

CHAPTER IV

SHARE CAPITAL & DEBENTURES

(SEC 43 TO 72)

RIGHTS ISSUE U/S 62

1) Whenever Any Company Comes Out With Further Issue Of Shares It Must Be Offered To

A. Existing Equity Shareholders And Proportion To PUSC As Nearly As Circumstances Admit Subject To The Following Three Conditions:-

RIGHTS ISSUE U/S 62

- i. OFFER PERIOD WILL BE OF MINIMUM 15 DAYS AND MAXIMUM 30 DAYS.**
- ii. EXEMPTION HAS BEEN GIVEN IN CASE OF PRIVATE COMPANY AND IFSC PUBLIC COMPANY THAT OFFER PERIOD CAN BE LESS THAN 15 DAYS IF AGREED BY AT LEAST 90% MEMBERS**
- iii. UNLESS THE ARTICLES OTHERWISE PROVIDED RENOUNCIATION IS ALLOWED PARTLY ALSO FULLY ALSO**
- iv. REMAINING UNSUBSCRIBE SHARES WILL BE DISPOSED BY BODY TO THE BEST OF INTEREST OF COMPANY**

RIGHTS ISSUE U/S 62

B. To Employees Under Scheme Of ESOP

- By passing SR In GM .
- For Private Company And IFSC Public Company Instead Of SR its OR IN GM

C. To Any Other Person By Passing SR IN GM & Valuation Of Share To Be Done By Registered Valuer

RIGHTS ISSUE U/S 62

2) Offer Letter Shall Be Dispatched By Speed Post/ Courier/ Registered Post /Email Atleast Three Days Before The Offer Period Starts

3) Company Can Convert Its Convertible Debentures Or Loan Into Equity Shares On The Date Of Conversion Provided That Before The Issue of such convertible debenture /loan SR IN GM was passed.

RIGHTS ISSUE U/S 62

4) Government On The Grounds Of Public Interest Can Direct The Company To Convertible Non-convertible Debentures All Loans Which Were Issued By Company To Government Into Equity Shares

Provided That If Company Feels Aggrieved By Government's Order Then Within 60 Days Of Receipt Of Such Order It Can Apply To NCLT And NCLT After Hearing Both The Parties Shall Pass Such Order As It Deems Fit

RIGHTS ISSUE U/S 62

5) Government While Passing Order Under Subsection (4) Will Give Due Regard To The Financial Position Of The Company

6) The Authorised Share Capital Of Company Is Deemed To Be Increased By The Amount Of Share Capital Issued To Government Under Subsection (4)

BONUS ISSUE U/S 63

IT MEANS EQUITY SHARES ISSUED FREE OF COST TO EQUITY SHAREHOLDERS OF COMPANY.

SOURCES

FREE
RESERVES

SECURITY
PREMIUM

CAPITAL
REDEMPTION
RESERVE

NO BONUS SHARES CAN BE ISSUED FROM A RESERVE CREATED OUT OF REVALUATION OF ASSETS.

BONUS ISSUE U/S 63

FORMALITIES

Articles Must Authorise Otherwise Alter The Articles
By Passing SR In GM

Bonus Shares Can Be Recommended By BOD BY
PASSING BR AT BM

Bonus Share Will Be Approved By Shareholders By
Passing OR IN GM

Company Should Not Have Defaulted In Payment Of
Fixed Deposit Or Debt Securities

BONUS ISSUE U/S 63

FORMALITIES

Company Should Not Have Default In Payment Of Statutory Dues Of EES Like Bonus ,PF ,Gratuity

Bonus Share Can Be Given Only On Fully Paid Up Shares

Bonus Share Cannot Be Given In Lieu Of Dividend

Company Must Satisfy Such Other Conditions As May Be Prescribed

Companies (Share Capital And Debentures) Rules Prescribed That Bonus Share Once Recommended Cannot Be Withdrawn

BONUS ISSUE U/S 63

EXAMPLE

ESC (5 LACS EQUITY SHARES OF 10 EACH)	50 LACS	<p>BEFORE BONUS</p> <p>BV/SHARE =</p> <p>500 LACS/ 5 LACS EQUITY SHARE</p> <p>= 100/SHARE</p>
R & S	450 LACS	
NET WORTH	500 LACS	
BONUS = 1:1		
R & S A/C ----- Dr 50 LACS TO ESC 50 LACS (5 LACS SHARE * 10)		

BONUS ISSUE U/S 63

EXAMPLE

BALANCE SHEET AFTER BONUS SHARES

ESC	$50 \text{ LACS} + 50 \text{ LACS} = 100 \text{ LACS}$	<p>AFTER BONUS</p> <p>BV/SHARE =</p> <p>500 LACS/ 10 LAC EQUITY SHARE</p> <p>= 50/SHARE</p>
R & S	$450 \text{ LACS} - 50 \text{ LACS} = 400 \text{ LACS}$	
500 LACS		

BUYBACK U/S 68

BUYBACK MEANS COMPANY BUYING ITS OWN SECURITIES

REASONS OF BUYBACK

A. TO USE IDLE CASH TO IMPROVE EPS

E.G- 1 LAC EQUITY SHARES @ RS 100 EACH

(HOWEVER 20000 SHARES PROCEEDS . IE., 20 LACS
ARE LYING IDLE)

100 LACS

COMPANY EARNED PAFESH RS.200 LACS

BUYBACK U/S 68

EPS	BEFORE BUYBACK	AFTER BUYBACK
PAFESH NO.OF EQUITY SHARES	<u>200 LACS</u> 1 LAC SHARE = 200/SHARE	<u>200 LACS</u> 80,000 SHARES = 250/SHARE

B. TO CONCENTRATE THE DILUTED CONTROL

C. TO GIVE CONFIDENCE TO SHAREHOLDERS AT THE TIME OF FALLING PRICES

D. TO INCREASE PROMOTERS SHAREHOLDING TO REDUCE THE CHANCES OF TAKEOVER

BUYBACK U/S 68

EXAMPLE

	BEFORE BUYBACK	AFTER BUYBACK
PROMOTER	40,000 SHARES	40,000 SHARE
PUBLIC (FREE FLOAT)	60000 SHARES	35,000
	1,00,000 SHARES	75000 SHARES
SAY CO. TO SAVE ITSELF FROM T/O BUYS 25000 SHARES FROM PUBLIC		

	BEFORE BUYBACK	AFTER BUYBACK
PROMOTER'S SHAREHOLDING	$40,000 / 1,00,000 * 100$ = 40%	$40,000 / 75,000 * 100$ = 53.33%

MODES OF BUYBACK

4 MODES

MODES

OPEN MARKET

OPEN OFFER

ODD LOT
SHAREHOLDERS

EMPLOYEE'S
STOCK OPTION
PLAN

LISTED COMPANY-
ALL 4 MODES

UNLISTED COMPANY-
2,3,4 MODES

PRE BUYBACK FORMALITIES U/S 68 READ WITH THE COMPANIES (SHARE CAPITAL & DEBENTURES) RULES:-

1. ARTICLES WAS AUTHORISED BY BACK OTHERWISE FIRST AND ARTICLES BY PASSING SR IN GM

2. PASS SR IN GM FOR BUYBACK PROVIDED THAT IF BUY BACK IS ONLY UP TO 10% (PUSC + FR) THEN PASS BR AT BM.

PRE BUYBACK FORMALITIES U/S 68 READ WITH THE COMPANIES (SHARE CAPITAL & DEBENTURES) RULES:-

3. MAX BUYBACK AMOUNT EXCEED 25% (PUSC + FR)

EXPLANATION-

FOR BUYBACK OF EQUITY SHARE THE ABOVE PUSC WILL BE PUES

AS PER SEBI GUIDELINES LISTED COMPANY IN CASE OF BUY BACK FROM OPEN MARKET MAXIMUM AMOUNT SHALL BE 15% (PUSC + FR)

PRE BUYBACK FORMALITIES U/S 68 READ WITH THE COMPANIES (SHARE CAPITAL & DEBENTURES) RULES:-

4. THE RATIO OF SECURED AND UNSECURED LOAN -
PUSC + FR CANNOT EXCEED 2:1

HOWEVER FOR GOVERNMENT COMPANIES WHICH ARE
ENGAGED IN NBFC HOUSING FINANCE ACTIVITIES THE
ABOVE RATIO WILL BE 6:1 INSTEAD OF 2:1

PRE BUYBACK FORMALITIES U/S 68 READ WITH THE COMPANIES (SHARE CAPITAL & DEBENTURES) RULES:-

5. BUYBACK CAN BE DONE ONLY ON FULLY PAID UP SHARES

DECLARE SOLVENCY TO ROC BY SUBMITTING FORM SH 9 SIGNED BY ATLEAST 2 DIRECTORS OUT OF WHOM ONE SHALL BE MANAGING DIRECTOR IF ANY

PRACTICAL ILLUSTRATION

ESC (1 LAC SHARES * 10)	10 LACS
FREE RESERVE	10 LACS
DEBTS	38 LACS
COMPUTE MAXIMUM SHARES TO BE BROUGHT BACK @ 50/SHARE	

MAX BUYBACK AMOUNT =	25 % OF (PUESC + FR)
	= 25% OF (10 LACS + 10 LACS)
	= 25 % OF 20 LACS
	= RS 5 LACS
	DIVIDE 50/SHARE
	= 10,000 SHARES

PRACTICAL ILLUSTRATION

$$\frac{SL + UL}{PUSC + FR} = \frac{2}{1}$$

OR,

$$\frac{38 \text{ LAC}}{PUSC + FR} = \frac{2}{1}$$

***PUSC + FR AFTER BUYBACK CANNOT BE LESS THAN
RS.19 LACS**

CURRENTLY PUSC + FR = RS 20 LACS

AFTER BUYBACK PUSC + FR = 19 LACS

BUYBACK -

RS 1 LACS

DIVIDE 50/SHARE

20000/SHARE

THUS BUYBACK CAN BE LOWER OF 10,000 SHARE OR
2000 SHARE. I.E, 2000 SHARES

POST BUYBACK FORMALITIES U/S 68

**1. Maintainer Register Of Buyback Inform SH 10
(It Will Contain Details Like Number Of Shares Of Buyback ,Date Of Buyback, Price, Mode , Name Of Shareholders Who Share Bought Back)**

2. Submit Return Of Buyback To Roc In Form Sh-11 Annexed With Sh-15 Which Certifies The Correctness Of Sh-11 And Signed By At Least Two Directors One Of Whom Shall Be Managing Director If Any

POST BUYBACK FORMALITIES U/S 68

3. Cancel The Shares Brought Back Within 7 Days Of Buyback

**4. Observe Cooling Period Of Six Months.
i.e, Company Cannot Make Fresh Issue Of Shares Except
Bonus Issue, Sweat Equity ,Shares Of Conversion Of
Convertible Debenture Or Preference Share**

POST BUYBACK FORMALITIES U/S 68

5. No Buyback Is Allowed For Next One Year From The Closure Of A Period Of Last Buyback

6. Complete All The Buyback Formalities Within One Year From The Date Of Passing Of Resolution Authorising The Buyback

SOURCES OF BUYBACK



TRANSFER TO CAPITAL REDEMPTION RESERVE U/S 69

WHEN BUYBACK IS MADE OUT OF FREE RESERVES, S/P THEN AN AMOUNT EQUAL TO NOMINAL VALUE OF SHARES BROUGHT BACK SHALL BE TRANSFERRED TO CAPITAL REDEMPTION RESERVE.

EXAMPLE – IF 2000 SHARE BUYBACK @ 50/SHARE (FACE VALUE 10/SHARE)
THEN TRANSFER TO CRR SHALL BE
 $2000 \text{ SHARES} * 10 = \text{RS } 20,000$

THE ONLY PURPOSE FOR WHICH CRR IS USED TO ISSUE BONUS SHARES

SEC 70 PROHIBITION OF BUYBACK

1. No Buyback Is Allowed To Any Subsidiary Company Including His Own Subsidiaries

2. No Buyback Is Allowed Through Any Investment Company Or Group Of Investment Companies

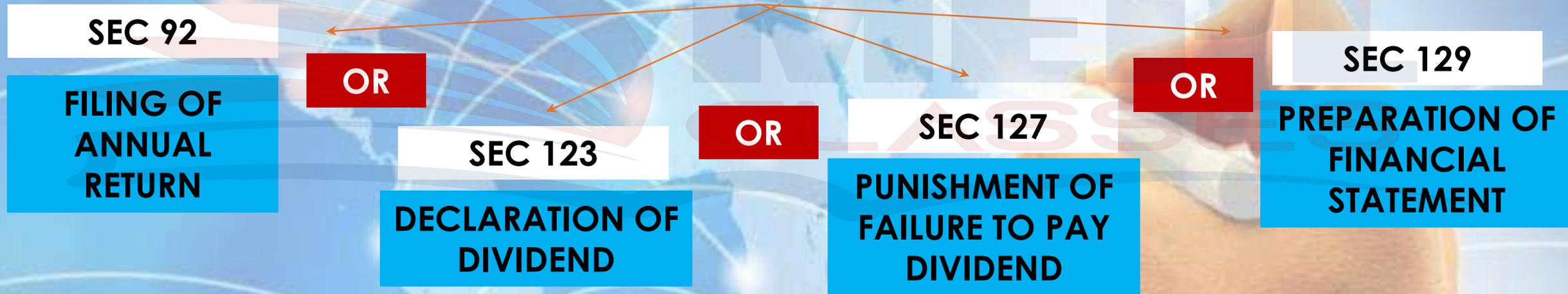
SEC 70 PROHIBITION OF BUYBACK

3. If Company Has Defaulted In Repayment Of Deposits Or Interest Thereon Or Failed To Redeem Debentures Of Preference Shares Or Their Interest Or Dividend Or Failed To Repay Loan Or Interest Of Bank Of Financial Institution ,

Then Buy Back Is Not Allowed Till 3 Years From The Date When Such Default Has Been Remedied

SEC 70 PROHIBITION OF BUYBACK

4. NO BUYBACK IS ALLOWED IF COMPANY HAS DEFAULTED THE PROVISIONS OF:-



PUNISHMENT FOR CONTRAVENTION OF BUYBACK PROVISIONS:-



COMPANIES (SHARE CAPITAL & DEBENTURES) RULES RELATED TO BUYBACK DONE THROUGH OPEN OFFER:-

Submit An Offer Letter To Roc In Form Sh 8

Within 20 Days Of Offer Letter Being Submitted To Roc, Dispatch To All The Shareholders Giving Them An Offer Period Of Minimum 15 Days And Maximum 30 Days

Offer Period Can Be Less Than 15 Days Also If Agreed By All The Members

Now Within The Offer Period Interested Shareholders Will Surrender The Shares For Buyback

COMPANIES (SHARE CAPITAL & DEBENTURES) RULES RELATED TO BUYBACK DONE THROUGH OPEN OFFER:-

**OFFER
PERIOD
CLOSES**

**IMMEDIATELY DEPOSIT
ENTIRE BUYBACK AMOUNT
IN A SEPARATE SCHEDULE
BANK A/C CALLED EXCROW
A/C**

**WITHIN 15 DAYS COMPLETE THE
VERIFICATION OF SHARE
CERTIFICATES**

**ONCE VERIFICATION IS
COMPLETED, MAKE THE PAYMENT
WITHIN 7 DAYS**

**WITHIN 21 DAYS RETURN
BACK THE SHARE
CERTIFICATE OF THOSE
SHAREHOLDERS WHOSE
BUYBACK HAS BEEN
REJECTED**

KINDS OF SHARE CAPITAL

EQUITY SHARE CAPITAL

PREFERENCE SHARE CAPITAL

ORDINARY SHARES

SHARES CARRYING DIFFERENTIAL RIGHTS AS TO DIVIDEND , VOTING.

i.e, DVR

IT GETS PRIOTITY OVER EQUITY SHAREHOLDERS

• PAYMENT OF DIVIDEND

AND

• REPAYMENT OF CAPITAL AT THE TIME OF WINDING UP

EXAMPLE OF KINDS OF SHARE CAPITAL

TATA MOTOR LTD

ORDINARY
SHARES

1 SHARE = 1 VOTE

DVR

1 SHARE = 1/10TH VOTE

RULE 4 OF THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES 2014-

A COMPANY CAN ISSUE DVR SHARES BY COMPLYING ALL 7 CONDITIONS

**1. ARTICLES MUST AUTHORISE OTHERWISE AMONG THEM
BY PASSING SR IN GM**

2. PASS OR IN GM TO ISSUE DVR

**3. VOTING RIGHTS ON DVR CANNOT EXCEED 74% OF
TOTAL VOTING POWER ON ALL SHARES INCLUDING DVR
SHARES**

A COMPANY CAN ISSUE DVR SHARES BY COMPLYING ALL 7 CONDITIONS

4. Company Has Not Defaulted In Filing Financial Statement And Annual Returns In Immediately Preceding Three Financial Year

5. Company Has Not Been Penalized By Any Court Or Tribunal In Immediately Preceding Three Financial Year For Violation Of Securities Exchange Board Of India Act 1992, Securities Contract Regulation Act 1956, Reserve Bank Of India Act 1934 , Foreign Exchange Management Act 1999.

A COMPANY CAN ISSUE DVR SHARES BY COMPLYING ALL 7 CONDITIONS

6. No Subsisting Default In Payment Of Declared Dividend Or Repayment Of Matured Deposit Or Debentures Or Interest Thereon Or Preference Shares

7. Company Should Not Have Default In Payment Of Preference Dividend Or Repayment Of Loan To Public Financial Institutions Or State Level Financial Institutions Or Scheduled Bank Or Statutory Dues Of Employees Are Transferred To Investor Education And Protection Fund

Provided That In Case Of Above Default DVR Can Only Be Issued After 5 Years Once Such Default Has Been Remedied.

DEFFERED SHARES / FOUNDER SHARES-

These are such type of DVR equity share in which dividend & repayment of capital at the time of winding up is made at very last after ordered equity shares has been paid.

Generally these types of shares are taken by promotion of company & so it's called founder shares.

PHANTOM STOCK

It's A Type Of Share Issued Payment Made To EES/Kmps As Per Which Market Price Of Fixed No Of Shares After Certain No. Of Years Will Be Paid By Company.

No Shares Are Issued Here & So It's Called Phantom Stock.

SEC 44 SHARES & DEBENTURES

Shares & debentures held by the members of company are movable property & transferrable in the manner provided in articles of company.

SEC 45 NUMBERING OF SHARES

Every share in company having share capital will have a distinctive number/ folio number.

Provided that nothing in this section shall apply if shares are held in demat with depository.

SEC 46 SHARE CERTIFICATE

1) Is A Title Deed Containing Name Of The Shareholder Number Of Shares Held & F. V Of Shares.

(2) Common Seal If Any Will Be Affixed On It.

(3) Share Certificate Will Be Signed By Atleast 1 CS &1 Director But If No CS , Then By Atleast 2 Directors.

SEC 46 SHARE CERTIFICATE

(4) In Case Of OPC, It Shall Be Signed Only By Either 1 CS Or 1 Director.

(5) Share certificate is issued in form No SH 1.

SEC 46 SHARE CERTIFICATE

(6) If original share certificate is destroyed/mutilated / lost then SH can apply for duplicate share certificate by submitting necessary documents along with an indemnity bond if company asks for it & once company receives all these documents, it will issue duplicate share certificate within 3 months (incase of unlisted company) & within 45 days(listed company)

(7) Company shall maintain register of duplicate share certificate issued in Form SH 2 .

SECTION 47 VOTING RIGHTS

EQUITY SHAREHOLDERS

ON ALL MATTERS

MAX VOTING POWER TO ANY PARTICULAR MEMBER OF NIDHI CO. CANNOT EXCEED

5% * TOTAL VOTING POWER

PREFERENCE SHAREHOLDERS

ONLY ON MATTERS WHICH DIRECTLY AFFECTS THEM (WINDING UP, CAPITAL REDUCTION)

PROVIDED THAT IF PSH ARE NOT PAID DIVIDEND FOR 2 YEARS, THEN THEY SHALL GET VOTING RIGHTS ON ALL MATTERS JUST LIKE ESH

SEC 48 VARIATION OF SHAREHOLDER'S RIGHT

(1) When A Co's Share Capital is Divided Into Different Classes Of Shares & Co. Wants To Vary The Rights Attached To Particular Class Of Shares Then It Can Be Done With The

Written Consent Of Shareholders Holding Atleast $3/4^{\text{th}}$ Of Issued Shares Of That Class

By Passing SR In Class Meeting

Also, such variation should be allowed in MOA/AOA of Co. or should not be prohibited by the terms of issue of that class of shares.

SEC 48 VARIATION OF SHAREHOLDER'S RIGHT

Provided that if variation of rights of one class of shares affects the rights of another class of shares, then it's also a variation of that another class of shares & consent u/s 48 shall be required from them also.

(2). The Share Holders Who Are Against Such Variation & Did Not Give Their Consent Or Voted In Favor May Apply To NCLT If They Hold At least 10% × Issued Shares Of That Class, To Get The Variation Cancelled.

Such Variation Shall Not Take Effect Unless Confirmed By NCLT.

Provided That Such Application Must Be Made To NCLT Within 21 Days Of Obtaining Of Written Consent/ SR Passed.

SEC 48 VARIATION OF SHAREHOLDER'S RIGHT

(3). NCLT's Order Shall Be Binding On All Shareholders

(4). Co. Shall Submit NCLT's Order Copy To ROC Within 30 Days Of NCLT's Order.

SEC 49 CALLS TO BE MADE UNIFORMLY

WHENEVER ANY CO. MAKES ANY CALL ON PARTLY
PAID UP SHARES, IT SHALL BE MADE UNIFORMLY
ON ALL SHARES OF THAT CLASS

SEC 50 CALLS IN ARREAR

- 1) IF AUTHORISED BY ARTICLES , CO. MAY RECEIVE FROM ANY SHAREHOLDER BY AMOUNT THAT HAS NOT YET BEEN CALLED BY COMPANY.
- 1) NO VOTING RIGHT SHALL BE GIVEN ON CALLS IN ADVANCE

SEC 51 DIVIDEND

**DIVIDEND MAY BE IF SO AUTHORISED BY ARTICLES BE
GIVEN ON PUSC OF CO.**

**CALLED UP SHARE CAPITAL – CALLS IN ARREAR
(CALLS IN ADVANCE)**

SEC 52 SECURITIES PREMIUM

(1) WHEN THE SHARES OR ANY OTHER SECURITIES ARE ISSUED ABOVE FACE VALUE, THEN THE EXTRA PROCEEDS ABOVE THE FACE VALUE REFERS TO SECURITIES PREMIUM.

SEC 52 SECURITIES PREMIUM

To Issue Bonus
Shares

Used In Buyback
U/S 68

To Write Off
Preliminary
Expenses

To Write Off Securities Issue
Expenses Including
Underwriting Commission,
Discount In Issue Of Shares
& Debentures

To Write Off
POROPS, POROD

SEC 52 SECURITIES PREMIUM

(3) Notwithstanding Anything Mentioned In (1) & (2) Co. Can Comply Accounting Standard As Prescribed U/S 133 Shall Issue S/P Only For 3 Purposes-

3 PURPOSES

To Issue Bonus Shares

For Buyback U/S 68

To Write Off Securities Issue Expenses Including Underwriting Commission, Discount On Issue Of Share

SEC 53 ISSUE OF SHARES AT DISCOUNT

No Co. Shall Issue Shares At Discount Except Sweat Equity Shares U/S 54

Any Share Issued At Discount Shall Be Void

Notwithstanding Anything Contained In (1) And (2), Co. May Issue Share At Discount To Creditors To Convert Debt Into Equity Under A Statutory Resolution Plan Or Debt Restructuring Scheme Of Rbi Act 1934, Or Banking Regulations Act 1949

SEC 53 PENALTY FOR CONTRAVENTION

CO. & OFFICER IN
DEFAULT

AND

CO. SHALL ALSO BE LIABLE TO
REFUND SUCH AMOUNT RAISED
ALONG WITH INTEREST @ 12% P.A
FROM DATE OF ISSUE TILL DATE OF
REFUND

AMOUNT RAISED BY ISSUE
OF SHARES AT DISCOUNT

OR

5 LACS,
WHICHEVER IS LOWER

EXAMPLE OF ISSUE OF SHARE AT DISCOUNT TO CREDITORS

EQUITY SHARE CAPITAL	LACS
1 LAKH FACE VALUE 100	100
ACCUMULATED LOSS	(40)
NET WORTH	60 LACS
	1 LAC SHARES
BOOK VALUE/ SHARE	60/SHARE
	WHICH IS LESS THAN FV OF RS. 100/SHARE

Thus, No Creditor Would Be Willing To Accept Equity Shares @ 100 / Share When Book Value Is Only 60/Share/

Thus, Co. Can Issue Shares In Such Cases At Below Face Value . I.E, AT DISCOUNT UNDER DEBT RESTRUCTURING SCHEME

SEC 54 SWEAT EQUITY SHARES

AS PER SEC 2(88) SWEAT EQUITY SHARES MEANS SUCH EQUITY SHARES WHICH ARE ISSUED TO EMPLOYEES OR DIRECTORS AT DISCOUNT OR FOR CONSIDERATION OTHER THAN CASH OR FOR PROVIDING TECHNICAL KNOW HOW OR VALUE ADDITIONS OR MAKING AVAILABLE THE RIGHTS IN THE NATURE OF INTELLECTUAL PROPERTY RIGHTS

SEC 54 CONDITIONS FOR ISSUE OF SWEAT EQUITY SHARES

1. PASS SPECIAL RESOLUTION IN GENERAL MEETING

2. RESOLUTION MUST SPECIFY

CLASSES OF DIRECTORS AND EMPLOYEES TO WHOM SWEAT EQUITY SHARES WILL BE ISSUED

NO. OF SHARES TO BE ISSUED

MARKET PRICE/SHARE

CONSIDERATION IF ANY

SEC 54 CONDITIONS FOR ISSUE OF SWEAT EQUITY SHARES

3. COMPANY

LISTED

FOLLOW SEBI GUIDELINES TO ISSUE SWEAT EQUITY SHARES

UNLISTED

FOLLOW COMPANIES RULES TO ISSUE SWEAT EQUITY SHARE.

4. THE RIGHTS LIMITATION, RESTRICTIONS AND PROVISIONS ON SWEAT EQUITY SHARE SHALL BE SAME AS OTHER EQUITY SHARE OF CO. AND RANK PARI PASSU (AT PAR SAME STATES) WITH THEM.

Companies (Share Capital & Debentures) Rules 2014 Rule 8 Related To Sweat Equity Share:-

(1) Employees Will Mean Permanent Employees Whether Working In Or Outside India.

(2) Directors Will Mean Both Whole Time & Part Time.

(3) Sweat Equity Share Can Be Issued To Eess/Directors Of Company Or It's Holding Or Subsidiary In Or Outside India.

(4) Validity Of SR Shall Be 12 Months.

Companies (Share Capital & Debentures) Rules 2014 Rule 8 Related To Sweat Equity Share:-

(5) Lock In Period Of Sweat Equity Share Shall Be 3 Years Which Means Ees/ Directors Cannot Transfer It.

(6) Register Of Sweat Equity Share In Form SH 3.

(7) Fair Value/ Equity Share Shall Be Determined By Registered Valuer.

Companies (Share Capital & Debentures) Rules 2014 Rule 8 Related To Sweat Equity Share:-

(8) Maximum sweat equity share that can be issued in a year:-15% × PUESC or issue value ₹ 5 crore whichever is higher.

**(9) Overall sweat equity shares cannot exceed 25% PUESC.
Provided that in case of start up company it can be 50% PUESC upto 10 years incorporation.**

SEC- 55 ISSUE & REDEMPTION OF PREFERENCE SHARES

(1) No Co Can Issue Irredeemable Preference Shares

(2) Redeemable Preference Shares Can Be Issued If Articles Authorize.

(3) SR In GM Is Required For Issuing Redeemable Preference Shares

(4) Preference Shares Tenure Cannot Exceed 20 Years.

SEC- 55 ISSUE & REDEMPTION OF PREFERENCE SHARES

(5) For Infrastructure Related Projects It Can Be 30 Yrs With An Option Given To Preference Shareholders To Redeem 10% Annually Starting From 21 St Year.

(6) Only Fully Paid Preference Shares Can Be Redeemed.

(7) CRR Shall Be Created Out Of Free Reserves By An Amount Equal To Nominal Value Of Preference shares Redeemed.

(8) The Only Purpose Of CRR Shall Be To Issue Fully Paid Up Bonus Share Can Be Redeemed.

SEC- 55 ISSUE & REDEMPTION OF PREFERENCE SHARES

9) If Co. Is Unable To Redeem Preference Shares On Due Date

Then New Preference Shares Can Be Issued For Amount O/S Including Dividend In Respect Of Unredeemed Preference Shares Them

Consent Required From Preference Shareholders Holding Atleast $\frac{3}{4}$ Th Of Paid Up Shares

NCLT'S APPROVAL ALSO REQUIRED

Those Preference Shares Who Did Not Give Consent Shall Have To Redeemed Forthwith (Immediately By Paying Cash)

PROVISIONS RELATED TO TRANSFER/TRANSMISSION OF SHARES (SEC- 56-59)

TRANSFER	TRANSMISSION
MEANS SALE OF SHARES	MEANS INHERITANCE OF SALE
IT'S A VOLUNTARY ACT	IT TAKES PLACE BY OPERATION OF LAW
INVOLVES CONSIDERATION	NO CONSIDERATION
INVOLVES STAMP DUTY	NO STAMP DUTY
VALID TRANSFER DEED IS REQUIRED	NO SUCH DEED REQUIRED

SEC- 56

CASES	TIME LIMIT OF ISSUE OF SHARE CERTIFICATE / DEBENTURE CERTIFICATE
SUBSCRIBERS TO THE MEMORANDUM	2 MONTHS OF INCORPORATION
FURTHER ISSUE OF SHARES	2 MONTHS OF ALLOTMENT OF SHARES
TRANSFER/ TRANSMISSION OF SHARES	1 MONTH OF RECEIPT OF SHARE TRANSFER FORM SH-4
ISSUE OF DEBENTURES	6 MONTHS FROM ALLOTMENT OF DEBENTURES

**NOTE- FOR IFSC PRIVATE CO. & IFSC PUBLIC CO.
ALL THE ABOVE TIME LIMITS SHALL BE 60 DAYS**

FOR TRANSFER/ TRANSMISSION OF SHARES WHAT FORM HAS TO BE SUBMITTED.

FORM SH-4 SIGNED BY TRANSFEROR & TRANSFEREE BOTH HAS TO BE SUBMITTED WITHIN 60 DAYS OF SIGNING TO CO. AT ITS REGISTERED OFFICE ALONG WITH OLD SHARE CERTIFICATE

WHAT IF SHARE TRANSFER SH-4 SIGNED BUT LOST BY TRANSFERRE?

CO. MAY ISSUE NEW SHARE CERTIFICATE TO TRANSFERRE BY MAKING HIM SIGN AN INDEMNITY BOND.

SEC 57 PUNISHMENT FOR IMPERSONATION OF SHARE CERTIFICATE ETC-

IF ANY PERSON WRONGFULLY OBTAIN OR ATTEMPT TO OBTAIN OTHER SHAREHOLDER'S CERTIFICATE OR DIVIDEND COUPONS OR RECEIVES WRONGFULLY MONEY ON THEIR BEHALF THEN PUNISHMENT SHALL BE -

IMPRISONMENT

**MIN 1 YEAR
MAX 3 YEARS**

AND

FINE

**MIN 1 LAKH
MAX 5 LAKH**

SEC 58 REFUSAL OF REGISTRATION OF TRANSFER / TRANSMISSION & APPEAL

SH 4 SHARE TRANSFER FORM SUBMITTED TO COMPANY WITHIN 60 DAYS OF SIGNING-

COMPANY

ALLOW THE TRANSFER

CO. SHALL ISSUE NEW SHARE CERTIFICATE TO TRANSFERRE WITHIN 1 MONTH OF RECEIPT OF SH-4

REFUSES TO TRANSFER

CO. WILL SEND REFUSAL NOTICE TO BOTH TRANSFEROR & TRANSFERRE WITHIN 30 DAYS OF RECEIPT OF SH-4

PRIVATE CO. PUBLIC CO.

CO. SENT REFUSAL NOTICE

TRANSFEREE CAN APPEAL TO NCLT WITHIN 30 DAYS OF RECEIPT OF NOTICE

NOT SENT

TRANSFERRE CAN APPEAL TO NCLT WITHIN 60 DAYS OF DELIVERY OF SH-4

CO. SENT REFUSAL NOTICE

TRANSFEREE CAN APPEAL TO NCLT WITHIN 60 DAYS OF RECEIPT OF REFUSAL NOTICE

NOT SENT

TRANSFEREE CAN APPEAL TO NCLT WITHIN 90 DAYS OF RECEIPT OF REFUSAL NOTICE

NOW NCLT AFTER HEARING CO. & TRANSFEREE SHALL-

- 1) EITHER DISMISS THE APPEAL, OR**
- 2) ORDER THE CO. TO REGISTER SUCH TRANSFER.**

**CO. SHALL REGISTER THE TRANSFER WITHIN 10 DAYS OF ORDER OF NCLT
FAILING WHICH**

FINE – MIN 1 LAKH, MAX 5 LAKH

AND

IMPRISONMENT - MIN 1 YEAR, MAX- 3 YEARS

Sec 59 Ratification Of Register Of Members

If Member's Name Has Been Removed From Registration Of Members Or Delay In Entering A Persons Name In Registration Of Members Without Any Sufficient Cause Then Such Member Or Person Can Apply To NCLT Who After Hearing The Parties:-

- (1) Either Dismiss The Application ,Or***
- (2) (2) Order Company To Rectify It's Register Of Members.***

Company Shall Comply Nclt's Order Within 10 Days Of Order Failing Which

Fine Minimum 1 Lakh Maximum 5 Lakh

And

Imprisonment Minimum 1 Year And Maximum 3 Years

SEC 61 ALTERATION OF SHARE CAPITAL

SEC 61

**INCREASE THE
AUTHORISED
SHARE CAPITAL**

**CONSOLIDATION OF
SHARES**

E.G- 10 SHARE OF RS. 10
EACH .
CONSOLIDATED INTO 1
SHARE RS.100 EACH.

SUB DIVISION OF SHARES

E.G- 1 SHARE OF RS.100
INTO 10 SHARES OF RS.10
EACH

IN PRACTICAL LIVES- ICICI
BANK LTD, SBI, INFOSYS,
TCS HAVE ALL DONE
SUBDIVISION OF SHARES

**CONVERTING
SHARES INTO
STOCK**

DIMINUTION OF SHARE CAPITAL

CANCELLING THE
UNSUBSCRIBED SHARES.

E.G- CO. ISSUED 10,000 SHARES
PUBLIC SUBSCRIBED (9600)
UNSUBSCRIBED 400 SHARES

CO. IF CANCELS 400 SHARES,
ITS CALLED DIMINUTION
/ALTERATION OF SHARE CAPITAL

SEC 61 ALTERATION OF SHARE CAPITAL

SHARE	STOCK
IT IS THE SMALLEST UNIT OF CAPITAL	ITS GROUP OF FULLY PAID SHARES
CAN BE PARTLY/ FULLY PAID UP	ALWAYS FULLY PAID UP
HAVE DISTINCTIVE NO. / FOLIO NO.	NO SUCH THING
CANNOT BE IN FRACTION/ DECIMAL	CAN BE IN FRACTION/DECIMAL

SEC 61 ALTERATION OF SHARE CAPITAL

FORMALITIES / CONDITIONS FOR ALTERATION OF SHARE CAPITAL

1. ARTICLES MUST AUTHORISE OTHERWISE AMEND THEM BY PASSING SR IN GM
(SEC 61)

2. PASS OR IN GM FOR ALTERATION SHARE CAPITAL (SEC 61)

3. SUBMIT FORM SH-7 TO ROC WITHIN 30 DAYS OF ALTERATION OF SHARE CAPITAL
(SEC 64)

SEC 66 REDUCTION OF SHARE CAPITAL

FORMALITIES / CONDITIONS

1. PASS SR IN GM FOR REDUCTION OF SHARE CAPITAL

2. NCLT'S APPROVAL REQUIRED

3. FORM NO. RSC 1 TO RSC 7 REQUIRED

4. THE WORDS "AND REDUCED" HAVE TO BE ADDED AFTER THE NAME OF CO. FOR 5 YEARS FROM DATE OF REDUCTION OF SHARE CAPITAL

SEC 66 REDUCTION OF SHARE CAPITAL

CASE 1 -

CANCELLING PART OF SHARE CAPITAL NOT YET PAID UP

EQUITY SHARE CAPITAL

1 LAKH FACE VALUE 100/SHARE

PV 60/SHARE

CO. WANTS TO CANCEL UNPAID RS.40/SHARE THEREBY MAKING FV ALSO RS/60/SHARE

I.E, ESC

1 LAC SHARE FV 60/SHARE

PV 60/SHARE

SEC 66 REDUCTION OF SHARE CAPITAL

CASE 2 -

CANCELLING PORTION OF PUSC THAT HAS LOST ITS VALUE DUE TO FALL IN MARKET VALUE OF ITS ASSETS (FV/SHARE REMAINING SAME)

EQUITY SHARE CAPITAL - 100 LACS	ASSET – 100 LACS
1 LAKH FACE VALUE 100/SHARE	(MV 60 LACS)
PV 100/SHARE	(40)
CO. WANTS TO CANCEL PV BY 40/SHARE BECAUSE ASSET HAS LOST ITS VALUE BY SUCH AMOUNT	
ESC – 1 LAC FV 100/SHARE PV 60/SHARE	
IN THIS CASE CO. MAY AGAIN CALL 40/SHARE FROM SHAREHOLDERS	

SEC 66 REDUCTION OF SHARE CAPITAL

CASE 3 -

CANCELLING PAID UP & FACE VALUE BOTH BECAUSE OF LOSS DUE TO FALL IN MARKET VALUE OF ASSETS

EQUITY SHARE CAPITAL - 100 LACS	ASSET – 100 LACS
1 LAKH FACE VALUE 100/SHARE	(MV 60 LACS)
PV 100/SHARE	(40)
NOW CO. WANTS TO CANCEL BOTH FV & PV BY 40/SHARE	
ESC –	
1 LAC FV 60/SHARE	
PV 60/SHARE	
CO. IN FUTURE CANNOT MAKE ANY CALL FROM SHAREHOLDERS	

SEC 66 REDUCTION OF SHARE CAPITAL

CASE 4 -

CO. CANCELS PART OF PUSC BY REFUNDING AMOUNT TO SHAREHOLDERS (FV REMAINING SAME)

EQUITY SHARE CAPITAL
1 LAKH FACE VALUE 100/SHARE
PV 100/SHARE
CO. REFUNDS 40/SHARE TO SHAREHOLDERS THEREBY MAKING PV 60/SHARE
I.E, ESC
1 LAC SHARE FV 100/SHARE
PV 60/SHARE
IN FUTURE CO. CAN CALL 40/SHARE

SEC 66 REDUCTION OF SHARE CAPITAL

CASE 5 -

CO. CANCELS PART OF PUSC & FV/SHARE BOTH BY REFUNDING AMOUNT TO SHAREHOLDERS

EQUITY SHARE CAPITAL

1 LAKH FACE VALUE 100/SHARE

PV 100/SHARE

CO. REFUNDS 40/SHARE TO SHAREHOLDERS & REDUCES ITS FV/SHARE & PV/SHARE BOTH TO 60/SHARE

I.E, ESC

1 LAC SHARE FV 60/SHARE

PV 60/SHARE

IN FUTURE CO. CANNOT MAKE ANY CALL FROM SHAREHOLDERS.

PROCEDURE FOR REDUCTION OF SHARE CAPITAL AS PER COMPANIES (NCLT) RULES-

1. Co Shall Apply To NCLT For Reduction Of Share Capital By Submitting Form RSC 1 Attached With:-

(A) Auditors Certificate That Accounts Have Been Prepared By Company By Complying Accounting Standards U/S 133

(B) List Of Creditors (Not More Than 15 Days Old) Along With Accounts And Maintaining Weather Creditors Paid Or Not/ Secured Or Not/Consent Obtained Or Not

PROCEDURE FOR REDUCTION OF SHARE CAPITAL AS PER COMPANIES (NCLT) RULES-

2. Within 15 Days If Reserving RSC/NCLT Shall Direct The Co To Issue Notices To CG(RO), ROC, SEBI (In Case Of Listed Co) & Creditors

3. Co Within 7 Days Of Receiving Such Direction Shall

PUBLISH ADVERTISEMENT
IN 2 NEWSPAPER IN FORM
RSC 4

ISSUE NOTICE TO CG, ROC, SEBI
(IN CASE OF LISTED CO) IN
FORM RSC 2

ISSUE NOTICE TO CRS IN
FORM RSC 3

PROCEDURE FOR REDUCTION OF SHARE CAPITAL AS PER COMPANIES (NCLT) RULES-

4. Company Within 7 Days Of Publishing Advertisement Into 2 newspapers, Inform NCLT By Way Of Affidavit In Form RSC 5.

5. CG(RD), ROC, SEBI, Creditors Within 3 Months Of Receipt Of Notice Can File Their Objection Against Reduction To NCLT Failing Which NCLT Will Deem That They Have No Objection

PROCEDURE FOR REDUCTION OF SHARE CAPITAL AS PER COMPANIES (NCLT) RULES-

6. NCLT Shall Pass Order Of Reduction In Form RSC 6.

7. Company Shall Submit NCLT Order To RSC Within 30 Days Of Order

8. ROC Shall Issue Certificate Of Reduction In RAC 7

**9. If Officer Of Company Knowingly Contravens, Then Fraud U/S 447
Attracted**

SEC 71 DEBENTURES

1) A CO. MAY ISSUE CONVERTIBLE DEBENTURES WHICH ARE EITHER FULLY OR PARTLY CONVERTIBLE.

PROVIDED THAT BEFORE ISSUE OF SUCH CONVERTIBLE DEBENTURES, CO. SHALL PASS SR IN GM

2. NO CO. SHALL ISSUE DEBENTURES CARRYING VOTING RIGHTS

SEC 71 DEBENTURES

3. CO. MAY ISSUE SECURED DEBENTURES HAVING TENURE
MAXIMUM 10 YEARS BUT IN CASE OF

INFRASTRUCTURE
PROJECTS, OR

INFRASTRUCTURE DEBT
FUND NBFC, OR

INFRASTRUCTURE FINANCE
COMPANIES, OR

AFTER APPROVAL OF
MCA OR GOVERNMENT

MAXIMUM TENURE CAN BE 30 YEARS

SEC 71 DEBENTURES

4. Creation Of Debenture Redemption Reserve

DRR Is Created For The Purpose Of Redemption Of Debenture In The Manner Specified By The Companies (Share Capital & Debenture) Rules, 2014 Only Be Companies Prescribed In These Rules

DRR Is Created Out Of Profits Available For Distribution Of Dividend. I.E, P/L & Free Reserves.

P/L / FR A/C-----dr
To DRR A/C

THE AMOUNT CREDITED IN DRR CANNOT BE USED FOR ANY OTHER PURPOSE EXCEPT FOR REDEMPTION OF DEBENTURE

COMPANIES (SHARE CAPITAL & DEBENTURES) RULES 2014 RELATION TO CREATION OF DRR & DRI

TYPES OF COMPANY	DRR	DRI
ALL INDIA FINANCIAL INSTITUTIONS REGISTERED WITH RBI (E.GO NABARD.EXIM, SIDBI)	NIL	NIL
BANKING COM.	NIL	NIL
PFI U/S 2 (72) (E.G- LIC, LDFC, UTI)	NIL	NIL
LISTED NBFC & HOUSING FINANCE CO. (i) PUBLIC ISSUE (ii) PRIVATE PLACEMENT	NIL NIL	15% 15%
OTHER LISTED CO. (i) PUBLIC ISSUE (ii) PRIVATE PLACEMENT	NIL NIL	15% 15%
UNLISTED NBFC & HOUSING FINANCE CO.	NIL	NIL
OTHER UNLISTED CO.	10% * DEBENTURE AMOUNT	15%

THE ABOVE DRI OF 15% SHALL BE MADE BY CO. ON OR BEFORE 30TH APRIL ON THE AMOUNT OF DEBENTURES MATURING TILL 31ST MARCH OF THE FOLLOWING YEAR

COMPANIES (SHARE CAPITAL & DEBENTURES) RULES 2014 RELATION TO CREATION OF DRR & DRI

**EXAMPLE- IN FY 21-22 TOTAL RS. 10 CRORE DEBENTURES
ARE MATURING,
SO CO. SHOULD MAKE DEBENTURE REDEMPTION RESERVE
INVESTMENT (DRI) OF 15% OF 10 CRORE = RS. 1.5 CRORES
ON OR BEFORE 30.4.21**

**DRI
SHOULD
BE**

**DEPOSITED IN A
SEPARATE
SCHEDULE BANK
A.C**

**INVESTED IN
GOVERNMENT
SECURITIES**

**THE AMOUNT OF DRI SHOULD NOT FALL BELOW 15% UNTIL
DEBENTURES ARE REDEEMED.**

SEC 71 DEBENTURES

5. A Co Cannot Issue Prospectus Or Make An Invitation To Offer To Public To Subscribe Debenture For Its Members Exceeding 500 Unless It Up Points And Debenture Trustee (S)

6. Debenture Trustee Shall Protect The Interest Of Debenture Holders & Redress Their Grievances

7. Debenture Trustee Shall Be Liable To Conduct Its Duty Will Skill And Care. Any Exemption From Liability Of Debenture Trustee Can Be Given Only By Majority Of Debenture Holders Holding At Least 3/4 In Value Of Debentures

SEC 71 DEBENTURES

8. A Co Shall Pay Interest & Redeem Debentures On Due Date

9. Debenture Trustee May Apply To NCLT If He Finds That Company's Assets Value Have Become Insufficient Or Are Likely To Become Insufficient To Redeem The Debentures Where After They Become Due & NCLT After Hearing Co & Other Interested Parties May Restrain Co. For Incurring Further Liability.

10. If On The Due Date Co. Fails To Redeem The Debentures Or Interest Then On Application Filed By All Or Any Debenture Holders Or Debenture Trustee, NCLT May Order Co To Redeem Debentures Forthwith.

SEC 71 DEBENTURES

11. If NCLT's Order Is Contravened Fine 2 Lac To 5 Lac Or 3 Years Imprisonment Or Both) - Deleted

12. Co Will Specifically Perform Contract Entered With Debenture Holders.

13. CG May Prescribe Rules Related To Debentures.

SEC 72 POWER TO NOMINATE

Every security holder shall have power to appoint a nominee, in Form SH 13

SEC 67 RESTRICTIONS ON GIVING LOANS FOR PURCHASING SHARES OF COMPANY

NO CO. SHALL GIVE LOANS & ADVANCES OR PROVIDE GUARANTEE OR SECURITY RELATED TO LOAN TO ANY PERSON FOR PURCHASING SHARES OF THE COMPANY.

REASON- TO PREVENT MAINPULATION IN SHARE PRICE

SEC 67 SHALL NOT APPLY IN FOLLOWING CASES-

(i) PRIVATE CO. SATISFYING ALL 3 CONDITIONS

NO BODY CORPORATE IS THE SHAREHOLDER

LOAN O/S FROM BANK OR FIANNICAL INSTITUTION OR BODY CORPORATE SHOULD BE LESS THAN 2* PUSC OR 50 CRORE , WHICHEVER IS LOWER

NO DEFAULT IN SUCH LOANS.

SEC 67 SHALL NOT APPLY IN FOLLOWING CASES-

***(ii) IFSC PUBLIC CO. SATISFYING ALL 3
CONDITIONS- (SAME AS ABOVE)***

***(iii) LENDING OF MONEY BY BANKING CO. IN THE
ORDINARY COURSE OF BUSINESS***

***(iv) LOAN GIVEN TO EMPLOYEES AN AMOUNT EQUIVALENT
TO 6 MONTHS SALARY OF THAT EMPLOYEE. HERE,
EMPLOYEES WILL NOT INCLUDE DIRECTOR & KMP.***

SEC 67 SHALL NOT APPLY IN FOLLOWING CASES-

(V) BY PASSING SR IN GM, LOAN GIVEN TO TRUST CREATED FOR EE'S WELFARE.

(vi) NIDHI CO..

FINE FOR CONTRAVENTION

COMPANY

**MIN 1 LAC
MAX 25 LAC**

OFFICER IN DEFAULT

**MIN 1 LAC
MAX 25 LAC**

AND

**IMPRISONMENT
UPTO 3 YEARS**

SEC 60

WHENEVER CO. MENTIONS ITS AUTHORISED SHARE CAPITAL IN ANY OFFICIAL PUBLICATION / DOCUMENT/ LETTER HEAD/ BILL PAD ETC. IT SHALL ALSO MENTION ITS SUBSCRIBED & PUSC

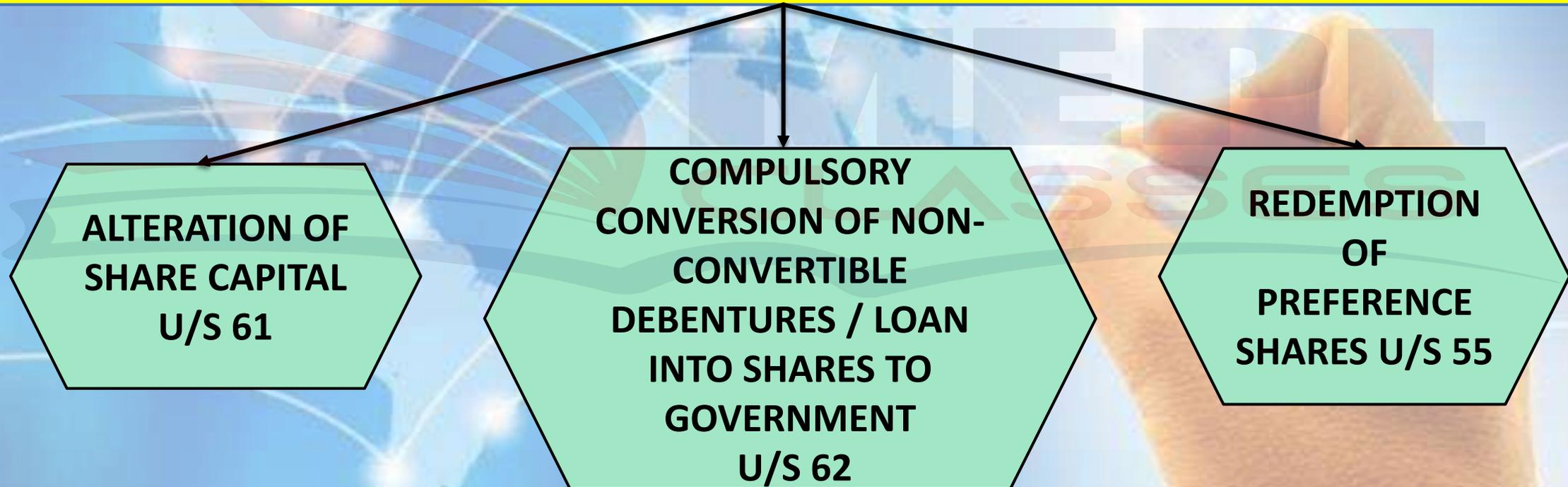
PENALTY FOR CONTRAVENTION

COMPANY
10,000

OFFICER IN DEFAULT
5000

SEC 64

**FORM NO. SH-7 IS REQUIRED TO BE SUBMITTED TO ROC
WITHIN 30 DAYS**



SEC 64

PENALTY FOR CONTRAVENTION

COMPANY

***500/DAY SUBJECT TO
MAX 5 LAC***

OFFICER IN DEFAULT

***500/DAY SUBJECT TO
MAX 1 LAC***

SEC 65

Unlimited company to provide for Reserve capital on it's conversion into a limited company.

If an unlimited company gets converted into a limited company that then it shall increase the nominal value/share and such amount can be called only at the time of winding up i.e such amount is the Reserve Capital

DISQUALIFICATIONS OF DEBENTURE TRUSTEE

1. Shareholder Who Is Beneficiary.

2. Creditor

3. Guarantor

**4. Any Person Who Is Indebted To Co, Holding,
Subsidiary, Associate, Fellow Subsidiary**

DISQUALIFICATIONS OF DEBENTURE TRUSTEE

5. Any Person Who Is Promotor/Director/Kmp/Officer/Ees Of Co, Holding, Subsidiary, Associate

6. Relatives Of Promotor/Director/Kmp Of Co

7. Any Person Having Pecuniary (business) Relationship Amounting To-

(2% of T/O Or 50 Lac) Whichever Is Lower

QUESTIONS

***STATE WHETHER THE FOLLWING
STATEMENT IS CORRECT OR INCORRECT:-***

***DEFFRED SHARES ALSO CALLED FOUNDER
SHARES.***

(MAY 2015)

QUESTIONS

***CAN EQUITY SHARES WITH DIFFERENTIAL
VOTING RIGHTS BE ISSUED?***

***IF YES, STATE THE CONDITIONS UNDER
WHICH SUCH SHARES MAY BE ISSUED?***

(MAY 2018)

QUESTIONS

WHAT IS THE LAW AND PROCEDURE FOR ISSUING A DUPLICATE SHARE CERTIFICATE UNDER THE PROVISIONS OF THE COMPANIES ACT, 2013 IN CASE THE ORIGINAL SHARE CERTIFICATE IS LOST OR DESTROYED? (NOV 2011)

QUESTIONS

STATE THE REASONS FOR THE ISSUE OF SHARES AT PREMIUM OR DISCOUNT. ALSO WRITE IN BRIEF THE PURPOSES FOR WHICH THE SECURITIES PREMIUM ACCOUNT CAN BE UTILIZED? (JAN 2021)

QUESTIONS

“V” THE TRANSFERRE, ACQUIRED 300 EQUITY SHARES OF ABC LIMITED FROM “S” THE TRANSFEROR.

BUT THE SIGNATURE OF ‘S’ THE TRANSFEROR, ON THE TRANSFER DEED WAS FORGED. ‘V’ AFTER GETTING THE SHARES REGISTERED BY THE CO. IN HIS NAME AND SUBSEQUENTLY SOLD 250 SHARES TO ‘X’ ON THE BASIS OF THE SHARE CERTIFICATE ISSUED BY ABC LTD. ‘V’ AND ‘X’ WERE NOT AWARE OF THE FORGERY.

EXPLAIN THE RIGHTS ‘S’ ‘V’ AND ‘X’ AGAINST THE COMPANY WITH REFERENCE TO THE AFORESAID EQUITY SHARES UNDER THE PROVISIONS OF THE COMPANIES ACT,2013. (NOV 2016)

QUESTIONS

STATE WHETHER THE FOLLOWING STATEMENT IS TRUE OR FALSE AND GIVE REASONS-

A PUBLIC COMPANY CAN ISSUE EITHER REDEEMABLE OR IRREDEEMABLE PREFERENCE SHARES. (MAY 2008)

QUESTIONS

A PUBLIC COMPANY PROPOSES TO ISSUE “SWEAT EQUITY SHARES” TO ITS EMPLOYEES. REFERRING TO THE PROVISIONS OF THE COMPANIES ACT, 2013, STATE THE CONDITIONS REQUIRED TO BE FULFILLED BY THE COMPANY. (MAY 2008)

QUESTIONS

***A PUBLIC COMPANY PROPOSES TO ISSUE
“SWEAT EQUITY SHARES” TO ITS
EMPLOYEES. REFERRING TO THE PROVISIONS
OF THE COMPANIE ACT,2013,STATE THE
CONDITIONS REQUIRED TO BE FULFILLED BY
THE COMPANY. (MAY 2008)***

QUESTIONS

Abc Ltd Is A Public Company Incorporated In New Delhi. The Bod Of The Co. Wants To Bring A Public Issue Of Rs.1,00,000 Equity Shares Of Rs. 10 Each. The Bod Has Appointed An Underwriter For This Issue For Ensuring The Minimum Subscription Of The Issue. The Underwriter Advised The Bod That Due To Current Economic Situation Of The Country It Would Be Better If The Co. Offers These Shares At A Discount Of Rs.1 Per Share To Ensure Full Subscription Of This Public Issue. The Bod Agreed To The Suggestion Of Underwriter And Offered The Shares At A Discount Of Rs. 1 Per Share. The Issue Was Fully Subscribed And The Shares Were Allotted To The Applicants In Due Course . (NOV 2020)

QUESTIONS

EXPLAIN THE MEANING OF “TRANSMISSION OF SHARES” UNDER THE COMPANIES ACT , 2013. IN WHAT WAYS IS “TRANSMISSION OF SHARES” DIFFERENT FROM “TRANSFER OF SHARES”. (MAY 2006)

QUESTIONS

STATE WHETHER THE FOLLOWING STATEMENT IS TRUE OR FALSE AND GIVE REASONS-

A TRANSFERRE BECOMES A MEMBER OF THE COMPANY WHEN THE INSTRUMENT OF TRANSFER IS SUBMITTED WITH THE CO. (NOV 2009)

QUESTIONS

A CO. REFUSES TO REGISTER TRANSFER OF SHARES MADE BY MR. X TO MR.Y . THE CO. DOES NOT EVEN SEND A NOTICE OF REFUSAL TO MR. X OR MR.Y RESPECTIVELY WITHIN THE PRESCRIBED PERIOD. HAS THE AGGRIEVED PARTY ANY RIGHT(S) AGAINST THE COMPANY FOR SUCH REFUSAL ? ADVICE AS PER THE PROVISIONS OF THE COMPANIES ACT, 2013.

(NOV 2015)

QUESTIONS

HARSH PURCHASED 1000 SHARES OF SINGHANIA LTD FROM PRATIK AND SENT THOSE SHARES TO THE CO. FOR TRANSFER IN HIS NAME. THE CO. NEITHER TRANSFERRED THE SHARES NOR SENT ANY NOTICE OF REFUSAL OF TRANSFER TO ANY PARTY WITHIN THE PERIOD STIPULATED IN THE COMPANIES ACT,2013.

WHAT IS THE TIME FRAME IN WHICH THE CO. IS SUPPOSED TO REPLY TO TRANSFERRE?

DOES HARSH, THE TRANSFERRE HAVE ANY REMEDIES AGAINST THE CO. FOR NOT SENDING ANY INIMATION IN RELATION OF SHARES TO HIM? (MAY 2018)

QUESTIONS

**STATE WITH REASONS WHETHER THE FOLLOWING STATEMENT IS
CORRECT OR NOT-**

**ISSUE OF DEBENTURE WITH VOTING RIGHTS IS NOT PERMISSIBLE.
(MAY 2010)**

QUESTIONS

***CAN A COMPANY LIMITED BY SHARES OR GUARANTEE AND HAVING
SHARE CAPITAL REDUCE ITS SHARE CAPITAL?
(MAY 2013)***

QUESTIONS

BOD OF PQR LTD WANTS TO CREATE A “DEBENTURE REDEMPTION RESERVE” FOR THE REDEMPTION OF DEBNTURES ISSUES BY THE COMPANY UNDER THE PROVISIONS OF THE COMPANIES ACT, 2013. EXPLAIN THE PROVISIONS OF THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014 IN THIS REGARD. (MAY 2015)

QUESTIONS

STATE WHETHER THE FOLLOWING STATEMENT IS CORRECT OR INCORRECT-

DEBENTURES WITH VOTING RIGHTS CAN BE ISSUED ONLY, IF PERMITTED BY THE AOA.

(MAY 2015, NOV 2017, NOV 2016)

QUESTIONS

DIMINUTION OF SHARE CAPITAL DOES NOT CONSTITUTE A REDUCTION WITHIN THE MEANING OF COMPANIES ACT, 2013. STATE IN WHAT RESPECT THEY DIFFER FROM EACH OTHER. (NOV 2015)

QUESTIONS

***WHAT ARE THE PROVISIONS OF THE COMPANIES ACT, 2013 RELATING TO THE APPOINTMENT OF “DEBENTURE TRUSTEE” BY A COMPANY?
(NOV 2016)***

QUESTIONS

EXPLAIN PROVISIONS FOR “APPOINTMENT OF TRUSTEE FOR DEPOSITORS” UNDER THE COMPANIES ACT, 2013. (MAY 2018)

QUESTIONS

STATE WHETHER THE FOLLOWING STATEMENT IS CORRECT OR INCORRECT-

RIGHT SHARES ARE THOSE SHARES WHICH ARE ISSUED BY NEWLY FORMED COMPANY. (MAY 2017)

QUESTIONS

WHAT DO YOU MEAN BY 'PARI PASSU' CLAUSE IN DEBENTURE.

STATE THE PARTICULARS THAT ARE REQUIRED TO BE FILED WITH ROC IN CASE SUCH DEBENTURES ARE SECURED BY WAY OF CHARGE ON CERTAIN IMMOVABLE ASSETS OF COMPANY. (NOV 2017)

QUESTIONS

WHICH FUND MAY BE UTILIZED BY PUBLIC LIMITED COMPANY FOR PURCHASING (BUYBACK) ITS OWN SHARES? ALSO EXPLAIN THE PROVISIONS OF THE COMPANIES ACT, 2013 REGARDING THE CIRCUMSTANCES IN WHICH A CO. IS PROHIBITED TO BUYBACK ITS OWN SHARES? (MAY 2019)

QUESTIONS

GERMAN PHARMACEUTICALS LIMITED IS A ZERO DEBT COMPANY HAVING 10 LAKHS EQUITY SHARES OF RS. 10 EACH. THE DIRECTORS DESIRE TO BUYBACK ITS OWN SHARES. CAN IT DO SO? IS OS, HOW? (MAY 2007)

QUESTIONS

***ADJ COMPANY LIMITED DECIDED TO BUYBACK ITS OWN SHARES .
ADVISE THE COMPANY'S BOARD OF DIRECTORS ABOUT THE SOURCES
OUT OF WHICH THE COMPANY CAN BUYBACK ITS OWN SHARES. WHAT
CONDITIONS ARE ATTACHED TO THE BUYBACK SCHEME OF THE
COMPANY IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES
ACT, 2013. EXPLAIN. (NOV 2007)***

QUESTIONS

WHETHER A COMPANY CAN BUYBACK ITS OWN SHARES? DISCUSS THE LEGAL PROVISIONS AS REGARDS TO THE CONDITION FOR BUYBACK CONTAINED IN THE COMPANIES ACT, 2013. (NOV 2013)

QUESTIONS

ABC LTD HAS FOLLOWING BALANCES IN THEIR BALANCE SHEET AS ON 31ST MARCH'2018-

1	EQUITY SHARE CAPITAL (3.00 LAKHS EQUITY SHARES OF RS.10 EACH)	30.00 LACS
2	FREE RESERVES	5.00 LACS
3	SECURITIES PREMIUM PATEL	3.00 LACS
4	CAPITAL REDEMPTION RESERVE ACCOUNT	4.00 LACS
5	REVALUATION RESERVE	3.00 LACS

DIRECTORS OF THE CO. SEEKS YOUR ADVISE IN FOLLOWING CASES-

- I. **WHETHER THE CO. GIVE BONUS SHARES IN THE RATIO OF 1:3**
 - II. **WHAT IF CO. DECIDE TO GIVE BONUS SHARES IN THE RATIO OF 1:2?**
- (NOV 2018)**

QUESTIONS

X. LTD ISSUED A NOTICE ON 1ST FEB, 2018 TO ITS EXISTING SHAREHOLDERS OFFERING To Its Existing Shareholders Of Ring To Purchase One Extra Share For Every 5 Shares Held By Them. The Last Date To Accept The Offer Was 15th 2018 Only Mr Kavi Has Given An Application To Renounce The Shares Offered To Him In Favour Of Mr Ravi Who Is Not A Shareholder Of The Company. Examine The Validity Of Application Of Mr Kavi Under The Provisions Of The Companies Act 2013 Would Your Answer Difference Mr Kavi Is A Shareholder Of X Ltd.? (NOV 2019)

QUESTIONS

XYZ Unlisted Company Passes Special Resolution In The General Meeting On January 5th 2019 To Buy Back 30% Of Its Own Equity Shares The Articles Of Association Empowers The Company To Buy Back Its Own Shares.

Earlier The Company Has Also Passed Special Resolution To Buy Back Its Own Shares On January 15th 2018 . The Company Further Decided That The Payment For Buyback Be Made Out Of The Proceeds Of The Companies Earlier Issue Of Equity Share In The Light Of The Provisions Of The Companies Act 2013-

- 1)decide Whether The Company Is Proposal Is An Order***
- 2) What Will Be Your Answer If Buyback Offer Date Is Revised From January 5th 2019 To January 25th 2019 And Percentage Of Buyback Is Reduced From 30 % To 25% Keeping The Source Of Purchase As Above. (Nov 2019)***

QUESTIONS

The Authorised Share Capital Of SSP Limited Is Rupees 5 Crore Divided Into 50 Lacs Equity Shares Of Rupees 10 Each The Company Issued 30 lakhs equity Shares For Subscription Which Was Fully Subscribed . The Company Called So far Rs 8 per Share And It Was Paid Up. Later On The Company Propose To Reduce The Nominal Value Of Equity Shares From Rupees 10 Each To Rupees 8 each And To Carry Out The Following Proposal -

- a. Reduction In Authorised Capital From Rupees 5 Crore Divided Into 50 lakhs Equity Shares Of Rupees 10 Each To Rupees 4 Crore Divided Into 50 Lacs Equity Shares Of Rupees 8 Each***
- b. Conversion Of 30 lakhs Partly Paid Up Equity Shares Of Rupees 8 Each To Fully Paid-up Equity Shares Of Rupees 8 Each Thereby Relieving The Shareholders From Making For The Payment Of Rupees 2 Per Share***

State The Procedures To Be Followed By The Company To Carry On The Above Proposal Under The Provisions Of The Companies Act 2013. (Nov 2020)

QUESTIONS

HEAVY METALS LTD WANTS TO PROVIDE FINANCIAL ASSISTANCE TO ITS EMPLOYEES TO ENABLE THEM TO SUBSCRIBE FOR CERTAIN NO. OF FULLY PAID SHARES.

CONSIDERING THE PROVISIONS OF THE COMPANIES ACT, 2013. WHAT ADVICE WOULD YOU GIVE TO THE CO. IN THIS REGARD? (RTP)

QUESTIONS

ELUCIDIATE THE CIRCUMSTANCES IN WHICH A COMPANY CANNOT BUYBACK ITS OWN SHARES AS PER THE PROVISIONS OF THE COMPANIES ACT 2013, M/S GROWMORE PHARMA LTD IS PLANNING TO BUYBACK ITS SHARES DURING THE CURRENT YEAR BUT THE CO.HAS DEFAULTED IN THE PAYMENT OF TERM LOAN & INTEREST THEREON TO ITS BANKERS. THE CO. SEEKS YOUR ADVISE AS TO HOW AND WHEN THE CO. CAN BUYBACK ITS SHARES UNDER THESE CIRCUMSTANCES AS PER THE PROVISIONS OF THE COMPANIES ACT,2013. (NOV 2014)

QUESTIONS

DJA COMPANY LTD DESIROUS OF BUYING BACK OF ALL ITS EQUITY SHARES FROM THE EXISTING SHAREHOLDERS OF THE COMPANY, SEEKS YOUR ADVISE. EXAMINING THE PROVISIONS OF THE COMPANIES ACT,2013 ADVISE WHETHER THE ABOVE BUYBACK OF EQUITY SHARES BY THE CO. IS POSSIBLE. ALSO STATE THE SOURCES OUT OF WHICH BUYBACK OS AHRES CAN BE FINANCED. (MAY 2008)

QUESTIONS

THE BOD OF XYZ PRIVATE LTD , A SUBSIDIARY OF SRN LIMITED, DECIDED TO GRANT A LOAN OF RS.2.00 LAKH TO P, THE FINANCE MANAGER OF THE COMPANY GETTING SALARY OF RS,30,000 PER MONTH TO BUY 400 PARTLY PAID UP EQUITY SHARE OF RS.1000 EACH OF XYZ LTD . EXAMINE THE VALIDITY OD BOARD'S DECISION WITH REFERENCE TO PROVISIONS OF THE COMPANIES ACT,2013 (NOV 2010)

QUESTIONS

XYZ Company Limited At A General Meeting Of Members Of The Company Passed Ordinary Resolution To Buy Back 30% Of Its Equity Share Capital. The Articles Of The Company And Empower The Company For Buyback Of Equity Shares. The Company Further Decides That The Payment For Buyback Be Made Out Of The Proceeds Of The Companies Earlier Issue Of Equity Shares.

Explaining The Provisions Of The Companies Act 2013 And Stating The Sources Through Which The Buyback Of Companies On Share Be Executed.

- Whether Companies Proposal Is In Order ?***
- Will Your Answer Be Still The Same Interest The Company Instead Of 30% Decide To Buy Back Only 20% Of Equity Share Capital? (Nov 2016)***

QUESTIONS

***ABC Company Limited Is Holding 46% Of Total Equity Shares In SBS Company Limited
The Board Of Directors Of SBS Company Limited Incorporated On January 1st 2014
Decided To Raise The Share Capital By Issuing For The Equity Shares.***

***The Board Of Directors Resolved Not To Offer Any Shares To Abc Company Limited
On The Ground That It Was Already Holding A High Percentage Of The Total Number
Of Shares Already Issued In SBS Company Limited.***

***The Articles Of Association Of SBS Company Limited Provide That The New Shares
Be Offered To The Existing Shareholders Of The Company On March 1st 2014 New
Shares Were Offered To All The Shareholders Except ABC Company Limited.***

***Referring To The Provisions Of The Companies Act 2013 Exam In The Validity Of The
Decision Of The Board Of Directors Of SBS Company Limited Of Not Offering Any For
The Shares To Abc Company Limited (May 2017)***

QUESTIONS

MN Limited Is Engaged In The Manufacture Of Consumer Goods And Has Got A Good Brand Value Over The Years It Has Built A Good Reputation And Its Balance Sheet As At March 31st 2017 Shows The Following Position-

Authorised Capital

(25,00,000 Equity Shares Of Face Value Of Rupees 10 Each)- Rs. 2,50,00,000)

Issued subscribed and paid up capital

(10,00,000 Equity Shares Of Face Value Of Rs. 10 Each , Fully Paid Up) - 1,00,00,000

free Reserves Rs 3,00,00,000

The Board Of Directors Are Proposing To Declare A Bonus Issue Of One Share For Every Two Shares Held By The Existing Shareholders The Board Wants To Know The Conditions And The Manner Of Issuing Bonus Shares Under The Provisions Of The Companies Act 2013 Advice (Nov 2017)

QUESTIONS

A Limited Has An Authorised Share Capital Of 10 Lakh Equity Shares Of The Face Value Of Rs. 100 Each Some Of The Shareholders Express Their Opinion In The Annual General Meeting That It Is Very Difficult For Them To Trade In The Shares Of The Company In The Share Market And Requested The Company To Reduce The Face Value Of A Share To Rupees 10 And Increase The Number Of Shares To 1 Crore. Examine Whether The Request Of The Shareholder Is Possible And It's So How The Company Can Alter Its Share Capital As Per The Provisions Of The Companies Act 2013 (Nov 2017)

QUESTIONS

Shyam Dairy Limited A Dairy Products Manufacturing Company Wants To Set Up A New Processing Unit At Jaipur . Due To Paucity Of Funds The Existing Shareholders Are Not Willing To Fund For Expansion And The Company Approach Xyz Limited For Subscribing To The Shares Of The Company For Expansion.

***Can Shyam Dairy Limited Issue Shares Only To Xyz Limited Under The Provisions Of The Companies Act 2013?
If So, State The Conditions (2017 Nov)***

QUESTIONS

Xgen Ltd Has A Paid-up Equity Capital And Free Reserves To The Extent Of 50,00,000 The Company Is Planning To Buy Back Shares To The Extent Of 450000 .

The Company Approaches Used For Advice With Regard To The Following –

Is Special Resolution Required To Be Passed ?

What Is The Time Limit For Completion Of Buyback ?

What Should Be The Ratio Of Aggregate That's To The Paid Up Capital And Free Reserves After Buyback? (May 2018)

QUESTIONS

London Limited At A General Meeting Of Members Of The Company Past And Ordinary Resolution To Buy Back 30% Of Its Equity Share Capital .

The Articles Of The Company Empower The Company For Buyback Of Shares Explain The Provisions Of The Companies Act 2013 Examine-

1)whether Companies Proposal Is An Order

2)would Your Answer Be Still The Same In Case The Company Instead Of 30% Decide To Buy Back Only 20% Of Its Equity Share Capital (Jan 2021)

QUESTIONS

***The BOD Of Rajesh Exports Limited A Subsidiary Of Manish Limited Decide To Grant A Loan Of Rupees 302006 Manager Of Manish Limited Getting Salary Of 40,000 For Month To Buy 500 Partly Paid Up Equity Shares Of Rupees 2008 Of Rajesh Export Limited.
Examine The Validity Of Board's Decision With Reference To The Provisions Of The Companies Act 2013. (Jan 2021)***

QUESTIONS

Earth Limited Public Company Of The New Sales For The Issue Of Shares To Person Other Than The Existing Shadow Days Of The Company Explain The Conditions When Shares Can Be Issued And To Persons Others Than Existing Shareholders . Discuss Whether This Shares Can Be Offered To The Preference Shareholders(Rtp)

MULTIPLE CHOICE QUESTIONS

SHARES & DEBENTURES ARE JOINTLY REFERRED AS -

A. SHARE CAPITAL

B. SECURITIES

C. BONUS SHARES

D. DIVIDEND

MULTIPLE CHOICE QUESTIONS

SHARES DEPICT IN A COMPANY-

- A. NO RISK AND REWARD
- B. RETURN ON INVESTMENT
- C. ONWERSHIP INTEREST WITH ENTREPRENEURIAL RISK & REWARDS
- D. VOTING RIGHTS

MULTIPLE CHOICE QUESTIONS

DEBENTURES DEPICTS IN A COMPANY

- A. LENDER IS INTEREST WITH LIMITED RISK & REWARDS
- B. ENTREPRENEURIAL RISK AND REWARDS
- C. OWNERSHIP INTEREST WITH UNLIMITED RISK AND REWARDS
- D. NO. OF EQUITY SHARES AND PREFERENCE SHARES

MULTIPLE CHOICE QUESTIONS

SHARES AND DEBENTURES ARE PRESENTED ON THE

- A. ASSET SIDE OF THE ISSUER CO. & LIABILITY SIDE OF THE LENDER
- B. LIABILITY SIDE OF THE ISSUER CO. & ASSET SIDE OF THE LENDER
- C. ASSET SIDE OF THE ISSUER CO. & ASSET SIDE OF THE LENDER
- D. LIABILITY SIDE OF THE ISSUER CO. & LIABILITY SIDE OF THE LENDER

MULTIPLE CHOICE QUESTIONS

LEGAL PROVISIONS RELATED TO THESE INSTRUMENTS ARE COVERED IN-

A. CHAPTER IV OF THE COMPANIES ACT 2013

B. CHAPTER IV OF THE COMPANIES ACT 1956

C. CHAPTER VI OF THE COMPANIES ACT 1956

D. CHAPTER V OF THE COMPANIES ACT 2013

MULTIPLE CHOICE QUESTIONS

ACCORDING TO ___ BROADELY, THERE ARE TWO KINDS OF SHARE CAPITAL OF A COMPANY LIMITED BY SHARES-

A. SECTION 51

B. SECTION 49

C. SECTION 43

D. SECTION 30

MULTIPLE CHOICE QUESTIONS

PREFERENCE SHARE CAPITAL HAVE

A. PREFERENTIAL RIGHTS

B. VOTING RIGHTS

C. DIFFERENTIAL RIGHTS

D. HUMAN RIGHTS

MULTIPLE CHOICE QUESTIONS

THE _____ OF A COMPANY, AUTHORISES THE ISSUE OF SHARES WITH DIFFERENTIAL RIGHTS AT A ___ OF SHAREHOLDERS

A. AOA, GENERAL MEETING

B. MOA, AGM

C. CERTIFICATE OF INCORPORATION, EGM

D. MEMORANDUM OF UNDERSTANDING,
GENERAK MEETING

MULTIPLE CHOICE QUESTIONS

THE SHARES WITH DIFFERENTIAL VOTING RIGHTS SHALL NOT EXCEED __ PERCENT OF THE TOTAL POST ISSUE PAID UP EQUITY SHARE CAPITAL

A. 25%

B. 27%

C. 25%

D. 26%

MULTIPLE CHOICE QUESTIONS

ACCORDING TO __ WHERE A CO. ISSUES EQUITY SHARES WITH DIFFERENTIAL RIGHTS , THE REGISTER OF MEMBERS ARE MAINTAINED UNDER

A. RULE 4(7), SECTION 87

B. RULE 4(6), SECTION 88

C. RULE 4(6), SECTION 87

D. RULE 4(7), SECTION 88

MULTIPLE CHOICE QUESTIONS

PHYSICAL ENTITLEMENT TO A PARTICULAR PORTION OF SHARE CAPITAL IS ____ EVIDENCED BY WAY OF A SHARE CERTIFICATE

A. PRIMA FACIE

B. UNCLEAR

C. BONAFIDE

D. MALAFIDE

MULTIPLE CHOICE QUESTIONS

NOWADAYS, MOST OF THE LOSTED SHARES ARE HELD IN

- A. MANUAL FORMAT
- B. DIGITAL FORMAT
- C. OPEN SOURCE FORMAT
- D. ELECTRONIC FORMAT

MULTIPLE CHOICE QUESTIONS

AT PRESENT, THERE ARE ___ DEPOSITORIES IN INDIA

A. 2

B. 3

C. 4

D. 5

MULTIPLE CHOICE QUESTIONS

_____ ARE HELD BY INVESTORS IN THEIR RESPECTIVE ACCOUNTS WITH THE DP

A. PHYSICAL SECURITIES

B. DEMATERIALIZED SECURITIES

C. DERIVATIVE SECURITIES

D. DEBT SECURITIES

MULTIPLE CHOICE QUESTIONS

_____ GOVERNS THE VOTING RIGHTS OF MEMBERS

A. SECTION 47

B. SECTION 48

C. SECTION 49

D. SECTION 50

MULTIPLE CHOICE QUESTIONS

VOTING RIGHT OF MEMBERS HOLDING PREFERENCE SHARE CAPITAL ON A POLL SHALL BE IN PROPORTION TO HIS SHARE IN THE

A. PAID UP PREFERENCE SHARE CAPITAL OF THE CO.

B. PAID UP EQUITY SHARE CAPITAL OF THE CO.

C. BOTH (A) & (B)

D. NONE

MULTIPLE CHOICE QUESTIONS

VOTING RIGHTS FOR SECURITIES ARE BASED ON-

A. CLASS OF SHARES

B. THE MONETARY VALUE OF INVESTMENT AT FACE VALUE

C. BOTH (A) & (B)

D. ONE PERSON ONE VOTE

MULTIPLE CHOICE QUESTIONS

THE CO. SHALL WITHIN ____ DAYS OF THE DATE OF ORDER OF THE TRIBUNAL , FILE
C O P Y T H E R E O F W I T H T H E R E G I S T R A R

A. 30

B. 40

C. 28

D. 23

MULTIPLE CHOICE QUESTIONS

CALLS ARE MADE BY CO. ON SECURITY HOLDERS TO PAY THE AMOUNT CALLED UP IN RESPECT OF -

A. PARTLY PAID UP SECURITIES

B. PAID UP SHARES

C. BOTH (A) & (B)

D. UNPAID SHARES

MULTIPLE CHOICE QUESTIONS

AS PER SECTION ___ THESE CALLS HAVE TO BE UNIFORMLY MADE AND THERE SHOULD BE NO DIFFERENTIATION FOR A GIVEN CLASS OF SECURITY HOLDERS

A. 50

B. 49

C. 51

D. 48

MULTIPLE CHOICE QUESTIONS

AS PER SECTION ____ IF AUTHORISED BY THE ARTICLES , A CO. CAN KEEP ADVANCE SUBSCRIPTION OR CALL MONEY RECEIVED IN ADVANCE

A. 51

B. 49

C. 50

D. 52

MULTIPLE CHOICE QUESTIONS

AS PER SECTION ___ THE CO. COULD PROPORTIONATE DIVIDENDS IN PROPORTION TO AMOUNT PAID ON EACH SHARE

A. 51

B. 50

C. 49

D. 52

MULTIPLE CHOICE QUESTIONS

WHEN A SECURITY OF A GIVEN FACE VALUE IS ISSUED AT A PRICE ___ THAN TO ITS FACE VALUE, THE ISSUE IS CALLED AS PREMIUM

A. HIGHER

B. LOWER

C. EQUAL

D. BELOW

MULTIPLE CHOICE QUESTIONS

WHERE THE ISSUE PRICE IS ___ TO THE FACE VALUE , THE ISSUE IS REGARDED AS DISCOUNT

A. LOWER

B. HIGHER

C. ABOVE

D. EQUAL

MULTIPLE CHOICE QUESTIONS

ACCORDING TO SECTION ___ A COMPANY SHALL NOT ISSUE SHARES AT DISCOUNT, EXCEPT IN THE CASE OF AN ISSUE OF SWEAT EQUITY SHARES GIVEN UNDER SECTION ___ OF THE COMPANIE ACT,2013

A. 53,54

B. 54,53

C. 52,53

D. 54,55

MULTIPLE CHOICE QUESTIONS

EMPLOYEE MEANS

- A. A PERMANENT EMPLOYEE OF THE CO. WHO HAS BEEN WORKING IN INDIA OR OUTSIDE INDIA
- B. A DIRECTOR OF THE CO. WHETHER A WHOLE TIME DIRECTOR OR NOT.
- C. BOTH (A) AND (B)
- D. NEITHER (A) AND (B)

MULTIPLE CHOICE QUESTIONS

___ OF THE COMPANIES ACT, 2013 DEALS WITH THE TRANSFER AND TRANSMISSION OF SECURITIES OF A MEMBER IN THE COMPANY

A. SECTION 56

B. SECTION 59

C. SECTION 58

D. SECTION 57

MULTIPLE CHOICE QUESTIONS

WHERE ANY DEPOSITORY PARTICIPANT WITH AN INSTRUCTION TO DEFRAUD A PERSON HAS TRANSFERRED SHARES, IT SHALL BE LIABLE UNDER ___ OF THE COMPANIES ACT, 2013 WITH THE LIABILITY MENTIONED UNDER THE

A. SECTION 447. DEPOSITORIES AT 1996

B. SECTION 448. DEPOSITORIES AT 1996

C. SECTION 446. DEPOSITORIES AT 1956

D. SECTION 447. DEPOSITORIES AT 1956

MULTIPLE CHOICE QUESTIONS

 OF THE COMPANIES ACT , 2013 DEALS WITH THE PROCESS OF THE CO. TO BE FOLLOWED BY ON REFUSAL TO REGISTER THE TRANSFER OF SECURITIES

A. SECTION 56

B. SECTION 57

C. SECTION 59

D. SECTION 58

MULTIPLE CHOICE QUESTIONS

___ OF THE COMPANIES ACT . 2013 PROVIDES THE PROCEDURE FOR THE RECTIFICATION OF REGISTER OF MEMBERS AFTER THE TRANSFER OF SECURITIES

A. SECTION 58

B. SECTION 56

C. SECTION 59

D. SECTION 57

MULTIPLE CHOICE QUESTIONS

ACCORDING TO ___ AUTHORISED CAPITAL "NOMINAL CAPITAL" MEANS SUCH CAPITAL AS IS AUTHORISED BY THE MEMORANDUM OF COMPANY TO BE THE MAXIMUM AMOUNT OF SHARE CAPITAL OF THE CO.

A. SEC 2 (8)

B. SEC 2 (64)

C. SEC 2 (86)

D. SEC 2 (7)

MULTIPLE CHOICE QUESTIONS

___ DEFINED "PAID UP SHARE CAPITAL" MEANS SUCH AGGREGATE AMOUNT OF MONEY CREDITED AS PAID UP AS IS EQUIVALENT TO THE AMOUNT RECEIVED AS PAID UP IN RESPECT OF SHARES ISSUED-

A. SECTION 2(8)

B. SECTION 2(64)

C. SECTION 2(86)

D. SECTION 2(15)

MULTIPLE CHOICE QUESTIONS

ACCORDING TO ___ "SUBSCRIBED CAPITAL" MEANS SUCH PART OF THE CAPITAL WHICH IS FOR THE TIME BEING SUBSCRIBED BY THE MEMBERS OF A COMPANY

A. SECTION 2(64)

B. SECTION 2(86)

C. SECTION 2(15)

D. SECTION 2(8)

MULTIPLE CHOICE QUESTIONS

___ STATES THAT CALLE UP CAPITAL MEANS SUCH PART OF THE CAPITAL, WHICH HAS BEEN CALLED FOR PAYMENT

A. SECTION 2(15)

B. SECTION 2(64)

C. SECTION 2(86)

D. SECTION 2(8)

MULTIPLE CHOICE QUESTIONS

ACCORDING TO ___ OF THE COMPANIES ACT, 2013 A LIMITED CO. HAVING A SHARE CAPITAL MAY ALTER ITS CAPITAL PART IN MOA

A. SECTION 61

B. SECTION 62

C. SECTION 63

D. SECTION 64

MULTIPLE CHOICE QUESTIONS

SECTION 63 SAYS THAT A CO. MAY ISSUE FULLY PAID UOP BONUS SHARES TO ITS MEMBERS IN MANNER OF-

A. ITS FREE RESERVES

B. THE SECURITIES PREMIUM ACCOUNT

C. THE CAPITAL REDEMPTION RESERVE A\C

D. ALL THE ABOVE

MULTIPLE CHOICE QUESTIONS

___ OF THE COMPANIES ACT, 2013 PROVIDES THE POWER OF A COMPANY TO PURCHASE ITS OWN SECURITIES SUBJECT TO CERTAIN CONDITIONS-

A. SECTION 68

B. SECTION 67

C. SECTION 66

D. SECTION 65

QUESTIONS

The Board of Directors are proposing to declare a bonus issue of 1 share for every 2 shares held by the existing shareholders.

The balance sheet of Frontline Limited showed the following positions as at 31st March 2022:

(i) Authorized Share Capital (50,00,000 equity shares of ₹ 10 each)	₹ 5,00,000
Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of ₹ 10 each, fully paid-up)	
(iii) Free Reserves	₹ 2,00,00,000
(iv) Securities premium account	₹ 50,00,000
Capital Redemption Reserve	₹ 25,00,000
	₹ 25,00,000

The Board wants to know the conditions of issuing bonus shares under the provisions of the Companies Act, 2013. Also explain, whether the company may proceed for a bonus issue.

(MAY 23)

QUESTIONS

Innovative Ltd., a start-up by a few qualified professionals, which was incorporated in 2014. The company is booming and favoring the younger generation to work. The Capital Structure of the company is as follows:

Particulars	INR (Crore)
Authorised Share Capital 100,00,000 Equity Shares of ₹ 10 each	10.00
Issued, Subscribed and Paid-up Share Capital 50,00,000 Equity Shares of ₹ 10 each	5.00
Share Premium	1.00
General Reserve	3.52
Profit & Loss Account	1.58

The company decided to issue 30% sweat equity shares to a class of directors and permanent employees to keep them motivated and partner in growth. Lock-in period for sweat equity will

“The Resolution specifies 15 lakh sweat equity shares, Current Market price ₹ 25 per share with a consideration of ₹ 5 per share to be issued to a class of directors and employees.”

The company seeks your advice with reference to the provision of issue of sweat equity shares under the Companies Act, 2013.

(i) Whether size of issue of sweat equity shares was appropriate?

(ii) Whether lock-in period was justifiable?

(MAY 23)

QUESTIONS

Satvikya Private Limited was formed on 25th April, 2020. At the time of formation, it had provided in its articles that the company shall not be permitted to accept or keep advance subscription or call money in advance. However, in the August 2023, the need was felt to amend the articles with respect to retention of calls-in-advance.

Decide whether the provision inserted in the articles at the time of formation of the company, can be considered as void?

(NOV'23)

QUESTIONS

Shree Limited has an Authorized Capital of 10,00,000 equity shares of the face value of ₹ 100 each. Some of the shareholders expressed their opinion in the Annual General Meeting that it is very difficult for them to trade in the shares of the company in the stock market and requested the company to reduce the face value of each share to ₹ 10 and increase the number of shares to 1,00,00,000. Examine, whether the request of the shareholders is considerable, as per the provisions of the Companies Act, 2013.

(NOV'23)

QUESTIONS

Anika Limited has an Authorized Capital of 10,00,000 equity shares of the face value of ₹100 each. Some of the shareholders expressed their opinion in the Annual General Meeting that it is very difficult for them to trade in the shares of the company in the stock market and requested the company to reduce the face value of each share to ₹10 and increase the number of shares to 1,00,00,000. Examine, whether the request of the shareholders is considerable and if so, how the company can alter its share capital as per the provisions of the Companies Act 2013?

(NOV'22)

QUESTIONS

The Board of Directors of SRD Limited, an unlisted public company, engaged in the business of manufacturing of two wheelers; intend to issue debentures in order to finance its project of electric scooter manufacturing. The company seeks your advice regarding the maximum amount of debentures it can issue to raise the desired funds.

The company has provided the following abstracts from its financial statements ended on 31st March, 2022:

Authorised Share Capital:	₹
1,00,000 Nos. of Equity Shares of ₹100 each	1,00,00,000
Subscribed and Paid-up Share Capital:	
40,000 Nos. of Equity Shares of ₹ 100 each, fully paid-up.	40,00,000
Share Premium Reserve	50,00,000
General Reserve	30,00,000
Balance in Profit and Loss Account	20,00,000
Capital Reserve (profit on sale of Fixed Assets)	30,00,000
8% Non-Convertible Debentures	30,00,000
9.5% Term Loan from XYZ Bank Limited for purchase of Plant and Machinery (Repayment starts after 1 year moratorium period)	20,00,000
Short-term Cash Credit Loan from XYZ Bank Limited	50,00,000
<i>(On hypothecation of stock and receivables of the Company, repayable on demand)</i>	

Referring to and analyzing the relevant provisions of the Companies Act, 2013, advise the company presenting the necessary calculations:

(i) The amount that can be raised by the company by issuing debentures and the resolution, if any, is required to be passed in the General Meeting of the Company in respect of the same?

(ii) What will be your answer in case the above company desired to issue debentures with an option to convert such debentures into shares?

(NOV'22)

QUESTIONS

As per the financial statement as at 31.03.2021, the Authorized and Issued share capital of Manorama Travels Private Limited (the Company) is of ₹ 100 Lakh divided into 10 Lakh equity shares of ₹ 10 each. The subscribed and paid-up share capital on that date is ₹ 80 Lakh divided into 8 Lakh equity shares of ₹ 10 each. The Company has reduced its share capital by cancelling 2 Lakh issued but unsubscribed equity shares during the financial year 2021-22, without obtaining the confirmation from the National Company Law Tribunal (the Tribunal). It is noted that the Company has amended its Memorandum of Association by passing the requisite resolution at the duly convened meeting for the above purpose. While filing the relevant e-form the Practicing Company Secretary refused to certify the form for the reason that the action of the Company reducing the share capital without confirmation of the Tribunal is invalid. In light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are requested to

(i)examine, the validity of the decision of the Company and contention of the practicing Company Secretary and
(ii)state, the type of resolution required to be passed for amending the capital clause of the Memorandum of Association.

(MAY 22)

QUESTIONS

SKS Limited issued 8% ₹ 1,50,000; Redeemable Preference Shares of ₹ 100 each in the month of May, 2010, which are liable to be redeemed within a period of 10 years. Due to the Covid-19 pandemic, the Company is neither in a position to redeem the preference shares nor to pay dividend in accordance with the terms of issue. The Company with the consent of Redeemable Preference Shareholders of 70% in value, made a petition to the Tribunal [NCLT] to accord approval to issue further redeemable preference shares equal to the amount due. Will the petition be approved by the Tribunal in the light of the provisions of the Companies Act, 2013?

Can the company include the dividend unpaid in the above issue of redeemable preference shares?

(MAY 22)

QUESTIONS

Following is the extract of the Balance sheet Beltex Ltd. as on 31st March, 2020:

Particulars		Amount (₹)
Equity & Liabilities		
(1) Shareholder's Fund		
(a) Share Capital:		
Authorized Capital:		
10,000, 12% Preference Shares of ₹ 10 each	1,00,000	
1,00,000 equity shares of ₹ 10 each	10,00,000	<u>11,00,000</u>
Issued & Subscribed Capital:		
8000, 12% Preference Shares of ₹ 10 each fully paid up		80,000
90,000 equity shares of ₹ 10 each, ₹ 8 paid up		7,20,000
(b) Reserve and Surplus		
General Reserve	1,20,000	
Capital Reserve	75,000	
Securities Premium	25,000	
Surplus in statement of P&L	<u>2,00,000</u>	<u>4,20,000</u>
(2) Non-Current Liabilities:		
(a) Long-term borrowings:		
Secured Loan: 12% partly convertible Debenture @ ₹ 100 each		5,00,000

On 1st April, 2020 the company has made final call at ₹ 2 each on 90,000 Equity Shares. The call money was received by 25th April, 2020. Thereafter, the company decided to capitalize its reserves by way of bonus @ 1 share for every 4 shares to existing shareholders.

Answer the following questions according to the Companies Act, 2013, in above case:

(A) Which of the above-mentioned sources can be used by company to issue bonus shares?

(B) Calculate the amount to be capitalized from free reserves to issue bonus shares?

(C) If the company did not ask for the final call on April 1st, 2020.

Can it still issue bonus shares to its members?

(DEC '21)

QUESTIONS

State the provisions of the Companies Act, 2013 for the issue of bonus shares by a listed company:

- (i) Can a company declare bonus shares in lieu of dividend?**
- (ii) Is bonus shares same as stock dividend?**

(ICSI – JUNE'23)

QUESTIONS

Question 11.

Mr. Raj who is a resident of Bengaluru, sent a Transfer Deed for registration of transfer of shares, to the company at the address of its registered office in Delhi. He did not receive the share certificates even after the expiry of six months from the date of dispatch of transfer deed. He lodged a criminal complaint in the court at Bengaluru. Decide under the provisions of the Companies Act, 2013, whether the court at Bengaluru is competent to take action in the said matter?

(ICSI – JUNE 23)

QUESTIONS

The Board of directors of ZED Ltd. (Listed Company) is actively considering a proposal to buy back its shares. Naveen has recently joined the Board as an Additional Director. You are the senior partner of a firm of Company Secretaries and Naveen has sought your views, if there is any requirement for filing Declaration of Solvency by the company with any regulatory authority and particulars thereof. Also, what would be the time gap between two buy-backs. Advise Naveen in the light of the provisions of the Companies Act, 2013.

(ICSI – DEC 22)

QUESTIONS

Comment on the following –

Every holder of securities of a company may, at any time, nominate any person to whom his securities shall vest in the event of his death.

(ICSI – JUNE 22)