J.K. SHAH TEST SERIES
Evaluate Learn Succeed

SYJC PRELIM FEB'19
SECRETARIAL PRACTICE
SOLUTION

DATE: 27th JAN 2019

Q.1. (A) Select the correct answer from the possible choice given below and rewrite the sentences: (5 Marks)

1. During the period of boom in share market **Equity Shares** are issued to raise capital.
2. Debentures are secured through **Trust Deed**.
3. Transfer of shares is **A voluntary Act**.
4. In order to redeem old debentures the company issues **Fresh debentures**.
5. Dividend should be distributed within **30** days from its declaration.

(B) Match the correct pair (5 marks)

Group A	Group B
a. Debentures holders b. Renewal of deposits c. Interim dividend d. Letter of regret e. Stock exchange	1. Approval of secretary 2. Declared between two AGM 3. Creditors of the company 4. Primary market 5. Approval of deposits 6. Owners of the company 7. Secondary market 8. Share applicant becomes shareholder 9. Declared in extra ordinary general meeting 10. Refund order

Ans. a – 3, b – 5, c – 2, d – 10, e – 7

(C) Write a word or a term or phrase which can substitute each of the following statements. (5 marks)

1. Instrument of payment of dividend. **Ans. – Dividend Warrant**
2. Documentary evidence of holding the debentures. **Ans. – Debenture Certificate**
3. A market place where the existing share are bought and sold.
   Ans. – Secondary Market
4. Credit extended by suppliers with an intention to increase their sales.
   Ans. – Trade Credit
5. The sums of current assets of business working capital. **Ans. – Working Capital**

Q.2. Distinguish between [Any Three] (15 marks)

1. Equity shares v/s preference shares.

Ans.

No.	POINTS	EQUITY SHARES	PREFERENCE SHARES
1	**Meaning**	Equity Shares are those shares, which do not enjoy preferential right in regard to payment of dividend and repayment of capital.	Preference Shares are those shares, which enjoy preferential right in regard to payment of dividend and repayment of capital.
2	**Right of Dividend**	Equity Shares receive dividend only after Preference Shares are paid fixed rate of dividend.	Preference shareholders are given preference in the payment of dividend over the Equity Shares.
3	**Rate of Dividend**	The dividend rate is not fixed. It is fluctuating. The rate of dividend depends upon the profits of the company during the year.	The dividend rate is fixed on Preference Shares. It is fixed at the time of issue of Preference Shares.
4	**Types**	There are two types of Equity Shares viz. Equity shares with normal voting rights and Equity shares with	There are eight types of Preference Shares viz. cumulative, non-cumulative participating, non-

		differential voting	participating, redeemable, irredeemable, convertible & non-convertible.
5	**Return of Capital**	Equity Share Capital is permanent capital repaid only in the event of winding up if anything remains after paying Preference Shares.	Redeemable Preference Shares are paid after certain period. Convertible Preference Shares are converted into Equity Shares, but irredeemable Preference Shares are fixed in nature. They are paid before Equity Shares in the event of winding up.
6	**Voting Rights**	Equity Shareholders enjoy normal voting rights.	Preference Shareholders do not enjoy normal voting rights, but can vote on matters affecting their interest.
7	**Bonus & Right Shares**	Equity shareholders are eligible for bonus shares and rights shares, if issued by the company.	Preference shareholders are not eligible for bonus shares and right shares, if issued by the company.
8	**Nature of Investors**	Those investors who are ready to take a risk, invest in Equity Shares. Equity Share Capital appeal to the risk-bearing investors.	Those investors who are not ready to take a risk, invest in Preference Shares. Preference Shares appeal to the cautious investors.
9	**Redeem ability**	Equity Shares are not redeemed during the life of a company.	Redeemable Preference Shares are redeemed after certain period of time.
10	**Face value**	Normally, Equity Shares are issued for a face value of Rs.10. The face value of Equity Shares is relatively low.	Normally, Preference Shares are issued for a face value of Rs.100. The face value of Preference Shares is relatively high.
11	**Risk**	Equity Shares are subject to higher risk. Investment in equity shares may get less dividend when company earns less profit.	Preference Shares are subject to Less risks. Investment in Preference Shares normally get steady and regular dividend.

2. Transfer of shares v/s transmission of shares.

Ans.

No.	**Points**	**Transfer of shares**	**Transmission of shares**
1.	Meaning	Transfer of shares means transfer of ownership of shares from one person to another.	Transmission of shares means transfer of shares by operation of law.
2.	Kind of action	Transfer of shares is a voluntary act of the parties i.e. transferor and transferee.	Transmission of shares is a kind of compulsory action on happening of specific event like death, insolvency or lunacy of share holder
3.	Reason	Transfer of shares takes place when both the transferor and transferee are living. It takes place only when the transferor submits instrument of transfer.	Transmission of shares takes place only on death or insolvency or lunacy of a shareholder. The legal representative has to submit evidence proving his legal status.
4.	Initiative	Transfer of shares is affected by the shareholder i.e. transferor or by a person authorized by him.	Transmission of shares is affected by the legal representative of the shareholder.
5.	Consideration	Transfer of shares takes place against some consideration unless shares are transferred by way of gift.	The question of consideration does not arise in case of transmission.
6.	Stamp duty	In case of transfer of shares. Stamp duty is payable on the market value of share.	No stamp duty is payable in case of transmission as it in passing of property without consideration.

3. Money market v/s Capital market.

Ans.

No.	Points	Money market	Capital market
1	Meaning	A market where short term funds are borrowed and lend.	A market for borrowing and lending long term capital required by business enterprise.
2	Terms of finance	It provides short term funds, in short term instruments where the maturity is measured in days, weeks, or months.	It is a market for long term instruments which is measured in years.
3	Instruments	The instrument dealt in the market are bills of exchange, treasury bills, bankers acceptance, etc.	The instruments dealt in this market are bonds, debentures, equity shares and stock.
4	Functions	Money market exists as a mechanism of liquidity adjustment i.e. a link between depositors and borrowers.	Capital market functions as a link between the investors and entrepreneurs.
5	Risk	The prices of these instruments do not fluctuate and they carry very low market risk.	The instruments are long term and subject to market fluctuations and so they carry very high financial and market risk.
6	Institution	The commercial banks are the important institutions in the money market.	The stock exchange is an important institution in the capital market.

4. Letter of allotment v/s Letter of regret.

Ans.

No.	Points	Letter of Allotment	Letter of Regret
1.	Meaning	Letter of allotment is an intimation to the share applicant that some or all the shares applied by him are duly allotted by the company.	Letter of regret is an intimation to the share applicant hat no shares have been allotted to him by the company.
2.	Person entitled to receive	It is sent to the applicant to whom shares are allotted.	It is sent to the applicant to whom shares are not allowed.
3.	Contents	It contains : i. Name if the applicant ii. Number of shares applied for iii. Number of shares allotted iv. Allotment money due v. Last date of payment of allotment money	It contains : i. Name of the applicant ii. Number of shares applied for iii. The Statement specifying that are company could not allot any shares. iv. The amount of refund order.
4.	Time of issue	Letter of allotment is issued in the event of allotment of shares.	It is issued when the company could not allot any shares to the share applicant.
5.	Preservation	It needs to be preserved by the applicant for securing the delivery of share certificate in exchange.	The better need not be preserved as it has no value for the receiver.
6.	Enclosures	Generally, no enclosures are sent along with this letter.	This letter is sent along with a refund order for the amount paid by the share applicant as share applicant money .
7.	Rights	On receiving this letter, the allottee gets the right of membership.	This better does not give any right to the share applicant .

5. **Final dividend v/s interim dividend.**

Ans.

Sr. No.	Points	Interim dividend	Final Dividend
1.	Meaning	Interim dividend is the dividend which is declared between two annual general meetings of a company.	Final dividend is the dividend which is declared at the annual general meeting of a company.
2.	When is it declared?	It is declared between two annual general meetings.	It is declared at the annual general meetings.
3.	Who declares?	Interim dividend is declared by the Board of Directors by passing a resolution if they are authorized by Articles.	Final dividend is recommended by Board of Directors and declared by the shareholders by passing ordinary resolution at Annual General Meeting.
4.	Rate of Dividend	Rate of interim dividend is less than final dividend.	The rate of final dividend is generally more than interim dividend.
5.	Legal Aspects	If company suffers a loss at the end of the year, the directors will be personally liable to make good amount of disbursed interim dividend.	Declaration of final dividend is always legal, as it is declared only after ascertaining the correct profit on basis of audited accounts.
6.	Authorization	Authorization of Articles is necessary for declaration of interim dividend	Authorization of Articles is not necessary for declaration of final dividend
7.	Sources of Declaration	It is declared only out of the periodic profits of the financial year only.	It is declared out of a) Current Profits b) Profits of previous year c) Capital Profits d) Reserves e) Financial assistance provided by government for dividend

Q.3. Write short notes on [Any Three] (15 marks)

1. **Bonus Shares.**

Ans. Bonus shares are fully paid up shares given by a company as a gift, out of its accumulated or reserves. Only existing equity shareholders are entitled to get bonus shares. Bonus shares are free of cost to equity shareholders in proportion to their existing shareholdings. Certain pro portion decided for issuing bonus shares; for example if the ratio is decided 2:1, it means that a shareholder holding two shares will get one additional share as bonus share. Company brings its reserves or profit into business by way of bonus shares. Therefore, it is also called as ‘capitalization of profit.'

Following are the provisions related with issuing bonus shares –

1. Articles of Association of company must have provision regarding issue of Bonus Shares.
2. Bonus issue must be recommended by Board of Directors.
3. It must be sanctioned by shareholders in general meeting.
4. Bonus shares can be issued out of free reserves, share premium and accumulated profit.
5. No bonus issue shall be made within 12 months of any public right issue.
6. Company can’t issue bonus shares if interest is not paid on debentures or public deposits has defaulted repayment of principal amount or if it has defaulted in respect of employee like provident fund, gratuity, etc.
7. Company can’t issue bonus shares if the conversion of convertible debentures is pending.

A company which announces its bonus issue after the approval of Board of Directors must implement the proposal within a period of six months from the date of such approval and has no option of changing the decision. Bonus shares stand *paripassu* with equity shares which means they the same rights as equity shares like receiving dividend, voting rights, etc.

2. Importance of financial planning.

Ans. Financial planning is an important function of financial management. It is a continuous process in day-to-day administration of business. It is not possible for finance manager to go ahead unless he prepares 'financial plan'. Financial planning is not only required for profit making but even for survival of a firm. The term financial planning refers to assessment of financial requirements and arranging the sources of capital.

Modem management lays a great emphasis on detailed 'financial plan'. The financial plan must include information about economic environment in which business operates. It establishes targets of sales and profit. It promotes co-ordination of resources and efforts to reach these targets. Thus, financial planning is 'an advance programming of all plans of financial management'.

Definition :

J. H. Bonevillc

"The financial plan of a corporation has two fold aspects, it refers not only to capital structure of the corporation but also to the financial policies which corporation has adopted or intends to adopt."

Thus, Boneville has considered two important things for financial planning i.e.

(1) capital structure and

(2) financial policies.

This will ensure best possible use of funds.

- **Importance of financial planning** : The finance manager gets entire information about the firms activities. On this basis he prepares financial plan. In his efforts to construct financial plan, he is able to build up information. This information is useful for other functions for decision making. An excellent management information system is an asset which serves as 'guide' for overall activities of firm.

Significance of financial planning with the following points -

1. **Elimination of waste :** Due to financial planning, it is possible to eliminate the wasteful expenditure. There are several factors such as change in government policy on taxes, fluctuating interest rates, etc. which can be anticipated and tackled with the help of financial planning. Many organizations have suffered irreversible damage due to wasteful expenditure because of lack of financial planning.
2. **Co-ordination** : Co-ordination is the most vital part of management. Finance holds the key to all activities of organization such as production, distribution, marketing and personnel. These activities will hamper if not supported by proper financial planning. It is responsibility of finance manager to bring about co-ordination among all departmental heads of organization. In other words, financial planning should match production planning, distribution planning, personnel planning and overall corporate planning.
3. **Dynamism :** Financial planning is a demanding exercise, which requires dynamism on the part of finance manager. It means finance manager must take initiative and face various changing financial situations as and when they arise. Accurate forecast of future trends are required for effective planning. Unprofitable ventures can be avoided while profitable projects can be undertaken when such forecasts are available. Thus, dynamism becomes an integral part of effective financial planning.

4. **Communication** : Communication is an effective tool of management. Financial planning enables the finance manager to communicate various aspects of financial plan to the executives of other departments. Detailed policies and procedures must be made known to every' one in the organization, so that there is no wastage of time, goodwill and financial resources. Effective financial planning helps finance manager to communicate easily with others in the organization.
5. **Decision making :** it is necessary for a firm to take appropriate and timely decisions to achieve its objectives. Financial planning prepares itself for attainment of these objectives. Any scheme, how so ever effective, cannot go through unless budgetary' provision is made in the financial planning.
6. **Integration :** Financial planning gives a fairly good idea to the firm about its available resources. Financial planning is to be completed in full consultation and co-operation of other departments. This promotes team spirit among all executives. The financial planning assists in integration of firm's activities.
7. **Futuristic** : Financial planning is effective when it foresees events. It means, it must take into account not only present but also future developments. This futuristic element of financial plan helps for advance programming.

3. Acceptance of deposits.

Ans. According to the provisions of Companies (Acceptance of Deposits) Rules 1975 and amendments made thereafter, all companies except the companies doing banking and finance business can accept deposits.

There are some restrictions or limitations on the acceptance of such deposits.

1. A company can accept deposits from public up to 25% of the total of its paid up share capital and free reserves.

2. A company can accept the deposits in the form of
   (i) Unsecured debentures
   (ii) Deposits from its members and
   (iii) Deposits guaranteed by the directors up to 10% of the total of its paid up capital and reserves.

3. In all, a company can accept deposits up to 35% of the total of its share capital and free reserves.

4. A Government company can accept deposits from public up to 35% of paid up capital and free reserves.

5. The application for deposits must be made in the prescribed form supplied by the company.

6. The depositor should give a declaration that the amount of deposits is not borrowed and accepted as deposit by him from any other person.

7. According to the provisions of the Companies Act a private company cannot accept deposits from the general public. Such a company can only accept deposits from its shareholders, relatives.

8. A company cannot accept deposits payable on demand.

9. A company can accept deposits for a minimum period of 6 months and maximum period years i.e. 36 months.

10. On acceptance of deposits company must issue a deposit receipt within 8 weeks from the date of receipt of money to the depositors.

11. The maximum rate of interest payable on deposit is 12.5 percent per annum, as per the Companies Amendment Rules 2001.

12. Company can pay brokerage on deposits collected, through brokers, depending on period deposits at the following rate;
    a) up to 1 year-1%   b) More than 1 year-1.5%   c) More than 2 years-2%

13. Company accepting deposits must keep a Register of Deposits at the registered office of the company.

14. Company must file with the Registrar, a return of deposits duly certified by the auditor of company on 31st March every year. A copy of such return must also be submitted to the Reserve Bank of India.

15. Any deposit received by a company against the provisions of the Act must be paid back by company within 30 days of the deposits.

4. Share warrant.

Ans. Meaning: - A share warrant is a bearer document of title to the shares issued by the company under its common seal, duly stamped and signed by at least two directors of the company.

A share warrant is a document issued by a public company stating that its bearer, is entitled to the shares specified there in. It is transferable by mere delivery and is substitute for the share certificate.

A public company may convert its share certificate of fully paid up shares, into share warrant. One big advantage of issuing warrants is that shares can be transferred by mere delivery of the share warrant. The registration of such transfer of shares is not necessary with the company.

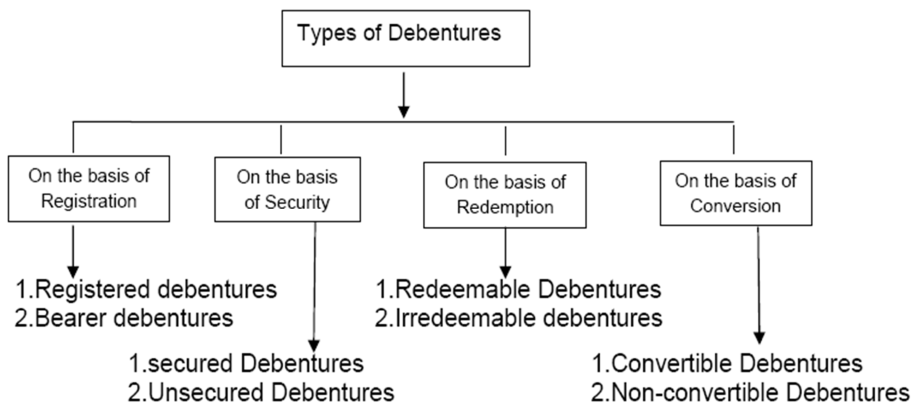
Statutory provisions regarding issue of share warrant

Section 114 of the Companies Act 1956, lays down the following provisions for the issue of share warrant.

i) Only a public company, limited by shares can issue share warrants.
ii) The Articles of Association must authorize the issue of share warrants.
iii) Approval of central government must be obtained for issuing share warrant.
iv) Share warrants cannot be issued originally. Only share certificates for fully paid shares, can converted into share warrants No share warrants can be issued against partly paid shares.
v) The company can issue share warrant only on the request of the shareholder.

5. Types of debentures.

Ans.



(1) On the basis of Registration :

(a) Registered Debentures : In the case of these Debentures, the names, addresses and particulars of holding are entered in a register kept by the company. Such Debentures are non- negotiable or transferable by mere delivery. Interest on such Debentures are payable only to registered holders of the Debentures through interest warrants. Transfers are freely allowed by executing proper transfer deeds and on formal approval of the Board of Directors.

(b) Bearer Debentures : Debentures which are not recorded in the Register of Debenture holders and also holder's names are not entered on the certificate (Debenture) are bearer debentures. These Debentures are freely transferable by mere delivery. No need of executing a transfer deed and no stamp duty is to be paid. Interest is payable to the holders on presenting interest coupons attached to the Debentures.

(2) On the basis of Security :

(a) Secured Debentures : Secured Debentures are those, which are secured by some charge on the property or assets of the company. They are also called mortgage debentures. If the company fails to repay the principal and interest to the debenture holders, the debenture holders have a right to recover the amount of Debentures and interest from the company by selling of the assets charged to them.

(b) Unsecured Debentures : These Debentures are also known as simple or naked debentures. Such debentures are not given any security for repayment of principal amount and interest. Unsecured debenture holders are ordinary creditors of the company. The general solvency of the company is the only security available to unsecured debentures.

(3) On the basis of Redeemability :

(a) Redeemable Debentures : These debentures are issued for a specific period say for 5 years or 10 years. On expiry of the specific period, debenture capital (principal) is redeemed or paid back. Interest is paid regularly, annually or half-yearly. Generally, all Debentures are redeemable debentures, if specifically not stated at the time of issue of debentures.

(b) Irredeemable Debentures : Irredeemable Debentures are those Debentures, which are not repaid or redeemed by the company so long as it is a going concern. On winding up of the company, these debentures are paid prior to the preference and equity shares. Interest on these debentures is a permanent charge on the profits of the company, which is paid regularly as per the agreement.

(4) On the basis of Convertibility :

(a) Convertible Debentures : Convertible Debentures are those debentures, which are convertible into Equity Shares on maturity as per the terms of issue. Interest is paid till the date of conversion. These are most popular among investors in India. Prior approval of shareholders and that of Central Government is required to issue convertible Debentures

(b) Non-convertible Debentures : Non-convertible Debentures are those Debentures which are not converted into Equity Shares. Till they are redeemed or not, they remain as creditorship or borrowed capital. Normally, all debentures are non-convertible unless specified or declared.

Q.4. State with reasons whether the following statements are true or false [Any Three] (15 marks)

1. Debenture holders are the owners of the company.

Ans. This statement is FALSE.

Debenture holders are the creditors of a company.

Reasons :

(a) Debenture is a loan or borrowed capital. It is not owned capital.

(b) Debenture holders are the creditors of a company.
(c) They provide loan to the company.
(d) They get interest on their investment in the company.
(e) Company provides interest at pre-decided fixed rate to the debenture holders.
(f) They have no voting right and cannot attend general meetings of a company.

Thus, the debenture holders are not the owners but creditors of a company.

2. There is no need of the depository system of trading in India.

Ans.

3. A Share certificate is a bearer document.

Ans. This statement is FALSE.

A share certificate is a registered document.

Reasons :

(a) It is a registered document as all particulars of shares mentioned in the share certificate are recorded in the Register of Members,
(b) Registered document means the ownership of shares,
(c) A share certificate is a non-negotiable document which cannot be transferred to another person without following a proper procedure as laid down in the Articles of Association of the company,
(d) A bearer document means any such document in which the name of the owner is not stated and not entered in the Register of Members.

But a share certificate is not a bearer document. It is a registered document.

4. Trading on equity is a double edged sword.

Ans. This statement is TRUE.

Reasons :

(a) Trading on equity means the use of borrowed capital for financing a firm.
(b) It is based on the principle that if the rate of interest on debt is lower than the rate of company's earnings, then the equity shareholders will enjoy additional profit. Out of company's earning, first interest is paid to debenture holders,
(c) Distribution of more dividend to shareholders increases company's goodwill, market value of shares, company's credit worthiness. Company can raise further loan at lower rate of interest,
(d) On the contrary if company earnings are not sufficient, shareholders would not get dividend which will affect company's credit worthiness. Company may not get further loans,
(e) If business earns sufficient profit, it will increase the income of shareholders otherwise it will increase risk of loss under adverse conditions.

5. The declared dividend is the statutory debt.

Ans. This statement is TRUE.

Reasons :

(a) Dividend is the part of company's profit distributed among shareholders.
(b) It is income of shareholders on their investment in shares.
(c) Dividend is that portion of corporate profit which has been set aside and declared by the company as liable to be distributed among the shareholders. Corporate profit is the profit declared by the companies established under Indian Companies Act, 1956.
(d) Provisions regarding declaration of dividend are mentioned in the Companies Act.
(e) Dividend is declared to shareholders on their investment in share capital out of company's profit.
(f) 'Debt' means amount payable by the company to shareholders.
(g) Once dividend is declared, company is liable to pay it. Shareholder can enforce payment of dividend with the help of Court.

Hence, dividend declared is the statutory debt.

Q.5. Attempt the following [Any Two] (10 marks)

1. State the legal provisions regarding declaration of dividend.

Ans. 1. The dividend may be paid to

a) The registered holder of a share or his order or to his banker.

b) To a bearer of share-warrant or to his banker.

2. The company pays dividend in proportion to the amount paid up on each share.
3. The dividend shall be paid in cash.
4. A company cannot pay dividend on advance payment of calls.
5. If the dividend is not paid within 30 days or dividend warrant is not posted within 30 days from its declaration, every director in default will be punishable with simple imprisonment for a term of 3 years and shall also be liable to a fine of ₹ 1000 per day during the period of default. The company shall be liable to pay simple interest at 18% p.a. during the period for which default continues.
6. Dividend on preference shares is fixed by the Articles of Association and is to be paid accordingly.

2. Draft letter or notice of dividend.

Ans.

Galaxy Company Limited

42, MIDC, Wagale Estate, Thane-400604

http://www.galaxy.co.in email : galco@gmail.com

Tele No. : 25471383 **Fax No: 25471384**

Ref : D/38/2012 **Date : 21st May, 2012**

Mr. Mukesh Naik

24/2, Laxmi Niwas,
Anant Kanekar Marg,
Bandra, Mumbai – 50.

Sub : Notice of Dividend

Dear Sir,

I am instructed by the Board of Directors to convey to you that in the 25th Annual General Meeting held on 10th May, 2012 final dividend @ 25% on equity shares of ₹ 10 each has been approved by the members for the year ending 31st March, 2012.

Your company has complied with all statutory provisions (Section 205 of the Companies Act, 1956) relating to declaration of dividend.

Details of dividend payable to you are as follows -

Register Folio no.	No, of shares	Distinctive Number		Dividend warrant no.	Gross dividend	Income Tax deducted	Net dividend
		From	To				
D 72	100	301	400	B-3256	₹ 250	Nil	₹ 250

Dividend warrant is attached here to .Please detach the dividend warrant along the perforated line.

Thanking You.

Yours faithfully,

For Galaxy Co. Ltd.

Sd/-

Encl – Dividend Warrant Secretary

3. Draft a letter to debenture holder informing him about payment of interest.

Ans.

DISHA INDUSTRIES LIMITED
50/A Bandrea-Kurla Complex
Bandra (East), Mumbai-400051
Web: http://www.dishaindustries.com

Tele No.: 24761524

Ref.: Disha 96/2011-12 Date : 24th Jan, 2012.

Mr. Ramchandra Bohare

H-4, Anil Housing Society,

Bhadkamkar Marg, Fort,

Mumbai-400001.

Sub : Payment of Interest on debentures

Dear Sir,

I am directed to inform you that the interest on your 100, 10% non-convertible debentures of ₹ 100 each is due for payment.
The details of amount of interest payable to you are as follows:

Follow No.	**Number of Debentures**	**Distinctive Nos.**		**Gross Amount of Interest ₹**	**T.D.S**	**Net Amount of Interest ₹**	**Interest Warrant No.**
		Form	**To**				
B344	100	501	600	1000	Nil	1000	IW4888

The interest warrant is enclosed herewith
Please acknowledge the receipt and oblige.

Thanking you.

Yours faithfully,
For Disha Industries Ltd.
Sd/-

Encl : Interest warrant **Secretary**

4. Draft a letter to a depositor about renewal of deposit.

Ans.

Sunrise Industries Limited
60/ A, V.S. Khandekar Raod,
Vile Parle (W) Mumbai – 400056.
Web: http://www.SunInd.co.in

Tele No. : 022-61246871 **Fax : 61246872**
Ref.: C/35/2012 **Date : 17th Feb, 2012.**

Smt. Kumudini S Pandit
772/B, L.J Road,
Mahim, Mumbai - 16.

Sub : Renewal of fixed deposit

Dear Madam,
We hereby acknowledge receipt of your application for renewal of deposit of ₹ 10,000 for a further period of one year. We have also received duly discharged deposit receipt No. 0064 within the stipulated fourteen days from maturity date alongwith clear instruction for renewal of deposit.
Accordingly we have renewed your deposit for a further period of one year one the same terms and conditions. Enclosed alongwith this letter is deposit receipt No. 4215 dated 15th Feb, 2012 for the renewed deposit.
It shall always be our endeavour to provide best of our service to you at all time.
Thanking you.

Yours faithfully,
For Sunrise Industries Ltd.
Sd/-
Secretary

Encl : Deposit Receipt

Q.6. Define debentures and explain the features of debentures. (10 marks)

Ans. Meaning :

The word 'debenture' has been derived from the Latin word ‘debere’, which means 'to owe something to someone’.

According to Section 2(12) of the Indian Companies Act, 1956, "debenture includes debenture stock, bonds and other securities of a company, whether constituting a charge on the assets of the company or not."

Capital raised by issuing Debentures is a borrowed or creditorship capital. A debenture is an acknowledgement of debt or loan. It is a document issued by the company under its seal acknowledging the debt taken from the investor. The holder of a debenture certificate is known as debenture holder.

Features of Debentures :

(1) Long Term Loan : The debentures provide long term finance. This is because, debentures can be issued for longer period of 3 years or more.

(2) Earnings : The debenture holders get a fixed rate of interest as income on the debentures.

(3) Status : The debentures represent the borrowed capital. Therefore, the debenture holders are the creditors of the company.

(4) Security : The secured debentures have a charge over the assets of the company. The charge may be fixed charge or floating charge.

(5) Redeemability : The redeemable debentures can be redeemed after a certain period of time.

(6) Issued by Private and Public Companies : The private as well as public companies can issue debentures.

(7) **Saleability :** Debentures can be easily transferred. A registered debenture is transferable through the instrument of transfer. A bearer debenture can be transferred by mere delivery.

(8) **Kinds** : A company can issue different types of debentures like secured or unsecured debentures, registered or bearer debentures, redeemable or irredeemable debentures and convertible or non-convertible debentures.

(9) **Less Risk** : Debentures are less risky as compared to shares. This is because debenture holders are the creditors of the company. They get preference of repayment over the shareholders at the time of winding up of the company.

(10) **Option of Conversion** : Convertible debentures can be converted into Equity Shares after a certain period of time.

(11) **Absence of Control** ; The debenture holders have no control over the management. The debenture holders are creditors of the company and not the owners. Therefore, they do not have control over the management.

(12) **Nature of Capital** : The amount collected by a company by way of issue of debentures is the creditorship capital.

OR

Draft a letter to a shareholder regarding an issue of bonus shares.

Ans.

Rainbow Steel Industries Limited
140, New MIDC,
Ausa Road, Latur – 413512
http://www.rbs.com

Tele No. : 02382-222255 **Date : 17th May, 2012**

Ref : Rainbow /57/2012

Mr. Suresh Bhagat

Saraswati Niwas,
Somwar Peth,
M.G.Road, Miraj

Sub : Issue of Bonus Shares

Dear Sir,
I am directed by the Board of Directors to inform you that at the extraordinary general meeting held on 9th May, 2012 shareholders have unanimously approved the recommendation of board of directors to issue bonus shares in the ratio of 1:1 i.e.. one bonus share for each fully paid equity share held by the shareholder.
Detail of bonus shares issued to you are as follows :

Client ID/DP/ID/Folio No.	No, of quity shares held	Bonus shares allotted	Distinctive Numers		Share Certificate No.
			From	To	
M-354/2	100	100	2001	2100	372

Your company has complied with statutory provisions for issue of bonus shares.
These shares shall rank on par with the existing equity shares of the company.

Since you have not submitted any details about your D'mat account, company has arranged to send share certificate in respect of your bonus shares in Physical form.
Kindly acknowledge the receipt.

Thanking You.

Yours faithfully,

For Rainbow Steel Industries Ltd.

Sd/-

Encl – Share Certificate Secretary

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