

# QB365 Question Bank Software Study Materials

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

11th Standard

Commerce

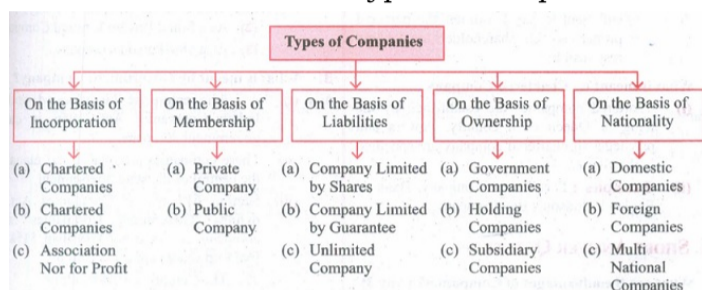
Total Marks : 75

### 2 Marks

10 x 2 = 20

1) What are the different types of companies?

**Answer :** Chartered company, statutory company, public limited company, private limited company and government company are some of the different types of Companies.



2) Define a Company.

**Answer :** According to James Stephenson, "A company is an Association of many persons who contribute money or money's worth to a common stock and employ it in some trade or Business, and who share the profit and loss (as the case may be) arising there from."

(or)

According to Sec 2 of Companies Act 2013, "A company is an artificial person created by law having a separate entity with a perpetual succession and a Common seal".

3) What is meant by Limited liability?

**Answer :** 1. The liability of the members of the company is limited to contribution to the assets of the company upto the face value of shares held by him.

2. A member is liable to pay only the uncalled money due on shares held by him.

4) Explain any two characteristics of a company.

**Answer : Separate Property:**

A Company is a distinct legal entity. A member cannot claim to be owner of the company's property during the existence of the company.

**Capacity to Sue and being sued:**

A company can sue or be sued in its own name as distinct from its members.

5) What is meant by Chartered Company?

**Answer :** Chartered companies are established by the King or Queen of a country. Powers and privileges of chartered company are specified in the charter. Power to cancel the charter is vested with King/Queen. Examples: East Indian Company, Bank of England, Hudson's Bay Company. The Companies Act does not apply to them. Such companies cannot be started in India.

6) What is the Significance of the common seal of the Company?

**Answer :** (i) Though the separate personality of the Company is legally recognised, it needs the human agency to Act.

(ii) Obviously it cannot sign.

(iii) Any contract entered into by a Company, to be valid, must bear the official seal of the Company.

7) What is meant of Articles of Association?

**Answer :** The Articles of association (AOA) is a document that contains the purpose of the company as well as the duties and responsibilities of its members. It is an important document which needs to be filed with the Registrar of Companies.

8) What is Domestic company?

**Answer :** A company which cannot be termed as foreign company under the provision of the Companies Act should be regarded as a domestic company.

9) What is Situation clause?

**Answer :** The registered office clause requires you to show the physical location of the registered office of the company. You are required to keep all the company registers in this office in addition to using the office in handling all the outgoing and incoming communication correspondence.

10) Write short note on domestic company.

**Answer :** A company which cannot be termed as foreign company under the provision of the Companies Act should be regarded as a domestic company.

**3 Marks**

10 x 3 = 30

11) What are the advantages of Companies?(Any 3)

**Answer : Transferability of Shares:**

Transaction of Shares between two individuals is easy. So there is liquidity of investment. Any shareholder can easily convert his shares into money by selling his shares.

**Perpetual Succession:**

A company has perpetual or continuous existence. Members may go or new members may come in, but the company continues to exist. This ensures continuity in operations and the company can undertake long term investments.

**Promotion of Saving and Investment Habit:**

Joint stock company system encourages people to save. Even small amount can be used for the purchase of shares. A person can buy even one share of a company.

12) What is meant by Government Company?

**Answer :** Private limited company is a type of company which is formed with minimum two shareholders and two directors, The minimum requirement with respect to authorised or paid up capital of Rs 1,00,000 has been omitted by The Companies (Amendment) Act, 2015 w.e.f. 29th of May, 2015. Another crucial condition of a private limited company is that it by its articles of association restricts the right to transfer its shares & also prohibits any invitation to the public to subscribe for any securities of the company. The maximum of 200 persons can become shareholders in the company. A private Limited company can be formed in three variations. .

- i. As a private limited company
- ii. As a small private limited company
- iii. As a One Person Company (OPC).

13) What is meant by Foreign Company?

**Answer :** A foreign company means a company which is incorporated in a country outside India under the law of that country. After the establishment of business in India, the following documents must be filed with the Registrar of Companies within 30 days from the date of establishment.

1. A certified copy of the charter or statutes under which the company is incorporated, or the Memorandum and articles of the company translated into English.
2. The full address of the registered office of the company.
3. A list of directors and secretary of the company.
4. The name and address of any person resident of India who is authorised to accept, on behalf of the company, service of legal process and any notice served on the company.
5. The full address of the company's principal place of business in India.

14) What is meant by Private Company?

**Answer :** A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company. These companies are owned and managed by the central or the state government. Section 617 of the Companies Act, 1956 defines "Government Companies" as any company in which not less than 51% of the [paid-up share capital] is held by.

- (1) The Central Government; or
- (2) Any State Government or Governments; or
- (3) Partly by the Central Government and partly by one or more State Governments.

15) What do you mean by Holding Companies?

**Answer :** As per Section 2(87) "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company-

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

16) What is the consequence of not receiving minimum subscription?

**Answer :** Minimum subscription must be received within 90 days from the date of prospectus, No allotment shall be made unless the amount stated in the prospectus as minimum subscription has been received and the application money on these has been received. If minimum subscription is not received within 90 days of the issue of the prospectus, money received on application must be refunded.

17) Give the meaning of share.

**Answer :** According to section 2 (46) of the Companies Act, a share means a share in the share capital of the company and includes stock, except where a distinction between stock and shares is express or implied. A share indicates certain rights and liabilities.

The capital of a company is divided into units of a fixed denomination, Share refers to only such a unit. It is therefore clear that a share is a fractional part of the company's share capital.

18) What is public limited company?

**Answer :** Public Company means a company which is not a private company. A public company may be said to be an association which consists of at least 7 members. It has a minimum paid-up capital of Rs. 5,00,000 or such higher paid up capital as may be prescribed.

19) What is a company limited by guarantee?

**Answer :** A company limited by guarantee is a company in which the liability of its members is limited by its Memorandum to such an amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up.

20) What is subsidiary company?

**Answer :** "Subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company-

- i. Controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

**Examples:**

H Ltd., holds more than 50% of the equity share capital of S Ltd. Now H Ltd., is the holding company of S Ltd., and S Ltd., is the subsidiary of H Ltd.

**5 Marks**

5 x 5 = 25

21) What are the contents of Memorandum of Association? (any 5)

**Answer : Contents of Memorandum of Association:**

**Name Clause:**

- i. The name clause requires to state the legal and recognized name of the company.
- ii. The company name is allowed to be registered if it does not bear any similarities with the name of an existing company, companies only.

**Situation Clause:**

- i. The registered office clause requires to show the physical location of the registered office of the company.
- ii. It is required to keep all the company registers in this office.
- iii. The registered office should be established prior to commencing business activities.

**Objective Clause:**

- i. The objective clause requires to summarize the main objectives for establishing the company with reference to the requirements for shareholding and use of financial resources.
- ii. It is required to state the ancillary objectives; that is, those objectives that are required to facilitate the achievement of the main objectives.
- iii. The objectives should be free of any provisions or declarations that contravene laws or public good.

**Liability Clause:**

- i. The liability clause requires to state the extent to which shareholders of the company are liable to the debt obligations of the company in the event of the company dissolving.
- ii. There are companies limited by shares and limited by guarantee.

**Capital Clause:**

- i. The capital clause requires to state the company's authorized share capital, the different categories of shares and the nominal value (the minimum value per share) of the shares.
- ii. It is also required to list the company's assets under this clause.

**Association Clause:**

- i. The association clause confirms that shareholders bound by the MOA are willingly associating and forming a company.
- ii. It requires seven members to sign an MOA for a public company and not less than two people for a MOA of a private company.
- iii. The signing must be done in the presence of witness who must also append his signature.

22) What are the contents of Articles of Association? (any 5)

- Answer :**
1. Amount of shares, capital, value and type of shares
  2. Rights of each class of shareholders regarding voting, dividend, return of capital
  3. Rules regarding issue of shares and debentures
  4. Procedures as well as regulations in respect of making calls on shares
  5. Manner of transfer of shares
  6. Declaration of dividends
  7. Borrowing powers of the company
  8. Rules regarding the appointment, remuneration, removal of directors
  9. Procedure for conducting proxy, quorum, meetings etc.,
  10. Procedures concerning keeping of books and audits
  11. Seal of the company
  12. Procedures regarding the winding up of the company.

23) What is meant by Multi National Company?

**Answer :** A Multi National Company (MNC) is a huge industrial organisation which:

- (i) Operates in more than one country
- (ii) Carries out production, marketing and research activities on international Scale in those countries.
- (iii) Seeks to maximise profits world over.

Examples: Micro Soft Corporation, Nokia Corporation, Nestle, Coca-Cola International Business Machine, Pepsico, Sony Corporation.

24) What are the classification of companies on the basis of control.

**Answer : Classification of Companies on the-basis of Control:**

**a) Government Companies:**

A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company. These companies are owned and managed by the central or the state government. Section 617 of the Companies Act, 1956 defines "Government Companies" as any company in which not less than 51% of the [paid-up share capital] is held by.

1. The Central Government; or
2. Any State Government or governments; or
3. Partly by the Central Government and partly by one or more State Governments.

A subsidiary of a Government company shall also be treated as a Government company. These companies are registered as private limited companies through their management and their control vest with the government. This is a type of organization where both the government and private individuals are shareholders. Sometimes these companies are called as a mixed ownership company. Examples: Steel Authority of India, Indian Oil Corporation, Oil and Natural Gas Corporation, Bharath Heavy Electricals.

**b) Holding Companies:**

As per Section 2(87) "subsidiary company" or "substidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company-

1. controls the composition of the Board of Directors; or
2. exercises or controls more than one-half of the total share capttal either at its own or together with one or more of its subsidiary companies:
3. Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

**c) Subsidiary Companies:**

"Subsidiary comparry" or "Substidiary" in relation to any other company (that is to say the holding company), means a company in which the holding company.

1. controls the composition of the Board of Directors; or
2. exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Examples: H Ltd., holds more than 50% of the equity share capttalof S Ltd. Now H Ltd., is the holding company of S Ltd. , and S Ltd., is the subsidiary of H Ltd.

25) Classification of companies on the basis of Incorporation

**Answer : Chartered Companies:**

1. Chartered companies are established by the king or queen of a country.
2. Powers and privileges of chartered company are specified in the charter.
3. Such companies cannot be started in India

**Examples:**

- i. East Indian company
- ii. Bank of England
- iii. Hudson's Bay Company

**Statutory Company:**

1. Companies are established by a special Act made in parliament / state Assembly.
2. Constitution of company is specified in the memorandum of Association (MOA)
3. Rules relating to day to day management of statutory companies are specified in the Articles of Association

**Examples:-**

1. Food corporation of India
2. LIC
3. GIC
4. RBI
5. SBI

**Association Not for Profit:**

1. According to section 25, the central government may, by license, grant that an association may be registered as a company with limited liability, without using the words limited or private limited as
2. The licence will be granted only in the case of association not for profit.
3. In the other words, the central Government will grant the license only if it is satisfied that;
4. The association about to be formed as a limited company aims at the promotion of sports, commerce, Art, Science, Religion charity or any other useful object.
5. It intends to apply its profits any for promoting its objects.
6. It prohibits the payment of dividend to its members such companies may be public or private companies and may or may not have share capital.