CS Professional
Company Secretarial Practice (Objective Compilation)
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Multiple Choice Questions:

1) On incorporation of a company, the Registrar of Companies in addition to the Certificate of Incorporation, issues a unique identification number called –
  (a) Unique corporate number
  (b) Corporate identification number
  (c) Company identification number
  (d) Unique identification number

Ans.) (b) Corporate identification number

2) An Indian public company holds 80% of the paid-up share capital of a company incorporated at a place outside India. Is the annual statement of the latter company required to be attached to the annual statement of the former company pursuant to Section 212 –
  (a) No, as it is foreign company.
  (b) No. as the format of the annual accounting statement is not as per Schedule VI of the Companies Act, 1956.
  (c) Yes

Ans.) (c) Yes

3) A company in which 50.25% of shares are held by one State Government while the rest of the shares are held by private sector companies and by retail shareholders i.e., members of public, is a –
  (a) Government company
  (b) Public company
  (c) Corporation
  (d) Private sector company

Ans.) (b) Public company

4) The Central Government may exempt any class of companies from complying with the provisions of Schedule VI of the Companies Act, 1956, if it is necessary to grant such exemption in the –
  (a) National interest
  (b) Public interest
  (c) Social interest
  (d) Company' interest

Ans.) (b) Public interest

5) Global Ltd. has the paid-up equity capital structure – Central Government: 38%; State Government: 10%; Subsidiary of a Government Company: 17.50%; and retail shareholders remaining shares. Which of the following classes of companies would it belong to –

(a) Government company
(b) Non-government company
(c) Deemed public company
(d) Deemed private company

Ans.) (a) Government company

6) Contracts made after incorporation of a public company, but before issue of the certificate of commencement of business are –

(a) Provisional contracts
(b) Post-incorporation contracts
(c) Preliminary contracts
(d) Contracts in the normal course of business.

Ans.) (a) Provisional contracts

7) The applicant for the availability of name of the proposed company can have option to give maximum –

(a) 3 Alternative names
(b) 4 Alternative names
(c) 5 Alternative names
(d) 6 Alternative names

Ans.) (d) 6 Alternative names [As per latest e-Form 1A]

8) Which one of the following sections of the Act specifies that the provision of the Companies Act, 1956 override the provisions in the memorandum of association –

(a) Section 2
(b) Section 4
(c) Section 9
(d) Section 13

Ans.) (c) Section 9

9) The rights attached to the shares of any class may be varied with the consent in writing of the holders of the issued shares of that class having not less than –

(a) 1/3 of the shareholding
(b) ½ of the shareholding
(c) ¾ of the shareholding
(d) 2/3 of the shareholding

Ans.) (c) ¾ of the shareholding

10) Where title in shares of a company is in dispute, the matter has to be resolved by –

(a) Court
(b) Arbitrator
(c) Company Law Board
(d) Central Government

Ans.) (a) Court

11) In case of buyback of shares by a listed company, the letter of offer to the shareholders shall be dispatched not earlier than –

(a) 10 days from its submission to the SEBI in draft form
(b) 15 days from its submission to the SEBI in draft form
(c) 21 days from its submission to the SEBI in draft form
(d) 30 days from its submission to the SEBI in draft form

Ans.) (c) 21 days from its submission to the SEBI in draft form

12) The majority required in a shareholders' meeting to approve a scheme of arrangement is simple majority of shareholders holding at least –

(a) $3/4^{th}$ in value of the shares
(b) $2/3^{rd}$ in value of the shares
(c) $9/10^{th}$ in value of the shares

Ans.) (a) $3/4^{th}$ in value of the shares

13) The audit committee of a listed company shall meet at least –

(a) 3 times in a year
(b) 4 times in a year
(c) 5 times in a year
(d) 6 times in a year

Ans.) (b) 4 times in a year

14) Non-executive directors of a public company may get remuneration on quarterly basis if such basis of payment is approved by/under –

(a) Articles of association of the company
(b) General meeting of the company
(c) Central Government
(d) Schedule XIII of the Companies Act, 1956

Ans.) (c) Central Government

15) As per Companies Act, 1956, the maximum number of directors a private limited company which is subsidiary of a public company, can have without approval of the Central Government is –

(a) 10
(b) 11
(c) 12
(d) 13

Ans.) (c) 12

16) A director appointed by the Board to hold the office until the conclusion of next annual general meeting is known as –

(a) Additional director
(b) Alternate director
(c) Nominee director
(d) Director retiring by rotation

Ans.) (a) Additional director

17) The minimum number of directors of the audit committee in the case of a listed company with 12 directors shall be –

(a) 2 Directors
(b) 3 Directors
(c) 4 Directors
(d) 5 Directors

Ans.) (b) 3 Directors

18) The maximum age limit for directors in case of private companies is –

(a) 65 years
(b) 20 years
(c) 75 years
(d) None of the above

Ans.) (d) None of the above

19) A member of the ICSI in practice shall be deemed to be guilty of professional misconduct if he issues compliance certificates/ signs annual return in aggregate in a calendar year for more than –

(a) 20 Companies
(b) 50 Companies
(c) 80 Companies
(d) 100 Companies

Ans.) (c) 80 Companies

20) A person who is Company Secretary and director of a company is –

(a) Employee director
(b) Non-executive director
(c) Executive director
(d) Independent director

Ans.) (c) Executive director

21) Statutory auditor of a company in which the Central Government holds 49% and a government company holds 19% of the paid-up share capital of the company, shall be appointed by the –

(a) Central Government
(b) Members of the company in the AGM by passing ordinary resolution
(c) Members of the company in the AGM by passing a special resolution
(d) By the Comptroller and Auditor General of India.

Ans.) (d) By the Comptroller and Auditor General of India

22) The appointment of a statutory auditor under section 224A is with reference to 25% of –

(a) Paid-up capital
(b) Issued capital
(c) Subscribed capital
(d) Only equity capital

Ans.) (c) Subscribed capital

23) A casual vacancy arising out of resignation of company's auditor can be filled by–

(a) Company in general meeting by ordinary resolution
(b) Company in general meeting by special resolution
(c) Board of Directors
(d) Audit committee

Ans.) (a) Company in general meeting by special resolution

24) A High Court has exclusive jurisdiction in respect of the matters covered by –

(a) Section 211
(b) Section 232
(c) Section 292A
(d) Section 391

Ans.) (d) Section 391

25) The number of scrutineers to be appointed by the Chairman of a general meeting is –

(a) 3
(b) 2
(c) 1
(d) 4

Ans.) (b) 2

26) A special notice is required for –

(a) Removal of a member
(b) Removal of the Company Secretary
(c) Removal of a nominee director
(d) None of the above

Ans.) (d) None of the above

27) A notice of disclosure of interest at the Board meeting is the requirement of section –

(a) 295
(b) 269
(c) 297
(d) 299

Ans.) (d) 299

28) As per the provisions of the Companies Act, 1956, the form of proxy must be deposited with the company at least –

(a) 24 Hours before the time of AGM
(b) 36 Hours before the time of AGM
(c) 48 Hours before the time of AGM
(d) 72 Hours before the time of AGM

Ans.) (c) 48 Hours before the time of AGM

29) In a listed company with 11 directors, what is the quorum for the Board meeting –

(a) 2 Directors
(b) 3 Directors
(c) 4 Directors
(d) 5 Directors

Ans.) (c) 4 Directors

30) As per the rules framed under section 205A(3) relating to use of past reserves for payment of dividend should retain in the reserves an amount not less than–

(a) 25% of the paid-up share capital of the company

(b) 20% of the paid-up share capital of the company
(c) 15% of the paid-up share capital of the company
(d) 10% of the paid-up share capital of the company

Ans.) (c) 15% of the paid-up share capital of the company

31) The aggregate of the contributions to any political party or for any political purpose to any person by a company in any financial year shall not exceed–

(a) 2% of its average net profits determined in accordance with the provisions of Section 349 and 350 during the five immediately preceding financial years.
(b) 5% of its average net profits determined in accordance with the provisions of Section 349 and 350 during the five immediately preceding financial years.
(c) 7.4% of its average net profits determined in accordance with the provisions of Section 349 during the five immediately preceding financial years.
(d) 10% of its average net profits determined in accordance with the provisions of Section 349 read with Section 350. The average profit is to be calculated by reference to preceding three financial years.

Ans.) (b) 5% of its average net profits determined in accordance with the provisions of Section 349 and 350 during the five immediately preceding financial years.

32) Annual return of a company having share capital is to be filed with the Registrar of Companies in e-form –

(a) 20A
(b) 20B
(c) 25A
(d) 25B

Ans.) (b) 20B

33) In winding-up by the court, the statement of affairs has to be submitted within –

(a) 15 days from the date of winding-up order
(b) 21 days from the date of winding-up order
(c) 30 days from the date of winding-up order
(d) 90 days from the date of winding-up order

Ans.) (b) 21 days from the date of winding-up order

34) When a default occur under Section 421 and/or 422 in respect of receiver regarding filing of periodic accounts and/or making of reference of statements about the appointment of receiver, he company and every officer in default shall be punishable with–

(a) A monetary fine which may extend to Rs. 5,000
(b) A monetary fine which may extend to Rs. 2,000
(c) A monetary fine which may extend to Rs. 5,000 and imprisonment upto 6 months

Ans.) (b) A monetary fine which may extend to Rs. 2,000

35) On liquidation of company, the preferential payment in respect of salary or wages is restricted to –

(a) Rs. 10,000
(b) Rs. 20,000
(c) Rs. 50,000
(d) Rs. 75,000

Ans.) (b) Rs. 20,000

36) On striking off the name of a company considered defunct, the Registrar of Companies is required to –

(a) Publish notice thereof in official gazette
(b) Inform the State Government
(c) Inform the Central Government
(d) Inform the Ministry of Corporate Affairs

Ans.) (a) Publish notice thereof in official gazette

37) While issuance of notice of inspection of books of account of a company by the inspector is not mandatory it is issued at least –

(a) 7 days before the intended date of inspection
(b) 14 days before the intended date of inspection
(c) 21 days before the intended date of inspection
(d) 28 days before the intended date of inspection

Ans.) (b) 14 days before the intended date of inspection

38) The initial disclosure by a director or officer of a listed company under the SEBI (Prohibition of Insider Trading) Regulation, 1992 has to be made within –

(a) 4 days of the concerned person's joining the company
(b) 7 days of the concerned person's joining the company
(c) 15 days of the concerned person's joining the company
(d) 21 days of the concerned person's joining the company

Ans.) (a) 4 days of the concerned person's joining the company

39) The New York Stock Exchange requires that in case of companies listed with it, the required minimum number of independent directors on the Board shall be –

(a) One
(b) Two
(c) Three

Ans.) (b) Two

40) Under the UK Companies Act, to qualify as a small company, the concerned company shall have in a financial year –

(a) A turnover of less than £ 2.5 million with less than 25 employees
(b) A turnover of not more than £ 2.8 million with not more than 50 employees
(c) A turnover of £ 3 million with less than 100 employees
(d) None of the above

Ans.) (b) A turnover of not more than £ 2.8 million with not more than 50 employees

41) As per clause 49 of the listing agreement, the audit committee comprising of five directors must have a minimum of –

(a) 2 independent directors
(b) 3 independent directors
(c) 4 independent directors
(d) 1 independent director

Ans.) (c) 4 independent directors

Fill in the Blanks

1) A user can check the status of transactions by entering the **Service Request Number (SRN)** on website of MCA-21.
2) The relationship of holding and subsidiary companies under the Companies Act, 1956 is determined by either the test of **control of the board** or the test of **holding equity shares**.
3) A producer company, which on registration as such, gets the status of a private company can have more than **50** members but would require at least **10** members who all are individual to seek the resignation.
4) Approval of the **Central Government** is required to be taken for changing the name of the company under Section 21.
5) It is the situation of the **registered office** of the company that decides the jurisdiction of the Court in that company's matters.
6) **Certificate of Incorporation** is the conclusive evidence in case of a company that the statutory requirement have been complied with.
7) Alteration to Articles of Association requires a **special** resolution under section **31** of the Companies Act, 1956.

8) Indian Depository Receipts can be issued by **a company incorporated outside India**.
9) In case the minimum subscription is not received and refund is delayed, **6%** interest is to be paid by a company.
10) The Companies Act, 1956 allows a company to convert its fully paid-up shares into **stock**.
11) In public issue, the facility 'ASBA' stands for **'Application Supported by Blocked Amount'**.
12) Increase in authorized capital of the company permitted by the articles of association requires resolution to be passed under section **94** of the Companies Act, 1956.
13) Buy-back securities should be physically destroyed within **7** days.
14) An individual cannot be director of **more than 15** companies.
15) Security deposit taken by a company from its employees has to be deposited with agencies specified in Section 417 within **15** days of the receipts thereof.
16) In terms of the Naresh Chandra Committee's Report, in calculating the proportion of independent directors in the Board, the nominee directors will be excluded from both the **numerator** and the **denominator**.
17) On the basis of the report of the **Registrar**, the Central Government may appoint a competent person as inspector under Section 235(1).
18) The directors appointed by the principle of **proportional representation** hold office for **3 years** and cannot be removed by the company in general meeting under Section 284.
19) Casual vacancy in the Board may arise from death, **resignation** and **insolvency**. (Mention any two other reasons.)
20) A Company Secretary in whole-time employment is to be appointed by every company whose paid-up capital is **Rs. 5 Crore** and above under Section **383A** of the Companies Act, 1956.
21) The Additional Principal Bench of the Company Law Board is at **Chennai** and the State of Maharashtra has **2** Registrar of Companies.
22) The proceedings of the meeting will be **invalid** if conducted in the absence of quorum.
23) Once a dividend is declared, it must be paid within **30 days**, but unpaid dividend account balance needs to be transferred within 7 years to **Investors Education and Protection Fund**.
24) The declaration of bonus issue in lieu of **dividend** is not permitted.
25) A **Charge Identification Number** is allotted at the time of registration of charge.
26) On satisfaction of charge, intimation is required to be given to the Registrar of Companies in prescribed form **17** duly signed by the company and the concerned financial institution/bank.
27) Particulars of appointment of the managing director is to be filed with the Registrar of Companies in e-Form No. **32**.
28) The petition submitted to the court for reduction of share capital has to be advertised in Form No. 5 at least **14** days before the date fixed by the court for hearing.

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29) Form 23AA relating to keeping of books of account at a place other than the registered office is required to be filed within **7** days with the Registrar of Companies.

30) A copy of the order passed by the Company Law Board is required is required to be filed with the Registrar of Companies in e-form No. **21**.

31) Allotment of equity shares requires e-form **2** whereas increase in authorized capital needs e-form **5 duly stamped**.

32) The principal functions of Secretarial Standards Board of the Institute of Company Secretaries of India are to identify the areas where secretarial standards are required and to **formulate the standards**.

33) While officers of the SEBI can undertake inspection of the books of accounts of only a listed company in respect of matters covered by Section 55A of the Companies Act, 1956 an officer of the Government has unrestricted power of inspection provided he is **authorized by the Central Government**.

34) **Chinese Wall** policy adopted by a company is to prevent the misuse of confidential information in the context of insider trading.

35) **Limited Liability Partnership** is a new for of legal entity recognized in India recently.

True and False/Correct and Incorrect

1) Under MCA-21, payment of fees has to be made only through online mode.

Ans.) Incorrect. Under MCA-21, payment of fees has to be made only through online mode upto Rs 50000/-. Above that amount, payment be made by depositing in bank through system generated challans.

2) No stamp duty on transfer of shares in electronic form (demat mode) is payable.

Ans.) Correct. No stamp duty on transfer of shares in electronic form (demat mode) is payable.

3) Public limited company is the most appropriate form of organization for business.

Ans.) Incorrect. Suitability of the form of organization is not the criteria for a business. Depending upon the requirement of the business, capability of the promoters different forms of business's are selected by the promoters. Where low capital is required, sole proprietorship firm may be suitable. Where minimum capital is required partnership form may be suitable. Where large capital is required, public limited companies are suitable and so on. Similarly where less capital is required and the business is of medium size, private limited companies are suitable. As such it is not that public limited company is the most appropriate form of organization for business.

4) It is not always necessary that a company must hold majority of the nominal value of equity share capital of another company to make the latter company its subsidiary.

Ans.) Correct. It is not always necessary that holding majority shares would be the controlling criteria for a subsidiary company. As per section 4, a company also becomes subsidiary of another company if that other company controls the Board of Directors of that other company.

5) As a private company, by virtue of becoming a subsidiary of a public company, gains the legal status of a public company, it is necessary that such a private company has to amend its articles of association to remove the basic feature of a private company as given in Section 3(1)(iii).

Ans.) Incorrect. The private company which is a subsidiary of a public company is deemed to be a public company for some regulatory process. It need not require changing its articles as there is no such provision in the Companies Act, 1956. The definition of public company does not provide any stipulation to delete the provision of a private company. These provisions are simply not applicable to deemed public company. [Hill Crest Realty v. Hotel Queen Road (P) Ltd. (2006) SLC 41 CLB]

6) An industrial company will be adjudged as sick company only when its accumulated losses in any financial year exceeds 50% of its average net worth during four previous years immediately preceding the financial year..

Ans.) Incorrect. As per Section 2(46AA) of the Companies Act, 1956 “sick industrial company” means an industrial company which has:

(i) the accumulated losses in any financial year equal to fifty per cent, or more of its average net worth during four years immediately preceding such financial year; or

(ii) failed to repay its debts within any three consecutive quarters on demand made in writing for its repayment by a creditor or creditors of such a company.

Accumulated loss is not the sole criterion.

7) The expression ‘body corporate’ appearing in the Companies Act, 1956 does not include a company registered under the Act.

Ans.) Incorrect. As defined in Section 2(7) of the Companies Act, 1956 the expression ‘body corporate’ includes a company registered under the act.

8) A company may get exemption from the provisions of Section 212.

Ans.) Correct. As per Section 212(8) a company may get exemption from the provisions of Section 212 with approval of the Central Government.

9) A public limited company can have equity share capital alone, but it cannot have preference share capital alone.

Ans.) Correct. In terms of Section 85 of the Companies Act, 1956 preference shareholders have certain preferential rights over the equity shareholders. Therefore, a company having no equity share capital cannot have preference share capital.

10) Since an producer company is an innovation, it does not need the word 'limited' at the end of its name.

Ans.) Incorrect. As per Section 581C the word 'Limited' is to be used in the name of a producer company.

11) An individual who has subscribed his name in the memorandum of association of a company is necessarily a promoter of that company.

Ans.) Incorrect. A person who takes initiatives in formation of the company and forms the company is called the promoter. A subscriber to the memorandum may not be promoter. For incorporation of a public company minimum 7 and for private company, minimum 2 persons are required. Besides the promoter, other persons subscribed to the MOA by merely subscribing one share each. As per Section 41 of the Companies Act, 1956 the subscriber to the MOA shall be deemed to be agreed to become members of the company.

12) A company is obliged to send to every member of the company upon his becoming a member a copy each f its memorandum of association and articles of association.

Ans.) Incorrect. As per Section 39 of the Companies Act, 1956 on request of the members and on payment of requisite fee, the company can send to that member copy of its memorandum and articles of association.

13) An article in the articles of association can be amended by the members of the company by passing a special resolution.

Ans.) Correct. As per Section 31 of the Companies Act, 1956 an article in the Articles of Association can be amended by the members of the company by passing a special resolution.

14) A listed company cannot issue sweat equity shares to its promoters.

Ans.) Incorrect. As per Section 79A of the Companies Act, 1956 listed companies can issue sweat equity shares as per SEBI Regulation. As per Regulation 6, sweat equity shares can be issued to promoters.

15) The doctrine of indoor management is not an exception to the rule of constructive notice.

Ans.) Incorrect. As per Section 33 of the Companies Act, 1956, the Memorandum and Articles are required to be registered with the Registrar of Companies. On such registration the documents become public documents, as the office of the Registrar of Companies is a public office. Any person can inspect these documents and take record of any facts paying prescribed fees as provided under Section 610 of the Act. While dealing with any company every person should go through these documents. Even if the person does not read the documents he will be presumed to know the documents. The doctrine of constructive notice is some times too inconvenient for smooth flow of business. Any person dealing with a company need not know how the company is being managed and how its internal machinery is handled by its officers. An outsider is not supposed to know about the internal management of the company.

16) Underwriting an issue of share/debenture is in fact insurance for the issue.

Ans.) Correct. An underwriter is a person who contracts with the company to get the issue subscribed. If any share/debenture is unsubscribed, the underwriter subscribes for that share/debenture. Therefore, underwriting an issue of share/debenture is in fact insurance for the issue.

17) When the Company Law Board is seized of a petition between the parties involving oppression and mismanagement, the winding up proceedings in respect of the company concerned can be entertained by the court and continued.

Ans.) Correct. There is no specific prohibition in the Companies Act, 1956 requiring stay of proceedings of winding up while the CLB is seized of a petition between the parties involving oppression and mismanagement. Similar observation was made in A.K.Puri v. Devi Das Gopal Kishanlal Ltd. (1995) CLAI.

18) Minority shareholder(s) can also be oppressive on majority.

Ans.) Correct. Section 397 of the Companies Act, 1956 does not provide that the oppression should be by the majority shareholders though oppression by majority is common. In many cases oppression by minority have also been seen. The court shall consider the act of oppression and not who is opposed. [Maharashtra Power Development Corporation Ltd. v. Dabhol Power Co. Ltd. (2003) CLA 203]

19) The Company Law Board cannot order reduction of share capital in a proceeding under Section 397 relating to oppression of shareholders.

Ans.) Incorrect. The Company Law Board may in an application for relief, order purchase of any share by the company under Section 397 or 398. This is not reduction of share capital under Section 100 of the Act.

20) In the context of the Company Law Board Regulations, the terms 'petition' and 'application' are not one and the same.

Ans.) Correct. As per CLB Regulation 1991 "Petition" means an application, appeal or complaint in pursuance of which any proceeding, not being an interlocutory proceeding, is commenced by the Bench. "Application" means an application by which an interlocutory proceeding is commenced before a Bench.

21) The principal laid down in the case Foss vs. Harbottle covers both corporate right and personal right of members.

Ans.) Correct. In the case Foss vs. Harbottle the principles of internal management of the company has been laid and gives protection to minority shareholders. It covers both corporate right and personal right of members. (Section 397).

22) A petition is maintainable under Section 630 against legal heirs of the deceased officer for retrieval of the company property.

Ans.) Correct. As per Section 630 of the Companies Act, 1956 if any officer or employee of a company wrongfully obtains possession of any property of a company, or having any such property in his possession, wrongfully withholds it or knowingly applies it to purposes other than those expressed or directed in the articles and authorized by the Act, he shall, on the complaint of the company or any creditor or contributory thereof, be punishable with fine which extend to one thousand rupees.
The Supreme Court in Abhilas Vinod Kumar Jain v. Cox & King's (India) Ltd. (1995) CLA 90 held that petition under Section 630 is maintainable against the legal heirs of the deceased officer/employee for retrieval of company property.

23) The Board of Directors of a company can apply to the court for winding-up without obtaining members approval.

Ans.) Incorrect. As per Section 433, a company may be wound up by the Court, if the company has, by special resolution, resolved that the company be wound up by the Court. The directors are not empowered to do this. However, if an application is made by any director it can be ratified by the members at the general meeting.

24) An 'officer who is in default' in terms of Section 5 does not include a person deemed to be a director under Section 7.

Ans.) Incorrect. When the board acts on the advice of a person who advices not in his professional capacity, such persons is a deemed director of the company and is covered under Section 5 as officer in default.

25) Sitting fee paid to the director for attending Board meeting does not fall within the ceiling on managerial remuneration in terms of Section 198.

Ans.) Correct. Section 198(2) of the Companies Act, 1956 specifically excludes the sitting fee of the directors from the purview of the remuneration.

26) It is mandatory to constitute audit committee in all public limited companies.

Ans.) Incorrect. As per Section 292A it is mandatory to constitute audit committee in all public limited companies having paid up capital not less than Rs 5 Crores.

27) Resignation of a whole-time director shall take effect once it is tendered.

Ans.) Incorrect. Resignation of a whole-time director shall not take effect when it is tendered, as he is employee of the company and bound by the terms of employment.

28) As per relevant rules prescribed under the Companies Act, 1956, a Company Secretary in full-time employment has necessarily to be a member of the Institute of Company Secretaries of India.

Ans.) Incorrect. As per Companies (Appointment and Qualification of Secretary) Rules, 1988 a company having paid up capital of Rs. 5 Crore or more should have a full time Secretary who should be a member of the ICSI. A company having paid up capital of less than Rs 5 Crore should have a full time Secretary possessing any of the qualification mentioned in the said Rules [Section 383(1)].

29) It is incumbent on the statutory auditor of a company to fully incorporate the report of the branch auditor of the company when the accounts of the branch have been audited by another auditor.

Ans.) Incorrect. As per Section 228, the branch auditor shall prepare a report on the accounts of the branch office examined by him and forward the same to the company's auditor who shall in preparing the auditor's report deal with the same in such manner as he considers necessary.

30) While making the statements under the Companies (Auditor's Report) Order, 2003, the auditor cannot skip any specified statement considering that to be inapplicable.

Ans.) Correct. The CARO requires the auditors to make statement on the matters specified in the Rules. If any matter is not applicable to the company, the statement shall state that the matter is not applicable to the company. There is no discretion for the auditor to omit anything required to be given in the report.

31) Annual general meeting of a company cannot be held on a public holiday. Therefore, it cannot be held on Sunday.

Ans.) Correct. As per Section 2(38) "public holiday" means a public holiday within the meaning of the Negotiable Instrument Act, 1881. No day declared by the Central Government to be a public holiday shall be deemed to be such a holiday, in relation to any meeting, unless the declaration was notified before the issue of the notice convening such meeting. Under the N.I. Act, Sunday is a public holiday. As per Section 166 an AGM cannot be held on a public holiday and therefore, cannot be held on a Sunday.

32) Minutes of a Board Meeting must be duly written and signed by the chairman of that meeting within 30 days of conclusion of that meeting.

Ans.) Incorrect. As per Section 193 of the Companies Act, 1956 every company shall cause minutes of all proceedings of every meeting of its Board of Directors to be kept by making within thirty days of the conclusion of every such meeting, entries thereof in book kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialed or signed and the last page of the records of the proceedings of each meting in such book shall be dated and signed in the case of minutes of proceedings of a meeting of the Board by the chairman of the said meeting or the chairman of the next succeeding meeting. The Act does not provide any provision for signing of the minutes within 30 days but only to prepare the minutes within 30 days.

33) None of the power of the Board of directors specified in Section 292(1) can be delegated.

Ans.) Incorrect. As provided in Section 292(1) the Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, a principal officer of the branch office, the powers specified in clauses (c), (d) and (e) like to make calls on shares, buy back of shares, issue of debentures etc. to the extent specified in sub-sections (2), (3) and (4) respectively, on such conditions as the Board may prescribe.

34) A 'District Court' can be vested with a restricted jurisdictional power to deal with the matters in the Companies Act, 1956.

Ans.) Correct. As provided in Section 10(2) of the Companies Act, 1956, the Central Government empower a 'District Court' with a restricted jurisdictional power to deal with the matters in the Companies Act, 1956.

35) Decision taken in an annual general meeting of a company convened by the company after the period prescribed under Section 166 are 'null and void'.

Ans.) Incorrect. Decision taken in an annual general meeting of a company convened by the company after the period prescribed under Section 166 are not 'null and void'. Such action only invites penalty as per Section 168 of the Companies Act, 1956.

36) The eligibility criteria to apply for seeking relief under Section 397, etc., inter alia, provide for holding not less than 20% of the issued share capital of the Company.

Ans.) Incorrect. As per Section 399(1)(a) eligibility criteria to apply for seeking relief under Section 397, etc., inter alia, provide for holding not less than one tenth of the issued share capital of the company.

37) The annual general meeting of a company for the current year as also for the previous year can be held on the same day.

Ans.) Correct. As per Section 166 of the Companies Act, 1956, there must be 1 AGM in each calendar year. The time gap between two meetings shall not exceed 15 months. The Act provides time for holding AGM but there is no provision prohibiting meetings of two AGM holding on the same day. In case of change of financial year of a company, two meetings may be held on the same day.

38) A group of 44 members of a company limited by shares holding in aggregate 2% of the issued share capital of the company cannot under any circumstances apply to the Company Law Board alleging mismanagement of the company. The company has 550 members.

Ans.) Incorrect. As per Section 399(4) of the Companies Act, 1956 the Central Government may, if in its opinion circumstances exist which make it just and equitable so to do, authorize any member or members of the company to apply to the Company Law Board under Section 397 or 398, alleging mismanagement in the company notwithstanding that the minimum number requirements are not fulfilled.

39) A fresh notice of every adjourned meeting is necessary.

Ans.) Incorrect. Fresh notice of every adjourned meeting is not necessary. Where new motion is to be moved or the adjournment is sine die, fresh notice is required.

40) A proxy shall not be entitled to vote on show of hands in a general meeting.

Ans.) Correct. As provided in Section 176 of the Companies Act, 1956 a proxy shall not be entitled to vote except on poll.

41) The non-confirmation of minutes of the meeting by the Board of Directors in the next subsequent meeting does not affect the validity of the decision taken in the previous Board meeting.

Ans.) Correct. As per Section 193 of the Companies Act, 1956 every company shall cause minutes of all proceedings of every meeting of its Board of Directors to be kept by making within thirty days of the conclusion of every such meeting, entries thereof in book kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialed or signed and the last page of the records of the proceedings of each meting in such book shall be dated and signed in the case of minutes of proceedings of a meeting of the Board by the chairman of the said meeting or the chairman of the next succeeding meeting. If default is made in complying with the foregoing provisions of this section in respect of any meeting, the company, and every officer of the company who is in default, shall be punishable with fine which may extend to fifty rupees. There is no provision in the Act for confirmation of the minutes through this practice is followed by many companies. Further, there is a penal provision for non-signing of the minutes. Non-confirmation will not therefore invalidate the decisions taken by the Board.

42) A company is not bound to close its register of members even for a single day.

Ans.) Correct. Section 154 of the Companies Act, 1956 provides for closing of the register of members for specific purposes like entitlement of dividends, right shares or bonus shares. This Section does not provide mandatory closure of the registers. Secretarial Standard 4 also provide no mandatory provision.

43) Interim dividend can be declared out of reserves by a company which has incurred a loss.

Ans.) Incorrect. Section 205(1) empowered the Board of Directors to declare interim dividend. However, such dividend can not be paid out of reserves. As per SS3, final dividend may be paid out of reserves but not the interim dividend.

44) Every company which accepts deposits from small shareholders has to suo motu intimate to the Company Law Board defaults made by it in repayment of such deposits.

Ans.) Correct. Section 58AA provides that a company which accepts deposits from small shareholders has to suo motu intimate to the Company Law Board of the defaults made by it in repayment of such deposits.

45) The expression 'free reserves' for the purpose of Section 372A does not include the balance to the credit of 'Securities Premium Account'.

Ans.) Incorrect. As per explanation given in Section 372A of the Companies Act, 1956 'free reserves' means those reserves which, as per latest audited balance sheet of the company, are free for distribution as dividend and shall include balance to the credit of the securities premium account but shall not include share application money.

46) Provisions of Section 372A do not apply in the case of loan/guarantee by a company to another company in which it is holding 90% of the paid up capital.

Ans.) Incorrect. Provisions of Section 372A do not apply in the case of loan/guarantee by a company to wholly owned subsidiary company. Holding 90% shares in the company does make that company a subsidiary but not a wholly owned subsidiary company.

47) e-Form 10 relates to registration of charges.

Ans.) Correct. e-Form 10 relates to registration of charges arising out of issue of debentures.

48) In a situation where the winding up order for a company has been made by the court and the liquidator has been appointed, it is still permissible to propose a scheme of compromise under Section 391.

Ans.) Correct. As per Section 391, the liquidator, in the case of a company which is being wound up has explicit power to make application for compromise and arrangement.

49) Inspection under Section 209A and investigation under Section 235/237 are the same.

Ans.) Incorrect. Section 209A of the Companies Act, 1956 provides for inspection of the books and accounts and other books and papers by the Registrar of Companies, by authorized officer of the Central Government or by SEBI in respect of matters covered under Section 55A. The person making inspection shall submit his report to the Central Government or SEBI as the case may be. It is not necessary to give the report to the company. Section 237 provides that the Central Government shall appoint inspectors to investigate the affairs of a company if the company by special resolution so requires or the Court by order so directs. The report of the investigation shall be given to the investigating authority and copies shall be given to the company. The scope of inspection is limited but that of the investigation is wider.

50) The Central Government's power under the Companies Act, 1956 go beyond the role of a mere regulator, but stretch to become the ultimate dispute resolution authority for a company.

Ans.) Incorrect. The Central Government is not the ultimate dispute resolution authority for a company. The Company Law Board and the courts are the ultimate authority.

51) An order for conducting investigation of a company having having one lakh equity shares (issued and paid-up) cannot be made by the Company Law Board on the application of just 750 members of that company.

Ans.) Correct. As per Section 235 of the Act, not less than 200 members can make application to the CLB for investigation of the company. In this case 750 members can make the application.

52) 'Insider' cannot deal in the shares of the company concerned.

Ans.) Correct. As provided in Regulation 3 of the SEBI (Prohibition of Insider Trading Regulation) 1992, no insider shall –

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or

(ii) communicate or counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities.

However, nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.

Regulation 3A also provides that no Company shall deal in the securities of any other company or associate of that other company while in possession of any unpublished price sensitive information.

53) The term 'insider' in the context of 'insider trading' means a person who is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have to have access to unpublished price sensitive information in respect of securities of a company. The expression 'person' appearing above is restricted to natural person and judicial person like a company, but excludes firm and other association of persons.

Ans.) Incorrect. As per Regulation 2(h)(ii) of the SEBI (Prohibition of Insider Trading Regulation) 1992 a person deemed to be a connected person if such person is a concern, firm, trust, HUF, company or association of persons where any of the directors or deemed directors or relatives or bankers of the company have more than 10% holding in interest. The term person referred to in Regulation 2(e) read with the\foresaid provisions ensure thatperson includes firm and other associations.

54) The Insider Trading Regulations promulgated by SEBI excludes the auditor of the company from the scope of regulations.

Ans.) Incorrect. As per Regulation 2(g) of SEBI (Prohibition of Insider Trading) Regulation 1992 auditor is included in the definition of "Officer of a company".

55) The trend of concentration of equity ownership in the hands of institutional investors is harmful for corporate entities.

Ans.) Incorrect. The trend of concentration of equity ownership in the hands of institutional investors is not always harmful for corporate entities. FIIs provide capital inflow to the business. They invest to maximize their wealth. They selectively invest and even sale out the equity to make their portfolio profitable. Still they may sometime influence the management decision having major equity holders. In our country, due to strict regulation, FII role in management of the companies where they invest may not as yet possible. In foreign countries, the FIIs sometimes however influence the management.

56) 'One person company' can be registered as a company under the Companies Act, 1956.

Ans.) Incorrect. The Companies Act, 1956 does not provide provisions for one man company. Dr. J.J. Irani Committee on new company law has recommended for one man company.

57) Under the UK Companies Act, 2006, a director of a public company can not be removed before expiry of his term only by special resolution.

Ans.) Incorrect. Under the UK Companies Act, 2006, a director of a public company can be removed before expiry of his term only by ordinary resolution.

58) In terms of Clause 49 of the listing agreement, not less than 40% of the Board of Directors shall consist of independent director.

Ans.) Incorrect. In terms of Clause 49 of the listing agreement, not less than 50% of the Board of Directors shall consist of non-executive directors. Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.