

# **S.Y.J.C. – SECRETARIAL PRACTICE**

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## CHAPTER - 1

## BUSINESS FINANCE

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements.**

1. Business finance deals with \_\_\_\_\_ activities of business.  
a) Manufacturing      b) selling      c) financial
2. A business firm is basically \_\_\_\_\_ organization.  
a) Profit oriented      b) service oriented      c) Non-profit.
3. Normally \_\_\_\_\_ gives advice to Board of Directors in respect of financial matters.  
a) Auditor      b) Secretary'      c) Finance Manager
4. Wealth maximization of owner means maximization of \_\_\_\_\_ of shares.  
a) Face value      b) market value      c) issue value
5. Due to \_\_\_\_\_ planning it is possible to eliminate wasteful expenditure.  
a) Financial      b) Sales      c) Production
6. The \_\_\_\_\_ means mix-up of various sources of funds in desired proportion.  
a) Capital structure      b) Term loan      c) Retained profit
7. Large manufacturing companies have \_\_\_\_\_ investment in fixed assets.  
a) Huge      b) small      c) moderate
8. Big retail stores require large amount of \_\_\_\_\_ capital.  
a) Fixed      b) working      c) loan
9. The \_\_\_\_\_ concerns can acquire funds from various sources.  
a) Well established      b) newly established      c) small trading
10. Trading on equity means use of \_\_\_\_\_ capital for financing a firm  
a) Equity      b) Preference      c) Borrowed
11. During the period of boom in share market \_\_\_\_\_ are issued to raise capital.  
a) Bonds      b) debentures      c) equity shares
12. The investors who are ready to take risk prefer \_\_\_\_\_ shares for investment.  
a) Preference      b) equity      c) bonus.
13. If share market is depressed a company should issue \_\_\_\_\_ capital.  
a) Debt      b) owned      c) mix
14. The \_\_\_\_\_ is considered as tax deductible expenditure.  
a) Dividend      b) bonus      c) interest
15. The \_\_\_\_\_ capital stay in business almost permanently.  
a) Fixed      b) working      c) debt
16. The difference between current assets and current liabilities is \_\_\_\_\_ capital.  
a) Debt      b) fixed      c) working

17. A firm selling on credit terms requires \_\_\_\_\_ working capital.  
a) more            b) medium            c) less
18. A firm making cash sales requires \_\_\_\_\_ working capital.  
a) less            b) more            c) no
19. If volume of sales increases, there is \_\_\_\_\_ in amount of working capital.  
a) an increase    b) a decrease            c) no change
20. The SEBI has prescribed debt - equity ratio norm of \_\_\_\_\_  
a) 1:1            b) 2:1            c) 2:2
21. \_\_\_\_\_ refers to management of business funds.  
a) Financial management    b) Strategic management    c) Inventory management
22. \_\_\_\_\_ is called as 'Resource Management'.  
a) Inventory management    b) Data management            c) Financial management
23. Financial management has become as important aspect in the business environment of \_\_\_\_\_ countries.  
a) Developed            b) Developing            c) Under – developing
24. Wealth maximization is also known as \_\_\_\_\_ maximization.  
a) Value            b) Source            c) Man – power
25. The financial plan must include information about \_\_\_\_\_ environment in which business operates.  
a) Economics            b) Social            c) Cultural
26. Capital structure is the \_\_\_\_\_ financing of firm represented by long term debt, preferred stock and net worth.  
a) Temporary            b) Permanent            c) Balanced
27. The ideal structure for new company is to raise capital through \_\_\_\_\_.  
a) Debentures            b) Preference shares            c) Equity shares
28. If funds are required on regular basis, the company should raise funds through issue of \_\_\_\_\_.  
a) Equity shares            b) Preference Shares            c) Debentures
29. If credit policy is \_\_\_\_\_, it is possible for the company to improve its cash flow.  
a) Sound            b) liberal            c) Just

**Q.2. Match the pairs**

<b>Group A</b>	<b>Group B</b>
a. Financial management	1. Minimise market value of equity shares
b. Wealth Maximisation	2. Investment in fixed assets
c. Financial Plan	3. Ratio of buying & selling
d. Capital Structure	4. Management of business fund
e. Fixed capital	5. Ad hoc programming of finance
	6. Investment in current assets
	7. Management of business activities
	8. Maximise market value of equity shares
	9. Ratio of different securities in capital
	10. Advance programming of financial management

Group A	Group B
a. Financial planning b. Debt – equity ratio c. Trading on equity d. Interest e. Capital gearing f. Working Capital	1. Use of equity capital for financing business 2. Tax deducted expenditure 3. Ratio between income and expenditure 4. Sum of current assets 5. Provides advice to secretary on financial matters 6. 2:1 7. Double edged sword 8. 1:2 9. Advance programming of financial plan 10. Ratio between debt capital and equity capital

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements.**

1. A function concerned with raising of finance and its effective utilization in business.
2. The basic principle of business activities that aims at profit.
3. The principle which means maximization of market price of equity shares.
4. An advance programming of all plans of financial management.
5. A mix -up of various sources of funds in desired proportion.
6. The ratio between debt capital (fixed interest) and equity capital (variable dividend).
7. The use of borrowed capital for financing business firm.
8. The portion of total capital which is invested in fixed assets.
9. The sum of current assets of the business.
10. The difference between current assets and current liabilities.
11. Capital or funds provided by equity share holders.
12. Loans provided by bank and other financial institutions.

**Q.4. State with reasons, whether the following statements are True or False:**

(1) Financial management is essential for all types of organization.

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Finance is the life blood of every organization whether it is established to earn profit or not. Financial management is specialized function of general management. It refers to management skills or technique of raising finance and effective utilization to achieve business goals,
- (b) Financial management deals with financial activities of business. Business is a combination of both commerce and industry,
- (c) Commerce includes trade and aids to trade. Industries include manufacturing, agricultural and construction industries,
- (d) Business finance includes commercial finance, industrial finance, corporate finance and agriculture finance,
- (e) Financial management is an operational function. It deals with planning, organizing, directing, co-coordinating, and controlling financial activities. It plays vital role in making, best use of financial resources,
- (f) The decisions regarding finance may make or destroy the organization.
- (g) A firm's success, survival, ability, and willingness to maintain production, and investment is determined by financial policies.  
Hence, it is essential for all types of organizations i.e. profit making or non-profit making.

(2) Maximization of profit is real and complete motive.

**Ans.** This statement is FALSE.

Maximization of wealth is real and complete motive.

**Reasons :**

- (a) According to Prof. Solomon Ezra, the ultimate goal of financial management should be the maximization of owner's wealth,
- (b) Maximization of profit is unreal and half motive. Business is an activity which is run in order to earn profit. The main aim of business is to earn profit,
- (c) No doubt that profit maximization and wealth maximization are two basic objects of financial management. Without profit no business can continue its function,
- (d) Without profit it is difficult for any business to survive. It is accepted as a standard for measuring the success or efficiency of business enterprise,
- (e) But the term profit is an ambiguous concept which is not having precise connotation<sup>1</sup>. Profit can be for long term short term, before tax or after tax.
- (f) If profit maximization is accepted as a real and complete motive, it totally ignores the risk factor. It does not consider interest of workers, shareholders, consumers, society and ethical trade practices,
- (g) Profit maximization at the cost of social and moral obligation is short sighted policy,
- (h) Wealth maximization is value maximization of its owners i.e. to increase market value of shares is real and complete motive.

(3) The proper aim of financial management is wealth maximization.

**Ans.** This statement is TRUE.

**Reasons :**

- (a) The main objectives of financial management are profit maximization and wealth maximization,
- (b) Without profit, it is difficult for business to run, survive, plan future expansion and compete with other businesses,
- (c) But the term profit is an ambiguous<sup>2</sup> concept. Profit maximization does not take into consideration the interest of workers, shareholders, consumers, society, and the ethical trade practices,
- (d) Prof. Solomon Ezra stated that the aim of financial management should be the maximization of owner's wealth,
- (e) Wealth maximization is value maximization of its owners i.e. suppliers of equity capital, they are shareholders who are part owners, they invest in company's shares and bear the risk.
- (f) Wealth maximization means maximise the market price of shares,
- (g) Equity shares are traded in share market. Market value of the equity share is reflection of the earning capacity of company i.e. company's financial soundness and creditworthiness,
- (h) Share has face value and market value. If market value of share increases year by year, then it is a sign of financial soundness of business entity, (i) In such circumstances, not only additional equity capital but borrowed capital may also be raised properly in future.

(4) It is not possible to go ahead without financial plan.

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Finance is lifeblood of every business. So management of such finance by preparing proper financial plan by finance manager is obligatory,
- (b) It is not possible for finance manager to go ahead unless he prepares 'Financial Plan'. It is required not only for earning profit but also for survival of any business organization,
- (c) Financial planning is an advance programming of all plans of financial management,
- (d) Financial planning establishes target of sales. Profit promotes co-ordination of resources and efforts to reach the targets,
- (e) The success of entire business depends on proper financial plan,
- (f) The financial managers prepares financial plan after getting entire information about the firm's activities. It includes financial policies and information.

Hence, it is not possible to go ahead without financial plan.

(5) Debenture capital is the main source of finance at initial stage of company.

**Ans.** This statement is FALSE.

Equity capital is the main source of finance at initial stage of company.

**Reasons :**

- (a) Debenture capital is borrowed capital. It is an acknowledgement of loan. It is raised after company is incorporated. It is refunded on its maturity. So debenture capital is not permanent capital,
  - (b) Debenture holders get interest at fixed rate as income on their investment. It is binding on company to pay interest every year even though company suffers loss,
  - (c) Equity capital is permanent capital which is refunded only at the time of winding up of a company. Dividend is paid to the equity shareholders as a return on their investments,
  - (d) Dividend is paid when company earns profit,
  - (e) Capital required in the initial stage of business is fixed capital. It is required to purchase land, building, plant, machinery which is of permanent nature.
  - (f) In this period production may not start. Company may not have sale and regular profit. Due to this, equity shareholders may not get dividend,
  - (g) It is not the case with debenture holders.
- Hence, equity capital is the main source of finance at initial stage. Company must pay its debenture holder even if it suffers loss.

(6) There is hard and fast rule for the proportion of owned funds and borrowed funds.

**Ans.** This statement is FALSE.

There is no hard and fast rule for the proportions of owned funds and borrowed funds.

**Reasons :**

- (a) Capital structure and financial policies are the two important aspects of financial planning,
  - (b) Capital is an amount invested in business by raising owned funds and borrowed capital,
  - (c) Capital is investment of funds and structure means arrangement of components i.e. equity share capital and debt capital in proper proportion.
  - (d) Owned funds includes amount collected through equity shares, preference shares and retained earnings. Shareholders are paid dividend on their investment,
  - (e) Borrowed funds includes debentures, term loan who gets fixed interest,
  - (f) The proportion of owned funds and borrowed funds is not fixed for any kind of business but it varies from business to business.
  - (g) The combination of owned and borrowed funds depends on availability of funds, types of borrowers, size and nature of business, and other internal as well as external factors.
- Hence, there is no hard and fast rule for the proportion of owned funds and borrowed funds.

(7) 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 to 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 for working capital needs,
- (e) e.g. big retail shops have to keep large stock of variety of goods so they require more working capital.
- (f) For seasonal goods like umbrella, winter garments, etc. business require more working capital in a particular season,
- (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 increases, 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.

(8) Trading on equity is a double – edged sword.

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Trading on equity means the use of borrowed capital for financing a firm.
- (b) It is based on the principle that if the rate of interest on debt is lower than the rate of company's earnings, then the equity shareholders will enjoy additional profit. Out of company's earning, first interest is paid to debenture holders,
- (c) Distribution of more dividend to shareholders increases company's goodwill, market value of shares, company's credit worthiness. Company can raise further loan at lower rate of interest,
- (d) On the contrary if company earnings are not sufficient, shareholders would not get dividend which will affect company's credit worthiness. Company may not get further loans,
- (e) If business earns sufficient profit, it will increase the income of shareholders otherwise it will increase risk of loss under adverse conditions.

## CHAPTER - 2

## SOURCES OF BUSINESS FINANCE

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements.**

- 1) The \_\_\_\_\_ is considered as supreme controlling factor in business.  
(Finance, material, machinery)
- 2) A business firm requires long term finance for meeting \_\_\_\_\_ capital needs.  
(Working, fixed, circulating)
- 3) A \_\_\_\_\_ is indivisible unit of share capital.  
(Debenture, share, bond)
- 4) A person who purchases shares of a company is known as \_\_\_\_\_ of the company.  
(Shareholder, bondholder, creditor)
- 5) A shareholder is entitled to receive \_\_\_\_\_ as return on investment.  
(Dividend, interest, discount)
- 6) A company cannot exist without \_\_\_\_\_ shares,  
(Preference, bonus, equity)
- 7) The \_\_\_\_\_ shares bear ultimate risk associated with the ownership.  
(Equity, preference, deferred)
- 8) Equity Shares are paid dividend at \_\_\_\_\_ rate,  
(Fluctuating, fixed, high)
- 9) Bonus shares are issued as gift to \_\_\_\_\_ shareholders.  
(Equity, preference, deferred)
- 10) Preference Shares carry dividend at \_\_\_\_\_ rate,  
(Fixed, fluctuating, lower)
- 11) Accumulated dividend is paid to \_\_\_\_\_ Preference Shares.  
(Redeemable, cumulative, convertible)
- 12) The holder of \_\_\_\_\_ Preference Shares have right to convert their shares into Equity Shares,  
(Cumulative, convertible, redeemable)
- 13) Retained earnings are \_\_\_\_\_ source of financing.  
(Internal, external, additional)
- 14) Debenture holders are \_\_\_\_\_ of the company,  
(Creditor, owner, supplier)
- 15) Debentures are issued to raise \_\_\_\_\_ capital,  
(Borrowed, owned, internal)
- 16) Debenture holders get fixed rate of \_\_\_\_\_ as return on their investment,  
(interest, dividend, discount)
- 17) Debentures are secured through \_\_\_\_\_  
(Agreement, contract. Trust deed)
- 18) Convertible Debentures are converted into \_\_\_\_\_ after a specified period. (Equity Shares, bonds, deposits)
- 19) The holder of the bond is \_\_\_\_\_ of the institution,  
(Owner, creditor, secretary)
- 20) Company can accept deposits from public, minimum for \_\_\_\_\_ months,  
(Six, nine, twelve)
- 21) Company can accept deposits from public, minimum for \_\_\_\_\_ months.  
(12, 24, 36)
- 22) Overdraft facility is allowed to \_\_\_\_\_ account holders.  
(Current, saving, recurring)
- 23) Small retailers rely on \_\_\_\_\_ credit from their suppliers.  
(Cash, trade, bank)

- 24) A Depository Receipt traded in \_\_\_\_\_ is called 'American Depository Receipt'. (London, Japan, USA)
- 25) The main benefit of 'Depository Receipt' is ability to raise more capital in \_\_\_\_\_ market,  
(National, local, international)
- 26) A company cannot exist without \_\_\_\_\_ shares.  
(Preference, bonus, equity)
- 27) \_\_\_\_\_ debentures are highly negotiable.  
(Non – convertible, Secured, bearer)
- 28) Debentures to be refunded after the expiry of specific period are known as \_\_\_\_\_.  
(Redeemable debentures, convertible debentures, secured debentures)
- 29) The shares which can claim the arrears of dividend in future e known as \_\_\_\_\_ preference shares.  
(Redeemable, cumulative, participating)
- 30) \_\_\_\_\_ have variable rate of interest.  
(Floating rate bonds, Zero coupon bonds, fixed rate bonds)
- 31) \_\_\_\_\_ has introduced 'New Bill Market scheme' in 1970.  
(Central Government, Reserve Bank of India, State Government)

**Q.2. Match the pairs**

Group A	Group B
(a) Equity Share Capital	(1) Maximum 5 years
(b) Debenture holder	(2) Owner of the company
(c) Retained profit	(3) Redeemable capital
(d) Public deposit	(4) Permanent capital
(e) Overdraft facility	(5) Creditor of the company
	(6) Current Account
	(7) Maximum 3 years
	(8) Capitalization of profit
	(9) Saving Account
	(10) Distributor of profit

Group A	Group B
a) Convertible debentures	1) Return on shares
b) Voting right	2) Converted into equity shares
c) Dividend	3) Return on debentures
d) Equity shares	4) Equity shareholders
e) Secured Debentures	5) Dividend at fixed rate
	6) Converted into preference shares
	7) Dividend at fluctuating rate
	8) Preference shareholders
	9) Security about repayment

Group A	Group B
a) Convertible preference shares	1) Easy method of financing
b) Shareholders	2) Owned capital
c) Trade credit	3) Conversion into debentures
d) Equity shares	4) Expensive method of financing
e) Debentures	5) Investments in fixed assets
	6) Conversion into equity shares
	7) Redeemable capital
	8) Owned of the company

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements.**

- 1) Name the shareholders who participate in the management of the company.
- 2) The value of share which is written on the share certificate and mentioned in the Memorandum of Association.
- 3) The value of share which is determined by demand and supply forces in the share market.
- 4) Name the shareholders who are 'residual claimants' against the assets and income.
- 5) Name the shareholders who are real owners of the company.
- 6) Type of the shares who have preferential right over Equity Shares in respect of dividend and return of capital.
- 7) Type of shares which can be redeemed after a certain period of time.
- 8) The policy of using undistributed profit into business.
- 9) A bond on which no interest is paid but issued at discount.
- 10) Name the bond, on which the rate of interest remains constant throughout the life of the bond.
- 11) Money raised by company from public for minimum 6 months to maximum 3 years.
- 12) Credit extended by suppliers with an intention to increase their sales.
- 13) A definite promise in writing from buyer for paying the amount on a specific date.
- 14) Dollar denominated instrument traded in stock exchange of USA.
- 15) The 'Depository Receipt' traded in the country other than USA.
- 16) The type of preference shares which can claim arrears of dividend.
- 17) The type of debentures having charge on the assets of the company.
- 18) The type of debentures which are transferable by mere delivery.

**Q.3.State with reasons, whether the following statements are True or False:**

**Q1. Face value and market value of share is same.**

**Ans.** This statement is FALSE.

Face value and market value of share is different.

**Reasons :**

- (a) Share has three values i.e. face value, issue value and market value.
- (b) Face value of share is the value which is mentioned in the Memorandum of Association which is the main document of company. This value is also written on share certificate. It is the initial value of share for e.g. ₹ 10 is the fact value of share.
- (c) Issue value is the price at which company sells its shares. If there is oversubscription company may sell its shares at premium i.e. more than face value each share of ₹ 10 at ₹ 11. If there is under subscription shares may be sold at discount i.e. share of ₹ 10 at ₹ 9. If shares issued and subscribed are equal then shares are sold at par i.e. ₹ 10 at ₹ 10.
- (d) Market value is the value of share in the market. Usually market value of share increases. If company earns more profit year by year and has good reputation, market value of shares will definitely increase. It is value of share in the market i.e. current value of share.
- (e) If shareholder purchase shares at ₹ 10 and after five years market value of share is ₹ 7 100, it means that share is having face value of ₹ 10, but its market value is ₹ 100. Market value of share is determined by demand and supply forces in the share market. Market value of shares may decrease if company suffers loss year by year.

**Q2. Equity shareholders get fluctuating dividend.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Equity shareholders invest in company's shares.

- (b) They get 'dividend' as a return on their investment.
- (c) Amount invested in equity shares is owned capital which is permanent capital of a company.
- (d) Equity shareholders are part owners of a company. They get more dividend if company earns more profit and less dividend if company does not earn sufficient profit.
- (e) Thus their dividend fluctuates according to the company's profit.
- (f) Dividend in equity shares cannot be fixed, it always fluctuates as per company's profit.
- (g) Equity shareholders may not get any dividend if company suffers loss in a particular year.

Hence, the statement "equity shareholders get fluctuating dividend" is true.

**Q3. Equity shareholders get dividend every year.**

**Ans.** This statement is FALSE.

Equity shareholders get dividend only when company makes profit. If it suffers loss equity shareholders may not get dividend.

**Reasons :**

- (a) Equity shareholders invest in company's shares.
- (b) They get 'dividend' as a return on their investment.
- (c) Amount investment in equity shares is owned capital which is permanent capital of a company.
- (d) Equity shareholders are part owners of a company. They get more dividend if company earns more profit and less dividend if company does not earn sufficient profit.
- (e) Thus their dividend fluctuates according to the company's profit.
- (f) Dividend in equity shares cannot be fixed, it always fluctuates as per company's profit.
- (g) Equity shareholders may not get any dividend if company suffers loss in a particular year.

Hence, the statement "equity shareholders get fluctuating dividend" is true.

**Q4. Equity shareholders are real owners and controllers of company.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Equity shareholders are the shareholders who purchase equity shares of a company.
- (b) Equity capital is owned capital which is permanent capital. A company cannot exist without equity shares.
- (c) Equity shares are fundamental and basic source of financing activities. Equity shareholders are part owners of a company at the same time they also bear risk associated with ownership.
- (d) Sometimes owners are benefitted but sometimes they also bear loss. Shareholders get dividend as per company profit. There is no dividend if company suffers loss.
- (e) Equity shareholders have voting rights. They attend meetings and elect their representatives for the management of the company, hence, they are real owners.
- (f) The control of company is vested in shareholders. They are real masters of the company, as they enjoy exclusive voting right.

- (g) 'One share one vote' is the principle of voting. So, maximum voting power is with the shareholders.
- (h) If shareholders are unable to attend meeting they may appoint proxies to vote on their behalf. Thus, by voting they pass resolution and participate in the management of company.

Hence, equity shareholders are real owners and controllers of company.

**Q5. Preference shareholders 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.

**Q6. Retained earning is difficult and costly method of the raising capital.**

**Ans.** This statement is FALSE.

Retained earning is not difficult and costly method of the financing company but it is very easy and economical method of raising funds.

**Reasons :**

- (a) Retained earning is the result of wise decision of management to collect Company's own profit.
- (b) It is a correct method of accumulating Company's part of profit during a period of high profit to overcome business contingencies.
- (c) It is nothing but savings from the profit that is retained in the business.
- (d) It is accumulated over years and reinvested in the business instead of distributing as more dividend.
- (e) It is a part of net profit which is not distributed to shareholders as dividend but retained by Company as 'reserve fund' over the years and reinvested in business.
- (f) It is a simple process of 'self-financing'. It is also called as ploughing back of profit.
- (g) Thus Company collects its owned capital by using simple procedure.

**Q7. Debenture holders are the owners of a company.**

**Ans.** This statement is FALSE.

Debenture holders are the creditors of a company.

**Reasons :**

- (a) Debenture is a loan or borrowed capital. It is not owned capital.
- (b) Debenture holders are the creditors of a company.
- (c) They provide loan to the company.

- (d) They get interest on their investment in the company.
  - (e) Company provides interest at pre-decided fixed rate to the debenture holders.
  - (f) They have no voting right and cannot attend general meetings of a company.
- Thus, the debenture holders are not the owners but creditors of a company.

**Q8. Debenture holder gets dividend every year**

**Ans.** This statement is FALSE.

Debenture holder gets interest every year.

**Reasons:**

- (a) 'Dividend' is return on investment in shares. Hence, shareholders gets dividend.
- (b) Debenture is loan or borrowed capital. It is not owned capital.
- (c) Debenture holders are creditors of a company. They provide loan to the company.
- (d) They invest in Company's borrowed capital. So fixed return should be given to them.
- (e) Company provides interest at pre-decided fixed rate to the debenture holders.
- (f) Interest is provided every year irrespective of Company's profits because investors who don't want any risk, but expect fixed income on their investment, purchase debentures.

**Q9. Debenture holder can participate in the management of a company.**

**Ans.** This statement is FALSE

Shareholders can participate in the management of the company.

**Reasons:**

- (a) Debenture holder invest in debenture, which is borrowed capital. Debenture holder is a creditor of the company.
- (b) Debenture holder is not part owner of the company.
- (c) Owners of the company manage business.
- (d) Shareholders invest in shares. Share capital is owned capital.
- (e) Shareholders are part owners of the company.
- (f) Members have right to manage the business.
- (h) Important business decision are finalised after discussion at meeting, voting, and passing resolution.
- (h) They have right to attend the meeting, vote at meeting while passing resolution. So, indirectly shareholders give approval for business decisions.

**Q10. Debentures can be secured with some property of a company.**

**Ans.** This statement is TRUE.

**Reasons:**

- (a) Debenture is borrowed capital. Company collects its borrowed capital by issuing debentures.
- (b) Company issues different types of debentures. On the basis of security Company issues 'secured debentures'. They are issued by charging company's fixed assets.
- (c) Debenture holders are creditors of a Company. They want security about the repayment of their funds.
- (d) As per Companies Amendment Act 2000, company cannot issue unsecured debentures.
- (e) Usually, debentures are issued against constituting charge on Company's fixed assets.

- (f) So debenture holders have guarantee about their refund of money. If Company fails to make payment after expiry of the period, debenture holders have right to sell Company's charged assets and recover their money.

**Q11. The bondholders are owners of a company.**

**Ans.** This statement is FALSE.

The bond holders are creditors of a company

**Reasons :**

- (a) Bond is a debt security. It is a loan.
- (b) When company borrows money, it issues bonds as an evidence of its debt.
- (c) Bondholder is a creditor of the company.
- (d) Bond is a formal contract to repay borrowed money with interest.
- (e) Holders of bond get interest at fixed interval or on maturity of bond.
- (f) Bond is loan and holder of bond is lender who provides loan to the company. Company collects borrowed capital by issuing different types of bonds.
- (g) Equity shareholders are owners of a company.

Thus, the bondholders are creditors. They are not owners of the company.

**Q12. Public deposit is a good source for long term financing.**

**Ans.** This statement is FALSE.

Public deposit is a good source for short term financing.

**Reasons :**

- (a) Public deposit is one of the effective means of raising short term finance.
- (b) Company requires short term finance to run its business successfully. Such short term finance fulfills company's working capital needs.
- (c) Public deposit is a loan raised by company from its investors. Deposits are accepted by public companies for short period.
- (d) These deposits are accepted for minimum 6 months to 3 years i.e. 36 months,
- (e) Depositor gets 'Deposit Receipt' as an acknowledgement.
- (f) Company cannot accept deposit for the period more than 36 months.
- (g) Depositor gets interest on their deposits with the company.

Hence, it is not long term but short term source of finance for the company.

**Q13. Deposit holders are entitled to receive dividend.**

**Ans.** This statement is FALSE.

Fixed deposit holders are entitled to receive interest.

**Reasons :**

- (a) Dividend is a return on investment in shares. Shares are owned capital of the company.
- (b) Interest is return on investment in borrowed capital. It is income given to the creditors of the company.
- (c) Company collects its borrowed capital through debentures, loans and public deposits.
- (d) Company collects deposits for 6 months to 3 years i.e. short term.
- (e) These deposits are returned at the end of the predetermined maturity date.
- (f) Depositors are financiers or lenders for the company. They are creditors of the company.
- (g) Creditors invest in companies so that they get fixed rate of interest as a 'return' irrespective of company's profit.

**Q14. Depositors are given voting rights.**

**Ans.** This statement is FALSE.

Depositors have no voting rights.

**Reasons :**

- (a) Depositors are creditors of the company.
- (b) Depositor provides borrowed capital to the company. It is suitable for raising short term finance to the company.
- (c) Deposits are accepted by the company only for maximum period of three years. So they are the creditors of the company not the owners.
- (d) Owners have right to attend the meeting and to participate at the meeting . shareholders are the owners of the company.
- (e) Company collects its borrowed capital by issuing debentures with the help of accepting deposits and loans. Thus, debenture holders and depositors are company's creditors but not owners.
- (f) Creditors have no right to vote at the meeting. Only members have the right to vote in the meeting.

Hence, depositors are not given voting rights.

**Q15. Financial institutions do not have any role in financing industrial firms.**

**Ans.** This statement is FALSE.

**Reasons :**

- (a) For rapid industrial development in the country first Industrial Policy was declared in 1948 and Government of India established financial institutions for providing finance to industries.
- (b) 12 financial institutions at national level and 46 at state level provide long and medium term finance, only to industrial sector.
- (c) State Finance Corporation (SFC), State Industrial Development Corporation (SIDCO) and other financial institutions play vital role in industrial development of the country.
- (d) The main object of financial institution is financing industries either by underwriting issues or subscribing shares (i.e. purchase shares and sell on on behalf of Company). They provide finance to economically backward regions for their industrial development,.
- (e) They also provide long term loans in foreign currencies to small businesses.

Hence, financial institutions plays prominent role in industrial development of the country.

**Q16. Providing loan to a business is a primary function of a bank.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Bank is a financial institution which deals with money. It performs the important function of mobilising savings 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.
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## CHAPTER - 3

## ROLE OF SECRETARY IN CAPITAL FORMATION

Q.1. Select the correct answer from the possible choices given below and rewrite the statements.

1. Return of Allotment is to be filed by the company with the registrar within .....days of the date of allotment.  
a) 60      b) 45      c) 30
2. If a share of ₹ 100 is issued at ₹ 110, it is said to be issued at .....  
a) Par      b) discount      c) premium
3. The secretary has to make an application for listing shares on the stock exchange within .....days from the date of issue of the prospectus.  
a) 10      b) 20      c) 30
4. Transfer of shares is .....  
a) A voluntary act      b) allotment of shares  
c) transmission of shares
5. Transfer of shares by operation of law is called .....  
a) Transfer of share      b) allotment of shares  
c) Transmission of shares
6. Shares are transmitted when .....  
a) Full payment is done      b) a call on shares is not paid in time  
c) A shareholder dies.
7. If a share of ₹ 100 is issued at ₹ 100, it is said to be issued at \_\_\_\_\_.  
a) Par      b) discount      c) premium
8. The amount of premium collected on shares must be recorded in a separate account known as \_\_\_\_\_ account.  
a) securities premium      b) reserves and surplus      c) share capital
9. \_\_\_\_\_ have the authority to decide the rate of premium.  
a) Board of directors      b) central government      c) shareholders
10. If a share of ₹ 100 is issued at ₹ 90, it is said to be issued at \_\_\_\_\_.  
a) Par      b) premium      c) discount
11. While issuing shares at a discount, the discount value must not exceed \_\_\_\_\_ % of its face value.  
a) 9      b) 25      c) 10
12. A public Limited Company has to publish \_\_\_\_\_ before issuing shares to the public.  
a) Balance sheet      b) prospectus      c) statement in lieu of prospectus
13. A Company cannot issue bonus shares within period of \_\_\_\_\_ months from the date of public / right issue.  
a) 6      b) 12      c) 3

14. Under \_\_\_\_\_, employees are given an option to purchase shares at a pre- determined price.  
 a) right issue                      b) bonus issue                      c) employee stock option scheme
15. A public company needs to file a \_\_\_\_\_ with the Registrar, when it managers to arrange its capital privately.  
 a) Prospectus                      b) draft                      c) statement in lieu or prospectus
16. \_\_\_\_\_ is an agent who guarantees purchasing of unsold shares.  
 a) Broker                      b) banker                      c) underwriter
17. The refusal of allotment of shares is communicated by sending \_\_\_\_\_ letter.  
 a) Allotment                      b) all                      c) regret
18. Letter of regret is accompanied by \_\_\_\_\_.  
 a) Refund cheque                      b) call letter                      c) dividend warrant
19. A share certificate is signed by at least \_\_\_\_\_ directors.  
 a) Three                      b) two                      c) four
20. A \_\_\_\_\_ does not bear the name of holder.  
 a) Share certificate                      b) share warrant                      c) debentures certificate

**Q.2. Match the pairs**

Group A	Group B
a) Share certificate b) Capitalization of reserves c) Under subscription d) Transfer of shares e) Private placement	1) Bonus shares 2) Transfer of shares due to operation of laws 3) Bearer document 4) More applications than expected 5) Sale of gift of shares to another person 6) Private company collecting capital privately. 7) Rights issue 8) Registered document 9) Public company collecting capital privately 10) Less applications than

Group 'A'	Group 'B'
a) Employee Stock Option scheme b) Initial Public Offer c) Regret Letter d) Lodgement Ticket e) Bonus Shares f) Share Warrant	1) Issue From Reserve 2) Bearer Document 3) Prepared by Board of Directors 4) Issue from borrowed funds 5) Employees insurance scheme 6) Primary market 7) Employees participation in business 8) Prepared by Secretary 9) Refund order

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements.**

1. A bearer document of the title to shares issued by the company under its common seal.
2. Issuing shares at face value.
3. Offering shares in the beginning to public for subscription.
4. Highest price quoted by a buyer to buy a specified number of shares or stock at any given time.

5. Transfer of ownership of shares by operation of law.
6. A document which is an invitation to general public to subscribe for shares of company.
7. Giving shares to share applicant or specific person with whom company has entered into contract.
8. The process by which the offer price of IPO is fixed on the basis of actual demand from the majority investors.
9. The authority to allot shares.
10. A right given by the company to its existing equity shareholders to purchase new shares in specific proportion.
11. The place where shares or securities are bought and sold.
12. A letter which informs the applicants that shares are allotted to him.
13. A letter sent to the applicant to whom shares are not allotted.
14. A registered document to title to the shares issued by the company under its common seal.
15. Voluntarily passing of the ownership rights of shares to another person by the member.
16. The value of share which is determined by demand and supply forces in the share market.

**Q.4. State with reasons, whether the following statements are True or False :**

**(1) Issue of Bonus shares is compulsory.**

**Ans.** This statement is FALSE.

Issue of Bonus shares is not compulsory.

**Reasons:**

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

Hence, it is not compulsory to issue bonus shares.

**(2) Rights shares are issued to general public.**

**Ans.** This statement is FALSE.

Rights shares are issued to the existing shareholders.

**Reasons :**

- (a) Rights issue is an issue meant for existing equity shareholders,
- (b) Where a company brings additional equity capital it has to be offered first to the existing equity shareholders on a pro-rata basis,
- (c) A notice must be given to the shareholders stating the right issue of shares,
- (d) The right issue shall be kept open for at least 30 days and not more than 60 days,
- (e) The company has to convene the board meeting and place before it the proposal for rights issue.

**(3) It is compulsory to allot shares to every applicant.**

**Ans.** This statement is FALSE.

It is not compulsory to allot shares to every applicant.

**Reasons :**

- (a) Allotment means distribution of shares among those who have submitted written application,

- (b) A public limited company cannot make allotment of shares unless
  - The amount stated in the prospectus i.e. the minimum amount has been subscribed.
  - The sum payable on application for such amount has been paid to and received by the company.
- (c) When the applicants are not allotted any shares, they are to be intimated and a letter of regret has to be sent,
- (d) A letter of regret consists of intimation that shares are not allotted to the applicant and informs him about the refund order for the application money,
- (e) It is sent when the shares are over subscribed.

**(4) A share certificate is a bearer document. (Mar. '10)**

**Ans.** This statement is FALSE.

A share certificate is a registered document.

**Reasons :**

- (a) It is a registered document as all particulars of shares mentioned in the share certificate are recorded in the Register of Members,
- (b) Registered document means the ownership of shares,
- (c) A share certificate is a non-negotiable document which cannot be transferred to another person without following a proper procedure as laid down in the Articles of Association of the company,
- (d) A bearer document means any such document in which the name of the owner is not stated and not entered in the Register of Members.

But a share certificate is not a bearer document. It is a registered document.

**(5) Transfer of shares is initiated by the company.**

**Ans.** This statement is FALSE.

Transfer of shares is done voluntarily by a member.

**Reasons :**

- (a) Transfer of shares takes place when a registered shareholder transfers his shares by sale or otherwise to another person voluntarily,
- (b) The person who transfers the shares is called as transferor and the person to whom the shares are transferred is called the transferee,
- (c) Transfer of shares which is initiated by the company is under compulsory conditions like death, lunacy, insolvency of the shareholder,
- (d) To transfer the shares voluntarily, the shareholder undergoes a proper procedure where there should be a proper Board meeting and a resolution passed.

**(6) The holder of share warrant may not be given full rights of membership.**

**Ans.** This statement is TRUE.

**Reasons:**

- (a) Share warrant is a bearer document of title to shares issued by a public company stating that the holder has the title to the shares.
- (b) It can be transferred by mere delivery and acts as a substitute for the share certificate.
- (c) A company may convert its share certificate into share warrant if it is fully paid on request of shareholder.
- (d) As the document is bearer in nature, it doesn't bear the name of the shareholder.
- (e) Due to which. His/her name doesn't appear in the Register of Members and hence, the holder of share warrant may not be given full rights of membership.

Thus, the above statement is true.

## CHAPTER - 4

## ISSUE OF DEBENTURES

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements.**

1. A company raises debt capital through the issue of \_\_\_\_\_.  
a) equity shares      b) preference shares      c) debentures
2. Power to issue debentures rests with \_\_\_\_\_.  
a) chairman      b) secretary      c) Board of directors
3. Debenture certificate must be issued within \_\_\_\_\_ months of allotment.  
a) 3      b) 6      c) 9
4. Fully convertible debentures are converted into \_\_\_\_\_ shares on maturity  
a) equity      b) deferred      c) bonus
5. The company has to obtain consent of \_\_\_\_\_ if issue of debenture exceeds ₹ 1 crore.  
a) SEBI      b) Registrar      c) National Stock Exchange
6. In order to redeem old debentures the company issues \_\_\_\_\_.  
a) assets      b) public deposits      c) fresh debentures
7. Debenture holder is \_\_\_\_\_ of the company.  
a) owner      b) debtor      c) creditor
8. Debenture holders get income in the form of \_\_\_\_\_.  
a) Dividend      b) Interest      c) Bonus
9. The word 'Debenture' is derived from the Latin word \_\_\_\_\_.  
a) Debere      b) Debenture      c) Debire
10. Debenture cannot be redeemed \_\_\_\_\_.  
a) at par      b) at premium      c) at discount
11. The \_\_\_\_\_ is an advertisement for the issue of debentures.  
a) Memorandum of association      b) articles of association      c) prospects
12. Debentures holder is entitled to receive \_\_\_\_\_ certificated from the company.  
a) Share      b) Dividend      c) Debenture
13. Approval of \_\_\_\_\_ is required to be taken before prospectus is issued to the public.  
a) Stock Exchange      b) Public Company      c) Registrar
14. A return of allotment is filed with the Registrar within \_\_\_\_\_ days of allotment.  
a) 30      b) 60      c) 90
15. The \_\_\_\_\_ can direct the company to repay the principal amount of debenture with interest.  
a) Company Law Board      b) Registrar      c) Shareholders

**Q.2. Match the pairs**

<b>Group A</b>	<b>Group B</b>
a. Debentures	1. Repaid at any time
b. Redeemable debentures	2. Proof of ownership
c. Convertible debentures	3. Repaid on maturity
d. Debenture trustees	4. Security about repayment
e. Secured debentures	5. Converted into equity shares
	6. Borrowed capital
	7. Unsecured investment
	8. Protects interest of debenture holders
	9. Converted into stocks
	10. Owned capital

<b>Group A</b>	<b>Group B</b>
a. Position of debenture holders	1. Owned capital
b. Reward of Debentures	2. Converted into preference shares
c. Meaning of Convertible debentures	3. Owners of company
d. Meaning of Redeemable debentures	4. Fixed rate of interest
	5. Redemption of debentures after fixed period of time
	6. Creditors of the company
	7. Factoring
	8. Converted into equity shares

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

1. The person who has invested in the debentures of a company.
2. The authority who can issue debentures.
3. A certificate issued to the debenture holder after allotment of debentures.
4. The statement to be filed with Registrar at least 3 days before the allotment in case the debentures are issued privately.
5. The reserve created for the protection of interest of debenture holders.
6. An agreement to be executed with the trustees of debentures within 6 months if the debentures are secured.
7. The company which can issue debentures only after obtaining a certificate of commencement.
8. The place where the amount is to be deposited by the company which it receives from the applicants of debentures.
9. An assessment of credit worthiness of a company as per the guidelines issued by the SEBI.
10. The one who prepares debentures certificates of the company.
11. The account in which the debentures are credited, if in dematerialized form.
12. In this method, the company purchases its own debentures from the open market and gradually cancels it.

**Q.4.State with reasons, whether the following statements are True or False :**

**(1) Board of Directors has power to issue debentures.**

**Ans.** This statement is **TRUE**.

**Reasons:**

- A debenture is a certificate of loan issued by a company under its common seal acknowledging a debt due to its holders.
- A company whether public or private can raise finance itself by issuing debentures.
- The debentures can be issued to general public at any point of time. (Public company can issue debentures only after obtaining a certificate to commence the business whereas, a private company can issue debentures immediately after incorporation)
- Under Section 292 of the Indian Companies Act, the Board of Directors has the sole authority to issue debentures.
- In the board meeting, the Board of Directors is required to pass a resolution authorizing the secretary to complete the entire procedure of issue of debentures.
- Thereafter, the secretary has to complete the legal procedure relating to issue of debentures.

Thus, the power to issue debentures rests with Board of Directors.

**(2) Debenture holders are the owners of the company.**

**Ans.** This statement is **FALSE**. [Debenture holders are creditors of the company]

**Reasons:**

- A debenture is a certificate of loan issued by a company under its common seal acknowledging a debt due to its holders. A person who purchases a debenture is called as 'debenture holder'.
- Debenture holders are the creditors of the company.
- They are the people who provide loan to the company.
- For the loan provided, debenture holders receive a fixed rate of interest.
- This interest does not depend on the profits earned by the company.
- Unlike shareholders, debenture holders have no voting rights and cannot participate in the management of the company.

Thus, debenture holders are not the owners but creditors of the company.

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

**Ans.** This statement is **TRUE**.

**Reasons:**

- Convertible debentures are the debentures that can be converted into equity shares of the company after a pre-determined period of time.
- The company has to give detailed information in respect to the conversion date, rate of conversion etc. in its prospectus when it issues convertible debentures.
- On conversion, debenture holders become the members of the company.
- However, if the amount of convertible debentures exceeds ` 50 lakhs and the premium price is not fixed, then the company is required to give option of compulsory redemption to its debenture holders. In such a case, the company cannot convert debentures into equity shares.

Thus, the above statement is true.

**(4) Debentures are never redeemed by the company.**

**Ans.** This statement is **FALSE**. [It cannot be said that debentures are never redeemed by the company]

**Reasons:**

- Debenture is an acknowledgement of debt created by a company under its common seal.
- Debenture capital represents owed funds, which means, it has to be repaid after the expiry of certain period of time, carrying a fixed rate of return.
- On the basis of redeemability, there are two types of debentures.  
Redeemable Debentures (these are repaid by the company on the expiry of the specified time)  
Irredeemable Debentures (Here, the repayment is not fixed. The company may repay them according to its convenience.)  
Therefore, it cannot be said that debentures are never redeemed by the company.

**(5) 'Debenture Redemption Reserve' (DRR) is created for Redemption of Redemption of deposits.**

**Ans.** This statement is **FALSE**. [DRR is created for redemption of debentures]

**Reasons:**

- Section 117C of the Companies Act requires every company issuing debentures has to transfer certain amount every year to DRR for the purpose of redemption of debentures.
- The amount credited to DRR should be purely utilized for the purpose of redemption of debentures.
- If a company fails to redeem the debentures on the date of maturity, then the Company Law Board will order the company to repay the principal amount along with interest due thereon.
- In case of partly convertible debentures, DRR is to be created for non – convertible portion only.

Thus, company creates DRR for the purpose of redemption of debentures and not for deposits.

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## CHAPTER - 5

## DEPOSITS

Q.1. Select the correct answer from the possible choices given below and rewrite the statements.

1. A \_\_\_\_\_ company cannot accept deposits from the general public.  
a) Private      b) public      c) government
2. No company with a net owned funds of less than ₹ \_\_\_\_\_ crore shall invite public deposits.  
a) 10      b) 2      c) 1.
3. Government company may accept deposits upto \_\_\_\_\_% of aggregate of its paid up capital and free reserves.  
a) 35      b) 30      c) 20
4. A company can accept a deposit for a maximum period of \_\_\_\_\_ months.  
a) 36      b) 6      c) 12
5. A company must give deposit receipt to the depositor within \_\_\_\_\_ of its acceptance.  
a) 1 week      b) 4 weeks      c) 8 weeks
6. No deposit can be repaid before \_\_\_\_\_ months.  
a) 1      b) 6      c) 9
7. Every company is required to invest \_\_\_\_\_% of its total value of deposits repayable in the next accounting year in the liquid assets.  
a) 10      b) 15      c) 20
8. A copy of return of deposits must be sent to the \_\_\_\_\_.  
a) Registrar of Companies      b) Government of India      c) State Bank of India
9. The secretary has to prepare \_\_\_\_\_ in case advertisement is not given by company while inviting deposits.  
a) Statement in lieu of Advertisement      b) Prospectus      c) Articles of Association
10. On acceptance of deposits, a company is required to keep register of deposits at the \_\_\_\_\_.  
a) Office of Registrar      b) SEBI's Office      c) registered office of the company
11. \_\_\_\_\_ is a loan received by the company from an investor on certain terms and conditions about repayment of principal amount with interest.  
a) Share      b) Deposit      c) Money
12. The rate of interest payable on deposit is \_\_\_\_\_ than the rate of interests on loan.  
a) higher      b) Lower      c) same
13. \_\_\_\_\_ does not create charge on the assets of the company.  
a) Secured debenture      b) Deposit      c) Bank loan
14. Depositors are \_\_\_\_\_ of the company.  
a) Suppliers      b) owner      c) loan creditors
15. A company cannot accept deposits payable  
a) On demand      b) after two years      c) after three years

**Q.2. Match the pairs**

Group A	Group B
a. Public Company b. Period of deposit c. Small Depositors d. Renewal of Deposits e. Private Company	1. Cannot accept public deposits 2. Approval of Depositors 3. Can accept public deposits 4. Company limited by-Guarantee 5. 6 months to 3 years 6. 6 months to 12 months 7. Deposits less than ₹ 25000 8. Deposits less than ₹ 20000 9. 48 months 10. Approval of Secretary

Group A	Group B
a. Government Company b. Maximum rate of interest on Deposits c. Maximum period of deposits d. Depositor e. Minimum period of deposits	1. 12.5% p.a. 2. 6 months 3. Creditor of the company 4. Accepts deposits up to 35% 5. 10.5% p.a. 6. Owner of the company 7. Accepts deposits up to 25% 8. 36 months

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

1. A record of details of public deposits maintained by a Company.
2. A document inviting public deposits issued by non-banking or non-financial company.
3. Type of company which can accept public deposits.
4. A depositor who has deposited in a financial year, a sum not exceeding ₹ 20000/- in a company.
5. The rules framed by central government for controlling and regulating of deposits by non-banking or non-financial companies from public.
6. The authority which has power to accept deposits.
7. The maximum period upto which deposits can be accepted.
8. Refunding the entire amount of deposit to the depositor by the company on its due date.
9. A copy to be filled with the Registrar when a company intends to raise deposits without issuing an advertisement.
10. Acceptance of the same deposits on its maturity by the company for a further period.

**Q.4. State with reasons, whether the following statements are True or False:**

**(1) A public company can accept deposits from the public to any extent.**

**Ans.** This statement is FALSE.

A public company can accept deposits from the public to a certain extent.

**Reasons :**

- (a) A company whose net owned fund is greater than 1 crore can accept deposits from public,
- (b) A public company cannot accept deposits from general public exceeding 25% of its total paid-up capital and free reserves. But, there is a limitation on the deposits which a company can accept,
- (c) A public company can accept the deposits in the form of unsecured debentures, deposits from its members etc., from its directors (not exceeding 10% of its paid-up capital).

Hence, in respect of a public company, the limitation of deposits is up to 35% of its total paid-up capital and free reserves. Apart from this, the public company cannot accept deposits in any other form.

**(2) A private company can accept deposits from public.**

**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.

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

**Ans.** This statement is FALSE.

A company cannot accept deposits payable on demand.

**Reasons :**

- (a) Deposits are accepted by the public companies only,
- (b) A company cannot accept deposits repayable before 6 months or after 36 months of receipt,
- (c) The depositors cannot be repaid within 3 months of its acceptance,
- (d) Company shall invite deposits according to the rules made under Sub Section (1) of Section 58A of the Companies Act, 1956.

**(4) Depositors approval is must for renewal of deposits.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Renewal of deposits is acceptance of same deposits in cancellation of old deposit with the approval of the depositors,
- (b) The company has to take consent of the depositors and a meeting of Board of Directors will be arranged where resolution is passed,
- (c) The advertisement for inviting deposits from the public must contain necessary terms and conditions relating to renewal of deposits,
- (d) A Register of Depositors should be maintained with all details of renewal,
- (e) The company must collect the old receipt and issue fresh deposit receipt to the depositors.

Hence, the approval of depositors is must for renewal of deposits.

**(5) Renewal of deposits means acceptance of deposits.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Renewal of deposit means accepting the same deposits for further period by the company with the approval of the depositor,
  - (b) If the depositor wants the deposits to be renewed, he informs the company to renew it for an extended period,
  - (c) The company accepts the proposal and a Board meeting is arranged for passing a resolution for the renewal of deposits,
  - (d) In the process of renewal, the old receipt is cancelled and a new one is provided to the depositor,
  - (e) Entries in the Register of Depositors is made with all the new details of acceptance.
- Hence, renewal of deposits means acceptance of the deposits.

**(6) No company with net owned funds of less than 5 crores shall invite deposits.**

**Ans.** This statement is FALSE.

No company with net owned funds of less than ₹ 1 crore shall invite deposits.

**Reasons :**

- (a) Only public company whose capital is less than ₹ 1 crore as their own fund is prohibited from inviting public deposits,
- (b) The company can invite deposits according to the provisions which are laid down by Companies Act 1988 and Companies Rules, 1975.
- (c) The company has to publish an advertisement specifying the financial conditions, management structure etc. of the company,
- (d) In all, the company whose net worth is more than ₹ 1 crore can accept deposits upto 35% of the total of its share capital and free reserves,
- (e) The deposit can be accepted for a minimum period of 6 months and maximum period of 36 months.

**CHAPTER - 6**

**DEPOSITORY AND DEMATERIALIZATION**

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements .**

1. Dematerialization is \_\_\_\_\_
  - a) conversion of physical securities into electronic form
  - b) conversion of share certificate into share warrant
  - c) conversion of share into stock
  
2. Depository facilitates \_\_\_\_\_
  - a) safe keeping of securities
  - b) safe keeping of money
  - c) safe keeping of valuable documents
  
- 3) Depository Act was passed in \_\_\_\_\_
  - a) 1996
  - b) 1986
  - c) 1985
  
- 4) The depository participant has \_\_\_\_\_ for identification.
  - a) ID No.
  - b) Pan No.
  - c) Index No.
  
- 5) \_\_\_\_\_ of securities eliminates paper work.
  - a) Rematerialisation
  - b) Dematerialization
  - c) Physical transfer
  
- 6) A depository is similar to \_\_\_\_\_.
  - a) an organization
  - b) a bank
  - c) a business
  
- 7) \_\_\_\_\_ is the representative of the depository.
  - a) Investor
  - b) Depository Participant
  - c) Issuer company
  
- 8) The Depository contacts the customer through \_\_\_\_\_.
  - a) Depository participant
  - b) Investor
  - c) Secretary
  
- 9) \_\_\_\_\_ is known as 'beneficial owner'.
  - a) A Trader
  - b) A Secretary
  - c) An Investor

**Q.2. Match the pairs**

Group A	Group B
a) Dematerialization	1) Link between depository and investor
b) Depository in India	2) NSDL
c) Depository participant	3) SEBI
d) Rematerialisation	4) Conversion of shares in Physical form into electric form
e) Fungibility	5) Link between SEBI and depository
	6) Conversion of shares in electronic form into physical form
	7) Shares do not have distinctive number

Group A	Group B
a) Depository Participant	1) 1996
b) Dematerialization	2) DP Client Agreement
c) Depository Act	3) Representative of Depository
d) Agreement stating Rights and Duties of investors and Depository	4) Demat Agreement
	5) Paperless share trading
	6) 1956
	7) Representative of investors

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

1. An organization where securities / shares are held in electronic form.
2. The process in which share certificate in physical form is converted into electronic form.
3. The organisation which acts as intermediary between investors and depository.
4. A person in whose name the demat account is opened.
5. An identification number given to a security of an issuer company at the time of admitting security in the depository system.
6. A certificate to be surrendered by an investor for opting dematerialization.
7. An account to be opened by an investor for handling shares in electronic form.
8. A person who verifies the signature of the investor on DRF with the specimen signature in the company record.
9. A cross remark on the face of scrip (share) certificate.

**Q.4. State with reasons, whether the following statements are True or False :**

**(1) Handling demat shares is very time consuming.**

**Ans.** This statement is FALSE.

Handling demat shares is very quick.

**Reasons :**

- (a) The system of trading at the Stock Exchange is physical transfer which is very time consuming.
- (b) Demat shares are holding, trading, and settling of securities in the electronic form. It is very quick and efficient disposal of work.
- (c) Dematerialization helps to prevent share certificates from getting mutilated or damaged.
- (d) It helps the process of transfer of securities to be made quick and easy.
- (e) It also helps to avoid the risks of loss, theft, fraudulent transfer, etc. and brings transparency.

**(2) Unless the shares are dematerialized, they cannot be traded in depository mode.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Dematerialization is holding, trading, and settling of securities in the electronic form.
- (b) For dematerialization of securities an investor is required to open an account with the Depository Participant (DP).
- (c) Depositories are the organizations which hold securities of the investors in electronic form and they are like banks.
- (d) In India, we have two depositories, i.e. NSDL and CDSL.
- (e) Dematerialization is optional according to Companies Act. The investor can hold shares in physical form but if he has to sell his shares, he has to demat the shares. SEBI has made demat compulsory for traded scrips.

**(3) Shares in physical form cannot be converted into electronic form.**

**Ans.** This statement is FALSE.

Shares in physical form can be converted into electronic form.

**Reasons :**

- (a) The process in which the share certificates in the physical form are converted into electronic form is called dematerialization.
- (b) When the shares are dematerialized, their accounts are kept and maintained in the demat account and the trading takes place through computer and not in physical form.
- (c) In India, the Depository Act was passed in the year 1996. According to the provisions of the Depository Act, the dematerialization of shares is 'optional'.  
The investors can hold their shares and securities either in the electronic form or in the physical form.
- (d) Usually it takes 20 to 30 days to convert the shares from physical form to electronic form and a proper procedure has to be followed for this purpose.

**(4) Share transfer in depository mode is fast and economical.**

**Ans.** The statement is TRUE.

**Reasons :**

- (a) Depositories are the organizations which hold securities of the investors in electronic form.
- (b) Share transfer in depository mode is fast and economical because :
  - (i) No stamp duty is charged for transfer of securities in the depositories,
  - (ii) It reduces the administrative cost of the company,
  - (iii) It reduces the paper work,
  - (iv) This system is safer, faster, quicker, and convenient and it saves time of the shareholder,
  - (v) It removes the risk of poor deliveries, loss due to theft, forgeries, etc.

Share transfer in depository mode is safe mode of transaction.

## CHAPTER - 7

## DECLARATION AND PAYMENT OF DIVIDEND

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements .**

1. The \_\_\_\_\_ recommends the final dividend  
a) Shareholders      b) Board of directors      c) Promoters
2. Dividend should be distributed within \_\_\_\_\_ days from its declaration.  
a) 30      b) 45      c) 21
3. For declaring final dividend \_\_\_\_\_ resolution should be passed in annual general meeting.  
a) Special      b) Ordinary      c) Unanimous
4. The dividend is calculated and paid on \_\_\_\_\_ capital.  
a) Authorized      b) Subscribed      c) Paid up
5. Unpaid/ unclaimed dividend shall be transferred to 'Investors Education and Protection Fund' on expiry of \_\_\_\_\_ year.  
a) Three      b) Seven      c) Five.
6. Dividend warrants are issued to \_\_\_\_\_ holders for getting dividend.  
a) Share certificate      b) Share warrant      c) Coupon
7. The dividend declared between two annual general meeting is known as \_\_\_\_\_ dividend.  
a) Interim      b) Final      c) Annual.
8. Dividend is a part of \_\_\_\_\_ distributed to the shareholders.  
a) Capital      b) Profit      c) reserve fund
9. A company need not transfer any profit to its reserve, if the declared is less than \_\_\_\_\_.  
a) 10%      b) 15%      c) 25%
10. When the rate of proposed dividend declared by the company is 12%, then it needs to transfer \_\_\_\_\_ % of profit of its reserve.  
a) 5      b) 7.5      c) 2.5
11. The secretary of the company prepares the dividend list after closing the \_\_\_\_\_.  
a) books of account      b) stock register      c) transfer books
12. The share warrant holders have to present dividend coupons to the \_\_\_\_\_ for receiving dividend .  
a) Board of Directors      b) Company's bankers      c) Secretary
13. If the company fails to comply with any of the provisions of unpaid /unclaimed dividend, then every officer in default shall be punishable with a fine up to \_\_\_\_\_ during which default continues.  
a) ₹ 500/- per day      b) ₹ 5,000/- p.a.      c) ₹ 5,000/ - per day

**Q.2. Match the pairs**

<b>Group A</b>	<b>Group B</b>
a) Dividend coupon	1) Return on investment of shareholders
b) Dividend warrant	2) Declared at annual general meeting
c) Dividend	3) Share certificate holder
e) Final dividend	4) Share warrant holder
f) Interim dividend	5) Return on debentures
	6) Declared between two annual general meetings
	7) Bonus shares
	8) Declared at extra ordinary general meeting
	9) Special resolution
	10) Debenture certificate holder

	<b>Group "A"</b>		<b>Group "B"</b>
1.	Declaration of dividend	(a)	10% of the profits to be transferred to reserves
2.	Dividend more than 205	(b)	Dividend unpaid or unclaimed for a period of 5 years
3.	Transfer to IEPF Account	(c)	At extra – ordinary general meeting
4.	Fixed Dividend Rate	(d)	Share Certificate Meeting
5.	One who recommends the rate of Dividend	(e)	At Annual General Meeting
6.	Dividend warrant	(f)	Preference shares
		(g)	5% of the profits to be transferred to reserves
		(h)	Equity shares
		(i)	Dividend unpaid or unclaimed for a period of 7 years.
		(j)	Board of Directors
		(k)	Shareholders

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

- Dividend declared by company between two annual general meetings.
- Dividend declared by company at its annual general meeting.
- A dividend remaining unpaid to shareholders even after the expiry of 30 days of its declaration.
- An amount available for distribution after making various deductions from the profit earned by the company.
- Portion of the profits which is allocated to the shareholders.
- A surplus amount raised by the company from sale of business asset.
- A coupon attached to share through which dividend is paid

**Q.4. State with reasons, whether the following statements are True or False :**

**(1) Dividend can be paid out of capital.**

**Ans.** This statement is FALSE.

Dividend cannot be paid out of capital but it is paid out of profits.

**Reasons :**

- Dividend is return of shareholders on their investment in company's shares.
- Dividend is part of company's profit distributed among shareholders. However, the entire profit is not distributed as dividend.

- (c) As per Sec. 205 of the Companies Act. company can declare dividend out of capital profit.
- (d) Capital profit means the surplus raised from the sale of business assets subject to following provisions :
  - (i) Capital profit have been realized in cash.
  - (ii) It remains as profit after revaluation of all assets and liabilities.
  - (iii) The Articles of Association permits to do so.
- (e) Dividend can be paid out of current years, previous years profit, accumulated reserves, but not out of capital.

**(2) Dividend can be paid on advance amount of calls received.**

**Ans.** The statement is FALSE.

Dividend can be paid on the amount paid up on each share but not on advance amount of calls received.

**Reasons :**

- (a) Company collects the amount of each share in different lots as application, allotment, first, second calls.
- (b) The provisions regarding payment of dividend are mentioned in Sections 80, 93, 205, 206 and 207 of the Companies Act 1956.
- (c) In Sec. 93, it is specifically mentioned that a dividend should be in proportion to the amount paid up on each share. It is authorized by the Articles of Association.
- (d) For the convenience of shareholders, they make advance payment of calls instead of 1<sup>st</sup> 2<sup>nd</sup> , 3<sup>rd</sup> so it is not paid up capital.
- (e) To declare dividend on such advance amount of calls is not provided in the company's Articles of Association.
- (f) Dividend is return on share capital which is distributed to each shareholder on their paid up capital.

**(3) The declared dividend is the statutory debt.**

**Ans.** This statement is TRUE.

**Reasons :**

- (a) Dividend is the part of company's profit distributed among shareholders.
- (b) It is income of shareholders on their investment in shares.
- (c) Dividend is that portion of corporate profit which has been set aside and declared by the company as liable to be distributed among the shareholders. Corporate profit is the profit declared by the companies established under Indian Companies Act, 1956.
- (d) Provisions regarding declaration of dividend are mentioned in the Companies Act.
- (e) Dividend is declared to shareholders on their investment in share capital out of company's profit.
- (f) 'Debt' means amount payable by the company to shareholders.
- (g) Once dividend is declared, company is liable to pay it. Shareholder can enforce payment of dividend with the help of Court.

Hence, dividend declared is the statutory debt.

**(4) The shareholders can increase the percentage of final dividend recommended by the Directors.**

**Ans.** This statement is FALSE.

The shareholders cannot increase the final dividend recommended by the Directors. Once it is recommended, it cannot be increased.

**Reasons :**

- (a) Recommendation of the rate of final dividend is statutory right of Directors,
- (b) Final dividend is the dividend declared at the Annual General Meeting,
- (c) Rate of final dividend is recommended by Board of Directors whereas sanction is given by shareholders,

- (d) Final dividend is declared by the shareholders at Annual General Meeting by passing ordinary resolution,
- (e) Once the resolution is passed at Annual General Meeting, it is approved. However, rate of dividend is determined only by Board of Directors not by shareholders,
- (f) Board of Directors have authority to recommend dividend. Only final approval is given by shareholders. Shareholders have no right to increase the rate of dividend. They can reduce the rate of dividend.

Hence, the above statement is false.

**(5) The rate of interim dividend is greater than final dividend.**

**Ans.** This statement is FALSE.

The rate of interim dividend is not greater than final dividend but it is less than final dividend.

**Reasons :**

- (a) Final dividend is the dividend declared at Annual General Meeting.
- (b) Interim dividend is the dividend declared between two Annual General Meetings.
- (c) Interim dividend is declared by the Board of Directors. Company's Articles empower Board of Directors to declare interim dividend. It does not require approval of shareholders. As it is declared by the Directors, it limits the rate of dividend.
- (d) Interim dividend is the dividend declared when company earns substantial profit in the first six months of the financial year and likely to earn in the rest of year.
- (e) Final dividend is declared out of company's profit after making provisions to transfer to reserves, depreciation, taxes.
- (f) Final dividend is declared at the end of the year and interim dividend after six months of financial year. Interim dividend is declared only when company earns substantial profits. Board of Directors may cancel interim dividend.
- (g) Part of profit is distributed as dividend. Interim dividend is declared after six months which is bonus to shareholders. If it will be more, company may not have sufficient profit to declare final dividend.

Therefore, it is always less than final dividend.

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**CHAPTER - 8**

**CORRESPONDENCE WITH MEMBERS**

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements.**

1. Refusal to allot shares is conveyed through \_\_\_\_\_ letter.  
a) regret    b) allotment    c) call
2. Intimation of deposit of instrument of transfer is communicated through \_\_\_\_\_ notice.  
a) lodgement    b) meeting    c) dividend
3. Registered shareholder receives dividend through \_\_\_\_\_ warrant.  
a) share    b) debenture    c) dividend
4. Dividend is to be paid to the shareholders within \_\_\_\_\_ days from the date of declaration.  
a) 30    b) 45    c) 21
5. Shares issued free of cost to the shareholders are known as \_\_\_\_\_ shares.  
a) deferred    b) preference    c) bonus
6. They have all the statutory and proprietary rights in a company.  
a) Members    b) Debenture holders    c) Board of Directors
7. The Secretary of the company while drafting letters should make use of \_\_\_\_\_ language.  
a) rude    b) abusive    c) courteous
8. \_\_\_\_\_ are issued by capitalization of general reserves of the company.  
a) Right shares    b) Bonus shares    c) Preference shares

**Q.2. Match the pairs**

Group A	Group B
a) Letter of regret	1) Capitalization of reserve fund
b) Transfer of shares	2) Fluctuating market value
c) Letter of Allotment	3) Refund order
d) Bonus share	4) Voluntary return of shares to the company
e) Return on share	5) Compulsory termination of membership of share holder
	6) Share applicant becomes shareholder
	7) Interest
	8) Dividend
	9) Shares to be sold to another person
	10) Conversion into equity shares

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements.**

1. A letter informing that shares are allotted to an applicant.
2. Offer of shares at free of cost to the existing equity shareholders.
3. Instrument of payment of dividend.
4. A notice given by a company to the transferor and transferee on submission of an instrument of transfer to the company.
5. A letter informing the applicant that the shares have not been allotted to him.
6. The receipt with perforation is attached with the letter of allotment.
7. Return on investment in shares.

**Q.4. State with reasons, whether the following statements are True or False :**

**1) Allotment letter need not be preserved.**

**Ans.** This statement is FALSE.

Allotment letter has to be preserved.

**Reasons:**

- (a) Allotment letter is an intimation from a company to an applicant that certain number of shares applied by him have been allotted.
- (b) The allotment has to preserve it in order to exchange it against the share certificate.
- (c) The allotment letter confirms the right of membership on the allottee.
- (d) The allotment letter gives all information regarding the number of shares allotted, the allotment amount to be paid, etc.

Hence, we can conclude that the allotment letters have to be preserved by the allottees as the share certificates are issued by a company in exchange of these letters.

**2) Passing on of title of shares to the legal heir is transfer.**

**Ans.** This statement is FALSE.

Passing on of title of shares to the heir is transmission.

**Reasons :**

- (a) Transfer is a voluntary act of transferring shares on the name of some other person.
- (b) Transmission of shares means transfer of shares by the operation of law from a member to his legal representative or legal heir.
- (c) Such transmission is done when a shareholder dies or becomes insane or insolvent.
- (d) Transmission is a compulsory act of passing on the title of shares and the company follows a suitable procedure.
- (e) The rules governing the transmission of shares are usually incorporated in the Articles of Association.

Hence, passing on of title of shares to the heir is transmission.

**3) Redemption fund is used for issue of bonus shares.**

**Ans.** This statement is FALSE.

Bonus shares are issued by capitalisation of general reserves of a company.

**Reasons :**

- (a) Bonus shares are issued free of cost to the existing shareholders of a company.
- (b) When a company earns huge profit it keeps a part of it as reserve and bonus shares are issued out of it.
- (c) There should be a provision in the Articles of Association to issue bonus shares or else the company should pass a resolution at its general body meeting for the capitalisation of reserves.

Hence, bonus shares cannot be issued from redemption fund. It is issued only out of accumulated profits and reserves.

**4) Registered shareholder gets dividend through dividend coupon.**

**Ans.** This statement is FALSE.

Registered shareholder gets dividend through dividend warrant.

**Reasons:**

- (a) Dividend is the share of a company's profit which is divided among the members of a company.

- (b) The dividend must be paid as per the Articles of Association. The payment of dividend may be made through cash/cheque, Dividend warrant or by Dividend mandate.
- (c) Dividend warrant is issued by a company to its registered shareholders in the form of an order cheque. The bankers of a company pay the amount to the concerned member.
- (d) Under Dividend mandate, the dividend is directly paid into the bank of the concerned member.

Hence, the registered shareholder gets dividend through dividend warrant.

**(5) Allotment receipt is attached with letter of regret.**

**Ans.** This statement is FALSE.

A refund order is attached with the letter of regret.

**Reasons :**

- (a) A regret letter is sent by a company to those applicants to whom no shares are allotted.
- (b) Every applicant who applies for shares of a company has to pay some money at the time of application of shares.
- (c) In case if the applicant is not allotted any shares then this amount has to be paid back.
- (d) This refund order must be sent along with the regret letter.

Hence, refund order is attached with letter of regret.

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**CHAPTER - 9**

**CORRESPONDENCE WITH DEBENTURE HOLDERS**

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements .**

1. Interest on bearer debentures is given through \_\_\_\_\_.  
a) interest warrant    b) refund order    c) interest coupons
2. Borrowed capital is provided to the company by \_\_\_\_\_.  
a) equity share holder    b) debenture holder    c) preference share holder
3. Debenture holder is the \_\_\_\_\_ of the company.  
a) owner    b) creditor    c) debtor
4. Convertible debentures are converted into \_\_\_\_\_ shares.  
a) equity    b) preference    c) bonus
5. Debenture capital of a company is \_\_\_\_\_ capital.  
a) permanent    b) borrowed    c) owned
6. The debentures, the amount of which is repayable after a specified period are called \_\_\_\_\_ debentures.  
a) convertible    b) registered    c) redeemable
7. The rate of interest payable on debentures is \_\_\_\_\_.  
a) uncertain    b) fixed    c) floating
8. Return on Investment in debentures is in the form of  
a) interest    b) profit    c) dividend
9. \_\_\_\_\_ warrants are sent to the debenture holders of the company.  
a) Dividend    b) Interest    c) Share
10. \_\_\_\_\_ capital is a safe and secured capital of the company.  
a) Debenture    b) Share    c) Authorized
11. Debenture capital is the \_\_\_\_\_ capital of the company.  
a) Supplementary    b) Permanent    c) Short – term

**Q.2. Match the pairs**

<b>Group A</b>	<b>Group B</b>
a) Debenture holder	1) Conversion into shares
b) Debenture certificate	2) Owner
c) Convertible debentures	3) Conversion into bonus shares
d) Interest on debentures	4) Creditor
e) Investment in debenture	5) Evidence of loan
	6) Evidence of ownership
	7) Interest warrant
	8) Safe and secured investment
	9) Dividend
	10) Risky investment

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

1. Documentary evidence of holding the debentures.
2. Return on investment in debentures.
3. The type of debenture, which is redeemed after a fixed period of time.
4. An acknowledgement of debt issued by the company under its common seal.
5. The person who purchases debentures of the company.
6. The debenture which is converted into equity share.

**Q.4. State with reasons, whether the following statements are True or False :**

**(1)** Dividend warrants are used to pay interest to the debenture holders.

**Ans.** This statement is **FALSE**. [Interest warrants are used to pay interest to the debenture holders]

**Reasons:**

- Debenture holder, creditor of the company, is entitled to receive interest on the amount invested by him.
- He can claim the amount of interest through the use of interest warrant.
- Interest warrant is a written order issued by a company to its banker to pay the specified amount to the concerned debenture holder.
- On the other hand, dividend warrant is used by the registered shareholder, owner of the company, to claim the amount of dividend.
- Dividend warrant is a written order issued by a company to its banker to pay the specified amount to the concerned shareholder.

Thus, interest warrants are used to pay interest to the debenture holders whereas shareholders receive dividend through dividend warrant.

**(2)** Debenture holders enjoy full membership rights of the company.

**Ans.** This statement is **FALSE**. [Debenture holders do not enjoy full membership rights of the company]

**Reasons:**

- Debenture holder is the one who provides a specific amount as loan to a company for a specific period of time against the issue of debenture certificate.
- He is the creditor of the company and the company is under statutory obligation to repay the principal amount on maturity. The interest on such loan is generally paid periodically.
- The debenture holders lack normal voting rights and are prohibited to participate in the management of the company.
- However, they may vote on matters affecting their interest.
- Generally, the secretary of the company corresponds with debenture holders on its behalf.

Thus, debenture holders do not enjoy full membership rights of the company.

**(3)** Interest on debentures is paid notwithstanding the volume of profits.

**Ans.** This statement is **TRUE**.

**Reasons:**

- Debenture is an acknowledgement of debt issued by a company under its common seal.
- Debenture carries a fixed rate of interest that is pre-determined at the time of issue.
- Under any circumstances, the company cannot link the amount of interest payable with the volume of distributable profits.
- The interest amount is paid periodically to the debenture holders irrespective of the fact whether the company makes profit or not.
- Therefore, it becomes a statutory debt for the company.

Thus, interest on debentures is paid notwithstanding the volume of profits.

(4) All types of debentures are eligible for conversion into equity shares.

**Ans.** This statement is **FALSE**. [Only convertible debentures are eligible for conversion into equity shares]

**Reasons:**

- There are 8 types of debentures namely registered, bearer, redeemable, irredeemable, secured, unsecured, convertible and non-convertible debentures.
- Section 81 (3) of the Companies Act, 1956, allows the companies to issue convertible debentures.
- Convertible debentures are those debentures which can be converted into equity shares after certain period of time.
- After conversion, the debenture holder becomes the member of the company.
- However, if he does not opt to convert the debentures into equity shares, the company has to then redeem his debentures within one month from the date of option.

Thus, only convertible debentures are eligible for conversion into equity shares.

(5) Redeemable debentures are repaid on winding up of the company.

**Ans.** This statement is **FALSE**. [Redeemable debentures are repaid on maturity]

**Reasons:**

- Redeemable debentures are those debentures which are redeemed / repaid at the end of specific period or in installments during the life time of the company.
- The period of redemption (repayment of amount on debentures), is fixed at the time of issue.
- The provisions in respect of repayment are specified in a trust deed.
- Trust deed is generally executed between the trustees and the company.
- It states that, if the company fails to redeem the debentures on maturity, the trustees on behalf of the debenture holders can sell off its assets and repay the amount due.
- Also, on such failure, the tribunal may order the company to redeem the debentures and the directors in default shall be penalized.

Thus, redeemable debentures are repaid on maturity and not on winding up of the company.

**CHAPTER -10**

**CORRESPONDENCE WITH DEPOSITORS**

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements.**

1. Depositors are \_\_\_\_\_ of a company.  
a) Members      b) creditors      c) debtors
2. A depositor has to send duly discharged original \_\_\_\_\_ receipt to the company for repayment of deposit.  
a) Deposit      b) bank      c) cash
3. A company can accept deposit for maximum \_\_\_\_\_ months.  
a) 24      b) 36      c) 48
4. Company with net worth exceeding ₹ \_\_\_\_\_ can accept public deposits.  
a) One crore      b) 25 lacs      c) 50 lacs
5. \_\_\_\_\_ are issued to satisfy short term working capital needs of a company.  
a) Deposits      b) Debentures      c) None of these
6. Rate of interest on deposits is \_\_\_\_\_.  
a) fixed      b) variable      c) uncertain
7. The \_\_\_\_\_ does not create charge on the assets of the company.  
a) secured debenture      b) deposit      c) bank loan
8. A company deducts \_\_\_\_\_ at the time of payment of interest on deposits.  
a) TDS      b) excise duty      c) income tax
9. When the deposit is to be \_\_\_\_\_, the company sends letter for repayment of deposit to the depositor.  
a) renewed      b) refunded      c) retained

**Q.2. Match the pairs**

<b>Group A</b>	<b>Group B</b>
a) Depositors	1) Evidence of deposit
b) Deposit receipts	2) Owner of the company
c) Interest on deposit	3) Unsecured investment
d) Investment in deposit	4) Creditor of the company
e) Letter of thanks	5) Secured investment
	6) Fixed and regular
	7) Evidence of ownership
	8) Fluctuating
	9) When deposits mature
	10) When deposits are accepted

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

1. Return on investment of deposit.
2. An acknowledgement of the deposit accepted by a company.

3. Instrument of payment of interest.
4. The one who corresponds with depositors on behalf of the company.
5. The tax directly deducted from the recipient's income by the payer before the payment is made.
6. The percentage of TDS to be deducted if PAN is not submitted by a depositor.
7. Acceptance of the same deposits on its maturity by the company for a further period.
8. Refunding the entire amount of deposit to the depositor by the company on its due date.

**Q.4. State with reasons, whether the following statements are True or False :**

**(1) Fixed deposit is a short term source of finance for the company.**

**Ans.** This statement is TRUE.

**Reasons:**

- (a) Joint Stock Company collects capital through different sources,
  - (b) It collects its borrowed capital through debentures, loans and deposits,
  - (c) Deposit is a loan received by the company from the investors,
  - (d) Deposits are accepted by public companies for short period i.e. from 6 months to 3 years,
  - (e) Depositor gets regular interest at predecided rate and repayment of principal amount after expiry of period,
  - (f) For the amount invested on deposits, company issues Fixed Deposit Receipt as an acknowledgement of debt,
  - (g) A public company cannot accept deposit for more than 36 months i.e. 3 years.
- Hence, it is a short term source of finance for the company.

**(2) Fixed deposit holder is an unsecured creditor of the company.**

**Ans.** This statement is TRUE.

**Reasons:**

- (a) Joint Stock Company collects its borrowed capital by issuing debentures, loans and accepting deposits,
- (b) Company accepts deposits for 6 months to 3 years at certain fixed percentage of interest,
- (c) At the end of the maturity, these deposits are returned,
- (d) Investors who want good return on their short term investment invest in deposits,
- (e) Depositors are unsecured creditors of the company. Deposits are not issued against company's assets. Depositors have no charge over company's assets,
- (f) Debentures are secured against company's fixed assets.  
For repayment of debenture, company creates 'Debenture Redemption Reserve' out of company's profit. So the debenture holders are safe investors,
- (g) This is not the case with depositors. The only security for depositor is the solvency of the company,
- (h) Strict penalties are provided for any default in payment of interest and principal amount of deposit,
- (i) But security with company's assets is not provided. Absence of collateral security makes investment in deposits risky. Hence, fixed deposit holder is unsecured creditor of the company.

**(3) Fixed deposit holders are entitled to receive dividend.**

**Ans.** This statement is FALSE.

**Fixed deposit holders are entitled to receive interest.**

**Reasons:**

- (a) Dividend is a return on investment in shares. Shares are owned capital of the company,

- (b) Interest is return on investment in borrowed capital. It is income given to the creditors of the company,
- (c) Company collects its borrowed capital through debentures, loans and public deposits,
- (d) Company collects deposits for 6 months to 3 years i.e. short term.
- (e) These deposits are returned at the end of the predetermined maturity date,
- (f) Depositors are financiers or lenders for the company. They are creditors of the company,
- (g) Creditors invest in companies so that they get fixed rate of interest as a 'return' irrespective of company's profit.

**(4) Deposits are not to be invited by the company without issuing statutory advertisement.**

**Ans.** This statement is TRUE.

**Reasons:**

- (a) According to the Companies Act, 1956, deposits includes all types of deposits, public or private,
- (b) Company raises its borrowed capital by issuing deposits to the public for 6 months to 3 years,
- (c) It is a short term loan raised by the company,
- (d) As per Companies (Amendment) Act, 1988 and Companies Rules, 1975, a company can accept deposits from the public only after the publication of an advertisement,
- (e) Such advertisement must be issued in one leading English newspaper and one vernacular newspaper circulating in the state in which Registered Office of the company is situated,
- (f) Such advertisement must be issued in the name of the Board of Directors of the company stating all details of the company like name, date of incorporation, etc.
- (g) Advertisement inviting deposits is a prospectus, hence, a copy of the advertisement should be filed with the Registrar of Companies for registration.

Hence, deposits are invited by the company only after statutory advertisement.

**(5) Interest income on fixed deposit is free of income tax.**

**Ans.** The statement is FALSE.

**Interest income on fixed deposit is not free from income tax.**

**Reasons:**

- (a) As per Income Tax Act, every individual has to pay income tax on his earning.
- (b) In the form of income tax, sales tax and other taxes, government collects revenues,
- (c) Every salaried person has to pay income tax on his annual income of salary and income from other investment as deposits,
- (d) This tax is paid at the end of the financial year i.e. 31st March of every year,
- (e) It is the responsibility of a company to deduct tax before making payment of interest if it exceeds ₹ 10,000/-.
- (f) The rate of tax deducted at source is 10% on interest payable,
- (g) If the depositor has no permanent account number (PAN), double amount is deducted as TDS.
- (h) The company has to deposit tax deducted before 7th day of the next month.

**CHAPTER - 11**

**FINANCIAL MARKETS**

**Q.1. Select the correct answer from the possible choices given below and rewrite the statements.**

1. The market which provides short term fund is \_\_\_\_\_.  
a) Capital Market    b) Gold Market    c) Money Market
2. The repurchase rate which is also known as the official bank rate is \_\_\_\_\_ rate.  
a) Repo    b) Credit    c) Interest
3. The market which is also known as the government securities market is \_\_\_\_\_ market.  
a) Primary    b) Secondary    c) Gilt edged
4. The debt instruments which are issued by corporate house to raise funds from the money market is \_\_\_\_\_.  
a) Certificate of deposit    b) Preference shares    c) Commercial paper
5. A market where existing securities are resold or traded is called \_\_\_\_\_ market.  
a) Commodity    b) Secondary    c) Primary
6. The market which deals in medium-term and long-term credit or fund is called \_\_\_\_\_.  
a) Money market    b) Capital market    c) Gold market
7. A security market in which new issues of securities (i.e. shares and debentures) are arranged or organized is called \_\_\_\_\_ market.  
a) Primary    b) Secondary    c) Bullion
8. In Money Market, funds can be traded for a maximum period of \_\_\_\_ year/s.  
a) One    b) five    c) two
9. \_\_\_\_\_ is the most common method to meet the credit needs of trade and industry.  
a) Commercial papers    b) Treasury bills    c) Commercial bills
10. The liquidity is \_\_\_\_\_ in case of commercial bills.  
a) High    b) Low    c) Constant
11. Under \_\_\_\_\_, the shares of a company are sold among the selected group of persons.  
a) Right issue    b) Private placement    c) Public issue

**Q.2. Match the pairs**

Group A	Group B
a. Treasury bill	1. Primary market
b. Commercial bill	2. Long term credit
c. New issue	3. Mobilization of funds
d. Stock Exchange	4. Promissory note
e. Financial market	5. Short term credit
	6. Secondary market
	7. Central government
	8. Deals only with brokers
	9. New banking institutions
	10. Mutual fund

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

1. The equity shares of the companies which are issued to the existing equity shareholders.
2. A type of bill in the nature of promissory note issued by the government.
3. A market for borrowing and lending long term capital required by business enterprise.
4. A debt instrument issued by the corporate house for raising the short term funds from the money market.
5. A market place where the existing securities are bought and sold.
6. A market for financial assets which are close substitutes for money.
7. The negotiable term deposit certificates issued by the financial institutions at discount, at market rate or at par.
8. The bill which is issued by the government for raising short term funds to bridge the gap between receipts and expenditure.
9. A market where productive capital is raised and made available for industrial purposes.
10. A market for government and semi-government securities.
11. The market utilized for raising fresh capital in the form of shares and debentures
12. The most popular method of raising long term securities by offering them to public by using prospectus.

**Q.4. State with reasons, whether the following statements are True or False :**

**(1) The financial market does not contribute towards the nation's growth and development.**

**Ans.** This statement is FALSE

Financial market is the foundation of the economy of any country.

**Reasons:**

- (a) The financial market contributes to the national growth by ensuring continuous flow of surplus funds to deficit business units,
- (b) It is a system where funds are transferred from investors to business unit,
- (c) The important function of financial markets is mobilization of savings and channelizing them in to most productive users,
- (d) The components of financial markets help towards accelerated growth of industrial and economic development of a country leading to improvement in the standards of living.

**(2) Money market facilitates mobilization of funds.**

**Ans.** This statement is FALSE.

Financial market facilitates mobilization of funds.

**Reasons:**

- (a) Financial market facilitates exchange of financial instruments like deposits, loans, corporate stocks, government bonds, etc.
- (b) The main function of this market is mobilization of savings and channelizing them in to most productive use. It gets funds from households, individuals, public sector units etc. And provides in to industrial sector,
- (c) Financial market act as a link between the investor and the borrower,
- (d) The financial markets contribute the development of industries and accelerate the growth of the country.

**(3) Commercial bills is a common method to meet long term needs of an industry.**

**Ans.** This statement is FALSE.

Commercial bills is a common method to meet short term needs of an industry.

**Reasons:**

- (a) Commercial bills are used to meet the credit needs of trade and industry.
- (b) The bank can rediscount the bills. They can meet the short term liquidity requirements.
- (c) The liquidity is high in case of commercial bills. Its maturity period is 90 days.

**(4) Repo rate is known as the official bank rate.**

**Ans.** This statement is TRUE

**Reasons:**

- (a) Repo rate is the discounted interest rate at which a Central Bank repurchases the government securities,
- (b) The central bank has the power to lower the repo rate to expand the money supply in the country and increase the repo rate to reduce the money supply,
- (c) The central bank does such transactions with commercial banks. Its aim is to reduce some of the short term liquidity in the system,
- (d) When there is inflation the central bank raises the repo rate and when there is deflation it lowers the repo rate.

**(5) The gilt edged market is also known as the government securities market.**

**Ans.** This statement is TRUE.

**Reasons:**

- (a) Gilt edged securities are the bonds issued by the central or State Government or even by financial institutions which are safe and fully protected,
- (b) It is known as government securities market because it is a market for government and semi government securities.
- (c) These securities are safe investments as payment of interest and repayment of principal amount are guaranteed by the government,
- (d) These government securities are in the form of stock certificates, promissory notes and bearer bonds.

**(6) Stock exchange provides ready market for purchase and sale of gold and silver.**

**Ans.** This statement is FALSE.

Stock exchange provide ready market for purchase and sale of securities.

**Reasons:**

- (a) Stock exchange is a place where trading of the securities is arranged in an organised method.
- (b) It is a place where shares, sdebentures and bonds are purchased and sold.
- (c) It plays an important role in the capital market where long term and medium term capital is demanded and supplied.
- (d) Stock exchange provides a platform to the investor institutions to purchase or sell the securities of the companies.

## CHAPTER - 12

## STOCK EXCHANGE

Q.1. Select the correct answer from the possible choices given below and rewrite the statements .

1. BSE was established in \_\_\_\_\_.  
a) 1875    b) 1850    c) 1975
2. The trading system on BSE is known as \_\_\_\_\_.  
a) BOLT    b) OTCEI    c) NSE
3. An Institution which regulates and controls the activities of the stock exchange is called \_\_\_\_\_.  
a) NSE    b) BSE    c) SEBI
4. A \_\_\_\_\_ is a professional speculator in the stock exchange.  
a) Broker    b) Tejiwala    c) Jobber
5. Stock exchange is a place where \_\_\_\_\_ are bought and sold.  
a) Goods    b) Services    c) Securities
6. Stock exchanges function under the control of \_\_\_\_\_.  
a) Members    b) SEBI    c) Securities registration committee
7. The oldest stock exchange in Asia is \_\_\_\_\_.  
a) Bombay Stock Exchange    b) NSE    c) Calcutta Stock Exchange
8. \_\_\_\_\_ is a specific place where existing securities are traded.  
a) Bullion Market    b) Primary Market    c) Secondary Market
9. Stock exchange is like a \_\_\_\_\_ market where securities are bought and sold.  
a) Primary    b) Commodity    c) Gold
10. \_\_\_\_\_ is among the eight biggest stock exchange in the world in terms of transaction volume.  
a) Bombay Stock Exchange    b) Chennai Stock Exchange  
c) National Stock Exchange
11. The BSE Sensex is also known as \_\_\_\_\_.  
a) BSE 35    b) BSE 30    c) BSE 50
12. \_\_\_\_\_ is the first stock exchange in the world which uses communication technology for trading its securities.  
a) Chennai Stock Exchange    b) National Stock Exchange  
c) Bombay Stock Exchange
13. Index of NSE is called as \_\_\_\_\_.  
a) 'The broader 60-share-NIFTY'    b) 'The broader 45-share-NIFTY'  
c) 'The broader 50 - share - NIFTY'
14. In India, Bull is also known as \_\_\_\_\_.  
a) Stag    b) Tejiwala    c) Mandiwala

**Q.2. Match the pairs**

<b>Group A</b>	<b>Group B</b>
a) SEBI b) Stock exchange c) BOLT d) BEAR	1. Sensex 2. Primary market 3. Auction 4. Screen based trading 5. Optimistic about rise in prices of securities 6. Pessimistic about fall in prices of securities 7. Secondary market 8. Machinery regulating stock exchange

<b>Group A</b>	<b>Group B</b>
a) Primary market b) NIFTY c) Secondary market d) Jobber	1. Transacts in his own name 2. Mandiwala 3. Stock exchange 4. Middleman 5. Government company 6. Selling of new securities 7. BSE 8. NSE

**Q.3. Write a word or a term or a phrase which can substitute each of the following statements .**

- The floor of the stock exchange where the trading auction of shares takes place.
- The place where buying and selling of securities takes place.
- The institutions which regulates business in stock exchange.
- A single and most important institution in the secondary market for securities.
- The market where investors directly apply to the issuer company for allotment of shares.
- A market where medium and long term capital is supplied and demanded.
- The oldest stock exchange in Asia.
- The board that supervises and controls functioning of stock exchange.
- A dealer who is prohibited to deal with investors directly.
- A speculator who expects rise in price of securities in the future.
- A speculator who expects fall in price of securities

**Q.4. State with reasons, whether the following statements are True or False :**

- Stock exchange is a place of buying and selling securities.

**Ans.** This statement is TRUE

**Reasons:**

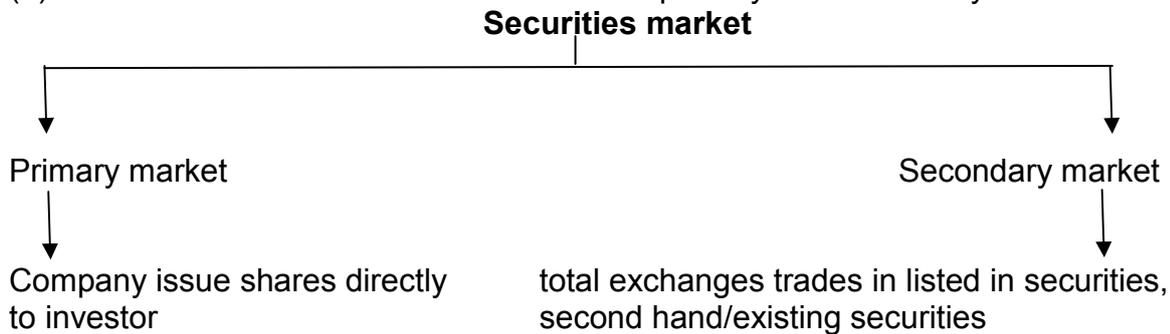
- Stock exchanges are privately organised markets which are used to facilitate trading in securities.
- Stock exchange is a place where shares, debentures, and bonds are purchased and sold.
- It plays an important role in the capital market where long term and medium term capital is demanded and supplied.
- It provides a platform to the investor to buy or sell securities in an organised manner,
- The main purpose of stock exchange is to facilitate the exchange of securities between buyers and sellers thus reducing the risk,
- It is an important constituent of capital market.

2. Stock exchange is a primary market.

**Ans.** This statement is FALSE.

**Reasons :**

- (a) Stock exchange or securities market is a place where securities are bought and sold,
- (b) Securities market can be classified in to primary and secondary market.



- (c) When the investors directly apply to the issuer company, then it is called primary market.
- (d) When the company closes the issue, a number of persons who bought these shares can generate higher returns on them by selling them at higher price,
- (e) This buying and selling is done in the secondary market called stock exchange.

(3) Securities market is an unorganised market in India.

**Ans.** This statement is FALSE.

Securities market is an organised market in India.

**Reasons:**

- (a) Organised market is the market which is regulated, governed and controlled by an outside agency through framing rules and regulations,
- (b) Securities market is also an organised market in India which is governed and controlled by the Securities and Exchange Board of India(SEBI).
- (c) Although the security market is managed by the association of individuals, it has to strictly obey the guiding principles laid down by SEBI.

Hence, we can conclude that securities market is an organised market place.

(4) Stock exchanges reflect financial progress of the country.

**Ans.** This statement is TRUE.

**Reasons:**

- (a) Stock exchanges are privately organised markets which are used to facilitate trading in securities,
- (b) Stock exchanges play a very important role in the capital market.
- (c) Stock exchanges are the indicators of economic stability of a nation. If the stock markets are high, the economic growth is high,
- (d) It mobilises the resources to the production sector and the long term funds can be used for expansion, modernization and setting up of new ventures.
- (e) Stock exchanges provide revenue to the government directly or indirectly and also provide investment opportunity to the investors,
- (f) The main aim of stock exchange is to raise long term funds for public limited companies and to enhance the financial statue of the country. Therefore, they are called economic barometer.

(5) There is no control on stock exchange.

**Ans.** This statement is FALSE.

SEBI has control on stock exchange.

**Reasons:**

- (a) Stock exchanges are privately organised markets which are used to facilitate trading in securities,
- (b) The government of India has established the market watchdog i.e. SEBI in April, 1988.
- (c) The main objective of SEBI is to promote fair dealing by the issuer of securities and to ensure a market place where companies can raise funds at low cost,
- (d) It also protects investors' rights and intersects by prohibiting the fraudulent and unfair trade practices,
- (e) It also prohibits insider trading practices,
- (f) It controls the activities of stock exchange by undertakings, conducting enquiries and audits etc.

(6) The objective of SEBI is to protect interest of the companies.

**Ans.** This statement is FALSE. [The objective of SEBI is to protect the interest of the investors]

**Reasons:**

- a) SEBI was established by the Government of India to regulate and monitor the working of stock exchanges so as to prevent the fraudulent and unfair trade practices relating to securities market.
- b) All the transactions in the stock exchanges are regulated, effected and controlled by the Securities Control (Regulation) Act, 1956.
- c) The stock exchanges protect the interests of the investors through the strict enforcement of their rules and regulations.
- d) Fraudulent practices by the jobbers, brokers, top officials are punishable with imprisonment and/or fine.
- e) Moreover, SEBI provides for flow of savings into the market, promotes fair dealings and regulates the code of conduct.

Thus, the objective of SEBI is to protect the interest of the investors and not the companies.

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**SECRETARIAL PRACTICE**

Time : 3 Hours

MARCH 2014

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: [15] (5)**

- (1) "Trading on equity" means use of \_\_\_\_\_ capital for financing a firm.  
 (a) equity shares      (b) preference shares      (c) borrowed.
- (2) A \_\_\_\_\_ is an indivisible unit of share capital.  
 (a) debenture      (b) share      (c) bond
- (3) Debenture certificate must be issued within \_\_\_\_\_ months of allotment.  
 (a) three      (b) six      (c) nine
- (4) The \_\_\_\_\_ recommend the final dividend.  
 (a) shareholders      (b) board of directors      (c) promoters.
- (5) The market where existing securities are resold or traded is called \_\_\_\_\_ market.  
 (a) commodity      (b) secondary      (c) primary.

**(B) Match the correct pairs : (5)**

	<b>Group 'A'</b>		<b>Group B'</b>
(a)	Fixed capital	(1)	Owned capital
(b)	Overdraft facility	(2)	Bearer document
(c)	Share certificate	(3)	Investment in fixed assets
(d)	Debentures	(4)	Current Account
(e)	Return on shares	(5)	Application money
		(6)	Dividend
		(7)	Investment in current assets
		(8)	Borrowed capital
		(9)	Savings Account
		(10)	Registered document

**(C) Write a word/term/phrase which can be substitute each of the following statements : (5)**

- (1) Depository Receipt traded in other countries other than the U.S.A.
- (2) Transfer of ownership of shares as per the provisions of law.
- (3) Dividend declared by company at its annual general meeting.
- (4) Return on investment in debentures.
- (5) The place where buying and selling of securities takes place.

**Q.2. Distinguish between the following (Any THREE): [15]**

- (1) Shares and Debentures.
- (2) Transfer of Shares and Transmission of Shares.
- (3) Final dividend and Interim dividend.
- (4) Money market and Capital market.
- (5) Primary market and Capital market.

**Q.3. Write notes on any THREE of the following:** [15]

- (1) Importance of financial planning.
- (2) Retain profits.
- (3) Share certificate.
- (4) Employee stock option scheme.
- (5) Methods of redemption of debentures.

**Q.4. State with reasons whether the following statements are TRUE or FALSE. (Any THREE):** [15]

- (1) Financial management is essential for all types of organizations.
- (2) Equity shareholders are real owners and controllers of a company.
- (3) Transfer of shares is initiated by the company.
- (4) A private company can accept deposits from public.
- (5) Handling demat shares is very time consuming.

**Q.5. Attempt the following : (Any TWO):** [10]

- (1) State the legal provisions regarding declaration of dividend.
- (2) Draft a letter of allotment of debentures.
- (3) Draft a letter to a debentureholder informing him about redemption of debentures.
- (4) Draft a letter to a depositor about renewal of deposit.

**Q.6. What is a 'debenture'? State the features of debentures.** [10]

**OR**

Write a letter to shareholder regarding issue of bonus share.

**\*\*\*\*\***

**SECRETARIAL PRACTICE**

Time : 3 Hours

OCTOBER 2014

Max Marks : 80

**Q. 1 : (A) Select the correct answer from the possible choices given below and rewrite the statements: (5) [15]**

- (1) Normally \_\_\_\_\_ gives advice to the Board of Directors in respect of financial matters.  
(a) auditor      (b) secretary      (c) finance manager
- (2) A company must issue \_\_\_\_\_ shares.  
(a) preference (b) bonus      (c) equity
- (3) Transfer of shares by operation of law is called \_\_\_\_\_ of shares.  
(a) transfer      (b) allotment      (c) transmission
- (4) Fully convertible debentures are converted into shares on maturity.  
(a) equity      (b) deferred      (c) bonus
- (5) Dividend warrants are issued to \_\_\_\_\_ holders for getting dividend.  
(a) share certificate      (b) share warrant      (c) coupon

**(B) Match the correct pairs : (5)**

	Group 'A'		Group B'
a)	Debentures holders	(1)	Approval of secretary
b)	Renewal of deposits	(2)	Declared between two annual general meetings
c)	Interim dividend	(3)	Creditors of the company
d)	Letter of regret	(4)	Primary market
e)	Stock Exchange	(5)	Approval of depositors
		(6)	Owners of the company
		(7)	Declared in extraordinary general
		(8)	Share applicant becomes shareholder
		(9)	Secondary market
		(10)	Refund order

**(C) Write a word/term/phrase which can be substitute each of the following statements : (5)**

- (1) The basic principle of business activities that aims at profit.
- (2) The value of share which is written on the share certificate and mentioned in the memorandum of association.
- (3) A document which is an invitation to the general public to subscribe for shares of company.
- (4) An acknowledgment of the deposit accepted by a company.
- (5) The institution which regulates business in stock exchange.

- Q.2. Distinguish between the following (Any THREE):** [15]
- (1) Fixed capital and Working capital
  - (2) Equity shares and Preference shares
  - (3) Share certificate and Share warrant.
  - (4) Dematerialization and Rematerialization
  - (5) Final dividend and Interim dividend
- Q.3. Write notes on (Any THREE):** [15]
- (1) Bonus shares %
  - (2) Conditions of valid allotment
  - (3) Renewal of deposits
  - (4) Depository
  - (5) Provisions regarding unclaimed / unpaid dividend #
- Q.4. State with reasons whether the following statements are TRUE or FALSE. (Any THREE):** [15]
- (1) Requirement of working capital does not depend upon any factor.
  - (2) The bond holders are owners of the company.
  - (3) Rights shares are issued to the general public.
  - (4) Preference shareholders do not enjoy normal voting rights.
  - (5) Stock exchanges reflect financial progress of the company.
- Q.5. Attempt the following : (Any TWO):** [10]
- (1) Write a letter to a debenture holder informing him about conversion of debentures into equity shares.
  - (2) Draft a letter of thanks to a depositor of a company.
  - (3) State the characteristics of money market.
  - (4) Draft a letter to a depositor informing him about payment of interest.
- Q.6. Define 'preference shares'. State various types of preference shares.** [10]
- OR**
- Draft a letter of allotment to a share applicant. [10]

# SECRETARIAL PRACTICE

Time : 3 Hours

MARCH 2015

Max Marks : 80

**Q.1. (A) Select the proper options from the options given below and rewrite the statements: (5) [15]**

- (1) Big retail stores require large amount of \_\_\_\_\_ capital.  
(a) fixed            (b) working            (c) loan
- (2) Preference shares carry dividend at \_\_\_\_\_ rate.  
(a) fixed            (b) fluctuating            (c) lower
- (3) If a share of ₹ 100 is issued at ₹ 110, it is said to be issued at \_\_\_\_\_.  
(a) par            (b) profit            (c) premium
- (4) The company has to obtain consent of \_\_\_\_\_ if issue of debentures exceeds ₹ 1crore.  
(a) SEBI            (b) Registrar            (c) National Stock Exchange
- (5) A company must give receipt for deposit to the depositor within \_\_\_\_\_ weeks of its acceptance.  
(a) two            (b) four            (c) eight

**(B) Match the correct pairs : (5)**

	Group 'A'		Group B'
(a)	Financial management	(1)	Distribution of profit
(b)	Retained profit	(2)	Deposits less than ` 20,000
(c)	Debenture trustees	(3)	Capitalisation of profit
(d)	Small depositors	(4)	1996
(e)	Depository Act	(5)	Management of business funds
		(6)	Borrowed capital
		(7)	Protect interest of debenture holders
		(8)	Management of business activities
		(9)	Deposits less than ` 25,000
		(10)	1956

**(C) Write a word/term/phrase which can be substitute each of the following statements : (5)**

- (1) The type of shareholders who can participate in the management of the company.
- (2) A document which is an invitation to general public to subscribe for shares of company.
- (3) The maximum period upto which deposits can be accepted.
- (4) An organization where securities/shares are held in electronic form.
- (5) Dividend declared by a company at its annual general meeting.

**Q.2. Distinguish between the following (Any THREE): [15]**

- (1) Fixed capital and Working capital.
- (2) Equity shares and Preference shares.
- (3) Share certificate and Share warrant.
- (4) Interim dividend and Final dividend.
- (5) Money market and Capital market.

**Q.3. Write notes on any THREE of the following :** [15]

- (1) Trade credit.
- (2) Employee stock option scheme.
- (3) Statutory conditions of allotment of shares.
- (4) Procedure for conversion of debentures.
- (5) Methods of redemption of debentures.

**Q.4. State with reasons whether the following statements are TRUE or FALSE.  
(Any THREE):** [15]

- (1) Financial management is essential for all types of organizations.
- (2) The bond holders are owners of company.
- (3) Transfer of shares is initiated by the company.
- (4) Debenture holders are creditors of the company.
- (5) Depositors' approval is must for renewal of deposit.

**Q.5. Attempt the following : (Any TWO):** [10]

- (1) Write a letter regarding payment of interest on debentures.
- (2) Draft a letter of thanks to the depositor of a company.
- (3) What are the points to be borne in mind while writing letters to the members ?
- (4) State the preliminary steps in the issue of shares.

**Q.6. Write a letter to a shareholder regarding issue of bonus shares.** [10]

OR

Define 'debenture' and explain the types of debentures.

# SECRETARIAL PRACTICE

Time : 3 Hours

OCTOBER 2015

Max Marks : 80

**Q.1. (A) Select the correct answer from the options given below and rewrite the sentences: (5) [15]**

- (1) Company can accept deposits from public, maximum for \_\_\_\_\_ months.  
(a) 12                      (b) 24                      (c) 36
- (2) Big retail stores require large amount of \_\_\_\_\_ capital.  
(a) Fixed                      (b) working                      (c) loan
- (3) If a share of ₹ 100 is issued at ₹ 110, it is said to be issued at  
(a) Par                      (b) discount                      (c) premium
- (4) Dividend should be distributed withindays from its declaration.  
(a) 30                      (b) 45                      (c) 21
- (5) A market where existing securities are resold or traded is called market.  
(a) Commodity                      (b) secondary                      (c) primary

**(B) Match the correct pairs :**

**(5)**

	Group 'A'		Group 'B'
(a)	Equity share capital	(1)	Link between depository and investor
(b)	Transfer of shares	(2)	Redeemable capital
(c)	Depository participant	(3)	Optimistic about rise in prices of securities
(d)	Bonus share	(4)	Conversion into equity shares
(e)	Bear	(5)	Capitalisation of profit
		(6)	Sale or gift of shares to another person
		(7)	Pressimistic about fall in prices of securities
		(8)	Permanent capital
		(9)	Transfer of shares by operation of law
		(10)	Link between SEBI and depository

**(C) Write a word or a term or a phrase which can be substitute each of the following statements: (5)**

- (1) The use of borrowed capital for financing a business firm.
- (2) Type of preference shares which can be redeemed after a certain period of time.
- (3) A certificate issued to the debenture holders after allotment of debentures.
- (4) Dividend declared by company between two annual general meetings.
- (5) A letter informing the applicant that shares have not been allotted to him.

**Q.2. Distinguish between the following (Any THREE):**

**[15]**

- (1) Final dividend and Interim dividend.
- (2) Share certificate and Share warrant.
- (3) Shareholders and Debenture holders.
- (4) Primary market and Secondary market.
- (5) Money market and Capital market.

**Q.3. Write notes on (Any THREE):**

**[15]**

- (1) Bonus issue.
- (2) Capital structure and its components.
- (3) Types of debentures.
- (4) Constituents and concepts in depository system.
- (5) Repayment of public deposits.

**Q.4. State with reasons whether the following statements are TRUE or FALSE.**

**(Any THREE):**

**[15]**

- (1) The rate of interim dividend is greater than final dividend.
- (2) Debenture holders are the owners of the company.
- (3) A share certificate is a bearer document.
- (4) Public deposit is a good source for long term financing.
- (5) It is not possible to go ahead without financial plan.

**Q.5. Attempt the following : (Any TWO):**

**[10]**

- (1) State the contents of a share certificate.
- (2) Write a letter regarding payment of interest on debentures.
- (3) Draft a letter to the depositor regarding repayment of his deposit.
- (4) Under what circumstances a secretary will enter into correspondence to debenture holders?

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

**[10]**

**OR**

Draft a letter of regret to the share applicant.

**SECRETARIAL PRACTICE**

**Time : 3 Hours**

**MARCH 2016**

**Max Marks : 80**

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: (5) (15)**

- (1) Advice to Board of Directors in respect of financial matters is given by \_\_\_\_\_.  
(an auditor, a secretary, a finance manager)
- (2) A person who purchases shares of a company is called a \_\_\_\_\_.  
(shareholder, bond holder, creditor)
- (3) Return of allotment is to be filed with the registrar within \_\_\_\_\_ days of the date of allotment. (60, 45, 30)
- (4) Government company may accept deposits from public up to \_\_\_\_\_ of aggregate of its paid up capital and free reserve. (35%, 30%, 25%)
- (5) Refusal to allot shares is conveyed through a \_\_\_\_\_ letter.  
(regret, allotment, call)

**(B) Match the correct pairs : (5)**

Group 'A'		Group B'	
<b>(a)</b>	Financial plan	(1)	Savings account
<b>(b)</b>	Overdraft facility	(2)	More applications than expected
<b>(c)</b>	Under subscription	(3)	Share warrant holder
<b>(d)</b>	Dividend coupon	(4)	Management of business funds
<b>(e)</b>	Deposit Receipt	(5)	Share certificate holder
		(6)	Current account
		(7)	Evidence of deposit
		(8)	Owner of the company
		(9)	Less applications than expected
		(10)	Advance programming of financial management

**(C) Write a word or term or phrase which can substitute each of the following statements: (5)**

- (1) The value of share which is determined by demand and supply forces in the share market.
- (2) The authority which has power to accept deposits.
- (3) Portion of the profits which is allocated to the shareholders.
- (4) A type of bill in the nature of promissory note issued by the government.
- (5) The place where buying a/id selling of securities takes place.

**Q.2. Distinguish between the following : (Any Three) (15)**

- (1) Shares and Debentures.
- (2) Transfer of shares and transmission of shares.
- (3) Interim dividend and Final dividend.
- (4) Primary market and Secondary market.
- (5) Letter of allotment and Letter of regret.

**Q.3. Write notes on: (Any Three) (15)**

- (1) Capital structure and its components.
- (2) Share warrant.
- (3) Functions of stock exchange.
- (4) Features of shares.
- (5) Procedure for redemption of debentures.

**Q.4. State with reasons, whether the following statements are True or False. (Any Three): (15)**

- (1) It is not possible to go ahead without financial plan.
- (2) A company can accept deposits repayable on demand.
- (3) Share certificate is a bearer document.
- (4) Handling demat shares is very time consuming.
- (5) Convertible debentures can be converted into equity shares.

**Q.5. Attempt the following (Any Two): (10)**

- (1) Draft a letter to depositor for renewal of deposit.
- (2) Draft a letter regarding payment of interest on debentures to the debenture holder.
- (3) What are the points to be borne in mind by the secretary while writing letters to the members?
- (4) What are the legal provisions regarding declaration of dividend?

**Q.6. Define a preference share. Explain the different types of preference shares. (12)**

**OR**

Draft a letter of allotment of shares to the shareholder.

**SECRETARIAL PRACTICE**

**Time : 3 Hours**

**JULY 2016**

**Max Marks : 80**

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: (5) (15)**

- (1) Wealth maximization of owner means maximization of \_\_\_\_\_ of shares.  
(a) Face value (b) market value (c) issue value
- (2) Debenture holders get fixed rate of \_\_\_\_\_ as return on their investment.  
(a) Interest (b) dividend (c) discount
- (3) The depository participant has \_\_\_\_\_ number for identification.  
(a) Index (b) PAN (c) I.D.
- (4) Refusal to allot shares is conveyed through \_\_\_\_\_ letter.  
(a) Regret (b) allotment (c) call
- (5) An institution which regulates and controls the activities of the Stock Exchange is called \_\_\_\_\_.  
(a) N.S.E. (b) B.S.E. (c) S.E.B.I.

**(B) Match the correct pairs : (5)**

Group 'A'	Group B'
(a) Working capital	(1) Redeemed capital
(b) Equity share capital	(2) Secretary
(c) Share warrant	(3) Shares do not have distinctive number
(d) Recommendation of dividend	(4) Fixed assets
(e) Fungibility	(5) Link between S.E.B.I. and Depository
	(6) Board of Directors
	(7) Registered document
	(8) Sum of current assets
	(9) Bearer document
	(10) Permanent capital

**(C) Write a word or term or phrase which can substitute each of the following statements: (5)**

- (1) A bond on which no interest is paid but issued at discount.
- (2) A speculator who expects the price of a particular share to rise in the future.
- (3) A dividend remaining unpaid to shareholders even after the expiry of 30 days of its declaration.
- (4) The highest price quoted by a buyer to buy a specified number of shares or stock at any given time.
- (5) The type of debentures which is redeemed after a fixed period of time.

**Q.2. Distinguish between the following : (Any Three) (15)**

- (1) Transfer of shares and Transmission of shares.
- (2) Interim dividend and Final dividend.
- (3) Money market and Capital market.
- (4) Share and Debenture.
- (5) Fixed Capital and Working Capital.

**Q.3. Write notes on : (Any Three)****(15)**

- (1) Importance of financial planning.
- (2) Features of equity shares.
- (3) Contents of the share certificate.
- (4) Renewal of Deposits.
- (5) Functions of S.E.B.I.

**Q.4. State with reasons, whether the following statements are True or False. (Any Three):****(15)**

- (1) Right shares are issued to general public.
- (2) Debentures are never redeemed by the company.
- (3) The holder of share warrant may not be given full rights of membership.
- (4) Shares in physical form cannot be converted into electronic form.
- (5) No dividend can be declared without making provisions for reserve and depreciation.

**Q.5. Attempt the following (Any Two)****(10)**

- (1) Draft a letter to the depositor informing him/her about payment of interest.
- (2) Write a letter to the debenture holder informing him/her about conversion of debentures into equity shares.
- (3) Write features of shares.
- (4) Draft a letter of allotment of debentures.

**Q.6. Define a preference share. Explain various types of preference shares. (10)****OR**

Draft a letter of regret to a share applicant.

## SECRETARIAL PRACTICE

Time : 3 Hours

MARCH 2017

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: (5) (15)**

- (1) The \_\_\_\_\_ means mix-up of various sources of funds in desired proportion.  
(a) Capital structure (b) Term loans (c) Retained profit
- (2) A person who purchase? shares of a company is known as \_\_\_\_\_ of the company.  
(a) Bondholder (b) Shareholder (c) Creditor
- (3) If a share of ₹ 100 is issued at ₹ 100, it is said to be issued at \_\_\_\_\_.  
(a) Premium (b) Discount (c) Par
- (4) Depository Act was passed in \_\_\_\_\_.  
(a) 1996 (b) 1986 (c) 1985
- (5) Dividend warrants are issued to \_\_\_\_\_ holders for getting dividend.  
(a) Coupon (b) Share Warrant (c) Share certificate

**(B) Match the pairs:**

(5)

Group 'A'	Group 'B'
(a) Financial planning	(1) Dividend
(b) Public deposit	(2) Less applications than expected
(c) Private placement	(3) Owned capital
(d) Secured debentures	(4) Advance programming of financial plan
(e) Return on share	(5) Bonus
	(6) Issuing shares without inviting public for subscription
	(7) Maximum 7 years
	(8) Security about repayment
	(9) Maximum 36 months
	(10) Management of business activities

**(C) Write a word or term or phrase which can substitute each of the following statements: (5)**

- (1) Shares which are redeemed after a certain period of time.
- (2) Dividend declared by a company between two annual general meetings.
- (3) An acknowledgement of the deposit accepted by a company.
- (4) A type of bill in the nature of promissory note issued by the government.
- (5) The floor of the stock exchange premises where the trading or auction of shares takes place.

**Q.2. Distinguish between the following : (Any THREE)**

(15)

- (1) Fixed capital and Working capital.
- (2) Shareholder and Debenture holder.
- (3) Transfer of shares and Transmission of shares.
- (4) Share certificate and Share warrant.
- (5) Primary market and Secondary market.

**Q.3. Write notes on the following : (Any THREE) (15)**

- (1) Acceptance of deposits.
- (2) Retained profits.
- (3) Employee Stock Option Scheme (E.S.O.S.).
- (4) Importance of Depository System.
- (5) Bombay Stock Exchange.

**Q.4. State, with reasons, whether the following statements are True or False. (Any THREE): (15)**

- (1) Preference shareholders do not enjoy normal voting rights.
- (2) Share certificate is a bearer document.
- (3) Dividend can be paid on advance amount of calls received.
- (4) Share transfer in depository mode is fast and economical.
- (5) There are no legal provisions regarding payment of dividend.

**Q.5. Attempt the following (Any TWO): (10)**

- (1) Write a letter regarding payment of interest on debentures.
- (2) Write the external factors influencing capital structure.
- (3) Draft a letter to a depositor regarding repayment of his deposit.
- (4) Write a letter to a debenture holder informing him about conversion of debentures into equity shares.

**Q.6. Define Equity Shares and explain its features. (10)**

**OR**

Draft a letter informing about allotment of shares.

# SECRETARIAL PRACTICE

Time : 3 Hours

FEBRUARY 2018

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences:** **[15]**  
**(5)**

- 1) Refusal to allot shares is conveyed through \_\_\_\_\_.  
a) Regret letter      b) allotment letter      c) call letter
- 2) If a share of ₹ 100 is issued at ₹ 100, it is said to be issued at \_\_\_\_\_.  
a) Premium      b) Par      c) Call letter
- 3) Wealth maximization of owner means maximization of \_\_\_\_\_ of shares.  
a) Face value      b) issue value      c) market value
- 4) Unpaid / Unclaimed dividend shall be transferred to 'Inventors' Education and Protection Fund' on expiry of \_\_\_\_\_ years.  
a) Three      b) Seven      c) Six
- 5) A company with share capital must issue \_\_\_\_\_ shares.  
a) Equity      b) Preference      c) Right

**(B) Match the correct pairs of words from group 'A' and group 'B':** **(5)**

Group A	Group B
a) Dividend	1) Security about repayment
b) Financial plan	2) 1875
c) Secured debentures	3) Return on investment of shareholders
d) American depository receipt	4) 1857
e) Establishment of Bombay Stock Exchange	5) Management of business funds
	6) Repaid on maturity
	7) Debenture certificate holder
	8) Advance programming of financial management
	9) Receipt is traded in a country other than USA
	10) Receipt is traded in USA

**(C) Write a word / term / phrase which can substitute each of the following statements:** **(5)**

- 1) A market where short term funds are borrowed and lent.
- 2) The shares which are issued to existing equity shareholders as a gift.
- 3) The bonds on which rate of interest remains constant throughout the life of the bond.
- 4) The organization which acts as intermediary between investors and depository.
- 5) Documents used for payment of dividend to members.

**Q.2. Distinguish between the following (Any THREE):** **[15]**

- 1) Dematerialization and Rematerialization
- 2) Transfer of shares and Transmission of shares
- 3) Primary market and Secondary market
- 4) Shares and Debentures
- 5) Interim dividend and Final dividend

**Q.3. Write notes on the following (Any THREE):** **[15]**

- 1) Share warrant
- 2) Importance of financial planning
- 3) Initial public offer (IPO)
- 4) Global depository receipt
- 5) Provisions regarding unpaid / unclaimed dividend

**Q.4. State, with reasons, whether the following statements are True or False (Any THREE):**

**[15]**

- 1) The financial market contributes towards the nation's economic growth and development.
- 2) The bond holders are owners of the company.
- 3) Depositor's approval is must for renewal of deposit.
- 4) A share certificate is a bearer document.
- 5) Debentures are never redeemed by the company.

**Q.5. Answer the following (Any TWO):**

**[10]**

- 1) State the position of debentures holders in a company.
- 2) Draft a letter of thanks to the depositor of a company.
- 3) What are the factors affecting requirement of fixed capital.
- 4) Draft a letter to a debenture holder informing him about redemption of debentures.

**Q.6. Define 'Preference shares'. Explain various types of preference shares.**

**[10]**

**OR**

Draft a letter of allotment of shares to the applicant.

**\*\*\*\*\***

**SECRETARIAL PRACTICE**

**Time : 3 Hours**

**OCTOBER 2014**

**Max Marks : 80**

**Q. 1 : (A) Select the correct answer from the possible choices given below and rewrite the statements: (5) [15]**

- (1) Normally \_\_\_\_\_ gives advice to the Board of Directors in respect of financial matters.  
(a) auditor (b) secretary (c) finance manager
- (2) A company must issue \_\_\_\_\_ shares.  
(a) preference (b) bonus (c) equity
- (3) Transfer of shares by operation of law is called \_\_\_\_\_ of shares.  
(a) transfer (b) allotment (c) transmission
- (4) Fully convertible debentures are converted into shares on maturity.  
(a) equity (b) deferred (c) bonus
- (5) Dividend warrants are issued to \_\_\_\_\_ holders for getting dividend.  
(a) share certificate (b) share warrant (c) coupon

**(B) Match the correct pairs : (5)**

	<b>Group 'A'</b>		<b>Group B'</b>
a)	Debentures holders	(1)	Approval of secretary
b)	Renewal of deposits	(2)	Declared between two annual general meetings
c)	Interim dividend	(3)	Creditors of the company
d)	Letter of regret	(4)	Primary market
e)	Stock Exchange	(5)	Approval of depositors
		(6)	Owners of the company
		(7)	Declared in extraordinary general
		(8)	Share applicant becomes shareholder
		(9)	Secondary market
		(10)	Refund order

**(C) Write a word/term/phrase which can be substitute each of the following statements : (5)**

- (1) The basic principle of business activities that aims at profit.
- (2) The value of share which is written on the share certificate and mentioned in the memorandum of association.
- (3) A document which is an invitation to the general public to subscribe for shares of company.
- (4) An acknowledgment of the deposit accepted by a company.
- (5) The institution which regulates business in stock exchange.

- Q.2. Distinguish between the following (Any THREE):** [15]
- (1) Fixed capital and Working capital
  - (2) Equity shares and Preference shares
  - (3) Share certificate and Share warrant.
  - (4) Dematerialization and Rematerialization
  - (5) Final dividend and Interim dividend
- Q.3. Write notes on (Any THREE):** [15]
- (1) Bonus shares %
  - (2) Conditions of valid allotment
  - (3) Renewal of deposits
  - (4) Depository
  - (5) Provisions regarding unclaimed / unpaid dividend #
- Q.4. State with reasons whether the following statements are TRUE or FALSE. (Any THREE):** [15]
- (1) Requirement of working capital does not depend upon any factor.
  - (2) The bond holders are owners of the company.
  - (3) Rights shares are issued to the general public.
  - (4) Preference shareholders do not enjoy normal voting rights.
  - (5) Stock exchanges reflect financial progress of the company.
- Q.5. Attempt the following : (Any TWO):** [10]
- (1) Write a letter to a debenture holder informing him about conversion of debentures into equity shares.
  - (2) Draft a letter of thanks to a depositor of a company.
  - (3) State the characteristics of money market.
  - (4) Draft a letter to a depositor informing him about payment of interest.
- Q.6. Define 'preference shares'. State various types of preference shares.** [10]
- OR**
- Draft a letter of allotment to a share applicant. [10]

## SECRETARIAL PRACTICE

Time : 3 Hours

MARCH 2015

Max Marks : 80

**Q.1. (A) Select the proper options from the options given below and rewrite the statements: (5) [15]**

- (1) Big retail stores require large amount of \_\_\_\_\_ capital.  
(a) fixed            (b) working            (c) loan
- (2) Preference shares carry dividend at \_\_\_\_\_ rate.  
(a) fixed            (b) fluctuating            (c) lower
- (3) If a share of ₹ 100 is issued at ₹ 110, it is said to be issued at \_\_\_\_\_.  
(a) par            (b) profit            (c) premium
- (4) The company has to obtain consent of \_\_\_\_\_ if issue of debentures exceeds ₹ 1crore.  
(a) SEBI            (b) Registrar            (c) National Stock Exchange
- (5) A company must give receipt for deposit to the depositor within \_\_\_\_\_ weeks of its acceptance.  
(a) two            (b) four            (c) eight

**(B) Match the correct pairs : (5)**

	Group 'A'		Group B'
(a)	Financial management	(1)	Distribution of profit
(b)	Retained profit	(2)	Deposits less than ` 20,000
(c)	Debenture trustees	(3)	Capitalisation of profit
(d)	Small depositors	(4)	1996
(e)	Depository Act	(5)	Management of business funds
		(6)	Borrowed capital
		(7)	Protect interest of debenture holders
		(8)	Management of business activities
		(9)	Deposits less than ` 25,000
		(10)	1956

**(C) Write a word/term/phrase which can be substitute each of the following statements : (5)**

- (1) The type of shareholders who can participate in the management of the company.
- (2) A document which is an invitation to general public to subscribe for shares of company.
- (3) The maximum period upto which deposits can be accepted.
- (4) An organization where securities/shares are held in electronic form.
- (5) Dividend declared by a company at its annual general meeting.

**Q.2. Distinguish between the following (Any THREE): [15]**

- (1) Fixed capital and Working capital.
- (2) Equity shares and Preference shares.
- (3) Share certificate and Share warrant.
- (4) Interim dividend and Final dividend.
- (5) Money market and Capital market.

**Q.3. Write notes on any THREE of the following :** [15]

- (1) Trade credit.
- (2) Employee stock option scheme.
- (3) Statutory conditions of allotment of shares.
- (4) Procedure for conversion of debentures.
- (5) Methods of redemption of debentures.

**Q.4. State with reasons whether the following statements are TRUE or FALSE. (Any THREE):** [15]

- (1) Financial management is essential for all types of organizations.
- (2) The bond holders are owners of company.
- (3) Transfer of shares is initiated by the company.
- (4) Debenture holders are creditors of the company.
- (5) Depositors' approval is must for renewal of deposit.

**Q.5. Attempt the following : (Any TWO):** [10]

- (1) Write a letter regarding payment of interest on debentures.
- (2) Draft a letter of thanks to the depositor of a company.
- (3) What are the points to be borne in mind while writing letters to the members ?
- (4) State the preliminary steps in the issue of shares.

**Q.6. Write a letter to a shareholder regarding issue of bonus shares.** [10]

OR

Define 'debenture' and explain the types of debentures.

## SECRETARIAL PRACTICE

Time : 3 Hours

OCTOBER 2015

Max Marks : 80

**Q.1. (A) Select the correct answer from the options given below and rewrite the sentences: (5) [15]**

- (1) Company can accept deposits from public, maximum for \_\_\_\_\_ months.  
(a) 12                      (b) 24                      (c) 36
- (2) Big retail stores require large amount of \_\_\_\_\_ capital.  
(a) Fixed                      (b) working                      (c) loan
- (3) If a share of ₹ 100 is issued at ₹ 110, it is said to be issued at  
(a) Par                      (b) discount                      (c) premium
- (4) Dividend should be distributed withindays from its declaration.  
(a) 30                      (b) 45                      (c) 21
- (5) A market where existing securities are resold or traded is called market.  
(a) Commodity                      (b) secondary                      (c) primary

**(B) Match the correct pairs :**

**(5)**

	Group 'A'		Group "B"
(a)	Equity share capital	(1)	Link between depository and investor
(b)	Transfer of shares	(2)	Redeemable capital
(c)	Depository participant	(3)	Optimistic about rise in prices of securities
(d)	Bonus share	(4)	Conversion into equity shares
(e)	Bear	(5)	Capitalisation of profit
		(6)	Sale or gift of shares to another person
		(7)	Pressimistic about fall in prices of securities
		(8)	Permanent capital
		(9)	Transfer of shares by operation of law
		(10)	Link between SEBI and depository

**(C) Write a word or a term or a phrase which can be substitute each of the following statements: (5)**

- (1) The use of borrowed capital for financing a business firm.
- (2) Type of preference shares which can be redeemed after a certain period of time.
- (3) A certificate issued to the debenture holders after allotment of debentures.
- (4) Dividend declared by company between two annual general meetings.
- (5) A letter informing the applicant that shares have not been allotted to him.

**Q.2. Distinguish between the following (Any THREE):**

**[15]**

- (1) Final dividend and Interim dividend.
- (2) Share certificate and Share warrant.
- (3) Shareholders and Debenture holders.
- (4) Primary market and Secondary market.
- (5) Money market and Capital market.

**Q.3. Write notes on (Any THREE):** [15]

- (1) Bonus issue.
- (2) Capital structure and its components.
- (3) Types of debentures.
- (4) Constituents and concepts in depository system.
- (5) Repayment of public deposits.

**Q.4. State with reasons whether the following statements are TRUE or FALSE. (Any THREE):** [15]

- (1) The rate of interim dividend is greater than final dividend.
- (2) Debenture holders are the owners of the company.
- (3) A share certificate is a bearer document.
- (4) Public deposit is a good source for long term financing.
- (5) It is not possible to go ahead without financial plan.

**Q.5. Attempt the following : (Any TWO):** [10]

- (1) State the contents of a share certificate.
- (2) Write a letter regarding payment of interest on debentures.
- (3) Draft a letter to the depositor regarding repayment of his deposit.
- (4) Under what circumstances a secretary will enter into correspondence to debenture holders?

**Q.6. What is equity share? Explain the features of equity shares.** [10]

**OR**

Draft a letter of regret to the share applicant.

**SECRETARIAL PRACTICE**

**Time : 3 Hours**

**MARCH 2016**

**Max Marks : 80**

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: (5) (15)**

- (1) Advice to Board of Directors in respect of financial matters is given by \_\_\_\_\_.  
(an auditor, a secretary, a finance manager)
- (2) A person who purchases shares of a company is called a \_\_\_\_\_.  
(shareholder, bond holder, creditor)
- (3) Return of allotment is to be filed with the registrar within \_\_\_\_\_ days of the date of allotment. (60, 45, 30)
- (4) Government company may accept deposits from public up to \_\_\_\_\_ of aggregate of its paid up capital and free reserve. (35%, 30%, 25%)
- (5) Refusal to allot shares is conveyed through a \_\_\_\_\_ letter.  
(regret, allotment, call)

**(B) Match the correct pairs : (5)**

Group 'A'		Group B'	
(a)	Financial plan	(1)	Savings account
(b)	Overdraft facility	(2)	More applications than expected
(c)	Under subscription	(3)	Share warrant holder
(d)	Dividend coupon	(4)	Management of business funds
(e)	Deposit Receipt	(5)	Share certificate holder
		(6)	Current account
		(7)	Evidence of deposit
		(8)	Owner of the company
		(9)	Less applications than expected
		(10)	Advance programming of financial management

**(C) Write a word or term or phrase which can substitute each of the following statements: (5)**

- (1) The value of share which is determined by demand and supply forces in the share market.
- (2) The authority which has power to accept deposits.
- (3) Portion of the profits which is allocated to the shareholders.
- (4) A type of bill in the nature of promissory note issued by the government.
- (5) The place where buying a/id selling of securities takes place.

**Q.2. Distinguish between the following : (Any Three) (15)**

- (1) Shares and Debentures.
- (2) Transfer of shares and transmission of shares.
- (3) Interim dividend and Final dividend.
- (4) Primary market and Secondary market.
- (5) Letter of allotment and Letter of regret.

**Q.3. Write notes on: (Any Three) (15)**

- (1) Capital structure and its components.
- (2) Share warrant.
- (3) Functions of stock exchange.
- (4) Features of shares.
- (5) Procedure for redemption of debentures.

**Q.4. State with reasons, whether the following statements are True or False. (Any Three): (15)**

- (1) It is not possible to go ahead without financial plan.
- (2) A company can accept deposits repayable on demand.
- (3) Share certificate is a bearer document.
- (4) Handling demat shares is very time consuming.
- (5) Convertible debentures can be converted into equity shares.

**Q.5. Attempt the following (Any Two): (10)**

- (1) Draft a letter to depositor for renewal of deposit.
- (2) Draft a letter regarding payment of interest on debentures to the debenture holder.
- (3) What are the points to be borne in mind by the secretary while writing letters to the members?
- (4) What are the legal provisions regarding declaration of dividend?

**Q.6. Define a preference share. Explain the different types of preference shares. (12)**

**OR**

Draft a letter of allotment of shares to the shareholder.

## SECRETARIAL PRACTICE

Time : 3 Hours

JULY 2016

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: (5) (15)**

- (1) Wealth maximization of owner means maximization of \_\_\_\_\_ of shares.  
(a) Face value (b) market value (c) issue value
- (2) Debenture holders get fixed rate of \_\_\_\_\_ as return on their investment.  
(a) Interest (b) dividend (c) discount
- (3) The depository participant has \_\_\_\_\_ number for identification.  
(a) Index (b) PAN (c) I.D.
- (4) Refusal to allot shares is conveyed through \_\_\_\_\_ letter.  
(a) Regret (b) allotment (c) call
- (5) An institution which regulates and controls the activities of the Stock Exchange is called \_\_\_\_\_.  
(a) N.S.E. (b) B.S.E. (c) S.E.B.I.

**(B) Match the correct pairs : (5)**

Group 'A'	Group B'
(a) Working capital	(1) Redeemed capital
(b) Equity share capital	(2) Secretary
(c) Share warrant	(3) Shares do not have distinctive number
(d) Recommendation of dividend	(4) Fixed assets
(e) Fungibility	(5) Link between S.E.B.I. and Depository
	(6) Board of Directors
	(7) Registered document
	(8) Sum of current assets
	(9) Bearer document
	(10) Permanent capital

**(C) Write a word or term or phrase which can substitute each of the following statements: (5)**

- (1) A bond on which no interest is paid but issued at discount.
- (2) A speculator who expects the price of a particular share to rise in the future.
- (3) A dividend remaining unpaid to shareholders even after the expiry of 30 days of its declaration.
- (4) The highest price quoted by a buyer to buy a specified number of shares or stock at any given time.
- (5) The type of debentures which is redeemed after a fixed period of time.

**Q.2. Distinguish between the following : (Any Three) (15)**

- (1) Transfer of shares and Transmission of shares.
- (2) Interim dividend and Final dividend.
- (3) Money market and Capital market.
- (4) Share and Debenture.
- (5) Fixed Capital and Working Capital.

**Q.3. Write notes on : (Any Three) (15)**

- (1) Importance of financial planning.
- (2) Features of equity shares.
- (3) Contents of the share certificate.
- (4) Renewal of Deposits.
- (5) Functions of S.E.B.I.

**Q.4. State with reasons, whether the following statements are True or False. (Any Three): (15)**

- (1) Right shares are issued to general public.
- (2) Debentures are never redeemed by the company.
- (3) The holder of share warrant may not be given full rights of membership.
- (4) Shares in physical form cannot be converted into electronic form.
- (5) No dividend can be declared without making provisions for reserve and depreciation.

**Q.5. Attempt the following (Any Two) (10)**

- (1) Draft a letter to the depositor informing him/her about payment of interest.
- (2) Write a letter to the debenture holder informing him/her about conversion of debentures into equity shares.
- (3) Write features of shares.
- (4) Draft a letter of allotment of debentures.

**Q.6. Define a preference share. Explain various types of preference shares. (10)**

**OR**

Draft a letter of regret to a share applicant.

## SECRETARIAL PRACTICE

Time : 3 Hours

MARCH 2017

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: (5) (15)**

- (1) The \_\_\_\_\_ means mix-up of various sources of funds in desired proportion.  
(a) Capital structure (b) Term loans (c) Retained profit
- (2) A person who purchase? shares of a company is known as \_\_\_\_\_ of the company.  
(a) Bondholder (b) Shareholder (c) Creditor
- (3) If a share of ₹ 100 is issued at ₹ 100, it is said to be issued at \_\_\_\_\_.  
(a) Premium (b) Discount (c) Par
- (4) Depository Act was passed in \_\_\_\_\_.  
(a) 1996 (b) 1986 (c) 1985
- (5) Dividend warrants are issued to \_\_\_\_\_ holders for getting dividend.  
(a) Coupon (b) Share Warrant (c) Share certificate

**(B) Match the pairs:**

(5)

Group 'A'	Group 'B'
(a) Financial planning	(1) Dividend
(b) Public deposit	(2) Less applications than expected
(c) Private placement	(3) Owned capital
(d) Secured debentures	(4) Advance programming of financial plan
(e) Return on share	(5) Bonus
	(6) Issuing shares without inviting public for subscription
	(7) Maximum 7 years
	(8) Security about repayment
	(9) Maximum 36 months
	(10) Management of business activities

**(C) Write a word or term or phrase which can substitute each of the following statements: (5)**

- (1) Shares which are redeemed after a certain period of time.
- (2) Dividend declared by a company between two annual general meetings.
- (3) An acknowledgement of the deposit accepted by a company.
- (4) A type of bill in the nature of promissory note issued by the government.
- (5) The floor of the stock exchange premises where the trading or auction of shares takes place.

**Q.2. Distinguish between the following : (Any THREE)**

(15)

- (1) Fixed capital and Working capital.
- (2) Shareholder and Debenture holder.
- (3) Transfer of shares and Transmission of shares.
- (4) Share certificate and Share warrant.
- (5) Primary market and Secondary market.

**Q.3. Write notes on the following : (Any THREE) (15)**

- (1) Acceptance of deposits.
- (2) Retained profits.
- (3) Employee Stock Option Scheme (E.S.O.S.).
- (4) Importance of Depository System.
- (5) Bombay Stock Exchange.

**Q.4. State, with reasons, whether the following statements are True or False. (Any THREE): (15)**

- (1) Preference shareholders do not enjoy normal voting rights.
- (2) Share certificate is a bearer document.
- (3) Dividend can be paid on advance amount of calls received.
- (4) Share transfer in depository mode is fast and economical.
- (5) There are no legal provisions regarding payment of dividend.

**Q.5. Attempt the following (Any TWO): (10)**

- (1) Write a letter regarding payment of interest on debentures.
- (2) Write the external factors influencing capital structure.
- (3) Draft a letter to a depositor regarding repayment of his deposit.
- (4) Write a letter to a debenture holder informing him about conversion of debentures into equity shares.

**Q.6. Define Equity Shares and explain its features. (10)**

**OR**

Draft a letter informing about allotment of shares.

# SECRETARIAL PRACTICE

Time : 3 Hours

FEBRUARY 2018

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences:** **[15]**  
**(5)**

- 1) Refusal to allot shares is conveyed through \_\_\_\_\_.  
a) Regret letter      b) allotment letter      c) call letter
- 2) If a share of ₹ 100 is issued at ₹ 100, it is said to be issued at \_\_\_\_\_.  
a) Premium      b) Par      c) Call letter
- 3) Wealth maximization of owner means maximization of \_\_\_\_\_ of shares.  
a) Face value      b) issue value      c) market value
- 4) Unpaid / Unclaimed dividend shall be transferred to 'Inventors' Education and Protection Fund' on expiry of \_\_\_\_\_ years.  
a) Three      b) Seven      c) Six
- 5) A company with share capital must issue \_\_\_\_\_ shares.  
a) Equity      b) Preference      c) Right

**(B) Match the correct pairs of words from group 'A' and group 'B':** **(5)**

Group A	Group B
a) Dividend	1) Security about repayment
b) Financial plan	2) 1875
c) Secured debentures	3) Return on investment of shareholders
d) American depository receipt	4) 1857
e) Establishment of Bombay Stock Exchange	5) Management of business funds
	6) Repaid on maturity
	7) Debenture certificate holder
	8) Advance programming of financial management
	9) Receipt is traded in a country other than USA
	10) Receipt is traded in USA

**(C) Write a word / term / phrase which can substitute each of the following statements:** **(5)**

- 1) A market where short term funds are borrowed and lent.
- 2) The shares which are issued to existing equity shareholders as a gift.
- 3) The bonds on which rate of interest remains constant throughout the life of the bond.
- 4) The organization which acts as intermediary between investors and depository.
- 5) Documents used for payment of dividend to members.

**Q.2. Distinguish between the following (Any THREE):** **[15]**

- 1) Dematerialization and Rematerialization
- 2) Transfer of shares and Transmission of shares
- 3) Primary market and Secondary market
- 4) Shares and Debentures
- 5) Interim dividend and Final dividend

**Q.3. Write notes on the following (Any THREE):** **[15]**

- 1) Share warrant
- 2) Importance of financial planning
- 3) Initial public offer (IPO)
- 4) Global depository receipt
- 5) Provisions regarding unpaid / unclaimed dividend

**Q.4. State, with reasons, whether the following statements are True or False (Any THREE):**

**[15]**

- 1) The financial market contributes towards the nation's economic growth and development.
- 2) The bond holders are owners of the company.
- 3) Depositor's approval is must for renewal of deposit.
- 4) A share certificate is a bearer document.
- 5) Debentures are never redeemed by the company.

**Q.5. Answer the following (Any TWO):**

**[10]**

- 1) State the position of debentures holders in a company.
- 2) Draft a letter of thanks to the depositor of a company.
- 3) What are the factors affecting requirement of fixed capital.
- 4) Draft a letter to a debenture holder informing him about redemption of debentures.

**Q.6. Define 'Preference shares'. Explain various types of preference shares.**

**[10]**

**OR**

Draft a letter of allotment of shares to the applicant.

**\*\*\*\*\***

**SECRETARIAL PRACTICE**

Time : 3 Hours

MARCH 2019

Max Marks : 80

**Q.1. (A) Select the proper option from the options given below and rewrite the sentences: [15] (5)**

- (1) The \_\_\_\_\_ capital remains in business almost permanently.  
(a) Fixed (b) Working (c) borrowed.
- (2) A Company must issue \_\_\_\_\_ shares.  
(a) Preference (b) Bonus (c) Equity
- (3) Debenture certificate must be issued within \_\_\_\_\_ months of allotment.  
(a) Par (b) Profit (c) Premium
- (4) The dividend is calculated and paid on \_\_\_\_\_.  
(a) Authorized (b) Subscribed (c) Paid – up
- (5) An institution which regulates and controls the activities of the stock exchange is called \_\_\_\_\_.  
(a) NSE (b) BSE (c) SEBI

**(B) Match the correct pairs : (5)**

	<b>Group 'A'</b>		<b>Group B'</b>
(a)	Retained profits	(1)	Share warrant holder
(b)	Small depositors	(2)	Borrowed capital
(c)	Dividend coupon	(3)	Deposits less than ` 25,000
(d)	Returns on shares	(4)	Interest
(e)	Bear	(5)	Expects rise in price of security
		(6)	Ploughing back of profit
		(7)	Expects fall in price of security
		(8)	Deposits less than ` 20,000
		(9)	Share certificate holder
		(10)	Dividend

**(C) Write a word / term / phrase which can be substitute each of the following statements: (5)**

- (1) The basic principle of business activities that aims at profit.
- (2) The 'Depository Receipt' traded in the country, other than U.S.A.
- (3) The authority who can issue debentures.
- (4) The organization which acts as an intermediary between investors and depositors.
- (5) Instruments of payment of interest.

**Q.2. Distinguish between the following (Any THREE): [15]**

- (1) Equity shares and Preference shares.
- (2) Share certificate and Share warrant.
- (3) Interim dividend and Final dividend.
- (4) Primary market and Secondary market.
- (5) Jobber and Stock broker.

**Q.3. Write notes on the following (Any THREE):** [15]

- (1) Importance of financial planning.
- (2) Types of Bonds.
- (3) Procedure of transfer of shares.
- (4) Statutory conditions of valid allotment of shares.
- (5) Need and importance of depository system.

**Q.4. State with reasons whether the following statements are TRUE or FALSE. (Any THREE):** [15]

- (1) Financial management is essential for all types of business organizations.
- (2) The bond holders are the owners of the company.
- (3) A private company cannot accept deposits from public.
- (4) Handling demat shares is very time consuming.
- (5) Transfer of shares is initiated by the company.

**Q.5. Attempt the following: (Any TWO):** [10]

- (1) State the procedure of payment of dividend.
- (2) Draft a letter to a debenture holder informing him about redemption of debentures.
- (3) Draft a letter of thanks to depositor of a company.
- (4) State the points to be borne in mind while writing letters to depositors.

**Q.6. Draft a notice of dividend.** [10]

**OR**

Define 'debenture'. Explain various types of debentures.

**\*\*\*\*\***