

# QB365 Question Bank Software Study Materials

## Company Management Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

12th Standard

Commerce

Total Marks : 75

### 2 Marks

10 x 2 = 20

1) Name the companies required to appoint KMP.

**Answer :** Following companies are required to appoint KMP.

(i) Every listed company.

(ii) Every public company (Having paid up share capital of 10 crore or more).

2) Who is whole time Director?

**Answer :** A whole time Director is one who devotes whole of his time of working hours to the company and has a significant personal interest in the company as the source of his income.

3) Who is called as Managing Director?

**Answer :** A Managing Director is one who is employed by the company and has substantial powers of management over the affairs of the company subject to superintendence, direction and control of the board.

4) Who can be Executive Director?

**Answer :** An Executive director is a Chief Executive officer (CEO) or Managing director of an organization, company, or corporation, who is responsible for making decisions to complete the mission and for the success of the organization.

5) Define Director.

**Answer :** 'A Person who is appointed or elected member of the Board of Directors of a company and has the responsibility of determining and implementing policies along with others in the board. It is not necessary to, hold any shares in the company or be an employee. Directors act on the basis of resolutions made in the Board of Directors meeting according to their powers stated in the Articles of Association of the company'.

6) What do you mean by first Director?

**Answer :** "First directors" means those directors who hold office from the date of incorporation of the company. The first directors are usually named in the articles of association or are appointed by the directors.

7) Who is a Nominee director?

**Answer :** 'A director nominated by any financial Institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government , or any other person to represent its interests'.

8) State the minimum number of directors for a company?

**Answer : (i) Public Company:**

Every Public company shall have a minimum number of 3 directors.

**(ii) Private company:**

In case of One Person Company: The requirement of directors is one. Other Private Companies: The minimum requirement of Directors is two.

9) What are the legal positions of directors?

**Answer :** 1. Directors as Agents

2. Directors as Managing Partners

3. Directors as trustees

4. Directors as employees

5. Directors as officers.

10) What is DIN? Who will issue this?

**Answer :** DIN is a unique Director identification number allotted by the Central Government to **any person intending to be a Director or an existing director of a company.**

**3 Marks**

10 x 3 = 30

11) When are alternative directors appointed?

**Answer :** (i) Alternate directors are appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months.

(ii) The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting.

(iii) The alternative director is not a representative or agent of Original Director.

12) Who is a shadow director?

**Answer :** A person who is not the member of Board but has some power to run it can be appointed as the director but according to his/her wish.

13) State the minimum number of Directors for a Private company.

**Answer :** (i) In case of one person company, the requirement of directors is one.

(ii) In the case of other Private companies the minimum requirement of directors is two

14) What is casual Vacancy?

**Answer :** Casual vacancy is a situation in which a seat in a deliberative assembly becomes vacant during that assembly's term, casual vacancies may arise through the death, resignation or disqualification of the sitting member or for other reason.

15) Write a notes on Board of directors.

**Answer :** The Governing body of a Company incorporated under the Companies Act called Board. It is a group of individuals called directors, elected to represent the views of shareholders of a public limited company and to manage the company affairs by establishing policies and implementing them to achieve the goal. In General, the Board is empowered to

(i) Set the Policies

(ii) Restructure the objectives

(iii) Evaluate the performance of Managing Director and Senior Executives

(iv) Exercise overall Direction

(v) Adopt by laws

(vi) Determine and pay the dividend

(vii) Issue additional shares.

16) What are the difference between Manager and Director?

**Answer :**

<b>BASIS</b>	<b>MANAGER</b>	<b>DIRECTOR</b>
1. Nature of work	A person who is in charge of the particular department of the Company and is responsible for the performance of that department is called as manager.	A person appointed by the shareholders to lead the company to achieve its goal is known as Director
2. Level of management	A manager comes under executive level i.e at the Middle-level management	Directors come under Top-level management and play an important role in Decision making.
3. Responsibility	Managers are responsible for the implementation of plans and policies approved by the Board of Directors	Directors responsible for the formulation of plans and policies from time to time to achieve the goal of the company.

17) What are the difference between Managing director and Whole time director?

**Answer :**

<b>BASIS</b>	<b>MANAGING DIRECTOR</b>	<b>WHOLE TIME DIRECTOR</b>
1. Power	Managing Director is entrusted with substantial powers.	The Power is stated in the term of employment.
2. Prohibition	Section 197 Prohibits to act both a managing director and a manager simultaneously.	Sometimes a whole time directors may be appointed as manager and director of a company.
3. Appointment	Consent of the shareholders of the company by means of resolution is not necessarily for the appointment of mana in the director.	Consent of shareholders of the company by a special resolution is must for the appointment of a whole-time director
4. Duration Appointment	No individual can be appointed for more than five years at a time.	There is no such restriction regarding the appointment of a whole-time director.

18) What is the liability to outsiders of directors?

**Answer :** The directors are personally liable to third parties of contracts in the following cases:

- (i) They contract with outsiders in their personal capacity.
- (ii) They contract as agents of an undisclosed principal.
- (iii) They enter into a contract on behalf of a prospective company.
- (iv) When the contract is ultra-vires the company.

19) What are Individual Rights of director?

**Answer :** Individual rights are such as

- (i) Right to inspect books of accounts.
- (ii) Right to receive notices of board meetings.
- (iii) Right to participate in proceedings and cast votes in favour or against resolutions.
- (iv) Right to receive circular resolutions proposed to be passed.
- (v) Right to inspect minutes of board meetings.

20) List out the collective rights of directors.

- Answer :**
- (i) Right to refuse to transfer shares.
  - (ii) Right to elect a Chairman.
  - (iii) Right to appoint a Managing director.
  - (iv) Right to recommend dividend.

**5 Marks**

5 x 5 = 25

21) Who are the KMP?

**Answer : (i) Key-Managerial Personnel of a Company :**

Companies Act, 2013 (Act) has introduced many new concepts and Key Managerial Personnel (KMP) is one of them. KMP covers the traditional roles of managing director and whole time director and also includes some functional heads like Chief Financial Officer and Chief Executive Officer and Company Secretary

**(ii) Key Managerial Personnel :** Managerial personnel is contained in section 2(51) of the Companies Act, 2013. This Section states:

- (a) The Chief Executive Officer
- (b) The Managing Director or the Manager
- (c) The Company Secretary
- (d) The Whole-time Director
- (e) The Chief Financial Officer, and
- (f) Such other officer as may be prescribed.

22) Brief different types of Directors.

**Answer :** Types of directors as per companies Act, 2013

**(i) Residential Director:** According to section 149(3) of Companies Act 2013. Every company should appoint a director who has stayed in India for a total period of not less than 182 days in the previous calendar year.

**(ii) Independent Director:** An independent director is an alternate director other than a Managing Director who is known as Whole Time Director or Nominee Director.

**(iii) Small Shareholders Directors:** Small shareholders can appoint a single director in a listed company. But this action needs to follow a proper procedure like handing over a notice to at least 1,000 Shareholders or 1/10th of the total shareholders.

**(iv) Nominee Director:** A director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

**(v) Women Director:** There should be at least one woman as a director on the Board.

**(vi) Additional Directors:** Any individual can be appointed as Additional Directors by a company.

23) State the qualification of Director.

**Answer :** (i) As regards to the qualification of directors, there is no direct provision in the Companies Act, 2013.

(ii) In general, a director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

(iii) According to the different provisions relating to the directors; the following qualifications may be mentioned:

- (a) A director must be a person of sound mind.
- (b) A director must hold share qualification, if the articles of association provides such.
- (c) A director must be an individual.
- (d) A director should be a solvent person.
- (e) A director should not be convicted by the court for any offence, etc.

24) List the disqualification of a directors.

**Answer :** A person shall not be capable of being appointed director of a company, if the director is

- (a) Of unsound mind.
- (b) An undercharged insolvent.
- (c) Has been convicted by a court for any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months.
- (d) Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others.
- (e) An order disqualifying him for appointment as director has been passed by a court in pursuance of section 203.
- (f) He has been convicted of the offence dealing with related party transactions under section 188.
- (g) He has not got the Director Identification Number.

25) Explain how director of a company can be removed from the office.

**Answer :** A director of a company can be removed from his office before the expiry of his term by

- (i) the Shareholders
- (ii) the Central Government
- (iii) the Company Law Board

**(i) Removal by shareholders 169**

A company (whether public or private) may, by giving a special notice and passing an ordinary resolution, remove a director before the expiry of his period of office without the proof of mismanagement, breach of trust, misfeasance or other misconduct on the part of the director.

**(ii) Removal by the Central Government:**

The Central Government has been empowered to remove managerial personnel from office on the recommendation of the Company Law Board

- (i) Where a person concerned in the conduct and management of the affairs of a company has been guilty of fraud, misfeasance.
- (ii) Where the business of a company has not been conducted and managed by such a person, in accordance with sound business principles or prudent commercial practices;
- (iii) Where the business of a company has been conducted and managed by such a person in a manner which is likely to cause injury or damage to the interest of the trade, industry or business.
- (iv) Where the business of the company has been conducted and managed by such a person with the intent to defraud its creditors, members or any other persons.

**(iii) Removal by the Company Law Board:**

If an application has been made to the Company Law Board against the oppression and mismanagement of the company's affairs by a director, then the Company Law Board may order for the termination of the director's tenure.