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**CLASSES**

# SECRETARIAL PRACTICE



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# S.Y.J.C. – S.P.

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## CHAPTER 1–INTRODUCTION TO CORPORATE FINANCE

### ➤ Meaning of Corporate Finance



Corporate finance deals with raising and using of finance by a corporation. It deals with the activities of the corporation, capital structuring and making investment decisions.

### ➤ What is Fixed Capital? Explain factors affecting fixed capital requirement.



Fixed capital is the capital which is used for buying fixed assets which are used for a longer period of time in the business. These assets are not meant for resale.

Following are the factors affecting fixed capital requirements:

1. **Nature of business:** Manufacturing industries and public utilities have to invest more of fixed capital.
2. **Size of business:** Business carrying large scale operation requires more of fixed capital.

3. **Scope of business:** Business formed to carry on production or distribution on large scale requires more amount of fixed capital.
4. **Extent of lease:** if fixed assets are available on rent or lease, less amount of fixed capital is required.
5. **Arrangement of sub - contract:** if process of production is sub- contracted to others, lesser fixed capital amount is required.
6. **Acquisition of old assets:** if old assets are available low prices, amount required for fixed capital will be reduced.
7. **Acquisition of assets on concessional rate:** If government provides land and building, materials at concessional rate, amount of fixed capital required will be less.
8. **International Conditions:** Companies expecting war may decide to invest large fixed assets before shortage of materials.
9. **Trend in economy :** if the future of the company is bright, large will be the investment in fixed assets
10. **Population trend :** when population is high, business finds it as opportunity to expand business and invest more in fixed assets.
11. **Consumer Preference :** if there is more demand of goods and services, large will be the requirement of fixed capital.
12. **Competitive Factor :** this is a prime factor element in decision making regarding fixed capital.

➤ **What is Working Capital? Explain factors affecting working capital**



Working capital is a capital which is used to carry out day to day business activities.

Following are the factors affecting working capital requirement;

1. **Nature of Business:** Firms engaged in manufacturing essential product requires less working capital on the other hand it is more required by the firms dealing in luxurious products.
2. **Size of Business:** Firms with large scale operations requires more working capital.
3. **Volume of Sales:** If sales are more, there is increase in working capital.
4. **Production Cycle:** Longer the production cycle more the working capital required by firm.
5. **Business Cycle:** If economy is in boom, sales will go up and requirement of working capital will increase.
6. **Terms of purchases and sales:** If credit policy is liberal for sales firm will require more working capital.
7. **Credit Control:** If credit policy is liberal it will create problem of collection of funds and will affect working capital.
8. **Growth and Expansion:** More the growth and expansion more the requirement of working capital.
9. **Management Ability:** Attitude of management also plays important role in requirement of working capital.
10. **External Factors:** If Financial institution and banks provide funds to firms, the need of working capital reduces.

➤ **Important Distinction Between from this Chapter:**



1. Fixed Capital and Working Capital (**Text Book Pg no. 9**)



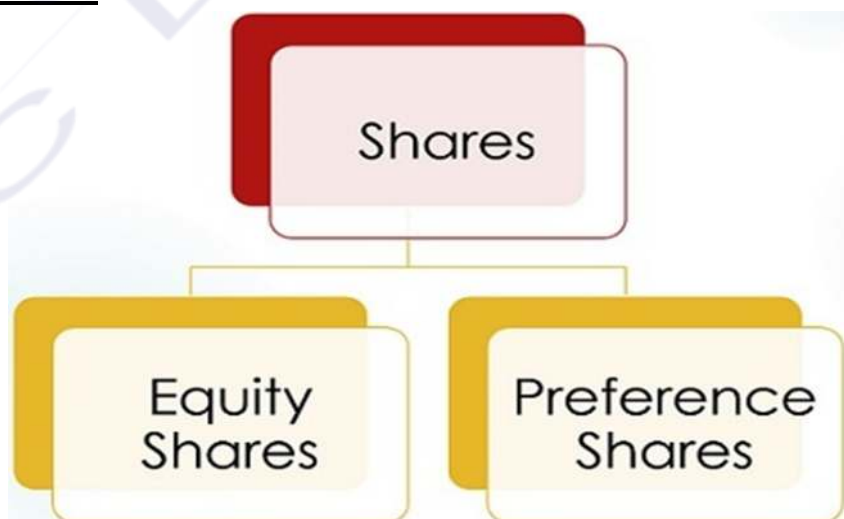
**CHAPTER 2—SOURCES OF CORPORATE FINANCE**

- **Share:** Share is a unit by which share capital is divided.

**Features of Shares:**

1. **Meaning:** Smallest unit is share capital
2. **Ownership:** Shareholder is called owner of share.
3. **Distinctive Number:** Each share has distinctive number for identification unless dematerialised.
4. **Evidence of title:** A share certificate issued by company shows title ownership of shares.
5. **Value of a share:** There is 3 value of shares ie; a) face value, b) issue value, c) market value
6. **Rights:** Right to inspect books of accounts, right to attend meeting, right to vote etc.
7. **Income:** Shareholder is earns dividend.
8. **Transferability:** Shares of public company is freely transferable.
9. **Property of Shareholder:** Share is a moveable property.
10. **Kinds of Share:** a) Equity share and b) Preference Shares

- **Kinds of Share:**



- **Equity Shares:** Equity shares are known as ordinary shares.

Features of equity shares:



## What Are Equity Shares?

1. **Permanent Capital:** Equity share are irredeemable shares.
2. **Fluctuating Dividend:** Dividend depends upon profit of company.
3. **Rights:** a) right to vote, b) right to share profit, c) right to inspect books, d) right to transfer shares.
4. **No preferential right:** Dividend to equity shareholder is paid after it is paid to preference shareholder.
5. **Controlling power:** Equity share holder are real masters of the company.
6. **Risk:** Equity shareholders bear maximum risk.
7. **Residual Claimant:** Claim at last the earnings of company.
8. **No charge on Asset:** Equity shares do not create any charge over assets of the company.
9. **Bonus Issue:** Shares given free of cost to equity share holders
10. **Right Issue:** Shares offered to equity share holders at discounted rate.
11. **Face Value:** Generally ₹ 10 per share or even ₹ 1 per share.
12. **Market Value:** Fluctuates according to the demand and supply of shares.
13. **Market appreciation:** Takes place when market value of shares increases in share market.

- **Preference Shares:** Shares which have certain preferential rights distinct from those attached to equity shares are known as preference shares.





Features of Preference Shares:

1. **Preference for dividend:** Dividend is paid first to preference share holder
2. **Preference for repayment of capital:** Capital is first paid to preference share holder at time of liquidation.
3. **Fixed return:** Dividend is paid at fixed rate.
4. **Nature of capital:** It is temporary capital.
5. **Market value:** Do not change.
6. **Voting Rights:** Preference shares do not carry normal voting rights.
7. **Risk:** Preference shares do not carry high risk.
8. **Face value:** relatively higher than equity shares. ₹ 100 per share.
9. **Rights and Bonus:** Not offered to preference shareholder.
10. **Nature of investor:** Preference shares attract moderate type of investors.

➤ **Types of Preference Shares:**



1. **Cumulative Preference Shares:** where dividend goes on accumulating.
2. **Non-Cumulative Preference Shares:** dividend on these shares do not accumulate.
3. **Participating Preference Shares:** holders of these shares are entitled to participate in surplus profit besides preferential dividend.
4. **Non Participating Preference Shares:** all preference shares are deemed to be non participating.
5. **Convertible Preference Shares:** converted into equity shares.
6. **Non-Convertible Preference Shares:** cannot be converted into equity shares.
7. **Redeemable Preference Shares:** redeemed after certain fixed period of time.
8. **Irredeemable Preference Shares:** redeemable only at the time of winding up of company.

- **Debentures:** Section 2(30) of the Companies Act, 2013 States that, 'the word debenture includes debenture stock, bonds and other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not'



Features of debentures:

1. **Promise**
2. **Face Value**
3. **Time of Repayment**
4. **Priority of Repayment**
5. **Assurance of Repayment**
6. **Interest**
7. **Parties to debentures**
8. **Authority to Issue debentures**
9. **Status of debenture holder**
10. **No voting rights**
11. **Security**
12. **Issuers**
13. **Listing**
14. **Transferability**

➤ **Types of Debentures:**



1. **Secured Debentures:** where property of company is charged as security for debenture.
2. **Unsecured Debenture:** debenture that have no security.
3. **Registered Debenture:** registered debenture are those on which the names of holders are recorded in 'register of debenture holders'
4. **Bearer debentures:** name of holder is not recorded in Register of debenture holder
5. **Redeemable Debenture:** which are payable at the end of fixed period.
6. **Irredeemable Debenture :** debentures not payable during life time of the company.
7. **Convertible Debenture :** converted into equity shares
8. **Non Convertible Debenture :** cannot be converted into equity shares.

- **BONDS:** Bond is a debt security. It is a formal contract to repay borrowed money with interest.



**Features of bonds:**

1. **Nature of finance:** Debt finance. Bonds provide long term finance.
2. **Status of bondholder :** Creditor
3. **Return on Bonds :** Interest at fixed rate.
4. **Repayment :** Repaid on maturity date.

- **Commercial Banks:** Commercial banks are profit making organisation. They provide long term and short term loans to corporate enterprises.

Credit facilities offered by Commercial banks;

1. **Overdraft**
2. **Cash Credit**
3. **Cash Loans**
4. **Discounting of Bills of Exchange**

➤ ***Important Distinction Between from this Chapter***



1. Shares and Debentures (**Text Book Pg no. 30**)
2. Equity Shares and Preference Shares (**Text Book Pg no. 31**)

## CHAPTER 3—ISSUE OF SHARES

➤ Share Capital:

# SHARE CAPITAL®



Share capital refers to the capital made up of Equity share and Preference Shares. Usually in share capital, the proportion of Equity Share is more than Preference shares.

➤ Methods of issue of shares:

A] Public Offer of Shares:



Public issue or offer means offering the shares to the public. It is the most common method.

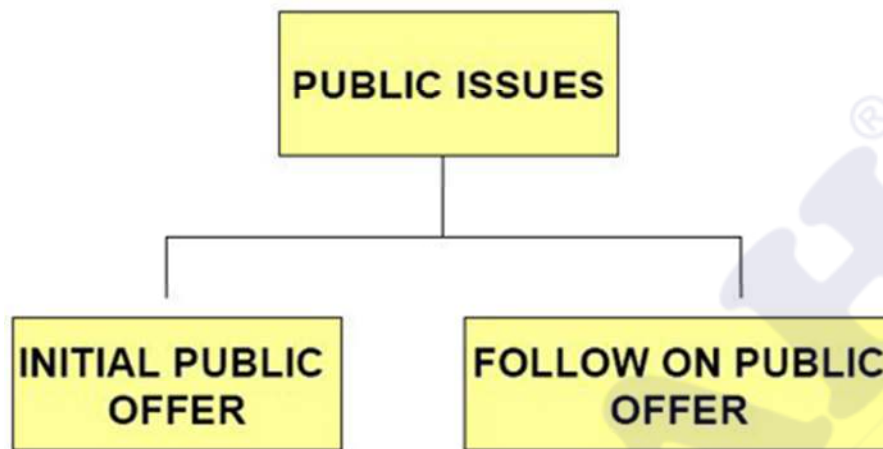
Company can use **two pricing methods** to offer shares to public;

- (a) **Fixed price method** and,
- (b) **Book Building method.**



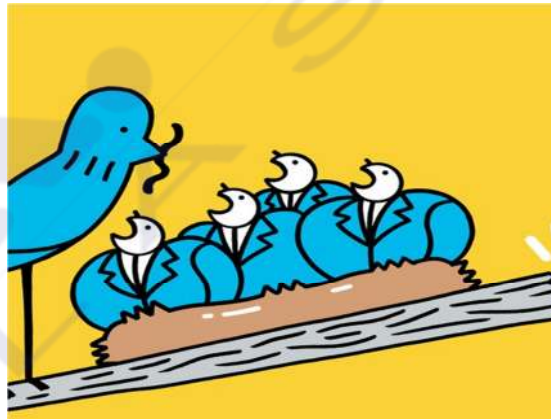
A company can make public offer through two following methods;

- (a) Initial Public Offering (IPO) and,
- (b) Follow Public Offering (FPO)



- IPO refers to the process of offering shares of a company to the public for the first time.
- FPO refers to when company issues shares to public after an IPO.

**B] Offering Shares to Existing Shareholders:**



A company can raise funds by offering shares to its existing Equity Shareholders as follows-

- (a) **Right Issue and**
- (b) **Bonus Issue / Bonus Shares**



- When a company wants to raise further capital, it can issue shares to its existing equity share holders in proportion to their existing shareholding it is called **right issue of shares**.



- Bonus shares** are fully paid shares issued free of cost to the existing equity shareholders in proportion to their shareholdings.



**C] Offering shares to Existing Employees:**

A company can raise funds by offering shares to its existing employees as follows;

- (a) Employees Stock Option Scheme (ESOS)
  - (b) Employee Stock Purchase Scheme (ESPS)
  - (c) Stock Appreciation Rights Scheme (SARS)
  - (d) Sweat Equity Shares
- Under ESOS** permanent employees, Directors or officers of the company or its Holding Company or Subsidiary company are offered the benefit or right to purchase the Equity Shares of the company at a future date at a pre-determined price.



- **Under ESPS** scheme the company offers Equity shares to its employees at a discounted price which they can buy at a future date. The company deducts a certain amount from the salary of the employee towards the payment for the shares.
- **Under SARS** the employees are given a right to receive appreciation in the value of specified number of shares of the company at a future date. SARS is a form of bonus compensation given to the employees if the company performs well and its market price of shares goes up.



- **Sweat Equity Shares** are issued by a company to its directors or employees at a discount or for consideration other than cash. It is issued in recognition of their valuable contribution to the company which has resulted in increased profits.



D] **Private Placement;**

When a company offers securities to a selected group of persons not exceeding 200, it is called as Private Placement.

➤ **Explain Provisions or Conditions for Allotment of Shares.**

For allotment of shares company has to fill following two conditions;

A) Statutory Conditions                      and                      B) General Conditions

A) **Statutory Conditions:**



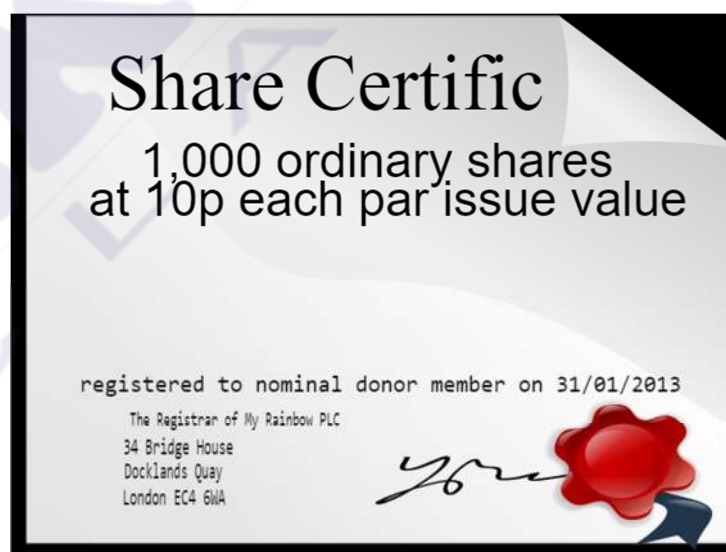
1. **Registration of Prospectus:** Copy of prospectus must be filled to Registrar of Companies before its publication.
2. **Application Money:** Applicant has to pay a minimum of 5% of nominal value of share as application money.
3. **Minimum Subscription:** SEBI has stated minimum subscription should be 90% of the issue. Minimum subscription is the minimum amount of shares to be subscribed by the public.
4. **Closing of Subscription list:** Is kept open for at least 3 working days and not more than 10 working days.
5. **Basis of allotment:** Done on the basis of category of subscribers.
6. **Over Subscription:** When application received for shares are more than number of shares offered.
7. **Permission to deal on Stock Exchange:** For Listing of shares permission of stock exchange is to be taken.
8. **Appointment of Managers to the issue and various other agencies:** Company has to appoint Merchant banker, Register to the issue, Collecting Bankers etc.

**B) General Conditions / Principles:**

1. **Proper Authority:** Board of Director
2. **Allotment must be against application only:** Company must receive written application.
3. **Reasonable Time:** Allotment to be done within 60 days of application.
4. **Absolute and Unconditional:** There should be no change in terms and conditions of allotment.
5. **Communication:** Company has to send letter of allotment of shares to the applicant.
6. **Allotment should not be in Contravention of any other law:** Company should not violate any other law during allotting shares.

➤ **Share Certificate:**

Share Certificate is a registered document issued by the company which is an evidence of ownership of shares in a company.



Time of Issue of Share Certificate:

Time	To whom?
1. Within <b>two months</b> from date of incorporation	To the <b>subscribers</b> of Memorandum of Association
2. Within <b>two months</b> from the date of allotment	To the <b>allottees</b> in case of Allotment of shares.
3. Within <b>one month</b> from the date of receipt of instrument of transfer or intimation of transmission.	To the <b>transferee</b> in case of transfer of shares and to legal representative in case of transmission of shares.

➤ **Transfer of Shares:**

When shares are transferred voluntarily by a member of company to some another person it is called Transfer of Shares.

➤ **Transmission of Shares:**

When transfer of shares takes place due to operation of law it is called Transmission of Shares. It takes place due to death, insolvency or insanity of a member.

➤ **Important Distinction Between from this Chapter:**



1. Fixed Price Issue Method and Book Building Method (**TextBook Pg no. 57**)
2. Transfer of Shares and Transmission of Shares (**Text Book Pgno. 58**)

## CHAPTER 4—ISSUE OF DEBENTURES

- **Debentures:** Section 2(30) of the Companies Act, 2013 States that, 'the word debenture includes debenture stock, bonds and other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not'



➤ **What are the provisions for issue of debentures as Companies Act, 2013?**

**Answer:** Following are the provisions;

1. **No voting rights** :debenture holders do not have normal voting rights.
2. **Types of Debentures** : company can issue secured or unsecured, and fully or partly, convertible or non-convertible debentures.
3. **Payment interest and redemption** : company shall redeem debentures and pay interest.
4. **Debenture Certificate**: company shall issue it with in 6 months of allotment.
5. **Create debenture redemption reserve**: Company has to create debenture redemption reserve account out of profits of the company.
6. **Appointment of Debenture Trustee**: If company invites more than 500 people to purchase debentures.
7. **Debenture Trustees can approach NCLT**:Debenture trustees can approach NCLT for redressal in case of default made by company in repayment of debenture amount.
8. **Impose restriction**: NCLT can order company to restrict incurring further liabilities to protect interest of debenture holders.
9. **Punishment for contravention of provisions of the Companies Act**: Company and its officers shall be liable to pay fine or imprisonment or both.



➤ **Explain provisions as per Companies (Share Capital and Debentures) Rules, 2014 [i.e. Rule 18] regarding issue of debentures?**

**Answer :**

1. **Tenure of Secured Debenture:** All secured debentures should be redeemed within 10 years from date of issue.
2. **Create charge on assets :** Company has to give certain security to debenture holder in form of asset.
3. **Appointment of Debenture Trustees :** Debenture trustee is to be appointed before issuing prospectus or letter of offer.
4. **Create Debenture Redemption Reserve :** Company has to create debenture redemption reserve out of profits.

➤ **Explain procedure (steps) for issue of debenture?**



**Answer:**

1. **Pass resolution in Board Meeting :** hold meeting to decide amount and type of debentures, to approve prospectus, to approve appointment of Debenture Trustees, to authorize board to create charge on asset, to call extra-ordinary general meeting, authorize Board to open a separate bank account.
2. **Hold Extra-Ordinary General Meeting :** to get approval of shareholders
3. **Filing with Registrar of Companies :** Secretary has to file the special resolution and copy of prospectus, offer letter / letter of offer with Registrar of Companies with in 30 days of Board Meeting.
4. **Obtain Credit Rating :** debentures to be rated by one or more Credit Rating Agencies.
5. **Enter into underwriting agreements**
6. **Issue prospectus / letter of offer / offer letter**
7. **Open Separate Bank Account :** Open separate bank account in Scheduled bank to receive applications.
8. **Receiving application money :** Subscribers will submit application along with application amount to specified bank.
9. **Hold Board Meeting :** to decide and approve allotment of debenture.
10. **Issue of Debenture Certificate :** debenture certificate is to be issued with in 6 months of allotment.
11. **Make entries in Register of Debenture Holders :** entries to be made within 7 days.

## CHAPTER 5–DEPOSITS

### ➤ Meaning of Deposits:

Public deposit is an important source of short term finance.

Deposits are either secured or unsecured loans offered to the company.



### ➤ Following companies can accept deposits:

<u>Company</u>	<u>From Whom?</u>
1. Private Company	Its Members or Directors or Relatives of Directors.
2. Public Company (other than eligible company)	Its Members or Directors.
3. Eligible Public Company	Its Members and also from Public.
4. Government Company	Public

### ➤ Explain Terms and Conditions for Acceptance of deposits.

#### 1. Amount of Deposits :

<u>Company</u>	<u>Amount</u>
a) Private Company	Not more than <b>100%</b> of its aggregate paid up share capital and free reserve
b) Public Company (other than Eligible Public Company)	Not more than <b>25%</b> of its aggregate paid up share capital and free reserve.
c) Eligible Public Company	Not more than <b>10%</b> of its aggregate paid up share capital and free reserve from its <b>members</b> , Not more than <b>25%</b> of its paid up share capita and free reserve from <b>Public</b> .
d) Government Company	Not more than <b>35%</b> of its paid up share capital and free reserve from public.

2. **Period of deposit** : no deposit can be accepted for **less than 6 months** and **more than 36 months**.
3. **No demand deposit** : no deposit can be accepted which is repayable on demand.
4. **Secured or Unsecured** : Deposits which is to be accepted can be secured or unsecured.
5. **Application Form** : application of deposit shall contain a declaration that the applicant is not depositing any money which is borrowed by him from any other person.
6. **Joint Names** : Company can accept deposits in joint names.
7. **Nomination** : Every depositor has a right to nominate other person.
8. **Circular or Advertisement** : Company inviting deposit from its members shall issue **Circular**, but if inviting deposit from public it shall issue **Advertisement**. Advertisement is valid for 6 months.
9. **Appointment of Deposit Trustee** : If company is issuing secured deposits companies have to appoint one or more deposit trustee.
10. **Create Charge on Assets** : Company has to create charge on asset within 30 days of acceptance.
11. **Deposit Insurance** : Company need to take deposit insurance at least 30 days before the issue of circular or advertisement.
12. **Obtain Credit Rating** : Every company has to get credit rating of its deposits and include in circular or advertisement.
13. **Open deposit repayment reserve account** : Every year, on or before 30<sup>th</sup> April, company has to deposit not less than 15% of the amount of deposits in Deposit Repayment Reserve Account.
14. **Deposit Receipt** : to be issued within 21 days from date of receipt of money of deposit by company.
15. **Register of Deposit** : Register to be maintained by the company at registered office and name of depositor to be entered within 7 days of issue of receipt.
16. **Return of Deposit** : Return of deposit to be filled on or before 30<sup>th</sup> June every year.
17. **Interest** : Maximum rate of interest on deposits depends upon guidelines given by RBI.
18. **Right to alter the terms and conditions** : Company cannot alter terms and conditions Deposit, Deposit Trust Deed, and Deposit Insurance Contract once circular accepted by the company.
19. **Disclosure in Financial Statements** : Company has to disclose the amount of deposit received from its Directors in financial statements.
20. **Punishment** : Officer of the company whom is in default for contravention of the provisions of the Companies Act, 2013 is punishable for fraud.

**CHAPTER 6—CORRESPONDENCE WITH MEMBERS****➤ Precautions to be taken by the Secretary while correspondence with Members**

1. **Correct Information** : Secretary should provide correct & accurate information.
2. **Lucid Language** : Secretary must use simple words and simple sentences.
3. **Prompt Response** : Any question or queries of members should be attended without any delay by secretary.
4. **Secrecy** : Secretary should not disclose any confidential information to members.
5. **Politeness (Courtesy)** : Rude language should be avoided by secretary. Respect should be given to members.
6. **Legal Matters** : Secretary should compulsorily follow relevant provisions of the Companies Act, 2013 while corresponding with members.
7. **Consideration** : Secretary should consider problems of member.
8. **Image of the Company** : Secretary should protect good image of the company by solving doubts, queries and difficulties in polite manner.

**➤ Circumstances under which a Secretary has to enter into correspondence with Members**

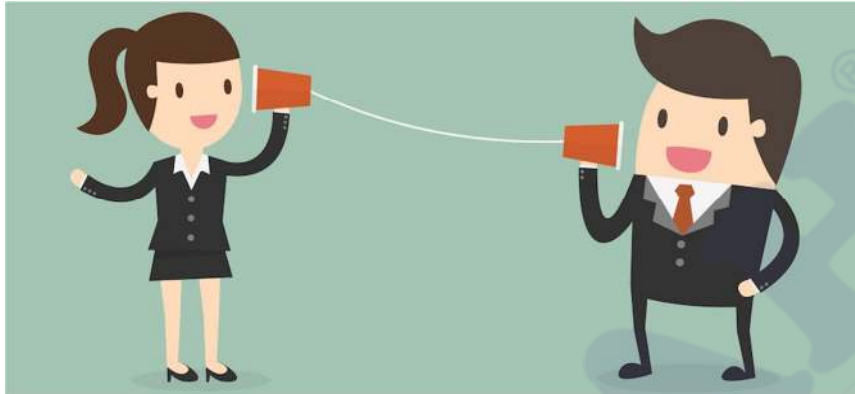
In following occasions Secretary writes letters to the members of the company-

- Allotment Letter
- Regret Letter
- Issue of Share Certificate
- Issue of Bonus Shares
- Execution of Right Issue
- Letter of Payment of Dividend
- Dividend Mandate
- Approval of Transfer of Shares
- Refusal of Transfer of Shares
- Notice and Agenda of General Meeting
- Notice of loss of Share Certificate
- Reply to certain queries raised by the member
- Letters to Legal representatives regarding Transmission of Shares.

➤ **Important letters from this chapter;**



1. Draft a letter regarding issue of Share Certificate(**Text BookPage no. 95**)
2. Write a letter regarding payment of dividend through dividend Warrant.(**Text Book page no. 96**)
3. Write a letter regarding payment of dividend through Electronic mode.(**Text Book Page No. 97**)
4. Draft a letter for issue of Bonus shares.(**Text Book Page No. 99**)

**CHAPTER 7—CORRESPONDENCE WITH DEBENTURE HOLDER****➤ Precautions to be taken by Secretary while correspondence with Debenture holders**

1. **Politeness (Courtesy)** :Secretary should give due respect to Debenture holder. Rude and harsh language should be avoided.
2. **Prompt Response** : Secretary should respond to queries without any delay.
3. **Legal provisions** : Secretary has to follow provisions of Companies Act, 2013 while corresponding to debenture holder.
4. **Transparency** : All correct and accurate information to be given to debenture holder.
5. **Conciseness** : Letter should be in brief, short and to the point.
6. **Precise Information** : Secretary should provide up to date information.
7. **Secrecy** : Secretary should not disclose any confidential information to debenture holder.
8. **Image and Goodwill of the Company** : Secretary should always maintain and create goodwill of the company in minds of debenture holders.

**➤ Circumstances under which a secretary has to enter into correspondence with Debentureholders:**

- Informing the applicant about allotment of Debentures.
- Informing about Payment of Interest through:
  1. interest warrant
  2. Electronic Payment of Interest
- Letter for conversion of debentures into Equity Shares.
- Letter for redemption of Debentures.



➤ **Important Letters for exam from this Chapter;**



1. Letter of Allotment of Debenture (**Text Book Page No. 106**)
2. Payment of Interest through Interest Warrant (**Text Book PageNo. 107**)
3. Payment of Interest through Electronic Mode (**Text Book PageNo. 108**)

**CHAPTER 8—CORRESPONDENCE WITH DEPOSITORS**

➤ **Precautions to be taken by the Secretary while corresponding with Depositors:**



1. **Legal Provisions:** Secretary should observe all the provisions of Companies Act, 2013 while corresponding to depositors.
2. **Courtesy:** Rude words are to be avoided by Secretary.
3. **Prompt Response:** Secretary should reply quickly to the complaints of depositors
4. **Accuracy:** Factual and Correct information should be provided by secretary.
5. **Image and Goodwill:** Secretary has to maintain goodwill of the company while writing letters to depositors.
6. **You Attitude:** Letter is to be written from the point of view of depositors by secretary.
7. **Conciseness:** Letter must be short, brief and to the point.
8. **Maximum Secrecy:** Secrecy is to be maintained by secretary while corresponding with depositors.

➤ **Circumstances under which a Secretary has to enter into correspondence with Depositors:**

1. Thanking depositors for depositing amount and showing faith in the company.
2. Intimation about payment of Interest.
3. Letter informing about renewal of deposits.
4. Informing depositors about repayment of deposit on maturity.

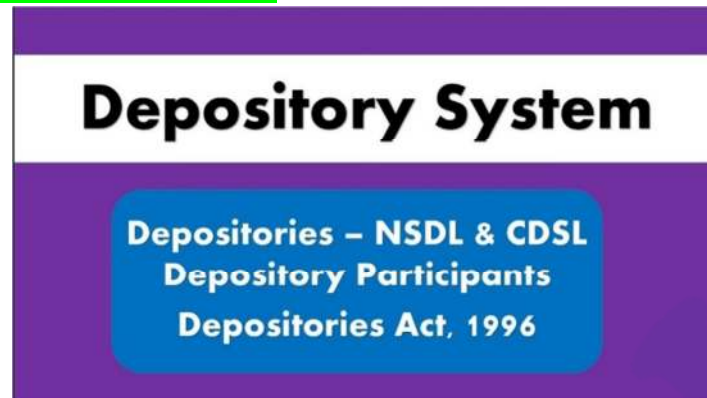
➤ **Important letters for exam from this chapter:**



1. Thanking depositors for depositing amount with the company(**Text Book Page no. 118**)
2. Payment of Interest through interest warrant (**Text Book Pageno.119**)
3. Payment of Interest through Electronic mode (**Text Book Pageno. 120**)

## CHAPTER 9–DEPOSITORY SYSTEM

### ➤ Meaning of Depository System



Under Depository System, securities are held in electronic form. The transfer and settlement of securities are done electronically. The Depository System maintains accounts of the shareholder, enables transfer, collects dividends, bonus shares, etc. on behalf of the shareholder. This system is also called as scripless trading system.

The Depository System resembles the Banking system in many aspects;

Depository System	Banking System
<ol style="list-style-type: none"> <li>1. It keeps the securities safe.</li> <li>2. Securities are held in accounts having unique IDs.</li> <li>3. There is no physical handling of securities during allotments, transfers, etc.</li> <li>4. The transfer of securities between accounts is done.</li> </ol>	<ol style="list-style-type: none"> <li>1. It keeps the money safe.</li> <li>2. Funds are held in accounts having unique numbers.</li> <li>3. There is no physical handling of money.</li> <li>4. The transfer of funds between accounts is done.</li> </ol>

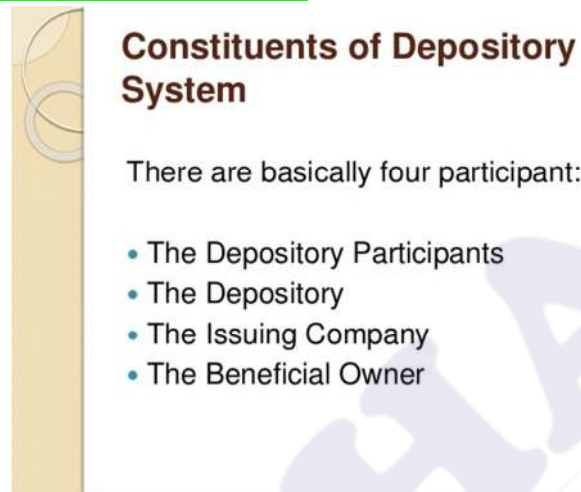
### ➤ Benefits of Depository System

#### A] To Investors:

1. Elimination of Risk
2. Safety
3. Easy Transfer of Shares
4. Updates and Intimation
5. Security against Loan
6. No Concept of Lots
7. Nomination Facility
8. Automatic Credit

**B] To Companies:**

1. Up-to-date information
2. Reduction in cost and efforts
3. Better Investor – Company Relationships
4. International Investment

**➤ Constituents of Depository System.****A] The Depository**

- 1) It is an organization like the Central Bank where securities are held in electronic form at the investor's request.
- 2) It works as a link between the company and investors.
- 3) There are two depositories viz NSDL and CDSL which are registered with SEBI.

**B] Depository Participant**

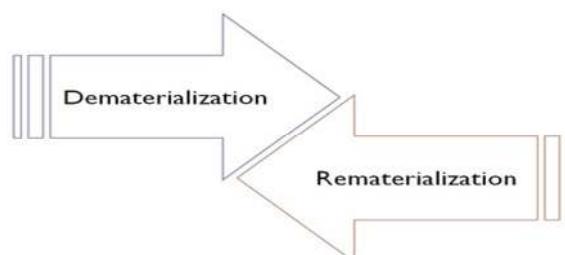
- 1) It is the agent of Depository.
- 2) DP acts as a link between Depository and the investor.
- 3) It functions like a securities bank.
- 4) It facilitates Dematerialization.

**C] Beneficial Owner**

- 1) The BO is the investor of securities who has availed the services of Depository Participant.
- 2) The BO can also be called as client of Depository and DP.

**D] The Issuer Company**

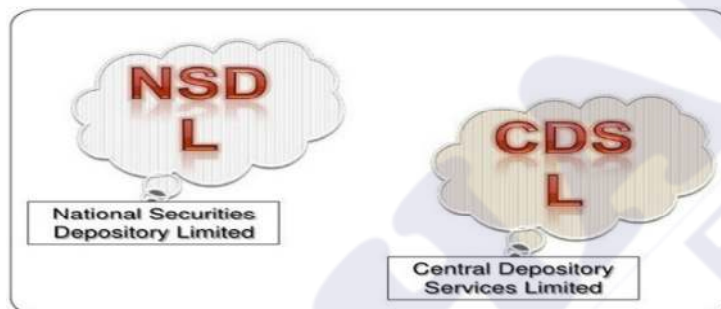
- 1) It means the company which has issued the securities which are dematerialized.

**➤ Concept / Terms related to Depository System**



- 1) **Dematerialization:** It is a process whereby a client can get physical certificates converted into electronic mode.
- 2) **Rematerialization:** It is a process whereby a client can get his electronic holdings of securities converted into physical certificates.
- 3) **Fungibility:** Fungibility means the state of being interchangeable.
- 4) **International Securities Identification Number:** It is a code that uniquely identifies a specific securities issue. It is a 12 digit alpha numeric code.

➤ **Depositories in India**



Following are the two depositories in India:

- 1) **NSDL : National Security Depository Limited**  
NSDL is the first and the largest depository in India established in November, 1996. NSDL has its head quarters in Mumbai.
- 2) **CDSL : Central Depository Limited**  
CDSL began its operations in February, 1999. It has its headquarters in Mumbai.

**CHAPTER 10–DIVIDEND AND INTEREST****➤ Explain Dividend and its features.****Answer:**

The term dividend is derived from Latin word '**Dividendum**' which means 'that which is to be divided'.

**Features of dividend:**

1. It is the portion of profits of the company paid to its share holders.
2. It is payable out of profits of the company.
3. Dividend cannot be declared out of capital.
4. Dividend can be declared only on recommendation of Board of Directors.
5. Dividend as recommended by board of directors is approved and declared by a resolution passed at Annual General Meeting by shareholders.
6. Dividend must be paid in cash and not in kind.

**➤ Explain legal provisions regarding sources of Dividend.****COMPANIES  
ACT 2013**

1. Company may declare and pay dividend for any financial year out of the following;
  - a) Current Years profit
  - b) Previous Year profit
  - c) Money provided by Central or State Government.
2. Dividend can be paid out of Capital Profits.
3. Dividend cannot be paid out of Capital.

➤ **Explain legal provisions for declaration of Dividend.**



**Answer :**

1. **Board Meeting** : Board Meeting should to pass resolution about a) rate and amount of dividend, b) book closure date, c) date of Annual General Meeting, d) to open separate bank account.
2. **Shareholders' Approval** : dividend is approved by share holders by passing Ordinary Resolution at Annual General Meeting.
3. **Separate Bank Account** : Company has to open separate bank account in Scheduled Bank to be called Dividend Account with in 5 days of declaration.
4. **Prohibition to Pay Dividend** : Company which has failed to repay deposit or any interest on deposit cannot declare dividend.

➤ **Explain legal provisions for Payment of Dividend.**



1. Dividend must be paid in cash and not in kind
2. Dividend may be paid by cheque, warrant or by any electronic mode.
3. Company must pay dividend within 30 days of declaration.
4. If shares are held in electronic form, dividend will be paid to beneficial owner.
5. Company will be liable to pay simple interest @ 12% p.a if failed to pay dividend.

➤ **Explain Interim Dividend with its features.**

Dividend declared by the Board of Directors between two Annual General Meetings is called Interim Dividend.

Following are the features of Interim dividend;

1. Board of Directors has the power to declare Interim Dividend.
2. Interim Dividend is only a payment on account of the whole dividend for the year.
3. Company should provide depreciation before declaring interim dividend.
4. Interim dividend cannot be paid out of any reserves.
5. Articles of Association of the company must authorize.
6. The amount to be given as Interim Dividend must be credited in a separate Bank account in a scheduled bank within 5 (five) days of its declaration.
7. Interim Dividend should be paid within 30 days of its declaration.
8. Unpaid dividend amount to transferred to "Unpaid Dividend Account"
9. Any amount remaining unpaid/unclaimed in the 'Unpaid Dividend Account' for 7 years should be transferred to IEPF.

➤ **Interest**

Interest is the cost of retaining money for the borrower and it is income from lending money for the lender.



➤ **Important Distinction Between from this Chapter:**

1. Interim Dividend and Final Dividend (Text Book Pg no. 149)

## CHAPTER 11–FINANCIAL MARKET

### ➤ What is Financial Market?



Financial Market is a market place where Financial assets i.e. financial instruments are exchanged or bought and sold.

Financial Markets attracts funds from investors and channelizes them to corporations.

### ➤ Functions of Financial Market.

1. **Transfer of Resources** : Facilitates the transfer of real economic resources from lender to ultimate user.
2. **Productive Usage** : Financial Market do not allow funds to remain idle.
3. **Enhancing Income** : Financial Market allows lenders to earn interest or dividend on their investment.
4. **Capital Formation** : Financial Market allows flow of funds from individuals to industries and commercial organization in form of capital.
5. **Price Determination** : Financial instruments traded in financial market get their prices from the mechanism of demand and supply.
6. **Sale Mechanism**: Provides mechanism for selling of a financial asset by investor.
7. **Mobilizing Funds**: Idle funds in the hands of the investor can be productively used by corporates.
8. **Liquidity**: Investor can sell their financial instruments and convert them into cash at any time.
9. **Easy access**: Financial market provides a platform for both i.e. buyer and seller.
10. **Industrial development**: Financial Market helps in transforming savings into capital. Corporates use these funds.

➤ **Explain Money Market with its features.**



Money market is a market for lending and borrowing of funds for **short term**.

Features of money market are as follows;

- 1) The funds borrowed and lent in money market are for short term. **The maximum period for which the funds are traded in the market is one year.**
- 2) It is a **wholesale market for short term debt** as the transaction volume is large.
- 3) **Trading may take place over the telephone**, after which written confirmation is done by way of e-mails.
- 4) Participants of money market include **RBI, commercial banks, mutual funds, financial institutions, primary dealers and corporates.**
- 5) There is an **impersonal relationship** between the participants of the money market.
- 6) **Money market has no geographical area** i.e. there is no fixed place for carrying out transactions.
- 7) The instruments of **money market can be converted easily into cash or have very short maturity periods.** Moreover, the returns on investment is also low.
- 8) Major segments of money market are :
  - a) Call money market
  - b) Certificate of Deposits market
  - c) Treasury Bill market
  - d) Commercial Bill market
  - e) Commercial papers market



➤ **Explain Capital Market and its features.**



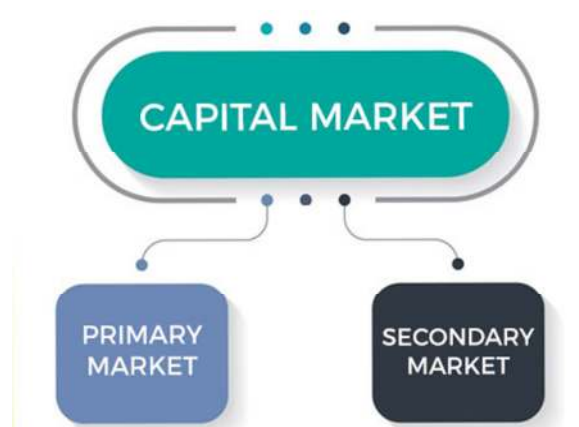
Capital Market is a place for borrowing and lending **long term capital** required by business enterprises.

As per SEBI, capital market is a market for long term debt and equity shares.

Features of Capital Market are as follows;

1. **Link between investor and borrower**
2. **Deals in medium and long term investment**
3. **Presence of intermediaries**
4. **Promotes Capital formation**
5. **Regulated by Government rules, regulations, and policies.**
6. **Deals in Marketable and Non Marketable Securities.**
7. **Variety of Investors.**
8. **Risk.**

➤ **Types of Industrial Securities (Capital) Market**



Following are the types of market;

1. **Primary Market:** Market where new/ fresh securities are issued is called Primary Market. It is also called **new issue market**.
2. **Secondary Market:** Market where existing securities are traded is called Secondary Market. Secondary market is commonly known as **stock market or stock exchange**.

➤ **Important Distinction Between from this Chapter;**

1. Money Market and Capital Market (**Text Book Pg no. 165**)

## CHAPTER 12–STOCK EXCHANGE

### ➤ Meaning of Stock Market;



Stock is a specific place where various types of securities are purchased and sold. Stock market acts as intermediary between investors and borrowers.

### ➤ Important features of stock exchange are as follows;

1. **Market for Securities** : On stock exchange all types corporate securities, as well as securities of government bodies are traded.
2. **Second hand securities** : Securities which are already issued are traded on stock exchange.
3. **Listed Securities** : Only listed securities are traded on stock exchange.
4. **Organised and Regulated Market** : All listed companies have to comply with the guidelines of SEBI.
5. **Specific Location** : Stock market is a place where brokers and intermediaries meet to conduct dealings in securities.
6. **Trading only through Members** : Securities on stock exchange can be traded only by members of exchange.

### ➤ Functions of Stock Exchange;



1. **Mobilisation of Funds** : Stock Markets are organized and regulated market which protects the interest of investors which encourages small and big investors to invest in securities.
2. **Capital Formation** : Investors in securities are attracted due to good returns on investments and capital appreciation. This attracts more investors to invest.
3. **Pricing of Securities** : Stock market helps to value securities on the basis of demand and supply factors.
4. **Economic Barometer** : Stock exchange is reliable barometer to measure the economic condition of a country.
5. **Protecting Interest of Investor** : In stock exchange only listed securities are traded. Stock exchange allows listing only after verifying the soundness of company.
6. **Liquidity** : Presence of stock gives assurance to investors that their investment can be converted into cash whenever they want.
7. **Better Allocation of Capital** : Shares of the profit making companies are quoted at higher prices and are actively traded so such companies can easily raise fresh capital from stock market.
8. **Contributes to Economic Growth** : Investors invest in companies which give good returns on investments which leads to economic growth.
9. **Provides Scope for Speculation** : To ensure liquidity and demand or supply of securities the stock exchange permits healthy speculation.
10. **Promotes the Habit of Savings and Investment**: Stock market offers attractive opportunities to encourage saving habits.

### ➤ **Securities and Exchange Board of India (SEBI);**



The Securities and Exchange Board of India (SEBI) is the regulator of the capital markets in India. The SEBI was established in 1992 under the Securities and Exchange Board of India Act, 1992. It has its headquarters in Mumbai and has many regional and local offices all over India.

➤ **Functions of SEBI:**

1. To protect the interest of investors in securities market.
2. To promote the development of securities markets.
3. To regulate the business in stock exchanges and any other securities market.
4. To register and regulate the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustee of trust deeds etc.
5. To register and regulate the working of the Depositories, Depository Participants, Custodians of securities, foreign institutional investors, credit rating agencies.
6. To register and regulate the working of venture capital funds and collective investment schemes including mutual funds.
7. To promote and regulate self-regulatory organizations.
8. To prohibit fraudulent and unfair trade practice relating to securities markets.
9. To promote investors' education and training of intermediaries of securities market.
10. To prohibit insider trading in securities.





# HSC RESULT 19-20

Name	Percentage	Name	Percentage	Name	Percentage
Khushbu Mali	95.54	Netri Shah	93.23	Riya Mahyavanshi	92.31
Priyanka Udeshi	94.92	Sakshi Navin Shetty	93.23	Ayush Agrawal	92.31
Smruti Suresh Jagdale	94.92	Parth Patki	93.23	Gautam Bhavesh Shah	92.31
Nidhi Dhanani	94.77	Pratham Shah	93.08	Bhumit Mehta	92.31
Ishika Pravin Sanghavi	94.62	Prishita Shah	93.08	Saakshi Deepak Karia	92.31
Vansh Vora	94.46	Prachi Parkar	93.08	Palak Jaitly	92.31
Aishwarya Vijay Badhe	94.46	Pratishtha Pravin Shetty	93.08	Purna Rajen Vora	92.31
Khushi Vipul Darji	94.46	Pallavi Jha	93.08	Manasvi Patankar	92.31
Kushal Thakkar	94.46	Nameera Ahmed	93.08	Hetavi Shah	92.15
Sampreeth Jayantha Poojary	94.31	Shreya Bharat Jain	93.08	Bansi Madlani	92.15
Janahvi Bharat Dayare	94.31	Yashvi	93.08	Deeksha Kapoor	92.15
Kriti Khatri	94.31	Sakshi Kothari	92.92	Yash Nautiyal	92.15
Sindhu Umesh Gawde	94.31	Khushi Nayan Makadia	92.92	Shruti Jain	92.15
Dhruvi Sanghvi	94.31	Kashti Mehta	92.92	Mahek Payak	92.15
Gautami Taggerse	94.15	Kevin Patel	92.77	Raksha Shekhar Shetty	92.15
Sudhanshu Singh	94.15	Priyanshi Mihir Shah	92.77	Dev Shah	92.15
Komal Jitesh Gandhi	94.15	Prabhankit Shinde	92.77	Aditi Ashok Shetty	92.15
Vedika Mediboina	94.15	Krupa Bidye	92.77	Athira Vaipuri	92.15
Sharvari Dilip Sawant	94.15	Prasham Gandhi	92.77	Jahnvi	92.15
Rashi Sanjay Jain	94.15	Nisha Surendra Rai	92.77	Manas Shetty	92.00
Saniya Kulkarni	94.15	Devank S. Mayekar	92.77	Neeraj Shah	92.00
Rochelle Menezes	94.15	Abhishek Dhuri	92.77	Yash Shah	92.00
Aditi Mogaveera	94.00	Shravani Wabekar	92.77	Yash Divyank Dhah	92.00
Arundatii Singh	94.00	Shreya Niranjan Borawat	92.77	Aditya Kandari	92.00
Yukta Sukerkar	94.00	Tithi Parmar	92.62	Isha Chotai	92.00
Megha J Hinduja	94.00	Kamlesh Suthar	92.62	Breanna Fernandes	92.00
Shreya Harlalka	93.85	Akshat Choudhary	92.62	Kashish Bhargava	92.00
Mansi Kadian	93.85	Khushal Parihar	92.62	Krishna Bharat Bhanushali	92.00
Sakshi Shankar Sudrik	93.85	Devanshi Kapadia	92.62	Keni Mehta	92.00
Ridhi Ajit Rikame	93.85	Amey Mhaskar	92.62	Khushi Kanodia	91.85
Rutika Vartak	93.69	Keya Trivedi	92.62	Shreya Tatke	91.85
Vaedik Khatod	93.69	Neer Shah	92.62	Pratyush Deepak Rajgor	91.85
Bhavya Bhandari	93.69	Yashvi Shah	92.62	Bhaktee Shah	91.85
Vidisha Shetty	93.69	Soham Angre	92.62	Bhargavraju Veerla	91.85
Parth Dubey	93.54	Ayush Ajay Sawant	92.62	Krupa Rakesh Gajre	91.85
Rohan Subramanian	93.54	Ankita Kewalramani	92.62	Swizal Gomes	91.85
Kervi Singhvi	93.54	Deepam	92.62	Heli Sanjay Dhruv	91.85
Diya Khaturia	93.54	Prasanna	92.62	Parth Upadhyay	91.85
Hetal Poonamchand Hingad	93.54	Prasanna Suresh	92.62	Vinit	91.85
Anushka M Dalvi	93.54	Hrishiita Raghu Poojari	92.46	Cheryl Andrade	91.85
Jay Singh	93.54	Devdas Ranjeet Patole	92.46	Yash Thakare	91.69
Saras Sali	93.54	Anannya Mhatre	92.46	Vitrag Singhi	91.69
Yashasvi Maheshwari	93.38	Sanskriti Shashikant Phavade	92.46	Radhika Dabholkar	91.69
Livya Noronha	93.38	Sanskar Maheshwari	92.46	Aastha Hari Chand	91.69
Ishita Kute	93.38	Neeti Vakharia	92.46	Dhruvi Desai	91.69
Khushi Agrawal	93.38	Payas Mehta	92.46	Rohit Baviskar	91.69
Khushboo Shah	93.38	Shobhit Maliwal	92.46	Bhinde Parth Mahendra	91.69
Khusha Shah	93.23	Leesha Gupta	92.46	Parth Mahendra bhinde	91.69
Deep Jayesh Gada	93.23	Nikunj Jain	92.46	Tanish Agarwal	91.69
Siddharth Manoj Sethia	93.23	Siddhant Hemant Avhad	92.46	Mokshitha Sherty	91.69
Aditya Kanal	93.23	Khushi Maheshwari	92.46	Sanchit Jain	91.69
Kosha Shah	93.23	Chaitra Billava	92.31	Samiksha Bhatt	91.69
Roshni Keshav Iddya	93.23	Hitakshi Mehta	92.31	Sejal Phapale	91.69
Neha Motwani	93.23	Smit Manish Fofaria	92.31	Isha Bathia	91.69
Parth Agarwal	93.23	Khushi Varaiya	92.31	Radhika Garg	91.69



# HSC RESULT 19-20

Name	Percentage	Name	Percentage	Name	Percentage
Om Kedia	91.69	Swastik	90.92	Tanvi Rasal	90.46
Esha Trisom Sonkusale	91.69	Shayan Sadik Desai	90.92	Hatim Sonkachwala	90.46
Samarth	91.54	Khushi Rakesh Chordia	90.92	Meet Paresch Kanakia	90.46
Viraj Mehta	91.54	Krish Parmar	90.92	Meet Kanakia	90.46
Mangesh Gadewar	91.54	Vidhi Singh	90.92	Jaineel Dalal	90.46
Murtaza Saria	91.54	Saloni	90.92	Disha Biyani	90.46
Disha Mody	91.54	Shreya Reddy	90.92	Vishakha Ranga	90.31
Samma Naresh Kewlani	91.54	Diya Dedhia	90.92	Devesh Dilip Pimpale	90.31
Ayush Panchamiya	91.54	Shambhavi Pai	90.92	Khushi Vinod Bhanushali	90.31
Priya Rao	91.54	Vrunda Atul Mehta	90.77	Vini Desai	90.31
Kiara Xavier	91.54	Parikshit Vanjara	90.77	Pauravi Nitin Baikar	90.31
Hansika Gupta	91.54	Khushi Soni	90.77	Sharvari Deshpande	90.31
Deval Mehta	91.38	Esha Hingarh	90.77	Nisha Rajesh Rao	90.31
Nagesh Banne	91.38	Merill D'souza	90.77	Vanshita Vora	90.31
Ojas	91.38	Riya Patel	90.77	Sayed Mohammed Junaid	90.31
Tanaya	91.38	Poojan Sanghavi	90.77	Anish	90.31
Jhanvi	91.38	Maurya Borse	90.77	Shubham Vora	90.31
Aparna Ramanathan	91.38	Ashi Devang Dhruva	90.77	Harshit Kedia	90.31
Mahek Shah	91.38	Heena	90.77	Kirti Balu Hase	90.31
Niel Patade	91.38	Khush Agarwal	90.77	Deepal Vikas Gohel	90.31
Harshi Kothari	91.38	Siddhi Panchal	90.77	Deepal Gohel	90.31
Aryan Karnawat	91.38	Siddhi	90.77	Gautam Kothari	90.15
Ananya Akerkar	91.38	Tania	90.77	Preksha Patel	90.15
Aabeid Shaikh	91.38	Srivatsa Patil	90.77	Pratik Dattu Koakte	90.15
Shubham Modi	91.38	Rahul Medda	90.77	Sanika Shivaji Varal	90.15
Isha Shah	91.23	Nishi Jagdish Punmiya	90.77	Gandhali Sumukh Desai	90.15
Neeraj Kishore Udasi	91.23	Tanushree Yadav	90.77	Surabhi Sonar	90.15
Honey Waghele	91.23	Vedant Keluskar	90.77	Jainam Swayam Shah	90.15
Vanshita Devadiga	91.23	Nishtha Jain	90.62	Siddhi Tiwari	90.15
Kavish Garg	91.23	Krish Shah	90.62	Het Fariya	90.15
Mit Shah	91.23	Amisha Mehta	90.62	Nemin Doshi	90.15
Ayushi Dhruva	91.23	Fenil Soneji	90.62	Jeni Shah	90.15
Cheril Nitin Shah	91.23	Richa Pravin Naik	90.62	Hayyan Badamia	90.15
Mohak Savla	91.23	Jhanvi Joshi	90.62	Arushi Keniya	90.15
Bhakti Deshmukh	91.23	Smriti Jain	90.62	Roshan Jain	90.00
Kaivan Dhruval Doshi	91.23	Priya Mangesh Jagtap	90.62	Shruti Shetty	90.00
Shweta Lackdivay	91.23	Sakshi Kalpesh Shah	90.62	Ramnek Chhipa	90.00
Shreyas Badiger	91.08	Rajlaxmi Magadum	90.62	Riya Shirvaikar	90.00
Sneha Chavan	91.08	Devanshi Vira	90.62	Ayush Barbhaya	90.00
Sathvika Shetty	91.08	Kashish Singhania	90.62	Pranav	90.00
Ankita Joshi	91.08	Disha Shah	90.62	Riddhi	90.00
Mansi Lad	91.08	Vidhi	90.62	Sakshi Raut	90.00
Nitansh Shah	91.08	Kaushik K Bhartiya	90.62	Manjiri Parab	90.00
Shree Joshi	91.08	Krina Satra	90.62	Pal Shah	90.00
Zubiya Ansari	91.08	Vedant Shriyan	90.46	Yash Ganesh Khanolkar	90.00
Mitali Shetty	91.08	Krish Jain	90.46	Prasesh Mehta	90.00
Ashmita Devadiga	91.08	Lokesh M Jain	90.46	Disha Bucha	90.00
Vidhi Shah	91.08	Sanskar Agarwal	90.46	Tanish Dharmendra Parmar	90.00
Diya Chheda	91.08	Narayani Gaur	90.46	Palak Jain	90.00
Dimple Dangi	91.08	Jahnvi Shah	90.46		
Chandan Tiwari	90.92	Shreeya Deorukhkar	90.46		
Disha N Shah	90.92	Aryaa Punyarthi	90.46		
Gauri Ojha	90.92	Sneha Ashok Shinde	90.46		
Tanish Dhani	90.92	Sneha Shinde	90.46		
Arishit Shetty	90.92	Yuvraj Abhaykumar Gandhi	90.46		