



J.K. SHAH[®]
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SUGGESTED SOLUTION

SYJC

SUBJECT- SECRETARIAL PRACTICE

Test Code – SYJ 6123 A

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER : 1(A)**[5 Marks]**

1. Less
2. Trust deed
3. Fresh debentures
4. ID no.
5. Board of directors

ANSWER : 1(B)**[5 Marks]**

1. Debenture certificate - Evidence of ownership
2. Letter of thanks - When deposits are accepted
3. Commercial bill - Short term credit
4. Bear - Pessimistic about fall in price of shares
5. Overdraft facility - Current account

ANSWER : 1(C)**[5 Marks]**

1. Capital structure
2. Trade credit
3. Issue at par
4. Register of deposits
5. Interest

ANSWER : 2**1. Equity shares and preference shares**

No.	Points	Equity Shares	Preference shares
1.	Meaning	Equity shares have no priority right while receiving dividend and repayment of capital at the time of winding up of company.	Preference shares carry preferential right in respect of dividend payment and repayment of capital in winding up of company.
2.	Rate of dividend	Equity share holders are given dividend at fluctuating rate depending upon the profits of the company.	Preference share holders get dividend at fixed rate.
3.	Voting right	Equity Shareholders enjoy normal voting right. They participate in the management of their company.	Preference shareholders do not enjoy normal voting right. They can vote only on matters affecting their interest.
4.	Nature of capital	Equity share capital is permanent capital. It is known as "Risk capital".	Preference share capital is 'safe capital' with stable return.
5.	Nature of Investor	The investors who are ready to take risk invest in equity shares.	The investors who are cautious about safety of their investment, invest in preference shares.
6.	Face value	The face value of equity shares is generally Rs. 1/- or Rs. 10/- It is relatively low.	The face value of preference shares is relatively higher i.e. Rs. 100/- and so on.
7.	Type	Equity shares are classified into (a) Equity shares with normal voting right (b) Equity shares with differential voting right	Preference shares are classified as (a) Cumulative preference shares (b) Non – cumulative preference shares (c) Convertible preference shares (d) Non – convertible preference

			<p>shares</p> <p>(e) Redeemable preference shares.</p> <p>(f) Irredeemable preference shares.</p> <p>(g) Participating preference shares.</p> <p>(h) Non – participating preference shares</p>
8.	Benefit of right shares and bonus shares	Equity shareholder is entitled to get right shares and bonus shares.	Preference shareholders are not eligible for right shares and bonus shares.
9.	Capital appreciation	Market value of equity shares increases with the prosperity of company. It leads to increase in the value of shares.	Market value of preference shares does not fluctuate. So there is no possibility of capital appreciation.
10.	Risk	Equity shares are subject to higher risk. That is because of fluctuating rate of dividend and no guarantee of refund of capital and repayment of capital.	Preference shares are subject to less risk. It is because of fix rate of dividend and preferential right as regards dividend and repayment of capital.

2. Share certificate and share warrant

No.	Point	Share certificate	Share warrant
1.	Meaning	Share certificate is a registered document of title to the shares issued by the company under its common seal, duly stamped and signed by at least two directors and counter signed by secretary of the company	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.
2.	Which company can issue?	Both private as well as public companies can issue share certificate.	Share warrant can be issued only by public limited companies.
3.	For which shares?	Share certificate is issued in respect of partly or fully paid shares.	Share warrant can be issued only in respect of fully paid shares.
4.	Approval	Issue of share certificate does not require the approval of the central government.	Issue of share warrant requires prior approval of the central government.
5.	Transfer	Share certificate is a registered document of title to the share. It can be transferred by following the procedure laid down in the Articles of Association.	Share warrant is a bearer document. It can be transferred by mere delivery without undergoing the regular procedure of transfer of share.
6.	Negotiability	Negotiability Share certificate is a not-negotiable document. It acts like evidence of the validity of title and ownership	Share warrant is a negotiable instrument
7.	Status/Rights of the holder	A holder of share certificate is a registered member of the company and enjoys normal rights to receive notices of meetings, attending meetings, voting rights, etc.	A share warrant holder is not a registered member of the company and does not enjoy normal membership rights.

8.	Qualification shares	Shares included in a share certificate can be considered as qualification shares for a director.	Shares included in the share warrant cannot be considered as qualification shares for a director.
9.	Distribution of dividend	Dividend is paid through dividend warrant posted by the company at the registered address of the member.	Dividend is paid through 'dividend coupon'.
10.	Petition for winding up to the company	The share certificate holder can submit a petition for the winding up of the company.	The share warrant holder cannot submit a petition for winding up of the company.
11.	Stamp duty	Share certificate requires nominal stamp duty.	Share warrant requires heavy stamp duty.

3. Primary market and secondary market

No.	Points	Primary market	Secondary market
1	Meaning	The market is utilized for raising fresh capital in the form of shares and debentures.	It is a market where existing securities are resold or traded.
2	Functions	The function is to raise long term funds through fresh issue of securities.	The function is to provide continuous and ready market for existing long term securities.
3	Participants	The participants are financial institutions, mutual fund, under writer, individual investors.	The participants of primary market as well as the stock brokers and the members of the stock exchange are the participants.
4	Listing requirements	Listing is not required in the case of primary market.	Only listed securities can be dealt in the secondary market.
5	Determinants of prices	The prices are determined by the management of the corporate houses with due compliances with the SEBI requirements for new issue of securities.	In case of secondary market the prices are determined by forces of demand and supply in the market and they keep on fluctuating.

4. Money market and Capital market

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 provide 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 instrument dealt in this market are bonds, debentures, equity shares and stock.
4	Functions	Money market exist as a mechanism of liquidity adjustment i.e. a link	Capital market functions as a link between the investors and entrepreneurs.

		between depositors and borrowers.	
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.

5. Fixed capital and working capital

No.	Points	Fixed Capital	Working Capital
1	Meaning	Fixed capital refers to any kind of physical capital i.e. fixed assets.	Working capital refers to current assets minus current liabilities.
2	Nature	It stays in business almost permanently i.e. for more than one accounting year.	Working capital is circulating capital.
3	Purpose	It is not used up in production of product but invested in fixed assets such as land building, equipment, etc.	Working capital is invested in short term assets such as cash, account receivable, inventory, etc.
4	Sources	Fixed capital funding can come from selling shares, debentures, long term loans, bonds, etc.	Working capital can be funded with short term loans, deposits, trade credit, etc.
5	Objective of investor	Investor invests money in fixed capital hoping to make future profit.	Investor invests money in working capital for getting immediate return.
6	Risk involved	Investment in fixed capital implies a risk.	Investment in working capital is less risky.

ANSWER : 3

1. Types of debentures :

The debentures can be of different kinds according to their terms of issue, conversion, provision of security, repayment etc. Let us discuss them in details.

- (1) **Secured debentures** : The debentures can be secured. The property of company may be charged as security for loan. The security may be for some particular asset (fixed charge) or it may be the asset in general (floating charge). The debentures are secured through "Trust Deed".
- (2) **Unsecured debentures** : These are the debentures that have no security. The issue of unsecured debenture is now prohibited by Companies (Amendment) Act, 2000.
- (3) **Registered debentures** : Registered debentures are those on which the name of holders are recorded. A company maintains a register of debenture holders in which the names, addresses and particulars of holdings of debenture holders are entered. The transfer of debentures in this case requires the execution of regular transfer deed.

- (4) **Bearer debenture:** Name of holders are not recorded on the bearer debentures. Their names do not appear on the register of debenture holders. Such debentures are transferable by mere delivery. Payment of interest is made by means of coupons attached to debenture certificate.
- (5) **Redeemable debentures :** Debenture are mostly redeemable i.e. payable at the end of some fixed period, as mentioned on the debenture certificate. Repayment can be made at fixed date at the end of specific period or by installments during the life time of the company. The provision of repayment is normally made in a trust deed.
- (6) **Irredeemable debentures :** These kind of debentures are not repayable during life time of the company. They are repayable only after the liquidation of the company, or when there is breach of any condition or when some contingency arises.
- (7) **Convertible debentures :** Convertible debentures give the right to the holder to convert them into equity shares after a specific period. Such right is mentioned in the debenture certificate. The issue of convertible debenture must be approved by special resolution in general meeting before they are issued to public. These debentures are advantageous for holder. Because of this conversion right, convertible debenture holder is entitled to equity shares at a rate lower than market value and even he participates in the profit of the company.
- (8) **Non – convertible debentures :** Non convertible debentures are not convertible into equity shares on maturity. These debenture are normally redeemed on maturity date. These debentures suffer from the disadvantage that there is no appreciation in value.

2. Conditions of valid allotment

While allotting the shares to the applicants a company has to follow certain conditions. These conditions are classified as statutory conditions and general conditions.

1. **Statutory Conditions:** The Companies Act 1956 prescribes certain conditions regarding allotment of shares by public companies. These conditions are known as statutory conditions.
 - (i) **Registration of prospectus (Sec. 60(1)) :** The company has to file a copy of prospectus with the Registrar of Companies while raising its capital by issuing shares to general public. When the company is raising capital privately it has to prepare 'Statement in lieu of prospectus' and it has to file this statement with Registrar of Companies.
 - (ii) **Application money (Sec. 69(3)) :** The part of the face value of shares which is collected by the company along with share application is known as 'Application money'. Application money should not be less than 5% of the face value of share. The capital issued should be made fully paid within 12 months from the date of issue.
 - (iii) **Depositing the application money (sec 69(4)) :** As per this condition all money received on application of shares, should be deposited in a separate account known as 'Share Application Money Account' opened in a scheduled bank by the company. Company is not allowed to withdraw this amount unless it gets trading certificate.
 - (iv) **Minimum subscription (sec 69 (1)) :** The minimum subscription must be raised by the company for obtaining trading certificate and to start the work of allotment of shares. Minimum subscription amount should be 90% of issued capital. A public limited company can't make any allotment of shares unless

- (a) The amount stated in the prospectus as the minimum amount has been subscribed and
 - (b) The sum payable on application for such amount has been paid to and received by the company. If the company fails to receive minimum subscription amount within 60 days of issue of prospectus, the entire application money must be refunded to the applicants within next 8 days. If the company fails to refund the amount within the prescribed time limit, as per the provisions of Companies Act Sec. 73, it has to pay interest @ 15% p.a. on the amount.
- (v) **Beginning of allotment work :** When the company is filing prospectus, it can start the work of allotment after 5 days from the date of opening of issue (Sec. 72) or such later date as may be specified in prospectus. When it is filing statement in lieu of prospectus, the allotment can be started after 3 days (Sec. 70). The object of the provision is to give an opportunity to the prospective subscribers to go through the contents of the prospectus before taking decision regarding purchase of shares.
- (vi) **Closing of the subscription list :** There is no provision in the Companies Act, regarding closing of subscription list but as per SEBI guidelines the subscription list for public issue must be kept open for at least 3 working days and for not more than 10 days. (21 days in case of infrastructure companies.) and this fact must be disclosed in the prospectus.
In case of right issue, SEBI guidelines provide that the issue shall not remain open for more than 60 days.
- (vii) **Permission to deal on stock exchange (Sec. 73):** According to Section 73, it is compulsory for every company, intending to offer shares to the public for subscription, by issue of prospectus, to make application to one or more recognized stock exchanges. Application for permission should be made within 10 days from the date of issue of prospectus.
If the prospectus states that an application has been made to the stock exchange, for permission the allotment made shall be void, if permission is not given by the stock exchange within 10 weeks from the date of closing the subscription list. In such case, the company has to return the money collected on application. If such money is not refunded within 8 days, company is liable to pay interest @ 15% on the refund amount.
- (viii) **Over Subscription:** According to SEBI guidelines a company has to refund excess application money on oversubscription. In case money is not refunded in time, every officer of the company, responsible for the same is punishable.

2. General conditions :

For the allotment of shares, the following general conditions should be observed in addition to the provisions of the Companies Act.

- (i) **Proper authority :** The allotment should be made by proper authority i.e. the Board of directors of the company or a committee authorized to allot shares on behalf of the Board of directors. An allotment made without proper authority will be invalid.
- (ii) **Allotment against applications only :** No valid allotment can be made on an oral request. Thus no allotment can be made without a written application for allotment.

- (iii) **Allotment not to be in contravention of any other law :** If shares are issued in a manner prohibited by foreign exchange regulations, the issue would be invalid and void. Similarly, an allotment of shares made for any improper motive is bad and can be struck. If shares are allotted to minor, the allotment will be void.
- (iv) **Reasonable time :** The allotment must be made within reasonable time, otherwise the applicant is not bound to accept it.
- (v) **Communication :** The decision of allotment must be communicated to the applicant. It means the company should inform the investor in writing about the allotment. A share applicant and the company enter into contract after allotment.
- (vi) **Absolute and unconditional :** The allotment must be absolute and unconditional i.e. it must be made on the same terms as stated in the application.

3. **Renewal of deposits :** The depositor may renew the deposit on completion of the term of deposit. The term 'Renew' implies, 'to acquire again'. Accordingly the renewal of deposit means acceptance of the same deposits by the company for further period.

Thus the renewal of deposit refers to issuing new deposit receipt in cancellation of receipt for old deposit on maturity of old deposit on repayment. The depositor has to submit the application in writing to renew the deposit. He has to also give a declaration to the effect that the amount is n being deposited out of the funds acquired by him by borrowing or accepting deposits from any other person.

Secretarial duties related to Renewal of Deposits

- 1. **Board Resolution :** If the company intends to renew deposits instead of refunding it, the resolution in the Board Meeting in this regard is to be passed.
- 2. **Approval from Depositors :** The secretary has to prepare printed application forms for Renewal of Deposits and the same forms are to be sent to all depositors at least one month before the maturity date.
- 3. **Renewal Receipts :** After receiving the application form for renewal, the secretary has to prepare renewal receipts and are to be sent to the depositors.
- 4. **Entries in Register of Depositors :** The secretary has to make the entries of renewal of deposit in the Register of Depositors.

4. Legal provisions regarding payment of dividend

- 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 Rs. 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.

5. Factors affecting working capital

1. **Nature of business** : The working capital requirements are highly influenced by the nature of business. Industrial and manufacturing enterprises, trading firms require large sum of working capital. Big retail stores need a large amount of working capital as they have to maintain large stock of variety of goods. It is because they have to satisfy varied
2. **Size of business** : The size of business also affects the requirement of working capital. Size of the firm may be estimated in terms of scale of operation. A firm with large scale operation will require more working capital.
3. **Volume of sale** : This is the most important factor affecting size of working capital. The volume of sale and the size of working capital are directly related with each other. If the volume of sales increases, there is an increase in amount of working capital.
4. **Production cycle** : The process of converting raw material into finished goods is called 'production cycle.'
If the production cycle period is longer, the firm need more amount of working capital. If the manufacturing cycle is short, it requires less working capital.
5. **Business cycle** : When there is upward – swing in economy, sales will increase. This will lead to increase in investment in stock. This act will require additional working capital.

During recession period, sales will decline and consequently the need of working capital will also decrease.
6. **Terms of purchase and sales** : If credit terms of purchase are favourable and terms of sales are less liberal, then requirement of cash will be less. Thus working capital requirement will reduced. A firm gets more time for payment to suppliers. A firm which enjoys more credit facilities needs less working capital.

On the other hand, if firm does not get proper credit for purchases and adopts liberal credit policy for sales, requires more working capital.
7. **Credit control** : Credit control includes the factors such as volume of credit sales, the terms of credit sales, the collection policy etc. If credit control policy is sound, it is possible for the company to improve its cash flow. If credit policy is liberal, it creates a problem of collection of funds. It can increase possibility of bad debt. A firm selling on easy credit terms requires more working capital. The firm making cash sales requires less working capital.
8. **Growth and expansion activities** : The working capital requirement of a firm will increase with growth of firm. The growth of firm is in terms of sales or even fixed assets.

A growing company needs funds continuously to support large scale operation.
9. **Management ability** : The requirement of working capital is reduced if there is proper co – ordination in production and distribution of goods.
10. **External factors** : If the financial institutions and banks provide funds to the firm as and when required, the need of working capital is reduced.
11. **Requirement of cash** : The working capital requirement is also influenced by the amount of cash required by firm for various purpose.
If the requirement of cash is more then company needs higher amount of working capital.

- 12. Seasonal fluctuations :** The demand for products may be of seasonal nature. During certain season the size of working capital may be bigger than that in another period for e.g. Before rainy season umbrella and raincoat manufacturing companies need more working capital to manufacture above goods so that they can put these goods before monsoon starts.

ANSWER : 4

- 1. Financial institutions do not have any role in financing industrial firms.**

This statement is False.

Financial institutions have major role in financing industrial firms.

- (1) Immediately after independence, the Government of India had declared first industrial policy in 1948 to bring about rapid industrial development in the country. To provide medium term and long term finance to industry, the Government of India had established special financial institutions in the country. There are 12 financial institutions at national level and 46 at state level.
- (2) These financial institutions provide financial assistance for new companies as well as going concerns. These financial institutions are grouped into four categories viz. development banks, financial institutions, investment institutions and state level institutions.
- (3) These financial institutions provide assistance to new as well as established financial institutions in the following forms. viz., (i) Subscribing (i.e., purchasing) to shares and debentures issued by the industrial units. (ii) Underwriting (i.e., giving assurance to buy all those shares or other securities which are not purchased by the general public) the issue of securities of the industrial units. (iii) Lending money to industrial units for short term, medium term as well as long term in different forms and (iv) Giving guarantee for term loans raised by the company from other sources.
- (4) In economically backward areas, these financial institutions mobilise scattered savings, merge them and supply them to industrial units established in economically backward areas for their development and growth. They provide finance to small scale industries and solve the problems of special characters. Thus, financial institutions play major role in financing industrial firms.

- 2. Issue of bonus shares is compulsory.**

This statement is FALSE.

Issue of Bonus shares is not compulsory.

Reasons:

- (a) Bonus shares are those shares which are issued by the company free of charge to the existing shareholders,
- (b) It is a kind of gift to the shareholders given out of the accumulated profits and reserves. Therefore, it is called as capitalization of profits,
- (c) There must be enough amount of undistributed profits for the issue of bonus shares and usually bonus shares are issued by prosperous companies,
- (d) Bonus share is not an income to the company,
- (e) Bonus share issue must be authorized by the Articles of Association,
- (f) Bonus shares can be issued only if the shares are fully paid-up.
- (g) Company cannot issue bonus shares if interest is not paid on debentures or public deposits or company has created a default in payment of employees' dues,

- (h) Company cannot issue bonus shares if the convertible debentures are not converted yet.

Hence, it is not compulsory to issue bonus shares.

3. Preference shares holders do not enjoy normal voting rights

This statement is TRUE.

Reasons :

- (a) Preference shares are the shares which have preference in payment of dividend and repayment of capital.
- (b) These shares are purchased by the cautious investors who want fixed income on their investment.
- (c) Equity shareholders are the part owners of a company. They have normal voting rights.
- (d) Equity shareholders can attend meetings, vote at meeting and participate in company's management.
- (e) Preference shareholders have no normal voting rights. They can vote only on those matters which affect their financial interest i.e. if dividend is not paid properly.
- (f) Preference shareholders cannot attend all meetings and vote or participate in company's management.

4. The Gilt –edge market is known as govt. securities market.

This statement is True

Reasons :

- (1) Gilt – edged securities refer to the stocks and bonds issued by the Central or state government and quoted on the stock exchange. These are the government stocks and marketable loans raised for public corporations where repayment is guaranteed by the government.
- (2) The market for government and semi government securities is called gilt – edged market. It is also called government securities market. This is because in this market only government and semi – government securities are bought and sold.
- (3) Gilt – edged securities are safe investments because the payment of interest and repayment of principal amount are guaranteed by the government. There is no speculation on the gilt – edged securities.
- (4) In the gilt – edged market, the major participants are public corporations such as LIC, PF and commercial banks. The gilt – edged securities are mostly in the form of government securities such as stock certificates, promissory notes and government bonds.

5. Fixed deposit holder is unsecured creditors of the company

This statement is True.

- (1) The company invites deposits from the general public by giving advertisement in the local newspapers. It accepts deposits from the general public without offering any tangible security or creating charge against its property. That is why the depositors are called unsecured creditors of the company.
- (2) The depositors are the loan creditors and not the joint owners of the company. Therefore, unlike shareholders, the depositors cannot attend general body meetings personally or by proxy and participate in the company management.

- (3) Fixed deposit is an unsecured borrowed capital of the company. Hence deposit holders are paid interest at fixed and pre – determined rate at regular intervals as per the terms and conditions of an agreement.
- (4) The depositors provide debt finance to the company by keeping their deposits for the period ranging from 6 months to 36 months to earn regular, attractive and guaranteed income in the form of interest. Since depositors are unsecured creditors of the company, they provide funds only to well – established, reputed and profit – making companies. Newly established, loss making and sick companies find it difficult to get public deposits.

ANSWER : 5

1.

Disha Industries Ltd.

50/A, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051.
Web : [http://www.disha industries.com](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 direct to inform you that the interest on your 100, 10% non convertible debentures of Rs. 100 each is due for payment.

The details of amount of interest payable to you are as follows :

Folio No.	Number of Debentures	Distinctive Nos.		Gross Amount of Interest Rs.	T.D.S.	Net Amount of Interest Rs.	Interest warrant No.
		From	To				
B344	100	501	600	11000	Nil	1000	IW4888

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

Yours Faithfully,
For Disha Industries Ltd.

Sd/-

Secretary

Encl : Interest warrant

Disha Industries Ltd.

Interest Warrant

50/A, Bandra Kurla Complex,

No. 4888

Bandra (East), Mumbai – 400051.

Date : 17th Jan, 2012

Pay Mr. R. Bohare a sum of Rs. One Thousand only.

Rs. 1000/-

Bank of India,
Shivaji Park branch
Mahim, Mumbai – 96.

Valid for 3 months

For Disha Industries Ltd.,

- 1) _____ Managing Director
- 2) _____ Secretary

123440

4001440565

11

2.

Sunrise Industries Limited

60/A, V.S. Khandekar Road,
Vile Parle (W), Mumbai – 400056.
web: <http://www.SunInd.co.in>

Tel. No : 022 – 61246871
Ref. : D4/2012

Fax : 022 - 61246872
21st April, 2012.

Mr. Babu Mahale
C/12, Suvarna Apartment,
Raja Bade Chowk,
Mahim, Mumbai – 400016

Sub : Repayment of Deposit

Dear Sir,

We have received from you the original deposit receipt no. 83556 duly discharged alongwith your instruction for repayment.

Details of repayment of deposit are as under :

Types of deposit	Receipt No.	Deposit Amount	Maturity Amount	T.D.S.	Due date/ maturity date
Deposit for 12 months	83556	Rs. 20000/-	Rs. 22000/-	Nil	20 th April, 2012

Please find enclosed herewith a cheque of Rs. 22000 bearing No. 443211 dated 20th April, 2012, drawn on Bank of India, Shivaji Park branch, Dadar, Mumbai – 28.

Assuring you the best of our services at all time.

Yours faithfully,
Sunrise Industries Ltd.

Encl. – Cheque No – 443211

Sd/ -
Secretary

3. Renewal of deposit

A company can renew tenure of a deposit in due compliance with the provisions of Section 58 A of the Companies Act 1956. This letter informs the depositor that the deposit has been renewed for a further period. Deposit receipt is enclosed alongwith this letter.

Sunrise Industries Limited

60/A, V.S. Khandekar Road,
Vile Parle (W), Mumbai – 400056.
web: <http://www.SunInd.co.in>

Tel. No : 022 – 61246871

Fax : 022 - 61246872

Ref. : c/35/2012

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 Rs. 10000 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 on 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 endeavor to provide best of our service to you at all time.

Thanking you,

Yours faithfully,

For Sunrise Industries Ltd.

Sd/-

Secretary

Encl : Deposit Receipt

4. FUNCTIONS OF STOCK EXCHANGE :

Presence and vibrant functioning of a stock exchange is necessary for a developing economy. It reflects healthy financial and investment conducive atmosphere in the economy.

The Indian securities market is considered as one of the most promising emerging markets. It is one of the top eight markets of the world. The stock exchange plays a vital role in the process of raising resources for the development of corporate sector. In the absence of the stock exchange it would be impossible for private enterprises, industries and entrepreneurs to survive and grow. A stock exchange performs various important functions as discussed below.

1. **Liquidity** : It is the stock exchange that provides liquidity to private investment in corporate enterprises. It provides marketability along with liquidity to the product called securities. In other words, the facility of stock exchange provides a two-way outlet as it transforms money into investment and vice versa without much delay.
2. **Promotes capital formation** : A stock exchange motivates the investors to invest their savings in the securities of the reputed companies. Stock exchange is the market where buying and selling of securities continually goes on. As a result, capital flows continually into business field. Thus, formation of capital goes on.
3. **Fair evaluation of securities** : A stock exchange like any other market provides a mechanism for evaluating the prices of securities through the basic law of demand and supply. Stock exchange prices help to check the real worth of the securities in the market. The prices quoted on stock exchange are provided with wide publicity through electronic as well as print media. The working of stock exchanges is on line which help investors keep in touch with price update and know real worth of their investment.
4. **Protects investors interest** : All the transactions in the stock exchanges are effected and controlled by the Securities Control (Regulation) Act 1956. The stock exchanges protect the interests of the investors through the strict enforcement of their rules and regulations. The malpractices of the brokers are punishable with heavy fine, suspension of their membership and even imprisonment.
5. **Economic Barometer** : A stock exchange serves as a reliable barometer of a country's economic status. Stock exchanges support and promote industrial development. It stimulates investment in productive sector which accelerates the process of economic development of the country.
6. **Motivation to Management**: A stock exchange allows the trading of listed securities only. Listing procedure requires to comply with certain guidelines for protecting the interests of investors and obviously are under strict supervision of stock exchange. If companies do not comply with the rules and regulations of the exchange, the shares of a company can be delisted. To avoid such unfavorable and undesirable consequences every company manages its affairs more cautiously and effectively.
7. **Best utilization of capital** : The stock exchange regulates and controls the flow of investment from unproductive to productive, uneconomic to economic, unprofitable to profitable enterprises. Thus, savings of the people are channelised into industry yielding good returns and underutilization of capital is avoided. As the stock exchange provides an account of price variations of the securities listed on it (upward or downward fluctuations) it would be an

opportunity for the investors to switch their investments. This would keep companies performing in the best possible way.

ANSWER-6

1. Preference share :

As the name indicates, these shares have certain privileges and preferential rights distinct from those attaching to equity shares.

The shares which carry following preferential rights are termed as preference shares.

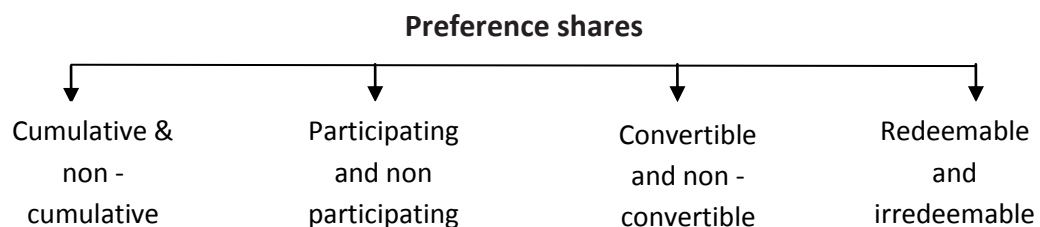
- (a) A preferential right as to the payment of dividend during the life time of the company.
- (b) A preferential right as to the return of capital in the event of winding up of the company.

Holder of these shares have a prior right to receive the fixed rate of dividend before any dividend is paid to equity shares. The rate of dividend is prescribed in the issue.

Normally preference shares carry no voting power. They have voting right only on those matters which affect their interest such as selling of undertaking or changing rights of preference holder, etc.

The preference shareholders are co – owners of the company but not controllers. These shares are purchased by cautious investors who carve for safety of principal and are satisfied with low but definite and regular income. Preference shares occupy an ‘in between’ position in the capital structure.

Types of preference shares



1. Cumulative preference shares :

Cumulative preference shares are those shares on which dividend goes on accumulating until it is fully paid. This means, if the dividend is not paid in one or more years due to inadequate profit, then such unpaid dividend gets accumulated. The accumulated dividend is paid when company performs well. The arrears of dividend are paid before making payment to equity shareholders. The preference shares are always cumulative unless otherwise stated in the Articles of Association. It means that if dividend is not paid in any year or falls short of prescribed rate, the unpaid amount is carried forward to next year and so on; until all arrears have been paid.

2. Non – cumulative preference shares :

Dividend on these shares does not accumulate. This means, the dividend on shares can be paid only out of profits of that year. The right to claim dividend will lapse, if company does not make profit in that particular year. If dividend is not paid in any year, it is lost.

3. Participating preference shares :

The holders of these shares are entitled to participate in surplus profit besides preferential dividend. The surplus profit which remains after the

dividend has been paid to equity shareholders up to certain limit, is distributed to preference shareholders.

4. **Non – participating preference shares** : The preference shares are deemed to be non – participating, if there is no clear provision in Articles of Association. These shareholders are entitled only to fixed rate of dividend prescribed in the issue.
5. **Convertible preference shares** : These shareholders have a right to convert their preferences shares into equity shares. The conversion takes place within a certain fixed period.
6. **Non – convertible preference shares** : These shares can not be converted into equity shares.
7. **Redeemable preference shares** : Shares which can be redeemed after a certain fixed period are called redeemable preference shares. A company limited by shares, if authorized by Articles of Association, issues redeemable preference shares. Such shares must be fully paid. These shares are redeemed out of divisible profit only or out of fresh issue of shares made for this purpose.
8. **Irredeemable preference shares** : Shares which are not redeemable i.e. payable only on the winding up of the company are called irredeemable preference shares. As per Companies Act (Amendment made in 1988) the company can not issue irredeemable preference share.

OR

Letter of Regret

Star Industries Ltd.

50/A, Kasarwadi, Pimpri – Pune – 411018

Tele No. 24371235 <http://www.starind.in>

15th May, 2012

Ref. D/ 34/2012

Mr. C.R. Girase

15/Green Field Apt.,

Saki Vihar Road, Mumbai – 72

Sub: Non – allotment of shares

Ref. Share Application Form No. AE 224613

Sir,

I am directed by the board of directors to inform you that your share application No. AE224613 for 100 equity shares of Rs. 10 each has been rejected due to oversubscription of the share issue.

Particulars about your application are given below :

Application No.	Refund order No.	No. of shares applied	No. of shares allotted	Amount received with application	Refund amount
AE224613	B/3214	100	Nil	Rs. 250	Rs. 250

We thank you for the interest which you have shown in our company. Kindly acknowledge the receipt of the refund order and oblige.

Thanking you.

Yours faithfully,

For Star Industries Ltd.

Sd/-

Encl : Refund order

Secretary

Refund Order

Star Industries Ltd.

50/A, Kasarwadi, Pimpri – Pune – 411018

Tele No. 24371235 <http://www.starind.in>

Refund Order No. B/ 3214

Date : 12th May, 2012

Pay Mr. C.R. Girase or order a sum of Rs. Two Hundred and Fifty only.

Bank of India,
50/A Kasarwadi,
Pimpri – Pune - 411018

Rs. 250/-

Signatures

- 1) _____ Director
- 2) _____ Secretary

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