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SYJC

SUBJECT- SECRETARIAL PRACTICE

**Test Code – SYJ 6113**

**BRANCH - () (Date :)**

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

Tel : (022) 26836666

**ANSWER : 1**

**(03)**

**(A)**

1. Debenture certificate must be issued within 3 months of allotment.
2. A copy of return of deposits must be sent to the Registrar of Companies.
3. Registered shareholder receives dividend through Dividend warrant.

**(B)**

**(02)**

1. Debenture trustees – Protects interest of debenture holders
2. Renewal of Deposits – Approval of Depositors

**(C)**

**(03)**

1. Debenture Redemption Reserve
2. Repayment of deposit
3. Notice of lodgement of transfer

**ANSWER : 2**

**(05)**

<b>Point</b>	<b>Letter of Allotment</b>	<b>Letter of Regret</b>
<b>1. Meaning</b>	A letter of allotment is a letter from the company to a share applicant informing him that a certain number of shares have been allotted to him.	A letter of regret is a letter from the company to a share applicant informing him that no shares have been allotted to him.
<b>2. Contents :</b>	The contents of a letter of allotment are : (i) the name of the share applicant (ii) the number of shares applied for (iii) the number of shares allotted (iv) the allotment money due, if any and (v) the last date for payment of the allotment money.	The contents of a letter of regret are : (i) the name of the share applicant (ii) the number of shares applied for (iii) the statement that the applicant could not be allotted any shares (iv) the amount of application money refunded and (v) the particulars of the refund order.
<b>3. Preservation :</b>	It should be preserved carefully because it is required to be exchanged against the final share certificate.	It need not be preserved because it has no exchange value.
<b>4. Enclosures :</b>	No enclosures are sent along with it.	This letter is sent along with a cheque (i.e. refund order) for refund of the application money.
<b>5. Right :</b>	The allottee gets the right of membership on getting this letter.	This letter does not give any right to the applicant.
<b>6. Occasion :</b>	This letter is sent to the applicant only when he is allotted certain number of shares.	This letter is sent to the applicant when no shares could be allotted to him.

**ANSWER : 3**

**(1) Points to be borne in mind while writing letters to members :**

**(05)**

1. **Correct information :** While handling correspondence with the members the secretary must ensure that factually correct information is provided to the members. Every care should be taken while giving facts and figures. Any mistake in providing information may create problems. It is also improper to provide wrong information or incomplete information to the members.
2. **Lucid language :** Secretary must use simple words, simple sentences and adopt convincing style of letter writing. Technical words should be avoided as far as possible. Words having double meaning should not be used. Similarly writing of long and complicated sentences should also be avoided. A letter should be written in such a way that a member will get clear idea immediately after reading a letter. It should be easy to understand.
3. **Prompt replies :** The secretary must be prompt in sending replies to the letters received from the members. There should not be unnecessary delay in giving replies to the letters received from members. Compliant letters should be promptly attended to. In fact prompt replies to letters means nothing but a matter of courtesy, an acknowledgement on behalf of company.
4. **Secrecy :** The secretary is a custodian of confidential matters. He should not disclose any confidential information to the members. Some members may be interested in knowing certain secret information, but the secretary should tactfully turn down their enquiries.
5. **Politeness :** It means use of courteous language. Rude and abusive language should be strictly avoided while corresponding with members. A complaint letter should be replied politely. The approach of the letter should be courteous, skillful, submissive and friendly.
6. **Legal matters :** The secretary should pay more attention to legal aspects while writing these letters. The contents of such letters should be true, correct and definite. The secretary should strictly follow relevant provisions of the Companies Act 1956 and other relevant Acts. While drafting these letters, if necessary he should consult with legal adviser on certain points.
7. **Consideration :** The secretary must have considerate approach towards members. While sending negative replies, he should draft these letters carefully. So, that the members concerned would not be hurt. He should make the members feel that the management honestly regrets refusal. This tone of the letter is essential for effective communication with the members.
8. **Image of the company :** The secretary should try to create good image of the company in the minds of its members. While writing the letters he should help the members in removing their doubts, queries and difficulties with polite and courteous presentation.

**(2) Invitation of Public Deposits :**

**(05)**

Company can invite deposits according to the provisions which are laid down by Companies (Amendment) Act 1988 and Companies Rules 1975 which are as follows :

1. A company whose capital is less than Rs. 1 crore as their own fund is prohibited from inviting public deposits.
2. A company which has made default in repayment of any deposit or payment of interest on such amount can't invite deposits.
3. A company can invite or accept deposits from the public only after the publication of an advertisement.
4. Company must issue an advertisement specifying the financial conditions, management structure and other specified details.
5. Advertisement inviting deposits must be published in one leading English newspaper and one regional newspaper in the area or state in which the registered office of the company is situated.

6. Advertisement inviting deposits is a prospectus and hence all provisions of Companies Act 1956 applicable to prospectus are applicable to such advertisements.
7. The advertisement must be issued in the name of Board of Directors of the company. The advertisement contains the following –
  - a. Name of the company
  - b. Date of incorporation of the company
  - c. The nature of business carried on by the company
  - d. Brief particulars of management of the company
  - e. Names, occupations of the directors and addresses
  - f. Profits and dividend declared in last 3 years by the company.
  - g. Declaration that the company has complied with provisions of the rules.
8. An advertisement must be signed by the majority of directors of the company and is valid for a period of 6 months.
9. A copy of the advertisement should be filed with the Registrar of Companies. In case, a company intends to raise deposits without issuing an advertisement, it is required to file a 'Statement in lieu of Advertisement' with the Registrar of Companies.

**(3) Methods of Redemption of Debentures : (05)**

Redemption of Debentures is possible by different methods.

- (1) Redemption after fixed period :** A notice is given by the company to the debenture holder about redemption due. Debenture holders require to approach to company's banker to get the form of repayment. The debenture holders require to fill up the prescribed printed form and deposit the same along with debenture certificate in the company's office. On receiving these documents, banks shall make payments to the concerned debenture holders.
- (2) Redemption by Annual Installments :** In this method, company makes an arrangement to pay the interest, plus principal amount of debentures in annual installment. Two coupons are attached to debentures. One coupon is for getting refund of annual installment of principal amount and another one is for receiving payment of annual interest. Such coupons are to be signed and required to be deposited with the company's banker. Accordingly refund is made by the bank on behalf of the company.
- (3) Redemption by Draw Method :** Company adopts lottery method for redemption. Debentures are divided in different lots, and each lot is taken in draw system. And that lot drawn is paid back after giving them intimation regarding the payment. In this way all lots are refunded in order of draws.
- (4) Redemption by own purchase method :** In this method, company purchases its own debentures from open market at a certain price. After purchasing it such debentures are cancelled. By this way debentures are gradually redeemed.
- (5) Redemption by fresh issue method :** In this method old debentures are redeemed by issue of fresh debentures. The debenture holders get new debentures in place of old debentures.

**(4) Legal provisions for issue of debentures : (05)**

The legal provisions regarding the issue of debentures are as under :

- (i) Issue by public as well as by private companies :** A Public company can issue debentures only after obtaining a certificate to commence a business. On the other hand, a private company can issue debentures immediately after incorporation.
- (ii) Power to issue under Section 292 (1) :** The board of directors has the power to issue debentures, such right can be exercised by passing a resolution in the board meeting.

- (iii) **Terms of issue and redemption** : Debentures can be issued at par, at premium or even at a discount. Similarly debentures can be redeemed at par or at premium but debenture cannot be redeemed at a discount.
- (iv) **Mode of issue** : Debentures can be issued publicly by issuing a prospectus or privately through private placements.
- (v) **Voting right** : According to the Companies Act, a company cannot issue debentures carrying voting right.
- (vi) **Security against debentures** : Now Companies can issue only secured debentures. Companies (Amendment) Act, 2000 prohibits issue of unsecured debentures.
- (vii) **Permission of SEBI** : If the issue exceeds 1 crore, permission from SEBI has to be obtained.
- (viii) **Register of debentures** : Company must maintain a separate register of debenture holders. It must contain (a) names, (b) addresses (c) occupation of debenture holders (d) number of debentures allotted (e) their distinctive numbers and (f) the amount of debentures, etc.

**ANSWER : 4**

**1. Convertible debentures can be converted into equity shares. (05)**

This statement is **True**.

**Reasons :**

- (1) Joint Stock companies can issue either convertible debentures or non – convertible debentures. The provisions made under Section 81(3) of the Companies Act, 1956, permits the companies to issue convertible debentures. A company has to give detailed information in respect to the conversion date, rate of conversion, etc. in its prospectus, if it issues convertible debentures. The terms and conditions of such conversion must be approved by the special resolution of the general meeting and by the Central Government.
- (2) Fully convertible debentures can be converted into equity shares after certain period. On conversion, debenture holders are issued fully paid equity shares at a specified rate of conversion. Thereafter debenture holders whose debentures are converted into equity shares becomes the members of the company and then they have all the rights and privileges enjoyed by the equity shareholders.
- (3) However, the conversion of debentures is optional on the part of debenture holders, if debentures are issued for duration from 18 months to 36 months. In such a case the company has to issue 'letters of option' to the debenture holders to convey their options. If debenture holders do not opt to convert, the company is required to redeem their debentures within 1 month from the date of option, though their debentures are convertible.
- (4) On the conversion of partly convertible debentures, the debenture holder becomes a member of a company and continues to remain as loan creditor till non-convertible portion is redeemed by the company. If the amount of convertible debentures exceeds Rs. 50 lakh, the company is required to give option of compulsory redemption to its debenture holders. In such a case the company cannot convert debentures into equity shares.

**2. No company with net owned funds of less than Rs. one crore shall invite deposits. (05)**

This statement is **True**.

**Reasons :**

- (1)** As per the provisions of the Companies (Amendment) Act, 1998 and the Companies Rules 1975, the company whose net owned fund or capital is less than Rs. 1 crore is prohibited from inviting public deposits. In other words, it means the company whose net owned fund or capital is greater than Rs. 1 crore can invite the public to deposit their savings or funds.
- (2)** The amount to be raised by accepting deposit should not exceed 25% of the total of paid – up share capital and free reserves. However, in case of Government Company this limit should not exceed 35% of the total of paid -up capital and free reserve.
- (3)** Although accepting deposits from general public is cheaper source of finance, if not costless. As per the provisions made under the Companies Amended Rules 2001, the maximum rate of interest payable on the deposit is 12.5% p.a. The company is also required to pay brokerage at the rate of 1%, 1.5% and 2% on the amount of deposits collected up to 1 year, more than 1 year and more than 2 years respectively.
- (4)** The company must have sufficient funds to repay deposit amounts along with interest to the deposit holders on their respective due dates. This source of finance is advantageous to the owners if earnings of the company is greater than the rate of interest payable on deposit amounts. Only companies whose net owned capital is greater than Rs. 1 crore can easily manage to fulfill the requirements of public deposits.

ANSWER : 5

1. Letter of allotment of shares.

(05)

**STAR INDUSTRIES LIMITED**

50/A, Kasarwadi, Pimpri - Pune - 411018  
Tele No. 24371235 <http://www.starind.in>  
Email – starind@gmail.com

**Fax : 24371255**

**Ref.: D 35/2012**

**Date : 18<sup>th</sup> June, 2012**

Mr. Bhave singh. P. Chavan  
A/24, Sundarban,  
Bhandarkar Road, Khar, Mumbai – 53

**Sub : Public issue of 1,00,000 equity shares of Rs. 10/- each at par**

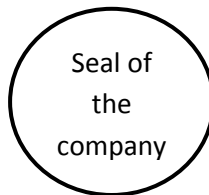
Dear Sir,

With reference to your share application form No. 555341 dated 25<sup>th</sup> May, 2012 for 100 equity shares of Rs. 10 each, we are pleased to inform you that you have been allotted 100 equity shares. The decision is taken by board of directors by passing resolution No. 52 at the board meeting, held on 15<sup>th</sup> June, 2012. The details of allotment of equity shares are given below :

1	2	3	4	5
No. of shares applied	No. of shares allotted	Distinctive numbers of shares	Amount received as application money	Amount due on allotment
100	100	2801 to 2900	Rs. 250	Rs. 250

You are hereby requested to pay the aforesaid amount due on allotment mentioned in column 5 to our Company's Bankers viz Bank of India at any of its branches. Please make it convenient to pay the allotment money on or before 6 July, 2012. If you fail to pay allotment money within stipulated period, interest will be charged @ 5% p.a. Duly signed and executed share certificate shall be exchanged against this letter of allotment and allotment receipt.

Thanking you.



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

**Allotment Receipt**

**Star Industries Ltd.**

**50/A, Kasarwadi, Pimpri – Pune – 411018**

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

**Ref: D 35/2012**

Received from Shri. Bhave Singh P. Chavan a sum of Rs. Two Hundred and Fifty only as allotment money on One hundred equity shares of Rs. 10 each.

Revenue  
Stamp only if  
Amt. is more  
than Rs. 5000

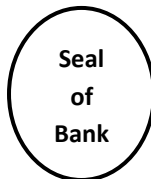


**For Bank of India  
Signature  
Cashier**

**Allotment slip (to be forwarded to company)**

**Ref: D 35/2012**

Received from Shri Bhave Singh P. Chavan a sum of 250 (Two Hundred Fifty) on behalf of Star Industries Ltd., as allotment money on one hundred equity shares numbered 2801 to 2900.



**For Bank of India  
Signature  
Cashier**



**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 : 21<sup>st</sup> 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 25<sup>th</sup> Annual General Meeting held on 10<sup>th</sup> May, 2012 final dividend @ 25% on equity shares of Rs. 10 each has been approved by the members for the year ending 31<sup>st</sup> 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 Numbers		Dividend warrant no.	Gross dividend	Income tax deducted	Net dividend
		From	To				
D 72	100	301 – 400		B – 3256	Rs. 250	Nil	Rs. 250

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

Thanking you.

Yours faithfully,  
For Galaxy Co. Ltd.  
Sd/-  
Secretary

Encl – Dividend Warrant

**Dividend Warrant**

**Galaxy Company Limited**

42, MIDC, Wagale Estate, Thane – 400604

Valid for 3 months

D.W. No. B3256

Date : 16<sup>th</sup> May, 2012

**Folio No. D – 72**

**Pay Mr. Mukesh Naik a sum of Rs. Two Hundred Fifty only.**

Rs. 250/-

Canara Bank  
Nehru Road,  
Santacruz (E), Mumbai - 25

For Galaxy Company Limited

Sd/-

Sd/-

Director

Secretary

17642

400275039

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**ANSWER : 6**

**1. Conversion of debentures:**

**(07)**

The procedure for conversion of debentures into share is explained as follows :

- (1) **Board Resolution** : Resolution for conversion is passed in the board meeting and is also approved by share holders and debenture holders. A Special resolution is passed to that effect. A copy of this resolution is to be filed with the Registrar of companies within 30 days of passing.
- (2) **Letter of Option** : A letter of option is sent to debenture holder and one copy of the same is filed with SEBI.
- (3) **Allotment of shares** : Once the debentures are converted into equity shares a letter of conversion is sent and debenture holders are requested to return debenture certificates.
- (4) **Change in Register of Charges** : Once the shares are allotted, company has to cancel the charges against asset, which were created at the time of issue of debentures, for which changes are required to be made in the Register of Charges.
- (5) **Entries in Register of members** : Company is required to maintain a Register of Members in which the details about the share holders viz names, address, date of allotment, serial numbers of shares are entered.
- (6) **Filing of Return of allotment** : A Return of Allotment is filed with the Registrar of Companies within 30 days of allotment.

## 2. Repayment of deposits

(07)

Company accepts the deposit from the general public on certain terms and conditions. The deposit is accepted for a specific period which is specified in the advertisement. The rules pertaining to the repayment of deposits are also given in Companies (Acceptance of Deposits) Rules, 1975 revised from time to time are as under ,

**(A) Maintenance of Liquid Assets :** Every company should deposit or invest a sum not being less than 15% of the amount of its deposit in

- (i) A current account or other deposit account with any scheduled bank or
- (ii) In unencumbered securities of the central or any state government or
- (iii) In unencumbered securities mentioned in Section 20(a), (d) and (e) of the Indian Trust Act 1882 or
- (iv) In unencumbered bond issued by the HDFC bank.

According to Section 20(i) of the Indian Trust Act 1882, the amount so invested must be used only for repayment of deposits outstanding

**(B) Repayment of Deposits :**

- (i) Every deposit received by a company should be repaid according to the terms and conditions of the deposits.
- (ii) Repayment made before 6 months is not allowed.
- (iii) Repayment made between 3 months and 6 months will be allowed without interest on the deposits.
- (iv) Repayment after six months but before maturity will be given 2% less interest than the rate of interest applicable.
- (v) A company must intimate the depositors details of maturity, at least 2 months before the deposit.
- (vi) Problem companies are prohibited from making premature repayment, Problem company means a company suffering from lacunas in administrative, financial, legal aspects.
- (vii) Repayment can be made after lock -in -period of 6 months by normal companies.
- (viii) In case of death of depositors, premature repayment can be made during the lock -in -period.