, future prospects, etc.
- (iii) It also contains details of the proposed issue like the procedure for application for shares/debentures, subscription dates, etc.
- (iv) Prospectus is an official invitation by a company to the general public and it has to be in writing. It speaks on behalf of a company.

Hence, prospectus is called as a silent salesman of the company.

(9) Prospectus has to be filed with the Registrar of Companies at the time of incorporation.

Ans. This statement is false.

Prospectus is to be filed with the Registrar of Companies during capital raising stage.

Reasons:

- (i) Prospectus is an invitation by a company to the public to subscribe (buy) its shares,
- (ii) It gives details of the company, its aims, future plans, capital structure, * rights of each class of shareholders, details of current issue, etc.
- (iii) Memorandum of Association and! Articles of Association are needed to be filed with the Registrar of Companies at the time of incorporation for getting the company registered.

(10) A private company does not issue prospectus.

Ans. This statement is true.

Only a public company can issue prospectus.

Reasons:

Please refer answer to Q. 4.(9) above and add following points.

- (iv) A private company collects its required capital from its promoters or directors or from their friends and relatives. Hence, it does not issue a prospectus,
- (v) It is issued by public company after it receives Certificate of Incorporation to raise large capital from the public.

(11) Prospectus is a charter of a company.

Ans. This statement is false.

Reasons:

- (i) Memorandum of Association is the charter of a company as it states the objectives of the company and defines its scope of operations and also company's relationship with outsiders,
- (ii) Also add points (i) to (iii) Q.4. (8) above.

(12) Table A acts as a silent salesman of a company.

Ans. This statement is false.

Prospectus acts as a silent salesman of a company.

Reasons: Please refer answer to Q.4. (8) points (i) to (iii) then add the following.

- (iv) Table A is a set of 99 Articles as given in Schedule I of Companies Act, 1956 which may be used by a public company limited by shares instead of preparing its own Articles Association.

Thus, it is prospectus which acts as a silent salesman of a company.

(13) Prospectus is prepared only for filing with the Registrar.

Ans. This statement is false.

Statement in lieu of prospectus is prepared only for filing with the Registrar-

Reasons : Please refer answer to Q.4. (15) below.

(14) Nobody is liable for mis-statement in the prospectus.

Ans. This statement is false.

Every promoter director and any other person authorising the issue of prospectus is liable for mis-statement in the prospectus.

Reasons:

- (i) As per the Act, the promoters, directors or any other person so authorised to issue prospectus or statement in lieu of prospectus is held responsible for mis-statement of material fact or omission of a material fact in it.

- (ii) Companies Act, 1956 states the civil liability for every promoter, director or any other person authorising the issue of a prospectus statement in lieu of prospectus which has mis-statement are liable to pay damages and [other expenses to the aggrieved party,
- (iii) This also may attract a criminal liability for these people which may be imprisonment extending upto 2 years or with fine which may be upto ₹ 50,000 or both,
- (iv) Moreover, the shareholders can rescind or cancel the contract i. e. refuse to take the shares and can claim damages or even demand refund of application money.

(15) Statement in lieu of prospectus is prepared only for filing with the Registrar of Companies.

Ans. This statement is true.

Reasons:

- (i) Statement in lieu of prospectus is a document prepared and filed with the Registrar of Companies, by a public company which does not raise its capital by issuing shares to the public but collects the capital from private sources,
- (ii) Hence, such companies need not issue prospectus as they are not inviting the public to subscribe for its shares,
- (iii) As [per the Companies Act, 1956, such public companies have to prepare and file with the Registrar of Companies a statement in lieu of prospectus at least 3 days before the allotment of shares.
- (iv) The contents of this document are similar to that of a prospectus but may not be as | detailed as a prospectus,
- (v) Thus, public companies which need smaller amount of capital or are able to collect the required amount of capital from its promoters or directors or from their friends and relatives prepare statement in lieu of prospectus. Statement in lieu of prospectus is needed only for filing with the Registrar of Companies and not for issuing it to the public.

CHAPTER 6 – MACHINERY MONITORING JOINT STOCK COMPANIES

Q.1. TRUE OR FALSE

(1) There is a need for monitoring machinery for Joint Stock Companies.

Ans. This statement is true.

Reasons :

- (i) The shareholders (owners) have no means to directly ensure that the Board of Directors conduct the business in a fair and honest manner as there is separation of ownership and management in Joint Stock Companies,
- (ii) The creditors too have to depend on Directors for timely payment of interest and their capital. The creditors cannot supervise the Directors directly and rely only on information given to them,
- (iii) The Board of Directors often may get tempted to misuse funds when they are given an opportunity to handle huge sums of money,
- (iv) Companies Act 1956, has laid down duties and powers of Directors] Managing director, Secretary, etc. Company being on artificial person cannot supervise their functioning.

Hence, the above reasons bring out the need for a machinery to monitor working of Joint Stock Company.

(2) Ministry of Corporate Affairs provides investors grievance redressal mechanism.

Ans. This statement is true.

Reasons:

- (i) The Ministry of Corporate Affairs is the apex body primarily concerned with administering the Companies Act 1956 in India,
- (ii) Along with RBI, SEBI and DE A, the MCA regulates and supervises the working of corporate sector in India,
- (iii) All non-banking Non-financial companies which are unlisted are directly monitored by Ministry of Corporate Affairs,
- (iv) In fact Ministry of Corporate Affairs has a separate cell called "Investor's Grievance Management Cell* which takes up grievances of investors such as non-receipt of the share certificate, dividend or interest or non-refund of application money, etc.

Thus, Ministry of Corporate Affairs provides investor grievance redressal mechanism

(3) Ministry of finance is primarily responsible for administration of Companies Act.

Ans. This statement is false.

Reasons:

- (i) Ministry of Corporate Affairs is primarily responsible for administration of Companies Act.
- (ii) Central Government has the overall responsibility for administration and enforcement of Companies Act in India,
- (iii) However, for easier functioning the central government has created the Ministry of Corporate Affairs which mainly administers Companies Act 1956. It also administers other allied laws like Partnership Act, 1932, Company Secretaries Act, 1959, etc.
- (iv) The Ministry of Corporate Affairs has 3 tier machine viz (a) The Secretariat at New Delhi, (b) Six Regional Directors in each of the four zones, (c) Registrar of Companies for each state. Ministry of Corporate Affairs also supervises Official liquidators attached to various High Courts who are responsible for handling winding up of companies.

(4) Company Law Board (CLB) is constituted as quasi-judicial body.

Ans. This statement is true.

Reasons :

- (i) The Company Law Board was constituted in 1964 by the Cent: Government for ensuring efficient administration of Companies Act 1956.
- (ii) In 1991, due an amendment to the Act, it was constituted as an independent quasi-judicial body set up and exercise some of the judicial and quasi-judicial functions which were previously exercised by the Court or Central Government,
- (iii) The Company Law Board has the powers of a Civil court,
- (iv) Any order passed by the Company Law Board may be enforced in the same manner as if it is the decree or order passed by a Civil court.

(5) The Registrar of Companies issues Incorporation Certificate to the Company.

Ans. This statement is true.

Reasons:

- (i) Registrar of Companies is appointed by the Central Government to grant registration to company applying to it.
- (ii) It is the registry office i.e. all companies have to be registered with the Registrar of Companies as per the provision of Companies Act 1956.
- (iii) The Registrar of Companies receives application from promoters to register a company and ii he is satisfied with all the documents submitted by tm promoters, he issues 'Certificate Incorporation/,

There are 20 Registrar of Companies which operate in various states Union Territories of India.

(6) Registrar of Companies is appointed by the State Government.

Ans. This statement is false.

Registrar of Company is appointed by the Central Government.

Reasons:

- (i) For administration of the Companies Act, India is divided into four zones id each zone is headed by a Regional Director,
- (ii) Under each Regional Director, there are nous Registrar of Companies which cover various States and Union Territories of India.
- (iii) The Registrars of Companies are thus appointed by the Central Government though the Registrar of Company is responsible for administration of the Companies Act in the state where it is located,
- (iv) Registrar of Companies work more under the administrative supervision the Regional Directors who in turn report to the Central Government.

(7) National Company Law Tribunal shall not have power to review its own visions.

Ans. This statement is false.

Reasons:

- (i) NCI T has power to review its own orders/decisions.
- (ii) The Tribunal may lend its order within 2 years of passing it, with a view to rectify any apparent mistake in its ruling.
- (iii) However, the Company Law Board has no powers to review its own decisions,
- (iv) Thus, the National Company Law Tribunal has powers to review its own decisions as it has substantial powers to administer the Companies Act and hence, may have to review its decision sending on certain circumstances. ‘

(8) President of National Company Law Tribunal cannot be re-appointed on expiry of his term.

Ans. This statement is false.

Reasons:

- (i) President of National Company Law Tribunal can be reappointed on expiry of his term,
- (ii) The National Company Law Tribunal can have maximum 62 members including the President and all of them shall hold office for a term of 3 years. They are all eligible for reappointment,
- (iii) However, the age of retirement, for the President is 67 years and for the other members is 65 years,
- (iv) Any member found guilty of moral turpitudes or is declared insolvent or mentally or physically handicapped can be removed from his post.

(9) Only one Registrar of Companies can be appointed per region.

Ans. This statement is false.

Reasons: Please refer answer to Q.3. (6).

(10) Central Government or Tribunal is not bound to follow advice of the Advisory Committee.

Ans. This statement is true.

Reasons: Please refer answer to Q. 2. (3).

(11) High Court shall have jurisdiction irrespective of place of registered office of the company.

Ans. This statement is false.

Reasons:

- (1) High Courts have jurisdiction in relation to the place at which the registered office of the company is located,
- (ii) However, in certain circumstances, jurisdiction may be conferred on any District Court,
- (iii) However, no Civil Court shall have jurisdiction to entertain any suit on proceeding in respect of any matter which the National Company Law Tribunal is empowered to determine.

CHAPTER 7 – STRUCTURAL ORGANISATION OF A JOINT STOCK COMPANY

Q.1. DISTINCTION BETWEEN

1. Director And Managing Director:

Points	Director	Managing Director
1. Meaning	The elected representatives of the shareholders are called as Directors.	The representative of the Board of Directors to look after the routine day-to-day management of the company is called Managing Director.
2. Appointment	Director are usually elected by shareholders in the Annual General Meeting.	A managing director is appointed by the Board of Directors from among themselves.
3. Number of Companies	A person can act as a Director of not more than 15 companies.	A person can act as a Managing Director of not more than two Companies at the same time.
4. Approval of Central Government	Approval of Central Government is not necessary for appointment of Director.	Approval of Central Government is necessary' for appointment of Managing Director.
5. Tenure	Directors are elected for 3 years.	Managing Director is appointed for 5 years.
6. Remuneration	The remuneration paid to the director is known as honorarium.	Salary is paid as remuneration to the Managing Director.

2. Auditor And Company Secretary

Points	Auditor	Company Secretary
1. Meaning	A person who carries out audit work of a company is known as Auditor.	A person who performs statutory, ministerial and administrative duties is known as Company Secretary.
2. Appointment	He is appointed by the shareholders at the Annual General Meeting.	He is appointed by the Board of Directors in the Board Meeting.
3. Qualifications	An auditor must be a Chartered Accountant.	The company secretary' must be a member of the Institute of Company Secretaries of India
4. Tenure	An auditor is appointed only for one year.	A company secretary' is appointed for any period as per the agreement between the company and the Company Secretary.
5. Remuneration	He is paid consolidated fees after the completion of his Audit work.	The company secretary is paid a monthly salary' as he is an employee of the company.
6. Function	The main function of an Auditor is to audit the accounts of the company and prepare an auditor's report.	The functions of company secretary are correspondence, administration and legal work according to the Companies Act 1956.

Q.2. TRUE OR FALSE

(1) A share warrant holder is the member of the company.

Ans. This statement is false.

Reasons :

- (i) A share warrant holder is a mere shareholder of the company and not a member of the company,
- (ii) A member is a person whose name is entered in the Register of members of a company,
- (iii) A share warrant is a bearer document of title to shares issued by company on the request of a member,
- (iv) When company issues share warrant, it removes name of the member from the Register of Members.

Hence a share warrant holder is not a member of the company.

(2) Directors are owners of the company.

Ans. This statement is false.

Reasons :

People who have bought the shares of a company are its owners,

- (ii) Directors are the elected representatives of the shareholders,
- (iii) As the shareholders are large numbers and are scattered in different places, they appoint people who are professionals take care of the management of the company.

(3) At the end of the every year, all directors retire.

Ans. This statement is false.

Reasons:

- (i) Only 1/3rd of directors retire every year,
- (ii) In case of a public company or a private company which is a subsidiary of Public company, 1/3rd of directors are permanent directors, while 2/3rd of directors who are elected by shareholders are subject to retirement by rotation,
- (iii) From the elected directors 1/3 directors are subject to retirement by rotation at every Annual General Meeting,
- (iv) Those who retire at the Annual General Meeting shall be the ones who have been the longest in the office since their last appointment,
- (v) Directors who retire by rotation are eligible for reappointment.

Thus all directors do not retire at every Annual General Meeting.

4. A Managing Director is appointed for a period of 5 years.

Ans. This statement is true.

Reasons :

- (i) Managing Director is a representative of the Board of Directors who is selected from amongst themselves to take care of the day-to-day affairs of the company,
- (ii) He is a whole time director of the company appointed with the approval of Central j Government,
- (iii) He has substantial powers of management along with other powers of a director,
- (iv) He is appointed for a period of 5 years; and in case of reappointment or extension, it also cannot be for a period of more than 5 years at a time,
- (v) He does not retire by rotation like other directors.

(5) The first Auditor is appointed by the shareholders of the company.

Ans. This statement is false.

Reasons :

- (i) The first auditor is appointed by the Board of Directors,
- (ii) in fact, the Board appoints him within one month of the date of registration of the company,
- (iii) The first auditor holds the office until the conclusion of the first Annual General Meeting,
- (iv) Subsequent auditors are appointed by the shareholders at every Annual General Meeting.

Thus, first auditor is appointed by the Board of Directors.

(6) The Company Secretary is the member of the company.

Ans. This statement is false.

Reasons:

- (i) Company Secretary need not be a member of the company,
- (ii) Company Secretary is an employee of the company,
- (iii) He is statutory officer i.e. as per the Companies Act every company having a paid up share capital of minimum ₹ 2 crores must appoint a whole time Company Secretary,
- (iv) Company Secretary must be a member of the Institute of Company Secretaries of India,
- (v) He plays the role of statutory officer, coordinator and administrative officer. He acts more as an advisor and hence, unlike a director, to perform his duties, he need not to be a member of the company.

CHAPTER 8 – COMPANY MEETINGS - I

Q.1. DISTINCTION BETWEEN

1. Motion and Amendment

	Points	Motion	Amendment
1.	Meaning	Motion is proposal in writing placed before the meeting for discussion and decision.	It means any alteration or modification proposed to the original motion.
2.	Purpose	The discussion and decision are the main objects of motion.	To modify the main motion is the purpose of amendment.
3.	Mover	The mover of the motion can speak twice on his own motion.	The mover of the amendment can speak only once on his own amendment.
4.	Right to Speak	Every member can speak only once on each motion.	Only those members who have not spoken on the original motion can move, second and speak on the amendment.
5.	Effect	When motion is passed by majority, it becomes a resolution.	If an amendment is approved then it becomes a part of resolution.

2. Motion and Resolution

	Points	Motion	Resolution
1.	Meaning	Motion is written proposal placed before the meeting for discussion and decision.	Resolution is the final decision taken the meeting is called Resolution.
2.	Amendment	Motion is subject to amendment before it is put to vote.	It is not subject to amendment.
3.	Recording	Motion is not recorded in minute's book.	All resolutions are recorded in minutes book.
4.	Filing	It need not be filed with the Registrar of Companies.	Only special resolutions are to be filed with the registrar of Companies within 30 days of passing.
5.	Discussion	It is subject to Debate and discussion.	It is not subject to debate and discussion once it is passed.
6.	Formalities	It must be moved by mover and second by seconder.	Such formalities are not required in case of resolution.
7.	Withdrawal	It can be withdrawn by mover before it is put to vote.	Once it is approved, it cannot be withdrawn.
8.	Legal Status	It does not have any legal status.	It has legal status.
9.	Evidence	It cannot be used as evidence.	It can be used as legal evidence.
10.	Wording	It starts with the words "To Resolve".	It starts with the word "Resolved".
11.	Types	There are three types of motion a) Original motion b) Substantive motion c) Formal motion	There are three types of resolution at general meeting a) Ordinary resolution b) Special resolution c) Resolution requiring special notice. There are two types of resolutions passed at board meeting a) Ordinary resolution b) Resolution by circulation.

3. Agenda and Minutes:

	Points	Agenda	Minutes
1.	Meaning	It is the list of items to be transacted at the meeting.	Minutes is the statutory record of business transacted at the meeting.
2.	Importance	The chairman can take the items according to agenda. Agenda is sent to members along with the notice of meeting. Members can prepare themselves for meeting.	It acts as evidence in court of law and it is useful for future reference.
3.	When prepared?	It is prepared before the meeting.	It is prepared after the meeting.
4.	Where recorded?	It is recorded in the notice of meeting.	It is recorded in minutes book.
5.	Approval	It does not required any approval of members.	It requires approval of members in next meeting.
6.	Tense	It is prepared in future tense.	It is recorded in past tense.
7.	Status	It does not have legal status.	It is used as legal evidence in court of law.

Q.2. TRUE OR FALSE

(1) Meeting must be duly convened and properly constituted.

Ans. This statement is true.

Reasons:

A valid meeting is one which satisfies all the legal requirements as per Companies Act regarding its convening, constitution and conduct,

- (ii) A meeting is said to be duly convened if it is convened i.e. called by a proper authority which is the chairman of the Board and proper notice should be issued to all members,
- (iii) A meeting is said to be properly constituted when there is proper quorum present at the meeting and has a proper person in the chair to conduct the proceedings of the meeting,
- (iv) A meeting to be a valid meeting should also be properly conducted i.e. its proceedings should be properly conducted, sense of a meeting should be properly ascertained, and the proceedings should be properly noted down in the minutes book,
- (v) If these legal requirements are not followed the meeting is considered as an invalid meeting.

Hence, meeting must be duly convened and properly constituted.

(2) Notice contains list of items to be discussed in a meeting:

Ans. This statement is false.

Reasons:

- (i) Notice is an advance intimation given to members about the date, time, place and purpose of a meeting,
- (ii) Notice is usually in written form and sent to all members entitle to attend a meeting,
- (iii) Notice contains the exact details of meeting to be held like the time, place of meeting, nature, and type of meeting, and purpose meeting,
- (iv) Thus, meeting includes agenda i.e. a list of items to be discussed in a meeting
- (v) Notice along with Agenda is sent to all members 21 days in advance.

(3) Agenda is useful to the chairman of the meeting.

Ans. This statement is true.

Reasons:

- (i) Agenda is the list of items to be discussed in the meeting. It is sent along with the notice of the meeting to all directors and members of the company.
 - (ii) Chairman while preparing the agenda gets an idea about the flow of topics in the meeting and can accordingly plan for the meeting,
 - (iii) Agenda guides the chairman in conducting the meeting as he takes up the debate as per the order of agenda.
 - (iv) It also prevents any omissions or repetitions of points discussed at the meeting,
 - (v) Moreover, it helps the chairman, directors and even the members to come prepared for discussions as they know what will be discussed in the meeting.
- Thus, the above statement is true.

(4) Quorum is needed only at the commencement of the meeting.

Ans. This statement is false.

Reasons:

- (i) Quorum needs to be present throughout the meeting,
- (ii) Quorum means the minimum number of people to be present at a meeting,
- (iii) Chairman can start the meeting only if quorum is present and he has to ensure that throughout the meeting they are present or else he will have to immediately stop the meeting,
- (iv) The main purpose of having quorum is to avoid decisions being taken by small minority which may not be acceptable to the vast majority
- (v) Hence quorum should be present throughout the meeting.

(5) Secretary has the power to give casting vote.

Ans. This statement is false.

Reasons:

- (i) Chairman has the power to exercise casting vote.
- (ii) Casting vote is an additional vote given to the chairman to break a tie i. e. when votes, in favour and against a motion, are equal,
- (iii) This vote of chairman helps in arriving at a decision,
- (iv) However, chairman can use casting vote only if the Articles of Association of the company provides for it and he must always use it in the best interest of the company,
- (v) Whereas secretary as a person who helps the chairman to fulfill all the requirements to conduct a valid meeting and hence, has no power to use casting vote.

(6) Proxy is allowed to discuss at a meeting.

Ans. This statement is false.

Reasons:

- (i) Proxy is a representative of a member appointed to only vote at a meeting on behalf of a member,
- (ii) As per Companies Act, a member of a company has a right to appoint 3 proxy to attend and vote on his behalf in a general meeting,
- (iii) The proxy may or may not be a member of the company,
- (iv) He is allowed to vote only under poll method of voting and under certain conditions can also demand a poll,
- (v) Being a mere representative of the member, a proxy is not allowed to speak at a meeting.

Thus, proxy is not allowed to discuss at a meeting.

(7) Proxy must be a member of the company.

Ans. This statement is false.

Reasons:

- (i) Proxy need not to be a member of the company,
- (ii) Proxy is a representative of a member who attends and votes at a meeting on behalf of the member.
- (iii) The Act has not specified that a proxy must be a member of the company. Hence, proxy may or may not be a member of company,
- (iv) Any member can hence appoint any person as his proxy -as per the Companies Act.
- (v) Proxy, being a mere representative of the member, cannot speak at the meeting but can vote only under the poll method of voting.

(8) Motion can be amended.

Ans. This statement is true.

Reasons:

- (i) A motion is a proposal placed before the meeting for discussion,
- (ii) During the course of discussion, members may suggest few alterations to the motion being discussed. The alteration could be in the form of adding or deleting few words, rearrange the words or reframe the motion,
- (iii) Such alterations are called as amendment,
- (iv) If chairman and members approve, it is incorporated in the main motion which is then called as substantive motion,
- (v) Thus, any number of amendments can be made to the motion | before it is put to vote; whereas, once the motion is approved by voting it becomes resolution, and then, no amendment of it is possible.

(9) Show of hands is a capitalistic method of voting.

Ans. This statement is false.

Reasons:

- (i) Show of hands is a democratic method of voting,
- (ii) Show of hands is a method in which each member is asked to raise one hand to indicate whether they approve or disapprove a motion,
- (iii) It follows 'one man, one vote' principle. Hence it is a democratic method of voting where all members are given only one vote irrespective of shares held by them,
- (iv) Whereas, poll method is capitalistic method, as here each member can cast votes in proportion to shares held by him. In short, it follows "one share, one vote' principle.

Thus, show of hands is a democratic method.

(10) Resolution can be amended.

Ans. This statement is false.

Reasons :

- (i) Resolution cannot be amended; whereas, motion can be amended,
- (ii) Resolution is the final decision taken on a motion,
- (iii) A motion is a formal proposal placed] before the meeting for discussion and decision,
- (iv) At times members suggest certain amendments/modifications to be made to the motion before it is put to vote,
- (v) After the amendment, this motion (called as substantive motion) is put to vote,
- (vi) A motion when] passed becomes a resolution i. e. it is the final decision arrived after discussion. Hence resolution cannot be amended.

(11) All resolutions must be registered with the Registrar of Companies.

Ans. This statement is false.

Reasons :

- (i) Only special resolutions must be registered with the Registrar of Companies within 30 days of its passing,
- (ii) Resolutions are the decisions taken on a motion after it is discussed and put to vote,
- (iii) It is the final decision taken with the consent of majority of members. Under the Act decisions can be taken based on simple majority or substantial majority,
- (iv) Simple majority means 51% votes in favour of a motion and this is needed to approve ordinary business. However, certain special matters require 3/4th votes cast in its favour. This is called as Special Resolution. It is this Special Resolution which has to be filed with the Registrar of Companies within 30 days of its passing,
- (v) Thus only special resolutions must be filed with the Registrar.

(12) Minutes once approved cannot be changed.

Ans. This statement is true.

Reasons:

- (i) Minutes is the official summary of the proceedings of a meeting,
 - (ii) It contains all the resolutions passed in the meeting and various decisions taken with the approval of all members present in the meeting,
 - (iii) Secretary has to get the draft of the minutes approved by the chairman, and then, enter it into the minutes book,
 - (iv) The chairman then approves it by signing his name on it. This indicates that it is read and approved by him.
 - (v) No corrections or alterations in the minutes is, then, allowed.
- Thus, minutes once approved cannot be changed.

CHAPTER 9 – COMPANY MEETINGS - II**Q.1. TRUE OR FALSE**

(1) A notice of meeting must be sent to all members in case of general meetings.

Ans. This statement is true.

Reasons :

- (i) Notice is an intimation sent by company informing about the day, date, time and nature of meeting to be held,
- (ii) All members of a company have a right to attend and vote in any general meeting of a company and hence company has to send notice to them,
- (iii) Notice must be sent at least 21 days in advance so that it reaches the members well in advance and gives them time to prepare for the meeting,
- (iv) Agenda is also sent with the notice and depending on the meeting, either a Statutory Report or Annual Report or explanatory statement is also attached to it.
- (v) A notice of general meeting is also sent to the auditor of the company.

(2) Statutory meeting is held once in a year.

Ans. This statement is false.

Reasons :

- (i) Statutory meeting is held once in the lifetime of a public company.
- (ii) public company has to hold this meeting one month after but before 6 months from the date of receiving the certificate to commence business,
- (iii) In this meeting, the shareholders are told about the activities done by a company since it began its business, details of capital collected by selling shares, preliminary expenses, preliminary contracts, etc.
- (iv) Statutory meeting is thus the first general meeting of a public company and held only once in its life
- (v) Annual general meeting is the meeting which is held once in a year.

(3) Annual Report is prepared by members.

Ans. This statement is false.

Reasons:

- (i) Annual Report is prepared by the Board of Directors of a company,
- (ii) It prepared before the Annual general meeting and sent to all members along with the notice and Agenda of the meeting.
- (iii) It contains the financial statements i.e Profit and Loss Account and the Balance Sheet, Directors' remarks on progress made by the company in the year also the Auditor's Report,
- (iv) Annual Report gives detailed report of company's performance during the year and is prepared by the Board to give information to the members.

Thus Annual Report is meant for the members.

(4) Only special business is transacted at Annual General Meeting.

Ans. This statement is false.

Reasons :

- (i) Ordinary as well as special business can be transacted in Annual general meeting,
- (ii) Annual general meeting is a meeting held once in a year after the financial year over. In this meeting Directors inform the members about the progress made by the company and also give the financial position of the company,
- (iii) Various ordinary business like approving and adopting Annual Report and Auditor's Report, appointment of Directors, auditors and declaration of dividend etc. are decided by passing an ordinary resolution,
- (iv) At times special business like alteration of Memorandum of Association or Articles of Association, removal of director before his term, etc. are decided by passing a special resolution,
- (v) Only special business is transacted in EGM. Thus ordinary and special business is transacted at Annual general meeting.

(5) A private company need not hold AGM.

Ans. This statement is false.

Reasons:

- (i) A private company must hold Annual general meeting,
- (ii) As per Company Act, Section 166, every company whether public or private must hold Annual general meeting once in a year after the end of the financial year,
- (iii) In this meeting the shareholders are informed about the performance of the company during the financial year and are presented with the profit and loss and balance sheet of the company,
- (iv) Also in this meeting, appointments of [Directors, Auditors, Solicitors, etc. are made by the members. They also have to approve the rate of dividend recommended by the Board of Directors,
- (v) All these items need the approval of shareholders. Hence all companies must hold Annual general meeting.

(6) EGM is held every year.

Ans. This statement is false.

Reasons:

Extra-ordinary general meeting is held only under special circumstances anytime during the year,

- (i) Usually Extra-ordinary general meeting is convened to discuss and decide special matters or urgent matters which cannot be postponed till the next Annual general meeting,
- (iii) Hence such meetings are called as and when needed and can be held any number of times in a year,
- (iv) Annual general meeting is the meeting which is held once a year in which the performance of the company during the year is reviewed.

(7) A member has a right to attend Board Meetings.

Ans. This statement is false.

Reasons:

- (i) A member has a right to attend all meetings of shareholders,
- (ii) A company lay hold 3 types of shareholders meeting viz Statutory Meeting, Annual general meeting id Extra-ordinary general meeting,
- (iii) In Annual general meeting and Extra-ordinary general leering, various matters related to the functioning of company are discussed and decided by le members collectively. As an owner of company, the member can attend only Shareholder Meeting.
- (iv) Board meetings are meetings of directors of company in which they discuss and decide issues related to management of the company. Hence a member cannot attend this leering.

(9) 21 clear days' notice should be given in case of Board Meetings.

Ans. This statement is false.

Reasons:

- (i) 21 dear days' notice should be given in case of shareholders/general meetings,
- (ii) As per Companies Act, Company has to send a notice at least 21 clear days in advance i.e. excluding the date of meeting and date of the notice by ordinary post,
- (iii) This is because the notice must reach all members well in advance so that they have enough time to prepare for the meeting,
- (iv) In fact, for the Board Meeting, the Act states a reasonable length of notice be given. It has not specified the exact days of notice period.

CHAPTER 10 – BUSINESS CORRESPONDENCE**Q.1. TRUE OR FALSE**

(1) Business Letter is a silent salesman.

Ans. This statement is true.

Reasons:

- (i) Business letter is sent by the sender to the receiver either as a reply to his queries or to give some information or message,
- (ii) While drafting the letter, the sender has to keep the purpose in mind and plan how he wants to write the letter so that he gets a favourable response from the receiver,
- (iii) Writer should ensure his letter is correct, concise, courteous and also consider the reader's view point,
- (iv) Thus, a well written letter creates a good impression on the reader,
- (v) Business letter opens up and helps in maintaining relationship with outsiders.

Hence, business letter is called as the silent salesman of the organisation.

(2) You attitude means using the word you' repeatedly in a letter.

Ans. This statement is false.

Reasons:

- (i) You attitude means writing a letter from the reader's point of view,
- (ii) It means presenting the contents of letter in such a way that the reader sees how it is advantageous to him.
- (iii) The writer should write the letter keeping in mind the needs and desires of the reader,
- (iv) By using you attitude, the writer creates positive feelings in the reader and gets a favourable reply,
- (v) When you attitude is used, reader understands what is being conveyed is for his own benefit and thus responds positively.

Thus you attitude means giving consideration to the feelings of the reader and not using the word 'you' repeatedly in a letter.

(3) A letter without date is incomplete.

Ans. This statement is true.

Reasons:

- (i) The date on a letter indicates when the letter was written by the writer,
- (ii) This date helps the reader to know how promptly the other party has replied,
- (iii) Moreover, it can also be used as evidence under certain circumstances. For eg. if offer was for a limited period, or a reply was expected within a certain period, the date of the letter can be used as legal proof of the fact that the letter was actually written on that date.
- (iv) Date also helps reader in arranging or filing the letters in chronological order,
- (v) A letter without date has no legal significance and is treated as a mere draft.

Thus a letter without date is incomplete.

(4) A letter without date is complete.

Ans. This statement is false.

A letter without date is incomplete.

Reason: For answer please refer answer to Q.4. (3) above.

(5) Inside address introduces the firm.

Ans. This statement is false.

Reasons:

- (i) Heading / Letterhead introduces the firm,
- (ii) Letterhead / Heading has name and address along with telephone nos., fax nos. Email address, etc of the sender/writer of the letter,
- (iii) It is usually printed at the top centre of the letter in pyramid style i. e. 1st line has only name of firm, second line is longer than the 1st line which has the postal address and so on.
- (iv) The name of the firm is usually printed in bold -and stylish manner to catch the eyes of the reader. It is made as attractive as possible,
- (v) Inside address is the address of the receiver of the letter.

Thus the letterhead introduces the firm.

(6) A subject line helps in filing.

Ans. This statement is true.

Reasons:

- (i) Subject line gives the summary or purpose of the letter,
- (ii) It is written in the centre of the letter below the inside address or above the first paragraph of the body of the letter,
- (iii) It is written as Sub.: and it should not be more than a line,
- (iv) The subject line or caption line helps the reader know the purpose of the letter at a glance,
- (v) It also helps in filing the letter on the basis of the content/purpose of letter.

Thus subject line helps in filing.

(7) Yours faithfully is an example of complementary close.

Ans. This statement is True.

Reasons:

- (i) Complimentary close is the concluding part of a business letter. It is like saying goodbye to the reader,
- (ii) It is placed below the body of the letter on the right hand side,
- (iii) It should match with the salutation used. If salutation is "Dear Sir", complimentary close should be "yours faithfully" and if salutation uses name of the reader, the complimentary close should be "yours sincerely",
- (iv) But often a business letter uses "Dear Sir/Madam" i. e. does not use the name of the reader and hence often "yours faithfully" is used as the complimentary close,
- (v) Complimentary dose is a way to conclude or end a letter in a polite manner.

(8) Signature provides legal value to the letter.

Ans. This statement is true.

Reasons :

- (i) A signature in the letter indicates who has written the letter,
 - (ii) It is put after the complimentary close and is always in hand written form and never printed,
 - (iii) Signature helps in fixing the responsibility on the person for the contents of the letter,
 - (iv) It also tells the reader to whom he should send his reply to.
 - (v) This signature helps in identifying the writer and fixing responsibility on him.
 - (vi) A letter without signature is considered as a draft and has no legal value.
- Hence a signature provides legal value to the letter.

(9) Signature need not be handwritten.

Ans. This statement is false.

Reasons:

- (i) Signature should always be handwritten,
- (ii) A signature in the letter is put by the writer and thus helps in identifying the writer of the letter,
- (iii) It shows the person responsible for writing the letter,
- (iv) Hence signature should always be handwritten and never printed even if the rest of the letter is typed,
- (v) The signature puts the responsibility on the writer for the contents of the letter.

(10) A letter without signature is complete.

Ans. This statement is false.

A letter without signature is incomplete.

Reasons: For answer refer points (i) to (vi) of answer to Q.4. (8) above.

(11) Postscript is essential in every business letter.

Ans. This statement is false.

Reasons:

- (i) Postscript is to be avoided in a business letter,
 - (ii) Postscript is used to write any matter which was forgotten to be written in the body of the letter,
 - (iii) it is written after the end of the letter below the enclosures on the left hand side margin,
 - (iv) Postscript in a letter indicates the carelessness of the writer, his lack of concentration and planning while writing the letter,
 - (v) It creates a bad impression about the writer.
- Hence postscript should be avoided in a business letter.

(12) Margin on all sides is a waste of paper.

Ans. This statement is false.

Reasons:

- (i) Margin is needed on all sides of the letter,
 - (ii) A margin of 1 or 1.5 inch is to be left on all sides of the paper,
 - (iii) Margin on left hand side of letter protects the contents of a letter from being cut or hidden after the letter is filed,
 - (iv) Margin on top,- bottom or right hand side can be used to make some notations by the reader.
 - (v) Moreover, margin on all sides makes the appearance of the letter more attractive.
- Hence margin on all sides is not a waste of paper.

Q.2. DISTINGUISH BETWEEN

1. Head address and Inside address

Head address	Inside address
(1) Meaning: It contains the name and of the sender.	(1) It contains the name and address of receiver of the letter.
(2) Location: It is placed on the top Letter	(2) It is written on the left hand margin the reference no.
(3) Purpose / Use: It gives details of the of the letter. It identifies the writer of letter.	(3) It gives details of the receiver. In window envelop, this address is hence no need to write the address of receiver on the
(4) Form : It is usually printed in an pyramid style.	(4) It is usually written in block style.
(5) Details: It always contains the address and other details like phone no., E-mail ID, etc of the sender.	(5) It may contain only the name designation of the receiver. In case a envelop is to be used, it contains the full postal address of -receiver.

2. Salutation and Complimentary close

Salutation	Complimentary close
(1) Meaning : It is the formal way of greeting the reader.	(1) It refers to the formal way of saying goodbye to the reader.
(2) Purpose/Use: It helps to cordially introduce the writer and also helps in building a rapport with the reader	(2) It is one way of showing politeness and gratefulness to the reader. It is a way of taking leave from the reader.
(3) Location/Place : It is placed in between the* inside address and subject line or attention line, if there is any.	(3) It is placed between the concluding part of the body of letter and the signature of the writer.
(4) Words used : Words used as salutation can be Dear Sir, Respected Madam etc if it is addressed to a person of authority or a stranger. In case of dose relationship between the sender and reader, writer may use the name of the reader after the word Dear	(4) Usually words, like "yours faithfully", "yours sincerely' etc. are used in case of formal letters or where salutation begins with 'Dear*. To close friends and relatives, one may -use 'yours truly', lovingly' etc.
(5) Order: Salutation comes before complimentary close. It comes in the beginning of the letter.	(5) This comes after salutation towards the end of the letter. It is written after the body of the letter.

3. Postscript and Enclosures

Postscript	Enclosures
(1) Meaning : Post Script means any new information added at the end of a letter after the letter is over and signed. It is written as P.S.	(1) Enclosure refers to documents sent along with the main letter. It is written as 'End.'
(2) Purpose/Use : It is useful to add any latest information or any important information which was earlier omitted by mistake	(2) It is used to support the facts/statements made in the letter. It serves as reference or as additional information.
(3) Indication / Effect: It indicates poor planning and carelessness on the part of the writer.	(3) It indicates proper planning of the letter
(4) Frequency of use : It should not be used often as it creates bad impression. It should be used only when absolutely necessary. Whenever possible, the writer should rewrite the entire letter.	(4) It should be used as often as possible as it enhances the quality of the letter.
(5) Place: P. S. is written at the end of the letter after the signature of the writer at the left hand side of the letter.	(5) Enclosure is written at the end of the letter, i.e. left hand side often after P.S.
(6) Number: In, a letter, there may be only one postscript.	(6) In a letter, there may be more than one enclosures.

CHAPTER 11 – SECRETARIAL CORRESPONDENCE WITH DIRECTORS

Q.1. TRUE OR FALSE

(1) Director act as trustees of the company.

Ans. This statement is true.

Reasons:

- (i) Directors are the elected representatives of the shareholders,
- (ii) There separation of ownership and management in a joint stock company and hence the owners i.e. shareholders appoint the Directors to manage the company* on their behalf,
- (iii) The shareholders entrust them with their money and expect the directors to take proper care the company's assets and money,
- (iv) Thus the directors act as trustees of the company and always act in the best interest of the company.

(2) Director can take decisions individually.

Ans. This statement is false.

Directors can take decisions only collectively.

Reasons :

- (i) Directors are the elected representatives of the shareholders.
- (ii) Collectively they are called the Board and individually they are called as directors.
- (iii) As per the companies Act, the Board of Directors only are allowed to take decisions,
- (iv) In Board Meetings matters are discussed and then decided by the majority,
- (v) Thus individually directors cannot take decisions but collectively the Board can take decisions.

(3) Secretary gives information to the directors.

Ans. This statement is true.

Reasons :

- (i) The directors are the elected representatives of the shareholders,
- (ii) They have to perform various statutory and managerial duties, (iii) As per the Companies Act, a company secretary is appointed to help the Directors in conducting their activities.
- (iv) The secretary guides the directors, gives them relevant information, ensures that directors act within their powers, etc.

Thus secretary helps directors by giving information

(4) Company secretary need not attend the Board Meetings.

Ans. This statement is false. A secretary has to attend Board Meetings.

Reasons :

- (i) A company secretary has a statutory duty to help in convening and conduct of all the meetings of a company,
- (ii) Hence a secretary has to help the chairman, convene and conduct general meetings. Board meetings, committee meetings and creditors meeting,

- (iii) A company secretary has to draft and send Notice and Agenda of board Meetings, check the quorum, take attendance of Directors in Director's Attendance register, assist the Chairman during the meeting by giving information or any other help and also has to take down the minutes,
 - (iv) Thus, a secretary though is an employee and lots a director of the company, he still has to attend all Board Meetings.
- (5) A director must acquire qualification shares within 3 months from date being appointed as a director of the company.

Ans. This statement is false. A director must acquire qualification shares within 2 months of his appointment.

Reasons:

- (i) Qualification shares are shares which a person has to buy to become a director of a company,
 - (ii) He has to buy this shares within 2 months of his appointment Director,
 - (iii) The Articles of a company prescribes provisions regarding qualification shares.
 - (iv) if a Director fails to buy his qualification shares, within the prescribed time limit, he may lose his directorship.
- (6) A director can remain absent for any number of consecutive meetings without the consent of the chairman.

Ans. This statement is false. A director can remain absent only with the prior consent of the chairman.

Reasons:

- (i) As per Section 283, the office of a Director becomes vacant if he absents himself from 3 consecutive meetings without obtaining the leave of absence from Board.
- (ii) Hence if a Director cannot attend a meeting he should in advance inform the chairman in writing about his inability to attend a meeting,
- (iii) The chairman has the power to grant leave of absence to a director,
- (iv) I hus, if a director remains absent for-more than 3 meetings without taking prior leave of absence, he will have to leave his post of directorship.

CHAPTER 12 – SECRETARIAL CORRESPONDENCE WITH REGISTRAR OF COMPANIES

Q.1. TRUE OR FALSE

(1) The Registrar of Companies is appointed by the State Government.

Ans. This statement is false.

Reasons:

- (i) The Registrar of Companies is appointed by the Central Government,
- (ii) He is a full time officer appointed to ensure the implementation of Companies Act, 1956.
- (iii) Every state has one Registrar of Companies who looks after the enforcement of the Act in his state,
- (iv) Registrar of Companies has responsibility to ensure proper compliance of the Act by companies registered with him.
- (v) He issues Certificate of Incorporation, Trading Certificates and has to periodically receive from companies various documents, reports and returns.

(2) Company Secretary has to file copy of special resolution with the Registrar of Companies.

Ans. This statement is true.

Reasons:

- (i) Secretary has to file copies of any special resolution' passed in a general meeting within 30 days of its passing,
- (ii) The copy of resolution should be accompanied by an explanatory statement of the facts,
- (iii) All special resolutions, resolutions regarding appointment of Managing Director; resolution about voluntary winding up of company etc. has to be filed by the company with Registrar of Companies,
- (iv) If default is made in complying with the filing of special resolution, the company and every officer of the company which is in default shall be punishable with a fine upto Rs. 200 for every day till default continues.

(3) The Registrar is a statutory authority under the Indian Companies Act, 1956.

Ans. This statement is true.

Reasons:

- (i) The central Government through the Ministry of Corporate Affairs administers the Companies Act, 1956.
- (ii) For proper administration of the Act, the Central Government has appointed Registrar of Companies in every state,
- (iii) The Registrar of Companies has to register companies and also ensure that they follow the provisions of the Act.
- (iv) Registrar of Companies is responsible for all the companies registered and falling in his jurisdiction, can also take actions against companies not complying with the Act or his orders.

(4) The Registrar of Companies can impose fine or penalty on companies when irregularities are noticed.

Ans. This statement is true.

Reasons:

- (i) The Registrar of Companies is a statutory authority appointed by Central Government in each state to administer the Companies Act, 1956.
- (ii) Every state has Registrar of Companies who is in charge of all the companies registered with him.
- (iii) As he is the statutory authority, he has been given powers by the Companies Act, 1956 to impose fines and penalties on companies, when irregularities are noticed,
- (iv) For eg. Registrar of Companies impose a fine of ₹ 500 per day till default continues if the Annual Return is not filed within 60 days of the Annual General Meeting.

CHAPTER 13 – SECRETARIAL CORRESPONDENCE WITH BANKS

Q.1. TRUE OR FALSE

(1) Overdraft facility is granted to savings account.

Ans. This statement is false.

Reasons :

- (i) Overdraft facility is granted to only current account holders.
- (ii) Overdraft is facility where the bank allows the current account holders to withdraw money in excess of their balance in the account against some security,
- (iii) Bank charges interest on the amount withdrawn,
- (iv) This is a short term lending facility given by banks to their current account holders to overcome their temporary shortage of funds,
- (v) Savings account is an account in which account holders can deposit money as and when they like and has restrictions on withdrawals.

(2) No interest is paid by banks on current account.

Ans. This statement is true.

Reasons:

- (i) Current account is an account meant for businessmen and business organisations,
- (ii) There is no restriction on number of deposits or withdrawals.
- (iii) Banks cannot utilise the funds deposited in this account for lending purpose.
- (iv) Hence banks do not pay interest on such accounts but offers them overdraft facility.
- (v) Banks usually pay interest on fixed and savings account.

(3) Bank account of company is operated by shareholders.

Ans. This statement is false.

Reasons:

- (i) Bank account of a company is operated by its authorised signatories.
- (ii) Company opens a current account in the name of the company and authorises certain directors and company secretary to operate the account,
- (iii) Company has to give their specimen signature to the bank,
- (iv) If any of the authorised signatories leave the company, the company has to inform the bank about the new signatories and submit their specimen signatures.

(4) Joint stock company open savings account

Ans. This statement is false.

Reasons:

- (i) Joint stock company opens current account,
- (ii) Current account allows the account holder to deposit or withdraw money any number of times without any restrictions.
- (iii) Hence a company opens a current account as it may have to deposit money or withdraw money frequently. No interest is paid by the bank,
- (iv) Savings account is opened by salary earners to deposit their savings. There is restriction on number of withdrawals. However, they are given attractive interest by the bank.

(5) Board resolution is not required to open the current account in bank.

Ans. This statement is false.

Reasons:

- (i) Board resolution is a must to open a current account in the name of a company in a bank,
- (ii) A company is an artificial person and operates through its Board of Directors and other officials,
- (iii) Hence the company's bank account is operated by its authorised persons,
- (iv) Company has to pass a resolution in its Board Meeting and name the Directors and Company Secretary who will operate the Bank account,
- (v) Every time there is a change in the signatories, company has to inform the bank.

CHAPTER 14 - SECRETARIAL CORRESPONDENCE WITH**Q.1. TRUE OR FALSE**

(1) Insurance is one of the important ancillary service.

Ans. This statement is true.

Reasons:

- (i) Insurance is a tool to transfer the risk of financial loss from an individual to the insurance company,
- (ii) Businessmen face various risks in their business in the form of loss due to fire, accidents, thefts, etc.
- (iii) There are different types of insurance like Fire, Marine, Accident Insurance, etc
- (iv) Insurance company pay compensation to the businessmen in the event of loss to bring him back to the same position he was before the event.

(2) Insurance is a contract

Ans. This statement is true.

Reasons:

- (i) Insurance is a contract between the insurance company and the person who wants insurance,
- (ii) The insurance company agrees to pay compensation of a certain amount if loss occurs to the subject matter due to a certain event within a specified time period. For this assurance, the insurance company charges a certain sum from the insured called as premium,
- (iii) The insured agrees to pay a certain premium and also agrees to all the terms and conditions stipulated by the insurance company,
- (iv) Both the parties have to strictly follow the terms of contract,
- (v) The insurance contract is for a definite period of time.

(3) Fire insurance is a contract to cover risk of loss due to sea perils.

Ans. This statement is false.

Reasons:

- (i) Fire insurance is a contract to cover risk of loss due to fire,
- (ii) It is taken by the owner or user of property or goods to protect himself from any loss due to fire,
- (iii) It is taken for short period not exceeding 1 year and the principle of indemnity is applicable to this insurance,
- (iv) Marine insurance is a contract to cover risk of loss to ship or cargo due to perils of sea.

(4) Marine insurance gives protection against financial loss due to water.

Ans. This statement is true.

Reasons :

- (i) Marine insurance covers risk of loss to ship or cargo due to perils of sea.
- (ii) The ship or cargo may be damaged or lost if sea water enters the ship, or if it collides with another ship or if it sinks. These risks are called as perils of sea.
- (iii) Marine insurance covers risk of loss to ship, freight or the cargo,
- (iv) It is usually taken by the shipping company, the exporter or importer

(5) Accidental injuries or death risks are covered by general Insurance.

Ans. This statement is true.

Reasons:

- (i) Accidents are any unforeseen incidents or events which causes damages or loss to life and property.
- (ii) Hence businessmen and individuals can take accident insurance,
- (iii) Accident insurance is a contract where the insurance company agrees to compensate the insured for any damage or loss caused due to accidents like injury or death,
- (iv) The property of the business as well as its employees face different types of risks and hence businessmen take accident insurance for their protection.

(6) Hull Insurance is taken by the cargo owner.

Ans. This statement is false.

Reasons :

- (i) Hull insurance is taken by the owner of ship or shipping company,
- (ii) Hull insurance is taken against any loss to the ship against perils of sea.
- (iii) Cargo owners take cargo insurance to protect any loss to the cargo due to the perils of sea.
- (iv) Both hull and cargo insurance are types of marine insurance and is taken for a short period of time.

Q.2. DISTINGUISH BETWEEN

1. Fire Insurance and Marine Insurance

Fire Insurance	Marine Insurance
(1) Meaning : It is a contract where insurer promises to pay compensation to insured if something happens to the subject matter	(1) It is a contract whereby the insurance company undertakes to pay compensation to the insured in case of loss to him due to perils of the sea.
(2) Subject matter : All types of property i.e. movable or immovable e.g goods, buildings, shops, factory is the subject matter.	(2) Ship, cargo and freight are the subject matter of marine insurance.
(3) Risks covered : It covers loss to subject matter due to fire.	(3) It covers risks of loss to subject matter due to perils of sea.
(4) Taken by: It is taken by individuals and businessmen for their properties.	(4) It is taken by exporters, importers and shipping company.
(5) Period : It is generally for a short period like one year.	(5) It is for a very short period i.e. lesser than a year or for a specific voyage.
(6) Insurable interest: It must exist both at the time of entering the contract as well as at the time of happening of loss	(6) It must exist at the time of loss.
(7) Coverage : Fire insurance cannot cover any loss due to perils of sea.	(7) Marine insurance can cover loss due to fire under one policy.
(8) Types: Specific policies, valued policy, floating policy are types of fire insurance policies.	(8) Time policy, voyage policy, etc are types of marine insurance policies.

2. Fire Insurance and Accident Insurance

Fire Insurance	Accident Insurance
(1) Meaning : It is a contract where insurer promises to pay compensation to insured if something happens to the subject matter due to fire or related events.	(1) It is a contract whereby the insurance company undertakes to pay compensation for physical injury, disablement or death due to accidents to the insured or his nominee.
(2) Subject matter: All types of property i.e. movable or immovable e.g. goods, buildings, shops, factory is the subject matter.	(2) It covers human life or liability as well as property.
(3) Risks covered : It covers loss to subject matter due to fire.	(3) It covers risks of loss to subject matter due to accidents.
(4) Insurable interest: It must exist both at the time of entering the contract as well as at the time of happening of loss.	(4) It must exist at the time of entering the contract.
(5) Contract of Indemnity : It is a contract of indemnity as loss can be measured.	(5) It is not a contract of indemnity as loss due to accidents to a person cannot be measured.
(6) Types of Policies : Specific policy, valued policy, floating policy are the types of fire insurance policies.	(6) Personal accident policy, group policy and mediclaim policy are types of accident policies.
(7) Rate of premium: The premium charged by insurance company depends upon the nature of subject matter and risk to be covered.	(7) The premium depends upon occupation of an individual and the type of risks to be covered.