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2021

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SECRETARIAL PRACTICE

EVALUATION PLAN

1. (a) Written Examination : **80 marks**

   (b) Application Based Test : **20 marks**

   Total : **100 Marks**

2. Unitwise Distribution of Marks :

Unit No.	Unit	Chapter No.	Marks	Marks with Option
1.	Sources of Corporate Finance	1 & 2	17	25
2.	Capital Raising	3, 4, & 5	24	35
3.	Secretarial Correspondence	6, 7, & 8	13	18
4.	Depository System	9	07	11
5.	Payment of Dividend and Interest	10	09	13
6.	Financial Market	11 & 12	10	14
	Total		**80**	**116**

3. QUESTION PAPER PATTERN

Time : 3 Hours **Marks : 80**

Q. No.	Questions	Marks as per Questions	No. of Questions to Attempt	Marks without Option	Marks with Option
1.	**From the following types of sub questions any FOUR will be asked** (A) Select the Correct Option and Rewrite the Sentence	1	5	5	5
	(B) Match the Pairs	1	5	5	5
	(C) Give One Word or Phrase or Term	1	5	5	5
	(D) State True or False	1	5	5	5
	(E) Find the Odd One	1	5	5	5
	(F) Complete the Sentences	1	5	5	5
	(G) Select the Correct Option from the Bracket	1	5	5	5
	(H) Answer in One Sentence	1	5	5	5
	(I) Correct the Underlined Word and Rewrite the Following Sentence	1	5	5	5
	(J) Arrange in Proper Order	1	5	5	5
2.	Explain the Following Terms/ Concepts	2	Any 4 Out of 6	08	12
3.	Study the Following Case/Situation and Express Your Opinion	03	Any 2 Out of 3	06	09
4.	Distinguish Between	04	Any 3 Out of 4	12	16
5.	Answer in Brief	4	Any 2 Out of 3	08	12
6.	Justify the Following Statements	4	Any 2 Out of 4	08	16
7.	Attempt the Following (Letter Writing)	5	Any 2 Out of 3	10	15
8.	Attempt the Following (Long Answer)	8	Any 1 Out of 2	08	16
	Total Marks			**80**	**116**

Note : In Question No. 7, one letter each from Chapter No. 6, Chapter No. 7 and Chapter No. 8 will be asked.

NON-EVALUATIVE PORTION FOR THE ACADEMIC YEAR 2020-21 AS DECLARED ON 22-07-2020

Sr. No.	Topic No.	Page No.	Point No.	Details of Content for Self-study	Instructions
1.	**Ch 1 :** Introduction to Corporate Finance	7 to 9	1.4	Capital Structure	Self-Study
2.	**Ch 2 :** Sources of Corporate Finance	22	2.1.2	Determinants of Retained Earnings	”
3.	**Ch 2 :** Sources of Corporate Finance	28 & 29	2.2.6	Financial Institutions	”
4.	**Ch 2 :** Sources of Corporate Finance	29 & 30	2.2.7	Trade Credit	”
5.	**Ch 3 :** Issue of Shares	40 to 42	3.1	Classification of Share Capital	”
6.	**Ch 3 :** Issue of Shares	51 & 52	3.4.2	Procedure for Allotment of Shares	”
7.	**Ch 3 :** Issue of Shares	54	3.6	Calls on Shares	”
8.	**Ch 3 :** Issue of Shares	54	3.7	Forfeiture of Shares	”
9.	**Ch 3 :** Issue of Shares	54 & 55	3.8	Surrender of Shares	”
10.	**Ch 4 :** Issue of Debenture	74	4.3	Debenture Trustees	”
11.	**Ch 5 :** Deposits	84 & 85	5.3	Procedure for accepting Deposits from Public	”
12.	**Ch 5 :** Deposits	85 & 86	5.4	Procedure for accepting Deposits from Members	”
13.	**Ch 9 :** Depository System	133 to 135	9.6	Functioning of Depository System	”
14.	**Ch 10 :** Dividend and Interest	147	10.5	Modes of payment of Dividend	”
15.	**Ch 11 :** Financial Market	160 & 161	11.3.1	Some important Participants in Money Market	”
16.	**Ch 11 :** Financial Market	161 & 162	11.3.1	Instruments of Money Market	”
17.	**Ch 12 :** Stock Exchange	173 & 174	12.4	Important Terms Related to Stock Exchange	”
18.	**Ch 12 :** Stock Exchange	175	12.6	Distinction between Jobber & Broker	”

PART 1

MODEL PRACTICE PAPER
(WITH SOLUTION AND MARKING SCHEME)

SECRETARIAL PRACTICE

Time : 3 Hours] **[Total Marks : 80**

Note : *(1) All questions are compulsory.*

(2) Figure to the right indicate full marks for the questions.

(3) Figures to the left indicate question numbers.

(4) Answer to every question should start on a new page.

Q. 1. (A) Select the correct answer from the options and rewrite the statements : (5)

(1) The sum of all .... is gross working capital.

(a) expenses (b) current assets (c) current liabilities

(2) Under .... method, issue price of shares is based on bidding.

(a) Book building (b) Fixed price (c) Bonus issue

(3) Charge on assets is to be created when a company issues ....

(a) Unsecured deposit (b) Unsecured debenture (c) Secured deposit

(4) Dividend amount should be transferred in a separate bank account within ...... days of its declaration.

(a) 5 (b) 15 (c) 50

(5) Money market is a market for lending and borrowing of funds for .... term.

(a) short (b) medium (c) long

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

(1) A document of title of ownership of shares.

(2) Type of debentures on which company has to create a charge on its assets.

(3) This process converts securities into electronic form from physical form.

(4) Dividend declared between two AGMs.

(5) A specific place where trading of securities is arranged in an organised method.

(C) State whether the following statements are True or False : (5)

(1) A firm with large scale operations will require more working capital.

(2) Debentureholders have no voting rights.

(3) Debentures are never redeemed by the company.

(4) Dividend once declared cannot be revoked.

(5) Primary Market is also known as New Issue Market.

(D) Answer in one sentence : (5)

(1) In what country can GDR be issued?

(2) What is meant by Private Placement?

(3) Which companies can accept deposit from public?

(4) At which meeting interim dividend is decided and declared?

(5) What is Stock Exchange?

Q. 2. Explain the following terms/concepts : (Any FOUR) (8)

(1) Borrowed Capital.

(2) Charge on Assets.

(3) Redemption of Debentures.

(4) Depository System.

(5) IEPF.

(6) Capital Market.

Q. 3. Study the following case/situation and express your opinion : (Any TWO) (6)

(1) A company is planning to enhance its production capacity and is evaluating the possibility of purchasing new machinery whose cost is ₹ 2 crore or has alternative of machinery available on lease basis.

(a) What type of asset is machinery?

(b) Capital used for purchase of machinery is fixed capital or working capital?

(c) Does the size of a business determine the fixed capital requirement?

(2) Himgiri Ltd. is an eligible public company as per the Companies Act, 2013 with reference to accepting public deposit.

(a) Can company accept the deposit in joint names?

(b) Can company accept deposit from its members?

(c) Can the company issue secured deposits?

(3) Gold Co, Ltd. declares a dividend of ₹ 10/- per share for Financial Year 2018-19.

(a) Is Company under default, if dividend was not paid within 30 days of its declaration?

(b) Is company right in transferring the unpaid dividend to its Debenture Reserve Account?

(c) Does the company have to transfer the amount of unpaid dividend to IEPF after 30 days?

Q. 4. Distinguish between the following : (Any THREE) **(12)**

(1) Transfer of Shares and Transmission of Shares.

(2) Dematerialisation and Rematerialisation.

(3) Final Dividend and Interim Dividend.

(4) Primary Market and Secondary Market.

Q. 5. Answer in brief : (Any TWO) **(8)**

(1) What is Public Deposit?

(2) State any four provisions of Companies Act 2013 for issue of debentures.

(3) Explain any four advantages of depository system to investor.

Q. 6. Justify the following statements : (Any TWO) **(8)**

(1) Fixed capital stays in the business almost permanently.

(2) ESOS is offered by a company to its permanent employees, Directors and officers.

(3) All companies cannot accept deposit from public.

(4) Stock Exchanges work for the growth of the Indian economy.

Q. 7. Attempt the following : (Any TWO) **(10)**

(1) Write a letter to the shareholder regarding issue of Bonus Shares.

(2) Draft a letter of allotment to Debentureholder.

(3) Draft a letter to depositor regarding repayment of his deposit.

Q. 8. Answer the following questions : (Any ONE) **(8)**

(1) What is an Equity Share? Explain its features.

(2) Explain the statutory provisions for allotment of shares.

प्र. क्र.
Q. No. **1 (A)**

Note : Question 1 is an objective question. In this question, 4 sub-questions carrying 5 marks each are given. All sub-questions are compulsory. You can easily score maximum marks in this question.

Note : In this question, 5 fill in the blank statements with 3 alternatives each will be given. In the answer to this sub-question, students are expected to rewrite each given statement with correct alternative and underline the selected alternative. All 5 questions are required to be attempted. Do not change the order of the statements.

(1) The sum of all current assets is gross working capital.

(2) Under Book building method, issue price of shares is based on bidding.

(3) Charge on assets is to be created when a company issues Secured deposit .

(4) Dividend amount should be transferred in a separate bank account within 5 days of its declaration.

(5) Money market is a market for lending and borrowing of funds for short term.

(Marking Scheme : Each correct answer carries 1 mark; Total marks : 5)

प्र. क्र.
Q. No. **1 (B)**

Note : In this sub-question, 5 statements from different chapters will be given. Read the statements carefully. Then write correct word or term or phrase for each statement. Do not change the order of statements.

(1) Share Certificate

(2) Secured Debentures

(3) Demat

(4) Interim Dividend

(5) Share Market

(Marking Scheme : Each correct answer carries 1 mark; Total marks : 5)

Note : In the answer to this question, students are expected to first read the given statement and decide whether it is True or False. Then write "This statement is True or False" as the case may be.

प्र. क्र.
Q. No. **1 (C)**

(1) True

(2) True

(3) False

(4) True

(5) True

(Marking Scheme : 1 mark is allotted for stating True or False; Total marks : 5)

प्र. क्र.
Q. No. **1 (D)**

> **Note :** In this question, there will be 5 sub-questions of 1 mark each. The students are expected to answer each question in one sentence only. There is no internal option for this question. Do not write any answer in two or more sentences.

(1) Global Depository Receipts (GDR) can be issued in all the countries except USA.

(2) Private placement is when company offers its securities not through a public offering, but rather through a private offering, mostly to friends and family, accredited investors and institutional investors.

(3) Eligible public companies and government companies can accept deposits from public.

(4) Interim dividend is decided and declared at the meeting of Board of Directors (Board Meeting).

(5) A specific place where various types of securities such as shares, debentures, government securities, bonds, etc. are bought and sold is called Stock Exchange.

(Marking Scheme : Each correct answer carries 1 mark; Total marks : 5)

प्र. क्र.
Q. No. **2**

Note : In this question, there will be 6 sub-questions of 2 marks each. Students are expected to write at least 2 points with brief explanation in each answer. Students are expected to attempt any 4 sub-questions they find easier or know the best. However, we have given answers to all 6 questions. Write to the point explanation. Underline the sub-titles in each answer.

(1) Borrowed Capital :

(i) The funds collected by the company through issue of debentures, accepting deposits from public, issue of bonds, borrowing loans from commercial banks and financial institutions, etc. are called borrowed capital. A company can raise borrowed capital if it is anthorised by Memorandum of Association. Articles of Association of the company makes provisions as to how and by whom such power of borrowing shall be exercised. Usually, Board of Directors exercises the powers of borrowings. A private company can exercise its borrowing power on getting certificate of incorporation whereas public company can exercise its borrowing powers only after getting Certificate of Commencement of Business.

(ii) The company may borrow the funds to fulfill short-term, medium term and long-term needs of the company. Usually, company raises borrowed capital at a later stage when it needs additional funds for expansion, modernisation or diversification of its activities. The company is required to pay interest on borrowed capital at fixed and predetermined rate and after specific period of time.

प्र. क्र.
Q. No. 2

(2) Charge on Assets :

(i) All secured debentures should be redeemed within 10 years from the date of its issue. Company has to create a charge on the assets of the company or its subsidiary company or holding company. The value of charge should be adequate to cover the entire value of debentures issued and interest to be paid on it.

(ii) All secured debentures have to be secured by the assets of the company. In simple words, assets of the company are mortgaged or used as a collateral security to issue secured debentures. If a Government company issues secured debentures which has Central or State Government's guarantee, then it need not create any charge on its assets.

(3) Redemption of Debentures :

(i) Redemption of debentures means repayment of the amount of debentures as per the provisions of the debenture agreements sent by the company to its debentureholders. The debentures which are issued by the company for a fixed period and repaid after the expiry that period are called redeemable debentures.

(ii) Redeemable debenture's repayment can be made at fixed date, at the end of specific period or by instalments during the lifetime of the company. The provisions in respect of repayment are usually made in a Trust Deed.

प्र. क्र.
Q. No. 2

(4) Depository System :

(i) The Depository system is a computerised system in which securities are held in the electronic form. In this system, the transfer and settlement of securities are carried out electronically. It acts as a custodian of securities and maintains the accounts of the investors, i.e. shareholders. This system facilitates transfer of securities, collection of dividend, bonus shares, etc. of the shareholders.

(ii) The depository system is also referred to as scripless trading system. The depository system began in the Germany for the first time in the world in 1947. To comply with the international practices, in India, Depository system was introduced by enactment of the Depository Act, in 1996. A competitive multi-depository system composed of two depositories, viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) was established.

(5) IEPF :

(i) IEPF is an abbreviated form of Investors Education and Protection Fund. IEPF has been established by Central Government since 2001 for the promotion of investors' awareness and protection of the interests of investors. If any amount remained unpaid in the Unpaid Dividend Account of company for 7 days from the date of transfer of the amount, it is required to be transferred by a company to IEPF. The company is also required to transfer to IEPF the matured deposits with the companies, matured debentures with the companies, etc.

प्र. क्र.
Q. No. 2

(ii) Any claimant or the person entitled to any amount transferred to IEPF is required to make application for refund to the authority or committee appointed by the Central Government. On verifying the evidences or documents, if the authority or committee is satisfied that such person is really entitled to receive refund, it makes an order for payment of such amount due.

(6) Capital Market :

(i) The market where funds for long term are borrowed and lent is called Capital Market. In this market, long term capital required by the business enterprises are borrowed and lent. The financial assets, i.e. the financial instruments which are traded in this market have long or indefinite maturity period. Financial market is a main segment (core) of a financial system in every country. This is because it facilitates mobilisation of resources. According to SEBI, "Capital market is a market for long term debt and equity shares."

(ii) In capital market, capital funds which include both equity and debt are issued, bought and sold. In this market, long term funds in the form of debt and equity are raised through private placement and through organised markets called stock exchanges. The main and core function of capital market is to provide convenience (comfort) of transactions for both the companies and investors. The financial instruments such as equity shares, preference shares, debentures, bonds, government securities, public deposits, etc. are traded in capital market.

(Marking Scheme : 2 marks for each sub-question; Total marks : 8)

प्र. क्र.
Q. No. 3

Note : This is an application based question. The students have to study, analyse, justify and express their opinion in their answer. There will be 3 sub-questions of 3 marks each. The students are required to attempt any 2. However, we have given answers to all 3 questions. Total 6 marks are allotted to this question.

(1) (a) Machinery is a fixed asset to be used in the company.

(b) Capital used for purchase of machinery is fixed capital.

(c) The size of a business determines the requirement of fixed capital. If the business enterprise is established to undertake and carry on large scale operations, its fixed capital requirement is larger then the business firm which carries on small scale business operations.

(2) (a) Yes. Himgiri Ltd. can accept the deposit in joint names but there should not be more than three names.

(b) Yes. Himgiri Ltd. is an eligible public company as per the Companies Act, 2013 and thus authorised to accept deposits from its members.

(c) Yes. Himgiri Ltd. can issue the secured deposits by creating charge over their tangible assets and by appointing deposit trustees for the same.

(3) (a) If dividend was not paid by Gold Co. Ltd. within 30 days of its declaration, the company is in default in compliance of legal requirements and such company and every officer of the company is responsible for this default and punishable with fine.

(b) Gold Co. Ltd. is not right in transferring the unpaid dividend to its Debenture Reserve Account. The company is supposed to transfer the unpaid dividend amount to Unpaid Dividend Account.

(c) Gold Co. Ltd. does not have to transfer the amount of unpaid dividend to IEPF after 30 days. The company is required to transfer unpaid dividend amount from unpaid dividend account to IEPF after 7 years from the date of transfer of amount to unpaid dividend account.

(Marking Scheme : 3 marks each; Total marks : 6)

प्र. क्र.
Q. No. **4**

Note : In this question, 4 sub-questions of 4 marks each will be asked. Students have to answer any 3. However, we have given answers of all 4 questions. In the answer to each sub-question, students are expected to write at least 4 points of distinction with brief explanation. However, here in some sub-questions more than 4 points are given for better understanding. The explanation should be to the point. Give suitable sub-title to each point of distinction. Avoid writing unnecessary details.

(1)

Transfer of Shares	Transmission of Shares
1. Meaning :	
The passing of shares voluntarily or deliberately by one shareholder to another person by entering into a contract with the buyer is called transfer of shares.	The passing of ownership of a member's shares to his legal representative due to operation of law i.e. on death, insolvency or insanity of the member is called transmission of shares.
2. When Done?	
Transfer of shares takes place when the member wants to sell his shares or give his shares as gift to other person.	Transmission of shares takes place when the member dies or becomes insolvent or insane.
3. Nature of Action :	
Transfer of shares is a voluntary or deliberate action initiated by the member.	Transmission of shares is an involuntary action. It is due to operation of law i.e. death, insanity or insolvency of the member.
4. Parties Involved :	
In transfer of shares, two parties are involved, viz. the shareholder who is called as transferor and the buyer who is called transferee.	In transmission of shares, only one party gets involved, i.e. the nominee of the member in case of death of the member or the legal representative in the case of insanity or insolvency.

प्र. क्र. Q. No. 4

	5. Instrument of Transfer :	
	For transfer of shares instrument of transfer is required. It is a contract between the transferor and transferee.	No instrument of transfer is required for transmission of shares.
	6. Initiated by :	
	The transferor i.e. the member initiates the process of transfer.	Legal representative or official receiver or nominee of the concerned member initiates the process of transmission.

(2)	Dematerialisation	Rematerialisation
	1. Meaning :	
	The process in which shares in the physical form are converted into an electronic form is called dematerialisation of shares.	The process in which shares in an electronic form are converted into physical form is called rematerialisation of shares.
	2. Conversion :	
	Shares are converted from original physical form into an electronic/digital form.	Shares are converted from electronic records again into physical form.
	3. Use of form :	
	For dematerialisation of securities, Dematerialisation Request Form (DRF) is used by the investors and submitted to DP.	For rematerialisation of securities, Rematerialisation Request Form (RRF) is used by the investors and submitted to DP.

प्र. क्र.
Q. No. 4

4. Sequence :

Dematerialisation is initial process. It is primary and main function of Depository. Original securities are dematerialised.	Rematerialisation is a reverse process. This is a secondary and supporting function of Depository. Already dematerialised securities are rematerialised.

5. Identification of securities :

Demated securities do not have distinctive numbers for identification. They are fungible i.e. interchangeable.	Remated securities are in the form of certificate. These securities are given distinctive numbers by the issuer company for their identification.

(6) Securities maintenance authority :

The Depository is the custodian and record keeping authority of the dematerialised securities.	The issuer company is the record keeping authority of rematerialised securities. Investor is the custodian of rematerialised securities.

(7) Difficulty of process :

Dematerialisation is an easy process. It is not a time consuming process.	Rematerialisation is a complex process. It is a time consuming process.

प्र. क्र.
Q. No. **4**

(3)

Final Dividend	Interim Dividend
1. Meaning :	
Dividend which is declared and paid after the conclusion of the financial year is called Final Dividend.	Dividend which is declared and paid between two consecutive Annual General Meetings of the company is called Interim Dividend.
2. Who declares?	
Final dividend is declared as per the recommendations made by the Board of Directors, by the shareholders by passing an ordinary resolution at the Annual General Meeting.	Interim dividend is decided and declared by the Board of Directors by passing a resolution if Articles so authorise.
3. Authorisation :	
For declaration of final dividend, the authorisation of the Articles is not required. However, the Board of Directors is required to pass a resolution in its meeting to that effect.	The Board of Directors is empowered to declare an interim dividend, if adequate provisions to that effect exist in its Articles of Association of the company.
4. When is it declared?	
Final dividend is declared after the conclusion of the financial year at the Annual General Meeting.	Interim dividend is declared in between two consecutive Annual General Meetings.

प्र. क्र. Q. No. 4

	5. Rate of dividend :	
	Usually the rate of final dividend is higher than the rate of interim dividend.	Comparatively, the rate of interim dividend is lower than the rate of final dividend.
	6. Source :	
	Various sources such as profit of current year and previous years, reserves, capital profits, funds provided by Central or State Government, etc. are available to the company for declaration of final dividend.	Only one source is available to the company for declaration of interim dividend, i.e. periodic profit of the current financial year. It is usually declared on the basis of better financial prospective result which may be quarterly or half-yearly.

(4)	Primary Market	Secondary Market
	1. Meaning :	
	A security market in which new issues of securities i.e., new shares and debentures are arranged and organised is called Primary Market.	A security market in which existing securities are purchased and sold repeatedly is called Secondary Market.
	2. Mode of investment :	
	In the primary market, direct investment is made. Securities are obtained directly from the issuer company.	In the secondary market, indirect investment is made. Securities are obtained from other stakeholders.

प्र. क्र.
Q. No. 4

3. Parties in action :	
Two parties involved in the primary market are (i) company and (ii) investors	Parties involved in the secondary market are only investors.
4. Intermediary :	
In the primary market, underwriters act as intermediaries.	In the secondary market, brokers act as intermediaries.
5 Value of security :	
In the primary market, the price of the security is fixed as it is determined by the company.	In the secondary market, the price of the security is fluctuating as it is determined by the changing forces of demand and supply of security in the market.

(Marking Scheme : 1 mark for each point in each sub-question. 4 marks for each sub-question; Total marks : 12)

प्र. क्र.
Q. No. **5**

Note : In this question, there will be 3 sub-questions of 4 marks each. The students are expected to attempt any 2 questions. However, we have given answers to all 3 sub-questions. Each answer should contain 4 or 5 points with brief explanation. Each paragraph should be given suitable title.

(1) (i) Public Deposit is one of the key sources of raising short-term finance to fulfill the financial needs of the company. Any amount for the period ranging from 6 months to 36 months (i.e. 3 years) received from the public by the company are called Public Deposit. The term public include the customers, employees, general public and shareholders. When the company needs short-term finance, it invites public to deposit their surplus idle money with company for varied period. On such deposits, the borrowing company pays interest at regular interval or at maturity.

(ii) On receiving deposit amount, the company issues 'Deposit Receipt'. It is an acknowledgement of debts borrowed by the company. The terms and conditions of deposit are printed on the deposit receipt.

(iii) The public deposits are either secured or unsecured loans offered to the company. The definition of public deposit is given in Section 2(31) of the Companies Act, 2013 as, "deposit includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India."

(iv) The definition is further explained in detail by Rule 2 (1) (c) of the companies (Acceptance of Deposits) Rules 2014 as 'deposit' means any receipt of money in the form of deposit or loan accepted by a company.

प्र. क्र.
Q. No. 5

(v) However, deposit does not include any amount received from (1) Central Government or a State Government (2) as loan from any banking company (3) from foreign government or international banks (4) from any other company (5) by issuing commercial paper (6) by issue of bonds (7) in trust and (8) by way of subscription to any shares or debentures.

(2) Following are some of the provisions of the Companies Act, 2013 which a company has to comply while issuing debentures :

(i) No voting rights : A company cannot issue debentures with voting rights.

(ii) Types of debentures : A company can issue secured or unsecured debentures and fully or partly convertible debentures or non-convertible debentures. For issuing convertible debentures, a special resolution must be passed in the annual general meeting of the shareholders. All debentures are redeemable.

(iii) Payment of interest and redemption : As per the terms and conditions written in the prospectus, company is required to redeem the debentures and pay interest.

(iv) Debenture certificate : Debentureholder shall get the debenture certificate within 6 months of allotment of debentures.

(v) Create Debenture Redemption Reserve : Debenture Redemption Reserve account has to be created out of profits of the company. As per the Companies Amendment Rules, 2019, MCA has removed this requirement for listed companies, NBFCs and Housing Finance Companies. This money has to be used only for redemption of debentures.

प्र. क्र.
Q. No. 5

(vi) Appoint Debenture Trustees : Company has to appoint one or more debenture Trustees to protect the interest of debentureholders, if company issues prospectus or invites more, than 500 people.

(vii) Debenture Trustees can approach NCLT : Debenture Trustees are required to redress the complaints of debentureholders if the company defaults in making payment of debentures. Trustees can approach the NCLT (National Company Law Tribunal) who can give order to a defaulting company to repay the principal amount or interest.

(viii) Impose restrictions : NCLT orders a company to restrict incurring further liabilities so as to safeguard the interest of the debentureholders.

(ix) Punishment for contravention of provisions of the Companies Act : Company and its officers are liable to pay fine or imprisonment or both as specified in the Act if the company fails to comply with any provisions of the Act.

(3) The advantages of depository system to the investors are as follows :

(i) Elimination of risk : The depository system totally eliminates all the risks connected with physical certificates such as the risks of bad deliveries, misplacement, loss, theft, mutilation, forgery, delays, etc.

(ii) Safety : In this system, the depository is the custodian of securities in electronic form. It is the most safe and secured mode of holding securities. The complete system works as per the provisions made under the Depository Act, 1996. It is supervised by the Securities Exchange Board of India (SEBI). In order to prevent (avoid) unexpected debit or credit or both, the investor by giving instructions to Depository Participant (DP) can turn demat account to "Freeze or Lock" mode.

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Q. No. 5

(iii) Easy transfer of shares : In depository system :

(1) Physical or mental exertion in filling transfer forms and depositing the documents are avoided.

(2) The stamp duty payable on transfer of physical securities (shares) is not applicable. Such payment is saved.

(3) Processing time required in transfer of securities is minimised and saved. Neither the securities nor is the cash tied up for long time.

(iv) Updates and intimation : Up-to-date information in respect to the status of holdings and transactions are provided to the investors by the DP and sometimes by Depository.

(v) Security against loan : The banks and other financial institutions prefer to give loans and advances on the security of dematerialised shares and other securities.

(vi) No concept of 'Lots' : The system of odd and even lot stands cancelled. The market lot implies one share for dematerialised securities.

(vii) Nomination facility : Individual investors can take benefits of nomination facility. Investors can appoint their nominees by informing their names to their Depository Participant (DP). This makes the process of transmission easier after the death of the investor.

(viii) Automatic Credit : In this system, the account of investors get automatic debit or credit effects whenever changes are initiated and made by the company that affect securities. This is termed as corporate action, e.g. issue of bonus shares, offering Rights shares, payment of dividend, early redemption of debentures, mergers and acquisitions, etc.

(Marking Scheme : 4 marks for each sub-question; Total marks : 8)

प्र. क्र.
Q. No. 6

Note : In this question, there will be 4 sub-questions of 4 marks each. Out of these, students are expected to attempt any 2. However, we have given answers to 4 sub-questions. Students are expected to give 4 reasons each to substantiate the statement.

(1) (i) The business enterprises require finance for various purposes, at different stages and for different periods. The business firm has the following multiple choices of sources of financing. When new company starts its business, it raises capital through issue of equity shares. It is a basic source of financing activities of the business. The company also issues preference shares to get the funds only for specific period of time to the investors who are cautious of their investment.

(ii) When company grows, it issues debts securities such as debentures and bonds, accepts public deposits, borrows loans from banks and other financial institutions. Large manufacturing firms raise funds by issue of equity shares and debentures whereas trading concerns raise finance through issue of equity shares and preference shares.

(iii) The developed company or business organisation with stable earnings can easily raise funds by issue of debt securities and also use of retained earnings to balance their projects. If company needs funds on regular basis, it can raise funds by issue of equity shares to larger proportion. If funds are required for short period, the company raises funds through issue of preference shares and debentures.

(2) (i) Under ESOS, permanent employees, Directors or officers of the company or its Holding Company or Subsidiary company are offered the benefit or right to purchase the equity shares of the company at a future date at a pre-determined price. The shares are offered at a price lesser than their market price.

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(ii) As per the provisions of this scheme, the employees get the right to purchase the shares of the company at the price lower than the market price, if they purchase them within a stipulated period. Through this voluntary scheme, a company encourages its employees to participate in the management.

(iii) ESOS is useful to those companies whose business activity in larger proportion depends upon the talents, skills and knowledge of employees, e.g. software companies, mechanical production, advertising, print media, etc.

(iv) The issue of the ESOS must be approved by the shareholders through a special resolution passed in the general meeting. Once employees are given this option to purchase the shares, they cannot further transfer this option to anybody else.

(3) Deposit is a type of short-term loan taken by the company from the public or by its own members.

Following is the justification about which companies can collect deposits, the terms and conditions to be fulfilled to collect deposits from members and public.

ACCEPTANCE OF DEPOSITS :

All companies, accepting deposits, except :

(i) A Banking Company

(ii) A Non-Banking Finance Company (NBFC)

(iii) A Housing Finance Company and,

(iv) Such other company as the Central Government will specify have to comply with the provisions of (a) Sections 73 to 76 of Companies Act, 2013 (b) Companies (Acceptance of Deposits) Rules 2014 and (c) Directives issued by Reserve Bank of India regarding acceptance of deposits.

(1) Private Company : A private company can accept deposits from its members or Directors or relatives of Directors.

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(2) Public Company (other than eligible company) : These companies can accept deposits from its members or Directors.

(3) Eligible Public Company : These companies can accept deposits from their members and also from the public. Eligible public company means a company having :

(a) A Net worth of not less than ₹ 100 crores or,

(b) Turnover of not less than ₹ 500 crores and which has obtained prior approval of its shareholders through special resolution for accepting public deposits.

(i) Net worth – Total of paid up capital + Free Reserves + Securities Premium Account after deducting accumulated losses deferred expenses and miscellaneous expenses not written off.

(ii) Turnover – Income from sales for a particular period.

(4) (i) In India, due to the existence of stock exchanges, new industries and commercial enterprises easily acquire capital funds as well as loan funds through the issue of securities thereon. In the stock exchange, the demand for issued (second-hand) securities is created by the members (brokers), leading banks, related financial institutions and their branches. As a result, industries and commercial enterprises easily raise the required capital and loan funds through the issue of securities in the stock exchange in Indian economy.

(ii) In Indian economy, the stock exchanges support and promote industrial development and growth. They stimulate investment in productive sector which helps in the process of economic development of the nation. Usually in India investors, instead of investing their savings and surplus funds in the unproductive field, invest them in the securities of the companies.

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Q. No. 6

As a result, new capital and finance are made available to the companies. Thus, growth of stock exchanges reflects financial progress and growth of economy.

(iii) In the stock exchanges, new opportunities are available for investments. The long-term as well as medium-term capital for their development and modernisation are made available to the new as well as existing companies when they issue securities. Thus, stock exchanges contribute a lot in the process of financial growth of the company in Indian economy.

(iv) According to Alfred Marshall, the stock exchanges are barometer which indicate the general conditions of the business in the economy. The level or height of the index of the stock exchange reflects the financial progress and economic development of the nation. If a nation's economy is strong and financially healthy, then the stock exchanges will reflect such a strong economic position.

(Marking Scheme : 4 marks for each sub-question; Total marks : 8)

प्र. क्र.
Q. No. **7**

Note : In this question, there will be 3 sub-questions of 5 marks each. The students are expected to attempt any 2. However, we have given answers to all 3 letters. In this question, one letter each from chapter 6 (Letter to Members), Chapter 7 (Letter to Debentureholders) and chapter 8 (Letter to Depositors) on different topics will be asked. The students are expected to write letter in specific layout and format as shown here..

(1) Letter to the shareholder regarding issue of Bonus Shares :

SURYA TECH LIMITED

Registered Office : 144, ITI Park,
Ambad MIDC, Nashik – 400 401.
CIN : L4443 MH 2009 PLC714439

Phone : 0265-224453677 Website : www.suryatechlimited.com
Fax : 0265-22447909 E-mail : suryatech@gmail.com
Ref. No. ST/MG-QAD/16/20-21 Date : 7th November, 2020

Ms. Sumitra Patel,
3115, Navrangpura,
Ring Road,
Ahmedabad – 411 038.

Sub. : Issue of Bonus Shares

Dear Madam,

I am instructed by the Board of Directors, to inform you that in accordance with the ordinary resolution passed in the Extraordinary General Meeting of the company held on 5th November, 2020, shareholders have unanimously given their approval on the recommendation of Board of Directors to issue Bonus Shares. Bonus Shares are issued in the ratio of 2:1, i.e. one equity share for every 2 equity shares held by the equity shareholders as on record date 4th November, 2020.

प्र. क्र.
Q. No. 7

The Details of issue of Bonus Shares are given in the following schedule :

1	2	3	4	5
No. of Shares held on record Date	No. of Bonus Shares Issued / Allotted	D.P. ID No.	Client ID No.	Date of Credit to Demat A/c
		Credited to Demat Account No.		
150	75	IN 347601	42296590	7-11-2020

The Company has completed all the formalities in respect to provisions for the issue of Bonus Shares. The Bonus Shares issued will rank pari passu with the existing equity shares.

Thanking you,

Yours faithfully,
For Surya Tech Limited

Sign
(Mr. A. M. Narkar)
Company Secretary

प्र. क्र.
Q. No. 7

(2) Letter of allotment to debentureholder :

RAJESH OIL LIMITED

Registered Office : C/33, Ekvira Tower,

M.M.M Road, Nashik – 422 003.

CIN : L67003MH 2000PLC504734

Phone : 234-56774778 Website : www.rajeshoil.com

Fax : 234-56774353 E-mail : rajeshoil@gmail.com

Ref. No. R/RD/WD/20-21 Date : 10^{th} May, 2020.

Mr. Chetan Parkar,
Flat no. 22, Ashok Complex,
Bapat Marg, Dadar,
Mumbai – 400 025

Sub. : Allotment of Debentures

Dear Sir,

I am pleased to inform you that with regards to your application No. WK - 79574 dated 27th April, 2020, you have been allotted 250, 10% Non-convertible secured debentures of ₹ 100/- each. The maturity period of debentures is for 7 years.

These debentures are allotted to you by the company as per Board Resolution passed at Board Meeting held on 7^{th} May, 2020 and in accordance with and as per terms and conditions of Debenture Trust Deed and Articles of Association of the company.

प्र. क्र.
Q. No. 7

The details of Allotment of Debentures are shown in the following schedule :

1	2	3	4		5
Folio No.	No. of Debentures Applied	No. of Debentures Allotted	Distinctive Numbers		Amount Received (₹)
			From	To	
WK79574	250	250	23351	23600	₹ 25,000

The Debenture Certificate is attached with this letter.

Thanking you,

Yours faithfully,

For Rajesh Oil Limited.

Sign.

(Mr. Nishikant Sahu)

Company Secretary

Encl :- Debenture Certificate

प्र. क्र.
Q. No. 7

(3) Letter to depositor regarding repayment of his Deposit :

SONATA WELLNESS LIMITED
Registered Office : 4, Sonata Compound,
Pimpri Road, Pune – 411 018.
CIN : L6566 MH 2003 PLC435566

Phone : 022-64575788 Website : sonatawellness.com
Fax : 020-645754435 E-mail : sonatawellness@gmail.com
Ref. No. S/D/1533/20-21 Date : 6th December, 2020

Mrs. Rashmi Kamraj
105, Sapna Apartment,
Pune - 411 030

Sub. : Repayment of Fixed Deposit

Dear Sir,

In the financial year 2017-18 on 12th December 2017, you had deposited ₹ 50,000 for a period of 3 years with our company. As per the terms of issue of deposits, the period of the said deposit will expire on 11th December 2020. The Board of Directors in its Board meeting held on 1st December 2020 has passed a resolution for the redemption of the deposit. The duly discharged Deposit Receipt you have sent along with your request letter is in the custody of the company.

प्र. क्र.
Q. No. 7

The details of repayment of deposit are shown in the following schedule :

1	2	3	4	5	6	7	8
Tenure of Deposit	Fixed Deposit Receipt. No.	Deposit Amt. (₹)	Rate of Int. (10%) p.a.	Maturity Amt. (₹)	TDS (10%)	Net Amt.	Due Date of Deposit
3 years	5532	₹ 50,000	₹ 5,000	₹ 65,000	₹ 6,500	₹ 58,500	11th Dec., 2020

The Board of Directors has expressed its sincere thanks for providing substantial amount to our company. The company will be glad to accept deposit for substantial amount from you in future also.

As per the terms of issue, we are sending herewith a crossed cheque of ₹ 58,500, bearing No. 444432 dated 11th December, 2020 drawn on Bank of India, Bale Wadi, Pune – 411 005. Kindly acknowledge the same.

Thanking you,

Yours faithfully,
For Sonata Wellness Ltd.

Sign
(Mr. Avin Bhasin)
Company Secretary

Encl : Cheque No. 444432

(Marking Scheme : Form of letter 1 mark; correctness of language 1 mark and content of letter 3 marks. No marks will be given if only layout is given)

प्र. क्र.
Q. No. **8**

Note : In this question, 2 long answer questions of 8 marks each will be given. The students are expected to attempt any one question. However, we have given answers of both the questions. Usually, in each question, there will be 2 parts. In the first part meaning or definition of any concept may be asked. This part of the question carries 2 marks. In the second part, features, types, importance, advantages, disadvantages, procedure, provisions, etc. may be asked. In this part of the answer, minimum 6 to 7 points with suitable sub-titles and brief explanation are expected. Underline the sub-titles so given. This part of the answer carries 6 marks.

(1) [A] Meaning : An equity share is the one which has no priority claim either for payment of dividend or for repayment of capital at the time of winding-up of the company. Equity shares are also referred to as ordinary shares. Companies Act, 2013 defines equity shares as "those shares which are not preference shares." The equity shareholders often described as residual claimants of all earnings and assets that left after the payment of claims of all other investors and stakeholders. Equity shareholders are the owner of the company and bear ultimate risk associated with the ownership of the company.

[B] Features :

(i) Permanent capital : The amount received by the company from the issue of equity shares is irredeemable in nature, i.e. the amount of equity shares is not refundable during the lifetime of the company. It is refunded only at the time of dissolution of the company or as and when company decides to buy back its shares. Equity shareholders provide long-term and permanent capital to the company.

(ii) Fluctuating dividend : The rate of dividend payable to equity shareholders is not fixed. It depends upon the quantum of profit earned by the company. If company earns handsome profit, it pays dividend at higher rate. If there is inadequate or no profit, dividend may not be paid or paid at very low rate. Thus, income of equity shareholders is uncertain and fluctuating.

प्र. क्र.
Q. No. 8

(iii) Rights : The equity shareholders enjoy the following rights :

(a) Right to vote : It is the basic right of the equity shareholders. Through right to vote, its shareholders elect directors and amend or alter the Memorandum of Association and Articles of Association.

(b) Right to share in profit : Equity shareholders have right to share profits when distributed as dividend. If company earns more profit, equity shareholders entitled to get dividend at higher rate.

(c) Right to inspect books : It is another important right of the equity shareholders. They have right to inspect all statutory books of their company.

(d) Right to transfer shares : The equity shareholders have right to transfer their shares to another person as per the procedure laid down in the Articles of Association.

(iv) No preferential right : Equity shareholders do not have special preferential rights as to payment of dividend. They get dividend only after the dividend is paid on preference shares. In the event of winding up of the company, the capital is refunded to the equity shareholders only after it is refunded to preference shareholders. If nothing is left behind after paying other claims, the equity shareholders may not get anything.

(v) Controlling power : Equity shareholders are the owners and real masters of the company and hence control of the company is vested in them. They can exercise their voting rights by proxies without attending the meeting in person. Through their right of voting, equity shareholders can participate in the management and affairs of the company. They can elect the Board of Directors to look after the management of the company. They have right to vote on all the matters discussed

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in the general meeting. Thus, equity shareholders exercise the control over the company.

(vi) Risk : Equity shareholders have to face maximum risks of the company. They are also called as "shock absorbers" when company faces financial crisis. If the earnings of the company fall, equity shareholders get dividend at very low rate. This in turn declines the market value of equity shares resulting into capital loss. Thus, they bear maximum risk associated with the ownership of the company.

(vii) Residual claimants : A residual claim implies the last claim on the earning of the company. The equity shareholders often described as residual claimants of all earnings that left after payment of taxes, expenses, interest and dividend to preference shareholders, etc. The equity shareholders have benefits of receiving entire earnings whatever is left over.

(viii) No charge on the assets : Unlike secured debentures, equity shares do not create any charge on the assets of the company.

(ix) Bonus issue : Bonus shares are issued free of cost as gift to the existing equity shareholders by the company. The Bonus shares are issued out of retained or accumulated profits in proportion to the shares held by equity shareholders.

Thus, there is an increase in the capital investment of equity shareholders on its own. These benefits are not available to any other types of shareholders or investors.

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(x) Rights issue : Whenever a company makes fresh issue of shares for the purpose of raising additional finds for expansion or modernisation of business, the existing equity shareholders are given 'rights' first to buy those newly offered shares in proportion to their shareholdings. This is called rights issue.

(xi) Face value : The face value of equity shares is usually very low. Generally, it is ₹ 10/- per share or even ₹ 1/- per share.

(xii) Market value : The market value of shares is determined by forces of demand and supply in the share market. The market value of equity shares always fluctuates in the stock exchange. It depends on quantum of profit earned and rate of dividend declared. When company earns huge profit, the market value of shares increases. Conversely, if loss is incurred by the company, the market value of shares declines. Equity shares are traded on stock exchange and are more appealing to the speculators.

(xiii) Capital appreciation : Prosperity and high profit earning capacity of the company increases reputation of the company in the share market which in turn appreciates the market value of the shares. Share capital appreciation takes place along with appreciation in market value of shares.

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Q. No. 8

(2) When a company gives shares to an applicant based on the application submitted, it is called as Allotment of Shares. The company issues prospectus and application form which applicant has to fill and submit it with application money. The Board of Directors approves such applications in the board meeting by passing a resolution. This is called as allotment of shares. The Board of Directors is the proper authority to allot the shares. It must be according to the provisions of Articles of Association of the company. Allotment not to be in contravention of any other allotment of shares should be made in reasonable time specified in the prospectus.

Following are the statutory provisions for allotment of shares :

(i) Registration of prospectus : If a company raises capital by issuing shares, it has to file prospectus with the Registrar of Companies. If it raises capital privately, then Statement in Lieu of Prospectus is required to be filed with the Registrar of Companies. [Section 60(1)]

(ii) Application money : Application money should not be less than 5% of face value of shares. The capital issued should be made fully paid within 12 months from the date of issue. [Section 69(3)].

(iii) Depositing the application money : Application money should be deposited in a separate bank account known as 'Share Application Money Account' opened in a Scheduled Bank by the company. [Section 69(4)].

(iv) Minimum subscription : A company is allowed to make allotment of shares only after receiving minimum subscription amount specified in the prospectus. The company must receive this amount only through application within 60 days of closure of issue of prospectus, otherwise, the entire money received on application must be refunded to the applicants within the next 8 days. [Section 69(1)].

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(v) Beginning of allotment works : The company can start the work of allotment of shares after 5 days of filing the prospectus or such later date as may be specified in the prospectus (Section 72). In case the company files statement in Lieu of Prospectus, it can start the work of allotment after 3 days of filing such statement. (Section 70).

(vi) Closing of the subscription list : The list for public issue must be open for at least 3 working days and for a maximum period of 10 working days. However, in case of infrastructure company and right issue, such list must open for 21 days and 60 days respectively.

(vii) Oversubscription : In case of oversubscription, a company is required to refund excess application money to the concerned applicants, failing to which every officer of the company responsible for same is punishable.

(viii) Permission to deal on stock exchange : The companies intending to raise the capital by public issue are required to list their shares on at least one recognized stock exchange compulsorily. The secretary has to make an application for the listing of the shares within 10 days from the date of issue of the prospectus. (Section 73).

[Marking Scheme : Part (A) of the answer carries 2 marks and Part (B) carries 6 marks; Total marks : 8]