Model AnswerSet- I

Std. – 12th Subject-Secretarial Practice

0.1 (A) Write the term, word or phrase.

1. **Secured Debentures**
2. **Share Certificate**
3. **Dematerialization**
4. **Interim Dividend**
5. **Share Market**

(B) Answer in one sentence.

1. GDR can be issued in countries other than USA.
2. Share is a small unit of share capital of a company.
3. Private Company, Public Company, and Eligible Public Companies can accept deposit from public.
4. Depositors are the creditors of the company.
5. Stock exchange is a specific place where various types of securities are purchased and sold.

(C) Select the correct option from the options and rewrite the statement

1. b. Current assets.
2. a. Book building
3. c. Secured deposit
4. a. 5
5. a. short

(D) State weather statement True or False.

1. True
2. True
3. False
4. True
5. True

Q.2. Explain the following terms / concepts (Any 4)

A. Borrowed Capital – It is the capital which is borrowed from the creditors. It is also known as debt capital. The debt capital holders get interest as income on their investment. Interest is paid at fixed rate.

B. Overdraft - A company having current account with bank is allowed overdraft facility. The borrower can withdraw funds as and when needed. He is allowed to overdraw on his current account, up to the credit limit which is sanctioned by bank. Within this stipulated limit any number of drawings are permitted. Repayments can be made whenever required during the time period. The interest is determined on the basis of actual amount withdrawn.

C. Rights Issue – When company wants to raise further capital, it can issue shares to it's existing Equity shareholders in proportion to their existing shareholding. Such an issue of shares is called as 'Rights Issue' of shares.

D. Interim Dividend – Dividend declared by the Board of Directors between two annual general meetings is called Interim Dividend.

E. Primary Market – In Primary market, companies sell their Shares, Debentures, etc., for the first time to raise fresh capital. It exclusively deals with the issue of new securities, i.e., securities that are issued to investors for the very first time. Hence, this market is also known as New Issue Market.

F. Bond – Bond is debt security. It is a formal contract to repay borrowed money with interest. Bond is a loan. The holder of a bond is a lender to the institution. He is a creditor of the company. He gets fixed rate of interest. All bonds have maturity date and is paid in cash at certain date in future.

Q. 3 Study the following case / situation and express your opinion. (Any 2)

1.a. Fixed Asset

b. Fixed Capital

c. Size of a business determines the fixed capital requirement.

2. a. Yes, the company can accept deposits in joint names of depositors. But that should not be more than 3 names.

b. Yes, the company can accept fresh deposits only if the amount of such deposits together with the previous deposits does not exceed 10% of the aggregate of paid-up share capital and free reserves.

c. Yes, company can a secured deposit only if it is clear which should be clearly mentioned in the circular or advertisement inviting deposits.

3.

a. Under the depositary system, the account of the investor is automatically credited in case of corporate action. So, Mr. Sachin will get his dividend through the depositary in his bank account which is linked with the depositary.

b. Since Mr. Sachin holds the shares in demat form, the bonus shares also will be received in demat form and will be directly credited to this Demat A/c.

c. Mr. Sachin is the beneficial owner and hence he is entitled to the dividend and bonus.

Q.4 A.

Points	**Transfer of Shares**	**Transmission of Shares**

1. Meaning	Transfer of shares means voluntarily or deliberately giving away one's shares to another person by entering into a contract with the buyer.	It means transfer of ownership of a member's shares to his legal representative due to operation of law. It takes place on death, insolvency or insanity of the members
2.When done	It is done when the member wants to sell his shares or give his shares as gift.	It is done when the member dies or becomes insolvent or insane
3. Nature of Action	It is a voluntary action taken by the member.	It is an involuntary action. It is due to operation of law
4.Parties involved	In transfer of shares there are two parties involved- the member who is called as transferor and the buyer who is called as transferee.	There is only one party e.g., the nominee of the member in case of death of the member or the legal representative.
5. Instrument of transfer	Transfer requires Instrument of transfer. It is a contract between the transferor and transferee.	No Instrument of transfer is needed
6. Initiated by	Transferor initiates the transfer process.	Legal representative or official receiver initiates the process of transmission
7. Consideration	Transfer of shares is done often by the member to receive some consideration (money) i.e. the buyer has to pay for the shares. (Except given as gift.)	No consideration is involved here. The legal heir or official receiver need not pay for the shares.
8. Liability	The liability of the transferor ends after the shares are transferred.	Original liability of the member continues in case of transmission of shares
9. Stamp Duty	Stamp duty as per the market value of shares has to be paid.	No stamp duty is to be paid

B.

Points	Dematerialization	Rematerialization
1. Meaning	Process of converting Physical certificates of securities into electronic form.	It is the process of conversion of electronic form of securities into physical form.
2. Conversion	Here, the paper form of securities is converted in to digitally/ electronically held securities.	Here, the electronic records are converted into physical/paper form securities.
3. Use of Form	It uses 'DRF': Viz. 'Dematerialization Request Form' from Investor to the DP.	It uses 'RRF' : viz Rematerialization Request Form' from Investor to the DP
4. Sequence	This is an initial process. It is a primary and Principal function of the depository	This is a reverse process. It is a secondary and supporting function of depository. Already demated securities are remated.
5. Identification of Securities	Demated securities have no distinctive numbers. They are fungible.	Remated securities will have certificate and distinctive numbers as issued by company.
6. Securities Maintenance Authority	Depository is the custodian of securities and records.	The issuing company is the record keeping authority. Securities are maintained by the investor.
7. Difficulty of Process	Demat is an easy process. Also its not a time consuming process.	Remat is not only a time consuming but also a complex process.

C. Primary Market and Secondary Market

Points	Primary Market	Secondary Market
1) Meaning	The issue of new shares by the company is done in the primary market.	The securities issued earlier are traded in the secondary market.

2) Mode of Investment	Direct investment in the securities. Securities are acquired directly from the company.	Indirect investment as the securities are acquired from other stakeholders.
3) Parties in action.	The parties dealing in this market are company and investors.	The parties dealing in this market are only investors.
4) Intermediary	The underwriters are the intermediaries.	The security brokers are the intermediaries
5) Value of security	The price of security in the primary market is fixed as it is decided by the company.	The price of security is fluctuating, depending on the demand and supply conditions in the market.

D. Final Dividend and Interim Dividend.

Points	Interim Dividend	Final Dividend
1. Meaning	It is declared and paid between two AGMs of an accounting year.	It is declared and paid after the close of the financial year.
2. Who Declares	It is decided and declared by the Board of Directors in the Board Meeting.	It is decided and recommended by the Board of Directors. It is declared by the shareholders in the AGM
3. Authorization	It can be declared only if Articles of Association permits its declaration.	It's declaration does not need authorization by Articles of Association
4.When declared	It is declared between two Annual General Meetings of the company.	It is declared at the Annual General Meeting of the company.
5.Rate of Dividend.	Rate of Interim dividend is lower than final dividend.	Rate of final dividend is always higher than Interim Dividend.
6. Source	It is declared out of profits of the current accounting year.	It is declared from different sources like; current year's profits, free reserves, capital profits, Money provided by Govt. for

		dividend, etc
7.Accounting Aspect	It is declared before preparation of the final accounts of the company.	It is declared only after the accounts of the year are prepared and finalized.

Q.5 Answer in Brief. (Any Two)

1. **1. No voting rights**: A company cannot issue debentures with voting rights. Debenture holders are creditors of the company and so they do not have any voting rights except in matters affecting them.

2. Types of Debentures: A company can issue secured or unsecured debentures and fully or partly convertible debentures or non-convertible debentures. To issue convertible debentures, a Special Resolution must be passed in the General Meeting. All debentures are redeemable in nature.

3. Payment of interest and redemption: A company shall redeem the debentures and pay interest as per the terms and conditions of their issue.

4. Debenture Certificate: Company must issue Debenture certificate to the debenture holders within 6 months of allotment of Debentures.

2. 1) Interest is the price paid for the productive services rendered by capital.
2) It is directly related to risk. Higher the risk, higher is the interest.
3) Rate of Interest is expressed as annual percentage of Principal.
4) Rate of interest is determined by various factors like money supply, fiscal policy, volume of borrowings, rate of inflation etc.
5) Interest is a charge against the profit of the company. Even if company makes no profit, interest should be paid.
6) It is payable at a fixed and generally pre-determined rate. Company has to pay interest if it has borrowed money from creditors like Debentures holders, Depositors, Bond holders, etc.

3. 1) **Elimination of Risk:** All risks associated with physical certificates like delays, lost, theft, mutilation, bad deliveries, etc. are eliminated.
2) **Safety:** It is the most safe and secure way of holding securities. The entire system functions under the Depository Act and is monitored by SEBI. e.g., The Investor can

keep his account in a 'Freeze / Lock' mode to avoid / prevent unexpected debit or credit or both by giving instructions to the DP.

3) **Easy Transfer of shares**:

(a) Efforts in filling transfer forms and lodging the documents is eliminated.

(b) Also, the stamp duty levied on transfer of physical shares is not applicable.

(c) Processing time in transfer of securities is reduced and neither the securities nor the cash is tied / held up for unnecessarily long time.

4) Updates and Intimation: The investor is provided with the status of the holdings and transactions by DP and occasionally by the Depository too.

Q.6 1. I agree that Fixed capital stays in the business almost permanently.

1. Fixed capital is the capital which is used for buying fixed assets which are used for a longer period of time in the business.

2.These assets are not meant for resale. In simple words fixed capital refers to capital invested for acquiring fixed assets.

3. It stays in the business for long period almost permanently. Examples of fixed capital are - capital used for purchasing land and building, furniture, plant and machinery etc.

2. I agree that, ESOS is offered by a company to its permanent employees, Directors, and officers.

1.Under this scheme, 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.

2.Company offered these shares at a future date at a pre-determined price.

3. ESOS encourages employees as they feel proud to be owners of the company for which they are working and company also benefits as it can retain good employees.

3. Yes, all companies cannot accept deposit from public. Following shows which companies can collect deposits from members and from public.

• Private Company: A private company can accept deposit from its members or Directors or relatives of Directors.

• Public Company (Other than eligible company): These companies can accept deposits from its members or directors. • 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 Rs. 100 crores or,

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

4. 1. Capital formation is one of the important functions of Stock Exchange.

2. Investors in securities are attracted due to good returns on investments and capital appreciation. This attracts more investors to invest through the stock exchange.

3. Corporates too can easily raise funds by offering various types of securities to meet the needs of different types of investors.

4. Thus, Stock exchange serves as a tool for capital formation. Higher capital formation leads to more and more infrastructural development which is the most important part for growth of any economy.

Q.7 Attempt the following. (Any Two)

YASH INDUSTRIES LIMITED

Registered Office : 102, New MIDC, Usha Tower, Shahu Chowk,
Mumbai - 400 031.
CIN : L40407 MH 2005 PLC710007

Phone : 022-23252323
Fax : 022-23600445
Ref. No. Y/MR-B/5/19-20

Website : www.yashindustrieslimited.com
E-mail : yash30@gmail.com
Date : 16th October, 2019

Ms. Yukta Shroff
715, Narayan Peth,
Laxmi Road,
Pune - 411 038.

Sub. : Issue of Bonus Shares

Dear Madam,

I am directed by the Board of Directors to inform you that in accordance with the resolution passed in the Extra-ordinary General Meeting of the company held on 14th October, 2019 Shareholders have unanimously approved the recommendation of Board of Directors to issue Bonus Shares. Bonus Shares are issued in the ratio of 1:1, i.e. one additional equity share for every equity share held as on record date 13th October, 2019.

The Details of issue of Bonus Shares are as follows :

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.		
25	25	IN 300100	10116061	31-10-2019

The Company has complied with the 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 Yash Industries Limited

Sign
(Mr. S. R. Naik)
Company Secretary

1.

DISHA INDUSTRIES LIMITED

Registered Office : 45/A, Maharaja complex, Panchvati Karanja Road,
Nashik - 422 003.
CIN : L56002 MH 2000 PLC403633

Phone : 422-09645262
Fax : 422-69876500
Ref. No. D/DH/18/19-20

Website : www.dishalimited.com
E-mail : disha5@gmail.com
Date : 20th May, 2019.

Mr. Vijay Mittal
230, Dwarka Karanja Road,
Nashik - 422 036.

Sub. : Allotment of Debentures

Dear Sir,

In response to your application No. DI8013 dated 30th April, 2019, I am directed by the Board of Directors to inform you that, you have been allotted 100, **10% Non-convertible secured** debentures of ₹100/- each. The tenure of debentures is for **5 years**.

These debentures are allotted to you as per Board Resolution passed at Board Meeting held on 16th May, 2019 and as per terms and conditions of Articles of Association of the company and Debenture Trust Deed.

The Details of Allotment of Debentures are as follows :

1	2	3	4		5
Folio No.	No. of Debentures Applied	No. of Debentures Allotted	Distinctive Numbers		Amount Received (₹)
			From	To	
D - 90	100	100	301	400	₹ 10,000

The Debenture Certificate is enclosed herewith.

Thanking you,

Yours faithfully,
For Disha Industries Limited.

Sign.
Mr. Avinash Natu
Company Secretary

Encl :- Debenture Certificate

2.

DHARA OIL LTD.

: Registered Office :

64, Dhara Bhavan, Pimpri Road, Pune - 411 018.
CIN : L55331 MH 1996 PLC302177

Phone : 022-65254023
Fax : 020-49396423
Ref. No. D/DEP/16/19-20

Website : dharaoillimited.com
E-mail : dhara16@gmail.com
Date : 13th November, 2019

Mr. Ravindra Khanna
C-15, Swami Apartment,
Narayan Peth, Pune - 411 030

Sub. : Repayment of Fixed Deposit

Dear Sir,

This is to inform you that your Fixed Deposit Receipt No. 5925 dated 1st December, 2017 for ₹ 1,00,000/- will be due for repayment on 30th November, 2019.

We have received from you the original Deposit Receipt No. 5925 duly discharged along with your instruction for repayment. The Board of Directors in the meeting held on 12th Novemeber, 2019 has passed a resolution for redemption of the deposits.

The details of repayment of deposit are as under :

1	2	3	4	5	6	7	8
Tenure of Deposit	Fixed Deposit Receipt. no.	Deposit Amt. (₹)	Rate of Int. (10%)	Maturity Amt. (₹)	TDS (10%)	Net Amt.	Due Date of Deposit
2 years	5925	₹ 1,00,000	₹ 20,000	₹ 1,20,000	₹ 2,000	₹ 1,18,000	30th Nov, 2019

Please find enclosed herewith a crossed cheque of ₹ 1,18000, bearing No. 426025 dated 30th November, 2019 drawn on Bank of Maharashtra, Shivaji Nagar, Pune - 411 005.

Thanking you,

Yours faithfully,
For Dhara Oil Ltd.

Sign
Mr. Ashok Bhattad
Company Secretary

Encl : Crossed Cheque No. 426025

3.

Q.8 Answer the following questions (Any One)

1. Equity shares are also known as ordinary shares. Companies Act defines equity shares as 'those shares which are not preference shares. The above definition reveals that:

a) The equity shares do not enjoy preference for dividend.

b) The equity shares do not have priority for repayment of capital at the time of winding up of the company.

1. Permanent Capital: Equity shares are irredeemable shares. The amount received from equity shares is not refundable by the company during its life time. Equity shares become refundable only in the event of winding up of the company or company decides to buy back shares. Thus, equity share capital is long term and permanent capital of the company.

2. Fluctuating Dividend: Equity shares do not have a fixed rate of dividend. The rate of dividend depends upon amount of profit earned by company. If company earns more profit, dividend is paid at higher rate. On the other hand, if there is insufficient profit or loss, Board of Directors may postpone the payment of dividend. Equity shareholders cannot compel them to declare and pay dividend. The income of equity shares is uncertain and irregular. The equity shares get dividend at fluctuating rate.

3. Rights: Equity Shareholders enjoy certain rights:

a) Right to vote: It is the basic right of equity shareholders through which they elect directors, alter Memorandum and Articles of Association, etc.

b) Right to share in profit: It is an important right of equity shareholders. They have right to share in profit, when distributed as dividend. If the company is successful and makes handsome profit, they have advantage of getting large dividend.

c) Right to inspect books: Equity shareholders have right to inspect statutory books of their company.

d) Right to transfer shares: The equity shareholders enjoy the right to transfer shares as per the procedure laid down in the Articles of Association.

4. No preferential right: Equity shareholders do not enjoy preferential right in respect of payment of dividend. They are paid dividend only after dividend on preference shares has been paid. Similarly, at the time of winding up of the company, the equity shareholders are paid last. Further, if no surplus amount is available, equity shareholders will not get anything.

5. Controlling power: The control of company is vested with the equity shareholders. They are often described as 'real masters' of the company. It is because they enjoy exclusive voting rights. The Act provides the right to cast vote in proportion to shareholding. They can exercise their voting right by proxies, without even attending meeting in person. By exercising voting right, they can participate in the management and affairs of the company. They elect their representatives called Directors for management of the company. They are allowed to vote on all matters discussed at the general meeting. Thus, equity shareholders enjoy control over the company.

6. Risk: Equity shareholders bear maximum risk in the company. They are described as 'shock absorbers' when company has financial crisis. If the income of company falls, the rate of dividend also comes down. Due to this, market value of equity shares comes down resulting into capital loss. Thus, equity shareholders are main risk takers.

7. Residual claimant: Equity shareholders as owners are residual claimants to all earnings after expenses, taxes, etc. are paid. A residual claim means the last claim on the earnings of company. Although equity shareholders come last, they have advantage of receiving entire earnings that is left over.

8. No charge on assets: The equity shares do not create any charge over assets of the company.

9. Bonus Issue: Bonus shares are issued as gift to equity shareholders. These shares are issued free of cost to existing equity shareholders. These are issued out of accumulated profits. Bonus shares are issued in proportion to the shares held. Thus, capital investment of (ordinary) equity shareholder tends to grow on its own. This benefit is available only to the equity shareholder.

10. Right Issue: When a company needs more funds for expansion purpose and raises further capital by issue of shares, the existing equity shareholders may be given priority to get newly offered shares. This is called 'Right Issue'. The shares are offered to equity shareholder first, in proportion to their existing shareholding.

11. Face Value: The face value of equity shares is low. It can be generally ` 10 per share or even ` 1 per share.

12. Market Value: Market value of equity shares fluctuates according to the demand and supply of these shares. The demand and supply of equity shares depend on profits earned and dividend declared. When a company earns huge profit, market value of its share's increases. On the other hand, when it incurs loss, the market value of it's shares decreases. There are frequent fluctuations in the market value of equity shares in comparison to other securities. Therefore, equity shares are more appealing to the speculator.

13. Capital Appreciation: Share Capital appreciation takes place when market value of shares increases in the share market. Profitability and prosperity of the company enhances reputation of company in the share market and it facilitates appreciation of market value of equity shares.

2. When a company gives shares to an applicant based on the application submitted, it is called as Allotment of Shares. Allotment of shares means allocating (giving) certain number of shares by Board of Directors out of the previously unallocated capital of the company to persons who have applied for the shares.

Statutory Provisions: These are provisions laid down by the Companies Act, 2013.

(1) Registration of Prospectus: A copy of the prospectus must be filed with the Registrar of Companies for registration on or before the date of its publication. This prospectus must be signed by every proposed Director (in case of newly formed company) or director or his duly authorized advocate.

(2) Application Money: The Companies Act states that along with the application form, the applicant has to pay a minimum of 5% of the nominal amount of the shares or such other amount as specified by SEBI. SEBI has specified (for public companies) the application money to be minimum 25% of the nominal amount of shares. The application money is to be paid in the Bank specified by the company.

(3) Minimum Subscription: Minimum subscription is the minimum amount of shares that must be taken or bought by the subscribers. This amount is mentioned in the prospectus. It must be collected within thirty (30) days from issue of prospectus. SEBI has stated minimum subscription should be 90% of the issue.

(a) Usually when a company does not collect minimum subscription, it means its issue has been under subscribed i.e., the number of shares applied for is less than the shares offered by the company.

(b) If minimum subscription is not collected within the specified time, the entire amount received as application money should be returned to the subscribers within fifteen days of closure of issue. To avoid such a situation, company may enter into an underwriting agreement with the underwriters.

(4) Closing of subscription list: As per SEBI, the subscription list must be kept open for at least three working days and not more than ten working days. Applicants can apply for shares only when the subscription list is open.

(5) Basis of allotment: Allotment of shares will be on the basis which will be decided for each category of subscribers. Allotment will be as per the minimum application size as fixed by the company.

(6) Over subscription: Over subscription means when application received for shares are more than the number of shares offered by the company. SEBI does not allow any allotment in excess of securities offered through offer document or prospectus. However, it may permit to allot not more than 10% of the net offer.

(7) Permission to deal on Stock Exchange: Every company, before making a public offer shall apply to one or more recognized Stock Exchanges to seek permission for listing its shares with them. The prospectus shall mention the name of the Stock Exchange and the fact that an application for permission to list in that stock exchange has been made by the company.

(8) Appointment of Managers to the issue and various other agencies: Company has to appoint one or more Merchant Bankers to act as managers to the public issue. It also has to appoint Registrar to the issue, Collecting Bankers, Underwriters to the issue and Brokers to the issue, self-certified syndicate banks, advertising agents etc.