

SYJC - FEB 2016 SECRETARIAL PRACTICE

(3 HRS) (80 Marks) Date: 20/1/ 2016

Date: 20/1/ 2016

Select the correct answers from the poss nents	ible choices given below and rewrite the [5 Marks]
A is an indivisible unit of share cap	
a) Debenture b) Share c) Bond	
Share	
The is considered as tax deductible	expenditure.
a) Dividend b) Bonus c) Interest	
Interest	
Power to issue debenture rests with	
a) Chairman b) Secretary c) Board of Direction	ectors
Board of Directors	
	oupon.
•	
	ey Market
Money Market	
Match the nairs	[5 Marks]
-	B
	Entitled to get dividend
	2. Shares do not have distinctive value
•	3. Approval of depositors
	4. Creditors
	5. Secondary market
Write a word/term/phrase which can sure A mix-up of various sources of funds in de Capital Structure Management of Business funds. Financial Management	bstitute each of the following statements. [5 Marks] esired proportion.
	A is an indivisible unit of share cap a) Debenture b) Share c) Bond Share The is considered as tax deductible a) Dividend b) Bonus c) Interest Interest Power to issue debenture rests with a) Chairman b) Secretary c) Board of Dire Board of Directors Dividend warrant are issued to hold a) Share certificate b) Share warrant c) Co Share certificate The market which provides short term fund a) Capital market b) Gold Market c) Mon Money Market Match the pairs A Beneficial owner Fungibility Renewal of deposits Debenture holder Stock exchange Write a word/term/phrase which can su A mix-up of various sources of funds in de Capital Structure

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.	Votin g 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.	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 tide to the shares issued by the company under its common seal, duty 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 (he 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 he issued only by public limited companies.
3.	For which shared?	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 ads like evidence of the validity of title and ownership.	Share warrant is a negotiable instrument.
7.	Status/Right s 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 docs not enjoy normal membership rights.
S.	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	The share certificate	The share warrant holder
	winding up	holder can submit a	cannot submit a petition for
	to the	petition for the winding	winding up of the company.
11.	Stamp duty	Share certificate requires	Share warrant requires heavy
		nominal stamp duty	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 see unties.	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 us well as the stock brokers and the members of the stock exchange are the participant.
4.	Listing requirements	Listing is not required in die 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 ileuses 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.	always legal, as it is declared only
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

J.		anu Capitai Mai Ket			
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.		

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) **Floating Rate Bonds**: Floating rate bonds hove a fluctuating interest rate (coupons) as per the current market reference rate,
- (3) **Zero Interest Rate Bonds**: Zero Interest Rate bonds do not pay any regular interest to the investors. In such types of bonds, issuers only pay the principal amount to the bond holders.
- **(4) Inflation Linked Bonds**: Bonds linked to inflation are called inflation linked bonds. The interest role, of Inflation linked bonds is generally lower than fixed rate bonds.
- **(5) Bond with Call Option (Callable Bonds)**: This feature gives right to issuer to redeem his issue of bond before maturity of bonds at **the** predetermined price and date.
- **(6) Bond with put option (Puttable Bonds)**: This feature gives bondholder the right to sell their bonds back to issuer at the predetermined price and date.
- (7) Single Redemption Bond: In this case, principal amount of bond is paid at the time of maturity only.
- (8) Amortising Bonds: In this case, payment is made by borrower on maturity, includes both interest and principal.

3. Bonus Issue

Bonus shares are fully paid up shares given by a company as a gift, out of its accumulated profits or reserves. Only existing equity shareholders are entitled to get bonus shares. Bonus shares are given free of cost to equity shareholders in proportion to their existing shareholdings. Certain proportion is 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 or it has defaulted repayment of principal amount or if it has defaulted in respect of employee dues like provident fund, gratuity, etc.
- 7. Company can't issue bonus shares if the conversion of convertible debentures is pending.

4. Methods of redemption of debentures

Redemption of Debentures is possible by different methods.

 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 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 intimiation 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 willrequire less working capital. (h) Volume of sale and size of working capital are directly related. It 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 hut 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 Ls 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 arid 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.

2. Draft Notice of Dividend

Notice of Dividend

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 25^{th} Annual General Meeting held on 10^{th} May, 2012 final dividend @ 25% on equity shares of $\stackrel{?}{\underset{?}{?}}$ 10 each has been approved by the members for the year ending 31^{st} 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	Distinct Number		Dividend warrant no.	Gross dividend	Income tax deducted	Net dividend
		From	To				
D 72	100	301-40	00	B-3256	₹ 250	Nil	₹25

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

Yours faithfully,

For Galaxy Co.Ltd. Sd/-

Encl - Dividend Warrant

Secretary

N.C. Payes Only

Dividend Warrant

Galaxy Company Limited

42, MIDC, Wagale Estate, Thane-400604

Valid for 3 months

Date: 16th May, 2012

D.W. No. B3256

Folio No. D-72

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

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

₹ 250/-

For Galaxy Company Limited

Sd/-

Sd/-

Director

Secretary

17642

400275039

10

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.disha industries.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:

Folio No.	Number of Debentures			Gross Amount of	T.D.S.	Net Amount of	Interest warrant
		From	То	Interest ₹		Interest ₹	No.
B344	100	501	600	1000	NI	1000	IW4888

The interest warrant is enclosed herewith.

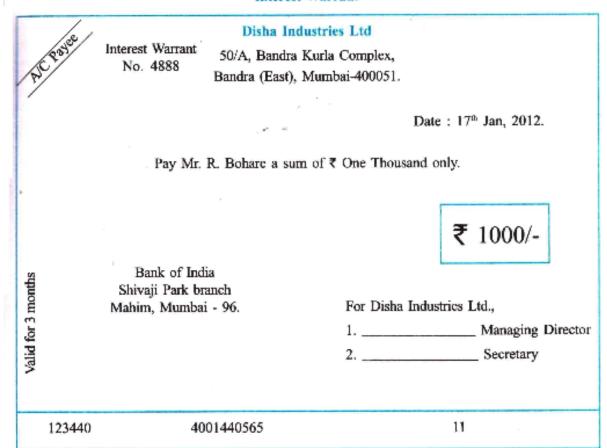
Please acknowledge the receipt and oblige.

Thanking you.

Yours faithfully, For Disha Industries Ltd. Sd/-

Encl : Interest warrant Secretary

Interest Warrant



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" 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:

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 th April, 2012

Please find enclosed herewith a cheque of ₹ 22000 bearing No. 443211 dated 20 ² 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.

Sd/-

Secretary

Encl. - Cheque No - 443211

Q.6. What is equity shares? Explain the features of equity shares.

Ans. Equity shares are those shares, which do not enjoy any preferential right in regard to payment of dividend and repayment of capital. Equity Share Capital is also known as risk capital or real capital because they are the last claimants in the case of winding up of a company. It is also called as venture capital. Equity Shares are not paid (redeemed) during the lifetime of the company, Equity shares are also known as 'ordinary shares'. Every company must issue equity shares.

Features of Equity Shares:

- (1) <u>Permanent Capital</u>; As the Equity Share Capital is not paid or redeemed by the company till it is a going concern, it is the permanent capital of the company. It is the basic and nonrefundable capital.
- (2) <u>Payment of Dividend</u>: The Equity Shareholders get the dividend according to the availability of capital. They are paid after the fixed dividend is paid to the Preference Shareholders. The rate fluctuates as per the available net profit. Sometimes, they have to go without a dividend and sometimes they get very high rate of dividend than Preference Shareholders.
- (3) **Repayment of Capital**; There is no guarantee of repayment of capital in the case of winding up of the company. When the company is wound up, the capital of Equity Shareholders is repaid last, only after all other claims have been paid in full
- (4) **Right to Vote**: Equity Shareholders enjoy the normal voting rights as per the rule of 'one share one vote', They are the real owners of the company. They can vote on all matters at general meetings. They get the powers to appoint the Board of Directors.
- (5) <u>Actual Owners</u>: Equity Shareholders are the actual owners of the company as they invest their money in the company without there being any guarantee from the company as regards payment of dividend and repayment of capital.
- (6) <u>Advantage of Bonus and Right Shores</u>; Accumulated profits (free reserves) of joint stock company are converted into Equity Shares. This is called capitalization of profits. These shares are called as Bonus Shares because they are issued free of cost in proportion to the number of existing Equity Shares, It leads to increase in capital investment of shareholders.
- When an existing company goes for fresh issue of Equity Shares, then first priority is given to existing Equity Shareholders. If the existing shareholders do not accept it, then the shares are, offered to the public. This benefit of rights issue is available only to the Equity Shareholders.
- (7) <u>Controlling Power</u>: The Equity Shareholders enjoy control over the management of the company because they only elect the Board of Directors. They also appoint auditors and indirectly keep a check on the Directors.
- (8) <u>Creditworthiness</u>: The Equity Share Capital enhances the credit standing of the company,
- (9) <u>Transferability</u>; Equity Shares of public limited companies are freely transferable as per the provisions of Articles of Association. A Equity Shareholders can transfer or sell his shares as per his will and wish.
- (10) <u>Timely Appreciation</u>; The face value of the Equity Share is fixed but the market value fluctuates. The market value is the price of the share purchased or sold in the stock market. The market value of an Equity Share depends on profitability and the rate of dividend paid. Higher the rate of dividend, higher the market value of the Equity Shares.

OR

Letter of Allotment

STAR INDUSTRIES LIMITED

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

Fax: 24371255

Ref.: D 35/2012

Date: 18th 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 25th May, 2012 was considered at the board meeting, held on 15th 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.

Scal of the company

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

Coghier

