QB365 Question Bank Software Study Materials

Companies Act, 2013 Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

12th Standard

Commerce

Total Marks : 74

2 Marks

10 x 2 = 20

1) What are the four stages of formation of a company?

Answer : Formation of a company has been divided into four stages :
(i) Promotion
(ii) Registration
(iii) Capital Subscription and
(iv) Commencement of Business.

2) What is Bonus Shares?

Answer : Bonus share means to utilize the company's reserves and surpluses, issue of shares to existing share holder without taking any consideration is known as Bonus shares.

3) What is Right Shares?

Answer : Right shares are the shares which are issued by the company, with the aim of increasing the subscribed share capital of the company by further issue, if it is authorized by its Articles."The right shares are primarily issued to the existing equity shareholders through a letter of an issue, on pro rata basis.

4) What is Debentures?

Answer : A company needs funds for extension and development purpose without increasing its share capital, it can borrow from the general public by issuing certificates for a fixed period of time and at a fixed rate of interest. Such a loan certificate is called a debenture.

5) Who is called as Promoters?

Answer : The person who envisages the idea is called a 'promoter'.

6) Definition of Body corporate.

Answer : According to section 2(11) "body corporate" or "corporation" includes a private company, public company, one personal company, small company, Limited Liability Partnerships, a foreign company incorporated outside India, but does not include
(i) a co-operative society registered under any law relating to co-operative societies; and
(ii) any other body corporate (not being a company as defined in this Act)

7) What is share certificate?

Answer : A share certificate is an instrument in writing, that is a legal proof of the ownership of the number of shares stated in it. Every company, limited by shares, whether it is public or private must issue the share certificate to its shareholders except in the case, where shares are held in the dematerialization system.

8) What do you mean by Issue of shares at par?

Answer : (i) Normally shares are issued at their face value or par value (ie) at a price mentioned on the face of share certificate concerned.
(ii) There is no legal restrictions on issuing share at par/face value.

9) What is shares?

Answer : The total capital of the company is shared by many person and each share is having equal value.

10) Infotech Pvt Ltd issued equity and preference shares to the public. During the liquidation of company who will get the capital first?

Answer : Pvt ltd can not issue shares to public

3 Marks 8 x 3 = 24

11) What do you understand by Issue of Securities at Premium?

Answer : When shares are issued at a price above the face or nominal value, they are said to be issued at a premium. For example, a share having the face value of Rs. 10 is issued at Rs.12. Here, Rs.2 is the premium. The amount of share premium has to betransferred to an account called the 'Securities Premium Account! This account is capital in nature and can only be utilized for the purposes specified by the Act.999

(i) To write off preliminary expenses.

(ii) To write off the expenses of issue, or commission paid, or. discount allowed, on issue of shares or debentures of the company.

(iii) To provide for the payment of premium on the redemption of any redeemable preference shares or debentures of the company.

Thus, securities premium is not available for distribution of dividend.

12) Explain different Kinds of Preference shares.

Answer : There are eight types of preference shares :

(i) Cumulative Preference shares :

As the word indicates, all dividends are carried forward until specified, and paid out only at the end of the specified period.

(ii) Non-Cumulative Preference shares :

The opposite of cumulative, obviously. Dividends are paid out of profits for every year. There are no arrears carried over a time period to be paid at the end of the term

(iii) Redeemable Preference shares :

Such preference shares can be claimed after a fixed period or after giving due notice.

(iv) Non-Redeemable Preference shares :

Such shares cannot be redeemed during the lifetime of the company, but can only be obtained at the time of winding up (liquidation) of assets.

(v) Convertible Preference shares :

These shares can be converted into equity shares after a tinme period or as per theconditions laid doWn in the terms.

(vi) Non-convertible Prcference shares :

Non-convertible preference shares cannot be, at any time , converted into equity shares.

(vi) Participating Preference Shares :

Such shares have the right toparticipate in any additional profits, after paying the equity shareholders.

(viii) Non-Participating Preference shares :

Non-participating preference shares do not possess any right to participate in surplus profits or any surplus gained at the timeof liquidation of the company.

13) Distinguish between shares and stocks.

Answer : (i) The definition of the term 'Share' under the Companies Act, 1956 (section 2(46)) includes stock.

(ii) A company can convert its shares into stock and vice versa by following the provisions of Table A (Article 36 - 39).

(iii) Stock is created from fully paid shares by passing an ordinary resolution in the general meeting.

(iv) The Article of Association of the company must permit this conversion.

14) What do you know about shares issued at discount? What conditions should be fulfilled?

Answer : (i) When the share are issued at a price below the face value they are said to be issued at a discount.

(ii) For example, a share having the face value of Rs 10 is issued at Rs. 8.

(iii) The companies act 2013, prohibits the issue of shares at discount (section 53) except sweat Equity share.

15) State condition stipulated for capital subscription at the time of promotion.

Answer : Condition stipulated for capital subscription

(i) The fulfilling formalities to raise necessary capital.

(ii) Adhering to SEBI guidelines in this regard.

(iii) Fulfilling the condition for valid allotment by director.

(iv) Filing allotment return with the Registrar.

16) what are the main objectives of the company Laws 1956?

Answer : The main objectives of Company Law 1956 are:
(i) To sustain the trust and faith of Shareholders
(ii) To protect and preserve the rights of Shareholders
(iii) To have drastic control over all the activities of the company
(iv) To make regulation of an effective Annual Meeting,
(v) The investment of the general public should be used for the development of society or social welfare activities.

17) Write a short note on
(i) Issue of shares at par
(ii) Issue of securities at discount

Answer : **(i) Issue of shares at Par:**
Normally shares are issued at their face value or par value i.e at a price mentioned on the face of share certificate concerned. There are no legal restrictions on issuing shares at par/face value.
(ii) Issue of securities at discount:
When the shares are issued at a price below the face value they are said to be issued at a discount. For example, a share having the face value of Rs 10 is issued at Rs 8. The companies act 2013, prohibits the issue of shares at discount (Section 53), except sweat Equity share.

18) What do you mean by 'Power of 'Attorney'?

Answer : (i) With a view to fulfilling the various formalities that are required for incorporation of a company, the promoters may appoint an attorney empowering him/her to carry out the instruction/requirements stipulated by the Registrar.
(ii) This required execution of power of attorney on a non-judicial stamp paper for a value prescribed in the respective state stamp laws.

5 Marks 6 x 5 = 30

19) Write the difference between Debentures and Shares.

Answer :

SI.NO	DEBENTURES	SHARES
1.	Debentures constitute a loan	Shares are part of the capital of a company
2.	Middle and lower level	Top level
3.	Debenture holder gets fixed rate of Interest which carries a priorities over dividend.	Shareholders gets dividends with a varying rate
4.	Debentures generally have a change on the assets of the company	Shares do not carry any such change
5.	Debentures can be issued at a discount without restrictions	Shares cannot be issued at a discount.

20) What are the various kinds of Debentures?

Answer : Debenture is a document issued by the company for acknowledging the loan from the public.Debentures are generally classified into different categories on the basis of :
(i) Convertibility ofthe Instrument
(ii) Sccurity of the Instrument
(iii) Redemption ability, and
(iv) Registration of Instrument.
(i) On the basis of convertibility :
(a) Non-convertible debentures : These instruments cannot be converted into equity shares.
(b) Partly convertible debentures : A part of these instruments are converted into equity shares.
(c) Fully convertible debentures : These are fully convertible into equity shares.
(d) Optionally convertibility debentures : The investor can have the option to either convert the debentures at a price decided by the issuer or agreed upon at the time of issue.
(ii) On the basis of security :
(a) Secured debentures : These instruments are secured by a charge on the fixed assets of the issuer company.
(b) Unsecured debentures : These instruments are unsecured against the assets.
(iii) On the basis Redeemability :
(a) Redeemable debentures : It refers to the debentures which will be redeemed in future.
(b) Irredeemable debentures : It is a debenture, in which no specific time is specified by the companies to pay back the money.
(iv) On the basis of Registration, debentures may be classified as:
(a) Registered debentures : These are ssued in the name of a particular person, who registered by the company.
(b) Bearer debentures : These are issued to the bearer and are negotiable. Instruments, and are transterred by mere delivery.

21) What formalities need to be fulfilled for a companies having share capital to commence business?

Answer : As per section 11 of the Act, a company having share capital should file with the Registrar, declaration stating that
(i) Every subscriber to the Memorandum has paid the value of shares agreed to be taken by him.
(ii) Paidup capital is not less than Rs.5 lakhs in the case of a public limited company and Rs.1 lakh in the case of private limited company.
(iii) It has filed the Registrar the verification of the registered office.
These restrictions in section 11 are applicable to companies having share capital. It can commence business only after fulfilling all the formalities mentioned above and exercise borrowing powers immediately after incorporation.

22) Write the difference between Share Certificate and Share Warrant.

Answer :

SI.NO	SHARE CERTIFICATE	SHARE WARRANT
1.	A share certificate is a written document	A Share Warrant is a negotiable instrument
2.	All the companies limited by shares irrespective of public or private	Only public limited companies have the right to issue share warrant
3.	Issued against fully or partly paid up share	Issued only against fulIy paid up share

23) Briefly explain the Evolution and History of Company Law in India.

Answer : The earliest business associations in England were the "Merchant Guilds". Some of the merchant Associations or guilds who have regulated the companies.
(i) A Royal Charter established the East India Company in the year 1600.
(ii) In England, the Joint Stock Companies Act was passed for the first time in 1844.
(iii) In the year 1850, taking the English Joint Stock Companies Act 1844 as a base, a provision was made for registration of joint stock companies in India.
(iv) The Joint Stock Companies Act was passed in India by introducing the concept of limited liability in the year 1857.
(v) In 1913, the Indian Companies Act of 1913 was passed. The Act introduces the institution of private companies in the corporate sector in India. After Independence. Based on the recommendation of the Shri. H. C. Baba committee in 1950 and the provisions of the English Companies Act 1948, the Companies Act 1956 was introduced in the parliament.

24) What are the important features of Debentures?

Answer : (i) It is issued by the Company in the form of a certificate under the common seal.

(ii) It is movable property

(iii) Debenture holders are the creditors of the company

(iv) Debentures carry a fixed rate of interest.

(v) A debenture is redeemed after a fixed period of time.

(vi) Debentures may be either secured or unsecured.

(vii) Interest payable on a debenture is a charge against profit and hence it is a tax deductible expenditure.

(viii) Debenture holders do not enjoy any voting right.

(ix) Interest on debenture is payable even if there is a loss.