



# SYJC – FEB 2016 SECRETARIAL PRACTICE

(3 HRS)  
(80 Marks)

Date: 20/1/ 2016

**Q.1 A Select the correct answers from the possible choices given below and rewrite the statements** [5 Marks]

1. A \_\_\_\_\_ is an indivisible unit of share capital  
a) Debenture b) Share c) Bond

**Ans.** Share

2. The \_\_\_\_\_ is considered as tax deductible expenditure.  
a) Dividend b) Bonus c) Interest

**Ans.** Interest

3. Power to issue debenture rests with \_\_\_\_\_  
a) Chairman b) Secretary c) Board of Directors

**Ans.** Board of Directors

4. Dividend warrant are issued to \_\_\_\_\_ holders for getting dividend.  
a) Share certificate b) Share warrant c) Coupon.

**Ans.** Share certificate

5. The market which provides short term fund is called \_\_\_\_\_  
a) Capital market b) Gold Market c) Money Market

**Ans.** Money Market

**B) Match the pairs** [5 Marks]

A	B
a. Beneficial owner	1. Entitled to get dividend
b. Fungibility	2. Shares do not have distinctive value
c. Renewal of deposits	3. Approval of depositors
d. Debenture holder	4. Creditors
e. Stock exchange	5. Secondary market

**C Write a word/term/phrase which can substitute each of the following statements.** [5 Marks]

1. A mix-up of various sources of funds in desired proportion.

**Ans.** Capital Structure

2. Management of Business funds.

**Ans.** Financial Management

3. A bond on which no interest is paid but issued at discount

**Ans.** Zero coupon bond

4. Dollar denominated instrument traded in Stock exchange of USA.

**Ans.** American depository receipt

5. The reserve created for the protection of interest of debenture holders.

**Ans.** Debenture Redemption Reserve

**Q.2. Distinguish between [Any 3]**

**[15 Marks]**

1. Shares and Debentures

Sr. No.	Points	Share	Debenture
1.	Meaning	It is a smallest unit in the total share capital of the company.	Debenture is an instrument under seal evidencing debt.
2.	Nature	It is a permanent capital. It is not repaid during the life time of the company.	It is temporary capital. Generally it is repaid after a specific period.
3.	Status	Share capital is ownership capital. A shareholder is the owner of the company.	Debenture capital is borrowed / loan capital. A debenture holder is creditor of the company.
4.	Voting right	Shareholder being owner enjoys voting rights. Shareholders participate in the management of the company.	Debenture holder being company's creditor does not have any voting right. He can not participate in the management of company.
5.	Return on investment	Shareholders are paid dividend. Equity shareholders receive dividend at fluctuating rate where as preference shareholders receive dividend at fixed rate.	Debenture holders are paid interest at fixed rate. Interest is paid even when company has no profit.
6.	Security	Share capital is unsecured capital. No security is offered to the shareholder.	Debenture capital being loan capital is secured by creating a charge on its property.
7.	Time of issue	Shares are issued in the initial stage of the company.	Debentures can be issued at the later stage, when the company has securities to offer.
8.	Types	Shares are classified into two: a) Equity shares b) Preference shares	Debentures are classified as a) Registered debentures b) Bearer debentures. c) Secured debentures d) Unsecured debentures e) Redeemable debentures
9.	Position on liquidation	On liquidation of a company shareholders rank last in the list of claimants.	Debenture holders being creditors rank prior to shareholders for repayment on liquidation of company.
10.	Suitability	Shares are suitable for long term finance.	Debentures are suitable for medium term finance.

## 2. Share certificate and Share Warrant

Sr. No.	Points	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	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 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	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	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	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	The share certificate holder can submit a petition for the winding	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 utilised JOT raising fresh capital in the form of shares and debentures.	It is a market where existing securities are resold or traded.
2.	Function	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 participant.
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 issues 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. Final dividend and Interim dividend

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.

#### 5. 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.	Term 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 instruments 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 the 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.

**Q.3. Write notes on any Three of the following**

**[15 Marks]**

**1. Importance of financial planning**

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 changes 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 forecast 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 everyone 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 event. It means, it must take into account not only present but also future developments. This futuristic element of financial plan helps for advance programming.

**2. Types of Bonds**

Following are **the types of bonds:**

- (1) **Fixed Rate Bonds :** In Fixed Rate Bonds, the interest remains fixed through out the tenure of the bond. Owing to a constant interest rate, fixed rate bonds are resistant to changes and fluctuations in the market.



2. **Redemption by Annual Instalments** : In this method, company makes an arrangement to pay the interest, plus principal amount of debentures in annual instalment. Two coupons are attached to debentures. One coupon is for getting refund of annual instalment 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.

#### 5. **Role of financial market.**

A financial market is of great use for a country as it helps its economy in the following ways

1. **Saving mobilization** : Obtaining funds from surplus units such as households, individuals, public sector units, central government, etc and channelizing these funds for productive purposes.
2. **Investments** : The financial market plays an important role in arranging to invest funds thus collected in those units which are in need of funds.
3. **National growth** : The financial market contributes to the national growth by ensuring continuous flow of surplus funds to deficit units.
4. **Entrepreneurship growth** : Financial markets contribute to the development of the entrepreneurial class by making available the necessary financial resources.
5. **Industrial development** : The components of financial markets help towards accelerated growth of industrial and economic development of a country, thus contributing to raising the standard of living and the society's well being.

#### Q.4 **State with reasons whether the following statements are True or False [Any 3]**

**[15 Marks]**

1. **Requirement of working capital does not depend upon any factor.**

**Ans-** This statement is FALSE.

Requirement of working capital depends on many factors.

Reasons : (a) Company requires Fixed capital and working capital. Fixed capital is that portion of total capital which is invested in fixed assets such as land, buildings, equipments, etc, (b) Working capital refers s Firm's investment in short term assets i.e, cash, short term securities, account receivable and inventories, (c) Working capital requirements, For every company are different It is not a fixed amount. (d) Nature, size of. business, volume of sale, production, business cycles, credit control, expansion, terms of purchase and sale, and other factors are responsible- fur working capital needs. (e) e.g. big retail shops have to keep large Stock of variety of goods so they require more working capital, (i) For seasonal goods like umbrella, winter garments, etc. business



require more working capital in a particular reason, (g) If business has ability to sale goods quickly and make cash available easily for business, such business will require less working capital. (h) Volume of sale and size of working capital are directly related. If the volume of sale increase working capital will also increase. (i) In manufacturing firm, if production cycle is longer, the firm will need more amount of working capital or vice versa, (j) If firm has favourable credit terms for purchase but less liberal terms for sales then it will need less working capital. (k) If external sources like banks, financial institutions provide funds to the company then the need of working capital will be reduced. (l) Need of working capital is also influenced by the amount of cash required by firm. Thus, working capital depends upon many Factors.

**2. Preference share holders do not enjoy normal voting rights.**

**Ans. 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.

**3. A company can accept deposits payable on demand.**

**Ans. This statement is FALSE.**

Only public company can accept deposits from public.

**Reasons :** (a) Private companies are restricted to accept the deposits from general public. (b) Private companies can accept deposits only from its shareholders, directors, relatives etc. (c) A company should also have net owned funds ₹ 1 crore or more. (d) The public company has to publish advertisement in leading newspapers for inviting deposits. (e) The company inviting deposits should follow the provisions laid by Companies Act 1988 and Companies Rules 1975.

Hence, deposits are accepted by public companies only.

**4. Providing loan to business is primary function of bank.**

Ans, This Statement is TRUE.

**Reasons :** a) Bank is a financial institution which deals with money. It performs the important function of mobilising saving of people for productive purposes. (b) Banks perform different functions, (c) Functions of Banks are mainly classified into primary and secondary functions. Primary functions are further classified as (i) Accepting deposits (ii) Advancing or providing loan or lending function, (d) As per Banking Regulation Act, 1949, "It is a business where deposits are collected for the purpose of lending from the public, repayable to them on demand." (e) From this definition providing loan to business is main or primary function of bank, (f) Bank provides loan for business purposes in the form of overdraft, cash credit and loan. Overdraft and cash credit are for short period. Whereas loans are provided to business for short term, long term and medium term, (g) The money deposited by customers in saving account, current account, fixed deposit and recurring account is used for productive purposes.

**5. The objective of SEBI is to protect interest of the companies.**

**Ans.** This statement is FALSE. The objectives of SEBI is to protect interest of the investors.

Reasons: a) The main objective of SEBI is to prevent some undesirable practices like insider trading, inadequate information to investors, regulate the working of stock exchanges etc. b) All the transactions in the stock exchanges are controlled by the Securities control (Regulation) Act, 1956, which protects the rights and interests of the investors. C) Fraudulent practices by the jobbers, brokers, top officials are punishable with imprisonment and fine. D) SEBI helps in the flow of savings into the market, promotes fair dealing and regulates the code of conduct. Hence it protects the interest of the investors.

**Q.5. Attempt the following [Any Two]**

**[10 Marks]**

**1. State the legal provisions regarding declaration of dividend.**

**Ans.**

1. Regulation 85 of Table A provides that the company may declare dividend in its general meeting.
2. The rate of dividend shall not exceed the rate recommended by the Board of Directors.
3. When the company fails to redeem redeemable preference shares within the specified period, company shall not declare any dividend on its equity shares, so long as such failure continues.
4. The company cannot declare dividends for past years in respect of which accounts are closed at previous annual general meeting.
5. The company cannot declare further dividend after declaration of dividend at Annual General Meeting.
6. The dividend once declared cannot be revoked.



A/C Payee Only

**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 ₹ Two Hundred Fifty only.

₹ 250/-

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

For Galaxy Company Limited

Sd/-  
Director

Sd/-  
Secretary

17642

400275039

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3. Write a letter regarding payment of interest on debentures.

**2. Letter for Payment of Interest**

**DISHA INDUSTRIES LIMITED**

50/A Bandra-Kurla Complex  
Bandra East Mumbai-400051  
Web: <http://www.dishaindustries.com>

Tele No.: 24761524

Ref.: Disha/96/2011-12

Date : 24<sup>th</sup> 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 :

Folio No.	Number of Debentures	Distinctive Nos.		Gross Amount of Interest ₹	T.D.S.	Net Amount of Interest ₹	Interest warrant No.
		From	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/-  
Secretary

Encl : Interest warrant

Interest Warrant

Disha Industries Ltd

A/C Payee

Interest Warrant  
No. 4888

50/A, Bandra Kurla Complex,  
Bandra (East), Mumbai-400051.

Date : 17<sup>th</sup> Jan, 2012.

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

₹ 1000/-

Valid for 3 months

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

For Disha Industries Ltd.,

1. \_\_\_\_\_ Managing Director
2. \_\_\_\_\_ Secretary

123440

4001440565

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4. Draft a letter to a depositor about repayment of deposits.

**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. : D4/2012

21<sup>st</sup> April, 2012.

Mr. Babu Mahale  
C/12, Suvama 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 :

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

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

Assuring you the best of our services at all time.

Thanking you.

Yours faithfully,  
Sunrise Industries Ltd.

Encl. – Cheque No – 443211

Sd/-  
Secretary







OR

[10 Marks]

Write a letter of Allotment to a Share Applicant.

**Letter of Allotment**

**STAR INDUSTRIES LIMITED**

50/A, Kasarwadi, Pimpri-Pune-411018  
Tele No. 24371235 <http://www.starind.in>  
Email - [starind@gmail.com](mailto: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: Allotment of shares**

Dear Sir,

This is to inform you that your application No. 555341 dated 25<sup>th</sup> May, 2012 was considered at the board meeting, held on 15<sup>th</sup> June, 2012. As per the Board Resolution No. 0052 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	₹ 250	₹ 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, 2011. 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.staind.in>

Ref: D 35/2012

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

Revenue  
Stamp only if  
Amt. is more  
than  
₹ 5000



Signature of receiving  
clerk

**Allotment slip (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  
Cashier

